

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 10320



Introduced by **Representative Wilbert T. Lee**

AN ACT
FOR THE PROMOTION AND DEVELOPMENT OF THE AGARWOOD
INDUSTRY, AND APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE

Article XII, Section 1 of the 1987 Constitution provides that “[t]he State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets”.

Among our abundant natural resources, Agarwood is the highest-valued forest product in the world because of its distinctive fragrance which is commonly sourced from *Aquilaria*.¹ Most of the endemic Agarwood trees can be found in the forests of Mindanao. It may be used as a material for incense, perfume, and medicine which makes it a product subject of high global demand.² The opportunity of investing in Agarwood is promising as it only requires an affordable capitalization to earn a promising amount if the trees could produce P100,000 per kilo. Aside from this, it is profitable during its different phases from seedlings to trees.³

Due to the high value of the Agarwood, the government highly regulates its trade and commercialization to protect it from further extinction. The Philippines is a state party to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) which protects Agarwood by imposing strict regulations to avoid utilization incompatible with their survival. In line with this Convention, Agarwood is classified as a threatened plant and endangered species in our country under the National List of Threatened Flora and Administrative Order 2017-11 of the Department of Environment and Natural Resources.

¹ S.R. Adhikari et al. (2021) *Int. J. Appl. Sci. Biotechnol.* Vol 9(1): 23-31 DOI: 10.3126/ijasbt.v9i1.35984

² Sunstar, ‘Authorities seize P145M worth of agarwood’, 11 October 2022, available at <https://www.sunstar.com.ph/davao/local-news/authorities-seize-p145m-worth-of-agarwood>.

³ Inquirer, ‘Agarwood can reintroduce PH to the world’, 05 February 2024, available at <https://business.inquirer.net/444136/agarwood-can-reintroduce-ph-to-the-world>.

The CITES requires that there be an export or re-export certificate from the Management Authority of the State of export which can be granted only if the specimen is legally obtained. The rules of DENR provide that a wildlife collector's permit shall be secured to take or collect from the wild agarwood for commercial purposes, and a wildlife farm/culture permit is required to maintain a wildlife breeding farm for conservation, trade, and scientific purposes. A local transport permit is required to transport legally acquired seeds, seedlings, agarwood, and other agarwood by-product derivatives. The subject of the said rules is wild *Aquilaria*, but due to the absence of rules for privately owned *Aquilaria*, these restrictive measures are also being applied to specimens not in the wild. The figures of high potential Agarwood's profit and benefits to our farmers and economy are sufficient reasons to further explore the commercialization of this species.

The bill differentiates wild and farmed *Aquilaria* from each other to provide more liberalized measures to the latter so that interested Filipinos can engage in trade in this industry without harming the former. This definition would thresh out farmed agarwood and legally sourced and grown, cultivated, or developed by a person on his private farm, from strict measures imposed by our present regulations. Moreover, the bill proposes to further protect the farmers and the quality of Filipino *Aquilaria* by mandating the Nursery Farms that only seedlings of high quality or high yielding can be distributed and sold to the farmers. With the mass production of seedlings and propagations available to the public, this proposal is highly sought for the public to be properly protected and guided on engaging in the agarwood business.

The bill aims to attain sustainable commercialization of the Agarwood industry by promoting the increase in the number of wild *Aquilaria*. Only farmed *Aquilaria* are generally subject to trade and commercialization but the wild *Aquilaria* to be planted by Agarwood farmers shall be primarily for protection and preservation purposes.

Every Filipino shall be given the opportunity to venture into the industry of Agarwood, and the government shall provide protection for Agarwood farmers, and training for growing and harvesting Agarwood. Private farm registration shall be freely granted to any interested Filipinos, as well as the necessary government assistance programs and necessary training be provided to help the propagation and development of the agarwood industry in the country. This development also allows indigenous people and cultural communities to grow Agarwood in their ancestral domain with the profits to be shared with their community.

To ensure that Filipinos are prepared to bring the best out of Agarwood, the *Aquilaria* Industry Authority (AIA) and *Aquilaria* Research Office (ARO) are instituted. The AIA aims to develop the industry and assist farmers who are interested in venturing into the *Aquilaria* industry. On the other hand, the ARO serves as a think-tank of the Agarwood industry by providing and conducting thorough, scientific, and comprehensive research and studies in the value chain consisting of agar-farming, processing, and trade that will serve as a guide for the farmers. With these developments, the benefits and opportunities offered by *Aquilaria* are within the reach of farmers, and they are more than ready to maximize the benefits of *Aquilaria*.

