

Unit 4|The Philippine Economy's Major Sectors and Industries

An economy is built through the work of farmers, factory workers, service providers, entrepreneurs, professionals, and millions of workers in both formal and informal activities. These sectors do not operate separately. Agriculture supplies food and raw materials, industry transforms inputs into higher-value products, services connect producers and consumers, and the informal economy provides income and essential goods and services to communities that may not be fully reached by formal institutions.

This unit examines the major sectors and industries that shape production, employment, income, and development in the Philippines. It looks beyond each sector's contribution to gross domestic product and asks deeper questions: What kinds of jobs are created? Who owns and controls productive resources? Which sectors receive public support? Why do some industries become more productive while others remain vulnerable? How are workers, small producers, and communities affected by economic change?

The chapters in this unit

Chapter 14: Examines agriculture and its continuing importance to food security, rural livelihoods, industry, and national development. It explores the challenges faced by farmers and fishers, including low productivity, insecure access to land and resources, weak infrastructure, climate risks, limited market power, and competition from imports. The chapter also considers how public investment, farmer organizations, technology, agricultural processing, and fairer value chains can raise rural incomes and strengthen food systems.

Chapter 15: Focuses on industry and manufacturing. It explains how economies create more value by transforming raw materials into processed and manufactured products. The chapter examines industrialization, productivity, technology, employment, domestic supplier networks, and the role of government in building competitive industries. It also asks why the Philippines has struggled to deepen manufacturing and how industrial policy can support innovation, decent work, environmental sustainability, and greater national resilience.

Chapter 16: discusses the service sector, which includes transport, retail, finance, tourism, education, health, telecommunications, professional services, and business-process outsourcing. Services can generate jobs, connect different parts of the economy, and support production in agriculture and industry. However, the sector contains both highly skilled and well-paid work and insecure, low-paid employment. The chapter examines how education, digital infrastructure, regulation, competition, and technological change shape who benefits from the growth of services.

Chapter 17: Examines the informal economy and the millions of workers and enterprises operating outside or only partly within formal systems of registration, taxation, labor protection, finance, and social insurance. Informal work often provides an essential source of income and affordable goods and services, but workers may face unstable earnings, unsafe conditions, limited bargaining power, and exclusion from social protection. The chapter explores how formalization can expand rights and opportunities without punishing or displacing people whose livelihoods depend on informal activity.

Together, these chapters show that economic development is not simply a matter of shifting workers from one sector to another. It requires stronger connections among agriculture, industry, services, and informal enterprises. Agricultural products can supply local processors; manufacturers can create

demand for transport, finance, design, and digital services; and small enterprises can become suppliers to larger firms. Development becomes more inclusive when productivity gains lead to better wages, stronger local businesses, affordable essential goods, social protection, and sustainable use of natural resources.

Unit Key Idea

The strength of an economy depends not only on how large each sector becomes, but on the quality of jobs, productive capabilities, and connections created across sectors. Development policy should help agriculture, industry, services, and informal enterprises become more productive, inclusive, sustainable, and mutually supportive.

Chapter 14: Agriculture, Food Systems, and the Environment

Comic strip idea:

A meal on a Filipino table connects many parts of the economy. Rice may come from a farm in Nueva Ecija, vegetables from Benguet, fish from municipal waters or an aquaculture pond, and meat from livestock and poultry producers. Before these products reach consumers, they pass through traders, transporters, processors, wholesalers, retailers, and food-service businesses. Agriculture is therefore not only about farming. It is part of a wider food system that links natural resources, production, markets, public policy, and household nutrition.

This chapter examines the role of agriculture, forestry, and fishing in the Philippine economy; the structure of agricultural production and value chains; the reasons productivity and rural incomes remain low; the effects of trade, infrastructure, technology, and governance; and the growing importance of climate change and environmental sustainability. The chapter also considers the difficult policy choices involved in keeping food affordable while protecting the livelihoods of farmers and fishers.

A. What Agriculture Includes

Agriculture refers to activities that produce crops, livestock, poultry, fish, and other biological resources. In national accounts, the sector is commonly described as agriculture, forestry, and fishing. It includes crop farming, animal production, aquaculture, commercial and municipal fishing, and the management or harvesting of forest products.

Agriculture should also be understood as part of an agri-food system. Production on the farm or at sea is only one stage. Food and raw materials must be stored, transported, processed, financed, marketed, and sold. Losses or inefficiencies at any stage can affect farm incomes and consumer prices.

For example, a farmer may produce a good harvest but still earn little if farmgate prices collapse, transport is expensive, storage is unavailable, or buyers have strong bargaining power. Consumers may also pay high prices even when farmers receive low prices because of losses, fragmented logistics, market concentration, or repeated markups along the value chain.

