

## The Philippine Banana Industry's Davao Industry Cluster Capacity Enhancement Project (DICCEP)

Presenter:

Mr. Ireneo D. Dalayon  
Chairman, Davao Region Banana Industry Cluster  
CEO, Federation of Cooperatives in Mindanao (FEDCO)

The 5th General Meeting of the Coalition for African Rice Development (CARD)  
04 February 2013



## OUTLINE OF PRESENTATION

- Part I: Overview: Philippine Banana Industry
- Part II: The Philippine Banana Export Industry
- PART III: JICA'S Davao Industry Cluster Capacity Enhancement Project (DICCEP)
  - Clustering as Key Strategy for Davao Region
    - Why & What is Clustering, Key Attributes, Cluster Criteria, and Collaborative Process
  - Banana as Industry Cluster
    - Key Success Factors and Breakthrough to Improved Market Access;
    - Challenges and Way Forward

## **PART I: Overview: Philippine Banana Industry**



Photo courtesy of Hijo Resource Corporation

Philippines ranked as the **3<sup>rd</sup>** biggest producer of bananas with 9,165,040 metric tons or 5% of global output, after India with 16% and China with 6% in 2011.

Source: FAOSTAT



### 3 Major Banana Varieties in the Philippines



Cavendish

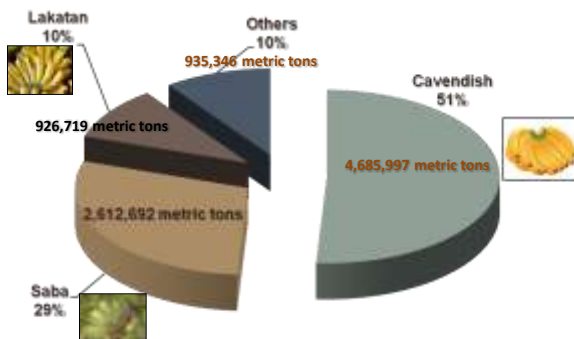


Saba also known as Cardaba



Lakatan

### Banana: % Distribution of Production by Variety, Philippines, 2011

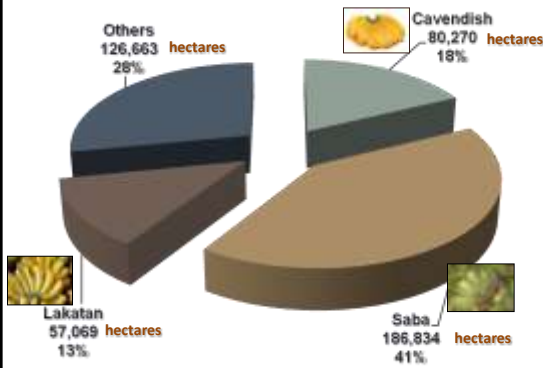


#### In 2011:

- banana production of all varieties was 9,165,040 metric tons
- with Cavendish contributing 51%

Source: Bureau of Agricultural Statistics

## Banana: % Distribution of Area Planted by Variety, Philippines, 2011



Source: Bureau of Agricultural Statistics

### In 2011:

- **banana area planted of all varieties was 450,836 hectares**
- **with Saba comprising 41%**

### Average Yield per Hectare:

- **Cavendish @ 56.38 metric ton/hectare/year;**
- **Saba @ 13.98 metric tons/hectare;**
- **Lakatan @ 16.24 metric tons/hectare**

## PART II: Philippine Banana Export Industry



Banana Cavendish

Best in the World

- ✓ Most Efficient Producer
- ✓ Highest Yield: 65 metric tons/ha/year

The Philippine Banana Export Industry is not spread around the country; rather, it is concentrated in **Mindanao**, the southernmost island among the three main islands of the Philippine archipelago.



