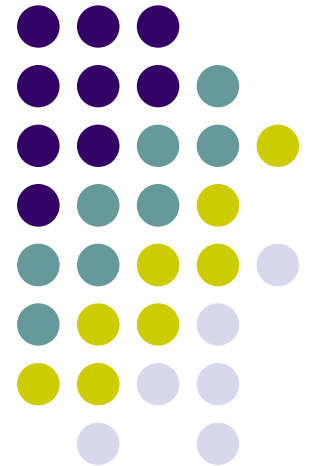


The policy context of Vegetable-Agroforestry (VAf) in the Philippines and Vietnam: *Are there incentives for small farmers?*

Delia C. Catacutan
Dang Than Ha
Caroline Duque-Piñon
Le Thanh Loan



Background

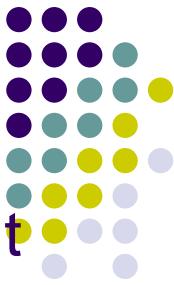


- Vegetable-Agroforestry (VAf) is a viable farming system that provides multiple benefits, including provision of micronutrients to the diet of the rural community and enhancement of on-farm biodiversity and environmental sustainability.
- The viability of VAf is constrained by various factors, including farmers' inability to invest in the system, inadequate institutional structures to facilitate information flow, and lack of market incentives.
- **Argument:** Policy incentives are needed to stimulate smallholder investments in VAf.



Why smallholders?

- Small farmers in developing countries account to about 80% of the world's total farmer-groups.
- Small farmers are most vulnerable to rapidly changing economic, social, political and environmental conditions.
- Small farmers are often, marginalized because national governments concentrate on large farmers for addressing national food security and self-sufficiency issues, as they are assumed to have operational resources, easier to work with, and are more able to respond to suggestions.
- Assisting smallholders has become an effort for enhancing social welfare rather than for substantially increasing their contribution to national agricultural output.





Objectives:

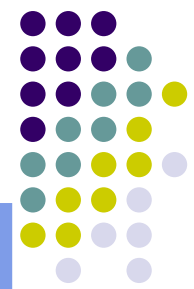
1. To understand the policy context; and 2) develop policy options that stimulate smallholder investments in VAf.

Hypothesis:

Incentive-based policies and appropriate institutional mechanisms are essential requirements for wider adoption of VAf by smallholders in Southeast Asian watersheds.



Policy Research Process: Elements



PROBLEM FRAMING

1. Discussion and identification of social and environmental issues relevant to V Af system
2. Identification of relevant social and environmental goals (public concern)
3. Analysis of natural and human systems and their interactions
4. Identification of problematic environment change
5. Isolation of proximate and underlying causes of environmental change
6. Assessment of risk, uncertainty and ignorance
7. Assessment of existing policy and institutional settings
8. Definition (framing and scaling) of policy problem within V Af system

POLICY FRAMING

9. Development of guiding policy principles
10. Construction of general policy statements
11. Definition of testable policy goals

IMPLEMENTATION

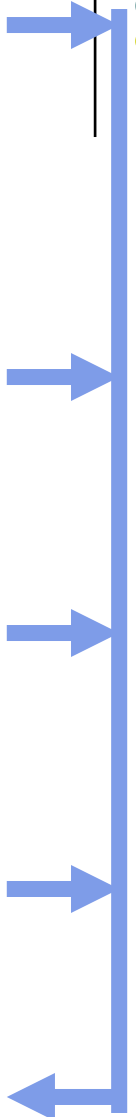
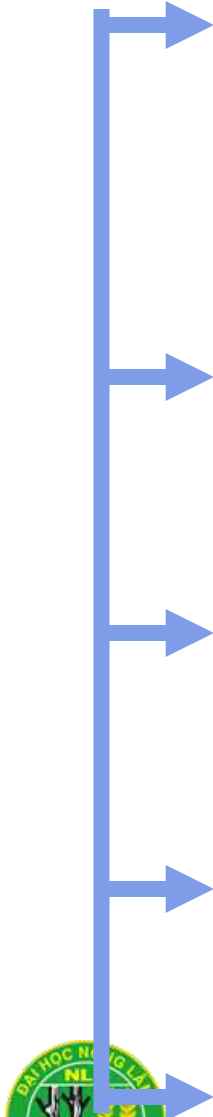
12. Application of policy instruments/options (e.g. incentive-based policy)
13. Planning for implementation
14. Statutory, institutional and resource requirements
15. Establishment of enforcement/compliance mechanisms
16. Establishment of policy monitoring mechanisms

