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No. 1

TECHNICAL AND POLICY ISSUES RELATED TO STRENGTHENING THE MARKET FOR PEANUTS

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TECHNICAL AND POLICY ISSUES RELATED TO STRENGTHENING THE MARKET FOR PEANUTS

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CHAPTER 1

STATUS OF THE PEANUT INDUSTRY IN THE PHILIPPINES

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ABSTRACT

Philippine peanut production steadily increased to 36,000 metric tons (MT) in 1994-1996 from 31,000 MT in 1991. However, this is much lower than the reported 45,175 MT of peanuts produced in 1986.

Although peanut production is found throughout the country, the concentration of peanut trading and manufacturing industries is located in the National Capital Region (NCR). These are composed of the small-, medium-, and large-scale traders and manufacturers and represent approximately 58% of the country's firms involved in the peanut industry.

The inability of the Philippines to supply the needs of the peanut industry has led to importation. From 1987 (17,256,045 Kg valued at US\$ 6,791,920 FOB or Free on Board) to 1996 (58,966,949 Kg valued at US\$ 38,949,609 FOB) there was an increase of over 341% on peanut imports.

The Philippines exported peanut butter and other peanut products in 1994-1996. In 1996, a total of 19,130 Kg of peanut butter valued at US\$ 75,151 FOB and a total of 340,961 Kg of peanut products valued at US\$ 928,678 FOB were exported to United States of America, Canada, Australia, Hong Kong, United Arab Emirates (UAE), South Korea and Russia.

CHAPTER 2

INDUSTRY PRACTICES AND TECHNICAL CONSTRAINTS IN THE POST-HARVEST HANDLING, PROCESSING AND MARKETING OF PEANUT AND PEANUT-BASED PRODUCTS

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ABSTRACT

An industry survey was conducted to identify industry practices and technical constraints encountered by manufacturers in peanut postharvest handling, processing and marketing.

The objective was to identify potential Peanut CRSP R&D activities that will address technical constraints as well as potential industry collaborators in the R&D activity. The survey is essential to ensuring that the projects carried out are needed in the industry and thus will be utilized.

The survey covered key manufacturers in Metro Manila, Northern Luzon (Baguio and La Union), Visayas and Mindanao classified as small, medium and large. Cottage or home industries were not included in the study. There were 29 companies that responded to the survey questionnaires and 14 peanut manufacturers visited.

Results of the survey indicated that raw material cost, quality and lack of availability of peanuts, as well as product quality, were the major constraints to expanding markets. On raw material quality, the problems raised were non-uniform sizing, discolored nuts, and presence of molds and aflatoxin. Problems related to product quality were identified as lack of consistency, rancidity, limited shelf life and the presence of aflatoxins. The lack of appropriate equipment, technology and packaging, which affect product quality, were also cited as problems. Many of the problems have an R&D solution and will be pursued as joint projects with industry collaborators. Some potential collaborators were immediately identified. The survey results offer a potential pool of other collaborators.

Other problems such as the unavailability of raw materials and of packaging materials, lack of appropriate equipment and provision of training courses do not have an R&D solution. These problems need to be addressed so those product development goals for the expansion of markets can be achieved. Integration of Peanut CRSP with other government programs on peanuts is one way of achieving this.

The following types of government support, in order of importance, were identified: increasing the availability of peanuts and at lower cost, providing new technologies for the process and the product, provide training courses, establishing and enforcing product standards, providing laboratories for testing, and making packaging materials available especially to small processors.

Although raw material availability and price were the major constraints mentioned, technical problems were recognized and cited second as most frequently encountered problem by respondents. This recognition of technical problems and their role in limiting markets indicates that collaboration in R&D activities is a feasible strategy for assisting peanut processors in expanding their markets.

CHAPTER 3

GOVERNMENT PROGRAMS AND POLICIES TO ENHANCE PEANUT PRODUCTION, PROCESSING AND MARKETING

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ABSTRACT

An evaluation of prevailing government programs and regulations related to the peanut industry was conducted to ensure that product development goals are achievable within the government environment in which peanut processors operate. Five government programs and three regulations related to the peanut industry were identified.

The Gintong Ani for High Value Commercial Crops Program (GA-HVCCP) of the Department of Agriculture (DA) is the national flagship program for agricultural development. Peanut is a priority crop in this program. The Peanut Integrated Research and Development Program (Peanut IRDP) of the Department of Science and Technology of the Philippines is a research and technology adaptation program focused on improving farm productivity.

In addition to the above national programs, the Philippine Department of Agriculture through the Bureau of Plant Industry (BPI) implements seed and product development activities and through the Bureau of Postharvest Research and Extension (BPRE), carries out studies on postharvest handling systems, for peanuts.

The prevailing regulations applicable to the peanut industry are: a) the Seed Industry Development Act of 1992 or RA 7308 under the Department of Agriculture (DA) which calls for mandatory certification of seeds for planting, but is not yet applied to peanuts, b) the Agriculture and Fisheries Modernization Act of 1997 or RA 8435, also under the DA which places all standards development and implementation activities for agricultural and fisheries products solely under, the Bureau of Agricultural and Fisheries Products Standards (BAFPS), the Implementing Rules and Regulations for this Act are yet to be approved, and c) the Food Drug Cosmetic Act or RA 3720 implemented by the Department of Health (DOH). An Administrative Order under this Act defines standards for peanut butter. There are no provisions for the control of aflatoxins.

Government programs for increasing productivity in peanut production are well underway. Other development programs as well as existing regulations, do not play a visible role in strengthening the market.

There is need to link government programs for increasing the supply of peanuts with the needs of processors. Furthermore, a need to strengthen the capability of the industry to access market opportunities for peanuts through existing programs that enhance and promote quality and provide market information. Peanut CRSP can play a role in addressing these needs.

Recommendations were made for the integration of Peanut CRSP with the GA-HVCCP and the Peanut IRDP programs because of its strong market and product development focus. A workplan to accomplish this was formulated that includes areas where integration of Peanut CRSP with other government activities is desirable. It also recommends other activities for improving the industry's capabilities to access the market for peanuts.

CHAPTER 4

REPORT OF AN INDUSTRY WORKSHOP AND GOVERNMENT SEMINAR

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ABSTRACT

A workshop on technical and policy issues for strengthening the market for peanuts was conducted on June 3, 1998 and attended by forty-seven participants from the government and private sectors. Private sector participants were represented by twelve peanut processors and those from the government sector came from thirteen government agencies and institutions. The workshop covered six topics as follows: 1) Introduction on the Peanut Collaborative Research Support Program, 2) Government Program for Agribusiness Investment, 3) Prevailing Government Programs and Policies on Peanut Production and Marketing, 4) Statistics of the Peanut Industry: Production, Imports and Exports, and Profile of Peanut Industries, 5) Problems of Peanut Processors, and 6) Results of the Survey on the Technical Issues and Constraints of Peanut Processors. The highlight of the workshop was an open forum.