THE CRISIS IN PHILIPPINE AGRICULTURE*

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The Philippine economy today is undergoing a crisis of unprecedented proportions. Economic growth for 1983 was only 1.5%, the lowest among East and Southeast Asian countries within the capitalist bloc. As of September 1984, a negative growth rate of 1.8% has been reported. International reserves as of June 1984 stood at only US$470 million as compared to $1.69 billion the previous year, again the lowest total among a selected group of countries in the region. The consumer price index averaged 250.3 as of April 1984 with 1978 as the base year. As a result of the successive devaluations of the peso (in October 1983 and in June 1984), which saw the local currency decline by 63% *vis-a-vis* the dollar, prices of essential commodities almost doubled and the inflation rate for 1984 reached 59% as of July.

During the four-year period from 1980 to 1983, the Philippine foreign trade deficit was 61% higher than the preceding five-year period (1975-1979). The foreign debt crisis remains unresolved and the country's financial technocrats continue to negotiate for a $646 million standby credit facility with the International Monetary Fund (IMF) preparatory to talks with 483 international banks for the rescheduling of the due principal payments of the $26 billion foreign debt. The Philippines has already undergone four moratoriums on debt repayments since October 1983. Additional loans amounting to $3.3 billion are needed by the government to pump into the economy.

While both local and foreign media observers point to the assassination of opposition leader Benigno Aquino Jr. as the event that precipitated the current crisis, and subsequent withdrawal of confidence by the international financial community from the Marcos government, the ultimate cause lies in the economic policies pursued by the country's policy makers. Signs of the economic debacle have been evident for many years now with mounting trade deficits, ballooning balance of payments shortfalls, declining exports, falling real wage rates, deterioration of the peso, corporate failures, increasing taxes. The rise of a small group of businessmen with close connections to Marcos, the so-called "crony capitalists", the takeover by members of this group of major sectors such as the sugar and coconut industries, the preferential and special treatment accorded to this group in terms of government loans and bail-outs, and the eventual collapse of some of the empires built with the aid of government financing caused the already fragile economy to be undermined.

BAIDS: A Failure Repeated

The economic development strategy pursued since the Seventies closely follows the export-oriented industrialization model upon which a number of developing countries were supposed to have based their industrial take-off. Such a strategy is premised on the development of the tightest linkages with the international capitalist system and the subsumption of domestic needs in favor of the external requirements of the system. It also presupposes obediently following the dictates of the system's primary guardians – the IMF and the World Bank (WB). Essential components of this strategy are: restrictions on free trade, foreign investments and private enterprise; industrial and agricultural production for export rather than for domestic needs; dependence on foreign loans and technology; and import-dependent growth. The Philippine government tried to go one step further by announcing the 11 major industrial projects (MIPs), for the Eighties with a total cost of $6 billion to be financed mostly from foreign loans. The culmination of the crisis in late 1983, which was sealed by the Aquino assassination, forced the government to cancel six of the MIPs, including the steel mill project.

The failure of the export-oriented industrialization strategy as borne out by the current crisis resulted in a new policy thrust which was outlined as early as June 1983 in a paper prepared by the Ministry of Agriculture for the July 1983 Consultative Group meeting of the World Bank in Paris. Entitled "The Agenda for Action in Agriculture: 1983 to 1987", the paper calls the new thrust the "Balanced Agro-Industrial Development Strategy" or BAIDS. Basic features of BAIDS include:

1. *Import substitution, export expansion, and diversification of agricultural products.* This entails the development of non-traditional agricultural export crops such as rubber, mango, papaya, cacao, citrus and yellow corn; and marine products such as oysters, mussels, prawns and eels. The local

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production of currently imported products such as cotton, wheat, soybean, yellow corn and dairy goods will also be encouraged.

2. *Increased private sector participation.* Private businessmen are encouraged to invest in the production and exportation of grains (rice and corn), the marketing of inputs, and credit extension to small farmers.

3. *Diminished government control.* This would be the response to criticisms levelled against the Philippine government by no less than the IMF, the World Bank, and private financial institutions regarding government intervention in grains trading, the sugar and coconut industries, and in the importation of vital agricultural products.

4. *Increased foreign investments.* This would be in line with the policy of opening up the Philippine economy to non-Filipinos by granting them the most attractive incentives possible.

Despite this letter of intent to the World Bank, no major policy shifts were announced until the following year when it became evident that the country could no longer support the Marcos industrialization plan. In June 1984, together with the announcement of the cancellation of most of the 11 major industrial projects, Marcos unveiled a new policy geared towards "the development of agriculture and agribusiness and industries of shorter gestation".

