

**Agriculture, Trade Deficits, and Economic Growth: Realizing the Philippines’
Comparative Advantage**

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ABSTRACT

A comparative advantage is essential for a country to be able to succeed in international trade and have a trade surplus to strengthen the value of currency. However, in the Philippines, the neglect on the agriculture sector has led to frequent trade deficits due to incapacity of the country to fulfill the demands for the growing population. This study focuses on the blurring focus in the Philippines between industrial growth and agricultural decline, mirrored by persistent trade deficits, stagnating productivity, and heavy reliance on food imports. Despite clear comparative advantages in crops like coconut, pineapple, and sugar, agriculture still faces systemic neglect driven by labor outmigration, climate vulnerabilities causing significant losses, and policy gaps. Employing a systematic literature review of recent empirical studies and government data, thematic analysis identified key challenges including low productivity, labor disparities, climate impacts, and policy inefficiencies. Findings show a 14.3% drop in agricultural exports in 2023 alongside rising cereal imports, low rural wages, and limited adoption of climate-resilient practices. The study recommends expanding climate-resilient irrigation, reviving targeted agricultural lending, reforming trade policies to protect farmers, promoting agro-industrial development through public-private partnerships, and monetary policy shifts. While industrialization supports economic growth, neglecting agriculture risks ongoing trade deficits and food insecurity. A balanced approach that modernizes agriculture alongside industrial growth is important for sustainable economic resilience and food self-sufficiency.

KEYWORDS

Comparative Advantage, Balance of Trade, Agricultural Productivity, Industry, Gross National Product, Trade Deficit, Sustainable Agriculture

INTRODUCTION

The theory of comparative advantage refers to a country's abundance in a particular good or service (Hayes, 2023). Due to this, there is a reduction in the production costs which makes the country more competitive. This advantage spurs international trade through import and export activities. Subsequently, there is also the concept of balance of trade which is the difference in a country's exports against its imports (Kenton, 2023). Both of these serve as an indicator for assessing a country's economic condition, which shows the difference in the domestic demand and production output (Nuraini, 2019).

However, this is where the problem arises. The Philippines is currently experiencing a trade deficit due to continuous high imports of raw materials and intermediate goods (Trading Economics, 2023). Even though data shows it has been narrowing compared to the previous year, the country still faces this issue on aggregate. This prompts an inquiry into the country's true competitive

advantage to mitigate such imbalances in the balance of payments: Is it agriculture, or should the focus shift to industry?

In line with this, the objective of this paper is to explore the Philippines' competitive advantage, agricultural productivity, balance of trade, gross national product, and assess its strengths and weaknesses in achieving economic productivity, as well as discuss the possible monetary policies to resolve the issues to be tackled in this paper. Additionally, it seeks to analyze the relationship between balance of trade, gross national product, and agricultural productivity, in order to derive solutions and policies.

Addressing this challenge is important as achieving a trade surplus can give new employment opportunities and drive economic growth (Kenton, 2022). A surplus in foreign currency circulation also reinforces the strength of the peso, exerting a substantial impact on currency exchange rates.

METHODOLOGY

This paper uses **systematic literature review** as its primary research design. This research method is used to identify, evaluate, and synthesize existing scholarly works—such as journal articles, books, and dissertations—to address specific research questions, guide the clarity of research focus, and highlight gaps for future investigation (Rivera et al., 2022).

To ensure the credibility and contextual relevance of the sources reviewed, this study applied specific inclusion and exclusion criteria. Materials included were those published between 2014 and 2025, written in English or Filipino, and directly or showing comparison of topics related to Philippine agriculture and its economic dimensions. The review considered a diverse range of sources, including peer-reviewed journal articles, academic books, policy briefs, institutional reports, and credible digital news articles which was collected from academic and institutional databases, mainly Google Scholar, Elsevier, and Philippine E-journals Database.

