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RICE MARKETING CHANNELS AND ORGANIZATION IN THE PHILIPPINES

by

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CHAPTER V*

Rice Marketing Channels and Organization in the Philippines

I. Introduction

Before 1900, the major portion of the palay crop was consumed largely on the farm. It seldom moved out of the confines of the barrio or municipality in which it was produced. By the 1920's roughly 20 percent of production was estimated to have entered the commercial trade channels.[1/] This marketed surplus went into the hands of predominantly alien (Chinese) millers and traders and was largely controlled by them until sold at retail.[2/]

In Luzon, much of the grain was stored in palay form. It was milled only upon receipt of orders and then shipped to Manila and other secondary markets. Manila was the principal terminal market for rice coming from the Central Luzon region. It also served as a transit market for distribution to other major consuming centers and, occasionally, also to major producing areas like Iloilo. At that time, the marketing

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* The authors are indebted to Teresa Anden and Rosalinda Marquez for invaluable research assistance while preparing this paper. Amelita Mafiibo and Rosalinda Culla spent long hours in typing and carefully proofreading successive drafts.

1/ Joseph A. LeClarc, Rice Trade in the Far East, U.S., Department of Commerce (1927) p. 57.

2/ See, for example, Rice Commission, Report to the President of the Philippines, Manila, Bureau of Printing (1936) p. 17; also, LeClarc, op. cit., p. 58.

agencies were described as relatively efficient, such efficiency being attributed to the manner in which the Chinese operated the trade.[3/]

Over the years, the marketed surplus has increased both absolutely and as a proportion of production. The government has become increasingly involved in the distribution and the private sector marketing has been in the hands of Filipino citizens since the early 1960's. The transfer of ownership of the grain as it moves from the producer to the consumer in the early 1970's is described and appraised in this study along with a brief description of the marketing of major production inputs - seed and fertilizer. This discussion proceeds as follows: 1) The flow of palay and rice, 2) marketing channels, 3) markets and marketing agencies, 4) marketing agency organization, 5) governmental regulation, 6) the market for inputs and 7) evaluation of the marketing structure.

3/ Although working as independent units, they were a cohesive group and cooperated closely with each other, were rather well financed and operated at generally low costs and margins. And, at least in Central Luzon, there was evidence of integration between some Manila wholesalers and Cabanatuan millers (where the wholesalers controlled or owned the latter), for example, see Daniel F. Asuncion, "A Study of Marketing Rice in Nueva Ecija," (in the 1920's), The Philippine Agriculturist, Vol. 21, No. 3 (August 1932) p. 183. This study records that in 1930 a farmer in Nueva Ecija received about 87 percent of the wholesale price in Manila.

II. The Flow of Palay and Rice

The marketed surplus from the farms generally flows to the mills with regional excess supply moving to deficit areas.[4/] This pattern can vary where harvest time differs between producing areas, when unusually large or small harvests result in regions that are normally deficit or surplus, and when imports are off-loaded in a deficit area for transhipment to other areas. The timeliness of such geographic transfer of grain depends heavily upon transport, storage and finance as well as the flow of information.

1. Marketed surplus. Table V-1 indicates the estimate of marketed surplus. Market directed stocks of palay have been assumed to include those sold on the market, plus the landlord's share of production, repayment in kind for debts of farm operators and payment in kind to threshers. Some of these stocks may not be market directed but are considered as balanced by other dispositions counted as non-market directed. Only in 1967-68, of the years for which records are

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[4/] The term marketed surplus is used here in the sense of the gross movement of palay from the rice-farm sector to the market. Some small percentage of this may be re-purchased from the market when farmers' stocks become depleted before harvest time. This differs from the use by some other economists. For example, Mubyarto uses it to refer to the farm-rural sector as rice supplier for the urban sector, see Mubyarto and L. B. Fletcher, The Marketable Surplus of Rice in Indonesia, A Study in Java Madura, International Studies in Economics, Department of Economics, Iowa State University, Monograph No. 4 (October, 1966). In contrast, Roekasah uses it in the sense of the amount of rice sold for cash or bartered by the farmer, "Income and Expenditure Pattern of Rice Producers in Relation to Production and Rice Marketed," unpublished Ph.D. Thesis, Institute Pertanian Bogor, Java (1968).

TABLE V-1

Domestic Production: Marketed Surplus[1/] and Volume Controlled by the Government and the Private Traders, 1954/55, 1960/61, 1965/66 - 1969/70
(in cavans palay of 44 kgs.)

Crop Year	% of Production Market Directed	Quantity of Palay Market Directed[3/]	Government Channel	Private Channel		
			% Procured by Government	% Handled by FaCoMas[5/]	% Handled by Private Traders	% Handled by Private Channel
1954/55	38.9	28,316,600	1.1	N.A.	98.9	-
1960/61	46.5	39,994,530	N.A.	N.A.	N.A.	-
1965/66	53.5[2/]	49,519,550	1.1	1.1	97.8	98.9
1966/67	54.8[2/]	50,989,150	4.4[4/]	2.2[6/]	93.4	95.6
1967/68	55.8	57,837,930	9.7[4/]	3.3[7/]	87.0	90.3
1968/69	53.7	54,245,000	3.0	3.5[7/]	93.5	97.0
1969/70	60.5	71,959,370	7.2	2.3[8/]	90.5	92.8
Total/Percent (1965/66-1969/70):		284,551,000	5.3	2.5	92.1	94.6

1/Marketed surplus considered to include rent and/or share to landlord, debt service of operators, farmers sales and payment for threshers. Part of these totals may not be market directed, but differences are considered balanced by portions of other disposition counted as non-market directed.
2/Extrapolated on basis of percentage figures available for other years.
3/Quantity of palay marketed$_t$ = Production$_t$ x % marketed$_t$, where t = crop year.
4/Includes procurement by Philippine Exchange, Inc., in calendar year 1967 and 1968 amounting to 445,650 and 324,498 cavans palay, respectively.
5/Based on ACA records of palay deposited in FaCoMa warehouses between July 1 - July 30 of crop year. This may include stocks belonging to both FaCoMa members or non-members which may have been withdrawn for own use or for marketing through other channels.
6/Three ACA branches did not report.
7/Excludes palay procured by FaCoMas for RCA (401,592 cavans in 1967/68 and 279,556 cavans in 1968/69).
8/May be understated. Report was as of June 30, 1970 before final accounting received from all FaCoMas.

Sources: BAE for production and basic data on marketed surplus.
RCA for government domestic procurement.
Philippine Exchange, Inc., for Philippine Exchange purchases.
ACA, Plans and Program Office; Annual Reports.

available, did the government procurement approach 10 percent of the marketed surplus. The balance of 90 percent or more was handled by private traders.[5/] Over the 5 years from 1965/66 to 1969/70, government procurements averaged only about 5 percent of the marketed surplus.

The percentage of production that has been market-directed has increased from around 20 percent in 1920 to over 60 percent in 1969/70, half of this percentage increase having occurred since 1954/55. This reflects the growing urbanization, the higher yields associated with the intensified cultivation of the new high yielding varieties, and also the greater market orientation of the farmer. These influences can be expected to continue and increase further the percentage of the crop that will be market-directed.

2. Inter-area flows. Chart V-1 shows the domestic flow map of palay and rice in 1968 as prepared by the Rice and Corn Board (RICOB). Major flows moved to Manila from the traditional rice producing regions of Cagayan Valley and Central Luzon, and from South Cotabato in Southwest Mindanao. The direction and scale of flows were based on estimates by RICOB of surplus and deficit areas with modifications as required from reports by millers' associations and RICOB's field agents throughout the country. The scale of indicated flows can be taken only as suggestive of actual quantity movements. When compared with 1968 interisland ship-

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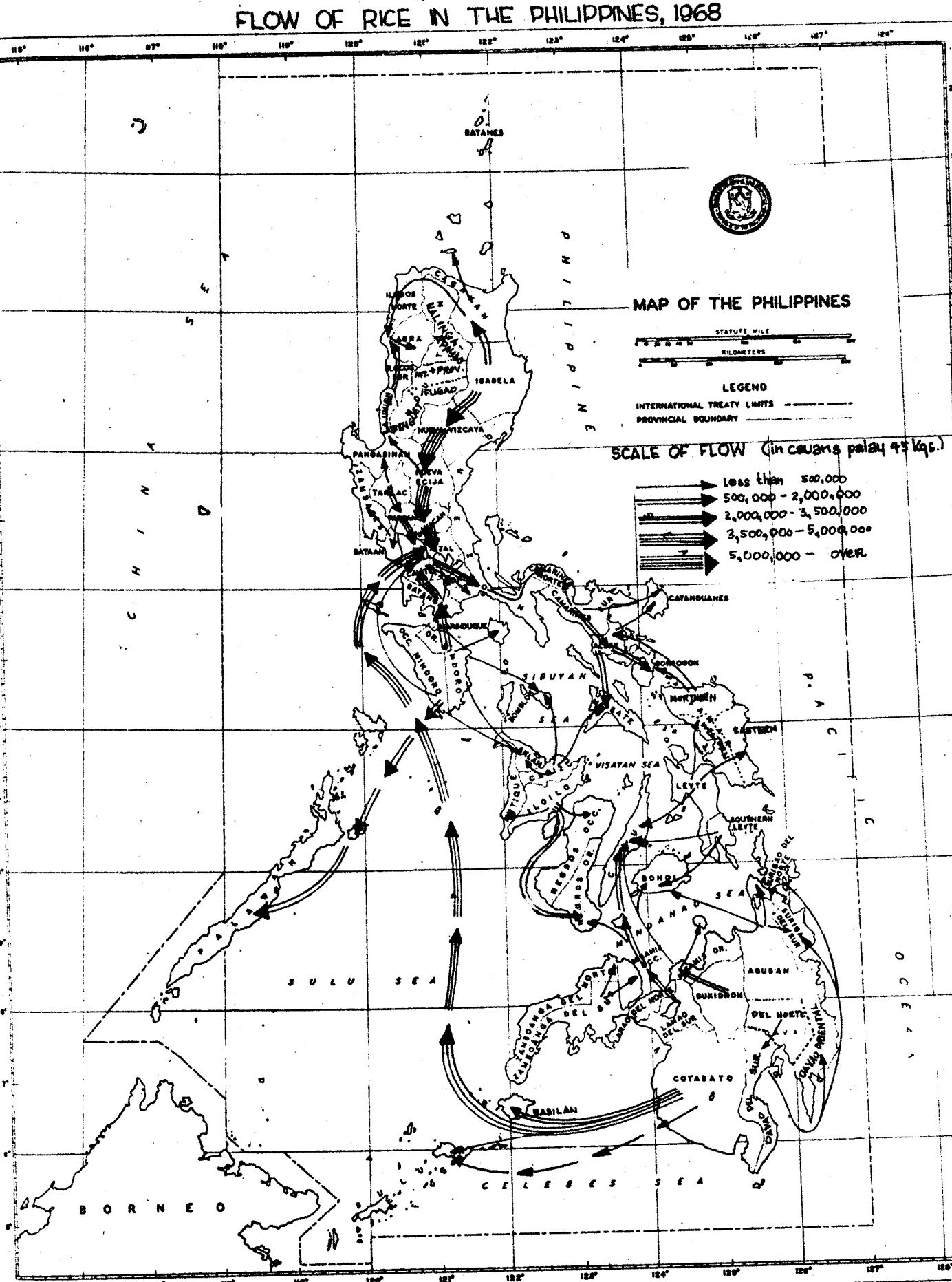
[5/] This includes non-RCA stocks deposited in FaCoMas, never totalling more than 3.5 percent of the surplus.

CHART V - 1

FLOW OF RICE IN THE PHILIPPINES, 1968



SOURCE: RICE AND CORN BOARD (RICOB)

ment statistics recorded by the Bureau of Census and Statistics (BCS),[6] the flows between the four major island groups (Luzon, East Visayas, West Visayas and Mindanao) appear considerably overstated.[7] Further, BCS data indicate shipments of rice in both directions between Luzon and Mindanao, Luzon and Western Visayas, and between Eastern Visayas and Mindanao; information lost on the net flow map shown in Chart V-1.

The flow map prepared by RICOB for 1971 looks somewhat different from that of 1968 (See Chart V-2). 1971 was an unusual year. Natural calamities that affected both rice and corn production in 1970, along with the deteriorating peace and order conditions in the southern Philippines, contributed to the reversal of the major south-north flows. With corn prices almost doubling as production declined, traders found it profitable to ship rice from Manila to the corn-eating centers in the Visayas. Disruptions in regular agricultural activities in Cotabato likewise brought forth rice shipments from the north.

