

ECCP ADVOCACY PAPERS 2019

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AGRICULTURE ADVOCACY PAPER 2019



ABOUT ECCP

The **European Chamber of Commerce of the Philippines (ECCP)** is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCP does this by providing a wide range of consultancy services and by creating linkages between companies, organizations, and individuals with existing or potential business interests in Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCP sees itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.



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EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES

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Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.

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METHODOLOGY

The 2019 edition of the ECCP Advocacy Papers features issues and recommendations formed after extensive discussions between members of the ECCP sector committees, dialogues and meetings with representatives from the Philippine Government, and other stakeholders. The ECCP has also taken into consideration the information gathered from organizing different events, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. In close cooperation with the sector committee leaders and members, the ECCP Advocacy Team thoroughly analyzed every issue and advocacy recommendation to ensure that they are in line with European business interests and priorities. Once the Advocacy Team has finalized the first draft of each sector paper, it was then circulated to the Committee members and other stakeholders for consultation and subsequently, gathered inputs to be included in the final draft of the papers.

The assessment of the status of each recommendation included in 2018 Advocacy Papers were examined under the following criteria:

Completed/Substantial Progress: Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

Some Progress: Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

No Progress/Retrogression: Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.

MESSAGE FROM ECCP PRESIDENT



2019 has truly been a year of opportunities for the European-Philippine business community. This year, we welcome the implementation of the landmark Ease of Doing Business Act as well as the 18th Congress, with its list of legislative economic priorities. We also acknowledge the enactment of laws on Universal Health Care, Tax Amnesty, Energy Efficiency and Conservation, amongst other measures. Steady macroeconomic fundamentals as well as the administration's plans and pronouncements concerning economic reforms also open opportunities for further trade and investments. Furthermore, the ECCP aims to build upon the achievements of the past years in making the Philippine business environment friendlier for European companies and ensuring that these businesses can make the most of these exciting developments.

To further build on such success, several matters need to be addressed in order to fully realize the potential of the European-Philippine economic ties and the Philippine economic growth. It becomes increasingly important for the Philippines to improve global market integration, enhance its competitiveness as a Foreign Direct Investment (FDI) destination, and accelerate infrastructure development in order to achieve much needed sustainable and inclusive growth.

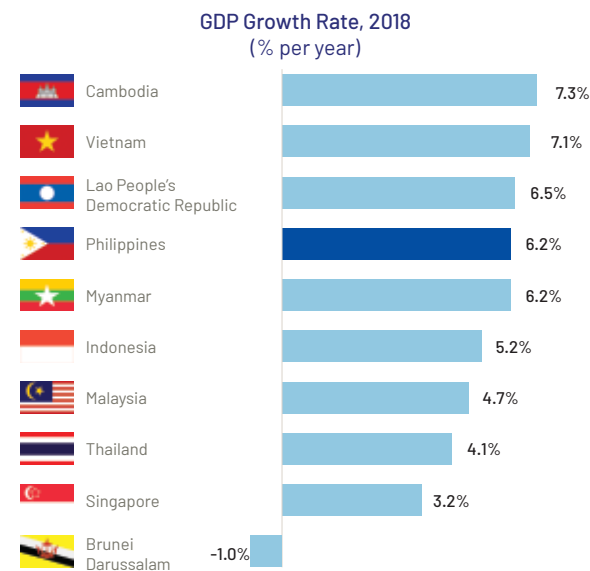
It is in this context that we are pleased to present the 2019 ECCP Advocacy Papers. The ECCP Advocacy Papers include suggested reforms on priority sectors identified by the Chamber and its members. As an advocate of economic liberalization and sustainable economic growth, the ECCP stands ready to support the Philippines in making these much needed changes for the mutual benefit of Europe and the Philippines.

Mr. Nabil Francis
ECCP President

WHERE ARE WE NOW?

