

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 7736



Introduced by Representative Joseph Gilbert F. Violago

EXPLANATORY NOTE

The 1987 Constitution provides that the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments. (Art. II, Sec. 20)

According to the United Nations, 16.6% of the population lives below the national poverty threshold in 2018. Citing the 2020 State of Food Security and Nutrition in the World Report, it explained that “the Philippines recorded the most number of food insecure people in Southeast Asia in 2017 to 2019, with 59 million Filipinos suffering from moderate to severe lack of consistent access to food.”¹ Hence, the article emphasizes that “The increasing population, limited resources and natural disasters resulted to continuing challenges in ‘poverty reduction’ and efforts towards ‘eradicating hunger.’”²

Moreover, the National Economic Development Authority (NEDA) remarked in April 2021 that “Population planning and food security are key to unlocking the country’s growth potential and the health and welfare of all Filipino” and that while the government has undertaken several reforms to improve food productivity and food security, still “malnutrition prevalence [...] remains high.”³ In fact, “5.8 percent or around 600,000 children under five years old are wasted, 19 percent or 2.1 million are underweight, and 28.8 percent or 3.2 million children are stunted” as of 2019.⁴

This bill seeks to invite the participation of the private sector – the government’s indispensable partner – by way of introducing corporate farming in order to boost food production and ensure food security in the Philippines, especially in light of the growing

¹ <https://sdgs.un.org/partnerships/fao-legislative-advisory-group-philippines-flag-ph-initiative>

² *Ibid.*

³ N.a. “PH GOV’T COMMITS TO ENSURE HUMAN DEVELOPMENT, FOOD SECURITY IN THE COUNTRY – NEDA”. *National Economic Development Authority*. 27 April 2021. Web. Accessed on 10 March 2023.

<<https://neda.gov.ph/ph-govt-commits-to-ensure-human-development-food-security-in-the-country-neda/>>

⁴ *Ibid.*

population and the global food supply. This is to ensure that safe and adequate food is available to Filipino families, especially children.

Subject to the conditions, domestic corporations and partnerships are encouraged to enter into corporate farming arrangements on a voluntary basis. The bill also provides functions of the Department of Agrarian Reform and Department of Agriculture, as lead agencies, to facilitate and promote grassroots cooperation to access agricultural services such as information, inputs, and technical assistance, and to initiate and develop periodic rural and farm assembly markets to provide avenues to showcase their produce, among others. Tax incentives will be given to eligible participating corporations and partnerships.

This commendable bill was introduced by Rep. Prospero Nograles in the 14th Congress. It was approved on Third and Final Reading, and was transmitted to the Senate; however, the same was not passed into law. Similar versions of this bill were filed in the subsequent Congresses. The present proponent acknowledges the hard work and wisdom of his predecessors.

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

A handwritten signature in black ink, appearing to read 'J. Violago', with a large, stylized loop at the end.

JOSEPH GILBERT F. VIOLAGO

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AN ACT
PROMOTING CORPORATE FARMING AND PROVIDING INCENTIVES
THEREFOR

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 “Corporate Farming Act of 2023”.

SECTION 2. *Participating Domestic Corporations and Partnerships.* – For the purpose of this Act, domestic corporations and partnerships shall refer to all corporations organized and existing under Philippine laws, operating for a profit, and with reported earnings over the last four (4) years that will allow them to engage in the production of rice or 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.

SECTION 3. *Corporate Farming Arrangement.* – Participation in the Corporate Farming Program shall be on a voluntary basis. For the purpose of this Act, the following are the corporate farming schemes that corporations and partnerships may engage in:

- a. Corporations and partnerships with existing landholdings that are suitable for rice and corn production, and which are subject for distribution under the Comprehensive Agrarian Reform Program may enter into management contract or joint venture arrangement with the agrarian reform beneficiaries, their associations or cooperatives for the production of rice and corn;
- b. Corporations and partnerships may lease private agricultural land suitable for rice and corn production by entering into contractual or joint venture arrangements with landowners, farmers’ organizations and agrarian reform communities (ARCs).

