



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

NINETEENTH CONGRESS
First Regular Session

House Bill No. **230**



Introduced by Representative **GERALDINE B. ROMAN**

EXPLANATORY NOTE

We are an agricultural country with a population of over 100 million of which about 10 million -- or 24% of the total national employment -- are rice farmers.¹ Sadly, over 34% of our rice farmers are poor.² They struggle to make "less than ₱200 a day."³ Among them are Miguel Ferrer from Pangasinan province who earns only ₱183.96 a day⁴ and Ignacio Ortiz from Nueva Ecija province who tearfully laments, "It's painful for a farmer, to plant the seeds to feed everyone then have nothing to eat."⁵ Low income prevents our rice farmers from supporting their families, accessing and paying farm loans, and growing rice production. It has dampened interest in farming, forcing rice farmers and their children to seek other employment and sell their farmlands to industrialists, threatening our rice industry and food security.⁶ This is not acceptable. To add to the problem, poverty makes our rice farmers particularly vulnerable to the economic hardships imposed by the Covid-19 pandemic.

Our rice farmers suffer from low income due to (1) the low farmgate price of unhusked rice and (2) the high cost of rice production. The low farmgate price of unhusked rice is due to increased competition from cheaper rice imports resulting from the implementation of the Rice Tariffication Law (RTL) enacted to liberalize rice imports to fill the local rice shortage. Since taking effect in March 2019, the RTL has cost our rice farmers anywhere from ₱68 to 95 billion.⁷

¹See Dejaresco, Z. (2019, September 12). The tragedy of the Filipino rice farmers. *BusinessMirror*. <https://businessmirror.com.ph/2019/09/12/the-tragedy-of-the-filipino-rice-farmers/>; Fenol, J. (2019, October 14). In the Philippines' rice granary, farmers endure falling grain prices. *ABS-CBN News*. <https://news.abs-cbn.com/business/10/14/19/in-philippines-rice-granary-farmers-endure-falling-grain-prices>

²See Ordinario, C. (2017, July 2). PSA: Farmers, fishermen remain poorest in PHIL. *BusinessMirror*. <https://businessmirror.com.ph/2017/07/02/psa-farmers-fishermen-remain-poorest-in-ph/>

³Katigbak, T. (2019, September 17). The plight of Filipino rice farmers. *The Philippine Star*. <https://www.philstar.com/opinion/2019/09/17/1952474/plight-filipino-rice-farmers>

⁴See Velasco, B. (2019, October 22). What you can do to help Filipino rice farmers. *Rappler*. <https://www.rappler.com/move-ph/239348-what-people-can-do-help-rice-farmers-philippines>

⁵Fenol, J. (2019, October 14). In the Philippines' rice granary, farmers endure falling grain prices. *ABS-CBN News*. <https://news.abs-cbn.com/business/10/14/19/in-philippines-rice-granary-farmers-endure-falling-grain-prices>

⁶See Limos, M. (2019, September 5). A Kilo of Unhusked Rice Costs P7 And It's Starving Our Farmers. *Esquire*. <https://www.esquiremag.ph/politics/news/rice-law-starving-farmers-a00293-20190905>

⁷See Simeon, L. (2020, February 22). Farmers lose ₱68 billion from rice tariffication law. *The Philippine Star*. <https://www.philstar.com/business/2020/02/22/1995025/farmers-lose-p68-billion-rice-tariffication-law>; Madarang, C. (2019, September 5). Why rice farmers are crying for help after the Rice Tariffication Law. *Interaksyon*. <https://www.interaksyon.com/politics-issues/2019/09/05/154489/farmers-rice-tariffication-law-effects/>

It is also due to the fact that our rice farmers lack direct market access and, as such, are “price takers.”⁸ Our rice farmers sell (a) mainly to middlemen who are known to short supply and increasingly buy imported rice or directly import rice to avoid incurring overhead for processing and distributing rice to retailers, and (b) the National Food Authority (NFA) which, for lack of resources, is unable to fulfill its legal mandate to buy rice from our rice farmers at reasonable prices. The high cost of rice production is attributable to notable increases in prices of fertilizers, which are imported, and the high price of diesel needed for farm irrigation systems.

