

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3625

=====

INTRODUCED BY ANAKPAWIS PARTY-LIST REPRESENTATIVE
RAFAEL V. MARIANO

=====

Explanatory Note

Contract growing, a.k.a. growership contract, is a widespread phenomenon in the country. It has become widespread as a result of the government's all out campaign to attract foreign and local investments in our agriculture, with our fertile lands and cheap rural labor force as its main selling points, for the expansion and intensification of export-oriented agriculture production.

Since its introduction in Mindanao in the late 1960s¹, it has become the principal mode of expansion of the operation of local commercial farms and agri-business transnational corporations (TNCs) in almost all major lines of export crops production. In recent years, it is most prevalent in the production of export crops that have gained greater global market access following the institutionalization of the World Trade Organization (WTO). Such export crops are banana and pineapple. But it is also prevalent in such "new export winners" as asparagus, cassava, and cauliflower.

Under a contract growing scheme, the landowner or farmer, called the contract grower, undertakes to produce for the commercial farm or agri-business TNC the crop of choice of the latter. It is one of the earliest forms of "sub-contracting", now euphemistically known as "out sourcing" (that is now the vogue in service and information technology industries), wherein a commercial farm or agri-business TNC contracts out the production phase of its plantation operation to "independent

¹ Contract growing was first introduced in Mindanao by Stanfilco (Standard Fruits Company, known formerly as Castle and Cooke) in 1966. The scheme was originally named by Stanfilco as "Independent Growers Program". It is most predominant in Mindanao where commercial farms and agri-business TNCs engaged in agricultural export crops production are mostly located. But it has since spread to other parts of the country where it is sometimes known by other names. The "corporative scheme" which the Danding Cojuangco-controlled San Miguel Corporation is using to lure farmers to its promotion of cassava production in Isabela, Bicol, Cordilleras, and Ilocos Region is actually a form of "contract growing".

producers”.² When the crops are produced, the commercial farm or agri-business TNC will purchase them under terms and conditions set out in the contract. One such term and condition is that the produce of contract growers is subjected to quality control by the commercial farm or agri-business TNC.

In the early goings of the promotion of contract growing in Mindanao, commercial farms and agri-business TNCs, in trying to entice small landowners and farmers to participate in the scheme, provided through loan the capital funds for operationalizing the production undertaking of contract growers. But as more landowners and farmers came to adopt the scheme and were caught in its web, they stopped providing the capital funds, leaving the contract growers to their own device in securing the capital requirements of their production venture.

In undertaking to produce the chosen crop, contract growers act “independently” from the commercial farms and agri-business TNCs which contracted them. One attribute of such “independence” is that it is the contract growers who assume the burden of shouldering the production costs and the whole range of processes and obligations involved in producing the crops. It is, therefore, a mode through which commercial farms and agri-business TNCs pass the production costs as well as the business risks to the contract growers.

Such an arrangement has created several layers of production relations among the stake holders in contract growing. These layers of relations form like a pyramid, with each production relation having its corresponding modes of exploitation that ultimately bear down most heavily on farm workers who are situated at the lowest layer of the pyramid. It is well to understand each of these layers of production relations because each layer constitutes an area of social problem that calls for legislative remedies which this bill seeks to fulfill.

One of such layers, which forms the topmost of the pyramid, is the production relations between the commercial farm/agri-business TNC and the farmer or small landowner. The commercial farm or agri-business TNC, in contracting out the production phase of their operations to “independent producers” gets to control and use the land of the farmer or small landowner without cost. On the part of the farmer or landowner, he, as a contract grower, is actually mobilizing his land at the disposal of the commercial farm or agri-business TNC.

The farmer or landowner initiates the undertaking by procuring through his own efforts the material requirements (capital and production inputs) for production either through loans³ or from his own pocket. He also organizes the labor force and the production process according to the contracted specifications. Thus, in form, the contract grower is “independent” but, in essence, his person and labor are actually under the control of the commercial farm or agribusiness TNC. It is a control that

² Contract growing is also practiced by and among local commercial farms and agri-business TNCs. For example, the Lapanday Agricultural Development Corporation (Ladeco), a local commercial farm owned and controlled by the Lorenzo family and engaged in banana export production, is a contract grower of Del Monte Philippines. Such contract growing, however, is not the subject of this bill since its players enjoy a relatively “level playing field”.

