

Comments on Senate Bill Nos. 1203, 2672, and 2601 on AN ACT LIBERALIZING THE IMPORTATION, EXPORTATION AND TRADING OF RICE, LIFTING FOR THE PURPOSE THE QUANTITATIVE IMPORT RESTRICTION ON RICE, AND FOR OTHER PURPOSES by Senator Robinhood Padilla and Senator Cynthia Villar

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The Rice Competitive Enhancement Fund, created under the Rice Tariffication Law, is appropriated to assist small farmers' needs in the program's implementation. However, a mid-term evaluation report of RCEF conducted by IRRI (2023) shows that the impact of fund allocations into rice farm machineries and equipment, credit, extension and training, and seed are inconclusive. The following are my recommendations for RCEF and comments on other amendments to RA 11203:

1. Endline assessment, based on primary data collected by an independent party, is required in assessing the effectiveness of RCEF. Unfortunately, trend analysis from recent data includes confounding factors such as higher prices of fertilizer, wages in agriculture, fuel, among others, which makes it challenging to study RCEF's direct impact on small farmers. As such, endline study should begin this year for data collection to occur by next year as part of the annual procurement plan.
2. As the implementation of RCEF is to end by 2025 without its objectives being fully addressed, it should be extended for another six years. To introduce flexibility, I suggest that, upon the proposal of the President as stated in the National Expenditure Program, we must enable the Congress to alter the allocations of the fund through the General Appropriations Act.
3. Some other adjustments in RCEF may be to create a revolving fund for the credit component of RCEF. Another revolving fund should be the rice buffer stocking function of the National Food Authority (NFA). Rice stocks close to expiry but still fit for human consumption should be auctioned off and proceeds go to a revolving fund to fund later palay procurement. This way the NFA does not have to rely 100% on General Appropriations Act budgeting for palay procurement.

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4. RCEF should also consider an allocation for under-funded programs, e.g. such as small water impounding systems (SWIS) and even small farm reservoirs (SFR) of the Department of Agriculture (DA), as well as support for organic-based fertilizer production of farmer cooperatives and associations (FCAs). Incidentally, PIDS also has an on-going study on policy issues related to organic fertilizer industry regulation and development. The technical report is expected to be released by the end of 2024. This report may be useful in framing the implementing rules and regulations (IRRs) as well as the implementation manual for the organic-based fertilizer component proposed for RCEF.
5. The Safeguard Measures Act (RA 8800) already grants the Secretary of Department of Agriculture to impose QRs and initiate their own safeguard investigation that could be used to extend duration of QRs for up to 200 days. Restricting import quotas for that long will raise the retail prices in the domestic market (Briones, Galang, and Tolin, 2017).
6. Instead, simply limit safeguards to adjusting tariffs, which is already provided in the existing RA 11203, which power indeed has been exercised by the President in issuing Executive Order (EO) 62. I have made some estimates of the potential impact of EO 62 on the rice industry had it been implemented in 2024, by comparing the status quo (35% tariff) and EO 62 (15% tariff). Tariff collections for rice are estimated to decline by Php 9.42 billion. Other estimates are summarized as follows:

	2024, 35% tariff	2024, 15% tariff
Palay output (million tons)	19.57	19.14
Palay price (Php per kg)	24.04	20.92
Quantity consumed (milled rice, million tons)	13.87	14.97
Imports (milled rice, million tons)	3.09	4.43
World price, fob (Php per ton)	35,215	35,215
Retail price (Php per kg)	51.74	44.07

7. Regarding the NFA, a worthwhile amendment is to expand the purpose of buffer stocking to consumer protection (under RA 7581). This aligns with the Price Act of 1991, Sec 2, which affirms that it is the policy of the State to prevent “(...)hoarding, profiteering and cartels with respect to the supply, distribution, marketing and pricing of said goods during periods of calamity, emergency, widespread illegal price manipulation and other similar situations.”
8. To accumulate a large enough buffer stock, the law may allow NFA to procure from other domestic sources. This is consistent with provisions of the Price Act of 1991 (Sec 10) which NFA may exercise on behalf of the Secretary of Agriculture: procuring

rice from various sources (not just farmers), but only under specific conditions stipulated in RA 7581.

9. The function of warehouse monitoring and registration – industry regulation is also more suitable for another agency. Hence, identify another agency for this, e.g. Department of Trade and Industry (DTI).
10. Imports are still a more cost-effective option for procuring buffer stocks. However, it is not advisable to restore the import function of NFA due to their prior history of governance concerns such as corruption risk, import decisions becoming politicized, inefficient management among others (Navata and Turingan, 2017). With this, the authority to import buffer stocks may be assigned to another government agency. Furthermore, procuring buffer stocks from overseas can incorporate other modalities, in addition to open tender to private importers. These include government-to-government agreements, or releases from the ASEAN Plus Three Emergency Rice Reserves (APTERR).

References:

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