PSR 29 (1981): 31-34

PHILIPPINE RURAL DEVELOPMENT: CORPORATE FARMING OR LAND REFORM?

EDUARDO C. TADEM
Third World Studies Center,
University of the Philippines

In a forum sponsored by a local business daily in 1980, a deputy minister of agrarian reform astounded his listeners by criticizing the corporate rice farming program as being contrary to the aims of agrarian reform. It was a rare show of candor, and representatives of private business and other government officials present during the forum hastily came to the defense of corporate farms in an effort to cover up the unintentional blunder. The deputy minister, however, was merely expressing what was so patently obvious since the program started in September 1974. He was also expressing the dilemma confronting government planners of rural development, that is, whether to pursue vigorously the land redistribution program and eventually expand the coverage of land reform *or* to continue to allow more and more corporations access to agricultural lands that should be covered by land reform sooner or later.

Whether this dilemma can be solved in boardrooms at high official levels remains to be seen. In the meantime, in the absence of a clearcut policy regarding agricultural land rights, the immutable laws of modern economic development are already making clear in what direction Philippine rural development is heading.

As of March 1980, the eight-year-old agrarian reform program has resulted in the transfer of a mere 1,500 hectares of rice and corn lands to some 1,600 tenants who have been granted emancipation patents to their land. The average farm size per tenant is 0.91 hectares. On the other hand, the corporate farming program as of March 1980, has resulted in the transfer of 47,801 hectares of land to 70 corporate farms or an average farm size of 683 hectares. A comparison of the two programs shows that in six years, corporations have acquired control over a land area 32 times greater than that which has been granted to tenant-beneficiaries of eight years of land reform.

What exactly is the corporate farming program, and why all the controversy regarding its role in rural development? Government Order 47 (G.O. 47), issued in 1974, "required all domestic corporations and partnership with 500 or more employees and the financially viable to supply the rice and/or corn requirements of their employees either through importation or direct production of grain." P.D. 472, also issued in 1974, directed all logging concessionaires and public pasture leaseholders to grow rice and other staples on their leased areas to meet their employees' consumption requirements.

Promulgated at a time when the country was suffering from recurring rice deficits, the corporate farming program was conceived as a way of increasing rice production through the most modern and sophisticated farming techniques. It was, however, meant only as a temporary measure to be set aside the moment rice self-sufficiency is achieved.

Today, the Philippines has supposedly attained self-sufficiency in rice. Yet, not only is the corporate farming program continuing, it has even gone beyond its original aims and branched out into other agricultural ventures.

For example, CDCP, Meralco, and Bancom, managers of three more profitable corporate rice farms, are now among ten agricultural management firms that direct the operations of 31 compact farm clusters covering a total area of 11,100 has. CDCP itself, has expanded into sugarcane planting in Bukidnon. As several participating firms have continually complained of losses from the operations of their farms, the NGA has allowed them to plant more profitable crops such as sorghum, mongo, soybeans, and cotton.

It is hard to determine whether the program's original purpose has been achieved – that of providing for the rice and corn requirements of the participating firm's employees. Based on 1979 production figures, however, the program could theoretically have provided only 1/4 kilo of rice and/or corn per employee per day. This amount certainly falls far below a family's daily rice consumption.

The NGA, which is the program's main implementing agency, has proudly announced that corporations have now cultivated "previously idle or undeveloped land" which were "formerly virgin lands, second growth forests, swamplands, and unexploited arable areas." The now famous case of 34 Davao del Norte farmers being jailed in 1977 for allegedly "squatting" on land which they have been tilling for 25 years and which was being taken over by a corporate farm immediately gives the lie to the NGA report. It has been estimated that as of early 1977, 15,00 hectares of land operated by small farmers have been taken over by corporate farms – resulting in the "physical ejection of the actual cultivator." Most corporate farms are situated in rich rice-growing areas in Southern Mindanao, Central Luzon, and Southern Tagalog. This fact alone makes the possibility of corporate farms dislocating small farmholders entirely believable.

While the land reform program seeks to redistribute land in small parcels to tenant-cultivators, the corporate farming program would concentrage huge tracts of agricultural land in the hands of non-cultivators. A classic example is CDCP Farms, which is owned by the country's top construction company. In 1977, CDCP Farms had *1,673* has in Bukidnon. In 1980, the firm expanded its rice growing area and presently occupies *12,566* hectares in the provinces of Isabela, Bataan, Pampanga, Tarlac, Bulacan, Capiz and Bukidnon. Its Bukidnon area alone totals *3,488* hectares. The question may be posed: which way Philippine rural development – land redistribution or land concentration?

