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EXPANDED RICE CREDIT ASSISTANCE – RICE COMPETITIVENESS ENHANCEMENT FUND (ERCA-RCEF) PROGRAM 2024 2nd QUARTER REPORT

The accomplishments and status of the Expanded Rice Credit Assistance – Rice Competitiveness Enhancement Fund (ERCA-RCEF) Program based on reports submitted by the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) as of June 30, 2024.

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

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

I. Overall Program Accomplishments

As of June 30, 2024, the ERCA-RCEF program has allotted a combined total of PhP4.91 billion to the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP). LBP received PhP2.70 billion, while DBP was allotted PhP2.21 billion. Over the same period, the total loans disbursed under the program reached PhP4.87 billion. (Table 1).

LBP disbursed PhP2.66 billion of its allotted funds, reflecting a utilization rate of 98.6%. This amount was distributed to 16,207 individual borrowers and 281 cooperatives. LBP's utilization rate fell slightly short of 100% due to non-alignment of some loan disbursements with the borrowers' rice cropping calendar. On the other hand, DBP fully utilized its allocated PhP2.21 billion, resulting in a 100% utilization rate. The bank's loans were extended to 27 individuals and 27 cooperatives.

Overall, the combined fund utilization rate of the two GFIs reached 99.2%. The total number of borrowers served by both institutions has reached 16,234 individuals and 308 cooperatives.

**Table 1. ERCA-RCEF Funds Allotted and Utilized, By LBP and DBP
As of June 30, 2024**

GFI	Transferred Funds (PM)	Funds Utilized (PM)	Utilization Rate (%)	Number of Borrowers	
				Individual	Cooperatives
LBP	2,702.08	2,664.35	98.6	16,207	281
DBP	2,210.65	2,210.65 ^{1/}	100	27	27
Grand Total	4,912.73	4,875.00	99.2	16,234	308

1/ Total amount of P2,043.53 was utilized for loans (P24.71M), and management fee of (P142.41M).

II. ERCA RCEF Loan Releases, by Region

From the first to the second quarter of 2024, the total amount of loans released under DBP's ERCA-RCEF program increased from PhP2.15 billion to PhP2.17 billion, reflecting a 1.2% growth.

DBP released a significant portion of its ERCA-RCEF loan funds to Regions I and II, reflecting a concentration in Northern Luzon. Region II received a little over half (51%) of the total loan amount. Close behind was Region I, which received PhP550 million, or 25% of the total loans (Table 2).

Despite Regions IV-A and XII receiving the lowest loan releases—PhP0.17 million and PhP3.41 million, respectively, they nevertheless registered the highest numbers of individual borrowers. Region XII stood out by accounting for 41% of all individual borrowers, with 11 individuals benefiting from the program. Meanwhile, Region IV-A represents 19% of the total individual borrower base.

On the other hand, Group borrowers were predominantly located in Region I (26%) and Region VIII (19%).

**Table 2. Summary of DBP's ERCA-RCEF Loan Releases, By Region
As of June 30, 2024**

Region	Development Bank of the Philippines					
	Amount of Loans Released (P Million)	% Share	Number of Borrowers			
			Individual Borrowers	% Share	Group-Borrowers	% Share
CAR	-	-	-	-	-	-
Region I	550.00	25%	-	-	7	26%
Region II	1,107.50	51%	-	-	3	11%
Region III	27.00	1%	-	-	1	4%
Region IV-A	0.17	0%	5	19%	-	-
Region IV-B	170.66	8%	-	-	3	11%
Region V	180.66	8%	6	22%	2	7%
Region VI	54.14	2%	-	-	3	11%
Region VII	13.55	1%	2	7%	3	11%
Region VIII	71.44	3%	3	11%	5	19%
Region IX	-	-	-	-	-	-
Region X	-	-	-	-	-	-
Region XI	-	-	-	-	-	-
Region XII	3.41	0.2%	11	41%	-	-
Region XIII	-	-	-	-	-	-
Total	2,178.53	100%	27	100%	27	100%

1/ Inclusive of P135 loan re-availment of the borrower

Table 3 shows that Regions III and II led substantially both in loan disbursements and borrower numbers. Region III, with PhP869.09 million, accounted for 33% of the total loan amount and supported the highest number of group borrowers, totaling 119 groups, or 42% of the total. Region II followed with PhP632.46 million, representing 24% of the total loan amount, and had the highest number of individual borrowers, making up 31% of the total.

In contrast, regions such as VII, XI, and BARMM received much lower loan amounts, with Region VII allocated PhP4.02 million, Region XI PhP3.17 million, and BARMM PhP0.11 million. Additionally, Regions IV-A, VII, XI, and XII primarily focused on individual borrowers.

**Table 3. Summary of the LBP's ERCA-RCEF Loan Releases, By Region
As of June 30, 2024**

Region	Land Bank of the Philippines					
	Amount of Loans Released (P Million)	% Share	Number of Borrowers			
			Individual Borrowers	%Share	Group-Borrowers	%Share
CAR	62.02	2%	750	5%	7	2%
Region I	95.52	4%	331	2%	24	9%
Region II	632.46	24%	4,965	31%	53	19%
Region III	869.09	33%	2,283	14%	119	42%
Region IV-A	34.98	1%	365	2%	-	-
Region IV-B	203.18	8%	1,651	10%	4	1%
Region V	21.49	1%	159	1%	4	1%
Region VI	239.67	9%	1,804	11%	15	5%
Region VII	4.02	0%	84	1%	-	-
Region VIII	45.13	2%	724	4%	3	-
Region IX	55.66	2%	307	2%	6	2%
Region X	102.96	4%	330	2%	9	3%
Region XI	3.17	0%	42	0%	-	-
Region XII	56.31	2%	568	4%	-	-
Region XIII	238.56	9%	1,843	11%	37	13%
BARMM	0.11	0%	1	0%		
Total	2,664.35	100%	16,207	100%	281	100%

III. ERCA RCEF Loan Releases, by Type of Borrower

The Land Bank of the Philippines (LBP) primarily targeted individual borrowers in its loan disbursements, allocating Php1.5 billion. This constitutes 55% of its total loan releases, to 16,637 individuals or 98% of LBP's total borrowers. In comparison, cooperatives received Php1.2 billion from LBP, accounting for 45% of the bank's total loan amount. However, cooperatives comprised only 2% of LBP's borrower base, totalling 286 cooperatives.

