

Chapter 2

Agribusiness

I. SITUATIONER

Agriculture is the bedrock of the rural economy. It is in the rural areas where most Filipinos, including the country's labor force, live. A majority of them are poor. Agriculture is the major source of raw resources on which the rest of the economy depends. It accounts for 20 percent of the gross national product, or one-fifth of the economy, while one-third of the population is employed in agriculture or agriculture-related industries.

Production targets exceeded and farm incomes raised...

During the past three years, the agriculture sector saw consistent growth of no less than 3 to 4 percent annually. In fact, most of the key Medium-Term Philippine Development Plan (MTPDP) 2001-2003 agriculture and fisheries production targets have been exceeded in spite of the challenges posed by the El Niño and La Niña phenomena during the period (Table 2-1). This is a testimony to the sector's resiliency and better preparedness in meeting these recurring climatic pressures. This better-than-expected growth performance largely came from fisheries, the major crops, and poultry. Their strong growth more than offset the shortfalls posted by corn, other crops and livestock, which, nevertheless, posted positive and respectable growth during the period. Farm incomes also generally improved during the period especially since the growth in production coincided with generally favorable price movements. As a result, the sector created a total of 1.04 million jobs, or 346,000 jobs per year during the first Arroyo administration.

... but not enough to improve international competitive position

There was, however, not much improvement in overall labor productivity in the sector. Comparative yield, production cost and price data on various agricultural commodities show that the gains posted by the country were hardly apace with those of its neighbors. Thus, the comparative advantage of Philippine agriculture continued to wane resulting in it increasingly becoming a net importer of agricultural products since 1994 (Figure 2-1).

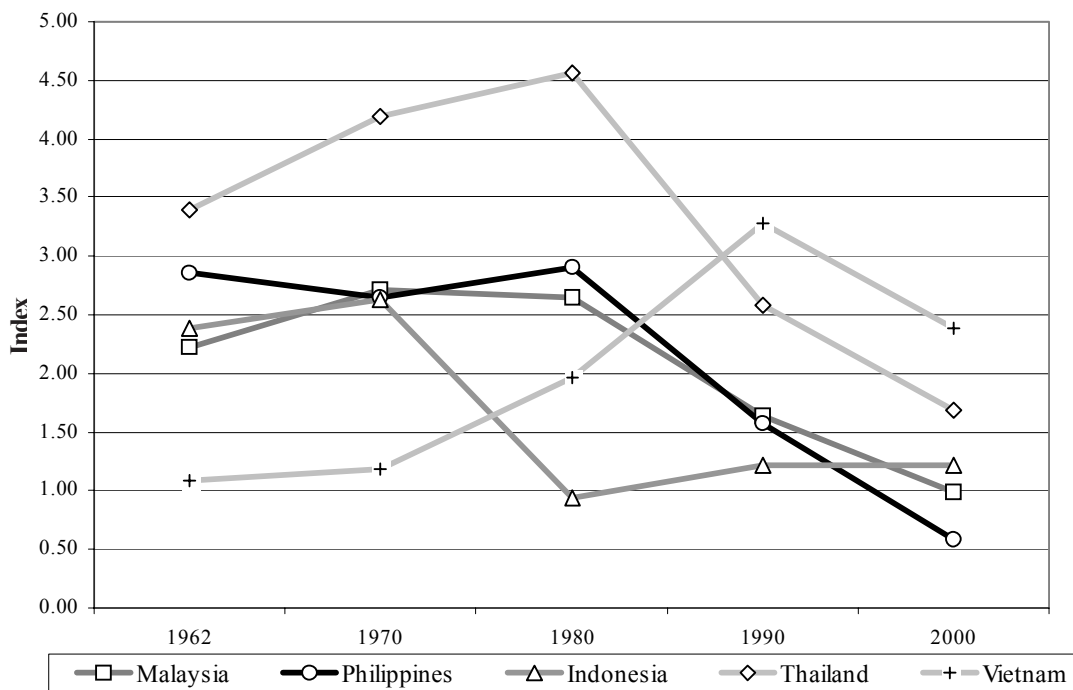
A major reason for this is the higher cost of farm inputs and poor access to recommended packages of technologies. For instance, prices paid for the various fertilizers used by Filipino farmers were nearly double that of the world price (Table 2-2). This may be partially due to possible monopolistic pricing since more than half of the supply of fertilizers in the market comes from a single company. There may also be cumbersome as well as inefficient application of regulatory procedures and requirements, thus, inordinately adding to the production and distribution costs of fertilizers. Consequently, there may be a need to evaluate the effectiveness in which the responsible regulatory agencies are overseeing the market for agricultural inputs. Other factors may include inefficiencies in farm inputs logistics systems and the devaluation of the peso. The same situation most likely exists for pesticides and other agricultural chemicals given that they operate within the same regulatory and logistics environment.

