

What is happening to rice policy in PNG?

By Stephen Howes

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Last month, Papua New Guinea's Independent Consumer and Competition Commission (ICCC) released its [2015 Rice Industry Pricing Review](#) [pdf] in which it warned the government against introducing the National Rice Policy, a policy it said had been introduced into parliament but "has not yet been fully approved." The ICCC warned particularly against giving a monopoly rice producer a quota to control rice imports. According to the ICCC, p. 54 of the National Rice Policy says that it will give "pioneer investor" status to an "investor willing to commit over US\$2 billion and establish large scale (100,000 ha) highly mechanised irrigated rice farms with the capacity to produce over 300,000 tonnes of rice locally by 2030." According to the policy, a pioneer investor would be given a 10-year quota to import rice, would not have to pay any duties on imports, and would get other tax benefits.

As any economist will tell you, a quota, especially a quota to a monopoly, will push up prices and profits. Not surprisingly, the Commission found that the Rice Policy could have "major negative effects upon consumers and competition". It especially warned about the granting of "pioneer investor" status, writing that: "It is essential that no domestic rice monopoly is created by the issuing of 'pioneer status' to only one rice grower."

Fast forward to last week's *The National* ("Projects to boost agriculture", Tuesday 20 October), and the announcement by the Agriculture Minister of a "US\$2 billion investment project" to grow rice in Central Province. "The process is now completed and with the State Solicitor for vetting," the Minister said.

The \$2 billion figure caught my eye: it is exactly the threshold level required to get that pioneer status. And the scale is so big that it could easily be a monopoly. In which case, the government is doing exactly what the ICCC warned was "essential" not to be done.

That said, the rice investor will hardly commit if the National Rice Policy is not fully approved. And presumably legislative changes will be needed to introduce rice quotas, and WTO obligations considered, as well as the implications of the current drought.

The talk of a Central rice project and rice monopoly has been around for a long time in PNG, and has attracted considerable criticism, including from [within government](#) and from the respected think-tank [NRI](#). Recent reporting suggests the idea certainly hasn't gone away, and that this could be an important time for policy in this critical area.

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