



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress
First Regular Session



COMMITTEE REPORT NO. 873

Submitted by the Committee on Agriculture and Food and the Committee on Ways and Means on 11 APR 2011
Re : House Bill No. 4528
Recommending its approval in substitution to House Bill Nos. 3182 and 3292
Sponsors : Reps. Mark Llandro L. Mendoza, Agapito H. Guanlao, Pryde Henry A. Teves, Karlo Alexei B. Nograles

Mr. Speaker:

The Committee on Agriculture and Food and the Committee on Ways and Means to which were referred House Bill Nos. 3182 and 3292 introduced by Representatives Agapito H. Guanlao, Pryde Henry A. Teves, Karlo Alexei B. Nograles, both entitled :

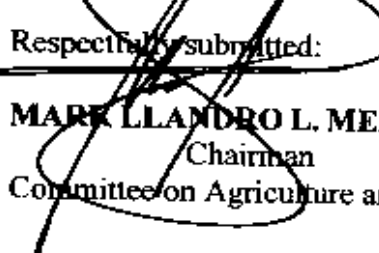
AN ACT PROMOTING CORPORATE FARMING AND PROVIDING INCENTIVES THEREOF

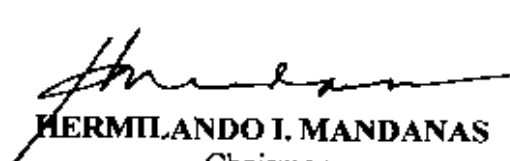
have considered the same and have the honor to recommend to the House that the attached House Bill No. 4528, entitled:

AN ACT PROMOTING CORPORATE FARMING AND PROVIDING INCENTIVES THEREOF

be approved in substitution to House Bill No. 3182 and 3292 with Representatives Mark Llandro L. Mendoza, Agapito H. Guanlao, Pryde Henry A. Teves, Karlo Alexei B. Nograles, Victorino Dennis M. Socrates, Jocelyn S. Limkaichong, Joselito Andrew R. Mendoza, Eric G. Singson, Jr., Deogracias B. Ramos Jr., Tomas V. Apacible, Rodolfo G. Valencia, Lucy T. Gomez, Pedro M. Pancho, Randolph S. Ting, Salvador H. Escudero III, Robert Raymund M. Estrella, Maximo B. Rodriguez, Jr., Daryl Grace J. Abayon, Cresente C. Paez, Nicanor M. Briones, Jesus N. Sacdalan, Victor F. Ortega, Phillip A. Pichay, Imelda Q. Dimaporo, Rachel del Mar, Fatima Aliah Q. Dimaporo, Sharon S. Garin, Jeci A. Lapus, Carlos M. Padilla, Raymund V. Palatino, Angelo B. Palmones, Catalina Leonen Pizarro, Reynaldo V. Umali, Luis R. Villafuerte, and Victor J. Yu as co-authors thereof.

Respectfully submitted:


MARK LLANDRO L. MENDOZA
Chairman
Committee on Agriculture and Food


HERMILANDO I. MANDANAS
Chairman
Committee on Ways and Means

FACT SHEET

House Bill No. 4528

(In substitution to House Bill Nos. 3182 and 3292)

AN ACT PROMOTING CORPORATE FARMING AND PROVIDING INCENTIVES THEREOF

Introduced by: Representatives Mark Llandro L. Mendoza, Agapito H. Guanlao, Pryde Henry A. Teves, Karlo Alexei B. Nograles, Victorino Dennis M. Soxates, Jocelyn S. Limkaichong, Joselito Andrew R. Mendoza, Eric G. Singson, Jr., Deogracias B. Ramos Jr., Tomas V. Apacible, Rodolfo G. Valencia, Lucy T. Gomez, Pedro M. Pancho, Randolph S. Ting, Salvador H. Escudero III, Robert Raymund M. Estrella, Maximo B. Rodriguez, Jr., Daryl Grace J. Abayon, Cresente C. Paez, Nicanor M. Briones, Jesus N. Sacdalan, Victor F. Ortega, Phillip A. Pichay, Imelda Q. Dimaporo, Rachel del Mar, Fatima Aliah Q. Dimaporo, Sharon S. Garin, Jeci A. Lapus, Carlos M. Padilla, Raymund V. Palatino, Angelo B. Palmones, Catalina Leonen Pizarro, Reynaldo V. Umalil, Luis R. Villafuerte, and Victor J. Yu

Committee Referral: **COMMITTEE ON AGRICULTURE AND FOOD**

Committee Chairperson: **HONORABLE MARK LLANDRO L. MENDOZA**

OBJECTIVES:

- To attain food (rice/corn) security by re-evaluating and redefining the government's short- and long-term priorities and resources aimed at improving rice productivity.
- To encourage the private sector to engage in agricultural production by adopting a "corporate farming" scheme, with rice/corn as the primary crop, to feed their own employees, thus, taking the lead role in promoting food security.
- To help eliminate the chain of middlemen and bring the producers and processors face-to-face, leading to better product distribution, stimulating higher private investment in agriculture, and resulting in higher outputs, income and exports

KEY PROVISIONS:

- Stipulates that participation to the Corporate Farming Program is voluntary.
- Provides for specific corporate farming schemes that corporations/partnerships may enter into.
- Stipulates that agricultural lands purchased or leased for the purpose cannot be converted to other uses within a period of seven (7) years; that within a period of three (3) years, fifty per cent (50%) of the land should have been developed and ninety per cent (90%) within a period of five (5) years.

- States that participating corporations/partnerships shall be required to provide a minimum of 600 kilograms of rice/corn per employee per year or 50 kilograms per employee per month.
- Stipulates that production in excess of the employees' consumption requirements may be sold in the local markets, provided that such will be reported to the National Food Authority (NFA).
- States that the Department of Agriculture (DA) and Department of Agrarian Reform (DAR) shall be the lead agencies that will institute measures to ensure higher rice/corn productivity through the corporate farming schemes
- Provides further that the DA and DAR shall facilitate the processing of management contracts between the corporations/partnerships and the farmers' groups with the appropriate government agencies
- Stipulates that corporations/partnerships participating in the Corporate Farming Scheme shall be entitled to tax incentives, such as:
 - exemption from the payment of Customs duties on the importation of all types of agricultural inputs particularly seeds, fertilizers, agricultural machinery and other agricultural implements as provided under RA 9281, which amends RA 8435 or the Agriculture and Fisheries Modernization;
 - exemption from the payment of value added tax (VAT) on the importation of agricultural inputs in accordance with Section 109 of the National Internal Revenue Code, as amended; and
 - exemption from the payment of capital gains tax for a person, either natural or juridical, who sells and/or transfers idle agricultural land to corporations and partnerships engaged in corporate farming.
- Stipulates that loans extended by government and private banks to corporation/partnerships engaged in corporate farming shall be treated as compliance to Republic Act 10000, also known as the Agri-Agra Reform Credit Act of 2009.