Table 2-1 Gross Value Added in Agriculture, Fisheries and Forestry by Commodity, 2001-2003
 (Actual vs. Targets, growth rates in percent)
 (at 1985 prices)

COMMODITY	2001		2002		2003		Average 2001-2003	
	Actual	Targets	Actual	Targets	Actual	Targets	Actual	Targets
Agriculture Industry	4	3.6	3.9	3.6	3.7	3.6	3.9	3.6
Agricultural Crops	2.6	3.6	2.7	2.7	4.7	3.2	3.3	2.8
MAJOR CROPS	3.5	2.5	3.3	2.1	2.8	2.7	3.2	2.3
Palay	4.6	2.2	2.4	1.5	1.7	2.3	2.9	2
Corn	0.3	2.3	-4.6	2.8	6.9	3.1	0.9	2.5
Coconut	0.6	1.5	6.1	2	1.8	2	2.8	1.8
Sugarcane	3.8	1.5	4.9	1.5	13	1.5	7.2	1.5
Banana	2.6	1.5	4.3	1.5	1.7	3	2.9	2.5
OTHER CROPS	1.9	2.9	3	4	2.2	4.7	2.3	4
LIVESTOCK	2.9	3.4	4.5	4.2	3	4.6	3.5	4.2
POULTRY	7.7	3.8	6.1	4.5	1.8	4.9	5.2	4.5
FISHERIES	5.8	4.1	6.5	3.2	7.4	4.8	6.6	4
FORESTRY	-27.3	None	-27.4	None	23.2	None	-10.5	None
FORESTRY	3.7	None	3.8	None	3.8	None	3.8	None

Source: NSCB (as of August 2004), MTPDP 2001-2004

Figure 2-1 Comparative Advantage in Agriculture of Five Southeast Asian Countries



Source: FAOStat (lifted from Yellow Paper by Dr. Eliseo Ponce and Dr. Cristina David, 9 June 2004)

In addition, there is limited access to certified high-yielding varieties due to supply and distribution constraints. There are relatively few farmers willing and able to grow certified rice seeds, for instance, partially due to inadequate knowhow and skills as well as technical support. As a result, seed cost here is higher than in Thailand, Vietnam, India and China.

Another factor is the high postharvest losses incurred by the country due to inadequate equipment, infrastructure and poor postharvest handling practices. For instance, although the Philippines has a higher average rice yield than Thailand (3.2MT/ha vs. 2.4MT/ha), its rice postharvest losses reach as high as 34 percent while Thailand's have been only around 15 percent.

... not enough to ensure long-term sustainability

The sustainability of even these modest production and income growths also appears to be uncertain as well. The country's environment and natural resource base, which largely determines the sustainable rate at which agriculture can grow, continue to generally degenerate. Various indicators show that the sustainability of the environment and natural resources continue to be either poor or low (Table 2-3).

... not enough to improve overall rural welfare

Moreover, the output and income gains achieved during the period have yet to be translated into significant and commensurate rural sector-wide welfare gains. In spite of the more than a million jobs generated by agriculture over the three-year period, rural unemployment and underemployment continue to be severe as over 1 million and 3 million rural workers remain to be unemployed and

**Table 2-2 Comparative Fertilizer Prices
by Major Grade, 1991-2003 (US\$ per 50 kg bag)**

Year	Urea		% Diff.**	Di-Ammonium phosphate-DAP (18-46-0)		% Diff.**	Muriate of Potash or Potassium Chloride (0-0-60)		% Diff.**
	Phil.	World*		Phil.	World*		Phil.	World*	
1991	12.6	8.4	33.3	16.1	8.4	47.5	11.3	5.4	52.5
1992	11.5	6.6	42.6	16.1	6.8	57.6	11.1	5.2	52.6
1993	9.3	5.1	45.2	13.5	6.2	54.2	9.8	5.2	47.3
1994	11.6	6.7	42.5	14.1	7.8	44.2	9.5	4.8	49.7
1995	14.5	8.8	38.8	15.4	9.1	41.0	10.1	4.9	50.9
1996	14.4	9.0	37.6	15.62	9.4	40.1	10.7	5.2	51.8
1997	11.7	6.8	41.9	14.4	9.3	35.3	8.3	5.4	35.1
1998	8.9	-	-	11.4	10.2	11.4	8.3	5.8	29.8
1999	8.0	3.9	51.4	13.0	8.9	31.4	9.2	6.1	33.3
2000	8.3	5.6	32.3	11.7	7.7	34.0	8.6	6.2	28.3
2001	8.6	5.2	39.2	10.8	7.4	31.7	8.5	5.9	30.8
2002	8.2	4.7	42.9	10.9	7.9	27.8	8.9	5.6	36.7
2003	9.9	6.9	29.7	12.0	8.9	25.4	9.1	5.6	38.0

