RICE POLICY PAPER





Pambansang Kilusan ng Mga Samahang Magsasaka (PAKISAMA), Inc.

Executive Summary

The Filipino people, like many of their neighbors in Southeast and East Asia, are heavily dependent on Rice for their staple diet. For many of our countrymen, Rice accounts for almost 40% of their daily caloric intake (and up to 60% for the lowest income percentile), making it also a key factor in their nutrition, or lack thereof.

Many poor Filipinos spend around 35% of their daily incomes on Rice purchases alone. This fact is especially worrying since the trend of increasing Rice prices, the latest surge of which began early 2008, shows no sign of abating. In fact, economic analysts predict that the trend will continue well beyond 2010, citing the cumulative effects that a series of typhoons has had, and will continue to have, on the Asian Rice Industry in general. The recent floods that hit Nueva Ecija, Tarlac and Isabela and which devastated thousands of hectares of rice paddies and destroyed the already harvestable crop has shown us just how vulnerable our rice supply is.

The world price of Thai rice 5% broken—a popular export grade—was under \$200 per ton in 2000, but it rose to more than \$360 per ton by December 2007 and has more than doubled since then (Fig. 1), even reaching \$1,000 per ton.





Figure 2: Monthly prices of oil, urea, and rice (Thai 5% broken), January 2000 to April 2008. World Bank data.

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The recent announcement by several major rice exporting nations – India, Vietnam and China, in particular – of exports caps as a measure to protect their domestic markets has only heightened people's fears of runaway rice prices in the international market. Will we always have sufficient foreign exchange to guarantee our continued ability to purchase rice for our people?

For country that consumes more rice than it produces, one would think that the increased demand, and the accompanying increase in rice prices, would result in higher incomes for our local producers. Reality, however, presents an opposite picture – Filipino rice farmers, the majority of whom are small-plot cultivators, are actually getting poorer and poorer, their farm gate prices being undercut by cheaper imports.

One has to ask if it will only be the big landowners and cultivators – private and state agri-business enterprises, for example – who will stand a chance to make a profit in the current industry set-up. Are they the only sector left that still sees an incentive to continue in the Rice industry?

On the other hand, is the level of public and private investment in the agriculture sector – in research and development and in the infrastructure – big enough to spur the level of productivity as required by our growing population's needs?

What other factors, aside from typhoons, droughts, or pest infestations, determine the overall health of the Rice Industry? Do existing local and regional policies also play a part? Do new trends in agriculture – the increasing demand for bio-fuels, for one – also have a detrimental effect on the industry? Is climate change also an issue?

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Which side needs reforms more urgently, the consumers or the producers? Or is it, in fact, the state that stands to gain most from improved policies and processes?

We need to satisfactorily answer these questions, and many others besides, so that we can develop logical, effective, efficient and just strategies for arresting the downward spiral of the Philippine Rice Industry.

What is clear is that no one sector has all the answers. In crafting a national Rice Policy, all stakeholders must have a say – the producers, consumers and the state – will need to contribute and compromise. Only a development policy that is "owned" by all stakeholders has a chance to succeed.

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Background Context

Global Backdrop

The Food and Agriculture Organization (FAO) describes rice as a staple food that is being consumed by half of the world's population and is a major income earner for developing nations. Rice production and consumption is highest in Asia, with about 90% of all tradable rice being grown and consumed in the region. China and India alone already corner half of the world's rice consumption.





Figure 4: Major rice-exporting countries



¹ FAO TRADE POLICY TECHNICAL NOTES on issues related to the WTO negotiations on agriculture No. 12. Rice: what do analytical model results tell us?

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Consumption of rice by country—2003/2004 (million metric ton)				
Ehina China	135			
💶 India	85.25			
Indonesia	36.95			
Bangladesh	26.4			
📀 Brazil	24			
★ Vietnam	18			
Thailand	10			
📕 Myanmar	10			
Philippines	9.7			
Japan	8.7			
Mexico	7.3			
🂐 South Korea	5.0			
United States	3.9			
Egypt	3.9			
Malaysia	2.7			
Source: United States Department of Agriculture				

Table 1: Rice Consumption by Country

Global rice stocks, however, have been continuously decreasing and reached its lowest level in 1988. As measured in terms of yield per hectare of land, Asia has slowed its production of rice.

For the last few years, rice has been steadily growing as a popular food in Africa. As such, the continent now corners around one-third of rice imports in the world. This growth in demand for rice is estimated to continue over the coming years and is expected to put further pressure on global food supplies.

International Rice Cartel in the making?

This supply pressure has brought about the formation of an organization made up of the largest rice-exporting countries in the world. The Organization of Rice Exporting Countries (OREC) is made up of the following countries:

Country	Annual Production
Thailand	8 million tons
	(28% of global rice exports)
Vietnam	6 million tons (21%)
India	4.4 million tons (15%)
United States	3.1 million tons (11%)
Pakistan	1.8 million tons (6%)
China (including Taiwan)	901,550 tons (3%)
Egypt	836,940 tons (3%)
Italy	668,940 tons (2%)
Uruguay	609,170 tons (2%)
Spain	346,030 tons (1%)
Argentina	257,750 tons (1%)
Guyana	256,330 tons (1%)
United Arab Emirates	164,350 tons (0.5%)
Belgium-Luxembourg	157,190 tons (0.5%)
Myanmar	150,030 tons (0.5%)

Table 2: Main Rice-exporting Countries

Understandably, the Philippines, the biggest rice-importing country today, is opposed to such moves, a position supported by the ADB, which considers such an organization bad for producers and consumers alike. At the moment, the future of the OREC is in limbo as many original convenor-countries, Thailand in particular, have withdrawn their participation.