In addition to empirical and theoretical literature, the study also included expert opinion pieces, provided they came from recognized scholars, economists, policymakers, or professionals with relevant subject-matter expertise. Conversely, sources were excluded if they were not accessible, not written in English or Filipino, published before 2014, lacked direct relevance to the Philippine context, or consisted of non-scholarly or informal content such as blogs and unverified online posts.

The search was conducted using the following keywords and phrases: “Philippine agriculture,” “comparative advantage Philippines agriculture,” “agriculture challenges Philippines,” “GDP/GNI trend of the Philippines,” “Philippine import and export,” and “Philippine economic development and agriculture.”

Data from secondary sources, such as scholarly literature, policy documents, and expert opinions, were analyzed thematically. This qualitative method involves identifying, organizing, and interpreting patterns or themes that emerge across the collected materials.

This started with a process of reading through, during which all the sources were carefully read and studied to develop a good understanding of the content. Key concepts, arguments, and conclusions were subsequently grouped according to their applicability to the research questions. These were then categorized into recurring themes, including the economic welfare of Philippines, particularly of the agriculture sector, problems encountered, comparative advantage in agricultural trade, and policy suggestions. These themes provided the basis for synthesizing knowledge from the literature and enabled a systematic, comparative examination of different viewpoints. Thematic analysis assisted in making sure that the review not only

RESULTS AND DISCUSSION

The state of the Philippine Economy

a. The Philippines' Comparative Advantage

The Philippine Statistics Authority (2023) reported a 4.3% growth in Gross Domestic Product (GDP) during the second quarter of 2023. Trade Economics (2023) notes that the Philippines boasts

summarized current knowledge into a flowing idea but also critically interacted with it to indicate trends, gaps, theorized outcomes, and future research areas.

The questions that guided this paper are: (1) What is the situation of the Philippine economy in relation to agriculture? (2) What are the Philippines' comparative advantage and is it being utilized? (3) What are the problems in the country's current state of the agriculture industry and the reasons behind them? (4) What can be done to resolve these issues?

These guide questions structured both the literature review and analysis, guiding the selection and organization of relevant studies and data so it remains closely aligned with the research objectives.

significant exports, primarily electronic products, constituting 42% of total exports, alongside woodcrafts and furniture at 6%. Additionally, the country is a prominent producer of agricultural goods such as coconut, pineapple, and abaca, which rank among its top agricultural exports (DA Press Office, 2022).

Furthermore, the Philippines demonstrates elevated levels of competitiveness in agri-food trade, coupled with efficient production (Mizik et al., 2020). This is particularly evident in its comparative advantage in regional agri-food trade, including rice, sugarcane, yellow maize, hogs, and broilers (Matkovski et al., 2019; Briones, 2017). Despite these strengths, the International Trade Administration (2022) affirms that the Philippines is not lagging in its agricultural sector. In fact, it has consistently distributed substantial budgets to agriculture, ranking among the top five highest budget appropriations in 2020 and 2023 (General Appropriations Act, 2020; 2023).

However, the Food and Agriculture Organization (FAO) of the United Nations (UN) paints a less optimistic picture, highlighting an agricultural crisis characterized by declining productivity, rising production costs, and inadequate government support (Baclig, 2021). In fact, according to PSA (2024), agricultural exports fell 14.3% to \$6.43 billion, while imports reached \$17.92 billion, creating a \$11.49 billion trade deficit. It was even revealed that top

exports are just low-value raw commodities like edible fruits and p at \$1.96 billion, but rice and wheat became the top imports at \$3.8 billion. This suggests that despite efforts to bolster agriculture (Department of Agriculture, 2022), the Philippines still is heavily focused on the industrial sector, as showed by a study conducted by the International Monetary Fund (2020), which finds the country's comparative advantage in high-tech industries. Such participation of the Philippines in international trade has led to the stimulation of economic growth, improved access to foreign technology, and even fostered specialization (Salcedo, 2023).

b. Agricultural Productivity

No matter how much the data shows the little improvements the Department of Agriculture has been highlighting, it cannot be denied that the agriculture in the Philippines has been receding in the recent decades (Briones, 2021). The major contributor of this problem includes the population growth in rural areas, declining farm sizes due to farm fragmentation, underinvestment in

technology, and low incomes have pushed workers to shift out of agriculture (Lagare, 2021).