The World Bank Shows its Might

The World Bank played a major role in this policy shift. In 1983 the Bank proposed a series of agricultural reforms to the Philippine government consisting of: a) the elimination of credit subsidies such as those granted to small rice and corn farmers; b) dismantling of government monopolies in sugar, coconut and grains exportation; c) merging and streamlining of government agencies in agriculture; d) removal of price controls on commodities such as rice and corn; and e) preparation of a five-year plan for agricultural development.

The Philippine government has in the main complied with most of the World Bank prescriptions. Credit subsidies to small farmers in the form of lower-than-prevailing market rates have been effectively dismantled with the interest rates now determined by current commercial rates. As of April 1984, the rate for the *Masagana 99* and *Maisagana 77* loans has reached 16% from the old rate of 12%. Private entrepreneurs have been allowed to export sugar, rice and yellow corn; government agencies involved in agriculture and food production have been merged; the price ceilings on rice and corn have been raised three times this year; and a five-year plan for agriculture had been drawn up in June 1983.

In the past few years, the World Bank has shown an increasing interest in the agricultural economies of Third World countries. A major part of this interest has been channeled through a Bank affiliate – the International Finance Corporation (IFC), which is responsible for direct loan and equity financing of private sector investments in developing countries. Since 1979, the IFC has paid special attention to agriculture and agribusiness by investing in a wide range of activities from primary commodity production to processing and manufacturing. Among the Philippine-based agricultural corporations assisted were: General Milling Corporation and RFM Corporation in food and food processing, NDC-Guthrie Plantations Inc. in palm oil production and processing, and Philagro Edible Oils, Inc. in copra and coconut oil production.

On September 26, 1984, a $150 million agricultural loan agreement was signed by the Philippine government and the World Bank. The loan was the first granted by the Bank last year (1984) under its Special Action Program (SAP), a "scheme of lending adopted (in 1983) to strengthen the bank's ability to help member countries adjust their economic structures while coping with an adverse economic environment". The loan was viewed as WB support for the Philippine government's action agenda for agriculture and the BAIDS concept. The Bank's Vice President for East Asia and the Pacific, Attila Karaosmanoglu (who signed the agreement) said that the loan will "specifically assist in the mobilization of financial resources in Philippine agriculture and the dropping of government controls standing in the way of production and investment incentives". The signing of the loan was also seen as a "hopeful event" that would trigger a revival of confidence in the Philippine government's ability to weather the current crisis. The loan was also seen as a corollary effort of the WB to IMF rescue efforts for beleaguered and heavily indebted countries. Strategically, Philippine acceptance of the loan meant a final surrender to WB dictates regarding economic policy, meaning, a "veering away from heavy industrial orientation towards rural economic development".

The rhetoric accompanying the granting of the agricultural loan (despite a celebrated US veto) may have unduly raised hopes in some quarters, but a look into what the loan actually consists is pertinent to assessing the effect of the specific allotments of the loan on Philippine agriculture.

The $150 million loan will be spent mainly for the importation of various agricultural inputs broken down as follows:

1.	Fertilizers	$45 million
2.	Pesticides	15 million
3.	Feedgrains	50 million
4.	Veterinary products	14 million
5.	Animal breeding stock	5 million
6.	Agricultural machinery and spare parts	20 million
7.	Technical assistance and support for the National Food and Agricultural Council	1 million

From the list above, it is extremely difficult to attach any significance to the agricultural loan in terms of its effect on the basic structures of the rural economy. On the contrary, the priorities of the loan seem to be more in line with the strategies associated with the now largely discredited "Green Revolution" (GR) which started in the Sixties. The loan allotments consist precisely of those very components of the GR that have been responsible for the entrapment of the small farmer in a continuous cycle of indebtedness and increasing marginalization. The highly capital-intensive nature of the modern farm technology of the Green Revolution, supported by the World Bank, has only resulted in declining net incomes for farmers despite increased production.

On the other hand, it is easy to see that the ultimate beneficiaries of the WB loan will be the transnational agribusiness corporations which export these agricultural inputs, their local affiliate firms, and dealers of these inputs. The loan will thus serve merely to perpetuate the structures of control in the rural areas and do little to alleviate the plight of the small farmers. From an international perspective, the specifics of the loan mean that the $150 million will simply flow right back into the economies of the advanced capitalist states. Indeed, this is one "rescue operation" that works in reverse.

