DEVELOPMENT IMPERATIVES FOR THE PHILIPPINE COCONUT SECTOR

I. INTRODUCTION

This paper summarizes the results of the consultations conducted by the “Economic Policy Reform Advocacy (EPRA)” project. The EPRA project had been implemented by the Economics Department of the Ateneo de Manila University in cooperation with the USAID since 2005. The project covers six sub-sectors – one of which is the agriculture sector.

The objectives of the project are 1) to enhance the capability of civil society organizations in economic policy advocacy work, and 2) to pursue specific policy reform agenda based on the needs of the sector. In the last three years, in each of the sub-sector, the project is implemented through the Multi-Stakeholders’ Team (MST) which consists of a key NGO partner, a subject specialist (technical consultant), a project development specialist, and preferably an “agency champion”.

Among a number of policy issues that the agriculture MST pursued pertain to the development issues confronting the coconut industry sector. This paper is an appropriate contribution of EPRA project in the “coconut industry week celebration” spearheaded by the Department of Agriculture (DA). While most of the issues and recommendations outlined in this paper are not necessarily new, the project reiterates the importance of addressing the development issues of the coconut industry sector if the government is to move successfully in its poverty alleviation program.

II. IMPORTANCE OF THE COCONUT INDUSTRY IN POVERTY ALLEVIATION PROGRAM

The major reason why the MST agriculture chose to include the coconut industry in its priority agenda is that the development of the coconut sector is central to the objective of reducing poverty especially in the rural areas, and can contribute building a just and sustainable peace in the countryside.

There are about 3.4 farmers and workers dependent on coconut-based livelihood (Faustino, 2006). The coconut industry comprises the largest farm area (3.3 M ha and 1.4 M farms) in Philippine agriculture.

The industry has performed dismally over the years. While coconut products contribute nearly half of agriculture exports (generates the largest agri-food export), many coconut farmers and farm workers live below poverty line – a huge irony considering the industry’s contribution to the country’s economy. Coconut regions host among the largest number of rural poor. As a consequence, coconut areas are almost always the sites of insurgency in the country.

On the other hand, coconut industry has great potentials for growth from both production expansion and market-led product diversification. It has a huge, untapped resource pool for industry development (the coconut levy funds) which has been locked in legal battles since 1986.

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1 Results of the consultations and discussions of the “Economic Policy Advocacy Project (EPRA)” with the sector’s stakeholders. (coconut farmers, economic development scholars, business sector and the concerned government agencies).

2 Other sub-sectors are Financial Market Development, Fiscal Management, Tax Administration, Private Investment in Public Infrastructure, LGU Financial Planning and Management.

3 For the agriculture sector, EPRA worked with the Caucus of Development NGOs (CODE-NGO), with Dr. Eliseo Ponce as the Subject Specialist. The agriculture sub-sector was privileged to have the active participation and support of Usec. Segfredo R. Serrano of the Department of Agriculture as “agency champion”.

4 Poverty incidence remained very high at about 75% (World Bank, 1998)
III. IDENTIFIED ISSUES AND RECOMMENDATIONS

1. The Need for a Unified Direction for the Coconut Industry

The first major problem confronting the coconut industry is “the lack of top level commitment which has led to a lack of a serious development program for the industry. The perception among many that the coconut industry is agriculture’s “orphan child” has resounding evidence in the lack of sustained roadmap for the industry. It is also manifested in constant changes in PCA management, and the severely inadequate funds allocated for the development of the industry. This malaise contrasts with the resource commitments for the rice industry.

The coconut industry is a study in contrast. The coconut farmers form the largest stakeholders in Philippine agriculture but are among the most impoverished. Land diversification potential is among the highest but gets little support from the government. If the Government desires a high growth in agriculture and job creation in the MTPDP, it has to look at the coconut lands as a major vehicle.” (Dy, 2006).