Sources: Reports from PPA Regional/Provincial Officers; PIDS Agriculture Database; World Bank; Oanda Exchange Rates

* Computed by converting world price per metric ton to price per 50kg bag. This, however, does not take into account the intermediaries in the market which leads to higher retail prices

** % Difference = $\frac{\text{Philippine Price} - \text{World Price}}{\text{Philippine Price}} \times 100$

underemployed, respectively, every year (Table 2-4). In fact, the number of jobs generated by agriculture during the past three years was virtually the same as those it created during the early 1990's when its average annual growth in production was less than half of what it is now. Hence, the employment impact of the present surge in production has, so far, been relatively minor. Thus, poverty and inequity have remained problems in the countryside.

The high rate of unemployment and underemployment in the countryside can be attributed to the seasonal nature of agriculture coupled with the relatively low level of cropping intensity and diversification. For instance, monocropping coconut farmers are gainfully employed for only about 50

Table 2-3 Indicative Environmental Sustainability Rating

ENR INDICATOR	INDICATOR VALUE	INDICATIVE THRESHOLD/ STD	INDEX RATING	INDEX RATING CLASS	SUSTAINABILITY RATING CLASS
Forest Cover ¹	34	50%	2	Poor	Low sustainability
Soil Erosion Extent ²	46	50%	3	Fair	Fair sustainability
Extent of Air Pollution ³	50	20%	1	Bad	Very low sustainability
Extent of Water Pollution ⁴	15	20%	3	Fair	Fair sustainability
Overall Index rating	-	-	2.07	Poor	Low sustainability

Source: Draft Framework Plan for Environment and Natural Resources (ENR) Management, 2002, DENR

¹ % forest cover in total forestlands

² % of total eroded areas suffering from moderate to severe erosion

³ % of total number of monitoring stations in Metro Manila exceeding standards for TSP

⁴ % of total number of water bodies surveyed which are polluted

Table 2-4 Unemployment and Underemployment, 1997-2002

YEAR	RURAL			
	Unemployment		Underemployment	
	Level (in M)	Rate (%)	Level (in M)	Rate (%)
1997	0.9	5.6	2.3	18.3
1998	1.1	6.7	2.3	18.2
1999	1.2	7.1	2.5	18.8
2000	1.1	7.0	3.8	24.9
2001	0.9	5.4	3.1	20.0
2002	1.3	7.5	3.2	20.3

Source: NSCB, NSO

days in a year. In addition, off-farm and nonfarm employment generation were also insufficient to absorb the excess agricultural labor due to inadequate entrepreneurship and investments in the countryside as well as lack of marketable skills. It should be noted that more than half of the rural labor force did not even finish elementary education.

Sector agency performance did not seem to have much influence on sector performance...

In contrast with the sector's performance, the key national government agencies in the sector have generally underperformed in terms of achieving their key targets and commitments under the MTPDP. A notable exception is the Department of Agrarian Reform (DAR) which met most of its Plan targets. However, considering that the DAR's constituencies account for only a portion of all the farmers and fisherfolk in the sector, not all of whom were reached by its interventions, DAR programs may not have had much impact on the entire sector. For instance, only about 22 percent of the agrarian reform beneficiaries (ARBs) were able to access support services by the end of 2003.

Moreover, although there appears to be positive local impact by the different government programs, the extent and degree in which these gains have been successfully upscaled and replicated throughout the sector were, however, hard to discern.

...due to lingering absorptive capacity constraints

Although improvements have been noted in recent years, various operational and allocation efficiency indicators show that a significant margin for improvement still needs to be addressed by the three major sector agencies, the Department of Agriculture (DA), Department of Environment and Natural Resources (DENR) and DAR. For instance, financial performance indicators of the agencies' official development assistance (ODA) portfolio show that disbursement and availment rates have been below the bureaucracy average except for DAR. In the case of the DA and DENR, the low disbursement and availment rates for ODA portfolio were attributed to some major institutional and operational bottlenecks. The DA, in particular, was constrained by policy uncertainties, inefficient and ineffective utilization of funds due to delays in the preparation of financial reports as well as slow release of counterpart funds for project operations, among others.

...governance and institutional weaknesses

These weaknesses can be seen in (a) continuing over-centralization, (b) fragmented and overlapping functions and activities, (c) an inflexible commodity-based organizational structure, and (d) a highly politicized, unstable and underequipped national bureaucracy.

Meanwhile, agricultural extension service delivery as well as communal irrigation development and management were generally disrupted when these were devolved from the national government (NG) to the local government units (LGUs) with the passage of the Local Government Code (LGC) in 1991. Many LGUs lacked preparation, capacity and funding to effectively take over these functions.