is the country's **2<sup>nd</sup>** major agricultural export

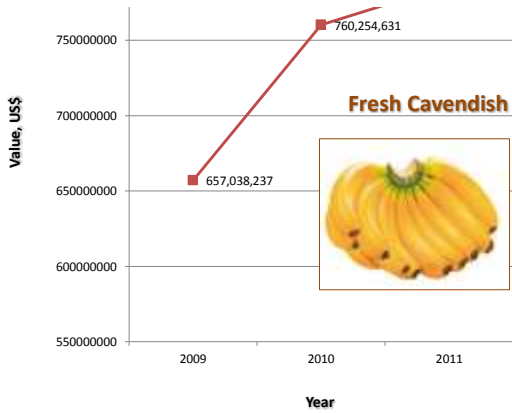
ITEM	January-December 2011		
	Quantity	FOB Value	% Share
1. COCONUT OIL (Crude & Refined)	826.72	1425.45	26.46
<b>2. BANANAS, FRESH</b>	<b>2046.37</b>	<b>470.96</b>	<b>8.74</b>
3. CENTRIFUGAL SUGAR	578.74	351.45	6.52
4. PINEAPPLE & PINEAPPLE PRODUCTS	576.30	341.27	6.33
5. TUNA	80.13	314.59	5.84
6. DESSICATED COCONUT	108.87	286.77	5.32
7. SEAWEED AND CARAGEENAN	46.13	210.92	3.91
8. TOBACCO MANUFACTURED	28.16	199.97	3.71
9. FERTILIZER MANUFACTURED	372.39	176.93	3.28
10. MILK & CREAM AND PRODUCTS	38.14	173.52	3.22

Source: DA-BAS, 2011

- The banana export industry employs 317,000 Filipinos;
- involves cooperatives of some 30,000 agrarian reform program beneficiaries



**Philippines is the world's 2<sup>nd</sup> top exporter of fresh Cavendish banana; next to Ecuador**



- In 2011, fresh Cavendish banana exports amounted to 22,877,655 kilograms; about U\$787 million
- Exports expanded by 8.47% per year from nearly U\$ 657,038.237 in 2009



## Market Map



### Main Markets

1. Japan
2. China
3. Middle East
4. Korea
5. Singapore
6. Russia
7. Indonesia
8. Malaysia
9. New Zealand
10. Thailand
11. Hongkong



## PART III: JICA's Davao Industry Cluster Capacity Enhancement Project (DICCEP)



**Clustering...  
Key Strategy for Davao Region**



**Why Clustering?**






## Why Clustering?

**Studies show that small and medium enterprises (SMEs) are finding it hard to compete in a very open business environment.**


**While openness signify opportunities (with bigger markets to serve), it also connotes vulnerability (in dealing with local and foreign competition).**





## Why Clustering?

**Alone, an enterprise, particularly micro or small, may find it hard to integrate itself into the global economy. Because of its size, such an enterprise may require greater effort to upgrade itself to qualify and participate in global business or trade process.**


**Unless, the enterprise belongs to a cluster.**





## Why Clustering?

**In a cluster, SMEs cooperate to achieve collective efficiency . They are likely to benefit from the economies of scale and they share risks, investment and opportunities within the industry.**

