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CLASSIFICATION

190-126

For each submission check one ACTION INFO

DATE RECD.

TO: WASHINGTON TOAD A-5, C

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PD-AAV-336
12-N

FROM: MANILA

43

DATE SENT

Sept 16, 1970

SUBJECT: Agricultural Services

000151

REFERENCE:

NONCAPITAL PROJECT FAYER (PROP)

Country Philippines Project No. 492-51-190-126

Submission Date September 1, 1970 Original _____ Revision No. 2

Project Title AGRICULTURAL SERVICES

U.S. Obligation Span: FY 1967 through FY 1973

Physical Implementation Span: FY 1967 through FY 1974

Gross Life-of-Project Financial Requirements: (\$000)

U.S. Dollars _____ \$ 5,870

U.S.-Owned Local Currency _____ 60,426

Cooperating Country Cash Contribution _____ 16,000

Other Donors _____

TOTALS _____ \$82,296

STARTED BY	OFFICE	PROJECT NO.	DATE	APPROVED BY
Staff			8/31/70	<i>Thomas C. Nibleck</i> Thomas C. Nibleck, Director
AND OTHER CLEARANCES				
Bureau Level	<i>W.B. IV.</i>		Controller	<i>[Signature]</i>
Program	<i>[Signature]</i>			<i>[Signature]</i>

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SUMMARY

Over 2/3 of the Philippine population is in the rural areas, with most dependent upon farming for their income. Agricultural products constitute about 80% of exports and 85% of domestic consumption. In recent years, large amounts of scarce foreign exchange have been used to import necessary foodstuffs.

In 1966, the Philippine Government, with USAID help, initiated a four-year rice self-sufficiency program. The program goals were met in a little over two years, and that success has encouraged the GOP to attempt to duplicate the feat with other crops and, concurrently, make significant headway in agrarian reform.

Specifically, Agricultural Services project activities through FY 1974 (funding through FY 1973) will include (1) assisting in implementation of the National Food and Agriculture Council's four-year agricultural plan emphasizing feedgrain/livestock production, and development/testing of new agricultural technology, with considerable attention given also to vegetable production in multiple cropping experiments; (2) assisting the National Land Reform Council in agrarian reform efforts through substantial support of a provincial pilot land reform project; (3) development and application of more relevant agricultural research efforts; (4) promoting development and/or growth of cooperatives/marketing associations; (5) continued support of the Rodent Research Center, Agricultural Marketing News Service, and Bureau of Agricultural Economics data collection efforts; (7) enhancing agricultural sector links with AID's proposed Inland Fisheries project, and the AID East Asia Regional-supported International Rice Research Institute and Southeast Asia Regional Center for Agriculture; and (8) assisting the rapid expansion of those private industry organizations providing essential support services to the agricultural sector, such as the Philippine Fertilizer Institute and associations of seed producers, feed millers, and swine producers.

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I. Summary Description

GOP and USAID goals are: (1) to increase the capabilities of the GOP to direct scarce inputs in meeting the agricultural sector goals of the National Food and Agriculture Council's Four-Year (1971-74) Plan, (2) to devise innovative systems in agricultural production through the testing of new packets of technology, (3) to develop and test procedures for accelerating and improving programs of agrarian reform, and (4) to strengthen agricultural support services and institutions in terms of effectiveness and relevance.

The Philippine economy is agriculturally based. Over two-thirds of the population lives in the rural areas, with most dependent upon farming for their incomes. Agriculture is the source of about 80% of the nation's exports and 85% of domestically consumed foodstuffs. Food deficits in past years have required that considerable amounts of foreign exchange, which could have contributed to economic development, be used to pay the costs of imported foodstuffs. In spite of the critical importance of the agricultural sector, only recently have systematic efforts been undertaken to develop sector resources.

In 1966 the GOP, with USAID assistance, initiated a rice production program designed to achieve rice self-sufficiency. The program's four-year goal was achieved in little more than two years. The success of this undertaking has encouraged the GOP to develop plans for systematically expanding production of a variety of other agricultural crops and to experiment with new approaches for solving related major problems including agrarian reform.

Successful pursuance of the broad goals stated above will contribute to Philippine economic growth by:

1. Reducing food imports while expanding agricultural exports, thus increasing foreign exchange earnings;
2. Improving the nutritional and food consumption levels of the population;
3. Supporting the continued growth of agri-business activities;
4. Expanding markets in the rural areas for consumer and industrial products;
5. Increasing the confidence of rural people in their ability to improve their own welfare through changed agricultural practices;
6. Providing gainful employment for a larger percent of the rural population over a longer period of the year; and

7. Increasing the income and general standard of living of the farm populace.

To assist in attaining these goals, USAID will continue to support the programs of the National Food and Agriculture Council (NFAC) and its member-agencies including, but not limited to, the Bureau of Plant Industry (BPI), the Bureau of Agricultural Economics (BAE), and the Bureau of Animal Industry (BAI). Similar support will be given to the National Land Reform Council (NIRC) and its member agencies including, but not limited to, the Land Authority (LA), the Agricultural Productivity Commission (APC), and the Agricultural Credit Administration (ACA) in the pilot province land reform program. USAID support for these two major activities will include advisory services of USAID technicians, participant training, and purchase of project commodities as deemed appropriate. USAID will also continue to support provincial and local agricultural development programs where cooperation is demonstrated and opportunities for significant innovation exist. It is anticipated that USAID financial support for these activities will be required through FY 1973 with physical completion of the project extending into FY 1974.

Specific project activities will include:

- (1) Assisting the NFAC in the development of effective action programs in pursuance of its four-year agricultural plan, emphasizing feedgrain and livestock production, and the development and testing of "packages of technology" for horticultural crops; selected vegetables as well as for systematic multiple cropping patterns;
- (2) Assisting the GOP in its efforts to identify and test new approaches to accelerated agrarian reform through a provincial pilot land reform project;
- (3) Assisting in the development of a research system more directly related to specific sectoral action program needs;
- (4) Assisting in the continuing program of cooperatives development;
- (5) Promoting the development of agricultural produce marketing associations;
- (6) Continued support of the Rodent Research Center at the University of the Philippines College of Agriculture (UPCA), as well as the Agricultural Marketing News Service (AMNEWS), and the pilot project of improved agricultural data collection of the BAE, and

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- (7) Development of effective linkages between related institutions and programs, including the proposed USAID Inland Fisheries project, the AID East Asia Regional-supported International Rice Research Institute (IRRI) and Southeast Asia Regional College of Agriculture (SEARCA).

USAID will continue to work closely with and support the rapid expansion of private industry and trade associations providing essential supporting services for the agricultural sector. Particular emphasis will be given to the Philippine Fertilizer Institute, Philippine Seed Producers Association, Philippine Swine Producers Association, and the Philippine Association of Feed Millers. Other related AID projects support expansion of existing, and creation of new, agricultural processing industries.

II. Setting or Environment

During the decade of the 1950's and on into the 1960's, the groundwork was laid for more intensive Philippine rice cultivation. New production methods were tested, new credit institutions were established, extensive use of fertilizers and pesticides was promoted, and the development of supporting infrastructure was accelerated. Despite these efforts, only modest production gains resulted. Bringing additional marginal lands under cultivation during the period continued to be the major contributor to increased production. Expansion of land and labor productivity made little headway because, it now appears, returns on the required added increments of labor and capital simply were not sufficient to motivate widescale adoption.

