

Government, Business and Market of Organic Products in Davao City Philippines

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Abstract

The Agri-Development Board of Davao City (ADB-DC) is an organization that is primarily concerned with the competitiveness of agriculture sector towards the end of achieving food security. The ADB-DC supported Organic Agriculture (OA). When the City Council proposed the institutionalization of organic agriculture in the City, the ADB delineated its concerns on the ordinance institutionalizing organic agriculture in Davao City. The ADB as an agriculture-advocacy board highlighted the concerns such as the attention to be provided to both small and medium agric-goods producers, the market support for the products, the non-organic farmers, the budget allocation for organic agriculture support. The agri-board emphasized the need for consultations with greater reach involving producers, retailers and merchandisers and the consumers of the goods stressing the important role of agri-business. The highlight of the study revealed that organic farming advocacy in Davao City cannot all be pointed on the production efficiency, farming technology but on the sustainability of income of the farmers who are to engage into such form of farming.

Key Words: Scale Farming, Organic Market, Agri-Business.

Introduction

The Agri-Development Board (ADB) of Davao City is a newly created organization within the umbrella of Davao City Chamber of Commerce and Industry, Inc. The aim of creating the agri group aimed to unite agriculture sub-sectors into one unified agri-association in order to form a coherent and relevant advocacies and programs to raise the needs and advocate the agri-sector.

Some time in July, the Committee on Agriculture of the City Council a committee hearing was facilitated to discuss the provisions and likely effects of the then newly proposed ordinance with the title, "An Ordinance Institutionalizing Organic Agriculture in Davao City, Providing Funds Therefor and for Other Purposes".

The hearing was attended by the various stakeholders in agriculture such as the individual farmers, group of farmers and large scale farmers and support NGO's who have all stakes in the proposed ordinance.

The ADB being an agriculture association considered the development as welcome progress for the agro-industry and the city agriculture in particular being considered as a least of priorities as stressed in the zonal priorities of the City.

Welcome development as it was, the ADB as a body initiated a case point for the institutionalization of organic farming in the City and furthered for the areas that might be choke points for the implementation of the ordinance, as well as searching for the check points for the accelerated growth of farming in general and organic farming in particular in Davao City in order to ensure food security in the meantime leading to sustained food availability in the long run.

University of Mindanao and Agri-Development Board

The University of Mindanao on its stead to provide quality and leadership education to its clients embarks on the program of forging a bond with the industry by facilitating an extension program. The objectives of the program were to get the University directly involved in the dynamics of business world, through sending a faculty to the industry thus learning the updates and trends that is innate of the business world and finally forge a strong industry linkage.

On July 22, a faculty of Business Economics of the College of Business Administration underwent a 2-week immersion at the Davao City Chamber of Commerce and Industry, Inc., particularly assigned to work with the Agri – Development Board of Davao City, or the ADB-DC.

This paper is arranged as follows: Section1 contains the introduction; Section 2 contains the discussion on organic agriculture, the organic market, the buyers of organic products and the profitability of organic farming. Section 3 contains the ADB-DC and the institutionalization of organic farming, the active role of the association in promoting and contributing to the design of the ordinance for a better agriculture sector in Davao City and Section 4 contains the conclusion.

Organic Agriculture

This section provides the discussion on organic agriculture, the market of organic goods and the Philippine organic industry.

Organic Agriculture

Organic agriculture includes all agricultural systems that promote the environmentally, socially, and economically sound production. Organic foods production processes do not use synthetic fertilizers and pesticides, in place are the organic or natural pest-control or weeds-control that are within the disposal of a farmer, growth regulators, and livestock feed additives, and require long-term soil management. In legal definition as “includes all agricultural systems that promote the environmentally, socially and economically sound production of food and fibers. These systems take local soil fertility as a key to successful production. By respecting the natural capacity of plants, animals and the landscape it aims to optimize quality in all aspects of agriculture and the environment. Organic agriculture dramatically reduces external inputs by refraining from the use of chemo-synthetic fertilizers, pesticides and pharmaceuticals. Instead it allows the powerful laws of nature to increase both agricultural yields and disease resistance” per EO 481 of 2005 which adopted the definition of the International Federation of Agricultural Movements (IFOAM).

The most common organic produce in the Philippines include organic vegetables, rice, fresh banana, asparagus, vinegar, coconut oil, banana chips, yellow corn muscovado, sugar, mango, papaya, poultry products and processed products.