From 1998 to 2009, the sector took up 14% of the GDP and yet has been steadily declining to 10% by 2017 (Ebora et al., 2018). Moreover, while agriculture provides employment of up to 30%, this number is dwindled down by rural outmigration of farmers hoping for a higher non-farm job, which creates a labor shortage. There is also the large gap between the wages against the non-agricultural sectors which further drove the outflow of labor from agriculture (Cerutti and Li, 2021). With such problems in the labor force and wages in the agriculture sector, it is likely that the agriculture sector will continue to dwindle in numbers not just in labor but also in terms of its overall economic impact.

It has been noted by Galang (2019) that the low productivity and high production costs have contributed to the shifting to industrialization which calls for the bridging in the gaps between technology and agriculture. It also does not help that there is a lack on innovation

strategies being employed which hinders the capacity to reach the optimum productivity and income (Dogello and Cagasan, 2021). While climate-smart agriculture and precision farming technologies are available, it remains as an unviable options for poor farmers who lack the money, the training, and the government intervention, to handle such equipment. As reiterated by Galang and Briones (2024), the volatility of prices of farm inputs such as seeds, fertilizers, and fuel, have also been lessening the profit margin.

Aside from these, climate change remains a particular problem that devastates the agricultural sector yet is also a problem that the sector spurs. Between 2012 and 2022, the Philippine agriculture sector incurred an average of PHP 44 billion of damages a year because of climate and weather-related hazards, causing 60% of all property losses caused by disasters (Campos, 2024). The 2023–2024 El Niño even resulted in approximately PHP 15.3 billion worth of agricultural damages and impacted more than 1.4 million farmers and fisherfolk. According to the World Bank (2023), the Philippines has also experienced more

intense typhoons, longer droughts, and catastrophic floods which according to Galang and Briones (2024), are attributed to global warming and the Philippines' increasing greenhouse gas emissions with 23% from the agricultural sector.

Additionally, productivity in major crops and livestock remains low. In fact, the gross value added (GVA) of agriculture was PHP 483.58 billion in Q4 2024, which is a 2.2% decrease from the previous year because of the lowering production values of crops, livestock, and fisheries (PSA, 2025). Rice yields have further stagnated at levels below those of regional peers, partly due to climate shocks, pest outbreaks, and limited access to high-yield varieties (Galang and Briones, 2024). Livestock productivity is similarly affected by disease outbreaks and inadequate feed and veterinary services.

Moreover, the Rice Tarrification Law, intended to lower consumer prices, has been deemed by some to be anti-farmers due to worsening the import dependency (DA Press Office, 2022). With cheaper imported rice flooding the market, local farmers struggled to

compete, as their production costs were higher than the price of imports. This was mirrored in 2023 where cereal imports surged to \$3.8 billion, pushing down farmgate prices and disincentivizing productivity improvements (PSA, 2024).

c. Balance of Trade

Insee (2016) defines the balance of trade as the record of the value of exported and imported goods, serving as an indicator of a country's trade performance. A trade surplus occurs when the value of exports exceeds imports, while a trade deficit occurs when imports surpass exports.

According to Trading Economics (2023), the trade deficit in the Philippines narrowed to USD 4.20 billion in July 2023 from USD 6.0 billion in the same month of the previous year. This was attributed to a 1.2% year-on-year decrease in exports to USD 6.14 billion, primarily driven by reduced sales of coconut oil (-41.2%), other mineral products (-26.4%), and chemicals (-20.5%). While the deficit narrowed slightly, overall problem persists. For instance, the Netherlands purchased \$594 million of Philippine agricultural goods

