

COMMERCIALIZATION OF AGRICULTURE IN CENTRAL LUZON

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COMMERCIALIZATION OF AGRICULTURE IN CENTRAL LUZON¹⁾

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INTRODUCTION

This paper is based on a field study conducted in a rice farming village in Central Luzon. I have observed that the village was undergoing rapid economic change after some farmers started contract farming of cucumber in dry season as a secondary crop. Some relatively well off farmers became agents or cucumber suppliers to the company. They put up the capital, and hired planters to carry out cucumber production.

This paper examines how this type of contract farming is being operated and how it has affected the agents and planters. An increasing number of rice farming villages which are involved in the contract farming of vegetables are on the lookout for more profitable and stable markets. This paper provides a case study of one of such villages.

PROFILE OF THE VILLAGE

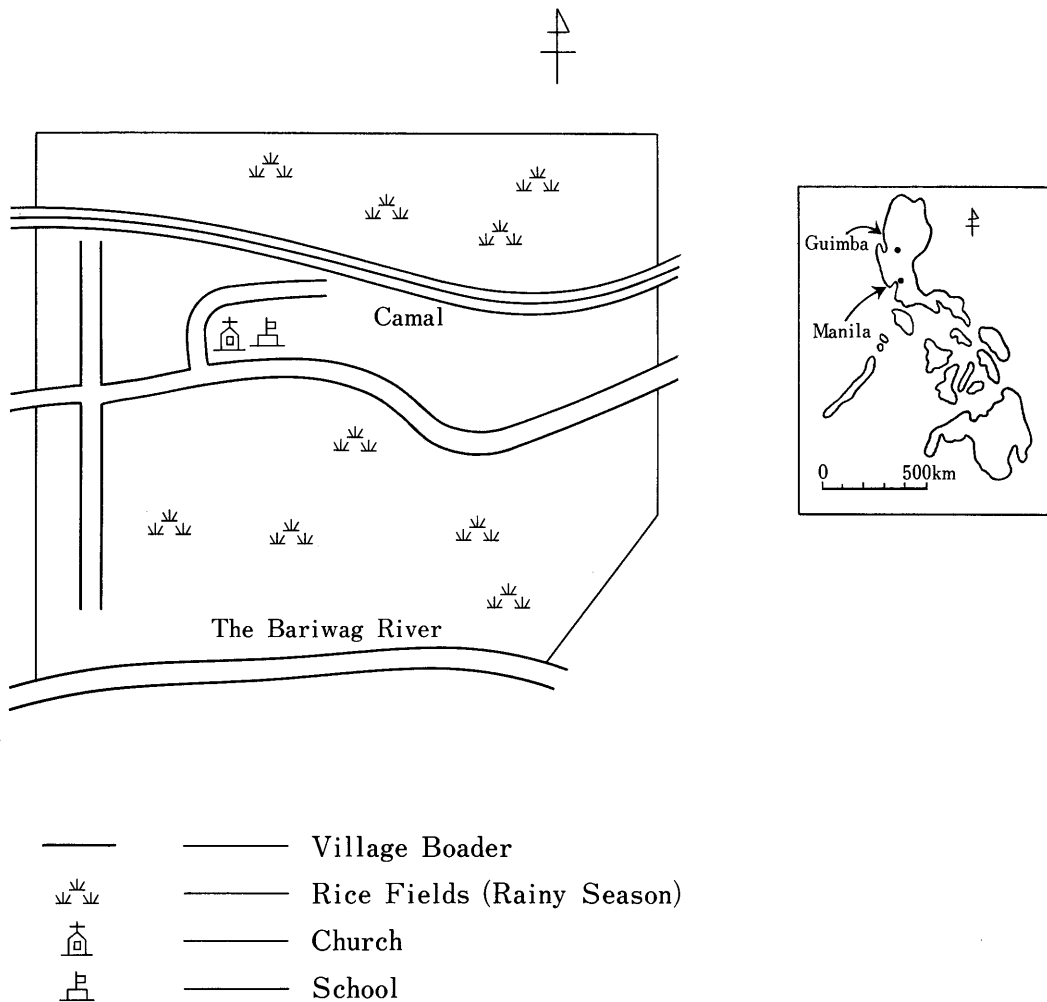
Sta. Morena is located in Guimba, Nueva Ecija in Central Luzon (Fig. 1). It used to be a part of an *hacienda*, a big farmland of more than 1,000 hectares in area before land reform under the Marcos regime in 1972. The *haciendero* or landowner gave up his farmland to the government at a low price. The tillers, who used to be share croppers, had become CLT holders and started to pay back the amortization fee to the Land Bank of the Philippines.

