Property, Possession, Incorporation: Agribusiness Venture Agreements in the Philippines

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Abstract

Of late, incorporating smallholder land, through partnerships with agribusiness firms that cultivate export crops has received some attention among scholars, policymakers and non-government organizations (NGOs). Some see such partnerships as a means of raising smallholder incomes, and achieving rural development. However, several case studies have shown that such partnerships can result in low incomes, and effective dispossession of smallholders. This essay examines how this dynamic occurs by comparing the experiences of smallholders in the Davao Region of the Philippines. I argue that despite the smallholders observable and enforceable property rights, the costs and risks of cultivation, coupled with an unfavorable political environment generate

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conditions under which smallholders cede control over their holdings in a partnership.

This results in both lower incomes, and exclusion from the use of their land.

JEL-Classification: F21, O13, Q15, Q34

Keywords: Agribusiness, Export, Governance, Philippine Agriculture
1 Introduction

Of late, incorporating smallholder land through partnerships with agribusiness firms that cultivate export crops has received some attention among scholars, policy-makers and non-government organizations (NGOs). Some see such partnerships as a means of raising smallholder incomes, and achieving rural development (see, e.g. Mondiale, 2008; Robertson and Pinstrup-Andersen, 2010; Cramb and Curry, 2012). This is because agribusiness firms can introduce new technologies, provide capital inputs, and link smallholders to markets for their crops. Others have not shown the same enthusiasm. The literature reports cases of smallholders losing the ability to use their holdings and receiving only poverty-level remuneration (Hall, 2011; Colchester et al., 2011).

Many observers attribute the adverse outcomes of smallholder incorporation to governance institutions that are complicit to coercive activity (see e.g. Borras Jr et al., 2010). Few have discussed how even consensual transactions can deprive smallholders of the ability to determine who can use their lands and how (see e.g. Wilson, 1986). This essay examines factors that influence smallholders’ decisions in choosing the structure of their partnerships with agribusiness firms. I argue that the very economic problems which agribusiness partnerships are meant to alleviate may themselves force smallholders to accept contracts where they lose rights to their land. I do this by first showing how one can disentangle property rights and control over an asset, and that the choice of a structure of incorporation (or business model) is an exchange of control over land. Thus, it is possible for investors to effectively dispossess smallholders despite their possession of formal property rights. I will then illustrate this dynamic using a field investigation among agrarian reform beneficiaries (ARB’s) in the Davao region of the Philippines.

This paper aims to make two contributions to the literature on agribusiness incorporation. First, I introduce a framework for analyzing agribusiness contracts by understanding what provisions deprive smallholders of effective control over their lands. Second, I conduct a comparative study of agribusiness projects with ARBs in the Philippines to analyze the
political and economic conditions that give rise to different contractual types. To my knowledge, past studies of agribusiness partnerships among this population have drawn conclusions from singular cases, or have used several cases to illustrate resulting political-economic transformations without examining reasons for the variations in contract types. This paper uses multiple case studies to illustrate how debt, the risk of losing land, and lack of information on alternative contract types inform a smallholder’s decisions in choosing a contract. These similar factors have been shown to influence smallholders’ choices in various international contexts (see e.g. Cramb and Curry, 2012; Jiwan, 2013).

The essay is arranged as follows. Section 2 discusses current issues that arise from smallholder incorporation, drawing from economic theory and the literature on agrarian political economy. Section 3 discusses the issue of property rights and contracting in economic theory. I outline a framework for disentangling possession or control from property rights using insights from legal theory and institutional economics. I then apply it to a typical taxonomy of business models or “structures of Incorporation”. Section 4 introduces smallholder incorporation in the specific context of post-land-reform policies in the Philippines, and discusses the field work. Section 5 presents the results of the field investigation. I begin by summarizing the historical experiences of different ARB groups that I interviewed, focusing on economic and socio-political challenges they faced in making their contract choices. I then discuss what these conditions mean for the resulting degree of control over their holdings specified in their contracts, and what these contracts meant for their income and well-being. The final section discusses policy implications of these findings.

2 Smallholder Incorporation

Economic literature considers two broad channels through which agribusiness incorporation can yield benefits for smallholders. The first are macroeconomic channels directed toward rural development (Cook and Chaddad, 2000). Agribusiness incorporation can establish
linkages between farm and non-farm sectors through the cultivation of non-traditional crops. In a setting where subsistence crops are widely cultivated, links to other sectors may be weak or absent. Often, agribusiness firms cultivate crops for export rather than food or subsistence. To ensure that these crops are marketable, it is necessary to coordinate transport, refrigeration, processing mills and other upstream market links. Further links can also come through input markets such as fertilizers, machinery, and construction for building necessary infrastructure on land. In this way, agribusiness investment can generate agglomeration advantages with complementary industries, especially where agribusiness clusters form. Finally, agribusiness investment can also allow a country to benefit from inflows of foreign direct investment (FDI) (Reardon and Barrett, 2000).

The second channel by which agribusiness incorporation can bring improvements for smallholders is in improving opportunities for smallholders to use their lands as a viable source of income. Smallholders face challenges in both access to inputs, and access to markets for their crops. Both of these can restrict their income generating opportunities. Monopolistic creditors who can charge high interest rates often dominate rural credit markets. If such creditors are the only source of credit to purchase inputs for cultivation, smallholders face higher costs of investing in their holdings (see e.g. Hoff and Stiglitz, 1990; Besley, 1994; Ghosh and Ray, 2016). The lack of infrastructure such as roads (Shami, 2012), high transport costs, and lack of necessary technologies such as refrigeration (Barrett et al., 2012) create difficulties for smallholders in accessing markets, leading to spoilage and crop damage. As a result smallholders may have to depend on monopsonistic or oligopsonistic buyers who have the means to bring their crops to market. Agribusiness investment can relieve these constraints through providing capital for inputs and/or outlets for smallholder produce. Agribusiness partnerships that provide smallholders with capital relieve investment constraints for smallholders. Further, partnerships guaranteeing access to transport or buying crops can reduce the risks associated with marketing (Wang et al., 2014).

Considering the possibilities of agribusiness partnerships for rural development and poverty
reduction, policy-makers and state actors in the global south have taken measures to attract
and legitimize such ventures through development plans and guidelines (German et al.,
2016). In some cases, governments have facilitated the process of agribusiness incorporation
by identifying appropriate sites for agribusiness investors and negotiating with smallholders
(Colchester et al., 2011). Identifying appropriate sites and smallholders who have the ability
to cultivate crops can alleviate some uncertainty by enhancing the quality of information
that investors have regarding the potential profitability of their partnerships.

Some scholars point out, however, that actions of states may result in adverse outcomes
from smallholder incorporation. Some case studies suggest that states sometimes adjust
environmental and labor standards in order to make the prospect of locating in their country
more lucrative (Jiwan, 2013). Agribusiness investment may also appeal to local government
actors that have influence over smallholder communities through historic and kinship ties.
These actors may use their influence over communities to convince or coerce them into
incorporation (Lavers, 2012). Trends in land acquisitions further corroborate case studies
of agribusiness firms taking advantage of weak protections for smallholders (Borras Jr and
that agribusiness investors are attracted to countries that have weak protections for local
land rights.

While the actions of states may play a significant role in determining the outcomes of
agribusiness incorporation, these are not sufficient to explain adverse outcomes. Social and
economic circumstances may force smallholders into contracts where they are completely
dispossessed of their lands even without the actions of the state. To understand how this
can occur one needs to consider two configurations of property rights. The first are property
rights ex ante that form the foundations for contracting by providing a supposedly secure
basis for the exchange of assets. The second is the configuration of property rights ex post-
the resulting configuration of rights and privileges which determine each partner’s control
over land.
3 Property, Possession and Structures of Incorporation

Well-defined property rights are among the bases for partners to contract. Secure property rights can minimize the risks of losing an asset that is used in production, or, the risks of losing crops (Ghatak and Besley, 2010; Auerbach and Azariadis, 2015). Insecurity can also create frictions through the credit channel, by reducing the collateral value of an asset and preventing the asset holder from gaining access to credit (Besley et al., 2012). When property rights are secure, partners to a contract can ensure that their investments are safe. Secure, well-defined property rights do not mean, however, that an asset holder will have control once the contract is in force. Contracts also reassign certain abilities to each partner which can determine who effectively controls land.

In economic literature, partners to a contract choose a structure of incorporation or business model, to overcome information asymmetries in the allocation of inputs such as labor and capital (Das, 1999), asymmetric bargaining power (Schmitz, 2013) and other uncertainties introduced by laws, culture and norms (see, e.g. Che and Facchini, 2009). The firm structure is sometimes modelled as a structure of compensation where the investor decides to offer either a share of profits, a purchasing price for the product, or a fixed payment. Others model an ownership structure as the ability of one partner to take control of the firm and its assets (Grossman and Hart, 1986; Antràs, 2014). In the context of agribusiness, some have pointed out how structures of incorporation can displace decision making rights from farmer/ smallholder to processors or investors (Key and Runsten, 1999; Reardon et al., 2000). Among possible rights exchanged in a contract are the ability to exclude others from the use of land, and the ability to determine how the land is used. Such an allocation of rights constitutes a level of control that is different from the \textit{ex-ante} property rights that allowed contracting to take place. For example, a smallholder may have been able to decide what crops are cultivated on her holding before entering a partnership. However,
a contract may stipulate that she can only cultivate one crop, thus, reassigning the ability to decide how the land is used. These decision-making rights in turn may affect the income and benefits that smallholders can obtain from a partnership (Cotula and Leonard, 2010).

