
A Roadmap for Agro-industrial Development for the Philippines

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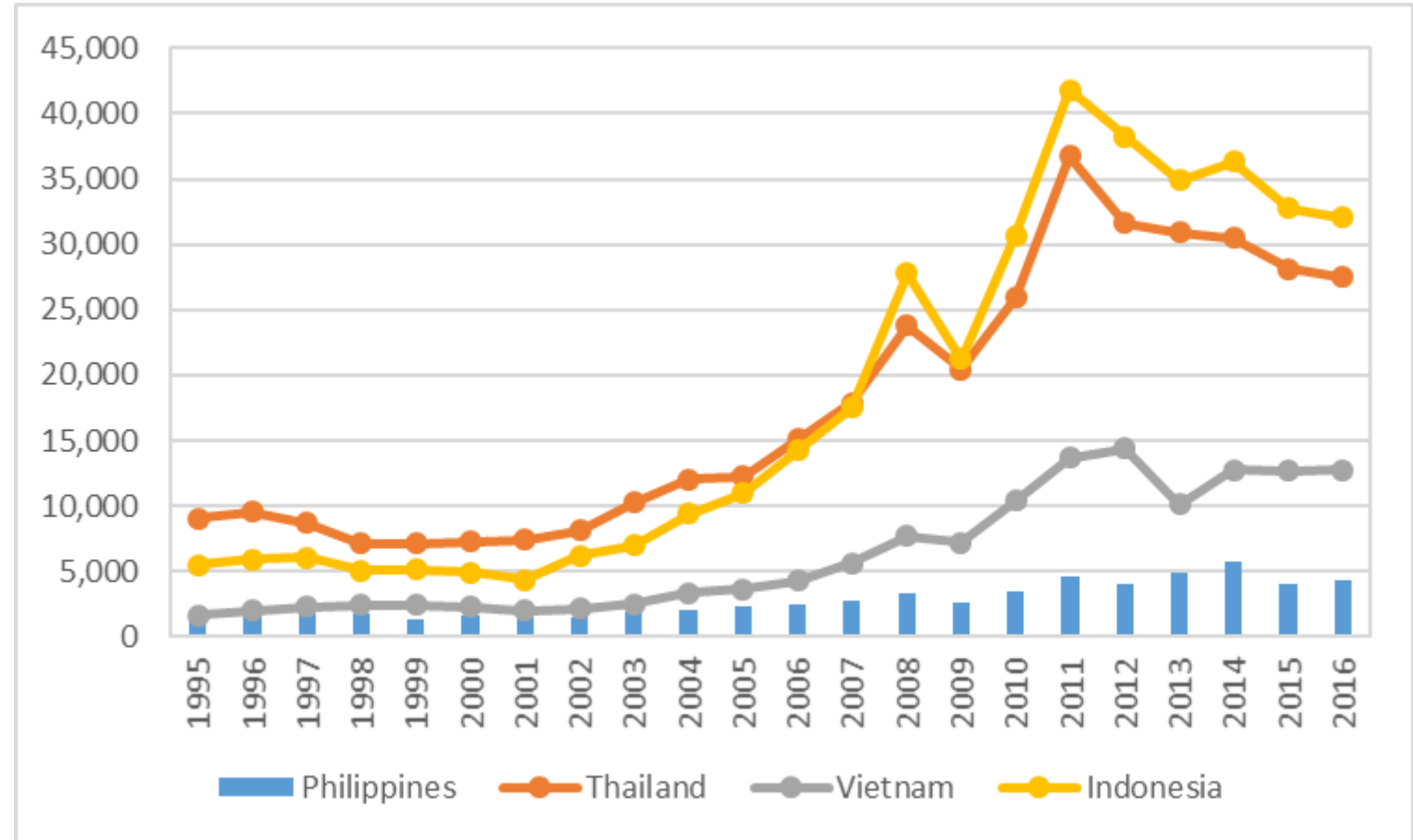
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Situationer