3. Interisland shipments. Interisland shipments, as shown on Table V-2, indicate an appreciable increase in cross-shipments between major sections of the country starting in 1966/67.[8] As indicated pre-

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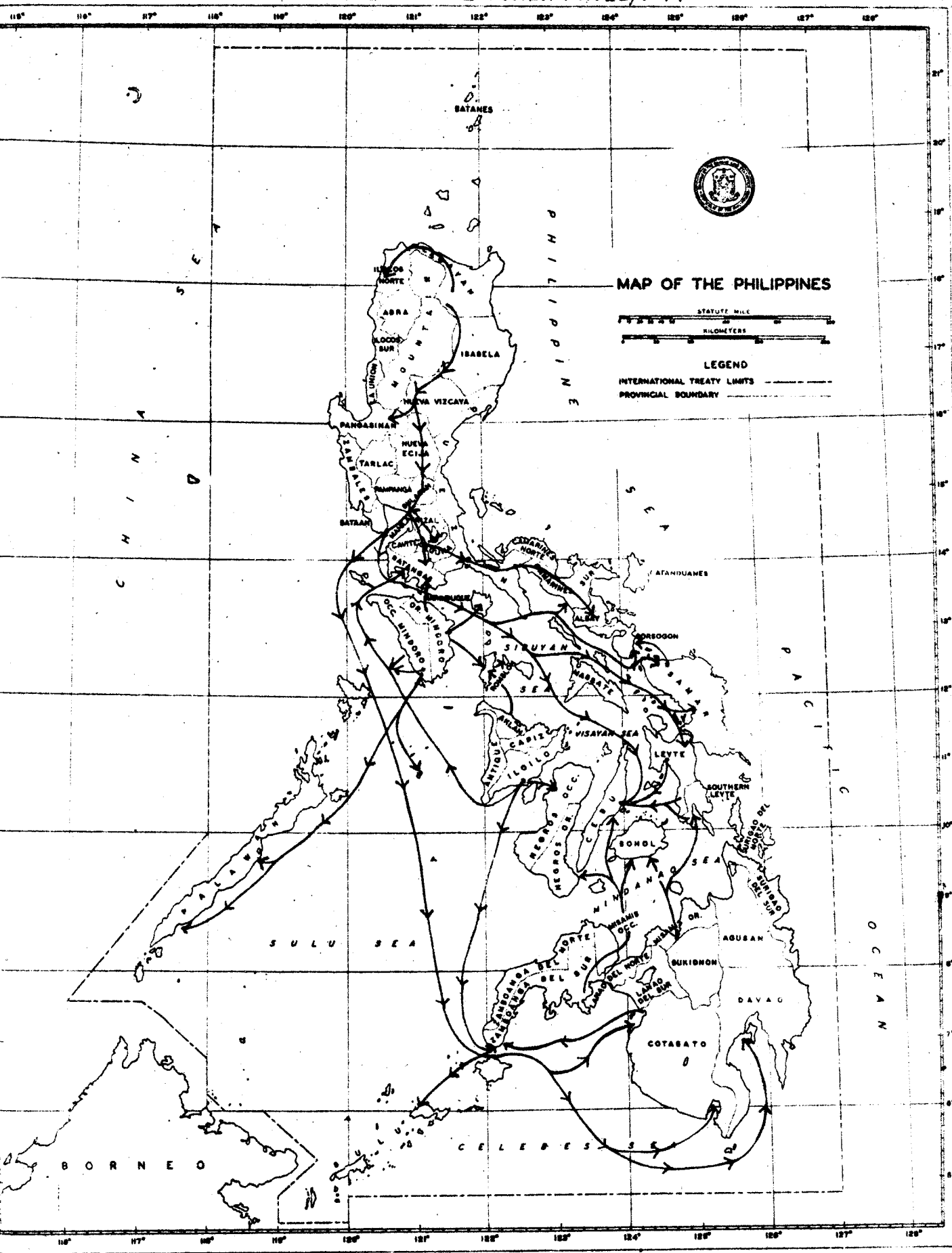
[6] January to September, 1968, see Table V-2 and Appendix D.

[7] The lack of agreement may result from the manner interisland shipment statistics are compiled and processed.

[8] This same trend continued in the first quarter of 1968/69, the latest interisland data available. See also Appendix D.

CHART V-2

FLOW OF RICE IN THE PHILIPPINES, 1971



Source: Rice and Corn Board (RICOB)

TABLE V-2

Interisland Shipment of Rice in the Philippines, 1964/65-1968/69
(in metric tons rice)[1/]

Calendar Year \ Island Group	Luzon[2/]	Eastern Visayas	Western Visayas	Mindanao[3/]
1964/65				
Incoming	-	12,593	3,985	4,497
Outgoing	16,680	-	-	4,395
Net Incoming	-	12,593	3,985	102
Net Outgoing	16,680	-	-	-
1965/66				
Incoming	-	14,469	4,218	6,324
Outgoing	23,740	-	-	1,271
Net Incoming	-	14,469	4,218	5,053
Net Outgoing	23,740	-	-	-
1966/67				
Incoming	53,627	25,721	3,499	8,610
Outgoing	15,626	15,465	10,595	49,771
Net Incoming	38,001	10,256	-	-
Net Outgoing	-	-	7,096	41,161
1967/68				
Incoming	29,564	30,232	4,012	24,334
Outgoing	22,024	19,006	18,858	28,255
Net Incoming	7,540	11,226	-	-
Net Outgoing	-	-	14,841	3,921
1968 (to Sept. 30)				
Incoming	8,933	18,889	6,651	12,008
Outgoing	18,091	8,000	5,623	14,767
Net Incoming	-	10,889	1,028	-
Net Outgoing	9,158	-	-	2,759

1/Includes palay converted to rice.

2/Luzon includes Ilocos, Cagayan Valley, Central Luzon, Southern Tagalog, and Bicol (according to DANR classification of regions).

3/Includes Northeastern and Southwestern Mindanao regions.

Source: Bureau of the Census and Statistics.

viously, different seasonal cropping patterns, unusual weather or pest conditions and transhipments of imports could provide a partial explanation.[9/] However, such striking changes could indicate inadequate storage facilities to store bumper crops or poor crop information flow to guide decisions of traders. It is a signal coming from statistics of this nature that can alert government and private policy makers to possible marketing inefficiencies. Further investigation could suggest profitable investment possibilities for the private sector or the need for stimulative action by government where the private sector fails to act.

III. Marketing Channels

At the start of the twentieth century, until a critical rice shortage developed in 1935, rice trading was primarily in the hands of private traders.[10/] In that year, the government intervened by importing rice free of duty. Since 1936, with the establishment of the National Rice and Corn Corporation (NARIC), there have been two rather distinct channels through which rice has been distributed from the farm to the consumer. While private marketing agencies play an important part in both channels, the government has only a regulatory influence in one

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[9/] Data inaccuracies could also be a partial explanation.

[10/] For examples of direct government participation in the rice trade during the centuries prior to 1900, see Mears, "Historical Development of Rice Marketing in the Philippines," IEDR Discussion Paper No. 67-14, U.P. School of Economics (October 6, 1967).

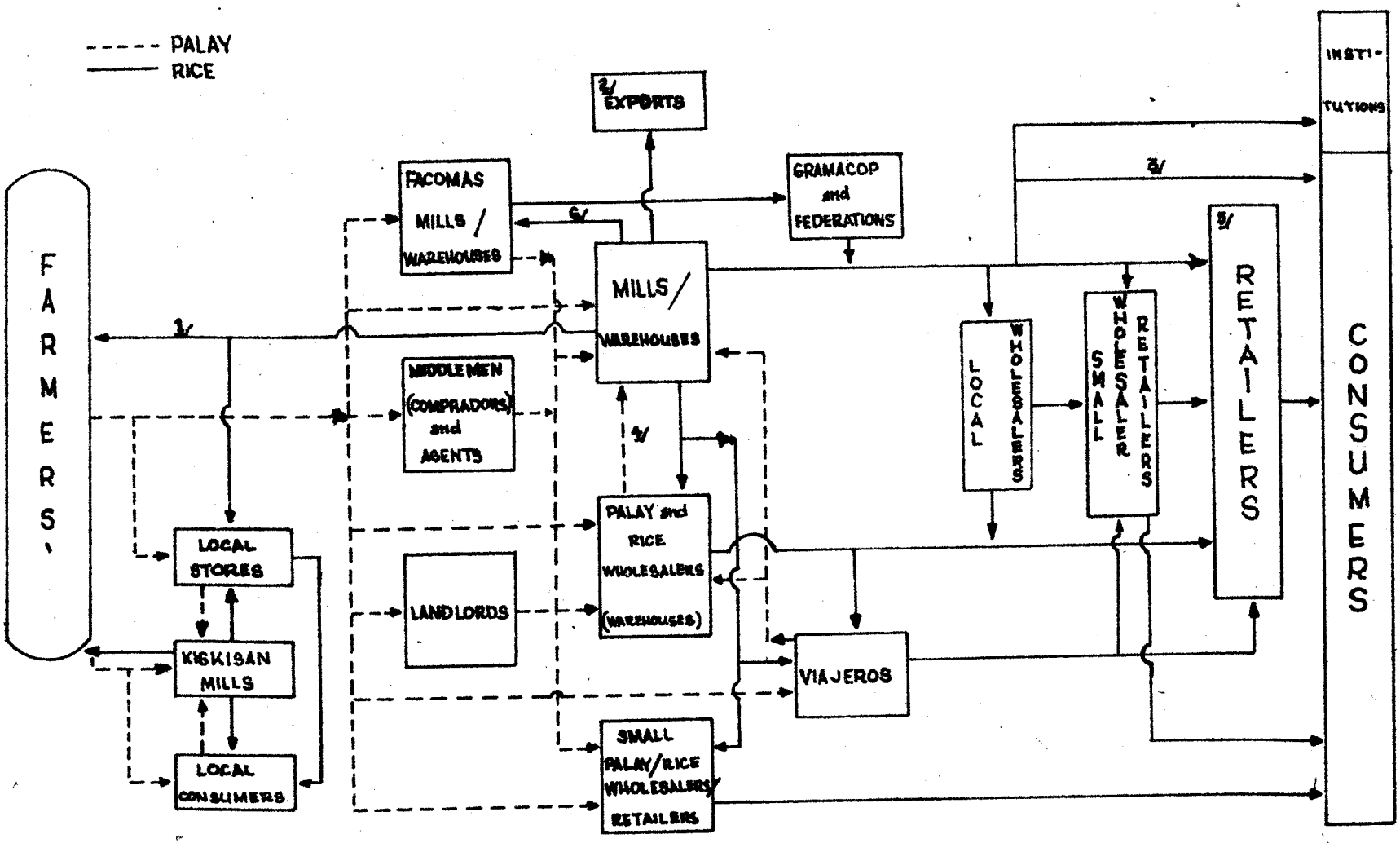
while it exercises a large degree of control in the other, actually maintaining ownership of the stocks on their way to the consumer. The first is referred to as the "private channel" and is illustrated in Chart V-3; the second as the "government channel" and is illustrated in Chart V-4. These charts show the numerous alternative paths through which palay and rice might travel before reaching the consumer.

1. The private channel. The path travelled by any one specific lot of palay or rice depends upon the particular institutional relationships faced by the owners of the grain as it changes hands. In the simplest case, palay might be sold directly to the ultimate consumer who then hand pounds the palay or has it milled in a small mill in the barrio. In contrast, palay entering the private channel could change ownership ten or more times. It could move through the hands of small assemblers near the barrio, to wholesalers in the municipality, then to millers in the transit market, and on to several wholesalers in the large city before finally reaching the consumer over the retail counter. On the average, even when handled through FaCoMas (cooperatives), commercial grain probably changes hands 3 to 5 times before reaching the consumer.

