

Strategic Policy for Food Security

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This article first discusses how large agricultural subsidies in the United States and the European Union are distorting prices in grain and threatening the food security of countries in the South and the Asia Pacific. The GATT-WTO ratification debate is then revisited to show that proponents of GATT-WTO used it to advance their agenda of trade liberalization. With the importation of rice and corn above the minimum access volumes and the non-delivery of the resources that were supposed to constitute the GATT “safety net,” the food security situation of rice and corn farmers has deteriorated. A “strategic policy” for food security is recommended in which the main components are revision of the GATT Agricultural Accord; strict controls on grain imports; use of a flexible trade policy to lower input costs; acceleration of land reform, and the creation of “food security councils.”

EVER SINCE THE GREAT NATIONAL DEBATE ON WHETHER OR NOT the Philippines should ratify the GATT Uruguay Round in 1994, food security has been a controversial issue in economic policy. What is at stake in this process of policy formulation can perhaps be best appreciated by placing it in its international context. In this age of rapid globalization of agricultural markets, international trade is increasingly becoming the central determinant of domestic food security.

“Food security” first emerged in the 1970s among specialists and NGOs (non-government organizations) concerned with the shifting of more and more prime agricultural land in the South from the cultivation of food crops to the cultivation of export crops. It was feared that this could lead to a situation whereby the agricultural sector would increasingly become less capable of supplying the population’s food needs as it became more integrated into the international market and as production shifted to higher-priced export crops or crop-derivatives such as sugar,

coffee, and palm oil (Lappe & Collins 1979).

In the 1980s and the 1990s, however, food security was articulated as a response to stepped-up efforts by the United States (US) and the European Union (EU) to dump their ever-growing surpluses of grain, dairy, and meat products on third country markets. This was detrimental to the small-scale agricultural producers responsible for the bulk of agricultural production in the poor countries of the South, in newly industrializing countries like South Korea and Taiwan, and even in advanced industrial countries like Japan. Food security, then, became an attractive idea with which to counter the banner of free trade waved by the US. The clash between the two paradigms became especially bitter during the last stages of negotiations of the Uruguay Round of the GATT (General Agreement on Tariffs and Trade).

FOOD SECURITY VERSUS FOOD SELF-SUFFICIENCY?

AS ADVANCED by its proponents, food security has several elements, including the ability of a country to produce most of its basic food necessities, the survival and economic welfare of peasant producers, respect for the cultural preferences of consumers in relation to food, protection of a country from the vagaries of world trade in grain and other food-stuffs, and the political stability of rural society.

Perhaps one of the best expressions of this expansive view of food security was provided by Korea's National Cooperatives Federation in defense of continued restrictions on rice imports. According to the Federation, the US, with only 1.6 percent of its work force engaged in agriculture, had relatively little at stake when it came to having its agricultural exports, like rice, restricted from entering some markets. On the other hand, in the case of Korea, the Federation argued that rice

is a crop of paramount importance to our farmers. Because of our climate, most Korean farmers are engaged in rice cultivation, which takes place on more than 60 percent of arable land, and provides more than 50 percent of farm income. Rice is the life blood of Korean farmers. As one of the basic foodstuffs for the Korean people, rice is essential for food security, conservation of land, and maintenance of rural society (Dear Mr. Bush 1991).

Thus, free trade "reflects only the interests of the agricultural exporting countries, while neglecting the special conditions in other countries" (Dear Mr. Bush 1991). In response, US officials advanced the

idea that food security should not be confused with “food-self sufficiency.” As US Secretary of Agriculture John Block put it at the start of the Uruguay Round in 1986, the “idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on US agricultural products, which are available, in most cases at lower cost” (Cakes and Caviar 1993).

The US position paper for the World Food Conference in Rome in November 1996 repeated the same theme, but went on further to say that pursuing food self-sufficiency could in fact be detrimental to food security:

While developing countries have often made the plea “give us trade not aid,” they have also often adopted domestic and trade policies to protect domestic food production in pursuit of food self-sufficiency thereby reducing the contribution that trade could have made to economic efficiency and development. Pursuit of higher levels of food self-sufficiency has not been limited to developing countries but they are less able to bear the costs of foregone economic efficiency and, thus, such policies are relatively more damaging to their economies and to food security (US Contribution 1996).

The aim here was implicitly to delink the interests of peasant food producers from mainly urban consumers, for whom the provision of food was seen as the key component of food security.

THE GATT AGRICULTURAL ACCORD: INSTITUTIONALIZING SUBSIDIES

THE free trade-economic efficiency-food security argument was, however, robbed of much credibility when the GATT Agricultural Accord was finally negotiated in 1992; the so-called Blair House Accord (named after the executive building in Washington where it was negotiated) was hardly calculated to promote the free trade in agricultural products that US representatives had claimed it would. Instead, what emerged was an agreement negotiated principally between the European Union and the United States that was calculated to preserve their high level of agricultural subsidization and regulate their monopolistic competition for third country markets.

Although the GATT Accord committed the developed countries to reducing their domestic support subsidies by 20 percent and cutting their export subsidies by 36 percent over 10 years, the remaining level of subsidization would remain quite high. In fact, the subsidy to agriculture

provided by the great variety of market-price and direct-income support mechanisms is enormous. As one study has noted, “with support per farmer as high as some estimates suggest, it would almost be economically irrational for farmers to actually work their lands” (Moor 1996).

