

RICE

A Commodity Profile



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Rice (*Oryza sativa*) is the most widely grown crop in the Philippines. It is the world's most consumed staple food grain of 90% of the country's population. It also accounts for 9% of the total household spending based on the 1997 Family Income Expenditures. Three million farm families, traders, millers and others derived their income from engaging in rice business.

Uses

- Consumed as staple food
- Major ingredients in manufacturing of value added products (puffed rice, noodles, rice flakes)
- Native delicacies (cakes, tikoy, etc.)
- Cheapest and frequent ingredients for animal feed and pet food
- Rice hulls are feed to livestock & used for hollowblocks making
- Dried stalks are used for making paper, sandals, hats and thatch roofs
- Fermented rice kernels are sometimes used in making beer and wine

Key Concerns

- Low palay productivity
- Inadequate irrigation
- Poor pest management
- Lack of post harvest facilities and equipment
- Inadequate farm to market roads

Domestic Prices

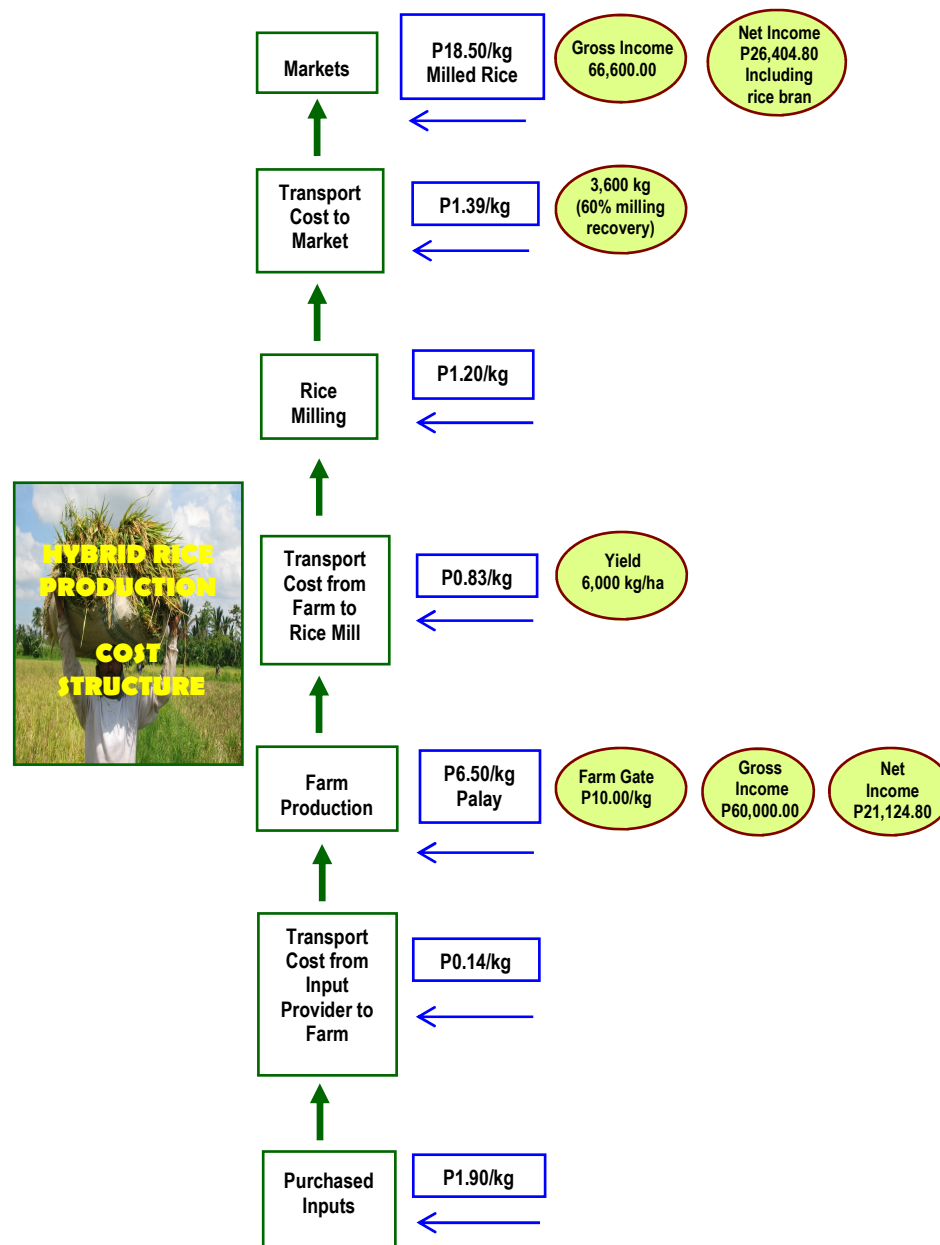
Prices at the farmgate, wholesale and retail levels exhibit a fairly predictable pattern. Farmgate prices tend to decrease during the peak harvest months of October to December.

