

# Agriculture Policies and the Smallholder Farm Sector: Serving the Needs of the Last Million Farmers



# OUTLINE

- Background
- Agriculture Performance in the Philippines
- Characteristics of Philippine Farm-holdings
- The Policy Milieu
- Agriculture Service Agencies
- Impact of Agriculture Policies
- Analytical Framework
- Findings and Observations
- Policy Implications
- Options and Recommendations

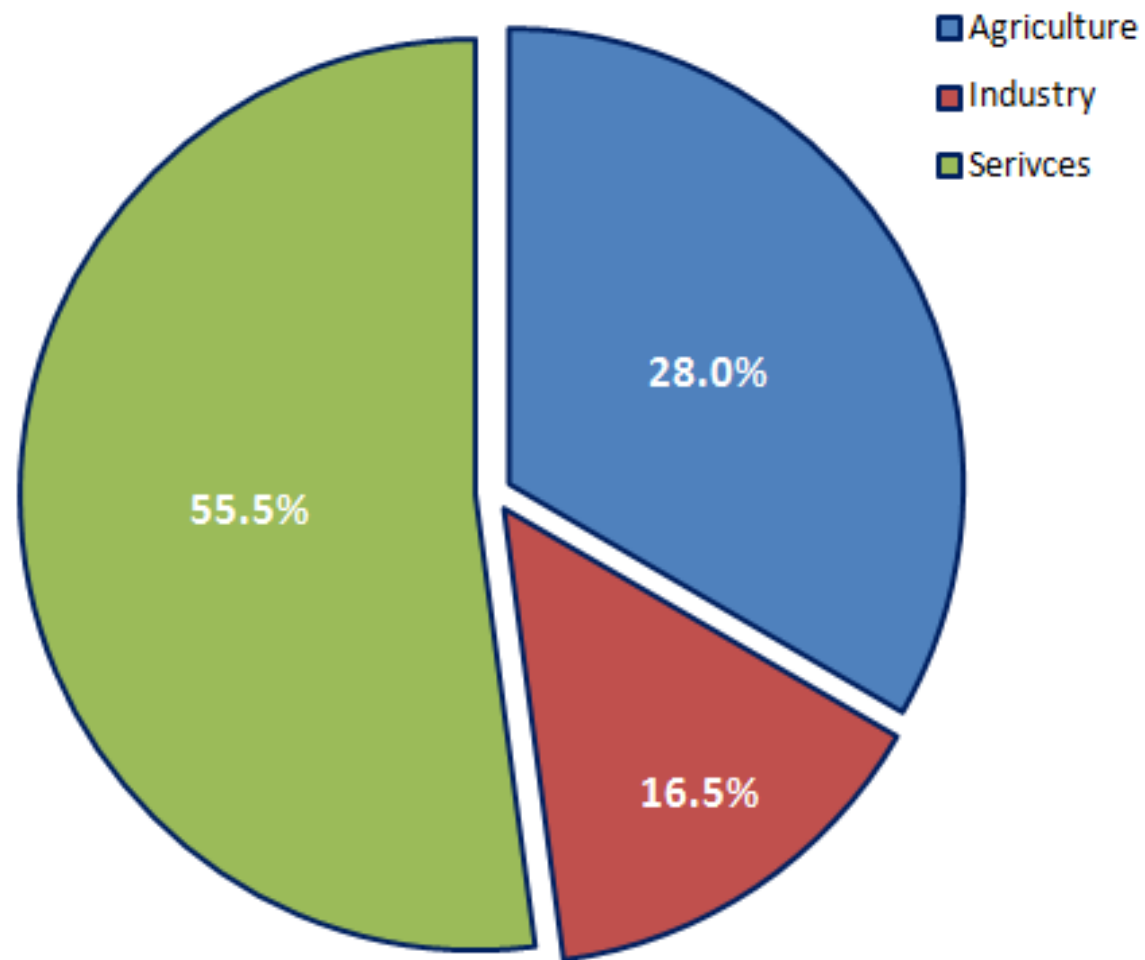


## Growth in Agriculture Value Added - Selected ASEAN Countries

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Average</b>
Indonesia	3.0	3.9	4.6	4.2	4.2	4.0
Malaysia	2.4	6.8	1.0	1.9	2.1	2.8
Philippines	-0.2	2.6	2.8	1.1	1.6	1.6
Thailand	-0.5	6.3	3.4	0.4	0.3	2.0
Viet Nam	3.3	4.0	2.7	2.6	3.5	3.2