Let us, however, make use of the relatively conservative figures provided by the OECD (Organization for Economic Cooperation and Development) for its member-countries. In 1995, subsidies to agricultural producers in the OECD – i.e., the developed countries – came to around \$182 billion while producer subsidies as a percentage of the total value of production came to 42 percent in 1994 and 41 percent in 1995 (Moor 1996). In 1994, subsidy transfers per farmer (“producer subsidy equivalents” or PSEs in OECD parlance) came to \$16,000 in the US and \$18,000 in the EU; in 1995, the first year of the implementation of the GATT Uruguay Round, the overall subsidy transfers in the US and Europe rose by five percent instead of going down (Watkins 1995a). For that year, 20 percent of the cost of US farm production was financed by government subsidies totaling \$25 billion.¹ These are, as noted above, conservative estimates; according to UNDP (United Nations Development Program) figures, which are based on less narrow criteria than the OECD’s, subsidy per farmer in the US in 1995 came to \$29,000 – a figure that came to 100 times the \$300 per capita income of corn producers in the Philippines (Carroll 1997).

A key reason that subsidization will remain high despite the GATT Accord is that while market price support measures (such as export subsidies and minimum entry and intervention prices) will be reduced, direct income subsidies to farmers have been exempted under the so-called “Green Box” provisions of the agreement on the specious grounds that they are “decoupled” from production and thus “non-trade distorting.”²

In the European Union, these direct income payments are mainly based on output, the bulk of it via a “land set-aside program” which entitles each farmer to a subsidy when he/she withdraws 15 percent of his/her land from cultivation. The idea behind the set-aside program is to restrict output, thus raising prices. In the United States, direct income subsidies have taken the form of “deficiency payments,” which bridge the gap between a guaranteed floor intervention price (usually the market price) and a politically determined target price to support farm incomes. Deficiency payments make up the difference between a target price set by the United States Department of Agriculture (USDA) and the actual market price for the year, so that if the target price is \$15 a bushel and the

market price is \$12, the USDA gives farmers \$3 a bushel (Zepezauer & Naiman 1996). Under the 1996 US Farm Bill, this system is being replaced by a flat rate, that is, "in bad years, farmers will get only predetermined payments, but in good years they'll get the same amount, even if they rake in far more than the market price of their crop" (Zepezauer & Naiman 1996). Deficiency payments are projected to average \$5.1 billion a year between 1996 and 2002 (Zepezauer & Naiman 1996).

The world market price of grains has been greatly determined by the subsidization of agricultural production in the US and the EU.

But the truth is that direct payments to European and US farmers are anything other than "decoupled" from production since, without them, agriculture would scarcely remain profitable. Deficiency payments, for instance, make up between one-fifth and one-third of US farm incomes (Faeth cited in Moor 1995). In other words, in advancing the notion of "decoupled" direct income payments, the EU and the US were redefining the concept of subsidy to "bring world trade rules

into line with their perceived self-interest and surplus dumping practices" (Watkins 1995a). Or, as another economist pointed out, the Green Box provisions were tantamount to "taking away direct support of markets and replacing it with direct subsidization of [Northern] farmers" (Gardner 1994).

In contrast to this massive subsidization of agriculture in the OECD countries, there have been negative producer subsidies or a transfer of resources from farmers to other economic groups in most developing countries like the Philippines. Findings from a study show that, for 18 developing countries, "taxation" or negative transfer from agriculture amounted to an average of 30 percent of the value of production from 1960 to 1984 as a result of both direct and indirect policies (Schiff & Valdes cited in Moor 1996).

The institutionalization of the system of subsidization of Northern agriculture by the GATT Agricultural Accord has had two major implications for developing countries which are now required to eliminate trade restrictions and lower tariffs to developed country food exports. First of all, since the United States and the European Union are such massive grain producers and exporters, the world market price of grains has been greatly determined by the subsidization of agricultural production in these two areas. International prices are thus depressed relative to prices of domestically produced grain in most developing countries where

farmers are, for the most part, subject to negative producer subsidies. As Watkins (1995a) has noted:

The US is effectively in the position of a global price setter, with its domestic intervention price – or Loan Rate – being transmitted to world markets through exports. The EU follows US prices, traditionally with whatever subsidies are necessary to bridge the gap between US export prices and its traditionally higher domestic price. Thus the prices at which export activity takes place are the residual outcomes of farm policies in Europe and North America.

How strong the pressure on world prices is exercised by the subsidized US price is illustrated in the case of wheat, where a 10 percent decline in the US wheat crop would reduce world export supplies by six percent with the consequent upward movement of international prices (Watkins 1995a).

Second, with the incentives they carry to overproduce, these massive subsidies have led to a more intense struggle between the EU and the US to stake out third country markets on which to dump their products. The conclusion of the GATT or World Trade Organization (WTO) Agricultural Accord, which was supposed to stabilize this monopolistic competition, did not make any difference in this regard. Indeed, export markets have become even more central to European agriculture following the institutionalization of direct income subsidies in the GATT-WTO.

