# Access of Cooperatives to Agricultural Credit: The Case of the Department of Agriculture's FIELDS Program

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## Background

FIELDS stands for the six areas of support for agriculture of the Philippine Government :

1. Fertilizer
2. Irrigation and infrastructure
3. Extension, education and training
4. Loans, agricultural credit and loan guarantee
5. Dryers and other post harvest facilities
6. Seeds

## Background

- This paper is about the mechanism and the institutions responsible for extending loans to farmers being one of the components of the FIELDS Program of the Department of Agriculture, Philippines.
- The agricultural credit is extended by financial institutions to farmers to augment their capital in order to finance farm production requirements that will increase farm productivity and farmers' income.

## Background

Specifically, the study aimed to:

a) determine the extent of loan assistance, loan guarantee and insurance coverage,
b) determine farmers and fisherfolk availment of loans,
c) analyze the problems involved in the availment of loans, and
d) recommend courses of action in order to encourage farmers and fisherfolk to increase investment in farming, through availment of loans.

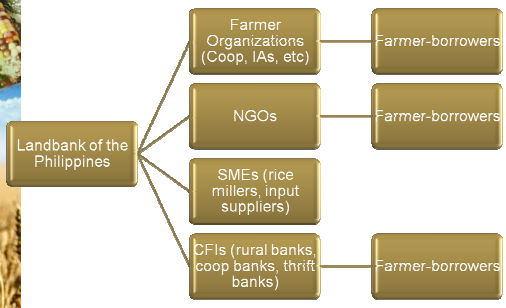
## Methodology

- The study covers the province of Quezon and Oriental Mindoro in Regions IV A and IV B, respectively, and Camarines Sur and Albay in Region V.
- It involved analysis of data from secondary and primary sources using a structured questionnaire or interview schedule.
- Data were gathered from November 2009 to March 2010.

## Results and Discussion

- ACPC and LBP are the two government financial institutions that serve as sources of agricultural loans.
- The ACPC grants wholesale loans to cooperative banks which in turn lend to retailer cooperative banks.
- On the other hand, LBP provides loans to eligible borrower/loan conduits which in lend to farmers.

## Results and Discussion




## Results and Discussion

- The government committed a total of P20 billion in loans and credit to farmers, fisherfolk, and other small rural borrowers under the FIELDS Program of the Department of Agriculture (DA) (Source: FIELDS Briefing Manual).
- In 2008, LBP released a total of P9.27 billion (46% of the total P20 billion loan available) for 309,122 rice farmers all over the country under the rice productivity program of the DA (Source: LBP)

## Results and Discussion

- Among the four provinces covered by the study, LBP assistance was highest in Oriental Mindoro both in 2008 and 2009.
- In 2009, the amount of assistance was P379.702 million, or 69% of the combined assistance to the four provinces.
- The least was in Albay, P2.816 million.

## Results and Discussion

- Oriental Mindoro is a major rice producing province, hence, more farmers are involved in rice farming.
- In 2009, the number of farmers involved in the program in Oriental Mindoro was 12,657 or 69% of the combined number of farmers of 18,415 in the four provinces covered by the study.

## Results and Discussion

- Loan availment under the Program was generally low.
- In Albay, in 2009, only P2.816 million was released by LBP to 94 beneficiaries, or P29, 957 per beneficiary.
- Considering the 43,555 hectares of palay area in the Province, the loan released was a mere P81 per hectare of palay area.

## Results and Discussion

- In Camarines Sur, loan availed in 2009 was only P 130.284 million by 4,343 palay farmers or an average loan of P29,986 per farmer or just about 81% of the loan limit for a hectare of P37,000 for inbred rice farming.
- In Oriental Mindoro, a major rice producing province, the amount of loan availed was only 50% of the P700 million allocated for the program by LBP in 2009.

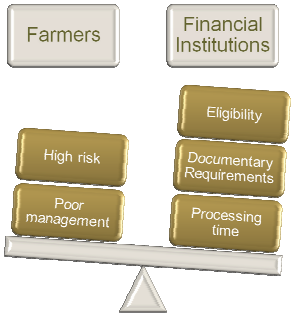
## Results and Discussion

- In Quezon, loan released by LBP in 2009 was P29.89 million benefitting 995 rice farmers or 4% of the total palay farmers of 35,000 in the province.
- Under CBAP, the Cooperative Bank of Quezon borrowed P10 million only from the P 50 million earmarked by ACPC for cooperative banks or 20% loan availment.

## Results and Discussion

- The most common reasons cited by the key informants from banks and cooperatives for the low loan availment were restrictive loan eligibility criteria of LBP, increasing liquidity of big cooperatives, and too many requirements for availing loan.
- In general, the Cooperative Accreditation Criteria (CAC) limits the chances of small cooperatives to access loan from LBP. This set of criteria favours the large cooperatives.

## Results and Discussion




## Results and Discussion

- Large cooperatives, have accumulated capital and have the capacity to meet loan requirements of the members using its own funds.
- They have credit line with LBP but it is slightly availed of.
- The financial linkage with LBP is taken advantage of in order to have technical training for their personnel.

## Results and Discussion

- The irony is small cooperatives which generally need the financial assistance find difficulty accessing the loan.
- On the other hand, large cooperatives which finance members' need using own funds are the ones eligible to access the LBP financial windows but slightly borrow from LBP.
- The small farmers find the long list of requirement for availing loan from LBP difficult to satisfy. If ever they do, 30-45 days of waiting to have the loan released is not unusual.

