

UNIVERSITI PUTRA MALAYSIA

MARKET INTEGRATION IN THE PHILIPPINE MILKFISH INDUSTRY

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MARKET INTEGRATION IN THE PHILIPPINE MILKFISH INDUSTRY

By

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TABLE OF CONTENTS

		Page
ACKNOWLEDGEMENTS		ii
LIST OF TABLES	•••••	v
LIST OF FIGURES	• • • • • • • • • • • • • • • • • • • •	٧ii
LIST OF ABBREVIATION	NS	жi
ABSTRACT		жii
ABSTRAK	• • • • • • • • • • • • • • • • • • • •	xiv
CHAPTERS		
I INTRODUCTION		1
Background I	nformation	1
Statement of	the Problem	12
Objectives	•••••	14
Significance	of the Study	15
Organisation	of the Study	17
II REVIEW OF LI	TERATURE	18
	on of Market Integration	18
Approaches t	o the Study of Market Integration	19
	keting and Structure ppines	40
III METHODOLOGY.		47
The Concept	of Market Integration	47
Statement of	Hypotheses	49



	Analytical Procedures	50
	Descriptive Analysis	50
	Test of Seasonality of Prices	52
	Test of Market Integration	55
	Measures of Integration	62
	Test of Causality	64
	-	
	Sources and Type of Data	70
	Limitations of the Study	71
IV	RESULTS AND DISCUSSION	73
	Description of the Study Area	
	and Its Market Operations	73
	and its narket operations	13
	Seasonality of Milkfish Prices	85
	Stationarity of Milkfish Price Series	94
	Market Integration in the Milkfish Industry	103
	Determinants of Price Differential	103
	Levels of Integration	107
	Types of Market Relationships	109
	Causality in Milkfish Marketing System	113
	Univariate Models	113
	Cross-Correlation of ARIMA Models	116
	Cross-Correlation of Akima Hodels	110
V	SUMMARY AND CONCLUSIONS AND POLICY	
	IMPLICATIONS	123
BIBLIO	GRAPHY	138
APPEND	ICES	145
A	Maps	145
A B	Plots and Graphs	145
C	Diagrams	150
D	Autocorrelation and Partial	130
ע	Autocorrelation Functions	152
E	Tables	163
F	Data/Original Price Series	179
r	nara/original little belies	119
BIOGRA	PHICAL SKETCH	183



LIST OF TABLES

<u>Table</u>		<u>Page</u>
1	Volume and Value of Fish Production by Sector, Philippines, 1985-86	2
2	Volume of Milkfish Production in Top Ten Provinces, by Source, Philippines, 1987 (in mt)	4
3	Volume of Milkfish Unloadings by Provincial Origin, Navotas, Metro Manila, Philippines, 1986-87 (tubs of 45 kg)	6
4	Volume and Value of Milkfish Production, and Area of Brackishwater Fishponds and Fishpens in Operation in the Philippines, 1978-87	7
5	Total Volume and Value of Exports of Processed Milkfish, Philippines, 1978-87	9
6	Volume and Value of Chilled or Frozen Milkfish Exports, Philippines, 1978-87	10
7	Summary Data for Actual Price and Volume of Milkfish in Selected Fish Landing and Consumption Centres, Philippines, 1978-87.	. 83
8	Monthly Seasonal Indices for Wholesale and Retail Price of Milkfish in Selected Fish Landing and Consumption Centres, Philippines, 1978-87	86
9	Means, Standard Deviations and Coefficients of Variation of Monthly Seasonal Indices for Wholesale and Retail Price of Milkfish in Selected Fish Landing and Consumption Centres, Philippines, 1978-87.	93
10	Consumer Price Index for All Income Households in the Philippines, 1978-87	100
	(1978=100)	100



