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Globalisation Impact on Smallhold Filipino Farmers

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All brouhaha on rice Tariffication renders sharp lessons for us Filipinos to rid ourselves of such pitiful state of social consciousness by ridiculing without right attitude—or aptitude on the subject.

Sequentially, the incompetence of Media as a reliable source of critical information is inexcusable.

Rice importation is the convenient option for Government to equal the demand for food, rather than developing the capacity of the small farmer or contending weather impossibilities. The dilemma in trade is that this causes price volatility; insofar it is not a reliable source because trade is utterly political. Trade is away capacity development of the smallhold farmers because trade denies self-sufficiency and curtails country food security.

Government-to-Government transactions, which used to recognise half of world trade in the 1970s, are now estimated to represent less than 10 percent. Trade has the key function to gain bargaining power, or indirectly sustain producer prices. Government-to-Government transactions are hardly matched by private traders because sovereign debt can be readily accessed when volume requires so.

In the case of the Philippines, NFA has failed to stabilise prices on rice, yet manipulates market monopoly through paddy rice purchases at dirt cheap ‘support prices’ from smallhold farmers, subsequent rice importation by way of quota issuances. These are at the expense of the taxpayer. Both activities are mandated with the several inconsistencies and contradictions in policy.

Tariffication is straightforward. Countries such as Japan and Korea observe the same high tariff on rice, and in fact denied the Uruguay Trade Agreements. On the other hand, Bhutan after consultation with the Swiss Government prohibits the importation of rice and lets the farmers enjoy the benefits of price.

High Tariffication can be more effective in curbing imports than are quantitative import restrictions. This effectively keeps foreign rice more expensive when compared with local farm produce. Japan, for instance, opened its rice market through Tariffication in 1999, but it only imported an average 350 tons of rice under high tariffs across thirteen years; from 2000 to 2013. Taiwan, which also liberalised its rice market in 2003, imports only about 500 tons of rice per year (Seoul National University 2012).

RA 11203 institutionalises a protectionist stance for the smallhold farmers, *as a first in the country*. The idea of Tariffication is to protect an industry that illustrates competitive disadvantage. For the Philippines, there is a poor infrastructure and irrigation facility, lack of technology and severe calamity risks as an archipelago. It is as simple as promoting the local industry by taxing competitors.

RA 11203 stipulates proceeds from Tariffication to be earmarked for developing the capacity of smallhold farmers: Then it is even far better. What we need to focus on is developing technology and other support mechanisms that can raise yield per paddy and reduce post-harvest loss. Of course rather than buying across the border, this is extremely challenging.

Agricultural institutions should be compelled to support this forward push through research innovation, information dissemination, and farmer training.

I think the Rice Tariffication scheme re-establishes trust in Government and the possibility of Good Governance. The same should have been done over vegetable importation during accession to the WTO or in the 70s trade negotiations over the tobacco and sugar industries, or Manila hemp, or the shoe and textile industries. All these industries did not stand the chance of growth alongside Asian complements. The succeeding pages present the facts and figures to support this statement.

Dimension of economy

RA 11203 is an act replacing the quantitative import restrictions on rice with tariffs, lifting the quantitative export restrictions on rice, and creating the rice competitiveness enhancement fund, amending for the purpose republic act no. 8178, as amended by republic act no. 9496, and as further amended by republic act no. 10848, and for other purposes (Senate of the Philippines 17th Congress 2018).

For sake of clarity, tariff rate computations observe simple formula of dividing the difference between domestic and international prices by international prices (Buresh RJ 2001). Consequently percentage is determined by subtracting international import prices from domestic rates, then dividing by the import price and multiplying by one hundred (Seoul National University 2012).

$$Tariff = \frac{\text{Import Price} - \text{Local Price}}{\text{Import Price}} \times 100$$

On international scale, the price of rice has been declining since 1995, which shows to say that production exceeds consumption (Gyimah-Brempong 2016). Then in the Philippines, the price of rice has stabilised between 20000 and 25000 pesos per metric ton (Index Mundi, 2017). More importantly since 2000 onwards, the total supply of grain has consistently been higher than total demand, hording to stock inventory on hand at 2 million MT. This is due the increasing level of rice imports, set above the consumption requirement and such waste of tax money (Reburiano 2005).

