



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

MEMORANDUM CIRCULAR

No. 21

Series of 2022



**SUBJECT : SUPPLEMENTAL GUIDELINES ON THE IMPLEMENTATION OF
THE FARM AND FISHERIES CLUSTERING AND CONSOLIDATION
(F2C2) PROGRAM**

DA-CO-FOS-MC20220608-00002

SECTION 1. BASIC POLICY

Pursuant to Administrative Order No. 27, Series of 2020, "*Establishing the Farm and Fisheries Clustering and Consolidation Program (F2C2) Towards Greater Inclusive Agribusiness Development in the Country*," it is one of the strategies under the four (4) Pillars of the *OneDA* Reform Agenda. *OneDA* aims to transform the agriculture and fishery sector by employing key strategies towards a modern and industrialized Philippine agriculture through consolidation, modernization, industrialization, and professionalization.

Moreover, the F2C2 Program aims to address key concerns in improving the lives of our farmers and fisherfolk. These key concerns include outdated production practices and perennially low levels of productivity due to their lack of access to credit and capital, as well to modern farming and fishery methods, farm mechanization, postharvest and processing facilities, markets, infrastructure, transport and logistics, packaging support, and information and communication technologies, among others.

SECTION 2. OBJECTIVES

This Memorandum Circular (MC) aims to provide guidance in the implementation of the F2C2 Program.

The clustering and consolidation of farmers and fishers aim the following:

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.

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To become systematic and strategic in delivering DA's various forms of assistance to farmers and fishers, F2C2 shall converge with the Province-led Agricultural and Fisheries Extension System (PAFES) and the regional/provincial agri-industrialization programs of the Department.

SECTION 3. SCOPE

This guideline shall cover the program components, planning, implementation, monitoring and evaluation of all F2C2 activities for the effective and efficient delivery of integrated support services pursuant to Administrative Order No. 27, Series of 2020 and other applicable DA guidelines, rules, and regulations.

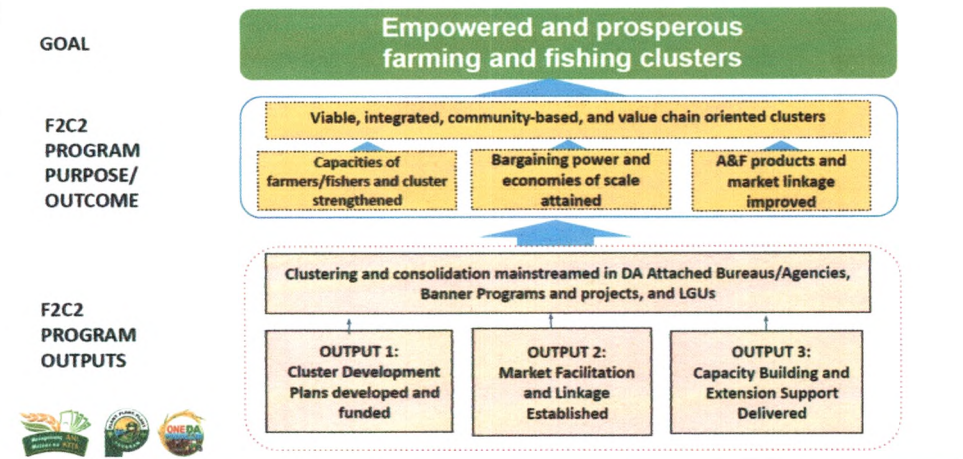
SECTION 4. F2C2 RESULTS FRAMEWORK

The goal of the F2C2 Program is to have ***empowered and prosperous farming and fishing clusters*** all over the country. According to Republic Act No. 8435 or the Agriculture and Fisheries Modernization Act (AFMA) of 1997, the 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 ... (will 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. This will result in progressive increase in income of small farmers and fishers leading to their economic independence and well-being. These empowered clusters will contribute to the improvement of local value chains which, on the other hand, will lead to a dynamic and progressive agricultural economy.

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F2C2 Results Framework



This goal will be achieved if there are **viable, integrated, community-based, and value chain-oriented clusters**.

This outcome shall be made possible if:

- The capacities of farmers/fishers and clusters are strengthened;
- Their bargaining power and economies of scale is attained; and
- The link between agriculture and fisheries products and the market is improved.

The consolidation of products of small farmers and fishers will enable them to produce the quantity and quality of products that they can sell directly to high value markets and capture greater value from the value chain. For this to happen, their capacity to organize production, aggregation, value addition, marketing, and transport and logistics of their products will have to be enhanced.

Such outcome shall be made possible by the following three (3) program outputs:

- Cluster Development Plans (CDPs) are developed and funded.
This will be the primary responsibility of the Field Operation Division (FOD) of the DA-Regional Field Offices (RFOs). (see Annex A) This outcome will be achieved through:
 - Preparation and approval of CDPs;
 - Harmonization of CDPs with DA Programs, Activities, and Projects (PAPs);
 - Integration of CDPs into the Collaborative Provincial Agriculture and Fisheries Extension Program (CPAFEP);
 - Presentation of CDPs during convergence meetings with other agencies and the private sector; and

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- Implementation of funded programs and projects.
- b. Market facilitation and linkage are established.
- This will be the primary responsibility of the DA-Agribusiness and Marketing Assistance Division (AMAD) and the BFAR-Fisheries Industry Development and Support Services Division (FIDSSD). This will be achieved through:
- Participation of clusters in KADIWA ni Ani at Kita Program, trade fairs, local and international exhibits, and digital marketing platforms;
 - Establishment of linkage to institutional buyers;
 - Fostering “Big Brother- Small Brother” partnerships;
 - Market matching; and
 - Conduct of investment fora.
- c. Capacity building and extension support are delivered.
- This shall be the primary responsibility of the Agricultural Training Institute (ATI), ATI-Regional Training Centers (ATI-RTCs), Agribusiness and Marketing Assistance Service (AMAS)/AMAD, and the National Fisheries Research and Development Institute (NFRDI). This will be achieved through:
- Administering the Enterprise Assessment tool to determine capacity building needs;
 - Preparation of Cluster Development Modules;
 - Conduct of trainings on all aspects of the value chain;
 - Sustained coaching and mentoring;
 - Capacitating Agricultural Extension Workers (AEWs) to support clustering and consolidation;
 - Strategic dissemination of appropriate and relevant agricultural extension services and programs to the clusters;
 - Application of acquired knowledge, skills, attitude, and practices (KSAP); and
 - Establishing feedback mechanism for the extension support system developed under PAFES.

