

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT REVIEW PAPER FACESHEET TO BE COMPLETED BY ORIGINATING OFFICE		1. TRANSACTION CODE ("X" appropriate box) <input type="checkbox"/> Original <input type="checkbox"/> Change <input checked="" type="checkbox"/> Add <input type="checkbox"/> Delete	PRP DOCUMENT CODE 2 47p
2. COUNTRY/ENTITY PHILIPPINES		3. DOCUMENT REVISION NUMBER	
4. PROJECT NUMBER 492-	5. BUREAU a. Symbol ASIA b. Code 04	6. PROPOSED PP SUBMISSION DATE mo. yr. 07 76	
7. PROJECT TITLE - SHORT (stay within brackets) <input type="checkbox"/> Integrated Agricultural Production Marketing		8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL FY [7] b. FINAL FY [8] 3	

9. ESTIMATED TOTAL COST (\$000 or equivalent, \$1 = 10.00 pesos)

a. FUNDING SOURCE	FIRST YEAR FY 77			ALL YEARS		
	b. FX	c. L/C	d. Total	e. FX	f. L/C	g. Total
AID APPROPRIATED TOTAL	1231	199	1430	11248	3256	14 504
(Grant)	(831)	(199)	(1030)	(9526)	(3256)	(12,782)
(Loan)	(400)	()	(400)	(1722)	()	(1722)
Other 1.						
U.S. 2.						
HOST GOVERNMENT	17	24	41	95	5323	5418
OTHER DONOR(S)						
TOTALS	1248	223	1471	11343	3579	19 922

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)

a. Appropriation (Alpha Code)	b. Primary Purpose Code	c. Primary Tech. Code	FY 77		FY 78		FY 79		ALL YEARS	
			d. Grant	e. Loan	f. Grant	g. Loan	h. Grant	i. Loan	J. Grant	k. Loan
FN	B143	070	1030	400	2743	1322	3016		12782	1722
TOTALS			1030	400	2743	1322	3016		12782	1722

11. PROJECT PURPOSE(S) (stay within brackets) Check if different from PID
 1. To make available to government, agricultural universities colleges and training centers and to existing small farmers' cooperative organizations, trained and experienced agriculture marketing experts; 2. To establish rational national policies relating to the production processing, storage, distribution, marketing and/or export of rice, corn sorghum, soybeans and other specified crops; 3. To provide tested technological packages for optimized farm production and farm product management to small farmers, processors, distributors and exporters; 4. To extend vital agriculturally-related government services to reach remote rural areas.

12. WERE CHANGES MADE IN PID FACESHEET DATA, BLOCKS 12, 13, 14, or 15? IF YES, ATTACH CHANGED PID FACESHEET.
 Yes No

13. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 See Section 9 of P.R.P.

14. ORIGINATING OFFICE CLEARANCE		15. Date Received in AID/W, or For AID/W Documents, Date of Distribution
Signature Garnett A. Zimmerly	Date Signed mo. day yr. 05 24 1976	
Title Director		mo. day yr. 06 02 1976

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1. Priority and Relevance

The purposes of the project are the objectives of the individual sub-projects. There are four major thrusts to the program to be carried out through separate but closely integrated projects.

1. (Academic Thrust) To make available to government, agricultural universities, colleges and training centers, and to existing small farmers' cooperative organizations, trained and experienced agriculture marketing experts, to meet the respective requirements of those organizations within the specified program impact area.
2. (National Policy Thrust) To establish rational national policies relating to the production, processing, storage, distribution, marketing and/or export of rice, corn, sorghum, soybeans, and other specified crops.
3. (Technological Package Development Thrust) To provide tested technological packages for optimized farm production and farm product management to small farmers, processors, distributors and exporters within the specified program impact area.
4. (Outreach Extension Thrust) To extend vital agriculturally-related government services to reach remote rural areas where and when necessary.

The project is focused on a single set of goals to which each of the constituent sub-projects contribute, and which actually will be realized in the target area within the project time-frame. While program successes will be immediately fed into national programs focused on these identical goals, full national achievement will be a post-program accomplishment, assuming continuing government support in the post-program period.

The project has three goals:

1. To optimize the small farmer's income from his land.
2. To minimize losses from waste, spoilage and nutritional deterioration from the farm to the domestic or foreign consumer.
3. To realize maximum possible net foreign exchange earnings from exported food surpluses and to identify import substitution opportunities.

These common goals are the key to rational integration of the individual projects comprising the program.

Agricultural development has brought the Philippines unprecedented rice and corn harvests in the current year. Irrigation has permitted the use of high-yield variety seeds, and the production of two or more crops per year. In some areas, continuous cropping is already practical, and several enterprising farmers have introduced and adapted Japanese intensive rice cultivation methods resulting in annual yields as high as 22-25 MT per hectare.

This country has highlighted several serious deficiencies in the nation's crop management and marketing facilities hitherto by seventy-five years of almost continuous production deficits.

Present facilities for drying and storing rice are inadequate for year round production and harvesting. Even though every possible stretch of hard surface has been pressed into service (church yards, school yards, sports areas, parks, public squares and even roadsides), there is not enough solar drying capacity to handle present supplies.

Late rains, lingering long past the usual end of the rainy season, while highly beneficial to second crops in the fields, militate against farmers totally dependent on solar drying.

Almost every shelter has been diverted from its normal use to provide storage for the rice and corn harvest. But even this has proven inadequate.

Lacking adequate storage, particularly in view of the unseasonably wet weather, many farmers feel constrained to sell off their harvest before it is lost to predators and the elements. In some areas, this has thrown a large supply on the market for which there is no corresponding demand, resulting in sacrifice sales to grain speculators at prices which approach parity with production input costs, and do not offer the farmer sufficient return on his labor.

With the bumper rice crop, some areas have also been struck by exceptional increases in local rodent populations. In the province of Nueva Ecija alone the estimated damage to rice from rats is twenty million pesos. These rodents not only devour the standing crop before harvest; they join barnyard livestock and poultry in feeding from the threshed grain

which has been spread for solar drying. Makeshift grain storage facilities offer little protection from rats and other predators who follow the grain into storage, continually reducing the amount which will finally reach the consumers.

One of the major questions facing agriculture planners today is what to do with the sudden surfeit of rice. Even though it has been the object of planning for years to reach self-sufficiency in rice, the achievement has in a certain sense caught the country unaware and unprepared. The alternatives are clear: either the country has to cut back production to current market levels, or expand the present market, unless it is willing to permit prices to sink to levels which would be ruinous to small producers.

Significant cutback in rice production is not an acceptable alternative. Rice farmers, by and large are not able to switch to production of a new crop with which they are not familiar. Alternatives would have to be identified, technological packages developed, introduced to and accepted by large numbers of farmers before such a course becomes feasible, even for a limited number of marginal rice producers. Nationally, such a course would be tantamount to a return to the uncertainties of the past seventy-five years. Finally, a cut back in production of its major food crop before adequate stocks have been established is unthinkable in a nutritionally deficit country.

By far the most attractive course to the Government is to produce for export. The combination of the world energy crises with recessions in the Philippine's major export markets (Japan and the United States) is causing a major balance of payments deficit (See Analysis attached). The preferred course of action therefore is to expand storage facilities enough to maintain stocks sufficient to protect the country against future adverse production years, and seek markets to permit export of the surplus.

Grain Marketing Problems

A realistic appraisal of the present situation indicates that Philippine hopes of entering the rice export market would most probably be frustrated without a substantial overhaul of the rice marketing system.

Most rice on the domestic market contains an extremely high percentage of brokens - far in excess of the levels which would be acceptable in other Asian countries.

Even rice purchased in markets catering to the high income trade must be painstakingly picked over manually in the home to remove stones, dirt, animal feces and other foreign matter before it can be cooked.

Current Philippine law, intended to preserve more of the rice nutrients, prohibits milling rice to the "polished" stage demanded in many foreign markets. The resultant product, locally referred to as "second class" or "brown" rice, may not be marketable at preferred prices in many Asian countries.

Although standards for moisture content exist, they are difficult to attain, problematical to verify, and next to impossible to maintain for long in many parts of the country, given the high humidity, abundant rainfall, periodic flooding and almost total absence of modern processing, storage and transportation facilities.