At the time of the ratification debate, one authoritative source said that the effect of direct payments would be to raise overall EU cereals output by some 30 million tons above what it would be without such payments – a figure that is equivalent to around three times the EU's cereals exports in 1994 (Watkins 1996). A more recent 1997 report to EU farm ministers anticipates an even worse situation, with the surplus of wheat rising from its current level of 2.7 million metric tons to 45 million by 2005, and the total cereals surplus shooting up to 58 million metric tons. A key solution to subsidized overproduction, noted EU Agriculture Minister Franz Fischler, was intensified efforts at exporting grain (*Threats of Food* 1997).

After the Uruguay Round, the pressures for finding export markets owing to continued heavy subsidization of agriculture have also increased in the United States. US Trade Representative (USTR) Charlene Barshefsky (1997a) admitted as much when she told the US Department of Agriculture (USDA) Agricultural Outlook Forum on February 24, 1997 that “[g]iven the limitations inherent in US demand-

led growth, we must find new markets for American agriculture. We must open new markets to support the increasingly productive US agricultural sector.” She went on to reveal that, today, “one out of every three farm acres in America is dedicated to exports. 50 percent of our wheat acres, 57 percent of our rice acres, 37 percent of our soybean acres, 24 percent of our corn acres, 35 percent of our fruit and vegetable acres and 42 percent of our cotton acres are dedicated to producing products for export.” What she did not reveal, however, was how the system of massive subsidization centered on GATT-permitted direct income payments had created this export-dependent economy.

The “new markets” that needed to be opened were mainly in the Asia Pacific and, in the view of the USDA, the plan is to have the region, including the Philippines, absorb 60 percent of US agricultural exports by the year 2000, an increase of 40 percent from present levels. As Kevin Watkins (1996) has emphasized, “it would be a mistake to underestimate the central role of the Pacific Rim in America’s strategic vision for the future.”

THE GATT DEBATE REVISITED

THIS is the international trade context that framed the debate around the ratification of the Uruguay Round in the Philippines in 1994. From the perspective of the opposition, it was not possible to speak about a positive impact of the opening up of the local agricultural market to international market forces when that market was marked by monopolistic control in basic grains and other foodstuffs. To GATT critics, the Accord would deliver a massive blow to self-sufficiency in the production of rice, corn and other commodities which had already been eroded by cheap imports coming in under the USDA’s Export Enhancement Program and as food aid under PL-480. Indeed, US agriculture’s stake was underlined during the ratification process by several high profile events, including the US trade negotiators’ aggressive refusal to accept the Philippine corrections for minimum access volumes it had offered to GATT for pork, poultry meat, and live poultry which had originally been estimated on the high side. Pro-GATT advocates, however, appeared to be ignorant of the existing massive subsidies for Northern agriculture represented by the Green Box measures, of the fact that these subsidies were distorting international prices, and of the reality that it was the tremendous pressure to dispose of these huge surpluses in third country markets like the Philippines that was principally driving the Agricultural Accord. Instead, they advanced efficiency arguments based on the assumption of relatively free international markets.

While disconcerting to the critics, the pro-GATT side's assumption of freer international markets under GATT was nevertheless understandable. In so far as the government could be said to have a strategic plan for agriculture, it was to leave it up to market forces to weed out inefficient producers and restructure the Philippine countryside. Prior to GATT becoming an issue, the agricultural bureaucracy had become dominated by technocrats and economists who felt that the main problem of Philippine agriculture lay in its highly protected character, and that the path to dynamism lay in eliminating protection, deregulation, and radically reducing the weight of traditional but "inefficiently produced" mainstays like rice and corn, which also happened to employ the bulk of rural producers. The Medium Term Agricultural Development Plan (MTADP) of 1992, for instance, envisaged focusing rice and corn production to 1.9 million hectares and free-

Technocrats and economists felt that the main problem of Philippine agriculture lay in its highly protected character.

ing up some 3.1 million hectares currently planted to it for cattle raising and the cultivation of cash and commercial crops (Ramos 1996). Key sectors of the agricultural technocracy became partisans of export-oriented high value-added agriculture, presenting cauliflower, asparagus, and other high value-added crops as Philippine agriculture's passport to the 21st century – as "the export winners that will increase our share of world markets" (Watkins 1995b).

Another key component in the rationale for agricultural trade liberalization offered by government technocrats was that it would promote the interests of consumers by bringing in goods at lower prices. Implicitly, the picture was of inefficient, high-cost rural producers being coddled at the expense of long-suffering urban consumers, even as the agricultural modernizers rhetorically claimed that liberalization would also be good for the farmers. Prior to the GATT ratification debate, the loosening of import controls over rice and corn had already been adopted as one of the instruments of this process that would, at the same time weed out inefficient producers and promote "consumer sovereignty." Citing low production and natural calamities, the government imported rice every year in the period 1984-1994 (excluding 1987) despite the absence of clear criteria on what constituted a food shortage. As for corn, key forces in government pressed for the liberalization of corn importation in favor of private sector

groups despite a glut in local production in the early 1990s (MODE 1993).

Thus, when GATT arrived for ratification, it was not surprising that the agricultural free traders saw it as a key instrument in their mission of agricultural transformation, with the Department of Agriculture chanting a mantra that consisted of the words “globalization,” “competitiveness,” “efficiency,” and “prosperity.” Statistical calculations were presented showing that being a signatory to the GATT would result in the creation of 500,000 jobs annually in agriculture (Department of Agriculture 1994). Pressed for specifics, the pro-GATT technocrats admitted that it was a net figure that included 350,000 lost jobs annually, mainly in the labor-intensive, traditional crops like corn, rice and sugar. In the corn sector, the government admitted that 45,000 were going to be displaced annually, while in the case of rice, one NGO estimated that the minimum access requirement of 59,000 metric tons would translate into the displacement of 15,000 farming families annually.³

HIGH-VALUE CROPS: A VIABLE ALTERNATIVE?

