

Headline: Filipino Physiocrat: Procy Alcala, Agriculture, and Climate Change

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Published Date: 09:49 PM October 20, 2011

Section: opinion

Word Count: 12009

Content:

The French Physiocrats, those forerunners of modern economics, considered agriculture to be the only real source of value.

Owing to what Francois Quesnay, the most famous member of this school, regarded as the "unique regenerative qualities of the land," only agricultural activity could produce a surplus—that is, an output greater than its inputs.

Manufacturing, in contrast, was said to be "sterile."

For much of the industrial and post-industrial eras, this eighteenth century view was regarded as quaint since industry, relying on the trinity of labor, capital, and technology, appeared to be the cutting edge of change.

With its contribution to the gross domestic product becoming proportionally smaller and smaller, agriculture became an economic backwater, one that could advance only if it was organized industrial lines and juiced up with chemical-intensive and, more recently, genetic technology.

In recent years, however, events have combined to assert the centrality — and fragility — of agriculture.

In the latter half of the 20th century, humankind appeared to have conquered famine, and unequal distribution of food seemed to be the main block to feeding the planet.

Since the first years of the 21st century, however, production, and not simply distribution, has become the problem.

The land is putting the brakes on production, triggering inflation in commodity prices and posing the specter of food shortages.

With the global population reaching seven billion, the strong possibility that agricultural production may have reached its upper limit—the Malthusian trap—greatly worries both scientists and policymakers.

#### Causes of agricultural degeneration

A combination of developments seemed to come together to set limits to agricultural regeneration.

One was that chemical intensive technology appeared to have reached its limits, with pests becoming resistant to pesticides and soils becoming unresponsive to application of more and more fertilizers.

Another was that structural adjustment programs pushed on developing countries by the International Monetary Fund and the World Bank radically reduced state support for agriculture in developing countries, leading to a crisis of production.

Then, of course, there is the onset of climate change.

Climate change has drastically impacted agriculture in two ways. First of all, to cut down on fossil fuel use, agrofuel production was heavily subsidized, and this resulted in the diversion of large tracts of corn land from food production to agrofuel feedstock, especially in the United States.

More important, extreme weather events have played havoc with production and prices, reminding people throughout the world that the food price crisis of 2006-2008 was not a blip.

In the last year, massive wildfires in Russia devastated hundreds of thousands of croplands, forcing the government to impose a ban on grain exports; a stubborn drought in China ravaged 14 million hectares and left 14 million people short of water; unremitting rains in Pakistan have devastated the country's croplands for the second year in a row; and at the beginning of 2011, practically the whole state of Queensland in Australia, including its capital, Brisbane, was submerged, with billions of dollars worth of grain, vegetables, and livestock swept away.

These last few months, it is the turn of the rice bowls of Southeast Asia to suffer from nature's revenge for human beings' inordinate carbon consumption.

Some 1.5 million hectares of rice land have been inundated in Cambodia, Laos, Vietnam, and Thailand, with one million hectares in Thailand, the world's no 1 rice exporter, alone. In the Philippines, according to National Food Authority Administrator Lito Banayo, in Central Luzon alone, more than 103,000 tons of the standing rice crop have been wiped out by the recent typhoons, especially Pedring.

The manifold challenges to Philippine agriculture

But climate change is not Philippine agriculture's only problem.

For a long time, the sector was starved of government support owing to the draconian structural adjustment forced on the country following the 1980's debt crisis. From an average of 5.5 per cent of the total budget during the Marcos regime, funding dwindled in succeeding administrations, coming to 3.6 per cent during the nine-year reign of Gloria Macapagal-Arroyo.

By the end of the Arroyo administration, the area under irrigation, at 1.3 million out of 4.7 million hectares of cultivated cropland, was practically the same as that under Marcos a quarter of a century earlier.

Crop yields sagged across the board, with the average of 2.8 metric tons of rice per hectare way below yields in China and Vietnam (though, it must be pointed out, higher than Thailand's).

Good roads are key to raising agricultural production and by the end of the 1990's, only 17 per cent of the Philippines' road network was paved, compared with 82 per cent in Thailand and 75 per cent in Malaysia.

At the same time that structural adjustment was reducing state support for agriculture, trade liberalization undertaken under the World Trade Organization's Agreement on Agriculture mandated the elimination of quotas for agricultural commodities, resulting in a massive inflow of foreign imports.

The victims of liberalization included the corn, vegetable, and poultry sectors.

From being traditionally a net food exporting country, the Philippines became a net food importing country from the mid-1990's on.

"Filipino Physiocrat"

Enter Proceso ("Procy") Alcala, President Aquino's secretary of agriculture.

