EASY CREDIT ACCESS – THE KEY TO UNLOCKING THE POWER OF AQUACULTURE

By Joseph Martin H. Borromeo
PAFPI National President

NATIONAL VISION

Ambisyon Natin 2040: "By 2040, the Philippines shall be a prosperous, predominantly middle-class society where no one is poor; our peoples shall live long and healthy lives, be smart and innovative, and shall live in a high-trust society."

Philippine Alliance of Fisheries Producers Inc.

Is composed of players who are actively engaged in the aquaculture value chain, from ***input providers, farm producer groups and associations, and those from the support services sectors***, i.e. cold chain, logistics, financial services and research and development (R&D).

Is the umbrella organization of aquaculture commodity associations, like the ***Philippine Milkfish Industry Group (PhilMig), High-Value Aquaculture of the Philippines (Hi-Vap) and Philippine Tilapia Stakeholders Association (PhilTilapia).***

We are a ***development partner of DA-BFAR*** in aquaculture.

Is the advocacy arm for the ***unified and collaborative approach*** to the opportunities and challenges of the aquaculture sector.

Most importantly, we actively participate in efforts to ***ensure food security, while taking care of the environment and creating wealth,*** specifically in the rural coastal communities where we operate in.

WE ENVISION A FUTURE FOR PHILIPPINE AQUACULTURE THAT IS **GLOBALLY COMPETITIVE**, **SUSTAINABLE**, **PRODUCTIVE**, **PROFITABLE**, **EQUITABLE** *AND* **PRO-POOR.**

VISION

The country is endowed with rich natural resources including water, which are essential for the country's economic development.

The Philippines is sourrounded by:

“The Fisheries industry is dependent of these water resources!”

1,934,000 km^2
Of oceans and seas

266,000 km^2
Bays and coastal waters

36,289 km
Coastline

It also contains:

72 Lakes with a total of 1,830 km^2

412 River basin

PHILIPPINE ARCHIPELAGO

3 THE PHILIPPINE FISHERY INDUSTRY STATUS

FISHERIES

Governed By: Bureau of Fisheries and Aquatic Resources (BFAR)

49% Capture Fishing

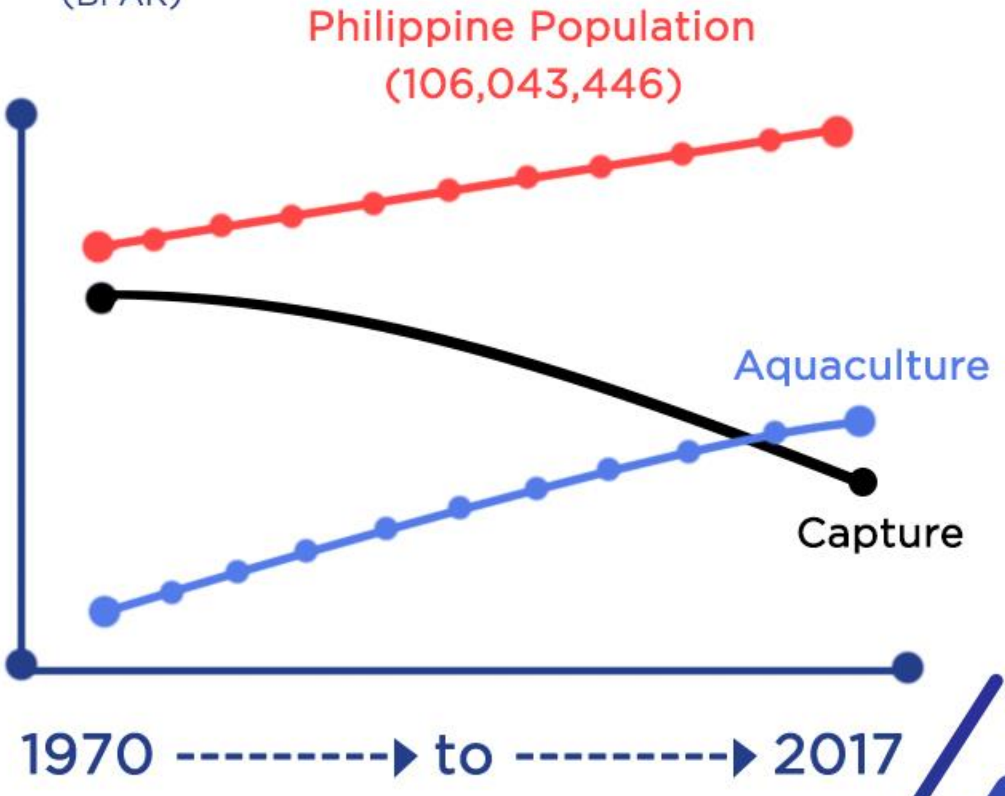
Municipal - 1,029 Million MT
Commercial - 1,107 Million MT
Inland - 0.214 Million MT