While most of the agencies shown in Chart V-3 will be found generally throughout the country, regional variations are to be expected. Only a limited number of FaCoMas are active and viable and, in 1971, their marketing arm, the Grain Marketing Cooperative (GRAMACOP), was operating only in parts of Luzon. Likewise, the mobile traders -- the viajeros --

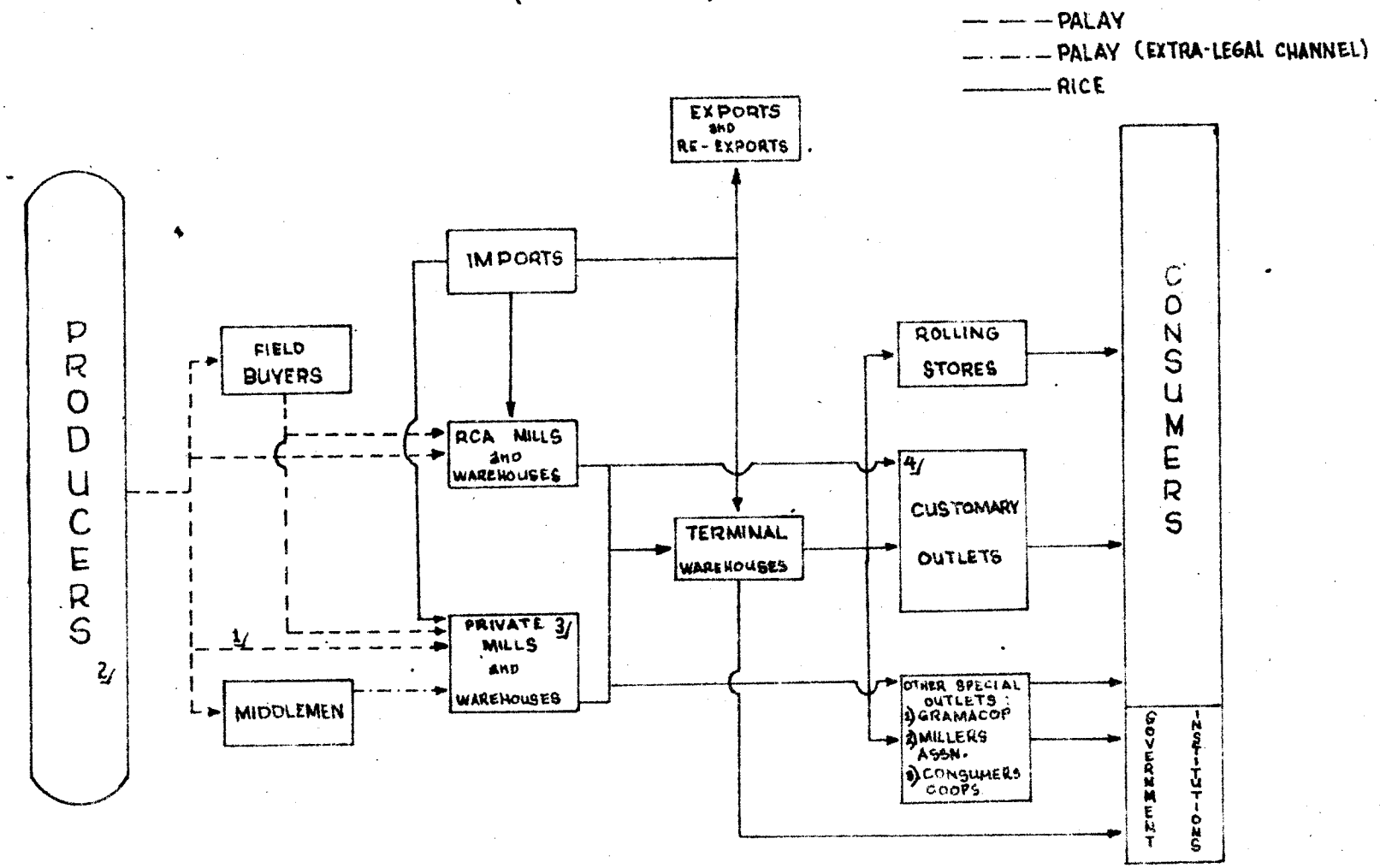
CHART V-3

PRIVATE CHANNEL FOR PALAY AND RICE, 1970



1/ FARMERS' SUPPLIES ARE ALSO CUSTOM-MILLED IN CONO MILLS.
2/ ARRANGEMENTS FOR EXPORTS NOT FIRMLY INSTITUTIONALIZED.
3/ INCLUDES HOME DELIVERIES.
4/ REVERSE MOVEMENT OF PALAY--FROM MILLER/WAREHOUSER TO NON-MILLER WHOLESALER--HAVE BEEN OBSERVED IN CENTRAL LUZON.
5/ INCLUDES SUPERMARKETS
6/ SOME FACOMAS' PALAY IS CUSTOM MILLED BY PRIVATE CONOS.

GOVERNMENT CHANNEL
(IN LATE 1960's)



1/ EXTRA LEGAL CHANNEL EXISTS HERE WHEN LARGE PRODUCERS SELL PALAY TO RCA IN EXCESS OF PRODUCTION OVER 100 CAVANS ALLOWED BY LAW.

2/ INCLUDES LANDLORDS.

3/ INCLUDES FACOMAS

4/ CUSTOMARY OUTLETS ARE RICOB - REGISTERED RETAILERS, MUNICIPAL TREASURY - APPOINTED RETAILERS AND BARRIO COUNCIL MEMBERS.

were more likely to be found only around the trading area of Manila and other large cities. And, the relative importance of other individual types of agencies varies from area to area even though their presence may be geographically widespread.

Palay and rice generally move through the channels from left to right as shown on Chart V-3, but vertical movements between similar agencies are not uncommon. Given the emphasis of most agencies on trading, inter-agency sales are frequent. For example, millers may find it more profitable to sell palay to other millers than to convert the palay themselves. In Nueva Ecija, Peredo found many mill-to-mill sales as well as large sales between non-millers at the wholesale level.[11/] In a study in Manila, the Rice and Corn Exchange of the Philippines (RICOREX) found that most wholesalers sold rice to other wholesalers with similar practices between retailers.[12/] In Luzon, the authors found frequent instances of millers in Isabela selling palay to truckers from Manila who could carry it as a "back-load" at practically no added cost before selling the palay to millers in Nueva Ecija and Bulacan.

2. The government channel. The government channel of the 1960's came into being with the legal stipulation that the Rice and Corn Administration (RCA) was created to carry out the policy of the government

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11/ Benjamin D. Peredo, "Cost of Marketing Palay and Rice in Nueva Ecija, 1961-62," unpublished Master's Thesis, U.P. College of Agriculture, Los Baños, Laguna (1964) pp. 69-72.

12/ "The Marketing Strategy for RICOREX," unpublished (1969) pp. D1 and D6.

to stabilize rice prices.[13] Specifically, the law stated that the RCA "shall....purchase (palay)....from those who wish to dispose of their produce at a price that will afford them a fair and just return....., and, whenever circumstances brought about by any cause....should so require, shall sell and dispose of (rice) to the consumers at areas of consumption at a price that is within their reach."[14] The agency was "authorized to accumulate stocks as a national reserve in such quantities as it may deem proper and necessary to meet any contingencies."[15] And finally, with authority to import rice free from taxes, duties and/or special charges when situations of shortage were certified by the National Economic Council (NEC), and legally required to sell such imported rice through specified controlled outlets, RCA, in effect, became the sole rice importer.[16] In years of large imports, the distribution and sale of this imported rice added appreciably to marketing activities within the government channel.

The effectiveness with which this responsibility was carried out by RCA (and earlier by NARIC) is discussed in detail in Chapter XI. At this point, it is sufficient to relate that activities within the

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[13] R.A. No. 3452 (June 14, 1962).

[14] R.A. No. 4643 (March 8, 1966).

[15] R.A. No. 3452 (June 14, 1962).

[16] R.A. No. 4643 (March 8, 1966).

government channel have been extensive, varying from year to year depending on crop and market conditions, transport bottlenecks, political imperatives and the availability of funds. Since 1954/55, purchases have ranged from a low of 11,400 cavans of palay in 1959/60 to a high of over 5 million cavans in both 1967/68 and 1969/70. Sales, taking into account imported stocks, ranged from 700,000 cavans of rice in 1959/60 to almost 8 million in the election year of 1965/66. RCA owned stocks of rice (equivalent) generally ranged between 1 and 2 million cavans. They reached a mid-year maximum of almost 4 million cavans in 1969.[17/]

While RCA owns and leases a few mills and warehouses, it also utilizes private marketing agencies extensively in the handling and movement of stocks through government channels. Generally the farmer's palay is delivered directly to RCA-owned or -authorized bonded ware-

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17/ As reported by RCA and Bureau of Agricultural Economics (BAE). Up to 1970, reports were available only as of January and July 1st of each year. The RCA (reportedly) has set a target for domestic procurement of 10 percent of total production, see Melecio S. Tibayan, "An Appraisal of RCA Operations Under the Quedan System," unpublished research paper, U.P.-Wisconsin Program in Development Economics, Diliman (March, 1971) pp. 4-5, mimeographed. According to RCA officials, this relates to a policy adopted by the Office of Statistical Coordination and Standards (OSCAS) of the NEC, defining national reserve requirements at 10 percent of total rice consumption. In spite of this high target and the report by Drilon that "up to 10% of the national production of palay is sold by farmers and millers to the government each year," actual RCA procurement has reached the 5 percent (of production) level in only 2 years since World War II and has averaged a mere 2.8 percent of production between 1965/66 and 1969/70. See Jose D. Drilon, Jr. and Ray Goldberg, "Notes on the Philippine Rice Industry," The Philippine Review of Business and Economics, Vol. VI, No. 1 (June, 1969) p. 34.

houses.[18] In such cases, to minimize the need for actual government participation, the farmer is issued a warehouse receipt (quedan) which he cashes at banks holding RCA funds for this purpose. In a few instances, in the absence of conveniently located bonded warehouses -- such as in Lanao del Norte in 1965 -- RCA has used mobile buying units to purchase for cash directly from farmers at rural accumulation centers.[19]

Palay deposited in warehouses for RCA is milled (usually by private millers) on order of the RCA.[20] As required for price stabilization, this milled rice is sold at warehouses in transit or terminal markets through either RICOB-licensed dealers, barrio councils, or other RCA appointees in locations where neither of the other agencies exist.

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[18] According to R.A. No. 4643, RCA is authorized to buy palay only from the producer (farmer or tenant, or the landowner for his share), but in practice this has been difficult to implement. If extra-legal payments are involved to facilitate sales by middlemen, this restriction could even prove disadvantageous to the small farmer who cannot economically transport his small surplus to the nearest RCA buying agent. In addition, many small farmers choose to sell to middlemen to avoid RCA paperwork.

[19] According to R.A. No. 4643, RCA is permitted to purchase from an individual farmer only 30 percent of his production in excess of 100 cavans. In practice, this constraint was difficult to enforce and in 1968 the RCA officially authorized purchase of all quantities (even in excess of 100 cavans) on the basis that to do otherwise might discourage farmers from using high yielding seeds and modern inputs, see "RCA Progress Report on Palay Procurement Program," (November 21, 1967) p. 2, mimeographed.

[20] Millers are expected to hold RCA stocks in storage awaiting such orders to mill. However, field surveys and verbal reports from RCA personnel confirmed that private millers/warehousemen often used RCA stocks as working capital. In 1969, this practice received official sanction by an RCA Board resolution allowing private millers/warehousemen to use up to 30 percent of RCA stocks as operating capital to prevent stock spoilage. Misuse of this privilege reportedly resulted in the inability of RCA to obtain their own stocks when needed in 1969, 1970 and 1971, see, The Manila Times (March 15, 1971, June 19, 1971 and September 14, 1971) pp. 1, 1, 17, respectively. In an interview with the Secretary to the RCA Board in October 1971, it was reported that this authorization was suspended in early 1971.

In emergency situations, such as existed before the 1969 and 1971 elections, other outlets for RCA rice have included miller associations, GRAMACOP, the FaCoMas, Consumer Cooperatives and government offices (for sales to employees). On these occasions, facilities of the Philippine National Bank (PNB) and the public schools also have been used as sales points along with rolling-stores.

As a result of a bumper crop in 1967/68, some of the imports received earlier that year proved unnecessary (290,000 tons were imported), resulting both in re-exports of RCA stocks (59,200 tons) and authorization for RCA, Philippine Exchange and private sector exports of domestically produced rice (33,000 tons).[21/] Also, since milled rice deteriorates rapidly, 81,000 tons of surplus imports were bartered in 1968/69 with private domestic traders who agreed to replace with new palay as RCA required.

In 1967 and 1968, the government enlisted the help of the Philippine Exchange, Inc., a PNB subsidiary dealing principally in insurance, to help in procuring rice to support the falling palay price in Mindanao.[22/] The Philippine Exchange soon discovered that it lacked both sufficient staff and expertise, resorting to contracting with traders who purchased and milled the palay before shipping it to

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21/ There was actually no net surplus during these years. Exports were possible because larger quantities of imports were utilized domestically in 1967.

22/ This unusual step was taken, according to RCA officials, because RCA was suffering from a shortage of working capital.

warehouses in Manila. After losses of between P3 and 4 million, the Philippine Exchange withdrew from these activities in 1969.

IV. Markets and Marketing Agencies

Rice distribution leads through three general levels of markets; 1) local assembly, 2) regional assembly or transit, and 3) terminal markets. The distinction lies basically in the functions performed in each although geographically the terminal market tends to be farthest from the producer, with the transit sandwiched in between. Further examination will disclose that the functional descriptions are at best only guides as each market partakes of some of the characteristics of the others. For instance, the local assembly and transit markets both make some sales to final consumers, a pronounced characteristic of the terminal market. On Charts V-3 and V-4, local assembly markets are shown at the left, the transit in the center and, terminal at the right. More specific explanation of the functional differences will be found in the following discussion of each market type.

1. Local assembly market. This market area refers to that general area where the crop is produced, field processed and collected as palay for immediate or future (after storage) shipment to regional and terminal market areas.[23/] The market area will include the barrios and

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[23/] In the Philippines, farm pre-sale processing generally includes threshing, drying and cleaning, with methods varying from the use of human labor for the entire process to mechanized threshing and drying.

market towns (or municipalities) but not the principal market town (or centro) of a producing area, such as Cabanatuan.

