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Consumers to gain from new rice policy (First of 2 parts)

by Karl R. Ocampo – February 1, 2018
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(First of 2 parts)

Myrna Panaguiton, a 56-year-old on-call helper in Caloocan City, was doubtful about the prospect of cheaper rice in the market before the end of the year. With a family of nine, rice makes up a huge chunk in the Panaguiton household's budget. In a week, the family consumes 10 kilos of rice at an average of P37 a kilo. This is about P370 in a week.

"Of course cheaper rice is good for us, but I don't want to say anything unless it really happens," she said in Filipino. "Imagine our expenses with the new tax law, everything is getting expensive. For what I know, prices of rice will rise, too."

As an on-call helper, Panaguiton earns P3,000 a week from cleaning houses and washing clothes. Meanwhile, her niece is set to work overseas in the Middle East next month as a househelp. The other members of the family are either too old or too young to work.

The Panaguiton family is only one of the hundreds of thousands of families in the country that rely heavily on rice. For this year, a new policy direction being taken by the Duterte administration is predicted to lower the retail price of rice by as much as P6.97 a kilo.

With current retail prices, this means regular milled rice and well-milled rice will be priced at P31.08 and P35.34 a kilo, respectively. In a study made by the Southeast Asian Regional Center in 2010, a Filipino's average consumption of rice per year was at 119 kilos while annual household consumption was at 568 kilos.

For a family of nine that consumes 10 kilos of regular milled rice in a week, this would translate to P69.70 in savings—more than enough to buy two more kilos of rice.

However, Agriculture Secretary Emmanuel Piñol is less optimistic with the rosy forecast, along with rice retailers and distributors on the ground. The administration's decision to stop regulating the entry of imported rice in the country by lifting the limit it imposes under the so-called quantitative restriction (QR) scheme is not bound to make any difference, he claimed.

Import restriction

In exchange for lower tariff rates and more flexible trade pacts, the Philippines allows rice to be imported in the country as part of its obligation to the World Trade Organization under a so-called quantitative restriction (QR) scheme.

The QR, which puts a cap on the volume of rice to be imported, is meant to protect local rice producers from being stifled by competition in the market.

Back during the Ramos administration, the government decided to set the country's import quota at 350,000 metric tons (MT) with a tariff rate of 35 percent on rice that would come from other WTO member-countries. Rice that would be coming from non-WTO members would have to pay a higher tariff of 50 percent.

The country later on extended this scheme up to 2012, and then again to 2017, during the Aquino administration. While these extensions were approved, they came with a price in the form of concessions. These concessions were a compromise for other member-countries that wanted to take advantage of free trade. To further protect rice farmers, the government agreed to lower its tariff rates for the entry of processed pork, dairy, oil seeds and frozen potatoes while also increasing the limit of imported rice to 850,000 MT.

But the country could not hide under the blanket protection of QR forever. The administration of President Duterte is finally seeking to amend the decade-old law that put in place the rice import quota in line with its economic managers' decision to scrap the QR for good this year.

"Removal of the QR will increase imports and depress palay prices," economist Roehlano Briones said in a study published by the state-run think tank Philippine Institute of Development Studies (PIDS). "Rice imports are cheaper than domestically produced rice. Under a free market, the market price of rice will decline with the influx of cheaper rice imports."

Most consumers are unaware that rice from abroad is cheaper than domestically produced rice. Data from the United Nations' agriculture arm showed that since the 1990s, the price of rice in the world market has remained cheaper compared to the price of rice in the Philippines. This was due, in part, to higher cost of production since the country has very limited land suitable for rice production as compared to other Asean countries.

PIDS noted that "as a result, production cost goes up before enough rice is produced to meet domestic demand."

Nonetheless, Piñol said he believed the lifting of QR would not make any difference in current rice prices. "There are statements that the lifting of QR will reduce the price of rice in the market by P7. It's a flawed assumption," he argued.

"Let's not kid ourselves. For how many years have we been importing rice? Those imported by the private sector, do we see any of those being sold in the commercial market? No. Even the imported rice are mixed in the local rice so consumers don't feel the effect of importation and even the lifting of the QR," he added.

Rice distributors have the same sentiment.

"I don't think that is going to happen," said Jun Aguilar, a wholesale and retail distributor in Cagayan Valley. He and other traders sell rice in the Ilocos Region, Cagayan Valley, Central Luzon, Calabarzon, Cebu, Davao and Metro Manila. "With no limits to importation, traders will blend rice again maybe at a 70-30 ratio of local and imported. Expenses in producing rice is huge right now."

But whether or not rice prices would be affected or remain at its current level, Aguilar said that as traders, they could always change their selling price according to movements in the market.

"It's really the consumers and especially the farmers, who will be greatly affected by this," he said.

For industry group Samahang Industriya ng Agrikultura (Sinag), lifting QRs would not automatically reduce the retail price of rice.

"The liberalization of the agriculture sector since the mid-'90s saw the dumping of agriculture imports in the country, but it did not help in lowering the prices of most agriculture products," it said. The sorry state of the garlic industry could be the exception. With almost 85-90 percent of the country's garlic supply sourced from outside in the last 10 years, it did result in the lowering of the retail prices of garlic.

For the agriculture chief, the only way for consumers to feel the change in policy was if the government would decide to set a benchmark for the price of imported rice—a mandate that only the National Food Authority has the power to impose.

"Unless they allow private traders to import rice with a condition that they can only sell these imports at a certain price, it can work. But until then, nothing is going to change."

With nothing to stop the deluge of rice imports that are about to enter the country, stakeholders in the agriculture sector as well as economic managers are banking on one thing: A better safeguard for local farmers against tighter competition.

The Duterte administration has decided to remove its quota on importation under the QR scheme, which was meant to work as a protection for our own rice producers.

Faced to compete with cheaper rice imports, many are worried that this scheme would aggravate the plight of local farmers who are mostly caught up in poverty.

“What we need is a comprehensive government program that would significantly increase public spending in the strategic areas of the rice sector,” Sinag said.

“These government programs must be anchored on the development of our capacity to produce our staple and food requirements,” the group added.

(T0 be concluded)