MONITORING AND REVIEW

17. On-going policy monitoring
18. Mandated evaluation and review
19. Extension, adaptation, improvement or cessation of policy/goals
20. Iterative description and explanation

Critical general elements, applicable at all stages:

- Coordination and integration across/within policy fields
- Public participation and stakeholder involvement
- Transparency, accountability and openness
- Adequate communication mechanisms



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Research questions

- What national-level policy incentives exist to promote tree growing and vegetable production?
- Are there locally-crafted policies that promote VAf system?
- What are the policy perspectives of local stakeholders in relation to VAf?



Data collection

- Review of national and local policies related to VAf
- Literature review
- Survey-interview with farmers
- Semi-structured interview with key informants
- Focus Group Discussions with farmers and policy-makers





Who are the smallholders?

In the Philippines, RA 7607 provides the Magna Carta for small farmers, declaring that they are to be regarded as equal partners in development, and should be wholly supported in their economic endeavors. **Small farmers** are defined as natural persons dependent on small-scale subsistence farming as a primary source of income and whose sale, barter or exchange of agricultural products do not exceed a gross value of P180,000 per annum.

The Philippine Agrarian Law further defines smallholders as those cultivating in not more than 5 hectares, and 7 hectares for the stewardship scheme of the Forestry Code.



In Vietnam..

- The term “smallholder” is not commonly used.
- Household farms are typically characterized by small, fragmented land holdings, varying greatly across different regions and provinces and between crops planted.
- Household farms are considered small, not necessarily in terms of size, but by the activity of the household.



Average farm size varies by region:

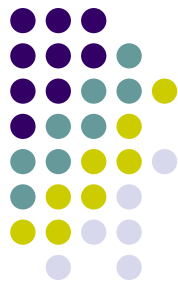
- 1.2 ha in the Mekong Delta
- Small farms typically comprise eight or nine non-continuous plots with about 200 to 500 m² each in the Red River Delta.

Small farms vary by crop:

- A coffee farm of 1.5 hectares or less is classified a small farm
- A farm of low value vegetables planted to the same farm size can be considered a large farm.



What are incentives and disincentives?



- Motivates or stimulates people to act
- Incites or induces actions
- ‘Signals’ that motivate action
- ‘Motivation’ and ‘reward’ in the context of project management
- ‘Bribes’ and ‘sweeteners’ in the context of development
- ‘Financial or non-financial factors’ that motivate action, in economics

