Strategic Plan for Abaca

Southern Philippines

2004 - 2014

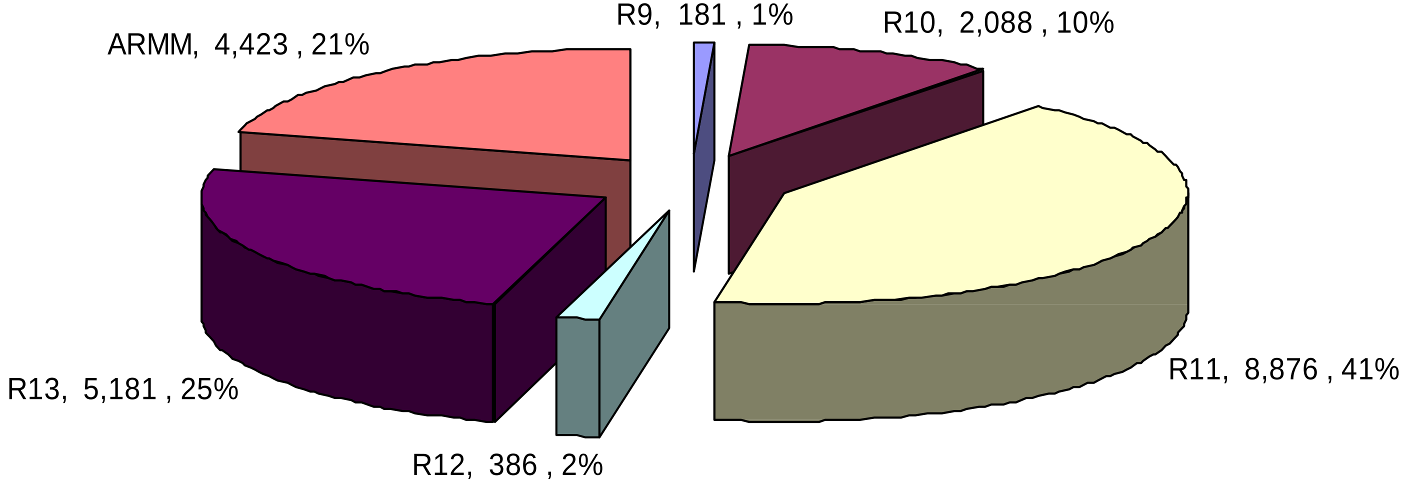
Industry Situation

- National production:
  - 65,220 mt (1994)
  - 70,423 mt (1998)
  - 69,818 mt (2003)

- Total production for Mindanao:
  - 15,975 mt (1994)
  - 18,784 mt (1998)
  - 19,052 mt (2003)

Top producing areas are R11, R13 and ARMM

Distribution of Abaca Production in Mindanao, mt (2002)



Hectarage

- Total hectarage in the country
    - 102,404 ha (1990)
    - 106,683 ha (2002)
    * 0.3% growth per year

