

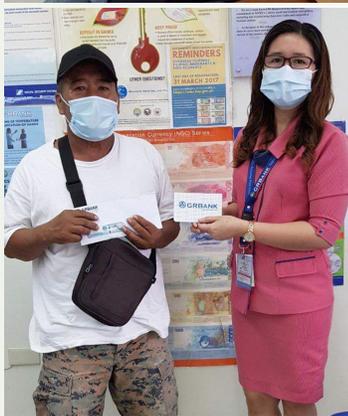
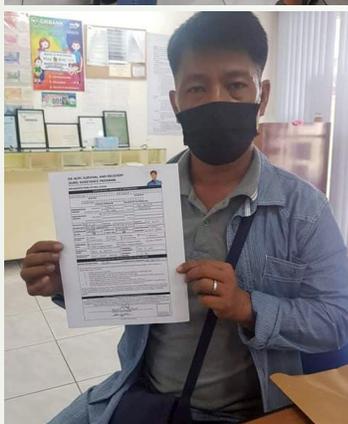


STATE OF AGRICULTURAL FINANCE





2020 State of Agricultural Finance



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FOREWORD



The Agricultural Credit Policy Council is proud to present its flagship publication for 2021 entitled "2020 State of Agricultural Financing in the Philippines."

This annual output provides a comprehensive report on agricultural finance in the country and the government's current role in rural credit markets.

Further, this book also presents the indicators and trends on agricultural credit, information on credit needs of the farmers and fishermen in financing their production activities and the extent of loans provided by the different financial institutions.

These are important pieces of information for planners and policy makers to support, improve or modify the implementation of credit programs and policies geared towards achieving development of the agriculture sector.

The past two years have been an especially challenging time for our country as we continue to grapple with the effects of the pandemic. For the agri-fishery sector, and the DA family, our goals of attaining sustainable food security, eradicating rural poverty, and improving the quality of life and livelihoods of our farmers and fisherfolk have never been more amplified nor more urgent.

Thus, we deem the information presented in this report exceedingly timely in order to 1) assess the current agri-fishery financing policies and programs that are being implemented, 2) discuss the issues and challenges of the rural finance sector, and 3) inspire ideas on how to continually improve these policies and programs.

After all, sustained access to credit and insurance support, along with credit guarantee has been recognized as a key intervention in increasing the productivity of our farmers and fisherfolk, and making food available and affordable for all. These interventions are all seen to equalize economic development opportunities, thus increasing incomes of farmers and fisherfolk and reducing poverty.

It is our hope that through this publication, readers will gain appreciation for and insights on the country's rural credit sector, enhancement mechanisms such as guarantee and insurance, and how these services reach and affect the lives of small farmers and fisherfolk. We also hope that these lessons will be translated into realistic, relevant and timely agricultural financial and support programs, resulting in increased productivity, livelihoods, and incomes of small farmers and fisherfolk.

A handwritten signature in black ink, appearing to read 'Jocelyn Alma R. Badiola', written in a cursive style.

Jocelyn Alma R. Badiola
Executive Director
Agricultural Credit Policy Council
Department of Agriculture

THE SECRETARY'S MESSAGE



I thank the Agricultural Credit Policy Council for publishing this significant and timely report on the current state of agri-fishery finance, its challenges, and proposed solutions.

The discussions included in this report are notably relevant to the One DA approach, which is a holistic approach to agriculture and fisheries transformation. One of the strategies we identified under One DA is the inclusive approach at the farm level. We need to intensify our social protection or safety net measures for resource-poor farmers and fishers thru the Plant, Plant, Plant Program. Among these measures are cash assistance, subsidized credit, and crop insurance.

Agricultural credit, including related support services, is a key determinant of the agriculture sector's competitiveness. Providing affordable and accessible financial services to small farmers and fisherfolk can help them increase their production, make their processes more efficient, and thus, increase their profits. With additional capital, small farmers and fisherfolk can modernize and grow their agri-fishery

ventures into bonafide businesses and become empowered agripreneurs.

Providing financial support, especially in times of calamity, is also vital to help them rehabilitate their livelihoods. Thus, there is a need to identify points of improvement on the terms, implementation, and accessibility of credit programs for our farmers and fishers so that we can better serve them.

May this publication help readers, particularly policymakers and program implementers, gain better understanding, come up with best practices and generate recommendations on strategies to address the constraints in the financial services.

Together, let us explore innovative ways of boosting and sustaining our rural finance resources and widening the access of our small farmers and fisherfolk, particularly the unbanked and the underbanked and expanding the number of bankable players in the agri-fishery sector thru the provision of agricultural credit and financing support services.

Congratulations, ACPC! *Mabuhay kayong lahat!*

WILLIAM D. DAR, Ph.D
Secretary
Department of Agriculture

AWARENESS TO FINANCIAL INSTITUTIONS OF SMALL FARMERS AND FISHERFOLK

Financial inclusion refers to access and use of financial services which include bank transaction accounts (e.g. savings account), credit, insurance, remittances and on-line payment, among others. Access was investigated by doing an inventory of financial service providers in the area, determining the financial services provided as well as the requirements in accessing such. On the other hand, usage was examined by determining the farmers/fisherfolk's awareness of the presence/availability of the various financial services in their area, their need for such, their actual usage and perception of the ease/difficulty of accessing the services as well as their level of satisfaction from using the services.

Source: The State of Financial Inclusion among Small Farmers and Fisherfolks in the Philippines (March 2019)



One of the strategies we identified under One DA is the inclusive approach at the farm level. We need to intensify our social protection or safety net measures for resource-poor farmers and fishers thru the Plant, Plant, Plant Program. Among these measures are cash assistance, subsidized credit, and crop insurance.

92%

OF THE SMALL FARMERS AND FISHERFOLK ARE AWARE OF CREDIT FROM BANKS



73%

17%

FELT THE NEED **ACTUALLY AVAILED**
DESPITE HAVING ROUGHLY THREE QUARTERS OF THE RESPONDENTS WHO FELT THE NEED TO BORROW, ONLY A FIFTH HAVE ACTUALLY AVAILED CREDIT FROM BANKS

83%

ARE AWARE OF CREDIT SERVICES FROM MICROFINANCE INSTITUTIONS AS WELL AS COOPERATIVES



10%

ARE FAMILIAR WITH NON-STOCK SAVINGS AND LOAN ASSOCIATIONS (NSSLA) CREDIT SERVICES

INTRODUCTION

The year 2020 proved to be one of the most challenging years in history, not only for the Philippines but on a global scale.

The Taal Volcano eruption, the COVID-19 pandemic, the continued incidence of the African Swine Fever (ASF) that weakened the hog industry, and a series of strong typhoons that hit the country, all contributed to the closing of businesses, loss of income, and disruptions in the food supply chain.

The country's gross domestic product shrank 9.5% in 2020. This was the first annual contraction in 22 years since 1998, a year after the Asian financial crisis erupted, the Philippine Statistics Authority (PSA) reported. Agriculture output, which contributes about a tenth to gross domestic product (GDP) and a fourth of the country's jobs, decreased by 1.2% in 2020, a reversal from the 0.3% growth in 2019. This was also the first time the agricultural output saw an annual decline since 2016's -1.5%.

In 2020, the banking system generated a total of P6.5 trillion loanable funds. Banks, however, were able to loan only 6% for the agriculture sector. Banks overall compliance to the RA 10000 or the Agri-Agra Reform Credit Act of 2009 also known as the Agri-Agra Law was only 10%, which is 15 percentage points short of the mandated credit quota. With the 2020 compliance lower than the past year by 2 percentage points, banks' overall compliance over the past 10 years since the law's effectivity continues to decline.

Despite all these challenges, the country's agriculture and fishery sector has remained pliant and resilient in facing and surmounting the challenges of the year. The Department of Agriculture (DA) continues to provide services and resources needed by the country's farmers, fishers and agri-fishery-based micro and small enterprises (MSEs) to ensure adequate supply of food. Under the One DA approach, which is a holistic approach to agriculture and fisheries transformation, one of the strategies identified is the inclusive approach at the farm level. Safety net measures for small farmers and fishers such as cash assistance, subsidized credit, and crop insurance are strengthened.

Providing affordable and accessible financial services to small farmers and fisherfolk to help them increase their production became even more vital. Guarantee and insurance, which are tools to mitigate risks in agriculture, are also needed support to increase productivity of farmers and fisherfolk to make food available and affordable.

This publication discusses the current state of agri-fishery finance and its challenges. It presents indicators and trends on agricultural credit, information on credit needs of farmers and fisherfolk, and the loan programs implemented by the different financial institutions. Included are current agricultural credit programs and initiatives of the DA and its attached agencies particularly the Agricultural Credit Policy Council (ACPC).

Through this publication, the DA-ACPC hopes that readers may be able to: 1) assess the current agri-fishery financing policies and programs that are being implemented, 2) discuss the issues and challenges of the rural finance sector, and 3) inspire ideas on how to continually improve these policies and programs. The DA-ACPC is optimistic that policy makers and program implementers may be able to come up with best practices and generate recommendations to improve delivery of financial services to our small farmers and fisherfolk.





BANK LENDING TO AGRICULTURE

QUICK STATS

AGRI-AGRA REFORM CREDIT ACT OF 2009

HOW BANKS COMPLY FOR YEARS 2019 AND 2020

2019 2020

BANKS' TOTAL COMPLIANCE 2019 VS 2020



● Total Loanable Funds Generated ● Min. Amt Required for Agri-Agra Credit



THE MANDATED
CREDIT QUOTA FOR
AGRI-AGRA REFORM
SECTORS

Banks' Presence in Rural and Agricultural Areas

There are 537 banks operating in the country with a total network of 12,914 branches/offices. More than half (54%) of these banking offices are Universal and Commercial Banks (UKBs), 21% are Thrift Banks (TBs), and 25% are Rural and Cooperative Banks (RCBs).

About one-third (30%) of the banking offices are located in Metro Manila or the National Capital Region (NCR), most (83%) of which are UKB offices (Table 1). On the other hand, the 9,076 banking offices located outside NCR and considered nearer to the rural and agricultural sector, are comprised of 41% UKBs, 24% TBs and 35% RCBs.

More than half of the banking offices of UKBs are in regions outside NCR. Likewise, a greater majority of the TBs and RCBs also operate outside of NCR. Roughly two-thirds (60%) of the banks are in Luzon, 21% operate in the Visayas, and 19% are in Mindanao (Table 1).

Table 1. Number of Banks/Banking Offices by Type and by Regional Group^a

Regional Group	Universal & Commercial Banks (UKBs)			Thrift Banks (TBs)			Rural and Cooperative Banks (RBs)			All Banks		
	Head Office	Branch/Other ^b	Total	Head Office	Branch/Other ^b	Total	Head Office	Branch/Other ^b	Total	Head Office	Branch/Other ^b	Total
National Capital Region (NCR)	45	3,159	3,204	19	517	536	14	84	98	78	3,760	3,838
Outside NCR	1	3,753	3,754	29	2,102	2,131	429	2,762	3,191	459	8,617	9,076
Northern Luzon	0	1,061	1,061	6	608	614	150	853	1,003	156	2,522	2,678
Southern Luzon	0	1,051	1,051	12	697	709	121	860	981	133	2,608	2,741
Visayas	0	890	890	7	396	403	91	543	634	98	1,829	1,927
Mindanao	1	751	752	4	401	405	67	506	573	72	1,658	1,730
Total	46	6,912	6,958	48	2,619	2,667	443	2,846	3,289	537	12,377	12,914

^a As of September 30, 2020.

^b Includes regular branch, microfinance-oriented branch, extension office, regular other banking office (OBO), microbanking office (MBO), sub-branch, agency, representative office, remittance center, remittance desk office, limited purpose branch and marketing office, branch-lite unit.

Source: Department of Supervisory Analytics, Financial Supervision Sector, BSP

Unbanked Municipalities

More than two-thirds (69%) of the 1,634 cities / municipalities in the country are being serviced by at least one bank. This means that 31% or 509 municipalities, all outside NCR, are still unbanked or without any banking offices (Table 2).

The Mindanao regions has the highest proportion of unbanked municipalities, 51%, particularly in the Autonomous Region of Muslim Mindanao (ARMM) (92% unbanked municipalities) and Zamboanga Peninsula (54%). This is followed by the Visayas regions (33%) due mainly to Eastern Visayas with 56% unbanked municipalities. On the other hand, the Northern and Southern Luzon regions have less number and incidence of unbanked municipalities.

Table 2. Number of Banked/Unbanked Municipalities, By Regional Group^a

Regional Group	No. of cities/ municipalities	Banked cities/municipalities		Unbanked municipalities	
		No.	Ave. no. of banks/ municipality	No.	% Share of total
NCR	17	17	226	0	0
Outside NCR	1,617	1,108	6	509	31.5
Northern Luzon	425	334	6	91	21.4
Southern Luzon	329	280	8	49	14.9
Visayas	408	272	5	136	33.3
Mindanao	455	222	5	233	51.2
Total	1,634	1,125	8	509	31.2

^a As of March 31, 2020.

Source: Department of Supervisory Analytics, Financial Supervision Sector and Financial Institution Library System (FILS), Bangko Sentral ng Pilipinas.

Loans for Agriculture

The banking system's total loan portfolio reached roughly P11 trillion by the end of the 3rd quarter of 2020. This reflects a weak lending growth of 1% over the same period last year following the economic slowdown triggered by the COVID-19 pandemic.

Banks' loans for the agriculture sector amounted to P615 billion or only 6% of the banks' aggregate lending. The loan exposure of banks to the sector dipped by 4% relative to the same period last year. On the other hand, non-agricultural loans continued to capture the bulk (95%) of the banking system's total portfolio reaching over P10 trillion, or a 1% rise from last year (Table 3).

Table 3. Amount of Bank Loans for Agriculture, As of End of Periods Indicated (In Billion Pesos)

Sector	3 rd Quarter 2019		3 rd Quarter 2020		% Increase/ (Decrease)
	Amount (PB)	% Share	Amount (PB)	% Share	
Agriculture	640.96	6.1	615.40	5.8	(4.0)
Non-agriculture	9,923.27	93.9	10,063.38	94.7	1.4
Total	10,564.23	100.0	10,678.78	100.0	1.1

Source: www.bsp.gov.ph. 2021. *BSP Data Supervisory Analytics for the Agricultural Loans*. [online] Available at: <<http://www.bsp.gov.ph>> [Accessed 20 February 2021].

Agricultural Loans by Type of Activity

The contraction in agricultural loans from banks could be attributed to the reduction in farming activities and agri-based businesses resulting from the community quarantine and mobility restrictions imposed by the government to contain the spread of COVID-19. A closer look at the agricultural activities financed by the bank loans reveals that manufacturing particularly of human and animal food using agriculture, forestry, and fishery products, which comprised about 30% of the loans, contributed the most to the decline. Another major contributor to the shrinkage and which also constitutes a significant 21% of total agricultural loans from banks is wholesale and retail trading of agricultural and agri-based products (Table 4).

It is interesting to note that despite (or maybe because of) the pandemic, loans for both agricultural production as well as transportation and storage grew by the same rate of 6% in 2020 from previous year's level. The increase in loans for the production, storage, and transport loans for agricultural products was abetted by both government and private sector credit interventions aimed at securing the supply of food during the pandemic.

As of end September 2020, agricultural production loans amounted to close to P182 billion, making up 30% of the total loan portfolio of banks for agriculture. Compared to the same period in 2019, production loans from banks comprised a lower 27% of total agri loans.

Table 4. Amount of Agricultural Loans, by Subsector/Activity, As of End of Periods Indicated (In Billion Pesos)

Activity	3 rd Quarter 2019		3 rd Quarter 2020		% Increase/ (Decrease)
	Amount (PB)	% Share	Amount (PB)	% Share	
Agriculture, forestry, and fishing production	172.21	26.9	181.81	29.5	5.6
Manufacturing	197.27	30.8	176.04	28.6	(10.8)
Wholesale and retail trade ^a	137.13	21.4	133.16	21.6	(2.9)
Transportation and storage	26.38	4.1	28.09	4.6	6.5
Construction	21.29	3.3	14.65	2.4	(31.2)
Information and communication	18.11	2.8	13.29	2.2	(26.6)
Financial and insurance activities	9.89	1.5	5.68	0.9	(42.6)
Public administration and defense ^b	44.9	7.0	47.67	7.7	6.2
Others ^c	13.78	2.1	15.01	2.4	8.9
Total	640.96	100.0	615.4	100.0	(4.0)

^a Includes Repair of motor vehicles & motorcycles

^b Includes Compulsory social security

^c Includes Electricity, gas, steam, and air conditioning supply; Water supply, sewerage waste management, and remediation activities; Real estate activities; Professional, scientific, and technical activities; and Administrative and support service activities.

Source: www.bsp.gov.ph. 2021. *BSP Data Supervisory Analytics for the Agricultural Loans*. [online] Available at: <<http://www.bsp.gov.ph>> [Accessed November 2020].

Agricultural Loans by Type of Lending Bank

Across all types of banks, agricultural loan portfolio declined in 2020 at roughly the same rate (Table 5). Universal and Commercial Banks (UKBs) continue to be the predominant lenders to agriculture owning 93% of the total agricultural loan exposure of the entire banking system. UKB loans for agriculture amounted to P570 billion in 2020, P24 billion less than their lending in 2019.

Thrift Banks (TBs) and Rural and Cooperative Banks (RCBs) had roughly the same size of portfolio dedicated to the agriculture sector, each sharing 4% of the total in both years. The agricultural loan portfolio of TBs amounted to close to P22.4 billion as at end of the 3rd quarter of 2020, which is about a billion less from the same period last year.

Likewise, RCBs' loans for agriculture reached P23.2 billion in 2020, about one billion less than its exposure in 2019. Being strategically located in the countryside, RCBs are continuously urged to support the agriculture sector. RCBs are considered as having a comparative advantage in providing relationship lending to farmers and agri-based entrepreneurs.

Table 5. Amount of Agricultural Loans, by Type of Lending Bank, As of End of Periods Indicated (In Billion Pesos)

Bank Type	3 rd Quarter 2019		3 rd Quarter 2020		% Increase/ (Decrease)
	Amount (PB)	% Share	Amount (PB)	% Share	
Universal and Commercial Banks (UKBs)	593.61	92.6	569.69	92.6	(4.0)
Thrift Banks (TBs)	23.32	3.6	22.48	3.7	(3.6)
Rural and Cooperative Banks (RCBs)	24.03	3.7	23.23	3.8	(3.3)
Total	640.96	100.0	615.4	100.0	(4.0)

Source: Department of Supervisory Analytics, Bangko Sentral ng Pilipinas

Agricultural Loans by Regional Group

Although processed and approved in the head offices of banks located in Metro Manila, agricultural loans mostly originated from and were released to the rural areas outside the National Capital Region (NCR). NCR-based banks account for as much as 95% of all outstanding agricultural loans in 2020 equivalent to about P585 billion. Banks based in the regions outside the NCR, mostly Rural and Cooperative Banks, processed and released the remaining 5% or roughly P31 billion. More than half (54%) of this or P16 billion is credited to banks in Luzon regions (Table 6).

The decline in bank lending to agriculture due to the unprecedented crisis arising from the COVID-19 pandemic is noted in most areas outside of NCR and on aggregate worse in the Visayas and Northern Luzon particularly in Central Visayas (-13%) and Central Luzon (-11%). An exception to the general contraction of agricultural portfolio of banks is the Mindanao group (Table 6). The modest expansion is due in particular to banks' combined agri lending for Davao and Soccsksargen Regions, which increased by 43% from P1.9 billion in 2019 to P2.7 billion in 2020.

Table 6. Amount of Agricultural Loans, by Regional Group, As of End of Periods Indicated (In Billion Pesos)

Regional Group	3 rd Quarter 2019		3 rd Quarter 2020		% Increase/ (Decrease)
	Amount (PB)	% Share	Amount (PB)	% Share	
National Capital Region (NCR)/ Metro Manila	608.81	95.0	584.70	95.0	(4.0)
Outside NCR	32.15	5.02	30.69	5.0	(4.5)
Northern Luzon	12.62	2.0	11.88	1.9	(5.9)
Southern Luzon	4.63	0.7	4.63	0.8	0.0
Visayas	8.89	1.4	7.93	1.3	(10.8)
Mindanao	6.01	0.9	6.26	1.0	4.1
Total	640.96	100.0	615.40	100.0	(4.0)

Source: Department of Supervisory Analytics, Bangko Sentral ng Pilipinas

Banks' Agri-Agra Loans in Compliance with Republic Act 10000

RA 10000 known as the Agri-Agra Reform Credit Act of 2009 aims to provide an agriculture, fisheries, and agrarian reform credit and financing system to improve the productivity of the agriculture and fisheries sector. The law requires banks to set aside at least 25% of their loanable funds, of which at least 10% should be for agrarian reform beneficiaries (ARBs) and 15% for farmers, fishers, and agriculture in general.

