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## RICE POLITICS IN THE PHILIPPINES: ENSURING ADEQUATE SUPPLY AND AFFORDABILITY





# RICE POLITICS IN THE PHILIPPINES: ENSURING ADEQUATE SUPPLY AND AFFORDABILITY

This research on rice politics examines the interplay between political decisions and economic realities in managing rice supply and pricing in the Philippines, highlighting its significance as the country's staple food. It critiques unsustainable programs like the twenty pesos per kilo rice initiative and explores the inefficiencies of past policies, such as the National Food Authority's monopoly on rice imports. The study advocates for improved farm productivity, strategic trade policies, and sustainable interventions to ensure affordable rice for Filipino consumers. Ultimately, it underscores the need for informed governance to address food security challenges effectively.

Rice is a political commodity in the country as it serves as the staple food of the Filipinos. Thus, how the government manages its supply and price (hence, its affordability) usually invites decision-making based largely on political considerations rather than sound economics.<sup>1</sup>

There are two recent events that prove this point.

One is the launching of the program selling rice at PHP20 per kilo, initially in selected provinces in the Visayan region. This program is touted by the government as the fulfillment of the President's promise of bringing rice price at the very affordable level of PHP20 per kilo, which he made during the presidential campaign in early 2022.

And two, is the claim of the Palace Press Office and Undersecretary Claire Castro that the government is contemplating to restore the National Food Authority's (NFA) power to import rice to better manage its supply with the aim of bringing prices down. She even blamed Senator Cynthia Villar, the main author of the Rice Tariffication Law (RTL), as the villain in frustrating the achievement of this goal.<sup>2</sup>

It should be recalled that the RTL removed the power of the NFA to import rice and assigned that role primarily to the private sector. The RTL's amended version, Republic Act No. 12078, which was passed in 2024, also did not restore the NFA's import authority despite strong lobbying by stakeholders close to the administration.

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## POLITICKING

Ostensibly, the decision to implement the PHP20 per kilo of rice smacks of politics. First, the announcement to launch the PHP20 per kilo rice program happened close to the May 12 midterm election,<sup>3</sup> wherein recent polling survey shows a surge in the popularity of senatorial candidates belonging to the Duterte camp.

Second, it was planned to be initially implemented in the Visayas, a region identified with the former President Rodrigo Duterte. Davao is a Visayan-speaking region as most of the Mindanao provinces. They have closer affinity to the former president considering that he proudly proclaims himself as a Visayan.

And third is the dramatic decline in the President's approval rating, which is now down to 25%. Among the C, D and E classes, a major factor that is undermining the President's credibility is his unfulfilled campaign promise of bringing rice price down to PHP20 per kilo. When the issue is raised among people in these classes, the instinctive response is "*nabudol kami*" (we were duped).

## UNSUSTAINABLE

The PHP20 per kilo rice program does not make economic sense and is not financially sustainable.

Our total national rice consumption is around 16 million metric tons (MTs), with a daily average national consumption of around 35,000 MTs. Local production can only meet around 13 million MTs of the demand. This explains why we need to import more than 3 million MTs of our rice requirement.

It is expected that rice imports will continue to increase if our population growth rate remains at around 1.3-1.5% annually while

our palay production growth rate stays at just 1% or even lower when natural calamities hit our rice-growing areas.

The NFA palay procurement price is PHP20 per kilo,<sup>4</sup> though the prevailing market price is now around PHP14-15 per kilo because of ample palay supply. Two kilos of palay are needed to produce a kilo of rice at the retail level, where the price includes the cost of palay, drying, milling, transport, and margins of wholesalers and retailers).

Thus, the actual price at the retail level, if the NFA bought it at PHP20, should be PHP40 per kilo. Every rice sold at PHP20 means that the government will lose or shoulder the cost of PHP20.

The Department of Agriculture (DA) claimed that the NFA has stocks of around 350,000 MTs. Converted into kilos, it translates into 350 million kilos. If the NFA disposes all these stocks, it loses PHP7 billion based on a deficit of PHP20 per kilo.

Will this intervention impact the rice market by bringing prices down?

The rule of thumb in economics is for a player to impact the market, it has to control at least 10% of total supply. Based on an annual consumption of 16 million MTs, the government should have stocks of at least 1.6 million to dispose. The current stocks in the hands of the NFA, which is 350,000 MTs, is way off the mark. One needs to multiply the stocks five times for the government to be able to control at least 10% of total demand.

For that to happen, the NFA will need a budget of around PHP45 billion, given that its previous budget of PHP9 billion is only good in the procurement of 300,000 MTs of rice. This budget is bigger than the budget of a number of our government agencies. Sadly, half of this budget, assuming rice is sold at the PHP20 per kilo, will automatically be treated as a loss.

