

24 July 2020

HON. WILFRIDO MARK M. ENVERGA

Chairperson
Committee on Agriculture and Food
House of Representatives
Batasan Complex, Batasan Hills
Quezon City

Dear **Representative Enverga**:

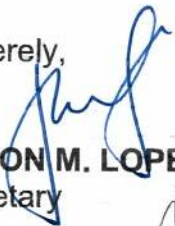
We are pleased to submit the Department's position on House Bill No. 3393, entitled:

“An Act to Promote the Production, Processing, Marketing and Distribution of Philippine Mango, Mandating the Creation of a Framework for Development Plan, Providing Funds Therefor, and for Other Purposes”

This is without prejudice to the Department's submission of additional inputs.

With my best regards.

Sincerely,


RAMON M. LOPEZ
Secretary



OFFICE OF THE SECRETARY

DTI Position on

House Bill No. 3393

“An Act to Promote the Production, Processing, Marketing and Distribution of Philippine Mango, Mandating the Creation of a Framework for Development Plan, Providing Funds Therefor, and for Other Purposes”

The Department supports the creation of a Philippine Mango Framework for Development that will harmonize and integrate all the initiatives, projects and programs to promote the competitiveness of the country's mango industry. A development plan intends to avoid duplication of initiatives, address development gaps and bottlenecks, optimize the use of resources, and align all efforts towards one common goal – in this instance, a sustainable and globally competitive mango industry. However, the DTI defers to the position of the Department of Budget and Management (DBM) and other agencies concerned on the matter of funding requirement.

The Philippines has a long-standing tradition of mango production and has been a significant player in the export of mangoes in the global market since the 1980s. In 2019, the PH accounted for 1.9% of the total world exports of fresh or dried mangoes,¹ and ranked 10th among biggest mango exporters in the world. Key markets of these products include Hong Kong (32.1%), USA (21.7%), Japan (13.4%), South Korea (9.0%), and Canada (8.1%)².

In addition, the Philippine mango is considered as one of the best in the world and was even listed as the sweetest mango in the 1995 Guinness Book of World records, beating other countries that also produced tropical mangoes.³ However, total land area allotted to mango has been declining. Based on the Philippine Statistics Authority (PSA) data, area planted with mango trees declined from 188,092.22 hectares in 2014 to 185,858.47 hectares in 2018. Subsequent to this is the declining volume of mango production, from 855.04 million metric tons in 2014 to 711.66 million metric tons in 2018, the lowest in the past decade.

The declining trend in the yield and volume of production was brought about by several common factors such as typhoons, pests, diseases, increasing cost of production, and inadequate orchard management. Another important reason was the lack of strategic and long-term research and development initiatives to support the development of innovative technology that can improve competitiveness of the mango industry not only locally but most especially in the global export markets.⁴ These challenges discouraged some mango growers to continue farming, and instead shifted to different crops.

¹ Available data from ITC Trademap is HS Code 080450: Fresh or dried guavas, mangoes and mangosteens

² Ibid.

³ <https://bar.gov.ph/index.php/digest-home/digest-archives/73-2006-2nd-quarter/4401-aprjun06-sweet-elena-mango>

⁴ Department of Agriculture's Philippine Mango Industry Roadmap (2017-2022)

Despite the decline in production, the Philippines continues to have major opportunities to expand and improve its position in the global mango industry because of its established reputation as source of quality mango products. Several strategies should be undertaken in order to sustain its participation in the global value chain and improve its competitiveness. These include investment in research and development; provision of training for farmers to incorporate good agricultural practices and the use of modern agricultural techniques to meet global standards; improvement in the production of mangoes to create better quality products; and development of capabilities in the packaging and cold storage stage of the chain.⁵

In addition to the Philippine Mango Roadmap crafted by the Department of Agriculture, DTI is undertaking several initiatives to improve the sector. The development of the agribusiness sector is one of the Department's priority sectors in the Inclusive Innovation Industrial Strategy (I³S), a new industrial policy which aims at growing innovative and globally competitive manufacturing, agriculture, and services while strengthening their linkages into domestic and global value chains (GVCs).⁶ In particular, the agribusiness sector envisions to transform and upgrade the agriculture sector from traditional farming to agribusiness or industrial clusters to take advantage of opportunities in high value crops that include mangoes, rubber, coconut, bananas, coffee, palm oil and cacao, among others.

