

Trade Policies & Hunger

the impact of trade liberalisation on the Right to Food of rice farming communities in Ghana, Honduras and Indonesia

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TRADE POLICIES AND HUNGER

THE IMPACT OF TRADE LIBERALISATION ON
THE RIGHT TO FOOD OF RICE FARMING COMMUNITIES IN
GHANA, HONDURAS AND INDONESIA

by

Armin Paasch (editor), Frank Garbers and Thomas Hirsch

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LIST OF ABBREVIATIONS

ACAN	Asociación Campesina Nacional
ACP countries	African, Caribbean and Pacific countries
CEPS	Customs, Excise and Preventive Services
AFTA	ASEAN Free Trade Area
ASG	WTO Agreement on Safeguards
ANAMH	National Millers' Association
AoA	Agreement on Agriculture
BANADESA	National Agricultural Development Bank
BIP	Botanga Irrigation Project
BULOG	Badan Urusan Logistik (Logistics Affairs Agency, Indonesia)
CAFTA	Central American Free Trade Agreement
CARNEL	Cooperativa Agropecuaria Regional El Negrito Limitada
CEPIL	Centre for Public Law
CEPAL	Comisión Económica para América Latina y el Caribe
CESCR	(UN) Committee on Economic, Social and Cultural Rights
CET	Common External Tariff
CIS	Commonwealth of Independent States
CSO	Civil Society Organisation
DFID	Department for International Development
DR-CAFTA	Dominican Republic-Central America Free Trade Agreement
DRI-YORO	Integrated Rural Development Project of Yoro
EAA	Ecumenical Advocacy Alliance
EACTSO	Empresa Asociativa de Campesinos de Transformación y Servicios Otoreña
ECOSOC	UN Economic and Social Council
ECOWAS	Economic Community of West African States
ECOWAS CET	Common External Tariff for ECOWAS Member States
EED	German Church Development Service
EPA	Economic Partnership Agreements
EPR	Effective Protection Rate
ERP	Economic Recovery Program
EU	European Union
FAPIM	Farmer's Participation in Irrigation Management
FASDEP	Food and Agriculture Sector Development Policy
FIAN	FoodFirst Information and Action Network
FOB	Free on Board Price
FSPI	Federasi Serikat Petani Indonesia (the Federation of Indonesian Peasant Unions)
GATT	General Agreement on Tariffs and Trade
GIDA	Ghana Irrigation Development Authority
GDP	Gross Domestic Product
GKP	dry harvested paddy (GKP - Gabah Kering Panen)
GLSS	Ghana Living Standard Survey

GPRS	Ghana Poverty Reduction Strategy
GTLC	Ghana Trade and Livelihoods Coalition
Ha	Hectares
HIPC	Initiative for Highly Indebted Poor Countries
HPP	Government procurement price
ICESCR	International Covenant on Economic, Social and Cultural Rights
IFI	International Financial Institutions
IGJ	Institute for Global Justice
IGO	Inter-Governmental Organisation
IHMA	Honduran Institute of Agricultural Marketing
IMF	International Monetary Fund
ISODEC	Integrated Social Development Centre
JICA	Japan International Cooperation Agency
KIP	Kpong Irrigation Project
LMA	Ley de Modernización Agrícola
LoI	Letter of Intent
MCA	Millennium Challenge Account
MOTI	Ministry of Trade and Industry
MOFA	Ministry of Food and Agriculture
Mt	Metric tonnes
NAFTA	North American Free Trade Agreement
NIB	National Investment Bank
NGOs	Non-Governmental Organisations
ODA	Overseas Development Aid
ODI	Overseas Development Institute
PRGF	Poverty Reduction and Growth Facility
Rp	Rupiah
ReF	Right to Food
SAP	Structural Adjustment Programmes
SDR	Special Drawing Rights
SEND Foundation	Social Enterprise Development Foundation of West Africa
SSG	Special Safeguard Measures
STE	State Trading Enterprises
TNC	Transnational Corporation
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
US	United States
USD	United States Dollars
USDA	United States Department of Agriculture
VSFC	Vietnam Southern Food Corporation
WAMTI	Indonesian Farmers' Society Organisation
WTO	World Trade Organisation

INTRODUCTION

Rice production and rice policies have an immediate relevance for food security in the world. Rice is the main source of calories for half of the world's population and the main source of income for two billion people. Although only 6.5 percent of global rice consumption is traded internationally, world trade in rice can have a serious impact on the development of national rice markets.

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The Food and Agriculture Organisation (FAO) has registered 408 cases of import surges for rice in 102 countries between 1983 and 2003, most of them in Africa, the Pacific Islands and Central America. While many studies have raised concern that food security might be seriously affected by import surges or more general increases in imports, few have investigated the actual damage caused to smallholders at the micro-level in terms of incomes, poverty and their ability to feed themselves. Even fewer have analysed such impact from a Human Rights perspective.

The Human Right to Adequate Food is a basic human right for every human being. It is enshrined in Article 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR). For small peasants, who globally represent half of the people affected by hunger, the right to food implies the right to productive resources and an enabling environment which permits them to feed themselves in dignity. More than 150 states have ratified the ICESCR. They are obliged to respect, protect and fulfil the Right to Adequate Food. This refers predominantly, but not only, to people living within their territory. Externally, states at a minimum have to make sure that their policies, such as trade policies, do no harm to the right to food of people living in other countries.

The aim of the present study is to find out whether the Right to Adequate Food of specific rice producing communities in Ghana, Honduras and Indonesia has been negatively affected or violated through specific rice trade policies. The study therefore analyses causal chains, first between sharp increases of rice imports and hunger, malnutrition and food insecurity, and second between these import increases and certain trade and agricultural policies. Possible other factors, such as natural disasters, land tenure arrangements or access to infrastructure are given due attention in order to put the influence of trade policies in context. The case studies also distinguish between the different responsibilities of national governments, external states and intergovernmental organisations (IGOs).

The report is structured in the following way: Chapter 1 describes the content of the Human Right to Adequate Food and the related States' obligations in times of globalisation. Chapter 2 gives a brief introduction to the threats of international rice trade and imports surges or increases for small rice producers. Chapter 3 outlines the approach and methodology adopted in the case studies to investigate the impact on the right to food of the rice producers. Chapters 4 to 6 are the core of the report and present the results of the case studies in Ghana, Honduras and Indonesia. Finally, chapter 7 gives a summary and draws some final conclusions on the full report.

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1. THE RIGHT TO FOOD IN TIMES OF GLOBALISATION

Without food no human being can survive. Access to food that is sufficient and healthy is a basic precondition for all people to fully develop their physical, mental and intellectual capacities and to conduct their life in dignity. It is thus a matter of course that adequate food is a basic human right. The Human Right to Adequate Food is part of Article 25 of the General Declaration of Human Rights of 1948 and Article 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) of the United Nations (UN). This Covenant became effective in 1976. Currently 156 states have ratified this Covenant, giving themselves the obligation to realise the right to adequate food.

1.1 NORMATIVE CONTENT AND STATES' OBLIGATIONS

The General Comment No. 12, the authoritative interpretation by the UN Committee on Economic, Social and Cultural Rights (CESCR)¹ of 1999, defines the normative content of this right as follows:

The right to adequate food is realised when every man, woman and child, alone or in community with others, has physical and economic access at all times to adequate food or means for its procurement.

The General Comment No. 12 puts strong emphasis on the fact that the right to food requires not only access to some food but actually to adequate food:

The *right to adequate food* shall therefore not be interpreted in a narrow or restrictive sense which equates it with a minimum package of calories, proteins and other specific nutrients. The *right to adequate food* will have to be realised progressively. [Italics in original]

In this sense the right to food includes “the availability of food in a quantity and quality sufficient to satisfy the dietary needs of individuals, free from adverse substances, and acceptable within a given culture; the accessibility of such food in ways that are sustainable and that do not interfere with the enjoyment of other human rights.” This means that the right to food is not to be understood in a narrow sense of merely preventing people



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¹ The CESCR is the UN body of independent experts which is in charge of monitoring the implementation of the rights included in the ICESCR on behalf of the UN Economic and Social Council (ECOSOC). The General Comments on these rights, which are published by the CESCR, are widely recognised as authoritative interpretations by member states and often used by national courts.

from dying of hunger. Furthermore, the General Comment No. 12 stresses the interrelatedness of human rights:

Economic accessibility implies that personal or household financial costs associated with the acquisition of food for an adequate diet should be at a level such that the attainment and satisfaction of other basic needs are not threatened or compromised.

The Covenant is ratified by states. For this reason, states are the primary actor obliged to implement the right to food. According to the General Comment No. 12, states have obligations at three levels: respect, protection and fulfilment. This means that states have to first respect, and must not damage or destroy, people's access to food. Secondly, they have to protect people from negative interventions by third parties on their right to food. And thirdly, a state must "take the necessary steps to the maximum of its available resources" in order to fulfil the right to food of those who are currently suffering from hunger.

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The General Comment also makes it clear that the right to food is not simply the right to be fed, but the right to feed oneself, i.e. it includes access to the "means for its procurement", such as land, water or seeds. The right to food thus obliges the state "to strengthen people's access to and utilisation of resources and means to ensure their livelihood, including food security". Especially for those living in rural areas, access to productive resources is a key condition for enjoying the human right to adequate food. However, access to resources alone is not sufficient. People must also be enabled to feed themselves by utilisation of these resources. To this end, states have to develop comprehensive national strategies which, according to the General Comment and the Voluntary Guidelines on the Right to Food of the FAO (FAO 2004), must include five elements: 1) the identification of the groups of people vulnerable to hunger and malnutrition, 2) review of existing legislation and identification of any needs for new legislation, 3) the design and implementation of policies for all vulnerable groups, 4) the monitoring of this implementation and its effectiveness and 5) the provision of mechanisms and procedures for people affected by hunger to seek recourse.

The strategy should address critical issues and measures in regard to *all* aspects of the food system, including the production, processing, distribution, marketing and consumption of safe food, as well as parallel measures in the fields of health, education, employment and social security. (UN CESCR 1999, p. 7) [*Italics in original*]

This means that market and trade systems also have to be taken into account in order to realise the right to adequate food. Fair market conditions are a key part of an enabling environment which states are obliged to create in order to implement the right to adequate food.

1.2 EXTRATERRITORIAL OBLIGATIONS

Traditionally, states' obligations have often referred only to the human rights of people living in their own territory. Indeed, states have stronger obligations towards people within their own territory, because they have a decisive influence on the living conditions of those people. However this does not mean that states do not have to pay attention to the right to food and other human rights of people living in other countries. Especially in times of globalisation, international economic and political relations have intensified considerably. For instance, since the beginning of the 1980s international financial institutions (IFIs) such as the World Bank and the International Monetary Fund (IMF) have had a strong influence on national agricultural policies. Economic and trade policies have been shaped to a large extent by these institutions and, since 1995, by the World Trade Organisation (WTO) as well. Equally, there is no doubt that activities of transnational corporations (TNCs) in the

agricultural sector can have an important impact on the right to food of people in many countries. The human rights system must take into account these important developments and be strengthened to make sure that the policy space of one country to implement the right to food is not limited by another state or intergovernmental organisation (IGO).

The consideration that human rights have an international dimension is not a new one. Article 2 of the ICESCR states that:

Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and cooperation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realisation of the rights recognised in the present Covenant by all appropriate means, including particularly the adoption of legislative measures.

Article 11 on the right to food also stresses the international dimension:

The States Parties will take appropriate steps to ensure the realisation of this right, recognizing to this effect the essential importance of international cooperation based on free consent [...] The States Parties to the present Covenant, recognizing the fundamental right of everyone to be free from hunger, shall take, individually and through international cooperation, the measures, including specific programmes, which are needed.

In the General Comment No. 12, the CESCR states that:

States parties should take steps to respect the enjoyment of the right to food in other countries, to protect that right, to facilitate access to food and to provide the necessary aid when required. States parties should, in international agreements whenever relevant, ensure that the right to adequate food is given due attention and consider the development of further international legal instruments to that end.

This paragraph makes it very clear that states do not only have international human rights obligations towards their own population but also towards people living outside their state borders, and that they have to act according to these obligations during international negotiations, including trade negotiations.

The General Comment No. 12 explicitly mentions the term “international obligations”, putting special emphasis on the role of IFIs.

The international financial institutions, notably the International Monetary Fund (IMF) and the World Bank, should pay greater attention to the protection of the right to food in their lending policies and credit agreements and in international measures to deal with the debt crisis. Care should be taken, in line with the Committee’s General Comment No. 2, paragraph 9, in any structural adjustment programme to ensure that the right to food is protected.

While the existence of the international dimension of Human Rights and even of international obligations is, without any doubt, recognised in international law, there is no clear understanding yet of how far these obligations should reach (Coomans 2005:35f). In order to clarify this international dimension of the right to food, Bread for the World (Germany), the German Protestant Association for Cooperation in Development (EED) and FIAN, in cooperation with other human rights experts and defenders, further developed the concept of “Extraterritorial States Obligations” (ETO) in 2001 (Windfuhr 2005:24-32). Accordingly, states also have obligations under the right to food towards

people living outside their national boundaries. They have to respect, protect and support the fulfilment of the right to food in other countries in their bilateral policies and in their decisions within IGOs. If they cannot actually contribute to progress in realising the right to food in other countries, then they have at least to make sure that their policies do not lead to violations of the right to food in other countries.

As IGOs such as the World Bank and IMF are not members of the ICESCR, they do not have the same formal “obligations” to implement the respective human rights as their member states have. The “obligation” to make sure that IGOs do not violate human rights is with the member states which are part of the human rights treaties. But on the other hand, as IGOs possess international legal personality, they are still subject to international law, including human rights law. Furthermore, reality shows that IGOs often act almost independently from their member states in their policy consultancy. This is why, according to human rights experts and NGOs, these organisations at least have a “responsibility” to respect and promote human rights (see Windfuhr 2005:25-26 and Hausmann 2006:8).

This interpretation of human rights law brought forward by NGOs has gained some considerable support from recognised human rights experts. As Sigrun Skogly from Lancaster University puts it, “in a globalised world, a non-globalised approach to human rights protection is no longer viable” The foundation of this globalised human rights approach is the principle of the universality of human rights:

If we accept universality of rights entitlement, then [...] corresponding obligations should be universal as well. If human rights are breached, it is not in the spirit of universality to argue that this is not a violation as the actors responsible are foreign states rather than the domestic state.

The concept of ETO has been debated among Human Rights experts since then, and has also found increasing recognition among UN Human Rights bodies (see Windfuhr 2005). In his report to the Human Rights Commission in January 2005, the UN Special Rapporteur on the Right to Food, Jean Ziegler, complained that poorer countries are no longer always able to protect their citizens from the effects of decisions taken in other countries. Following the concept of Bread for the World, EED and FIAN, Ziegler states that:

States should respect, protect and support the fulfilment of the right to food of people living in other territories, including through their decisions taken under their roles within WTO, IMF and the World Bank. Governments should ensure coherence at the national and international levels, by putting human rights at the centre of all government policies. (UN 2005:20)



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For Ziegler, the extraterritorial obligation to respect is a “minimum obligation”. “This obligation does not require any resources to be provided. It is rather simply the obligation to ‘do no harm’. It includes refraining from taking decisions within WTO, IMF or the World Bank that can lead to violations of the right to food in other countries”. (UN 2005:16) Respecting the ETO also means

“that Governments should not subsidise agricultural production that will be exported to primarily agrarian developing countries, as it can be seen in advance that the right to food of people living in those countries will be seriously negatively affected as their livelihoods will be destroyed and they will not be able to purchase food, even if the food is cheaper.” (UN 2005: ibidem)

The concept of ETO is rather new and needs further development. Nevertheless, Fons Coomans, Coordinator and Senior Researcher at the Centre of Human Rights at Maastricht University, comes to the conclusion that “international obligations to respect are part of existing human rights law (*de lege lata*), while obligations to protect and to fulfil are still part of the law ‘under construction’ (*de lege ferenda*).” (Coomans 2005:50) As an example of the obligation to respect, he mentions that “states should refrain from promoting trade and producer’s subsidies benefiting their own nationals that may be to the detriment of local traders and producers in developing countries.” (Coomans 2005:45). And it is this minimum extraterritorial obligation to respect the right to food which is often breached through trade policies, as will be shown in the case studies later.

1.3 HUMAN RIGHTS TAKE PRECEDENCE

It is possible for legal obligations from different systems of rights to conflict with each other in international law. In such situations – known as “conflicts of law regimes”, one has to find a balance between the competing state obligations at the national and international levels. However, such considerations are highly problematic when it comes to human rights (FIAN International 2003). For example, limitations on the human right to freedom of election or on freedom of expression could not be justified with a perspective of higher growth rates. Human rights cannot be traded off, and have therefore a special nature – they can never be questioned. This was the conclusion of the UN Conference on Human Rights in Vienna in 1993:

Human rights and fundamental freedoms are the birthright of all human beings; their protection and promotion is the first responsibility of Governments. (UN 1993)

According to the Vienna Declaration, this is not only true for civil and political human rights but also for social human rights. This principle was confirmed in the Concluding Observations of the CESCR on the report presented by Canada on the implementation of the ICESCR in the 2006, with explicit reference to the threats of trade liberalisation:

The Committee reminds the State party that, although trade liberalisation has a wealth-generating potential, such liberalisation does not necessarily create and lead to a favourable environment for the realisation of economic, social and cultural rights. In this regard, the Committee recommends that the State party consider ways in which the primacy of Covenant rights may be ensured in trade and investment agreements and in particular in the adjudication of investor-State disputes under chapter XI of the North American Free Trade Agreement (NAFTA).

The emphasis on the primacy of human rights over trade agreements is clear. During negotiations on trade agreements, every state must ensure that the provisions included do not limit the policy space for the realisation of the right to adequate food in its own territory and abroad. At the same time, no trade agreement or loan conditionality can be a justification for a violation of the right to food. This means that any trade or investment agreements must always be interpreted in a way which does not lead to violations of the right to food and other human rights. And if such an interpretation is not possible, consideration must be given to the revision of the respective trade agreement itself.

2. RICE TRADE LIBERALISATION AS A THREAT TO SMALL PRODUCERS

According to the UN Food and Agriculture Organisation (FAO), “rice is central for food security in the world”. (FAO 2004:8) For half of the world’s population rice is the main source of calories. This is especially the case for Asian countries, where rice has been a staple food for centuries, but increasingly for other regions of the world as well. In parts of Africa, the Near East, Latin America and the Caribbean, rice consumption has also increased both in volume and in proportion of calories.

At the same time, rice growing and processing is the main source of income and employment for around two billion people. For both rice production and consumption, one must emphasise the overwhelming role of small-scale farmers, also known as smallholders or peasants. They usually work on a plot of less than one hectare, and most of them are women. FAO estimates that “about 90 percent of the world’s rice is produced and consumed by small-scale farmers in developing nations.” (FAO 2004:8) These small-scale farmers globally are a group of people traditionally vulnerable to poverty and food insecurity. Hence, the general relevance of problems of rice producers for the global realisation of the right to food (RtF) is evident.

Table 1: Leading Rice-producing, Rice-exporting and Rice-importing Countries in 2005

Rank	Producing	Exporting	Importing
1	China	Thailand	Nigeria
2	India	Vietnam	Philippines
3	Indonesia	India	Iran
4	Bangladesh	United States	Iraq
5	Vietnam	Pakistan	Saudi Arabia
6	Thailand	Egypt	Bangladesh
7	Myanmar	China	China
8	Philippines	Uruguay	Côte d’Ivoire
9	Brazil	Argentina	Senegal
10	Japan	Guyana	European Union

Based on: FAO 2007b:25.

According to the World Bank, international trade in rice has doubled in volume and as a share of consumption since the 1970s and 1980s. But still, global trade in rice only accounts for 6.5 percent of global consumption. Compared to corn, wheat and soybean with 12, 18 and 35 percent respectively traded internationally, this rate is very low. The reason is that most countries are still self-sufficient in rice, largely as a result of state intervention. “The thinness of trade for rice stems primarily from the use of protectionist mechanisms to achieve national policy objectives of domestic food security and support for producer prices and incomes in major rice-producing and -consuming countries.” The

global trade-weighted average tariff on rice was 43.3 percent, according to the World Bank calculations. (World Bank 2005:177-179)

The five biggest rice-producing countries, China, India, Indonesia, Bangladesh and Vietnam, are at the same time the biggest rice-consuming countries. This ranking differs significantly when it comes to the main rice-exporting countries. Most notably, the US is the 4th biggest rice exporter, although it is only the 11th biggest rice producing country. And amazingly, Uruguay, Argentina and Guyana, which are not among the big producers of rice, all rank among the ten biggest rice exporters in the world. Even the EU is the 11th biggest rice exporter (see FAO 2007b:25).

2.1 IMPORT SURGES AND THEIR POLICY REASONS

Despite the relatively low importance of international trade in rice, the aim of increasing international trade has been a dominating trend in international rice policies as well as in many national rice policies for the last 25 years. Liberalisation of imports, exports and prices and the privatisation of services and state trading enterprises are all measures that aim at increasing international trade. Growing rice imports in developing countries have become an important factor, and in some countries one of the most influential factors, for the development of national rice markets and prices. Based on the methodology set out for Special Safeguard measures (SSG) under the WTO Agreement on Agriculture (AoA), FAO has registered 408² cases of import surges for rice between 1982 and 2003

Table 2: Import surges of rice in developing regions and sub-regions*
1983-2003

Region	Number of Countries	Number of Cases
Total in developing regions	92	394
Africa	49	220
<i>West Africa</i>	<i>16</i>	<i>88</i>
<i>Southern Africa</i>	<i>4</i>	<i>16</i>
<i>East Africa</i>	<i>17</i>	<i>61</i>
<i>Central Africa</i>	<i>9</i>	<i>48</i>
<i>North Africa</i>	<i>3</i>	<i>7</i>
South Asia	7	19
South East Asia	9	12
Pacific Islands	7	40
Near East in Asia	5	35
Central America/ Caribbean	12	54
South America	13	14

Based on: FAO 2007:2.

**Analysis covering 92 countries of the groups of Low-Income Food-Deficit Countries (LIFDC), Least Developed Countries (LDC) and Net Food Importing Developing Countries (NFIDC). Countries in CIS and in Eastern Europe have been excluded, as most were not independent nations until the early 1990s.*

2 Table 2, which is based on the same publication of FAO, only mentions 394 cases of rice import surges. The reason for this difference seems to be that the number 408 refers to the period of 1982 to 2003, and the table only covers the period of 1983 to 2003, so the import surges which occurred in 1982 are not counted.

in 102 countries, a number which was topped only by bovine meat (431) and poultry meat (509).³ A “disquieting feature”, according to FAO, is the relative concentration of these import surges in certain developing countries or regions, namely in Western and Central Africa, the Near East and the Pacific Islands. Twenty African countries experienced three or more rice import surges in the short period between 1995 and 2003 (FAO 2007:2).

The reasons for import surges are very complex, both external and domestic, and differ from case to case. However, three factors can be identified as endemic and appear most frequently to be responsible for import surges or increases in imports more generally:

- 1) the liberalisation of imports
- 2) low world market prices
- 3) supply-side constraints in the importing countries.

All these factors are, to a large extent, caused by concrete policy decisions.

1) Liberalisation of imports

An important factor for import surges since the early 1980s has been the liberalisation of imports in developing countries, frequently as a result of external pressure. The World Bank and the IMF especially have pushed many developing countries to open their markets, i.e. to dismantle their non-tariff import barriers and to cut their tariffs on rice imports. It is in the 1980s and 1990s that most tariff reductions for rice occurred as a result of these Structural Adjustment Programmes (SAPs), often imposed as a conditionality to receive loans.

The WTO Agreement on Agriculture (AoA) has reinforced this trend by prohibiting non-tariff barriers and obliging developing countries to reduce the average of bound tariffs for agricultural tariff lines by 24 percent from 1995 to 2004.⁴ In general, the effects of AoA on the protection levels of rice markets have been limited, because in most countries rice tariffs were bound well above the applied tariff levels, so when the bound tariff was reduced it was still higher than the applied tariff. Current negotiations of the AoA in the Doha Development Round, however, could worsen the situation dramatically. According to calculations of Oxfam International, the latest market access proposal of the US would force 25 countries to reduce their bound tariffs to a level below their currently applied tariffs on rice. And even in the case of the less radical EU/G20 proposal, 17 countries would have to reduce their applied tariffs on rice.⁵

More recently, regional and bilateral free trade agreements such as the North American Free Trade Agreement (NAFTA) and the Central American Free Trade Agreement (CAFTA) have been playing an important role in further reducing tariffs. Currently, the negotiations of a Common External Tariff (CET) between the member states of the Economic Community of West African States (ECOWAS) are also threatening the levels of applied tariffs of countries, such as Nigeria for example. The negotiations of Economic Partnership Agreements (EPA) between the EU and the different ACP blocs will subsequently pressure these blocs to cut tariffs. For countries such as Kenya, this is likely to increase imports of US and Asian rice milled in and exported through the UK, adding to the pressure of imports coming from Asia. (Oxfam 2005b: 31)

3 In a more general sense, FAO uses the term of “import surge” referring to the definition in Article 2 of the WTO Agreement on Safeguard: “when a product is imported into a country in such increased quantities, absolute or relative to domestic production, and under such conditions as to cause or threaten to cause serious injury to the domestic industry that produces like or directly competitive products.” More specifically, it defines an “import surge” as occurring “when imports in any one year exceed by 30 percent the three-year moving average of imports” (FAO 2007: 2).

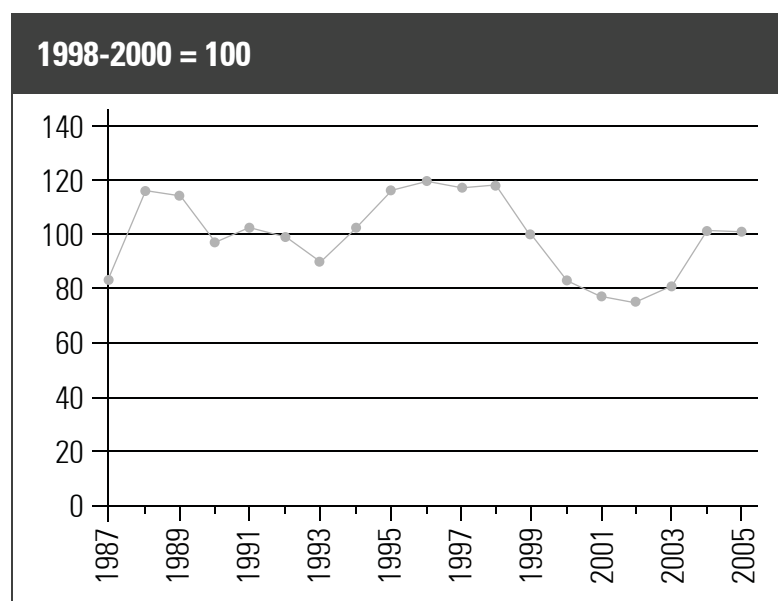
4 Binding a tariff means that a state agrees to set a ceiling level above which it will not raise the tariff. At any particular time, the actual applied tariff may be anywhere between zero and the ceiling level.

5 Both proposals were presented in October 2005.

2) Low world market prices

According to FAO, the main external factors for import surges are the level of world market prices and the extent of competition between the suppliers. For example, between 2000 and 2003, the world market price for rice was exceptionally low. Notably in those years, international trade expanded rapidly and often led to import surges, especially in West African countries such as Cameroon, Côte d'Ivoire and Ghana. "Country case studies undertaken under the FAO Import Surge Project confirmed that since the mid-1990s import surges for rice took place mainly during the period of low world market prices." (FAO 2007:3)

Figure 1: FAO Rice Price Index⁶



Source: FAO 2007:3.

The main reason for low world market prices is the high supply in the world market, at least partly caused by the high levels of support for production, processing and export of rice in developed countries. This high support often leads to overproduction and dumping of exports. Dumping is understood as export at prices below the home market prices, or alternatively at prices below the production costs.⁷

The US alone spent 1.3 billion USD on subsidies for the rice sector in 2003. (Oxfam 2005b: 35f.) According to the US Department of Agriculture (USDA), 57 percent of US rice farms would not be able even to cover their costs without subsidies, counter-cyclical payments, marketing loans and commodity certificates. In addition to this direct support for rice growers, the US provides massive public support, especially to make their exports competitive through export credits. These are basically guarantees which the US provides to overseas importers who buy US crops with credit offered by US banks. In case the importer is not able to pay back the loans, the state steps in, thus covering the major risk for agricultural exporters. All in all, between 2000 and 2003, the average cost for growing and milling rice in the US was 415 USD per Metric tonne. At the same time, as a consequence of state support, the average export price for US rice was only 274 USD per Metric tonne, in other words 34 percent below the production costs. Similar dumping practices are characteristic of the rice sector

⁶ The FAO Rice Price Index is based on the quotations of the 16 largest exporters.

⁷ Following the definition in article 2.1 of the GATT Antidumping Agreement, "a product is considered as dumped, i.e. introduced into the commerce of another country at less than its normal value, if the export price of the product exported from one country to another is less than the comparable price, in the ordinary course of trade [...]". However, Article 2.2 also allows a comparison of the export market prices with the costs of production in the country of origins.

not only in the US, but also in Japan and the EU. They have a negative impact on the levels of world market price and can directly undermine the incomes of local producers in those countries where dumped rice floods the markets.

Low world market prices do not only result from dumping, however. Even in countries where state support is low, export prices can be at a level which undermines domestic prices in importing countries. One example is Viet Nam, which is the third largest exporter even though there is no longer significant production support nor any export subsidy programme. (World Bank 2005:182) FAO emphasises that state trading enterprises in China and India contributed to the world price depression from 2000 to 2003 by trading the overhang of their stocks on the international market. (FAO 2007:3) Whether dumped or not, exports at low prices can have the same detrimental effects on producers of the importing country, when markets are not adequately protected.

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3) Food aid

In extreme situations where sufficient food is not available in an area and markets are not functioning properly, food aid is often an essential component in ensuring food security. However if it is not used with care, food aid can have a damaging impact on the local market and the prices the local producers receive. According to the FAO (2005, p9):

Food aid can depress and destabilize market prices in recipient countries. Food aid that arrives at the wrong time or is poorly targeted is especially likely to destabilize local prices and undermine the livelihoods of local producers and traders upon whom sustainable food security depends.

Issues around food aid are complex, but many of the problems relate to the targeting of the aid. When seeking to ensure that food aid reaches the people who need it and does not just end up as part of the local market, the issue of food aid that is monetised is particularly important. Monetisation is mainly an issue for US food aid, particularly that under Public Law 480, "Food for Peace". Under this programme

Table 3: US Rice Exports and Food Aid from 1990 to 2003
(in 1,000 Metric tonnes)

Fiscal Year	PL 480	Total Rice Exports
1990	276.0	2 501.0
1991	210.0	2 416.0
1992	228.5	2 279.0
1993	198.8	2 710.0
1994	222.0	2 434.0
1995	195.8	3 763.0
1996	178.8	2 826.0
1997	114.9	2 560.0
1998	178.3	3 310.0
1999	541.8	3 066.0
2000	208.7	3 307.0
2001	144.3	3 059.0
2002	241.1	3 537.0
2003	262.5	4 470.0

Source: USDA 2004:108.

private non-governmental organisations (NGOs) based in the US are allowed to sell food commodities in developing countries at low prices, using the revenue to fund their projects. Monetised food aid is entirely untargeted – all of it goes into the local market and none goes directly to the most food insecure people. In 1999, when massive quantities of rice were sent from the US to Honduras as food aid under this programme, more than half of the aid in the programme was monetised (Barrett & Maxwell, p13).

The level of US agricultural subsidies means that Public Law 480 is open to abuse as an instrument for export dumping

and can effectively be a way to dispose of surplus crops. Over the past decade, in years when prices are low, food aid has represented as much as 20 per cent of US rice exports (Oxfam 2005a: 19)

4) Supply-side constraints

Important factors for increased imports or even import surges are shortfalls in domestic production. Governments often react to these supply constraints by increasing imports in order to fill the gap between demand and supply and to keep prices low for consumers. While supply constraints for rice are in fact a major problem in many developing countries and a reason for increased imports, it is important to consider the reasons for these constraints.

While natural disasters or diseases can occasionally be a factor, the main structural factor is the decrease in support for rice producers in developing countries. Support measures provided by the state were reduced dramatically in almost all developing countries during the 1980s and 1990s. These included subsidies for production or inputs such as seeds and fertilisers or machinery, public procurement and price guarantees, credits for small-scale farmers at affordable interest rates and extension services. Most of these cuts were a consequence of privatisation undertaken under the auspices of the World Bank and the IMF. As FAO acknowledges, “other forms of liberalisation often associated with structural adjustment programmes have often contributed to rice import surges through their impact to reduce government support to rice production.” (FAO 2007:5) Honduras, Cameroon and Tanzania, which are mentioned by FAO, are just a few examples. As the case of Honduras shows, natural disasters often hit rice farmers especially hard, because they have already been weakened through earlier structural adjustment. And when liberalisation and natural disasters come together, it often becomes almost impossible for the producers to recover from a crisis.

Another reason for the decline of support to rice producers is the general neglect of agriculture, not only by national governments, but also by international donor assistance. Total aid for agriculture fell by more than two thirds between 1984 and 2002. Agricultural aid as a proportion of total aid fell from 17 percent in the early 1980s to 8 percent by the end of the 1990s (Oxfam 2005b: 32). In the case of US development aid, the rice sector is more affected than others. The US assistance through the Millennium Challenge Account (MCA) for instance, explicitly excludes support for rice production in countries like Ghana. The reason is that domestic rice competes with US exports and support of the Ghanaian rice sector would counter the interests of the US rice sector.

To conclude, meteorological conditions in general and especially natural disasters like droughts, hurricanes or earthquakes can have a huge impact on production and make increased imports or food aid necessary. However, in the long run, the roots of increased imports and even import surges largely lie in agricultural and trade policies. Since the early 1980s the liberalisation policy has opened up the markets of developing countries for imports both from other developing and from developed countries. Dumping policies in developed countries have enhanced overproduction and enabled their companies to export rice at prices below costs of production and/or home market prices. On the other hand, most developing countries have drastically reduced public support for their rice producers, and in many cases this has led to constraints in supply, making it difficult to meet growing demand for rice in their domestic markets. In most cases it is the combination of these factors that leads to increased imports or even import surges and often causes harmful effects on domestic rice production.

2.2 IMPACT ON SMALL PRODUCERS

The effects of these import surges on small rice farmers are not always easy to assess because of the lack of data and the possible interference of other factors. However, it is evident that, in many cases,

they have led to replacements of many producers from their domestic markets. Such consequences are confirmed by FAO for the import surge in Honduras in 1991, which “resulted in much smaller procurement of local paddy by millers and consequent distress suffered by farmers”. And FAO acknowledges that “in the other countries studied, import surges led to lower domestic prices, which hampered rice producers”. In Tanzania, for example, the FAO found an inverse relationship between import volumes and domestic market prices.

But surprisingly, comprehensive and precise information on the effects of import surges, or increased imports more generally, on incomes and livelihoods of small farmers is still relatively poor. International organisations such as the World Bank have so far largely ignored the possible impact this may have on poverty. Most work in this respect has been done by NGOs such as Action Aid, Christian Aid, Oxfam, Third World Network (TWN) and others. Oxfam studies, for example, provide a great deal of evidence that imports have significantly increased poverty among small-scale rice producers in Haiti, Indonesia, Ghana, Honduras and others. (Oxfam 2005b)

As ninety percent of rice producers are small-scale farmers and often belong to the poorest in their societies, there are many reasons to fear a negative impact on food security and their human right to food as well. Rice farmers whose market access is destroyed lose their main source of income and will probably no longer be able to feed themselves and their families adequately at all times. Many of them will have great difficulties to find alternative sources of income, not only in the short term but also in the long run.

2.3 THE CONSUMER ARGUMENT AS LEGITIMISATION FOR LIBERALISATION

The main argument put forward for liberalisation policies and the promotion of international trade of rice is usually the interest of consumers in low prices. Clearly, the interests of consumers are important criteria to consider when shaping right trade policies. However, it is questionable whether liberalisation is the best way to favour the consumers. As stated above, the rice demand of consumers at affordable prices must not necessarily be met with imports, but also through promotion of domestic production, processing and marketing. Furthermore, studies have shown that low import prices are not always reflected in low consumer prices because of market concentration. In Honduras for instance, the top five importers control 60 percent of the trade. While, as a result of market opening, import prices fell by 40 percent between 1994 and 2000, the consumer prices rose by 12 percent. And finally, the “distinction between consumers and producers in developing countries can be largely artificial”. (Oxfam 2005b: 18) As mentioned above, small-scale farmers are not only the main producers of rice in the world, but also the main consumers. Particularly in poor rural regions, the consumers often make up more than 80 percent of the producers. When the source of livelihood of these smallholders is destroyed, they lose the income to benefit as a consumer. They will probably not be able to buy rice even if it is much cheaper than before.

This is why FAO stresses that “governments must calibrate farm and trade policies to keep rice both affordable to consumers and profitable for producers”. (FAO 2004:9) Current debates, however, tend to neglect the producers’ interests and only focus on the apparent interest of consumers. The World Bank, for instance, is asking for a radical liberalisation and expansion of world trade with rice. According to its computations, a total rice trade liberalisation would globally result in an increase of international rice trade by 10-15 percent and a total economic surplus gain of 7.4 billion USD, with 5.4 billion net gains for importing and 2.4 billion for exporting countries. (World Bank 2005:188 and 192) The main reason is, according to the World Bank, that simultaneously, export prices would increase and import prices would decrease dramatically.

However, the World Bank admits that not all countries would benefit to the same extent. Among the exporting countries, the greatest beneficiaries would be China and the United States. Australia would also “benefit greatly” from rice liberalisation. The main losers, on the other hand, would be those importing countries which had already opened their markets before, such as Turkey and Middle Eastern countries like Iran, Iraq and Saudi Arabia, because increasing export prices would be most directly reflected in increasing import prices.

The World Bank also admits that world rice price instability would remain after liberalisation, with serious implications for many poor countries. “Global rice trade liberalisation would make low-income, net rice-importing countries more reliant on world rice trade, likely reducing political and food security.” (World Bank 2005:192) But the distribution of benefits does not only differ from country to country, but also between consumers and producers. “The real story is the large transfers between consumers and producers that lead to these net gains. In importing countries consumers gain 32.8 billion USD, while producers lose 27.2 billion USD.” (World Bank 2005:192)

From a right to food perspective, such an enormous transfer from producers to consumers is highly questionable. By proposing this strategy, the World Bank consciously accepts that millions of small rice farmers in importing countries would lose their income source basically from self-employment, without proposing any credible alternative income source which would permit them to feed themselves.

3. APPROACH AND METHODOLOGY

As we have seen in the previous chapter, import surges and increased imports in general have been increasing competition facing small-scale farmers in many developing countries over the last two or three decades. At the macro-level, studies show that domestic rice production has often diminished compared to imports, both in terms of absolute volumes and market share. In many developing countries, rice production areas have been reduced and many small-scale farmers have already been forced to give up producing any rice at all. These studies also raise the concern that food security might be seriously affected or endangered by these import surges. Surprisingly, however, few studies have investigated in depth the actual damage caused to the rice sector of the importing countries and the impact on small-scale farmers at the micro-level in terms of income, poverty and food security. (Sharma 2005) Still less have they analysed this impact from the perspective of the human right to food.

3.1 RESEARCH QUESTION

The purpose of the present study is to find out whether the right to food of specific rice-producing communities in Honduras, Ghana and Indonesia has been negatively affected or violated through certain rice trade policies. The specific research questions are:

- 1) Have trade policy measures such as dumping or market liberalisation significantly contributed to sharp increases of imports into these countries?
- 2) Did or do these imports have a negative impact on the incomes of the families of small-scale farmers to such a degree that their access to food is destroyed or limited?
- 3) Have the states of Honduras, Ghana and Indonesia breached their legal obligations to respect, protect and fulfil the human right to adequate food of these peasant families through trade and agricultural policies?
- 4) Have other states from the global North breached their extraterritorial obligations to respect the right to food of these communities through unfair dumping practices or through pressuring the national and potentially importing states to open up their domestic markets to imports or to reduce support to the farmers?

3.2 SCOPE, CHALLENGE AND METHODOLOGY

The scope of the case studies includes an overview on the development of rice imports and domestic rice production at a macro-level, and an analysis of the domestic rice policies, including border measures. It involves an analysis of possible dumping practices by countries of origin of rice imports and possible pressure that rich countries may have exerted on Honduras, Ghana and Indonesia, through bilateral or multilateral trade agreements or IGOs, to adopt certain rice trade policies. At the core of the case studies is qualitative analysis of the possible impact of increased rice imports on the incomes, livelihoods and food security in selected rice-producing communities. Finally, the studies conclude with an analysis of states' behaviour from the perspective of the human right to food.

Obviously trade is not the only factor which influences the incomes and food situation of farmers. Even in cases where high rice imports coincide with hunger among rice farmers, the former phenomenon may not be the main reason for the latter. Nor does it necessarily mean that the right to food has been violated through trade policies. The main challenge of the studies is thus the verification of possible causal links first between sharp increases of rice imports and hunger or malnutrition in the communities, and second between high imports and certain trade and agricultural policies. This verification of causal chains up to a violation of the right to adequate food requires a careful assessment of other or additional factors which might have worsened the rice farmers' access to food, such as:

- natural disasters
- violent conflicts or wars
- changes in land tenure arrangements
- deteriorated access to infrastructure, farm inputs, credits or training.

If, alongside changes in trade policies, one or more of these factors has also changed significantly to the detriment of the farmers, the establishment of a causal chain between high import competition and hunger is much more difficult.

Another challenge for the human rights analysis is to distinguish between the responsibilities of different states for these trade policies. For example, market liberalisation and the withdrawal of public support are always implemented by the national states as part of domestic policies. But this does not necessarily mean that the responsibility for these policies rests with these states alone. In many cases, a share of the responsibility is to be attributed to IGOs or other external state actors that might have misused their power to pressure governments to adopt certain policies. Only if we can verify causality and clearly identify state responsibilities are we able to identify a violation of the right to food.

For the economic macro-level analysis in Ghana and Honduras, we did not undertake quantitative research on our own but rather reviewed available data and studies undertaken by international organisations, NGOs and independent researchers. The Indonesia study additionally makes use of cross-tabulation of data by connecting several relevant variables to analyse specific problems and an input-output model to show the impact of trade liberalisation on price stability, production and consumption, employment, and profitability of paddy farming. Furthermore, for all three countries, we collected official documents which allowed a more rigorous analysis of the domestic trade and agricultural policies.

For empirical research, the study uses a qualitative approach, based on semi-structured interviews with experts and government officials, peasants, community leaders and other stakeholders in the rice sector. These interviews were conducted with the help of a questionnaire (see annex 2), which involves three sections: one for experts and government officials, a second for community leaders and a third for peasants. Depending on the information and emphasis placed by interviewees themselves, some of the questions were modified in the course of the research. The qualitative research at the micro-level, combined with a human rights analysis, is the core and main added value of the present studies.