Two of the world's largest population, China and India, are rapidly converting agricultural lands for industrial purposes or for producing high value crops. This is true for many other agricultural countries. More and more agricultural lands are being converted to either industrial/commercial use or the production of cash crops.

Amidst calls to address climate change, many countries have ventured into the production of bio-fuels. This has resulted in further reduction of agricultural lands devoted for food production.

Rice Farming in the Regional Setting: a peek into rice farming in Thailand, Vietnam, China and Cambodia:

<u>Thailand</u>: despite being only fifth in the world when it comes to total land area devoted to rice production, Thailand is the undisputed king among all rice-exporting nations. And the Thai government intends to maintain this distinction by further increasing its land available for rice production, with a goal of adding 500,000 hectares to its already 9.2 million hectares of rice-growing areas. The government invested in irrigation, infrastructure, and other pro-rice projects. The World Bank also provided finance for dams, canals, locks, ditches, and other infrastructure in the Greater Chaophraya Project.

But not all is rosy in this picture. While all of these advances helped improve overall production of rice in Thailand, many peasants were left worse off. Many peasants were unable to hold onto to their land that they used to harvest rice on and had to become tenants to survive. The government would always expect tax revenue, even during a bad year, and this pushed many peasants even closer to the margin. New technologies also pushed up the entrance cost of rice farming and made it harder for peasants to own their land and produce rice. Farmers that already had somewhat large scale operations or could afford all the new chemicals, rice strains, and tractors benefited greatly while the normal peasant was turned from a land owning rice producer to a manual laborer on other peoples' land.

<u>China</u>: China is by far the world's largest producer of rice, and the crop makes up a little less than half of the country's total grain output. China accounts for around 26% of all world rice production. In a given year total rice output comes from four different croppings, due in part to the huge country's several river-irrigated rice planting regions.

Due to political and technological changes over the last half of the 20th century, the agricultural production of China greatly increased. Grain output, for one, surged from 113,180,000 tons in 1949, to 304,770,000 tons in 1978, to 508,390,000 tons in 1999. However since 2000 the depletion of China's main aquifers has led to an overall decrease in grain production, turning China into a net importer. The trend of Chinese dependence on imported food is expected to accelerate as the water shortage worsens. Still, today, China is the world's largest producer and consumer of agricultural products.

While most years China's agricultural production is sufficient to feed the country, in down years, China has to import grain. Due to the shortage of available farm land and an abundance of labor, it might make more sense to import land-extensive crops (such as wheat and rice) and to save China's scarce cropland for high-value export products, such as fruits, nuts, or vegetables. In order to maintain grain independence and ensure food security, however, the government of China has enforced policies that encourage grain production at the expense of more-profitable crops.

<u>Vietnam</u>: The relaxation of the state monopoly on rice exports transformed the country into the world's second or third largest rice exporter. In 2004, agriculture and forestry accounted for 21.8 percent of Vietnam's Gross Domestic Product (GDP), and between 1994 and 2004, the sector grew at an annual rate of 4.1 percent. Agricultural production, the backbone of Vietnam's main development strategy, varied considerably from year to year following national reunification in 1975. A particularly strong performance in agriculture was recorded in 1976—up more than 10 percent from 1975. However, production dropped back to approximately 95 percent of the 1976 level in 1977 and 1978 and recovered to a level higher than that of 1976 only in 1979.

State investment in agriculture under the Third Five-Year Plan remained low, and the sector was severely troubled throughout the plan period and into 1986 and 1987 as well. Only modest food-grain increases of 5 percent were generated annually. Although this was enough to outpace the 2.3 percent annual rate of population growth during the 1980s, it remained insufficient to raise average annual per capita food consumption much above the official subsistence level of 300 kilograms.

<u>Cambodia</u>: Rice production, a vital economic indicator in Cambodia's agrarian society, frequently fell far short of targets, causing severe food shortages in 1979, 1981, 1984, and 1987. Cambodia's 1987 target for the total area to be devoted to rice cultivation was 1.77 million hectares, but the actual area under cultivation in 1987 amounted to only 1.15 million hectares. After 1979 and through the late 1980s, the agricultural sector performed poorly. Adverse weather conditions, insufficient

numbers of farm implements and of draft animals, inexperienced and incompetent personnel, security problems, and government collectivization policies all contributed to low productivity.