The history of the *haciendas* in Central Luzon goes back to late 19th century, when chinese mestizos began to accumulate farmlands. After the Philippines opened its market to the world in 1910, the increase in haciendas was accelerated. The *hacienderos* became interested in producing commercial crops such as tobacco and abaca for export. They tried to acquire labour from the

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Figure 1.



Source : National Statistics Office

northern part of Luzon by providing the migrants better conditions such as a fixed rent cropping system. This shifted to the standard type of share cropping system as the labour force began to be excessive.

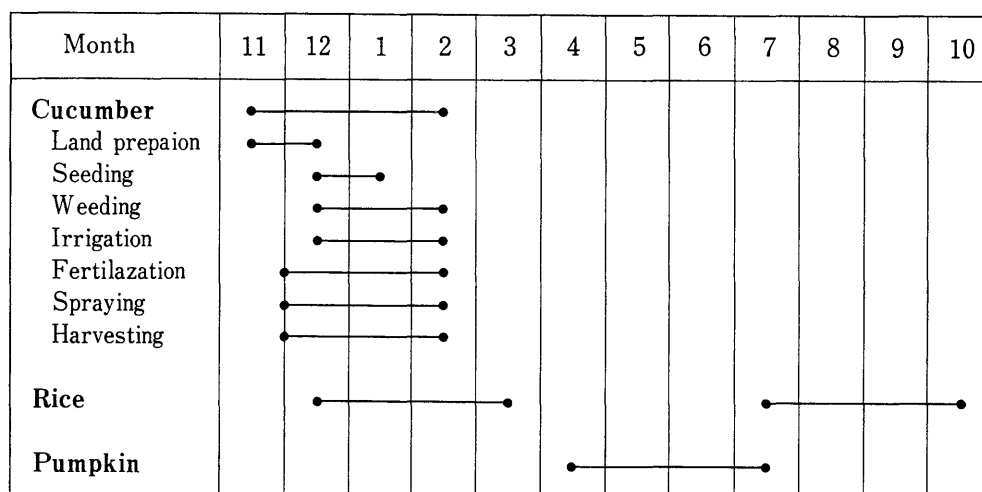
The *hacienda* covering the village has developed as a rice farming area providing rice to the farmers and agricultural workers in the *haciendas* of commercial crops. Even though the farmland is limited, the population is increasing. Therefore, there is quite a big number of landless workers, who have no land to till and make their living as agricultural labourers. Since the late 1960s, the so-called "Green Revolution" has been propagated all over the country. Rice farmers in Nueva Ecija started to employ HYVs earlier than other areas, and this village was not an exception. Most of the villagers began to plant HYVs in the late 1960s in place of the traditional

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varieties. In the late 1970s, a villager started cucumber contract farming as an agent or a cucumber supplier to CMC, an American food processing company. Now, there are nine agents in the village.

Most of the villagers are engaged in agriculture. There are very few who have job outside the village. Some farmers practice double-cropping of rice, but some plant cucumber, pumpkin, and tomato in the dry season as secondary crops while they plant rice in rainy season as seen in Fig. 2. About half of the number of farmers in the village can not plant anything due to lack of water. Since they have no access to the NIA irrigation system, they depend on pump irrigation to augment their income, many of the farmers raise pigs to sell while some raise ducks for home consumption.

