



# Philippine Agri Finance news

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## ACPC hosts international workshop for APRACA-IFAD project



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Acpc Executive Director Jovita M. Corpuz, who is also the President of the Board of Trustee of APRACA CENTRAB and Executive Committee Member of APRACA hosted international workshop attended by 75 participants from 8 countries. Representative from international Fund for Agricultural development (IFAD), FAO, government agencies engaged in rural finance, banks, and other partner organizations from China, Indonesia, Philippines, Thailand, Sri Lanka, Bangladesh and Cambodia attended the workshop.



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# ACPC hosts international workshop for APRACA-IFAD project

By: Emmalyn J. Guinto



(from left) APRACA Secretary General Chamnong Siriwongyotha, ACPC Dep. Exec. Dir. Ramon C. Yedra, IFAD Director for the Asia-Pacific Division Ms Hoonae Kim and ACPC Exec. Dir. and also the President of the Board of Trustees of APRACA-CENTRAB organized the workshop aimed

The Agricultural Credit Policy Council (ACPC), in coordination with the Asia-Pacific Rural and Agricultural Credit Association Center for Training and Research on Agricultural Banking (APRACA-CENTRAB), hosted a three-day international workshop for the project “Documenting Global Best Practices on Sustainable Models of Pro-Poor Rural Financial Services in Developing Countries” (RuFBep Project).

Held on March 4-6, 2015 at the Midas Hotel in Manila, the workshop was attended by 75 participants from 8 countries composed of representatives of APRACA, International Fund for Agricultural Development (IFAD), Food and Agriculture Organization (FAO), national government departments/agencies engaged in rural finance policies, central banks, regulatory agencies, development banks, commercial banks, and other partner organizations from People’s Republic of

China, India, Indonesia, Philippines, Thailand, Sri Lanka, Bangladesh and Cambodia. From the Philippines, key officials of the Land Bank of the Philippines (Landbank), Agricultural Credit Policy Council (ACPC), Agricultural Guarantee Fund Pool (AGFP), National Livelihood Development Corporation (NLDC), Bangko Sentral ng Pilipinas (BSP), among others, were present.

ACPC Executive Director Jovita M Corpuz, who is also the President of the Board of Trustees of APRACA-CENTRAB and Executive Committee Member of APRACA, acknowledged representatives from attending financing institutions in the Philippines, specifically the finance triumvirate namely: agricultural credit, credit guarantee, and agricultural insurance. She also acknowledged the presence of representatives from the different member-countries. She likewise expressed her

gratitude to IFAD, composed of delegates from its central office in Rome, headed by Ms Hoonae Kim, Director for the Asia-Pacific Division of IFAD, and Mr. Sana F.K. Jatta, Lead Portfolio Advisor for Asia and the Pacific Region. Ms Corpuz expressed her appreciation to IFAD for being on top of the RuFBep Project which aims to increase access to credit of the marginalized sector through the documentation of best practices (e.g. microfinance in agriculture), as well as to APRACA-CENTRAB and ACPC, the host institution, for doing the legwork in preparation for the event.

The RuFBep Project is a four-year (March 2014 to March 2018) IFAD grant project being implemented by the APRACA in five participating member countries which includes People’s Republic of China, India, Indonesia, the Philippines, and Thailand.

The project aims



Detailed discussions were conducted on the various best practices documented by the country working groups from the People's Republic of China, India, Indonesia, Philippines and Thailand. Among those who participated in the discussions included delegates from IFAD's central office in Rome, headed by Ms Hoonae Kim, Director for the Asia-Pacific Division and Mr. Sana F.K. Jatta, Lead Portfolio Advisor for Asia and the Pacific Region and IFAD country programme officers from the respective countries.

to sustainably reduce rural poverty and improve food security for rural communities in the Asia-Pacific region. Its purpose is to assist rural finance providers and governments in extending financial services on a sustainable basis, through the application of best practices suitable to their unique operating environments. More specifically, these best

practices will be identified, studied, critically reviewed, and selectively piloted for adaptation and replicated and successfully scaled up by IFAD and other stakeholders involved in rural and agricultural finance.

The project aims to document pertinent cases of global best practices which could be used by the

countries on the respective thematic areas identified/suggested by them. The themes to be covered under the Grant include savings, credit, innovative financial products, methodologies, legal structures, operational structures, management and governance, and the role of public and private sectors. An overarching theme is expanding knowledge management both within the Asia-Pacific region and internationally, particularly through the Regional Agricultural Credit Network of IFAD & APRACA.

The project seeks to achieve the following objectives:

- Global best practices in the identified themes are selected and rated in terms of appropriateness to the Asia-Pacific region.
- The best practices will be piloted and scaled up to test their effectiveness in projects sponsored by governments, IFAD, and other funders.
- A systematic structure for encouraging dialogue amongst the various



ACPC Executive Director Jovita M. Corpuz, also the president of the Board of Trustees for the APRACA Centre for Training and Research on Agricultural Banking (CENTRAB), (floral blouse) leads the discussion for the participants from the Philippines composed of ACPC officers Deputy Exec. Directors Ramon C. Yedra and Jocelyn R. Badiola; Director Magdalena S. Casuga, Alvin Cabatu, Joel Matira with Dr. Gilberto M. Llanto of the Philippine Institute for Development Studies (PIDS).



policy makers on promoting the best practices in providing financial services to the rural poor will be created.

- Sharing of these best practices through workshops, conferences and knowledge hubs within APRACA network and outside.

The first dissemination workshop pursues provide a platform for the interested institutions involved in the RuFBeP Project to identify the best practices from their own country/ from other countries for piloting. The workshop also poised to serve as a regional forum to learn and exchange information on the best practices of rural finance being followed in various countries of this region and also discuss about the innovations and the challenges of the access to finance by the smallholders.

Key outcomes of the workshop included the five (5) country studies which provided resourceful information and analysis on the current status of rural financial service in the countries, existing critical rural finance issues and gaps within the national rural finance condition. The country studies documented 25 existing good practices in the countries in promoting inclusive financial services. Detailed discussions were conducted on the various best practices documented by the country working groups from 5 countries.

