



Foreign Agricultural Service

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## **Philippines**

### **Agricultural Situation**

### **Philippine Agricultural Policy**

## **2001**

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#### **Report Highlights:**

**Although still considered in a transition period, the general agricultural policy of the recently installed Gloria M. Arroyo government is not likely to deviate significantly from the previous Administration.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Manila [RP1], RP

Although not yet cast in stone, the following is a likely scenario of how the new government will handle Philippine agriculture during the early part of newly installed President Gloria M. Arroyo's term. The new Administration recognizes the significant role the agricultural sector plays in Philippine economics and its agricultural policy, in general terms is not expected to significantly deviate from the emphasis given by the Estrada Administration.

In a message to President Arroyo, newly appointed Agriculture Secretary Leonardo Q. Montemayor has expressed his commitment to the general agricultural policy established by the previous administration as embodied in the Agricultural and Fisheries Modernization Act or AFMA (refer to RP9001). In particular, he will accelerate implementation of the research and development and extension components of the AFMA as well as the Strategic Agriculture and Fisheries Development Zones (SAFDZ). He likewise intends to pursue full implementation of the Fisheries Code as well as conduct a review of the MAKAMASA Program which is a commodity-based program that aims to increase productivity and seeks to transform it into a total agribusiness system approach.

Rural infrastructure support for agriculture such as roads and irrigation and the vital role of credit and other financing schemes are likewise recognized as priority areas by the new government. Within the first quarter of this year an innovative financing scheme that will encourage banks and financial institutions to extend credit to farmers with no or partial collateral will be pilot tested. Regarding rural infrastructure, Secretary Montemayor will favor more innovative schemes to develop least-cost rural infrastructure requirements. Public-private partnerships such as in build-operate-transfer schemes are likely possibilities.

Central to the AFMA is irrigation and Secretary Montemayor recognizes water resource management as a key in modernizing Philippine agriculture. The new Ag. Secretary has announced his intention of creating a Task Force on "The National Water Resources Management in Agriculture" composed of public, private and farmer groups within the next 100 days. On the more immediate concern, a Command Conference with "Water in Agriculture and El Nino" as a priority will be called for anticipation of another dry spell in the second half of this year. The Department of Agriculture (DA) has allocated a stand-by budget of P50.7 million for possible emergency use on some 1.2 million has. of rice farms and 420,000 has. of corn land that may be affected by the drought.

Mindanao will be developed to be truly the food basket of the country and Secretary Montemayor will support further Mindanao's contribution to the country's total agriculture/fisheries production and domestic food trade. During the recently concluded Third Mindanao Food Congress, participating agribusinessmen have asked President Gloria M. Arroyo to expand the irrigation plan to construct new irrigation systems covering from 94,000 has. (which the DA had earlier set) to 200,000 has. of new land from 2001 to 2004. In addition, five new foreign-assisted projects involving a total approximate amount of P30 Billion are also being implemented in the region. The focus of these programs are irrigation, farm-to-market roads, and post-harvest facilities.

Participants in the Congress have also requested the government to support the adoption of

modern agricultural biotechnology which they claim will benefit farmers in terms of higher productivity and increased earnings. They have asked the new administration and NGO's to be more open minded regarding the benefits of this new technology. Although it remains to be seen how President Arroyo will decide on this request as the Chief Executive had earlier reportedly expressed her apprehensions on biotechnology, Secretary Montemayor is quoted as being open to the commercialization of certain genetically modified (GM) crops provided certain conditions are met. Before commercialization of GM seeds will be allowed, seed companies must first prove that GM crops will have no adverse effects on human health and environment, according to Secretary Montemayor.

To raise more funds for his agricultural development agenda, Secretary Montemayor has expressed his support for initiatives undertaken by civil society and farming groups to recover the controversial coconut levy funds. A coconut levy was collected during the Marcos era and intended to be utilized for the development of the domestic coconut industry. The fund reportedly amounts to around P50 Billion.

Mr. Montemayor has also expressed his desire in addressing trade imbalances and other trade-related issues through bilateral and multilateral talks and negotiations. In trying to enhance trade and fiscal incentives for agriculture, the DA will begin bilateral trade and negotiations with countries which have expressed desire for greater trade. These countries include Australia, Canada, the U.S., and Iran-Iraq with a possible oil-for-fruits countertrade arrangement.

Lastly, Secretary Montemayor, being the former Party-list member at the Lower House representing the peasant sector, he recognizes that people empowerment is a necessity of any sound agricultural program. He is for the creation and transformation of small farmers organizations into strong economic forces to attain competitiveness. He is a strong advocate of increasing farmers income and not just productivity. In his keynote speech during the Mindanao Food Congress, Mr. Montemayor stated "I have long shared your disappointment in the way we have conducted our global trade relations. For while we quickly and widely opened the agricultural sector to global competition, we dismally failed to provide the safety nets our farmers need in the ten-year period transition - that started in 1995 and will end soon in 2004."