³ The Land Bank offers a credit window for contract growers at 18-24 % interest rate.

actually amounts to the “ascendancy of an employer”. Yet, he gets nothing in return for the disposition of his land, labor and management skills in the service of the needs of the commercial farm or agri-business TNC. What he gets in return for all this is merely “the right to sell” his products to the commercial farm or agri-business TNC.

The “purchase agreement” of contract growing is an exclusive contract. The contract grower can not sell his produce to other entities.⁴ He can not sell to other entities even that portion of his products which was rejected by the commercial farm or agri-business TNCs for failing to pass the quality standards. In effect, it is a “restraint to trade”. The price of the produce is also contracted. If the price, determined in the contract months before the harvest, is higher than the prevailing market price, the contract grower gets a windfall. But contract growers who experience this are said to have “hit the jackpot” because it is a rare experience of luck. Most of the time, the price signed away by the contract growers are lower than the prevailing market price and they end up at the losing end of their venture.

To ensure getting break even or a little profit margin, the contract growers scrimp on their insufficient capital outlay while squeezing the most of their hired farm workers. This is where the most despicable evil of contract growing lies, constituting the most exploitative production relations in the pyramid. The contract growers usually hire farm workers not on the basis of employment tenure but on contract basis, known as the “pakyaw” system, which removes the hired farm workers out of the ambit of minimum wage, security of tenure and other protection and benefits provided for by the Labor Code.

Under the “pakyaw” system, the hired farm workers are contracted to work on a “piece of work” or specific phase (preparation of the soil, planting, care and maintenance, harvesting, and hauling) of the production process in accordance with a fixed schedule, quota or volume. For example, the preparation of the soil must be done within one week. They are not paid with wages since payment is not based on the number of hours or days the farm workers have rendered but on the completion of the specific phase of production according to the contracted schedule, quota, or volume.⁵

In between the contract growers and the farm workers is a host of “middlemen” that prey on the farm workers, forming another layer of exploitation in the pyramid. These are the individuals and

⁴ It must be noted, however, that in the contract growing by and among commercial farms and agri-business TNCs, the party which contracts out its production shoulders 70 % of the production costs of the contract grower. Moreover, the contract grower is allowed to sell to other commercial farms or agri-business TNCs. For example, Lapanday, in its contract growing with Del Monte Philippines, is allowed to sell its products to other commercial farms.

⁵ In the “pakyaw” system (also known as “piece rate” or “quota” system), the contract grower deals with the farm workers not as individuals but as a group, much like a “chain gang”, led by a “capataz” (team leader). He pays the group of farm workers not with wages but the whole sum upon completion of the contracted phase of the production process. The team leader then divides the sum among the members of the group, the division being based on the complexity of the labor performed and on the labor contribution of individual members. They call it “sahod” (wage) mainly because of the intervention of the money system. In fact, it is a “share” corresponding to the labor contributed by each farm worker reckoned according to the man/days work. This wrong nomenclature operates to mask the exploitation of the farm workers.

organized entities which recruit farm workers for contract growers. In recruiting farm workers, they collect what they call as “finder’s fee”, with the amount varying from locality to locality. In any case, it ranges from P50 to P150 per person recruited. They collect the amount even before the farm workers get their first “wage”. They also collect such other fees incidental to “labor mobilization”. In some places, mostly places where the big commercial farms and agri-business TNCs operate, the “finders” are well organized in the form of cooperatives of contract growers. They keep the available farm workers in the locality as a reserve pool and act as placement agency that supplies farm workers to where there is a contract growing scheme. They do not consider the pooled farm workers as their employees but they collect, in addition to “finder’s fee and “mobilization expenses”, such other money sums ostensibly for SSS, Philhealth and other benefits.