(50.9% of EU exports), but these were mainly raw materials like coconut oil, not value-added products (PSA, 2024). On the other hand, imports contracted to a three-year low of 15.3% to USD 10.35 billion, due to decreased purchases of iron & steel (-38.8%), mineral fuels, lubricants & related materials (-34.4%), and electronic products (-19.1%). These statistics reflect significant trade deficits. Aggregate data from Macrotrends (2023) indicates a 33.28% decline in the trade balance for 2020 compared to 2019, followed by a 68.1% increase in 2020, and a further 33.98% increase in the trade balance in 2022 compared to 2021.

d. Gross National Product

The Gross National Product is different from the Gross Domestic Product. The GDP is the value of all the goods and services that were produced in a country regardless of their citizenship (Seth, 2023). Meanwhile, a GNP represents the value of all the goods and services that were produced only by the citizens of the country, whether it be domestically or abroad (MasterClass, 2022).

According to CEIC Data (2023), the Philippines Gross National Product (GNP) was reported at 116.511 billion USD in Jun 2023 which was a stark increase from 110.678 billion USD for Mar 2023. The Philippine GNP usually averages for 24.939 billion USD from Mar 1981 to Jun 2023. The data reached an all-time high of 119.659 USD bn in Dec 2022 and a record low of 6.693 USD in Sep 1985.

This data represents how much the citizens are contributing to the economy which measures the country's economic output, including the OFW remittances. However, while these remittances are crucial to boost GNP and the overall economy, it instead enables for agricultural neglect by subsidizing rural households, masks the risk in long-term food security by focusing on a remittance-driven GNP (Sicat, 2023). When peso is weakened by trade deficits, remittance value inflates but also raises the import cost for relevant agricultural products and machinery, which creates a decision-loop and goes back to this paper's question: focus on industry or agriculture? This situation creates a dilemma of whether agriculture should be

sacrificed for the sake of remittance value and vice versa.

High-income countries represented by a high GDP, according to Sansika et al. (2023), always have agriculture as a component of the economy but occupying a smaller share, while still remaining indispensable for food security and rural employment. This is made possible by the increased Foreign Direct Investment (FDI) in such countries that may finance modernization and expansion in the agriculture sector and contribute to further added value. Agricultural FDI also proves to enhance Total Factor Productivity (TFP) significantly, both of the general as well as sub-activities of agriculture through a

promotion effect in the sector growth (Wehkamp, 2017).

For developing countries, a portion of its labor force engages in an agriculture sector that serves to give the greatest source of employment and income. Increased yields of crops and agricultural products for this sector result as the Economic Globalization (EG) factors stimulate foreign currency that augments production and value added in the sector (Sormeaux, n.d.). However, such issues as variability in exchange rate fluctuations do impact the price of inputs and exports in the long run and create an uncertain environment for planning and investment for farmers (Sansika et al., 2023).

The unearthed strengths it never had

The most probable would-have-been strength of the country is the agricultural sector. The Philippines is an agricultural nation with a land area of 30 million hectares where 47% is used for agriculture and is rich in natural resources (Atilano, 2018). Agricultural production

is spread across the country with around 32% or 9.67 million hectares of the Philippines' total land area classified as agricultural land where 51% is arable and 44% is used for permanent crops (Agri Farming, 2022). Despite these, Philippines imported \$3.8 billion in cereals, exposing reliance on subsidized foreign staples, signifying low

agricultural productivity, that is not just “neglected”, but is already “dying” (Bello, 2019).

The government also lacks relevant policies to strengthen the agriculture sector and the larger economy (IBON Foundation, 2020). The low productivity of the sector has also been left alone. In fact, according to the Asian Development Bank (n.d.), the land productivity in the Philippines is lower than in other countries in Southeast Asia. Such limitation in the land productivity is a result of many factors such as small farm size; underutilization of land due to water supply issues resulting from watershed degradation; low operational efficiency of existing irrigation systems; limited rural infrastructure, particularly irrigation works, farm-to-market roads, and even post-harvest facilities; the rising cost of farm inputs; agricultural lands eyed for real estate development; and weak connections between producers and enterprises.

