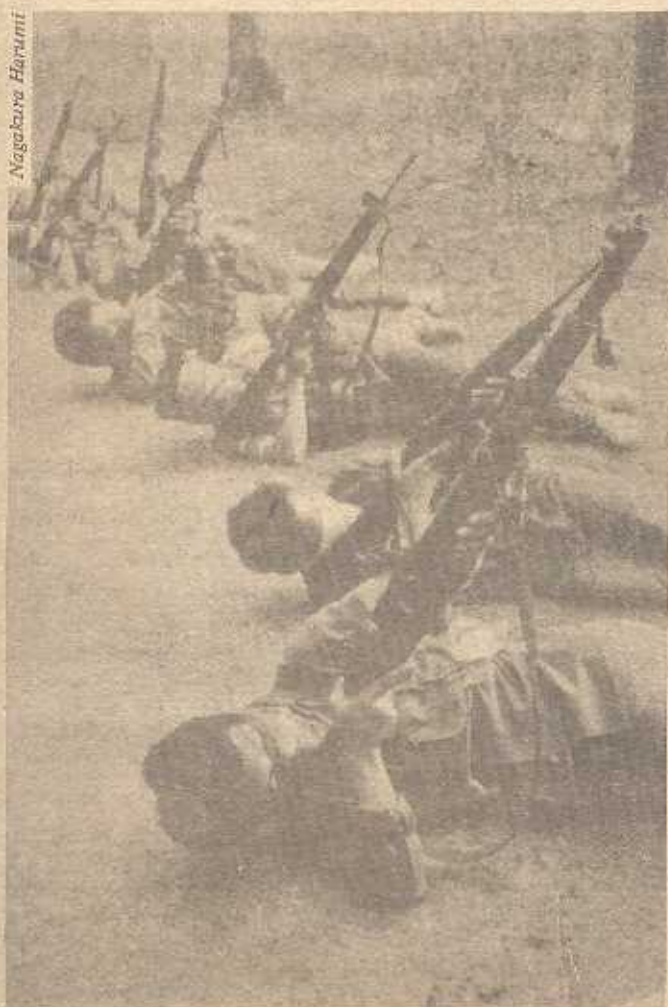


The Collapse of the Sugar Industry in Negros Occidental and Its Social and Economic Consequences

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Nagaburo Harunit

NPA guerrillas in Negros: Reaping the windfall of the crisis?

Introduction

It is already an internationally well-known phenomenon that since 1984 Negros has experienced one of the gravest crises in its centenary history as sugarlandia in the Philippines. Although many sugar-exporting countries suffered a sharp drop in world sugar market price in 1984-86, the Philippines, particularly Negros, is reckoned one of those countries or regions in the world whose sugar industry declined most drastically. This is because the sugar industry in Negros was not only attacked by the collapse of the world sugar market, which went down as far as 3-5 cents per pound, but it was also damaged by the Marcos' sugar monopoly. The contradictions within this monopoly revealed themselves even more clearly after the assassination of Benigno Aquino in 1983 which brought about a nation-wide financial crisis.

This essay is a small attempt to analyze the impact of the sugar crisis on hacienda workers in Negros, based on two field trips in February 1986 and February-March 1987. Though Negros is composed of two provinces, namely Negros Occidental and Negros Oriental, 15 out of 18 sugar mills are concentrated in the former (one of 15 mills was already closed in 1984). Thus, in this essay, we will particularly pay attention to Negros Occidental. First, to what extent the sugar industry in Negros Occidental has declined is briefly discussed, secondly, the number of sugarcane workers is estimated, and thirdly the wages and income of sugarcane workers are examined.

I. The Collapse of the Sugar Industry

To what extent has the sugar industry in Negros Occidental declined after the sugar crisis which began in 1984?

In order to examine the decrease of sugarcane acreage and sugar production, the data provided by the Philippine Sugar Commission (Philsucom), now Sugar Regulatory Administration (SRA) is reliable, because it gathers data by mill district where it provides agricultural extension services.