THE PHILIPPINES

The Philippines strives to maintain its robust economic performance amidst several challenges. Though the GDP posted a decelerated growth of 6.2% in 2018, it is still considered as one of the fastest-growing countries in the Association of Southeast Asian Nations (ASEAN). With a 10-year average annual GDP growth of 5.4%,¹ the Organisation for Economic Co-operation and Development (OECD) recognizes the Philippines as one of the countries, along with Vietnam, who are expected to lead the ASEAN-5 in terms of economic growth.²



Source: Asian Development Bank. *Asian Development Outlook 2019*

The GDP was mainly driven by manufacturing, trade and repair of motor vehicles, motorcycles, personal and household goods, and construction. Services accounted for the biggest share with 57.8%, followed by Industry with 34.1%, and Agriculture, Hunting, Forestry and Fishing (AHFF) with 8.1%.³ The steady flow of remittances from Overseas Filipino Workers (OFWs), the ambitious *Build Build Build* Program, and resilience of the business and knowledge outsourcing industry are anticipated to keep the momentum going in the upcoming years.⁴ The GDP Per Capita posted a decelerated growth of 0.5% from 2017, placing the Philippines 5th in rank amongst the ASEAN.⁵

¹ World Economic Forum. (2018) *The Global Competitiveness Report*. Retrieved 15 September 2019 from www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf.

² OECD. (2018) *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*. Retrieved 14 September 2019 from dx.doi.org/9789264286184-en.

³ Philippine Statistics Authority. (2019). *Gross Domestic Product of the Philippines Highlights for 2018*. Accessed 14 September 2019 from psa.gov.ph/regional-accounts/grdp/highlights.

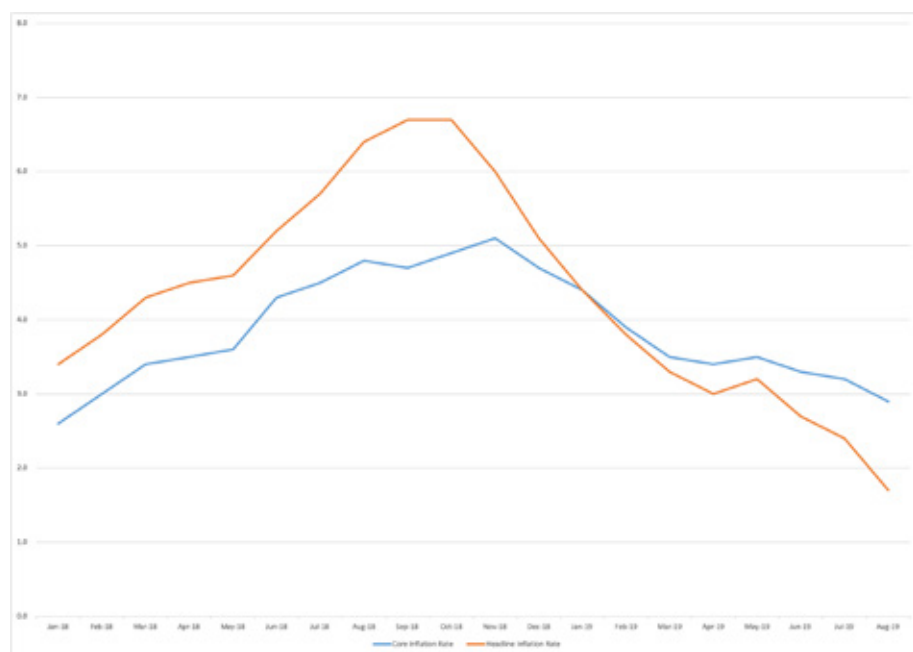
⁴ OECD. (2018) *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*.

⁵ Asian Development Bank. (n.d.) *Economic indicators for the Philippines*. Retrieved 16 September 2019 from adb.org/countries/philippines/economy.

The inflation rate for 2018 steadily rose throughout the year. The headline inflation rate increased from 2.9% in 2017 to 5.2% in 2018. Inflation peaked at 6.7% in the third quarter of 2018, and only decreased during the last two months of the said year. The drastic increase in prices was primarily attributed to the tight domestic supply, impact of natural calamities, and the rising global crude oil rates.⁶

The average core inflation rate reached 4.1% in 2018 – a 2.5% increase from 2017, that could be linked to the impact of fiscal expansion as well as the pass-through effect of a weaker peso.⁷ The full year average inflation was brought up to 5.2%, which is above the National Government's announced target range for 2018.⁸ However, as of August 2019, the headline inflation rate decelerated to 1.7%, the lowest rate achieved since October 2016 which was at 1.8%. The deceleration was brought about by the slower annual increase in prices of food and non-alcoholic beverages.⁹

Philippines: Inflation Rate, January 2018 – August 2019



Source: PSA and BSP

6 World Bank. (2019) *Philippines Economic Update April 2019: Safeguarding Stability, Investing in the Filipino*. Retrieved 16 September 2019 from documents.worldbank.org/curated/en/442801553879554971/pdf/Philippines-Economic-Update-Safeguarding-Stability-Investing-in-the-Filipino.pdf

7 Ibid.

8 Bangko Sentral ng Pilipinas. (2018) *Inflation Report Q4 2018*. Retrieved 15 September 2019 from bsp.gov.ph/downloads/Publications/2018/IR4qtr_2018.pdf.

