

## **MARKETING PRACTICES OF FALCATA GROWERS IN TAGBINA, SURIGAO DEL SUR, PHILIPPINES**

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### **Abstract**

Falcata is the most widely planted plantation crop in Caraga Region. It is fast growing and is used in the production of pulp, paper, veneer, plywood and furniture. This study aimed to analyze the marketing practices of falcata growers in Tagbina, Surigaodel Sur. Results revealed that 74.5% of falcata growers deliver their logs directly to millers/processors. Average marketing cost per hectare was Php165,950.00 and gross marketing margin per cubic meter was Php 650.00 while profit margin per cubic meter was Php526.25. Consumer peso distribution was 0.8333 which implies that farmers generally wait for falcata trees to mature (6 to 8 years) before harvesting in order to gain higher profit.

**Keywords:** marketing practices, marketing margin, marketing cost, consumer peso

## 1. Introduction

Falcata is the most widely planted plantation crop in Caraga Region (PCAARRD, 2004; Dela Cruz 2001 and Alipon, M.A. et.al, 2016). From the total log production of 1,102,365 m<sup>3</sup> from local plantations, 743,687 m<sup>3</sup> were from falcata of which 649,590 m<sup>3</sup> or 87.35% came from Caraga Region (FMB-DENR 2014). Industrial Tree Plantation Species (ITPS) will continue to contribute substantially to the country's industrial timber requirements of 3 million m<sup>3</sup> annually (PWPA, 2012).

Falcata is a large tree growing up to 40 m high, 20 to 100 cm dbh, and one of the wood industry's preferred raw wood materials. It is found in primary and secondary forests, often on river flood terraces, sandy soils at 0 to 1,600 meter altitude (PROSEA, 1993 Rojo 1999). It is fast growing and used in the production of pulp, paper, veneer, plywood and furniture. (Charomaine&Suhaendi, 2002).

Alipon, Marina A. et al (2016) revealed that the wood can be used for purposes where strength is not a critical requirement. Instead of waiting until they are eight years old, falcata trees may be cut at four to six years old as far as mechanical properties are concerned. Cost analysis showed it is not viable to harvest falcata trees with diameter of 16 cm and below. It may be profitable to harvest falcata logs with 16 cm and above diameter if selling price is Php2,000/m<sup>3</sup>.

A 1993 World Bank report entitled "Tropical Hardwood Marketing Strategies for Southeast Asia" lent added support to plantation development in southern Philippines. The report predicted increased demand for "sustainably-grown" wood, and advocated investments in processing for producing "medium and high quality" plywood in order to meet standards and win premiums available in high-value markets. It also advised the development of a progressive "Sustainability of Origin" certification system aimed at satisfying consumer demands for wood produced with a minimum of negative environmental impacts.

Nemoto, Akihiko (2002) studied on-farm tree planting and the wood industry in Indonesia: a Study of Falcataria Plantation and the Falcataria Product Market in Java revealed that *Falcataria* products have a range of promising characteristics. Indeed, falcata can be used in the manufacture of products that are both high value-added as well as environmentally-friendly. Nemoto(2002) highlighted the need for local markets in Indonesia to be nurtured in order for falcata products to be successfully advanced onto the international market.

This study aimed to analyze the marketing practices of falcata growers in Tagbina, Surigaodel Sur. Due to time and financial constraints, the researcher only interviewed 200 respondents. Some areas of Tagbina had a problem with peace and order that was why the study was conducted in selected barangays in Tagbina, Surigaodel Sur.

## 2. Conceptual Framework

According to Baylo LMV (2001), marketing efficiency can be improved by reducing the number of stages in the marketing channel. It means that the shorter the chain connecting from producer to consumer, the more efficient it is.

According to Miller and Jones (2010), Pabuayon, et al., (2009) as cited by Niraj Kumara and Sanjeev Kapoor (2010), linking of farmers to the markets through efficient value chains would reduce the use of intermediaries in the chain, and strengthen the value-adding activities by better technology and inputs, upgraded infrastructure, processing, and exports. In current Philippine scenario, existence of intermediaries is rampant due to farmers' lack of knowledge, technology and value-adding or processing equipment. Additional market players come into place due to aforementioned gaps in this commodity.

Figure 1 presents a number of channels through which agricultural products may pass from producers to various buyers to processors/millers.

