The Philippine Rice Industry Situation

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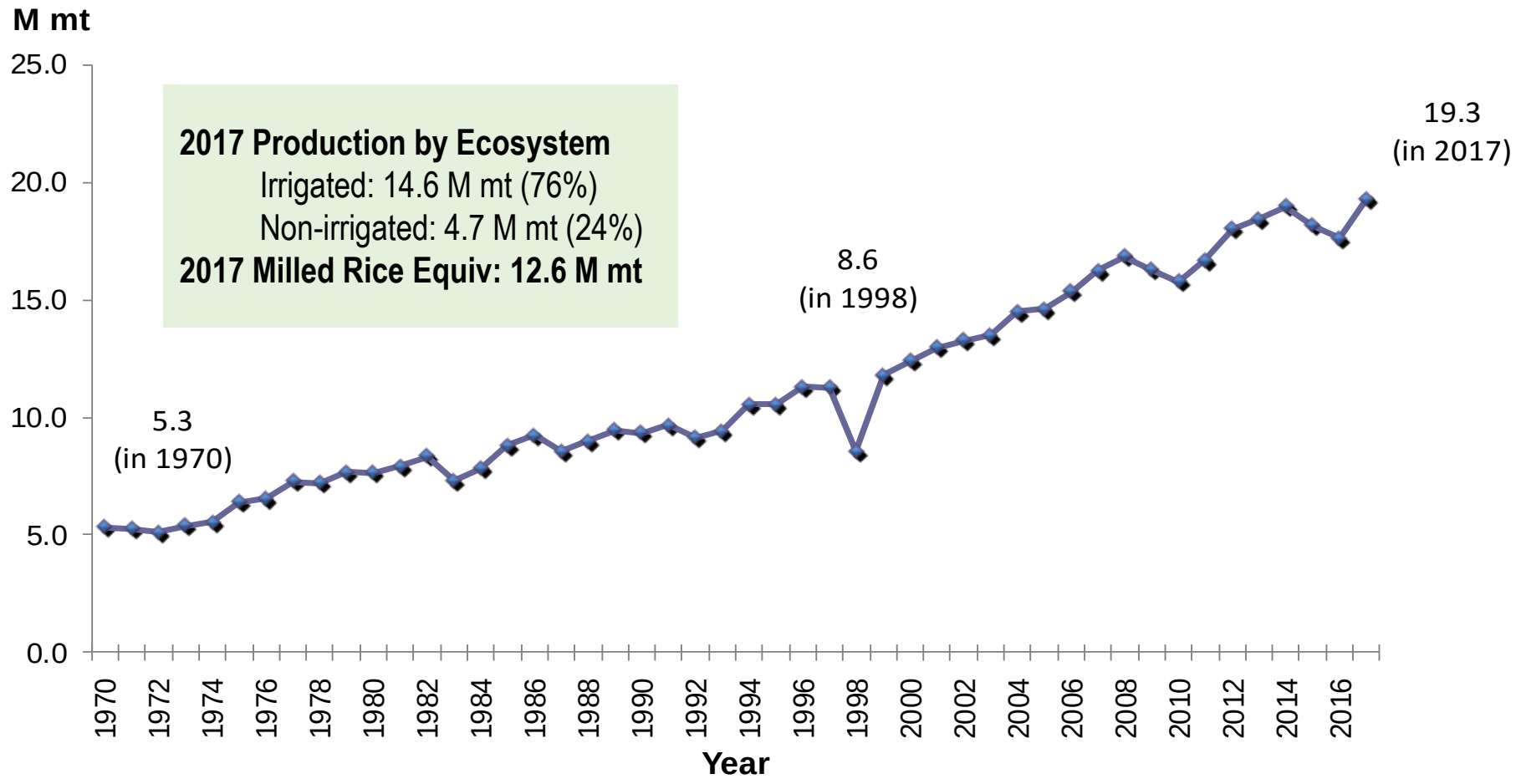
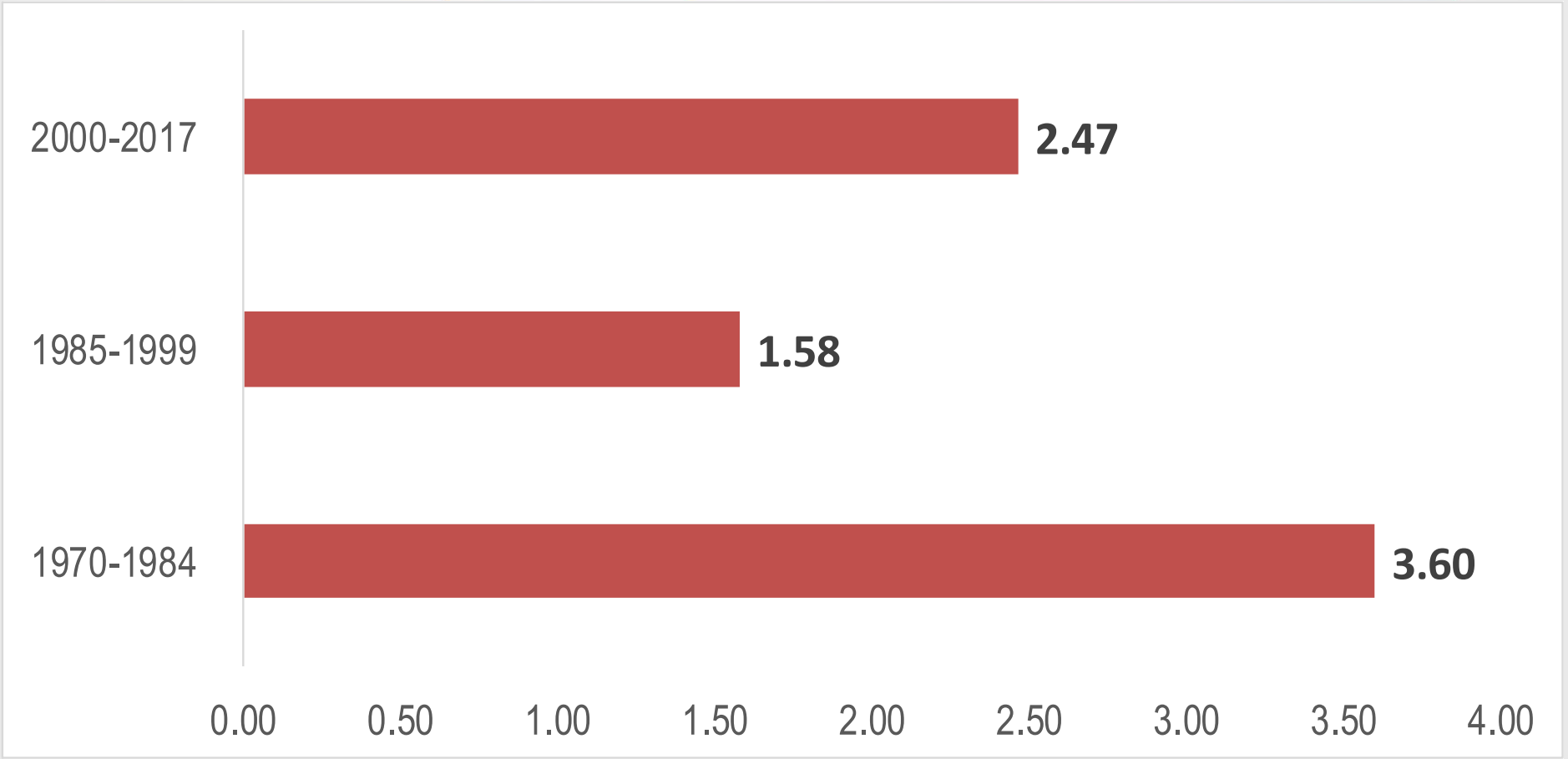
Palay production, All ecosystems, 1970-2017.