In 2020, the banking system generated a total of P6.5 trillion loanable funds. As required by the law, P651 billion was to be allocated for ARBs or agrarian credit (Agra) and P976 billion for agricultural credit (Agri) totaling to at least P1.6 trillion (Table 7). Banks however were only able to provide eligible credit and financing amounting to about P663 billion registering 10% overall compliance, 15 percentage points short of the mandated credit quota. This is not surprising as banks have not been fully compliant since the law's effectivity in 2011. In fact, banks' overall compliance has been steadily declining over the past 10 years, with the 2020 compliance lower than the past year by 2 percentage points. Banks' compliance with the 10% Agra credit quota is extremely low at less than 1%. On the other hand, compliance with the 15% general Agri credit is higher at 9%.

Table 7. Banks' Compliance with the Agri-Agra Law, As of End of Periods Indicated (In Billion Pesos)

	2019	2020 ^a	% Increase/ (Decrease)
A. Total Loanable Funds Generated	6,173.6	6,510.0	5.4
B. Minimum Amount Required to be Allocated for:			
1. 10% AGRA - agrarian reform beneficiaries	617.4	651.0	5.4
2. 15% AGRI - agriculture in general	926.0	976.5	5.5
C. Compliance with AGRA			
1. Total Compliance with AGRA	67.5	55.8	(17.3)
2. % of Compliance vs. Required 10% for AGRA	1.1	0.9	
D. Compliance with AGRI			
1. Total Compliance with AGRI	666.7	606.8	(9.0)
2. % of Compliance vs. Required 15% for AGRI	10.8	9.3	
E. Total Compliance with AGRI-AGRA			
1. Total Compliance	733.9	662.6	(9.7)
2. % Overall Compliance	11.89	10.2	

^aAs of 30 September 2020

Source: Department of Supervisory Analytics, Bangko Sentral ng Pilipinas

Banks comply with the law by way of direct and/or alternative forms. Direct compliance is through actual extension of loans to eligible borrowers for purposes of financing agriculture and agrarian reform activities and purchase of such eligible loans. Alternative compliance on the other hand include investments in: (a) eligible debt securities such as bonds issued by the Development Bank of the Philippines and Land Bank of the Philippines, and other debt securities certified eligible by the Department of Agriculture; and (b) paid subscription of shares of stocks in accredited rural financial institutions or the Philippine Crop Insurance Corporation (PCIC).

In 2020, a little over half (52%) or P345 billion of banks' overall Agri-Agra compliance were direct compliance or in the form of loans, while 48% amounting to about P318 billion were in alternative forms. In complying with the mandated 15% Agri credit, the banks' direct compliance shared the same proportion to their alternative compliance. However, with the 10% required Agra credit, banks' direct compliance was greater than their alternative compliance (Table 8).

Table 8. Banks' Form of Compliance with the Agri-Agra Law, As of End of Periods Indicated (In Billion Pesos)

	2019		2020 ^a		% Increase/ (Decrease)
	Amount (PB)	% Share	Amount (PB)	% Share	
A. Compliance with AGRA					
1. Direct Compliance	47.1	6.4	42.9	6.5	(8.9)
2. Alternative Compliance	21.3	2.9	14.3	2.2	(32.9)
3. Excess Compliance with AGRA Utilized for AGRI	-0.9	-0.1	-1.4	-0.2	55.6
4. Total Compliance with AGRA	67.5	9.2	55.8	8.4	(17.3)
B. Compliance with AGRI					
1. Direct Compliance	322.7	44.0	302.1	45.6	(6.4)
2. Alternative Compliance	342.7	46.7	303.3	45.8	(11.5)
3. Excess Compliance with AGRA Utilized for AGRI	1.2	0.2	1.4	0.2	16.7
4. Total Compliance with AGRI	666.7	90.8	606.8	91.6	(9.0)
C. Total Compliance with AGRI-AGRA					
1. Direct Compliance	369.8	50.4	345.0	52.1	(6.7)
2. Alternative Compliance	364.1	49.6	317.6	47.9	(12.8)
Total Compliance	733.9	100.0	662.6	100.0	(9.7)

^aAs of 30 September 2020

Source: Department of Supervisory Analytics, Bangko Sentral ng Pilipinas

About 40% of the banks' direct compliance or loans for the agriculture and agrarian reform sector amounting to P134 billion were for agricultural production activities. The second largest share (26%) of bank's direct compliance agri-agra loans were for the financing of any of the activities identified in Section 23 of Republic Act 8435 or the Agriculture and Fisheries Modernization Act (AFMA).

These AFMA activities include: a) procurement of agriculture and fisheries products; b) acquisition of water pumps and installation of tube wells for irrigation; c) working capital for agriculture and fisheries graduates to enable them to engage in agriculture and fisheries-related economic activities; d) agribusiness activities which support soil and water conservation and ecology-enhancing activities; e) privately-funded and LGU-funded irrigation systems that are designed to protect the watershed; f) working capital for long-gestating projects; or g) credit guarantees on uncollateralized loans to farmers and fisherfolk.



A significant proportion of the agri-agra direct compliance were for the purpose of: a) construction, acquisition and repair of facilities for production, processing, storage and marketing; b) Acquisition of seeds, fertilizers, poultry, livestock, feeds and other similar items; and c) Merchandising of agricultural and fishery commodities (Table 9).

Table 9. Amount of Agri-Agra Loans Generated, by Purpose/Utilization, As of End of Periods Indicated (In Billion Pesos)

Loan Purpose/Utilization	2019		2020 ^a		% Increase/ (Decrease)
	Amount (PB)	% Share	Amount (PB)	% Share	
Agricultural production	127.30	34.4	134.07	38.9	5.3
Promotion of agribusiness and exports	6.77	1.8	5.54	1.6	(18.2)
Acquisition of work animals, farm and fishery equipment and machinery	5.93	1.6	4.33	1.3	(27.0)
Acquisition of seeds, fertilizers, poultry, livestock, feeds and other similar items	41.77	11.3	38.92	11.3	(6.8)
Acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments	1.95	0.5	1.99	0.6	2.5
Construction, acquisition and repair of facilities for production, processing, storage and marketing and such other facilities in support of agriculture and fisheries	47.14	12.7	40.08	11.6	(15.0)
Efficient and effective merchandising of agricultural and fishery commodities stored and/or processed by the facilities aforesaid in domestic and foreign commerce	26.24	7.1	29.27	8.5	11.5
Other activities identified in Section 23 of R.A. No. 8435	112.73	30.5	90.80	26.3	(19.4)
Total Direct Compliance	369.83	100.0	345.01	100.0	(6.7)

^aAs of 30 September 2020

Source: Department of Supervisory Analytics, Bangko Sentral ng Pilipinas

Among the different types of banks, Rural and Cooperative Banks (RCBs) had the highest overall compliance rate of 29% having been able to lend or invest a total of P30 billion for the agriculture and agrarian sectors. While RCBs exceeded the 15% agri-credit requirement, it fell short by 1% in meeting the agra component.

On the other hand, the agri-agra financing of Universal and Commercial Banks (UKBs) in compliance with RA 10000 amounted to P612 billion, which accounts for the bulk or 92% of the banking system's overall compliance. This huge amount however is only 10% of the minimum required allocation. Thrift Banks (TBs) likewise was non-compliant posting only about 8% overall compliance (Table 10).

Non-compliant banks are mandated to pay a penalty of one-half of one percent (0.5%) of the amount

of non-compliance or under-compliance. Ninety percent (90%) of the collected penalties are shared equally by the Agricultural Guarantee Fund Pool (now with the Philippine Guarantee Corporation) and the Philippine Crop Insurance Corporation (PCIC). The remaining 10% goes to the Bangko Sentral ng Pilipinas (BSP) to cover its administrative expenses. In 2019, total penalties collected amounted to almost P3 billion.

Table 10. 2020^a Banks' Compliance with the Agri-Agra Law, By Bank Type(In Billion Pesos)

	2019		2020 ^a		% Increase/ (Decrease)
	Amount (PB)	% Share	Amount (PB)	% Share	
A. Compliance with AGRA					
1. Direct Compliance	47.1	6.4	42.9	6.5	(8.9)
2. Alternative Compliance	21.3	2.9	14.3	2.2	(32.9)
3. Excess Compliance with AGRA Utilized for AGRI	-0.9	-0.1	-1.4	-0.2	55.6
4. Total Compliance with AGRA	67.5	9.2	55.8	8.4	(17.3)
B. Compliance with AGRI					
1. Direct Compliance	322.7	44.0	302.1	45.6	(6.4)
2. Alternative Compliance	342.7	46.7	303.3	45.8	(11.5)
3. Excess Compliance with AGRA Utilized for AGRI	1.2	0.2	1.4	0.2	16.7
4. Total Compliance with AGRI	666.7	90.8	606.8	91.6	(9.0)
C. Total Compliance with AGRI-AGRA					
1. Direct Compliance	369.8	50.4	345.0	52.1	(6.7)
2. Alternative Compliance	364.1	49.6	317.6	47.9	(12.8)
Total Compliance	733.9	100.0	662.6	100.0	(9.7)

^aAs of 30 September 2020

Source: Department of Supervisory Analytics, Bangko Sentral ng Pilipinas

To facilitate higher investments by banks in the agriculture and agrarian reform sector and arrest the decline of the share of agri-agra credit in banks' loan portfolio, the implementing rules and regulations (IRR) of RA 10000 has been amended on February 22, 2021. The amended IRR was jointly drafted by the BSP, Department of Agriculture (DA), and Department of Agrarian Reform (DAR), in consultation with the banking industry and took effect on March 24, 2021.

The amendments in the IRR include: (i) expansion of the eligible modes of compliance with the ten percent (10%) agrarian reform credit requirement by including: (a) loans to members of agrarian reform households, and (b) financing of activities that shall generally benefit agrarian reform beneficiaries (ARBs) and/or ARB households as well as agrarian reform communities, (ii) removal of the accreditation requirement for debt securities to be considered as agri-agra eligible, (iii) allow investments in shares of stock of companies that are primarily engaged in eligible agricultural activities as an eligible mode of alternative compliance, and (iv) promotion of special lending arrangements that consider the holistic requirements of agricultural borrowers such as agricultural value chain financing.

Amending the IRR is expected to reduce operational challenges faced by banks in complying with the provisions of R.A. 10000 and facilitate higher investments by banks in the agri-agra sectors, and thus help increase the level of productivity and farmers and fisherfolk's incomes. These would also help the country's agriculture recover from the impact of the COVID-19 pandemic.





GOVERNMENT LENDING PROGRAMS FOR AGRICULTURE

QUICK STATS

CREDIT DEMAND FROM SMALL FARMERS AND FISHERFOLK

A PROJECTION OF DEMAND IN THE COMING YEARS

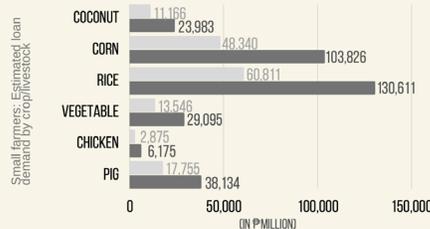
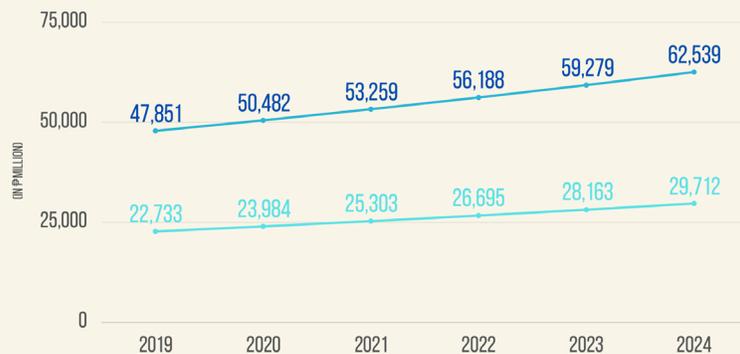
LOW ESTIMATE HIGH ESTIMATE

PROJECTED LOAN DEMAND FROM SMALL FARMERS

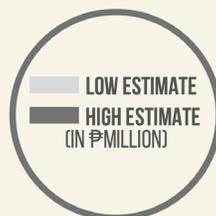


LOW ESTIMATE HIGH ESTIMATE

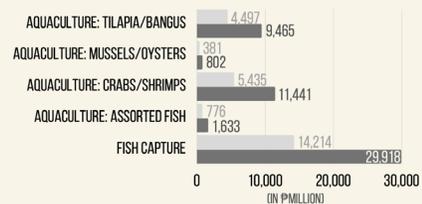
PROJECTED LOAN DEMAND FROM SMALL FISHERS



ESTIMATED LOAN DEMAND BY COMMODITY FOR 2021



Small fishers: Estimated loan demand by fishing activity/fish type





There are currently 36 state-funded credit programs dedicated to the agriculture and fisheries sector. Fifteen (15) of these programs are being administered by the Department of Agriculture (DA) and its attached agencies, namely, the Agricultural Credit Policy Council (ACPC), the Bureau of Fisheries and Aquatic Resources (BFAR), the National Tobacco Administration (NTA), and the Sugar Regulatory Administration (SRA) while two (2) programs are overseen by the Department of Agrarian Reform (DAR). The Land Bank of the Philippines (LANDBANK) has 17 credit facilities available to crop farmers, livestock and poultry raisers, fishers, and agricultural entrepreneurs while the Development Bank of the Philippines (DBP) implements two (2) credit windows for agribusinesses and agriculture entrepreneurs.

In 2020, five (5) new credit facilities were launched by ACPC and LANDBANK. ACPC started three (3) financing programs: a) Kapital Access for Young Agripreneurs (KAYA); b) Agri-Negosyo (ANYO); and c) Expanded SURE-Aid and Recovery (SURE COVID-19). SURE COVID-19 is intended to provide loans to small farmers and fisherfolk (SFF) whose incomes were affected by the enhanced community

quarantine (ECQ) due to COVID-19 pandemic. KAYA is ACPC's initiative to encourage the youth, above 18 to 30 years of age, to go into farming and agribusiness while ANYO is intended for SFF, SFF organizations and micro and small enterprises (MSEs) engaged in agriculture and fisheries food production, delivery of products, and other supply chain activities to ensure the availability of food supply in the country.

LANDBANK opened two (2) credit windows: a) Rural Agro-Industrial Partnership for Inclusive Development (RAPID Growth) Credit Facility, a tie-up project with the Department of Trade and Industry (DTI); and b) Commercial Fishing Vessel Financing Program intended for commercial fishing operators. RAPID Growth aims to upgrade agri-based micro, small and medium enterprises (MSMEs) to create a sustainable market demand for the output of specific agricultural farmers.

The key features, credit delivery schemes, loan terms and conditions of these lending programs, performance during the year as well as the operational issues and challenges faced by the financing institutions or the administering agencies are presented in the ensuing discussions.

Key Features

Credit Programs of the Department of Agriculture

One of the DA's key strategies to help and empower the farming and fishing communities to attain food security for the country is the provision of accessible and affordable financing to small farmers, small fishers, and agri-based MSEs. Consistent with this objective, the 15 credit programs of DA and its attached agencies ACPC, BFAR, NTA, and SRA generally aim to contribute to increasing production, productivity and incomes of the agriculture and fisheries sector. The DA, jointly with ACPC and/or LANDBANK or DBP, directs the implementation of the following programs: Agricultural Competitive Enhancement Fund (ACEF), Expanded Rice Credit Assistance (ERCA) – Rice Competitiveness Enhancement Fund (RCEF), Sikat-Saka, Agrarian Production Credit Program (APCP), and the Upland Southern Mindanao - Credit and Institution Building Program (USM-CIBP).

The ACPC oversees six (6) of the DA programs: Production Loan Easy Access (PLEA), Survival and Recovery Assistance (SURE), BuyAnihan, Kapital Access for Young Agripreneurs (KAYA), Agri-Negosyo (ANYO), and Expanded SURE-Aid and Recovery (SURE COVID-19). The other DA agencies such as BFAR, NTA, and SRA administer financing

programs for the subsectors of agriculture and fisheries that each is mandated to serve. The NTA provides financing assistance to tobacco farmers through two (2) lending windows namely, the Integrated Farming and Other Income Generating Activities Project (IFOIGAP) and the Curing Barn Assistance Project. The BFAR has its partnership with LANDBANK for the Promotion and Development of Mariculture Parks (PDMP). Also, jointly with LANDBANK, SRA administers the Socialized Credit Program (SCP) for sugarcane planters and farm workers and their associations.

Table 11 shows the objectives, target borrowers, commodity focus and area coverage of the agricultural credit programs of the DA and its attached agencies. The different credit facilities of the DA are designed to address the financing requirements of smallholders for their agriculture and fisheries projects and activities such as production, postharvest and marketing. In particular, loans are granted for the purchase of production inputs, as working capital, and/or acquisition of farm equipment, machineries, and post-harvest facilities. These programs aim to increase the productive capacity and incomes of small farmers and fisherfolk and contribute to the nation's goal of sufficient and



affordable food.

There are two (2) ACPC programs that make available financing support for immediate relief and recovery of farmers and fisherfolk affected by calamities, disasters, fortuitous events including the COVID-19 pandemic. The Survival and Recovery Program (SURE) provides financing assistance to farmers and fisherfolk affected by natural calamities. Sub-programs of the SURE are: SURE Hogs – for hog raisers whose farms are affected by the outbreak of the African Swine Fever or ASF; and the SURE-Aid Taal – for farmers and fisherfolk affected by the Taal Volcano eruption. The Expanded SURE Aid and Recovery Project (SURE COVID-19) introduced in 2020 likewise provides emergency relief loans to SFF whose livelihoods were severely affected by the community quarantine restrictions due to the COVID-19 pandemic.

The target borrowers of most of these programs are small farmers and small fishers, albeit the definitions of small farmer slightly differ across a few programs. A small farmer generally refers to a natural person dependent on small-scale subsistence farming as a primary source of income and as one who: (a) owns or an amortizing owner, a tenant, a leaseholder, or a steward of an agricultural land that is not more than 3 hectares¹ (b) is engaged in backyard livestock and poultry raising not exceeding (i) for livestock raising: 20 heads of adults and zero young, 40 heads of young animals, and 10 heads of adults and 22 heads of young animals; and (ii) for poultry raising: 500 layers or 1,000 broilers, 100 layers and 100 broilers if raised in combination, and 100 heads of duck.

Small farmers also include farm workers. A farm worker refers to a natural person who renders service for value as employee or laborer in an agricultural enterprise or farm regardless of whether his compensation is paid on a daily, weekly, monthly, or "pakyaw" basis and including regular or seasonal farm worker.

¹ This is the definition adopted by ACPC in agreement with the NEDA in preparing the PDP 2017-2022, hence, under ACPC programs, PLEA credit facilities and SURE, the limit is 3 hectares. For programs, which were implemented prior to 2017 such as Sikat Saka Program, the farm holding maximum limit to be considered a small farmer is 5 hectares.



On the other hand, small fisherfolk refers to natural persons who are dependent on small-scale fishing activities as a primary source of income, i.e., those: (a) directly or indirectly engaged in taking, culturing, or processing fishery or aquatic resources; (b) those engaged in fishing using gears that do not require boats or boats less than three (3) tons, in municipal waters, coastal and marine areas; (c) workers in commercial fishing and aquaculture; (d) vendors and processors of fish and coastal products; (e) subsistence producers such as shell-gatherers, managers, and producers of mangrove resources, and other related producers.

An added condition in most DA programs is that the farmer or fisherfolk borrower must be registered in the Registry System for Basic Sectors in Agriculture (RSBSA).

It can also be noted from Table 11 that most credit programs of the DA provide financing for all types of agricultural commodities and project activities. Exceptions are a few programs directed to specific commodities such as the DA's Sikat Saka Program for palay/rice and corn, NTA's credit facilities for tobacco, and SRA's Socialized Credit Program for sugarcane. In addition, the ERCA-RCEF and BuyANIhan programs, which were introduced soon after the enactment of the Rice Tariffication Law (RTL).²

All credit programs of the DA and its attached agencies are available to target farmers and fisherfolk nationwide except those of the NTA, which are implemented only in the Ilocos and Cordillera Regions where tobacco is widely grown (Table 11).

² The DA, ACPC and LANDBANK implemented the SURE Aid Rice Credit Program in 2019, which provided a one-time loan assistance to small rice farmers affected by the drop in the farmgate prices of palay attributed to the the Rice Tariffication Law (RTL) in 2019.

Credit Programs of the Department of Agrarian Reform

The DAR has two (2) credit programs for agrarian reform beneficiaries (ARBs). These are the Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) and the Assistance to Restore and Install Sustainable Enterprises for Agrarian Reform Beneficiaries and Small Farm Holders (ARISE-ARBS) Program. Both programs are managed by DAR jointly with the LANDBANK. CAP PBD provides financing to ARBs and non-bank eligible ARB cooperatives and farmers associations for their crop production and enterprise/livelihood. The program also capacitates the borrowing ARBs and their associations to become bank-eligible organizations through capacity-building interventions. CAP-PBD has been in operation for more than 20 years and is now on its extension phase to ensure continued provision of credit and capacity building to ARB borrowers. ARISE-ARBs, on the other hand, started in 2018 to grant credit assistance to ARBs affected by calamities and disasters to restore livelihoods and farming activities. These DAR programs are available nationwide and cover all agricultural commodities and enterprises.



