

SERIES #02, 2019

# FAQS

Rice Competitiveness  
Enhancement Fund (RCEF)



## Rice Tariffication Law (REPUBLIC ACT 11203)





## BASICS OF THE LAW

### **What is the Rice Tariffication Act or Republic Act (RA) 11203?**

The Rice Tariffication Act amends the Agricultural Tariffication Act of 1996 (RA 8178). The law replaces the system of quantitative restriction (QR) on rice importation with a purely tariff system.

### **Why are we shifting to a tariff system?**

For one, limiting the supply of goods in the market results in higher prices. This is what the country experienced several times when the decision to import rice is left to a political process. Political leaders are always subjected to public opinion whenever they allow rice imports resulting in either low volume of imported rice or delayed importation. These results in price spikes. With the use of tariffs, rice importation becomes a business decision, which responds to changes in market demand. The use of tariffs also generates revenues for the government that can be used in development projects.

Second, it is our commitment to the World Trade Organization (WTO) to replace all QRs imposed on agricultural products into tariffs since 1995. We have allowed the tariffication of all other agricultural products, except rice.

In 2005, the Philippines requested for an extension of the QR until 2012. After it lapsed, the Philippines again requested for a waiver to extend. The final extension was approved until June 30, 2017. To fully comply with our commitment, we need to harmonize our domestic law with our international agreement; hence, the passage of RA 11203.

### **What is the difference between QRs and tariffs?**

Both QRs and tariffs aim to protect the local industry from competition by limiting the entry of imported goods. QRs refer to the allowable amount or quantity of goods that may be imported into the country, while tariffs refer to taxes or duties imposed on imported goods.

## What is the minimum access volume (MAV)?

MAV refers to the volume or quantity of a specific agricultural commodity that may be imported with a lower tariff as committed by the Philippines to WTO.

## What is the current MAV for rice?

RA 11203 reverts the MAV for rice to 350,000 metric tons (mt) from 805,200mt when the waiver was still in effect.

## What is the timeline for this reform?

| Year | Milestone  |
|------|--|
| 1995 | Upon joining the WTO, the Philippines secured a “Special Treatment” for rice under Annex 5 of the WTO Agreement on Agriculture. The Special Treatment allowed the country to retain its QR on rice for 10 years (1995-2005).   |
| 1996 | Except for rice, all existing QRs on agricultural products were converted into tariffs with the passage of RA 8178.  |
| 2005 | The Philippines requested for an extension of the QR up to 2012 subject to the following concessions:<br>a. Increase in MAV from 119,460mt to 350,000mt<br>b. In-Quota Tariff reduced from 50 to 40%<br>c. Other non-tariff concessions (e.g., meat products)  |
| 2012 | The Philippines requested for a “Waiver” to again extend the QR on rice up to June 30, 2017, subject to the following concessions:<br>a. Increase the MAV from 350,000mt to 805,200mt<br>b. In-Quota Tariff lowered from 40 to 35%<br>c. Other non-tariff concessions (e.g., lower tariff rates for meat products, peas, and potatoes) |
| 2017 | Philippines allows “Waiver” to lapse; thereby, increasing pressure for it to fulfill WTO obligation to finally shift from QRs on rice to tariff.   |
| 2019 | QRs on rice to be converted into tariffs with passage of RA 11203.   |

## What are the key components of RA 11203?

- Allows the private sector to freely import rice subject to a tariff.
- Removes the regulatory and import licensing functions of the National Food Authority (NFA).
- Requires importers to obtain Sanitary and Phytosanitary Import Clearance (SPSIC) to be issued by the Department of Agriculture - Bureau of Plant Industry (DA-BPI) to protect our agriculture and consumers from diseases, pests, or contaminants.
- Reduces the mandate of the NFA to emergency buffer stocking of rice that will be sourced solely from local farmers.
- Shifts to a purely tariff system with the following rates:
  - 35% if rice is imported within ASEAN
  - 40% if within the MAV of 350,000mt for imports coming from countries outside of ASEAN
  - 180% if above the MAV and from non-ASEAN countries
- Creates the Rice Competitiveness Enhancement Fund (RCEF) or Rice Fund with a P10 billion annual appropriation for the next six years to be allocated and disbursed as follows:
  - Rice farm machinery and equipment (50%) - will be released to and implemented by the Philippine Center for Postharvest Development and Mechanization (PhilMech)
  - Rice seed development, propagation, and promotion (30%) - will be released to and implemented by the Philippine Rice Research Institute (PhilRice)
  - Expanded rice credit assistance (10%) - will be made available in the form of a credit facility with minimal interest rates and minimum collateral requirements to rice farmers and cooperatives to be managed equally by the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP)
  - Rice extension services (10%) – will be made available for extension services provided by the PhilMech, PhilRice, Agricultural Training Institute (ATI), and Technical Education and Skills Development Authority (TESDA).
- Tariff revenues in excess of the P10 billion annual appropriation will be earmarked for the following:
  - Rice farmer financial assistance
  - Titling of agricultural rice lands
  - Expanding crop insurance program on rice
  - Crop diversification program

## **Will the Rice Fund replace the other assistance provided to rice farmers?**

No. The Rice Fund is on top of regular funds of the Department of Agriculture used in programs and assistance for rice farmers such as the National Rice Program.

