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THE POLITICAL ECONOMY OF RICE IN THE NEW SOCIETY

by

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# THE POLITICAL ECONOMY OF RICE IN THE NEW SOCIETY\*

Mahar Mangahas\*\*

## Introduction

In the Philippines, as in other parts of Asia, rice has always been known to be a "political commodity." The term implies that a knowledge of the political setting, its structure and its conflicts is necessary for an understanding of the rice economy and of government policies towards rice. One needs, so to speak, a model in which the relationships, variables and parameters are political as well as economic. In referring to rice as a commodity more political than economic, one asserts that a number of important developments in the rice economy -- changes in prices, production, consumption, farmers' incomes, etc. -- may be traced to changes in the political components of the model.

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which in turn are subject to several constraints.

A note on the term "government": under the New Society, government as a decision-making unit is now closely identified with the executive branch, Congress having been dissolved from the very beginning. The scope for internal conflict on government rice policy has thus been diminished,<sup>2/</sup> though probably not eliminated. (The situation may of course change when the National Assembly created by the new Constitution becomes operational; but no date has been set as yet.)

I would suggest that the following list constitutes the major objectives:

<u>Objective</u>	<u>Judgment Weight</u>
1. <u>Political stability</u>	30%
2. <u>Consumer welfare in cities</u>	20%
3. <u>Farm income in regions</u>	20%
4. <u>Anti-inflation</u>	20%
5. <u>Self-sufficiency</u>	10%
	<u>100%</u> <sup>3/</sup>

<sup>2/</sup> For a documentation of earlier internal conflict, see Mangahas and Librero (1973) and Mears (1974).

<sup>3/</sup> The welfare function need not be a simple weighted sum, of course; the weights are merely to indicate apparent relative orders of importance. For comparison, here are the Timmer-Falcon judgments on Philippine rice objectives (op. cit., p. 23): Farm income, 20%; Consumer welfare, 40%; Self-sufficiency, 20%; and Price stability, 20%.

TABLE 1. EFFECTS OF RICE POLICIES ON OBJECTIVES,  
AS PERCEIVED BY GOVERNMENT

		OBJECTIVES				
Judgment weights	30%	20%	20%	20%	10%	
POLICIES	Political stability	Consumer Welfare in cities i	Farm income in regions j	Anti-inflation	Self-sufficiency	
Floor price (price support)	+	-	+	+	+	
Farm credit	+	+	+	+	+	
Fertilizer subsidy	+	+	+	+	+	
Farm equipment subsidy	+	+	+	+	+	
Extension	+	+	+	+	+	
Imports	+	+	-	+	-	
Ceiling price (recessing)	-	-	+	+	+	
Rationing	+	+	-	+	-	
Land transfer	+	+	+	+	+	

seized out of the opposition political movements, months of imprisonment (in 1960) were traditionally imposed, since occasionally had crises during the 1940s.

other years. The time was found to be the party in the election. Elections were held in number of every depending on the electoral situation and their influence on

Self-sufficiency as an objective also requires comment. I would define this as the avoidance of leverage posed to the country by foreign states on account of their positions as important suppliers/demanders of rice, of related agricultural products, and of agricultural inputs. For instance, if the amount of fertilizer imported were more evenly divided among supplying countries, the total imported remaining the same, then self-sufficiency would be enhanced even though effects on the other objectives would be nil.

Next we turn to the comparison of objectives. The objective of political stability would seem to have about the same weight now as it has had before, though the problems faced have changed. The task used to be that of gaining or maintaining political strength within the electoral system of the Old Society, the deficiencies thereto included. Government could favor, or could ignore, individuals, groups, institutions or geographical areas, depending on their electoral size or on their influence on the electorate. Elections were held in November of every other year. The timing was troublesome to the party in power, since seasonally high prices during the "lean months" of July-September (in Luzon) were traditionally seized upon by the opposition for political propaganda.

The Philippine rice crisis of 1973, following the great Luzon flood of 1972, met with minimal external relief on account of the worldwide shortage; one might guess that rice policy administrators, pressed as they were, may have been thankful for the cancellation of the Old Society calendar for presidential elections in 1973.

In the New Society, government tries as before to elicit broad support. Although ~~strikes and demonstrations are legally prohibited~~, it still needs to take care that food shortages, particularly in the cities, do not become so severe as to ~~provoke spontaneous riots, viz., the boiling point may have been raised~~, but it has ~~not disappeared~~.// The need to use the military to quell such civilian disorder would in fact be even more damaging to the prestige and credibility of government under martial law, "Philippine-style," especially in the first twelve months of the new order, than under the Old Society.