Table I shows the trend of sugarcane acreage and sugar production between CY 1974/75 and CY 1986/87. It is clear from this table that sugarcane acreage decreased drastically in the late 1970s, CY 1975/76 as being the peak year. During the sugar crisis of 1976-79 when the price in world markets was as low as 7-8 cents per pound, the acreage decreased from 243,000 hectares in CY 1976/77 to 192,000 hectares in CY 1978/79. Then, between CY 1979/80 and CY 1983/84, it was stable at the level of 180,000-190,000 hectares. On the other hand, the amount of sugar production decreased from 1.5 million metric tons in CY 1975/76 to 1.2 million metric tons in CY 1978/79.

Thus, if the index of sugarcane acreage and sugar production in CY 1975/76 is set at 100, the indices of sugarcane acreage and sugar production in CY 1978/79 are 74 and 85 respectively. The larger decline on the part of sugarcane acreage implies the fact that during the sugar crisis in 1976-79, most of the haciendas which stopped sugarcane cultivation were so-called "marginal farms," located in hilly areas and were recently started cultivation in the sugar booms of the 1960s and the early 1970s.

In the current sugar crisis, both sugarcane acreage and the amount of sugar production decreased enormously. Sugarcane acreage was 179,000 hectares in 1984/85, decreasing to 141,000 hectares in CY 1985/86 and 129,000 hectares (estimate) in CY 1986/87. On the other hand, the amount of sugar production, which was 1.2 million metric tons in CY 1983/84, decreased to 825,000 metric tons in CY 1984/85, 761,000 metric tons in CY 1985/86, and 626,000 metric tons in CY 1986/87. It is noteworthy that sugarcane acreage and the amount of sugar production in CY 1985/86 and CY 1986/87 was less than 50% or more than those in the mid-1970s.

Thus, the nature of the current sugar crisis is fundamentally different from that of 1976-79; the entire industry had been damaged by the former, while the latter mainly affected the "marginal areas" as mentioned above. This means that in the current crisis, even well-established haciendas which are located at fertile areas were forced to reduce sugarcane acreage, and quite a few haciendas have been completely abandoned. This is really the collapse of the sugar industry or the mono-crop economy in Negros Occidental.

Why did it happen? Needless to say, it is obvious that the current sugar crisis began with the decline in world sugar prices from 1984. However, to understand the nature of the current crisis, it is important to look into internal factors such as Marcos' sugar monopoly and its crop loan system.

Table I Sugarcane Acreage and Raw Sugar Production in Negros Occidental
From CY 1974/65 to CY 1986/87
(ha, metric tons, index: CY 1975/76 = 100)

Crop year	Area harvested (index)	Sugar production (index)
1974/75	235,673 (90.3)	1,295,206 (88.8)
1975/76	260,935 (100.0)	1,458,877 (100.0)
1976/77	243,151 (93.2)	1,505,666 (103.2)
1977/78	225,672 (86.5)	1,322,246 (92.1)
1978/79	192,265 (73.7)	1,242,173 (85.1)
1979/80	189,733 (72.7)	1,154,199 (79.1)
1980/81	188,572 (72.3)	1,139,348 (78.1)
1981/82	185,572 (71.1)	1,236,721 (84.8)
1982/83	182,873 (70.1)	1,172,181 (80.3)
1983/84	190,387 (73.0)	1,168,513 (80.4)
1984/85	178,960 (68.6)	825,008 (56.6)
1985/86	140,814 (54.0)	760,744 (52.1)
1986/87 (estimate)	128,565 (49.3)	625,801 (42.9)

(Source) CY 1974/75 - CY 1982/83: Philippine Sugar Commission, *Statistical Series on Sugar*, Vol. 1, 1982 and unpublished data, cited from Filomeno V. Aguilar, Jr., *The Making of Cane Sugar: Poverty, Crisis and Change in Negros Occidental*, Bacolod City, La Salle Social Research Center, 1984, p. 54; CY 1983/84 - CY 1984/85: *Annual Synopsis of Factory Performance Data CY 1983/84; 1984/85*, Quezon City; CY 1985/85 - 1986/87: Sugar Regulatory Administration, Bacolod City, (unpublished data).