Through the workshop, the participants were able to understand the existing rural finance best practices



*Key outcomes of the workshop included the five (5) country studies which provided resourceful information and analysis on the current status of rural financial service in the countries, existing critical rural finance issues and gaps within the national rural finance condition.*

in 5 project countries and relate these best practices under their unique operating environment and their relationship with the global best practices; generate inputs from the global experts to deepen the contents and strengthen the document; match the findings with the thematic focuses and issues of the selected countries for the Phase-2 of the project; formulate the working framework for piloting the best practices as accepted by the countries identified for the Phase-2; finalize the focal point from the country team for pilot testing of the financial services/schemes and innovations and delineate

specific responsibilities and tasks of project stakeholders; forge strategic partnerships and synergy among project stakeholders at both country and regional levels.

*[with inputs from Ferdinand Paguia, Project Development officer V, ACPC and the APRACA-RuFBeP Project Report no. 02/2015, An APRACA-RuFBeP publication with the Special Sponsorship of the International Fund for Agricultural Development (IFAD)]*



# ACPC 2015 PLANNING WORKSHOP HELD FOR 2015 AND 2016 OPERATIONAL PLANS

By: **Rumina A. Gil**



*ACPC Staff who participated in the 2015 Planning Workshop held at Plaza Del Norte, Laoag City, Ilocos Norte.*

The Agricultural Credit Policy Council (ACPC) held a two-day Operational Planning Workshop to firm - up the agency's workplans and targets for 2015.

Jointly organized by the Policy Planning Program Development and Advocacy Staff (PPPDAS) and the

Administrative, Financial and Management Staff (AFMS), the conduct of the Operational Planning Workshop was aimed at finalizing each unit's workplan as well as individual staff targets for 2015.

In her welcome address, ACPC Exec. Dir. Jovita M. Corpuz advised the different

ACPC units to incorporate action plans for the P2 billion fresh allocation from the General Appropriations Act (GAA) IN 2015 for the Agricultural Fisheries Financing Program (AFFP). The AFFP is the latest program included under the umbrella of the Agriculture Modernization Credit and Financing Program



*ACPC Exec. Dir. Jovita M. Corpuz, in her welcome address, advised the different ACPC units to incorporate action plans for the P2 billion fresh allocation from the Genral Appropriations Act (GAA) in 2015 for the Agriculture and Fisheries Financing Program (AFFP).*



*Deputy Executive Director Ramon C. Yedra critiquing workplans during the presentation of the plans of the different units.*





Director Veronica P. Santos (right) of AFMS requested the different units to also submit their work and financial plans for 2016 in compliance with the early budget call of the Department of Agriculture (DA) and the Department of Budget and Management (DBM). Also in picture is FMS Director Ma. Cristina G. Lopez (left).



Deputy Executive Director Jocelyn Alma R. Badiola (rightmost) raises a question during the presentation of individual workplans for the year. With her are PMISMS Director Norman William S. Kraft (middle) and Director Melito M. Montenegro (left).

(AMCFP).

Exec. Dir. Corpuz emphasized that the AMCFP-AFFP's goal is to contribute to the attainment of inclusive growth through financial inclusion of the unbanked and underbanked sectors in agriculture. In 2013, the government also allocated P1 billion for the the AFFP. This is the second time the government provided funding for agri-credit for small farmers and fisherfolk during the current administration.

As an overview, Director Magdalena S. Casuga of PPPDAS presented the DA's thrusts and priorities to set the direction for the workshop. She emphasized that a great responsibility is given to ACPC due to the additional P2 billion budget for credit that was given

to the agency for the year.

Ma. Teresa J. Santos of Policy and Planning Division facilitated the workshop. During the workshop, the workplans of each unit were reviewed and critiqued by the members of the ACPC Management Committee (Mancom) as well as the staff from the other units. The different ACPC units are: PPPDAS, Program Monitoring and Information Systems Management Staff (PMISMS), Fund Management Staff (FMS) and AFMS.

After the presentation of the plans of each unit, the individual staff also presented their respective workplans for the year. The unit and individual workplans were finalized incorporating the comments from the Mancom

and the other units. Director Veronica P. Santos of AFMS requested the different units to also submit their work and financial plans for 2016 in compliance with the early budget call of the Department of Agriculture (DA) and the Department of Budget and Management (DBM).

Other ACPC Officers present are: Deputy Executive Directors Ramon C. Yedra and Jocelyn Alma R. Badiola, PMISMS Director Norman William S. Kraft, FMS Director Ma. Cristina G. Lopez and Director Melito M. Montenegro.

The planning workshop was held at Plaza Del Norte, Laoag City, Ilocos Norte from February 25 to 28, 2015.



ACPC staff in pagudpud, Ilocos Norte.



## ADDITIONAL P2 B AGRICULTURE AND FISHERIES FINANCING PROGRAM AND P100 M VALUE CHAIN FINANCING PROGRAM GET ACPC APPROVAL

By: Rudyard R. Roxas

The Agricultural Credit Policy Council (ACPC) Governing Council approved the implementing guidelines of two financing programs under the Agro-Industry Modernization Credit and Financing Program (AMCFP).

The ACPC Governing Council members signed ACPC Resolution No. 1, Series of 2015, approving the AMCFP – Agricultural-Fisheries Financing Program (Funded Under GAA 2015) Implementing Guidelines. As prescribed under Section 3 of the Fiscal Year 2015 General Appropriations Act (GAA), the implementing guidelines for a streamlined and equitable access of small farmers and fisherfolk to the P2 billion AMCFP-AFFP were formulated in coordination with partner financial institutions i.e., government financial institutions (GFIs) and cooperative banks. The said guidelines were reviewed and discussed by the Governing Council of the ACPC during the 61st ACPC Governing Council Meeting on March 25, 2015.

The approved Implementing Guidelines on the AMCFP-AFFP covered the terms and provisions on the implementation of various agri-credit facilities under AMCFP such as the AFFP Sikat Saka II, ACPC-PCFC AFFP Agri-Microfinance Program (AMP), Cooperative Banks Agri-Lending Program (CBAP), Value Chain Financing Program (VCFP), Climate Change Adaptation Financing Program (CCAFFP), as well as the DA's Agrarian Production Credit Program (APCP). The resolution also contained the approving authority of applications and fund disbursement, which is governed by the DA's General Memorandum Order No. 01 Series of 2015.

The ACPC Governing Council also approved Resolution No. 2, Series of 2015, approving the Department

of Agriculture (DA)-ACPC Value Chain Financing Program (DA-ACPC VCFP) for small corn farmers in the priority provinces of the DA Corn Development Program.