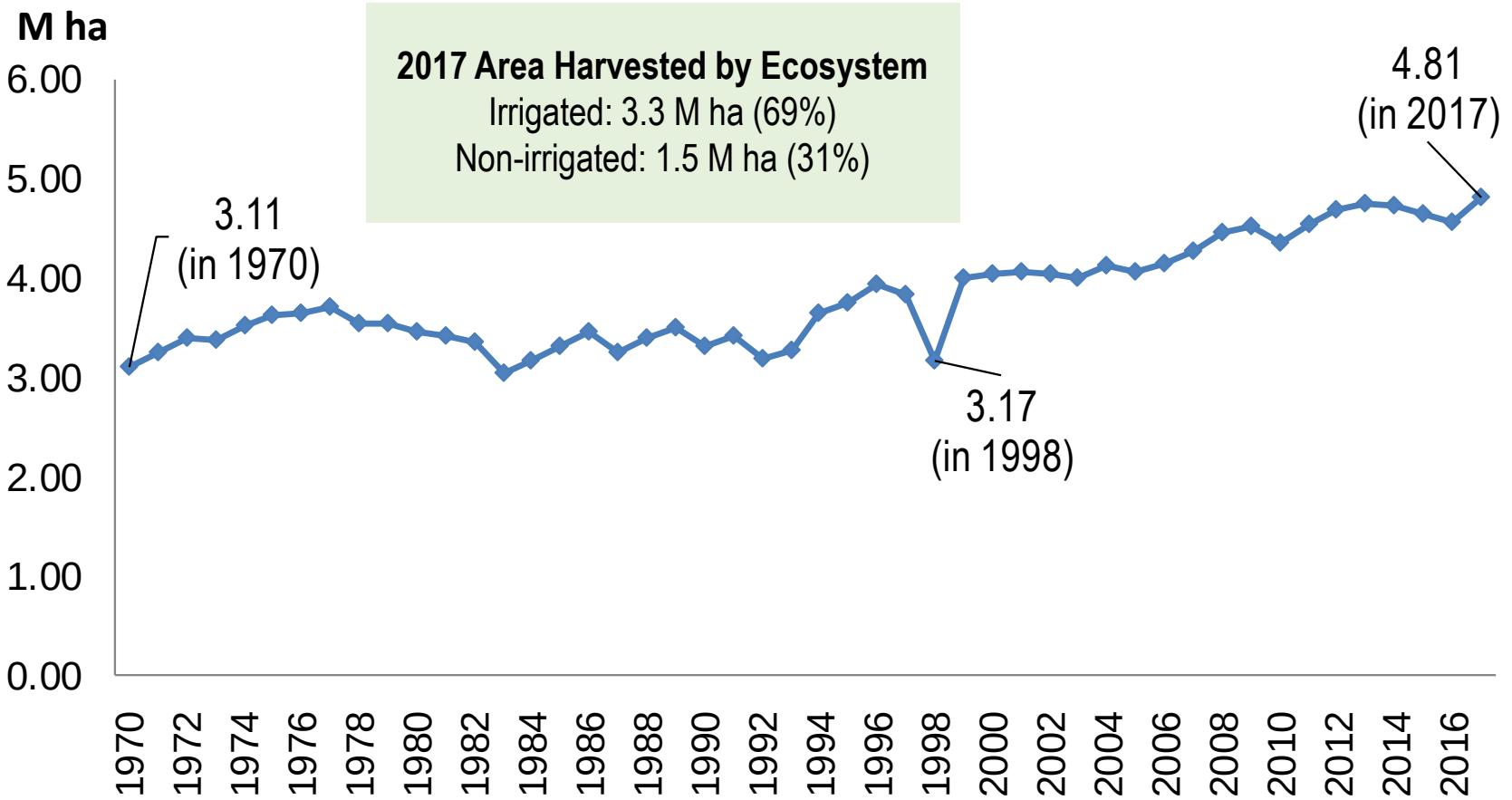


Source of basic data: Philippine Statistics Authority
Rice equivalent calculated based on 65.4% MRR

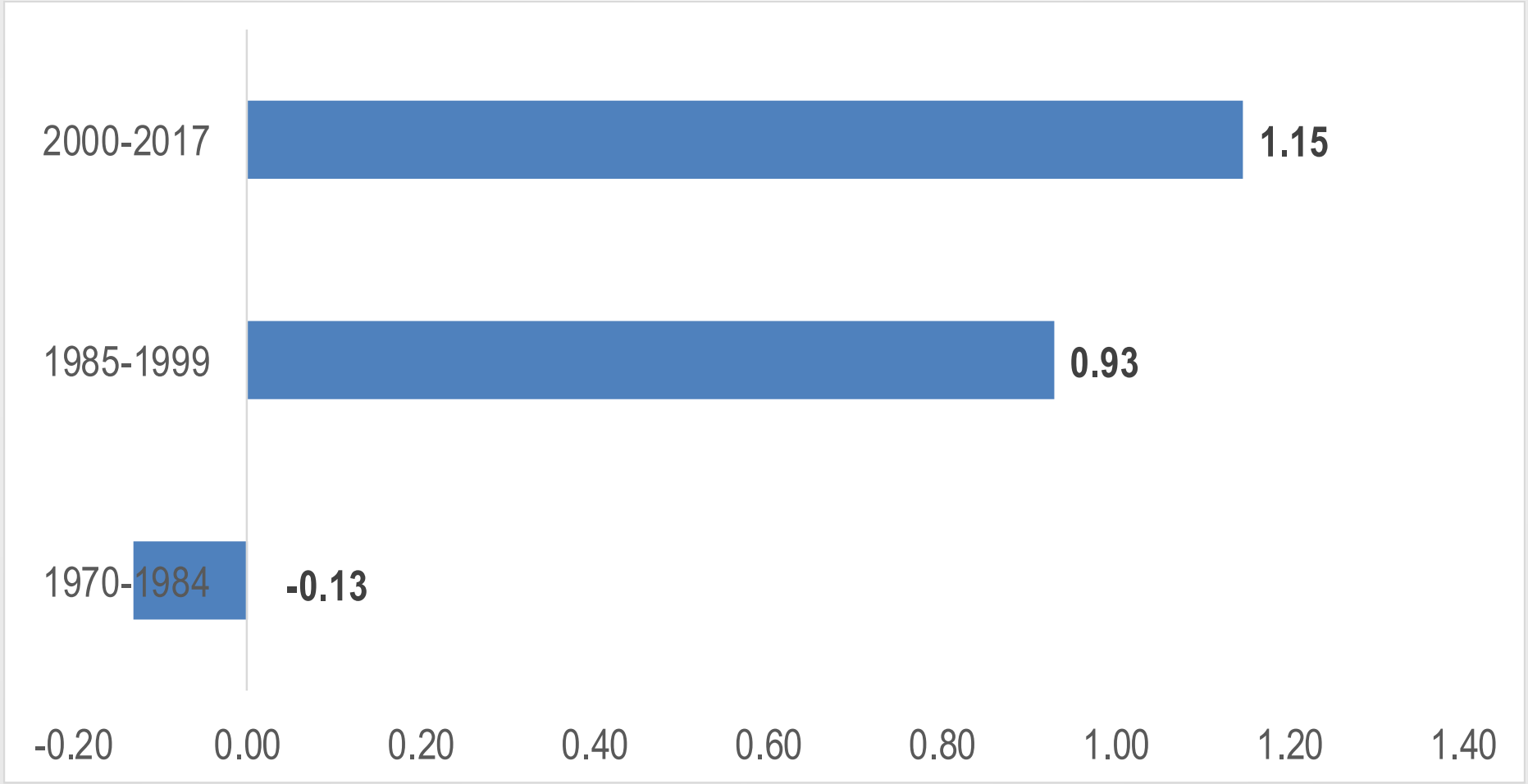
Growth of Palay production (%), All ecosystems, 1970-2017.