One can disentangle control and property rights by recognizing that property rights are a set of abilities that someone has over an object or an asset (Cole, 2002; Glackin, 2014; Hodgson, 2015). In smallholder incorporation, a list of rights or abilities over land that are exchanged in a contract are listed as follows:

- **Determine User**- The ability to determine who can work on the land, or who is able to till and harvest. This may extend to who can be employed under the partnership.

- **Withdraw**- Determine the duration of the partnership, or having the option to withdraw land.

- **Determine Use**- Determine what is planted, or being able to determine whether crops will be changed.

- **Determine Methods**- Determine how crops are cultivated including types of fertilizer and materials used.

Table 1 shows the differences among three broad contract types which are widely used in smallholder incorporation (Cramb and Curry, 2012) in terms of Remuneration, and Control (De la Cruz, 2012). Remuneration refers to the income or sources of income that each partner gets from the transaction. Control refers to the abilities that a contract confers to each partner. We can think of lease and growership contracts as two extremes. Under a lease contract, the smallholder forfeits all control over her land, and most production decisions. In the growership contract, the investor acts as a buyer of the smallholders crops, while the smallholder makes most of the decisions on how to cultivate, what methods to use, and whom to employ. However, the investor can use monitoring mechanisms such as checking the state of crops, restricting the types of fertilizers used, and consulting with smallholders to
ensure crop delivery. In between these two extremes are what I broadly call joint ventures. The decision rights that are traded in such intermediary contracts differ considerably. Some joint ventures are framed as management contracts where the investor advises and monitors cultivation. Others are arranged so that the investor builds necessary infrastructure, and then transfers these to smallholders for a share of the profits. In this case, the division of control is temporal. During the building period, the investor may have all the decision-making power. After that, he may act as a consultant to a growership.

The distribution of rights affects the benefits that smallholders get from the partnership. For example, if an agribusiness firm can control what fertilizers are used which may introduce additional expenses for smallholders. This can occur growership arrangements or in joint ventures as part of a quality control mechanism. In some cases, smallholders may retain the ability to work on their lands, giving them another source of income. Smallholder communities may also delineate certain parcels of land to raise food crops or build housing.

What factors contribute to how partners bargain over the allocation of rights and a firm structure? The first of these would be economic factors- whether a smallholder has access to credit, whether they are able to transport their crops to markets, or whether they are able to afford fertilizers and materials for building infrastructure. The second set are socio-political forces such as the laws governing contract regulations, organizations of smallholders, and the degree to which smallholders can give free, prior, and informed consent (FPIC) regarding the differences and advantages of investment contracts (?). The ability of smallholders to obtain proper information regarding contracts, and to refuse these contracts, depends on power-relations between smallholders, governments, and investors. An investor who has developed connections with state actors, for example, can influence how governing bodies weigh their interests against the interests of smallholders (Nolte and Voget-Kleschin, 2014). The experiences of ARBs in the Philippines illustrate how these factors influence how contracts are formed to generate incomes and the distribution of control rights over land.
Table 1: Different contract types and the allocation of abilities. Arrows are meant to show that Joint ventures are an intermediary form of contract. Italics are meant to indicate an ability shared by each partner. Entries under control show who holds each ability. Either the Smallholder, Investor, Jointly held to some degree.

<table>
<thead>
<tr>
<th>Structure of Incorporation</th>
<th>Remuneration</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Smallholder</td>
<td>Investor</td>
</tr>
<tr>
<td>Lease</td>
<td>Wage</td>
<td>Profits</td>
</tr>
<tr>
<td></td>
<td>Joint</td>
<td>Investor</td>
</tr>
<tr>
<td>Joint Venture</td>
<td>Profit-share</td>
<td>Profit-Share</td>
</tr>
<tr>
<td></td>
<td>Joint</td>
<td>Joint</td>
</tr>
<tr>
<td>Growership</td>
<td>Profits from selling to Investor</td>
<td>Smallholder</td>
</tr>
</tbody>
</table>
4 Land Reform and Agribusiness Incorporation in the Philippines

The Comprehensive Agrarian Reform Program (CARP) of the Philippines was passed in 1987 after a protest in which thirteen peasant farmers were killed in a mobilization for land reform now known as the *Mendiola Massacre*. The stated objectives of land reform have not changed since its beginnings: To achieve ”a more equitable distribution of land” founded on ”the right of farmers and regular farmworkers, to own directly or collectively the lands they till, or, in the case of other farmworkers, to receive a just share of the fruits thereof” (Republic of The Philippines, 2009, Chapter 1, Section 2.).

Under CARP, once a person becomes an ARB and receives a Certificate of Landownership Award (CLOA), he/she has to pay an annual amortization for the land within a given time window. There is not a precise formula for payments, but the price takes into account the land’s real estate value (proximity to roads, water, etc), and the value of standing crops, as well as the avowed valuation of the former landowner (Republic of The Philippines, 2009, Chapter 6, Section 17). An ARB is entitled to use the holdings, change its use, and appropriate the gains from its use. However, in keeping with the intent of the law, the ARB cannot sell the awarded holding for a period of ten years after receiving the CLOA.

The implementation of CARP began in 1988 and expired in 2012 after several renewals. Today there is a debate in the Philippine Congress of whether land reform should continue, or whether CARP can be left as it is with over 80% of its intended area of redistribution accomplished (IBON, 2013).

Soon after the implementation of CARP, it was observed that smallholders were entering into leasing and growership contracts with agribusiness investors. Recognizing their potential benefits, the Philippine government sought to encourage these arrangements, attempting to put in place regulations that would ensure ARB welfare under such contracts (Department of Agrarian Reform, 2006). These arrangements were termed Agribusiness Venture Agree-
ments (AVAs). The official definition of an AVA is an "entrepreneurial collaboration between ARBs and private investors to implement an agribusiness venture on lands distributed under CARP" (Department of Agrarian Reform, 1996). Through these agreements, ARBs can access upstream markets, gain access to capital, and use farming technology\(^1\). The Department of Agrarian Reforms (DAR) can monitor AVAs, since local government units keep files of CLOAs, and, at least in principle, the contracts that ARBs and agribusiness entities sign.

In a 2010 report released by the Philippines' Inter-Agency Committee (a collection of government agencies that also includes the National Economic Development Authority, NEDA) AVAs cover approximately 1.2 million hectares (cited by IBON, 2013). The large disparity between this figure, and DARs official list of 50,103 hectares was acknowledged when I spoke to the DAR authorities. When I had quoted the DAR’s figure, one of them quipped: “Parang dito lang yata, ganyan na kadami” (“Maybe in this Province alone, there’s already that many”). They said they were still catching up with listing all AVAs. If the quoted figure of 1.2 million hectares is correct, then, AVAs cover 29.64% of all CARP lands as of 2009 and 12.41% of total agricultural land.\(^2\)

The optimism of agrarian reform officials regarding the development potential of AVAs, however, was not widely shared by land reform advocates. In recent years, scholars have compiled cases of AVAs resulting in adverse outcomes for ARBs. Some examples are found in the work of Borras (2007), Menguita-Feranil (2013), and Adam (2013) who show how ARBs in certain areas of the country are compelled to accept contracts which leave them with neither control over land or income from its use. These reports point to the dangers inherent in AVAs. CARP redistributes land but does not address the existing social conditions that render owner cultivatorship difficult for ARBs. Conditions such as poverty and lack of farm-to-market roads leave ARBs vulnerable to rural creditors, fertilizer merchants, and produce buyers. Agribusiness investors are able to take advantage of such situations to lock ARBs

\(^1\)The full set of justifications can be found in the Administrative Order 09-06 from the Department of Agrarian Reform

\(^2\)CARP accomplishments at 2009 were at 4,049,016.71 has. and the countrys total agricultural land is at 9.671 million has.
into highly unfavorable contracts that can last for decades.

This is not to say that AVAs do not have their share of success. The DAR has compiled several cases where AVAs have resulted in ARBs being able to escape poverty, buy homes, and even diversify into businesses outside of agriculture. The cited factors that contribute to favorable contracts are numerous. These include organizing among ARBs, and being able to access credit (Department of Agrarian Reform, 2006). How such factors influence the process of contracting, and which of these had greater weight in the decision-making processes of ARBs, was the focus in my field work.

Though ARBs do not constitute all smallholders in the Philippines, in general, they have several advantages as beneficiaries of the agrarian reform program. First, their Certificates of Land Ownership Award (CLOA) are filed with the Department of Agrarian Reform. Second, the DAR, in theory, is supposed to monitor their well-being, and how they use the holdings they have been awarded. Finally, there are municipal and provincial agrarian reform offices in which the ARBs can ask for assistance in contract disputes. In these respects, the ARBs have the advantage of some institutional backing that other smallholders do not. Yet, despite these institutional advantages, ARBs have had divergent experiences in their agribusiness deals. If so, the difficulties they face may also apply to agribusiness incorporation throughout the country.

