

# RICE INDUSTRY TOWARDS 100% SSL

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**NAPICEX<sup>20</sup><sub>15</sub>**  
National Plantation Industry Conference & Exhibition



## From Consumers to Farmers: Market Dynamics Perspective on 100% SSL

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# PREAMBLE

# Hundred percent Self Sufficiency Level (SSL) is desirable, but to whom...

1. Policy wise, 100% SSL is deemed desirable because:
  - The nation's food security is enhanced (psychologically)
  - Import bills on food would be reduced
  - Farmers' income would increase
  
2. But the market players do not really care where their rice is coming from, so long as they can make reasonable profit. They will not carry local rice if it results in a loss
  
3. And the consumers do not really care whether their rice is:
  - Grown locally
  - Imported legally, or
  - Smuggled illegallyas long as it gives them fair value

# Once achieved, can it be sustained...

1. Common approaches to achieve 100% SSL:
  - Opening new granary (against limited suitable land and competition for other uses)
  - Increasing yield (against historically almost static productivity growth)
  - Improving existing granaries (irrigation density)
  - Cropping intensity (double cropping and 5 crops in 2 years)
  
2. Sustaining 100% SSL can be more difficult (and more problematic) than achieving it, given:
  - We are high cost producer
  - Market players and consumers have no loyalty to locally produced rice
  - Our neighbors are major rice exporters

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- 1** Market Dynamics and Industry Stability
- 2** Supports and Interventions Across the Globe
- 3** Ensuring 100% Consumption

- 1 Market Dynamics and Industry Stability**
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# For farmers to plant paddy and the industry players to engage in local rice...

**Margin** is sufficient for farmers to continue planting paddy.

**Margin** depends on paddy price and production supports (subsidies).

## Farmers

## Rice Millers

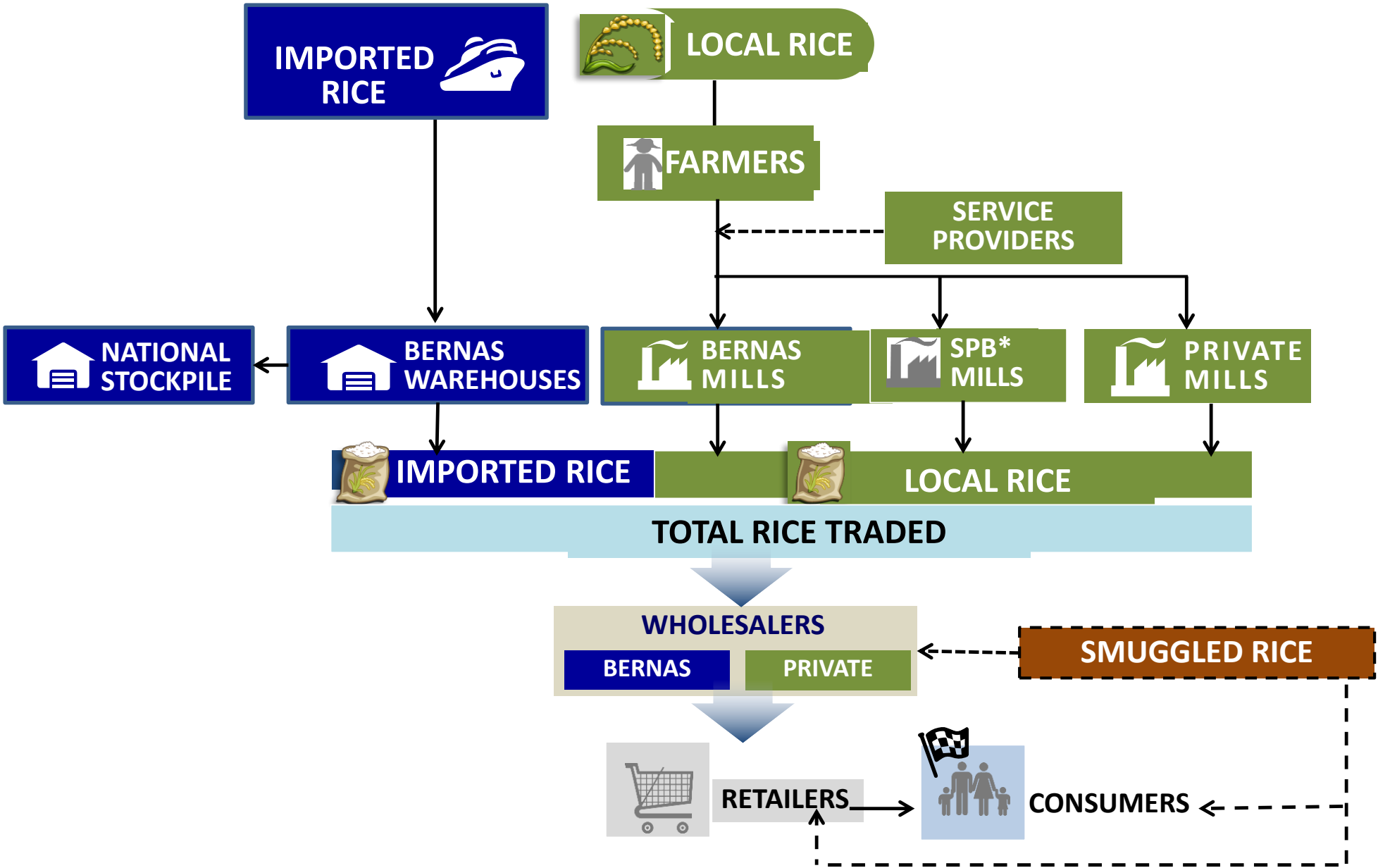
**Price** of paddy has to be sufficiently low to enable them produce competitive ex-mill price (wholesale price for rice mill) .

**Ex- mill price** =  
paddy price + rice conversion rate + processing cost + margin

## Distributive trade

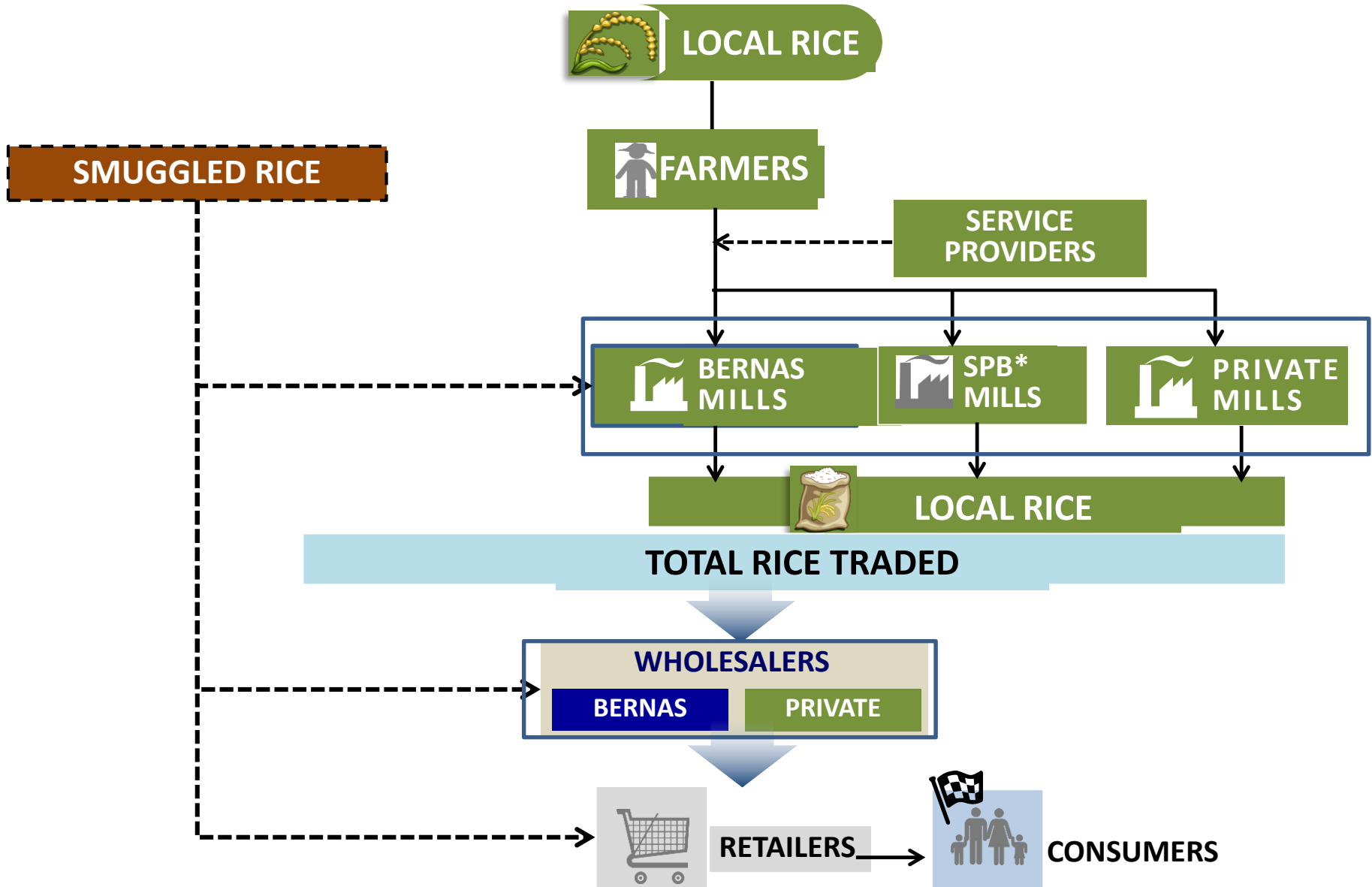
**Ex-mill price** has to be competitive against smuggled wholesale price.