So from where would the new jobs that will absorb the displaced labor force come? From the spread of the cultivation of high-value crops like cutflowers, asparagus, broccoli, and snow peas, said the GATT proponents. It was not difficult for GATT critics to point out that there were several things wrong with this scenario, which had been painted without reference to the experience of countries that had pioneered in these high-value non-traditional agricultural exports (NTAEs).

First, for farmers to shift to high-value NTAEs requires investment that was simply not within the reach of small producers. For instance, in the case of cutflowers, data from Ecuador reveals an average initial capital investment of \$200,000 per hectare. Annual input costs are also high, with the cost of agrochemicals alone coming to over \$18,900 per hectare (Thurp 1995). In the case of snowpeas, broccoli, and cauliflower respectively, annual production costs, according to Guatemalan data, came to \$3,145; \$1,096, and \$971 per hectare respectively, compared to \$210 per hectare for corn (Conroy, Murray & Rosset 1996).

Second, competitive advantage in these crops can only be achieved through significant outlays in technological support and research and development. As Conroy, Murray and Rosset (1996) point out, NTAE cultivation is biased against small scale producers and, instead, favors large producers and transnationals because “many traditional crops require considerable technological sophistication, relative to traditional produc-

tion, as they are either new to the region, require special care at harvest because of their perishability, or are being produced to meet the more demanding cosmetic quality standards of foreign consumers.”

Moreover, the required technology is not only input-intensive but also knowledge-intensive, especially since they are temperate zone crops whose principal knowledge base is found in the North rather than in tropical countries. “As many are sold as fresh produce for US and European consumers,” note Conroy, Murray and Rosset (1996), “cosmetic standards mean that they must be pest- and blemish-free, and health regulations limit acceptable levels of pesticide residues. This means that pest management and agronomic practices are delicate in nature, with little room for error.” Also, successful large producers rely on foreign consultants for technical assistance, an option “clearly not available to most peasant producers.” For these reasons, as Watkins points out (1995b),

the argument that displaced food staple producers will simply shift to the production of commercial crops has a somewhat surreal quality. The high capital costs of entry into commercial food markets and the importance of infrastructure, which is non-existent in the more marginal areas from which people will be displaced, means most of the benefits from commercial agriculture will accrue to more prosperous producers.

He concludes that, for the Philippines, “a more realistic scenario for vulnerable staple food producers is more intensive poverty, displacement, and migration to urban centers.” The employment question is especially sensitive when it comes to agriculture since recent figures show that two million farmers are engaged in corn farming while another two million, or about 34 percent of all Filipino farmers, are rice farmers (Philippine Peasant Institute 1996; Ramos 1996). To many farmers, what the Department of Agriculture calculations amounted to was trading sure job losses in the traditional crop sector for speculative job gains in the still-to-be-created high-value crop sector.

Coming under criticism for their easy writing off of millions of workers in the traditional crop sectors and what came across as a naive belief in the millions of jobs to be generated by the cutflower, asparagus, and other new high-value crops, the pro-GATT lobbyists retreated from their earlier calculations. They took back their estimate that 350,000 rural jobs would not be lost and contended that the 45,000 corn farmers they had initially predicted to be displaced annually would now simply shift from raising corn to growing silage for cattle (Sebastian 1994). Yet they still failed to

explain away a contradiction that those who were monitoring agricultural trends had picked up immediately: How could the demand for silage grow when the Philippine cattle industry was actually contracting?

In the end, GATT proponents became increasingly uncomfortable with their claims that Philippine agriculture would become more competitive under GATT disciplines. They ultimately resorted to the argument that there was no choice but to ratify GATT because of the potential trade losses to the Philippines were it to refuse membership in the WTO. Farmers were also assured that they would be eased into the new order through government expenditures for “safety nets” in the coming period of GATT-mandated liberalization. The expenditure figure given by the executive was \$128 billion over four years, to be released at some \$32 billion annually (Gemperle 1997).

POST-URUGUAY ROUND DEVELOPMENTS:

DEEPENING THE CRISIS

THE Philippines’ ratification of GATT produced the biggest change in agricultural policy in years. While some hailed the end of protectionism, others saw the beginning of the end for small farmers. Under the new GATT-WTO agricultural regime, the Philippines committed itself to eliminating quantitative restrictions or quotas on the imports of all agricultural goods with the exception of rice. But even as the quota was retained for rice, the country was still required to grant “minimum access” to rice imports, with the volume rising from one percent of domestic consumption in the first year to four percent in ten years. Estimates from the Department of Agriculture (1996) put the minimum access volume (MAV) of rice at 30,000 metric tons in 1995 and at 227,000 in 2004.⁴

For other agricultural commodities, including corn and sugar, the Philippines was required to provide minimum access at low tariffs to a volume equivalent to three percent of domestic consumption in the first year, rising to five percent in ten years. Beyond this volume, imports of a commodity can be taxed at higher levels, e.g. 100 percent or more. For corn, the volumes allowed to come in at a low tariff of 35 percent were 65,000 metric tons in 1995, rising to 212,000 in 2004 (Department of Agriculture 1996).