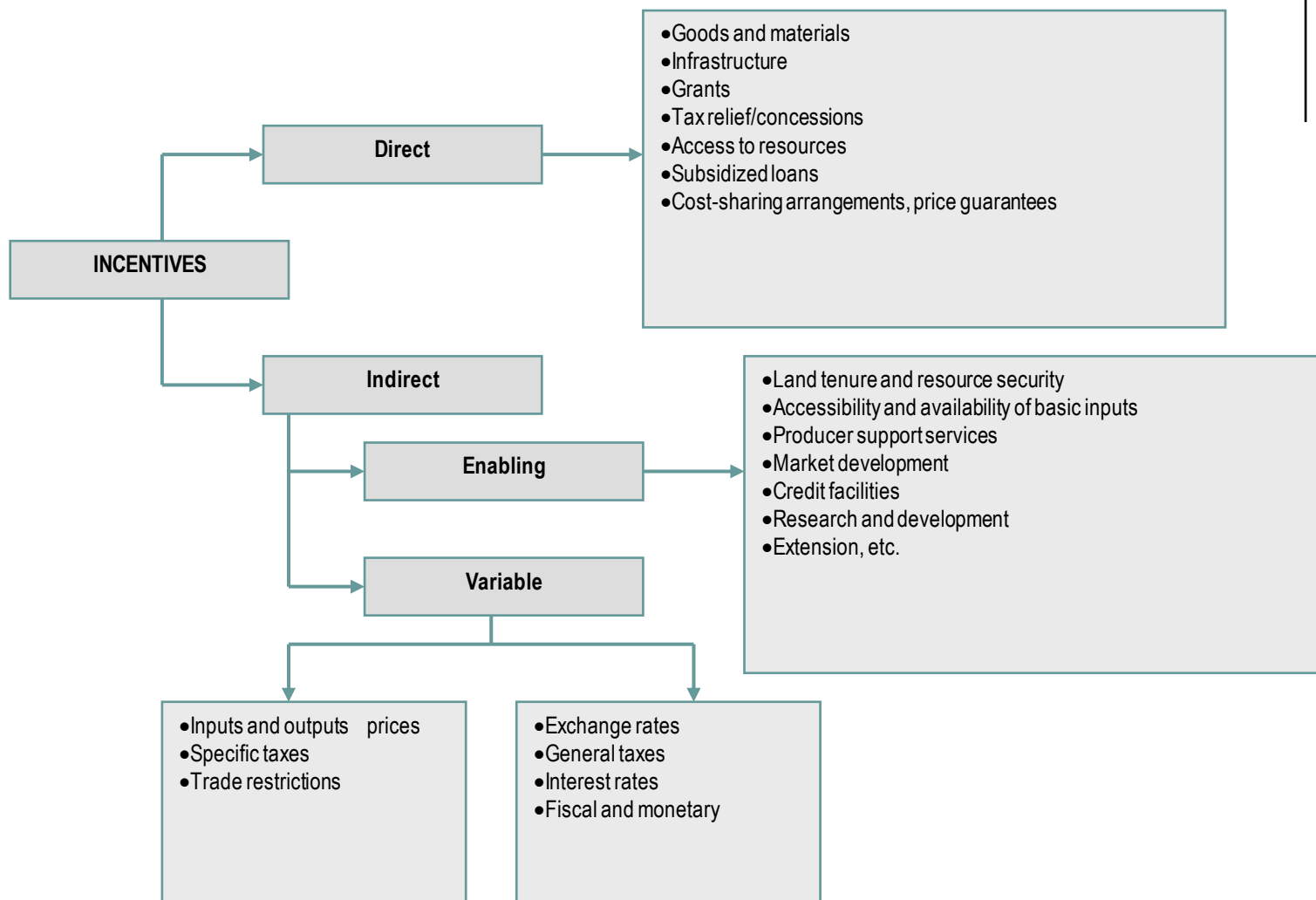
In this study, incentives are elements of policy instruments that increase the comparative advantage of VAf, and thus, stimulate adoption and investment among small farmers.

Disincentives are elements of policy instruments that discourage or hinder positive actions/response



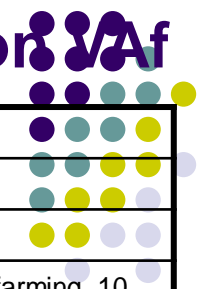
Types of Incentives

(Enters et al. 2001)