Grain handling facilities are mostly intended for off-loading ships bringing wheat and other grains into the Philippines. They are generally located near large centers of consumption; ideally situated for importing grain into the country for processing, and marketing, but possibly prohibitively far from production centers to permit high-quality, low-cost export of significant quantities of Philippine rice.

To supply these deficiencies will require substantial capital, modern technology, and entrepreneurial and managerial expertise of a high order.

Capital for such ventures could probably be made available if risk were reduced to an acceptable level. One of the major causes of high risk is a lack of local marketing expertise.

Despite world renown achievements in rice research and the development of production technology, similar development of market research and marketing technology has not occurred.

Training in market development planning is simply not available to Filipino agriculture students within the country and marketing management training is oriented toward principal commercial commodities.

This deficit in marketing expertise has been recently exacerbated by divorcing former land owners from the marketing process. In many cases the former landlord was the sole source of marketing

expertise available to the tenant, who in many cases, is pitifully, even helplessly, ignorant of market forces. Indeed, the former tenant on his own is seldom a match for sharp dealing jobbers who, given the opportunity, ply on the tenants fear and ignorance to convince him to sell at sacrificial prices.

Although in principle a federation of the Samahang Nayan presents a potentially counterbalancing force, permitting the small producers to market cooperatively, at present they lack the necessary expertise to establish and manage a profitable processing-storage-marketing system.

At present the Samahang Nayan can neither hire qualified marketing managers, since few are available in the country, nor can they acquire expertise through training programs for Market Managers, since little is being offered in this field. Furthermore, no major institution has yet generated a program capable of training market managers on the scale required.

The marketing picture is still further darkened because the National Grains Authority (NGA) which has the responsibility for maintaining minimum farm prices and ceiling prices for consumers, was designed to function in a country accustomed to grain deficits. Record harvests in all areas of the country caught the NGA without an adequate mechanism for quickly, if temporarily, extending its reach, when and where needed, to buy up rice at official minimum prices. As a result, many farmers fell easy prey to speculators' pressure to sell at sacrifice prices on rumors that the Government would renege on its promise to sustain the minimum price, or would simply lack funds or the physical capacity to act as the buyer of last resort.

Faced with unprecedented sellers competition in the market, assailed by doubts that the Government buyers could or would reach them, and with little or no capacity to process their crops and preserve them safely until the situation clarified, most farmers, particularly in the more remote areas believed they had not other recourse but to accept whatever was offered. In some cases the price offered by speculators just met, or even fell short of the farmer's production investment.

Other Problems in Pursuing a Rice Export Policy

As the problem facing the rice producer are largely solved, and irrigation, easy credit, high-yielding seeds, intensified farming, and other advances in production technology reach the farmers, and are accepted and implemented, competition will inevitably drive marginal producers out of rice cultivation. The question is, where will the inefficient operator, or the owner of an inefficient rice farm turn to provide a living for his family?

Corn

Next to rice, corn is the most important grain produced in the Philippines. Corn is the staple diet of 10% to 20% of the population. Although not as disease resistant as high yield rice varieties perfected for use in the Philippines, corn varieties have been developed which have increased farm yields significantly. Corn farmers are reaping a record harvest throughout the Philippines. Small farmers face the same basic problems in domestic marketing as do rice farmers. Requirements for processing/marketing expertise is already great and growing. There is no solution yet in sight.

Present production trends tend to indicate that domestic corn markets in Asia will continue to expand due primarily to the rapid population growth in the Asian countries. But compounding this is the development of livestock industries and other uses of corn. However, according to a recent international agribusiness conference jointly sponsored in Tokyo by the Business School of Harvard University and the Philippine-based Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA), regional corn deficits could be considerably rectified. Delegates to the conference acknowledged that Asia would increase its chances of achieving self-sufficiency in corn if better coordinating mechanisms are developed among input suppliers, farmers, processors, distributors, assemblers, transport systems and financiers in the corn producing countries. The conference identified the small farmer as the key to the problem of increasing the supply of corn. Since most landholdings in Asia are small, the delivery system for new productive technology must be mainly focused on the small farmer, not only to increase production and income, but also to improve his quality of life. The Philippines is eager to pursue such a policy, and is working on the problem but progress is seriously constrained by lack of knowledgeable market development planners and experienced market managers.

Soybeans

Production of soybeans has remained very modest in the Philippines. Local production lags behind demand to the extent that the country's feedmillers have had to import about \$17 million worth of soybean meal annually. Although soybean production research has necessarily lagged behind rice and corn, a major breakthrough in the development of high yielding and early maturing soybean varieties was recently announced by the Philippine Bureau of Plant Industry. Two new varieties called V-soyl and V-soy II can out-perform other varieties by as much as 400 percent. Because of bigger pods, higher protein content and better eating quality, the new varieties are considered to be far superior to imported types. In test trials, V-soy I and II yielded from four to six tons of soybeans (green pods) compared to only one to one and a half tons for older varieties. In addition, they mature after 70 to 85 days compared to 110-135 for other varieties, thus permitting two croppings per year. They have also been reported to be highly resistant to plant pests and diseases.

Before use of these new varieties becomes widespread, a technological package for production must be developed and disseminated, and farmers convinced to risk growing a new crop with which most will have had no prior experience. As with rice and corn, processing and marketing technology must be developed and imparted to a corps of skilled experts who can act on behalf of the producers. Local purchasing points must be established to convince farmers that he could sell whatever quantity of soybeans he might have to sell and at a price that offers him an incentive to produce. Additional investment will also be required to expand processing and distribution infrastructure.

Sorghum

Although sorghum is not widely used in the Philippines at this time, there is significant interest in its use as a feed constituent, and, collaterally, as an ingredient to improved weaning foods for infants and malnourished children. Feed producers have expressed strong interest in adding sorghum to their balanced feeds. However, this would require adjustments to processing equipment which they are unwilling to underwrite until assured of a continuous, adequate supply. Many farmers have expressed interest in growing sorghum but will not risk planting this new crop until they have an assured market.

Other Crops

While research is going on in the Philippines on such other crops as cotton, peanuts, sunflower and other oil seeds, various legumes, fruit and vegetables, none of these can develop significantly until practical production and marketing packages have been developed, and marketing manpower has been trained.

The Optimum Mix

For many small farmers, maximizing income means diversifying their operations. In contrast with those who have an overwhelming economic advantage in the continuous cultivation of a single crop, others can only realize the full income potential of their lands by rotating two or more crops or by simultaneous cultivation of a select package of crops with or without production of livestock, poultry, fish, fruit, fibers, tobacco or other cash crops products for sale.

The Role of Risk

Despite the fact that many of the most spectacular developments in tropical agriculture have been worked out in the Philippines, Filipino farmers have been slow to profit by them. However, Filipino farmers will adopt to change rapidly when his apprehensions regarding risk can be reduced. The most significant example of this phenomenon is probably the case of rice. In spite of the fact that the first high-yielding varieties emerged from the International Rice Research Institute at Los Banos, Laguna, Philippines in 1966, the Filipino farmer has been much slower to benefit than his counterparts in other nations. By 1970, only about 50 percent of the farmers were using HYV's. Research specialists at the University of the Philippines at Los Banos report similar phenomena in connection with the acceptance, or rather non-acceptance of new earlier maturing, higher-yielding varieties of coconut, sugar and other agro-products. This conservatism appears to be motivated throughout the income spectrum from subsistence farmer at one end to the millionaire sugar baron at the other, by a common fear of gambling what one has against the possibility of gaining something more.

This fear is augmented by an almost innate suspicion of whatever comes from the outside. For centuries, until a very few years ago, not much good could be expected from outside the family or the neighborhood. Recently when approaching the owner of a vast sugar plantation with a new variety which would have shortened his growing season and substantially increased yields,

the planter dismissed the young research expert with the suspicious query: "If you can grow sugar better than I, then why aren't you a millionaire like I am?"

The small coconut grower was convinced that a new variety would produce nearly four times his present yield, but rejected change with the query: "I know I would be better off once the new trees began to yield, but how would I feed my family until then?"