RELATED LAWS:

- Republic Act 10000, also known as the Agri-Agra Reform Credit Act of 2009.
- General Order 47
- RA 9281, amending RA 8435 also known as the Agriculture and Fisheries Modernization Act
- National Internal Revenue Code

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4528

Introduced by: Representatives Mark Llandro L. Mendoza, Agapito II. Guanlao, Pryde Henry A. Teves, Karlo Alexei B. Nograles, Victorino Dennis M. Socrates, Jocelyn S. Limkaichong, Joselito Andrew R. Mendoza, Eric G. Singson, Jr., Deogracias B. Ramos Jr., Tomas V. Apacible, Rodolfo G. Valencia, Lucy T. Gomez, Pedro M. Pancho, Randolph S. Ting, Salvador H. Escudero III, Robert Raymund M. Estrella, Maximo B. Rodriguez, Jr., Daryl Grace J. Abayon, Cresente C. Paez, Nicanor M. Briones, Jesus N. Sacdalan, Victor F. Ortega, Phillip A. Pichay, Imelda Q. Dimaporo, Rachel del Mar, Fatima Aliah Q. Dimaporo, Sharon S. Garin, Jeci A. Lapus, Carlos M. Padilla, Raymund V. Palatino, Angelo B. Palmones, Catalina Leonen Pizarro, Reynaldo V. Umali, Luis R. Villafuerte, and Victor J. Yu

**AN ACT PROMOTING CORPORATE FARMING AND PROVIDING
INCENTIVES THEREOF**

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

1 **SECTION 1. Domestic Corporations and Partnerships.** – For the purpose of this Act,
2 domestic corporations and partnerships shall refer to all corporations and partnerships
3 organized and existing under Philippine laws, operating for profit: *Provided*, That the
4 corporations and partnerships report earnings over the last four (4) years that will allow them
5 to engage in the production of rice/corn for their employees' requirements without adversely
6 affecting their financial viability. Appropriate guidelines shall be issued to determine the
7 corporations and partnerships that are to be covered by this Act.

8
9 **SEC. 2. Corporate Farming Arrangements.** Participation in the Corporate Farming
10 Program shall be on a voluntary basis. For the purpose of this Act, the following are the
11 corporate farming schemes that the corporations/partnerships may engage in:

12
13 (a) Corporations and partnerships with existing landholdings suitable for rice/corn
14 production may manage the land and produce the rice/corn or may enter into a
15 management/contractual arrangement with farmers' groups such as farmers' associations,
16 cooperatives and agrarian reform communities (ARCs);

17
18 (b) Corporations and partnerships may purchase or lease on a long term basis, public
19 or private agricultural land suitable for rice/corn production, whereby the

1 corporations/partnerships are given full management and production control over the
2 purchased or leased lands or may enter into contractual arrangements, or joint ventures with
3 landowners, farmers' organizations and ARCs.

4
5 Agricultural lands purchased or leased for the purpose cannot be converted to other
6 uses within a period of seven (7) years. Fifty percent (50%) of the land should have been
7 developed within a period of three (3) years, and ninety percent (90%) within a period of five
8 (5) years.

9
10 For purchased lands, the government has the right to offer the said lands to other
11 interested parties based on the original acquisition cost and initial development cost, if any, to
12 be refunded to the corporation/partnership, in case the land has not been developed as
13 intended; and

14
15 (c) Corporations/partnerships may enter into contractual arrangements with farmers'
16 organizations/ARCs, whereby the corporations and partnerships will provide the production
17 inputs and technical and related services, then buy back the produce;

18
19 (d) Corporations and partnerships may enter into joint ventures/contractual
20 arrangements with timber licensees and pasture lessees for the cultivation of lands found
21 suitable for rice/corn production in the timber concessions or leased pastures: through the
22 Department of Environment and Natural Resources.

23
24 The local government units (LGUs) shall be required to identify appropriate land
25 areas for corporate farming in consonance with their comprehensive land-use plan and
26 ordinances. The LGUs shall require the participating corporations or partnerships to provide
27 livelihood projects/opportunities to families who will not be hired by the said entities.
28 Further, the LGUs may also identify local taxes that may be offered as incentives for
29 corporate farming.

30
31 **SEC. 3. *Disposition of Excess Production.*** – Participating corporations or
32 partnerships shall be required to provide a minimum of six hundred (600) kilograms of
33 rice/corn per employee per year or fifty (50) kilograms per employee per month. Production
34 in excess of the employees' consumption requirements may be sold in the local markets:
35 *Provided, That* such will be reported to the National Food Authority (NFA).

36
37 **SEC. 4. *Implementing Agencies and Implementing Rules and Regulations (IRR).*** –
38 The Department of Agriculture (DA) and the Department of Agrarian Reform (DAR) shall be
39 the lead agencies to institute measures to ensure higher rice/corn productivity through
40 corporate farming schemes. Moreover, the DA and the DAR shall facilitate with the
41 appropriate government agencies the processing of management contracts between the
42 corporations/partnerships and the farmers' groups. Further, the DA and the DAR shall

1 oversee and monitor the IRR and guidelines of this Act. The DA and the DAR shall exercise
2 the following functions:

3
4 (a) Develop eligibility criteria for both corporations/partnerships and farmers' groups,
5 cooperatives and/or ARCs for consideration under this Act and to institute their accreditation:
6 *Provided*, That the farmers' group criteria should include management capabilities, technical
7 and production skills critical to the effective operation of the corporate farm;

8
9 (b) Identify suitable private and public-owned rice/corn production areas for
10 corporate farming and determine the maximum ceiling of landholdings for corporate farming
11 arrangements: *Provided*, That the DA and the DAR shall periodically determine the need to
12 expand/reduce rice/corn production areas for corporate farming schemes on the basis of
13 rice/corn demand-supply gaps;

