

Republic of the Philippines
House of Representatives
Quezon City



EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 231

INTRODUCED BY REPRESENTATIVE ALFRED VARGAS

EXPLANATORY NOTE

For decades, the Government has introduced and implemented many affirmative action and support programs to help the Filipino farmers. Billions of pesos in tax-payers money have been spent in a wide array of programs and projects meant to lift Philippine agriculture from its low levels of productivity. Most of the agriculture support programs have centered on government agencies providing not only the policy guidance and technology choices but also the personnel and extension workers, resources and inputs, credit and funding.

Yet, innovation and technology adoption especially in agriculture have not evolved satisfactorily for the great majority of small-hold farmers - even with all the government programs and support. Thus, much of these were to no avail inasmuch as the country's agriculture sector has remained one of the laggards in Asia in terms of commodity production output and comparative sectoral performance.

This Act seeks to adopt and encourage a new approach and direction in the development of the country's rural sector and the objective of doubling our farmers' incomes - that of utilizing and taking advantage of the resources, technical expertise, capital and networks of a more ubiquitous private sector and professional agriculturists. This bill seeks to promote productivity enhancing partnerships between small-hold farmers and the proposed Agriculture Village Farm Management (AVFM) enterprises formed by professional agriculturists and private sector investors.

The country has dozens of good agriculture colleges and universities that have graduated thousands of agriculture scientist and specialists. Agriculture professionals, who otherwise have little propensity to immerse in the rural areas, shall be encouraged to assist farm communities with their technical knowledge and education. Philippine agriculture universities are in fact well acknowledged to have trained many of the experts and practitioners that helped raise the agriculture sectors in neighboring countries such as Thailand, Indonesia, and Vietnam - which have now overtaken Filipinos in terms of overall agriculture production, farm-level productivity and exports.

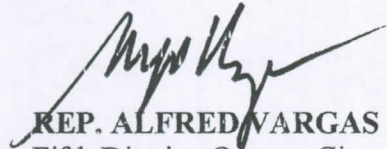
Agriculture must be treated as an industry, with the objective of industrializing the value chain of every agricultural commodity. While productivity increase is a major objective, it is equally important to produce more income by value adding, processing, manufacturing, and developing markets for both raw materials and processed agricultural products.

The traditional crops and agriculture products are actually mostly profitable – even at currently low levels of productivity in the country. But because of their small landholdings and their fragmented approach to production, local farmers are unable to avail themselves of the resources and technologies to further increase yields.

The daunting gaps that perpetuate the vicious circle of poverty have long been identified: lack of inputs, lack of capital and credit, lack of technology and post harvest facilities, limited marketing information and networks, poor transport facilities and infrastructure. Yet, all these have been addressed by the more professionally organized and thriving agriculture companies in the private sector.

Improvements in farm practices, choice of varieties and inputs, use of better post harvest techniques, updated marketing information and land consolidation – with the help of AVFM entities – will definitely bring in higher returns for and help double the farmers within a short period. The proposed institutional platform will help small hold farmer-partners in capturing more of the value-added from their own produce.

The author requests the urgent and immediate approval of this bill.


REP. ALFRED VARGAS
Fifth District, Quezon City

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AN ACT TO INSTITUTIONALIZE AND ENCOURAGE PARTNERSHIPS BETWEEN AGRICULTURE VILLAGE FARM MANAGEMENT (AVFM) ENTERPRISES AND SMALL HOLD FARMERS AND FISHERFOLKS IN ORDER TO HASTEN THE DOUBLING OF RURAL HOUSEHOLD INCOMES THROUGH THEIR ADOPTION BETTER PRODUCTION, PROCESSING, MARKETING, LOGISTICS AND FINANCING TECHNOLOGIES, AND BY ESTABLISHING ECONOMIES OF SCALE THROUGH SYNCHRONIZED COMMUNITY AGRICULTURE AND CONSOLIDATION OF PRODUCTION, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

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

Section 1. Short Title. – This Act shall be known as the “Agriculture Village Farm Management (AVFM) Enterprises Promotion” Act of 2019.

