



## Regional Economic Situationer (3rd Quarter 2011) Cordillera Administrative Region

### Overview

The national economy reportedly grew by 3.2 percent in the third quarter, only slightly higher than the revised GDP growth of 3.1 percent for the second quarter and 4.6 percent in the first quarter. The continued economic slowdown is blamed largely on overseas developments such as high oil prices, continuing low demand for electronics, the March disasters in Japan, the poorly performing US and European economies and unrest in the Middle East. On the domestic front, reduced spending for public infrastructure projects along with delayed implementation of the PPP (public-private partnership) program of the government and the onslaught of typhoons this quarter contributed largely to the slowdown of the domestic economy.

In CAR, typhoons Juaning, Mina and Pedring that hit the Cordillera this quarter largely affecting Benguet, Ifugao and Mountain Province dampened the performance of the region's agriculture sector. Still, higher revenues from IT companies operating in the Baguio ecozone, the higher value of the region's metals despite lower production levels, and increased DTI-registered and SEC-registered investments may have kept the regional economy afloat this quarter.

### Assessment of the 3rd Quarter 2011 Regional Economic Performance

#### Agricultural Production

The region was hit hard from the effects of three strong typhoons during the quarter. Typhoon Juaning in July, Mina in August and Pedring at the end of September left heavy losses to the region's agriculture sector resulting to production declines this quarter compared to year-ago levels.

Despite a 3 percent expansion in harvested area this quarter, palay production was at 69,751 metric tons compared to 71,171 metric tons in the same quarter last year, or a 2.0 percent year-on-year drop. Typhoons Juaning and Mina adversely affected the standing crop for palay causing the expected yield to diminish to 3.12 metric tons per hectare compared to last year's 3.28.

Expansion areas for palay were mainly in the upland portions of Apayao that reported a cropping movement from the fourth quarter to this quarter due to sufficient early rainfall that encouraged farmers to plant earlier. However, Apayao's 12.5 percent increase in palay output (or 19,532 metric tons this quarter compared to 17,356 metric tons last year) was not enough to offset the 17.4 percent and 3.7 percent drop in production from Kalinga and Ifugao, respectively. Kalinga, Apayao and Ifugao are the region's major palay producers.

Corn production at 89,355 metric tons this quarter was down 3.4 percent year-on-year due to reduced outputs from Apayao and Kalinga, along with a contraction in harvested area resulting from damages caused by the series of typhoons. Corn farmers in Abra and Mountain Province also shifted to planting palay this quarter while a change in cropping movement was noted in Apayao and Kalinga. Farmers in Apayao postponed the planting of corn to the next quarter while farmers in Kalinga had advanced planting corn in the second quarter instead of this quarter. But compared to the previous quarter, total corn production is substantially higher at 26,669 metric tons with substantial increases in output from Ifugao, Kalinga and Mountain Province.

Despite the typhoons, overall vegetable production increased this quarter. Production of the region's major crops was up 7.4 percent reaching 22,077.87 metric tons compared to 20,554.91 metric tons in the previous quarter. The drop in cabbage production, the region's major vegetable crop, was offset by increased

### ***3rd Quarter 2011 Regional Economic Situationer***

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production of mostly lowland vegetables. However, major vegetable crops production was down 2.0 percent year-on-year again due to lower cabbage production compared to the same quarter last year.

Meanwhile, production of priority vegetable crops that includes the region's high-value semi-temperate vegetables increased by 42.5 percent reaching 36,669.50 metric tons this quarter compared to 25,730.12 metric tons the previous quarter. Higher production for chinese pechay, carrots, irish potato and bell pepper made up for the lower production of habitchuelas, broccoli, cauliflower and lettuce. However, this quarter's production is only slightly higher than the 36,385 metric tons recorded in the same quarter last year.

Production of fruits, for both major and priority crops, were down year-on-year and quarter-on-quarter. The 3.2 percent drop in banana output despite increased production for calamansi, mango and pineapple caused the decline in major fruit crops production from year-ago levels. Meanwhile, a significant decline in mandarin production (22.1%), along with slight drops in papaya and orange output also caused the year-on-year dip in priority fruits crop production.

