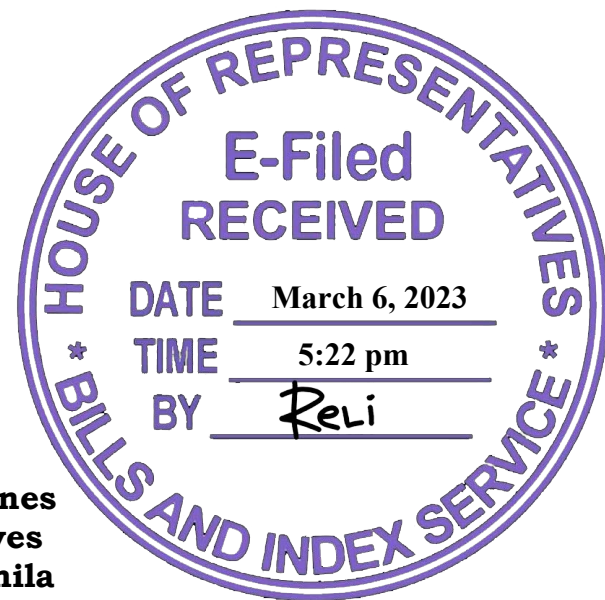




**Republic of the Philippines
House of Representatives
Quezon City, Metro Manila**

**Nineteenth Congress
First Regular Session**

HOUSE BILL NO. 7457



Introduced by Representative Rudys Caesar G. Fariñas I

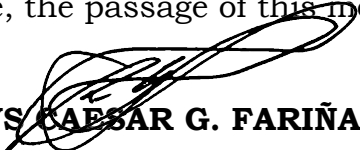
EXPLANATORY NOTE

This proposed measure seeks to encourage the private sector in the capitalization of agricultural ventures through Corporate Farming.

Through the proposed bill, a Corporate Farming program will be formed, allowing firms or partnerships to join into management contracts for the production of rice or corn with any farmers' group, including farmers' associations, cooperatives, and agrarian reform communities (ARCs).

Corporate Farming refers to the direct ownership or lease of farmland by corporations or partnerships to produce agricultural goods for their employees or the open market.

Hence, the passage of this measure is sought.


RUDYS CAESAR G. FARIÑAS I



**Republic of the Philippines
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HOUSE BILL NO. 7457

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**AN ACT
PROMOTING CORPORATE FARMING AND PROVIDING INCENTIVES
THEREFOR**

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

1 SECTION. 1. **Short Title.** – This Act shall be known as the “Corporate Farming
2 Act.”
3

4 SEC. 2. **Declaration of Policy.** – The State recognizes the role and contribution
5 of private sector in the development of national economy through investments in
6 different industries including agricultural production. Towards this end, the
7 State shall promote and encourage corporate farming as a way to help our poor
8 farmers in having sufficient capitalization, in marketing their products and in
9 reducing the risk of price fluctuations as well as production risks to maximize
10 their income.
11

12 SEC. 3. **Corporate Farming Program.** – There shall be established a corporate
13 farming program where corporations or partnerships, through direct ownership
14 or lease of farmland, may enter into management contract with any farmers’
15 group such as farmers’ associations, cooperatives and agrarian reform
16 communities (ARCs) for the production of rice or corn. Participation in the
17 corporate farming program shall be voluntary: Provided, That the participating
18 corporation or partnership is operating at a profit for the last four (4) years and
19 that their participation do not affect the financial viability of corporation or
20 partnership. Participation in corporate farming program shall be for a period of
21 not less than seven (7) years.
22

23 For purposes of this Act, corporate farming means direct ownership or leasing of
24 farmland by corporations or partnerships to produce agricultural products for
25 their own employees or for open market.
26

1 SEC. 4. **Corporate Farming Arrangement.** – The management contract or joint
2 venture in corporate farming shall provide that the participating corporations or
3 partnerships are given full management and production control over agricultural
4 lands suitable for rice or corn production. The participating corporations or
5 partnerships shall also provide production inputs, technical support and other
6 related services. The agricultural lands subject of the arrangement may be one
7 or more of the following:

- 8
- 9 a. Existing landholding of corporations or partnerships.
- 10
- 11 b. Purchased public or private lands by the corporations or partnerships
12 for corporate farming purposes. In the event that the purchased lands
13 are not developed for the purpose, or the corporate farming cease to be
14 financially viable, the government may offer the lands to other
15 interested parties based on the original acquisition cost and initial
16 development cost, if any, to be refunded to the corporations or
17 partnerships.
- 18
- 19 c. Leased public or private lands by the corporations or partnerships:
20 Provided, That the leased lands may not be converted to other uses
21 within a period of seven (7) years and the fifty percent (50%) of the land
22 must be developed within a period of three (3) years.
- 23
- 24 d. Timber concessions or leased pastures. The timber licensees or pasture
25 lessees together with the corporations or partnerships shall secure
26 permit to use the timber concessions or leased pastures from the
27 Department of Environment and Natural Resources.
- 28

29 The local government units (LGUs) shall identify appropriate land areas for
30 corporate farming in consonance with their comprehensive land-use plan and
31 ordinances. The LGUs shall require the participating corporations or
32 partnerships to provide livelihood programs to families who are not hired by the
33 participating corporations or partnerships. Further, the LGUs shall provide
34 appropriate local tax incentives for corporate farming through ordinances.