3.3 LEVELS OF ANALYSIS

Based on the reflections described above, the approach of the country case studies involves three levels of analysis, which also structure the reports:

- 1) the context analysis, which includes developments in rice trade and production on a macro-level and the related state policies (both domestic and external state actors);

- 2) the micro-analysis on the community level and
- 3) the human rights analysis which combines the findings on the macro- and micro-level and evaluates them from the perspective of the human right to food.

This analysis includes the behaviour of domestic states, foreign states and intergovernmental organisations.

3.3.1 Context Analysis

The methodology developed in the framework of the FAO Project on Import Surges (FAO 2005 and FAO 2006) is especially helpful in the macro-economic context analysis. The term and definition of “import surges” is not so relevant for the purpose of the present study. A violation of the right to food might have happened even in cases where the WTO criteria of “import surges” are not met. Nor do we have to prove a violation up to a level required according to the WTO Agreement on Safeguards (ASG), as is done in the FAO studies. However, the methodology developed by FAO to analyse possible injuries caused by import surges is, at least partly, very relevant for the human rights based analysis of trade policies. Inspired by this methodology, we developed a data questionnaire for our context analysis (see Annex 1), which mainly involves the following aspects:

- *Imports*

In order to demonstrate harmful effects of market liberalisation (on the macro-level), there must have occurred a meaningful rise of rice imports in volume, in value and/or relative to domestic production and consumption. The study thus requires the collection of data on commercial imports and food aid imports differentiated by countries of origin.

- *Border measures*

The import increases or even surges can only be attached to trade liberalisation policies if they have occurred after such liberalisation measures. Therefore reliable information on the existence, and the lifting of, any market protection measures for rice is required. These include:

- import tariffs
- seasonal or annual bans or tariff quota
- import licensing
- standards and technical requirements
- trade remedy measures such as Special Safeguards of the WTO Agreement on Agriculture (AoA)
- minimum import or reference prices.

- *External trade agreements and conditionalities*

This point is crucial to identify the responsibility of states other than Ghana, Honduras and Indonesia for trade liberalisation measures or even breaches of extraterritorial Human Rights obligations (ETO) under the Right to Food. It is very important to know all relevant multilateral and bilateral trade agreements signed by the respective country and the related obligations (for example bound tariffs under the WTO AoA), Structural Adjustment Programmes (SAP) or similar programmes imposed or agreed as conditions for loans by the IMF and the World Bank related to rice trade.

- *Dumping*

The other possible violation of ETO by foreign governments might result from dumping. This support may include export subsidies for rice, food aid programmes and internal subsidies which eventually increase export volumes and lower the export prices.

- *Domestic production*

At the macro-level, the hypothesis of a harmful effect of an import increase can only be sustained if it has caused a decrease in the level of production in volume and/or production area, or at least hindered a possible increase in production (“material retardation”). The effects might vary by region, depending on the degree of market integration, competitiveness and influx of imports goods. Hence the study requires data on the volume and area of rice production, possibly differentiated by region.

- *Import and domestic prices*

The decrease of domestic consumer and producer prices is supposed to be a key consequence of import surges. This is why it is important to have good data on the development of import prices for paddy and milled rice, and domestic prices for the same products at the level of farms, mills, wholesale and retailing.

- *Market structure and competition*

As a basis for the micro-level analysis, it is important to take into account the market structure for rice. This requires the analysis of specific market segments and a description of the main players along the value chain of rice and their respective market shares, the role of possible state trading enterprises (STEs), the market channels of imported rice, and the identification of markets where imports compete with domestic production.

- *Production costs and state support*

In order to isolate the impact of trade liberalisation, other factors have to be considered as well. Among these factors, the costs of production and the level of state support need special attention. The loss of income might be related to an increase of production costs or a decrease of state support. In particular, this requires information on the availability and the costs of inputs such as seeds, fertilisers, herbicides, pesticides, irrigation, machines (and electricity) and transport (and fuel), access to credits and interest rates, state subsidies and other public support programmes for rice farmers.

Obviously, this list of questions is ambitious, and it is not possible to collect all these data for the three countries in an exhaustive manner. As mentioned above, for Honduras and Ghana, we did not undertake quantitative analysis but took advantage of studies conducted by FAO and other available studies. This information was completed with available data from governments and IGO. The data questionnaire, for all three countries, served as an orientation in the collection of relevant information. It also served as an orientation for the development of the questionnaire for the semi-structured interviews.

3.3.2 Community-Level Analysis

While this study is less ambitious than the FAO Studies at the macro-level, it is nevertheless more challenging because of the additional micro-level analysis on the very concrete impact on specific communities. This micro-level analysis has so far not been addressed in the FAO studies, at least in Honduras and Ghana. For all three countries of interest, specific communities (between one and four per country according to the context) were identified with the support of local NGOs and peasant organisations where a negative impact from rice imports was assumed. The main objective of the micro-level analysis was to investigate the impacts of increased rice imports on the livelihoods and the right to adequate food of rice peasant families.

This impact was studied through semi-structured interviews during field visits of about seven days. The interviews were conducted with focus groups of 15 to 50 peasants and individually with community leaders, peasants and, where possible, millers and market women. In each community, at least five

persons were interviewed individually. The interview partners were identified following the focus group interviews and with the help of community leaders. In order to get a relatively representative picture, interview partners were selected according to several criteria such as gender, age and size of landholding or tenure arrangement.

In order to obtain general background information on the community, leaders were interviewed on the number of inhabitants, the number of small-scale rice farmers, available infrastructure and the history of the community including conflicts and natural disasters. Furthermore, the interviews with the community leaders involved the political and social organisation and land tenure arrangements. They were asked questions on the current organisation of rice production, processing, the type and aim of production, marketing channels and the support for production they are receiving from the state. The aim of these questions was to find out the importance of rice for the incomes of families of small-scale farmers and the community, but also to have a broader picture of the community in order to ensure that important factors other than trade conditions are adequately recognised and incorporated within the analysis.

In order to assess the concrete impact of imports on the income of peasants, a decisive part of the interviews both with community leaders and the small-scale farmers focused on the changing patterns of rice production, especially since or within the period when imports had increased the most according to the context analysis. These questions covered the changes over time in volume of sales of local paddy, producer prices, profitability and incomes of the rice producers.

The challenge on the micro-level, as well as the macro, lies in the verification of a causal chain. For this purpose, it is of utmost importance to analyse the market structure and channels on the local level along the food chain, the degree of market integration of the farmers and where the local rice is sold. A direct impact on the incomes of the farmers can only be assumed if they face direct competition with imports. It is important thus to identify locally the concrete markets where imported and locally produced rice enter in competition, and to analyse the market channels from farm gate via local traders (“market women” and others) and mills to local markets or retailers. All interview partners, including millers and market women, were asked whether they have observed an increased presence of imported rice in the markets where local rice is sold, and whether the sales of local rice have decreased as a result of these imports.

In order to identify a violation of the right to food, this impact has to reach such a degree that the food security of the peasant families is worsened seriously. If the family incomes fall below a certain level that the reduction leads to malnutrition or other forms of infringement of the right contained in Art. 11 of the ICESCR, and if it can be proved that certain policy measures of a government are responsible for this, then a violation of the right to food can be assumed. Hence, an important task for the micro-level analysis is to find out whether access to food has deteriorated in the period of time when or since import competition increased. Indicators of a violation of the right to food are the involuntary reduction of the meals in terms of quantity or a deterioration of the food quality due to a forced reduction in variety of food, for example through a reduction of food ingredients such as vegetables. Another strong indicator would be the increase of health problems – as far as they can be related to hunger and malnutrition – among the families, especially the children.

The right to food is always linked very closely to the right to an adequate standard of living. This is why the analysis of violations of the right to food involves other dimensions of an adequate livelihood too, such as education, health, clothing and housing. According to the General Comment No. 12 of the CESCR on the Right to adequate Food, “household financial costs associated with the acquisition of food for an adequate diet should be at a level such that the attainment and satisfaction of other basic needs are not threatened or compromised.”

3.3.3 Right to Food Analysis

The Human Rights analysis combines the findings on the macro- and micro-level and evaluates them from the perspective of the human right to food. This analysis includes the economic context, the behaviour of domestic states, foreign states and intergovernmental organisations and the impact observed in the communities. As described above, one major challenge of the Human Rights analysis is to verify a causal chain between state behaviour and sharp increases of imports on the one hand, and between these imports and decreasing incomes, hunger or malnutrition in the specific rice producing communities on the other hand. The human rights analysis also looks at the policy choices made by a government to implement the right to adequate food with the given set of resources. Policy choices can be positive or negative for the vulnerable groups, and the government might invest a substantial part or next to nothing of its resources for these groups. Another major challenge is to distinguish between the responsibilities of different state actors for those policies which have been identified as important reasons for hunger and malnutrition. The Human Rights analysis, for all three countries, follows the pattern outlined in the first chapter and includes the obligations and responsibilities of the domestic states, external state actors and IGOs.

4. RICE IMPORTS AND LIBERALISATION IN GHANA - THE IMPACT ON THE RIGHT TO FOOD IN THE COMMUNITY OF DALUN

4.1 INTRODUCTION

Whereas until recently in Ghana rice had been a niche product for urban elites, demand has grown remarkably over the last ten years. This development could have opened a window of opportunity for growth in domestic rice production and reduction of poverty among the estimated 800,000 Ghanaian rice producers. However, the opposite is the case. Domestic rice production has diminished in terms of volume and planted area. Studies have indicated that the incomes of the farmers have been declining over recent years, with alarming effects in terms of poverty and food insecurity. (ActionAid International 2005)

This crisis has hit a part of the population that is highly affected by poverty and vulnerable to hunger. According to the Ghana Living Standard Survey (GLSS) of 1999, the incidence of poverty is highest among food crop farmers (59.4 percent), with 70 percent of food producers being women. While in Accra poverty incidence is only 2 percent, in rural Savannah it amounts to 70 percent of the population. (See UNDP 2005:60)

The reasons for the rice production crisis are manifold. One of the major reasons identified in related studies is the increase in rice imports over the 1990s and even import surges between 1998 and 2003. (FAO 2006) The growing demand for rice was captured solely by these imports, mainly coming from the US, Vietnam and Thailand. Furthermore, local rice has been substituted and, to a large extent, displaced from urban markets.

In Ghana rice farmers in the poorest northern part of the country have seen markets squeezed by cheap US imports. (UNDP 2005:132)

The aim of the study is to find out whether the rice trade policies of the State of Ghana and other States have led to violations of the right to adequate food among rice farmers in the community of Dalun near Tamale in the Northern region of the country. Dalun was selected for the case study in cooperation with the SEND Foundation of West Africa (<http://www.sendfoundation.org/index.asp>),



Imported rice in the local market near Dalun.

Armin Paasch/EAA

a Ghana-based NGO that supported this research, because the peasants had complained about a negative impact of rice imports. The study tries to give an answer mainly to three questions, which accordingly structure the report:

1) *What are the dimensions, policy reasons and effects of increased rice imports in Ghana at the macro-level?*

The macro-level analysis is based on available studies and data, documents from ministries, the parliament, courts and NGOs, and on semi-structured interviews with government officials from the Ministry of Trade and Industry (MOTI) and Ministry of Food and Agriculture (MOFA), and experts from peasants organisations, NGOs and academics. The analysis includes aspects such as dumping by countries of origin, the development of domestic rice production, market channels for imported and domestic rice, market protection and support for rice producers in Ghana. This section also analyses the influence of external actors, especially the International Monetary Fund (IMF), on agricultural and rice policies in Ghana.

2) *Have these imports negatively affected the food security of rice producer families in Dalun?*

Dalun is a village in the Tolon Kumbungu District of the Northern Region, located at about 50 kilometres from the region's capital Tamale. Most of the 10,000 inhabitants are involved in rice production, some of them in the irrigated area of the Botanga Irrigation Project (BIP), the majority in non-irrigated lowland. The investigation on the effects of import surges on their livelihoods was conducted in March 2007. In order to have a broader picture of the situation and problems, first, a focus group interview was conducted with around 50 peasants coming from 13 different neighbouring communities, all of which are involved in rice production in BIP. Then, semi-structured interviews were conducted individually with nine rice peasants in Dalun, five of them with access to the BIP. Additionally, a local miller, two market women from Dalun and two market women from Tamale, who procure local rice in Dalun, were interviewed on the development of the rice market and the impact of imports.

3) *Have states breached their legal obligations under the right to adequate food towards these rice peasant families?*

This third section combines the findings of the context and the case study and analyses them from the perspective of the right to adequate food as outlined in the first chapter of the overall report. This section does not only take into account the behaviour of the state of Ghana but also that of the exporting countries and the IMF.

4.2 CONTEXT: THE RICE PRODUCTION CRISIS AND ITS POLICY REASONS

4.2.1 Boom and Crisis of Rice in Ghana

Rice production has a long history in Ghana. Rice has been cultivated in West Africa for at least 3000 years. (ODI: 2007) During the 17th and 18th centuries, it was already one of the major commercial food crops in the region, mostly based on small-scale production. (ODI 2003:7) In the 1970s, public investments, especially under the "Operation Feed Yourself", launched by General Acheampong's Government, aimed to increase productivity and attain self-sufficiency for the country and led to a mechanisation of rice production, irrigation development and engagement by large-scale farms. (ODI 2003:15) Nowadays rice is produced mainly by small-scale producers and involves about 800,000 farm households. (MOFA 2002:48) The main production areas are located in the Northern, Upper East and Volta regions, each exceeding 20 kg paddy and 13 kg rice per capita, and covering altogether 70 percent of the national production (JICA 2006:3-4). Other important production sites are in the Eastern, Western, Upper West and Ashanti regions.

Despite its long history, until recently rice was considered to be a niche product for urban elites. Small rice producers usually did not grow rice for self-consumption but rather as a cash crop in order to earn money for other purposes. However, over the last ten years consumption patterns have changed considerably, converting rice into a major food staple in urban, and to some extent also, in rural areas. According to the Food and Agriculture Organisation (FAO), per capita consumption of rice almost doubled from 11 kg per year in 1999 to 21.6 kg in 2003. And according to a Baseline Survey conducted for the same year, 2003, the average per capita consumption of urban consumers amounted to 38 kg per year and 9.2 kg for rural consumers. (JICA 2006:5.1.f)

One could expect that this huge increase in rice demand could have resulted in a boom of domestic rice production too. But as figures of the Ministry of Food and Agriculture (MOFA) indicate, the opposite is the case. The total area planted with rice in Ghana has varied little in the last ten years. In fact it even diminished from 130,000 in 1998 to 120,000 ha in 2005. (MOFA 2006:46) The production level has decreased more remarkably from 281,000 in 1998 to 237,000 Metric tonnes (Mt) in 2005, with major fluctuations in between. (MOFA 2006:45)

Table 1: Annual Paddy Production and Planted Area in Ghana from 1995 to 2005

Year	Production Volume in Metric tonnes	Planted Area in Hectares
1995	221 300	99 900
1996	215 700	105 300
1997	197 100	117 700
1998	281 100	130 400
1999	209 800	105 300
2000	214 600	93 600
2001	253 200	88 000
2002	280 000	122 800
2003	239 000	117 700
2004	241 800	119 400
2005	236 500	120 300

Source: MOFA (2006:45-46).

Although the figures from MOFA indicate only a slight regression, many experts and stakeholders raise serious doubts on the reliability of this data. Ibrahim Akalbila, for example, coordinator of the Ghana Trade and Livelihoods Coalition (GTLC), pointed to the fact that major production sites such as the Kpong Irrigation Project (KIP) in Greater Accra have suffered palpable losses in production levels. (Interview A.11) Indeed, the total production in the KIP progressively dropped from 12,156 Mt in 2000 to 5,865 Mt in 2003. The two years after this, it recovered, but without achieving the level of 2000. (Ayine 2006:23f.)

According to surveys conducted by ActionAid International, in 2002 and 2004 about 66 percent of the rice producers recorded negative returns, with serious implications for their livelihoods and food security. And rice-producing communities complained that many farmers have quit farming for the same reason.

The high negative return from rice production is an indication of the low and declining income levels for these producers, and therefore the deepening of poverty levels amongst them. (ActionAid International 2005:27)

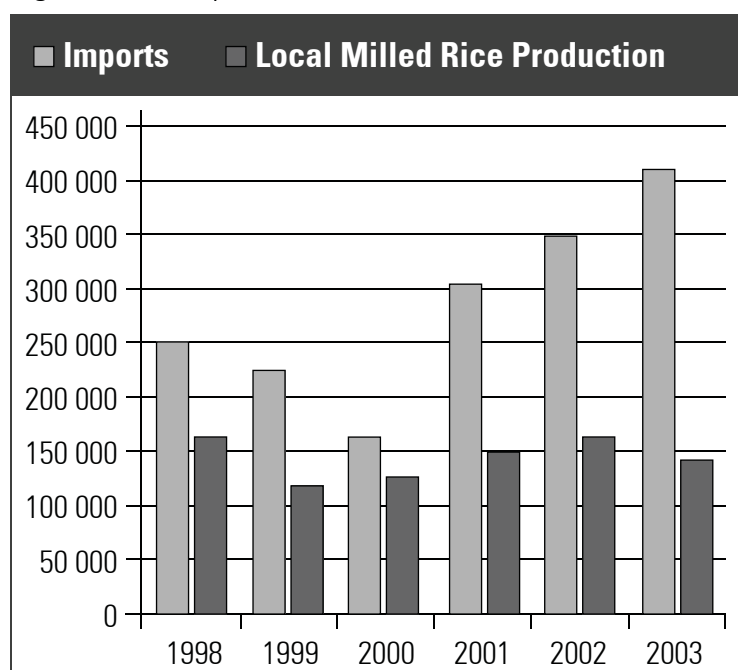
The boom on the consumption side hence coincides with a deep crisis on the production side, especially severe in the years from 2000 to 2003. The explanation for this paradoxical development is that the growing demand for rice in Ghana has been captured entirely by imports, mainly coming from the US, Vietnam and Thailand. According to FAO, from 1998 to 2003, imports rose from 250,000 Mt to 415,000 Mt, an increase of nearly 70 percent. (FAO Briefs, No.5, 2006:1) The market share of local rice fell from 43 percent in 2000 to only 29 percent in 2003 (ibidem). According to ActionAid, “high rice imports have negatively affected the levels and stability of incomes realised from domestic rice production.” (ActionAid 2005:30) For many small-scale rice producers this is a real tragedy, exposing them to poverty and sometimes hunger. And for the national economy the lost opportunity is very costly. Ghana is currently spending over 100 million USD for rice imports annually. The MOFA seems to be aware of this: “In view of food security and foreign currency saving, increased production of domestic rice with higher competitiveness against imported rice is the utmost urgent issue of the agricultural sector of Ghana.” (JICA 2006:1-1)

4.2.2 Dumped Rice Imports Capture the Market

a. Rice Import Surges in Ghana: Evidence and Origins

Rice imports are not a new phenomenon in Ghana. Between 1970 and 1990, with the exception of 1975 and 1976, rice has been imported each year to Ghana. But within this period, in all but four years, the volume of domestic production exceeded the level of imports, in most years even to a considerable extent. (ODI 2003:8f) This picture changed dramatically when imports captured the major share of the Ghanaian rice market in the course of the 1990s. This followed import liberalisation in 1992 (see chapter II.3.b.). Imports reached especially high levels in 1993 and 1994, decreased to a relatively low level again between 1995 and 1997, and then increased dramatically in 1998. (ActionAid International 2005:18-19) According to a study conducted on behalf of the FAO, the share of imports in domestic consumption reached 60 percent in 1998 and over 70 percent in 2003. (Asuming-Brempong 2006)⁸ The volume of imports increased from 249,289 Mt in 1998 to 415,150 Mt in 2003.

Figure 1: Rice Imports and Domestic Production



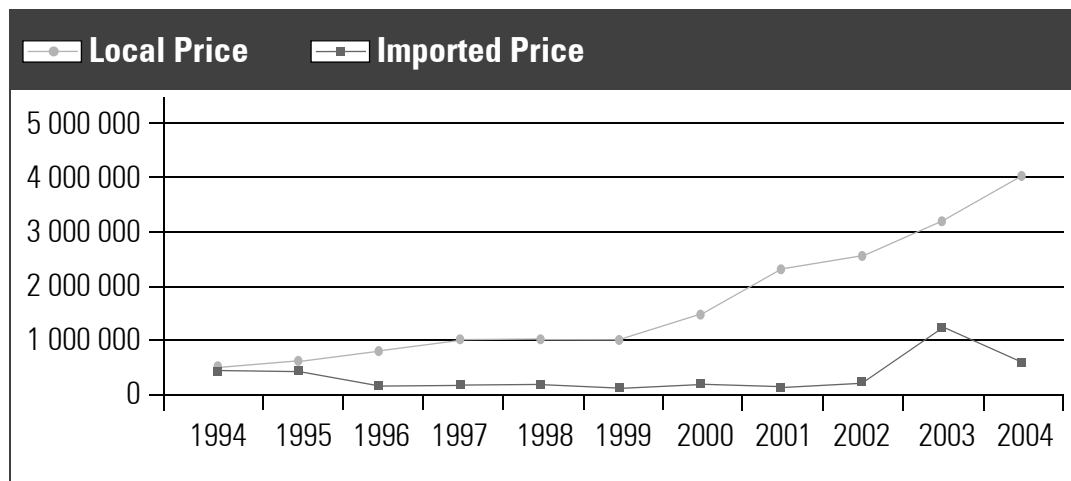
Based on Asuming-Brempong 2006.

⁸ The study has not been published yet, but the main findings are summarised in “FAO Brief on Import Surges, No. 5: Ghana: rice, poultry and tomato paste”, published in November 2006.

The rise of imports has reached such an extent that FAO, in its study, used the term "import surge".⁹ The two main components investigated are the volume and the effect on domestic prices of rice in Ghana. While a strong effect on the domestic price is not so evident, the study confirms that an import surge, under the WTO definition, occurred in terms of volume especially between 2002 and 2003, when the volume of rice imports grew by 154 percent, while the volume of domestic rice paddy production declined from 280,000 to 239,000 Mt, representing a 16 percent decline. (Asuming-Brempong 2006:29) FAO concludes that "based on the methodology established in WTO for the implementation of special safeguards (SSG) against disruptive import surges, volume triggers for rice based on a three year moving average were exceeded in 2002." (FAO 2006:1)

The countries of origin of these rice imports, on an average between 1998 and 2003, are the USA (33 percent), Thailand (30 percent), Vietnam (17 percent), China (12 percent) and Japan (8 percent). (FAO 2006:2) According to ActionAid, "the average price of local rice at the wholesale level has consistently been higher than the average CIF¹⁰ price of imported rice." (Action Aid International 2005:19) "The low price of imported rice led to increases in rice imports, while the relative high price of local rice led to consumers substituting local rice with cheaper imported rice." (ActionAid International 2005:19) According to FAO, too, the low world market price for rice especially between 2000 and 2003 was a decisive factor for import surges in Ghana. (FAO 2007:3)

Figure 2: Average Local Rice Prices versus Average CIF Prices of Imported Rice



Source: ActionAid International 2005:21.

In Figure 2 the average price of local rice is shown to be higher than the import price. This would appear to contradict some interviewees in the present study who reported that local rice is often sold more cheaply than the imported kind. The more sophisticated processing and the perceived quality advantage of imported rice sometimes allows for higher prices to be asked. However comparing the price of high-quality imported rice with high-quality domestic rice, the imported kind is generally cheaper. Hence researcher Dominic Ayine concludes: "In essence, imported rice on average beats locally produced rice in the price competition, all things being equal." (Ayine 2006:20) In the end, it appears that for big marketers and distributors in Ghana such as the House of Rhema, it has become more and more difficult to sell local long-grain rice due to cheaper and more refined imported long-grain rice. (Ayine 2006:25)

⁹ See footnote 3 in chapter 2 for definition.

¹⁰ CIF = Cost, Insurance and Freight

The low prices of imported rice thus seem to be one advantage of imports over domestic rice. (See also FAO 2007:3) However, this is not the only reason for increased imports. As will be shown below, the imported rice also benefits from better marketing channels, better infrastructure and a perceived superior quality. On the other hand, domestic rice lacks market protection and support for local producers.

b. Dumping

According to a study by Dominic Ayine commissioned by Oxfam, a major reason for low import prices and thus the import surges in Ghana is “dumping”.¹¹ The Oxfam study compared the foreign market wholesale prices¹² of various long-grain rice varieties from the US, Thailand and Vietnam as the “normal values” with the weighted average prices¹³ of imported long-grain rice in the Ghanaian market (Ayine 2006:16). The “margin of dumping” is then calculated as the difference between the home market price and the derived export price. (Ayine 2006:19)

Ayine concludes that “importers of rice from all three countries may be involved in the form of dumping known as price discrimination” and that “the normal values of selected rice varieties imported to Ghana far exceed their export prices”. (Ayine 2006:19) For the US rice varieties, on average, he calculated the highest margins of dumping as being up to 4.06 USD.

A 50 kilogram bag of US No. 2 long grain rice sells in the US market at an average price of 19.00 USD but ends up being sold in the Ghanaian market at 14.94 USD. (Ayine 2006:20)

In general the dumping margins of Thai rice are a little lower, but for one variety the margin even reached 6.13 USD. For all Vietnamese varieties taken into account, the study found dumping margins too, but these were considerably lower than in the case of US and Thai rice.

Table 2: Margin of Dumping of Selected US Long-grain Rice Imported into Ghana

Type of Rice	Quantity	Normal Value (US \$ - wholesale)	Export Price (US \$)				Margin of Dumping (US \$ NV-EP)	
			Average Wholesale Price	Less 37% Tariffs & Taxes	Less Cost of Insurance (1.5%)	Less 20% Freight		
US #2 L/G	50 kg	\$19.00	\$36.00	\$13.32	\$0.54	\$7.20	\$14.94	\$4.06
US #4 L/G Ghana Specs	50 kg	\$17.75	\$34.00	\$12.58	\$0.51	\$6.80	\$14.11	\$3.64
US L/G #4 15% broken	50 kg	\$18.00	\$35.00	\$12.95	\$0.52	\$7.00	\$14.53	\$3.47
US L/G #5	50 kg	\$17.50	\$33.82	\$12.52	\$0.50	\$6.76	\$20.80	-\$3.30

Source: Ayine 2006:27.

The comparison of home market and export prices is just one method of measuring dumping. Article 2.2. of the GATT Antidumping Agreement also allows a comparison of the export market prices with the costs of production in the country of origin. Because of difficulties in collecting exact figures on

11 See footnote 7 in chapter 2 for definition.

12 This Free on Board Price (FOB) differs only marginally from the price at which rice is sold in the domestic market of the exporting countries (Oxfam 2006: 16).

13 For comparison this weighted average wholesale price in Ghana is adjusted for tariffs, taxes/charges, insurance and freight in order to derive the “total export price” (Oxfam 2006: 17).

the production costs in the exporting countries, Ayine does not apply this approach. But an estimation in another study of Oxfam shows that this approach would lead to a much clearer distinction between the exporting countries regarding their margins of dumping. According to this study, between 2000 and 2003, growing and milling of one Mt of white US rice cost 415 USD. However, it was exported at an average of only 274 USD, thus at a price 34 percent below its true cost of production. (Oxfam 2005:36) This margin of dumping is much higher than in the case of Vietnam and Thailand, as production costs in these countries are much lower. For the years 1999-2000, Oxfam estimates the average costs of growing one Metric tonne of rough rice in Thailand and Vietnam at 70 and 79 USD respectively. In the US it cost 188 USD, two and a half times as much. (Oxfam 2005:35) The reason lies in the huge state support dedicated to the rice sector in the US, totalling 1.3 billion USD in 2003 alone (see also chapter 2).

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To conclude, dumping is one reason for the steady increase of imports in the 1990s and import surges in Ghana since 1998. Without dumping, the US imports in particular would probably never reach the Ghanaian market at competitive prices. These relatively low prices contribute towards pushing domestic rice out of the market, affecting most directly the high-quality local rice. The low-quality local rice is also pushed out of the market, but apparently not because of prices alone but also because of the better processing and marketing of imported rice. All in all, as a consequence of dumping, low market protection and low support to local farmers, the relation between price and quality seems to be better for imported rice in the eyes of most consumers.

c. Marketing Channels

FAO points to the fact that in Ghana “rice importation is a highly concentrated business with five major importers accounting for more than 75 percent of imports. Industry concentration has increased between 1998 and 2004.” (FAO Briefs, No.5, 2006:1) Since the mid-nineties, three importers, namely CCTC, OLAM and NABB Brothers have accounted for well over 60 percent. Since 1999, CCTC has been consolidating and expanding its position as the market leader. In 2003 it even accounted for almost double the quantity of rice imported by IMEXCO, OLAM and NABB together. (Ayine 2006:14) This high concentration of the import business contrasts with a tremendous lack of organisation and coordination for local rice.

Imported rice floods the local market and is available throughout the country, but buying local rice can pose serious challenges, because it is not easily available in the market. (Asuming-Brempong 2006:32)

Table 3: Share of Rice Imports by Major Rice Importers

Importer	1995	1996	1997	1998	1999	2000	2001	2002	2003
CCTC	29.45	27.02	10.10	21.28	43.95	49.51	27.10	32.14	48.50
IMEXCO	8.43	5.97	—	—	—	10.43	20.77	6.34	13.62
OLAM	5.39	16.61	14.77	32.81	21.81	2.32	17.52	4.32	12.80
NABB	1.18	—	16.73	31.97	3.93	5.34	—	4.28	—

Source: Ayine 2006:14, based on BMOS Agro-Consults Ltd (2004).

The study conducted by JICA and MOFA gives a good overview on the marketing channels for imports. Arriving mainly in the Tema Port in Greater Accra, the imported rice is stored in this area and consequently brought to the markets through a very sophisticated network of wholesalers and

retailers. The wholesalers are located in the big cities in Ghana and function as an “intermediate terminal” for the rice distribution. Retailers and the big consumers usually purchase the rice from these wholesalers, some directly from the importers. The size of the distributed rice bags is 25 or 50 kg. “Almost all big consumers like restaurants and hotels use imported rice and procure rice mainly from importers and wholesalers.” (JICA 2006:5-7f)

In contrast, the quantity of local rice distributed is very low compared to imported rice and the traders engaging in long distance transportation are few. (JICA 2006:5-10). Generally local collectors, in the Northern region the “market mummies”, approach the producers directly, buy the paddy, bring them to a local mill and sell the milled rice to the consumers, to other middlemen or to the few retailers who deal with local rice at all. Long distance transport of local rice is the exception nowadays. The poor marketing channels and infrastructure severely restrict the availability of local rice in the market. Even in the Northern and Upper East regions, with a total surplus rice production estimated at more than 25,000 Mt, shops in urban markets tend to sell imported rice. (JICA 2006:5-5)

But availability is not the only problem. Even where local rice is available in urban markets, as in Tamale, most consumers prefer imported rice. In a Consumer’s Preference Survey in Accra, Takoradi, Kumasi and Tamale, consumers showed a clear preference for the perfumed imported rice. And even the non-perfumed imported kind is slightly more popular than the domestic perfumed one. One important factor for the better perception of imported rice is the higher resources of exporters for advertising. Oxfam quotes USA Rice, the biggest lobby group of the rice industry in the US, saying that Ghanaian consumers “are familiar with the high-quality features of US rice, and have developed a strong preference for US origin. However there is fierce competition in the market from other origins. In order to keep demand high, an integrated marketing campaign has been developed by USA Rice.” (Quoted in Oxfam 2005:37) This campaign, from May to July 2004, involved five local radio stations, two national newspapers and three major TV channels. “Millers and traders of local Ghanaian rice have nothing like these resources to build pride in local products.” (Oxfam 2005:38)

This indicates that the perception of quality does not only follow objective criteria, because the perception is influenced by advertising. But still, of course objective differences exist. For example, consumers often complain that local rice contains stones, is less uniform and does not cook as easily as the imported rice. (JICA 2006:5-13) On the other hand, many interviewees, ranging from experts to farmers themselves, stressed the fact that the nutritious content of local rice is usually much higher because of its lower level of milling. But apparently, in the perception of most consumers, this characteristic is not appreciated as much as other aspects such as the time required for cooking the rice. One reason may be that most consumers are urban and pay more attention to time than to nutritious content. The reason for the inability of the domestic rice sector to meet the criteria of consumers is clearly related to domestic rice policies which, to a large extent, have been following the advice of the International Monetary Fund (IMF) since 1983, as will be shown in the following chapter.



A banner advertising American rice shades a local market. Armin Paasch/EAA

4.2.3 Domestic Rice Policies under the Auspices of the IMF

a. Lack of Market Protection

It was in line with the aim of food self-sufficiency that until the mid 1980s, rice and maize in particular had enjoyed strong state protection through a price support system and input subsidies (see next section). Rice had been protected from imports through high tariffs, quantitative restrictions, import licences, foreign exchange rationing and domestic price controls. (Ayine 2006:11) Still, as mentioned above, even in the 1970s rice was imported to Ghana in all but two years. However, imports had been controlled and restricted in such a way that they usually did not exceed domestic production.

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This situation started to change in 1983, when the government liberalised imports through its Economic Recovery Programme (ERP) and later the Structural Adjustment Programme (SAP) as a condition of obtaining external financing from the World Bank and the IMF. The quota system was replaced with a variable tariff rate in 1986, and an applied tariff rate of 20 percent in 1992, which is still in place. (Asuming-Brempong 2006:27) It was in the following year, 1993, that rice imports started to increase dramatically (see chapter 4.2.2.a). These liberalisation measures made Ghana “one of the most open market economies in Africa” and “resulted in bankruptcies in the manufacturing sector of the economy, as those enterprises that could not stand foreign competition simply collapsed.” (Ayine 2006:12) In 1992, even a World Bank report acknowledged that dismantling of quantitative restrictions and reduction of tariffs “must have been too abrupt for some industries”. (World Bank 1992:12) The Country Assistance Review by the World Bank from 1996 also confirmed that the scope and sequencing of the trade policy had resulted in “widespread bankruptcies in the private sector”. (World Bank 1996:98)

Ghana has been a member of the WTO since its beginning in 1995. In its schedule, under agriculture, Ghana bound its tariff level to 125 percent. Under Ghana’s WTO commitment this had to be reduced by 24 percent by 2004. This means that, under WTO rules, Ghana would have been able to raise its applied import tariff for rice to 125 percent until 2004, and could still raise it to 99 percent now. (Asuming-Brempong 2006:23) The fact that Ghana does not use this policy space and only applies a tariff of 20 percent has raised strong criticism among farmers and other civil society organisations for a long time.

When the current government came to power in 2001, apparently it was well aware of the problems that imports involve for the domestic agricultural sector and food security in Ghana. In its Food and Agriculture Sector Development Policy (FASDEP) of 2002, the MOFA outlines its objectives for the rice sector as follows:

The policy is to ensure food security and promote import substitution. The thrust is to reduce imports by 30 percent by 2004 by increasing the production level to about 370,000 Metric tonnes. (MOFA 2002:48)

The raising of import tariffs is one of the measures that MOFA envisaged in its new strategy in 2002. With the aim of reducing dependency on foreign aid and to mobilise funds for agricultural credits, “a levy on selected food imports is proposed”. (MOFA 2005:21)

This is the option which the government went for, when the Minister of Finance and Economic Planning, Yaw Osafo-Maafa, proposed in his Budget Statement in February 2003 to increase import tariffs for rice from 20 to 25 percent and for poultry from 20 to 40 percent. The proposal became law through parliament decision, gazetted on April 17, 2003. (ACT 641) On May 8, the Customs, Excise and Preventive Services (CEPS) started implementation, but curiously suspended it only four days

later on May 12 through a letter to all ports and stations across the country. Implementation was finally stopped by CEPS through Tariff Interpretation Order No. 2/2003 on August 8, ordering that the new duties were not applicable. (ISODEC 2007 and High Court 2005)

Farmers' organisations and NGOs protested harshly, and on behalf of the Ghana National Association of Poultry Farmers, the Centre for Public Law (CEPIL) filed a case at the High Court of Justice against this government decision not to implement the law. The Court ruled in favour of the farmers on March 11, 2005, by stating "that the suspension of the operation of the import duty rate contained in Act 641 is in violation of the Act itself and also in contravention of the Constitution of Ghana 1992". A suspension of the Act was outside of the competence of CEPS but "can only be by a further act of the Parliament". (High Court 2005:2 and 7)

However, the case took an interesting twist, when the government on March 18, 2005, rushed to the parliament to have Act 641 repealed even before her Lordship Ashong-Yakubu delivered her verdict. In a heated vote in parliament the ruling New Patriotic Party scraped through with 98 votes against 92 by the Opposition National Democratic Congress to have the act repealed. (ISODEC 2007)

This manoeuvre is highly questionable from the constitutional point of view and challenges still remain to be dealt with in the Supreme Court, due to a writ filed by CEPIL on behalf of the poultry farmers. (Supreme Court 2005) But from a political and human rights perspective, the most interesting question is why the government suspended the implementation of a law that it itself had proposed to the parliament less than one month before. According to all interviewed representatives of farmers and NGOs, the IMF played a crucial role in reversing the decision of the government through pressure behind the scenes. Indeed, in response to a protest letter of Christian Aid, Thomas C. Dawson, Director of External Relations Department of the IMF, confirms the allegation:

In its original 2003 budget, the government proposed to increase tariffs on a range of imported finished products, including poultry products. In the event, the authorities, *after consultations with Fund staff*, decided not to implement the proposed increase in tariffs for a variety of reasons. (IMF 2005, italics added)

It is worth mentioning that on May 9, 2003, the Executive Board of the IMF had concluded a consultation with Ghana (Article IV Consultation) leading to the approval of a three-year arrangement amounting to SDR¹⁴ 185.5 million (258 million USD) under the Poverty Reduction and Growth Facility (PRGF) and an additional interim assistance under the Initiative for Highly Indebted Poor Countries (HIPC) of SDR 15.15 million (about 22 million USD). (IMF 2003a:5, IMF 2003c and IMF 2003d:5) It is obvious that in the consultations between IMF and Ghana, there were huge loans at stake, possibly a powerful instrument of pressure which might have strengthened the arguments of the IMF against increased tariffs on rice and poultry. In fact, the IMF Country Report of May 2003 reveals that the rice and chicken tariffs were debated during the consultations on these loans. "The [IMF] staff argued that such measures were likely to be damaging to the authorities' growth and poverty reduction strategy as they would raise the consumer prices of two of Ghana's staple foods (rice and chicken), and damage long-run competitiveness in the affected sectors." (IMF 2003a:24) The report also reveals the positive results of the debate from the IMF perspective: "The authorities have committed that these tariff increases will not be implemented during the period of the proposed arrangement."

In fact, the suspension of the implementation of Act 641 was issued on May 12, 2003, just three days after approval of IMF funding. Hence, while approving funds supposedly for poverty reduction,

14 SDR are Special Drawing Rights, the international reserve asset created by IMF.

the IMF convinced the government not to implement measures that actually would have protected small farmers, one of the most vulnerable groups in terms of poverty and hunger. The chronological sequence and the documented commitment of the Ghanaian authorities not to implement the tariff increases “during the period of the proposed arrangement” clearly indicate that IMF used the PRGF funds as an instrument of pressure to block the tariff increases.

Although the pressure of IMF was the most obvious and strongest, IMF was not the only external actor which heavily opposed the increases in tariffs. According to the German Church Development Service (EED), on April 23, 2003, the then trade commissioner of the EU, Pascal Lamy, came to Accra in order to consult with the Ghanaian government about the beginning of the negotiations on an Economic Partnership Agreement (EPA) between the EU and ECOWAS. In a meeting with civil society representatives he strongly criticised the parliament’s decision to increase the tariffs, because it would damage the poor, and announced he would communicate his concerns to the government as well. (Mari 2007) It is obvious that the EU and other countries such as the US and Brazil had a strong interest in low tariffs, as their exporters of poultry and/or rice respectively would have suffered higher taxes and potentially lost a part of their market share to the domestic producers in Ghana.

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Armin Paasch/EAA

In the interviews conducted for this study, officials from the Ministry of Trade and Industry (MOTI) and MOFA did not explicitly confirm the strong influence of IMF on the government behaviour, but implicitly they did. A MOTI official said that “no government would be candid enough to admit that it has been manipulated by IMF”. Confronted with the question of whether there had been such manipulation by IMF regarding the non-implementation of Act 641, he diplomatically answered: “I don’t know”, but showed us the letter of IMF to Christian Aid mentioned above and added that “they went beyond what they should have said”.

A similar reaction could be observed in the interview with MOFA. Without mentioning specific States or Intergovernmental Organisations (IGOs), officials admitted that “we all know that there was international pressure” and added that this pressure did not only come

from IMF but that “all donors talk against tariffs” and that “there was a cry from the whole donor community”. They explained that the government of Ghana is not free to take its own decisions on trade issues because of its high aid dependency. In fact, one third of Ghanaian public expenditures come from Overseas Development Aid (ODA) or debt cancellation, the biggest donors being the World Bank, EU and DfID, and recently also the Millennium Challenge Account of the US. (German Embassy 2006:2, 12 and 13)

Officially, the government does not confirm any influence by the IMF or other donors, but interestingly the arguments of the MOTI for the non-implementation are exactly those brought forward in the IMF letter, namely the alleged commitments made by Ghana to other African countries under its treaties with the Economic Community of West African States (ECOWAS) and the interest of the poor consumers in low prices. Both arguments are flawed, however.

MOTI declared in the interview that an increase of tariffs would not have been possible because of the Common External Tariff of ECOWAS which does not allow for any tariff higher than 20 percent. While it is true that the adoption of a Common External Tariff (CET) has been a purpose of ECOWAS for a long time, the MOTI is not able to mention any formal agreement prior to the assent of the parliament to Act 641. According to the documents offered by MOTI, it was only on January 12, 2006, when the Heads of State and Government of ECOWAS declared:

A common external tariff for ECOWAS Member States (ECOWAS CET) is hereby adopted.
(ECOWAS 2006)

According to the declaration, this CET has to be implemented after a transitional period which ends on 31, December 2007.¹⁵

The agreement of 2006 thus can not be accepted as an obstacle for the implementation of a parliament act in 2003. Christian Aid and ISODEC claim that the ECOWAS argument did not initially come from the government:

It became clear during our research that the IMF had introduced this notion into the debate surrounding Act 641. (Christian Aid/ ISODEC 2005)

It remains to be added that, even if the CET has meanwhile been adopted in principle, this is still not acceptable as a pretext not to raise tariffs, because the exact schedules are still under negotiation. Nigeria, for example, has proposed an additional band of 50 percent tariff. Ghana could support this proposal in order to increase its policy space to protect the farmers.