When IRRI released the new high-yielding varieties (HYV's) of rice in 1966, however, the situation changed dramatically. The HYV's paid back handsomely for each additional increment of fertilizer, pesticide and other improved production practices. Farmers of the nation responded dramatically, bringing rice self-sufficiency to the Philippines for the first time in history.

The following is a summary of the role played by the rice HYV's in this national effort:

<u>Crop Year</u>	<u>Total Production Paddy Rice (44 kg. sacks or cavans)</u>	<u>Total Area Harvested to rice (ha)</u> ^{1/}	<u>Area Harvested to HYV (ha)</u>	<u>% of Harvested Man. HYV</u>
1965-66	92,56,000	3,109,000	0	0
1966-67	93,046,000	3,096,000	N/A	0

^{1/} Double-cropped hectareage counted twice.

<u>Crop Year</u>	<u>Total Production Paddy Rice (44 kg. sacks or cavans)</u>	<u>Total Area Harvested to rice (ha) $\frac{1}{2}$</u>	<u>Area Har- vested to HYV (ha)</u>	<u>% of Har- vested Mas. HYV</u>
1967-68	103,652,000	3,304,000	701,500	21.5
1968-69*	101,015,000	3,332,000	1,351,800	40.6
1969-70**	118,077,000	3,094,000	N/A	-

* Decline production figures due to widespread drought.

** Preliminary estimates.

Significant as the rice breakthrough was in itself, it can now be viewed as simply the first major step in the long struggle to intensify overall agricultural production. The concept of systematic, intensive rice production has been widely tested and accepted. Almost immediately after the rice breakthrough, the country began to gear itself up to take the lessons of the successful rice campaign and to apply them to food production generally so that today each major crop and animal enterprise is being studied and a system devised to increase its productivity. Unfortunately, incremental returns from new technology may not be as great in other enterprises as was the case with rice. In spite of this possibility, however, USAID anticipates significant acceptance of new crops and accompanying technology largely because of the new receptivity to innovation among the many farmers who profited from the new rice technology. Furthermore, while they will not necessarily yield the high rate of return realized on production investments in rice HYV's (which were in part attributable to high domestic and world prices which cannot be depended upon to contribute to these new initiatives), the new crops do offer the possibility of added income from off-season and multi-season cultivation and better production in upland farming. For instance, where water availability is below the requirement for economical rice plantings, sorghum becomes a profitable alternative second crop.

Against this background of rapid agricultural technological change, there is an increasing clamor for agrarian reform and more responsive government services. The farmer wants to increase his productivity and, most importantly, he wants to receive, in the form of added income, the direct benefits of such increased productivity.

As a result of involvement in the successful rice program, both USAID and participating GOP agencies have enhanced their stature as forces for development in the Philippines. GOP change agents have developed self-confidence and have gained increased acceptance among the farmers, thus providing a necessary base for a program of accelerated overall rural development.

The following is a listing of some of the most significant problems which will have to be effectively dealt with if the planned rate of agricultural sector modernization and growth is to be achieved:

Infrastructure and Market Development - Inadequate roads, transport facilities and market linkages in many parts of the country contribute to the existence of regional agricultural products gluts simultaneously with deficits in other areas. Effective demand in major markets often isn't transmitted to farmers in all regions as a production incentive. Renovation and new development of irrigation systems is proceeding at a slow rate and thus inadequate irrigation is becoming a major limiting factor for the expansion of rice production and multicropping.

Agricultural Credit - The relatively limited availability of production credit at reasonable interest rates continues to be a major factor in restricting the capability of farmers to utilize the quality and quantity of inputs required for optimum rice production. Availability of production credit required for secondary crops is even more limited.

Livestock & Feedgrain Production - Most livestock enterprises are inefficient and poorly managed. Mixed animal feeds are relatively expensive and the nutritive value is unreliable. Feedgrain production is insufficient because of inadequate financing and low farm prices. The entire industry, however, has great potential which can be realized if there is a systematic attack on the problems at every level.

Research - Limited GOP funds available for agricultural research have not been utilized in an optimum manner. Immediate problems are often neglected while funds are expended for research activities of less importance to the development of the sector. Concentration of adaptive research upon increasing farmer production incentives while reducing magnitude of inhibitors and degrees of risk provides opportunities for securing early and substantial returns from research investments.

Agrarian Reform - Agrarian reform, generally acknowledged to be of crucial importance to the development of agriculture and the overall economy, continues to make very slow progress. Seven years after the initiation of the National Land Reform program, only 15% of the country has come under the program, and within this area, only 15% of the farmers have been converted from share-tenants to fixed rental leaseholders. Progress in converting leaseholders into land owners has been even more disappointing. Perhaps the most significant advance in the past year was the open acknowledgement on the part of the government of program shortcomings and the need to intensify present efforts while testing alternative approaches.

Agriculture Information - The limited availability of accurate timely agriculture production and storage data continues to be a problem for policy makers and program planners. Recent pilot data collection efforts have shown good results and promise a solution to this problem. Similarly, the problem of the limited availability of national agricultural marketing information is being overcome through the further development and expansion of an agriculture marketing news service.

Rodent Damage - Rodent damage to growing crops reduces returns from labor/capital investments, by destroying as much as 20% of first crop production in some localities. Promotion of second crop plantings is greatly hindered because farmers know that the rodents, most numerous immediately following the first crop harvest, can and often do completely devastate second crop plantings. Systematic control programs must be developed to overcome this problem.

III. Strategy

The GOP in mid-1970 completed a Four-Year Development Plan for 1971 through 1974. In order to develop the agricultural section of this document, the NFAC, under the personal supervision of the new Undersecretary of Agriculture, undertook a thorough analysis of the agricultural sector. Because of strong high-level political commitment and recent successes in agricultural development, it is felt that the new agriculture program stands a reasonable chance of obtaining the resources necessary for implementation. The agricultural section of the Four-Year Development Plan concentrates on the following primary goals:

1. Continued expansion of rice production in order to at least sustain rice self-sufficiency.
2. Diversification of agricultural production to reduce imports, thus conserving foreign exchange, and to satisfy national nutrition requirements. Initial emphasis will be placed on the increased production of swine, fish, and selected feed-grains (sorghum, corn and soybeans).
3. Expansion of the output of traditional commercial crops and development of export markets for non-traditional exports.

The proposed government strategy for attaining these goals is as follows:

1. Capitalize on the innovational receptivity of the farmer which resulted from the successful rice program.

2. Support private sector initiatives across the board while concentrating major Government efforts in a few well-defined priority enterprises.
3. Place administrative emphasis upon creating an effective total agri-business systems approach to each priority enterprise. The present approach of almost exclusive concentration on production will be broadened to include processing, marketing and financing.
4. All Government efforts in the agricultural sector will be coordinated by a single central body, the National Food and Agriculture Council (NFAC).
5. Resources will be concentrated in a few geographical areas chosen for their appropriateness and potential rather than being spread thinly throughout the country.
6. Great stress will be placed on the social justice aspects of agricultural production. Toward this end, the government will exert special efforts to achieve coordinated action in land reform areas, especially in those activities designed to increase productivity.

USAID intends to support several major portions of this proposed agricultural program. Specifically, we will:

1. Assist in GOP efforts to expand and diversify agricultural production, and
2. Assist in demonstrating through a special provincial pilot program in land reform, the feasibility of converting share tenants or small producers into successful, independent farmers.

