

# philippine studies

Ateneo de Manila University • Loyola Heights, Quezon City • 1108 Philippines

---

## **Imperative: An Agricultural Policy in the Philippines**

Salvador Araneta

*Philippine Studies* vol. 1, no. 1 (1953): 16–30

Copyright © Ateneo de Manila University

---

Philippine Studies is published by the Ateneo de Manila University. Contents may not be copied or sent via email or other means to multiple sites and posted to a listserv without the copyright holder's written permission. Users may download and print articles for individual, noncommercial use only. However, unless prior permission has been obtained, you may not download an entire issue of a journal, or download multiple copies of articles.

Please contact the publisher for any further use of this work at [philstudies@admu.edu.ph](mailto:philstudies@admu.edu.ph).

<http://www.philippinestudies.net>

# Imperative: An Agricultural Policy in the Philippines

---

SALVADOR ARANETA

The question which this article proposes to discuss is this: Is the slow progress of agriculture in this country the fault of insufficient private initiative, or is it due to government inaction?

A study of the farm laws of other countries, and a study of the many incentives and the great protection which agriculture, the farmers, and farm laborers have received in other countries, where agriculture is flourishing, have convinced me, that the present indifferent progress of farming in the Philippines could be accelerated, and the condition of our farmers and farm laborers could be greatly improved, through a wise and bold agricultural policy on the part of the government. This is, of course, not a complete solution but it would be an important step forward.

But is agriculture important enough to warrant such special treatment by the state? "Agriculture is the foundation of manufacture and commerce", so runs the inscription on the great seal of the United States Department of Agriculture. Even in such a highly industrialized country as the United States, agriculture still commands the most important position of all sectors of the economy. And this may be taken as typical of the place of agriculture in national economies in general. Only very rarely can a country exist without extensive agriculture. It has

happened in the case of England which has imported her agricultural products and the food she needed, because she found more money in being almost entirely an industrial country. And she was prosperous, as long as she was able to maintain her dominant industrial position and colonial markets. But in the case of the Philippines, it is evident that no such exceptional circumstances exist, and that much as we need to industrialize, we need still more to stimulate the agricultural economy of the nation.

### DIFFICULTIES OF PHILIPPINE AGRICULTURE

Prices of most agricultural products in the Philippines, are subject to constant change because of the great number of persons engaged in farming. Since most of these farmers are selling in competition with one another, they render very difficult that harmony of action which is necessary for stabilization of prices. Contrast this condition with that of industrial commodities, which are generally manufactured by a small number of companies in each line. It is an easy matter for these manufacturers to get together for stabilization of prices. But such is not the case in agriculture. It promises well for the future that the need for greater price stability in agriculture is now quite generally accepted by experts.

A second handicap that agriculture labors under is that it must at times maintain production even in the face of ruinously low prices. Production periods in agriculture range from a few months to a number of years, and therefore farm production, once it is launched, cannot be easily stopped. It takes a greater time to produce an agricultural article than an industrial one, and thus it is that agricultural prices at the time of preparation and planting may be very different from those at the time of harvesting, many months later. The result is that the prices received for the harvest may not pay the expenses incurred in its preparation. Again, because of the great number of farmers, just as they found it difficult to get together on prices,

so they find it difficult to take concerted action regarding the curtailment of production. In fact experience shows that farmers are apt to think that their only defense against low prices is *increased* production. And this only makes matters worse.

A third difficulty for agriculture is found in the fact that most articles which farmers have to buy have rigid prices, such as machinery, fertilizers and building materials. Therefore, when the drop described in the preceding paragraph occurs in the price of agricultural products, it is not offset by a corresponding drop in expenses, which remain relatively fixed. The income falls but expenses remain about the same, to the serious hardship of the farmer. This was the great complaint of the American agriculturist in the twenties.

A fourth handicap of agriculture arises from the great instability in the production of farm products, due to fluctuation in yields, and the vagaries of nature (not covered by insurance) such as storms, drought, locusts, rats and pests of all kinds. Other branches of the economy are not affected in the same degree by these occurrences.

The perishable nature of many agricultural products is also a handicap, and substantially limits the marketing of the results of the farmers' efforts.

Moreover, while the supply of agricultural products is unstable and elastic, demand for them is inelastic. A decrease in agricultural prices does not bring about a proportionate increase in demand for agricultural products. In fact the opposite is more likely to happen where this decrease in prices reflects a general depression, for under such circumstances the purchase of food also falls off.