Thus, the farm workers are bled dry even before they find work. Once they get work deployment, they are subjected to the most inhumane working conditions. Contract growing and its companion “pakyaw” system drive the farm workers to work beyond the regular eight hours working day in order to finish the specific phase according to the schedule or quota imposed.⁶ Since the employment is based on contracted schedule, whatever extra hours they worked on are not paid overtime pay. They don’t have security of tenure since their “employment” status is governed by the contract. When the work on the specific phase is done, the contract ends and so does whatever ties were established between the farm workers and the contract grower who hired them. This effect holds true even if the farm workers have been working for the same contract grower for several years.

Because of the contracted nature of their “employment”, the farm workers get in return for their labor such amounts way below the minimum wage. In a study conducted by the Peasant Education and Studies Center, it was shown that under the “pakyaw” system, farm workers earn only a daily income of P 80 – P 120/day, the variance being dependent on the prevailing “standards” of the labor market of each locality (Peasant Education and Studies Center, An Investigation on CARP Implementation in Plantations in Mindanao, September 2007). Most of the time, because of the low level of “wages”, they consume their meager earnings way ahead of the completion of their work schedule to address their day-today needs.⁷

The farm workers provide for their own tools, equipment and protective gears. The contract grower is under no obligation to provide them. Particularly, in the specific production phase of care and maintenance which involves applying fertilizer and pesticide, the farm workers make do with makeshift gears to protect themselves, such as old shirts wound around the face as masks to keep off the obnoxious chemicals. Neither is the contract grower under any obligation to provide medical and social security benefits to the farm workers. If a farm worker or a member of his family gets sick due to overexposure to the elements, he is on his own in looking for medical care.

⁶ Farm workers in contract growing scheme tend to keep the “chain gang” small so as not to dissipate the money sum paid to them upon completion of the specific phase of the production process. They then compensate for their “leanness” by working beyond the 8 hours working day. The working life of a farm worker normally starts at 6-7 am till 5-6 pm, a sunrise to sundown existence.

⁷ This is done through the “vale” system wherein the farm worker advances his daily “wage”.

The “pakyaw” system encourages family labor that mobilizes school-age children to work in the plantations instead of going to school. A hired farm worker tends to bring his family along so the money sum he gets from the contract grower upon completion of a specific phase will not “circulate out” to other families.

Families and gangs of farm workers coming from far-away towns are not provided with housing. So they live in makeshift shanties as temporary shelters near the contract growing site to save on housing rental and transportation costs.

Naturally, because the farm workers are not tenured employees, they do not qualify for membership in trade or workers’ unions. This says nothing that they are organized in “chain gangs” led by a “capataz” which makes it harder for union organizers to penetrate their ranks. Unorganized, they are at the mercy of their “capataz” or contract grower.

Because contract growing generates obscenely cheap labor, the commercial farms and agribusiness TNCs are no longer regularizing their employed labor force. As a result, the ranks of regular farm workers employed in commercial farms and agribusiness TNCs are thinning out due to dismissal, lay-offs and retirement, with no entrants of new regulars. In effect, contract growing is undermining the employment tenure of farm workers who are formally employed even as it destroys the employment tenure of farm workers in contract growing and exploit them to the extreme.

These are the evils of contract growing which this bill seeks to address. These evils have been the state of things since the late 1960s in many towns and provinces of the country whose economy has been dominated by the presence of commercial farms and agri-business TNCs and circumscribed by the ascendant development strategy based on intensified export-oriented agriculture production. It’s a situation that has caught farmers, small landowners and farm workers in a trap with no way out since the land-intensive monoculture export crops economy which commercial farms and agribusiness TNCs have imposed on their locality has confined them to a market of “single crop and single buyer”. They can not shift to other commercial crops or staple production because no one will buy such products. With no real choices, the farmers, small landowners, and farm workers are compelled to go on with contract growing and its “pakyaw” system even though they know that it is exploitative, that it is short-changing them.

