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## **A Public Policy Review: Evaluating RTL's Effectiveness on Lowering Rice Prices: a Local Perspective from the Countryside of the Philippines**

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### **Abstract**

This study evaluated the Rice Tariffication Law's (RTL) effectiveness in lowering rice prices. A sample of 100 respondents was selected through convenience sampling. Data were collected mainly through a questionnaire Google Forms disseminated to the targeted groups. The findings revealed that based on farmers' perspective, RTL has a less significant impact on the reduction of rice prices. The study also revealed the farmers' view on the main reason why the prices of rice remain high despite the implementation of RTL, and it is because of the high cost of inputs in rice production. The majority of the farmers suggested creating a new policy that focused on government support/subsidies, lowering the price of agricultural inputs, and establishing mechanisms to govern rice cartels to avoid price manipulation. It is recommended that the government should revise the current policies and programs of RTL to address the complexities of the rice market and consider the diverse needs of all stakeholders.

**Keywords:** Rice Tariffication Law (RTL), price of rice, agricultural inputs

### **1. Introduction**

The rural areas of the Philippines are essential for the country's development, as they are home to a significant portion of the population and contribute significantly to agricultural production, food security, and overall economic growth. Public policies targeting the countryside are crucial in promoting rural development, reducing poverty, and achieving inclusive growth. However, there is a need for a review and analysis of these policies to assess their effectiveness, identify gaps, and provide recommendations for improvement.

Furthermore, the agricultural sector, predominantly based in rural areas, provides employment opportunities and contributes to the country's overall economic growth (Philippine Statistics Authority, 2021). Thus, examining the policies designed to support the countryside becomes imperative for sustainable development.

Rice holds the utmost significance among all crops in the Philippines, serving as a primary source of livelihood for millions of Filipino farmers. Given its profound political importance, the government plays a substantial role in overseeing and crafting policies for both the procurement and distribution of rice, ensuring that consumers have a sufficient and steady rice supply at low prices (Cororaton, 2004).

In March 2019, the Philippines promulgated the Rice Tariffication Law (RTL or Republic Act No. 11203) a policy reform that abandoned the quantitative restrictions on rice import with a purely tariff system (Philippine Rice Institute, 2019). It was recommended by the Duterte administration to lower the price of rice with high supply through unlimited importation. The government adopted the Rice Competitiveness Enhancement Fund (RCEF) which was supposed to generate excess tariff income for programs to help farmers and will address the needs of consumers for low-cost rice (Dela Peña, 2022).

Socioeconomic Planning Secretary Chua, emphasizes that the RTL aims to make rice affordable for all 110 million Filipinos, particularly alleviating the financial burden on the poor, who allocate up to 30 percent of their food budget to rice. He said that to address potential adverse effects, the government has implemented safeguards during the transition period. Sec. Chua highlights the transformative impact of rice tariffication, enabling competitive farmers, with support from RCEF, to reduce production costs to as low as 5 to 6 pesos per kilo, or roughly the same cost to levels comparable to neighboring countries. (National Economic and Development Authority, 2020).

After the RTL was implemented, the price of rice was expected to become lower given the high supply brought by the unlimited importation. However, it appears that achieving the goal of RTL has proven to be challenging, as the average price of rice has shown an upward trajectory over the years.

According to the previous study, RA 11203 has already been blamed for adverse impacts on palay farmers owing to a decline in palay prices. Last February 2022, the Kilusang Magbubukid ng Pilipinas (KMP) said it was the right time for RTL to be repealed. They emphasized that since its implementation, the legislation has severely harmed the local rice industry and the nation's food self-sufficiency.

In a press release last August 2023, Risa Hontiveros, a Philippine senator, has linked the soaring rice prices to what she perceives as ineffective leadership within the Department of Agriculture (DA) and the National Food Authority (NFA) leading to problematic policies and agricultural supply challenges. Hontiveros called for a re-evaluation of the impact of the Rice Tariffication Law, considering the current scenario with low imports, local production, and restrictions on NFA rice imports. She previously introduced Proposed Senate Resolution (PSR) 70 to scrutinize the RTL and its consequences, and PSR 152 to implement 'emergency measures' to mitigate the economic strain on farmers (Senate of the Philippines, 2023).

Policymakers are keen to find out whether the policy has had an unacceptably high cost, compared with offsetting benefits to consumers.

