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Rice and the law of supply & demand

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ONE of the anecdotes of the gadfly Celso Cabrera was about the new and very popular President Ramon Magsaysay sneaking incognito to visit Elpidio Quirino (whom he had roundly defeated in the presidential elections) to seek counsel what to do with the runaway prices of rice and other essentials.

The former president began by explaining to the incumbent the law of supply and demand...

"Well, repeal the law of supply and demand!" exclaimed the *aksyon-agad* president.

"No sabes tu, Monching, the law of supply and demand..." and the former president began an Economics 101 explanation what supply and demand is all about.

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IMPOSSIBLE DREAM? Oscar Ileto Volago was never the brightest in Fr. Michael McPhelin's economics class. But against impossible odds, he constructed the $680-million Casecnan Multi-purpose Irrigation and Power Project to build the Pantabangan dam which irrigates 137,000 hectares of farmland, making Nueva Ecija the only all-year green province in the Philippines. I received the following narrative from Oca on the burning issue of the day, which I try to recall as best as memory serves:

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"Today, our consumers are in panic due to rice shortage and high prices in the market. The Palace just approved the importation of rice to be delivered within the month and balance within 45 days. If this happens, the country will be flooded with rice by April, just when the harvest season sets in. This will surely bring down the price of rice to the detriment of our farmers which comprise the large number of our population.

"TIMING IS EVERY THING. But it should be the other way around- low price of rice to the consumers during lean months and high price of rice during the harvest season.

"It is, again, late in the day, but we should have learned learn our lessons. This roller coaster of feast and famine could have been avoided if only we stockpiled enough rice supply in anticipation of the lean season – thereby avoiding sudden and alarming spike in price of our basic staple. We should desist from flooding the market with imported rice during harvest season to allow a good price for our farmers.

"AGRICULTURAL ECONOMICS

• By so doing, farmers will have more money to buy food, shelter, clothing, better education for their children, etc;

• This puts an end to the zigs and zags of the farmers' life and creates a multiplier effect in the economy (employment, jobs and an agro-industrial revolution in our country). In fact, this is one of the best ways to alleviate poverty in our economy – more effective than subsidizing billions of pesos for the 4Ps..

"Unfortunately, we never seem to learn our lesson. Oca suggested to the Department of Agriculture and NFA:

• That proper management in balancing the supply of rice in the market should be applied. Perhaps NFA could concentrate its rice supply in urban areas and less in agricultural areas.

• Give our farmers a very good price for their palay by slowly easing, if not totally stopping, the supply of imported rice in the market during this coming harvest season;

• It serves no purpose and would be suicidal to bring down the price of rice come this harvest season;

• Do not give rice importation franchise to favored farmers cooperatives. DA and NFA should have full control in its rice supply to prevent manipulation and hoarding in the market.

"On other matters, Violago adds a postscript for DA and National Irrigation Administration:

• Authority should now subsidize the construction of high dams throughout the country to stop or at lease minimize floods with untold destruction our palay and properties in low-lying agricultural and urban areas during the rainy season, and

• Release the stored water in their reservoir to our farmers during dry season. This will enable our farmers to plant throughout the year and thus make our country self-sufficient in food and eventually a rice exporting one.

"Rice is our staple food; it is vital that we strike a balance to have enough of it at reasonable price for our consumers and a good price for our farmers during harvest season.

"I understand the NFA today owes the national treasury TWO HUNDRED BILLION PESOS. It is now water under the bridge; but if we had used the money to subsidize the construction of high dams and irrigation canals, we would not be importing rice from Thailand and Vietnam today.

"In the event, we still have time to do the right thing for our people. President Duterte can set things aright to arrest this seasonal importation of rice by constructing essential infrastructure. Given his political will, the International Rice Research Institute in Los Baños can fulfill its mandate to make our country self-sufficient in food."

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* INDUSTRIES - RICE