...apparent lack of strategic focus of programs and projects

The sector agencies undertook a very broad range of direct interventions which seem to have spread thinly their very limited resources. In addition, most of these interventions do not appear to have been catalytic given their lack of sector-wide impact. The banner programs in agriculture, for instance, directly provided inputs and equipment (e.g., farm implements, machineries, postharvest facilities) that constitute a very small portion of the total requirement of the sector. This underscores the need for government to focus more on its "steering" (i.e., provision of a conducive policy and regulatory environment as well as facilitation services) rather than its "rowing" activities. Given its very limited resources, direct interventions should be limited to those with proven high multiplier effect and those with sector-wide rather than just localized impact.

II. GOALS, STRATEGIES AND ACTION PLANS

Poverty in the Philippines is essentially a rural phenomenon. In terms of both level and incidence, the magnitude of poverty is highest in the rural areas where agriculture serves as the economic base. Since agriculture plays such a major role in the generation of incomes and employment in the countryside, the development of the sector is, therefore, essential to any antipoverty program.

However, agriculture has had very limited impact, so far, in reducing rural unemployment,

underemployment and poverty. For a long time, agricultural production has grown less than the growth of the population. Agricultural productivity improvements have also not been sufficient to reduce food prices to regional levels. Thus, a large part of Philippine agriculture continues to operate at a mere subsistence level. Moreover, because of the highly seasonal nature of agriculture, its vulnerability to price fluctuations and the generally low prices offered to its raw products, it cannot by itself substantially alleviate rural unemployment, underemployment and poverty.

What is needed, therefore, is a more holistic approach in reducing rural poverty that will not only address the production bottlenecks in agriculture but also its inherent vulnerabilities. This approach calls for the promotion of agribusiness. This will not only address agricultural production constraints but also post-production handling, value-adding, and distribution concerns, all of which are the major and inter-connected determinants of job creation and income stability in the countryside.

The agribusiness approach to countryside development has three main goals: (a) to expand substantially the production base, (b) to raise production and distribution efficiency that are parallel with the regional norms, and (c) to promote equitable distribution of production and productivity gains. The expansion of the production base involves breaking out from subsistence agriculture by increasing and diversifying the marketable surplus of the farm. While raising efficiencies to regional norms means increasing the price and quality competitiveness of the country's agricultural products. However, raising agricultural and fishery production and competitiveness have not automatically and consistently led to increased farm incomes. Often, more production meant surpluses that depress farm gate prices. Meanwhile, lower farm gate prices also do not automatically lead to lower food retail prices. It appears that an inordinate share of the benefits from higher production goes to middlemen. Thus, production and productivity improvements will have to go hand-in-hand with governance and institutional reforms to ensure that, among others, production and efficiency gains will indeed result in commensurate farmer and consumer welfare gains.

In view of these, government will aim to (1) develop at least two million hectares of new agribusiness lands within the next six years in order to create at least two million jobs, or one job per hectare; and (2) make food plentiful at competitive prices where the cost of priority "wage goods" such as rice, sugar, vegetables, poultry, pork and fish, and other important non-wage goods like corn must be reduced.

The development of two million hectares of new agribusiness lands means that the country will not merely improve but also substantially expand existing agri-based production systems. This will entail expanding the effective production areas for agriculture and fisheries by (a) increasing production intensity as well as diversification in existing crop, livestock and fishery farms (e.g., intercropping, multiple-cropping, integrated farming), (b) cost-effectively cultivating idle and marginal lands such as by planting fruit trees in denuded upland areas, and (c) engaging in fishery production in idle off-shore and inland waters. This will also entail expanding the product mix grown within the agribusiness lands to include: (a) adopting new and/or reconfiguring existing agricultural and fishery production systems to be able to tap emerging markets with vast potentials, including the US \$150 bn global Halal food market, (b) a large-scale program of non-traditional high-value crops in farms and fisheries, and c) value-adding through innovative packaging and agri-processing technologies, among others.

High-value farm crops, vegetables and fruits have much higher yields and income potential than the traditional staple crops of rice and corn. Additionally, a program of aquaculture in the coastal areas and inland waters, with thousands of fish cages in the seas of Luzon, Visayas and Mindanao, growing

and culturing sea bass, grouper, pompano, milk fish, cobia, freshwater and saline *tilapia*, red snapper, sea bream, etc., have assured markets in the frozen and “live” fish markets of China, Hong Kong, Japan, Taiwan, Singapore, the U.S. and Europe with significant foreign-exchange earnings, high profit and job-creating potential. Meanwhile, the promotion of agri-processing means that government will also encourage the creation and expansion of related off-farm and nonfarm enterprises so that the production system of farmers will not be confined to farming. This will further reduce unemployment and underemployment as well as diversify, increase and stabilize farmers’ incomes. All these initiatives will result in the creation of a new class of farmers and fishers.