4.1 The Field Work

Between March and June, 2015, I conducted field work in the Davao Region of the Philippines, covering seven groups of ARBs located in three different locales, and two different provinces.\(^3\) I targeted ARBs who have entered into AVAs involved in the cultivation of Cavendish bananas. Cavendish bananas are one of the chief export crops of the Philippines worth $884 million annually, or 14% of the country’s total agricultural exports. The Philippines is 3rd largest exporter of Cavendish bananas after India and China. The total land

\(^3\)See Figure 1 for a map.
area devoted to Cavendish banana cultivation in the country is 82,202 ha. The Davao region cultivates 46,681 of these (56.78%). In the DAR’s official tally, AVAs that are devoted to the cultivation of Cavendish bananas account for 8,717 ha. Thus, the listed AVAs account for 18.7% of land area devoted to Cavendish banana cultivation in the region, and 10.6% of land area devoted to Cavendish banana cultivation in the Philippines.

By choosing one crop, I control for differences in prices, farming techniques, and necessary technologies. Comparing Cavendish banana farms to another crop such as maize (often grown for ethanol) would be difficult, since the fixed costs of cultivating Cavendish bananas are different. Before a farmer cultivates Cavendish bananas, she must first dig a system of hills and canals. Each hill needs several propping poles made from metal or bamboo to ensure that the trees do not fall once they bear fruit. Planting is done in such a way that each tree yields fruit every 13 weeks. After ten months, the first of the trees bear fruit, and farmers can harvest these. If done properly, a hectare may have up to 1,000 trees. A farmer can harvest the equivalent of 143 boxes of class A Cavendish bananas every week, fetching a bi-weekly gross income of as high as 27,000 pesos ($587).

Growers, however, have several expenses. First, Cavendish bananas are chemical- and fertilizer-intensive. Fertilizers can cost up to 990 pesos per 50 kg sack. Under typical growing methods, a hectare of banana uses up to 3 sacks of fertilizer every 20 days. The farmer must also treat the trees by applying chemicals to guard against fungi and other pests that may prevent the crop from meeting export standards. A typical grower pays for chemicals delivered through aerial-spraying on a bi-weekly basis. The farmer must also buy twine for propping up the banana plants, and plastic bags to wrap new bunches and protect them against insects. Finally, the farmer must also supply or pay for labor. Typically, the total bi-weekly cost of cultivating bananas is 9,646 pesos ($210) per hectare. Thus, the net

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4These figures were taken from estimates of the Philippines’ Bureau of Agricultural Statistics, www.bas.gov.ph

5Class A Cavendish Bananas have a length of between 7.5-12 inches (19.05cm-30.48cm), with a girth of around 2 inches (5.08cm). The calculation of the 27,000 pesos is based on the price that an independent grower can obtain had she not entered an exclusive growership contract

6I gathered these cost figures by going to the three agricultural supply stores for prices of twine, fertilizer,
Figure 1: The Field Site
income from a hectare of cavendish bananas is about 17,354 pesos ($ 377).

I asked each ARB group for a list of their members with addresses, went house to house, and also visited places that were frequented by ARBs.\textsuperscript{7} Three of the ARB groups decided to host me in their offices to conduct interviews there. I interviewed 71 individual ARBs and held focus groups with four of the seven groups I interviewed.\textsuperscript{8} Focus group sizes varied. In the municipality of Santo Tomas, Davao Del Norte, I interviewed members of five ARB groups in total. All were workers for the Marsman-Drysdale Enterprises Plantation Incorporated (MEPI), a company founded by a Dutch venture capitalist (Marsman), sold to an American (Drysdale), and is now co-owned by Filipino backers. In 1998, the MEPI plantation in Santo Tomas was distributed to its 1,109 workers. Two of these groups currently have growership contracts with Sumitomo Fruit Company (SUMIFRU). These are the Marsman Agrarian Reform Beneficiaries Cooperative (MARBCO) and the Marsman Individual Farmers Agrarian Reform Beneficiaries Cooperative (MIFARBCO). The landholdings of the remaining three groups are leased to MEPI. These groups are Davao Marsman Agrarian Reform Beneficiaries Multi Purpose Cooperative (DAMARB-MPC), the Santo Tomas Individual Farmers Agrarian Reform Beneficiaries Cooperative (SIFARBCO), and the Santo Tomas Agrarian Reform Beneficiaries Cooperative (STARBENCO).

In Tagum City, I interviewed ARBs from the Hijo Employees Agrarian Reform Beneficiaries Cooperative (HEARBCO 2). The ARBs were employees of a banana plantation which was owned by the Hijo group of companies. Before their current AVA, HEARBCO 2 had an exclusive growership arrangement with Lapanday Foods. After Typhoon Pablo in 2012, the cooperative could not sustain the growership contract. In 2014, they finalized an agreement

\textsuperscript{7}By ARB groups, I mean a collection of Agrarian Reform Beneficiaries who have some organizational identity or common experience. Six out of the seven I interviewed are actually legally recognized organizations.

\textsuperscript{8}Some groups had difficulty getting their members to participate in focus group discussions. When it was not possible to conduct a focus group, I held key informant interviews with the designated chairs of each group.
with the Tagum Resources Agri Industries Incorporated (TRAIN), a subsidiary of the Hijo resources corporation owned by the Ayala family.

In the Pantukan district of Compostela Valley, I interviewed ARBs who had been hacienda workers under the Nuere family who owned more than 32 ha. of coconut trees. These ARBs received between 0.6 and 2.5 hectares each from the farm. They were not organized. In 2002, a local company called Pantukan Agribusiness Development Corporation (PADCOR) leased the lands from the ARBs. The venture failed, and in 2009, the investor sold the lease to Musahammat farms, a Middle Eastern company.

These AVAs are on the two ends of the spectrum of contracts: lease and growership arrangements. I chose to focus on these because of their prevalence among the officially listed AVAs which cultivate cavendish bananas. Of these 61 AVAs, 29 out of 61 (45.9%) are under a lease contract, while 28 out of 61 (48%) are under growership arrangement.9

Table 2 gives a summary of the individual interviewees in my sample from each group. The ARBs in the sample are a largely old, male population, with the average age for each group being more than 56 years old except for HEARBCO 2 in Tagum city. The average household size for each group is over four members. Most of those interviewed in each group own their house with an average experience of more than 26 years in cultivating Cavendish bananas. The exception to this is the ARBs in the Pantukan district of Compostela Valley, only one of whom owns their dwelling and lot, while none have experience with cultivating Cavendish bananas.

From the table, one can see no immediate relationship between the level of education that most members of each group obtained, and the types of contracts that they enter. Intuitively, one may think that having a higher level of education will allow ARB members to deliberate in a more informed manner about the types of contracts available, and the consequences these may have for their well-being. While there is no doubt a possible bias in my small sample, a clear relationship between contractual type and education is absent.

9The figures here are based on a list of AVAs which I obtained from the DAR.
<table>
<thead>
<tr>
<th>Location</th>
<th>Group</th>
<th>Total</th>
<th>Number in Sample (71 Total)</th>
<th>Number Female In Sample</th>
<th>Average Age</th>
<th>Education (Mode)</th>
<th>Household Size</th>
<th>Owns Dwelling and Lot</th>
<th>Yrs of Exp With Cavendish</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growers</td>
<td>Santo Tomas</td>
<td>MARB</td>
<td>45</td>
<td>8</td>
<td>1</td>
<td>57.5</td>
<td>HSU</td>
<td>6.87</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MIFARB</td>
<td>88</td>
<td>6</td>
<td>2</td>
<td>56.33</td>
<td>HSG</td>
<td>6.7</td>
<td>5</td>
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<tr>
<td>Lease (Group)</td>
<td></td>
<td>DAMARB</td>
<td>520</td>
<td>7</td>
<td>1</td>
<td>57.71</td>
<td>CLU</td>
<td>4.29</td>
<td>6</td>
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<tr>
<td></td>
<td></td>
<td>SIFARB</td>
<td>137</td>
<td>15</td>
<td>3</td>
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<td>HSU</td>
<td>4.4</td>
<td>13</td>
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<tr>
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<td></td>
<td>STARB</td>
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<td>1</td>
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<td>ELMU</td>
<td>5.33</td>
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<td>3</td>
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<td>4.45</td>
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</tr>
<tr>
<td>Lease (Ind)</td>
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<td>13 up</td>
<td>9</td>
<td>3</td>
<td>64</td>
<td>ELMU</td>
<td>5.22</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 2: **The Sample Description** - Education in terms of Mode and noted as follows: ELMU-Elementary Undergraduate, ELG-Elementary Graduate, HSU-High School Undergraduate, HSG-High School Graduate, CLU-College Undergraduate, CGR-College Graduate.
Many of the eight interviewees from MARBCO have not finished High School, and many of those from MIFARBCO have only graduated High School. By contrast, most of the ARBs from HEARBCO 2 have finished college. One may attribute this result to the fact that the sample is not completely random within groups. The respondents may have self-selected to interview. However, as I shall show, group level characteristics played a significant role in the types of contracts that the ARBs obtained.

