

Project ALA - 97/68

**Upland Development Programme in Southern
Mindanao
(UDP)**

End of Mission Report

Of

Technical Assistance Agri-business Specialist

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End of Mission Report of the TA Agribusiness Specialist

1 Background

UDP has as one of its major objectives the increase in upland incomes etc. A major and very important thrust to achieve this objective is the introduction of a *market led approach* to a programme of commodity production diversification and enterprise development.

A number of references, including in the UDP Project Preparation Report, are made to commodities which have "proven comparative advantage in the uplands".

It is important at the outset to distinguish between uplands, lowlands, highlands and mountains. The Bureau of Soils and Water give the following classifications

Designation	Elevation (Metres)	Slope	Description
Highlands	> 500	any	Mountains, plateau
Hilly land	100-500	>18%	Steep slopes
Upland	100-500	<18%	Plains, gently sloping
Lowland	<100	<8%	Plains

The areas that this programme is actually working in is either hilly land or steeply sloping highlands.

In many cases I think it is evident that uplands and highlands are often interchanged and are seen as synonymous, which is not the case. When competitive advantage is spoken of what is being referred to is altitude rather than uplands as defined for this programme.

The uplands and upland producers have few comparative advantages in anything. High altitudes have advantages in producing some commodities such as arabica coffee and temperate or semi temperate fruits and vegetables. Areas such as Bukidnon, which have large areas of contiguous, level or rolling land and relatively good road access, do obviously have a clear competitive advantage. At similar elevations upland farmers working in small watersheds on steep slopes and with very poor or no road access clearly are at a

considerable competitive disadvantage. There may be some advantage in terms of cheap and abundant labour or other factors relating to the socio-economic situation in the community. This can change from community to community and over time and has more to do with demographics than it being an upland community per se.

In addition to the physical limitations imposed by the environment, which include difficult terrain, poor access and an uncertain climate there is a low level of technical skills among upland communities and a poorly developed or non-existent extension service in most upland areas.

Tree crops have a long gestating period and require relatively high capital investment. This combined with the constraints outlined above make the development of these crops a high risk venture.

It is against this background that UDP Marketing and Enterprise Component must be implemented. While many opportunities have been identified the difficulties of exploiting them are considerable. The programme strategies and implementation plans must keep this at the forefront.

2 Introduction

The consultant mobilised in mid February 1999. The first two months of the mission were as Acting Project Co-Director and Team Leader, pending the arrival of the substantive holder of this post. Duties as agri-business specialist commenced in early April and end in mid February 2000.

3 Terms of Reference - Acting Co-Director and Acting Team Leader

He shall be jointly responsible with the National co-director for:

- The preparation of the Initial Plan of Activities and Budget for submission to the GoP/DA and the Commission by March 15, 1999 (submission deadline to be agreed with EC Manila and DA Manila).
- The supervision and co-ordination of the pre-IPA activities, including if not already completed, inventory of SMAP 1 equipment, assets and facilities, closing/auditing of SMAP 1 accounts; opening of bank accounts for UDP/SMAP 2
- The submission of the initial EURO 100,000 advance request to EU-Brussels

4 Activities undertaken - Acting Team Leader

- Meetings in Manila with DA and Delegation
- Introductory meetings in Davao with DA, DENR.
- Pursued collection of outstanding credit funds
- The IPA was prepared and submitted by the agreed date.
- Bank accounts were opened
- New office premises identified
- Prepared programme for orientation of LGU
- Arranging and conducting LGU briefings
- LGU awareness campaign was begun

5 Specialist input

The consultant commenced activities as agri-business consultant in mid April, on the arrival of the Team Leader. The initial 10 man-month mission will end in mid February 2000.

5.1. Terms of Reference - Agri-business specialist

- To prepare a training programme based on PRA techniques in conducting feasibility assessments of market skills, needs and potential of farmers in upland communities
- To implement the training with programme staff at PMO, provincial, and municipal levels;
- To closely monitor the application of feasibility assessments, to ensure correct implementation, and that results are fully analysed and incorporated into the development of community marketing plans;
- To prepare a participatory training programme to support communities in drawing up their own marketing plans, with clearly defined roles and responsibilities, and ensuring inclusion of Key Development Indicators (KDIs) by which progress can be determined over time;
- To conclude and finalise the market surveys of existing trading patterns, prices, volumes in the Philippines, Region XI, and target areas. Although the TA's activities should not be confined to the 10 key commodities identified by SMAP, it is understood they will receive priority in terms of information gathering;
- In relation to key commodities, identification of necessary complementary inputs (e.g. credit/roads) if production is to be developed;
- Analysis of potential value-added activities or product forms;
- The specialist will be responsible for submitting reports and training manuals covering these (and any other) points to the Programme Co-Directors. The latter will decide the timing, format and scope of the reports.

6 Major Activities undertaken

6.1. LGU briefings

The briefing campaign of LGU councils, officials and selected staff, which had begun in March continued until the end of May. During this period the consultant spent most of the time in the field assisting in the briefings and introducing the Technical Assistance Team. Out of a total of 35 LGU briefings the consultant participated in 19. He also participated in a round of preliminary meetings with provincial governors and municipal mayors to arrange these briefings.