Common policy incentives in Philippines and Vietnam

Key policies	Incentives
<p>Philippines</p> <ul style="list-style-type: none"> - Revised Forestry Code - Integrated Social Forestry - Community Based Forest Mgt. - Upland Agroforestry Program - Seed Industry Development - Crop Insurance - Agricultural Tarrification 	<ul style="list-style-type: none"> ● Land tenure and resource rights ● Rights to sell, contract, convey or dispose forest products ● Discounts, exemption of fees ● Tax exemptions and tax credits ● Technical and final assistance ● Credit assistance, crop insurance, use of facilities ● Exemption from export log ban ● Unrestricted export of plantation products ● Promotion and marketing ● Infrastructure support ● Training, capability building ● Subsidies, recognition, etc.
<p>Vietnam</p> <ul style="list-style-type: none"> - Forest Protection and Development Law - Land Law - GAP - Socio-economic development program in mountainous and remote communes with special difficulties 	<ul style="list-style-type: none"> ● Land tenure, tax exemptions, technical assistance ● Credit support ● Promotion, market information and trade ● exportation insurance ● Infrastructure investment ● Community participation, education ● Farming contracts, ● Subsidized transport and freight of goods for agricultural



Policy incentives and disincentives in the Philippines on Af

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 of planted trees •Discounted fees, rentals, forest charges •Tax exemptions and credits •Free technical assistance •Credit assistance and use of facilities •Exemption from export log ban •Market for timber products •Unrestricted export of plantation products 	<ul style="list-style-type: none"> •Minimum area that can be applied is 100 hectares for tree farming, 10 hectares for agroforestry •Lack of regular cash flow between planting and harvesting •Uncertainties with future prices or tree products
LOI 1260 (1982) Integrated Social Forestry	
<ul style="list-style-type: none"> •Grants and land tenure •Priority in wage-based employment •Extension and information services, community organizing •Research and development support •Share of forest income •Exemption from forest charges •Technical, legal, financial, marketing assistance and other 	<ul style="list-style-type: none"> •Incomplete support system provided by government •Farmers are unable to defray the initial cost of investment in forest area
EO 263 (1995) Community-based Forestry Management	
<ul style="list-style-type: none"> •Security of land tenure •Right to use and manage forest resources •Exemption from land use rental and forest charges •Right to be consulted on government projects •Authority to enter contracts •Access to technical assistance •Right to receive all income and 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 cost involved in securing permits for harvesting and transporting •Lack of support in marketing timber



DENR-AO 25 (2005) 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

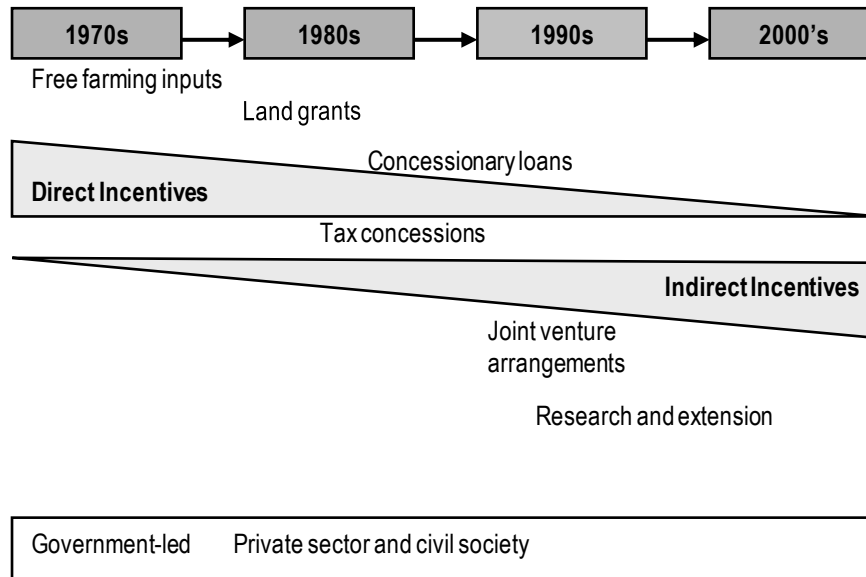
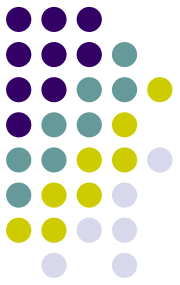
VEGETABLE GROWING	
Incentives	Disincentives
PD 1467 (1989) Crop Insurance Law	
<ul style="list-style-type: none"> ● Protects agricultural producers against loss of crops and assets 	<ul style="list-style-type: none"> ● The insurance premium is too expensive for small farmers ● Compliance with requirements that are not easy to follow, e.g., following the cropping calendar ● Due to limited funding, the program focused on big farmers with formal credits through financial institutions ● Smallholders find it difficult to comply with credit requirements and procedures
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 	<ul style="list-style-type: none"> ● The entry of imported goods outpaced the production potential of small farmers ● Subverts policy support for smallholders, which is intended to protect their products
RA 8435 (1997) Agricultural and Fisheries Modernization Act	
<ul style="list-style-type: none"> ● Credit assistance to smallholders and fisher folk ● Promote research and development ● Training and extension services ● Information and marketing support 	<ul style="list-style-type: none"> ● Lack of stakeholder participation ● 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 and promotion ●Infrastructure support ●Investment and financing ●Technology development, training and extension support ●Program advocacy, information networking and dissemination 	<ul style="list-style-type: none"> ●Requires huge investments. The only way to make this possible is to generate counterpart 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 prices of crops ●Access to market-supply chain ●Stabilization of yield-revenue ●Reduction in wastage ●Increases in farm assets ●Protection against market externalities ●Subsidies and 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 ●No assurance of international market because of strict phyto-sanitary 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, the price is very high for small farmers ●Tedious organic certification process ●Meeting standards means economic sacrifice for small farmers



