

[BSP CIRCULAR NO. 736, July 20, 2011]

RULES AND REGULATIONS ON THE MANDATORY CREDIT ALLOCATION FOR AGRICULTURE AND AGRARIAN REFORM CREDIT

The Monetary Board, in its Resolution No. 792 dated 26 May 2011, approved the revised rules and regulations governing the mandatory credit allocation for agriculture and agrarian reform credit to implement the provisions of Republic Act (R.A.) No. 10000 dated 23 February 2010, The Agri-Agra Reform Credit Act of 2009.

Section 1. Section X341 of the Manual of Regulations for Banks (MORB) on the agriculture and agrarian reform credit is hereby amended to read, as follows:

"Sec. X341 Agriculture and Agrarian Reform Credit. Pursuant to R.A. No. 10000, The Agri-Agra Reform Credit Act of 2009, the following guidelines shall govern the grant of agriculture and agrarian reform credit by banks, government or private.

"Subsec. X341.1 Definition of terms. For purposes of this Section, the following definitions shall apply:

"a. Accredited rural financial institutions (FIs) shall refer to FIs like rural banks, cooperative banks, farmer's cooperatives and farmer's cooperative insurance or mutual benefit associations whose portfolios are substantially agri-agra related and have been certified as such either by the BSP, in the case of banks, or by the DA, or by an agency duly-authorized by the DA, in the case of non-bank financial institutions.

"b. Agrarian reform beneficiaries shall refer to farmers who were granted lands under P.D. No. 27 or the "Emancipation of Tenants from the Bondage of the Soil, Transferring to Them the Ownership of the Land They Till and Providing the Instruments and Mechanism Therefor", R.A. No. 6657 or the "Comprehensive Agrarian Reform Law" and R.A. No. 9700 or the "Comprehensive Agrarian Reform Extension with Reforms" and regular farmworkers who are landless, irrespective of tenurial arrangement, who benefited from the redistribution of lands, regardless of crops or fruits produced, to include the totality of factors and support services designed to lift the economic status of the

beneficiaries and all other alternative arrangements to the physical distribution of lands, such as production or profit-sharing, labor administration, and the distribution of shares of stock under the stock distribution option scheme, which will allow beneficiaries to receive a just share of the fruits of the lands they work, which farmers and farmworkers shall be endorsed by the nearest office of the DAR.

"The term shall, likewise, include registered agrarian reform beneficiaries' cooperatives/associations/other farm groups respectively endorsed as comprising of agrarian reform beneficiaries by the nearest office of the DAR.

"c. *Agrarian reform credit* shall refer to loans granted to agrarian reform beneficiaries for agricultural and agrarian reform purposes.

"d. *Agricultural credit* shall refer to loans granted to borrowers for agricultural purposes.

"e. *Agricultural lessee* shall refer to any person who, with or without help from his/her immediate farm household, cultivates the land owned by another for a certain price in money, in produce or in both.

"f. *Agriculture and agrarian reform credit* shall refer to loans granted for the following activities and purposes:

- "(i) agricultural production,
- "(ii) promotion of agribusiness and exports,
- "(iii) acquisition of work animals, farm and fishery equipment and machinery,
- "(iv) acquisition of seeds, fertilizers, poultry, livestock, feeds and other similar items,
- "(v) acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments,
- "(vi) construction, acquisition and repair of facilities for production, processing, storage, and marketing and such other facilities in support of agriculture and fisheries,
- "(vii) efficient and effective merchandising of agricultural and fishery commodities stored and/or processed by the facilities aforecited in domestic and foreign commerce, and
- "(viii) other activities identified in Section 23 of R.A. No. 8435, otherwise known as the "Agriculture and Fisheries Modernization Act of 1997", as follows:

- "(a) Agriculture and fisheries production including processing of fisheries and agri-

- based products and farm inputs,
- "(b) Acquisition of work animals, farm and fishery equipment and machinery,
- "(c) Acquisition of seeds, fertilizer, poultry, livestock, feeds and other similar items,
- "(d) Procurement of agriculture and fisheries products for storage, trading, processing and distribution,
- "(e) Acquisition of water pumps and installation of tube wells for irrigation,
- "(f) Construction, acquisition and repair of facilities for production, processing, storage, transportation, communication, marketing and such other facilities in support of agriculture and fisheries,
- "(g) Working capital for agriculture and fisheries graduates to enable them to engage in agriculture and fisheries-related economic activities,
- "(h) Agribusiness activities which support soil and water conservation and ecology-enhancing activities,
- "(i) Privately-funded and LGU-funded irrigation systems that are designed to protect the watershed,
- "(j) Working capital for long-gestating projects, and
- "(k) Credit guarantees on uncollateralized loans to farmers and fisherfolk.