The usual excuse for the trade deficits in agriculture is that Filipino farmers are inefficient, that their costs of production are too high, making them uncompetitive

with foreign exporters (Purunggan, 2021). However, the more likely reason is that foreign goods may now be dumped on agricultural market at rock-bottom costs because their producers receive massive subsidies, making it impossible for farmers to compete. This is also in partner with the subsidization of Thai rice and Vietnamese rice which made no room for the Philippine farmers to compete in the market.

Optimal productivity out of reach

Philippine agriculture is usually described as diversified limitedly and is low productivity. The limitation in diversification and low productivity are considered the two most important challenges which hinder the agriculture sector in order to profit well and limit the capacity of the country to take advantage of the full potentials of the growing local and international markets (Dogello & Cagasan, 2021). As such, this will most certainly lead to deficits and not surplus (Casurao, 2014). It is such a far dream for the Philippines to be able to reach the optimal productivity but there are reasons for this.

First, the government has already increased the budget for agriculture by 25% (Philippine Information Agency, 2023). However, such amount for the agriculture sector cannot guarantee the success in its boosting considering the systemic corruption which impedes proper budget allocation for improvement. Second, there is also the anti-agricultural mindset wherein instead of viewing plots of land as a way for agriculture to flourish, it is instead used for building real estate development (Cardenas, 2017) that displaces inhabitants and farmers. And lastly, there is also the stigma against agricultural laborers wherein there is shame associated with being a farmer (Baker et al., 2022).

Moreover, despite government financing and loans on key agricultural sectors, there is still little improvement in the agricultural sector (Smith, 2023). Many programs tie assistance to long-term productivity improvements, which only impact farmers' incomes after several harvests. However, farmers often require immediate access to financing and liquidity for urgent needs like

equipment repairs, purchasing seeds, fertilizers, and optimizing processes for immediate productivity gains instead of long-term ones (Vargas, 2021).

Aside from that, Vargas (2021) also mentioned that numerous rural banks exist to support farmers, but accessing them proves challenging due to various hidden barriers. Farmers weigh the opportunity costs of traveling to banks and navigating administrative processes, leading to unproductive working hours in a labor-intensive sector. Moreover, many rural farmers, lacking education, feel intimidated by the required documentation (Nguyen, 2022). Additionally, past experiences or anecdotes from peers lead farmers to believe that seeking credit from traditional banks will be futile.

There is also the problem of population growth in rural areas, declining farm sizes, and low incomes (Lagare, 2021) and because of these factors that all contribute to the low productivity of the agriculture sector, there is still much room for the Philippines to improve.

The correlation between the balance of trade and the gross national product over the last ten years

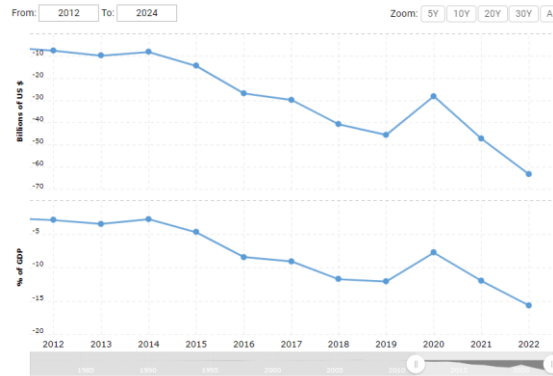


Figure 1. Philippines' Balance of Trade from 2012-2022

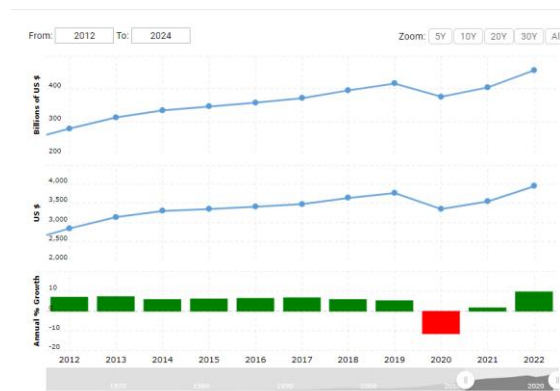


Figure 2. Philippines' Gross National Product from 2012-2022

Both figures were retrieved from macro trends (2023) and it was evident that when there was a downward trend in the Balance of Trade, there was an upward trend in the GNP. Such pattern was also seen even in the sharp increase in 2020 for the Balance of Trade yet there was a decline in the GNP.