Perhaps the dillimma was put most succinctly by a subsistence farmer who had rejected the opportunity to test a new, potentially highly profitable crop for a highly motivated young researcher. Referring to the brilliant, highly trained researcher, the farmer said: "He is not doubt an educated man, who knows what he's talking about. But if he makes a mistake he can go back to his place and try again; if I try his seed and I fail, my family will starve before I can grow more of my old crop. If I do as he asks and it works, we would become rich; but if I failed we would die. I would like to be rich, but I dare not risk my family to try.

Integral therefore to my plan for rapid progress in agricultural production, processing and marketing must be a sure means of reducing the perceived risk of the small farmer to acceptable levels. The old risk elements of weather, prices and market outlets are ever present in the mind of the Filipino farmer.

Government Policy

As explained in the Philippines DAP, most Philippine agricultural policy perforce evolved during a period of almost unbroken deficits in major food crops. Agricultural export possibilities were limited substantially to sugar, copra, abaca, and forest products. Now with net self-sufficiency in food production a realistic objective, and exportable surpluses of staple grains a possibility, these policies must be adjusted to cover the new, evolving situation. Production, marketing, price, storage, and export policies must be evolved, together with complimentary adjustments as necessary in credit, taxes, investment and infrastructure programs. The Government has little time to formulate and implement such policies. The requirement is literally for today, It is possible that this year's rice production could exceed current domestic demand by as much as a million metric tons. Policies and tactics evolved for another era must be quickly adjusted if the new bounty is to become a permanent economic asset to the nation and its forty-three million people.

Summary

The Philippines has the potential of not only meeting its domestic goal of becoming more nearly self-sufficient in food production, but of significantly expanding exports of agricultural products thereby contributing to improvement in the national foreign exchange position.

Due to the outstanding progress achieved this year in rice production, the time is maybe near when production of this particular staple will be in excess of the current needs of the country.

In short, export quantities and qualities of many agricultural commodities are already being produced and potential for further expanding production exists. However, certain problems must be resolved if significantly expanded agricultural surpluses are to reach world markets.

Distribution, storage and market expertise must be expanded and made available to small farmer producers through such organizations as the Samahang Nayons and/or private investors.

To facilitate this task, existing institutions must be strengthened and new ones created as required to meet demand for various levels of academic, on the job, and extension training in distribution, storage, marketing consumption and export by the Government, the commercial sector, and particularly by the small producers themselves.

Means must be found to extent modern production technological packages to the small farmer which will optimize output and income while reducing the perceived production risk to the farmer and his family to acceptable levels.

Rational policies governing production, processing, storage, marketing, and export of foodstuffs must be formulated, tested and implemented. These must include collateral changes as appropriate in investment, tax, credit and price policies to establish and maintain an economic incentive for farmers to produce products demanded in the market place and with acceptable price risk.

Means must be developed to extend the operations of critical Government agencies such as the National Grain Authority to the more remote areas of the country, and to strengthen it in all areas during harvest and other periods of peak demands for

their services.

Means must be devised and adequate facilities created to protect and preserve the products of the soil from the field to the consumer. These means must be designed to minimize loss through waste, spoilage and pilferage while insuring that the small farmers, through their cooperative processing and marketing organizations can retain control of their output until they receive a fair return, rather than be forced by lack of facilities, financing and training to sell at sacrificial prices.

For farmers who are at a relative disadvantage in rice production, alternative technological packages for a select number of other crops must be planned, initiated, developed and made available directly to farmers and farm families through education and demonstrations which reduce the perceived risk to the small farm family to acceptable levels.

Urgent action is required through a set of mutually reinforcing policies and strategies such as outlined above to protect the production gains which have already been made, and assure further gains in the immediate future through strengthened and expanded education and training programs and supporting processing, storage, distribution, domestic and export marketing processes.

2. Project Description

- a. The project is proposed to be carried out under Title XII of the International Development and Food Assistance Act of 1975 of the Congress of the United States. The Agency for International Development (AID) will engage a land grant university, Kansas State University (KSU) to assist various agencies of the Government of the Philippines (GOP), the United States Agency for International Development (USAID) Mission in Manila, the University of the Philippines in Los Banos (UPLB) and the Central Luzon State University (CLSU), the Department of Agriculture, GOP; and other institutions as deemed necessary to plan, initiate, and carry out projects of integrated production and marketing for the key agricultural commodities produced by small farmers in the Philippines, KSU will draw upon its faculty and upon the private sector to assist the Philippine agencies through full-time staff and short-term consultants in the Philippines and U.S. training for Filipino participants.

The proposed integrated agricultural production and marketing systems project will be carried out through four major interdependent sub-projects addressing recognized needs for: (1) capability to train Masters Degree level specialists in agricultural and food systems development, plus B. S. level majors and minors in agricultural marketing; (2) analytical support for national food policies and programs; (3) capability to provide tested technological packages for optimized farm production and farm product management to small farmers, processors, distributors and exports within the specific program impact, and (4) more effective outreach and extension methods of transferring profitable technology to small farmers within a food systems context.

Academic Thrust Concept of Operation:

Following final project approval, (est. July 1976), the first ten candidates will be selected to begin their course work at KSU. Candidates will be selected jointly by representatives of KSU and UPLB. At least two of the candidates will be selected from among the outstanding graduates at CLSU who would participate in their selection. Candidates must meet the entry requirements of the graduate schools of both KSU and UPLB. All candidates will be approved by NEDA and USAID. Candidates will be required to serve a minimum of three years with the program following receipt of their M.S. degrees.

Course work will be undertaken at KSU and completed in one year. Thesis work will be undertaken at UP Los Baños on a subject jointly agreed by KSU, UPLB, USAID and in the case of the candidates from CLSU, that university also.

A visiting professor from KSU will take up residence at UPLB to assist with thesis supervision, review and approval, and to sit on final review boards with representatives of the University of the Philippines.

All ten candidates will be expected to complete all requirements for their degrees in not less than six nor more than eight months following completion of course work at KSU.

Following the same procedure, a second group of ten candidates (of which at least two will come from CLSU) will be selected, approved and dispatched to KSU to begin coursework in September, 1977.

Following satisfactory individual completion of all degree work, the candidates will be assigned to work in the program either at UPLB or at CLSU as specified in the final implementation plan. At least one of the new Masters will be assigned a liaison role between the two universities to insure proper feedback and coordination between using (CLSU) and producing (UPLB) institutions.

The new Masters will become the nucleus of the two new, strengthened agricultural marketing faculties. They will assist the KSU/Philippine teams to develop curricula and make all preparations to begin coursework for the UPLB masters program, and the CLSU undergraduate programs, both of which are to be fully underway in 1979, by which time all twenty participant trainees will have won their degrees and been assigned in the program.

At least ten MS candidates from the first class at Los Baños will be assigned as teaching fellows to CLSU following completion of their course work.

The non-degree post-graduate courses at both universities are to be offered to qualified holders of Agriculture, Agric. Ed., or Agric. Engineering degrees who wish to broaden into Agricultural Marketing, but who cannot take time to pursue the full MS program at UPLB. Candidates from government and the private sector, particularly managers of small farmer cooperatives, will be accepted even without the Bachelor's degree, if otherwise qualified by experience.

all

By 1982/institutions will have been fully operational for from one to three years. They will be providing trained marketing experts to strengthen Ag faculties in marketing, to fill critical government positions at appropriate levels, to staff fully all elements of this integrated program, and to make available trained marketing experts to small farmer cooperatives ready to utilize their services.

By the time this project terminates, both institutions will be able to continue their agricultural marketing programs without further direct support from A.I.D. Both academic programs will be open to students from other developing countries who wish to avail themselves of the unique marketing training programs available in the Philippines.

National Policy Thrust

Following final project approval (est July 1976), KSU would field a team to work at the highest policy making levels of the Philippine Government. After becoming thoroughly familiar with Philippine conditions in pertinent areas of consideration, the team will assist GOP to enhance its capability to evaluate alternatives for determining effective sets of national policies affecting production, processing, storage, distribution and marketing (including exportation, as applicable) of priority food crop, livestock and fisheries products. The thrust is to be carried out through five distinct but closely-interrelated activities, each of which contributes specific components to the thrust and eventually the overall project purpose.