The export crop lines that use contract growing are among the fastest growing industries in our agriculture. Consequently, the commercial farms and agribusiness TNCs engaged in the production of these export crops have been reporting positive growth rates since the late 1990s. One of the factors for such growth is that, having passed through contract growing the burden of production to farmers and small landowners, they have successfully trimmed down their production costs to the barest minimum. Among the overhead costs that they have avoided through contract growing are land acquisition and maintenance, machines and equipment, production inputs, and wage outlay. These items constitute about 75 per cent of production costs. It is thus about time that these companies take their “corporate social responsibility” seriously by sharing their growth to the communities that made that growth possible.

Such is the thrust of this bill: to imbue growth with social justice by giving the real producers in contract growing their due in order to protect and promote their welfare. For the farm workers: just

wages, better and human working conditions, health benefits and social security, the enjoyment of their rights to organization and concerted action and freedom from unjust and illegal exaction; and for the farmers and small landowners: mutual sharing of costs and risks as well as the benefits, fair prices for their produce, and fair rental for their lands.


RAFAEL V. MARIANO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3625

=====

INTRODUCED BY ANAKPAWIS PARTY-LIST REPRESENTATIVE
RAFAEL V. MARIANO

=====

**AN ACT PROMOTING THE WELFARE OF FARM WORKERS, FARMERS
AND SMALL LANDOWNERS IN CONTRACT GROWING
AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress
assembled:*

SECTION 1. This Act shall be known and cited as the ***“Contract Growing Stakeholders’ Welfare Act of 2010.”***

SECTION 2. Declaration of Principles and Policies. – The State realizes that contract growing has been used by commercial farms and agri-business corporations to pass on their costs of production to small farmers and landowners in order to gain maximum profits. This has led to business practices that created layers of working relations and conditions that are highly exploitative and disadvantageous to the lower stakeholders in contract growing.

The State recognizes that such conditions are not conducive to the industrial peace of areas in our agriculture where the contract growing is prevalent. At the same time, they retard the development of our farm workers, farmers, and small landowners as productive members of our society.

In line with Section 3 of Article XIII of the Philippine Constitution, it is the policy of the State to protect the rights of farmers, farm workers and small landowners in contract growing in order to promote their welfare and ensure their just share in the fruits of production.

To this end, the State shall institute measures that will regulate contract growing with the principles of social justice to ensure that the rights of farmers, farm workers and small landowners, as the lower stakeholders in contract growing, are protected, their working conditions improved, and their socio-economic status uplifted.

SECTION 3. Definitions – For purposes of this Act, the following terms shall be understood to mean:

- a. **Agri-business corporation** refers to a corporation, whether foreign or local, which is engaged in commercial farming in the country or whose business interest is primarily in the production or trade of agricultural products;
- b. **Commercial farms** refer to farms usually operated by agri-business corporations, local or foreign, and engaged in large-scale production of commercial or export crops;
- c. **Department** refers to the Department of Agriculture;
- d. **Farm workers** as used specifically in this Act, refer to workers who render farm work or any work in relation to crop production under a contract growing scheme;
- e. **Contract growing** refers to the agreement, formal or informal, by which a farmer or small landowner, constituting one party known as the contract grower, undertakes to dispose his land and industry for the production of a specified commercial crop for a commercial farm or agribusiness transnational corporation which constitutes the other party; same as **growership contract**;
- f. **The other party** refers to a commercial farm or agri-business corporation or any entity which contracts out the production of commercial crops to a farmer or small landowner;

Chapter 1. Scope, Coverage and Effect on Contract Growing

SECTION 4. Scope. - All contracts, by whatever name the parties call them, that possess the elements and character of a growership contract as defined in this Act shall be governed by the provisions of this Act.

SECTION 5. Effect on contract growing. - All contracts that possess the elements and character of growership contract shall explicitly provide that the provisions of this Act are incorporated into the contract and form as integral part thereof. Any such contract that does not explicitly provide the mandated incorporation shall be void ab initio.

SECTION 6. Mandatory registration. - All growership contracts shall be registered with the Bureau of Rural Workers (BRW). Any such contract not registered with the BRW shall be voidable. No person shall enter into the implementation of the provisions of such contract unless he/she has complied with the registration requirement.