14
15 (c) Facilitate and promote grassroots cooperation to access agricultural services such
16 as information, inputs and technical assistance;

17
18 (d) Initiate and develop periodic rural/farm assembly markets to provide avenues to
19 showcase their produce;

20
21 (e) Exercise regulatory functions with respect to the adherence to the provisions of
22 contracts and arrangements entered into by both corporations/partnerships and farmers'
23 groups, cooperatives and/or ARCs and to develop mechanisms to facilitate negotiations and
24 mediate in disputes between stakeholders on matters of contract enforcement;

25
26 (f) Coordinate with the appropriate government agencies to ensure the timely
27 establishment of support services such as credit, infrastructure, extension services and others;

28
29 (g) In consultation with other concerned government agencies, nongovernment
30 organizations, private sector and farmers' groups involved in rice/corn production, formulate
31 the IRR necessary to operationalize the provisions of this Act within ninety (90) days from its
32 approval; and

33
34 (h) Facilitate the registration of the participating corporations/partnerships with the
35 NFA.

36
37 **SEC. 5. Incentive Package.** – Corporations and partnerships which shall participate in
38 the Corporate Farming Act shall be entitled to tax incentives covering all aspects of the
39 operation germane to corporate farming activities. These include the following:

40
41 (a) Exemption from the payment of customs duties on the importation of all types of
42 agricultural inputs, particularly seeds, fertilizers, agricultural machinery and other agricultural

1 implements as provided under Republic Act No. 9281, which amends Republic Act No. 8435
2 or the Agriculture and Fisheries Modernization Act;

3
4 (b) Exemption from payment of value-added tax (VAT) on the importation of
5 agricultural inputs in accordance with Section 109 of the National Internal Revenue Code, as
6 amended;

7
8 (c) Exemption from the payment of capital gains tax for a person, either natural or
9 juridical, who sells and/or transfers idle agricultural land to corporations and partnerships
10 engaged in corporate farming.

11
12 **SEC. 6. *Other Incentives.*** -- Loans extended by banks, both government and private,
13 to participating corporations/partnerships shall be treated as compliance with Republic Act
14 10000 or "The Agri-Agra Reform Credit Act of 2009."

15
16 **SEC. 7. *Duration.*** -- Participating corporations/partnerships with existing
17 landholdings may engage in rice/corn production within a period of time to be determined by
18 this Act. However, those corporations/partnerships which have purchased agricultural lands
19 for the purpose cannot convert the land to other uses within a period of seven (7) years.
20 Arrangements/negotiations for leased public or idle private agricultural lands shall be for a
21 period not less than seven (7) years.

22
23 **SEC. 8. *Automatic Review.*** -- The DA and the DAR, being the lead government
24 agencies in the Corporate Farming Program, shall submit periodic reports to both Houses of
25 Congress on the accomplishment of the Program. A review on the viability of the Program
26 shall be made by the concerned agencies after five (5) years of its implementation.

27
28 **SEC. 9. *Separability Clause.*** The provisions of this Act are hereby declared to be
29 separable, and in the event one or more such provisions are held unconstitutional, the validity
30 of the other provisions shall not be affected thereby.

31
32 **SEC. 10. *Repealing Clause.*** All laws, decrees, executive orders, rules and
33 regulations, issuances or parts thereof inconsistent with the provisions of this Act are hereby
34 repealed or modified accordingly.

35
36 **SEC. 9. *Effectivity.*** -- This Act shall take effect after fifteen (15) days following its
37 publication in the Official Gazette or in a national newspaper of general circulation.

38
39 Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

15th Congress
First Regular Session

House Bill No. **3292**

Introduced by HON. PRYDE HENRY A. TEVES AND HON. KARLO
ALEXEI B. NOGRALES

EXPLANATORY NOTE

Recent surges in the world price of rice and the increasingly tight global supply of rice have been raising fears of food crisis in many parts of Asia where rice is a staple. Trend in international rice prices has been on the rise since 2001. On the average, rice prices for the first ten months of 2007 was 35% higher at US \$297/ton compared to the same period last year at US\$221/ton. International price of rice continued to rise early 2008. For instance, the high quality Thai 100%-A was quoted at US\$546/ton in March 2008, up by 13% compared to February of the same year.

Many experts believe that the price trend in the global market for rice will be sustained. The high costs of oil and fuel-based chemical fertilizers, the prevalence of crop diseases, the emergence of chemically resistant pests, and the growing impact of climate change have been largely blamed for the price spikes in the world market.

The Philippines' vulnerability to fluctuations in the supply and price of rice in the global market has been underscored by its dependence on importation to fill domestic production shortfalls. Already, the country has been one of the largest importers of rice, accounting for 6% of total rice imports in 2006-2007 (FAO,2008). This is partly due to production efficiency disparities between domestic and foreign rice producers in addition to spiraling costs of production inputs.

On the local front, the aforementioned factors in addition to market speculation of local rice traders have fueled recent price increases. For 2008, a comparison of the January and April

domestic average retail rice price-levels displayed a 37.47% uprend for regular-milled rice and 31.72% price increase for well-milled rice (Bureau of Agricultural Statistics, 2008).

Thus, the government needs to re-evaluate and subsequently redefine its short run and long-term priorities and resources aimed at improving rice productivity. The formidable challenge confronting the government involves the attainment of food (rice) security in lieu of food sufficiency.

A pragmatic and effective approach to the problem is by encouraging more private sector participation in agricultural production. Deeper private sector involvement will bring in the most productive inputs and technologies available to help improve farm business structures in the country. It must be noted that about eighty (80%) of landholdings in the country are occupied/leased by small farmers which do not have the necessary resources and skills to increase farm yields.

Toward this end, this Act seeks the adoption of a "corporate farming" scheme with the private sector taking the lead role to promote food security. Specifically, this requires the country's most profitable corporations to engage in agricultural production to feed their own employees. In addition, corporations and other business entities shall be required to engage in corporate farming with rice as their primary crop. Vast tracts of unused public lands can be tapped for such corporate farms. Corporations can also enter into joint venture agreements with farmer beneficiaries of agrarian reform communities. As such, employers will not be able to feed their own employees but also ensure the provision of adequate supply to local consumers.

