

**BREAKOUT SESSIONS**

**AGRICULTURE SECTOR**

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## **Jessica Reyes- Cantos**

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I have seven points that I would like to share with you.

### **Increasing trade deficit among agriculture- dominant economies.**

First, it is very alarming and obvious that there is an increasing trade deficit among agriculture dominant economies. Most of the economies in Asia are agricultural, yet they are becoming net food importers from a period where they are net food exporters. They are becoming food importers. What is even more alarming is the deterioration of the terms of trade. This means that you have to produce more of a product in order to be able to import a farm implement. That is the simplest definition of the deterioration of the terms of trade. For example, in the 1960s we have to produce 1 million metric tons of bananas to import one tractor, now, we have to produce 5 million metric tons just to import one tractor. I would imagine that the trade deficit the report talks about is the volume, but the terms of trade look at the prices.

### **Recognition that there are products, though not globally competitive, are critical to food and livelihood security and rural development**

What I am happy about the report is that it recognizes that there are products that though not globally competitive are critical to food and livelihood security and rural development and it is openly supporting and endorsing those that we call special products and special safeguard measures in the World Trade Organization (WTO) and bilateral regional trading arrangements that we should enter into. The Philippines, Indonesia, and the G- 33 were victorious because they were able to push for the Special Products (SPs) and Special Safeguard Mechanism (SSMs). The SPs say that food products that are important to the locals and marginalized sectors have to be protected. Rice, corn, poultry and livestock have to be protected. These are the products produced by rural folks, though not globally competitive are to be protected because a lot of those in the rural areas are dependent on that sector. There must be a more flexible treatment to them and must not be subjected to tariff reductions.

The victory in the WTO must be consistent in the regional context. Trade policies must be consistent. Neighboring countries in the region must have trade policies that are parallel to those of the other neighboring countries.

The SSMs on the other hand states that when there are import surges, you can automatically raise the tariffs on the agricultural products that are critical to food security and livelihood. With the suspension of the talks on the WTO, we are entering more bilateral talks or regional trading arrangements.

### **Identifying possible products within the Association of Southeast Asian Nations (ASEAN) region which, when taken cumulatively, could be a potential bargaining tool for other countries wishing to enter our markets through the ASEAN**

With the recent events, it can be observed that people are thirsting for an alternative to the WTO. Regional make- ups are being sought for as an alternative. Identifying possible products which when taken cumulatively could be a potential bargaining tool for other countries wishing to enter our markets through ASEAN.

Looking at Singapore, it is being used by non- ASEAN trading countries in order for them to penetrate ASEAN markets at lower tariff rates. We have to rethink of the trade opportunities that the ASEAN meeting offers with regard to how to utilize the region. We look at the products that we can bunch into making it formidable and use it to bargain with other non- ASEAN countries. When the ASEAN countries combine their fisheries sector outputs, it adds up to 60% of the total global production. If 60% of fish production comes from ASEAN, how come we are not able to take advantage of that so that we can take in cheaper farm or fisheries equipment?

### **Streamlining and strengthening the role of the National Food Administration (NFA)**

We know for a fact that agriculture is a major loser when it comes to international trade. We must be able to situate where that state may come in and put itself into action. The NFA plays a very important role in ensuring food and livelihood security. We have to streamline and strengthen its role because its mandates are conflicting. On the one hand, it wants to ensure price stability. Ensuring this price stability comes with an impulsion of importing cheaper agricultural products. On the other hand, there are rice farmers whose lives depend on how much people are willing to pay for their outputs. NFA intervenes so that rice traders do not take advantage of these small farmers. In intervening, they need funding. They buy high from farmers and sell cheap to consumers. NFA then ends up as a losing proposition. The actions of NFA are a social cost that the state should recognize. There must also be a better way of doing these things,

### **The role of Food Aid in dumping**

If you look at Public Law 480— it is actually not an aid but a grant/ arrangement with the US, it may be considered an aid/ grant but in fact it is disguised dumping. The surplus products of the American farmers are brought to the Philippine markets. The compulsion again of the Department of Agriculture (DA) to allow such things to happen is that they make money out of this, from the sale. The DA sells these products in the local markets, and they are able to use the money to augment their lack of funds for operations. US statistics show that they sell rice at 38% of the cost of production. When importation of these products becomes bigger, there is a looming danger of killing our own rice farmers. This presence of food, which is locally available, disrupts prices in the local markets. The Department of Agriculture approves of this aid because they get money from the sales.