9 Philippine Statistics Authority. (2019). *Summary Inflation Report Consumer Price Index (2012=100): August 2019*. Accessed 27 September 2019 from psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-august-2019.

The country's credit rating over the past year proves itself to be stable according to Moody's Investor Service.¹⁰ The table below shows ratings from various agencies throughout the year:

2018 Philippine Credit Ratings		
Date	Agency	Rating
26 April	S&P	BBB Positive
20 July	Moody's	Baa2 Stable
19 December	Fitch	BBB

Source: Standard and Poor's, Moody's, Fitch.

The demographics for 2018 puts the country's economy at a prime advantage. A population of 106.60 million,¹¹ with a median age of 23.7,¹² adds a young, dynamic and competitive workforce to the country's competitive advantages including its strategic business location in the region and a pursuit for developing infrastructure for global growth,¹³ among others.

A 2018 Philippine Statistics Authority (PSA) Survey records the employment rate at 94.7%. Categorically, the Services sector had the biggest share with 56.6%, followed by the Agriculture sector with 24.3%, and the Industry sector with 19.1%.¹⁴ This leaves the unemployment rate at 5.3% and the underemployment rate with 16.4%. Though the statistics on employment displayed a positive growth of approximately 0.3-0.4% from 2017, high levels of unemployment remain to be a recurring challenge for the Philippines.

For international rankings, the 2018 Global Competitiveness Report ranks the Philippines 56th out of 140 countries, with a score of 52.1.¹⁵ The report highlighted the country's Macroeconomic Stability as its strongest pillar, ranking 43rd with a score of 90. However, Innovation Capability was noted as the country's weakest, ranking 67th with a score of 37.2.¹⁶ As for the World Bank Doing Business 2018 Report, the Philippines was given an overall ranking of 113th out of 190 countries. The country's factor of Getting Electricity is ranked best at 31st, while Starting a Business is ranked the worst at 173rd.¹⁷

10 Moody's Investors Service. (2018) *Announcement: Moody's: Philippines' credit profile supported by strong growth and progress on reform*. Retrieved 16 September 2019 from moody.com/research/Moodys-Philippines-credit-profile-supported-by-strong-growth-and-progress-PR_387103.

11 Asian Development Bank. (2018) *Philippines: By the Numbers*. Retrieved 16 September 2019 from data.adb.org/dashboard/philippines-numbers.

12 Central Intelligence Agency. (2018). *The World Factbook: Philippines*. Retrieved 15 September 2019 from cia.gov/library/publications/the-world-factbook/geos/rp.html.

13 Philippine Consulate General. (n.d.) *The Philippines possesses several competitive advantages*. Retrieved 18 September 2019 from vancouverpcg.org/trade-01.html.

14 Philippine Statistics Authority. (2018). *2018 Annual Labor and Employment Status*. Accessed 15 September 2019 from psa.gov.ph/content/2018-annual-labor-and-employment-status.

15 World Economic Forum. (2018) *The Global Competitiveness Report*.

16 Ibid.

17 World Bank. (2018). *Doing Business 2018: Reforming to Create Jobs*. Retrieved 16 September 2019 from doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf.