Making food plentiful at competitive prices involves raising, to at least region-level norms, the efficiency in which the country will produce and distribute its agribusiness products, especially the wage goods. This will entail three sets of measures: (a) production support to enhance farm and fishery productivity; (b) logistical support to raise distribution efficiency; and (c) governance and institutional support to provide a policy and regulatory environment conducive to efficient production and distribution of agribusiness commodities. These will also ensure that the reduction in production and distribution costs due to the productivity and logistics measures will indeed result in commensurately higher farm incomes and lower food prices. The first set of measures involves addressing the constraints to high yields and low production costs. The second set focuses on post-production handling, marketing, and distribution problems that lead to high agricultural input and food retail costs; while the last set addresses policy and regulatory bottlenecks to efficient agricultural production and distribution as well as competitive food prices.

Goal 1: Develop at least 2 million hectares of new land for agribusiness in order to contribute 2 million out of the 10 million jobs targeted as a legacy by 2010.

A. Design and establish the framework and mechanisms, including public-private partnership arrangements, by end 2005, that will facilitate the transformation of farmlands into agribusiness enterprises

It should be noted that there are existing policies that touch on agribusiness development which can serve as starting points for this set of activities. These include Title 4: Rural Nonfarm Employment of the Agriculture and Fisheries Modernization Act (AFMA) and Republic Act (RA) 7905: The Agrarian Reform Communities (ARC) Development Framework.

1. Identify and prioritize two million hectares of new farmlands for agribusiness (to be done individually and collectively by the DA, DAR and DENR)

Programs and Activities:

- a. Complete the identification, validation and prioritization of new lands for agribusiness by June 2005 to cover the following:
 - a.1. Underutilized farm lands which can be made more productive through increased cropping intensity, intercropping and diversification;
 - a.2. Idle and marginal lands, including denuded upland areas; and
 - a.3. Idle off-shore and inland bodies of water for aquaculture

Table 2-5 shows the initial six-year targets for the development of agribusiness lands by the DA and the corresponding jobs to be generated.

- b. Complete the identification, validation and prioritization of prime and semi-prime agrarian reform lands and adjacent areas for agribusiness development, in coordination with the DA, by 2005

Table 2-5 Six-Year Targets for Areas for Agribusiness Development and Productivity Improvement and Jobs

Commodity	New areas for agribusiness development (has.)	Number of jobs to be generated	Existing areas for productivity enhancement (has.)	Number of jobs to be generated
RICE	-	-	875,130	80,860
CORN	280,250	280,250	-	-
LIVESTOCK	45,200	45,200	-	-
FISHERIES	17,210	743,540	-	-
<i>Bangus (culture)</i>	3,190	86,260	-	-
<i>Tilapia (culture)</i>	8,200	221,450	-	-
<i>Seaweeds</i>	5,820	201,360	-	-
<i>Others* (mariculture, etc)</i>	-	234,470	-	-
HIGH VALUE CROPS (FOOD)	292,690	329,670	214,780	214,780
<i>Pineapple</i>	1,520	1,900	-	-
<i>Pili</i>	850	1,120	-	-
<i>Sugar</i>	20,410	20,410	-	-
<i>Coffee</i>	9,440	9,440	56,420	56,420
<i>Mango</i>	130,170	130,170	-	-
<i>Durian</i>	8,510	8,510	22,090	22,090
<i>Banana</i>	72,840	72,840	-	-
<i>Onion</i>	-	-	2,680	2,680
<i>Cassava</i>	15,590	15,590	48,420	48,420
<i>Citrus</i>	390	390	11,680	11,680
<i>Vegetables</i>	26,730	63,060	73,490	73,490
<i>Garlic</i>	6,240	6,240	-	-
HIGH VALUE CROPS (NON-FOOD)	1,412,050	1,412,050	170,340	170,340
<i>Abaca</i>	50,390	50,390	29,940	29,940
<i>Rubber</i>	11,660	11,660	83,900	83,900
<i>Coconut**</i>	1,350,000	1,350,000	-	-
<i>Tobacco</i>	-	-	56,500	56,500
GRAND TOTAL	2,047,400	2,810,710	1,260,250	465,980

*Equivalent hectares cannot be determined due to varying sizes of sea cages

**Areas which will be developed for intercropping with suitable cash crops and/or high value crops or used for livestock production.

