# PHILIPPINE RICE COMPETITIENESS ENHANCEMENT FUND: MECHANIZATION COMPONENT

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# History of the Philippine Rice Trade

| Year | Significance | Implication to the Rice Trade | Advantages and Disadvantages of WTO | WTO allowed quotas as a form of trade barrier |
|---|---|---|---|---|
| **1995** | The Philippines became a member of the WTO on January 1, 1979.<br><br>WTO has over 160 members representing 98% of world trade. | The Goal of WTO is to ensure that trade flows as smoothly, freely and predictably as possible.<br><br>Trade without discrimination thru avoidance of preferential trade agreements.<br><br>Rice was exempted from the removal of Quantitative Restrictions (QRs). | • Promote free trade through gradual reduction of tariffs.<br>• Provide legal framework for negotiation of trade disputes<br>• Committed to protecting fair competition and economic development | QRs on rice or restricting imports to no more than a specific amount each year.<br><br>The QRs or quotas limit supply, thus artificially raising prices, creating abnormally large profits that can be used for corruption and lobbying |

# History of the Philippine Rice Trade

| Year | Significance | Implication |
|---|---|---|
| 2005 | The special treatment on rice expired. | The Philippine government requested for its extension for 7 more years, until 2012. |
| 2005-2012 | Prior to expiration, the Philippines was able to extend the special treatment twice. | Another extension was done for 5 years up to June 30, 2017. This is to continue to protect the farmers and avoid the influx of cheap imported rice in the market. |
| Up to June 30,2017 | The reason is for self-sufficiency in 2013. | |

Soures: Cororaton, CB. 2004. "Can the poor benefit the removal of QR on rice? Httpf://dirp4.pids.gov.ph/ris/pn/pidspn0404.pdfAccessed:2 May 2012; Clarete, Ramon. Paper delivered AIM 26,Sept.2012.

# “Rice Tariffication Law” (RA 11203)

## Lifting of Import Restrictions

- Import restrictions will be lifted on rice importation along with the creation of the Rice Competitiveness Enhancement Fund (Rice Fund)

## Tariff of Rice Imports

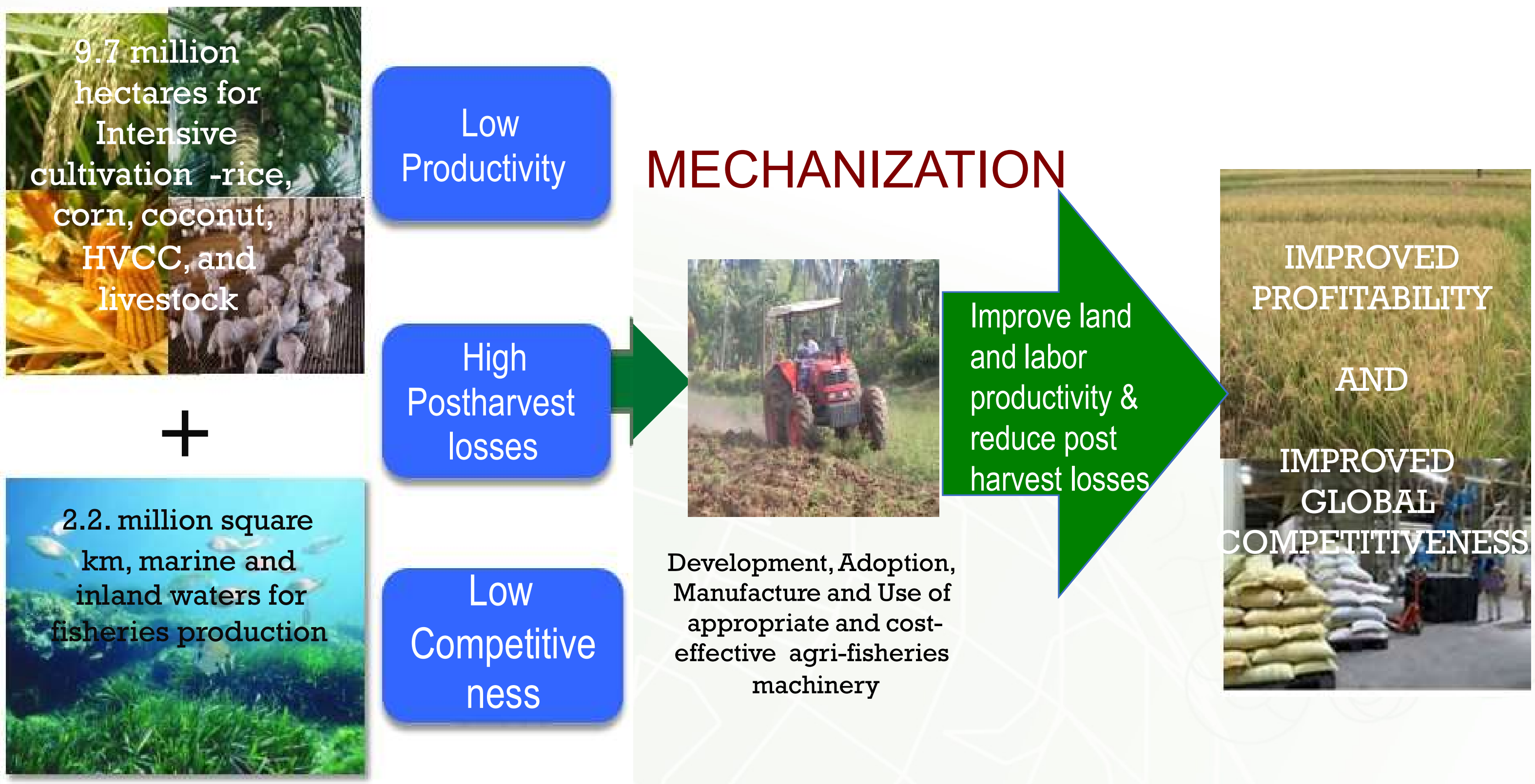
- Rice tariffication law imposed a tariff on rice importers to be used for the Rice Competitiveness Enhancement Fund.