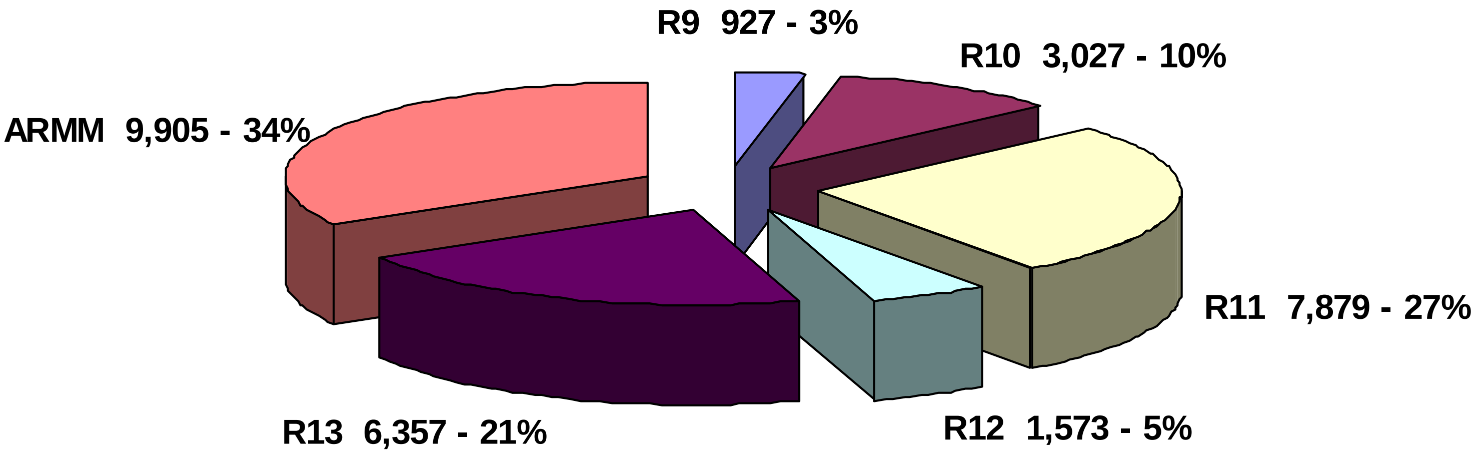
- Total area in Mindanao
    - 27,047 ha (1990)
    - 29,668 ha (2002)
    * 0.8% growth per year

Trend in Mindanao

- Area highest in ARMM
  - 12,525 ha (1990)
  - 9,345 ha (1995)
  - 9,721 ha (2002)
  - *34% of Mindanao
- Close 2nd in hectarage is R11
  - 5,193 ha (1990)
  - 7,879 ha in 2002
  - * 27% in 2002
- The rest of Mindanao increased in area under production

About 29,668 has are planted to abaca in Mindanao, directly involving some 22,321 farm-families.

Distribution of Hectarage in Mindanao (2002)



Trend in yield

- National average yield
  - 0.58t/ha (1990)
  - 0.72 t/ha (2000)
  - 0.63t/ha (2002)

- Average yield in Mindanao
  - 0.65t/ha (1990)
  - 1.0t/ha (2001)
  - 0.71t/ha (2002)

