FOOD PRICE HIKES: NO SIMPLE SOLUTIONS

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IN THEORY, importing food from many sources sounds like a good way to keep rising prices in check — apart from hedging one’s bets against supply disruptions due to, say, natural disasters. But reality is rarely so simple.

With food prices going up around the world, economists point out, diversification will not be enough to avoid inflation in Singapore, which imports about 90 per cent of its edibles.

The theory works only if there is a “disconnect between two markets”, said Forecast’s economist Vishnu Varathan. For instance, if Australia is facing a drought, dairy prices here can be kept stable if imports are still coming in from other regions.

That’s not the case with the brewing Asian rice crisis, however. Noting shortages reported from Cambodia to the Philippines, rice importer Hong Lim Gim Kee said: “How can you negotiate prices?”

Yesterday, the World Bank said that inflation poses a bigger challenge to East Asia than the current credit crisis does. For one, it has led to higher fuel prices — which leads to higher freight costs that could negate cost-savings from food sourced further afield, said a spokesman from the Singapore Cereal Oils Foodstuffs and Native Products Import and Export Association.

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FairPrice — the island’s largest supermarket chain — said it tries to help consumers by being the last retailer to adjust prices. While it raised the prices of three in-house rice brands last Friday from 10 to 15 per cent, it eliminates middlemen costs by importing directly from countries like Thailand and Vietnam, said Mr Tng. FairPrice is also studying setting up budget outlets for the needy, possibly next year.

Likewise, diversifying food sources may also take time. Sheng Siong supermarket will “definitely” look for other rice suppliers, but it could take years to build a working relationship if mutual benefits cannot be found, said its international business development deputy general manager Wong Heng San.

Meanwhile, what Singapore can do seems to have already been done.

According to the Ministry of Trade and Industry, the Government requires all white rice traders to stockpile twice their monthly import quantities. The growth dividends and GST credits to be paid out later this year seems to have already been done.

But increasing food subsidies for the poor, as Assistant Professor Tomoki Fujii of the Singapore Management University’s School of Economics pointed out: “With little control over the price of food it buys from other countries, the Government can let the Singapore dollar appreciate — which is indeed being done.”

Prof Fujii suggested coping with short-term price fluctuations by making long-term contracts with food-exporting countries.

Freezing food prices, like what Thailand is considering, would create a “disastrous situation” with insufficient food to meet demand. But increasing food subsidies for the poor could be considered, he said.

Prof Fujii also mooted the idea of imposing a tax on restaurants for food wastage, with the money going to the poor. Households could also be taxed according to how much waste they generate. But such an idea would be hard to implement, he admitted.