In fact, rice importation in 1995 reached 245,000 metric tons – far above the MAV of 30,000 metric tons – partly in response to a rice shortage that was, to a certain extent, created by a powerful cartel of rice wholesalers (The Supply Dimension n.d.). Then, in what one observer characterized as a “knee jerk reaction” to the 1995 crisis, the government

imported 884,000 metric tons in 1996, compared to a 1996 MAV of 62,000 metric tons. This was the highest influx registered in the 1990s, despite the fact that rice production in 1996 was the highest – over 11 million metric tons – registered in this decade. Not surprisingly, the Philippine Peasant Institute saw the massive importation as a “dress rehearsal” for an eventual deregulation of the rice trade beyond GATT commitments (Fields of Woe 1996; The Supply Dimension n.d.).

As for corn, 130,000 metric tons were imported in 1995 and a record of 400,000 metric tons in 1996, mainly from the United States (Fields of Woe 1996). Under the MAV, only 135,000 metric tons of corn could come in at a relatively low 35 percent tariff, with the government required to impose a 100 percent tariff on corn imports beyond that level. However, a significant portion of the 265,000 metric tons of corn imports above the MAV level appears to have come in at the MAV 35 percent tariff rate, thanks to an administrative order allowing expansion of the MAV limit during “shortages” (Fields of Woe 1996). This development owed itself to the strength of a growing alliance between foreign corn exporters and local end-users, such as feedmillers and livestock raisers, that had a great interest in lower-priced corn imports.

While their market was being invaded by foreign imports, the rice and corn smallholders continued to be deprived of the means to compete against them. The GATT safety nets that the government had played up as a sort of Marshall Plan for local agriculture was simply proving to be an illusion. First of all, it excluded any direct-income support payments such as those being provided to European and US farmers by their respective governments, so that the use of the term “safety net” to describe the program was, in fact, misleading. Moreover, there were very few, if any, directed programs aimed at upgrading the technological capabilities of farmers or at preparing them on the ground for the shift to export-oriented crops that government policy was, after all, encouraging them to make. For the most part, the programs funded were those that would contribute very indirectly to upgrading farmer productivity, such as farm-to-market roads or irrigation facilities.

Second, the money to fund these already limited programs was simply not materializing in the quantities promised. As noted earlier, the promised fund would total \$128 billion, to be released at the rate of some \$32 billion annually. According to agricultural expert Raul Montemayor, only 44 percent of the 32 billion pesos promised for 1995 was appropriated. Of this amount, funding for new projects – i.e., projects begun after

the ratification of GATT – amounted to the paltry sum of 2.8 billion pesos. In 1996, the proposed 32 billion pesos was reduced to 14.6 billion pesos. Of this amount, the funding for new projects was, at 2.2 billion pesos, even lower than the 1995 figure. Thus, after two years, the GATT safety net fund had a shortfall of some \$35 billion (Gemperle 1997).

Not surprisingly, the combination of greater imports, lower prices, and few safety nets shall accelerate the displacement of thousands of rice and corn farmers, precisely the effect that the agricultural technocracy had hoped for but could not admit quite openly. Evidence of an intensifying crisis for smallholding corn producers is accumulating. As Kevin Watkins (1995b) noted after a field trip to Mindanao, “increasing imports of corn have been associated with a marked decrease in domestic corn production, and in the area planted. In South Cotabato, where most of Mindanao’s corn is produced, there was a 15 percent decrease in production last year [1994].”

Similarly, a field trip to Bukidnon in 1996 revealed to MODE researcher Charmaine Ramos that indeed the bleak prospects for corn under the new regime were forcing people to shift to other crops, but not in the rosy fashion painted by pro-GATT advocates. Ramos (1996) reported: “I found out that the southern part of the province is steadily being converted from corn to sugar. But only farmers with relatively bigger farm lots are able to shift easily. Small farmers are forced to lease their lands simply because they have no means to finance the capital requirements of shifting to high-value crops.” One recent study has also shown that the stronger trend might not be the conversion of cornland to other commercial crops but the conversion of cornland to real estate, industrial, and other non-agricultural uses, which is said to be taking place at an annual rate of 26.5 percent (Miles to Go 1996).

THE CRISIS OF AGRICULTURAL POLICY

AGRICULTURAL policy for the Philippines is in crisis. The various parts of such a policy – trade, agrarian reform, technological upgrading, and food security – are very loosely articulated with one another. However, there is a common thread running through these different components: a reliance on market forces as much as possible. This refers to the objective of “reforming” Philippine agriculture through accelerated deregulation and liberalization, though this process may be tempered by pragmatic political considerations.

The Status of Agrarian Reform. As shown by the cases of Taiwan and Korea, agrarian reform is the key to a healthy and prosperous smallholder agriculture that is also efficient and productive. In some sectors of agriculture, particularly the sugar industry, it is probably the main element needed to raise efficiency and productivity. These views are not shared by the government's agricultural specialists who would prefer liberalization as the solution and who are, in some cases, quite skeptical of any immediate productivity gains from land reform. It is partly for this reason that the Comprehensive Agrarian Reform Program (CARP) is moving extremely slow, with the Department of Agrarian Reform (DAR) having distributed only 53 percent of its 1987-1996 land distribution target, or 1.7 million out of 4.2 million hectares (Miles to Go 1996). Since most of the remaining land is private land which is the main target of land reform, landlord resistance is likely to be fierce while political will is likely to be weak. The record of the Department of Environment and Natural Resources (DENR), the other implementing agency for agrarian reform, is even worse, having distributed only 46 percent, or 1.7 million out of the targetted 3.7 million hectares of public land (Miles to Go 1996).

