

Mapping of CSO Market Initiatives

A Report by PhilDHRRA to AsiaDHRRA

Linking Small Farmers to Market (LSFM) Project

Final Report

I. Description of survey protocols

Since there is no consolidated data on the number of CSO marketing initiatives in the Philippines, 30 marketing initiatives or intermediaries were decided to take part on the survey. The survey was carried out by PhilDHRRA and these were conducted from March until April 10. A purposive sampling was utilized based from the list of PhilDHRRA partners with marketing functions, particularly from the UMFI and PDAP. The researchers also secured referrals from the interviewed organizations and surfed the internet for possible list of marketing intermediaries. The target respondent is the Marketing/Project Officer of the organization. The survey was done through phone interviews, since most of the respondents are from far provinces. Two types of data were gathered using the survey tool: quantitative data (data on production, number of farmers, and farm size) and qualitative data (problems faced by the organization, goals and objectives, and organizational set-up).

Some of the problems encountered during the survey include difficulty in getting the list of organizations, tracing the contact numbers of respondents, and getting an appointment for the conduct of the telephone interview. During the course of the interview, majority of the respondents are cooperative and willing to give information. Most of them inquired what assistance may be extended by the project to their organizations.

Due to factors that are not within the control of the researchers (e.g. inaccurate contact information, refusal of some organizations to participate, no response upon contact), the team was able to interview 27 marketing intermediaries from Luzon, Visayas, and Mindanao. The locations of these intermediaries, including the list of commodities that they market, are shown in **Figure 1**.

II. Profile of CSO Marketing Initiatives

In terms of geographical distribution, Visayas had the least number of marketing initiatives interviewed, comprising only 19% of total respondents (**Table 1**). The commodity that is commonly marketed among the three island groups is muscovado sugar. There may be a sample bias on this commodity since majority of the intermediaries interviewed are partner organizations of PDAP.¹ **Annex A** shows the list of marketing intermediaries covered by the survey and distributed across island groups.

Table 1. Distribution of Marketing Initiatives by Island Group

<i>Island Group</i>	<i>No. of Marketing Initiatives</i>	<i>Commodities</i>
Luzon	11	Organic rice, rice coffee, lemon, banana, muscovado sugar, handicrafts, corn, copra
Visayas	5	Banana, papaya, muscovado sugar, tuna, vegetables, virgin coconut oil
Mindanao	11	Mangrove seedling, calamansi, seaweeds, muscovado sugar, organic rice
Total	27	

By type of marketing arrangement, purchase and selling at a margin is the most common, mentioned by 78% of the respondents (**Table 2**). The usual mode of payment for this type of marketing arrangement is that the farmers are paid upon delivery of the commodity. There are also cases when the marketing intermediaries pay the farmers in advance, 2 weeks in advance at most. The least utilized type of arrangement is facilitation at 15%.

Table 2. Type of Marketing Arrangements

<i>No.</i>	<i>Type of Marketing Arrangements</i>	<i>Freq.</i>	<i>Percent (n=27)</i>
1	Consignment	8	30%
2	Purchase and sell at a margin	21	78%
3	Facilitation	4	15%
4	Financing	9	33%

All the interviewed marketing intermediaries affirmed of extending support to small farmers. The most common type of support extended is organizing the farmers for consolidation at 70% (**Table 3**). This technique of organizing benefits both the marketing intermediary and the farmers since it reduces transactions cost (i.e. cost of coordinating with a group as opposed to coordinating with individual farmers). Agricultural extension is also being provided by 67% of the intermediaries, which includes training in organic farming, technology transfer, and other technical assistance. The

¹ The main commodities being marketed by PDAP are organic rice, muscovado sugar, and seaweeds. (Source: www.pdap.net)

marketing intermediaries also assist the farmers in processing (67%) and providing loans or financial assistance (59%), although in some cases, the loan is in the form of production inputs (e.g. fertilizer) and not monetary.

Table 3. Type of Support

No.	Type of Support	Freq.	Percent (n=27)
1	Organizing for consolidation	19	70%
2	Agricultural extension	18	67%
3	Packaging	13	48%
4	Processing	18	67%
5	Financing	16	59%

A majority of the intermediaries provide commodities to walk-in buyers (67%) as seen in **Table 4**. Based on the interview, these intermediaries own stores/shops/showrooms near their offices where walk-in clients can avail of their products. More than half or 52% also supply commodities to institutional markets, some of which include food processors and manufacturers, government agencies (e.g. DTI), hotels, and restaurants. A significant proportion (52%) also provides commodities to informal markets, with public markets as the most common type. The least utilized type of market is through supply contract with large corporations (22%).

Table 4. Type of Markets

No.	Type of Markets	Freq.	Percent (n=27)
1	Institutional markets	14	52%
2	Supply contract	6	22%
3	Chain outlet distribution	13	48%
4	Informal markets (e.g. public, auction, roving)	14	52%
5	Walk-in buyers	18	67%

When asked about the issues and problems faced by farmers that led to the marketing initiative, some of the responses include: a) difficulty in marketing their products due to absence of market, low quality of products, or lack of marketing skills, b) small farmers are just price-takers (i.e. they have no say on how much their commodities should be valued, instead, they are just at the mercy of the quoted price of traders or capitalists) which translates to low farm income, and c) unfair trade practices (i.e., commodities are used for loan settlement to lenders).