With regard to Foreign Direct Investments (FDIs), the Bangko Sentral ng Pilipinas officially registered USD 9.8 Billion in net inflows for 2018, down by 4.4% from the USD 10.3 billion record from 2017.¹⁸ Majority of equity capital placements were mainly channeled to manufacturing, finance and insurance activities, and real estate activities with Singapore, Hong Kong, and Japan as the top partners.¹⁹ With the country's relations with the European Union, three member states ranked in the top ten with Netherlands, Luxembourg, and Germany placing 7th, 8th, and 10th, respectively.²⁰



Total external trade amounted to USD 182.15 billion in 2018. The top three major trading partners for the year were People's Republic of China, Japan, and the United States of America.²¹ The European Union (EU) immediately followed with a 9.6% share in total trade, valued at USD 17.49 billion. Germany ranked the highest as the Philippines' top trading partner in the EU, followed by the Netherlands, and France. Alternatively, the Philippines is the EU's 41st largest trading partner globally, accounting for only 0.4% of the EU's total trade.²²



Indeed, the Philippines has made notable progress in recent years. However, much work still needs to be done in order to improve the country's global competitiveness. Substantial economic reforms, especially concerning the ease of doing business as well as the creation of a level playing field have yet to be realized to capitalize on the substantive gains of the Philippines. Furthermore, boosting the Philippine manufacturing sector, deepening the ASEAN integration, and enhancing trade facilitation are all imperative to take the Philippine economy to greater heights.



¹⁸ Bangko Sentral ng Pilipinas. (2019). *FDI Registers US\$677 million in December 2018; Full-Year Reaches US\$9.8 Billion in 2018*. Retrieved 14 September 2019 from bsp.gov.ph/publications/media.asp?id=4967&yr=2019.

¹⁹ Ibid.

²⁰ Department of Trade and Industry. (2018) *NET FOREIGN DIRECT INVESTMENTS REPORT*. Retrieved 16 September 2019 from dti.gov.ph/resources/statistics/net-foreign-direct-investments-fdi#graph.

²¹ Philippine Statistics Authority. (2019). *Highlights of the 2018 Annual Report on International Merchandise Trade Statistics of the Philippines (Preliminary)*. Accessed 15 September 2019 from psa.gov.ph/content/highlights-2018-annual-report-international-merchandise-trade-statistics-philippines.

²² European Commission. (2019). *Countries and Regions: The Philippines*. Retrieved 16 September 2019 from ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/.

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INTRODUCTION

Agriculture is one of the core sectors in the Philippines that remains to hold a big potential. When managed efficiently, the sector is poised to reap substantial benefits to the country. Addressing issues in this sector is crucial to developing the country's economic status, including maximizing the services and benefits that could be extended to the Filipino people. With this, in the Philippine Development Plan 2017-2022, the government has laid out a framework to address issues in and improve the country's agriculture, forestry, and fisheries sectors.¹

Agricultural growth in the Philippines proved challenging for 2018. The Philippine Statistics Authority (PSA) reported that the full-year farm output slightly expanded by 0.56% which is lower than the 4% growth recorded in 2017.² The Department of Agriculture (DA) attributed the year-on-year slowdown to unfavorable weather conditions, missing the government's target of 2.5%. Moving forward, DA hopes to hit its growth outlook of 2.5% to 3.5% by the end of 2019.³

In terms of employment, the sector continues to be the second largest employer between industry and services yet official figures point out that it is the only sector which saw a decrease. Job growth in agriculture slowed down in the first month of 2019 accounting 22.1% of the country's total workforce from 26% in the same period last year.⁴

Meanwhile, the Philippines remains to be a net importer of agricultural goods with its major trading partners including the European Union (EU). The country posted an agricultural deficit of USD 96.20 million with the bloc in the last quarter of 2018. Agricultural exports to the EU amounted to USD 269.09 million while imported agricultural goods reached USD 1.16 billion. Among commodity groups, animal or vegetable oils and their cleavage products, edible fats, and animal or vegetable waxes accounted for the largest share of the Southeast Asian country's exports to EU contributing USD 124.09 million. On the other hand, meat and edible meat offals were on top of the country's import list from the trading bloc valued at USD 124.01 million.⁵



1 National Economic and Development Authority. (2017). *Philippine Development Plan 2017-2022*. Retrieved from <http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022-07-20-2017.pdf>











2 Philippine Statistics Authority. (2018). *Performance of Philippine Agriculture: October to December 2018*. Retrieved from https://psa.gov.ph/system/files/PAR_October%20to%20December%202018.pdf.

3 Ignacio, R. (10 January 2019). Storm-lashed 2018 dampens farm output, growth falls to 1%. *BusinessWorld*. Retrieved from <https://www.bworldonline.com/storm-lashed-2018-dampens-farm-output-growth-falls-to-1/>.