Because of the small quantities of marketed surplus from most farmers and because of the personal relationships between farmer and trader, a profusion of middlemen is apt to be found. However, the relative importance of the different types varies between regions. Research over the years suggests that the small farmer, on the basis of convenience, sentiment, prior contract and economy, is apt to dispose of his palay in one sale to a local middleman or nearby miller. Larger farmers, more able to search for higher prices, tend toward several sales with more frequent resort to transient buyers and central mills.[24/] In areas such as Mindanao, where farms tend to be widely separated and farm-to-market roads to be poor, middlemen have been observed to play a vital role as initial buyers.[25/] In contrast, in a survey in Baybay, Leyte, three-quarters of the palay was sold to mills conveniently located in the municipality.[26/]

The choice of outlets by farmers appears to have changed only slightly during the past 40 years although different sample frames and

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24/ See Appendix A for sources and summary of results of "first-sale" surveys. Unfortunately, researchers used different categorizations of buyers, making generalizations difficult.

25/ From interviews in 1971 with E. V. Mendoza, Chairman of RICOB, and Antonio Roxas Chua, President, China Banking Corporation (previously a prominent rice-wholesaler in Manila).

26/ For further discussion on these practices, see L. B. Darrah and F. A. Tiongson, Agricultural Marketing in the Philippines, University of the Philippines, Los Baños, Laguna (1969) pp. 147/49.

survey procedures make comparisons suggestive at best. Table V-3 summarizes farm disposition as reported from surveys in Nueva Ecija since 1929/30. Even though the 1929/30 results were biased by the exclusion of tenants (who in the 1960's sold their small surpluses predominantly to middlemen or landlords), the activity of middlemen -- both transient mill-agents and non-millers -- seems to have increased in importance considerably over the years. And, neither the FaCoMas nor NARIC/RCA shows evidence of increasing importance since entering the picture in the 1950's.[27/] Comparable studies in Iloilo between 1955/56 and 1962/63 disclosed a shift in sales to both middlemen and mills as FaCoMa activity declined.[28/] A study in Bulacan before (1962/63) and after land reform (1965/66) reveals a striking shift to direct mill sales, not only replacing sales to landlords, but reducing sales to middlemen and FaCoMas.[29/]

a. Kiskisan mills and local merchants. As milling by hand-pounding has declined from 20 percent to less than 5 percent of production,

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[27/] On the other hand, given the highly inelastic demand for rice, the RCA purchases -- which are temporarily withdrawn from the market -- could be of critical importance in stabilizing prices. Also, the government strategy of recent years aimed at rehabilitation of FaCoMas may in 1971 be showing more results than were evident in 1968/69.

[28/] See Appendix A for details.

[29/] See Appendix A for details.

TABLE V-3

Disposition of Palay Sold by Farmers, Nueva Ecija
(in percent of total volume sold)

Survey Year	1929/30	1955/56	1961/62			1968/69
Buying Agency	(620 farmers-excludes tenants)	(985 farmers) 1/	(160 farmers)	(79 non-farming landlords	(223 farmers and landlords, excluding sales to landlords)	(380 farmers
Middlemen 3/	34	53	22	58	56	89
Millers	66	23	30	35	37	
Retailers	-	-	1	1	1	
Moneylenders	-	-	6	3	3	
FaCoMas	-	5	4/	3	3	5
NARIC/RCA	-	4				6
Landlords	-	12	41 5/	-	-	4/
Other	-	3	-	-	-	-
Total	100	100	100	100	100	100

1/Excludes non-farming landlords.
2/Unfortunately no further breakdown by BAE is available. Sample refers to 380 farmers of which only 342 were palay farmers.
3/Includes middlemen/agents of millers.
4/Less than 1 percent.
5/This high percentage explained by Peredo as resulting from heavy indebtedness to landlords. Asuncion, although omitting tenants from his tabulation, commented that "because tenants are in urgent need of money they sell their shares of the rice crop to their landlords long before the harvest season " (pp. 179/180).

Sources:
1929/30 Daniel F. Asuncion, "A Study of Marketing Rice in Nueva Ecija," The Philippine Agriculturist, XXI, No. 3 (August 1932) pp. 177-189.
1955/56 Teodoro B. Baguilat, "Palay Marketing on the Farm Level in Nueva Ecija, Cagayan and Iloilo," The Philippine Agriculturist, Vol. 42 p. 28.
1961/62 Benjamin D. Peredo, "Cost of Marketing Palay and Rice in Nueva Ecija, 1961-62," unpublished Master's thesis, U.P. College of Agriculture, Los Baños, Laguna (1964) p. 67.
1968/69 BAE, Integrated Agricultural Survey, 1968/69.

the kiskisan millers (nagpapakiskis) have provided an increasingly important function in milling palay for farmers and farm laborers in the barrios. About 5 percent of these mills are portable, mounted on wheels, and undertake milling at the farm for the farmer who now-a-days generally prefers milled rice.[30/] Elsewhere, the farmer can readily transport his palay to the near-by kiskisan, avoiding travel to the larger mills when they are far away. However, in 1967/68, only about 30 percent of production was milled by kiskisans, the same percentage as in the mid-1950's.[31/]

The barrio sari-sari stores often use the kiskisan for milling palay received in payment for loans. At times they purchase kiskisan milled rice from farmers needing liquidity.[32/] On other occasions, sari-sari and other barrio merchants accumulate palay received as loan repayment, selling in the transit markets. Except for these transit-market shipments, quantities handled in individual transactions at this level rarely exceed 1 or 2 cavans.

30/ From observations reported by Harry Van Ruiten, FAO milling consultant.

31/ BAE, Crop and Livestock Survey.

32/ However, the quantity of kiskisan-milled rice in commercial channels remains small. This is in contrast to the situation in Indonesia where small hullers in 1971 still accounted for approximately 50 percent of domestic machine-milling and where much of this rice entered commercial channels.

b. Local assemblers. A wide variety of agents are available to collect the widely dispersed and frequently small surpluses from farmers not inclined to transport it to mills in the assembly or transit markets. This function is generally performed by middlemen (compradores), and may include small barrio palay merchants, large traders/wholesalers without mill or warehouse connections, as well as agents of millers/warehousers and wholesalers from the transit market.[33/] Likewise, the landlord and FaCoMa perform this function at times. While there appears to be a number of competitive agencies from which the farmer can choose, the buyer for the smaller farmer's palay is frequently predetermined by pre-harvest loans given by middlemen and landlords to insure their supply of palay. In contrast, large farmers and landlords have much greater freedom for rational choice of outlet.

Many middlemen buy palay on their own account and later sell to millers or wholesalers. As found by Peredo in Nueva Ecija, there are wide variations in capital resources among these traders.[34/] The small ones particularly relied at times on advances from millers and other palay wholesalers for additional working capital. In contrast,

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[33/] Cono-millers and palay/rice wholesalers also are frequently found in municipalities near producing areas. For simplicity of description, these are classified and discussed along with other mills and agencies in the transit market.

[34/] Peredo, op. cit., p. 110. In 1962/63, total capital of small traders averaged under ₱7,000 while that of larger traders averaged over ₱40,000.

middlemen-agents of millers and wholesalers operate on a commission basis using the capital of their principals.[35/]

2. Transit market. Transit markets in the Philippines are located in the principal market towns of producing areas. There, large quantities of palay are accumulated, stored and processed before sale within the region and shipment to major consuming centers at terminal markets. Foremost of the transit markets are Cabanatuan in Nueva Ecija, Iloilo City in the Western Visayas and Cotabato City in Cotabato.

The most important agencies in the transit markets are the rice millers/warehousers (including FaCoMas) and palay/rice wholesalers.[36/] A few RCA-owned warehouses and mills will be found, especially in Luzon.[37/] As in the local assembly market, specific typing of agencies will be misleading if taken too literally. Overlapping of function and activities between agencies is common.

a. Large millers/warehousers. Traditionally the larger mills in the Philippines have been of the "cono" type although several large

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35/ In the late 1960's, in Luzon, they were earning between P0.10 and P0.20/cavan of palay purchased.

36/ This also includes the marketing arms of FaCoMa groups, GRAMACOP in Manila and its members Federations of FaCoMas in Bicol and Cagayan Valley. Another FaCoMa federation in Pangasinan was operating separately as late as 1971.

37/ RCA-owned warehouses totalled 40 in December 1969, with a total capacity of approximately 2.4 million cavans. By use of the quedan system, starting in 1966, storage facilities for RCA rice were greatly expanded.

imported rubber-roller type mills have been placed in operation since 1970.[38/] And, while most of these mills are large relative to kiskisan mills, the average size of the cono mill is still relatively small. Out of the more than 1,700 such mills licensed in 1967, only 106 had 10 or more employees, with only 455 more employing between 5 and 9 employees each.[39/]

Typically, cono millers have their own warehouses, purchasing palay from many sources, including their own mobile agents, farmers, landlords, private middlemen and wholesalers, FaCoMas, and other millers. Given frequent price instability, many millers have found their largest profits and losses to come from speculation. Thus, they continuously weigh the relative profitability of selling or milling palay.[40/]

Aside from buying from other traders, millers have resorted to a wide variety of arrangements to secure palay stocks for milling and trading. A traditional method in Luzon has been to provide the farmer with sacks and "free" warehousing for his palay. He also may make pre-harvest advances to the farmers to further cement the relationship.

38/ See Chapter VI for detailed discussion of mills.

39/ Total number as recorded by RICOB from reports of municipal treasurers. Number of employees from Bureau of Census and Statistics (BCS), "Economic Census of the Philippines, 1967," Manila (unpublished).

40/ See Chesan A. Chua, "Rice Milling in the Philippines," unpublished undergraduate thesis, U.P. College of Business Administration, Diliman, Q.C. (1957/58) pp. 11ff., and L. Mears and T. Anden, "Who Benefits from the Post-Harvest Rice Price Rise?" U.P. IEDR, Discussion Paper No. 71-18 (September 6, 1971) pp. 20ff.

Often no explicit charge is made for these services unless the farmer withdraws his palay from storage. Rather, charges are made indirectly by adjustments in the purchase price. This system has given the farmer a bias against paying warehousing fees so warehousers as such are rarely found except for a limited number in terminal markets.[41/] In other situations, millers provide "free" machine threshing to capture their supply. More recently, several large millers in Mindanao and Luzon are working out integrated operations from farm to retail. With the inducement of higher yields from improved seed, the miller helps in arranging financing, closely supervises the producer in the use of seed, technical inputs and methods of cultivation. In return, he requires a contract that the farmer will sell him his surplus on a guaranteed price arrangement. And, to obtain adequate supply for these large mills, at least one of these new millers has been known to send his agents 200 to 500 kilometers away to purchase palay (with trucks in communication with the mill by portable radio).

b. Palay and rice wholesalers. In both transit and assembly markets, large and small palay and/or rice wholesalers will be found whose rice sales extend to the terminal markets. The larger of this group will be found only in rice production centers but the others are found throughout the country. Occasionally the wholesaler will have his

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41/ For further details, see E. V. Mendoza, "Rice and Corn Warehousing in the Philippines," mimeographed paper presented to the RCPCC, Quezon City, in March 1968.

own mill, but then he might be more appropriately called a miller. Usually the wholesaler either buys milled rice from millers or other wholesalers or has his own palay custom milled. In warehousing practices, wholesalers cover the entire range from using their home, storing in the mill where their palay is processed, to having small bodegas of their own. They often have their own trucks and have been known to travel long distances for palay when anticipated price relationships appear attractive.[42/]

c. Viajeros (merchant-truckers). The viajero is a variant of the rice/palay wholesaler. His distinguishing features are his relatively small scale of operations, greater mobility and general absence of any warehousing or milling facilities of his own. He operates best where roads are good, one reason he is found most frequently in Central Luzon, especially between Nueva Ecija/Bulacan and Manila. Wide-roving, he buys at the farm or elsewhere in the channels, contracts for milling as required and by-passes intermediate markets if convenient to do so. He usually operates on his own capital, with requirements at a minimum because of the rapid stock-turnover. Returning from Manila or other markets, he frequently brings fertilizer or other supplies to producing areas.

[42/] For detailed studies of the operations of wholesalers in Luzon, see Antonio A. Celindo, "A Study on the Flow of Palay/Rice in Some Towns in Laguna," unpublished B.S.A. thesis, U.P. College of Agriculture, Los Baños, Laguna (1964), and Josefina M. Lantican, "Wholesale and Retail Movement of Palay/Rice in Some Towns in Laguna, 1962/63," unpublished B.S.A. thesis, U.P. College of Agriculture, Los Baños, Laguna (1964).