B. Why Agriculture Matters

1. Food security and nutrition

The most direct role of agriculture is to supply food. Food security exists when people have reliable physical and economic access to sufficient, safe, and nutritious food. This involves more than producing enough calories. A healthy food system must also provide vegetables, fruit, fish, meat, eggs, and other sources of nutrients at prices households can afford.

Food availability depends on domestic production, imports, stocks, transport, and distribution. Food access depends on household income and prices. Food utilization depends on nutrition, sanitation, clean water, and health. Stability means that these conditions can be maintained despite typhoons, droughts, disease outbreaks, conflicts, or world-market disruptions.

2. Employment and rural livelihoods

Agriculture remains a major source of work, particularly in rural areas. In December 2025, agriculture accounted for 20.7 percent of total employment, even though the sector's contribution to national output was much smaller. This gap indicates that average output and income per worker remain lower in agriculture than in industry and many service activities (PSA, 2026e).

Employment figures also do not fully reveal the quality of rural work. Many farmers and fishers are self-employed, unpaid family workers, seasonal workers, or informal workers without stable income and social protection. Agricultural development therefore requires attention not only to the number of people employed but also to productivity, earnings, working conditions, and resilience to shocks.

3. Raw materials and value-added industries

Agriculture supplies inputs to food processing, textiles, furniture, beverages, animal feed, bio-based materials, and export industries. Coconut is processed into oil, food ingredients, fiber, and other products. Sugarcane supports sugar milling and ethanol. Corn is used for food and livestock feed. Fish, banana, pineapple, and other products are processed for domestic and foreign markets.

The economic contribution of agriculture increases when more processing occurs near production areas. Instead of selling only raw commodities, communities can create additional income through milling, drying, canning, cold storage, packaging, branding, and logistics. This is called value addition.

4. Food prices, wages, and the wider economy

Food occupies a large share of household spending, especially among low-income families. When food prices rise, purchasing power falls and pressure for wage increases grows. Higher food costs can therefore affect poverty, inflation, business costs, and the competitiveness of the wider economy.

Improving agricultural productivity can benefit both producers and consumers when higher yields and lower losses reduce unit costs while farmers retain a fair share of the value created. However, higher production alone does not guarantee higher farm income if prices fall sharply or if farmers face high input, credit, and marketing costs.

5. Ecosystem services

Agricultural landscapes, forests, mangroves, rivers, and coastal areas also provide ecosystem services. These include water regulation, soil formation, pollination, carbon storage, flood protection, biodiversity, and nursery habitats for fish. Poorly managed production can damage these services, while sustainable farming, forestry, and fisheries can help preserve them.

C. Structure and Performance of Philippine Agriculture

Agriculture, forestry, and fishing contributed 8.1 percent of Philippine GDP in the first quarter of 2026. For the full year 2025, the sector grew by 3.1 percent after a weak 2024, but performance differed across commodities and regions (PSA, 2026b, 2026d).

The value of agricultural and fisheries production at current prices reached about ₱2.41 trillion in 2024. Crops account for the largest portion, followed by livestock, poultry, and fisheries. Poultry has often grown faster than other subsectors, while livestock and fisheries have faced disease, resource, and climate-related pressures (PSA, 2026e).

Subsector	Major outputs	Economic role
Crops	Rice, corn, coconut, sugarcane, banana, pineapple, vegetables, root crops	Food, animal feed, industrial inputs, and exports
Livestock	Hogs, cattle, carabao, goats, dairy	Meat, dairy, farm income, and processing
Poultry	Chicken, duck, eggs	Affordable animal protein and a growing commercial industry
Fisheries and aquaculture	Marine and inland fish, bangus, tilapia, tuna, seaweed, shellfish	Food, employment, exports, and coastal livelihoods
Forestry and agroforestry	Timber, bamboo, rattan, non-timber products, tree crops	Materials, livelihoods, watershed protection, and carbon storage

1. Small and fragmented farms

The 2022 Census of Agriculture and Fisheries recorded millions of farms and showed that average farm size had fallen sharply over time. The PSA reported an average farm size of about 0.82 hectare in 2022, compared with 3.61 hectares in 1970 (PSA, 2026a).

Small farms are not automatically inefficient. Intensive vegetable, fruit, and livestock production can be productive on limited land. The problem arises when fragmentation makes mechanization, irrigation, storage, financing, and coordination more difficult. A machine that is too costly for one small farmer may become practical when a cooperative or service provider serves many farms.

Farm consolidation allows neighboring small farms to coordinate production without requiring farmers to give up ownership of their land. Through cooperatives, farmers can jointly purchase inputs, share machinery, organize irrigation and storage, consolidate harvests, and negotiate with buyers as a larger group. This can reduce per-unit costs, improve access to credit and technology, and strengthen bargaining power. The benefits, however, depend on capable management, transparent rules, fair sharing of costs and returns, and safeguards against control by a few members.