11	Determinants of Milkfish Price Differentials in Various Landing Centres with Reference to the Prices in Metro Manila, Philippines, 1978-87
12	F-values Used in the Determination of Market Relationships Between Metro Manila and Various Landing Centres, Philippines, 1978-87
13	Fitted Box-Jenkins Univariate Models For Deseasonalized Wholesale and Retail Price Series of Milkfish in Selected Landing and Consumption Centres, Philippines, 1978-87
14	Estimated Cross-Correlations Between White Noise Residuals of Monthly Wholesale Price Changes in Navotas and Selected Regional Landing Centres, 1978-87
15	Estimated Cross-Correlations Between White Noise Residuals of Monthly Wholesale and Retail Price Changes in Selected Landing and Consumption Centres, Philippines, 1978-87
16	Fitted Box-Jenkins Univariate Models for Actual Wholesale Price of Milkfish in Selected Fish Landing Centres, Philippines, 1978-87
17	Fitted Box-Jenkins Univariate Models for Actual Retail Price of Milkfish in Selected Consumption Centres, Philippines
18	Fitted Box-Jenkins Univariate Models for Deseasonalized Wholesale Price Series of Milkfish in Selected Fish Landing Centres, Philippines, 1978-87
19	Fitted Box-Jenkins Univarite Models for Deseasonalized Retail Price Series of Milkfish in Selected Consumption Centres, Philippines, 1978-87
20	Actual Monthly Wholesale and Retail Price of Milkfish in Selected Fish Landing and Consumption Centres, Philippines, 1978-87



LIST OF FIGURES

<u>Figure</u>		Page
1	Price Indices and Average Monthly Volume of Milkfish Unloadings in Navotas, Metro Manila, Philippines, 1978-87	88
2	Price Indices and Average Monthly Volume of Milkfish Unloadings in Dagupan, Philippines, 1978-87	89
3	Price Indices and Average Monthly Volume of Milkfish Unloadings in Lucena, Philippines, 1978-87	90
4	Price Indices and Average Monthly Volume of Milkfish Unloadings in Iloilo, Philippines, 1978-87	91
5	Price Indices and Average Monthly Volume of Milkfish Unloadings in Zamboanga, Philippines, 1978-87	92
6	Monthly Average Wholesale Price (z_t) and Its Transformed Series (z_t^*, w_t, z_t^s) , Navotas, Metro Manila, Philippines, 1978-87	. 95
7	Monthly Average Wholesale Price (z_t) and Its Transformed Series (z_t^*, w_t, z_t^s) , Dagupan, Philippines, 1978-87	. 96
8	Monthly Average Wholesale Price (z_t) and Its Transformed Series (z_t, w_t, z_t) , Lucena, Philippines, 1978-87	97
9	Monthly Average Wholesale Price (z_t) and Its Transformed Series (z_t, w_t, z_t) , Iloilo, Philippines, 1978-87	98
10	Monthly Average Wholesale Price (z_t) and Its Transformed Series (z_t, w_t, z_t) , Zamboanga, Philippines, 1978-87	99
11	Milkfish Producing Provinces and Selected Study Areas, Philippines	146



12	Geographical Flow of Milkfish in the Philippines	14
13	Average Monthly Unloadings of Milkfish in Metro Manila, Philippines, 1978-87	14
14	Marketing Channels for Milkfish in Luzon, Visayas and Mindanao Areas, Philippines	15
15	Autocorrelation and Partial Autocorrelation Function for Actual Wholesale Price Series (z _t) in Navotas, Metro Manila, Philippines, 1978-87	15
16	Autocorrelation and Partial Autocorrelation Function for the Logarithmic Transformation of the Wholesale Price Series (z [*] t) in Navotas, Metro Manila, Philippines, 1978-87	15
17	Autocorrelation and Partial Autocorrelation Function for the First-Differenced Transformation of the Logarithmic Wholesale Price Series (w _t) in Navotas, Metro Manila, Philippines, 1978-87	15
18	Autocorrelation and Partial Autocorrelation Function of the Deseasonalized Wholesale Price Series (z ^S _t) in Navotas, Metro Manila, Philippines, 1978-87	15
19	Autocorrelation and Partial Autocorrelation Function for Actual Wholesale Price Series (z _t) in Dagupan, Philippines, 1978-87	15
20	Autocorrelation and Partial Autocorrelation Function for thr Logarithmic Transformation of the Wholesale Price Series (z t) in Dagupan, Philippines, 1978-87	15
21	Autocorrelation and Partial Autocorrelation Function for the First-Differenced Transformation of the Logarithmic Wholesale Price Series (w _t) in Dagupan, Philippines,	
	W X = X	11



