



KAISAHAN
tungo sa Kaunlaran ng Kanayunan at Repormang Pansakahan
(Solidarity towards Agrarian Reform and Rural Development)
est. 1990

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POSITION PAPER ON HB 229 AND HB 2177

“AN ACT AUTHORIZING THE GRANT OF A FULL CROP INSURANCE COVERAGE TO QUALIFIED BENEFICIARIES OF THE COMPREHENSIVE AGRARIAN REFORM PROGRAM AMENDING FOR THE PURPOSE SECTION 14 OF REPUBLIC ACT NO. 9700, OTHERWISE KNOWN AS THE “COMPREHENSIVE AGRARIAN REFORM PROGRAM EXTENSION WITH REFORMS”

I. Rationale

The Philippines is an archipelago located along a typhoon belt and the so-called Ring of Fire, a vast Pacific Ocean region where many of Earth’s earthquakes and volcanic eruptions occur.¹ Inherent to its location, the Philippines has one of the highest exposures to natural hazards in the world.

Report of the United Nations identified the Philippines as the third most at risk to climate change events. Another report by German Watch, an environmental organization, on the Global Climate Risk Index of 2015, which lists the most affected countries by weather related disturbances, like storms, floods and heat waves based on the 2013 events, the Philippines is came on top as the most vulnerable.² Risk experts also consider the Philippines as the tenth most-affected country by climate change with certain sectors- particularly the agriculture, farming, and fisheries sectors – bearing the most productivity and economic impact.

As an agricultural country, two-thirds of the Philippine population is directly and indirectly exposed to the impacts of climate change events. The agriculture sector, composed of the rural poor (farmers and fishers) is the most likely affected mainly because productivity and agricultural sector depends on weather, sustainability of water, and remaining biological resources but also because the population mainly rely on it for food and livelihood.³

In recent years, we have suffered from agricultural damage brought about by extreme weather events such as typhoon, flooding and droughts. On October 2015, the Department of Agriculture (DA) estimates a total of 5.9 Billion agricultural damaged caused by Typhoon Lando.⁴

¹ <http://newsinfo.inquirer.net/507589/the-deadliest-natural-disasters-in-the-philippines>

² Pagaddu, R.A (2016). Government and its Role in the Implementation and Enhancement of the Crop Insurance Program in the Philippines. NIA Complex, Diliman, Quezon City.

³ Hilario, M.G.M. (2015). Braving the Uncertainties of Weather: “Weather Index-Based Insurance as Agriculture Risk Transfer Mechanism for Climate Change Adaptation and Risk Reduction in the Philippines”

⁴ <http://www.gov.ph/2015/10/20/agriculture-damage-from-lando-hits-p5-9-billion/>

While in February 2016, strong El Niño damaged an estimate of 4 Billion on Philippine farms that relates to a total of 79,617 tons of produce grew in 47,868 ha of farms tended by some 35,000 farmers.⁵ On December 2016, Typhoon Nona brought 4.3 Billion cost of damage to agriculture in regions II, III, IV-A, IV-B, V, and VIII.⁶ Farmers, which belong to the rural poor, suffers the most during these calamities where they rely on agriculture production as a source of income and livelihood.

Clearly, the government and its instrumentalities should create or adopt policies and program on risk management schemes to build resilience our agricultural sector. One mechanism for managing risk is the agricultural insurance or crop insurance.

Agricultural insurance can be an effective safety net that would enable agricultural producers, particularly the transient poor or those who are moving in and out of poverty, to recover more quickly from the shock. It is a government program that provide insurance protection to agricultural producers against loss of the crops, livestock and agricultural assets on account of natural calamities, plant pests and diseases and/or other perils.⁷ It helps stabilize financial fluctuation for those engaged in agriculture. Crop insurance is also a risk management mechanism designed to even out and mitigate agricultural risks and consequence of natural disasters more bearable to the marginalized farmers.⁸

In the Philippines, agricultural insurance is supervised by the Philippine Crop Insurance Corporation (PCIC). PCIC, created in 1978, is a government owned and controlled corporation under the Department of Agriculture. It operates with a social mandate to “insure qualified farmers against losses arising from natural calamities, plant diseases, and pest infestations. Initially, the corporation shall provide insurance coverage for palay crops, and later to other crops without prejudice to the inclusion of other non-crop agricultural assets such as but not limited to machineries, equipment, transport facilities and other related infrastructure”⁹ as stated in Section 3 of RA 8175.

While there is a strong institutional performance of the PCIC in 2014 with an increase of 23.43% of farmers availing various insurance from the previous year (total of 917,814 farmers) and 56.55% increase in farm area covered (total of 792, 208 hectares), the participation of subsistence farmers is relatively low in comparison to agricultural land area of 7.2 million hectares and 10.4 million agricultural workers in the country.¹⁰ One of the main reasons for the low participation is the premium required to pay to participate in the insurance program. Although there are subsidies shouldered by the government, it is still a burden for the marginalized farmers to pay the required premium to avail insurance services – these include the agrarian reform beneficiaries of Comprehensive Agrarian Reform Program.

⁵ <https://business.inquirer.net/207351/el-nino-farm-damage-rises-to-p4b>

⁶ NDRRMC Report (2016) Situational Report No. 19 for Typhoon Nona

⁷ PCIC.2006. The Philippine Crop Insurance Corporation: Frequently Asked Questions.