- c. Complete surveys, classification and distribution of at least 760,080 hectares of public alienable and disposable lands by 2010 in order to open up additional areas for production and job generation
2. Mobilize, organize and build capacities of farmers and fishers for the establishment and management of production, processing and marketing cooperatives in the priority agribusiness lands

Programs and Activities:

Capacity building for farmers and fishers and their organization through social infrastructure (organization building and strengthening; provision of technical and vocational education) and enterprise development support to manage and sustain viable operations of organizations and businesses in identified agribusiness lands

3. Form and build capacities of national and location-specific strategic alliances among the national and local governments, business groups/industrial chambers, and farmer groups to broker and facilitate farm-firm linkages (e.g., joint economic enterprises and subcontracting arrangements such as, but not limited to, poultry, vegetables and export winners)

Programs and Activities:

- a. Marketing assistance and facilitation services such as promoting vertical and horizontal integration to shorten the supply chain and increase the efficiency of agribusiness logistics, promoting market-driven or demand-led production systems to improve profitability of farming and processing operations
- b. Sustainable agribusiness and rural enterprise development (Capacity building for cooperative management including forging contracts for joint economic ventures and subcontracting arrangements among farmers, landowners and business groups; and operationalization and strengthening of Farmers Centers under the KALAHI-CIDSS or Kapit-Bisig Laban sa Kahirapan Comprehensive and Integrated Delivery of Social Services Project)
- c. Access facilitation and enhancement services (Conduct of regular fora and trade fairs for farmers, fishers and business groups; and establishment of marketing information systems)

B. Organize a large-scale community-based and environment-friendly program of crop and fishery production intensification and diversification, especially high-value and non-traditional commodities in existing crop, livestock and fish farms.

Programs and Activities:

- a. Agricultural production intensification (inter and multicropping) and diversification programs (especially non-traditional high-value crops including fruits and vegetables)

- b. Crop (especially for rice, corn and coconut), livestock and fishery integrated farming systems program, as well as agro-forestry
- c. Aquaculture enterprise program (sea cage culture of various species such as sea bass, grouper, pompano, milk fish, cobia, freshwater *tilapia*, red snapper and sea bream) as well as sustain seaweed farming in non-traditional areas

C. Transform idle agricultural lands, offshore and inland bodies of water as well as marginal lands into productive agribusiness enterprises to fully utilize existing agriculture and fishery resources

Programs and Activities:

- a. Crop and livestock integrated farming systems program
- b. Aquaculture enterprise program (sea cage culture of various species such as sea bass, grouper, pompano, milk fish, cobia, freshwater *tilapia*, red snapper and sea bream) as well as sustain seaweed farming in non-traditional areas
- c. Expand support service delivery in marginal lands for productive agribusiness and food security purposes
- d. Reforestation through agroforestry (*Refer to Chapter 3: Environment and Natural Resources for details*)
- e. Promotion of more diversified cropping systems for non-timber and non-forest products in suitable areas as means of livelihood for upland settlers
- f. Development of community-based forest management (CBFM) areas as agribusiness enterprises

D. Promote off- and nonfarm enterprises (including agri-processing) in the agribusiness lands to increase and stabilize rural income

Programs and Activities:

- a. Farm income diversification and market development program
- b. Small and micro-enterprises development program to include facilitating access to credit support, among others
- c. Sustainable agribusiness and rural enterprise development
- d. Harnessing of the biodiversity potential for livelihood activities (e.g., ecotourism, pharmaceutical, essential oils)
- e. Social infrastructure and local capability building services such as provision of training and education to enhance entrepreneurial capacities of individual farmers, fishers and their organizations and promotion of grassroots enterprise development

- f. Operationalization and strengthening of KALAH I Farmers Centers for wider dissemination of technologies and promotion of rural entrepreneurship; and facilitation of access of farmers, households and organizations to affordable credit, market and other extension services

E. Make Mindanao as the country's main agro-fishery export zone

The full potential of Mindanao as an agribusiness hub has yet to be tapped. Its strategic location within the East Asian region makes it potentially a major transshipment point and center of trade in the region. With almost a third of its land devoted to agriculture, it accounts for over 40 percent of the Philippines' food requirements and contributes more than 30 percent to the national food trade. With rich agricultural resources supported by a generally fair tropical climate, Mindanao hosts a wide variety of economic activities and investment opportunities. Some of these are focused in the agribusiness and fishery sectors. Following are some of the investment opportunities for these sectors.

For Agribusiness:

- Fruit and vegetable production and processing
- Feed milling
- Animal production
- Meat processing
- Snack food manufacturing
- Ornamental horticulture
- Industrial tree plantation (oil palm, rubber)

For Fisheries:

- Aquaculture
- Fish processing/canning
- Crab production
- Seaweed farming and processing

Some major programs to be implemented in support of making Mindanao the main agro-fishery export zone are:

1. Developing Southern Mindanao as a Halal food production area. Recognizing the growing demand in the global market for Halal certified foods, Mindanao, with its export-oriented agri-based industries, island-wide infrastructure development and where around 70 percent of the more than four million Muslim Filipinos live, is the most logical place to put a Halal food industry. Interventions supporting this program include technical assistance, standards setting and market facilitation (i.e., establishment of Halal-accredited slaughterhouses and improvement of central and satellite laboratory facilities).
2. Cost-effectively linking Mindanao's agriculture and fishery production centers with its markets internally, with the rest of the country, and abroad through the provision of adequate transport and communication services and infrastructure facilities. These will be realized through strong partnership and linkage with the private sector groups, multinational companies and other government entities.