5 Findings

Table 3 gives a historical summary of the AVAs. Three of the seven ARB groups have had only one AVA partner. These are the Lessor groups in Santo Tomas, Davao Del Norte: DAMARB-MPC, SIFARBCO, and STARBENCO. These ARBs have had their lands leased to the Marsman-Drysdale Estate Plantations Incorporated (MEPI) since they have been ARBs. By contrast, the other ARB groups have had two AVA partners. The grower cooperatives transitioned from selling to MEPI to selling to Sumitomo Fruit (SUMIFRU). HEARBCO 2 transitioned from a growership contract with Lapanday fruits to a lease agreement with TRAIN. Finally, the ARBs from Pantukan, Compostela Valley, used to have a lease arrangement with PADCOR, and now lease their holdings to Musahamat farms. It is worth noting that three out of the five lessor ARB groups currently have a contractual dispute with their AVA partners. These disputes are in various stages of the legal process, but all are efforts by the ARBs to withdraw or renegotiate lease agreements. Finally, of the seven ARB groups, four are currently leased to the pre-agrarian reform land owners.

5.1 Factors of Contracting

To obtain information about the historical and political factors that contributed to the formation of the AVAs among the different groups, I conducted focus group discussions with four out of five lessor groups, and key informant interviews with the chairs and board
<table>
<thead>
<tr>
<th>Location</th>
<th>Group</th>
<th>Total Land Area (ha)</th>
<th>Individual Plots (ha)</th>
<th>Year of Current CLOA</th>
<th>Former Owners</th>
<th>Year of Current AVA</th>
<th>AVA Partner</th>
<th>Tenure Transition</th>
<th>Previous AVA</th>
<th>AVA Dispute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santo Tomas</td>
<td>MARB</td>
<td>47.52</td>
<td>1.02</td>
<td>2004</td>
<td>MEPI</td>
<td>2007</td>
<td>SUMIFRU</td>
<td>Gr to Gr</td>
<td>MEPI</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>MIFARB</td>
<td>89.76</td>
<td>1.02</td>
<td>2004</td>
<td>MEPI</td>
<td>2007</td>
<td>SUMIFRU</td>
<td>Gr to Gr</td>
<td>MEPI</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>DAMARB</td>
<td>799.564</td>
<td>1.04</td>
<td>2002</td>
<td>MEPI</td>
<td>2002</td>
<td>MEPI</td>
<td>FW to FW+Lr</td>
<td>None</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>SIFARB</td>
<td>1.04</td>
<td>2002</td>
<td></td>
<td></td>
<td>2002</td>
<td>MEPI</td>
<td>FW to Lr</td>
<td>None</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>STARB</td>
<td>1.04</td>
<td>2002</td>
<td></td>
<td></td>
<td>2002</td>
<td>MEPI</td>
<td>FW to Lr</td>
<td>None</td>
<td>Y</td>
</tr>
<tr>
<td>Tagum</td>
<td>HEARB</td>
<td>294.325</td>
<td>0.8</td>
<td>1997</td>
<td>HIJO</td>
<td>2014</td>
<td>TRAIN</td>
<td>Gr to FW+Lr</td>
<td>Lapanday</td>
<td>N</td>
</tr>
<tr>
<td>PAN</td>
<td>Indiv ARBs</td>
<td>32.5(up) 2.5(6) .6(3)</td>
<td>1992</td>
<td></td>
<td>Nuere &amp; Sons</td>
<td>2009</td>
<td>Musahamat</td>
<td>Lr to Lr</td>
<td>PADCOR</td>
<td>Y</td>
</tr>
</tbody>
</table>

Table 3: Description of AVAs: Gr= Grower, Lr=Lessor, FW=Farmworker

members of each grower cooperative, and one other lessor group. A summary of these historical and political conditions is given by Table 4.

The first column states whether or not the ARBs were organized into some union, cooperative, or association at the time of bargaining. Presumably, groups that bargain have more power vis-a-vis an investor since groups can pool resources to hire lawyers, appeal to authorities in city centers, and mobilize for interventions in municipal agrarian reform offices. However, this may also result in unfavorable outcomes if influential persons in the groups side with the investor. The next three columns state whether the groups had access to advocacy from non-government organizations, or from the DAR itself, and whether the groups had avenues to deliberate with their members during the time of contracting. Advocacy includes education on AVAs and legal assistance. Being able to access pro-land reform civic organizations can help the ARBs ensure that the resulting contracts are in line with the stated objectives of CARP: improving the lives of the ARBs, and ensuring they
Table 4: **Organizational Characteristics at the time of AVA Bargaining**:

<table>
<thead>
<tr>
<th>Growership</th>
<th>Org at Time of Bargaining</th>
<th>AVA Education</th>
<th>Membership Consultation</th>
<th>Legal Counsel</th>
<th>Organization Debt</th>
<th>AVA Bargaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>MARB</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>MIFARB</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lease (Group)</th>
<th>DamARB</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>N</th>
<th>N</th>
<th>Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SIFARB</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>STARB</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>HEARB</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>

| Lease (Ind.) | Pan Indiv ARBs | N | N | N | N | N | Y |

Y = This was available to the ARB group, N = This was not available.
maintain control over their holdings. Membership consultation is important to ensure that a handful of influential persons did not drive the contracting process. The next column states whether members of the group were allowed to make a decision on their current AVA at all. The absence of this ability would imply that the current AVAs were arrived at without Free, Prior, and Informed Consent of individual ARBs.

The final column is organizational debt. Though this could be designated as an economic circumstance, it is listed here among political conditions because it may be the case that the ARB groups faced tensions between the interests of the organization, or, the interests of individual members. A cooperative of growers, for example, might have members that have earned, saved, and prospered, while others may not. Often, cooperatives take out loans to ensure that their members have access to inputs, and to maintain the infrastructure for cultivating bananas. If the cooperative goes bankrupt, members who have done well may not need the cooperative’s help, but those who did not may want to enter lease arrangements for a steady income. I shall now discuss the historical specifics of each group.

Santo Tomas: Santo Tomas calls itself a banana town. Among the large fruit exporters that have plantations in Santo Tomas are Lapanday Foods, DOLE, and MEPI- an American owned agribusiness firm. When CARP began its implementation in 1988, the Marsman Estates more than 1,400 hectares in Santo Tomas, Davao Del Norte were given a ten-year grace period. The plantation had been in place since 1969, when the Marsman group of companies decided to set their sights on banana cultivation. In 1998, the plantation was set for redistribution. According to focus groups and key-informant interviews, MEPI pushed for lease contracts using forms of bribery, coercion, and deception. How the ARBs responded to Marsman’s tactics, and the resources available to them affected the types of contracts currently governing their holdings.

Santo Tomas- The Growers: MARBCO and MIFARBCO were once one organization called the Marsman Estate Agrarian Reform Beneficiaries Association Incorporated (MEAR-BAI). They had split before each began to contract with SUMIFRU over the management of
the cooperatives over 136 hectares of land. Key informant interviews point to three reasons why the split occurred. The first is that MIFARBCOs members wanted manage their plots individually, while the cooperative manages a packing plant, sales, quality checks, legal assistance and obtaining inputs. They claim that this model was better since the area that each ARB would monitor would be limited to a hectare, and they can make individual improvements on their holdings. The second is that, initially, MEARBAI chose a business model where its members shared profits equally. MIFARBCO’s members claimed that this resulted in a classic free-rider problem: some ARBs did not handle their tasks properly, while those who worked hard felt that they did not get the appropriate remuneration for their labor. Finally, some members of MIFARBCO cited corruption in MEARBAI’s leadership. However, I have not been able to obtain any evidence to support this accusation.

Regardless, MIFARBCO’s split from MEARBAI, and MEARBAI’s metamorphosis into MARBCO did not seem to make a difference in the types of contracts they agreed upon with SUMIFRU. They both receive the same income per box of class A bananas, and they have almost identical provisions on their obligations and rights. The only difference is that MARBCO is able to sell its class B bananas to independent buyers, while MIFARBCO sells solely to SUMIFRU.

In 1998, MEARBAI members already had contacts with pro-agrarian reform NGOs. These provided them legal assistance and education on different types of AVAs. The education they received included seminars on management, marketing, and best practices in cultivation. They also partook in a lakbay-aral or educational field visits where they learned about the experiences of growers and other types of agribusiness arrangements. Through updating and sending a variety of members to other farms, MEARBAI was able to convince its members to insist on a growership.

Both groups approached SUMIFRU independently. At this time, they already had three

\[ \text{Class B bananas fall short of the measurements of class A bananas, but were whole, had no bruises or scales (cork-like aberrations on the skin), and were generally deemed to be fit for consumption. These are often sold in local supermarkets. One of MARBCO’s buyers is 7-11.} \]
years of experience as growers and legal contacts from asserting their claims as ARBs. They felt that MEPI was deliberately paying them low prices for their bananas, but they had to find an alternative buyer who would offer better prices, and who was willing to pay MEPI for the remaining amortization payments of 293,733 pesos per hectare. SUMIFRU was such a buyer, and in 2007, they began a growership agreement after deliberating with their members. The consensus was that if they could get better prices, they should switch partners. Today, officials of both coops say that their debts are almost paid off, and they are ready to become sellers to the highest bidder by 2017 when their contracts with SUMIFRU end.