# Currently, rice reach consumers via the followings





# With 100% SSL, the only alternative is smuggled rice



# GAP between FOB and local wholesale prices determines smuggling severity



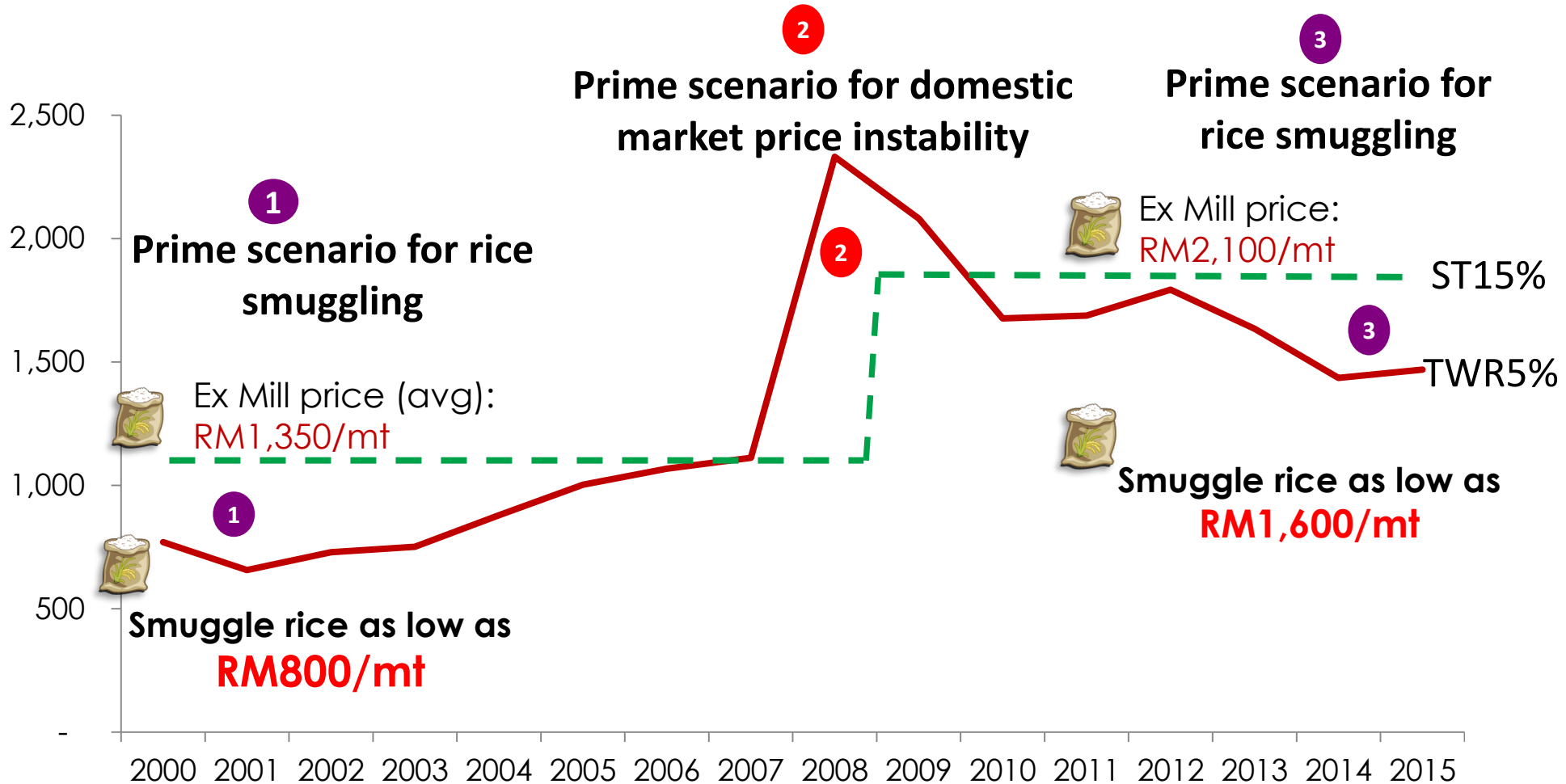
## \*Note:

- Local rice price increased substantially during 2008 crisis as paddy price shot upward
- Crisis over, paddy price remains high because of price standardization (RM1,200/MT), but leads to glut in paddy market

# Without intervention, market price for paddy (and local rice ex-mill) will follow international price fluctuation



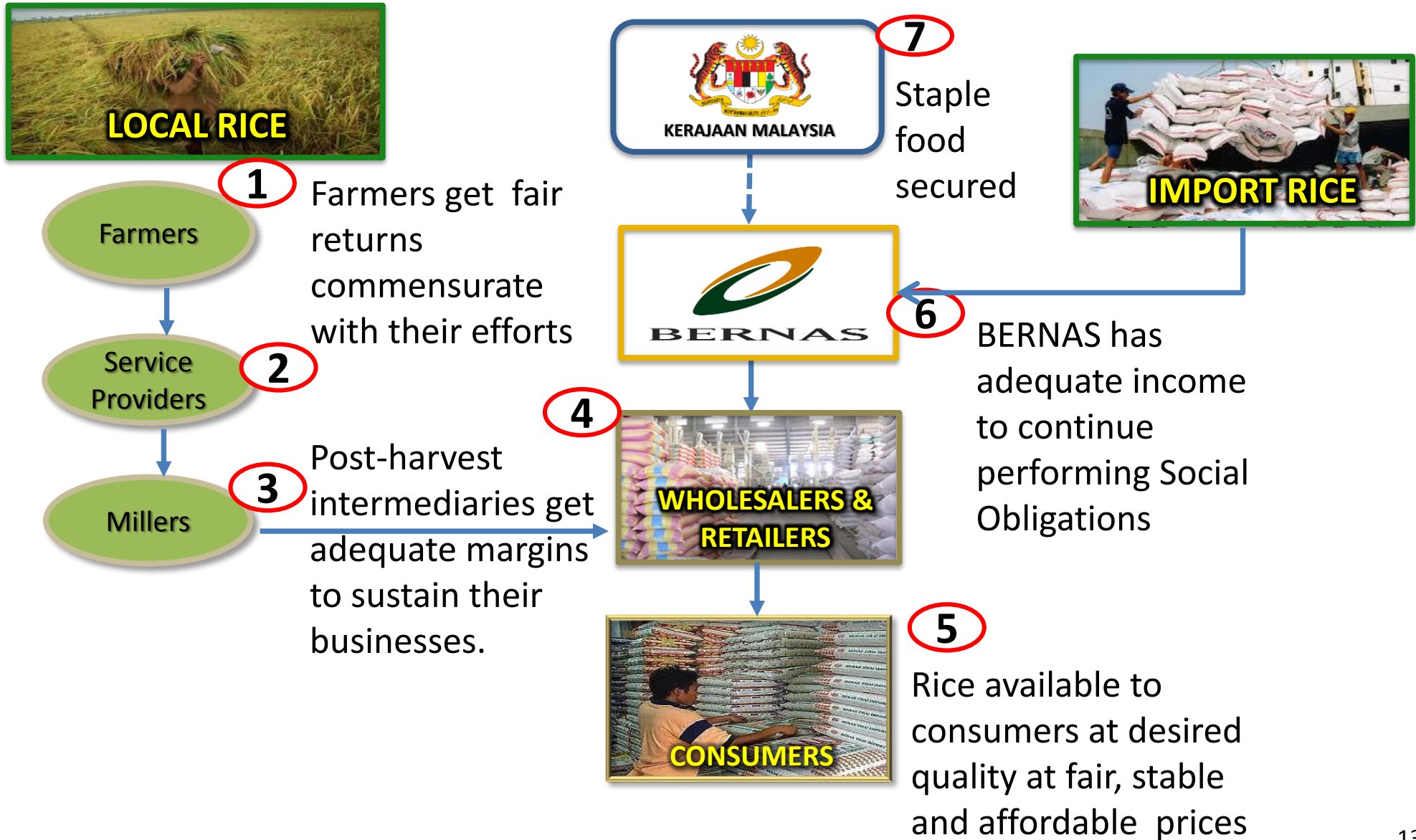
# But to protect farmers' income, we keep local ex-mill price stable amidst fluctuating international price