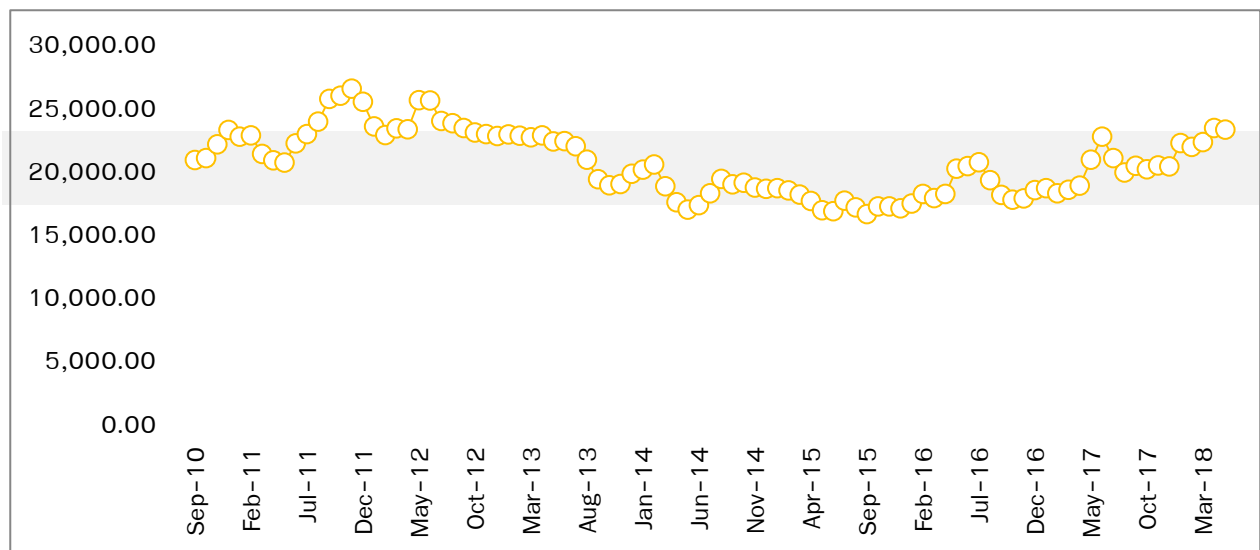


Figure 2 RICE MONTHLY PRICES IN PESOS PER METRIC TON (Index Mundi 2019)

In economic sense, trade is supposed to provide supplemental market access, for purpose of price stability. Nonetheless, this functions only in an ideal scenario because Governments owe a degree of protection to countrymen –particularly when an industry is thought to be at the competitive disadvantage.

A good perspective on the Uruguay Round Agricultural Negotiations finds both Japan and Korea stood indifferent to these Agricultural Negotiations. That is, the producer subsidy equivalent or PSE in Japan is very high, when compared with about 50 percent in the European Union, 20 percent in the United States, and 10 percent in Australia. The Japan protection for rice amounts to nearly 90 percent of output value, determined mainly through border protection (Honma 1986).

Political element

The evolution of decision making, policy and institutional support reveal extreme inconsistency, abstruseness and lack of credibility if not abuse of taxpayer monies. Apart from price manipulation, the imposed by the NFA operations on the Philippine economy far outweigh the benefits to rice producers and consumers. While NFA holds the decision to import, the entity is also in authority to purchase from smallhold farmers at dirt cheap support price.

Decision on rice importation in the Philippines, impending production shortfall, is by the Inter-Agency Committee on Rice and Corn or IACRC, where the National Food Authority or NFA, and the Bureau of Agricultural Statistics or BAS are members. Inaccurate production forecasts result an excess of importation that is a waste of consumer tax money: Rice shortage in the early 1990s and over-importation in 1998 **Invalid source specified..**

Presidential Decree No. 4 of 1972 constituted the National Grains Industry Development Authority (The President of the Philippines 1972), and Presidential Decree No. 1770 of 1981 reconstituted the NGA into the National Food Authority or NFA (The President of the Philippines 1981). The Magna Carta of Small Farmers stipulates that importation is to be implemented only when shortage situation was determined upon consultation with farmer representatives, instead of the IACRC (Senate of the Philippines Fourteenth Congress 1992).