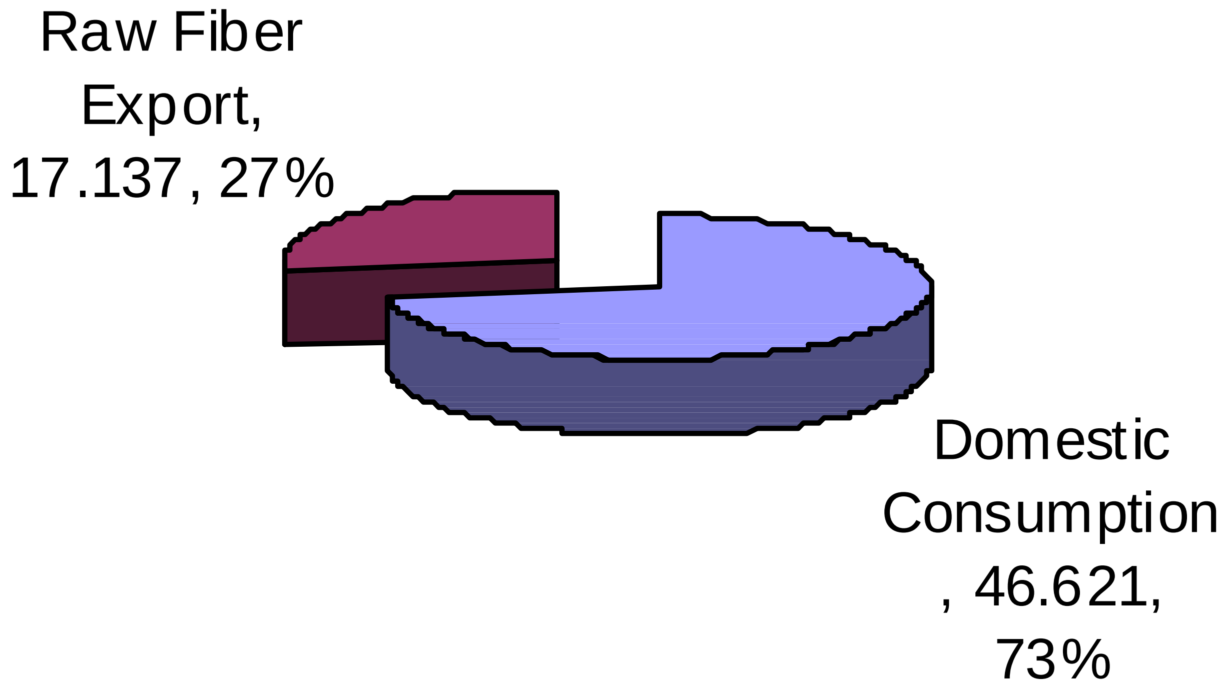
  * 2.92% average growth/year

Trend in Yield Mindanao

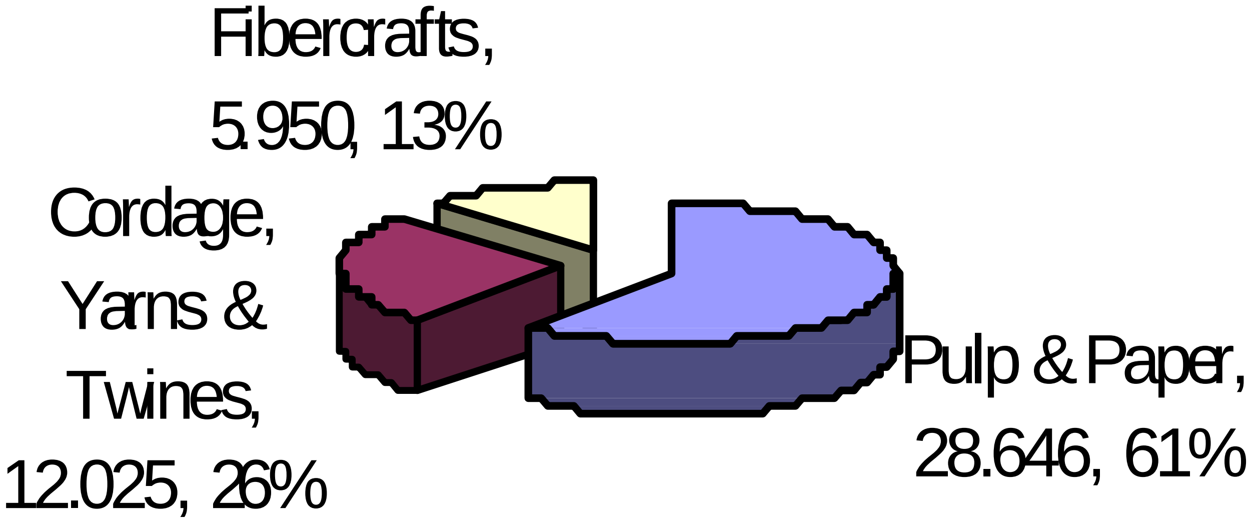
- Highest yielding Regions (2001)
  - R12 (1.45 t/ha)
  - R11(1.11 t/ha)
  - R13 (1.0 t/ha)

- Lowest yielding is R9
  - 0.8 t/ha (1990)
  - 0.18 t/ha (2001)

Utilization of Abaca (2002)



Distribution of Usage by Sector (2002)



Demand

- Pulp sector accounts for 62.8 percent of domestic consumption;
- It is the fastest growing sector at 3.6 percent per year during the last 10 years(1994-2003);
- Strategic focus will be on Pulp

Pulp Demand

- Domestic Source:

- Newtech pulp mill needs 60 mt/day and to increase to 90 mt/day by 2005
- Two pulp mills in R8 needs 40 mt/day

- Foreign source (Ecuador) is 414.54 mt/year

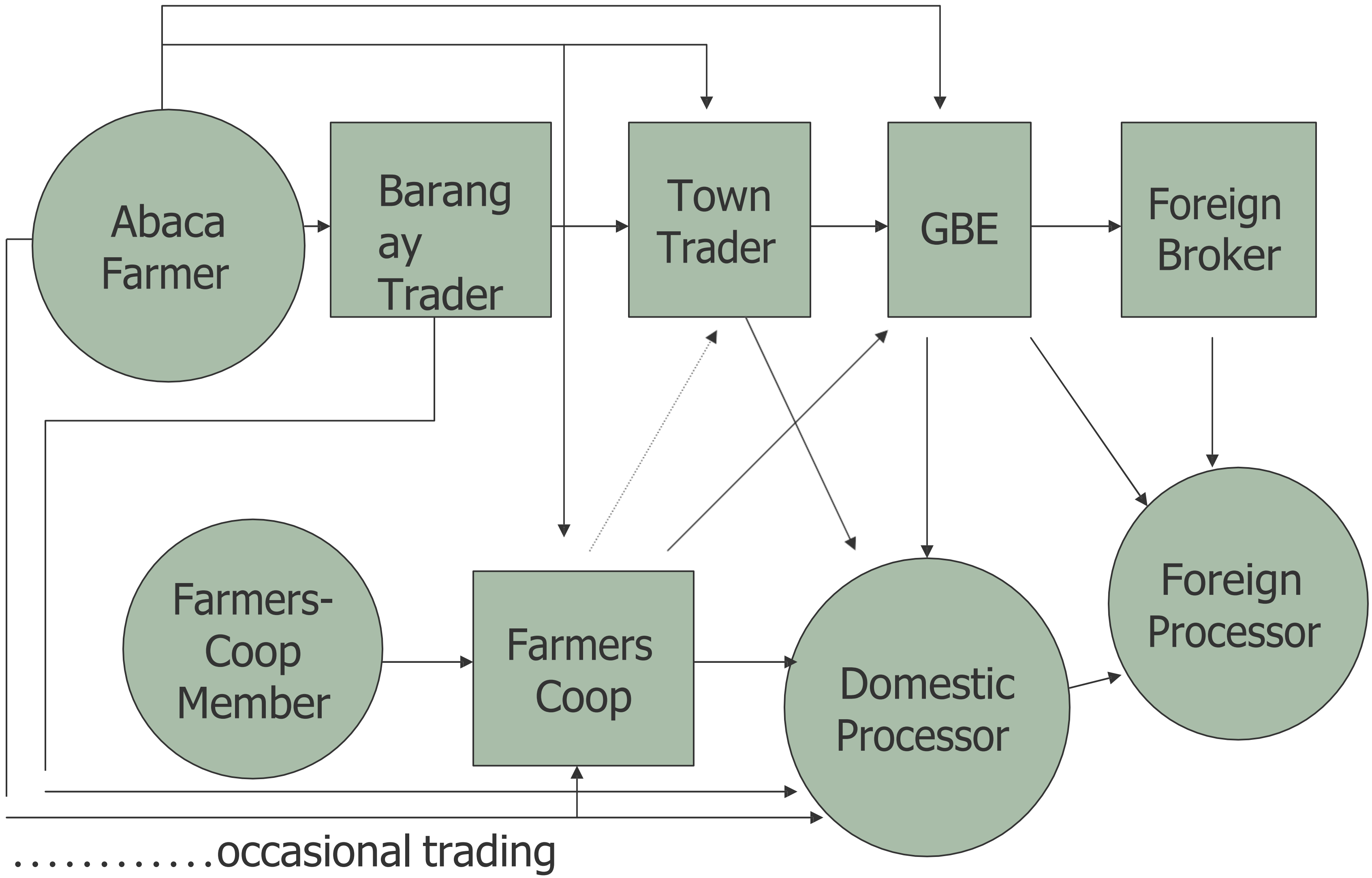
Supply and Demand Projection in Mindanao, at 5% growth rate, in MT