22	Function of the Deseasonalized Wholesale Price Series (z ^s t) in Dagupan, Philippines, 1978-87	156
23	Autocorrelation and Partial Autocorrelation Function for Actual Wholesale Price Series (z _t) in Lucena, Philippines, 1978-87	157
24	Autocorrelation and Partial Autocorrelation Function for the Logarithmic Transformation of the Wholesale Price Series (z*t) in Lucena, Philippines, 1978-87	157
25	Autocorrelation and Partial Autocorrelation Function for the First-Differenced Transformation of the Logarithmic Wholesale Price Series (w _t) in Lucena, Philippines, 1978-87	158
26	Autocorrelation and Partial Autocorrelation Function of the Deseasonalized Wholesale Price Series (z ^s t) in Lucena, Philippines, 1978-87	158
27	Autocorrelation and Partial Autocorrelation Function for Actual Wholesale Price Series (z _t) in Iloilo, Philippines, 1978-87	159
28	Autocorrelation and Partial Autocorrelation Function for the Logarithmic Transformation of the Wholesale Price Series $(z^{\frac{1}{t}})$ in Iloilo, Philippines, 1978-87	159
29	Autocorrelation and Partial Autocorrelation Function for the First-Differenced Transformation of the Logarithmic Wholesale Price Series (w _t) in Iloilo, Philippines, 1978-87	160
30	Autocorrelation and Partial Autocorrelation Function of the Deseasonalized Wholesale Price Series (z ^s _t) in Iloilo, Philippines, 1978-87	160
31	Autocorrelation and Partial Autocorrelation Function for Actual Wholesale Price Series (z.) in Zamboanga Philippines 1978-87	161



32	Autocorrelation and Partial Autocorrelation Function for thr Logarithmic Transformation	
	of the Wholesale Price Series (z [*] t) in Zamboanga, Philippines, 1978-87	161
33	Autocorrelation and Partial Autocorrelation Function for the First-Differenced Transformation of the Logarithmic Wholesale Price Series (w _t) in Zamboanga, Philippines,	
	1978-87	162
34	Autocorrelation and Partial Autocorrelation Function of the Deseasonalized Wholesale Price Series (z ^S t) in Zamboanga, Philippines,	
	1978-87	162



LIST OF ABBREVIATIONS

BAS -Bureau of Agricultural Statistics

BAEcon -Bureau of Agricultural Economics (now BAS)

BFAR -Bureau of Fisheries and Aquatic Resources

DFL -Dalahican Fish Landing

FAO -Food and Agriculture Organization

LLDA -Laguna Lake Development Authority

NEDA -National Economic Development Authority

NFPC -Navotas Fishing Port Complex

IFPC -Iloilo Fishing Port Complex

PCARRD -Philippine Council for Agriculture Research

and Resources and Development

PFDA -Philippine Fisheries Development Authority

PFMA -Philippine Fish Marketing Authority

SEAFDEC -Southeast Asian Fisheries Development Center



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MARKET INTEGRATION IN THE PHILIPPINE MILKFISH INDUSTRY

by

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Sufficiency in milkfish production in the Philippines was mainly attributed to the improved production technologies. However, sufficiency in food does not come from production increases alone. Efficiency in marketing should be attained to guarantee an adequate supply of milkfish in consumption areas at equilibrium price. An efficiently integrated market is characterised by prices that are interrelated.

The study focuses on the analysis of milkfish prices from 1978 to 1987 with the end view of assessing the degree of integration between Metro Manila and selected regional production centres.



Ravallion's autoregressive distributed lag model (1986) and cross-correlation of residuals by Box and Pierce (1970) revealed that the Philippine milkfish market is not well-integrated. The hypotheses of long-run integration and the absence of local market characteristics were accepted while short-run integration and segmentation were rejected. Hence, the process of price adjustment in the regional market do not fully reflect the price information from the reference market within a short time period but equilibrium could be attained in the long-run. Price formation runs from the wholesale to the retail market and furthermore from the reference market to the regional production centres.

The low levels of integration are often associated with margins in excess of the marketing costs since arbitragers could use information about price differences profitably. Non-economic profits exist in markets laden with structural imperfections. Hence, the need for the government's attention to save the declining profitability of milkfish production juxtaposed with the enrichment of influential intermediaries in the face of increasing productivity.

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INTEGRASI PASARAN DI DALAM INDUSTRI BANGUS FILIPINA

oleh

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Pengeluaran bangus di Filipina yang mencapai taraf saradiri adalah disebabkan oleh perkembangan teknologi pengeluaran
yang besar. Walau bagaimanapun, peningkatan pengeluaran sahaja
tidak dapat menjamin kecukupan makanan. Kecekapan pemasaran
perlu juga ditingkatkan untuk memastikan penawaran bangus di
kawasan pengunaan mencukupi dan di paras harga yang seimbang.
Ciri pasaran yang berintegrasi dan cekap adalah harga yang
saling berkaitan.