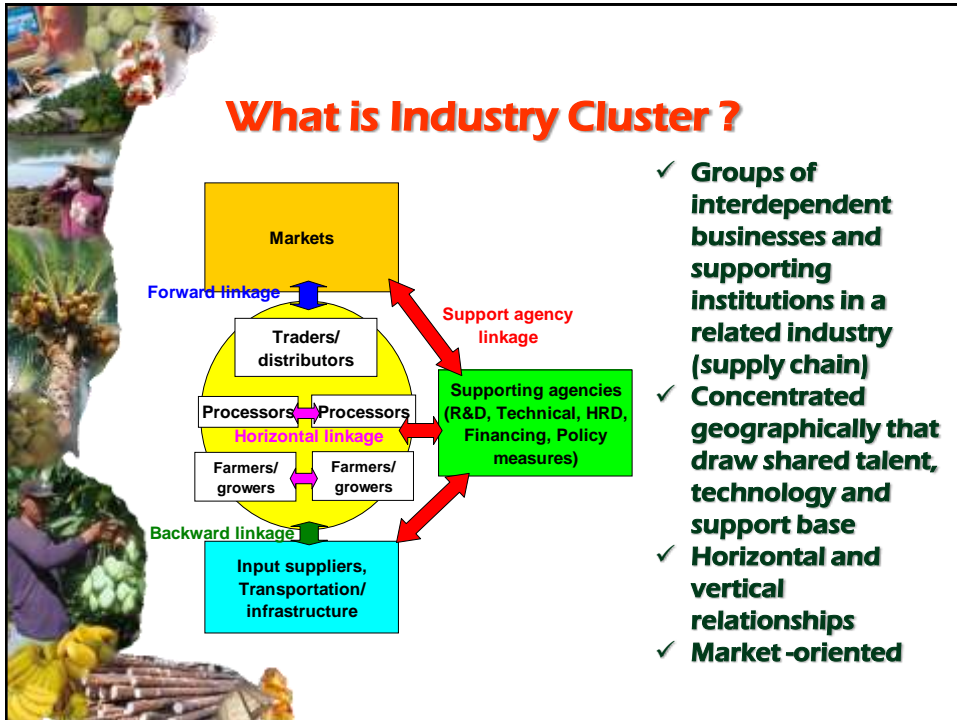



## Clustering - Strategic Advantage

- ✓ **Industry Focus**
- ✓ **Private Sector-led**
- ✓ **Convergence (shared vision & purpose)**
- ✓ **Market-driven**

- SME strengthening
- Easy integration into the global supply chain







## Cluster Criteria ... *in Davao Region*

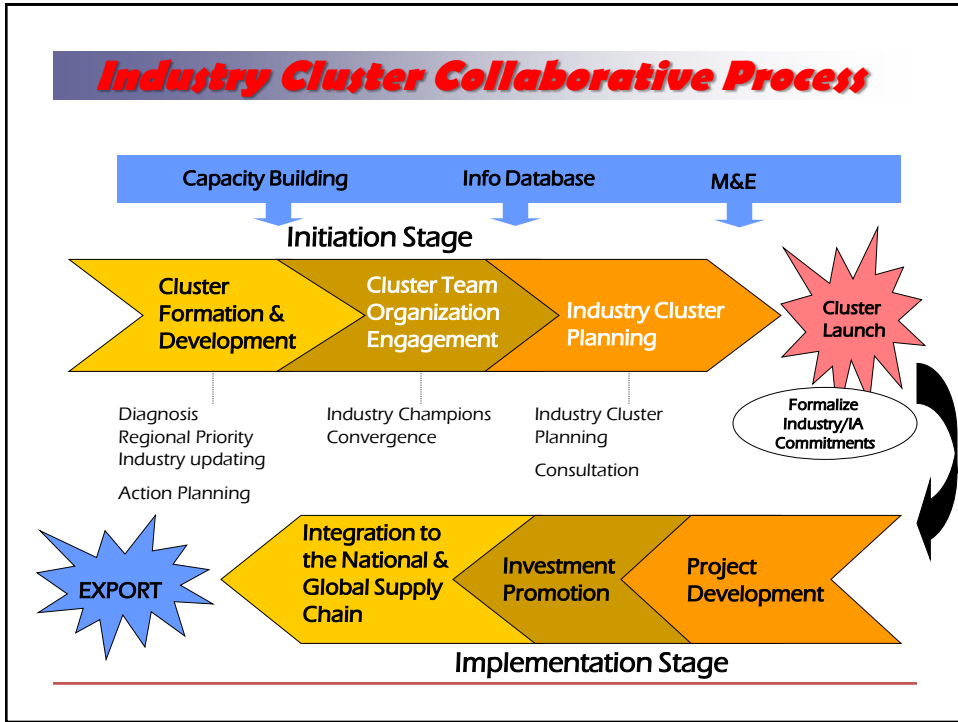
*With so many industries intertwining in Davao Region's economy, the region had to identify which industries should be given priority, using the following criteria:*

- **Comparative advantage**
- **High potential for growth**
- **Presence of active industry players**