2. Productivity and income

Agricultural productivity depends on land quality, water, seeds and breeds, machinery, knowledge, labor, infrastructure, finance, and market access. Low productivity raises production costs and limits farm income. But productivity should not be measured only by output per hectare. Government must also consider profit, resource use, labor conditions, nutrition, and environmental effects.

In 2025, the PSA estimated the average cost of palay production at ₱13.26 per kilogram. This figure helps explain why farmgate prices, yields, and production costs must be examined together. A farmer with a high yield may still earn little when fertilizer, fuel, machinery rental, credit, and transport costs are high ((PSA, 2026c).

Case study: Free Irrigation and the Value of Water

In 2018, President Rodrigo Duterte signed the Free Irrigation Service Act, which exempted farmers cultivating eight hectares or less from paying irrigation service fees ("Republic Act No. 10969," 2018). The policy reduced farmers' production costs, but it also removed a price signal that encouraged careful water use. When irrigation water appears to have no cost, farmers near the head of a canal may have less incentive to conserve it, leaving less water for farms farther downstream. In addition, while the target beneficiaries of the free irrigation are the poor farmers, majority of the actual beneficiaries are non-poor (Briones et al., 2019). Free irrigation can therefore contribute to wastage and unequal access unless it is supported by water-delivery schedules, effective irrigators' associations, maintenance rules, and incentives for water-saving

3. Infrastructure and postharvest losses

Agriculture requires more than farm inputs. Irrigation, farm-to-market roads, ports, electricity, cold storage, warehouses, slaughterhouses, laboratories, and digital connectivity affect both productivity and prices. Weak infrastructure increases spoilage, transport costs, and market risk.

Infrastructure must also be matched with operation and maintenance. An irrigation system that lacks water management, a cold-storage facility without reliable electricity, or a trading center located far from production areas may have limited value.

4. Finance, insurance, and risk

Farmers and fishers often need credit before they receive income. They must pay for seeds, feed, fertilizer, fuel, labor, boats, or equipment months before harvest or sale. Formal lenders may consider agricultural borrowers risky because incomes are seasonal, collateral is limited, and weather or disease can destroy output.

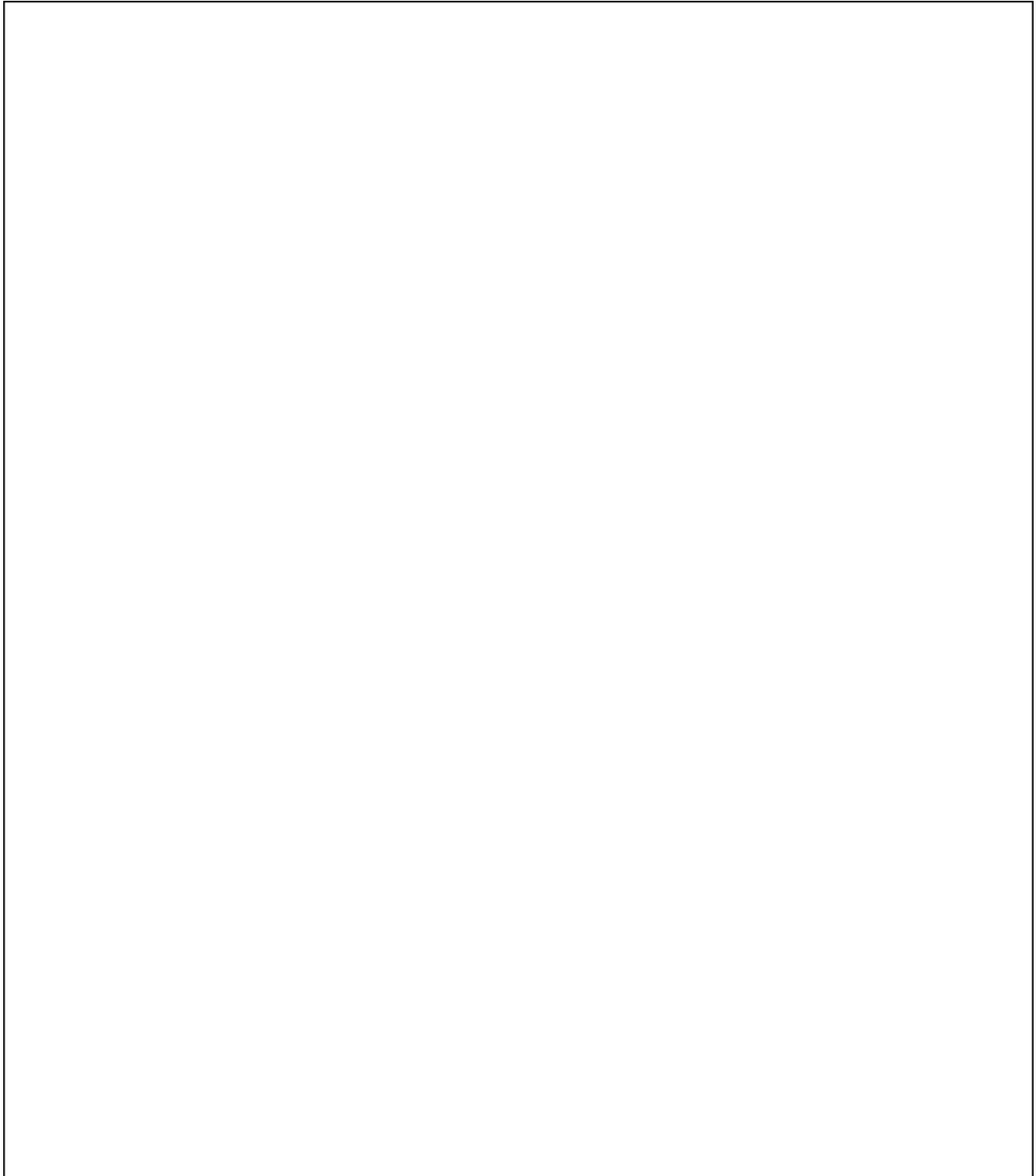
Credit can support productive investment, but debt can deepen vulnerability when a crop fails. Agricultural insurance, emergency credit restructuring, savings, and disaster assistance can help households manage risk. These programs work best when claims are processed quickly and when coverage reflects actual losses.