The BRW shall see to it that the parties to the growership contract have complied with the mandatory incorporation requirement mentioned in the preceding Section.

In the registration of the growership contract with the BRW, the voluntariness of the act of the parties in entering into the contract shall be proven independently of the contract through a separate sworn undertaking. Such sworn undertaking shall be attached to the growership contract in the submission for registration.

SECTION 7. *Growership contract as partnership contract.* - For purposes of determining the sharing of the income, fruits and other benefits, a growership contract is hereby declared by law as a contract of partnership between the parties. The contract grower is hereby declared by law as the industrial partner, with his land and industry as his contribution to the partnership. The other party shall be the capitalist partner.

SECTION 8. *Growership contract as a contract of agency.* - For purposes of determining liabilities, responsibilities and obligations to farm workers, a growership contract is hereby declared by law as a contract of agency. The contract grower is hereby declared by law as an agent of the other party and the other party is hereby declared by law as the principal upon which the liabilities, responsibilities and obligations to farm workers that arise from the contract are reposed.

Chapter 2. Rights of Farm Workers and Improving Their Working Conditions in Contract Growing

SECTION 9. *Minimum wage laws to cover farm workers in contract growing.* - The minimum wage law and any increase thereof as maybe ordered by the proper authority or as maybe agreed in a collective bargaining agreement shall apply to all farm workers recruited or hired to work in a contract growing.

To protect the interest of farm workers in contract growing, the *pakyaw* system or any similar wage scheme is hereby declared by law not only as illegal but also contrary to morals and public policy. Any provision in the growership contract that stipulates a wage system lower than the minimum wage shall render the whole contract void.

SECTION 10. *Security of tenure of farm workers in contract growing.* - Farm workers hired to work in contract growing are hereby declared by law as employees of the other party.

Any farm worker who has worked for two continuous and consecutive production cycle in a growership contract involving the same parties shall automatically become an employee with permanent or regular status of the other party. Starting on the day marking the end of the second production cycle, he shall enjoy the right of security of tenure and be entitled to all other rights, privileges, and benefits, such as medical care, disability and retirement pension, as provided for under the Labor Code and other laws and as may be provided for by collective bargaining agreements between the farm workers and the other party.

Farm workers who do not qualify to become regular employees of the other party shall not be dismissed from work without just cause. For purposes of determining liabilities arising from the act of dismissing farm workers, the dismissal made by the team leader ("capataz") of the farm workers shall be considered as the act of the contract grower or the other party.

SECTION 11. *Regular hours of work in contract growing; breaktime and day-off.* - In accordance with the Labor Code, the regular hours of work of farm workers in contract growing shall not exceed eight (8) hours a day.

Farm workers shall also be entitled to break time and rest of at least one (1) hour for lunchtime. Further, they shall be entitled to a day-off of once a week.

Section 12. Overtime pay. - Any work performed by any farm worker beyond the regular hours of work shall be considered as overtime work subject to the payment of overtime pay and other benefits provided by our labor laws and as maybe provided by the collective bargaining agreement between the farm workers and the other party.

If the extra work rendered by the farm workers is on the inter-cropping of the contract grower, such work shall be paid by the contract grower under such terms and conditions the farm workers and the contract grower may agree upon.

SECTION 13. Right to self-organization, collective bargaining and other forms of concerted action. - Farm workers in contract growing shall have the right to organize, form unions, go on strike and to bargain for better working conditions.

No growership contract shall contain any provision prohibiting farm workers to organize or which derogates their rights to self-organization and concerted action

SECTION 14. Working and safety gears, tools, and instruments. - The other party or the contract grower shall strictly observe international standards for occupational health and safety for the hired farm workers.

The other party or contract grower shall provide the farm workers with the working gears, tools, and instruments necessary to the performance of work and necessary to the safety and protection to the health and well being of farm workers. Such working and safety gears, tools and instruments shall be provided by the other party without cost to farm workers. No farm worker shall be made to begin performing work without the provision of working and safety gears, tools and instruments.