USAID's approach to agricultural assistance in the Philippines has proven highly successful and will be continued. It consists of:

1. Designing innovative pilot programs or packages of technology in cooperation with the planning staffs of key national government agencies and local government leaders;
2. Pilot-testing programs in carefully selected localities through and in cooperation with assigned national and provincial agency personnel;
3. Evaluating program results together with concerned national and provincial officials and, where the results of the pilot effort warrant; UNCLASSIFIED

4. Supporting the development of larger scale integrated, systematic programs based on these pilot efforts by providing key inputs to responsible Government agencies.

The Four-Year Development Plan clearly demonstrates that the concept of intensive rather than extensive production has been accepted by GOP policy makers as the key to development. As the concept is successfully implemented in each crop and animal enterprise, the agricultural sector is being transformed from subsistence to a commercial basis.

The leadership of the National Food and Agriculture Council (NFAC) has played a critical role in development by demonstrating the managerial capacity to plan and coordinate innovative programs that are appropriate to present day Philippine agricultural needs and conditions. Key managerial executives and staff members have been trained in modern concepts of administration, thus they have an appreciation of both the agricultural technologies involved and the management systems needs to get these techniques applied on a large-scale basis. This aspect is a crucial factor in improving the problem-solving capabilities of the line action agencies under NFAC. Among the action agencies themselves (notably the BPI) steps have been taken to provide promising technical specialists with training to improve their program planning and implementation skills.

USAID support of the GOP's new agricultural program essentially will be an extension of the support given to the successful rice effort. Inputs will consist of technical advisory services, technical training, and transportation, demonstration, communication and office equipment.

USAID will also assist the GOP to organize and administer its adaptive research efforts to assure a future source of the technology that will permit creation of new enterprise efforts and meet problems as they emerge.

In addition to assisting in the development, testing, and spreading of packages of technological and administrative innovations, USAID will continue to analyze national government programs and structures and will, where appropriate, work to modify them in order to help the GOP more readily attain its priority goals.

USAID considers the assistance approach to this sector outlined above to be the only relevant course of action for attainment of the stated goals.

IV. Planned Targets and Results

It is anticipated that the program outlined in this document will lead to the following results within four years:

- a) Production of sufficient quantities of yellow corn and sorghum to both meet increasing domestic requirements and allow limited exportation.
- b) Production of sufficient quantities of soybean to enable the two existing soybean processing plants to operate economically from domestic production and to thus develop a market conducive to greatly expanded soybean production.
- c) Significantly increased quantity and quality of the Philippine swine population. More specifically, we anticipate the production of over 20% more animals which will be marketable in 25% less growing time, with a reduction of total per-animal feed requirement of at least 20%.
- d) Significantly increased quantity and quality of vegetable crops produced and commercial horticultural tree crops to be established through continued adaptive research, training and extension.
- e) The development of a systems approach to shallow-well water development with technically and economically feasible multicropping systems.
- f) The development of a variety of approaches to accelerated land tenure transition while maintaining or increasing agricultural productivity.
- g) The development of more rational systems of feedgrain, livestock and vegetable marketing which will simultaneously bring greater returns to the producer while lowering costs to the consumer.
- h) The improvement of agriculture policy-making, planning and programming through improved systems of data collection and analysis.
- i) Provide the basis for rational market decision-making through the widespread dissemination of current and accurate agricultural products price information.
- j) The development of systems for increased land and labor productivity through improved fertilizer usage.

- k) The establishment of capabilities for continued progress in quality crop research and seed technology.
- l) The establishment of agricultural credit/cooperative institutions capable of meeting the production and marketing requirements of all of the nation's small farmers.
- m) The development of procedures for the systematic control of rodent populations now so adversely affecting agricultural production.
- n) The development of a unified, systematic, agricultural research capability.

V. Course of Action

FY 1971

Support of NFAC Four-Year Plan:

USAID will assist NFAC in its efforts to launch a national feed-grains program (sorghum, yellow corn and soybeans) assisting in the coordination and implementation of the program at all levels. USAID will also assist the NFAC and participating agencies in their effort to launch a national livestock production and marketing program with initial emphasis placed upon swine production.

Testing Potential Packages of Technology

Support will be given to NFAC agencies in their efforts to develop systematic programs to promote increased production of cash vegetable crops and commercial horticultural tree crops. Initial emphasis will be placed on testing methods for improved land utilization of economic cash crops and improved crop rotations. Support will also be extended to agencies in the selection and evaluation of new field crops. The joint NEC/USAID/NFAC groundwater irrigation project will be made operational.

Agrarian Reform

A two-year pilot project will be established in Nueva Ecija Province to test a variety of approaches to accelerated land tenure change while maintaining or increasing agricultural production.

Support Services and Institution Development

a) Services -

Assistance will be extended to the NFAC in its efforts to

develop, in cooperation with member agencies, rural banks, and Farmers Cooperative Marketing Associations (FaCoMas), an improved marketing systems for feedgrain, livestock and vegetables. The BAE pilot project for improvement of agricultural statistics, initiated in Nueva Ecija, will be expanded to two additional provinces. The BAE's Agricultural Marketing News Service, now collecting prices from 20 markets, will be expanded to 36 markets. Assistance will be given to NFAC and the Fertilizer Institute of the Philippines in their efforts to promote applied research on fertilizer utilization and the wide dissemination of research findings to agricultural technicians and farmers. USAID will continue its efforts to support BPI programs of crop research and quality seed production.

b) Institutions

USAID will continue assisting the Agricultural Credit Administration (ACA) in its efforts to expand its cooperative loan program, expand the operations of the Grain Marketing Cooperatives of the Philippines (GrainCop) and improve cooperatives management through training. Rural banks will be encouraged to participate in specialized agricultural production loans (loans for crops and enterprises other than rice). The operations of the AID-supported Rodent Research Center on the University of the Philippines College of Agriculture campus at Los Baños, Laguna will be expanded and a rodent control training program will be established. USAID will work closely with the NFAC in its efforts to review and upgrade the nation's agricultural research efforts and will continue to cooperate with the International Rice Research Institute (IRRI) and the Southeast Asia Regional College of Agriculture (SEARCA), both also located at Los Baños.

FY 1972

Support of NFAC Four-Year Plan

USAID will support NFAC in its efforts to move into the second phase of its national feedgrains and livestock production and marketing program. This will include a review of programs under phase one and reintensified efforts to attain the second year goals.

Testing Potential Packages of Technology

Successful packages of technology developed in FY 1971 will be introduced to farmers, and efforts to develop additional technology will be continued. Selection and evaluation of new field crops will be continued. Initial results of the ground water irrigation project will be published.

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Agrarian Reform

Assistance to the Nueva Ecija pilot project will continue and an interim progress report will be published.

Support Services and Institution Developmenta) Services

USAID will continue to support NFAC's efforts to develop more effective marketing systems, and the further expansion of BAE's projects for improved agriculture statistics and marketing news dissemination. Continued fertilizer applied research and education will be encouraged as will BPI's crop research and quality seed production programs. Strong support of improved agricultural credit systems will be continued as will support of improved agricultural research. USAID will continue to cooperate with the Rodent Research Center, IHRI and SEARCA.

FY 1973

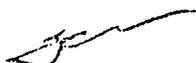
Continuation of FY 1972 activities. A review will be made of progress towards attainment of Four-Year Agricultural Plan goals. The agrarian reform pilot project and the agricultural credit programs will be evaluated and project reports published.