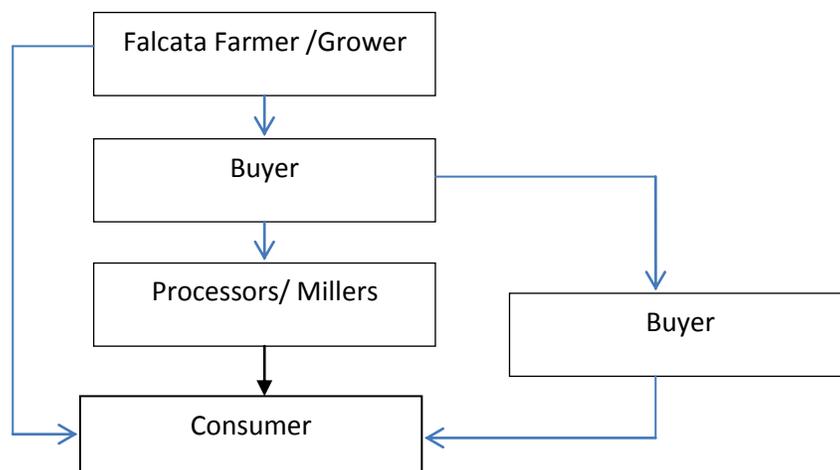


Figure 1. Schematic diagram of theoretically possible marketing channels

## 3. Research Design and Methods

The information needed in the study was collected through personal interview using structured questionnaire. The total respondents of the study were 200. Random sampling technique was employed in the study.

Totals, arithmetic means, and percentage were employed to analyze the marketing practices of falcata. The components of the marketing margin at each level of the marketing chain, and the distribution of the consumer-peso among producers, the following formula were used:

- a. Marketing Margin (MM) at each level of the marketing chain  
 $MM = P_s - P_b$

Where: Ps = Selling Price  
Pb= Buying Price

Profit Margin = Gross Marketing Margin – Marketing Cost  
= GMM – MC

Profit as % MM =  $\frac{\text{Profit Margin}}{\text{Gross Marketing Margin}} \times 100$

Components of the marketing cost (MC)

MC = T+L+I+D+O

Where: T = Transportation cost  
L= Labor Cost  
I = Interest on Capital  
D= Depreciation  
O= Others (market fee, etc)

Consumer peso distribution:

Farmers share= Farm Price / Final Retail Price

#### 4. Results and Discussion

Table 1 presents the marketing practices of falcata growers in Tagbina, Surigao del Sur. 74.50% or 149 of the total respondents (200) deliver their falcata logs directly to millers while 25.5% or 51 respondents sell their logs to buyers wherein the buyers were the ones to cut falcata trees and deliver it to millers either in Butuan City or in Cagayan de Oro City. Choice of place of delivery depends on the price given by processors/millers.

Table 1. Marketing practices of falcata growers in Tagbina, Surigao del Sur

Particulars	Frequency	Percentage
Delivery	149	74.5
Pick-up by buyers	51	25.5
Total	200	100

Most (79.5 % or 159) of falcata growers has only one buyer while 19 % or 38 respondents have two buyers and 1.5% or 3 respondents have three buyers as shown in Table 2. This indicates that growers opt for regular buyers or “suki” wherein they run for in times of need such as for financial reasons. In the Municipality of Tagbina there are five (5) big time buyers of falcata logs where most of falcata growers can lend money to when need arises.

Table 2. Number of falcata buyers in marketing falcata logs in Tagbina, Surigaodel Sur.

<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
One	159	79.5
Two	38	19.0
Three	3	1.5
Total	200	100

Table 3 indicates the mode of payment practiced in marketing falcata logs by respondents. Among falcata growers, 87.5% or 175 of them claimed selling their falcata logs on cash basis while 10.5% or 21 respondents claimed selling it in cash on advance and the remaining 2% or 4 respondents claimed to sell via credit.

Table 3. Form of payment practices in marketing falcata logs in Tagbina, Surigaodel Sur.

<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
Paid in cash upon purchase	175	87.5
Cash on advance	21	10.5
Credit	4	2.0
Total	200	100

As presented in Table 4, 80.5% or 161 of the total respondents revealed that the source of price information in marketing falcata logs were the negotiations between buyer and seller. 15.5% or 31 respondents claimed that the source of price information was from local market and 4% or 8 respondents from co-farmers.

Table 4. Source of price information in marketing falcata logs in Tagbina, Surigaodel Sur.

<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
Negotiation with buyer and seller	161	80.5
Local market	31	15.5
Co-farmer	8	4.0
Total	200	100

As presented in Table 5, 54% or 108 respondents revealed that price was determined based on negotiation with buyer and seller while 25% or 50 respondents declared that price was determined by the farmers themselves. 42 respondents or 21% of total respondents based their price on prevailing market prices.

Table 5. Price determination in marketing falcata logs in Tagbina, Surigaodel Sur.

