

Factors Affecting the Logistical Costs of Cavendish Banana Farmers in the Philippines and Its Implications to Profitability

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Abstract

Currently back in the second spot of the world's top exporters of Cavendish banana, the Philippines has been giving this industry much regard since its rapid growth has been a significant source of national income and employment for the agricultural sector. Vis-à-vis its potential to improve the welfare of farmers, the industry also received a lot of contention due to issues on equity of returns gained by actors along its value chain, which is presumably dominated by multinational companies. For the farmers to enhance competitiveness, there is a need to increase farmers' welfare by increasing their take-home pay. This can be done by improving access to markets with better prices, lowering costs, and enabling farmers to achieve efficiency, among others. This research would posit to look at the logistics aspect of the value chain in order to explore how this affects the profitability. More importantly, understanding the factors that significantly affect the logistical costs would also help farmers to strategize by minimizing costs incurred and consequentially increasing the level of profitability. Employing linear regression, factors such as banana farming experience, membership to cooperatives, choosing an ex-patio marketing arrangement, and access to gravel-type roads were seen to significantly decrease the logistical costs. Therefore, it is critical for the farmers to do their marketing through a cooperative and/or allow buyers to assume transportation cost to transfer risk of losses. The need to improve road and infrastructure conditions is also recognized as one way to potentially increase farmers' welfare.