This will be the last year of obligations of USAID funds for this project.

FY 1974

USAID commitments described in this document will terminate, and the experience will be evaluated to assess the impact of each activity upon land and labor productivity and upon farmer income.

A joint GOP/USAID agricultural sector study will be conducted, with the findings used to establish new national development goals, revise strategies, and determine optimum levels of resources to be committed to each major activity. The form and level of further USAID assistance will depend upon the degree of GOP success in effectively utilizing the previous USAID inputs.



BYROADE

NONCAPITAL PROJECT FUNDING
(OBLIGATIONS IN \$000)PROJ DATE: 9/1/70
Original : _____
Rev. No. : 2

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Country: PHILIPPINESProject Title: Agricultural Services
Project No. 492-51-190-126

Fiscal Years	AP	L/G	Total Cost	Personnel Serv.			Participants		Commodities		Other Cost		
				AID	PASA	CONT	U.S. Ag	CONT	Dir US Ag	CONT US Ag	Dir & US Ag	CONT	
Prior through FY 1968	TC	G	817	-	269	-	16	33	-	494	-	5	-
FY 1969	TC	G	478	-	166	12	28	25	-	247	-	-	-
FY 1970	TC	G	1,050	-	214	13	89	66	-	667	-	1	-
FY 1971	TC	G	1,150	-	315	25	90	125	-	595	-	-	-
FY 1972	TC	G	1,175	-	345	35	100	95	-	600	-	-	-
FY 1973	TC	G	1,200	-	345	25	90	120	-	620	-	-	-
All Subs.													
Total Life	TC	G	5,870	-	1,654	110	413	464	-	3,223	-	6	-

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Fiscal Years	AID-Controlled Local Currency		Other Cash Contribution Cooperating Country	Other Donor Funds (\$ Equiv.)	Food for Freedom Commodities		
	U.S.-owned	Country-owned			Metric Tons (000)	CCC Value & Freight (\$000)	World Market Price (\$000)

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Prior through FY 1968	417	267	-	-	-	-	-
FY 1969	-	13	-	-	-	-	-
FY 1970	9	21	-	-	-	-	-
FY 1971	20,000	-	6,000	-	-	-	-
FY 1972	20,000	-	5,000	-	-	-	-
FY 1973	20,000	-	5,000	-	-	-	-

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All Subs.

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Total Life	60,426	301	16,000	-	-	-	-
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MANILA

1. Project Title

Agricultural Development and Rural Industries

2. Recipient (specify)

Philippines

Life of Project

Begins FY 1968

Ends FY 1978

492-51-190-120

3. 5/9/72

A. Funding by Fiscal Year	B. Total \$	C Personnel		Funding (\$000)		AND MAN MONTHS (MM) REQUIREMENTS			E. COMMOD- ITIES	F. OTHER COSTS	G. PASA/CONTR		JOINT	BUDGET
		(1)	(2)	(1)	(2)	(1)	(2)							
				\$	MM			\$	\$	\$	MM			
1. PRIOR THRU ACTUAL FY	4361	1121	357	543	543	2074		20	480	101	1172	21.4	18.2	
2. OPRN FY	(3000)	(3000)	(108)	(166)	(166)	(283)		(3)	(150)	(5)	(23.3)	(5.0)	(18.2)	
Budget														
3. FY 73	1000	250	82	150	100	200			400	120	60.0	4.0	41.1	
Budget														
4. FY 74	1410	260	80	250	200	320			650	180	60.0	4.0	65.0	
Budget														
FY 75	1200	225	60	150	150	235			500	178	60.0	4.0	50.0	
Budget														
FY 76	1000	250	60	125	125	100			525	150	60.0	4.0	60.0	
Budget														
6. All SubQ. FY77	900	250	60	100	100	100			350	100	60.0	4.0	65.0	
7. Grand Total	9714	2386	701	1223	1223	3029		20	2065	829	417.2	41.5	279.3	

Other Donor Contributions

Drafter:

William C. Blankenship
 Director of Budget & Staff
 William C. Blankenship, AD/AD
 Bruce W. Robinson, CG

Originating Office Clearance

Paul M. Groves

Asst. Director
Richard J. Daniels
 Acting Director

Clearance
Office

May 9, 1972

May 9, 1972

SUMMARY STATEMENT

This project is designed to assist in the preparation and implementation of agriculture plans to boost the productivity and income of the small farmer at the provincial level and on a selective basis to assist in dealing with key agricultural problems at the national level.

RATIONALE

Agriculture is the largest economic activity in the Philippines. Its condition not only determines the welfare of the people in the rural areas, but also exerts a major influence on the national economic welfare. The government and the national economy depend upon the production and distribution of agricultural products as a major source of income. Increases in agricultural production will be a primary means of raising the standards of living of the Filipino.

Programs for strengthening the agricultural sector, therefore, are of utmost importance, whether conducted by national or provincial agencies.

Continued industrial development in the Philippines, to a large extent is dependent upon the expansion of the consumer market. Since the bulk of the population (70%) is dependent upon the agricultural sector for their livelihood, the development of industry is linked directly to agricultural development. The subsistence farmer, by definition is essentially a non-consumer of the products of industry and this condition must change for industry to grow.

In addition to agriculture, this project will contribute significantly to the development and growth of small rural industry on a geographically dispersed basis. The necessity for rural industrial development is indicated by the rate of entrants into the rural labor force of 300,000 per year compounding the problem of the current estimated 500,000 unemployed and 2 million underemployed rural laborers. In addition, most one-crop farmers can be classified as unemployed for almost one third of the year. The solution appears to rest in a comprehensive program designed to tap the potentials created by rural electrification and significant private sector involvement.

Agriculture in the Philippines has been characterized by extensive land and labor use, low yields per hectare, and low income per capita. Improved agricultural development, therefore, implies greater production and productivity.

Increases in agricultural production have been made in the past but they have just about kept pace with the population's growth, and productivity has remained low compared to the potential. The key development problem is in adapting the existing technology to the small farmer so that he will come closer to that potential.

The U.S. Government has been involved, to a greater or lesser extent, in the modernization of Philippine agriculture since the turn of the century. For many years, the primary contribution was in the development of agricultural education institutions which continue to provide skilled manpower for the agricultural sector.

In the decade of the fifties, the U.S. Government assisted in the development of agricultural support institutions and in the strengthening of government services. Two of the major institutions assisted were the Cooperative System (FaCoMas) and the Rural Banking System. During the early sixties, the Mission assisted in the development of the national land reform program and in the second half of the decade, concentrated on the development and implementation of a national rice self-sufficiency program.

Philippine agriculture has now entered a period of major transition requiring an examination of the existing field support system and a restructuring of the system to make it more effective in meeting the needs of the small farmer. The transition referred to has two major facets -- the emergence through land reform efforts, of increasing numbers of small farmers working under leasehold contracts, and in the shift from extensive to intensive agriculture. By the late 1960s substantially all of the nation's economic land had been brought under a degree of cultivation. Thus the most significant way to increase production is to increase yields per unit of land.

Given that a healthy small farmer enterprise economy is desired, a viable small farmer credit system is the sine qua non to move agricultural production and productivity from the subsistence to the commercial level of operation. Because of the vagaries of the climate, agriculture has always been a high risk enterprise. If borrowed capital is invested in agricultural production efforts, the risks become too great for the small farmer to face alone. Thus a crop insurance scheme is necessary to help maintain the viability of the farmer/credit system.