## Results and Discussion

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## Conclusion and Recommendations

- It has been observed that using cooperatives as service provider to farmer-members lessen the financial and technical exposure of government in augmenting the capital resources of farmers.
- As observed, large cooperatives have capital, capital build-up and savings mobilization programs which all together raise the liquidity of cooperative to meet the credit needs of members.

## Conclusion and Recommendations

- The problem is it takes right and trained leadership and time to develop large cooperatives.
- To accelerate the development of many large cooperatives, the government should come in to provide the necessary support for technical and managerial build-up of fledging cooperatives until they are able to manage the cooperatives on their own technically, managerially and financially.
- For new and developing cooperatives, financial assistance should be coupled with technical assistance until maturity.

## Conclusion and Recommendations

- Given the importance of cooperatives in extending financial services to farmers, there is a need to:

1. Strengthen the institutional capacity of LGUs in organizing and monitoring the activities of cooperatives. An organic unit may have to be instituted at the LGU with the mandate of organizing, assisting, supervising, and monitoring cooperatives.

## Conclusion and Recommendations

2. Strengthen the crop insurance system to reduce the time involved in waiting payments of insurance claims.
3. Extend the scope of loan guarantee system to include loans by cooperatives to farmer-members for funds internally generated by cooperatives.
4. Organize the business of cooperatives in a vertically-oriented manner to expand the services of cooperatives to members and for farmers to have a share in the value addition of palay.

## Conclusion and Recommendations

5. The Revised Claims Settlement Approaches and Procedures (RECSAP) of PCIC should be reviewed and revised again as recommended by key informants from PCIC

# THANK YOU

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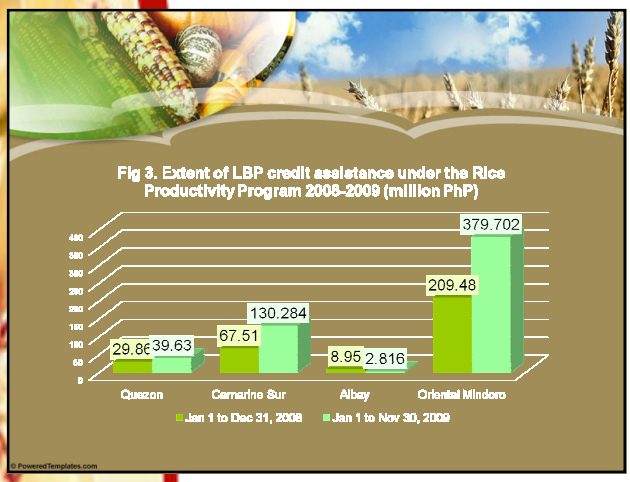
Fig 3. Extent of LBP credit assistance under the Rice Productivity Program 2008-2009 (million PhP)
29.86
39.63
67.51
130.284
8.95
2.816
209.48
379.702
Quezon
Camarine Sur
Albay
Oriental Mindoro
Jan 1 to Dec 31, 2008
Jan 1 to Nov 30, 2009
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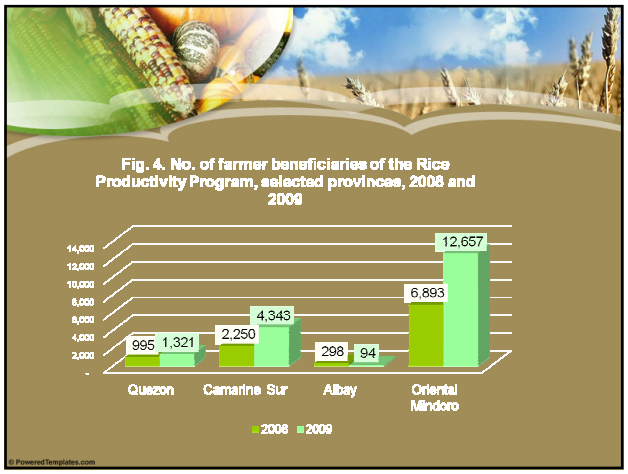
Fig. 4. No. of farmer beneficiaries of the Rice Productivity Program, selected provinces, 2008 and 2009
14,000
12,000
10,000
8,000
6,000
4,000
2,000
-
995
1,321
2,250
4,343
298
94
6,893
12,657
Quezon
Camarine Sur
Albay
Oriental Mindoro
2008
2009
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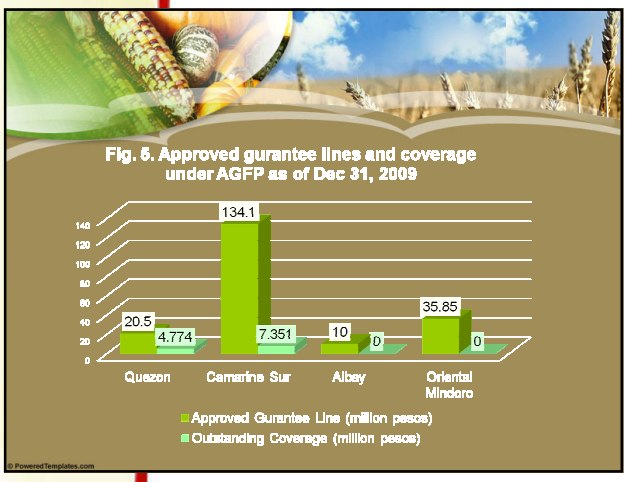
Fig. 5. Approved gurantee lines and coverage under AGFP as of Dec 31, 2009
140
120
100
80
60
40
20
0
20.5
4.774
134.1
7.351
10
0
35.85
0
Quezon
Camarine Sur
Albay
Oriental Mindoro
Approved Gurantee Line (million pesos)
Outstanding Coverage (million pesos)
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