Total : 2,136,214 MT

51% Aquaculture

Pond - Culture
Fish Pen - Culture
Cage - Culture

Total : 2,186,072.78 MT



7 PHILIPPINE RESOURCES

Aquaculture Commodity Corridors

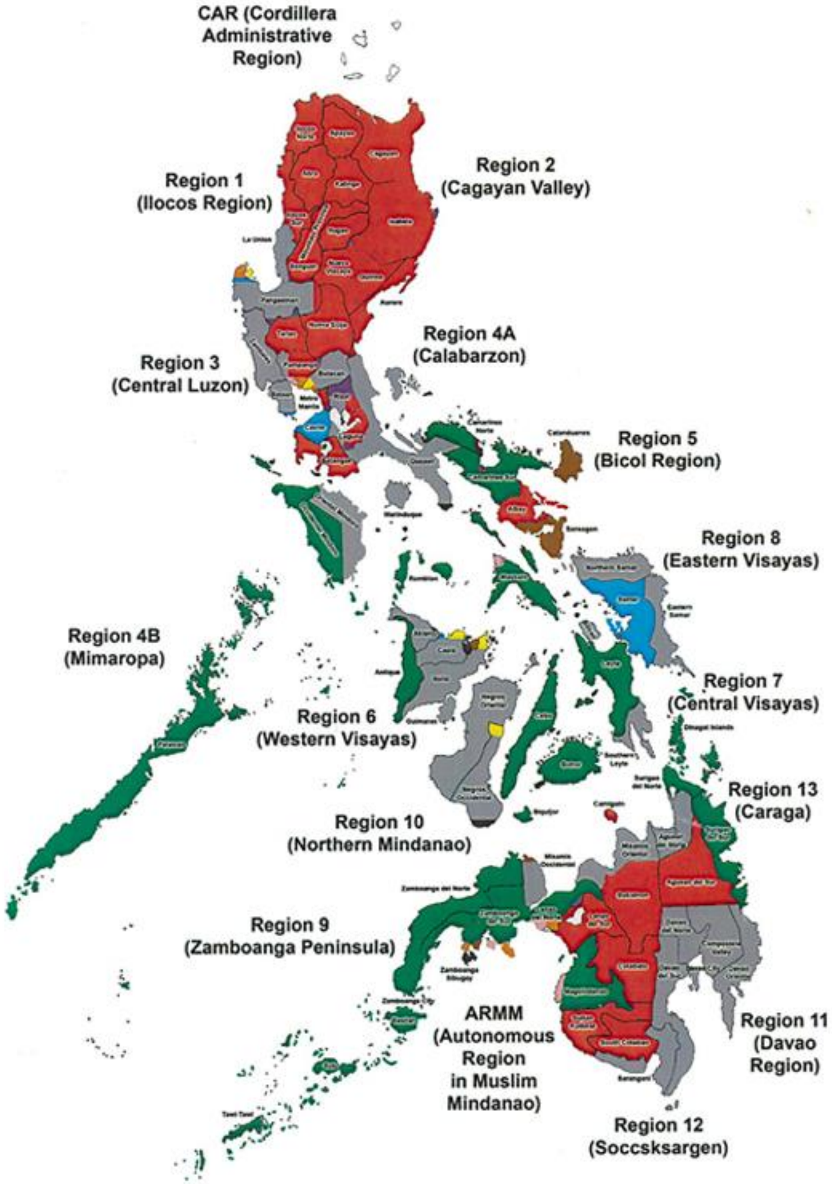
SEAWEEDS (*Eucheuma, Kappaphycus*)	National Production 1,404,519.23 MT
Province	Production (MT)
1. Palawan	311,524.61
2. Tawi-tawi	298,433.53
3. Sulu	223,074.78
4. Maguindanao	90,809.49
5. Zamboanga Sibugay	90,322.49
6. Bohol	81,310.37
7. Antique	81,067.03
8. Zamboanga City	42,831.46
9. Zamboanga del Norte	42,370.43
10. Lanao del Norte	31,537.35