Figure 2.



HOW THE CUCUMBER CONTRACT FARMING OPERATES

1. Role playing in the contract farming

We now examine the practices involved in cucumber contract farming. First of all, let us take a brief look at the profile of CMC. This company is an American food processing company producing pickles, fruits juices, pastas, and powdered soup. It obtains its supply of cucumber from local farmers and processes these pickles. Their products are exclusively for domestic consumption so far it deals into contracts of cucumber production with farmers or cooperatives.

Next, we look into the other people involved in cucumber contract farming. Roughly categorized, there are “agents,” who have contracts with CMC ; “planters,” who produce cucumber ; “landowners,” who rent land to the agents ; “money lenders” and “cooperatives,” who lend

Table 1. Profile of the Agents

Agent	Since	Motivation	Number of Caballero Outside planters		
1	1988	Introduction of a friend	56	51	5
2	1988	After an experience of an agent to Craft	31	0	31
3	1988	Introduction of CMC agriculturist	43	32	11
4	1989	Introduction of a friend	39	15	24
5	1985	Inheritance from his father	50	20	30
6	1978	Inheritance from his father	42	30	12
7	1984	Inheritance from her husband	40	0	40
8	1988	Introduction of CMC	27	5	22
9	1989	Introduction of CMC	24	1	23

money to the agents ; “forwarding agencies,” which transport the cucumber to Manila ; and “the labourers”, who are engaged in classifying, and picking up cucumber from the village and unloading in Manila.

There are nine agents in this village out of 32 all over the Philippines. There are 352 planters, of 154 which are from the village (see Table 1). The agents put up the capital necessary for the purchase of agricultural inputs, rents, land preparation, and wage to the agricultural labourers. They rent some money from cooperatives or informal money lenders if their own capital is insufficient. Though there are no cooperatives in this village, the villagers can engage the services of the three cooperatives in the neighboring villages. The agents utilize their own farmland or rent from landowners who do not plant during the dry season, and prepare the land with the use of a rented cultivator.

After land preparation, the planters begin to plant and grow cucumber. The planters are farmers, who are not planting at the moment due to lack of finances of irrigation system, or landless agricultural workers who are standing by because of shortage of employment. A planter takes care of a portion of the cucumber fields of measuring some 1,250 square meters to 5,000 square meters for about 3 month from planting to harvesting. The planters do almost all the works themselves except for seeding, which is done by exchange labour between the planters, and harvesting which is done by hired labour. They decide the combination of labour and usage of agricultural input, and an agriculturalist visits the village once a week to support them technologically. It should be noted that former agricultural workers, whose jobs used to be simple and almost fixed in income such as planting and harvesting rice, were able to exhibit their ability in agriculture in this contract farming. They became tenants. Vegetable cropping is very important

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in absorbing excessive labour, specially landless agricultural workers, for it is more labour intensive than rice. The number of landless agricultural workers is expanding substantially due to unequal distribution of land, limitation in expansion of farmland since 1960s, rapid population growth, and capital-intensive industrialization. After the harvest, the agents hire labourers in order to classify cucumber into several sizes and shapes. This classification is a crucial factor in determining the amount paid to the agents. Forwarding agencies are hired to transport the classified cucumber outside the village, except for these agents who have their own trucks.

In short, CMC enters into a contact with agents for the purchase of cucumber, while the agents prepare the capital, land and transportation, and the planters grow the cucumber. Further, cooperatives and moneylenders lend money, and the landowners rent out their land to the agents, while the forwarding agencies transport the produce. The relationships among CMC, the agents, and the planters are very interesting. The CMC is utilizing the agents who have capital, in order to buy cucumber at a low price, as we shall see later. The planters are forced to sell their produce to the agents, for there is no other source of employment in the village. For example, a cooperative in Cavite gave up contract with CMC after two crop seasons, because the price of cucumber suggested to the cooperative was not so attractive to them. It can be said that CMC decides the price of the cucumber, exploiting the planters by means of the agents.

