



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



Seventeenth Congress
Third Regular Session

HOUSE BILL NO. 8076

Introduced by Representative Erico Aristotle C. Aumentado

EXPLANATORY NOTE

This bill aims to strengthen private participation in agricultural sector to boost production by establishing a national program that will promote corporate farming or the process wherein corporations and partnerships through direct ownership or lease of farmlands may engage in the production of agricultural products, particularly rice and corn.

Recently, soaring rice prices and looming decline in rice domestic supply have been forcing the government to import rice. While the Philippines is predominantly an agricultural country, the shortage in our nation's staple food continues to haunt us. The level of our rice and corn production fails to sustain our actual demand and consumption.

Small and fragmented landholdings, lack of capital, loose financial control and ineffective business management are some of the problems that cause low productivity level. To promote rice and corn self-sufficiency and ensure food security, it is necessary to implement a viable national program that will promote corporate farming and encourage corporations and partnerships to participate in the agricultural production of rice and corn.

Corporate farming will not only address problems in production but will also deal with the entire chain of agriculture-related business from seed supply to retail sales. All of these shall be done through a more efficient and effective management by the participating corporations or partnerships.

To encourage the corporations or partnerships to participate in corporate farming, the bill provides an incentive package which exempts the corporations or partnerships from paying certain taxes. Also, the loans extended by the banks to the participating corporations or partnerships are treated as compliance with Republic Act No. 10000 or "*The Agri-Agra Reform Credit Act of 2009.*" The corporations or partnerships have the option to sell all the produce or only the excess of their employees' consumption requirements.

In view of the foregoing, approval of this bill is earnestly sought.



ERICO ARISTOTLE C. AUMENTADO



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1
2 **AN ACT**
3 **PROMOTING CORPORATE FARMING AND PROVIDING**
4 **INCENTIVES THEREFOR**

5
6 *Be it enacted by the Senate and House of Representatives of the Philippines in*
7 *Congress assembled:*

8
9 SECTION. 1. **Short Title.** – This Act shall be known as the “*Corporate*
10 *Farming Act.*”

11 SEC. 2. **Declaration of Policy.** – It is the policy of the State to advance
12 programs that ensure food security and promote self-sufficiency in the production
13 of our staple food, particularly rice and corn. The State recognizes the important
14 role and contribution of the private sector in the development of national
15 economy through investments in different industries including agricultural
16 production. Towards this end, the State shall establish a national program that
17 promotes corporate farming to increase the level of productivity and helps our

1 farmers to have sufficient capitalization in marketing their products and in
2 managing their farms to maximize their income.

3 SEC. 3. *Corporate Farming Program.* – The Department of Agriculture
4 shall establish a national corporate farming program where corporations or
5 partnerships, through direct ownership or lease of farmland, may engage in the
6 agricultural production of rice and corn by entering into a management contract
7 or joint venture agreement with any group of farmers such as farmers’
8 associations, cooperatives and agrarian reform communities (ARCs).

9 SEC. 4. *Participating Domestic Corporations and Partnerships.* –
10 Participation in the corporate farming program shall be voluntary. Corporations
11 or partnerships organized and existing under Philippine laws and operating at a
12 profit for the last four (4) years may participate in the corporate farming program.
13 Participation in corporate farming program shall be for a period of not less than
14 seven (7) years.

15 SEC. 5. *Corporate Farming Arrangements.* – The corporate farming
16 program may be one or more of the following arrangements:

17 (a) Corporations or partnerships with existing landholdings suitable for
18 rice or corn production may manage the land and produce the rice or corn, or may
19 enter into a management or contractual arrangement with farmers’ groups such
20 as farmers’ associations, cooperatives and ARCs;

21 (b) Corporations or partnerships may purchase or lease on a long-term
22 basis, public or private agricultural land suitable for rice or corn production and

1 enter into contractual arrangements or joint ventures with landowners, farmers'
2 organizations and ARCs whereby the corporations or partnerships are given full
3 management and production control over the purchased or leased lands. The
4 agricultural land purchased or leased for this purpose may not be converted to
5 other uses. In case of public agricultural lands and private lands originally
6 distributed under the Comprehensive Agrarian Reform Program, fifty percent
7 (50%) of the lands must be developed within a period of three (3) years, and
8 ninety percent (90%) within a period of five (5) years. In case the corporate
9 farming venture ceases to be financially viable and the partners declare
10 bankruptcy or insolvency, land ownership shall automatically revert to the
11 agrarian reform beneficiaries within a period of three (3) years; or

12 (c) Corporations or partnerships may enter into contractual arrangements
13 with farmers' organizations or ARCs, whereby the corporations and partnerships
14 provide the production inputs and technical and related services, then buy back
15 the produce.