MILKFISH (*Chanos chanos*)	National Production 398,088.17 MT
Province	Production (MT)
1. Pangasinan	136,713.44
2. Quezon	33,580.41
3. Capiz	31,064.30
4. Bulacan	25,398.75
5. Negros Occidental	24,181.28
6. Pampanga	20,350.13
7. Rizal	19,894.71
8. Batangas	12,880.12
9. Davao del Sur	12,625.38
10. Aklan	11,203.19

TILAPIA (*Oreochromis niloticus*)	National Production 259,045.55 MT
Province	Production (MT)
1. Pampanga	107,158.53
2. Batangas	63,887.47
3. Rizal	10,486.66
4. Pangasinan	10,450.74
5. Laguna	7,754.84
6. Maguindanao	6,159.52
7. Tarlac	6,081.68
8. Isabela	5,700.21
9. Camarines Sur	5,521.22
10. Nueva Ecija	5,248.01

GROUPER (*Epinephelinae spp.*)	National Production 172.64 MT
Province	Production (MT)
1. Negros Occidental	86.77
2. Zamboanga Sibugay	33.01
3. Capiz	18.87
4. Quezon	18.14
5. Samar	3.94
6. Aklan	3.66
7. Camarines Sur	2.79
8. Cagayan	1.62
9. La Union	1.33
10. Bohol	0.91

CARPS (*Cyprinus spp., Aristichthys spp., Labeo spp. & Puntius spp.*)	National Production 16,849.16 MT
Province	Production (MT)
1. Rizal	15,293.98
2. Laguna	1,148.1
3. Tarlac	148.71
4. Pampanga	91.27
5. Lanao del Norte	87.37
6. Metro Manila	49.58
7. Camarines Sur	11.99
8. Isabela	8.15
9. Pangasinan	7.35
10. Nueva Vizcaya	3.49



OYSTER (*Ostreidae spp.*)	National Production 20,260.80 MT
Province	Production (MT)
1. Capiz	6,856.97
2. Bulacan	4,323.08
3. Iloilo	2,500.56

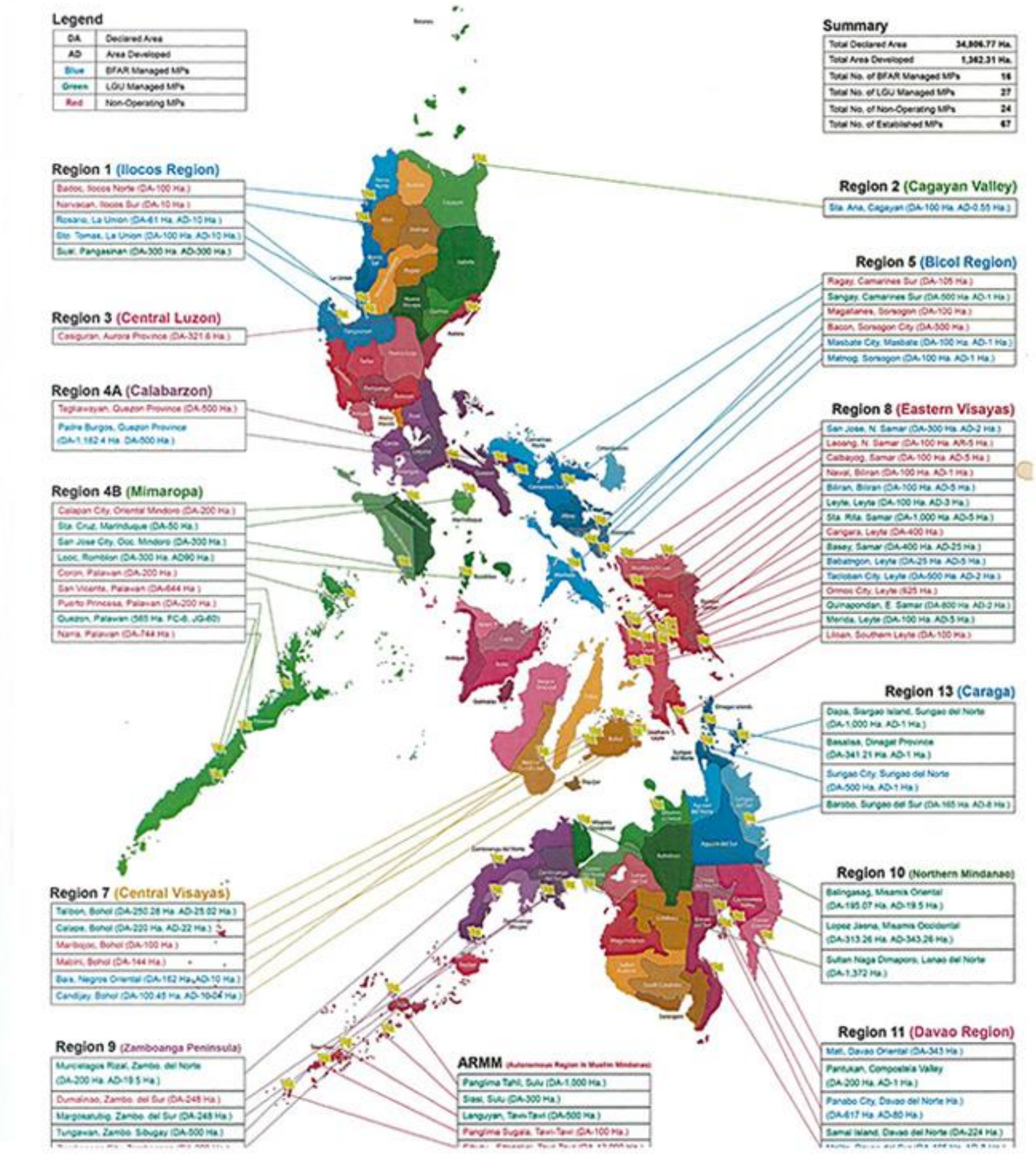
MUSSEL (*Perna spp.*)	National Production 18,774.55 MT
Province	Production (MT)
1. Capiz	7,573.13
2. Samar	6,450.97
3. Cavite	2,434.21

