

Gov't to spend RM1.5b to subsidise rice farmers
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The government will spend RM1.472 billion this year to subsidise rice farmers and import more rice from Thailand to bolster its stockpile, the agriculture minister said today.
MCPX

Agriculture minister Mustapa Mohamed said the government would also spend an additional RM254 million to boost local rice production, as the price of Asia's staple diet continued to soar.

"We want to make sure that the interest of the low-income earners are protected and that is why the government is willing to accept a big loss as a result of the large subsidies we are giving," Mustapa told reporters.

"We cannot afford to let down the poor in society who will be hit the hardest by the increase in rice prices," he added.

Prime Minister Abdullah Ahmad Badawi late Monday announced the country would, for the first time, spend at least RM725 million to subsidise foreign rice imports to keep retail prices of the staple affordable.

He also said the price of two popular local rice types - a higher quality and an average grade - will be capped from June 1 to keep manufacturers from raising their prices further and burdening consumers.

The minimum guaranteed market price has also been raised to benefit farmers who sell rice to encourage them to grow more of the crop.

Price gone up by 164%

Mustapa said Thailand had sold 200,000 metric tonnes of rice to Malaysia as part of an emergency purchase agreement last week to supply 500,000 tonnes of rice to the country to bolster its stocks.

The price of imported Thai white rice has gone up by 164 percent from US\$371 per metric tonne in 2007 to US\$980 per metric tonne this year.

He said the 200,000 tonnes were expected to reach Malaysia by the end of June.

"We don't have a rice shortage in the country but many people are buying up more rice than they need and this is causing minor hiccups here and there," he said.

"We are expecting 50,000 tonnes of this Thai shipment to be delivered in the next two weeks and when this is delivered we believe the situation will be relieved somewhat," he added.

Mustapa said that a timeframe and price agreement had yet to be drawn up for the remaining 300,000 tonnes of rice.

He said Malaysia at present had a national stockpile of 92,000 tonnes -- three month's worth of rice -- and was now planning to increase the buffer to 500,000 tonnes to provide better food security.

Funding for fertiliser

The government was also subsidising farmers in various ways including funding for fertiliser to pest control to stimulate domestic rice production.

Mustapa said the funding and the opening up of new paddy fields would lead to a 7.0 percent increase in national production this year, meeting 86 percent of the country's rice needs by 2010.

World rice prices have soared this year, a trend blamed on higher energy and fertiliser costs, greater global demand, droughts, the loss of rice farmland to biofuel plantations, and price speculation.

Malaysia, which produces 70 percent of its rice needs and imports the rest from Thailand, heavily subsidises more than 20 daily food items, including milk and salt.

Abdullah's government also forks out a hefty fuel subsidy, which costs up to RM45 billion annually.

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