Coconut had always been among the country’s top agricultural export. However, for many years, the coconut farmers in the Philippines had been focused in the production of copra which is processed into coconut oil. The technology of copra production itself remained backward. Production and productivity continuously decline as the rate of senile and nutrient deficient tress increase every year – plus the increased rate of illegal coconut tree cutting.

The major cause of this is the non-competitiveness of coconut oil in the international market as it competes with sixteen (16) other oils and fats led by soybean, palm kernel oil, rapeseed, sunflower seed and cottonseed oil.

Coconuts offer a wide array of products and by-products starting from the coconut meat. Most promising in the international market today is virgin coconut oil, oleochemicals and the coco methyl ester or biodiesel.

RECOMMENDATIONS

a. It is quite clear that the competitiveness of coconut products is not in copra production and vegetable oil; but on the evolving advantages of coconut on health, wellness, and the preservation of environment. Thus, it is important to explore a possible shift in the focus of the coconut industry from vegetable oil to oleochemical products for food, nutraceutical products, and other potential value added products.

b. The point mentioned above must be treated in the context of a unified and integrated direction for coconut industry. Thus, to move the industry forward, it is recommended that the government formulates a "stakeholder, market-driven roadmap" for coconut industry development including a viable scheme for resource allocation based on social and economic returns.

c. The road map must engage the basic sectors (farmers and workers), business sector, and civil society organizations in program design, implementation and monitoring.

d. The road map must be translated into a strategic plan by concerned agencies. Unlike the coconut master plan, the strategic plan must contain clear vision for the industry, an identification of outputs and outcome, a clear and viable description of strategies that it will employ, and an evaluation and monitoring mechanism.

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5 Roadmap is meant here as a strategic plan where all stakeholders have agreed to be guided regardless of changes in political leadership. Contrary to some perceptions, it is not a government mandated (top-down) plan.
However, within the context of the strategic plan, it is important that government agencies understand its roles as a government sector (See Section No. 2 below).

e. It is also important to review the role (and effect) of the CIIF structure as to its influence in the copra market, and how it can attract the needed shift to new alternative coco-based products.

2. **The Need to Make the Agriculture Bureaucracy effective, efficient, transparent and accountable.**

A good development roadmap and programs will need an effective and efficient bureaucracy as a vehicle for implementation. Transparency and accountability would improve credibility and invite the trust and support of the constituency.

Despite the devolution of agricultural support service mandated by the 1991 Local Government Code, the agriculture bureaucracy remains very centralized in its program planning and implementation. As a result, the design of the programs usually fails to address and consider the particular and varying needs and situation of the local communities, hampers the creativity (and ownership) of the local government units and the local coconut sector, and maintains the attitude of dependence on national government. Furthermore, the centralized system is often vulnerable to political concessions.

The centralized system of planning and implementation also diverts the attention of the national government from its real roles and functions – creating an appropriate policy environment rather than implementing specific development programs and projects. The latter is better given to the local government units, the business sector, the coconut farmers and farm workers and civil society organizations.

The agriculture bureaucracy remains politicized. Leadership changes happen too often. This results to very unstable programs. Appointments and promotions among the rank and file of the bureaucracy are perceived to be highly political as well. This often results to unprofessional, demoralized and inefficient bureaucracy.

**RECOMMENDATIONS**

a. It is recommended that the agriculture bureaucracy be restructured towards an effective, efficient, transparent and accountable organization. The rationalization plan (EO 366) is a good start, which should be followed-through.

b. The national government must review, study, and understand its proper role in development – e.g. performing key functions in creating appropriate policy environment (provider of public goods) rather than implementers of specific projects on the ground. The LGUs must be developed as implementers of specific functions in their locality. This requires continuing efforts for decentralization including the allocation of funds.

c. The Civil Society Organizations recommend that the system for peoples’ participation (e.g. National/Local Councils) have to be improved so as to provide real and meaningful participation by the people, especially the farmers and fishers, in policy making and program designing, planning and monitoring. The coconut farmers specifically recommended that a “Local Coconut Development Councils” be established at the municipal level (preferably even at the barangay level).