4 Philippine Statistics Authority. (2019). *Employment Rate in January 2019 is Estimated at 94.8 Percent*. Retrieved from <https://psa.gov.ph/content/employment-rate-january-2019-estimated-948-percent>.

5 Philippine Statistics Authority. (2019). *Highlights of the Foreign Trade Statistics for Agricultural Commodities: Philippines, Fourth Quarter 2018*. Retrieved from <https://psa.gov.ph/content/highlights-foreign-trade-statistics-agricultural-commodities-philippines-fourth-quarter-2018>.

Table 1. Top Philippine Agricultural Exports and Imports to EU in 2018

Exports			Imports		
Commodity	Value in USD million	Top Market	Commodity	Value in USD million	Top Market
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	124.09		Meat and edible meat offal	124.01	
Preparations of meat, of fish or of crustaceans, molluscs and other aquatic invertebrates	52.65		Residues and waste from the food industries; prepared animal fodder	54.77	
Edible fruit and nuts; peel of citrus fruits or melons	23.07		Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	47.94	
Lac; gums, resins and other vegetable saps and extracts	15.58		Beverages, spirits and vinegar	34.81	
Tobacco and manufactured tobacco substitutes	14.82		Miscellaneous edible preparations	20.47	

PSA

Agriculture, without doubt, is one of the primary sectors in the country. With this, the improvement of farmers' lives and provision of the sustained supply of agricultural goods, among others, remain crucial to the country. Hence, the ECCP puts forward its recommendations on (1) agricultural interests and market access issues under the EU-Philippines Free Trade Agreement (FTA); (2) agricultural value chain development; (3) improvement of regulatory governance; (3) public-private sector dialogue; and (4) strengthening of the rice industry.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

Recently, several bills on agricultural policy were signed into law in a bid to improve the sector. These laws primarily pertain to irrigation, rice tariffication, free patents, and enterprise development.

- Signed last February 2018, **Republic Act (RA) No. 10969** or the **Free Irrigation Service Act** exempts farmers who own eight hectares of land at maximum from paying irrigation service fees and discounts the unpaid loans, penalties, and irrigation fees to the National Irrigation Authority. However, corporate farmers, plantations, fishponds, and those drawing water from non-agricultural process are not covered by the free irrigation service.⁶
- Meanwhile, **RA No. 11203**, otherwise known as the **Rice Tariffication Law**, was signed into law last February 2019. The new policy liberalized the rice trade in the country by replacing quantitative restrictions on the staple with tariffs, deregulating the National Food Authority (NFA) to a buffer-stocking agency, and instituting the Rice Competitiveness Enhancement Fund (RCEF) that will provide assistance to rice farmers in the form of farm machinery and equipment, rice seed development, credit assistance, and extension services among others.⁷
- Another piece of legislation deals with providing much-needed access to credit for farmers. **RA No. 11231** or the **Agricultural Free Patent Reform Act** which was enacted last February 2019 makes agricultural lands tradable and bankable by allowing farmers holding agricultural free patents to sell their land or use it as collateral.⁸
- To usher capacity building mechanisms to the sector, **RA No. 11321** or the **Sagip Saka Act** was also signed in May 2019. It was designed to support the country's farmers and fisherfolks by providing an enterprise development program where agricultural beneficiaries can avail assistance in skills development, financing, and improved technologies. RA No. 11321 also mandates national and local government agencies to purchase products from accredited farmers fisherfolk cooperatives and enterprises.⁹

Executive issuances were also put in place in response to recent sectoral developments.

- In fulfilment of the Philippine government's tariff commitments under the Philippines-European Free Trade Association (EFTA) FTA which entered into force last June 2018,¹⁰ the president signed and issued Executive Order (EO) No. 61, s. 2018 in August 2018 to remove and adjust the tariff lines of certain imported articles including agricultural commodities covered by the FTA.¹¹

6 Official Gazette. (2018). *Republic Act No. 10969*. Retrieved from <http://www.officialgazette.gov.ph/downloads/2018/02feb/20180202-RA-10969-RRD.pdf>.

7 Official Gazette. (2019). *Republic Act No. 11203*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190214-RA-11203-RRD.pdf>.

8 Official Gazette. (2019). *Republic Act No. 11231*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190222-RA-11231-RRD.pdf>.