2. Pricing system

CMC decides the necessary tonnage of cucumber supply per cropping season, and allocates it to all agents in the Philippines. CMC holds a meeting with all the agents once a year so that it can decide the price of cucumber and the allocation of supply, based on such factors as the capital, available area, and the results of the last year's supply. As the number of agents increases, the allocation of supply decreases. On the other hand, the price of cucumber increases. The price of cucumber is decided based on the price of agricultural inputs such as fertilizer, insecticides, gasoline, and that suggested by the agents. When an agent agrees with the terms of the contract, CMC writes out a purchase order. The agents also decides an uniformed buying price of cucumber from the planters almost exclusively, without any negotiation.

Table 2 shows the buying prices of cucumber faced by CMC, and the agents. There are six

Table 2. Price of Cucumber in Pesos/kg.

Class	3	4	5, SD	LD, OS
CMC's buying price	12.25	8.0	5.90	1.50
Agents' buying price	6.70	4.0	2.60	0.50

kinds of cucumber, according to size and shape, namely, 3, 4, 5, SD (Shortly Deformed), LD (Largely Deformed), and OS (Over Sized). CMC buys only the first four types, while LD and OS are sold to the vegetable buyers and other multinational companies such as Craft. The tonnage of size 3 that CMC buys is limited. Table 2 shows that the agents buy the cucumber at almost half the price of that provided by CMC. It is just the same as the share cropping system in rice cropping, in which the cost of land preparation is paid by the landowner and the costs of all the agricultural inputs are borne by a tenant.

IMPACT OF THE CONTRACT FARMING IN THE VILLAGE

1. Impact on the agents

First, we shall discuss how much income the contract farming generates for the agents. As explained before, harvested cucumbers are classified into six classes. CMC buys only four of them, the rest are sold to other vegetable buyers. The agents transport the classified cucumbers to CMC, but not all of them are bought by CMC. Some of them are rejected or reclassified to lower classes. The classification of cucumber supplied largely determines how much income the agents get.

The gross income of an agent through the contract farming is the total price paid by CMC minus the cost he burdens. As mentioned before, the agricultural inputs such as fertilizers and chemicals are purchased by the agents, but the cost is supposed to be paid back by the planters

Table 3. Rent Payment

Agent	Planted Area (ha.)	Total Rent (Pesos)	Rent per ha. (Pesos/ha.)
1	6	18,000	3,000
2	2	12,000	6,000
3	3	10,500	3,500
4	0	0	-
5	7	21,000	3,000
6	5.5	17,000	3,090
7	6.0	15,000	2,500
8	5.0	14,500	2,900
9	6.0	18,000	3,000
Ave.	4.5	14,000	3,111

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eventually. The total cost that an agent incur consists of the rent, land preparation, interest payment to cooperatives or money lenders, transportation fee, and wages paid to the landowners averages P3,000 (see Table 3) per hectare. Though the landowners and the agent negotiate over the amount of rent, there seems to be a kind of a fixed rate. The contract farming thus utilizes the uncultivated land and brings extra income to the land owners. The agents cultivate the land under the contract with cultivator—owners at the payment rate of P1,000 to P1,200 per hectare (Table 4).

Agents also borrow some amount of money from cooperatives of private moneylenders, if his own capital is not sufficient. The Land Bank of Philippines (LBP) grants a financial loan of P15,000 per hectare with 18 percent interest annually through a cooperative (see Table 5). Although there are no cooperatives in this village, the villagers can be members of any of three cooperatives in the neighboring villages. All the agents belong to some cooperative. If the loan given to the agent is not sufficient, an agent has no other choice but to depend on the private money lenders, who charge him 10 percent monthly interest. The development of cooperative movement has definitely contributed to the welfare of the agents. The contract farming has brought about so-called “investment income” such as rent and interest payments.