To solve the problem, this bill seeks to (1) require cooperation among competing farmer associations and cooperatives – or “coopetition” – through place-based clustering and (2) establish a multi-purpose, fully equipped hub per cluster (“coopetition hub”). At present, the government extends farming assistance (machinery, equipment, seeds, training, and loans) through competing farmer organizations, but farmlands are underutilized because not every farmer organization receives government farming assistance. Place-based clustering of farmer organizations to mainly serve as the exclusive conduit of government farming assistance and to take advantage of synergies in the sourcing and sharing of farming resources would result in wider dispersal of farming resources, increased utilization of farmlands, increased rice production, reduced dependence on rice imports, and, ultimately, food security (presently threatened by the Covid-19 pandemic). In that regard, Secretary of Agriculture William Dar agrees farmlands should be “consolidated to bring about economies of scale, particularly for crops that require mechanization and massive use of technology.”⁹ We also need to establish coopetition hubs, so farmers will have the means and venue to process rice, sell directly to the market, and command reasonable prices for their produce. Secretary Dar, in that regard, agrees farmer organizations should “undertake marketing functions ... to minimize inefficiencies in the marketing system and to enable farmers to avail themselves of better returns to their produce.”¹⁰ However, to have the opportunity to test, address and mitigate any risks that may arise during implementation, and refine the proposed solution before expanding it elsewhere, this bill proposes piloting it in the First District of Bataan.

The experience of other countries augurs well for this project. In Thailand and Korea, farmers “control the planting, processing and marketing of their own produce,” “have bonded into big cooperatives and thus are not at the mercy of middlemen, traders and millers.”¹¹ Vietnam has rice farm estates where a central management group orchestrates the production and post-harvest and marketing activities of farmers who have farm lots within the estate.¹² In Taiwan, state-led “coopetition” in the agricultural sector have benefitted farmers and their communities.¹³ In Israel, two unique forms of agricultural settlements, the *kibbutz* (where the means of production are communally owned) and the *moshav* (where purchasing and marketing are done cooperatively), have also worked.

Immediate passage of this bill is earnestly sought.


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⁸ Librero, A., & Tidon, A. (1996). *Marketing of Agricultural Commodities by Producer Groups in the Philippines*. International Development Research Centre [Research paper]. <https://idl-bnc-idrc.dspacedirect.org/bitstream/handle/10625/22022/113022.pdf?sequence=1>

⁹ Rivas, R. (2019, August 6). William Dar aims to quadruple agri growth, double farmers' income. *Rappler*. <https://www.rappler.com/business/237174-william-dar-aims-agriculture-growth-double-income-farmers>

¹⁰ Librero, A., & Tidon, A. (1996). *Marketing of Agricultural Commodities by Producer Groups in the Philippines*. International Development Research Centre [Research paper]. <https://idl-bnc-idrc.dspacedirect.org/bitstream/handle/10625/22022/113022.pdf?sequence=1>

¹¹ Senate of the Philippines (2008, October 28). *Zubiri: Take out the middlemen in the rice industry* [Press release]. https://www.senate.gov.ph/press_release/2008/1028_zubiri1.asp

¹² De Padua, D. (1998, June). *Rice post-harvest e-mail conference draft summary - I.1.2*. Food and Agriculture Organization [Research paper]. <http://www.fao.org/3/x5427e/x5427e02.htm#TopOfPage>

¹³ Chien, H. (2016, February 12). *Role of the Public Sector in Agricultural Coopetition: Place-based Marketing in Post-WTO Rural Taiwan*. Journal of Management and Strategy [Research paper]. <https://doi.org/10.5430/jms.v7n1p65>



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AN ACT

PROMOTING FARMER COOPETITION, MANDATING THE ESTABLISHMENT OF FARMER COOPETITION HUBS, AND APPROPRIATING FUNDS THEREFOR

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

SECTION 1. *Short Title.* — This Act shall be known as the “*Farmer Coopetition Act.*”

SEC. 2. *Declaration of Policy.*— It is the declared policy of the State to promote social justice, *i.e.*, protect and enhance the right of people, including local rice farmers, to human dignity, reduce social, economic, and political inequalities, and recognize the indispensable role of the agricultural sector for national growth and development. It is also the declared policy of the State to support local rice farmers through appropriate technology and research, and adequate financial, production, marketing, and other support services; promote cooperation between and among competing farmer associations and cooperatives; and regulate or prohibit monopolies in the rice industry.

