



THE SHIFT: **PHILIPPINE AGRICULTURE MOVES FROM SUBSIDIES TO EASY ACCESS CREDIT**



***Rural Poverty is rooted on Poor Productivity;
Low Productivity is rooted on Lack of Support***

by

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LIST OF POOREST PROVINCES

Lanao del Sur	67.%
Eastern Samar	55.4%
Apayao	54.7%
Maguindanao	54.5%
Zamboanga del Norte	48%
Zamboanga del Norte	48%
Saranggani	46%
North Cotabato	44.8%
Negros Oriental	43.9%
Northern Samar	43.5%
Western Samar	43.5%



What is common among these provinces?



- All rely on agriculture or fisheries
- Almost all are largely unserved by formal lending institutions catering to agriculture or fisheries
- Agri-fisheries stakeholders access to formal credit is very low

On July 6, 2016, the country's outstanding rice farmers attributed their high production on the following factors:



- Use of high producing quality seeds;
- Sufficient irrigation facilities;
- Adequate fertilization
- Use of modern equipment and machinery
- Availability of credit and financing

Government response to poor productivity:



- Subsidy on rice seeds
- Subsidy on fertilizer
- Subsidy on farm equipment and machinery

Problems encountered in the subsidy program:



- vulnerable to corruption i.e. fertilizer scam, napoles scam
- unequal distribution of interventions
- political interference in the distribution
- long and slow procurement process
- subsidy, being a political decision, is not sustainable
- subsidies bleed government dry every year

Shift from Subsidy to Easy Access Credit



On April 5, 2017, the Department of Agriculture informed President Rody Duterte that it was starting a shift from production support subsidies to easy access credit citing advantages like:

Easy Access Credit is sustainable since loaned funds could be recovered to be ploughed back to the program the following year or after its maturity;

Faster and efficient procurement of farm inputs, especially seeds, fertilizers and farm machinery;

Shift from Subsidy to Easy Access Credit



- Easy Access Credit Levels the playing field with less interference from political leaders;
- Minimizes opportunity for corruption;
- Instills in the beneficiaries the sense of ownership;
- Avoids the culture of mendicancy and restores pride among poor farmers and fishermen

Learning from Past Experiments



Easy Access Credit Concept was implemented in North Cotabato from 1998 to 2007 under the Cost Recovery Program implemented by the provincial government which included:

- Study Now Pay Later Program
- Plant Now Pay Later Program
- Plow Now Pay Later Program
- Work Now Pay Later Program (Jobs for Economic Enhancement Program)

Biyaheng Bukid: Journey to the Edges of the Country

On May 19, 2016, three days after President Duterte announced the appointment of former Governor Manny Piñol as the new Secretary of Agriculture, the nation-wide journey called “Biyaheng Bukid” was started.



Important lessons were learned:

- Corruption contributed largely to poverty in the provinces visited. Most of the poorest provinces are where vote buying during elections were pervasive;

Important lessons were learned:



- Access to credit in many areas are virtually non-existent. In Batanes, there are only two banks and most farmers and fishermen have never borrowed from the banks;
- Farmers and fishermen are buried deeper in poverty after each typhoon or calamity as government response has been very slow i.e. Yolanda Rehabilitation Program is still unfinished until today;
- With government support and intervention, most of the poorest provinces could be major food production area

DA intervention programs focused on poorest provinces



Learning from lessons on focused delivery of interventions, the Department of Agriculture identified the 10 poorest provinces in the country and implemented the Special Area for Agricultural Development Program or SAAD.

Through SAAD, additional livelihood funds were allocated for each of the 10 Poorest Provinces every year.

In the last report of the Philippine Statistics Authority, SAAD was identified as one of the programs which contributed to the reduction of poverty in the provinces and increased agricultural productivity.

Untapped Government Loan Funds



After Sec. Piñol's assumption as Secretary of Agriculture, he ordered an inventory of loan funds handled by the Agricultural Credit Policy Council (ACPC).

An estimated P5-B was available for agricultural and fisheries financing under many loan portfolios which were inaccessible to farmers because of lack of information campaign and tedious and rigorous process of applying for a loan.

Untapped Government Loan Funds



An order was issued to ACPC to consolidate the available loan funds and started the Program for Unified Lending in Agriculture (PUNLA) which focused mainly on the extension of credit to farmers and fishermen in the poorest provinces.

Survival and Recovery Loaning Program



Visiting the flooded rice fields of Agusan del Sur following a typhoon in 2016, Sec. Piñol learned that farmers had to survive on borrowed money during the period their fields were covered with flood water which took months to subside.

The experience brought about the birth of a new loaning program under ACPC which is called the SURE Loaning Program which stands for Survival and Recovery.

The loan is payable is three years without any collateral or interest and is mainly aimed at helping farmers and fishermen whose livelihood was affected by calamities.

Production Loan Easy Access Program



In a visit to the town of Malimono, Surigao del Norte, considered one of the poorest towns in the whole country, it was discovered that the lack of access by fishermen to financing affected their productivity.

