SOCIO-ECONOMICS AND POLICY SUPPORT TOWARDS ENHANCING THE ORGANIC VEGETABLES INDUSTRY IN THE PHILIPPINES

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I. Introduction

In the Philippines, vegetable as part of Filipino subsistence, be it as food or as source of livelihood, cannot be undermined. The government and private sector who are involved in the organic value chain aggressively attempted to promote organic vegetable production throughout the country. The interest among producers and consumers of organic products, particularly vegetables, increased over the years as a result of health and environmental concerns. The ecological implications of organic vegetables production are in accord with the government's policy of advancing the right to a balanced and healthful ecology in concurrence with the rhythm and harmony of nature.[3]

However, a major challenge to program implementation in the country are data and information gaps on organic vegetable production and marketing, which constraints national and local planners, practitioners and stakeholders from aggressively pushing for more initiatives to support the organic agriculture industry. A very pressing issue is the absence of reliable estimates of actual production area and number of total organic producers. Recent estimates place the number of internationally certified organic farms in the Philippines to about 500, with a combined area of 200 hectares. If the farms under in-conversion status are included, the total production area, including domestic producers, is about 3,500 hectares (POARM, 2007).

The Philippine government acknowledges the inadequacy of the database, apart from the minimal and fragmented research and development efforts on organic farming, and on organic vegetables production in particular. Hence, the government embarked on the packaging of a national R&D program to ensure the development of a progressive and sustainable organic vegetables industry through effective interventions and future technology promotion strategies. Thus, the Socio-Economics and Policy Support Program component of the National R&D for Organic Vegetables was conducted. The program and the component projects served as basis for identifying interventions, strategies, and policy directions to boost the organic vegetables industry in the country.

II. Documentation of Organic Producers

The organic vegetable growers in the Philippines are generally smallholder farmers organized through associations and cooperatives. They receive assistance from national government agencies and NGOs. Farmers in some areas are full-organic vegetable producers, while in other areas, farmers remain in-transition or in-conversion.

The vegetable growers relied on their indigenous knowledge acquired from years of experience in vegetable farming, infusing additional knowledge and skills learned from

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trainings on the use of organic inputs and technologies. The organic fertilizer and organic pesticides use and method of preparation were generally similar around the country except for the raw materials used, which depend on readily available raw materials. Organic technology utilization was low with limited kinds of organic vegetable produced and limited area devoted to organic vegetables. The capacity of farmers to adopt organic farming standards, including labeling and certification, is low except in one province, Nueva Ecija, where organic farmers are familiar with the Philippine National Standards, and implement their own participatory guarantee systems.

The farmers' business skills are also lacking, which is indicative that they remain to view organic production as a farming endeavor rather than as a business enterprise. The returns in organic vegetable production was promising, given the acceptable at-par and even better yield per 1000 square meter, net income, and return to total operating expenses compared to conventional vegetable production.

The risks and problems in organic vegetable production included erratic and unfavorable weather conditions, natural calamities, lack of knowledge, skills and training on organic technologies, lack of available quality organic inputs, reduction in yield and overall agricultural productivity, lack of consumer awareness on the benefits of organic vegetables, rigid organic certification process, lack of incentives and financial support for organic farmers, government bias on green revolution technology, limited market outlets and unstable prices.

III. Supply and Value Chain Improvement

The flow of organic vegetables followed distinct patterns between the three political regions. Generally, in South and Central Luzon, huge quantities were brought and sold in Metro Manila, whereas in Cordillera, although the vegetables were also brought to Metro Manila, huge quantities were also sold within the region. In Cordillera and Central Luzon, the farmers mostly relied on local institutions like NGOs and cooperatives to market their products, while in some areas in CALABARZON, there are a number of organic farms who use their own resources, such as financial capital and professional networks, in bringing and marketing their produce to Metro Manila.

Yield. Farmers claimed that organically produced vegetables produced lower yields and incurred higher production costs than vegetables produced using conventional agriculture. On the contrary, organic vegetables gave much higher percentage on return on expenses or direct investment because of the premium price which was two or three times higher than the conventional agriculture products. The premium price was associated with health benefits and extraordinary demand vis-à-vis limited supply. Generally, the mean yield per 1,000 square meter was generally higher in the conventional method of farming compared to organic farming. During the first few years, yield levels in organic farming are one-third lower than conventional farming. However, this was compensated with a generally higher price and lower cost of production on organic vegetables.

