



## **The Agriculture and Fisheries Modernization Act of 1997: A Collective Approach to Competitiveness<sup>1</sup>**

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### **Background**

Republic Act 8435 or the Agriculture and Fisheries Modernization Act of 1997 simply known as AFMA, was enacted on December 22, 1997. It is a policy instrument defining measures to modernize Philippine agriculture for the country to compete in the global market.

The underlying principle behind this policy is to improve the living conditions of farmers and fisherfolk and increase their productivity amidst the growing needs of the markets (local and abroad). Most of the people depending on agriculture have small landholdings or are landless, making a living out of agriculture alone very difficult. Their attention had been narrowly focused on primary production. However, even with high farm productivity, incomes can remain low without the complementary supporting economic activities beyond the farm. Modernizing agriculture is the way by which they can realize better income.

In general, AFMA aims to transform the agriculture and fisheries sectors to technology-based, advanced and competitive industry; ensure that the small farmers and fisherfolk have equal access to assets, resources and services; guarantee food security; encourage farmer and fisherfolk groups to bond together for more bargaining power; strengthen people's organizations, cooperatives and non-government organizations by enhancing their participation in decision-making; pursue an aggressive market-driven approach to make the products more competitive in the market; stimulate further processing of agricultural products and make it more marketable; and implement policies that will invite more investors to establish business in the country.

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<sup>1</sup> A short policy paper submitted to the Food and Fertilizer Technology Center (FFTC) for the project titled "Asia-Pacific Information Platform in Agricultural Policy". Short policy papers, as corollary outputs of the project, describe pertinent Philippine laws and regulations on agriculture, fisheries and natural resources.

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The law has broad based provisions covering 1) production and marketing support services; 2) human resource development; 3) research development and extension; 4) rural non-farm employment; 5) trade and fiscal incentives; and 6) general provisions.

***Production and Marketing Support Services.*** The law provides for identification of Strategic Agriculture and Fisheries Development Zones (SAFDZ) within the network of protected areas for agricultural and agro-industrial development to ensure that lands are efficiently and sustainably utilized for food and non-food production and agro-industrialization; formulation and implementation of a medium- and

long-term comprehensive Agriculture and Fisheries Modernization Plan (AFMP); and access to credit by small farmers, fisherfolk, particularly the women involved in the production, processing and trading of agriculture and fisheries products and the small and medium scale enterprises (SMEs) and industries engaged in agriculture and fisheries.

It provides for the development of irrigation systems that are effective, affordable, appropriate and efficient; development of a market information system through the establishment of a National Information Network designed to benefit the farmers and fisherfolk, cooperatives, traders, processors and local government units, and development and use of product standards to ensure consumer safety and promote the competitiveness of agriculture and fisheries products.

The development of rural infrastructure like farm-to-market roads, fishports, seaports and airports, rural energy, water supply system, post-harvest facilities, public markets and abattoirs, water supply system, agricultural machinery and communication infrastructure shall be addressed.

***Human Resource Development.*** AFMA provides for the establishment of a National Agriculture and Fisheries Education System (NAFES) to upgrade the quality, ensure the sustainability and promote global competitiveness, at all levels, of agriculture and fisheries education. This includes Education Program for Elementary and Secondary Levels; Post-Secondary Education Program for Agriculture and Fisheries; Establishment of Network of National Centers of Excellence in Agriculture and Fisheries Education; formulation and implementation of National Integrated Human Resource Development Plan in Agriculture and Fisheries which shall serve as an instrument that will provide over-all direction in setting priorities in curricular programs, enrollment, performance targets, and investment programs.

A Continuing Agriculture and Fisheries Education Program shall also be developed to address the current education and training requirements of teachers, professors and educators in agriculture and fisheries.

***Research and Development.*** This provides for consolidation of the National Research and Development System in Agriculture and Fisheries by concerned agencies notably the Department of Agriculture and the Department of Science and Technology. Agriculture and Fisheries Research and Development activities shall be multidisciplinary and shall involve farmers, fisherfolk and their organizations, and those engaged in food and non-food production and processing, including the private and public sectors.

The budget for agriculture and fisheries research and development shall be at least 1% of the Gross Value Added (GVA). At least 20% shall be spent in support of basic research and not more than 80% shall be used for applied research and technology development, of which at least 10% shall be used for technology packaging and transfer activities

**Rural Non-Farm Employment.** To rapidly shift towards industrialization, the Basic Needs Program is to be instituted with the following components: education and training, rural industrialization and industry dispersal, financing, health and nutrition, basic infrastructure and food security. This program intends to meet the basic needs of rural households and assist workers, subsistence farmers and fisherfolk in adjusting from an agrarian to industrial economy.

To complement the Basic Needs Program, the Rural Industrialization and Industry Dispersal Program, shall be implemented. Under this program, the Board of Investments (BOI) is mandated to grant highest priority on fiscal incentives to business and industries with linkages to agriculture. Government agencies shall provide integrated services to prospective enterprises in the formulation of investment priorities in the rural areas. Participating agencies may avail of free training, technical and advisory services from any government agencies.

**Trade and Fiscal Incentives.** The major objective of AFMA with regards to trade and fiscal incentives is to provide an enabling policy for Philippine agriculture and fishery products to gain competitive edge in both the domestic and global markets. To deliver this, the law mandates providing small farmers and fisherfolk with priority access to credit and promotion of strengthened cooperative-based marketing system.

The law also provides for granting of tariff exemptions to agribusiness enterprises for the importation of all types of agriculture and fisheries inputs, equipment and machinery including fishing equipment and parts thereof. As a requirement, only the importing enterprise shall use the agricultural and fishery imports and shall be penalized if otherwise.

**General Provision.** AFMA has an appropriation of P20 billion on its first year of implementation (1999) and a continuing appropriation of P17 billion annually in the next six years. The budget shall be disbursed as: 30% irrigation, 10% post-harvest facilities, 10% agro-industry modernization credit and financing, 10% other infrastructure, 10% research and development, 8% marketing assistance, 6% salary supplement of extension workers/extension services, 5% capability building, 5% National Agriculture and Fisheries Education system, 4% National Information Network, 1.75% rural non-farm employment training and 0.25% identification of SAFDZ.

To ensure all projects, programs and activities under AFMA are implemented, a Congressional Oversight Committee on Agricultural and Fisheries Modernization is to be created.

## **Conclusion**

AFMA laid down several reforms aimed at improving the agriculture and fisheries sector. It created a collective approach that induces a variety of programs, services and activities to be carried out by a diverse set of implementing agencies and organizations, both from the public and private sectors, to enhance competitiveness of Philippine agriculture and fishery products. Being the government's centerpiece program in promoting growth and eliminating poverty in the rural sector, proper coordination across various levels and funding support shall be critical to achieve the glorious future for agriculture.

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