



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 5732



Introduced by Representative **GERALDINE B. ROMAN**

EXPLANATORY NOTE

Based on data from the Philippine Statistics Authority, the over-all contribution of the agricultural industry¹ to the country's GDP has been declining. From 26% in 1960, it peaked at 31% in 1974 before gradually declining to 9.66% in 2017. In response, the current administration's economic agenda has included the promotion of rural and value chain development geared towards increasing agricultural and rural enterprise productivity.

Leading business journalist Michael Makabenta Alunan² has strongly urged that reforms be fast-tracked for cooperatives "organizing for the poor..." Alunan emphasized that "without cooperatives, the poor as mere individuals who can hardly fend for themselves in the ruthless free market... Traders have no loyalty to producers, being margin players, whose interest is to maximize profits, at least cost and least effort, and they will not hesitate to import than buy locally to profit more."

"As individuals, farmers can never be efficient and competitive. They cannot afford mechanization, and it's impractical to operate tractors on small plots. As cooperatives, however, farmers can afford better technologies, postharvest equipment, trucks and cold-storage facilities to bolster production, achieve economies of scale, benefit from the full value chain and engage competitively in direct marketing", Alunan said.

With the rising prices of fertilizers, pesticides, seeds, farm inputs, farm equipment and implements, and rice tariffication in effect, our farmers can no longer successfully compete in the market.

As originally intended, cooperatives were formed to promote the interests of less powerful members of society.³ Farmers' cooperatives are unable to effectively promote the

¹ Agriculture is comprised of agriculture, hunting, forestry, and fishing.

² Lifted from: <https://businessmirror.com.ph/2018/10/31/more-teeth-needed-for-cooperatives-to-wipe-out-poverty/>. Last accessed on 07 November 2019; 8:30pm.

³ Article: Cooperatives and Community Development: A Perspective on the Use of Cooperatives in Development, by Majee and Hoyt. Published on Journal of Community Practice, Vol 19, 2011- Issue 1.

interest of farmers because (a) it takes six to 12 months to get registered with the Cooperative Development Authority (CDA); (b) getting a seminar schedule alone takes two to three months; (c) there is unrealistic “economic survey-business plan” requirement.⁴ Moreover, the CDA is the sole entity overseeing at least 21 cooperative types with a total of more than 18,000 actively operating cooperatives. Finally, the benefits given to agricultural cooperatives are insufficient.

According to the Cooperative Statistics 2018 Report,⁵ there are 18,065 operating cooperatives in the country with around Php 430 billion worth of assets. However, only a total of 1,392 cooperatives⁶ are within the agricultural sector. While the original legislation on cooperatives, the Rural Credit Law,⁷ aimed to protect and develop the country’s interest in agriculture,⁸ in 1990, the present Cooperative Code of the Philippines broadened the scope.⁹ Although the success of cooperatives cannot be discounted, there is further need to institutionalize genuine agricultural cooperativism as a manifestation of the State’s desire to protect this sector.

This bill seeks to provide more protection and benefits to strengthen agricultural cooperatives and simplify the process of registration. It aims to create an atmosphere where the agricultural sector will have the support it needs to be competitive in the open market through the following:

1. ***Creating a Policy Board for Agricultural Cooperatives***: The Policy Board shall be a think-tank operating solely for the agricultural cooperatives. It is created to highlight the importance of agricultural cooperatives and shall:
 - a) craft policies and strategic plans concerning the development of agricultural cooperatives in line with the socio-economic conditions of the Philippines;
 - b) set directions to enhance the capacity of agricultural cooperatives and to enhance the cooperation between and among agricultural cooperatives, private sector, and development partners;
 - c) coordinate with concerned government institutions, private sector, and financial institutions to support the operation of agricultural cooperatives; and
 - d) address issues and challenges hindering the implementation of the national policy, and strategic and action plans for agricultural cooperatives development.
2. ***Creating the Agricultural Cooperatives Board (ACB)***: While the ACB shall be under the CDA and chaired by one of its existing Directors, it aims to serve only the needs of agricultural cooperatives. This shall ensure that the dedicated board can focus on developing the sector and shall:

⁴*Supra* note 1.

⁵Issued by the Cooperative Development Authority. Lifted from <http://cda.gov.ph/images/statistics/Selected-Stats-2018.pdf>. Last accessed on 30 August 2019; 11:00AM

⁶Includes cooperatives under agrarian reform, agriculture, dairy, and fishermen.