These outputs will result in the mainstreaming of clustering and consolidation among DA Banner Programs, Attached Bureaus/Agencies, and the local government units (LGUs). The regular programs of the different units of DA will be directed towards the needs of these clusters and leveraged with the resources of other government agencies, LGUs, and private entities such as private companies, federation of cooperatives, state college and universities (SUCs), non-government organizations (NGOs), among others to bring about synergy in the development of these clusters.





SECTION 5. PROGRAM IMPLEMENTATION SCHEME

I. Identification and Determination of Beneficiaries

The regional F2C2 staff shall conduct an inventory of farmer cooperatives and associations (FCAs) in the area to determine potential beneficiaries for the program.

To be eligible for support under the program, farmers and fishers must attain a certain level of organizational maturity and have economies of scale in the production of their product to rationalize the F2C2 investments. Beneficiaries must have the following characteristics:

1. They must be organized as a juridical entity and registered under any of these government agencies for at least one (1) year:
 - LGU as Barangay Micro Business Entity;
 - Cooperatives Development Authority (CDA);
 - Securities and Exchange Commission (SEC); or
 - Department of Labor and Employment (DOLE)

Note: Eligibility for the services to be received by the cluster shall adhere with the guidelines of DA.

2. At least 75% of the members of the beneficiary group are bona fide farmers and fishers officially registered in the Registry System for the Basic Sectors in Agriculture (RSBSA) and Fisherfolk Registry System (FISHR) registries of the Department.
3. The cluster must have the following minimum production area:
 - Rice/Palay Production - 100 hectares
 - Corn - 75 hectares
 - High value crops - 25 hectares
 - Fruit trees and perennials - 100 hectares
 - Fiber crops - 100 hectares

The minimum production area for the abovementioned commodities as well as for livestock, fisheries, and other crops shall be determined by the region in accordance with the prevailing local conditions.



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4. Existing beneficiaries of on-going government programs/projects such as the DA-Philippine Rural Development Project (PRDP), Project ConVERGE of the Department of Agrarian Reform (DAR), RAPID Growth of the Department of Trade and Industry (DTI), and other private foundations, NGOs, and academe that may need additional support.
5. Farmers and fishers who wish to form a cluster but do not meet the above criteria may opt to join an existing F2C2 cluster or be adopted by a sponsor organization that can provide them with the necessary assistance who may help them avail of F2C2 services.

II. Preparation of the Cluster Development Plan (CDP)

The CDP is the masterplan for the growth and development of the cluster through its business enterprise. It shall be a comprehensive, long-term plan that addresses the clusters' needs for marketing; improvement in productivity, operation, and organization development; financing; and sustainability. The end goal of the CDP is to develop clusters into commercially viable cluster business enterprises which will result in increasing income of its members and a dynamic cluster which progressively contributes to the development of the local value chain. The CDP is the starting point and a vital instrument of the F2C2 Program.

It shall be one of the main requirements for the delivery of major DA interventions towards small farmers and fishers. The CDP shall have at least a five-year plan with a work and financial plan (WFP) for its first year of implementation and an annual WFP, thereafter.

The CDP does not exist in a vacuum. It should build on a variety of existing plans. Apart from the commodity roadmaps of DA, there is also the Agriculture and Fisheries Modernization and Industrialization Plan (AFMIP), the Comprehensive National Fisheries and Industry Development Plan, the Provincial Commodity Investment Plan (PCIP) that were developed through the PRDP, and the Detailed Investment Plan (DIP) of the RAPID Growth Project of the DTI, among others.

The preparation and implementation of the CDP should dovetail with these plans and leverage resources with those that have already been deployed in these programs/projects. The CDPs should be screened using the investment planning tools developed under the Adaptation and Mitigation Initiative in Agriculture (AMIA) to ensure that they are climate-resilient.



The F2C2 staff should also ensure that Climate Risk Vulnerability Assessment has been conducted in the province. The CDP in a province should form part of the CPAFEP and be presented in the Convergence Forum of PCIPs. The CDP should be aligned with the Agro-Industrial Program of the region.

The regional F2C2 staff shall catalyze the preparation of the CDP of the FCAs in their municipality in coordination with the concerned P/C/MLGU. The preparation of the plan must go through different phases of plan preparation stated in *Annex A - Guidelines for the Preparation of the Cluster Development Plan*.

III. Responsibilities of the DA-F2C2 at the National and Regional Level

For the implementation of the F2C2 Program, the following agencies and offices shall have the following responsibilities:

- a. At the DA Central Office (CO), the F2C2 shall be the main responsibility of the Operations Management Group (OMG) being headed by the Undersecretary for Operations. The OMG shall be responsible for policy, oversight, and resource allocation for the Program. A National Program Management Office (NPMO) is created to serve as the technical and operating arm of the OMG for the F2C2. The NPMO shall have the following responsibilities:
 - a.1. Consolidate the approved CDPs and present them to the OMG for their appreciation and as inputs in developing strategic and tactical policy directions for F2C2 in relation to other programs of the Department;
 - a.2. Coordinate with the regional staff in the implementation of the CDPs and facilitate the necessary technical assistance from the different agencies of the Department as well as other government agencies and private sector entities;
 - a.3. Organize and maintain the national database of F2C2 plans/projects and individual beneficiaries;
 - a.4. Monitor the implementation of all CDPs and report these to the OMG for information or policy decision;
 - a.5. Develop and maintain a Knowledge Management System which collates data, best practices, and other valuable information from the field; and
 - a.6. Develop knowledge products that can be shared across F2C2 implementers and the general public.