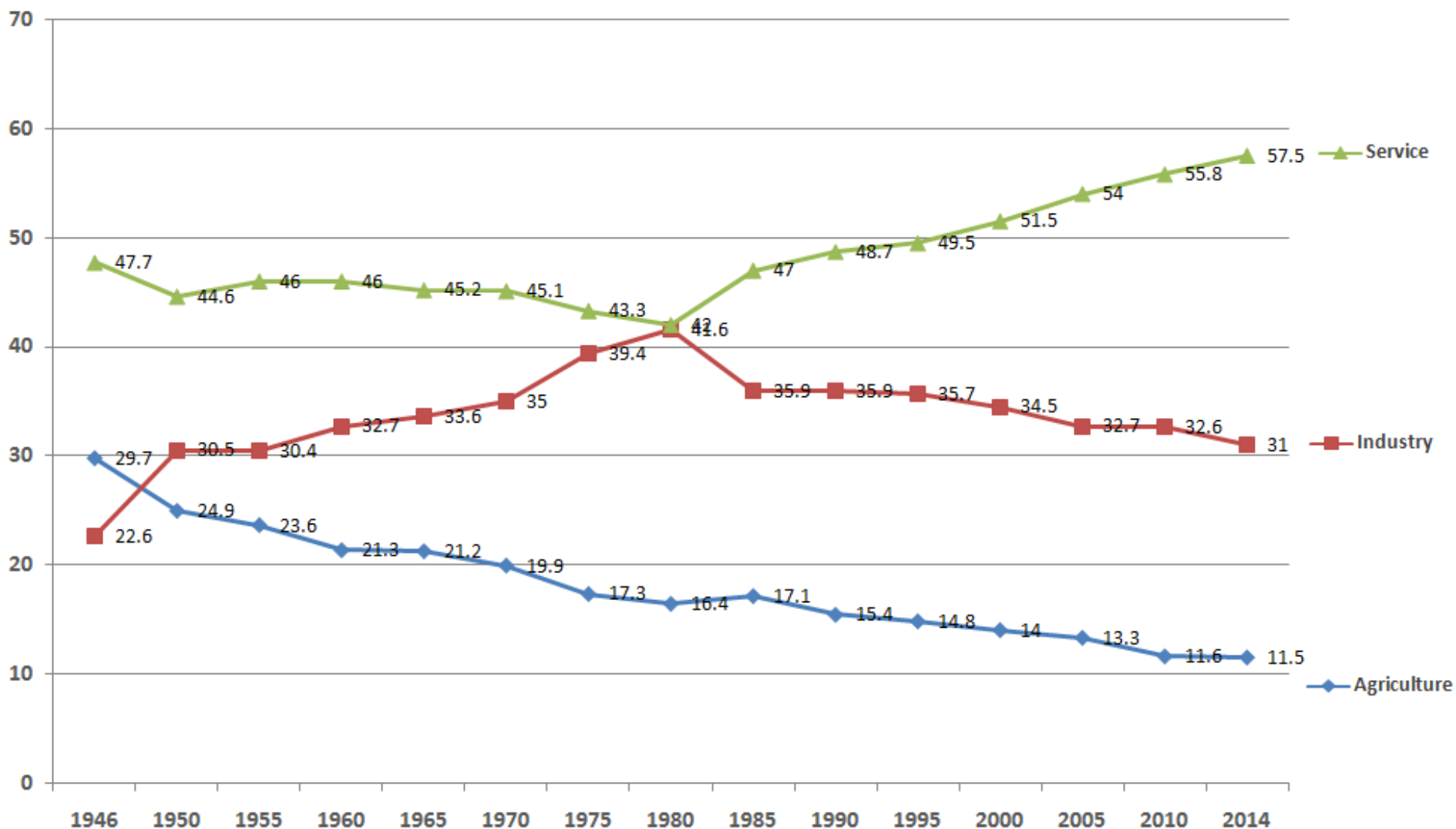
Source: Asian Development Bank

# SECTOR SHARE TO GROSS DOMESTIC PRODUCT



Source: Philippine Statistics Authority

Figure 1. Sector Contribution to Gross Domestic Product



Source of data: Philippine Statistics Authority

## Annual Volumes and Growth of Crop Production 2010-2014, Philippines

	2010	2011	2012 R/	2013 R/	2014
<b>Annual Production (in Metric Tons)</b>					
Cereals	22,149,115	23,655,283	25,439,593	25,816,713	26,738,429
Fruit Crops	12,461,395	12,445,355	12,667,846	12,288,241	12,682,986
Non-Food & Industrial Crops	34,300,047	44,508,729	43,168,803	40,850,236	40,677,391
Vegetables, Root Crops & Tubers	4,004,637	4,061,966	4,077,656	4,244,524	4,491,024
<b>Growth in Production Volumes (%)</b>					
Cereals		6.8%	7.5%	1.5%	3.6%
Fruit Crops		-0.1%	1.8%	-3.0%	3.2%
Non-Food & Industrial Crops		29.8%	-3.0%	-5.4%	-0.4%
Vegetables, Root Crops & Tubers		1.4%	0.4%	4.1%	5.8%

Source of Basic Data: Philippine Statistical Authority, Bureau of Agricultural Statistics

# Production Volumes: Selected Crops, Livestock and Fisheries 2010-2014

95%

Production Sub-Sector	Metric Tons	% Share to Total