These activities are as follows:

1. Enhancement of linkages and interfacing between analysts and decision makers.
2. Improvement of the agricultural data system of the country.
3. Enhancement of computer capacity and capability in DA.
4. Development and utilization of agricultural subsector models.
5. Enhancement of technical skills of Philippine policy analysts, supplemented by on-call specialists.

Proposed policies which are acceptable in principle to the Government will be tested through the KSU-CLSU Agricultural Marketing Research and Development project. KSU experts will monitor the tests and assist the Government to evaluate the results.

Successful proposals will be promulgated nationally. Following promulgation, the KSU will conduct periodic reviews of actual results as the GOP may request, and advise Government relative to indicated adjustments.

Technological Package Thrust

Following final project approval, (est. July 1976) the KSU project team, working in conjunction with CLSU would plan for the national allocation of available productive land at CLSU to the various products to be included in the program.

Processing, storage, marketing and transportation equipment would be surveyed and placed in suitable condition if required. Additional tools, equipment and other commodities such as seeds, fertilizer, pesticides, etc. would be ordered if needed.

The irrigation system would be surveyed and upgraded if necessary. Undergraduate training in the production phases would begin as soon as possible, and all necessary steps would follow to have initial model production areas fully functional by the time the first marketing MS participants returned to begin the agri-business model phases. (est. July 1978).

Production technology packages would be designed and tested on campus ready to begin field testing through farmer cooperatives by March 1978. On campus extension/motivation programs would begin as soon as campus model production areas enter 2nd coop year.

Undergraduate agriculture students would receive on the job experience in production and or marketing by supplying all necessary labor, including management, based on individual qualifications. Students would also be trained as qualified extension agents to assist implementation, and to advise farmer cooperatives on production and marketing operations as they become qualified.

The produce of project would be used first to make the University self-sufficient in food production on a net basis, secondly to gain actual marketing expertise by selling the surplus. Student and faculty participants in the project would share equitably with the University in the profits.

The bulk of the proceeds would be used by the University to meet the cost of the project, and for similar budgetary purposes. Although by Philippine law all such proceeds are payable to the national treasury, a special dispensation is allowed in cases where such proceeds must be reinvested in the University as a condition of foreign donor assistance. Such an arrangement would be a condition of the agreement between AID and the Philippine Government.

Operationally, the project would assist farmers to rationalize production on their lands based on the successful on-campus production models. Production technological packages would be assembled, designed to suit a particular landholding. Extension assistance by qualified students would be available to the farmer cooperator through his cooperative organization.

Following the arrival on campus of the marketing experts, a similar program, following the same approach would be put in operation to assist processors and other small cooperative marketing institutions to enter the domestic or export market or both.

Again the campus would become a model of all that was being taught and extended. It would serve as a training ground for agricultural marketing students, and an inducement to small cooperative marketing ventures.

The proof of all these projects will be measured empirically in the profit statements of the acceptors, and in the desire of acceptors to continue the program.

This project would also function as a test bed for the new governmental policies to be devised in the succeeding project.

Outreach Thrust

This thrust is to achieve coordinated and profitable production, processing and marketing of priority commodities produced by small farmers through improved extension-outreach programs designed to serve cooperative marketing agencies, other agribusiness enterprises in the food system, and small farm producers of the priority commodities. The thrust is to be carried out through three distinct but closely interrelated activities, each of which contributes specific components to the thrust and eventually to the overall project purposes:

1. Outreach Delivery Systems for Agribusiness Development in the Context of Total Food Systems.

In order to provide dependable markets for small farmers, coordinated development of assembly, transport, storage, processing, marketing, and distribution functions for the priority commodities is essential. With effective planning and coordination, Philippine private enterprise can take advantage of the proper kinds of outreach programs to develop marketing facilities and services to achieve efficient performance for the total food system.

The needed outreach assistance to serve agribusiness includes (a) market potentials, (b) market intelligence, (c) technological innovations, (d) feasibility studies, (e) technical assistance for food systems development, (f) financing assistance, (g) management assistance and (h) assistance in the use of production contracts and marketing agreements to coordinate the production of small farmers with specific market requirements. The agribusiness development activity is designed to provide this assistance to farmer cooperatives and to private firms in the agribusiness industries serving small farmers.

2. Programs to Strengthen the Position of Small Farmers in Philippines Food Systems through Integrated Cooperative Marketing Developments.

The position of small farmers in the Philippines can be strengthened by cooperative marketing development. Government policies support that approach. The Cooperatives Systems Agencies of the Philippines are moving ahead with development of cooperatives, but need assistance from donor agencies. The programs planned in this subproject are designed to foster growth of cooperatives from producer to retail outlet.

Cooperative marketing is viewed as a significant component of a coordinated marketing system. All components will receive assistance from an effective extension delivery organization. This activity will emphasize increased involvement of small farmers in the cooperative system, an expansion in credit availability for both cooperative marketing agencies and farmer production credit needs, and a strengthening of cooperative management capability at all levels.

3. Extension Delivery Systems to Provide Production Technology, Market Intelligence, and Credit Planning for Small Farmers.

Improvements in both pre-harvest and post harvest technology must be coordinated with market developments to insure that benefits of such improvements accrue to small farmers. Availability of credit is crucial to both production and marketing in the Philippines. An effective extension service for reaching small farmers is vital to the entire production-marketing process.

Procedures will be developed for indentifying characteristics of successful extension delivery mechanisms currently in use in pilot projects in the Philippines. Case studies will be carried out with selected indigenous mechanisms to determine basic factors associated with their effectiveness. This will be followed by program testing to develop extension delivery systems for general use. The proven delivery systems will be activated with coordinated training and outreach programs to provide the needed extension systems for small farmers.

For a more detailed description of input utilization, output production, achievement of end-of-project conditions; and contributions to specific goals, please refer to the implementation and achievement schedule accompanying the project logical frameworks.

The Outreach Thrust will be coordinated with the activities of the National Food and Agriculture Council. Short term consultants will be provided in the areas of policy and input supply. USAID will provide a credit consultant to work with small farmer credit programs and the services of a full-time agronomist for corn and multi-cropping systems. It is expected that the Agronomist will work with the Outreach and Technological Package Development Thrust.

3. AID and Other Relevant Experience:

The proposed Integrated Agricultural Production and Marketing Project is unique in two ways. The project may be the first implemented under Title XII of the International Development and Food Assistance Act of 1975 and second, the project will integrate and coordinate four highly complementary thrusts ,i.e. Academic (institution building), National Policy (production and marketing), Technological Package Development (crops and livestock) and Outreach (extension, agribusiness and cooperative development).

Other AID projects have dealt with one or perhaps two of these components but at this writing a coordinated four prong thrust represents a new venture in development strategy. Nevertheless, a search will be made in AID/W to identify past or on-going projects who's project design and experience may benefit this undertaking. Although this project is sui generis AID does has a welath of world-wide experience in academic institution building, agricultural production and marketing, extension and cooperative development and this total experience is a valuable asset which will be utilized in the management of this project.

The World Bank (IBRD) has gained considerable experience in agricultural production and marketing projects, including projects involving broad national policy questions and considerations. This experience is known to USAID/Philippines and considerable material has been collected for future analysis. IBRD/Washington has been most cooperative in providing relevant documents and materials.

Kansas State University has recent world-wide experience in each of the single thrust of this project. This broad experience includes long term projects in South America, Africa and Asia. A number of Kansas State faculty members have broad experience in the Philippines and are directly involved in this project.

The experience and leadership of the GOP's Department of Agriculture is central to the success of this project and there is every reason to believe that the Department will perform an exemplary way. The Department has dynamic leadership in several key positions plus a large dedicated mid-level management group. Their collective expectation for this project are high.

Of course, USAID has broad and successful experience in implementing and operating agriculturally related projects in the Philippines.

4. Beneficiaries

(1) The principal intended beneficiaries of the project are the small farmers owning or working less than 2.5 ha. of land, which by statistical definition, represent rice, corn and coconut farmers, among the poorest of the poor in the rural Philippines.