Small farmers, even with produce on their hands, are still not effective business ventures. They must have marketing outlets that will permit them to sell their produce and recover their costs of production; repay their loans, and realize a profit. The most effective, and indeed, almost the only way that we know, for large groups of small farmers in the same type of crop production in the same geographic area, to attain any degree of effective marketing leverage, is for them to organize

into cooperative associations. At the same time, cooperative membership strengthens the individual's creditability, since the probability of his loan being repaid is enhanced thereby.

Thus, these three activities: - credit, crop insurance and cooperatives are closely interrelated aspects of a small farmer support system.

Continuing research is another prerequisite to a modernized agricultural system; research which the small farmer relies upon to keep abreast of current practices and problems. In this vein, it is significant to observe that IR-5 and IR-8 -- the "miracle" rice varieties which ushered in the green revolution only a few years ago, -- have almost vanished from the agricultural scene, having been succeeded by varieties currently in the IRRI "20" series. And even here, there are still problems. For example, a further round of intensive research was generated in order to address the problem of the recent resurgence of Tungro virus.

The essence of a system is that it will only function to the limits of its weakest component. Therefore, the mission has to concern itself with the totality of activities involved, rather than concentrating on some to the exclusion of others, although the emphasis will vary.

The Impact of Land Reform

The institutions developed in previous decades were established to service the agricultural structure existing during the era. Both cash crops and food crop agriculture were given support. The "cash crop" enterprises continue to thrive reasonably well under current institutional support and will not be discussed here. The food crop enterprises on the other hand, are facing a crisis situation.

The support institutions were established to service a share tenancy system in which landlords availed of the services and the farmers received a subsistence return for their labors. When the land reform bill was written (1963) new support institutions were established to meet the needs of the small farmers. These institutions, however, were not clearly related to the land reform program and soon developed into inefficient support systems for status quo agriculture and not as tools for agrarian reform.

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During the rice self-sufficiency program all efforts were directed toward increasing production within the existing agricultural framework.

In 1970, the Mission agreed to assist the GOP in developing and carrying out a pilot program in Nueva Ecija province to determine whether land reform activities could be accelerated and agricultural productivity simultaneously increased under existing laws and structures. The tentative conclusions gathered from this ongoing project are that (a) the key to accelerating land reform activities is reliable support systems; and (b) the existing support systems are inefficient in meeting the needs of land reform farmers. Unless these services are drastically altered, it is unlikely that increased agricultural production will be attained or that the small farmer will be better off.

As a result, new support structures are being designed and tested in the pilot area (Nueva Ecija).

The details of the program which has been developed are contained in the papers "Agricultural Credit and Cooperative Development Program for Nueva Ecija" and "Nueva Ecija Area Agricultural Program". The former document contains a series of basic concepts which will radically alter the existing situation. Among these concepts are:

1. Separation of credit and marketing functions.
2. Separation of credit and extension functions authority and responsibility.
3. Strengthening of farmer organizations.
4. Credit and marketing institutions moved from the municipal to the multi-municipal level to realize economies of scale, to escape local politics, and to optimize the use of scarce managerial skills.
5. Clear functional linkages between farmers organized at the barrio level and the area credit and marketing units.

Camarines Sur Development

In Camarines Sur, another area with great development potential, other programs are being formulated, with an emphasis on the existing structures which have been developed locally. Particularly noteworthy is the "compact farm" scheme. The compact farm is a contiguous area of about 50 hectares, with about 20 farmer members agreeing to organize into a Farmers' Association, hold and bind themselves jointly and severally liable for all loans that they obtain, work together under the supervision of a Project Manager supported by farm technicians, and market all their surplus produce through their cooperative.

This reduces the risk of any individual farmer; enables a bank to extend credit at lower cost with greater certainty of repayment, facilitates the delivery of services to the farmers, and simplifies the marketing of their produce.

The success of small farmers in this kind of arrangement to date, is stimulating land reform movements which in turn is generating further demands on the governmental structure. AID will assist in developing and expanding the compact farming scheme within the province, and gearing up the support systems necessary to service the farmer.

Priority Province Development

To date the two geographic areas described above have been selected as pilot programs to test approaches in intensive development. Over the course of this project, it is anticipated that two or three additional such areas will be identified.

The GOP is under great pressure to meet the needs of the emerging leaseholder farmers throughout the country. As new approaches are developed in the pilot areas, pressures immediately arise to broaden the programs for wider coverage. To assure that broad implementation of agricultural development at the provincial level, we are stressing initial implementation in selected provinces where activity progress can be closely monitored. The targeted provinces are those scheduled to participate in the Mission-supported provincial development project.

Rural Industry

A new major activity is one to encourage development and expansion of rural small scale industry, particularly in areas where electrification will be provided under the loan-funded rural electrification program. Increased employment opportunity is a high GOP priority, which complements USAID's development activities. Industrial

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growth in the rural areas will do much to offset the off-farm unemployment, on farm underemployment, and help stem the rural migration to the major cities.

Under this project activity, a contract team will advise the USAID on the current situation and constraints to development, survey the market potentials, examine possibilities for an AID dollar loan to capitalize rural enterprises, and explore the availability of peso loan funding, including R. 480, Title I.

GO2 Views

Significantly, the national agencies are now concentrating on increasing their inputs into specific provinces. Foremost of these is the National Food and Agriculture Council (NFAC) which has established priority provinces for each major food crop. A major thrust in priority province development efforts will be the washing of NFAC programs into provincial plans. NFAC has recently designed and published a "Model Provincial Agricultural Development Program" which reflects the trend toward decentralizing national activities and endorses greater initiative and coordination in joint programming and planning at the provincial level. This approach is strongly endorsed by the incumbent Secretary of Agriculture.

Relationship to Other Donors

USAID programs have been and will continue to be coordinated with the United Nations Development Program (UNDP). The UN has a strong interest and involvement in the agricultural sector of the Philippines, primarily through many small "projects of opportunity" (often of short duration).

The USAID program on the other hand, is concentrating on selective problems related to the furthering of the goal of provincial development.

During calendar year 1972, the World Bank will complete a sector analysis of agriculture. The study team has maintained a close liaison with the USAID and it is believed that our program proposal is consistent with their study. Preliminary indications are that our approach of an integrated program to target on the small farmer, is endorsed by them.

In summary, past USAID programs have been directed towards fulfilling national production goals. The new emphasis is to focus on the small farmer as the end recipient.

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The elements are well known -- credit, technical knowledge, roads, etc. as outlined in the purpose statement. The difference is that instead of working on isolated factors to increase production, an integrated systems package approach is being tailored where we concern ourselves with the total delivery system to the farmer and identify and deal with constraints as they arise - at both Provincial and National levels.

PROVINCIAL ACTIVITIES

Nueva Ecija Land Reform - The GOP has an operational integrated project to accelerate land tenure change in this Central Luzon province. The USAID is participating in the project, and testing a variety of approaches to strengthen the supporting structures of extension, credit and marketing to enable farmers of the province to increase productivity and income.

Camarines Sur Development - A comprehensive proposal is being prepared built around the systematic development of a major river basin in the province. The approach centers on a "compact farming" scheme, and integrated supporting agricultural services with strong private sector involvement.