- Importers of rice will be required to pay 35% levy or tariff on rice imports.

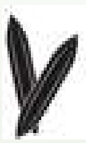
# “Rice Tariffication Law” (RA 11203)

- The law aims to prevent another shortage of rice supply and to ensure that the low price of commercial rice is maintained in local markets.
- The tariff proceeds will go to the farmers for programs that make them competitive, an allocation of P10 billion to the Rice Competitiveness Enhancement Fund or Rice Fund.
- This fund will be utilized for the improvement of farm machinery and equipment (5B), seed production (3B), training for rice farming (1B), and loan programs (1B) among other means to help the local farmers.

# Mechanizing the Philippine Agriculture and Fisheries . . .



# WHERE WE ARE NOW



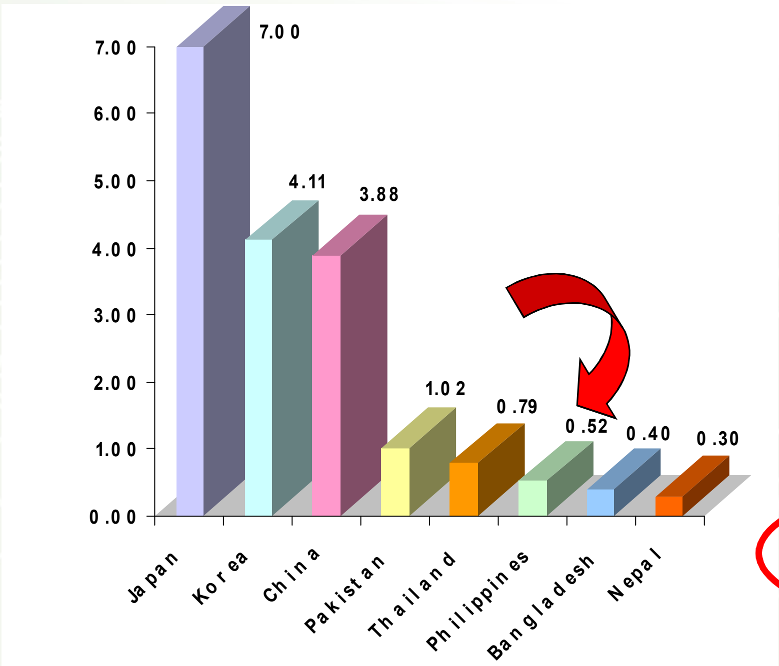
Average yield is 4t/ha; 29 provinces have yield >4t/ha; 39 provinces at 3-3.9 t/ha; and 14 provinces at <3t/ha

34 provinces have cost of production <P12/kg; 44 provinces spend P12-17/kg; and 4 provinces > P17/kg.

19.07 Mt in 2018 (12.40 Mt rice equivalent)

# Level of Mechanization

- **ONE OF THE LOWEST LEVEL IN ASIA - from 0.52 hp/ha in 1990s to 1.23hp/ha for all crops & 2.31 hp/ha for rice and corn in 2011 (*PHilMech, 2011*)**




| Countries | Recent level |
|---|---|
| Japan | 18.87 (2011) |
| Korea | 9.38 (2011) |
| China | 8.42 (2012) |
| Pakistan | Not available |
| India | 2.22 (2011) |
| Thailand | 4.20 (2009) |
| Vietnam | 1.20 (2010) |
| Iran | NA |
| Philippines | 1.23 (2011) for all crops |
| | 2.31 (2011) for rice & corn |
| Bangladesh | 1.46 (2008) |

# Postharvest Losses

| PH Operation | % Loss (Average) | |
|---|---|---|
| | Rice | Corn |
| **Harvesting** | 2.03% | 1.05% |
| **Piling / Hauling** | 0.08% | 0.56% |
| **Threshing** | 2.18% | - |
| **Shelling** | - | 0.52% |
| **Drying** | 5.86% | 4.54% |
| **PH Operation** | % Loss (Average) | |
| | Rice | Corn |
| **Milling** | 5.52% | - |
| **Storage** | 0.80% | 0.51% |
| **TOTAL** | 16.47% | 7.18% |

