

# AGRICULTURAL GUARANTEE FUND POOL



**EDNA A. ATIENZA**  
Executive Director

# AO 225-A: CREATION OF AGFP

“...to mitigate risks...thereby facilitating the provision of credit in the agriculture sector.” *Section 1 (as amended)*

“... **to uplift the poor**...boost rice supply...” *(specified in the title of A0225)*

# UPDATE: Members of the Governing Board

Agency	Position in the GB	Designated Representatives
DA	Chairperson	Undersecretary <b>Evelyn G. Laviña</b>
DAR	Member	Undersecretary <b>Rosalina L. Bistoyong</b>
DOF	Member	National Treasurer <b>Roberto B. Tan</b>
LANDBANK	Member	Officer-in-Charge/EVP <b>Cecilia C. Borromeo</b>
ACPC	Member	Executive Director <b>Jocelyn Alma R. Badiola</b>
Academe	Member	<b>Dr. Gilberto M. Llanto</b>
PLI	Member	<b>Mr. Tomas S. Gomez IV</b>
NAPC	Member	Still to be designated by NAPC Lead Convenor
AGFP-PMO	Member (non-voting)	Executive Director <b>Edna A. Atienza</b>

# AGRI-AGRA COMPLIANCE

## as of June 30, 2016

(in billion pesos)

	Should Be <sup>1</sup>	Actual <sup>2</sup>	Compliance Rate
Agri	449.4	394.8	13.2%
Agra	299.6	29.1	0.97%
Total	749.0	423.9	14.1%

<sup>1</sup> Based on PhP 2,996 billion loanable funds

<sup>2</sup> Of the PhP424 billion:

PhP216.8 billion – alternative compliance

PhP207.2 billion – direct compliance

<sup>3</sup> Source: Philippine Daily Inquirer (October 12, 2016)



# OPPORTUNITIES FOR RBs

- New Loan Account can convert into New Deposit Account
- Lesser provisioning as 85% of outstanding loans can be collected from AGFP
- 20% risk-weight allows RBs to leverage / better manage its capital

# HOW IS AGFP HELPING THE SMALL FARMERS?



# ACCESS TO FORMAL CREDIT INCREASES FARMERS' INCOME (in theory). HOW?

- Substantially lower interest costs
- Choice of input supplier
- Choice of buyer and short-term timing of sale (*higher price*)

# Access to formal credit increases farmers' income:

## SIMPLIFIED ILLUSTRATION

Rice Farmer (non-hybrid seeds)	Informal* Finance (IF)	Rural Bank (RB)	Increase in Income**
Interest (PhP35,000 loan per hectare/per cropping)	9–10% /month @ 4 months PhP12,600 (9%)	2–3% /month @ 5 months PhP5,250(3%)	Savings on Interest: PhP7,350
Sale of palay (50 kilos per sack; 100 sacks per hectare)	Single buyer	Choice of buyer (Additional PhP0.50–1.00/kilo +)	Additional sale income: PhP3,750 (+ 0.75/kilo)
<b>Per hectare/per cropping</b>			<b>PhP11,100</b>

\* Interest rates may vary in other provinces.

\*\* Assumes no pest, typhoon, drought, etc. that significantly affect yield.





# Access to formal credit increases farmers' income: SIMPLIFIED ILLUSTRATION

Rice Farmer (non-hybrid seeds)	Increase in Income* (formal credit access)
For every hectare / cropping	PhP 11,100
If 1 hectare / double cropping	PhP 22,200
If 2 hectares / double cropping	PhP 44,400
If 3 hectares / double cropping	PhP 66,600

\* Interest rates may vary in other provinces; assumes no pest, typhoon, drought, etc. that significantly affect yield.



# Guarantee Operations

as of September 30, 2016

(in billion pesos)

	<b>2016</b>	<b>Cumulative</b>
Guarantee Coverage	3.765	35.353
Claims Paid*	0.245	1.140
Recoveries/Collections	0.159	0.408
Guarantee Fees	0.032	0.308

\* Exclusive of 51 claims worth PhP0.070 billion approved in October 2016.

# RBAP Issues and Concerns

- Expansion of Coverage to include:
  - long gestating crops,
  - non-food crops
  - post-harvest facilities
  - other actors in agri-value-chain like input suppliers, processors, traders
- Increase of Coverage from 85% to 100%
- Recovery Efficiency of 30%

# BILLS IN CONGRESS

Particulars	Remarks
<p><b>House Bill No. 2459</b></p>	<ul style="list-style-type: none"> <li>▪ Rep. Arthur C. Yap filed House Bill No. 2429, an act institutionalizing the Agricultural Guarantee Fund Pool and renaming it as the Agricultural Guarantee Corporation in Congress on August 3, 2016</li> <li>▪ The bill expands coverage to guarantee post production and for other purposes</li> </ul>
<p><b>House Bill No. 3522</b></p>	<ul style="list-style-type: none"> <li>▪ Rep. Enrico A. Pineda and Rep. Michael Odylon L. Romero filed House Bill No. 3422, an act increasing the penalties on the lending institutions for non-compliance and under compliance with the provisions of R.A. 10000, amending for the purpose section 10 thereof, and for other purposes in Congress on September 7, 2016</li> <li>▪ The bill increases the penalties for non-compliance from one-half of one percent (0.5%) to two and a half percent (2.5%)</li> </ul>



# SCHEDULE OF TRAINING/WORKSHOP

Target Participants	Remarks
<p><b>PLI's point persons for AGFP transactions</b></p>	<ul style="list-style-type: none"> <li>▪ Venue: 10<sup>th</sup> floor, LANDBANK Plaza, Malate, Manila</li> <li>▪ October 3, 2016 (morning and afternoon sessions)               <ul style="list-style-type: none"> <li>▫ 64 participants (31 PLIs: 23 banks and 8 non-banks)</li> </ul> </li> <li>▪ November 7, 2016 (morning and afternoon sessions)               <ul style="list-style-type: none"> <li>▫ 40 participants (21 PLIs: 15 banks and 6 non-banks)</li> <li>▫ 20 more can be accommodated</li> </ul> </li> <li>▪ Partner-banks may send a maximum of 2 point persons</li> <li>▪ 2017: once every 2 months; schedule to be announced later.</li> </ul>



**THANK YOU.**