A Reign for Big Business

As it is the large-scale production of export crops that is the priority, the new agricultural thrust is geared more towards aiding private businessmen and landowners rather than small farmers and owner-cultivators. The latter have already accumulated large debts under credit programs such as M 99 which they have been unable to pay. Thus, being in default to the banks, they have lost their eligibility for any further crop loans. Many of them have even been charged for estafa in local courts by government agencies themselves. Any participation of these small producers in the BAIDS program will thus be under the auspices of the big agribusiness corporations.

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peasants calling for non-payment of small-farmer government loans

Given the urgent attention being paid to BAIDS, the need to produce results in the shortest possible time, the high capital requirements, and the critical want for foreign exchange export earnings, it is clear why the new policy thrust will be spearheaded by big corporations. Agribusiness development, of course, is nothing new to the Philippine rural scenery. Large-scale plantations in sugar, export fruits (pineapples and bananas), rubber, coconut and other crops have been in operation for many years now.

Thus, the ₱500 million set aside for the government productivity fund for the short-gestation crops program will most likely be channeled to the corporate takers of the government invitation for investors in agricultural production. Under the yellow corn program, several corporations have been granted funds for their respective targeted areas. Planters Products Inc. (PPI), the country's largest fertilizer firm, was given ₱23 million for its area of 5,400 hectares. The loan would be granted in the form of inputs such as seeds, fertilizers and pesticides. Small farmers wishing to participate in PPI's venture will have to secure their loans from the company for as much as ₱4,200 per hectare. Other corporations granted loans are Purefoods Corporation, P19.74 million (4,700 hectares); Ayala Agricultural Development Corporation, ₱2.52 million (600 hectares); Cyanamid, Sarangani Agricultural Corporation and the South Cotabato Hog Raisers Association, a total of ₱15.06 million.

Providing hybrid corn seeds for the yellow corn project are four agribusiness firms who have set up seed farms in South Cotabato in Mindanao. These are: Ayala Agricultural Development Corporation (AADC), which is 40% owned by Mitsubishi of Japan and has entered into a partnership with the American-owned Pioneer Hy-Bred Seeds; Cargill Corporation, an American agribusiness giant; Pacific Seeds, an Australian company; and San Miguel Corporation, a Filipino-American joint venture.

Philippine Packing Corporation (PPC), a wholly-owned subsidiary of the US-based Del Monte Corporation, is expanding its pineapple lands in Bukidnon and diversifying into the production of Burley leaf tobacco. According to PPC's plantation manager, the company would need to lease an additional 13,000 hectares from individual and corporate landholders on a long-term basis. Under existing lease contracts, PPC already controls 17,000 hectares in the province. Bukidnon farmers who have been reeling under the high costs of agricultural inputs and can no longer maintain their farms are forced to accept Del Monte's offer to enter into an "operating contract" at a rental fee of ₱1,000 per hectare annually.

Private banks such as the Bank of Philippine Islands (BPI), the Manila Bank and the Associated Bank are also into agribusiness either through direct investments or by granting agricultural loans. For instance, Manila Bank has investments in at least 12 agribusiness ventures including the production of milk, fruits and sweet potato.

An Expansion Towards More Problems

The results of any further expansion in agribusiness can therefore be predicted with a high level of accuracy.

For one, the production of food crops will surely suffer as export promotion is intensified. The conversion of thousands of hectares of corn lands in Bukidnon for Del Monte's expansion already portends a gloomy future for food crops. The Philippines remains a food-deficit country. Food imports during the first seven months of 1984 alone reached $349.2 million and included $18 million worth of rice, $25 million of corn, $30.5 million of other cereals, and $174.6 million of live animals chiefly for food. The country has also been a regular recipient of food aid from the US government, the UN World Food Program, the European Economic Community Assistance program, and the Australian government.

Increased export crop production can also have dire consequences for a country such as the Philippines where child malnutrition rates remain high. A joint study from 1974-76 by the government National Economic Development Authority (NEDA) and UNICEF revealed that 78% of Filipino children from 0-6 years of age were suffering from various levels of malnutrition. The study also pointed out that malnutrition has become the second biggest cause of infant deaths.