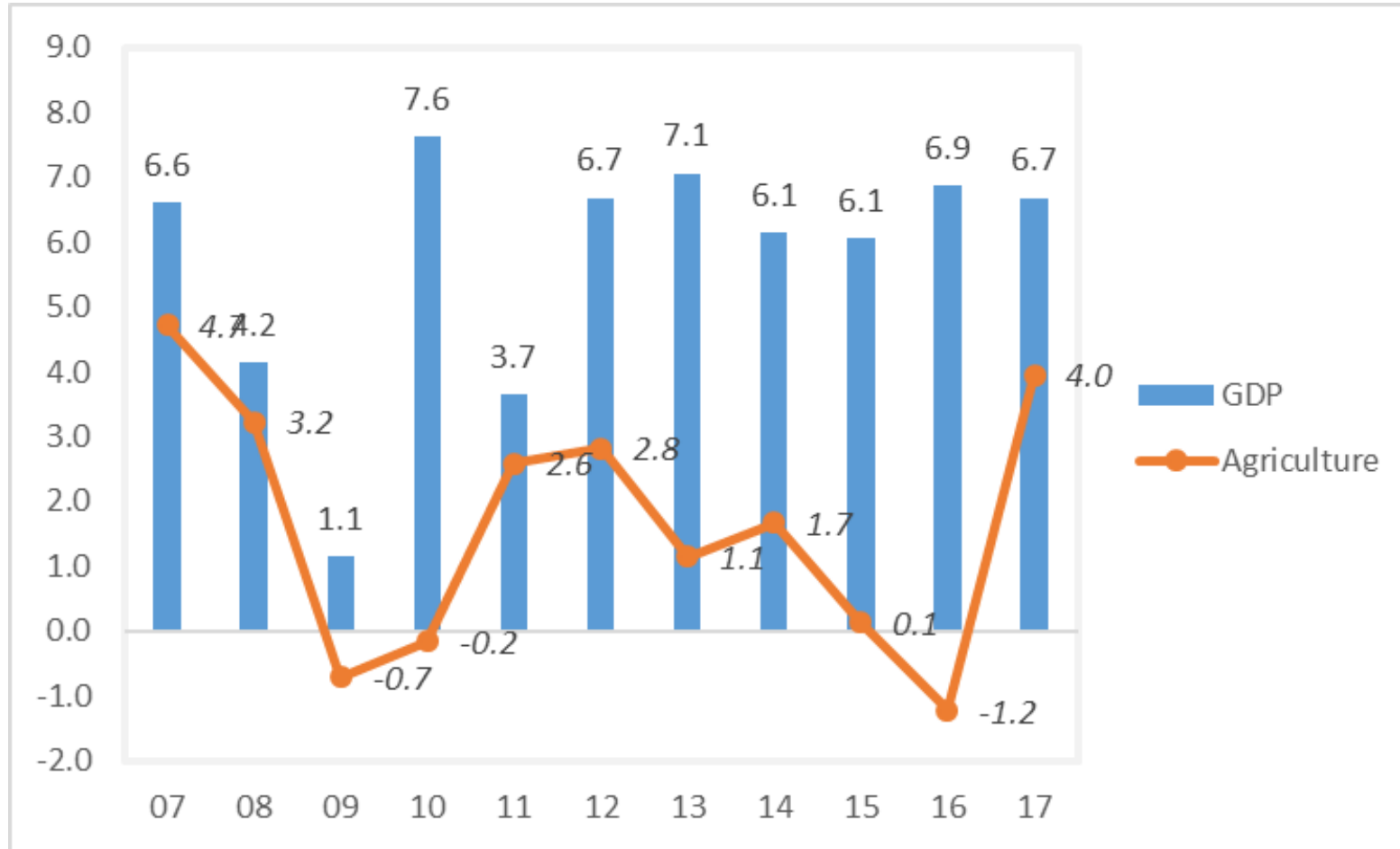
- National poverty incidence: 21.6%
- Using merged data:
 - rural 30.7%
 - urban 12.2%
 - agric workers 62.4%
- Of poor agricultural workers: shares
 - Rice: 12.6%
 - Corn 15.9%
 - Coconut 6.7%
 - Farm workers 37.8%
 - Underemployed 54.8%

