

# The PREMISES of PHILIPPINE RURAL ECONOMY

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THERE are certain basic facts which serve as a starting point in the study of Philippine rural economy. As far as they can go, such facts are afforded to us by our Census data, as those of 1903, 1918, and 1939, and by special reports and surveys on the various phases of our rural life. In our present study we are going to limit ourselves to the Census data of 1939, and particularly to those on agriculture, farming being the main industry in our rural communities. Following bare statements of present conditions, we shall offer the problems involved in the forms of suggestive questions the answers to which might embody principles and policies which may be included within the scope of Philippine rural or agricultural economics.

## 1. Our country is still rural.

The first thing that we have to know is that the Philippines is preponderantly a "Rural country." Of the 16,000,000 people of the Philippines in 1939, there were 12,300,000, or nearly 3/4 of the total population, who lived in barrios and nearly 93% of all the barrios and "centros de poblacion" have a population of less than 2,000 persons. These figures indicate that what may be considered as our "rural economy" is after all at the same time our national economy. We believe, however, that our rural economy is distinct from our national economy. The former is predominantly identified with self-sufficing barrio economy, while the latter is based upon Philippine semi-industrialized farming, mining and lumbering enterprises and foreign trade which has been the means of maintaining a reasonably high standard of living for our people.

**Problems:** How can we extend the industrialization of the Philippines that will bring social and economic improvements to outlying, "poblaciones", barrios and sitios? How can we develop cities and towns which shall serve as markets for the products of nearby barrios and sitios and as an outlet for surplus population? How can we share with the barrio people the advantages of a modern city life? How can we raise the standard of living and economic efficiency of our rural population? How can we make the attachment of the rural people to their home not only a matter of sentiment and helplessness to go somewhere but also for certain reasons as economic advantages? How can we make them contribute to our economic, social, political, and cultural progress? Do we have a distinctly rural system of education? Is there not a waste of potential labor and opportunities in rural districts due to lack or faulty organization of Philippine agriculture? Is there any relation between our frontiers where lands are still available, the free trade relation between the Philippines and the United States, and the emigration of Filipino laborers to Hawaii and the early industrialization of the Philippines?

## 2. Number and distribution of our farm units to given sizes in 1938.

In 1938, there were 1,634,726 farm

units covering an area of 6,690,593.87 hectares. According to our Census of 1939 a farm is "any parcel or parcels of land at least 1,000 square meters in area, used for raising of field crops, fruits, vegetables, trees, and/or other agricultural products or for raising of livestock, poultry and other animals. A farm includes all parcels, lots or pieces of land actually worked by one person, either

by his own labor alone or with the assistance of members of his family or hired employees. When a landowner has more than one tenant, the land actually worked by each tenant is considered a farm."

The distribution of our farm units to given sizes in 1938 is as follows:<sup>1</sup>

TABLE NO. 1

Sizes of Farms	Number of Farms	Per Cent
Less than 1 Ha.	368,903	22.5
From 1 but less than 2 Has.	489,053	29.9
From 2 but less than 5 Has.	565,060	34.6
From 5 but less than 10 Has.	142,587	8.7
From 10 but less than 20 Has.	48,367	3.0
Over 20 Has.	20,756	1.3
Total .....	1,634,726	100

The above figures show that farms of less than 5 hectares constituted 87% of all the farms; that the greatest number of farms is found among those from 2 hectares but less than 5 hectares, with a percentage of 34.6% of all the farms; that farms of from 1 hectare but less than 2 hectares come second, with 29.9%; and that farms of less than 1 hectare come third, with 22.5%. There is a gradual decrease of the number of farms of larger sizes. The corresponding percentages of farms between 5 and 10 hectares, between 10 and 20 hectares, and of those over 20 hectares, were 8.7%; 3.0%, and 1.3%, respectively.

**Problems:** Why is it that 52.4% or more than 1/2 of our farmers operated farms of less than 8 hectares in 1938? Does it show that the farmers were inefficient or that they lacked enough capital? Or does it show that our farm

lands are minutely divided into small lots and that an individual may be an owner of one or more of them located far apart? Is it not this condition of our landed property, that of being fragmented, the main cause of uneconomical operation of most farms and of the meagerness of the income of most farmers? Is there a need for consolidation of farm property into desirable and proper sizes as has been done in England and other countries, either voluntarily or compulsory? Is there any relation between efficiency in operating a farm and its size? What is the most efficient size of a farm? What is a family farm? How can we build up our agriculture on medium size farms? What has our government done in breaking up big land estates? Why does our Constitution give authority to Philippine Congress to determine by law the size of private agricultural land that may be acquired and held by private individuals

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<sup>1</sup> Census of the Philippine Islands: 1939; Vol. II, pp. 1030-1031, 1617-1626.