9 Official Gazette. (2019). *Republic Act No. 11321*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/04apr/20190417-RA-11321-RRD.pdf>.

10 European Free Trade Association. (2019). *Free Trade Agreement - Philippines*. Retrieved from <https://www.efta.int/free-trade/free-trade-agreements/philippines>.

11 Official Gazette (2018). *Executive Order No. 61, s. 2018*. Retrieved from <http://www.officialgazette.gov.ph/downloads/2018/08aug/20180802-EO-61-RRD.pdf>.

- The government also imposed safeguard measures on certain commodities last year to protect their respective domestic industries from import surge. DA issued Department Order No. 6, s. 2018 last March 2018 requesting the Bureau of Customs (BOC) to impose Special Safeguard Measures on 20 lines of agricultural products citing their trigger prices have been reached.¹² BOC subsequently issued **Customs Memorandum Circular (CMC) No. 76-2018** to enforce DA's request.¹³
- Another issuance came from the Department of Agrarian Reform whereby it released **Administrative Order (AO) No. 1, s. 2019** amending a 2002 AO to streamline the processing of applications for land use conversion.¹⁴
- Last June 2019, President Rodrigo Duterte issued **EO No. 82**¹⁵ retaining the 5% import tariff rates for mechanically deboned meats of chicken and turkey, and turkey meat and its offals, respectively. Previously, the import duties increased to 40% as a result of the passage of the Rice Tariffication Law but now returns to its lower tariff rate until 2020. **CMC No. 144-2019**¹⁶ authorized the BOC to start collecting the reduced tariff in compliance with the EO.

Meanwhile, there are also significant developments in the industry to be reckoned with.

- Last 5 August 2019, President Duterte appointed **William D. Dar** as DA Acting Secretary replacing Emmanuel Piñol who is appointed as Chairperson of the Mindanao Development Authority on the same day.¹⁷
- In September 2019, the Department of Agriculture announced that the **African Swine Fever (ASF)** has entered the country.¹⁸ ASF is not known to harm humans but is fatal to pigs and wild boars with up to 100% mortality rate. As of writing, the government imposes import ban in 22 countries and territories where an outbreak is recorded.¹⁹ Four other European countries are classified as "high-risk" or those that share borders with an infected state.²⁰ Other government interventions include mandatory inspection of luggage and shipment for pork and pork products at international points of entry, installation of footbaths at airports and seaports, imposition of hefty fines for violators, and training of sniffing dogs to ferret out contaminated meat.

12 Department of Agriculture (2018). *Department Order No. 6, s. 2018*. Retrieved from http://www.da.gov.ph/wp-content/uploads/2018/04/do06_s2018.pdf.

13 Bureau of Customs. (2018). *Customs Memorandum Circular No. 76-2018*. Retrieved from http://customs.gov.ph/wp-content/uploads/2018/04/cmc-76-2018-Imposition_of_Price_based_Special_Safeguard_Duty_on_several_SSG_Eligible_Agricultural_Products.pdf.

14 Department of Agrarian Reform. (2019). *Administrative Order No. 1, s. 2019*. Retrieved from <http://media.dar.gov.ph/source/2019/05/17/ao-01-streamlining-the-processing-of-applications-for-land-use-conversion-under-dar-administrative-order-no-1-series-of-2002-1.pdf>.

15 Official Gazette. (2019). *Executive Order No. 82, s. 2019*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/06jun/20190613-EO-82-RRD.pdf>.

16 Bureau of Customs. (2019). *Customs Memorandum Circular No. 144-2019*. Retrieved from http://customs.gov.ph/wp-content/uploads/2019/07/cmc-144-2019-Rates_of_Import_Duty_under_Section_1611_of_CMTA.pdf.

17 Philippine Daily Inquirer. (2019). *List of Presidential Appointees: July 31, 2019 - August 5, 2019*. Retrieved from <https://newsinfo.inquirer.net/files/2019/08/pinol.jpeg>.

18 D. Enrico. (9 September 2019). Philippines declares first African swine fever outbreak near Manila. *Reuters*. Retrieved from <https://www.reuters.com/article/us-philippines-swinefever/philippines-declares-first-african-swine-fever-outbreak-near-manila-idUSKCN1VU07V>.