<b>Sugarcane</b>	122,316,423	29.7%
<b>Palay</b>	87,896,152	21.4%
<b>Coconut</b>	76,669,325	18.6%
<b>Banana</b>	45,024,429	10.9%
<b>Corn</b>	35,902,981	8.7%
<b>Pineapple</b>	11,779,410	2.9%
<b>Cassava</b>	11,436,135	2.8%
Mango	4,083,576	1.0%
Camote	2,622,615	0.6%
Rubber	2,161,810	0.5%
Eggplant	1,073,611	0.3%
Tomato	1,033,688	0.3%
Calamansi	874,270	0.2%
Papaya	827,765	0.2%
Onion	726,544	0.2%
Cashew	717,752	0.2%
Cabbage	636,103	0.2%
White Potato	601,677	0.1%
Watermelon	578,392	0.1%
Gabi	555,668	0.1%
Gourd	455,636	0.1%
Coffee	426,093	0.1%
Durian	394,024	0.1%
Carrots	344,178	0.1%
Abaca	336,640	0.1%
Pechay—Chinese	258,462	0.1%
Tobacco	248,720	0.1%
Pechay-Native	226,140	0.1%
Mongo	156,947	0.0%
Okra	149,015	0.0%
All Others	538,103	0.13%

Production Sub-Sector	Metric Tons	% Share to Total
FISHERIES (2008-2012 data)	25,038,010	100%
..Commercial	5,790,282	23%
..Municipal	6,666,586	27%
..Aquaculture	12,581,142	50%
LIVESTOCK AND POULTRY	22,129,630	100.0%
Carabao	722,780	3.3%
Cattle	1,281,750	5.8%
Hog	9,856,600	44.5%
Goat	383,830	1.7%
Dairy	90,070	0.4%
Chicken	7,373,690	33.3%
Duck	169,050	0.8%
Chicken Eggs	2,055,170	9.3%
Duck Eggs	196,690	0.9%