Overall livestock production is also both down this quarter compared to the previous quarter (-4.2%) and the same quarter last year (-5.1%) due to lower hog output and is attributed to less supply of fatteners. Despite the sufficient supply of carabao and goat compared to last year, there is a noted drop in demand for their meat from consumers.

Meanwhile poultry production is up 4.2 percent from the previous quarter and 3.1 percent higher compared to the same quarter last year. However, a decrease in chicken egg production this quarter compared to the previous quarter and the same quarter last year was recorded and is attributed to lower egg laying sufficiency ratio while lower duck egg production is due to lower rate of hatchability.

A 9.5 percent year-on-year increase in fisheries production was recorded this quarter with all provinces except Abra increasing output from year ago levels. This is attributed to interventions by the Bureau of Fisheries and Aquatic Resources (BFAR) in seeding fingerlings at communal bodies of water (CBWs) and improved culture management. Ifugao, the biggest fisheries producer in the region, increased production by 21.0 percent year-on-year. This was due to increased production from aquaculture sources with the full operation of fishpond units that were put on hold due to the El Niño in past years along with stocking of tilapia fingerlings in newly constructed and repaired fishponds. But compared to the previous quarter, regional fish production dropped by 9.2 percent due to sharp declines in output from Abra (-17.6%), Benguet (-13.6%) and Kalinga (-33.55) despite increased production from the rest of the provinces.

### ***Metallic Mineral Production***

Continuing favorable metal prices both in the domestic and world markets compensated for lower year-on-year production output of the region's leading precious metals.

A 25.3 percent drop in large-scale gold output was recorded this quarter compared to the same quarter last year (1,043.41 kilograms this quarter against 1,397.09 kilograms last year). This is due to the non-resumption of normal operations by Lepanto Consolidated Mining Company. Silver output was also down by 35.0 percent (977.31 kilograms this quarter compared to 1,504.10 kilograms in the same quarter last year).

Despite lower gold and silver outputs, the value of these metals increased by 0.87 percent and 23.9 percent, respectively due to continuing high world metal prices. Large-scale gold output was valued at Php2.535 million this quarter compared to last year's Php2.513 million. Meanwhile, silver output was valued at Php53.115 million this quarter compared to last year's Php42.871 million.

Meanwhile, gold output from small-scale mining was higher this quarter at 2,644 grams valued at Php1.360 million compared to 1,900 grams valued at Php950,000 in the previous quarter. There was no reported gold output from small-scale mining in the same quarter of last year.

### ***3rd Quarter 2011 Regional Economic Situationer***

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Production of copper concentrate this quarter was at 17,557 dry metric tons (DMT), slightly higher than the 17,544 DMT output in the same quarter last year. Despite the higher output, this quarter's copper concentrate output was valued at just Php1.512 million which is lower than last year's Php1.649 million.

Philex Mining Corporation, the country's top gold producer, reportedly registered a 57.5 percent jump in the estimated value of ore production from its Padcal mine to Php8.12 billion in the first half of 2011 from the Php5.16 billion in the same period last year.

The higher estimated production value is due to higher metal prices in the world market as well as higher output from the mine. Based on the firm's latest and previous disclosures to the Philippine Stock Exchange, output was 7 percent higher in the first semester this year at 4.66 million dry metric tons (DMT) from 4.36 million DMT in the same period in 2010.

The estimated value of ore production from its Pacdal mine in Benguet rose 56 percent to Php9.52 billion for the seven-month tally from Php 6.12 billion in the same period last year. Meanwhile, the value of its shipment was up 85 percent to Php 9.47 billion from Php 5.13 billion in the same period last year for it had a total of eight shipments for the seven-month period this year compared to six shipments made from January to July 2010, the two shipments amounting to 10,016 dry metric tons and valued at Php 2.425 billion.

#### ***Non-Metallic Mineral Production***

Despite the general slowdown in public construction activities in the region compared to last year, sand and gravel output this quarter increased fourfold possibly due to repair efforts on regional infrastructure or more private construction activities to repair homes damaged by typhoons during the quarter. Sand and gravel output reached 105,037 cubic meters valued at Php7.083 million this quarter compared to 28,876.95 cubic meters valued at Php4.131 million in the same period last year.