The general aim of this paper is to evaluate the effect of RTL in lowering the prices of rice in the domestic market. Specifically, the study aims to determine the issues and other factors involved in why the prices of rice remain high despite the programs implemented by RTL. Assess the impact of RTL, the gaps, and its outcomes. Provide information and recommendations based on

local farmers’ perspectives about possible programs and policies that can be aligned in the implementation of RTL.

**2. Methodology**

The researchers will employ a descriptive approach in this study. This method will be used to assess the issues and other factors involved in why the prices of rice remain high despite the programs implemented by RTL, from the perspective of farmers. The research will focus exclusively on rice farmers as respondents. The researchers will select a sample of one hundred (100) farmers from San Jose City, Nueva Ecija, based on their availability and willingness to participate, thus utilizing convenience sampling. This approach is chosen because not all farmers are consistently accessible, ensuring the collection of valuable insights. The researchers will provide a questionnaire through Google Forms that will be distributed to the targeted group. It will be used to easily reach and get data from the respondents, as well as, compile and analyze results. The questionnaire devised by the researcher involves items based on the problems of the study. This is to obtain the desired information needed for the completion of this research.

**3. Results and Discussion**

Table 1. How does the Rice Tariffication Law or RTL affect the reduction of rice prices?

<b>SIGNIFICANCE</b>	<b>FREQ</b>	<b>%</b>
Significant impact on the reduction of rice prices	11	11
Less significant impact on the reduction of rice prices	75	75
No significant impact on the reduction of rice prices	14	14

The data indicates that the majority of surveyed farmers believe that the Rice Tariffication Law has had a limited impact on reducing rice prices. Many of them reported that their incomes decreased when the program was initiated, while the price of rice continued to increase. Achieving the intended goal of RTL has become increasingly difficult due to numerous obstacles in its implementation, including supply chain inefficiencies, market volatility, and both local and global crises. While the primary objective of rice tariffication is to reduce rice prices for consumers, it doesn't consistently lead to immediate price reductions, and not all consumers may benefit from this policy. Ensuring that the policy effectively results in lower prices for the average consumer can be challenging.

The respondents were asked about their opinion on the reasons why RTL’s inability to move down the rice prices and the result is shown in Table. 2

Table 2. Reasons why RTL is unable to reduce the price of rice in the market

<b>REASONS</b>	<b>FREQ</b>	<b>%</b>
Fluctuations in global rice prices influence local prices	51	51%
Insufficient and unsteady supply of imported rice	15	15%
High cost of inputs in rice production	66	66%
No policies for the rice cartels that control the rice trade	44	44%

Of the 100 respondents surveyed, half (51%) expressed the view that fluctuations in global rice prices significantly impact local prices, which contributes to the Rice Tariffication Law's (RTL) inability to reduce rice prices in the local market. This reliance on rice imports can exert upward pressure on local rice prices, particularly when international rice prices surge.

Fifteen respondents believed that the insufficient and unreliable supply of imported rice is another factor hindering the RTL's ability to lower rice prices. This issue can lead to shortages and subsequent price spikes in the local rice market when exporting countries face crises or external conflicts and local rice production is low.

The majority of respondents, specifically 66 out of 100, identified the high cost of inputs in rice production as the primary reason for the RTL's limited success. They pointed out that the overall increase in the cost of rice production results in reduced profit margins or even losses, making it challenging to sell rice at lower prices. These high input costs don't only affect farmers but also have ramifications for traders and middlemen within the supply chain. An increase in the costs of processing and transporting rice from farmers to consumers can, in turn, lead to higher retail prices, offsetting the RTL's intended price reduction effects.

Lastly, less than half of the respondents (44 out of 100) believed that the presence of rice cartels that control the rice trade is a key reason why the RTL struggles to lower rice prices. According to the farmers, these traders impose significant burdens on the cost of farm inputs, charge high-interest rates on loans provided to farmers, and purchase farmers' products at exceptionally low prices while imposing substantial marketing expenses.

Table 3. To what extent does the implementation of the RTL and its programs (Rice Competitive Enhancement Fund) impact your situation?