35

36 SEC. 5. **Product Disposition.** – Participating corporations or partnerships shall
37 provide a minimum of six hundred (600) kilograms of rice or corn per year, or
38 fifty (50) kilograms per month, for every employee or in lieu thereof, its monetary
39 equivalent as de minimis benefit pursuant to existing regulations issued by the
40 Bureau of Internal Revenue.

41

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

46

47 SEC. 6. **Farmers as Project Employees.** – In any of the corporate farming
48 arrangement entered into by corporations or partnerships, the farmers
49 cultivating the purchased or leased lands shall be considered, for the duration
50 or existence of the program, as project employees and shall receive not less than
51 the prevailing minimum wage. The farmers are entitled to all the benefits of a
52 project employee under existing laws such as membership in the Social Security
53 System and Philippine Health Insurance Corporation.

54

1 SEC. 7. **Program Administration.** – The Department of Agriculture (DA) and
2 Department of Agrarian Reform (DAR) shall serve as the liaison conduit with the
3 appropriate government agencies in the processing of management contracts
4 between the farmers’ groups and the corporations or partnerships. In addition,
5 the DA and DAR shall exercise the following functions:

- 6
7 a. Develop eligibility criteria for both corporations or partnerships and
8 farmers’ groups, cooperatives or ARCs for consideration under this Act
9 and to institute the accreditation of all participants. The farmers’ group
10 criteria shall include management capabilities, technical production
11 skills critical to the effective operation of the corporate farm;
12
- 13 b. Identify suitable private and public-owned rice or corn production areas
14 for corporate farming arrangements and periodically determine the
15 need to expand or reduce rice or corn production areas for corporate
16 farming schemes on the basis of rice or corn demand-supply gaps;
17
- 18 c. Promote and encourage grassroots cooperation to access agricultural
19 services such as information, inputs and technical assistance;
20
- 21 d. Initiate and develop periodic rural or farm assembly markets to provide
22 avenues to showcase their produce;
23
- 24 e. Exercise regulatory functions with respect to the adherence to the
25 provisions of contracts and arrangements entered into by both
26 corporations or partnerships and farmers’ groups, cooperatives or
27 ARCs and develop mechanisms to facilitate negotiations and mediate
28 in disputes between stakeholders on matters of contract enforcement;
29
- 30 f. Coordinate with the appropriate government agencies to ensure the
31 timely establishment of support services such as credit, infrastructure,
32 extension services and others;
33
- 34 g. Facilitate the registration of the participating corporations or
35 partnerships with the NFA; and
36
- 37 h. Oversee and monitor the implementation of this Act.
38

39 SEC. 8. **Incentive Package.** – Corporations or partnerships that participate in
40 the corporate farming under this Act are entitled to tax incentives covering all
41 aspects of the operation germane to corporate farming activities which include
42 the following:

- 43 a. Exemption from the payment of customs and duties on the importation
44 of all types of agricultural inputs, particularly seeds, fertilizers,
45 agricultural machinery and other agricultural implements as provided
46 under Section 109 of Republic Act (RA) No. 8435, otherwise known as
47 the “Agriculture and Fisheries Modernization Act of 1997,” as amended;
48
- 49 b. Exemption from payment of value-added tax (VAT) on the importation
50 of agricultural inputs in accordance with Section 109 of RA 8424,
51 otherwise known as the “Tax Reform Act of 1997,” as amended; and
52
- 53 c. Exemption from the payment of capital gains tax for a person, either
54 natural or juridical, who sells or transfers idle agricultural land to
55 corporations or partnerships engaged in corporate farming.

1
2 SEC. 9. **Other Incentives.** – Loans extended by banks, both government and
3 private, to participating corporations or partnerships shall be treated as
4 compliance with RA No. 10000, otherwise known as “The Agri-Agra Reform
5 Credit Act of 2009.”
6

7 SEC. 10. **Implementing Rules and Regulations.** – Within ninety (90) days from
8 the approval of this Act, the DA and DAR, in coordination with nongovernment
9 organizations, private sector and farmers’ groups involved in rice or corn
10 production and other appropriate government agencies, shall promulgate the
11 necessary rules and regulations for the effective implementation of this Act.
12

13 SEC. 11. **Automatic Review.** – The DA and the DAR, being the lead government
14 agencies in the corporate farming program, shall submit periodic reports to both
15 Houses of Congress on the accomplishment of the program. A review on the
16 viability of the program shall be made by the appropriate agencies after five (5)
17 years of its implementation.
18

19 SEC. 12. **Separability Clause.** – The provisions of this Act are hereby declared
20 to be separable, and in the event one or more such provisions are held
21 unconstitutional, the validity of the other provisions shall not be affected
22 thereby.
23

24 SEC. 13. **Effectivity.** – This Act shall take effect fifteen (15) days after its
25 publication in the Official Gazette or in a newspaper of general circulation.
26

27 Approved,