Another difficulty for the farmer arises from problems of agricultural adjustment, which are greater than those of industry. In bad times the farmer cannot easily cut expenses, because, as pointed out above, the proportion of fixed costs to total costs is high. Nor can the farmer readily turn to other sources of income, since the uses to which agricultural land and equipment can be put are limited. And finally, the situation is complicated by the

fact that in periods of depression the urban unemployed return to the provinces, and the net population movement is to the farm.

Another fact that demonstrates the critical role of agriculture in the national economy and which, while not constituting a peculiar farm problem, does indicate why agriculture should be a special national pre-occupation, arises from the position of agricultural products among our exports. In the Philippines, as in many underdeveloped countries, a few agricultural products constitute the major portion of the export, and therefore we are dependent upon them for a large part of our foreign exchange.

Since during a general world depression the prices of these agricultural export-products would tend to fall more rapidly than the prices of industrial imports, the effects of the depression would be felt more keenly in the underdeveloped exporting countries. And this is especially true if the country in question is a debtor nation, whose debt and interest obligations remain rigidly fixed. And generally underdeveloped countries perforce have to be debtor nations. Thus in a depression the national income declines as a result of decreasing agricultural export prices, while the cost of industrial imports continues to be relatively high, and debt obligations remain unchanged.

Another difficulty in farming arises from the enterprise itself. A successful farmer must have many abilities. And a man of many abilities is a rare man. The farmer has to be a good experienced agriculturist, he must have executive ability, and must be a good business man. The profits of a farmer may depend more on his ability to sell his products than on his ability to farm.

Finally, all things considered, there is less income per man-effort in agriculture than in other sectors of our economy.

#### BASIS FOR GOVERNMENT AID

The foregoing handicaps and difficulties of agriculture show that there are reasons within the occupation

itself which help to explain, at least in some measure, why in competition with an industrialized world, agriculture has failed to maintain its pre-eminent role in national life. This is not a phenomenon peculiar to the Philippines. It is true in one measure or another of many nations, and the United States especially has been a victim of this occupational weakness. Since clear and in general successful remedies have been applied in the United States, it will help us to decide on our own future course if we consider them.

Public aid for the farmer has for twenty years been an accepted part of the United States government policy. Previously the consumer public had lived its economic life in oblivion of the producing farmer, buying his products at the lowest possible price, never asking whether the farmer received from that price the living wage which the urban population was demanding so vigorously as its own right, and was receiving.

But a change took place between the two world wars and people began to ask whether the farmer should not also receive an income from his toil sufficient to maintain him decently, and to assure to him and his family their share of the nation's opportunities.

This changing attitude was eventually incorporated in legislation, the basic philosophy of which was to assure to the farmer equality of income, namely an equal opportunity to enjoy the advantages and wealth of the nation. An American economist writes:

Today there is a solid core of agreement throughout the nation that it is unjust and unfair to the farmer, if he, who toils at least as hard as do the heavy workers in industries, is left without a minimum of real income and means of livelihood because of market events beyond his control or foreknowledge. This common conviction has found expression in the legislation enacted first under the Hoover administration and carried through with increased momentum in the three Roosevelt administrations. This policy... tries to establish 'equality for the farmer' by giving government support to farm prices under the so-called parity principle.<sup>1</sup>

This then was the philosophy behind the American policy. An agricultural policy for the Philippines has yet to be formulated. The present problems of this nation are multifarious, varied, and of such magnitude that only the government can give the solution we must have if we wish greater progress and prosperity in our rural areas. By urging a government solution we are far from saying that the government itself will institute some form of monopolistic socialization. Rather we refer specifically to government aids, incentives and supports which the United States has found effective.

#### NEED FOR GOVERNMENT AID IN THE PHILIPPINES

The need for government protection of agriculture in the Philippines may be illustrated by the following facts:

a) Filipinos with no capital have become independent and wealthy farmers in California because of the enlightened agricultural policy of the United States Government. On the other hand Americans have not been attracted to farming in the Philippines even though for more than forty years they have been given the same opportunities as Filipinos. They preferred the more profitable line of business.

b) Cattle farming in the Philippines compared with cattle farming in the United States offers another fruitful illustration. This was the subject of a conference by Secretary Elizalde at the Araneta Institute of Agriculture. The Secretary recounted the difficulties of cattle raising in Bukidnon, as contrasted with the many facilities offered to the farmer in the United States. In Bukidnon cattle farming was difficult and rather unprofitable. Among other things there was the loss of much weight of the cattle from farm to market. In the United States on the contrary due to the facilities of transportation, there were very small losses from this source. Secretary Elizalde also pointed out that in the United States, when he decided to lime

his fields to improve his pasture, one half of the cost was borne by the government. Moreover gasoline is cheap, making mechanization very profitable, and in addition to that, farmers are refunded the tax on gasoline not used as motor fuel on the public roads.