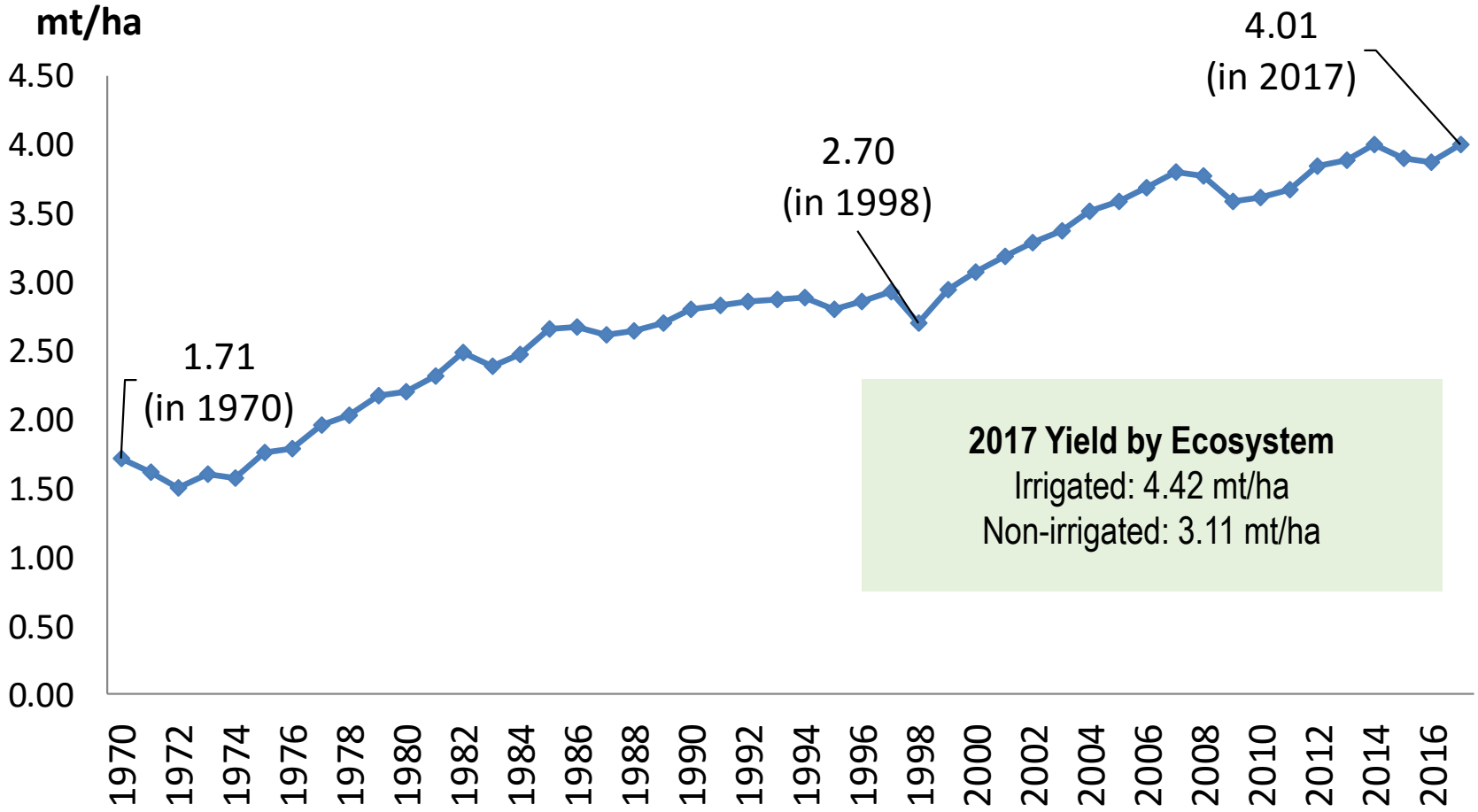
Area harvested, All ecosystems, 1970-2017.



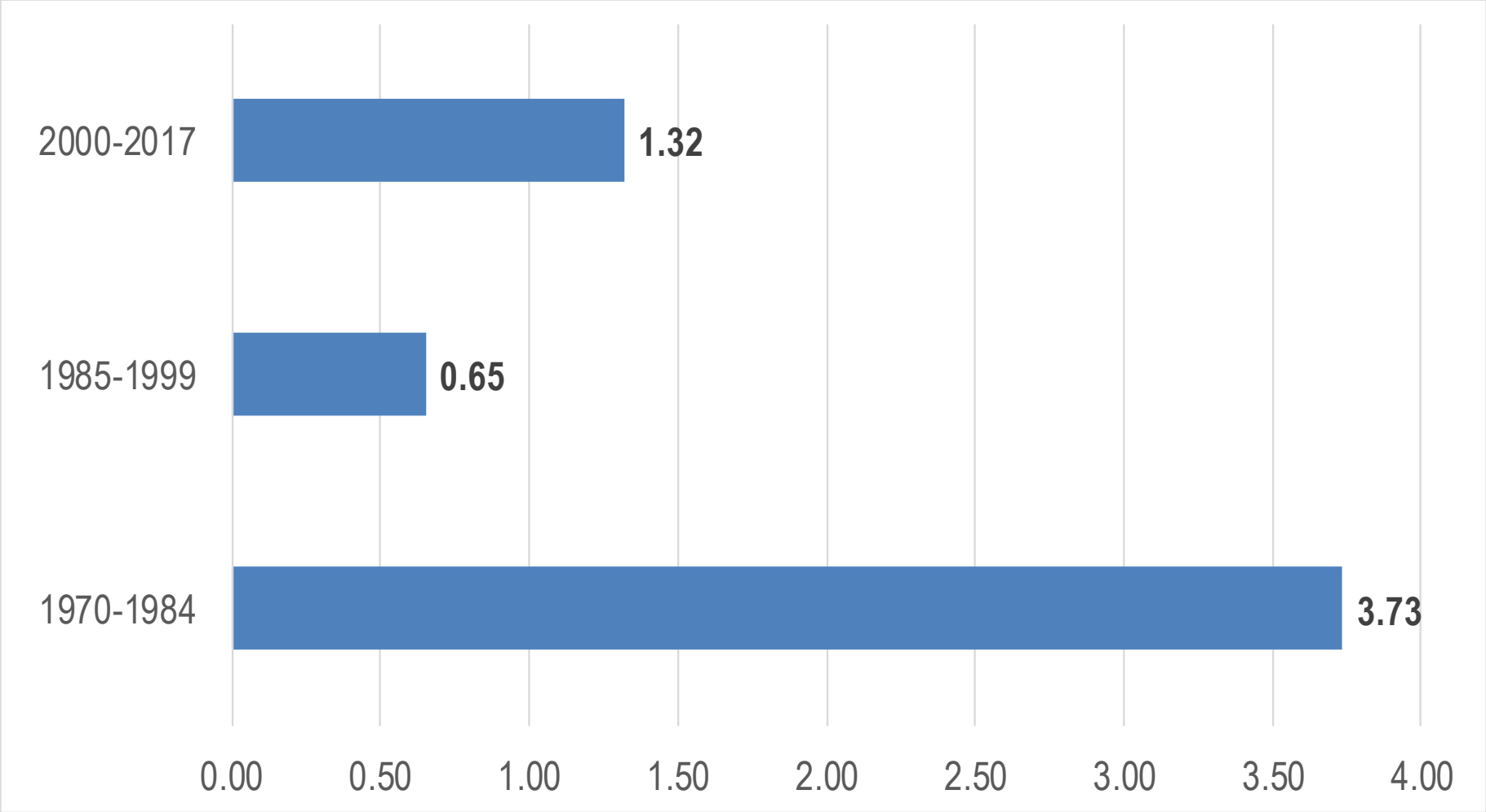
Growth of area harvested (%), All ecosystems, 1970-2017.