While NFA mandate requires the NFA to provide an immediate supply of rice to calamity-stricken areas and to ensure that rice prices are restored to pre-emergency levels within two weeks. Subsequently NFA is responsible for the bulk of importation, and yet sanctions private traders to import rice through an issuance of a quantity restriction or QR which states a minimum access volume or MAV (Aquino 2013).

At the same time Executive Order No. 1028 of 1985 approves the deregulation of NFA, lifting of price controls or ceilings on rice and corn (The President of the Philippines 1985). Whereby NFA efforts to sustain the supply and price of rice includes procurement of paddy rice from the farmers at a support price relatively lower than the prevailing market value, across the country and regardless of conditions (Unnevehr 1985). The objective the support price is to protect farmers from price fluctuations during peak harvest months and ensures ready market (Kajisa 2003).

Serial attempts to reform the rice predicament in the country: Of the 13th Congress EO 366 intended to raise NFA efficiency, of the 14th Congress SB 2618 suggested the transformation of NFA from a grain marketing monopoly to a public regulatory agency, and SB No. 1396 sought to separate NFA commercial and regulatory functions, and SB 818 thought to create the National Grains Council for regulatory functions. Of the 15th Congress SB 772 sought to streamline government intervention by removing rice importation functions of NFA and

SB 741 and SB 876 suggests establishing a strategic food security and rice reserve equivalent to 15-day country consumption (Ramos 2000).

In the dimension of Technology

About 10 million Filipinos engage in rice-based farming mainly cultivated in smallholdings of less than 1 hectare (Calpe 2002), contributing 26 percent to the agriculture sector (Dawe 2006). Rice makes up 34 percent of the average Filipino food basket of the bottom 20 percent of households (Asian Development Bank 2002). The steady demand for better quality rice is because it is comprises 80 percent of food energy for about two billion people in Asia (Solh 2002).

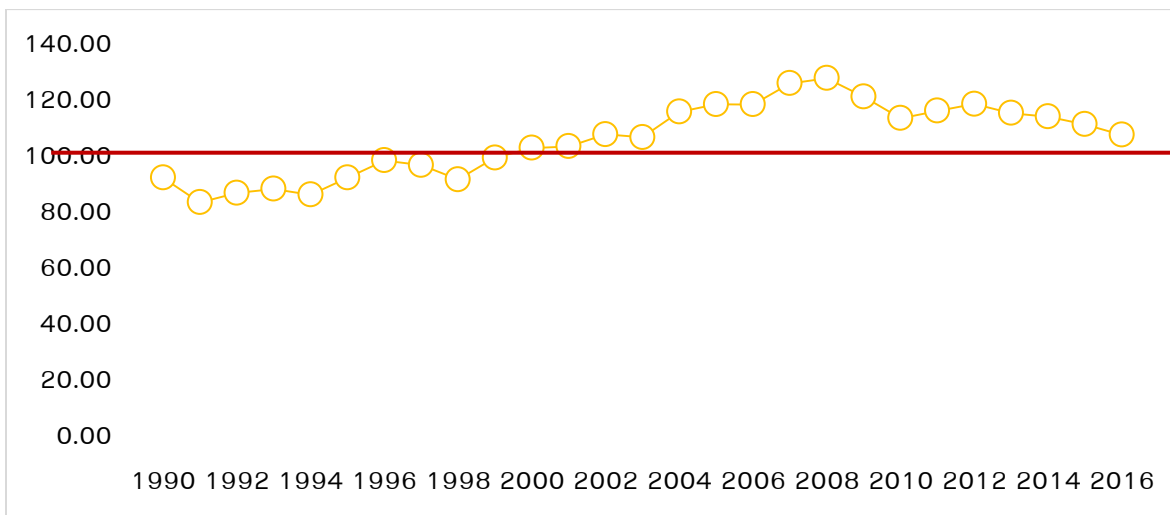


Figure 1 RICE AVAILABLE PER CAPITA IN KILOGRAMS PER YEAR (Philippine Statistics Authority 2018)