c) The condition of farm areas in the United States in the early thirties was alarming in the extreme and its amelioration offers an instructive lesson for our own problem. The government of the United States as a consequence of the bad state of the farmer, felt obliged to step in with a system of incentives and protection to try to salvage the situation. The prosperous condition of American agriculture during the last world war shows that these drastic measures were wisely undertaken and highly effective.

#### EXAMPLE OF UNITED STATES AGRICULTURE

The agricultural policy of the United States has been so successful that agricultural production has increased enormously, and the net income of persons living on farms in the United States, which was approximately 21.6 billion dollars in 1914 had increased to 87.7 billion dollars in 1946.

It is now well recognized in the United States that agriculture operates under conditions markedly different from those that govern other sectors of the economy, that for the government to adhere doggedly to a policy of *laissez-faire* would be unrealistic; and that direct governmental assistance to agriculture is most necessary.

Many are inclined to take the position that the need of agriculture in the Philippines is for more scientific and modern techniques. This is undeniable; but these techniques are not all. In the United States the problem of farming with more efficiency had been solved and the farmers were raising two blades where only one had been raised before. And yet agriculture in the United States, notwithstanding this efficiency, had to receive very special



protection from the state. If an efficient agriculture like that of the United States had to be protected, with how much more reason a still inefficient agriculture such as ours.

The bold agricultural policy that was finally implemented in the States in the thirties was the result of a continuous and persistent battle by a few staunch supporters of agriculture. Great confusion and much experimentation marked the first attempts to formulate what was then considered an unorthodox agricultural policy. Jenner discussing this point says that practically everybody of any importance in the agriculture field was opposed to radical changes in the traditional relations of government to farming.<sup>2</sup> The big cooperatives thought that they could iron out all difficulties themselves without government intervention, provided they received aid. The south was not interested. The east and other industrial centers were, from the nature of the case, hostile. College professors and economists were indifferent and sceptical. In Washington itself nearly everybody was cold to any suggestion of change.

It was individuals and small groups who kept the question open. From them the movement spread to state organizations and finally won the support of the national agricultural associations, like the American Farm Bureau Federation, The Farmers Union and the Grange.

In the meantime the movement itself, and just what form it would take, were subjects of wide diversity of opinion. Supporters were divided on many points such as prices, disposal of surplus, etc.

#### BUSINESS MEN ON AGRICULTURE

In 1927 the National Industrial Conference Board and the Chamber of Commerce of the United States of America, two conservative organizations, representing industry and commerce respectively, appointed a Business Man's Commission on Agriculture to study the condition of agriculture in the United States, and to suggest measures for

its improvement. The report of this Commission is interesting, as it provides the conservative view-point on the remedial legislation then being advocated for agriculture in the U.S. and, at the same time, contains important admissions by commerce and industry, regarding the intolerable position into which agriculture had been allowed to fall by government inaction. The report admits that:

...the pursuit of agriculture presents other features so peculiar, indeed so unique, that the failure to take account of them must lead to gravest miscalculation;

...Agriculture was left largely to the mercy of *laissez-faire*, while government support went to the building of commercial enterprises. To all intents and purposes one was taken for granted, while the others were fostered and nursed.

Agriculture has at no time enjoyed protection such as was extended from the very beginning to commerce and industry through national legislation.

...Some relief is urgent...there are some burdens and inequalities that can be alleviated or removed only by outside aid, private or public, or both.

The report then goes on to enumerate what it calls "certain deep-lying ills, which time alone cannot safely be relied upon to cure but may even accentuate." And concludes:

In the face of such conditions it is obvious that we are confronted with a problem very different in character than would be the case if the agricultural situation were a reflection merely of a temporary depression due to the war. These deep-lying ills and permanently operating adverse forces evidently cannot safely be left to the mere self-adjustment of the economic life but imperatively demand the formulation of a continuous, far-sighted national policy toward agriculture which shall be expressed not only in terms of cooperation among all important economic groups in the nation, but also in terms of carefully planned governmental measures.<sup>3</sup>

While the report in question was very illuminating in the presentation of the facts and of the problems confronting agriculture, as is manifest in the quotations given above, nevertheless in other sections, notably in its recommenda-

tions, it was inconsequential and ineffective. Its remedial proposals were couched in general terms and contained nothing more advanced than the old discredited orthodox measures then generally in vogue of strengthening the agricultural cooperatives. Floor prices and subsidies for agricultural products, and subsidies for conservation methods were certainly not recommended, and the program envisioned in the committee's report would have required relatively small financing.