Exports

PH performance
dismal relative to
rest of SEA



Agri growth



The National Industrial Strategy

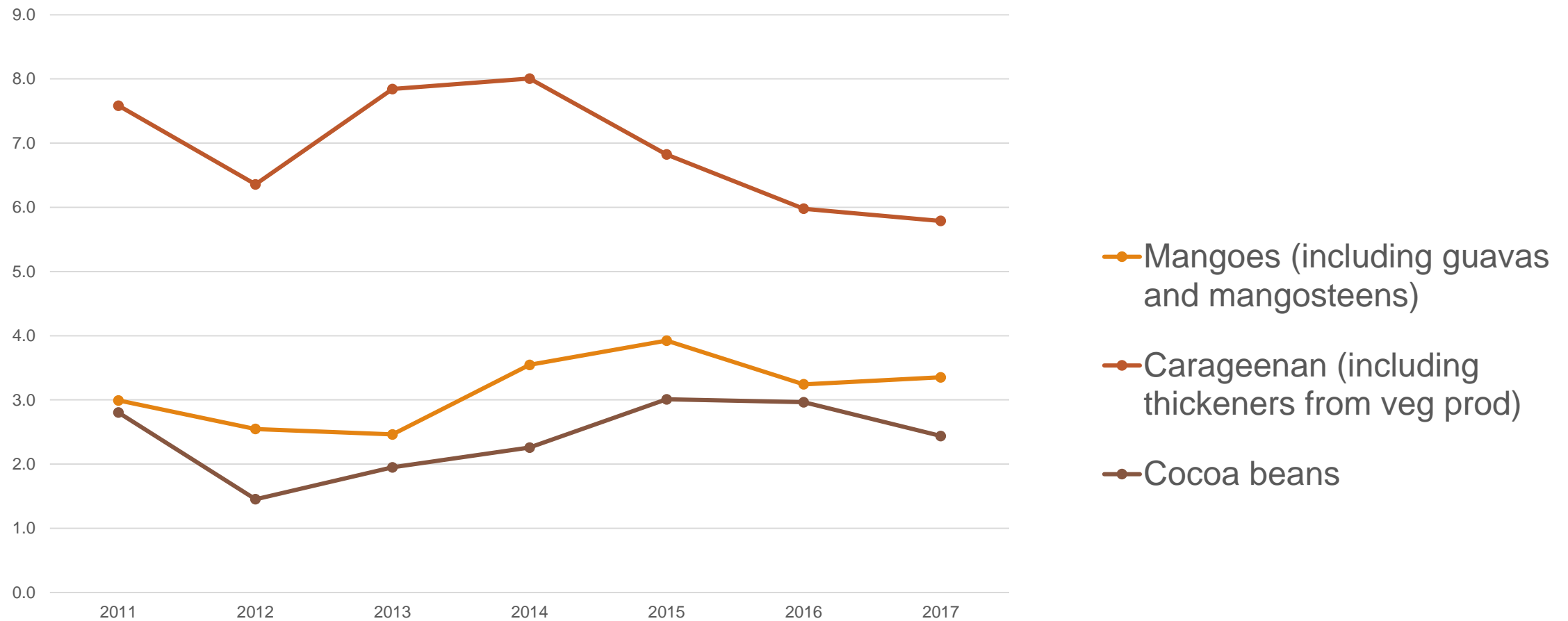
- Traditional industrial strategy
 - Top-down
 - Picking winners
 - Protection from foreign competition
- New industrial strategy
 - Even playing field
 - Diagnosis of binding constraints – e.g. regulatory burden, coordination problem
 - Participatory roadmap based on problem analysis
 - Bottom-up

→ *Comprehensive national industrial strategy* (PDP 2017-2022)
Implement the comprehensive national industrial strategy aimed at upgrading industry, particularly manufacturing, agriculture, and services, while strengthening their linkages to domestic and global value chains.

Farm production to Agri-business

- Agricultural development is more than increased farm yield: agribusiness value chain and based on comparative advantage.
- In developing Asia, change in agricultural output occurred within broader diversification – **agribusiness transition**
- “agribusiness” – agriculture plus closely-linked sectors (forward and backward linkages)
- World Bank (2009) reports shares of agribusiness in GDP for Indonesia and Thailand of 33% and 43%, respectively. For the Philippines, it is only 15% (Balisacan et al, 2011) + 10%
- Rationale for industrial policy can be extended to agribusiness support.