In 1987 statistics on rice production were sparse, and they varied depending upon sources. Political and technical factors account for the discrepancies. Data collection in the war-torn nation is difficult because of the lack of trained personnel. Moreover, representatives of international and of foreign relief organizations are not permitted to travel beyond Phnom Penh, except with special permission, because of security and logistics problems. In addition, international and Cambodian sources use different benchmarks in calculating rice production. FAO computes the harvest by calendar year; Cambodian officials and private observers base their calculations on the harvest season, which runs from November to February and thus extends over two calendar years. Last of all, a substantial statistical difference exists between milled rice and paddy (unmilled rice) production, compounding problems in compiling accurate estimates. In terms of weight, milled rice averages only 62 percent of the original unmilled paddy. Estimates sometimes refer to these two kinds of rice interchangeably. Nevertheless, since 1979, Cambodian rice production has increased gradually (except during the disastrous 1984 to 1985 season), and the nation in the late 1980s had just begun to achieve a precarious self-sufficiency.

The Filipino Rice Farmer

Rice farming in the Philippines remains largely small-scale (as opposed to Thailand, for example). The average farm area is a mere 2 hectares. Almost half of rice farmers still use animal-drawn plows instead of tractors (commonly refered to as kuliglig). These plows are usually rented by small rice farmers. Only a small percentage of rice farms is mechanized – barely 5%. Irrigated rice farms comprise less than $\frac{3}{4}$ of the total.

Majority of Filipino rice farmers do not own their lands. More than half of all rice farms are under tenancy and only a small group of families still control more than half of all rice lands today.

This, in a nutshell, is the current face of small rice farmers in the Philippines.

Rice in the Philippine Setting: Seeking to do More with Less

It is in the light of this current global food situation that the Philippines must come up with policies to ensure the country's food security, in general, and rice self-sufficiency, in particular. This task will prove to be an uphill battle considering that

land devoted to agriculture, Rice production in particular, has steadily decreased in the past decades. Of the estimated 10.33 million hectares of land devoted to agriculture in 1991, only 9.97 million hectares were realized – a difference of 360,000 hectares.

In a study conducted by the Bureau of Soils and Water management (BSWM), this alarming decrease in the total hectarage of agricultural lands was seen to have been caused by three (3) major factors: kaingin, land-use conversion, and lahar, including mudflow, damage.

- a) Kaingin Estimates for the period 1988-1993 show that a total of 8,530 hectares in the uplands were opened up for kaingin activities. Results show, however, that kaingin only contributed 7.4 percent to the total increase in agricultural areas for the six-year period. The data on kaingin indicate a generally declining trend of additional forest lands being opened up for cultivation.
- b) Land Use Conversion Data on land use conversion reported an increase in the area of lands converted for the period 1988 to 1993. During this six-year period, a total of 25,880 hectares -- an average of 4,313 hectares per year -- were converted from agricultural to other uses. From 1988 to 1992, there was a substantial rise in the area converted from agriculture to other uses. It peaked in 1992 after which it declined in 1993. The year 1992 recorded the highest agricultural land conversion as it accounted for 37 percent of the total lands converted to other uses. Of the 16 regions in the country, Region 4 was the most vulnerable to land use.
- c) Lahar and Mudflow The eruption of Mt. Pinatubo in 1991 has substantially reduced the extent of farmlands by 13,590 hectares in 1992 and additionally by 12,020 hectares in 1993. Lahar and mudflow affected a total of 25,610 hectares of agricultural lands during the twoyear period. Since then, series of lahar episodes have continually caused severe damages to both agricultural lands and urban areas.

This decrease can be felt most palpably in the rice farming industry, which account for at least 35% of the total agricultural land usage in the country.

1988	1989	1990	1991	1992	1993
3,544.97	3,508.67	3,469.70	3,427.86	3,382.95	3,334.73

Table 3: Land Area (in thousand hectares) devoted to palay

Despite this, Palay has remained the major crop in the Philippines, accounting for 2.2 million farms with a combined area of 3.9 million hectares in 2002. This crop accounted for 44.6 percent of the total farms of the country while the farm area shared 40.6 percent of the country's total agricultural area. Corn followed next with 1.5 million farms, covering 2.4 million hectares. Sugarcane ranked third in terms of the total farm area (344.7 thousand hectares). In 1991, sugarcane ranked fifth in terms of the number of farms while third in the total farm area. Palay was the top temporary crop in 12 out of the 17 regions of the country in 2002. On the other hand, corn was the dominant temporary crop in Central Visayas, Northern Mindanao, Davao Region, SOCCSKSARGEN and ARMM.

Intrinsic Weakness of Philippine Rice Farming

Being an archipelagic nation, the farmlands devoted for rice farming is scattered among the Philippines' more than 7,100 islands. Up to the present, the country has no centralized land use planning that sets aside a minimum number of hectares of land to be fully devoted for rice production.

In a 2004 study, the Asian Development Bank (ADB) found that 76% of the country's annual rice production comes from irrigated farmlands. This means that the country cannot solely rely on rain-fed lands for meeting its rice supply needs.

The ADB study further noted that the country's irrigation system has deteriorated. Unlike rice fields in Thailand and Vietnam, the Philippines' agricultural lands are not located near extensive river systems where farmers have access to a steady water supply. Another drawback of scattered farmlands is that it requires huge investments in farm to market roads and post harvest facilities.

