

SENATE

COMMITTEE REPORT NO. 234



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Prepared and submitted by the Committee on Agriculture and Food on  
~~JAN 31 2018~~

Re: **P. S. R. No. 560**

Recommending the Adoption of this Report and the Implementation of Its Recommendations

Sponsor: **Senator Villar**

**Mr. President:**

The Committee on Agriculture and Food, to which was referred **P. S. R. No. 560**, authored by **Sen. Villar**, entitled:

“RESOLUTION  
DIRECTING THE SENATE COMMITTEE ON AGRICULTURE AND FOOD TO CONDUCT AN IMMEDIATE INQUIRY, IN AID OF LEGISLATION, INTO THE STATUS OF THE PROGRAMS OF THE PHILIPPINE COCONUT AUTHORITY CONSISTENT WITH THE PURSUIT OF THE SUSTAINABLE DEVELOPMENT OF THE COCONUT INDUSTRY BY FINALIZING THE COCONUT FARMER’S REGISTRY AND INDUSTRY ROAD MAP, WITH THE INTENTION OF PROMOTING THE COCONUT INDUSTRY AND INCREASING THE INCOME OF THE COCONUT FARMERS TO BRING THEM OUT OF POVERTY”

had considered the same and has the honor to submit this Report to the Senate.

**I. PREFATORY STATEMENT**

On December 5, 2017, P. S. R. No. 560 was referred by the Senate in Plenary to the Committee on Agriculture and Food.

**II. COMMITTEE’S ACTION**

Pursuant to the mandate of the Senate to conduct Inquiries, in Aid of Legislation, the Committee on Agriculture and Food conducted an Inquiry last 18 December 2017 at the Sen. Claro M. Recto Room, 2/F Senate of the Philippines.

The Committee sought to come up with consensus and agreements with government and private sector stakeholders on how the income of coconut farmers can be increased.

The following resource persons attended the Inquiry:

1. Administrator Billy J. dela Rosa, Philippine Coconut Authority;
2. Deputy Administrator Roel Rosales, Philippine Coconut Authority;
3. Deputy Administrator Glenn B. Santos, Philippine Coconut Authority;
4. Ms. Lolita Dorado, National Coordinator for Coco Coir, Department of Trade and Industry;
5. Mr. John Castillo, Division Chief, Department of Budget and Management;
6. Mr. Joey Faustino, Executive Director, Coconut Industry Reform Movement;
7. Mr. Rene Cerilla, Chairperson, *Pambansang Kilusan ng mga Samahang Magsasaka*;
8. Mr. Benigno Peczon, Ph. D., President, Coalition for Agriculture Modernization in the Philippines;
9. Mr. Steve Abalayan, President, Nascent Alliance of Coco Industry Scholars;
10. Mr. Charlie Avila, National President, Philippine Association of Small Coconut Farmers Organizations; and
11. Mr. Efren Villaseñor, National President, *Pambansang Koalisyon ng mga Samahan ng mga Magsasaka at Manggagawa sa Niyugan*

### **III. FACTS AND ISSUES**

P. S. Resolution No. 560 states that the coconut industry is a major contributor to the economy, accounting for 1.14% of the Gross National Product. Such contribution is due to the fact that nearly thirty percent (30%) of the country's arable land or about 3.517 million hectares, sprawling in 69 of the 81 provinces, are planted to coconut. The top coconut producing regions are Davao Region (Region XI) – 2.2 million metric tons (MMT), Northern Mindanao (Region X)

– 1.85 MMT, Zamboanga Peninsula (Region IX) – 1.69 MMT, Autonomous Region of Muslim (ARMM) – 1.39 MMT, and CALABARZON (Region IV-A) – 1.38 MMT.

P. S. R. No. 560 notes that, except for the Davao Region and CALABARZON, the top three coconut producing regions have very high level of poverty incidence as compared to the national average of 16.5%: ARMM at 48.2%, Northern Mindanao at 30.3%, and Zamboanga Peninsula at 26%.