The argument of possible negative effects on poor consumers is also unconvincing. As the above mentioned consumer surveys show, rice is still predominantly consumed in the cities (38 kg per person per year) and is only consumed to a limited extent in rural areas (9.2 kg) where most poor people and those with food insecurity are living. The rice that is consumed in rural areas is still predominantly the local kind. Poor people who live in rural areas – i.e. the vast majority of the poor – would not be significantly affected by higher prices for imported rice. In contrast, the producers of rice, who often belong to the poor, would benefit very much from higher tariffs. To conclude, the positive effects of higher rice tariffs on the poor would probably by far outweigh the negative ones. This does not mean, of course, that possible negative effects on poor urban consumers should not be addressed. Support for these people might be necessary if prices increase. But any solution to this problem should not disadvantage the rice peasants, who are even more vulnerable to poverty. Liberalising imports is not the only way to achieve reasonable consumer prices. More support for local production would be an alternative way to increase supply in the domestic market and to keep prices at a level affordable for poor consumers. Special support for poor urban consumers could also help to avoid undesired effects on these people.

b. Removal of Support Services

Among the reasons for the increase of imports, the supply-side constraints of the domestic rice industry are highlighted by Ghana government officials and some studies such as Asuming-Brempong 2006. While it is true that rice production is in decline and currently seems to be unable to meet the growing demand for rice in Ghana, it is important to see that these supply constraints are, to a large extent, closely linked with the imports themselves and the removal of public support that the

¹⁵ The date is at the same time, according to the official agenda, as the starting date of the Economic Partnership Agreement currently negotiated between ECOWAS and the EU. This is not by accident because the adoption of a CET is a prerequisite for any EPA.

agricultural sector has been facing over more than twenty years of structural adjustment policies.

Along with trade liberalisation the structural adjustment begun in 1983 resulted in

- a partial abolition of controlled prices
- the privatisation of certain state monopolies
- a removal of subsidies on inputs and credit facilities causing high interest rates up to 46 percent
- a gradual withdrawal of institutional support with machinery, equipment and input delivery
- a “virtual collapse of institutional arrangements responsible for the development and maintenance of seed multiplication and also units for variety improvements” (ODI 2003:8).

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In a national conference of civil society, government and World Bank representatives on the consequences of SAPs in Ghana, held in November 1998 in Accra, the same problems were identified. Additionally, the conference report noted “a shift in agricultural production, with more land and resources devoted to export crops and less used for the cultivation of basic food crops.” Indeed, with the Accelerated Agricultural Growth and Development Strategy (AAGDS) of 1996, the government had explicitly decided to prioritise the production of horticulture crops for export at the expense of food crops. The report concludes that “these policies [...] have contributed to a substantial reduction in agricultural investment, leading to declining productivity among food producers”. (SAPRIN 1998:2)

According to ActionAid, the share of commercial banks’ lending portfolio to agriculture was reduced from 13.6 percent in 1993 to 1 percent in 2004. This affected farmers in particular since, in the early 1990s, the Ghana Irrigation Development Authority (GIDA) removed support for working capital for its farmers as part of SAPs. Costs for the farmers increased dramatically due to the reforms. In 1990, all subsidies on fertiliser imports were phased out, whereas the subsidy rate had been at 59 percent in 1985. The provision of technical services was also cut substantially: the state provision of tractors ended in 1987, of combined harvesters in 1988 and of land clearing systems in 1991. (Khor 2006:7-8) And the Ghana Food Distribution Corporation, which used to offer a ready market and guaranteed prices, also collapsed under the market liberalisation policies. ActionAid concludes that “government policies in the agricultural sector over the last two decades seem to have hurt the food crop farmers in general, and rice farmers in particular”. (ActionAid International 2005:43)

In its Food and Agriculture Sector Development Policy (FASDEP) of 2002, the MOFA shows a high awareness of the problems. Among the “factors militating against the growth of the agricultural sector” it enumerates inadequate investment by the government in agriculture, inadequate agricultural extension staff, weak research-extension-farmer linkage, inefficient marketing systems, inadequate haulage vehicles, unhygienic marketing centres, inadequate processing facilities, limited irrigation facilities, high costs of inputs relative to output prices and high interest rates and transaction costs of credits. (MOFA 2002:13-14) And a joint study of the Japan International Cooperation Agency (JICA) and MOFA from December 2006 reveals that parts of the infrastructure of the rice sector are indeed in disastrous conditions. The number of combine harvesters has decreased sharply from 200 in the years 1985-1990 to 21 in 2002. The number of wheel tractors diminished in the same period from 4,120 to 2,100 and the number of crawler tractors from 40 to only 4. (JICA 2006:6-4) Most of the few existing modern rice mills are not operating at designed capacities (JICA 2006:4-7) while on the other hand, large portions of the millers are using the Engelberg type of rice mills, the recovery and quality rates of which are so low that it is prohibited in some Asian countries. (JICA 2006:6-5)

With FASDEP, the MOFA formulated a strategy aimed to overcome these problems through enhanced Human Resource Development and institutional capacity, improved access to financial

Table 4: Comparison between the 1980s and 2002: Number of Farm Machines

Farm Machines	Number 1985-1990	Number 2002	Operational 2002
Wheel tractors	4 120	3 500	2 100
Crawler tractors	40	4	4
Combine harvesters	200	21	21
Power threshers	none	90	90
Rice mill plants	50	300	300
Hand tillers	200	4 500	1 800
Reapers	120	200	200

Source: JICA 2006:6-4.

services, appropriate technology, infrastructure and markets. “The ultimate objective is to achieve high production levels and profitability for all scales of production. It is expected that the structural transformation from subsistence to medium scale production culture will be achieved through this policy”. The vision is to move “from poverty reduction to wealth creation”. (MOFA 2002:15 and 39) Today, however, at least the rice sector is even more distant from achieving this goal than in 2002. For this sector, as mentioned above, the aim was to substitute imports and to increase the production level to 370,000 Mt. According to MOFA statistics, the production level instead declined from 281,100 Mt in 2002 to 241,800 Mt in 2004 and further declined to 236,500 Mt in 2005. (SRID 2006:45)

In the interview conducted for this study, MOFA officials repeated the determination of the government to increase support for the rice sector, for example by low import duties for fertilisers and machines or favourable payment schemes for tractors. Government also started to encourage public institutions such as schools to buy rice from local production. They explained that policies towards the food and agriculture sector are currently being revised in consultation with its development partners (DPs). According to the officials, the JICA and the *Agence Française du Développement* (AFD) are open to supporting efforts to improve performance of the Ghanaian rice sector, for example through loans for better processing of rice. In general, however, officials complained that donors have lacked interest in the past to promote agriculture and especially oppose the idea of giving loans or grants for subsidies to agriculture. This reluctance to support agriculture is amazing taking into account the high levels of subsidies still provided to agriculture in EU or the US.

One drastic example where aid is shaped by self-interests of the donor government is the US Millennium Challenge Account (MCA). Ghana is qualified for this initiative and will receive 547 million USD over five years in order to commercialise and modernise agriculture in three regions of the country. As MOFA officials pointed out in the interview, this fund can be used only for selected crops such as maize, cassava and yam and for horticulture in general, but explicitly not for rice. The reason is that domestic rice competes with US exports and support of the Ghanaian rice sector would counter the interests of the US rice sector. In fact the Public Law 108-199, which was approved by US Congress in January 2004 and which established the Millennium Challenge Account, states that “assistance under this section may not be provided for any project that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production”. (US Public Law 108-199, Sec. 605 (e) (2), 118 STAT. 214-215) Apparently the US government fears that a better performance of the Ghanaian rice sector would substantially destroy jobs in the US. In addition, the eligibility of a country for the MCA depends on specific conditions, one of them being “economic freedom”. (US Public Law 108-199, Sec. 607 (b) (2), 118 STAT. 216) Criteria for economic freedom largely follow the Economic Freedom Index developed by the Heritage Foundation and the Wall Street Journal. One

of the 10 criteria is “trade freedom”, which is “a composite measure of the absence of tariff and non-tariff barriers that affect imports and exports of goods and services”, another one is “freedom from government” which is “defined to include all government expenditures – including consumption and transfers – and state-owned enterprises. Ideally, the state will provide only true public goods, with an absolute minimum of expenditure.” (http://www.heritage.org/research/features/index/chapters/hm/index2007_chap3.cfm)

4.3 CASE STUDY: RICE IMPORTS AND THE RIGHT TO FOOD IN DALUN

4.3.1 The Community of Dalun

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a. Community Profile and the Relevance of Rice Production

Dalun is a community in the Tolon Kumbungu District of the Northern Region, located at about 50 kilometres from the region's capital Tamale. According to Adam Mahama (Interview C.2), the son of the Chief, the census of 2000 counted 8,000 people living in the village, and the current number of inhabitants is estimated at 10,000. Dalun is among the richest villages of the district with relatively high standards of infrastructure including ten schools, three public toilets, one community radio, a few telephones, access to drinking water and electricity.



Dalun village: winnowing rice while waiting for market women from Tamale.
Armin Paasch/EAA

The highest authority of the village is the Chief, who is the traditional ruler. He is the political head of the community and counts on the support of 12 Elders, who assist him in the political decision-making. The inhabitants do not have to pay taxes to the Chief, but they provide him with gifts from time to time, which are not compulsory, as the son of the Chief emphasises. The Chief is also seen as the custodian of the land. He is usually the one to grant land use rights to the farmers.

The name Dalun means “land which gives support”, and in fact, agriculture is the source of life for all inhabitants. According to Adam Mahama, all the farmers have access to land, from a minimum size of 5-7 acres to a maximum of 15-20 acres. Most of the farmers are men and 30 to 40 are women, especially in cases where the husband has died. The farmers do not have to pay for using the land. The total agricultural area of the village is estimated at 1,000 hectares, of which 850 ha are rain-fed, and the remaining 150 ha are irrigated through the Botanga Irrigation Project (BIP). Only 100 farmers of Dalun have access to the irrigated land, and the remaining estimated 900 farmers are limited to rain-fed agriculture.

Farmers in Dalun produce rice, maize, pepper and okra, with rice being by far the most important crop for the community. Even though rice is becoming more and more a part of the diet, it is not a staple food in the village, but still primarily a cash crop. With the money that farmers earn by selling rice, they buy maize, their main staple food, or vegetables and satisfy other basic needs such as medical care, education, clothing and infrastructure. Rice is also an important component of ceremonies and festivals.

Dalun is the richest of 13 communities which benefit from the Botanga Irrigation Project (BIP), operated by the public Ghana Irrigation Development Authority (GIDA). The construction of the irrigation system started in 1980 and was completed in 1983. Water from the river Botanga is dammed and through gravity it is pumped into an agricultural area of 490 ha. In 2003/2004, the total cropped area in the BIP was 326 hectares, of which 275 hectares were cultivated with rice.¹⁶ Out of the 550 households with access to the irrigated land, about one hundred are residents of Dalun. These farmers do not have to give payments to BIP for the use of the land, but only a fee for water use. On this area, two rice harvests a year are possible, one in the dry season and one in the rainy season. Usually, about 70 out of these 100 farmers renounce ploughing in the irrigated area in the rainy season because they are busy with the cultivation in the rain-fed lowlands outside the irrigation zone, where they have additional land. In the rainy season, the rain-fed land seems to be more profitable, and to cultivate both production sites would require more resources than most of them have.

Those estimated 900 farmers of Dalun who do not have access to the irrigated area are worse off than the 100 beneficiaries of BIP. Their cultivation is restricted to the rain-fed land, where a rice harvest is only possible once a year, in the rainy season. Most of these farmers have much less access to machines and other infrastructure, fertilisers, seeds and market information than their colleagues with access to the irrigated zone.

Rice is not only the source of income for farmers. Paid seasonal workers, most of them women, help the farmers with land preparation, seeding, scaring of birds and other animals, harvesting, threshing of the paddy and transportation. Local market women buy the paddy from the farmers, parboil it, bring it to the miller for further processing and sell it at a local market. Alternatively they sell the rice to other non-local market women, who regularly visit Dalun to procure rice to sell in the weekly market in Tamale. (Interview E.2)

b. Market Channels and Import Competition

The market women, especially those from urban centres, form the connection between the farmers and the market. These women sell the rice produced in Dalun (and the surrounding villages) basically in three markets: two rural markets in the neighbouring communities of Kumbungu and Tolon, and the big city market in Tamale.

In the local markets, demand for rice is relatively low, as rice is not a staple food in rural areas and because many people are farmers who produce their own rice. Before 2001, according to the farmers, imported rice did not usually appear in these local markets. (Interview B) With the import surges in the recent years, this has changed, with major fluctuations in terms of quantity. Market women report that, in the years 2002 and 2003, the market presence of US rice in local markets was excessively high. During the visit of the Kumbungu market for the purpose of this study, local rice dominated the picture, while imported rice was also available.

The main market for rice from Dalun, however, is in Tamale. At the same time the Tamale market is the main point of entry of imported rice in the Northern Region and the crossroad where imported rice competes with the local one. As mentioned above, even though the Northern Region has a per capita rice production of 31 kg per year, exceeding by far the per capita consumption, imported rice dominates the Tamale market.

¹⁶ According to a report on the impact of irrigation projects on Farmer's Participation in Irrigation Management (FAPIM) of 2006, the BIP involves 550 households, 570 ha of potential area, 450 of which are developed and 390 actually used (JICA 2006: 3-10).

The result of the rice preference survey of urban consumers in the Baseline Survey indicates the consumers in Tamale show the same preference and dietary habit on rice as consumers in Accra, Kumasi and Secondi of middle and southern area. Then, it is judged that imported rice is still penetrating into urban consumers even in this local rice surplus area. (JICA 2006:3-4 and 5-5).

All interviews conducted with market women indicate that they are faced with harsh competition from imported rice, especially since the year 2000. "People don't buy so much local rice any more because of imported rice. [...] Now there is plenty of imported rice in the market, before 2000 it was much less", says Mariama Mohammed, a local market woman from Dalun. (Interview E.2) Another local market woman, who also sells rice on the market herself, confirms this general observation and further specifies: "Before the market was stable, now there are many fluctuations."

This picture is confirmed by Fati Abdullai, a market woman from Tamale, who comes to Dalun to procure rice for the Tamale market: "Seven years ago [in 2000] the market started to get very bad." (Interview E.3) She reports that previously, she sold between 10 and 20 bags of rice a week in Tamale, and now the maximum is 4 bags weekly. Zenabu Musah, another market woman from Tamale, has been selling rice for the last twenty years. (Interview E.4) She confirms that imported rice started to appear in the Tamale market in major quantities in the year 2000. "It is very bad

since then." And she specifies that the years when the market was most flooded with imported rice were 2002 and 2003. Her impression is that now the situation is a little better, but still much worse than in the 1990s. In those times, she was able to sell 20 bags in three days in Tamale market. After selling everything, she used to come back to the villages in order to procure another 20 bags, which she was able to sell again easily in Tamale. Apart from selling the rice directly to the consumers, she also used to sell it to other middlemen. "They stopped to buy from me seven years ago." Now, the average total volume she can sell per week is only 10 bags. The reason, according to her, is the imported rice. To conclude, the weekly sales of local rice by these market women in Tamale seem to have diminished from a maximum of 20 bags in the 1990s to 4 currently, and from about 40 to 10. In both cases the decline is around 75 percent.

Before the beginning of import surges, farmers of Dalun did not rely on the local and Tamale markets only, but found a market in Kumasi and Accra as well. (Interview E.2) Mr Frederic Kyei, for example, an important middleman from Kumasi, used to buy local rice from big mills such as the Nasia Rice



Imported rice at the local market in Kumbungu.

Armin Paasch/EAA



Local rice at the local market in Kumbungu. *Armin Paasch/EAA*

Mill in Tamale, where paddy was processed into considerable quantities of high-quality white rice. (Interview A.2) This high-quality rice was sold all over the country, even in the south of the country in Accra. “Now imported rice is cheaper”, says Alhassan Alhassan, the Acting Managing Director of Nasia Rice Mill. “Imports come as finished products already and they are not confronted with the same problems.” Previously there were four big mills in the Northern region, but the Nasia Rice



Rice fields in Dalun.

Armin Paasch/EAA

Mill is the only one that has kept on operating up to the present. Even in this mill the capacity is heavily underused. During the 1980s, the Nasia Rice Mill had, on average, around 15 permanent employees plus 20 casual workers. Now only 3 employees and up to 10 casual workers are left. As the big mills with capacity for high-quality processing have been pushed out of business, the local rice cannot compete with imported rice in terms of quality.

There is no doubt that imports have displaced the local rice of Dalun to a large extent, from their main market, which is the one in Tamale. Wholesalers have lost interest in local rice, and so have most of the retailers and big consumers.

“In this area people traditionally consume parboiled rice, and almost all rice produced is processed to parboiled rice. However, almost all restaurants and hotels consume ordinary milled imported rice as well as urban consumers.” (JICA 2006:5-6)

In the case of Dalun, the main factor does not seem to be the price in nominal terms but rather the better relation between price and (perceived) quality and availability of the imported rice. The farmers and market women interviewed for this study estimate that their local rice is sold more cheaply than the imported kind in general. (Interviews B, C.2., E.2 and E.3) “The price of the imported rice is higher. But people don’t like our rice”, as the son of the Chief puts it. Market women are not in the position to ask higher prices for the local rice of Dalun and the surrounding villages, because it is processed at low quality. Processed at high quality, as the Acting Managing Director of the Nasia Rice Mill explained, the local rice would generally be more expensive than the heavily subsidised imported one. It is the combination of low protection and low support of local rice and dumping of imported rice which causes the better relation between price and quality of the imported rice and enables the displacement of the locally produced rice, be it of low or high quality.

The main consequence for Dalun of this general loss of market access is that the volume of local rice processed and sold in the markets has declined dramatically. Yakubu Mahama, the manager of one out of five local mills in Dalun, reports that seven years ago he used to mill about 40 bags of parboiled paddy per week during harvest time. Now he processes only 10 bags weekly, “because market women have less money than before”. (Interview F.1) And he has no doubt about the reason for the lack of budget of the market women: “There is more imported rice. It started to increase in 2000, since then it is high [...]. This is the main reason.” As a result, he feels that his own economic situation as well has worsened significantly over the last ten years.

For the farmers, who stand at the end of the value chain, the situation is much worse, as will be shown in the following section. In the focus group interview conducted at the beginning of the field study, almost all of the farmers stressed that the loss of market access caused by increased imports is their

main problem. Among the demands raised at the end of the round, the control and reduction of imports was the point most frequently mentioned.

4.3.2 Development of Rice Production and Farmers' Revenues since 1999

a. Farm Gate Prices

In the focus group interview many farmers reported that the price they are paid by the market women has decreased for the last six years. "In 2000 we received 200,000 Cedi for one bag of paddy. Since then the price has not gone above this level and even went down," said one farmer from a neighbouring village of Dalun, and some others repeated the same figure. This tendency was also confirmed in individual interviews. After a significant increase in nominal terms from 1999 to 2000, producer prices dropped in 2001 and stayed low until 2004, when they started to recover. Issahaku Mohammed Albassan, a former primary school teacher, who took note of most of his expenditures and incomes, reports that the price per bag of paddy was 34,000 Cedi in 1999 and climbed to 200,000 in 2000. In 2001, the price nearly halved to 110,000, staying at this level until 2004. In the years 2005 and 2006, the prices varied between 140,000 and 150,000. (Interview C.3) The



*Rice farmer Issahaku Mohammed Albassan.
Armin Paasch/EAA*

other farmers, most of them with poor formal education, were not able to give as precise information on the prices they received. One woman also remembered 200,000 Cedi as the price of the year 2000 and the consequent decrease in the following years. According to others, the price never reached 200,000. But all interviewed peasants confirm that the price between 2001 and 2003 remained stagnant between 100,000 and 120,000 Cedi, and started to increase again slightly in 2004.

It is important to emphasise that these figures only refer to the nominal prices. Even those who record a stagnant nominal price suffered a dramatic drop in real terms, because inflation diminished the real value of money and the purchasing power of the farmers. (See Table 5) Inflation was very high in 1999 and 2000, which seems to explain the nominal increase in the producer prices from 1999 to 2000 reported by the farmers. One USD was worth 2,470 Cedi in June 2000, 4,530 in June 2000 and 7,500 in June 2001. From then on, inflation slowed down but did not stop. In June 2004 the USD was already worth 8,850 Cedi. It is striking that from June 2000 to June 2003, the Cedi decreased by 46 percent. In the same period, according to some farmers, the nominal producer prices decreased from 200,000 to 120,000, and according to others it remained stagnant. Based on the semi-structured interviews conducted for the purpose of this study, a quantitative analysis is not possible due to the lack of a representative data base. However, it is evident that the combined effects of the decrease in nominal prices and continuing inflation from the June 2000 to June 2003 have led to a noticeable decline in real producer prices per bag of paddy in this period. In order to catch up with inflation, the nominal prices should have doubled in this period.

One important reason for the decline seems to be a deteriorated bargaining power of the farmers in relation to the market women. Farmers complain that market women dictate the prices. Some

Table 5: Exchange Rate Cedi/ US-Dollar

Year*	Cedi per 1 USD
1999	2470
2000	4530
2001	7500
2002	7800
2003	8450
2004	8850
2005	8925
2006	8758

*respectively on June 1st
Calculated with www.oanda.com

starts to increase in April and reaches its highest level in the months from May to September, before going down again from October to December. (Interview A.13) Before 2001, market women used to come to the fields during harvest season in May and June and buy the whole paddy at once, because the demand for local rice in the market was high. “Now, demand has fallen because of imported rice. Farmers have to send the rice to the house and sell it in bits to the market women.” This means that farmers are often no longer in the position to sell the rice when the price is high. Sometimes farmers are not able to sell everything. This analysis coincides with the complaints of the farmer Abdullai Salifu: “The market women buy less than before. It happens that they refuse to buy during harvest season.” He says that, especially in 2002 and 2003, market women refused to buy his paddy. “Now it is better”, he says. (Interview D.4)

From the perspective of the farmers, the market women sometimes appear as the main responsible party for their bad situation. Or as the Chief puts it: “The farmers are running into debt because the market women take the profit. [...] The market women are reducing the farmers’ income.” (Interview C.1) But considering the reports of the market women themselves, it is evident that the market women are basically transmitting their own poor economic situation to the farmers. And the negative conditions of the market women, as pointed out above, are caused mainly by import competition.

b. Input Costs and Support Measures

Production costs depend very much on the degree to which farmers use inputs and machinery for rice cultivation. Those 100 farmers with access to the BIP have high production costs. These include costs for inputs such as seeds, herbicide and fertilisers, for the hiring of ploughing machines, combined harvesters and tractors for transportation and the cost of sacks for the paddy. In addition, they have to pay hired workers for land preparation, handpicking, scaring, harvesting, transport and threshing and finally the charge for irrigation. The majority of farmers of Dalun, who lack access to BIP, have almost no access to inputs or to machinery. They basically rely on their own and their family’s labour forces, and their production costs are low. For this reason the development of input prices has not affected them as much as the farmers on the irrigated land.

In the interviews, almost all the farmers, especially those with access to BIP, complained about rising production costs. “In 2000, production costs started to rise. Until 2000 they had been more or less stable,” says Issahaku Mohammed Alhassan for example. “The production costs are rising and we don’t receive support of the state,” says Saratu Mahama. (Interview C.4) These complaints

farmers remember that, some years ago, women were more open to negotiate. (Interviews C.3, G.1 and G.2). While local market women used to come to the farms themselves in order to purchase the paddy, now they sometimes collect it in the village, causing additional transportation costs to the farmers. And while market women used to pay immediately for the paddy, now they sometimes take the paddy and pay later, after selling the rice in the market or to another market woman. (Interview C.3)

As Paul Amoah, the BIP technical officer, explains, the producer prices generally fluctuate a lot in the course of the year. While from January to March the price is rather low, it

Table 6: Rice Production Costs per Hectare for Wet Season

Year	Cedi per Hectare	USD per Hectare
2000	2 141 000	452
2001	2 722 500	387
2002	not available	not available
2003	2 730 000	323
2004	3 355 000	381

Source: Botanga Irrigation Project, Handwritten Calculations by Paul Amoah.

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are confirmed by projections of Paul Amoah, the Technical Officer of BIP. (See Table 6). For the rainy season, the production costs per hectare accounted for 2,141,000 Cedi in 2000 and climbed to 2,722,500 in 2001. They then remained stable until 2003 and climbed to 3,355,000 in 2004. The most striking development is indeed the high increase of the production costs from 2000 to 2001, because at the same time, the farm gate prices for paddy suffered the largest decline, as explained above.

While in nominal terms production costs increased by 56 percent from 2000 to 2004, the picture is very different in real terms. Taking into account the inflation, the costs did not increase but even slightly decreased by 15.7 percent in the same period, from 452 to 381 USD. This means that, in real terms, production costs were relatively stable from 2000 to 2004. Contrary to the impression of the farmers, the development of production costs does not seem to be a major factor for decline, because it basically kept pace with inflation. The problem is rather that, at the same time, the development of producer prices did not. Prices fell even in nominal terms and much more in real terms. This gap, since 2000, seems to be one of the main reasons for the decline of rice farming in Dalun.

Much more than the development of production costs, it is the progressive removal of state support because of SAPs that negatively affected the farmers. In the interviews, many farmers complain that they have not received any state support in recent years. The disastrous conditions of the Ghanaian rice infrastructure have a very clear impact on the expenditures of farmers and the quality of rice. In the focus group interview, Paul Amoah reports that, in the early nineties, they lost access to adequate machines for land preparation and now, they are compelled to use heavy tractors, which are inadequate for low land where rice is grown. Additionally, he reports that in 1996, the Ghana Irrigation Development Authority (GIDA) sold 10 combine harvesters in an auction due to privatisation policies of the government. Previously, the farmers had been able to use these machines on payment of a small charge. The same is true for seeds and fertilisers, which had been subsidised by the state and, as a result, were easily affordable for the farmers. Now they have to pay high market prices for all of these inputs. (Interview B)

Farmers also lost access to the favourable finance schemes, technical advice and marketing support they used to benefit from in the early nineties. The National Investment Bank (NIB) stopped giving credit to small farmers, because these could not pay the debts and the interest. Now, if any, they get credit from the Ghanaian Danish Community Programme (GDGP), where loan conditions are worse. And while in the nineties the GIDA used to advise farmers on the right mixture of fertilisers and seeds, now they have stopped this important support service. "Before, they used to give us three varieties, GR 18, IET and Thailand. Now we rely on our own seeds, which are not so good sometimes," says one farmer. "Sometimes we mix different varieties, so that the rice does not bend at the same time." (Interview B)

This inadequate mixture of seeds obviously affects negatively the quality of rice from Dalun farmers. The same is true for the lack of combine harvesters. Farmers report that, in many cases, they have great difficulty renting these harvesters at the right moment for harvesting and are compelled to harvest later when the rice is past its best and has decreased in quality. The lack of cheap credit negatively affects the marketing conditions of the farmers. According to Issahaku Mohammed Alhassan, farmers have a tight schedule to pay back the loans necessary to cover their production costs, and they are even compelled to sell the paddy at times when prices are low. (Interview C.3)

To conclude, nominal production costs increased, but real costs even decreased from 2000 to 2001. The fundamental problem rather seems to be that most support to the farmers for seeds, fertilisers, machinery and credits had been cut already in the 1990s, and all the costs have to be shouldered by the farmers themselves nowadays. The removal of support has also affected negatively the quality of the rice produced in Dalun and thus its competitiveness in the market.

c. Impact on Revenues and Incomes

The revenue of the farmers is determined by:

- the demand of market women in terms of volume
- the producer prices paid per bag of paddy
- the number of planted acres of land
- the volume of paddy harvested per acre
- the production costs
- state support.

Additionally one must take into account the working hours required for the cultivation and marketing of paddy. A precise calculation of the net revenue of the farmers is not possible based on qualitative interviews. In order to calculate the average net revenue of a farmer in Dalun, it would be necessary to collect precise data on all of these factors during the whole period of interest for a representative number of farmers. But still, the semi-structured interviews make it possible to draw some important conclusions regarding the revenues and incomes of the farmers. Three main factors have changed considerably and impacted negatively on the revenues of the farmers of Dalun: the demand for local rice in terms of volumes in Tamale market, the producer prices per bag of paddy and the removal of state support.

1) All market women interviewed unanimously stated that, especially since 2000, imported rice has taken over the Tamale market to a large extent. As a result, the quantity of rice bought by Tamale market women in Dalun and the surrounding villages and sold in Tamale has diminished dramatically by around 75 percent. This figure coincides with those of the local miller, who used to process around 40 bags of parboiled rice a week during harvest season seven years ago, and now only reaches around 10 bags. And it coincides with the complaints of the farmers that they are no longer able to sell their whole harvest to the market women and that market women do not buy the rice at once in the field but rather bit by bit in the village.

2) The decline in real producer prices since 2000 is evident. While from June 2000 to June 2003, the Cedi lost 46 percent of its value, the nominal prices fell considerably according to some farmers and remained stagnant according to others. In both cases the drop in real prices is dramatic. This second development is closely related to higher import competition in Tamale because this competition obviously forced the market women to negotiate harder with the farmers or with the local market women from Dalun.

3) The production costs, at first glance, seem to be a major root of the farmer's problems, because they have increased in nominal terms. However in real terms, production costs did not increase

but rather decreased by 15.7 percent from 2000 to 2004. The problem is that this decline of real production costs is much smaller than the decline in real producer prices. In the year 2000, real producer prices suffered a sharp decline while production costs only decreased moderately, creating a gap which has persisted since 2000. The second problem related to production costs is that state support for seeds, fertilisers, machines, credits and other inputs had been removed already since the end of the 1980s. This third factor affects mainly the farmers on irrigated land, because the others apparently hardly benefited from state support in any case, so that its removal did not make much of a difference. This does not mean, however, that farmers with irrigated land are more affected by the crisis in general. On the contrary, the poorest farmers without access to irrigated land are generally more affected because they had been facing more hardship before already and because they suffer the same or more marketing problems caused by import competition.

It is very probable that these factors reinforce each other. A lower price and volume sold to the market women diminishes the amount of money available to purchase inputs and contract workers for the next cropping season. Less investment leads to a lower yield and lower quality. And this leads again to lower prices and sales. This means that the combination of import competition and the removal of state support has pushed farmers into a vicious circle, making them poorer and less competitive. In fact, according to some farmers, the yield per acre has diminished over the last few years. (Interviews C.4 and C.3) Some farmers report that it is getting more and more difficult to pay back loans they are compelled to take out. "Out of my 1.4 acres I get a yield of 15 bags. And I spend about 11 of them to pay the loan," (Interview B) says one farmer in the focus group interview. And another one confirms: "All the produce goes into debt cancellation. Inputs are higher than what you get."

Despite this bad situation, the interviewed farmers have neither left rice production nor are they considering leaving it. Some of them, in the irrigated area, have some cultivation of okra and pepper, and one farmer reported that he wants to cultivate more okra and less rice in the future. The question to what extent those products could be an alternative to rice or a supplementary source of income in order to alleviate poverty would require additional research. However, from the food security point of view, such a strategy implies risks which must be carefully addressed. As will be shown below, the function of rice has partly changed from a cash crop to a staple food for the peasants. Whenever peasants are unable to sell their rice because of bad market conditions, they can still eat part of the rice and not die from hunger. If they give up rice production, they lose this relatively stable source of calories. In that case, negative developments in the okra or pepper market could therefore have an even more disastrous impact on their livelihoods and food security than in the case of a bad rice market. It is thus probable that other products can supplement rice production, but not replace it as their main agricultural product. Better production and market conditions for rice will remain vital to increase the incomes of the farmer families in Dalun.

4.3.3 The Face of Hunger in Dalun

According to Adam Mahama, the son of the Chief, hunger is a widespread phenomenon in the village: "There is no food in the houses. Children go begging. They go looking for fish from the fishermen. [...] Old people and women are suffering too, men eat better." (Interview C.2) This observation is confirmed in all



Children playing around an irrigation canal in Dalun.

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interviews conducted with rice peasants. They all complain that they are not able to feed their families, and that especially the children are suffering hunger. "There is hunger in our family. Children eat, but not much," says Rukaya Abdul Rahman, one of the poorer farmers without access to irrigated land. (Interview D.3) But the feeling of hunger is not limited to this group of peasants. Amina Mahama, for example, one of the wives of the Chief, says: "Out of the 16 bags [yield of paddy per acre], five are the profit. Two are left home to support the children who go to school. [...]. There is hunger in the family. There is hardship especially before harvest, when the two bags are finished. [...] I am suffering too but I am better off." (Interview C.5)

All reports coincide in this point mentioned by Amina Mahama: hunger occurs especially in the months before harvests, when the old yield and/or the revenues have already been consumed and they are waiting for the next yield. Saratu Mahama, another wife of the Chief says: "There is no food. After harvest, they have something to eat, but not as much as they like. Before harvest in the rainy season, in July and August, we eat only twice a day, in the morning and in the evening." (Interview C.4) Generally, people eat three times a day. It is in this period when some families only eat twice. But more importantly, most families, whether they eat three times or only twice a day, have to reduce these meals in size and quality. "All the members of the family are suffering," says Issahaku Mohammed Alhassan, "I can't take what I want."

This seems to be a common experience not only in Dalun according to the ActionAid Study:

The negative returns resulting from rice production, and the subsequent reduction in productive capacity of these households resulted in the shortage of main staples in some communities during the lean season. In the northern part of the country the period of food shortages averaged three months starting from May through to the end of July for most households (76 percent) interviewed. During this period about 66 percent of households had only one main meal a day. (ActionAid International 2005:31-32)

Traditionally, rice is not a staple food among the small-scale farmers of Dalun. The main staple is maize, which is supplemented with other ingredients such as fish, salt, onion, vegetables, oil and water. (Interview C.3) Rice is traditionally a cash crop, which provides the money to purchase these ingredients and to meet other basic needs such as clothing, education and health care. As a result of the decreasing incomes, families of small-scale farmers often have to renounce these ingredients, and they increasingly include rice in their own dishes. This experience, reported by small-scale farmers in Dalun, seems to correspond to the reality of the majority of rice farmers according to ActionAid. As a result of rice import surges, the bad market conditions, reduced investments and declining production, 84 percent of the households consumed their own production of rice within the first three months of harvest. (See Action Aid International 2005:32) This indicates the low purchasing power and high degree of vulnerability of the peasants to hunger and poverty during the rest of the year.

Abdullai Salifu, for example, reports that his family basically eats corn and porridge for breakfast, lunch and supper. "There is hunger among the children and all. Before it was better [...]. Children have health problems," he adds. (Interview D.4) Health problems among the children are mentioned in other interviews too. Iddrisu Haruna says: "We are suffering hunger. We have three meals a day but not as much as I want. [...] Children have health problems. [...] I can procure medicine, but not always. In 2003 there was much imported rice. When the market woman comes, she sets the price." (Interview G.2) And Kingsley Ofei-Nkansah from the General Agricultural Workers' Union (GAWU) confirms: "There has been injury to the local rice production. Imports depressed prices and peasants have difficulties to meet demand of other livelihood costs, food and other costs. Children are suffering, they have health problems." (Interview A.8)

The decreased number, size and diversity of meals seem to increase health problems among children. And, as in the statements quoted above of Abdullai Salifu, Iddrisu Haruna and Kingsley Ofei-Nkansah, it appears in many interviews that access to food has deteriorated over recent years, as a result of bad producer prices and rising production costs. “Now the food is less than before,” confirms Mohamad Abubakari. (Interview G.1) Rudolf Amenga Etego, the director of the Foundation for Grassroots Initiatives in Africa, even says: “Rice farmers are among the most vulnerable people [...]. Hunger has increased; it doubled, especially in the Northern Region.” (Interview A.7) And Adam Nashiru, President of the Peasant Farmer Association of Ghana, says: “People employed in the formal sector get money. But the majority do not have this opportunity. Farmers are most affected. All rice farmers are suffering hunger. And it has increased because they cannot use machines and the market is bad for them.” (Interview A.3)

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According to Ibrahim Akalbila, policy analyst of ISODEC and coordinator of the Ghana Trade and Livelihood Coalition, small peasants are among the people most vulnerable to hunger. “The case is that people eat not appropriately, they are malnourished, and malnourishment is hunger,” he explains. (Interview A.11) “Hunger is not only the absence of food.” In the narrow sense of hunger, “the situation of rice peasants is a little better”. The reason is that rice is very nutritious and rice farmers are unlikely to die from hunger because of the rich nutritious content of rice. However, the problem is that, because of the decline of revenues, there is no money left to purchase other ingredients for diverse and adequate alimentation. “I go to the rural areas a lot. And I can tell you they cook the rice. They just cook it, and they eat it, maybe with a little sheabutta. [...] And that’s what they eat. Whereas you go and buy tomatoes and maybe some vegetables and oil and do a bit of sauce – that is what they lack.”

Additionally, Akalbila stresses that the right to food cannot be seen isolated from the right to a decent livelihood. “In a way they have food in the sense of direct eating. But what sacrifices are they making in order to eat?” The lack of money affects their whole livelihood, including health care and education. “People have to make sacrifices in order to have food, their livelihood is affected.” And he concludes that the right to food is affected by import surges.

In Dalun, all the interviewed peasants feel that their families are suffering hunger. They do not have stable access to adequate food because, in the period before harvest, they have to reduce meals in number, size and quality. Health problems among the children who are most affected by this shortage of food are mentioned frequently in the interviews. And the incomes of peasants have declined in such a way that they are burdened with debt and lack money reserves. In the case of a loss of yield due to unexpected shocks such as droughts or pests, the health of peasant families and especially of the children would be heavily affected. Of course, it hits most those small-scale farmers who had formerly been the poorest and the most vulnerable to malnutrition, i.e. those who rely only on the rain-fed area. It is alarming that, even among those farmer families with access to irrigated land and more resources than their colleagues, malnutrition has become widespread.

These findings contrast starkly with the perception of MOFA. For the MOFA officials interviewed, it seems clear that hunger does not exist among rice peasants. One of them even goes further: “There is no hunger in Ghana. [...] If they are lazy and don’t want to work, they must not eat.” (Interview H.2) This statement, which was supported by the other experts participating in the MOFA interview, reveals a tremendous ignorance and lack of consciousness of the problem of hunger.

4.4 VIOLATIONS OF THE RIGHT TO FOOD THROUGH TRADE POLICIES

As shown in the previous chapter, the families of small-scale farmers in Dalun are facing increased hardship over recent years compared to the 1990s. Especially in the months when the last harvest has already been consumed and the next not yet started, families are forced to reduce their meals in quality and quantity. According to all interviewed people, the first victims are the children, and secondly women. Small-scale farmers have increasingly come under the pressure of debts they are hardly able to pay. As sales volumes and producer prices have decreased, especially between 2000 and 2003, small-scale farmers have become more and more vulnerable to unexpected shocks such as bad yields caused by droughts or pests. In addition, peasants report that they have to spend a larger share of their income to purchase food and, especially in the same “period of hunger”, have to reduce their expenditures required to enjoy other basic human rights like the rights to health and education. All of these observations show that the families of small-scale farmers do not have “physical and economic access at all times to adequate food” as a proper realisation of the human right to food would require according to the General Comment No. 12 of the Committee on Economic, Social and Cultural Rights (CESCR). Furthermore, the right to food is only realised when “the attainment and satisfaction of other basic needs are not threatened or compromised”.

The study has shown that import competition is a crucial factor for the decline in incomes of the peasants. Import surges, especially between 2000 and 2003, have flooded the market in the city of Tamale and led to a decline in the sales of local rice from Dalun and the surrounding villages. Since 2000, market women have sold much less local rice in Tamale and have bought much less rice produced in Dalun, a development which is reflected in similarly lower volumes processed in the local mill. Peasants are not able to sell the same volume of rice to market women and receive lower prices for their produce, which leads to considerable losses of income. The increased competition is a clear result of the sharp increase of imports especially between 2000 and 2003, from 170,290 Mt to 415,000 Mt annually, as is documented in studies commissioned by FAO. (FAO 2006 and Asuming-Brempong 2006)

The study provides a high level of evidence that three policy reasons have contributed to the boost of imports:

- The *first* reason is the removal of import controls and the introduction of a low applied tariff of 20 percent on rice imports in 1992, which led to import increases over the 1990s. Due to the non-implementation of Act 641 in 2003, the tariff has remained at the same level until now.
- The *second* policy reason is the high margins of dumping for rice imported from the US, Vietnam and Thailand. Their export prices for rice, as documented for the year 2003, are well below the domestic market prices in the countries of origin. In the case of the US, they are far below domestic production costs as well. Dumping is an important reason for the fact that, in terms of prices, imported rice can compete with and often is even cheaper than Ghanaian rice.
- The *third* policy reason is the progressive removal of support to the Ghanaian rice sector between 1983 and the late 1990s. This removal resulted in extremely bad conditions of national infrastructure for the production, processing and marketing of rice, leading to serious supply constraints of the domestic rice sector in terms of quantity and quality.

To conclude, there is high evidence that a combination of import liberalisation, dumping and the removal of domestic state support has significantly increased malnutrition and food insecurity and thus led to a violation of the human right to adequate food of peasant families in Dalun. Alternative sources of income, which could have compensated for the losses of the small-scale farmers, have not

been made available to them. Although some farmers are considering diversifying their production, all farmers interviewed still rely on rice as their main source of income.

Three actors are mainly responsible for these policies and have breached their obligations and/or responsibilities under the right to food: 1) the state of Ghana, 2) the IMF and its member states and 3) the states of origin of imported rice, and especially the US.

1) The state of **Ghana** reduced the import protection in 1992 by dismantling quantitative restrictions and introducing an applied tariff of 20 percent, allowing an unlimited quantity of imports to enter the market, paying little attention to the threat of dumping and the displacement of domestic rice producers from the market. When imports increased over the 1990s, and especially between 1998 and 2003, the state of Ghana breached its **obligation to protect** the right to food of rice peasants in Dalun and elsewhere by not increasing the tariff protection. These imports indeed led to a drop in the sale volumes and producer prices and thus the incomes of the farmers. The government did not increase tariffs although the Food and Agriculture Sector Development Policy (FASDP) of 2002 clearly shows that it was well aware of the detrimental effect of the imports on the sector and on food security. One can raise serious doubts as to whether the increase of the applied tariff from 20 to 25 percent through Act 641 in 2003 would have been sufficient to counter the import surges. However, the government even omitted to implement this moderate improvement.



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Furthermore, the state of Ghana reduced the support to small-scale rice farmers progressively from 1983 until the late 1990s. It removed support which formerly facilitated access to credits, seeds, fertilisers, the use of machinery at favourable conditions and marketing. Ghana thereby actively increased the costs of production of the rice peasants in Dalun, reduced the net incomes of farmers and caused food insecurity among them. In doing so, Ghana breached its **obligation to respect** the right to food of the peasants by reducing their existing access to adequate food, and its obligation to **fulfil** the right to food by applying policies that do not create an enabling environment for these families to feed themselves.

2) The **IMF** has played a very active and crucial role in convincing and pressuring the respective Ghanaian governments to remove market protection and support to producers, the policies which cause violations of the right to food of rice peasants in Dalun and elsewhere in Ghana. By imposing Structural Adjustment Programmes since 1983, the IMF pressured the State of Ghana to progressively remove import protection, until it finally decreased to a tariff of only 20 percent in 1992. The removal of state support for agricultural inputs such as seeds, fertilisers and infrastructure, and the privatisation of public credit delivery to small-scale farmers were also linked very closely to the SAP imposed by the IMF.