Another example is the Mindanao World Food Program. It is a United Nations (UN) Program that targets the MILF- MNLF infested areas. How is this being done? – Rice and cereal may be dumped in markets where there is sufficient supply. This then endangers the livelihood of local farmers. Caution must also be exercised in the bringing in of genetically modified rice and other products. Sometimes, it is better for institutions such as the UN to give cash instead of food and food products.

### **Disabusing our minds that if a product is not locally available, you can actually liberalize its entry – the case of the fishery sector**

There is this misconception of the government that if you cannot produce a product locally, it is alright to bring it in. It is okay for capital goods because we really do not have the capacity to produce it locally. But looking at it ten years down the line, are you then saying that you do not intend to develop the capital goods sector?

In the fisheries sector, just because we do not produce Norwegian salmon, you allow it to come in at zero tariffs. You say that it is okay because salmon is only for the rich people, so you are not killing any fisher folk. In the end, this import competes with local fish products. You might inadvertently kill the small fisher folk by allowing these products to come in at zero tariffs. As the Department of Trade and Industry chief of staff said, it is all about consumer preferences, but in the end, you might really be compromising your own sector.

**Final caveat: Markets do not change existing property relations. If anything, it only validates it.**

Trade is usually associated with markets. The freer the trading system is the better for markets to work. A paper presented by Dr. Montes and other economists, when he is still part of the School of Economics says that markets do not change existing property rights. It just validates it. If we allow free trade to come in without changing the structure— no land reform, changes in the trading arrangements— the market will just show that those who benefit are those that control the properties. This is a classic in Vietnam. Vietnam now has dramatically improved its poverty situation. They really instituted land reforms. They are able to use these to improve their lives. Look at Thailand, they are a big rice exporter, but the farmers are deep in debt. You may trade all you want but if you do not do anything internally, trade will not work to benefit the poor.

Thank you.

## **Atty. Bong Inciong**

United Broilers Raisers Association

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In order for us to have and be able to manage a trade for development, [ideas basically coming from the poultry industry], there is a need for us Filipinos to have a large and healthy dose of colonial mentality. By colonial mentality it is meant that we must do and follow the examples being set by the west. Just like what they are doing, we must pay lip- service to free-trade, yet we must also protect our industries and our people. The US especially, it claims that it is a champion of free trade, at times imposing liberal trade policies to countries like ours, yet if we look at their agricultural sector, it is very much protected by high tariff rates. We must follow what the Americans are doing. We must really protect our local producers.

### **Critique on the 8-point agenda**

About the 8-point agenda presented by the United Nations, all I can say about it is that the report seems [schizophrenic]. In the abstract it says that the Asia Pacific region should embrace free trade because the development of countries like China, South Korea, and Japan is free trade. It is schizophrenic in the sense because those recommendations stated there are not what they seem. Those policies presented are not for free- trade precepts, rather, [if you believe in what I say] they are not really against free- trade but they are close to being it. What the United Nations (UN) should have done is to make a book entitled “The Things You Do Before You Embrace Free- Trade”. This is so because that is really what the report is all about. It outlines or recommends what should be done by developing countries before they enter into free trade.

Looking at the case of China, it can be noted that it did not follow the advice of western economists. They adopted things that they think are vital or beneficial to their own interests. They could not adopt the shock therapies recommended by western economists. They then adopted or followed a gradualist approach. They are protective of their industries, and when they thought that their products could already compete with other non- Chinese products, they opened up the market. They did open, but it must be noted that they did so slowly. They followed Deng Xiaoping’s statement that “you cross a river by feeling the stones; you do not leap to the other sides”. That is what happened to us. We jumped. Ten years ago we entered to the WTO, unilateral reduction in tariffs, supposedly for the benefits of consumers. What happened to us is that the consumers lost their jobs so no matter how many cheap goods you have; they do not have the money to buy.

You really have to admire the Chinese. Normally in our MPSAs, the locators there can sell they can sell 30% of the produce locally. The Chinese got the concession of their investors. All the products of their MPSAs should be exported so that their products will not compete with their local industries.

To add, we must be wary of entering into bilateral agreements. We have entered a lot of agreements with other nations with us coming out of it on the losing end. Most of the times the same bilateral agreements we have entered can be said to have exploited us.

We must also increase our tariffs, but we must not rely on it. We have a very low tariff system. It is not high like those of western countries. Our 30% tariffs are low compared to theirs. Even if they lower their tariffs by 75%, ours still is very minuscule. What happened ten years ago,

free trade became like a religion. Once you lower or remove your tariffs, you are in heaven already. You will fare okay when it comes to trading. I hope we could avoid these things in the future.

