

Vegetable-Agroforestry (VAF) system is a viable farming system that integrates vegetables in tree-based system, or vice-versa. The system provides multiple benefits, including provision of micronutrients to the diet of rural communities and enhancement of on-farm biodiversity and environmental sustainability. However, its viability is constrained by various factors, including farmers' inability to invest in the system, inadequate institutional structures to facilitate information flow, and lack of market incentives. Policy incentives are thus, needed to stimulate smallholder investments in VAF system.

Why smallholders? -- Smallholders comprised a significant segment of the Filipino population, and are most vulnerable to rapidly changing economic, social, political and environmental conditions. Small farmers and fisherfolks account to over 90% of all farms and fisherfolks, which is around 21% of the total labour force.

What are incentives and disincentives? -- Incentives serve as motivation to accomplish a task that may lead to rewards, while disincentives are those that discourage, hinder or deter positive responses or actions to occur. In the context of VAF, incentives are considered elements of policy instruments that increase the comparative advantage of the system and thus, stimulate investments among smallholders.

Policy Incentives and Disincentives

Tree Growing

Presidential Decree 705 (1975) (Revised Forestry Code of the Philippines)

Incentives

- Ownership rights to planted trees
- Rights to sell, contract, convey or dispose planted trees & other products
- Discounted fees, rentals & forest charges
- Tax exemptions & tax credits
- Free technical assistance
- Assured credit assistance & use of facilities
- Exemption from export log ban
- Market assurance for timber products
- Unrestricted export of plantation products

Many farmers were discouraged, as they lack the capacity to develop large forest areas (a minimum of 100 ha and 10 ha to convert into agroforestry and tree farms, respectively). They also lack regular cash flow between planting and harvesting. There were also uncertainties with future prices of tree products.

Integrated Social Forestry Program (ISF) (1982)

Incentives

- Grants & land tenure
- Priority or wage-based employment
- Settler census to control migration
- Extension & information services
- Community organising to ensure participation

- R&D support
- All income given to participant
- Exemption from forest charges
- Provision of technical, legal, financial, marketing and other assistance

Community-Based Forest Management (CBFM) (1996)

Incentives

- Security of tenure
- Right to use & manage the resources
- Exemption from land use rental & forest charges
- Right to be consulted on government projects in the area
- Authority to enter into contracts
- Access to assistance & information
- Right to receive all income & proceeds of the area
- Right to contract with private & government entities

Many of the CBFM areas were either logged-over grasslands, or relatively forested, requiring huge capital to develop. The initial technical and financial support provided by the government was inadequate.

Upland Agroforestry Program (UAfP) (2005)

Promoted equitable distribution of opportunities and income in developing agroforestry systems. The disincentive is that the smallest area that can be applied should not be smaller than 50 ha. Farmers are also required to submit proofs of financial and technical capability to undertake agroforestry. They will have to incur the cost of survey and developing agroforestry plans.

Policy incentives to tree growing had evolved from direct to indirect incentives. The provision of direct incentives was common from 1970s to 1980s but beginning 1990s, the notion on incentive gradually shifted to more indirect ones, such as comprehensive land and resource rights through various land tenure instruments.

Vegetable production

Crop Insurance Law (PD 1467) - Protected agricultural producers against loss of agricultural assets. The disincentive was the inability of smallholders to cash-out premium payment. Because of limited funding, it only focused on big farmers patronising formal credits with financial institutions.

Republic Act of 8178 on Agricultural Tariffication - Although it provided incentives (e.g. provision of irrigation, farm-to-market roads, post-harvest facilities, credit, training and extension, etc.), it did not protect smallholders' products.

Agricultural and Fisheries Modernisation Act (AFMA)

- Provisions
- Credit assistance to smallholders & fisherfolks
- Promotes R&D
- Extension services
- Information & marketing support

Many of the Strategic Agriculture Fisheries Development Zone Plans that LGUs developed did not materialise due to insufficient stakeholder consultation, and were expensive to implement.

Republic Act 7900 on High Value Crops Development (HVCCD)

- 5-Program components of Gintong Ani High Value Commercial Crops Program
- Policy reform, market development & promotion
- Infrastructure support
- Investment & financing
- Technology development, training, extensions & communication support
- Program advocacy, information networking & dissemination

However, GA-HVCCP requires huge investments, and the only way to make this possible is to generate counter-part funds from LGUs.

Good Agricultural Practices (GAP) (2005)

Incentives

- Premium price
- Access to market/supply chain
- Product differentiation
- Stabilisation of yield/revenue
- Reduction in wastage
- Increased in farm assets
- Protection against market externalities
- Subsidies, & recognition
- Skills improvement

There are apprehensions that the newly set international guidelines will marginalise small producers because of the high cost involved in meeting the standards (e.g. use of new production techniques and more expensive environment-friendly inputs, etc.).

Organic Agriculture (2006) - Promoted to put premium value to organically produced agricultural products. The potential economic and environmental benefits of organic farming are widely known to farmers, but poor farmers are unwilling to lose income when yields fall during the initial adoption of organic farming techniques.

The main disincentive to smallholders is the high cost across the market value chain. The challenge is removing the policy barriers not only at the local level of the producer, but within the whole vegetable enterprise.

Major Policy Gaps

Despite on-going policy transformation, gaps exist between policy intention and policy in practice. Often, national-level policies have unintended negative effect because their intentions are too general, if not ill-defined. On the one hand, they provide incentives to one sector, but on the other hand, they create disincentives to another sector. Without proper analysis of trade-off, national-level analysis tend to undermine one sector over the other, promoting a form of selective development.

There also exist gaps in policy implementation, in terms of communication, funding mechanism and operationalisation. Many national-level policies are either not communicated or poorly disseminated at the local level. Policy implementation suffers from structural and funding constraints. Another issue is the weakness in addressing local specificities. National-level policies provide a general framework and enabling environment, but are not able to fully address complex, unique and diverse conditions of smallholders.

Conclusions

- The policy environment is supportive of VAF system but is insufficient in stimulating smallholder investments. Incentives for smallholders are limited, while disincentives persist.
- It is recognised that some issues are better resolved through national level policies, while a number of issues can be effectively addressed by locally-formulated policies.
 - > For the vegetable sector, issues on price regulation and control, commodity protection, reducing costs across market value chain, non-tariff barriers, and global trade require national level policy interventions.
 - > For the tree sector, issues on restrictive policies, transaction costs, land tenure and resource rights, and domestic and international market incentives are also to be addressed through national level policies.
 - > At the local level, promoting smallholder investments in VAF system requires stronger policy action in improving the effectiveness of the extension system, with emphasis on improved technology provision and support for market linkages and infrastructure.
- Policy linkages between national and local levels need to be established, and policy-makers need to mobilise adequate responses at both levels.

