

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for South-East Asia



REPORT

Survey of Agricultural Cooperative Marketing Projects in South-East Asia

PART IV (A)
Philippines

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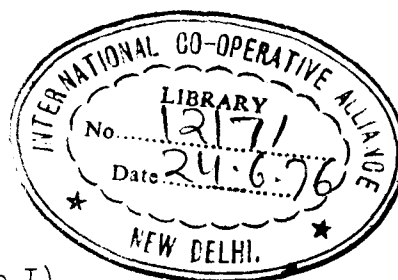
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R E P O R T

ON

THE SURVEY OF CO-OPERATIVE AGRICULTURAL MARKETING PROJECTS IN

SOUTH-EAST ASIA



PART - IV (Phase I)

334.4.025.5(5)
(047.3)

ICA

PHILIPPINES

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for South-East Asia
43 Friends' Colony (East), P.O. Box 3312,
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**International Co-operative Alliance
Alliance Coopérative Internationale
Internationaler Genossenschaftsbund
Международный Кооперативный Альянс**



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Your ref. Mr. P.E. Weeraman
Regional Director
Our ref. ICA Regional Office & Education
Centre for South-East Asia
43 Friends' Colony (East)
New Delhi 110-024 (India)

February 17, 1975

My dear Palita,

Re : Survey of Co-operative Agricultural Marketing
Projects in the Philippines - Part IV (Phase I)

1. Kindly refer to your letter No.7.9 dated 12th August, 1974 appointing me as the Leader of the Study Team for conducting the Survey of Cooperative Agricultural Marketing Projects in the Philippines. Kindly also refer to your two letters of the same date appointing Mr. Y. Matsunami and Dr. Jagjit Singh as Members of the Study Team for the same Survey.
2. On behalf of the Study Team I have great pleasure in submitting to you our Report on Survey in the Philippines. The report may please be circulated among members of the ICA Sub-Committee for Agriculture and Trade and also Members of the ICA Council for South-East Asia. The report may also please be sent to member organisations in the Philippines for necessary follow-up action at their end.
3. On behalf of the Study Team, I would like to express to you our grateful thanks for all the facilities and kind assistance given by you for successful completion of this part of the Survey. I would also like to request you to kindly convey our sincere thanks to member-organisations in the Philippines for their kind cooperation in our work related to the Survey.
4. Lastly, I would like to record my very sincere appreciation to my colleagues in the Study Team - Dr. Jagjit Singh and Mr. Y. Matsunami for their generous assistance and the excellent team spirit displayed by them during the period of the Survey.

Yours sincerely,

M.V. Madane
Leader of the Study Team

Encl: Survey Report

C O N T E N T S

	<u>Page</u>
INTRODUCTION - THE I.C.A.	(i - vii)
I. AGRICULTURAL SITUATION	1
II. DEVELOPMENT PROGRAMMES	3
III. MASAGANANG MAISAN	5
IV. CAGAYAN VALLEY	9
V. ISABELA PROVINCE	13
VI. BUKIDNON PROVINCE	16
VII. RETROSPECT AND PROSPECTS	19
VIII. RECOMMENDATIONS	22

February 17, 1975

SURVEY OF CO-OPERATIVE AGRICULTURAL MARKETING
PROJECTS IN SOUTH-EAST ASIA - PART IV

(Phase I)

PHILIPPINES

R E P O R T

INTRODUCTION

The International Co-operative Alliance (ICA)

1. The International Co-operative Alliance (ICA) was founded in London in 1895 as an association of national unions of co-operative societies, which seek to promote a non-profit system of production and trade, organised in the interests of the whole community and based upon voluntary and mutual self-help.
 2. It comprises organisations in every continent and its total affiliated membership through national organisations exceeds 278 million. The consumers' movement accounts for about half the membership; the other half consisting of agricultural, credit, workers' productive, artisanal and fishery societies.
 3. Its purpose is to propagate co-operative principles and methods and to promote friendly and economic relations between co-operative organisations of all types, both nationally and internationally.
 4. It promotes through its auxiliary trading, banking and insurance organisations, direct commercial and financial relations between co-operative enterprises in different countries so as to enable them to exert on the world market, as well as at home, an influence beneficial at once to consumers and primary producers.
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(ii)

5. It convenes international congresses, furthers the teaching and study of co-operation, issues publications and research data, and collaborates closely with the United Nations as well as with voluntary and non-governmental international bodies which pursue aims of importance to co-operation.

6. In the United Nations, its Economic and Social Council, as well as in some of the Specialized Agencies, it enjoys the right of participation in their meetings and work as an International Organisation with Consultative Status, Category I.

7. The Head Office of the ICA is in London coordinates activities of the Alliance all over the world directly in respect of Europe, North America, the Middle East and the Western parts of Africa. In respect of South-East Asia and East and Central Africa, the ICA deals with the movements through its Regional Offices located at New Delhi, India and Moshi, Tanzania respectively.

8. The Regional Office for South-East Asia in New Delhi was started in 1960 and the office in Moshi in 1968.

9. The main tasks of the Regional Office and Education Centre at New Delhi are to develop the general activities of the Alliance in the Region, to act as a link between the ICA and its affiliated national movements, to represent the Alliance in its consultative relations with the regional establishment of the United Nations and other International organisations, to promote economic relations amongst member-movements, including trading across national boundaries, to help in the supply of technical assistance, to conduct educational activities for the movements in the Region and to bring out publications on the various aspects of co-operative development.

ICA and the Second U.N. Development Decade

10. The United Nations General Assembly through its Resolution 2459 (xxiii) of December 1968 recognised the important role of co-operative movement in the development of various fields of production and distribution, including agriculture, animal husbandry, fisheries, manufacturing, housing, credit institutions, education and health services and also recognised that it was important to promote co-operative movements which can effectively contribute to their implementation of the goals of the Second United Nations Development Decade. It invited member-States to provide increasing assistance to co-operatives and requested the I.L.O. and other Specialized Agencies and the ICA to render increased assistance aimed at realising the objectives of the U.N. General Assembly Resolution.

