



Department of Agriculture

Agricultural Credit Policy Council

A Report on Government Agricultural Lending, Credit Guarantee and Insurance Programs (2017 Year-End Report)

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Executive Summary

This report is a yearly recording of basic information on the components and performances of on-going government programs that support the requirements of the agricultural financing system in coordination with identified government agencies that implement agricultural financing programs. This report consolidates the update on the extent of loans and insurance services to institutional partners and agricultural households for Year 2017.

Agricultural Credit Programs

For 2017, ACPC has identified 37 on-going agricultural credit programs implemented by ACPC, National Tobacco Administration (NTA), Bureau of Fisheries and Aquaculture (BFAR), Development Bank of the Philippines (DBP), Land Bank of the Philippines, and Social Security System (SSS).

The increase in the total loans generated by these programs from 2016 showed significant 40% increase in 2017 totaling to more than 198 Billion from P141 Billion in 2016. While LandBank posted the biggest chunk of loan releases in 2017 amounting to P121 Billion accounting for a 35% increase from 2016, however, the highest growth was achieved by loans to fisheries under BFAR's Promotion and Development of Mariculture Parks Program (PDMP). The program posted an increase of 330%, followed by loan releases by DA-ACPC under various credit programs specially the recent PUNLA/PLEA and SURE Programs and DBP's Sustainable Agribusiness Financing Program (SAFP) posting a 63% and 51% increase, respectively.

In terms of activities, loans to agri-related livelihood exhibited the highest increase of 143% from 2016, followed by marketing (48%), food/agro-processing (36%), and agri-fishery production (28%).

With regard to coverage area, Luzon absorbed the biggest loans increasing by 43% from P91 Billion in 2016 to 130 Billion in 2017. In Visayas, loans in Region VII increased by 29%, and in Mindanao, Region XII got the biggest loans posting a notable 65% increase from 2016 to 2017.

PCIC Insurance Programs

Six types of insurance programs are made available to farmers, fisherfolk, lending institutions and other agricultural stakeholders, namely: 1) Insurance for Rice and Corn, 2) Insurance for High Value Commercial Crops, 3) Insurance for Livestock, 4) Fisheries Insurance, 5) Non-Crop Insurance Program, and, 6) Term Insurance Power Package.

In 2017 the total insurance coverage provided by PCIC amounted to ₱58.5 billion of which the largest share of total value of insurance cover was Term Insurance Power Package (34%), while the second highest share cover was for rice (32%). On the other hand, the lowest share in total value of insurance cover was for fisheries (0.4%).

Comparative data between 2016 and 2017 showed remarkable increases in insurance cover in terms of amount and number of beneficiaries. The highest rate of

increase in amount of insurance cover was posted by the fisheries sector (106%), followed by corn (75%), and non-crop (63%). In terms of outreach, fisheries recorded the highest increase at 587%, followed by non-crop insurance (209%) and HVCC insurance (126%).

Crop insurance covers both bank-financed and self-financed farmers. Aggregate data for rice and corn show that the number of insured bank-financed farmers increased by 20% while for self-financed farmers, 38%.

In terms of insurance outreach by regions, the highest amount of insurance coverage and number of beneficiaries in 2017 were in Region IV and VII. However, the highest increase in both amount of coverage and number of beneficiaries 2017 was achieved in Region V posting 99% and 98%, respectively.

PCIC's total aggregate insurance coverage in 2017 increased by 52% resulting in 28% increase in the amount of premium payments due to subsidies from the government in all insurance products lines with the exception of Term Insurance Power Package. On the other hand, the amount of insurance claims paid by PCIC slightly increased by 1% in 2017.

In terms of insurance claims paid by commodity, rice which accounted for around three-forts (76%) of the aggregate amount of insurance claims constituted almost four-fifths (78%) of the aggregate number of paid insurance claimants followed by Term Insurance Power Package farmers (27%), Livestock farmers (13%).

Credit Guarantee Programs

Previous studies, indicate that the flow of credit to small agricultural and agri-related activities is very limited. Banks and lending institutions hesitate to provide financial assistance to agricultural sector because it is a very risky investment. The government provides a credit mechanism that would convince the banking sector to support the financing needs of the agricultural sector.

Agricultural Guarantee Fund Pool (AGFP) was established by virtue of Administrative Order No. 225 issued on May 26, 2008. It encourages partner lending institutions to extend unsecured agricultural food commodity production loans to small farmers and fisherfolk (SFF).

As of December 2017, the total number of participants under these guarantee schemes are 83 lending institutions and majority are banks. For the Year 2017, the total volume of loans generated amounted to P6.8 Billion. In terms of the number of accounts enrolled, the banks got the biggest share with 76%, On the other hand, the total outstanding loans as of the year-end 2017, stood at P1.6 Billion. With regard to total guarantee claims paid, amount of guarantee claims paid reached P312.1 million of which 84% are claims paid by the banks. Of the total payments made, 62% or P195 million was recovered.

I. Rationale and Objective

Strengthening the agricultural sector is one of the key strategies of the government to boost economy and generate employment. In order to achieve this, the government is pursuing for the provision of extensive financial services to the rural sector. Through innovative financing programs, credit funds and supplemental facilities are prioritized to support agricultural livelihood and agriculture related enterprises taking into serious consideration the vital role of farmers as partners in economic development and nation building thru active participation in the formal credit system.