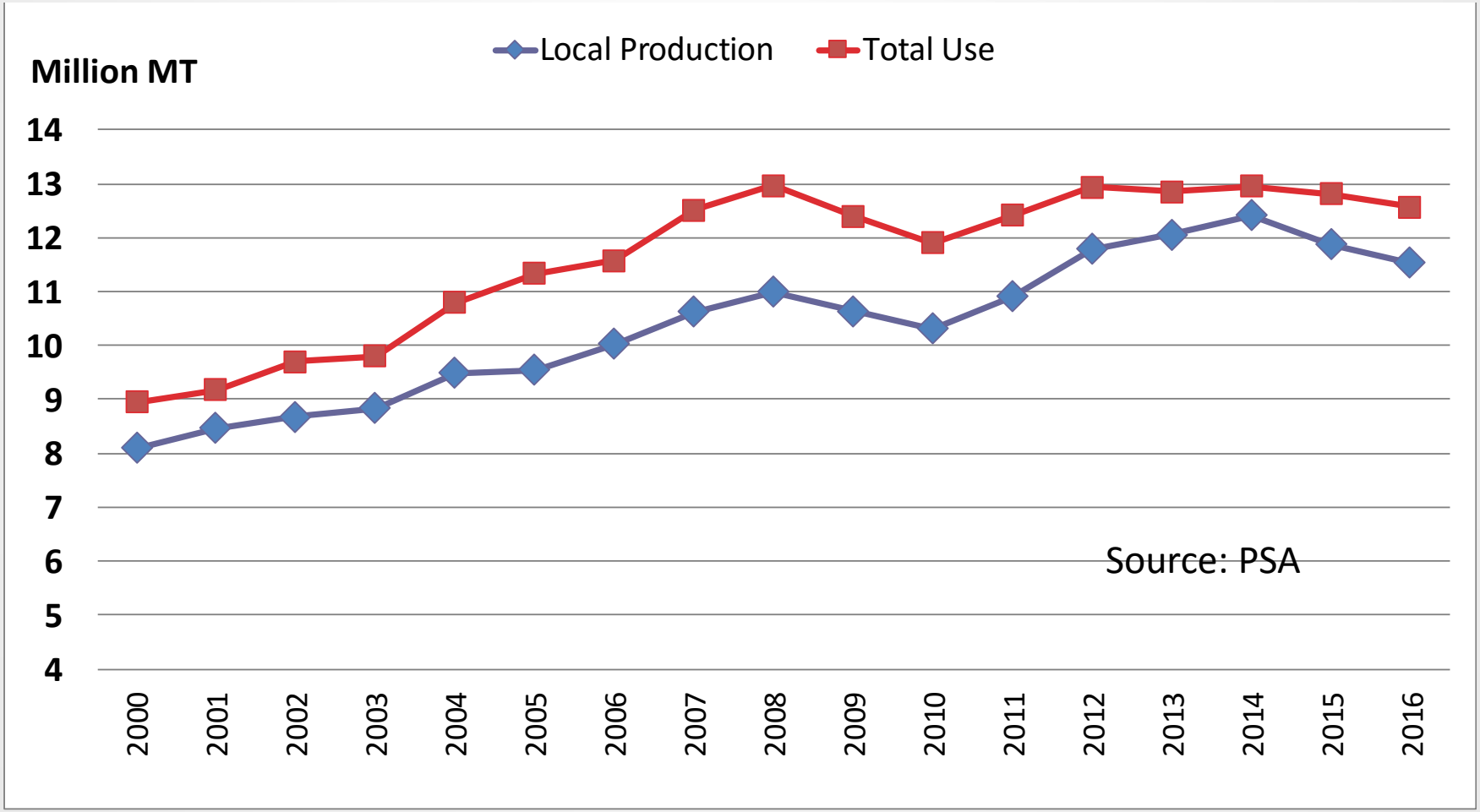
Yield, All ecosystems, 1970-2017.



Growth of yield, All ecosystems, 1970-2017.