# ROAD AHEAD

Increasing population (1.72% growth rate per annum)

Total rice use projection: 13.91 Mmt (2019); 14.45 Mmt (2022); 15.18 Mmt (2026); 15.88 Mmt(2030) due to ↑ population and potential ↑ per capita consumption;


World supply/available for export for 2019 is about 47.3 M mt, of which only 2.1 M mt is available for Philippine importation (based on historical commitments)

Changing demand pattern from quantity to quality

More extreme weather events affecting supply

# RCEF – Mechanization Component

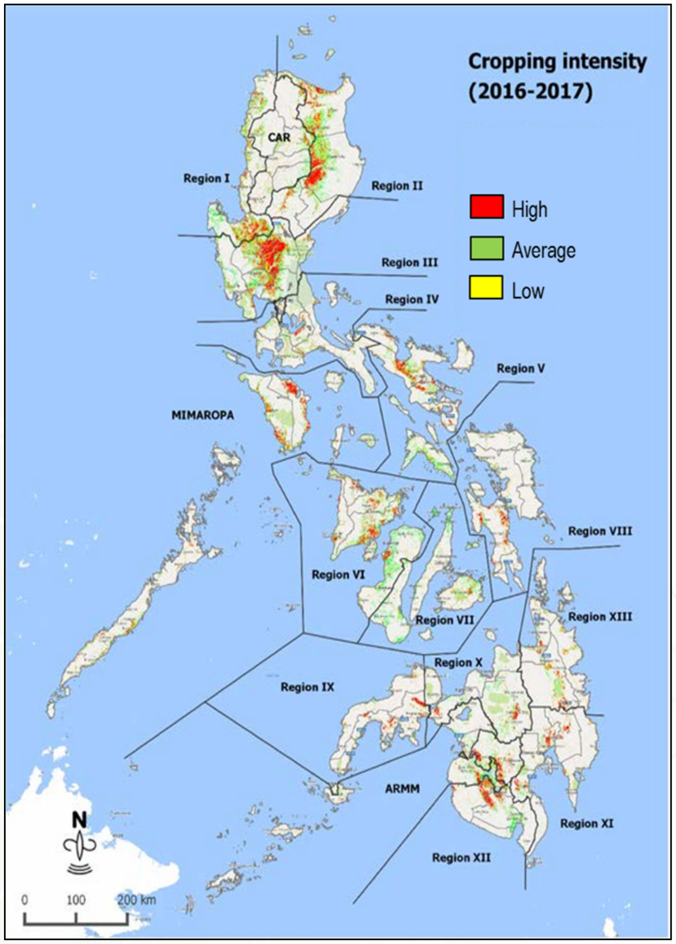
- Section 13. Rice Competitiveness Enhancement Fund (RCEF) – Creation of RCEF with an annual appropriation of Ten billion pesos (P10,000,000.00) for the next six years.

- (13.a) Fifty percent (50%) of the Rice Fund shall be released and implemented by **PHilMech** as grant in kind to eligible farmers association, registered rice cooperatives and LGUs.
  - *Grant in the form of rice farm equipment, such as tillers, tractors, seeders, threshers, rice planters, harvesters, irrigation pumps, small solar irrigation, reapers, dryers, millers, and the like.*

# RCEF – Mechanization Component

| COVERAGE AREA | |
|---|---|
| Region | 16 |
| Provinces / Municipalities | Rice producing provinces and municipalities focusing and basing from the list of rice producing provinces as provided for by PHilRice as attachment of the Philippine Rice Industry Roadmap |

| DURATION |
|---|
| The program will be implemented in 6 years and a mandatory review shall be conducted by the COCAFM. |



## RCEF – Mechanization Component

**Program Goals:**

To raise rice farmers' productivity, profitability and global competiveness thru strengthened access and use of appropriate production and postproduction mechanization technologies.

# RCEF – Mechanization Component

**Objectives**

**Objective 1.** To make accessible to rice farmers the appropriate rice production and postharvest machineries and equipment through to the farmer cooperatives, associations (FCAs).

**Objective 2.** To promote among Filipino rice farmers the use of efficient and cost reducing rice mechanization interventions.

**Objective 3.** To strengthen local agricultural machinery manufacturing industry through aggressive technology development, fabrication and manufacturing.

# RCEF – Mechanization Component

## BENEFITS OF THE PROGRAM

The expected direct benefits of the of the program  can be derived from the following:

- Reduction of production cost of farmer-users by Php2-3 per kilogram using precise, effective and complete system of mechanized production technologies, and

- Reduction of postproduction losses of farmer-users by 3-5% using appropriate and efficient postproduction technologies.

- Benefit Cost Analysis show favorable indicators, with Net Present Value (NPV) of Php 3.89 billion and Economic Rate of Return (ERR) of 15.41%. This only considers the two direct and immediate sources of benefits from the program; reduced costs and averted losses.

| Indicator | 100% Utilization | 10% Decrease in Utilization | 10% Benefit Shortfall |
|---|---|---|---|
| Net Present Value | Php 3.89 billion | Php 939.13 million | Php 1.01 billion |
| ERR | 15.41% | 11.31% | 11.42% |