



HOUSE OF REPRESENTATIVES

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

House Bill No. 1937

EXPLANATORY NOTE

Land is an important factor of production in agriculture and land fragmentation has significantly reduced agricultural productivity. The 2019 study by economists Tasso Adamopoulos and Diego Restuccia found that the government's agrarian reform program has resulted in land fragmentation and reducing average farm size by 34 percent, agricultural productivity by 17%, and the share of landless individuals by 20%.¹

The current restriction on farm lands under the Comprehensive Agrarian Reform Law such as the five hectare limit and non-transferability of the land within 10 years of issuance and 30 years of amortization has effectively discouraged efficient rural land market operations, eroded the value and collateral value of awarded lands, reducing the farmers' incentive to invest in land improvements, and limiting choice of more efficient contractual arrangements.² Thus, decades into the government's land reform program it has only created a new class of people: the "landed poor".

Economies of scale dictate that there is a great advantage in the operation of larger farmlands as the cost per unit of output decreases with the increase in farmland area. Larger farms will allow farmers to introduce new and alternative technologies and farming systems. It will also encourage younger Filipinos to go into farming thereby introducing new blood in our already aging farmer population.

According to a 2021 study by agricultural economist Keijiro Otsuka, "the decrease in farm size is particularly pronounced in the Philippines partly because of rapid population growth and partly because of the failure of growth of non-farm sectors, which can absorb rural labor. If this trend in farm size reduction continues and the economy sustains a fairly high growth rate, the agricultural sector's inefficiency can be a major constraint to further economic growth."³

Also at present, there are still 680,000 agrarian reform beneficiaries (ARBs) in 1.2 million hectares of agrarian land with amortization debts. These ARBs, though emancipated from their landlords, are now saddled with debts with the land that the government awarded to them. Unpaid agrarian lands are covered by restrictions, reducing the land value and farmers' options to increase their productivity to pay off the debt. It has undermined their ownership of the awarded land.

¹Tasso Adamopoulos & Diego Restuccia, 2019. "Land Reform and Productivity: A Quantitative Analysis with Micro Data," NBER Working Papers 25780, National Bureau of Economic Research, Inc.
https://www.nber.org/system/files/working_papers/w25780/w25780.pdf

²Cristina David, et al., 2003. "Land Reform and Land Market Transactions in the Philippines: Terminal Report," Philippine Institute for Development Studies

³Keijiro Otsuka, 2021. "Changing Relationship Between Farm Size and Productivity and Its Implications for Philippine Agriculture." Graduate School in Economics, Kobe University

To effectively address land fragmentation and resulting decline in agricultural productivity, and persistent poverty in the sector, there is a need to ease restrictions on farm size, remove restrictions on agricultural land transactions, condone amortization debts, and promote a vigorous rural land leasing market.

Section 70 of Republic Act No. 6657 or the Comprehensive Agrarian Reform Law and its implementing rules and regulations have created a stumbling block in the transfers of agricultural land. It is also proposed to remove bureaucratic delays created from the need for DAR clearances in land transfers, as the electronic database of the Land Registration Authority is sufficient to verify the landholding ceiling.

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


RUFUS B. RODRIGUEZ


MAXIMO B. RODRIGUEZ, JR.

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AN ACT

**TO PROMOTE INVESTMENTS IN AGRICULTURE BY EASING FARMLAND
RESTRICTIONS, CONDONING AMORTIZATION DEBTS AND RATIONALIZING LAND
RELATED PROCESSES**

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

SECTION 1. *Declaration of Policy.* – It is hereby declared the policy of the State to promote investments in agriculture and to encourage the establishment of economically viable enterprises in the countryside by easing farmland restrictions, condoning amortization debts, and rationalizing land related processes and procedures.

SECTION 2. *Fee Simple Title.* – Lands acquired by farmer-beneficiaries under any of the agrarian reform laws shall be considered as lands with fee simple title and thus may be sold, transferred, conveyed, mortgaged, leased, or entered into a partnership or usufruct agreements, at any time, with any person, natural or juridical, qualified to own or possess lands in the Philippines in accordance with existing laws.

SECTION 3. *Landholdings' Ceiling Requirement.* – Any sale, transfer or conveyance of agricultural lands shall be valid as long as the resulting total agricultural landholdings by the transferee do not exceed twenty-four (24) hectares. Exemption to the land ownership ceiling of twenty-four hectares may be granted by the Department of Agrarian Reform for idle and non-irrigated lands.