Another point to consider is that, with the legal political opposition sidelined for the time being, government apparently focuses more closely on the subversive and secessionist movements. It is difficult to tell whether these movements are more serious in the

New Society period than before. It does appear that government now devotes resources for the development of "trouble spots" such as Isabela, the Bicol region, and Muslim Mindanao to a degree more than proportional to the mere size of the population or the electorate in these areas. This applies to the rice production intensification program, the land reform program, etc., as it does to other programs.//

Consumer welfare in cities and farmer welfare in the regions now appear to be of about equal importance, placed at 20:20. In the Old Society, one might have placed the weights at 30:10 instead, on the basis of the concentration of articulative abilities and of an unsupervised mass media in the cities. The following was written in the first quarter of 1972:

"In 1971, the latter half in particular, we experienced another rice crisis. Like our previous crises, it was a problem of the rising retail price of rice, with the urban consumer complaining. The (urban) newspapers, radio, and TV played their usual role and complained eloquently. Of course, all factions of the political opposition, whether conservative, reformist or radical, complained too; they aired views and grievances where they felt they would be most appreciated and most effective -- in Metropolitan Manila and other cities and urban centers, in speeches, telecasts, and writings (some in small letters and others in large red ones).

"It seems clear from this that the long-run objective of the Philippines with respect to rice is a level of security and contentment somehow defined for the rice consumer, especially the urban rice consumer."<sup>5/</sup>

In the New Society, the mass media have been rid of the noisy miseducated. Strikes and demonstrations are disallowed. Government policies (to be discussed shortly) now favor the farm sector much more heavily than in the past. For these reasons, I would judge that consumer welfare in cities has lost ground as an objective in relation to farmers' incomes.

Within the "consumer" and "farmer" objectives, there appear to be geographically defined sub-objectives. The phrases "in cities i" and "in regions j" are meant to call attention to this. Among the cities, Manila has always had the premier slot. In the 1971 crisis, the government attempted (without success) to contain consumer prices nationwide by concentrating 52% of the distribution of imported rice in Manila.<sup>6/</sup> Mears has observed:

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<sup>5/</sup>Mangahas (1972), p. 57.

<sup>6/</sup>Drilon (1971).



"...it is interesting to note that most of the years in which prices in Iloilo and Cotabato rose more than 10 percent above Manila prices were election years. Could there have been more emphasis on maintenance of price stability in Manila when the overall stock situation did not permit stability throughout the country?"<sup>7/</sup>

Manila maintains its relative importance in the New Society.

During the 1973 crisis, the redirection of internal grain shipments to Manila and the organization of the barangay rationing scheme in Manila (see below) attest to this.

Among regions, on the other hand, there has been a clear shift in priorities to those areas where rebel activities are concentrated. ||

Anti-inflation as an objective is also given a judgment rate of 20%.<sup>8/</sup> The government has always regarded rice as a price leader, and control over the price of rice as an anti-inflation device. The price of rice takes a weight of about 11% in the Consumer Price Index. Table 2 presents the index, adjusted to exclude the price of rice, for recent years. As the table

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<sup>7/</sup> Mears (1974), p. 211.

<sup>8/</sup> Inflation is now the worst problem confronting the economy. In 1973 it was nearly 30%, and the average annualized rate over January-April 1974 was 44%.

TABLE 2. THE MANILA RICE PRICE DEFLATED BY A CONSUMER PRICE INDEX FOR OTHER COMMODITIES, 1967-1974

	Manila Rice Price (Pesos/Ganta)	Manila CPI Excluding Rice (1965=100)	Deflated Rice Price (Pesos/Ganta)	% Rate of Increase Rice Price	CPI Exclu- ding Rice
1967	2.00	108.9	1.84		
1968	1.74	114.0	1.53	-13.0	4.7
1969	1.78	116.3	1.53	2.3	2.0
1970	1.92	134.4	1.43	7.9	15.6
1971	2.56	150.5	1.70	33.3	12.0
1972	2.74	170.2	1.61	7.0	13.1
1973	3.47	181.3	1.91	26.6	6.5
Jan-Apr 1974	4.48	221.5	2.02	29.1	22.2

Note: Manila rice price refers to Macan 1st Class; 1967-1971 data are from Teresa L. Anden, Data Series on Rice Statistics/Philippines, International Rice Research Institute, June 1974, and 1972-1974 data are from NEDA Economic Indicators. The Manila CPI Excluding Rice is computed from the Manila CPI for All Items by assuming that the weight of rice in the All-Item Index is 10.959%. The 1965 nominal rice price is 1.46. Manila CPI All Items data are from NEDA Economic Indicators.

indicates, the price of rice, relative to other commodities, fell during 1967-1970 -- the "glory years" of the Green Revolution. Thus the complaints against rising rice prices in 1969-1970 were in effect complaints against inflation.