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LGUS AND DISTRIBUTION ISSUE

Media reports noted that local government units (LGUs) in the Visayas will equally shoulder the loss. Visayan provinces seem to have a lot of extra cash to spare for this program. However, a news story released on April 16 in one of the morning dailies<sup>5</sup> reported that the NFA was complaining that only a few LGUs are buying rice for distribution to their poor constituents despite significantly lower prices offered by the agency. If this is indeed true, isn't this an indication that LGUs do not have surplus funds at their disposal?

Cebu might have because of the higher internal revenue allotments (IRAs) it receives, but the province is an exception to the rule particularly when one is comparing it to the poverty-stricken provinces in Eastern Visayas (Samar and Leyte).

But the more important concern is who are going to be the recipients of the highly subsidized price? Will the distribution be the same as the one involved in the AKAP (*Ayuda para sa Kapos ang Kita* Program) wherein the determination of the beneficiaries was done by politicians?

Why not just utilize the validated beneficiaries of the 4Ps (*Pantawid Pamilya Pilipino* Program) to ensure that the benefits of the subsidized rice really reached the poorest of the poor? Or will the PHP20 rice program be used again by politicians to reward their supporters?

RESTORING THE NFA'S IMPORT AUTHORITY

Once the NFA's stocks of 350,000 MTs is exhausted, the agency will encounter operational difficulties replenishing it because it has to source its supply from local palay farmers, as provided for by the RTL. The NFA does not have enough manpower to buy palay from millions of small farmers and adequate drying and milling capabilities.

It is within this context that the government is contemplating restoring the authority of the NFA to import rice. It will facilitate replenishing the agency's stocks meant to respond to emergency situations. The government also claims that giving back the NFA's authority to import will allow the agency to intervene in the market and stabilize prices. This means the NFA will once again perform its pre-RTL price stabilization function.

But one will recall that for almost half a century, the NFA and its predecessor, the National Grains Authority, enjoyed monopoly power over rice importation, including the decision on whether to allow or not rice imports by the private sector. The results were nothing but a disaster,<sup>6</sup> among which were:

- a. Rice productivity remained low, averaging an annual growth rate of only around 1.4% from 2009 to 2018 (based on data from the Philippine Statistics Authority), not even enough to meet the consumption requirements of the country's growing population, which registered an annual growth rate of 1.6% for the same period;<sup>7</sup>
- b. Poverty among rice farmers remained deep and widespread;
- c. Rice prices for Filipino consumers were higher compared to those paid by the ordinary Thai, Vietnamese, and Myanmar rice consumers;
- d. The NFA's massive budgetary deficit reached around PHP170 billion during its peak;
- e. Engendered corrupt practices in the Government-to-Government (2G) rice transactions, including the handling of downstream logistics of rice importation;
- f. Corruption in the allocation of Minimum Access Volume (MAV) for rice wherein a number of cooperatives were identified as fronting for some financiers;
- g. Periodic artificial shortages of rice due to poor management on the part of the NFA;
- h. Gross neglect of the development of other agricultural commodities where the Philippines has a comparative

advantage, as more than half of the DA budget went to rice; and

i. Traders were the ones who enjoyed the surplus profit, while in the RTL, government took it in the form of tariffs that were plowed back to the small farmers through the Rice Competitiveness Enhancement Fund.

These were the contexts when the passage of the RTL was sponsored by Senator Cynthia Villar in Congress. Now, she is being vilified for the ills of the rice industry because of her sponsorship of the law. Press Undersecretary Claire Castro claimed in one of her media conferences that if the problem was the manner by which the NFA was being run, it should be the people managing it that should be replaced and not remove the power or authority of the NFA to intervene in the rice market.

The problem with her argument is that it is the very sole power and authority of the NFA on rice importation that created the problems that were enumerated above. It incentivized the people within the government and the private sector to commit those acts of malfeasance.

But should there be an active role for the government in managing the rice sector, given that it is the staple food of the Filipinos and hence, adjudged as a political commodity?

ROLE FOR THE GOVERNMENT

Undoubtedly, the answer is in the affirmative. Governments all over the world have not surrendered their power to intervene in the market for their staple food, whether rice, maize or corn, wheat or cassava, because it is the moral obligation of the government to ensure food security of its people. Other countries in the Asia Pacific like Indonesia, Singapore, Malaysia and India have their own set of





rules and regulations on how their governments manage the supply and demand of their staple food.

In the case of the Philippines, there is indeed a strong case for the government to play an active role in ensuring a steady supply of rice at affordable prices for Filipino consumers, particularly the poor, for two reasons.

One is the obvious fact that it is the staple food of Filipinos.

And two is that it is expected that rice imports will keep on increasing because our farm productivity remains unimpressive while the country is experiencing continued population growth above rice productivity gains.

At present, the supply shortage is estimated at around 20% of total demand which is above 16 million MTs annually. Rice imports will have to be around 3 million MTs yearly, and more in the coming years, if the country's low farm yields persist because of climate change, land conversions and continued fragmentation of farm lands into miniscule sizes, the inability to develop more irrigation areas, and the inability to adopt new farm technologies, among others.

How the government and the succeeding political administrations, address these challenges will determine whether it will be able to provide Filipino consumers enough rice at affordable prices in the future.