19 Belgium, Bulgaria, Cambodia, China, Czech Republic, Hong Kong, Hungary, North Korea, South Korea, Laos, Latvia, Moldova, Mongolia, Myanmar, Poland, Romania, Russia, Serbia, South Africa, Ukraine, Vietnam, Zambia

20 Austria, France, Germany, the Netherlands

ADVOCACY RECOMMENDATIONS

1. Ensuring the EU and Philippine agriculture interests in the EU-Philippines FTA

We welcome the negotiations for and look forward to the actualization of the EU-Philippines FTA as a tool to further the EU and the Philippines' economic relations through addressing tariff and non-tariff barriers, among others. It will also pave the way for greater region-to-region trade between the EU and the Association of Southeast Asian Nations (ASEAN) where Singapore and Vietnam have already signed bilateral FTAs with the trading bloc earlier this year.

In consideration of their crucial and increasing agriculture trade relations, the ECCP supports the inclusion of provisions in the trade agreement that tackle and resolve market access issues. Specifically, we strongly recommend that provisions in the FTA will guarantee the promotion and recognition of geographical indications (GI) on products as well as ease of trade on fertilizer and pesticide products.

2. Agricultural value chain development

Invest in infrastructure in order to tackle production and operations concerns

One of the key objectives in improving the state of Philippine agriculture is increasing crop yields while reducing the cost of production. To help achieve this, a number of measures should be put in place, including greater understanding of the agricultural value chain and providing for better technologies and infrastructure mechanisms.

We welcome the government's push to improve the country's infrastructure through its flagship Build, Build, Build program. Additionally, we urge the government to also include projects in its portfolio that will support the sector. While we laud the government's report that it has already built 1,096 kilometers of farm-to-market roads in the first half of the administration and targets to complete 1,094 kilometers more in the next three years,²¹ we strongly support increasing infrastructure investment in other modes such as irrigation systems, storage infrastructure and facilities, and post-harvest facilities among others. Moreover, farming technologies and systems such as agri- and aqua-energy farms and renewable energy-powered irrigation systems could be developed to help promote sustainability and clean energy.

The European business community stands ready to extend technical assistance and share best practices to the government on how to modernize agricultural infrastructure and concurrently alleviate environmental impacts of such projects on the agriculture sector.

Make access to finance easier and improve farmers' capability through education and skills development

The ECCP acknowledges the efforts of the Philippine government to explore various ways to extend credit to farmers. Its full potential, however, to further build on farmers' ability to cope with and maintain confidence in spite of financial risks remains to be seen.

We then recommend the facilitation of access to finance for smallholder farmers for their increased capacity to develop innovative methods. Innovations in rural and agricultural financing through technology could also be explored to promote inclusive microfinancing models for these smallholder farmers. Promoting financial literacy to farmers by making relevant information public will also mitigate credit risks to them and the sector. Additionally, the establishment of agricultural cooperatives will assist in integrating small farmers into larger and established enterprises, who can share their resources and expertise in the field. All of these could then translate to increased profit, improved skills, and enhanced output.

Moreover, we strongly believe that the government should intensify its efforts in attracting and encouraging the youth to engage in the sector and pursue agribusiness opportunities. Various industry reports and government statistics point out that the average age of Filipino farmers is gradually increasing and is currently between 57 to 60. To this effect, we push for their further education on and implementation of agripreneurship and agribusiness methods, among others, to help improve farmers' skills.

3. Modernize and improve transparency in regulatory processes

The improvement of key aspects in the regulatory processes is undoubtedly a step towards facilitating the importation and certification of agricultural products to the Philippines.

Among key proposals, we look forward to the modernization and computerization of the Fertilizer and Pesticide Authority (FPA) to establish efficiency and ease procedures for companies engaged in the said business. Currently, the regulator puts additional regulations by classifying some chemicals as pesticides which unnecessarily lengthens the importation process and commercial distribution of these natural substances, such as pheromones, against destructive pests like fall armyworm. As such, we also highly recommend the revision of controlled and regulated chemicals to improve the facilitation of importation of high-quality fertilizer and pesticide products in the Philippines. This will translate to the benefit of farmers who rely on several products to improve and maintain their yield and improve their production.