As marketing intermediaries, some of the organizations' goals and objectives are: a) expand production and market, some even aimed of exporting their commodities, b) to help farmers have a sustainable source of income and eventually, uplift their economic conditions, and c) to increase the quality of their commodities.

When asked about the challenges faced by the marketing intermediaries, most common responses are as follow: a) lack of or inadequate capital

that leads to limited operations and improvements in technology, b) insufficient supply to meet market demands, c) low quality of commodities that leads to competitive disadvantage, and d) management and system problems (internal).

To ensure sustainability, the marketing intermediaries carry out the following activities: a) tie up with government agencies and NGOs for knowledge sharing and other possible opportunities, b) engage in other income-generating activities such as rental of facilities and lease of properties, c) continuous improvement in quality of the commodity and investment in technology, d) skills training of personnel, and e) constant monitoring and evaluation.

The above information is of importance for the project's next phases. From these, it will be easier to identify techniques that will be useful and appropriate to small farmers and that directly address their problems. The profile also provides an overview of the systems and dynamics that are currently being practiced by marketing intermediaries.

III. Analysis

In order to determine what commodity will be selected for recommendation to the PAG, the share of this particular commodity to national annual production may be examined. Commodities were chosen based on the number of intermediaries that market them. The most common marketed commodities are organic rice, muscovado sugar, calamansi, and banana. **Table 5** shows the share of these commodities to national annual production.

Table 5. Share of Marketed Volume by CSO Initiatives to Annual Production, by commodity

<i>Commodity</i>	<i>No. of interviewed CSO initiatives</i>	<i>Total Annual Marketed Volume by CSO Initiatives (in metric ton)</i>	<i>National Annual Production² (as of 2006, in metric ton)</i>	<i>Percentage</i>
Organic rice	7 ^a	1,001,091	10,024,000 ^c	9.99%
Muscovado sugar	5	30,595	24,345,106 ^d	0.13%
Calamansi	4 ^b	3,313	196,595	1.69%
Banana	4	2,531	6,794,564	0.04%

^a includes one intermediary that markets rice

^b includes one intermediary that markets lemon

^c production of rice

^d production of sugarcane

As earlier mentioned, there is no consolidated data on the total number of marketing intermediaries in the Philippines so we cannot generalize the relative share of the surveyed intermediaries to total national production. However, it is worth noting that the marketed organic rice of CSO initiatives

² Source: Bureau of Agricultural Statistics

contributes to almost one-tenth of national rice production. Marketed volume of calamansi is 1.69% of national production while the marketed volumes of banana and muscovado sugar have less than 1% share.

In terms of the share of the farming area by CSO initiatives to national farming area, the area planted with calamansi covered by this mapping constitutes 8.53% of national calamansi-farming areas (**Table 6**). The other commodities comprise only less than 1% of the total farmlands devoted to that specific crop. On one hand, a profile from PDAP³ stated that from an estimated 95 hectares planted to organic rice in 1997, the area increased to 14,419 hectares in 2003. This represents 0.53% of the total rice areas in the Philippines. Using PDAP's data, the farm area devoted to organic rice planting covered by this mapping is 15.9% of total area of organic rice farmlands.

Table 6. Share of Farming Area by CSO Initiatives to Total National Farming Area, by commodity

<i>Commodity</i>	<i>No. of interviewed CSO initiatives</i>	<i>Total Farming Area by CSO Initiatives (in hectares)</i>	<i>National Farming Area⁴ (as of 2006, in metric ton)</i>	<i>Percentage</i>
Organic rice	7	2,297	4,159,930	0.06%
Muscovado sugar	5 ^a	610	392,280	0.16%
Calamansi	4	1,727	20,253	8.53%
Banana	4	1,068	428,804	0.25%

^a two organizations were not able to give data

Table 7 shows the number of farmers involved in the surveyed CSO initiatives. There is no national data on the number of farmers involved in the cultivation of specific crops so the effort of getting the percentage of the covered area was futile. However, data from PDAP stated that there are at least 36,592 organic rice farmers in the country. This means that the share of organic rice farmers covered in this mapping to total number of organic rice farmers in the country is 3.3%.

Table 7. Number of Farmers Involved in CSO Initiatives, by commodity

<i>Commodity</i>	<i>No. of interviewed CSO initiatives</i>	<i>Number of Farmers Involved in CSO Initiatives</i>
Organic rice	7	1,208
Muscovado sugar	3	1,449
Calamansi	4	846
Banana	4	3,296

Due to the absence of some national data and total number of marketing intermediaries in the country, it is inappropriate to make general conclusions on the performance of CSO marketing initiatives based on this

³ www.pdap.net

⁴ Source: Bureau of Agricultural Statistics

mapping. However, an important observation that can be made is the diverse characteristics of the marketing intermediaries. There are intermediaries that are very small in size, as evidenced by the procured volume of commodities, while there are those that provide marketing functions to the whole province where they are located. Therefore, getting average data across commodities may be inappropriate. **Table 8** shows a summary of production data gathered from the mapping.

