

Agriculture Policy in the Philippines: Challenges & Implications for Global Trade & Governance

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Philippine Agriculture

- 'buckle of the typhoon belt, jewel of the Pacific ring of fire'
- ~10 million has.; ~3 million has. coconut; ~2.4 million has. rice; vast marine & fisheries resources

Philippine Agriculture

- <10% of GDP and declining; rural population @ ~40% of 105 million population; ~25% of 43 million labor force
- Low government investments/support @ 3.6% of PhP 3.35 trillion national budget in 2017

Philippine Agriculture

- Low and slow investments in technology/R & D, regulatory system modernization
- Low productivity across the major sectors; sluggish growth (4% 2017, ~1% 2018)
- 'a geriatric peasantry'

Principal Challenges

- Sustained food security and productivity
- Competitiveness in increasingly unstable international & domestic markets; international markets continue to be heavily distorted & protectionist
- Adaptation and resiliency to climate change impacts

Policy Landscape

- AFMA & related laws
- Agrarian reform laws
- Food safety and related laws
- Environmental laws
- Laws on domestic and international trade
- International agreements

AFMA

- AFMA (Agriculture & Fisheries Modernization Act) – enacted in 1997 in response to globalization and ensuring food security
- Agriculture Competitiveness Enhancement Fund (ACEF), extended by amendment of AFMA
- Creation of the Bureau of Agriculture & Fisheries Product Standards (BAFPS), later BAFS by amendment of law

AFMA

- Agricultural & Fisheries Mechanization (AFMech) Law – BAFE, PhilMech, AMTEC, BAFS
- Fisheries Code and amendments – enhancing the sustainability of the fisheries industries and resources, combatting illegal, unregulated and unreported (IUU) fishing

Agrarian Reform

- CARP and CARPER – centerpiece agrarian social justice program but with adverse impacts on plantation crops and industries, scale, productivity and efficiency

Food Safety

- Food Safety Act – finally delineated food safety responsibilities between the DA (primary, raw, fresh, ‘postharvest’) and the DOH (manufactured, processed, finished, final products)
- Also specified food safety responsibilities of LGUs and private Food Business Operators

Environmental Laws

- Clean Air Act
- Solid Waste Management Act
- Climate Change Act
- People's Survival Fund

Trade Policy

- The WTO Agreements – Agreement on Agriculture, SPS Agreement, Safeguard Measures, CODEX/Food Safety Standards
- Regional and Bilateral Trade Agreements – ASEAN, PJEPA, RCEF, EFTA, Ph-US TIFA

Trade Policy

- Agriculture Tariffication Act, also created ACEF
- Rice Import Trade Liberalization Act – liberalized and deregulated rice trade, created the Rice Competitiveness Enhancement Fund (RCEF)

The Structure of Support and Protection in Agriculture

Market Access

Terms of entry and trade

- Tariff measures – MFN and preferential tariffs
- Non-tariff measures – SPS, product standards, general and special safeguard measures
- Quantitative restrictions (QRs) – on rice, terminated by recent legislation

Domestic Support

Support and subsidy measures to the production sectors

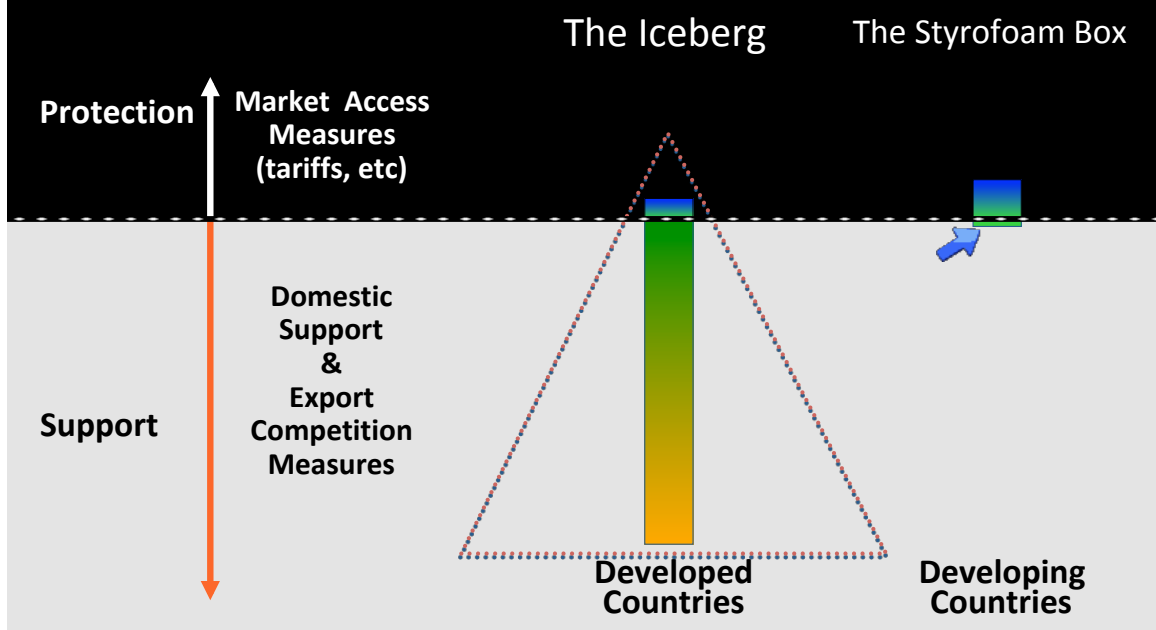
- ‘Green’ measures— infrastructure, R & D, pest surveillance systems, extension, information systems
- ‘Amber’ measures – input & output price/ supply interventions, government procurement & distribution
- Developing countries entitled to 10% *de minimis*