Alcala is not simply another secretary of agriculture. He might be described as a Filipino Physiocrat, a true believer in the country's agricultural potential, a man for whom agriculture is the centerpiece of the economy, an innovative grassroots technocrat who sees the country as one big farm.

Alcala is confident that the Philippines can achieve "rice self sufficiency" by 2013.

Indeed, the rice harvest in the first six months of 2011 was a record 7.58 millions metric tons.

Owing to the surge in rice as well as in corn output, agriculture grew by 5.5 per cent during the same period.

According to him, the record rice harvest owed itself to the expansion of the land planted to rice, which was, in turn, largely due to the addition or rehabilitation of irrigation facilities, the poor state of which has long been one of the key stumbling blocks to increased productivity.

Aside from achieving rice self-sufficiency and raising agricultural production, Alcala seeks to popularize organic agriculture. Having been the main author of the landmark Organic Agriculture Act of 2010 while he was a member of Congress, he is now in a position to implement his legislation.

Boundlessly optimistic, Alcala sees a time when the Philippines will be a specialist in the production of high-value organic produce for Singapore and other parts of Southeast Asia, which has seen the emergence of a health-conscious middle class.

Though not a farmer by occupation, he is familiar with the exploitation of peasants and agricultural entrepreneurs by the middle man, and, thus, also high up on his agenda is the elimination of the trader via the creation of regional and local markets ("bagsakan") throughout the country, where farmers can come directly to sell their products and pocket the substantial income that would otherwise go to the middleman.

Mixed bundle

Yet Alcala is not without his shortcomings, from the perspective of this commentator.

He appears to have a limited appreciation for the role of power relations in the countryside, and how these can stifle production and productivity.

Agrarian reform does not seem to be a major concern of his, and, in a recent discussion on land reform that both Alcala and I were part of, he did not seem to understand why agrarian reform beneficiaries should have subsidized support services to assist them to become successful farmers.

He seems to think that subsidies are a disincentive to efficient production for all kinds of farmers.

He does not seem to have an appreciation of why not all producers have the capacity to behave like the small capitalist farmer seeking to squeeze profits from efficiency.

Another weak point is his grasp of international trade.

Alcala only seems to have come very recently to an understanding of how the free trade rules imposed on the Philippines by the World Trade Organization's Agreement on Agriculture and other trade pacts have put the Philippines at a severe disadvantage, opening our markets to subsidized products from the US, Europe, and other agro-powers, while providing us with very limited gains in terms of export markets.

The threat of cheap Chinese agricultural imports swamping the country under the ASEAN-China Free Trade Agreement is something he seems to have belatedly realized, and his way of dealing with the problem leaves much to be desired: during a recent hearing on the agricultural budget, he proposed using sanitary and phytosanitary standards, which are allowed under WTO rules, to limit agricultural imports from China, which is notorious for tainted food products.

A major effort to revise or leave inequitable trade agreements is a fight Alcala seems to have no appetite or time for.

Despite these limitations, however, Alcala is the most exciting force to hit the agricultural scene in years, and his indefatigable campaign at the grassroots to spread his belief in the country's agricultural resurrection has made him probably the most popular of President Aquino's cabinet secretaries.

The president himself is said to have been won over by Alcala's belief — questionable in this commentator's view — that agricultural reinvigoration will persuade people to go back to the countryside and farm, relieving, in the process, the pressures that the massive rural-to-urban migrations of the last few decades have put on the limited resources of the swollen cities.

The biggest challenge

Will Alcala succeed in reversing agriculture's decline?

The challenges are enormous, but my sense is that most of them — even that of making the lumbering bureaucracy of the Department of Agriculture shape up — can be managed with success by this confident, optimistic Physiocrat. Except perhaps for one, and that is climate change.

Before the recent typhoons, Philippine agriculture was on its way to a record annual harvest in rice and corn.

With the onslaught of a much wetter monsoon, marked by stronger typhoons, that may no longer be possible.

Luzon, which has been hit badly by the recent typhoons, had been expected to produce 1.4 million tons of unmilled rice in the fourth quarter, or about a fifth of the expected national output.

The recent extreme weather events have put in doubt the Department of Agriculture's forecast of a record 17.3 million tons for 2011 and might force the country to again resort to large-scale imports from Thailand and Vietnam, the price of whose rice is on the rise owing to the ravaging of their production by the same changes in the climate.

And the weather patterns of the coming years will be even less predictable.

One does not beat climate change. One adapts to it.

And while Procy Alcala may not be a miracle man who can bring about changes in the weather, one cannot think of a better person to depend on to come up with a strategy of adaptation that will make Philippine agriculture both resilient and efficient.

He is that rare combination: a visionary, an environmentalist, and, with a background in construction, a practical man. He may well fail, and if he does, we really are in trouble.

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