In light of this move of boosting financial services to agriculture, Section 5 of Executive Order 113 S. 1986 mandates the Agricultural Credit Policy Council (ACPC) to regularly monitor the status and performance of financing programs implemented by the government, and to receive reports and related documents from concerned agencies as basis for review and evaluation in establishing sound policies and practical approaches for better program implementation.

Through coordination and consultation, ACPC identifies the concerned government agencies and requires them the submission of the necessary information to come up every year with an inventory of government implemented programs that provide credit funds to agriculture and fisheries including crop insurance and credit guarantee services. Based on the information supplied by the agencies, the inventory details the data for the completion of a year-end report on the major features and performance updates of the programs. The report serves as among ACPC's information materials that are made available to researchers, policy makers, program managers and other clients of the like both from government and the private sector.

The main objective of the report is to provide the stakeholders of the agricultural financing system the latest data on the performance of government financing programs in terms of volume of loans granted, insurance and guarantee coverage, and program outreach.

II. Method, Scope and Limitations

To get the information on the agricultural credit programs implemented by various government agencies, ACPC coordinates with the concerned government agencies and consults with them on the data that they are able to supply based on the specific components of their programs. The gathering of information includes the request for the latest update on agricultural credit and financing facilities and on programs in crop insurance and agricultural credit guarantee services.

The implementing agencies are provided with table templates to get particulars on fund disbursements, insurance and guarantee coverages like loan releases, scope of service, area coverage, and sums of institutional partners and individual beneficiaries. Also, the templates require the summary of features and mechanisms of the programs to present a general profile.

The main limitation of this report is the unavailability of data. The identified agencies that agreed to provide information submitted only what they were able to due to

certain policy restrictions. In most cases, therefore, the agencies did not follow the required format of the table templates. As a result, the programs and data presented in this report are based on what the concerned agencies were able to provide.

Notwithstanding the limitation, this report provides a consolidated update on financing programs implemented by the government for the agricultural and fishery sector for the Year 2017.

This report is composed of three parts: Agricultural Credit Programs, Commodity Insurance and Credit Guarantee Programs.

III. Performance of Agricultural Credit, Commodity Insurance and Credit Guarantee Programs

A. Agricultural Credit Programs

1. Description of Programs

As of year-end 2017, there are 37 agricultural credit programs found to be operational and being implemented by different government institutions in support to the agriculture and fisheries sector. Twenty-three (23) or 60% of these programs are implemented by LandBank. Five (5) programs are implemented by the Department of Agriculture (DA) through ACPC, 1 program through the Bureau of Fisheries and Aquaculture (BFAR), and 4 through the National Tobacco Administration (NTA). One (1) program is implemented by the Development Bank of the Philippines (DBP) and 3 programs by the Social Security System (SSS), the purpose of submission of which, however, was only to report that the programs' credit services to agriculture have not been availed by target farmer borrowers in the recent past years.

Predominantly implemented nationwide, majority of these programs provide assistance for a diversified range of projects in crop production, livestock and poultry, fisheries and aquaculture, food and agro-processing, marketing and trading, and other agri-related livelihood. LandBank, DBP, BFAR and SSS basically deliver their services directly to end-beneficiaries, ACPC and NTA channel their services thru credit cooperatives, cooperative banks, rural banks, non-government organizations (NGO), and other institutions engaged in agricultural lending. (The description of the basic features and mechanics of the programs are presented in Annex A)

2. Volume of Loans Granted

a) By Program

In 2017, the total loans granted by all the agri-credit programs amounted to P198 Billion. This translates to an increase of 40% from the total loans of P141 Billion in 2016.

Showing the highest growth in releases, loans to fisheries granted thru BFAR's Promotion and Development of Mariculture Parks Program (PDMP) tripled (330%) in 2017 amounting to P35.50 Million from 2016's P8.25 Million. This was followed by the loans by DBP's Sustainable Agribusiness Financing Program (SAFP) in the amount of P76 Billion granted in 2017 indicating a 52% increase from 2016. On the other hand, LandBank, being the country's premier government financial institution, had the biggest

chunk of 60% of loan releases in 2017 in the amount of P119 Billion posting an increase of almost 36% from 2016.

The DA-Sikat Saka Program, in partnership with Land Bank, was started in 2012 with the aim of providing direct credit window and integrated support services to small palay and corn farmers. In 2017, the program has released a total of P1.8 Billion in loans to 14,323 small palay and corn farmers and a cumulative release of P6.2 Billion since 2012.

The PUNLA/Production Loan Easy Access (PLEA) Program, ACPC's most recent credit program, started releasing loans to small farmer and fisher borrowers in early 2017 since its introduction in September

2016. The introduction stage was an extensive drive to promote the features and mechanisms of the program and to identify prospective program partners. During its first year of implementation, PUNLA/PLEA has released over P342 Million (Table 1) in loans that benefitted more than 11,000 small farmer and fisher households (Table 5) through the services of credit cooperatives, cooperative banks, and other qualified lending institutions.

The Survival and Recovery (SURE) Assistance Program released loans totaling to P62.09 Million (Table 1). The Program has benefitted about 3,836 small farmers/fisherfolk affected by calamities.

