




Republic of the Philippines
Department of Agriculture
AGRICULTURAL CREDIT POLICY COUNCIL
28/F One San Miguel Avenue (OSMA) Bldg.,
San Miguel Ave cor Shaw Blvd.,
Ortigas Center 1605 Pasig City
Tel. Nos. 8634-3320 to 21; 8634-3326/
Fax Nos. 8634-3319; 8584-3861




June 25, 2024

MEMORANDUM

FOR: **JOCELYN ALMA R. BADIOLA**
Executive Director

THRU: 
NORMAN WILLIAM S. KRAFT
Director, Program Monitoring Division and Information System
Maintenance Division

FROM: 
ANNALYN R. GARAY
Chief, Program Monitoring Division


RACHEL A. BUSTAMANTE, C.A.O.


RICAS S. DELA TRININAD, Project Evaluation Officer II

SUBJECT: **1st QUARTER MONITORING REPORT ON THE ACCOMPLISHMENTS
OF THE EXPANDED RICE CREDIT ASSISTANCE – RICE
COMPETITIVENESS ENHANCEMENT FUND (ERCA-RCEF) PROGRAM**

This is to report on the accomplishments and status of the Expanded Rice Credit Assistance – Rice Competitiveness Enhancement Fund (ERCA-RCEF) Program based on reports submitted by the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) as of March 31, 2024.

ERCA RCEF is a credit facility that aims to help increase the productivity of rice farmers and their cooperatives and associations – through financial assistance aimed to increase rice production, acquisition and establishment of agricultural production and processing facilities, and farm improvement.

Ten percent (10%) of the Rice Fund equivalent to P1.0 billion per year for six (6) years (2019-2024) shall be made available in the form of a credit facility through the implementation of the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP).

I. Overall Program Accomplishments

Over the period 2019 to March 31, 2024, the ERCA-RCEF Program allotted credit funds totaling P4.91 billion, with LBP receiving P2.6B and DBP getting P2.28B (Table 1).

During the same period, the total ERCA-RCEF loans disbursed reached P4.68 billion. Of this amount, the Land Bank of the Philippines (LBP) released P2.52 billion, while the Development Bank of the Philippines (DBP) disbursed P2.16 billion. These loans were extended to 296 cooperative borrowers and 15,266 individual borrowers. Consequently, the combined fund utilization rate of the two government financial institutions (GFIs) stands at 95%.

According to the Development Bank of the Philippines (DBP), they did not achieve a 100% utilization rate because provision of credit is demand-driven and the projects financed often involve progress billing, where funds are released in phases as each specific project milestone is completed. Hence, while there are projects that do require a single, upfront release, most of the approved loans are disbursed in a staggered manner as the projects progress and as the borrowers' actual financing requirements arise. In the case of the Land Bank of the Philippines (LBP), there is less than 100% utilization rate primarily because the disbursement of its loan funds usually must coincide with the rice cropping calendar.

**Table 1. ERCA-RCEF Funds Allotted and Utilized, By LBP and DBP
As of March 31, 2024**

GFI	Transferred Funds (PM)	Funds Utilized (PM)	Utilization Rate (%)	Number of Borrowers	
				Individual	Cooperatives
LBP	2,633.65	2,520.68	96	15,239	270
DBP	2,280.00	2,169.01 ^{1/}	95	27	26
Grand Total	4,913.65	4,689.69	95	15,266	296

1/ Total amount of P2,169.01 was utilized for loans (P2,017.74M), documentary stamp tax (P23.67M), and management fee (P127.60M).

II. ERCA RCEF Loan Releases, by Region

The Development Bank of the Philippines released a total of P2.2 billion in loans under the ERCA-RCEF Program, which went to 27 individual and 26 group borrowers in 10 regions (Table 2).

As of March 31, 2024, over half of the total loan amount (P1.108 billion) was released in Region II, while a quarter (P550 million) went to Region I. In contrast, the least amount of loans went to Regions IV-A (P0.17 million) and XII (P2.33 million).

In terms of borrowers, nearly half, or 41% (11) of the individual borrowers, are in Region XII, while 22% (6) are in Region V. On the other hand, group borrowers are mostly located in Region I (27%) and Region 8 (19%).

