



Republic of the Philippines
OFFICE OF THE SECRETARY
Elliptical Road, Diliman
1100 Quezon City

5 August 2020

ADMINISTRATIVE ORDER

No. 27
Series of 2020

SUBJECT : ESTABLISHING THE FARM AND FISHERIES CLUSTERING AND CONSOLIDATION PROGRAM (F2C2) TOWARDS GREATER INCLUSIVE AGRI-BUSINESS DEVELOPMENT IN THE COUNTRY

WHEREAS, the average size of farms in the Philippines has continually shrank from almost three hectares per family/holding in the 1980s to 0.9 hectare as of 2012, according to the Philippine Statistical Authority (PSA), while the vast majority of the country's fishers remain tied to very small boats;

WHEREAS, the country's farming and fishery sectors have consistently posted very high levels of poverty, including the 38-40% poverty ratios reported by the PSA for 2015, as the vast majority of country's 10 million farmers, fishers and agricultural workers are still engaged in informal, atomistic, traditional, and subsistence production;

WHEREAS, the Department of Agriculture seeks to directly address the key concerns of the sector, especially the outdated production practices and perennially low levels of productivity due to their lack of access to credit and capital, and, as well, to modern farming and fishery methods, farm mechanization, post-harvest and processing facilities, transport and logistics, packaging support, and information and communication technologies, among others

WHEREAS, many countries have long variously implemented farm and fishery clustering and consolidation arrangements that have led to increased production levels, higher incomes and better access to resources, technologies and markets, including the Saemaul Undong (New Village Movement) in South Korea, Kibbutzim of Israel, Keizai Kosei Undo in Japan, FELDA and FELCRA in Malaysia and Indonesia, and similar movements in Netherlands, Finland, Chile, Colombia, Thailand, India, China, and Vietnam, among others;

*A food-secure and resilient Philippines
with prosperous farmers and fisherfolk*



WHEREAS, the Agriculture and Fisheries Modernization Act of 1997, RA No. 8435, encouraged "horizontal and vertical integration, consolidation and expansion of agriculture and fisheries activities, groups, functions and other services through the organization of cooperatives, farmers and fisherfolk's associations, corporations, nucleus estates, and consolidated farms and to enable these entities to benefit from economies of scale, afford them a stronger negotiating position, pursue more focused, efficient and appropriate research and development efforts and enable them to hire professional managers";

WHEREAS, despite the successful record of experiences in many countries and legislative recognition of its potential contribution towards speedier agricultural development in the Philippines, no formal, comprehensive and wholistic government initiative and assistance program on farm and fisheries clustering and consolidation has heretofore been adopted and implemented at the national level;

WHEREAS, as part of its *New Thinking for Agriculture* and the new strategic thrusts under the *Eight Paradigms*, the Department seeks to mobilize policy action, generate technical and financial resources, and galvanize public and private sector support towards farm and fishery clustering and consolidation as its core development strategy to: (1) bring about economies of scale in Philippine agriculture production, (2) ensure better access to markets, financing and investments for crops, livestock and fisheries ventures and development projects, (3) strengthen the active role and contribution of farmers and fishers to the economy, and (4) accelerate agriculture growth and countryside development;

NOW, THEREFORE, in view of the foregoing and by virtue of the powers vested in the Secretary of Agriculture under relevant laws of the Republic, the Department and all its operating units, banner programs, regional field offices, bureaus and attached agencies are hereby directed to abide and give utmost priority to the implementation of the following policy directions and department-wide program, as follows:

1. **TITLE.** This Administrative Order shall be referred to as the Farm and Fisheries Consolidation and Clustering (or F2C2) Program.
2. **STRATEGY AND OBJECTIVES.** The F2C2 program seeks to advance the interest and condition of Filipino small farmers and fishers by encouraging them to adopt the strategy of clustering and consolidation of their production, processing, and marketing activities as community business enterprises, including the pooling of assets, labor and other resources, in order to:
 - a) Effectively achieve and benefit from economies of scale in commodity production;
 - b) Forge stronger linkages among farm and fish producers to their commodity's markets and the bigger global value chain;

- c) Improve the bargaining and market power of primary farm and fishery producers;
- d) Establish better access to sources of credit and financing and investments, and as well better access to domestic and export markets;
- e) Ensure greater availability and wider utilization of agri-aqua technologies, farm mechanization, logistics and transport support, and post-harvest facilities;
- f) Encourage active "Big Brother-Small Brother" partnerships, joint ventures, and contract growing arrangements between Farmers Cooperatives and Associations (FCAs) and the much larger corporate enterprises and attract more private investments towards the agriculture sector;
- g) Effectively raise the overall productivity of the sector and the incomes of Filipino farmers and fishers.