SECTION 15. Necessary training on handling chemical inputs. - The other party or the contract grower shall provide farm workers who are into the specialized work of applying fertilizers, pesticides and other chemical inputs on the crops the necessary training on handling such chemicals. The training shall be free of charge and shall be considered as work days in favor of the farm workers subject to the payment of daily wage.

It shall include first aid measures to be applied when a farm worker gets injured from contact with the chemical inputs.

SECTION 16. Injuries and damages to farm workers due to non-provision of working and safety gears and lack of diligent precautionary supervision. - The other party shall be liable for whatever injuries and damages to the health, safety and physical well-being of farm workers that may be caused by his failure to provide working and safety gears, as provided in Section 14.

In the same manner, even if the other party has provided working and safety gears as mentioned in the preceding section, if he failed to exercise diligent precautionary supervision as to the use of such safety gears, tools, and instruments, including other inputs of production such as chemicals, the other party shall likewise be liable for whatever

damages such failure to exercise diligent precautionary supervision may cause on the health, safety, and physical well-being of the farm workers.

The payment by the other party for such injuries and damages mentioned in the preceding paragraph shall be over and above what a farm worker is entitled to demand and receive under the Workmen's Compensation Act and other related laws.

SECTION 17. *Presumption of failure to exercise diligent supervision.* - If a farm worker suffers injuries and damages to his health, safety and physical well-being while employed in the growership contract, such injuries and damages being attributable to exposure to chemicals and other inputs of production, it shall be assumed that he suffered such injuries and damages due to the failure of the other party to exercise diligent precautionary supervision as to the proper use of such chemicals and other inputs of production.

SECTION 18. *Institution of health and safety committee.* - The other party or the contract grower shall institutionalize the health and safety committee in their plantation units. Such committee shall be formed for each function of the production process such as weeding, spraying, harvesting, and packing. If the production unit is small scale, it shall be formed on the basis of farm parcels.

Such committee shall have representation from the ranks of farm workers.

Chapter 3. Other Protective Measures for Farm Workers

SECTION 19. *Registration of recruiters.* - All persons and entities engaged in the act or business of recruiting farm workers to work in contract growing shall register with the Department of Labor and Employment (DoLE). In their application for registration, they shall execute a sworn undertaking that they will not collect any fee or any other charge or exaction from the farm workers.

Any person or entity which enters into the act of recruiting farm workers to work in contract growing without having first registered with the DoLE shall be liable for the offense of illegal recruitment punishable under this Act.

SECTION 20. *Collection of any fee from the farm workers is illegal.* - It shall be illegal for any person or entity to collect "finder's fee" or any such similar exaction from the farm workers recruited. Such act shall be punishable under this Act.

SECTION 21. *Expenses incurred by recruiters chargeable to the contract grower or the other party.* - Persons and entities which incurred necessary and incidental expenses in recruiting farm workers and mobilizing them to work in contract growing shall charge such expenses to the contract grower or the other party.

SECTION 22. *Requisite for any signing of recruitment or employment document.* - The recruiter or the other party shall not make the recruited farm workers sign any document or contract unless the signing is in the presence of a leader of farm workers union. If there is no union leader or farm workers union in the locality, the signing shall be in the presence of a leader of local farmers' organization.

The union or farmers' leader shall read the contents of the document to the farm workers and categorically ask them if they understood their meaning and implications. If a farm worker declares that he does not understand the document or expresses reservation on any stipulation or portion of the document, the signing shall not proceed.

Chapter 4 – Rights of Small Landowners and Obligations of the Other Party in Growership Contract

SECTION 23. *Use of land in growership contract is a form of land lease.* - Any contract in which a farmer or small landowner disposes his land for the production of commercial crops for the other party, be it a commercial farm or agri-business transnational corporation or any other entity, the production process being subject to the terms and conditions imposed by the other party as to crop variety to be cultivated, technology to be used, and product quality, in accordance with phytosanitary and other standards determined by the other party, is a contract that puts the land to the use and control, management, and direct benefit of such other party.