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## The Premises of Philippine Rural Economy . . .

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or corporations? What have been the forces which led to the parcelment of our agriculture land?

3. Distribution of farm area, cultivated land and idle land to given sizes of farms.

The importance of a given size of farm may also be indicated by the area covered by it of the total farm area.

Before giving the relative importance of each size of farm, let us give some explanations as to the meaning of the terms, farm area, cultivated land, idle land, and sizes of farms, as given by the Census of 1939.

Farm area includes the area of the home lot, land actually cultivated, land suitable for cultivation but not cultivated nor used for pasture, land covered with forest growth and waste and land occupied by farm improvement, such as houses, buildings and waste land.

Cultivated land includes the area planted to crops in 1938 or occupied by coconut, fruit and nut trees. Enumerators were instructed not to count or report the same land twice, even though two or more crops were planted on it in 1938.

Idle land includes arable and suitable land for the growing of crops but was not cultivated during 1938 nor used for pasture. The given possible causes are lack of rain, following, or quotas, etc.

The sizes of farms include only the cultivated and idle land. They do not take into account the forest and pasture lands and the area covered by farm improvements and the waste land.

The farm area, the cultivated land, and the idle land covered by each size of the given farm units in 1938, are as follows:<sup>1</sup>

TABLE No. II

Sizes of Farms	Farm Area		Cultivated Land		Idle Land	
	Hectares	Per Cent	Hectares	Per Cent	Hectares	Per Cent
Less than 1 Ha.	393,173.01	5.9	292,653.43	4.9	13,111.32	1.1
From 1 but less than 2 Ha.	836,422.79	12.5	614,050.21	15.6	46,767.51	4.3
From 2 but less than 5 Has.	2,039,029.17	30.4	1,472,060.12	37.3	183,616.41	16.5
From 5 but less than 10 Has.	1,191,529.87	17.8	723,835.61	18.3	21,428.88	19.1
From 10 but less than 20 Has.	804,632.96	12.0	382,052.24	9.7	255,152.30	23.0
Over 20 Has.	1,425,806.07	21.3	569,159.03	14.4	308,082.93	25.9
Total . . . . .	6,690,593.87	100	3,953,810.64	100	1,108,159.35	100

The above table shows that the farms of the size of from 2 but less than 5 hectares maintain their preponderant importance among the farm units by covering 30.4% of the total cultivable farm area and 37.3% of all the land actually cultivated. Note that while the number of farms of less than 2 hectares constituted 52.4% of all the farms, they covered only 18.4% of the total farm area and 20.5% of all the cultivated land. The number of farms of from 5 hectares and over constituted only 12% of all the farms, but they covered 51.1% of all the farm area and 42.4% of all the cultivated land. Note also that 78% of all the area of the idle land of 1,108,159.35 hectares or 864,664.11 hectares come from farms of 5 hectares or over, while only 22% or 243,495.24 hectares come from farms of less than 5 hectares.

Land within farm area exclusively used for pasture covered an area of 732,222.20 hectares; forest lands, an area of 647,419.42 hectares, and other uncultivated lands, an area of 248,982.26 hectares.

*Problems:* Why is it that 1,108,159.35 hectares of cultivable arable land were not cultivated in 1938? Are there speculative and absentee landholdings in the Philippines? Are we practicing the "fallowing" system to preserve the fertility of our soil as indicated? Is it due to lack of capital, work animal, or labor? Is it due to weather condition, or drought? Is it due to subsistence farming? Is it due to changes in price levels? Is there any relation between the size of farms and proportion of the idle land to farm area? Does not the breaking up of large farms increase crop hectarage as indicated by Census reports? Are the pasture lands simply abandoned waste lands? Does the forest land in the farm area correspond to the wood-lot in the United States?

<sup>1</sup>Census of the Philippine Islands: 1939; Vol. II, p. 928.