In 2003, when the Ghanaian parliament passed Act 641, the IMF played a crucial role in pressuring the government to suspend the law only four days after the start of its implementation. The IMF confirmed its active role by stating in a letter to Christian Aid that this decision was taken by the

Ghanaian government “after consultation with IMF staff”. And the IMF report on these Article IV Consultations reveals that, during these consultations, “the authorities have committed that these tariff increases will not be implemented during the period of the proposed arrangement.” (IMF 2003a:24) The sequence of events provides clear evidence that IMF used funds as an instrument of pressuring or “convincing” the government to follow its advice: on *May 8* of 2003, the Customs, Excise and Preventive Services (CEPS) started implementation of Act 641. On *May 9*, the Executive Board of the IMF concluded the Article IV Consultation on the Ghana Poverty Reduction Strategy (GPRS) and approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) amounting to SDR 185.5 million (258 million USD) and an additional interim assistance under the Initiative for Highly Indebted Poor Countries (HIPC) of SDR 15.15 million (about 22 million USD). And on *May 12*, just three days after the approval of the IMF fund, the suspension of the implementation of Act 641 was issued. The same consultations which led to the approval of the fund also “convinced” the Ghanaian government to cut the tariffs to the previous level again. While approving funds for poverty alleviation, the IMF thus obstructed necessary steps to protect the right to food of small-scale rice farmers, one of the well-known groups vulnerable to poverty and food insecurity.

It is very clear that the IMF breached its *responsibility to respect* the right to food by pressuring the Ghanaian government to remove support and protection for poor rice peasants over the 1980s and 1990s and by pressuring the government to suspend Act 641 in 2003. It gave policy advice to the government that hindered it from progressively implementing the obligation to fulfil the right to adequate food. And consequently, the member states of the IMF thereby breached their *obligation to respect* the right to food of the families of small-scale rice farmers in Dalun and elsewhere. Most member states of the IMF are member states of the Covenant on Economic, Social and Cultural Rights as well. They have an obligation to ensure that the IMF does not take measures that threaten the right to food in any country. In this case, Act 641 would probably have negatively affected the exporters of rice and chicken from the US and the EU. Be it for this or other reasons, members either actively supported the IMF behaviour, or at least they did not take action to avoid it.

It is obvious that other external actors such as the **EU** have also opposed the increases of tariffs and pressured the government of Ghana not to implement Act 641. At least in the case of the EU, such pressure is documented. The documents available so far do not stand up to the same level of proof as in the case of the IMF, but still point to a certain responsibility of the EU in this respect.

3) In the period between 1998 and 2003, 33 percent of the rice imports to Ghana came from the **US**, 30 percent from **Thailand**, 17 percent from **Vietnam**, 12 percent from China and 8 percent from Japan. According to calculations commissioned by Oxfam on the three main countries of origin for 2003, the export prices were far below the home market prices (“normal values”) of selected rice varieties imported to Ghana. For the US rice varieties, the difference per 50 kilogram bag (“margin of dumping”) reached 4.06 USD for US No. 2 long grain rice. In general the dumping margins of Thai rice are a little lower, but for one variety the margin even reached 6.13 USD. For all Vietnamese varieties taken into account, the study found dumping margins too, but considerably lower than in the case of US and Thai rice.

According to the WTO definition, the comparison of the export price with the home market price is just one method of measuring dumping. The other method is the comparison of export prices with production costs. Taking this approach, the margins of dumping would be much higher for the US than for the other two main exporters of rice to Ghana. Between 2000 and 2003, the growing and milling of one Mt of white US rice cost 415 USD. However, it was exported at an average of only 274 USD, thus at a price 34 percent below its true cost of production. This margin of dumping is much higher than in the case of Vietnam and Thailand, as production costs for rough rice in these countries are much lower. For the years 1999-2000, Oxfam estimates the average costs of growing one Metric

tonne of rough rice in Thailand and Vietnam at 70 and 79 USD respectively. In the US it cost 188 USD, two and a half times as much. (Oxfam 2005:35)

Even though the prices of imported rice in Ghana are not always lower than for domestic rice, it is evident that dumping is an important factor making the imported rice competitive and available for Ghanaian consumers in terms of price. Hence, those subsidies, export credits, and the misuse of food aid which lead to dumping have contributed to the displacement of domestic rice from the markets of cities like Tamale and to the losses of income of the rice peasants in Dalun. Through these dumping practices, the exporting countries, especially the US, have breached their **obligation to respect** the right to food of rice peasant families in Dalun and elsewhere.

All in all, the State of Ghana, the IMF, its member states and the rice exporting countries have failed to adequately analyse the impact of their agricultural and trade policies on the right to adequate food of rice farmers in Ghana. Interviews with officials of MOFA and MOTI reveal a clear lack of consciousness and analysis of the human rights dimension of the problem. Policies are designed in the apparent interest of urban consumers only, despite the fact that the vast majority of the poor and food-insecure people live in rural areas and depend on agriculture. The attempts to explore and implement policy options to address the concerns and rights of small-scale rice farmers have been too moderate so far. And even those moderate attempts have sometimes been blocked by external actors, as the case of ACT 641 clearly shows. From a human rights perspective, the lopsided urban consumer focus of rice and trade policies is not acceptable. The obligation to fulfil the right to adequate food requires a careful analysis of the food situation of all parts of the population and new policy options to enable vulnerable groups to live free from hunger. More protection and support for rice peasants must certainly be part of such a new strategy. External actors must not limit the policy spaces of Ghana to realise human rights, but rather support positive action against hunger. At the same time they must stop supporting exports which negatively affect the right to adequate food of Ghanaian rice farmers. Rice and trade policy must not be guided only by economic ideology or interests but must put basic human rights first.

5. THE IMPACT OF TRADE LIBERALISATION ON THE RIGHT TO FOOD - THE CASE OF RICE PRODUCTION IN HONDURAS

5.1 INTRODUCTION

Honduras is mainly an agricultural country. Half of the nearly 8 million inhabitants live in rural areas and are, either directly or indirectly, strongly linked to agricultural production. In 2005, around a million people were employed in the agricultural sector, representing 40 percent of the economically active population. In 2004, agricultural production made a contribution of 23 percent to the GDP. Poverty and malnutrition are prevailing characteristics in the country. Around 70 percent of rural households live under the poverty line. Malnutrition rates are high. Using a measure based on waist measurements, 79.1 percent of the boys and girls between 3 months and five years old suffer moderate malnutrition, and 48.2 percent suffer severe malnutrition. Regarding their weight, the malnutrition rate in boys and girls under five years is 67.2 percent. (UNDP 2006:25ff; CEPAL 2005:51)

In Honduras rice is important for three main reasons: economically speaking, rice has been a key product for the rural economy; culturally speaking, it is integral to the habitual nutrition patterns in some of the country's regions;

Table 1: National Consumption Development 1981-2006

Year	Domestic Supply (national consumption)	Average of 5 years
1981	36.500	
1982	37.302	
1983	22.358	
1984	47.140	
1985	50.064	38.673
1986	46.915	
1987	38.948	
1988	60.179	
1989	37.811	
1990	51.846	47.140
1991	79.642	
1992	56.654	
1993	40.880	
1994	39.620	
1995	47.533	52.866
1996	84.333	
1997	89.810	
1998	101.870	
1999	87.737	
2000	115.301	95.810
2001	88.829	
2002	84.147	
2003	98.757	
2004	117.165	
2005	127.059	103.192
2006	108.007	

Source: Author's graphic based on data provided by DICTA.

and regarding food security, rice is an essential product for the rural population. Nearly half of the rural population's basic calorie intake comes from basic grains, and rice represents the third major staple food after maize and beans. (MFEWS 2006; Ponce 2003:12)

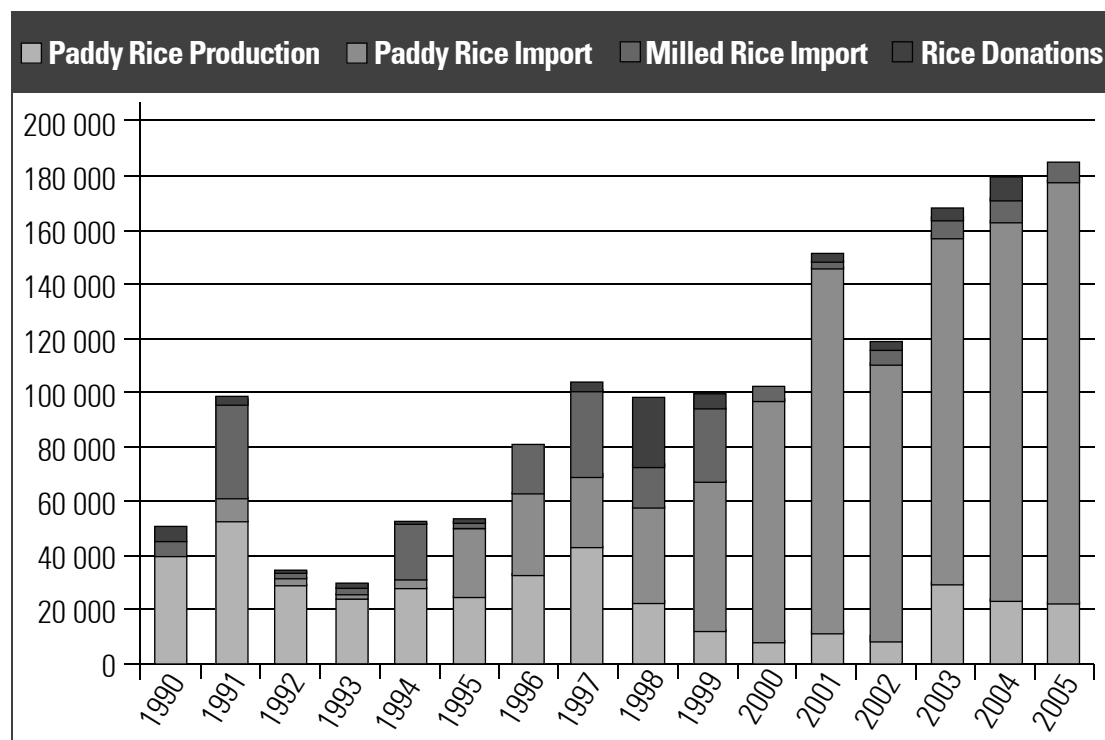
The increasing importance of rice in basic nutrition is also reflected in the growth in consumption per capita. In 1993 the rice consumption was approximately 9 kg per year; today, each Honduran consumes an annual average of over 16 kg. (Ponce 2004:5) The strong increase during the 1990s can also be observed in the absolute national consumption rates, which are statistically equivalent to the domestic rice supply. The annual national consumption average in the first half of the decade was 53 thousand Mt of milled rice; in the second half the equivalent figure was 96 thousand Mt. This shows an increase of over 80 percent in roughly five years. In the first five years of the new century, the national consumption kept growing and grew by a further 7 percent approximately, reaching 103 thousand Mt. (See Table 1)

60

In this same period, the decade of the 1990s, the rice production sector suffered an unprecedented fall. The so called *arrozazo* (rice scandal) in 1991 marked the end of a period of over 25 years characterised by a moderate but stable growth of rice production in Honduras. Between 1966 and 1990, the paddy rice production rose from 9.3 thousand Mt to 47.3 thousand Mt.

“In this period, the rice was a source of well-being for thousands of Honduran families, since it provided them with enough resources to build housing, asphalt ways and install drinking water and electricity infrastructure.” (Oxfam 2004:13)

Figure 1: Production, Import and Rice Donation 1990-2005 (in Mt)



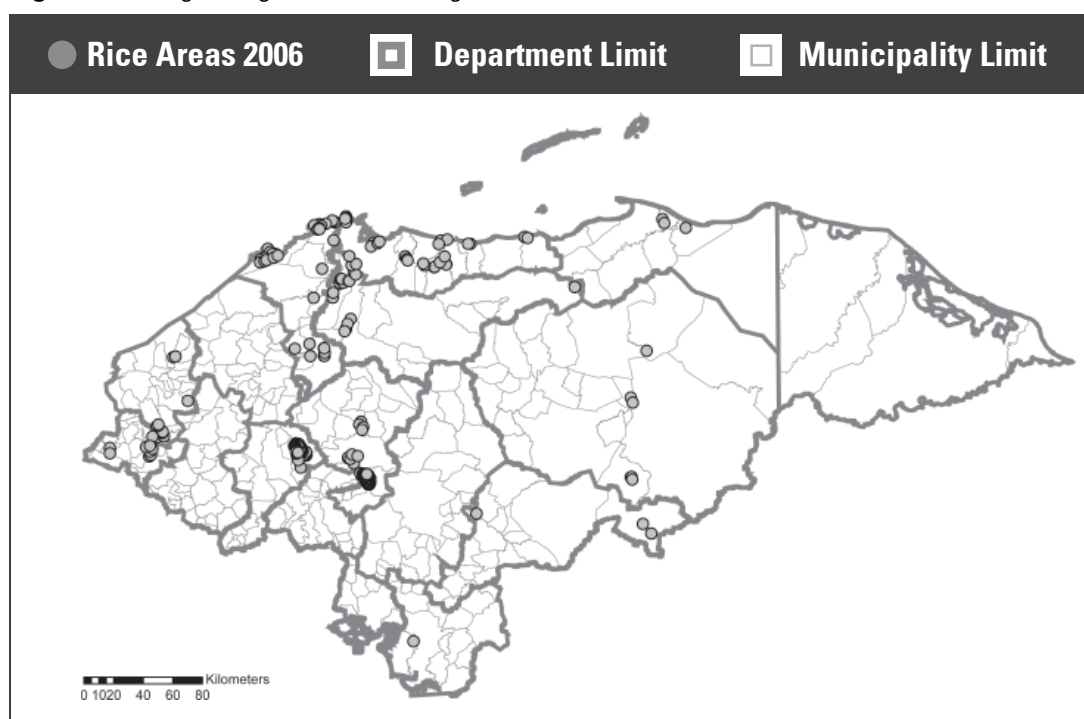
Source: Author's graphic based on data provided by FAO (<http://faostat.fao.org>).

The *arrozazo* triggered a prolonged crisis, the lowest point of which was reached in 2000, when national production fell to 7.2 thousand Mt. (See Figure 1) In this year, the cultivated surface was less than 3.2 thousand Ha, which represents 15 percent of the rice crops nine years earlier. (See Figure 3) As a consequence, thousands of rice producers lost their main source of income. In the 1980s,

the rice sector was made up of approximately 25 thousand producers; in 2005, only of 1.3 thousand. (Oxfam 2004; Agrobolsa 2006)

Nowadays, the sector survives thanks to the Rice Agreement signed between the producers, the agro-industrial sector and the government. This agreement establishes that all national production has to be bought by the agro-industry. However, rice producers are still marked by the past hard experience, and the sector has only been able to recover partially. The map below shows that the majority of the producers are concentrated in the north (departments of Colón, Atlántida, Cortez, Yoro) and the centre of the country (Comayagua, Intibucá). There also remain a high number of cultivated rice areas in the east. Other areas, such as the south, have practically disappeared from the map of rice cultivation areas in Honduras.

Figure 2: Rice-growing Areas According to the 2006 Census



Source: Agrobolsa 2006.

5.2 CONTEXT

The growth experienced by the rice sector in the 1970s and 1980s was driven by a process of agrarian reform with so-called “modernisation” of production, particularly in irrigation systems, mechanisation, cultivation techniques and the use of agricultural inputs. Many of the producers that succeeded in increasing productivity in this period belong to the “reformed sector”, that is, to the group of beneficiaries of the agrarian reform process. In the same way as in other agricultural sectors, the basic grain production was strengthened by a protection policy at the macroeconomic level (import tariffs, national market regulations) and at microeconomic level by supportive measures for production units (technical assistance, marketing, investigation, credits, etc.). In this context, international cooperation played a very relevant role in the rural and agricultural development, especially in the reformed sector.

The objective was to enable the rural economy to recover from the misery arising from subsistence production and inadequate wage levels for agricultural labour, in order for fundamental needs to be

satisfied. The attempt was thus made to calm down social and political dissatisfaction, in a historical framework marked by armed conflicts in Central America. Nevertheless, these policies turned out to have an only partially positive impact on the rural economy, due to the many deficiencies and contradictions which they contained. In the light of this situation, the political and economic changes from 1990 onwards negatively affected the deeply vulnerable peasant population.

With the beginning of the 1990s the rice sector was transformed in less than 15 years. This transformation can be divided into in three stages:

- 1) The first starts with the arrozazo and finishes with Hurricane Mitch (1991-1998)
- 2) Hurricane Mitch marks the second stage (1998-2002)
- 3) The third stage begins when the Dominican Republic-Central America Free Trade Agreement with the United States (DR-CAFTA) starts to take shape and the Rice Agreement brings the first benefits to the few producers left (2003-2006)

5.2.1 The Arrozazo and the Structural Adjustment Measures (1991-1998)

The new President, Leonardo Callejas (1990-1994), pushed forward several macroeconomic measures for structural adjustment, which were guided by international financial bodies, particularly by the World Bank and the International Monetary Fund (IMF). One of the first measures was to devalue the currency and float it against the US dollar. The strategic objective of this measure was to enhance exports, by dropping prices of Honduran agricultural products in the global market, thus accelerating the growth in this productive sector. (World Bank 1994:43) However, the increasing loss of value of the Lempira against the US dollar throughout the 1990s resulted in higher prices for agricultural inputs. This, together with other effects caused by the structural adjustment in agriculture involving dismantling of the state's mechanisms for technical assistance, turned out to be a major obstacle for the productive sectors in agriculture that did not produce to export, such as the basic grain sector. Rice producers were confronted with a state policy promoted by the international financial bodies, which considered this sector to have no prospect of economic growth, as reflected in an analysis elaborated by the World Bank in these years:

The greatest potential growth source is the opportunity to shift large areas from low-value crops under traditional technologies, such as maize, and extensive livestock operations on natural pastures, to high-value crops, a phenomenon that already is occurring for a sizeable number of non-traditional export crops. Shifting into export crops instead of basic grains means a significant net gain in employment and income per hectare. (World Bank 1994:39)



*Jose Alfredo Escobar harvesting rice in Guangolola.
Paul Jeffrey/EAA*

Assisted by a US expert, the government prepared the Law for the Modernisation and Development of the Agricultural Sector (LMA)¹⁷ enforced in 1992 to replace the Agrarian Reform Law of 1975. Known

¹⁷ LMA: Ley de Modernización Agrícola.

as the Norton Law¹⁸, it provided the legal instrument required to implement government policies aimed at reducing state intervention in the agricultural sector. In this context, the liberalisation of the agricultural products and inputs market, as well as of the financing and credit markets, was implemented, and the land access and land regulatory mechanisms were reformed with the objective of promoting the land market. (Walter and Pino 2004:4) With the LMA, the agrarian reform period practically came to an end, since some practices were modified. The prohibition on selling lands from the reformed sector and the political compromise to limit large land properties were withdrawn. (Thorpe 2000:228-229) The reformed sector followed different strategies to react to this situation, for example, by selling the land acquired through the agrarian reform. (Baumeister 2000:50)

The liberalisation of agricultural markets had already started in 1991, when the Honduran Institute of Agricultural Marketing (IHMA) disappeared and guaranteed prices were withdrawn. After the submission of the executive decree to eliminate the State's monopoly on the foreign trade of agricultural products, the Congress of the Republic took advantage of a period of legal vacuum to temporarily allow rice imports at a reduced tariff of 1 percent. (Walter and Pino 2004:5; World Bank 1994:44) Imports shot up immediately. In a good rice harvest year of over 54 thousand Mt of paddy rice, there were imports of 32 thousand Mt of milled rice and 12.5 thousand Mt of paddy rice. (See Figure 1) The market practically collapsed. This sudden liberalisation of the market was known as the *arrozazo* and the FAO (2007:2) describes it as an "import surge". This means that an extraordinary import increase took place, which had a negative effect on national production and on farm gate prices. As the data from FAO show, farm gate prices fell by 13 percent in 1991, and by 30 percent in 1992. (See Table 2). In 1992, a price-band mechanism was introduced for basic grains, like maize, rice and wheat, with the objective of cushioning the fluctuations caused by the variations of international prices in a liberalised scenario. This mechanism allowed an increase of tariffs up to 45 percent depending on the price in the international market, and imports decreased in 1992 and 1993 to the levels prior to the *arrozazo*.

The national level of production started to recover in 1994, but at the same time imports began to increase. The FAO observes a new period of massive imports starting from 1996, this time rather focused on milled rice. According to the FAO, the causes of this growth lie in:

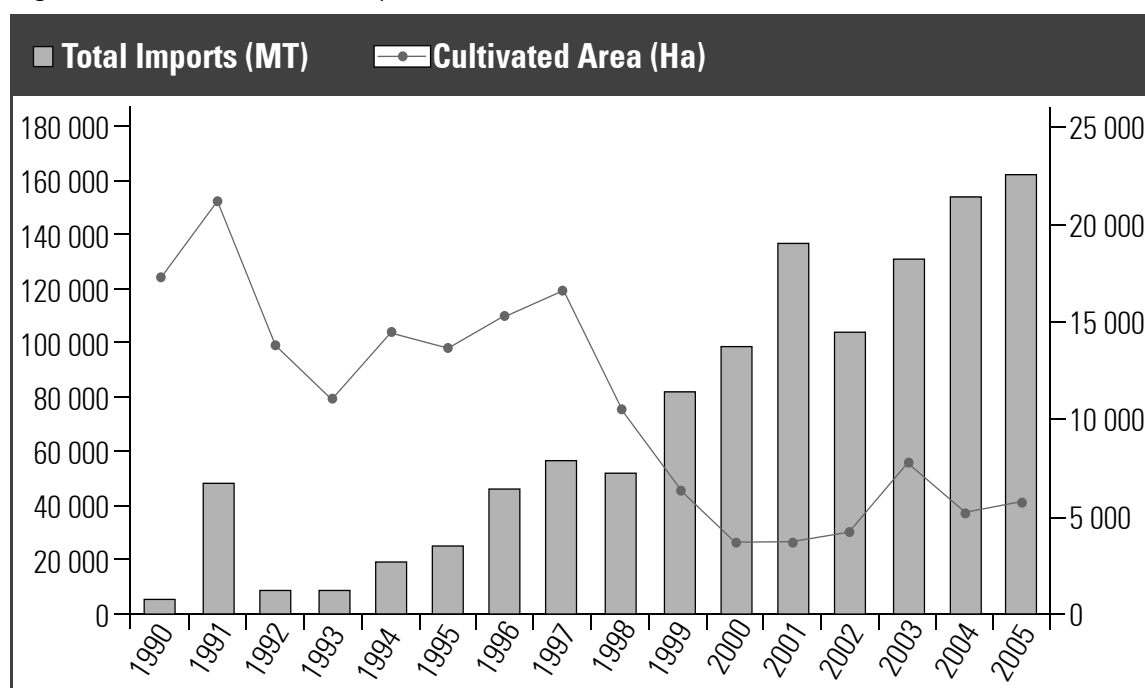
- the increase in domestic demand
- new phytosanitary regulations for paddy rice imports which boosted milled rice imports
- the unification of price-band mechanisms for milled and paddy rice, applying the same tariff level for both products.

The combination of these factors led to an import increase of rice in general, but especially of milled rice. Milled rice was imported by supermarket chains and wholesalers. As a consequence, the milling industry was left aside and its market position was negatively affected. The milling industry bought less Honduran paddy rice, which led to the reduction of the cultivated surface from 16 thousand ha to 10 thousand ha between 1997 and 1998. (Oxfam 2004:14; FAO 2007:3; see Figure 3) At the end of October of 1998, Hurricane Mitch hit Honduras.

5.2.2 Hurricane Mitch and Dumping: Two Phenomena with the Same Effect (1998-2002)

Hurricane Mitch had a strong impact on Honduran agriculture in general and in particular on the rice sector, since the sector lost almost all its productive infrastructure, including irrigation systems and soil preparation. For this reason, it is not surprising that between 1998 and 2000 the cultivated

18 After Roger Norton, Agricultural Economist hired by USAID, who elaborated the bill of the Law for the Modernization and Development of the Agricultural Sector. (Oxfam 2004:47)

Figure 3: Cultivated Area and Imports

Source: Author's chart based on data provided by FAO (<http://faostat.fao.org>).

rice area dropped by 70 percent and reached its lowest level in 40 years. (See Figure 3) However, Hurricane Mitch was not the only natural disaster with an impact on the rice production between 1990 and 2005. In October 2001, the tropical storm Michelle – which afterwards turned into a hurricane – hit six departments in the country, chiefly the north-eastern and northern area, and the Caribbean coast, including Santa Bárbara, Yoro, Colón, Atlántida and Gracias a Dios. All of these are rice cultivation areas.¹⁹ Moreover, the climate phenomenon El Niño had other local and regional impacts in these years, including long drought periods. These particularly affected the traditional rice production on mountain slopes, which is characterised by the lack of irrigation systems and of levelled soils, with a resulting low yield. This type of production was mainly oriented toward self-consumption with local sales of the surplus, and practically disappeared in the 1990s.

Table 2: Domestic farm prices of paddy and world prices of milled rice, expressed in national currency in real terms, 1990-2005

Year	Farm Prices ^a (paddy)	US Gulf Ports ^b (milled)	World Prices Index ^c (all rice)
1990	42	54	103
1991	36	57	113
1992	25	50	110
1993	27	50	100
1994	26	62	114
1995	23	52	129
1996	19	59	136
1997	26	56	127
1998	24	48	129
1999	24	37	114
2000	23	28	98
2001	22	26	84
2002	22	20	82
2003	22	27	93
2004	22	34	118
2005	22	28	117

^a Farm gate, Lempiras/cwt (1cwt=45.4kg), real terms base 1990.

Secretaría de Agricultura y Ganadería

^b Long grain, milled, Lempiras/cwt, real terms base 1990. Jackson Son & Co. (London) Ltd

^c All rice FAO price index (1982-84=100). Rice Market Monitor, FAO

Source: FAO 2007.

19 El Nuevo Herald, 5th November 2001 <http://www.latinamericanstudies.org/honduras/alerta.htm> (11th June 2007)

Entire regions, such as the south of Honduras, practically disappeared from the national rice production map.

There is, however, strong evidence that points out that the disastrous situations suffered by the rice sector at the end of the 1990s and the beginning of the 21st century did not only have their origin in “natural” causes, but also in human economic behaviour. From 1996 onwards, the US export price for paddy rice suffered an unprecedented fall of over 60 percent, reaching 108 USD/Mt in 2002. In this same period, the price paid to Honduran producers moderately increased by around 20 percent from 195 to 237 USD/Mt and then decreased by 40 percent between 2001 and 2002. (See Figure 4) In real terms, the profit on income from paddy rice sales fell between 1996 and 2002. This trend is confirmed by FAO calculations, based upon a constant Lempira. (See Table 2) In the light of this situation, it is not surprising that even in the two years following Hurricane Mitch, when rice production was considerably reduced, farm gate prices did not increase. Obviously this trend is related to the low price rice supply that was available during these years in the international market. As indicated in various studies, one of the causes behind this cheap rice supply was US dumping.

Oxfam (2004:26ff.) points out that US rice production grew by 44.3 percent between 1980 and 2002. However, rice consumption did not develop at the same pace. Thus, in the second half of the 1990s, an “emergency outlet” was needed to channel out nearly 50 percent of the production volume. Mexico and Central America received most of this surplus. In 2003, 60 percent of the US paddy rice export was sent to these recipient countries. Oxfam’s study analyses the strong subsidies received by the rice sector in the USA and points out that these subsidies have been the main motor to keep production



Small rice mill in Honduras.

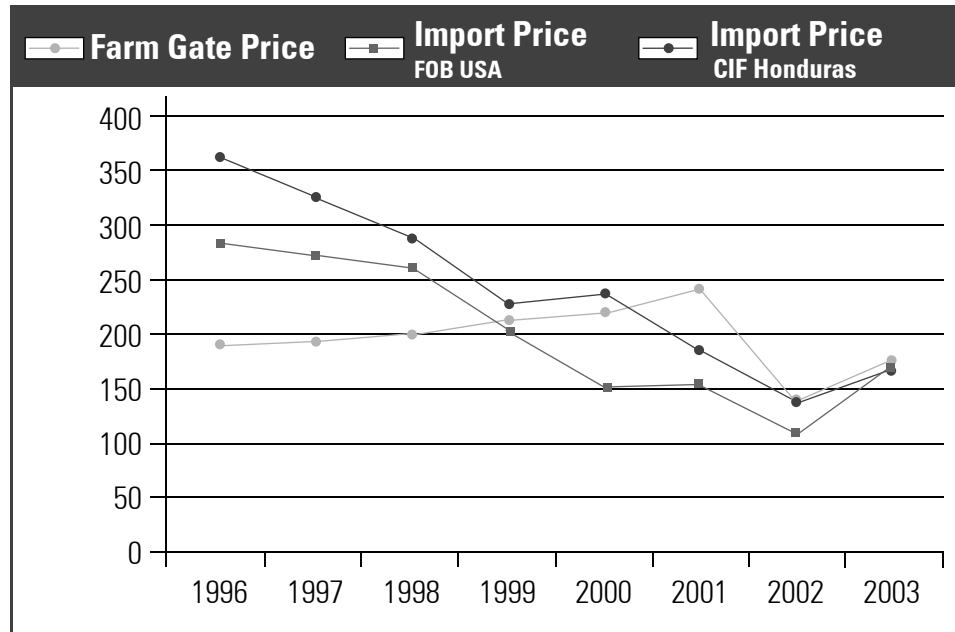
Paul Jeffrey/EAA

at this level. In 2003 rice producers received subsidies and benefits amounting to 1,279 million USD. This enabled the US rice sector to export a Metric tonne of paddy rice at a price 20 percent lower than the production cost. In the previous years, the difference between production cost and export price was even larger.²⁰ Consequently, from 1999 onwards, the price of US paddy rice fell in Honduras below the price received by Honduran producers. (See Figure 4)

Apart from the dumping practices, food aid also contributed to the rice surplus in the Honduran market. Available data on the amount of rice received by Honduras as food aid after Hurricane Mitch is lacking in detail but some analysis can be done. Data provided by FAO indicates that around 23 thousand Mt of milled rice were donated to Honduras in 1998. Of this, 70 percent was given by the USA. In 1999, 5.7 thousand Mt were donated by the USA. US donations were performed through USAID, in the framework of the programme “Public Law 480 Title II”²¹ A FAO report from January

²⁰ Year 2000: 26 percent; 2001: 24 percent; 2002: 46 percent. Own calculations based on the data analysed by Oxfam. (2004:44) This trend is confirmed by a study published by the Institute for Agriculture and Trade Policy (Murphy, Liliston and Lake 2005:xi), which calculates dumping percentages at 19 percent, 20 percent, 34 percent and 26 percent for milled rice from 2000 to 2003.

²¹ There are two sections to this programme: “emergency”, which includes the donations aforementioned from 1998 and 1999; and “development”. In addition to the donations mentioned under “emergency”, Honduras received aid included under the section “development”. According to the US International Food Assistance Report for the years 1998-2001, rice was also donated under this section. However, reports do not specify the quantities of donated food.

Figure 4: Paddy Rice - Farm Gate Prices and Import Prices (USD/Tm)

Source: Author's graphic based on data provided by FAO, USDA and SIECA.
 (<http://faostat.fao.org>; <http://www.fas.usda.gov/ustrade/USTExFatus.asp?QI>;
<http://www.sieca.org.gt>).

1999 indicates that immediately after the hurricane, around 2 thousand Mt were distributed. Since the natural disaster occurred at the end of October/beginning of November 1998, it is likely that an important part of the 23 thousand Mt that are statistically assigned to 1998 did not actually reach the affected regions until the following year. Therefore an additional supply of 26 thousand Mt for national consumption can be estimated for 1999. This same report calculates (on the basis of milled rice) the loss caused by the hurricane at 7.8 thousand Mt in 1998. In spite of this loss, domestic production reached 28 thousand Mt for paddy rice. In addition to the donations, in 1999 paddy rice imports increased by 25 thousand Mt and those of milled rice by 8 thousand Mt. Together with the donations, in 1999 there was an additional supply compared to 1998 of 34 thousand Mt of milled rice and 25 thousand Mt of paddy rice. This is an increase of imports by 125 percent for milled rice and of 71 percent for paddy rice.

Under these conditions, the rice sector had almost no possibility to recover from the hard financial crisis that it had suffered from 1991 onwards due to the natural disasters, the Norton Law and the *arrozazo*. Thousands of rice producers who had survived the 1990s could not avoid financial collapse at the beginning of the new millennium.

5.2.3 Between Life and Death: the Rice Agreement and the DR-CAFTA (2003-2006)

In the first post-Mitch year, 1999, a Rice Agreement between the Honduran Millers' Association, rice producers' associations and the government was signed. Taking into account the date of its signature, the Rice Agreement was most immediately a reaction to the crisis that the rice sector was suffering after Hurricane Mitch hit the country. However in broader terms it was a response to the crisis suffered by the rice millers of the agro-industrial sector due to the increase of milled rice imports since 1996, which put at stake its control of supply to the domestic market.

According to Oxfam (2005:12), 70 percent of the aid observed under the section "development" was monetarised, which means that it was sold in the market to finance development projects.

For this reason, the Rice Agreement established new regulations for imports rather than measures to reactivate national production. The Rice Agreement states that millers can import paddy rice with a preferential tariff of 1 percent, as long as they buy practically all the national production at the price agreed annually by the parties. At the same time, the tariff for milled rice and other types of rice is kept at 45 percent.

Main points of the Rice Agreement

- Parties: Honduran Millers' Association (ANAMH), the Government and producers' associations: AHPRA, PROGRAMO and EMAPROC.
- Defines the quantity and purchase price between the rice industry and the national producers.
- Allows the rice industry (rice millers) to import a quantity of paddy rice that covers the difference between national demand and national production, purchased at a tariff of 1 percent.
- Defines the quantity of rice that each mill must buy from Honduran producers and assigns the right to import at the 1 percent tariff according to the domestic purchase percentage.
- Establishes that import tariffs for other types of rice remain at 45 percent.
- Defines the quantity of rice that has to be bought monthly and also the months in which no rice should be imported.
- Establishes monitoring mechanisms for the enforcement of the Rice Agreement, as well as quality regulations for the rice provided to millers.
- Establishes sanction mechanisms applicable when the parties do not comply with the specifications.
- Defines criteria on how other actors (producers and millers) can take part in the Rice Agreement.

Source: Author's notes.

Basically, this agreement, currently still in force, allows national millers to establish an oligopoly, becoming the main supply channel for national rice demand, be it national or imported rice. The 22 millers that take part in the Rice Agreement can therefore control the entire agro-industrial and commercial chain, from production to retail sale.

Despite the power this hands to the millers, the Rice Agreement has also had benefits for the producers. It has clearly had stabilising effects for the productive rice sector. It is questionable whether this sector would have been able to survive without the guaranteed price established by the Rice Agreement and without the guarantee that producers can sell their entire harvest. Income security is the key advantage for producers, even though the prices paid to them under the Rice Agreement have not increased in real terms and have merely stabilised at a level which is still low, as indicated by the data of the FAO. (See Table 2)

The Rice Agreement had an immediate effect, namely the reduction of milled rice imports and the growth of paddy rice imports. From 2003 on, it also had an impact on production growth, mainly due to the improvement in administration and control as a result of setting up the agreement. In 2003 negotiations started with the USA on a free trade agreement which became DR-CAFTA. The milling industry developed a high interest to insure the survival of at least some of the national producers in the DR-CAFTA, in order to guarantee the *raison d'être* of the millers in the country. But, as the data from the administrative body of the Rice Agreement, Agrobolsa, indicate, the growth of domestic

production stopped in 2003. The quantity of paddy rice purchased by millers from that year onwards oscillated around 20 thousand Mt. Recently a slight decrease of production has taken place. (See Figure 1)

Table 3: Import tariffs for paddy and milled rice, exchange rates and consumer price index 1990-2005

Year	Milled ad valorem ^a tariff (%)	Paddy ad valorem tariff (%)	Exchange rate ^b	CPI ^c
1990	15	15	4.4	20
1991	15	15	5.4	27
1992 ^d	20 - 45	20 - 45	5.6	29
1993	20 - 45	20 - 45	6.6	32
1994	20 - 45	20 - 45	8.5	39
1995	20 - 45	20 - 45	9.6	51
1996	20 - 45	20 - 45	11.8	63
1997	20 - 45	20 - 45	13.2	75
1998	20 - 45	20 - 45	13.5	85
1999	20 - 45	20 - 45	14.3	95
2000	45	45	15.0	106
2001	45	45	15.7	116
2002	45	45	16.6	125
2003	45	45	17.5	135
2004	45	45	18.4	146
2005	45	45	19.0	159

a 'ad valorem' is a percentage of the price

b Lempira/US\$

c Consumer price index in Honduras

d First year of the price band mechanism

Source: FAO 2007.

These happenings are inherent in the Rice Agreement mechanism, which saved the rice sector but – due to its nature – simultaneously blocked its future development. For the agro-industrial sector, the Rice Agreement has the function of keeping national production at a reduced level in order to ensure a preferential treatment for the import regime. It has no interest in promoting the growth of national production, as long as it can benefit from the subsidies from the US Administration to the US rice producers, which maintain import prices at levels with which the Honduran rice sector cannot compete.

A study on El Salvador confirms this tendency and highlights that the major deficiencies are the concentration of tariff exemptions in only a few companies and the low volume of domestic basic grain production mobilised under the Rice Agreement mechanisms. The Salvadorian rice producers have experienced that only high-yield producers can benefit under a similar Rice Agreement. (Tolentino 2006:24) This results in an orientation towards DR-CAFTA, which supposes that only the most competitive producers will be able to compete with the USA in a totally liberalised market. Funnily enough, after undergoing and suffering the consequences of a decade of liberalisation of

the rice market in Honduras, the country is being prepared for a total market liberalisation and end to government regulation through the introduction of a mechanism that regulates the entire sector more than ever, with a guaranteed price, defined purchasers and defined producers.

Honduras has now been part of the DR-CAFTA since April 2006. Negotiations took place throughout 2003, and the treaty was signed in May 2004 and ratified by the Honduran Parliament in March 2005. Under DR-CAFTA, Honduras is allowed to keep fulfilment mechanisms which already existed when the treaty came into force, including the Rice Agreement. However, these mechanisms will be eliminated at the end of a “tariff relief period” for paddy rice. This means that the Rice Agreement has a limited existence under the DR-CAFTA. In the negotiations, rice was considered a “sensitive product” for the country. This led to a relatively long transition period to the applicability of free trade. After 10 years Honduras must start to reduce its tariffs from 45 percent, finishing 8 years later with total market liberalisation (0 percent tariff) and the enforcement of the free trade treaty percent. Moreover, tariff-free quotas are established. For paddy rice, this quota is 92 thousand Mt, and it increases yearly by 2 percent, starting from the first year of the treaty’s enforcement. For milled rice, this quota is 8.9 thousand Mt and increases yearly by 5 percent. Rice does have a Special Agricultural Safeguard, which is applicable in the case of a threat caused by a massive increase of US imports.²²

In spite of transition mechanisms, the final result of the DR-CAFTA will be the total deregulation of the rice market by the year 2024 the latest. However, due to the high paddy rice quota and to the accelerated increase of the milled rice quota, the transition mechanisms will lose their effects much earlier. The first to be affected could be the industrial millers. As the milled rice quota increases, their oligopoly will lose strength due to the imports of processed rice. The Rice Agreement will be eliminated at the latest when the paddy rice tariff is so low that the agreement does not bring enough benefits to the industry. Honduran rice producers will be exposed to the price fluctuations of the international market and thus to a very uncertain future.

It is worth mentioning that in the DR-CAFTA negotiations the USA refused to talk about subsidies. The treaty only defines the signatories’ common objective of multilaterally eliminating subsidies on exports through the WTO. (Garbers and Gauster 2004:33) However, the WTO negotiations, which for the moment are practically stopped, constitute an additional danger for the rice market, since not only rice trade with the USA will be liberalised, but also rice trade with the whole world.

5.2.4 Towards a Contradictory Future: New Perspectives for the Basic Grain Sector?

According to the analysts from the US Department of Agriculture (USDA), US agriculture is facing a scenario of deep changes caused by the growth in bioenergetics production. With the planned production plants, the ethanol production capacity of the USA will rise from 5 thousand million gallons in 1996 to 9 thousand million gallons in 2012. Maize will be the main raw material for ethanol production. (Schonover and Muller 2006:5) According to the prognoses, the maize demand for ethanol production in 2008 will be between 60 million Mt and 139 million Mt. (Earth Policy Institute 2007) Part of this demand will be covered by an export reduction, as is indicated by a study elaborated by the Institute for Agriculture and Trade. (Schonover and Muller 2006:10ff)

The changes in US agriculture will have immediate effects on the Honduran market. The result will be a price rise for imports of maize from the US into Honduras and probably a decrease in their quantity.

²² The Special Agricultural Safeguard is a mechanism that can be implemented by affected sectors when the rice import exceeds the quantity established in the treaty. It involves the activation of an increased tariff defined in the treaty. The Special Agricultural Safeguard is limited to the tariff relief period and can only be activated once for a maximum period of four years. (Garbers and Gauster 2004:26)

The price rise that can be observed in the first months of 2007 can be interpreted as the beginning of this trend, one which will not be limited only to maize. According to the Earth Policy Institute (2007), rice will also experience a substitution effect from US consumption and from changes in land use, since cultivation areas dedicated to rice will be used for maize cultivation.

For basic grain producers in Honduras, this trend has the potential to bring considerable changes. After almost two decades of being practically neglected by the State, they are now in the centre of attention of national agrarian policy. However, it is questionable whether a productive sector that has been damaged to such an extent can now recover rapidly enough to meet the demand. It is moreover questionable whether the political-ideological approach that has benefited exports, taking strong root in the state's practices and in the privileges of the political class, can change in a relatively short period of time. If it is not possible for production and policies to adapt, and the scenario described becomes reality, the impact could be very hard. The danger of a generalised crisis of food security would increase for those population sectors that suffer the highest economic vulnerability. The rise in the price of grain would not be limited to maize and rice, but would also extend to products such as chicken or eggs the price of which depend on the basic grain price. The first to be affected would be the urban population in a situation of poverty or extreme poverty, with no possibility of covering at least part of its needs through subsistence activities.

5.3 HOPE AND DISAPPOINTMENT FOR RICE PRODUCERS: TWO CASE STUDIES

The studies were carried out in two communities: the **Guangolola** community in the Yoro Department, and the **Guayamán** community, in the Otoro valley, in the Intibucá Department. Both communities belong to the "reformed sector" and are organised in second-level associative businesses or cooperatives, the Cooperativa Agropecuaria Regional El Negrito Limitada (CARNEL)²³ in the case of Guangolola, and the Empresa Asociativa de Campesinos de Transformación y Servicios Otoroña (EACTSO) in the case of Guayamán.

Guangolola is located in the north of Honduras, approximately 230 km from Tegucigalpa. It is around 10 km from the closest main town, El Negrito. The community is made up of two colonies (Guangolola I and Guangolola II) and a total of 152 families. In the community there are four grassroots cooperatives with 105 members. The Guayamán community is 150 km away from Tegucigalpa and 15 km away from the nearest main town, Jesús de Otoro. Around 30 families live in the community, and 23 of them are members of the local business and of EACTSO.