11. The above resolution had also requested to United Nations Economic and Social Council (ECOSOC) to consider, in connection with the preparations for the Second United Nations Development Decade, the question of the role of co-operative movement in ECOSOC. Accordingly, the ECOSOC through its Resolution 1491 (xlviii) on "the role of co-operative movement in Economic and Social Development" also recognised that "cooperatives have an important role to play in the promotion of economic and social development, particularly by providing a suitable institutional framework for facilitating the mobilisation of human, financial and other resources" and requested its Secretary General to collaborate closely with the U.N. Agencies as well as with the ICA and other non-governmental organisations in preparing and implementing an action programme in the field of co-operative development.

12. The 24th Triennial Congress of the ICA held in Hamburg (West Germany) in September 1969 welcomed the U.N. General Assembly Resolution which had recognised the important role of the co-operative movement in meeting the social and economic problems of developing countries and expressed the willingness and readiness of the Alliance for the further development of co-operation with the U.N. and its Specialized Agencies and other National and International Organisations

in the fields of common interest and had requested to the authorities of the Alliance to make special studies of co-operative organisations with special reference to their role in accelerating the socio-economic development in different parts of the world and requested the Director of the Alliance to forward to the Secretary General of the United Nations, its Specialized Agencies, to the governments and to the ICA's member-organisations the results of these studies.

A Co-operative Development Decade

13. In accordance with the mandate given by the Congress the Director of the ICA prepared an action programme for a co-operative development decade. According to which the first two years of the Decade (1971-72) were known as the planning phase and the following eight years (1973-80) as the operational phase and are to be devoted for implementing the action programme. During the planning phase the ICA sponsored a series of basic studies which could help in drawing up an action programme based on the results of these studies.

14. It is expected that the Co-operative Development Decade would serve as a basis for coordinating these studies and ensuring the implementation of the recommendations resulting from them.

15. The overall objective of the Decade proposals, in relation to the Region of South-East Asia, would be to increase productivity through strengthening and development of agricultural cooperatives in different countries of the Region.

16. The present survey is one of the studies undertaken by the Alliance to realise the objectives of the Co-operative Development Decade. The broad objectives of this study are to identify co-operatives at the initiative of the national movements in the countries of the Region as model examples of co-operative development with the ultimate aim of initiating measures for their intensive development so that these cooperatives would serve as demonstration centres and would have a multiplier effect on co-operatives in other areas. This identification will help the developing movements concerned to obtain external assistance

for the development of these projects from developed movements and aid-giving authorities and agencies. The ultimate objective of the survey is the further development of co-operative agricultural marketing in the developing countries of the South-East Asian Region.

17. The Agricultural Sub-Committee of the ICA for South-East Asia which originally sponsored this Survey, recommended that the Survey be conducted in the field of agricultural cooperative marketing with the ultimate object of further developing such marketing into international co-operative trade in countries of the South-East Asian Region. The Sub-Committee recommended that the Survey be conducted by Study Teams consisting of experts recruited in the context of commodities to be surveyed in each country or a group of countries.

First, Second and Third Parts of the Survey

18. The first and second parts of the Marketing Survey during 1970 and 1971 covered India, Indonesia, Sri Lanka and the Republic of Korea. The Study Team appointed for the first part of the survey also visited Australia as a Trade Promotion Team. The Third part of the survey was done in Malaysia and Thailand during October and November, 1972.

Fourth Part of the Survey - (Phase I) Philippines

19. The Fourth part of the Survey - Phase I - was conducted in the Philippines. The Regional Director of the ICA in South-East Asia appointed the following Study Team for the Survey in the Philippines. The commodities selected for survey were corn (maize) and sorghum.

- | | | |
|------|---|--------------------|
| i. | Mr. M.V. Madane
Joint Director,
Technical Assistance & Trade,
ICA Regional Office, New Delhi | Leader of the Team |
| ii. | Mr. Y. Matsunami
Director of Hong Kong Branch
National Fed. of Agrl.Coops (ZEN-NOH)
Tin Han Temple Road, Hong Kong | Member |
| iii. | Dr. Jagjit Singh
Secretary General,
Institute of Marketing & Management
62-F Sujan Singh Park, New Delhi-110-003 | Member |

Terms of Reference

20. Following were the Terms of Reference for the above Study

Team :-

- i) study, on a selective basis, the general economic conditions of the countries concerned with special reference to the development of agriculture,
- ii) examine the present role of cooperatives in these countries in the development of agriculture,
- iii) examine the present programmes of co-operatives for agricultural production and marketing,
- iv) study the facilities available in the countries in respect of agricultural finance, agricultural inputs, agricultural extension and transportation and communications,
- v) study the organisational structure of the co-operatives involved in such work with special reference to their resources, personnel and management aspects,
- vi) identify problem areas which are potentially important and economically feasible for intensive development,
- vii) examine the feasibility of Co-operative Agricultural production and marketing projects submitted by co-operative organisations,
- viii) examine, wherever possible, the possibilities of developing trade relationship among co-operatives on an inter-regional and intra-regional basis, and
- ix) recommend suitable follow-up action by national and international organisations in this field.