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- b. The NPMO shall coordinate the implementation of the F2C2 Program with the National Convergence Initiative for Sustainable Rural Development (NCI-SRD). The NCI-SRD shall be the venue for cross-sectoral strategic discussion of the F2C2 Program as well as broader consultation and mobilization of resources for the CDPs at the national level. In particular, the CDP should be included in the Convergence Area Development Plan of the NCI-SRD. When necessary, the NCI shall be asked to call on other government agencies to participate in the discussion and to facilitate the resources required by the F2C2 from their respective offices and address implementation bottlenecks, among others.
- c. The DA-RFOs shall create a Regional Technical Working Group for F2C2 (RTWG F2C2) with the same membership as the RTWG PAFES as much as possible to avoid duplication and to streamline these two (2) related programs of the Department (*See Annex E – PAFES Organizational Chart*). The RTWG PAFES is composed of DA-RFO Operating Units, ATI-RTC, BFAR-RO, and other DA agencies operating in the province. The RTWG F2C2 shall have the following functions, duties, and responsibilities:
 - c.1. Review and approve the CDPs in the region;
 - c.2. Ensure that all the technical and financial requirements of the CDPs are adequately provided in a timely manner, including extension services that can be provided by the PAFES;
 - c.3. Consolidate the CDPs in the region and analyze potentials for strategic intervention that can enhance the local value chains;
 - c.4. Review the implementation of the CDPs and develop policies and programs for the effective and efficient accomplishment of their objectives; and
 - c.5. Review, approve, and endorse the report of the secretariat on the status of implementation of CDPs in the region.
- d. The DA-RFOs shall establish an F2C2 Regional Program Management Office (RPMO) which shall take the lead in the preparation and implementation of the CDPs (*See Annex D – RPMO structure*). The RPMO shall be under the Office of the Regional Technical Director (RTD) for Operations and shall be composed of the heads of the FOD, Banner Programs, and other operating units (*See Annex C – Regional Project Management Structure*). It shall have at least three (3) support staff (one (1) each for support services, enterprise development, and community development) who will be hired specifically for these positions. Other DA regional offices are hereby directed to assign staff to the RPMO as needed. The RFO shall allocate an operating budget for the RPMO. The RPMO shall have the following functions, duties, and responsibilities:

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- d.1. Coordinate the preparation of the CDPs and submit them for approval to the RTWG F2C2;
- d.2. Serve as the secretariat of the RTWG F2C2;
- d.3. Receive quarterly reports on the progress of implementation of CDPs in the region;
- d.4. Prepare semi-annual reports on the status of implementation of CDPs in the region and recommend adjustments in policies as necessary to the RTWG F2C2;
- d.5. Establish the regional database of individual beneficiaries of F2C2 in the region and other relevant information about the implementation of the program; and
- d.6. Develop information materials to document the F2C2 Program in the region.
- e. The Provincial Agri-Fishery Extension Center (PAFEC) shall be the implementing structure of the F2C2 at the provincial level. An F2C2 team shall be created as one of the units in the Agri-Fisheries Management Team of PAFEC. An Executive Order of the governor shall be sought for this purpose.

IV. Roles of Stakeholders

In the implementation of the F2C2 Program, the following agencies and offices have the following roles:

1. F2C2 National Board/NPMO
 - a. Lead in developing and mainstreaming the F2C2 within the Department;
 - b. Create an enabling environment for the progressive implementation of the Program within the Department and across other government agencies;
 - c. Catalyze the development of high quality CDPs and provide all assistance needed for their effective and efficient implementation;
 - d. Serve as the repository of all information about the program; and
 - e. Advocate awareness and support for F2C2 among its stakeholders.
2. F2C2 RPMO
 - a. Catalyze the preparation of CDPs;
 - b. Mobilize technical and financial resources from local stakeholders in the implementation of the CDP;
 - c. Coordinate closely with the RTWG PAFES and convene the RTWG F2C2;



- d. Monitor the progress of the implementation of CDPs; and
 - e. Curate information about F2C2 in the region and undertake communication efforts to propagate clustering and consolidation among local stakeholders.
3. NGAs
 - a. Provide additional financial and technical resources; and
 - b. Provide strategic and tactical policy inputs.
 4. PLGUs
 - a. Aid in organizing farmers and fishers through their cooperative development office.
 - b. Integrate F2C2 with PAFES and PCIP programs and projects;
 - c. Assist in the development and implementation of CDPs;
 - d. Provide additional complementary funding; and
 - e. Provide specialists and mobilize support from the M/CLGU in program implementation.
 5. C/MLGUs
 - a. Assist in the implementation of the CDP;
 - b. Aid in organizing FCAs through their cooperative development office; and
 - c. Integrate the CDP in their local development plan.
 6. SUCs
 - a. Organize and identify a dedicated core of university agri-fishery extension staff to the F2C2 clusters in coordination with the PAFEC;
 - b. Test, adapt, and package site-specific and climate-resilient technologies in collaboration with other agencies, farmers, and fisherfolk;
 - c. Exhibit mature and commercially-viable technologies;
 - d. Train farmers and fisherfolk; and
 - e. Help set-up techno-demo farms and conduct field days.
 7. Donor agencies
 - a. Provide funding to close the gap financing CDPs and in the overall management of the F2C2 Program;
 - b. Provide information of global best practices of clustering and consolidation; and
 - c. Promote the mainstreaming of the F2C2 Program among donor programs.
 8. Private sector
 - a. Provide market opportunities for products of farmers and fishers enterprises; and

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- b. Provide technical assistance in upgrading quality and quantity of clusters' products in order to meet standards.
 9. NGOs/ Other service providers
 - a. Provide capacity building services to cluster enterprises and their members for productivity enhancement, product upgrading, logistics and other needs;
 - b. Provide technical assistance in enterprise management and organizational development to cluster enterprises;
 - c. Assist in organizing clusters and their members and in improving consolidation systems; and
 - d. Advocate for an enabling environment for clustering and consolidation through research, knowledge management, and peer-to-peer exchange.
 10. FCAs
 - a. Serve as beneficiaries of the F2C2 Program;
 - b. Actively coordinate with F2C2 Program staff for the preparation, implementation, and monitoring of their CDP;
 - c. Provide timely information as needed by the F2C2 staff; and
 - d. Apply the advice and other assistance provided to them by the F2C2 to the best of their ability.

V. DETAILED PROGRAM ACTIVITIES

Following are the detailed activities that will be undertaken by the different program modalities in F2C2.