⁷ Act 2508, an “Act Regulating the Creation and Operation of Rural Agricultural Cooperatives Association, and for Other Purposes”, signed into law on February 5, 1915

⁸Lifted from the official website of the CDA. <http://www.cda.gov.ph/transparency/overview/historical-background>. Last accessed on 30 August 2019, 1:14PM.

⁹ R.A. No. 6938; This was amended by R.A. No. 9520 in February 2009.

- a) support the functioning, operation, and development of agricultural cooperatives;
 - b) design strategic plan and training programs to promote, strengthen and develop agricultural cooperatives;
 - c) manage the database of and provide training services for agricultural cooperatives;
 - d) assess the economic situations of agricultural cooperatives to meet market demands and provide market information to agricultural cooperatives; and
 - e) undertake national and international cooperation on agricultural cooperatives.
3. ***Simplifying the registration process for agricultural cooperatives and including LGUs in registration, training, and development*** to ensure that:
- a) unnecessary entry barriers [in the registration process] are removed;
 - b) agricultural cooperatives' needs are addressed at the LGU level; and
 - c) grassroots' concerns are heard and immediately resolved.
4. ***Granting additional benefits to agricultural cooperatives to facilitate market entry.***

To implement the foregoing reforms, it is necessary to amend R.A. No. 11364¹⁰ to pave the way for the creation of the Policy Board and the ACB, and to institutionalize the reforms contained in this Act. Specifically, under Sec. 20 of R.A. No. 11364, the CDA was mandated to prioritize the promotion and development of cooperatives in the agriculture and fishery sectors to ensure food security and reduce rural poverty. This bill enhances the capability of the CDA to implement this mandate.

Finally, to make the appointment of agricultural cooperative officers in every LGU mandatory, R.A. No. 7160 also needs to be amended.

Immediate passage of this Act is earnestly sought.


GERALDINE B. ROMAN

¹⁰Cooperative Development Authority Charter of 2019.



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House Bill No. _____

Introduced by Representative **GERALDINE B. ROMAN**

AN ACT
INSTITUTING AGRICULTURAL COOPERATIVISM IN THE PHILIPPINES,
AMENDING FOR THE PURPOSE CERTAIN SECTIONS OF R.A. NO. 11364,
R.A.NO. 9520, AND R.A. NO. 7160, AND APPROPRIATING FUNDS THEREFOR

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

CHAPTER I – GENERAL CONCEPTS AND PRINCIPLES

SECTION 1. *Short Title.* – This Act shall be known as the “Genuine Agricultural Cooperativism Reform Act of 2019.”

Sec. 2. *Declaration of Policy.* – It is the declared policy of the State to foster the creation and growth of agricultural cooperatives as a practical vehicle for promoting self-reliance towards the attainment of economic development and social justice among the agricultural industry. The State shall encourage the organization of agricultural cooperatives and shall create an atmosphere that is conducive to their growth and development.

Towards this end, the State shall promote participation of every citizen whose primary occupations fall within the framework of agricultural production, agro-industry, agribusiness or services related to agricultural production systems in establishing and developing agricultural cooperatives to augment economic, social, and cultural status of members as well as to contribute to the national economic development.

Sec. 3. *Definition of Terms.* The following terms shall mean:

- a) *ACB*– refers to the Agricultural Cooperative Board created under Sec. 6 of this Act.

It shall be headed by the Director for Agriculture, Agrarian, Aquaculture, Farmers, Dairy and Fisherfolk defined in Paragraph (e), Section 5 of Republic Act No. 11364.

- b) *Agricultural Cooperative* – refers to an agricultural-based economic enterprise which is voluntarily established by persons with their joint investment, joint ownership and joint management in order to improve agricultural production capacity, agro-industry, agri-business, or services related to agricultural production.

It shall encompass the following types cooperatives defined under R.A. No.9520 and R.A. No. 11364: Agrarian Reform, Agriculture, Dairy, Fishermen, and Aquaculture. It also includes Multipurpose Cooperatives defined under R.A. No.9520 whose primary business activity is at least 50% related to agricultural production, agro-industry, agri-business, or services related to agricultural production.

- c) *Agricultural Cooperative Officer* – refers to the Provincial Cooperative Officer, the City Cooperative Officer, or the Municipal Cooperative Officer under Section 7 of this Act.
- d) *CDA* – refers to the Cooperative Development Authority created under R.A. No. 11364.
- e) *IRR* – refers to any or all implementing rules and regulations and/or guidelines issued in accordance with this Act.
- f) *Policy Board* – refers to the Policy Board for Agricultural Cooperatives under Section 4 of this Act.