In a recent study done by the DA, individual systems of irrigation remain the most common type in the Philippines. Irrigation is indispensable to the agricultural industry. In 2002, about two million farms (41.1 percent of the total farms in the country) with a total area of 2.9 million hectares were supplied with water, or 30.3 percent of the total farm area of the country. The most common system of irrigation was the individual system, which supplied water to 660.8 thousand farms with an irrigated area of one million hectares. The national irrigation system followed next, which covered 774.7 thousand hectares of farms while communal irrigation system came in third, supplying water to 581.5 thousand hectares of farms. There were other systems of irrigation used by farms such as water fetching, waterwheels, etc., which supplied water to 522.8 thousand farms with a total irrigated area of 573.6 thousand hectares.



On determining the logical price of palay: Some considerations

Apart from the obvious expense items – farm inputs, mainly – that need to be considered when computing the logical price of palay, there are other considerations that need to be included. Foremost among these is the question of "just wages" for small rice farm workers.

Indicator		Average Agricultural Wage Rate (in Pesos)					
	1988	1989	1990	1991	1992	1993	1994
All Crops	35.96	41.72	50.53	57.74	65.16	72.51	78.16
Palay workers	36.31	41.98	51.50	59.44	66.76	74.48	80.16
Corn workers	32.46	37.98	46.93	52.59	59.82	65.92	71.53
Coconut workers	41.04	47.49	53.97	61.64	69.79	78.39	83.90
Sugarcane workers	36.22	42.20	49.88	56.86	64.28	70.68	76.84

Table 4: Agricultural Wage Rate in Farm Households, 1988-1994 (in Pesos)²

Higher input costs can only mean one thing – lower overall earnings (wages) for workers in the Philippine Rice Industry. The two tables below indicate a positive relation between the increasing costs of farm inputs, in this case fertilizers, and the decreasing average wage of rice farm workers.

Tai						
Fertilizer		Retail Price/bag				
	1988	1989	1990	1991	1992	1993
Urea	196.83	207.68	261.31	346.34	292.98	252.29
Solophos	156.38	165.00	207.90	276.50	235.02	202.12
Muriate of Potash	173.81	186.82	212.62	309.77	282.33	264.82

Table 5:	Price	of Fertilizers	(in	Pesos) ³
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²Source: Census on Labor and Employment

³Source of basic data: Retail price of inorganic fertilizer (yearly): Fertilizer and Pesticides Authority (FPA)

All these result in the ironic situation where the direct producers of rice in the country – the farmers, who are also the biggest rice consumers – can no longer afford to purchase their own product. Their incomes can no longer compensate for the increasing production cost, placing them deeper and deeper into debt.

In general, almost 40% of farmers' expenses are for chemical inputs (fertilizers and pesticides). Funds for purchasing these inputs are often loaned at patently usurious rates. Given the fact that the prices of such chemical inputs have increased by more than 100% in the past few years, the small farmers find themselves caught in a never-ending downward spiral of indebtedness.

Come harvest time, palay is often underpriced by traders who are, more often than not, the same usurers the farmers had borrowed from. These middlemen sell their purchased palay to rice mill owners at a tidy profit. The latter then proceeds to add their huge own mark-ups, to the extent that there is a huge gap between farmgate palay prices and market rice prices.

Supply and Demand

The general principle is that as population increases the demand for rice increases. Should domestic rice production remain the same, there is a need to source the product outside of the domestic market. The table below illustrates the drastic change in domestic demand between 1995 and 2008.

Philippine Data	1995	2008
Population (million)	68	96
Per capita rice	86	120
consumption (kg)		
Total rice consumption	6.6	11.9
(million metric tonnes)		
Local Production (million	6.8	16.8
metric tons)		
Imports (million metric	0.263	2.8
tons)		
Import to consumption	4.01	23.5
ratio		

Table 6: Rising dependence on imports 1995 - 2008 (BAS 2008; CIA World Fact Book, 2009)

In 2007, the population growth rate was 2.07% (NCSB). The population growth has far outpaced the growth in rice production. Data also indicates that the government relies solely in cheap imported rice to make up for the short fall in domestic supply.

The 2008 Rice Crisis

Ordinary Filipino consumers were shocked by the abrupt increase in the retail prices of locally produced rice in 2008. From Pesos 10 - 15 per kilo in March 2008, the retail price rose to P 35 - 45 per kilo. Consumers had to queue for long hours at NFA outlets to avail of rations of cheap rice.





Rice sufficiency has in recent years become synonymous with food security. Labor absorption by the rice industry is highest among the agriculture sub sectors, involving 11.5 million farmers and family members, and close to three-fourths of farm household income is derived from rice farming and related activities.

According to DA data, production-wise, the rice industry has been performing well, except for some years when the El Nino phenomenon and other natural and manmade factors hit the country. In 1991, the country harvested 9.67 million metric tons. In 1995, it hit the 10.54 million mt mark, significantly increasing to 11.28 million mt the following year but dropped to 8.55 million mt in 1998 in view of the occurrence of El Nino. The following year, however, production soared to 11.78 million mt; further going up to 12.39 million mt in Year 2000. Production in Year 2001 reached the record high of 12.95 million mt, or 4.6 percent higher than the Year 2000 output.