1 3 Market players avoid local rice

2 Market players compete for local rice

# Currently, the well being of the Industry is maintained when



# Instruments/approaches used to manage the Industry



- 1** Sufficient income
- Subsidy (output & input)
  - GMP & guaranteed market (BOLR)



- 2** Sufficient margin
- SPB & SUMK
  - BOLR by BERNAS
  - Competitive price



- 3**
- 4**
- 5**
- Price ceiling and price control
  - Variety of choice



- 7**
- Policies & Acts
  - Funding
  - Infra
  - Enforcement



- 6** Adequate income to continue perform Social Obligations

- Gate keeping role (import monopoly) to protect local rice from direct competition with imports
- Reasonable margin from import to perform required mandated duties:
  - ✓ Stockpile;
  - ✓ BOLR;
  - ✓ GMP;
  - ✓ SSHP;
  - ✓ SPB



# RM2.2 billion subsidies spent in 2014 to sustain the industry



**24%**  
**RM528 mil**

## Rice Subsidy



Consumer Rice  
Price Reduction

### RM528 million (GSR)

- GSR: Government Subsidized Rice
- Introduced in April 2008 as policy response to 2008 crisis
- Monthly quota is 60,000mt (cater about 30% of nations' rice demand).
- Millers given RM750mt subsidy for them to keep ex-mill price at RM1,350/mt ( instead of RM2,100/mt market price) to wholesalers (quota holders).



**25%**  
**RM560 mil**

## Output Subsidy



Cash

### RM480 million (SSHP)

- Skim Subsidi harga Padi / Paddy Price Subsidy Scheme
- Introduced in 1979
- Farmers receive RM248.10/mt (through e-banking) upon sales of paddy to registered mills.

### RM80 million (IPH)

- Insentif Peningkatan Hasil / Yield Improvement Incentive
- Introduced in 2006 but later discontinued in 2015
- Farmers receive incentive at the rate of RM650/mt for every 1% increase in the paddy production (based on 3 seasons average)
- 10mt/ha incentive. Farmers to receive additional RM650/mt upon achieving 10mt.



**51%**  
**RM1.1 bil**

## Input Subsidy



In Kind + Price  
Reduction (seed)

### RM465 million (SBPKP)

- Skim Baja Padi Kerajaan Persekutuan /Federal Paddy Fertilizer Scheme
- Introduced in 1952 by the Colonial Government

### RM563 million (SIPP)

- Skim Insentif Pengeluaran Padi /Paddy Production Incentive Scheme
- Introduced in 2008
- Farmers received based on hectareage cultivated

### RM85 million (IBPS)

- Insentif Benih Padi Sah/Certified Paddy Seed Incentive
- Introduced in 2007
- Open tender to Bumi Co. (registered MOF)
- Must own mill and machines to process certified seed
- Yearly quota 80k mt approved by MOA
- Certified Seed produces to sell to farmers, seed at a discounted price of RMRM1.40/kg (ex-mill), instead of RM2.43/kg market price) and they receive incentive of RM1.03/kg based on their product quota

# Even so, the local rice sector has been strained lately due to high paddy price and low FOB



Farmers

1 Farmers get fair returns commensurate with their efforts

Service Providers

2 Post-harvest intermediaries get adequate margins to sustain their businesses.

Millers

3 Those not involve in smuggling suffer



7 Staple food secured and sufficient SSL

4. Long term SSL at risk



6 BERNAS has sufficient profit to continue performs Social Obligations

2. BERNAS has insufficient income to perform Social Obligations due to lower import sales (losing out to smuggled rice)



1. Millers suffer inadequate margin due to high paddy price. Many cease buying paddy or limit purchase, leading to "glut" at BERNAS mills