6.2. Global Work Plan and Annual Work Plans

Preparation of the global work plan (GWP) began in June. Following the development of strategies for the implementation of the various component activities a series of consultations were held with the LGUs to consult them on the draft strategies and to ascertain their reaction and make modifications if necessary.

As can be seen from the consultant's TORs this work was not included in his original work programme. However it was I believe the correct course of action to take. It was important that the EU funded Technical Assistance be introduced to the Provincial & Municipal Governments and other officials and that they visibly support the National staff. It also helped to get a better understanding of the programme area, leading to improved strategies for consideration in the GWP. Consultations on the proposed strategies were held with the LGUs during June and July.

It was also originally envisaged that programme staff would have been recruited by June '99 and the various component personnel would prepare the GWP inputs for their respective components. For a variety of reasons staff recruitment has not happened and indeed at the time of writing has still not been done. Because of this, rather than acting as an adviser to National Staff in devising strategies and preparing the GWP and AWP it became necessary for the T.A. to do this work.

Preparation of the GWP was completed by the end of August. Preparation of the 1st AWP and 2nd AWP for year 2000 was then done.

6.3. Preparation of manuals

Training manuals were prepared for:

1. Marketing Training Manual for LGU marketing officers and extension officers.
2. Enterprise Development Manual for programme hired staff and to be used as the basis for a simpler training manual for LGU staff.

6.4. Commodity profiles

Marketing management involves not just the sale of product but also determining the quality and quantities the market requires. Providing information on harvesting and post harvest handling can be regarded as part of the marketing function. In the reports on the various commodities the consultant has taken the approach that information on harvesting and post harvest operations be included. Where incidence of disease affects quality and especially if it affects storage life some information on these has also been included. Nutritional imbalances can also give rise to physiological conditions that affect quality. Some information on this has also been included. These profiles are not production guides and need to be expanded to give information on the most suitable agri-ecological zones for production and other cultural notes including pest and disease control, cultivars, nutrition etc.

The main commodities, with commodity profiles, reported on include mango, durian, rambutan, abaca, mangosteen, coconut, banana, coffee, vegetables, forest products, swine. A number of other products were reviewed and are covered in a briefer paper.

6.5. Other activities

Papers were prepared on:

- Market information system
- Assessment of market skills, needs and potential of farmers in upland communities
- An initial Programme of Activities for Programme Hired Staff.
- Market and Enterprise component strategies for Upland Development further developed.
- Farmer Organisational development.
- Material for the orientation programme

The consultant also assisted in the staff recruitment process

- Prepared TORs for short term National & Expatriate consultants
- Prepared job descriptions for component staff

7 Issues

7.1. Recruitment of National Staff

As mentioned above, at the time of writing national staff have not been recruited by the programme. This has resulted in a considerable amount of the consultant's time, and indeed of the other consultants too, being spent on activities which were never intended to be part of their duties when the TORs and the duration and timing of the inputs were designed. This, together with the comments below on training should be taken into consideration when future missions and the overall duration of the input is being looked at.

7.2. Training

The TOR included a training component for programme staff and LGU staff. During this mission that training programme was not possible because staff were not recruited. It was also envisaged that Programme hired staff would have a level of skills such that the training requirement would be minimal. While the final selection has not been made yet it is likely that the training requirement will be higher than originally envisaged.

This can in part be attributed to the fact that in the original proposal it was envisaged that all programme hired staff would be consultants and would be hired on consultants conditions. This has not happened and a number of highly qualified applicants have withdrawn their applications as a result of the reduced compensation package being offered.

While a great deal of formal training may not be necessary for the PMO and perhaps PPO staff there is a need for a fair amount of on the job orientation and training and some exposure to the theoretical basis of marketing and enterprise development. Much of this training will be oriented more towards the practical application of marketing and enterprise development to upland situations, but there also needs to be an understanding of the theoretical base that this application is based on.

The training programme for Programme Staff should be conducted in the presence of the TA and the initial LGU training should also be conducted while the TA is present.

Training materials, to be prepared by the programme hired staff, which will be based on the marketing and enterprise manuals, should be reviewed by the consultant before training begins.

8 Recommendations.

8.1. Commodities:

While there are opportunities to produce annual crops other than corn these should be seen as interim products depending on elevation and nearness to market these could include peanuts, potatoes and assorted vegetables. These crops will however put the environment under the same pressure as will corn growing. Production of these crops would be acceptable in the short run but not in the long term. They would be useful for generating cash flow for the establishment of more permanent long gestating crops.

It would be very important that farmers would see the production of these crops as an interim stage in development and this should be emphasised in the preparation of farm plans. Their production could be justified in the short run but not in the long term unless there would be a major input into terracing of slopes.

There are other crops which offer much greater potential for cash generation. The various banana varieties that are produced for the local markets offer considerable scope for development. Bananas, and particularly planting material produced by tissue culture have the potential to generate considerable cash incomes in a short time (< than 1 year). It is also a crop that can be planted on a relatively large scale without flooding the market. It can also be produced at a range of elevations. Banana is also a suitable shade crop for the establishment of durian.