Notwithstanding the steady increase in production, the Philippines is still categorized by the Food and Agriculture Organization as a Net Importing country when it comes

to Rice. Simply put, our domestic production of this staple is far outstripped by domestic demand. We do not have enough rice available locally so we import; and we have been importing rice for several decades already. Importation is done, mainly, to ensure that the rice supply buffer does not go below a certain, critical, level, currently mandated to be 15 days supply on-hand.

According to NFA data, since 1998, which is our record year for rice imports – a little over 2.1 million metric tons – our rice importation has been steadily increasing. Currently, our imports stand at an average of 1.5 million metric tons a year.

Year	Rice importation (in Metric Tons)			
1987	No importation			
1988	181,167			
1989	219,928			
1990	620,494			
1991	No importation			
1992	No importation			
1993	209,994			
1994	No importation			
1995	257,263			
1996	892,944			
1997	730,711			
1998	2,125,662			
1999	781,717			
2000	616,518			
2001	739,428			
2002	1,246,516			
2003	697,836			
2004	983,975			
2005	1,838,884			
2006	1,692,885			
2007	1,790,269			

Table 7: NFA data on Rice Importations

So why are rice yields still not enough for our domestic needs? DA studies show that the typical Filipino farmer is only 40% efficient as the best Filipino farmer. Fifty percent of the farmers have yields of 4 tons/ha or less; and only 25 percent have yields of 4t/ha or less; and only 25 percent are able to attain 4 t/ha or more. Over the past decade, the average annual yields ranged from a low of 2.7 t/ha (1998) to a high of 3.19 t/ha (2001). Seventy-five of every 100 farmers surveyed blamed the following reasons for their low yields:

- a) High costs of farming inputs relative to profitability;
- b) Uncertainties in production (insect pests, diseases, typhoons, drought);
- c) Low or fluctuating prices of palay; and,
- d) Inaccessible credit facilities.

These factors are aggravated by the inadequacy of irrigation facilities to sustain rice production.

To be fair, government has initiated program after program to address this growing problem. But the 1970s, when the Philippines was still self-sufficient in rice and was even a net exporter, seem so far away today. Gone are the heydays of the "Green Revolution." Now, it seems that another "revolution" is needed; at least in the rice industry.

The NFA and DA

Since its creation in 1972, the National Food Authority has led the government's efforts towards developing the country's agricultural, mainly rice, industry. It planned to do this by a mix of three policies: buying high (from farmers), selling low (to consumers) and storing long (to stabilize prices in the market). Sadly, the agency has depended more on price intervention programs rather than on increasing farmer productivity. By using this strategy, NFA claims, the people can rest assured that rice prices will not fluctuate too much – i.e., it will remain stable – and that rice supplies will be ample nationwide. This statement, of course, flies in the face of the recent Rice Crisis.

The Department of Agriculture also has its share of critical weaknesses. The political nature of being Agriculture Secretary exacerbates the problem. Virtually all senior level officials of the executive departments of the Philippine government, from the level of Assistant Director up to the Secretary, are political appointees. They are appointed directly by the President of the Philippines. At the Department of Agriculture alone, about 180 posts are to be filled by presidential appointment. Thus, when presidents change, the appointees at the top levels of government also change.

Newly appointed Agriculture Secretaries invariably find themselves rushed to announce half-baked goals, agenda and programs even before they have had an opportunity to thoroughly review the challenges they need to face and the options available to them. This focusing on "making their mark" rather than on bringing existing programs to fruition wreaks havoc on the progress of the department's crucial, long-term projects.

It would not be an exaggeration to say that, given their collective track-records, the lead government agencies have basically allowed rice farmers to fend for themselves. Instead of implementing programs that will raise the production and incomes of rice farmers, government has chosen, instead, to rely on rice imports to balance-off rice supply gaps and embark on a hybridization program.

We have seen what these initiatives have brought to the thousands of Filipino rice farmers. And with the recent lifting of the quantitative restrictions on rice imports, things look to turn ever bleaker for the farmers. Flooding the market with cheap imports may mean savings for consumers in the short run, but at the price of dooming our local agriculture industry to stagnation.

This then is the current picture of the rice industry of the Philippines. Government, despite its lofty goals of ensuring "food security" and "self sufficiency" has been implementing programs that can only lead to the exact opposites being realized. It embraced trade liberalization without first ensuring the survivability and competitiveness of our local farmers, dooming them to eventual ruin and the country to being food hostages of exporting countries.

Logical recommendations for reforming the rice industry abound but government seems to be ignoring these in favor of the recommendations of "experts." One would think that after seeing these expert advices continuously fail, government would learn and seriously consider alternative points of view; but no. On the contrary, government has embraced these experts as if only they are the source of good ideas.

And so we are reaping the results of decades of implementing these experts' recommendations.

An Analysis of the Industry

Scope and Political - Economic Problems / Trends

Rice has long since become more than just food. Because of its strategic importance, rice has taken on an unwarranted political dimension. It is now one of the most distorted agricultural products, having been subjected by analysts to endless trade modeling and analyses and policy interventions.

Although produced and consumed across the five major continents, rice production is concentrated overwhelmingly in Asia, which accounts for some 90 percent of global production and consumption. In fact, China's and India's production alone constitutes about half of the world total. Rice is mostly consumed in the country where it is produced, so trade in rice is small, both in absolute terms and as a proportion of global production. And therein lies the danger in the Philippines current status with regard to rice self-sufficiency. The rice producing countries are also the main consumers of their outputs. Thus, a nation that depends on the surplus rice production of another is placing itself in a very precarious situation.