**Table 1. Volume of Loans Granted by Program
For the Years 2016 and 2017
(in P Million)**

Agri-Credit Program	2017		2016		% Increase/Decrease
	Loan Amount	% Share	Loan Amount	% Share	
DA-ACPC					
PUNLA/PLEA	342.35	0.17	-		-
SURE	62.09	0.03	-		-
AFFP CBAP II	181.56	0.09	111.14	0.08	63.36
AFFP VCFP	-		34.12	0.02	-
AFFP PCFC	-		514.08	0.37	-
DA-SIKAT SAKA	1,803.21	0.09	1,693.47	1.20	6.48
DA-NTA					
IFOIGAP-TCGS	-		66.94	0.05	-
IFOIGAP-RWS 2017	25.28	0.01	-		-
CBAP	107.98	0.05	-		-
RFEDPREI	34.77	0.02	-		-
DA-BFAR					
PDMP	35.50	0.02	8.25	0.01	330.30
DA-DAR					
APCP	1,425.70	0.72	1,519.25	1.08	-6.16
DBP					
SAFP	76,327.62	38.52	50,284.04	35.78	51.79
LandBank Programs	117,794.88	60.2	86,304.67	62.5	35.75
Total	198,140.94	100.00	140,535.96	100	40.99

b) By Type of Agricultural Activity

In 2017, the total loans granted to various types of agricultural activities amounted to P198 Billion translating a 41% increase from the total loans of P140 Billion in 2016 (Table 2).

Comprised generally of trading and/or transportation of agri-fishery commodities, horticulture, and various agri-related projects, livelihood exhibited the highest increase of more than 143% in the amount of P5 Billion in 2017 from P2 Billion during the same period in 2016. Following at 48% increase, marketing benefitted the most from the total loans with P110 Billion in 2017 and P74 Billion in 2016. Food and agro-processing recorded a 36% increase and agri-fishery production climbed by 28% (Table 2).

**Table 2. Volume of Loans Granted by Type of Agricultural Activity
For the Years 2016 and 2017
(in P Million)**

Type of Agricultural Activity	2017		2016		% Increase/Decrease
	Loan Amount	% Share	Loan Amount	% Share	
Agri-Fishery Production	56,837.98	28.69	44,465.77	31.64	27.82
Food/Agro-Processing	25,738.57	12.99	18,914.10	13.46	36.08
Marketing	110,067.10	55.55	74,514.37	53.02	47.71
Livelihood *	5,092.84	2.57	2,093.50	1.49	143.27
Unclassified**	404.44	0.20	548.20	0.39	-26.22
Total	198,140.93	100.00	140,535.94	100.00	40.99

* Trading and/or transportation of agri-fishery commodities; Horticulture; Other agri-related livelihood activities

** No breakdown per agricultural activity

Table 3 presents the loans granted per program distributed by type of activity in 2017. Looking closely, LandBank programs' loans to agri-fishery production have reached P50.8 Billion representing 43% of the total loan releases of P119 Billion this represents a 27% increase from 2016, followed by loans to marketing activities at P39.53 Billion (33%) with a 40% increase from 2016, loans to food and agro-processing activities at nearly P24 Billion (20%) and a 34% increase from 2016, and P5 Billion (4%) to livelihood activities with the highest increase from 2016 at 147%.

Meanwhile, DBP's SAFP has apparently highlighted its financing services on agricultural marketing activities with a huge bulk (92%) of loans in the amount of P70.53 Billion posting an increase of 53% from 2016. Agri-fishery production received only 5% share of the program's loan releases of P3.8 Billion with a 33% increase from 2016. Livelihood projects were the least financed under the program at only 0.05% amounting to only P39 Million and a decrease in loans by 23%. The rest of the credit programs concentrated on lending to agri-fishery production.

**Table 3. Volume of Loans Granted by Type of Agricultural Activity
For the Year 2017
(in P Million)**

Agri-Credit Program	Agri-Fishery Production			Food/Agro-Processing			Marketing			Livelihood *			Unclassified**			Total Loans	
	Amount	% Share	% inc/dec from 2016	Amount	% Share	% inc/dec from 2016	Amount	% Share	% inc/dec from 2016	Amount	% Share	% inc/dec from 2016	Amount	% Share	% inc/dec from 2016	Amount	% Share
DA-ACPC																	
PUNLA/PLEA													342.35	100		342.35	100
CAP/SURE													62.09	100		62.09	100
AFFP CBAP II	181.20	99.80	63.38							0.36	0.20	56.52				181.56	100
AFFP VCFP															-100.00		
AFFP PCFC															-100.00		
DA-SIKAT SAKA	1803.21	100	6.48													1803.21	
DA-NTA																	
IFOIGAP-TCGS			-100														
IFOIGAP-RWS 2017	25.28	100														25.28	100
CBAP	107.98	100														107.98	100
RFEDPREI	34.77	100														34.77	100
DA-BFAR																	
PDMP	35.50	100	330.30													35.50	100
DBP																	
SAFP	3,847.23	5.04	32.76	1,909.20	2.50	67.37	70,531.69	92.41	52.69	39.50	0.05	-22.96				76,327.62	100
LandBank Programs***	50,802.81	42.6	27.12	23,829.37	19.69	34.07	39,535.41	32.67	39.60	5,052.98	4.18	147.45				119,220.5	100
Total	56,837.98	28.69	27.82	25,738.57	12.99	36.08	110,067.10	55.55	47.71	5,092.84	2.57	143.27	404.44	0.20	-26.22	198,140.93	100

*Trading and/or transportation of agri-fishery commodities; Horticulture; Other agri-related livelihood activities

**No breakdown per agricultural activity

***Includes DAR-APCP Loans Granted

c) By Region

Table 4 presents the loans granted in 2016 and 2017 distributed by region. Among the country's three major island groups, Luzon absorbed the biggest loans from the aforementioned credit programs increasing by 43% from P91 Billion in 2016 to P130 Billion in 2017.