Organic farming and usage had increase over the past few years as a complementary response for fitness and health. Consumers are likely to prefer organic foods because of its quality and health benefits and its effect to environment. The organic foods proceeds from a process of farming into harvesting with which using synthetics materials is greatly discouraged.

The organic agriculture according to Rundgren (2006) of the Capacity Building Task Force on Trade Environment and Development (CBTF) of the United Nations for Environment Protection (UNEP) stated that its aims are sustainable production system based on natural processes characterized by relying on local and renewable resources, the efficient use of solar energy and other biological systems, maintaining the fertility of the soil, maximization of the plant nutrients and organic matter, discouragement of the use of foreign organisms or substances like GMO (genetically modified organisms) and pesticides, maintaining of the biodiversity and ecological processes.

Other countries in the world also show sharp increase in the interest for organic produce. Currently, the European Union, the United States, Canada and Japan are requiring producers of organic foods to acquire certification to produce and market organic foods. In Malaysia, the promotion of organic farming was started in 1990's taking a domestic market dominated by imports from neighboring Singapore (Rundgren, 2006). While in Egypt, the organic farming was started early on 1976 producing herbs and oil for exports.

Consumer and Consumption of Organic Goods

The perception that organic foods are healthier is a widespread motivation among buyers. Most purchases of organic food are for its presumed health and safety benefits and/or the improved environmental outcomes. This health-giving benefits was tested in a study conducted by medical practitioners to pregnant women in Netherlands (Kummeling et. Al, 2007) where pregnant women were recruited to constitute the experimental group who used organic milk as compared to others who do no. The study revealed that organic food consumption by infants and pregnant mothers was associated with developing atopic manifestations in the first 2 years of life.

The consumers of organic products were motivated to purchase organic goods due to its health benefits. This leads into market segmentation on the part of the sellers of organic foods. The Natural Marketing Institute or the NMI classified US organic consumers into four that are possible target – market clusters: Devoteds, temperate, dabblers and reluctant (Molyneaux, 2007). Accordingly, the “devoteds” are the most integrated consumer group who are very dedicated to the organic consumption. The “devoteds” were also known to be the highest spender for organic foods. The second market cluster are the “temperate” who consume organic goods in lower frequency than the devoted as their health concerns are less tact than the other. The “dabblers” is the largest market cluster which motivation of organic food purchase is the price. That is, this group will purchase organic goods if the price is comparably low. And the r “reluctant” was the consumer group which simply don't put a good trust on organic foods but believes that becoming healthy is merely eating just enough and doing exercise which might not require organic foods supplement.

Producers and Organic production

While the consumers' motive in the purchase of organic goods is for its healthy benefits, producers would simply produce organic goods which are demanded otherwise organic production will be enough for own consumption. This is better known as “survival farming” where the farm will produce of a volume enough for subsistence. The farmers' motivation to produce organic foods must transcend the survival precondition motives in order to supply sizable amount of organic goods in the market to meet the demand in the market and ultimately continue the type of farming that will protect the environment and sustained fertility of the soil done through the techniques of organic farming. In the Philippines, there are 35,000 organic farms on 14,140 hectares of land under organic management, with a share of total agricultural land of 0.12%. Although organic agriculture in the Philippines is still in its emergent or incipient phase, the discourse or organic agriculture is fast gaining ground in the country.

Organic agricultural production is limited though steadily growing, reportedly between 10-20% annually. The organic market in the country has been described as a “niche market”. In 2001, an export of organic products were estimated to be Php 250 million or US\$6.2 million, and in 2003, was estimated to have reached more than US\$10 Million, while the domestic organic industry is around P100 million (Mapusua and Maccari, 2007). A number of organic products are increasingly being sold in the major super markets, with a price premium reportedly ranging from 20-30 to 30-50% over non-organic products (Yussefi and Willer, 2003). As noted, the increasing demand for organic foods/products resulted from the changing perception of the consumers to non-price attributes of the products, that is, environmental protection, health benefits and equity issues.

However, one of the setbacks of organic farming is on the land preparation. Land preparation for organic farming causes spiraling and increasing cost for the producers leading to a high – rent value. On the other hand, production of organic foods caps the volume of organic goods in order to maintain its quality and standards. This is not to mention the maintenance cost that the farmer incurs in order to maintain a market of organic foods which must always declare for the health benefits of the products.