(a) The initial target group beneficiaries are to be members of carefully selected Samahang Nayan (SN) and compact farms (CF). Such groups are overwhelmingly composed of poor farmers working on small holdings, with minimal access to collateral-based credit, often outside the established marketing systems and without individual access to improved agricultural technology.

(b) Among the statistically identified poor, this group has the potential for both growth and diffusion through the organizational framework of which they are now a part--either through the SN/AMC (Area Marketing Cooperative) system, or through the more traditional marketing system to which linkages with CF's will be promoted by various government agencies including the Department of Agriculture, Agrarian Reform and the Agricultural Credit Administration. In the SN/AMC system, the nucleus units to be used as the entering wedge of the project's new policies, outreach and research will have been carefully selected on the basis of now-available performance criteria judged essential to their growth potential.

(c) The members of the originally identified, targeted and (where necessary, organized) SN/AMCs and CF's will chiefly benefit from higher net prices for their product, credit at lower interest rates, and lower input costs, along with improved services such as technology, warehousing and transportation.

The benefits experienced by the original target groups will spread because the system of which they are a part (particularly in the case of the SN/AMC's) are in place and specifically designed for rapid duplication. Assurance that this diffusion is in fact taking place will be provided by periodic evaluations on the part of a separately contracted research organization.

(d) SN membership particularly, but also membership in the CF's, has already been exposed to a systematic campaign

of indoctrination which emphasized the importance of developing activity designed to awaken the knowledge that cooperative organizations must be responsive to members' desires.

- (2) The project has an excellent chance to succeed precisely because it is based on organizations whose doctrine is addressed to removing previously identified social impediments.
 - (a) Modifications in the hitherto wholly family-oriented value system and the lack of explicit planning are being brought about (especially in the SN/AMC system) by continuing indoctrination, with the result that savings and group discipline have improved and progressive agricultural technology have been adopted.
 - (b) There will be some resistance on the part of the middlemen who today take such a large cut out of the grains and vegetable marketing system, but improved access to credit for small farmers will reduce the need for middlemen's credit at usurious rates, while the defaults which have contributed to the high cost of credit will be reduced. Moreover, as the project proceeds, the middlemen will be encouraged to move into other aspects of agro-business where earnings will be based on the performance of services other than providing high-cost credit. The increased bargaining power of the SN's and the CF's will also greatly enhance the capacity of the small farmers to deal effectively with the middlemen.
 - (c) The existence of the SN/AMC system itself offers strong assurance that the benefits should accrue to the intended beneficiaries, but this will be evaluated periodically to see that the system continues to perform on their behalf.
- (3) It is also expected that thousands of high school and college students from poor farm families will benefit from the learning and earning experiences gained from the technological package development thrust conducted at CLSU (Central Luzon State University). Landless rural workers will benefit from increased employment opportunities resulting from intensive cultivation practices and from expanded small agri-business operations.

Role of Women

Professional Filipino women have participated actively in all working groups for the development of this project proposal and are expected to share in the planning and implementation of the project as it develops. The following is a discussion of the role of women in the Philippines vis-a-vis this proposed project.

The Filipino woman's physical well-being is in need of improvement. Under-nutrition and even malnutrition have victimized lower-income women, particularly those who are pregnant or nursing. The self-sacrificing mother often gets the remaining morsels of food after the rest of her family have eaten.

Oftentimes, her family is large, requiring enormous physical labor expenditure on her part. Family planning programs have managed to increase knowledge and change some traditional attitudes towards contraceptives, but actual practice remains minimal.

Because of the many mouths to feed the woman of the house often seeks work to augment family income. In rural areas, she engages in strenuous agricultural tasks while her urban lower-income counterpart takes on a market-related occupation or a factory job. Both generate meager incomes through home industry crafts and other activities. Despite this often heavy schedule of work, she is expected to handle numerous domestic chores as well. When undernutrition and the physical demands of her female role in the family become excessive, the woman's general state of health is impaired. Common complaints of women focus on circulatory-related sicknesses like anemia and dizziness.

Aside from improving her physical well-being, the woman also needs to increase her involvement in the national economy. Unemployment rates for women are higher, however, than those of men. When women are absorbed into the work force, they are given the peripheral lowly-paid functions and are seldom placed in strategic, decision making positions. The woman seeking to enter the work force requires particular skills. Professional occupations, most common of which are nursing and teaching, require college diplomas. Other jobs revolve around her "attractive qualities." Factories usually employ women for their finger dexterity, cigarette or textile industries being the chief hirers. This project will provide expanded opportunities for women in rural areas to obtain college educations.

The woman is more involved in the household than in the national economy. Since she engages in marketing activities she possesses rudimentary business management skills. At home, the woman controls the family budget and decides where the money should go. In lower-income families, however, the amount of money available is so limited that the woman seldom has any genuine power in these matters. Circumstances of survival determine how each centavo should be allocated. Women students at CLSU will participate in all of the campus production and marketing projects and will share and share alike in the benefits.

Other domestic chores of the woman of the house are taking care of children, particularly the preschoolers, housekeeping, raising vegetables, swine and poultry. Men, on the other hand, are expected to discipline their growing-up sons and to decide on the general livelihood of the family.

Although domestic tasks are relatively well-defined, the decision-making process within a family is largely egalitarian. Father and mother consult each other often before arriving at a final decision. Findings on egalitarianism disprove, to a certain extent, the general notion that the woman has the upper hand in the home. Children also participate in decision-making. In fact, the choice of a high school or college course and the choice of friends are usually left to the children.

Unlike her role in domestic decision-making, the woman is given less of a voice in public decision-making. Even upper-class women show limitations here. They often join civic groups when their husbands decide to join groups like the Rotary, Jaycess, and Lions. Thus they become Rotary Anns, Jaycerettes, and Lionettes. There are, however, other women's groups which are quite independent of specific male groups. Many of these engage in welfare-oriented projects. Professional women played strong roles in the development of this project and were most concerned with the human development aspects.

Among lower-class women, there is little impetus to participate actively in community organizations. Most woman-groups on the grassroot level have been formed by government social service programs interested in promoting health, nutrition, family planning and the like. These women are expected to respond to instructions rather than generate them.

Even in labor unions, the working woman's only formal channel of expression, her voice is weak. As of 1969, half of the nation's unions have had no women members. The transient nature of female labor, the call of domestic chores, and a general disinterest in labor unions influence the woman's weak position in labor decision-

making. When faced with lower wages than her male counterpart, a non-infrequent happening as industry figures show, the woman worker often accepts her lot. The situation stems from a combination of woman's actually working fewer hours than men and sheer prejudicial attitudes towards female workers. Women will have an equal opportunity to participate in this project as participants, faculty members and a professional staff.

Unlike labor, the field of education tends to be more beneficial to the woman than the man. The females in the family are permitted to go into higher levels of education while the sons drop out of school whenever they are needed to augment the family income. Nonetheless, girls are taught feminine subjects like home arts and boys more mechanical skills; their adult careers reflect this bias. In another sense, the education field does discriminate against women in disproportionate number of men who hold higher position compared to the number of men in the field as a whole. As in most areas of occupations, Filipina women may strive hard by they rarely get the higher-level positions with higher salaries and more decision-making powers. In this project several women have and will continue in high-level positions in education, research and administration.

The field of woman's development, particularly that of the lower-income Filipina, has numerous aspects that are wanting in developmental innovations. Whatever changes are introduced will have repercussions on the other factors in her social system. Any single innovation will have its impact on her other needs. The proposed project will have a strong direct educational benefit for women in poor rural areas and will create for them professional opportunities for many years to come. In addition, family income will be increased in the less developed rural areas, thereby providing the rural woman with the means to improve her life.

5. Feasibility Issues:

Economic Issues

a. Major Price & Marketing Constraints

The GOP's Four-Year Development Plan, FY 1974-77 states, inter-alia, that price control shall cover only basic "agricultural" commodities and that price controls, per se, are not intended to become an integral part of the Philippine economic system. At the present time the GOP maintains a base floor price for basic food crops and concomitantly controls the related retail marketing prices. In addition the GOP subsidizes selected production inputs. The policy objective is to provide production incentives while maintaining acceptable retail prices for the urban consumer.