In 1971-1973 the real price of rice rose sharply. The production problems of the period -- the tungro virus of 1970-1971 and the floods and drought of 1972 -- have been documented elsewhere.<sup>9/</sup> Prices were particularly high during the crisis election year of 1971, highlighted by the bombing of the campaigning opposition party senatorial candidates at Plaza Miranda in August. This precipitated the suspension of the writ of habeas corpus. Extremely high rice prices in September and October, in spite of large government deliveries of imported rice to the public, appear to have been due to some extent to urban households' increased demand for rice as a stock.<sup>10/</sup>

The relative price fell somewhat in 1972, but was still greater than the levels in 1968-1970. In the first three months of martial law, business appeared in shock,

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<sup>9/</sup>See Mangahas and Librero (1973).

<sup>10/</sup>See Mangahas (1972).

taking a wait-and-see attitude. Prices of many commodities kept still, and some of them declined; the price of rice in particular declined in absolute terms. But soon enough, however, the price of rice began to grow more swiftly than the prices of other commodities. The effects of the 1972 weather situation carried over into the lean months of 1973, prices peaking in September.

It took several months before these prices were registered in official data. As early as July 1973, rice was merely marked as "unquoted" in the market information releases of the Price Control Council.<sup>11/</sup> In 1974 the large jump in the rice price took place during the gasoline crisis of January. It was an important month in the main season harvest, and both land and sea shipping were disrupted.<sup>12/</sup> At the present writing, the lean months of 1974 are beginning, and the extent to which the price of rice increases will test the success of the Masagana 99 production intensification program of crop year 1973/74.

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<sup>11/</sup> Business Day, July 30, 1973.

<sup>12/</sup> At first, the government attempted to combine a controlled price with the use of ration coupons. Fairly soon, however, the fuel prices were adjusted upwards, and after a few weeks consumption was apparently cut sufficiently so that the coupon system could be discontinued. The public met the increases in fuel prices with noteworthy calm. In previous years, attempts to raise fuel prices (by marginal amounts at that), usually met with transportation strikes and sympathy demonstrations.

Self-sufficiency, defined in terms of avoidance of foreign leverage, is assigned a judgment weight of only 10%. This would not appear unduly low, official claims of self-sufficiency as a major objective notwithstanding, since the objective excludes by definition the common connotations regarding enhanced consumer welfare.

### Rice Policies

The first column of Table 1 lists major rice policies used by government in the postwar period. The production-oriented policies will be considered first.

One may note that the list includes those capable of short-run impact. Expenditures on agricultural research and on irrigation projects, which have relatively long gestation periods, are classified within the programming framework as measures which loosen the constraints.

The distinction is merely one of time; the longer the run, the fewer the constraints.

a) The government has set various nominal floor price levels for rough rice over the last two decades. However, this policy in my opinion has never managed to have a sustained impact<sup>on</sup> due to continuous erosion of

the real level of support by inflation. The periodic adjustments have lifted the nominal floor at or above the equilibrium price level only for brief periods. This situation is much more pronounced during the New Society, with the rates of inflation at their highest since the nineteen-forties.<sup>13/</sup> 65E

Farm credit, the fertilizer subsidy and extension services are the main ingredients of the current production intensification program, termed Masagana 99,<sup>14/</sup> launched in May 1973. Broadly speaking, the program consists of identifying areas to be given government support, and seeing to it that these are supplied with credit, fertilizer and other chemicals, and guidance from farm technicians. As in previous programs, areas with better-than-average production potential (irrigation under lowland conditions is the main criterion) are selected; another consideration, which appears specific to the New Society, is that areas with sub-

<sup>13/</sup> The present floor price of P0.80 per kg. of rough rice, or P40 per 50 kg. bag, compares with farm prices now over P55 per bag.

<sup>14/</sup> Masagana means plentiful, and 99 stands for the target yield (in 44 kg. cavans or bags, or 4.356 MT of paddy per hectare).

version/dissidence problems are pointedly included.

Table 3 indicates the scope of the program. In crop year 1973/74 (ending June 30), Masagana 99 covered about a fourth of the cropped area, and is estimated to have accounted for over half of total production. The National Food and Agriculture Council, which is the coordinating body for implementation, reports an attained yield of 75 cavans on program area.<sup>15/</sup> The 1974/75 plan is to extend Masagana 99 to over one-third of the rice area. This year's strategy is to produce two crops during the wet season in certain areas, by direct-seeding<sup>16/</sup> an early-maturing variety such that enough moisture is left for a second crop planted midway in the wet season.

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<sup>15/</sup> Non-NFAC observers consider the gap of 24 cavans from target a factor favoring credibility in the report. The preliminary estimate of the rice yield in the country as a whole, by the Bureau of Agricultural Economics (the official agricultural statistics agency) is 35 cavans per hectare. Then the implicit yield on unprogrammed area would be about 22 cavans; this may not be unrealistically low, since much of unprogrammed area is in upland rice.