Kajian ini memberi tumpuan kepada analisis harga bangus bagi tempoh 1978 hingga 1987 untuk menilaikan darjah integrasi di antara Metro Manila dan beberapa kawasan pengeluaran di daerah terpilih.

UPM

Penggunaan model lat teragih autoregresif Ravallion (1986) dan korelasi silang sisa/reja mengikut Box dan Pierce (1970) ke atas data kajian, menunjukkan pasaran bangus Filipina adalah tidak berintegrasi. Hipotesis integrasi jangkapanjang dan ketiadaan ciri-ciri pasaran tempatan diterima manakala integrasi jangkapendek dan segmentasi ditolak. Ini bermakna proses penyelarasan harga di dalam pasaran tempatan tidak menerangkan sepenuhnya maklumat harga dari pasaran rujukan dalam tempoh yang singkat tetapi keseimbangan mungkin tercapai dalam jangka panjang. Penentuan harga bermula dari pasar borong ke hala pasaran runcit dan seterusnya dari pasaran rujukan ke kawasan pengeluaran tempatan.

Darjah integrasi yang rendah sering berkaitan dengan keadaan dimana selisih margin melebihi kos pemasaran dan yang membolehkan pengarbitraj menggunakan maklumat perbezaan harga ini untuk mendapatkan keuntungan. Keuntungan bukan-ekonomi wujud di dalam pasaran yang mengandungi struktur yang sempurna. Ini juga bermakna, kerajaan perlu memberi perhatian dan mengawal industri bangus yang mengalami keuntungan pengeluaran yang merosot.



CHAPTER I

INTRODUCTION

Background Information

Projected growth in population of about 2.5 percent in the Philippines in 1987 will exert pressure on the food production sector in the country (Food and Agriculture Organization, 1987). Sufficiency in food does not come from production increases alone. Marketing and distribution play major roles in attaining sufficiency in food supply. Efficiency in distribution should be attained to realize increased benefits among producers and consumers.

Fish marketing in the Philippines is gaining attention in various research institutions in view of the significance of fish in the diet of the majority of Filipino families. Average annual consumption of fish in the country is estimated at 32 kg per year which was short of the 36.5 kg minimum requirement set by the Mational Nutrition Council (Philippine Fish Marketing Authority, 1979). On the availability of fish supply, the National Economic Development Authority (NEDA) reported that per capita available fish and other marine products declined from 50.3 kg per year in 1984 to 47.5 kg per year in 1985. This decline in the availability of fish and other marine



products is an offshoot of a similar trend in fish production both in the commercial and municipal capture fisheries sector (Table 1). This production record showed that the fisheries sector as a whole had a 1.4 percent decline in production from 1984 to 1985. On the contrary, production from aquaculture increased by 3.5 percent. Nevertheless, the municipal sector will still account for the majority of total fish production. It is projected that coastal capture fisheries will increase at an annual rate of 4.6 percent per year, and aquaculture will expand at a rate of 9.8 percent per year (Schmittou, et al., 1985). These production trend is likely to cause alarm on marine fisheries sector while the increase in aquaculture production may be the saving factor to alleviate the declining fish supply from the former sector.

Table 1

Volume and Value of Fish Production by Sector, Philippines, 1985-86

		1984	1985	
Fisheries Sector	Volume (th mt)	Value (m pesos)	Volume (th mt)	Value (m pesos)
Commercial fishing Municipal and	513	6,521	512	7,857
sustenance fishing Aquaculture	1,089 478	11,862 7,266	1,045 495	14,716 8,724
Total	2,080	25,650	2,052	31,897

Source: NEDA, 1988. p.5.



In the late seventies, it was perceived that the establishment of landing areas in strategic places in the country will stimulate production for both marine and aquaculture species. These landing areas are also expected to enhance investment in the fishing industry and in ancillary services such as fish processing and cold storage aside from the primary goal of reducing fish consumption deficit. In this regard, an average annual growth rate of 5.6 percent was estimated for the fisheries sector. This will be more than enough to meet consumption demand estimated to grow at an average annual rate of 4.2 percent. Consequently, this will guarantee availability of fish in deficit regions if there is an efficient system of distribution.