1. Capacity building
 - 1.1. 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 or, if necessary, from other professionals and other private groups either on a cost-sharing, outsourcing, or joint-venture arrangement.
2. Provision of equipment and facilities
 - 2.1. Production Support Program (F2-PSP)
 - high quality seeds, planting materials, breeders and brood stocks;
 - feeds, fertilizer, crop protection supplies;
 - machinery and equipment;

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- crop protection and support to climate change adaptation; and
 - land preparation/leveling services.
- 2.2 Postharvest/Post-Production Processing (F2-PHP) - support and assistance towards acquisition, establishment, and use of equipment and technologies to preserve and prolong the shelf life of agri-fisheries products, including:
- postharvest equipment and specialized sorting facilities;
 - ice-making facilities; and
 - rain-proof sun-drying systems and air-drying for grains and root crops.
- 2.3 Packaging and Storage (F2-PacS) - assistance facility on technical and financing support in the packaging and storage which aims to prolong the shelf life of primary farm and fishery produce and agricultural commodities, including:
- bagging, box and pouch packaging, and labeling equipment;
 - HDPE fish boxes/containers; and
 - community-owned warehouses, cold-storage, and blast-freeze facilities
- 2.4 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 Operating Units shall design and implement support projects and assistance programs on the acquisition of:
- transport equipment for farm produce;
 - reefer vans and other cold storage transport;
 - Information and Communications Technology (ICT) hardware and relevant software for digital logistics; and
 - communication equipment to support marketing networks.
3. Marketing and Other Business Development Services
- The DA-AMAD and BFAR-FIDSSD shall provide support and assistance to link F2C2 beneficiaries to promotion and marketing





services towards stronger engagement with their sales channels and networks for agricultural produce, including:

- 3.1. Participation in the KADIWA and eKADIWA marketing channels;
 - 3.2. Assistance from AidPRO through its Safe Hubs/ Agribusiness Corridors
 - 3.3. Facilitating market matching with institutional and corporate buyers, including setting up a Kadiwa Agribusiness Portal for F2C2 participants;
 - 3.4. Capacity building for agriculture and fisheries marketing professionals of F2C2 participants, and assistance in the formulation of marketing plans/strategies and networking;
 - 3.5. Participating in and/or organizing trade fairs and exhibitions of F2C2 product promotion and marketing in partnership with LGUs and trade associations;
 - 3.6. Preparation of F2C2 Cluster Catalog and Directory;
 - 3.7. Business registration and registration of cluster enterprise with CDA and/or SEC; and
 - 3.8. Link to service providers for the provision of business development services.
4. Credit and financing
- 4.1. Credit and Project Financing (F2-CPF) – through the Agricultural Credit Policy Council (ACPC) and other GFIs and PFIs to further empower the clustered and consolidated farmers and fishers in terms of their ability to access credit and project financing, including:
 - credit facilities for clusters who are underqualified to access GFIs, PFIs, microfinance institutions, NGOs, and other lending institutions;
 - agriculture credit rating system;
 - index-based insurance for crops, livestock and fisheries; and
 - credit guarantee schemes.
 - 4.2. Credit facilitation - through the provision of services of the Loan Facilitation Teams of ACPC to enable F2C2 cluster enterprises to access financing and become bankable through:
 - support for project feasibility studies and business plan preparation;

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- assistance to borrowing cluster enterprises in the completion of loan application particularly the documentation requirements; and
 - assistance in preparation of their audited financial statements.
5. Technology development and application
- 5.1. Promotion of ICT in agriculture in partnership with the Department of Science and Technology-Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (DOST-PCAARRD); and
- 5.2. Use of renewable energy as provided under the Renewable Energy Program for the Agriculture and Fishery Sector (REPAFS).

SECTION 6. FUNDING and INFRASTRUCTURE SUPPORT

1. Funding

The F2C2 Program shall be sourced from the General Appropriations Act (GAA), available funds from other Banner Programs, Bureaus, and Attached Agencies of the Department. These units shall prioritize F2C2 in their regular planning, budgeting, and fund allocation, particularly for the implementation of the CDPs, in their respective proposal for the consolidated budget of the Department. The F2C2 Program shall be allocated its own Personal Services (PS), Maintenance and Other Operating Expenses (MOOE), and Capital Outlay (CO) in an annual basis. Cluster organizations will require a variety of funding sources including grants, loans, and risk mitigation instruments. Securing the funds for the CDP starts during the preparation of the plan. The Financial Plan of the CDP (*See Guidelines for Preparation of the CDP*) shall be the basis for resource mobilization. The F2C2 Technical Support Team (TST) shall take the lead in this undertaking, working hand-in-hand with the regional and provincial F2C2 teams through the influence and guidance of the Regional Executive Director and other senior officials of DA.

In the interim while waiting for budget allocations from the GAA, certain aspects of the plan which can be financed by existing resources from the government through mainstreaming activities and private sources can already be implemented.

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2. Infrastructure Support

In collaboration with LGUs 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 clusters in every province, including the construction of farm-to-market roads (FMRs), farmland development, establishment of agricultural trading centers and warehouses, cold storage facilities, bulk transportation and agricultural shipping terminals, and fish landing and processing centers that would 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.

SECTION 7. MONITORING and EVALUATION

The NPMO, with the assistance of the Monitoring and Evaluation Division (MED) of the Planning and Monitoring Service (PMS), shall prepare a Monitoring, Evaluation and Learning (MEAL) System that includes outcomes, Key Performance Indicators (KPIs), and setting of baselines and targets based on the F2C2 Results Framework. This shall include the following:

1. An electronic Monitoring and Evaluation (M&E) System that will consolidate accomplishment reports of the CDPs from all concerned units in the Department, and concerned stakeholders nationwide. The electronic system should allow reporting units to enter reports and information from their electronic gadgets that can be automatically captured and analyzed by an automated central repository. The Information and Communications Technology Service (ICTS) shall provide technical assistance in creating this system.
2. A Management Information System (MIS) that establishes baseline information from beneficiary clusters and collects updated information about the progress of the clusters in accomplishing their respective targets as well as the improvement in the income, profitability of the cluster enterprises, and the general well-being of farmers/fishers' beneficiaries. The M&E System must feed into the MIS to organize information across all aspects of the program. The system should allow stakeholders to access public information real-time.
3. A Knowledge Management and Communications (KMC) System that effectively curates information about the program nationwide, packages this information, and shares them among all units within the Department

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and towards all stakeholders of the program as a means of gleaning insights and learning from experience. The system should enable information to spread instantaneously to stakeholders using popular social media communications platforms which can also serve as a feedback channel from stakeholders and the general public. The system should include a Communication Plan stating how to strategically develop and disseminate information among the target audience of the program on a regular basis. The plan should ensure that there is an awareness about the F2C2 Program within the Department, among government agencies, stakeholders, and the general public in order to continuously generate support for the Program.