There are two types of facilitating policies that are relevant to corporate/contract farming. One involves regulatory regime adjustments to reduce transaction costs of contractual arrangements. The other involves providing incentive mechanisms to encourage corporate farming.

With the aforementioned effectively in place, corporate farming systems help eliminate the chain of middlemen and bring the producers and processors face-to-face. In the long-run, it leads to better allocative efficiency, induces higher private investment in agriculture, and results in higher outputs, income and exports.



PRYDE HENRY A. TEVES



KARLO ALEXEI B. NOGRALES

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

15th Congress
First Regular Session

House Bill No. 3292

Introduced by HON. PRYDE HENRY A. TEVES AND HON. KARLO
ALEXEI B. NOGRALES

AN ACT PROMOTING CORPORATE FARMING
AND PROVIDING INCENTIVES THEREOF

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

Section 1. Domestic Corporation and Partnerships. For the purpose of this Act, domestic corporations and partnerships shall refer to all corporations and partnerships organized and existing under Philippine laws, operating for profit, provided that said corporations and partnerships report earnings over the last four (4) years that will allow them to engage in the production of rice/corn for their employees' requirements without adversely affecting their financial viability. Appropriate guidelines shall be issued to determine the corporations and partnerships that are to be covered by this Act.

Section 2. Corporate Farming Arrangements. Participation to the Corporate Farming Program shall be on a voluntary basis. For the purpose of this Act, the following are the corporate farming schemes that the corporations/partnerships may engage into:

- a. Corporations/ partnerships with existing landholdings suitable for rice/corn production may manage the land and produce the rice/corn or may enter into a management/ contractual arrangement/s with farmers' groups such as farmers' association, cooperatives, and Agrarian Reform Communities (ARCs);
- b. Corporations/ partnerships may purchase or lease on a long term basis public or private agricultural land suitable for rice/corn production whereby the corporations/partnerships are given full management and production control over the purchased or leased lands or may enter into contractual arrangements or joint ventures with landowners, farmers' organizations and agrarian reform communities (ARCs).

Agricultural lands purchased or leased for the purpose cannot be converted to other uses within a period of seven (7) years. Fifty percent (50%) of the land should have been developed within a period of three (3) years; and ninety percent (90%) within a period of five (5) years.

For purchased lands, the government has the right to offer the said lands to other interested parties based on the original acquisition cost and initial development if any, to be refunded to the corporation-partnership, in case the land has not been developed as intended.

c. Corporations/partnerships may enter into contractual arrangements with farmers' organizations/agrarian reform communities whereby the corporations and partnerships will provide the production inputs and technical and related services, then buy back the produce.

d. Corporations/partnerships may enter into joint ventures/contractual arrangements with timber licensees and pasture lessees for the cultivation of lands found suitable for rice/corn production in the timber concessions or leased pastures; through the Department of Environment and Natural Resources.

The Local Government Units (LGUs) shall be required to identify appropriate land areas for corporate farming in consonance with their comprehensive land use plan and ordinances. The LGUs shall require the participating corporations/partnerships to provide livelihood projects/opportunities to families who will not be offered as incentives for corporate farming.

Section 3. Disposition of Excess Production. The Corporations/partnerships shall be required to provide a minimum of 100 kilograms of rice/corn per employee per year or 50 kilograms per employee per month. Production in excess of the employees' consumption requirements may be sold in the local markets, provided that such will be reported to the National Food Authority (NFA).

Section 4. Implementing Agencies and Implementing Rules and Regulations (IRR). The Department of Agriculture (DA) and the Department of Agrarian Reform (DAR) shall be the lead agencies to institute measures to ensure higher rice/corn productivity through corporate farming schemes. Moreover, DA and DAR shall facilitate with the appropriate government agencies the processing of management contracts between the corporations/partnerships and the farmers groups. Further, DA and DAR shall oversee and monitor the IRR and guidelines of this Act. DA and DAR shall exercise the following functions:

a. Develop eligibility criteria for both corporations/partnerships and farmer groups, cooperatives, and/or agrarian reform communities for consideration under this Act and to institute their accreditation; Provided that, the farmers group criteria should include management capabilities, technical and production skills critical to the effective operation of the corporate farm;

- b. Identify suitable private and public-owned rice/corn production areas for corporate farming and determine maximum ceiling of landholdings for corporate farming arrangements; Provided that, the DA and DAR shall periodically determine the need to expand/reduce rice/corn production areas for corporate farming schemes on the basis of rice/corn demand-supply gaps;
- c. Facilitate and promote grassroots cooperation to access agricultural services such as information, inputs and technical assistance;
- d. Initiate and develop periodic rural/farm assembly markets to provide avenues to showcase their produce;
- e. Exercise regulatory functions with respect to the adherence to the provisions of contracts and arrangements entered into by both corporations/partnerships and farmers groups, cooperatives and/or agrarian reform communities and to develop mechanisms to facilitate negotiations and mediate in disputes between stakeholders on matters of contract enforcement;
- f. Coordinate with appropriate government agencies to ensure the timely establishment of support services such as credit, infrastructure, extension services and others;
- g. In consultation with other concerned government agencies, non-government organizations, private sector and farmer groups involved in rice/corn production, formulate the IRR necessary to operationalize the provisions of this Act within ninety (90) days from its approval.
- h. Facilitate the registration of the participating corporations/partnerships with the National Food Authority (NFA).

Section 5. Incentive Package. Corporations/partnerships, which will participate in the Corporate Farming Act, shall be entitled to tax incentives covering all aspects of the operation germane to corporate farming activities. These include the following:

- a. Exemption from the payment of tariff and Customs duties for the importation of all types of agricultural inputs particularly seeds, fertilizers, agricultural machinery, and other agricultural implements as provided under RA 9281 which amends RA 8435 or the Agricultural and Fisheries and Modernization Act;
- b. Exemption from the Value Added Tax (VAT) on the importation of agricultural inputs in accordance with Section 109 (d) of the National Internal Revenue Code, as amended;
- c. Exemption from the payment of capital gains tax for a person, either natural or juridical, who sells and/or transfers idle agricultural land to corporations and partnerships engaged in corporate farming; and
- d. Tax incentives, including income tax holiday, in accordance with the provisions of E.O. 226 or the Omnibus Investment Incentives Code, as amended.

Section 6. Other Incentives. Loans extended by banks, both government and private, to participating corporations/partnerships shall be treated as compliance to PD 717 or the *Agri-Agra Law*.