21. The Survey Schedule

The Team assembled in Manila on 7th September, 1974 and visited the following areas for studying corn and sorghum production and the working of co-operative institutions. Apart from visiting the cooperatives and government departments concerned with co-operative development; the Team also met Governors of the respective provinces and Mayors of the area municipalities. Before commencement of the survey the Team had detailed discussions with Secretary Rono, Under-Secretary Sacay and other officials of the Department of Local Government and Community Development (DLGCD) and office-bearers of the ICA member-organisations. At the end of the Survey the Team had a final round of

discussions with Under-Secretary Dr. Sacay, Atty. Ben Faustino, General Manager of the Central Co-operative Exchange, Inc., and General Tutan, Managing Director of the Grains Marketing Co-operatives of the Philippines (GRAMACOP).

22. Time-Table of the Survey

7th September 1974	Arrival of the Team in Manila
8-9 September 1974	Briefing in Manila
10-12 September	Survey in Cagayan Province
13-17 September	Survey in Isabela Province
17-19 September	Survey in Bukidnon Province
20-24 September	Final discussions in Manila
25th September, 1974	Departure of the Team

SURVEY OF AGRICULTURAL CO-OPERATIVE MARKETING
PROJECTS IN THE PHILIPPINES

September 7-25, 1974

R E P O R T

I

AGRICULTURAL SITUATION

1. The Philippines is composed of 7,107 islands and islets only 2,773 of which are named. The total land area of the country is 115,830 sq.miles and most of the population is concentrated on the 12 most important islands viz. Luzon, Mindanao, Samar, Negros, Palawan, Panay, Mindoro, Leyte, Cebu, Bohol, Masbate and Catanduanes. The total population of the country as on 6th May 1970 was 36,684,486.

2. Of the total land area of 30 million hectares in the country, 8,673,179 hectares are commercial forests and 10,400,127 hectares are cultivated lands. The rest of the areas are either mangrove and marshes or open grass lands. The average size of the farm is 3.21 hectares. The principle crops are paddy (palay), hemp, copra, sugarcane, corn (maize) and tobacco. About 48.5% of the population is employed in agriculture. In 1970 the agricultural production was as follows :

Paddy : 5.23 million metric tonnes
Copra : 1.73 million metric tonnes
Sugar : 2.59 million metric tonnes
Shelled corn : 2.01 million metric tonnes
Tobacco : 61,200 metric tonnes
Hemp fibre : 122,400 metric tonnes

Estimated livestock in 1970 was 4,431,500 water buffaloes, 1,678,000 cattle, 294,500 horses, 6,455,600 hogs, 771,600 goats and 59.7 million poultry.

3. Considerable Progress

The imports in the Philippines during 1974 were mostly from Japan, USA, UK, Australia, Saudi Arabia, West Germany, Taiwan, New Zealand and France. Most of the exports were primary products like sugar, copra and hemp. During January-June 1974 the total exports were US\$1,087.1 million. G.N.P. during 1973-74 was ₱39,700 million with per capita G.N.P. for the same period at ₱141. The G.N.P. from agricultural sector was ₱9,649 million. During 1973-74, Philippines economy has made considerable progress because of the price boom in major export commodities. This has to some extent been offset by the energy crisis, inflation, tight credit conditions and consequential production decreases. However, there has been an overall improvement in the economic position during the last year.

4. The 1973-74 crop of paddy was 126 million cavans[§] and despite losses due to floods and typhoons the expected increase during this period was 20% over that of the previous year.

[§]Cavan is a measure used for grain and such other commodities. It differs from place to place in its quantity viz. between 40 kg. to 60 kg. However, the National Grains Authority (NGA) has adopted 50 kg. sack for a cavan.

II

DEVELOPMENT PROGRAMMESMasagana 99

5. The rice production programme called Masagana 99 has largely contributed to this production increase. The credit facilities for the Masagana 99 programme have mostly been extended through Rural Banks with supplementary finance through World Bank loans. The Philippines Four Year Development Plan for financial years 1974-77 envisages by 1977, self-sufficiency in rice production. This food production programme has been linked to land reforms which in turn have been linked with the cooperative development programme. By a Presidential Decree, the whole of the Philippines has been declared a land reform area in respect of rice and corn lands. The land reform programme envisages the transfer by 1977, of 2.1 million hectares of land to 1.1 million tenants. It is obligatory for these tenants to become members of Samahang Nayons (SN) which are a sort of pre-cooperatives, in order to qualify for receiving land transfer certificates. The payments for land amortization are to be made by SN members in instalments failing which SNs would be required to pay such amounts from out of the Barrio (village) Guarantee Fund created with each SN.

Co-operative Development Programme

6. The Four Year Plan is geared to maximise farm income, effect more equitable distribution of income and to promote both economic growth and human welfare in the areas. The Samahang Nayons, besides enforcing timely payment of land amortisation instalments, are expected to stimulate savings and develop marketing outlets. Rural banks will play a major role in providing agricultural credit.

7. All sectors of the co-operative movement are to be nationally federated. A built-in system of capital formation has been evolved through which the co-operatives could contribute to their own socio-economic development. The Barrio Guarantee Fund is built up through member

farmer contribution of one cavan of paddy per hectare per season or its equivalent. Besides ensuring payments of loan amortisation, this Fund may also be used for providing life insurance for SN members, and guarantees for their loans and other social service benefits. The Barrio Savings Fund is built up through a 5% contribution from out of production loans taken from rural banks, Agricultural Credit Administration (ACA) or other financing institutions. The Fund could be used to purchase shares of rural banks or to establish rural banks in the area where they do not exist. Investments from the Fund in the above banks or in any other institutions are to be approved by the Bureau of Co-operative Development.