3. PROGRAM FOCUS. The F2C2 Program shall not be limited to the notion of simply merging contiguous land properties and assets. More importantly, the Program shall focus on grouping together of the crops, livestock and/or fish producers within a community or adjacent communities on the basis of proximity of their production areas, similarity of inputs, shared production activities/processes and/or common final products, where there is potential for unified management of production activities, sourcing of inputs, access to financing, processing, logistics, storage, marketing and enhanced quality of produce.

The F2C2 Program shall give priority focus to community production and processing projects that promote better coordinated and organized production and value chain systems towards increased productivity as against the small stand-alone traditional farming and fishing practices.

F2C2 projects for crops and plant-based products shall conform to the following combined land resources/areas and minimum production arrangements, to wit:

○ Rice/Palay Production	100 hectares
○ Corn and other grain crops	75 hectares
○ High value vegetable crops	50 hectares
○ Fruit trees and perennials	100 hectares
○ Fiber crops	100 hectares

In the case of livestock production, the F2C2 program shall adopt the farm systems approach through any combination of the following arrangements:

- feedmill centered-livestock production ecosystem for hogs, poultry raisers and egg producers,

- agro-pasture approach that provides for managed grazeland and feed production systems in the case of small and large ruminants
- well-delineated community growing territories or farm areas for free-range chicken and other livestock

In the case of fisheries and aquaculture, the following arrangements may be adopted by the producer communities:

- community marine and fishery production zones or area-based production enterprises within municipal waters,
- community fishery fleet – focuses on the facilities and equipment jointly owned and managed as one enterprise,
- community fishpond leases – to revive the utilization of unutilized and underused Fishpond Lease Agreements (FLAs).

4. GENERAL PROGRAM GUIDELINES. Implementation of the Farm and Fisheries Consolidation and Clustering Program shall abide by the following guidelines and requirements:

4.1. Coverage. The Program shall encourage and assist agriculture production, processing, storage, marketing and other relevant activities of community-based producer groups, utilizing their combined lands and other production assets, which may, among others, cover/include the following:

- Pasture Lease Agreements
- Ancestral Domain lands with agriculture/fisheries potential
- Fishpond Lease Agreements
- Marine Areas and Inland Waters
- Community-based livestock production networks with common service facilities (e.g. Padre Garcia Development Cooperative, SIDC)
- Large-scale family-owned crop production lands and facilities, in partnership with F2C2 registered community groups

4.2. Location. The F2C2 Program shall provide support to crops, livestock and fisheries activities that are located in:

- Contiguous production areas;
- Production areas that are not contiguous but in close proximity among participating beneficiaries within a village;
- Non-contiguous production areas that can be managed as a single going concern entity within a municipality or Congressional District.

4.3. Value Chain Anchor. The F2C2 Program support and assistance shall be anchored on improving the value chain, product quality, and marketing of the

identified agricultural or fishery commodity including the relevant support facilities/activities.

The following set of information shall be required from project proponents:

- Description of the product/s and the value chain support activities;
- Description of identified target markets and marketing channels;
- Details of community-based production and processing operation, to include:
 - Sourcing of inputs;
 - Roles of farmer/fisher members and other complementary activities to maximize use of their slack time;
 - Crop preparation, production, harvest and post-harvest processes, storage and marketing activities;
 - Related production activities/services;
- Financial Projections should be based on prudent assumptions leading towards medium to long term profits and operational sustainability.