Year	Supply	Demand	Gap
2004	19,505	27,896	8,391
2009	22,461	46,901	24,383
2014	24,676	49,378	24,702

Area requirement

- To fill up demand gap an additional 32,936 has. will be needed at present yield and yield growth level of 2.38 %

Marketing Channels

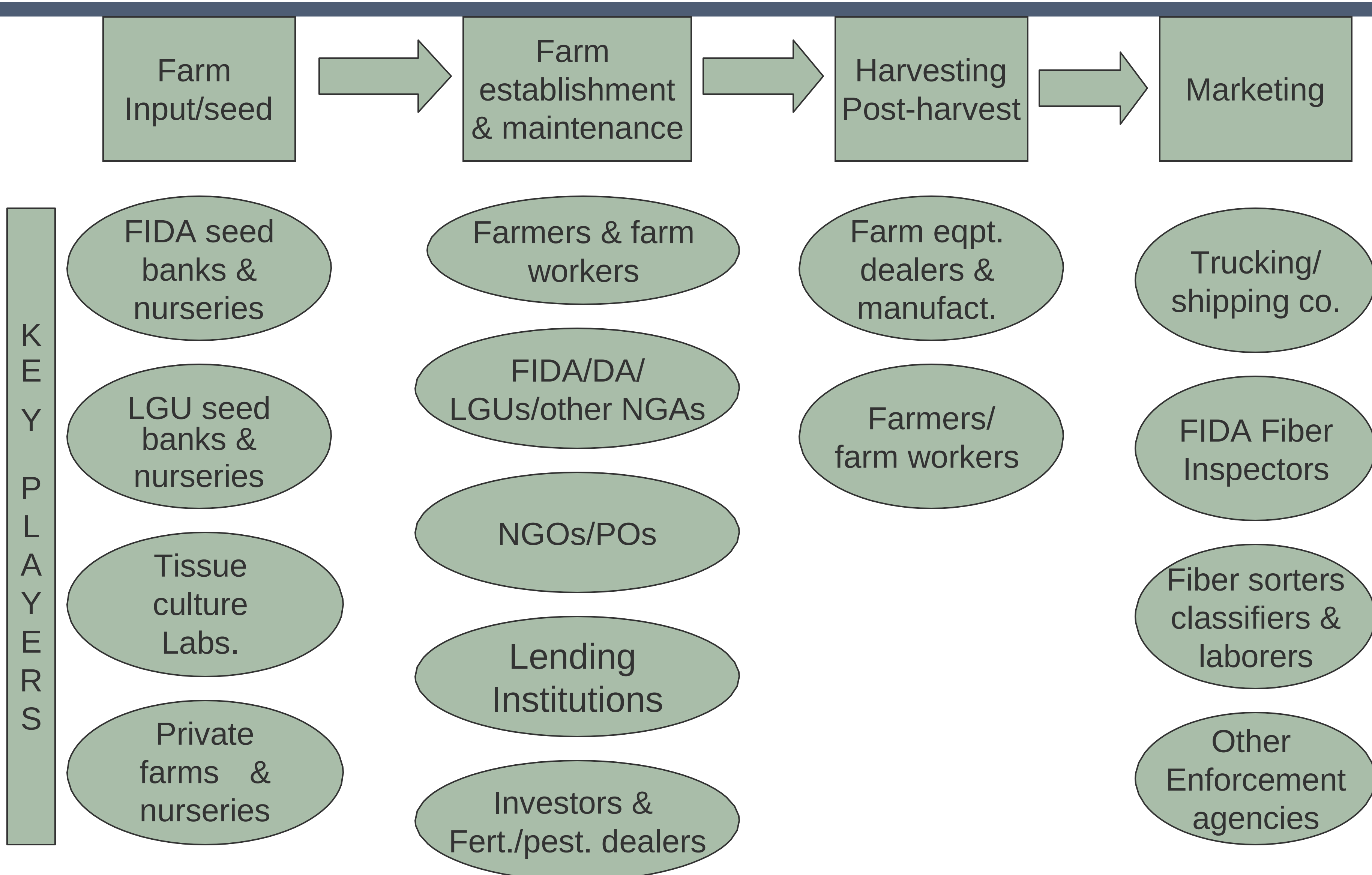


__________regular trading

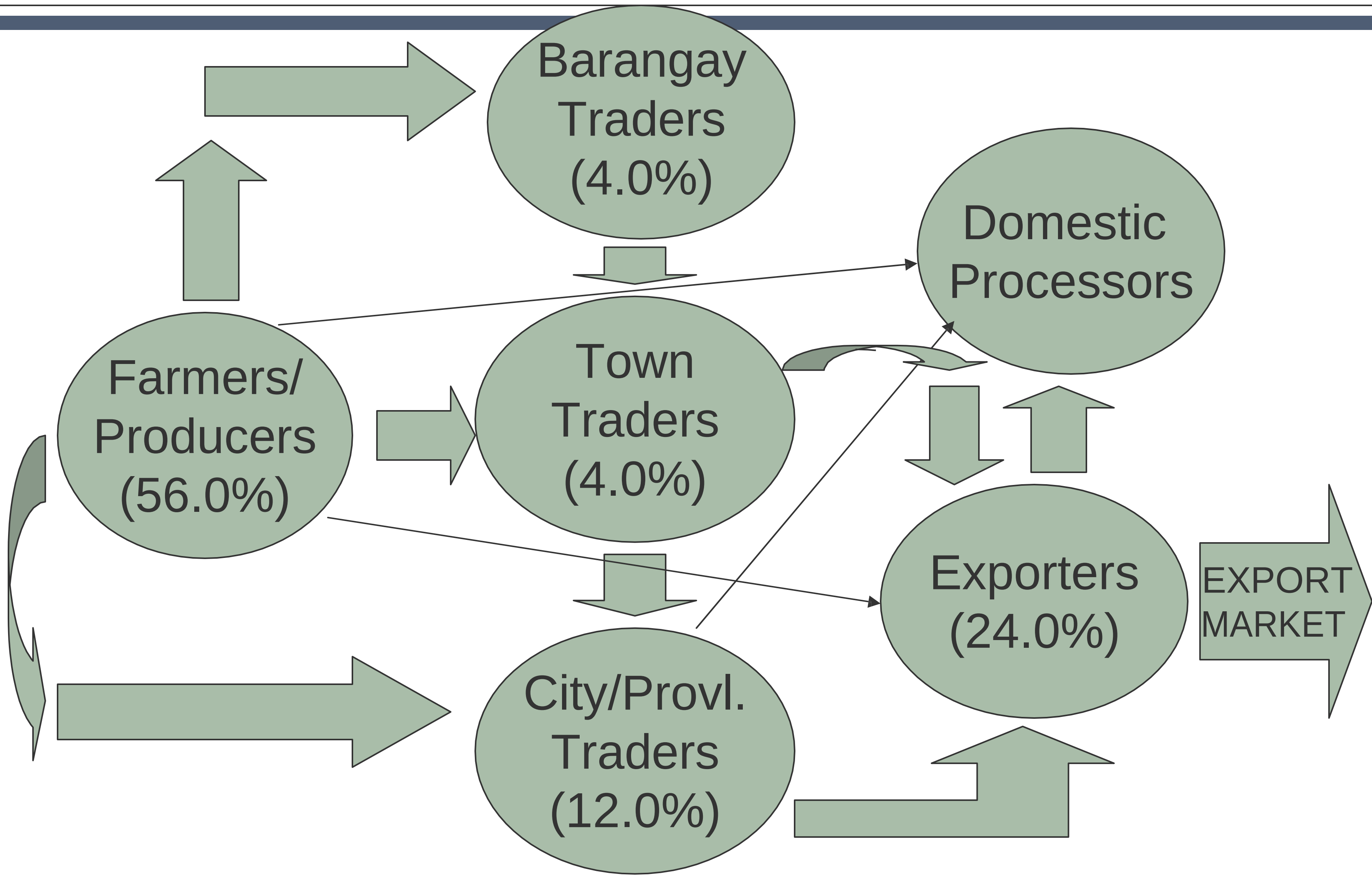
Geographical flow of Mindanao abaca fiber