Province Advisory Assistance - In selected provinces, assistance will be provided in support of the NEC/USAID Provincial Development activities, by assisting local agricultural staffs in planning and taking action to increase small farmer production, primarily in rice, feedgrains and livestock. Experience gained from the two specialized efforts above will be applied in the selected provinces as appropriate.

NATIONAL ACTIVITIES

Programs are underway, or in preparation, for technical assistance and research at the national level, on the following principal activities:

Credit - To develop an effective small farmer credit system by evaluating the current systems; providing recommendations for specific improvements, and field testing and monitoring new approaches, in lending and collecting. PL480 funds are being utilized extensively in this effort.

Crop Insurance - In support of the credit program, to develop an Agricultural Insurance program that protects cash investments in crop and livestock production against disaster losses.

Cooperatives - In support of the GOP cooperative program, the Mission is assisting in developing comprehensive training programs for managerial and operating personnel, and coop members.

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Data Collection - Continue efforts to upgrade the capability of the Bureau of Agricultural Economics to collect, analyze and disseminate agricultural data required for policy formulation and long and short range planning.

Inland Fisheries Research - To improve the technology for fresh and brackishwater fishpond culture, and create channels for moving research findings to farmers, through extension workers.

Agricultural Research Systems - To assist the GOP to develop a coordinated program of agricultural research supporting diversified production, increased profitability, reduced risks and more intensive land and water use.

Rural Industry - To encourage development and expansion of rural small scale industry, particularly in areas where electrification is present.

A symbiotic relationship exists between all the national and provincial level activities of this project. The activities at the national level are targeted on policy problems that are key constraints to increased productivity. It is felt that these selected items must be addressed nationally, to make any lasting impression at the provincial level.

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A. THE PROJECT GOAL

1. Goal Statements

This project supports the Mission's Provincial Development goal of making a measurable improvement in rural life within selected provinces, through increased farmer income and employment; and assists the national government improve those key support services to the agriculture sector to bring this about.

2. Measurement of Goal Achievement

- a) The median income growth rate of farmers reached by the project.
- b) The productive employment rate of rural labor force in areas reached by the project.

3. Assumptions of Goal Achievement

- a) The Filipino small farm family will respond positively to opportunities for expanding income if the risk is not too great.
- b) Price and production risks can be at acceptable levels for farmers and credit agencies.
- c) Increasing returns to the farmers will be compatible with price stability for the urban consumer.
- d) Successful elements of the agricultural system, from production through marketing, can be extended throughout the country.

B. THE PROJECT PURPOSE

1. Statement of Purpose

To develop modern agricultural technology and supporting systems and effectively extend them to benefit the small farmers of the Philippines.

2. Conditions Expected at the End of the Project (1977)

A total agricultural system established within the specific project areas, that is responsive to the needs of independent small farmers, as well as the large scale commercial producers.

Provincial level agriculture plans will be the focal point for integrating and coordinating inputs from the national government, from provincial and local sources and from ADP into a systematic plan which will include:

- a) Greater use of improved techniques which will increase productivity and with a more efficient marketing system to assure the small farmer an improved income from that increased productivity.
- b) Government policies which provide positive reinforcement for supporting systems, incentives for small farmers to produce, minimize risks, and a mechanism for making continued adjustments of policy as a need arises. This will include a favorable policy on water management and development, and grain industries, including price support.
- c) Packages of technology developed, which are economically feasible for the small farmer and ongoing research linkages to provide protection against new diseases and insects and make adjustments to changing economic conditions.
- d) Free and easy access by the farmer to agricultural technology and agricultural extension services.
- e) Development of small farmer capability (know-how) and organizations to effectively utilize available resources.

- f) Availability of credit to the small farmer, on a timely basis, in adequate amounts for production and marketing and on reasonable terms.
- g) Partially implemented data system for agricultural planning and policy making.
- h) A marketing system that permits the farmer to dispose of his harvest profitably.
- i) A systematic action plan to provide a network of feeder and farm to market roads.

3. Basic Assumptions

- a) That an improved system requires more positive complementary action at the local level in both the public and private sectors.
- b) Central government will continue to follow a policy of decentralization.
- c) That provincial governments will build feeder and farm to market roads in the project areas, in accordance with the provincial development planning program.
- d) That rural bankers will be willing to finance small farmer production loans with minimal government subsidies.
- e) The number of newly independent farmers resulting from the land reform program will continue to increase.
- f) The number of newly independent farmers resulting from the land reform program will generate a continuing demand for an improved agricultural "system" to serve the small farmer.
- g) The provinces will complement national extension staffs and provide appropriate incentives for job performance.
- h) The elasticity of demand is such that the increased productivity will result in an improved net income.

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C. OUTPUTS

1. Project Outputs and Output Indicators are shown below:

OUTPUTS	Magnitude of Outputs
a. 1) A government supported supervised credit program to serve small farmers for production and marketing primarily channeled through private rural banks.	At least 75% of the Rural Banks participating in a supervised credit program (approximately 400) serving 65% of the independent small farmers in their area of coverage.
2) Agricultural Credit System survey of policies and programs to identify constraints to small farmer borrowing.	A report with recommendations for specific improvements to be made to the existing agricultural credit system, in order to enhance small farmer borrowing.
3) A training program for rural bank credit technicians, farm management technicians and small farmers, which highlights the use of credit, the methodology for preparation of a farm plan and budget and ability to secure, repay loans while accumulating added investments and savings.	A training course outline. All rural bank credit technicians trained. All farm management technicians trained. Farmer training classes regularly held for all borrowing farmers in area.
b. Tested packages of technology responsive to the needs of the small farmer, including costs and benefits of raising different crops under various conditions.	Two fisheries research centers built, equipped, staffed and operating in support of fresh and brackishwater fish production. A system of field trials on farmers fields operating in each selected province focusing on existing and potential enterprises. Appropriate reports by research consultants.

Outputs	Magnitude of Outputs
c. Agricultural extension service trained and operating in project areas	One farm management technician assisting not more than 100 farmers under supervised credit in the project area.
d. The construction of feeder and farm to market roads. (See Provincial Development PROP)	Eighty percent of families within 5 km. of all-weather feeder road.
e. Marketing systems linkages and outlets including cooperatives.	Cooperative training course. Economically viable coops and farmers' associations devised and tested to service small farmers on supervised credit in the project area.
f. Government policies supportive of small farmer productivity.	Legislation prepared, introduced, and hopefully enacted on: grain industries and crop insurance.
g. A national system that has reliable provincial based statistics on agricultural data.	Monthly statistical report on food grains, by province (RABCON).
h. Rural industry promotional study. (See Rural Electrification PROP and Nutrition PROP).	Consolidated Report FY 1973.
D. <u>INPUTS</u>	

Kinds of Inputs	Magnitude			Date Scheduled for Delivery
	FY73	74	75	
US				
Resource Technicians				
Direct Hire	250	240	225	It is planned that the current DR staff of 10 will be reduced to 5 by the end of FY74 and that technical assistance will be provided through contract.
Contract/PASA	350	500	500	
Short Term Contract Specialists/Consultants	50	100	90	

Kinds of Inputs	Magnitude			Date Scheduled for Delivery
	73	74	75	
Commodities - Office Equipment:				All commodity inputs will be
Vehicles, Specialized				requested on a normal delivery
Demonstration Equipment	200	320	235	schedule for the item procured.
Participants	150	250	150	
PL480 proceeds to finance credit program				

(Illustrative estimates of financial inputs to the individual elements of the project are shown in the Course of Action Section)

Cooperatives Country.