Sec. 4. *Policy Board for Agricultural Cooperatives.*—A Policy Board for Agricultural Cooperatives shall be established and chaired by the Secretary of Agriculture, co-chaired by the Secretary of Trade and Industry, or their nominees, and comprised of a representative from the Department of Interior and Local Government, Department of Finance, the cooperatives sector, and civil society.

Sec. 5. *Powers and Duties of the Policy Board.*—The Policy Board as a think-tank for Agricultural Cooperatives shall have the following powers and duties:

- a) prepare and evaluate policies, strategic action plans, and work plans concerning the development of Agricultural Cooperatives in line with the socio-economic conditions of the Philippines;
- b) set directions to enhance the capacity of Agricultural Cooperatives and to enhance the cooperation between and among Agricultural Cooperatives, private sector, and development partners;
- c) coordinate with the CDA and other concerned government agencies, private sector, and financial institutions in order to support for the operation of Agricultural Cooperatives;
- e) issue resolutions or circulars to concerned agencies or local government units (LGU) to come out with programs and strategic action plans concerning the development of Agricultural Cooperatives;

- f) address issues and challenges hindering the implementation of the national policy, and strategic action plans for Agricultural Cooperatives' development;
- g) perform other duties to support the policies for the development of Agricultural Cooperatives as provided for under this Act.

Sec.6. *The Agricultural Cooperative Board (ACB)*—The ACB is hereby created to promote and support the establishment, operation, and development of Agricultural Cooperatives, and shall:

- a) act as the Secretariat of the Policy Board;
- b) promote and support the functioning, operation, and development of Agricultural Cooperatives;
- c) study and design policies, legal framework, strategic plans, and training programs to promote, strengthen, and develop Agricultural Cooperatives;
- d) provide training services to Agricultural Cooperatives in coordination with the LGUs;
- e) carry out outreach programs to promote awareness and to provide trainings aimed at building the capacity of Agricultural Cooperatives;
- f) facilitate the linkages between Agricultural Cooperatives with private sector and concerned institutions, both domestic and foreign;
- g) study and assess the economic situations of Agricultural Cooperatives to meet market demands and provide market information to agricultural cooperatives;
- h) undertake national and international cooperation on Agricultural Cooperatives;
- i) take part in resolving all disputes of Agricultural Cooperatives; and
- j) prepare reports on the progress of development of Agricultural Cooperatives and submit them to Congress; and
- k) perform other duties within the framework of agricultural cooperative development in line with this Act.

The organization of the ACB shall be defined in the IRR.

Sec. 7. *Responsibilities of Local Government Units.*—The Local Government Units (LGU) shall:

- a) legislate necessary ordinances for the promotion and development of Agricultural Cooperatives;
- b) disseminate information to people and facilitate the establishment, development, and management and operations of Agricultural Cooperatives in their respective locality;

- c) take part in solving disagreements arising within and among Agricultural Cooperatives;
- d) give free and regular seminars, trainings and/or conferences necessary for the organization, registration, management, and operations of agricultural cooperatives; and
- e) monitor and evaluate the implementation of this Act.

The appointment of a local agricultural cooperative officer is mandatory for the provincial, city and municipal governments who shall have the power and authority to accept and process applications for registration of agricultural cooperatives within their respective jurisdictions.

For exemplary reasons, applications from other LGUs may be accepted by any local agricultural cooperative officer, as defined in the IRR.

Sec. 8. *Preferential Treatments and Privileges of Agricultural Cooperatives.*—Agricultural Cooperatives shall be encouraged by and shall enjoy preferential treatments and privileges from the national government and the LGUs, as defined in the IRR and local ordinances.

Sec. 9. *Application of Chapter V of R.A. No. 9520.* — The provisions of Chapter V of R.A. No.9520 shall be applicable to Agricultural Cooperatives. Inconsistent principles shall be resolved in favor of the principles and provisions of this Act.

CHAPTER II – ORGANIZATION AND REGISTRATION

Sec. 10. *Organization of Agricultural Cooperatives.* — The organization and registration of Agricultural Cooperatives shall adhere to the following:

- a) A group of fifteen (15) or more natural persons who are Filipino citizens, of legal age, and whose primary activity or business falls within agricultural production system, agro-industry, agri-business or services related to agricultural production sector and are actually residing or working in the intended area of operation, may establish an Agricultural Cooperative.
- b) In addition to the existing organization and registration procedures of the CDA, an Agricultural Cooperative may also process their registration through the local agricultural cooperative officer. Denied applications shall be automatically reviewed by the ACB. All approved registrations by the local agricultural cooperative officer and those approved in review by the ACB shall be forwarded to the CDA for the issuance of Certificate of Registration. Non-issuance of the Certificate of Registration shall not affect the validity of any registration.
- c) All forms and necessary documentary requirements shall be made available to any applicant free of charge.

