



# Agricultural Trade and Key Sustainable Challenges: The Case of Rice in the Philippines

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# **OVERVIEW OF GLOBAL RICE TRADE**

- a) Rice is the third most widely produced crop (after sugarcane and maize)**
- b) Rice is the staple food for over half of the world's population**
- c) The top ten producing countries account for 85% of total global output; of these, only Brazil is located outside Asia**

# GLOBAL RICE PRODUCTION

Country	Tonnes Rice Produced (2019)	% of Total
China	211.4M	28.0%
India	177.6M	23.5%
Indonesia	54.6M	7.2%
Bangladesh	54.6M	7.2%
Vietnam	43.4M	5.7%
Thailand	28.3M	3.7%
Myanmar	26.3M	3.5%
Philippines	18.8M	2.5%
Pakistan	11.1M	1.5%
Brazil	10.4M	1.4%
Others	119.0M	15.8%
<b>Total</b>	<b>755.5M</b>	<b>100.0%</b>

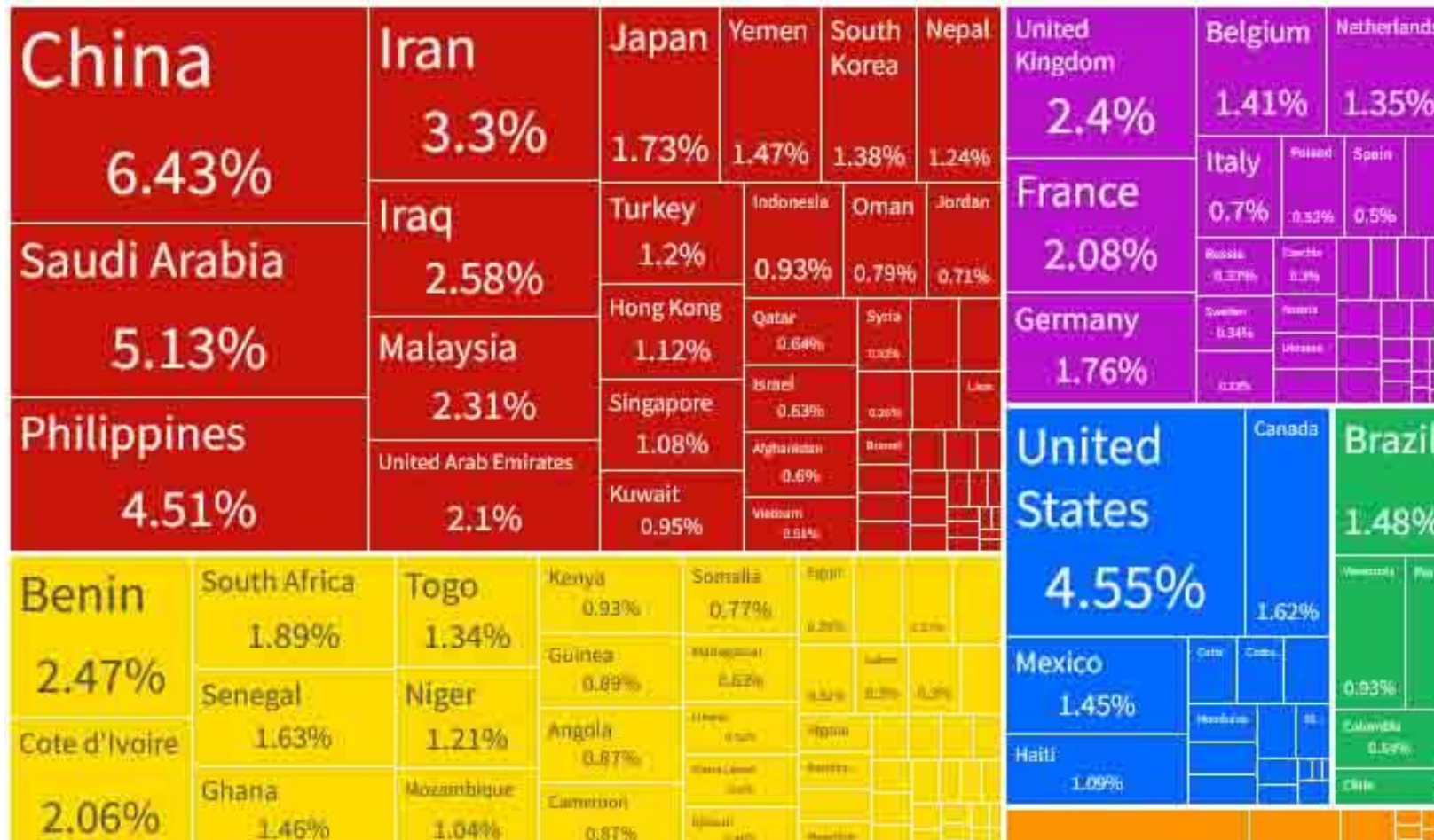
**SOURCE:** World Economic Forum

# **OVERVIEW OF GLOBAL RICE TRADE**

- a) Exports dominated by a few countries (India, Thailand, Vietnam, Pakistan and the United States = 71% of total)**
- b) Large number of importing countries (China, Saudi Arabia, Philippines, United States and Iran = 24% of total)**
- c) Relatively thin international market – about 10% of total production**



# RICE IMPORTERS (2020), Import Value \$26.8 B



SOURCE: Observatory of Economic Complexity (OEC)

# **RICE TARIFFICATION IN THE PHILIPPINES**

- a) Rice Tariffication Law (RTL) enacted in March 2019, replacing quantitative restrictions on rice imports and replacing them with tariffs (ASEAN preferential rate, MFN MAV, and MAV out-quota)**
- b) RTL additionally deregulated the rice market, removed government monopoly over imports, and eased regulations on rice trade**
- c) Proceeds from rice imports earmarked for competitiveness measures for rice farmers**
- d) Objective was to reduce rice prices for (poor) consumers, avoid supply shortages, while upgrading the productivity and profitability of rice farmers**

# **OUTCOMES OF RICE TARIFFICATION**

- a) 81% of imports came from Vietnam; Myanmar has outpaced Thailand; weak inflows from outside ASEAN despite reduction in MFN out-quota tariffs to 35% (same as ASEAN preferential rate)**
- b) 69% of imports were for premium/high rice grades; only 11% were for regular grades previously imported by the government for poor consumers**
- c) Annual imports during RTL have ranged from 150% to 200% of actual supply deficits**
- d) Decline in wholesale prices brought about by cheaper imports not fully reflected in retail prices**
- e) Farmgate prices have gone down compared to pre-RTL years, particularly during harvest months; farm incomes have dropped by an average of 20%**



# **IMPACTS OF RICE TARIFFICATION**

- a) Promised gains of consumers from rice trade liberalization have not materialized; losses of producers disproportionately larger than gains of consumers**
- b) Most of the benefits from freer trade captured by market intermediaries**
- c) Significant undervaluation of imports, averaging 25% of reference values, and resulting in huge tariff undercollection and surge in cheap imports**
- d) Almost no improvement in price competitiveness of local producers, exacerbated by increases in fertilizer and fuel prices**

# **RICE TRADE AND SUSTAINABILITY**

- a) Trade plays a role in sustaining rice supply and stabilizing rice prices**
- b) Continuing need to maintain certain levels of domestic supply sufficiency to counter global supply threats, and to maintain socio-economic stability**
- c) Need to revisit government's role vis-à-vis the private sector in food security**
- d) Need for technologies to increase yields, reduce water usage, and minimize fertilizer use and GHG emissions using available land while mitigating climate change effects and ensuring that rice farming remains profitable for farmers**