The Resolution also noted that the Philippines has the lowest yield in coconut production among Association of Southeast Asian Nations (ASEAN) countries, with only 4.4 metric tons (MT) as compared to 9.6 MT of Vietnam, 5 MT of Thailand, and 6.5 MT of Indonesia. The coconut industry has seen a continuous decline in farm productivity over the years, with an average productivity of 45 nuts per year from the ideal 150 nuts per year per tree. This situation is attributed to poor genetics of the Philippines' coconut trees, a large part of which are senile, and most are not intercropped. Such decline is also due to nutrient-deficient trees, inadequate infrastructure and minimal research and development.

The Resolution sees the need to provide for the development of the coconut industry as it has the highest potential for growth through productivity enhancement, diversification, and industry value-adding, and given the diversity of products that can be made out of the coconut: coconut oil, desiccated coconut, coconut water, virgin coconut oil, and coco sugar. A robust and sustained increase in exports would spur economic growth, create employment, and draw the coconut farmers into the social and economic mainstream and ultimately has the biggest potential of reducing rural poverty.

To realize these potentials, the Resolution highlights several issues that that should be addressed, as follows:

1. Policy issues like infrastructure connectivity, the quality of extension services, the dynamism of research and development, and the soundness of resource allocation of government to the sector;

2. The role of the Philippine Coconut Authority (PCA) should be specific and vital in the development of the coconut industry taking into account the huge impact it has to the country's international trade and its poverty reduction goal;
3. The PCA should have a strengthened, vibrant and vital eyes and heart for the development of the industry. The old and antiquated, low-input coconut farming technology it is practicing should be changed as it may not be sustainable to carry the industry to the next years of the ASEAN integration;
4. If the government desires high growth in agriculture and job creation, it should look at the coconut lands as a major vehicle and it should provide support; and
5. Presence of an industry development plan which should be clear and endorsed by the industry players and stakeholders.

#### **IV. FINDINGS AND AGREEMENTS**

With the Chair highlighting the need to support the development of the coconut industry and assist the coconut farmers, the Inquiry focused on how to increase the incomes of coconut farmers, and what activities could be done by the Philippine Coconut Authority (PCA), non-government organizations, and other stakeholders.

The discussions during the Inquiry led to the identification of targets and the concomitant activities that need to be done, as follows:

##### **1. INCREASING THE INCOMES OF COCONUT FARMERS**

The Chair urged everyone to establish farm schools that will involve in the propagation of hybrid coconut seedlings, that can produce 150 nuts, as well as provide extension services/trainings/education to coconut farmers on the

cultivation, nurturing/caring, harvesting, processing and marketing of coconut trees, its fruits, products and by-products.

Intercropping of crops, in coconut farms, will also be pursued to increase the incomes of farmers, such as with cacao, coffee, banana, and other suitable crops.

The Philippine Coconut Authority and the Technical Education and Skills Development Authority will support these farm schools and the coconut farmers to become productive and competitive.

## 2. FINANCIAL SUPPORT

To support the activities to increase coconut farmers' income, the provision of funds shall be done through the appropriation of budget for the PCA in the General Appropriations Acts and the use of the income of the Coconut Levy Fund.

## 3. MANDATED APPROPRIATIONS FOR THE PCA

In addition to the corporate income of the PCA, the Chair shall pursue the appropriation of funds for the PCA in the GAA.

To achieve this, an amendment to the Coco Farmers and Industry Fund Bill (SBN 1233) will be proposed, which will provide a new Section that will state mandated appropriations in the GAA for the programs and activities of the PCA.

The allocation of the mandated appropriations will be, as follows:

a.	Infrastructure Program (Farm-to-Market Roads)	-	20%
b.	Planting and Replanting	-	20%
c.	Intercropping	-	20%
d.	Shared Facilities	-	10%
e.	Research and Development (Including Pest Management)	-	10%
f.	Fertilization	-	5%

g.	New Products and Marketing	-	5%
h.	Overhead	-	10%
			-----
			100%

4. USE OF THE INCOME OF THE COCO LEVY TRUST FUND

Another amendment will also be proposed in the Coco Levy Bill to earmark the annual income of the Coco Levy Trust Fund.