_Santo Tomas-The Lessors:_ The members of the three lessor groups from Santo Tomas Davao Del Norte all belonged to an organization called the Davao Marsman Agrarian Reform Beneficiary Association Incorporated (DAMARBAI). When the Marsman estate was redistributed in 1998, DAMARBAI was seen as an association controlled by MEPI management, as opposed to MEARBAI, which was organized by outside NGOs. There were different accounts about DAMARBAI’s actions in 1998. My focus group discussion with current members of DAMARB-MPC suggest that the lease contract was a product of assessing the risks and costs of a growership, and their estimation of the strength of the existing union of MEPI farm workers. The rationale was that cultivating bananas was far too expensive. The costs of fertilizers, maintaining the infrastructure, paying for labor, and building and maintaining a packing house were too high. They did not have any capital, and they would already have to pay for the amortization of the land. On top of this, MEPI would have been their buyer. If they crossed MEPI by taking full ownership of their awarded holdings, then, MEPI would take measures to ensure that they were not successful. On the other hand, under a leasing arrangement, they would not have to pay for amortization and inputs, and MEPI would have to honor the collective bargaining agreements they had from the farm workers union named the Davao Marsman labor Union (DAMLU). This cost-benefit calculation is encapsulated in their name for the contract: "Walang personalan. Trabaho lang"
(Nothing personal. Its just work.)

In contrast to their fellow farmworkers in MEARBAI, I was told by focus groups with SIFARBCO and key informant interviews with STARBENCO that the members of DAMARBAI had not gone to see other farms under different agribusiness arrangements. Instead, much of the education they received towed the line that growership was risky, and that they would be saddled with high-levels of debt. Further, the lawyers whom they consulted were MEPI contacts. Eventually, the ARBs got their certificates in 2002, and a debt-free leasing arrangement where they were secure in their livelihoods. Unfortunately, this would not last.

In 2004 some of DAMARBAI’s members decided to break ranks. MEPI had kept their lease payments at the lowest level for two years, citing bad harvests.  

<table>
<thead>
<tr>
<th>Annual Yield (Boxes)</th>
<th>Incentive/ Box ($)</th>
<th>Incentive/ Box (Pesos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 4200</td>
<td>.071</td>
<td>2.8</td>
</tr>
<tr>
<td>4201-4300</td>
<td>.076</td>
<td>3.04</td>
</tr>
<tr>
<td>4301-4400</td>
<td>.081</td>
<td>3.24</td>
</tr>
<tr>
<td>4401-4500</td>
<td>.086</td>
<td>3.44</td>
</tr>
<tr>
<td>4501-4600</td>
<td>.091</td>
<td>3.64</td>
</tr>
<tr>
<td>4601-4700</td>
<td>.096</td>
<td>3.84</td>
</tr>
<tr>
<td>4701-4800</td>
<td>.101</td>
<td>4.04</td>
</tr>
<tr>
<td>4801-4900</td>
<td>.106</td>
<td>4.24</td>
</tr>
<tr>
<td>4901-5000 (or greater)</td>
<td>.111</td>
<td>4.44</td>
</tr>
</tbody>
</table>

Table 5: based on 40 pesos/dollar

Some 100 ARBs decided that they wanted to opt for a growership option. They occupied their lots and picketed the municipal agrarian reform office. This was the birth of the Santo Tomas Agrarian Reform Beneficiary Association Incorporated (STARBAI). STARBAI’s members were temporarily retrenched and reinstated in 2008. In 2010, another land occupation broke out and MEPI decided to retrench all 241 workers belonging to STARBAI. MEPI was able to do this since the lease arrangement gives them the right to hire and fire

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11 See Table 5. The lease payments to members of DAMARBAI follows a step function, that rises with the number of boxes.
workers. Thus, while the ARBs legally own the land, the lease arrangement makes them employees of MEPI. Further, MEPI can hire and fire at will, which de facto excluded the offspring of STARBAI’s members from working on their parents holdings. The municipality of Santo Tomas deployed the police against the members of STARBAI. At least one person was killed during the dispersal.

It was not clear from focus group discussions why STARBAI split into SIFARBCO and STARBENCO. Accusations of capitulating to MEPI and closeness to DAMARB-MPC go both ways. What is clear however is that both groups would like to withdraw their holdings from the leasing arrangement, and cultivate these as growers. They have already taken their case to the authorities with the help of several land reform advocates. As of this writing, SIFARBCO and STARBENCO are waiting on the Presidential Agrarian Reform Council (PARC) to adjudicate their case. Reports from their lawyers indicate that the PARC has adjudicated in their favor. The only signature they need as of the time of this writing is that of the sitting president’s, Benigno S. Aquino III. The current DAR secretary is scheduled to convene a meeting of the PARC and it is possible that this meeting will result in a decision regarding these cases against MEPI.

Tagum City-HEARBCO 2: HEARBCO 2 contracted with TRAIN in 2014, after a typhoon hit their plantations, destroying much of their crops. While typhoon Pablo was certainly a necessary cause for HEARBCO 2s switch from a grower to lessor, it is certainly not sufficient. Prior to the typhoon hitting Mindanao, Lapanday Foods and HEARBCO 2 already had a contentious partnership.

HEARBCO 2 did not contract directly with Lapanday. Lapanday became HEARBCO 2s buyer when Hijo sold their growership agreement. According to a focus group discussion with members of HEARBCO 2, Lapanday made several demands that forced HEARBCO 2 to go into debt. One example of this was building infrastructure such as irrigation pipes on the farm which the members of HEARBCO 2 had not agreed upon, but Lapanday insisted

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12 After the events of 2004, DAMARBAI had changed its name to Davao Marsman Agrarian Reform Beneficiaries Development Cooperative (DAMARB-MPC), and eventually changed to their current name.
was necessary. Lapanday then counted this as part of the ARBs’ debt and deducted these from the payments to the ARBs. Another example is imposing the use of certain fertilizers that only Lapanday sold as a form of quality control. These actions by Lapanday brought HEARBCO 2, along with other cooperatives that sprung from Hijo employees, to the attention of land reform advocates. Thus, by the time they broke with Lapanday, HEARBCO 2 had legal assistance and contacts with numerous NGOs.

When typhoon Pablo hit, HEARBCO 2 was already 52 million pesos ($1,130,434) in debt. The typhoon destroyed many of the trees in HEARBCO 2’s farm. In a focus group discussion, I asked for an estimate of how many trees were destroyed. They laughed and responded *Naku, dili na namin gi-isip, kay nagtu-aw kami diha!* (“Come on, we couldn't count because we were crying!”). This destruction was sure to increase their debts with Lapanday.

Instead of allowing Lapanday to step in, HEARBCO 2’s board approached TRAIN. HEARBCO 2 saw a lease arrangement with a familiar partner as a way of overcoming their debts and difficulties. One of the officials even narrated the dialogue she had with one of the Ayala family members managing TRAIN. She told them “Sir, lupa niyo ito. Dati niyo kaming trabahante. Naghihirap na kami.” (“Sir, this was your land, and we were your workers. We are already having a hard time”). TRAIN decided to pay Lapanday for HEARBCO 2’s debts conditional on a lease agreement that would span 60 years. According to one of the board members, they were hesitant to take the lease agreement for such a long time, and many of their members did not trust the new partnership. However, once they presented the reality of the debt figures, the members acquiesced. The lease agreement was drafted by HEARBCO 2’s legal counsel, and went into effect in 2014.

While the lease agreement with TRAIN stands for the next 60 years, HEARBCO 2 maintains some level of control over the AVA. HEARBCO 2 is responsible for hiring and firing workers on the field and the packing houses, which gives them the ability to determine the users of land. They are also responsible for operations, having themselves been growers in the past. Thus, HEARBCO 2’s deal with TRAIN is a Lease arrangement where they
maintain some sticks in the bundle, giving them some degree of control. It should be noted, however, that these abilities are not spelled out in their contract with TRAIN.

**Pantukan-Individual ARBs:** The Pantukan ARBs were the only ARB group in my sample that was neither organized when they first entered an AVA, nor officially listed by the DAR. They were once tenants and farmworkers for a coconut farm. After the land was distributed, the ARBs became individual coconut growers. From their experience, coconut was a highly lucrative crop. They expected that they would be able to sell a kilo of copra, the dried meat or kernel used to make coconut oil, for twenty pesos. However, they found that this was not the case. All the ARBs were selling to one buyer, who now exercised monopsony power over the ARBs. The ARBs were now selling a kilo of copra for 10 pesos a kilo.

Philippine Coconut authority estimates that, per hectare, a farmer can get a yield of 1230 kgs of copra per hectare. At this price, the gross revenue from their holdings would have been 12,300 pesos per hectare or 30,750 in total for the 2.5 hectares allocated to each ARB. Taking out the average cost of cultivation for 2.5 has. at 9,703.5, estimated by the coconut authority, the net revenue from cultivating coconuts would have been 21,046.5. The total payments to the Land Bank for amortization and land taxes would have been about 8,946.19. This leaves the ARB with a total annual income of 12,100.31, or a bi-weekly income of 456 pesos ($10). This low level of income did not allow the ARBs to meet their basic consumption needs, and many were in danger of being evicted from their holdings.