Visayas and Mindanao took loan shares from 16% to 18% effecting increases of 29% and 45%, respectively. Among the regions in Visayas, the biggest loans went to Region VII increasing by 29%. In Mindanao, Region XII, posted a notable 65% increase, got the biggest loans of P12 Billion in 2016 and P20 Billion in 2017.

**Table 4. Volume of Loans Granted by Region
For the Years 2016 and 2017
(in P Million)**

Region	2017		2016		% Increase/Decrease
	Loan Amount	% Share	Loan Amount	% Share	
Luzon	130,526.29	65.88	91,070.38	64.80	43.32
NCR	90,722.31	45.79	61,078.80	43.46	48.53
CAR	407.94	0.21	456.39	0.32	-10.62
I	3,299.78	1.67	2,327.31	1.66	41.79
II	11,270.79	5.69	9,021.48	6.42	24.93
III	17,798.54	8.98	11,989.58	8.53	48.45
IV-A	2,881.91	1.45	2,777.34	1.98	3.77
IV-B	3,132.08	1.58	2,613.10	1.86	19.86
V	1,012.94	0.51	806.39	0.57	25.61
Visayas	32,072.26	16.19	24,791.06	17.64	29.37
VI	6,689.08	3.38	5,390.22	3.84	24.10
VII	23,680.16	11.95	18,281.59	13.01	29.53
VIII	1,703.03	0.86	1,119.24	0.80	52.16
Mindanao	34,934.41	17.63	24,051.13	17.11	45.25
IX	2,279.34	1.15	1,987.89	1.41	14.66
X	4,547.96	2.30	3,689.13	2.63	23.28
XI	6,149.20	3.10	4,714.38	3.35	30.43
XII	20,346.09	10.27	12,297.55	8.75	65.45
CARAGA	1,275.88	0.64	978.13	0.70	30.44
ARMM	335.95	0.17	384.05	0.27	-12.52
Unclassified*	607.97	0.31	623.39	0.44	-2.47
Total	198,140.94	100.00	140,535.95	100.00	40.99

* No breakdown per area coverage

3. Number of Borrowers and Financial Institution Partners distributed by Program

The total number of financial institutions (FI) that participated in all the agri-credit programs has tremendously increased by 200% from 61 FIs in 2016 to 183 in 2017. The increase is notably brought about by the participation of 116 institutional lending conduits under the PLEA Program with a 63.39% share in FI participation in 2017.

The number of individual borrowers barely increased by 1% from a total of 28,137 in 2016 to 28,318 in 2017 mainly due to the termination of the AFFP-PCFC in August 2016. The AFFP-PCFC had the largest share in the total number of individual borrowers in 2016 at 77%. (Table 5)

**Table 5. Number of Borrowers and Financial Institution Program Partners
For the Year 2016 and 2017**

Agri-Credit Program	2017				2016				% Increase/Decrease	
	No. of FIs	% Share	No. of Borrowers	% Share	No. of FIs	% Share	No. of Borrowers	% Share	FIs	Borrowers
DA-ACPC										
PUNLA/PLEA	116	63.39	11,703	41.33						
CAP/SURE	13	7.10	3,836	13.55						
AFFP CBAP II			3,654	12.90			2,234	7.94		63.56
AFFP VCFP							336	1.19		
AFFP PCFC					9	14.75	21,763	77.35		
DA-NTA										
IFOIGAP-TCGS							3,675	13.06		
IFOIGAP-RWS 2017			2,670	9.43						
CBAP			4,879	17.23						
RFEDPREI			1,422	5.02						
DA-BFAR										
PDMP			2	0.01			1			100.00
DBP										
SAFP	54	29.51	152	0.54	52	85.25	128	0.45	3.85	18.75
LandBank Programs										
Total	183	100.00	28,318	100.00	61	100.00	28,137	100.00	200.00	0.64

B. PCIC Insurance Programs

1. Description of Programs

The Philippine Crop Insurance Corporation (PCIC) was created under P.D. 1467 on 11 June 1978. Its charter was amended by P.D. 1733 on 21 October 1980 and R.A. 8175 on 29 December 1995. Its primary aim is to provide protection on crops against losses caused by natural calamities, earthquake, typhoons, drought, volcanic eruptions and plant pest infestations and for the non-crops protection of agricultural assets due to risk.

The PCIC has six (6) types of insurance programs that are available to the farmers, fisherfolk, lending institutions and other agricultural stakeholders:

- 1) Insurance for Rice and Corn – extended to rice and corn farmers against losses due to natural calamities and occurrence of plant pests and diseases;
- 2) Insurance for High Value Commercial Crops – extended to HVCC farmers against the same threats;
- 3) Insurance for Livestock – protection against loss of carabao, cattle, horse, swine, goat, poultry and game animals due to accidental death or diseases;
- 4) Fisheries Insurance – protects against losses in fish and fishery/aquatic products due to natural calamities and fortuitous events;
- 5) Non-Crop Insurance Program – protects the owner of agricultural assets such as warehouses, rice mills, irrigation facilities and other agricultural machineries from losses due to risks such as fire, lightning, theft, or earthquake; and
- 6) Term Insurance Power Package – insures individual farmers and livestock raisers in the unfortunate event of death or disability.