"Thus, malnutrition has already been a serious problem before the sugar crisis....."

Shuho



A major characteristic of the sugar industry in Negros Occidental is the existence of many haciendas which are separated from sugar mills. In haciendas, the prevailing production system is labor administration, for which planters or hacenderos need to prepare working capital every year. In fact, most of planters, say 80-85% of them or even more, have been provided crop loans either from the Philippine National Bank (PNB) or the Republic Planters Bank (RPB). Usually the annual interest rate of crop loans was about 14-16% in the early 1980s; however, after the Aquino assassination in 1983, the annual interest rate jumped to 32-36% more. Because of this sky-rocketing increase in the interest rate, many planters could not pay back their loan and were heavily indebted.

To make matters worse, the National/Sugar Trade Corporation (Nasutra), the government's sole sugar trade monopoly, was in financial crisis and was in arrears in its payments to planters and millers. Nasutra's monopoly was abolished in CY 1985/86, after being attacked by the World Bank, the IMF and local producers. But Nasutra closed its accounts without paying 487 million pesos to planters or millers for CY 1984/85². At that time, Nasutra set sugar export prices at 300 pesos per picul (for domestic sugar, the monopoly had been already abolished). This means that in

total, the Nasutra did not pay for 100,000 tons of sugar for CY 1984/85. It is widely admitted that the Nasutra stopped its payments, especially to planters who were provided crop loan from the PNB or RPB. Thus, with the higher interest rate for crop loan, most of the planters could not pay the principal and interest to banks and consequently did not get new crop loan for CY 1985/86.

According to a report read by the PNB president in February 1987 in Bacolod, the PNB's outstanding short-term loans for the sugar industry as of December 1986 amounted to 11.4 billion pesos; 2.1 billion pesos was for planters, 3.9 billion pesos for millers, and 5.4 billion pesos for Nasutra. Of the outstanding loans to planters, those to planters in Negros consisted of 0.8 billion pesos excluding the interest³. Now, it is clear that to restore the sugar industry in Negros, the reconstruction of some form of loan system by government or major banks is indispensable.

II. Estimate of the Number of Sugarcane Workers

How many hacienda workers are in Negros Occidental? First, to grasp the extent of the impact of the current sugar crisis on hacienda workers, it is imperative to estimate their

number. Some attempts have been made for this purpose, but most estimations are very rough and unfortunately seem to be not reliable.

Since 1986 the number of sugar workers in Negros Occidental have been estimated by the local Catholic groups or NGOs to be between 400,000 to 500,000. For example, the Social Action Center of Bacolod estimated the number of sugar workers of Negros Occidental in 1983 at 439,000 including mill and hacienda male workers, females and children. This is an estimate based on the statistics of the Department of Labor, according to Serge Cherniguin, Secretary General of the National Federation of Sugar Workers (NFSW)⁴. Unfortunately, the author did not have an opportunity to trace the method of the above estimate; however, in this attempt the number of hacienda workers might be calculated at 400,500 based on the assumption that the total hectareage of sugarland was 267,000 and the number of workers was 1.5 men per hectare, while the number of mill workers was calculated at 38,500.

Is this estimated number of hacienda workers reliable, judging from the population numbers, the number of households and the economic structure in Negros Occidental? It is the authors's understanding that it is more important to estimate the number of households whose main income is derived from hacienda work, since the number of workers varies seasonally. Thus, in this essay, an attempt is made to estimate the number of households of hacienda workers in Negros Occidental.

The population of Negros Occidental in 1980 was 1.93 million, 1.22 million of which was rural.⁵ The total number of households in the province in 1980 was 326,000.⁶ If the average number of family members per household was the same in rural and urban areas, the number of households in rural areas was calculated at 206,000 in 1980. Given that the number of households of farm operators was 60,000 in the province as indicated in the 1980 Census⁷, the number of households of non-farm operators was estimated at 146,000, most of which is understood to have been landless rural workers.