The amount of rice production and price are important factors in determining the progress that can be made in reducing poverty in the Philippines. Keeping the price of rice low and affordable to the poor is crucial for poverty reduction.

The Philippine Rice Industry now also has to locate itself within the GATT-WTO framework. Our entry to the General Agreements on Tariffs and Trade-World Trade Organization was ratified by Congress in December 1994, thus confirming commitments to implement the various WTO agreements, including agricultural trade liberalization under the Uruguay Round Agreement on Agriculture (URAA). For the rice sector, this means that the Philippine government's concern is now three-fold: production, marketing, and consumption.

For the Production side, at least, the challenge for the country is to continue on in the development of production technologies that are competitive with foreign rice economies, while maintaining and even upgrading rice yields to the level sufficient to meet the domestic market. Realities connected with production and marketing cannot be divorced from the other.

Critique of current Policies and Programs

The sad state of the Philippine Rice Industry cannot be blamed on one or two policies or programs alone; rather, it is the cumulative effect of decades of misguided frameworks and short-sighted initiatives.



A History of Neglect. Several administrations have allowed thousands of hectares of rice-producing land to become subsumed by housing and industrial development projects. It has even enacted laws that make the reclassification of prime agricultural lands into some other type that much easier. Needless to say, many local government officials, especially those with vested interests in the real estate sector, have jumped upon this opportunity to the chagrin of their farmer-constituents.

Politics interfering with Policies. The appointive nature of department heads have brought with it an endless string of headaches, both for the new Secretary and the people he/she will be working with. With each changing of the guard came changes in sectoral and departmental goals, objectives, strategies, timetables, programs, projects and activities. New people in the top positions of the department meant, at the very least, changes in leadership styles and work arrangements.

Import Dependency. The quick policy reaction of the government is to step up its importation of rice to compensate for the supply shortfall in the local rice market. However, since the world is experiencing a food crisis, the importation of rice would not be the long term solution on two points. First, should the global suppliers fail to supply the world demand; there would be a bidding war for access to supplies. Developing countries, majority of which are also major rice consumers, may find themselves cash-strapped very soon. Second, if there's ample supply available but the local market is still flooded with cheap imported rice, there will be less incentive for local farmers to produce rice. This import dependence also ignores the fact that there is a need to provide for long-term solutions to the growing needs of the local rice retail market.

NFA as the sole importer of rice. Although its goals are laudable, having only one agency responsible for ensuring "food security" for Filipinos, at least for the short-term, opens many questions, most relating to oversight.

Deteriorating Irrigation Systems and Infrastructure. In a September 2008 study, the Asian Development Bank (ADB) described the status of the Philippines irrigation system as follows:

- ? Irrigation projects were undertaken without the use of hydrological data or information. As a result, service areas lack the proper water supply and in some cases, farmers were forced to convert their lands.
- ? Inadequate operation and maintenance has resulted in the deterioration of irrigation canals and structures. Most of the funding earmarked for maintenance operations was used to maintain National Irrigation Administration (NIA) personnel.

? Irrigation systems are now fully degraded beyond operational capacity. There is a need to restore system capacity since most of the irrigation systems were designed in the 1960s.

Given that majority of rice production is undertaken in irrigated lands, there is a need to not only channel more public investments towards irrigation but also develop a system that can effectively cope with the actual demands of food production.

Lack of a Land Use Policy. Various studies show that compared to Indonesia, Thailand and Vietnam, the Philippines devote a smaller portion of agricultural land to rice production. The Philippines still has no coherent land use policy. Nor has the state allocated enough farmlands to meet the country's food requirements.

With the passage of the Local Government Code of 1991, all local government units were given wide latitude of discretion to reclassify lands within their respective territorial jurisdictions. The resulting rise in land conversion included even irrigated rice fields.

Moreover, the rise of the biofuel sector could further deplete the total land devoted to food production. On 12 January 2007, Republic Act No. 9367, otherwise known as the "Biofuels Act of 2006" was approved into law. The said legislation encourages the production of biofuels as an alternative to traditional fossil fuel. The Act also provided various incentives through tax exemptions and financial assistance by government financial institutions to the biofuels producers. These incentives and assistance provided might encourage rice farmers to shift to the production of biofuel crops, drastically decreasing the rice production capacity of the country.

Misuse of Agricultural Funds. The possible misuse of agricultural funds further exacerbates the supply problem of rice in the local market. In 2004, it was discovered that government funds intended for farm inputs were used for partisan electoral purposes. The controversy was dubbed as the "fertilizer scam."

The Senate Committee on Accountability of Public Officers and Investigations (Blue Ribbon Committee) investigated the matter during the 13th Congress. After the 2007 National and Local Elections, the same Senate Committee reopened the investigation.