Case Study: How Effective Is Crop Insurance in the Philippines?

Farmers face risks that they cannot fully control. Typhoons, floods, droughts, pests, diseases, and volcanic eruptions can destroy crops and farm assets before producers recover their expenses. Crop insurance is intended to transfer part of this risk from farmers to an insurer. When an insured loss occurs, the farmer receives an indemnity that can help finance replanting, repay debt, or meet household expenses.

In the Philippines, government-supported agricultural insurance is mainly provided by the Philippine Crop Insurance Corporation. Its programs cover rice, corn, high-value crops, livestock, fisheries, and certain non-crop agricultural assets. The government pays the full premiums of qualified subsistence farmers and fishers registered in the Registry System for Basic Sectors in Agriculture. The subsidy increased from ₱4.5 billion in 2025 to ₱6.5 billion in the 2026 national budget, indicating a continuing effort to expand protection (DBM, 2026).

Crop insurance can produce meaningful benefits. Earlier impact evaluations found that insured rice farmers in Western Visayas had better access to credit, were better able to maintain consumption after losses, and earned higher net income from rice production. The benefits were especially significant among smaller farms. These findings suggest that insurance can prevent a climate or production shock from immediately becoming a household financial crisis (Defiesta & Mediodia, 2016).



5. Research, extension, and technology

Agricultural research develops improved seeds, breeds, farming practices, pest control, postharvest methods, and climate-resilient technologies. Extension services help farmers adapt knowledge to local conditions. Technology may include machinery, mobile weather information, digital marketplaces, soil testing, water-saving irrigation, drones, and traceability systems.

Technology should not be treated as a simple replacement for labor. Its value depends on farm scale, local skills, repair services, financing, and access. Public policy should support shared machinery services, cooperatives, training, and local technicians so that small producers can benefit.

D. The Role of Local Agricultural Extension Offices

Local agricultural extension offices serve as the main link between farmers and the government's agricultural programs, research institutions, and technical experts. Because farming conditions differ across provinces and municipalities, extension officers should translate national policies and scientific knowledge into practical advice suited to local crops, soils, climate, water availability, and markets. They should regularly visit farming communities rather than wait for farmers to approach government offices.

Their core services should include training on improved production methods, soil and water management, pest and disease control, climate-resilient farming, postharvest handling, and farm business management. Extension offices should also provide timely information on weather, planting schedules, market prices, available credit, insurance, government assistance, and applicable regulations. They can help farmers organize into cooperatives or clusters, prepare farm plans, access machinery and facilities, meet product standards, and connect with processors, institutional buyers, and markets.

Extension officers should also help identify local problems and communicate them to provincial and national agencies. They can monitor crop and livestock conditions, report pest outbreaks and disaster damage, assess whether public programs are reaching intended beneficiaries, and recommend investments in irrigation, storage, roads, laboratories, or training. Their role is therefore not limited to distributing seeds, fertilizer, or equipment. They should help farmers solve problems, adopt suitable technology, reduce risk, improve productivity, and earn more stable incomes.

For extension services to work, local governments must provide enough trained personnel, operating funds, transport, equipment, and continuing education. Performance should be measured not only by the number of seminars conducted or inputs distributed, but by whether farmers adopt useful practices, reduce losses and costs, improve yields and income, gain access to markets, and become more resilient to climate and economic shocks.

E. Markets, Trade, and the Agricultural Value Chain

Agricultural markets must balance several objectives: affordable food, adequate producer income, stable supply, food safety, and long-term productivity. These objectives sometimes conflict, especially in staple commodities.