Table 8. Summary of Production Data, by commodity

<i>Commodity</i>	<i>No. of interviewed CSO initiatives</i>	<i>Range of Annual Marketed Volume by CSO Initiatives (in metric ton)</i>	<i>Range of Farming Area by CSO Initiatives (in hectares)</i>	<i>Range of Number of Farmers Involved in CSO Initiatives</i>
Organic rice	7	3 – 999,000	3 – 1,224	23 – 400
Muscovado sugar	3	20 – 30,000	40 – 300	90 – 377
Calamansi	4	2 – 3,000	2 – 1,000	50 – 400
Banana	4	3 – 2,500	27 – 800	50 – 2,900

IV. Recommendation to the PAG

(This section is subject for review since the research team is not too familiar with the current market situation, specifically for the 4 above-mentioned commodities. This section is based on mere research and not by the researchers' empirical findings)

Based from the mapping exercise, research team proposes two commodities to the PAG as the focus of LSFM marketing intermediation efforts. These two commodities are banana and calamansi. Below are the current market situations of banana and calamansi productions in the country that would justify their selection.⁵

A. Banana

Banana is the leading fruit grown in the Philippines and a consistent top dollar earner. The prospect of Philippine bananas in the domestic and foreign market is still promising. For instance, the country has cavendish and banana chips for export. For the local markets are lakatan and latundan. There are various varieties of banana that are abundantly grown in many parts of the country, such as Cavendish, Latundan, Lakatan, Inarnibal, Amas. Bungulan, Pitogo, Morado, Inabaniko, and Señorita. Promising varieties include Saba-Cardaba, Paa Dalaga, Radja, Pelipia, Katsila, Abuhon, Turangkog and Dalian.

In terms of production, the Philippines is the 4th top producer of banana in 2006 and it contributes 9.38 % on the world's total area planted with banana. Production volume grew by 7.3% during the 1st semester of 2007,

⁵ Source: Most of the information found in this section are from the Department of Agriculture website (www.da.gov.ph)

7.8% in 2006 over 2005. In 2006, the Philippines has an existing production area of 428,804 hectares that has produced a volume of 6,794,564 mt. Cavendish accounts for 41.37% of all banana produced followed by Cardava at 33.64% and Lakatan 12.3%.

Banana processing is also prevalent and a potential industry to look into. For instance, Cardava is processed into banana chips intended mainly for the export markets. Cavendish is also processed for feeds, flour, vinegar, and banana catsup. In terms of cost and return, for the 1st generation planting with 40 mt/ha yield at 20 kg/plant, 2x2.5 m spacing, 2,000 hills/ha, the total production cost for the 1st generation planting was computed at Php 2.77/kg.

The Department of Agriculture's demand and supply projections are as follow: a) increase export volume by 3% to 5% on a yearly basis, b) increase production of banana chips and other products from 21,000 mt to 41,000 mt by 2010, c) increase production of Lakatan and Latundan by 4% per year, and d) development of export markets for other cultivars and niche markets. In terms of local market, the local markets for Cardava is still driven by the mega urban centers such as Metro Manila and Metro Cebu mainly for snack foods such as banana cue and turon. Lakatan and Latundan are also mainly for the local markets in Visayas and Luzon.

With regards to export, the Philippines ranks number two in banana (Cavendish) exports at 2.3 million mt valued at US\$ 404 million in 2006. Moreover, export volume grew by 13.8% while export value grew by 10%. Japan accounts for the 41% of the fresh export market of Philippine banana. Major export destinations include EU, USA, Japan, Russia, China and Canada. In addition, the country ranks number one in banana chips exports at 38,000 mt valued at US\$ 36 million in 2006. USA is the top export destination at 20%. Philippine exports of fresh Cavendish bananas ranked number one with 22% share in Philippine food exports while banana chips ranks no. 11 with 2% share. Fresh Cavendish bananas are exported to 32 countries basically Asia and the Middle East while banana chips are exported to 52 countries worldwide.

B. Calamansi

Calamansi is a fruit tree native to the Philippines. It is the most commonly grown backyard tree among the citrus species. It can thrive in a wide variety of environmental conditions.

The Philippines is the sole commercial producer exporter of calamansi in the world. The industry trends showed that calamansi production increased both in quantity (7%) and area (8%) from 1996-2000. In the same period, Philippine calamansi export quantity rose significantly at 51% annually owing to the notable increases in exports of calamansi juice to the United

States, Japan, Canada and Hong Kong. There are good market opportunities and long term potential in the local and export markets both for fresh and processed forms. The attractive return on investment and the versatility of calamansi as food and food enhancer are strengths of the industry that need to be further exploited.