At the farm level, the viajero is reputed to be very aggressive such that some of the millers in Central Luzon now find him an important competitor for palay. His transactions are generally on a cash basis. Customers have indicated that their reason for buying from viajeros rather than elsewhere on credit is because of their reputation for more honest weights and standards (i.e., a full 56 kg. cavan of rice and quality as stated with a minimum of mixture with inferior qualities).[43/]

3. Terminal Market. Terminal markets are referred to as those markets in large cities or areas of consumer concentration which usually are deficient in production for their own needs. All markets are terminal to some extent but the emphasis here is on size and inadequate local production. Manila is the principal terminal market in the Philippines. Its needs are normally met by flows of rice from Cagayan Valley and Central Luzon, Cotabato Province in Mindanao and foreign imports when required. Like Iloilo, the area is also a transit market in the sense that large quantities of rice pass through it to deficit areas in the Bicol region. It differs from Davao which imports rice from Cotabato but rarely acts as an entrepot for on-going shipments.

43/ Acknowledgment is made for careful characterization of the viajeros by Mrs. Magdalena Santos, President, Bulacan Rice Millers' Association and Emiliano Rafols, President, Rice Retailers' Association in October 1971.

a. Rice wholesalers. These traders frequently can be distinguished from those at the transit market level by the fact that they deal only in milled rice and not in palay. Even this generality does not hold in some of the terminal markets nearby producing areas where it is not unusual for wholesalers to buy palay, contracting for milling prior to sale in the form of rice.

Given the minimal capital requirements of the small rice wholesaler who uses his home as a bodega, entry to the profession is relatively easy. In 1968, RICOB estimated that there might be as many as 10,000 wholesalers (of rice or palay or both) in the country. However, under the more rigid Bureau of Census (BCS) definition, only 358 wholesalers engaged primarily in the re-sale of rice were reported in 1961.[44/]

The large wholesalers of rice in Manila are in a class almost by themselves. About 25 of them are concentrated on two streets in Binondo; Dagupan and Muelle de la Industria. Given access to the center of banking in the country, many of these large wholesalers frequently finance millers in the transit markets. Under the arrangements, the wholesaler often covers the cost of financing indirectly by crediting the miller at slightly below the prevailing market price per cavan of

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44/ Economic Census of the Philippines, 1961, III, Manila (July 1965) pp. 3ff. This total of 358 is further biased on the low side as the census was taken by mail with some unknown number of wholesalers not replying.

rice delivered. Volumes handled are large, with single purchases of as large as 400 cavans and single sales often in the range between 50 and 100 cavans. In this fashion, turnover is fast, rarely exceeding once a week.[45/]

Smaller wholesalers in and outside Manila will be found to operate similarly to those described at the transit markets, some selling at retail as well as wholesale. They also attempt rapid turnover to minimze finance required. Not infrequently they make sales to other wholesalers and retailers both within the market municipality and at a distance.

In the government channel, RCA has been the most important wholesaler. However, activities of GRAMACOP have grown rapidly in the early 1970's, particularly in supplying the government institutions in the Manila area.

b. Retailers. The methods of operation of retailers seem to have changed very little over the years.[46/] The function continues to be performed mainly by family enterprises organized as single-proprietorships. In 1971, all retailers are Filipinos but, as in wholesaling, many

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45/ "Marketing Strategy for RICOREX," op. cit., pp. D4ff.

46/ For an historical review of rice retailing, see E. V. Mendoza, "Retailing of Rice and Corn in the Philippines," mimeographed article presented to the RCPCC in March 1968.

of the former "aliens" continue to operate, having obtained Philippine citizenship in the 1960's.

Retailers of rice will be found selling rice in small rented stalls and bins (usually open) in municipal and private markets and, along with other household essentials, in sari-sari stores outside the markets. Outside Manila, it is not unusual to find sale from the home or bodega by wholesaler-retailers or by miller-retailers. Something new has been added in Manila and a few other large cities where the consumer can now find rice packed in sealed cellophane packages in the super-markets. And, very recently, several of the large miller-retailers have started household deliveries. RICOB has estimated that rice retailers will total over 50,000 throughout the country or a ratio of about 1 to every 700 inhabitants.[47/]

As indicated on Chart V-3, retailers resort to many types of sources of supply, somewhat depending on location relative to production and milling. While retailers generally buy rice from wholesalers, it is not unusual for those outside Manila to buy direct from nearby millers and occasionally even from farmers. In Manila, the retailers are supplied

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47/ In a sense this profusion of small retail outlets and sari-sari stores reflects the ease of entry (with small investment requirements) and their establishment by the unemployed as a means of subsistence support. Similar patterns have been observed in other developing countries in Asia particularly those with high population density. Galbraith reported similar retailing structures outside Asia, in J.K. Galbraith and R.H. Holton, Marketing Efficiency in Puerto Rico, Harvard University Press (1955). RICOB's estimates were based on a survey in 1968 including both sari-sari stores and public markets (palengke or mercado).

mainly by large wholesalers, smaller wholesaler-retailer, viajeros and even by other retailers. Mills are not important suppliers in Manila except for the packaged rice sold direct to supermarkets.

c. Institutional outlets. These outlets include hospitals, hotels, restaurants and private firms in addition to government and semi-government agencies and organizations.

Government related institutions are often but not exclusively supplied by RCA and GRAMACOP. As for the private sector, these suppliers are at times determined by bidding, with contracts covering extended periods.

Private sector institutions are more frequently supplied direct by wholesalers and millers. These large private institutions have a variety of plans for distribution to their employees. Some -- like the San Miguel Corporation, United Drug and Northern Motors -- distribute rice to their employees as a fringe benefit (usually 1 cavan per employee every month or two). Even some semi-government agencies such as the Philippine National Bank follow similar practices. Instances have been found where firms sold rice to their employees on the installment plan, with payment through deductions from wages. In still other cases, firms have arranged with millers to deliver the palay to the employees' homes (in cavan lots) with payment made directly by the firm.

V. Marketing Agency Organization

1. Absence of formal integration. It has been shown that the marketing channels for rice in the Philippines are not uniform and subject to broad generalizations. Specialization of function is found frequently at all levels from the producer to consumer, but these specialists exist alongside other firms variously integrated vertically. It was observed that functions are frequently combined, such as middleman-miller-transporter, miller-warehouser, miller-warehouser-retailer, and wholesaler-retailer. This extends to the production level with some millers owning farms producing palay.

This pattern is quite in contrast to that found in East Pakistan where vertical integration is practically non-existent. One noticeable difference between these two institutional situations that may have an important influence in this regard is the prominent role of the broker in the Pakistan channel and his complete absence in the Philippines. In East Pakistan, the brokers -- dalals and aratdars, charge a fixed commission for consummating sales between groups of buyers and sellers.[48/]

[48/] For greater detail of the East Pakistan institutions, see Muhammad Osman Farruk, The Structure and Performance of the Rice Marketing System in East Pakistan, Occasional Paper No. 31, Department of Agricultural Economics, Cornell University, Ithaca, New York (March 1970) pp. 31ff. According to reports from "old-time" traders, brokers of a sort were found in the Philippines before World War II. Mainly foreign nationals -- German, Spanish and Chinese -- they would arrange for sale (both palay and rice) on the basis of grain samples collected from farmers and wholesalers.

Vertical integration is found frequently also in semi-hidden forms such as have been reported in Indonesia and elsewhere.[49] Individually owned firms at different levels were found cooperating because of blood or close social relationships. And financing arrangements themselves tend to bring a degree of integration in the sense that increased control becomes vested in the hands of the lender.

Several instances were found with more formal vertical integrative arrangements. The farmer-FaCoMa arrangements were generally of a formal contractual nature, although contractual compliance frequently left much to be desired. Starting in 1971, the Mindanao Progress Corporation has been attempting backward integration by "resource-providing contracts" with farmers in Mindanao and forward integration through close ties for retail distribution in the Manila area through RICOREX.[50]

Horizontal integration also is not unusual. Retailers in public markets frequently specialize in rice while the sari-sari store sells rice along with other consumer goods. In the Visayas and Mindanao, at times rice traders at all levels handle both rice and corn.

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[49] See, for example, Leon Mears, Rice Marketing in the Republic of Indonesia, op. cit., p. 67.

[50] For a more complete discussion of "resource-providing contracts," see Richard L. Hohls, Marketing of Agricultural Products, 3rd Edition, Macmillan (1967) p. 246.

2. Trade organizations. In 1969, RICOB had record of some 130 different confederations and associations of rice millers, wholesalers and retailers throughout the country. Few have been active in any manner materially affecting market activities. Where these groups have been active, their primary purposes seem to have been, 1) to lobby for political interests of rice planters, millers and traders, and 2) to gather and disseminate trade information of use to the members. Their influence has been important in effecting legislation such as the change in the basis of mill taxation from a volume to capacity basis and the establishment of high floor support prices for palay. Some of the associations have occasional publications but in the past this has been too infrequent to effectively provide current market information. Their use has been more to advise their readers on major issues of interest.

On rare occasions, one or more of these groups, such the Bulacan Rice Millers Association, has come forward to help ease critical rice supply situations in Manila.[51/] However, there is little, if any, evidence that these groups have organized collusively with any effectiveness in increasing market control. This situation is quite in contrast to that found in Taiwan and Indonesia. In Taiwan, the larger

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51/ For example, in 1971, the Bulacan Rice Millers' Association members first helped to maintain a supply of lower price rice in Manila and later in distributing RCA rice in their own trucks.

rice merchants have been required to organize and their associations have been used by the government as a means of preventing hoarding, of reducing manipulation and other undesired activities.[52/] In Indonesia, there has been no effective organization of middlemen but the organization of rice millers in Java has at times been strong enough to be used for centralized contracts for procurement and milling for the government.[53/]

3. Rice exchanges and organization for trading in futures.

a. Futures markets. There never has been a formal futures market in the Philippines in the sense of an organized group or exchange to provide the facilities and set the rules for buying and selling future rice delivery contracts.[54/] The prerequisites for such a market, such as enforced standards and grades and suitable modern storage, have not been met.[55/]

b. Less formal arrangements for futures trading. It has been unusual for either traders or consumers in the Philippines to sign

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[52/] See S. H. Yeh and S. C. Hsieh, Rice Marketing in Taiwan, Economic Digest Series No. 7, Joint Commission on Rural Reconstruction, Taipei, Taiwan (January 1955) pp. 22ff.

[53/] Mears, Rice Marketing in the Republic of Indonesia, op. cit., pp. 55ff.

[54/] For more complete description of such markets, as they apply to commodities in general, see Richard Kohls, op. cit., pp. 332ff.

[55/] For more complete discussion, see Chapter VIII, pp. _____.

formal contracts for future delivery of palay or rice.[56/] The limited experience with this type of contract in the Philippines has suggested that difficulty would be faced in contract enforcement, given the legal and cultural traditions in the country.[57/]

Indigenous forms of "futures" have existed at least during the 20th century. As a by-product of the country's social and economic structure, "advance" sales -- usually associated with the granting of credit -- are widely practiced at the farm level. These involve futures in an informal sense. They usually tie up but a portion of the farmer's surplus.[58/] Pricing formula often stipulated for calculating the value of the palay to be delivered after harvest. In commercial channels, the financing of up-country millers by large Manila wholesalers is another variant of an informal futures agreement. There, the repayment in rice is expected with its value calculated at an agreed discount below current prices.

56/ Exceptions include the only partially successful attempts of FaCoMas to require farmers to deliver their palay at harvest in return for production loans and contracts between institutional consumers and their rice suppliers. The latter are usually negotiated leaving the question of price and variety open to agreement at time of delivery. In late 1970, the Mindanao Progress Corporation attempted to tie credit with future deliveries but it is too recent for evaluation.

57/ The Manager of GRAMACOP, the Sales Manager of Philippine Seeds, Inc. and others in the trade voiced these reservations in regard to future contracting.

58/ Not infrequently, however, the farmer sells the major portion -- if not all -- of his surplus to the creditor out of utang-na-loob (gratitude) or hiya (shame); two social values which strongly influence the Filipinos' social relations.

c. Rice exchanges. Through the years, rice exchanges have often been proposed as a means of improving price communication, of facilitating trading and in general to increase marketing efficiency (with controls as needed to prevent abusive practices). Such exchanges generally furnish the facilities (and regulations) permitting members to buy and sell on their own account.

The only successful venture of this sort, the Tutuban Rice Exchange, was established in Manila in 1922 by the Philippine-Chinese Rice Merchants Association. It's operations ceased with the start of World War II in 1941. It was more informal than is usual elsewhere. There were no set operating procedures. Business was conducted by secret bidding with no records kept of verbal understandings on volume of transactions.[59/] Thus, it served only as a convenient place for buyers and sellers to get together.