1. Farmgate and retail prices

The farmgate price is what producers receive when they sell their output. The retail price is what consumers pay. The difference covers drying, milling, storage, transport, financing, spoilage, wholesaling, retailing, and profit. A large price difference is not automatically evidence of abuse, but it should be examined when farmers receive low prices while consumers pay high prices.

Market information, competition, producer organizations, logistics, and transparent trading can improve farmers' bargaining position. Cooperatives can help consolidate products, purchase inputs, access machinery, negotiate contracts, and perform processing or marketing functions.

2. Imports and food security

Imports can fill domestic supply gaps, stabilize prices, and provide products that cannot be produced efficiently in sufficient quantities. They can also expose domestic producers to competition. The effect depends on the timing, volume, tariff, exchange rate, and support available to local producers.

Food self-sufficiency and food security are related but not identical. Self-sufficiency emphasizes domestic production. Food security emphasizes reliable access to adequate food from domestic production, trade, and reserves. Heavy dependence on imports can create vulnerability to world prices, export restrictions, shipping disruption, and currency depreciation. But attempting to produce every commodity domestically regardless of cost can also make food expensive.

A sound policy identifies commodities where domestic production has strategic, nutritional, environmental, or livelihood value; improves productivity and resilience; maintains appropriate reserves; and uses trade without neglecting local capacity.

Case Study: Rice Policy — Balancing Consumers and Farmers

Rice policy illustrates the tension between affordable food and producer income. Starting in 2014, rice imports were restricted through quantitative controls and the National Food Security Fund (NFSF) was established, and resulting regulations (Republic Act No. 11265) replaced previous restrictions with tariffs and created the Rice Comprehensiveness Enhancement Fund, or RUCOF, to support seeds, machinery, credit, and extension.

The limitations made it easier for private traders to import rice. The policy was intended to increase supply and reduce consumer prices, while tariff revenues funded support for farmers. Research suggested that lower rice prices could benefit consumers, including many poor households that purchase more rice than they produce. At the same time, farmers faced lower aggregate prices and adjustment costs, making the quality and speed of RUCOF support important (Dizon, 2019, 2021).

The policy was assessed by Republic Act No. 11265 in 2024. The assessment expanded government support for rice, established a new rice seed bank, expanded the NFSF, and allowed the NFSF to subsidize the rice stock outside of the local farmers. These changes recognized that import liberalization alone could not address all problems in the rice market.

The rice seed bank was intended to reduce the risk for farmers between buying inputs and selling outputs in the market. The relevant questions are whether tariffs and import timing protect consumers from shortages without unnecessarily depressing farm prices, whether RUCOF support actually lowers costs and raises yields, whether the NFSF purchases and manages stocks efficiently, and whether

E. Climate Change, Natural Resources, and Sustainable Agriculture

Agriculture depends directly on temperature, rainfall, soil, water, forests, coastal ecosystems, and biodiversity. This makes the sector highly exposed to environmental degradation and climate change.

1. Climate risks

Climate change refers to long-term changes in temperature and weather patterns. PAGASA projects that all parts of the Philippines will become warmer, with larger increases during the summer months. Changes in rainfall, extreme heat, stronger rainfall events, drought, sea-level rise, and changing pest and disease conditions affect farms, livestock, fisheries, and rural infrastructure (DOST-PAGASA, 2024).

Climate risk is not determined by the hazard alone. It also depends on exposure and vulnerability. A drought affects an irrigated farm differently from a rainfed farm. A typhoon affects a household with savings, insurance, and diversified income differently from a highly indebted tenant farmer.

Climate change can reduce yields, alter planting calendars, increase animal heat stress, damage boats and fishponds, change fish distribution, and increase postharvest losses. It can also affect food prices and government spending through repeated emergency assistance and reconstruction.

2. Adaptation

Adaptation means adjusting production systems and institutions to reduce harm or take advantage of changing conditions. Examples include climate-resilient varieties, diversified crops, water harvesting, efficient irrigation, agroforestry, soil conservation, improved drainage, heat-tolerant livestock, early-warning systems, and climate-informed planting calendars.

The Department of Agriculture's Adaptation and Mitigation Initiative in Agriculture, or AMIA, promotes climate-resilient agriculture and climate information services. The principle is that climate data must be translated into decisions that farmers and fishers can use, such as what to plant, when to plant, how to manage water, and when to protect or harvest assets (DA-CRAO, 2025).

3. Mitigation and environmental impacts

Agriculture also contributes to environmental pressures through land conversion, methane from livestock and rice cultivation, fertilizer use, burning, deforestation, water pollution, and energy consumption. Mitigation means reducing emissions or increasing carbon storage.

Possible measures include improved fertilizer management, alternate wetting and drying in irrigated rice, manure management, renewable energy, reduced food loss, agroforestry, mangrove protection, and soil-carbon improvement. Policies should assess trade-offs carefully. A practice that reduces emissions but lowers farm income or food supply may require financing, technical support, or redesign.