An agent transports cucumber to Manila every two to three days during the harvest time or 20 times in two months (see Table 6). The average total cost per trip costs an agent around P2,000. And they have to pay for the food and drinks of the drivers and the labourers who handle cucumbers in the village and Manila. It costs P300 to P600 a trip. The agent also pays wages for classifying and handling cucumbers. These tasks are usually done by the villagers employed in

Table 4. Land Preparation Cost

Agent	Planted Area (ha.)	Cost (Pesos)	Cost per ha. (Pesos/ha.)
1	9	9,000	1,000
2	5	6,000	1,200
3	7.5	9,000	1,200
4	6	7,200	1,200
5	8	8,800	1,100
6	5.5	6,600	1,200
7	6	7,200	1,200
8	5	5,500	1,100
9	6	6,000	1,000
Ave.	6.4	7,255	1,133

Table 5. Interest Payment

Agent	Cooperative				Informal Money Lenders				Total Interest Payment (Pesos)
	(Pesos) Loan	%/mo.	Mo.	(Pesos) Interest	(Pesos) Loan	%/mo.	Mo.	(Pesos) Interest	
1	90,000	3	6	16,200	30,000	10	3	9,000	25,200
2	90,000	3	6	16,200	0	-	-	0	16,200
3	150,000	3	6	27,000	0	-	-	0	27,000
4	0	-	-	-	120,000	5	6	36,000	36,000
5	90,000	3	6	16,200	60,000	10	3	18,000	34,200
6	165,000	3	6	29,700	50,000	10	3	15,000	44,700
7	90,000	3	3	8,100	30,000	10	3	9,000	17,000
8	90,000	3	6	16,200	50,000	10	3	15,000	31,200
9	90,000	3	6	16,200	55,000	10	3	17,500	33,700
Ave.	95,000	3	5	15,200	43,889	7.2	3	13,278	29,467

Table 6. Transportation Cost

Agent	Cost per Trip (Pesos)	Food and Drink (Pesos)	No. of Trips	Total Cost (Pesos)
1	1,150	600	14	24,500
2	2,500	500	19	57,000
3	1,550	300	16	29,600
4	750	300	21	22,050
5	2,500	500	20	60,000
6	2,500	600	22	68,200
7	1,400	360	15	26,400
8	2,350	500	20	57,000
9	1,150	600	14	24,500
Average	1,760	473	18	41,028

these works. The average wage for classifying cucumbers is P67 per person, and that for handling cucumbers is P57 per person (see Table 7). Many agents consider the former task is more important than the latter. The task of classification has become a more rigorous process, thus creating much employment.

Of the total cost borne by agents, interest payment and transportation take up a sizable chunk, comprising more than 70 percent. Rent and wages are minimal (see Table 8). The average net income of all the agents is P85,000 (see Table 9). However, two of them were in the red, with

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Table 7. Wage in Pesos

Agent	Classification		Handling	No.	No. of Trips	Total Cost
	Wage/day	No.	Wage/day			
1	80	4	80	6	14	11200
2	90	2	40	3	19	5700
3	50	2	50	16	16	14400
4	50	1	50	2	21	3150
5	50	4	50	5	20	9000
6	80	2	80	6	22	14080
7	50	1	50	3	15	3000
8	100	2	50	5	20	9000
9	50	2	60	5	14	5600
Average	67	2	57	6	18	8348