Programs and Activities for both components:

- a. Establishment of and capability building for the Halal certification and accreditation process
- b. Technical assistance for Halal food production
- c. Construction/repair/rehabilitation of vital infrastructure for land and water-based production enterprises
- d. Upland and coastal development program
- e. Emergency and livelihood assistance program
- f. Local capability building services for the provision of social and physical infrastructures to link agribusiness lands to markets
- g. Access facilitation and enhancement services (Capacity building for cooperative management including forging contracts for joint economic ventures and subcontracting arrangements among farmers, landowners and business groups; and operationalization and strengthening of KALAHI Farmers Centers)

Policy reforms for this goal are:

Tap all possible fund sources to support the provision of social and physical infrastructure for farmers and fishers to include the following:

- a. the Marcos wealth which shall be used to finance agricultural land reform, including ancestral domain reform, and the development of agribusiness in the land reform communities;
- b. the coconut levy fund which shall be used for social services for coconut farmers and their communities, and for the development of coconut-based agribusiness; and
- c. the agrarian reform fund (ARF)

Goal 2: Make food plentiful at competitive prices where the cost of priority “wage goods” such as rice, sugar, vegetables, poultry, pork and fish and other important non-wage goods like corn must be reduced. This also means that government will continue to fight for self-sufficiency in rice production by increasing price and production efficiency and competitiveness.

A. Raise factor (land, labor and capital) productivity to approach the regional average within six years.

1. More strategic and catalytic provision of national government support services (to include credit and capability building support) in agriculture and agrarian reform areas through, among others, stricter application of the agrarian level of development assessment

(ALDA) for agrarian reform areas as well as the NG-LGU-Private Sector Cooperation Guidelines as provided for in the Operations Manual for Project Preparation of the DA which is initially being adopted under the Diversified Farm Income and Market Development Project

Programs and Activities:

- a. Identification, validation and prioritization of production areas, by June 2005, based on their production and income potentials
- b. Formulation of commodity road maps, by September 2005, focused on “wage” goods
- c. Promotion of the development of viable seed and planting material industries for crops and forestry, including mangrove propagules as well as hatchery industries for fisheries through NG research and development support, technology dissemination and advocacy, as well as access to credit

More important than these time-bound and area-specific interventions, the national government will ensure that the policy and regulatory environment will be sufficiently and consistently conducive for the stakeholders to rapidly improve agricultural production and productivity.

Policy reforms:

- a. Allocate 17 billion pesos yearly in addition to the annual budget of the DA for agricultural and fishery modernization (RA 8435 as amended by RA 9281)
- b. Sector agencies to adopt a standard and transparent prioritization criteria and process for infrastructure and other support services in agriculture and fisheries, primarily considering cost effectiveness, efficiency parameters, and, where appropriate, gender responsiveness
- c. Complete the rationalization and consolidation of directed credit programs (DCPs) into the Agro-industry Modernization Credit and Financing Program (AMCFP) by December 2005
- d. Adopt alternative and innovative financing schemes such as the Special Agriculture Financing Window and the Rural Household Financing Program that will enhance greater collaboration and investments of private financial institutions (PFIs) especially in the provision of credit for small farmers and fishers
- e. Establish, by December 2005, public-private sector mechanisms for finance mobilization in support of the provisions under the Philippine Fisheries Code (RA 8550): (a) the PhP100M Municipal Fishery Grant Fund; (b) the PhP250M Fishing Vessels Development Fund; (c) the PhP100M Special Fisheries Science and Profishtech Fund; and (d) the PhP50M Aquaculture Investment Fund
- f. Rationalize the rental fee of public lands for agricultural production (e.g., pasture and fishpond lease agreements)

Programs and Activities:

- a. Provision of capability-building programs by DA (i.e., Agricultural Training Institute) to LGUs to enable them to perform their mandate on extension
 - b. Review of the Internal Revenue Allotment (IRA) system to make it performance-based and serve as an incentive system for the full and effective delivery of extension services by LGUs
 - c. Establishment of demonstration/model farms
 - d. Market-linked technology development generation and dissemination, including improvement of farm technologies/systems (e.g., genetic resources improvement program)
4. Transform relevant agencies as centers for agriculture, fishery and natural resources knowledge management systems by maximizing the use of up-to-date information technology for intra- and inter-agency as well as national and international information exchange that will provide timely and adequate information for rational decision-making

Programs and Activities:

- a. Establishment and improvement of the database and information system for agriculture and fisheries
 - b. Transformation of database and information system to knowledge systems
 - c. Integration of the knowledge management system into the human resource development program of the bureaucracy
 - d. Development of a national common spatial database to support growth initiatives (e.g., foreshore and municipal coastal database)
5. Increase capital productivity and investments through the reduction and appropriate management of risks inherent in agriculture