Such a contract is hereby declared by law as a form of land lease, notwithstanding that it is the other party who provides capital for the production process and the owner of the land retains possession of the land under a growership contract.

SECTION 24. *Land rentals.* - The owner of land who enters into such a contract, as mentioned in the preceding section, shall be entitled to land rentals. The rental shall not be lower than seventy-five per cent (75 %) of the zonal valuation of the land as made by the Bureau of Internal Revenue.

If the contract duration is for a period of five years and above, it shall contain a provision for the acceleration of the rate of rentals on the third year. The acceleration rate shall not be lower than ten percent (10 %) of the original rental.

SECTION 25. *Owner of the land as industrial partner.* - If under the growership contract, the owner of the land is also involved in the production process as the one who recruits farm workers, manages the farm workers and supervises the production process from planting to delivery of the products to the other party, including care and maintenance of the crop in growth, such owner of the land shall be considered as an industrial partner who shall be entitled to a just share of the income and profits of the growership contract.

SECTION 26. *Obligation of the other party to provide capital.* - The growership contract being declared by this Act to be a partnership contract, it shall be the duty of the other party to provide the necessary capital as its contribution to the partnership/growership contract. Such capital to be provided by the other party to the industrial partner shall answer for and cover all the expenses necessary and incidental to the entire production process of the contract growing, including the payment of wages of farm workers. Such capital shall not be considered a loan to be paid by the industrial partner.

SECTION 27. *Obligation of the other party to reimburse all expenses.* - If the industrial partner incurs any expenses, either from his own funds or through loan, that are necessary or incidental to the crop production process, such expenses shall be demandable for reimbursement by the other party upon the delivery of the produce to the other party.

It shall be demandable on the other party without need of filing a claim or reimbursement suit in court.

SECTION 28. *Purchase price of the produce of the growership contract.* - If the other party, under the terms of the growership contract, is the one who buys the produce of the farmer or small landowner or industrial partner, he shall buy the produce of the growership contract at its current market price. The determination of the current market price shall be at the point of delivery of the produce by the farmer or small landowner or industrial partner to the other party.

SECTION 29. *Right to sell to third parties if the crops produced are rejected.* - If the crops produced under the terms of the growership contract are rejected by the other party due to failure of the produce to pass the quality and phytosanitary standards as determined by the other party, the industrial partner who produced the crops shall have the right to sell the crops to other persons or entity willing to buy the crops.

SECTION 30. *Right to inter-cropping.* - Any farmer or landowner entering into a growership contract shall have the right to grow/plant any other kind of crops in the land other than that specified in the contract of growership unless the growing of other crops in the land is proven, scientifically, to be detrimental to the growth of the specified crop in the growership contract.

The farmer or landowner shall have the exclusive right to own, enjoy and disposed of the fruits of the crops which he has grown simultaneously with the specified crop in the growership contract.

SECTION 31. *Accounting at the end of each production cycle.* - Within two weeks after the produce of the growership contract are sold, it shall be the obligation of the other party to conduct an accounting with the presence of the industrial partner in order to settle all accounts, payables and other monetary obligations between them.

Chapter 5 - Obligations of Third Party Intermediaries, Agents and Recruiters of Growership Contractors and Farm Workers

SECTION 32. *Third party intermediary stands in the shoes of the other party.* - Any person or entity which enters into a growership contract with a commercial farm or agribusiness corporation or any other entity and recruits farmers or small landowners to perform the obligation of actually producing in the concept of a growership contract for the commercial farm or agribusiness corporation or any other entity shall be considered to be in the shoes of the other party.

Such person or entity shall be primarily liable for whatever claims and obligations arises from the growership contract, including claims by third parties.

SECTION 33. *Collection of fees by recruiters is prohibited; exception.* - Any person or entity which recruits farmers or small landowners to enter into growership contract with commercial farms or agribusiness corporations shall be prohibited from collecting any fee from recruited farmers and small landowners except those allowed under this Act.