<sup>16/</sup> Termed sabog-tanim, Phase III of Masagana 99, launched in May 1974. Although the sabog-tanim target is 50,000 hectares, IRRI scientists estimate that seed constraints may limit implementation to 20-25,000 hectares.

**TABLE 3. RICE PRODUCTION, AREA AND YIELD, PHILIPPINES,  
1970/71-1974/75**

Period	Production (Million cavans palay)	Area (Thousand Ha.)	Yield (Cavans per Ha.)
1974/75 Plan	148.0	3,400	43.5
Masagana 99	94.8	1,200	79.0
Unprogrammed	53.2	2,200	24.2
1973/74 (Jan. 1, 1974 forecast)	125.7	3,559	35.0
Masagana 99	66.0	879	75.1
Unprogrammed <sup>a/</sup>	59.7	2,680	22.2
1972/73	100.3	3,112	32.2
1971/72	115.9	3,246	35.7
1970/71	121.4	3,113	39.0

<sup>a/</sup> Derived as a residual.

Sources: 1970/71-1973/74 Totals, Bureau of Agricultural Economics; 1973/74 Masagana 99 data from Department of Agriculture, "Rice Situation Progress Report No. 12/as of May 31, 1974," Quezon City, June 15, 1974; and 1974/75 Plan from NFAC, Department of Agriculture, "Masagana 99 Rice Progress, Phase III, 1974/75."



Credit is one tool which can be both extended and withdrawn very abruptly. For instance, the withdrawal of the Philippine National Bank from the rice program in 1970/71 was an important factor which added to the rice difficulties in those years.} In the Masagana 99 program, credit was once again used as a major tool. This was related to a good extent to the shift in the agrarian reform program from the rental reduction stage to the land transfer stage, under Presidential Decree No. 27, one of the most prominent of the early decrees under martial law. It was widely felt that ~~landlord~~ credit was being pulled out of agriculture on account of the decree of October 1972, and that government funds needed to be rushed in to fill the gap.

The rice credit program of 1973 was started by a loan of P77.5 million from the United States Agency for International Development to the Central Bank. The Central Bank passed this on initially through a loan to the (government-owned) Philippine National Bank and increased government deposits at the (privately-owned) rural banks. It then provided extensive support through rediscounts of loan papers obtained by the PNB branch

banks and the rural banks. Funds flowed at a very fast rate indeed. The banks were apparently under strict orders to fulfill loan quotas and not to worry too much about collateral or documentary requirements. Masagana 99 was launched in May (1973); by July 18th it was reported that ₱192 million had been lent out; three weeks later it had become ₱249 million; by early November it was ₱317 million. Finally, by April 1974, ₱503 million was reported to have been lent out, covering a total of 676,000 hectares, or an average of ₱745 per hectare.<sup>17/</sup>

A main factor determining the effectivity of the credit policy is the repayment rate. Official statements place it at approximately 70%<sup>18/</sup>, and claim this as a marked improvement over the 30-40% achieved under

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<sup>17/</sup> In the current crop year, the credit ceiling was recently raised to ₱900 per hectare, to allow for inflation-hit costs of material inputs. The government now plans to extend loans to the amount of ₱1 billion for 1974/75, according to a statement made by the Governor of Central Bank, in NEDA Development Digest, 2:1 (May 31, 1974, p. 26). The rate of disbursement continues to be swift; for instance, ₱31.6 million was released during May 1974, or a rate of ₱1 million per day.

<sup>18/</sup> The repayment rate of 70% appears to be an average of province-level figures, some of which go well over 100% (as large as 191%). This occurs since the ratio is computed in terms of cumulative repayments as of a given date in relation to cumulative loans approved as of six months earlier. See Department of Agriculture, "Rice Situation Progress Report No. 12/as of May 31, 1974," Quezon City, June 15, 1974.

earlier, unsuccessful loan programs.<sup>19/</sup> The interest rate on the loans is 12% per annum, which at current expected rates of inflation implies a subsidy which must be well over 10%. If 30% of the principal is lost through nonrepayment, then the total annual cost of the credit program to the government is, conservatively, 40% of principal.

The credit policy is being extended further:

(a) last May a rural bank development program was announced, with the goals of raising rural banks' lending capacity from P1.2 billion presently to P3.1 billion after four years, and of raising the number of rural banks from the present 622 to 1,015; (b) in June 1974 the Central Bank ordered that, within 6 months, financial institutions allocate at least <sup>25%</sup> ~~35%~~ of their loans for agricultural credit. This appears to be an attempt to extend the rationing of credit to private sector funds as well.