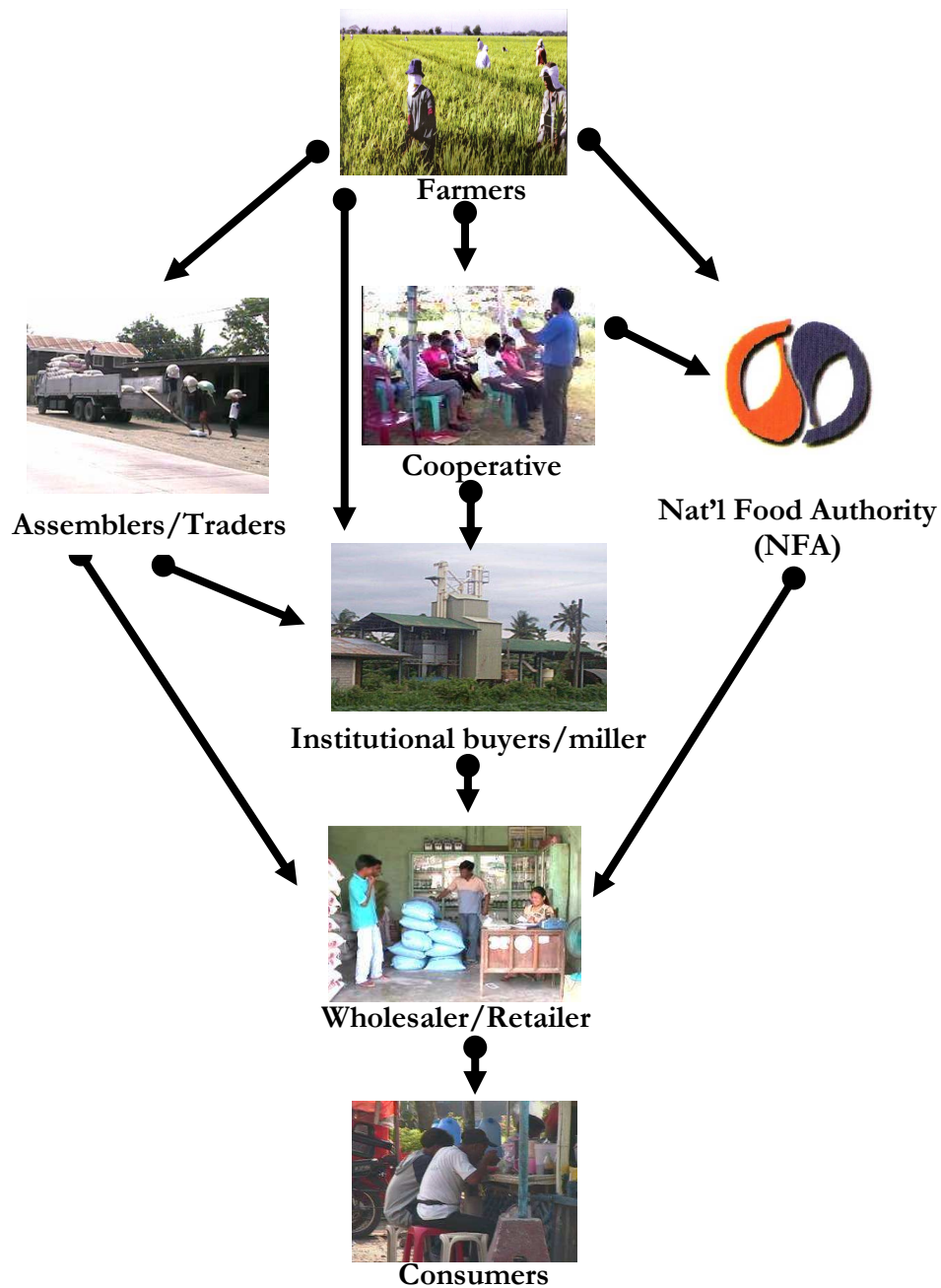
At the distribution level, inadequate infrastructure leads to higher marketing costs and consequently, low farm gate prices and limited options to farmers.