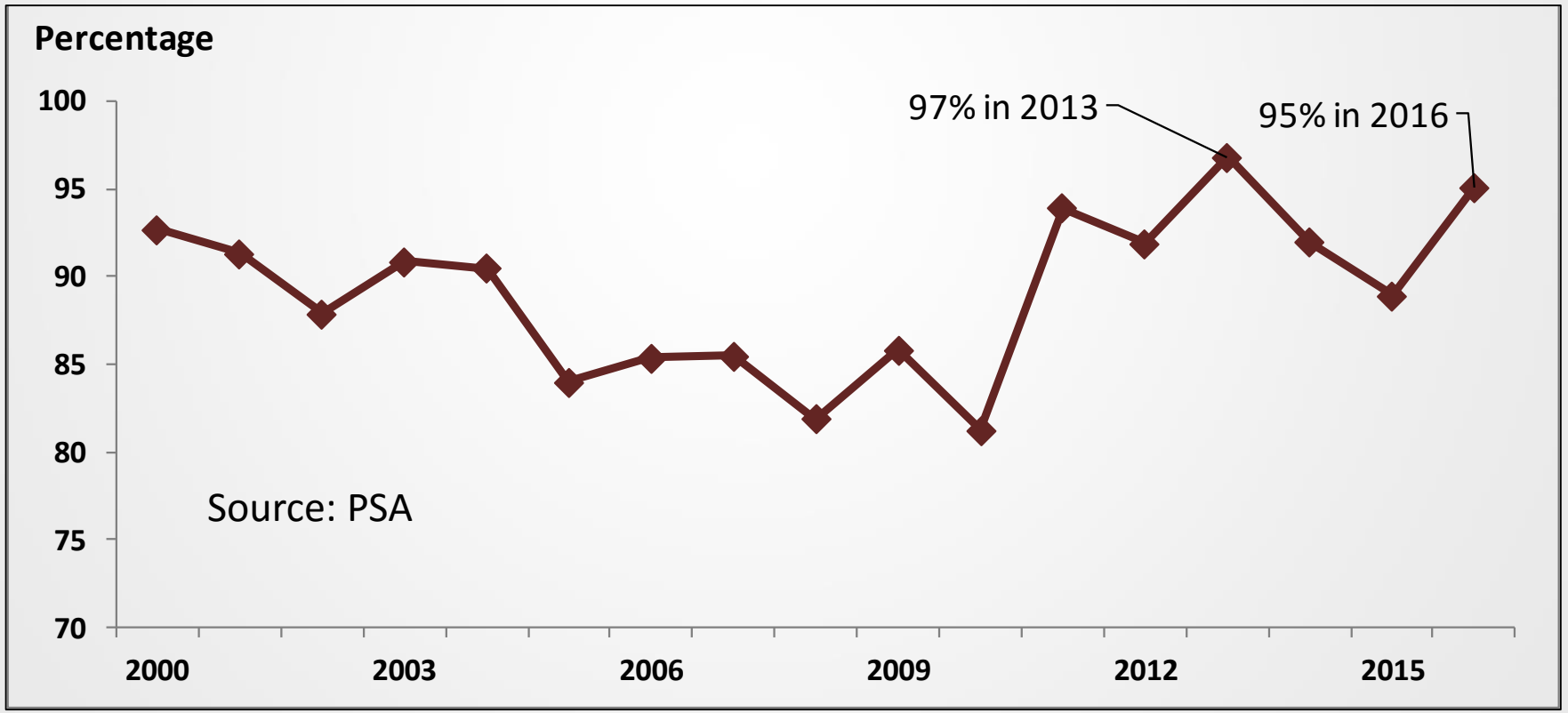


Local rice production and total use, 2000-2016

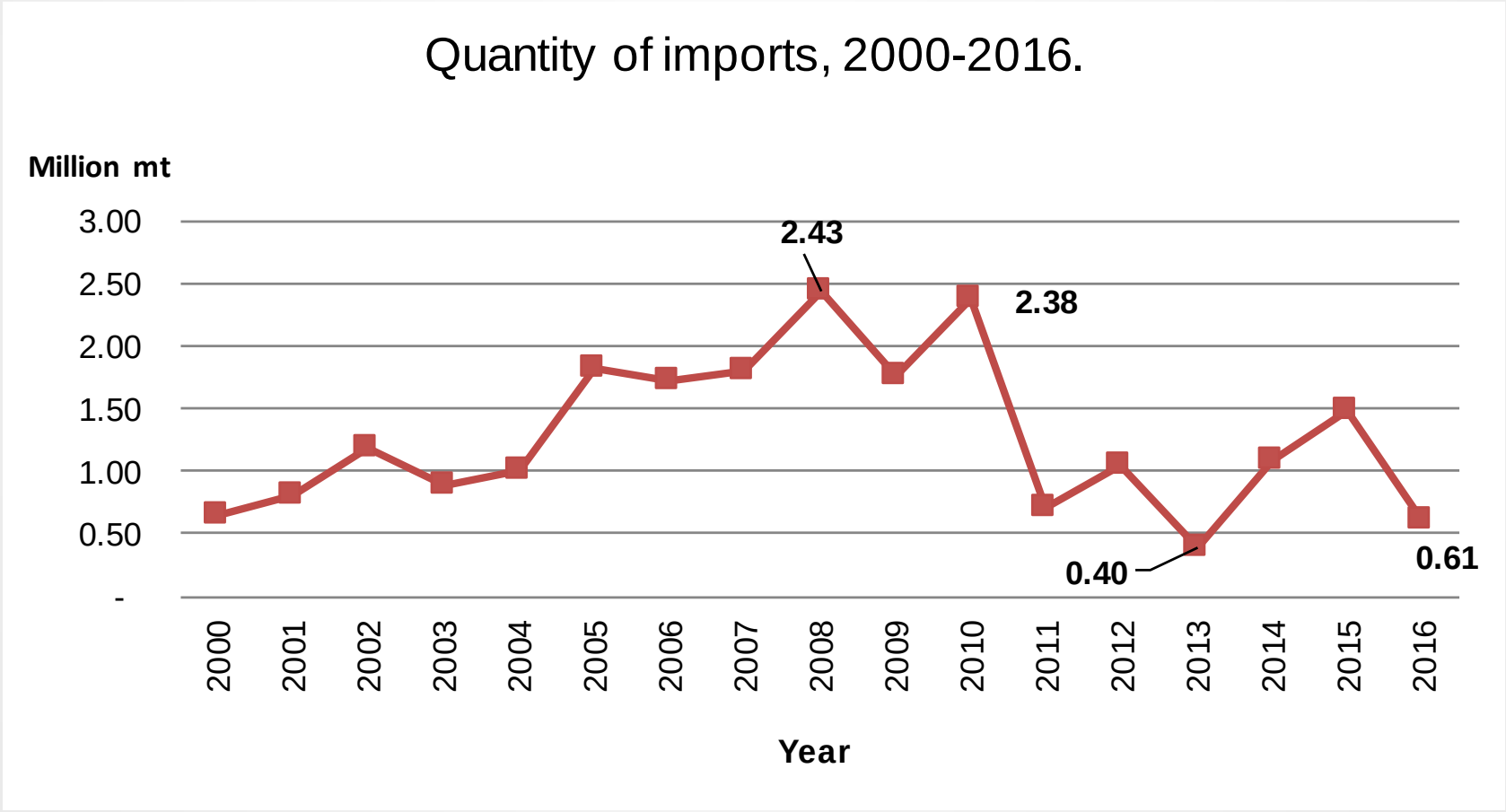


Note: Calculation of total use excluded stocks.

