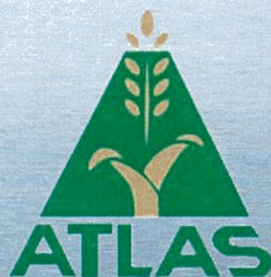


# Farming is not just a vocation, but should be a stable business



THE CROP SPECIFIC SOIL SPECIFIC FERTILIZER COMPANY

'Farming must not only be regarded as a vocation or a calling but more importantly as a stable family business.'



## TAKASHI SUMI President and CEO ATLAS FERTILIZER CORP.

By **BERNIE CAHILES-MAGKILAT**

**T**AKASHI SUMI knows how it is to be a farmer in the Philippines because he holds the key to a Filipino farmer's key ingredient of production – fertilizer.

And while many would say that Filipino farmers are never proud of their profession, Sumi thinks otherwise. Given all the necessary government interventions, Filipino farmers would just be as profitable as other farmer nationalities, including the Japanese.

Despite the challenges, Sumi believes the Filipino farmers and the agriculture sector will one day have their voices heard and be triumphant.

### THE COMPANY

Atlas Fertilizer Corp. (AFC) has a long history of more than 58 years in the Philippines.

A year after the operation of the open-pit copper mining of Atlas Consolidated Mining Development Corporation (ACMD) in 1956 in Brgy. Lutopan, Toledo, a fertilizer subsidiary was borne. The objective was to develop and utilize pyrites – the byproduct in the production of copper concentrate – as a raw material to produce Sulfuric Acid, which in turn become the raw material for fertilizer production.

The early success of the development of this fertilizer project led to the creation of Atlas Fertilizer Corp. (AFC) on October 10, 1957, under the umbrella of A. Soriano Corp. (ANSOR) Group of Companies.

AFC started running four kinds of plants: Sulfuric acid, phosphoric, single superphosphate plant, and complex fertilizer plant.

AFC is the oldest operating and the first fertilizer company in the Philippines to achieve full-scale manufacture and distribution of mixed fertilizer grades or alternatively known as compound inorganic fertilizer and more famously called by farmers as the NP-NPKNK fertilizers.

In 1994, AFC financial liquidity was clouded with monetary difficulty, resulting in a joint venture agreement between its original owner, ANSCOR and Japanese chemicals trading company – Nissho Iwai Corp.

Financial difficulty continued to persist that in 2001 Nissho Iwai Corp. took over AFC. On April 1, 2004, Nissho Iwai merged with another Japanese company Nichimen Holdings Corporation to become what is now known as Sojitz Corporation.

Now, AFC controls more than 42 percent of the NP, NK and NPK market share in the Philippines simply because it is the only fertilizer company to have coverage of the entire country, working with the local farming communities to help them improve their crops and increase their yields.

### POTENTIAL

As the largest producer of compound inorganic fertilizer in the country, AFC has production capacity of 340,000 metric tons per annum.

The company, however, imports 90 percent or 300,000 MT of its raw materials like DAP, Ammosul, MOP and Urea from China, Japan, Canada, Indonesia and Vietnam to produce compound fertilizers.

In addition, the company also imports some of its compound fertilizer. The rest 10 percent of its raw material are sourced domestically.

Majority of its compound fertilizer are manufactured in its factory at Toledo City, Cebu.

Also, the company imports 150,000 metric tons of single grade fertilizer. In total, AFC imports more or less 450,000 metric tons, all for the domestic market.

"But we have not always enjoyed good business," says Sumi, who joined Nissho Iwai Corporation of Japan in 1989 and became AFC president and CEO in 2012.

"Like most industries, we experienced a lot of financial crisis," says Sumi.

Its highly import-dependent manufacturing operation has caused some inefficiencies.

On top of that, the Philippines has been experiencing severe drought or dry spell caused by El Niño phenomenon since last year.

"For this reason also, we did not grow last year," says Sumi, an economics degree graduate from Keio University in Tokyo, Japan.

This long dry spell experienced by the entire country has reduced the domestic fertilizer market by 5 percent.

Intense market competition brought about by cheaper imported fertilizers also compounded the fertilizer market.

However, from 2005 until now, AFC's growth in sales volume has increased by 50 percent.

"This growth rate is a very positive indication that Philippine market has a real potential for even bigger growth," says Sumi.