<b>IMPACT</b>	<b>FREQ</b>	<b>%</b>
Highly impacted and highly helpful	15	15
Highly impacted but not helpful	81	81
Not impacted and not helpful	4	4

Among the respondents, 15 percent expressed significant positive impacts from the Rice Tariffication Law (RTL), particularly through the Rice Competitiveness Enhancement Fund (RCEF). They cited that RCEF provided them with free seeds and fertilizers, substantially reducing production costs. Additionally, the program offered financial assistance and valuable training opportunities to further improve their yield and taught them efficient farming practices. However, the majority of the respondents (81 out of 100) reported that while they felt significantly affected by the RTL program, they did not find it particularly helpful. The primary reasons cited were inadequate subsidies and limited program recipients, resulting in unequal distribution of RCEF benefits. Furthermore, the rising prices of farm inputs continued to strain their revenues, and issues related to rice cartels or major millers manipulating trade prices added to their challenges. These collective issues translated into low purchasing prices for palay, causing significant losses for farmers and contributing to elevated rice prices due to the high cost of production. A smaller portion of the respondents (4 out of 100) felt that the RTL program had neither a positive nor negative impact on their circumstances.

Table 4. What do you think are the solutions to reduce the current price of rice?

<b>SOLUTIONS</b>	<b>FREQ</b>	<b>%</b>
Reduce the price of farm inputs and other rice production costs	62	62
Provide subsidies in the form of farm inputs such as fertilizers, seeds, etc., on time (before land preparation).	53	53
Enact policies against the Rice Cartel that influence the market price of rice	49	49
Decrease rice tariff levels	8	8
Repeal the RTL	2	2
Reduce importation of rice and focus on local production	1	1

A majority of the surveyed respondents, accounting for 62 percent, have suggested that reducing the prices of agricultural inputs and minimizing other expenses associated with rice production would be a beneficial step. They mentioned that affordable farm inputs will benefit almost all the players in the value chain resulting in lower prices of rice. On the other hand, 53 percent of the respondents have urged the timely provision of farm subsidies, receiving it late will be non-beneficial as they cannot utilize it on their farms.

Moreover, a substantial 49 percent of the participants have emphasized the importance of implementing policies to combat the rice cartel, aiming to foster fair and competitive market conditions. Their grievance emphasized that these rice cartels bought palay at a very low price by justifying that the cost of milling and logistics is high plus the supply of rice is overstocked due to a large number of imports.

A smaller proportion of 8 percent has recommended lowering the existing rice tariffs to further boost the supply of imported rice to make the price of rice competitive. In comparison, 2 percent have proposed repealing the RTL as they can only see adverse impacts from it. Lastly, 1 percent has advocated for reducing rice imports in favor of bolstering domestic rice production.

Table 5. What are your recommendations for improving RTL?

<b>RECOMMENDATIONS</b>	<b>FREQ</b>	<b>%</b>
Create a mechanism or policy that can protect farmers from sudden price drops in rice	53	53
Provide more support for the local production of rice	50	50
Change or improve the level of rice tariffs based on the state of the market	38	38
Repeal the RTL and create another policy	1	1
Do not change current policies	1	1

Fifty-three percent of the survey participants have recommended the establishment of a protective mechanism or policy to shield farmers from abrupt fluctuations in rice prices. Furthermore, an equal 50 percent of respondents have called for increased support for the enhancement of local rice production.

Additionally, 38 percent have expressed the need to adjust and refine rice tariffs according to the prevailing market conditions. In a more distinct divergence of opinion, one respondent has advocated for the repeal of the current RTL in favor of drafting a new one, while another respondent stands in favor of maintaining the status quo and retaining existing policies.

#### **4. Conclusion and Recommendations**

Based on the results of the study, the researcher concluded that, from the farmers' perspective, RTL has a less significant impact on the reduction of rice prices and the high cost of inputs in rice production is the primary reason for RTL's limited success. While some respondents found positive impacts from the RTL, particularly through the Rice Competitiveness Enhancement Fund (RCEF), the majority did not consider it particularly helpful due to inadequate subsidies and unequal distribution of benefits. The top three solutions suggested by farmers to address the challenge of reducing rice prices in the market are new policies focused on government support/subsidies, lowering the price of agricultural inputs, and mechanisms to govern rice cartels. When asked about their overall perception of the RTL, farmers expressed mixed views. However, a prevailing sentiment of negativity towards the RTL emerged, with many farmers feeling that they have suffered more than they have benefited from the policy. Based on the findings and conclusions, the researchers recommend that the Rice Tariffication Law be reviewed again to make necessary amendments that are suitable to address the complexities of the rice market and consider the diverse needs of all stakeholders. Balancing the interests of both consumers and rice farmers is essential for the successful implementation of the revised policy toward achieving its ultimate goal of reducing rice prices.

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