This report is however significant and important for our study because it represents the stage we have reached in our agricultural policy in the Philippines. Up to now we have had the benefit of many studies of our agricultural problems, studies that were good and illuminating in so far as the presentation of facts and problems was concerned, but which were rather inconsequential and timid in the remedial measures they recommended.

#### TWENTY YEARS OF AID IN THE UNITED STATES

It would indeed be a long story to relate all the remedial measures which the government of the United States, mostly under the Democratic administration of Franklin Delano Roosevelt, afforded to agriculture. But it is interesting to note that in the last presidential campaign in the United States, both Republican and Democratic candidates, General Eisenhower and Governor Stevenson, promised the American farmer to continue the same basic protection which the government had granted agriculture for the last two decades. General Eisenhower was most emphatic in stating that he "supports the letter and spirit of farm legislation now on the books, developed on a non-partisan basis, *to give agriculture basic protection against economic disaster.*"<sup>4</sup>

With reference to the Price-Support Laws which many conservatives consider a drain on the American Treasury, General Eisenhower said:

*The Republican Party stands behind the price-support*

*laws now on the books.* This includes the amendment to the basic farm act, passed by votes of both parties in Congress, *to continue through 1954 the price supports on basic commodities at 90 per cent of parity.*

For the long run, we must and shall develop sound means of maintaining the farmer's freedom to develop new opportunities, to shift patterns of production, *without losing the basic protections to which agriculture is entitled.*

Agriculture with its more than five million independent units is particularly vulnerable to the broad forces of changing world conditions and to downswings in our complex economy. It is in the national interest to provide basic protections which insure agriculture against price disaster, and assure the nation of a sustaining production of food, and the maintenance of its basic resources.

Regarding the program of soil conservation in which the government actually pays for work done by the farmers, General Eisenhower unequivocally came out in favor of the present subsidies granted by the government to the American farmers:

Because the nation has a vital stake in the conservation of its soil, payments to aid farmers in installing needed, permanent and effective soil conservation and water conserving practices are justified. By concentrating on the permanent type of conservation a given amount of Federal funds will buy more security for farmers and for the United States.

To the question: "What steps will you take to encourage and help young farmers and tenants to become land-owners and to encourage family-size farmers?", the candidate gave an answer which has peculiar application to the Philippine agriculture picture in view of the chronic large-hacienda problem existing here.

The Republican administration will take whatever steps are desirable and necessary, always with the cooperation of farm people themselves, *to encourage and maintain the family farm.*

On the same question of the family farm Eisenhower made the following statement:

The family farm is the mainstay of our agriculture. It represents the strongest, most satisfying relationship between man, his land and his nation. We must keep it that way.

Our farming has gone through a great technical revolution, has become the most scientific, the most mechanized in the world, without losing its essential family farm character.

Governor Stevenson, the other candidate, in his campaign speeches, could point to the prosperous condition of agriculture in the country and rightly contend that it was a fruit of the farm program put into effect during the Democratic administration of President Roosevelt. Governor Stevenson described the progress of agriculture in the United States:

The development of the farm program of the past twenty years has meant a 50 per cent increase in total agricultural production. It has meant steady and solidly based progress—more progress than any other comparable period of our history. Everyone has benefited—not only farmers but the country as a whole. The average American today is consuming about ten per cent more meat, 13 per cent more fluid milk, and 30 per cent more eggs than he did in 1929. And this better diet takes about the same proportion of his income after taxes as he spent for food in 1929.

Though the government of the United States had already accomplished much to help the farmers, Governor Stevenson believed that more had to be done. After touching various phases of the agricultural problem that deserved further promotion: soil and water conservation, better use of forests, credit facilities, electrification, telephone service, communications, marketing, he concluded:

And we must get speedily ahead with the task of helping the hundreds of thousands of farm families whose income and mode of life are well below what *we can properly call the American standard*.

The farm program like any other program must serve all the people. The problem of the national economy is one of sustained and stable growth. In the past, violent fluctuations in agriculture have not only wrecked the farmers; *they have convulsed the whole economy*.

I think our farm programs must be constantly reviewed and *their value tested against their cost*. After all the farmer is a tax payer too.