Sec. 2. Declaration of Policy. – As stated in the Agriculture and Fisheries Modernization Act (RA 8435), it is the declared policy of the State, that:

- xx “The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets.”
- xx “Private enterprises, including corporations, cooperatives, and similar collective organizations, shall be encouraged to broaden the base of their ownership... and to enable those who belong to the agriculture and fisheries sectors to participate and share in the fruits of development” “towards a more equitable distribution of ... incomes and wealth.”
- xx “The State shall promote market-oriented policies in agricultural production to encourage farmers to shift to more profitable crops”, “recognizing that expanding productivity is the key to raising the quality of life for all, especially the underprivileged.”

- *xx " All sectors of the economy and all regions of the country shall be given optimum opportunity to develop" "towards a sustained increase in the amount of goods and services produced by the nation for the benefit of the people."*

Recognizing the potential of the private sector and agriculture professionals, it is also the policy of the State to encourage partnerships and other institutional arrangements that would seek to address various gaps in the implementation of development programs for the rural sector, including: the small farmers' and fisherfolks' lack of access to production inputs, capital and financing, modern farming and/or fishery technologies, postharvest processing, product packaging tools, storage systems, transport and logistics, and marketing and distribution networks.

Sec. 3. *Statement of Objectives.* -- This Act shall have the following objectives:

- To accelerate the growth and development of agriculture in general... and enhance the productivity in the rural sector with the end in view of doubling rural incomes within the next three to six years.
- To improve investment climate, competencies and efficiency of agriculture and fisheries businesses by encouraging and institutionalizing private sector professional and investment partnerships with small farmers and fisherfolks.
- To develop higher value agriculture and fisheries production through an all-out promotion of the better production technologies, mechanization, post-harvest processing and storage, stronger marketing and distribution networks
- To level up the value chains in Philippine agriculture under a framework of production consolidation and synchronization in rural communities for economies of scale and utilizing better management, science-based approaches, and updated technologies.

This Act also adopts the following objectives of the AFMA (RA 8435) as follows:

- *"To enhance profits and incomes in the agriculture and fisheries sectors... by ensuring equitable access to assets, resources and services, and promoting higher-value crops, value-added processing, agribusiness activities, and agro-industrialization;*
- *"To encourage horizontal and vertical integration, consolidation and expansion of agriculture and fisheries activities, groups, functions and other services through the organization of cooperatives, farmers' and fisherfolk's associations, corporations, nucleus estates, and consolidated farms and to enable these entities to benefit from economies of scale, afford them a stronger negotiating position, pursue more focused, efficient and appropriate research and development efforts and enable them to hire professional managers;*
- *"To pursue a market-driven approach to enhance the comparative advantage of our agriculture and fisheries sectors in the world market."*

Sec. 4. Definition of Terms.

- *“Agricultural Lands” refer to lands devoted to or suitable for the cultivation of the soil, planting of crops, growing of trees, raising of livestock, poultry, fish or aquaculture production, including the harvesting of such farm products, and other farm activities and practices performed in conjunction with such farming operations by persons whether natural or juridical and not classified by law as mineral land, forest land, residential land, commercial land, or industrial land.*
- *“Agriculture Village Farm Management (AVFM) entity or enterprise” is a business undertaking by professional agriculturists, business entities and practitioners, and investors who seek to partner with small-hold farmers or fisherfolks for the production of their selected crops, livestock, fish and fish products under contractual and/or joint venture business arrangements that would synchronize or consolidate community production for economies of scale.*
- *“Economies of Scale” refers to the decrease in unit cost as more units are produced due to the spreading out of fixed costs over a greater number of units produced.*
- *“Farmers’ and Fisherfolk’s Organizations” refer to farmers’ and fisherfolk’s cooperatives, associations, or corporations duly registered with appropriate government agencies and which are composed primarily of small agricultural producers, farmers, farm workers, agrarian reform beneficiaries, fisherfolk who voluntarily join together to form business enterprises or non-business organizations which they themselves own, control and patronize.*
- *“Post-Harvest Facilities” include, but is not limited to, threshers, moisture meters, dryers, weighing scales, milling equipment, fish ports, fish landings, ice plants and cold storage facilities, processing plants, warehouses, buying stations, market infrastructure and transportation facilities.*
- *“Small Farmers and Fisherfolk” refers to natural persons dependent on subsistence farming on small-hold farms and/or fishing activities on municipal waters as their primary source of income.*
- *“Small-hold farms” are farms that are three (3) hectares in size or less.*
- *“Value chain” a set of linked activities, actors and actions – encompassing the flow of products, knowledge and information, technology options, finance, payments, human resources and social capital – that improve a product, and better organize producers and communities to link with commodity processors and markets.*