Section 7. Duration. Participating corporations/partnerships with existing landholdings may engage in rice/corn production within a period of time to be determined by this Act. However,

those corporations/partnerships which purchased agricultural lands for the purpose cannot convert the land to other uses within a period of seven (7) years. Arrangements/ negotiations for leased public or idle private agricultural lands shall be for a period not less than seven (7) years.

Section 8. Automatic Review. The Department of Agriculture and the Department of Agrarian Reform, being the lead government agencies in the Corporate Farming Program, shall submit periodic reports to both Houses of Congress on the accomplishment of the Program. A review on the viability of the program shall be made by the concerned agencies after five (5) years of its implementation.

Section 9. Effectivity. This Act shall take effect upon its approval.

Approved,

FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)



HOUSE OF REPRESENTATIVES
HOUSE BILL No. 3182

Introduced by the Honorable Agapito H. Guaniao

EXPLANATORY NOTE

The current food crisis especially on the rice importation fiasco has brought to focus the need to review the government policy on food security as well as the need to seek creative means to reinvigorate the agricultural sector.

Viewed through the prism of a liberalizing economy seeking to compete against well-entrenched world economies, the Philippines however is hard-pressed to make its agricultural policies more responsive and more advanced in order to hope for a modicum of parity with the rest of world.

Investments in the agricultural sector, while very needed, cannot be hoped to be shouldered by the public sector alone in the light of the government's perennial fiscal challenges since decades past.

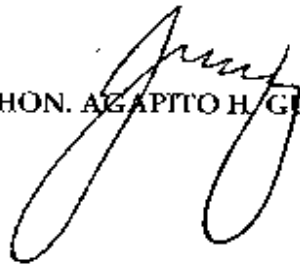
Corporate farming programs aim to attract more private sector engagement in the agriculture sector. Corporate farming's unique advantage is its ability to vertically integrate the entire process of food production and offers more efficient and effective management not only of the farm itself, and also the entire chain of agriculture-related business, including seed supply, agrochemicals, food processing, machinery, storage, transport, distribution, marketing, advertising, and retail sales. This would have significant impact on the ensuring a more stable rice and corn supply, as well as making rice and corn prices more predictable.

However, any measure seeking to promote corporate farming must address the national needs and aspirations for national sovereignty and agrarian justice with the need to provide security to the larger masses of poor Filipinos.

BUT III. Farmers Party has long upheld the primacy of farmers' security as synonymous to food security. The farmers and farm-workers must be partners in any corporate farming endeavors and not merely spectators or indentured laborers. Society should also not discount the probability that the farmers themselves, through their agricultural cooperatives, may acquire the necessary capitalization and landholding required by a vertically-integrated corporate farming scheme, a "cor-porative" farming design that a pro-farmer legislation should be open to.

This Representation's proposed version of a corporate farming initiative reflects this view. Thus, provisions upholding the rights of agrarian reform communities are well reflected and prioritized, as well as the necessity for an alternative "cor-porative" farming scheme as aforementioned. Compliance with existing laws especially on Organic Farming and the revised Agri-Agra Law is earnestly pursued and proposed.

Your full support on this measure is therefore earnestly sought.


HON. AGAPTO H. GUANLAO

HOUSE OF REPRESENTATIVES
HOUSE BILL No. 3182

Introduced by the HONORABLE AGAPITO H. GUANLAO

**AN ACT PROMOTING CORPORATE FARMING AND PROVIDING
INCENTIVES THEREOF**

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

SECTION 1. Domestic Corporations and Partnerships. - For the purpose of this Act, domestic corporations and partnerships shall refer to all corporations and partnerships organized and existing under Philippine laws, operating for profit. Provided, That said corporations and partnerships report earnings over the last four (4) years that will allow them to engage in the production of rice/corn for their employees' requirements without adversely affecting their financial viability. Appropriate guidelines shall be issued to determine the corporations and partnerships that are to be covered by this Act.

SEC. 2. Corporate Farming Arrangements. - Participation to the Corporate Farming Program shall be on a voluntary basis. For the purpose of this Act, the following are the corporate farming schemes that the corporations/partnerships may engage in: *and*

(a) Corporations/partnerships with existing landholdings suitable for rice/corn production may manage the land and produce the rice/corn or may enter into a management/contractual arrangement with farmers' groups such as farmers' associations, cooperatives and agrarian reform communities (ARCs);

(b) Corporations/partnerships may purchase or lease on a long term basis, public or private agricultural land suitable for rice/corn production, whereby the corporations/partnerships are given full management and production control over

the purchased or leased lands or may enter into contractual arrangements, or joint ventures with landowners, farmers' organizations and ARCs.

Agricultural lands purchased or leased for the purpose cannot be converted to other uses. Should the corporate farming venture ceases to be financially viable and the partners declare bankruptcy or insolvency, land ownership shall automatically revert to the agrarian reform beneficiaries within a period of three (3) years in the case of public agricultural lands and for private lands originally distributed under the Comprehensive Agrarian Reform Program. Fifty percent (50%) of the land should have been developed within a period of three (3) years, and ninety percent (90%) within a period of five (5) years.

For purchased lands, the government has the right to offer the said lands to other interested parties based on the original acquisition cost and initial development cost, if any, to be refunded to the corporation/partnership, in case the land has not been developed as intended; and

(c) Corporations/partnerships may enter into contractual arrangements with farmers' organizations/ARCs, whereby the corporations and partnerships will provide the production inputs and technical and related services, then buy back the produce. Provided, That the farm inputs that shall be utilized shall subscribe to the requirements set forth by Republic Act 10068 or the "Organic Agriculture Act of 2010."

The local government units (LGUs) shall be required to identify appropriate land areas for corporate farming in consonance with their comprehensive land-use plan and ordinances. The LGUs shall require the participating corporations/partnerships to provide livelihood projects/opportunities to families who will not be hired by the said entities.

Further, the LGUs may also identify local taxes that may be offered as incentives for corporate farming.

(d) Farmer's or other agricultural cooperatives with existing landholdings and sufficient capitalization to undertake a "cor-porative" farming scheme for rice/corn.

SEC. 3. Disposition of Excess Production. - The corporations/partnerships shall be required to provide a minimum of six hundred (600) kilograms of rice/corn per employee per year or fifty (50) kilograms per employee per month. Production in

excess of the employees' consumption requirements may be sold in the local markets: Provided, That such will be reported to the National Food Authority (NFA).