⁸ Crop Insurance in the Philippines: Security for farmers and agricultural stakeholders

⁹ RA 8175 Section 3 Creation of the Philippine Crop Insurance Corporation

¹⁰ 2012 Census of Agriculture

ARBs are qualified subsistence farmers that can avail the insurance program of PCIC. However, there are only 7,477 agrarian reform beneficiaries that engaged and availed the program under the Agrarian Production Credit Program (APCP) and DAR – Land Bank Credit Assistance Program for Program Beneficiaries Development (CAP – PBD). Full premium subsidy for the cost of insurance are provided by PCIC but only for those ARBs participating under the program can avail of such benefit: roughly 0.0026% of the total 2,790,644 ARBs with distributed land facilitated by the Department of Agrarian Reform (DAR).¹¹ Farms of the remaining 99% ARBs managing crops, roughly 4.7 million hectares, are still at risk especially in times of extreme weather conditions and events.

Given these gaps, policy proposals that address and uplifts the welfare of the landless tillers toward social justice and rural development are necessary and passage of these propose measures are urgently sought. Both House Bills 229 and 2177 are important policy proposals that seek to improve the lives of the landless tillers and contribute to poverty alleviation.

Kaisahan Inc. hereby supports the passage of proposed measures HBs 229 and 2177.

II. HB 229 and 2177

Kaisahan supports Section 1 of HBs 299 and 2177 to amend Section 37 of Republic Act 9700 on support services to agrarian reform beneficiaries to include full crop insurance coverage to farmer beneficiaries. It provides that:

Section 1 Section 37 of Republic Act 6657, as amended, is hereby further amended to read as follows:

Sec. 37. Support Services for the Agrarian Reform Beneficiaries. – The State shall adopt the integrated policy support services delivery to agrarian reform beneficiaries. To this end, the DAR, the Department of Agrarian Reform, and the Bangko Sentral ng Pilipinas shall institute reforms to liberalize access to credit by agrarian reform beneficiaries are provided, such as:

(a) Xxx;

Xxx;

(f) xxx; and

(G) FULL CROP INSURANCE COVERAGE TO FARMER BENEFICIARIES. COMPENSABLE LOSSES INCLUDE NATURAL CALAMITIES SUCH AS TYPHOON, FLOOD, DROUGHT, EARTHQUAKE, AND VOLCANIC ERUPTION, PLANT DISEASES AND PES INFESTATIONS. THE TERM INSURANCE IS FROM PLANTING UP TO EXPECTED DATE OF HARVEST.

Farmers beneficiaries are among the poorest, most food insecure and vulnerable segment of the rural population that are mostly at risk and severely affected during calamities. Most of

¹¹ Presentation of the Department of Agrarian Reform during the Senate Committee on Agrarian Reform, 2016.

these could not afford failed seasons of cropping. Adding crop insurance as an intervention gives assurance to farmers to have at least break even during the season. Unfortunately, these farmer beneficiaries cannot afford to pay the premium required to avail the crop insurance program. This is evident in the PICC report mentioned above where only 7,477 ARBs are assisted under APCP and CAP-PBD. Farmer beneficiaries of CARP that has been given piece of land to own, possess, and cultivate are still paying for the amortization of land, hence, it is a burden to pay for the required crop insurance. Also, not all ARBs are availing the APCP and CAP-PBD program. Individual ARBs should also be given a chance to acquire full premium coverage even without applying for APCP and CAP-PBD program.

The national government can provide full cost of insurance premiums to subsistence farmers. In fact, the Registry System for Basic Sectors in Agriculture Agricultural Insurance Program (RSBSA-AIP) provides for full (100%) cost of insurance premiums to subsistence farmers and fisherfolks listed in RSBSA in 2015. The national government even appropriated to PCIC P1.3 billion premium subsidy fund for this particular program pursuant to FY 2015 General Appropriation Act (GAA)¹². With the 2017 approved operational budget of P2.5 billion allotment to PCIC¹³, whether expansion of RSBSA-AID program, creation or adoption of new program to cover all full crop insurance to farmer beneficiaries is possible and plausible.

Full crop insurance coverage of farmer beneficiaries will affirm the purpose of the establishment of crop insurance in the Philippines operationalized by the Agricultural Guarantee Fund (AGF), an integral component of the agrarian reform program implemented in 1972, intended to uplift the economic life of the farmer, through land acquisition and income distribution.

While it is commendable that policies and programs on support services to the agrarian reform beneficiaries are being reviewed to achieve social justice delivery, a more comprehensive review of the policies and programs on support services as well as its implementation is highly encouraged, such as initial capital, social credit, among others. Only about 50% of the ARBs have accessed DAR support services since CARP was passed into law in 1988.

Clearly, the battle for long-term economic development is in the agricultural sector. Climate variability and extreme weather conditions not only pose threats to economic development of agriculture but more importantly to safety, welfare, and livelihood of the smallholder farmers and landless tillers. Government efforts to alleviate poverty should have highest consideration to the welfare of marginalized farmers by promoting and supporting comprehensive sustainable services and programs to the qualified beneficiaries. If sufficient government support is given and sustained, rural development will be achieved.

¹² <http://pcic.gov.ph/rsbsa/>

¹³ <http://www.dbm.gov.ph/wp-content/uploads/GAA/GAA2017/VolumeI/GAZETTE%20VOLUME%201-A-Dec27.pdf>