The DA-ACPC VCFP was conceived following the discussion of the ACPC Governing Council for a credit scheme that has the potential in promoting inclusive growth in rural areas by enabling small farmers to improve their livelihoods and incomes through improved links in a value chain. The ACPC Governing Council, during its 59th meeting on October 27, 2014, approved ACPC's proposed VCFP to cover priority provinces of the DA as well as other provinces that may be selected based on a set criteria. The VCFP will initially be implemented in the provinces of Zamboanga del Norte and Bukidnon.

The resolution outlined the features of the program, which include: 1) funding support to be provided in the form of loan which shall be matched by partner financial institutions with their own counterpart fund equivalent to at least the amount of loan availed under the program. The partner financial institutions shall utilize the proceeds of the loan including its own counterpart fund in extending value chain loans to eligible farmer-borrowers at their full credit risk; 2) open to financial institutions (banks) that will pass the eligibility criteria. The financial institutions shall be encouraged and

assisted in availing credit guarantee (Agricultural Guarantee Fund Pool) and/or crop insurance (PCIC); and 3) an initial Program Fund in the amount of One Hundred Million Pesos (Php100,000,000.00) to be drawn against the AMCFP.

The ACPC Governing Council is chaired by the DA Secretary Proceso J. Alcala along with Bangko Sentral ng Pilipinas (BSP) Governor Amando M. Tetangco, Jr. as co-chair and Secretary Cesar V. Purisima of the Department of Finance (DoF), Secretary Florencio B. Abad of the Department of Budget and Management (DBM) and Director General Arsenio M. Balisacan of the National Economic Development Authority (NEDA) as members.



Small farmers and fisherfolk (SFF) like Angelita Flores, who started with a P4,000 agri-microfinance loan from the Cooperative Bank of Cotabato under the Cooperative Banks Agri-Lending Program (CBAP), are the intended beneficiaries of the AMCFP-AFFP. SFF registered in the 75 provinces with completed RSBSA list will benefit from the flexible agri-credit facilities of the AFFP and other support services (i.e. subsidized insurance coverage; technical assistance, etc.).

They are represented by DA Undersecretary Antonio A. Fleta, BSP Deputy Director General Nestor A. Espenilla, Jr., DoF Undersecretary Jeremias N. Paul, Jr., DBM Undersecretary Mario M. Relampagos, and NEDA Deputy Director General Emmanuel F. Esguerra.



# PNOY Government Provides P3 Billion Total for Agriculture and Fisheries Credit as of 2015

- By: Emmalyn J. Guinto

Under the administration of President Benigno S. Aquino III (PNOY), a total of P3 billion loan funds were appropriated to the Agricultural Credit Policy Council (ACPC) for “the establishment of a flexible credit facility for the benefit of small farmers registered in the Registry System of Basic Sectors in Agriculture (RSBSA) as an alternative to the rigid and stringent credit facilities usually provided by banks.”

The P3 billion loan funds were allocated to ACPC under the General Appropriations Act (GAA) of 2013 (P1 billion), and under the GAA of 2015 (P2 billion).

Pursuant to the legislative provision “the ACPC, in coordination with government financial institutions (GFIs) or cooperative banks, shall formulate the guidelines for a streamlined and equitable access by the foregoing small farmers and fisherfolk to said credit facility”. The loan funds shall be transferred GFIs or cooperative banks to be used exclusively for the establishment of a flexible credit facility for the benefit of small farmers and fisherfolk registered under the RSBSA.”

Thus, ACPC Governing Council approved on July 18, 2013, the establishment of the Agriculture and Fisheries Financing Program or AFFP. The AFFP is one of the Department of Agriculture’s initiatives to help promote inclusive growth by providing financing

assistance for small farmers and fisherfolk. The program’s Implementing Guidelines, on the other hand, were approved by DA Secretary and ACPC Chair, Proceso J. Alcala, on December 9, 2013 after going through a rigorous review process.

Of the P1 billion total amount, the ACPC turned P550 million funds to the Land Bank of the Philippines (LBP) and P450 Million to the People’s Credit and Finance Corporation (PCFC) for the implementation in 2014 of the AFFP.

The P2 billion fund, on the other hand, will be used for other programs being implemented by DA-ACPC under the AFFP. These are: 1) AFFP Sikat Saka II; 2) Agrarian Production Credit Program (APCP); 3) ACPC-PCFC AFFP Agri-Microfinance Program (AMP)- II; 4) Cooperative Banks Agri-Lending Program (CBAP) – II; 5) Value Chain Financing Program (VCFP); and 6) Climate Change Adaptation Financing Program (CCAFFP).

ACPC Executive Director Jovita M. Corpuz cited that the implementation of the AFFP intends to enhance “financial inclusion” of the rural poor – particularly those who belong to the agriculture sector – as a means to bring about more inclusive growth. She said that insufficient access to financing by small farm and fishing households is seen as one of the biggest constraints for advancing both rural and agricultural development. She added that “although the local banking sector

is known to have more than sufficient funds for lending, access to these funds by smallholders in the agriculture sector remains constrained.”

The AFFP takes a holistic framework as it not only provides credit for the whole agricultural supply chain and other livelihood activities, it is also supported with capacity building, technical assistance, credit guarantee, marketing, and monitoring and evaluation components in coordination with other concerned government agencies and institutions.

Under the AFFP, small farmers and fisherfolk (SFF) registered in the RSBSA are eligible to avail themselves of agri-finance and agri-microfinance loans through AFFP partner-GFIs like the LBP and the PCFC. The program, as of December 31, 2014, has already provided loans to 3,378 SFF in priority provinces with completed RSBSA.

The RSBSA is an electronic database of basic information on farmers, farm laborers and fishermen per province. The project is an interagency undertaking of the Department of Budget and Management (DBM), Department of Agriculture (DA), Department of Interior and Local Government (DILG), Department of Agrarian Reform (DAR), and the Philippine Statistics Authority (PSA).

*The AFFP is one of the Department of Agriculture’s initiatives to help promote inclusive growth by providing financing assistance for small farmers and fisherfolk.*





# ACPC Spearheads Fun Run/Walk for Women's Education 2

By: Emmalyn J. Guinto

The Agricultural Credit Policy Council (ACPC) once again partnered with the UP Sigma Alpha Sorority Alumnae Association, Inc. (UPSASAAI) for the holding of the “Fun Run/ Walk for Women’s Education 2.” A total of 2,886 from different government agencies, non-government organizations, private companies/corporations and individuals participated in the activity.