5 Consumers have ready availability of rice of desired quality at fair and stable prices

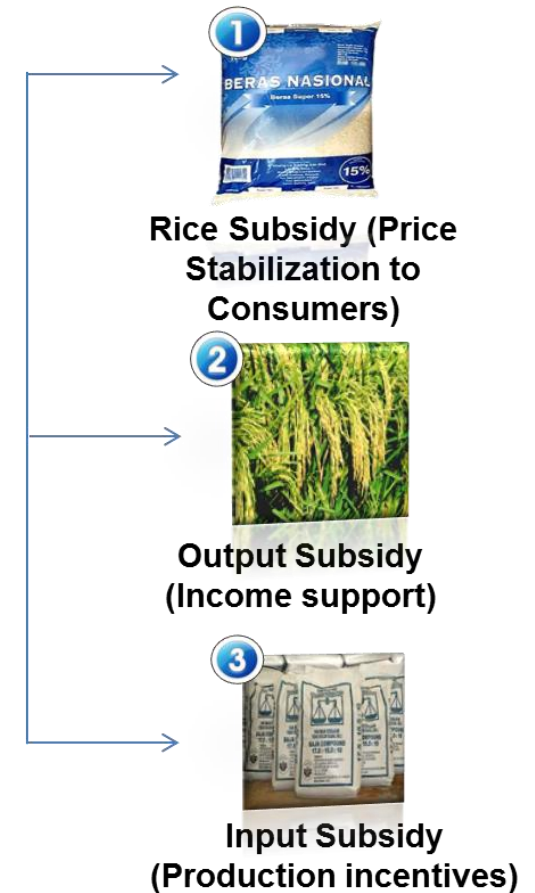


In short, although 100% SSL maybe desirable,



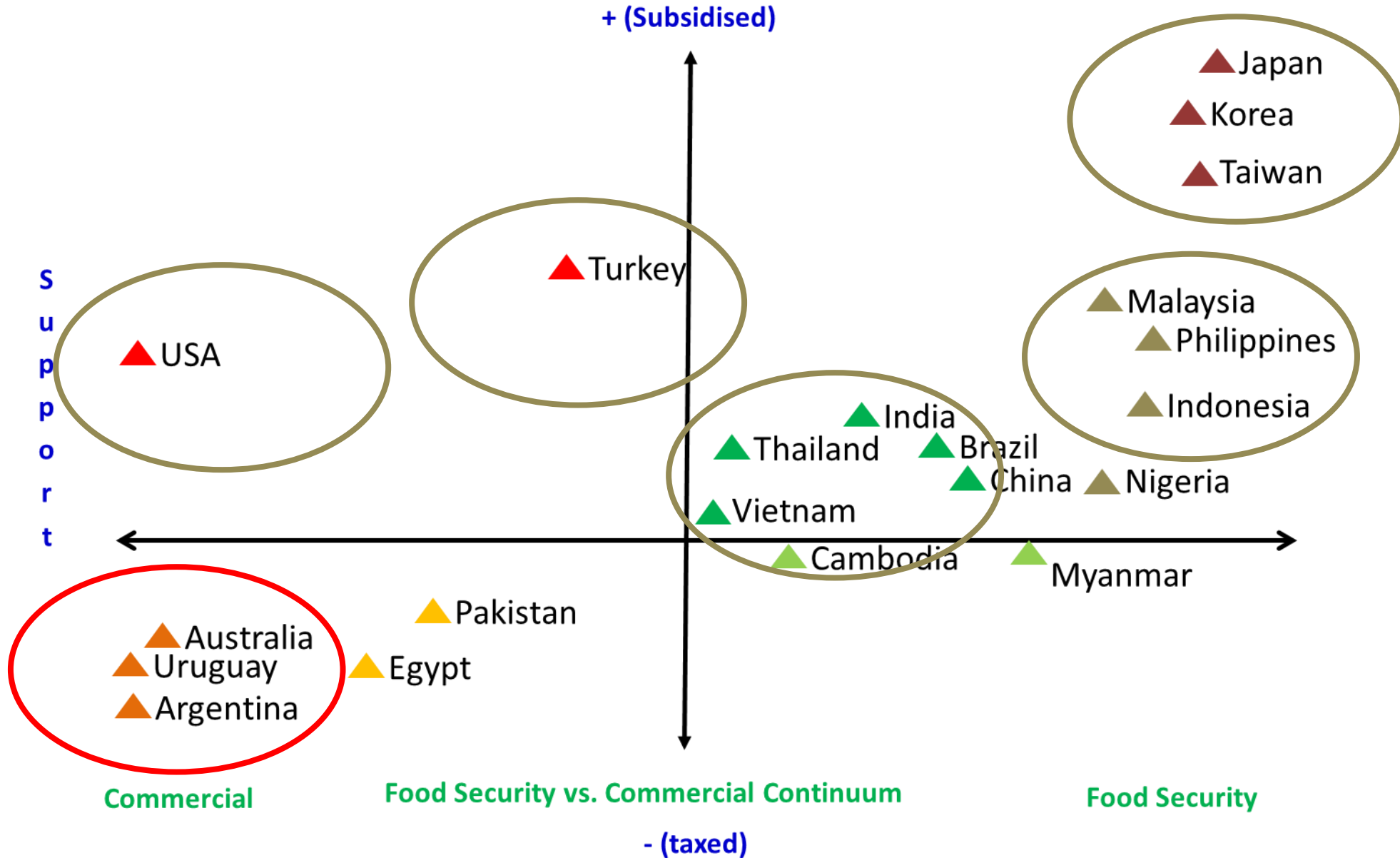
it will not come cheap

**PADDY AND  
RICE  
SUBSIDIES  
RMXX  
BILLION  
ANNUALLY**



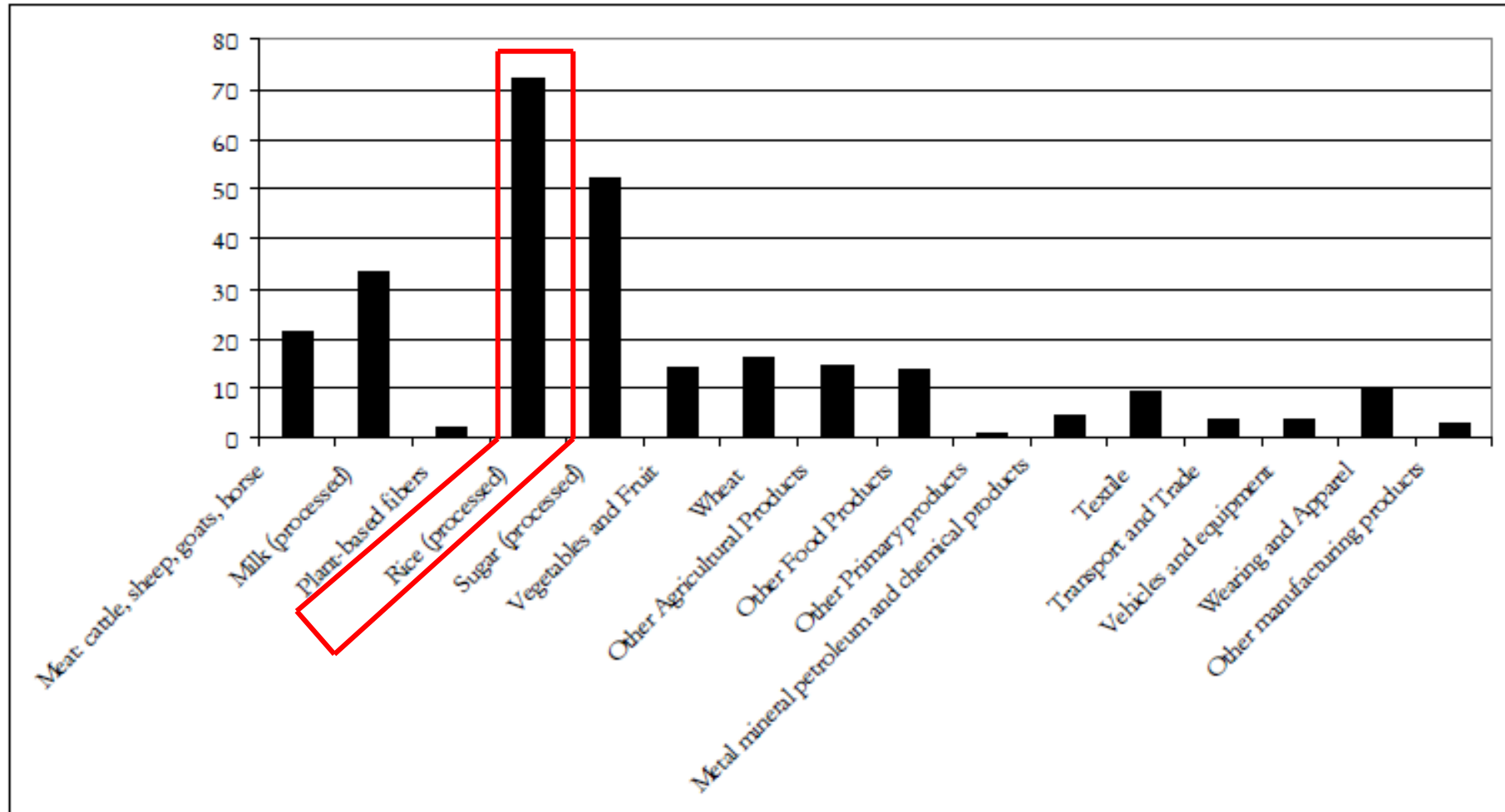
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# Supports for rice industry are prevalent across the globe, including countries where rice is not their staple grain



# Although not WTO compliant, Domestic supports and protection on rice is highest among all commodities

Figure 3—Protection by product - 2005



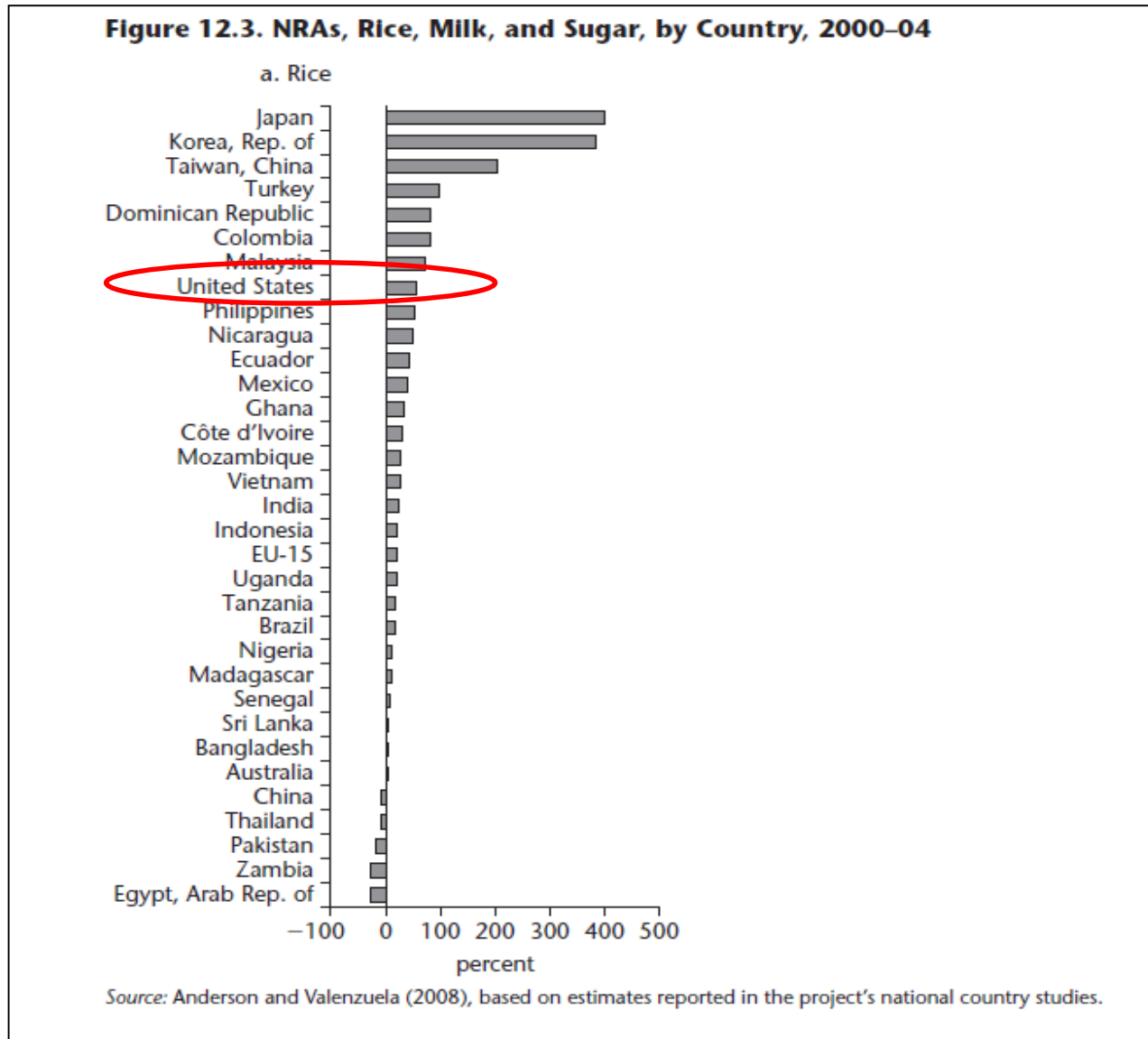
# Especially in more developed countries