Since the declaration of martial law, the government has imposed strict controls over the ferti-

<sup>19/</sup>

See USAID (1973).

lizer industry. A Fertilizer Industry Authority was established (Presidential Decree 135) with regulatory powers over fertilizer prices, imports and exports. With the world-wide shortage of fertilizer, due partly to the oil crisis, fertilizer has begun to take the nature of a strategic commodity. In November 1973 fertilizer exports from the Philippines were banned. The FIA established a two price policy for fertilizers: a regular price for fertilizer intended for export crops and a subsidized price for that intended for food crops.<sup>20/</sup> (To discourage illegal diversion of fertilizer from the food sector to the export sector, the government extends credit partially in cash and partially in non-transferable coupons, and imposes military sanctions as well.) The FIA has obtained for fertilizer an exemption from import duty; it also obtained a waiver for rice and corn on Central Bank-required marginal deposits on imported fertilizer. These efforts to reduce prices of purchased agricultural

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<sup>20/</sup>The Philippines did have a short-lived fertilizer subsidy several years ago, before the high-yielding varieties were introduced. When the HYV arrived on the scene, the government intentionally excluded use of a fertilizer subsidy as a supporting policy (Mangahas, 1970).

inputs are supported partially through direct subsidies to producing firms and partially through moral suasion.<sup>21/</sup>

The New Society has had modest success in developing the latter as a policy tool within the rice sector, as well as within other sectors.

② The consumer-oriented policies come into special focus during crises. Retail ceiling prices for rice are of long standing, jolted time and again by production problems, and perennially buffeted by inflation.

Government's first line of defense has traditionally been imports, and its second line has been rationing.

In the Old Society, imports also served the purpose of political defense during election year. However,

the ease of anticipation by traders of the timing of government import activities may have led, in my opinion, to peculiar patterns of storage by traders which tended to nullify the effectivity of imports as a price-dampening device during election year.<sup>22/</sup> Rationing

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<sup>21/</sup> In mid-1973 NFAC reported having made an agreement with the Agricultural Pesticides Institute to keep pesticide prices down (Business Day, July 13, 1973).

<sup>22/</sup> See Mangahas (1968).

systems in those years were on the crude side. Occasionally, retail outlets would be required to draw up lists of neighborhood families. More often, the rice agency simply trucked its limited stocks into poor urban districts, and distributed small amounts per purchaser from such "rolling stores" to the inevitably and embarrassingly long queue (the pila system).

In the crisis of 1973, it was necessary to resort to rationing again. The Thai government had halted rice exports; total Philippine imports for the year were slightly over 200,000 MT, versus a desired level in excess of 600,000 MT. In mid-August, an apparently efficient rationing system, undertaken by the barangays, began, with each family entitled to 2 kg. (at P1.15 per kg.) per day, partly in rice and partly in corn grits. The barangays are new political units established in the New Society. All adults have to be registered with a barangay, and barangay lists have been used for a number of political referenda. In contrast, the lists of families used in previous rationing systems were ad hoc and not official for other purposes.

In June 1974, the President directed firms of 500 employees or more to provide rice for their employees'

consumption either through imports or through own-production. If imported, the rice would have to be sold at the government ceiling, and in effect these large firms will shoulder the cost of subsidizing rice for their employees. Thus the recent directive is a device intended to transfer part of the burden of the consumer subsidy on rice to the private sector.<sup>23/</sup>

The progress of land reform in the Old Society was relatively slow. In 1954, at the time of the quelling of the Huk rebellion, the Agricultural Tenancy Act (R.A. 1199) sought (unsuccessfully) to limit the crop-share payable to land to 30% of the base crop.<sup>24/</sup> The Land Reform Act of 1955 (R.A. 1400) provided that estates of over 300 contiguous hectares could be expropriated; but only 41 estates (19,000 hectares) were purchased during 1955-1962. The Agricultural Land Reform Code of 1963 (R.A. 3844) sought as a first phase to replace share tenancy on rice and corn farms with leasehold, at a rental rate of 25% of a fixed "normal" base

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<sup>23/</sup> Business Day, June 27, 1974.

<sup>24/</sup> Harvesting, threshing and other post-maturity costs are excluded. R.A. 1199 sought the following crop division: land, 30%; labor, 30%; animals, 5%; implements, 5%; final harrowing, 5%; and transplanting, 25%.

crop.<sup>25/</sup> The Department of Agrarian Reform reported that nearly two-thirds<sup>26/</sup> of rice and corn tenants had become "lessees by operation of law" by 1972. The 1963 Code conceived of a second phase by which leaseholders would become amortizers on a 25-year payment plan. The retention rate against expropriation was lowered to 75 hectares per estate. The second stage was barely implemented, however. During 1967-1973, the Land Bank purchased only 78 estates, covering 17,238 hectares.<sup>27/</sup>

During the New Society, land reform shifted in greater earnest from the ~~rental reduction stage~~ to the land transfer stage. In October 1972, Presidential Decree No. 27, "The Emancipation of the Tenant," declared that tenanted rice/corn estates over 7 hectares in size would be subject to transfer. Ejection of tenants is forbidden (P.D. 316). Tenants are to become full owners after fifteen annual amortizations, each roughly equal to the

<sup>25/</sup> The average yield of the last three normal crop years, net of costs of seed, harvesting, threshing, loading, hauling, and processing (when incurred prior to rental payment).