Held on May 30, 2015 (Saturday), 5:00 a.m., at the Quirino Grandstand, Luneta Park, Manila, the event’s main objectives were to encourage families to run or walk together to foster family fitness and togetherness and to ensure the continued program for women’s education of the UPSASAAI. The proceeds of the activity aims to help deserving but underprivileged women to obtain good quality education through grants of scholarships in State Colleges and Universities and trainings on livelihood for those who do not qualify for formal education.

Last year, a similar activity participated in by a total of 2,054 runners, was initiated by both organizations with the theme “Run for Women’s Education.” Held on April 13, 2014, the activity supported the granting of scholarship for a 4- year degree course of (4) four women beneficiaries in Marikina, Rizal and Samar.

This year’s Fun Run/Fun Walk also highlighted the DA’s commitments under the Gender and Development (GAD) Program as it has recognized the activity as part of the official DA events under GAD per a Memorandum dated March 19, 2015.

Likewise, the event is recognized by the Civil Service Commission (CSC) which enjoined all government agencies to participate in the event by sending a minimum delegation of 100 participants including the respective GAD Focal Persons/Coordinators. The CSC also encouraged the granting of compensatory time off of not more than four (4) hours to those who will participate in the aforesaid activity through CSC Announcement No. 24, series of 2015.

Runners from 15 DA offices, 32 other government

offices and 14 private sector organizations registered and participated in the three different run categories – 3,5 and 10 kilometers. Among the organizations which supported the event included: Coca-Cola, Smart Communications, Land Bank of the Philippines, Agricultural Guarantee Fund of the Philippines (AGFP), Atty. Rafael A. Morales, Philippine Sports Commission, Maynilad Water, Asia United Bank, and other government agencies.

A short program at 5:00 a.m. signaled the start of the vent. The program included warm-up exercise for the participants led by Zumba Fashionistas and followed by short messages by ACPC Executive Director Jovita M. Corpuz, Sigma Alpha Sorority Alumnae Association Inc. President Andrea Domingo and Metropolitan Manila Development Authority (MMDA) General Manager Corazon Tecson Jimenez.

Awards were given to both male and female runners who completed the race with the top three fastest in each of the three categories. In the 10K category, the top three male runners were: Alvin Nicolas Jr. (1st); Jujet de Asis (2nd); and Welfred Esporma (3rd). The top three female runners, on the other hand, were: Elle Tolentino (1st); Jocelyn Elijaras (2nd); and Patricia Jasmin Patricio (3rd).

For the 5K category, the top three male runners were: Peter Edmon Carranzo (1st); Mino Gajulen (2nd); and Martin Garma (3rd). The top three female runners were: Arlene Tolentino (1st); Mirella Macalinao (2nd); and Maria Angelica Cajulen (3rd).

For the 3K category, the top male runners were: Ruwell Hulleza (1st); John Michael Bernabe (2nd); Rey Lumauag (3rd). The top three female runners were: Maria Teresa Margarita Alfaro (1st); Jinky Tannagan (2nd); and Emelie Pastano (3rd).

After the event, a simple breakfast was shared by ACPC staff and guests at the Kanlungan ng Sining at the Luneta (Rizal Park).



### Offices under the Department of Agriculture (DA)

Agricultural Training Institute (ATI)  
Bureau of Agricultural Research (BAR)  
Bureau of Animal Industry (BAI)  
Bureau of Fisheries and Aquatic Resources (BFAR)  
Bureau of Plant Industry (BPI)  
Department of Agriculture Region IVA (DA-RFO IVA)  
Department of Agriculture Region IVB (DA-RFO IVB)  
National Dairy Authority (NDA)  
National Fisheries Research and Development Institute (NFRDI)

National Tobacco Administration (NTA)  
Philippine Center for Postharvest Development and Mechanization (PhilMech)  
Philippine Crop Insurance Corporation (PCIC)  
Philippine Council for Agriculture and Fisheries (PCAF)  
Philippine Fiber Industry Development Authority (PhilFIDA)  
Quedan and Rural Credit Guarantee Corporation (Quedancor)

### Other Government Offices

Armed Forces of the Philippines-Joint Special Operations Group (AFP-JSOG)  
Bangko Sentral ng Pilipinas (BSP)  
Bureau of Customs (BoC)  
Cagayan Economic Zone Authority (CEZA)  
Cooperative Development Authority (CDA)  
Department of Environment and Natural Resources (DENR)  
Department of Environment and Natural Resources Land Management Bureau (DENR-LMB)  
Department of Environment and Natural Resources Forest Management Bureau (DENR-FMB)  
Department of National Defense –Government Arsenal (DND-GA)  
Department of Finance (DoF)  
Department of Health (DoH)  
Department of Justice (DoJ)  
Department of Tourism (DoT)  
Development Academy of the Philippines (DAP)  
Development Bank of the Philippines (DBP)

Government Service Insurance System (GSIS)  
Housing and Urban Development Coordinating Council (HUDCC)  
Land Bank of the Philippines (LBP)  
Mines and Geo Sciences Bureau (MGB)  
National Livelihood Development Corporation (NLDC)  
National Museum  
National Police Commission (NAPOLCOM)  
Office of the Presidential Adviser on the Peace Process (OPAPP)  
Pasig River Rehabilitation Commission (PRRC)  
People's Credit and Finance Corporation (PCFC)  
Philippine Army (PA)  
Philippine Commission on Women (PCW)  
Philippine Ports Authority (PPA)  
Philippine Institute for Development Studies (PIDS)  
Philippine Reclamation Authority (PRA)  
Philippine Statistics Authority (PSA)  
Philippine Veterans Affairs Office (PVAO)

### Private Sector Participants

Asia-Pacific Rural and Agricultural Credit Association (APRACA)  
McDonalds – Fishermall Branch  
Maptan Construction and Equipment Rentals  
MRMCI Corporation

Network Consolidated Cooperative Bank  
U.P. Sigma Alpha Sorority Alumnae Association, Inc.  
U.P. Sigma Alpha Sorority  
United Coconut Planter's Bank –Elcano Branch (UCPB-Elcano)

### Private Sector Participants

Coca Cola Corporation, Asia United Bank Golden Chill, Atty Rafael Morales, Maynilad, San Miguel Corporation. Fern-C, Agricultural Guarantee Fund of the Philippines (AGFP), Capsinesis, & Smart Communications.