III

MASAGANANG MAISANCorn and Sorghum Development (Masaganang Maisan) Programme

8. White corn is an important item of staple food in the Philippines, as 60-70% of the total corn produced is for human consumption. Yellow corn production is still on a very small scale. At present yellow corn is being imported into the country to meet the requirements of feed and other industries. For example, during 1972, 93,000 metric tonnes of yellow corn was imported into the Philippines. To meet the increasing demand for corn as well as to provide raw materials for expanding industrial uses and growing poultry and live-stock industry, the government has launched the Masaganang Maisan Programme (Bountiful Harvest of Corn) for intensifying production of white and yellow corn as well as sorghum. The Programme envisages provision to farmers of adequate credit, agricultural inputs and high yielding varieties of seeds. The main objectives of the Programme are :-

- 8.1 to satisfy the increasing demand for white corn for human consumption;
- 8.2 to produce sufficient yellow corn, sorghum and soyabeans to satisfy the feed requirements of the poultry and livestock industries;
- 8.3 to produce enough corn for exports in the form of corn-starch and other bye-products; and
- 8.4 to study and establish joint ventures, multi-lateral feedgrain projects with foreign investors.

9. Under the programme the national targets for 1974 were as follows :

NATIONAL TARGETS

1974

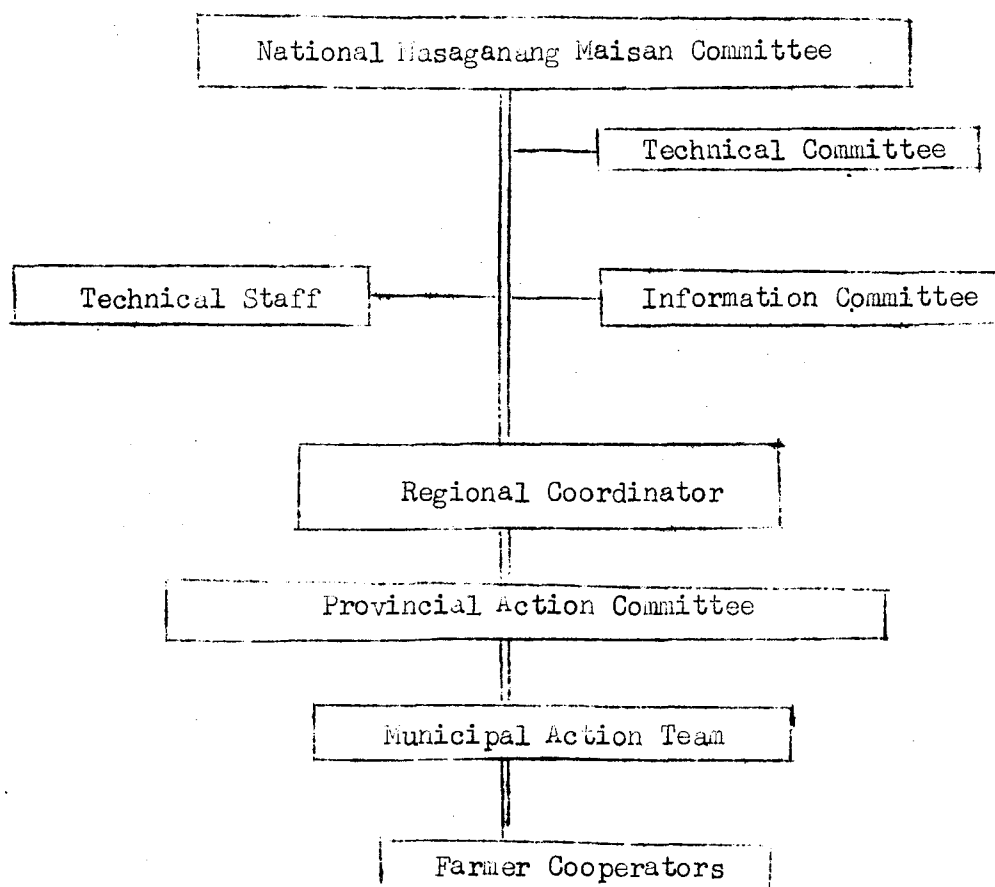
	<u>Area (ha.)</u>	<u>Yield/ha.</u>	<u>Production (Cavans)</u>
White corn	500,000	35	17,500,000
Yellow corn	200,000	35	7,000,000
Sorghum	30,000	40	1,200,000
Soybeans	20,000	20	400,000
	<u>750,000</u>		<u>26,100,000</u>

10. The financing of the programme for the above targets was based on the following estimates.

FINANCING TARGETS

	<u>Target Area</u>	<u>Financing Target</u>	<u>Loaning Rate</u>	<u>Amount Needed</u>
WHITE CORN	500,000	300,000	₱500/ha.	₱150,000,000
YELLOW CORN	200,000	150,000	500/ha.	75,000,000
SORGHUM	30,000	30,000	500/ha.	15,000,000
SOYBEANS	20,000	20,000	650/ha.	13,000,000
TOTAL	<u>750,000</u>	<u>500,000</u>		<u>₱253,000,000</u>

11. A link up has been established between the farmer co-operators and the National Masaganang Maisan Committee for coordinating the activities under the corn and sorghum development programme. The organisation and management chart of the programme is as follows :

Organisation and ManagementFunctional Chart of
Masaganang Maisan Programme

12. The performance in respect of national targets for white and yellow corn as well as for sorghum was as follows :

White corn

13. An aggregate area of 357,029 hectares was planted between July 1973 and February 1974 which was more than the targeted area of 248,968 hectares. Out of the 26 provinces under white corn production,

13 provinces exceeded their targets. The other provinces either could not fulfil their targets or were not able to plant due to drought conditions. The total production of white corn during this period was 13,696,588 cavans. The average yield was 27 cavans per hectare, the highest being in Lanao North of 42 cavans per hectare and the lowest of 13 cavans per hectare in Agusan del Sur province. The high yielding varieties fetched 32 cavans per hectare while the average varieties fetched 23 cavans.