#### ***Exports***

PEZA exports picked up this quarter from the slack in the previous quarter. Export revenues reached US\$763.015 million from US\$684.751 million, or a 11.4 percent increase. All industry sectors except plastic products registered increases in revenues. This quarter's PEZA revenues is also higher by 6.8 percent year-on-year compared to last year's earnings of US\$714.161 million.

Specifically, electronics that accounts for the bulk of the region's PEZA exports recorded revenues amounting to US\$674.628 million this quarter from the previous quarter's US\$603.047 million or a 11.9 percent increase due to the recovery in electronics demand in the world market. Year-on-year, revenues in the industry also increased by 1.2 percent from the US\$666.830 million earnings in the same quarter last year.

Earnings from IT including BPO companies located at the ecozone recorded the highest year-on-year increase in revenues. From just US\$13.763 million last year, revenues more than tripled to US\$48.708 million this quarter. This is also an improvement from the previous quarter's earnings of US\$46.671 million. The industry is now the second top earner in the ecozone for the third quarter in a row surpassing that of the machinery except electrical industry.

Despite increased revenue earnings, average employment in the ecozone slightly decreased to 8,650 this quarter compared to 8,843 for the same period last year. This is also slightly lower than the previous quarter's 8,606. Employment in IT companies remains the biggest at 3,503 this quarter even as this is slightly less than the 3,458 in the same quarter last year. However, this quarter's employment in the IT sector is higher than the previous quarter's 3,259.

Meanwhile, non-PEZA exports of the region net of indirect exports monitored by the Department of Trade and Industry (DTI) more than doubled quarter-on-quarter. Total value reached US\$430,000 this quarter compared to US\$17,000 the previous quarter.

### **3rd Quarter 2011 Regional Economic Situationer**

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Despite favorable prices in the world market for metals, export of the region's metal products specifically gold and copper concentrate dipped both year-on-year and quarter-on-quarter, with higher local demand making up for higher metals sales. Gold exports this quarter of only 1,043.41 kilograms valued at Php2.447 billion was lower compared to the previous quarter's 1,284.64 kilograms valued at Php2.608 billion. This is also lower than the 1,488.00 kilograms exported in the same quarter last year valued at Php2.646 billion.

The 17,557 DMT of copper concentrate exported this quarter valued at Php1.512 billion was lower than the previous quarter's 20,088 DMT valued at Php1.905 billion. This is also lower than the 20,018 DMT exported in the same quarter last year valued at Php1.574 billion.

Meanwhile, silver exports of 977.31 kilograms valued at Php53.115 million this quarter was also lower than the previous quarter's 1,249.32 kilograms valued at Php60.325 million. This quarter's volume of silver exports is also lower than the 1,642.00 kilograms shipped in the same quarter last year but was higher in value from the Php44.976 last year. The main markets for the region's metals remain to be the United Kingdom and China.

#### **Investments**

Investments registered with the DTI-CAR almost doubled year-on-year aided by the full operationalization of NERBAC (National Economic Research and Business Assistance Center) in all the provinces and continued implementation of OTOP (One Town One Product) flagship projects. Total DTI-registered investments reached Php719.25 million this quarter from Php388.93 million in the same quarter last year. The increased investments resulted to more jobs created reaching 5,523 this quarter from the 3,953 in the same quarter last year. But quarter-on-quarter, DTI-registered investments slipped by 4.5 percent from the Php753.51 million of the previous quarter. Still, employment generated this quarter is higher than the previous quarter's 5,239.

Investments registered with the Securities and Exchange Commission (SEC) also picked up this quarter amounting to Php29.917 million, more than double the previous quarter's Php14.781 million. This is also higher by 36.2 percent to the Php21.960 million registered in the same quarter last year.

Stock corporation investments this quarter amounting to Php16.962 million is higher than the Php12.981 million in the previous quarter, or a 30.7 percent increase. But this quarter's investment is lower by 5.7 percent compared to investments generated in the same quarter last year amounting to Php17.990 million. This quarter's volume of investment was from 30 registrants, 28 of which are services sector related (realty, recreational, restaurant, trading, transport and other services), one in construction and the other in power/energy.