MUDCRAB (*Scylla spp.*)	National Production 16,198.51 MT
Province	Production (MT)
1. Lanao del Norte	7,269.04
2. Pampanga	3,989.34
3. Capiz	1,702.55

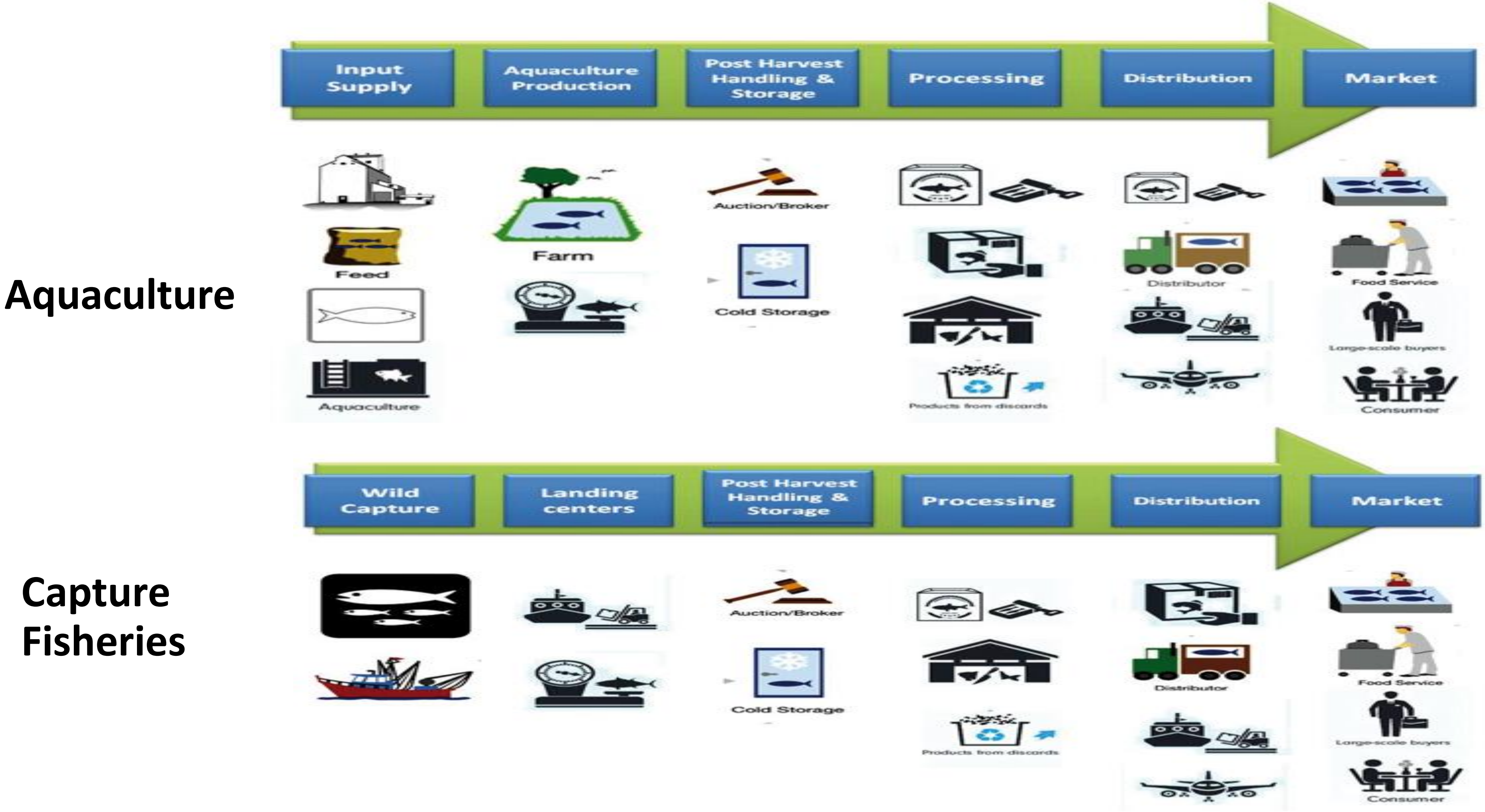
WHITELEG SHRIMP (*Litopenaeus vannamei*)	National Production 1,673.69 MT
Province	Production (MT)
1. Zamboanga del Sur	704.09
2. Pampanga	335.09
3. Masbate	157.04

BLACK TIGER PRAWN (*Penaeus monodon*)	National Production 49,139.48 MT
Province	Production (MT)
1. Pampanga	19,452.54
2. Lanao del Norte	14,114.75
3. Bulacan	3,914.01

DA-BFAR Established Mariculture Parks



Institutionalize Strategic Marketing Across the Inclusive Value Chain



KEY CHALLENGES

In 2007 - 2015

1. The fragmentation of the aquaculture which had led to low investor confidence;
2. Strong control and manipulation of middlemen;
3. Limited post-harvest facilities;
4. Short-term approach to marketing rather than a strategic and harmonized country marketing and business development approach;
5. The high cost of inputs;
6. Lack of significant R&D efforts to impact the industry
7. The absence of tailor-fit credit programs.

Status Today

1. Government recognition of the strategic importance of aquaculture. PAFPI now is an alliance and a development partner of government, i.e. DA-BFAR in aquaculture;
2. Middlemen continue to have strong control of market;
3. Save for CFLCs, post-harvest facilities, especially those that directly connect farmers to market, are either limited or absent;