The fishermen could catch more fish but there were no facilities to ensure that their catch would reach the market. They had a few fishing boats but there was no supply of ice or transportation facility.

Production Loan Easy Access Program



It was in Malimono, Surigao del Norte where the Production Loan Easy Access (PLEA) Program was launched on June 23, 2017.

It is a loaning program accessible to members of cooperatives, farmers or fishermen's associations and other organized agriculture or fisheries stakeholders at 6% interest every year without any collateral.

Agriculture and Fisheries Machinery and Equipment Loaning Program



The rice industry loses 16% of the harvest due to the absence of harvest and post-harvest facilities while fisheries loses 40% of the catch to spoilage because of the absence of ice making facilities, cold storage and transport machinery.

The DA provided interventions through grants of equipment and machinery but this is not sustainable and prone to corruption.

Agriculture and Fisheries Machinery and Equipment Loaning Program



The Agriculture and Fisheries Machinery and Equipment (AFME) Loaning Program was designed to provide solution to the problem.

The first loan package to be granted to the Don Bosco Multi-Purpose Cooperative includes a fleet of tractors and a grains processing complex estimated to cost P100-M to be granted at 2% interest per year payable in 8 years.

Easy Access Credit Success Stories



In the recent PSA agriculture production report, the PLEA Program was cited as one of the government interventions in the countryside which contributed largely to greater productivity in the agriculture and fisheries sector.

Less than a year following its launching, the PLEA beneficiaries are responding positively by showing high repayment and amortization rates.

Easy Access Credit Success Stories

The ACPC reported that the national repayment rate under PLEA is 96% with Cordillera vegetable farmers posting a perfect repayment record of 100% for the first P46-M lent to them. Their loan portfolio has been increased to P100-M.

The fishermen of Malimono, Surigao del Norte, who were used to paying loan sharks on a daily basis, registered the highest amortization rate of 194%, meaning they paid their amortization in advance right after docking their boats and selling their produce.

An ice-making facility is now being constructed in Malimono.

Preparing for the Major Shift



On April 26, 2017, top officials of the Department of Agriculture gathered in Baguio City to prepare for the shift from Production Support Subsidies to Easy Access Credit.

Among the salient issues discussed were:

Massive national information dissemination on Easy Access Credit to be conducted by the Agriculture and Fisheries Information Division and its Regional Offices;

Preparing for the Major Shift



Among the salient issues discussed were:

National Financial Literacy Training Program to be conducted by the Agricultural Training Institute;

Establishment of the Provincial Loan Facilitation Offices by the ACPC to assist loan applicants;

Establishment of a network of conduit rural banks and credit cooperatives to be accredited by the ACPC.

Identifying Loan Fund Sources



Aside from the funds of the Department of Agriculture intended for Easy Access Credit, there are other available loan money which could be accessed by agriculture and fisheries stakeholders.

The reformed Agriculture Competitiveness Enhancement Fund (ACEF) which is now managed by the Land Bank of the Philippines has an available loan fund of P4-B.

This could be accessed by individual borrowers at a maximum of P1-M and associations and cooperatives at a maximum of P5-M.

It is being extended at 2% interest per annum.

4Ps Funds for Greater Productivity



One of the biggest government expenditure whose economic benefits should be subjected to a thorough review is the cash grant to the poorest families called the Pantawid Pamilyang Pilipino Program or 4Ps.

Designed after the cash-assistance programs of South American countries, the 4Ps was originally intended to cushion the impact of the Asian Economic Crisis in the early 2000.

4Ps Funds for Greater Productivity



Politicians, however, do not want to let go of this program anymore as this has served political purposes.

During elections, the 4Ps cash grant program has been used in blackmailing voters into casting their support for the incumbent candidates with the threat that they will be delisted.

Productivity Versus Mendicancy



With an annual budget of about P70-B, the 4Ps cash grant, if utilized in the Easy Access Credit Program for livelihood could provide a major boost in addressing poverty in the countryside.

Productivity Versus Mendicancy

Shifting from dole-out to easy access financing for livelihood could result in the following benefits:

Dramatically increase agriculture and fisheries production, especially in backyard farming activities thus lowering poverty in the countryside;
Restore the dignity of the poor who line up under the heat of the sun in front of the ATM to withdraw a few hundred pesos;

Utilize the huge funds from government for activities which would contribute to economic growth rather than breed a generation of mendicants.

Lao Tzu once said: “Give a man fish today and he will not go hungry for one day; Teach him how to fish and he will not go hungry for the rest of his life.”

Risk Versus Benefits



Critics of the lending program for agriculture and fisheries stakeholders to increase productivity have always said that the sector is a high-risk borrower.

I say the benefits are worth the risks.

As a leader I have always believed that I must take the risk rather than play it safe. If the decision I make will fail then I will take the blame all by myself. But if it succeeds, a great number of people will benefit.

Remember this: “The future belongs to the Brave!”



THANK YOU!

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