Source: Philippine Statistical Authority

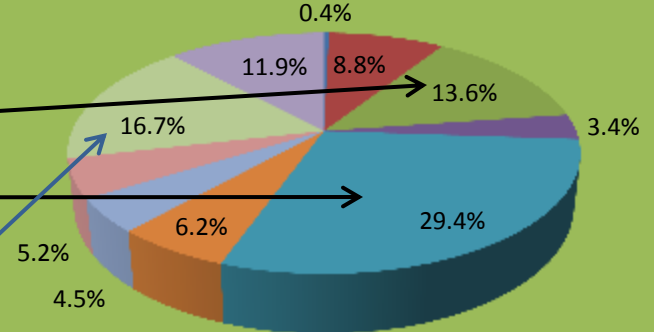
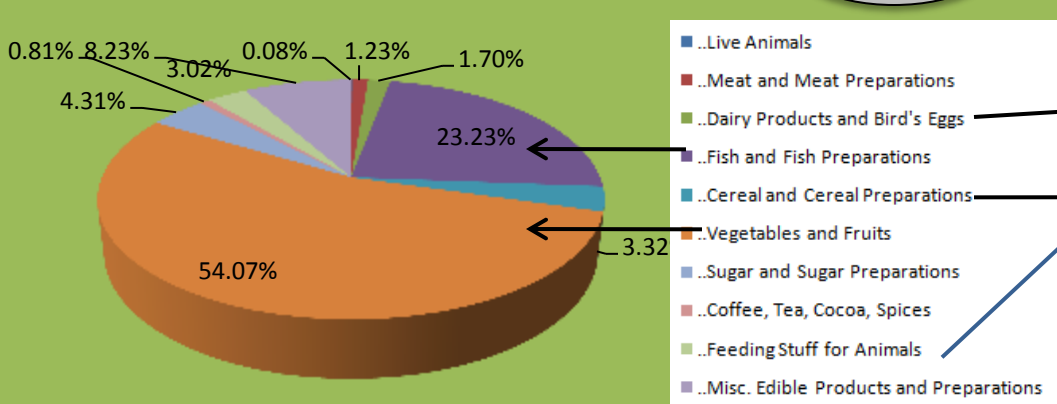


# Philippine Agriculture Exports and Imports

Philippine Agriculture Exports 2010-2014, US\$B	
FOOD AND LIVE ANIMALS	16.91
..Live Animals	0.05
..Meat and Meat Preparations	0.27
..Dairy Products and Bird's Eggs	0.53
..Fish and Fish Preparations	4.24
..Cereal and Cereal Preparations	0.58
..Vegetables and Fruits	8.22
..Sugar and Sugar Preparations	1.29
..Coffee, Tea, Cocoa, Spices	0.09
..Feeding Stuff for Animals	0.64
..Misc. Edible Products and Preparations	1.00
TOBACCO AND TOBACCO MANUFACTURES	1.62
CRUDE MATERIALS	1.60
ANIMAL AND VEGETABLE OILS AND FATS	6.63
FERTILIZER MANUFACTURED	0.64
AGRICULTURAL CHEMICALS	0.09
AGRICULTURAL MACHINERY	0.04
<b>TOTAL AGRICULTURAL EXPORTS</b>	<b>27.52</b>

Philippine Agriculture Imports 2010-2014, US\$B	
FOOD AND LIVE ANIMALS	31.14
..Live Animals	0.11
..Meat and Meat Preparations	2.73
..Dairy Products and Bird's Eggs	4.24
..Fish and Fish Preparations	1.06
..Cereal and Cereal Preparations	9.15
..Vegetables and Fruits	1.92
..Sugar and Sugar Preparations	1.41
..Coffee, Tea, Cocoa, Spices	1.62
..Feeding Stuff for Animals	5.19
..Misc. Edible Products and Preparations	3.71
TOBACCO AND TOBACCO MANUFACTURES	0.82
CRUDE MATERIALS	1.46
ANIMAL AND VEGETABLE OILS AND FATS	2.10
FERTILIZER MANUFACTURED	2.83
AGRICULTURAL CHEMICALS	1.87
AGRICULTURAL MACHINERY	0.75
<b>TOTAL AGRICULTURAL IMPORTS</b>	<b>40.97</b>

13.45





# Legal Status of the Operator/Holder of Farm Holdings

	Number of Farms/holdings	Area of Farms/Holdings (In Hectares)	Average Area per Farm/Holding
PHILIPPINES	5,562,577	7,190,087.11	1.293
Household Sector			
Individual Person	5,512,120	6,779,036.33	1.23
Partnership	45,483	74,800.81	1.645
Non-household Sector			
Corporation	2,456	233,495.41	95.071
Cooperative	730	53,246.27	72.94
Other Private Institution	821	9,913.52	12.075
Government Corp/Institution	371	20,183.63	54.403
Other Form of Legal Organization	596	19,411.14	32.569

Source: Philippine Statistical Authority

# SMALLHOLDERS

so dispersed in the rural areas

backward treatment  
of technology

fragmented,  
lacking in economic  
organization

poor infrastructure  
bad roads  
costly transport of goods  
highly dependent on traders

lack of access to financing

not integrated into agricultural supply chains  
unable to reach stable markets

tend to compete against each other

often victimized by unscrupulous traders and  
usurious lenders

powerless in negotiations with  
buyers of their produce

rarely consider themselves as businessmen and entrepreneurs  
lack of business management savvy and entrepreneurial skills  
lack of short and long term business planning,  
limited knowledge of financial controls and discipline  
no analysis of markets and competition.