The question is to what extent the households of hacienda workers are composed of those of landless rural workers in the province? As shown in Table 1, the area of harvested sugarcane in Negros Occidental in 1980 was about 190,000 hectares. Assuming that the actual area planted was somewhat more than that, it is estimated to have been approximately 190,000 to 200,000 hectares. Given that the number of hacienda workers 15 years old and over averaged 1 man per hectare, the estimated number of hacienda workers was 190,000 to 200,000 in 1980⁸. The 1981 USAID report showed that the ratio between *dumaans* (permanent workers) and *pangayaws* (casual workers) was 3:1, and the proportion of *sacadas* (migrant workers) was 10-15 of the total⁹. Based on this proportion of *dumaans*, *pangayaws* and *sacadas*, in 1980 the number of *sacadas* was calculated at 1,000-30,000

Table 2 Monthly Income of Unskilled Workers in Negros Occidental, 1976-1984

Year	Current prices
Milling season	
1976	161.23
1982	320.00
1984	361.60
Off-milling season	
1976	124.81
1982	229.00
1984	308.00

(Source) Aguilar, *The Making of a Nation*; Lopez-Gonzaga, *The Sugarcane Workers and Context of Labor Circulation in Negros Occidental*; City, La Salle Social Research Center

and the rest of the 162,000-180,000 was composed of *dumaans* and *pangayaws*. Moreover, the number of gainful workers 15 years old and over in 1980 was 541,000 in the province¹⁰, then the average number of gainful workers per household was 1.66 men. Therefore, the number of households of *dumaans* or *pangayaws* was estimated at 98,000-108,000 in 1980, 67-24% of which consisted of 146,000 households of non-farm operators.

Since the current sugar crisis had an overall impact on the sugar industry in Negros Occidental, it cannot be over-emphasized that almost entire households of hacienda workers has suffered from unemployment or underemployment. It is extremely difficult to find jobs other than hacienda work in the mono-crop economy of Negros Occidental.

III. Wages and Income of Hacienda Workers

How have the wages and income of hacienda workers declined from the late 1970s to the middle of the 1980s? Table 2 shows the average monthly income of unskilled hacienda workers, at current and constant prices, for 1976, 1982, and 1984. It is clear from the table that the real income of workers was already declining from the late 1970s to the early 1980s, and this trend accelerated from 1982 to 1984. The decline of the income level of workers during the late 1970s was a reflection of the sugar crisis of 1976-1979, while that of 1982-84 was due to the curtailment of employment opportunities for unskilled workers by the introduction of the Hodge

Unskilled Hacienda Workers in
1982, and 1984

Monthly income
Constant 1978 prices of Western Visayas
183.84
184.44
122.20
142.31
131.99
104.09

Sugar . . ., p. 36; Violeta
Workers in Transition: The Nature
in Negros Occidental, Bacolod
1985, p. 70.

system, an Australian method of mechanized sugarcane agriculture.

According to the survey conducted by the La Salle Social Research Center, which covered 96 unskilled hacienda workers in 1982, the number of workers who received a monthly income of 301-500 pesos was 41 in the milling season and 14 in the off-milling season. The monthly income of 47 workers in the milling season and 83 workers in the off-milling season was 0-300 pesos. Only 8 workers received a monthly income of 500-900 pesos in the milling season, and none of them received this range of income in the off-milling season¹¹.

Forced to live under such low income levels, most hacienda workers and their families have been depressed and have sustained their lives far below the poverty line. The above-mentioned survey of 1982 indicates a sample of the household expenditure of hacienda workers. Their annual expenditure was about 5,400 pesos, or 450 pesos a month. It is noteworthy that approximately 90% of the total expenditure was spent on food, and the remaining 10% was for education and clothing. Considering the price structure in the Philippines, 400 pesos was inadequate to cover food costs for an average-sized family.¹²

Thus, malnutrition had already been a serious problem in Negros Occidental before the current sugar crisis. The survey covering 155,000 pre-school children (67.4% of the total) in 1983 shows that 4% were severely underweight, 25.8% moderately underweight, 38.8% mildly underweight and

only 31.4% were of normal weight or overweight. The national average of severely or moderately underweight children was 22.2%, which was much lower than that of Negros Occidental¹³.