It is also a must that our government provides some protection for our agricultural industry. What are lacking in our agricultural industry are investments. The government must realize that for it to be able to protect the agricultural sector, it must invest in it. It must follow what most of the then developing countries examples. The same developing agricultural countries have invested in their agricultural sector. To sum it up, the best protection for our agricultural sector is to invest in it.

### **Shifting to high value products**

Other so- called experts would also say that we should forget about rice and corn and focus on those products with high value. This must not always be the case. In fact it can be said to be wrong because no product is inherently of high value. It all depends on the supply. An example would be the, mango sector. It is supposed to be of high value, but in some points it becomes of low value especially during its season. So why would you then tell rice farmers to grow mangoes. First of all, we are an agricultural country. If we disregard these two essential products, there are a lot of farmers who will be affected. I have high hopes for the corn sector. If the can increase the supply, being able to harvest twice in a year, the poultry problems, the hog problems could be addressed. Corn is a source for the feeds. The government must be the one to handle the post harvest of the corn sector. The problem with this is that there is a need for the facilities. You have to invest 150 million pesos for every 5,000 hectares. The government is not interested in investing here.

Secondly, there are physical limitations to immediately shifting into products of high value. Our land and climate for example are suited for planting such agricultural products. What the government should be doing is protecting our rice and corn products.

### **Reasons for entering the WTO**

The government should change the way it looks at things. Just like how we entered WTO. Before, the argument for entering into the WTO is that we need to liberalize trade for the benefit of consumers, because for a long time, Philippine industries and agriculture have been protected. That is the historical perspective. That is not true. I have studied the laws. From 1909, the Payne- Aldridge Act before the Second World War, we have free trade. When the 1935 Constitution was amended, we had the Parity Act. We gave the Americans the rights of Filipino citizens. We also had the Bell Trade Act, which is a free trade agreement. The idea of import and exchange control, which the experts from the School of Economics would use to counter my arguments, is not even a Philippine idea. It came from the second Bell mission from America. That period of exchange and import control, also benefited the Americans, ended before the first Macapagal president. During the Marcos time, tariffs were very high, but it was minuscule compared to the other countries that have quantitative restrictions. As early as the 1970s we were already liberalizing.

If now, we think of reducing our tariffs again, considering that it is already very low, we are going to have problems. With that, I end my discussion. Thank you.

## **Atty. Gil Delos Reyes**

Former Agrarian Reform Undersecretary  
International Expert on Trade and Human Rights

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### **Problems and Issues on Agrarian reform and its effects on Agriculture**

Today, I will be focusing on land tenure. When we talk of agricultural policies in the Philippines, no matter how good the members of the Department of Agrarian Reform (DAR) is in negotiating whatever we needed to negotiate in the WTO or any bilateral agreements, at the end of the day, what we are doing inside of our country is what will make or break agriculture. One of the things I want to call people's attention to is the fact that there is a prevailing orthodoxy right now thinking that agrarian reform program will stop on 2008 because of Republic Act (RA) 8532. Well one, I think it is an erroneous reading of the RA 8532. All it really does is to stop the funding from the Marcos wealth.

I'm doing some projects for DAR right now and based on the findings we're getting, we're getting the feedback that we are still having a balance of about 700,000 hectares. It may go up to around a million hectares depending on the Comprehensive Agrarian Reform Program (CARP) scope inventory that the DAR is undertaking right now. In fact instead of decreasing it is increasing. The question we want to ask is that why is the balance of land going up instead of going down? The answer is simple. It is because the agrarian reform program is a token program. Why is it so? Every year, the government gives money for 70, 000 hectares, and it expects DAR to produce a thousand hectares. What happens in the fields is that the implementer tries to distribute the land, which is the easiest to do. And what is that? It is government land and Voluntary Land Transfer Direct Payment Scheme (VLTDP). What happens? The lands that is hard to acquire keeps getting shunted back and declared as problematic. Why? Because there is resistance by landowners, etc. what happens is that the lands, which should have been distributed, from the very beginning is not getting distributed. Now that reckoning time is coming, DAR turns around and says, "Sorry ho, we still have a one million balance". Why did that happen? Can you blame DAR? In a sense, yes, we can blame DAR. Can we blame the policy? In some sense we can blame the policy because for the longest time DAR is simply known as a hundred-thousand-hectare agency. The field implementers in order to fulfill the tasks given to them by the secretary, undersecretary, the regional director down to the MARO distributes lands that are the easiest to distribute. Most of the time, there is a lot of government owned lands that is why there are always new-found-lands. Well, you may think that the Philippines is growing bigger and bigger, when in fact it is not. There is always an increase in the number of lands that are easy to distribute.