5.3.1 The Guayamán Community and the Associative Peasant Business EACTSO

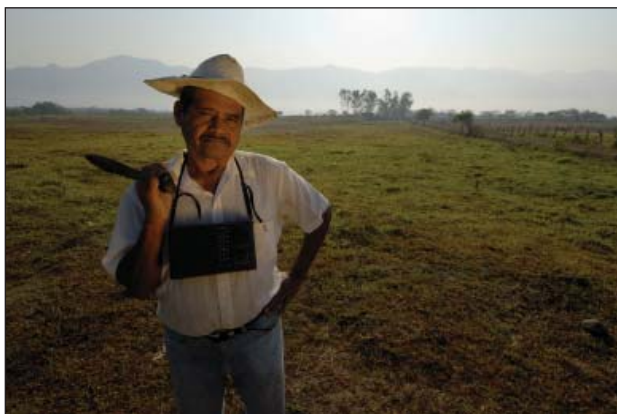
Jesús de Otoro and EACTSO

During the 1980s and 1990s, Jesús de Otoro was known in Honduras as the "Rice Capital", for being one of the main rice cultivation areas. Nowadays it still plays a major role in national production, although the number of producers has dramatically decreased in comparison to the late 1980s and early 1990s.

EACTSO was established as a result of the increasing number of rice-growing areas in the Otoro valley during the 1980s. It is formed by six grassroots peasant associative businesses representing six communities of the region, five of which are considered to be traditional rice producers.²⁴ The

²³ CARNEL belongs to the Asociación Campesina Nacional ACAN.

²⁴ Guayamán, Tatumbala, Ismael Cruz, Cruzita del Oriente, Juan Benito Montoga and Santa Fé Agrícola.



Reyes Aguilar stands by land in Guayamán where the cooperative used to grow rice.
Paul Jeffrey/EAA

associative business has 96 members in 6 communities, 72 of whom were rice producers until the production drop that took place in the 1990s. Nowadays, there are only 12 rice producers in the communities belonging to EACTSO, but they produce rice under completely different conditions from the way in which they used to.

The EACTSO members benefited from the Agrarian Reform in the

early 1980s, and during this period they were set up as communities in the lands they were given under this reform. In the beginning, they went through hard times in the new lands due to the lack of infrastructure such as roads and housing, of production support and of working capital. They started to grow products such as maize or beans for self-consumption. However, some members started to cultivate rice, and this led to an increase of the number of producers during the 1980s. The members produced and traded individually, each producer by himself. By doing so, they were greatly dependent on the intermediaries, called coyotes.

With the support of Spanish international cooperation, the production modernisation process was enhanced and the organisation of production and marketing was restructured. Crop yield increased through land levelling, the improvement of irrigation systems and the use of fertilisers and agrochemicals. EACTSO was created in 1989 as a second-level business made up of the six grassroots businesses previously organised as legal persons. EACTSO took on the function of providing key agricultural services, such as technical assistance, inputs, credits, and also organised the rice marketing system. With funds from the Spanish international cooperation, a dryer and a rice-husking machine (mill) to process paddy rice were installed. With the creation of their own brand, “El Gran Chef”, EACTSO producers managed to cover almost the entire marketing chain up to the consumer, thus avoiding the involvement of intermediaries.

The economic policy reforms implemented in the first half of the 1990s had a profound impact on EACTSO and its grassroots associative businesses.

When the Spanish cooperation started to provide assistance, our situation changed and we were doing well during four years. We handled the production, the plant... But, when this policy became effective, the Spanish cooperation had already stopped assisting us. We didn't have support any longer. (...) The governmental policies were prejudicial for us because they didn't consult the producers. And when we realised it, it was too late and we were not able to take any action. (Interview B.II.1.a)

EACTSO producers have not been able to recover from the impacts of that period even now. All interviewees from EACTSO highlight that the best years were those between the late 1980s and early 1990s. However in 1991 the *arrozazo* marked a change towards a long period of crisis that acutely affected EACTSO from 1995 onwards. At the beginning of the 21st century, the worst point of the crisis, productive activities stopped almost completely.

The drier came to a standstill more than four years ago, because we were out of the market: we were not competitive anymore. In 1995, we were affected by a governmental

policy in the sense that (...) a large amount of rice was introduced from outside and we wanted to sell ours, but nobody wanted to buy it. We were told that our rice wasn't good, that it wasn't competitive in the market, that it was very expensive, that the quality and yield of the rice [coming from abroad] was better and had a very competitive price. Then we had 18,000 qq²⁵ of rice in the warehouse. We lost almost 100 percent of the rice because of the plagues. It was stored in the warehouse; we didn't have a safer place to keep it. Moreover, we had a credit and we tried to sell the rice (...) to pay off the credit, but we couldn't compete. We had to sell it for a price below 50 percent, approximately. Prices were too low. And most of it was used to pay off the credit, and up to now, some people still haven't paid us for this rice. (Interview B.II.1.a)

Due to the crisis caused by the changes in the rice market, the members got into debt with EACTSO, since they were not able to refund the associative business the loans they were given in the form of inputs for production. Moreover, EACTSO got into long term debt, because the bank credit could not be refunded. According to the Board of Directors of EACTSO, between 1.3 and 2 million Lempiras were lost in 1995, which caused a debt of around 1 million Lempiras.

Despite these problems, they kept on producing and trading until 1997, when the weather phenomenon El Niño caused a drought that negatively affected the production in the Otoro valley. (Medina Agurcia 2006:6) That same year, direct marketing through the "El Gran Chef" brand was stopped. The following year, 1998, Hurricane Mitch not only destroyed the production, but also affected the producers' irrigation system. These disasters, which took place over two consecutive years, prevented EACTSO members from producing rice.

After the *arrozazo*, the summer of 1997 was especially terrible and dreadful for us. It was an awful summer, we lost our harvest. I had more or less 9 *manzanas*²⁶ of rice but they brought me nothing. And in 1998, Hurricane Mitch hit the region and the flooding ruined the harvest, because nothing had been harvested yet. And we didn't have the credit option anymore to keep on cultivating. The associations weren't able to cultivate any longer for many reasons: firstly, because they didn't have access to credits; secondly, they didn't have either irrigation systems or technical assistance. Nobody wanted to take the risk of cultivating without these, because they risked losing everything, even though they had the association [EACTSO] here. Then (...) the year 2002 came. From 2002 up to now, the processing infrastructure hasn't been working, it's at a standstill. (Interview B.II.1.c)

According to the Board of Directors of EACTSO, the reactivation of rice production after Hurricane Mitch was not only hindered by the lack of credit and technical assistance for rice production. Another key factor was the food aid received by the country: the milled rice coming from abroad saturated the local markets.

Mitch brought another *arrozazo*. Donations of milled rice arrived. And we had here an industrialisation process: we had machines, and we could sell the rice to the market. But milled rice came from abroad, and the municipalities were full of milled rice. They started giving this rice to everybody. So the market was saturated and rice producers didn't know what to do with their rice. These donations also affected us. (Interview B.II.1.a)

As these testimonies show, the attempts to restore the production after Hurricane Mitch failed. It was

25 See "quintal", Annex 10 for this section

26 1 *manzana* = 0.7 hectares

impossible to reactivate direct sales by selling their own brand, and thus the EACTSO mill stopped working. The drier was in operation during the first months of 2000 but then came to a standstill until 2002, when almost all the associative activities of EACTSO were cancelled after the last blow: the Rice Agreement.

This is the final blow to EACTSO. A rice agreement was arranged between an association of rice producers, the millers and the Government. Then all coyotes disappeared and the EACTSO went under. The producer doesn't sell to EACTSO anymore, but directly to the millers because EACTSO cannot be associated with the millers. A price was fixed at the national level; if EACTSO had kept on buying, it would have had to buy at this price and sell the wet rice at the same price. (Interview B.II.1.d)

During the post-Mitch period, the rice production cultivated under difficult conditions was sold to the millers as dry rice. However, this marketing option also disappeared with the consolidation of the Rice Agreement. On one hand, the mill cartel did not accept EACTSO as a processing business involved in the Rice Agreement; on the other hand, intermediary marketing was eliminated by the Rice Agreement. EACTSO was out of the market and had no function anymore. Only some of the members managed to take part in the Rice Agreement individually by selling directly to the millers.

As the Board of Directors of EACTSO points out, the miller cartel accepts new members now, but there is a key constraint. During the first three years after the applicability of the Rice Agreement, the new mills are entitled to only 5 percent of the imports as a whole. Due to this condition, taking part in the Rice Agreement loses its attraction for new mills, since the benefit lies in the right of importing paddy rice at a 1 percent tariff in exchange for the purchase of the national production. "They are choking us to death," is how the President of EACTSO, Eduardo Benítez, describes the situation. As can be shown in the case of the grassroot business in Guayamán, the aforementioned development brought the community back to the economic model of the early 1980s, when the community settled in the land.



Rice dryers and warehouse sit unused at Jesús de Otoro.

Paul Jeffrey/EAA

The Guayamán Community

In the early 1990s, all producers in Guayamán cultivated rice within a collective project. They harvested nearly 100 manzanas and achieved an annual yield of 100 qq per manzana. The annual production was around 9,000 qq at the best times. This amount was divided into two parts. One part was used by each associated family, for self-consumption and to keep as seeds for the following year's harvest. The second part was sold to EACTSO, which used the income to pay the credit it had obtained to buy inputs, use machines and for other expenses that the local business had. The income from selling to EACTSO was distributed among members according to the amount of days they had worked cultivating rice. Depending on their working capacities, each member could achieve an annual income between 1,500 and 3,000 Lempiras. The lowest amount is still below the moderate poverty line estimated by the CEPAL for rural areas in Honduras for 1990 (1,692 Lempiras per year). However, the highest amount is significantly above the moderate poverty line. It is worth mentioning that it is clearly over the extreme

poverty line for 1990 (972 Lempiras), even at its lowest level. Nonetheless, the situation changed dramatically a few years later. In 1994, an income of 3,000 Lempiras per year was only a little over the extreme poverty line (2,172 Lempiras). (Morazán, Gallardo and Negre 2005:56; see Table 4).

Table 4: Poverty lines (in Lempiras)

Year (August)	Urban Poverty		Rural Poverty	
	Extreme	Moderate	Extreme	Moderate
1990	115	229	81	141
1994	257	513	181	316
1997	481	963	339	593
1999	561	1122	395	691
2002	689	1378	485	849

Source: Data provided by CEPAL, elaborated by Morazán et al. 2005.

These data must be considered in the context of the difficult circumstances prevailing among rice farmers after they gained access to the land in the early 1980s. The first years were characterised by a subsistence economy to ensure the food security of the families. For the first time, the rice cultivation ensured a relatively stable – although limited – monetary income. These conditions started to change with the new governmental economic policies from 1990. From the point of view of the rice producers in Guayamán, the price rise for inputs has been the main reason for them to abandon the fields, says María Marco Ramírez, member of the Guayamán associative business.

Most people used to cultivate rice collectively. People stopped cultivating rice because of the inputs; they are so expensive. (...) If you don't get fertilisers, rice doesn't grow properly and you lose the harvest. The key issue is the field irrigation, but if you cannot irrigate it due to lack of money, you lose it. Fertilisers are extremely expensive today; they are more and more expensive. And pesticides too. People leave these lands, they migrate because they think they will make more money somewhere else, and it is impossible to live here any longer. It is difficult to survive because of the inputs prices. (...) And the free trade affected us too, since a lot of rice came from other parts and we stopped cultivating rice. (Interview C.II.1)

Today there are only four or five farmers in Guayamán who keep an individual rice production site and cultivate an area of around 20 *manzanas*. They sell their production directly to the millers, as established in the Rice Agreement. According to the interviewed members, they will keep on producing if they get enough capital or can obtain working capital from the banks. Most of the community members went back to the basic grain production system to ensure their livelihood, complemented by paid jobs in the region or in Tegucigalpa. As María Marco Ramírez explains, basic nutrition needs are satisfied by cultivating maize and beans and by breeding chickens.

We survive thanks to maize. We always get some maize and beans from our land. Not for sale, just to eat, because if we sell it, then we don't have anything to eat. (...) I don't remember the last time I ate meat. We eat maize, beans and eggs; we keep some hens so we can have some eggs. (...) We sell hens to pay for our children's school, shoes and uniforms. It isn't easy, but we make out. (Interview C.II.1)

Occasionally, some producers carry out experiments on new products, such as the watermelon, but they have not been able to find a crop that reaches the income level which they obtained with

rice. In 2001, the local associative business launched a collective cattle raising project. Currently they have 83 head of stock. Each member gets a gallon of milk per day; the rest is sold. Since last year, each project member also receives a cow, if there are enough to share out. Cattle raising is also an economic activity for some individual members who have one or two head of stock. Many rice fields have become areas for raising cattle today. However, the community owns 400 *manzanas* of land that seem to be underused due to the lack of capital to set up new productive sectors.

An underlying threat for the Guayamán community is the fact that the collective land title is part of the guarantees that EACTSO gave to BANADESA (National Agricultural Development Bank) to get credits. According to the Board of Directors of EACTSO, the total amount of debts in BANADESA reaches 4 million Lempiras. Although there is no risk at the moment that the bank will seize the Guayamán lands to get the credit payment, there is some uncertainty in this area. Moreover, if the community does not repay to BANADESA the debt caused by the rice crisis 12 years ago, it has virtually no chance to gain new credits.



Eduardo Benítez on land in Guayamán where he used to grow rice.
Paul Jeffrey/EAA

5.3.2 The Guangolola Community and the Regional Cooperative CARNEL (El Negrito)

The land now belonging to the Guangolola community was occupied by landless farmers and legally given to them in the framework of the agrarian reform process carried out in the second half of the 1970s. During this period, the first farmers in Guangolola started to cultivate rice under difficult conditions, since it was extremely complicated to prepare the soil for rice cultivation. The number of producers and the extension of cultivated lands increased gradually in the first half of the 1980s. During this period, rice cultivation in Guangolola was characterised by the use of a “traditional” method: the land was prepared manually and without any irrigation system, fertilisers or other agricultural inputs. This production scheme was widely abandoned during the 1980s due to a broad modernisation process boosted by the DRI-YORO²⁷ and international aid organisations.

As the fields are situated in a low area with good perspectives, the rice [modernisation] process started in Guangolola in 1980. Some support institutions helped us to level the land. By doing so, they eliminated the fertile soil layer. They used to get one harvest per year but with the new technology, the ground levelling and the gravity irrigation system they achieved two harvests per year. However, when they level the ground, the fertile substances go deeper underground and to the edges. Then, it is necessary to use fertilisers and (. . .) herbicides, insecticides and fungicides. (Interview B.I.2.d)

DRI-YORO supported the producers by levelling the lands, installing a gravity irrigation system and building access routes to rice fields. The Taiwan Technical Cooperation introduced new cultivation

²⁷ The Integrated Rural Development Project of Yoro was executed over a period of thirteen years (1984-1995) and was co-financed by the Swiss Government and the Honduran Government. This development programme was seen as an integral process of change of the economic, cultural, social and political structures. The strategy of the programme was to promote a sustainable development process working around three axes: sustainable agriculture, social development, and entrepreneurial organization and development. (Gottret and Westermann 2001:7)

techniques. However, a requirement of this process was to have enough capital to ensure the necessary investments concerning agricultural inputs and the maintenance of the production infrastructure.

The participation of the Guangolola grassroot cooperatives in the establishment of CARNEL in the late 1980s was a response to this situation. Officially founded in 1991, CARNEL mainly offers agricultural services to its members. Affiliated rice producers can finance agricultural inputs through CARNEL.

CARNEL is one of the [second-level] cooperatives that has worked with nearly no government funds or private banks. CARNEL has always worked with own funds (...). Most of the funding is used to provide services. If mechanisation is needed for one of the [grassroot] cooperatives, they provide the necessary machinery. If fertilisers are needed, they provide it. Also if insecticides are needed: everything related to inputs can be found in CARNEL. (Interview B.I.1)

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Guangolola producers remember the *arrozazo* as the end of a period of growth and the beginning of the difficult decade of the 1990s. In that time, their marketing channels were intermediaries or the direct sale to mills.

Before the 1990s it was profitable to sell to the mills, directly or through *coyotes*. They accepted the national rice, there were no imports. The situation deteriorated after the *arrozazo*. (Interview B.I.2.d)

Some rice producers financed their production with credits from the mills, and they repaid the investment upon harvest delivery. With the *arrozazo*, the mills refused to accept the production and the producers got into debt. In the 1990s, selling to mills was even more complicated since they refused to buy Honduran rice.

We could bring a lot of rice to the miller, but he would always say: “no, you are not bringing me rice, you are bringing me rubbish”. He dared to refuse my rice showing me American rice and saying: “*this* is rice”. But we know we have good quality rice. (Interview B.I.2.b)

When faced with this situation, Guangolola producers chose two strategies. Firstly, they started to process their rice in an easy way. They sun-dried the rice and bought small millers for husking purposes. CARNEL also offered a mill. In this way, they managed to expand the sales possibilities by getting close to end consumers. But they had to be very flexible and mobile in their search of sales options. In this situation, owning or having easy access to means of transport were key factors in order to remain active in the market.

Not everybody was able to sell the rice. If someone had a cart to transport the rice and he went to El Progreso, he might find there a warehouse owner or a friend who said: “you can leave the rice here”. (Interview B.I.2.b)

Those who had to sell in the community or region were offered prices that did not reach half the price they could have achieved if they had tried to sell in other regions in the country. This is the reason why the economic situation of the Guangolola producers was so different in the 1990s. Some of them stopped producing temporarily, they rented their land or sold their land rights; others got into debt. Most of them managed to survive by keeping the productive capacity in the community.

There was no alternative left during the crisis. They kept on producing, hoping that they could sell their rice if the demand stopped being supplied. They were selling at very low prices. The quality of their rice helped them a lot, as well as the quality of their land, which is not easy to use for other crops since it gets flooded. The irrigation system, as it

was set out, keeps the lands flooded almost permanently. If they wanted to change the crop, they would have to destroy the irrigation system. (Interview B.I.1)

This situation changed after 1998 when Hurricane Mitch destroyed the productive infrastructure, including the whole community irrigation system. Three years later, Hurricane Michelle had the same effects in Guanolola. So, in three years, producers had to twice rebuild the productive infrastructure. The rice food aid given between these two climate disasters additionally affected the marketing of the restored production.

Hurricane Mitch brought a serious crisis. (...) We couldn't work the land. Rice cultivation stopped in Guanolola and the fields were covered with brush. People came back when they saw that conditions were improving. Some of them were unable to resume production and started to rent out their lands. Other people, less affected by Hurricane Mitch, started to cultivate them. (...) But then, tropical storm Michelle caused the same damage as Mitch. People had to start all over again, having invested two years in restoring their lands, their operations and their market presence (...). (Interview B.I.2.i/ B.I.1)

The natural disaster was accompanied by political action. After Hurricane Mitch, a lot of rice was donated through international aid. (...) People kept on producing rice but nobody would buy it if it was given for free. A typical farmer would leave his farm carrying 1 qq of rice on his shoulders and have to sell it for 20 Lempiras. Foreign food aid was mainly rice. Huge quantities of rice were offered. Warehouses were full of rice. That crisis lasted around two or three years. (Interview B.I.1)

During this crisis, the community raised maize and searched for paid jobs in the big cities. Moreover, they received emergency aid and reconstruction aid after Hurricane Mitch. Nonetheless, the key factor to restore rice production after 2001 was the Rice Agreement, signed by the producers, the Government and the millers.

During the crisis, the situation was so bad that some people migrated. They sold their rights cheaply and left. We faced the situation and sent our children to work in San Pedro, so that they could survive. The situation lasted around six years, it was hard. But then, thanks to the organisation APRAH and CARNEL, we signed a rice agreement directly with the Government. (Interview C.I.1)

After signing the Rice Agreement, rice producers in Guanolola achieved a level of economic stability that they had never had since the early 1990s. The guaranteed price in force for 2007 is 240 Lempiras / 1 qq. Considering an average yield of 100 qq per *manzana* and production investment costs between 10,000 and 12,000 Lempiras, they earned 12,000-14,000 Lempiras per cultivated *manzana*. However, when they started to cultivate rice, all the members had the same cultivation area of around 3 *manzanas*. Now there are some differences. Not all of them cultivate the same land surface. Some of them have sold part of their rights, whereas others do not have enough capital to cultivate their entire land and rent them partly to other producers. Some producers still have debts generated by the crisis and not everybody turns to CARNEL for assistance, so they depend on the BANDESA credits. All this brings substantial economic contrasts among the families of the community.

Many rice producers are going through hard times, not everybody is doing well. Some people are struggling for existence (...), they are still in crisis. How can anybody sustain a family having a debt of 50,000 or 100,000 Lempiras? It's not possible. Maybe the producer has a good harvest, and rice fields. But then no one wants to pay. So no dress for the wife, no uniforms for the children. All of them are terribly dressed here. (Interview B.I.2.b)

Despite these differences within the community, Guangolola producers are aware of the economic benefits brought by the Rice Agreement, for it assures income. This is an important advantage for rice production, especially in comparison with other productive sectors – such as maize – that were also in crisis. However, they are afraid that this positive drift will not be maintained in the future and that big industrial mills will strengthen their oligopoly and manage to manipulate the Rice Agreement by reducing the purchase obligation, while controlling and benefiting from rice imports.

Last year a dispute arose among millers: the more rice one mill buys, the more rice it imports. That's why the prices they pay are rising. They started with a guarantee price, now the guarantee price is 240, but none of the big mills respect it; they are paying more. And small mills are not able to pay that amount and go bankrupt. We, rice producers, live in great uncertainty. There will be 4 or 5 left and they won't agree to benefit producers, but to pay the import tariff and to get the exclusivity. (Interview B.I.2.d)

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Juan Bautista Yanez threshing rice in Guangolola. Paul Jeffrey/EAA

Their strategic option is to make the most out of the rice situation in order to have access to the industrial rice processing, as CARNEL has done. However, as in the case of EACTSO, their actions are limited by the Rice Agreement.

CARNEL has never been able to enter in the rice marketing business because of the rice agreements promoting direct sales. But now, CARNEL is thinking of and boosting rice industrialisation. (...) This is the time to benefit from the rice market levels, the time to seize the situation, even the financial situation. (...) CARNEL can create here rice benefit and rice can be brought from somewhere else. A rice processing cooperative could be created in this region and it would benefit other groups in the area. (Interview B.I.1/ B.I.2.i)

5.3.3 Guayamán and Guangolola: the Consequences of the Rice Crisis

Guayamán and Guangolola are two representative examples of the rice industry development in the 1980s and 1990s. During the productive dynamics of growth in the 1980s, two modes were developed for rice cultivation: the “modern” one, with a higher degree of land levelling, irrigation and intense use of inputs – and the “traditional” one, particularly used on mountain slopes, with low productivity but with no need for significant investments. The difference between these two trends has not been the amount of land cultivated by big-scale and medium-scale producers, but the business and subsistence approach. Rice producers of EACTSO and CARNEL describe very well the modernisation process and its introduction in productive processes and business marketing, fostered by the State and supported by international cooperation. This is a big difference in comparison to traditional rice production. The latter did not enter the production business circle and was able to adapt more flexibly to cultivation of other basic grains, such as maize, thus disappearing during the 1990s.

As part of EACTSO, the Guayamán community experienced a transformation process which also affected the productive and commercial organisation. As a “collective” working organisation with wages

to members for the work done in cultivating rice, the rice processing and the marketing up to the end consumer were key factors for the economic local development in Guayamán. There were no “collective” ways of production and marketing in Guangolola. This allowed its inhabitants to react more flexibly during the crisis from 1991. As far as they could, each of the producers tried to diversify their sale practices, by selling paddy rice, dried rice or milled rice. Moreover, Guangolola producers found ways to sell their rice in other regions of the country.



The Hernandez Romero family having lunch during the rice harvest in Guangolola.
Paul Jeffrey/EAA

Despite their different survival strategies, Guangolola and Guayamán producers have experienced the same effects on their household economies: individual debts and debts to the associative or cooperative businesses they belonged to, as well as the reduction of family income with consequences on their feeding habits. In the new millennium, after 15 years of crisis, rice production had almost disappeared as a productive sector. The multiple and far-reaching consequences for second-level producers' organisations and for the community that arose from the aforementioned happenings include the following:

- As testimonies show, the economic security level in Guayamán and Guangolola, including monetary income, was significantly reduced. This process contributed to increased food insecurity. Particularly in the case of Guayamán, there is evidence that, at least during certain phases of the crisis, rice producing families suffered a reduction in the quantity and quality of the food available. Guayamán producers returned permanently, and Guangolola producers temporarily, to subsistence agriculture, complementing their income by means of paid jobs in agriculture or in other sectors. They had previously overcome this mode of working thanks to rice cultivation. They had to cover their expenses – for instance, their children's education – with this monetary income, or if this was not enough, with the sale of subsistence products (eggs, chickens).
- Economic development was hindered by the debt of the associatives, cooperatives and grassroot businesses, as well as the individual debts. The case of EACTSO shows that the rice crisis blocked all activities and future development potential. Registering fields as a loan collateral with the banks has become a latent threat to the Guayamán community. Even though there is no imminent risk, the lack of land security exercises a negative influence on the community's potential development.
- Particularly in the case of Guayamán and EACTSO, benefits derived from large-scale advances in production and economic development – even supported by international cooperation institutions - were destroyed. EACTSO lost its function in the processing and marketing chain and its members started to operate as raw material suppliers again.
- The rice crisis between 1991 and 1998 increased the vulnerability of the producers when facing natural disasters, as was proven with Hurricane Mitch. The difficulties experienced by the rice producers in recovering after Hurricane Mitch were strongly linked to their weakness concerning capital, technical assistance and access to markets.
- At the intracommunity level, the rice crisis triggered a process of production and marketing individualisation in Guayamán. Moreover, it can be confirmed that both communities have

gone through a process of land (or land use) concentration, since some producers needed to sell their rights. This fact contributes to economic differentiation within the communities.

5.4 IMPACT OF THE RICE SECTOR CRISIS ON THE RIGHT TO FOOD: ACTORS AND RESPONSIBILITIES

This study could not prove the existence of “hunger”, understood as the suffering caused by periods of no food which result in immediate illness or death. However, the magnitude and long duration of the rice crisis revealed in the testimonies indicate that the quantity and quality of the food of Honduran rice producers suffered in different phases of the rice crisis. It can additionally be confirmed that the import competition was a key factor in the rice crisis in three specific moments:

- when the *arrozazo* took place in 1991, as a result of the government opening up the rice market under its structural adjustment policy
- between 1996 and 1998, with the increase of milled rice imports due to new administrative measures
- in 1999 with the rice oversupply in the market caused by the food aid and the increase of the paddy rice imports.

From 2000 onwards, the Rice Agreement turned into a key strategy of the state policy on the rice sector. The Rice Agreement practically opens the way for massive paddy rice imports. The millers' guarantee to buy all national production means they do not threaten the few national producers left, but gives no chance to farmers who abandoned rice production to go back to it. These dynamics will be now analysed in the light of the right to food, emphasising the role of the different social actors: the Honduran State, the United States of America and the International Financial Institutions (the World Bank and the International Monetary Fund).

5.4.1 The State of Honduras

In the memory of the Honduran rice producers, the *arrozazo* represents a traumatic moment in their lives. It symbolises a State policy that from that moment on was against this productive sector. For this reason it marks the starting point of a continuous failure of the State to comply with its obligations to respect, protect and fulfil the right to food of rice producers.

The obligation to respect

a) In the framework of the technological modernisation processes that took place in the 1980s, many rice producers were included in a production business system. These producers could only start production under this system with the support and protection of the state. The problems started when later – under another economic approach – not only was this support annulled, but measures with a very negative impact for producers were implemented under the structural adjustment policy. One of these measures was the devaluation of the national currency in respect to the US dollar, which led to an increase in production costs. This increase could not be compensated, since farm gate prices fell by over 50 percent due to the oversupply suffered by the rice market between 1990 and 1996, as evidenced in the statistical data and the testimonies of the Guayamán and Guangolola communities.

b) As already indicated, the Rice Agreement had two contradictory effects: it saved the rice sector in Honduras and at the same time kept it at a low production level. In their testimonies, the Guangolola community highly appreciate the Rice Agreement for being a mechanism with positive effects for the stability of their households. In the case of EACTSO, the analysis is different. Because it is a business,

it could not take part in the Rice Agreement and thus lost its intermediary function in rice trading. Until 2005, millers had to be affiliated to the National Millers' Association (ANAMH) in order to enjoy the benefits of the Rice Agreement. However, EACTSO never succeeded in joining this Association. With the implementation of the Rice Agreement in 2006, the rules for the affiliation of new miller businesses to the Rice Agreement changed. This new Agreement also creates strong obstacles and discriminates against new candidates with the following provisions, contained in its articles three and eight:

Paddy rice imports will be assigned to each mill, according to the national purchase percentage in the last three (3) years.

Initial statistic calculations will be based on the purchases of the last three (3) agricultural years (2003-2005), as stated in the purchase register of the *controlling* body during these years.

The distribution of paddy rice imports in percentage terms shall be modified annually according to the purchase of the three (3) calendar years immediately preceding each current year.

This Rice Agreement can be subscribed to by all national rice producers and millers who are willing to submit to its fulfilment. These shall enjoy its benefits beginning in the year following the year in which they bought the harvest according to the provisions of Paragraph 3 of this Rice Agreement (...).

This amendment economically disadvantages those millers that do not belong to the "traditional" millers, who were in the Rice Agreement from 2003 to 2005. Those millers that incorporate later have to wait three years to enjoy the privilege of importing paddy rice with a 0 percent tariff. These conditions protect the millers' oligopoly and discriminate against those second-level associative or cooperative businesses that want to have access to the processing and marketing chain. This discrimination is evident in the case of EACTSO, which has the entire infrastructure to process rice and has marketing experience because they sell their own brand. The state, as party to the Rice Agreement, authorises this practice and acts contrary to its obligation to respect the right to food, since it deprives the EACTSO members of their economic livelihood, based not only in rice production but also in rice processing and marketing. The state moreover discriminates against the EACTSO's producers, by denying producers' organisations the status and privileges that millers have. With this measure, producers become more vulnerable to losing their income source in a market liberalised by the DR-CAFTA.

The obligation to protect

c) The findings of the study are that the *arrozazo*, that is, the massive rice import that took place in 1991, can be considered a violation of the State obligation to protect the right to adequate food of producers belonging to an economic sector that could not compete with these massive imports. From one year to the next, national production decreased by over 30 percent as a result of the *arrozazo*. Farm gate prices dropped by 40 percent between 1990 and 1992. The FAO (2007:4) estimates that the *arrozazo* caused an income loss of 42.5 million USD to the rice sector. The testimonies of Guayamán and Guangolola describe the effects of this income loss at the local level.

d) The same FAO study on rice import surges into Honduras indicates that phytosanitary measures and the unification of price-band mechanisms for paddy rice and milled rice caused a new massive import of milled rice into Honduras from 1996 onwards. This measure affected negatively the agro-industrial millers, but also those producers that were members of associative or cooperative businesses and had the infrastructure required to process rice, such as EACTSO. In 1997, the year when more milled rice was imported, EACTSO had to stop processing rice and also selling their own brand, as the testimonies indicate, partly as a consequence of the natural disasters that affected the Otoro region. However, the massive milled rice imports between 1996 and 1999 played a key role in the termination

of collective production forms in Guayamán and the common marketing by FACTSO.

e) According to the testimonies, producers in Guangolola and Guayamán faced another important obstacle during the post-Mitch period: rice as food aid. Due to the additional rice supply in 1999, it is not surprising that domestic production decreased to 12.5 thousand Mt in 1999 and to 7.2 thousand Mt in 2000. This means



Eddy Jose Vasquez harvests rice in Guangolola. Paul Jeffrey/EAA

that domestic production and rice-growing areas decreased considerably not only between 1998 and 1999, but also between 1999 and 2000. This drop cannot only have its cause in the destruction originated by Hurricane Mitch. The data indicate that subsidised rice imports and donations in 1999 played a key role in the worsening of the crisis suffered by the rice sector in the post-Mitch period. It can thus be stated that in the context of Hurricane Mitch, the state failed to fulfil its obligation to protect the right to food of a vulnerable group. The oversupply caused by food aid – probably due to deficient government planning – contributed to the destruction of income sources, namely rice crops, and led to the violation of the right to food. In other words, paradoxical as it may seem, the form and quantity of food aid donations violated the right to food of a population that is economically dependent on rice cultivation.

f) It has to be recognised that in 1999 the State partly reaccepted its obligation to protect the right to food of vulnerable rice producers with the Rice Agreement. This protection is limited to producers that have decided to enter the Rice Agreement individually and excludes, as aforementioned, producers' associative structures. However, with the signing by the Honduran state of the Free Trade Agreement with the USA, this mechanism of partial protection has a limited future. With the increasing liberalisation of the Honduran rice market during the DR-CAFTA transition period, the Rice Agreement has become meaningless. Producers will be left unprotected and will have to bear the brunt of any forces which may be unleashed by trade with the USA – especially dumping practices. For this reason, it can be stated that, by signing the DR-CAFTA, the Honduran state has given up the policy space which is necessary for it to protect the right to food of domestic rice producers. This will lead to violations of the State's obligation to protect the right to food of these producers in situations where protection measures are needed.

The obligation to fulfil

g) As mentioned in the background section of this document, the Rice Agreement stabilises rice production at a low level, guaranteeing sales to the few producers that managed to survive the years of crisis. At the same time, the agreement represents an obstacle in the development of the sector, since it does not contemplate measures aimed at the development of increased production through an increase of yield and cultivated surface. The framework established by the Rice Agreement is evidence of the lack of will on the part of the State to support a development and growth process in rice production, since it does not contemplate any measure oriented to motivate those small producers who abandoned rice cultivation to restart production (find solutions for the existing debts, guarantee investment in irrigation and other technologies, technical assistance, etc.). The Rice Agreement is not intended to re-open this productive sector to those producers that had to abandon the production of rice during the years of crisis. Hence, the state of Honduras is failing to create an enabling environment for the realisation of the right to adequate food of rice producers.

5.4.2 The United States of America

h) The US has had direct responsibility for the rice crisis on two occasions during the post-Mitch period: in the first place through its practice of providing subsidies for rice production in a way that results in dumping practices and therefore in a strong reduction of the paddy rice import prices in Honduras; in the second place, because the USA was the greatest donor of food aid in the form of rice. Oxfam (2005:15) indicates that all food aid potentially distorts commerce and always satisfies a consumption demand when it is distributed.

In places where people are simply too poor to purchase food, or where there is no functioning market, there is little or no market distortion as any consumption will be additional. Otherwise, food aid has the potential both to reduce domestic production of food in the recipient country, damaging the livelihoods of rural populations, and to displace exports into the recipient country market from other countries. (Oxfam 2005:15)

The testimonies of Guayamán and Guangelola provide evidence that after Hurricane Mitch rice producers were unable to find a market due to the rice oversupply caused by food aid and cheap imports.

5.4.3 The World Bank and the International Monetary Fund

i) The World Bank and the International Monetary Fund have played an evident role in the implementation of the structural adjustment policy, including within agriculture. As indicated by an evaluation of the World Bank on the policy of the Honduran government to fight poverty, the “satisfactory implementation of the macroeconomic policies” and the programme established with the IMF are strongly related to the restructuring of bilateral debts in the country. (World Bank 1994: viii) This same evaluation, with the participation of Roger Norton, the author of the Agricultural Modernization Law, concludes that in the context of the government agrarian policy “significant progress has been made in the trade, marketing and price policies”. Norton also recommends a list of steps to be implemented, for example amendments in the phytosanitary control programme, which the World Bank considers to have been used to hinder imports. (World Bank 1994:48) To conclude, the advice of the IMF and the World Bank was an important reason for the implementation of structural adjustment programmes, which included the reduction of market protection and the reduction of support for rice peasants in Honduras. As both reductions increased food insecurity among rice farmers, the IMF and World Bank clearly breached their responsibility to respect the right to food in Honduras. At the same time, the behaviour of both multilateral bodies falls under the responsibility of their member states. It can therefore be concluded that these member states did not comply with their obligations to respect the right to adequate food, since both institutions demanded that the Honduran State enforce structural adjustment measures that caused the violation of the right to food. (See section 5.4.1)

6. LIBERALISATION OF THE INDONESIAN RICE MARKET AND THE RIGHT TO ADEQUATE FOOD OF PADDY FARMING COMMUNITIES IN WEST JAVA

6.1 INTRODUCTION

With an annual production of 54.8 million Metric tonnes (2006), Indonesia is the world's third biggest paddy producer. However, rice consumption still exceeds production by approximately 5 percent and is actually developing faster than production, so that Indonesia is also one of the world's largest rice importers. For this and other reasons rice in the case of Indonesia is a strategic commodity of eminent importance:

- First, rice is by far the most important staple food for almost 215 million people, contributing 60 percent of the per capita daily calorie intake. (FAO 2006a) It is the basis for national food security. There is common political agreement across all societal groups that national food security must be based on domestic production and that Indonesia should reach self-sufficiency in rice.
- Secondly, rice is the key product for the rural economy, in particular for smallholder peasants and the landless, since it is the most important source of their livelihood. Rice is produced by approximately 13.6 million farmers, of whom 65 percent are considered as poor smallholders with less than 0.5 ha²⁸ of landholding size. According to the research results of PATANAS (2005), the level of paddy farmers' income per day ranges from Rp 3.065 to Rp 8.466 or less than 1.29 USD. (See Table 1) Accordingly, the huge majority of paddy farmers are to be considered extremely poor and under constant threat of not being able to fulfil their basic needs, including being able to feed themselves adequately and in dignity.
- Thirdly, rice production is still an engine of the national economy. It contributes Rp 57 trillion or 6.2 billion USD to the National Gross Domestic Product (GDP), employing about 21 million people.

Indonesian rice policy has led to a domestic rice price which is approximately 40 percent (2006) above the world rice price. The domestic price is considered by many as too high and the import policy as too restrictive. It is argued that the interest of consumers is neglected, in particular the urban poor, who depend on cheap rice. From this viewpoint, import prohibition and tariffs are considered as a barrier to



A farmer taking a bag of his rice to sell at market in Indonesia.

Paul Jeffrey/EAA

Table 1: Level and income distribution in Indonesia, 2005

Province and agro ecosystem basis	% lowest income				Gini Index	Income per capita	
	20%	40%	60%	80%		Rp 000 per year	Rp per day
Lampung							
<i>Field (irrigated area)</i>	3.61	10.4	21.73	42.84	0.523	2305.7	6316
<i>Unirrigated agricultural field</i>	4.07	13.05	28.71	53.09	0.468	1770.2	4849
Jawa Barat (west Java)							
<i>Field (irrigated area)</i>	2.56	9.52	22.38	46.16	0.501	2145.6	5878
<i>Unirrigated agricultural field</i>	3.49	11.68	25.2	46.65	0.467	1863.9	5106
Jawa Tengah							
<i>Field (irrigated area)</i>	4.01	11.4	22.97	42.75	0.488	2449.3	6710
<i>Unirrigated agricultural field</i>	3.82	11.67	24.39	46.25	0.493	2936.6	8045
Jawa Timur							
<i>Field (irrigated area)</i>	3.23	11.59	23.39	40.95	0.49	2492.6	6829
<i>Unirrigated agricultural field</i>	1.41	4.89	13.57	31.11	0.573	2603.3	7132
Sulsel							
<i>Field (irrigated area)</i>	4.35	12.56	37.14	45.77	0.49	3090.2	8466
<i>Unirrigated agricultural field</i>	3.65	13.26	29.43	55.05	0.452	1936.4	5305
NTB							
<i>Field (irrigated area)</i>	2.05	6.56	15.72	30.56	0.566	1448.5	3968
<i>Unirrigated agricultural field</i>	2.55	12.32	27.31	49.86	0.423	1118.9	3065

Source: Patanas (2005).

competition and efficiency leading to the prolongation of poverty. Based on these arguments, the World Bank and voices inside and outside the government are calling for the Indonesian rice market to be opened up to cheap imported rice.

Are they right? Who would benefit from liberalisation and who would not? In 1997-2001 Indonesia, forced by the International Monetary Fund (IMF), already experienced a phase of radical rice market liberalisation. What are the lessons that can be drawn from it? This study was conducted to answer these questions and to assess the impact of a liberalised rice market in Indonesia from a right to food perspective. For this reason the study integrates a socio-economic analysis of national policies at the macro-level with participatory field studies in four affected communities in West Java. It concludes with a rights-based analysis of the findings.

6.2 THE POLITICAL AND MACRO-ECONOMIC CONTEXT – LIBERALISATION OF THE RICE MARKET IN A FOOD-INSECURE COUNTRY

6.2.1 The Country and the Region

Indonesia, situated in South East Asia, is the largest archipelago in the world, draped across the equator and spreading over 5200 km between the Asian mainland and Australia. With over 13,000 islands and 225,000 million people, Indonesia is the world's fourth largest country and the largest

Muslim nation. Java, the main island with the capital Jakarta, is one of the most densely populated areas in the world, home to half of Indonesia's population.

In 1949 the Republic of Indonesia was founded by Sukarno. After 50 years of different authoritarian regimes, most notably the Suharto regime (1965-1998), the first democratic elections took place in 1999. Indonesia is still a predominantly agricultural country. The Asian currency crisis that hit the region in late 1997, followed by the crash of Asian stock exchanges in 1998, caused a severe economic crisis in Indonesia. Forced to counter-act, the Indonesian government implemented World Bank advice on opening up the economy for foreign investments as well as IMF-induced structural adjustment programmes. These measures provoked a drastic decline in food security (which had been almost fully reached in the mid-nineties), increasing poverty and widespread social conflicts, including resource conflicts, in particular during 1997-2002. Since then, the government has slightly re-adjusted its policies to balance modest state interventionism and neo-liberalism.

6.2.2 The National Policy Context

a. Rice policies

Since independence in 1949, every Indonesian government has tried to achieve in parallel both low rice prices for consumers and high income for paddy farmers. "Rice had to be always and everywhere available at an affordable price," was a slogan of Suharto's "new order regime". At the same time agriculture – and in particular paddy – was supported as being the engine of the economy. These were constant goals but policies for achieving these potentially contradicting aims were changed over time.

The policy of increasing rice production in Indonesia began systematically in 1967. Agricultural policies aimed to increase production through expansion and intensification. Expansion of the area used for rice production was promoted by infrastructure and irrigation programmes but has come to a halt nowadays, since any further expansion is very costly for technical reasons. Intensification includes the use of high-yield varieties ("green revolution"), the promotion of more efficient farming systems, and more efficient post-harvest handling to reduce yield loss. To encourage the application of such technologies by the farmers, the government provides subsidised seeds and fertilisers, low interest credits and a "procurement price" for up to 5 percent of unhusked paddy production.

Agricultural policy has been accompanied by food security and consumer policies which aim at diversifying the daily diet including reduction of rice consumption. The policy to reduce rice consumption is carried out by extensively campaigning in favour of food diversification, including promoting alternative staple foods such as noodles and reducing the dependence on imports of rice and other foods through increased consumption of local products.

Indonesian's rice policies since 1967 can be structured into three phases:

In a first phase during 1967-1996 the government controlled the domestic rice market by intervening in the market in order to encourage production and to maintain price stability. The intervention took place in the form of managing huge governmental stocks via BULOG, the state-owned Logistic Affairs Agency (Badan Urusan Logistik). Imports were strictly regulated by tariff and import control policies and aimed at closing the gap between national production and consumption. Indonesia met its self-sufficiency target in 1984 and became a net rice exporter during 1985 and 1987. Since then the country has again become a net rice importer.