- d) The ACB shall issue the necessary guidelines for the simplified organization and registration process for Agricultural Cooperatives. The uniform registration proceedings shall not extend beyond a period of 30 calendar days. Reviews by the ACB shall be resolved within the same period.
- f) For purposes of this Act, the local agricultural cooperative officer, in addition to the mayor, vice-mayor, and all members of the *sanggunian*, shall be granted authority to administer oath, and such act shall be given free of charge.
- g) An application for registration shall only be denied on the ground that the applicant is not an Agricultural Cooperative.

Sec. 11. *Application of Chapter II, III, & IV of R.A. No. 9520.* – The provisions of Chapters II, III, & IV of R.A. No. 9520 shall apply to Agricultural Cooperatives in so far as not inconsistent with the principles and provisions of this Act and its IRR.

Sec. 12. *Fees and Charges*– Notwithstanding the generality of Sec. 15, no fees shall be assessed or charged to any Agricultural Cooperative by any government entity, national or local, at any stage of its organization and registration process.

Sec. 13. *Implementing Rules and Regulations* – Within 180 days from the approval of this Act, the ACB, with the approval of the Policy Board, and in coordination with the Administrator of the CDA, shall issue the necessary IRR to implement this Chapter.

CHAPTER III – PREFERENTIAL BENEFITS AND PRIVILEGES

Sec. 14. *Responsibilities, Benefits and Privileges of Agricultural Cooperatives.* — An Agricultural Cooperative shall have the following responsibilities and shall enjoy the following unrestricted benefits and privileges:

a) Responsibilities, Taxes, Duties, and Liens:

- i. All responsibilities of cooperatives defined under Chapter V of R.A. No. 9520 shall apply to Agricultural Cooperatives insofar as these responsibilities are consistent with the provisions of this Act;
- ii. All benefits and tax treatments of cooperatives defined under Chapter V of R.A. No. 9520 shall apply to Agricultural Cooperatives, even those dealing with non-members, insofar as these benefits and tax treatments are consistent with the provisions of this Act.
- iii. Agricultural Cooperatives shall be exempt from customs duties, advance sales or compensating taxes on their importation of machineries, equipment and spare parts used by them.
- iv. All sales, services, or transactions of Agricultural Cooperatives shall not be subject to any taxes and fees imposed under the internal revenue laws and other tax laws, including income taxes, VAT, percentage taxes sales, and local sales taxes.

- v. All real properties owned, and those directly used for the operations, management, and maintenance of Agricultural Cooperatives shall be exempt from the payment of real property taxes imposed under existing laws.
- vi. On the tenth year after the approval of this Act, the ACB may, in coordination with the relevant government institutions, promulgate guidelines defining the thresholds of accumulated reserves and undivided net savings of Agricultural Cooperatives for the purpose of imposing reasonable limits on transactions with non-members and the general public.

b) Trainings and Conferences:

- i. All trainings and/or conferences necessary for the organization, registration, management, and operations of an Agricultural Cooperative shall be given free of charge, including costs of venue, training materials, speakers and resource persons. The local agricultural cooperative officers shall be primarily responsible for these trainings and conferences within their respective localities.

c) Loans and Grants:

- i. All loans applied for by Agricultural Cooperatives on any government owned or controlled banks or financial institutions shall enjoy preferential status and handling as to requirements, rates, securities, and collaterals.
- ii. The Policy Board, through the ACB, shall coordinate with the *Banko Sentral ng Pilipinas* to lower the thresholds for all loans applied for and granted to Agricultural Cooperatives.
- iii. All loans and grants granted to Agricultural Cooperatives shall be exempt from the payment of all taxes and fees by any government unit or institution, including the Bureau of Internal Revenue (BIR).

Sec. 15. Joint Implementing Rules and Regulations– The Policy Board, *Banko Sentral ng Pilipinas*, and BIR shall jointly, within 180 days from the approval of this Act, issue the necessary guidelines for the implementation of this Chapter.

CHAPTER IV – APPLICATION OF OTHER PROVISIONS OF R.A.No. 9250 AND R.A. No. 11364

Sec. 16. Other Provisions of R.A. No. 9250 – In so far as not inconsistent with this Act, all other provisions of R.A. No. 9250 shall continue to apply to Agricultural Cooperatives.