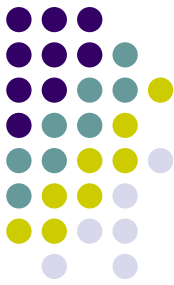


Policy incentives to tree growing evolved from direct to indirect. Direct incentives were common from 1970s to 1980s but beginning in late 1990s, this shifted to more indirect ones, such as comprehensive land and resource use rights through various land tenure instruments. Security of tenure is the most significant incentive provided to smallholders.



Major policy gaps/constraints

In the Philippines



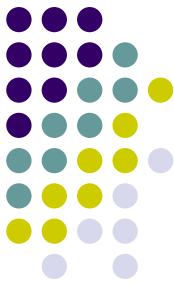
National policies

- have very general objectives, and are not able to adequately respond to local variations/specificities
- tend to undermine one sector over another—lack of tradeoff analysis of policies—inconsistency of policies
- subject to different interpretations, poorly communicated and disseminated at the local level
- weak implementation structure and inadequate funding (ex. Crop Insurance Program)

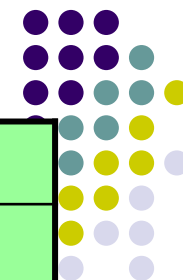


In Vietnam

- Implementation of national policies is compulsory, but often lacked technical guidelines
- Local officials lacked flexibility and creativity to take advantage of national government policies and programs, to overcome constraints faced by small farmers
- National policy incentives are more targeted to the growth of state-owned enterprises and private commercial producers (e.g. contract farming), limiting opportunities for communes—hence, their activities are limited in home gardens for home consumption and the local market



Stakeholders' ranking on policy support for VAf



Policy area	Philippines	Vietnam
Promotion of sustainable farming technologies	1	2
Improving the marketing system	2	1
Improving extension work	3	3
Subsidies/tax concessions	4	8
Infrastructure	5	5
Credit assistance	6	4
Land use rights	7	7
Institutional arrangements	8	6
Financing or material assistance	9	



Conclusions



- The policy environment in the Philippines and Vietnam is generally supportive of V Af, with generic incentive packages to boost the forestry and vegetable sectors.
- However, it is **insufficient in stimulating smallholder investments**. Incentives are disproportionately shared by large and small farmers.
 - In the Philippines, large farmers benefit more from national policies than smallholders, as they have more access to information and have the resources to leverage policy implementation.
 - In Vietnam, forestry incentives have more to do with land allocation; for the fruit and vegetable sector, only commercial producers are actively involved in the growth of the sector, because national incentives are more directed to commercial producers in urban areas, than to small farmers in remote areas.