Annex 4 —Initial pattern of protection – Reporting country / Product - 2005

	Meat: cattle, sheep, goats	Milk (processed)	Plant-based fibers	Rice (processed)	Sugar (processed)	Vegetables and Fruit	Wheat	Other Agricultural Products	Other Food Products	Other Primary products	Textile	Wearing and Apparel	Metal/mineral/petroleum	Vehicles and equipment	Other manufacturing products	Average
<i>Developed Asia</i>	21.5%	46.1%	0.2%	614.7%	139.5%	18.4%	79.8%									
<i>European Union - 25</i>	39.7%	47.0%	0.0%	138.6%	128.6%	17.9%	0.5%									
<i>Australia/New Zealand</i>	0.0%	0.9%	0.0%	0.0%	2.1%	0.5%	0.0%	0.1%	3.9%	3.2%	12.7%	16.8%	3.0%	4.9%	3.4%	4.8%
<i>Canada</i>	7.9%	103.2%	0.0%	0.0%	3.7%	2.1%	1.7%	1.1%	10.9%	0.1%	10.4%	13.5%	2.0%	1.7%	1.5%	3.4%
<i>Developed Asia</i>	21.5%	46.1%	0.2%	614.7%	139.5%	18.4%	79.8%	38.3%	15.8%	1.6%	6.0%	8.7%	2.5%	3.1%	1.5%	4.9%
<i>European Union - 25</i>	39.7%	47.0%	0.0%	138.6%	128.6%	17.9%	0.5%	7.5%	11.1%	0.1%	5.8%	7.1%	2.1%	2.2%	1.0%	3.2%
<i>Rest of OECD</i>	102.3%	88.1%	0.0%	13.3%	44.0%	31.5%	108.4%	32.9%	37.0%	0.2%	3.6%	2.7%	0.7%	0.5%	1.1%	4.3%
<i>USA</i>	1.7%	18.8%	1.6%	4.9%	34.9%	2.7%	2.4%	2.8%	3.7%	0.0%	9.0%	10.9%	2.1%	1.3%	0.6%	2.3%
<i>Argentina</i>	8.6%	16.8%	7.4%	12.2%	17.5%	10.4%	5.7%	7.4%	14.1%	0.8%	18.3%	19.7%	12.1%	12.8%	13.7%	12.5%
<i>Brazil</i>	6.0%	19.7%	8.8%	14.5%	17.5%	8.8%	4.6%	6.7%	13.3%	0.8%	18.1%	18.2%	10.7%	13.4%	12.5%	11.8%
<i>China</i>	9.9%	11.4%	1.1%	1.0%	19.8%	11.9%	1.0%	11.1%	15.5%	1.2%	11.3%	13.2%	7.9%	7.3%	5.4%	7.6%
<i>Developing Asia</i>	3.8%	5.5%	1.6%	16.8%	19.4%	10.1%	7.7%	20.5%	12.1%	1.4%	10.3%	7.5%	5.8%	6.4%	5.6%	6.5%
<i>India</i>	24.2%	51.4%	5.6%	72.8%	39.5%	41.4%	100.0%	46.1%	63.1%	19.5%	29.4%	32.7%	32.4%	25.3%	27.4%	31.8%
<i>Mexico</i>	14.3%	32.6%	5.2%	17.4%	20.8%	22.8%	28.2%	29.5%	29.9%	10.3%	14.5%	24.0%	9.3%	7.7%	10.6%	10.8%
<i>Rest of Americas</i>	10.3%	19.2%	5.1%	31.2%	29.4%	14.1%	5.9%	8.4%	16.5%	13.2%	11.7%	14.5%	8.1%	8.4%	10.0%	9.6%
<i>Rest of Middle East and North Africa</i>	26.4%	40.8%	3.7%	19.3%	30.7%	26.7%	17.1%	18.2%	21.7%	4.8%	14.3%	25.6%	7.4%	6.8%	8.6%	9.2%
<i>Rest of the World</i>	14.5%	27.4%	1.1%	9.6%	36.5%	20.3%	22.8%	7.5%	23.4%	2.5%	11.0%	16.3%	7.9%	7.4%	10.1%	8.9%
<i>Southern Africa Custom Union</i>	12.5%	38.3%	13.5%	0.0%	97.3%	7.3%	36.3%	9.6%	14.3%	0.3%	21.5%	31.3%	5.4%	6.2%	8.0%	8.2%
<i>Bangladesh</i>	17.7%	34.8%	0.2%	5.0%	25.2%	16.8%	5.0%	15.9%	26.5%	22.0%	29.7%	28.7%	16.8%	11.8%	21.8%	17.4%
<i>Rest of SubSaharan Africa</i>	16.9%	19.7%	6.1%	32.1%	23.1%	32.3%	10.6%	20.5%	33.4%	7.1%	29.4%	36.0%	15.4%	12.1%	19.9%	16.9%
<i>Zambia</i>	9.3%	13.8%	5.5%	4.9%	23.7%	16.7%	5.0%	8.0%	19.0%	7.3%	16.5%	24.4%	8.6%	11.0%	16.2%	11.8%
<b>Average</b>	21.4%	33.1%	2.3%	71.9%	52.2%	14.2%	16.1%	14.5%	13.9%	1.3%	9.5%	10.3%	4.4%	3.8%	2.9%	

Source: MacMap-HS6 and author's calculation.

# Even USA's support on rice is very high, although it is not their staple food, as NRA figure shows



NRA:  
Nominal  
Rate of  
Assistance

# And the testimony of their Agriculture Attache


In addition, USDA implements a number of programs to help rice producers manage risk and protect the environment. The legal framework for these rice-related programs, along with many other food and agricultural programs, is set through a legislative process that occurs approximately every 5 years. The resulting law, which guides overall U.S. agricultural production policy, is often referred to as the “Farm Bill” or “Farm Act.” The last such farm bill was passed in 2014. Under this legislation, rice producers can enroll in USDA crop insurance programs, which protect against adverse price movements and weather related risks. In addition, the 2014 Farm Bill includes a safety net provision whereby rice producers receive benefits should the annual national-average market price fall below a certain reference price. The Farm bill also includes several programs that provide compensation to farmers to take certain marginal lands out of production. This program protects wetlands, forests, and other conservation reserve areas. In addition, the legislation funds assistance to low-income consumers to guarantee they have access to safe and nutritious food, including rice.

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USDA’s Agricultural Research Service and U.S. Land Grant Universities are deeply involved in rice production research and extension. For example, the Universities of Arkansas, Kansas State and Louisiana State have leading rice research and development programs. The research done at these Universities are excellent examples of public-private partnerships, with the private sector often funding research and teaching programs. U.S. companies and producer Cooperatives that offer seed, fertilizer, crop protection systems, and equipment are also actively involved in providing rice farmers with information to enable them to make the best production and marketing decisions.

carbon emissions from key agricultural sectors. It aims to share and implement best practices for minimizing emissions of short-lived climate pollutants (SLCPs) from agriculture, consistent with broader climate change objectives, in ways that also enhance food security and livelihoods. Malaysia’s participation in the Coalition, and likewise, in the Global Alliance for Climate-Smart Agriculture, would help strengthen international efforts to address climate change and food insecurity challenges that...

Sincerely,  
  
Chris Rittgers  
Agriculture Attaché

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Chris Rittgers  
Agriculture Attaché

# Production supports are prevalent in all Asian countries

Table 5. Rice sector policies in Sri Lanka, 2011.

Table 6. Rice sector policies in China, 2011.

Table 7. Rice sector policies in Japan, 2011.

Table 8. Rice sector policies in South Korea, 2011.

Policy	Description
<i>Stock policy</i>	
Public stocks	Starting in March 2011, 150,000 tons of rice were released from government reserves to control increases in domestic prices.
<i>Production policy</i>	
Price support	The government supports farmers through the direct purchase of domestic milled rice under the PSSE. The government paid rice farmers an average price of \$1.54 per kilogram based on grade.
Direct income support	Eligible farmers receive an area direct payment of \$608 per hectare. Farmers not participating in the rice reduction program receive support of \$2,600 per hectare.
Area limit	The rice reduction plan will continue until 2012, with paddy plantings cut by 40,000 hectares. The government aims to reduce rice production by 200,000 tons annually.