Investments from partnerships substantially increased this quarter amounting to Php12.955 million from the previous quarter's Php1.800 million. This is also higher than the Php3.970 million registered in the same quarter last year. The 14 partnership registrants this quarter were all from the services sector (realty, trading, restaurant and other services).

Meanwhile, PEZA investments this quarter amounted to Php11.5 million under Approved Board Resolution dated September 16, 2011. Of this amount, Php6.5 million was for WOW Stream, Inc., an IT company specializing in business process outsourcing and live e-commerce. The utility company Team Philippines Energy Corporation, a partnership between noted Japanese firms Tokyo Electric Power Company and Marubeni Corporation and one of the largest independent power producers in the Philippines, also invested Php6.5 million.

More than Php50 million worth of road projects were also completed by the First Apayao Engineering District within its area of jurisdiction to help during the quarter to improve inter-barangay, inter-municipal and inter-provincial linkages. The completed road projects include the 3.5-kilometer upgrading and concreting of a portion of the Abbot-Conner road and the rehabilitation of the Linneng section of the road which will result in more convenient travel going to and from the towns of Conner and Cabugao.

### ***Energy Consumption***

Total energy consumption in the Baguio-Benguet area slightly picked up this quarter reaching 80,109,862 kilowatt hours (KWH) from the previous quarter's 79,568,487 KWH, or a 0.7 percent increase. With a 1.1 percent increase in residential connections this quarter, total residential energy consumption was up 2.9 percent quarter-on-quarter reaching 42,002,975 KWH. Consumption by public buildings also increased by 8.4 percent this quarter compared to the previous quarter reaching 3,717,673 KWH.

Residential connections also increase by 5.3 percent this quarter compared to the same quarter last year resulting from the continuing expansion and service improvement program of the Benguet Electric Cooperative (BENECO). Increased connections for commercial users, public buildings and streetlights were also recorded year-on-year, even as there was a reduction in the number of industrial users from 67 last year to 50 this quarter. Notably, electricity consumption by commercial users has been steadily on the rise since last year indicating increasing economic activities from commercial establishments in the Baguio-Benguet area. Commercial users used up 32,211,936 KWH this quarter compared to 28,562,493 KWH in the same quarter last year.

### ***BIR Revenue Collection***

Total revenue collection amounted to Php698.937 million this quarter, a 7.3 percent drop from the previous quarter's Php753.645 million. This is also less than the Php807.031 million recorded in the same quarter last year, or a 13.4 percent year-on-year decline. The lower collection from year-ago levels is due to lower collection for income, value-added, percentage and other taxes even as a significant increase in excise tax collection was realized.

Excise tax collection reached Php9.839 million this quarter, higher than the Php1.921 million of the previous quarter and the Php0.553 million in the same quarter last year. Higher excise tax collections was aided by the continuing favorable prices of metals that resulted to increased collection of taxes on mineral products.

The sharp year-on-year drop in income tax collection is still due to the transfer of MOOG and Texas Instruments to the category of large taxpayers, with collection dropping to Php492.394 million this quarter from Php569.785 million in the same quarter last year, or a 13.6 percent decline.

Reduced spending for public infrastructure in the region was largely responsible for the almost 17.0 percent year-on-year and a similar quarter-on-quarter drop in the collection of value-added taxes. Collections amounted to Php139.351 million this quarter, lower than the Php167.719 million of the same quarter last year and Php167.255 million in the previous quarter.

Total collection in Baguio City amounted to Php377.079 million this quarter, still the highest among the collection districts in the region. But this is substantially lower than the Php513.629 million collection in the same quarter last year (a 26.6% drop) and the Php413.205 million of the previous quarter (8.7% drop). Ifugao, Kalinga/Apayao and Mountain Province revenue districts recorded double-digit year-on-year increases in total collections at 19.5 percent, 16.3 percent and 14.5 percent, respectively and were largely due to improved income tax collections.

### ***Employment***

The regional employment rate was recorded at 95.3 percent this quarter, a slight improvement from the 95.0 percent recorded in the same quarter last year and in the previous quarter. As such, the regional unemployment rate eased to 4.7 percent this quarter. However, the proportion of those wanting more hours of work, that is the underemployment rate, increased to 13.5 percent this quarter compared to 11.4 percent in the previous quarter and 13.4 percent in the same quarter last year.

