



PHILEQUITY CORNER

By Wilson Sy

Benguet’s cabbage glut

Last week, urgent messages sought support for Benguet farmers by emphasizing that “a contribution of 1,500 pesos could save 100 kgs of cabbage.” In this article, we explore a critical situation unfolding in the Benguet farmlands – a crisis triggered by an unexpected surplus of cabbage.

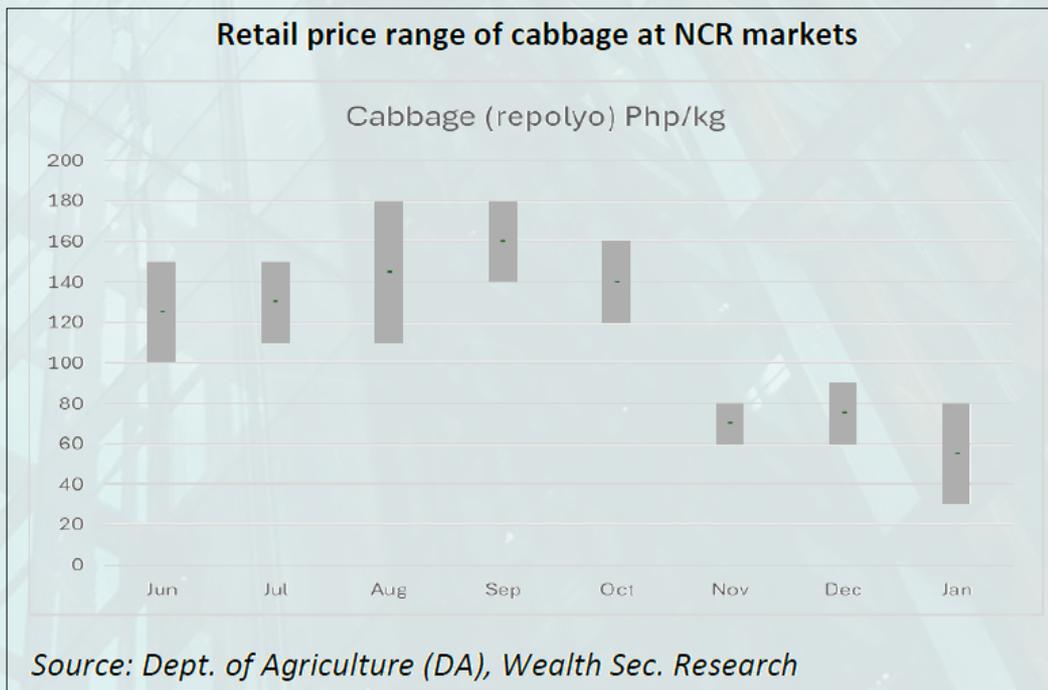
Cabbage for free

Benguet farmers are confronted with an unforeseen surplus of cabbage, a consequence of an abundant harvest that led to a sharp price decline. Gilbert Cumila, General Manager of Nueva Vizcaya Agricultural Terminal (NVAT), notes persistent oversupply issues impacting highland and lowland vegetables since January 5.

Prices have plummeted to record lows, with regular cabbage priced between Php 4 to 8 per kg and wombok (Chinese cabbage) at Php 3 to 7 per kg. This dire situation has forced some farmers to distribute produce for free as market prices fall below harvest costs.

Perils of overplanting

The cabbage crisis is a fallout from a surge in planting, anticipating last December’s harvest. Fueled by a price spike in August and September, farmers expected a continued uptrend through December. The graph below illustrates the rollercoaster ride of cabbage prices, peaking in August and September but sharply declining by October.



Beyond Benguet: oversupply reaches Cebu

The surplus extends beyond Benguet and has now reached Dalaguete in Cebu. The Department of Agriculture Central Visayas (DA 7) confirms this oversupply following a viral post on social media showing farmers distributing truckloads of cabbages for free. Dalaguete faced a similar predicament in 2021 when cabbage prices plummeted to an alarming Php 6 per kg.

Onion shortage in 2022

In contrast to the current cabbage surplus, December 2022 witnessed an acute shortage, notably in onions. Typhoons and pest infestations ravaged crops, propelling onion prices to an unprecedented Php 700 per kg. Unfortunately, the windfall for onion prices did not translate into favorable conditions for local farmers due to their decimated harvests. These dual crises underscore the volatile nature of farming and highlight the persistent challenges our local farmers face.

Government support to build resilience

As the cabbage crisis persists, critical support from the local government and the Department of Agriculture is imperative. Such measures include:

- 1) **Educational programs.** Providing farmers with timely information on market trends, demand forecasting, and seasonal tendencies empowers them to make informed decisions, reducing oversupply risks.
- 2) **Supply chain coordination.** Enhancing coordination throughout the supply chain ensures a smooth flow of goods, preventing bottlenecks.
- 3) **Strategic stockpiling.** Establishing strategic stockpiles and storage facilities can help manage excess harvests, minimizing waste.
- 4) **Promoting agro-processing.** Encouraging the development of agro-processing industries offers farmers alternative outlets for their produce, such as processed foods, reducing reliance on fresh produce markets.
- 5) **Financial support.** Offering support for farmers during periods of oversupply helps cover production costs and mitigates the impact of low market prices.

Coordinated efforts for price stability

Coordinating with the government's importation program is also important for price stability. The timing of importation must align with periods of undersupply in the local market, with proper scheduling in place to avoid clashes with domestic harvest periods. Simultaneously, the government must continue to intensify its anti-smuggling efforts.

Vagaries of nature

Similar to stocks, bonds, currencies, and commodities, the prices of food commodities like cabbage and other vegetables can be highly volatile and are subject to the vagaries and whims of nature. For instance, last year sugar rose 40% during the initial three quarters, only to give back all the gains in the latter part of the year. Coffee followed a similar pattern, rising by 40%, dropping by 40%, then increasing again by 40%. Thai rice increased by around 35% last year and continues to be sustained at high levels.

This is where government support becomes important. A comprehensive approach demands efforts from the government, farmers, consumers, and other key stakeholders to cultivate a more resilient and balanced agricultural landscape. By doing so, it not only safeguards farmers' interests but also ensures stability in prices. This in turn prevents undue strain on consumers and keeps inflation in check.