## The PNoy Administration's Accomplishments in Small-Farmer and Fisherfolk Credit

By: Norman William S. Kraft & Rachel Bustamante

In its goal to attain inclusive economic growth, one of the specific objectives of the administration of Pres. Benigno S. Aquino III (PNoy) is to strengthen the agricultural sector. One of the major strategies identified towards the attainment of this is to make credit more accessible to small farmers and fisherfolk to help in the improvement of their productivity and, thereby, the improvement of their household incomes as well.

Under the 1997 Agriculture and Fisheries Modernization Act (AFMA), government should have appropriated a funding of P2.0 billion for the Agro-Industry Modernization Credit and Financing Program (AMCFP) in the first year of its implementation. Subsequent supplemental funding for the AMCFP should have been P1.7 billion per year over the succeeding six years thereafter. Had this been followed, it should have resulted in P12.2 billion in total government funding for agri-fishery credit by the time the implementation of AFMA was terminated in 2004.

Yet, it was only during the PNoy Administration – sixteen years after the enactment of AFMA – that government finally allocated a budget for small farmers and fisherfolk credit. Prior to the PNoy Administration, the AMCFP was being implemented on a very limited scale through loan funds collected and consolidated by the Agricultural Credit Policy Council (ACPC) from previous agricultural credit programs that had already been terminated.

Here are the highlights of the PNoy Administration's accomplishments in its strategy to make credit more accessible to small farmers and fisherfolk, as of February 2015:

**Fresh Funding for Small Farmers and Fisherfolk Credit.** Under the PNoy Administration, P1.0 billion was appropriated by the government in 2013 to the ACPC for the implementation of a flexible credit facility called the Agricultural Fisheries Financing Program (AFFP). In 2015, the ACPC was additionally appropriated an amount of P2.0 billion for the expansion of the same program. Presently, the AFFP is being implemented nationwide by the DA, through the ACPC, for the benefit of small farmers and fisherfolk who are registered in the Registry System of Basic Sectors in Agriculture (RSBSA). The AFFP now constitutes part of the AMCFP. Through the P3 billion funding provided for the AFFP, government loan funds for farmers and fisherfolk has increased by almost 400% in just 5 years of this Administration (Table 1).

**Table1. Status of Funding for Small Farmers and Fisherfolk Credit (As of 2010, 2013 and 2015)**

2010	2013	2015
P800.0 M	P1.8 B	P3.8 B

**Easier Access to Formal Financing Assistance for Small Farmers and Fisherfolk.** Aside from the appropriation of fresh funding for agri-fishery credit, the PNoy Administration is also making formal loans for production and alternative livelihood more accessible to small farm and fishing households. Over the period 2011-2014, the PNoy Administration was able to steadily increase DA-ACPC loan releases to small farmers and fisherfolk (or farmers tilling 5 hectares or less; and fisherfolk using boats of 3 metric tons capacity or less) through the AFFP and other AMCFP programs, such as the Cooperative Banks Agricultural Lending Program (CBAP); the Agricultural Microfinance Program (AMP); and the Sikat-Saka Program for rice farmers. Credit has been made more accessible to small farmers and fisherfolk under these programs by introducing innovations and more flexibility in lending guidelines including, among others: direct lending by the Landbank of the Philippines to individual borrowers; the opening of ATM accounts for small farmers and fisherfolk; the relaxation of the People's Credit and Finance Corporation's (PCFC) accreditation criteria for partner microfinance organizations; and bringing down interest rates to as low as 15% p.a. for end-borrowers.

**Increased Access to Formal Financing for Small Farmers and Fisherfolk.** By 2014, the P2.0 billion amount of DA-ACPC loans released for the year to small farmers and fisherfolk was already 58% more than the total amount that was released in 2010. Over the period 2010-2014, the amount of loans released grew by an average of 30.5% annually (Table 2). Correspondingly, the 43,031 farmer and fisherfolk borrowers for the year 2014 constituted an increase of 26% compared to 2010. Over the period 2010-2014, the number of borrowers increased by an average of 9% annually (Table 3). Over a period of 5 years (from 2010 to February 2015), cumulative loan releases of government under the AMCFP had amounted to P6.3 billion, reaching 162,190 small farmer and fisherfolk borrowers. The trend of increase in loans released and number of beneficiaries is shown in Figure 1.

**Table 2. Amount of Agri-fishery Loans Released and Percent Increase/Decrease per Year (2010-2014)**

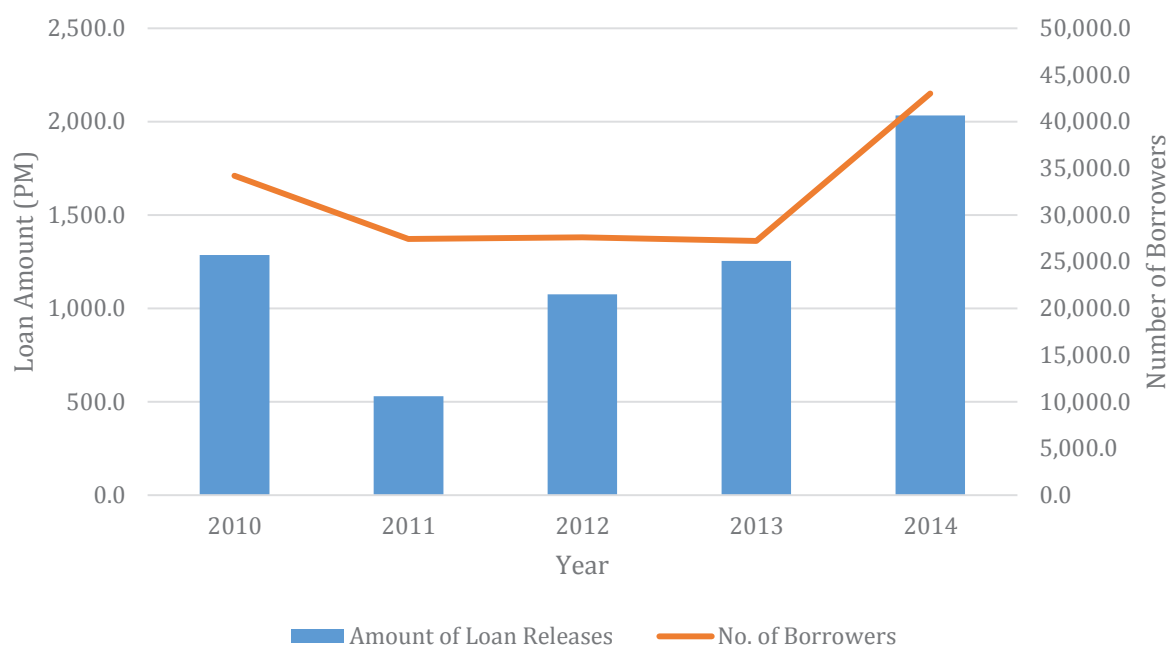
2010	2011		2012		2013		2014		Ave. % Inc./Dec. per Year (2011-2014)
Amount (PM)	Amount (PM)	% Inc./Dec.	Amount (PM)	% Inc./Dec.	Amount (PM)	% Inc./Dec.	Amount (PM)	% Inc./Dec.	
1,286.3	531.3	-59%	1,075.6	102%	1,255.1	17%	2,033.9	62%	30.5%