Certification. In buying organic products, consumers are not very particular with the appearance. The only requirement is a guarantee that the products are organic. Thus, certification was important in the promotion and selling of the products. Vegetables

produced by a number of farmers are not certified-organic and ended up in the local market where the prices received for organic vegetables are the same with prices of vegetables produced conventionally.

Markets. Markets for organic vegetables are still small and limited, particularly in Cordillera, and are only concentrated in urban areas. In other areas, most organic farmers considered the lack of market outlets for their products coupled with the lack of awareness of consumers on organic produce as their main marketing problem. On the contrary, farmers who have a value chain support system in terms of technology acquisition and implementation, product marketing and certification, receive better benefits than those without such support systems.

Distribution Flow. In CALABARZON, the distribution flow of organic vegetables was generally from the farm to the market. The vegetables in the region are distributed by the farmers to the wholesalers or consolidators who acted as assemblers, retailers or trading post, and then sold to the consumers. The distribution flow of organic vegetable in Cordillera was simple. Farmers delivered the vegetable to market outlets, then packed into retail quantities and sold directly to consumers and institutional buyers. This set-up demonstrated that the marketing system was efficient in a well-organized niche market because farmers get higher percentage shares from the net profit margin than the market outlet or seller. Market flow of organic products in Cordillera did not pass through a series of market channels and farmers are directly in contact with consumers.

Marketing. Marketing of organic vegetables followed the formal system where negotiation and arrangement on the delivery date and volume was set before products were brought to the outlets. Supply chain for commercially grown organic vegetables was participated in by key players which included the organic input provider, farmer, assembler-wholesaler, retailer and consumer. The supply chain generally follows a traditional supply chain where local markets remain as the major destination of vegetables and continue to play a significant role as a primary retailer for the consumer.

The consolidators (NGOs and cooperatives) drove the chain, while local assembler-wholesalers and retailers were the most common market outlets. The NGOs and cooperatives are a key intermediary in the supply chain of organic vegetables and help link the farmers to institutional buyers on the basis of trust established among the key players. Consolidators, assemblers and wholesalers have market power in the chain, realizing the highest margin for every kind of vegetable sold.

IV. Policy Analysis, Advocacy and Implications

In general, the Philippines Executive Order 481 failed to provide a conducive policy platform for the enhanced and fast tract development of the Philippines organic sector. Its very limited implementation at the grassroots was very ineffective in terms of marginal outreach to organic farmers and funding constraints. The mandated third party certification regulation severely constrained market access particularly among organic smallholders and local/domestic market development.

On the contrary, the passing of Republic Act 10068 encouraged awareness among different stakeholders on organic agriculture principles and practices, importance and

urgency of shifting, converting, or transitioning into organic agriculture to address the real problems brought about by global warming, climate change and health risks.

The organic agriculture platform, through the One Organic Movement (OOM), was a significant development that bonded and solidified the advocacies and wishes of various NGOs, organic farmer organizations, organic advocates, practitioners, and consumer groups. This solidarity and oneness in purpose throughout the crafting of the law and the formulation of the RA 10068 Implementing Rules and Regulations was the stepping stone towards the strengthening, enhancing, and the betterment of the organic industry in the Philippines.

With the Organic Agriculture Act of 2010 in place, the mainstreaming of organic agriculture in the national agricultural development framework and Philippines Medium-Term Philippine Development Plan for 2011-2016, could contribute to the global commitment of reducing greenhouse gas emissions attributed to conventional agriculture. The contamination of water, air, soil and land from chemical fertilizers and pesticides and other toxic pollutants like synthetic fuels and oils can also be reduced.