## Priority Crops and Banner Commodity Programs

- providing farmers with high quality hybrid and inbred certified seeds
- restoration/rehabilitation of irrigation systems,
- provision of postharvest drying facilities,
- provision of credit, marketing, extension, research and development
- coordination with producers and other stakeholders

## Legislative Support

### Commodity-specific support

- Sugarcane Industry Development Act of 2015
- Creation of a Philippine Rubber Research Institute
- Establishing a Philippine Carabao Center
- Creating the Cotton Development Administration

### Overall Agriculture Development

- High Value Crops Development
- Agriculture and Fisheries Modernization Act
- Development and Promotion of Organic Agriculture
- Development, Management and Conservation of the Fisheries And Aquatic Resources

### Regulatory Enhancement

- Regulating Hand-line Fishing
- Protecting Local Industries By Providing Safeguard Measures
- Strengthening the Meat Inspection System
- Tariffication of agricultural products, except rice

### Strengthening Agriculture Support Agencies

- Agriculture/Agrarian Reform Credit and Financing System Through Banking Institutions
- Strengthening the Comprehensive Agrarian Reform Program (CARP)
- Amending the Charter of Philippine Crop Insurance Corporation

## Magna Carta for Small Farmers

- **Market Policies**
  - Support prices for rice and corn
  - Reduction of monopolies and cartels
- **Farm Credit/Financing**
  - Credit with interest rates 25% lower than commercial loans and with a minimum collateral requirements, accessibility, reasonable repayment terms, expeditious loan documentation and processing procedures
- **Social Safety Net**
  - Social security coverage/ for calamities, death, sickness and disability;
  - Insurance scheme major crops, livestock and other produce
- **Economic Protection**
  - Preferential tariff terms on farm inputs and spare parts, farm machinery and equipment imported by farmers' organizations
  - Using locally available manpower for infrastructure development
  - Prohibition on the importation of agricultural products produced in the country as well as new and developing crops.<sup>[1]</sup> []
- **Production Support**
  - Technical assistance in the preparation of project feasibility studies in availing loans and other forms of government economic assistance.
  - Assistance in owning pre- and postharvest activities and transport equipment
  - R and D System to tap the knowledge or experience of the farmers in the area
  - Promote the use of organic fertilizer and integrated pest management
  - Bureau of Soils and Water Management to provide parcellary maps for each agriculture-based barangay, municipality or city
  - Bureau of Soils and Water Management to conduct studies in the municipalities and provinces in order to determine the best use of the land, the most profitable cropping mix, and the fertilizers needed for such areas and crops
- **Marketing Support**
  - Provision of vital information as market prices, government agricultural policies, market demands and farming practices;
  - Assist farmers' organizations in establishing and operating market infrastructure, facilities and equipment.
- **Infrastructure Support**
  - Farm-to-market roads, feeder roads and bridges which will link the farms to the market
  - Construction of additional piers or wharves and airports
  - Make available communication facility in each municipality
  - Storage facility and a multipurpose pavement/plaza drying in every agriculture-based barangay
  - Small water impounding projects
- **Education and Training**
  - Demonstration farms to showcase technologies that have passed regional adaptability tests.
  - Training programs for small farmers on farm technologies, entrepreneurship and management, and community organizing and institutional development.
  - A system of certification of farm skills

