

**PITC RICE IMPORTS MAY BE ILLEGAL, COSTLY AND GRAFT-PRONE,
FARMER GROUP SAYS**
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The Federation of Free Farmers (FFF) questioned the legality of the planned importation of 300,000 metric tons (MTs) or six million cavans of rice by the Philippine International Trading Corporation (PITC). Recently, the PITC issued the guidelines for the supply of imported rice with 25% broken on a government-to-government basis, to be delivered to various ports between June 22 and July 22. An approved budget of Php 7.45 billion has reportedly been allocated for the importation.

The FFF explained that the Rice Tariffication Law (RTL) which was enacted in March 2019 removed the import monopoly of the National Food Authority (NFA) and effectively opened up the domestic market to unlimited and unrestricted imports of rice by the private sector. Rule 6.4 of the Implementing Rules and Regulations (IRR) of the RTL did provide for government importation through PITC, but only “in the event of [a] rice supply shortage” and only upon the issuance of a directive from the President to the Secretary of Trade and Industry and the PITC.

(Rule 6.4 of the RTL-IRR states that: *“In the event of rice supply shortage, the President may direct the Secretary of Trade and Industry and the Philippine International Trading Corporation (PITC) to expeditiously participate in the rice industry thru contracts with private traders that would purchase the needed rice supplies from domestic and foreign sources to enhance market competition and stabilize rice prices.”*)

The FFF noted that Department of Agriculture (DA) Secretary William Dar has repeatedly maintained that there is enough rice. “If, as Secretary Dar implies, there is no rice shortage, then there is no legal basis for PITC to import rice under the RTL.”, said Raul Montemayor, FFF National Manager.

The FFF added that no official pronouncement of a rice shortage, nor a formal authorization for the DTI and PITC to proceed with imports, appears to have been issued by President Duterte. “Paragraph E of Interagency Task Force (IATF) Resolution No. 17 issued on March 30, 2020 merely endorsed to the Office of the President the proposal of the DA to import rice through the PITC as a contingency measure. It is not clear however what contingency is being addressed considering that the DA has repeatedly stressed that we have more than enough rice up to the end of the year.”, added Montemayor.

The FFF warned that the disbursements for the PITC imports may be disallowed by the Commission on Audit, and PITC officials involved may be charged with graft, if the proper legal basis for the imports is not established.

The FFF likewise questioned the rationale for the importation considering that the RTL was supposed to remove government from any active role in the rice trade. Proponents of the RTL had argued that the private sector and the international market were more efficient and reliable in supplying rice, even during times of crisis and emergencies. “Why are the DA and the

IATF now backtracking and reverting to government importation, which is supposedly graft-prone and expensive. Why is the DA, and not the DTI, the one pushing for PITC imports when the DA itself has declared that there is no rice shortage. In fact, the DA has already issued sanitary permits for 2.7 million MTs of rice imports by the private sector, which is much more than what the country needs.”, asked Montemayor.

Montemayor added that the PITC imports could result in significant losses to the PITC and the government and even end up penalizing the country’s rice farmers. “PITC imports will arrive at a cost of around Php 25¹ per kilo. If PITC matches the NFA’s current selling price of Php 25 per kilo, it will end up with estimated losses of Php 5 per kilo or Php 1.5 billion² from financing, storage, distribution and related costs. Since PITC imports will presumably be exempted from tariffs, government will additionally forego Php 2.6³ billion in tariff collections. In turn, farmers who are supposed to benefit from tariff collections on imports through the Rice Competitiveness Enhancement Fund (RCEF) will be shortchanged by Php 2.6 billion.”, said Montemayor.

The FFF noted that the approved Php 7.45 billion budget for the PITC importation is larger than the Php7 billion that has been allocated to the NFA to procure palay from local rice farmers. “This sends a very bad signal to our rice farmers, even as they are being encouraged by DA to plant, plant, plant. In fact, Senator Cynthia Villar, who was the main proponent of the RTL in Congress, recently even questioned the continued allocation of procurement funds to the NFA. But when it comes to imports, there always seems to be a ready budget and very few reservations. Apparently, there is something very attractive in government imports, even if they are not actually needed.”, added Montemayor.

¹Php 7.45 billion divided by 300,000,000 kilos.

²300,000,000 kilos times estimated Php 5 loss per kilo

³Php 7.45 billion CIF price of PITC imports x 35% tariff rate