In recruiting farmers or small landowners to enter into growership contract, only the following are the allowable fees collectible under this Act:

- a. Processing and service fee, including documentary stamps, for documents prepared by such person or entity for and in behalf of recruited farmers and small landowners; and
- b. Notarial fees for the formal execution of documents necessary to legalize the growership contract if the notary public is provided by such recruiting person or entity.

The payment of the fees mentioned above shall be to the account of the other party.

Chapter 6. Other Obligations and Liabilities Arising from the Growership Contract

SECTION 34. *Injuries and damages to third parties.* - The other party shall be liable to any third party who suffers injuries and damages to health, safety, and physical well-being, including damages to property and the immediate habitat, due to the use of chemicals and other production inputs in the production of crops under a growership contract.

SECTION 35. *Payment of environmental conservation endowment fee for the use of chemicals.* - In any contract growing that entails the use of chemicals, the other party, before commencing the operation of the growership contract, shall pay an environmental conservation endowment fee in the amount of fifty centavos (P.50) per gallon of chemicals used or projected to be used. The payment of such fee shall be made with the local government unit where the operation of the growership contract is located.

SECTION 36. *Environmental conservation endowment fee to be constituted as trust fund for the conservation of environment against ill effects from the use of chemicals.* - The revenues collected by the local government units from the payment of environmental conservation endowment fee by contract growers shall be constituted as Environmental Conservation Endowment Fund. Such a fund shall be exclusively used as a trust fund for programs to rehabilitate the environment that is damaged due to the ill effects from the use of chemicals.

Chapter 7. Conflict Resolution and Venue

SECTION 37. *Disputes.* - The provisions of the Labor Code of the Philippines shall be applied in case any dispute arises relative to the terms and conditions of employment of farm workers in contract growing.

Chapter 8. Penal Provisions

SECTION 38. *Penalties.* - Any person found to have violated the provisions of this Act shall be penalized according to the following:

- a. For violation of Section 6 and first paragraph of Sections 19 and 33, a fine of not less than Twenty Five Thousand Pesos (P25,000.00) but not more than Fifty Thousand Pesos (P50,000.00);
- b. For violations of Sections 9 to 15 and 18, a fine of not less than One Hundred Fifty Thousand Pesos (P150,000.00) but not more than Three Hundred Thousand Pesos (P300,000.00); and

- c. For violations of second paragraph of Sections 19 and Section 20, an imprisonment of not less than one (1) year but not more than three (3) years and a fine of not less than One Hundred Thousand Pesos (P100,000.00) but not more than One Hundred Fifty Thousand Pesos (P150,000.00).

Chapter 9. Miscellaneous Provisions

SECTION 39. *Visitorial and inspectorial duty of DoLE; reporting* – During the first two years of implementation of this Act, to ensure that the provisions of this Act on improving the working conditions of farm workers are immediately followed and instituted, the DoLE, through the BRW, shall conduct quarterly inspection of the premises of the farm or production unit of the other party or contract grower. After the abovementioned period, the DoLE may conduct inspectorial visits as regularly as necessary.

The DoLE shall submit a copy of its inspectorial report to the Committee on Labor and Employment of the House of Representatives and the Senate respectively.

SECTION 40. *Implementing Guidelines*. – In consultation with farmers or their organizations in the area wherein the contract of growership shall be implemented and in coordination with the Department of Agriculture, the DoLE shall, in accordance with this Act, formulate and publish the implementing rules and regulations for the effective implementation of this Act, within ninety (90) days from its enactment.

SECTION 41. *Suppletory Application*. - All previous or existing laws, decrees, executive orders, rules and regulations not inconsistent with this Act shall have suppletory effect.

SECTION 42. *Repealing Clause*. - All previous or existing laws, decrees, executive orders, rules and regulations or parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

SECTION 43. *Separability Clause*. - If, for any reason, any section or provision of this Act is declared null and void, no other section, provision, or part thereof shall be affected and the same shall remain in full force and effect.

SECTION 44. *Effectivity Clause*. - This Act shall take effect immediately after publication in at least two (2) newspapers of general circulation.

Approved.