

# Rice Science

FOR  
DECISION-  
MAKERS

OCTOBER 2010



## KEY POINTS

- Increase in rice income is not enough to sustain the purchasing power of rice-based farm households.
- Share of rice income to total household income declined over the years, but that of non-agriculture's increased.
- Data indicate high unequal distribution of rice income among households.

## Is the Household Income of Rice Farmers Getting Better Over Time?<sup>1</sup>

Two socio-economic studies of PhilRice show that income of rice-based farm households (RBFH) has improved but their economic condition may not be as rosy as it seems.

More than two million households or roughly ten million Filipinos engage in rice-based farming. This indicates that increasing the household income of rice farmers can help relieve poverty in rural areas in the Philippines. Thus, understanding the trends in incomes of RBFH can lead to certain insights on strategies to reduce poverty in rural areas.

The data from the three survey rounds of PhilRice's Integrated Farm Household Analysis Project (IFHAP) attest that the household income of RBFH, in nominal terms, has increased through the years. In particular, it increased by 46% from P57,021 in 1996/97 to P83,284 in 2006/07; but their real income<sup>2</sup> shrank by 17% from P72,453 to P60,395 (Fig. 1).

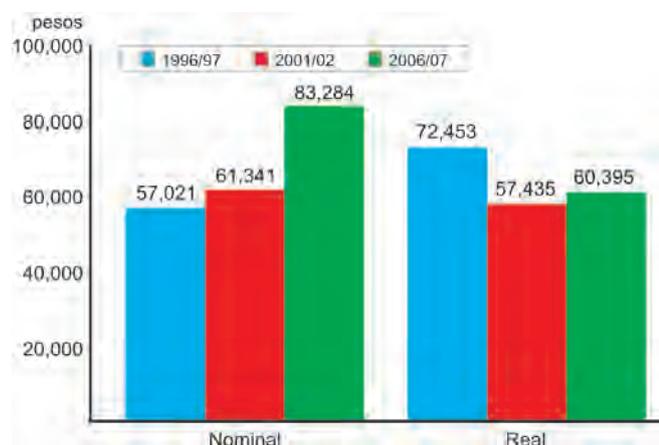


Fig. 1. Trends in Total Income of Rice-Based Farm Households, 1996/97 - 2006/07

Nominal rice income alone increased by 38% from P35,433 in 1996/97 to P48,729 in 2006/07. Interestingly, a higher growth in income was observed from other sources. Income from non-rice farming increased by 50% from P4,793 in 1996/97 to P7,190 in 2006/07. Similarly, non-agriculture income has increased by 63% from P16,795 to P27,365 over the ten-year period (Fig. 2).

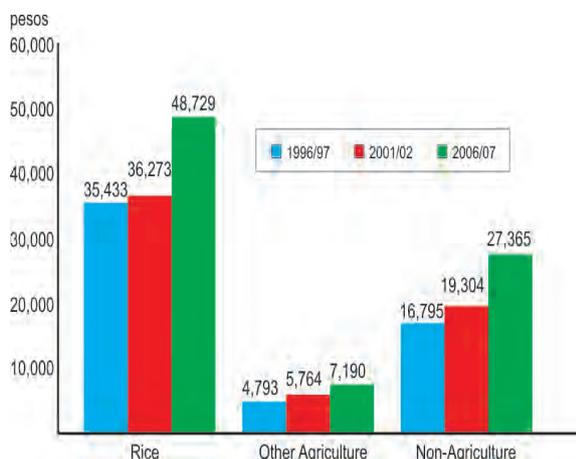


Fig. 2. Nominal Income Trends, 1996/97 - 2006/07.

## Declining Real Income

The increase in income is not enough to sustain the purchasing power of RBFH due to inflation. The real value of rice income in 2000 constant prices shows a decline from P45,023 in 1996/97 to P35,337 in 2006/07. Similarly, the real values of income from other agriculture and non-agriculture activities have also decreased (Fig. 3).

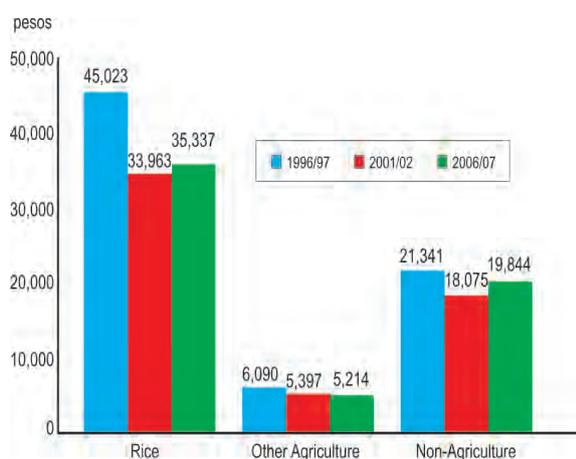


Fig. 3. Real Income Trends, 1996/97 - 2006/07.

Real income fell despite the increase in rice yields over time (Fig. 4).

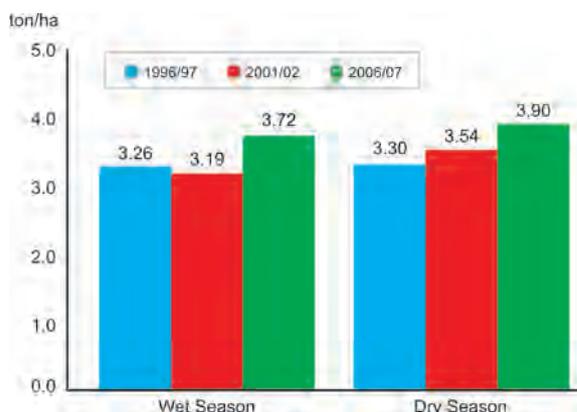


Fig. 4. Yield Trends, 1996/97 - 2006/07.