<sup>26/</sup> Possibly overstated. The ILO Employment Mission to the Philippines of 1973 judged that perhaps 20-30% of non-owner-operators were leaseholders paying ceiling rentals (ILO, 1973, Vol. II, Ch. 5, "Agrarian Reform.")

<sup>27/</sup> The figures include one estate purchased after declaration of martial law.



legal lease rent ceiling<sup>28/</sup> set during the Old Society. Meanwhile, the official means of identification of the plot to which the tenant is entitled is the land transfer certificate, which the Department of Agrarian Reform is distributing in impressively large numbers (Table 4). As of mid-June 1974, 17% of the target number of tenants had received certificates. Implementation was supposed to proceed in stages, first on estates of 100 ha. and above; authority to proceed to the 50-99 ha. group was given in mid-1973; and, for the 24-49 ha. group, in October 1973. Numerous exceptions were made possible by moral suasion. The table indicates that about 48,000 of the 179,000 who received certificates were on estates below 24 hectares in size; and 23,000 of this group were on estates not over 7 hectares in size, supposedly exempt from land transfer.

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<sup>28/</sup>At least, this was the intention (Medina, February 1973). Unfortunately, the amortization computation scheme has still not been fully clarified. At present, the land value must be reached through tenant-landlord agreement; otherwise the issue will go to a barrio (village) committee for resolution. There are as yet few clear-cut sales arrangements. As of June 14, 1974 there were only 30 landlord claimants for compensation from the Land Bank, who sold 1,860 hectares, containing 1,301 tenants, for a total of P11.87 million, received in the following forms: rentals paid by tenants, P210,000; cash paid by the Bank, P990,000; encumbrances paid by the Bank, P2,940,000; and bonds paid by the Bank, P7,730,000 (source of data: Land Bank). The 'encumbrances' refer to mortgages on the land and taxes due, and landlords are thereby relieved of cash obligations. Thus the cash: bonds payment ratio is effectively 35:65; this compares with the officially declared ratio 10:90.

TABLE 4. OPERATION LAND TRANSFER: TARGETS AND ACCOMPLISHMENTS BY ESTATE SIZE  
AS OF JUNE 14, 1974

Estate Size (Ha.)	Targets <sup>a/</sup>		Landowners		Land Transfer		
	Area		Farmers		Certificates Issued		
	(Thou. Ha.)	(%)	(Thou.)	(%)	(Thou.)	(Thou. Ha.)	(% of target)
100.0 & over	410	30.6	164	15.2	1.5	0.7	71.1 43 135.2 33
50.0-99.9	139	10.4	70	6.4	2.1	0.9	33.8 49 58.0 42
24.0-49.9	134	10.0	89	8.3	4.1	1.9	26.1 29 43.8 33
12.1-23.9	190	14.1	189	17.6	12.0	5.4	16.7 9 26.9 14
7.1-12.0	154	11.4	171	15.8	18.1	8.2	7.8 5 12.6 8
7.0 & below	316	23.5	395	36.6	183.2	82.9	23.4 16 29.6 9
	1343	100.0	1079	100.0	221.0	100.0	179.0 17 305.8 23

<sup>a/</sup> Updated December 1973

Source: Department of Agrarian Reform.

In this regard, the problem regions in the Philippines were previously cited. For instance, Table 4 reports that, by mid-1974, 17% of the target number of tenant rice and corn farmers had been issued land transfer certificates; this is an average of regional figures which range from a high of 42.5% in Central Luzon to a low of 1.3% in Western Mindanao (Muslim provinces). One cannot say whether the problem is more or less severe in the New Society (thus far) than before, since information on the subject is scarce. Production parameter constraints are eased mainly through investments in irrigation and research. In irrigation, there have been no major policy developments; work continues on projects conceived and started in earlier years (e.g., the Upper Pampanga River Project). Extension agents continue to rely heavily on research output e.g., the direct-seeding technique, from the International Rice Research Institute. There is a new Philippine Council for Agricultural Research (PCAR)<sup>31/</sup>, a super-body which passes approval on agricultural research expenditures in all bodies of government. It is a bit too early to attempt a substantive evaluation of PCAR.

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<sup>31/</sup> Presidential Decree No. 48, November 1972.

system, and located instances of mis-use and non-use of research

~~PCAR~~ has studied the public research funds. It aims to determine national research priorities, and reallocate government research resources accordingly.

There have been no major developments thus far on the demand side, apart from the obvious fact that population continues to expand. One might call attention in passing to (a) the family planning program's targeted decrease in the population growth rate, from 3.0% in the 60's to 2.5% in the latter half of the 70's; and (b) the revelation, during the 1973 crisis period, that a significant proportion of families will endure corn as a substitute for rice given a large change in relative prices (Torres and Darrah, 1974). The supply of foreign assistance appears to have increased somewhat.

