



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

Memorandum Circular No. 18  
Series of 1999

**SUBJECT:            AGRIBUSINESS DEVELOPMENT PROGRAM FRAMEWORK FOR  
                          AGRARIAN REFORM AREAS**

**A. BACKGROUND AND RATIONALE**

On the 11<sup>th</sup> year of CARP implementation, the Estrada Administration fully supports the DAR's vision of "A nation where there is equitable land ownership with empowered Agrarian Reform Beneficiaries who are effectively managing their economic and social development for a better quality of life" by virtue of its development priorities: **poverty alleviation, food security and countryside development.** Another very real concern of this administration is the **need to develop global competitiveness in the light of our country's membership in the World Trade Organization (WTO) and our participation in the General Agreement on Tariffs and Trade (GATT).**

In 1993, the Department of Agrarian Reform adopted the Agrarian Reform Community (ARC) Development as a strategy to effectively deliver the **twin mission of Land Tenure Improvement (LTI) and the Provision of Support Services** to realize the full income generating potential of lands covered by CARP. Through the ARCs, DAR endeavored to show that indeed, agrarian reform can make a difference in the lives of the landless farmers and farmworkers (including their families) by facilitating their access to support services which will help them increase their awarded land's productivity, as well as their household income. As of June 1999, there are 1,016<sup>1</sup> Agrarian Reform Communities (ARCs) launched nationwide, which are the subject of on-going partnership interventions between and among the Department, other government agencies, Civil Society and the Business Sector. These ARCs are likewise the focus of interventions of the different Foreign Assisted Projects (FAPs) of the Department, as well as the convergence efforts among the different government agencies, most especially the DAR, DA and DENR.

The current situation of ARCs reflects the national situation of agriculture and agribusiness, characterized by the dominance (in terms of area planted) of traditional crops: rice, corn and coconut as the major crops in 9.3 M hectares of agricultural areas. Areas planted to rice occupy 3.5 M hectares, followed by coconut with 3.1 M hectares and corn with 2.7 M hectares. The rice industry is characterized by the near absent backward and forward integration to production, highlighted by the traders' control over financing/credit for inputs, ownership and management of post harvest facilities (processing mills/warehouses), as well as marketing. The same is true for the corn industry. This is even exacerbated by the fact that while Mindanao produces two-thirds of the corn, most of the feed millers who are the major market for corn, as well as the end-users: poultry and swine raisers, are in Luzon. The coconut industry on the other hand is considered a sunset industry due to its continuing decline in production and area planted for the past ten years. The situation is likewise worsened by coconut's low profitability as a mono crop and the growth of coconut oil substitutes (i.e. corn oil, palm oil, soybean oil, rapeseed oil, canola oil) worldwide. In terms of farm sizes, rice, corn and coconut areas are generally

<sup>1</sup> ARC Situationer as of June 1999.

small and the farmers in these areas comprise the majority of small farmers in the Philippines. The situation discussed in the foregoing causes the persistence of rural poverty since agriculture accounts for 83% of rural employment.

There are also approximately 56,000 hectares of commercial farms and plantations covered under CARP. Most of these areas are in Mindanao, specifically in Regions IX and XI, and are mostly planted to high value permanent crops like banana, rubber, fruit trees, oil palm, pineapple, coffee, and others. The major challenge for these tracts of land is how to transfer ownership and management, without disrupting farm operations and maintaining, or even increasing productivity. These areas are generally characterized by a more sophisticated system of operations, usually integrated from pre-production, to production, to post-production and marketing, usually with established market and/or contract growing arrangements (depending on the nature of management arrangement/s) and requires substantial capital to manage and operate.

There are 2,337 ARB organizations being assisted in the 1,016 ARCs, whose total membership represents only 32% or 128,310 out of 403,599 ARBs in the ARCs. Of the roughly 1.6 M ARBs to whom 2.9 M hectares were distributed nationwide, only 8% are members of ARC organizations and around 12% were reached through various program beneficiaries development interventions. The maturity level of these ARB organizations average 1.12 representing a low level of maturity.<sup>2</sup> It should be noted that the ability to generate internal resources and to access support services that will help realize in full the productive and income potentials of the lands awarded to the ARBs require a certain level of organizational maturity.

Related to this, the Department is faced with the challenge of reaching to significant number of ARBs both in and outside the ARCs. The Department has implemented several interventions to deliver the needed support services to the ARBs such as Investment and Marketing Assistance Program (IMAP), alternative credit windows, physical infrastructure support, and commercial farms deferment development framework. However, reports showed that around 400,000 or 20% of the ARBs are covered in the ARCs and only about half of these beneficiaries in the ARCs can be considered reached if they are members of the organizations, have participated in trainings, and have been provided with credit assistance and livelihood projects. The reasons cited for low program reach are basically hinged on the maturity levels of the ARCs and the organizations, the geographical location and accessibility of the ARCs, the lack of integration of interventions, and lack of capabilities of both the DAR and ARBs to effectively pursue agri-enterprise development.

The above scenario provides the context within which Agrarian Reform Communities Development in general, and agribusiness development interventions in particular, are to be implemented to address the country's food security, poverty alleviation and countryside development concerns. This is likewise being pursued to provide a safety net on the effects of trade globalization without compromising the welfare of the ARBs.

In view of the foregoing, there is a need for the Department to provide a framework for interventions on agribusiness development which shall be the road map or guide for all stakeholders, service providers and intervenors/facilitators in the ARCs. Hence, this Memorandum Circular.

<sup>2</sup> Under the ARC Level of Development Assessment or ALDA, the lowest level is 1 and the highest level is 3.

## **B. OBJECTIVES**

The general objective of the Agribusiness Development Program is to develop and establish sustainable area-based rural enterprises managed by empowered ARBs organizations and ARC households through appropriate support services in order to achieve greater agricultural productivity, higher income, and better quality of life.

Specifically, the Program aims to:

1. Develop and establish projects promoting sustainable area-based rural enterprises in partnership with government agencies, peoples' organizations, agribusiness firms, civil society and the business sector.
2. Intensify the provision of and access to agribusiness support services to increase land productivity and competitiveness of rural enterprises.
3. Promote the institutionalization of agribusiness development schemes and all forms of farm cooperation to sustain the viable operations of rural enterprises.
4. Develop and enhance the capacities of ARB household and ARC organizations in managing and sustaining viable operations of their rural enterprises.

## **C. PROGRAM BENEFICIARIES AND TARGET AREAS**

The Program is primarily designed to help address the needs and concerns of the following:

1. ARB households and their organizations, cooperatives, and sectoral federations comprised of small farmers who are Emancipation Patent (EP) or CLOA holders, holders of lease contracts and stewardship contract covered by previous and existing land/agrarian reform laws, small-owner cultivator, and farmworkers;
2. Marginalized groups composed of small farmers, agricultural lessees, subsistence fisherfolks and indigenous people; and
3. Women and youth groups, and other members of the ARCs such as professionals and small rural entrepreneurs.

The Program will be implemented in areas where the greatest impact of agrarian reform in terms of beneficiaries reached, distribution of land, and agricultural productivity can be achieved, specifically in the DAR-DENR-DA convergence zones, identified SAFDZ<sup>3</sup> areas, and in rural communities exhibiting the characteristics and conditions of the three ARC models:

- a. The Prime Agricultural ARCs. These are areas with high technology, high productivity and critical infrastructure facilities. These ARCs have the potential to become key production centers for various crops with integrated agribusiness systems.

<sup>3</sup> Strategic Agriculture and Fisheries Development Zones are areas within the Network of Protected Areas for Agricultural and Agro-Industrial Development (NPAAD) as provided for in the Implementing Rules and Regulations of RA 8435, otherwise known as The Agriculture and Fisheries Modernization Act of 1997.

- b. The Inaccessible ARCs. These are areas with low soil fertility, low production and subsistence agricultural systems. They generally lack important physical infrastructure facilities and have limited access to government support services.
- c. In-between ARCs. These are areas that can serve as production support areas for prime agricultural ARCs or as processing and marketing links between the inaccessible ARCs and prime agricultural ARCs.

#### D. THE AGRIBUSINESS DEVELOPMENT PROGRAM FRAMEWORK

The basic mooring of the agribusiness development program is the Department's thrusts and strategies identified to achieve the vision of agrarian reform specifically the convergence strategy and the ARCs Development Program expansion. The Program is viewed as a support mechanism to concretize the key components of the ARC expanded framework namely: **sustainable area-based rural enterprise development, social infrastructure and local capacity building, and land tenure improvement.** (The schematic diagram for the Agribusiness Development Program Framework is presented as Annex A of this Circular.)

Interventions to promote agribusiness development are based on the current state of ARBs, their organizations, and communities. The framework emphasizes that agribusiness development interventions must respond to the two-pronged objectives - to increase income and productivity in the ARC and the need to effect the smooth transfer of management and control of productive lands to the ARBs to be able to maintain its viable and profitable operations. Existing opportunities and emerging developments in the environment must be considered as complements of these interventions. On the whole, interventions must be implemented in a holistic and integrated manner to achieve the desired results.

##### **Factors for Differentiating Interventions**

The Program recognizes the need to implement differentiating interventions to initiate agribusiness development in the ARCs and other CARP areas. Differentiating interventions and the degree of their application must be based on the following factors:

- a. **spatial dimensions** - these pertain to the ecological, socio-political and economic characteristics and conditions of the area. Ecological considerations refer to the ecological zones from among the three major ecosystem (lowland/agricultural, upland/forestal, or coastal).

Socio-political considerations are concerned with the geographical location, political boundaries, and the physical and demographic conditions of the area. Primary determinants on the degree of intensity and applicability of agribusiness development interventions under this consideration would be the classification of area - primeland, inaccessible, or in between areas, and the presence of critical mass of farmer-beneficiaries and community resources that can be mobilized for sustained area development.

Economic consideration would relate to the area's natural resources and potential to generate investment to support rural enterprises to serve as foundation for agro-industrial development.

These factors are critical in establishing sustainable area-based agribusiness enterprises since these will define the type of production support and the magnitude of investments that need to be generated. The development potentials in the context of these spatial dimensions will likewise encourage private sectors' and agribusiness firms' interest in agri-based enterprises in agrarian reform areas.

The spatial dimension facilitates the identification of interventions and strategies to reach more beneficiaries, to develop areas for expansion or intensification of existing programs, and opening of new areas for development.

- b. area- and crop-specific** – this refers to factors relating to the agronomic attributes and resource potentials (crop specific/area specific) of the area. Determining appropriate interventions, programs and projects on agribusiness development depend on the nature of the crop (traditional crop or high value commercial crop) planted in the area, crop cultivation (individual or plantation-based) adopted, and soil suitability.

These factors facilitate the determination of crop distribution and crop potential across regions and provinces. Specifically, these factors will assist program planners and implementors in determining 1) program magnitude and scale, e.g., national scope for rice and corn, special project status for asparagus, 2) regional/provincial strategic focus, e.g., Mindanao regions to focus on the development or optimization of productivity of commercial crops such as rubber, cacao, banana, pineapple, etc., and 3) crop potentials, e.g. coffee development in Aurora Province.

- c. existing development programs** – The type of agribusiness development initiatives in the area will also vary depending on the existing project-based development programs and support services available in the area. This condition takes into account the importance of evaluating the existing development initiatives to explore strategies for integrating these projects into a "single agribusiness enterprise development program." Integration of services and initiatives will serve as inputs for maintaining the agricultural areas intact and its promotion as convergence zones.

The framework underscores that implementation of agribusiness development intervention is likewise dependent on the level of appreciation and operation of agribusiness system in the ARCs in general and in the ARBs organizations in particular. ARBs must have the orientation and appreciation that farming is not only a mere production activity rather a profitable rural agri-based enterprise. In order to achieve viability and sustainability of the rural enterprises, the ARBs organizations and their communities must adopt a well-coordinated and orchestrated operation of their agribusiness system. The agribusiness system which encompasses the activities in the pre-production, production, post-production, processing and marketing serves as entry points for agribusiness development programs and projects to enhance its operations and deliver the expected outputs.

In view of the above, **development interventions must be focused on the provision of or access to capital, appropriate technology, production and marketing assistance, and enterprise development and investment generation through the promotion of alternative agribusiness schemes towards improving farm productivity and enterprise profitability.**

Expected outcomes that will result from these program interventions are manifestations of the achievement of the over-all goals of viable rural communities, to wit:

- enhanced land productivity
- establishment of sustainable area-based rural enterprises managed by empowered ARBs and functional ARC organizations
- development of rural communities as centers of sustainable growth
- promotion of all forms of farm cooperation (e.g. ARC Network, Sectoral Groupings for Enterprise Development, Local Agribusiness Development Service Centers) and agribusiness schemes (e.g. joint economic enterprise development, contract growing, integrated production, marketing and processing arrangements, etc.) to sustain operation and viability of rural enterprises
- establishment of partnerships and linkages with agribusiness firms, investors, institutions and civil society
- empowered and competent farmer-entrepreneurs.

The Program will serve as a vehicle to propel changes in the ARCs and other agrarian reform areas towards the desired state of increased income, improved productivity, food sufficiency, and improved quality of life of the farmers/households.

#### **E. PROGRAM STRATEGIES**

To achieve its objectives, the agribusiness development program will adopt the following major strategies:

##### **1. Promotion of Market-Driven, Demand-Led Production System**

The strategy is directed towards increasing the profitability of farming operations of ARBs by improving the productivity of distributed lands, and by providing a steady market for their produce. ARBs will be encouraged to engage in producing crops which have high market demand in either or both the domestic and export markets, without prejudice however to producing traditional crops. This will be facilitated either through marketing arrangements between ARBs' organizations and agribusiness firms or through tie-ups with investors or entrepreneurs who are willing to invest in processing facilities in agrarian reform areas. The Program will ensure the promotion of arrangements that will be mutually beneficial to both the ARBs and agribusiness firms/investors.

Inherent in the strategy is the maintenance of database and distribution of information relevant to the operations of the agribusiness enterprise.

##### **2. Partnership Development and Maximization of Convergence Efforts**

The implementation of the Program will be built around a system that promotes active participation and partnership between and among government, agribusiness and private business firms, and civil society. Inasmuch as the DAR has limited resources to reach its beneficiaries, strategic alliances and networking to maximize resources provided by other agencies, local government units and other developmental organizations assisting the ARBs in the CARP areas will be established and strengthened. The strategy is being adopted to create and reinforce the Program's capacities to deliver its various interventions.

### **3. Development of a Cadre of Agribusiness Development Officers**

To effectively implement the agribusiness development interventions and expand its reach to the most number of ARBs, the Program will develop a cadre of skilled agribusiness development officers (ADOs). These ADOs can either be a designated DAR personnel, extension agents, or facilitators from different partner agencies, institutions, non-government organizations, who will primarily act as agribusiness service providers. As networks and direct link with the ARBs, the ADOs will provide technical assistance, guidance and support to the ARBs and their groups in managing their agribusiness enterprises. Thus, there is need to upgrade and enhance the knowledge and skills of ADOs in order to facilitate agribusiness development in the area and to be more responsive to the needs/technical requirements of the ARBs and their organizations.

The ADOs in coordination with the Regional Support Services Division (RSSD), Provincial Beneficiaries Development Coordinating Division (BDCD), and ARC Core Trainers will identify, design, and conduct orientations, information dissemination, prepare agribusiness development plans, and facilitate agribusiness assistance services, e.g. market encounters, investment matchings, agribusiness enterprise related trainings in agrarian reform areas.

### **4. ARBs' Capacity-Building and Enhancement on Agribusiness Development**

The Program recognizes the importance of a strong and functional organization and capable ARBs as a foundation for a successful agribusiness enterprise. Thus, it is imperative that the ARBs and their organizations have a certain level of entrepreneurial competence.

This strategy entails the provision of training and education interventions to develop and enhance the knowledge and skills of the farmers and their organizations to enable them to improve their production, manage their enterprises and transform the proceeds from their produce into income. The program intends to develop the ARBs, as individuals or groups, not as mere farmers but as farmer-entrepreneurs capable of effectively managing and controlling the operations of their agribusiness enterprises.

The capability building for farmers under the Program will focus on agribusiness promotion and enterprise development utilizing participatory adult learning methodologies/processes, in addition to technology skill-based trainings that are accessed from other support agencies. The trainings to be provided will be farm-based and anchored on area- and crop-specification. In addition, entrepreneurial competency training would be differentiated across strategic levels, as follows:

- Individual Entrepreneurial Development is concerned with building and enhancing the entrepreneurial competencies of individual farmers. Core concepts that must be emphasized under this level would include among others the concept of farming as an agribusiness enterprise, enhancement of production-related values (e.g. responsibility, creativity, task- and achievement oriented, etc.) and proper management and control of resources. These concepts must underlie all trainings to be provided in both formal and non-formal education activities.

- **Collective Entrepreneurial Development** - Training and education intervention under this level focuses on the development and enhancement of farm- or community-based organizations as catalysts towards social and economic development. Relative to this, organizations would have to be transformed into rural agribusiness enterprises. To encourage movement along this objective, trainings should be geared toward development of new work attitude and orientation, specialized skills, participatory management, resource access, mobilization, management and development, and farming systems development emphasizing diversification.

Collective entrepreneurial capacity building should be anchored on the specific industry, area and crop attributes, and organizational set-up.

Complementing the main strategies are the following support strategies that are necessary to reinforce and strengthen the agribusiness development in the area:

- land tenure improvement;
- promotion of self-sustaining and self-governing farmers' organizations;
- physical infrastructure facilities development support;
- database management; and
- development and dissemination of information and education materials.

## **F. PROGRAM INTERVENTIONS**

To operationalize the framework using the strategies identified, the agribusiness development program will have the following integrated program interventions:

1. **Production and Marketing Assistance** - this intervention focuses on the promotion of market-driven or demand-led production system with the end in view of improving the profitability of farming operations. The program will facilitate the development or establishment of linkages between the ARBs' organizations and agribusiness firms to assure market for the farmers' produce. Agribusiness enterprises involving traditional or high value crops which have high market demand will be promoted by providing specific production and marketing support such as facilitating marketing arrangements between ARBs organizations and agribusiness firms or through tie-ups with investors in setting up processing facilities in agrarian reform areas.

Other strategies to increase farm income such as the adoption of crop productivity enhancement, crop diversification, multiple cropping, inter-cropping, or crop rotation will be encouraged. Crop-specific projects under the production and marketing assistance program include: (1) establishment and/or intensification of linkage with agencies implementing projects on traditional crops (rice and corn) and high value crops. Efforts will be exerted to encourage government agencies to cover agrarian areas under their rural development programs. (2) Promotion of coconut and sugarcane production and diversification program, and (3) Promotion of high value crops production.

2. **Credit Assistance and Microfinance Development** - Under this program, interventions are geared towards multiplying income thru the provision of or facilitate access to adequate and affordable credit and microfinance assistance for ARBs and their households, individually or in groups, to enhance their farming operations and/or undertake livelihood/income-generating activities. Assistance along this area will be provided to respond



to the farmers' funding requirements in relation to production, pre- and post-harvest facilities, and fixed assets acquisition. With adequate sources of capital, ARBs are able to maximize the production and income-generating potentials of their lands.

While these interventions focus on the provision of required capital, the importance of generating internal resources among cooperative members in the form of capital share and savings is emphasized. The establishment of community-based credit programs that will respond to providential and other needs of the ARBs and other ARC households is likewise encouraged.

- 3. Economic and Enterprise Development** - This focuses on developing and establishing agribusiness development investment projects which are geared towards the development of agrarian reform areas as growth centers that will serve as support areas or building blocks for agro-industrialization. These projects will be undertaken as joint economic and enterprise activities of the ARBs and agribusiness investors to improve farm productivity and increase income. Different enterprise development modalities such as joint venture, integrated production, processing and marketing arrangements, build-operate and transfer, management contract, and service contract shall be explored.

The program will be undertaken with the support and active participation of the private sector, particularly the business sector and civil society. Their participation will be enlisted in order to mobilize capital, technology, machinery, and managerial and technical assistance. Initially, 100 ARCs will be identified as areas wherein the private sector may infuse or invest a minimum of P50 million pesos per ARCs in the form of joint economic ventures to develop the potentials of the ARCs. Meanwhile, each region will identify priority "agro-industrial mega-projects" approximately costing P500 million per region as areas wherein private sectors may participate. These projects intend to add value to the agricultural commodities produced in the region through integrated production, processing and marketing activities.

- 4. Appropriate Technology and Extension Services.** This program intervention underscores the importance of accessing and providing appropriate technologies that would improve farm productivity and the production of new crops which have high market demand. Indigenous technologies, organic farming, tree farming in watershed areas and similar projects promoting ecologically sound agricultural practices aside from improving farm productivity, will form part of the intervention on agribusiness development. Conduct of trainings and cross-visits related to technology promotion and enhancement, establishment of demo farms, and other similar activities will form part of these interventions.

#### **G. COORDINATIVE STRUCTURE FOR AGRIBUSINESS DEVELOPMENT PROGRAM IMPLEMENTATION**

The program will be implemented nationwide using the existing organic structure of the Department. Program implementation will be undertaken in collaboration with partner agencies, institutions, agribusiness firms, and other civil societies.

National program operation and management will be lodged with the Support Services Office (SSO) through the Bureau of Agrarian Reform Beneficiaries Development (BARBD). BARBD will provide the over-all direction and implementation strategies consistent with the thrusts and priorities of the

Department. It shall work closely with the Bureau of Agrarian Reform Information and Education (BARIE), Project Development and Management Service (PDMS), and Foreign Assisted Projects Office (FAPSO) to ensure common interpretation, understanding and operationalization of this framework for agribusiness development.

At the field level, the program will be lodged with the Regional Support Services Divisions and with the Provincial Beneficiaries Development and Coordinating Divisions. With the guidance of the Regional Directors and the Provincial Agrarian Reform Officers in coordination with BARBD, the designated Regional and Provincial Agribusiness Development Officers will facilitate and coordinate the Program's field implementation.

The Regional Office will be responsible for monitoring and coordinating the implementation of the agribusiness development program at the regional level while the Provincial Office will ensure the implementation of agribusiness development interventions at the ARC level. As value adding function, the regional office will ensure that appropriate technical assistance will be extended to their provincial counterparts.


#### **H. PRIORITIES FOR IMPLEMENTATION**

Given the existing limited resources of the Department, focused interventions on agribusiness development will be provided to ARCs classified under Levels 1, 2 and 3. Interventions to ARCs in Level 1 will concentrate in developing agribusiness system leading to production enhancement in order to bring them from subsistence level to self-sufficiency level. The program implementation in ARCs under Level 2 will focus on the creation of agribusiness enterprises relating to processing and marketing of farm produce and/or its development as agribusiness investment sites. Program implementation in ARCs under Level 3 will concentrate in the establishment of integrated agribusiness systems. In addition, the Program will be implemented in ARCs with existing project-based interventions or those with investment projects with identified markets that are ready for implementation.

#### **I. EFFECTIVITY**

This Memorandum Circular shall take effect immediately and supersedes all previous issuances inconsistent herewith.

Diliman, Quezon City. *Oct. 29,* 1999

  
**HORACIO R. MORALES, Jr.**  
Secretary