### **3rd Quarter 2011 Regional Economic Situationer**

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Even with the improvement in the employment rate, DOLE reported a total of 41 retrenched workers this quarter coming from retail and wholesale establishments, either due to financial losses or end of contract. In the same quarter last year, 218 workers were retrenched. Of these, 211 were semi-conductor workers while the rest were from retail, real estate and rehabilitation/construction establishments. Still, the DOLE-CAR expects the hiring by Far Southeast Gold Resources, Inc. at Lepanto, Mankayan, Benguet of some retrenched workers of Lepanto Consolidated Mining Company (LCMC) in the next quarter. The company is engaged in mining exploration.

#### **Prices and Inflation**

Overall price increases further eased this quarter with inflation recorded at 3.6 percent using 2000 prices compared to 4.2 percent in the previous quarter and a similar rate in the same quarter last year. This is despite the continued rise in prices for non-food items such as fuel, electricity and services, and increased prices for some selected food items.

The continuing rise in prices for fuel, electricity and services helped push non-food inflation by 4.3 percent this quarter, faster than the rise in food, beverages and tobacco prices recorded at 3.6 percent from year-ago levels. Fuel prices increased by 15.3 percent year-on-year while electricity prices was up 9.7 percent. However, the rise in fuel and electricity prices have slightly decelerated from the previous quarter with several cuts in domestic fuel prices during the quarter despite higher electricity charges. The overall cost of services was also up year-on-year specifically educational (7.7% increase), transport and communication (5.8% increase), personal (5.5% increase) and medical (2.3% increase).

Damage sustained from the spate of typhoons within the quarter, specifically for rice and fruits and vegetables, contributed to the quarter-on-quarter rise in prices for these commodities. Either due to supply disruptions creating artificial shortages, rice prices was slightly up by 0.3 percent while fruits and vegetables prices increased by 1.2 percent. Year-on-year, prices for food staples rice and corn were higher by 1.1 and 3.3 percent, respectively. Fruits and vegetables prices were up 7.9 percent while fish prices were up 5.7 percent.

### **Development Outlook**

The Aquino administration has been forced to lower its growth forecast of 5 to 6 percent for the year due to adverse developments abroad, such as the natural disasters in Japan and the continuing political unrest in the Middle East and North Africa. Moreover, sluggish exports and lower public spending in the second and third quarters of the year are expected to contribute to the slowdown in growth of the domestic economy. But already a stimulus package of Php72 billion was announced by the President in October and is expected to speed up government spending in the remaining months of the year to buoy up the domestic economy.

A four-point program upon which the growth of the economy will be anchored has been identified by the President's economic team: simplification of doing business in the country; infrastructure development through Private Public Partnerships (PPP); better revenue generation; and accelerating the Conditional Cash Transfer (CCT) program.

In the region, the Department of Public Works and Highways (DPWH) has disclosed that Php 1.8 billion worth of road projects in different parts of Cordillera is under way to improve inter-municipal, inter-provincial and inter-regional linkages. DPWH-CAR announced that the Department of Budget and Management (DBM) has released the corresponding Special Allotment Release Order (SARO) of 15 road projects that allowed the DPWH regional office to have these bid out.

The funded road projects include the Rizal national road in Kalinga – Php93.4 million; Bulanao-Paracelis road – Php93.9 million; Kabugao-Pudtol-Luna-Cagayan boundary road – Php57.1 million; Abra-Kalinga road – Php50.5 million; Kalinga-Abra road – Php80.3 million; Mountain Province-Ilocos Sur via Tue in Tadian – Php142.4 million; Baguio circumferential road – Php140 million; Balbalan-Pinukpuk road – Php100 million; Abra-Kalinga road – Php143.7 million; the Abra-Ilocos Norte road – Php78 million; Gorel-Bokod-

### *3rd Quarter 2011 Regional Economic Situationer*

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Buguias-Abatan road – Php115.4 million; Gorel-Bokod-Kabayon-Buguias-Abatan road – Php98 million; Sto. Tomas – Manabo Bridge along Sto. Tomas-Manabo road – Php160 million; Mountain Province-Calanan-Pinukpuk-Abbut road – Php209 million; and the Balbalan-Piukpok road – Php245 million.