**Table 2. Summary of DBP's ERCA-RCEF Loan Releases, By Region
As of March 31, 2023**

Region	Development Bank of the Philippines					
	Amount of Loans Released (P Million)	% Share	Number of Borrowers			
			Individual Borrowers	%Share	Group-Borrowers	%Share
CAR	-	-	-	-	-	-
Region I	550	26%	-	-	7	27%
Region II	1,107.50	51%	-	-	3	12%
Region III	27	1%	-	-	1	4%
Region IV-A	0.17	0%	5	19%	-	-
Region IV-B	170.66	8%	-	-	3	12%
Region V	180.66	8%	6	22%	2	8%
Region VI	49.43	2%	-	-	2	8%
Region VII	13.55	1%	2	7%	3	12%
Region VIII	51.44	2%	3	11%	5	19%
Region IX	-	-	-	-	-	-
Region X	-	-	-	-	-	-
Region XI	-	-	-	-	-	-
Region XII	2.33	0.10%	11	41%	-	-
Region XIII	-	-	-	-	-	-
Total	2,152.74 ^{1/}	100%	27	100%	26	100%

^{1/} Inclusive of P135 loan re-avaiement of the borrower

The Land Bank of the Philippines (LBP) has disbursed P2.5 billion in loans across 16 regions, with Region III (P829 million) receiving the largest share of loans which accounts for about a third of the total, and Region II (P611 million) receiving nearly a quarter of the total loans disbursed. In contrast, BARMM and Region XI received the lowest amount of LBP loan releases (Table 3).

In terms of borrowers, LBP ERCA-RCEF loans supported 15,239 individual borrowers and 270 group borrowers. Region II has the highest number of both individual borrowers (32%) and group borrowers (43%).

Table 3. Summary of the LBP's ERCA-RCEF Loan Releases, By Region
As of March 31, 2024

Region	Land Bank of the Philippines					
	Amount of Loans Released (P Million)	% Share	Number of Borrowers			
			Individual Borrowers	%Share	Group-Borrowers	%Share
CAR	46.68	2%	543	4%	5	2%
Region I	86.90	3%	294	2%	23	9%
Region II	611.27	24%	4,883	32%	51	19%
Region III	829.13	33%	2,042	13%	117	43%
Region IV-A	32.79	1%	347	2%	-	-
Region IV-B	194.48	8%	1,586	10%	4	1%
Region V	19.39	1%	145	1%	3	1%
Region VI	231.26	9%	1,718	11%	15	6%
Region VII	3.76	0%	81	1%	-	-
Region VIII	44.65	2%	719	5%	3	-
Region IX	53.79	2%	284	2%	6	2%
Region X	92.96	4%	330	2%	8	3%
Region XI	3.07	0%	41	0%	-	-
Region XII	54.88	2%	554	4%	-	-
Region XIII	215.56	9%	1,671	11%	35	13%
BARMM	0.11	0%	1	0%		
Total	2,520.68	100%	15,239	100%	270	100%

III. ERCA RCEF Loan Releases, by Type of Borrower

Of the P4.67 billion total amount of loans disbursed under the ERCA-RCEF Program as of March 31, 2024, 71% (P3.3 billion) was availed by cooperative borrowers (see Table 4). By GFI, loans to cooperatives account for 99.5% or almost all (P2.14 billion) of DBP's ERCA RCEF loan releases. On the other hand, around half (46%) of the ERCA RCEF loans released by LBP went to cooperatives.

The remaining balance of the total ERCA RCEF loan releases (P1.36 billion) was availed by individual farmers mostly through LBP. Despite the lower overall amount that they were able to avail themselves of under the ERCA-RCEF Program, individuals nevertheless constitute 98% of the total number of program borrowers.

Table 4. Summary of ERCA-RCEF Loan Releases, By Type of Borrower
As of March 31, 2024

Type of Borrower	Land Bank of the Philippines				Development Bank of the Philippines				GRAND TOTAL			
	Amount of Loans Released (PM)	% Share	Number of Borrowers	% Share	Amount of Loans Released (PM)	% Share	Number of Borrowers	% Share	Amount of Loans Released (PM)	% Share	Number of Borrowers	% Share
Individual	1,358.07	54%	15,239	98%	12.61	0.5%	27	51%	1,370.68	29%	15,266	98%
Cooperative	1,162.61	46%	270	2%	2,140.13	99.5%	26	49%	3,302.74	71%	296	2%
Total	2,520.69	100%	15,509	100%	2,152.74^{1/}	100%	53	100%	4,673.42	100%	15,562	100%

^{1/} Includes P135 million loan re-availment of borrowers

IV. ERCA RCEF Loan Releases, By Loan Purpose

Two-thirds of the ERCA RCEF loans were used mostly by cooperatives as working capital either for rice milling/trading (33%) or re-lending (33%) (Table 5). A quarter of the ERCA RCEF loans were used by 15,119 individual borrowers and twenty-five (25) cooperatives for palay production. The rest of the loans were used by borrowers either for the procurement of farm machinery or the construction of warehouses.