The plight of hacienda workers worsened not only through the reduction of the working days but because there was a decline of real daily wages. Indeed, planters have been inclined more and more not to pay even the minimum wage. A famous survey of Fr. Lynch in 1969-1970 indicates that 41-42% of hacienda workers (*dumaans*) were paid below the minimum wage of 4 pesos a day¹⁴. The survey of the Association of Major Religious Superiors in the Philippines (AMRSP) in 1975 which covered 83 haciendas and 319 workers shows that only 11% of workers received above the minimum wage (7-8 pesos), 30% received the minimum wage, 58% did not get even the minimum wage.¹⁵ Furthermore, the percentage of workers who were paid the minimum wage declined to 36% in the milling season and 21.5% in the off-milling season, based on a survey of 1980 covering Western Visayas¹⁶.

The minimum wage for hacienda workers was raised to 22.33 pesos in CY 1983/84 and to 32 pesos in November 1984¹⁷. This rapid increase was a measure to counteract the skyrocketing increase in prices after the assassination of Benigno Aquino in 1983. During this period, research was not conducted to reveal what percentage of workers were paid the minimum wage. However, when the author visited two haciendas in February 1986, the daily wages of hacienda workers (male) were 12.50 pesos in 1982-83, 14.50 pesos in 1984-85 in the hacienda of Silay, and 12 pesos in 1982-85 and 16 pesos in 1986 in the hacienda of Murcia¹⁸.

One of the NFSW workers' organizers mentioned in 1986 that the common daily wages of male workers in haciendas were usually 10-15 pesos and sometimes 18-20 pesos¹⁹. The office of the NFSW stated that before the crisis started in 1984, 20% of hacienda workers received the minimum wage, but in 1986 its percentage decreased to only 39%²⁰. In an interview with Serge Cherniguin of the NFSW in March 1987, he explained that the wage of hacienda workers varied; in the fertile central regions in the province, planters were paid 18-22 pesos a day, while in the south 16-20 pesos were paid and only 12-16 pesos could be expected in the north.²¹

Furthermore, the wage for women and children are much lower than those of male workers. In most cases, wages in haciendas are paid at the *paquiao* (piece) rate. The *paquiao* system is widely utilized in sugarcane agriculture, not only for cutting, loading and hauling cane, but also for plowing, planting, weeding, fertilizing and cutting cane points. In this method, a number of workers form a group and work together to receive wages in proportion to the work they finish. The *paquiao* system is instrumental in lowering wages to a level far below the minimum wage, in view of the existence of an excess labor force and the even wider reduction of sugarcane acreage.

Summary and Future Perspective

This short essay was a small attempt to depict the impact of sugar crisis on hacienda workers. Needless to say, the current sugar crisis in Negros Occidental was a result of the crash of world sugar market since 1984. However, it is very important to understand that the sugar industry in the province has been already declining since the late 1970s. This is in the aftermath of the expiration of the Laurel-Langley Agreement and the abolition of sugar quotas in the United States in 1974. These factors required the Philippine sugar industry to break away from their dependence on the U.S. market and to reduce their costs of production.

Thus, the sugar industry in Negros Occidental was structurally transformed as a result of changes in export markets in the late 1970s, as well as by its rapid mechanization initiated in the early 1980s. In this context, mechanization was the last desperate bid by the planters to restore their already slim profit within the structure of the Marcos monopoly, but for hacienda workers it meant lay-off, reduction of working days and a cut-off of wages. The current crisis have had an enormous impact on hacienda workers just because it began in 1984, right after the mechanization boom in the province.