Marketing Practices

Farmers sell their palay after harvest

- to generate cash for their family's basic needs





Marketing of Rice in Eastern Visayas

- payment for their loans and likewise to avoid additional transport cost

Domestic Production

- The country's palay production reached 15,326,706 MT (2006, BAS)
- Eastern Visayas obtained 830,287 MT and ranks no.7 among the major producing regions in the country (2006, BAS)
- Regional Level: Leyte, Southern Leyte and Northern Samar were the top yielders with a production volume of 479,264 MT, 84,413 MT and 82,478 MT, respectively.
- The Region's sufficiency level: 110% (2006, BAS)
- Average yield: 3.15 MT (2004 BAS)

In Eastern Visayas, the production surplus in Leyte and Biliran provinces covers up the production deficit incurred in Southern Leyte and Samar Island Provinces (*Table I.*)

Table 1. The Demand and Supply of Rice in Eastern Visayas by Province (2006, BAS)

Province	Consumption Req't (mt)	Supply (mt)	Surplus/Deficit (mt)
Leyte	183,002	285,913	102,911
Southern Leyte	50,611	50,488	(123)
Biliran	16,094	44,046	27,952
Samar	90,243	40,855	(49,388)
Eastern Samar	40,753	23,058	(17,696)
Northern Samar	65,907	47,234	(18,673)
Total	448,865	491,594	42,728

Focused Production Areas

There were 121 cluster areas throughout the region managed mostly by Farmer Irrigators Service Cooperatives (FISCOS), Irrigators Associations (IAs) and Farmers Associations (FAs) that involved on the aforementioned production system. Assistance is not only limited to these areas but also extends to the non-cluster rice areas in the region.

Investment Entry Points

1. Production of organic fertilizers, and other sources of organic fertilizers that will enhance and/or improve rice production.

2. Provision of post harvest equipment like threshers, mechanical dryers, and establishment of postharvest facilities in major producing areas, i.e. warehouse, rice mill etc.
3. Encourage local seed production.
4. Production of hybrids in irrigated rice areas and promote planting of certified seeds in rainfed areas in order to boost rice production performance.

Estimated Cost and Return for one (1) Hectare Hybrid Rice Production (Palay)

Estimated Revenue		
6 tons at P10/kg		P60,000.00
Less: Costs		
Cash Cost		
Materials	11,390.00	
Labor Services	18,710.00	
Irrigation Fee	1,500.00	
Insurance Fee	2,275.20	
Marketing Cost	5,000.00	38,875.20
Net Income		21,124.80
Return on Investment		54.34%
Breakeven Price (Per Kg)		6.50

Estimated Cost and Return for one (1) Hectare Hybrid Rice Production (Milled Rice)

Gross Income from milled rice		
@ P18.50 x 3,600 kg (60% milling recovery)		66,600.00
Add: Income from rice bran		3,000.00
Total Income		69,600.00
Less: Costs		
Milling Cost @ P1.20/kg (3,600 kg)	4,320.00	
Marketing Cost (Estimate)	5,000.00	
Production Costs (less marketing cost)	33,875.20	
Total Costs	43,195.20	
Net Income		26,404.80
Return Of Investment		61.13%
Breakeven Price per kg		12.0

GOVERNMENT SUPPORT SERVICES

DA-RFU 8 GMA Rice Program

- Promotes the usage of hybrid and certified seeds and insuring its availability with the right quantity at the right time.
- Provides appropriate location specific interventions (seed subsidy, Bio-N fertilizer support, Trichoderma production and modified rapid composting)
- Provides technical assistance, information services, marketing assistance and training

Philippine Crop Insurance Corporation (PCIC)

- Offers plan for rice production which provides farmers' protection against losses arising from damages caused by certain inherent agricultural risks like
 - natural calamities
 - plant diseases outbreaks
 - widespread insect pest infestations

Quendancor

- Extends production loans to a group of farmers and cooperatives engaged in agri-based production or processing activities.

National Food Authority (NFA)

- Directly purchase palay (cleaned and dried) produced from farmers, with certain incentives provided they conform with the prescribed quality specifications

Marketing Flow of Palay in Eastern Visayas

- Individual farmers bring/sell their palay to
 - cooperatives
 - assemblers/middlemen
- Assemblers/traders sell the procured grains to institutional buyers/millers
- Farmers also sell their palay grains direct to wholesalers or to NFA
- Millers distribute milled rice to wholesalers/retailers and wholesalers/retailers sell the milled rice direct to consumers