

The Policy Environment of Vegetable-Agroforestry (VAF) System in the Philippines: Are there incentives for smallholders?

Vegetable-Agroforestry (VAF) system is a viable farming system that integrates vegetables in tree-based system, or vice-versa. The system provides multiple benefits, including provision of micronutrients to the diet of rural communities and enhancement of on-farm biodiversity and environmental sustainability. However, its viability is constrained by various factors, including farmers' inability to invest in the system, inadequate institutional structures to facilitate information flow, and lack of market incentives. Smallholders, who account for over 90% of all farmers and fisherfolks are financially constrained to invest in VAF system compared to large holders, but are also expected to increase their share in the nation's GDP. **Policy incentives** are thus, needed to stimulate smallholder investments in VAF system.

Incentives are needed beyond the technical viability of VAF system, and they can generally come as a combination of direct and indirect incentives. To find out whether or not, incentives for smallholders to invest in VAF system exist, an intensive review of key national policies related to tree growing and vegetable production was undertaken. Local level policies and perspectives of farmers and policy-makers were also taken account, to identify policy responses that are needed at the local level.

Policy incentives and disincentives to tree growing and vegetable production

For the tree sector, direct incentives were common from 1970s to 1980s, but these gradually shifted to more indirect ones, such as comprehensive land tenure and resource use rights within forest areas. However, disincentives remain because of the huge investments required in developing large forest areas; the high transaction costs involved in harvesting and transporting logs or timber; and the uncertainty in future timber prices.

For the vegetable sector, policy incentives are largely framed within changing international trade regimes. While this opened up international markets, the main disincentive to smallholder producers is the high cost involved in meeting international standards. The challenge remains in removing policy and economic barriers not only at the level of local producers, but the entire value chain.

Tables 1 and 2 present the incentives and disincentives of selected national policies relative to tree growing and vegetable production.

Table 1. Tree growing

Incentives	Disincentives
PD 705 (1975) - Revised Forestry Code of the Philippines	
<ul style="list-style-type: none"> • Ownership rights of planted trees • Rights to sell, contract, convey or dispose planted trees • Discounted fees, rentals & forest charges • Tax exemptions & credits • Free technical assistance • Credit assistance & use of facilities • Exemption from export log ban • Market for timber products • Unrestricted export of plantation products 	<p>The disincentives to smallholders are:</p> <ul style="list-style-type: none"> • The minimum area that can be applied for tree farming is 100 hectares and 10 hectares for agroforestry. • Lack of regular cash flow between planting and harvesting • Uncertainties with future prices of tree products
LOI 1260 (1982) - Integrated Social Forestry	
<ul style="list-style-type: none"> • Grants & land tenure 	<ul style="list-style-type: none"> • Incomplete support system

Table 2. Vegetable production

Incentives	Disincentives
PD 1467 (1989) - Crop Insurance Law	
<p>Protects agricultural producers against loss of crops and assets.</p>	<p>The premium payment is hardly affordable to small farmers, and the requirements are not easy to follow, e.g. following the cropping calendar. Due to limited funding, the program focused on big farmers patronizing formal credits with financing institutions. Smallholders also find it difficult to comply with credit requirements and procedures.</p>
RA 8178 - Agricultural Tariffication Act	
<ul style="list-style-type: none"> • Subsidies for irrigation • Farm-to-market roads • Training and extension services • Post-harvest facilities • Credit, others. 	<p>The entry of imported goods outpaced the production potential of small farmers. Although it provides many incentives, it subverts policy support for smallholders, which is to protect their products.</p>

<ul style="list-style-type: none"> • Priority in wage-based employment • Extension & information services, community organizing • Research & development support • Share of forest income • Exemption from forest charges • Technical, legal, financial, marketing assistance & others 	<p>provided by government</p> <ul style="list-style-type: none"> • Farmers are unable to defray the initial cost of investment in forest areas
EO 263 (1995) - Community-Based Forestry Management	
<ul style="list-style-type: none"> • Security of land tenure • Right to use & manage forest resources • Exemption from land use rental & forest charges • Right to be consulted on government projects • Authority to enter contracts • Access to technical assistance • Right to receive all incomes & proceeds of the area 	<ul style="list-style-type: none"> • Many CBFM areas are either logged-over or relatively forested, requiring huge capital to develop • Inadequate technical and financial support during the initial stage • High transaction costs involved in securing permits for harvesting and transporting • Lack of support in marketing timber
DENR-AO 05-25 – Upland Agroforestry Program	
<ul style="list-style-type: none"> • Promotes equitable distribution of opportunities and income in developing agroforestry systems • Encourages public-private partnerships 	<ul style="list-style-type: none"> • Minimum area that can be applied is 50 hectares • Farmers shall incur the cost of survey, including mapping and survey • Farmers need to show proof of financial and technical capability to undertake agroforestry (e.g. credit lines from financial institutions)

