FARM LAND POLICY AND FINANCING PROGRAM FOR YOUNG GENERATION IN THE PHILIPPINES

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INTRODUCTION

• total land area of 30 million hectares
• population of 92.3 million
• an average growth rate of 2.12 % /year
• Philippines is having problem in allocating a very scarce and important resource—land—to meet the various needs of Filipinos.

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INTRODUCTION

- total agricultural area of 9.67 million hectares
- or about 30% of the total land area
- cultivated by almost 5 million farmers.
- agricultural sector employs an estimated 12 million people
- or about 33 per cent of the country’s labour force but contributes only 12 per cent of GDP (US$14.7 billion).

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INTRODUCTION

• Agricultural area decreased from 9.97 million ha in 1991 to 9.67 m ha in 2010

• average farm size in 2010 is 2.01 which is 0.15 ha less than the average farm size in 1991

• The decrease in the total area of farms can be attributed to the conversion of land from agricultural to other uses.

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• easy access to lands is another issue
• Government implemented policies to help and encourage the farmers to continue their production.

• This paper presents the different policies and financing programs for farm land acquisition in the Philippines as well as their effects

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The Land Reform Program

1. Republic Act No. 11999 or the Agricultural Tenancy Act of the Philippines in 1954.
   • defined the rights, obligations, and limitations of both the land owner and tenant

2. Republic Act No. 3844 or the Agricultural Land Reform Code of 1963
   • aimed to eliminate tenancy in agricultural lands as well as to distribute resources.
The Land Reform Program

• 1988-RA 6657 Comprehensive Agrarian Reform Program (CARP)

• aims to redistribute lands, both private and public, while providing appropriate support services to help the beneficiaries become independent small landowners.

• by providing the farmers land capital and ensuring that the other farm workers receive their just share of the revenues.

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The Comprehensive Agrarian Reform Program (CARP)

- aims to help not just the tenant, but the owner as well.
- three programs: (1) distribution of all agricultural lands, (2) delivery of appropriate support services, and (3) agrarian justice.
- The Department of Agrarian Reform (DAR) notified the landowners whose land would be acquired for the program in exchange of compensation.
- then distributed to the qualified farmer beneficiaries in the same village or municipality.

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The Comprehensive Agrarian Reform Program

- initially planned to be implemented for ten years (1988 to 1998)
- Agrarian Reform Fund—an initial allocation of PhP50B.
- With supplemental appropriation—about PhP2.7 B.
- initial estimates for the 10-year program—about PhP221 B.
- did not achieve its goals due to several constraints—extended until 2008, (RA 8532 1998).
- “unfinished business” extended for another five years under RA 9700.
Qualifications of Agrarian Reform Beneficiaries

1) agricultural lessees and share tenants;
2) regular farm workers
3) seasonal farm workers
4) other farm workers;
5) actual tillers or occupants of public land

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Qualifications of Agrarian Reform Beneficiaries

1) landless, meaning that they own less than three hectares of agricultural land;

2) Filipino citizen

3) at least 15 years of age or head of the family at the time of acquisition of property; a

4) has willingness, ability and aptitude to cultivate and make the land productive as possible.

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Types of Land Covered Under CARP

• priority areas in the program are idle and abandoned agricultural lands.

• all private agricultural lands are also included in the compulsory acquisition. These are lands that are owned by private individual who has land title,

• Lands with slope greater than 18 percent are exempted from the program.
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Types of Land Covered Under CARP

- Five ha is the retention limit of the landowner and
- 3 ha for his child considering that the child is
  1. at least 15 years old; and
  2. actually tilling the land or directly managing the farm.
- A religious institution is considered a juridical person which means that it can maintain at most five ha of agricultural land.

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Types of Land Covered Under CARP

• schools are exempted from CARP given that the land is used only for the purpose of education.

• Military reservations are considered inalienable public lands.

• Landholdings of private individuals are landed estates, so ARBs will pay for the purchase of the land.

• Multinational Corporations are covered under CARP.

