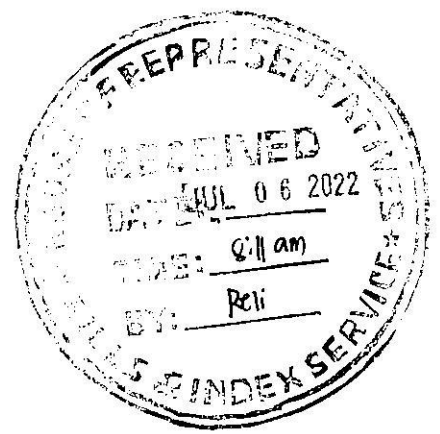


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

19th CONGRESS
First Regular Session

HOUSE BILL NO. 1296



Introduced by **REP. WILBERT T. LEE**

AN ACT
PROMOTING CORPORATIVE FARMING AND PROVIDING INCENTIVES FOR ITS
EFFECTIVE IMPLEMENTATION

EXPLANATORY NOTE

Food security is a growing concern in the world today. As such, many companies undertake to provide, as additional benefits, to their employees rice allowances or supply for the consumption of their families.

To be able to save on costs, corporations should be encouraged to enter into arrangements with farming communities to produce the rice for their consumption. For purposes of this bill, this endeavor is designated as "corporate farming," or a portmanteau of "corporate" and "cooperative" farming. This seeks to establish a partnership of farming organizations and communities with domestic corporations or partnerships, in which the former supply the labor, expertise, and/or their landholdings while the latter provide the necessary capital and guarantee the purchase of the harvest.

Those produced in excess of what is needed by the corporations/partnerships for their employees shall be sold to the National Food Administration to be included in the buffer stock or for their disposition pursuant to their mandate.

Corporate farming arrangements also contribute to preserving our farmlands as it guarantees the profitability of farming activities and prevents its possible conversion to non-agricultural purposes.

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



WILBERT T. LEE
AGRI Party List

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

SECTION 1. *Domestic Corporations and Partnerships.* - For the purpose of this Act, domestic corporations and partnerships shall refer to all corporations and partnerships organized 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 partnerships that are to be covered by this Act.

SEC. 2. *Corporative Farming Arrangements.* – Participation in Corporative Farming programs shall be on a voluntary basis. For the purpose of this Act, corporations/partnerships may engage in the following Corporative Farming programs:

- (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' 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 corporations/partnerships 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 land purchased or leased for the purpose cannot be converted to other uses. Should the Corporative Farming venture cease 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 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 (3) years, and ninety percent (90%) within a period of five (5) years.

- (c) Corporations/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 or the "Organic Agriculture Act of 2010."

Local Government Units (LGUs) shall be required to identify appropriate land areas for Corporative Farming in consonance with their comprehensive land-use plan and ordinances. The LGU 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 Corporative Farming.

- (d) Corporations/partnerships may enter into contractual arrangements with farmers' organizations/ARCs, whereby farmers' organization shall be responsible for the production of raw agricultural materials while the corporations/partnerships shall perform the agroprocessing/value-addition and look for domestic and international markets.
- (e) Farmers' or other agricultural cooperatives with existing landholdings and sufficient capitalization to undertake a "corporative" farming scheme for rice/corn.

For purposes of this Act, corporative farming programs shall be primarily for the purpose of producing rice/corn for consumption of the employees of the corporations/partnerships engaged in the same. Production in excess of their consumption shall be in accordance with Section 3 of this Act.

SEC. 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 shall be sold to the National Food Authority (NFA) at prevailing market prices.

SEC. 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 Corporative 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 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 corporations/ 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 Corporative farm.
- (b) Identify suitable private and public-owned rice/ corn production areas for Corporative farming and determine the maximum ceiling of landholdings for Corporative Farming arrangements: Provided, that the DA and the DAR shall periodically determine the need to expand/reduce rice/corn production areas for Corporative Farming schemes on the basis of rice/corn demand-supply gaps;
- (c) Facilitate and promote grassroots cooperation to access agricultural services such as information, inputs, and technical assistance;
- (d) Initiate and develop periodic rural/arm 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 involve

- 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.

SEC. 5. *Incentive package.* – Corporations/partnerships which shall participate in the Corporative Farming Act shall be entitled to tax incentives covering all aspects of the operation germane to Corporative 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 requirement shall be in accordance with the provisions of Republic Act No. 10068 or the "Organic Agriculture Act of 2010";
- (c) Exemption from the payment of capital gain tax for a person either natural or juridical, who sells and or transfers idle agricultural land to three (3) corporations or partnerships engage in Corporative Farming; and,
- (d) Tax incentives, including income tax holiday, in accordance with the provisions of Executive Order No. 226 or the Omnibus Investment Code, as amended.

SEC. 6. *Other Incentives.* – Loans extended by banks, both government and private, to participating corporations/partnerships shall be treated as compliance to Republic Act No. 10000 or "The Agri-Agra Reform Credit Act of 2009," as amended.

SEC. 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 favor 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 Agrarian Reform Program should they wish to terminate the Corporative Farming agreement. Arrangements/negotiations for leased public or idle private agricultural lands shall be for a period not less than ten (10) years.

SEC. 8. *Automatic review.* – The DA and the DAR, being the lead government agencies in the Corporative Farming Program, shall submit periodic reports to both Houses of Congress on the accomplishments 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.

SEC. 9. *Implementing Rules and Regulations.* – Within six (6) months from the effectivity of this Act, the DA and the DAR shall promulgate the necessary IRR to implement the provisions of this Act.

SEC. 10. *Separability Clause.* – If any provision of this Act, or parts thereof, is declared unconstitutional, the same shall not affect the validity and effectivity of the other portions.

SEC. 11. *Repealing Clause.* - All laws, executive orders, presidential decrees, implementing rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 12. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,