During 1997-2001, under the impact of the Asian economic crash, forced by the World Bank and finally obliged to sign a Letter of Intent under the directive of the International Monetary Fund (IMF), the Indonesian government liberalised the rice market, BULOG was privatised and barriers to trade were eliminated. During this time, Indonesia's self-sufficiency ratio decreased, the dependence on imports increased, and both consumer and producer prices were destabilised.

Since 2001, under the influence of the negative effects of market liberalisation on producer and consumer prices, the government has returned step by step to controlling the domestic rice market, but with various modifications compared to the period before liberalisation in 1997. The former policy of floor prices for unhusked paddy has been replaced by the so-called Government Procurement Price, with the ceiling price not being as effective. The difference between the floor price of unhusked paddy (HDG) and the government procurement price (HPP) is presented in Table 2 below. Only during periods of price hikes would BULOG perform a market operation. Current trade policies particularly aim at stabilising the domestic price for unhusked paddy by a seasonal import ban and the management of rice stocks through the privatised BULOG. In the following, trade liberalisation policies will be analysed more in depth.

Table 2: Floor price policy (HDG) and government procurement price policy for paddy

Description	HDG Policy	HPP Policy
1. Policy objectives	1. Maintain price at or above a minimum floor level (HDG) throughout the year	1. Help to buffer price of unhusked paddy, particularly during harvest, to avoid unacceptable low price
2. Policy instruments	2. Purchasing of unhusked paddy at the guaranteed minimum level until the market price rises above that level (no limitation of purchasing volume)	2. Purchasing of unhusked paddy up to a maximum volume at a guaranteed minimum price (no mandate to keep market price of unhusked paddy above the minimum price)
3. Supporting instruments	3. Tariff and import limitation	3. Tariff and import limitation
4. Policy effectiveness	4. Effective to keep the marketplace price of unhusked paddy above the stipulated level	4. Effective to stabilise prices outside the high season; not as effective during harvest because of the too limited volume that comes under this measure
5. Costs of policy	5. Approximately double the cost of the second option because it was usually necessary to buy about 4 million Metric tonnes (approximately Rp 16 trillion) of rice during the peak harvesting season to keep the price up	5. Currently, the purchased volume of unhusked paddy is 2 million Metric tonnes (around Rp 8 trillion)
6. Political accountability	6. Government is obliged	6. Government is not obliged

Source: Author's notes.

b. Trade liberalisation policies

As described above, the rice sector received strong governmental support in the form of input subsidies, price stabilisation and protection from international competition until 1994, and more limited support until 1997. The state-owned agency BULOG held an import monopoly, and imported only those amounts needed to close the gap between domestic production and consumption if there was any. Through these measures, domestic prices were kept relatively stable over the space of two decades.

In 1995 Indonesia became a member of the World Trade Organisation (WTO) and started implementing the Agreement on Agriculture (AoA). The AoA required Indonesia to open the market and to reduce and finally abolish its subsidies on agricultural inputs such as fertiliser, pesticides and seeds. Furthermore, the bound tariff level for rice was set at 160 percent of the import price c.i.f. and, according to the Schedules of Commitment Indonesia had to open up minimal market access for rice in the form of a preferential tariff rate quota of 70,000 Metric tonnes per year. Within this rice import quota, the preferential tariff level had to be at a maximum of 90 percent. Finally, Indonesia committed itself to reducing its own export subsidies, since during 1986 to 1990 the country had exported almost 300,000 Metric tonnes of subsidised rice annually. The value of the subsidy was 28 million USD per year. (UNDP 2005:14)

For 1995–2003, FAO statistics see Thailand, Vietnam, China, India, Pakistan, Myanmar and the US in this order as the main exporters to Indonesia. (FAOSTAT 2007) However, FAO statistics are beset with limitations: to mention but one, smuggled imports exceeded legal ones by far, at least during 2004-2006 (see 6.3.5). For this reason it is extremely difficult and would exceed the scope of this study to exactly calculate the dumping factor of rice imports during 1995 and 2007. It must be emphasised, however, that Indonesian paddy farmers could not compete with the world market – even without dumping – because of their high production costs.

Source: Author's notes.

However, since the AoA entered into force, Indonesia has not exported at all but turned into a net importer, opening up the domestic market in 1995 much more than it was obliged to under the WTO: from 1995 to 1997, no tariffs were applied. Instead a flexible import quota system was applied allowing imports of 3.1 million Metric tonnes in 1995, 1 million Metric tonnes in 1996, and 400,000 Metric tonnes in 1997, making Indonesia the world's biggest rice importer in these times. Thailand, Vietnam and the US became the main suppliers during these years. (UNDP 2005:24)

In 1997, the impact of implementing the AoA overlapped with adjustment measures induced by the IMF and World Bank that went far beyond WTO requirements: Indonesia and other Asian countries experienced a severe economic crisis in 1997. In Indonesia this was followed by the stock exchange crash in 1998 and a deep political crisis. The government approached the IMF to gain financial support. Funds were only released after Indonesia had signed a Letter of Intent (LoI) in which Indonesia agreed to adopt the IMF and World Bank's structural adjustment programme which radically changed the trade and agricultural policies of the country. In accordance with the respective requirements, the government abolished or significantly reduced all subsidies, including the agricultural input subsidies which were highly relevant before. Rice market price support was stopped and BULOG lost its import monopoly. The import tariff was nil and unlimited imports were allowed between 1998 and 1999.

Imports boosted to 6 million Metric tonnes in 1998 and 4 million Metric tonnes in 1999, mainly originating from Thailand, followed by Vietnam. (UNDP 2005:39-40) By applying export credits and subsidising agricultural inputs, both countries kept export prices artificially low and flooded the Indonesian market with dumped rice.

Accordingly, Indonesia again became the world's biggest rice importer in 1998. Imports first served to fill the growing gap between decreasing domestic production and increasing consumer demand. Also in 1998, Indonesia, like other parts of South East Asia, was severely hit by a drought provoked by the



Justin Coupertino/EAA

south-east stream of the climatic phenomena called El Niño. In 1999, production started to recover but the imports continued, leading to an oversupply and decreasing domestic paddy prices. In fact, the loss in production through El Niño was only about 4-5 percent, but imports reached a 12 percent market share, hence over-compensating the loss in production two to three times over. Thus, self-sufficiency decreased rapidly from 95 percent to 88 percent (see SIDIK 2004), and national food security became more dependent on the highly volatile and thin world market.

Paddy farmers were severely hit by the disastrous combination of decreased paddy prices (see Figure 3), combined with higher prices for (less subsidised) agricultural inputs (see Table 2) and the loss in production through El Niño. Accordingly, the farmer's margins went down considerably. The resulting misery for paddy farmers has persisted in various forms until today. (UNDP 2005:40)

To support at least the most vulnerable peasants, the government operated a targeted food aid programme between 1998 and 2001, called *Operasi Pasar Khusus* (OPK) which was later replaced by *Raskin* (see below).

After the replacement of the authoritarian regime by a democratically-elected government and under the impact of an import flood that had led to a growth in rural poverty, the new government decided in 2000 to slightly re-regulate the market: firstly, a specific import tariff of 430 Rs/kg, equivalent to 45 USD per Metric tonne, was re-introduced. The tariff was equivalent to 30 percent of the world market price and was still far below the bound tariff under WTO.

Secondly, private sector imports of rice were subject to "red lane" customs treatment, meaning the application of stricter standards than for other food crops, as well as coming under special import licensing requirements. (Warr 2005:3)

These tariff plus non-tariff barriers led to decreasing import volumes (see Table 3) and increasing import prices, becoming very similar to those of domestic production. According to BULOG data, the average c.i.f. from January to October 2001 was about 1692 Rs/kg. In the same period, the average price for domestic rice paid in the biggest market, Jakarta, was about 2040 Rs/kg. If we add the tariff of 430 Rs/kg to imported rice, it becomes 5 percent more expensive than domestic rice. (Calculations based on BULOG data as cited in UNDP 2005:13)

It is important to highlight that the government has taken action in favour of the marginalised and

extremely vulnerable paddy farmers. However, the action taken was not sufficient to substantially improve their precarious situation. One of the reasons is the limited effect of the change in trade policies: the management of rice imports has become increasingly difficult since 2002. To avoid import duties, to overcome difficulties in getting import licences and to gain higher profits, rice smuggling has become very common. 13,000 islands make it easy to smuggle 1-2 million Metric tonnes per year or 5 percent of total consumption. These estimations for smuggled rice quantities – exceeding legal imports by far – are widely accepted by different sources such as governmental officials and peasant leaders. It seems to be beyond the government's reach to control the country's numerous harbours effectively.

To stabilise farm gate prices, in 2001 the government established a new system of government procurement prices that were designed to protect farmers from price decrease, in particular during the harvest. In this system the government purchases 2 million Metric tonnes of unhusked paddy at a guaranteed minimum price, (the so-called government procurement price). The system, however, is of limited effect because less than 5 percent of national production falls under the procurement price. Thus the applied combination of trade and price policies had minimal effect on the recovery of paddy farmers by the end of 2001. (SIDIK 2004:6)

Table 3: Rice production, import and consumption 1990-2003

Year	Harvested area (000 ha)	Yield (Metric tonnes per ha)	Paddy production (million Mt)	Milled rice (million Mt)	Rice production per capita (kg/year)	Rice consumption per capita (kg/year)	Rice import (million Mt)
1990	10 502	4.30	45 179	29 336	147	131	0.029
1991	10 282	4.35	45 689	29 048	143	131	0.178
1992	11 103	4.34	48 240	31 356	152	131	0.634
1993	11 013	4.38	48 181	31 318	149	131	0
1994	10 734	4.35	46 641	30 317	142	131	0.876
1995	11 439	4.35	49 744	32 334	149	130	3.014
1996	11 569	4.41	51 101	33 315	151	131	1.090
1997	11 141	4.43	49 377	32 095	139	132	0.406
1998	11 613	4.17	48 472	30 537	137	132	5.765
1999	11 963	4.25	50 866	31 118	136	131	4.183
2000	11 793	4.40	51 898	32 345	137	n.a.	1.513
2001	11 415	4.39	50 181	31 283	134	n.a.	1.400
2002	11 521	4.47	51 379	32 369	132	n.a.	3.100
2003	11 453	4.53	51 849	32 697	n.a.	n.a.	2.000

*Note: Milling recovery rate of paddy to milled rice: 0.65 before 1998 & 0.63 since 1998.
Sources: Central Statistics Agency 2003 (in Sidik 2003:6) & Mashuri/Fukui (in UNDP 2005:40).*

As of 1 January 2002, Indonesia has had to implement its commitments under the ASEAN Free Trade Area (AFTA), namely the application of a nil to five per cent tariff for agricultural products by January 2010. However, rice is considered a sensitive product, so Indonesia could maintain its current applicable import tariff until 2010 and up to a 20 percent maximum until 2020 (UNDP 2005:15). Accordingly, in the short and medium term AFTA does not require a decrease in rice tariffs.

In 2003, world market prices stabilised at levels of 40 percent below domestic rice prices. Because of that constant threat, farmers continued to demand protection against cheap imports. To protect national producers the Ministry of Agriculture proposed increasing the tariff by 75 percent – from 430 Rs to 750 Rs – and thus to raise the ad valorem equivalent tariff from 25 percent to about 45 percent. This proposal was supported by farmers' organisations but strongly opposed by the Ministry of Finance and the Ministry of Trade, which have ultimate tariff responsibility. To better protect national production the Ministry of Agriculture decided in early 2004 to impose a "seasonal" import ban (WARR 2005:3) which is still in place in 2007. Since then the import monopoly has practically returned to BULOG. Imports are restricted to those amounts of rice that are estimated necessary to close the gap between domestic production and consumption. Such a gap is indicated by domestic rice prices exceeding a defined ceiling, currently 3350 Rs per kg, or when the public reserve falls below 1 million Metric tonnes. Under this trade-restrictive regulation, imports first went down to an average of 625 000 Metric tonnes per year during 2004 to 2006, but in 2007 have increased again up to 1.8 million Metric tonnes, according to FAO forecasts. As result, in 2004-2006 Indonesia lost its position as the world's largest rice importer (not even appearing among the top six importers). In 2007, however, the country again seemed to reach the "pole position", with Viet Nam and Thailand as the two main suppliers, together accounting for two-thirds of the imports. (See *The Rice Trader*, various editions)

It seems that the import ban has not led to the expected results, i.e. a combination of attractive farm gate prices and affordable consumer prices. In 2004, due to a good harvest and substantial stocks, the impact of the ban on prices was not significant. Since then normal harvests and dwindling stocks have led to a constant hike of consumer prices, whereas farm gate prices saw only moderate growth. In April 2007, the consumer paid 5,000 Rs per kg, which is double the amount he/she paid one year before. Meanwhile the farm gate price increased by less than 20 percent in the same period, according to the authors' own calculations. Hence it is not the farmer who benefits most from the price hike, but the trader. Accordingly, the government has been increasingly coming under pressure to again reconsider its rice policy. As a first step, the ad hoc imports in 2007 will increase significantly. It remains an open question whether the government will decide to completely lift the import ban. This shows how difficult it is for a government to "manage" a thin market controlled by an oligopoly of traders (see also the following chapter).

Apart from trade policies, the role of agricultural domestic support and pricing policies seems to be most decisive for paddy farmers. Prior to the liberalisation period of 1995-2001, the price of rice was kept at a moderate and stable level through the state's intervention. Through both of these operations, farmers were protected from excessive price declines, and consumers from price hikes. Secondly, to encourage farmers' paddy production despite low farm gate prices, agricultural inputs were subsidised. These subsidies were particularly significant during 1990-1994. (UNDP 2005:15)

With the IMF Letter of Intent the situation changed completely. According to IMF requirements, almost all agricultural subsidies and price support had to be abolished. (UNDP 2005:15) From 1998 to 2000, the fertiliser price was left to the market, and the policy of general price stabilisation was modified into a targeted domestic food aid policy for the poor. (See also Table 2)

The decline of domestic agricultural support is also indicated by the sharp drop in what the WTO counts as non-trade-distorting support, or "green box measures", from 209 million USD (1997) to 168 million USD in 2000. (UNDP 2005:18) In particular, the reduction of fertiliser subsidies had led to worsened terms of trade for farmers in the years of trade liberalisation, as Table 4 shows. This – in combination with the abolition of paddy price support through BULOG's government procurement and cheap rice imports – led to a sharp fall in income for paddy farmers (see also page 9.12) during the years of liberalisation. However, besides its economic impact on farmers, the cut in governmental

support also had another component that can hardly be overestimated: after decades in which the poor farmer had perceived the government as the only one who should and could protect them from misery, the abrupt change in agricultural policies and the abolition of support programmes shocked and depressed farmers. This effect has not yet been overcome, even now that support has been re-introduced.

Table 4: Worsening terms of trade - comparison of dried husked rice & fertiliser prices 1980 - 2003

Year (1)	Rice price (Rp/kg) (2)	Fertiliser price (Rp/kg) (3)	Ratio (4=2/3)
1980 - 1982	320	113	2.83
1986	600	250	2.40
1995 - 1997	1 200	1 100	1.09
2003	2 750	1 150	2.39

Source: BULOG (in UNEP 2005:2).

Since 2001, and particularly between 2003 and 2007, the government of Indonesia has re-introduced indirect agricultural subsidies step by step. The volume of green box measures has more than doubled between 2000 and 2003 to 373 million USD (UNDP 2005:18), and agricultural inputs such as seeds, fertiliser and pesticides have again been subsidised by the government, principally through defined maximum retail prices. According to unpublished World Bank calculations, the growth rate for subsidies was more than 30 percent per year during 2003 and 2007. In 2007, 45 percent of the budget of the Minister of Agriculture will be spent for subsidies. However, prices for agricultural inputs are not significantly below world market prices, and it is frequently reported by farmers that even the authorised kiosks actually sell fertilisers for prices higher than those defined by the government. The World Bank also considers credit programmes and other support measures as being of too limited reach. It comes to the conclusion that more agricultural support would be needed to re-vitalise agriculture, including major investments in the poor irrigation system and adequate agricultural extension services. It is interesting to observe the change in World Bank policy advice: ten years back the Bank forced the government to reduce domestic support. Now they call for major investments and more support because "rural infrastructure went down in the last years" as they see it now. However, calling for more domestic support does not hinder the Bank from insisting that the Indonesian rice market be opened up for cheap imports.

Today's price stabilisation, which works through BULOG buying at a governmental procurement price, is also of limited scope, considering that less than 5 percent of all purchases are made at that price. It can be concluded that conditions for smallholder farmers were worse during the liberalisation period 1997-2001 than now. However, the damage of those years has not yet been overcome, and the revenue from paddy farming is still too small to stimulate the investments needed to increase productivity or even expand the total area of paddy production. Accordingly it doesn't come as a surprise that agricultural growth slowed down from 2.5 percent per year during 1969-1992 to only 0.1 percent per year during 1993-2006. However, the Ministry of Agriculture, based on the re-introduction of agricultural support programmes, foresees paddy growth rates of up to 4 percent for 2007, as stated in an interview for this study.

6.2.3 Socio-Economic Effects of Rice Market Liberalisation in 1997-2001

Trade liberalisation is not to be perceived as the only reason for the misery of paddy farmers, but it comes on top of other causes for marginalisation. To understand this complex situation it is necessary as well as helpful to carry out a macro-economic analysis.

Even without import competition, paddy farmers have a weak bargaining position because the surplus volume available for sale is usually small, the ability to store is low and the pressure to realise a sale very soon is high, due to the liquidity crisis of farmers. They usually sell immediately after harvest. Thus – to put it in economic terms – the paddy market is segmented locally, while the supply of paddy farmers is very inelastic. Accordingly, the local paddy market at farmers' level creates very unfavourable conditions for the farmers but benefits the traders. The combination of a volatile paddy production and the inelasticity of paddy supply leads to a high and unpredictable price fluctuation at farmers' level. As a result, the farmers, besides the production risk, also face the high price risk, making paddy a risky agricultural business.

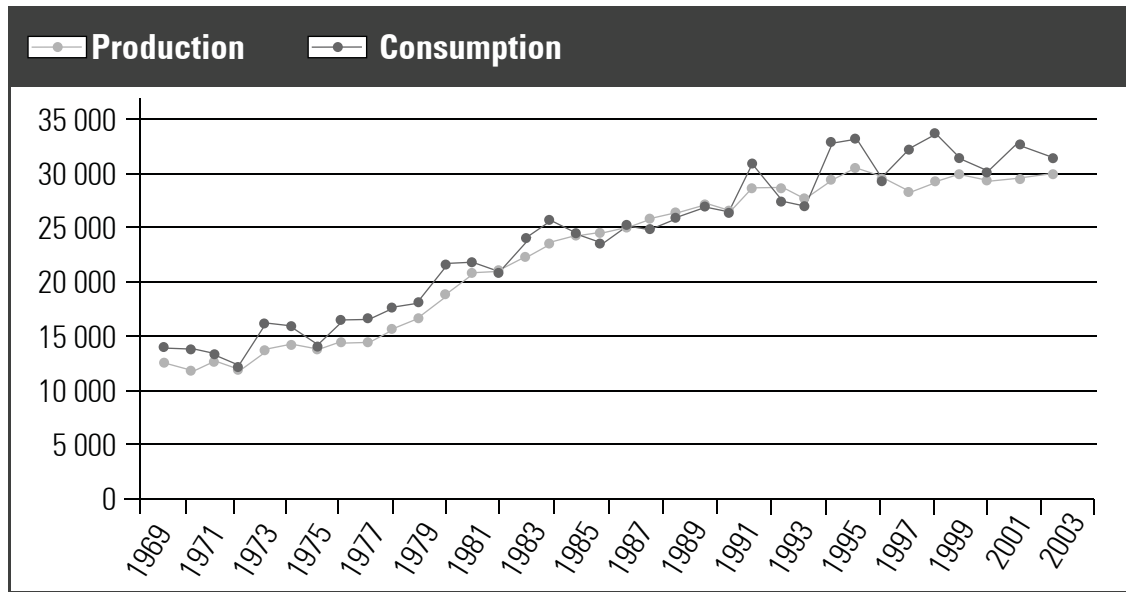
In addition, the Indonesian rice market structure is monopolistic in nature. Very few traders jointly control the rice price. For instance, Java has only three big rice traders. Research proves that the relation of prices at consumer and producer level is an asymmetric one. The rise of rice price at consumers' level is transmitted imperfectly and slowly to farm gate prices while the rice price decline at consumers' level is transmitted perfectly and rapidly to the farm gate prices. On the contrary, the rise of farm gate prices is transmitted perfectly and rapidly to rice price at consumers' level, while the decline of farm gate prices is transmitted imperfectly and slowly to the rice price at consumers' level. Thus, price fluctuation in the short term tends to disadvantage both farmers and consumers. Even if there is a benefit from price fluctuation, it is captured by the traders.

Indonesia is structurally a net rice-importing country, as Figure 1 shows. Rice consumption has exceeded domestic production in most years. But while the average rice deficit during 1969 to 2003 was only 7 percent, the market share of cheap import rice almost doubled to 12 percent during the peak of liberalisation in 1999 (Figure 2). This means – to take only the year of 1999 – that due to its market liberalisation Indonesia imported at least 1.5 million Metric tonnes more than the quantity needed to close the gap between consumption and national production, including the drought effects of El Niño. These avoidable high imports created an unnecessary dependence on a volatile world market, reduced Indonesia's food security, undermined paddy farmers' means of livelihood, and did not even lead to lower consumer prices from which the urban poor would have benefited. As Figure 3 shows, nominal consumer prices in fact grew *faster* during the period of liberalisation than during the time of a controlled market before and in the first years after liberalisation. As Figure 3 further shows, nominal paddy prices increased more slowly than rice prices since 1998, leading – in combination with the increased production cost – to a decline in farmers' income.

The Indonesian case of rice market liberalisation clearly proves that the promise made by World Bank and IMF was not kept when they pushed the door open for rice imports: instead of lower prices, consumer prices even increased and became more volatile, in particular during the years of complete liberalisation (1998-2001). Farmers also lost. Artificially low world market prices acted as a disincentive to increase productivity and had, in turn, a negative impact on poverty in rural areas. It is evident that the number of people living below the poverty line increased after trade liberalisation and the economic crisis. It is also a fact that the decline in poverty from 2001 onwards is slower in rural areas as compared with urban areas (UNDP 2005:64).

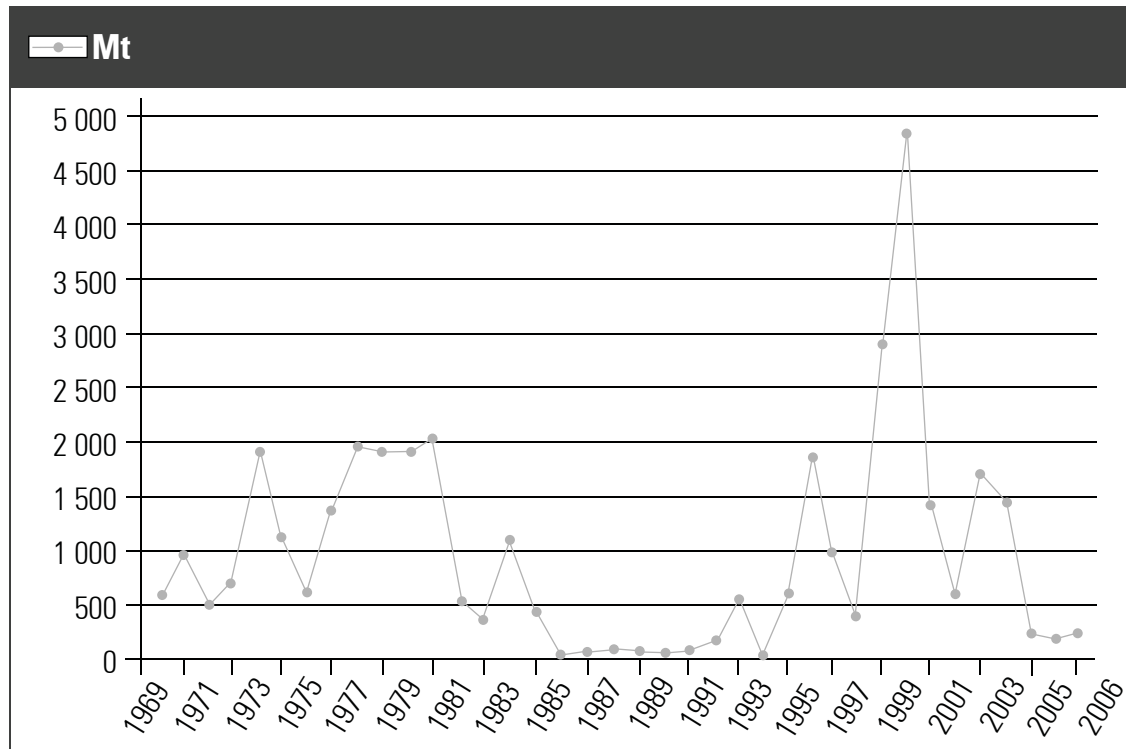
It seems to be obvious that only one economic group benefited from liberalisation – the traders!

Figure 1: Production and Consumption 1969-2003



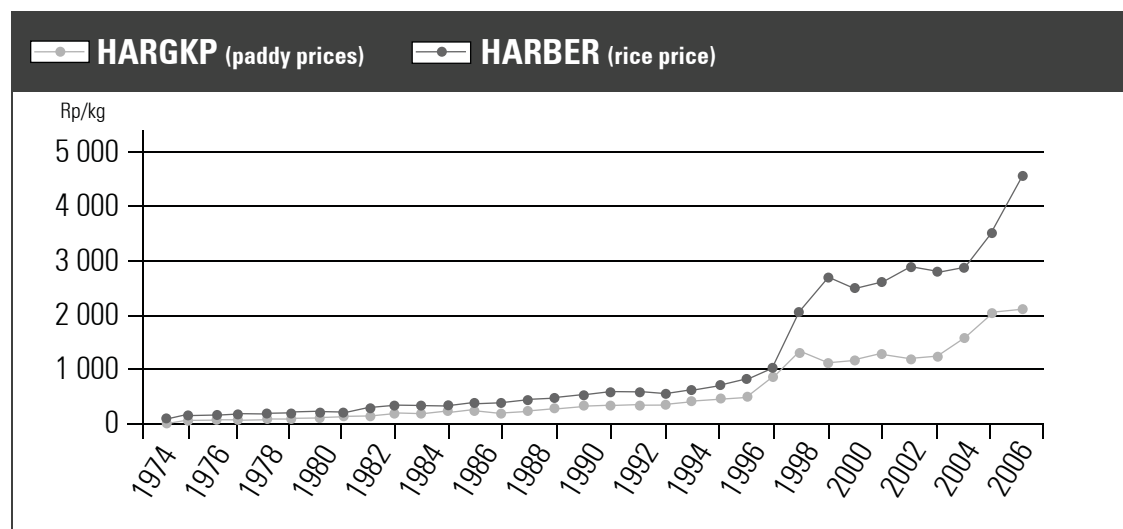
Calculations of Dr. Nizwar Syafa'at based on NBM data published by Badan Pusat Statistik.

Figure 2: Rice Imports 1969-2006



Calculations of Dr. Nizwar Syafa'at based on BULOG statistics.

Figure 3: The Development of Rice and Paddy Prices in the Domestic Market, 1974-2005



(HARBER = rice price & HARGKP = paddy prices); Calculations of Dr. Nizwar Syafa'at.

6.2.4 Expected Impact of a Possible New Liberalisation Round in 2007

Neither producers nor consumers benefit from the current situation: paddy farmers continue struggling for survival and the poor suffer from a dramatic price hike which has been observable since 2006. Obviously, the re-regulation of imports culminating in the import ban that was imposed in 2004, the increase in domestic agricultural support, government purchases, and the domestic food aid programme *Raskin* have not shown the expected impact.

As a result, the government is under increasing pressure from almost all sides, including the voters. According to a pre-election survey from April 2007, 34 percent of respondents did not believe that political parties were representing their concerns about the highly sensitive rice importation policy (Jakarta Post, 17th April 2007, p.1). Rice continues to be an issue of eminent political importance. “Almost all presidents fall because of high rice prices”, says Lutfiah Hanim, Institute For Global Justice. (Interview A-4)

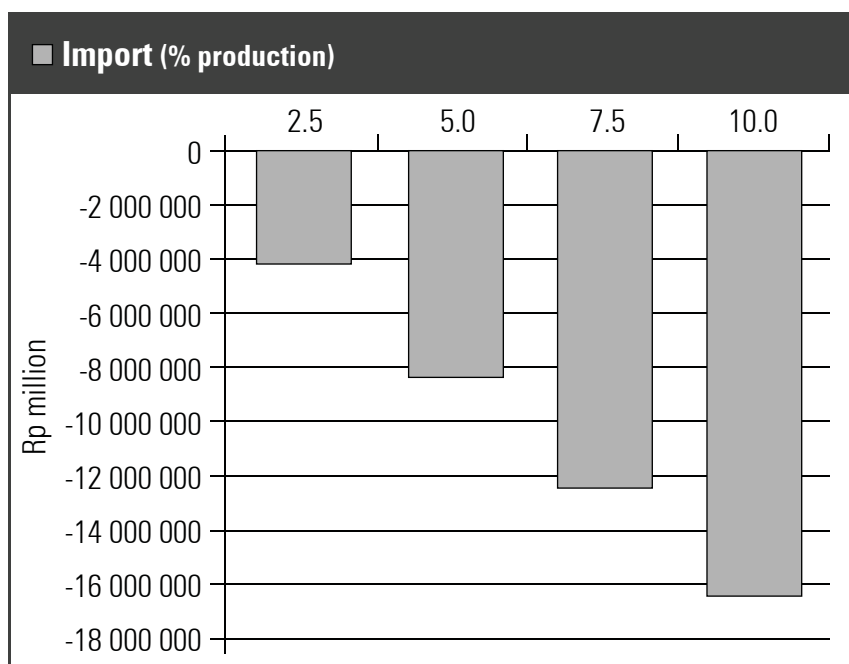
Under these circumstances it does not come as a surprise that influential circles, including the World Bank, are pushing again for trade liberalisation. It is true that the government seems to still be firm in its position: “Rice is a strategic commodity and a product being highly trade-sensitive. With our rice policy we protect the domestic farmers. Liberalisation would lower domestic prices and become a disincentive to produce rice. For this reason I don’t believe that we will liberalise our market in the near future,” says Dr. Hermanto, Secretary of the Director General on Food Security in the Ministry for Agriculture in an interview conducted for this study. (Interview A-5) And Ir Minuk (Interview A-6) on behalf of the Ministry of Trade stands by the import regulations still in place by underlining that “all decisions on imports are taken by the cabinet based on suggestions of the Parliament and on recommendation of the Food Security Council”.

However, it is stressed by insiders that a World Bank policy paper is already circulating and expected to be published soon. This paper is said to call for cancellation of the import ban, granting import licences to the private sector and allowing rice imports at low *ad valorem* tariffs of approx. 10-15 percent. On the one hand it is interesting to observe that even the World Bank – in contrast to during the '90s – nowadays seems to reject a nil tariff (to avoid major market distortions) and calls instead for more agricultural support and compensation of smallholder peasants. On the other hand, taking

the lessons from the liberalisation period 1995-2001, such a trade liberalisation scenario is of serious concern. What would be the impact on the already highly marginalised rural poor? The agronomist Dr Nizwar Syafa'at has modelled different trade liberalisation scenarios and their possible impact on three main variables, gross domestic product, employment, and paddy farm income.

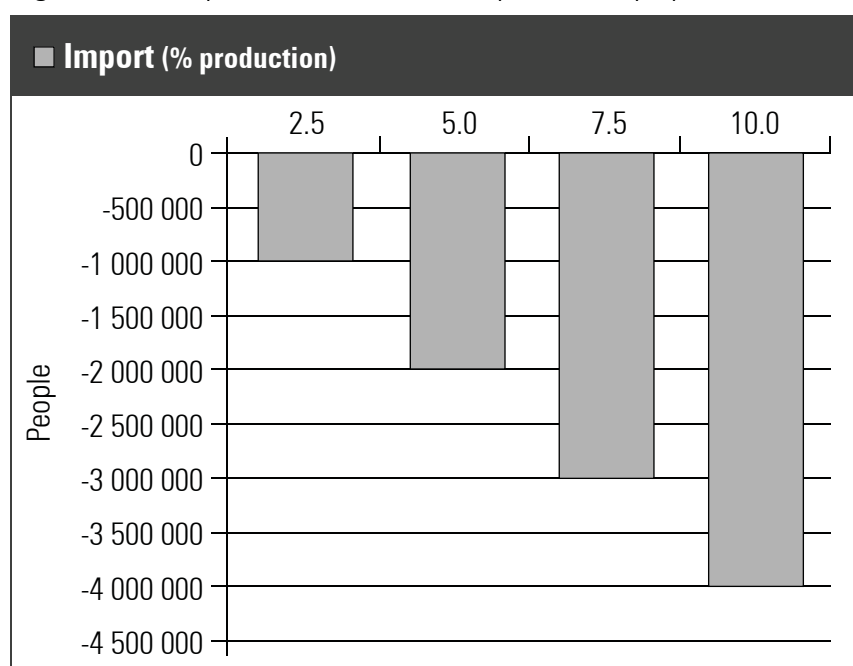
Under the condition of a world price below the domestic price (be it through dumping or not), market liberalisation would lead to increasing imports. This would lead to a decrease of paddy/rice contribution to the gross domestic product (GDP) and also to unemployment. Figures 4 and 5 present the results of an impact assessment of rice imports on GDP and employment. The assessment is made for four scenarios of different import percentages as an indicator of the degree of liberalisation, i.e.,

Figure 4: The Impact of Increased Rice Imports on National GDP



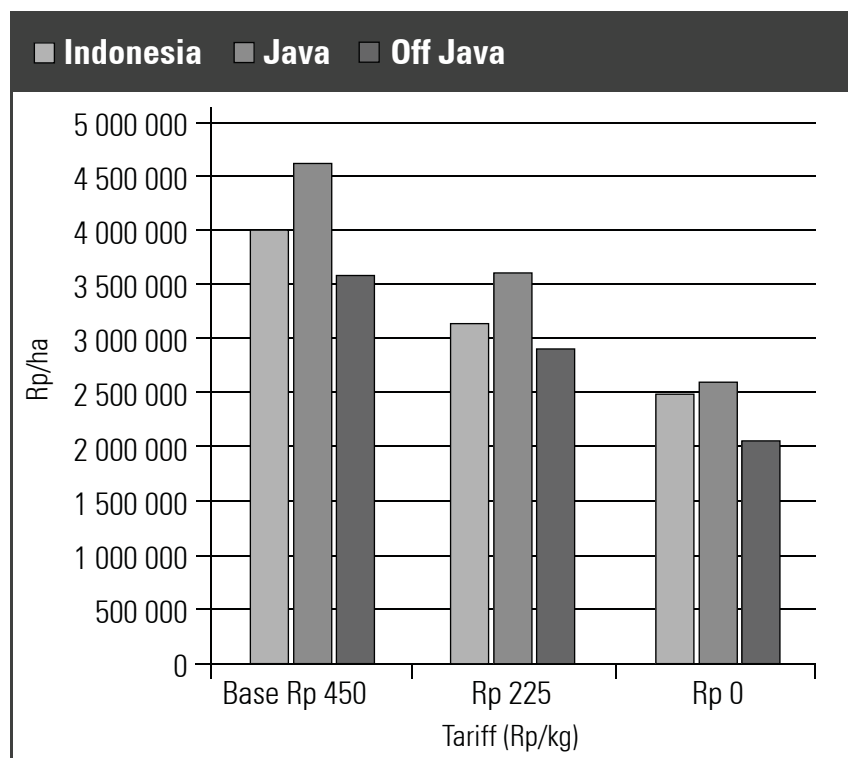
Source: Calculations of Dr Nizwar Syafa'at.

Figure 5: The Impact of Increased Rice Imports on Employment



Source: Calculations of Dr Nizwar Syafa'at.

Figure 6: The Impact of Tariff Reduction on Farm Revenues



Source: Calculations of Dr Nizwar Syafa'at.

2.5, 5.0, 7.5 and 10 percent. If imports replace 2.5 percent of the production, the loss in national GDP would be estimated at Rp 4 trillion, while the loss in jobs would be about 1 million farmers. If imports replace 10 percent of the production, the loss in national GDP would be Rp 16.7 trillion, while 4 million farmers would lose their jobs.

Regarding tariffs, Nizwar Syafa'at has modelled the possible impact of tariff cuts of 50 percent or 100 percent as compared with the former tariff of 450 Rs/kg on farm revenues. If the tariff is reduced by 50 percent or Rp 225/kg, the farm profit per ha for Indonesia will decrease from Rp 4,018,379 to Rp 3,213,750 or by about 20 percent. If the tariff is completely eliminated, the farm profit per ha for Indonesia will decrease from Rp 4,018,379 to Rp 2,433,855 or by 39 percent. Thus, trade liberalisation will obviously reduce the farm profit. The decrease of the profit, especially in Java, will reduce the competitiveness of paddy compared to sugar cane and would encourage the shift from paddy to sugar cane. This crop transfer will decrease Java's contribution to the national paddy production. Such a production decrease would contribute to national food insecurity.

If the loss in farm profits as a result of trade liberalisation is analysed disaggregated by farmers' landholding size (see Table 5), the remaining profit for most of the households is extremely low. The largest group of households (38 percent) have farmland of less than 0.25 hectare. The remaining profit from 0.25 ha paddy, with two harvests per year, would go down to Rp.1,606,875 or 175 USD per year in the case of a 50 percent cut of tariffs. In the case of a complete elimination of tariffs, the remaining profit would be of about 132 USD per year – 36 cents per household per day. According to the census, the average household size is 4.2 persons and the profit from paddy farming forms 25 percent of the household income. Per capita income would be about 0.35 USD.

Considering the World Bank standard according to which a person is categorised poor if daily income is less than 1 USD, it becomes clear that the liberalisation of the rice market (without adequate compensation of the paddy farmers) would violate human rights because the already insufficient

means of livelihood of millions of paddy farmers will be dramatically further deteriorated when income goes down.

Poverty, as UNDP (2005:45) concludes, “is a multidimensional phenomenon, and trade is not the only factor that may affect poverty. However, trade may have a significant impact if it is related to the economic variables that affect income, employment and household expenditures.” It could be shown that such an impact did result from the previous liberalisation and would probably result again in case of a new round of liberalisation.

Table 5: Distribution of households which cultivate paddy based on land size (2003)

Land Size (hectares)	Household (%)
< 0.25	37.48
0.25 - 0.50	25.66
0.50 - 0.75	15.68
0.75 - 1.00	5.70
> 1.00	15.48

Source: Agricultural Census (2003).

It is difficult to single out precisely the impact of the WTO Agreement on Agriculture, since its implementation overlapped with IMF-induced structural adjustment measures in 1995-2001. It is evident, however that the combination of cheap imports and reduced domestic support has worsened the situation of paddy farmers. Millions of them already live below the poverty line, meaning that they cannot sufficiently fulfil their basic needs. For them it appears to be extremely difficult to adjust to changing market conditions because of their poverty and their high dependence on landowners, intermediaries and creditors, as will be shown in the next section.

6.3 THE IMPACT OF RICE MARKET LIBERALISATION ON FOUR PADDY COMMUNITIES IN WEST JAVA

6.3.1 Methodology and Profile of the Selected Communities

How has rice market liberalisation in general and trade policies in particular affected peasants in the rice barn of Indonesia? What has specifically changed in their lives and how do they perceive these changes? Is there evidence of increased food insecurity? Has the people’s right to food been threatened or violated? What is peasants’ opinion on imports? What expectations do they have and whom do they see as agents of change?

To answer these questions and to complete the macro-level analysis, a field research was conducted in April 2007 in four communities in the three regions Subang, Karawang, and Bekasi of the province of Jawa Barat (West Java). The regions were selected since they form the centre of rice production, more popularly known as West Java’s rice barn. Due to the short distance to Jakarta, the main trading centre of the country, it could be expected that the impact of trade liberalisation is more visible here than in other more remote areas of Indonesia.

In all villages visited the rice economy is directly correlated to the socioeconomic situation of the paddy farmer and, by and large, with the village economy. According to the farmers the government should formulate agricultural policies to the benefit of paddy farmers. As a matter of fact, the contrary has often been the case, as shown in the previous chapter. For more than three decades, but in particular since rice market liberalisation in 1997, the living conditions of the farmers have become

worse, according to their own perception. The ratio between input and output of paddy cultivation has deteriorated, access to productive resources is extremely scarce and most farmers are now severely in debt to middlemen and landlords, which make them highly dependent. This weakens their position in the production chain, makes them extremely vulnerable towards the risks of paddy production, diminishes their opportunities, undermines food security and can finally lead to the loss of their land. It encourages the exodus of young villagers to cities, where they work in the informal sector. Many young women even leave the country to work as migrant workers in Arabian countries, Taiwan, Hong Kong or Korea. Those who remain in agriculture are mostly the elderly.

The first community visited was Samudrajaya in the Bekasi region, West Java. The Bekasi region is located east of Jakarta in the north of West Java. Bekasi belongs to the buffer zone of Jakarta and is characterised by high migration rates growing at 4.6 percent per year and land conversion from agricultural land to industrial use and city development. As a result, paddy production is decreasing and Bekasi, which was once known as Indonesia's rice barn, will soon become a net importer.



Paul Jeffrey/EAA

Samudrajaya is located close to Jakarta. According to the village monograph of 2006, Samudrajaya is of 71 ha in size, with almost half of it being paddy fields. The village has 4,880 inhabitants, 2,543 male and 2,337 female. By occupation, the villagers are divided into paddy farmers (608), plantation farmers (126), fishermen (132), daily workers (183), and others (31).

Two communities, Cikuntul and Cikalong, are located in the Karawang region, east of Bekasi. The Karawang local government maintained the status of Karawang as a rice barn in West Java. In the year 2001, 1.1 million Metric tonnes of rice were produced from its 93,590 ha wet paddy fields. The high productivity in Karawang is also supported by an adequate irrigation system. The local government intends to maintain and even expand Karawang's position as Java's rice barn.

Situated in the north-east of Karawang region, Cikuntul is 3 km outside the district capital and 80 km from Jakarta. According to the village monograph (2006), Cikuntul is of 577 ha in size, including 351 ha (61 percent) paddy fields. 4,842 inhabitants live in the village (2,366 male and 2,476 female). 266 persons are farmers, and another 1,896 belong to landless peasant families.

Cikalong is 5 km from the district capital and 85 km from Jakarta. Cikalong is of 318 ha in total size, with 260 ha (82 percent) of paddy. The 4115 inhabitants live in 1,193 families (2,032 male, 2,083 female). Half of the population depend on paddy, most of them landless. The Village Secretary stated that 40 percent of paddy fields in Cikalong are owned by non-villagers but cultivated by villagers. According to the land register, only one person owns more than 10 ha, five possess 5-10 ha, seven persons 1-5 ha, 20 persons have between half a hectare and one hectare, and 110 persons possess a field of less than 0.5 ha in size.