In 1963, the Consolidated Rice and Corn Millers, Inc., established the Filipino Rice and Corn Exchange at the Manila Railroad compound in the Dagupan wholesale area in Manila. With management shortcomings, its operations were unsuccessful and the exchange folded in 1965. And, as this is written, the Confederation of Filipino Rice and Corn Associations, Inc. (CONFED), has definite plans to start a new exchange for spot transactions in early 1972, the Rice and Corn Trade

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59/ Rice Commission, op. cit., pp. 29-30 and LeClarc, op. cit., p. 59.

Center (RGTC) in Manila. Its stated purpose appears to be a bit broader than for previous exchanges. It seeks to help stabilize prices, provide a smoother flow through orderly transactions by buyers and sellers and to keep the public informed of prevailing prices and supply through the news media.

VI. Governmental Regulation

Numerous government regulations, national and municipal, influence rice marketing to a greater or lesser degree, as summarized below:

1. Taxes and regulatory fees. The major taxes and fees payable by rice millers and traders are described in Appendix B. Registration and weight and measure inspection fees are nominal and would cause no limitation of entry to the trade. None exceed P10 per firm. Privilege taxes for millers are based on a specific graduated fee on installed capacity. Its effect on milling costs has declined as palay prices have more than doubled since its legislation. At late 1971 palay prices, this tax would not exceed one-tenth of one percent of the cost of palay milled for mills averaging 250 days a year at rated capacity.[60/] For wholesalers and retailers, privilege and municipal taxes are both based on sales volume, the first never exceeding 4/10th of 1 percent of sales and the second reaching a maximum, in Manila,

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60/ R.A. No. 3704 (1963). The effect of this tax frequently is reduced further by understatement of mill capacity when registering with the municipal treasurer.

of 1.6 percent of sales for wholesalers and 1.2 percent for retailers.[61] Cooperatives are exempt from these and other taxes indicated in Appendix B.[62]

2. Other regulations

a. Nationalization of the rice and corn industry (R.A. No. 3018). As a result of this legislation, trading, processing and transporting of rice and its by-products was limited after 1963[63] to Philippine citizens or corporations. RICOB has reported that this law, reflecting the growing pressures of nationalism, was completely implemented by the end of 1963.[64] It does restrict entry to citizens, but even this impact was softened by naturalization and marriage of "aliens" in the trade. This act also authorized loans by DBP and PNB for mills, warehouses and working capital for Filipino rice traders to ease credit problems arising from the transfer of ownership.[65]

b. Import control. A specific duty of P15.00/100 kg. (RA 1937 of 1957) did play a part in constraining rice imports at that time. However, absolute control has been effected since the passage of RA 2207 in 1959, which made imports illegal even under government control unless an emergency was declared and certified to by the NEC. Between

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[61] To the extent that traders do not keep detailed or accurate records, the effect of this tax can decline.

[62] P.A. 3525, R.A. 702 and R.A. 821.

[63] This act also applied to rice and corn production as well as to their marketing and processing.

[64] See Presciliano D. Evangelista, "Filipino Triumph in the Rice and Corn Industry," Rice and Corn, RICOB (September 21-23, 1963).

[65] See Chapter X for discussion of these financing activities, pp.____.

1962 (after RA 3452) and 1966, the Army and National Marketing Corporation (NAMARCO) effected imports for RCA which was prohibited from direct importation. Since 1966, with duties waived on RCA controlled imports (RA 4643), the government has continued to keep a check on importations. With representatives of major political parties belonging to the NEC, decisions for importation are now subject to both economic and political criteria. Thus, any price policy will have its political parameters.

c. Emergency market controls. PA 4164 (1934) gives the President of the Philippines power to declare a state of public calamity when considered necessary in the public interest.[66/] Enforcement agencies can then conduct raids and confiscate rice hoarded in private bodegas. Before 1971, on numerous occasions, states of public calamity were declared together with threats of confiscation. But it was only in late 1971, immediately before election time, that the enforcement agencies first exercised their authority to sieze hoards.[67/] According to the Price Control Council (PCC), although many bodegas were raided at that time, hoarding was uncovered in only one.[68/] Evaluation of the effect of such a law on short-run rice supply and prices is difficult to appraise. Even though rice hoards are not found, traders may be constrained from hoarding, knowing that confiscation is a possibility.

66/ RA 3452 gives similar powers to the President but it has been difficult as a basis for enforcement so PA 4164 has been relied upon.

67/ See The Manila Times, "Rice Problems up to FM, Congress," (September 14, 1971) p. 17.

68/ Interview with PCC official on November 17, 1971.

The PCC, created in July 1970, set maximum retail prices for various varieties of palay and rice, effective countrywide on September 20, 1971.[69/] These were rescinded after being in effect slightly less than a month. It was observed that even with large number of retailers in the Manila area facing prosecution, prices for common rice in the market did not decline, common grades merely disappeared from the legitimate market except where injected directly by RCA. The PCC was constrained from any widespread enforcement by shortage of funds but unless motivation is exceedingly strong, such as might prevail in wartime, legislated control of market prices is apt to be ineffective as long as supply and demand in the market remain out of balance.[70/]

d. Investment incentives. Rice milling, associated warehousing and other related activities have been qualified since 1961 for special investment incentives (usually waving of duties and compensating tax on imported machinery and equipment).[71/] These possibilities for reduced capital costs have had but little effect in inducing entry in these fields. Only one rice mill qualified under the Board of Industries and up to late 1971 only 4 had qualified for Board of Investments incentives.

[69/] Under authority of R.A. 6361 (July 16, 1971), by PCC Order of September 20, 1971.

[70/] See The Manila Times, "56 rice retailers accused on prices," (October 21, 1971) report of these activities.

[71/] In accordance with R.A. 2127 in 1961 (Board of Industries) and R.A. 3127 in 1967 (Board of Investments).

e. Rice enrichment. Rice enrichment was legislated by R.A. 832 in 1952 requiring the blending of 1 part of an enriched premix with each 199 parts of rice sold. This program was inaugurated with much fanfare but the millers never installed the necessary machinery. Lacking enforcement, the law has been ineffective since its enactment.[72/]

f. Fair trade practices. Standards of weight and product description were prescribed for rice trading by CA 617 (1941). However, there has been little evidence of enforcement until, in the face of a rice emergency in September 1971, the Fair Trade Board (FTB) issued rules and regulations repeating and clarifying the legal requirements.[73/] In November 1971, the FTB reported that they had started active enforcement but it remains to be seen whether such enforcement will continue after the emergency subsides.[74/] The use of non-standard cavan weights and the undisclosed mixing of varieties forces traders to keep informed of such practices if their decisions are to be rational and if they are to remain in business. The uninformed buyer is at a disadvantage.

[72/] See Charles O. Houston, "An Augenblick at the Philippine Rice Industry," SEADAG Discussion Paper (Honolulu, June 19-21, 1969), p. 12. In 1971, one of the new trade-marked brands of rice marketed in cellophane packages in Manila advertised that the rice has been enriched. However, there is not necessarily any relation between this merchandising activity and the earlier law.

[73/] See The Manila Times, "Trading rules issued on rice," (September 16, 1971) pp. 1 and 5. See also Chapter VI, p. _____, for more complete discussion.

[74/] The FTB has also initiated a "consumer-consciousness," drive, using movie shorts to inform the consumer and elicit his help in monitoring trade practices.

VII. The Market for Inputs

1. Seed distribution. Traditionally the Philippine farmers have used a portion of their produce as seeds for the next planting season. Beginning in 1957, the Bureau of Plant Industries (BPI) has supplemented this supply through stimulation of the multiplication of certified seeds of approved varieties through farmer-cooperators. Since the development in the mid-1960's of new high yielding varieties by the International Rice Research Institute (IRRI) and the University of the Philippines College of Agriculture (UPCA), additional agencies have participated in speeding the multiplication, domestic distribution and export of these improved seeds. The RCPCC -- now National Food and Agriculture Council (NFAC) -- coordinated this speed-up program.[75/]

Distribution channels are illustrated in Chart V-5. Farmer-cooperators sell the largest part of their certified seed production to BPI at ₱2.00 above the existing market price for palay.[76/] Any balance is sold directly to other farmers at the market price for certified seed (₱3 to ₱5 above the palay price), traded with other farmers for palay, or treated as ordinary palay and either eaten or sold on the market.[77/]

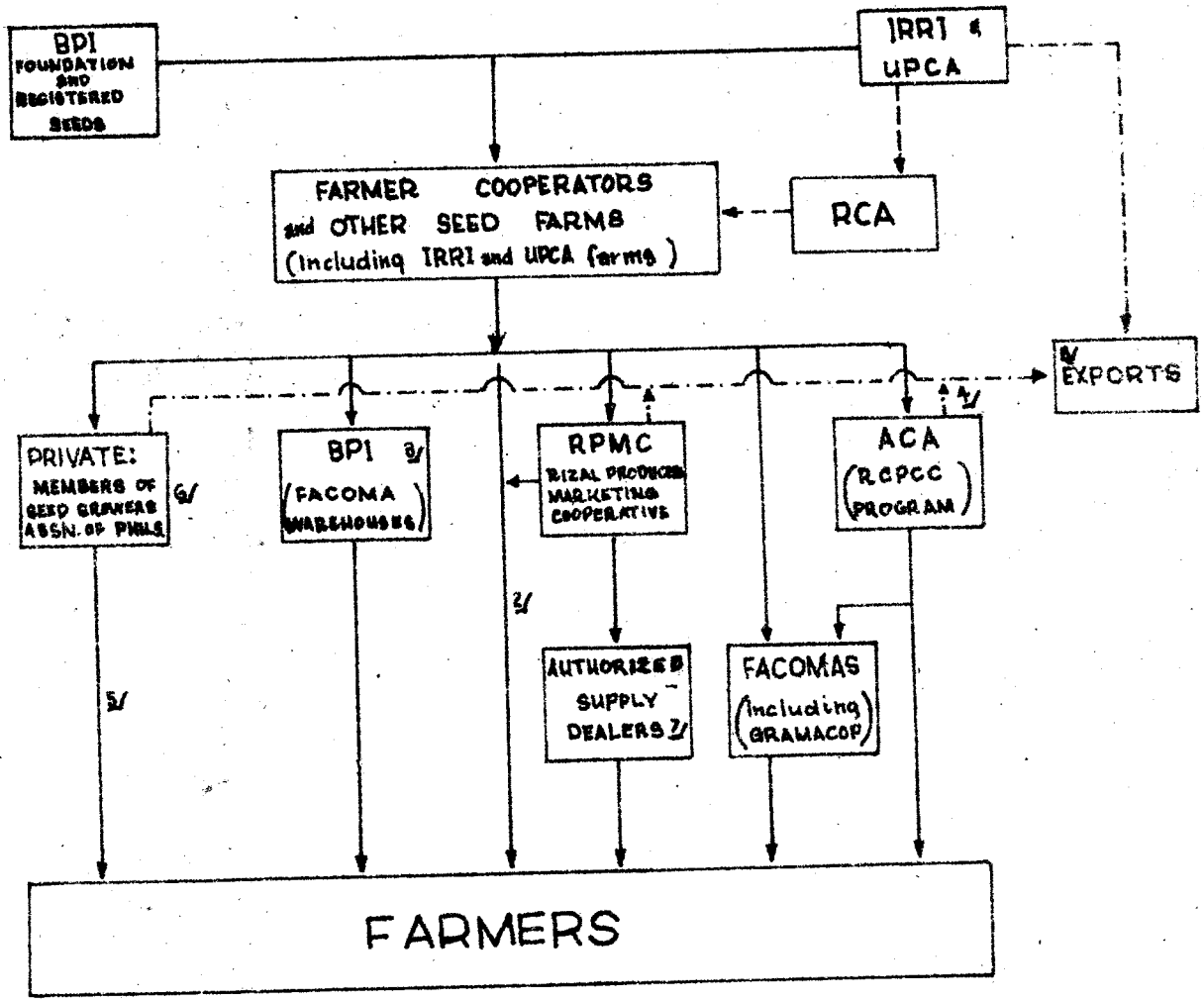
[75/] For an historical description of formal seed distribution activities until 1967, see Tomasa V. Mina and Fabian A. Tiongson, "Patterns of Rice Seed Distribution in the Philippines," in The Seminar-Workshop on the Economics of Rice Production, Departments of Agricultural Economics, IRRI and UPCA, Los Baños, Laguna (December 8-9, 1967).

[76/] Seed trades command a premium, with reported trade ratios varying from 1½ cavans of palay to 1 of seed up to 2 for 1 trades.

[77/] From interviews at BPI, it was reported that BPI purchases average about 50 percent of the cooperators crop that meets certification standards.

CHART V-5

DISTRIBUTION CHANNEL FOR SEEDS 1/



1/ INCLUDES BOTH CERTIFIED AND NON-CERTIFIED SEEDS. CHART DESCRIBES CHANNEL IN THE LATE 60'S.

2/ INCLUDES TRANSACTIONS INVOLVING BARTER OF SEEDS FOR PALAY AND/FOR OTHER COMMODITIES.

3/ FACOMA WAREHOUSES ARE USED AS DEPOSITORIES.