# Including the exporting nations

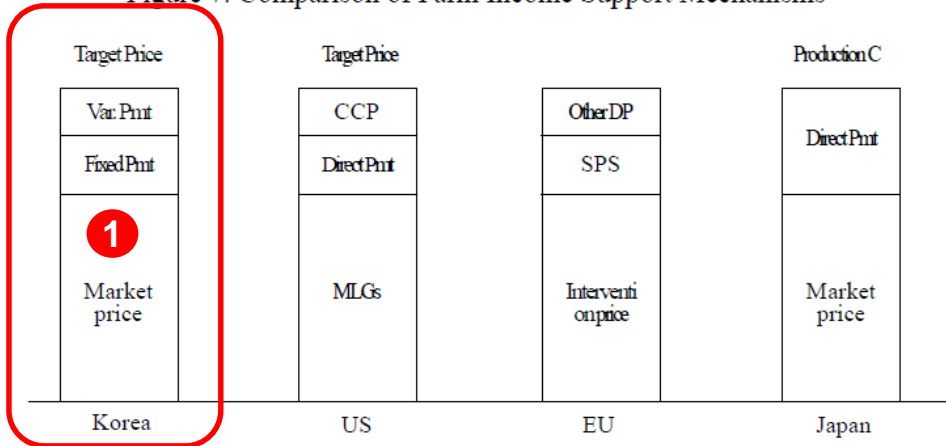
**Table 16. Rice sector policies in Thailand, 2011.**

**Table 2. Rice sector policies in India, 2011.**

Policy	Description
<i>Stock policy</i>	
Public stocks	Approval of one million metric tons of rice to be sold through open market operations.
<i>Production policy</i>	
Minimum support price	The minimum support price of common paddy is \$0.21 per kilogram, and \$0.22 per kilogram for grade A paddy.
Irrigation and electricity subsidy	Irrigation and electricity are supplied directly to farmers at prices below production costs. Consumption is unmetered for many agricultural users and is based on the horsepower rating of the water pump.
Machinery subsidy	Provision of a 50% subsidy for pump sets, seed drills, rotavators, knapsack sprayers, power weeders and rice transplanters. Power tillers are distributed at a 25% subsidy, subject to a maximum of INR 45,000.
Fertilizer subsidy	Also called NBS. This subsidy was implemented to give farmers incentives to use a better mix of nutrients and is based on the scheme that fixes a subsidy on nutrient nitrogen (N), phosphorus (P), potassium (K), and sulfur (S) contents.
Seed subsidy	Production of hybrid rice seed amounting to a subsidy of INR 2,000 per quintal or 50% of the cost.

# And direct payment to farmers is common in advanced nations

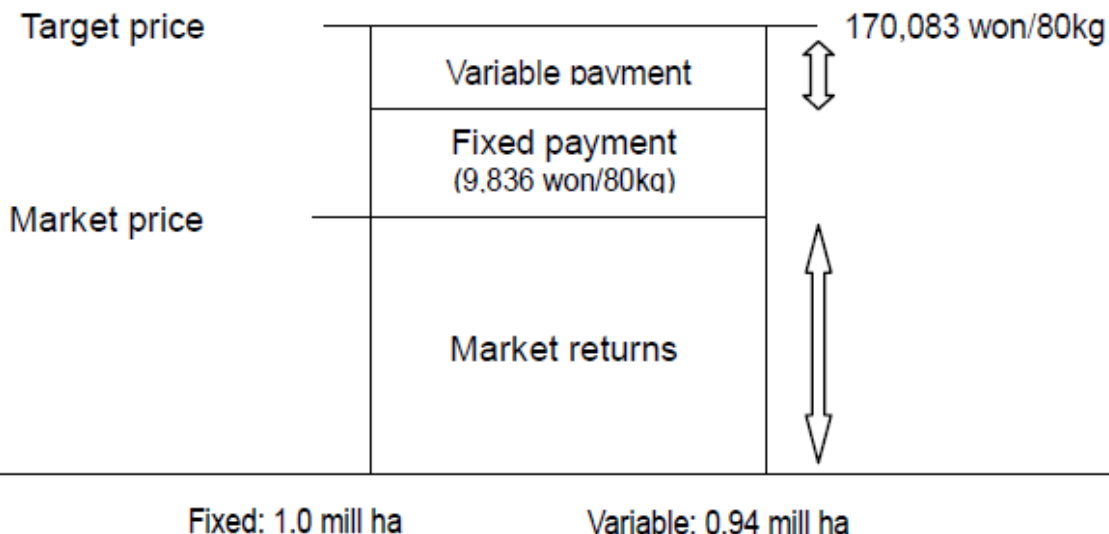
Figure 7. Comparison of Farm Income Support Mechanisms



- 1 • Direct payment above market price is common in advanced nations
- Korea model, introduced in 2005, would be closest to the stabilization fund proposed, because it has fixed and variable payments
- Fixed payment is likened to our input subsidies (fertilizer, etc.) and Paddy Price Subsidy Scheme
- Variable payment is akin to the proposed stabilization fund (on the production side)
- In Korea case, however, the payment is linked to farm management. Basically, farmer is eligible for fixed payment by planting paddy and caring for it. But to qualify for variable payment, he needs to meet precision farming criteria such as meeting standard for pesticide residues and comply with recommended use of chemical fertilizers.

1

Figure 5. Structure of the RIDP in 2005



# Aside from farmers' income support, consumers welfare is also common policy feature for food security

Table 7: Food Security Policy Matrix

Actions	National	Box 3.2: Social Safety Nets and Food Programs in Selected Developing Asian Countries
<b>Interventions to Meet Immediate Needs</b>	<ul style="list-style-type: none"> <li>• Provide emergency food assistance and enhance social safety nets</li> <li>• Offer programmed cash transfers</li> <li>• Target interventions at nutrition</li> </ul>	<p><b>Bangladesh</b> Bangladesh's food safety net program has moved from its colonial system, which involved obtaining supplies and distributing them to consumers in rationed quantities and at subsidized prices, to a more targeted approach that has been in use since the early 1990s. These include in-kind wages for manual labor in public works (Food-for-Work and Test Relief). Other major food transfer safety nets are the Vulnerable Group Development Program—targeting poor women—and feeding programs like the Vulnerable Group Feeding Program and a primary school feeding program. Bangladesh likewise has cash-based social programs such as the Primary Education Stipend Program and the Rural Maintenance Program, with the latter targeting women as well.</p> <p><b>India</b> In India, the central and state governments jointly run a marketing channel called the Public Distribution System (PDS) devoted solely to the distribution of subsidized food grain. This involves a network of private retailers called “Fair Price Shops” that distribute subsidized grains. These Fair Price Shops sell grain below market prices to consumers holding “ration cards,” each subject to a quota. Since 1997, subsidies are targeted depending on a household’s classification as “above poverty line,” “below poverty line,” or “poorest of the poor” by the Antayodaya Anna Yojana Program. The program cost is shouldered by the central government, except in cases where state governments cover beneficiaries in excess of central government estimates. Apart from the subsidy, India uses a cash transfer scheme—the National Rural Employment Guarantee Act—in which cash is distributed as wages from public works employment. Another cash transfer program targets those over 65 years old who are classified as below the poverty line.</p> <p><b>Indonesia</b> Indonesia’s major safety net programs are its Raskin rice subsidy program; a program providing free inpatient and outpatient care to households at primary health centers and hospitals; and a nonrecurrent cash transfer scheme, Bantuan Langsung Tunai (Direct Cash Assistance [BLT]), used in 2005 and 2008 to help households cope with fuel price increases due to fuel subsidy cuts. Other cash transfers exist in smaller social assistance programs targeting the poor, elderly, persons with disabilities, and youth. One is a conditional cash transfer scheme based on health and education-related conditionalities for household mothers and their school-aged children.</p> <p><b>Philippines</b> The Philippines’ rice price subsidy, run by the National Food Authority (NFA), is the largest food program in the country. Almost 90% of the rice under this program is sourced from external markets. During the food, fuel, and financial crises in 2008, when there were over 60 social programs in the country, the NFA subsidy accounted for 70% of the total social protection budget. While the rice price subsidy is largely untargeted—except in 2008, when only low-income households in Metro Manila could purchase subsidized rice—it is accompanied by smaller programs like the Tindahan Natin (Our Store) Program geared toward distributing food supplies to areas determined by a Food Insecurity and Vulnerability Information Mapping System. Among the many other social assistance programs are school feeding programs, where children attending accredited schools receive 1 kilogram (kg) of rice per day—and in selected schools, are provided breakfast. However, most work now is on the government’s newest and fast-expanding centerpiece program—a conditional cash transfer scheme (originally the Pantawid Pamilyang Pilipino (Filipino Family Assistance) Program [4Ps]). Begun in 2007 with a pilot group of 6,000 households, the program covered 2.3 million households by 2011, with a target of 3 million households by 2012. To qualify, households must: (i) be located in poor areas; (ii) be classified as poor through a proxy means test; (iii) have either a pregnant mother or at least one child aged 0–14; and (iv) meet conditions relating to education and health, such as 85% school attendance, health clinic visits, and deworming for children.</p> <p><small>Source: Jha, S., A. Kotwal, and B. Ramaswami. Forthcoming. The Role of Social Safety Nets and Food Programs. ADB Economics Working Paper. Manila: ADB.</small></p>

# Such as Fair Price Shop in India

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## India

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# Or RASKIN in Indonesia

Table 7: Food Security Policy Matrix

## Indonesia

Indonesia's major safety net programs are its Raskin rice subsidy program; a program providing free inpatient and outpatient care to households at primary health centers and hospitals; and a nonrecurrent cash transfer scheme, Bantuan Langsung Tunai (Direct Cash Assistance [BLT]), used in 2005 and 2008 to help households cope with fuel price increases due to fuel subsidy cuts. Other cash transfers exist in smaller social assistance programs targeting the poor, elderly, persons with disabilities, and youth. One is a conditional cash transfer scheme based on health and education-related conditionalities for household mothers and their school-aged children.

from the subsidy, India uses a cash transfer scheme—the National Rural Employment Guarantee Act—in which cash is distributed as wages from public works employment. Another cash transfer program targets those over 65 years old who are classified as below the poverty line.

