

USAPANG BIGAS: *Some Notes on the Story of Rice*

Notes on rice prices

The highest rice price increase was recorded in September 2018, when average retail price for well-milled rice (WMR) was at PhP48.98/kg, and average wholesale price for WMR was PhP45.90/kg (see **Figure 1a**). For regular-milled rice, wholesale and retail prices were on steady increase, peaking in September with PhP43.03/kg and PhP45.66/kg, respectively (see **Figure 1b**). Prices have tapered off in the last couple of months.

Figure 1a
Average Price of Regular Milled Rice, 2018

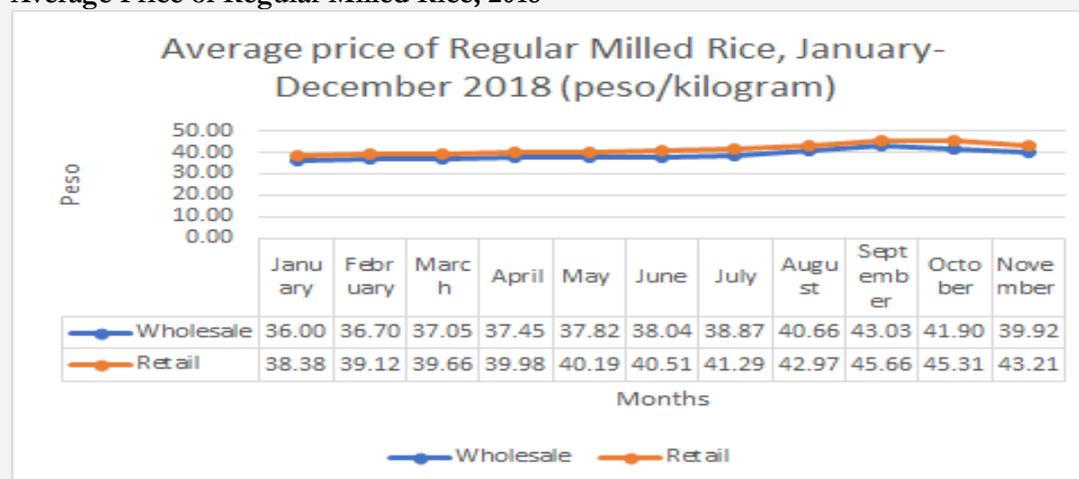


Figure 1b
Average Price of Well-milled rice, 2018



Source of Basic Data: Philippine Statistics Authority

What happened to the rice industry under a WTO exempt status?

On the average, the rice industry remains uncompetitive despite the prolonged period for special treatment. While rice production volume has increased by 71 percent from 1974 to 2012 (around

18 million metric tons), the country has increasingly relied on rice importation (through government-to-government contracts or private sector-led contracts) to fill the shortfalls in supply. In 2008, the country triggered a global rice price increase by importing about 2.5 million metric tons of rice imports, which officially made it as the largest rice importer in the world.

Table 1 shows data since 2008 on the country’s rice importation. During the time of President Gloria Macapagal-Arroyo (except for 2011-2012) and President Benigno Simeon Aquino, the NFA played a primary role in rice importation. The NFA regulated the importation of rice by setting volume limits. Under the administration of President Rodrigo Duterte, the private sector role has been increasing vis-a-vis the total volume of rice imports. The NFA issues licenses for private sector importation and also distributes NFA imports.

Table 1.
Volume of Rice Importation and Actors Involved
2008-2017 (in metric tons)

	Total Imports	Private Sector + MAV	%	NFA	%
2008	2,390,748.14	93,476	4	2,297,271.45	96
2009	1,842,806.12	200,256.12	11	1,642,550	89
2010	2,369,403.43	297,307.09	13	2,149,096.34	91
2011	970733.62	689,433.62	71	251,300	26
2012	815,472.53	695,695.98	85	119,776.55	15
2013	345,662.17	47,626.05	14	298,036.12	86
2014	1,700,490.10	133442.5	8	1,567,047.60	92
2015	1,916,336.35	641,535.10	33	1,274,801.25	67
2016	681,249.60	83696.45	12	597,553.15	88
2017	915,853.95	665953.95	73	249,900	27
2018	973,180.10	652,781.55	67	320,398.55	33

Source: Hazel Tanchuling, “Rice Situationer”, power point presentation, slide 13.

The atrophy of the country’s rice sector/industry can be attributed to a slew of structural issues/factors, including the following:

- In the last 22 years, rice has received insignificant state support. Average budgetary support for rice since the time of GMA remained at PhP4-7 billion (excluding irrigation). It was only in 2011 that the rice sector received significant budget allocations.
- The Filipino farmer’s production cost for rice is highest in Southeast Asia: PhP11-12 per kilogram versus PhP8 per kilogram average for other Southeast Asian farmers.
- High production cost and lack of subsidy support result in the stagnation in incomes of rice farmers.
- Conversion of rice lands to residential and commercial uses resulted in the dwindling of productive lands planted to rice.