**Table 11. DA and DAR Agricultural Credit Programs:
Key Features**

Program Name, Year Started	Objective	Target Borrowers	Commodity/ Area Coverage
Department of Agriculture (DA)			
1. Expanded Rice Credit Assistance (ERCA) - Rice Competitiveness Enhancement Fund (RCEF), 2019	Improve the productivity of rice farmers and increase their income through credit from the RCEF created by the Rice Tariffication Law (RTL) (RA 11203, 2019)	Rice farmers listed in the Registry System for Basic Sectors in Agriculture (RSBSA); and accredited rice farmers cooperatives.	Palay, Rice/ Nationwide
2. Agricultural Competitive Enhancement Fund (ACEF), 2018	Increase productivity of farmers and fishers by providing credit for the purchase of farm inputs, machineries, equipment, and establishment and improvements of production and post-harvest facilities	Individual farmers and fishers; Micro & small enterprises (MSEs); and Farmers and fisherfolk organizations	All commodities/ Nationwide
3. Agrarian Production Credit Program (APCP), 2012	Provide agri production & enterprise credit, capacity-building, and other support services to agrarian reform beneficiaries (ARBs) and ARB organizations	Agrarian reform beneficiary organizations (ARBOs)	All commodities and types of agri-enterprise/ Nationwide
4. Sikat-Saka Program (SSP), 2012	Provide direct credit window and integrated support services to small palay and corn farmers	Palay and corn farmers	Palay, Corn/Palay in 45 provinces and corn in 11 provinces nationwide.
5. Upland Southern Mindanao - Credit and Institutional Building Program (USM-CIBP), 2007	Attain a sustainable financial services delivery system for small farmers and fisherfolk in the upland areas of Southern Mindanao	Cooperatives	All commodities/ Southern Mindanao upland areas
Agricultural Credit Policy Council (ACPC)			
6. Expanded SURE-Aid and Recovery Project (SURE COVID-19), 2020	Finance the emergency and production capital requirements of small farmers and fishers (SFF) affected by the COVID-19 pandemic; and Provide working capital to micro and small enterprises (MSEs) engaged in agri-fishery food production, marketing and delivery of produce to ensure availability of food supply	SFFs registered in the RSBSA Agri & fishery-based MSEs willing to deliver/ supply the DA-KADIWA ni Ani at Kita ³ centers and markets in Metro Manila and other demand centers	All commodities and agri & fishery-based enterprises/ Nationwide

³ DA-KADIWA ni Ani at Kita is a market system which sells major agricultural goods at reasonably low prices to help poor Filipino households.

**Table 11. DA and DAR Agricultural Credit Programs:
Key Features (cont.)**

Program Name, Year Started	Objective	Target Borrowers	Commodity/ Area Coverage
7. Agri-Negosyo (ANYO) Loan Program, 2020	Provide the required capital and capacities of MSEs for their agriculture and fishery-related economic activities, in support of the DA's vision of elevating Philippine agriculture through increased productivity, and improved incomes of SFF	SFF registered in the RSBSA; Agri & fishery-based MSEs; and Overseas Filipino Workers (OFWs)	All agri & fishery commodities and farm/non-farm enterprises / Nationwide
8. Kapital Access for Young Agripreneurs (KAYA) Loan Program, 2020	Finance working capital and/or fixed asset acquisition requirement of start-up or existing agri-based projects of young entrepreneurs and agri-fishery graduate	Young agriculture & fishery entrepreneurs, 18-30 years of age	All commodities / Nationwide
9. BuyANIhan Program, 2019	Provide working capital loans to farmer-cooperatives/ associations for palay trading (especially for buying palay directly from farmers affected by RTL), palay processing, and marketing of rice to institutional buyers	Cooperatives and associations with rice farmers as members.	Rice, Palay / Nationwide
10. Survival and Recovery Loan Assistance (SURE) Program, 2017	Provide immediate financing relief to SFF affected by natural and other calamities, animal disease outbreak, and other disastrous events, to help them regain their capacity to earn a living	SFF affected by natural calamities and other disastrous events	All affected commodities / In areas declared "under a state of calamity"
11. Production Loan Easy Access (PLEA), 2017	Provide fast, convenient, and affordable credit for the production, trading, marketing, and processing activities of SFF and SFF cooperatives/ associations including their farm mechanization requirements	SFF registered in the RSBSA and SFF cooperatives/ associations	All agri-fishery commodities and machineries, equipment, & facilities/ Nationwide
Bureau of Fisheries and Aquatic Resources (BFAR)			
12. DA-BFAR-LANDBANK Partnership for the Promotion and Development of Mariculture Parks Program (PDMP), 2017	Expand financial, technical, and marketing assistance to the fisheries sector to improve production efficiency and optimize utilization of mariculture parks	Cooperatives; Local Government Units (LGUs); Countryside Financial Institutions (CFIs) (e.g., Rural Banks); SMEs; NGOs/ People's Organizations	Fisheries, aquaculture crops such as, seaweed, milkfish, grouper, abalone, pampano, rabbitfish, etc./ Nationwide

**Table 11. DA and DAR Agricultural Credit Programs:
Key Features (cont.)**

Program Name, Year Started	Objective	Target Borrowers	Commodity/ Area Coverage
13. Integrated Farming and other Income-Generating Activities Project, 2017 a. Tobacco Contract Growing System b. Rice, Wet Season	Increase farmers' productivity and profitability from tobacco and rice production, promote a market-oriented approach in tobacco production through the adoption of a contract growing scheme, to enhance participation of the private sector in production technology transfer, production assistance and leaf marketing	Tobacco farmers	Tobacco, Rice / Region I (Ilocos Norte, Ilocos Sur, La Union, Pangasinan); CAR (Abra); Region II (Cagayan, Isabela)
14. Curing Barn Assistance Project, 2017	Promote the use of NTA-prescribed efficient curing barns/sheds, Increase tobacco farmers' income through the production of properly cured leaf, maximize tobacco farmer's share of the market for domestic cigarette manufacturing and exportation	Tobacco farmers	Tobacco / Region I (Ilocos Norte, Ilocos Sur, La Union, Pangasinan); CAR (Abra); Region II (Cagayan, Isabela)
Sugar Regulatory Administration (SRA)			
15. Socialized Credit Program, 2017	Promote and support productivity improvement programs for sugarcane and increase the incomes of sugarcane farmers /planters and farm workers	Farmers with farm 10 has & below; SRA-accredited sugarcane block farms; Planters' association/ cooperative; SRA-registered service providers	Sugarcane / Nationwide particularly in sugarcane regions and provinces
Department of Agrarian Reform (DAR)			
16. Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) Window III, 2018	Provide credit assistance to existing CAP-PBD Window III coop/FA borrowers to ensure their sustained economic development	Cooperatives and farmers associations with ARB members	All commodities and livelihood or enterprise projects /Nationwide
17. Assistance to Restore and Install Sustainable Enterprise for Agrarian Reform Beneficiaries and Small Farm Holders (ARISE-ARBs), 2018	To make available financing support for disaster affected ARBs and small farm holders and their families to restore livelihoods and farming activities	ARB cooperatives and farmers associations, whose members have been affected by typhoons, disasters, and other natural calamities	Livelihood and agri-enterprises / Nationwide

Sources: LANDBANK, DBP, ACPC, BFAR, NTA, SRA, and DAR



Credit Programs of the Land Bank of the Philippines

The Land Bank of the Philippines (LANDBANK) is the Government's major partner in providing the credit needs of the agriculture sector towards the twin goals of food security and poverty reduction. LANDBANK actively supports agri- and fishery-related projects including off-farm and non-farm livelihood activities, which help increase the sector's productivity and the incomes of agricultural households. It has an extensive rural branch network of 411 branches and extension offices nationwide.

Aside from the lending programs that LANDBANK implements for and on behalf of the DA and the DAR (such as ACEF, ERCA-RCEF, APCP, BFAR PDMP, SCP), LANDBANK has 17 other credit facilities for the agriculture and fisheries sector using its internally-generated funds (Table 12). Many of these lending windows have been in operation for at least three years.

LANDBANK provides financing to farmers, fishers, their cooperatives and associations, as well as to micro, small, and medium enterprises (MSMEs) and agribusiness enterprises (ABEs). To reach more agri and fishery households, LANDBANK channels many of its lending activities through various partner conduits. These include cooperatives, farmers' associations, rural banks and other countryside financial institutions.

There are credit programs of the LANDBANK that

also target specific agri-fishery commodities (i.e., sugar, coconut, specific high value crops, fisheries, and livestock & poultry). These are the Coconut Production and Processing Financing Program (Coco Financing), the Poultry Lending Program, the Milk Program, the Sustainable Aquaculture Lending Program (SALP) / Pagsasakang Pantubig, and the Sugarcane Financing Program. LANDBANK also promotes climate-resilient agriculture through its Climate Resilient Agriculture Financing.

Other priority sectors/borrowers for which specific programs are being implemented by LANDBANK are: the Commercial Fishing Vessel Financing Program – addresses the credit needs of commercial fishing boat operators; the Lending Program for Former Rebels – supports the Government's Enhanced Comprehensive Integration Program aimed at assisting former rebels (i.e., members of the Communist Party of the Philippines (CPP) New People's Army (NPA), and the National Democratic Front (NDF)) who want to engage in livelihood activities; the Farm Tourism Financing Program – can be availed of by farm operators to finance development of farm tourism camps; Accessible Funds for Delivery (AFFORD) ARBs Lending Program – provides loans to Agrarian Reform Beneficiaries (ARBs) for the acquisition of small farm implements; and the Young Entrepreneurs from School to Agriculture Program (Yes! To

Agriculture Program or YESAP) – seeks to encourage the youth to engage in viable/ sustainable agricultural and agri-business projects. These programs are implemented in all regions and provinces nationwide.

LANDBANK also implements the following area-specific programs: a) the RAPID

Credit Growth Facility being implemented in Region VIII and the whole of Mindanao; and b) Empowering Barangays in Remote Areas through Credit and Enterprises (EMBRACE) covering 169 unserved municipalities nationwide.

Credit Programs of the Development Bank of the Philippines

The Development Bank of the Philippines (DBP) is another government financial institution that provides credit support to the agriculture sector. DBP's primary objective is to provide banking services to cater to the medium and long-term needs of agricultural and industrial enterprises especially small and medium-scale industries. Lending windows of DBP support infrastructure development, responsible entrepreneurship, efficient social services, protection of the environment, and micro, small, and medium enterprises (MSMEs).

DBP implements the following credit programs for the growth and expansion of the local agriculture and fishery-based MSMEs, namely: Sustainable Agribusiness Financing Program (SAFP), Broiler Contract Growing Program (BCGP), ERCA-RCEF, and BuyANIhan. DBP co-administers ERCA-RCEF and BuyANIhan programs with the DA and ACPC for the rice sector. Two (2) of these programs (i.e., SAFP and BCGP) are internally funded by the bank. The SAFP provides loan assistance for agribusiness projects engaged in the production, harvesting, processing, and marketing of crops, poultry, livestock, and fishery. While the BCGP is a sub-program under the SAFP which is designed to encourage poultry contract growers to expand their businesses through shorter loan processing for the financing of broiler contract growing projects. These programs cover all the regions and provinces nationwide (Table 12).



**Table 12. LANDBANK and DBP Agricultural Lending Facilities:
Key Features**

Name of Facility, Year Started	Objective	Target borrowers	Commodity / Area Coverage
A. Land Bank of the Philippines			
1. Commercial Fishing Vessel Financing Program, 2020	Provide credit assistance to existing and/or prospective commercial fishing operators in acquiring fishing vessels for domestic or overseas use in consonance with the policy of the government to liberalize vessel acquisitions	Single proprietors; Partnerships; Cooperatives; and Corporations	Fishing vessels/ Nationwide
2. Rural Agro-Industrial Partnership for Inclusive Development (RAPID) Growth Credit Facility, 2020	Increase income of small farmers and unemployed rural women and men across selected agriculture-based value chains and provide strategic enabling conditions for the sustained growth of agriculture-based MSMEs in commodity value chains with comparative advantage, market demand, growth potential, backward linkages to small farmers and job creation effects	Cooperatives; Farmer associations; NGOs; and MSMEs	All commodities / Selected provinces in Region 8 (Eastern Visayas) and in Mindanao
3. Financing Program for Greenhouse Farming System, 2019	Enhance the viability, sustainability, and competitiveness of high value crop production by farmers by adopting greenhouse far technology	Cooperatives; Farmers' associations; SMEs; Agri- business enterprises (ABEs); Corporations; LGUs; NGOs; Joint venture companies	High value crops/ Nationwide
4. Palay at Mais ng Lalawigan Program, 2019	Provide credit assistance to municipal, city and provincial local government units (LGUs) to purchase the palay and corn produced by local farmers, thus, ensuring ready market and steady price for palay and corn produce	Municipal, city and provincial LGUs	Palay and corn/ Nationwide
5. Sulong Saka Program, 2019	Provide credit assistance to various qualified stakeholders to support their production, processing, and marketing of high-value crops (banana, cacao, cassava, coffee, oil palm, rubber, vegetables, etc.)	Small farm holders; SMEs; Cooperatives; Farmer Associations; Large ABEs; Corporations; LGUs; NGOs	High-value crops / Nationwide
6. Lending Program for Former Rebels, 2018	Support the Government's Enhanced Comprehensive Integration Program, which aims to assist former members of the Communist Party of the Philippines, New People's Army, and National Democratic Front who expressed their desire to abandon armed struggle and become productive members of society	Individual former rebels with immediate family members as loan co-maker; Cooperatives / associations with former rebels as regular members	Crops, livestock & poultry, fisheries (tilapia and milk fish) /Nationwide
7. Farm Tourism Financing Program, 2018	Aims to assist farm tourism operators in developing farm tourism camps or activities that allow visitors to enjoy farming or fishing experience through education, recreation, or leisure	Farm tourism operators and investors (Corporations, sole proprietors, partners, farmer associations, cooperatives, LGUs, State Universities and Colleges (SUCs)	Farm tourism activities/ Nationwide
8. Accessible Funds for Delivery (AFFORD) to ARBs Lending Program, 2018	Provide credit assistance to agrarian reform beneficiaries (ARBs) who are engaged in the production of rice, corn and high-value crops	ARBs	Rice, corn, and high-value crops/ Nationwide

Sources: LANDBANK and DBP

**Table 12. LANDBANK and DBP Agricultural Lending Facilities:
Key Features (cont.)**

Name of Facility, Year Started	Objective	Target Borrowers	Commodity/ Area Coverage
9. Young Entrepreneurs from School to Agriculture Program (YESAP), 2017	Encourage the youth engaged in viable/ sustainable agricultural and agri-business projects to contribute to increase food security in the future	MSMEs registered as sole proprietorship	All agri-fishery products/ Nationwide
10. Climate Resilient Agriculture Financing Program, 2016	Promote climate change adaptation initiatives towards climate-resilient agriculture	Sole Proprietorship Partnership, Corporation, NGOs, Cooperatives, Associations, and LGUs	Crops, livestock, and fisheries/ Nationwide
11. Agri-Mechanization Lending Program, 2016	Promote mechanization of production and post-production processes from planting-harvesting-processing to increase efficiency, reduce postharvest losses and lower cost of production	Sole Proprietorship Partnership, Corporation, NGOs, Cooperatives, Associations, and LGUs	Mechanization requirement of all commodities/ Nationwide
12. Empowering Barangays in Remote Areas through Credit and Enterprises (EMBRACE), 2016	Assist individual borrowers in unserved areas in line with the Government's thrust for financial inclusion and in pursuit of LANDBANK's mandate to mainstream target clients to its regular lending window.	Small farmers and fishers, and MSEs	Agricultural crops, livestock, and fishery/ Nationwide
13. Coconut Production and Processing Financing Program (Coco Financing), 2015	Provide credit assistance to coconut farmers and other industry stakeholders engaged in the production and processing of coconut-based products	Small farm holders; SMEs Cooperatives; Farmer associations; ABEs; and Corporations	Coconut/ Nationwide
14. Poultry Lending Program, 2015	Strengthen egg and poultry meat production by meeting the credit requirement of proponents willing to undertake poultry production	Cooperatives; Individuals, SMEs, Large ABEs; and Corporations	Poultry/ Nationwide
15. Milk Program, 2014	Provide financial and technical support for dairy production, processing, marketing, and other dairy-based activities	Cooperatives/associations; SMEs; ABEs	Dairy products/ Nationwide
16. Sustainable Aquaculture Lending Program (SALP), 2013	Help increase the contribution of the aquaculture sector in achieving food self-sufficiency	Cooperatives, Federations, Associations; NGOs, MSMEs, Large ABEs	Fish, Aquaculture/ Nationwide
17. Sugarcane Financing Program, 2005	Provide credit assistance to sugar planters, millers, traders, and farmer's cooperatives	MSMEs; Large ABEs; Farmer cooperatives or associations; NGOs	Sugarcane/ Nationwide
B. Development Bank of the Philippines			
18. Sustainable Agribusiness Financing Program (SAFP), 2015	Provide loan assistance for agribusiness projects engaged in agriculture and fisheries production, harvesting, processing, and marketing	Business entities; LGUs	All commodities/ Nationwide
19. Broiler Contract Growing Program (BCGP), 2017	Promote agribusiness for countryside development while responding to the food requirements of the country; and Encourage poultry growers to expand their businesses through shorter loan processing	Broiler contract growers; LGUs	Poultry/ Nationwide

Sources: LANDBANK and DBP

Loan Delivery Schemes

Government-supported agricultural and fishery credit programs deliver loans to end-borrowers via two (2) modalities: a) direct lending by a financing institution to target individual or group borrowers and b) wholesale lending to eligible partner lending conduits for on-lending to target individual or group farmer borrowers.

LANDBANK plays a key role in the implementation of many of the agri-fishery financing programs of the DA, DAR and DA agencies. Half (9) of these 17 lending programs are implemented in partnership with LANDBANK, with LANDBANK loaning out the program fund or funding the program itself. Specifically, under the DA ERCA-RCEF, DA ACEF, SRA SCP, and DAR's CAP-PBD and ARISE ARBs), DA, SRA, and DAR transfer program funds to LANDBANK (Table 13).

Lending to the program's target borrowers is directly carried out by LANDBANK through its lending centers. In the case of wholesale lending, for example, under the ACEF, LANDBANK involves different types of credit conduits, including cooperatives, rural banks and non-government organizations (NGOs). On the other hand, program funds of the APCP, Sikat-Saka, USM-CIBP and BFAR PMDP are used to guarantee loans that are released by LANDBANK using its own internal funds.

Both the ACPC and the NTA employ partner lending conduits (PLCs) for their respective programs' service delivery. PLCs include government financial institutions, cooperative banks, rural banks, cooperatives, farmer associations, non-government organizations (NGOs), and other institutions engaged in agricultural lending. In the case of ACPC credit facilities, program funds are transferred to accredited PLCs, mostly rural and cooperative banks and cooperatives/farmers associations, which lend directly to qualified small farmer and fisherfolk borrowers. Likewise, they lend to tobacco farmers through accredited cooperatives under its Contract Growing and Rice Programs (Table 13).

Internally funded loans of both the LANDBANK and DBP are delivered directly to borrowers through their lending centers or branches.