The amount of insurance cover from PCIC varies with each policy, which is based on the costs of production inputs as indicated in the farm plan and budget that the farmers are required to submit to PCIC upon application. For fisheries insurance, the insurance may also cover the value of own and hired labor as long as this is specified in the fisheries farm plan and budget. The amount of cover for certain insurance products is subject to cover ceilings, depending on the crop insured and on the variety of the crop. The cover ceiling for inbred varieties of rice is P41,000/ha for irrigated or rainfed crops and P50,000/ha for seed production. For hybrid varieties of rice, the cover ceiling is P50,000/ha for commercial production and P65,000 for seed production. For corn, the cover ceiling is P76,000/ha for hybrid varieties, and P68,000/ha for open-pollinated varieties (Source: PCIC).

2. Insurance Coverage and Outreach

a) By Commodity/Program

The total insurance coverage of PCIC in 2017 amounted to P58.5 billion (Table 6). The largest share of total value of insurance cover was in Term Insurance Power Package at P19.7 billion (34%), benefiting 462,302 individual farmers. The second highest share in the total value of insurance cover was for rice amounting to P18.5 billion or 32% of the total amount with 619,338 beneficiaries served covering a total production area of 837,118 hectares. On the other hand, insurance for high-value commercial crops (HVCC) was valued at P9 billion (15%) of the total share covering 194,020 HVCC farmer-beneficiaries.

The lowest share in the total value of insurance cover in 2017 was for fisheries at only P0.21billion (0.4%), benefiting only 5,771 fisherfolk, where value of insurance cover for non-crop was at P1.4 billion, benefiting 22,873 individual-beneficiaries.

Table 6 shows the comparative insurance in coverage and number of beneficiaries for the years 2016 and 2017, In terms of amount and number of beneficiaries' insurance coverage increased for all types of commodities. The highest rate of increase recorded was in fisheries, with 106% followed by insurance cover for corn, which increased by 75%. The third highest rate of increase was in non-crop, which went up by 63%.

In terms of outreach, fisheries recorded the highest increase at 587%, followed by non-crop insurance with 209% increase and HVCC insurance with 126%.

The remarkable increase in the coverage of livestock insurance, meanwhile, is attributed by PCIC to: 1) the implementation of full insurance premium subsidy by the government in the year 2017 for farmers listed in the Registry System for Basic Sectors in Agriculture (RSBSA) and non-renewal of DA-NDA dairy cattle dispersal program.

On the other hand, increased in insurance coverage of rice and corn, likewise, is due to: 1) increasing number and continuous participation of cooperatives/farmers' organization/associations and other lending institutions participating in the LBPs' rice and corn production loan programs; 2) the implementation of full insurance premium subsidy by the government in the year 2017 for farmers listed in the RSBSA; 3) insurance coverage of ARBs under the APCP-CAP-PBD; and increased number of farmers availing production loan from, TSPI, ASKI and First Valley Banks.

The increase in non-crop insurance, for its part, is due to increase in insurance coverage for subsistence farmers listed in the RSBSA with full premium subsidy under FY 2017.

**Table 6. Insurance Coverage and Outreach by Commodity/Program
For the Years 2016 and 2017**

Commodity/Program	2016		2017		% Increase / Decrease	
	Amount (PM)	No. of Beneficiaries	Amount (PM)	No. of Beneficiaries	Amount (PM)	No. of Beneficiaries
Rice	14,122.90	472,391	18,459.32	619,338	30.70	31.11
Corn	2,818.94	116,443	4,926.76	179,363	74.77	54.04
High value crops	5,656.40	86,001	8,983.40	194,020	58.82	125.60
Livestock	3,073.363	124,983	4,834.31	216,204	57.30	72.99
Fisheries	100.456	840	207.26	5,771	106.32	587.02
Non-crop machineries) (e.g.,	835.67	7,407	1,358.81	22,873	62.60	208.80
Term insurance power packages	12,480.10	286,959	19,742.48	462,302	58.19	61.10
Total	39,087.82	739,498	58,512.32	1,699,871	49.69	129.87

Source: Philippine Crop Insurance Corporation (PCIC).

b) By Region

Table 7 shows PCIC insurance outreach by area. The highest amount of insurance coverage as well as the most number of insurance beneficiaries in 2017 were in Region IV and VII with P5.07 billion, 113,777 and P4.75 billion, 192,588 beneficiaries, respectively. On the other hand, the highest increase in 2017 for both amount of coverage and number of beneficiaries were in Region V with 99% and 98% respectively. Regions I, V, X and XII were among the regions most severely affected by typhoons in 2017. All regions also experienced increases in the two parameters (amount and number).

