



Republic of the Philippines  
**House of Representatives**  
Quezon City, Metro Manila

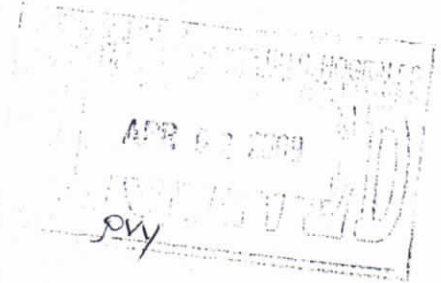
**LEONILA VILLA-CHAVEZ**

*Representative*  
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**Chairperson:**  
*Special Committee on Food Security*

**Vice-Chairperson:**  
*Committee on Cooperatives Development*

**Member:**  
*Congressional Oversight Committee on*  
*Agricultural and Fisheries Modernization*  
*(COCAFAM)*



**POSITION PAPER**  
**On the CARP Extension with Reforms**

The Butil Farmers Party came into existence out of the aspirations of the small farmers. Hence, the desire of the small farmers, most especially the agrarian reform beneficiaries, for a better life has been its beacon in forging its history.

Foremost in the guiding principles of the Butil Farmers Party is the economic empowerment of the farmers through active participation in cooperatives. It is strongly believed that the farmer cannot have political emancipation if one is not financially stable. Financial stability here is not construed as being well-off in terms of money and other material possessions. Rather, stability is viewed as the condition of the farmer where he has control of his livelihood particularly in the aspect of production and marketing.

Indeed it is accepted that one of the key factors in production is the land being tilled by the farmer. This is why the Butil Farmers Party supports fully well the agrarian reform program and all its supplemental programs.

With the discussion on the Comprehensive Agrarian Reform Program Extension with Reforms (CARPER), the Butil Farmers Party expresses its solidarity with those who have been growing restless about the delay of its enactment. Aside from the extension of land acquisition and distribution, the Butil Farmers Party considers the following to be very important for the final success of this long-overdue program:

1. Provision of credit and other support services – Consistent with our guiding principle on economic empowerment, the Butil Farmers Party stands that the farmer will definitely fail to make the land productive if he will not have the

capital to plant crops. It can be recalled that the companion measure of P.D. 27 during the Martial Law Era was P.D. 175 that encourages farmers to form their cooperatives. The cooperatives should have been the source of capital for the farmers, a role that used to be played by the landlords. With land reform, the relationship between the landlords and the farmers had been put in a stress. Thus, the landlords cannot be expected to provide the farmers with capital like before. The farmers are then left to fend for themselves. The cooperative provides a crucial support. To guarantee that the farmers will have enough funds, credit and other support services must be provided by the Department of Agrarian Reform (DAR). It is estimated that to meet the capital needs of agrarian reform beneficiaries, fifty percent (50%) of the appropriations for the CARPER must be devoted to credit and this must be coursed through the cooperative banks since they have the network of agricultural primary cooperatives.

2. Conversion of old loans from DAR into equity in cooperative banks – Among the concerns that weakens the cooperative banking system is the presence of outstanding loans of delinquent farmers. The history of agrarian reform in the country has been replete with the provision of loans to farmers, some of which were funding support from foreign sources conduited through the DAR and on to the cooperative banks. It is unfortunate, however, that because of the vagaries of nature some farmer-borrowers were not able to make good their loan amortizations. Some of these farmers have already given up on their land and cannot be traced any longer. Their outstanding obligations, however, remained in the books of account of cooperative banks as their obligation to DAR. To “clean” these accounts, the cooperative banks need time and other sources of funds. One way to do this is to convert the outstanding loans as equity of DAR in the cooperative banks in the form of preferred shares. These can then be gradually retired once the financial condition of the subject cooperative bank improves. This is not a novel idea since this is being done in other financial institutions in other countries.
3. Crop Insurance must be strengthened – As mentioned earlier, one of the major causes of loan default of farmer-beneficiaries is the vagaries of nature. Once the farmers experience crop failure because of natural calamities, they have nothing to pay for their loans. Their situation is aggravated when they have to borrow again just to have capital for a new planting season. With just one harvest to answer for two to three loans, the farmers are caught in the vicious cycle of credit. Crop insurance provides a break from this vicious cycle. Whenever the farmers are confronted with losses due to natural calamities or plant pests and diseases, the crop insurance program indemnifies them; enabling them to pay for their loans or recoup their lost capital. It is sad to note however that this noble government program lacks the necessary support particularly in terms of subsidy for the premiums farmers pay. The Philippine Crop Insurance Corporation (PCIC), the government agency tasked to implement the program, must be provided with bigger capital to enable it to cope with the increasing number of hectareage needed for food production.
4. Social amelioration for farmer-beneficiaries – With land reform, the farmers must be supported to the extent that they must be able to pay for the land given them. One way to ensure this is by providing a loan mortgage redemption insurance for farmers should any untoward incident happens to them. Better still, there should

be a social security system that will provide farmer-beneficiaries with life insurance to enable them provide for their family even when they can no longer till their land.

5. Sovereign guaranty for agricultural and rural credit – Although DAR is expected to provide farmer-beneficiaries with production loans, preferably through cooperative banks and their network of primary cooperatives, there is still a need to encourage private commercial banks to participate in food production and rural development. This can be done by providing them a guarantee scheme so that their investments can be secured. Government must provide a strong guarantee mechanism so that financial services will flow from formal sources in rural areas, more particularly to agriculture and the agrarian reform beneficiaries.

These five-point agenda is achievable and realistic if only government will afford them support. In the meantime, this Representation is preparing legislative measures to concretize these proposals. It is earnestly prayed that colleagues in this august chamber will provide their approval of these ideas.

  
LEONILA VILLA-CHAVEZ

2 April 2009