**Table 13. DA and DAR Agricultural Credit Programs:
Loan Fund Delivery Schemes**

Program	Lead Overseer	Credit Fund Management	Credit Delivery Modality
DA and DA Agencies (ACPC, BFAR, NTA, SRA)			
1. Expanded Rice Credit Assistance (ERCA) - RCEF, 2019	DA	RCEF credit fund is placed in LANDBANK and DBP (P500 million each year since 2019) for lending to eligible rice farmer borrowers	LANDBANK lends directly to individual rice farmers and DA-accredited cooperatives while DBP lends to rice farmers through cooperatives
2. Agricultural Competitive Enhancement Fund (ACEF), 2018	DA	LANDBANK manages the ACEF credit fund for a management fee of 4.5% of the loan	LANDBANK lends directly to farmers and fishers or wholesales on-lending funds to PFIs such as rural banks, coop banks, and farmer coops/associations
3. Agrarian Production Credit Program (APCP), 2012	DA, DAR, DENR, ACPC	APCP credit fund is deposited in trust with LANDBANK used as 100% guarantee against loan default of ARBO borrowers; LANDBANK uses its own funds for lending	LANDBANK lends to ARBOs, most of which on-lend the APCP borrowed fund to member ARBs
4. Sikat-Saka Program (SSP), 2012	DA, LANDBANK, ACPC	DA-ACPC provided P800 million credit funds matched by LANDBANK (1:1) for lending to rice and corn farmers; the DA-ACPC fund is used as 100% credit guarantee cover	LANDBANK lends directly to qualified rice and corn farmer borrowers endorsed by irrigators' associations
5. Upland Southern Mindanao - Credit and Institutional Building Program (USM-CIBP), 2007	DA, ACPC	LANDBANK implements the credit component of the USM-CIBP by using its own funds to lend to USM-CIBP borrowers while DA-ACPC fund provides 100% credit guarantee	LANDBANK lends directly to eligible cooperative/association borrowers
6. SURE COVID-19, 2020	ACPC	SURE-COVID-19 funds are transferred to partner lending conduits (PLCs) for lending to small farmers and fishers (SFF) and MSEs	GFIs and PLCs such as rural banks, coop banks, cooperatives, farmer associations, and NGOs lend to target SFF and MSEs
7. Agri-Negosyo (ANYO) Program, 2020	ACPC	ANYO funds are transferred to partner lending conduits (PLCs) for lending to small farmers and fishers (SFF) and MSEs	GFIs and PLCs such as rural banks, coop banks, cooperatives, farmer associations, and NGOs lend to target SFF and MSEs

Sources: LANDBANK, DBP, ACPC, BFAR, NTA, SRA, and DAR

**Table 13. DA and DAR Agricultural Credit Programs:
Loan Fund Delivery Schemes (cont.)**

Program	Lead Overseer	Credit Fund Management	Credit Delivery Modality
8. Kapital Access for Young Agripreneurs (KAYA) Loan Program, 2020	ACPC	KAYA funds are transferred to PLCs for lending to young farmers, fishers, and agripreneurs	GFIs and PLCs such as rural banks, coop banks, cooperatives, farmer associations, and NGOs lend to eligible borrowers
9. BuyANIhan Program, 2019	ACPC	P200 million was provided by to DBP to be utilized as loan assistance to cooperatives and associations in buying palay from rice farmers.	DBP lends to cooperatives and associations with rice farmers as members
10. Survival and Recovery Loan Assistance (SURE) Program, 2017	ACPC	SURE Program funds are transferred to PLCs for lending to qualified small farmers and fishers	PLCs such as rural banks, coop banks, cooperatives, farmer associations, and NGOs lend to eligible borrowers
11. Production Loan Easy Access (PLEA), 2017	ACPC	PLEA funds are transferred to PLCs for lending to qualified small farmers and fishers	PLCs such as rural banks, coop banks, cooperatives, farmer associations, and NGOs lend to eligible borrowers
12. DA-BFAR-LANDBANK Partnership for PDMP, 2017	BFAR	BFAR PDMP funds are deposited in trust at LANDBANK as hold-out deposit to guarantee loans released to qualified borrowers	LANDBANK lends to eligible cooperatives, LGUs, Rural Banks, SMEs, NGOs and other people's organizations (POs)
13. IFOIGAP, 2017 (Tobacco Contract Growing System: and Rice, Wet Season)	NTA	NTA manages the subsidy/credit fund intended for lending to eligible tobacco farmers	Accredited cooperatives lend to eligible tobacco farmers
14. Curing Barn Assistance Project, 2017	NTA	NTA manages the project fund	NTA provides assistance including loans directly to tobacco farmers
15. Socialized Credit Program (SCP), 2017	SRA	LANDBANK manages the SCP Fund (P600 million) for a 4.5% p.a. fee for on-lending to accredited conduits	Eligible conduits such as banks, cooperatives, NGOs, other funds lend the SCP funds to sugar planters and other qualified borrowers
DAR Credit Programs			
16. Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) Window III, 2018	DAR	DAR provides the credit fund to LANDBANK for on-lending to ARBs through eligible conduits	LANDBANK wholesales loans to cooperatives/farmers associations, which in turn, relends to ARB members
17. Assistance to Restore and Install Sustainable Enterprise for Agrarian Reform Beneficiaries and Small Farm Holders (ARISE-ARBs), 2018	DAR	DAR provides credit fund to LANDBANK for on-lending to ARBs through eligible conduits or directly to qualified ARB cooperative/farmer association borrowers	LANDBANK lends to cooperatives/ farmer associations for on-lending to ARB member borrowers or for funding the project of the borrowing cooperative/farmer association

Sources: LANDBANK, DBP, ACPC, BFAR, NTA, SRA, and DAR

Lending Terms and Conditions

Loan Terms under the Credit Programs of the DA and DAR

Table 14 details the loan terms and conditions under the agricultural credit programs of DA, DAR, and DA agencies specifying the eligible loan purpose, loan ceiling, loan maturity, the required collateral or loan security, and interest rate charges. These are summarized below.

Eligible loan purpose. The programs of DA and DAR are essentially designed to finance the production of agriculture and fishery commodities with most programs covering any and/or all commodities while some provide loans only to specific crops (such as SSP- rice and corn, NTA's credit projects - tobacco and rice; BFAR – fish and SRA SCP – sugarcane). Production loans would include purchase of farm inputs, acquisition of implements and machineries, and costs of hired labor. A number of programs also provide credit for working capital, acquisition of fixed assets, and procurement of machineries/facilities (including hauling trucks/vehicles) to be used during post-production, post-harvest, or processing activities. These programs are SRA's SCP, PLEA, ANYO, KAYA (working capital and farm machinery, equipment and post-harvest facility), CAP-PBD and ACEF.

A few of the credit programs offer financing for quite a different purpose/activity. DA APCP and DAR CAP-PBD provide loans for non-agricultural livelihood/enterprises/ income-generating projects of ARB household members. Another is ACPC SURE, which makes available loans for emergency, relief and/or farm rehabilitation purposes for small farmers and fishers affected by calamities and other catastrophic events. On the other hand, the DAR's ARISE ARBS grants providential loans particularly for the repair of house of ARBs and/or repair of office of the





ARB conduit cooperative/farmer association affected by calamity.

Loan ceiling. The maximum amount of loan that a farmer/fisher can borrow mostly depends on the credit requirement and project cost indicated in the farm plan and budget approved by the program overseer or the relevant DA or financing agency. The maximum loanable amount is usually up to 80% or 90% of the total project cost. Also, if the borrower is a cooperative, an association, or a financing institution, the maximum amount that it can borrow may also be based on its borrowing capacity. Some programs have fixed the maximum amount of loan based on the type agricultural project/activity to be financed or borrower (Table 14). For instance, PLEA has pegged its loan ceiling at P50,000 per borrower for production loan. NTA has varying loan ceilings across its lending program on a per hectare basis according to the types of tobacco to be produced. On the other hand, ACEF pegged it P1 million per individual farmer borrower and P5 million per farmer cooperative or association. SURE has fixed its loan ceiling at P25,000 per farmer borrower while ARISE ARBS is at P10,000 per ARB or P100,000 per conduit.

Loan maturity. In general, the loan maturity or the length of period after which the loan has to be paid back set under the DA credit programs is based on the project cycle/ cashflow or crop gestation period. For loans used to acquire fixed assets (such as machines, equipment, and facilities), loan maturity is usually based on the economic useful life of the asset to be acquired. Crop production loan maturities range from four months (Sikat Saka Program) to seven years inclusive of three years grace period (APCP) while those for fixed asset loans, maturities are up to three years (AFFP), five years (APCP) or 10 years (PLEA).

For the ANYO, PLEA, KAYA, and ACEF programs of the DA, loan maturity depends on either the project cash flow or project gestation period, but only up to a maximum of five years. A grace period on principal repayment may also be granted up to a maximum of three years based on the

project's gestation period.

Collateral/Loan Security. For most of the agricultural credit programs being implemented, loan collateral/security is not required (e.g., SURE COVID-19, ANYO Program, KAYA Program, PLEA, BuyANIhan, and NTA programs). However, collateral substitutes are required for other programs such as the BuyANIhan Program, PLEA, SURE, ACEF, ERCA-RCEF, APCP, Sikat Saka Program, DA-BFAR-LANDBANK PDMP, and the SRA Socialized Credit Program. Collateral or loan security can be in the form of any or a combination of the following, as applicable: i) unregistered Real Estate Mortgage; ii) unregistered chattel mortgage; iv) Assignment of proceeds from insurance mortgage; iii) assignment of proceeds from insurance/ guarantee claims such as PCIC, AGFP and Credit Surety Fund (CSF); iv) Insurance cover on the facilities/chattel finance endorsed in favor of the Bank; v) Assignment of Receivable; and v) Assignment of sub-borrowers PNs including underlying collaterals, if any. Collateral/loan security requirement for each program is listed in Table 14.

Interest rate. The DA and DAR credit programs have prescribed or fixed loan Interest rate charges to end-borrower farmers and fisherfolk based on legislations or decisions of the governing committees of the program. In particular, the loan Interest rates on loans to end-borrowers under the DA ACEF, SRA SCP, and NTA IFOIGAP are capped at 2%.

Other programs apply higher interest rate on loans to borrowers of 6% per annum to SFF borrowers under ACPC PLEA and 8.5% per annum to ARB organization (ARBO) borrowers under DA APCP and DAR CAP PBD. Moreover, loans of ARBOs from DA APCP and DAR CAP PBD that are used for on-lending to their member ARBs can be charged pass-on rates of not exceeding 15% per annum.

ACPC credit programs introduced from 2017 onwards do not bear any interest (i.e., SURE COVID-19, ANYO, KAYA, BuyANIhan). Albeit lending conduits participating in the implementation of these credit programs may charge a service fee of up to 3.5% per transaction to cover their lending costs (Table 14).



Table 14. DA and DAR Agricultural Credit Programs: Loan Terms and Conditions

Program	Eligible Loan Purpose	Loan Ceiling	Loan Term/Maturity	Collateral/Loan Security	Interest Rate
1. DA Expanded Rice Credit Assistance (ERCA) - RCEF, 2019	<ul style="list-style-type: none"> Purchase of farm inputs (materials and labor) Acquisition of farm equipment for production and post-production <p>In addition, for cooperatives:</p> <ul style="list-style-type: none"> Working capital Establishment of facilities for production, post-production, processing, and trading 	<ul style="list-style-type: none"> Up to 90% of the total project cost based on the farm plan and budget / business plan 	<ul style="list-style-type: none"> 180 days Acquisition of fixed assets – depends on projected cash flow, but no longer than the economic useful life, of the fixed assets 	<ul style="list-style-type: none"> PCIC crop insurance proceeds Chattel mortgage on subject of financing Real Estate Mortgage 	Two percent (2%) per annum
2. DA Agricultural Competitive Enhancement Fund (ACEF), 2018	<ul style="list-style-type: none"> Purchase of farm inputs and equipment or for farm improvement Acquisition/establishment of machineries, equipment and facilities for agri-based production, post-production, and processing 	<ul style="list-style-type: none"> P1 million per individual farmer/ fisherfolk P5 million per cooperative, association, or MSE 	<ul style="list-style-type: none"> Depends on the gestation period of the commodity to be financed 	<ul style="list-style-type: none"> Assignment of expected produce Insurance proceeds, if applicable Chattel mortgage on object of financing Real Estate Mortgage 	<ul style="list-style-type: none"> 2% per annum on loans of LANDBANK directly to farmer/fisher 0% LANDBANK to cooperatives/associations/MSEs and 6% per annum pass-on rate to farmers/fishers
3. DA Agrarian Production Credit Program (APCP), 2012	<ul style="list-style-type: none"> Agriculture and fisheries production Agri-enterprise or livelihood project 	<ul style="list-style-type: none"> Production loan – LANDBANK loan ceiling per project type based on the cost of production Agri-enterprise loan – 10% of ARBO borrower's loan portfolio or up to P1 million per ARB borrower 	<ul style="list-style-type: none"> Production – seven years Working capital – based on the project cycle/ cash flow Fixed asset acquisition – based on project cash flow & r economic useful life of the asset, but not to exceed 5 years 	<ul style="list-style-type: none"> Assignment of promissory notes and underlying collaterals Assignment of proceeds of insurance and hold-out deposit Chattel mortgage as object of financing 	<ul style="list-style-type: none"> 8.5% per annum from LANDBANK to ARBOs and 15% per annum pass-on rate to member ARB borrowers
4. DA Sikat-Saka Program (SSP), 2012	<ul style="list-style-type: none"> Rice production Corn production 	<ul style="list-style-type: none"> P41,000/ha - inbred seeds P50,000/ha - hybrid seeds 	<ul style="list-style-type: none"> 4-6 months 	<ul style="list-style-type: none"> Assignment of produce and receivables Crop insurance, guarantee or hold-out deposit 	<ul style="list-style-type: none"> 15% per annum (declining for borrowers in good standing by 1% per year until 9% per annum)

Table 14. DA and DAR Agricultural Credit Programs: Loan Terms and Conditions (cont.)

Program	Eligible Loan Purpose	Loan Ceiling	Loan Term/Maturity	Collateral/Loan Security	Interest Rate
5. DA Upland Southern Mindanao - Credit and Institutional Building Program (USM-CIBP), 2007	<ul style="list-style-type: none"> Working Capital 	<ul style="list-style-type: none"> Depending on the credit requirement of the coop but not to exceed P3 million 	<ul style="list-style-type: none"> Short-term – up to 360 days Term Loan – 3 years 	<ul style="list-style-type: none"> Marketing agreement with buyers 	<ul style="list-style-type: none"> Prevailing LANDBANK rate at the time (not lower than 6% per annum)
6. ACPC SURE COVID-19, 2020	<ul style="list-style-type: none"> Emergency and production capital requirement of SFFs Working capital requirement of agri & fishery-based MSEs 	<ul style="list-style-type: none"> Up to P25,000 per SFF up to P10 million per MSE borrower 	<ul style="list-style-type: none"> Up to 10 years for SFF loans Five (5) years, inclusive of a one (1) year grace period for loans to MSEs 	<ul style="list-style-type: none"> No collateral requirement 	<ul style="list-style-type: none"> Zero (0%) interest to SFF and MSEs PLCs may charge a service fee of up to 3% per loan transaction
7. ACPC Agri-Negosyo (ANYO) Loan Program, 2020	<ul style="list-style-type: none"> Agri-fishery production, processing, or marketing Non-farm enterprises in combination of agri fishery-based income generating project Acquisition of machinery /equipment, construction of facility 	<ul style="list-style-type: none"> Small enterprises and SFF coops/associations - Up to 90% of the project cost but not to exceed P15 million or total assets Micro enterprises - Up to 90% of the project cost but not to exceed P3 million or total assets Individual SFF - Up to P300,000 For start-ups - Up to P1 million and not to exceed debt-to-equity ratio of 6:1 	<ul style="list-style-type: none"> Depends on the project cash flow and/or gestation period, but not to exceed five (5) years 	<ul style="list-style-type: none"> No collateral requirement 	<ul style="list-style-type: none"> Zero percent (0%) interest PLCs may charge a one-time service fee of 3.5% finance charges to cover its costs up to a spread of at most 6% per annum
8. ACPC Kapital Access for Young Agripreneurs (KAYA) Loan Program, 2020	<ul style="list-style-type: none"> Working capital and/or fixed asset acquisition requirement of start-up or existing agri-based projects 	<ul style="list-style-type: none"> Up to P500,000 depending on the type of project and borrower's capacity to pay 	<ul style="list-style-type: none"> Depends on the project cash flow and/or gestation period but not to exceed five (5) years 	<ul style="list-style-type: none"> No collateral requirement 	<ul style="list-style-type: none"> Zero percent (0%) interest PLCs may charge a one-time service fee of 3.5%

Sources: LANDBANK, DBP, ACPC, BFAR, NTA, SRA, and DAR.

Table 14. DA and DAR Agricultural Credit Programs: Loan Terms and Conditions (cont.)

Program	Eligible Loan Purpose	Loan Ceiling	Loan Term/Maturity	Collateral/Loan Security	Interest Rate
9. ACPC BuyAnihan Program, 2019	Working capital for buying palay	Up to 100% of the maximum inventory level based on the warehouse or storage capacity	Up to 3 years	<ul style="list-style-type: none"> Real Estate Mortgage; Chattel Mortgage; and/or Assignment of agri insurance/guaranteee and/or receivables 	2.5% per annum service fee
10. ACPC Survival and Recovery (SURE) Loan Assistance Program, 2017	Farm rehabilitation - production inputs, repair of farm/fishery assets, acquisition of livestock/ work animals, others	Up to P25,000 per borrower	Not to exceed 3 years	Agri insurance	Zero (0%) interest
11. ACPC Production Loan Easy Access (PLEA), 2017	Production of crops, poultry, livestock, or fisheries; Working capital and acquisition of farm machineries and equipment	<ul style="list-style-type: none"> P50,000 per SFF borrower P5 million per farmer association/coop borrower P250,000 – farm implements/ equipment 	2 to 10 years depending on the commodity or the activity	Agri insurance	6% per annum
12. DA-BFAR-LANDBANK Partnership for the Promotion and Development of Mariculture Parks Program (PDMIP), 2017	Fish production and related projects / ancillary industries	Based on the actual requirement of the project / commodity and the organization's net borrowing capacity	<ul style="list-style-type: none"> Up to 1 year for short-term loans Up to 5 years for term loans 	<ul style="list-style-type: none"> Real estate mortgage Assignment of sub-promissory notes (PNs) and underlying collaterals Other securities (chattel mortgage, guarantee, hold-out on deposits) 	Prevailing LANDBANK rate at the time (not lower than 6% per annum)
13. NTA IFOIGAP, 2017	<ul style="list-style-type: none"> Tobacco Production Rice Production 	<ul style="list-style-type: none"> Tobacco - Ranging from P45,400 to P69,500 per ha depending on tobacco flavor/type Rice - Not to exceed P20,000 per hectare 	<ul style="list-style-type: none"> Tobacco - 1 year Rice - 4-6 months 	None	2% per annum
a. Tobacco Contract Growing System					
b. Rice, Wet Season					
14. NTA Curing Barn Assistance Project, 2017	<ul style="list-style-type: none"> Repair of curing barn Construction 	<ul style="list-style-type: none"> Repair - P20,000/unit Construction- P50,000/unit P40,000 per farmer 	<ul style="list-style-type: none"> Repair - (2) years Construction - (4) years 	None	6% per annum

Sources: LANDBANK, DBP, ACPC, BFAR, NTA, SRA, and DAR.

Table 14. DA and DAR Agricultural Credit Programs: Loan Terms and Conditions (cont.)

Program	Eligible Loan Purpose	Loan Ceiling	Loan Term/Maturity	Collateral/Loan Security	Interest Rate
15. SRA Socialized Credit Program (SCP), 2017	<ul style="list-style-type: none"> Sugarcane production Assets acquisition (e.g., farm machinery/equipment, tractor and implements, irrigation, hauling trucks) Construction of equipment shed, motor pool, garage Working capital for farm labor service providers, farm equipment operation 	90% of the total project cost or financing requirement	Maximum of 18 months from the release of the loan	<ul style="list-style-type: none"> Proof of ownership of properties or tenure rights on farms Assignment of sugar quedans, agri insurance, loan guarantee, others 	<ul style="list-style-type: none"> 2% per annum for individual farmers/ block farms 6.5% per annum for common service center
16. DAR Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) Window III, 2018	<ul style="list-style-type: none"> Working capital Agricultural (crop, livestock, & aquaculture) production 	Up to 80% of the total project cost but not to exceed P5M per conduit	Up to 2 years coinciding with the maturity of the loan of ARB sub-borrowers	<ul style="list-style-type: none"> Assignment of PNs and underlying collaterals; Assignment on inventory, receivables and proceeds of marketing contract; CM/REM on object of financing; &/or Assignment of proceeds of insurance or guarantee claims 	Short-term loan (STL) and Term Loan (TL) - 6% p.a.
17. DAR Assistance to Restore and Install Sustainable Enterprise for Agrarian Reform Beneficiaries and Small Farm Holders (ARISE-ARBs), 2018	<ul style="list-style-type: none"> Livelihood / agri - enterprise loans Provident loans 	<ul style="list-style-type: none"> Livelihood - Up to P1 million per conduit Providential - Up to P10,000 per ARB/small farm holders; Up to P100,000 per ARBO 	Up to 3 years	<ul style="list-style-type: none"> For Agri-Enterprise/Livelihood Loans: <ul style="list-style-type: none"> Assignment of sub-borrower's promissory notes (PNs) and underlying collaterals, if any.; Assignment of insurance claims, if any For provident loans: <ul style="list-style-type: none"> Assignment of sub-borrower's PNs and underlying collaterals, if any 	<ul style="list-style-type: none"> Livelihood - 3% per annum Providential - 0% per annum

Sources: LANDBANK, DBP, ACP, BFAR, NTA, SRA, and DAR.

Loan Terms under the Agricultural Credit Programs of the Land Bank of the Philippines and the Development Bank of the Philippines

The lending terms and conditions under 17 LANDBANK and 2 DBP credit facilities for the agriculture and fisheries sector are, by and large, the same as shown in Table 15.