# AGRICULTURE SUPPORT AGENCIES

- Agricultural Training Institute (ATI)
- Bureau of Agriculture and Fisheries Standards under R.A. No. 10601
- Bureau of Agricultural Research (BAR)
- Bureau of Agricultural Statistics (BAS)
- Bureau of Animal Industry (BAI)
- Bureau of Fisheries and Aquatic Resources (BFAR)
- Bureau of Plant Industry (BPI)
- Bureau of Soils and Water Management (BSWM)
- Bureau of Agricultural and Fisheries Engineering (BAFE)
- Agricultural Credit and Policy Council (ACPC)
- National Agribusiness Corporation (NABCOR)
- National Dairy Authority (NDA)
- National Fisheries Research and Development Institute (NFRDI)
- National Meat Inspection Service (NMIS)
- National Tobacco Administration (NTA)
- Philippine Carabao Center (PCC)
- Philippine Center for Postharvest Development and Mechanization (PhilMech)
- Philippine Council for Agricultural and Fisheries (PCAF)
- Philippine Crop Insurance Corporation (PCIC)
- Philippine Fiber Industry Development Authority (PhilFIDA)
- Philippine Fisheries Development Authority (PFDA)
- Philippine Rice Research Institute (Philrice)
- Quedan Rural Credit and Guarantee Corporation (QUEDANCOR)
- Southeast Asian Fisheries Development Center (SEAFDEC)
- Sugar Regulatory Administration (SRA)
- Fertilizer and Pesticide Authority (FPA)
- National Food Authority (NFA)
- National Irrigation Administration (NIA)
- Philippine Coconut Authority (PCA)

Department of Trade and Industry  
Department of Science and Technology  
Department of Agrarian Reform f  
Department of Public Works and Highways  
Department of Finance  
Department of Interior and Local  
Government

- Agribusiness Marketing Assistance Service (AMAS)
- Agriculture and Fishery Information Service (AFIS)
- Information and Technology Center for Agriculture and Fisheries (ITCAF)