4. Advances in marketing approach but strategic and harmonized approach is lacking;
5. Promising advances in R&D to lower cost of production, but they need to unify and harmonize researches, especially applied research;
6. The absence of tailor-for credit programs.

WHERE DO WE GO FROM HERE?

KEY OBJECTIVES TO ATTAIN SUSTAINABLE PRODUCTION

1. Improved overall productivity and efficiency;
2. Improved access to markets (affordable aquaculture products);
3. **Increased investment and financing;**
4. Appropriate policy, legal, and institutional support for aquaculture development and
5. Empowering the poor to participate in, and benefit from, aquaculture development.

KEY STRATEGIES

PRODUCTIVITY	PROFITABILTY	MARKET ACCESS	EXECUTION
DRIVE SUSTAINABLE PRODUCTION BY BRINGING BACK INVESTOR CONFIDENCE	REDUCE THE COST OF DOING BUSINESS	INCREASE MARKET ACCESS THROUGH MORE EFFICIENT PHYSICAL AND VIRTUAL CONNECTIONS	DRIVE ACCOUNTABILITY AND TRANSPARENT MONITORING OF PROGRAMS

KEY STRATEGY 1: *DRIVE SUSTAINABLE PRODUCTION BY BRINGING BACK INDUSTRY CONFIDENCE*

1. Harmonize the ***right balance of sustainable production*** in the expansion of farming areas:
   a. Finish inventory of production areas, including mariculture parks and fishponds under FLAs, to determine potential production levels.
   b. Set and align production targets as a harmonized KRA between industry and government.
   c. Identify and develop support mechanism needed to achieve production targets.