Eligible Loan Purpose. Loans obtained from the different agricultural lending facilities of the LANDBANK or DBP should be used for agri-related project development and/or expansion purposes that includes the following: crop production, livestock and poultry raising, fish/aquaculture production, agri products processing/manufacturing, trading including export, farm rehabilitation, working capital, acquisition of fixed assets, post-harvest/processing facilities, procurement of dairy cows, farm machineries, tractor services, building construction (particularly for livestock/poultry contract growing), and agri-enterprises and other livelihood projects (particularly under EMBRACE).

Loan Ceiling. Under LANDBANK's credit programs, loan ceiling depends on the credit needs of the farmer based on the project plan and budget submitted, but not to exceed 80% of the total project cost. This applies to the following programs: Commercial Fishing Vessel Financing Program, RAPID Growth Credit Facility, Greenhouse Farming System, Sulong Saka, Farm Tourism, Lending Program for Former Rebels, AFFORD ARBs, Young Entrepreneurs from School to Agriculture Program (YESAP), Climate Resilient Agriculture, Agri-Mechanization, EMBRACE, Coco Financing, Poultry Lending, Milk Program, Pagsasakang Pantubig, and Sugar Cane Financing Program.

On the other hand, the maximum loan amount that DBP allows slightly differs depending on the type of loan/project. For regular loans under SAFFP, the loan ceiling is up to 90% of the total project cost (TPC) while for plantation, livestock and poultry projects, it is up to 80% of TPC. Loan amount for broiler growing under BCGP is up to 70% of the TPC.

Loan Maturity. The maturities of eligible loans (or credit lines) from the LANDBANK or DBP



under its agricultural credit programs are given either short-term period, i.e., 360 days or up to 1 year, or long/er term, i.e., beyond 360 days/1 year based on project gestation, projected cash flow, or economic useful life of fixed asset. LANDBANK term loans are mostly up to five years except working capital loans, which are given up to three years, Sulong Saka loans, 10 years and loans to young entrepreneurs under YESAP, up to 15 years. DBP term loans are imposed maturities that do not exceed 15 years.

Collateral/Loan Security. Depending on the loan purpose and project type, LANDBANK and DBP require and accept any or a combination of the following collateral/loan security: real estate mortgage; chattel mortgage; assignment of credit guarantee, surety, insurance; assignment of leasehold rights signed between the landowner and lessee/ investors, hold-out deposit, assignment of 100% receivables from marketing contract; investments or any other money market instruments; and for LGUs, deed of assignment of a portion of IRA.

Interest Rate. Under most of the LANDBANK's agriculture credit programs, interest charges on loans are "based on prevailing LANDBANK rate at the time of availment" as determined by LANDBANK management and hence variable, but in no case exceed 6% per annum. However, under 5 programs, LANDBANK has fixed the lending rate, as follows: 5% per annum under the Commercial Fishing Vessel Program, RAPID Growth, Sulong- Saka, and AFFORD; 2% per annum on production loans and 4% per annum on asset acquisition loans under Palay at Mais ng Lalawigan; 6% per annum on loans to former rebels; and pass-on rates of not exceeding 10% under RAPID Growth, 12% under Program for Former Rebels, and 15% per annum under EMBRACE.

Likewise, DBP's pricing policy on agricultural loans is determined by its management based on the bank's rating and scoring of the borrower's risk.



Table 15. LANDBANK and DBP Agricultural Lending Facilities: Loan Terms and Conditions

Credit Facility	Eligible Loan Purpose	Loan Ceiling	Loan maturity	Collateral/Loan Security	Interest Rate
1. LANDBANK Commercial Fishing Vessel Financing Program, 2020	Purchase/Acquisition of brand new, second-hand or refurbished commercial fishing boats and related equipment	80% of total project cost	Up to ten (10) years but no longer than the remaining economic useful life of the asset	<ul style="list-style-type: none"> Ship mortgage decree Chattel mortgage Real estate mortgage Assignment of receivables, post-date checks, hold-out on deposits, insurance claims, others 	5% per annum
2. Rural Agro-Industrial Partnership for Inclusive Development (RAPID) Growth Credit Facility, 2020	<ul style="list-style-type: none"> Fixed asset acquisition Building construction Production Working capital 	80% of total project cost	<ul style="list-style-type: none"> Production - based on crop cycle/gestation and payback period of the project Fixed asset acquisition - based on project cashflow but not to exceed the economic useful life of the asset Working capital - 3 years 	<ul style="list-style-type: none"> Real Estate Mortgage Chattel mortgage Assignment of receivables/POs, sales, expected produce, hold-out on deposits, insurance claims, credit guarantee, others 	<ul style="list-style-type: none"> 5% per annum Pass-on rate shall not be more than 10% per annum
3. LANDBANK Financing Program for Greenhouse Farming System, 2019	<ul style="list-style-type: none"> Crop production Fixed asset acquisition Working capital Permanent working capital 	80% of total project cost	<ul style="list-style-type: none"> Production - based on crop cycle/gestation and payback period of the project Fixed asset acquisition - based on project cashflow but not to exceed the economic useful life of the asset Working capital - 3 years 	<ul style="list-style-type: none"> Real Estate Mortgage Chattel mortgage Assignment of receivables/POs, IRA (LGU), hold-out on deposits, insurance claims, credit guarantee, others 	LANDBANK prevailing interest rate at the time of availment.
4. LANDBANK Palay at Mais ng Lalawigan Program, 2019	<ul style="list-style-type: none"> Working capital for palay/rice and corn production Acquisition of farm machineries and equipment 	Based on the requirement of the project but shall not be more than the net borrowing capacity of the LGU	<ul style="list-style-type: none"> Production - up to 180 days Asset acquisition - up to 10 years based on project cashflow but not more than the economic useful life of the asset Working capital - 3 years 	<ul style="list-style-type: none"> Deed of Assignment of 20% Internal Revenue Allotment (IRA) 	<ul style="list-style-type: none"> 2% per annum on production / short-term loans 4% per annum for asset acquisition or term loans

Sources: LANDBANK, DBP

Table 15. LANDBANK and DBP Agricultural Lending Facilities: Loan Terms and Conditions (cont.)

Credit Facility	Eligible Loan Purpose	Loan Ceiling	Loan maturity	Collateral/Loan Security	Interest Rate
5. LANDBANK Sulong Saka Program, 2019	<p>The eligible loan purpose that can be financed under the program are as follows:</p> <ul style="list-style-type: none"> •Fixed Asset Acquisition •Building Construction •Production Loan •Rediscounting •Working Capital/ Commodity Loan •Permanent Working Capital 	80% of total project cost.	<p>The loan has the following maturities:</p> <ul style="list-style-type: none"> Production, based on crop cycle/gestation and payback period of the project For Fixed Asset Acquisition, based on project cash flow but not more than the economic useful life of fixed assets or remaining useful life for second hand/ refurbished machines For Permanent Working Capital, 3 years For Working Capital, via PNs of up to 360 days 	<p>The acceptable collateral is any or combination of the following:</p> <ul style="list-style-type: none"> Real Estate Mortgage Chattel Mortgage •Other collaterals acceptable to the Bank •Credit Enhancers •Assignment of Receivables/POs •Assignment of Sales Proceeds of Expected Produce •Assignment of "quedan receipts" issued by the cold storage firm •Assignment of sub-PNs and underlying collaterals (Rediscounting) •All available credit enhancement instruments such as insurance coverage, PCIC, PTMA, Credit Surety Fund, AGFP and other instruments may be availed whichever is applicable •For Local Government Units (LGUs): assignment of IRA or Special Educational Fund (SEF) 	LANDBANK prevailing interest rate at the time of availment.
6. LANDBANK Lending Program for Former Rebels, 2018	<ul style="list-style-type: none"> • Crop, piggery, poultry production • Goat and cattle raising • Tilapia and milkfish production • Small businesses such as furniture making, bakery, appliance/machine repair shop, welding, tailoring, parlor, sari-sari store, etc. 	<p>The loan amount that can be borrowed are as follows:</p> <ul style="list-style-type: none"> • For Direct Lending- based on the requirement of the borrower, not exceeding 90% of the project cost with loan amount ranging from PHP25,000 to PHP100,000 per borrower • For Relending (through conduit)- up to 90% of total project cost, not exceeding P100,000 per borrower 	<ul style="list-style-type: none"> • Short term - up to 1 year • Term Loan - more than 1 year up to 5 years 	<ul style="list-style-type: none"> • Individual borrowers - Assignment of proceeds of insurance, credit guarantee for unsecured loans • Cooperative/association borrowers - Assignment of sub-borrower's promissory notes and underlying collaterals, proceeds of insurance and guarantee claims 	<ul style="list-style-type: none"> • Six per cent (6%) per annum interest rate • 12% per annum maximum pass-on rate of coop-borrower to members

Sources: LANDBANK, DBP

Table 15. LANDBANK and DBP Agricultural Lending Facilities: Loan Terms and Conditions (cont.)

Credit Facility	Eligible Loan Purpose	Loan Ceiling	Loan maturity	Collateral/Loan Security	Interest Rate
7. LANDBANK Farm Tourism Financing Program, 2018	<ul style="list-style-type: none"> Fixed asset acquisition/ construction Production loan Working Capital 	80% of total project cost	<ul style="list-style-type: none"> Short term - one-year line depending on cash cycle Working capital - 3 years Fixed asset acquisition - based on project cashflow but not to exceed the economic useful life of the asset 	<ul style="list-style-type: none"> Real Estate Mortgage Chattel mortgage Assignment of receivables, insurance, credit guarantee, surety, others 	LANDBANK prevailing interest rate at the time of availment.
8. LANDBANK Accessible Funds for Delivery (AFFORD) to ARBs Lending Program, 2018	<ul style="list-style-type: none"> Crop production (rice, corn and high-value crops) Acquisition of small farm implements (e.g., hand tractor, etc.) 	Not to exceed 80% of the total project cost. or the acquisition cost of the farm implement	<ul style="list-style-type: none"> Short-term - 360 days Term loan - more than one year up to five (5) years, based on crop cycle and/or economic useful life of the fixed assets 	<ul style="list-style-type: none"> Assignment of insurance claims, produce, receivables, credit Life Insurance Chattel mortgage 	5% per annum
9. LANDBANK Young Entrepreneurs from School to Agriculture Program (YESAP), 2017	<ul style="list-style-type: none"> Agricultural and fishery production Trading, processing, servicing and distribution of agricultural crops and commodities 	<ul style="list-style-type: none"> P50,000 per borrower Not more than 90% of total project cost For land acquisition, based on loan value but not more than 20% of the total project cost 	<ul style="list-style-type: none"> Short-term - up to 360 days Term loan - not more than 10 years inclusive of grace period on principal and/or interest, depending on the cash flow 	<ul style="list-style-type: none"> Assignment of guarantee and/or PCIC insurance proceeds; receivables/ proceeds of market contract Post-dated checks Object of financing Real estate mortgage 	LANDBANK prevailing interest rate at the time of availment.
10. LANDBANK Climate Resilient Agriculture Financing Program, 2016	<ul style="list-style-type: none"> Crop, livestock and fishery production Working capital Fixed assets acquisition Building Construction 	80% of total project cost	<ul style="list-style-type: none"> Short-term - up to 360 days Term Loan - based on projected cash flow and economic useful life of fixed asset 	<ul style="list-style-type: none"> Assignment of guarantee/ insurance proceeds, receivables, or portion of the LGU's net income and IRA Real estate mortgage Chattel mortgage 	LANDBANK prevailing interest rate at the time of availment.
11. LANDBANK Agri-Mechanization Lending Program, 2016	<ul style="list-style-type: none"> Production & post-harvest facilities Tractor services (land preparation, planting, harvesting) Agro-processing/ Manufacturing/ fabrication/ assembling Trading/marketing 	80% of total project cost	<ul style="list-style-type: none"> Short-term - up to 360 days Term Loan - based on projected cash flow and economic useful life of fixed asset 	<ul style="list-style-type: none"> Assignment of guarantee/ insurance proceeds, receivables, or portion of the LGU's net income and IRA Real estate mortgage Chattel mortgage 	LANDBANK prevailing interest rate at the time of availment.

Sources: LANDBANK, DBP

Table 15. LANDBANK and DBP Agricultural Lending Facilities: Loan Terms and Conditions (cont.)

Credit Facility	Eligible Loan Purpose	Loan Ceiling	Loan maturity	Collateral/Loan Security	Interest Rate
12. LANDBANK Empowering Barangays in Remote Areas through Credit and Enterprises (EMBRACE), 2016	<ul style="list-style-type: none"> Agricultural crop, livestock and fishery production Agri-enterprise and other livelihood projects 	80% of total project cost not to exceed P500,000	Up to 1 year	Any acceptable collateral	15% per annum for the first 2 crop/loan cycles to be reduced by 1% for every crop/loan cycle due to prompt loan payment
13. LANDBANK Coconut Production and Processing Financing Program (Coco Financing), 2015	<ul style="list-style-type: none"> Planting/replanting Rehabilitation/rejuvenation/fertilization Processing/manufacturing (coco meat and other products) 	80% of total project cost	<ul style="list-style-type: none"> Short-term – up to 360 days Term Loan – based on projected cash flow and economic useful life of fixed asset 	<ul style="list-style-type: none"> Proof of ownership of property/lies for safekeeping PCIC insurance, credit guarantee, other instruments 	LANDBANK prevailing interest rate at the time of availment.
14. LANDBANK Poultry Lending Program, 2015	<ul style="list-style-type: none"> Poultry production Working capital Building construction Fixed asset acquisition 	80% of total project cost	<ul style="list-style-type: none"> Short-term – up to one year Term Loan – based on projected cash flow and economic useful life of fixed asset 	<ul style="list-style-type: none"> Real estate mortgage Chattel mortgage Assignment of guarantee, surety, and/or insurance coverage Other 	LANDBANK prevailing interest rate at the time of availment.
15. LANDBANK Milk Program, 2014	<ul style="list-style-type: none"> Working capital Procurement of dairy cows Fixed assets acquisition like milk processing equipment 	80% of total project cost	<ul style="list-style-type: none"> Short-term – up to 360 days Term Loan – based on projected cash flow and economic useful life of fixed asset 	<ul style="list-style-type: none"> Assignment of borrower/ sub-borrower promissory notes and its underlying collaterals Insurance & guarantee cover Real estate or chattel mortgage 	LANDBANK prevailing interest rate at the time of availment.
16. LANDBANK Sustainable Aquaculture Lending Program (SALP), 2013	<ul style="list-style-type: none"> Purchase of inputs for aquaculture/mariculture production Working capital for trading/marketing operation Fixed assets acquisition Installation of other support facilities Pond development / improvement- Building construction 	80% of total project cost	<ul style="list-style-type: none"> Short-term – up to one year Working capital - 3 years Fixed asset acquisition - based on project cashflow but not to exceed the economic useful life of the asset 	<ul style="list-style-type: none"> Real estate mortgage Chattel mortgage Assignment of receivables/ POs; guarantee; surety; production, technical and marketing agreement; as applicable 	LANDBANK prevailing interest rate at the time of availment.

Sources: LANDBANK, DBP

Table 15. LANDBANK and DBP Agricultural Lending Facilities: Loan Terms and Conditions (cont.)

Credit Facility	Eligible Loan Purpose	Loan Ceiling	Loan maturity	Collateral/Loan Security	Interest Rate
17. LANDBANK Sugarcane Financing Program, 2005	<ul style="list-style-type: none"> • Production loan • Working capital for e.g., sugar quedan/molasses trading • Fixed assets acquisition (warehouse, shed/ motor pool/ garage) • Sugar mill construction/ improvement 	80% of total project cost	<ul style="list-style-type: none"> • Production loan – up to 18 months • Sugar quedan/molasses certificate loan – up to 180 days • Fixed asset acquisition/ Building construction – based on the economic useful life of fixed assets • Working capital – up to three (3) years 	<ul style="list-style-type: none"> • Real estate mortgage • Chattel mortgage • Assignment of Class B, C and D sugar quedans • Assignment of guarantees • Assignment of leasehold rights • signed between the landowner and lessee/ investors 	LANDBANK prevailing interest rate at the time of availment.
18. DBP Sustainable Agribusiness Financing Program (SAFP), 2015	<ul style="list-style-type: none"> • Agri-related project development, expansion, acquisition of fixed assets, capital expenditure and working capital • Agricultural production • Permanent working capital • Agri-related import/ export financing 	<ul style="list-style-type: none"> • For regular loans - up to 90% of the total project cost • For plantation or livestock and poultry projects - up to 80% of the total project cost • For LGUs - up to 90% of total project cost or winning bid price, whichever is lower • For credit line - based on minimum cash requirement 	<ul style="list-style-type: none"> • Term loan – based on the project cycle and projected cash flow but shall not exceed 15 years • Credit Line –based on the cash conversion cycle but not more than 360 days 	<ul style="list-style-type: none"> • Real estate mortgage • Chattel mortgage • Assignment of Insurance/ surety/guarantee • Assignment of supply contract/receivables • Continuing suretyship (JSS) or co-make ship • Hold-out on deposit • For LGUs- Deed of assignment of portion of IRA 	Interest rate on the SAFP loan shall be based on the borrower risk rating/ scoring and aligned with existing pricing policies as per DBP Circular on Lending Rates
19. DBP Broiler Contract Growing Program (BCGP), 2017	<ul style="list-style-type: none"> • Poultry farm development • Farm acquisition (land, building & improvements) • Farm expansion/ rehabilitation 	<ul style="list-style-type: none"> • Up to 70% of the Total Project Cost (TPC). 	<ul style="list-style-type: none"> • SAFP borrowers may avail of either a term loan or a credit line depending on either the projected cashflow or the project's cash conversion cycle: • Term Loan – shall be based on the project cycle and projected cash flow as determined by DBP but shall not exceed fifteen (15) years, inclusive of grace period. Progress and/or balloon payment on principal and interest may be allowed. • Credit Line – shall be based on the cash conversion cycle but not more than 360 days. 	<ul style="list-style-type: none"> • Hold-out on deposit • Real estate mortgage • Chattel mortgage • Guarantee coverage • Post-dated checks • Continuing suretyship or co-makershship • Assignment of 100% receivables from contract/ agreement with integrator; and/or investments and other money market placements 	Prevailing interest rate prescribed by the Bank per DBP Circular on Lending Rates.

Sources: LANDBANK, DBP

Performance of Agricultural Credit Programs

Number of Borrowers and Amount of Loans Granted

Table 16 shows that in 2020, government-funded loans to the agri-fishery sector amounted to a combined total of about P378 billion. The bulk (94%) of the loan disbursements amounting to P354 billion came from LANDBANK while close to 4% or about P14 billion was released by the DBP.

Credit programs of the DA, DAR and DA agencies, on the other hand, released loans of more than P9 billion to 115,848 SFF, MSEs and farmer/ARB organizations. LBP loans during 2020 went to at least 11,481 borrowers /accounts that include cooperatives, MSEs, and rural financing institutions while DBP loans were granted to 257 agribusiness/MSME borrowers.

Of the DA credit programs, the biggest releases came from SURE COVID-19, ACEF, Sikat-Saka and ERCA-RCEF programs, which reported releasing a combined total amount of P6.8 billion to 66,244 borrowers.

The total loans released under all agricultural lending programs amounting to P377 billion in 2020 is slightly lower (2%) compared to total releases of P386 billion in 2019 (Table 17).

Under LANDBANK's

Table 16. Amount of Loans Granted and Number of Borrowers under the DA and GFI Lending Programs for Agriculture and Fisheries: 2020

Institutions/Lending Programs	Number of Borrowers		Amount of Loans Granted	
	No.	% Share	No.	% Share
DA				
1. ERCA – RCEF, 2019	5,677	4.5	1,217.4	0.3
2. ACEF, 2018	12,094	9.5	1,894.5	0.5
3. APCP, 2012	886	0.7	994.5	0.3
4. Sikat-Saka (SSP), 2012	24	0.0	1,679.5	0.4
5. USM-CIBP, 2007	2	0.0	2.4	0.0
6. SURE COVID- 19, 2020	48,449	38.0	1,991.7	0.5
7. ANYO, 2020	66	0.1	38.2	0.0
8. KAYA, 2020	14	0.0	4.4	0.0
9. BuyANIhan, 2019	-	0.0	-	-
10. SURE Program, 2017	3,932	3.1	89.8	0.0
11. PLEA, 2017	5,472	4.3	170.7	0.0
13. SURE AID Palay, 2019	25,367	19.9	380.5	0.1
14. DA-BFAR-LANDBANK PDMP, 2017	7	0.0	59.9	0.0
15. NTA IFOIGAP, 2017	9,307	7.3	204.8	0.1
16. NTA Curing Barn Assistance Project, 2017	3,273	2.6	85.8	0.0
17. SRA Socialized Credit Program, 2017	1,257	1.0	283.4	0.1
Sub-total (DA)	115,827	90.8	9,097.5	2.4
GFI				
LANDBANK Programs	11,481	9.0	354,571.7	94.0
DBP Programs	257	0.2	13,620.8	3.6
Sub-total (GFIs)	11,738	9.2	368,192.5	97.6
Grand Total	127,565	100.0	377,290.0	100.0

Source: LANDBANK, DBP, ACPC, NTA, SRA, & BFAR

agricultural credit programs, total loans released in 2020 amounted to P354.6 billion, down by 3% compared to its year-ago level. The weaker performance registered by LANDBANK programs is consistent with the general downtrend in lending of the entire banking sector during the year due mainly to the downturn in economic activities caused by the COVID-19 pandemic. In contrast, DBP was able to increase its agricultural lending by 19% despite the challenges posed by the pandemic. Reasons cited by DBP for the increase are the aggressive participation/collaboration with agri-integrators, particularly in Broiler Contract Growing (construction of facilities), sustainable agribusiness financing. Loans released by the DA grew by almost 15% year-on-year amounting to nearly P5.8 billion.