Table 8. Total Cost of the Agents in 100 Pesos

Agent	Land Prep.	Rent	Interest	Transportation	Wage	Total Cost
1	90(10.2)	180(20.5)	252(28.7)	245(27.9)	112(12.7)	879(100)
2	60(6.2)	120(12.4)	162(16.7)	570(58.8)	57(5.9)	969(100)
3	90(9.9)	105(11.6)	270(29.8)	296(32.7)	144(15.9)	905(100)
4	72(10.5)	0(0)	360(52.6)	220(32.2)	32(4.7)	684(100)
5	88(5.3)	110(6.6)	780(46.8)	600(36.0)	90(5.4)	1768(100)
6	66(4.4)	170(11.3)	447(29.7)	682(45.3)	141(9.4)	1506(100)
7	72(8.0)	150(16.7)	390(43.5)	255(28.4)	30(3.3)	897(100)
8	50(4.7)	145(13.6)	312(29.2)	470(44.0)	90(8.4)	1067(100)
9	60(4.7)	180(14.2)	725(57.3)	245(19.4)	56(4.4)	1266(100)
Ave.	72(6.5)	140(12.7)	411(37.2)	398(36.1)	84(7.6)	1104(100)

Table 9. Net Income of the Agents Earned by Cucumber Contract Farming in Pesos

POH	Gross Income	Cost	Net Income
1	219660	87900	131760
2	58900	96900	-38000
3	221500	90500	131000
4	60000	68400	- 8400
5	468000	176800	291200
6	308980	150580	158400
7	132500	89700	42800
8	121700	106700	15000
9	170600	126600	44000
Average	195760	110454	85307

one agent's deficit is more than P30,000. Apparently, although cucumber contract farming is a very lucrative enterprise, it could also lead to a big deficit.

Next, we take a look at income earned from cucumber contract farming, as a percentage of total income. Our data comes information pertaining to eight agents. As see in Table 10, their other sources of income consist of rice cropping, pumpkin growing, and tricycle-driving. All of the eight are landowner farmers, seven of them are planting rice. The income agents earn from cucumber contract farming comprises more than half of their total income.

2. Impact on the planters

Table 11 shows the area allocated to each planter and the net income. The twelve landless

Table 10. Income Sources of the Agents in Pesos

Agent	Cucumber	Rice	Others	Total
1	131760	110152	45000	286912
2	-38000	21840	-	-16160
3	131000	92200	-	223200
4	- 8400	*	*	*
5	291200	34000	-	325200
6	158400	32200	0	190600
7	42800	28693	-	71493
8	15000	-	21900	36900
9	44000	7100	-	51100

* Data is not available.

Table 11. Net Income of Planters Earned form Cucumber Production in Square Meter, Pesos

Landless Planters			Land Owner Planters		
Planter	Planted Area	Net Income	Planter	Planted Area	Net Income
1	1250	4000	1	2500	1200
2	1250	6000	2	1250	1060
3	1250	5000	3	2500	13000
4	1250	2000	4	2500	12000
5	1250	11000	5	2500	11000
6	2500	5000	6	2500	6000
7	1250	7000	7	3750	6000
8	3750	10000	8	3750	5000
9	2500	3500	9	1250	600
10	1250	7000	10	1250	9000
11	3075	6000	11	1250	12000
12	2500	7000	12	5000	2000
Ave.	1923	6125	Ave.	2500	6572

planters and twelve land-owner planters were chosen by random sampling. The net income of a planter is the total price paid to them by the agents for the cucumber they produce minus the price of fertilizer, insecticides, gasoline, wages, and so on. The data on net income which they gave are based on recall, and thus they may not be accurate. They are not accustomed to keeping records of their revenues.

According to the agents, a planter's basic unit of responsibility measures 1250 square meter of the cucumber field. Most of the tasks in this unit are done by a planter alone, so that a planter is limited to only one to two units, with an average area of 2211 square meter. The average area cultivated by landless planters is 2025 square meter while that of landowner-planters is 2395 square meter. The average net income of landless planters is P6,125, while that of land owner planters is P6,571. It should be noted that the average net income per square meter of landless planters (P3.0/ha) is much higher than that of landowner—planters (P2.7/ha.). It proves that landless planters are not inferior to the landowner planters in the management of agriculture. It is not favourable for the development of agriculture that the people with adequate management ability like them are not being fully utilized and are engaged in simple agricultural labour. Vegetable cropping should be an appropriate activity to absorb the underemployed labour forces in the villages. The problem is that there are not enough stable and profitable markets of vegetables in the villages. CMC thus gave them an opportunity to overcome this problem.

