

Republic of the Philippines  
**DEPARTMENT of AGRARIAN REFORM**

**MEMORANDUM CIRCULAR**

NO. 09

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**SUBJECT: HARMONIZING THE IMPLEMENTATION OF AGRIBUSINESS DEVELOPMENT PROGRAMS AND INITIATIVES IN THE DEPARTMENT**

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**I. BACKGROUND AND RATIONALE**

The basic task of the Medium Term Philippine Development Plan (MTPDP) for the period 2004-2010 is to fight poverty and build prosperity for the greater number of Filipino people. One of its strategic measures and activities to spur economic growth and create jobs, is to make two million hectares of agribusiness lands productive by expanding its production areas and product mix and ensuring that the products are transported to the local and global market efficiently.

In accordance with the MTPDP and the 10-point agenda of President Arroyo, the DAR has spearheaded the development and implementation of various agribusiness development programs and initiatives in the Agrarian Reform Communities (ARCs) in partnership with CARP implementing agencies, Local Government Units, Civil Society, Business sector and donors. Specifically, in the foreign assisted ARCs, the agribusiness activities were intensified and supported with physical and economic infrastructure facilities. In order to reach out to a greater number of agrarian reform beneficiaries (ARBs) and not to marginalize small scale farmers, especially those least organized and distant from the market, agribusiness activities were expanded to cover non-ARCs within and outside of the ARC clusters through the ARC connectivity approach.

Since 1999, the DAR with the two (2) rural development agencies of the national government, namely the Department of Agriculture (DA), and Department of Natural Resources and Environment (DENR), under the convergence policy have institutionalized the DA-DAR-DENR Convergence Initiative to address rural development efforts of the government. The convergence towards sustainable rural development was formalized through Joint Memorandum Circular (JMC) No. 01, series of 1999, signed by the three Secretaries of said agencies and revitalized through JMC 2004-01. Further, JMC 2006-01 mandated the "Adoption of the Guide for Implementation of DA-DAR-DENR Convergence Initiatives towards Sustainable Rural Development." Pursuant to Executive Order No.606, series of 2007, JMC 2007-01 and JMC 2007-02 were signed by the Secretaries of DA, DAR, DENR, DILG and President of the League of Municipalities in implementing the sustainable upland development utilizing convergence policy. These convergence initiatives are geared towards ensuring the development of two million agribusiness lands and generation of jobs.

In 2005, the Cabinet Cluster C Memoranda on Agribusiness Development dated September 9, 2005 and October 22, 2005 has created the Agribusiness Cluster, which is spearheaded by DENR with DAR, DA, Philippine Coconut Authority (PCA), Coconut Industry Investment Fund (CIIF) Oil Mills, Incorporated and Land Bank of the Philippines (LBP) as members. It also directs the Cluster to develop coconut areas, as part of the two million agribusiness lands development utilizing the allocation of Php one (1) Billion CIIF fund.

The DAR, in responding to the Agribusiness Cluster Initiatives has created the ARB Agribusiness Entrepreneurship Development Program (AREDP), which is primarily involved in the establishment of sustainable value-adding agri-based enterprises catering to commodities such as coconut, rice, sugar, corn, fruits, vegetables, livestock and poultry. Likewise, the Program is involved in the development and expansion of local and foreign markets for high quality processed agricultural products in partnership with the Philippine Fruits and Vegetables Industries, Incorporated (PFVII) as the corporate arm of the DAR.

In view of the various agribusiness development programs and initiatives being undertaken by the DAR with different partners and in order to judiciously utilize the limited resources of the government, create greater impact in economic growth, job creation and contribute to the attainment of the MTPDP, this guideline is issued.

## **II. POLICY STATEMENT ON THE IMPLEMENTATION AGRIBUSINESS DEVELOPMENT PROGRAMS AND INITIATIVES**

### **A. Agribusiness Definition**

In agriculture, agribusiness is a generic term that refers to various businesses and enterprises involved in food production, including farming, seed supply, agrichemicals, farm machinery, processing, storage, marketing, distribution and sales (wholesale and retail). It is a range of activities that occur in agriculture value chain utilized in modern food production.

Agribusiness is actually applying science and technology to farming and market situations in agriculture. It focuses on organizing and managing the value chain from production to post harvest, processing/manufacturing to transport and finally marketing to deliver to end users or customers.

### **B. Agribusiness Options**

The typical rural communities produce low commodities which have experienced declining real prices due to increasing competition of medium and large scale producers. As such, the small scale farming households are struck in production of undifferentiated commodities, using traditional and low input system, and rarely produce sufficient profit to invest in higher value options. To get out of this situation and shift from a focus on increasing production and commodity specific production to a greater emphasis on identifying and responding to market demands, the DAR shall adopt the following agribusiness options in order for the farming communities to be competitive, sustainable and obtain equitable share of benefits:

1. Enhance the competitiveness of production for local products by increasing production intensity and by improving the existing agri-based production systems and expanding production areas of raw agricultural lands and underutilized coconut lands;
2. Achieving economies of scale through collective action for production and marketing to provide the best income generating opportunities for an identified community or agrarian reform area;
3. Diversification of existing crops through intercropping, multiple cropping, integrated farming, into improved or higher value crops or livestock linked to identified market demand;
4. Adding value to products, by changing farming practices to access higher income markets, by identifying alternative higher priced markets, by enhancing product quality, expanding product mix and incorporating innovative and processing technologies that meet consumer needs;

5. Entering into new schemes on marketing agreement, based on forward sales that help to "lock in" buyers over longer time periods at advantageous rates; and
6. Cost-effectively cultivating idle and marginal lands by planting fruit trees in denuded upland areas.

### **C. Agribusiness Program Imperatives**

Considering that agribusiness involves a full range of activities which are required to bring a product or service from conception, through the different phases of production, transformation and delivery to final consumers, the different DAR agribusiness development programs and initiatives should be guided by the following imperatives:

1. The new agricultural lands to be covered are:
  - i) those idle or unutilized lands, not planted to any crop, but are suitable for agricultural crop production;
  - ii) those existing agricultural areas (e.g. coconut lands) which can be developed for intercropping of high value crops and diversification of livestock; and
  - iii) those agricultural lands in non-ARC barangays within and outside the ARC Clusters and DAR settlement areas currently underutilized but have potential for crop production.
2. Integrated, participatory and convergence approaches shall be utilized in developing the one (1) million hectares of agribusiness lands target of the Department;
3. The agribusiness products shall be marketed to both domestic and global markets;
4. In cases where agribusiness partners would require the use of the agricultural lands owned by agrarian reform beneficiaries (ARBs) or farmers, Article 12, Section 3 of the Philippine Constitution shall be observed which states; "private corporation or organizations may not hold such alienable lands of the public domain except by lease, for a period not exceeding 25 years, renewable for not more than 25 years, and not to exceed one thousand hectares in area."
5. Agribusiness should not be singularly commodity specific since it supports collective action, diversification and value adding.
6. The agribusiness activities are complicated social activities that need to be facilitated by skilled and professional staff with motivated partners, the institutional arrangements must be adapted to local conditions, the roles and responsibilities of stakeholders are agreed at the outset, the performance is critically observed and that consensus regarding the vision are farmer-led. Hence, the implementation of agribusiness programs/initiatives would need acquisition of new skills and different ways of doing business.

### **III. GUIDING PRINCIPLES**

The smallholder farm families are faced with ever-increasing imperatives to incorporate themselves into the market economy in order to generate cash income that will allow them to meet their basic needs and thereby improve their livelihood. These farm families have been accustomed primarily to

producing low value cash crops, which have experienced severe real price decline over the years. The increasing harsh or competitive marketing reality within the agricultural sector is a result of the trade liberalization process, globalization, improved production efficiency of medium to large scale producers and even the oversupply of major commodity markets. In view of the complicated and evolving market where the farm families are situated, the agribusiness programs/initiatives of the Department shall be guided by the following principles:

1. A business and market- oriented focus

Agribusiness is a business or enterprise focused on identifying and satisfying market needs through a profitable and socially responsible production and supply of goods and services.

2. Promotion of product diversification, value addition and market chain competitiveness

Agribusiness along agriculture value chain can promote product diversification in their production systems to meet the demand for higher value crops or livestock in order to take advantage of the rapidly changing consumer habits. Or, it can also engage in adding value to farm products by adopting changes in production, handling and processing practices to maximize higher income marketing windows. This can include simple techniques such as use of improved seed, growing a single type of seed, grading of products at harvest and consolidating of products for marketing.

To maintain market chain competitiveness, the following vital elements must be considered by agribusiness stakeholders: i) a market orientation - producing the right products for the right buyers at the right time and price; ii) establish production systems that makes efficient use of existing financial, human and natural resources; iii) incorporation of post-harvest handling and processing techniques; appropriate business and marketing skills and organizational schemes which lead to economies of scale by reducing costs and increasing marketable volume of produce; and iv) improved links among market chain actors and flows of both market-based information and new production technologies.

3. Participatory decision-making of partners;

Agribusiness development is a complex task that involves activities (production, post-harvest handling, trading, processing, trading, retailing, consumption) and actors within a market chain. To link all of these activities and actors together in an effective manner requires careful attention to information gathering and skills in building relationships with different actors. And in order to generate concrete decisions in every activity in the value chain to maintain its competitiveness, participatory decision-making among the actors and partners is necessary. The different partners must be involve directly in identifying market opportunities, market chain analysis, business planning, investment and implementation of enterprises and evaluating and strengthening of the business development support

4. A focus on the strengthening of existing local skills as well as building new ones

It is unusual to have all of the skills required to develop local businesses within an organization and to ensure the success of agribusiness would generally require that organizations find liked minded partners from the public and private sector to support the processes in the value chain. To implement effectively the agribusiness activities, it is important to continuously enhance existing local skills and in-house capacity but at the same time, develop new skills among the actors and partners to maintain its competitiveness.

#### 5. Consensus-building among multiple actors

The building of consensus for action among actors start once the rural enterprise potential of the community has been assessed, based on the results of the SWOT analysis. The multiple actors can begin to look at what concrete activities to undertake by defining where they want to go (vision), a share definitions of how activities of the actors can contribute to meeting their aspiration (mission), a common ground rules for action (guiding principles) and who will do what with whom (action plan). These are some of the areas where consensus among multiple actors must be arrived at.

#### 6. Equal access to opportunities for participating groups, and;

In order for the agribusiness to be competitive, sustainable and equitable in the share of benefits, participating actors and groups should be given equal access to opportunities. This can be done at the outset, where the role and responsibilities of the participating groups are well-defined and corresponding performance appraisal system are also installed in the organization and community.

#### 7. Social and economic and environmental sustainability

Sustainable development is a socio-ecological process characterized by the fulfilment of human needs while maintaining the quality of the natural environment indefinitely. And the field of sustainable development can be conceptually broken down into three constituent parts: environmental sustainability, economic sustainability and socio-political sustainability. Sustainable development policies always encompass these major areas.

Aside from the benefits of the agribusiness project in the locality, it is important that sustainability issues are taken into consideration. Some of the questions raised to ascertain sustainability are: i) in social sustainability, the focus is how the interventions can be sustained by the social structures and institutions established. Can the strengthened institutional structures continue to deliver the results of product diversification and value adding to the consumers or buyers?; ii) in economic and financial sustainability- will the introduction of new crops be sustained if the constraints to marketing the crops is not resolved or financial sustainability may be at risk if the consumers continue to depend on heavily subsidized activities and inputs; and iii) for environmental sustainability – are the benefits to be generated from the agribusiness project likely to lead to deterioration in the physical environment, thus indirectly contributing to a decline in production, or well-being of the groups targeted and their communities.

### **IV. AGRIBUSINESS DEVELOPMENT COMPONENTS**

The Agribusiness development is comprised of three major components namely:

#### 1. Agricultural Land Development

The agribusiness project will not prosper without the agricultural lands as the main source of production. Hence, the agricultural lands are those lands awarded to the farmers which are either individually or collectively cultivated in a locality. These lands may be underutilized but have vast potential for agricultural production or producing a big volume of raw materials which can be processed for value adding. These lands may also be capable of producing diversified crops to be more responsive to demands of the markets.

The volume of agricultural lands needed for agribusiness development is dependent on the result of market opportunities identification and market value chain analysis.

## 2. Social Infrastructure and Local Capacity Building (SILCAB)

The primary concern of this component is to help farm households to collectively develop their capacity to use and manage awarded lands and natural resources in the community towards self-sufficiency in basic needs, especially food, and competence in area development and management.

SILCAB is focused on organizing and building the capacity (education and training) of autonomous social institutions of farmers for meaningful participation in agrarian reform and rural development. The social institutions are: i) farmers' associations that can effectively rally the support of the state and market towards equity enhancement programs. This organization shall serve as the primary vehicles for people's participation and mobilization of farm households in pursuit of their aspirations; ii) the cooperatives in managing and sustaining area-based rural enterprises based on market demands; iii) sectoral federations that will lead in mobilizing and strengthening of the barangay, municipal and provincial agrarian reform council as consensus-building and advocacy units. They serve as apex organization concerned with expression of self-governance that works as parallel structure to the local government units in formulating, advocating people's agenda and implementing alternative development strategies and models.

## 3. Sustainable, Area-based Rural Enterprise Development (SARED)

SARED component is concerned with improving agricultural production for food security and market demands to increase farm households' income and improve their quality of life. To achieve this goal, the farm households in the agrarian communities shall be provided with access to credit, appropriate technology, information, physical infrastructure and market.

The assistance provided to the farming communities are: i) production improvement through use of appropriate technologies, crop diversification and production of raw materials for processing; ii) construction or rehabilitation of physical infrastructure facilities such as farm to market roads, irrigation systems and post-harvest facilities for stimulating production and marketing of agricultural products; iii) investment and marketing assistance, which aims to link and match farmers' produce with potential markets or buyers in order to overcome market barriers that impede the participation of communities in mainstream agribusiness development and in turn, generate profits equitable shared between and among producers and consumers; iv) credit assistance provides adequate and affordable credit for farmers' production inputs, pre and post harvest facilities and fixed assets.

To ensure the active and meaningful participation of ARBs and other farmers, capacity building efforts shall be an integral support to develop the competencies of farmers to undertake the major agribusiness processes from production to marketing of produce.

## V. AGRIBUSINES DEVELOPMENT PROCESS

The agribusiness programs/initiatives which shift from increasing production to market oriented approach in order to be responsive to market demand shall be comprised of the following interrelated processes:

## 1. Territorial Selection and Partnership Development;

The first stage is comprised of the following processes: i) selection of territory where the agribusiness will operate; ii) establishment of agribusiness working group; iii) bio-physical and socio-economic diagnostic of the territory; iv) profiling of the beneficiary groups and risk analysis; v) group organization and plans for collective actions; and vi) joint planning among the partners. This stage can be undertaken for about three – four months depending on the size of the territory.

Once the territory defines the farming community operating area, it does not limit the reach of the market chain, which may go beyond the territory that is being supported. Programs and projects shall be pursued in partnership with relevant actors and players from where expertise and technical assistance will be drawn upon. The development of network of partners is necessary to define who can assist in the planning and implementation of the market interventions over the planned period.

## 2. Market Opportunities Identification

This stage provides the service providers and enterprise team with methods to evaluate market options and to initiate the process of market engagement. The activities at this stage include: i) identification and evaluation of market opportunities; ii) evaluation of non-traditional farm activities that could offer employment opportunities; iii) identification of a basket of opportunities that respond to market demand and can be produced under existing biophysical conditions and are of interest to the local producers.

The outputs expected are: i) diversified product options; ii) established relationships with market actors; and iii) analysis of the market intelligence. This stage may be undertaken for two – four months.

## 3. Enterprise Design and Implementation

At this stage, the working groups moves onto: i) the detailed participatory market chain analysis (one or more market chains); ii) evaluation of critical points in the market chain; iii) development of business plan to design and implement an agribusiness project; and iv) implementation of new enterprises.

The main outputs of this stage are: i) defined market chain of the agribusiness project and business plan for investment and implementation; and ii) an integrated production project to improve the chain's operation. The implementation of the first agribusiness project may be carried out for 12 months and for the new enterprise, another six months.

## 4. Provision of Appropriate and Sustainable Business Development Services (BDS)

The fourth stage is the provision of appropriate and sustainable BDS. Based on the needs identified in the product specific farm to market chain analysis, the local support services, BDS will be provided to develop plans to strengthen key services to support on-going enterprises. The focus is on financial, non-financial, formal and informal services and seeks to build functional markets that link specific demands with supplier either at the local, municipal, provincial, regional and national level.

The main outputs are: i) improve BDS services in the area; ii) based on demands, establishment of new BDS; and iii) develop and implement of up scaling options. It is also at this stage, where

the strengthening or implementation can be clearly identified, quantified and their efficacy and impact are measured. This stage takes about four months.

## V. IMPLEMENTATION MECHANISMS

Since there are various agribusiness programs and initiatives being implemented in the Department, there is a need to harmonize its implementation to maximize utilization of limited resources and generate desired results to contribute to the attainment of the agribusiness goal of the country.

An Agribusiness Program Steering Committee (PSC) shall be established, chaired by the Secretary to provide overall direction and supervision on the implementation of agribusiness programs in the Department. The members of the committee are: the Undersecretary for FOO, Undersecretary for SSO; Undersecretary for FMAO; National Project Director, AREDP; Executive Director, FAPSO; Director, Project Development and Management Service (PDMS); Director, Bureau of Agrarian Reform Beneficiaries Development (BARBD); and Executive Director, Philippine Fruits and Vegetables Industries, Inc. (PFVII). A periodic meeting shall be done to assess the level of accomplishments of the different agribusiness programs/initiatives.

The Bureau of Agrarian Reform Beneficiaries Development (BARBD) shall serve as the Program Secretariat of the PSC.

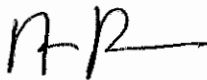
The implementation of the various agribusiness programs and initiatives will be done using the existing structure of the Department in collaboration with partner agencies, institutions, agribusiness firms and other civil society organizations.

At the field level, the program will be lodged with the Regional Support Services Division and the Provincial Beneficiaries Development and Coordination Division.

## VI. EFFECTIVITY AND REPEALING CLAUSE

This Memorandum Circular shall take effect immediately and shall modify or revoke other circulars inconsistent herewith.

23 November, 2007, Diliman, Quezon City.

  
**NASSER C. PANGANDAMAN**  
Secretary