## Indonesia

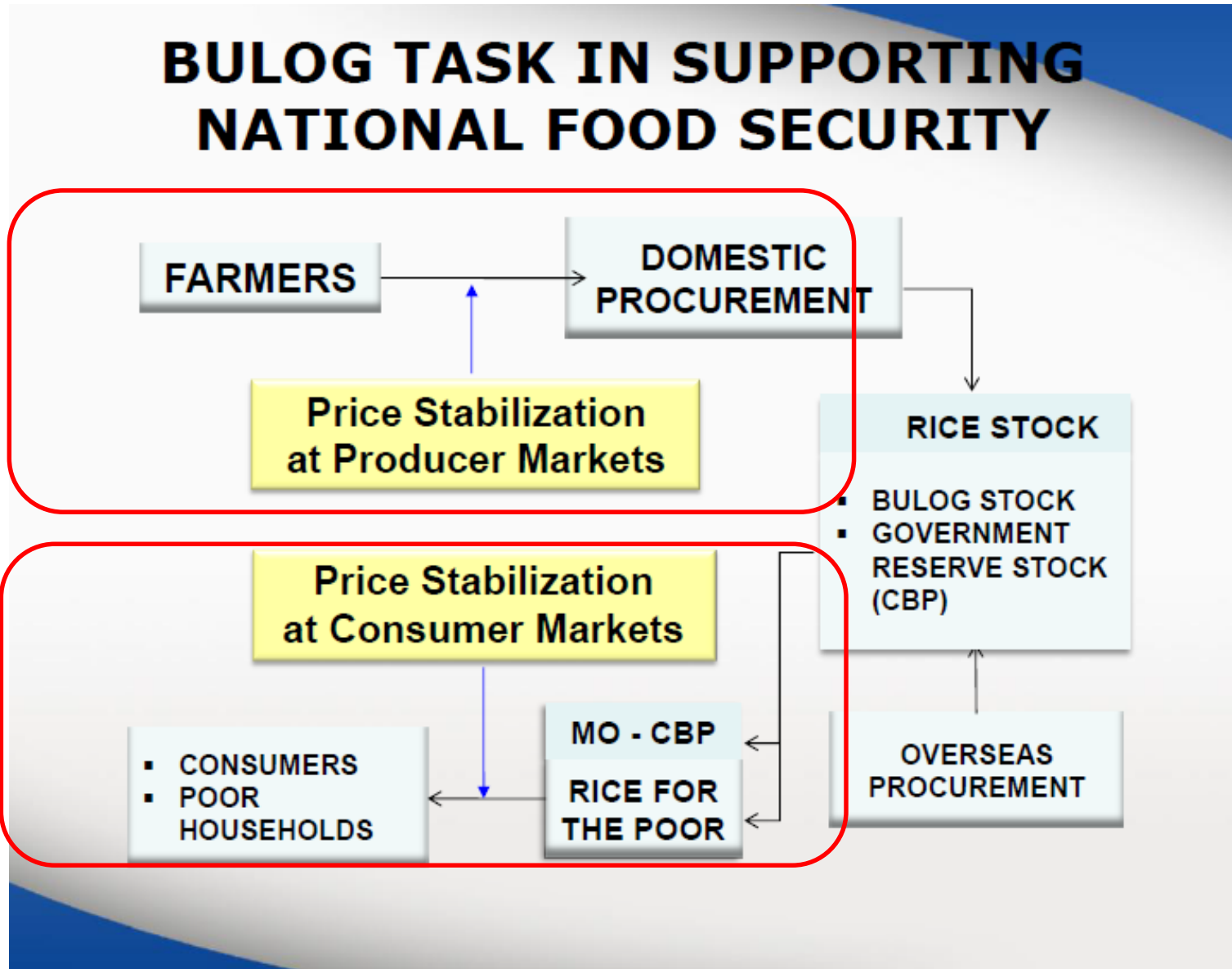
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## Philippines

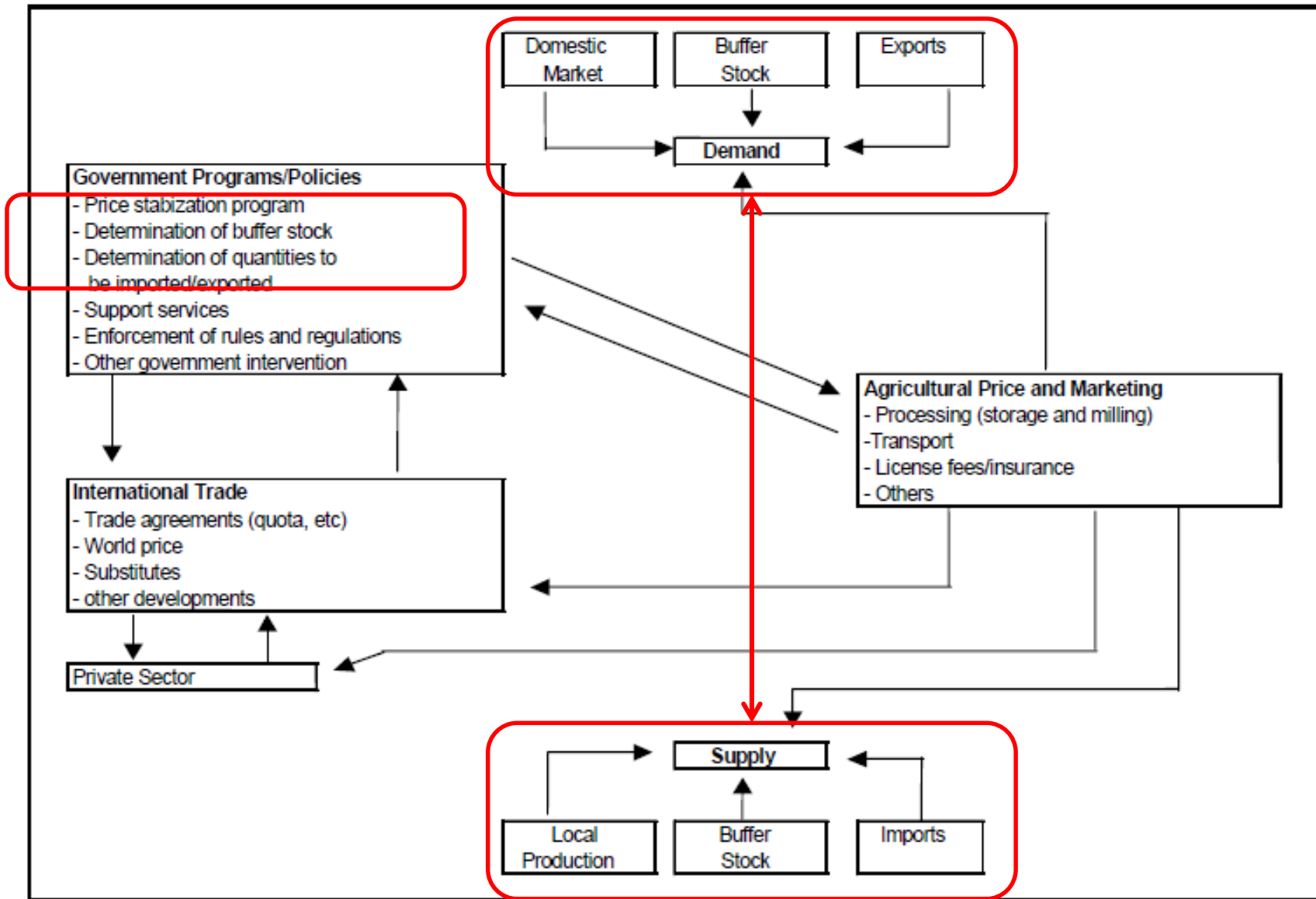
The Philippines' rice price subsidy, run by the National Food Authority (NFA), is the largest food program in the country. Almost 90% of the rice under this program is sourced from external markets. During the food, fuel, and financial crises in 2008, when there were over 60 social programs in the country, the NFA subsidy accounted for 70% of the total social protection budget. While the rice price subsidy is largely untargeted—except in 2008, when only low-income households in Metro Manila could purchase subsidized rice—it is accompanied by smaller programs like the Tindahan Natin (Our Store) Program geared toward distributing food supplies to areas determined by a Food Insecurity and Vulnerability Information Mapping System. Among the many other social assistance programs are school feeding programs, where children attending accredited schools receive 1 kilogram (kg) of rice per day—and in selected schools, are provided breakfast. However, most work now is on the government's newest and fast-expanding centerpiece program—a conditional cash transfer scheme (originally the Pantawid Pamilyang Pilipino (Filipino Family Assistance) Program [4Ps]). Begun in 2007 with a pilot group of 6,000 households, the program covered 2.3 million households by 2011, with a target of 3 million households by 2012. To qualify, households must: (i) be located in poor areas; (ii) be classified as poor through a proxy means test; (iii) have either a pregnant mother or at least one child aged 0–14; and (iv) meet conditions relating to education and health, such as 85% school attendance, health clinic visits, and de-worming for children.