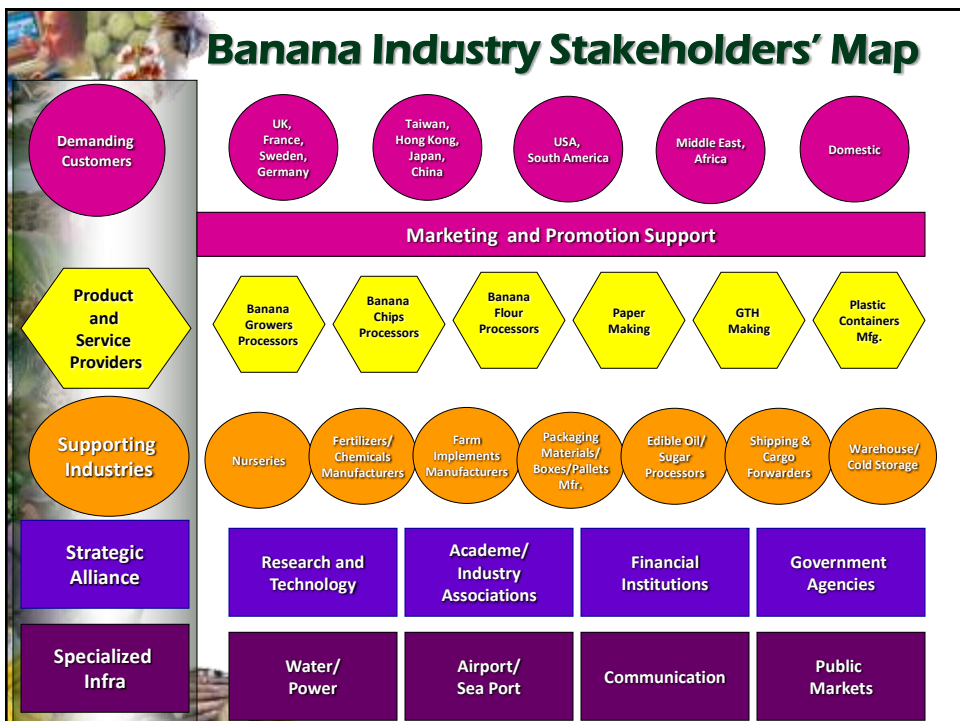
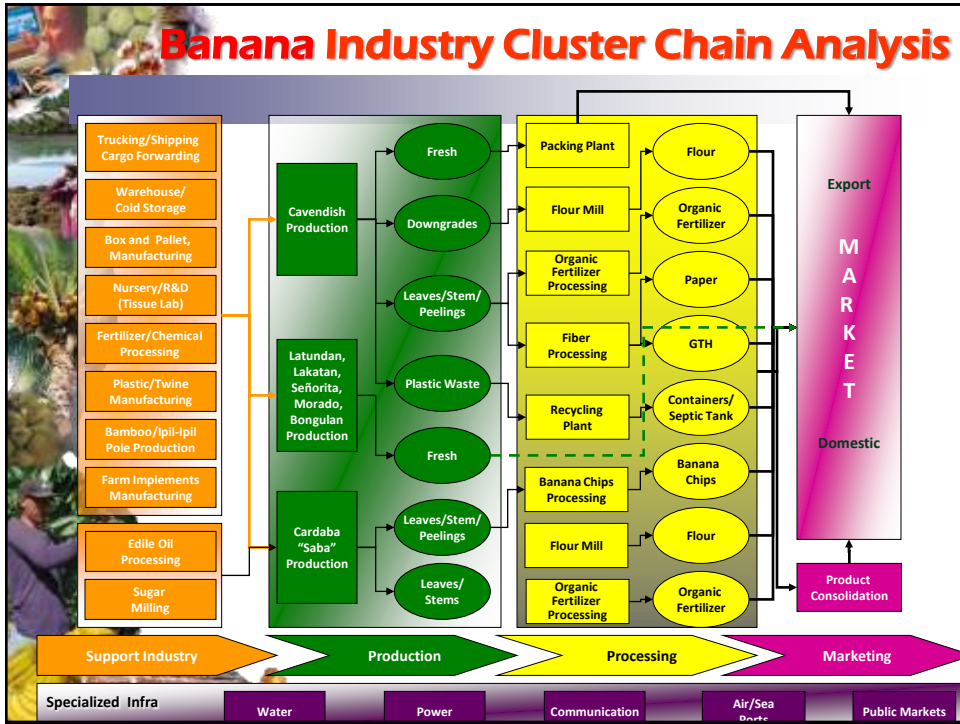