4. Henceforth, the performance evaluation of all DA personnel who are involved in the Program shall partly be measured in accordance with their contribution to its implementation within their responsibility. These shall form part of the DA Organizational Performance Indicators Framework.

SECTION 8. SUSTAINABILITY

1. Institutional development

Apart from the new responsibilities and personnel who are added to the existing DA structures, the prioritization of CDPs in the budget allocation of DA Banner Programs and other Operating Units, all other reforms under these guidelines shall henceforth be adapted as part of the regular plans and programs of the Department.

2. Incentives

As provided for in various laws including the AFMA, High Value Crops Law and the Sagip-Saka Act, the Department's various RFOs, Banner Programs, Bureaus, and other relevant agencies provide the necessary assistance for F2C2 projects and investors to more effectively access the benefits and services provided by the government, including.

2.1. Incentives Facilitation

- 2.1.1. Duty-free importation on agri-fishery inputs, machinery, and equipment
- 2.1.2. Tax holidays under the Board of Investments (BOI) and other relevant legislation



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2.1.3. Counterpart funding for the LGUs, SUCs, and private entities that will provide technical and financial resources to clusters

2.2. Product Development

The DA-Bureau of Agricultural Research (DA-BAR) and the NFRDI shall prioritize support for the development and promotion of technologies for the processing and packaging of goods from primary and intermediate commodities produced by F2C2 community groups. The available technologies of the DOST in this regard shall also be tapped and made available to beneficiary clusters, and small and medium enterprises (SMEs) that will buy their product or create joint venture arrangements with them.

2.3. Financial incentives for commercial partnerships with beneficiary clusters

2.3.1. The F2C2 shall tap financial incentives offered by the Bangko Sentral ng Pilipinas (BSP) for value chain financing for SMEs that will agree to create joint ventures and other types of partnership agreements with cluster enterprises. Equity financing from the Small Business Corporation shall also be tapped to provide equity for these SMEs.

3. Climate resiliency

Aside from having screened using the AMIA investment planning tools, the clusters must be developed into AMIA Cluster Resilient Agri-fishery Technology-based Enterprises (AMIA-CREATE) by ensuring that each CDP is regularly provided with the climate and weather-informed advisories from the Office of the RTD for Operation or Research, that the Philippine Crop Insurance Corporation (PCIC) covers all clusters with their agri-insurance coverage schemes, and that these clusters are integrated into the LGU's Local Climate Change Action Plan.

4. Youth development

The children and immediate relatives of leaders of the cluster enterprises shall be targeted as beneficiaries of DA programs for the youth such as the Youth Agripreneurship Program and Young Farmers Program of the ATI. Scholarships from the Technical Education and Skills Development Authority (TESDA) shall be tapped to enroll the successor generation of cluster leaders in the Agroenterprise Development (AED) National Certificate Level IV courses that are offered in various TESDA-accredited training institutions. This is to ensure a successor generation for continuous cluster development and growth.

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5. Strategic partnerships

The F2C2 shall establish strategic partnerships with industry associations such as the Philippine Food Processors and Exporters Organization to provide long-term market arrangements and business partnerships. It shall also work with the agricoops sector leadership in pursuit of the Agricultural Cooperatives Development Agenda. The F2C2 shall tap the expert advice of the Coalition for Agriculture Modernization in the Philippines, Inc. (CAMP) to identify strategic policy direction and actions to institutionalize F2C2.



SECTION 9. REPEALING CLAUSE

All existing Orders, Circulars, issuances, rules and regulations or parts thereof that are in conflict with, or inconsistent with any provisions of this Circular are hereby repealed or modified accordingly.

SECTION 10. EFFECTIVITY

This Memorandum Circular shall take effect immediately upon signing and shall be valid unless revoked and superseded by future issuances.

Done this 8th day of June 2022.


WILLIAM D. DAR, Ph.D.
Secretary 

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Annex A – Guidelines for Preparing the Cluster Development Plan

I. Rationale

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:

1. Effectively achieve and benefit from economies of scale in commodity production;
2. Forge stronger linkages among farm and fish producers to their commodity's markets and the bigger global value chain;
3. Improve the bargaining and market power of primary farm and fishery producers;
4. Establish better access to sources of credit and financing and investments, and as well better access to domestic and export markets;
5. Ensure greater availability and wider utilization of agri-aqua technologies, farm mechanization, logistics and transport support, and post-harvest facilities;
6. 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;
7. Effectively raise the overall productivity of the sector and the incomes of Filipino farmers and fishers.

A cluster is an organized group of farmers or fishers engaged in a common commodity that practices collective or consolidated production and marketing of such commodity and registered as a business enterprise.

II. The Cluster Development Plan (CDP)

1. The following principles shall characterize the preparation of the CDP:
 - **Strategic.** It should have a long-term perspective of taking clusters of small farmers/fishers into the mainstream of the local agricultural economy which will be enhanced by the progressive development of these clusters. The CDP must lay down at least a five-year plan with a strategic, measurable vision for empowerment of the clusters and the development of the local value chain. At the same time, the CDP should evolve through time as experience is gained from implementation.



- **Comprehensive.** It needs to view cluster development from provision of inputs to production to market engagement of the clusters with everything in between. In short, cluster development must be viewed from the perspective of value chain development to consider all factors of the development of the commodity and the participation of small farmers/fishers.
- **Participative.** The CDP must engage all stakeholders, both from government and private sector, who have a role to play in the provision of investments required by the plan. These stakeholders, the cluster members themselves in particular, must be involved in all decisions that will be made in formulating, implementing, and monitoring the progress of the plan.
- **Evidence-based.** The plan must be based on the latest available information about the local value chain, informed by macro-level information, as well as the latest best practices in all aspects of the value chain. Decisions must be based on such information. Efforts must be made to make information accessible to all stakeholders participating in the plan.
- **Collaborative.** The plan must take into consideration all existing programs, projects, and initiatives of the Department as well as other government agencies and private sector in developing a particular cluster. It should at all times build upon and avoid duplication of such programs, projects, and initiatives in order to achieve efficiency in the development process
- **Economically viable and technically feasible.** The investments required in realizing the plan must have sound financial and economic basis and should clearly result in the economic benefit of cluster enterprises, its members, and the stakeholders that will invest in the plan (whether financially or otherwise). The totality of investments should result in the commercial viability of a **cluster enterprise** in the long-run and must clearly establish commercial relationships that will sustain the development effort beyond the plan.