Environmental sustainability also concerns soil erosion, declining soil fertility, pesticide exposure, groundwater depletion, and the destruction of mangroves and coral habitats. These are economic problems because they reduce future production and shift costs to communities and later generations.

Case Study: Climate-Smart Farming Is More Than New Seeds

Consider a rainfed farming community that experiences alternating drought and intense rainfall. Government distributes drought-tolerant seeds. This may help, but seeds alone cannot solve the problem if farmers lack timely forecasts, water storage, credit, crop insurance, drainage, storage, and markets for alternative crops.

A more complete climate-resilience program would begin with local climate and hazard information. Farmers, local governments, scientists, irrigation managers, and buyers would identify the main risks and suitable responses. Some farms might shift planting dates, diversify into drought-tolerant crops, use water harvesting, or join shared machinery and storage services. Others might require livelihood diversification because continued production in highly exposed areas is no longer viable.

The case shows that climate adaptation is not a single technology. It is a coordinated system of information, infrastructure, finance, extension, social protection, and natural-resource management. It must also be evaluated over several seasons because one good harvest does not prove that a system is resilient.

Guide Questions

- Why are climate-resilient seeds insufficient when other services are weak?
- How do exposure, income, insurance, and access to irrigation affect climate vulnerability?
- What roles should national agencies, local governments, scientists, and farmers play?
- When might livelihood diversification be more appropriate than continued production of the same crop?
- How should government measure whether a climate-resilience program is working?

F. Fisheries as a Common Resource

Fisheries differ from ordinary private production because fish stocks move and reproduce in shared waters. When access is weakly regulated, each fisher has an incentive to catch fish before others do. The result may be excessive fishing effort, smaller fish, habitat damage, and declining stocks.

Municipal fishers are especially vulnerable because they depend on nearshore resources and often use small boats. Their incomes are affected by competition, illegal fishing, fuel costs, weather, coastal development, and habitat degradation. Sustainable fisheries policy must therefore combine conservation with livelihood protection.

Case Study: Closed Fishing Seasons for Sardines

The government has implemented closed fishing seasons in major sardine grounds, including the East, West, Middle, and South Seas, and Subang Bay. During the closure, commercial harvesting of sardines is restricted for a defined period to allow spawning and stock recovery. The policy is supported by the National Sardine Management Plan and is implemented by DENR with local governments and other agencies (Bureau, 2002a, 2002b, 2002c).

A closed season can improve sardine catches if it is based on scientific evidence, enforced consistently, and coordinated across fishing areas. However, it also induces income during the closure. Mitigating its effects, including, transport, and trading may need temporary employment, cash support, training, or alternative livelihoods.

The policy objectives in basic conservation include: (1) Without limits, current harvest may be high but future stocks may decline. With conservation, current income may fall but future production can become more sustainable. The distribution of costs matters: small boats and workers should not carry the entire burden of protecting a resource that benefits consumers, firms, and future users.

Closed seasons should be evaluated using fish-stock indicators, catch per unit of effort, sardine income, compliance, effects on workers, and the availability of livelihood support. Conservation should also be combined with action against illegal fishing, habitat destruction, and pollution.

Guide Questions

- Why can unrestricted access lead to overfishing?

G. Improving Agricultural Policy

Agricultural policy should address the entire system rather than rely on one input or one temporary intervention. The following areas are closely connected.

Productivity support should include research, extension, irrigation, soil and water management, shared machinery, animal health, and postharvest facilities. Support should respond to local commodities and conditions rather than follow a uniform national package.

Producer organizations and service providers can help small farms achieve scale. Cooperatives, clusters, contract arrangements, and machinery pools can reduce costs and improve bargaining power, but they require capable management, transparent rules, and safeguards against elite capture.

Market and logistics reforms should improve roads, ports, storage, cold chains, market information, standards, and competition. Government should monitor prices and margins without assuming that price controls can replace adequate supply and functioning markets.

Social protection should recognize that farmers and fishers face seasonal and climate-related risks. Insurance, health coverage, pensions, emergency assistance, and income diversification can prevent one shock from forcing households into debt or asset sales.

Environmental policy should protect soil, forests, watersheds, mangroves, reefs, and fish stocks. These are productive assets, not obstacles to development. Their degradation may produce short-term private gain but long-term public loss.