Profitability

Given that the consumers’ motives in the purchase of organic products in for its health benefits and its good effects to agriculture while farmers will continue to produce goods that are demanded in the market, and will increase production to meet increasing needs in the market, then the profit that the farmer of organic goods expect are known as “aesthetic illusion”. This is basically an economic rent that fills the gap between use value and symbolic value which is always an unstable source of profits in the market. The instability of profit in organic farming is due to the fact that organic food must be precious and limited, that is contained to a “niche” market, a characteristic that does not square well with the expansion of organic production. According to Guthman (2001) that consumers were preferring the organic foods as a result of comparing two situations, that is, opting for health over indulgence, care over convenience, extravagance over economy and, for reasons having to do with its recent culinary history, novelty over tradition. Note that the size for the “niche market” is comparably smaller in size as this is alluded to the “health-conscious” individuals who mostly belong to the top rich and the middle rich of the income strata.

The Law and the Organic Farming

In 2005, Executive Order 481, known as “Promotion and Development of Organic Agriculture in the Philippine”, makes organic agriculture as a state policy in its efforts to develop agriculture, conserve environmental resources and promote social equity and product access leading to a global competitiveness, environment protection, food security and safety in order to alleviate poverty condition in the country.

The Executive Order created the National Organic Agriculture Program (NOAP) and the National Organic Agriculture Board (NOAB) to create regulations on certification of organic farms, develop a coherent research and development agenda.

On the other hand, even before the promulgation of EO 481, organic movement started with the private sector with the lead of NGO’s helping the small – scale farmers while linking with the business sector for the market of their products.

The ADB-DC and the Institutionalization of Organic Agriculture

This section provides the development of the ordinance to advance the role of organic farming in Davao City agriculture and the active role the ADB – DC played.

ADB-DC and Institutionalization of Organic Agriculture

With the Committee of Agriculture catalyzing the proposal to institute the organic agriculture in Davao City, the ADB-DC as an agri-association that held efforts to promote unified agriculture sector supplanted the particular concerns when the ordinance shall be put into law.

With the proposed ordinance presented to the public on July of 2009, the ADB manifested its support to the organic agriculture but had a swayed bearing relative to the institutionalization of it as the content of the proposed ordinance.

The Agri-Development Board's concern were focused on the sustainability of the program on one hand and the possible marginalization of the sub-sector in agriculture on the other. An organic agriculture as mode of farming in the City was seen as a move to strengthen advocacy for an environment – friendly farming practice in order to achieve food security and sustainable livelihood and ultimately the achievement of social equity where individuals have the equal opportunity to gain access to economic, political and legal opportunities. On the one hand, if the government as a protective and sovereign State should not discriminate other members of the society in defining the law. The interconnectedness of the various sector in the society and in the market of various goods may lead into an oppressive statement that would hinder the realization of objective reality. If the small and medium scale farmers were given due focus in organic farming, large scale farmers might end up redesigning and repositioning its production method in order to protect its niche in the market.

Another issue that is left offing is the case direction of the non-organic farmers. An accounting of the organic farmers and the non-organic farmers will provide a good picture on the effects of the institutionalization of the farming technique. Thus the following concerns have to be addressed first before implementing the policy: How many of the currently producing farms adhere to organic farming/traditional farming and how many are using non-organic adding to the category of farmers who rely on the use of genetically – modified seeds? To institute organic farming would mean changing the whole farming practice in Davao City towards organic/traditional farming. How will this policy affect the farmers of Davao City? By how much will the support of the City Government in the process to change the farming practice in order to maintain the income flow of the farmers' households?

If organic farming can distort the agriculture setup of the City and may cause snag in the production of agricultural goods for the City, then institutionalizing can be a strong policy statement which will hinder food security. It can be a better case if the law can instead be into "promoting and developing" organic agriculture. This type of policy shall be inclusive of the traditional farming methods used by marginalized farmers who do not have access to synthetic inputs, as well as non-organic farmers. Any promotion and enhancement on the conservation and sustainable use of agricultural biodiversity must be seen as a regulation that is "farmer – friendly" and "trade-friendly", otherwise it may halt the emerging industry for organic production. That is government policy should ensure that all aspects of organic agriculture are addressed and be inclusive, and not to stimulate opposite or favoritism (Gunnar Rundgren, 2007).

The proposed ordinance of the Committee had exacted bias for the small and disadvantaged farmers with insignificant attention attributed to other players in the sector of organic farming. The bias for the marginalized farmers will lead to craft the following questions as are the small farmers only those who owned less than 3 hectares? Will the proposed law also cater to those farms with low production level because of lack of inputs (Nonsynthetic, of course)? How will the proposed law relate with farmers who don't have farms of their own hence their farm practice depends on the mode of farming of the owner of the land? And finally, How can the proposed ordinance relate with farmers' cooperative where which ownership of the land is not attributed to individual membership?