Unless it is speeded up, CARP is likely to be sabotaged by the conversion of prime agricultural land to non-agricultural uses by rural elites, many of whom are taking advantage of a Department of Justice opinion which argues that land classified as non-agricultural in town zoning plans prior to June 1988 are not covered by CARP. As of December 1996, the DAR had cleared a total of 46,929 hectares for conversion. In fact, land conversion, with or without DAR clearance, was proceeding at an alarming pace, with one study claiming that sugarlands were being converted at an annual rate of 36.4 percent, coconut plantations at 28.9 percent, corn farms at 26.4 percent, rain dependent rice paddies at 5.8 percent, and irrigated lands at 1.1 percent (Miles to Go 1996). Equally worrisome is CARP's being effectively reversed by the absence of any articulation with a trade policy and food security policy.

Food Security Policy. As for food security policy, this has become a poorly managed policy for foodstockpiling that fails to adequately anticipate actual grain shortages; refuses to discipline the powerful cartels that control the trade in basic grains; often defines "shortages" in response to the needs, not of the population, but of interest groups like corn end-users; and resorts to foreign imports of rice and corn rather than to local

production – a preference calculated to push the trade liberalization agenda of the government. As Francisco Lara (1996) has pointed out:

The policy on trade...shows that most of the strategic reserves and buffer stocks will most probably come from external sources. The FSPA [Food Security Policy Agenda] states that importation can be resorted to if the local buying price goes beyond the price support ceiling offered by the NFA [National Food Authority]. This is in fact the local scenario. There are no clear-cut definitions of the term “enough local production” nor are there any rules governing the movement or a calibrated response of NFA prices to the predatory tactics of traders. In short, it does not take a lot of foresight to recognize that the FSPA recommendation is nothing more than a policy of importation.

Despite the rhetoric of concern about the fate of small farmers, the government’s policy on agriculture and food security is driven by doctrinal liberalization – by a strong belief in the idea that greater exposure to the impersonal forces of the international market will guarantee greater efficiency in agriculture, bring about food security, promote consumer interests, and match farmers to activities in which they have a “comparative advantage.”

There is only one major problem with this strategy. Given the fact that the free market in international agricultural trade is scarcely a reality, doctrinal liberalization would result in expanding the position of subsidized US producers in the local market while consolidating the positions of EU and US producers internationally. The likely result is not local competitiveness but the worst of all possible worlds: domination by subsidized foreign agricultural systems, loss of competitiveness in most commodities, and the silent destruction of vulnerable communities.

FORMULATING A NEW APPROACH

A NEW approach to food security is urgently necessary and it will not come from the current administration. The upcoming elections and change of administration, however, might be an appropriate moment for NGOs, interest groups and individuals concerned with the future of Philippine agriculture to formulate and push for the adoption of a new strategy.

What could be the elements of a new approach?

Broadening the Concept of Food Security. First of all, it must involve a more complex view of food security than making food available at low prices to urban consumers, which is the main element in the

government's definition. It must include assuring the capability of a country to produce the bulk of its food necessities. This must be done in order to protect it from the volatility of world trade where decreasing grain supplies appears to be the trend, a position which would translate into power for the dominant agricultural exporting powers to determine prices. As Lester Brown (1995) has pointed out, the slowing down in the growth rate of the world grain output since 1990 and the sharp decline in grain output per person indicate that "the world grain market soon will be converted from a buyer's to a seller's market." If this is the case, then "importing countries will soon find themselves competing vigorously for supplies of grain that never seem adequate. In such a world, the politics of scarcity will replace the politics of surplus, bringing the risk of grain export embargoes in countries trying to control inflationary food prices." It also carries the possibility that the grain surplus countries like the United States and the European Union might use their formidable position to advance their political and economic interests globally.

Food security must certainly carry, as its key component, the provision of food at reasonable prices to consumers; but this must be balanced by a concern for the survival of local producers, especially smallholder producers of rice and corn, in a world where they face cutthroat competition from subsidized northern producers. Central to food security in rural areas is stability, both political and demographic. This can only be guaranteed by policies that assure prices and purchasing policies that translate into the well-being of smallholder producers. Demographic stability for the rural areas is essential if we are to avoid the augmentation of the already burgeoning urban poor population by the hundreds of thousands of rice and corn farmers who are at risk of being displaced by indiscriminate agricultural trade liberalization. Finally, food security must include the dimension of ecologically sustainable agricultural production. Nothing could be more detrimental to the food security of future generations than the continuation of the soil and environmental degradation of agricultural land associated with chemical-intensive production of either food or export crops.

In short, food security policy must be part of an integrated policy for sustainable agricultural development that serves the interests of smallholder producers, consumers, and future generations of Filipinos.