**Table 7. Insurance Coverage and Outreach By Region
For the Years 2016 and 2017**

Region	2016				2017				% Change	
	Amount (PM)	% Share	No. of Beneficiaries	% Share	Amount (PM)	% Share	No. of Beneficiaries	% Share	Amount (PM)	No. of Beneficiaries
I	1,443.50	5.4	63,078	7.8	2,338.82	6.1	102,059	8.3	62.02	61.80
II	2,432.73	9.1	91,572	11.3	3,265.28	8.5	111,624	9.1	34.22	121.90
III	3,069.76	11.5	87,248	10.8	4,283.62	11.1	114,794	9.3	39.54	31.57
IV	4,405.43	16.6	91,998	11.4	5,073.12	13.2	113,777	9.2	15.16	23.67
V	1,016.41	3.8	38,967	4.8	2,020.94	5.2	77,320	6.3	98.83	98.42
VI	3,004.98	11.3	103,524	12.8	4,754.54	12.3	179,614	14.6	58.22	73.50
VII	2,541.54	9.5	120,976	15.0	4,045.97	10.5	192,588	15.6	59.19	59.20
VIII	1,267.178	4.8	47,471	5.9	1,838.40	4.8	78,395	6.4	45.08	65.14
IX	1,366.08	5.1	41,358	5.1	2,045.82	5.3	59,147	4.8	49.76	43.01
X	1,657.81	6.2	45,399	5.6	3,013.84	7.8	86,692	7.0	81.80	90.96
XI	3,143.27	11.8	42,615	5.3	3,796.45	9.8	56,258	4.6	20.78	32.01
XII	1,265.59	4.8	33,887	4.2	2,067.10	5.4	59,530	4.8%	63.33	75.67
All Regions	26,614.28	100	808,093	100	38,543.90	100	1,231,798	100	44.82	52.43

c) By Type of Finance (Bank-Financed and Self-Financed)

Crop insurance covers both bank-financed and self-financed farmers. Table 8 shows the insurance coverage of bank-financed and self-financed rice and corn farmers in 2017. The aggregate number of insured bank-financed farmers increased by 20% in 2017 and 38% increase for self-financed farmers.

Disaggregated, the number of insured bank-financed rice farmers slightly increased by 8% while a significant increase of 89% is noted in the number of insured bank-financed corn farmers. On the other hand, the number of insured self-financed rice farmers increased by 35% even as the number of insured self-financed corn farmers also increased by 49% or by 47,678 farmers.

In terms of amount, the aggregate insurance coverage for bank-financed farmers increased by 6%. However, the aggregate amount of coverage for self-financed farmers actually increased more than half (55%).

Again disaggregated, the amount of coverage for bank-financed rice farmers increased by 3% only, and the amount of coverage for bank-financed corn farmers also increased by 27% or by P195.01 million. Moreover, crop insurance coverage is also made a requisite for production loans in a number of banks.

On the other hand, the aggregate amount of cover in 2017 for insured self-financed farmers went up particularly because of the significant 30% increase in the total amount of insurance cover for self-financed rice farmers.

**Table 8. Insurance Coverage of Bank Financed and Self-Financed Farmers
For the Years 2016 and 2017**

Commodity/ Program	2016			2017			% Change		
	Bank- Financed	Self- Financed	Total	Bank- Financed	Self- Financed	Total	Bank- Financed	Self- Financed	Total
Rice									
No. of Beneficiaries	94,522	377,869	472,391	101,830	511,694	613,524	7.73	35.42	29.88
Share (%)	20	80	100	17	83	100			
Amount of Insurance Cover (PM)	5,505.80	8,617.10	14,122.90	5,679.15	12,655.00	18,334.16	3.15	46.86	29.82
Share (%)	39	61	100	31	69	100			
Corn									
No. of Beneficiaries	16,721	99,722	116,443	31,585	147,400	178,985	88.89	47.81	53.71
Share (%)	14	86	100	18	82	100			
Amount of Insurance Cover (PM)	715.30	2,103.64	2,818.94	910.31	4,003.10	4,913.41	27.26	90.29	74.30
Share (%)	25	75	100	19	81	100			
TOTAL									
No. of Beneficiaries	111,243	477,591	588,834	133,415	659,094	792,509	19.93	38.00	34.59
Share (%)	19	81	100	17	83	100			
Amount of Insurance Cover (PM)	6,221.10	10,720.74	16,941.84	6,589.46	16,658.11	23,247.56	5.92	55.38	37.22
Share (%)	37	63	100	28	72	100			

*HVCC, Livestock, NCI, TIPP & Fisheries unclassified

d) By area coverage and number of heads

Table 9 presents the performance of PCIC insurance in 2016 and 2017 in terms of hectares covered, and heads covered, and policies issued. Aggregate area coverage for rice, corn, and HVCC increased in 2017 by 47.86%, with HVCC registering highest increase at 112.53%. The greatest increase in area coverage in absolute terms was actually in rice (i.e., by 837,118 has). On the other hand, the most dramatic increase in coverage was in the number of insurance policies issued for fisheries by 346%. Meanwhile, the number of insurance policies issued for non-crop insurance and Term Insurance Power Package

beneficiaries also increased by 8.29% and 88%, respectively. Only the number of heads covered for livestock experienced a decline during the year by -75.23%.