What can be inferred here is that when there is a trade deficit wherein there are much more imports than exports, it means that there are more foreign products in the market. The usual case should be is that the balance of trade is increasing with the gross national product (Kenton, 2023) however what happened in the Philippines is the opposite. Because

the main importer of Philippines' products is United States, the numerous trade surplus of United States with other

countries resulted in the price of their currency increasing which is not beneficial for the country.

The correlation between the balance of trade and the agricultural productivity over the last ten years

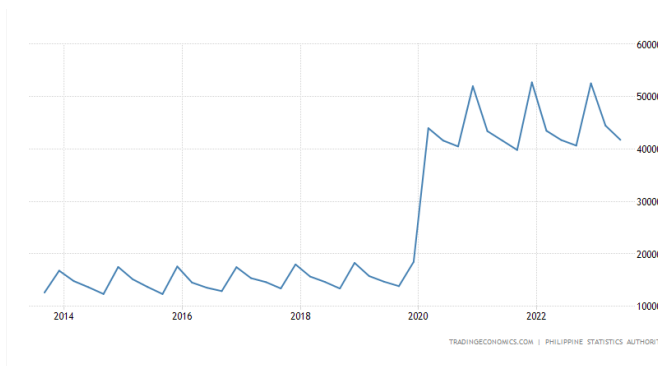


Figure 3. Philippines' Gross Domestic Product from Agriculture from 2014-2024

The same conclusion can be drawn out for the correlation between the balance of trade and the agricultural productivity as measured in the GDP. A part of the equation which dictates a country's GDP includes the balance of trade (Ross, 2021). According to Brock (2019), the GDP increases when there are more exports than imports. However, essentially, the low productivity before in the sector was not reflected in the way the GDP for agriculture has been moving. But this kind of reversal pattern seen in the GDP for Agriculture is called the

triple tops and can be a sign the trend may go downwards (Cutkovic, n.d.).

Entwined macroparadox

GNP has remained relatively resilient despite ongoing trade deficits, largely because of remittances from OFWs. These inflows have hidden the growing agricultural trade deficit, which widened to \$11.8 billion in 2023. Every 1% depreciation of the peso increases the value of remittances by 0.3–0.5% (BSP, 2023), unintentionally encouraging reliance on imports rather than strengthening domestic agricultural production. At the same time, agriculture's share of GDP has continued

to decline, with productivity growing at only 0.8% annually—half the pace of neighboring Vietnam (Villegas, 2024). Underinvestments, with agriculture receiving just 4.6% of the national budget in 2023, has resulted in low yields, poor mechanization, and limited irrigation, have left farmers struggling to compete.

Although GNP appears strong, the weakness of agriculture has placed limits on GDP growth. Agricultural exports, once a major contributor, have declined sharply and food imports have significantly increased. Agriculture still employs about 30% of the labor force but accounts for 70% of the country's poor, with farmers earning an average of only \$2.50 a day (Department of Finance, 2022).

The data is clear that a 1% increase in agricultural productivity reduces the trade deficit by around 0.4% within two years (BSP, 2023). Yet rather than addressing the sector's long-term weaknesses, the economy has continued to rely heavily on remittance-driven consumption. All these suggests that the problem is not because Filipino farmers are inherently less capable, but because of systemic neglect.

According to Villegas (2024), compared to Vietnam and Thailand, the Philippines invests far less in irrigation, mechanization, and R&D. Rice yields average only 4.1 tons per hectare compared to Vietnam's 5.8 tons, and while climate-related losses have totaled over PHP 163 billion from 2011 to 2015, only 12% of cropland uses climate-resilient farming methods. Moreover, government policies, including the National Food Authority's rice import monopoly, have further pushed down farmgate prices by 15–20%, making farming an increasingly unattractive livelihood (Sicat, 2023).