4. Types of farms in 1938.

Based upon the use of 50% or over of the cultivated area of a farm for the production of a particular crop, the types of farms in the Philippines and

the relative importance of each, are as follows:

The fact that it was possible in 1938 to classify our farms into definite types based upon the use of at least 50% of

TABLE NO. III

Types of Farm	Number of Farms	Per Cent
Total . . . . .	1,634,726	100
1. Palay Farms . . . . .	799,666	48.9
2. Coconut Farms . . . . .	302,294	18.5
3. Corn Farms . . . . .	239,618	14.7
4. Abaca Farms . . . . .	62,139	3.8
5. Vegetable Farms . . . . .	30,987	1.9
6. Sugar cane Farms . . . . .	21,459	1.3
7. Fruit Farms . . . . .	11,876	0.7
8. Tobacco Farms . . . . .	13,166	0.8
9. Palay-Tobacco Farms . . . . .	8,662	0.5
10. Livestock Farms . . . . .	1,661	0.1
11. Poultry Farms . . . . .	80	—
12. Other Farms . . . . .	143,118	8.8

the area of the farms reporting to the cultivation or growing of a particular crop, shows some degree of specialization or of the diversification of crops as the case may be. The indicated types of farms are the main crops. The minor crops are left out of the picture. The "Other Farms" numbering 143,118 must have been so diversified and consequently could not be classified under any type. We shall discuss the degree of diversification of farm enterprises later. Our attention for the present should be attracted by the weak position of the livestock, poultry, and fruit farms, and the establishment of a palay-tobacco farm type, indicating the possibility of such a type in connection with other export crops, such as abaca, coconut and sugar. It is obvious that the palay-tobacco farmers wanted to be self-sufficient as to

their subsistence. In this way the farmers themselves can strengthen their position through an economic weapon in their own hands.

Note that the first four crops in above list of farm types constituting 85% of all the number of farm enterprises, were already the staple crops of the Philippines before the coming of the Spaniards.

*Problems:* What improvements have been brought about through specialization of crops? Does subsistence farming necessarily mean antiquated, traditional, or customary method of production? Does commercialized agriculture mean a progressive and scientific farming? Should there be more of money crops than the above figures show in order to raise the standard of living of the rural population? Should there be

more of the palay-tobacco types? Should we extend this type of farm to other money crops as abaca, coconut, and sugar?

5. Area of cultivated land by types of farms.

The relative importance of each type of farming may also be indicated by the following area involved: 1

TABLE NO. IV

Type of Farms	Hectares	Per Cent
Total	3,953,810.64	100
1. Palay Farms	1,723,311.06	43.6
2. Coconut Farms	975,012.95	24.7
3. Corn Farms	316,113.93	8.0
4. Abaca Farms	278,240.95	7.1
5. Sugar cane Farms	206,767.25	5.2
6. Vegetable Farms	31,136.84	0.8
7. Fruit Farms	24,332.05	0.6
8. Tobacco Farms	19,788.52	0.5
9. Palay-Tobacco Farms	19,213.89	0.5
10. Livestock Farms	7,596.52	0.2
11. Poultry Farms	46.60	—
12. Other Farms	352,250.08	8.9

From the above figures we notice the increase importance of sugar, coconut, and abaca farms as to area cultivated as shown by their respective percentages to the total area cultivated as compared with those of the preceding table on the number of farms. There is a corresponding decrease in the relative importance of the other types of farms as the vegetable, corn, palay farms.

The problems in the preceding section

are also involved under this one.

6. The distribution of idle land by types of farms.

As given, there were in 1938 1,108,159.35 hectares of idle land within the cultivable farm area. This area constituted 28% of the cultivated land. How this area of idle land has been distributed to the various types of farm, is shown in the following table:

TABLE NO. V

Type of Farm	Hectares	% Distribution
Total	1,108,159.35	100
1. Palay Farms	403,365.10	36.4
2. Corn Farms	101,840.69	9.2
3. Abaca Farms	69,743.13	6.3
4. Sugar cane Farms	38,667.80	3.5
5. Coconut Farms	257,183.27	23.2
6. Fruit Farms	14,043.41	1.3
7. Tobacco Farms	4,924.89	0.4
8. Palay-Tobacco Farms	6,828.91	0.6
9. Vegetable Farms	11,443.81	1.0
10. Livestock Farms	24,319.37	2.2
11. Poultry Farms	31.74	—
12. Other Farms	175,767.23	15.9

There are no marked indications that the problem of idle land has much to do with types of farm. All types of farms seem to be affected by it. Taking, however, the relative importance of land under cultivation by types of farms as a basis, we notice that the share of palay, abaca, sugar cane, coconut, and tobacco farms of the idle land is less in

proportion to area cultivated than that of the "Other Farms", livestock farms, vegetable farms, palay-tobacco farms, and fruit farms.