Programs and Activities:

- a. Coverage expansion of the agricultural credit guarantee and insurance systems
- b. Resolution of agricultural, fishery and agrarian property rights conflicts and uncertainties
- c. Early completion of the implementing rules and regulations on the delineation of municipal waters with off-shore islands
- d. Emergency assistance and disaster-mitigation projects for calamity-stricken areas
- e. Geohazard Assessment Program

Policy Reform:

- a. Include in the legislative agenda the passage of the Farmland as Collateral Bill in conjunction with the proposed Progressive Land Tax, Graduated Capital Gains Tax and Land Conversion Tax, Idle Land Tax and the National Land Use Act to prevent agrarian land ownership reconsolidation
- b. Include in the legislative agenda the passage of a bill that will extend up to 2015 the utilization of the Agricultural Competitiveness Enhancement Fund (ACEF) to provide loan assistance to agricultural and fishery enterprises
- c. Include in the legislative agenda the passage of a bill amending the Agri-Agra law, to ensure that agri-agra funds are used for rural credit

B. Increase the effectiveness, adequacy and efficiency of the agricultural sector's transport and logistical support system for both farm inputs and produce to approach regional standards especially for agricultural and fishery food products

1. Link infrastructure support and postharvest facilities with the nautical highway to reduce postharvest handling thereby minimizing losses and facilitating the flow of goods

Programs and Activities:

- a. Promote the construction/repair of vital postharvest facilities and equipment, including grains-highway bulk handling, ice plants (for livestock and fisheries) and cold storage by the private sector through credit facilitation
- b. Development of regional and municipal fish port complexes in the validated priority production areas

Policy Reform:

Include in the legislative agenda the passage of a bill that will provide adequate, efficient and price-competitive shipping services (Philippine Export and Import Freight Shipping Bill)

2. Cost-effectively link the production areas to major markets through the construction of farm-to-market roads, the expansion of shipping services through the promotion of competition, and the promotion of the roll-on roll-off ferry logistics system for more efficient transport of agricultural goods from Mindanao to Luzon and the rest of the world

Programs and Activities:

- a. Construction/rehabilitation of priority farm-to-market roads in validated priority production areas
- b. Development and establishment of regional and municipal fish ports in validated priority fishery production areas

- c. Access facilitation and enhancement services for the delivery of necessary physical infrastructure support such as farm-to-market roads, bridges, irrigation and postharvest facilities in areas identified for agribusiness development
3. Provide effective, commensurate, and where appropriate, gender-responsive market assistance and facilitation through the provision of timely and accurate business information and appropriate trading services (e.g., national agricultural and fisheries product standards system, quarantine and inspection system, data-basing, profiling, farm-firm matching, trade fairs, exhibits, market research)

Programs and Activities:

- a. Aggressive promotion of products in international markets
- b. Market development and assistance to improve the local agricultural products' relative competitiveness and access to domestic markets vis-à-vis imports
- c. Institutionalization of the Bureau of Agriculture and Fisheries Products Standards (BAFPS) and its product standards development program
- d. Rationalization, modernization and harmonization of the disparate regulatory agencies into a national quarantine and inspection system with dual functions of border protection and trade/export facilitation

Policy Reform:

Further rationalize the grains sector trading with the passage of House Bill (HB) 418: "National Food Authority (NFA) Reorganization Act of 2002."

The ultimate purpose of the House Bill is to restructure the NFA to separate its regulatory and proprietary functions. NFA shall grant ministerially import permits for rice to all applicants, subject to the payment of all taxes and duties. The passage of this HB is envisioned to effect the implementation of NFA activities consistent with its mandate.

4. Ensure that the efficiency gains in production and logistics result in more affordable prices for consumers rather than larger margins for middlemen. Therefore, there is a need to intensify efforts to directly link producers to retailers and possibly to consumers as well. This will lessen distribution costs and attain optimum production volume of wage goods to a level that will generate competition at the retail level. Such a situation will put a downward pressure on consumer prices and force distribution and retailing margins to a fair level.

Programs and Activities:

- a. Electronic marketing program
- b. Market matching fairs

- c. Forward contracting mechanisms
 - d. Strengthening LGU capability on marketing
 - e. Supply chain research and analysis as well as establishment and updating of database systems
 - f. Bantay Presyo (Consumers' Price Watch)
 - g. Systematic consultation with private sectors and commodity boards for data validation and updating of costs data, interventions, and monitoring and evaluation of intervention effects
- C. Implement critical governance reforms to establish a bureaucracy that will effectively be responsive to the demands of a productive and enterprising agricultural sector** (*Chapter 22: Bureaucratic Reforms*)