In both countries, promoting VAf will require policy actions that address issues impeding the growth of the vegetable sector such as price regulation and control, commodity protection, cost reduction across the value chain, removing tariff barriers, and global trading regimes; and transaction costs, land tenure and resource rights, and domestic and international market incentives for the forestry sector.



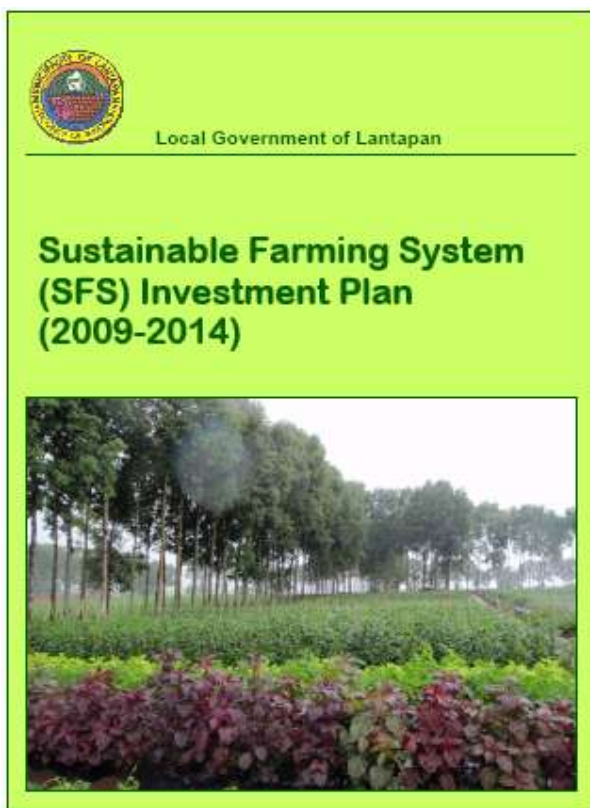
Recommendations



- Where the benefits of national level policies do not trickle down at the local level, local policy responses are needed to offset this gap.
- In the Philippines, LGUs have policy-making powers, enabling formulation of local policies that stimulate smallholder investment in VAf. Efforts at the local level can be enhanced and capacity strengthened, to enable LGUs to effectively provide adequate responses to smallholders.
- In Vietnam, despite the participatory nature of policy-making processes, the impetus for policy change relies on the leadership of the central government through the national assembly. Efforts to promote VAf through policy and market incentives can be initiated by the National Assembly and its organs of government, than by the province or commune level.
- **The profitability of VAf products are affected by precarious market conditions at the national and international levels where smallholders have no influence or control – Targeted policy incentives for smallholders are needed.**

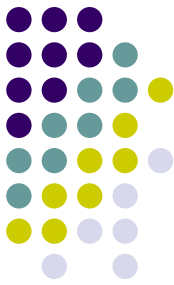


In response to these findings, LGU-Lantapan...



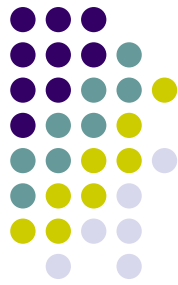
- Adopted the incentive-based mechanism to encourage adoption and investment on sustainable farming systems (SFS) among smallholder farmers
- Developed its 5-year SFS Investment Plan
- Enacted a Municipal Ordinance entitled 'Incentive-support system for farmers adopting or investing in SFS in Lantapan, Bukidnon'





In sum, the viability of VAf system depend on a whole set of policy support that both national and local governments can provide – It is therefore a political imperative.





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