The relation of types of farms to the idle land may be well indicated by its proportion to the cultivated land, as may be shown in the following table:

TABLE NO. VI

Type of Farm	Cultivated Land in Hectares	Idle Land Hectares	Percentage of Idle Land over Cultivated Land
Total	3,953,810.64	1,108,159.35	28
1. Palay Farms	1,723,311.06	403,365.10	23
2. Coconut Farms	975,012.95	257,183.27	26
3. Corn Farms	316,113.93	101,840.69	32
4. Abaca Farms	278,240.95	69,743.13	25
5. Sugar cane Farms	206,767.25	38,667.80	18
6. Vegetable Farms	31,136.84	11,443.81	36
7. Fruit Farms	24,332.05	14,043.41	57
8. Tobacco Farms	19,788.52	4,924.89	24
9. Palay-Tobacco Farms	19,213.89	6,828.91	35
10. Livestock Farms	7,596.52	24,319.37	320
11. Poultry Farms	46.60	31.74	68
12. Other Farms	352,250.08	175,767.23	44

Census of the Philippine Islands: 1939; Vol. II, p. 1025.

## Currency and . . .

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costs of production do not rise as fast as the price of their products and they are able to realize a larger margin of profit. Most farmers were able to get out of debt during the Japanese occupation. Many of them assumed a new role, that of creditor to the other classes in the community. Debtors as a class are benefited by inflation.

While farmers in debt are undoubtedly favored by inflation, it is to be observed that the advantages gained by the farming class as a whole are not as great and real as they might appear. For increasing prices affect all kinds of goods, agricultural products which the farmers sell and the various commodities and services that the farmers have to buy. While it is true that their money income is increasing rapidly even if their total output is decreasing, they have to spend that income on goods which are also rapidly increasing in prices. In some instances it is to be doubted whether the farmers are really favored by inflation. There is reason to believe that in the long run the farmers as a class are not much benefited because of the disorganization of trade and industry and of economic life as a whole which cannot but affect everybody. The higher costs that are bound to be incurred as inflation progresses will mean that all producers including the farmers have to sell at higher prices, and the foreign markets for agricultural products would be adversely affected.

The benefit that any class or groups in the community derive from inflation is in the final analysis temporary. Increasing prices bring increasing profits, but like all the good things in life sooner

Table No. VI shows that among the well established crops, as sugar, tobacco, rice, abaca, and coconut, the proportion of idle land to cultivated land is less than in the other crops, which are considered minor crops. Take the case of the livestock farms, the idle land is more than three times the area of the cultivated land; the case of fruit farms, the area of idle land is 57% of that of the cultivated land; and the case of "Other Farms," the area of idle land is 44% of that of the cultivated land. The laudable reason may be that the later types of farms have not as yet been well established and that they are still in the process of development. The case of livestock farms is an object lesson in land utilization. The idle land is as good a grazing land as any pasture land. So it is a question as to which use is more profitable.

The problems involved in this section are the same as those under Section 3.

(To be continued)

## FARMERS DECIDE TO ORGANIZE

(Continued from page 1)

rather than later they come to an end. The decline in prices after an uncontrolled inflation could not always be arrested so as to stop at what is considered a normal level. Prices continue to fall, and as the saying goes, the higher you go the harder you fall.

The whole world is at present girding to confront deflation is the opposite of that of inflation. The debtor class bears the brunt while the creditor class receives all the benefits. Because of this, it is often thought that deflation is to be deprecated because it is the rich that are mostly benefited, the rich being synonymous with the creditor class. This is a conception that is not entirely in accord with actual facts, for most creditors are people who have small income or savings accumulated over a long period of time from meager earnings; creditors are composed mostly of people who belong to the middle class, in many cases widows and retired employees who are providing for old age, while debtors are chiefly large corporations, large farmers, industrialists and substantial businessmen who owe the banks or investors. These groups are adversely affected by deflation, but they could easily make the necessary adjustments to take care of any emergency. It is the people who are least able to protect themselves from the orgy of inflation or the harshness of deflation that are the worse hit and suffer the greatest injustices that follow these two economic ills.