The Development Bank of the Philippines (DBP) implemented a different approach, releasing Php2.16 billion (99.5% of its Php2.18 billion total) to cooperatives, which comprised 50% of its borrowers.

**Table 4. Summary of ERCA-RCEF Loan Releases, By Type of Borrower
As of June 30, 2024**

Type of Borrower	Land Bank of the Philippines				Development Bank of the Philippines				GRAND TOTAL			
	Amount of Loans Released	% Share	No. of Borrowers	% Share	Amount of Loans Released	% Share	No. of Borrowers	% Share	Amount of Loans Released	% Share	No. of Borrowers	% Share
	(PM)				(PM)				(PM)			
Individual	1,499.31	55%	16,637	98%	13.69	0.5%	27	50%	1,513.00	31%	16,664	98%
Cooperative	1,212.13	45%	286	2%	2,164.84	99.5%	27	50%	3,376.97	69%	313	2%
Total	2,711.44	100%	16,923	100%	2,178.53 ^{1/}	100%	54	100%	4,889.97	100%	16,977	100%

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

IV. ERCA RCEF Loan Releases, By Loan Purpose

Nearly two-thirds of the ERCA-RCEF loans were utilized by cooperatives, primarily as working capital for rice milling/trading (32%) and re-lending (32%) activities (Table 5). In addition, over a quarter (27%) of the loans were allocated to 16,082 individual borrowers and 32 cooperatives for palay production. The remaining funds were directed towards the procurement of farm machinery and the construction of warehouses.

Table 5. Summary of ERCA-RCEF Loan Releases, By Loan Purpose

As of June 30, 2024

Loan Purpose	Land Bank of the Philippines					Development Bank of the Philippines					GRAND TOTAL							
	Amount of Loans Released (P Million)	% Share	Number of Borrowers			% Share	Amount of Loans Released (P Million)	% Share	Number of Borrowers			% Share	Amount of Loans Released (P Million)	% Share	Number of Borrowers			
			Indivi- duals	% Share	Groups				Indivi- duals	% Share	Groups				Indivi- duals	% Share	Groups	% Share
Palay Production	1,309.90	49%	16,082	99%	32	11%	-	-	-	-	-	-	1309.90	27%	16,082	99%	32	10.39%
Working Capital - Rice Milling/ Trading	420.28	16%	-	-	64	23%	1,141.24	47.6%	19	70%	10	37%	1,561.52	32%	6	0%	74	24.03%
Working Capital - Relending	651.08	24%	-	-	156	56%	898.68	47.9%	-	-	14	52%	1,549.76	32%	-	-	170	55.19%
Purchase of Farm Machinery	283.09	11%	125	1%	29	10%	79.18	1%	8	30%	2	7%	362.27	7%	90	1%	31	10.06%
Construction of Warehouse	-	-	-	-	-	-	59.43	3%	-	-	1	4%	59.43	1%	-	-	1	0.32%
Total	2,664.35	100%	16,207	100%	281	100%	2,178.53 ^{1/}	100%	27	100%	27	100%	4,842.88	100%	16,178	100%	308	100%

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

V. Issues and Challenges Encountered

Name of Institution	Issues and Challenges	Plans to address these Issues/Challenges
DBP	Rice cultivation heavily relies on weather conditions, making farmers vulnerable to natural disasters like floods, droughts, or typhoons. DBP has encountered challenges with loan defaults due to unpredictable weather events impacting farmers' crop yields, affecting their ability to generate income for loan repayments.	DBP promotes climate-resilient farming practices and technologies. And allow flexible loan repayment structures tied to weather conditions to accommodate unforeseen challenges.
	The combination of production risk and fragmented lands in the Philippines poses challenges for DBP when lending to farmers. Production risk, stemming from adverse weather conditions and pest infestations, increases the likelihood of crop failures, impacting farmers' ability to generate income. Fragmented lands complicate lending, affecting the effective monitoring and enforcement of loan agreements.	DBP encourages sustainable land consolidation/clustering initiatives. Provides financial literacy training to enhance farmers' ability to manage risks effectively.
	DBP encounters challenges in evaluating the creditworthiness of farmers, particularly in remote areas, where many lack a comprehensive credit history. Assessing financial reliability becomes challenging due to the absence of credit history, making it difficult for DBP to gauge past borrowing and repayment behavior.	Currently, DBP extends relending facilities to eligible cooperatives that depend on relationship lending as a strategy to address information asymmetry. As a long term solution, alternative credit scoring models based on other indicators like farm productivity and community reputation should be developed.
	The lack of market access for farmers leads to uncertainties in income, exposing them to price volatility and potentially resulting in delayed loan repayments.	Currently, DBP helps establish market linkages and support value chain development in collaboration with other government agencies and private enterprises. DBP also collaborates with local cooperatives to enhance collective bargaining power in the market.