Value per ton, \$'000

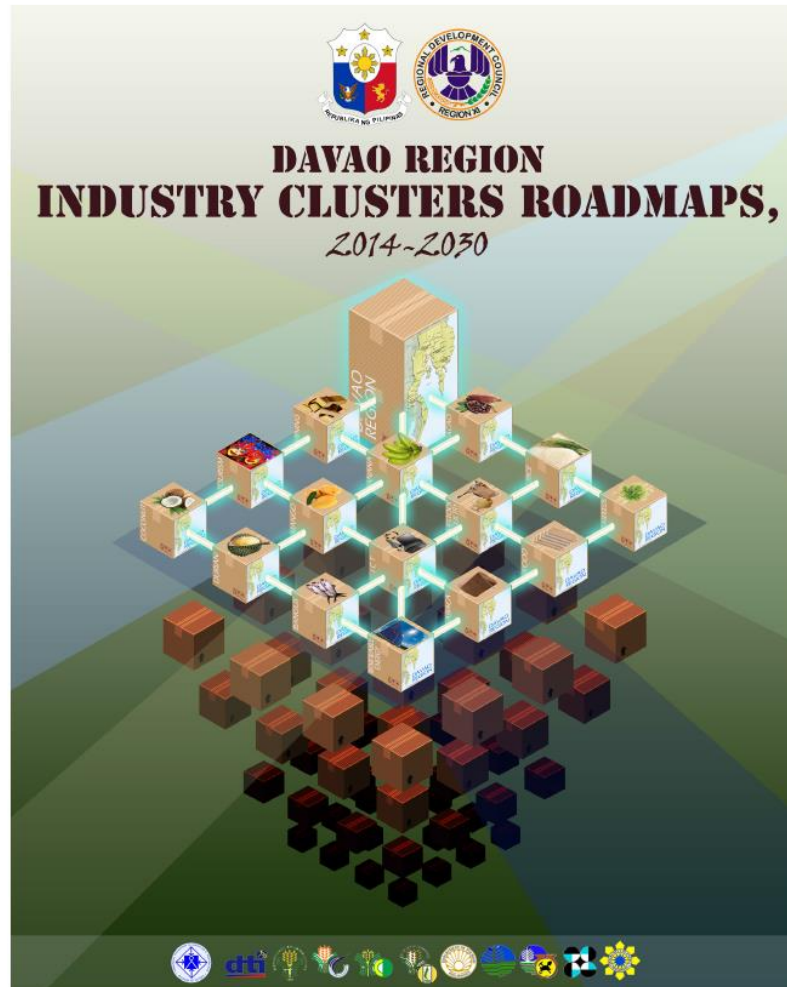


Opportunities

High global market demand for export-oriented crops:

- For *mango*, outlook is favorable: high world demand, rising export prices
- For *carrageenan*, market opportunities appear to be favorable: increasing demand for food and health, pharmaceuticals and beauty products, construction?
- For *cacao*, local supply of cocoa relative to demand is low. Cocoa Phil. estimates 30,000 tons of cacao in dry bean equivalent is needed just to meet local demand.

Davao Region Industry Cluster Roadmaps



- 2.1 Abaca Industry Cluster
- 2.2. Banana Industry Cluster
- 2.3 Bangus Industry Cluster
- 2.4 Cacao Industry Cluster
- 2.5 Coconut Industry Cluster
- 2.6 Durian Industry Cluster.....
- 2.7 ICT Industry Cluster.....
- 2.8 Livestock and Poultry Industry Cluster
- 2.9 Mango Industry Cluster
- 2.10 Mining Industry Cluster
- 2.11 Renewable Energy (RE) Industry Cluster .
- 2.12 Rice Industry Cluster
- 2.13 Seaweeds Industry Cluster
- 2.14 Tourism Industry Cluster
- 2.15 Wood Industry Cluster

<https://onedrive.live.com/view.aspx?cid=459FDE537E75C0E0&resid=459fde537e75c0e0%211019&app=WordPdf>

Constraints

Vertical:

- **Supply chain and coordination issues**

- Small farmers lack of access to technologies, technical knowledge, quality inputs, financing: unable to supply requirements of processors
- Highly perishable products such as fruits require well developed logistics, transport, and marketing services

Horizontal:

- **Inadequate investment in public goods**

- R&D provision has been insufficient
- insufficient allocation to major commodities and high value added products
- undersupply of proper management of common pool resources
- rural infrastructure backlog

Constraints: Horizontal

Weak regulatory and certification system

- Poor quality of regulatory services. Examples:
 - *Rubber*: lack of standards on rubber grades broke the link from rubber growers to local manufacturers
 - *Shrimp*: failure to comply with BFAR biosecurity procedures led to uncredited hatcheries and grow out farms

Issues on compliance:

- Cacao processors need certification of Good Manufacturing Practice (GMP) to export: difficult for small processors who lack funds for machines, technology, certification process.
- Enabling MSMEs to achieve food standards may require complementary support → technical and financial assistance from government.

Constraints

Defective property rights regime

- the security of property rights is dubious, especially uplands
- securing a clean title is cumbersome and costly
- CARP remains a discouragement to long term investments (e.g. Mango industry)

Way forward: Short term

Adopt vertical measures: Create a coordination mechanism among stakeholders

- Development of a participatory competitiveness working group for agro-industry on a sector-specific basis and at a local level
- Objective: lay groundwork for competitiveness strategy embodied in a *road map* → detailed analysis and prioritization of constraints by importance/urgency

Medium term : Vertical and horizontal measures

- Increase investments in: R&D, extension systems, irrigation facilities, regulatory systems and transport infrastructure
- Other measures:
 - agribusiness parks
 - Incentives? - Performance-based allocation for subsidies
 - Price stabilization schemes? – grades and standards, price information

Long term agenda: Horizontal measures

- Regulatory system facilitating business registration and licensing, standards and enforcement, contract compliance
- Efficient land administration system
- Regulatory framework for agriculture securities, warehouse receipts
- Incorporate agribusiness in industrial incentives and zoning
- Comprehensive competition policy vs anti-competitive practices

Conclusion

- The development of the rural economy still key inclusive growth
- Agricultural development in the Philippine context involves transition from farming to agribusiness
- Rural transformation can only be attained through upgrading and restructuring of supply chain to gain competitive advantage in high-value agro-industrial products
- Reforms will require multi-stakeholder consultation through the operationalization of agribusiness road maps



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Pilipinas*

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