The CDA shall liberally exercise its powers to implement the provisions of R.A. No. 9250 in favor of Agricultural Cooperatives and the principles enunciated in this Act.

Within 180 days from the effectivity of this Act, the CDA, in coordination with the Policy Board, shall issue a more liberal and simplified implementing rules and regulations for all other provisions of R.A. No. 9250 and R.A. No. 11364 applicable to Agricultural Cooperatives in line with the principles enunciated with this Act

CHAPTER V – FINAL PROVISIONS

Sec. 17. *Implementing Rules and Regulations.* – The Policy Board, in consultation with the CDA, shall issue rules and regulations to implement those provisions of this Act which expressly call for the issuance thereof. This paragraph shall not apply to those cases wherein a specific provision of this Act expressly designates particular government agencies which shall issue the regulations called for by any provision of this Act.

Sec. 18. *Penal Provisions* – In addition to the penal provisions of R.A. No. 9250 and the applicable penal provisions of R.A. No. 11364, any local agricultural cooperative officer, officer of the ACB, or officer of the CDA, who shall refuse to process or delay the processing of registration of an Agricultural Cooperative shall be punished by a fine of not less than five hundred thousand pesos (P500,000.00) but not more than five million pesos (P5,000,000.00) and suffer imprisonment of not less than four (4) years but not more than six (6) years: Provided, That the conviction or acquittal obtained under this section shall not be a bar to the filing of any civil or administrative suit.

Furthermore, any member of an Agricultural Cooperative, or any person who shall violate any provision of this Act shall be punished by a fine of not less than one million pesos (P1,000,000.00) but not more than ten million pesos (P10,000,000.00) and suffer imprisonment of not less than six (6) years but not more than twelve (12) years: Provided, That the conviction or acquittal obtained under this section shall not be a bar to the filing of any civil or administrative suit.

Sec. 19. *Interpretation and Construction.* – In case of doubt as to the meaning of any provision of this Act or the regulations issued in pursuance thereof, the same shall be resolved liberally in favor of Agricultural Cooperatives and their members.

Sec. 20. *Appropriations.* — The funds needed to carry out the provisions of this Act shall be charged to the appropriations of the CDA under the current General Appropriations Act: Provided, That in the initial year of operations of the Policy Board and the ACB, an additional amount of not exceeding One Hundred Million Pesos (P100,000,000.00) may be requested and drawn by the CDA from the Department of Agriculture, and the Department of Trade and Industry, and from any other available source. Thereafter, such sums as may be necessary for its continued implementation shall be included in the annual General Appropriations Act.

Sec. 21. *The Joint Congressional Oversight Committee on Cooperative (JCOC)*. – The Joint Congressional Oversight Committee created under R.A. 9520 shall review and monitor the proper implementation of this Act.

Sec. 22. *Repealing Clause.* – Except as expressly provided by this Act, all other laws or regulations, or parts thereof, inconsistent with any provision of this Act shall be deemed repealed: Provided, That the relevant provisions of R.A. No. 9520, R.A. No. 11364, and R.A. No. 7160 as applicable to Agricultural Cooperatives are hereby repealed, amended or modified accordingly.

Sec. 23. Transitory Provisions. -

- a) All Agricultural Cooperatives registered and confirmed under R.A. No.9520 are hereby deemed registered under this Act, and a new certificate of registration shall be issued by the CDA: *Provided*, That such cooperative shall submit to its local agricultural cooperative office a copy of their certificate of registration or certificate of confirmation, the articles of cooperation, their bylaws, and their latest audited financial statement within one (1) year from the effectivity of this code, otherwise the shall be deemed cancelled *motu proprio*.
- b) Following the issuance of the new certificate of registration, the registered agricultural cooperatives shall secure their certificate of tax exemption from the nearest office of the BIR: *Provided*, That such exemptions shall be valid of ten (10) years from the date of issue, unless extended by the Policy Board: *Provided, further*, That all unpaid assessments of previously registered Agricultural Cooperative under R.A. No. 9520 shall be the subject of compromise settlement on terms favorable to such Agricultural Cooperative; and: *Provided, finally*, That the BIR and the ACB shall be jointly issue the necessary regulations on this exemption and compromise within ninety (90) days from the effectivity from this Code.

Sec. 24. Separability Clause. - Should any part of this code be declared unconstitutional, the validity of remaining provision hereof shall remain in full and effect.

Sec. 25. Effectivity Clause. - This code shall take effect fifteen (15) days from its publication in a newspaper of general circulation.

Approved,