



Comparative Analysis of Contract Growing and Leaseback Arrangement In Banana Production: The Case of Agrarian Reform Cooperatives in Calinan District, Davao City

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I Outline

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Introduction

- Banana is gaining the status of an export winner being on the top 5 producer in the world.
- Globalization offers both opportunities and challenges to the banana industry
- Production at commercial level is dominated by large companies with the production process being held by ARBs

Introduction

- Agrarian reform law as a flagship program is expected not only to resolve the long time problem of inequitable distribution of land but also to alleviate poverty and enhancement of growth and development in the rural areas

Introduction

- Development of new technology of banana growing, CGA and now LBA:
 - Contract growing arrangement is the trend nowadays in banana which involves farmers (ARBs), sponsors and government.
 - Leaseback arrangement or land rent contracts in banana is also existing – though it is a defiance of the agrarian reform law

Objectives

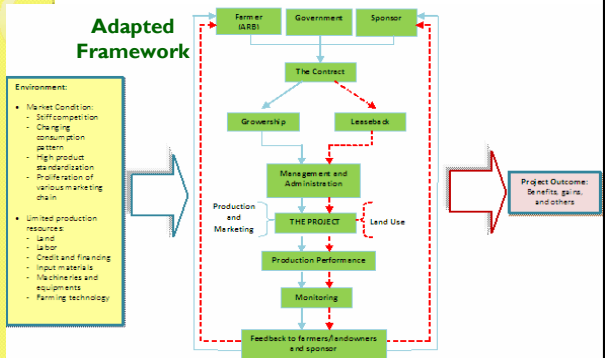
- to assess the role and contribution of the ARCs in the contract growing arrangement and leaseback arrangement of banana
- to characterize and compare the contractual schemes of CGA and LBA using the adapted growership model

Objectives

- to identify the factors that influenced ARBs decision to engage in CGA
- to identify the factors that influenced the ARBs decision to shift to LBA
- to identify the benefits that can be derived from the two schemes

Methodology

Adapted Framework



Methodology

Theoretical Framework

- Logit Regression

$$L_i = \ln[P_i/(1-P_i)] = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k + u_i$$

Methodology

Empirical Framework

- Logit Regression

$$PART_i = \ln [(P_i/1-P_i)] = b_0 + \beta_1 EDUC_i - \beta_2 FARM_i + \beta_3 EXP_i + B_4 LAB_i + \beta_5 DIST_i + \beta_6 TRAIN_i u_i$$

Site location



Methodology

Research Design

- Exploratory research supported by case study
- Qualitative and Quantitative approach

Research Instrument

- Survey questionnaires

Sampling Procedure

$$n = \frac{N}{1 + (N * E^2)}$$

$$n = \frac{223}{1 + (223 * 0.095^2)}$$

$$n = 74.02 \text{ or } 75$$

Methodology

Sample size in each ARC

Agrarian Reform Communities	Actual Number of ARBs	Sample Size of ARBs (growership and leaseback)
Tamayong	94	17
Subasta	77	26
Dacudao	52	32
Total	223	75

$$n_i = n \times (N_i / N)$$

n_i – represents the sample size per community

N_i – represents the actual population size per community

Results and Discussion

A. DATA ANALYSIS

Existing Contract Agreement among selected ARC

Area	Percentage	Type of Contract Agreement
Brgy. Dacudao	22.7%	Contract Growing (collective farming)
Brgy. Subasta	34.7%	Leaseback Arrangement
Brgy. Tamayong	42.7%	Contract Growing (IFS)
Total	100%	

B. THE GROWERSHIP MODEL

Growership Model	Contract Growing	Leaseback
FARMER	<ul style="list-style-type: none"> technically called GROWER bind himself to an agreement of banana production 	<ul style="list-style-type: none"> technically called LESSOR agrees to lease his landholdings to the company
SPONSOR	<ul style="list-style-type: none"> multinational company Engaged into commercial production of banana buy and accept the produce of growers 	<ul style="list-style-type: none"> technically called LESSEE pays yearly rental and land amortization

Growership Model	Contract Growing	Leaseback
GOVERNMENT	<ul style="list-style-type: none"> lead agency involved is DAR together with other 11 agencies 	<ul style="list-style-type: none"> facilitated the formation of leaseback
CONTRACT	<ul style="list-style-type: none"> Growers exclusive production and sales agreement 	<ul style="list-style-type: none"> Contract of Lease P18,000/ha/year land rent P500 increase on the succeeding years P10,247 land amortization

Growership Model	Contract Growing	Leaseback
MANAGEMENT AND ADMINISTRATION	<ul style="list-style-type: none"> both ventures are managed by one company management team is assigned to every area of operation facilities are built to each area (warehouses, offices) 	
PROJECT	<ul style="list-style-type: none"> satisfactory water source, electricity, and communication lines accessible roads and transportation facilities 	

Growership Model	Contract Growing	Leaseback
MONITORING AND PERFORMANCE	<ul style="list-style-type: none"> technicians are assigned in every area 	<ul style="list-style-type: none"> company employs its own workers especially in farm operations
FEEDBACK TO FARMERS AND SPONSOR	<ul style="list-style-type: none"> Brgy. Dacudao: well management of the venture because of the existence of cooperative Brgy. Tamayong: occurrence of various conflicts between farmers and sponsor 	<ul style="list-style-type: none"> Brgy. Subasta: harmonious relationship of lessor and lessee farmers are well organized through coop

Results and Discussion

C. LOGIT REGRESSION

Convergence achieved after 7 iterations

Model 1: Logit, using observations 1-58

Dependent variable: PART

Independent variables	coefficient	Std. error	Z-stat	p-value
(constant)	-3.46378	2.76399	-1.253	0.2101
EDUC	-0.344495	0.142660	-2.415	0.0157 **
FARM	5.80336	2.44532	2.373	0.0176 **
EXP	-0.0327414	0.0524871	-0.6238	0.5328
TRAIN	0.560659	1.14287	0.4906	0.6237

McFadden R² 0.373399

Number of 'correctly predicted' cases 46 (79.3%)

Likelihood ratio test 0.0000

	Predicted	
	0	1
Actual 0	20	6
1	6	26

Findings...

- ARBs with functioning cooperatives remained with CGA
- Decision to shift from CGA to LBA is influenced by:
 - Very offensive campaign from big companies
 - Problems encountered by ARBs related to capital requirement , farm inputs and production process
 - Lack of support services (farm inputs, research and development, technical training)

Conclusion and Recommendations

The following are strongly recommended:

- continuous education and training of ARBs;
- encourage more pooling of resources (land, farming equipment , financial capital)
- strong collaboration of all key players;

Conclusion and Recommendations

- The following are strongly recommended:
 - active involvement of the ARBs and ARCs in the drafting of the growership/marketing / purchase agreements ;
 - deep commitment of the 11 government agencies mandated to assist in the implementation of CARP
 - > capability building of the ARBs
 - > timely delivery of needed and appropriate support services

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