In 2002, the Pantukan Agricultural Development Corporation (PADCOR) approached the ARBs individually with an offer to develop their lands into a banana plantation in exchange for a leasing arrangement. Each of the ARBs saw this as an opportunity to pay off their amortization. Further, the promise of a steady lease payment, and the framing of the employment provisions, made the lease contract seem like a lucrative proposition. In a focus group discussion, they said that “Pwede kami mag-rekomenda og isang anak, o kami mismo mag trabaho” (“We can recommend 1 child or we ourselves can work”). PADCOR eventually

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13Figure taken from ARB receipts
14This is about 5 pesos less than the daily minimum wage of a worker in Metro Manila
sold the lease to Musahamat in 2009. Musahamat approached the ARBs with a very similar contract to PADCOR. They signed the contracts because of a five-year advance on the lease payments. However, the promise of work did not materialize. Numerous reasons were given to me during the focus group discussions, but one was remembered by all of the participants. Some of the ARBs’ children work in nearby plantations that have unions organized by the Kilusang Mayo Uno (KMU). They were told that Musahamat did not want KMU to influence other workers since it may disrupt production.\footnote{Kilusang Mayo Uno- May 1st Muvement}

Today, the ARBs have formed an association, and would like to gain legal status so that they can withdraw their holdings from the lease. They have formed connections with both (KMU) and the Kilusang Magbubukid ng Pilipinas (KMP) in the hope of gaining support in advocacy.\footnote{Kilusang Magbubukid ng Pilipinas- Peasant Movement of the Philippines}

5.2 Comparing Histories

All these ARB groups, apart from those in Pantukan, were organized into some sort of ARB association prior to the formation of their AVA. The ARBs of Pantukan only made connections to pro-land reform organizations after their lease contract was already in place. However, being organized or having connections with pro reform forces by itself does not guarantee an AVA that allows ARBs to control their holdings. In the case of the Santo Tomas Lessors, their organization at the inception of the lease agreement with MEPI did not seem to conduct education regarding AVAs in any serious manner. They merely reinforced the merits of a lease contract. NGO and legal connections helped MIFARBCO, MARBCO and HEARBCO. While the lessor groups of MEPI had legal consultation, they did not have communication with pro-land reform forces. Finally, the Pantukan ARBs did not have legal consultation.

Group and individual debts, especially the amortization payment for the land, were a factor in favoring lease contracts as opposed to growership contracts. The ARBs’ perception
of the level of debt that they would incur under alternative arrangements made the lease agreement look lucrative. In the case of the Santo Tomas lessors, their possible debt payments were magnified by the DAMARBAI leadership. The prospects of incurring greater debt made HEARBCO 2’s ARBs enter a leasing arrangement so that they could continue to make amortization payments and keep their lands. The Pantukan ARBs individually had debts, but this mattered less than the financial gains to be made under a lease arrangement with employment.

The extent of membership consultation is quite ambiguous. DAMARBAI’s consultation, according to focus groups, were more of an exercise in convincing members of the merits of a lease contract. The Pantukan ARBs did not have an organization, but discussed lease prices among their neighbors. However, they had not bargained collectively. Finally, HEARBCO 2, MIFARBCO, and MARBCO had clear channels of communication with their board members. At least in the formation of their contracts, they were able to provide education, present their case to their respective groups, and deliberate. Finally, MIFARBCO, MARBCO, and HEARBCO 2 had the opportunity to bargain with prospective partners regarding the AVA contracts. The lessor ARBs from Santo Tomas have different accounts of the bargaining process. The members of the current DAMARB-MPC say they remember their board members bargaining with MEPI. The members of SIFARBCO and STARBENCO say they did not. The likely answer is that some negotiation happened, but the negotiators did not represent the interests of the ARBs effectively because of the trivial education and membership consultation.

Table 6 summarizes the contracts of the different ARB groups along with some costs, benefits, and obligations. The lessor ARBs in Santo Tomas receive what is called a Beneficiary Trust Fund (BTF) instead of a lease. This is computed as a step function giving an amount of pesos depending on how many boxes are produced by the AVA. The lease payments to HEARBCO 2 and Pantukan ARBs is a fixed yearly amount with deductions for

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17 This computation is summarized in Table 5
their amortization payments. The Pantukan ARBs receive a lease of about 22,000 pesos a year. This amount increases by 5% every five years. HEARBCO 2’s lease amounts to around 17,000 pesos a year after they have paid for debts and amortization payments. Under the lease contracts, the ARBs do not share in the costs of production. By contrast, the grower ARBs share in the costs of production, risk of their bananas being rejected, and possible natural calamities, as with HEARBCO 2’s experience. Investors in growership also often have the ability to take over the farms should there be crop failure.

5.3 Control

Table 7 presents the sticks in the bundle of property rights available to each ARB group. The columns in the table are the same as the “sticks-in-the-bundle” from Table 1. None of the contracts stipulate any room for ARBs to change the use of their holdings away from banana production. Under growership contracts, the ARBs can negotiate their per box prices, and determine who can use and work on the land. Being able to negotiate the per box price has actually served both groups well in the past. In the beginning of contracting with SUMIFRU, the per box price for Class A bananas (at least 7.5 inches in length) used to be $2.90. The coops eventually bargained up the price of class A boxes to $4.10 by presenting information from farms growing for DOLE. In addition, the coop, MIFARBCO was able to gain the right to look for other buyers of Class B bananas.

In contrast to the growership contracts, the lease contracts do not give ARBs the formal right to bargain for better lease payments, or determine who gets to work on their holdings. However, avenues exist for these groups to negotiate better leases, or greater remuneration. In the case of the DAMARB-MPC members, they have been able to negotiate wage increases and other benefits. Their contracts formally stipulate that MEPI will respect any collective bargaining agreements made through the farm workers union of which, as employees of the plantation, the DAMARB-MPC ARBs are members. However, this ability is conditional. Until 2010, the members of SIFARBCO and STARBENCO were also members of DAMARB-
<table>
<thead>
<tr>
<th>Location</th>
<th>Group</th>
<th>Type</th>
<th>Length (Years)</th>
<th>Remuneration</th>
<th>Cost Share</th>
<th>ARB Production Risks</th>
<th>Investor Responsibilities</th>
<th>ARB sells Class B, Rejects</th>
<th>Pre-Termination</th>
<th>Other Plants Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santo Tomas</td>
<td>MARB</td>
<td>Grower</td>
<td>10</td>
<td>Per box</td>
<td>Infra, Inputs, Labor, Improvements</td>
<td>Rejected Bxs, Full take over clauses</td>
<td>Quality Control Packing Materials</td>
<td>Y</td>
<td>Investor</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>MIFARB</td>
<td>Grower</td>
<td>10</td>
<td>Per box</td>
<td>Infra, Inputs, Labor, Improvements</td>
<td>Rejected Bxs, Full take over clauses</td>
<td>Quality Control Packing Materials</td>
<td>N</td>
<td>Investor</td>
<td>N</td>
</tr>
<tr>
<td>Lease</td>
<td>DAMARB</td>
<td>Lease</td>
<td>30</td>
<td>BTF+Emp</td>
<td>None</td>
<td>None</td>
<td>All Production</td>
<td>N</td>
<td>Investor</td>
<td>N</td>
</tr>
<tr>
<td>(Group)</td>
<td>SIFARB</td>
<td>Lease</td>
<td>30</td>
<td>BTF</td>
<td>None</td>
<td>None</td>
<td>All Production</td>
<td>N</td>
<td>Investor</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>STARB</td>
<td>Lease</td>
<td>30</td>
<td>BTF</td>
<td>None</td>
<td>None</td>
<td>All Production</td>
<td>N</td>
<td>Investor</td>
<td>N</td>
</tr>
<tr>
<td>Tagum</td>
<td>HEARB</td>
<td>Lease</td>
<td>60</td>
<td>Lease+Emp</td>
<td>None</td>
<td>None</td>
<td>All Production</td>
<td>N</td>
<td>Investor</td>
<td>N</td>
</tr>
<tr>
<td>Lease (Ind.)</td>
<td>Pantukan</td>
<td>Indiv ARBs</td>
<td>Lease</td>
<td>25</td>
<td>Lease</td>
<td>None</td>
<td>None</td>
<td>All Production</td>
<td>N</td>
<td>Investor</td>
</tr>
</tbody>
</table>

Table 6: **Contracts offered to groups of ARBs**
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Growership MARB</td>
<td>N</td>
<td>Y</td>
<td>C</td>
<td>C</td>
<td>Y</td>
</tr>
<tr>
<td>MIFARB</td>
<td>N</td>
<td>Y</td>
<td>C</td>
<td>C</td>
<td>Y</td>
</tr>
<tr>
<td>Lease DAMARB</td>
<td>N</td>
<td>C</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>SIFARB</td>
<td>N</td>
<td>C</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>STARB</td>
<td>N</td>
<td>C</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>HEARPB</td>
<td>N</td>
<td>C</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>Lease (Ind.) PAN</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

Table 7: **The-Sticks-In-the-Bundle** under each group’s contract. Y=The group has this ability, N=The group does not have this ability, C= The group has this ability conditionally.

MPC. They wanted to withdraw their holdings from the lease contract. To do this, they occupied their lands and refused to let the company harvest the standing crop. Since MEPI determines who can work on the ARBs holdings, all the participants of the mass action were terminated. These were 241 ARBs in total, or 31% of DAMARB-MPCs original membership.

