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## JOINT STATEMENT ON THE RICE TARIFFICATION LAW AND AGRICULTURAL DEVELOPMENT

September 26, 2019

The Rice Tariffication Law (RTL or RA 11203), signed on February 14, 2019, ended the more than 30-year policy of quantitative restrictions (QRs or import bans) on rice import in favor of the shift to tariff as the main instrument in protecting our palay farmers. The RTL favors tariff as a trade instrument because it is more transparent, compared to government-to-government transactions, as anyone who is willing to pay the tariff imposed by the government can import rice.

Besides its anti-corruption feature, there are other reasons why the RTL should be supported and implemented by the government. First, it helps alleviate poverty and with it, the high level of malnutrition in the country will be mitigated. More than forty (40) percent of the poor family's income goes to purchasing rice. Rising rice prices, as we have seen last year, means that the poor will be able to consume less rice and other food commodities and hence, their nutrition level will suffer. On the other hand, lower rice prices mean improved purchasing power for the poor that will enable them to buy rice and other nutritious food commodities, thereby raising the nutritional level of the family, particularly their children.

Second, the RTL has caused the decline in food prices resulting in lower inflation. The rice/food price shock last year had a multiplier effect to other commodities resulting in higher inflation. Inflation is particularly a bane to the poor as their limited purchasing power will further shrink, driving many of them on the poverty borderline to fall to the "poorest of the poor" category.

And third, low food and rice prices mitigate the value erosion of the current wages received by our workers, ensuring that they remain competitive and decent. In turn, a competitive wage structure is a key factor in attracting more investments (and creating more jobs) to the country.

However, due to the falling palay prices, there is increasing pressure to reverse or repeal the RTL and negate its achievements. This trend is not surprising and was in fact anticipated by our economic managers. As such, they recommended a number of measures that will mitigate the temporary adverse effects of the RTL.

The RTL created the Rice Competitive Enhancement Fund (RCEF) to assist our rice farmers and enhance their productivity and competitiveness through seed, mechanization, credit, and extension services. Interventions should be complementary and supplementary to the "National Rice Industry Roadmap" being formulated to guide RCEF assistance and ensure that its investment will yield maximum returns. RCEF will also encourage marginal rice farmers to diversify to add value to their produce to obtain higher income. In addition, the RTL provided

for the updating of the existing “Registry System for Basic Sector in Agriculture” (RSBSA) or “Farmers’ Registry” to ensure that eligible farmer-beneficiaries receive the “income transfer assistance” contemplated by the government for farmers tilling one hectare and below. This is on top of the soft loans that are now being extended to small farmers based on the same listing. Unfortunately, these measures were not fully implemented by the previous DA leadership.

The RTL is starting to achieve most of the original objectives it was set to attain. Nothing has changed our mind regarding the desirability of pursuing the RTL to the fullest to assist in modernizing the Philippine agricultural sector. To reverse it now will be tantamount to consigning our agriculture to under-development and our farm families to continuing child malnutrition. It is for this reason why we support the current efforts of Secretary William D. Dar of the Department of Agriculture to effectively implement the RTL to protect our palay farmers and preserve the gains of the RTL.

We urge the proper implementation of the RTL to ensure that the temporary adjustment problems experienced by our rice sector will be mitigated. And we are sure that out from the birth pains, a new, vibrant and modern Philippine agriculture sector will emerge.

**AMERICAN CHAMBER OF COMMERCE OF THE PHILIPPINES (AMCHAM)**  
**BANKERS ASSOCIATION OF THE PHILIPPINES (BAP)**  
**FINANCIAL EXECUTIVES INSTITUTE OF THE PHILIPPINES (FINEX)**  
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