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**DA-QUEDANCOR-SRA AGRIKULTURANG MAKAMASA SUGAR
FARM MODERNIZATION**

The following guidelines shall govern the implementation of AGRIKULTURANG MakaMASA — Sugar Farm Modernization, which is a joint program of the Department of Agriculture, Quedan and Rural Credit Guarantee Corporation (Quedancor) and the Sugar Regulatory Administration.

1. RATIONALE

The past decade has been a decadent period for the Sugar Industry. During this time, crop production consistently declined culminating in crop year 1997-1998 where sugar production dropped to 1.74MMT. At this level, the Industry could hardly meet local demand and the country's export commitment.

One of the factors, that brought about the sorry state of the Industry was inaccessibility to credit. During this period, institutional credit to the Sugar Industry was almost nil. Interest rates, when credit was available, were prohibitive and unconscionable.

Under the present dispensation where Food Security is the priority concern, the Agrikulturang Makamasa for Sugar Farm Modernization Program has been launched to frog-leap the Sugar Industry towards modernization to regain its position as a major employment generator and export earner.

2. OBJECTIVES

1. To revitalize the Sugar Industry through mechanized farming.
2. To promote the bankability and access of sugar farmers/planters with formal credit institutions.
3. To facilitate the flow of credit from the banking system to the Sugar Industry.
4. To promote the acceptance of sugar farms as collateral for credit capital.

3. LEGAL BASES

- 3.1 RA 7393, dated 13 April 1992, which mandated Quedancor to establish a credit support mechanism and

guarantee system for the benefit of farmers, fisherfolk and other agricultural enterprises.

3.2 RA 8435, dated February 9, 1998, which mandated Quedancor to be the credit guarantee institution for the Agri-fishery sector.

3.3 Memorandum of Agreement, dated 14 April 1999, between the Department of Agriculture and Quedan and Rural Credit Guarantee Corporation (Quedancor) and the Sugar Regulatory Administration (SRA).

4. DEFINITION OF TERMS

4.1 Sugar Production — refers to the cultivation, growing or tending of sugarcane in the open field.

4.2 Sugar Farmer/Planter — any natural person whose primary livelihood is cultivation of land for sugarcane production, either by himself or primarily with the assistance of his immediate farm household or worker, whether the land is owned by him or another person under a leasehold tenancy agreement or arrangement with the owner thereof.

4.3 Cooperative — a group of farmers who voluntarily form themselves into a business enterprise to promote their common needs through mutual action, democratic control and sharing of economic benefits on the basis of the patronage of members.

4.4 Sole Proprietor — a natural person owning a business enterprise or engaged in commercial activity.

4.5 Partnership — an entity of two or more persons who bind themselves to contribute money, property or industry to a common fund with the intention of dividing profits among themselves.

4.6 Quedan Operations Officer (QOO) — Quedancor's field personnel duly authorized to implement the Agrikulturang MakaMASA for Sugar Farm Modernization Program.

4.7 Corporation — a juridical person, created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incidental to its existence.

4.8 Lending Bank (LB) — any banking institution organized and existing under the laws of the Philippines and duly accredited by Quedancor to participate under the SGM of AGRIKULTURANG MakaMASA - SFM.

4.9 Sole Guarantee Mode (SGM) — a mode of lending to service the credit guarantee of farmers sole, proprietorships, cooperatives, partnerships or corporations

wherein Quedancor provides guarantee cover on the loan fully funded by LB.

5. SCOPE

Farmers, sole proprietors, cooperatives, partnerships or corporations, intending to purchase tractor/implements for the production of sugarcane.

6. STATEMENT OF POLICIES

6.1 Purpose of Loan

To finance the purchase of tractors/implements.

6.2 Eligibility Requirements

- 6.2.1 Must be indorsed by SRA.
- 6.2.2 Must be duly Accredited with Quedancor
- 6.2.3 Must be able to put up 20% as down payment for tractor/implements.

6.3 Loaning Mode

Mode shall be SGM only.