Yellow corn

14. Yellow corn was planted on approximately 49,430 hectares between July 1973 and February 1974 as against the target of 45,905 hectares for the same period. The production of yellow corn during the period was 881,588 cavans. The average yield was 21 cavans per hectare. The highest was in Davao City viz. 45 cavans per hectare and the lowest in Mindoro Oriental, viz. 15 cavans per hectare. High yielding varieties have an average yield of 24 cavans per hectare whereas the average varieties fetched 17 cavans per hectare.

Sorghum

15. The area planted under sorghum was 3,715 hectares during July 1973 to February 1974 as against the targeted area of 3,758 hectares. Four provinces out of 26 reported no planting. These were North Cotabato, Albay, Zamboanga Sur and Agusan del Sur. The aggregate production for the same period was 43,470 cavans from 1,364 hectares; the average yield being 32 cavans per hectare.

IV

CAGAYAN VALLEYCagayan and Isabela Provinces

16. Cagayan Valley is situated in the North-Eastern Region of the country and is traversed by Cagayan river stretching from the foothills of the Sierra Madre on the Isabela-Nueva Vizcaya portion to the town of Aparri which faces the China Sea and the Babuyan channel. The climate in the Cagayan Valley is rather dry from December to April and wet during the rest of the year. The seasons are not very pronounced. Rainfall is generally very heavy between July and November.

17. The total cultivated area in the Valley is about 298,102 hectares out of which 291,355 hectares are for paddy and 58,875 hectares for tobacco and corn. Rest of the cultivable area produces sugarcane, root crops, coconuts and fruits. Some areas are also used for livestock breeding. We visited Cagayan and Isabela provinces in the Cagayan Valley and studied the working of cooperatives in selected municipal areas. Most of the cooperatives visited were in fact the pre-cooperatives (Samahang Nayons) which have not been registered as formal co-operative organisations. The work relating to co-operatives in each municipality is at present coordinated through the office of the Mayor, with the assistance of experts attached to his office.

CAGAYAN PROVINCE

18. The province is strategically located with a port in the town of Aparri that can be used for international shipping. It has an airport and a busy commercial centre in Taguegarao which is the centre for all the regional offices of the national government. Three irrigation projects on Banur Bur and Abulog rivers are nearing completion and are expected to irrigate approximately 25,000 hectares of additional land.

19. The Cagayan Valley, covered by 5-year integrated programme, aims at increasing income and employment in the Region through diversification of crops, encouragement of livestock production and through unified development of cooperative institutions and supporting agencies. The programme covers 13 municipalities in 5 provinces of the Valley involving 95 villages and 4,750 farmers owning 9,500 hectares. Out of the 13 municipalities, 4 are from Cagayan province and 5 from Isabela province. Out of an amount of ₱99.4 million allocated for the Project for long-term investment, the Philippines will fund 54% and the rest is expected to be received as assistance grant from Canada in terms of supplies, facilities, equipment and technical assistance.

20. The total number of farms in Cagayan province during 1971 were 53,496 out of which 48,788 holdings were below 5 hectares. Rice, corn and tobacco are the main crops while sorghum is being planted for the last few years. We were informed that 58,875 hectares were planted with corn as an alternate crop with tobacco. The yield per hectare was about 25 cavans in irrigated areas and 15 cavans in non-irrigated areas. The new variety of seed is expected to produce 28 cavans of corn per hectare. A very small percentage of the farmers used chemical fertilizers.

21. During the period July 1973 to February 1974 the province harvested 12,344 hectares under white corn producing 238,407 of cavans. Out of this only 216 cavans were high yielding varieties from out of 8 hectares.

22. Yellow corn production during the same period was 31,212 cavans out of 1,554 hectares.

23. Sorghum production for this period was 296 cavans out of only 17 hectares.

Tobacco and Corn Rotation

24. We visited three municipalities in Cagayan province viz. Gattran, Tuao and Santo Nino where corn (mostly white) was planted alternatively with tobacco. Only 1% of the area was planted with yellow corn. People in this area still prefer rice to corn for their food and hence most of the surplus corn was being sent to traders in Manila.

25. The soil is mostly sandy lome and fertile and about 30-40% farms are irrigated. Gravity irrigation programmes now being undertaken are expected to increase irrigation coverage upto 70%. Loans at the rate of ₱900/- per hectare, are given for rice cultivation, while loans for corn, recently introduced under Masaganang Maisan Programme, are given at the rate of ₱500 per hectare.

Samahang Nayons

26. There was no organised activity for corn and sorghum either by the co-operatives or any other agencies. Corn was generally bought by private traders who owned most of the warehouses. The support price for corn was centavos 65[§]. There was no feed mill in the area. The co-operatives were not yet involved in corn marketing. Samahang Nayons were being organised in most of the municipalities visited by us. There was not much incentive for farmers to join the SN in these areas because very few farmers were affected by land reforms. As already stated, one of the conditions for receiving land transfer certificates under land reform was that the farmers must become members of the Samahang Nayons in their village. The average membership of the SN was 55.

27. There was a Farmers Cooperative Marketing Organisation (FaCoMa) functioning at Baggao covering 12 villages and 10 Samahang Nayons. It had 363 members and was engaged mostly in rice marketing. No advance was given to farmers against grain delivered for marketing, however, two months free warehousing facilities were allowed to them. The FaCoMa did not purchase any corn and delivered most of the rice to the Grain Marketing Co-operative of the Philippines (GRAMACOP) in Manila.

28. Position of Corn and Sorghum

28.1 Farmers in Cagayan province mostly produce rice because of the incentives given by the government under Masagana 99.

[§] 1 Peso = 100 centavos.

28.2 Corn production is about 25% of the total cereals, but it is mostly white corn. There is a gradual increase in the area under corn mostly due to the Masaganang Naisan Programme.

28.3 Sorghum is produced only on experimental basis and the area planted is negligible.

28.4 Farmers who had cultivated sorghum due to government encouragement, told us that nobody bought their sorghum and most of it was rotting in their stores.