Philippine Organic Agriculture Policy Development (RA 10068)

The advocacy for organic farming as a key to sustainable agriculture was originally espoused by NGOs and peoples' organizations as an off-shoot of the farmers' experiences in the "green revolution era" which focused on the use of toxic and poisonous chemicals. In the mid-1980s, a group of development-oriented scientists and workers, together with farmer groups, propagated rice farming technology that brought a wide array of farming practices that avoided the disastrous effects of total dependence on purchased chemical inputs and technological support. Private individuals and advocates of sustainable agriculture followed suit.

Then in the early 1990s, environmentalists and agriculturists became interested in the concept of Sustainable Agriculture. Since the Green Revolution technology worsened water, air, and soil quality, many groups and institutions initiated ways to promote and encourage Sustainable Agriculture. During 1995 to 2003, more concrete steps were undertaken by the government to give support to Sustainable Agriculture and the Organic Movement. This period was mainly characterized by the formation of Organic Standards and formal commencement of R&D undertakings on Organic Agriculture.

In the years of 2004 to 2010, organic advocates departed from adhocracy approach and moved on to decisive policy instruments that can gear up the promotion and the strengthening of organic agriculture in the Philippines. Executive Order 481 was signed in 2005 to promote and establish organic agriculture through the National Organic Agriculture Board. Organic advocates realized that the EO was not sufficient in promoting and mainstreaming organic agriculture. House and Senate Bills on organic, biodynamic, ecological, natural, and sustainable agriculture were drafted but never passed from the 9^{th} to 13^{th} Congress of the Philippines. Stakeholders were convened in 2008, with the emergence of informal solidarity among NGOs, POs and CSOs to assist in the passage of the law and ensure that the new law, the Organic Agriculture Act of 2010, is pro-farmer, pro-producer, pro-health, pro-environment, and pro-consumer.

V. Recommendations

General Recommendations. Primarily, the cost of the third party certification must be decreased to mitigate the burden on the farmers. The organic certification period should also be extended so that farmers do not have to apply for, and undergo with, the certification process every year, but subject to random and on the spot audit procedures to detect or decertify violators. Holistic and massive promotional campaigns is necessary to inform farmers on the environmental and agricultural issues and hazards of conventional farming, as well as to increase consumer awareness on the harmful effects of chemical residues from conventionally-grown products. Consumer awareness campaign on the environmental and health benefits of organic and naturally-grown products is also needed. More farmers should be capacitated, informed and trained on sustainable, organic and ecological farming, and there must be localization of organic vegetable production as a priority program of the Department of Agriculture and local government units in greater collaboration with organic farmer organizations, NGOs, civil society organizations, and private sector. There is also a need for easier access to government support and services in terms of facilities, infrastructure, training, extension, credit, as well as R&D results and its technology transfer.

Supply Chain Improvement. Certification of organic farms must be localized to ease the burden of the cumbersome process, and that farmer organizations be strengthened and aided for training and education, technology-generation as well as market linkaging and promotions. In order to entice and promote more organic production among farmers, and to convince conventional farmers to convert to organic farming, the benefits of the existence of an organic agriculture support system must be given emphasis, in terms of funding and institutional support. There is also a need for concerted involvement of government agencies in the promotion of organic products through the formulation and implementation of organic agriculture development programs and local market development through organic trading posts and retail shops.

Policy Analysis and Advocacy. The awareness on organic agriculture principles and practices, importance and urgency of shifting, converting, or transitioning into organic agriculture to address the real problems brought about by global warming and climate change, health risks attributed to poisoned farm products caused by chemical fertilizers and pesticides, and unsustainable production system resulting in the degradation of soil fertility due to conventional agriculture, must be addressed through massive quad-media information, education, and communication materials and dissemination drive to the general public and extension education services. There is a need for the government to fast tract the internalization and institutionalization of the substance and philosophy of sustainable, organic and ecological agriculture among its development partners and multi-sectoral and multi-disciplinary stakeholders in the government, private sector, NGOs and civil society organizations. Indigenous local and science-based organic materials, technologies and practices need to be inventoried, properly documented and field validated, screened, and promoted. Such can provide farmers the whole gamut of options and plethora of workable, cost-effective and reliable technologies and practices, and organic materials and inputs. Finally, the government and private sector must collaborate in conducting science- and technology-based RD&E services on organic agriculture.