## **What are required of importers under RA 11203?**

The only requirement to import rice under the reform is the SPSIC issued by DA-BPI. Import licensing is no longer required, but importers of rice shall register with the BPI and be part of the DA Trade System Registration Procedure. The BPI is mandated to regularly publish and update in its website the list of importers issued with SPSIC, including the volume of imports.

## **How long will it take to obtain an SPSIC?**

The law mandates that the application for the issuance of the SPSIC shall be acted upon within seven calendar days. The BPI is required to communicate in writing any incomplete application or non-compliance to SPSIC requirements before the seven-day period ends. The failure of the BPI to respond to the applicant shall mean automatic approval of the SPSIC application.

## **While tariff revenues are yet to be realized, are there available funds now to mitigate the impact on rice farmers during the transition?**

In December 2018, the Department of Budget and Management (DBM) already released P5 billion to DA on top of its 2019 budget for National Rice Program to assist farmers in facing the possible adverse effects of lifting the rice QR. This is in addition to the P10 billion annual appropriation for the Rice Competitiveness Enhancement Fund (RCEF) or Rice Fund that will help farmers transition to a new rice regime.

## **What is the primary role of NFA under RA 11203?**

NFA is mandated to maintain the country's emergency buffer stock that it will source solely from local farmers and farmer cooperatives.

## How much rice will NFA keep as buffer stock for emergency?

Based on its mandate, NFA will adopt an optimal level of rice inventory enough to accommodate 15-30 days of national rice consumption. This is equivalent to around 480,000-960,000mt of rice. The implementing rules and regulations (IRR) of RA 11203 will determine the required level of inventory.

## Will the NFA's buffer stock be released only for disaster relief operations?

The NFA's buffer stock is primarily for emergency distribution in support of disaster relief programs. If, however, there are no calamities, the NFA can regularly replenish the inventory and sell to avoid spoilage.

## ISSUES WITH THE PREVIOUS SYSTEM

The rice sector remains weak despite the QRs since 1995. This weakness is manifested in the following:

- **High-price of rice:** More than 100 million Filipinos pay two-three higher than the citizens in our neighboring countries. In 2018, Filipinos paid an average of P45/kg for well-milled rice while neighboring Thais paid only P22/kg and Vietnamese even less. Food and nutrition security for the Filipinos requires that our nation's staple is accessible to all at affordable prices.
- **Elevated inflation:** In 2018, rice was the number one driver of high inflation, contributing one full percentage point to 2018 inflation at its peak. High rice price brings hardship, especially to poor households spending around 20% of their family budget on rice. By spending less for the same amount of rice, poor households could then increase expenditures on other items, especially on education. With rice tariffication implemented, the Bangko Sentral ng Pilipinas expects inflation to fall by 0.6 percentage points, placing 2019 inflation within the government's target range of 2-4%.
- **Lower real income for small farmers:** Around 1.6 million (55%) of 2.9 million rice farming households are smallholders, planting less than one hectare, and most of them are net consumers of rice. While they may gain from higher prices during harvest, they buy expensive rice during the rest of the year; thereby, reducing their real income.

- **Reduced employment opportunities:** The high price of rice has put undue pressure on the minimum wage rate over the decades, increasing labor cost and making manufacturing uncompetitive. Other countries in the region developed a strong labor-intensive manufacturing sector by keeping food prices low.
- **Massive government debt:** As of December 2018, the subsidy to NFA has cost taxpayers P140.5 billion in outstanding debt, and the NFA continues to request for additional P7 billion per year for its annual procurement. This is a significant burden on taxpayers and all Filipinos, especially the poor who are deprived of social services while paying high rice prices. Allowing the private sector to handle importation will address these problems and free up public funds for other purposes.

## BENEFITS OF RICE TARIFFICATION

### How is rice tariffication pro-consumer?

Over 100 million Filipino consumers, including majority of the rice farmers that are net consumers of rice, will benefit from the lower rice prices due to tariffication. The BSP and NEDA estimate that rice prices will drop by P2-7/kg under a tariffied regime. This will slow down inflation by 0.6 percentage point; thereby, helping the country achieve the target inflation of 2-4%.

### How is rice tariffication pro-farmer?

Rice tariffication is a win-win for rice farmers because they will have access to cheap, affordable, and high-quality rice and receive government support to improve their productivity through the Rice Fund. Around 1.1 million of 2.9 million rice farmers and farm workers are smallholders, planting less than one hectare, and most of them are net consumers of rice. They may gain from higher prices during harvest, but they would buy expensive rice during the rest of the year. An estimated 4.5 million non-rice farmers and farm workers will also benefit from the lower price of rice.