But just simply restoring the NFA's authority to import rice without learning from past mistakes and believing that it will serve as a panacea to the rice problem is simply naivety. As Albert Einstein's exhorted: "Repeating things over and over again and expecting a different result is the height of foolishness".



## SUSTAINING THE PHP20 PER KILO RICE PROGRAM

How can the government sustain a PHP20 per kilo rice program for the long-suffering Filipino consumers? The answer is so obvious and simple: improve farm productivity per unit of land and labor used.

However, it is easier said than done because there are a number of measures that the government needs to put in place to attain significant increases in rice farm yield. Implementing these measures will require considerable political will and sustained determination from the government to see through the process despite encountering implementation difficulties.

Foremost among them is the need to cluster and consolidate farms in order to enjoy economies of scale. Clustered and consolidated farms will enable the application of modern farm machineries and technologies and will lower the cost of farm inputs as they are purchased in bulk.

Second, the government will have to target areas that are favorable to palay production as these lands will provide the highest yield per unit of investment made. This will require selecting areas where palay cultivation will yield the best result and where most of the production inputs support should be concentrated.

Areas not favorable for palay cultivation should be devoted to the cultivation of other crops. Since such crops will not require enormous amounts of water compared to palay, this will reduce irrigation cost to the provision of small water impounding facilities, shallow tubewell, etc.

Three, farm clustering and consolidation will require continued investment in extension, including community organizing, to instill the value of collective action among small farmers. Qualified agricultural extension workers will have to be recruited so that they can properly

disseminate knowledge to small farmers on the latest production techniques and technologies.

Similarly, sustained investment on research is indispensable to ensure higher yields and better product quality. Research investments in crop varietal improvement, such as those experienced in Thailand, Malaysia, and Vietnam, have demonstrated the value of improving product quality in generating greater sales and in providing adequate raw materials to their dynamic agri-food processing sector.

Four, given the miniscule farms owned by palay farmers, the only chance for them to increase their income is to engage in the production of high value crops in between the two palay planting seasons. Given that palay is a low value crop, income derived from farming of a hectare or two alone will never suffice to provide a decent income to a small farmer and his family. The only way to generate greater income from his farm is to engage in rice-based crop diversification. But, that will require availability of water during those periods which small irrigation facilities, if strategically constructed, can provide.

And finally, there will be a need to adopt a trade policy that will effectively lessen the entry of cheap imported rice during the palay harvest season while at the same time allowing their arrival during the lean (planting) season to ensure adequate rice supply throughout the year.

In turn, this will require appointing people who really understand the workings of the industry, including the technical requirements of palay farming, and will be empowered to make the tough decision on when to allow and suppress the entry of rice imports despite political pressures from influential stakeholders in the rice industry.

## ENDNOTES

- <sup>1</sup> A number of studies in the past showed decision making on rice supply and prices in the Philippines gave primordial concern on political considerations rather than economic viability. Among the studies are the UP Los Banos Agricultural Policy and Strategy Team (1986). “Agenda for Action on Philippine Rural Sector: Rice Chapter”. UP Los Banos and Philippine Institute for Development Studies (PIDS), Los Banos, Laguna; Intal, Jr., Ponciano, Leah Francine Cu, and Jo Anne Illescas (2012). “Rice Prices and the National Food Authority”. PIDS Discussion Paper Series Paper No. 2012-27; Briones, Roehlano (2018). “Options for Reform of the National Food Authority”. PIDS Policy Notes 2018-09, October 2018; Briones, Roehlano (2019). “Welfare Impacts of Rice Tariffication Law”. PIDS Discussion Paper No. 2019-16; and Adriano, Fermin, Karlo Adriano and Lourdes Adriano (2022). Philippine Rice Tariffication Law: A Mid-Term Review. Department of Agriculture – Agricultural Training Institute.
- <sup>2</sup> Refer to her press conference held on April 21, 2025 which was given wide coverage by the media.
- <sup>3</sup> The Commission on Election stopped the implementation of the program as it considered it as an “electioneering” act given its closeness to the actual May 12 poll. The administration complied with the Comelec decision and announced that it was postponing implementation after the election.
- <sup>4</sup> The procurement price varies as proposed by the NFA based on the prevailing market price and the approval of the NFA Council. Thus, the P20 per kilo cited here was the latest when the article was written as previous to that, NFA was buying at P23 and upwards late last year and beginning this year during the period when rice prices were skyrocketing.
- <sup>5</sup> Refer to Jordeene Lagare and Melvin Gascon, “Few local governments buying NFA rice”. Philippine Daily Inquirer. April 16, 2025.
- <sup>6</sup> Adriano, et. al. (2022), *ibid.*, has a lengthy discussion on the negative results of NFA’s monopoly power over rice importation that span over half a century.
- <sup>7</sup> World Bank (2020). Transforming Philippine Agriculture (During Covid-19 and Beyond). Washington: June 2020, pages 8-9.

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ABOUT



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