## **AGRICULTURE POLICY IMPACT**

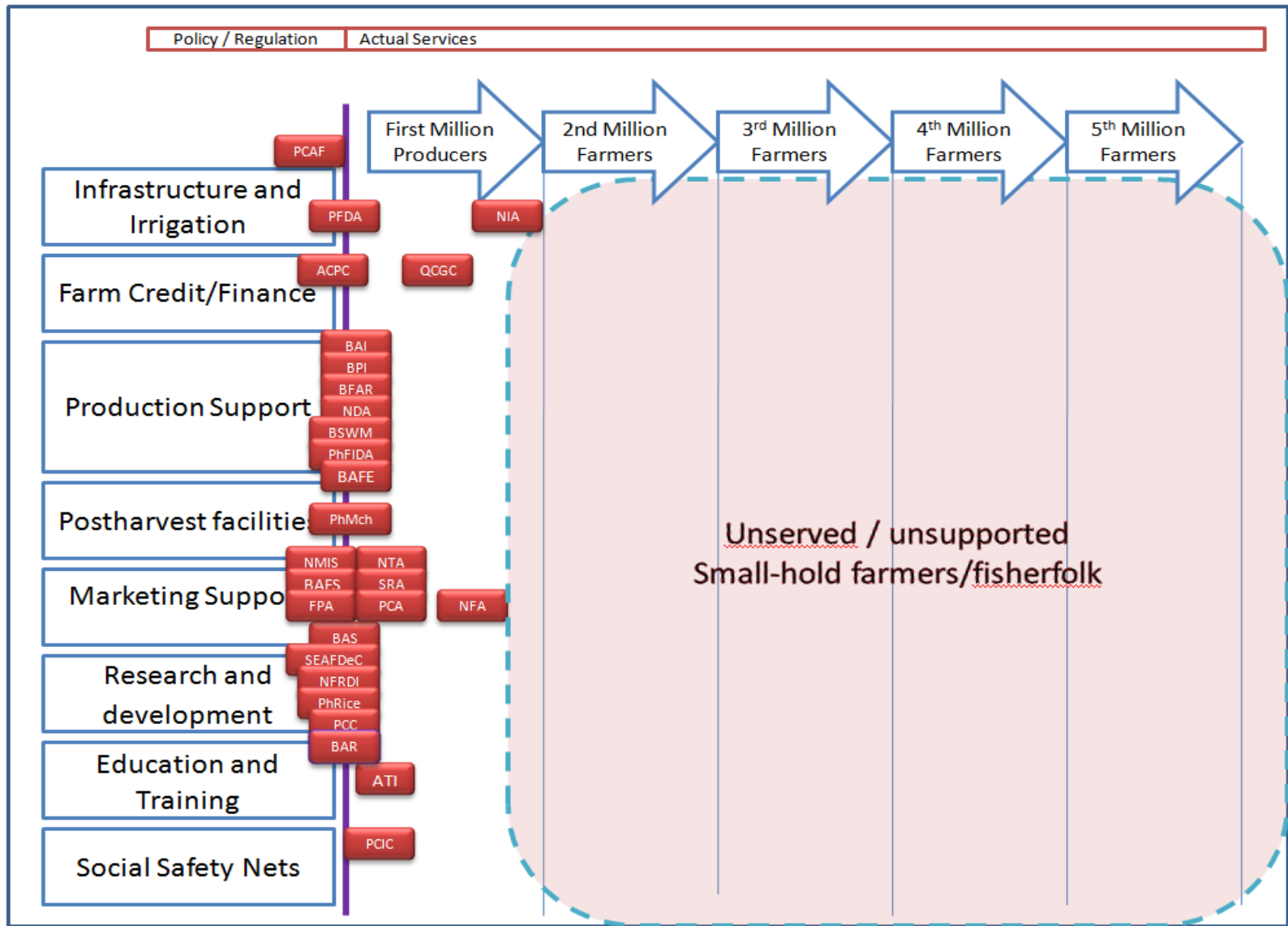
### **Elusive Target.**

Successive administrations and medium-term development plans have come and gone but the idea of a successful, highly competitive and productive agriculture sector in the Philippines remains an elusive dream. Agriculture modernization has become an official policy goal but its achievement is not expected within the immediate future

### **Challenges and Difficulties.**

- Inconsistent and Incoherent Policies
- Inadequate Infrastructure
- Frequency of Calamities
- Environmental Degradation
- Ineffective budgeting
- Lapses in the Implementation of Laws
- Lack of Access to Credit
- Weaknesses in Governance
- Defective Decentralization and Devolution
- Lack of Plans and Strategic Road Maps

# Service Coverage/Reach Mapping of Agriculture Agencies





## Major Final Output Targets for 2016, Department of Agriculture

Major Final Outputs	Target Numbers	Remarks
Beneficiaries of specific goods / services delivered	1,083,222 Individuals	<i>This combines all the services. Much less outreach by individual service. Still, less than 20% of total small hold population are able to benefit.</i>
Beneficiaries of specific goods and services delivered	10,572 Groups	<i>Very few farmers' cooperatives have more than 100 members.</i>
Service area new small-scale irrigation projects	10,476 hectares	<i>Very limited addition to irrigated lands.</i>
FMRs validated for construction/ rehabilitation/repair	7,018 kilometers	<i>Assuming half of the country's 42,000 barangays are rural, this is equivalent to only 1/3 kilometer per rural barangay.</i>
Farmers assisted with agri equipment and facilities	3,789 Groups	
Total amount of loans granted	PhP 737 million	<i>Drop in bucket compared to total small holder requirements</i>
Total number of loan beneficiaries	117,680 Individuals	<i>Very small considering the aggregate demand of 5.4 million other smallholders.</i>

# POLICY IMPLICATIONS

## Suggested Policy Themes

- ✓ Low Service Reach.
- ✓ Mainstreaming the Small-holders.
- ✓ VCA as Centerpiece Approach.
- ✓ Funding No Longer the Issue.
- ✓ Need for Comprehensive Evaluation

Expand organizational reach by way of leveraging of resources and networks and the replication of the agencies' good practice guidelines.

- Networking with the LGUs
- Networking with State Colleges and Universities.
- Outsourcing through Civil Society Organizations
- Outsourcing through Private Sector Contractors

## Need for New Focus and a New Service Framework

The agriculture department and its support service agencies need not be faulted solely for the increasing pace of competition and inability of the country's 5.5 million farmers and fisher-folk to catch up with the leading producers in the sector. But it could no longer be business as usual for the Department and its support agencies and organizations.

## New Missions

- convert and empower as many small-hold producers
- not to search who they can serve but to attract the small hold producers
- development and nurturing of a mass of agriculture-based small entrepreneurs
- economies of scale - aggregation of productive assets and capabilities

## New Approaches

- ➔ Mapping of SAFDZs
- ➔ Value Chain framework
- ➔ Agribusiness Incubation
- ➔ Entrepreneurial Ecosystems

Mabuhay po ang lahat!