The aggregate loans released under ACPC credit programs in 2020 amounting to P2.7 billion is 9% lower than that of the previous year. The decline can be attributed to less loanable funds for most of its credit programs as ACPC redirected or refocused its credit funds to support the implementation of SURE COVID-19. Likewise, programs by DAR reported weak accomplishment indicating a 69% drop in loans released compared with the previous year. This may have been due to the presence of various credit programs offering lower interest rates to both ARB organizations and individual ARBs, subsidized social amelioration programs preferred by smallholder farmers for agricultural

Table 17. Amount of Loans Granted and Number of Borrowers under the DA and GFI Lending Programs for Agriculture and Fisheries: For the Years 2019 and 2020

Amount of Loans Granted (PM)	2019	2020	% Increase/ (Decrease)
DA (5)	5,044	5,788	14.8
ACPC (7)	2,953	2,675	(9.4)
BFAR (1)	92	60	(34.8)
NTA (3)	257	291	13.1
SRA (1)	198	283	43.2
LANDBANK (17)	365,613	354,572	(3.0)
DBP (2)	11,474	13,621	18.7
Total (PM)	385,631	377,290	(2.2)
<i>Number of Borrowers</i>			
DA (5)	19,315	18,683	(3.3)
ACPC (7)	156,549	83,300	(46.8)
BFAR (1)	9	7	(22.2)
NTA (2)	12,251	12,580	2.7
SRA (1)	1,242	1,257	1.2
LANDBANK (17)	9,514	11,481	20.7
DBP (2)	207	257	24.2
Total (No.)	199,087	127,565	(35.9)

a/ These programs only started in year 2020.

Source: LANDBANK, DBP, ACPC, NTA, SRA, and BFAR

production and constraints in the social preparation of potential ARB organizations and in processing their loans due to mobility restrictions resulting from community quarantine. The other programs of the DA, NTA, and SRA posted increases in lending and outreach during 2020 compared to 2019 (Table 17).

The total number of borrowers, which is a combination of group and individual borrowers reached 127,565, reflecting a significant year-on-year decline of 36% relative to 2019. About two-thirds (65%) or more than 83,000 obtained loans from the ACPC credit programs.

Amount of Loans Granted by Type of Projects Financed

Table 18 shows the distribution of all government loan releases by type of commodity financed. Government loans to support crop production amounted to a total of P27.4 billion in 2020, down by almost 10% from its year-ago level. Likewise, the number of borrowers engaged in crop production decline by 44% year-on-year. The decline can be attributed to the effect of community quarantine during the year as well as series of typhoons and flooding that occurred in the second half of the year.

On the other hand, combined total loans granted to livestock and poultry amounted to P45.1 million. It is interesting to note that while the amount of loans granted to livestock and poultry, as well as fisheries declined by 28% and 35%, respectively, during the year, these commodities experienced significant increases, on the other hand, in number of borrowers. This points to more small livestock, poultry, and fish producers requiring financing assistance during the COVID-19 pandemic. However, the loans availed this time are of smaller amounts, either by choice (more conservative/cautious stance of borrowers due to uncertainty) or because the program loans that were availed are capped only up to a certain amount. Further, the outbreak of the African Swine Fever (ASF) brought down the demand for raw materials for processed feeds, including corn (NEDA Economic Report, January 2021).

Table 18. Amount of Loans Granted and Number of Borrowers under the DA and GFI Lending Programs, By Commodity Financed: For the Years 2019 and 2020

	2019	2020	% Increase/ (Decrease)
Amount of Loans Granted (PM)			
Crop production	30,407	27,398	-9.9
Livestock and poultry	53,463	45,152	-28
Fisheries	3,962	2,582	-34.8
*Other agricultural activities	297,799	302,159	1.5
**Not Specified	90	28	-68.86
Total (PM)	385,721	377,318	-2.18
Number of Borrowers			
Crop production	174,993	98,055	-44.0
Livestock and poultry	3,538	6,694	217
Fisheries	1,281	4,584	257.8
*Other agricultural activities	19,275	18,232	-5.4
**Not Specified	46	21	-54.35
Total (No.)	199,087	127,565	-35.9

Source: LANDBANK, DBP, ACPC, NTA, SRA, & BFAR

*Others: Working Capital, Post-Harvest Facilities/Acquisition of Farm Machineries, Marketing, Trading, Processing, Agri-enterprises, and Other Livelihood Activities.

** Not specified: No breakdown by commodity for DAR programs

Amount of Loans Outstanding

Table 19 shows the amount of government agri-fishery loans outstanding distributed by program and by institution. As of year-end 2020, the total amount of loans outstanding under all government agri-fishery credit programs amounted to close to P203.6 billion. The bulk of the outstanding loans (93%) are LANDBANK and DBP loans amounting to a combined total of nearly P190 billion, i.e., P181.2 billion from LANDBANK and P8.7 billion from DBP.

Outstanding loans of DA programs, on the other hand, amount to almost P13.7 billion. Among the DA credit programs, SURE COVID-19 reported the biggest amount of loans outstanding at P3.8 billion followed by SURE Aid Palay at P 2.5 billion and PLEA at P1.8 billion.

**Table 19. Amount of Loans Outstanding, By Institution, By Program
As of December 31, 2020
(In Million Pesos)**

Institutions/Lending Programs	Amount of Loans Outstanding	
	No.	% Share
DA		
1. ERCA – RCEF, 2019	1,199.4	0.6
2. ACEF, 2018	-	-
3. APCP, 2012	1,812.0	0.9
4. Sikat-Saka (SSP), 2012	1,233.9	0.6
5. USM-CIBP, 2007	-	-
6. SURE COVID-19, 2020	3,816.7	1.9
7. ANYO, 2020	38.2	0.0
8. KAYA, 2020	4.4	0.0
9. BuyANIHan, 2019	200.00	0.1
10. SURE Program, 2017	403.9	0.2
11. PLEA, 2017	1,848.5	0.9
13. SURE AID Palay, 2019	2,481.3	1.2
14. DA-BFAR-LANDBANK PDMP, 2017	50.8	0.0
15. NTA Programs, 2017	290.6	0.1
16. SRA Socialized Credit Program, 2017	292.0	0.1
Sub-total (DA)	13,671.7	6.7
GFIs		
LANDBANK Programs	181,198.3	89.0
DBP Programs	8,717.8	4.3
Sub-total (GFIs)	189,916.1	93.3
Grand Total	203,587.8	100.0



Key Lending Policies in response to COVID-19, other calamities in 2020

As a response to COVID-19 and other calamities in 2020, a one-year moratorium was imposed on the payment of loan amortization under the various agri-fishery credit programs of the DA-ACPC. The temporary suspension of payments was implemented to aid farmers and fishers affected by marketing restrictions. This allows partner lending conduits to grant a one-year loan payment moratorium to program borrowers.

Correspondingly, the outstanding liabilities of ACPC's existing partner conduits were also granted a one-year moratorium equivalent to the total amount of sub-loans of individual farmer- and fisherfolk-borrowers to whom the moratorium on the payment of program loans were applied.

On the other hand, both LANDBANK and DBP also offered loan payment moratorium to their borrowers to comply with the guidelines of the Bayanihan to Heal as One (Bayanihan I) Act and the Bayanihan to Recover as One (Bayanihan II) Act to provide relief to its borrowers whose businesses/enterprises were affected by the economic downturn caused by COVID-19 in 2020.

The SRA SCP also relaxed its lending guidelines to allow the release of the 2nd loan tranches of farmer-borrowers for their use in harvesting operations even if they still do not have the certificate on Financial Literacy Training (FLT) and the certificate on Outreach Program for Sugarcane Industry (OPSI) which were previously required (SCPMC Resolution 2020-003). The SRA experienced limitations in conducting the mentioned seminars for farmers due to COVID-19 restrictions. However, harvesting the canes on time was necessary for productivity optimization. The FLT and OPSI seminars shall still be conducted for farmer-borrowers after their loans have already been released.





Issues and Challenges on Government Agri-Credit Programs

The implementation of the community quarantine to combat the transmission of Covid-19 posed a great challenge in the implementation of the agricultural credit programs during the year 2020. The mobility restriction, social distancing policy and safety protocols imposed by the national and local government units affected the operations of the lending programs as well as the mobility of farmers and fisherfolk in accessing credit.

Because of the limited operating capacity of the program lending conduits or the financing institutions loan processing period became longer leading to delayed loan approvals and releases. Borrowers likewise had difficulty and spent longer time in obtaining legal documents needed in applying for a loan. Many farmers were also hesitant to avail of loans due to uncertainty brought by the downturn in economic activities. All of these limited the number of borrowers served by the programs.

With regard to program terms and conditions, it has been noted that the zero/low interest rate on loans from credit programs of government agencies affect other programs and financing institutions lending at higher and market-based interest rates. Another observation is that there are too many government credit programs with similar objectives but with different terms and conditions that need to be rationalized or harmonized.

DA-ACPC Expanded SURE-Aid and Recovery Project (SURE COVID-19): Social Amelioration Loans for those in Agriculture affected by COVID-19



When the COVID-19 pandemic hit the country early last year, the Agricultural Credit Policy Council (ACPC) immediately refocused the use of its 2020 loans outlay budget to implement the Expanded SURE Aid and Recovery Project or SURE COVID-19. ACPC launched this loan facility in support of the Department of Agriculture’s “Plant, Plant, Plant Program” which is aimed at securing the country’s food adequacy level during the pandemic.

In particular, the objectives of the ACPC’s SURE COVID-19 financing program are: a) To finance the emergency and production capital requirements of small farmers and fisherfolk (SFF) to help them continue their agricultural activities so they can contribute to sustained food production despite community quarantine conditions; and b) To provide the working capital requirements of micro and small enterprises (MSEs) engaged in agriculture and fisheries food production, transport, and other supply chain activities to ensure the availability of food supply.

Eligible SFF-borrowers under the SURE COVID-19 Program can avail of a non-collateralized loan of P25,000 per household at zero percent (0%) interest payable in ten (10) years. On the other hand, eligible MSEs willing to deliver/supply to DA-KADIWA Ni Ani at Kita centers and consumers of high consumption markets such as Metro Manila and other demand centers may

avail of working capital loans of up to P10,000,000 also at zero percent (0%) interest payable in five (5) years.

Assisting Small Farmers and Fisherfolk Amid the Pandemic

As of yearend 2020, the SURE COVID-19 Program was able to assist a total of 48,308 SFF-borrowers – 20% higher than the program’s 40,000 target. The P1.21 billion total loan releases to SFFs surpassed the original fund allocation of P1 billion for SFF loans.

The region with the highest loan disbursements is the Cordillera Autonomous Region (P227 million), with much of the loans going to vegetable farmers and cut-flower growers affected by marketing restrictions due to the quarantine, and whose livelihoods were totally lost due to the pandemic. More than four-fifths (81%) of the program’s total loans were used for crop production.

Propping Up the Food Supply Chain through MSE Loans

The program also disbursed loans amounting to a total of P782.94 million to 141 agri-based micro and small enterprises (MSEs) in 17 regions, with average loan size per MSE-borrower amounting to approximately P5.5 million. MSEs in some regions, such as Regions II, III, and V, were more ready and able to comply with borrowing requirements and, therefore, received more MSE loans. Loans were used by MSE-borrowers mainly for the procurement and trading (marketing) of agri-fishery products. Through the program, MSE-borrowers were able to help in ensuring continued food supply for consumers by using loans as working capital to bring food commodities to DA-KADIWA Ni Ani at Kita Centers.

In recognition of the performance and social amelioration contributions of the Expanded SURE-Aid and Recovery Project (SURE COVID-19), a budget of P2.5 billion was appropriated for the continued implementation of the program in RA No. 11494 or the Bayanihan to Recover as One Act (Bayanihan II Act). The Bayanihan II Act was enacted in the last quarter of 2020 and the implementation of the SURE COVID-19 Program continues to this day.

Figure 1. SURE COVID-19 Loan Disbursements to SFF-Borrowers as of Yearend 2020 (In Million Pesos)

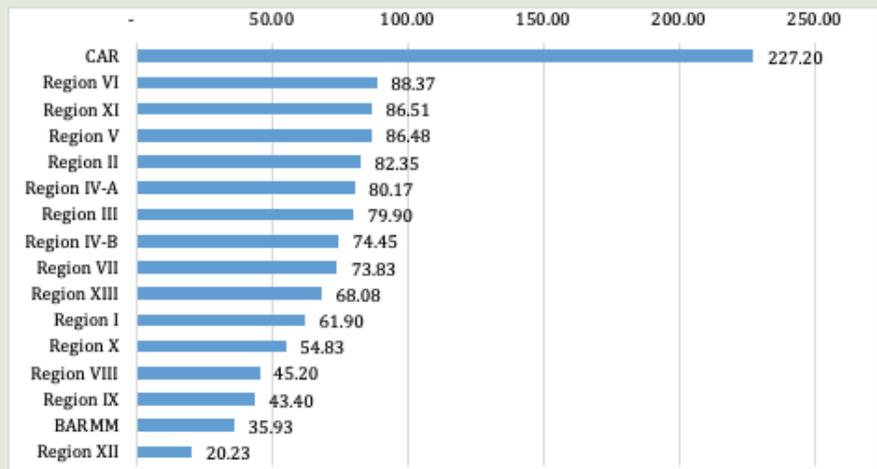
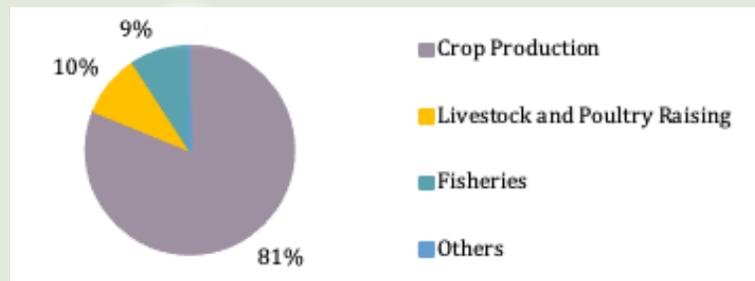


Figure 2. SURE COVID-19 Loan Disbursements and Number of SFF-Borrowers, by Type of Agricultural Activity (As of Yearend 2020)



featured farmer- beneficiaries



“Nang dahil sa programang SURE COVID-19 ng Department of Agriculture, makatutulong ito para sa katulad kong hog raiser na bago sa negosyo na pagbebenta ng salted eggs. Makapag-iipon pa akong muli para may magamit na puhunan sa pagtayo ng iba pang kabuhayan tulad ng livestock production.”

**Jennifer C. Santos, SFF
Salted egg production**



“Salamat sa pautang mula sa Department of Agriculture. Kaming mga magsasaka sa Bukidnon at natulungan sa pamamagitan ng SURE COVID-19 program. Malaking tulong ito para sa amin dahil abot-kaya at sampung taon ang termino paara mabayaran.”

**Teresita Galinato, SFF
Mangosteen and coconut farming**



“Mayroon na akong kapital pambili ng abono para sa aking maisan at iba pang gamit sa pagsasaka. Pagsisikapan ko na mabayaran ko ito kada taon o kada ani ng aming mais.”

**Joel Villarena, SFF
Corn production**



Empowering Youth in Agriculture through Credit & Capacity Building

The DA-ACPC's Kapital Access for Young Agripreneurs (KAYA) is a program which aims to address the unique challenges faced by the youth when pursuing agribusiness, particularly their lack of credit history and experience, which makes it harder for them to avail of loans under formal financial institutions.

Under the KAYA, beneficiaries may avail themselves of non-collateralized and zero-interest loans for their agri-fishery startup business, and attend workshops facilitated by the ACPC in partnership with DA and its attached agencies, to not only finance, but also plan, grow and properly manage their business.

The program targets young agripreneurs who are 18-30 years old, and are graduates of either formal or non-formal schooling--including, but not limited to, agriculture and fishery related degrees from higher education institutions, DA and ATI-accredited programs, TESDA programs, farm schools, and secondary schools with agriculture and fishery-related courses.

The ACPC has also tapped PayMaya Philippines, an e-money and digital payments platform, to digitalize disbursement of its loans, further enabling

PLCs to reach their clients seamlessly and strengthen financial inclusion in rural areas.

The desired outcome for the KAYA program, which is reflected in the application requirements and capacity building component, is to not only finance the startup businesses of young people with a strong agri-fishery background and interest in starting their business, but also to strengthen their foundation through complementary technical training and entrepreneurial workshops.

The KAYA program highlights the potential of the young agripreneur and how they defy the stereotypes of the poor aging farmer. The new generation of farmers are young, innovative, and driven, and are equipped with access to modern technology and platforms and opportunities that will allow their agri-fishery ventures to flourish, as long as they are provided with the right combination of technical, financial, and entrepreneurial mentorship and support.

featured KAYA-beneficiaries

Jellen Joy Bernardino Mallard Duck Egg Production

Jellen, 24, was able to avail of the KAYA program to launch her mallard duck (itik) egg production business. She says the KAYA Business Plan Workshop provided her with additional knowledge on the entrepreneurial side of agriculture.

"Natutunan ko na ang agriculture, hindi lang farming--marami pa palang paraan para kumita nang mas malaki at mag-expand ng negosyo."

Prior to applying for the KAYA program, Jellen had no experience in borrowing from formal sources of credit. Other than receiving a cash card for her salary when she started working and using money remittance services, she had

not yet availed of other financial services.

She explains that if not for her family's advice for her to pursue her agribusiness and the KAYA program providing her with the needed capital, she would have continued working in retail as a saleslady, but she prefers managing her own business.

"Kapag business owner ka, hawak mo 'yung oras mo at malaki pa kita mo. Sana malaman ng mga youth katulad ko na mataas ang kikitain nila sa agribusiness, at kaya nilang umangat sa buhay kahit hindi nakapagtapos ng pag-aaral--na kaya din nilang magtayo ng sarili nilang business at maging sarili nilang boss."



Jaime Belches Hydroponic Farming

Jaime, 30, availed of the KAYA program to finance his proposed hydroponics system, which serves as an expansion to his existing vegetable farm.

Jaime started farming in 2018 when he learned of the sudden surge in market price of red chili, as a wave of new restaurants were being established in his area; with an entrepreneurial mindset, he capitalized on this trend by growing red chili peppers on a small plot located within his cousin's farm, now registered as the NewGen Agri Farm.

Despite his peers' initial attempts to discourage him from pursuing farming, he found that he was able to make a significant profit from his agribusiness.

"Para sa mga kabataang nais magsimula ang karera na mag-venture sa agribusiness, manatiling

habulin ang pangarap para sa mas maunlad na sektor ng agrikultura. Ang inyong intensyong magsimula ay unang hakbang sa inyong patutunguhan."

With the combination of his self-study and the guidance of the ACPC's Business Planning Workshop and the DA Regional Field Office's (DA RFO 3) Agribusiness and Marketing Assistance Division (AMAD), he was able to craft his business plan for his innovative hydroponics system to expand and improve the production of his agribusiness.

"Hindi ako napapagod na matuto ng mga bagong kaalaman ukol sa agrikultura. Naniniwala ako na may kinabukasan na naghihintay para sa mga kabataang tulad ko na nagsimulang magnegosyo gamit ang teknolohiya ng pagsasaka."





AGRICULTURAL CREDIT GUARANTEE

LOANS GENERATED AND GUARANTEED UNDER AGFP

₱ 168 MILLION

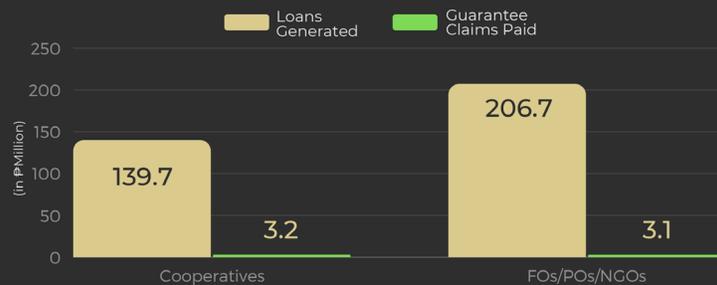
IN 2020, AGFP PAID ABOUT P168 MILLION GUARANTEE CLAIMS WHICH REPRESENTS THE NON-REPAYMENTS OF THE GUARANTEED LOANS.