At present, numerous programs to relieve families of sugar workers have been implemented through provincial governments and private organizations, assisted by the UNESCO, foreign governments or NGOs. In spite of this, there is no doubt that implementation of agrarian reform is vital to eradicate the poverty of hacienda workers and their families. Will the "60-30-10" scheme proposed by Governor Daniel Lacson, Jr. be implemented? How will this scheme be connected to the comprehensive agrarian reform program prepared by the Aquino government? Right now the NFSW is very active in spreading the "farm lot project" in abandoned haciendas and in finding ways for workers to obtain food for their sustenance. The attitude and reaction of the Aquino government to these cause-oriented programs will be reflected in these measures for agrarian reform which will be discussed in the newly-convened Congress. **K**

Notes

¹Interview with a planter in Silay City in February 25, 1987; "The Filipino Sugar Workers in the Face of the Grave Crisis in the Sugar Industry," Bacolod, NFSW, 1987, p. 4, states that the interest rate increased even to 45%!

²"Alvarez: 60-30-10 Land Sharing Voluntary," *The Visayan Daily Star*, 3 March, 1987.

³"Only One Voice Needed for Sugar, Planters Told," *The Visayan Daily Star*, March 3, 1987; Dialogue Between PNB, RPB and Sugar Producers sponsored by the Metro Bacolod Chamber of Commerce and Industry and the Sugar Regulatory Administration, Bacolod City, 28 February, 1987.

⁴Interview with Serge Cherniguin, NFSW, Bacolod City 1 March, 1987.

⁵*Urban Population of the Philippines by Category, by Region, Province and City/Municipality and by Barangay: 1970, 1975, 1980*, Manila, NEDA, p. 3.

⁶*1980 Census of Population*, Manila, NEDA, p. 47.

⁷*1980 Census of Agriculture, Negros Occidental*, Manila, NCSO, p. 4.

⁸*1980 Census of Agriculture* indicates that the estimated number of total farm workers in Negros Occidental was 170,588 (55,055 permanent workers and 115, 533 temporary or seasonal workers). It also shows the number of farm workers by farm size. *Ibid.*, pp. 13-14. Using this data and the Philsucom data of the distribution of sugarcane farms in 1980 (the total number of farms was 8,215), the number of sugarcane workers was estimated at 188,653 (80,718 permanent workers and 107,935 temporary or seasonal workers). For the distribution of sugarcane farm in 1980, see Filomeno V. Aguilar, Jr., *The Making of Cane Sugar: Poverty, Crisis and Change in Negros Occidental*, Bacolod City, La Salle Social Research Center, 1984, pp. 49-50.

⁹*Ibid.*, p. 10.

¹⁰*Socio-Economic Profile, Vol. 1, 1984-1988, Province of Negros Occidental*, 1984, pp. 48-51.

¹¹Violeta Lopez-Gonzaga, *Mechanization and Labor Employment: A Study of the Sugarcane Workers' Responses to Technological Change in Sugar Farming in Negros*, Bacolod City, La Salle Bacolod, 1983, p. 17.

¹²*Ibid.*, p. 37.

¹³*Integrated Area Development Project for Negros Island, Part 1, Negros Occidental and Negros del Norte: A Profile of the Area (Pre-Final Draft)*, Bacolod City, National Council for Integrated Area Development, Negros Project, March 1987, p. 33.

¹⁴Frank Lynch, S.J., "Beyond the Minimum Wage: Sugarlandia in the Seventies," *Philippine Sociological Review*, Vol. 18, Nos. 3-4 (July-Oct, 1970), p. 143.

¹⁵Association of Major Religious Superiors in the Philippines, *The Sugar Workers of Negros*, n.p., nd., pp. 65, 67.

¹⁶Aguilar, *op. cit.*, p. 22.

¹⁷*National Wage Council Annual Report 1984*, pp. 6-8, 17, 19.

¹⁸Interview with hacienda workers in Silay City, and Murcia, 21-24 February, 1986.

¹⁹Interview with the NFSW organizers, Bacolod City, 24 February, 1986.

²⁰Interview with Nita Cherniguin, NFSW, Bacolod City, 20 February, 1986.

²¹Interview with Serge Cherniguin, NFSW, Bacolod City, 1 March, 1987.