Although there is a need for the GOP to review and revise it's price support subsidy policies vis-a-vis maximizing production and providing urban consumers with the basic food commodities at "equitable" prices the present overall relationships do not present any significant constraints to the successful implementation and operation of this project. The Policy Thrust of this project will directly assist the GOP to enhance the capability of government to evaluate alternatives for determining effective sets of national policies affecting production and marketing. The National Grains Authority which has the responsibility for maintaining minimum farm prices will have a direct access to the marketing expertise made available by this project.

The marketing constraints that exist in almost all facets of total agricultural marketing system; i.e. post harvesting methods, storage, grading, processing, transporting and "merchandising" are the raison d'etre for this Integrated Agricultural Production and Marketing Project.

The project is planned to both increase small farmer income and to provide expanded employment opportunities for rural labor. These objectives are explained fully under the Technological and Outreach Thrusts in Section 2, in Project Description. Further, these two referenced section explain the per hectare or per farmer cost implication of the project. The tested technological packages developed at CLSU will require increased input cost and the attendant credit requirements are an integral part of the Outreach/Extension sub-project. These and other related issues will be discussed fully in the Project Paper.

b. Technical Issues

To achieve sustained growth rates of farm output significantly above population growth rates production must be geared to market demand in quality, quantity and timing of output. Furthermore steps of the marketing process (harvesting, handling, processing, storing, transporting, packaging and selling to the consumer) must deliver a product that meets consumer demand at competitive prices. This project will work with new and traditional commodities grown on small farms for both domestic and export markets. Commencing by mobilizing existing technology from domestic and international research sources for each selected commodity; tests will be devised to identify most appropriate, efficient and economically competitive technology for each step of the production and marketing process constituting the commodity production system. At some steps in the system, adaptive research may be required to devise more appropriate equipment, procedures on organization for the social, economic, physical setting and scale of the operations. Thus the project design and implementation plan offer reassurance that appropriate technology will be developed and selected for the prevailing physical, social, economic aspects of the commodity production system. At present, introduction of new technology is not expected to produce significant environmental consequences of alternative technologies. Where consequences are found detrimental, that technological intervention will be discarded or be subjected to additional adaptive research to bring environmental impact within acceptable bounds. Testing of processed and fresh foods produced in the recommended commodity production system will include verification that detrimental levels of injurious chemicals are not present. Laboratories will be equipped and technicians trained to carry on such testing after project completion.

C. Financial Issues

The commodities required for the Technological Package Development Thrust have not been fully identified. Detailed specifications and the related C.I.F. costs must be determined before the Project Paper is drafted.

Further financial analysis and a review of the farm production and marketing program for CLSU will be necessary to confirm the pro forma figures presented on the Implementation and Achievement Schedule.

An agreement between the GOP and CLSU to allow CLSU to retain for development purposes those net revenues earned from the production and marketing program, will be required. It is expected that participating students and faculty will receive wage payments from the "net" proceeds.

As beneficiaries the small farmers who participate in the technological package development thrust may require additional credit (working capital) to implement the product and marketing package. The outreach and extension thrust will assist in meeting this need by supporting the organization and operation of five additional rural cooperative banks.

The students at CLSU who participate in the farm production and marketing program are beneficiaries in a number of ways, i.e. financially through the work program from a practical experience point of view and from the professional opportunities that will follow graduation. No additional "means" is expected from the participating students.

Rural worker, landless and otherwise, will have additional employment opportunities with no means of input except of them.

6. Other Donor Coordination

USAID knows of no planned foreign assistance that duplicates the principal thrust of this project proposal but some overlap has been identified with two elements of this proposal. USAID/FAO has a statistics improvement project under active consideration as a "pipeline" project but funding availabilities will not be determined until late September 1976. Should funding become available to UNDP/FAO those portions of statistics improvement that are duplicated in this proposal will be dropped.

At present UNDP/FAO also has under consideration a Philippine Government request for technical assistance in development of area marketing and consumer cooperatives. Information is being exchanged with the UNDP/FAO project planning group and content of the two. UNDP/FAO is not able to estimate at this point when funding might be available to launch such cooperative development work. When the project paper for this proposal is being prepared a detailed review of these two project elements will be conducted with UNDP/FAO and any duplicating features will be removed from the USAID proposal providing the UNDP/FAO funding is found secure.

The Manila office of the Ford Foundation has reviewed this project and assures us that it does not duplicate any ongoing or planned program. This project will compliment the Foundation's long term interest in Panay Island development particularly agricultural education and training improvement. IBRD has ongoing sub-sector loans in livestock development, intermediate credit for farm operations, fisheries development and grain storage and processing that could facilitate accomplishment of goals set under this project. As investment opportunities are identified, packaged and tested these IBRD loans could be availed of where appropriate. IBRD has under consideration funding for development of 7 to 10 regional extension in-service training centers for professional staff to be operated in association with agricultural colleges that have been upgraded under an earlier IBRD educational loan. CLSU may be selected as one such extension training center. Should this transpire, a substantial complementary effect will be achieved with this project.

7. Financial Plan

The direct financial requirements of the project will total 18.7 million in dollars and dollar equivalent, with USAID contributing 14.5 and the GOP providing the residual. The average exchange rate assumed in converting peso requirements to dollar equivalents is ₱10 to \$1.00. An inflation factor of 10% per annum was incorporated. Total estimated project cost including GOP "in-kind" contribution is 19.9 million dollars and dollar equivalents.

The major component comprising the total USAID contribution will be technical assistance of \$8.9 million, in the form of incremental grant funding over the project life. U.S. and local participant training of \$2.5 million will also be financed in the form of grants. The major commodity requirements of the project not in direct support of project technicians will be loan funded in the amount of \$1.7 million.

The direct financial inputs comprising the GOP contribution to the project are participant training of 14.3 million pesos, capital contribution for university facilities and support of student labor totalling 27.9 million pesos. In-kind contributions in the form of facilities and staff are estimated at 12.2 million pesos. The preliminary in-kind figure requires further analysis by GOP and USAID.

In addition to the total project cost summary on the face sheet, three budget tables are attached which provide additional funding analysis. Budget Table I entitled "Summary Cost Estimate and Financial Plan", delineates the funding sources of all project resources and the application of components for both financial and in-kind inputs. Budget Table II, "Costing of Project Sub-projects/Inputs", represents a matrix of project input identified by major project thrusts and project support. Budget Table III provides funding data for AID appropriated grant and loan funds for FY 77 and FY 78 by cost component.

Given the nature of foreign exchange cost component for commodities not in direct support of project technicians, their criticality to GOP ability to effectively implement the project, and the clear conformance of the project to the basic thrusts and content of the Congressional Mandate regarding U.S. bilateral assistance, it is believed justifiable that the GOP obtain the loan assistance for the aforementioned commodity component on the most concessional terms possible. The Mission, therefore, recommends that the terms of the proposed loan be at the legislative minimum.