4.4. Registration. At least 75% of members of the participating groups and beneficiaries shall be bona-fide farmers and fishers officially listed in RSBSA and FISHR registries of the Department. Participants to the F2C2 Program shall first formally register with any of the following government entities as agricultural producer group or organization:

- Local Government Unit (LGU) as Barangay Micro Business Entity
- Cooperatives Development Authority, or
- Securities and Exchange Commission

4.5. Professional Management and Qualified Technical Support. Farmers and fishers groups participating in the F2C2 Program shall provide pertinent information regarding their key managers, technical adviser/s and/or financial controller/accountants/officers. The information should indicate appropriate training and professional experiences relevant to their designated roles. The said professional managers shall be responsible for coordination of enterprise activities of the clustered/consolidated enterprise and for ensuring that production activities have adequate access to required inputs, access to finance, and to markets.

4.6. "Big Brother-Small Brother" Partnerships. F2C2 Program participants shall be encouraged to partner, link up or joint venture with established business entities that can provide relevant support and expertise in terms of production, processing and storage technologies and equipment, transport and logistics, and better access to finance and marketing networks.

5. THE F2C2 SUPPORT AND ASSISTANCE PROGRAMS. With the primary goal of promoting the development and success of farm and fisheries clustering and

consolidation in all regions and provinces of the country, the Department shall, through the relevant central agencies including the AMAS, ATI, BAR, BAFS, BAFE, BSWM, BAI, BPI, and BFAR, the regional offices and DA-attached agencies and corporations, provide, the following programs and assistance, as appropriate, to registered groups under the F2C2 Program, focusing on, but not limited to, the following areas of production support:

5.1. Pre-production Assistance Program (F2-PAP) – activities and programs to focus on institution-building and training to cover:

- Assistance in the search and competency evaluation for prospective community-based F2C2 managers
- Trainers Training and Capacity Building in the areas of:
 - enterprise organization and management;
 - simplified business systems and procedures;
 - marketing of agricultural commodities, including contract growing arrangements;
 - access to financing and investments;
 - sustainable land management; and
 - promotion of ICT in agriculture.

5.2. Production Support Program (F2-PSP) – programs to facilitate access to:

- high quality seeds, breeders and broodstocks;
- feeds, fertilizer, and crop protection supplies;
- tractors, mechanical tillers and harvesters;
- crop protection and support to climate change adaptation;
- land preparation/levelling services.

5.3. Post-Harvest/Post-Production Processing (F2-PHP) – support and assistance towards acquisition, establishment and use of equipment and technologies to preserve and prolong shelf lives of agri-products, including:

- post-harvest equipment and specialized sorting facilities;
- rain-proofed sun-drying systems and air-drying for grains and root crops.

5.4. Packaging and Storage (F2-PacS) – assistance facility on technical and financing support in the packaging and storage aimed at prolonging the shelf lives of primary farm and fishery produce and agricultural commodities, including:

- bagging, box and pouch packaging, and labelling equipment;
- community-owned warehouses, cold-storage and blast-freeze facilities.

5.5. Transport and Logistics (F2-TL) – to strengthen the market positioning and competitiveness of agriculture and fisheries commodities and products

with the interest of farmers and fishers in mind, the relevant DA agencies, bureaus and units shall design and implement support projects and assistance programs on the acquisition of:

- transport equipment for farm produce;
- ICT hardware and relevant software for digital logistics;
- communication equipment to support marketing networks.

5.6. Credit and Project Financing (F2-CPF) – to further empower the clustered and consolidated farmer and fisherfolk in terms of their ability to access credit and project financing, including:

- agriculture credit rating system;
- index-based insurance for crops, livestock and fisheries;
- support for project feasibility studies preparation.

5.7. Marketing Assistance (F2-MarA) – to provide support and assistance to link up F2C2 participants to promotion and marketing services towards stronger engagement with their sales channels and networks for agricultural produce, including:

- Participation in the KADIWA and eKADIWA marketing channels;
- Market matching with institutional and corporate buyers;
- Setting up an Advanced Harvest Information Portal for F2C2 participants;
- Capacity building for agriculture marketing professionals of F2C2 participants and, assistance in the formulation of marketing plans/strategies and networking;
- Organizing trade fairs and exhibitions in partnership with LGUs and trade associations;
- Preparation of F2C2 Producer Catalogue and Directory.