In the case of milkfish, Chanos chanos (Forsskal), efficiency in distribution has to be attained in view of the geographical location of the production centres and consumption areas (Figure 11-Appendix A). The top milkfish producing provinces and their contribution to the 1987 total output are shown in Table 2. Bulacan, the top milkfish producer, is in Central Luzon while Capiz and Iloilo are in Western Visayas. Pangasinan is in Ilocos region while Zamboanga is far down the Mindanao area. Rizal which is adjacent to Metro Manila ranked seventh.



Aggregate production of milkfish was recorded at 199.25 thousand metric tons (mt) in 1987 which accounts for about 71 percent of the total fish produced by the aquaculture sector (Table 2). Ninety percent of milkfish in the country comes from brackishwater fishponds. The rest are from freshwater, marine and other inland sources.

Consumption centres are likewise dispersed in the archipelago with Metro Manila as the biggest followed by the cities of Davao, Cebu, Zamboanga, Bacolod, Iloilo and Cagayan de Oro in the order of mention. Milkfish then become one of

Table 2

Volume of Milkfish Production in Top Ten Provinces by Source, Philippines, 1987 (in mt)

Province	Brackishwate Fishpond	r Fishpen	Marine	Inland	All Sources	*	
. سر _ج و سا که ای چو شه ۳۰ س			~ ~ ~ ~	·			
Bulacan	32,959	22	9	-	32,990	17	
Capiz	22,232	_	3	_	22,235	11	
Iloilo	19,570	_	-	_	19,570	10	
Pangasinan	16,971	-	_	-	16,155	8	
Pampanga	16,154	-	-	1	16,155	8	
Negros Occ	. 15,386	_	41	-	15,427	8	
Rizal	-	13,354	-	497	13,851	7	
Zamboanga	Sur 8,427	182	132		8,741	4	
Aklan	5,157	-	-	_	5,157	3	
Metro Mani	la 621	3,291	_	_	3,912	2	
Others	42,314	887	516	520	44,237	22	
Total	179,791	17,736	701	1,018	199,246	100	

Source: BAS, 1988. p.4.



the most commonly traded fish species in most landing centres and in the retail markets. Latest available data from the Philippine Fisheries Development Authority (PFDA) revealed that milkfish accounts for 7.14 percent of the 14.77 thousand mt total milkfish unloadings in Navotas in 1987. In Iloilo, milkfish shared 20.51 percent of the total 17.60 thousand mt total fish unloadings during the same year. This could be attributed to the increasing productivity of milkfish throughout the country and to the declining share of marine fish catch to the total fishery production.

Table 3 shows the breakdown of milkfish traded in Navotas, Metro Manila by provincial origin. More than half of the total unloadings in 1986 and 1987 comes from the province of Laguna which is adjacent to Metro Manila, about 50 km to the south. This is followed by Iloilo, Negros Occidental, Rizal and Quezon with relatively smaller percentage shares of the market.

Research and development since the 1970's have shown that milkfish production through aquaculture has the potential to alleviate fish consumption deficiency. This has been manifested in the overall increase in production from 1978 to 1987 (Table 4). However, the milkfish industry suffered a series of production setbacks from 1983 to 1986 due to the rise in demand for prawn from local and foreign markets. This situation motivated some of the brackishwater fishpond



operators who can afford the cost of prawn culture to engage either in polyculture of prawn and milkfish or in monoculture of prawn. Milkfish production therefore, generally relied on medium and small fish farm operators.

Table 3

Volume of Milkfish Unloadings by Provincial Origin,
Navotas, Metro Manila, Philippines, 1986-87 (tubs of 45 kg)

Course	1986			1987	
Source	Volume	* Share	Volume	* Share	
=======================================			==========		
Bulacan	339	0.26	591	0.17	
Zambales	317	0.24	519	0.16	
Batangas	64	0.05	131	0.04	
Laguna	101,810	77.47	176,054	53.54	
Mindoro	839	0.64	204	0.06	
Palawan	285	0.22	522	0.16	
Quezon	2,765	2.10	2,518	0.76	
Rizal	8,054	6.13	3,763	1.14	
Camarines Sur	111	0.18	81	0.02	
Masbate	4	nil	80	0.02	
Capiz	50	0.04	1,522	0.46	
Iloilo	8,829	6.72	105,180	31.99	
Negros Occ.	7,467	5.68	36,284	11.03	
Cebu	144	0.11	416	0.13	
Zamboanga	230	0.18	718	0.22	
Others ^a	108	0.08	237	0.27	
Total	131,416	100.00	328,829	100.00	

^aIncludes La Union, Samar and Negros Or.