The ARBs from the Pantukan district also do not have the right to determine who works on the plantation that leases their holdings. Of my sample, all of the ARBs reported having at least one child who worked as casual laborers on other banana plantations in the district. While these ARBs have no experience in banana farming, they were hoping that their children would be able to get jobs in the plantation leasing their lands. I received numerous accounts of why Musahammatt farms did not want to hire from the ARB families. One reason is under-qualification, despite the fact that many of the families had members who were working in other banana plantations. The other reason is that the country’s largest trade federation has organized in the surrounding areas. Thus, hiring those that have worked in other banana plantations would be allowing the trade union in the farm. Regardless of
the reasons, the inability of the ARBs to determine who uses land has deprived them of the ability to use their holdings and appropriate the gains of cultivation.

The ARBs under growership arrangements have maintained a modicum of possession over their holdings. They can determine who can work on their holdings, and thus, are entitled to the gains from cultivation. They are also given a chance to withdraw from contracts and renegotiate the price of their output. However, these abilities are limited. Withdrawing is conditional upon whether they can pay SUMIFRU for its initial investments for the land amortization owed to MEPI totalling 293,733 pesos per hectare. These costs were initially paid by SUMIFRU to MEPI when the ARBs of MARBCO and MIFARBCO withdrew their growership contract from MEPI. Regardless, the ARBs under growership contracts can look for another buyer and withdraw, as long as they have the funds to do so. When I interviewed the current Coop chairs of both MARBCO and MIFARBCO, they said that the ARBs would like to leave the contract with SUMIFRU since other banana buyers are now locating in Santo Tomas. However, they are willing to continue the remaining two years of their current contract since it is only a short time before the contract expires and their debts are paid.

In contrast, ARBs in lease contracts have not preserved possession over their holdings. They have no control over who gets to work on their land, the use of the land, and the methods of farming. While they may be able to change the level of remuneration they receive, this can only be done insofar as they remain workers in the plantations on their land. The experience of SIFARBCO, STARBENCO and the ARBs of Pantukan show that these ARBs remain vulnerable to the threat of exclusion from the use of their holdings.

5.4 Income

What effect does the allocation of control have on the income of the ARBs? Table 8 gives information on ARB incomes. Total Income aggregates all income sources for each individual ARB except for remittance income. This includes income from the AVAs, other plots of land, pension payments, income from having a store, from driving motorcycles, carpentry,
and other activities. I excluded remittance income since the individual ARBs were reluctant to give figures for remittances. Some gave the reason that they don’t want to make a mistake in their computations. Others simply found the question intrusive. Instead, I noted whether or not they received some form of remittance from relatives overseas. AVA income is the income that they get from the AVA alone, such as profits from selling bananas grown on holdings they received from CARP, lease payments, and wages from their AVAs.

<table>
<thead>
<tr>
<th>Location</th>
<th>Group</th>
<th>Total Income (Median Reported)</th>
<th>AVA Income (Median)</th>
<th>AVA (% of Total)</th>
<th>Non-Ag (% of Total)</th>
<th>Remittance (% of Sample)</th>
<th>Other Income Earner (% of Sample)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santo Tomas</td>
<td>MARBCO</td>
<td>9300</td>
<td>8050</td>
<td>71.00%</td>
<td>5.00%</td>
<td>0%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Growership</td>
<td>MIFARBCO</td>
<td>11800</td>
<td>10250</td>
<td>100.00%</td>
<td>0%</td>
<td>0%</td>
<td>16%</td>
</tr>
<tr>
<td>DAMARB-MPC</td>
<td></td>
<td>4934.16</td>
<td>645.83</td>
<td>17.00%</td>
<td>39.00%</td>
<td>0</td>
<td>14.29%</td>
</tr>
<tr>
<td>Lease (Group)</td>
<td>SIFARBCO</td>
<td>3304.6</td>
<td>554.6</td>
<td>14.58%</td>
<td>82.60%</td>
<td>0</td>
<td>60%</td>
</tr>
<tr>
<td>STARBENCO</td>
<td></td>
<td>2807.38</td>
<td>554.6</td>
<td>24.14%</td>
<td>62.00%</td>
<td>16.7%</td>
<td>100%</td>
</tr>
<tr>
<td>Tagum</td>
<td>HEARBCO 2</td>
<td>4608.69</td>
<td>4608.69</td>
<td>100.00%</td>
<td>0%</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>Lease (Ind.)</td>
<td>Pantukan</td>
<td>Indiv ARBs</td>
<td>3249.90</td>
<td>1399.9</td>
<td>25.86%</td>
<td>68.76%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Table 8: Income Information: The numbers given are bi-weekly figures in Philippine Pesos. AVA Income as a % of Total Income is reported for the median interviewee. "Remittance" and "Other" sources not reported in pesos, but as a percentage of the sample who reported that these are part of their income.

One of the justifications for AVAs is so that ARBs can use their holdings to generate a viable agricultural livelihood (Department of Agrarian Reform, 1996). To indicate how important the AVA income is to an individual in each group, I show here AVA income as a percentage of overall income. I also note non-agricultural income as a percentage of total income to show the extent to which ARBs within different contractual arrangements are able to depend on agriculture for livelihood. Finally, I note how many interviewees depend on
other family members for some support such as buying them food and other daily expenses.

The median bi-weekly income of MARBCO members is 9,300 pesos ($202) while it is 11,800 pesos ($256) for MIFARBCO members. On the other hand, the best-off lessor ARBs, in terms of total income, are those of HEARBCO 2 and DAMARB-MPC. The median income of the DAMARB-MPC ARBs is 4934 pesos ($107) while it is 4609 pesos ($100) for HEARBCO 2. However, the median interviewee from DAMARB-MPC draws only 17% of total income from the AVA. Much of the income is drawn from other activities. This is because many of the interviewees from DAMARB-MPC are retirees who own small stores or have pensions. In contrast, the ARBs of the groups who are not able to gain employment from the AVAs on their holdings are worse off. The median interviewee from SIFARBCO earns a bi-weekly income of 3304 pesos ($71), while that of STARBENCO earns 2807 pesos ($61). The median interviewee from the group of Pantukan ARBs earns 3250 pesos ($70). The gap between the total income of the median HEARBCO 2 interviewee and that of SIFARBCO then is 1305 pesos ($28). It is also notable that SIFARBCO, STARBENCO and the Pantukan ARBs get most of their income from non agricultural sources. Further, a greater proportion of the interviewees from these groups depend on other family members for income. Many of the able-bodied ARBs from these three groups have taken jobs in the farms of other growers or have found non agricultural employment such as carpentry, smithing, and driving tricycles.

5.5 Other Measures of Well-Being

Income is only one dimension of welfare. Table 9 presents data collected on indicators of family welfare, conditions of the household, savings, and ownership of key assets. Of the key assets, I chose the ownership of a motorcycle and a mobile. The motorcycle is a common vehicle in these areas where the roads are often unpaved. It allows people to travel across narrow roads and bridges. Owning a mobile phone has become essential in communication.

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18 The peso-dollar exchange rate at the time of the survey was about 46 pesos to one dollar.
19 Tricycles are passenger vehicles which consist of a motorcycle harnessed with a very colorful sidecar.
whether for deliveries, town meetings, and making appointments at government offices.

<table>
<thead>
<tr>
<th>Location</th>
<th>Group</th>
<th>Child Stop School due to Finance</th>
<th>Running Water in House</th>
<th>Toilet Access</th>
<th>Electricity</th>
<th>Motorcycle</th>
<th>Mobile</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growership</td>
<td>Santó Tomas MARB</td>
<td>0%</td>
<td>87.5%</td>
<td>100%</td>
<td>100%</td>
<td>75%</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Santó Tomas MIFARB</td>
<td>17%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Lease (Group)</td>
<td>DAMARB</td>
<td>14.29%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>43%</td>
<td>100%</td>
<td>14.29%</td>
</tr>
<tr>
<td></td>
<td>SIFARB</td>
<td>73.33%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>27%</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>STARB</td>
<td>67%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>67%</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Tagum HEARB</td>
<td>55%</td>
<td>90%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>25%</td>
</tr>
<tr>
<td>Lease (Ind.)</td>
<td>Pantukan Indiv ARBs</td>
<td>55%</td>
<td>0%</td>
<td>100%</td>
<td>100%</td>
<td>56%</td>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Table 9: **Selected Assets, Childhood Education, and Facilities in dwelling** possessed or achieved by ARBs

Ownership or access to a mobile phone, in-house electricity, and toilets are available to all the ARBs. Those who have growership contracts, however, have less of an incidence of children who discontinued schooling due to financial reasons. The incidence of children discontinuing schooling due to financial reasons is particularly high for the lessor ARBs who cannot work on their lands, and the ARBs of HEARBCO 2 who suffered losses due to typhoon Pablo. It should be noted, however, that in HEARBCO 2’s case, this was not due to their contract with TRAIN but because of their growership with Lapanday.

Running water in-house is not available to the ARBs in Pantukan, but this is mostly because of the infrastructure development in the municipality. All of them, however, have access to water wells on their lots. The incidence of motorcycle ownership is also higher among members of grower coops, except for HEARBCO 2s members where all who were surveyed had motorcycles. Finally, growers also have a higher incidence of respondents who
6 Discussion and Policy Implications

The histories of the different ARB groups resulted in different contracts. The contracts in turn affect their well-being today in terms of their income, and their ability to obtain valuable assets and education for their children. In this section, I discuss criteria under which we can assess the effects of these contracts on the ARBs livelihood. I then outline some possible policy implications.