BUDGET TABLE I

PRP
SUMMARY COST ESTIMATE AND FINANCIAL PLAN
 (US \$ 000)

S O U R C E	AID	AID	GRANT	Host Country		Other(s)+		T O T A L
	LOAN			FX	LC	FX	LC	
USE	FX	FX	LC	FX	LC	FX	LC	
U.S. Technicians		7596	1293					8889
Participants		1532	778	95	1318			3773
Commodity	1722	339	92					2153
Others		9	1093		2785			3887
GOP "In Kinds"					1220			1220
TOTAL	1722	9526	3256	95	5323			19922

Budget Table 11

COSTING OF PROJECT THRUST/INPUTS
 (In \$000 or equivalent)
 -- PRP --

 x New
 Rev #

Project # _____ Title : Integrated Agricultural Production & Marketing

PROJECT INPUTS	PROJECT THRUST					Total
	Academic	Tech Package Dev	Nat. Policy	Outreach/ Extension	Project Support	
U. S. Technicians	1,235	1 631	2,467	2,110	1,446	8,889
Participants	2,076	1,130	393	174	-	3,773
Commodities	126	1,200	400	-	427	2,153
Other	5	2,771	10	-	1,101	3,887
TOTAL	3,442	6,732	3,270	2,284	2,974	18,702
GOP Inputs - in - kind	500	370	200	150		1,220
GRAND TOTAL	3,942	7,102	3,470	2,434	2,974	19,922

BUDGET TABLE III

INCREMENTALLY FUNDED PROJECTS

PROJECT SUMMARY---AID APPROPRIATED FUNDS

(in \$000 or equivalent)

Country: PHILIPPINES PRP New x Rev. #

Project # Title: Integrated Agricultural Production & Marketing

GRANT FUNDS

<u>Cost Components</u>	FY - 1977 BUDGET YEAR		
	Direct	Contract	Total
US Technicians	48	455	503
Participants		235	235
Commodities		187	187
Other Costs		105	105
Total	48	982	1030

LOAN FUNDS - FY 77

<u>Cost Component</u>		
Commodities	400	400
Total All Funds	48	1382

1430

BUDGET TABLE III
(Continued)

INCREMENTALLY FUNDED PROJECTS

PROJECT SUMMARY---AID APPROPRIATED FUNDS

(in \$000 or equivalent)

Country: PHILIPPINES PRP New x Rev. #

Project # Title: Integrated Agricultural Production & Marketing

GRANT FUNDS

<u>Cost Components</u>	FY - 1978 BUDGET YEAR		
	Direct	Contract	Total
US Technicians	60	1748	1808
Participants		631	631
Commodities		60	60
Other Costs		244	244
Total	60	2683	2743

LOAN FUNDS - FY 78

<u>Cost Component</u>		
Commodities		1322
Total All Funds	60	4065

8. IMPLEMENTATION PLAN

Key KSU staff members recently visited the Philippines and have, in consultation with host country officials and USAID staff, identified basic project targets and purposes. Most major programmatic issues were resolved during this period. Thus, basic agreement on program directions and inter-relationships is well advanced at the PRP stage.

Since this is one of the first Title XII projects, it is reasonable to expect that negotiations and the execution of agreements will be complex and time-consuming. Yet to be resolved are the basic contractual relationships necessary for initiation of the project. As conceptualized, the GOP will contract directly with KSU for the technical services provided within the project design. Since several GOP agencies will be involved in the implementation and execution of the project, it will be necessary to determine which agency of the GOP will have the basic administrative responsibility. It is now assumed that the Department of Agriculture will be so designated. At the same time, KSU must obtain assurance of its authority to contract directly with a foreign government.

Once agreement has been reached on the various implementation responsibilities and authority, execution of the necessary agreements should flow smoothly. It is planned that AID funding for the project will be provided to Kansas State University based on the terms set forth in the Project Paper. If, as proposed, there is a single GOP contracting agency, it will also be necessary to prepare formal terms of reference to ensure that all parties understand their responsibilities and obligations.

Funding will be primarily by USAID grant, and to expedite planning and ensure timely action, it may be necessary to cover some of the key required pre-project actions in the Project Agreement, rather than resolve at the Project Paper stage. Matters to be resolved include, housing and logistical requirements, in-country transportation, secretarial and administrative support, and residence status of KSU employees.

A loan agreement will be required to cover some commodity requirements; primarily computer hardware, library materials, and laboratory equipment and supplies.

Participant training is included in each of the basic project components. The academic thrust of the project accounts for the main portion of the participant training. In order to expedite the implementation of the project it is proposed that key participants

be identified and sent for training following AID/W approval of the PRP. This is essential if the project is to operate at a significant level in FY77, and if the projected academic thrust objectives are to be met.

Procurement and delivery of most commodities will be accomplished under the loan, and procedures will be developed to provide for expeditious handling and duty free entry. Storage and use of materials will be at mutually agreed on locations.

It is anticipated that the administering agency of the GOP will be the Department of Agriculture. The National Economic and Development Authority will, of course, retain approval and authority over basic project policy and direction.

A number of other GOP agencies and institutions will have implementing or participating responsibilities. These include the University of the Philippines at Los Banos, Central Luzon State University, Bureau of Cooperatives Development, and Philippine Council for Agricultural Resources and Research. The Department of Agriculture will serve as the primary institution for determining detailed project directions; however, it will be joined by the academic institutions which will be major participants in planning and programming.

Care will have to be exercised in final project design to insure that there is a proper balance between the more highly developed UPLB and less advanced CLSU with respect to project inputs. Within the Department of Agriculture, the appropriate implementing office appears to be that of the Undersecretary of Agri-business development.

Since primary responsibility for implementation of the project is with the Department of Agriculture, this agency will require considerable administrative expertise. Our assessment based on long experience with the Department is that adequate capability clearly exists to carry out the project. At the same time, the national policy analytical and formulation expertise of the Department will be substantially strengthened through the project which will enable it to better fulfill its expanded role later in the project. Other institutions such as CLSU and UPLB with lesser implementing responsibilities will also be strengthened in the early phase of the project, which is essential to subsequent project activities, particularly the Outreach Component. In a sense the first stage of this project is addressed to institutional deficiencies. It should be noted that this first "institution building" stage also has positive benefit for the intended beneficiaries, e.g. the improved national policy analysis capability at the Department of Agriculture will allow for more rapid and positive decision making with respect to the interests of small farmers and consumers.

The total management organization will be administered jointly by the GOP (Department of Agriculture) and Kansas State University, Project Managers representing each entity will be appointed, and will bear mutual responsibility for carrying out the project under the policy guidance of top GOP and KSU officials. USAID will not have direct management responsibility for the project. USAID will monitor the project to ensure compliance with established project objectives and will participate in all discussions and/or decisions affecting, inter alia, project policy, schedules, and personnel. USAID will not be a signatory to the basic contractual arrangements vis-a-vis KSU and the GOP but will reserve the right of review and approval of all such documentation to ensure compliance with USAID regulations and project objectives.

It needs to be reiterated that because of inexperience with Title XII projects many administrative and organizational questions remain unresolved and must be answered at the Project Paper stage. These could include, but are not limited to, local tax status of KSU American employees, duty free privileges, direct host-country/University contracting procedures, and reimbursement of KSU for costs incurred in U.S. exchange rate provisions. It may correctly be inferred at this point that key issues remaining are more technical and administrative in nature than programmatic.

Please see the attached implementation and achievement schedules which are attached.

9. Project Development Schedule

- June 1 - PRP handcarried to AID/W
- June 11 - Approval of PRP by AID/W. Comments forwarded to Mission. Mission begins preparation of PP.
- June 21 - Consultants arrive in Philippines, if necessary, to develop special statements (social and environmental)
- July 6-9 - Review with host country officials.
- July 16 - Mission submit PP to AID/W
- July 30 - Review of PP by AID/W
- Aug 15. - Grant funds for participants authorized
- Sept. 15 - Participants depart for U.S.
- Oct. 15 - Sign loan agreement

Project Committees:

See Annex B

AID Resources required:

If more comprehensive social and environmental impact statements are required, TDY assistance of specialists in these areas, will be needed to develop these statements. Otherwise Mission has capability to develop Project Paper jointly with GOP.

The Implementation and Achievement Schedules are attached and they present all relevant cost and timing relationships.

10. Attachments

A Preliminary Planned Performance network chart will be prepared using "mile stones: jointly selected by the Mission and AID/W from the Implementation and Achievement Schedules which are attached.

ANNEX A

Justification for Direct Contract with Kansas State University

The proposed project would contribute to prevention of famine and freedom from hunger while strengthening the capacity of Kansas State University, a land grant University in the State of Kansas, in program-related agricultural institutional development and research. It would expand the participation of Kansas State in the United States Government's international efforts to apply more effective agricultural sciences to the goal of increasing world food production, and in particular, to solving food and nutrition problems in the Philippines and the East Asia region.

Kansas State University has demonstrated over many years its ability to cooperate with foreign agricultural institutions and in expanding indigenous food production for both domestic and foreign markets. Among those factors particularly qualifying Kansas State for this particular project, KSU is already blazing new and significant trails in the development of two of the major crops to be included in this program (sorghum and soybeans) in nearby Asian countries, while its experience with another (corn) is legendary in the United States and abroad. Furthermore, Kansas State has already established working relationships in the Philippines, including the University of the Philippines at Los Banos, the country's foremost agricultural University.

