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DA-QUEDANCOR-NFA FARM LEVEL GRAINS CENTER-WORKING CAPITAL LOAN (FLGC-WCL) PROGRAM

The following guidelines shall govern the implementation of DA-QUEDANCOR-NFA Farm Level Grains Center-Working Capital Loan (FLGC-WCL) Program:

1. RATIONALE

The Farm Level Grains Centers (FLGC) provide small farmers an opportunity to improve the quality of their grain produce and reduce post harvest losses. Thus, they are able to realize bigger income and enhance their competitiveness.

Recently a number of FLGC projects were financed by the National Food Authority. They are however in need of working capital to make their operations viable. Considering the expertise of Quedancor in handling credit programs, the NFA tapped its services to implement the working capital loan component of the project.

2. LEGAL BASES

2.1 RA 7393, dated 13 April 1992 which mandates QUEDANCOR to establish a credit support mechanism and guarantee system for the benefit of farmers, fisherfolks and other agricultural enterprises.

2.2 Memorandum of Agreement, dated June 01, 1999, between the National Food Authority (NFA) and the Quedan and Rural Credit Guarantee Corporation (Quedancor).

3. DEFINITION OF TERMS

3.1 Farmers Cooperative (FC) — 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.

3.2 Quedan Operations Officer (QOO) — Quedancor field personnel duly authorized to implement the program.

3.3 National Food Authority (NFA) — a government agency created by virtue of P.D. Nos. 1485 and 1779 whose mandate is to regulate the grains industry.

3.4 Farm Level Grains Center (FLGC) — a small on-farm warehouse operated by a farmer-cooperative.

4. SCOPE

This program shall cover the working capital loan component of the Farmers Cooperative beneficiaries of NFA Farm Level Grains Centers I, II and III projects.

5. STATEMENT OF POLICIES

5.1 Purpose of Loan

To finance the working capital of NFA- FLGC projects.

5.2 Eligibility Requirements of Borrowers

5.2.1 Must be duly endorsed by NFA.

5.2.2 Must be duly accredited with QUEDANCOR

5.2.3 Must submit a Project Proposal

5.3 Security/Collateral Arrangements

The loan shall be secured by any or a combination of the following:

5.3.1 Joint and Several Signatures of at least three (3) officers, Deed of Assignment of Cooperative Development Incentive Fee (CDIF) with conformity of the NFA Provincial Director and Hold-out deposit equivalent to at least 10% of the total loan principal.

5.3.2 Real Estate Mortgage

Issuance of post dated checks for their amortization is required.

5.4 Funding and Loanable Amount

Funding for the FLGC-WCL shall come from NFA. The maximum loanable amount shall depend on the project categorized, as follows:

PROJECT CATEGORY	MAXIMUM LOANABLE AMOUNT
FLGC I	P300,000
FLGC II	400,000
FLGC III	500,000

5.5 Loan release

The loan shall be released in full.

5.6 Interest Rate, Term and Mode of Payment

The loan shall bear an interest rate of fourteen percent (14%) per annum, payable in five (5) years in a semi-annual mode of payment. Interest on the first year shall be deducted from the loan proceeds while interest for the succeeding year shall be computed based on diminishing principal balance and shall be imputed in the loan amortizations.

5.7 Service Fee

A non-refundable service fee of 2.5% of the loan amount shall be charged and deducted from the loan proceeds.

5.8 Computation of Interest, Surcharges and Penalties

Interest, surcharges and penalties shall be computed as illustrated in Exhibit 1.

5.8.1 Interest chargeable on outstanding principal after maturity shall be at the same rate stated in the Promissory Note.

5.8.2 Surcharges of 2% per month shall be collected on the unpaid amortization until the date of actual payment but not beyond the maturity date. However, there shall be a grace period of thirty (30) days for the payment of each amortization. Collection of surcharges shall be applied for payment made beyond the said grace period computed from the scheduled date of amortization until the actual date of payment.

5.8.3 Penalty shall be 2.5% per month of the unpaid principal upon demand for payment or maturity date, whichever comes first.

5.9 Application of Payment

Any amortization or payment for loan shall be applied in the following order:

<u>Before Maturity</u>

a. Surcharges, if any
b. Interest
c. Principal

<u>After Maturity</u>

a. Penalty
b. Surcharges, if any
c. Interest
d. Principal

6. MECHANICS OF IMPLEMENTATION

6.1 Program Promotions