

Macroeconomic Benefits from Genuine Agrarian Reform

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We cannot overemphasize the macroeconomic benefits of implementing a genuinely redistributive agrarian reform program, not only as we study the development history of industrialized countries but also and more especially as we look around our Asian neighbors. Despite their return to market economies in the case of erstwhile socially planned economies such as China and Vietnam or their adherence to globalization in the case of Thailand, Korea, Taiwan and others, our Asian neighbors are reaping far more benefits than our country does from implementing agrarian reforms that are not necessarily comprehensive and complete with all the elements of being genuine but definitely better than the CARP.

The basic elements of genuine agrarian reform, which are well captured in House Bill 3059, will immediately bring major shifts in the Philippine economy. These shifts, which the CARP (along with proposed reforms and extension) will never achieve, shall lay the foundation for the just appropriation of social surplus that shall fuel the engines of Philippine industrialization.

1. There shall be a shift in household expense, from rent and usury to inputs and labor. But then inputs shall be subsidized by the state while labor will be employed in state farms with just wages, which means that the shift in household expense can even go as far as non-agricultural production.

The CARP has failed to effect this shift because it has failed miserably in breaking land monopoly and eradicating rent and usury, which could have been crucial in increasing the competitiveness of farming households. By June 2008, CARP has only achieved 80 percent of its reduced scope. Such achievement is even highly questionable as closer scrutiny of government data reveals that the so-called achievement rate refers to the number of certificates processed by government agencies and does not reflect actual ownership of the land by the alleged beneficiaries. Moreover, the bulk of the lands supposedly distributed were government-owned and public lands.

The reported accomplishment in the distribution of private agricultural lands is at 57 percent. By mode of distribution, schemes that have allowed landlords to sell their lands at market value and which have reduced the CARP into a real estate transaction, have achieved the highest accomplishment rates. Meanwhile, compulsory acquisition as a mode of distribution, which covers the largest chunk of private lands including commercial farms and plantations and owned by the most resistant landlords, has the biggest balance remaining at 93 percent.

As a result, farmers have only shelled out for direct land purchases and paid for amortizations in order to own land or simply continued to pay rent and high interest loan rates.

2. There shall be a shift in investment from private/individual to cooperative/government/public investment.

It has not been within the principle of CARP to support "land distribution" with massive public investment since it has been implemented in the context of a market

economy and government's aggressive promotion of globalization policies in agriculture. Budget for land distribution has consistently declined, for instance from 0.08 percent of the national budget in 2004 to only 0.03 percent in 2009. CARP implementation also relies heavily on foreign funding such as official development assistance (ODA), and this has gone mostly to the Agrarian Reform Communities (ARC).

The ARC concept has been adopted as a strategy to provide support services to CARP beneficiaries in key areas identified by the government. But the ARC concept remains within the thrust to globalize Philippine agriculture as government has focused its efforts in tying up ARCs with agribusiness corporations, most of which are involved in export production. Still, only 32 percent of the CARP beneficiaries are part of ARCs and only 79 percent of the ARCs get ODA. Most of them even have pending land disputes, thus government support has only gone to the landowners.

3. There shall be a shift in government spending from debt servicing to agriculture.

Agriculture and agrarian reform currently gets 4.8 percent of the total budget.

4. There shall be a shift in production control and management from landowners and agribusiness to households and collectives. There shall also be a shift from foreign to local control.

According to the 2002 Census of Agriculture of the National Statistics Office (NSO), corporations control 7,590 farms nationwide with a total area of 214,316 hectares, of which 89 percent are concentrated in only 534 corporate-run farms. In 2005, the combined income of local and foreign agribusiness corporations comprised 12.49 percent of the agricultural GDP. The total sales of agribusiness corporations amounted to Php549 billion, more than eight times bigger than the government's budget for agriculture and agrarian reform in 2009.

5. There shall be a shift in land control of big plantations from landowners and big local and foreign agribusiness to the state.

The CARP has been useless in preventing national policies or programs that have shifted the country to market-oriented land reform and promoted corporate agriculture. Even current proposals to allow foreigners to own land in the country is telling of CARP's uselessness and government's abandonment of wealth re-distribution.

With the ARC concept and CARP's other loopholes, the CARP itself has promoted massive land use conversions, which have displaced thousands of farmers and farm workers.

6. There shall be a shift in the orientation of national planning from the market to the state.

The CARP has also complemented the export-orientation of the country's agricultural plan, which has prioritized cash crops over food crops, corporate agriculture over ecologically sustainable community-based farms, and export revenues over farmers' incomes.

7. There shall be a shift in economic policy from globalization to nationalization.

These shifts in the macroeconomy shall bring immediate and long-term benefits.