28.5 The National Grains Authority (NGA) was buying mostly rice and occasionally white corn. The support prices fixed by the government for white and yellow corn were 65 and 85 centavos per kg. respectively.

28.6 There was almost no marketing of corn and sorghum through co-operative channels. The FaCoMa at Baggao bought only rice and sold it to GRAMACOP in Manila.

ISABELA PROVINCE

29. Isabela province is in the South-Eastern sector of the Cagayan Valley. The population is 650,123 and about 70-75% people are farmers. One of the important irrigation projects in the province is Magat River Irrigation Project funded by the Asian Development Bank (ADB) covering 23,500 hectares in seven municipalities. Efforts are also being made to electrify villages by establishing electric supply co-operatives in different regions. The total number of farms in the province was 69,751 out of which 60,364 were below five hectares. Out of the total cultivated area of 163,000 hectares, 63,994 hectares are planted with corn. The total irrigated area is 52,296 hectares. 80% of the corn produced is white and the rest yellow. 28% of the corn is consumed in the province and the rest is sent through traders to Manila. The cost of production is approximately ₱500 per hectare; it is a little higher in irrigated areas where chemical fertilizers are used. The average production without use of fertilizers was 12-13 cavans per hectare while with irrigation it was about 25 cavans.

Shortage of Fertilizers

30. We visited five municipalities in Isabela province namely Santiago, Alicia, San Mateo, Ramon and Cabatuan. Farmers in these municipalities were producing corn and the ratio of white and yellow corn was 80-20%. Area under corn was much larger in Isabela than in Cagayan. There was considerable demand for fertilizer but the supplies were not forthcoming. Bat (droppings) manure was locally used. If fertilizers were used the average yield per hectare would be more than 25 cavans.

31. During the period from July 1973 to February 1974 Isabela province produced 460,703 cavans of white corn out of 20,470 hectares averaging a yield of 23 cavans per hectare.

32. Yellow corn production was 106,296 cavans out of 3,594 hectares averaging an yield of 30 cavans per hectare.

33. Sorghum production totalled to 1,779 cavans from 57 hectares with an average of 31 cavans per hectare.

34. In most of the municipalities, Samahang Nayons were being organised although the response was not so encouraging due to the fact that not many farmers were affected by land reforms. There was only one FaComa working in the area covered by Alicia municipality, but it was engaged only in rice marketing.

35. Corn and sorghum

35.1 Corn area is on the increase, but the variety grown is mostly white corn.

35.2 Out of the 1,172,136 cavans of corn produced in the province 28 to 30% was consumed locally and about 70% was exported to Central Luzon or to other areas.

35.3 Sorghum was not produced because there was no market for it. However, the area is suitable for sorghum cultivation.

35.4 Except for occasional purchases by NGA, there was no organised marketing for corn. The FaComa handled only rice.

36. Future Prospects

36.1 In both the provinces of Cagayan and Isabela we noticed a very clear emphasis on production increase of various agricultural crops.

36.2 Efforts were being made to introduce irrigation, high yielding varieties and application of fertilizers.

36.3 Corn production was on the increase. However, there was no organised marketing with the result that the farmers were not sure if they would be getting a fair price for their produce.

36.4 As the people did not consume the total white corn produced in the area, it is likely they would be encouraged to produce yellow corn if proper incentives of higher price and timely marketing facilities were provided.

36.5 Sorghum is not planted simply because there is no buyer. We felt that if the market was assured for sorghum, the farmers would be willing to cultivate the crop in much larger areas than at present.

BUKIDNON PROVINCE

37. Bukidnon province is located in the heartland of Mindanao and on a plateau that is topped by the country's highest mountains namely Mount-Kitanglad. It has no pronounced dry seasons as rainfall is distributed evenly throughout the year making agriculture the main economic activity. The climate is relatively cool for most of the year.

38. The total land area in the province is 935,455 hectares, out of which land devoted to agriculture is 239,171 hectares. The total population of the province is 493,611 divided into 82,269 households. It has 21 municipalities and 409 villages (Barrios).

39. The main crops are corn, paddy, pineapple, coffee, fruits and vegetables. Corn is one of the most important crops in the province. In 1974-75, the total area planted under corn was 155,435 hectares divided into 95,061 hectares under high yielding varieties and 60,327 hectares under low yielding varieties. The total production was 4,821,935 cavans divided into 3,155,605 high yielding varieties and 1,666,380 low yielding varieties. The average yield for high yielding varieties was 33.20 per hectare and the low yielding varieties 27.60 cavans per hectare, the average yield being 31.02 cavans per hectare.

40. We visited three municipal areas in Bukidnon namely, Don Carlos, Valencia and Maranao. We also visited the Farmers Co-operative Marketing Organisation (FaComa) at Valencia. Most of the areas visited by us was corn (white corn) growing area. Yellow corn and sorghum cultivation is negligible. We were informed that an additional area of 100,000 hectares could be brought under corn if proper facilities for doing so are available. At present 25,000 hectares are irrigated and 15,000 more will be brought under irrigation when the proposed dam at Dagat Kidabao is completed.

41. Generally two corn crops are taken during a year, although some farmers took as many as three crops. The average yield of corn in the area was 20 cavans per hectare in rainfed areas and about 35 cavans in irrigated areas. The average holding in the area was about 5 hectares. The other crops were paddy, supplemented by cattle raising and poultry.

Marketing through Traders

42. There were seven corn mills in the area producing grit for food. Most of the marketing was through traders as the farmers were already indebted to the traders who had given them pre-harvest advances. A part of the marketing was handled by the FaCoMa at Valencia which gives 80% advance on delivery of corn by the members. The National Grains Authority occasionally bought grains in order to stabilise the grain market.