A more substantive appraisal of the corporate farming program will uncover a basic structuring of the mode of production in the grains sector. A 1977 study of seven operating corporate farms conducted by the Department of Land Tenure and Management of the Agrarian Reform Institute (ARI) in UP at Los Baños critically examines the structural changes that corporate farms have brought about.

It is pertinent to quote some of the major conclusions arrived at by the ARI Study in its report which was completed in December 1977:

1. "The complete mechanization of farm operations and the monetization of agricultural labor (through hired workers) completely offsets whatever structural gains the traditional farm sector can have from the program (p. 14)."

2. Monetization of all farm activities has resulted in a decline of "informal labor and auxiliary crop planting and livestock raising for home consumption" bringing about "a loss of a valuable system of cost saving among small farms (p. 16)."

3. "The corporate management has taken over almost all aspects of rice production from loan preparation to marketing of palay output," thus assuming "the role of landlord and perpetuating the feudal agrarian structure which the present land reform program seeks to change (pp. 17-18)."

4. On the question of distribution of gains, the study claims that "corporations earn profits at the expense of the farmer" so that the ultimate beneficiaries are the "suppliers of inputs" not the actual cultivators (p. 19).

5. Contracts entered into between farmers' groups and corporations are lopsided in favor of the latter. Such contracts safeguard the interests of the corporation and insures it against losses to the detriment of the farmers' position (pp. 20-24).

The report recommend a review of the guidelines for G.O. 47 and urges that the program be re-evaluated within the context of rural development programs in general, and the land reform program in particular.

The ARI study shows the rapid erosion of the small peasant's control over the land. Overnight, the peasant becomes a mere corporate employee with no power to influence decisions made regarding the use of his land. On the other hand, the writers of the report err in assuming that feudal agrarian structures are simply perpetuated by corporate farms.

The very nature of corporate farming activities necessitates a thorough going changeover from the pre-capitalist modes to completely capitalist operations. Whether through the use of free-hired labor or management contracts with present organizations, corporate farms, by investing millions of pesos for machinery, infrastructure, and other farm inputs, transform rice farming into a big business venture where capitalist profit is the one and only goal.

As of January 1980, total investment of corporations in the program have reached P306.2 million. Capital equipment investment alone for a 1,500 hectare farms would reach P8.2 million. An irrigation dam for the same farm would cost P12.2 million. The cost of production per hectare per cropping season of a corporate farm was estimated at P4,500 in 1975 or more than four times the cost of production in small peasant farms.

What corporations achieve is the complete separation of the direct producer (the peasant) from the means of production and his subsumption in the process of production in strictly economic terms. One must not fall into the trap of misreading capitalist indicators as feudal vestiges. The absolute loss of control over the land and the production process by the peasant producer is a capitalist phenomenon, not a feudal one. In pre-capitalist agrarian structures, the peasant actually exercises some decision-making prerogatives and can even use part of the landlord's land to grow food for his own home consumption. Not so in corporate farming. The management contracts specifically prohibit the farmer from constructing or planting anything without the previous written consent of the corporation.

The irony of it all is that corporate farms have not substantially raised rice productivity levels. The program's five-year record shows an average production figure of only 69.72 cavans per hectare. Masagana 99 farmers, on the other hand, utilizing small-scale methods and 1/4 less expense per area, have a higher production average of 71 cavans per hectare. This proves once again that smaller family-sized farms are indeed much more efficient than large-scale corporate-run farms.

To summarize the main points of the discussion:

1. The corporate farming program runs counter to the redistributive concept behind the existing agrarian reform program.

2. Corporate farms have sometimes caused the dislocation and/or disruption of established farming communities.

3. Corporate takeover over all aspects of farm production results in the loss of control over the land by the peasant-producer.

4. Being capital-intensive, corporate farms are labor-displacing, an unfortunate circumstance in a country with a very large pool of rural reserve labor.

5. Corporate farms undermine the position of existing peasant organizations by relegating them to the role of passive acceptors of corporate decisions.

6. Corporate farms are inefficient production units. Their low productivity figures are unproportionate to the large capital investments allocated.

We would like to follow the lead taken by the Agrarian Reform Institute and call for a total review of the corporate farming program with the view correcting the deficiencies that plague its existence. In this regard, higher production figures and profit returns must be regarded as secondary goals. What is more basic is the role of the peasant producer. Rather than continuing with the corporate-centered approach, the program should instead be peasant-centered. Only then will a unified and consistent policy on rural development come about.