6. INFRASTRUCTURE SUPPORT. In collaboration with Local Government Units (LGU's) and other relevant agencies, the Department shall endeavor to source and channel development funds towards enhancing the presence of infrastructure that are supportive of F2C2 production groups in every province – including the construction of farm-to-market roads, farmland development, establishment agricultural trading centers and warehouses, cold storage facilities, bulk transportation and agricultural shipping terminals, and fish landing and processing centers that directly provide support to F2C2 projects. The Department shall also encourage domestic as well as foreign investments towards Public-Private Partnerships (PPP) in irrigation systems and rainwater harvesting facilities.

7. SPECIAL COMPLEMENTARY PROGRAMS AND PROJECTS. To further strengthen the encouragements to promote the development of clustering and consolidation, the Department's Policy and Planning Group shall link up with the relevant

institutions to develop and establish the following programs and projects in support of the F2C2 enterprise groups and communities:

7.1. Special Partnership with Social Security System (SSS) – the Department shall coordinate and negotiate for a special partnership with the SSS towards the establishment of the following:

- *Separate social security arrangement for the agriculture sector*, taking into account the advanced age of most the farmers and fisherfolk. This may entail initial contribution subsidies to be provide by the Department, through budgetary allocations from DBM and Congress.
- *SSS Financing window for F2C2* to provide project financing assistance for the operational and other long term facilities requirements of the clustered projects of active SSS member-farmers and fisherfolk groups. This may additionally include the creation of special facilities and partnerships with the Agriculture Credit and Policy Council (ACPC) and the Philippine Crop Insurance Corporation (PCIC).

7.2. F2 Basic Living Expenses Support System (F2 - BLESS) – The Department of Agriculture shall institutionalize a system to provide subsistence support for the family living expenses of F2C2 participating farmers and fishers, in partnership with the local government units at the Provincial, City/Municipal and Barangay levels. This is to ensure that their respective families are regularly provided with adequate support for their minimum basic needs as the F2C2 members wait for the returns to cropping harvest and/or fishery catch. BLESS shall serve as a service of the F2C2 enterprise to its farmer and fisher members, with initial support and guidance from the Department and the LGUs.

7.3. F2 Support for Communication and Networking (F2 - SCAN) – The Department shall assist F2C2 organized groups terms of access to modern communication facilities and information technologies (to include drones for agriculture) in order to enhance the production efficiency and farm/fishery management, including access to their operational activities and updated market information for their produce.

7.4. F2 Scholarships and Education Initiatives (F2 - SEI) – The Department shall endeavor to partner with the Department of Education (DepEd) and the Commission on Higher Education (CHED) through their non-formal education and distance learning programs in order to advance the learning levels among members of the F2C2 production entities and groups. The Department also intends to establish college scholarships for the children of F2C2 families, through the available resources from ATI and/or ACEF.

- 7.5. F2 Partnerships and Investor Linkaging (F2 – PI Link)** – The Agriculture and Marketing Assistance Service and its counterparts in the DA Regional Offices and Bureaus shall encourage and initiate the conduct business to business matching between the F2C2 clusters and their potential partners/investors and provide the necessary assistance to promote “Big Brother-Small Brother” partnerships.
- 7.6. F2 External Trade (F2 – Extra)** – The Department’s Foreign Agricultural Service shall be mobilized to gather information on the trade and partnership opportunities from their respective Posts and neighboring countries, and assist in realizing marketing links for export trade as well as in attracting potential foreign investors towards F2C2 production ventures.
- 8. INCENTIVES.** The Department’s various bureaus, banner programs, other relevant agencies, and the regional offices shall, as provided for in various laws, including the AFMA, High Value Crops law and the Sagip-Saka Act, provide the necessary assistance for F2C2 projects and investors to more effectively access the benefits and services provided by the government, including:
- 8.1. Incentives Facilitation**
- Duty free importation on agri-fishery inputs, machinery, and equipment
 - Tax holidays under the BOI and other relevant legislation
- 8.2. Credit Enhancements**
- Technical support and online trainings from the ATI, ACPC, and DA Regional Offices in project proposal preparation and documentation
 - Training for F2C2 finance officers and accountants on financial management and reporting
- 8.3. Product Development.**
- The Bureau of Agricultural Research shall prioritize support for the development and promotion of technologies for processing and packaging of goods from primary and intermediate commodities produced by F2C2 community groups.
- 9. PILOTING PHASE.** For the remaining period of 2020, all regional offices shall identify at least two (2) communities for pilot F2C2 pilot projects at the district or municipal level. The said regional offices shall:
- 9.1.** provide technical support in the preparation of needed project feasibility studies and proposals;
- 9.2.** conduct search for the professional managers and finance officers to be hired by the F2C2 venture;