**Table 3. Number of Small Farmers and Fisherfolk Borrowers and Percent Increase/Decrease per Year (2010-2014)**

2010	2011		2012		2013		2014		Ave. % Inc./Dec. per Year (2011-2014)
No. of Borrowers	No. of Borrowers	% Inc./Dec.	No. of Borrowers	% Inc./Dec.	No. of Borrowers	% Inc./Dec.	No. of Borrowers	% Inc./Dec.	
34,209	27,449	-20%	27,635	0.7%	27,249	-1.4%	43,031	58%	9.3%



Figure 1. Amount of Loan Releases and No. of Beneficiaries Under ACPC-AMCFP Programs



**Introduction of a Calamity Assistance Financing Program for Small Farmers and Fisherfolk Borrowers.** For farmers and fisherfolk borrowers affected by natural calamities, the government, again through DA-ACPC, also introduced a Calamity Assistance Program in 2013, which allows lenders to give affected farmer and fisherfolk borrowers a moratorium on their loan payments, aside from giving them additional financing assistance for the rehabilitation of their farm and/or other affected livelihood. Over the period 2013-2014, total loan releases under the DA-ACPC Calamity Assistance Program has reached P123.81 million, providing loan relief and assistance to 4,745 farmer and fisherfolk borrowers in areas affected by typhoons and other natural calamities (Table 4).

Table 4. Amount of Loans Released and Number of Borrowers under the DA-ACPC Calamity Assistance Program for Small Farmers and Fisherfolk (2010-Dec. 2014)

2013		2014		Total (2010-2014)	
Amt. (PM)	No. of Borrowers	Amt. (PM)	No. of Borrowers	Amt. (PM)	No. of Borrowers
28.0	613	95.8	4,132	123.81	4,745

*Land Bank of the Philippine's Executive Vice President for Agricultural and Development Lending Sector, Cecilia C. Boromeo, giving the opening remarks during the AFFP Consultation Meeting for the province of Batanes, held on March 6, 2015 at the Batanes Experiment Station.*

# ACPC Intensifies Campaign to Promote the Agriculture and Fisheries Financing Program

By: Rudyard R. Roxas

The Agricultural Credit Policy Council (ACPC) stepped up its information campaign in promoting the Agro-Industry Modernization Credit and Financing Program – Agricultural-Fisheries Financing Program (AMCFP-AFFP) to the more than 7.5 million small farmers and fisherfolk registered in the Registry System for Basic Sectors in Agriculture (RSBSA).

A series of orientation/

coordination meetings organized by the ACPC and the Department of Agriculture-Regional Field Offices (DA-RFOs) took off in January 22, 2015 in the provinces of Aklan and Capiz. The ACPC, together with the Land Bank of the Philippines (Landbank) and the People's Credit and Finance Corporation (PCFC) as well as other DA service agencies such as the Philippine Crops Insurance Corporation (PCIC), Bureau of Fisheries and Aquatic Resources

(BFAR), Agricultural Training Institute (ATI), and Philippine Coconut Authorities (PCA); the Agricultural Guarantee Fund Pool (AGFP) and the Philippine Statistics Authority (PSA), met with the Regional, Provincial and Municipal AFFP Focal Persons, and potential program service conduits (for areas served by Landbank) and potential borrower organizations (for areas served by the PCFC) to orient and re-brief them on the AMCFP-AFFP implementing guidelines



*The participants of the orientation/consultation meeting conducted in Palo, Leyte on April 23-24, 2015 with resource persons from the ACPC, PCFC, PCIC, and PSA. The activity was able to tackle specific issues and concerns on availing of loans under the program, determine the plan of activities that need to be taken at the MFI and municipal level and set loan requirements of various identified agricultural projects i.e. crop/livestock/fishery production, inputs production, trading and other livelihood activities.*





*ACPC Economist Kennedy A. Garabiag, presented the AMCFP-AFFP program overview and facilitated the discussion during the open forum on the AMCFP-AFFP Coordination Meeting held on April 28, 2015 in Malaybalay, Bukidnon. Issues on the RSBSA and other similar registry systems, interest rate, insurance premium coverage, among others were clarified.*

and to mutually identify and set collaboration arrangements among the program partners; to explain to them their respective roles in the facilitation of program implementation; and to set respective regional targets and commitments under the program.

Succeeding coordination meetings were held in February for the province of Laguna; in March for Marinduque, Oriental Mindoro and Batanes; in April for Isabela, Cagayan, Nueva Vizcaya,

Palawan, Occidental Mindoro, Albay, Camarines Norte, Biliran, Leyte, Southern Leyte, Zamboanga del Sur, Zamboanga Sibugay, Bukidnon, Lanao del Norte, Misamis Occidental, Zambales, Nueva Ecija, Tarlac, and Bataan; and in May for Cebu, Bohol, Quezon, Batangas, Cavite, Rizal, Iloilo, Guimaras, Antique, Negros Occidental, Compostela Valley, Davao del Norte, Davao del Sur, and South Cotabato.

The AMCFP-AFFP is a flexible

credit facility implemented under the AMCFP through government financial institutions (GFIs): the Landbank and PCFC as an alternative to the rigid and stringent credit facilities provided by banks. Through the 2013 General Appropriations Act (GAA), the national government appropriated P1 billion for the establishment of the AMCFP-AFFP as a means to help contribute to the attainment of inclusive growth through financial inclusion of the unbanked and under-banked sectors in agriculture.