**Table 9. Insurance Coverage By Area Coverage and No. of Heads
For the Years 2016 and 2017**

Commodity/Program	Hectares/No. of Heads Covered/No. of Policies Issued				% Change
	2016		2017		
	Qty	Unit	Qty	Unit	
Rice	632,010	Hectares	837,118	Hectares	32.45
Corn	155,838	Hectares	256,113	Hectares	64.35
High Value Crops	110,785	Hectares	235,455	Hectares	112.53
<i>Sub-total</i>	<i>898,633</i>	<i>Hectares</i>	<i>1,328,686</i>	<i>Hectares</i>	<i>47.86</i>
Livestock	3,281,846	Heads	812,793	Heads	-75.23
Fisheries	317	Insurance Policies	1,414	Insurance Policies	346.06
Non-Crop	2,968	Insurance Policies	3,214	Insurance Policies	8.29
Term Insurance Power Package	49,800	Insurance Policies	93,715	Insurance Policies	88.18

3. Insurance Claims Paid

The 52% increase in PCIC's total aggregate insurance coverage in 2017 resulted in an increase of 28% growth in the amount of premium payments generated by the crop insurance corporation during the year by P.733 billion. This is primarily due to the greater amounts of premium subsidies from the government for all insurance product lines of PCIC, except for the Term Insurance Power Package.

On the other hand, the amount of insurance claims paid by PCIC slightly increased by 1% in 2017. The increase in PCIC's insurance payments was due to damages brought by several strong typhoons/floods during the year such as Paolo, Urduja, Vinta, and Salome. An increased rat infestation was experienced in 2017 by Regions III-A, IV, VI, VIII, IX, X, XI, and XII. Meanwhile, in Regions VIII, IX, X, XI and XII were faced with stemborer infestation.

PCIC's Damage Rate went down to 2.60% in 2017 from 3.93% in 2016 as a result of decrease in the amount of insurance claims paid by PCIC (i.e., by 1%) relative to the rate of increase in amount of insurance cover (i.e., by 52%). On the other hand, PCIC's Loss Ratio (i.e., measured as Claims Paid/Premiums Earned) fell in 2017 because of the rate of increase in the amount of premium payments generated by the corporation (28%) relative to the rate in the amount of insurance claims paid by PCIC by 1%. (Table 10)

**Table 10. Insurance Coverage and Claims
For the Years 2016 and 2017**

	2016	2017	% Change
Amount of cover (PM)	38,427.22	58,512.33	52
Amount of premiums (PM)	2,636.24	3,369.73	28
Claims paid (PM)	1,510.28	1,521.29	1
Damage rate (%)^{1/}	3.93	2.60	-34
Loss ratio (%)^{2/}	57	45	-21

^{1/}Damage Rate = Claims Paid/Amount of Cover

^{2/}Loss Ratio = Claims Paid/Premiums Earned

Source: Philippine Crop Insurance Corporation (PCIC).

a) By Commodity

Table 11 shows the amount and number of PCIC insurance claims in 2017, by type of commodity or program. By type of commodity, losses were experienced most in rice, which accounted for around three-fourths (76%) of the aggregate amount of insurance claims paid by PCIC in 2017 amounting to P1.15 billion. The next biggest losses were in corn, close to one-fifth (18%) of the aggregate amount of insurance claims paid by PCIC in 2017 (i.e., P268 million). Meanwhile, the amount of claims paid for losses in HVCC (i.e., P58 million) made up only 4% of the aggregate amount of insurance claims paid by PCIC in 2017.

Correspondingly, the number of rice farmers with paid claims in 2017 totalled 619,338 which comprised almost four-fifths (78%) of the aggregate number of paid insurance claimants of PCIC during the year. Term Insurance Power Package farmers who were paid insurance, on the other hand, made up the next biggest number of 462,302 farmers, or more than one fourth (27%) of the paid claimants in 2017. The number of Livestock farmers who received insurance payment (216,2014), meanwhile, made up 13% of the paid claimants of PCIC during the year.

**Table 11. Insurance Coverage and Claims
For the Year 2017**

Commodity /Program	Amount of Cover (PM)	Amount of Premiums (PM)	Claims Paid				Damage Rate (%)	Loss Ratio	
			No. of Has/No. of Heads/No. of Policies	Amount (PM)	% Share	No. of farmers			% Share
Rice	18,459.32	1,886.51	837,118 Has	1151.587	75.70	619,338	36.43	6.2	61
Corn	4,926.76	536.304	256,113 Has	267.564	17.59	179,363	10.55	5.4	50
HVCCI	8,983.40	504.718	235,455 Has	57.685	3.79	194,020	11.41	0.6	11
Livestock	4,834.31	350.798	812,793 Heads	16.857	1.11	216,204	12.72	0.3	5
Fisheries	207.26	11.288	1,414 Policies	2.998	0.20	5,771	0.34	1.4	27
NCI	1,358.81	28.012	3,214 Policies	0.345	0.02	22,873	1.35	0.0	1
TIPP	19,742.48	52.092	93,715 Policies	24.255	1.59	462,302	27.20	0.1	47
TOTAL	58,512.32	3,369.73	2,239,822.00	1521.291	100	1,699,871	100	2.6	45

Source: Philippine Crop Insurance Corporation (PCIC)

Note: $Damage\ Ratio\ (\%) = \frac{Claims\ Paid}{100} \times Amount\ of\ Cover$

$$Loss\ Ratio = \frac{Claims\ Paid}{Premiums\ Earned}$$

C. Credit Guarantee Programs

Previous studies, indicate that the flow of credit to small agricultural and agri-related activities is very limited. Banks and lending institutions hesitate to provide financial assistance to agricultural sector because it is a very risky investment. Most small farmers want to avail loans from the formal sector, but they have no collateral to offer. Therefore, they are not considered bankable.