The promising profit from a sustainable Agarwood industry can generate jobs and livelihood in many parts of the country and contribute to the Philippine economy. Our countrymen deserve to be given more opportunities to venture into such a high-value industry and to compete globally. With this policy, we ensure the proper utilization and at the same time protection of *Aquilaria* from over-exploitation that our countrymen and *Aquilaria*s deserve.

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



HON. WILBERT T. LEE
Representative
AGRI PARTYLIST

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HOUSE BILL NO. 10320

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AN ACT
FOR THE PROMOTION AND DEVELOPMENT OF THE AGARWOOD INDUSTRY,
AND APPROPRIATING FUNDS THEREFOR

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

Sec. 1. *Short Title.* This Act shall be known as the “*Agarwood Industry Development Act*”.

Sec. 2. *Declaration of Policy.* It is hereby declared to the policy of the State, in accordance with the Constitution, that the right of the people to a balanced and healthful ecology shall be protected and advanced in accord with the rhythm and harmony of nature. The State shall promote the rights of indigenous cultural communities within the framework of national unity and development and comprehensive rural development.

The State recognizes that the commercialization of Agarwood generates more income for more Filipinos, and the policy for mandatory growing of Agarwood in identified areas by the traders makes the former sustainable. The State further recognizes that commercialization generates more job opportunities for Filipinos and places the Philippines on par with global competitors.

Sec. 3. *Definition* – As used in this Act, the following terms are defined, as follows:

- (1) *Private Farm* – refers to a registered farm legally owned or rented located at private land, ancestral land, or ancestral domain, to grow, cultivate, harvest, and develop farmed Aquilaria that are legally acquired.
- (2) *Nursery Farm* - refers to a farm owned or rented by a private person located at a private land, ancestral land, or ancestral domain, to grow, cultivate, and develop Aquilaria legally acquired, and to harvest the same and its high-yielding seedlings with the correct classification and label for the purpose of distribution to the farmers.

- (3) *Wildlife* – means wild forms and varieties of flora and fauna from public lands and protected areas, in all developmental stages, including those which are in captivity or are being bred or propagated.
- (4) *Wild Aquilaria* – refers to Aquilaria sourced or harvested from the wild without the necessary permits required by the laws and regulations, including those that are sourced and harvested from private farms without the necessary registration.
- (5) *Farmed Aquilaria* – refers to Aquilaria not from the wild, but one that is legally sourced and grown, cultivated, harvested, or developed by a person on a private farm or nursery for purposes of preservation, protection, study, or trade.
- (6) *Agarwood* – refers to a resinous, fragrant and highly valuable heartwood produced by *Aquilaria malaccensis* and other species of the Indomalaysian tree genus *Aquilaria*.⁴
- (7) *Aquilaria* – a genus belonging to Thymelacaceae family of Indo-Malayan trees known for producing the world's most expensive oils, which are naturally occurring throughout the Philippines.⁵

Sec. 4. Creation of Agarwood Industry Authority (AIA) – The AIA shall be created to implement and attain the declared national policy, hereinafter referred to as Authority, attached to the Department of Environment and Natural Resources.

Sec. 5. Objectives of the Agarwood Industry Authority – The objectives of this Act are as follows:

- a) To promote and provide direction for the farming, propagation, harvesting, trading, commercialization, development, and sustainability of Aquilaria;
- b) To institutionalize and promote the Aquilaria of Filipinos to be globally competitive;
- c) To ensure that Agarwood farmers, traders, and consumers are protected;
- d) To enhance knowledge and information for the Filipinos who engage in the Aquilaria industry to be prepared and have the necessary knowledge for cultivation, growing, and harvesting, and trading the same;
- e) To provide stable livelihood opportunities to less fortunate farmers in communities dependent on Aquilaria trade;
- f) To encourage low-income farmers to plant Aquilaria and provide them with the necessary training, funds, and capital;
- g) To ensure that farms for Aquilaria farming shall not, in any case, impede and threaten the number of farms for planting crops that are necessary for food security;
- h) To improve the quality of Aquilaria developed in the Philippines making it internationally known and competitive;
- i) To protect wild Aquilaria from overexploitation and promote the numbers of the same.