ABACA FIBER SUPPLY CHAIN MATRIX:

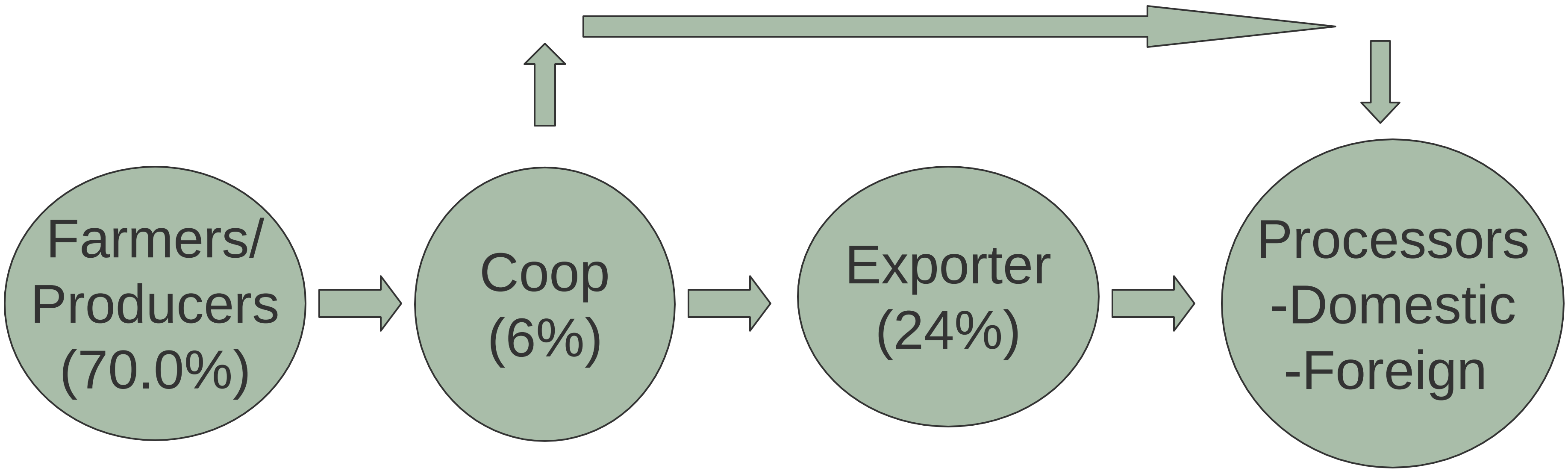
1. Fiber Production:



2. Fiber Marketing Chain and Costs:



3. Proposed Fiber Marketing Chain and Costs:



Strengths

- Typhoon free areas
- Large expansion areas
- Hosts the biggest pulping plant in the country
- Suitable climate and soil condition
- Strong LGU support

Weaknesses

PRODUCTION

- 7.0 % reduction in yield due to diseases
- Existence of unproductive abaca farms
- Insufficient number of Spindle Stripping Machines
- Low adoption of recommended technologies
- Insufficient available disease-free planting materials

MARKETING

- Accessibility of farm to market road
- Several tiers (up to 7) of traders
- Limited supply of desired quality fibers.