## Davao Regions has 8 Priority Industry Clusters:


- Mango
- Banana
- Coconut
- Seaweed
- Mining
- Wood
- Tourism
- ICT










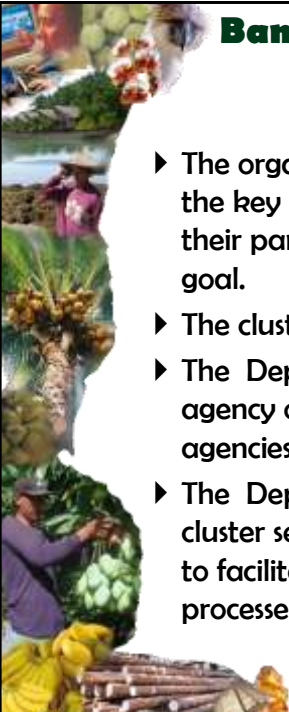


## **Banana Cluster Team (Cluster Governance Structure)**



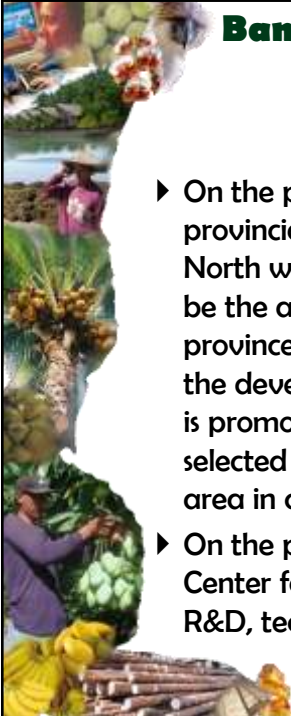
**Banana Cluster Workshop**

- ▶ The banana cluster project team is headed by the private sector- Federation of Cooperative in Mindanao (FEDCO).
- ▶ Its members consist of representatives from:
  - ▶ National Government Agencies- Department of Agriculture, and Department of Trade and Industry
  - ▶ Local Government Units- Province and Municipality
  - ▶ Academe - Southern Philippines Agri-Business, Marine and Aquatic School of Technology (SPAMAST)




## **Banana Industry Cluster . . .**

- ▶ The organization of the industry cluster team allowed the key industry private players to collaborate with their partners in the government sector for a common goal.
- ▶ The cluster is lead by the private sector- FEDCO
- ▶ The Department of Agriculture as the cluster lead agency on the part of the national government agencies.
- ▶ The Department of Trade and Industry serve as the cluster secretariat and technical support and designate to facilitate and document the cluster formation processes, planning and execution of plans.