Agribusiness expansion also results in the social and physical dislocation of farmer-tillers and whole rural communities. The ejection of tenants and small owner-cultivators from their lands by aggressive corporations has been documented many times in the export fruits industry, in the new palm oil ventures, corporate rice farms, and in coconut plantations. Being capital-intensive, export-oriented farms are therefore labor-displacing. The Guthrie palm oil project in Agusan del Sur has already dislocated some 5,000 settler farmer-families (30,000 people) while the total workforce requirements for its 8,000-hectare farm is only 2,800 workers once fully operational. Under conditions where there exists a large pool of rural surplus labor and rural unemployment (including underemployment), which has been estimated at 32% as early as 1974, capital-intensive agriculture hardly seems appropriate.

As for wages of agricultural workers, corporations are obligated by law to grant no more than the minimum wage rate. Based on Wage Order No. 4 issued on May 1, 1984, the minimum wage for agricultural plantation workers was set at ₱35.75 a day including mandatory cost of living allowances and the 13th month bonus pay, while for non-plantation workers it was ₱26.75. Translated into annual take-home wages, plantation workers stand to earn ₱10,725 a year while non-plantation workers would earn ₱8,025 a year. Such incomes contrast sharply with *Business Day* computations of the poverty line for families outside the Metro Manila region which was set at ₱13,834 as of the end of 1983.

Another disturbing implication of the new economic development policy is the official abandonment of equity-oriented goals to make way for the implementation of the exclusively productivity-centered approach to rural development. In July 1984, President Marcos instructed the Ministry of Trade and Industry and the Board of Investments to prepare a package of new incentives to those who would undertake the large-scale planting of yellow corn, soybeans, sorghum, legumes, peanuts, wheat, mongo, camote (sweet potatoes) and other crops of short gestation. The aim is to increase the planting area and production. The main incentive offered is exemption from the coverage of the land reform program. In order to allay fears of farmers and landowners, the government will declare the production of the above crops an "urgent national need", thus deserving "first priority" in government attention and making the incentives "emergency measures". The incentives, including financing and technical and marketing assistance "shall not be subject to constraints, proclamations, whether in land reform or any other such programs". Marcos further gave instructions to the government agencies concerned to have the "incentives program implemented immediately because of its export potentials".

Already suffering from a half-hearted snail's-paced implementation during the last 12 years from the time it was declared the "cornerstone" of Marcos' "New Society", land reform has been finally dealt a death blow. Covering only 29% of the officially estimated number of tenants in all croplands and only 33% of all tenanted agricultural lands, the program has been able to transfer land to only 9% of the targeted beneficiaries as of 1983. Under the BAIDS concept of rural development, the government has effectively dispelled any remaining illusions about where the Filipino tenants stand in overall government efforts.

The Fall of Sugar

Much of the current problems in agriculture can be traced directly to policies associated with the Green Revolution strategy as far as grains production is concerned and the export-oriented agribusiness-centered rural development policy of the government. The sugar industry typifies the woes of Philippine agriculture.

Since its rapid growth under American colonial rule, the sugar sector has been dependent on the US sugar quota where it enjoys preferential rates. Freed from the quota's apron strings recently and forced to compete in the international sugar market, the industry was exposed in all its naked frailties. The price of sugar has dropped to a low \$.04 a pound, while the cost of domestic sugar production is \$.11 a pound. Production for the 1984-85 season is to be reduced from the 1983-84 total of 2.3 million metric tons to only 2 million metric tons in order to cut down on losses. Even at 2 million metric tons production, the estimated loss for the industry for 1984-85 has been estimated at ₱5.54 billion as illustrated below:

1.	1983-1984 surplus	0.867 million m.t.
2.	1984-85 production ...	2.000 million m.t.
3.	Domestic consumption .	1.100 million m.t.
4.	US market quota	0.370 million m.t.
5.	World market distribution	1.397 million m.t.

(At local production cost of \$.13 a pound and world price of \$.04 a pound, total losses [production cost minus selling price] would amount to \$277.1 million or ₱5.54 billion at ₱20 to a dollar.)

Aside from reduction in production, the government has also ordered the contraction of the total area planted to sugar, from 410,164 hectares to 307,623 hectares – a 33% drop. As a result, six sugar mills are to be closed down and 100,000 sugar farm and mill workers are to be displaced. Meanwhile, the National Federation of Sugar Workers (NFSW), a militant organization, has denounced the worsening pay situation of the sugar workers compared to those working in other croplands. While the minimum wage for plantation workers has been decreed by Marcos at ₱35.75, sugar plantation workers only received ₱22.50 daily as of September 1984. NFSW legal counsel E. G. Manlapao pointed out:

> Whenever the government passes a decree increasing the minimum wage, it also allows for exemptions. That defeats the entitlement of workers to the benefits. In the sugar industry, it takes one year to process an application for exemption from the minimum wage. During that time, the employer is not bound to comply with the new wage structure.