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## Land Redistribution under CARP

**Land acquisition by agency, Philippines, as of December 2009**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Target Hectares</th>
<th>Accomplishments Hectares</th>
<th>Accomplishments Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAR</td>
<td>5,163,751</td>
<td>4,166,023</td>
<td>80.68</td>
</tr>
<tr>
<td>DENR</td>
<td>3,837,999</td>
<td>3,317,312</td>
<td>86.43</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,001,750</td>
<td>7,483,335</td>
<td>83.13</td>
</tr>
</tbody>
</table>

- Distributed about 7.5 m ha of agricultural land - 83.1% of the 9 m ha target.
- About 4.1 m private lands (80.7% of the total private lands for distribution) by DAR
- Around 3.4 m ha which came from government lands (86.4% of total government lands for distribution) were distributed by DENR.

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Land type and mode of acquisition under CARP

Of the lands (4,166,023 ha) distributed by DAR,

- 23.2% were government lands,
- 18.0% - distributed under settlements,
- 17.6% under the Voluntary Land Transfer scheme, and
- 14.6% under the Operation Land Transfer scheme
- 6.9% under the compulsory acquisition scheme,
- 4.0% - lands from government financial institutions,
- around 2% - from landed estates

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Land Redistribution under CARP
% accomplishment by land type/mode of acquisition

- Operation Land Transfer: 23.21%
- Voluntary offer to Sale: 17.62%
- Government Financial Institutions: 13.8%
- Compulsory Acquisition: 14.58%
- Settlements: 6.88%
- Landed Estates: 4%
- Government Owned lands/KKK: 1.95%
- Voluntary land transfer: 17.97%

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Land Conversion

- Agricultural lands can be converted after five years that it is awarded, given that the land is not economically feasible and the land has greater economic value if used for other purposes.

- The ARB should also coordinate with the Local Government Unit (LGU) to clarify the present classification of the land.

- If the landowner converts his land for the purpose of exempting himself from CARP, it is considered illegal.

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Land Conversion - Factors to determine the just compensation

1. current value of the property;
2. cost of acquisition;
3. official assessment by government assessors;
4. nature of land;
5. non-payment of taxes or loans secured from government financing institutions;
Land Conversion - Factors to determine the just compensation

6. sworn value by the land-owner;
7. income;
8. declaration of taxes;
9. economic and social benefits contributed by farmers; and
10. actual use.
FINANCING PROGRAMS FOR FARM LAND ACQUISITION

Amortization and other Costs

- CARP awarded lands shall be amortized in 30 years at 6% interest/year and with 2% less for updated amortization payments.
- Payments shall not exceed 2.5 percent of the value of the Annual Gross Production (AGP) during the first three years of payment.
- On the 4th and 5th year, payment shall not exceed 5% of the value of AGP.
- On the 6th to 13th year, payment shall not exceed 30% of the value of the AGP.

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Amortization and other Costs

• If ARB is not able to pay, the landholder can go to the Land Bank for payment.

• If ARB is not able to pay since he had no harvest due to typhoons, etc, he would pay the Land Bank in the next cropping season.

• If the ARB is not able to pay for three annual amortizations, they would be disqualified to be an ARB and the awarded land shall be forfeited.
FINANCING PROGRAMS FOR FARM LAND ACQUISITION

Selling of Awarded Lands

• ARBs cannot sell, transfer, or donate the lands awarded.

• Land transfer can only be done with a succeeding family member

• or sold back to the Land Bank

• or another qualified beneficiary within ten years.
Selling of Awarded Lands

- The awarded land can be sold after ten years
- to an individual (direct cultivator) who does not own more than five ha of agricultural land
- and also given that the land is fully paid already.
Selling of Awarded Lands

• A previous awardee who disposed his land shall no longer be qualified to become an ARB,

• but the spouse and children can qualify within a period of two years.
FINANCING PROGRAMS FOR FARM LAND ACQUISITION

Economics Support Services

1. Agri-technology and Agri-extension (AES)
2. Business Development Services (BDS)
3. Common Service Facilities (CSF)
4. Credit & Microfinance - to access credit facilities, retail and collect individual ARB loans through their organizations.
5. Agri-insurance program (crops and livestock)
Micro-Agri Loan Product Development program

• provides credit access by enhancing numerous and different micro-agri credit loans through bank-assisted cooperatives and countryside financial institutions.

• Capacity building interventions are delivered to partner channels in activity market assessment, product operations review, product manual development; pilot testing and roll out.

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IMPACTS OF THE LAND REFORM PROGRAM

Impact on farm land acquisition

• positive transformation of the tenurial system at the household level.

• Owner-cultivatorship increased from 30% in 1990 to 64% in 2006.

• Consequently, the extent of tenancy, both lease tenancy and share tenancy, declined.