✓ **SEC. 4. *Implementing Agencies and Implementing Rules and Regulations (IRR).*** – The Department of Agriculture (DA) and the Department of Agrarian Reform (DAR) shall be the lead agencies to institute measures to ensure higher rice/corn productivity through corporate farming schemes.

✓ Moreover, the DA and the DAR shall facilitate with the appropriate government agencies the processing of management contracts between the corporations/partnerships and the farmers' groups. Further, the DA and the DAR shall oversee and monitor the IRR and guidelines of this Act. The DA and the DAR shall exercise the following functions:

✓ (a) Develop eligibility criteria for both corporations/partnerships and farmers' groups, cooperatives and/or ARCs for consideration under this Act and to institute their accreditation: Provided, That the farmers' group criteria should include management capabilities, technical and production skills critical to the effective operation of the corporate farm;

✓ (b) Identify suitable private and public-owned rice/corn production areas for corporate farming and determine the maximum ceiling of landholdings for corporate farming arrangements: Provided, That the DA and the DAR shall periodically determine the need to expand/reduce rice/corn production areas for corporate farming schemes on the basis of rice/corn demand-supply gaps;

✓ (c) Facilitate and promote grassroots cooperation to access agricultural services such as information, inputs and technical assistance;

✓ (d) Initiate and develop periodic rural/farm assembly markets to provide avenues to showcase their produce;

✓ (e) Exercise regulatory functions with respect to the adherence to the provisions of contracts and arrangements entered into by both corporations/partnerships and farmers' groups, cooperatives and/or ARCs and to develop mechanisms to facilitate negotiations and mediate in disputes between stakeholders on matters of contract enforcement;

✓ (f) Coordinate with the appropriate government agencies to ensure the timely establishment of support services such as credit, infrastructure, extension services and others;

✓ (g) In consultation with other concerned government agencies, nongovernment organizations, private sector and farmers' groups involved in rice/corn production, formulate the IRR necessary to operationalize the provisions of this Act within ninety (90) days from its approval; and

✓ (h) Facilitate the registration of the participating corporations/partnerships with the NFA.

✓ **SEC. 5. Incentive Package.** – Corporations/partnerships which shall participate in the Corporate Farming Act shall be entitled to tax incentives covering all aspects of the operation germane to corporate farming activities.

These include the following:

✓ (a) Exemption from the payment of customs duties on the importation of all types of agricultural inputs, particularly seeds, fertilizers, agricultural machinery and other agricultural implements as provided under Republic Act No. 9281, which amends Republic Act No. 8435 or the Agriculture and Fisheries Modernization Act;

(b) Exemption from the value-added tax (VAT) on the importation of agricultural inputs in accordance with Section 109(d) of the National Internal Revenue Code, as amended; **Provided, That** the importation requirements shall be in accordance with the provisions of Republic Act 10068 or the "Organic Agriculture Act of 2010."

(c) Exemption from the payment of capital gains tax for a person, either natural or juridical, who sells and/or transfers idle agricultural land to corporations and partnerships engaged in corporate farming; and

(d) Tax incentives, including income tax holiday, in accordance with the provisions of Executive Order No. 226 or the Omnibus Investment Incentives Code, as amended.

SEC. 6. *Other Incentives.* - Loans extended by banks, both government and private, to participating corporations/partnerships shall be treated as compliance to Republic Act 10000 or "The Agri-Agra Reform Credit Act of 2009."

SEC. 7. *Duration.* - Participating corporations/partnerships with existing landholdings may engage in rice/corn production within a period of time to be determined by this Act. However, those corporations/partnerships which purchased agricultural lands for the purpose cannot convert the land to other uses and must relinquish land ownership in favor of agrarian reform beneficiaries within a period of three (3) years in the case of public agricultural lands and for private lands originally distributed under the Comprehensive Agrarian Reform Program should they wish to terminate the corporate farming agreement.

Arrangements/negotiations ~~for leased~~ public or idle private agricultural lands shall be for a period not less than ~~ten (10)~~ years.

SEC. 8. *Automatic Review.* - The DA and the DAR, being the lead government agencies in the Corporate Farming Program, shall submit periodic reports to both Houses of Congress on the accomplishment of the Program.

A review on the viability of the Program shall be made by the concerned agencies after five (5) years of its implementation.

SEC. 9. *Effectivity.* - This Act shall take effect after fifteen (15) days following its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila
Fifteenth Congress
First Regular Session

MINUTES OF THE MEETING CONDUCTED BY THE COMMITTEE ON AGRICULTURE AND FOOD ON 22 NOVEMBER 2010 AT CONFERENCE RM. 1&2 AT 1:30 PM, MITRA BUILDING, HOUSE OF REPRESENTATIVES, DILIMAN, QUEZON CITY.

Members Present :

Rep. Robert Raymund M. Estrella
Rep. Nicanor M. Briones
Rep. Carlos M. Padilla
Rep. Joselito Andrew R. Mendoza
Rep. Agapito H. Guanlao
Rep. Diogracias B. Ramos, Jr.
Rep. Sharon Garin
Rep. Catalina Leonen Pizzaro
Rep. Randolph Ting
Rep. Salvador H. Escudero III
Rep. Rachel Del Mar
Rep. Victor J. Yu
Rep. Victorino Dennis M. Socrates
Rep. Raymund Palatino
Rep. Daryl Grace Abayon

Rep. Maximo B. Rodriguez, Jr.
Rep. Jesus N. Sacdalan
Rep. Imelda Dimaporo
Rep. Victor Ortega
Rep. Philip Pichay
Rep. Fatima Dimaporo
Rep. Jocelyn S. Limkaichong
Rep. Raynaldo Umali
Rep. Lucy T. Gomes
Rep. Eric G. Singson, Jr.
Rep. Luis Villafuerte
Rep. Pedro Pancho
Rep. Tomas V. Apacible
Rep. Rodolfo G. Valencia

Authors Present :

Rep. Mark Uandro L. Mendoza
Rep. Henry Pryde Teves
Rep. Angelo P. Palmones

Guests in Attendance :

Mr. Gregorio San Diego
Mr. Jess Cham
Mr. Willie Baldonado
Mr. Jane C. Bacayo
Mr. Francisco Buencamino
Mr. Rosendo So
Asec. Dave Cathagan
Asec. Allan Umali
Mr. Durian Tan
Mr. Rolando Tambago
Usec. Segfredo R. Serrano

- United Broiler Raisers' Association
- Meat Importers and Traders Association
- MITA
- National Meat Inspection Services
- PAMPI
- Abono
- DA
- DA
- National Federation of Hog Farmers
- CEVIPPCO
- DA

I. CALL TO ORDER/ROLL CALL

The meeting was called to order at 1:44 pm. Then, a motion to dispense the calling of the roll was hereby approved.