How does NFA perform its mandate of rice price and supply stabilization?

The NFA was created by Presidential Decree 1770 on January 14, 1981. The agency has two primary mandates: to ensure the country’s food security, and to stabilize the price of rice. The

agency influences prices on two fronts: one, it stabilizes prices at the farm gate for the benefit of farmers; and two, it manages the retail price of rice to protect consumers.

NFA Price Stabilization: The NFA buys raw palay from local farmers at a farm gate price higher than market-determined levels (with a cap of PHP17 per kilo), and sells to consumers at prices lower than market-determined levels (subsidized rice is now at PHP27 and PHP32).

For its procurement operations, the Rice Inter-Agency Council assesses the rice situation and recommends to the Secretary of Agriculture the rice-support price (price used to buy palay from farmers). The NFA management also makes its own recommendations to the NFA Council. Both the NFA Council and Secretary of Agriculture submit their respective recommendations to the President who has the final say on the matter.

Food Security. The NFA is supposed to maintain, manage, and ensure enough buffer stocks through rice importation. The recommended buffer stock is for at least 15 days at any given time, and 30 days for the lean months of July-August.

From 2017 until recently, NFA stocks have dwindled to dangerous levels. Complicating matters were disagreements within the NFA Council, and refusal to authorize NFA management to undertake timely rice imports. As per news reports, it was only in May 2018 that the NFA was allowed by the Council to import to replenish its stock.

Why did the weevil infestation of a batch of rice imports happen, who was responsible for it, and what was done to remedy the situation?

Rice weevil is a stored product pest that attacks several crops including rice, corn, and wheat. Because of its biology, it is able to infest rice when not stored properly.

When reports on the weevil infestation of a batch of rice imported from Thailand emerged in August 2018, Malacañang officials and legislators alike questioned the NFA. The NFA and the Bureau of Plant Industry cited different reasons in response, including the prolonged storage of imported rice in warm warehouses due to continuous rain, as well as improper fumigation. Due to the absence of official reports tracing the root causes of the weevil infestation, however, it is not clear at what point of the importation process the infestation actually started, and how the different agencies are accountable for it.

Based on the unloading guidelines of NFA, the supplier, surveyor, NFA provincial managers, and the Grains Marketing Operations Department (GMOD-FOD) are responsible for rice during the entire process.

- The supplier must ensure that the quality and condition of rice imports arriving at designated ports of entry conform to the specifications stipulated in the supply contract and terms of reference. In the event that live infestations are found either at the discharge port or the NFA designated receiving warehouse, re-fumigation shall be for the supplier's account.
- The surveyor appointed by the supplier assumes the most direct responsibility in ensuring the quality of imported rice. In particular, it supervises the conduct of inspections on the quality, weight, and condition of rice stocks at warehouses or mills. Likewise, it oversees the assessment of the board vessels' fumigation process (including the type of fumigant used, actual dosage applied, method of applications, gas concentration readings at designated time or day, date and time of completion, vessel aeration, and residue retrieval). The surveyor also ensures that the rice stocks from origin up to NFA-designated receiving warehouses are in accordance with quality specifications per contract and are free from any chemical contaminations, abnormal odors, living insects, and mites.

- NFA PMs must designate one quality-assurance personnel and one operation personnel, who will then be responsible for coordinating closely with the surveyor in the manner and method of inspecting the condition and quality of imported rice from the time it is unloaded from vessel to trucks, and up to the time it is delivered to designated warehouses.
- Lastly, the GMOD-FOD is mandated to closely coordinate with all parties involved in the unloading of imported rice (i.e. supplier, agent, cargo handler, surveyor, insurance company, NFA Field Office) on matters related to rice importation.

A quick note on food safety: In each step of the importation process, rice is heavily fumigated with insecticides. Apart from fumigation, weevil control involves locating and removing all potentially infected food sources and freezing rice/food below -17.7 degree Celsius for a period of three days or heating for 60 degrees Celsius for 15 minutes, which can kill all rice weevils in all the stages of their development. Importation means longer wait time from rice harvesting to rice consumption, and therefore, a higher risk of weevil infestation. Given this and the heavy intervention required to arrest weevil infestation, rice importation carries with it the question of food safety.

Timely access to information can help identify problematic aspects of the rice policy, and facilitate better policymaking. Issues of inspection/surveillance, proper storage and handling, potential for alternative imports (raw palay instead of milled rice, for instance), and general safety issues were highlighted by the weevil-infestation issue. But deeper issues about taking responsibility for the entire rice-importation policy and process can be unpacked had more information been available.