Source: PFDA, 1988. p.7-69.



In view of the polyculture of milkfish and other species, the assessment of the area specifically devoted to milkfish and consequently, the estimation of annual milkfish productivity become difficult. The total brackishwater and fishpen area devoted to milkfish, prawn, tilapia and other species started to decline in 1984 (Table 4). Nevertheless, the productivity in brackishwater ponds showed an increasing trend from 574 kg/ha/year in 1970; 605 kg/ha/year in 1975; 771 kg/ha/year in 1980; and 870 kg/ha/year in 1982. Milkfish accounted for

Table 4

Volume and Value of Milkfish Production, and Area of Brackishwater Fishponds and Fishpens in Operation in the Philippines, 1978-87

Year	Area ^a (ha)	Volume (th mt)	Growth Rate (%)	Value (m pesos)	Growth Rate
1978	176.12	127.02		1,016.15	
1979	176.12	138.91	9.36	1,250.17	23.03
1980	176.12	171.94	23.78	1,753.81	40.29
1981	208.26	236.33	37.45	2,599.64	48.23
1982	208.26	252.16	6.70	2,993.10	15.14
1983	225.21	245.26	(2.74)	3,288.91	9.88
1984	234.49	241.32	(1.61)	3,996.18	21.50
1985	234.12	195.66	(18.92)	4,527.57	13.30
1986	234.08	184.91	(5.49)	4,972.23	9.82
1987	228.22	199.25	7.76	4,531.94	(8.85)

Refers to total brackishwater fishponds and fishpens only (freshwater fishponds not included) where milkfish and other species are produced. Milkfish accounts for 73% of the production; prawn, 12%; tilapia, 6%; carp, 1%; and other species, 8%.

Source: BAS, 1988. p.3



90 percent of the production from brackishwater ponds. Higher levels of productivity estimated at 2,252 kg/ha/year in 1981 was likewise recorded for freshwater pens where milkfish accounted for 99 percent of total production (Smith and Chong, 1984a).

Although the shift from milkfish to prawn culture indicated further decline in milkfish pond area, milkfish production in 1987 was higher by about 7.76 percent than the 1986 level (Table 4). This may be attributed to improved techniques in milkfish culture and increased stocking rate during the reference period (Bureau of Agricultural Statistics, 1988). The study on input-output relationship based on a survey of 324 milkfish producers in the Philippines by Chong and Lizarondo (1982) revealed that practices such as supplementary feeding and high stocking rate significantly increase production.

Although there have been production setbacks, the value of milkfish production showed an increasing trend from 1978 to 1987 (Table 4). In fact, higher growth rate in value of milkfish production was recorded during the period of production shortfalls. This could be due to the insufficiency of supply such that there were increases in the wholesale price by 69.44 percent and in the retail price by 70.09 percent from 1983 to 1984. The change in price in the following year is also high relative to the other periods. On the contrary, the



wholesale price of milkfish declined in 1987. This could be due to the increase in volume offered for sale such that price levels returned to reasonable levels.

Volume of milkfish exports likewise showed erratic growth rate from 1978 to 1987. Although in general, export of chilled or frozen milkfish dramatically increased from 150 mt in 1978 to 1,689 mt in 1987 (Table 5). Similarly, export of milkfish which constitute live fingerlings and processed milkfish increased ten-folds from 150 mt in 1978 to 1,794 mt in 1987 (Table 6). Despite the fluctuation in the volume of exports, its value in the international market showed a consistently increasing trend except in 1987 where total value of chilled or

Table 5

Total Volume and Value of Exports of Processed Milkfish,
Philippines, 1978-87

Year	Volume (mt)	Growth Rate (%)	Value (th pesos)	Growth Rate (%)
1978	170		2,697	
1979	340	100.00	4,715	74.82
1980	565	66.18	8,656	83.58
1981	528	(6.55)	8,571	(0.98)
1982	908	71.97	13,148	53.40
1983	1,241	36.67	23,147	76.05
1984	1,158	(6.69)	29,484	27.38
1985	1,587	37.05	60,855	106.40
1986	1,864	17.45	88,458	45.36
1987	1,794	(3.76)	80,204	(9.33)

Source: BAS, 1988. p. 6.