2. Components


2.1. Value chain development model

This section enumerates the players involved in the local value chain and shows the schematic diagram of the specific supply chain in which the beneficiary cluster is present and how it will interact with other players in the chain.

It shall also give the background and description of the following:

2.1.1. Individual farmers/fishers and Farmers/fishers Organizations - number of individual farmers/fishers, farmers/fishers' organizations and their membership, total area covered (in hectare), number of years in operation, and production capacity

2.1.2. Buyers - their business operations and products

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- 2.1.3. Consolidators/aggregators and local traders – their interaction with players in the chain and the volume of their transactions with these players
 - 2.1.4. Support industries (i.e nurseries, logistics companies, etc.)
 - 2.1.5. Financial service providers – who they finance, their financial products, minimum/maximum loans provided.
- 2.2. Strategic Plan of Beneficiary Cluster shall have the following information:
- 2.2.1. Name of the cluster as registered with a government agency
 - 2.2.2. Primary organization - If the cluster is composed of several primary organizations, the names of these organizations
 - 2.2.3. Location – province/city/municipality
 - 2.2.4. Product/service - clear statement of the products that will be produced by the cluster including the production module, cluster supply plan, and a market chain study.
 - 2.2.5. Business registration - CDA/SEC Registration Number and date of registration
 - 2.2.6. Office address - exact location with contact number
 - 2.2.7. Contact person - complete name, designation, and contact number
 - 2.2.8. Cluster summary profile - a short summary of the goal and major activities to be found in the main body of the plan on production, post harvest, processing and marketing. A tabular description of the cluster and its member groups including its commodity/ies, production targets, expected outcomes, target markets, total investment and sources of funds.
 - 2.2.9. Description of the cluster - cluster composition, current condition of the organization/s involved in the cluster
 - 2.2.10. Baseline information - current data on production, area planted, average yield, income and market of the cluster before the implementation of the F2C2. This will serve as reference in the measurement of progress or development of the cluster.
 - 2.2.11. Vision, mission, goal, and objectives that spells out the future state of the key aspects of the state of development
 - 2.2.12. Detailed Strengths – Weaknesses – Opportunities – Challenges - an analysis of the key reasons for the gap between the baseline and the vision/objectives
 - 2.2.13. Strategies to address the gaps and achieve the objectives
 - 2.2.14. Detailed activities/targets and budget
 - 2.2.15. Summary of financial feasibility analysis, including break-even analysis, return on investment, rate of return on investments, internal rate of return, benefit-cost ratio, and increase in individual farmers' income over the plan period

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2.2.16. Monitoring/assessment plan

2.2.17. Annexes/appendices (other pertinent information related to CDP)

2.3. Business Plan (BP)

The BPs should be prepared in support of the strategic plan. It should always reflect the entirety of the operations of the entity. The following are the contents of the business plans:

2.3.1. Objectives of the business plan

2.3.2. Business model which defines the cluster enterprises' position in the market, how it will grow to attain a bigger share of the market, and how it will be profitable in that regard

2.3.3. Business targets and activities, production system, production targets, processing, marketing system, and infrastructure and human resources requirements

2.3.4. The cluster's management performance, including policies, systems, and procedures to guide business activities, background of the board and management personnel, and needed improvements in these areas

2.3.5. Historical financial performance, including audited financial statements (if any)

2.3.6. Financial feasibility analysis, including budget projection for the plan period and profitability analysis, and increase in income of individual farmers

2.3.7. Risk analysis and risk mitigation measures

2.3.8. Work and Financial Plan (WFP) for first year operation (and annual WFP, thereafter)

2.4. Financial Plan

During the preparation of the CDP, the DA Banner Programs and other DA Operating Units shall allocate appropriate funding for the CDPs in their regular budgets. The F2C2 Program staff shall leverage these with other funding sources like local governments and other agencies and private entities outside the Department. The types of funding shall include, among others:

2.4.1. Grants or non-recoverable funds that will come from the GAA budget of government agencies, from donor agencies, and from private entities for cost items of the CDP for public goods that are non-revenue generating or that are essential for enhancing the technical or business capabilities of the cluster but which they may not be able to afford in the short-term. For DA agencies and other government bodies, these are funds programmed under their GAA budget allocation. For the LGUs, these are funds that may come from their Internal Revenue Allocation (IRA) or other budget sources.



The disbursement of these funds shall follow the procedures prescribed by RA 9184 or the Government Procurement Reform Act. Government funds shall be leveraged with private funds to secure the required funding of the plan.

- 2.4.2. Credit or loans obtained by the cluster organization for production loan, working capital, and other revenue-generating expenses. These may come from government or private financial institutions (GFIs, PFIs) and shall be undertaken by the cluster organization for production loan, working capital for consolidation and/or processing of products, among others. The F2C2 RPMO may invite GFIs and PFIs as stakeholders in the preparation of the CDP in order to open opportunities for them to provide the credit requirements of the cluster organization early in the process. At the same time, cluster organizations and their members need to be made aware of the value of credit in enhancing business profitability and growth. coordinate with ACPC in terms of designing appropriate financial products.
- 2.4.3. Risk mitigation instruments such as agri insurance and credit guarantee schemes that are available from such agencies such as the PCIC for agri-insurance and the PhilGuarantee for credit guarantees, among others. The F2C2 Program staff should ensure that the cluster organization and its members are aware of the existence of such credit enhancement instruments and encourage them to avail of such instruments in order to mitigate their risks. They may also approach GFIs, PFIs and local funding institutions that may be interested to offer insurance and credit guarantees for cluster organizations.
- 2.4.4. At an appropriate time, when the financial requirements of the CDP have been finalized, an Investment Forum shall be convened in the region/province to invite GFI, PFIs, and other donor institutions to provide resources to the cluster organizations.