KEY STRATEGY 1: *DRIVE SUSTAINABLE PRODUCTION BY BRINGING BACK INDUSTRY CONFIDENCE*

2. Harmonize ***access to credit***, as PAFPI and BFAR shall jointly push and facilitate the creation of tailor-fit programs and the availability of funds and gurarantees.
3. Harmonize ***consolidation of R&D initiatives nationwide*** to meet expected industry challenges including disease risks, climate change, with better biosecurity and health management for all farmed aquatic species and better availability of laboratory services in all production areas;

POLICY ROADBLOCKS TO EASY CREDIT ACCESS

1. Despite the agri-agra law, most banks, including GFIs remain risk-averse to the fisheries and the aquaculture sector;
2. Farmers are discouraged because of the voluminous requirements;
3. Lack of Collateral – most SEA countries do not require collateral;
4. Social enterprise scheme for wealth creation in rural fishing communities is barely understood by the government financial sector;

SUGGESTIONS TO EASY CREDIT ACCESS

1. Programs should be geared towards aquaculture rather than capture fisheries;
2. Include the use of trade associations in the program design and conduit for funds dispersion to the aquaculture sector
3. Develop similar set of criteria for both GFIs and the private sector, i.e. trade associations in assessing credit-worthiness of borrowers;
4. Implement a scheme wherein the pegging of interest rates are matched against risk factors, i.e. higher interest rates for high risk factors

BANGUS IN PEN CULTURE 10 X 10

Investment Per Pen		₱120,000	
Cage Ammortization (P120K / 3 crop period)	₱	40,000.00	
Caretaker's Incentive (5% of Net Income)	₱	17,522.75	
Production Costs			%
Bangus Fry (@ 6/pc)	₱	90,000.00	24%
Kitong Fry (@ 4/pc)	₱	10,000.00	3%
Feeds (@ P30/kg)	₱	229,162.50	62%
Caretaker (P200/day x 122 days)	₱	24,400.00	7%
Night Duty Security for 5 cages (P150/night x 122 nights)	₱	3,660.00	1%
Rice Allowance (P1200 x 4 months)	₱	4,800.00	1%
Operational Expenses (P2/kg)	₱	10,185.00	3%
Total Production Cost	₱	372,207.50	100%
Caretaker's Total Fixed Income	₱	24,400.00	
Caretaker's Total Incentives	₱	17,522.75	
Caretaker's Total Take Home Pay per Crop Period	₱	41,922.75	
Caretaker's Average Monthly Take Home Pay	₱	10,480.69	
Per Kilo			
Kitong Farmgate Price		₱150.00	
Bangus Farmgate Price	₱	120.00	
Production Cost	₱	63.78	
Gross Income	₱	56.22	
Other Costs		9.86	
Net Income	₱	46.37	

Bangus Fingerlings	15,000
Target Survival	97%
Average Weight (g)	350
Biomass (kgs)	5,093
FCR	1.5
Feeds (kgs)	7,639
Feeds (bags)	382
Kitong Fingerlings	2,500
Average Weight (g)	350
Biomass (kgs)	744
Total Biomass	5,836

Gross Sales - Bangus	₱	611,100.00
Gross Sales - Kitong		111,562.50
Total Gross Sales	₱	722,662.50
Total Production Cost	₱	372,207.50
Gross Income	₱	350,455.00
Other Costs	₱	57,522.75
Net Income	₱	292,932.25
Culture Period / Year		3
Annual Net Income	₱	878,796.75
Payback (Crop Period)		0.4