RA 8435 (1997) - Agricultural and Fisheries Modernization Act	
<ul style="list-style-type: none"> • Credit assistance to smallholders & fisherfolks • Promote research & development • Training & extension services • Information & marketing support 	The implementation of this Law was poor and scanty, because the national government was unable to match the policy with necessary funding on the ground.
RA 7900 – High Value Crops Development Act	
<ul style="list-style-type: none"> • Market development & promotion • Infrastructure support • Investment & financing • Technology development, training & extension support • Program advocacy, information networking & dissemination 	<ul style="list-style-type: none"> • Requires huge investments. The only way to make this possible is to generate counter-part funds from local governments. • There is no price regulation, stabilization and control on many vegetable commodities; hence the market for high value crops is highly precarious.
DA-AO 25 (2005) – Good Agricultural Practices (GAP)	
<ul style="list-style-type: none"> • Product differentiation and premium price of crops • Access to market/supply chain • Stabilization of yield/revenue • Reduction in wastage • Increased in farm assets • Protection against market externalities • Subsidies & recognition • Skills improvement 	<ul style="list-style-type: none"> • Too costly for smallholders to meet GAP standards, (e.g. use of new production techniques and more expensive environment-friendly inputs, etc.) • No assurance of international markets because of strict phytosanitary rules imposed by importing countries
EO 481 (2005) – Organic Agriculture	
<ul style="list-style-type: none"> • Puts premium value to organically produced agricultural products. 	<ul style="list-style-type: none"> • Insufficient supply of organic inputs and the price is very high for small farmers • Tedious organic certification process • Meeting standards means economic sacrifice for small farmers

In general, the policy environment of tree growing and vegetable production is supportive of VAF but is insufficient in stimulating smallholder investments. Many policies have profound intentions, but they are either inadequately or poorly implemented. The benefits of national level policies do not easily trickle down to smallholders. Large holders tend to benefit more from these policies than smallholders, because the former have more access to policy information and can leverage the associated costs of policy implementation.

Finally, incentives for smallholders exist, albeit limited, but disincentives persist to limit the potential of smallholder investment in VAF. There are also gaps in policy implementation, in terms of communication and funding. Many national-level policies are either not communicated or poorly disseminated at the local level. They also suffered from structural and funding constraints. Another issue is the weakness of national policies in addressing local specificities. National-level policies provide a general framework and enabling environment, but are not able to fully address the complex, unique and diverse conditions of smallholders.

Looking ahead

It is recognized that some issues are better resolved through national level policies, while a number of issues can be effectively addressed by locally-formulated policies. For the vegetable sector, issues on price regulation and control, commodity protection, reducing costs across the value chain, removing non-tariff barriers, and global trade require national level policy interventions. For the tree sector, issues on restrictive policies, transaction costs, land tenure and resources rights, and domestic and international

market incentives are also to be addressed through national level policies. If addressed effectively, these will benefit not only smallholders, but also large holders.

At the local level, promoting smallholder investments in VAF requires decisive policy actions in terms of improving the effectiveness of the extension system, with emphasis on improved technology provision and support for market linkages and infrastructure. We recommend that local government units (LGUs) should be more proactive in developing incentive policies that complement, or off-set the weakness of national policies in delivering wider benefits to small farmers. LGUs are expected to have a better understanding of local contexts hence, policy interventions can be more realistic, and the policy performance can be closely monitored by local-monitoring teams. Nonetheless, policy linkages between national and local levels need to be established, and policy-makers need to mobilize adequate responses at both levels.

Finally, the viability of VAF system depends on a whole set of policies that both national and local governments can provide.

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For more information see:

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