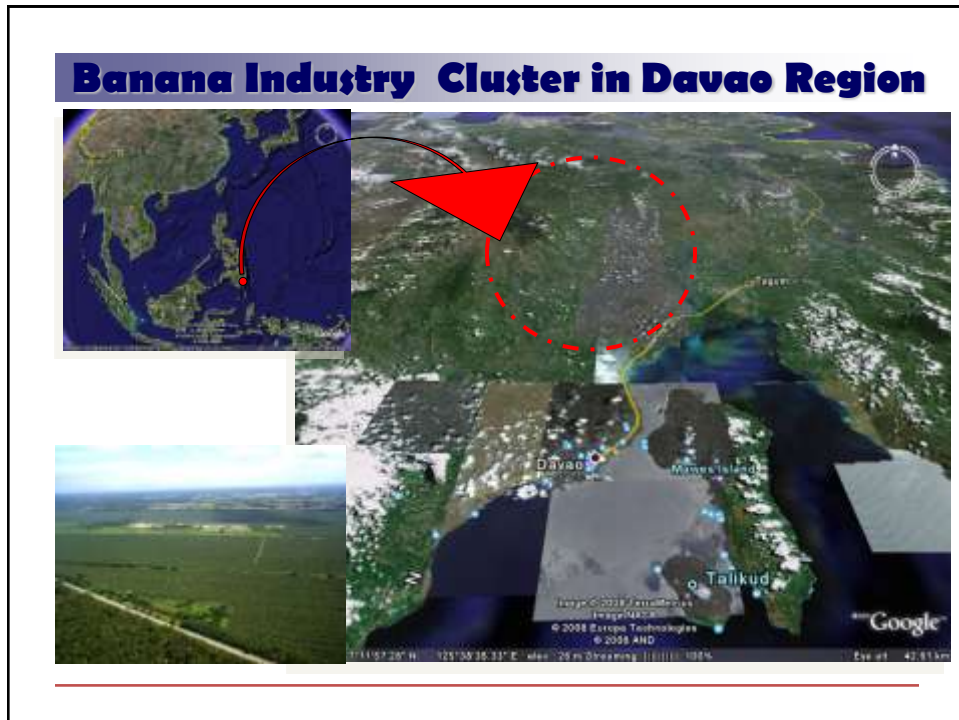
### **Banana Industry Cluster . . .**

- ▶ On the part of the local government units (LGUs) - the provincial and the municipal government in Davao North was assigned to anchor the banana industry. To be the anchor of the industry would mean that the province or municipality would act as the forerunner in the development and the promotion of the cluster as it is promoted region wide. The anchor province is selected based on the strength of the industry in the area in consultation with the LGU leaders
- ▶ On the part of the Academe – SPAMAST is tapped as Center for Excellence to provide appropriate HRD, R&D, technology and skilled workforce for the cluster



### **Banana Cluster Pilot Area**

- ▶ The Davao Industry Cluster Capability Enhancement Project (DICCEP) was piloted and implemented in the Municipality of Santo Tomas in Davao Region located in the Island of Mindanao.
- ▶ The pilot area is a large Cavendish producing area with approximately 10,000 hectares with 6,000 growers.
- ▶ The project was designed to assist the small and independent banana farmers-growers and cooperatives. The pilot project was implemented from June 2009 to March 2010.



## Objective of the Project

Establish a strong foundation for enhancing the capacity for sustainable development of the Banana Industry Cluster of Davao Region by addressing the:

- Low farm gate price of banana coming from the many small, independent and contracted growers/farmers, and
- High cost of production inputs causing low productivity and reduced income of small banana framers/cooperatives.



## 4 Key Success Factors for Improved Market Access

**1**

- ❑ Identification and appointment of industry champion from the government sector
  - ✓ The transition to using the industry cluster as a development strategy was not exactly easy.
  - ✓ Convincing other national government agencies and local government executives took more than one meeting.
  - ✓ Getting people with related but somewhat disparate interests (i.e., promotion vs. regulation) to agree and collaborate on the exact direction was challenging.
  - ✓ Lots of workshops, consultation, planning and review sessions had to be ensued towards mutually-approved end.
  - ✓ The Department of Trade and Industry in Davao Region voluntarily took the task as convener.



## 4 Key Success Factors for Improved Market Access

**2**

- ❑ Identification and appointment of industry champion from the private sector in the cluster team
  - ✓ Cluster approach is market-driven.
  - ✓ Penetrating and competing on world markets requires company or group of companies who understand the market demand and supplying products with unique value to the market.
  - ✓ The industry champion shall integrate the cluster to the global supply chain.
  - ✓ From among various banana associations in the region, The Federation of Cooperatives in Mindanao (FEDCO) was the only one who committed to market high quality fresh bananas of the small growers and cooperatives for the cluster in the region.



### 4 Key Success Factors for Improved Market Access

**3**

- ❑ **Organization of the local-supply based of export quality bananas**
  - ✓ With stiff competition in the market, productivity and quality are a concern.
  - ✓ The organization of key local farmers and cooperatives would ensure quality products as they can easily and faster as a group to access to inputs and skills, as well as unique information, knowledge and technology from the national and local governments, as well as from the academe.
  - ✓ The cluster team was able to organize the key farmers and (9) cooperatives into an association – Santo Tomas Banana Industry Cluster Association (STOBICA) in the pilot area.
  - ✓ Comprehensive Profile of Banana Growers in pilot area as potential suppliers of fresh Cavendish banana was also conducted and continually updated.