On 26 February 2009, the Blue Ribbon Committee came out with Committee Report No. 254, recommending the filing of charges against public officials and private persons under the Anti-Money Laundering Act and the Plunder Law. The Senate investigation found that millions were spent for the procurement of liquid fertilizer, which are not used for food crop production but, rather, for the cultivation of ornamental plants. This means that government funds intended for use in boosting farm outputs are being waylaid to cater for partisan political use or to benefit private interests.

Regarding Government's "Rice Self-Sufficiency" Program

The national government's immediate policy response to the dwindling supply and skyrocketing prices of rice was in the form of massive distribution of rice in key population centers and productions support.

F.I.E.L.D.S. stands for fertilizer, irrigation, education and training of farmers, loans, dryers and other post-harvest facilities and seeds of high-yielding hybrid varieties. Some PHP 43 billion (roughly US\$ 1 billion) is earmarked for this program which aims to increase total paddy production to 19.8 million tons by 2010, from the 16.2 million tons in 2007. The goal of the FIELDS Program is to focus government's funding on the following:

- 1. Expansion of areas planted with hybrid seeds and certified seeds;
- 2. Restoration of irrigation facilities and provision of post-harvest drying facilities;
- 3. planting of certified seeds in 600,000 hectares of rainfed lands and low-yielding irrigated areas;
- Pursuing a third cropping season under the Quick Turnaround (QTA) Program to cover 92,000 to 100,000 hectares of fully irrigated areas using hybrid and inbred certified seeds;
- 5. Planting of hybrids and inbred certified seeds in restored and newly irrigated areas covering 60,000 hectares.

The implementation of the F.I.E.L.D.S. Program largely depends on the local government units. The DA identified 49 areas, including the provinces of Nueva Ecija, Isabela, Pangasinan, Tarlac, Leyte, Camarines Sur, Iloilo, Cagayan, North Cotabato and Maguindanao, as potential contributors of up to 92% of the total rice production target.

The distribution of cheap NFA rice, on the other hand, focused on the following areas: Metro Manila, Baguio City, Lucena City, Legaspi City, Tacloban City, Bacolod City, Cebu City, Dumaguete City, Davao City, Cagayan de Oro City, Zamboanga City and General Santos City.

More recently, the government has announced that it will increase its procurement of rice from abroad in anticipation of the lean harvest that "El Nino" will bring.

Critique on the Program

This latest intervention of the GMA administration can be characterized as anchored mainly on increased government spending when prices of rice go up and supply goes down. Clearly, there is no long term strategy to attain food self-sufficiency to speak of. It seems very much like a knee-jerk reaction to rice supply and price movements, one that totally fails to address the deep-seated problems of productivity.

The program can be characterized as nothing more than a continuation of dependence on seed companies. This program is being continued in the midst of various studies that such seed subsidies are unsustainable in the long run. In fact, several studies revealed that even if farmers are subsidized with hybrid seeds, they tend to stop using them eventually. Thus, it can be concluded that money is wasted with the continued use of hybrid variety seeds.

The Program, however, utilizes both publicly and privately developed hybrid seeds. Thus, the program not only does not assure rice supply sustainability, it also further prods the country to import its rice needs in times of lean harvest.

Another major feature of the Program is the loans that it will provide to farmers for purchasing farm inputs and machinery. Such loans cannot ensure that the farmers will increase their yields since there are other problems preventing the country's rice industry from meeting the domestic market's needs; problems related to landownership, the presence of cartels, etc.

Overall, we can say that the Program over-simplifies the country's rice problem as being merely productivity or supply related. It completely ignores the fiscal and governance aspect of the issue of food self-sufficiency.

Opportunities and Threats

Studies have shown that good seeds can match, and sometimes even surpass, the yield of hybrid rice varieties. Government has to maximize this possibility by investing more on good rice varieties and by mainstreaming their use. Unfortunately, the advice of "experts" often goes against this – i.e., they recommend intensifying the usage of hybrid rice varieties.

The increasing demand for rice in the international market, on the other hand, does not augur well for the Philippines. Add to this the tendency of rice-exporting nations to place their domestic market first and one finds a sure recipe for disaster. Soon, achieving rice self-sufficiency will no longer be just an option – it will mean the difference between survival or starvation for millions of Filipinos.

Opportunity analysis for Peasant Organizations and Responses and Positions of Stakeholders including PAKISAMA

Inevitably, we all have to ask the question "What needs to be done?" The obvious answer would be to ensure that the Philippines becomes, once again, self-sufficient in Rice production. But is it really that simple? After all, we were self sufficient before. So what's to prevent us from falling once again to our current level?

Achieving a level of sustainable self-sufficiency in rice production has many requisites, foremost among which is making the rice farming business attractive once more, for both large-scale and small-scale cultivators. But since the great majority of Filipino rice farmers are of the latter type, they should be the main target of any rejuvenation program by government.

A conducive policy environment has to be established. This necessitates a **package of Laws** that guarantees, among other things, price support for when the price of rice falls below sustainable levels; farmers' access and control over land; farmers' access to technical, infrastructural and marketing support; and that rice cartels can no longer lord it over the industry as before. Let us first be self-sufficient in rice production before dreaming of becoming rice exporters once more.

Another key reform is for the state to push for **the adoption of sustainable, organic farming methods.** There is no debate on whether we as a nation should increase domestic production of rice or not – we most definitely have to. We can even say that we have no choice but to increase production.