II. DELIBERATIONS/ACTIONS ON MEASURES

The Chair said that the Committee will deliberate on House Resolution 301, directing the Department of Agriculture (DA) to immediately stop importation of choice cuts (frozen chicken leg quarters) and conduct an immediate consultation with the broiler producers/ associations and House Bills 3182 and 3292, promoting corporate farming in the country.

The Chair stressed the need to sustain the viability of the broiler production industry in the country as it directly and indirectly employs two hundred thousand people and to ensure the safety of chicken meat and its affordability, whether imported or not. He also said that the corporate farming bill encourages the country's most profitable corporations to engage in rice production to provide rice requirements of their employees. He said that the corporate farming bill has been approved on the Third Reading in the 14th Congress.

At this point, the Chair informed the Body regarding reports on the sale of double- dead hogs or "botcha" and the alleged imported pork in various public markets in Metro Manila, Metro Cebu and Mindanao.

Deliberation on House Bills 3182 and 3292, the Corporate Farming Act

At this point, the Chair recognized Rep. Teves. Rep. Teves said that the bill was extensively discussed during the last Congress by the Committee. He then requested the Committee to have the bill approved.

Then Rep. Guanlao moved for the approval of the measure and was duly seconded by Rep. Estrella who then moved that members present be made co-authors of the bill.

Rep. Guanlao further moved to have the two bills consolidated and be approved by the Committee.

Then the Body approved the motion of Rep. Estrella and the consolidation and approval of the measure. The Chair carried the motion of Rep. Estrella and proceeded to tackle the next agenda.

Deliberation on House Resolution 301, directing the Department of Agriculture to immediately stop importation of choice cuts (frozen chicken leg quarters)

The Chair recognized Rep. Estrella who then informed the Body that the hog industry is basically composed of 30% of commercial farms and the remaining 70%, the backyard raisers. He further said that almost 12 Billion Pesos worth of pork meat and 17 Billion Pesos worth of chicken meat enter the country with proper documentation.

He then expressed his apprehension for the DA's refusal to give the Committee the list of the allottees of the Minimum Access Volume (MAV). Under the MAV allocation, DA is authorized to allocate the importation the said meats. He further said that DA should look into the importation of junk meats for these might be used in technical smuggling or misdeclaration.

Rep. Estrella also said that the DA has no capability in checking compliance to phytosanitary requirement. He stressed that DA must put up a laboratory to check if the imported meats are fit for human consumption.

The Chair recognized the author, Rep. Palmones who then expressed concern that the livestock industry can no longer sustain the damage done by the entry of imported meats in the country, especially in some areas in Luzon, Visayas and Mindanao. He also alarmed the Body that the marking of the imported meats indicated that the hog was slaughtered in 2008. He also said that imported meats should not be sold in the public markets. Only large meat processors are allowed to use imported meats because they have big cold storage facilities.

Rep. Estrella then reiterated his request for the DA to submit the list of MAV allottees and the breakdown of the volumes they are allowed to import.

The Chair recognized Rep. Briones. According to Rep. Briones, the livestock industry is losing by about 850 Million peso per month on pork alone and yet the DA still allows importation of the said meat. He even alleged that the Bureau of Animal Industry (BAI) of the DA has allowed misdeclaration or technical smuggling.

Rep. Briones also said that over importation took place during the previous administration. And to his surprise, 14 Million kilos entered the country from October to November 2010. It even surpassed the volume of imported meats in the previous administration.

At this point, Rep. Villafuerte suggested three points on how to deal with the problem; *first*, the competitiveness that the country has and on how to improve said competitiveness; *second*, is to look into the misdeclaration and find evidence of the same; *third*, the rule of the World Trade Organization (WTO) in tariffication standpoint – if the government can increase the tariff as a barrier or reduce the same and increase whatever domestic taxes to discourage importations.

At this juncture, the Chair directed Mr. Rolando Tambago (President of Central Visayas Pork Producers) to make a powerpoint presentation on the issues at hand.

Mr. Tambago pointed out that Cebu has the biggest volume of imported meats. The importers can even sell as low as 85 pesos per kilo which is almost half of the local price of 130 pesos per kilo. He expressed apprehension that these imported meats have been proliferating in the wet markets that contamination is likely to happen. He then stressed that the government should regulate these imported meats. These meats should only go to big meat processors and should not be sold in the public markets because our public markets do not have enough storage facilities and the same may pose health hazards to the consuming public.

Mr. Tambago further cited statistics that shows a constant increase of meat importation from 2005 to 2009. He also said that the influx of meat by-products is an added agony to their worsening problem.

He then expressed concern over the decline of the number of backyard raisers by about 50% which is very alarming to the livestock industry. Mr. Tambago said that 60 thousand families will be

affected by the problem. He then appealed to the government to monitor and regulate the importation of pork and employ an immediate remedy to curb the situation.

At this point, the Chair recognized Mr. San Diego from the United Broiler Raisers Association. According to Mr. San Diego, since 2003 when the bird flu erupted in China, the BAI has never issued an import permit for from China, but the same are openly sold in the supermarkets.

Mr. San Diego stressed that the local industry can never be competitive with the leg quarters from the USA and Canada because the same are by-products of said countries. The landed cost of said leg quarters is 45 pesos – an amount which is barely equivalent to the cost of their feeds. He also informed the Body that they are encouraging the DA to file dumping cases against USA and Canada.

He further stressed that the out-quota is 40%. Without the MAV, the industry is protected with the Special Safeguard or SSG. When the landed cost of chicken products is below 93 pesos, the government adds tariff to equate the ceiling price of 93 pesos.