### 4 Key Success Factors for Improved Market Access

**4**

- ❑ **Registration of Brand for the Cluster's Banana**
  - ✓ The importance of having a brand is the key to having a successful business.
  - ✓ Brand motivate the buyers, create business credibility and a good method of communication to create connection between the product and the buyers.
  - ✓ The cluster team assisted the association to register the "STOBICA" brand for cooperative-members of Santo Tomas Banana Industry Cluster Association as well as maintained the "FEDCO" brand for cooperative-members of Federation of Cooperative in Mindanao.





## Breakthroughs in Improved Access to Market

- ❑ Before the project, small banana growers and cooperative-members of the Santo Tomas Banana Industry Cluster Association could not sell their bananas to importer-buyers and could only avail of US\$ 3.00 to 3.50 per box (13.5 kg/box) for their banana sold to the multinational company-exporters located in the Davao Region.



## Breakthroughs in Improved Access to Market

- ❑ During and after the project, they could already directly export their bananas through FEDCO and could avail of US\$6.80 per box (FOB-Davao) for direct buyer-importers from Dubai, UAE and Japan; and US\$7.80 per box (FOB-Davao) for direct buyer-importers China.

- Buyers in Japan



- Generating New Markets: Outbound Business Mission in Dubai meeting with Middle East-based banana importers.





## **Breakthroughs in Improved Access to Market**

- ❑ From one (1) 40-footer container van or 1,540 boxes of bananas weekly initial shipment of STOBICA through FEDCO to China during the project, it has reached to five (5) to six (6) 40-footer container van weekly at US\$7.80 per box or US\$288,288 per month.



## **Breakthroughs in Improved Access to Market**


- ❑ Currently, through FEDCO, small growers and cooperatives are also directly exporting bananas to Dubai, UAE from one (1) to three (3) 40-footer container van or 1,500 boxes at 13.5 kg per box weekly at US\$6.80 per box or US\$122,400 per month; and,
- ❑ One (1) 40-footer container van or 2,000 box at 13.5 kg per box weekly at US\$6.80 per box or US\$54,400 per month



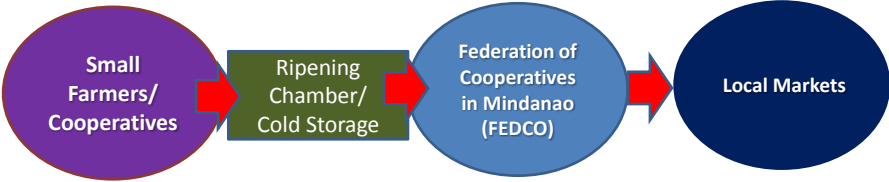
## Challenge; and Way Forward

**With the Global economic crisis; and while exploring new export markets; the banana industry cluster team shall develop the domestic market; for banana Cavendish involving Cooperative; and Small Farmer by the following activities;**

- ❑ **To support the Supplemental Feeding Program for School Children of the National Government with banana as complementary food.**
- ❑ **Promotion of inter-regional trading within the country to supply hotels, supermarkets, hospitals, and transport terminal.**
- ❑ **Promotion of banana gourmet products;**

## Strategic Intervention in the Development of Domestic Market in 2013



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graph LR
    A((Small Farmers/ Cooperatives)) --> B[Ripening Chamber/ Cold Storage]
    B --> C((Federation of Cooperatives in Mindanao (FEDCO)))
    C --> D((Local Markets))
  
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- The Davao Banana Industry Cluster shall be provided with Ripening Chamber/Cold Storage by the National Government.
- **Ripening Chamber/Cold Storage shall be shared by small farmers/cooperatives.**
- The Federation of Cooperatives in Mindanao (FEDCO) shall assist the small farmers/cooperatives in the distribution and marketing of their bananas in the local markets.



**Thank you**