The project is expressly designed to further increase food production, but more significantly on improving the distribution, storage and marketing of food in the Philippines, and from the Philippines, to other food deficit countries. Successful implementation of the project will provide an economic base for growth and an enhanced potential for increasing the Philippine contribution to world food supplies.

By increasing and making more secure the supply of food the project will be of direct benefit not only to the participating small farmers, the majority of whom will be former share croppers and small tenant farmers, but to the more than seven million malnourished Filipinos, who will at least have for the first time a national food supply sufficient to meet the nutritional requirements of all inhabitants. Finally, the increase in world food supplies from Philippine surpluses represents a potential asset for the poor majority in other lands.

The project will involve teaching, research and extension activities as well as the development of a number of institutions designed to improve food distribution, storage, and marketing.

The project would provide Kansas State with a dependable source of Federal funding to expand and continue its efforts to assist developing countries, in this case, the Philippines, to increase agricultural production, but more especially, to improve utilization of the food which is produced by improving processing-marketing capabilities.

The project calls for Kansas State to undertake institution-building projects with both the University of the Philippines at Los Banos, and Central Luzon State University. At the present time, UP Los Banos is the major national agricultural research institution. Los Banos' reputation however, is truly international; students from all parts of Asia as well as from Africa and South America attend the University. Co-located at Los Banos are the Philippine Council for Agricultural Research (PCAR) which coordinates all agricultural research in the Philippines, and the International Rice Research Institute (IRRI), world famous for its development of high yield rice varieties and its contribution to rice production technology. By assisting Los Banos to develop and institutionalize a Master of Science program in Agricultural Marketing, Kansas State will help round out the agricultural curriculum of this highly regarded institution, providing it the means to produce marketing experts so sorely needed by the Philippines and the other nations sending students to Los Banos. From there the institutionalization of agriculture marketing will extend to other regional and local universities in the Philippines where marketing courses will be added to the undergraduate curricula, enabling agricultural students to take their bachelor's degrees with a major or minor in marketing.

In its association with Central Luzon State University, Kansas State will undertake a still further institutionalization of agricultural marketing; one probably unique among developing countries today. Central Luzon State with over 4,000 students from among the poorest classes in the Philippines, with 1,000 hectares of arable land at its disposal, with access to a dependable year round source of water for irrigation, and with established research capacity in fish farming and with certain oilseed crops such as sunflower and cotton, is admirably suited as a market research site. Together, Kansas State and Central Luzon, with talent produced by the Los Banos master's program will set up the country's first institution to provide training and practical experience in the processing, storage and marketing of significant Philippine food crops. Kansas State is world leader in this field. With the University acting both as a base for extension outreach to the small farmer cooperatives, and as a center for adult extension education and on-the-job training, both production and marketing

techniques and skills can be disseminated rapidly throughout the important rice growing region served by Central Luzon State.

Simultaneously, the University will become the first site for the development, testing and subsequent extension of those techniques required to gain entry into foreign markets for Philippine rice surplus. Finally, the project will institutionalize at Central Luzon a capacity to assist farmers to select and assimilate the technology for producing the optimum mix of crops, fish, animals, poultry and trees to maximize net family income of the small farmer coop members.

Both UP Los Banos and Central Luzon State thus have the potential of becoming important national and international agricultural marketing research and training centers and Kansas State University has the faculty and worldwide experience to provide outstanding assistance.

If this project is accepted, it would provide the mechanism for Kansas State to participate and advise in the planning, further development, implementation, and administration of each component of the overall project. The result would certainly strengthen the capabilities of Kansas State as well as of the Philippine universities, and engage Kansas State most effectively in research, teaching, and extension activities for solving the cited problems in food production, distribution, storage, marketing, and consumption in the Philippines. The effect would be to build and strengthen the institutional capacity and human resource skills of the Philippines so that the country would participate more fully in the international problem solving effort, and to introduce and adapt new solutions to local circumstances.

The project would provide support for long-term collaborative university research on food production, distribution, storage, marketing and consumption. It would involve all three Universities more fully in the international network of agricultural science, including the international research centers and the activities of international organizations.

The project is designed to achieve the most effective inter-relationship among the teaching of agricultural sciences, research, and extension work. It focuses primarily on the needs of the small agricultural producers, with information concerning agriculture and marketing being made directly to farmers and farm families by means of education and demonstration. It involves the exchange of educator-scientists and students for the purpose of assisting in the successful development of the Philippines. It provides a unique opportunity to respond quickly and positively to the important Congressional initiative Title XII represents.

In April of 1976 twelve senior professors and administrative officers of Kansas State University, acting as consultants, visited the Philippines to assist in the development of the proposed project. This team gained first hand knowledge of the problems and expectations related to the project and established valuable contacts with many leading officials of the GOP. In fact, several members of the Kansas State University team have long established personal and professional friendship among government and University leaders in the Philippines. Kansas State University is known and respected in the Philippines.

ANNEX B

PROJECT COMMITTEES

Field

1. Eubanks, K.
2. Eidet, G.
3. Garms, D.

AID/W

1. Riggs, F.
2. Lee, E.

(To be completed)

ANNEX C

Environmental Impact:

The nature of this project is such that it is not expected to have a significant impact on the environment. Much of the project relates to the development of human resources to help the Philippine Government provide a more efficient marketing system that will in turn lead to increased production. A major output of the project will be to improve information gathering capability that will enable the GOP to develop policies at the national level that will utilize the productive capacity of the agricultural land, and protect the watershed and the natural ecosystem. Sound policy must be based on factual information.

The development of the CLSU marketing and production facilities will not materially affect the environment as the campus has been in operation since the early 1900s. The CLSU administration is cognizant of the environmental beauty of the campus and are protective and proud of the huge old trees that make the campus so pleasant. Construction of new buildings and facilities will be carefully planned in harmony with the environment. The campus farm is already under cultivation and will be utilized to teach students the practical application of farming practices that will not unnecessarily pollute the environment. As land is being shaped for irrigation the University plans to build fish ponds to better utilize the excess water for added animal protein production. Such practices take advantage of the environment by taking advantage of aquatic life to produce a highly desirable and popular animal protein food source.

Assistance to the training program at UPLB will not affect the environment as the only input will be training to upgrade staff and does not anticipate any construction activities.

UNITED STATES GOVERNMENT

Memorandum

TO : Distribution

FROM : J. R. Nussbaum, ASIA/PD/EA

DATE: March 23, 1979

SUBJECT: Philippines - AID Loan No. 492-T-044 (492-0302)
Integrated Agricultural Production & Marketing Project
Implementation Letter No. 6

Attached for your information and files is a copy of subject document.

Attachment: a/s

Distribution:

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*Relief
My... ..*

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
Manila, Philippines

Ramon Magsaysay Center
1680 Roxas Boulevard

Telephone: 59-80-11

Dr. Edgardo C. Quisumbing
GRP Overall Project Coordinator
GRP/KSU IAPM Project
Ministry of Agriculture
Diliman, Quezon City

Subject: Integrated Agricultural Production & Marketing Project
A.I.D. Loan No. 492-T-044; Grant No. 492-0302
Project Implementation Letter No. 6

Dear Dr. Quisumbing:

This refers to my letter of January 2 and to your letter of January 15, 1979 regarding the CLSU/Koppel Inc. contract. Your letter, addressed to Director Peter Cody, transmitted a copy of the original contract for the construction of the Food, Feed and Grain Processing Center.

I am pleased to inform you that the contract you sent to USAID has been reviewed and is deemed acceptable. Therefore, the Condition Precedent to Disbursement contained in Article 5, Section 5.2 (b) of the Project Agreement is satisfied.

Sincerely,

William F. McDonald
Chief, Office of Capital
Development

bcc: ASIA/PD/EA, AID/W✓

OCD:WFMCDonald:zms
3-7-79

Clearance: OAD:JFoti _____
 RLA:RWJohnson _____

cc: OAD RLA C&R