## **How is rice tariffication pro-tax payer?**

As of December 2018, the subsidy to NFA has cost taxpayers P140.5 billion in outstanding debt. This debt is paid for by taxpayers and the poor who are deprived of social services while paying for high rice prices.

## **How is rice tariffication pro-worker?**

Workers will see their real income increase. In the past, the high price of rice has put undue pressure on the minimum wage rate over the decades, increasing labor costs and making manufacturing uncompetitive.

Other countries in the region developed a strong labor-intensive manufacturing sector by keeping food prices; and thus, nominal minimum wages, low.

## **How is rice tariffication pro-children?**

One in three Filipino children below 5 years old are stunted based on the National Nutrition Survey. This is equivalent to 4.2 million children who will be able to enjoy better nutrition as the country's staple becomes more affordable.

## **How is rice tariffication pro-poor?**

Lower rice prices will significantly improve society welfare as rice accounts for 20% of a poor household's consumption. Food security requires that our nation's food staple is available, accessible, and affordable at all times, and not force the poor to pay double when they can pay half.

---

# NOTES



We are a government corporate entity (Classification E) under the Department of Agriculture. We were created through Executive Order 1061 on 5 November 1985 (as amended) to help develop high-yielding and cost-reducing technologies so farmers can produce enough rice for all Filipinos. With our "Rice-Secure Philippines" vision, we want the Filipino rice farmers and the Philippine rice industry to be competitive through research for development (R4D) work in our central and seven branch stations, including our satellite stations, coordinating with a network that comprises 60 agencies strategically located nationwide. We have the following certifications: ISO 9001:2015 (Quality Management), ISO 14001:2015 (Environmental Management), and OHSAS 18001:2007 (Occupational Health and Safety Assessment Series).

## CONTACT US:



0917-111-7423

PHILRICE CENTRAL EXPERIMENT STATION  
Maligaya, Science City of Muñoz, 3119 Nueva Ecija  
Tel: (44) 456 -0277 • Direct line/Telefax: (44) 456-0354

### BRANCH STATIONS :



[www.philrice.gov.ph](http://www.philrice.gov.ph)  
[www.pinoyrice.com](http://www.pinoyrice.com)

PHILRICE BATAC, MMSU Campus, Batac City, 2906 Ilocos Norte  
Telefax: (77) 772-0654; 670-1867; Tel: 677-1508  
Email: [batac.station@philrice.gov.ph](mailto:batac.station@philrice.gov.ph)



[rice.matters](https://www.facebook.com/rice.matters)

PHILRICE ISABELA, Malasin, San Mateo, 3318 Isabela  
Mobile: 0908-875-7955; 0927-437-7769  
Email: [isabela.station@philrice.gov.ph](mailto:isabela.station@philrice.gov.ph)



PhilRiceTV

PHILRICE LOS BAÑOS, UPLB Campus, College, 4030 Laguna  
Tel: (49) 536-8620; 501-1917; Mobile: 0920-911-1420  
Email: [losbanos.station@philrice.gov.ph](mailto:losbanos.station@philrice.gov.ph)



[prri.mail@philrice.gov.ph](mailto:prri.mail@philrice.gov.ph)

PHILRICE BICOL, Batang, Ligao City, 4504 Albay  
Tel: (52) 284-4860; Mobile: 0918-946-7439  
Email: [bicol.station@philrice.gov.ph](mailto:bicol.station@philrice.gov.ph)

PHILRICE NEGROS, Cansilayan, Murcia, 6129 Negros Occidental  
Mobile: 0949-194-2307; 0927-462-4026  
Email: [negros.station@philrice.gov.ph](mailto:negros.station@philrice.gov.ph)

PHILRICE AGUSAN, Basilisa, RTRomualdez, 8611 Agusan del Norte  
Telefax: (85) 343-0768; Tel: 343-0534; 343-0778  
Email: [agusan.station@philrice.gov.ph](mailto:agusan.station@philrice.gov.ph)

PHILRICE MIDSAYAP, Bual Norte, Midsayap, 9410 North Cotabato  
Telefax: (64) 229-8178; 229-7241 to 43  
Email: [midsayap.station@philrice.gov.ph](mailto:midsayap.station@philrice.gov.ph)

PHILRICE FIELD OFFICE, CMU Campus, Maramag, 8714 Bukidnon  
Mobile: 0916-367-6086; 0909-822-9813

LIAISON OFFICE, 3rd Flor. ATI Bldg, Elliptical Road, Diliman, Quezon City  
Tel/Fax: (02) 920-5129

### SATELLITE STATIONS:

MINDORO Satellite Station, Alacaak, Sta. Cruz, 5105 Occidental Mindoro  
Mobile: 0917-714-9366; 0948-655-7778

SAMAR Satellite Station, UEP Campus, Catarman, 6400 Northern Samar  
Mobile: 0948-754-5994; 0929-188-5438

ZAMBOANGA Satellite Station, WMSU Campus, San Ramon, 7000 Zamboanga City  
Mobile: 0975-526-0306; 0910-645-9323