There is every reason to believe that the election of General Eisenhower will not bring about any substantial change in the present agricultural policy of the United States, which has been developed mainly through the Democratic leadership of the past two decades. It is safe to assert that our own agricultural problems will not be solved unless we incorporate in our own statute books something resembling the bold and wise agricultural policy of the United States.

#### COMPARATIVE PHILIPPINE SITUATION

Now let us compare the state of agriculture in the Philippines today in the year 1953 with the problems of American agriculture in 1927, as described above by the commission of business men and industrialists. The problems pointed out by the commission were enumerated as follows:

...real as well as money costs in the industry are rising; we are not keeping our old superiority over competitors; the fertility of the land is being impaired; erosion is insidiously and constantly carrying away a layer of irreplaceable surface soil not only from the hillsides but over practically the whole area devoted to plowed crops; many if not most farmers, are year after year failing to secure a return equivalent to that which can be obtained in the city by workers of no greater ability; the comparative advantages of other industries is rapidly increasing; obstacles to the extension of markets for farm products are growing more effective; difficulties of improving the organization and methods of agriculture are increasing; the year by year fluctuations in the prices of farm commodities are growing ever more severe and are increasing the hazard under which the farmer carries on his occupation; tenancy is increasing; and the quality of the farm population is undergoing a progressive deterioration.<sup>5</sup>

The problems therefore were problems of production

(the rising cost of production as against low income); soil problems (erosion, impoverishment); problems of parity with other sectors of the economy; marketing problems (price fluctuation, restricted markets), human problems (increasing tenancy, deterioration of the farm population).

The Philippines, it is clear, have many problems that are identical with those enumerated in the report of the Commission as existing in the United States of 1927: the deteriorating quality of the farm population, soil erosion and impoverishment, price fluctuations and low income.

But our immediate problem is basically different from that of the United States at that time. In the United States the problem was one of apparent overproduction, a surplus of farm commodities that could not be disposed of profitably. Our basic problem is need for *more* production. We have the men, lying idle and unemployed. It is well known that there is not only great unemployment today in the Philippines, but also underemployment in the rural areas, for our rural population is occupied only for a few months during the year. Especially is this true now in view of the immobilization of hundreds of thousands of our farm population through the so-called peace and order situation.

Our problem therefore is one of increasing our organization and efficiency. The American problem was one of assimilating its efficiency and organization. Our problem is one of retarded growth that needs the help and guiding direction of stronger hands. America's was the problem of a swift maturity and exuberance that the country had not learned to fit into its national economy.

The confused state of American agriculture in 1927 was due, according to the Business Man's Commission, to the fact that "agriculture was left largely to the mercy of *laissez-faire*." We have the experience of America and of other countries before us. It is true that our problems are not exactly the same as theirs, but the solution is the same and we need no less than they, and no less than the United States of 1927, "carefully planned governmental measures."

Our backwardness is the effect, too, of "deep-lying ills"

and age-old problems, the result of two colonial regimes, over a period of more than four centuries. Only the strong arm of the government can bring a solution to these deep-rooted conditions. This is the curative side of the problem. And once recovery is achieved and we do regain the vigor of growth, we shall still need to forego *laissez-faire*, if we wish to retain the advances achieved. Government guidance is also the preventive medicine necessary if we are to avoid the road that brought the United States to the agricultural depression of the twenties and to the great economic crisis of the thirties.

Many of our readers who might agree with the views expressed in this article, might, however, ask: Where will the funds come from to finance such a bold program? This is a good question indeed, one that would call for another article. Here I only wish to advance that if it paid well to the people of the U.S. to have their government provide agriculture with aids such as we have described and which three decades ago were considered highly unorthodox, I have no doubt that a similar program in the Philippines would likewise pay great dividends to our people.



1. *Outlines of a Price Policy for American Agriculture* by Committee on Parity Concepts, headed by Dr. Karl Brandt of Food Research Institute, reprinted by O. B. Jesness, *Readings on Agricultural Policy*, p. 127 f.

2. O. B. Jesness, *Readings on Agricultural Policy*, p. 62 f.

3. *The Condition of Agriculture in the United States and Measures for its Improvement*. A report by the Business Men's Commission on Agriculture, p. 6 ff.

4. *Country Gentleman*, (Nov. 1952). Statements of General Eisenhower and Governor Stevenson are all taken from this source. Italics inserted.

5. *The Condition of Agriculture in the United States and Measures for its Improvement*. A report by the Business Men's Commission on Agriculture, p. 27.