16 The local government units (LGUs) shall identify appropriate land areas
17 for the corporate farming program in consonance with their comprehensive land-
18 use plan and ordinances. The LGUs shall provide appropriate local tax incentives
19 for corporate farming through ordinances.

20 SEC. 6. **Product Disposition.** – Participating corporations or partnerships
21 shall provide a minimum of six hundred (600) kilograms of rice or corn per year,
22 or fifty (50) kilograms per month, for every employee or in lieu thereof, its

1 monetary equivalent as *de minimis* benefit pursuant to existing regulations issued
2 by the Bureau of Internal Revenue.

3 In case the participating corporations or partnerships opt to provide the
4 monetary equivalent, all the produce may be sold in the local markets in
5 coordination with the National Food Authority (NFA). Otherwise, only the
6 produce in excess of the employees' consumption requirements may be sold.

7 SEC. 7. **Program Administration.** – The Department of Agriculture and
8 Department of Agrarian Reform shall serve as the liaison of the appropriate
9 government agencies in the processing of management contracts between the
10 farmers and the corporations or partnerships. In addition, the Department of
11 Agriculture and Department of Agrarian Reform shall exercise the following
12 functions:

13 (a) Develop eligibility criteria for both corporations or partnerships and
14 farmers' groups, cooperatives or ARCs, and to institute the accreditation of all
15 participants. The farmers' group criteria shall include management capabilities
16 and technical production skills critical to the effective operation of the corporate
17 farm;

18 (b) Identify suitable private and public-owned rice or corn production areas
19 for corporate farming arrangements and periodically determine the need to
20 expand or reduce rice or corn production areas for corporate farming schemes on
21 the basis of rice or corn demand-supply gaps;

1 (c) Promote and encourage grassroots cooperation to access agricultural
2 services such as information, inputs and technical assistance;

3 (d) Initiate and develop periodic rural or farm assembly markets to provide
4 avenues to showcase the corporate farming products;

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

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

13 (g) Facilitate the registration of the participating corporations or
14 partnerships with the NFA; and

15 (h) Oversee and monitor the implementation of this Act.

16 SEC. 8. ***Incentive Package.*** – Corporations or partnerships that participate
17 in the corporate farming program under this Act are entitled to tax incentives
18 covering all aspects of the operation germane to corporate farming activities
19 which include the following:

20 (a) Exemption from the payment of customs and duties on the importation
21 of all types of agricultural inputs, particularly seeds, fertilizers, agricultural
22 machinery and other agricultural implements as provided under Section 109 of

1 Republic Act (RA) No. 8435, as amended, otherwise known as the “*Agriculture*
2 *and Fisheries Modernization Act of 1997*;”

3 (b) Exemption from payment of value-added tax (VAT) on the importation
4 of agricultural inputs in accordance with Section 109 of RA 8424, as amended,
5 otherwise known as the “*Tax Reform Act of 1997*,” and

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

9 SEC. 9. ***Other Incentives.*** – Loans extended by banks, both government
10 and private, to participating corporations or partnerships shall be treated as
11 compliance with RA 10000, otherwise known as “*The Agri-Agra Reform Credit*
12 *Act of 2009*.”

13 SEC. 10. ***Implementing Rules and Regulations.*** – Within ninety (90) days
14 from the approval of this Act, the Department of Agriculture and Department of
15 Agrarian Reform, in coordination with nongovernment organizations, private
16 sector and farmers’ groups involved in rice or corn production and other
17 appropriate government agencies, shall promulgate the necessary rules and
18 regulations for the effective implementation of this Act.

19 SEC. 11. ***Automatic Review.*** – The Department of Agriculture and the
20 Department of Agrarian Reform, being the lead government agencies that oversee
21 the corporate farming program, shall submit periodic reports to both Houses of
22 Congress on the accomplishment of the program. A review on the viability of the

1 program shall be made by the appropriate agencies after five (5) years of its
2 implementation.

3 SEC. 12. ***Separability Clause.*** – The provisions of this Act are hereby
4 declared to be separable, and in the event one or more such provisions are held
5 unconstitutional, the validity of the other provisions shall not be affected thereby.

6 SEC. 13. ***Effectivity.*** – This Act shall take effect fifteen (15) days after its
7 publication in the *Official Gazette* or in a newspaper of general circulation.

8 Approved,