The immediate completion of the rehabilitation of the Mountain Province-Ilocos Sur road via Tue in Tadian town is expected to advance the economic development of Northern Luzon, particularly the central Cordillera region. The implementation of the multi-million infrastructure project will complete the whole loop with the completion several years ago of the Sabangan, Mountain Province to Cervantes, Ilocos Sur section.

The national government has also downloaded to the DPWH-CAR the amount of Php140 million for the immediate completion of the 21-kilometer Baguio circumferential road project that hopes to significantly reduce recurring traffic jams at the city's central business district area. A portion of the amount is reportedly to be used to purchase the road-right-of-way of a well-known business tycoon whose property will be affected by the road opening from barangay Sto. Tomas Proper and Camp 7 to complete the circuit road. Included in the remaining works to complete the project is the widening of portions of the Sto. Tomas Proper to Camp 7 barangays, construction of a bypass bridge, concreting of unpaved road sections, establishment of slope protection walls and improvement of drainage systems.

The Cordillera Region is also expected to benefit immensely from the signing ceremony last June 2, 2011 between the BDO Capital and Investment Corporation and Development Bank of the Philippines with the announced signing of the Loan Agreement between the Private Infra Dev Corporation and the syndicate banks led by the BDO Unibank, Inc., Development Bank of the Philippines and Land Bank of the Philippines for the construction of the Tarlac-Pangasinan-La Union (TPLEX) Project. Private Infra Dev Corporation is a consortium of 10 Filipino constructors and SMC/Rapid Thoroughfares Inc. who won in a solicited bidding the award for the design, construction, financing, operation and maintenance of the TPLEX Project. This is reportedly the first PPP Project with all Filipino expertise and local financing to undertake such a major infrastructure project in accordance with the BOT (Build-Operate-Transfer) Law.

Construction of the 88.5 kilometer TPLEX is well under way as the government was set to bid out the operation and maintenance (O&M) for the linked up light rail transit line 1 and metro rail transit line in July. The four-lane highway spans from La Paz, Tarlac to Rosario, La Union and would connect to the Subic-Clark-Tarlac expressway. The new highway is originally set for completion in 2013. Construction of the TPLEX is expected to further shorten travel between the Cordillera Region and its neighboring adjacent regions including the Metro Manila area.

An important breakthrough in the region's bid to promote itself as a major source of renewable energy particularly hydro power is the recognition by a United Nations agency of the Ambuklao and Binga hydroelectric power plants operated by SN Aboitiz Power-Benguet (SNAP-Benguet) as Clean Development Mechanism (CDM) projects. The successful registration of the two hydroelectric power plants as CDM projects with the UN Framework on Climate Change (UNFCCC) means that SNAP-Benguet met the criteria for sustainable development under the process. Ambuklao and Binga hydropower plants will together produce an average of 180,000 carbon emission reduction credits (CERs) per year.

Meanwhile, the DENR-CAR recently cited an indigenous forest management and protection system which could be replicated in different parts of the country to help increasing efforts towards nature preservation and protection. The "batangan system" of Tadian and some parts of Mountain Province was cited as an ideal system of preserving old-growth communal forests which had been passed on to present generations by local elders. Through the system, indigenous peoples groups like the Kankanaey Applai communities in western Mountain Province towns are able to harvest lumber in a controlled manner without encroaching into the watersheds and forests within their places.

The increasing promotion of indigenous forest management systems is in response to concerns by environmentalists of the destruction of Mount Pulag's mossy forest, where a specie of the cancer-curing Yew tree is found. Mount Pulag Park contains a unique diversity of flora and fauna, many of which are endemic to the mountain. Flora found are several orchid species of which some are possibly endemic to Mount Pulag, and other rare flora such as the pitcher plant. Its wildlife includes threatened mammals such as the Philippine Brown Deer, Northern Luzon Giant Cloud Rat and the Luzon Pygmy Fruit Bat. As one of the country's most

### *3rd Quarter 2011 Regional Economic Situationer*

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critical watersheds, Mount Pulag provides water for domestic and industrial, irrigation, and hydroelectric power use including aquaculture. It is a major headwater for the Ambuklao, Binga and San Roque dams.