Source: Jha, S., A. Kotwal, and B. Ramaswami. Forthcoming. The Role of Social Safety Nets and Food Programs. ADB Economics Working Paper. Manila: ADB.

# Supports at both ends are common, like our neighbor Indonesia



# And the Philippines



# We share many similarities in terms of policy

**1** Farmers' income support/subsidy

**2** Subsidy to consumers

**3** State trading

**4** Tariff/import duty/quantitative restriction

Table 14. Rice sector policies in the Philippines, 2011.

Policy
<i>Production policy</i>
Price support <b>1</b>
Input subsidy <b>1</b>
<i>Consumer policy</i>
Food subsidy for rice price <b>2</b>
<i>Import policy</i>
State trading <b>3</b>
Import duty <b>4</b>
Quantitative restrictions <b>4</b>
Minimum access volume

Table 12. Rice sector policies in Malaysia, 2011.

Policy	Description of policy
<i>Production policy</i>	
Minimum support price <b>1</b>	BERNAS buys paddy at a minimum support price of \$246.42 per ton
Machinery subsidy	

Table 11. Rice sector policies in Indonesia, 2011.

Policy	Description of policy
<i>Production policy</i>	
Fertilizer subsidy <b>1</b>	Farmers managing less than 0.5 ha of land receive only 40% of the subsidy. The total amount of organic fertilizer subsidy allocation is 835,000 tons (IDR 584,500 million).
Price support	\$0.59 per kilogram for rice; \$0.39 per kilogram for dry paddy.
Food subsidy for rice price increase <b>2</b>	Bulog sells subsidized rice to poor families at \$0.177 per kilogram. The market price for medium rice is \$0.813 per kilogram.
<i>Import policy</i>	
State trading <b>3</b>	Bulog purchases grain for price stabilization, delivers rice to the poor via the Raskin program, and manages food stocks.
Tariff <b>4</b>	The import duty on rice is \$50 per ton.

... to a minimum fee of P...  
 Importation of rice in...  
 duty-free importation is 350,000 tons.

The Philippines' minimum access volume for rice is 350,000 tons annually at reduced tariffs equal to 40%.



- 1 Market Dynamics and Industry Stability
- 2 Supports and Interventions Across the Globe
- 3 Ensuring 100% Consumption**

# Although never 100% self sufficient, we have come a long way in terms of SSL

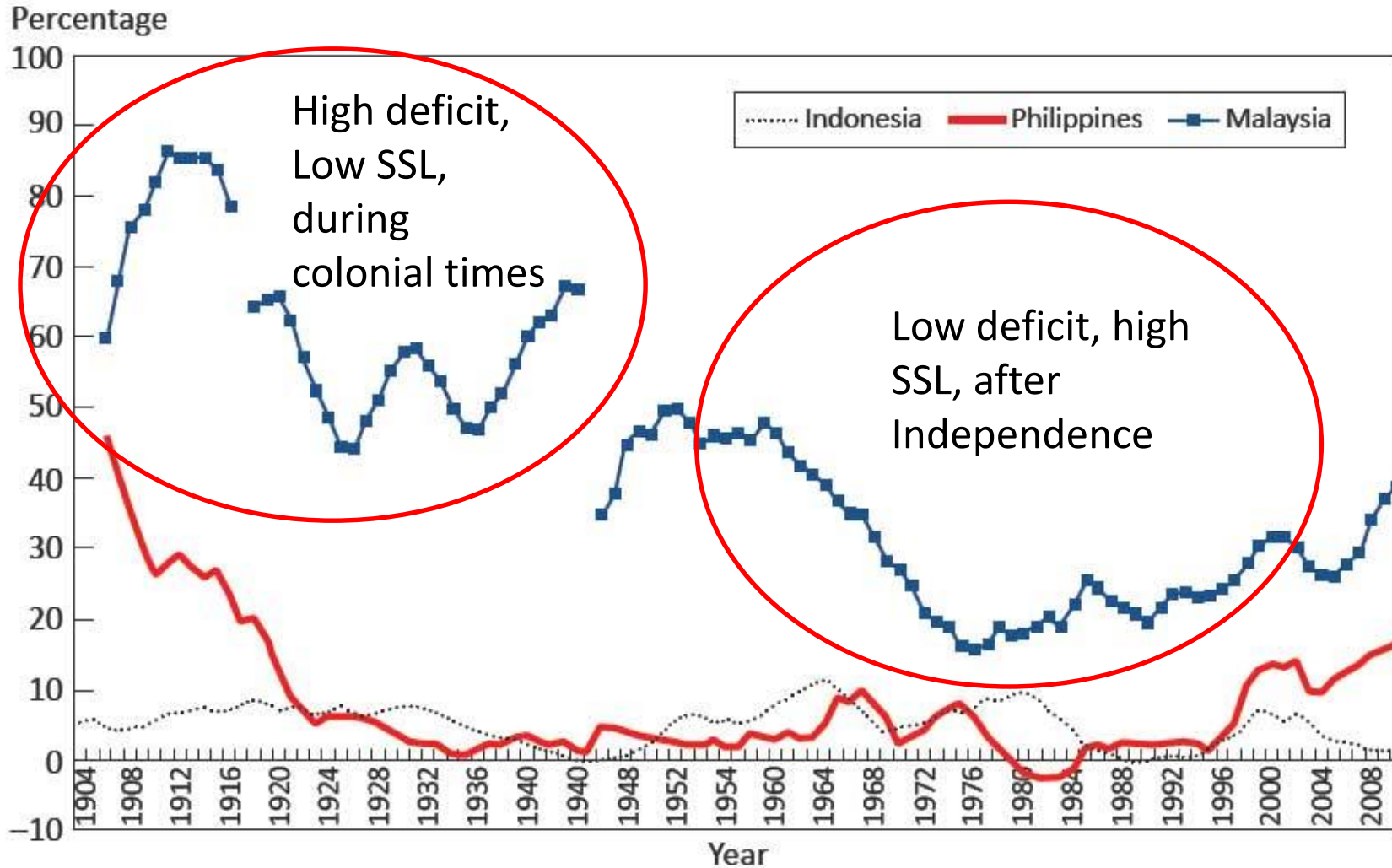


Fig. 2a. Net trade status, consistent rice importers, 1904-2010.

Although 100% SSL is going to be costly,

**PADDY AND  
RICE  
SUBSIDIES  
RMXX  
BILLION  
ANNUALLY**



**Rice Subsidy (Price  
Stabilization to  
Consumers)**



**Output Subsidy  
(Income support)**



**Input Subsidy  
(Production incentives)**

**it is not impossible if we  
are willing to pay for it**



# Including the cost to ensure that the 100% domestic production is matched with 100% domestic consumption

1. Competing for retail market, industry players will go for “alternative source” if local rice is too expensive
2. Huge production supports to encourage paddy farmers to continue planting paddy, as well as to keep paddy price low so that industry players would not resort to smuggled rice
3. In the event international price of rice is too high, rice subsidy need to be in place for consumer welfare

# Broadly, to ensure that what is produced will be also be consumed, the followings must be in place

## Line of Recommendation

## Benefits

## Effect

1

### Float Prices

- Realign Industry disequilibrium
- GMP to remain

Industry dynamics will be restored

Farmers' income and poor consumers may be affected

2

### Determine Safety Nets

- Determine the minimum level of income to farmers
- Determine the quantum of assistance to poor consumers

Farmers income preserved  
Poor consumers' welfare protected

Funding from Government required.

3

### Establish Stabilization Fund

- Activate income support to farmers when necessary
- Activate staple food assistance

Industry remains dynamics while both farmers and poor consumers are protected

Size of fund to be capped at reasonable level

# CONCLUDING REMARKS

# Why from consumers to farmers

1. Because what is produced must be consumed locally
2. Our rice is not competitive in the international market because our production cost is high
3. If we have to export the surplus not consumed by our consumers, it means we are subsidizing foreign nations

# Yes, we can go for 100% SSL, but is it worth the costs involved

1. To achieve 100% SSL is just a matter of putting more money, assuming land is no issue
2. But, to ensure all these rice reach the market is more tricky
3. What is important is not 100% self sufficient, but food security must be 100% guaranteed





**Thank you**