d. The system for civil service employment, hiring, appraisal and promotion must be allowed to operate to avoid so much political intervention in the bureaucracy.
3. **The Need to Improve the Research and Development and Technology Extension at the Local level, and the Regulatory and Coordinative Function of the National Government.**

During the series of consultations, the improvement of Research and Development was a prominent concern of all sectors – economic scholars, business, government agencies, and the farmers sector. For example, there was mention of the importance of establishing the scientific basis of the health claims of the virgin coconut oil, the efficiency of various processing technologies for coco-coir and geo-textile products, development and propagation of HYV coconut planting materials, etc. In the case of the PCA, it may be better to focus its function on research and development.

In particular, the farmers’ sector verbalized the need for effective agricultural extension. The notion of how to do “extension” work must be reviewed. The farmers recognized the need to assist and develop the capacity of the local government units to do this function. Participation of the farmers themselves as local agriculture technicians was highlighted.

It was observed that various government agencies conduct similar coco-related projects and activities – sometimes in the same locality. The situation highlights the need to develop a mechanism for coordination to maximize common opportunities – resources, technology, capabilities, focused impact, etc.

**RECOMMENDATIONS**

a. The national government must take serious action to allocate sufficient funds for research institutions to conduct the needed researches. Along with this, it is important to review the structure of the bureaucracy (see recommendation # 2) to streamline and integrate the research function which is fragmented in the current bureaucracy structure. e.g. PCA must focus on research and development (or regulatory function).

b. It is also recommended that a new way of doing “extension work” within the Department of Agriculture be introduced and propagated. The NGOs and POs emphasized that one of the important components of agricultural extension work, aside from training on available technology as commonly understood, is the social infrastructure building. It is the capacity of the local extension persons to integrate with the communities, define their issues and problems and formulate plans of action with the communities, motivate people for common action (organizing), and evaluate the results.

c. It is recommended that PCA constitute a coordinating mechanism for all the government agencies having coco-based projects and programs. The objective is to maximize the opportunities in project implementation in terms of resources, capabilities, technologies, and impact.

4. **The Need for Speedy Resolution of the Coco Levy Fund Cases**

While it is important to address the problems plaguing the coconut industry with or without the coconut levy fund, the speedy resolution of the coconut levy fund cases, its judicious fund management and utilization would spell a big difference in the capacity of the sector and the government to introduce effective and sustainable development interventions.

The following basic considerations are recommended in the process of the resolutions of the coco levy fund;

a. the participation of the small coconut farmers in deciding the future of the coconut industry must be pushed and institutionalized at all levels;

b. the government should exhaust its efforts in obtaining the Writ of Execution from the Sandiganbayan on the case of the CIIF-SMC shares. It will enable government to liquefy the said
shares and gain a substantial amount of at least Php 50 billion in liquid cash that it should use for programs to develop the industry and its farmers;

c. Prior to liquefication of any recovered coconut levy asset, it is important to determine viable, transparent and inclusive structures and mechanisms that shall ensure the delivery of meaningful development programs for the farmers and the industry. (Faustino, 2006).

5. **Completion of the Implementation of Agrarian Reform Program**

a. The economic scholars have expressed that the policies brought by the agrarian reform law have made all lands covered by the program ineligible as loan collateral to financial institutions. This is one of the reasons why there is declining investment for agriculture in recent years. They recommended to amend the agrarian reform law to make the farms once again ineligible as collateral for agriculture loans.

However, the coconut farmers objected the above proposal because they believe that such action will result to re-concentration of land ownership in favor of the previous wealthy landlords. The economic scholars believed that the issue of possible land re-concentration can be resolved through other forms of policy instruments, not necessarily by making lands ineligible as loan collateral.

b. On the other hand, the farmers claimed that one of the reasons why farmers are not willing to make long term improvement in their farms is that, until now, they do not own the land they till; thus, they do not have clear assurance to benefit from such improvement in the long term. Their recommendation is to complete the implementation of the agrarian reform as soon as possible, and to continue in promoting social justice for all.