Table 12 shows the sources of income of the landless planters. The most popular source of income for the landless planters is wage for agricultural labour such as planting and harvesting rice. One of them is engaged in the contract of *porsiyentuhan*, in which a labourer undertakes most of the rice farming under the supervision of his employer and gets 10 percent of the produce after the harvest. *Porsiyentuhan* can be categorized between *kasama* systems and seasonal agricultural labour, because even though the labourer is not totally independent when it comes to management, he is responsible for a certain piece of land for a certain period of time. Except agricultural wage labours, some of them are engaged in pumpkin production as planters. As mentioned before, many farmers here plant pumpkin during the dry season. Some of them employ the capitalist-planter system, in which a capitalist farmer put up the capital and a planter-farmer, or landless agricultural worker takes care of the production.

We shall now look into the sources of income of landowner-planters. As seen in Table 13, all of them plant rice during the rainy season. And except for two planters, rice-growing is their most important source of income. Three planters are engaged in pumpkin growing. Other sources of income are hog raising and tricycle-driving. Many villagers raises pigs as secondary source of income. Usually they buy suckling pigs and raise them in the backyard until these pig grow big enough to be sold.

Table 12. Landless Planters' Sources of Income in Pesos

Planter	Cucumber	Plant Rice	Harvest Rice	Others	Total
1	4000			6000 (rm)	10000
2	6000				6000
3	5000				5000
4	4000	1000	15K		5000+15K
5	11000		13K	13800 (t)	24800+13K
6	5000		3K		5000+ 3K
7	7000	300	5K	100 (ch)	7400+ 5K
8	1000			30K (pl)	3000+30K
				2000 (pp)	
9	3500			10000 (pp)	13500
10	7000		15K		7000+15K
11	6000				6000
12	7000	430	5K	18500 (pp)	25930+ 5K
Ave.	5544	144.2	4.7	4200	9469+7.2K

k means kaban, or about 45kg of palay; rm, wage at a rice mill; t, wage as a truck driver; ch, wage for cucumber harvesting; pp, income as a pumpkin planter; pl, wage as a permanent labour.

Table 13. Land Owner-planters' Sources of Income in Pesos

Plant	Cucumber (Pesos) (%)	Rice (Pesos) (%)	Others (Pesos) (%)	Total (Pesos) (%)
1	1200 (14.4)	7143 (85.6)		8343 (100)
2	1060 (2.4)	41768 (97.6)		42843 (100)
3	13000 (61.4)	8170 (38.6)		21170 (100)
4	12000 (59.6)	8150 (40.4)		20150 (100)
5	11000 (78.2)	3057 (21.8)		14057 (100)
6	6000 (15.0)	5000 (12.5)	28190 (72.5)	39190 (100)
7	6000 (7.3)	65340 (80.3)	10000 (12.3)	81340 (100)
8	5000 (34.8)	7350 (51.2)	2000 (14.0)	14350 (100)
9	600 (17.2)	2898 (82.8)		3498 (100)
10	9000 (35.1)	13624 (53.2)	3000 (11.7)	25624 (100)
11	12000 (41.4)	11940 (41.3)	5000 (17.3)	28940 (100)
12	2000 (13.0)	13436 (87.0)		15436 (100)
Ave.	6572 (25.0)	15656 (59.5)	1583 (6.0)	26303 (100)

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Table 14. Labour input per planter in MD

	Seed- lings	Ferti- zation	Irri- gation	Spray- ing	Weed- ing	Harvest	Total
Planter	0.8	4.5	9	8.8	4.3	17.9	45.9
Hired Labour	0	0.4	0	0.3	0.1	38	38.9
Exchange Labour	2.9	0	0	0	0	0	2.9
Family Labour	0.7	0.3	1.1	0	5	24	31
Total	4.4	5.2	10.1	9.1	9.4	79.9	118.7