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A Strategic Approach. The second key proposal is for government and NGOs to replace the current posture of doctrinal deregulation that yields increasingly more ground to uncontrolled market forces in the determination of policy. This is not a return to the old protectionist policies nor is it an opposition to all moves to deregulate and liberalize. It is a move beyond the antiquated polarities of protectionism versus liberalization toward a strategic food security and agricultural policy. This is simply applying the approach and methods of industrial policy to agriculture. Such an enterprise is of some urgency, since the big agricultural powers have more explicitly defined their policies not simply as pushing for free markets but as state-led strategic trade approaches that directly benefit one's exporters. USTR Charlene Barshefsky (1997b), for instance, has said:

There are some who believe that simply opening markets on a global scale is the be-all and end-all, no matter how it is done or no matter who benefits. I subscribe to a different view. It is imperative that we open markets in a manner consistent with the rules of the WTO, but we must make sure Americans benefit directly from the process, and to do that Americans must drive the rules of the new global landscape and the opening of markets.

In agricultural trade policy, this translates into a USTR-led "aggressive campaign to open agricultural markets around the world..." (Barshefsky 1997a).

ELEMENTS OF A STRATEGIC POLICY

A STRATEGIC trade policy covering the interrelated areas of agriculture, agricultural trade, and food security must take heed of Barshefsky's views and be put into motion as an offensive strategy, with external and domestic prongs.

The External Thrust. Externally, the first order of business is to stand one's ground against bilateral threats, such as the one uttered by Barshefsky (1997a) with regard to the Department of Agriculture's position on its corrected MAV figures for pork and poultry: "The Philippines continues to place barriers in the path of US exports of pork and poultry. We have had enough." The appropriate response to this is to call the US bluff and say "We have had enough of your bilateral threats. If you want to bring us before the WTO, so be it."

High up on the external agenda is a strict policy for not importing

more rice than our GATT commitment and slapping the highest allowable tariffs to incoming corn and selected other commodities in excess of the minimum access volumes. Of course, the rules must be relaxed when natural disasters strike or harvests are very poor. However, the criteria on what constitutes a “food shortage” must be clearly spelled out (as shown below), and decisions to engage in extraordinary importation must be decided by more broadly constituted bodies that include representatives of farmers specializing in the production of the affected commodities.

The government must also be aggressive in invoking provisions of the GATT Uruguay Round to defend its farmers, such as restricting corn coming in under MAV volumes by resorting to anti-dumping provisions, especially when the price of rice or corn diverges significantly from local prices. Sanitary and phytosanitary considerations to protect the health of the population, which are recognized by the GATT-UR Accord, may be legitimately invoked against the heavily chemically treated imports of fruits and vegetables, and in the process assisting one’s own fruit and vegetable growers. If the Japanese and Koreans can convincingly utilize such measures against US products, why can’t the Philippines? Philippine officials must approach the WTO rules in the same way a good defense lawyer approaches criminal law, which is to exploit the ambiguities of the system for its clients – that is, for the country’s small farmers.

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These tactics must be part of a broader strategy in coordination with the Cairns Group⁵ and Southern countries aiming at the elimination of the Greenbox provisions for direct income subsidies for Northern farming groups and other inequitable measures, while pushing for longer schedules and looser rules for adjustment to GATT by the developing countries. Such a coalition and strategy must be constructed now for it to become an influential factor in the WTO’s review of the Agricultural Accord scheduled in 1998 or 1999.

Part of the agenda of such a coalition might be the creation of a “Fund for the Competitiveness of Less Developed Country Producers.” This would be a Fund that provides direct income payments to agricultural producers in the South who have been displaced by market openings. These payments could either be used to improve

their competitiveness, finance their survival needs, or facilitate their transition to other occupations. The fund would be provided by the European Union and the United States whose contributions will be tied to the level of their import penetration into the agricultural market of a country. Penalties would also be a source of funds. A rise in the levels of grain production in the European Union and the United States, which effectively means increases in surplus that must be exported, could then be “taxed” while decreases in production levels could be rewarded through various mechanisms.

Domestic Components. The domestic component of such a strategic policy must be part of a broader policy for a strategic transformation of the agricultural sector – as opposed to a free-market transformation where government abdicates its critical management role. A central element of this policy is a more strategic use of agricultural trade to achieve desirable outcomes in agricultural development. Strategic trade policy could include lowering tariffs on fertilizers and other inputs for grain production to enable corn and rice farmers to produce with lower costs – even as, of course, R&D efforts are intensified to develop cost-effective ecologically sustainable production agro-technologies.

Another element of strategic trade policy may be to temporarily lower the tariffs on sugar imports while accelerating the agrarian reform process in sugarlands. This will have the effect of a double squeeze on the sugar hacendados whose preference for investing in conspicuous consumption instead of improved productivity is largely responsible for the higher price of local sugar. At the same time, it will provide a historic opportunity for land to pass to sugar workers’ cooperatives which, given appropriate levels of government support and innovative self-help initiatives, can probably manage the industry more productively. Of course, tariff levels must be raised once the reform process is under way so as to provide strong incentives for the land reform beneficiaries to increase their productivity.

Accelerated land reform in rice, corn, and coconut lands must also take place concurrently, and land conversion must be frozen and rolled back. It must be remembered that land reform is no longer a sufficient condition for productivity increases, even as it may well be a precondition for it. The necessary credit, extension, and technology assistance services must be present, following the Taiwanese land reform example. Moreover, as suggested by MODE, land reform areas in rice and corn

must also be declared as protected food security areas where not only land conversion but crop conversion, or conversion from food to commercial crops, would be strictly prohibited and special incentives instituted to encourage farmers to remain in food crops (MODE 1996).