The last community researched, Pinangsari, belongs to Subang region, east of Karawang. Subang's lowlands are dominated by paddy fields, and most of them have pumped irrigation (70 percent). With its abundance of water, Subang is undoubtedly one of West Java's rice barns.

Pinangsari village is situated in the south-west of Subang region, 12 km from the district capital and 90 km from Jakarta. The land size (2006) is 1,085 ha, with 821 ha (76 percent) of irrigated paddy fields and another 76 ha (7 percent) of tide paddy fields. The village has 7,798 inhabitants (3,901 male, 3,897 female) living in 2,418 families. 4,259 persons belong to peasant households, but only eight families own more than 1 ha of land, while 373 families possess between 0.5 and 1 ha and 706 families own less than 0.5 ha of land. The others are landless.

6.3.2 Basic Characteristics of Paddy Farming in the Communities Visited

Differentiated by the type of land ownership, paddy farmers in the communities visited can be divided into four groups:

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- 1) Farmers who own land (*Petani pemilik*) – the land is cultivated either by themselves or by other farmers/peasants
- 2) Smallholder peasants with less than 0.5 ha (*Petani pemilik penggarap*) – the peasant cultivates his/her own lands and usually also other land, be it on the basis of a renting system, a trade-in system or a crop-sharing system (*Maro*)
- 3) Landless tillers (*Petani penggarap*) – making their living by working on the land of a farmer. The following systems are practised:
 - Renting system (*Sistem sewa*), i.e. the tiller rents parts of a field for a limited period of time
 - Trade-in system (*Sistem gadai*), i.e. the tiller gives a loan to the landowner, and in return he/she can cultivate the land until the landowner pays the money back
 - Profit sharing system (*Sistem bagi hasil*), i.e. the tiller cultivates the land of the landowner, pre-finances all inputs (e.g. seeds, fertiliser, pesticides) and shares the profit (after deducting the expenses for the inputs) equally with the landowner
- 4) Agricultural labourer (*Burub tani*), i.e. a person who only relies on his/her own work. A worker is paid in cash on a daily basis. In Bekasi, Karawang and Subang the wages for men and women workers are between Rp. 25,000.00 and Rp. 30,000.00 (i.e. approx. 3 USD) per day. During the harvest season, in addition to cash, the labourer gets paddy in a ratio of 5:1 (5 parts for the landowner, 1 part for the worker). To be entitled to this extra benefit, the labourer works unpaid during non harvest season for a certain number of days (*jeblok*).

The paddy fields in the research region can be distinguished by the following types:

- 1) Technical paddy field (*Sawah teknis*), i.e. a paddy field that is connected by a secondary water canal with the primary canal
- 2) Half-technical paddy field (*Sawah setengah teknis*), i.e. a paddy field that is connected by a tertiary canal with the secondary canal
- 3) Non-technical paddy field (*Sawah non teknis*), i.e. a paddy field that gets irrigation water through natural flow, which is maintained by the farmer
- 4) Rain-catcher paddy field (*Sawah tadab bujan*), i.e. a paddy field which relies on rainfall

Most rice types cultivated in the region are hybrid types such as IR-64, *Way Apu Buru* and *Widas*.

The average production of dry harvested paddy (GKP - *Gabah Kering Panen*) in Bekasi, Karawang and Subang region varies between 4.5 and 5 Mt/ha.

The year has usually two but up to three planting seasons, with a pattern of planting paddy – paddy – paddy (*Padi – Padi – Padi*). Another planting pattern is paddy – paddy – non rice food crop (called

Padi – Padi – Palawija). Most peasants in the communities visited plant rice only twice per year and don't cultivate during the third season at all, due to lack of water.

Paddy farmers usually depend on seeds, fertiliser and pesticides as input factors. Fertilisers are a constant cost factor, whereas the use of pesticides depends on pests. While the research took place, there was an epidemic of brown plant hoppers, obliging the farmers to apply pesticides once a week.

6.3.3 The Production Chain

The individual farmer sells the paddy to a middleman (*tengkulak*), usually coming either from the same or a neighbouring village. The sale is usually mediated by a local broker. The bargaining position of the farmer is extremely weak. This is partly due to the small quantity and varying quality, but it is also because the farmer lacks information on the market price and is highly dependent on the middleman as a source of information: "There is no official government price, but middleman's price," says Pak Olang, a farmer in Cikalong. (Interview B-1) Being asked about the official governmental procurement price, Olang answers with a furious tone that the governmental price doesn't exist at Cikalong. The only price they know is the middleman's price. "No matter they say that the official price is so and so."



A rice mill in the Karawang region in Indonesia.

Justin Coupertino/EAA

The situation gets worse if the farmer is indebted to the middleman – then he/she has to accept very low prices. Due to permanent liquidity problems and the absence of governmental credits, most farmers, but in particular those with only small, or no, landholdings, take loans to pre-finance the production costs. Usually they get credits from either local sellers of agricultural products, or the middlemen, or the landowners. As result, a farmer buys expensively and sells cheaply:

The pesticide shop owner or a capital owner lend us some money so that we can afford the production cost. But the debt is unpaid yet. I had twice unsuccessful planting seasons. I was short of capital, and taking a loan is the only way.

Faturohman in Cikuntul says. (Interview B-7) In the next step within the rice chain the middleman brings the rice to the mill. Here, a concentration process has been visible since 1999. This is actually accelerated by the state because Dolog, the public logistics depot, purchases rice only from big mills. As a result, many small mills shut down.

The milled rice is further traded by other middlemen and goes to the wholesaler markets. Most of the production from the research regions is marketed at Pasar Induk Beras, the main rice marketplace of Jakarta, from where it is distributed to all locations inside and outside Java.

The wholesaler market is an oligopoly, with only three big players controlling most of the market in Java and no more than five in the whole country, of which *Ayong* is the lead: "This oligopoly can make

the market scarce at any time”, says Agusdin Pulungan, Chairman of *WAMTI*, the Indonesian Farmers’ Society Organisation. (Interview A-10)

6.3.4 Changes since Market Liberalisation in 1997

The farmer families have lived in the villages for generations, most of them working in the paddy fields from youth onwards. They usually have either no or little land. Only a small majority own more than 0.5 ha, and the average farm size is still decreasing due to land fragmentation caused by inheritance from parents to children or by indebtedness. Thus it has become more difficult to make a living in dignity. Until the 1970s, people felt proud to be a farmer. Despite the low income, being a farmer was related to social status. A farmer’s position was high: “Even when you had a nice house, when you were other than a farmer, you felt like you didn’t belong to a higher class,” explained Daipin. (Interview B-2)

In the past, being a farmer did not merely mean status, but it was also the first choice of occupation. Sending four children to school was affordable. Nowadays, and in particular since the end of the ’90s, many children drop out of school after the elementary level, because families cannot afford it any longer. Rusdiawan (Interview B-20) puts it this way:

In Sumatera Jaya are my roots. Being a farmer is inherited. My father was a farmer, but back then, he sent his four children to school because it was affordable even just from rented fields. I went to *ibtidiyah* and some *pesantren* [School for Koran Studies for children and young people, most of whom are boarders]. Today, many have to drop out from school to start working.

It is very difficult for the farmers to precisely describe which changes have taken place when and why. However, they feel the same way about the livelihood nowadays: it is getting harder to fulfil daily needs because of high living costs and poor income from paddy farming. Comparing their life with that of their parents, they emphasise that their parents had many children, and yet they could afford their children’s education. For the past 10 years in particular, they have found it difficult to send children to school, when the fulfilment of daily needs alone is hard. They even have to borrow money to fulfil their daily needs because the return from paddy farming is insufficient. Understanding the causes for the misery seems to be difficult, and most answers remain vague. However, things got worse after the economic crisis and the market liberalisation that followed at the end of the nineties. Agriculture in general, but paddy in particular was a less and less reliable way to make a living, and even turned into a source of loss. Sometimes the only way to cover the deficit was by selling out the only asset they possessed – their land. Rusdiawan (Interview B-20) continues:

Back then, the farmer’s life was better. Nowadays, the farmer’s income is insufficient compared to the expenses. In order to fulfil their needs, the farmers today are often trapped into debt.

According to their calculation, a farmer with one hectare of paddy field only gets an income of Rp 4,800 (0.50 USD) per day. It is unquestionably insufficient to rely only on rice cultivation. Therefore, most of the paddy farmers have a side-income job such as bricklayer, construction worker, merchant, or other informal sectors. As for female family members, more and more work as migrant workers, even abroad.

Such a situation affects rural women most. They are usually responsible for managing the household economy and the fulfilment of all basic needs. This pressure often drives them to make sacrifices.

On top of managing the household and working in the fields they take up other income-generating activities, often in the informal sector. In extreme cases, they temporarily leave the family to earn money as migrant workers in Jakarta or abroad, particularly in the Arabian countries.

Most farmers see the government as being responsible for addressing their desperate situation. It should ensure higher and more stable farm gate prices, improve extension and credit services, and give support that is more targeted to the poor. The action actually being taken by the government is perceived as inappropriate. In all research locations, current governmental support is mainly restricted to a programme called *Raskin* (rice for poor families), which entitles poor families to buy up to 20 litres of rice per month for a subsidised price of Rp 1,000 (0.10 USD) per litre. In practice, however the subsidised price is distributed evenly to all villagers, ending up with only 4 litres per family. Thus, people now call the programme *rasta beras merata*, i.e. “evenly distributed rice”.

“Subsidies rarely reach to the people. That’s why I don’t trust in subsidy,” says a female farmer in Pinangsari. It is very obvious that the government is seen as being responsible, but farmers’ hope for a change is small.

6.3.5 Trade Liberalisation – The Farmers’ View

How has market liberalisation concretely contributed to the misery of paddy farmers? Peasants in all research locations are usually unfamiliar with terms such as “free trade” or “market liberalisation”. For most of them, these dimensions go beyond their horizon. The low level of political education and the lack of understanding of the international dimension of agricultural policies make it to a certain extent difficult to link the macro to the micro research level of this study.

However, despite their unawareness of the functioning of the global market they understand that cheap import rice is a threat to them:

Import rice causes a loss! If import continues, then be prepared for farmers to die in starvation, in particular those with little land. In my understanding, 70 percent of Indonesia is farming. We used to be self-sufficient in rice. Now, Vietnam which used to be insufficient, exports rice to Indonesia. Meanwhile, we only get promises from government,

says Dedi, the village secretary of Pinangsari. (Interview B-12) Import rice makes their farm gate prices decrease, as stated by the farmers. Most of them have never seen sacks of import rice but perceive it as a threat and know about it from the middlemen. They tell them that the supply with cheaper import rice is lowering the farm gate prices. It seems that the middlemen systematically misuse the farmers’ lack of information. Daipin, who started farming in Cikalong in 1966, comments that even the *rumour* of increasing rice imports lowers the paddy price:



Prapto Winarto, a rice farmer in Central Java, Indonesia.
Paul Jeffrey/EAA

We are in the information era today. When the rice price in Jakarta goes down, then, in seconds the price goes down in the villages too. The tengkulak simply press the mobile phone, text a short message. Once he knows the price is down, even if we're in the middle of dealing, the price can instantly be lowered. (Interview B-2)

In January, the price was fair enough, almost Rp 350,000 per 100 kilograms. Then, the television said that the imported rice price might drop in March. As a result the price of dry harvested paddy at Watas plummeted to Rp 220,000, his 71-year-old colleague Abdul Yasa adds. (Interview B-5)

That shows that traders have successfully managed to keep farm gate prices comparatively low even after the shift of the government from open market policies to market interventionism after 2001 and despite the increasing scarcity of rice in the consumer market in particular after 2004. One important instrument to depress the farm gate price seems to be the continuous threat of cheap imports – be it real imports or be it only the rumour of future imports that might come.

Asked for his opinion on the argument that the urban poor depend on cheap rice, Abdul Yasa is astonished how it happens that the women in the cities never complain when the sugar and meat prices rise, but complain about rice prices.

When the city women demonstrate and cry out for sembako price cut, at the same time it means that they want the farmers to be killed! (Interview B-5)

The farmers emphasise that the production costs have increased over the last decade much faster than productivity and farm gate prices. They also stress that the living costs steadily increase whereas their profits decrease. Almost all of them cannot cover their family's daily needs from the return of paddy farming alone. Without understanding exactly why the ratio between income and expenditures is getting worse, they clearly see the link with trade and agricultural policies. Actions taken by the government, in particular input subsidies and price stabilisation policies, either do not reach them or have minimal effect due to the malfunctioning of the system. Ibu Marni (32), wife of Pak Mukrim (36), mother of three and a peasant with a 2,700 m² paddy field in Samudrajaya village, comments on the non-action of the government:

The government fixes the procurement price at 220 Rs/kg paddy, but during harvest time we only get 150 Rs/kg. (Interview B-17)

As noted before, the level of political awareness of most of the farmers in the research area is not very developed, despite the fact that the communities visited are all located near Jakarta. In contrast, awareness on trade issues is very high at the level of national peasant movements. For them rice imports form one of the hottest issues, even despite the fact that the import ban that was imposed in 2004 is still in place. "Rice is life, culture and dignity!" (FSPI/Via Campesina slogan)

In the same way as in neighbouring countries, farmers' organisations strongly oppose liberalisation of the rice market as a threat to small farmers, the landless, and the rural village economy. FSPI, the Federation of Indonesian Peasant Unions (Federasi Serikat Petani Indonesia), and the Indonesian affiliate of Via Campesina, call for a ban of rice imports and the promotion of family-based rice farming to ensure self-sufficiency. According to FSPI, Indonesia already produces enough food now and doesn't need to import at all to cover domestic consumption. The government should subsidise farm gate prices to ensure that the price covers costs of production and an adequate profit related to the farmer's cost of living. (La Via Campesina / Federasi Serikat Petani Indonesia (FSPI), 2006, p. 39) A fair price is seen by FSPI as being at a level of 2350 Rs for the 2007 harvest (in Central Java), whereas the

price paid by BULOG is only 2000 Rs and farm gate prices vary between 1800-2500 Rs per kg, as stated by FSPI Policy & Research Advisor Mohamed Ikhwan in an interview for this study. (Interview A-3)

Agusdin Pulungan, Chairman of the Indonesian Farmers' Society WAMTI (*Wabana Msasyarakat Tani Indonesia*) also calls for a complete import stop and minimum farm gate price of 2500 Rs/kg (A-10). According to his calculations, imports have already lowered the paddy price by 20-30 percent. He also emphasises that the government is not able to effectively control imports. According to him, 1-2 million Metric tonnes of smuggled rice have entered the market every year since 2000, information that is basically verified by other experts, including governmental officials.

The farmer organisations interviewed, API, FSPI and WAMTI, as well as other CSOs such as the National Alliance Against Hunger ANMK (*Aliansi Nasional Melawan Kelaparan*), Bina Desa, Institute for Global Justice IGJ and the People Coalition for Food Sovereignty agree in their criticism that the opening up of the market for rice imports during 1997 and 2001 only benefited members of the regime, but not the poor. Since then, not a lot has changed in their opinion. There seems still to be a small caste of influential politicians taking decisions for the financial benefit of their own families and close friends. Such an assessment is backed by new findings on the BULOG corruption case "Bulogate". (See 6.4.1)

Another issue addressed by Carla June Natan, Coordinator of the Urban Community Mission Jakarta, is the need to re-diversify staple food in Indonesia:

During the last five decades, corn, sago, cassava and others have been replaced in many Indonesian islands as traditional staple foods by rice that has been promoted as cheap food by the state. (Interview A-8)

6.3.6 Poverty and Food Insecurity

Most of the farmers produce for self-consumption, including a stock for unanticipated needs and extraordinary occasions such as *kondangan* (festivity). Only the remaining surplus is sold to get cash income to cover other daily needs (in particular school fees) and buy the agricultural input for the next season. However, the liberalisation period accelerated a process in which more and more farmers have fallen so heavily in debt that they sell the paddy even before the harvest. Thus they can't take the paddy from their own field to feed themselves. They have to take a new loan to cover the production and sometimes even consumption costs until the next harvest when they will pay back the debt (*yarnen*). So far this process has not yet come to a stop – even after the return of the government to market interventionism most peasants interviewed cannot make a decent living from paddy farming.

Today a land-owning farmer gains 4 to 6 million Rs per hectare each planting season, while a labourer or a rental-land farmer makes only half of this. With less than 1 USD per day, they can hardly cover daily needs and children's education expenditures.

In terms of food insecurity, and despite their extremely tight budget, most persons interviewed do not consider themselves as food-insecure even when they are. To them, the issue of food is basically answered when they have enough rice to eat. They find vegetables, wild as well as cultivated, in the field or yard. Occasionally, they go fishing for a variation in daily nourishment. In case of extreme shortage, e.g. after bad harvests, they borrow money from the neighbour, landowner, or middleman. Even in the dry season, farmers usually have meals at least twice a day.

However, food insecurity is not only a question of food quantity but also of quality. Ibu Tarpen (35 years) is a tiller. She is married to Sugiri, a tiller as well, living with two children in Cikuntul. Ibu covers the daily needs only from her poor wage, earning 30 000 Rs during harvest season. To ensure being hired for harvest, she does *jeblok*, a local terminology for working unpaid during non-harvest periods, and in return, the field owner hires the person for harvest. During the year she is jobless for approximately 2-4 months. In these months the minimum quality of food is no longer ensured:

Eat three times as usual, but reduce the costs for the meal from 2,000 Rs to Rp 1,000.
Pick up something from fields. Or we sell our household stuff, or borrow some money.
(Interview B-8)

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Burdened with debt, it is natural that a farmer sells paddy to buy rice. In local terminology, it is called *Beron'tok*: after harvesting, the crop slips away at once. When the farmer is indebted with a *tengkulak*, it is possible that a *tebas* (cut and fell) system is applied, where the broker takes the newly harvested rice directly from the paddy field. In situations of financial deficiency – in particular during the difficult period without income before harvest – farmers cut down their living costs to the absolute minimum, far below the level of a decent living. Haji Rifai, Cikalong says:

While during harvest we can spend Rp 5,000, we make it Rp 3,000 on scarcity time. Have meals only twice a day. Cut everything down. (Interview B-14)

Ibu Inah, 66 years old, works hard every day as a worker in everybody's fields in Pinangsari. She lives with a husband, two children and a grandchild. Inah and her husband do not possess a field and cannot afford to rent one. For their daily consumption, they collect rice from a harvest share when they work at other people's paddy field at harvest time. The field owner saves them 1 *kwintal* (100 kg) from each 6 *kwintal* of harvests. They have benefited only once from the food aid programme *Raskin*. Their situation worsens in the dry season and they change the menu. Ibu Inah:

Eggs need money, so tomorrow we eat with string beans. If we're running out of money, we eat what is available. But never without rice. (Interview B-14)

6.4 HUMAN RIGHTS ASSESSMENT

The research visits to the villages of Cikuntul, Cikalong (Karawang), Pinangsari (Subang) and Samudrajaya (Bekasi) in West Java have provided evidence that most peasants in these communities cannot fully enjoy their human right to adequate food, including the right to feed themselves as set out in the International Covenant on Economic, Social, and Cultural Rights to which Indonesia is a party.



Justin Coupertino/EAA

According to the village monographs, in April 2007 approximately 11,470 people in the four communities lived in peasant households, and depended on paddy as their main source of income. Less than 1 percent of the households own more than 2 ha of land, which is considered necessary

for an adequate standard of living. More than half of the peasant families possess no land at all. All statistical data as well as our interviews clearly indicate that most of the peasant families are living on less than 1 USD per person per day and that they cannot fulfil their basic needs regularly.

Reducing food is a last resort amongst these communities. Most of the peasants feed themselves sufficiently in quantity but the diet is not always nutritionally appropriate. In order to buy enough food most of them cannot regularly fulfil their other basic needs such as housing, health and education. There is even a considerable group of people who have to reduce the daily meals in the months before harvest due to a lack of income.

The research results do not stand alone but indicate general trends: the four selected communities are typical examples of the rice barn in Java. According to the agricultural census of 2003 the situation is very similar for the vast majority of Indonesian paddy farmers.

6.4.1 The Role and Responsibility of the State of Indonesia

The State of Indonesia is obliged to respect, protect and fulfil the right to food of its people. It has to progressively realise the right to food like all other human rights by using the maximum of its available resources. The breaches of these obligations by the State of Indonesia are manifold. The liberalisation of the rice market, i.e. the opening up of the market for imports (in particular during 1998-2001), the partial de-regulation of price policies (consumer as well as farm gate prices, in particular since 2003), and the reduction of agricultural domestic support (in particular during 1998-2001) has significantly harmed paddy farmers, and they were not compensated for the loss in income which they suffered and which exposed them to misery.

Until 1995 the state performed different rice market intervention policies that resulted in relatively stable prices, increasing production and productivity, welfare and economic growth effects in rural areas, and leading to at least 95 percent rice self-sufficiency. At the peak of this policy, in 1984, food security at the household level reached its highest level. However, the Asian economic crisis hampered the country in 1997-1998 and had severe effects on its economic policy. Forced by the IMF, the government decided in 1988 to deregulate and liberalise the rice market. Other support programmes for farmers, e.g. subsidised inputs and credits, have also been reduced since 1995, particularly during 1997 and 2000. The re-introduction of import restrictions, starting with the re-introduction of a tariff quota in 2000 and followed by the temporary import ban in 2004, allowing imports only to close the gap between national production and consumption and especially abolishing imports during harvest season, can be taken as an indication of the government's will to protect national production and to shape national policies in favour of marginalised rural populations depending on paddy as their main source of livelihood. However, the issue is still very sensitive and a matter of constant political struggles. Mulyo Sidik (2004:9) concludes:

Over the years, food policy and rice policy in particular have been changing rapidly, often these changes have been made without thorough analysis or even without considering socio-economic and political implications to implement them effectively. Abrupt decisions to make policy reform apparently have weakened the government's institutional capability in achieving national food policy objectives. Moreover, since the Ministry of Food was abolished in 1998, it appears that there has been no single institution responsible for formulating comprehensive and coherent food policy. It is true that different ministries have been involved in food policy but each has different visions and objectives which add another complication in formulating the policy.

Under these circumstances it is not surprising that BULOG has become a matter of corruption. In fact, BULOG bribery is currently the most evident corruption scandal in Indonesia, also called “Bulogate”. According to the preliminary findings in this case, the former head of BULOG, Widjanarko Puspooyo, and members of his family received 1.5 million USD from the Vietnam Southern Food Corporation, VSFC, in connection with rice exports to Indonesia between 2001 and 2005. The transfers are believed to have been bribes from the VSFC to ensure a secured rice procurement contract from BULOG (see Jakarta Post, 20th April 2007, p.9).

The government’s decisions to de-regulate the rice market and to cut down domestic agricultural support are not the only reasons for the described non-realisation of the right to food and to feed oneself in the communities researched and elsewhere. They come on top of a diverse group of marginalisation factors such as landlessness, dependence, lack of education and absence of self-organisation. It can be concluded, as UNDP (2005) states:

The decrease in poverty was much slower in rural areas than in urban areas. This may be due, at least in part, to the reduction in net revenues of rice farmers who, after all, represent a large proportion of the population in rural areas.

By opening the market for free rice trade in Indonesia in 1997/1998, the government breached its obligation to protect paddy farmers’ right to food in the four villages Cikuntul, Cikalong, Pinangsari, and Samudrajaya in West Java who, as result, were left facing unfair competition with cheap and partly even dumped imports. This led to a loss in market share and revenues so that many farmers fell below the poverty line and became unable to feed themselves and to enjoy their right to adequate food.

It has to be stressed that the government of Indonesia took the decision to go even *far beyond* the liberalisation measures required under the Agreement on Agriculture of the World Trade Organisation and the ASEAN Free Trade Area AFTA, two treaties that had been signed by Indonesia in 1995 and 2002, before it ratified the Covenant on Economic, Social and Cultural Rights in February 2006.

By severely reducing or even abolishing in 1998 the domestic agricultural support that had been granted to paddy farmers for decades, and by abolishing substantial parts of governmental procurement prices and other price-stabilising measures, the government threatened the paddy farmers’ means of livelihood (see above) and thus breached its obligation to fulfil the farmers’ right to food.

By not addressing efficiently the malfunctioning of the domestic food aid programme *Raskin*, the government has also breached its obligation to fulfil the right to adequate food of those persons in

the cases described who have not been able to realise their right to food on their own and who depend on functioning food aid schemes or social safety nets.



Channeling water to a paddy field in Karawang.

Justin Coupertino/EAA

The combination of these breaches of obligations may have caused, at least in significant part, a situation where the food security at the peasant’s household level is lower than it was before the trade liberalisation, as the assessment shows. Such a decrease breaches the state’s obligation to progressively

realise the right to food and leads to the assumption that probably the maximum of available resources had not been used, as required under human rights law.

It has to be emphasised that the government has taken action and invested resources since 2001, in particular in the last three years, as the study shows. Hence the government has already recognised the negative impact of its policies on the right to food and has started to change the policy set. However, the results reached so far are not yet sufficient regarding the realisation of the people's right to adequate food and to feed themselves in the four villages. The government has not managed to stabilise farm gate prices at an adequate level, nor have the farmers in these communities been targeted sufficiently by agricultural support. The same is true for the limited reach of the food aid programme *Raskin*.

6.4.2 The Role and Human Rights Responsibility of IMF and World Bank

Following the 1997 Asian crisis, the IMF – as laid down in the Letter of Intent – forced the Indonesian government to impose the above-described rice market liberalisation measures as a condition to gain a 49 billion USD loan. The de-regulation policy as requested by the IMF had been developed in close cooperation between the IMF and World Bank. By forcing the Indonesian government to implement these measures that then led to the described violations of the right to adequate food and to feed themselves of the peasants in the four communities, the IMF has breached its responsibility to respect the right to food.

From the human rights perspective, the policy advice given by the World Bank in 1997/1998 in this regard is highly questionable since it led – at least indirectly – to the right to food violations at stake. Today, the World Bank is pushing the Indonesian government again to cancel the import ban and to allow the private sector to import rice in unlimited quantities at low tariffs. The World Bank calls such policy “pro poor”. It accepts that paddy farmers will lose but proposes direct compensations. Giving such advice despite full awareness of the critical situation of paddy farmers in Indonesia is extremely questionable. From the human rights perspective it is a breach of the World Bank's responsibility to respect the right to adequate food.



Paul Jeffrey/EAA

6.4.3 The Role and Human Rights Obligations of Other States

The ultimate responsibility for IMF and World Bank is with their owners – the member states. Most of them have also ratified the CESCR and are duty-bound under international law. By letting the above IMF and World Bank credit and structural adjustment policies be passed with the implications already pointed out, IMF and World Bank member states have breached their extraterritorial obligation to respect and protect the right to adequate food of the peasants in this case.

It seems that at least three of the main rice exporters to Indonesia during the period researched, namely Thailand, the US, and Vietnam have disturbed the Indonesian rice market and harmed paddy farmers through unfair competition practices such as export subsidisation and possibly even bribing (e.g. the BULOG case with major involvement of the state-owned Vietnamese company VFSC). It would have exceeded the scale and scope of this study to further assess these difficult issues in depth, in particular since they are not yet well documented in English literature. Even more importantly, the dumping factor is only of secondary importance for understanding the situation of Indonesian's paddy farmers, since they cannot compete with world market prices at all – even if dumping is not an issue. However, it can be assumed that these states have also breached their extraterritorial obligation to respect the right to food of Indonesian paddy farmers by dumping and bribing practices.

There is also a certain indication that US food aid was misused and disturbed the domestic market to the detriment of paddy farmers at least between 1998 and 2000. However, since there is no evidence for such incidents in the four villages where our research took place, the issue cannot be further assessed in this study.

7. OVERALL SUMMARY AND CONCLUSIONS

Access to adequate food is a basic human right for every person. It is enshrined in article 25 of the General Declaration of Human Rights and article 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR). The right to food, according to the authoritative interpretation of the UN Committee on Economic, Social and Cultural Rights (CESCR), is not to be interpreted in the narrow sense of being fed, but rather means access at all times – physical and economic – to “adequate food” and the ability to procure it. Food must be adequate in terms of quantity and quality, as well as being culturally acceptable. And the enjoyment of the right to food must not threaten the “attainment and satisfaction of other basic needs” such as health, housing and education.

The Right to Food in Times of Globalisation

156 States have ratified the ICESCR and are obliged to respect, protect and fulfil the right to adequate food. Each State party has the obligation to develop strategies to progressively realise the right to food for all people, by using the “maximum of its available resources”. Such strategies must address all aspects of the food system, including the production, processing, distribution, marketing and consumption of food. Access to productive resources is a key element of the right to adequate food, especially in rural areas where almost 80 percent of hungry people live. Furthermore, people must be able to feed themselves in dignity from agricultural activities. Fair market conditions are a key part of an enabling environment which States are obliged to create in order to implement the right to adequate food.

States’ obligations do not only refer to the people within the respective state’s national borders, but also have an international dimension. Brot für die Welt, the German Church Service (EED) and the FoodFirst Information and Action Network (FIAN) have proposed the term “extraterritorial obligations” (ETO) to describe the international dimension of states’ obligations, which are part of the ICESCR. This international dimension applies for the same levels of obligations as within national borders, but especially for the “minimum obligation” to respect, which, according to human rights experts, is already part of existing human rights legislation. Hence, no State shall do harm to the right to adequate food of people living in other countries.

This obligation is especially relevant when it comes to development aid, international investment or trade. Dumping or forced market opening, when they lead to the destruction of local market access, the income basis and food security of small peasants, are possible examples of extraterritorial violations of the right to food. The obligation to respect the right to food abroad does not only refer to bilateral relations but also includes decisions within international organisations such as the World Bank, International Monetary Fund (IMF) or World Trade Organisation (WTO). According to the CESCR, “states should, in international agreements whenever relevant, ensure that the right to adequate food is given due attention and consider the necessary development of further international legal instruments to this end”.

Rice Trade Liberalisation as a Threat to Small Producers

The aim of the present study is to investigate possible violations of the human right to adequate food through rice trade policies. Rice was chosen as an example because it is central for food security

all over the world. It is the main source of calories for half of the world's population and the main source of income and employment for two billion people, most of them small peasants, and most of them women. Only 6.5 percent of the global rice consumption is traded internationally, the biggest exporting countries currently being Thailand, Vietnam, India, the US and Pakistan. Nevertheless, international rice trade can have a serious impact on the development of national rice markets and prices. The Food and Agriculture Organisation of the United Nations (FAO) has registered 408 cases of import surges for rice in 102 countries between 1983 and 2003, with a disquieting concentration of them in Africa, the Pacific Islands and Central America.

Among the complex factors, three policy reasons can be identified as endemic and appear most frequently to boost import surges, and, more generally, import increases: 1) Markets have been opened to imports in many countries since the beginning of the 1980s as a result of Structural Adjustment Programmes (SAPs) often imposed by the IMF and the World Bank, regional free trade agreements and, to a lesser degree, the Agreement on Agriculture (AoA) of the WTO. 2) The high levels of support for production, processing and export of rice in some developed countries have contributed to import surges, which have occurred most frequently in times of very low world market prices for rice, such as in the years 2000 to 2003. According to Oxfam, the US exported rice at 34 percent below the production costs in 2003, a practice which can be described as dumping. 3) The cutting of support for agricultural inputs, machinery, public procurement and price guarantees etc. in many developing countries, as part of the same SAP mentioned above, has often resulted in the reduction or stagnation of domestic rice production capacities. Instead of supporting those capacities, many governments prefer to fill the gap in supply with cheap imports.

Comprehensive and precise information on the effects of import surges or increases on incomes and livelihoods of small rice farmers is still relatively poor. Most intergovernmental organisations (IGOs) tend to focus on the interests of consumers in their studies and policy advice. The World Bank, for example, advocates a radical liberalisation of rice trade and computed the possible total economic surplus gains and transfers under the conditions of total liberalisation. Accordingly, in importing countries, consumers would gain 32.8 billion USD while producers lose 27.2 billion USD. Such policy advice is irresponsible under the perspective of the right to adequate food and other human rights, because it would destroy the livelihoods of millions of small peasants already vulnerable to hunger and poverty, without offering any credible alternative to these people.

Proponents of liberalisation tend to ignore that low import prices are not always reflected in low consumer prices because of the high concentration of the rice business. Furthermore, they tend to focus on urban consumers only, and ignore that most rice consumers are rural and depend on agriculture. When their sources of income as producers are destroyed, their benefits as consumers will be very limited as well. The FAO rightfully stresses that governments must calibrate rice policies to keep rice both affordable to consumers and profitable for producers. The opening of markets for cheap imports is not the only, nor is it the best way to achieve the goal of affordable consumer prices. The support of domestic rice production is an alternative way which takes into account the interests of both consumers and producers.

Approach and Methodology

While many studies have raised the concern that food security might be seriously affected or endangered by import surges, few have investigated in depth the actual injuries caused to the rice sector of the importing countries and the impact on small-holders at the micro-level in terms of income, poverty and food security. There has been even less analysis on the impact from the perspective of the human right to adequate food. The purpose of the present study is to find out whether the right to food of

specific rice producing communities in Honduras, Ghana and Indonesia has been negatively affected or violated through certain rice trade policies.

The case studies include an overview of the development of rice imports and domestic rice production at a macro-level, and an analysis of the domestic rice policies including border measures. They also include an analysis of possible dumping practices by countries of origin of rice imports and possible pressure that other countries may have exerted on Honduras, Ghana and Indonesia, through bilateral or multilateral trade agreements or IGOs, to adopt certain rice trade policies. And they include, as a core component, qualitative analysis of the possible impact of increased rice imports on the incomes, livelihoods and food security in selected rice producing communities. Finally, the studies conclude with an analysis of states' behaviour out of the perspective of the human right to food.

The main challenge of the studies is the verification of possible causal links first between sharp increases of rice imports and hunger or malnutrition in the communities, and second between high imports and certain trade and agricultural policies. This verification of causalities up to a violation of the right to adequate food requires a careful assessment of other additional factors which might have worsened access to food of the rice farmers, such as natural disasters, violent conflicts or wars, possible changes in land tenure arrangements or deteriorated access to infrastructure, farm inputs, credits or extensions services. Another challenge for the human rights analysis is to distinguish between the responsibilities of different states for these trade policies. In many cases, the responsibility is shared by national governments, IGOs and other external state actors. Only if we can verify such causality and identify clear state responsibilities are we able to identify a violation of the right to adequate food.

Ghana: Rice Liberalisation under the Auspices of the IMF

Whereas until recently, rice had been a niche product for urban elites, demand has grown remarkably over the last ten years in Ghana. This development could have opened a window of opportunity for growth in domestic rice production and reduction of poverty among the estimated 800,000 Ghanaian rice producers, who are predominantly smallholders. However, the opposite is the case. From 1998 to 2005, the area planted with rice diminished from 130,000 to 120,000 ha and the annual paddy production level from 281,000 to 237,000 Metric tonnes (Mt). Studies have indicated that incomes of the farmers have been declining over recent years, with alarming effects in terms of poverty and food insecurity. This crisis hits a part of the population that is highly affected by poverty and vulnerable to hunger. The incidence of poverty is almost 60 percent among food crop farmers, 70 percent of them being women.

The explanation for this paradoxical development is that the growing demand for rice in Ghana has been captured entirely by imports, mainly coming from the US, Vietnam and Thailand. From 1998 to 2003, imports rose from 250,000 Mt to 415,000 Mt, an increase of nearly 70 percent. The market share of local rice fell from 43 percent in 2000 to only 29 percent in 2003. An "import surge", according to the FAO, occurred especially between 2002 and 2003, when the volume of rice imports grew by 154 percent, while the volume in domestic rice paddy production declined from 280,000 to 239,000 Mt, representing a 16 percent decline.

The main reasons for the import surges seem to be the low level of world market prices for rice between 2000 and 2003 and the low CIF prices of the imported rice, which have consistently been below the wholesale price of domestic rice in Ghana on average. While local rice with poor processing quality is often sold more cheaply in the market, imported rice generally beats the local kind because of its better price-quality relation. High-quality imported rice is generally cheaper than high-quality local rice. Another advantage of imported rice lies in better marketing channels of the highly concentrated

rice import business, which make it available everywhere, while local rice can hardly be found in some urban markets and almost completely fails to reach big consumers such as restaurant and hotels any more.

The study shows strong evidence that three policy reasons have contributed to the boost of imports:

1) The removal of import controls and the introduction of a low applied tariff on rice imports of 20 percent in 1992 led to import increases over the 1990s. The attempt of the Ghanaian government and the parliament in 2003 to increase the rice tariff from 20 to 25 percent (and the tariff for chicken from 20 to 40 percent) through Act 641 to respond to increased imports was obstructed by external actors, especially the IMF. The implementation was suspended only four days after it had started. The IMF report on the Article IV Consultations on the Ghana Poverty Reduction Strategy reveals that, during these consultations, the authorities committed that tariff increases would not be implemented “during the period of the proposed arrangement”. Indeed, on May 9, the Executive Board of the IMF concluded these Article IV Consultations and approved a three-year arrangement under the Poverty Reduction and Growth Facility amounting to SDR 185.5 million (258 million USD) and an additional interim assistance under the Initiative for Highly Indebted Poor Countries of SDR 15.15 million (about 22 million USD). And on May 12, just three days after the approval of the IMF loan, the suspension of the implementation of Act 641 was issued. Thus, the same consultations that led to the approval of the loan also “convinced” the Ghanaian government to cut the tariffs back to the previous level.

2) The second policy reason is the high margins of dumping for rice imported from the US, Vietnam and Thailand. According to calculations commissioned by Oxfam on the three main countries of origin for 2003, the export prices were far below the home market prices (“normal values”) of selected rice varieties imported to Ghana. For the US rice varieties, the highest margins of dumping were found on average. US dumping was also evident while comparing export prices with production, the former being 34 percent below the latter in the year 2003. Dumping is an important reason for the fact that, in terms of prices, imported rice can compete with and often is even cheaper than Ghanaian rice.

3) The progressive removal of support to the Ghanaian rice sector between 1983 and the late 1990s resulted in extremely poor national infrastructure for the production, processing and marketing of rice, leading to serious supply constraints of the domestic rice sector in terms of quantity and quality. It removed support which formerly facilitated access to credits, seeds, fertilisers, the use of machinery at favourable conditions and marketing. These policies, to a large extent, followed the SAPs introduced by the IMF and the World Bank since 1983.

The micro-level study on the effects of imports was conducted in Dalun, a rice farming community with 10,000 inhabitants in the Tolon Kumbungu District of the Northern Region, located at about 50 kilometres from the region’s capital Tamale. All the market women interviewed stated that, especially since 2000, imported rice has taken over the Tamale market to a large extent. As a result, the quantity of rice bought by Tamale market women in Dalun and the surrounding villages and sold in Tamale has diminished dramatically by around 75 percent. This information coincides with that provided by the local miller, whose processing volume declined in a similar dimension, and the farmers’ experience that they are selling much less paddy than before. Farmers additionally suffered a dramatic decline in real producer prices since 2000. While from June 2000 to June 2003, the Ghanaian currency Cedi lost 46 percent of its value, the nominal prices fell considerably according to some farmers and remained stagnant according to others. In both cases the drop in real prices is dramatic. This had a direct negative impact on the incomes of farmers because the real costs of production only decreased moderately at the same time.

As a result, rice farming families are increasingly suffering malnutrition and food insecurity. All the interviewed peasants report that their families are suffering hunger. They do not have stable access to adequate food because, in the period before harvest, most of them have to reduce meals in number, size and quality. Health problems among the children who are most affected by this shortage of food are mentioned frequently in the interviews. And the incomes of peasants have declined in a way that they are burdened with debt and lack money reserves. In case of a loss of yield due to unexpected shocks such as droughts or pests, the health of peasant families and especially of the children would be heavily affected. In addition, peasants report that they have to spend a larger share of their income to purchase food and, especially in the same “period of hunger”, have to reduce their expenditures required to enjoy other basic human rights such as the rights to health and education.

To conclude, there is strong evidence that a combination of import liberalisation, dumping and the removal of domestic state support has significantly increased malnutrition and food insecurity and thus led to a violation of the human right to adequate food of peasant families in Dalun. Three actors are mainly responsible for these policies and have breached their obligations and/or responsibilities under the right to food: 1) the state of Ghana breached its obligation to protect the right to adequate food of rice peasants in Dalun and elsewhere by cutting market protection in 1992 and by not increasing protection later despite the evident injuries caused by imports. By cutting existing support to rice farmers, Ghana also breached its obligation to respect the right to food of the peasants, and its obligation to fulfil the right to food by applying policies that do not create an enabling environment of these families to feed themselves. 2) The IMF breached its responsibility to respect the right to adequate food by pressuring the Ghanaian government to remove support and protection for poor rice peasants over the 1980s and 1990s and by pressuring the government to suspend Act 641 in 2003. And consequently, the member states of the IMF thereby breached their obligation to respect the right to food of the rice peasant families in Dalun and elsewhere. 3) And finally, the exporting rice countries involved in dumping practices, especially the US, have breached their obligation to respect the right to food of rice peasant families. Its subsidies, export credits, and the misuse of food aid have contributed to the displacement of domestic rice from the markets of cities like Tamale and to the losses of income of the rice peasants in Dalun.

Honduras: Natural and Manmade Disasters

In Honduras, half of the nearly 8 million inhabitants live in rural areas and are either directly or indirectly linked to agricultural production. Around 70 percent of rural households live under the poverty line. Rice represents the third most important staple food in Honduras after maize and beans. Average per capita consumption of rice per year increased from 8 kg in 1993 to 16 kg in 2004. Paradoxically, in the same period, rice production suffered an unprecedented fall. While the annual paddy production had increased between 1966 and 1990 from 9.3 thousand to 47.3 thousand Mt, during the 1990s it decreased dramatically down to a level of 7.2 thousand Mt in 2000. The rice market was, to a large extent, taken over by imports coming from the US.

The transformation of the rice sector, which took place in less than 15 years, can be divided and analyzed in three stages:

1) The liberalisation of agricultural markets started in 1991, when the Honduran Institute of Agricultural Marketing (IHMA) disappeared and guaranteed prices were withdrawn. After the submission of the executive decree to eliminate the State’s monopoly on the foreign trade of agricultural products, the Congress of the Republic took advantage of a period of legal vacuum to temporarily allow the import of rice at a reduced tariff of 1 percent. Imports shot up immediately. In a good rice harvest year of over 54 thousand Mt (paddy), 32 thousand Mt of milled rice and 12.5 thousand Mt of paddy rice were imported. The market practically collapsed. The FAO describes this sudden liberalisation of the

market – known as the *arrozazo* – as an import surge. Farm gate prices fell by 13 percent in 1991 and by 30 percent in 1992. In 1992, a price-band mechanism was introduced, which allowed an increase of tariffs up to 45 percent depending on the price in the international market. Imports decreased in 1992 and 1993 to the levels prior to the *arrozazo*. However, a new period of massive imports started in 1996, this time rather focused on milled rice. New phytosanitary regulations for paddy rice imports and the unification of price-band mechanisms for milled and paddy rice (pleading the same tariff level for both products) had boosted milled rice imports. As a consequence, the milling industry was neglected, and its market position was negatively affected. The milling industry bought less Honduran paddy rice, which led to the reduction of the cultivated surface from 16 to 10 thousand ha between 1997 and 1998. The negative impact of imports was worsened through the liberalisation of the market for agricultural inputs, credits and land, as a result of the Law for the Modernization of the Agricultural Sector (LMA) of 1992. Both the reduction of import protection and of producer support had been part of SAPs introduced in Honduras following the advice of the IMF and the World Bank.