<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
Based on prevailing market	42	21.0

price		
Based on negotiation with buyer and sell	108	54.0
By farmer	50	25.0
Total	200	100

Most falcata growers (74.5%) market falcata at 6 to 8 years of age. Whereas 23% of total respondents or 46 falcata growers sold falcata below 5 years of age. 2.5% of respondents or 5 growers sold it at the age of 9 to 10 years.

Harvesting of falcata is done mostly at the age of 6 to 10 years old. Most falcata growers sold this to the middlemen or buyers and the middlemen or buyer spend for harvesting and delivery of logs to the millers (Alipon, Marina A, et al (2016). Selling trees at an early age will provide farmers a minimum profit for their investment. Thus, farmers generally wait for these trees to mature before harvesting. However, falcata growers that were forced to sell their falcata trees at age of below 5 years were in dire need of money.

Table 6. Age of selling or marketing falcata logs by falcata growers in Tagbina, Surigao del Sur.

Particulars	Frequency	Percentage
Below 5 years	46	23.0
6 to 8 years	149	74.5
9 to 10 years	5	2.5
Total	200	100

Table 7 shows the average marketing cost and return incurred by falcata growers. The average sale of falcata logs per hectare was Php 850,000.00. Pre-marketing cost (timber crossing) per hectare was pegged at Php 1,200.00. Marketing cost which comprised transportation or trucking cost was Php 80,000 per hectare and labor cost which included cutting cost was Php 43,750 per hectare, man-animal labor worth P5,000 per hectare and hauling cost worth P20,000. Other costs comprised processing cost for the documents P12,000, toll fee worth P1,000 and meals and snacks worth P3,000.00. Average marketing cost per hectare of falcata production was valued at Php 165,950.00.

The current farm gate price of 16-24 cm dbh logs or pulpwood stands at Php 2,000 – Php 2,200 per cu m which is acceptable to farmers. At this price, middlemen or buyers spend for the harvesting and delivery of logs to the millers. The prevailing price of pulpwood ranges from Php 110,000.00 to Php 150,000.00 per truckload having a volume of 30-35 cu m (Alipon, et. al., 2016).

Table 7. Average marketing cost and return incurred by the falcata growers in Tagbina, Surigaodel Sur

Particulars	Falcata Logs(Php/ha)
<b>Return</b>	
Sales	<b>850,000.00</b>
<b>Less: Marketing Cost</b>	
Pre-Marketing Cost	<b>1,200.00</b>
a. Timber crossing cost	1,200.00
Marketing Cost	<b>148,750.00</b>
a. Transportation Cost (Trucking Cost)	80,000.00
b. Labor Cost	
Cutting	43,750.00
Man-Animal Labor	5,000.00
Hauling	20,000.00
Other costs	<b>16,000.00</b>
a. Processing cost (Documents)	12,000.00
b. Toll fee	1,000.00
c. Meals/Snacks	3,000.00
<b>Average Marketing Cost</b>	<b>165,950.00</b>
<b>NET PROFIT</b>	<b>684,050.00</b>

Table 8 presents the marketing margin, marketing cost and consumer peso distribution of falcata growers. The total buying price per cubic meter of falcata was Php 3,250.00 while total selling price per cubic meter was Php 3,900.00. Gross marketing margin was Php 650 per cubic meter while profit margin per cubic meter stood at Php 526.25. Profit as percentage of marketing margin was Php 80.86 and consumer peso distribution was 0.8333 or 83.33 %.

Table 8. Average marketing margin, marketing cost and consumer peso distribution of falcata growers in Tagbina, Surigaodel Sur

Particulars	Falcata logs (Php/per m <sup>3</sup> )
Buying Price (per m <sup>3</sup> )	
Pulp wood (per m <sup>3</sup> )	1,350.00
Export (per m <sup>3</sup> )	1,900.00
<b>TOTAL BUYING PRICE (Php/cu m)</b>	<b>3,250.00</b>
Selling Price (per m <sup>3</sup> )	
Pulp wood (per m <sup>3</sup> )	1,650.00
Export (per m <sup>3</sup> )	2,250.00
<b>TOTAL SELLING PRICE (Php/cu m)</b>	<b>3,900.00</b>
Gross Marketing Margin	<b>650.00</b>
Less: Marketing Cost	123.75
Profit Margin (Php/cu m)	526.25

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Profit as % Marketing Margin	80.86
Consumer Peso Distribution (%)	0.8333

## 5. Conclusion

In the Municipality of Tagbina, the average age where *falcata* trees are sold is between 6 to 8 years. Selling these trees at an early age will offer farmers a minimum or lesser profit for their investment. Thus, farmers generally wait for these trees to mature before harvesting.

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