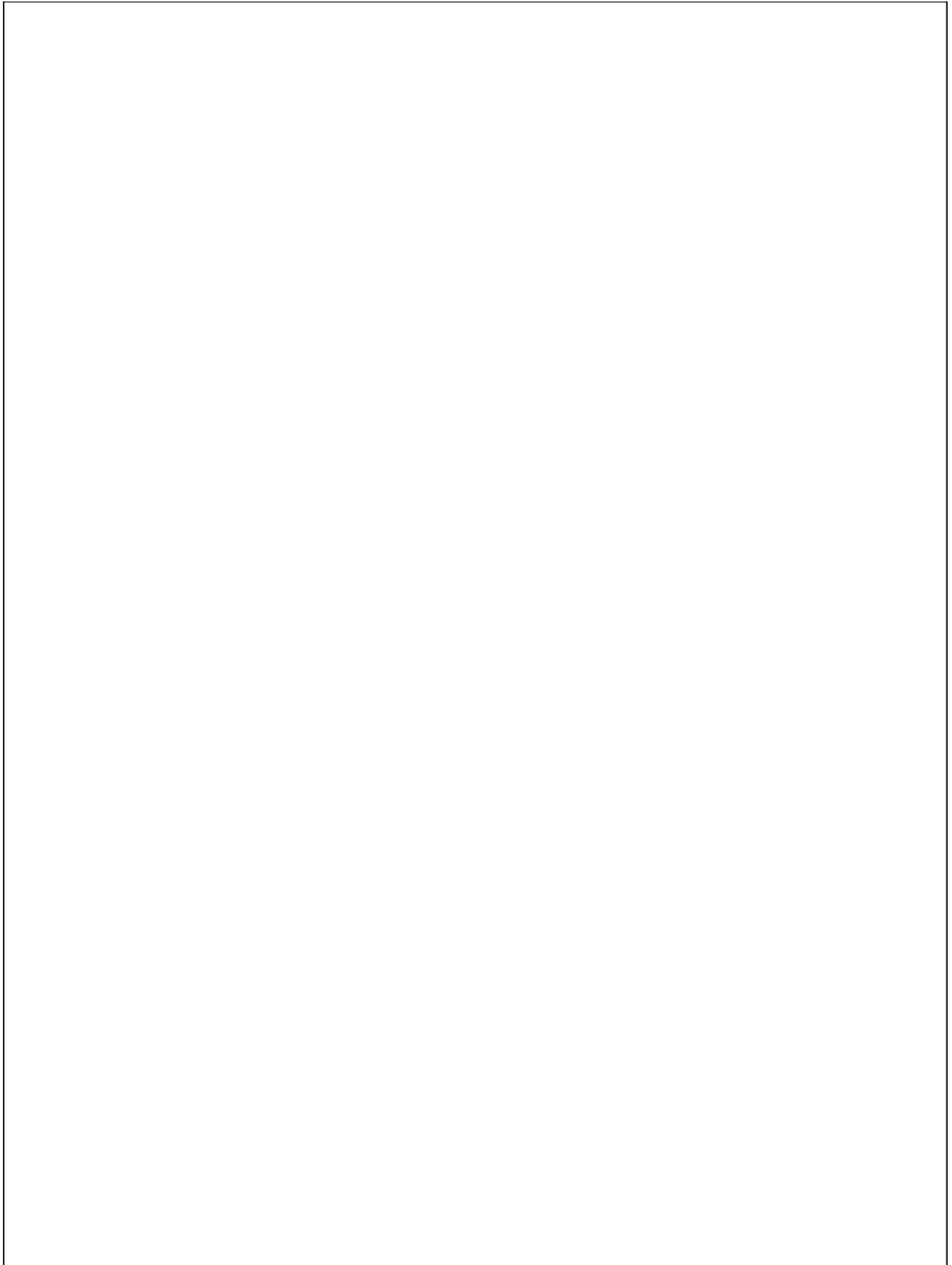
Governance and accountability are central. Programs should have clear objectives, transparent beneficiary selection, measurable outcomes, public data, independent evaluation, and coordination among the Department of Agriculture, local governments, research institutions, producer groups, and other agencies.

Finally, agricultural development should create opportunities for young people not only as farm operators but also as researchers, veterinarians, engineers, technicians, processors, entrepreneurs, data specialists, and logistics providers. The issue is not whether young people can be persuaded to remain in low-income farming. It is whether agriculture can offer productive work, innovation, and viable enterprises.

Case Study: Commercial Fishing in Municipal Waters

Under the Philippine Fisheries Code, municipal waters generally extend up to 15 kilometers from the coastline and are intended primarily for municipal or small-scale fishers. Commercial fishing vessels may be allowed only in limited portions of the zone—from 10.1 to 15 kilometers—and only when local governments determine that ecological and other legal conditions are satisfied. The policy recognizes that small fishers operate with smaller boats, limited capital, and less powerful equipment, making it difficult for them to compete directly with large commercial fleets ("Republic Act No. 10654," 2015).

