

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

16th Congress
First Regular Session

House Bill No. 467



Introduced by
HON. AGAPITO H. GUANLAO

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 Philippine 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.

BUTIL Farmers Party has long upheld the primary of farmers' security as synonymous to food security. The farmers and farm-workers must be partners in any corporate farming endeavor 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 "corporative" 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, provision upholding the rights of agrarian reform communities are well reflected and prioritized, as well as the necessity for an alternative "corporative" farming

scheme as aforementioned. Compliance with existing laws especially on Organic Farming and the revised Agri-Agra Law is earnestly pursued and proposed. This measure was proposed during the 15th Congress as House Bill 3182, but through the years remained relevant and integral in the pursuit of agricultural development and food security. Thus, the passage of this bill into law is therefore earnestly sought.



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**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 partnership shall refer to all corporations and partnerships organize and existing under Philippine laws, operating for profit: **Provided,** That said corporations and partnerships report earnings over the last four (4) years that 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 partnership 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 in:

- (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' 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 corporation/ partnership 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 agriculture 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 (30 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 developed as intended; and

- (c) Corporation/ 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 "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 "corporate" farming scheme for rice/ corn.

SECTION 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).

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, 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 corporation/ 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 grass roots 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 mechanism 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 sectors and farmers' groups involved in rice/ corn production, formulate the IRR necessary to operationalize the provisions of this Act within ninety (90) days from approval; and
- (h) Facilitate the registration of the participating corporations/ partnerships with the NFA.

SECTION 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 provision 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.

SECTION 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".

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 and must relinquish land ownership in favour 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 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.

SECTION 8. *Automatic Review.*-The DA and the DAR, being the lead government agencies in the Corporate Farming Program, shall submit periodic reports to both House 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 after fifteen (15) days following its publication in the official Gazette or in a national newspaper of general circulation.

Approved,