- 9.3. assist in the organization of the pilot F2C2 enterprise and registration of members who are part of the beneficiary groups;
- 9.4. arrange the conduct of relevant training activities for the pilot communities;
- 9.5. provide technical guidance to support production activities;
- 9.6. support the collection of marketing information for the produce;
- 9.7. arrange for initial DA support to enable the F2C2 group to access existing financial assistance programs;

10. F2C2 TECHNICAL SUPPORT TEAM. The F2C2 Coordination and Technical Support Team is hereby created to perform the following roles, and activities, to wit:

- 10.1. Coordinate with all DA Regional Offices, attached agencies, and bureaus in the formulation of their respective F2C2 plans, programs, and services;
- 10.2. Organize and maintain the national database of F2C2 projects/proponents and individual member-beneficiaries;
- 10.3. Collate and summarize the pilot project proposals from the various Regional Offices for presentation and approval by the Secretary;
- 10.4. Prepare regular progress reports from the same agencies and offices.

11. ADVISORY COMMITTEE ON PILOT IMPLEMENTATION OF F2C2. There is hereby created an Advisory Committee on the Pilot Implementation of the F2C2 Program (AdCom) to be co-chaired by the Undersecretaries of Operations and of Policy Planning and with the following DA Officials as members:

- 11.1. Undersecretary for High Value Crops
- 11.2. Undersecretary-designate, Bureau of Fisheries and Aquatic Resources
- 11.3. Assistant Secretary for Livestock
- 11.4. Director, Bureau of Plant Industry
- 11.5. Director, Bureau of Animal Industry
- 11.6. Director, Bureau of Soils and Water Management
- 11.7. Director, Bureau of Agricultural and Fisheries Engineering

Advisory Committee shall deliberate on F2C2 community project plans and proposals for the Secretary's approval as well as other concerns that may possibly arise in the pilot implementation of the F2C2 Program.

12. INSTITUTIONAL ADJUSTMENTS IN THE DEPARTMENT. All bureaus, agencies, regional offices, banner programs, production support projects, and other concerned offices and units of the Department shall submit their respective transition plans of action and work program re-alignments to ensure that highest priority will be directed towards the Farm and Fisheries Clustering and Consolidation Program and its assistance activities, with the end in view of

effectively serving the highest number of program beneficiaries and agriculture and fishery communities in all regions of the country.

A transition review team to be co-chaired by the Undersecretaries for Operations and the Policy and Planning Group with two representatives each from the Operations Group, Administration and Finance, and the Policy Planning Group shall conduct a study on the institutional adjustments and support mechanisms that will be needed for enhanced implementation of the F2C2 Program to be submitted to the Office of the Secretary within 60 days.

The team shall also consider and recommend on organizational adjustment at the regional level, taking into account the need to strengthen the linkages between the Department and LGUs, and the requirements of the F2C2 Program.

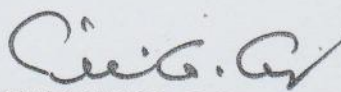
13. REPORTORIAL REQUIREMENTS. All production support programs, including technical and financing activities in the Department and its attached agencies shall submit reports to the Secretary, through the Advisory Committee, at the end of each month on the following:

- 13.1. Existing Programs and Activities in terms of the unit's or agency's contribution to F2C2
- 13.2. Programs, Activities and Projects not affected by the F2C2 Program
- 13.3. Coordination activities and concerns of the DA Regional Offices with the LGUs.

The Monitoring and Evaluation Division (MED) of the Planning and Management Services (PMS) shall assist in the collection of the reports and submissions from the various DA agencies and units and prepare summaries and updates as needed by the Secretary and the Advisory Committee.

14. EFFECTIVITY. This Administrative Order shall take effect immediately.

Done this 8th day of August 2020.


WILLIAM D. DAR, Ph.D
Secretary

DEPARTMENT OF AGRICULTURE

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