2) The rice sector was already in a deep crisis when it was hit by Hurricane Mitch in 1998 and later in 2001, the tropical storm Michelle. Entire regions, like the south of Honduras, practically disappeared from the national rice production map. There is strong evidence that the devastating effects of natural disasters on rice farmers were worsened through disaster relief measures. It is amazing that, even in the two years following Hurricane Mitch, when rice production was considerably reduced, farm gate prices did not increase. The reason was the high rice supply at a low price as a result of dumped imports. From 1999 onwards, the price of the US imported paddy rice in Honduras fell below the price received by Honduran producers. Apart from commercial exports, food aid – 70 percent of it from the US – contributed to a rice surplus in the Honduran market after Hurricane Mitch. Summing up national production, commercial imports and food aid, in 1999 there was an additional rice supply compared to 1998 of 34 thousand Mt of milled rice and 25 thousand Mt of paddy rice. There is no doubt that food aid was necessary after Hurricane Mitch in order to guarantee food security. However, the amount and prolonged period of food aid turned into an instrument of dumping and caused adverse effects. Under these conditions, the rice sector had almost no possibility to recover. Thousands of rice producers who could overcome the decade of the 1990s could not avoid financial collapse at the beginning of the new millennium.

3) As a response to the long-term crisis of the rice sector, the Rice Agreement between the rice industry (national rice millers), the productive sector and the government was signed in 1999. The Agreement, which is still in place, states that millers can import paddy rice with a preferential tariff of 1 percent, as long as they buy practically all the national production at the price stipulated by the parties annually. At the same time, the tariff for milled rice and other types of rice is kept at 45 percent. On the one hand, the agreement allows 22 national millers to establish an oligopoly over the national rice supply, be it national or imported rice, and to dominate the whole rice chain from production to retailing in Honduras. On the other hand, it clearly had a stabilising effect on the rice productive sector. Those peasants who are part of the agreement experienced a certain recovery on a low level and reached some income security. However, the Free Trade Agreement between the US and Central American countries plus the Dominican Republic (DR-CAFTA), which has been in place since April 2006, will undermine these achievements and probably cause a slow death for rice production in Honduras. After a period of 10 years, where the maximum tariff of 45 percent is still allowed, the tariff on rice imports will be progressively reduced to 0 percent within 8 years (until 2024). Honduran rice producers will be totally exposed to dumped rice imports from the US. The US refused to talk about its own subsidies to the rice sector in the negotiations on DR-CAFTA.

The micro-level study on the impact of imports was carried out in two rice producing communities: the Guangolola community in the Yoro Department, and the Guayamán community, in the Otoro valley, in the Intibucá Department. Both communities are organised in associative businesses or

cooperatives, the Cooperativa Agropecuaria Regional El Negrito Limitada (CARNEL) in Guangolola, and the Empresa Asociativa de Campesinos de Transformación y Servicios Otoreña (EACTSO) in Guayamán. Both communities had been beneficiaries of the Agrarian Reform, and had overcome the level of subsistence farming thanks to the dynamic development of the rice sector during the 1980s in Honduras.

Guangolola producers remember the *arrozazo* as the end of a period of growth and the beginning of the difficult decade of the 1990s, as the mills refused to accept the production and the producers got into debt. In 1998, Hurricane Mitch destroyed the productive infrastructure, including the whole community irrigation system. Three years later, Hurricane Michelle had the same effect. The rice food aid given between these two disasters additionally affected the marketing of the restored production. The key factor to restore rice production after 2001 was the Rice Agreement. Rice producers in Guangolola achieved a level of economic stability that they had not had since the early 1990s.

In Guayamán too, farmers remember the *arrozazo* as the beginning of a long crisis. Additionally, the reduction of support and the consequent price rise for inputs are reported to be a key factor for the decline. The destructions caused by natural disasters were aggravated by the fact that food aid saturated the market afterwards. Today, out of 30 families, only four or five keep on individual rice production and cultivate an area of around 20 *manzanas*. They channel their production directly through the millers, as established in the Rice Agreement, as the mill cartel did not accept their cooperative EACTSO as processing business in the framework of the Rice Agreement. Most of the community members try to ensure their livelihood by complementing their incomes from grain production by paid jobs in the region or in Tegucigalpa, although with limited success.

As testimonies show, the economic security level both in Guayamán and Guangolola has been significantly reduced since the beginning of the 1990s. Particularly in the case of Guayamán, there is evidence that, at least during certain phases of the crisis, rice producing families suffered a reduction of the quantity and quality of the food available. The achievements of the Agrarian Reform have suffered a roll back in both communities as land concentration has increased again. In Guayamán, producers returned permanently, and Guangolola producers temporarily, to subsistence agriculture, a scheme they had overcome at the beginning of the 1990s. Many peasants are burdened with debt and the rice crisis blocks their future development potential. In both communities, vulnerability in terms of food security in case of external shocks is extremely high.

To conclude, the right to adequate food of the rice farming families in Guayamán and Guangolola has been violated through agriculture and trade policies.

1) The state of Honduras breached its obligation to respect the right to food by cutting support to the peasants through the LMA in 1992 and increasing input costs through the devaluation of the Lempira. Honduras breached the obligation to respect the right to food of the Guayamán families by cutting their market access through restrictive affiliation rules of the Rice Agreement, without providing any alternative. Honduras breached its obligation to protect the right to food by opening the market to dumped imports in 1991 and later in 1996, despite the obvious injury caused to poor peasants. Through deficient crisis management after Hurricane Mitch, it allowed extensive food aid to come in and contributed to deepening the crisis among these peasants. By ratifying the DR-CAFTA, the Honduran State has renounced the policy space which is necessary for it to protect the right to food of domestic rice producers. And finally, through the implementation of DR-CAFTA, and earlier through the restrictions to development potential inherent to the Rice Agreement, the state of Honduras has failed to create an enabling environment for the realisation of the right to adequate food of rice producers.

2) IMF and World Bank clearly breached their responsibility to respect the right to food in Honduras by forcing market opening and cuts in the support for poor rice producers. By supporting those policies, member states of IMF and the World Bank did not comply with their obligations to respect the right to adequate food in the rice farming communities in Honduras.

3) The US breached its obligation to respect the right to adequate food through dumped rice exports to Honduras from 1991 onwards and the misuse of food aid as an instrument of dumping. The US also breached its obligation to respect the right to adequate food by pushing for and signing DR-CAFTA, which threatens to displace poor Honduran rice producers from the market in increasing numbers.

Indonesia: the world's biggest rice market under threat

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With an annual production of 54.8 million Metric tonnes (2006), Indonesia is the world's third biggest paddy producer. Rice is produced by approximately 13.6 million farmers, of whom 65 percent are considered as poor smallholders with less than 0.5 ha of landholding size. It is estimated that about 21 million people find employment in the whole rice sector. At the same time, rice is by far the most important staple food for almost 215 million people, contributing 60 percent to the per capita daily calorie intake. Rice consumption currently exceeds production by approximately 5 percent and is developing even faster than production, also making Indonesia one of the world's largest rice importers.

Since independence in 1949, every government has wanted to achieve, in parallel, low rice prices for consumers and high income for paddy farmers. Indonesian's rice policies since 1967 can be structured into three phases:

1) During 1967-1996, the government controlled the domestic rice market by intervening in the market in order to encourage production and to maintain price stability. The intervention took place in the form of managing huge governmental stocks via BULOG, the state-owned Logistic Affairs Agency (Badan Urusan Logistik). Imports were strictly regulated by tariff and import control policies and aimed at closing the gap between national production and consumption. Indonesia met its self-sufficiency target in 1984 and became a net rice exporter during 1985 and 1987. Since then the country has again become a net rice importer.

2) Import liberalisation started as early as 1995 as a result of the AoA of the WTO. However, radical liberalisation only occurred in 1997 under the pressures caused by the Asian economic crash. The Indonesian government was obliged to sign a Letter of Intent under the directive of the International Monetary Fund (IMF) including the commitment to implement SAPs. BULOG was privatised, and rice market support was stopped. The import tariff was nil and unlimited imports were allowed between 1998 and 1999. The government significantly reduced subsidies, including the agricultural input subsidies, which were highly relevant before. As a result of the new policy, imports boosted to 6 million Metric tonnes in 1998 – turning Indonesia into the world's biggest rice importer in that year – and 4 million Metric tonnes in 1999, mainly originating from Thailand, followed by Vietnam. By applying export credits and subsidising agricultural inputs, both countries kept export prices artificially low and flooded the Indonesian market with dumped rice. Another reason for the crisis was a drought provoked by the south-east stream of the climatic phenomena El Niño in 1998. The loss in production through El Niño was only about 4-5 percent, while imports reached a 12 percent market share and over-compensated for the loss in production by far. During this time, Indonesia's self-sufficiency ratio decreased and the dependence on imports increased. Paddy farmers were severely hit by the disastrous combination of decreased paddy prices, higher prices for (less subsidised) agricultural inputs and the loss in production through El Niño. Because of the oligopolistic structure

of the Indonesian rice market, liberalisation did not even lead to lower prices for urban consumers. On the contrary, consumer prices increased in the period of liberalisation.

3) Due to the negative effects of market liberalisation on producer and consumer prices the government has step by step returned to controlling the domestic rice market since 2001, with various modifications up to an import ban in 2004. The former policy of floor prices for unhusked paddy was replaced by the Government Procurement Price which sets a ceiling price, which has not been as effective. Only during periods of price hikes would BULOG perform market operations. Current trade policies particularly aim at stabilising the domestic price for unhusked paddy by a seasonal import ban and the management of rice stocks through the privatised BULOG. While the government has taken action in favour of the marginalised and extremely vulnerable paddy farmer, the system has not fully led to the expected results. Consumers are suffering from a price hike whereas producer prices remain comparatively low. It is the oligopoly of traders which benefits most. Domestic agricultural support granted to producers is still a decisive factor for farmers' welfare. Despite increases in subsidies since 2003, the necessary level has not yet been reached, and support is not always well targeted to the farmers who most need it. Currently the World Bank is pushing for a cancellation of the import ban, granting import licences to the private sector and tariffs of only 10 to 15 percent. The experience of the liberalisation period indicates that such policies would threaten the livelihoods of millions of paddy farmers in Indonesia.

Field research on the effects of trade and rice policies was conducted in four communities – Cikuntul, Cikalong, Pinangsari and Samudrajaya – in the three regions Subang, Karawang, and Bekasi of the province of Jawa Barat (West Java). The regions were selected since they form the centre of rice production, more popularly known as West Java's rice barn. In all these communities, imports are reported to have a negative impact on the incomes of the farmers. Middlemen react to the increased supply through imports by lowering the prices offered to the farmers. After the re-regulation of imports, middlemen managed to keep farm gate prices low, often misusing the lack of information of the farmers. Low prices have a direct negative impact on the incomes of the farmers since, at the same time, production costs and living costs are increasing.

For more than three decades, but in particular since rice market liberalisation in 1997, the living conditions of the farmers have gotten worse, according to their own perception. All statistical data as well as interviews clearly indicate that most of the peasant families are living on less than 1 USD per person and day and that they cannot fulfil their basic needs regularly. Reducing food is a last resort amongst these communities. Most of the peasants feed themselves sufficiently in quantity but the diet is not always nutritionally appropriate. In order to buy enough food most of them cannot fulfil regularly their other basic needs like housing, health and education. There is a considerable group of people who have to reduce their daily meals in the months before harvest due to lacking income.

It can be concluded that trade and agricultural policies have significantly contributed to violations of the right to adequate food of these rice farming communities. They reinforce a multi-complex setting of negative framework conditions for paddy farming communities, such as inadequate access to land and other productive resources, inappropriate knowledge of the market, and high dependence on middlemen.

1) The State of Indonesia breached its obligations to respect and to fulfil the right to food by severely reducing or even abolishing the domestic agricultural support in 1998 that had been granted to paddy farmers for decades, and by abolishing substantial parts of governmental procurement prices and other price-stabilising measures. It thereby also breached its obligation to fulfil the right to food by not creating an enabling environment for the realisation of farming families. By opening the market for free rice trade in Indonesia in 1997/1998, the government has breached its obligation to protect

paddy farmers' right to food. This led to a loss in market share and revenues so that many farmers fell below the poverty line and became unable to feed themselves adequately.

2) By forcing the Indonesian government to implement these liberalisation policies that increased food insecurity among rice peasants in the four communities, the IMF has breached its responsibility to respect the right to food. Similarly, by pushing for these measures in 1997/ 1998 and for similar policies currently, the World Bank is breaching its responsibility to respect the right to food of the peasants. The member states of IMF and the World Bank, accordingly, are breaching their obligation to respect the right to adequate food.

Final Conclusions

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The case studies show strong evidence that trade and agricultural liberalisation has significantly contributed to the violation of the human right to adequate food of rice farming communities in Ghana, Honduras and Indonesia. Increased and cheap imports substantially reduced access of rice farmers to local urban markets and depressed the prices they received for their produce. Liberalisation thereby reduced incomes, deepened poverty and increased malnutrition and food insecurity among rice producers. Although people generally had not been reported to die from hunger, testimonies clearly indicate that many community members do not have permanent access to adequate food in terms of quantity and quality anymore, as the realisation of the right to food would require. Children and women are found to be the most affected by malnutrition. The purchase of food increasingly requires sacrifices which limit the realisation of other human rights such as the right to health and education. Vulnerability to external shocks has increased in all the communities visited for this study.

The negative impact of liberalisation hits a social group which in many cases is already marginalised because of scarce access to land, weak bargaining power towards middlemen, and weak infrastructure. Natural disasters, such as Hurricane Mitch, Tropical Storm Michelle and droughts were other important factors which negatively influenced the ability of rice farming communities to feed themselves in Honduras and Indonesia. It is important to note however, that farmer's market access and incomes had already been reduced through increased imports before. As a result, natural disasters hit them harder than they should have done. Furthermore, dumped imports and excessive food aid often depressed the market longer than necessary and became an obstacle for farmers to recover from the shocks. Vulnerability to new external shocks is higher now than ever before, largely due to liberalisation policies.

The case studies show that the opening of the market was a key factor for increased imports or even import surges. Trade liberalisation took place mainly in the beginning of the 1990s in Ghana and Honduras and in 1997 in Indonesia, and in all countries was followed by significant increases of imports. In all cases, these measures were part of structural adjustments required by the IMF and the World Bank. In these countries, the commitments of governments made under the AoA of the WTO did not affect tariffs, as they had been bound above the applied levels.

It is worthy of note that governments of all three countries reacted to increased imports after 2000 by moderately re-regulating imports. These initiatives, which were very necessary (although not sufficient) in order to protect the right to adequate food of rice farmers, were heavily obstructed by external actors. The most striking case in this respect is Ghana, where the IMF successfully pressured the government to suspend a tariff increase only four days after the start of implementation. In Honduras it is DR-CAFTA which will progressively reduce rice tariffs to 0 until 2024. And in Indonesia, the World Bank is currently pushing hard for import liberalisation. These facts confirm the high relevance of external pressure and the necessity to strengthen extraterritorial obligations under the right to food.

Other parts of SAPs, such as the privatisation of agricultural services and credits, the liberalisation of input markets and the removal of guarantee prices and public procurement, represented a heavy burden for rice farmers in all three case studies. Farmer's access to seeds, fertilisers, machinery, extension services and marketing facilities was substantially reduced through these measures, which meant a dramatic increase of production costs. Combined with market displacement and farm gate price depression through imports, the cuts in producer support caused drastic declines of incomes and were found to be a major reason for malnutrition and food insecurity. It is an ironical paradox that, while all these countries reduced support to domestic production, they all faced cheap imports which in many cases were only possible because of heavy subsidisation. In Honduras and Ghana for instance, the US dumping through commercial exports and misused food aid was a significant factor for import surges.

In all countries, the external and internal pressure on the governments to reduce or not to increase tariffs on rice is very high. The main argument brought forward is the interest of (poor) consumers in low prices. Case studies, however, do not confirm the expectation that consumer prices would decrease as a result of liberalisation. In Indonesia, consumer prices for rice even increased in the period of the liberalised market. In Honduras, decreasing import prices and producer prices are not reflected in low consumer prices. The main reason in both cases seems to be the oligopolistic structure of the market, largely neglected by proponents of liberalisation.

The study indicates a high level of urgency to explore and implement policy options consistent with human rights obligations of both developing and developed countries. Such policies should include higher protection from cheap imports and higher support for domestic rice producers simultaneously. And they should include measures to address the problem of high market concentration, especially in cases where this factor drives consumer prices higher. The right to adequate food requires rice policies which create an enabling environment for rice producers in their countries. The reliance on volatile international markets for a crucial staple food like rice is a threat not only for producers but also for consumers.

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9. ANNEXES

CHAPTER 2: RICE TRADE LIBERALISATION AS A THREAT TO SMALL PRODUCERS

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CHAPTER 3: APPROACH AND METHODOLOGY

Annex 2: Data Questionnaire for Context Analysis

Which Data are Relevant for the Rice Research?

• **Imports and exports**

In order to demonstrate the harmful effects of market liberalisation (on the macro-level), there must have occurred a meaningful rise of rice imports in *volume*, *value* and relative to domestic production and consumption. Besides rice we have to consider like, *competing* and *substitutable* products too. And we have to consider the export side, because there is a possibility that some imported rice has been *re-exported*, which would change the possible impact of increased imports. So we need the data since 1975 of:

- Commercial imports and exports of broken, milled and paddy rice, maize, sorghum and yam, in value and volume, on an annual, quarterly or monthly basis and differentiated by country
- Food Aid Imports of the same products differentiated by country

• **Border measures**

The import increases or even surges can only be attached to trade liberalisation politics if the surges have occurred more or less shortly after a liberalisation measure. This is why we need good information on (the lifting of) any market protection measures (for the same products and period of time), such as:

- Import tariffs (specific and *ad valorem*)
- Seasonal or annual bans or tariff quota
- Import licensing: are imports subject to licences and how are they distributed?
- Trade remedy measures such as Special Safeguards of the WTO Agreement on Agriculture (AoA)
- Imports by the State Trading Enterprise (STE)
- Standards and technical requirements

- Minimum import or reference prices
- Relevant government parliament decisions or debates
- All related court decisions or disputes on border measures related to trade

- **External trade agreements and conditionalities**

This point is crucial to identify the responsibility of other states for trade liberalisation measures or even violations of Extraterritorial Human Rights obligations (ETO) under the Right to Food. It is very important to know:

- all relevant multilateral and bilateral trade agreements signed by the respective country and the related obligations (for example bound tariffs under the WTO AoA)
- all Structural Adjustment Programmes (SAPs), Country Assistance Strategies or Poverty Reduction Strategy Papers or other conditions imposed by or agreed with the International Monetary Fund (IMF) and the World Bank (World Bank) related to the rice trade
- Informal pressure from other states or multilateral organisations (such as the email of IMF to the government to withdraw the rise of tariffs)
- All related court decisions or disputes

- **Dumping**

The other possible violation of ETO of foreign governments might result from their public support for cheap rice exports. These include:

- export subsidies for rice or maize
- food aid programmes (by the US and Japan)
- internal subsidies which eventually lower the export prices

- **Level of domestic production**

At the macro-level, the hypothesis of a harmful effect of an import increase can only be sustained if it has caused a decrease in the level of production in *volume* and/or production *area*. Again, we have to consider similar domestic products as well, because the damage may possibly not only affect rice but other products too. Furthermore, the effect might vary by *region*, depending on the degree of market integration, competitiveness and influx of import goods. Hence we need data from 1975 on:

- volume and area of rice, maize, sorghum and yam production in total and differentiated by region.

- **Import and domestic prices**

The decrease of domestic consumer and producer prices is supposed to be a key consequence of import surges. This is why it is important to have good data on the development (over the same period and for the same products, and ideally on a monthly basis) of:

- import prices for broken, paddy and milled rice (and maize)
- domestic prices for the same products at the level of *farm*, *mills*, *wholesale* and *retail*
- for the community analysis, the prices paid by local traders to the producers are particularly important.

- **Market structure and competition**

In order to go beyond the macro-level, it is important to take into account the market structure for the same products (especially rice). For the micro-level, the analysis of specific market segments might be even more revealing than the overall figures. So we need an overview on:

- the market channels from farm gate via local traders (“market women” and others), mills to local markets and retailers
- the main players along this value chain of rice and what their respective market share is
- the role of possible State Trading Enterprises (STE)

- how and where the imported rice enters the market and competes with domestic production, especially regarding the specific community to be investigated
- what the role of cooperatives is for the specific community

- **Production costs and state support**

In order to isolate the impact of trade liberalisation we must have a look at other possible factors. Among these factors the costs of production and the level of state support need special attention. The loss of income might be related to an increase in production costs or a decrease in state support as well. In particular we need information on:

- the costs of inputs such as seeds, fertilisers, herbicides, pesticides, irrigation, machines (and electricity) and transport (and fuel)
- access to credits and interest rates
- state subsidies and other public support programmes for rice farmers over the years

- **Land tenure arrangements**

Another important factor is land tenure arrangements. Are the farmers the owners of the land? If so, do they have individual or collective titles? If they are not the owners, are there sharecropping arrangements, and what is the share of the farmers?

- **Other factors**

Are there other factors than the above-mentioned ones which might have influenced the incomes of rice farmers, such as natural disasters, diseases or armed conflicts?

Annex 3: Questionnaires for Semi-Structured Interviews

A) Interview with resource persons/experts belonging to important reference groups outside the community itself (“the most inside of the outsiders”)

0. Personal data: Name, function, institution

1. Basic data: Rice farming, commerce and consumption

- 1.1 Agro-economic structure of rice production (per regions & per type of producers)
- 1.2 Processing and marketing structure
- 1.3 Development of rice production, prices and markets since 1975 (including major peaks)
- 1.4 Development of rice imports and their impact on national prices (farm gate prices and consumer prices)
- 1.5 Development of national consumption
- 1.6 Geographical origin of imported rice and possible relevance of agriculture policies of the exporting countries (including dumping)

2. Policies

- 2.1 Trade in agriculture policies: liberalisation of the rice market (how and when)
- 2.2 Domestic agriculture policies: protection of the national producers (how and when)
- 2.3 Role of political actors and specific responsibilities: government, political parties, influence of business, social groups, international actors (World Bank, IMF, WTO, others)
- 2.4 Possible role of food aid

3. *Consequences and effects*

- 3.1 Beneficiaries of the policies described above
- 3.2 Effects of these policies on the Indonesian society (urban/rural segments of society, gender effects, producers/consumers, most vulnerable groups)
- 3.3 Effects on the community level: producers/consumers
- 3.4 Hunger, malnutrition, food insecurity (when, where, in which context) in relation to the market liberalisation

B) Interview with experts/community leaders inside the community0. *Personal data: Name, function, institution*1. *General information*

- 1.1 Name and location of the community
- 1.2 Formal status of the community and the producers (cooperative, association, etc.)
- 1.3 Number of persons/families living in the community/belonging to the group
- 1.4 Total number of rice farmers in the community / number of female producers
- 1.5 Existing infrastructure: streets, schools, health post, drinking water, sanitation, electricity, etc.
- 1.6 Community history (regional context, ethnical setting, migration/colonisation, conflicts, natural disasters, etc.)

2. *Community organisation*

- 2.1 Political organisation / local authorities / societal leadership
- 2.2 Organisation of the rice production
 - 2.2.1 Production / Marketing
 - 2.2.2 Collective / Individual (Mechanisms of redistribution, collective assistance to the most vulnerable)
- 2.3 Land tenure / conflicts

3. *Agricultural production*

- 3.1 Quantity and value of rice production / other agricultural products
- 3.2 Type of production (agro-industrial/sustainable)
- 3.3 Aim of production (auto consumption / market-oriented production)
- 3.4 Commercial & trade structure / buyers of the rice
- 3.5 Agro-technical assistance/credits/inputs
- 3.6 Marketing support programmes
- 3.7 Profitability calculation

4. *Change since 1975*

- 4.1 Development of production and marketing since 1975
- 4.2 Collapse of production / farm gate prices / markets during 1975-2006, including explication of the reasons from the community's viewpoint
- 4.3 Role of rice imports within the reasons
- 4.4 Have the collapses described above been of a general or of a specific nature (describe how the neighbouring communities / the region / the nation have been affected)
- 4.5 Responsibilities and key factors for these collapses
- 4.6 Alternative sources of livelihood / economic / agricultural options for the community

5. *Effects of the changing rice market*

- 5.1 At the economic/agro-economic level (hunger / change in crops / land tenure)
- 5.2 At the social level (forms and functions of organisational structures / migration / gender / youth)
- 5.3 On vulnerable groups in the community

C) Interview at the household level0. *Personal data: Name, sex, age, profession*1. *Basic information*

- 1.1 Family members, age, profession and sex
- 1.2 Since when have you been living in the community / productive entity?
- 1.3 Size of productive land and where it is located
- 1.4 Type of land tenure / financial situation (including possible indebtedness) / credits
- 1.5 Housing (house, garden and agricultural land nearby?)

2. *Production*

- 2.1 Current rice production
- 2.2 Development of rice production since 1975
- 2.3 Relationship between auto consumption and market-oriented production
- 2.4 Collapse of production / farm gate prices / markets in the period 1975-2006, including explication of the reasons from the viewpoint of the family
- 2.5 Total family income / income from rice production and changes since 1970
- 2.6 Profitability calculation of paddy (if possible: profitability in different periods over the last years and in relation to market liberalisation)
- 2.7 Support, subsidies and extension services provided by the government or other actors

3. *Effects of the changing rice market*

- 3.1 Hunger / malnutrition / food insecurity / sources to get food
- 3.2 Consequences for paddy production / impact on rural development: changing crops, loss of investments, loss of means of production
- 3.3 Purchasing power / change in consumption patterns
- 3.4 Vulnerability of different family members (men, women, boys and girls)
- 3.5 Economic alternatives inside and outside the community / migration

Statistical data required (1975-2006)

- National rice production
- Destination of paddy & processing
- National consumption
- Rice imports and origin of imports
- Rice exports
- Rice prices (producer prices, consumer prices and import prices)
- Tariffs and quota systems
- Poverty
- Food insecurity and chronic malnutrition

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Annex 6. List of Interviewed Persons

A. Interviewed Experts

No.	Name	Organisation	Position
1	Nashiru Issifu Kadri	Apex Farmers' Organisation of Ghana	President
2	Alhassan Alhassan	Nasia Rice Mills, Tamale	Ag. Managing Director
3	Adam Nashiru	Peasant Farmers Association of Ghana	President
4	Alhaji Iddrisu Salifu	Wienco Fertiliser Depot – Tamale	Distributor (Wienco agent)
5	Rev. Albert B. Kwabi	Christian Council of Ghana	Finance Director
6	Poonyth, Daneswar	United Nations Food and Agricultural Organisation (FAO), Regional Office for Africa	Trade Economist
7	Rudolf Amenga Etego	Foundation for Grassroots Initiatives in Africa	Director
8	Ofei-Nkansah, Kingsley	General Agricultural Workers' Union (GAWU)	
9	Issah, Mohammed	Send Foundation	Trade Officer
10	Dr. Ayine, Dominic	- Centre for Public Interest Law (CEPIL) - University of Ghana	Director Lecturer Trade and Investment
11	Akalbila, Ibrahim	ISODEC and Ghana Trade and Livelihood Coalition (GTLC)	Coordinator GTLC
12	Dr. Samuel Asuming-Brempong	University of Ghana, Department of Agricultural Economics and Agribusiness	Senior Lecturer
13	Paul Amoah	Botanga Irrigation Project (BIP)	Technical Officer

B. Focus Group Interview: Botanga Irrigation Project (BIP) – Farmers’ Forum with Representatives from 13 Catchment Communities

Musah Abdullai, Moro Aba, Musah Alhassan, Imoro Baba, Issah Dawuda, Zakaria Haruna, Baba Sulemana, Adam Mahamadu, Abdullai Abu, Fusieni Salifu, Seidu Alhassan, Issah Dahamani, Sule Yakubu, Sulemana Abukari, Mohammed Amadu, Alhassan Sandow, Salifu Issah, Issah Abukari, Zakaria Fusieni, Yipelnaa Abdullai, Imoro Adam, Sulemana Abukari, Sulemana Yakubu, Sumani Sumani, Mahama Haruna, Yakubu Iddi, Yakubu Abukari, Fusieni Baako Alhassan, Mahama Issah, Abdulrahmani Yakubu, Fusieni Yakubu, Abukari Moro, Seidu Mumuni, Salifu Sumani, Iddrisu Abukari, Baba Fusieni, Issahaku Ibrahim, Adam Mahama, Azara Fusieni, Ibrahim Abdulhasan, Zakaria Ibrahim, Addullai Iddrisu, T.M Alhassan, Adam Iddisu, Seidu Abdullai, Iddrisu Ibrahim, Alhaji Lansah, Addo Siaw, Joe Tong-Kurubil, Paul Amoah, Abdul manani Ibrahim, Gundanah Mahama

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C. Individual Interviews of Farmers in Dalun working on Botanga Irrigation Project

1. Chief of Dalun
2. Adam Mahama
3. Issahaku Mohammed Alhassan
4. Saratu Mahama
5. Amina Mahama

D. Farmers in Dalun who do not cultivate on BIP

1. Yakubu Lansah
2. Haruna Yakubu
3. Rukaya Abdul Rahman
4. Abdullai Salifu

E. Interviews with Rice Market Women

1. Ayi Abdullai – cooked rice seller (Dalun)
2. Mariama Mohammed – par boil before selling (Dalun)
3. Fati Abdullai (agent, Tamale)
4. Zenabu Musah (agent, Tamale)

F. Rice Miller

1. Yakubu Mahama

G. Interviews at Dalun Kukou (village near Dalun)

1. Mohamad Abubakari
2. Iddrisu Haruna

H. Government Officials

No.	Name	Ministry	Position
1	L.Y. Sae-Brawusi	Ministry for Trade and Industry (MOTI)	Director for multilateral, bilateral and regional trade
2	Dr. Lawson K. Alorvor	Ministry for Food and Agriculture (MOFA)	Director for Policy Planning

3	Tetteh-Bio, Immanuel	Ghana Rice Inter-Professional Bodies	Executive Secretary, MOFA Consultant
4	Twumasi-Ankrah, Richard	MOFA	Coordinator for Nerica Rice Projects
5	Opoku-Agyemang, Jeremy	MOFA	Policy Division

CHAPTER 5: IMPACT OF TRADE LIBERALISATION ON THE RIGHT TO FOOD - THE CASE OF RICE PRODUCTION IN HONDURAS

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Annex 9: Interviews

A) Context Interviews

- A1: Marvin Ponce, Investigador, Diputado del Parlamento Hondureño
 A2: Arturo Galo – Director Ejecutivo, Dirección de Ciencia y Tecnología Agropecuaria. Secretaria de Agricultura y Ganadería
 A3: Andrés Carias – Gerente General, Agrobolsa
 A4: Wilfredo Pérez – Presidente, Asociación de Productores de Arroz (AHPRA)
 A5: Jacqueline Chenier Gólcher – Coordinadora, Asociación nacional para el Fomento de la Agricultura Ecológica (ANAFAE)
 A6: Santos Aquiles, Martín Cardoso – Consejo de Coordinación de Organizaciones Campesinas de Honduras (COCOCH)
 A7: Luis Álvarez Walches – FAO Honduras.
 A8: Hector Hermilo Soto - Federación Luterana, Oficina de Honduras
 A10: Rafael Alegría – Vía Campesina
 A11: José Trinidad Sánchez – Red de Comercialización Comunitaria Alternativa (REDCOMAL)

B) Interviews with community leaders*I = Guangolola/ CARNEL*

B.I.1: Inés Fuentes (Asesor/ Ex Presidente de la CARNEL)

B.I.2: Productores de Guangolola

- a) Edwin Nuñez, Guangolola
- b) Fernando Pérez
- c) Santos Banelas
- d) Luis Aquilar, Guangolola II
- e) Gilberto Barrela, Guangolola II
- f) Heladia Galeas, Guangolola II
- g) Marco Tulio Díaz, Presidente de la CARNEL (Productor de Maíz)
- h) Alfredi Soleriano (CCD)
- i) Inés Fuentes (Asesor)

II = EACTSO/ Guayamán

B.II.1: Junta Directiva EACTSO

- a) Eduardo Benítez – Guayamán (Presidente)
- b) Juan Pablo Mendoza – Tatumbra
- c) José Pérez Gámez – Tatumbra (Vicepresidente)
- d) Gerardo Arturo Turón (Asesor del Instituto Nacional Agrario - INA)
- e) Carlos Gutiérrez – Ismael Cruz
- f) Carlos Gutiérrez – Ismael Cruz
- g) Natan Noel Reyes – Cruzita del Oriente
- h) Alejandro Girón – Juan Benito Montoya

C) Interviews on family level

C.I.1: Familia Calderón Ortiz

C.I.2: Familia Canales

C.II.1: María Marcos Ramírez

C.II.2 Salvador Alvarado

Annex 10: Units of Weight and Volume

1 libra (1 lb.) = 454 grams (1 U.S. pound)

1 libra (Spanish) = 460 grams = 1.0144 U.S. lb.

1 arroba = 25 lb. (Spanish) = 25.36 U.S. lb. = 11.503 kg

1 quintal (1qq.) = 4 arrobas = 100 lb. (Spanish) = 101.44 lb. (U.S.) = 46.01 kg

1 metric quintal = 100 kg

1 garrafón = 5 gallons

1 onza = 1 ounce

1 gramo = 1 gram

Annex 11: DR-CAFTA

GENERAL NOTES

TARIFF SCHEDULE OF THE REPUBLIC OF HONDURAS

Rough Rice

10. (a) Honduras may maintain and administer performance requirements existing on the date of entry into force of this Agreement for rough rice provided that:

(i) the performance requirements are maintained at a level not to exceed the total in-quota quantity specified for the good;

(ii) the performance requirements are administered so as not to impair the orderly fill of the in-quota quantity; and

(iii) the performance requirements are eliminated when the over-quota duty reaches zero.

(b) The aggregate quantity of goods entered under the provisions listed in subparagraph (d) shall be free of duty in any calendar year specified herein, and shall not exceed the quantity specified below for the United States in each such year:

Year	Quantity (metric tonnes)
1	91,800
2	93,600
3	95,400
4	97,200
5	99,000
6	100,800
7	102,600
8	104,400
9	106,200
10	108,000
11	109,800
12	111,600
13	113,400
14	115,200
15	117,000
16	118,800
17	120,600
18	unlimited

Honduras shall allocate the in-quota quantities that are subject to performance requirements to persons that satisfy those requirements.

(c) Duties on goods entered in aggregate quantities in excess of the quantities listed in subparagraph (a) shall be removed in accordance with the provisions of staging category P in paragraph 3(d) of the General Notes of Honduras to Annex 3.3.

(d) Subparagraphs (a), (b) and (c) apply to the following SAC provision: 10061090.

Milled Rice

11. (a) The aggregate quantity of goods entered under the provisions listed in subparagraph (c) shall be free of duty in any calendar year specified herein, and shall not exceed the quantity specified below for the United States in each such year:

Year	Quantity (metric tonnes)
1	8,925
2	9,350
3	9,775
4	10,200
5	10,625
6	11,050
7	11,475
8	11,900
9	12,325
10	12,750
11	13,175
12	13,600
13	14,025
14	14,450
15	14,875
16	15,300
17	15,725
18	unlimited

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(b) Duties on goods entered in aggregate quantities in excess of the quantities listed in subparagraph (a) shall be removed in accordance with the provisions of staging category P in paragraph 3(d) of the General Notes of Honduras to Annex 3.3.

(c) Subparagraphs (a) and (b) apply to the following SAC provisions: 10062000, 10063010, 10063090 and 10064000.

Paragraph 3 (d)

Duties on originating goods provided for in the items in staging category P shall remain at base rates for years one through ten. On January 1 of year 11, duties shall be reduced by 8.25 percent of the base rate, and by an additional 8.25 percent of the base rate each year thereafter through year 14. On January 1 of year 15, duties shall be reduced by an additional 16.75 percent of the base rate, and by an additional 16.75 percent of the base rate each year thereafter through year 17, and such goods shall be duty-free effective January 1 of year 18.

CHAPTER 6: LIBERALISATION OF THE INDONESIAN RICE MARKET AND THE RIGHT TO ADEQUATE FOOD OF PADDY FARMING COMMUNITIES IN WEST JAVA.

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Table 1: Cost of paddy production per hectare and season in Rp, 2007

Factor	Farmer 1	Farmer 2	Farmer 3	Farmer 4	Average
Seeds	112,500	137,500	125,000	75,000	137,500
Fertiliser	680,000	770,000	740,000	812,500	750,625
Pesticides	300,000	340,000	370,000	638,800	412,200
Labour	1,400,000	1,400,000	1,500,000	1,515,000	1,453,750
Tractor fee	400,000	300,000	600,000	600,000	475,000
Land fee	3,000,000	4,000,000	2,000,000	4,000,000	3,250,000
Others	392,500	682,000	400,000	146,000	405,125
Capital	6,285,000	7629,500	5,835,000	7,887,300	6,884,200
Interest rate 6 %		6 %	6 %	6 %	6 %
Total costs	6,662,100	8,087,270	6,185,100	8,360,538	7,297,252

Source: WAMTI – Indonesian Farmer Society, 2007, unpublished

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Annex 14: List of Interviewed Persons

2.1 Context Interviews with civil society leaders, experts and governmental officials

No.	Name	Organisation/Institution	Position
A-1	Mr Benny Benyamin	ASFARNET – Asian Framers Regional Network	Co-ordinator
A-2	Isabelle Delforge	Via Campesina	Media Manager
A-3	Mohamed Ikhwan	FSPI – Federation of Indonesian Peasant Unions	Researcher
A-4	Lutfiyah Hanim	IGJ – Institute for Global Justice	Researcher
A-5	Dr Hermanto	Ministry of Agriculture	Secretary of the Director General on Food Security
A-6	Ir Minuk	Ministry of Trade	Senior Researcher
A-7	Ms Indera Nababan	PMK HKBP Jakarta	Co-ordinator
A-8	Carla June Natan	Urban Community Mission, Jakarta	Co-ordinator
A-9	Mohammad Noor Uddin	Indonesian Farmers' Alliance	Secretary General
A-10	Agusdin Pulungan	WAMTI – Indonesian Farmers' Society	Chairman

2.2 Interviews with paddy community members

No.	Name	Community	Role
B-1	Pak Olang	Cikalong, Karawang region	Smallholder farmer
B-2	Daipin	Cikalong, Karawang region	Smallholder farmer
B-3	Didin	Cikalong, Karawang region	Local peasant leader
B-4	Haji Rifai	Cikalong, Karawang region	Landless tiller
B-5	Abdul Yasa	Cikalong, Karawang region	Local peasant leader
B-6	Ibu Ati	Cikuntul, Karawang region	Agricultural labourer
B-7	Faturohman	Cikuntul, Karawang region	Smallholder farmer
B-8	Ibu Tarpen	Cikuntul, Karawang region	Landless tiller
B-9	Teh Rayen	Cikuntul, Karawang region	Trader
B-10	Babak Amin	Pinangsari, Subang region	Smallholder farmer
B-11	Babak Hasanuddin	Pinangsari, Subang region	Middleman
B-12	Dedi	Pinangsari, Subang region	Village Secretary
B-13	Babak Kusnadi	Pinangsari, Subang region	Smallholder farmer
B-14	Ibu Inah	Pinangsari, Subang region	Agricultural labourer
B-15	Ibu Noni	Pinangsari, Subang region	Organic farmer
B-16	Ibu Fani Hassan	Samudrajaya, Bekasi region	Landless tiller
B-17	Ibu Marni	Samudrajaya, Bekasi region	Smallholder farmer
B-18	Pak Miin	Samudrajaya, Bekasi region	Miller
B-19	Pak Muk	Samudrajaya, Bekasi region	Landless tiller
B-20	Rusdiawan	Samudrajaya, Bekasi region	Landless tiller
B-21	Samudera Jaya	Samudrajaya, Bekasi region	Local peasant leader

The full version of all recorded interviews is either available on audio CD or as a script.

THE ECUMENICAL ADVOCACY ALLIANCE

The Ecumenical Advocacy Alliance is a broad international network of churches and Christian organizations cooperating in advocacy on global trade and on HIV and AIDS. Alliance participants represent tens of millions of Christians around the world who share the conviction that advocacy against unjust structures, practices and attitudes should not be a task we engage in when it is convenient, but must be a fundamental requirement of living out our faith.

By working together, Alliance participants are better able to challenge the policies and practices of governments, international institutions, corporations and our own communities in order to bring about a more just, peaceful and sustainable world. Strategic actions take place at a variety of levels and use different methods, including lobbying, education, grassroots campaigning, and capacity building. The Alliance partners with other faith-based and civil society organizations to achieve common goals.

THE TRADE FOR PEOPLE CAMPAIGN

The Ecumenical Advocacy Alliance is committed to working for justice in global trade. Trade is not an end in itself, but should be an instrument for the promotion of human well-being, sustainable communities and economic justice. We seek a world where trade systems give priority to people who live in poverty.

The biblical standard for economic activity is justice and taking the side of the poor: fair payment, transparent relationship, no exploitation, respect for life.

The 2005-2008 global campaign “Trade for People, Not People for Trade”, works to build a movement of people within the churches and church-related organizations to promote trade justice. It calls for recognizing that human rights agreements have priority in trade agreements. The campaign focuses on three issues as they relate to trade:

- * the right to food
- * access to essential services
- * the regulation of transnational corporations.

FOODFIRST INTERNATIONAL ACTION NETWORK

The Foodfirst International Action Network (FIAN) is an international human rights organization that since more than 20 years advocates for the realization of the right to food. FIAN consists of national sections and individual members in over 50 countries around the world. FIAN is a not-for-profit organization without any religious or political affiliation and has consultative status to the United Nations.

“There is hunger in our family. Children eat, but not much.”

Without food no human being can survive, and access to food that is sufficient and healthy is recognised as a basic human right. Trade is central to people's access to adequate food. Yet, in looking at specific cases of trade liberalisation, this study has determined that such policies have instead violated people's right to food.

Trade Policies and Hunger focuses on rice, a staple food for half of the world's population, and assesses the food security of farming communities in three countries: Ghana, Honduras and Indonesia. Unique among research on trade policy, this study sets macroeconomic analysis side by side with a community level human rights assessment.

The study connects trade liberalisation policies to increased imports and import surges, reduced producer support, and volatile markets that have had severe negative impacts on the local markets of rice farming communities in all three countries.

This study concludes that the Right to Adequate Food of these rice producing communities has been violated in the past by the:

- actions of the national governments of Ghana, Honduras and Indonesia;
- demands of international organisations such as the IMF and World Bank and their member states;
- and practices of certain external countries which have contributed to import surges and inappropriate use of food aid.

This strong evidence that trade liberalisation has directly led to the violation of the right to food of small scale rice producers casts further serious questions on the value of a trade approach which further de-stabilizes and marginalizes small scale farming communities.



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