What this brought about— because it is looked at as a hundred-thousand-agency, the deal of support services at the time of acquisition did not happen. There seems to be a lot of blaming going on, on who should be providing these support services, would it be DA, DAR, the Local Government Unit (LGU) or the LGU where the extensive services have been devolved. To me, it is beyond that. It is not a matter of who should be doing it. The bottom line is it has become a token program because when we look at it as distributing a hundred hectares, we did not prepare nor did we prepare the environment for the farmer to become productive. Fine, it is always comfortable for me not to look back because I had been a part of it but the question to ask ourselves right now is what are we going to do about it.

My understanding is that there are a lot of rationalization plans going on in the DAR. I think the DA went through the RAT plan. Perhaps I am hoping that one of the rat plans that will be made is on how do we do that? How can we make a land reform program that is not only measured by the number of hectares distributed?

We have somebody here from the FAPSO. The FAPS has done a great job in mobilizing foreign assistance projects. One of them is from the UNDP. If we ask ourselves, what kind of support services do we really have for the beneficiaries? If you look at the flowchart of the land acquisition process in the DAR, you will not find anything there that will need the intervention of the support services group or the Program Beneficiaries Development Bureau. The only intervention, the only time the beneficiaries talk to them is only for purposes of identification. Do you want to be a beneficiary or not?

The ratings for the ALDA as they call it in DAR determines what is your level of organization, what is your level of accomplishments, happens many many months after the land has been distributed. What happens between the time of distribution and the time when they get the ALDA rating and the time that they can possibly get and be the beneficiary of the foreign assistance project? I think it is about this time in a precarious situation we have to regenerate more of these projects for the agrarian reform beneficiaries.

Second is that we all know that agrarian reform needs political will. The best manifestation of that are funds. In 2008, in fact I think even in 2007 there will be a lot of hearings on whether or not the CARP will survive 2008. If you remember what I told you earlier, the last 700,000 or 1 million hectare to be distributed under the agrarian reform program are the most problematic lands left in the country to distribute. When you say problematic what does this mean? Well, this means that the likes of Atty. Bong and I are most commonly involved on the contentious issue whether the land is going to be distributed or not. Second, the valuation of a lot of these lands is going to be very very high. That's what we are seeing now in Negros, that's what we are seeing in now in Samar-Leyte region. That is a very contentious program and we do not have the funds for that so it won't happen.

## **Land ownership and Productivity**

The next point I want to make is that there should be a rethinking of ownership of land and productivity. The classic thinking is that for the land to be productive there should be a consolidated ownership. That is the old way of doing things. You have a hacienda, a large corporate farm controlling and owning the land. I think right now, after DAR has distributed I think or so reclaimed 3.7 million hectares, with an average size of 1.2 million, a balance of 1 million and total arable land of what, 8 million hectares nationwide? When we talk about agriculture, we are looking essentially at land sizes of 1.2 hectares. The question we have to face now is that, is agricultural productivity equal to consolidated land ownership? The fact of life is that 3.7 million as an average size of 1.2. The question we ask ourselves is that whatever interventions we have in the agricultural policy, how do we contend with the fact that we have average land sizes of 1.2 hectares? I have not always been shy to say that the DA is agrarian reform blind and that DAR is productivity blind. Unfortunately, the only thing that separates them is a common wall. If you bore a hole in that wall, you will possibly get a merged policy of some sort. If you go down in the field, that is what you will find. DAR is productivity blind and DA is agrarian reform blind. They are making policies as if agrarian reform doesn't exist and DAR is making policies as if there is nothing happening in the agricultural policies being determined by the DA, the kind of negotiations that we are having or the kind of policies that we are having. In fact if you look at the Medium Term Philippine Development Plan (MTPDP), where is the 100 thousand hectares? It is not in agriculture it is in equity. It is in the equity portion of the MTDP. The report that you will find

before you today, in fact I am happy that it did talk about land reform and the question that was asked in one portion in there is about market assisted land reform. This has been a big issue in the implementing of agrarian reform program. One question the we should be asking ourselves is that if we are saying that we are questioning the idea that consolidated land ownership is not necessarily equal to productivity, the question we should ask ourselves is that what happens now to market assisted land reform? There are a lot of experiments that were taken by DAR. I am not aware of the studies that have been made to validate this, but the question we should ask ourselves is that to what extents does the leeway we really have in terms of private arrangements between the beneficiary and the land owner? Especially in the light of the fact that if we look at the value- added in agriculture, it really comes from processing. The question we might want to look at is that if consolidation happened in processing and not nib production how would it look like? Or what if instead the cooperatives happening in the land ownership, the common cooperatives and ventures occurred in the processing of the produce.