SEC. 3. *Definition of Terms.* — As used in this Act, the following terms shall mean:

- a) “Cooperative” shall refer to a cooperative defined and established in the Philippine Cooperative Code (PCC), R.A. 9520, and its implementing rules and regulations (IRR).
- b) “Farmer associations and cooperatives” shall refer to organizations of farmers who own and/or till farmlands.
- c) “Farmer Coopetition” shall refer to cooperation between and among competing farmer associations and cooperatives.
- d) “Farmer Coopetition Hubs” shall refer to centers established for and awarded to clusters of farmer associations and cooperatives, providing the means and venue for (1) sourcing

and sharing of farming resources (machinery, equipment, loans, farmer training, seeds, fertilizers, pesticides, and diesel) from the government and private suppliers, (2) the processing (drying and milling) and storage of rice, (3) the manufacture of rice products, (4) the direct marketing and sale of rice and derivative products to retailers and consumers, and (5) other identified cooperative activities.

- e) "Federation" shall refer to a federation defined and established in the PCC but whose formation and attributes are as defined in this Act. Other provisions of the PCC not inconsistent with this Act shall apply to federations as defined herein.
- f) "Government Farming Assistance" shall mean machinery, equipment, seeds, training, subsidies, agricultural loans, and such other benefits or grants extended to rice farmers under existing and future programs.

SEC. 4. *Clustering of Farmer Associations and Cooperatives.* — Farmer associations and cooperatives in the First District of Bataan shall be clustered to form federations, which shall be registered as cooperatives under the PCC. The Department of Agriculture shall determine the appropriate number of clusters based on the number and locations of farmlands owned and/or tilled by members of farmer associations and cooperatives, ensuring geographical proximity between each farmland and the Farmer Coopetition Hub established under Section 5.

The federation shall be exempt from the following requirements under the PCC, other cooperatives laws and regulations or otherwise:

- 1) bonding;
- 2) registration fee;
- 3) feasibility study; and
- 4) such other requirements waived by the IRR.

SEC. 5. *Establishment of Farmer Coopetition Hubs.* — As a pilot program there shall be established in the First District of Bataan one or more Farmer Coopetition Hubs. The Department of Agriculture shall determine the appropriate number and sites for the Farmer Coopetition Hubs.

Each Farmer Coopetition Hub shall be managed by the federation formed under Section 4. Notwithstanding the provisions of the PCC, the IRR for this Act shall provide for a simplified registration process for the federation in accordance with the provisions and spirit of this Act.

SEC. 6. *Powers, Capacities, and Privileges of Federation.* — A federation formed under Section 4 shall have the following powers, capacities, and privileges:

- a) It shall have the powers and privileges of both a cooperative and federation under the PCC.
- b) It shall be the exclusive conduit of government farming assistance.
- c) All sales, services, or transactions of a federation 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.

- d) All real properties owned and those directly used for the operations, management, and maintenance of a federation formed under Section 4 shall be exempt from the payment of real property taxes imposed under existing laws.
- e) It shall have such other powers, capacities, and privileges deemed necessary to promote cooperative activities within the federation as defined in the IRR.

SEC. 7. *Management of the Farmer Coopetition Hub.* — Notwithstanding the provisions of the PCC and for purposes of this Act, the management and operation of the Farmer Coopetition Hub shall be performed by the Management Committee formed by the federation. The Municipal Agriculturist of each municipality where farmlands owned and/or tilled by members of clustered farmer associations and cooperatives are located shall be non-voting ex-officio members of the Management Committee. The IRR shall define the functions of the Management Committee and relationship between and among members of the Management Committee, the federation, and member farmer associations and cooperatives. The Management Committee may enter into management contracts for the efficient management and operation of the Farmer Coopetition Hub.

To become sustainable, the IRR shall provide for a phased-in revenue-based operational model for the Farmer Coopetition Hubs. Each Farmer Coopetition Hub shall be given a period of time in the IRR to become self-sustaining. Within such period, the Farmer Coopetition Hubs shall receive monthly operational funds.

SEC. 8. *Appropriations.* —The amount necessary for the implementation of this Act shall be charged against the appropriations for the Department of Agriculture and from a portion of the 20% Developmental Funds of the Annual Internal Revenue Allocation. The required budget for continued implementation of this Act shall be submitted to the Department of Budget and Management for inclusion in the General Appropriations Act.

SEC. 9. *Implementing Rules and Regulations.* —Within sixty (60) days from the effectivity of this Act, the Department of Agriculture, in consultation with the Cooperative Development Authority, shall issue the necessary rules and regulations for the effective implementation of this Act.

SEC. 10. *Repealing Clause.* — All laws, presidential decrees or issuances, executive orders, letters of instruction, administrative orders, rules or regulation inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 11. *Separability Clause.* —If any provision of this Act is declared unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in full force and effect.

SEC. 12. *Effectivity.* —This Act shall take effect fifteen (15) days after the publication in the Official Gazette or in a newspaper of general circulation.

Approved.