PL480 Title I generations have been estimated at \$21 million annually over the next three years and it has been tentatively agreed that approximately 50 percent of these generations (\$10 million) will be utilized in the agricultural sector, primarily for supervised credit and key development area support.

Task forces on cooperatives, and credit, short term consultants, and advisory services from the University of the Philippines College of Agriculture (UPCA) staff and the Associated Colleges of Agriculture of the Philippines.

Extension services of the Agricultural Productivity Commission (APC), Bureau of Plant Industry (BPI), and Bureau of Animal Industry (BAI) with special project support funds, as required.

E. COURSE OF ACTION

a. Implementation Plan

The following network illustrates how the process of development is carried out in a provincial situation, including the integration of the supporting elements, such as research, to attain the project goal. The key aspects of the project are as follows:

<u>Activity</u>	<u>Description</u>
A - B	GOP Land Reform Program, which generates "customers"
A - C	Effective data collection systems to provide the basis for GOP Policy making and planning in the Agricultural Sector
A - D	Continuing research to identify new opportunities for production, crop diversification, etc.
A - E	Field trials to provide data on productivity in local areas, and demonstrate the potential for greater productivity, with economic benefits to small farmers
A - F	Financing schemes to support credit programs
A - G	Development of skills for extension workers - farm management technicians, credit technicians, etc.
A - J	Improvement or establishment, as required, of private sector agribusiness, distribution systems for inputs - fertilizers, herbicides, pesticides, etc., and retail outlets for small farm machinery, equipment and other supplies
A - K	Building and improvement of feeder, and farm to market roads, targeting in priority production areas, as developed through the Provincial Development Assistance Plans

<u>Activity</u>	<u>Description</u>
A - M	Development of approaches to integrate marketing systems for specific locales, and expansion of production loans.
A - O	Survey of rural industrial potential.
B - D	Conversion of tenant farmers to leasehold status.
C - B	Unsub.
D - E	GOP Policies developed to provide incentives and reduce risks to the small farmer in terms of price support, crop insurance, import policies, input subsidies, credit and coops.
E - F	Unsub.
E - H	Experimental programs to organize farmers into reasonable units by Farm Management Technicians.
F - K	Development and implementation of supervised credit programs.
G - H	Improved mobility of Farm Management Technicians through vehicle support program.
H - I	Farm Plan and Budget cooperation by Farm Management Technicians for independent small farmers.
I - J	Timely release of credit to farmers.
J - K	Procurement of inputs by farmers.
K - L	Continuing technical extension assistance to small farmer groups.
L - M	Increased in farm productivity.
M - N	Improved marketing systems operational.
N - Q	Larger income for small farmers.
O - P	Establishment of pilot rural industry programs.

Best Available Document

Activity

Description

Q

Improved incomes of rural dwellers.

Q - R

Dummy

EVENT

Q

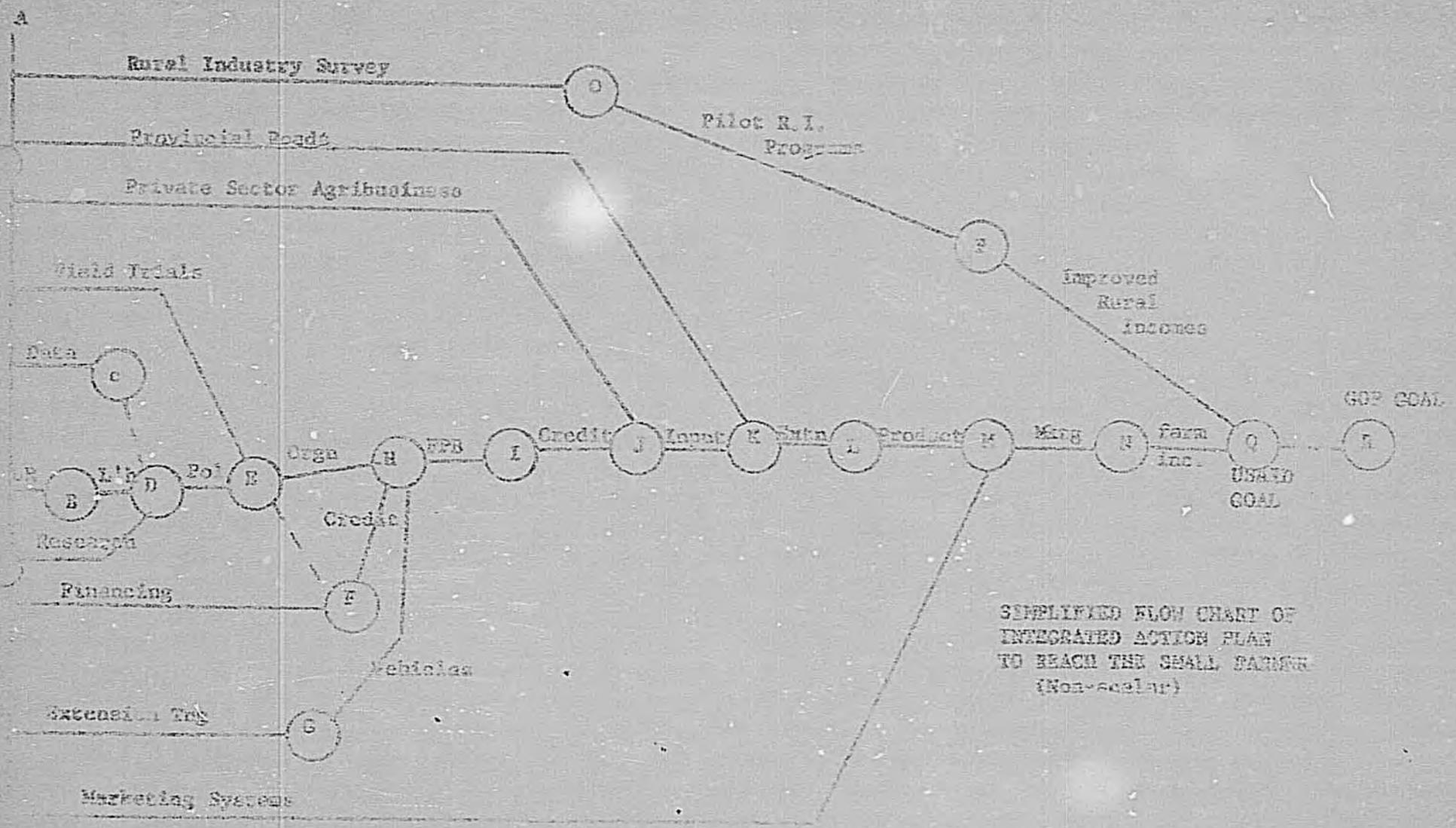
USAID GOAL, GOP SUB-GOAL: Improved welfare of small farmers and rural dwellers.

R

GOP GOAL: Increased production of agricultural sector.

sc

a. Implementation Plan



SIMPLIFIED FLOW CHART OF
INTEGRATED ACTION PLAN
TO REACH THE SMALL FARMER
(Non-scalar)

B. Narrative

As stated in the summary on page 2, this project is designed to assist in 1) selected problem areas that affect agricultural policy at the national level such as credit, cooperative development, adaptive research, data collection and inland fisheries and 2) implementing agricultural and rural industry programs at the local (provincial) level that will respond to the needs of rural farming families.