There are a lot of things we have to unlearn about agriculture because as I have said before, agrarian reform is a 19<sup>th</sup> century solution to a 16<sup>th</sup> century problem applied to a 21<sup>st</sup> century post-1994. You then have a major problem. Right now like I have said, it seems to be an issue that is being swept under the rug and I think it is coming to fore in 2007.

## **Conclusion**

Finally, for my last point. The study made eight prescriptions and recommendations for agencies. One thing, which I think, was not mentioned is the issue on the approaches of development. I think the HDR of 2006 is very clear on this. It is very clear on the rights- based approaches to human development. As we know right now, this morning while I was reading the newspaper, the first thing that caught my attention as it screamed at me was a statement made by Gen. Razon. He said that Amnesty International said that the Philippine government was engaged in human rights violation. He went on to say that what about the CPP-NPA? I think this illustrates the ignorance on what it means to have human rights principles. The basic issue is that you are the state. Of course I don't take any extra- judicial killings done by any group but it is not an answer to say that because the CPP-NPA does, assuming it does, is an excuse for the state to do it. For me, one part of the report to be highlighted is the fact that you cannot even begin to think that you can carry out these 8 recommendations assuming you all agree with it, if you do not have an atmosphere in any country that actually allows the stakeholder to be able to demand from government what they need, to be able to ask and state what they want without a climate of fear and I'd like to end in there.

I went to study international trade because I was frustrated with agrarian reform. Because I said after this, what? Now that I look back into it, I find myself back where I started again. If you don't fix up property rights; if you don't fix up the factors of production in agriculture; if you don't fix up agrarian reform, if you decide to sweep it under the rug. There is no point. There is no point when you plant it, then you will undo what we have done for the last 34 years. That is such a waste.

Thank you.

### AGRICULTURE SECTOR WORKSHOP OUTPUT

Major Issues/ Challenges	Recommendations	Agenda for Action			Agency/ Organization Responsible
		Within 2006	Next 3 yrs	Next 5 yrs	
1. Weak institutional capability of government agencies and departments concerned	<ul style="list-style-type: none"> <li>-Check rationalization plan of government</li> <li>-Streamlining and strengthening the role of the NFA</li> <li>-Making policies work by conducting genuine participatory consultations made with all sectors concerned and ensure appropriate representation in women</li> </ul>				
2. No organized data base information that will guide agriculture trading	<ul style="list-style-type: none"> <li>-Provide trainings,</li> <li>-Technology transfer</li> </ul>				
3. Liberalization without concrete development framework	<ul style="list-style-type: none"> <li>-Provide education to farmers and how they can make thing work in their advantage</li> <li>-Be wary of entering into bilaterals</li> <li>-Engagement in trade, invest in Agriculture</li> <li>-Disabusing our minds that if a product is not locally available, its entry can be liberalized</li> <li>-Identify possible products within ASEAN region which when taken cumulatively, could be potential bargaining tool</li> </ul>				

4. Agricultural policies in the Philippines	<ul style="list-style-type: none"> <li>-Policies relating to issue such as occupational safety and health to farmers, be implemented</li> <li>- Government need to change how it views things</li> <li>-Look into policy incoherence</li> <li>-Develop Research and Development (R &amp;D)</li> </ul>				
5. Agricultural protection	Do not decrease agriculture tariffs and in some cases, increase them closer to bound levels.				
6. Agricultural Budget	Department of Agriculture and farmer/ fisher groups formulate and more specially monitor the budget				
7. Poor Agrarian reform	<ul style="list-style-type: none"> <li>-Re-think the program and take stock of what we've really done and stop feeding the public of wrong perception</li> <li>-Provide support services</li> <li>- Prepare the farmer beneficiary and the environment for development and not stop to mere distribution</li> <li>-Train farmers and look into well being of farmers</li> </ul>				
8. Less student engagement in agriculture	<ul style="list-style-type: none"> <li>-Programs to make agriculture productive to entice students</li> <li>-Provide employment</li> </ul>				
9. Low productivity	<ul style="list-style-type: none"> <li>-Strengthen extension services</li> <li>-Develop R&amp; D</li> </ul>				