NFSW national secretary Edmundo Estacio has already asked for a minimum wage of ₱50 a day for sugar workers "which actually amounts to only ₱25 a day since they could work only six months in a year". On the whole, while money wages of agricultural workers based on statutory minimum wages have risen from ₱13.03 a day for plantation workers and ₱11.94 for non-plantation workers in 1978 to the present levels as stated above, real wages based on the consumer price index have actually fallen from ₱11.03 for non-plantation workers and ₱14.76 for plantation workers as of July 1983 to only ₱10.41 and ₱13.92 respectively as of May 1984. These figures are *Business Day* computations based on preliminary data released by the National Wages Council (NWC) and the National Census and Statistics Office (NCSO). Agricultural workers have been hardest hit by the spate of layoffs and retrenchments in industries that could no longer maintain their production levels. According to NCSO figures, a total of 1.072 million rural workers lost their means of livelihood during the first quarter of 1984 alone.

Agriculture in a Fragile State

The banana export industry, once a bright spot in Philippine agriculture, has been suffering from a decrease in export revenues. For 1983, losses in the industry were estimated at $30 million as exports fell from 70 million cartons in 1982 to 50 million cartons in 1983.

The much-publicized rice self-sufficiency attained during the late Seventies was undermined when the government imported 150,000 metric tons in July 1984 from Thailand and China in order to maintain a 90-day buffer stock. The shortfall was caused by a sharp decline in production from 8.12 million metric tons in 1982 to 7.23 million metric tons in 1983, a 5% drop. Palay harvests are rotting due to continuous rains; the high cost of inputs, and unavailability of cheap credit are delaying this year's planting; and farmers are applying less fertilizers to minimize costs.

Ibon Databank, Phils., Inc. enumerates the following hindrances to agricultural advancement: 1) the fragile rice self-sufficiency, 2) unavailability of cheap agricultural credit, 3) import dependence, and 4) rural poverty. Within the last three years, only 60,000 small farmers have availed of numerous government-supervised credit compared to 500,000 in the 1974-75 period. Most of farm inputs are either directly imported or processed locally, utilizing imported ingredients. In 1980, the country's fertilizer supply imports reach 77%. By the end of 1983, according to *Business Day* estimates, 73% of rural households had incomes that fell below the poverty line as compared to 33-66% in 1971.

In response to the threats posed against the continued viability of small-scale rice production, farmers' groups are planning to exert pressure on the government to attend to their grievances. The *Alyansa ng Magsasaka sa Gitnang Luzon* (AMGL), or the Alliance of Central Luzon Farmers, has threatened to limit production to their consumption needs alone unless the prices of fertilizers and pesticides are rolled back to their levels the previous year. The AMGL pointed out that fertilizer prices have almost doubled this year from ₱133 per bag in 1983 to ₱255 per bag today.

A Major Step Backward

The agricultural scene does not really appear as bright as the government pictures it to be, at least not for small farmers and agricultural workers. Diversification of export crops may only offer stop-gap and short-term relief and the costs entailed in developing new crops may, in the long run, be higher than any foreign trade returns. Net proceeds will,of course,be much less than the export receipts since capital and technology (including machinery and inputs) will be imported and huge foreign loans will have to be secured.

From a historical perspective, and judging from the experience of other nations, reliance on agriculture alone, especially the export-oriented kind, has never lifted any country from underdevelopment and backwardness. The greater the share of the agricultural sector is in relation to industry, the more backward the economy is and the less able it is to stand on its own feet.

The call for a "return to agriculture" and the BAIDS concept underlying it represents in many ways a major step backward for Philippine economic development efforts. The new policy thrust also shows how vulnerable the country's economic planners are to the dictates of foreign institutions such as the World Bank. The saddest part is that despite the infusion of large fund outlays to implement the program and the harnessing of the country's human and natural resources to service its implementation, the much awaited economic relief may never happen at all. The country will only plunge deeper into the debt trap, agricultural workers will continue to lose their jobs, tenants will forever be bound to their landlords, and Philippine agricultural products will be continually subjected to the erratic whims of the world market. In the end, all that the Balanced Agro-Industrial Development Strategy will reap will be a whirlwind of social and political unrest in the Philippine countryside.

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