4/ EXPORTS BY ACA IN 1967/68.

5/ SALES TO LOCAL FARMERS CONSTITUTE INSIGNIFICANT PORTION PALAY SEED SALES; THE BULK EXPORTED.

6/ CONSISTING OF 62 SEEDS GROWERS PRODUCING SEEDS ON COMMERCIAL BASIS (1971).

7/ INCLUDING PRIVATE INDIVIDUALS AND FARMERS IRRIGATION COOPS (AND OTHER TYPES OF FARMERS COOPS) LOCATED IN THE PROVINCE OF RIZAL.

8/ SEED EXPORTS NOT FIRMLY INSTITUTIONALIZED. SEED PRODUCERS APT TO EXPORT DIRECTLY.

———— SUPPLEMENTARY CHANNEL DURING 1966/67.

—·—·— EXPORTS.

Under the rice intensification program (1966-1970), normal channels were augmented in order to provide rapid multiplication of the new high-yielding seed varieties from IRRI and UPCA. Private seed growers entered the scene as both producers (in some cases utilizing regular BPI cooperators) and marketers. In addition, the Agricultural Credit Administration (ACA) entered the distribution field to facilitate seed movement to farmers in RCPCC priority areas. During this period, foreign demand developed for the new seed, with both private firms and ACA participating in the exports.

In spite of this formal BPI multiplication and certification program, up to 1965/66 BPI seed sales had never reached 1 percent of total estimated farm seed requirements.[78/] Seed procurement and sales through BPI and ACA channels are shown on Table V-4. The exact increase in seed distribution by all suppliers during the RCPCC program is unknown, although the rapid spread of the new varieties gives evidence of its effectiveness. However, with average yields by farmers using the high yielding varieties only a fraction of the potential, it is probable that many farmer used uncertified or inferior seed as well as less of the modern inputs than recommended.

The majority of cooperators reported to Mina and Tiongson their intention to continue their role. However, the time consuming red tape

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78/ Mina and Tiongson, op. cit., p. 12.

TABLE V-4

Government Procurement and Domestic Distribution of Certified Seeds, 1963/64-1969/70
(in cavans palay of 44 kgs.)

	BPI		ACA (RCPCC)		TOTAL	
	Procurement	Sales	Procurement	Sales	Procurement	Sales
1963/64	22,869	22,057	-	-	22,869	22,057
1964/65	n.a.	n.a.	-	-	-	-
1965/66	25,964	24,699	-	-	25,964	24,699
1966/67	1/	1/	43,924	2,531	43,924	2,531
1967/68	3,329	2,757	28,208 2/	7,717 3/	31,537	10,474 3/
1968/69	3,877	3,330	40	21,762	3,917	25,092
1969/70	678	656	4/	2,016	678	2,672

1/Procurement and distribution functions for this year were assumed by RCPCC.
2/ACA procurement as reported by RCPCC in Annual Report for 1967/68 does not agree with ACA figure; combined procurement by BPI and ACA was recorded at 81,228 bags.
3/Excludes exports of 34,983 bags to other countries. This plus local sales totalled 42,700 bags.
4/No procurement.

Sources: Bureau of Plant Industry (BPI).
ACA, Research Statistics and Evaluation Department and Annual Reports.
RCPCC, Annual Reports.

reported in obtaining their seeds from BPI before sowing and in receiving certification and payment after harvest, indicates that room exists for improved management of the program.[79/] The new private sector multipliers and distributors who entered the field with RCPCC support found profits small and distribution difficult. They had materially reduced their activity by 1971.

2. Fertilizer distribution. The distribution channels for fertilizer are shown in Chart V-6. Except for the relatively small-scale activities of ACA, fertilizer distribution is in the hands of private traders.[80/]

There are four fertilizer manufacturing companies and six major commercial importers, each marketing the chemicals through a network of distributors and dealers throughout the country. In 1970, there were around 1,533 authorized distributors, many of whom in turn also had their own sub-outlets in the provinces.[81/]

Fertilizer dealers were reported giving credit to farmers in certain cases and the majority of them offer additional services and information, such as soil sampling, farm demonstration and free hauling.

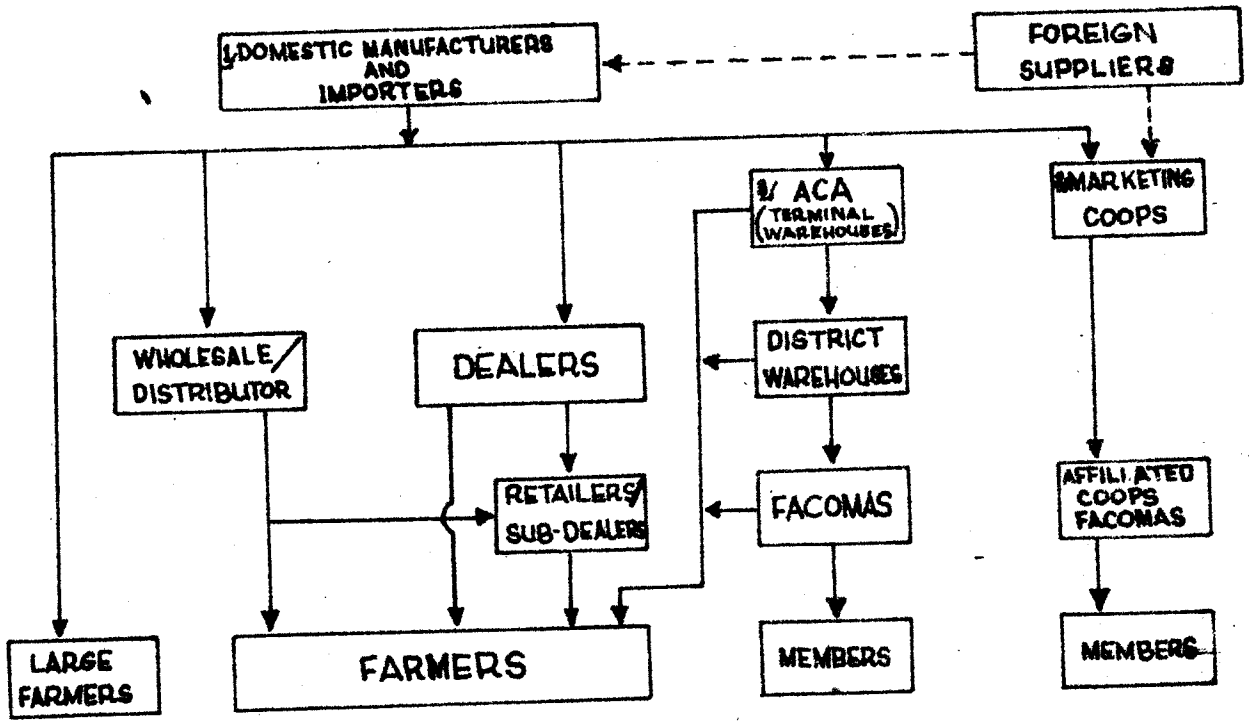
[79/] Ibid., pp. 19-21.

[80/] ACA was a much more important factor in fertilizer distribution at the time the price was subsidized in the early 1960's.

[81/] Fertilizer Institute of the Philippines, see Appendix C for regional breakdown of distributors.

CHART V-6

FERTILIZER DISTRIBUTION CHANNELS, 1970



1/ FOUR MANUFACTURERS AND SIX MAJOR COMMERCIAL IMPORTERS (including PLANTERS).

2/ INCLUDES GRAMACOP, REGIONAL FEDERATION OF FACOMAS, RIZAL PRODUCERS MARKETING COOPERATIVE (RPMC), SUGAR COOPS, ETC.

3/ ABOUT 95% OF FERTILIZER DISTRIBUTED BY ACA GOES TO RICE FARMERS.

SOURCE: (1) BASED ON PRESIDENTIAL FERTILIZER COMMISSION "FERTILIZER INDUSTRY IN THE PHILIPPINES" UNPUBLISHED PRELIMINARY REPORT (APRIL 26, 1971).

FaCoMas distribute fertilizer to farmers, with repayment coming from the production loan. They buy from ACA, GRAMACOP, or from the federations. The latter organizations generally buy directly from importers and manufacturers on 30-day credit and at a discounted price. Fertilizer procured by the FaCoMas from GRAMACOP are at times charged against future deliveries of rice.

In addition to the above outlets, as mentioned previously, farmers also get fertilizer supplies from palay merchants, millers and from landlords which may be supplied in the form of pseudo-production loans tied to repayment from the future crop.

In comparison to Indonesia, where a reasonably adequate private-cum-public fertilizer distribution system was just beginning to emerge in 1971, the system in the Philippines appears to be highly advanced. Shortcomings will tend to be found in shortages of credit with which to purchase the fertilizer together with higher costs and delays in some frontier areas where market to farm transport is not well developed.[82/]

82/ Transport problems are discussed in Chapter VII and Credit in Chapter X.

VIII. Evaluation of the Marketing Structure

Thorough evaluation of marketing structure requires in depth studies that are unavailable even in most developing countries.[83] Lacking such research, commentators often expound contradictory judgments depending upon information available to them, their particular level of focus within the marketing system, or their own ideological preconceptions.[84]

To avoid the same pitfall, no broad generalizations are attempted here. Where possible, comments on the Philippine situation are made using as criteria economic dimensions of marketing efficiency and the strategic variables in market structure influencing such efficiency as suggested by Bain.[85] These economic dimensions include (1) margins just rewarding in-

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[83] R. L. Kohls describes the difficulties of evaluating marketing efficiency in the U.S. because of the absence of specific knowledge of national marketing objectives, see "Toward a More Meaningful Concept of Marketing Efficiency," Journal of Farm Economics, Vol. 28, No. 1 (February 1956) pp. 68-71.

[84] For example, Cernohous concludes that "the (Filipino) buyer (at farm level) usually possesses enough monopsony power to be able to pay the farmer less than the competitive price" and that the large rice wholesalers in the principal consuming centers are able to determine the price. In contrast, Ruttan rejects the middleman monopsony hypothesis for the Philippines saying that "any arbitrary power to modify price behavior is of relatively short-run or local significance," concluding "there would seem to be little basis, either on equity or productivity grounds, for direct intervention to improve the pricing efficiency in traditional product (palay and rice) markets." See Cernohous, "The Marketing of Agricultural Products in the Philippines," The Philippine Economic Journal, Vol. V, No. 1 (First Semester 1966) pp. 68-70 and Vernon Ruttan, "Agricultural Product and Factor Markets in Southeast Asia," Economic Development and Cultural Change, Vol. 17, No. 4 (July 1969) pp. 504-507.

[85] For a complete description, see J. S. Bain, Industrial Organization, 2nd ed., Wiley (1968).

vestment at the going rate, providing for risk plus incentive for innovation, (2) size permitting efficient scale, with number of firms related to scale and effective demand, and (3) service equated with consumer desires. The strategic structural characteristics of a competitive structure, include (1) degree of seller and buyer concentration, (2) degree of product differentiation and (3) the conditions of entry of new firms.

As regards entry in the product market, there appears to be strong evidence to support Ruttan's hypothesis that the supply function for marketing services is highly elastic.[86/] Marketing is labor intensive with limited economies of scale, and physical storage is relatively unspecialized. Moreover, the product differentiation between suppliers is minimal. At the farm level, individual middlemen rarely can service a large group of farmers because of the close supervision required and their limited financial capacity. Considering traditional values, these relationships can give rise to "moral obligation" which is probably exploited with exclusionary tactics by some middlemen.[87/] This could happen even with the relatively large assortment of middlemen available even at barrio levels. At the cono-milling level, capital requirements

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86/ Op. cit., p. 504.

87/ For discussion of this type of exploitation, see Jose Gutierrez, "Rice Marketing in the Philippines," Economic Research Journal, Vol. XII, No. 8 (December 1965) p. 209.

are much greater, but the availability of subsidized facility and working capital loans through the DBP, PNB and ACA has minimized any restriction to entry.[88] These financial facilities also aided Filipinos in taking over from "aliens" excluded from distribution activities since the early 1960's.

The standard for evaluating economic efficiency in terms of marketing margins depends to a degree upon the services consumers' desire. With demands simple (high percentages of brokens, moderate inclusion of foreign matter and inexpensive packaging), efficiency would suggest relatively small gross margins from farm to retail; which are confirmed in most major markets.[89]

There are still other suggestions of economic efficiency. For example, FaCoMas have been unable to compete with the private traders without capable management. And, competitive market response has been indicated by the fact that generally inter-market price differentials are less than transport costs between the markets.[90]

The product market in general thus gives strong evidence of possessing those structural characteristics that would be expected to

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[88] This loan policy is described in detail in Chapter X, p. _____.

[89] See Chapter IX for details, pp. _____.

