

**[ QRCGC CIRCULAR NO. 102, SERIES OF 1999,  
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**AMENDED DA-QUEDANCOR-SRA AGRIKULTURANG MAKAMASA  
SUGAR FARM MODERNIZATION PROGRAM**

The following amended 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.

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, among the Department of Agriculture, the Quedan and Rural Credit Guarantee Corporation (Quedancor) and the Sugar Regulatory Administration (SRA).

3.4 Memorandum of Agreement, dated 13 September 1999, among the Department of Agriculture, the Quedan and Rural Credit Guarantee Corporation (Quedancor) and the Sugar Regulatory Administration (SRA).

#### 4. DEFINITION OF TERMS

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

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 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.

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

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 model 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.

4.10 Guaranteed Co-Financing Mode (GCFM) — a mode of lending to service the credit guarantee of farmers, sole proprietors, cooperatives, partnerships or corporations wherein Quedancor provides guarantee cover on LB's exposure on the loan fund which is equally shared by LB and Quedancor.

4.11 Special Window Mode (SWM) — a mode of lending provided by Quedancor to its client where access to lending bank is not available or convenient.

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 brand-new or second-hand 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

Modes shall either be SGM, GCFM or SWM.

6.4 Security Arrangement

The loan shall be secured by a Chattel Mortgage on purchased tractor/implement and Joint and Several Signatures of at least three (3) officers for cooperatives and corporations or 2 co-makers for individual borrowers.

6.5 Loanable Amount

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

6.6 Interest Rates and Service/Guarantee Fees

6.6.1 SGM

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

A guarantee fee of 2.5% per annum of the outstanding principal shall be paid by LB upon filing of guarantee cover and at the start of every anniversary year of the loan.

6.6.2 GCFM and SWM

Interest of loans shall be 12% per annum based on the present value of annuity to be imputed in the loan amortization. Under GCFM, however, lending banks have the option to apply their own interest rate on the bank's loan exposure provided that the borrower is furnished with the

corresponding disclosure statement and that both borrower and Quedancor are amenable to said rate.

Additionally, Quedancor shall charge a non-refundable service fee of 2.5% per annum on its share of the outstanding principal. Service fee for the first year shall be deducted from the loan proceeds while payment of service fees for the succeeding years shall be at the start of every anniversary year of the loan.

#### 6.7 Term and Mode of Payment

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

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

#### 6.8 Guarantee Coverage

##### 6.8.1 SGM

Quedancor's guarantee cover shall be 100% of the outstanding principal plus accrued interest up to maturity date or demand for full payment, whichever comes first.

##### 6.8.2 GCFM

Quedancor's guarantee cover is on LB's share of the outstanding principal plus accrued charges 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 assistance 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 the program through meetings and dialogues with prospective clients and use of promotional materials such as posters and brochures.

## 7.2 Lending Bank Accreditation (for SGM and GCFM)

Banks intending to participate 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 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/Cooperations

- 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