Sec. 5. Modernizing Production Ecosystems. The mission of a Agriculture Village Farm Management (AVFM) Enterprise is to provide the institutional platform that will ignite the process of modernizing the rural farm economy at the village or municipal level by taking part in rural production systems, establishing partnerships, and introducing newer technologies and science-based agriculture management practices to the farmer-partners. AVFM entities shall institute a profit-based based but socially equitable model of production enterprise ecosystem in transforming village communities towards agri-industry development.

Sec. 6. *Development Activities.* AVFM enterprises shall address the gaps faced by small-hold farmers and fisherfolk by organizing them into managed enterprise groups for contract production and by engaging in the any combination of the following lines of business activity:

- Supply of agricultural inputs (seeds, fertilizers and pesticides, animal feeds, and other crop requirements) to consolidated/synchronized crop, livestock or fishery production
- Coordination, sourcing or supply of farm credit, capital and/or financial services
- Fund management to ensure regular food budgets for the farmers' families until harvest time
- Training and capability building (to update farmer's technical know-how; teach financial literacy and entrepreneurial values, and general education through alternative learning platforms)
- Contract growing, contract processing and/or contract marketing with moderated and calendared farm activities and processes to ensure the quality of produce.
- Coordination of farm logistics and transport of farm produce, including post-harvest processing and packaging
- Marketing of agricultural products produced by the partner communities
- Participation fees in the potential use of Information Technology and "block chain" platforms in managing the farmer's access to their family budget funds and intra-community transactions
- Provision of technologies of production and handling, grading criteria and facilities, cooling and packing technologies, post-harvest local processing, industrial processing, storage, transport, finance, and feedback from markets.

Sec. 7. *Partnership Strategies.* The Agriculture Village farm management enterprise may engage with communities and farmers organizations through one or a combination of the following:

- Joint venture partnerships
- Contract growing arrangements
- Service agreements
- Use of facilities and equipment
- Financial Services
- Use of Proprietary Technologies
- Use of Specialized Information Networks
- Marketing Partnerships
- Specialized Training Programs

Sec. 8. Competitiveness and Sustainability. – Each AVFM enterprise shall formulate medium- and long-term plans aimed at enhancing the level of productivity, competitiveness and sustainability in agriculture and fisheries of the community. Efforts to double the income of farmers may take any relevant combination of the following approaches:

- a. Increase in the volume, quality and value of agriculture and fisheries production for domestic consumption and for exports;
- b. Reduction in post-harvest losses;
- c. Increase in the number/types and quality of processed agricultural and fishery products;
- d. Increase in the number of sustainable agriculture and fisheries firms engaged in domestic production, processing, marketing and export activities;
- e. Increase in and wider level of entrepreneurship among farmers and fisherfolk in the area;
- f. Increase in the number of farms engaged in diversified farming; and
- g. Reduced use of agro-chemicals that are harmful to health and the environment.
- h. Increase in the number of international trading partners in agriculture and fishery products;

Sec. 9. Tax Incentives. Taxation policies must not deter the growth of value-adding activities in the rural areas. Any registered Agriculture Village Farm Management Entity (AVFM) shall be exempt from the payment of income taxes for a period of five years: *Provided*, That said entity shall have consolidated and synchronized production in at least 100 hectares of small hold farms and/or coordinated and managed the fishery activities of at least 50 fishermen within a local or village community.