The USAID loan for Masagana 99 credit was mentioned previously. USAID has also raised the level of its consultant and commodity (especially vehicles) assistance to various Philippine government agencies concerned with rice, such as the National Food and Agriculture Council, the Department of Agrarian Reform, and the Department of Local Governments and Community Development (Rice and Christenson, 1973).

[ One constraint which has become highly vulnerable to government action in the New Society is the marketing system. The 1973 crisis is, again, the most interesting case in point. Whereas Luzon suffered floods in 1972, Southern Philippines was in a state of drought (as was Indonesia). Corn plantings in the South were delayed for several months, until the rains finally returned in April 1973. The clustering of plantings at that point gave rise to unusually large corn harvests in Mindanao the following June/July, or precisely the start of the lean period for rice. The government, determined to rapidly distribute corn as a substitute cereal over the nation, used martial law powers to enforce non-stop corn milling, and in effect commandeered private shipping for corn freight to points North, to the exclusion of other commodities.<sup>32/</sup> Similar pressure was applied on wheat flour millers and noodle manufacturers to deplete their cereal stocks at a faster rate than they otherwise might have. In urban centers, restaurants were required to serve a rice-corn mix for the duration of the crisis. The government had not taken to such measures before, though, one must concede, the crisis of 1973 was worse than any since the last war. An anti-hoarding and

<sup>32/</sup> This disruption may have been one factor which contributed to shortages in other commodities during the year, e.g., cooking oil and tires, whose manufacture is dependent on agricultural raw materials from the South.

profiteering drive was again pursued, this time with the assistance of martial law detention powers. Thus the New Society, in contrast to the Old, is able to impose its will on the rice marketing system. In so doing, apparently it is not unaware that these techniques also discourage private participation in the system.

Foreign diplomacy has emerged as an important factor affecting Philippine rice policies, with the emphasis turned from foreign suppliers of rice to foreign suppliers of fertilizer. The Philippines has expanded its ties with the socialist world,<sup>33/</sup> to the extent that Yugoslavia is now second to Japan as a foreign source of fertilizer. Smaller amounts are also being imported from other socialist countries. An arrangement was recently made to exchange phosphate, of which the Philippines has a surplus, for Indonesian oil, an important raw material for nitrogenous fertilizer.

Martial law is acknowledged to have made an impact on the administrative capacity of government. The move to rid government of undesirables was among the early reforms of the New Society. For instance,

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<sup>33/</sup>The Philippines is expected to open diplomatic relationships soon with the U.S.S.R., and simultaneously with the People's Republic of China. It may be noted that about three-fourths of Philippine rice imports in 1973 came from China, partly as direct assistance after the 1972 floods and (apparently) partly through HongKong. (F.A.O. Rice Trade Intelligence, XVIII, No.1, February 10, 1974 reports that the Philippines imported 215,100 MT of rice during January 1-December 4, 1973, of which 160,000 MT came from China.)

Presidential Decree No. 4, organizing the National Grains Authority, automatically terminated the appointments of many persons in the (abolished) Rice and Corn Administration.<sup>34/</sup> Secondly, there has been an expansion in the degree of involvement of local government officials in the rice program. At the lowest level, the role of barangays in the rice rationing system has been cited. At all levels, the terms of office of local officials (elected in late 1971) are, for an indefinite period, subject to termination by executive discretion. Several municipal mayors, for instance, have been relieved and replaced by constabulary officers.

To provincial governors, the program of special relevance has been Palayan ng Bayan,<sup>35/</sup> launched in July 1973 as a project of the First Lady, Mrs. Imelda R. Marcos. (Her role in Philippine politics and in the administration of certain government policies can hardly be ignored; this applies to the political economy of rice as well.) ☒ The Palayan program is an attempt to

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*same* <sup>34/</sup> See Mears, p. 247, for a report on large physical loads of rice at RCA, and on the need for a quedan (warehouse receipt) system of integrity.

<sup>35/</sup> Meaning, rice-fields of the nation.

locate new land for rice.<sup>36/</sup> The amount actually located has been small, in relation to the total rice area, consistent with the view that the Philippine land frontier is just about reached. As of May 1974, it was reported that the Palayan program had succeeded in planting 3,792 hectares on new land, had cleared 4,352 hectares and had located another 10,342 hectares for clearing.<sup>37/</sup> This compares with over 3 million hectares of rice crop area per year. However, two other results must be noted. First of all, both Masagana 99 and Palayan ng Bayan were meant to assist the population in getting through the expected crisis of June-September 1973 on the assurance that rice would be very soon forthcoming from the intensification efforts. Secondly, Palayan ng Bayan was a useful device for getting local government, particularly provincial governors, to cooperate in the national rice program. The governors had to make quantitative commitments to Mrs. Marcos that they would locate new land in their provinces, and now reportedly devote a remarkable proportion of their working hours to the national agricultural program.