As an association of agri players in the City, the ADB is a potent organization to define the course of planning and implementation of organic agriculture in a manner that is accommodating to the various stakeholders. As the agri-business sector of the City exerted efforts to secure the welfare of the agri producers, marketers and consumers, Agri-Development Board (ADB-DC) can actively participate in the of the Davao City Agriculture Management Council as proposed in the proposed ordinance. This comes in consistency with a study by Gunnar Rundgren, "Best Practices for Organic Policy: What Developing Country Governments Can Do", which stated the inclusion of all stakeholders in the policy process. The study even recommended plans to develop a market for organic products in order to sustain organic production citing other countries like Chile, Costa Rica, Denmark, Egypt, Malaysia, Thailand and South

Africa which countries in one way or another went through the development stage of organic farming similar as ours. This clearly indicates the important role the market players play in achieving a sustainable policy on organic agriculture. Hence, the proposed ordinance must also recognize that organic farming is not only securing production of organic foods/products, but it should also recognize the need for organic foods market through a system support to increase consumer awareness ultimately leading to increase in consumer demand. Farmers in general do not only produce to consume, but also produces for both consumption and commerce, an expectation of profit return on the industry of the farmer. Consequently, the proposed ordinance needs also to dent on importance on production, marketing and consumption of organic foods.

The proposed ordinance must also recognize the need of market support for organic product, similar but not limited to standardized local labeling of organic products thus strengthening the drive for consumer awareness to increase organic foods consumption. Domestic demand models like open market (display in general food stores or specialized stores), and display in public markets, sales to public institutions and public events are considered as incentive for farmers to subscribe to organic farming to fortify a market for their outputs. These models were successful in countries that promoted organic production.

On the sideline, a Php 5 million budget allocation could be too much or too low for the support of the organic agriculture as the National Government allocated the same amount (EO 481). It could be too much on the basis that the National Government through its arm, the Department of Agriculture allocated Php 5 Million as a start budget which budget be included in the General Appropriations Act (GAA) then after (Section 9, Appropriations, EO 481). It can also be viewed as too low if the intention of the City Government through the proposed ordinance to completely establish Organic Agriculture (OA) as mode of agriculture in the City, as this will alter the current socio-economic conditions of the farmers within the City. Note that the EO 481 merely promotes and develop organic agriculture and not institutionalization of it.

The ADB strongly established is support to the organic agriculture and sensing that the potential of the proposal instead delineated its concern.

The ADB recognized the need for an environment-friendly and sustainable farming, as well as in unity with the rest of the sectors in recognizing the important role of women in organic farming. The association also placed in primordial interest the benefit of small-scale farmers of organic agriculture due to its friendly features of not needing inputs that may instead distort the soil fertility. Meanwhile, the ADB also recognized the significant role played by medium and large organic producers who also need support of the government to create a market of organic produce, this along with the strong recognition of the marketers, display centers which were noteworthy in the contribution of the growth of organic foods market.

Simply put the ADB understood the interconnectedness of the various stakeholders of organic agriculture which includes the farmers themselves, the retailers/marketers/merchandisers, and the finally consumers. All these sectors must be given due attention in the crafting of the law for organic agriculture. Institutionalizing organic farming is making organic agriculture as the mode of farming in Davao City which can be a good agenda yet may come as a very costly policy as it will alter the socio-economic conditions of the farmers, while local demand for organic foods may not grow in the same proportion as the production of organic foods itself. Therefore, the association maintained that the tenor of the law must be "promotion and development" of organic agriculture.

Conclusions

As the farmers continue to increase production in order to benefit from their industry, and while consumers buy according to what were perceived as beneficial and can bring out the highest utility measure, the organic technique is increasingly a matter motive framework. The pragmatic effect of the climate change and the Philippine susceptibility to the consequence of it should be a basis of the crafting of the law.

Inequality of outcome as a result of the policy of the government must not be a result of the inequality to opportunity. All the stakeholders must be given equal opportunity to gain access to the protective arm of the State towards achieving a sustainable and food secured Davao City.

Particularly, the ADB continue to engage the different interest groups and individuals to create a cohesive association to form a coherent law that will ensure the twin objective of the organization which is to protect the consumer on the one hand and producer on the other, which both sector must be esteemed for the protection of the environment.

Finally, the significant contribution of the ADB in the crafting of the particular proposed ordinance of the Committee of Agriculture of the City Council was that it continued its consultation and further researches and studies prior implementation.

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