The following incentives shall apply to AVFM enterprises and Agriculture Village production projects

- a. Crop insurance for the community production activity served by a AVFM enterprise.
- b. Credit assistance facility to be established by the Land Bank of the Philippines and the Development Bank of the Philippines. Loans provided by banks to the AVFM enterprise partnerships shall be counted as 200% in reckoning their compliance to the Agri-Agra law.
- c. Credit Guarantee — to enhance the bankability of projects, a credit guarantee system shall be organized through the Small Business Guarantee Fund Corporation, in partnership with and with the contributed resources of the local government units hosting AVFM community production projects.
- d. Reduced real property taxes for lands registered for consolidated/synchronized agriculture production under this Act.
- e. Tax exemption — AVFM project proponents shall be entitled to the following tax exemptions:
 - i. Exemptions from taxes and duties subject to the provisions of Article 62 of Republic Act No. 6938 or the Cooperative Code of the Philippines;

- ii. Exemption from the value-added tax in accordance with Section 103 of the National Internal Revenue Code, as amended; and
- iii. Exemption from taxes, fees and charges under Title One of Book Two of the Local Government Code of 1991 in accordance with Section 133(n) of the said Code.

Sec. 10. *Monitoring and Evaluation.* – The Department of Agriculture and the Department of Trade and Industry shall develop the capability of monitoring the AVFM enterprise partnerships with farm communities and shall make semi-annual reports to Congress. They may secure the services of independent consultants and external evaluators in order to assess the over-all impact of the production partnerships.

Sec. 11. *Tariff and Duty Exemptions.* All registered AVFM enterprises engaged in agriculture and fisheries as duly certified by the Department of Agriculture in consultation with the Department of Finance and the Board of Investments, shall, for five (5) years after the effectivity of this Act, be exempted from the payment of tariff and duties for the importation of all types of agriculture and fisheries inputs, equipment and machinery such as, but not limited to, fertilizer, insecticide, pesticide, tractor, trailers, trucks, farm implements and machinery, harvesters, threshers, hybrid seeds, genetic materials, sprayers, packaging machinery and materials, bulk-handling facilities such as conveyors and mini loaders, weighing scales, harvesting equipment, spare parts of all agricultural equipment, fishing equipment and parts thereof, refrigeration equipment, and renewable energy systems such as solar panels: *Provided, however,* That the imported agricultural and fishery inputs, equipment and machinery shall be for the exclusive use of the importing enterprise.

The Department of Agriculture, in consultation with the Department of Finance and the Board of Investments, shall, within ninety (90) days from the effectivity of this Act, formulate the implementing rules and regulations governing the importation of agriculture and fishery inputs, equipment and machinery.

Sec. 12. *Appropriations.* – The amount necessary for the initial implementation of this Act shall be sourced from the current budgets and developments funds of the Department of Agriculture. Thereafter, the funds necessary for the continuous implementation of this Act in the ensuing years shall be included in the respective annual appropriations of the Department in the General Appropriations Act.

Sec. 13. *Automatic Review.* – Every five (5) years after the effectivity of this Act, an independent review panel composed of experts to be appointed by the President shall review the policies and programs under this Act and shall make recommendations, based on its findings, to the President and to both Houses of Congress.

Sec. 14. *Repealing Clause.* – All laws, decrees, executive issuance, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

Sec. 15. *Separability Clause.* – The provisions of this Act are hereby declared to be separable, and in the event one or more of such provisions are held unconstitutional, the validity of the other provisions shall not be affected thereby.

Sec. 16. *Effectivity.* – This Act shall take effect thirty (30) days from the date of its publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved.