

Presentation on LANDBANK's Working Capital Solutions for Agricultural Enterprises

(Addressing Short-Term Agri Financing Needs)

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**29 March 2012
Kampala, Uganda**

Outline

- 1. The Land Bank of the Philippines (LANDBANK)**
- 2. LANDBANK's Approach in Promoting Rural Finance**
- 3. Short-Term Credit Facility for Agri Enterprises**
- 4. Success Factors**
- 5. Challenges in Agricultural Lending**

The LANDBANK (in brief)

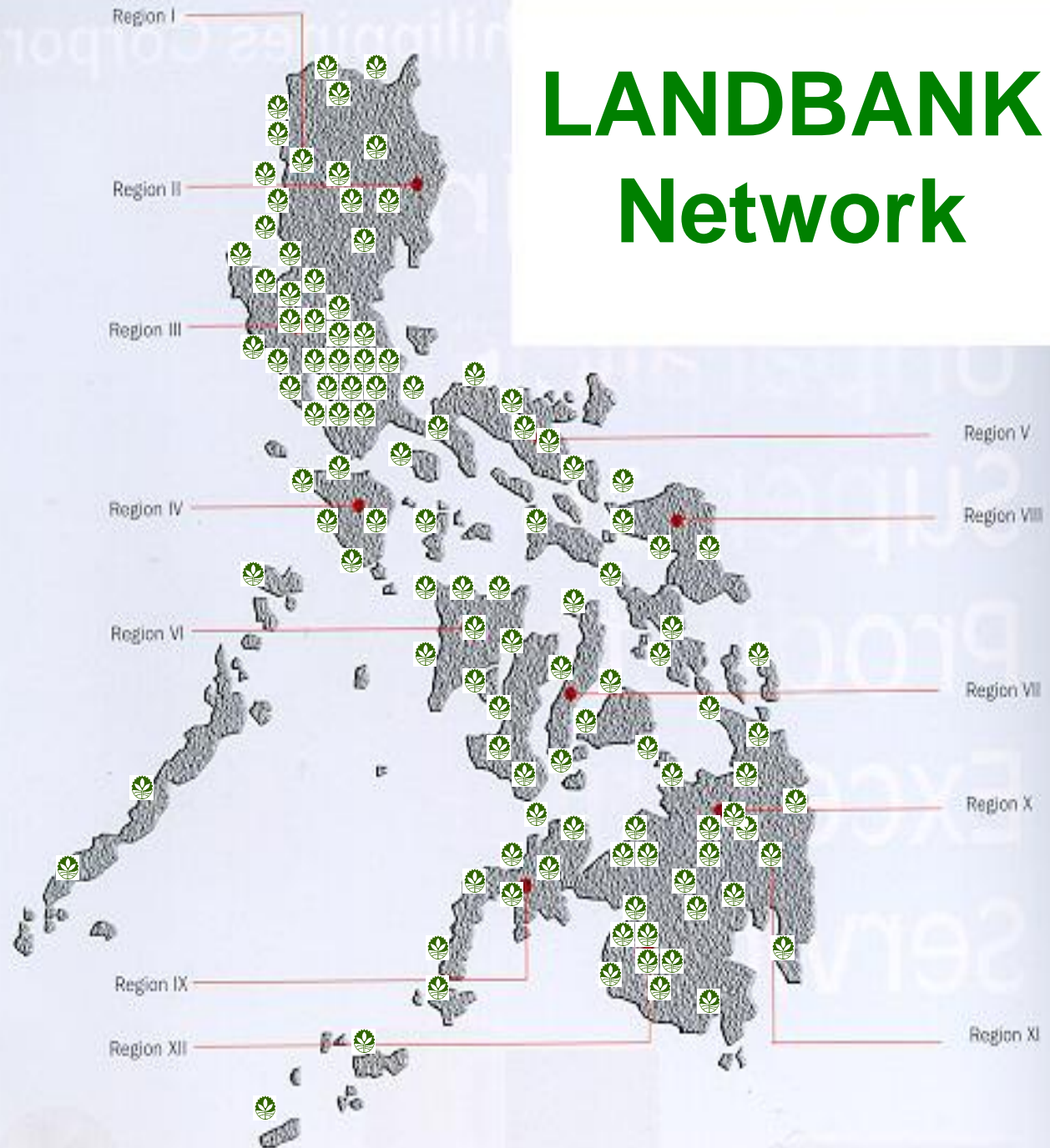
- A 48-year old government owned bank with a capitalization of Pesos 25 Billion (US\$556 Million)
- Implementing Agency of the government's Comprehensive Agrarian Reform Program
- Largest formal financial institution serving in the countryside
- With 329 branches covering 80 of the 81 provinces nationwide
- With 96% penetration rate in terms of SFF financing
- 4th largest bank in terms of deposits, assets, loans and capital
- One of the two (2) banks in the country with CAMELS Rating of 4

Number of Branches and Extension Offices

Nat'l Capital Region	77
Luzon	132
Visayas	53
Mindanao	67
TOTAL	329

NO. OF ATMs – 985

LANDBANK Network



LBP BUSINESS GOALS

Pursuing the mandate as a countryside development financial institution



Providing quality customer service and products as a financial service company

Ensuring long-term institutional stability and viability as a universal bank

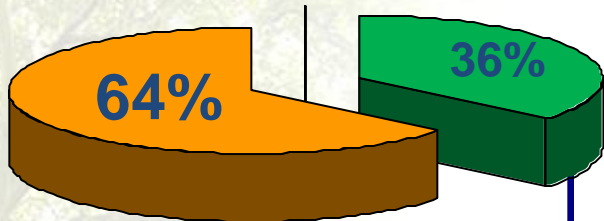
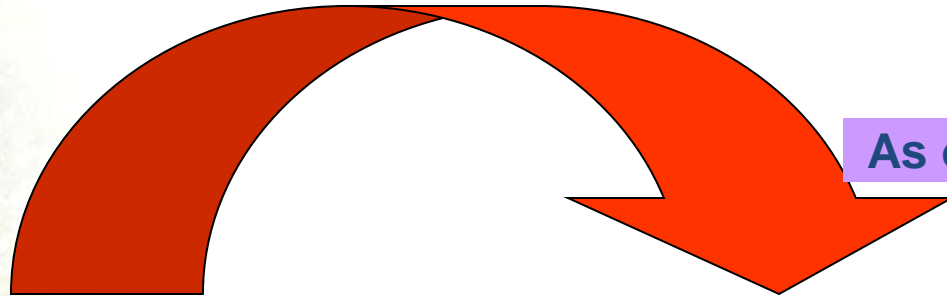
The LANDBANK *(in brief)*



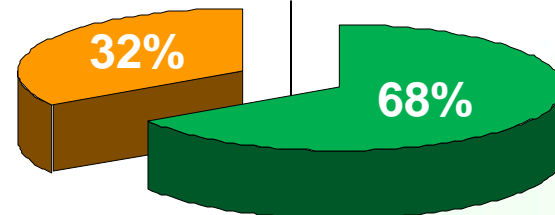
Expansion of loan portfolio in favor of priority sectors:

As of December 2000

As of December 2011



Non- Priority Sectors



Priority Sectors

- Small Farmers and Fisherfolk (SFFs)
- Microenterprises and SMEs
- Agribusiness
- Agri-infrastructure (LGUs)
- Agri-related projects (GOCCs)
- Livelihood Loans
- Environment-related projects

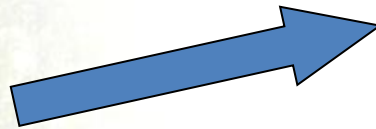
The LANDBANK (in brief)



Loan Portfolio to Priority Sectors (As of December 2011)

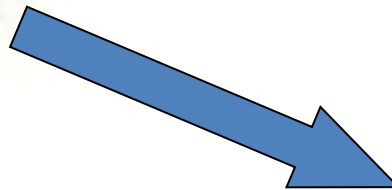
Sectors	Loan Amount		% Share to Total
	In Billion Pesos	In Million US \$ Equivalent	
PRIORITY SECTORS			
1. Farmers and Fisherfolk	31.37	697	12
2. Microenterprises and SMEs	21.25	472	8
3. Livelihood Loans	5.47	122	2
4. Agribusiness	21.40	476	8
5. Agri-Infrastructure (LGUs)	32.15	714	13
6. Agri-Related Projects (GOCCs)	40.31	896	16
7. Environment-Related Projects	6.55	146	3
8. Socialized Housing	6.70	149	3
9. Schools and Hospitals	6.92	154	3
Total Priority Sector Loans	172.13	3,825	68
OTHERS	81.69	1,815	32
GROSS LOAN PORTFOLIO (Regular)	253.82	5,640	100

LANDBANK Approach in Promoting Rural Finance



LENDING THROUGH CONDUITS

- Cooperatives/Farmers Organizations
- Rural/Cooperative/Thrift Banks
- Agri-Based Enterprises (ABEs)



DIRECT RETAIL LENDING

- Small and Medium Enterprises
- Local Government Units
- GOCCs
- Large Corporations

LANDBANK Credit Assistance to Small Farmers and Fisherfolk through Conduits

Credit Conduits	Number of Conduits			Loan Amount (In Million \$)			Number of SFFs Assisted		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
1. Cooperatives	1,054	988	979	183.5	198.8	250.2	156,148	307,525	407,852
2. CFIs (Rural Banks, Coop Banks, Thrift Banks)	393	356	367	391.3	402.3	519.0	273,303	435,364	488,887
3. Farmers' Organization	256	169	129	9.9	6.6	10.5	10,800	6,298	9,030
4. ABEs	330	322	417	46.5	106.6	118.5	12,870	68,930	32,201
Total	2,033	1,835	1,892	631.2	714.2	898.2	453,121	818,117	937,970

Short-Term Credit Facilities for Agri Enterprises

Credit Facilities	Purpose	Borrowers					Interest Rate (% per annum)	Growth Rate 2010-2011	Collection Rate
		C	C F I	F O	A B E	C o r p			
Rediscounting Facilities	<ul style="list-style-type: none"> Reimburse to the conduits the amount lent to the sub-borrowers equivalent to up to 100% of the Promissory Notes' current outstanding balance. Supplement or augment working capital requirements of conduits 	✓	✓	✓			5-9	25%	99%
Relending	<ul style="list-style-type: none"> Finance the cost of crop production (<i>labor and material inputs</i>) of the cooperative members/farmers 	✓		✓	✓	✓	7-11	26%	94%
Commodity Loans	<ul style="list-style-type: none"> Allows the borrowers to hold on to their paddy or maize stocks while waiting for better prices of the commodity 	✓					5-9	0%	99%

Legend:

- C - Cooperatives
- CFI - Countryside Financial Institutions
- FO - Farmers' Organization
- ABE - Agri-Based Enterprises
- Corp - Corporation

Short-Term Credit Facilities for Agri Enterprises

Credit Facilities	Purpose	Borrowers				Interest Rate (% per annum)	Growth Rate 2010-2011	Collection Rate
		C	CFI	ABE	Corp			
Short-Term Loan Line	<ul style="list-style-type: none"> Finance or augment working capital for the purchase of raw materials, processing and trading of inputs or finished products. 	✓	✓	✓	✓	5-9	56%	94%
Loans Against Hold-Out Deposit	<ul style="list-style-type: none"> Augment working capital of the borrowers through loan availment against deposit hold-out 	✓		✓		4-8	0%	100%
Export Packing Credit Line (EPCL)/ Export Bills Purchase Line (EBPL)	<ul style="list-style-type: none"> Finance production of goods for export against Letter of Credits (LCs) and Purchase Orders (POs) To advance the payment of exports after shipment, prior to collection from Importer's bank 	✓		✓	✓	6.5-7.5	(10%)	100%
		✓		✓	✓			

Legend:

C - Cooperatives

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ABE - Agri-Based Enterprises

Corp - Corporation

Success Factors

1. **Availability of various credit facilities to match the requirement of the clients**
2. **Presence of risk mitigating mechanisms**
 - Requiring Production, Technical and Marketing Agreement (PTMA) with the Anchor Firm as part of the loan documents
 - Availability of guarantee and insurance program (*e.g., Agricultural Guarantee Fund Pool, Philippine Crop Insurance Corporation, Credit Surety Fund*) to ensure loan repayment in case of loan default due to natural calamities)
3. **Adoption of Wholesale Lending Approach**
 - Most efficient approach in lending and reaching out to SFFs
 - Credit risk is borne by the conduits
 - Credit conduits can easily establish creditworthiness of their clients because they know their clients better
 - Monitoring of accounts rests on the conduits
4. **Presence of Development Assistance Centers**

Challenges to Agricultural Lending

Challenges	Actions Undertaken/Recommendation
<p>1. Inability of the borrowers to put up the required loan security to the loan particularly on working capital</p>	<ul style="list-style-type: none"> ▪ LANDBANK continues to develop programs that would allow prospective agri-based borrowers access to credit. ▪ A Development Advocacy Program was implemented to address the need of borrowers with viable enterprise but cannot comply with the regular criteria of the bank, which includes collaterals.
<p>2. Risks associated to Agriculture (<i>An average of 20 typhoons per year visit the country</i>)</p>	<ul style="list-style-type: none"> ▪ Sustained mechanisms (<i>insurance, guarantee, etc.</i>) to address the effects of the calamity need to put in place

Challenges to Agricultural Lending



Challenges	Recommendations
<p>3. Farm structure and small landholdings of the farmers (<i>Average landholding per farmer ranges from 1.5 – 2.0 hectares</i>)</p>	<ul style="list-style-type: none">▪ Farm consolidation as a single business unit is encouraged to attain economies of scale
<p>4. Credit Pollution or Multi-Borrowings by end clients</p>	<ul style="list-style-type: none">▪ Establishment of credit bureau needs to put in place to allow information sharing among the creditors. The system will create a more transparent info system that would discourage multi-borrowings. Credit process would be improved, and shall lower the cost of lending to end clients.

Thank you! . . .



LAND BANK OF THE PHILIPPINES

ISO 14001 CERTIFIED

Official Depository Bank of the Republic of the Philippines