*The orientation/consultation meeting for Region 11 was conducted at the Apo View Hotel in Davao City on May 25 and 26, 2015. Posing with the participants are AMCFP-AFFP Resource Persons from the ACPC, Mr. Alvin U. Cabato (sixth from left, seated) and Mr. Ezrael L. Manzano (fifth from right, seated).*





*Participants from the 20 municipalities of Negros Occidental during the AFFP Facilitation Meeting held at the Bacolod Pavilion on May 12, 2015. ACPC Information Officer Rumina A. Gil (seated leftmost) and Project Development Officer Dina Mejias (seated rightmost) served as resource persons. AFFP focal person for Region 6, May Ann Grajo coordinated the activity through the AFFP Provincial Focal Person for Negros Occidental Ms Josephine Fernandez (seated, 3rd from right).*

Under the 2015 GAA, an additional P2.0 billion was appropriated for a flexible credit facility to benefit non-agrarian reform beneficiary (non-ARB) small farmers and fisherfolk (SFF) in the 75

provinces with completed RSBSA.

As of February 2015, the PCFC released loans to 4 retailers in the amount of P87.50 million which in turn benefitted 3,150

end-borrowers. On the other hand, Landbank approved P54.81 million loans to 729 end-borrowers through 16 service conduits.



*AFFP focal persons from Antique, Guimaras and Iloilo attended the AFFP Facilitation Meeting held at Sarabia Manor Hotel in Iloilo City on May 14, 2015. AFFP focal person for Region 6, May Ann Grajo coordinated the activity through the AFFP Provincial Focal Persons of the three provinces, Salvacion Tolentino of Iloilo (seated, leftmost); Nancy Montecastro of Antique (seated, 4th from left) and Cecile Galimba of Guimaras (not in picture). ACPC Officers, Dina Mejias and Rumina A. Gil (seated, both in red) are the resource persons.*



# Costs of Agricultural Credit and Interest Rate Sensitivity of Small Farmers: An Empirical Study



*One of the project enumerators while interviewing a sample farmer in Nueva Vizcaya.*

Over the years, small farmer and fisherfolk borrowers' perception of high interest rates and banks' view of the risks of agricultural lending and pricing continuously contribute to the problem of access to credit within the agri-fishery sector which is deemed necessary to increase agricultural production and income, and for financing institutions' viability and sustainability.

To determine whether these perceptions are based on firm footing, the Agricultural Credit Policy Council (ACPC) partnered with UPLB Foundation, Inc. this year on a research project entitled Costs of Agricultural Credit and Interest Rate Sensitivity of Small Farmers: An Empirical Study. Aimed at addressing the lack of empirical data on farmers' perception and sensitivity to varying interest rates, the study also gathered data on how banks and other

lending institutions price their agricultural loans, and tried to determine what could be a fair and reasonable rate of interest.

Some of the research result highlights are the following:

- Of the total sample farmers surveyed, 80% experienced borrowing in the past 12 months.
- Primary reasons why small-scale farmers borrow include agricultural purposes (buying farm inputs, improving land, etc.) and personal use (household consumption, consumer durables, bills, etc.).
- Small-scale farmers borrow from either formal loan sources, which have a formal and defined process of lending to both farmers and non-farmers (e.g. commercial and government banks, cooperatives, lending institutions); or informal sources

which transact lending in a more casual way (e.g. trade millers, input suppliers, family and friends, wholesalers).

- Based on borrowers' feedback, average interest rates of loans sourced from informal lenders (e.g., trade millers, input suppliers, family and friends, and wholesalers) are higher than those sourced from the formal type (e.g., commercial and government banks, cooperatives, lending institutions). Formal lenders charge an average interest rate of 16.5% per annum (p.a.) for agricultural and 15.5% p.a. for non-agricultural loans. On the other hand, the average rate among informal lenders is 21% p.a. for agricultural loans and 16% p.a. for non-agricultural loans.
- Majority of formal lenders require collateral especially if it involves high loan amounts. On the other hand, only a small percentage of the informal lenders require collateral since most offer loans only to people they already know or relatives and the amount is lower as compared to formal lenders.
- The average transaction cost per amount of loan is lower for formal lenders as compared to informal lenders.
- Lenders from both the formal and informal sectors experienced various problems such as delayed payment of borrowers, unsecure funds, management issues, and lack of assistance.



*Farm technician (in green shirt) while translating interview questions to a sample farmer in Iloilo.*

<sup>1</sup> From "Costs of Agricultural Credit and Interest Rate Sensitivity of Small Farmers: An Empirical Study" by the UPLB Foundation, Inc. for ACPC, 2015.

<sup>2</sup> The study utilized a "treatment-effects model" with a two-step consistent estimator. The treatment-effects model considers the effect of an endogenously chosen binary treatment on another endogenous continuous variable, conditional on two sets of independent variables. The first stage involves the decision of a small farmer to borrow from formal sources subject to various financial and farmer characteristics (actual interest rate paid, total income, civil status, age, gender, educational attainment, and total number of dependents) and transaction costs (total number of requirements, distance of lender, and time for loan approval). For the second stage estimation, the study used predicted probabilities from the first stage probit estimation of the treatment effects model to estimate the different levels of interest rates and relevant factors at which a randomly chosen individual will choose a borrowing regime. Setting the switching probability at 0.5, the values are manually computed utilizing the marginal effects of each variable.



- The farmers' and fisherfolk's decision to borrow from formal sources is significantly affected by:
  - The interest rate (i.e. the lower the interest rate charged by the lender, the more likely that a farmer will borrow from formal sources);
  - The type of crop (i.e. compared to the livestock/ poultry growers and aquaculture farmers, crop farmers are less likely to borrow from formal sources, possibly due to the larger sum of credit that is usually needed by livestock growers compared to crop farmers);
  - How long loan approval takes (i.e. the more time for the loan to be approved, the more willing a farmer is to borrow from formal sources);
  - Distance to the wholesale market (i.e. a greater distance to the wholesale market, the more willing a farmer is to borrow from formal sources);
  - Road quality (i.e. improving access to formal credit by reducing transaction costs, such as better quality of road going to the lender, significantly increases the probability that a farmer chooses to borrow from formal over informal sources);
  - Interaction of distance and road quality (i.e. even with good road quality, a farmer has a lower probability of borrowing from formal sources if he/she is farther away from the market and chooses to borrow from informal sources which are more conveniently located nearby);
  - Transaction cost ratio (i.e. a larger ratio of cost of travel + cost of requirements to amount borrowed, the more willing a farmer is to bear these costs in order to borrow from formal sources);
  - Density of lenders per ten thousand population (i.e. a farmer is more likely to borrow from formal sources when more formal lending institutions are