"g. *Agro-industry Modernization Credit and Financing Program (AMCFP)* refers to the umbrella credit/financing program of the government for the agriculture and fisheries sector created under Republic Act No. 8435.

"h. *Amortizing owners* shall refer to landowners who still amortize payment for the land to a private individual or to the State.

"i. *BSP-accredited rural financial institutions (FIs)* shall refer to banks that are accredited by the BSP in accordance with criteria set forth in Subsec. X341.8.

"j. *Compact farmers* shall refer to those farmers with adjoining farms operating as a single unit under one management, farm plan and budget.

"k. *Farm to market road* shall refer to roads linking the agriculture and fisheries production sites, coastal landing points and post-harvest facilities to the market and arterial roads and highways.

"l. *Farmer* shall refer to a natural person whose primary livelihood is cultivation of land or the

production of agricultural crops, agroforest products, livestock and/or fisheries, either by himself/herself, or primarily with the assistance of his/her immediate farm household, whether the land is owned by him/her or by another person under a leasehold or share tenancy agreement or arrangement with the owner thereof

"m. *Farmworker* shall refer to a natural person who renders service for value as an employee or laborer in an agricultural enterprise or farm regardless of whether his/ her compensation is paid on a daily, weekly, monthly or "pakyaw" basis. The term includes an individual whose work has ceased as a consequence of, or in connection with, a pending agrarian dispute who has not obtained a substantially equivalent and regular farm employment.

"n. *Farmer's cooperatives* shall refer to organizations composed primarily of small agricultural producers, farmers, farmworkers, or other agrarian reform beneficiaries who voluntarily organize themselves for the purpose of pooling land, manpower, technological, financial or other economic resources, and operate on the principle of one member, one vote. A juridical person may be a member of a cooperative, with the same rights and duties as a natural person.

"o. *Farmer's and fisherfolk's organizations or associations* shall refer to farmer's and fisherfolk's cooperatives, associations or corporations duly registered with appropriate government agencies and which are composed primarily of small agricultural producers, farmers, farmworkers, agrarian reform beneficiaries or fisherfolk who voluntarily join together to form business enterprises or non-business organizations which they themselves own, control and patronize.

"p. *Fisherfolk* shall refer to people directly or personally and physically engaged in taking and/or culturing and processing fishery and/or aquatic resources.

"q. *Fisheries* shall refer to all activities relating to the act or business of fishing, culturing, preserving, processing, marketing, developing, conserving and managing aquatic resources and the fishery areas, including the privilege to fish or take aquatic resource thereof.

"r. *Fishworker* shall refer to a person whether or not regularly employed in commercial fishing and related industries, whose income is either from

wages, profit sharing or stratified sharing basis, including those working in fishpens, fish corral/traps, fishponds, prawn farms, sea farms, salt beds, fish ports, fishing boat or trawlers, or fish processing and/or packing plants, but excluding administrators, security guards and overseers.

"s. *Loanable funds* shall refer to total funds generated from 20 April 2010, the computation of which is described in Subsec. X341.6.

"t. *National Food Authority, otherwise known as the NFA*, shall refer to the government entity created through Presidential Decree No. 4 dated 26 September 1972. It is currently vested with the function of ensuring food security and stability of price and supply of staple grain-rice through procurement of paddy from individual bonafide farmers and their organizations, buffer stocking, processing activities, dispersal of paddy and milled rice to strategic locations, distribution of the staple grain to various marketing outlets at appropriate times of the year and other similar activities. As used in these rules, its role shall be limited to the issuance of warehouse receipts, which may be used as collateral for bank loans and loans under the AMCFP value chain financing facility.

As a government non-financial agency, the NFA can not and will not perform any lending function consistent with the provisions of R.A. No. 8435.

"u. *Owner-cultivators* shall refer to natural persons who own lands by purchase, inheritance, or land distribution by the State. Owner-cultivators can operate the farm themselves, supervise wage labor or delegate operations to farmers.

"v. *Post-Harvest Activities* shall refer to threshing, drying, milling, grading, storing, and handling of produce and such other activities of a similar nature such as stripping, winnowing, chipping and washing.

"w. *Post-Harvest Facilities* shall refer to threshers, moisture meters, dryers, weighing scales, milling equipment, fish ports, fish landings, ice plants and cold storage facilities, processing plants, warehouses, buying stations, market infrastructure and transportation facilities supporting post-harvest activities.

"x. *Public Infrastructure* shall refer to facilities including, but not limited to, market buildings, slaughterhouses, holding pens, warehouses, market