1. These shall increase productivity.

Productivity may be measured in terms of labor productivity, that is agriculture real value added per worker, and land productivity, that is agriculture real value added per hectare or yield per hectare. Compared to its Asian neighbors, the country's labor productivity has become worse over the past two decades, also with the ratio of agricultural land per worker becoming worst among selected Asian countries. (See Table 1)

Table 1. Comparative Productivity Indicators of Selected Asian Countries, 1993-2002					
Item	Indonesia	Malaysia	Philippines	Thailand	Vietnam
Agriculture real value added					
1993-1998	1.5	-0.4	0.8	2.1	4.1
1999-2002	2	2.6	3.7	5.1	3.8
Agriculture real value added per worker					
1993-1998	2.3	-0.6	0.07	4.3	2.7
1999-2002	-0.01	6.2	1.3	4.1	5.1
Agriculture real value added per hectare					
1993-1998	1.1	-0.4	2.2	3.3	1.5
1999-2002	1.1	1.7	7.4	4.3	-0.3
Agricultural Land per worker					
1993-1998	1.1	-0.2	-1.5	1	1.3
1999-2002	-1.1	4.6	-5.4	-0.2	5.5
Source of basic data: Asian Development Bank – Key Indicators2004 (www.adb.org/statistics); Food and Agriculture Organization (FAOSTAT 2005) as cited in [1]					

Although agriculture real value added per hectare has improved better than the others, rice productivity fell from 4.3 metric tons (MT) per hectare in the 1960s to 1.2 MT per hectare in 1991-2003 while corn productivity fell from 3.2MT per hectare to 2.8MT per hectare in 1991-2003.

2. The macroeconomic shifts will translate to increased investment in technology.

While the Philippines have 102 tractors and 6 harvesters/threshers for every 1,000 hectares of rice land, Thailand has 1,170 tractors and 370 harvester/threshers while Vietnam has 1,689 tractors and 2,903 harvesters/threshers for every 1,000 hectares. The Philippines has 25 percent of irrigated farmlands while Vietnam and Thailand has 66 percent.

3. The shifts will increase agricultural GDP and employment

The last 50 years record a steep decline in the direct share of agriculture in the GDP, from one-third in 1955, down to 18 percent as of 2008. Employment in the sector is

dominantly unpaid family work. There is also an increasing number of agricultural workers.

4. There shall be genuinely broad-based overall economic growth.

While overall economic growth in most of its East and Southeast Asian neighbors has been remarkably rapid from 1980 to 2005, the same cannot be said for the Philippines (See Table 2).

Table 2. Comparative Levels and Growth Rates of GDP Per Capita, 1980-2005

COUNTRIES	GDP per capita (PPP \$, in 2000 prices)			Annual growth rate (%)
	1980	2005	1980-2005	2000-2005
Philippines	4,160	4,381	0.63	2.5
Indonesia	1,462	3,402	3.7	3.25
Malaysia	4,047	9,687	3.65	3
Thailand	2,488	7,862	4.59	4.13
Korea, Rep.	4,557	18,316	5.53	4.56
Vietnam*	na	2,683	4.87	6.1
China	762	5,643	8.49	8.56

* Data start in 1985

Sources: World Development Indicators 2006; ADB Outlook 2006 cited in **Arsenio M. Balisacan**. "Why Does Poverty Persist in the Philippines? Facts, Fancies, and Policies". (SEARCA Agriculture & Development Discussion Paper Series No. 2007-1, March 2007)

5. There shall be rapid reduction of poverty

The peasantry comprises 74% of rural poor families. Poverty statistics has even worsened as of 2006 compared with the 2003 survey.

The Philippines is lagging behind its Asian neighbors in poverty reduction. In the last 25 years, poverty rates in Indonesia, Thailand, Vietnam, and China have gone down faster than Philippine poverty incidence. While the average income in the Philippines as of mid-2000s (PPP \$4,381) is much higher than in Vietnam (PPP \$2,683) and Indonesia (PPP \$3,402), the absolute poverty in the country is actually much higher than in either of the mentioned countries.

6. There shall be genuine food security.

Due to CARP failure and government's default, traders continue to dominate agricultural and food production, and this has made food inaccessible and the price, dictated by traders. Likewise, food quality and cultural appropriateness is dictated by agri-food transnational corporations. From 1994 to 2007, the country has remarkably turned from being a net food exporter to importer.

There are other inevitable benefits from the macroeconomic shifts brought about by genuine agrarian reform.

7. Community and national needs will be prioritized over consumer demands of industrialized countries.
8. An ecologically sustainable agriculture and food production will be established.
9. Government revenue income will increase.
10. The foundation for national industrialization and development shall be established.

With these major shifts and benefits, House Bill No. 3059 is definitely an indispensable and positive step.