The government provides a credit mechanism that would convince the banking sector to support the financing needs of the agricultural sector and to encourage farmers and fisherfolks to obtain credit from formal institutions.

Agricultural Guarantee Fund Pool (AGFP) was established by virtue of Administrative Order No. 225 issued on May 26, 2008. It encourages partner lending institutions to extend unsecured agricultural food commodity production loans to small farmers and fisherfolk (SFF).

As of December 2017, the total number of participants under these guarantee schemes are 83 lending institutions. Majority are banks (61%) while the rest are cooperatives (34%) and FOs/MFIs (5%). (Table 12)

Table 12. Number of Participating Institution

Partner Lending Institutions	No. of Partners	% Share
Banks	51	61
Cooperatives	28	34
FOs/MFIs	4	5
SMEs/Large Corp		
Total	83	100

For the Year 2017, the total volume of loans generated amounted to P6.8 Billion. Banks (84%) of which came from loans granted by banks and submitted for guarantee coverage, while farmers organizations/microfinance institutions represents 10% share of the total loans generated. In terms of the number of accounts enrolled, the banks got the biggest share with 76%, the rest are from MFIs and cooperatives. (Table 13)

**Table 13. Volume of Loans Generated
For the Year 2017**

Partner Lending Institutions	Volume of Loans Generated * (PM)	% Share	No. of accounts enrolled	% Share
Banks	5,674,743,378	84	86,928	76
Cooperatives	405,457,898	6	6,596	6
FOs/MFIs	693,259,521	10	20,638	18
Total	6,773,460,796	100	114,164	100

* Includes transactions prior to 2017 which were reflected/adjusted in this year's report

On the other hand, the total outstanding loans as of the year-end 2017, stood at P1.6 Billion. Among the partner lending institutions, banks accounted the highest percentage (94%) of outstanding guaranteed loans, cooperatives and MFIs have a minimal share of 5% and 1% respectively. (Table14)

Table 14. Status of Outstanding Guaranteed Loans

Partner Lending Institutions	Outstanding Guaranteed Loans (PM)	% Share
Banks	1,518,316,353	94
Cooperatives	94,878,936	5
FOs/MFIs	1,763,828	1
Total	1,614,959,116	100

With regard to total guarantee claims paid, amount of guarantee claims paid reached P312.1 million of which 84% are claims paid by the banks. Of the total payments made, 62% or P195 million was recovered. Among the partner LIs, cooperatives posted the highest recovery rate at 86%, followed by banks at 60%. Reasons cited for filing of guarantee claims are: affected by calamities and pests, low profits resulting from low harvest and unable to collect payments from borrowers. (Table 15)

**Table 15. Status of Guaranteed Claims
For the Year 2017**

Type of Lending Institutions	Guarantee Claims Paid (PM)	% Share	Amount of Recovery/ Collections (PM)	Recovery Rate (%)
Banks	261,338,761	84	156,751,397	60
Cooperatives	22,998,006	7	19,678,690	86
FOs/MFIs	27,769,462	9	18,350,552	30
SMEs/Large Corp				
Total	312,106,229	100	194,780,639	62

Recovery Rate : $\frac{\text{Amount of Recovery/Collection}}{\text{Guarantee Claims Paid}}$

IV. Conclusions and Prospects for Succeeding Years

Based on the 2017 data provided by different government agencies implementing various financing programs in support of agriculture and fisheries sector, a significant increase in the volume of loans granted, insurance coverage, and program outreach was noted.

The increase in the loans generated by the 37 credit programs implemented by the various government lending agencies can be attributed to the following: 1) the LandBank being the country's premier government financial institution provided the bulk of total loans granted; 2) the implementation of ACPC's PUNLA/PLEA and SURE programs in the second quarter of 2017 along with the participation of 116 lending conduits thereby increasing the institutional program partners; and 3) other remarkable increase of agri-related activities such as, marketing, livelihood, food/agro-processing as a result of focus of credit service on agri-fisheries production.

Moreover, the Philippine Crop Insurance Corporation (PCIC) sustained its agricultural insurance by increasing the number of farmers who availed PCIC's various insurance line. Some reasons for the increase member of participants are: 1) continuous participation of cooperatives, farmer organizations and other lending institutions participating in LBPs rice and corn production; 2) the greatest number of beneficiaries were part of the insurance cover for farmers and fisherfolk listed in the Registry System for Basic Sectors in Agriculture (RSBSA); 3) automatic coverage by PCIC insurance under the Production Loan Easy Access (PLEA); and 4) Insurance coverage of Agrarian Reforms Beneficiaries (ARBs) under APCP-CAP-PBD.

Notwithstanding the risk associated with lending to the unsecured agricultural production loans particularly to small farmers and fisherfolk, a good number of banks and cooperatives opted to have their loans granted be covered by a guarantee under the Agricultural Guarantee Fund Pool.

With these initial gains achieved in the provision of financial support to small farmers and fisherfolks, increasing demands for these services is expected should the government embark on aggressive interventions on a wider scope such as the non-collateral loan program similar to the PLEA program. Along with these increasing demands is the government's concern on sustainability of the program in the face of increasing risks faced by stakeholders such as the effects of climate change, insurgency, among others.