But it is precisely on the "how tos" of increasing production that the debates occur. For the longest time, government's strategy has been to push for the increased use by farmers nationwide of Hybrid Rice Varieties. In 2003, government even granted a 50% subsidy on certified seeds and fertilizers to jump start the transfer to hybrid varieties in the areas originally targeted for pilot-testing. But studies have shown, and this has been corroborated by actual farmers' experiences, that hybrid rice varieties, in particular, and genetically-modified crops, in general – although profitable in the immediate – are not sustainable in the long-term. This is precisely the reason why more and more farmers are switching back to natural varieties.

Related to this, government has to involve rice farmers more in the overall decisionmaking and policy formulation process. There can be no truly effective, sustainable and acceptable solution to the Rice Crisis if the positions of a big section of the industry's stakeholders, namely the many small rice farmers, are not considered. Shared development visions are more likely to become reality than imposed ones **Public investment in the agriculture sector must be dramatically increased.** And the money currently being spent on hybridization initiatives has to be rechanneled to more logical projects. This includes not only infrastructure – roads, irrigation, processing, markets and other post-harvest facilities – but also science. A new generation of rice researchers and scientists has to be trained to take over the reins for when the present crop, so to speak, retires.

Much of the production losses, both quantity and quality-wise, occur during the postharvest stage due to the use of old and inefficient technologies. An influx of state funds for improving post-harvest facilities will lessen the over-all production wastage. At the same time, injection funds into research and development and to the training of new scientist will allow the country to maximize of the new technologies as they become available.

Rain-fed farm lands have been shown to suffer wider yield gaps than irrigated ones. To address this problem, government has to increase spending to build more irrigation systems for use by rice producers.

Rice importation has to be controlled. Although its efficacy in addressing short-term supply gaps is recognized, over-dependence on food imports can only result in the stagnation of the local agricultural sector.

The Agrarian Reform process has to be finished in its entirety. It is only when the farmers finally own the land that they are tilling that food security can become a reality. According the DAR data, since 1972, the Department has already distributed a total of 4,106,528 hectares, or 80 percent of the land distribution scope of DAR of 5,163,751 hectares. But despite this seemingly positive achievement, the status of the majority of small Filipino farmers remains unchanged. It is not enough to distribute the land. Without the needed support mechanisms from government, it's almost certain that the agrarian reform benificiaries will lose these lands in the end.

NFA Distribution of Cheap Rice

When the rice crisis hit the country in early 2008, the National Food Authority (NFA) embarked on a massive distribution program focusing on major population centers. Now would be the proper time to review and initiate reforms in the NFA. In the short term, its operations should be reviewed to assess the effectivity of its huge financial resources being utilized to target the poor in terms of distribution of subsidized rice. A comprehensive study of the NFA's mandate is needed in order to ascertain whether its core function of stabilizing food prices is still being met.

Irrigation

There should be a comprehensive review of the country's irrigation infrastructure. It is not only the construction of new irrigation systems that must be undertaken but also the repair of existing, albeit decrepit, irrigation facilities.

A review of government agencies tasked with the construction and maintenance of the country's irrigation facilities should likewise be done. This is to ensure that new facilities will be placed in areas with adequate water sources and with real farmerbeneficiaries. Additionally, the farmers should be consulted on issues of delivery and monitoring of irrigation projects with the end view of ensuring that the farmers and not the irrigation operators are the ones prioritized by the project.

Finally, in the interim, while awaiting for the positive results of these rice industry reforms to kick-in, government has to implement a **rice subsidy program** as part of a larger social "safety net" program.

Policy / Mechanisms Recommendations

Executive

Government policy should be to ensure that local rice production matches local consumption demands and that provisions for stocks are made for lean seasons.

The NFA's mandate to be the sole importer of rice has to be reviewed.

More public investment has to be made for developing irrigation systems and for improving storage and other post-harvest facilities.

Legislative

Enact a National Land Use Policy Law. Currently, local governments are allowed to reclassify lands under their jurisdiction. Expectedly, this has led to a spate of conversions even of irrigated lands. This policy has to be reformed, for there should be limits to local government autonomy. Such limits must be defined within the purview of a national land use act, the enactment of which has been long overdue. Congress must pass a law defining the use of various tracts of lands in the country and reserving a portion to be devoted solely for rice production. So long as land that is set aside for food production is used judiciously, the target of reaching food security will be that more reachable.

Pass a package of Laws to reinvigorate the Philippine Rice Industry. This includes earmarking more public funds to support research and development, mainstream organic rice farming methods, build necessary infrastructure (pre-, and post-harvest), dismantle rice cartels, control rice importations, institutionale a farmer-led representative body to engage key government agencies in policy-formation and decision making, review biofuel policies, etc.

Social

While waiting for the positive results of any policy adjustments to kick in, concrete assistance must be given the poorest of the poor rice farmers. Benefiting eventually from the trickle down effects of policy reforms is one thing, but it will be all for naught if, while waiting, these farmers and their families die of hunger, or are forced to leave rice farming altogether. Safety nets thus have to be instituted to support this very vulnerable sector. Fast-impact food production projects have to be immediately undertaken in crucial regions. ####

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