A brief statement on the course of action under identifiable activities and an illustrative table of proposed funding is provided below.

1. Selected Local Development

a. Nueva Bolivia

During FY73 assistance efforts will be concentrated on:

- (a) converting farmers from oral to registered leaseholder status,
- (b) consolidating several farmers cooperatives into one and separating the credit function from cooperative management. (Supervised credit will be provided by the rural banking system).
- (c) increasing the training of agricultural technicians through a selected research extension program cooperatively supported by IIRI.
- (d) developing a reporting system which will provide reliable data required to evaluate the program.

USAID assistance will include one direct-hire technician to counterpart the GOP project director and one contract technician to assist in credit and cooperative development. Participant training will focus on land tenure, supervised credit and cooperative management. Commodity assistance primarily will include vehicles, and training aids.

<u>Input</u>	(FY)	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>
US						
Fare						
DR		35	30	35	35	
FASA/Contract		40	40	40	40	
Part		10	15	10	5	15
Comm		20	20	15	5	20

b. Camarines Sur

A comprehensive area development plan of the Bicol River basin will be prepared during FY 73. This area has about 100,000 hectares of land which can be developed through irrigation. The intent is to develop a multisector development plan involving irrigation, feeder roads and other infrastructure type inputs designed to develop the full potential of the area which will qualify for funding under Consultative Group sponsorship.

One direct hire technician will be assigned to coordinate the GOP national and local support and to work with US contract consultants and GOP technicians in the formulation of the plan. Participant training and minimal commodity assistance related to specific agricultural needs in connection with the development of the plan will be provided.

The infrastructure facets of the development plan will be proposed for loan funding.

Input	(FY)	73	74	75	76	77
US						
Pers						
DH		25	30	35	35	
PASA		40	40	40	40	
Part		10	15	10	5	15
Comm		10	5	5	5	10

c. Priority Provinces

USAID agricultural advisors will be assigned to administer and assist the Provincial Development staffs in the development and implementation of agricultural plans and projects and to develop better systems to support field extension staffs.

The approach in the selected provinces will be comprehensive. Credit, production, processing, and marketing will be addressed as an integrated package aimed at servicing farmer groups at the barrio level.

The strategy to reach the small farmer will be to:

1. Identify him as an independent (leaseholder) farmer.
2. Demonstrate, through field trials, that technology and good management practices can increase his productivity dramatically.

3. Encourage him to join with other farmers through Farmers' Associations where the advantages of wholesale procurement of inputs (fertilizer, pesticides, etc.) can be realized.
4. Provide him with supervised production credit through the rural banking system.
5. Provide him with technical advice through extension services of the Farm Management technician.
6. Enable him to sell his produce more profitably and repay his loan through the marketing facilities of the Farmers' Associations.
7. Concurrently, critical farm-to-market road network will be improved through the assistance of the Provincial Development project.

US direct-hire advisors will maintain liaison with the national offices and coordinate these activities at the provincial level and personally provide technical backstopping on agricultural aspects, both field crop and livestock, of the development programs in the selected provinces.

Participant training will be primarily for field crops and livestock. Commodity assistance will include primarily vehicle support, training aids and demonstration equipment.

INDICES	(FY)	73	74	75	76	77
US						
Pers						
Dir		122	70	115	115	140
PASA/Contract		40	60	60	40	40
Part		20	30	10	10	-
Comm		40	45	50	20	-

2. Credit, Crop Insurance and Cooperatives

Credit is considered critical to the success of the land reform efforts and especially to the small farmer, who is experiencing difficulty borrowing as an individual.

The GOP is placing increased emphasis on agriculture credit, through an expanded rural bank supervised credit program and is proposing legislation for a national crop insurance program.

The USAID is assisting in this one all effort by providing contract consultants in: Agricultural credit with emphasis on management systems development; cooperative development with emphasis on training programs; and devising a workable crop insurance program. The University of Wisconsin is being utilized to operate the training component of the cooperative program.

Item	(FY)	73	74	75	76	77
US						
Per						
• DH						
• Cont		130	135	115	105	105
Part		25	60	20	60	10
Comm		10	15	10	10	5

3. Inland Fisheries

Beginning in FY73, the inland fisheries project will be included in this project. Construction of the two research stations will be completed during FY73 and controlled research activities will be conducted. The Auburn University contract team has been working with both GOP and private groups during the construction of the stations.

By FY74 it is planned that an additional contract technician, will be assigned to work on extension activities designed to make the information developed more readily available to inland fisheries operators.

INDEL	(XX)	73	74	75	76	77
US						
Pers						
DH						
PASA/Contract		100	130	100	50	
Part		50	50	50	25	
Comm		25	40	20	10	

GOP - The GOP through the National Science Development Board (NSDB) has committed P1.75 million for the construction of the stations and operations over a three year period. Operational funds for future years will be provided by the GOP through the budgets of the Philippine Fisheries Commission and the University of the Philippines which are participating in these activities.

4. Agricultural Research Systems

A study of agricultural research needs and suggested priorities was completed in FY 1972 by the GOP with USAID consultant assistance. The Secretary of Agriculture is intent upon developing a viable research program that has appropriate managerial controls and is properly funded. The USAID will provide advisory assistance to help plan and implement the research system. Participant training will be directed towards research administration and selected research technology. Commodities will be primarily demonstrational scientific equipment.

Currently an AID/W TAB financed USDA team in cooperation with the GOP Bureau of Agricultural Economics (BAECON) is studying ways and means of diversifying agricultural production, to reduce the over-dependence on traditional crops such as rice, and sugar. This study will identify products which can be profitably produced and marketed. The USAID is providing local support to this team.

In FY73, the USAID intends to contract with the International Rice Research Institute to provide applied research through field trials to demonstrate the potential production increases in rice and other field crops. These demonstrations will be given primarily in the priority provinces.

INPUT	(FY)	73	74	75	76	77
US						
Pers						
DR						
PASA/Contract		40	100	130	140	100
Part		25	40	30	25	40
Comm		30	60	60	20	30

GOP - PL480 counterpart will be used to finance the local costs of these field trials and demonstrations.

5. Data Collection

Efforts will be continued to improve the gathering and processing of agricultural statistics. The USAID input will consist of appropriate short-term consultants, participants for specialized training in the US and commodity support including vehicles and technical equipment for gathering and processing data.

INPUT	(FY)	73	74	75	76	77
US						
Pers						
DR						
PASA/Contract		20	30	20	20	20
Part		10	25	15	15	10
Comm		40	50	25	10	5

6. Rural Industry

In FY73, it is proposed to contract for one generalist to study the current situation in small industry development and to recommend ways and means of increasing the development of small business activity. The GOP is fostering small industry development through the Institute of Small Scale Industries, Institute of Export Development and the Development Bank of the Philippines. Private efforts are fostered through the Philippine Bureau of Social Progress, an organization of large private industries in the Philippines, and through the First National City Bank which has established an office for the promotion and financing of small industries. Primary emphasis will be given to the promotion of small industries at the provincial level and in those provinces participating in the provincial development program and the rural electrification program. Since this is a newly proposed activity, personnel, training and commodity requirements will evolve from the initial study and recommendations.

<u>Input</u>	(FY)	73	74	75	76	77
US						
Pers						
DI						
FASA/Contract		30	65	85	90	
Part		25	35	35	35	35
Commo		25	100	50	50	50

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