We likewise recommend that the full implementation of the National Single Window (NSW) be accelerated by fully activating its primary vehicle TradeNet to ease of doing business by connecting regulatory agencies online and enabling traders and regulators to exchange information in real-time. It will also link the country's NSW to the ASEAN Single Window. Hence, we urge the BOC to include agricultural regulatory bodies and frontline agencies such as the FPA, Bureau of Animal Industry, Bureau of Plant Industry, and Bureau of Agriculture and Fisheries Standards in the online platform to streamline the agricultural supply chain.

4. Establish a constructive regular dialogue between public and private sector stakeholders

The ECCP highly recommends the establishment of regular dialogue among all stakeholders in the agriculture sector. This measure will help maximize the partnership and cooperation among all players and be able to exchange best practices in the sector. Additionally, bottlenecks in areas including trade, farmers' education, and financing, could also be collectively addressed by coming up with policies that are mutually beneficial.

To this end, the European business community remains committed to assisting the Philippines maximize the benefits that are brought about by the Generalized Scheme of Preferences Plus or GSP+ scheme and GI development, among many other platforms for partnership.

²¹ Performance Highlights: Infrastructure Cluster. Presentation of Infrastructure Cluster Chair Secretary Mark A. Villar at the 2019 Pre-State of the Nation Address (SONA) Forum last 1 July 2019.

5. Strengthen the rice farming industry through greater financial support and sound policies

The liberalization of the rice industry, through the passage of the Rice Tariffication Law, is expected to make a significant impact on the economy while ensuring multiple levels of precautions to protect the local industry from the influx of imported rice. While the retail price of rice continues to go down for the benefit of the consumers, farmers continue to face decreasing farmgate prices for their harvest and increasing production costs. In view of this, the ECCP urges the government to continue strengthening the domestic rice industry to be able to successfully achieve the objectives of the Rice Tariffication Law.

As the rice industry plays a crucial role in ensuring food security, the government should increase the threshold for the RCEF from its current minimum annual PHP 10 billion allocation so as to prevent farmers from turning to land conversion and encourage crop diversification. Furthermore, increasing the NFA's capacity to purchase domestic rice will ensure a buffer stock of sufficient supply for a longer period of time while at the same time raising the income of rice farmers.

We also urge the government to formulate a new Rice Industry Roadmap, as stipulated by the tariffication law and with the proper consultations with all stakeholders, to outline the various critical interventions necessary to make the sector more productive, sustainable, and competitive.

Lastly, remedial legislation could be introduced to create additional safeguards in RA No. 11203 and add enabling provisions, giving powers to the implementing bodies or agencies to create limits and prevent imported rice from flooding the market. This is also to reduce the overreliance on imported rice and mitigate the risks associated with the volatility of the global rice market.



ASSESSMENT OF 2018 RECOMMENDATIONS


ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
Ensuring the EU and Philippine agriculture interests in the EU-Philippines FTA	Include provisions to facilitate market access for European agricultural products in the EU-Philippines FTA	
Agricultural value chain development	Invest in infrastructure in order to tackle production and operation concerns	
	Make access to finance easier	
Improvements to the regulatory governance	Modernize and improve transparency in the regulatory processes and expand cooperation with other relevant stakeholders	
Public-private sector dialogue	Establish a constructive regular interchange between public and private sector stakeholders	


SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>The second and most recent round of negotiations concluded last February 2017 with the third round of free trade talks is yet to be undertaken. Meanwhile, the Partnership and Cooperation Agreement between the EU and the Philippines entered into force last March 2018 and is seen as a means to move towards the FTA ratification objective.</p>	
<p>While the Build, Build, Build program aims to improve connectivity and address the infrastructure gap around the country, the agri-infrastructure support program mostly comprises of farm-to-market roads and still lacks other modes of infrastructure such as irrigation systems and post-harvest facilities, among others.</p>	
	<p>BSP reports continuous non-compliance of banks to allot 25 percent of their total loanable funds for agriculture and fisheries stakeholders as mandated under RA No. 10000 or the Agri-Agra Reform Credit Act of 2009 and prefer to pay penalties instead.</p>
<p>The NSW's primary vehicle TradeNET has already been introduced in the Philippines.</p> <p>Furthermore, the government is looking to connect 76 regulatory agencies in the online platform by 2022.</p>	
<p>While a constructive regular dialogue is yet to be established between the public and private sectors, the ECCP has organized and attended several activities with key agriculture sector stakeholders.</p>	






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