SECTION 4. *Condonation of Unpaid Amortizations and Other Charges.* – The State hereby condones all unpaid amortizations, interests thereon, penalties and surcharges owing or due to the government, obtained from the acquisition of lands awarded under the Comprehensive Agrarian Reform Law and other land reform legislations. All liens and encumbrances associated with agrarian reform land acquisition that are annotated in the Certificates of Title issued to farmer beneficiaries and its derivative titles are automatically cancelled by operation of law. It shall not be necessary for titles to be presented to the Registry of Deeds. No further action shall be required from farmer beneficiaries for the cancellation of such annotations.

SECTION 5. *Lease of CARP Awarded Lands.* - CARP Awarded lands may be conveyed through lease, at any time, to any person or entity qualified to hold lands in accordance with existing laws. The land area and number of lease agreements that may be entered into by any natural or juridical entity shall not be limited. Such leases shall not require the approval of the DAR or any other government agency for its validity and implementation.

SECTION 6. *Removal of DAR Clearances on Transfers of Ownership of Agricultural Lands.* – Transferees of ownership of agricultural lands shall furnish the appropriate Registry of Deeds an affidavit attesting to the fact that his/her total agricultural landholdings, as a result of the said transfer, do not exceed twenty-four (24) hectares. Such transfers shall not require any

clearance from the Department of Agrarian Reform (DAR) as a prerequisite for registration of transaction with the Register of Deeds. The transfer of ownership shall be immediately registered by the Registrar of Deeds if the resulting agricultural landholdings of the transferee, based on the electronic database of the Land Registration Authority (LRA), do not exceed 24 hectares. If from the electronic records of the LRA it appears that the transferee's landholdings exceed 24 hectares, his/her registration shall be denied and the transferee shall be notified of said fact and shall be provided with the list of the properties that is registered in his/her name. If the transferee claims that the person who has a landholding in excess of 24 hectares is only a namesake, the transferee shall be required to submit additional evidence with the Register of Deeds for verification of the transferee's identity within a reasonable time as may be provided in the implementing rules under Section 11 of this Act.

SECTION 7. *Bank Mortgages.* – Banks and non-bank financial institutions duly registered with the Bangko Sentral ng Pilipinas (BSP) and allowed by law to hold mortgage rights or security interests in agricultural lands to secure loans and other obligations of borrowers, may acquire title to these mortgaged properties upon foreclosure, subject to existing banking laws. These financial institutions shall not be subject to the agricultural landholding ceiling requirement under this act subject to the provision of Section 52 of Republic Act No. 8791 or the General Banking Law on disposition of acquired asset within a period of five (5) years.

SECTION 8. *Redemption.* – In case of foreclosure of CARP awarded lands, the period of redemption provided under Section 47 of Republic Act No. 8791 or the General Banking Law shall apply.

SECTION 9. *Penalty for Violation of this Act.* – Any person who knowingly or willfully violates the provisions of this Act shall be punished by imprisonment of not less than one (1) month to not more than three (3) years. If the offender is a corporation or association, the officer responsible therefore shall be criminally liable.

SECTION 10. *Existing Notice of Coverage.* – All existing Notice of Coverage upon the effectivity of this act shall be effective for a period of one year. If no acquisition is made within this period, these agricultural lands will be automatically released from this burden, lien, or encumbrance and may be freely transacted by the owner subject only to the limitations provided under this law.

SECTION 11. *Implementing Rules and Regulations.* - The Department of Justice, through the Land Registration Authority (LRA), and the Department of Agrarian Reform (DAR), in coordination with Bangko Sentral Ng Pilipinas (BSP) and the Land Bank of the Philippines (LBP) shall promulgate the necessary implementing rules and regulations within one hundred twenty (120) days upon the effectivity of this Act.

SECTION 12. *Repealing Clause.* – Sections 6, 27, and 70 of RA No. 6657, all laws, decrees, orders, rules and regulations or parts thereof inconsistent with any provision of this Act are hereby repealed, amended or modified accordingly.

SECTION 13. *Separability Clause.* - If, for any reason, any provision of this Act or any part thereof be declared unconstitutional and invalid, the other parts or provisions of this Act not affected thereby shall remain in full force and effect.

SECTION 14. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,