Sec. 6 Powers and Functions of Agarwood Industry Authority –The Authority shall have the following powers and functions:

- a) To serve as the Management Authority for farmed Aquilaria.

⁴ A.Barden, A., Anak, N., Mulliken, T., and Song, *Heart of the matter: Agarwood Use and Trade and CITES Implementation for Aquilaria Malaccensis*.

⁵ Ceniza, L., Pogosa, J., Lina, S., and Bande (2021), *Conservation and Ecological Threats of Agarwood (Aquilaria sp.) on Leyte Island, Philippines*. International Journal of Environmental and Rural Development.

- b) To administer the registration of private farms and trees, and instrumentalities to aid in record-keeping and data consolidations; tracking the statistics on agarwood trees planted, harvested, processed, and traded;
- c) To formulate and adopt a general program of development for the aquilaria industry in all its aspects;
- d) To formulate and implement a nationwide planting program using precocious high-yielding species of Aquilaria. The program may include new and existing farm areas suitable for growing Aquilaria on public lands provided existing agricultural plants planted shall not be reduced in population and volume of harvest shall not be affected by planting aquilaria;
- e) To distribute, for free and or at subsidized cost, to Aquilaria farmers the high-yielding aquilaria developed by the Authority;
- f) To provide a classification and labeling scheme based on the quality and yield of the commercial agarwood to protect our traders and buyers;
- g) To review and revise, and thereafter integrate into the adopted general program of development, the existing policies, programs, projects, and activities of all other government agencies directly relating to the development of the industry;
- h) To conduct genetical and agricultural research and investigations for the improvement of the aquilaria industry productively;
- i) To provide comprehensive training and certification courses to the Nursery Farms to ensure the harvesting of high-quality seeds, and cultivating the same to become high-value, high-yielding, and high-quality seedlings available to the farmers;
- j) To institutionalize, establish, operate, and maintain an Aquilaria Research Office that will undertake extensive research on the following but not limited to:
 - 1) Value chain which includes agarwood farming, harvesting, processing, and trade.
 - 2) Best inoculant suitable for different areas and zones of Aquilaria farms to maximize the yield of the farmers.
 - 3) Control and eradication of Aquilaria diseases and pests and in the method of making agarwood.
 - 4) Best practices for growing Aquilaria trees and their cultivation to make it a high-value tree.
 - 5) Suitable public lands for growing Aquilaria and recommend the same for the utilization of such land to increase the numbers of Aquilaria to be approved by the Department of Environment and Natural Resources.
 - 6) Ensuring high-yielding seedlings are grown and traded by Filipino farmers.
 - 7) Classifications of Aquilaria based on their quality, genetics, and identity taking into consideration the global demand and supply.
 - 8) Information regarding physical condition, habitat structure, and ecological threats of Aquilaria.
 - 9) Training which is necessary for the farmers to properly grow, develop, and harvest Aquilaria.
- k) To explore and expand the domestic and foreign markets for aquilaria products and by-products;
- l) To institutionalize, establish, operate, and maintain an Aquilaria Registration Office that will facilitate the registration of Aquilaria farm and tree, nursery farm permit, and report

of harvest, and trade to keep a consolidated record of data of all value chains of Aquilaria in the country.

- m) To administer the marketing and the exportation of agarwood, its seedlings, and its product derivatives by establishing standards for domestic trade and export and, thereafter, to conduct an inspection of all aquilaria and its derivatives proposed for export to determine if they conform to the standards established;
- n) To prioritize Filipino farmers in buying opportunities and distribution for high-yielding seedlings and seeds developed from Nursery Farms and Authority;
- o) To conduct visits on farms ensuring the numbers of aquilarias being grown, cultivated, or developed in private farms.
- p) To devise and thereafter prescribe by means of rules and regulations a method of measuring the moisture content of aquilaria products and its derivatives at its first domestic sale and a scale of deduction according to the percentage of the moisture content;
- q) To enter into, make, and execute contracts of any kind as may be necessary or incidental to the attainment of its purposes and, generally, to exercise all the powers necessary to achieve the purposes and objectives for which it is organized; Provided, however, it shall not engage in commercial/industrial activities including the commercial production of high yielding aquilaria;
- r) Except in respect of entities owned or controlled by the government, the Authority shall have full power and authority to regulate the production, distribution, and utilization of all subsidized agarwood-based products, and to require the submission of such reports or documents as may be deemed necessary by the Authority;
- s) To promulgate rules and regulations to carry out the provisions and policy objectives of this Act;
- t) To formulate a system for the reward of compensation of persons instrumental in the discovery of violations of this law or implementing rules and regulations, and conviction of the violators; and, whenever necessary, to provide for the appropriate security of the witnesses testifying against such violators;
- u) To provide a suggested retail price to guide and protect the traders and consumers;
- v) To provide guidelines for multiplying the Aquilaria by requiring those involved in trading or business of the same to plant and maintain Aquilaria on the public lands for preservation. Such tree shall be categorized as wild Aquilaria in aid of promoting the numbers of wild agarwood in the Philippines.
- w) To exercise such other powers as may be necessary and proper for the effective enforcement of this law and the implementing rules and regulations; and