Conversion of agricultural lands leased for the purpose is strictly subject to the rules on land conversion, as provided for by Republic Act No. 6657, as amended by Republic Act No. 9700, otherwise known as the Comprehensive Agrarian Reform Program, and its implementing rules and regulations. 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; and

- c. Corporations and partnerships may enter into contractual arrangements with farmers' organizations and agrarian reform communities whereby the corporations and partnerships shall provide the production inputs and technical and related services, then buy the produce resulting from the farming contract.

Local Government Units (LGUs) shall be required to identify appropriate land areas for corporate farming in consonance with their comprehensive land use plan and ordinances. The LGUs shall require the participating corporations and partnerships to provide livelihood projects/opportunities which will not be covered by corporate farming programs.

SECTION 4. *Disposition of Excess Production.* – Participating corporations and partnerships shall be required to provide a minimum of six hundred (600) kilograms of rice or corn per employee per year or fifty (50) kilograms per employee per month. Production in excess of the employee's consumption requirements may be sold in the local markets, provided that such will be reported to the National Food Authority (NFA).

SECTION 5. *Implementing Agencies.* – The Department of Agriculture (DA) and the Department of Agrarian Reform (DAR) shall be lead agencies to institute measures to ensure higher rice and corn productivity through corporate farming schemes. In coordination with the concerned agencies, the DA and DAR shall facilitate the processing of management contracts between corporations and partnerships and the farmer groups. The DA and DAR shall exercise the following functions:

- a. Develop eligibility criteria for both corporations or partnerships and farmers' groups, including cooperatives and agrarian reform communities, for accreditation under this Act: *Provided, That*, the accreditation criteria for the farmer's group should include management capabilities, technical and production skills critical to the effective operation of the corporate farm;
- b. Facilitate and promote grassroots cooperation to access agricultural services such as information, inputs, and technical assistance;
- c. Initiate and develop periodic rural and farm assembly markets to provide avenues to showcase their produce;
- d. Exercise regulatory functions with respect to the adherence to the provisions of contracts and arrangements entered into by both corporations or partnerships and farmers' groups, cooperatives and agrarian reform communities and develop

mechanisms to facilitate negotiations and mediate in disputes between stakeholders on matters of contract enforcement;

- e. Coordinate with the appropriate government agencies to ensure the timely establishment of support services such as credit, infrastructure, extension services and others; and
- f. Facilitate the registration of the participating corporations or partnerships with the NFA.

SECTION 6. *Incentive Package.* – Corporations or partnerships that participate in the Corporate Farming Program shall be entitled to tax incentives in all aspects germane to corporate farming activities. These incentives include:

- a. Exemption from the payment of customs duties for the importation of all types of agricultural inputs, particularly seeds, fertilizers, agricultural machinery and other agricultural implements as provided under Republic Act No. 8435, as amended by Republic Act No. 9281, or the “Agriculture and Fisheries Modernization Act of 1997”; and
- b. Exemption from the Value Added Tax (VAT) on the importation of agricultural inputs, particularly fertilizers, seeds and seedlings in accordance with Section 109 of the National Internal Revenue Code, as amended.

SECTION 7. *Other Incentives.* – Loans extended by government and private banks to participating corporations or partnerships shall be treated as compliance with Republic Act No. 10000, otherwise known as “The Agri-Agra Reform Credit Act of 2009.”

SECTION 8. *Duration.* – Participating corporations and partnerships may lease private agricultural lands for a period of seven (7) years which may be renewed for another seven (7) years, subject to the consent of the farmers, their associations and cooperatives.

SECTION 9. *Automatic Review.* – The DA and the DAR, being the lead government agencies in the Corporate Farming Program, shall submit periodic reports to both Houses of Congress on the accomplishment of the program. A review on the viability of the program shall be made by the appropriate agencies after five (5) years of its implementation.

SECTION 10. *Implementing Rules and Regulations.* – The DA and DAR, in consultation with other concerned government agencies, nongovernment organizations, private sector and farmers’ groups involved in rice or corn production, shall within ninety (90) days after the effectivity of this Act, formulate the rules and regulations for its effective implementation.

SECTION 11. *Separability Clause.* – The provisions of this Act are hereby declared to be separable, and in the event one or more such provisions are held unconstitutional, the validity of the other provisions shall not be affected thereby.

SECTION 12. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations, issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

Approved,