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IMPACTS OF THE LAND REFORM PROGRAM

Impact on farm land acquisition

• At the community level, a more equitable distribution of access to the land and broader landownership base.

• As a result, the average farm size was reduced significantly from 40 ha per landowner to 2.9 ha per ARB.

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IMPACTS OF THE LAND REFORM PROGRAM

Sustainability of the impact

• goal of land distribution has been accomplished.
• did not make a sustainable impact on the ARBs,
• Sustainability can be attained if the impacts of the program to the farmers can be experienced by the next generations.
• On the contrary, many of the ARBs have converted their lands already and become tenants of big landholders like before.
Problem of Land Conversion

- As of December 2009, DAR had approved 20,411 applications (96.45% of the total number of applications) or 61,567 ha (87.05% of total land area applied for).
- DAR had not been conservative in approving land conversion applications.
- Imposing a large amount of tax in land conversion would have discouraged farmers to undergo the process.
- Discouraged to convert their lands and therefore utilize their lands through farming.
• Despite being an agricultural country, the number of people entering the industry in the Philippines is decreasing, mainly due to various stereotypes about farming.

• With the number of agricultural workers falling from an estimated 12.468 million in April 2012 to 11.844 million in April 2013, or by about 624,000 workers.
THE AGEING GENERATION OF FARMERS

• Philippines has more than enough graduates of agricultural courses - 46,000 agriculture students from 112 universities/colleges.

• However, most of the graduates do not actually end up as farmers.

• Most graduates go to the service sector such as government, industry or business.

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THE AGEING GENERATION OF FARMERS

• people do not think of agriculture or farming as a profession, making it less attractive for younger people.

• do not like to go into agriculture because of the level of difficulty and the supposedly low income being associated with it.

• National Statistics Office survey- agriculture receives the lowest average daily basic wage

• average daily wage of a farmer is $6, versus the national average of $10.
The Ageing Generation of Farmers

- Average age of farmers in 2013 was 57.
- With an average life span of 70, a shortage in the labor supply of farmers is expected in 15 years.
- Much of the youth today shun farming because of its perceived hardships.

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THE AGEING GENERATION OF FARMERS

• Farming is always associated with poverty, so no farmer would want their children to become farmers.

• Most rural families instead want their children to pursue more lucrative jobs in commercial centers near Manila.

• Moreover, the average level of education of a farmer is primary level only.

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THE AGEING GENERATION OF FARMERS

• About the old age of most farmers in the present, the young generation would be encouraged to engage in farming

• if it seems for them that they would have a higher level of living if they do so.

• Therefore, they should be informed of the greater benefits in farming

• through proper farm management practices.

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THE AGEING GENERATION OF FARMERS

- A productive farm that yields greater income will stop people from associating farm-life with poverty.
- Knowledge in agriculture through education is the way to encourage the young generation to get involved in farming.

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CONCLUSION and RECOMMENDATION

- One driver of poverty in rural areas has been a lack of land ownership.
- Prior to the initiation of land reforms in the Philippines, almost 50% of the rural population was landless.
- Land reform was successful in land redistribution.
- But the problem was massive conversion of agricultural lands to non-agricultural.

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CONCLUSION and RECOMMENDATION

- Understanding that agriculture industry is more than just farming can help people give more importance to this profession.
- Re-orienting the educational system and including agriculture in lessons in primary and secondary levels of education.
- Need to change the mind-set of the younger generation and make farming appealing for them.
- Science-based and technology-based education program where farm entrepreneurship can be introduced to young generation.

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CONCLUSION AND RECOMMENDATION

- incentives for the young generation to acquire agricultural lands, given that they have the capacity to till them.
- Credit assistance specifically for land acquisition for new farmers should be considered.
- The government should make efforts to make the process of land transfer easier and shorter through more efficient and organized procedures.

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CONCLUSION AND RECOMMENDATION

- subsidies to selected farmer-applicants who want to acquire lands, given that they have the capacity to till the lands productively.

- applications for land use conversion from agricultural to other purposes should be more strictly examined.

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CONCLUSION AND RECOMMENDATION

- discourage farm conversion - the overall gains from the farm must exceed the perceived potential gains from conversion.
- raising the overall wage of the farmer or
- increase productivity - produce at cost minimizing efficient outputs.
- convince the young generation to do farming - sufficient incentives for him to do so.
- A productive farm will yield greater income which may attract the young.

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