43. The total area under corn production in the three municipalities was around 41,000 hectares most of which was under white corn. We could not get a uniform figure of cost of production in all the three provinces. However, 500 was the average calculated as the production cost for determining the loans given for corn production under Masaganang Maisan Programme. The Bureau of Agricultural Economics at Malaybalay, which is the headquarters of Bukidnon province, had calculated the cost of production in more details. According to the Bureau, the average cost of production per hectare for corn was ₱719.83 which includes the labour costs also.

National Grains Authority (NGA)

44. We visited the Malaybalay provincial office of the National Grains Authority which has recently been established for purchase of grain all over the country. The NGA buys directly from the farmers and lifts the grain from the farm by sending its own transport. Payment is in cash. The main objective of the NGA is to regulate the flow of grain to the market. A minimum price is established

by the NGA Council. It operated three warehouses in the area most of which were hired. It hopes to stabilise price of grain by intervention in the market when necessary. All the traders engaged in purchase of grain are licenced by the N.G.A. At the present moment, N.G.A. in Bukidnon province was buying grain mostly on the instructions of its head office in Manila. It was working with a handicap because of the lack of transport and storage facilities, and mechanised drying units, and as such it was not able to account for a sizeable portion of the total marketing done in the area. However, it does serve a useful purpose of regulation, to some extent, of the flow of commodities to the market.

45. In the three municipal areas, Samahang Nayons were being organised almost in all villages and the average membership in the province was much higher (between 70 and 80) than that in the Cagayan and Isabela provinces. We could see that even though farmers in some of the areas were not affected by land reforms, they had joined the Samahang Nayons mainly because of a better educational approach by the personnel involved in co-operatives promotion.

Corn Position

46. Bukidnon province is a larger producer of white corn as many other provinces in Mindanao area. Most of the surplus corn is sold to traders in Cagayan de Oro City which is the clearing house for most of the corn produced in Mindanao peninsula. The corn purchased in the city is mostly sent to Cebu islands where a large number of feed mills are located. Because of the domination of traders in the marketing of corn, the price paid to the producer is rather unsatisfactory. The average price per kg. of corn was around 68 centavos. It was not possible to determine the marketable surplus from the area. However, we were given to understand that about half the corn produced is consumed locally. NGA bought the small quantity of grain when it wanted, and the rest was sent to the traders in the Cagayan de Oro City.

VII

RETROSPECT AND PROSPECT

47. Most of the areas in the Philippines are suitable for production of corn and sorghum. Both the land and the climate seem to be suitable for their intensive cultivation. After visiting the three provinces, we observed that following were some of the major problems faced by the farmers and their organisations in the production and marketing of these commodities.

48. Production of corn was mostly done on rainfed areas and except in a few cases there was only one crop taken during the year. In Cagayan and Isabela the crop was planted in rotation with tobacco and in Bukidnon occasionally two and in a few cases three crops of corn were taken.

49. The average yield per hectare was rather low and not more than 25 cavans per hectare were produced in the rainfed areas. Farmers covered by the Masaganang Maisan Programme received credit and agricultural inputs and consequently the yield has gone up to 35 cavans per hectare. However, the total area covered under this programme is very limited and the average yield continues to be low in most of the cases.

50. There was complete absence of institutional structure to support production activity. The Samahang Nayons have not yet started any business transactions as at present, they are engaged only in educational and fund raising campaigns. Most of the work related to co-operatives is done by government extension agencies attached to the office of the Mayor in each municipality. Only in a few cases existing FaComas were able to extend credit, agricultural inputs and marketing facilities.

51. The absence of an efficient infrastructure to support the farmers in production and marketing prevented us from getting any reliable data on the cost of production and marketing.

52. Except in the case of one or two PaComas, the bulk of the marketing activity was in the hands of the traders who were also the money-lenders. These traders had tied down the farmers to an obligatory contract of delivering to them the entire produce and the price for such produce was determined in the most arbitrary manner possible.

53. Most of the warehouses and the corn mills in the three provinces were owned by private traders who charged high rates for the use of these facilities.

54. There were rather poor communication facilities which prevented the N.G.A. and other government agencies to reach the farm for purchase of grain, but the trader managed to reach these farms in his small pick-up vans to collect the farmers' produce.

55. There were many other practices followed by traders such as deduction of certain quantities of corn while taking the delivery of the produce, manipulation of price structure and heavy charges for the use of facilities. As there were no other major buyers in the area the farmers had to deliver their produce to the traders. The N.G.A. played a very small part in the total marketing operations.

56. The production of yellow corn, although being encouraged under the Masaganang Maisan Programme, was not followed by the farmers very vigorously due to a lack of marketing outlets. As white corn had a secure market, the farmers were unwilling to take the risk of producing yellow corn which may not be sold at an advantageous price.

57. In case of sorghum also, the farmers were willing to cultivate sorghum if there were secured markets for the same. However, there was hardly any thought given at present to its marketing.

58. GRAMACOP is not providing any supporting service for grain marketing. It was mostly engaged in the marketing of paddy. Because of the heavy consumption of white corn in the country and because of inadequate production of yellow corn, Philippines had imported during

1972, 93,000 metric tonnes of yellow corn valued at US\$5.4 million. This means that for several years to come there would be no possibility of export of corn from the country unless a deliberate policy is followed for creating an export surplus.

RECOMMENDATIONS

59. We feel that the provinces of Cagayan, Isabela and Bukidnon are suitable for intensive cultivation of coarse grain such as corn and sorghum. We recommend that Cagayan and Isabela provinces should be selected for intensive cultivation of sorghum and Bukidnon province for intensive corn cultivation.

60. There are several areas in Cagayan and Isabela provinces which can be planted with sorghum. These areas should be covered by the Masaganang Maisan Programme to enable the farmers to secure agricultural inputs and other facilities for cultivation of sorghum on a commercial basis.