Self-sufficiency Ratio, 2000-2016

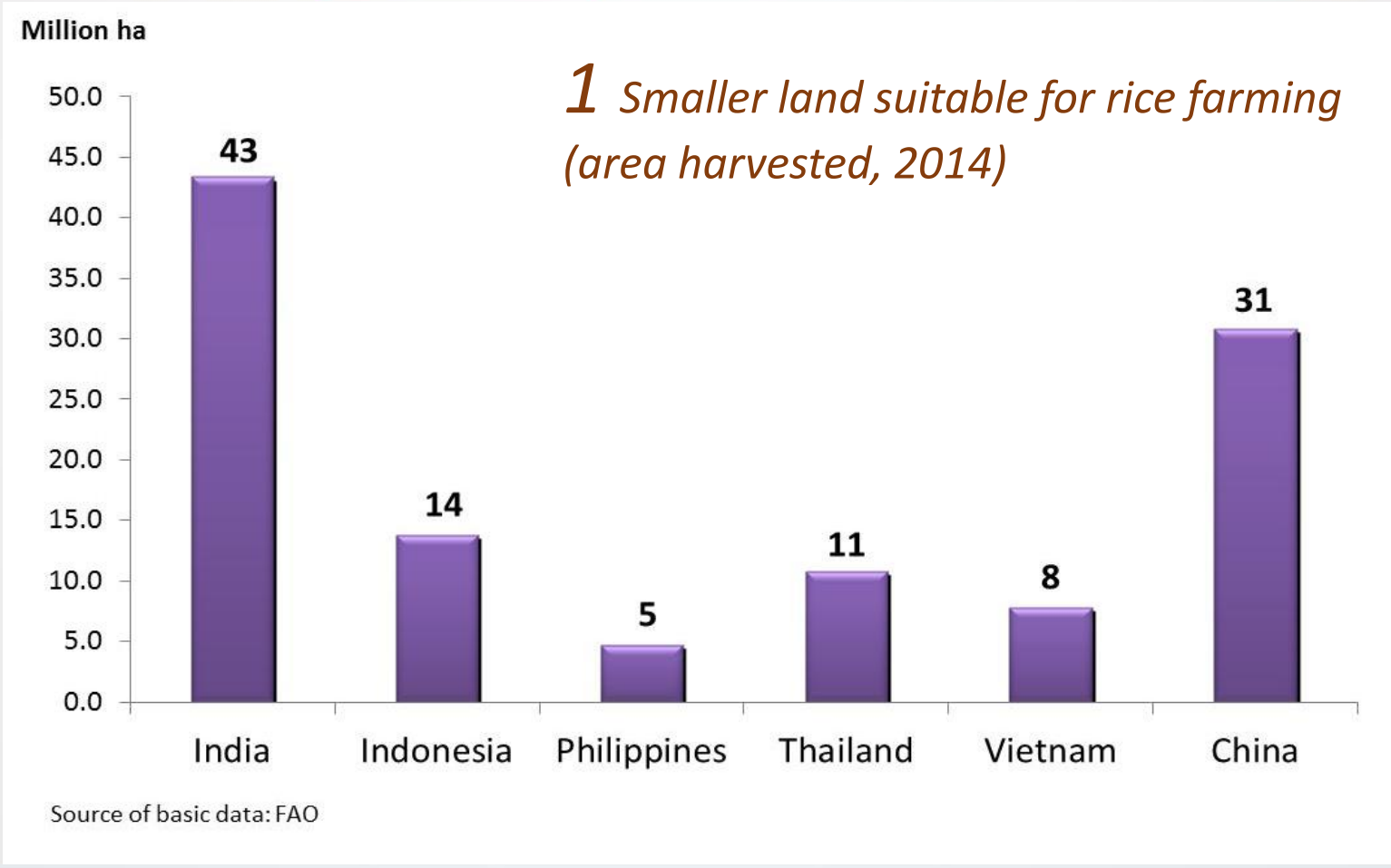


PH imports to supplement local supply



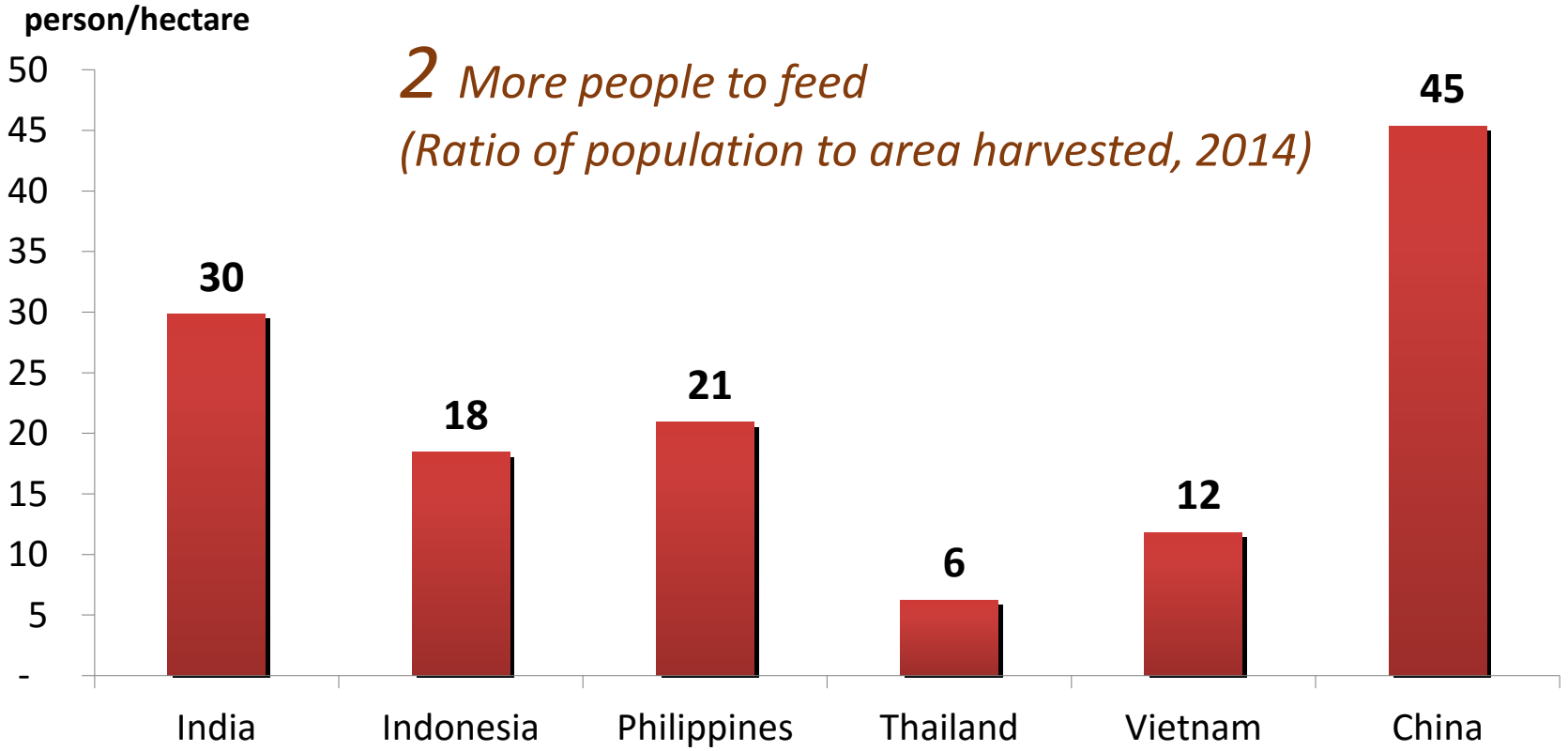
Source: PSA

Why can’t we produce enough?



1 Smaller land suitable for rice farming (area harvested, 2014)

Why can't we produce enough?



Source of basic data: FAO

Why can't we produce enough?

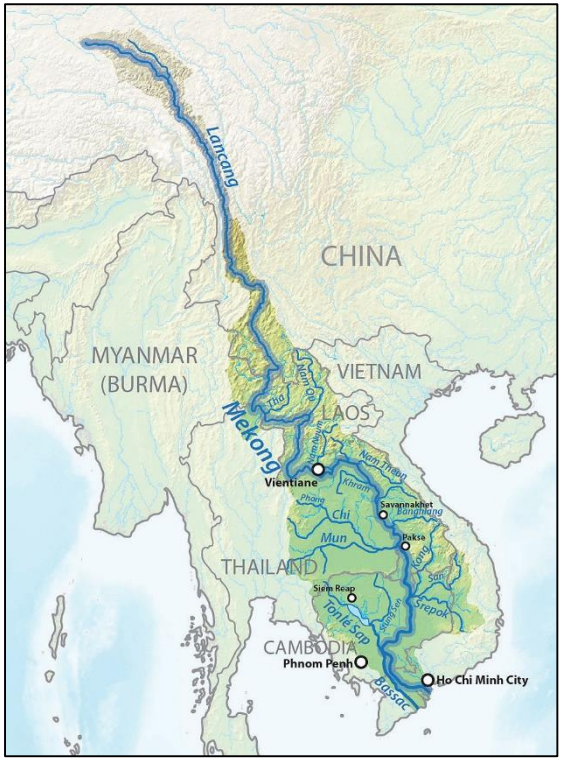


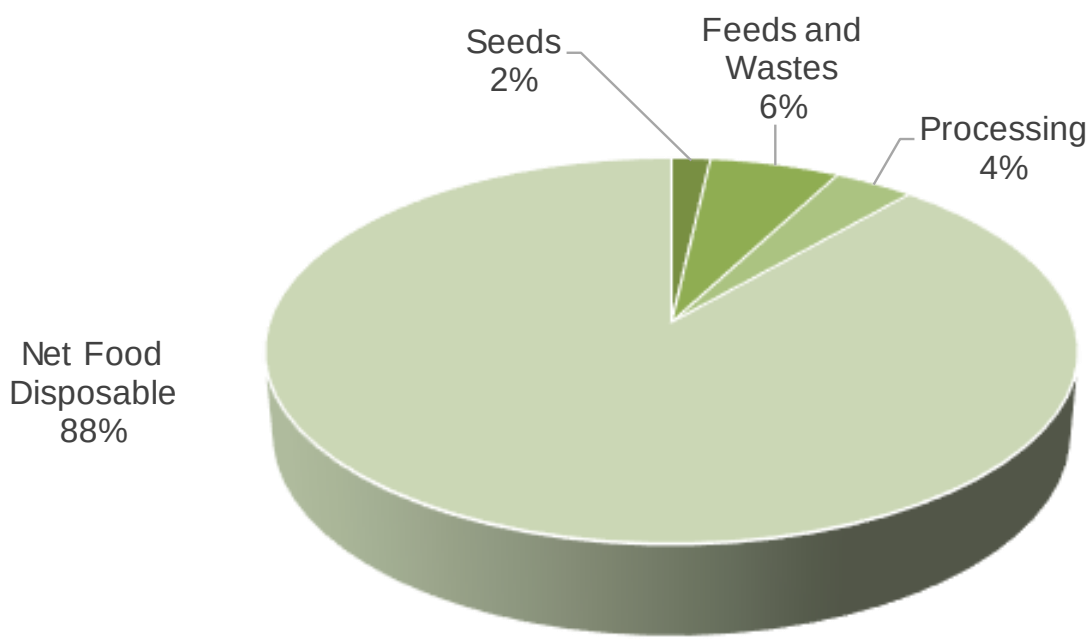
Photo credits: Wikipedia

3 Geography and resource endowments

- Rice exporting countries are part of mainland Asia and have huge river deltas
- Island nations are usually rice importer
- PH bears brunt of typhoons