### Need for a Stable Currency System

The fact that in the long run nobody is really benefited by fluctuations in the value of money, it should be a prime objective of all governments especially in the postwar period to establish and maintain a stable currency system. The Bretton Woods agreement laid the groundwork for a stable international currency system. While stable prices as an aim of monetary policy are quite unattainable and of doubtful utility, what is needed in the Philippines is a more modern currency system that could meet the requirements of trade and industry during the period when reconstruction and rehabilitation are the dominating consideration in any economic program drafted and carried out by the government. For it must be admitted that the present currency system is outmoded to cope with the demands of a remodeled Philippine economy. The principle upon which the currency system as at present constituted is based belongs to the nineteenth century when the gold standard was the predominant monetary standard. To continue under that system during the second half of the twentieth century is to close our eyes to the lessons painfully learned by other progressive nations during the last generation. To insist upon a 100 per cent backing at this time when most countries are on managed currency, to insist that we have an "automatic" currency system today, is to hang on to a tradition that would be a definite drawback to our economic progress.

A comprehensive reform of the currency system is clearly necessary and

At a recent meeting of the Central Luzon farmers who are in Manila, it has been decided to form the Philippine Farmers Association in order to pool the efforts of all the farmers of the country in cooperating with the government in the speedy rehabilitation of the farmers, the farms, and the rural districts in general. The names of those who are heading this important movement are listed on page 1. Due to difficulties in transportation and communication it was not possible to contact many others before the November issue of *Farming and Cooperatives* goes to press. We are passing the information to all the farmers and former colleagues in the movement for improvement of agriculture and request that they contact us in our headquarters at 1001 Oroquieta, Manila. Mr. Ricardo Gonzales, of Pangasinan, has been designated as temporary Chairman and Treasurer, until the Association can meet for election of regular officers.

The need for a strong and militant organization among the farmers of the Philippines is now imperative. In view of the complex problems of agricultural rehabilitation and the urgent demand for adequate production of food and raw materials for local industries and for export the farmers should organize to be able to meet their concrete needs and problems.

It has been the ordinary experience during economic depressions to find the prices of farm products always to be first to come down in the downward movement of prices of commodities. On the other hand during booms when the prices go upward, the prices of farm products remain last at the bottom of the rising trend. In both cases the farmers suffer. During the recent economic disturbance in our community brought about by war, the farmers suffered from destruction of farms, equipments and work animals, unfair prices, poor distribution channels, lack of transportation and meager credit facilities.

Unless the farmers therefore get to

should be undertaken immediately after the political situation has cleared. Amendments to the currency law undertaken merely as an incident in the search for more funds to balance the budget are futile to remedy a major problem. The chief features of a comprehensive monetary reform would be (1) the creation of a single currency reserve fund instead of the two separate funds at present which in fact function as a unit, and at a lower percentage to the total circulation, and (2) the establishment of a Central Bank to manage the currency system in accordance with the needs of industry and trade. A modern Central Bank Act would, to my mind, constitute a much needed amendment to our present currency law. A Central Bank Act should be one of the first laws to be passed by an independent Philippines.

gether and do something for themselves it is likely that during this period of national economic reconstruction and rehabilitation aid due the farmers may not be made available on time.

The Philippine Farmers Association is organized so that there may exist an official private organ to voice the need of our farms, that there may be established a working agency which may cooperate with the government to keep the farmers abreast with the progress of the fast changing economic world. It shall inform the farmers of valuable improvements in farm practices, create interest among them for concerted action to secure protection and favorable sympathy from the public that is due the most fundamental of human calling in the Philippines, farming.

In order to make the association viable and able to render the fruitful services contemplated in its charter of organization, it was decided to make the association a stock corporation.

The scope of work of the association is outlined in the following program of activities.

#### 1. Membership Drive

To secure within one year as many farmers as possible to be members.

#### 2. To establish in Manila a headquarters of the Association which will serve as:

(a) Information service office for members on prices, land values, farm machineries, farm practices, agrarian problems, etc.

(b) Agency for members on procurement of essential commodities, sales of farm products and employment.

(c) Publish an Agricultural Journal.

#### 3. Organize farmers' convention and farmers' cooperatives.

4. Promote a militant representation of the farmers' interest and welfare in the rehabilitation and reconstruction movement, both in Government as well as private commercial and industrial circles.

#### 5. Organize the Associations' income producing projects to provide a stable financial support for the activities, and create investment opportunity for farmers.

First in line of these undertakings is the construction of the Farmers Building in Manila which shall stand as the monument of the farmers unity and firm resolve to make farming a stable occupation. Farmers all over the country are asked to help this movement in order to realize the erection of the much needed Farmers Building within the earliest possible time. The Farmers Building will serve as the firm foundation of the organized efforts of the farmers to make agricultural production stable.

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Join the Philippine Farmers  
Association Now!

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