### GROWTH

Despite these challenges, Sumi says AFC is confident it will grow this year by at least 5 percent, which is a lot better than the industry's very modest one percent growth.

The expected favorable weather condition starting the 3rd quarter of this year and stable grain prices will boost growth.

Another growth driver is the more hectareage that may be devoted for planting crops and a subsequent increase of fertilizer usage per hectare.

AFC is trying to capture about 46 percent of the NPK and more than 25 percent of total fertilizer market to maintain its market leadership position in FY 2016.

According to Sumi, the Philippine fertilizer business in the country is growing by only 1 percent annually.

"This is a very conservative growth compared to other countries. This growth is also a reflection of a very slow growth of our agricultural industry," says Sumi.

The ASEAN integration definitely opens opportunities for AFC in this largely agriculture-based economies. AFC has strategically considered the nearby islands of Malaysia and Indonesia in its plant capacity expansion program.

In fact, AFC used to export to Malaysia palm oil fertilizer grades but was suspended due to limited production capacity.

Sojitz also operates fertilizer manufacturing facilities also in Vietnam and Thailand for a total production capacity of 2 million MT in the Southeast Asia region.

### FERTILIZER

One issue hounding farmers is the high cost of fertilizer, but Sumi said this is a misconception.

According to Sumi, the largest cost item in planting rice or corn is not fertilizer but labor. More farm hands are needed for plowing, harrowing, leveling, transplanting, application of inputs, har-

vesting, threshing, among others.

Labor generally accounts for 40-50 percent of total rice production cost. For corn production, labor is 35-40 percent of total production cost.

Average fertilizer cost is only between 12 to 17 percent of the total rice or corn production costs.

"But correct fertilization technology of a certain type of soil will ensure higher yield for a specific crop," stresses Sumi.

That is why AFC continuously conducts farmers' classes, demonstration farms, forum, harvest festivals all over the country to teach farmers the latest best global fertilization technologies.

On a yearly basis, AFC has reached more or less 15,000 farmers nationwide through these activities.

### SUBSIDY

To help farmers, Sumi has urged government to subsidize farmers like what other agricultural countries are doing.

"Provide cheap credit facility to farmers with less collaterals and paper works so that they will not resort to borrowing from usurers to buy farm inputs (seeds, fertilizers and chemicals)," urges Sumi.

Most countries subsidize the fertilizer used by their farmers.

"The Philippine government should restore the fertilizer products subsidy program during the 1960s and 1970s," says Sumi.

Once its plant capacity expansion project is completed, Sumi said, AFC will be in a better position to push prices of fertilizer down.

"With this expected market growth, we are seriously studying factory renovation by expanding our production capacity up to 40 percent so we could keep to serve our quality manufactured products to Philippine farmers sustainably toward the future. Completion of this project is expected by the third quarter of 2019," says Sumi.

Total local fertilizer market size in 2015 was 1.8 MT, but estimated total domestic production for NP/NPK was 419,000 metric tons. This means, the domestic demand is supplied by imports, which reached 1.381 million MT in 2015. Imported fertilizer come from China, Canada, Japan, and Indonesia.

### POOREST

Sumi does not believe that most Filipino farmers are not proud of their profession because it has failed to give them better lives.

"I believe Filipino farmers are proud of their profession because in that rural part of the country that is the only noble profession that exists. The farmlands located in the hinterlands cannot support industrial complexes but can only support the farmers," says Sumi.

"But first, there is a need to recognize that farming in this country is such a back breaking and tiring task and yet farmer's income is very low."

"Farmers do not want their children to undergo the same difficulty and hardships. Most farmers will desire their children to become overseas Filipino workers to earn more and have a more relaxed life. This explains why we have aging farmers. The average age of Filipino farmers is 57," says Sumi.

Sumi has seen more disadvantages of the Filipino farmers than the Japanese.

Both Japanese and Filipino farmers' average agricultural lands are very small. Both farmers are aging.

However, Japanese farmers have better access to capitalization to con-

tinuously improve efficiency of crop production like farm mechanization and more advance fertilization technology. As a result, Japanese farmers are able to keep high yield production compared to Filipino farmers.

Average rice yield for Japanese farmers is 70 MT per hectare compared to Filipino farmers of 4 MT per hectare. Japanese gross agricultural production is \$69.2 billion, the 7th highest in the world.

Current subsidy given by the Japanese government for food grade rice is around \$1,250 per MT, and for feed grade rice is around \$1,650 per MT.