This protection was challenged by Mercidar Fishing Corporation. In December 2023, the Regional Trial Court in Malabon declared several provisions of the Fisheries Code and its implementing rules unconstitutional. The ruling weakened local-government jurisdiction over municipal waters and the preference given to municipal fisherfolk. In August 2024, the Supreme Court's First Division denied the appeal of the Department of Agriculture and the Bureau of Fisheries and Aquatic Resources, allowing the RTC ruling to stand. The Supreme Court's action was significantly affected by procedural issues, particularly the finding that the government's appeal had been filed beyond the required period. The Department of Agriculture and BFAR later sought reconsideration. Available public reports indicate that motions challenging the ruling remained pending, so the case should not be presented as a settled final resolution of all the constitutional and environmental issues involved (Bacilig, 2025; "Mercidar Fishing Corporation and Rolando T. Ligon, Jr. v. Bureau of Fisheries and Aquatic Resources and Department of Agriculture," 2023).



H. Poverty in the agricultural sector

Poverty remains concentrated among people whose livelihoods depend on agriculture and fisheries. In 2023, the poverty incidence among farmers was **27.0 percent**, while the rate among fisherfolk was **27.4 percent**. Both were substantially higher than the national poverty incidence of **15.5 percent** among individuals. This means that more than one in four farmers and fisherfolk belonged to families whose incomes were insufficient to meet the official minimum requirements for food and other basic needs (PSA, 2025)

High poverty in agriculture is partly explained by low and unstable incomes. Many farmers cultivate small plots, while municipal fishers operate with limited boats, equipment, and capital. Their earnings depend on harvest seasons, weather, fish stocks, farmgate prices, and input costs. A farmer may receive income only after several months of production, while paying in advance for seeds, fertilizer, fuel, labor, irrigation, or machinery. A typhoon, drought, pest outbreak, animal disease, or sudden fall in prices can therefore eliminate an entire season's income (Custodio & Sombilla, 2024).

Low productivity is an important cause of poverty, but it is not the only one. Farmers may increase production and still earn little when input and transport costs are high, postharvest facilities are inadequate, or buyers have stronger bargaining power. Tenant farmers and agricultural workers may also receive only a limited share of the value produced. In fisheries, declining stocks and competition over coastal resources can force small fishers to spend more time and fuel for smaller catches. Poverty is therefore shaped by both production conditions and the way income is distributed across the value chain.

Agricultural poverty is also closely connected to informality and weak social protection. Many farmers, fishers, and seasonal workers do not receive regular wages, paid leave, pensions, unemployment protection, or employer-funded insurance. Their households often combine farming with construction work, vending, transport services, migration, or other temporary activities. This diversification can provide additional income, but it may also indicate that agriculture alone is unable to support the household throughout the year.

Poverty also limits the ability to improve productivity. A low-income farmer may be unable to purchase better seeds, repair equipment, adopt irrigation technology, or wait for a more favorable selling price. The farmer may instead borrow from traders, sell the harvest immediately after production, or avoid investments that are profitable but risky. Poverty can thus create a cycle in which limited resources lead to low investment, low productivity, weak bargaining power, and continued low income.

Reducing poverty in agriculture requires more than distributing inputs or increasing production of a single crop. Policy should improve productivity, reduce losses, strengthen producer organizations,

expand access to affordable credit and insurance, and connect farmers to reliable markets. It should also provide irrigation, extension services, storage, rural roads, health care, education, and social protection. For some households, the most effective route out of poverty may involve higher-value agriculture, processing, or nonfarm employment rather than remaining dependent on low-income subsistence production (World Bank, 2020, 2021).

Agricultural poverty is not caused simply by farmers producing too little. It reflects small and insecure livelihoods, exposure to climate and market shocks, weak access to services and markets, and an unequal share of the value created by the food system. Raising rural incomes therefore requires both higher productivity and better economic protection for farmers, fishers, and agricultural workers.

Let's Review

- Agriculture includes crops, livestock, poultry, fisheries, aquaculture, and forestry, but it should also be understood as part of a wider food system involving inputs, finance, processing, logistics, markets, and consumers.
- The sector supplies food, employment, industrial raw materials, exports, and ecosystem services. Its importance is greater than its share of GDP because food prices and rural livelihoods affect poverty, wages, inflation, and national development.
- Philippine agriculture is characterized by small and fragmented farms, uneven productivity, limited infrastructure, high risk, weak market power, and large differences across commodities and regions.
- Trade can support food availability and price stability, but imports must be combined with productivity improvement, adjustment support, strategic reserves, and transparent market regulation.
- Climate change increases production and livelihood risks. Adaptation requires more than new technology; it involves information, infrastructure, finance, extension, social protection, and natural-resource management.
- Sustainable agriculture protects soil, water, forests, coastal ecosystems, biodiversity, and fish stocks because these are foundations of future production.
- Poverty remains high among farmers and fisherfolk because low productivity is compounded by unstable income, climate and market risks, weak access to services, and limited bargaining power within the food system.

Key Takeaway: Agricultural development is not achieved by producing more of one commodity alone. It requires a food system that raises productivity and income, keeps food accessible, manages trade and risk, protects natural resources, and builds resilience to climate change.

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