Sec. 7. *Agarwood Research Office (ARO)* – The ARO shall be composed of experts on Aquilaria, and other matters related to its farming, processing, and trading from the academe and farming sector. The ARO shall serve as the scientific authority for farmed Aquilaria.

Sec. 8. *Loan Preferential Rates* – The Development Bank of the Philippines shall create a program for financing Agarwood Business conducted in private farms with preferential loan rates. The program shall only have penalties after failure to pay the unpaid balance after 1 year of harvest for the Aquilaria covered by the land and receipt of payment from the same. The policies to be formulated by the Bank shall take into account the special circumstances and characteristics of growing and harvesting Aquilaria as to be determined and suggested by the ARO. The loan shall

cover the following, but not limited to, working capital, acquisition of machinery and equipment, and construction/establishment of facilities.

Sec. 9. *Aquilaria in the Public Lands.* - All naturally grown Aquilaria growing in public lands are to be classed, treated, and protected as wild Aquilaria and under the supervision and regulations of the Department of Environment and Natural Resources implementing Republic Act 9147, the Philippines Wildlife Resources Conservation and Protection Act.

Sec. 10. *Aquilaria in the Ancestral Domain Lands.* - All naturally grown Aquilaria in the Ancestral Domain Lands are classed, treated, and protected as wild Aquilaria and under the Supervision and Regulations of the National Commission for the Indigenous Peoples implementing Republic Act 8371, the Indigenous People Rights Act.

Sec. 11. *Aquilaria artificially propagated, planted, and grown in the Private lands and Ancestral Domain.* - All artificially propagated, planted, and grown Aquilaria by the farmers in their registered private farms, shall be classed, treated, and utilized as farmed aquilaria including its processed, main products, and derivatives.

Provided, that Aquilaria acquired from the ancestral domain with the required registration that is planted and cultured by IP/ICC shall not be categorized as wild Aquilaria. The profit and benefit resulting from the harvest of the Aquilaria shall be shared with their community.

Sec. 12. *Aquilaria naturally growing in the Private lands.* - All naturally grown Aquilaria in the private lands of any person shall be classed, treated, and utilized as farmed aquilaria including its processed, main products, and derivatives. *Provided*, that the tree shall be registered, and declared to have been naturally grown. The Authority shall not be barred from conducting a visit to ensure that the declaration is true.

Sec. 13. *Regulations and Supervision.* - All registered farmed Aquilarias grown in private lands and lands of ancestral domain, are under the supervision and regulation of the Agarwood Industry Authority and have the power to supervise the development of numbers of Aquilaria.

Sec. 14. *Private Farm Registration* – The farmers shall register their private farms used for growing, cultivating, harvesting, processing, and trading of Aquilaria to the Authority.

The following are the requirements of the free registration to the Authority:

- a) Proof of ownership of private land ancestral land or domain or rental agreement for private land
- b) Completion of undertaking
 - c.1. The undertaking shall have the following stipulations and conditions:
 - (a) To comply with the guidelines provided by the Authority regarding the promotion of the number of Aquilaria;
 - (b) To comply with all environmental laws and regulations;

- (c) To submit an annual report of harvest and status of the registered farmed aquilarias in the private farm; and
- (d) To attend a seminar conducted by the Authority regarding restrictions for harvesting and growing wild Aquilaria within one year from the registration.

Lack of any of the requirements for a private farm registration, and failure to comply with the undertaking shall automatically revoke the registration.