Table 5. Summary of ERCA-RCEF Loan Releases, By Loan Purpose
As of March 31, 2024

Loan Purpose	Land Bank of the Philippines						Development Bank of the Philippines						GRAND TOTAL					
	Amount of Loans Released (P Million)	% Share	Number of Borrowers			% Share	Amount of Loans Released (P Million)	% Share	Number of Borrowers			% Share	Amount of Loans Released (P Million)	% Share	Number of Borrowers			
			Indivi- duals	% Share	Groups				Indivi- duals	% Share	Groups				Indivi- duals	% Share	Groups	% Share
Palay Production	1,209.89	48%	15,119	99%	28	10%	-	-	-	-	-	-	1209.89	26%	15,119	99%	25	13%
Working Capital - Rice Milling/ Trading	399.78	16%	-	-	60	22%	1,120.16	47.6%	19	70%	10	38%	1,519.94	33%	6	0%	56	30%
Working Capital - Relending	636.08	25%	-	-	153	57%	893.97	47.9%	-	-	13	50%	1,530.05	33%	-	-	95	51%
Purchase of Farm Machinery	274.93	11%	120	1%	29	11%	79.18	1%	8	30%	2	8%	354.11	8%	90	1%	12	6%
Construction of Warehouse	-	-	-	-	-	-	59.43	3%	-	-	1	4%	59.43	1%	-	-	-	-
Total	2,520.68	100%	15,239	100%	270	100%	2,152.74^{1/}	100%	27	100%	26	100%	4,673.42	100%	15,215	100%	188	100%

^{1/} Includes P135 million loan re-availments of borrowers.

VI. Issues and Challenges Encountered

Name of Institution	Issues and Challenges	Plans to address these Issues/Challenges
DBP	<p>Rice cultivation heavily relies on weather conditions, making farmers vulnerable to natural disasters like floods, droughts, or typhoons. DBP has encountered challenges with loan defaults due to unpredictable weather events impacting on farmers' crop yields and affecting their ability to generate income for loan repayments.</p> <p>The combination of production risk and fragmented lands in the Philippines poses challenges for DBP when lending to farmers. Production risk, stemming from adverse weather conditions and pest infestations, increases the likelihood of crop failures, impacting farmers' ability to generate income. Fragmented lands complicate lending, affecting the effective monitoring and enforcement of loan agreements.</p> <p>DBP encounters challenges in evaluating the creditworthiness of farmers, particularly in remote areas, where many lack a comprehensive credit history. Assessing financial reliability becomes challenging due to the absence of credit history, making it difficult for DBP to gauge past borrowing and repayment behavior.</p> <p>The lack of market access for farmers leads to uncertainties in income, exposing them to price volatility and potentially resulting in delayed loan repayments.</p>	<p>DBP promotes climate-resilient farming practices and technologies. And allow flexible loan repayment structures tied to weather conditions to accommodate unforeseen challenges.</p> <p>DBP encourages sustainable land consolidation/clustering initiatives. Provides financial literacy training (DBP in partnership with CDA or DA) to enhance farmers' ability to manage risks effectively.</p> <p>Currently, DBP extends re-lending facilities to eligible cooperatives that depend on relationship lending as a strategy to address information asymmetry. As a long-term solution, alternative credit scoring models based on other indicators like farm productivity and community reputation should be developed.</p> <p>Currently, DBP helps establish market linkages and support value chain development in collaboration with other government agencies and private enterprises. DBP also collaborates with local cooperatives to enhance collective bargaining power in the market.</p>
LBP	High past due rate due to insufficient PCIC crop insurance coverage	
	<p>Remarks on the decrease in the number of borrowers and the amount of loans released</p> <ul style="list-style-type: none"> LANDBANK is not able to accommodate more target beneficiaries since loan collections are quarterly remitted to the BTr, instead of being available for relending. 	