6.1 Normative Analysis

There are two ways we can conduct a normative analysis on AVAs. The first is to take into account possible counterfactual scenarios for each ARB grouping. For the Santo Tomas ARBs, we can directly compare the lease and growership contracts, since these were the alternatives that were available to the ARBs at the time of contracting. The HEARBCO 2 ARBs were facing a choice between continuing as growers, perhaps with another company, or, with taking the lease option from TRAIN. Finally, the Pantukan ARBs faced the choice of entering an AVA or not.

With respect to the Santo Tomas ARBs, the lease AVAs have certainly been detrimental to the ARBs of DAMARB-MPC, SIFARBCO and STARBENCO. If the ARBs had chosen to only accept growership contracts, their fortunes would be different today. Some may still have contracted with MEPI, but competition from SUMIFRU and other buyers would have made it difficult for MEPI to exploit monopsony power over the ARBs. Certainly, the absence of NGO advising, legal counsel, and strong ARB organizing had a role to play in the divergent outcomes between the leasing and grower ARBs. Further, DAMARBAI’s push to convince the ARBs that they had a better chance as lessors created uncertainty about the growership contracts. As one SIFARBCO member puts it: “Walang hiya yang
Some lease contracts, however, are better than others. Assuming that the Pantukan ARBs’ prices remain as they were when they harvested the last of their coconut crop, then the ARBs improved their income positions by taking the AVA. The lease contract of the HEARBCO 2 members allowed them to avoid further debt, and they have been able to make a living with the lease payments and wages. One counterfactual scenario for the ARBs of HEARBCO 2 would have been a similar growership contract to that of MIFARBCO and MARBCO under SUMIFRU. In my focus group discussions with coop members, SUMIFRU had offered the same deal, with the same conditions, but, perhaps for a longer period since the debts of HEARBCO 2 were larger. Had they gotten this deal under SUMIFRU, they may have had to take out more debts to cover the damage done to their farms, provide fertilizer and other inputs, and would have had to pay SUMIFRU for their aerial spraying. It is difficult to say whether a SUMIFRU-HEARBCO 2 partnership would have resulted in better outcomes, or outcomes equivalent to that of MARBCO and MIFARBCO.

The other way to conduct a normative analysis is to ask whether these AVAs meet certain ends. These can be taken from the official justifications of the state for encouraging such arrangements. The first is to make smallholder farming economically viable for the farmer. The second is to ensure beneficiary possession and control of the land. Last is to introduce facilities and technological improvements that could increase ARB incomes. Under these criteria, the contracts of MARBCO and MIFARBCO have certainly succeeded. The one issue that they have is that there is no visible way to observe outside options so they can bargain for better prices.

Under these criteria, AVAs have failed the Pantukan ARBs, the members of SIFARBCO and the members of STARBENCO. While the median income of the sample exceeds poverty incomes, the ARBs in my sample obtained income largely from activities outside their hold-

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20 Damn that DAMARBAI, all they did was lie. If we only knew.
21 These objectives are stated in the Administrative Order 09-06 under the Department of Agrarian Reform. In the time I was in the Philippines, this administrative order was translated into a law to regulate AVAs called House Bill 5161. It has not yet passed.
ings. Thus, the improvements that were introduced on the ARBs’ holdings do little to facilitate their livelihoods. Moreover, these ARBs cannot utilize their land, let alone gain any control of it. One of the questions that I had asked all interviewees was whether there was any value to owning land. One of the Pantukan ARBs answered this question as follows: *Wala mamatay na kami* (”None we’ll be dead before then.”). Though this answer does not reflect the consensus among the ARBs I interviewed, it follows from the present situation that some of them face. The lands awarded to them yield neither improvements in income, or a viable livelihood. Moreover, their struggle to assert land ownership has been drawn out to the point that, due to their age, some ARBs do not foresee themselves as reaping the rewards of land ownership in their lifetimes.

While the Lease AVAs have been kinder to ARBs in HEARBCO 2 and DAMARB-MPC, it has only been kind insofar as these ARBs have continued their employment in the AVA. The stipulations of the contracts, however, do not give ARBs the right to be employed on their landholdings. These decisions are made by MEPI and TRAIN. However, stipulations that help ARBs gain some control over employment exist in each of these situations. DAMARB-MPC, and HEARBCO, under the current management structure are responsible for personnel issues including hiring and termination. Again, however, it is questionable whether these rights are secure, since they are not written into their contracts.

### 6.2 Policy implications

Steps have to be taken to avoid contractual arrangements that deprive ARBs of control over their lands. The DAR explicitly discourages the formation of lease arrangements, calling these a “last resort” (Presidential Agrarian Reform Committee, 1997). Such policies, without addressing the underlying economic considerations that motivate lease arrangements, are insufficient. As in the case of HEARBCO 2, even growership arrangements can be written to pass costs to ARBs, preventing their success and driving them to financial hardship. Policy

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22 By poverty income, I am using the World Bank standard of $1.90/day, which, in bi-weekly terms would come to 1,223.6 pesos (World Bank and IMF, 2015).
makers should not see AVAs as a means to address the challenges which ARBs face. They should instead tackle these problems first so that agribusiness partnerships become a viable option for ARBs.

In the context of a post-CARP rural economy, familiar measures such as guaranteeing affordable credit, insurance, and building farm-to-market roads would reduce the anticipated costs of cultivating bananas. Such policies reduce the incentives for smallholders to accept contracts where they lose effective control over land. CARP, however, also introduces the burden of amortization payments to ARBs. My findings suggest that amortization payments are one of the reasons that ARBs take contracts where they cede control over their holdings. The state has to formulate an alternative method of compensation to former landowners that does not pass this burden to ARBs. Further, the pricing of land must not include the former owners subjective valuation since this leaves room for manipulation by landed elites. Of late, some land reform advocates have already called for making land distribution free$^{23}$. This would certainly be a welcome development, but it needs to address the difficulties of current ARBs who bear the debt burden.

Agrarian reform authorities must also give institutional support to ARBs. One way to do this is to provide pro bono legal assistance and consultation. This service is particularly important for ARBs who find themselves in unfair contracts, and who would like to renegotiate their terms of incorporation. Second, they can regularly convene key representatives of agrarian reform groups who they can consult on cooperative formation, contracting, and best practices that they may suggest to ARBs. By doing so, ARBs can obtain more information on alternative contracts, profit levels, costs, and possible methods of financing farm operations. This would help ARBs who are deciding on alternative contractual arrangements and would like to see what their peers have been able to achieve.

Another possible intervention is a method of streamlining contract renegotiations. Current

$^{23}$The new proposal by a coalition of progressive parties called the Makabayan (Pro-people) bloc is called the Genuine Agrarian Reform Bill. This has not yet passed, but proposes free land distribution as one of its main objectives.
rently, what I have gathered from focus groups and key informants is that the procedure for renegotiating contracts has several layers. First, the municipal agrarian reform office (MARO) must recommend a case to the PARC. Once the PARC approves the merit of a case, it sends a fact-finding mission. This fact-finding mission then makes recommendations to the PARC which, then, all members of the committee must sign. For SIFARBCO and STARBENCO, it is a process that has taken several years. With such a lengthy process, ARBs would incur costs in both legal fees, and the opportunity cost of foregone income from possible contractual improvements. Streamlining the process may ensure that ARBs can exercise the credible threat of evicting their agribusiness partners so that they have control over their holdings. The criteria for adjudicating contracts is already given by CARP- land ownership has to create viable livelihoods for ARBs, and they should maintain control and autonomy over their holdings.

Finally, the DAR and its local government counterparts should partner with pro agrarian reform forces who are actively involved in organizing rural communities. Such forces could assist in organizing ARB cooperatives, monitor existing partnerships, and assist in delivering grievances regarding contracts. Authorities in the Philippines, however, have a history of exhibiting hostility against such forces\(^\text{24}\). Thus, before the DAR can engage pro-reform forces, there needs to be a commitment within the Philippine state to ensure the welfare of ARBs and the democratic rights of civil society organizations. To this direction, there is some optimism since the newly appointed secretary of agrarian reform, Rafael Mariano, is a long-time peasant advocate and former chairman of the Peasant Movement of the Philippines (KMP)\(^\text{25}\). To what extent he can deliver pro-ARB measures despite a landlord dominated legislature remains to be seen.

These proposals are in line with interventions that enable ARBs to organize and bargain

\(^{24}\)One such case is the killing of a peasant leader in Compostela Valley: http://bulatlat.com/main/2015/04/30/peasant-leader-killed-in-compostela-valley/

\(^{25}\)KMP stands for the Filipino name: Kilusang Magbubukid ng Pilipinas. The press has lauded Mariano’s appointment in articles such as the following: http://www.rappler.com/newsbreak/in-depth/140006-agrarian-reform-rafael-mariano-profile
for better contracts, reduce costs of marketing crops for smallholders, and measures that ease access to technologies (Reardon et al., 2009). In theory, AVAs and other modes of agribusiness incorporation has the potential to benefit ARBs and other smallholders. The fact that many of them are not implies that more needs to be done to make this potential a reality.
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