Opportunities

- Increasing demand from the local pulp mills
- New uses of abaca
- Interest of corporate investors on abaca
- Generates employment
- Increasing demand for pulp in China for tea bags of 20 metric tons per day.
- World trend for biodegradable products including packaging materials, and the stringent anti-pollution laws adopted by importing countries pushed for the demand for abaca fibers and its products;

Threats

- Presence of abaca substitutes
- Production of abaca in other countries such as Indonesia
- Peace and order situation in Mindanao

VISION:

Mindanao shall become the number one supplier of high quality abaca fiber in the country.

MISSION:

To meet the quality fiber requirement of all end users in Southern Philippines, and provide excess production to the rest of the country's fiber needs.

OBJECTIVES:

1. To increase the production and supply level by 22% or a total of 55,396 mt in 2010.

2. To supply 100% of Mindanao's needs and 50% of the country's fiber requirements by 2015.

3. To improve marketing system.

4. To enhance awareness through improved abaca IEC materials.

HOW DO WE GET THERE?

STRATEGIES:

I.Increase Fiber Production

1. Increase yield and quality per unit area
   - Adoption of Improved Cultural Management Practices
   - Enhance Commercial Stripping through LGU/ National Government Initiatives
     - Mechanized SSM
     - Promote Manual Stripping on Extremely Remote Areas
2. Abaca Expansion
   - Contract growing (Investors + Grower)
   - LGU Partnership
   - NGO Assisted Farmers

HOW DO WE GET THERE?

STRATEGIES:

3. Comprehensive Rehabilitation
   - Use of recommended varieties
   - Efficient disease management
   - Promote Abakahoyan concept (Shading/Agro-forestry)
   - Improved cultural management

II. Improved Present Marketing System

1. Promote abaca industry clustering with other industry
2. Direct marketing arrangement
3. Organization of abaca farmers into cohesive groupings
4. Encourage market matching
5. Market intelligence

HOW DO WE GET THERE?

STRATEGIES:

III. Improved Abaca Industry Awareness

1. Use of tri-media
2. Increase participation to Agro-Industrial Trade Fairs

ACTION PLAN

Interventions	Key Players	Funding Requirement (in P million)
1. Conduct of 36 TOT by 2012	DA-FIDA, LGUs	2.20
2. Rehabilitation of 7,161 hectares by 2013	DA-FIDA, LGUs, Farmers	186.0
3. Expansion and development of 15,000 new farms by 2011	DA-FIDA, LGUs, DENR, SCUs, NCIP, NGOs, Farmers/Investors, Traders/Exporters/ Processors	667.0
4. Acquisition of 967 units spindle-stripping machines by 2012	DA-FIDA, LGUs, LiveCor, Private investors, Foreign-funded NGOs	80.0

ACTION PLAN

Interventions	Key Players	Funding Requirement (in P million)
5. Establishment of 60 hectares techno-demo farms by 2010	DA-FIDA, Farmer-cooperators, Fertilizer and Pesticide Dealers	3.0
6. Conduct of 78 modules FFS and Lakbay-Aral by 2014	DA-FIDA, LGUs, Fiber exporters and processors	5.0
7. Strengthening and organizing of 85 farmers associations/cooperatives by 2014	DA-FIDA, LGUs, NGOs, Farmers, NGAs (NCIP, DOLE-BRW, DAR, etc)	1.30
8. Forging of 71 direct marketing agreements by 2014	DA-FIDA, LGUs, DTI, Farmers Asso/Coop, Traders, Exporters & Processors	1.30

ACTION PLAN

Interventions	Key Players	Funding Requirement (in P million)
9. Participation to 31 major trade fairs by 2014	DA-FIDA, LGUs, DTI, Fiber livelihood associations	0.80
10. Conduct of 4 or biennial Mindanao-wide Abaca Summits by 2012	DA-FIDA, LGUs, Phil. Fiber Exporters & Abaca Pulp Processors Asso., Prov'l. Abaca Dev't. Boards, Fiber asso/coop	1.70
TOTAL		**948.3**