III. Steps in the preparation of the CDP

1. Phase I involves going through the value chain analysis of the local value chain together with the cluster enterprise of farmers/fishers. This may entail social preparation activities such as orientation of community/ organizations leaders and consultation with cluster members. The demand and supply opportunities are established in this stage. The RPMO staff, in collaboration with P/C/MLGUs, shall initiate this step with the cluster leaders.
2. Phase II involves RPMO working with the DA Operating Units to identify possible investments in realizing the demand and supply opportunities and other interventions required in the process.
- 3.

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The DA Banner Programs, Attached Bureaus, and Agencies shall make use of this workshop to allocate available resources or resources that will be reflected in their budget submission for the succeeding budget calendar. This stage will produce the preliminary draft of the CDP.

4. Phase III involves convening a workshop of external stakeholders to review and seek their inputs to the preliminary draft. It is at this stage where the plan is dovetailed with complementary plans, programs, and projects in the province/region, including those of the local government. The resources committed by the various DA units shall be leveraged with investments from local and national government agencies and private partner entities. This stage is expected to strengthen the CDP and increase its ownership by all stakeholders. This stage may extend beyond the workshop and may entail private consultation with concerned stakeholders to discuss details of their concerns, role, and contribution to the CDP. The extension services that will be required by the CDP shall be endorsed to the RTWG PAFES so that the CDP can be included in the CPAFEP.
5. Phase IV involves conducting the feasibility analysis of the plan, preparation of its financial plan, and writing the plan. It is at this stage where the total financial and technical resources required in implementing the plan shall be put together. Consultants may be hired to conduct the feasibility analysis to ensure that it is technically sound.
6. Phase V involves submitting the final draft of the CDP to the F2C2 RTWG for evaluation and approval.
7. Phase VI involves presenting the final version of the CDP to all stakeholders for final adoption. A Memorandum of Agreement (MOA) shall be executed among all parties that commit to supporting the CDP, including the DA-RFO Regional Executive Director (RED) and the leadership of the cluster enterprise. This whole process must be completed before the end of the calendar year so that the required investments can be included in preparing the budget of the respective agencies in time for the budget call for the next fiscal year.

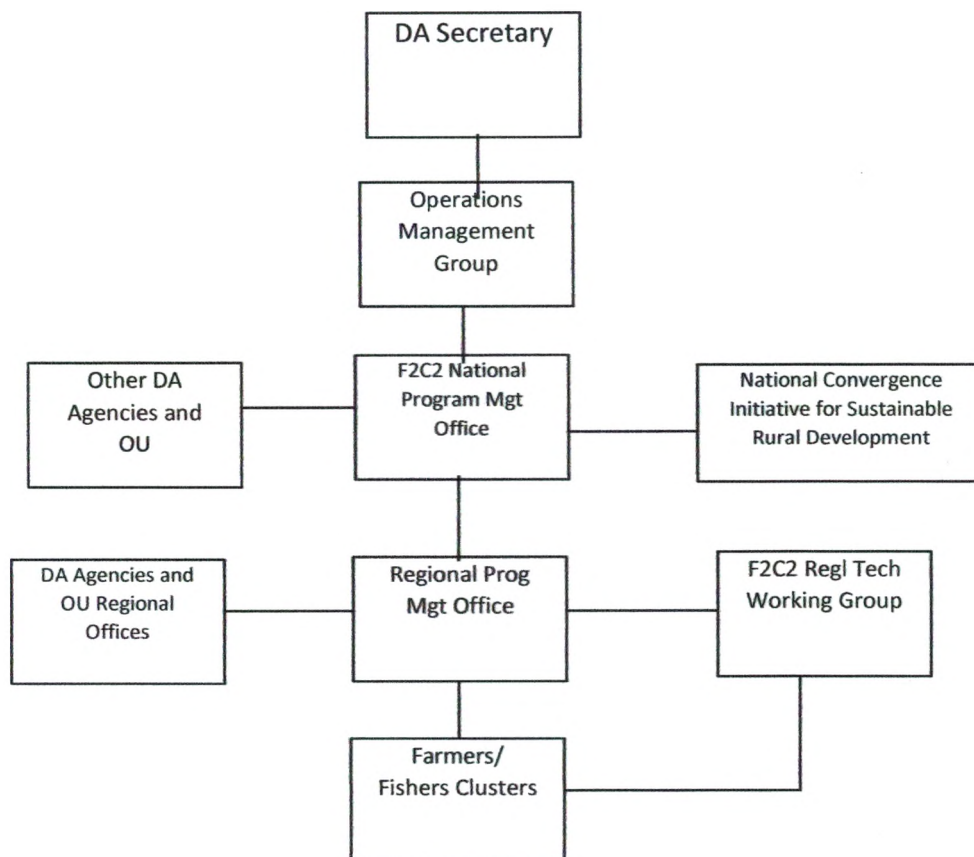
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Annex B – National Program Management Structure



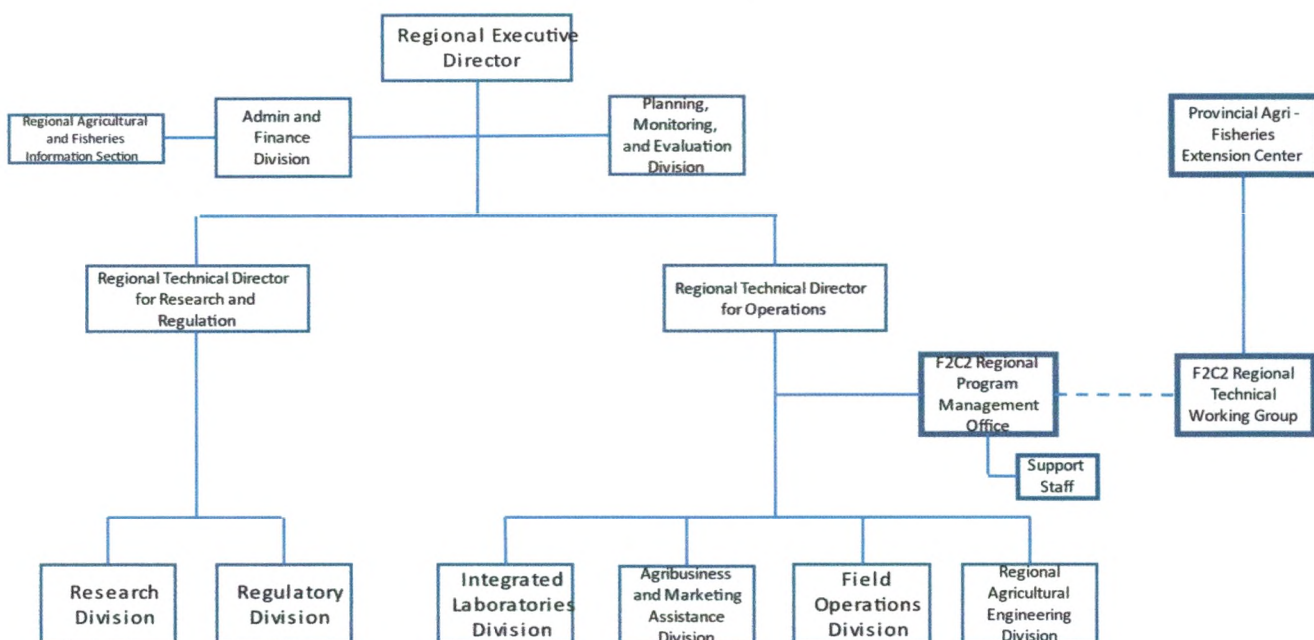
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Annex C - Regional Program Management Structure