The yearly income of the Coco Levy Trust Fund will be proposed to be utilized, as follows:

a.	Shared Facilities Program	-	35%
b.	Health Assistance and Scholarship Program	-	15%
c.	Empowerment of Coconut Farmer Organizations and Cooperatives	-	15%
d.	Credit (thru LandBank)	-	20%
e.	Farm Improvements (to encourage self-sufficiency)	-	15%
			-----
			100%

Projects and activities relating to Shared Facilities and Farm Improvements will be implemented to support community development and encourage community-managed enterprises, such as community nurseries, fertilizer production.

5. INVESTMENT OF THE TRUST FUND

The Chair declared her preference for the investment of the Trust Fund in government securities to ensure the safety of the Fund and for assured returns.

## 6. REHABILITATION OF COCONUT OIL MILLS

The rehabilitation of the coconut oil mills may be funded by either a budget in the GAA and placed with the PCA, or the proceeds of the privatization of some of the oil mills.

In the first scenario, the Chair will work for the allocation of a certain amount in the PCA budget (GAA) that will be used for a one-time rehabilitation of the oil mills. Thereafter, the oil mills are expected to sustain their operations and earn profitably.

In the second scenario, the Chair hinted that she may allow some of the oil mills to be sold/privatized, the proceeds of which shall be used to rehabilitate the remaining oil mills. The remaining or to-be-rehabilitated oil mills are to be identified based on their usefulness and contribution to the needs of the coconut farmers.

## V. RECOMMENDATIONS

In view of the foregoing, the Committee hereby recommends the following:

1. For the government, particularly the Philippine Coconut Authority, to target increasing the incomes of coconut farmers.

To achieve this, the PCA and other government agencies, and private stakeholders, should aim to increase productivity by, among others, promoting hybrid coconut seedlings that can produce 150 nuts per year; and encourage product diversification, such as in the production of coconut water, coco sugar, coco coir, and coco peat.

Intercropping of crops in coconut farm lands should also be promoted, such as coffee, cacao, cassava, banana and other suitable agricultural crops.

2. The establishment of farm schools be encouraged by the Department of Agriculture and the Philippine Coconut Authority, and should be supported likewise by the Technical Education and Skills Development Authority.

These farm schools should provide extension services/trainings/ education to coconut farmers on the cultivation, nurturing/caring, harvesting, processing and marketing of coconut trees, its fruits, products and by-products.

3. To support the objectives of items 1 and 2, the Senate of the Philippines, in general, and the Senate Committee on Agriculture and Food, in particular, shall ensure the provision of funds through the annual General Appropriations Acts (GAA) and the use of the income of the proposed Coconut Farmers and Industry Trust Fund in Senate Bill No. 1233;
4. To ensure yearly appropriations in the GAA for the programs and activities of the PCA, inclusion of a new Section in SBN 1233, which will state mandated appropriations in the GAA for the programs and activities of the PCA.

The allocation of the mandated appropriations will be, as follows:

a.	Infrastructure Program (Farm-to-Market Roads)	-	20%
b.	Planting and Replanting	-	20%
c.	Intercropping	-	20%
d.	Shared Facilities	-	10%
e.	Research and Development (Including Pest Management)	-	10%

f.	Fertilization	-	5%
g.	New Products and Marketing	-	5%
h.	Overhead	-	10%
			-----
			100%

5. The yearly income of the Coco Levy Trust Fund will be proposed to be utilized, as follows:

a.	Shared Facilities Program	-	35%
b.	Health Assistance and Scholarship Program	-	15%
c.	Empowerment of Coconut Farmer Organizations and Cooperatives	-	15%
d.	Credit (thru LandBank)	-	20%
e.	Farm Improvements (to encourage self-sufficiency)	-	15%
			-----
			100%

Projects and activities relating to Shared Facilities and Farm Improvements will be implemented to support community development and encourage community-managed enterprises, such as community nurseries, fertilizer production.