Export Competition Measures

Support provided to the export trading sectors

- Direct government fund transfers to exporters based on export performance (export subsidies)
- Indirect export support – food ‘aid’, commodity boards, export credits & guarantees and insurance
- Export subsidies are the most distortive of trade subsidies

Tariffs alone are deceptive



Fair trade! Not free trade!

Policy Reform Directions

The Long-Term Framework

AmBisyon 2040

- Matatag - Filipinos are strongly rooted
- Maginhawa – Filipinos are comfortable; beyond sustained food security
- Panatag – Filipinos are secure

The Long-Term Framework

AmBisyon 2040 – Constraining Issues

Agriculture

- Addiction to medium-term planning (6 years)
- Business As Usual planning
- Climate change resiliency not yet meaningfully integrated into plans

Policy Reform Directions

- More trade liberalization and deregulation (after rice, sugar?)
- Increasing access of stakeholders to credit and the financial markets (PLEA)
- Earmarking budgets for domestic support for the rice (RCEF) and sugar (SIDA) sectors

Policy Reform Directions

- Increasing productivity through modern technology – mechanization, biotechnology, new breeding techniques, improving access to information
- Deliberate conversion of direct input subsidies to credit access support, infrastructure and other ‘green’ support measures

Policy Reform Directions

- Development and use of renewable resources for power and energy requirements (solar-powered irrigation systems)
- Crafting and enacting a Land Use Act to rationalize sustainable land use

Constraints, Diagnostics

- Business As Usual planning constrains program design, budgeting & implementation effectiveness – longer than long-term planning, incorporating localized climate change scenarios need to be institutionalized
- Case: DA's System-wide Climate Change Office

Constraints, Diagnostics

- Better & closer coordination with DBM and the Economic Cluster of Cabinet to deliver the needed budgetary support to the sector – the economic ‘theology’ debate must be resolved
- Sector liberalization must at least be preceded by commensurate front-loaded domestic support measures, not after

Constraints, Diagnostics

- Not by rice alone – farm incomes are paramount for sustainability, increased productivity go hand in hand with income and enterprise diversification
- Not by FDIs alone – investments by the small matter and incentives will matter much more

Constraints, Diagnostics

Environment and Agriculture

- Climate resiliency (not 'climate-proofing') must be basic to technological development and extension programs
- While irrigation budgets have increased and are more than half of the agriculture budget, forest cover and watersheds must be deliberately recovered consistent with sustainable food security

Constraints, Diagnostics

- Addressing real-world mechanization issues
 - labor displacement
 - what type of mechanization?
 - rice mechanization – plot size issues
 - let the market decide or a deliberate program?
 - enabling the domestic machinery industry to benefit

Constraints, Diagnostics

- Simply 'converting' direct input subsidies into 'green' support and credit will have very limited effect – leverage resources with the formal private financial sector to multiply coverage
- Devolution has had mixed results, comprehensive long-term arrangements with LGUs need to be institutionalized

Constraints, Diagnostics

- The regulatory system needs to acquire and develop 'memory' in order to modernize and be effective in both trade protection and facilitation
- The DA organization needs updated rationalization to cope up with added and increasing mandates – 'spending units' just as important as increasing compensation; revitalizing the career system
- Cases: quarantine & seed certification

Constraints, Diagnostics

- Traditional exports have been susceptible to international market instability (eg. CNO) –export market and product diversification; new products from technological innovations
- Address highly protected input industries – petrochem products for packaging, structures and targeted irrigation systems

Constraints, Diagnostics

- Higher level of statesmanship needed to pass an appropriate Land Use Act
- DepEd and DA – nurturing the successor generation of farmers; rationalizing rural youth organizations



end remarks