Remittances have also created a feedback loop of complacency. Because 40% of rural households depend on OFW income, there has been less political pressure to invest in agricultural modernization. In fact, government spending on overseas employment programs outpaces agricultural technology investment by a ratio of nine to one (Department of Finance, 2022). This has allowed agriculture's long decline to continue largely unchecked, even as GNP growth gives the appearance of economic health.

Straightening the curve

The problems the paper tackled must be given solutions. There is a need to straighten the curve made so by the dwindling sector of agriculture.

The first policy should be improving productivity sustainably (Brown, 2018). There is a need to constantly identify the comparative advantage of specific regions and disaster-proof irrigation systems together with improved education towards local manufacturing. According to Casurao (2014), these all will not be possible without the government being the starting point of change wherein market access is expanded, specialization is encouraged, foreign investors are attracted, and there is diversification (Salcedo, 2023).

Mainly, the Philippine government should focus on ensuring food security and alleviating poverty by guaranteeing a stable supply of staple food, particularly rice, at affordable prices (NEDA, 2024). The goal of achieving self-sufficiency in rice is a driving force behind various

policy measures that support rice producers and maintain stable prices for consumers by which is done through supporting the agriculture sector (OECD, 2021). As such, the second policy should delve into the agrarian reform which must be completed with sufficient services including knowledge and training development, and adamant legal action to avoid having landlords take the land back (Purunganan, 2021).

To further strengthen the agricultural sector, there is a need to promote value-added production and export diversification. This can be achieved by encouraging public-private partnerships (PPPs) to develop agro-industrial avenues that increase the production of processed and high-value agricultural products, which will reduce reliance on raw commodity exports (Department of Agriculture, 2023). While the Department of Agriculture has been championing this policy for so long, it had just come into fruition recently particularly with San Miguel Foods, Inc. this January 2025 (San Miguel, 2025).

With this as a steppingstone, DA should ensure that marginalized farmers in each and every region are reached by this program, to spearheaded by the Regional Field Units (RFUs) working closely the LGUs, and that the stipulations in the signed Memorandum of Undertaking will be strictly to monitored and evaluated ensuring that objectives are met. Should this undertaking be successful, DA may take the opportunity to further partnership with more private organizations to further promote agricultural development.

Moreover, the Philippines has been reallocating some funding from subsidizing variable agricultural inputs towards investments in infrastructure and the re-orientation of agricultural knowledge systems (OECD, 2017). Therefore, there is a need to set aside the bias that real estate development is more profitable compared to agriculture and really consider having the agriculture sector work hand-in-hand with industrialization and investments which can further spur economic growth and development. According to OECD (2021), there should be a focus on general services and productivity-enhancing initiatives, such as investments in

irrigation systems, extension programs, and building a solid policy-relevant statistical system, the government can help the agricultural sector overcome its long-standing challenges of low productivity.

As a precaution to the worsening climate, it must be a priority to expand climate-resilient infrastructure and technologies (OECD, 2017). This includes targeting an increase in irrigated agricultural land from the current 56% to a greater reasonable and attainable number by 2026, while emphasizing disaster-resilient irrigation systems in major rice and corn-producing regions. Such measures will mitigate the adverse effects of climate change, including droughts and typhoons, which have caused billions in losses. This can also be achieved through ensuring that farmers are equipped with the skills and knowledge necessary to adapt to changing global conditions.

On the side of *monetary policy*, a key policy that could be implemented is the facilitation of credit access for the agricultural sector. According to Casurao (2014), the government mandated

financial institutions to provide 25% of their loans to the agricultural sector to improve credit availability. Reviving such targeted credit programs or providing other incentives for agricultural lending could help boost investment and productivity in the sector, enabling farmers to modernize their operations and adopt more efficient technologies.