Sec. 15 *Nursery Farm Permit* – The farmers shall acquire a permit to operate a Nursery Farm that is used for growing, cultivating, harvesting, processing, and trading Aquilaria, and distributing developed and cultivated Aquilaria seedlings to the farmers. The Authority shall require that the Nursery Farm be operated by a person bound to engage in continuous learning and with expertise in planting and harvesting agarwood to ensure that the seedlings grown by Filipinos are high-quality.

Sec. 16 *Obligations of Nursery Farm* – The Nursery shall ensure that only high-quality seedlings within the standards and classification to be provided by the Authority are distributed to the public. The Nursery Farm shall serve as the primary source of seedlings of private farms to ensure high-yielding and high-quality seedlings.

The Nursery shall provide the proper labeling and classification of seedlings they are distributing to Agarwood farmers. Wrongful and intentional labeling and classifying of the seedlings distributed and sold to the public shall be meted with a penalty of automatic revocation of their permit.

Sec. 17. *Weight of Farm and Tree Registration, and Proof of Legal Acquisition of Seedling* – The registration of the tree and farm, and proof of legal acquisition of seedling shall make the Aquilaria planted, grown, cultivated, or developed therefrom as a farmed aquilaria that can be subject to transportation, commerce, and trade without the need of securing other permits and certification, except in exportation when the exporting state requires an export permit as provided under the CITES.

Sec. 18. *Identification and Registration of Farmed Aquilarias in the Private Farm* – All Aquilarias shall be identified in the private farm and registered with the Authority. The registration shall only require the presentation of the legal acquisition of the tree and the registration of the private farm where it is to be planted. Failure to register the aquilaria shall render the registration of the farm automatically revoked, and the harvested Aquilaria therefrom shall be treated as wild Aquilaria.

Sec. 19. *Report of Harvest* – The harvest of the Agarwood shall be reported to the Authority for record purposes. No approval of the report shall be required to render the harvest legal. Mere reporting of the harvest to the Authority is sufficient to make the harvest legal. Failure to report shall render the harvest illegal and the by-products deriving therefrom.

The Authority shall conduct an annual ocular visit to private farms. The purpose of such a visit is to ensure whether the actual Aquilaria planted therein reflects the number of registered Aquilaria.

Sec. 20. *Protected Areas* – The Authority and ARO shall identify areas of the natural habitat of wild agarwood and recommend for declaration of the same as a protected area for preservation of Aquilaria to the Department of Environment and Natural Resources. Such areas shall be protected from any taking, collection, poaching, or harvesting of any portion of agarwood unless necessary permits are acquired. The Authority and ARO shall recommend the protected areas within 60 days from the effectivity of this Act. Provided, that the Department shall not be restrained to declare more protected areas after its first declaration.

Sec. 21. *Protection of Wild Aquilaria* – No trade or business of aquilaria shall be valid unless the legal acquisition and source of the same are proven. The presentation of the registration of trees and farms where the aquilaria is grown, cultivated, or developed shall be sufficient to prove that it is not from wildlife.

Sec. 22. *Punishable Acts*– It shall be unlawful for any person to commit the following acts willfully and knowingly:

- a) Trading of farmed Aquilaria and a by-product of the same with the knowledge that the farm or tree is unregistered or trading of the same with a falsified registration;
- b) Taking any portion of Aquilaria planted in a private farm owned or rented by another person; and
- c) Fraudulently representing to another that the product is Aquilaria to induce the person to engage in the transaction.

Sec. 23. *Illegal Possession of Wild Aquilaria* – Any person in possession of an Aquilaria who has no necessary permit or registration such as a wildlife permit or private farm and tree registration shall be deemed to have illegally acquired and possessed the Aquilaria.

Sec. 24. *Penalties* – The punishable acts shall be punished by a fine of not more than 5,000,000 and by imprisonment of not more than twenty years. If the offender be a corporation, partnership, or juridical person, the penalty shall be imposed on the officer or officers authorizing, permitting, or tolerating the violation.

Sec. 25. *Appropriations* – The amount necessary for the effective implementation of this Act shall be taken from the appropriations of the DENR. Thereafter, such amount as may be needed for the continued implementation of this Act shall be included in the annual GAA.

Sec. 26. *Separability Clause*. - If for any reason, any part or provision of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected thereby shall remain in full force and effect.

Sec. 27. *Repealing Clause.* - All laws, executive orders, presidential decrees, rules, and regulations or parts thereof contrary to or inconsistent with any provisions of this Act are hereby repealed, amended, or modified accordingly.

Sec. 28. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) national newspapers of general circulation.