[90] See Chapter VIII, pp. _____ for details.

lead to economic efficiency. At the same time, there are characteristics indicating room for improvement. For instance, with wide price swings and the consequent emphasis on searching for opportunities to buy cheap and sell dear, many sales are made between middlemen, between millers, between wholesalers and even between retailers. To an extent, this involves duplication of effort so that removal of the non-functional traders and their margins would be expected to bring increased efficiency.[91/] Additional inefficiency is evident to the extent that warehouses continue to be appreciably underutilized, as reported by Quintana in Central Luzon.[92/]

The organization and structure of the factor market -- the market supplying inputs from the non-farm sector -- is in striking contrast to that of the product market. Organization of the distribution of fertilizer and other chemicals over a wide area is relatively new. Distribution generally is in the hands of a few large manufacturers, importers or the government. Formal channels for multiplication of improved seed have been organized only since World War II. The technical processes of both chemical manufacture and seed certification are subject to economies of scale. Summary examination of

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91/ For a more complete discussion of this argument, see L. B. Darrah and F. A. Tiongson, op. cit., pp. 161-162. Some of these price swings undoubtedly are aggravated by the uncertainty associated with unpredictable government price support activity.

92/ See E. U. Quintana, et al, "The Present Situation and Outlook of Rice Marketing Facilities with Emphasis on Their Implications on the Present Rice Problem of the Country," The Philippine Statistician, Vol. XIV, No. 1 (March 1965) pp. 17ff.

these channels of distribution suggest that they may much more adequately meet the producers needs than those in some neighboring Asian countries. However, as Ruttan concludes, even under the most favorable circumstances, the development of market institutions for factor inputs "that are characterized by a desirable mix of (a) economic viability, (b) technical and pricing efficiency, and (c) equity among market participants" may still be a long way off.[93/]

IX. Summary and Conclusions

1. The marketed surplus from rice farms appears to have increased from aound 20 to approximately 60 percent of production since 1920. This generally flows to nearby non-producers with surpluses moving to deficit areas. Major flows generally move to Manila both from Central and Northern Luzon and also from Mindanao. However, these flows evidence considerable variability as weather, pest and political conditions change over time.

2. In the early part of the century rice distribution was in private hands, with a government channel starting after the rice crisis in 1935. Not more than 5 percent of the marketed surplus has even been handled through the government channel. In either private or government channel, with a trading psychology predominant, the palay and rice may change ownerships as many as 10 times enroute from the farm to the consumer.

[93/] Op. cit., p. 514.

3. Three major types of markets have been described. The assembly market where small local surpluses are accumulated for processing in nearby or in transit market mills serving major rice producing areas. From these transit markets, rice moves to deficit rural areas and to the large city terminal markets. The large terminal markets also serve as entrepots for interisland and international rice shipments.

4. Throughout the country thousands of rice traders and processors will be found operating within and between these various markets. Their method of operation will vary depending upon the market area involved, transport facilities, credit availability, relationship to the millers and upon traditional and personal relationships.

5. Considerable vertical integration is found among marketing agencies, both of a formal and informal nature, but resulting market control is insufficient to provide a market-wide impact at any level. Numerous trade organizations exist throughout the country. Their activity, though sporadic, has been effective at times in bringing political pressure for legislation affecting their interests. The trade has organized spot grain markets in the past in Manila; but only the informally operated Tutuban Rice Exchange in pre-war times showed any lengthy viability. In 1971, Manila rice merchants with somewhat broader objectives are ready to launch a new exchange. None of these have involved futures trading. The only trading of this nature being the traditional credit arrangements between either middlemen, millers or landlords with farmers, involving future repayment in rice and palay.

6. Except for the law nationalizing the rice industry and the restrictions against imports, government restrictions have had no material effect upon entry. Registration fees are nominal while other taxes generally depend on sales or income. The lack of enforcement of legal grades and standard works against the uninformed buyer and reduces the usefulness of market price information for decisions. Emergency market controls may prove useful as propaganda but their effect on the market appears to be nominal.

7. Both seed and fertilizer distribution channels are reasonably well developed to meet the farmers' needs. Flexibility of these channels in meeting new demands by intensive private sector participation was demonstrated in the late 1960's. In spite of the apparent availability of seed, in a normal year less than one percent of the rice fields have been planted with fresh certified seed. The Agricultural Productivity Commission (APC) would appear to have a large unfinished job.

8. Available evidence suggests that product market organization approaches that of a competitive model and that its economic efficiency may be relatively high. The factor market appears to be more effectively developed than in many neighboring countries but judgments as to its efficiency awaits much more detailed study.

APPENDIX A

Relative Importance of Different Types of Farm Level Buyers, by Province, Philippines (in percent of volume of palay sold by farmers)

Province/ Year of Study	No. of Municipalities (Studied)	No. of Farmers (Surveyed	FARM-LEVEL BUYERS[1]							
			Local Buyers (Middlemen and agents)	Transient Buyers (Non-millers/ millers)	Ricemillers/ Warehousers	Local Stores/ Consumers	Landlords	FaCoMa	Naric/ RCA	Others or not Specified
1) Cagayan, 1955/56	2	200	55.0	-	22.0	1.0	-	-	22.0	-
2) Iloilo, 1955/56	2	192	28.0	23.0	27.0	1.0	4.0	10.0	-	7.0
3) Iloilo, 1962/63	2	124[9]	24.0	30.0	45.0	1.0	-	-	-	-
4) Leyte, 1956/57	1 (6 barrios)	162	5.0	-	75.0	18.0	2.0	-	-	-
5) Laguna, 1952/53	1	98	17.0	75.0[4]	-	1.0	-	-	-	-
6) Bulacan,[8] 1962/63[6]	1	86	38.0[2]	-	23.0	-	20.0	19.0	-	-
Bulacan,[8] 1966/67[7]			27.0[2]	-	65.0	-	-	8.0	-	-
7) Pangasinan, 1964/65	1 barrio	56	33.0	-	67.0	-	-	-	-	-
8) Pampanga, 1969/70	1	80	7.0	13.0	77.0	-	3.0	-	-	-
9) Philippines, 1968/69		6,946[3]	82.2[10]		15.7[5]		1.6	4.4	2.4	9.4

1/ In certain instances the classification of farm buyers indicated in the original studies have been recategorized to conform to the classification of agencies in this table.

2/ Indicated as percentage purchased by "wholesalers" in the study; no clarification whether these were local buyers or transients.

3/ Estimated number of palay farmers: 70% of total (9,923) farmers of all types.

4/ Buyers from neighboring towns in Laguna.

5/ Under BAE classification, this is referred to as "private warehousers" which the agency defines as including warehousers with mills and those without.

6/ Before being declared a land reform area.

7/ After declaration as a land reform area.

8/ Percentages sold of wet season harvest. Marketed dry season harvests were all sold to "wholesalers" in both years.

9/ Same farmers as surveyed during 1955/56.

10/ No further breakdown possible.

Sources: Unless otherwise indicated, sources are unpublished B.S.A. theses at the College of Agriculture, University of the Philippines, Los Baños, Laguna.

(1) Teodoro B. Baguilat, "Palay Marketing on the Farm Level in Nueva Ecija, Cagayan and Iloilo," The Philippine Agriculturist, Vol. 42, (June 1958) p. 28.

(2) Basic data from Cayetano S. Sarmago, "Palay Marketing Practices of Farmers in Oton and Lambunao, Iloilo " (1958).

(3) Basic data from Gaudencio Arancillo, Jr. "A Follow Up Study on Palay Marketing Practices in Oton and Lambunao, Iloilo" (1963).

(4) Remedios O. Alcantara, "Palay Marketing Practices of Farmers in Baybay, Leyte" (1957).

(5) Angel N. Pagaduan, "The Marketing of Palay in the Barrios of Lecheria and Banlic, Calamba, Laguna" (1954).

(6) Aurora C. Macatiag, "Palay Marketing Practices of Farmers at the Land Reform District in Plaridel, Bulacan, 1962-63 and 1965-66" (1967).

(7) Anarlita S. Vegilia, "A Case Study on Palay Marketing Practices on the Farm Level in Tomana, Rosales, Pangasinan" (1967).

(8) Romeo B. Medina, "Palay Marketing Practices of Farmers and Millers in Lubao, Pampanga" (1970).

(9) BAE, Integrated Agricultural Survey , 1968/69.

APPENDIX B

Major Taxes and Fees Payable by Rice Traders and Millers[1/]

Item	Amount: Fixed tax or fee (in ₱)	Amount: In %	Remarks
Producer's tax (original sale)	None		Producers or owners of land are exempted from paying when agricultural product is sold or exchanged in the Philippines (CA 466)
Privilege tax:			
-Cono mills	Ranges from ₱200 for mills with capacity not exceeding 100 cavans (palay) and ₱4,800 for over 1,000 cavans capacity		Capacity refers to palay per 12-hour milling
-Kiskisan mills	₱50 - with capacity not over 100 cavans; ₱75 - capacity over 100 cavans		"
-Wholesalers & retailers	Ranges from ₱10 to ₱2,000.		Depends on size of gross proceeds. The following exempted: a) small retailers, peddlers and sellers in public markets or fixed stands whose stock in trade in any one day does not exceed retail value of ₱100; b) persons whose gross monthly sales do not exceed ₱200
Municipal tax[2/] -on wholesale dealers and retailers	Rates vary from municipality to municipality		As provided for by RA 2264, municipalities and chartered cities can impose graduated tax rates based on amount of quarterly sales proceeds; Manila rates range between 1% and 1.6% for wholesalers, 1% and 1.2% for retailers

Appendix B
(cont'd)

Major Taxes and Fees Payable by Rice Traders and Millers

Item	Amount: Fixed tax or fee (in ₱)	Amount: In %	Remarks
Income Tax:			
-on corporation		25%	On first ₱100,000 (net income)
		35%	On amount in excess of ₱100,000 (net income)
Registration fee:			
-Business name	10.00		With Bureau of Commerce and Industry (RA 1180)
-Retail trade	2.00		With local government; rates vary according to city or municipality
-RICOB registration	1.00		Optional
Fees for sealing scales (weights & measures)	Ranges from ₱0.10 to ₱3.00		Fee depends on volume and weight capacity of instrument

1/ Cooperatives are exempted from all kinds of fees and taxes.

* In addition, some municipalities and cities authorized collection of local export tax on commodities, e.g. agricultural and livestock products, bought and transported out of the municipality. (For instance, one municipality, as reported by Purchasing manager of Philippine Seeds, charges ₱5.00/truckload of palay bought and shipped out of the area. In the case of Nin Bay Mining Co. vs. Municipality of Roxas, Palawan, No. L-20125 (July 20, 1965), the Supreme Court recognized the transcendental effects that such municipal export or import licenses or taxes might have upon the economy, but ruled that any relief from the defect in RA 2264 (Local Autonomy Act) permitting such assessments would have to come through amending legislation.

Source: Internal Revenue Code (as amended), compiled by Editorial Staff, Central Book Supply, Inc., Manila (1970).

APPENDIX C

Regional Distribution of Fertilizer Outlets,[1/] 1970
(Agents/Distributors/Dealers)

Region (BAE)	ACA	Atlas	Chemical Industries of the Philippines	Maria Cristina	Planters	Total
Ilocos	13	37	11	32	29	122
Mt. Province	2	14	-	-	8	29
Cagayan Valley	11	1	16	14	16	58
Central Luzon	31	125	15	100	95	366
Southern Tagalog	13	89	9	95	99	305
Bicol	7	32	-	5	27	71
Eastern Visayas	7	66	-	4	46	123
Western Visayas	20	32	2	13	81	148
N.E. Mindanao	6	36	1	11	37	91
S.W. Mindanao	15	72	2	24	107	220
Total	125[2/]	504	61	298	545	1,533

[1/] Includes fertilizer agents and authorized distributors, which also have their own outlets. Excluding dealers utilized by commercial importers.

[2/] This total refers to number of ACA personnel coordinating district fertilizer sales. Such fertilizer sales are made direct to farmers from designated ACA district outlets (311) and through the FaCoMas (25).

Source: Fertilizer Institute of the Philippines.

APPENDIX D

Rice Shipment between Island Groups 1966/67-1968
(in tons of rice[1/])

From \ To	Luzon	East Visayas	West Visayas	Mindanao
1966/67[2/]				
Luzon	-	8,770	2,671	4,184
E. Visayas	11,029	-	413	4,023
W. Visayas	8,347	1,846	-	403
Mindanao	34,251	15,104	416	-
1967/68[2/]				
Luzon	-	11,703	779	9,742
E. Visayas	6,739	-	2,152	10,115
W. Visayas	6,647	7,734	-	4,477
Mindanao	16,178	10,795	1,281	-
1968 (Jan.-Sept.)				
Luzon	-	8,829	805	8,457
E. Visayas	1,689	-	2,950	3,361
W. Visayas	1,689	3,744	-	190
Mindanao	5,555	6,316	2,896	-

[1/] Includes palay shipment converted to rice equivalent.

[2/] July to June.

Source: Bureau of Census and Statistics.