Let us examine the impact of contract farming on employment. The production cycle of cucumber is almost the same across different types of planters. Table 14 shows the labour input on cucumber planting per planter. Cucumber is planted only in the dry season in this village. The major agricultural tasks for cucumber production are land preparation, seeding, weeding, irrigation, fertilization, spraying insecticides, and harvesting. Almost all these activities, except for land preparation, seeding, and harvesting are done by a planter alone. Seeding may be done alone or an exchange labour between planters. Harvesting is mostly done by hired labour, for it is time-consuming and back-breaking. Harvesting cucumber is done every two to three days a week for two weeks. Some 38 man-days labour is needed for a harvest job per planter, consisting 67.3 percent of the work. In all, 118.7 man-days of labour input was used for cucumber production, from seeding to harvesting.

CHANGE IN STANDARD OF LIVING OF THE PLANTERS

Table 15 shows the employment profile of planters during the time of cucumber production before they started to be involved in cucumber production. Five of the landless planters were not

Table 15. Planters' Former Occupations in the Cucumbmer Production Season

	Occupation	No.
Landless planters	Seasonal agricultural labourer	6
	Permanent labourer	1
Land owner planters	Rice growing	4
	Rice and vegetable growing	4

Table 16. Planters' Change in Standard of Living

	Deteriorated	No change	A little	Improved fairly	A lot
Landless planters	0	4	5	3	0
Landowner-planters	0	3	4	3	2
Total	0	7	9	6	2

yet independent before they started cucumber contract farming. Six of the rest used to be employed as agricultural labourers for planting and harvesting rice. One landless planter used to be a permanent labourer in the *porsiyentuhan* system. Three landowner-planters were dependent on their parents before they started cucumber production. Four of them used to be engaged in rice farming, and four in rice and pumpkin farming. One of them used to be a landless agricultural labourer.

With the advent of the contract farming in cucumber production, how has their standard of living changed? (See Table 16). The planters chose answer from a "deteriorated substantially," "deteriorated", "deteriorated a little bit", "no change," "improved a little bit", "improved fairly", and "improved a lot." No planter answered that his standard of living was deteriorated. There are seven who answered "no change," nine felt that their standard of living "improved a little bit", six answered "improved," and two answered "improved a lot." Although the contract farming is not less profitable than their previous activity, it is not as attractive as expected, judging from seven who answered "no change." Therefore, it can be said that impact on the contract farming varies for the income of the planter are different.

CONCLUSION

The village which was the subject of this study is located in Nueva Ecija, which is considered to be one of the most advanced areas in terms of agricultural technology. Land reform has also been successfully implemented since the *haciendero* or the former landowner gave up his farmland to the tillers after the land reform under the Marcos regime. An American food processing company came into the village and started contract farming of cucumber in the late 1970s. In the contract farming, the company, the agents, and the planters play distinct roles. The company provides the agents a market. The agents put up the capital, land, and labour, and also transport their cucumber to the company. The planters are the ones responsible for cucumber production. The agents buy cucumber from their planters and sell them to the company. In deciding the price

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of cucumber, the agents have a chance to negotiate with the company even though they are not wield that much of an influence. The planters have no chance to negotiate with the agent. The agents buy cucumber from the planters at half of the price provided by the company. The arrangement is reminiscent of the share cropping system, which is said to be more disadvantageous to the farmers. Through this contract farming, the net income of an agent is about P85,000 a harvest on average, on the other hand that of a planter is only P6,000. This contract farming brought about positive impacts to the villagers, as it has generated income and employment, especially for the landless agricultural workers, provided agents with stable and substantial markets, and helped indirectly to develop the marketing system of agricultural products. But it should be noted that the agents are tending to become commercial elites, whose accumulation of capital is based on exploitation of the planters. It could lead to the widening inequality of income in the village. Moreover, it could be very detrimental if the contracts of the village were to be more deeply entrenched, because the company has no obligation to stick to the village nor to continue to demand the villagers agricultural produce.

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