61. In the Bukidnon province, the land growing corn should be fully covered by the Masaganang Maisan Programme and the additional area of 100,000 hectares available for corn cultivation should be provided with all the facilities so that the entire province becomes an important corn producing area.

62. We recommend that along with intensive production programme, the Samahang Nayons functioning in the area should be entrusted with the responsibility of channelling production credit and agricultural inputs. If the Samahang Nayons are not legally permitted to undertake this business, we recommend that in these three provinces the area marketing co-operatives should be speedily established and be entrusted with the responsibility of channelling agricultural inputs and marketing of the surplus grain.

63. We recommend that while advising the farmers to plant sorghum in Cagayan and Isabela provinces, an assurance should be given to them that the sorghum so produced will be marketed either by the area marketing co-operatives, if they are already established, by GRAMACOP or by the N.G.A. The farmers will be encouraged to plant sorghum only if an assured market is available and a guaranteed minimum price is offered for their produce.

64. We recommend that pending the establishment of area marketing co-operatives in the three provinces, the existing FaCoMas should be used for marketing of corn and sorghum. We found that a few FaCoMas were functioning efficiently although their resources were not equal to the task that might be entrusted to them if they were to undertake the marketing of larger quantities. We suggest that necessary assistance should be provided in the form of working capital, warehouses and drying facilities to these FaCoMas to enable them to undertake an enlarged marketing activity.

65. We suggest that the National Grains Authority should not only intervene in the market when the price level falls to a precarious level, but should also have a positive marketing policy aimed at making substantial purchases of the grain which can be stored for longer periods and releasing the grain in the markets as and when conditions are favourable for doing so. The NGA should provide supporting services for the marketing operations of producers and their co-operatives.

66. In case the farmers in the Bukidnon province are willing to produce yellow corn they should be encouraged to do so provided the GRAMACOP or the NGA is able to guarantee a minimum price for their produce. As the country is already importing yellow corn for the feed and other industries, it will be difficult to visualise the export of yellow corn in the near future. The immediate aim, therefore, should be to meet the domestic requirements of yellow corn so as to bring about import substitution.

67. The exports from the country of the two commodities can be planned on a long-term basis on the following lines :

67.1 The surplus of white corn needs to be assessed on a more realistic basis to determine what percent of white corn is absorbed by the feed industry.

67.2 The surplus of white corn should gradually be replaced by yellow corn so as to prepare a potential for, firstly, meeting the domestic requirement, and secondly, to build up an export surplus.

67.3 As regards sorghum, we suggest that a detailed study be made in Cagayan and Isabela of the potential for sorghum cultivation with special reference to the land area available and the infrastructure which may be necessary for providing agricultural inputs and for its marketing.

67.4 Steps should be taken to fulfil the objectives of the Masaganang Maisan Programme with special reference to exports and the establishment of joint ventures. Already at this stage, contacts should be built-up with sister co-operative organisations in corn importing countries to make a preliminary study of potential of corn and sorghum export and to secure the necessary technical and financial assistance for intensive cultivation of yellow corn and sorghum.

68. We recommend that GRAMACOP or a similar agency at the national level should play an important role in building up a marketing structure for the entire country. In case area marketing co-operatives are built up in the three provinces with regional marketing co-operatives to support them, a link up should be established with GRAMACOP to enable the farmers' to take their produce to the terminal markets or the consuming centres. GRAMACOP should arrange to buy corn at a minimum guaranteed price and such price should be announced sufficiently in advance so that farmers would be encouraged to cultivate corn. As regards sorghum, we feel that efforts should be made to locate suitable markets for sorghum produced in the area. As suggested earlier contacts should be taken up with co-operatives in other parts of the world which are interested in the purchase of sorghum. If a long-term programme for the export of yellow corn and sorghum is worked out between GRAMACOP and a co-operative buyer from another country, it will be possible for the farmers to cultivate these crops and supply the grain regularly to GRAMACOP. GRAMACOP should work in close collaboration with the National Grains Authority in order to secure a minimum guaranteed price as well as the facilities of N.G.A., for storage, drying and transportation of corn and sorghum to the terminal markets.

69. We feel that in every municipality, warehouses and corn mills should be established in the three provinces and the area marketing co-operatives should be responsible for operating these facilities. These warehouses should have drying facilities and should also be able to operate motor trucks and pick up vans for collection and delivery of the grain. In case the NGA operates the warehouses and drying facilities, the co-operatives should be permitted to make use of such facilities on payment of reasonable rent.

70. We recommend that in each province, a marketing committee be to advise the Governor on the ways and means of developing marketing activity with special reference to corn in Bukidnon province and sorghum in Cagayan and Isabela provinces.

71. We recommend that a marketing development fund be created in each of the three provinces with an initial contribution from the government and supplementary contributions from the Samahang Nayons as well as through recurring contributions from farmers on the basis of the produce marketed by them through co-operative organisations. This fund should be used to compensate member farmers for losses incurred by them through price fluctuations. A similar fund should also be created in the GRAMACOP.

72. We believe that there is a great potential for developing marketing of corn and sorghum in the three provinces. In order, therefore, to make the operations efficient, it will be necessary to build up trained personnel who might be able to take over these responsibilities when asked to do so. We, therefore, recommend that training courses should be started right away for the marketing personnel selected for manning the area marketing co-operatives, the regional co-operatives and the national level marketing activity.

73. If it is found inadequate to build up funds for developing warehousing, drying and transport facilities in the country, international organisations may be approached to provide such assistance.

74. International organisations, interested in providing assistance to developing co-operatives, should be approached to help in obtaining experts to advise on the marketing activities and to secure facilities for training of marketing personnel in other countries.