Figure 1 shows that every Filipino has about a little more than one hundred kilos per year consumption from locally produced grain. The argument is imported is cheaper than local product, even up to 90 percent higher than rice from Viet Nam. The price gap stems from the difference in the cost of production, where Filipino farmers spend 12.41 pesos per kilogram and Viet Nam farmers spend 6.53 pesos per kilogram. This is traced into the geography of the country as an archipelago, having limitations on flat plains soaked by large river systems, such as the Ganges or Mekong (Dawe 2006).

In which case, price policies ought to be more effective in encouraging technological improvements, such as in the case of Latin America, Government invested in such technologies (Gyimah-Brempong 2016). Reducing post-harvest losses, support through harvest machineries and building community warehousing facilities, to raise production efficiency, is further suggested (Solh 2002).

Yield increases through high breed rice production and facilitating irrigation are strongly encouraged by way of paddy rice production, reducing the area to paddy rice ratio.

Years	Bangladesh	Columbia	India	Indonesia	Philippines	Sri Lanka	Thailand	Cote d'Ivoire	Benin	Nigeria
1966-1970		2.1	2.9		3.2	1.4		2.7		
1971-1975	1.6	4.9	2.7	3.4	1.6	1.7		3.4	2.6	
1976-1980	2.0	3.3	2.6	1.8	3.8	1.4	3.0	2.2	1.9	1.5
1981-1985	2.4	3.3	2.6	1.3	4.1	1.7	5.1	3.3	1.5	1.6
1986-1990	1.9	1.6	2.4	1.5	2.4	1.9	2.8	2.9	1.7	1.0
1991-1995	1.9	2.7	1.6	1.5	2.4	2.6	3.8	4.2	2.2	1.3
1996-2000	2.0	1.7	1.6	1.8	1.9	1.5	2.7	3.7		1.7
2001-2002	2.0	2.2	1.7	1.7	2.2	1.6	2.9			

Although the Philippines is less competitive in grain production, the Filipino consumption of rice for nutritional aspects is in fact more balanced with other sources when compared with Bangladesh, Indonesia, Myanmar, Thailand and Viet Nam (see Table 2).

Consumption (Daily intake in g)	Energy	Protein	Fat	Calcium	Iron	Thiamine	Riboflavin	Niacin	Zinc
Bangladesh	441	76	66	18	3	8	18	14	25 30
Brazil	108	14	10	0.8	<1	2	3	3	6 8
China	251	30	20	17	2	4	10	8	14 17
India	208	31	24	4	1	4	8	6	12 15
Indonesia	414	51	43	8	3	7	17	13	24 29
Myanmar	578	74	68	20	4	10	23	17	32 40
Philippines	267	41	30	5	2	5	10	8	14 17
Sri Lanka	255	38	37	3	2	5	10	8	14 17
Thailand	285	43	33	5	2	5	12	9	17 21
Viet Nam	465	67	58	14	3	8	19	14	27 34

Trepidations on ecology

Farming in the Philippines is vulnerable to extreme weather events apart the poor response to calamity. Apart from these, studies on rice yield find a slump in recent years, particularly in regions where an early adoption of Green Revolution technologies took place (Douthwaite 2002). Improving yield through germplasm is the present day trend. This new school of thought for yield increases entail a good working knowledge on forms of soil and crop management that can raise production efficiency with least harm on the environment (FAO 2000). Studies on yield results over the long term, from unfertilised plots versus treatments are performed in rice-rice systems at Philippine experiment stations (Witt C 2002). More recent analysis of yield trends suggests the declining yield to result from inadequate management (Pingali PL 1998).

The principle of site-specific nutrient management is underway development. Crucially, much has to be learned in the aspect of environment, and much of indigenous knowledge has to be documented for generations next.

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