<sup>36/</sup> P.D. No. 262 authorizes the use of virgin public land for the program.

<sup>37/</sup> Business Day, May 27, 1974.



The government budget has become much less of a constraint. The effectiveness of the Bureaus of Internal Revenue and of Customs as collection agents has improved (these agencies were the hardest hit by the purges of 1972-1973). Huge voluntary payments were induced in return for amnesties on past tax evasion. Property assessments were revised upwards. The Budget Commissioner has just reported that 1973/74 revenues exceeded expectations by 50%. In addition, the government has extended its debt capacity, and, furthermore, has not shown a disinclination for monetary expansion (as in Masagana 99).

The last two among the constraints listed concern the welfare of special groups of consumers. Organized political/economic groups (labor unions, student activists, jeepney drivers, etc.) were in the Old Society quite capable of causing disruptions, and fond of exploiting rice as an issue. As stated earlier, this tendency may have abated, but most likely has not disappeared. The government has shown special concern for the civil service. Government employees earning ₱550 or less per month were recently given ₱50 monthly living allowances; and those in the ₱551-599 group were adjusted to ₱600. Private firms have been urged to follow

suit; but government, in line with its current employment-oriented stance, has refrained from imposing the requirement by decree.

In the land transfer program, the government has been especially concerned that a number of civil servants would be affected by expropriation and thus alienated from the New Society. It therefore ordered, last year, a survey of small landowners to determine their occupations (Letter of Implementation No. 143). The directive is particularly interesting in that it listed the occupational categories required of the implementing agency, thus revealing the groups of special interest to government: members of the armed forces; government employees; salaried workers in non-government offices; government retirees; non-government retirees; and others. The last category, "Others" (mainly self-employed), was far from being an innocuous catch-all. It was apparently intended to encompass landowners who would not cause special implementation problems to the land transfer program. The following statement is by a high-ranking agrarian reform official:

"... the impediment to a successful agrarian reform can come from the government bureaucracy itself. It may not be dangerous to say that in this country, the bureaucracy is more accessible to the landlord class than to the tenants. So we must not take for granted the fears and apprehensions that prevail at the moment in the minds of the tenant-tillers. They have deep but silent doubts as to the willingness of the government to help them now. They rationalize that the very people required to give the assistance are also the ones being deprived of their lands. This is the landowning class within the government itself. This is the contradiction that the reform implementors have to bear everytime they meet the people."<sup>38/</sup>

Thus some relief may have been felt at the discovery that three-fourths<sup>39/</sup> of the respondents were in the "Others" category.

### Conclusion

When martial law was declared in September 1972, it was a time of great stress in rice, on account of a great flood in Luzon and soon thereafter a drought in Southern Philippines. The serious crisis of 1973 and the measures taken to meet it have been described. The history is short, and yet so unusually full, that it seems

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<sup>38/</sup> Medina (April 1973), pp. 13-14.

<sup>39/</sup> The survey was a rush job, and not based on a probability sample. See Department of Agrarian Reform (1974).

safe to conclude after twenty-one months that, with respect to the political economy of rice, the New Society differs substantially from the Old.

The differences are not found so much in the objectives. Political stability is still paramount; and self-sufficiency, defined as the avoidance of leverage from foreign states, is still of relatively low weight in fact. \*   
② ~~There appears to be a bit of a shift from emphasis on consumer welfare to emphasis on producers' incomes.~~ Anti-inflation has developed into an objective with weight equal to these.

The differentiation is more noticeable when one examines the policy emphases. In the earlier period, the stress was on (1) diffusion of new technology among farmers and on (2) imports to protect consumers. The New Society turned, on the other hand, to a fertilizer subsidy and a massive diffusion of credit. Faced with the stoppage of Thai import supplies during 1973, it developed a modestly efficient rationing scheme in conjunction with its new political unit, the barangay.

③ Thirdly, with the fall from power of some landlord-based political elements, it shifted agrarian reform to the land transfer stage.

The New Society is noted most of all for the release it has obtained from several policy constraints. Many undesirable persons were purged from the rice agency and from the tax collection agencies. Local government officials were compelled by insecurity of tenure to cooperate with the national rice program. In the crisis, the private marketing system bowed before the military authority. The ability of government to command resources was extended and was used; the budget has ceased to be a serious constraint. <sup>not necessarily so!</sup> New options to gain from the outside world, were secured through broadly flung diplomatic efforts. The New Society has attempted to carve out broad avenues for positive action, uncluttered by legal political or economic opposition. The consequences go beyond the political economy of rice, which is the scope of this essay.

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