In summary fruit crops such as Mango, Durian, Magosteen, Rambutan offer opportunities for expansion. Durian is the one with greatest potential.

Mango will remain the most important in terms of area but it will come under increased price pressure. There is a large area of mango plantation that has not started production yet or that will not reach full yield for a number of years yet. The manipulation of harvesting season will become increasingly important as prices come under increased pressure.

Timber crops are also traditionally regarded as long gestating crops but the local opportunities for the production of poles or other products which could enable harvesting to start in 2 to 3 years from planting should not be overlooked. Bamboo and ipil-ipil are two species suited to early harvesting.

Abaca is being very actively promoted in many areas of the Philippines. Price trends over the last decade would suggest that while there is a certain level of demand the static production levels have not forced prices up. There is an increase in demand for quality fibre for weaving and other speciality uses. If abaca growing is to remain viable this is the area most likely to yield dividends.

Abaca is not a high value crop. In addition yields in the Philippines are low. The plantations are diseased. Hand stripping and improper use of machine strippers reduce quality and reduce price because the uses for lower quality fibre are much more limited.

Small livestock offer possibilities. Rather than concentrating on the introduction or establishment of pedigree herds a better and more feasible approach would be the improvement of the native breeds by the introduction of stud animals to cross with local sows and ewes. The resulting progeny should have improved growth characteristics but still possess the native breeds ability to survive under less than ideal conditions. Over a period of time the quality of the native herd would improve. This approach would mean that local markets would continue to be the most important.

Goat rearing is also popular in the upland areas and a similar approach should be adopted to the improvement of the goat herd.

8.2. Markets

The domestic market will continue to be the most important outlet for production in UDP areas. The difficulties associated with exporting fresh product should not be underestimated. Export markets require high quality standards and there are high marketing costs. While every effort should be

made to produce quality product for the domestic market there is greater flexibility on the home market and demand for a much wider range of qualities.

The opportunity for production for the market in Metro Manila is substantial. The present inter island shipping costs are a tax on both production and consumption. Reduced shipping costs would aid development of this market.

Traditional marketing channels will continue to play the leading role in produce marketing. UDP should aim to empower farmers with more information and by trying to get some level of increased competition at or near farm gate level. Farmer organisations can play a pivotal role here.

Lack of alternative sources of finance is a factor in keeping many farmers tied into the traditional market system. More independence in this area would put farmers into a much stronger bargaining position.

9 Major constraints

- Lack of affordable credit
- Poor road network in the upland areas
- Lack of knowledge
- Virtual absence of an extension service in the upland areas

10 Knowledge Management

Knowledge Management is increasingly being recognised as an important ingredient in promoting economic development. Put simply, knowledge management is the collection of existing knowledge on a subject or an enterprise and making all concerned people aware of its existence and making it accessible to them. Even successful corporations are realising that there is a body of knowledge, often within the corporation, but for a variety of reasons does not get disseminated.

Technology is constantly changing but extension officers and others do not have the facilities or often the time or resources to keep abreast of these changes. UDP has a role and indeed a responsibility to ensure that the most up-to-date knowledge on commodities, including production techniques, varieties etc. is made available to extension workers and by extension to the farming community. Market information would fall into the same category.

11 Enterprise development

There are many opportunities for developing on and off farm enterprises. Apart from farm production activities there are many opportunities for providing services, e.g. spraying, pruning, harvesting, transport, manufacture of packaging materials, servicing or fabricating equipment etc. There are opportunities for small nurseries, small scale processing or part processing, craft manufacture etc. Enterprise development opportunities are not enough. The ability to exploit them is an essential ingredient. This is something that only can be done on an individual basis. The enterprise development and the market training manual provide a framework for analysing and planning for these situations.

12 Who is responsible for marketing?

There is a tendency, and indeed some training manuals maintain that, because market skills are so low among most farming communities in development countries that, the extension officer or marketing officers should take on the marketing role on their behalf. This consultant believes that this approach is fundamentally wrong. Farmers must take responsibility for their own activities. The extension officer is not expected to do the weeding, spraying, pruning or harvesting. Why should he/she be responsible for the marketing and selling. The role of the extension officer is to advise and train. Giving them responsibility for marketing can lead to role conflicts and is not sustainable in the long term.

13 Life after UDP

Activities which UDP will promote and particularly the planting of long gestating crops will not have reached fruition during the life of the project. It is important that while there may be a community development cycle which can be conducted in some finite period of time that the importance of ongoing extension activities are allowed for long after the programme has finished. There should be adequate provision for ongoing training.

14 Follow up mission

The next mission by the consultant should focus on

- staff development,
- evaluating the more detailed information that will then be available on the selected sites
- refining programme strategies and plans
- advising on the detailed future work programmes

The timing of the mission will depend to some extent on staff recruitment but it is preferable that too long a period should not elapse before there can be detailed orientation and discussions on component activities with the TA and component staff.