Processed Fruits Roadmap (Dried Mangoes)

The Processed Fruits Roadmap for dried mangoes was crafted by the DTI-Board of Investments (BOI) in partnership with the private sector to develop and improve the industry. Dried mangoes are among the more competitive manufactured food products in both local and international markets. The popularity abroad of Philippine brand of dried mangoes can be attributed to high quality of raw material used – the Carabao mangoes. Thus, the Philippines is seen to reap the benefits from the manufacture of dried mangoes by expanding its market coverage and improving the value of its production in the country.

Incentives to Encourage Businesses

The commercial production of agricultural, fishery, and forestry products is listed under the preferred activities in the 2017 Investment Priorities Plan (IPP). This also includes the activities that involve production of seeds and seedlings; establishment of nurseries and hatcheries, and support services and infrastructures such as facilities for drying, cold chain storage, blast freezing, bulk handling, storage, and food irradiation; equipment for harvesting, plowing, and spraying/dusting; and building of packing houses, trading centers, ice plants in less developed areas, AAA slaughterhouses, and AAA dressing plant.⁷

⁵ Duke University-Center on Globalization, Governance and Competitiveness. (2017). The Philippines in the Mango Global Chain. Department of Trade and Industry.

⁶ Aldaba, Rafaelita M. (2017). Policy Brief on the Philippine Innovation Industrial Strategy – Propelling Jobs, Investments, and Shared Prosperity For All.

⁷ 2017 investment Priorities Plan (IPP)

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Based on the 2017 IPP, identified priority investment activities are eligible to the following incentives under the Omnibus Investment Code of 1987 or the Executive Order (E.O) No. 226⁸:

1. Income Tax Holiday (ITH)
 - a. Six years for projects with pioneer status and for projects in a Less Developed Area;
 - b. Four years for new projects with non-pioneer status; and
 - c. Three years for expansion/modernization projects.
2. Duty exemption on imported capital equipment, spare parts and accessories;
3. Exemption from wharfage dues and any export tax, duty, impost and fees;
4. Tax exemption on breeding stocks and genetic materials;
5. Tax credits on imported raw materials;
6. Tax and duty-free importation of consigned equipment;
7. Additional deduction for labor expense;
8. Employment of foreign nationals;
9. Simplification of custom procedures; and
10. Access to bonded manufacturing warehouse.

Shared-Service Facilities (SSF)

The SSF Project is one of the flagship projects of the MSME Development Program which aims to improve the competitiveness of MSMEs by providing them with machinery, equipment, tools, systems, skills and knowledge under a shared system. It seeks to address the gaps and bottleneck in the production and manufacturing components in the value chain of priority industry cluster, particularly the agribusiness sector.

Specific to mango processing, DTI provided to the Guimaras Mango Growers and Producers Development Cooperative an SSF for hot water treatment which aids in the processing of quality grade mangoes for their mango-based products. Fruits that undergo hot water treatment will suffer less damage when processed, thus, new products of great quality will be produced.⁹

Following are the Department's specific comments and recommendations:

Stipulations under House Bill (HB) No. 3393	DTI Comments/Recommendations
<p>Sec 4. Philippine Mango Development Framework.</p> <p>...xxx The Framework shall likewise provide for the following:</p> <p>a. Investment Promotion and Facilitation - The Department of Agriculture and Department of Trade and Industry shall develop programs establishing links</p>	<p>The DTI, through the Small Business Corporation (SB Corp) provides financial assistance to MSMEs known as the Pondo sa Pagbabago at Pag-asenso (P3). Under</p>

⁸ 2017 Investment Priorities Plan (IPP).

⁹ <https://www.freshplaza.com/article/2122283/philippines-mango-processing-facility-now-in-guimaras/>

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between stakeholders in the mango industry and Government Financial Institutions and other financial cooperatives...xxx;

the P3 Program, microenterprises may avail of loans amounting to PhP5,000 up to PhP200,000 without collateral, depending on the size of the business and the borrower's capacity to pay.