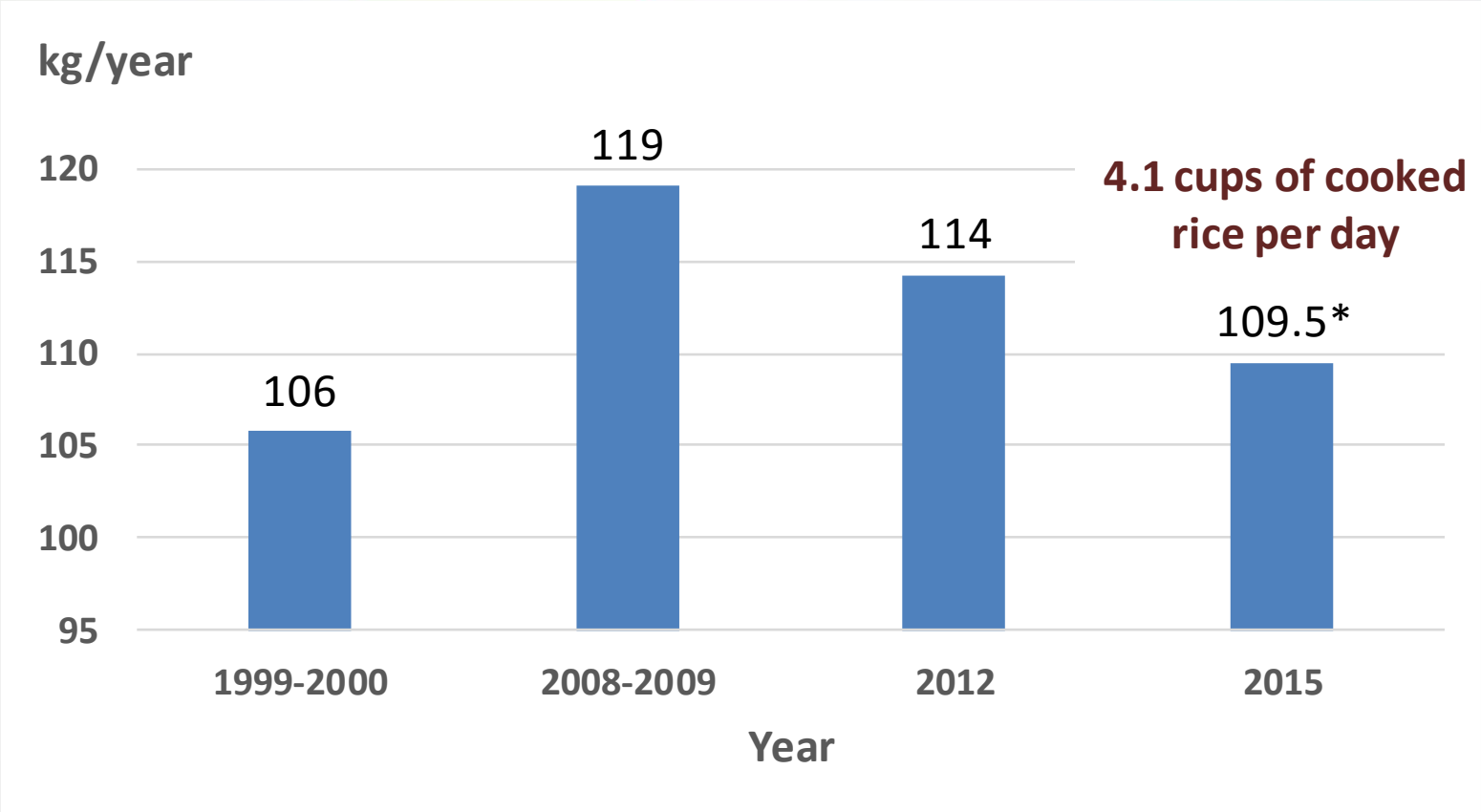
Source: Dawe et al., 2006

Where does rice supply go?



Note: computation excluded ending stocks
Source: PSA

Per capita rice consumption



* Milled rice. Based on the National Nutrition Survey of Food and Nutrition Research Institute (FNRI)
Source: Philippine Statistics Authority and FNRI

What can we do to improve local rice availability?

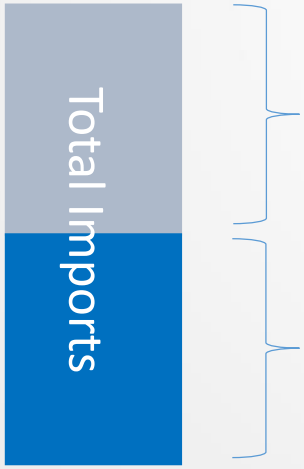
- Further increase yield (e.g. Hybrid)

- Manage food staples consumption
  a. Diversify food staple
  b. Eat brown rice
  c. Reduce food wastage

PH Rice Trade Policy

Tariff Rate Quota

Combination of quantitative restriction and tariff



Importation outside MAV
- Out-quota tariff (50%)

Minimum Access Volume (MAV) (805,200 mt)
- In-quota tariff (35%)

Trade Agreements (PH's commitment)

1. Remove quantitative restriction

2. Retain 35% tariff or convert the QR to its equivalent tariff rate

The congress is currently discussing a proposed bill that will allow these changes.

Implications of QR removal

- **Benefits consumers**.

  More affordable rice in the market benefitting the nutrition of many people.

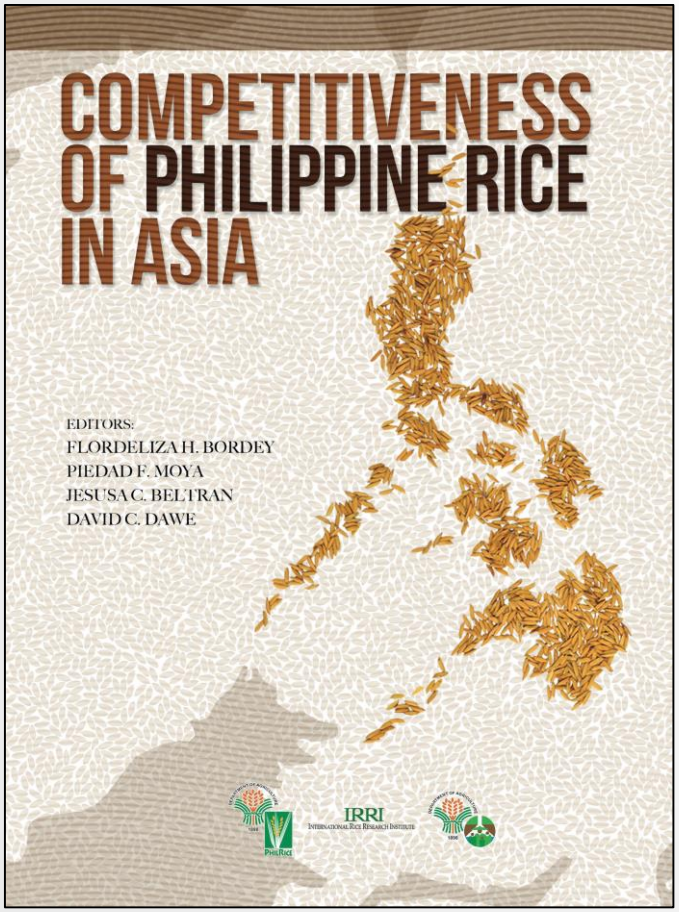
- It can reduce smuggling.

- If farmers cannot cope up, removal of QR **can hurt producers (Lower rice income)**

  But: *for those who eat more rice than they produce or buy more rice than they sell, would benefit from trade liberalization.*

Source: ACLitonjua and FHBorey (2014) (http://www.philrice.gov.ph/databases/rice-science-for-decision-makers/)

Are we ready for QR removal?



http://www.philrice.gov.ph/wp-content/uploads/2016/08/Book_CPRA_22June2016_3.pdf

Can we compete?

Import Parity Price (IPP) of 25% broken rice with **35% tariff and no QR.**

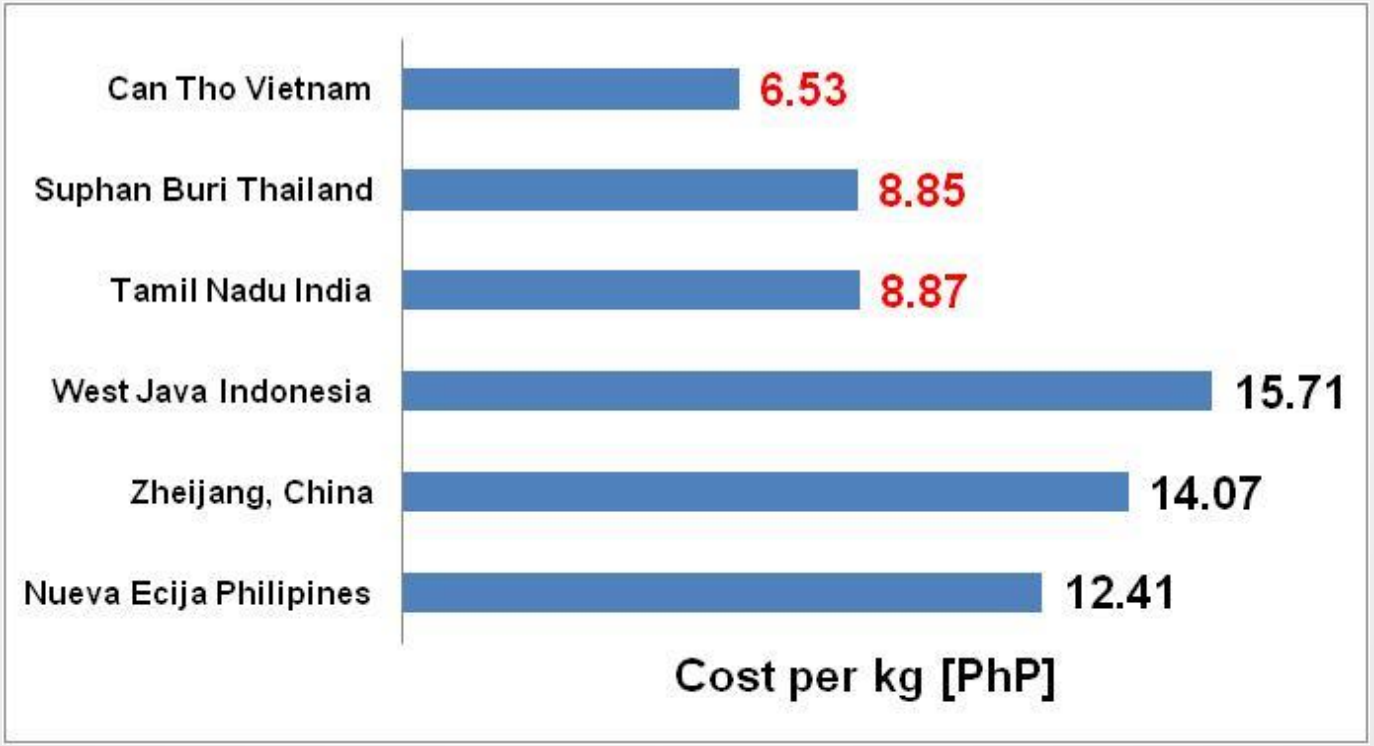
Area	IPP (PhP/kg)
Suphan Buri Thailand	30.89
Can Tho Vietnam	27.32