This indicates that RBFH could be in dire situation without the supplemental incomes coming from non-rice sources.

## Diverse Household Income Sources

The changing dynamics in the income of RBFH had pulled down the share of rice income to total household income from 62% to 58% (Fig. 5 and 6).

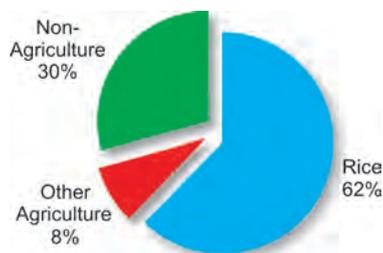


Fig. 5. Income Share, 1996/97.

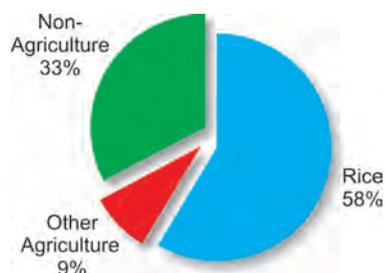


Fig. 6. Income Share, 2006/07.

On the other hand, the share of non-agriculture income to total income grew from 30% to 33%. These show that RBFH are increasingly diversifying their income sources and are becoming less dependent on rice farming.

## Who gets the bigger share of the income?

The IFHAP survey shows an improved economic status of rice-based farmers as the percentage of farm households with income above the poverty threshold leapt from 46% in 1996/97 to 57% in 2006/07. Nevertheless, poverty alleviation is not all about income enhancement but also considers a more equitable distribution of income. The IFHAP data indicate high unequal distribution of income among households. Dividing the samples into ten income groups showed that the richest income group earned about 40% of the total income; the lowest income group earned only about 2%. This means that the income growth is concentrated mostly on the richest farming households. It is an almost sorry record.

## Our call for action: Rethinking R&D and pricing policies

The economic status of RBFH can be further improved by intensifying the promotion of technologies to improve their yield, reduce costs, and consequently increase their income. However, technology developers should rethink their R&D strategies, not only address the need to increase production volume but also the cost of poverty and inequitable distribution of income. They need to understand what parts of their services matter most to farmers. Technologies that are more affordable to resource-poor farmers should also be developed. R&D management has to be guided by assessment of needs of resource-poor farmers to ensure that technologies developed are relevant and beneficial to them.

Given the high unequal distribution of income among households, more research studies should be pursued with the intent of investigating profiles of users of technologies. It would be interesting to find out which types of users do our technologies favor (i.e. those with capital, education, etc.).

Farmers need to be made more aware of the increasing value of their palay produce as the by-products of rice milling like rice bran and hull are now being marketed in bulk. Networks of non-government organizations (NGOs), local government units (LGUs), and farmers' associations can be tapped to assist farmers in this area. Finally, policies should be put in place so that farmers can enjoy higher price for their produce without necessarily leading to increase in the price of milled rice.

*1 This article is heavily informed by the policy papers, "Changing Image of the Filipino Rice Farmer" (RB Malasa, MC Velayo, and SR Francisco) and "Income Inequality among Rice-farming Households in the Philippines" (RD Acda), of the SocioEconomics Division of PhilRice.*

*2 Real income refers to income after adjusting for inflation; while nominal income is income stated without any adjustments for inflation, deflation, and other economic factors.*



## CALL FOR ACTION

- Rethink our approach to R&D, taking into account the malady that resource-poor farmers could hardly afford the developed technologies.
- Promote more cost-reducing technologies to minimize farmers' input costs.
- Put in place policies that allow farmers to enjoy higher price for their produce without necessarily leading to higher price of milled rice.

### Rice Science for Decision-Makers (Issue 1)

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## About the Material

*Rice Science for Decision-Makers* is published by the Department of Agriculture-Philippine Rice Research Institute (PhilRice). It synthesizes findings in rice science to help craft decisions relating to rice production and technology adoption and adaptation. It also provides recommendations that may offer policy triggers to relevant rice stakeholders in search of opportunities to share their knowledge on rice-related policies.

The articles featured here are grounded on solid basic and applied research in agronomy, biology, chemistry, and engineering; but it also underscores major contribution from the social sciences.

The maiden issue draws attention to the changing dynamics in the income of rice-based farm households. The rice farmer and his household taking center stage in this first issue reflects the Institute's affirmation that science is bereft of significance without a good and clear understanding of the socio-economic condition of its main beneficiary. Knowing and understanding trends in the income of rice-based farm households can lead to certain insights on strategies to reduce poverty in rural areas. This socio-economic dimension assigns significance to the human aspect of R&D, a crucial component in fulfilling the country's aspiration to achieve rice self-sufficiency by 2013.

For comments and requests for additional copies, please write to:

### Development Communication Division

Philippine Rice Research Institute  
Maligaya, Science City of Muñoz, Nueva Ecija

Email: [amj\\_eligio@email.philrice.gov.ph](mailto:amj_eligio@email.philrice.gov.ph)  
Trunklines: (44) 456-0258, -0277, -0285 loc. 511, 512