At this point, the Chair recognized Mr. Jesus Cham, President of Meat Importers and Traders Association. Mr. Cham stressed the existence of RA 8178 – a commitment of the Philippines to World Trade Organization where the Philippines became a signatory to the General Agreement on Tariff and Trade. Under the Uruguay Round, the Philippines agreed to open its agricultural market to other WTO member countries promising among others a zero-rate tariff on all agricultural products by 2004

At this point, Rep. Escudero expressed concern in the selling of imported meats in the marketplace without refrigerated stalls. He said that doing the same is tantamount to suicide. The practice of selling these imported meats is like inviting salmonellosis.

The Chair recognized Rep. Estrella. Rep. Estrella shared to the Body that he attended the FAO meeting in Italy together with the Chair and other members of Committee. He said that ten years from now, there will be food insecurity and an abrupt increase of food prices from 50 to 100 percent. Worst, exporting countries may reduce or even stop exporting their own products to feed their own people.

At this point, Rep. Villafuerte proposed the following remedies; *first*, to look into the smuggling aspect and provide stricter criminal and civil penalties; *second*, the sanitary and phyto-sanitary requirements which give certain leeway as far as the WTO agreements are concerned; *third*, Congress can pass a law prohibiting importation of inorganic or chemically fed and grown meat; *lastly*, the executive action of anti-dumping provisions – an executive prerogative reviewing an existing situation. This may include proper classification and segmentation of tariff.

Rep. Villafuerte further stressed that there is no impediment to legislating prohibition of imported meats to be sold in the public markets. It is purportedly earmarked only for manufacturing or processing sector.

The Chair recognized Mr. Inciong. Mr. Inciong said that Canada and US have never stopped subsidizing their agriculture sector. He further said that there is a deadlock in the Doha round. USA and Canada are insisting on market liberalization and yet they do not want to give up their subsidies. He then suggested that the Body will consider reviewing laws on subsidies and the anti-dumping and counter-vailing laws of the country.

At this point, Mr. Inciong informed the Body that they are requesting the DA not to extend the MAV. He further said that the executive can cancel the said extension so that the industry can avail of the trade remedies of the special safeguards. In reply, Usec. Serrano said that the in-quota has already

equalized with the out-quota by end of 2004. But the previous administration made a decision and put the tariff collections for the MAV to the ACEF.

The Chair recognized Mr. Buencamino. According to Mr. Buencamino, Congress cannot ban the entry of these imported meats because there is already an existing contract to this effect and banning the same would negate from the agreement. He also informed the Committee that aside from the 40% duty the importers are paying for out-quota, the SSG still imposed another 33 pesos.

At this point, Rep. Padilla said that HR 301 deserves a full-blown hearing because the issues are far-reaching and Congress must be ready to come-up with some arguments and resolutions.

At this juncture, Rep. Estrella moved for the adjournment of the hearing.

At this point, Mr. Bacayo informed the Body that with regards to the ceiling of imported meats in the public markets, NMIS has submitted its proposal to the DA Secretary and it is now with the DA legal department. He further said that the inspection of meat products in the marketplace is lodged with the local government units not with the NMIS.

III. ADJOURNMENT

There are no other matters to discuss, the meeting was adjourned at 4:32 pm.

Prepared by :



NOEL E. FABELA

Supervising Legislative Staff Officer II

Corrected by :



ROSA D. GUZMAN

Committee Secretary

Noted by :

HON. MARK LLANDRO L. MENDOZA

Chairman

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila
Fifteenth Congress
First Regular Session

MINUTES OF THE EXECUTIVE MEETING CONDUCTED BY THE COMMITTEE ON AGRICULTURE AND FOOD ON 08 DECEMBER 2010 AT CONFERENCE RM. 6 AT 1:30 PM, MITRA BUILDING, HOUSE OF REPRESENTATIVES, DILIMAN, QUEZON CITY.

Members Present :

Rep. Carlos M. Padilla
Rep. Agapito H. Guanlao
Rep. Salvador H. Escudero III
Rep. Jesus N. Sacdalan
Rep. Jeci A. Lapus
Rep. Cresente C. Paez

Authors Present :

Rep. Mark Llandro L. Mendoza
Rep. Henry Pryde Teves

I. CALL TO ORDER/ROLL CALL

The meeting was called to order at 2:02 pm. Then, a motion to dispense the calling of the roll was hereby approved.

II. DELIBERATIONS/ACTIONS ON MEASURES

The Chair informed the Body that the Executive Meeting will tackle the approval of three substitute bills of the following measures, to wit;

1. The Corporate Farming Bill – this bill aims to encourage the private sector to engage in rice/corn production to supply the rice and corn requirements of their employee. This bill gives the private sector the opportunity to take the lead role in promoting food security;

2. The Renationalization Bill – This bill aims to revert to national government the basic services and facilities devolved to the barangays, municipalities, cities and provinces. An Agriculture and Fisheries Review Panel shall be created to identify the problems of the industry and to recommend measures to enhance agricultural productivity;

3. The Agricultural and Fisheries Modernization Bill – This bill seeks to increase the level of agricultural mechanization in the country, which ranks second to lowest on agricultural tractors and the lowest on harvesters/threshers in Asia.

The Chair further said Corporate Farming Bill passed 3rd reading in the 14th Congress while the Agri-Fishery Mechanization Bill has undergone workshops and technical working groups to make it more relevant. The bill which the 14th Congress passed concerning the devolved agriculturists was the Magna Carta for Devolved Agricultural workers which focused more on the entitlements. The Renationalization bill is more atune with the country's thrusts for agricultural productivity.

At this juncture, Rep. Guanlao moved for the approval of the substitute bill on Corporate Farming which was duly seconded. Then the motion was carried.

Then Rep. Escudero move for the approval of the substitute bills on Re-nationalization of the Devolved Agriculturists and was duly seconded. The motion was carried.

At this point, Rep. Guanlao then moved for the approval of the substitute bill on Agri-Fisheries Mechanization which was duly seconded and the motion was carried.

Then Rep. Padilla moved that members present be made co-authors of the said bills. The motion is carried.

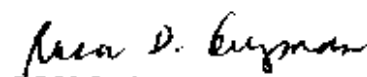
III. ADJOURNMENT

There are no other matters to discuss, the Executive Meeting was adjourned at 42:10 pm.

Prepared by :


NOEL F. PABELA
Supervising Legislative Staff Officer II

Corrected by :


ROSA D. GUZMAN
Committee Secretary

Noted by :

HON. MARK LLANDRO L. MENDOZA
Chairman