Source: Bordey et al. 2016

PH wholesale price per kg: PhP34.46 (PSA, 2015)

We cannot compete because..

1 *PH farmers incur higher production cost.*



Source: Bordey, et al., 2016

Detailed cost of production, 2013

Costs	Phil	Indo	Thai	Viet Nam
Seed	0.58	0.45	1.12	0.44
Fertilizer	1.94	0.91	1.56	1.36
Pesticide	0.36	0.22	0.9	0.87
Hired Labor	**3.76**	**2.52**	0.66	0.46
Imputed Labor[a]	0.66	0.47	0.65	0.81
Animal and machine rent[b]	1.73	1.78	1.66	0.81
Irrigation	0.45	0.12	0.14	0.08
Land Rent	2.11	1.96	**1.89**	**1.49**
Others	0.83	0.43	0.27	0.21
Cost/Kg	**12.41**	**8.87**	**8.85**	**6.53**

[a] refers to labor of farmer, his/her family, and exchange laborers

[b] includes fuel and oil

Source: Bordey, et al., 2016

Hired labor cost by farm activity, Nueva Ecija

ACTIVITIES	COST (PhP/ha)	
	Jan-Jun 2013	Jul-Dec 2013
Land preparation	862	1,159
Crop establishment	4,047	4,196
Crop care and maintenance	189	162
Harvesting	7,595	5,967
Threshing	1,644	1,446
Postharvest	1,031	488

Source of raw data: "Benchmarking Philippine rice economy relative to major rice-producing countries in Asia" project of PhilRice and IRRI.

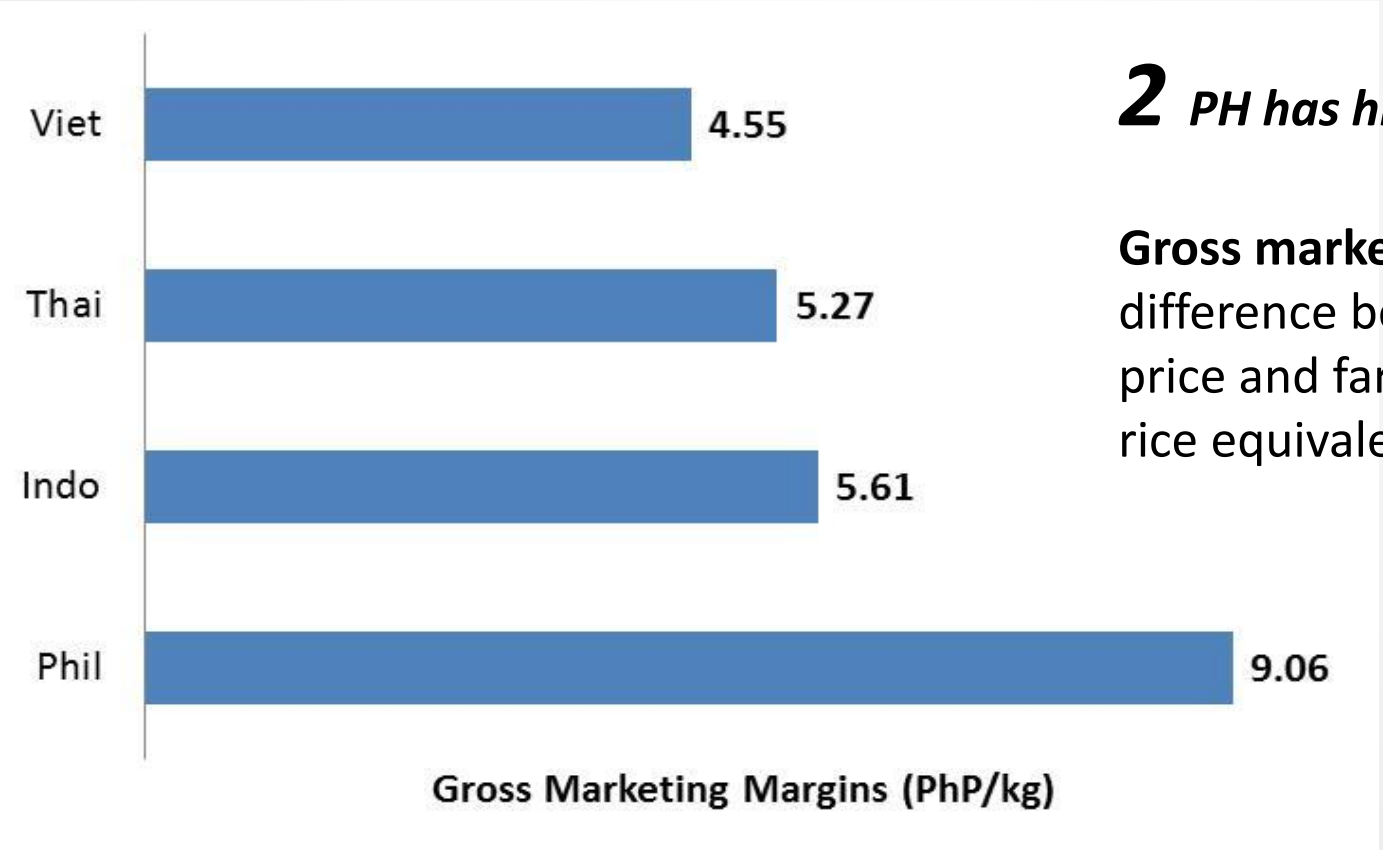
Rice Combine Harvesters

Thailand

Vietnam

Photo credits: "Benchmarking the Philippine rice economy relative to major rice-producing countries in Asia" project of PhilRice and IRRI

Gross marketing margin (PhP/kg), 2013.



2 ***PH has higher marketing cost.***

Gross marketing margin is the difference between wholesale price and farmgate price in milled rice equivalent.

Source: Bordey et al., 2016.

Marketing Cost (PhP/kg), 2013.

	Phil	Indo	Thai	Viet
Total marketing cost	**4.63**	**4.97**	**2.73**	**3.78**
Drying cost	0.26	0.62	0.33	0.52
Transport cost	**2.09**	**2.22**	**1.08**	**1.76**
Milling cost	**1.38**	**1.22**	**0.89**	**0.93**
Storage cost	0.19	0.40	0.20	0.23
Packaging cost	0.45	0.24	0.14	0.22
Cost of working capital	0.27	0.28	0.09	0.11
Gross marketing margins	9.06	5.61	5.27	4.55

Source: Bordey et al., 2016.

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