Upland farmers of Kalinga see a breakthrough in the production of their traditional rice, known as Kalinga Unoy red rice, with the Upland Rice-Based Cropping Technology introduced by the Department of Agriculture (DA). The technology is being piloted in the barangays of Balawag and Agbannawag in Tabuk City through the Farmers Field School (FFS) program in order to ensure increased productivity among traditional rice farmers with local rice varieties now commanding higher prices in the international market. American and European markets are now the primary buyers of native rice varieties of the Cordillera.

Kalinga has four varieties of Unoy red rice – Bolinao, Mimis, Gomiki and UPL. Unoy rice is a target of DA's farm upgrading technology. As support, the DA-CAR have invited upland farmers to an investment Forum for Marketing of Traditional Rice that was participated by some upland farmers from the province. Under its marketing support program, DA plans to establish upland rice sales center in areas in the region where there is high production of upland rice. Since 1997, Kalinga Unoy red rice has reached markets in Montana, USA through the Revitalized Indigenous Cordillera Entrepreneurs, Inc. (RICE, Inc.).

From just a Php3.0 million loan payable in three years, RMC Benguet Arabica Coffee Growers Cooperative (RMCBACGC) is now running the most modern Arabica coffee mill in the country through the cooperation between Rocky Mountain Café Inc. (RMCI), the National Confederation of Cooperatives (NATCCO), and the Benguet State University (BSU). The mill is located in the Benguet State University pilot farm in Barangay Longlong and is operated by RMCBACGC. NATCCO's Treasury and Credit Group provided a term loan amounting to Php3.0 million payable in three years to allow the RMC Cooperative to set up the mill. Operation of the mill is expected to further boost the Cordillera's thrust to regain its stature as a major coffee producer in the country.

In September, the national government announced its plans to lift its moratorium and resume accepting and processing mining applications to attract investors to the mining sector. The Mine and Geosciences Bureau (MGB) of the DENR in August rejected more than two-thirds of pending mining applications after an eight-month review aimed at getting rid of mining speculations. The agency suspended the acceptance and granting of mining permits during the review.

The national government has announced plans to declare more mines in the country as mineral reservation areas to collect a five percent royalty tax and raise an additional Php7 billion (\$163 million) annually, a move opposed by the mining industry. This is to enable the government to get its fair share in mineral resource extraction in the country considering opportunity costs and environmental costs. The DENR said that government wants to implement this in a legal and fair manner through the Office of the President's declaration of all mines as mineral reservation.

There are currently only nine of the 30 operating mines in the country where the government is able to collect royalty tax under a mineral reservation, including a nickel mine in Zambales and a nickel mine in Surigao area. Meanwhile, royalty from mining in ancestral domain is only one percent. In other countries such as China, Indonesia and Chile, miners pay a royalty tax ranging from four percent to seven percent. Mining industry officials said however that more taxes on top of a two percent excise tax would discourage investments in the sector.

In July, several business groups have consolidated their position on proposed reforms for the mining industry, hoping that the government will clear up gray and conflicting areas in the state's mining policy. The business groups said the Philippine government must bring an end to provincial ordinances that conflict with national law, step up the mining industry's growth without additional tax impositions, and resolve issues surrounding small-scale mining activities. The Chamber of Mines, together with the country's foreign mining investors, has endorsed the implementation of the Extractive Industry Transparency Initiative to stamp out graft and corruption and improve transparency in permit issuances and tax payments.

Still, environmental and health concerns continue to hound the region especially from the operation of small-scale mines. Environment specialists in the region have reported that the mercury content in Kalinga

### 3rd Quarter 2011 Regional Economic Situationer

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rivers is increasing, posing danger to aquatic ecosystems and low-lying communities. Though not beyond the threshold level, medical experts say small amounts of mercury is still hazardous to health.

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The Quarterly CAR RES looks at the performance of the regional economy based on leading economic indicators. Preliminary data is used and is subject to change/revision in subsequent quarters. The Report also includes references from leading national, regional and local newspaper dailies and weeklies.



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