85%

THE MAJORITY (85%) OF ACCREDITED PARTNER LENDING INSTITUTIONS (PLIs) THAT PARTICIPATED IN AGFP IN 2020 ARE BANKS.



OTHER PLIs



REASONS FOR NON-REPAYMENT OF LOANS

 CROPS WERE DAMAGED BY CALAMITIES AND PESTS

 LOW PROFIT MARGINS DUE TO LOW YIELD

QUICK STATS

Key Features

The Agricultural Guarantee Fund Pool (AGFP) was created in 2008 to mitigate the risks involved in agriculture lending and facilitate the provision of credit to the agriculture sector.¹ Until its transfer to the Philippine Guarantee Corporation (PhilGuarantee) in 2019², the DA directed and supervised the implementation of the program through a Governing Board chaired by the DA Secretary and a Program Management Committee chaired by the LANDBANK. A project management office implemented the AGFP with LANDBANK acting as the guarantee fund trustee.

The administration of the AGFP by the PhilGuarantee started in August 2019. The AGFP provides up to 85% guarantee cover on unsecured loans extended by accredited lending institutions against all types of risks of non-repayment by farmer- and fisherfolk-borrowers except fraud. The objective is to encourage banks and other lending institutions, such as cooperatives, farmer organizations, non-government organizations, and corporations, to increase their loans to the agri-agra sector by lowering the lenders' risks in non-collateralized lending.³ Table 20 outlines the key features of the AGFP.

For 2020, the PhilGuarantee continued to assure its support toward the agriculture sector as part of its mandate and key assistance role during the COVID-19 pandemic. At the height of the enhanced community quarantine period, the Governing Board of the PhilGuarantee approved the reduction of the guarantee fee from 1% to 0.5% and the increase of the guarantee coverage from 85% to 90% of the loan amount.

¹ AGFP was established by Administrative Order No. 225-A issued by the President on 26 May 2008. <https://philguarantee.gov.ph/programs/guarantee-programs/agriculture-programs/>

² The Executive Order No. 58 dated 23 July 2018, which transferred the administration of the AGFP to PhilExim (now PhilGuarantee) took effect on 31 August 2019. <https://philguarantee.gov.ph/category/events>

³ All loans extended by partner-banks that are guaranteed by AGFP shall be risk weighted at zero percent (0%) (BSP Circular 1084, series of 2020).



Table 20. Key Features of AGFP Credit Guarantee

Program objective	To encourage partner lending institutions (PLIs) to lend to small farmers and fishers (SFF) or their organizations by providing guarantee coverage to their unsecured loans thereby mitigating the risks involved in lending to agri-agra sector
Eligible types of PLIs	Banks, Cooperatives, Farmers organizations (FOs), People’s organizations other than cooperatives (POs), Non-government organizations (NGOs), and Corporations that lend to SFF
Eligible borrowers	<p>Small farmers:</p> <ul style="list-style-type: none"> • Small crop growers - tilling not more than five (5) hectares of agricultural lands • Small poultry and livestock raisers - those having the following maximum inventory: a) Poultry – 2,000 layers or 5,000 broilers; b) Swine – 10 sows or 50 fatteners; c) Goat/Sheep – up to 50 heads for meat and/or dairy; d) Cattle – 10 fatteners or 5 breeders; and e) Dairy – 10 milking cows/carabaos <p>Small fishers:</p> <ul style="list-style-type: none"> • Coastal fishermen – own or operate a fishing boat, including paraphernalia with total weight of not more than three (3) gross tons and conduct fishing activities within 15 kilometers from the shoreline • Fishpond operators – owner/operator of fishpond(s) of not more than 5 hectares including those under fishpond lease agreement • Fish cage operators – owner/operator of fish cage(s) with total area of not more than 400 square meters • Those engaged in aquaculture, which covers all forms of raising and culturing fish, shellfish, seaweed production, and other fishery species in brackish and marine areas of not more than 5 hectares
Eligible loans for guarantee coverage	Unsecured loans of eligible borrowers; If secured partly by real estate mortgage or chattel mortgage or deposit hold-out in favor of the PLI, only the unsecured portion which shall be not less than 50% of the loan shall be eligible for guarantee coverage.
Eligible loan purposes/ activities	<ul style="list-style-type: none"> • Agriculture and fisheries production including processing of fisheries and agri-based products and farm inputs • Acquisition of work animals, farm and fishery equipment and machinery • Acquisition of seeds, fertilizers, poultry, livestock, feeds and other similar items • Rehabilitation of farms resulting from calamities • Agricultural and fish production including processing of agri and aqua-based products, farm inputs and/or processes across the food commodity value chain
Maximum guarantee cover/ loan amount	<p>The guarantee cover shall be up to 85% of the principal balance of the loan at the time of claim but not to exceed the amount of credit ceiling per commodity/activity type ranging, as follows:</p> <ul style="list-style-type: none"> • Crop production – P30,000 to P310,000 per hectare • Poultry production: a) broiler – P10,000 per 100 birds; b) layer – P86,000 per 100 birds • Livestock production: a) breeding – P20,000 to P80,000 per animal; b) fattening – P1,000 to P50,000 per animal • Fisheries production (milkfish, tilapia, seaweed) – P52,000 – P310,000 per hectare • Multicrop / Other short-term crop (e.g., vegetables, integrated farming, etc.) – P100,000 per hectare
Guarantee fee	<p>The guarantee fee rates range from 1% - 3.85% based on the loan amount, the guarantee cover period, and loan purpose/activity. The following discounts apply:</p> <ul style="list-style-type: none"> • If the loan is covered by PCIC insurance – 50% discount • If the loan is granted to an agrarian reform beneficiary (ARB) – 50% discount • If the loan is PCIC insured and the borrower is an ARB – 75% discount
Risks and events of default covered	All risks, from losses due to non-payment of loans including those that are caused by the following, but not limited to: a) natural calamities (such as typhoons, floods, etc.); b) pests and diseases; c) market aberrations, except fraud or willful misrepresentation on the guarantee coverage and guarantee claims on the part of the PLI

Source: PhilGuarantee website. <https://philguarantee.gov.ph/programs/guarantee-programs/agriculture-programs/>

AGFP 2020 Performance

Loans Generated

During 2020, 41 accredited partner lending institutions (PLIs) enrolled a total of 60,565 loan accounts amounting to P4.2 billion for AGFP guarantee cover. Because of the significant decline (9%) in the number of participating PLIs from the previous year (2019), the volume of generated and guaranteed loan accounts dropped by 34% (Table 21).

Table 21. Number of PLIs and Volume of Loans Generated under AGFP, 2019 and 2020

	2019	2020	% Increase/ (Decrease)
No. of participating PLIs	45	41	(8.9)
Number of accounts enrolled	91,158	60,565	(33.6)
Loans generated (PM)	6,337.1	4,247.2	(33.0)
Outstanding guaranteed loans (PM)	519.1	401.6	(22.6)

Source: PhilGuarantee-AGFP

The decline in the volume of loans generated is attributed to the long process it took to transfer the administration of the AGFP from the DA to PhilGuarantee. The protracted transfer process affected the timelines for evaluating loans being enrolled for guarantee cover and for issuing guarantee loan confirmation certificates. The COVID-19 pandemic situation impacted PhilGuarantee's operations and contributed to the reduction in loans guaranteed.



Guaranteed Loans by Type of Participating PLI

The majority (85%) of accredited PLIs that participated in AGFP in 2020 are banks. Only a handful of cooperatives and only one farmer/people's organization availed of the guarantee. No corporation involved in lending to small farmers and fishers participated in the program in 2020.

The participating banks provided 92% of the loans that AGFP guaranteed in 2020 amounting to P3.9 billion representing 85% of the total enrolled loan accounts (Table 22). Outstanding amount of guaranteed loans of banks as at the end of the year stood at P396 million or on average P11 million per bank. On the other hand, the outstanding loan guaranteed by cooperatives totaled to 4 million averaging less than P1 million per participating cooperative (Table 22).

Table 22. Loans Generated/Guaranteed under AGFP, by Type of PLI, 2020

Type of PLI	Participating PLI		Accounts Enrolled		Amount of Loans Generated		Outstanding Guaranteed Loans	
	No.	%	No.	%	PM	%	No.	%
Banks	35	85.4	51,445	84.9	3,900.8	91.8	395.9	98.6
Cooperatives	5	12.2	2,149	3.5	149.7	3.5	4.1	1.0
FOs/POs/NGOs	1	2.4	6,971	11.5	206.7	4.9	1.5	0.4
Total	41	100.0	60,565	100.0	4,247.2	100.0	401.6	100.0

Guarantee Claims and Recoveries

In 2020, AGFP paid P168 million guarantee claims, which comprised 42% of the outstanding amount of loans by yearend. These paid claims representing the non-repayments of the guaranteed loans is smaller than the amount of guarantee claims paid in the previous year. The main reasons for the claims or the non-repayment of loans reported by PLIs are: a) crops were damaged by calamities and pests, b) low profit margins due to low yields, and c) inability of the PLIs to collect from borrowers due to the mobility restrictions and impacts on livelihoods brought about by the pandemic.

The amount of guarantee claims recovered during the year was only half of the total claims paid, which is lower than the recovery rate in 2019 (Table 23). The COVID-19 pandemic and the occurrence of other calamities in 2020 are the reasons cited for the low recovery rate.

Table 23. Guarantee Claims and Recoveries, 2019 and 2020

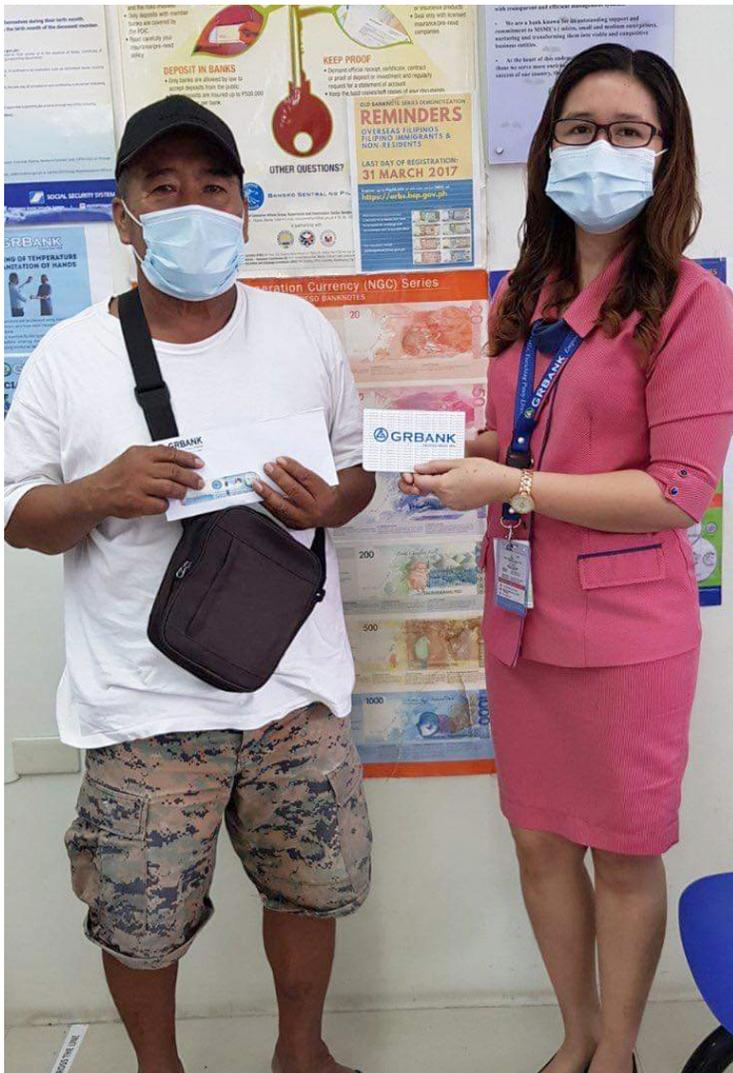
	2019	2020	% Increase/ (Decrease)
Guarantee claims paid (PM)	192.1	168.4	(12.3)
Claims recovered (PM)	126.5	84.2	(33.4)
Recovery rate (%)	65.9	50.0	(24.1)

Source: PhilGuarantee

Issues and Challenges

The PhilGuarantee reported operational challenges it encountered in 2020 and its plans to address these, as follows:

- Backlogs in the settlement of claims that accumulated as a result of the high employee turnover in AGFP in 2019 and other challenges related to the transition period prior to the transfer of AGFP to PhilGuarantee. Corresponding action plans are already in place to address these backlogs before the end of 3rd quarter of 2021, which include: a) speeding up its digital transformation and modernization initiatives; b) disposing of its big-ticket nonperforming assets; and c) compliance with good governance standards, including renewal of its International Organization for Standardization (ISO) 9001 certification;
- Inability to commence field validation in 2020 due to strict health protocols imposed by various LGUs in view of the COVID-19 pandemic. To address this, PhilGuarantee is initiating amendments on validation policies and procedures to come up with alternative modes to fast-track the resolution of the backlogs and ensure timely settlement of claims in the future.







AGRICULTURAL INSURANCE



The Philippine Crop Insurance Corporation (PCIC) is the sole provider of agricultural insurance in the country. It was created by virtue of Presidential Decree No. (P.D.) 1467 in 1978. Its charter was amended by P.D. 1733 in 1980 and Republic Act 8175 in 1995. The primary mandate of PCIC is to provide insurance protection to the country's agricultural producers particularly the subsistence farmers against loss of their crops and/or non-crop agricultural assets caused by natural calamities such as typhoons, floods, drought, earthquakes, volcanic eruptions, plant pest and diseases, and other perils. The PCIC extends insurance services through a network of 13 regional offices and 33 provincial extension offices spread across the country.

Key Features of PCIC Agricultural Insurance Products

Regular Insurance Product Lines

The PCIC makes available seven (7) agricultural insurance products to farmers, fisherfolk, and other agricultural stakeholders. These are insurance lines for the following products: rice, corn, high-value commercial crops, livestock, fisheries, non-crop agricultural assets, and credit and life term. Insurance for standing crop planted is extended to farmers of rice, corn, and/or high-value crops against losses due to natural disasters, plant diseases, and pest infestation. Livestock insurance is protection against loss of carabao, cattle, horse, swine, goat & sheep, poultry and game animals due to accidental death or diseases. For fisheries or aquaculture, the insurance cover is a protection against losses of unharvested crop or stocks in fish or aquatic farms due to natural disasters and fortuitous events. The non-crop insurance 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.

The credit and life term insurance the PCIC offers to agricultural producers are composed of three plans: a) Agricultural Producers Protection Plan - covers the death of the insured due to accident, natural causes, and murder or assault; b) Loan Repayment Protection Plan - guarantees the payment of the face value of

approved agricultural or agri-based livelihood loan upon the death or total permanent disability of the insured borrower due to accident, natural causes and murder or assault; and c) Accident and Dismemberment Security Scheme - covers death and dismemberment or disablement of the insured due to accident.

The key features of each of these product lines such as the object of insurance, amount of cover, premium rate, and covered risks are detailed in Table 24. It can be noted that the maximum amount of cover particularly for the crop insurance (rice, corn, high-value, and fisheries / aquaculture) is equivalent to the cost of production inputs. The premium rate varies according to the covered risks ranging from 2% (high-value crops, fisheries) to 15% (corn) of the amount insured. The cost of premium is shared between the farmer and the government with the latter having a fixed rate but the bigger share if the risks covered is low to medium. If the participating farmer is borrowing from a bank (or other lending institution) to finance the crop to be insured, his/her share of the premium is further split between him/her and the bank. The bank is charged with a fixed rate, which if the risks covered is low, is bigger than the farmer's share. In case the participating farmer has to call on the insurance, his/her claims would apply first to the repayment of his outstanding loan.

Insurance Products in Support of DA Programs

In addition to its regular insurance products, the PCIC provides special insurance facilities that support DA's programs to increase production, productivity, and incomes of small farmers and fisherfolk. The premium rates under these special insurance products are subsidized or fully paid by the government. There are currently four (4) such facilities, namely: a) Registry System for Basic Sectors in Agriculture (RSBSA) Insurance; b) Sikat-Saka Program; c) Production Loan Easy Access Program (PLEA), and (d) Agricultural Insurance for Agrarian Reform Beneficiaries (ARBs).

1. Registry System for Basic Sectors in Agriculture (RSBSA) Insurance - This special program fully subsidizes the insurance premium of subsistence farmers and fisherfolk listed in the RSBSA who are not receiving any other subsidy from any of PCIC's regular insurance facilities. It covers all insurance products except the term insurance packages. The amount of cover is equal to the actual amount of loan for borrowing farmers or a maximum of P20,000 per hectare for rice and corn insurance programs or for other insurance programs.

2. Sikat Saka Program - The Sikat-Saka Program (SSP) is a component of the DA Rice Program implemented in 45 major rice-producing provinces in the country since 2012. LANDBANK is the lending institution of the program. PCIC provides full (100%) premium subsidy for the rice crop insurance coverage of the subsistence farmers participating in the SSP. The maximum amount of cover is up to the amount of loans granted by LANDBANK.

3. Production Loan Easy Access (PLEA)
- Under the PLEA Program of the DA-ACPC, PCIC subsidizes 100% of insurance premium cost under the following

insurance lines: crops (rice, corn, high-value crops), livestock, fisheries, and non-crop agricultural asset. Eligible farmer-participants of this insurance facility are registered in the RSBSA and recipients of PLEA loan from lending conduits accredited by ACPC.

4. Agricultural, Insurance for Agrarian Reform Beneficiaries (ARBs) - This is the agricultural insurance program of PCIC for agrarian reform beneficiaries (ARBs), since 2013, in support of the Agrarian Production Credit Program (APCP) and the Credit Assistance Program for Program Beneficiaries Development (CAP-PBD). The APCP is a credit program of the DA, ACPC, Department of Agrarian Reform (DAR), Department of Environment and Natural Resources (DENR) and LANDBANK for ARBs and their organizations (ARBOs). Likewise, CAP-PBD is a credit cum capacity building program of the DAR and LANDBANK for ARBs. The insurance program provides full premium subsidy to ARBs and their household members covering the shares of the farmer, lending institution, and the national government. It covers the following product lines: rice, corn, HVC, livestock, and accident and dismemberment security. The amount of cover is the amount of loans from LANDBANK under the APCP or CAP-PBD.



Table 24: Key Features of PCIC’s Insurance Products

A. RICE

Object of insurance	Amount of cover	Premium rate (%)	Covered risks
Standing rice crop planted on the land specified by the farmer in the insurance application and which the assured farmer/grower has an insurable interest on	Cost of production inputs per Farm Plan and Budget, plus (optional) additional amount of cover up to a maximum of 20% subject to the following prescribed cover ceilings per ha	Variable per region, per season and per risk classification to be shared by the farmer, lending institution (if borrower) and the government	Natural disasters--typhoons, floods, drought, earthquakes, volcanic eruptions and tornado
	Inbred varieties: Irrigated/Rainfed-P41,000 per ha; Seed production-P50,000 per ha	Multi-risk cover: Low/Medium/High Risk -9.36/10.81/12.2727	Plant diseases -- tungro, rice blast/neck rot, grassy stunt, bacterial leaf blight and sheath blight
	Hybrid varieties: Commercial production-P50,000 per ha; Seed production- P65,000 per ha	Natural disaster cover: Low/Medium/High Risk -6.84/7.97/9.0727	Pest infestation--rats, locusts, armyworms/ cutworms, stem borer, black bugs and brown plant hopper / hopper burn

B. CORN

Object of insurance	Amount of cover	Premium rate (%)	Covered risks
Standing corn crop planted on the land specified by the farmer in the insurance application and which the assured farmer/grower has an insurable interest on	Cost of production inputs per Farm Plan and Budget, plus additional cover (optional) up to a maximum of 20% but not to exceed the following ceilings per ha	Variable per region, per season and per risk classification to be shared by the farmer, lending institution (if borrower) and the government	Natural disasters--typhoons, floods, drought, earthquakes, and volcanic eruptions
	<i>Open-pollinated varieties:</i> P68,000 per ha	<i>Multi-risk cover:</i> Low/Medium/High Risk – 16.45/19.27/22.10	Plant diseases -- stalk rot, banded leaf and sheath blight
	<i>Hybrid varieties:</i> P70,000 per ha	<i>Natural disaster cover:</i> Low/Medium/High Risk – 11.40/13.30/15.2027	Pest infestation--rats, locusts, armyworms/ cutworms and corn borers

C. HIGH VALUE CROPS

Object of insurance	Amount of cover	Premium rate (%)	Covered risks
Standing crop planted on the land specified by the farmer in the insurance application and which the assured farmer/grower has an insurable interest on	Cost of production inputs as agreed upon by PCIC and the insured, including a portion of the value of the expected yield (at the option of the farmer) but not to exceed 120% of the cost of production inputs	On a per crop basis depending on the result of the pre-coverage evaluation, type and number of risks sought for coverage, location-specific agro-climatic conditions, type of soil, terrain, farm management practices and production and loss records; Shall range from 2% to 7% of the total sum insured	Any, all or a combination of typhoon, flood, drought, earthquake, volcanic eruption, tornado, plant diseases, pest infestations; provided that the risk/s covered shall be limited to those specified in the policy contract; other perils may be covered subject to the approval of the PCIC Board

Table 24: Key Features of PCIC’s Insurance Products (cont.)