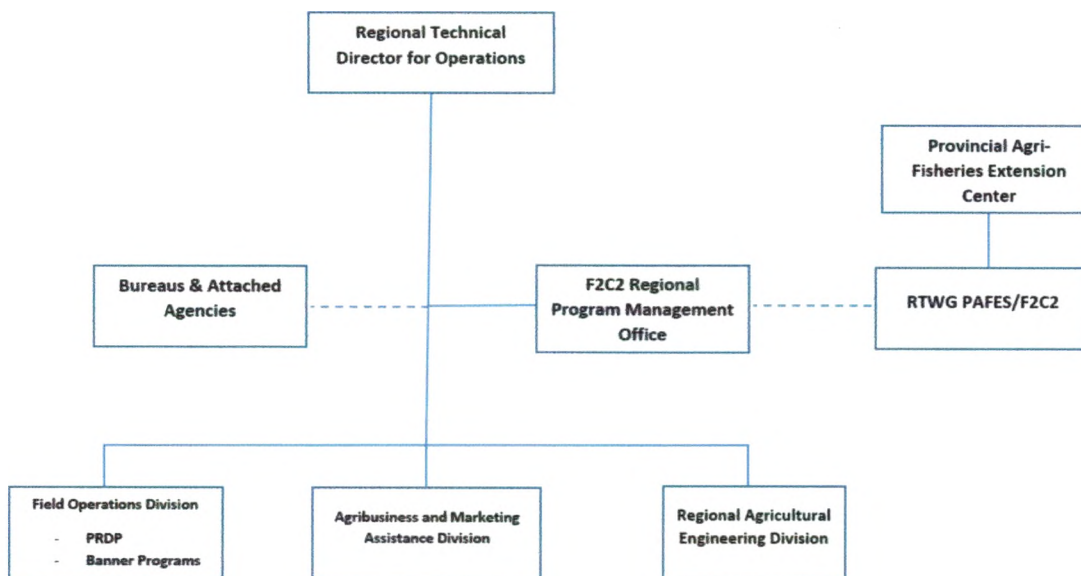
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Annex D – Structure of the Regional Program Management Office



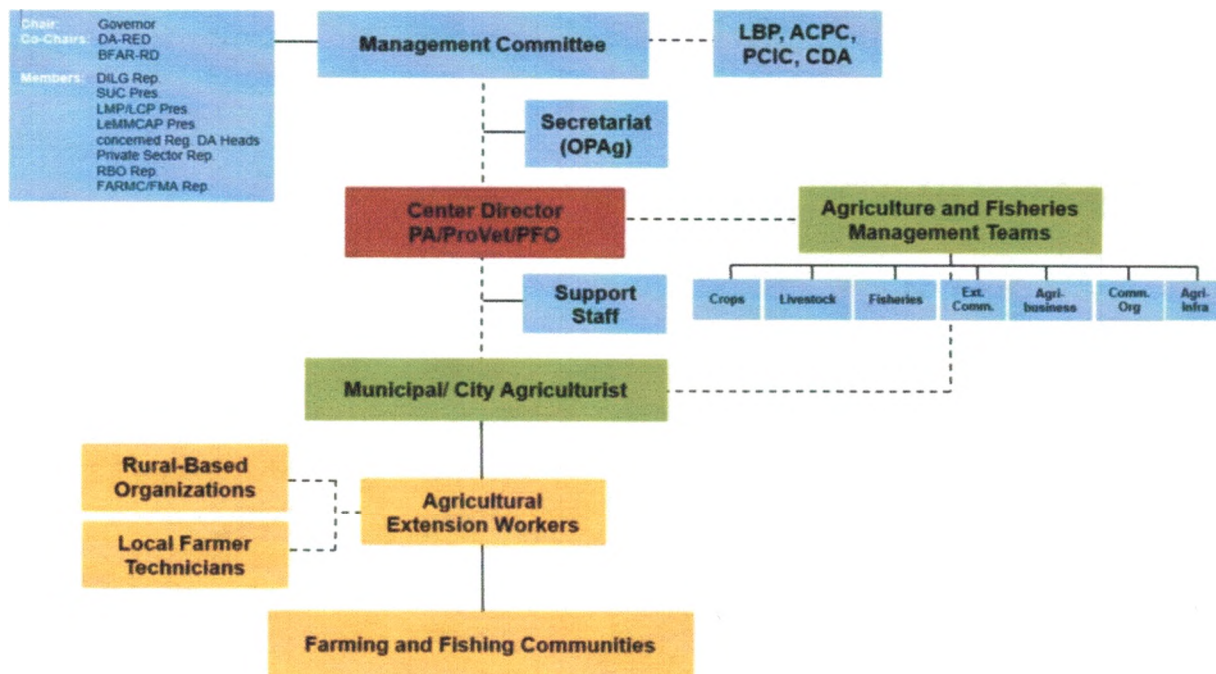
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Annex E - PAFES Organizational Structure



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