A strategic policy for agriculture that integrates trade and development must, as the Philippine Peasant Institute (1996) points out, also begin to focus on the (as yet largely underdeveloped) linkages between the agricultural and food-processing industries. Currently, local farmers often find themselves pitted against end-users like hog raisers and poultry farmers, who prefer cheaper foreign imports. The interests of both can, however, converge through the use of trade and price management that ensures that the price spread between imports and local commodities is not too great; R&D efforts that are directed towards raising the quality of local commodities, which can then compete on quality albeit disadvantaged in price; massive infrastructure investments that will reduce transportation costs for small farmers; and even microefforts on the part of the Department of Trade and Industry, for instance, "to match producers with markets" (Philippine Peasant Institute 1996).

Land reform is no longer a sufficient condition for productivity increases, even as it may well be a precondition for it.

If such steps are taken to forge tighter domestic forward linkages, the effects could be quite significant. In a study by economist Orville Solon (Philippine Peasant Institute 1996), for instance, it is claimed that:

The food processing sector reveals itself as a key which could turn on the dynamics of the agricultural sector with considerable effects on industry. A 20 percent increase in the final demand for food processing alone will require increases in the output levels of traditional domestic crops (17.19 percent); traditional export crops (18.18 percent); non-traditional domestic crops (5.82 percent); non-traditional export crops (3.95 percent); livestock and poultry (12.04 percent); fisheries (2.8 percent); food processing (18.16 percent); wood and paper (4.43 percent); chemicals (3.46 percent); construction (3.82 percent); transport and communications (3.06 percent).

Furthermore, the intervention capabilities of the NFA (National Food Administration), as part of a strategic plan for agriculture, must be

strengthened so that it can put into motion a sophisticated process of calibrating its grain purchases at prices that are fair to the producers. Proposals to eliminate the NFA's sole authority to import rice or to trim its interventionist role in other areas would, as in so many other proposals from free traders, amount to a cure worse than the disease. What is needed is a thorough revamp of the NFA and other agencies in the agricultural bureaucracy – a program of reform that would include the institution

A structure of participatory decision-making on food security and agricultural issues must be created.

of higher pay levels. This will reduce the temptation amongst bureaucrats to succumb to pressures and bribes not only from cartels but also from end-users who constantly pressure them to declare a shortage in this or that grain or foodstuff in order to increase import levels.

Last, but not the least, a strategic policy for food security, agricultural trade, and agricultural development must not be put in motion by government alone. A structure of participatory decision-making on food security and agricultural issues must be created that includes the multiple actors with a stake in a sound strategic agricultural policy. Francisco Lara (1996) of MODE advances the interesting proposal that “Food Security Councils” include representatives of farmers groups, consumers, government, agriculture-oriented NGOs, small and medium food processors, and other stakeholders. Such a body can be made to draw up the national food security, trade, and agricultural development plan; create clear-cut criteria to determine situations of grain shortage that might justify the higher importation of grain and other foodstuffs; monitor import price levels and decide on whether “anti-dumping measures” should be invoked; monitor and accelerate agrarian reform; determine and monitor the implementation of government expenditures for agriculture; and determine and promote research and development in sustainable development agricultural technology. Of course, NGOs must be careful lest such a Food Security Council turn into another Philippine Council for Sustainable Development (PCDS), a government-NGO grouping that has been justly criticized for being simply a government propaganda machine because of its largely rhetorical sustainable development initiatives and its use of “sustainable development” as a facade for the government’s anti-environmental economic liberalization program.

The foregoing sketch of a “New Deal” for agriculture may well be

incomplete. Yet the important point is that what such a strategic policy amounts to is bringing agriculture and food security from its peripheral, orphan status to the very center of attention of government, civil society, and the private sector. Only such a strategic policy, and not one of doing nothing liberalization that allows foreign agro-monopolies to eat up our local market and push back millions of our farmers to the edge of urban semi-proletarian survival, can arrest the deepening crisis of the Philippine countryside.

NOTES

Author's Note: A great many of the ideas advanced here are not original. I have borrowed them, shamelessly, from people and organizations who know a great deal more about food security, agricultural trade, and agricultural development than I do, particularly Kevin Watkins of Oxfam UKI, Francisco Lara, Ces Ochoa, Jocelyn Cajuiat, Au Regalado, Charmaine Ramos, and other members of the staff of MODE and the Philippine Peasant Institute. The manner in which the ideas are brought together, the "ensemble," is, of course, my doing, and for the shortcomings of this effort I take full and sole responsibility. I must also note here that I owe the notion of a "strategic policy" for food security and agriculture to an unlikely source: United States Trade Representative Charlene Barshefsky.

1. Based on figures for "producer subsidy equivalent" (PSEs) compiled by MODE.

2. US and European farmers are subsidized through a variety of other schemes permissible under the Green Box such as export credits, government purchases for food aid programs such as PL-480, and crop insurance schemes. See Watkins (1996).

3. Calculations by MODE.

4. In the GATT negotiations, the MAV for rice was set at a different figure for 1995: 59,000 metric tons.

5. A grouping that emerged during the Uruguay Round negotiations includes the Philippines, Australia, New Zealand, Argentina and other medium-sized agricultural exporting countries. This group has, among other things, put pressure on the European Union and the United States to drop the high level of subsidization of their producers.

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