In line with this, there should be the imposition of the Bangko Sentral ng Pilipinas of expansionary monetary policy only on key sectors providing for agriculture. High interest rates driven by tight monetary policy have attracted short-term foreign capital inflows, contributing to the appreciation of the real exchange rate, and hurting agricultural competitiveness. In which, lowering of such interest rates could help mitigate this effect, making it more affordable for farmers to access the capital they need to invest in their operations and improve their productivity (Smith, 2023). This solution can also help in curbing the inflation problem by which it was noted by Casurao (2014) that higher domestic inflation rates compared to trading

partners, particularly due to sharp increases in food prices, have contributed to the appreciation of the real effective exchange rate and hurt the competitiveness of the agricultural sector.

Succeedingly, there should be devaluing of the peso to a more competitive level that could enhance the global competitiveness of Philippine agricultural exports, enabling farmers to seize a greater portion of international market opportunities (Arcalas, 2022). However, there should be proper managing and regulation in consideration of a weaker peso that can result in increased cost for imported food items causing inflationary pressures due to the country's heavy reliance on imports for raw materials which were driven by government policies (Africa, 2022). As such, the movement of foreign exchange rates should be watched as it directly impacts the costs of imported fertilizers, with any increase being passed on to retailers and eventually to farmers, affecting their production costs and profitability (Baclig, 2022).

CONCLUSION

Agriculture has always been the pillar of the Philippine economy, but now it is on the verge of being set aside by the country's insistent push toward industrialization and foreign investment. While industrial expansion and attracting foreign investment remain important, they must be carefully balanced with the urgent need to strengthen food self-sufficiency and revitalize the agriculture sector. Even though the nation is making consistent industrial and GNP gains, the chronic agricultural trade deficit and increasing reliance on imports indicate a major issue in the country's Balance of Trade and economic stability to come.

The Philippines has a definite comparative advantage in several high-value crops like coconut oil, banana, pineapple, mango, and sugar, as evidenced by both export performance and analysis of the cost of resources. However, such potential is being left untapped because of some Agricultural Productivity challenges, including urban-rural wage disparities in workers, rural migration, lacking sectoral support, poor

climate change interventions, and policy lags like the ones created by the Rice Tariffication Law. These continue to heavily burden the competitiveness of the sector as well as its capacity to effectively contribute to food security.

All of these issues must be addressed and made a matter of national urgency. Specified solution for these problems include enhancing rural working conditions and wages, increasing access to technology and credit for farmers, investing in climate-resilient infrastructure, and enhancing legal protection which will allow the sector to meet its optimal productivity. Moreover, promoting value-added production and diversifying exports may enable the Philippines to capitalize on its agricultural strengths, reduce its dependence on costly imports, and strengthen the position of the country in world markets.

This paper proposed solutions including focus in agrarian reforms, funding reshuffling to facilitate infrastructure and knowledge systems for agricultural productivity, and increased

investment in sustainable agriculture that ensures more productivity. Monetary policies must also be implemented through which there will be better access of credit for the agriculture sector, and a carefully managed peso devaluation can help boost export competitiveness and address broader economic challenges.

The agricultural sector is the hidden gem of the advantages that the Philippines has. Its success basically depends on the country's ability to recognize the value of its natural resources and to manage them in a way that ensures mutual benefit for both producers and consumers. The agricultural sector must not be neglected; but instead given much attention to spur economic growth in congruence with the government, to implement necessary policies. In which, addressing these issues requires a comprehensive approach involving coordinated efforts from government, financial institutions, and other stakeholders to ensure sustained economic growth and development in the Philippines.

Industrialization and investment are undeniably important pillars of national progress. However, the evidence is clear: food self-sufficiency rooted in a productive and competitive agricultural sector is not just an option, but a necessity. It ensures stable food supplies, supports rural communities, and shields the economy from external shocks. Eventually, a balanced development strategy that gives equal weight to industrial growth and agricultural refocus will secure sustainable economic growth, a healthier Balance of Trade, and a stronger GNP and GDP for the Philippines.

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