In terms of promotion, the DTI-Regional Operations Group (ROG) and the Bureau of Domestic Trade (BDT) can establish linkages between farmers/cooperatives and local institutional buyers like supermarkets. Likewise, the DTI-Export Marketing Bureau (EMB) and Center for International Trade Expositions and Missions (CITEM) can assist in promoting export-ready farmers/cooperatives to potential buyers.

b. Production Support and Extension – The Department of Agriculture, Department of Trade and Industry, Department of Science and Technology, Cooperative Development Authority, state universities and colleges and other relevant government agencies shall establish programs which promote and provide adequate training on adapting technologies to individuals engaged in production, marketing, processing, and distribution of Philippine mangoes,...xxx;

Several established programs by the DTI may be tapped in partnership with DA, DOST and other relevant institutions. In the case of the Department, we have capacity building programs such as the Kapatid Mentor Me (KMME) Program and the SME Roving Academy (SMERA).

1. **KMME Program** is an initiative of the DTI in partnership with the Philippine Center for Entrepreneurship (PCE), aimed at helping MSMEs scale up their business through coaching and mentoring approach where large corporations teach MSMEs on the different aspects of business operations.
2. **SMERA** provides learning sessions on various business development topics such as entrepreneurial mind-setting, business registration, and other means to grow and expand businesses.

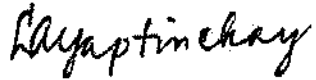
Moreover, the Philippine Trade Training Center (PTTC), an attached agency of DTI, also assists MSMEs to develop their skills and competencies through comprehensive training and capacity building programs, facilities and services, and global discussions.

c. Research and Development – The Department of Agriculture and Department of Science and Technology shall establish

The DTI established the Regional Inclusive Innovation Centers (RIICs) that serve as enabling networks or platforms that aim to

<p>sites and/or pilot farms for the cultivation and the propagation of Philippine mangoes...xxx;</p>	<p>link government, academe, and industry to promote a market-oriented research towards addressing societal issues and industry needs by enabling the creation of new products and services, as well as new economic activities.</p> <p>Through these networks, R&D needs and challenges of the mango industry, whether in production or processing, could be addressed, thereby improving its position in the global value chain.</p> <p>Moreover, major interventions outlined in the Philippine Mango Industry Roadmap require support such as the Mango Rehabilitation Program and Establishment of Mango Learning Center.</p> <ol style="list-style-type: none">1. Mango Rehabilitation Program (2018-2022) – It involves pruning and fertilization of mango trees which are essential to increase productivity and yield of trees. The DA approved a budget of PhP600 per tree as a support for the program which can be availed thru loans from the Agricultural Credit and Policy Council (ACPC).2. Mango Learning Site (2020-2022) – It serves as a techno-demo site where new technologies and farm production management for mango will be taught. A target of 50 mango learning sites are to be established by the end of 2022.
<p>d. Market Promotion and Development – The Department of Agriculture and Department of Trade and Industry shall link-up agribusiness cooperatives and organizations directly with consumers' cooperatives and organizations...xxx;</p>	<p>For domestic promotion, DTI-BDT can assist farmers and cooperatives in selling their products to major supermarkets through the Go Lokal stores and institutional buyers through virtual local trade fairs.</p> <p>For export promotion, EMB can assist the would-be exporters of fresh and processed mangoes through the RIPPLES Plus program. This program aims to match foreign buyers with exporters through online Inbound and Outbound business to business (B2B) matching meetings and virtual trade fairs. This is undertaken in partnership with CITEM and DA.</p>

Thus, the DTI would like to reiterate our support to the passage of the bill with deference to the position of DBM and other concerned agencies on the matter of funding. We are of the view that a development plan may be an instrument that will address the existing challenges faced by the Philippine mango industry and a tool to sustain growth and enhance its global competitiveness.



Bureau of Trade and Industrial Policy Research

17 June 2020

Ref: BTIPR-062020-54

/RGGV