

**FARMERS DEMAND REVAMP OF RICE IMPORT SYSTEM  
DUE TO MASSIVE TARIFF ANOMALIES  
(22 June 2020)**

The Federation of Free Farmers (FFF) demanded a thorough review and overhaul of the Bureau of Customs' (BoC) system for handling rice imports following verified reports of large sums of uncollected tariffs due to the undervaluation and misdeclaration of rice shipments. The FFF had earlier flagged nearly Php 890 million in tariff shortfalls from 766,000 metric tons of rice imports from January to April 2020. This amount is in addition to Php 1.9 billion in tariffs that the BoC failed to collect from rice shipments in 2019.

Based on a news report, BoC Assistant Commissioner Vincent Maronilla confirmed the FFF's claims and revealed that importers were required to post bonds when their declared import prices were lower than the agency's reference prices. However, Maronilla said that the process for validating cases of undervalued imports and the corresponding forfeiture of bonds had been delayed by the COVID-19 crisis.

The FFF called for a full and detailed listing of the bonds posted by importers and an accounting of collections from the tariff shortfalls so far. The group stressed that the quarantine restrictions arising from COVID-19 cannot excuse the BoC for its inaction on cases dating as far back as March 2019.

Raul Montemayor, FFF National Manager, noted that the extent of undervaluation of imports can be gauged by the results of the recent bidding conducted by the Philippine International Trading Corporation (PITC) for 300,000 metric tons of rice with 25% broken to be supplied on a government-to-government basis. "Myanmar quoted a Free on Board (FOB) price of US\$405 per metric ton which is 41% or US\$118 higher per ton than the declared price of imports from Myanmar from January to April 2020 for the same type of rice. Vietnam's bid to PITC was US\$455 per ton while the average declared FOB price of its exports to the Philippines was only US\$302 per ton.", explained Montemayor.

Aside from undervaluing FOB prices, which is the price of imports at the point of origin, the FFF said that importers had also grossly misdeclared their freight and insurance costs which are included in the computation of tariffs.

Moreover, in 2019, the BoC lost Php 130 million by imposing a tariff of only 35% on rice imports from India and Pakistan, instead of the 50% rate which should be applied to non-ASEAN countries.

The FFF has further discovered that the BoC personnel were using over ten different tariff classification codes for the same type of rice imports. "Eighty percent of rice imports in

2020 were placed under a tariff heading for 'broken rice' which includes a subheading for rice 'of a kind used for animal feed'. Others were classified as 'brown rice', even if they were actually white and well-milled. It is possible that some imports were being misclassified under tariff lines that had lower reference prices so as to conceal attempts to undervalue FOB prices.", Montemayor disclosed.

The FFF also noted that a significant volume of imports did not indicate any rice grade, thus making it impossible to determine their proper tariff classification and corresponding reference price. "This makes it easier for a Customs examiner to accept whatever price the importer declares and/or to arbitrarily place the imports under any classification code.", said Montemayor.

The farmers group advised the BoC to sit down with the Department of Agriculture (DA), the National Food Authority (NFA), and private sector representatives to devise an accurate and realistic classification and valuation system for rice imports. It asked the DA to tighten its screening of rice importers and blacklist those that have undervalued imports in the past.

The FFF clarified that, contrary to the BoC's understanding, the Rice Competitiveness Enhancement Fund (RCEF) created by Republic Act No. 11203 or the Rice Tariffication Law (RTL) is not dependent on tariff collections. "The RCEF will be funded through a budgetary appropriation of Php 10 billion every year for six year regardless of how much tariffs the BoC collects from rice imports. However, any collection in excess of Php 10 billion will go to the DA for additional support programs for farmers affected by the RTL. That is why it is important that the correct tariffs are collected. Otherwise, there will be little or no excess funds that can be used to help the farmers.", explained Montemayor.