6. As an amendment to SBN 1233, to ensure the safety of the Trust Fund and for assured returns, it shall only be invested in government securities; and

7. The rehabilitation of the coconut oil mills may be funded by either a budget in the GAA and placed with the PCA, or the proceeds of the privatization of some of the oil mills.

In the first scenario, the Committee on Agriculture and Food will work for the allocation of a certain amount in the PCA budget (GAA) that will be used for a one-time rehabilitation of the oil mills. Thereafter, the oil mills are expected to sustain their operations and earn profitably.

In the second scenario, the Committee may introduce another amendment to SBN 1233 that will allow some of the oil mills to be sold/privatized, the proceeds of which shall be used to rehabilitate the remaining oil mills. The remaining or to-be-rehabilitated oil mills are to be identified based on their usefulness and contribution to the needs of the coconut farmers.

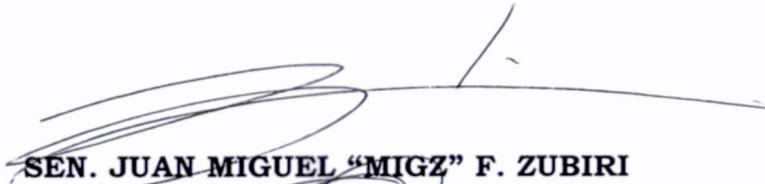
Respectfully submitted,



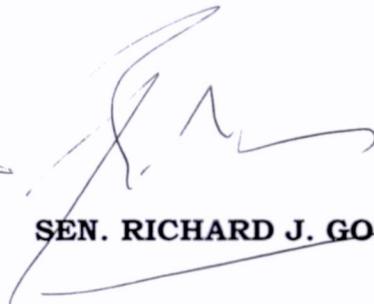
**SEN. CYNTHIA A. VILLAR**

*Chair*

**MEMBERS:**



**SEN. JUAN MIGUEL "MIGZ" F. ZUBIRI**



**SEN. RICHARD J. GORDON**



**SEN. EMMANUEL "MANNY" D. PACQUIAO**

**SEN. LOREN B. LEGARDA**



**SEN. FRANCIS "CHIZ" G. ESCUDERO**



**SEN. GRACE POE**

**SEN. ANTONIO "SONNY" F. TRILLANES IV**



**SEN. JOSEPH VICTOR G. EJERCITO**

**SEN. PAOLO BENIGNO "BAM" AQUINO IV**

**SEN. FRANCIS "KIKO" PANGILINAN**

**EX-OFFICIO MEMBERS:**

*which will interpolate;  
may add*

**SEN. FRANKLIN M. DRILON**  
Minority Leader

*Vic Sotto*

**SEN. VICENTE C. SOTTO III**  
Majority Leader

*RS*

**SEN. RALPH G. RECTO**  
Senate President Pro-Tempore

**HON. AQUILINO "KOKO" PIMENTEL III**  
Senate President

Endorsement to extend the validity of the certificate until reaching the port of survey or for a period of grace where article 19(5) or 19(6) applies

This certificate shall, in accordance with article 19(5)/19(6)<sup>3/</sup> of the Convention, be accepted as valid until .....

Signed: .....  
(Signature of authorized official)

Place: .....

Date: .....

(Seal or stamp of the authority, as appropriate)

Endorsement for advancement of anniversary date where article 19(8) applies

In accordance with article 19(8) of the Convention the new anniversary date is .....

Signed: .....  
(Signature of authorized official)

Place: .....

Date: .....

(Seal or stamp of the authority, as appropriate)

In accordance with article 19(8) of the Convention the new anniversary date is .....

Signed: .....  
(Signature of authorized official)

Place: .....

Date: .....

(Seal or stamp of the authority, as appropriate)

3/ Delete as appropriate."

CERTIFIED TRUE COPY  
DEPARTMENT OF FOREIGN AFFAIRS  
Information Technology, Communications  
and Records Division

14 DEC 2016

FOR THE DIRECTOR OF ITCRD:

ARTEMIO C. DEDIL