In addition, Japanese government applies high import tax for rice which is around \$3,100 per MT. The current domestic rice price is around \$2,450 per MT in Japan. Japan virtually restricts rice importation.

"These kinds of policies and strong government intervention are not practiced by the Philippine government," says Sumi.

### INTERVENTION

Needless to say that the state of the Philippine agriculture is in dire straits.

"If you compare with countries like Thailand, Malaysia, Vietnam and Indonesia, we are quite far behind them," says Sumi.

There are many ways to help our farmers improve their present situation, but the big bulk of these elements require strong government intervention.

He suggests government to consider some factors that make Japan efficient in its rice production.

These are improvement of post-harvest facilities; farm credit loan, and marketing; efficient fertilization technology; use of registered seeds, certified seeds, and good rice seeds; farm-to-market roads and infrastructures; number of man days spent by family and hired labor; more efficient irrigation water like rehabilitation of the large irrigation systems; pricing control programs, including import control; crop insurance and free insure for farm facilities.

"AFC dreams that rice or corn farming be modernized thru the introduction of more mechanize farm equipment and solid government support for infrastructure to make farming more productive and easier," he adds.

With an insurance coverage guaranteed by government, the financing sector will be more open to provide the farmers credit facilities to purchase farm equipment that will improve farmers lives because there is a guarantee for recovery in case calamities occur.

Large-scale agricultural producing countries like China, India, Thailand, Indonesia and Vietnam also provide free irrigation services, while it costs P4,500 to water one hectare farm a year in the Philippines.

"The government needs to seriously implement programs and concrete help to our farmers," says Sumi.

"Our farmers need to improve a lot not only in terms of yield quantity but also the quality of their crop yield so they can enjoy better income," says Sumi.

"There is a wrong notion that the more fertilizer you put to a crop, the more it will increase its yield. Crops do not automatically respond that way," says Sumi.

Rice, which is situated in a muddy or flood-prone areas, responds differently from a rice situated in a dry or humid

areas.

"There is a science to correct fertilization application for each crop planted for each type of soil," says Sumi.

AFC's fertilizers are a product of several decades of laboratory research and hundreds of farm trials performed for many years now.

"This product knowledge is what we are trying to impart to our farmers and we are doing it for free," adds Sumi.

### ADVOCACY

Aside from teaching Filipino farmers the latest technologies in fertilization technologies, AFC together with International Rice Research Institute (IRRI) has developed a software called "Rice Crop Manager."

This software has the capacity to automatically calculate the needed type and quantity of fertilizer they need for their rice crop.

"This technology provides our marginalized farmers with the optimum fertilization technology for free," says Sumi.

AFC lends out its agronomists, considered one of the best in the country, to Filipino farmers for free.

While AFC is not into actual farming, it contributes to the farming industry a lot. Sumi himself joined the company in the hope he can contribute to this very valuable industry.

"If you will visit our factory and our many satellite offices, you will not see farmers but lots of chemical engineers, chemists working in our laboratory. We also have a lot of agronomists, agricultural engineers and field researchers all over the country doing farm demonstrations or farm trials teaching our farmers the science of farming," says Sumi.

The idea is for farmers to approach farming both as an exact science and as a profitable business by increasing yields consistently at a minimum cost.

"The fertilizers we produce for our farmers is a product of long study, years and decades of laboratory and field research, farm demos, farm trials and scientific collaborations with many institutions like IRRI and PhilRice," says Sumi, who loves swimming and brisk walking to relax.

"We need to transform our farmers to become empowered and enriched people," adds Sumi, who cited his Filipino staff for their diligence and hard work.

"I believe that the real heroes of any company are the employees working for it. It is not the President and CEO. Becoming the President and CEO is just really one of the tasks that needs to be done," says Sumi as he demands teamwork in his organization.

As a CEO, he would require complete data so they could come up with a better, informed and collective decision.

### NOT A VOCATION

"Farming must not only be regarded as a vocation or a calling but more importantly as a stable family business," stresses Sumi.

This is the reason AFC, which company's vision is "Go for the Global Standard," has committed not only to provide quality fertilizers to farmers but also in disseminating effective technologies to make farming a profitable business.

"It is our dream, that our farmers for the same hectareage that they are now planting will be able to generate more disposable income that will provide them more than enough financial resources to send their children to school, buy clothes, provide basic medical care," says Sumi.