D. LIVESTOCK

Object of insurance	Amount of cover	Premium rate (%)	Covered risks
<p><i>Non-commercial mortality insurance cover</i> for cattle, carabao, horse, swine, goat & sheep</p> <p><i>Commercial mortality insurance cover</i> for cattle, carabao, horse, swine, goat & sheep and poultry</p> <p><i>Special cover</i> for livestock dispersal, game fowls and animals such as fighting cocks and race horses</p>	<p><i>Non-commercial cover:</i> Cattle and carabao - P7,000 to P15,000; Horse - P9,000 to P15,000; Swine - shall be 70% of the value of swine selling/slaughter time in the locality but not exceed P8000/head; Goat & sheep - P1,000 to P6,000</p> <p><i>Commercial cover:</i> Cattle and carabao - P10,000 to P15,000; Swine - 70% market value (breeder), Goat & sheep - P20,000 (breeder), P1,000 (fattener); Poultry - 70% prevailing market price or as agreed upon</p>	<p><i>Non-commercial cover:</i> Cattle and carabao - 5.0% to 6.5%; Horse - 5.0% to 7.25%; Swine - the premium rate depends on raising period; Goat & sheep - 10%</p> <p><i>Commercial cover:</i> Cattle and carabao - 5% to 10%, above 10% or as agreed for over P30,000; Swine - 3% to 8% (breeder), 0.5% per mo. (fattener); Goat & sheep - 12% (breeder), 10% (fattener); Poultry - 3.25% to 3.5% (w/o cover for typhoon/flood), 3.5% to 4% (w/ typhoon/flood)</p>	<p><i>Non-commercial:</i> diseases; accidental drowning, strangulation, snakebites and other events of accidental nature except those caused by vehicular accidents; fire and/or lightning; dog bites (for goat & sheep only) and accidents arising from transport of animals to and from the place of treatment</p> <p><i>Commercial:</i> All diseases that are not included in the non-commercial cover except for fire and lightning; and accidents occurring from the transport of animals to and from the farm and place of treatment</p> <p><i>Special Cover-</i> livestock dispersal and Game fowls and animals: same risks under non-commercial cover</p>

E. FISHERIES

Object of insurance	Amount of cover	Premium rate (%)	Covered risks
<p>Unharvested crop/ stock in fisheries farms specified in the application for fisheries insurance on the farmland specified on the insurance application</p>	<p>Cost of production inputs, the value of the fish farmer / fisherfolk/ grower’s own labor and those of the members of his own household, including the value of labor of hired workers per Fisheries Farm Plan and Budget</p>	<p>Shall be determined by PCIC, Subject to the established provisions. This ranges from 2% to 12% depending on the result of the pre-coverage evaluation of the risk proposed, and other factors such as agro-climatic conditions and terrain, project management factors and production and loss records</p>	<p><i>Limited Cover</i> of crop/stock due to natural disasters</p> <p><i>Extended Cover</i> against loss of crop/ stock and other eligible properties due to fortuitous events and force majeure</p>

Table 24. Key Features of PCIC’s Insurance Products (cont.)

F. NON-CROP AGRICULTURAL ASSETS

Object of insurance	Amount of cover	Premium rate (%)	Covered risks
<p>Fire and Lightning - Warehouse risks for agricultural produce, machineries and equipments; Industrial risks for processing of agricultural produce; Poultry houses, pig pens, stables and other similar structures; and Other related infrastructures</p> <p>Property Floater- Tractors, threshers, trailers, shallow tube wells, other related farm machineries.</p> <p>Commercial Vehicle - Agricultural transport facilities/ vehicles used for hauling agricultural products such as trucks and pickups</p>	<p>Not specified</p>	<p>Fire and Lightning - Premium rating of all risks, including applicable discounts deductibles shall be in accordance with the prevailing industry practice</p> <p>Property Floater - based on the prevailing rate in the area but not to exceed 1.0% of sum insured if the coverage is an initial insurance coverage or the rate is expiring if renewal or a minimum of P400.00 per policy</p> <p>Commercial Car - shall be in accordance with the prevailing industry practice</p>	<p>Fire and Lightning - Damage to insured property due to fire and lightning</p> <p>Property Floater - All risks of direct physical loss or damage to the property insured from any external cause</p> <p>Commercial Car - Loss of or damage to the vehicle:</p> <ul style="list-style-type: none"> - by accidental collision of overturning consequent upon mechanical breakdown or consequent upon wear and tear - by fire, external explosion, self-ignition or lightning or burglary, house-keeping or theft - by malicious act whilst in transit (including the processes of loading and unloading) incidental to such transit by road, rail, inland waterway, lift or elevator

Table 24. Key Features of PCIC’s Insurance Products (cont.)

G. CREDIT AND LIFE TERM

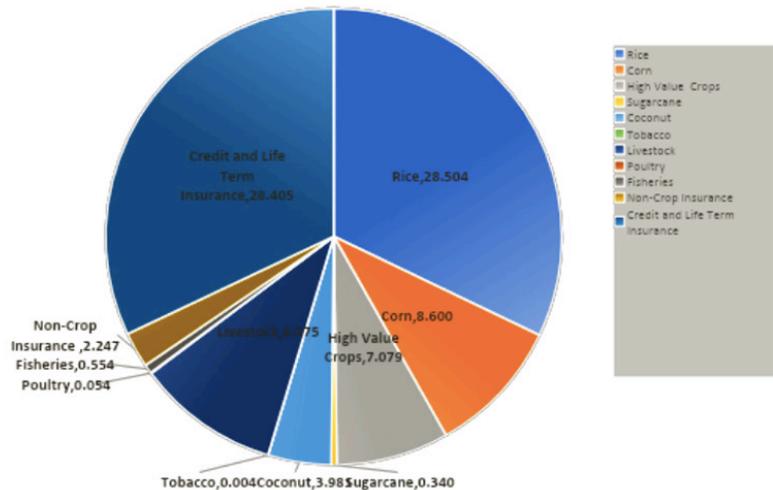
Object of insurance	Amount of cover	Premium rate (%)	Covered risks
Agricultural Producers Protection Plan (AP ³)- covers death of the insured due to accident, natural causes and murder or assault	Those with ages 66-80 years shall be covered up to a maximum of P50,000 only	Premium Rate is 0.75%, regardless of age, inclusive of taxes amount of coverage (P15-50T): P112 to P375 per annum	Death of the insured due to accident, natural causes, and murder or assault
Loan Repayment Protection Plan (LRP ²)- guarantees the payment of the face value or the amount approved agricultural loan upon the death or total dismemberment or disablement of the insured due to accident	The amount of insurance is equal to the amount of the approved loan of the borrower or the full amount of the loan including legitimate interest thereof.	Depending on term of loan (up to 12 months): 0.375% to 1.5% of approved loan/sum insured	Guarantees the payment of the face value or the amount of the approved agricultural loan upon the death or total permanent disability of the insured borrower due to accident, natural causes and murder or assault
Accident and Dismemberment Security Scheme (ADS ²)- covers death or dismemberment or disablement of the insured due to accident	Provided that the aggregate sum insured per individual shall not exceed P100,000	<i>For Individual and Group</i> - 0.1% to 0.5% of amount insured, per annum <i>For Family</i> - 0.36% of the amount insured per annum	Death of the insured due to accident; or dismemberment/ loss of the following body parts (i.e. both hands, both feet or both eyes, either hand or foot and sight of one eye; one hand and one foot; either hand or foot and sight of one eye) insured due to accident

Source: Philippine Crop Insurance Corporation (PCIC) website (www.pcic.gov.ph)

Insurance Coverage and Outreach

to help stabilize the income of agricultural producers and promote the flow of credit in the countryside

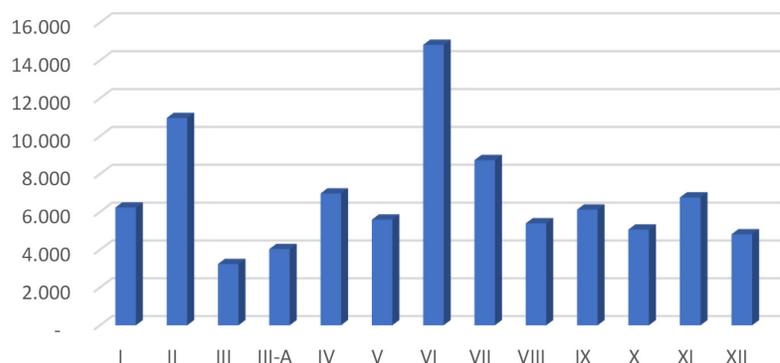
PCIC 2020 Insurance Coverage by Commodity (Amount in Billion)



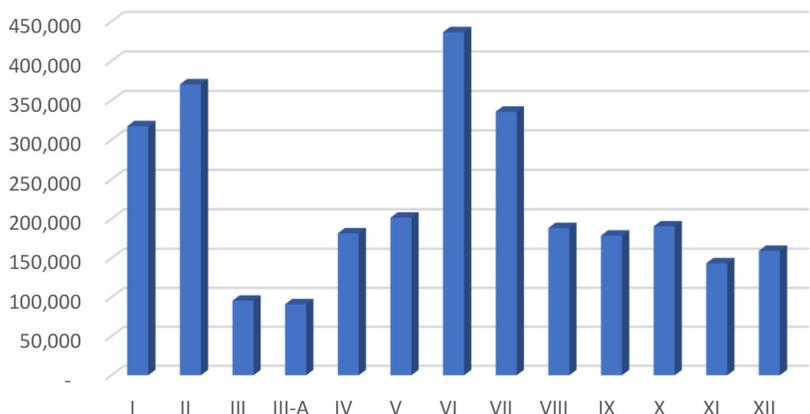
For 2020, PCIC extended insurance amounting to P88.7 billion. Insurance cover for crops, livestock, fisheries and farm assets amounted to P63.3 billion (68%) benefitting at least 2.2 million farmers. The rest (32%) of the total insurance amounting to P28.4 billion are credit and/or life term (a "rider" or supplementary insurance), which were for the benefit of 633,535 farmers.

Compared to the previous year, the total value of PCIC's insurance portfolio decreased by 21% or P23.3 billion (Table 25). The corresponding reduction in the number of insurance beneficiaries is 8% or about 260 thousand farmers. The various levels of quarantine measures imposed locally by both the national and local governments due to the COVID-19 pandemic impeded the usual level of mobility of the PCIC staff, insurance partners and the client-beneficiaries themselves, thus, lowering access to insurance services and driving down

Amount of Insurance Coverage, By Region (in Billion Pesos)



Number of Insured Farmers, by Region



enrolment in 2020.

More than half (62%) of the crop and non-crop insurance production (i.e., excluding credit and life term) of PCIC in 2020 amounting to P27.1 billion went to rice and corn. This was received by 1.6 million rice and corn farmers who compose 71% of the total farmers with agricultural insurance during the year (Table 25). While the 2020 rice and corn insurance posted a decline of 6% valued at about P2.4 billion, from the previous year's level the corresponding number of farmers served increased by 14% or adding 195,628 more. This could be attributed to PCIC's lowering of the amount of insurance cover per hectare from P20,000 to P15,000 to accommodate and enroll more corn farmers particularly in Region II. Moreover, the decrease in the amount of coverage for rice and corn is also due to the following: a) delayed planting of rice and corn crops due to drought in Regions I and II; b) corn growers' apprehension to plant due to the fear of possible attack of fall armyworm and the earlier forecast of PAGASA on the expected abnormal weather condition in the country until the end of 2020; and c) non-participation of Tulay sa Pag-unlad Inc. (TSPI), an NGO microfinance institution in Region III.

Insurance for high value crops (HVC) in 2020 amounted to about P7.1 billion, which constitutes 12% of total crop and agri asset insurance and benefitted for 172,210 farmers or 8% of total. Such insurance production levels were significantly lower compared to those in 2019 (Table 25). PCIC reports that the decrease in insurance coverage (31%) and number of farmers insured (14%) for HVC were due to the following: a) HVC plantations in Quezon, Marinduque, and Oriental Mindoro provinces in Region IV were badly hit by Typhoon Tisoy in 2019; b) the eruption of Taal Volcano damaged farms in the surrounding provinces and are still in the process of rehabilitation;



and c) non-renewal of some insurance policies in most regions.

PCIC's livestock and poultry insurance comprising 15% of total insurance that was provided during the year amounted to P9.0 billion. This is significantly (24% or P2.8 billion) smaller than the industry's coverage for 2019. Such decline is attributed mainly to the breakout of the African Swine Fever (ASF) since July 2019.

The insurance production of PCIC for other crops such as sugarcane, coconut, tobacco, and fisheries, although relatively small also decreased (Table 25). Tobacco and sugarcane have limited production areas and most farmers are not yet listed under the RSBSA. While for fisheries, the lesser value of insurance coverage is attributed mainly to non-dispersal of fingerlings to Special Area for Agricultural Development (SAAD) beneficiaries in Region XII and ineligible fish stocks in Region X.

Table 25. PCIC Coverage and Outreach, by Insurance Product/Commodity, 2019 and 2020

Commodity/Product	2019		2020 ^a		% Increase/(Decrease)	
	Amount (PB)	No. Insured	Amount (PB)	No. Insured	Amount	No. Insured
Rice	28.861	1,009,757	28.504	1,189,563	(1.2)	17.8
Corn	10.597	392,851	8.600	408,673	(18.8)	4.0
High value crops	10.326	199,848	7.079	172,210	(31.4)	(13.8)
Sugarcane	0.486	6,733	0.340	4,070	(30.0)	(39.6)
Coconut	8.343	141,713	3.981	78,048	(52.3)	(44.9)
Tobacco	0.021	1,449	0.004	130	(81.0)	(91.0)
Livestock	11.758	473,440	8.975	354,190	(23.7)	(25.2)
Poultry	0.054	1,732	0.054	443	0.0	(74.4)
Fisheries	0.686	16,819	0.554	13,660	(19.2)	(18.8)
Non-crop/Agri Assets	3.020	44,754	2.247	34,921	(25.6)	(22.0)
Credit and Life Term	37.915	862,511	28.405	633,535	(25.1)	(26.5)
Total	112.067	3,151,607	88.743	2,889,443	(20.8)	(8.3)

^a 2020 figures are not final and data generated as of January 11, 2021
Source: Philippine Crop Insurance Corporation (PCIC)

Insurance Cover by Region

Across the regions, the biggest share in both the amount of insurance coverage and farmer outreach for 2020 went to Western Visayas followed by Cagayan Valley (Table 26). Western Visayas shared 17% amounting to P14.8 billion benefitting 436,448 farmers or 15% of total farmer enrollees. On the other hand, 370,351 Cagayan Valley farmers received 13% of the total agriculture insurance amounting to P10.9 billion.

Eastern Visayas and Ilocos Region also received relatively large insurance cover and number of beneficiary farmers (Table 26).

Table 26. PCIC Coverage and Outreach, by Region, 2019 and 2020

Region	2019		2020 ^a		% Increase/(Decrease)	
	Amount (PB)	No. Insured	Amount (PB)	No. Insured	Amount	No. Insured
I	8.587	367,396	6.229	317,326	(27.5)	(13.6)
II	15.463	425,336	10.957	370,351	(29.1)	(12.9)
III	4.009	104,320	3.245	95,622	(19.1)	(8.3)
III-A	4.822	99,596	4.032	91,113	(16.4)	(8.5)
IV	10.253	223,494	6.974	181,580	(32.0)	(18.8)
V	7.439	218,129	5.593	201,328	(24.8)	(7.7)
VI	17.586	498,134	14.822	436,448	(15.7)	(12.4)
VII	9.913	316,747	8.732	335,691	(11.9)	6.0
VIII	8.180	241,731	5.396	188,160	(34.0)	(22.2)
IX	6.081	159,056	6.122	178,615	0.7	12.3
X	5.872	189,660	5.065	190,347	(13.8)	0.4
XI	7.418	135,386	6.761	143,548	(8.9)	6.0
XII	6.442	172,622	4.816	159,314	(25.2)	(7.7)
All Regions	112.066	3,151,607	88.743	2,889,443	(20.8)	(8.3)

^a 2020 figures are not final and data generated as of January 11, 2021
Source: Philippine Crop Insurance Corporation (PCIC)

Insurance Claims

In 2020, the total claims paid by PCIC to 357, 143 farmers amounted to P2 billion, P1 billion less than what it paid during the previous year due mainly to lower insurance enrolment, as a consequence of the COVID-19 pandemic. The overall damage rate or the ratio of claims paid to insurance cover posted was at 2.3% slightly lower than the level in 2019. On the other hand, the loss ratio was at P0.42 for every peso of insurance premium collected (Table 27).

The bulk (70%) of the indemnities were settlements of claims of 230, 481 rice farmers amounting to about P1.4 billion. Corn farmers numbering to 113,494 received 25% of the claims paid totaling close to half a billion pesos. The main causes of the damage of insured rice crops are pests (e.g.

Table 27. Damage and Loss Ratios, 2019 and 2020

	2019	2020	% Change
Amount of cover (P Billion)	112.07	88.74	-20.8
Amount of premiums (P Billion)	5.73	4.75	-17.1
Claims paid (P Billion)	3.01	2.01	-33.2
Damage rate (%) ^a	2.7	2.3	
Loss ratio (%) ^b	52.5	42.3	

^a Damage Rate = Claims Paid/Amount of Cover

^b Loss Ratio = Claims Paid/Premiums Earned

Source: Philippine Crop Insurance Corporation (PCIC)

stemborers, armyworms, among others) and typhoons (i.e. Leon, Pepito, Quinta, Ulysses among others). There are small amounts of paid insurance claims from livestock, HVC, coconut, fisheries, and agri assets insurance enrolled farmers. On the other hand, there were no insurance claims from sugarcane, tobacco and poultry (Table 28).

Table 28. Insurance Claims Paid, by Program/Commodity, 2020

Commodity/Product	Farmer Beneficiaries		Indemnity/ Claims Paid		Damage Rate (%)	Loss Ratio
	No.	%	Amount (PB)	%		
Rice	230,481	64.53	1.382	68.9	4.85	0.48
Corn	113,494	31.78	0.495	24.7	5.76	0.55
High value crops	4,973	1.39	0.027	1.3	0.38	0.08
Sugarcane	12	0	0.000	0.0	0.00	0.00
Coconut	893	0.25	0.002	0.1	0.05	0.02
Tobacco	2	0	0.000	0.0	0.00	0.00
Livestock	5,325	1.49	0.063	3.1	0.70	0.18
Poultry	3	0	0.000	0.0	0.00	0.00
Fisheries	614	0.17	0.004	0.2	0.72	0.12
Non-crop/Agri Assets	150	0.04	0.004	0.2	0.18	0.08
Credit and Life Term	1,196	0.33	0.030	1.5	0.11	0.50
Total	357,143	100	2.007	100.0	2.26	0.42

Source: Philippine Crop Insurance Corporation (PCIC)

Issues and Challenges of Agricultural Insurance

Farmers in the Philippines remain susceptible to large agricultural risks due to natural calamities and pest infestation. While insurance is one of the tools to mitigate agricultural risks, there were major challenges to the rollout of agri-fisheries insurance in 2020. The most significant issues that the Philippine Crop Insurance Corporation (PCIC) faced during the year are the following:

- The Registry System of Basic Sectors in Agriculture (RSBSA) is not regularly updated – Apparently, the RSBSA list of farmers and fisherfolk that PCIC is currently using has significant exclusions as well as inclusions. There are individuals recognized as farmers in their respective local government units who, on the other hand, are not included in the RSBSA. They are disenfranchised from availing of the free PCIC insurance package extended to RSBSA-registered farmers.
- No assurance of continuity in the provision of insurance subsidy – While the insurance subsidy is allocated in the General Appropriations Act (GAA) it is not based on a program. Instead, the subsidy is only a project that can be terminated at any given time. There is no assurance of sustainability.
- Capitalization and institutional capacity of PCIC need augmentation and strengthening – The institutional capacity and capitalization of PCIC are not enough to cover all the farmers and fisherfolk listed in the RSBSA. In 2019, PCIC was only able to provide insurance coverage for only 3.1 million farmers and fisherfolk with its current manpower and budget. There are 10 million farmers registered in the RSBSA. In order to expand the provision of agricultural insurance services, PCIC's institutional capacity should be strengthened, and its capitalization augmented.
- The various levels of quarantine measures imposed locally by both the national and local governments due to the COVID-19 impeded the usual level of mobility of the PCIC staff, insurance partners and the client-beneficiaries themselves, thus, lowering access to insurance services and driving down enrolment during year.



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