BANGUS IN CAGE CULTURE 18M

Investment Per Cage	₱700,000	
Cage Ammortization (3 years)	₱ 77,777.78	5%
Caretaker's Incentive (5% of Net Income)	₱ 59,742.50	4%
Production Costs		%
Bangus Fry (@ 6/pc)	₱ 360,000.00	21%
Kitong Fry (@ 4/pc)	₱ 40,000.00	2%
Feeds (@ P30/kg)	₱ 1,222,200.00	72%
Caretaker (P200/day x 122 days)	₱ 24,400.00	1%
Night Duty Security for 5 cages (P150/night x 122 nights)	₱ 3,660.00	0%
Rice Allowance (P1200 x 4 months)	₱ 4,800.00	0%
Operational Expenses (P2/kg)	₱ 40,740.00	2%
Total Production Cost	₱ 1,695,800.00	100%
Caretaker's Total Fixed Income	₱ 24,400.00	
Caretaker's Total Incentives	₱ 59,742.50	
Caretaker's Total Take Home Pay per Crop Period	₱ 84,142.50	
Caretaker's Average Monthly Take Home Pay	₱ 21,035.63	
Per Kilo		
Kitong Farmgate Price	₱150.00	
Bangus Farmgate Price	₱ 120.00	
Production Cost / kg.	₱ 72.64	
Gross Income	₱ 47.36	
Other Costs	5.89	
Net Income	₱ 41.47	

Bangus Fingerlings	60,000
Target Survival	97%
Average Weight (g)	350
Biomass (kgs)	20,370
FCR	2
Feeds (kgs)	40,740
Feeds (bags)	2,037
Kitong Fingerlings	10,000
Average Weight (g)	350
Biomass (kgs)	2,975
Total Biomass	23,345

Gross Sales - Bangus	₱ 2,444,400.00
Gross Sales - Kitong	446,250.00
Total Gross Sales	₱ 2,890,650.00
Total Production Cost	₱ 1,695,800.00
Gross Income	₱ 1,194,850.00
Other Costs	₱ 137,520.28
Net Income	₱ 1,057,329.72
Culture Period / Year	3
Annual Net Income	₱ 3,171,989.17
Payback (Crop Period)	0.7

BLUE ECONOMY DEVELOPMENT FRAMEWORK

Components of Blue Economy

- Harvest of living resources
- Extraction of non-living resources
- Commerce and trade
- Response to environment health

Products & Services

- Food
- Marine biotechnology
- Minerals
- Energy
- Transport & trade
- Tourism and recreation
- Coastal and Forest Protection
- Waste Disposal
- Policy Implementation and Law Enforcement

Industry Promoted

- **Fisheries**
- **Aquaculture**
- Pharmaceuticals
- Shipping
- Seabed Mining
- Port services
- Tourism
- Habitat protection and restoration