6.4 Loanable Amount

The loanable amount shall be 80% of the total cost of tractor/implement.

6.5 Interest Rate

The interest rate shall be at the discretion of the Lending Bank which has been observed to be lower than the prevailing commercial rates.

6.6 Term and Mode of Payment

The Lending Bank shall determine the term (ranging from one to five years) and the Mode of Payment (monthly, quarterly, semi-annually, annually) based on the project study submitted.

On a case to case basis, a grace period may be allowed.

6.7 Guarantee Fee

A guarantee fee of 2.5% per annum of the outstanding principal shall be paid by the Lending Bank to support its application for guarantee cover at the start of every annual anniversary of the loan.

6.8 Guarantee Coverage

Quedancor's guarantee cover shall be 30%-100% of the outstanding principal plus accrued interest up to maturity date

or demand for full payment, whichever comes first.

6.9 Leveraging Ratio

Quedancor's total guarantee exposure on outstanding loans shall not, at any given period, exceed five (5) times the amount of available guarantee fund established therefor.

6.10 Compliance with Agri-Agra Law

Originating or secondary banks participating in the program may be credited for compliance with the Agri-Agra law pursuant to Section 20 of RA No. 7393.

7. MECHANICS OF IMPLEMENTATION

7.1 Program Promotion

Quedancor, with the issuance of the Department of Agriculture and the Sugar Regulatory Administration, shall promote the program with prospective banks and borrower-clients to orient them with AGRIKULTURANG MakaMASA-SFM's objectives, features and mechanics of implementation.

QOO shall promote through meetings and dialogues with prospective clients and use of promotional materials such as posters and brochures.

7.2 Lending Bank Accreditation

Banks intending to practice under AGRIKULTURANG MakaMASA - SFM shall sign an Integrated or Supplemental Agreement with Quedancor, pay a non-refundable accreditation fee and submit the following documents:

7.2.1 Board Resolution authorizing the bank to participate and designating the officer(s) with specimen signatures who shall represent the bank and sign all documents pertaining to its accreditation;

7.2.2 List of Key Lending Bank officers; and

7.2.3 Latest Audited Financial Statements.

7.3 Clientele Accreditation

Any farmer, sole proprietor, partnership, cooperative or corporation, intending to apply for a loan under AGRIKULTURANG MakaMASA-SFM shall submit an Application for Accreditation, pay a non-refundable accreditation fee of P1,000.00 and submit the following:

7.3.1 General Requirements

- a. Duly accomplished Application for Accreditation;
- b. Two 2x2 photos of individual applicant or

authorized representative(s); and

c. Duly certified Financial Statements for the last two years.

7.3.2 Additional Requirements

For Cooperatives

- a. Certificate of Registration or Confirmation from CDA;
- b. Copy of Articles of Cooperation and By-Laws, and amendments, if any;
- c. Board Resolution and Secretary's Certificate authorizing the cooperative to participate in the specified program and designating its authorized representative(s) thereof with specimen signatures; and
- d. List of names and addresses of current key officials and members.

For Partnerships/Corporations

- a. Certificate of SEC Registration;
- b. Copy of Articles of Partnership/Incorporation and By-Laws, and amendments, if any;
- c. Board Resolution and Secretary's Certificate authorizing the firm to participate in the specified program and designating its authorized representative(s) thereof with specimen signatures; d. List of names and addresses of current key officials; and
- e. List of Stockholders with corresponding percentage of ownership, if a corporation.

The QOO shall conduct a background/credit investigation of the applicant, accomplish the Evaluation Sheet and forward the application together with the required documents to the Regional Assistant VicePresident (RAVP) for review, approval and issuance of Certificate of Accreditation.

7.4 Processing of Loan

7.4.1 Application for loan shall be submitted by accredited applicants either to the QOO, SRA or through Lending Bank together with the following requirements:

- a. Two copies of Project Proposal (PFS1 Format);
- b. Two photocopies of documents supporting the collateral offered for the loan, to wit:

Real Estate

- Transfer Certificate of Title (TCT)
- Tax Declaration