*Ilagan - Project enumerators pose together with the officers of Barangay Bangag and Agricultural technicians of Ilagan City, Isabela.*

- located in the municipality);
- Other income/s (i.e. a farmer is significantly more likely to source formal loans when income from other sources than the main farming activity increases);
- Flexibility (i.e. a farmer who is looking for more flexibility in terms of loan repayment schedule would more likely borrow from informal sources).
- A higher transaction cost for every amount borrowed has significant negative effects on the amount borrowed, hence proving that interest rates are not the sole basis of farmers in obtaining loans but also other costs involved in the loan process.
- The computed “equilibrium” or “inflection” interest rate which would make an informal borrower shift to formal borrowing is 18% p.a. This means that at an interest rate higher than 18%, the borrower will choose to borrow from informal sources.

nature of small farmers, government may consider easing access to formal credit by minimizing the transaction costs involved in loan applications such as lessening the number of requirements and shortening the time for approving the loan. Since interest rates are already lower in formal lending compared to informal lending which increases the probability of an informal borrower to borrow from formal sources, easing access requirements may entice those small farmers who are relatively better producers (with better characteristics) to source their funds from formal lending institutions.

Evidence of this can be seen in the Sikat-Saka program, the credit component of the Food Staples Sufficiency Program (FSSP) of the Department of Agriculture (DA). Following the expansion of the list of allowable collateral and the relaxation of some eligibility requirements in 2013, an upsurge in loan availments under the program has been experienced.

Setting low interest rates are not the only consideration of a farmer's choice where to borrow; transaction costs may be a prerequisite for an informal borrower to switch to formal sources and the farmer is also willing to bear higher interest rates. *Some Policy Implications of the Study.*

Given that other factors like transaction costs, aside from interest rates, affect the borrowing



*Solano - Project enumerators pose together with officers of Barangay Tucal, Solano, Nueva Vizcaya.*



# From Mud to Riches

By: Rumina A. Gil



*Mr. Nelson Santander, a rice farmer since 1999, decided to be among the first hito producers of Davao. He converted a 3,800 sqm portion of his rice farm into a fishpond.*

Inspired by the success of the Pantatan Festival, held in his barangay, Mr. Nelson Santander, who is a rice farmer since 1999, decided to be among the first hito producers of Davao.

Mang Nelson hails from the “Hito Capital of Davao City”, Barangay Los Amigos in Tugbok District which earned the title because of its multi-million production of catfish or locally called “hito” or “pantat”. It was in 2005 when the catfish industry boomed in Davao. That’s also when the barangay first held its Pantatan Festival, which showcased the hito in its various dining preparations.

Mang Nelson said that since hito production requires a smaller land area than that of rice production, the income potential from hito production is really bigger. A 1000 sq m fishpond, he said, produces a harvest that can be sold anywhere from P20,000 to P30,000, which is 10 times more income than harvesting rice from a farm with the same land area.

He therefore decided to convert a 3,800 sq m portion of his rice farm into a fishpond.

In 2013, when the

Cooperative Bank of Misamis Oriental (CBMO) conducted a house-to-house campaign to promote their new product, a tie-up program with the Agricultural Credit Policy Council (ACPC), Mang Nelson learned about the Cooperative Banks Agri-Lending Program (CBAP). He was among the 24 hito producers who were able to avail themselves of loans from the P5 million CBAP funds allotted for CBMO Davao branch.

The CBAP is a program that provides funding support to eligible cooperative banks in the form of special time deposits. CBAP funds are used by participating cooperative banks to expand their small farm and fishing portfolio. CBAP loans for agricultural production or microfinance bear interest rates that do not exceed 15% per annum.

Mang Nelson was able to borrow P100,000 additional capital from the CBAP through the CBMO Davao branch. With the money he was able to borrow under the CBAP, he was able to put up a restaurant which serves different dishes of hito. Aside from producing hito for food consumption, he was able to expand his project to fingerlings production, supplying not only the nearby towns but the provinces of Cagayan de Oro and Cotabato as well. The other areas of his farm were also used for Tilapia and Koi production. He also



*Mang Nelson, his wife and two of his farm laborers.*



has an area planted to bananas.

By maximizing the utilization of his farm, Mang Nelson is able to generate a net income of P80,000 per month after deducting around P20,000 expenses from the P100,000 sales from his farm.

He is also able to contribute to local job generation by hiring three laborers in the farm, one of whom is a working student. His wife, meanwhile, also works as the manager of the restaurant.

“The Cooperative Banks Agri-Lending Program (CBAP) being implemented by the ACPC has helped a lot in boosting the hito production here in Davao City,” said Mr. Nelson Santander.

He explained that due to the expansion of his hito production and the establishment of the restaurant, he is able to sustain the daily expenses in his farm including the expenses of farm laborers and that of his family’s food expenses and his children’s daily expenses in school.



*Mang Nelson and his wife in their stall of newly harvested hito.*

Mang Nelson is very thankful for the long payment term provided by the CBMO on his loan under the CBAP. He is also thankful for the low interest rate provided by the program

at 15% per annum. He wishes that the ACPC, through CBMO, continues to offer the program.

With the continuous provision of credit facilities by ACPC, he believes that he will be able to cater to the demand for hito among local and foreign tourists and later on expand his market abroad. He also dreams of expanding his restaurant into a resort or hotel someday.

His advice to small farmers who also would like to start their small business, “Magsimula sa maliit. Unti-unti... Palawakin ang kaalaman sa pamamagitan ng pag-atend ng seminars. Pag-iba’t ibahin ang mga produkto para magkaroon ng iba’t-ibang pinanggagalingan ng kita. Kung mahina ang kita sa isang produkto, maaaring bumawi sa iba. At higit sa lahat, alagaan ang tao: ang mga trabahador at customers.”



*CBMO Davao branch headed by Mr. Calvin G. Akut, Branch Manager, (middle front row) was allotted P5 million CBAP funds under the Cooperative Banks Agri-Lending Program (CBAP) of the Agricultural Credit Policy Council (ACPC).*





*With the P100,000 additional capital he was able to borrow under the CBAP, Mang Nelson was able to put up a restaurant which serves different dishes of hito.*