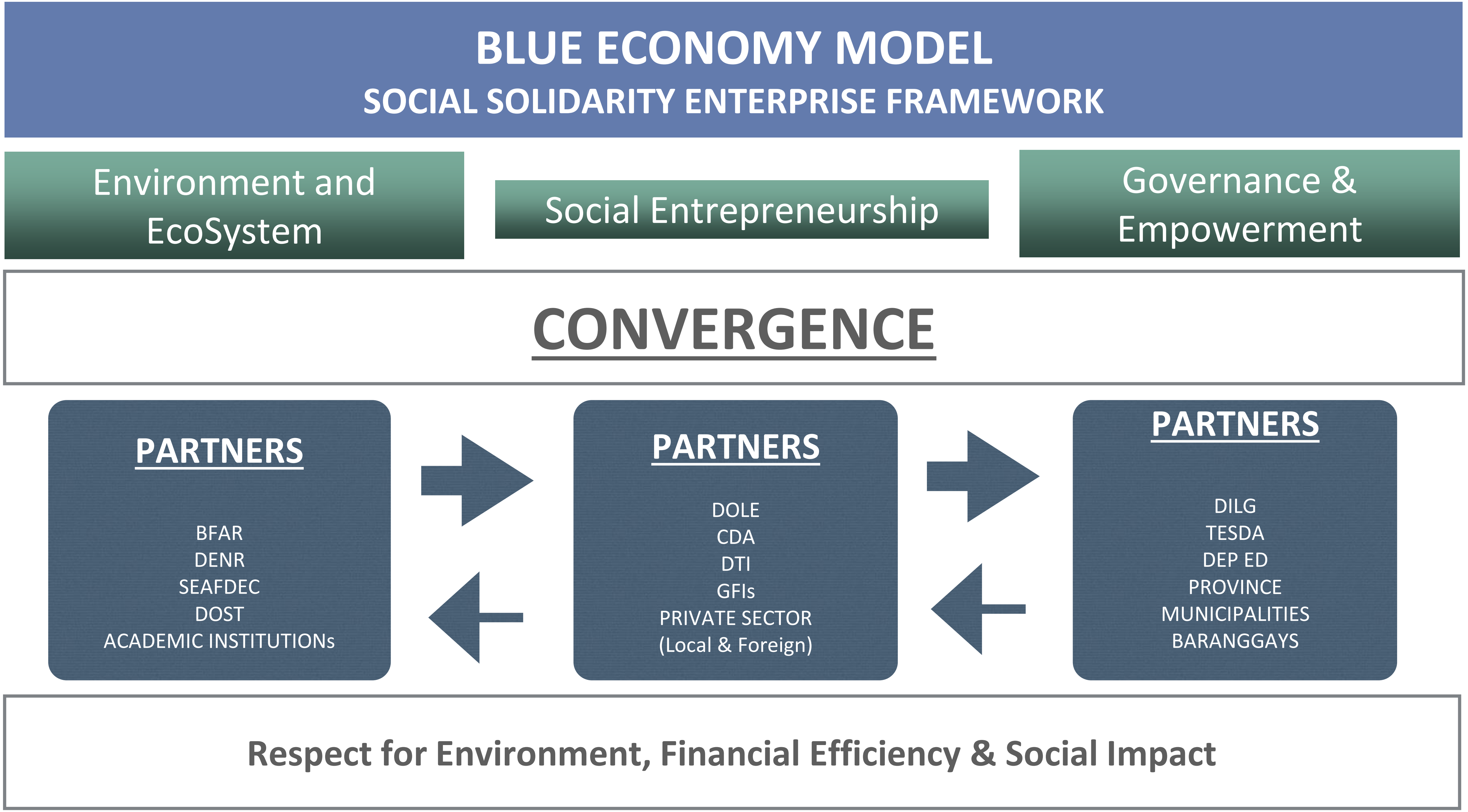
Sustainable Development Goals (SDGs) Achieved

1 End poverty in all forms everywhere

#2 End hunger, achieve food security

7 Ensure access to affordable energy

14 Conserve and sustainable use the oceans, seas, and marine resources


BLUE ECONOMY MODEL
SOCIAL SOLIDARITY ENTERPRISE FRAMEWORK
Environment and EcoSystem
Social Entrepreneurship
Governance & Empowerment
CONVERGENCE
PARTNERS
BFAR
DENR
SEAFDEC
DOST
ACADEMIC INSTITUTIONs
PARTNERS
DOLE
CDA
DTI
GFIs
PRIVATE SECTOR
(Local & Foreign)
PARTNERS
DILG
TESDA
DEP ED
PROVINCE
MUNICIPALITIES
BARANGGAYS
Respect for Environment, Financial Efficiency & Social Impact

NEAR FUTURE TRENDS FOR PHILIPPINE AQUACULTURE

1. ***Value chain alliances*** will continue to ***grow***. Innovative partnership and cooperative schemes among the value chain players will continue to increase for economies of scale;
2. ***Farm to fork is better connected***, physically and virtually (e-commerce);
3. ***More fishing communities will engage in aquaculture*** as an incremental, and then primary, source of livelihood;
4. ***Industrialized farming through social enterprise*** with industry players partnering more with their local communities;
5. Consolidated ***farms that are centrally and professionally-managed***. May include mariculture parks with long-term lease arrangements with LGUs;
6. ***Industries*** will begin to ***self-regulate*** and the ***BFAR balances its developmental and regulatory roles***.

POSSIBLE CONTRIBUTION TO NATIONAL ECONOMY - 2030

The fishing industry’s contribution to the country’s Gross Domestic Products (GDP) were 1.5 % at current prices. This translates to some P195.7 billion for current prices of the country’s GDP of P13,285 billion (current prices):

- **<u>Basic Assumptions:</u>**
    - At 5% projected CAGR country GDP growth = Php 21,871 B
    - Fisheries GDP increased to 3% of projected country GDP

    - **<u>Possible Fisheries contribution to GDP = Php 656.1 B!</u>**

“

NO SOCIETY CAN PROSPER IF IT AIMS AT MAKING THINGS EASIER. INSTEAD IT SHOULD AIM AT MAKING PEOPLE STRONGER.

”

Ashoka