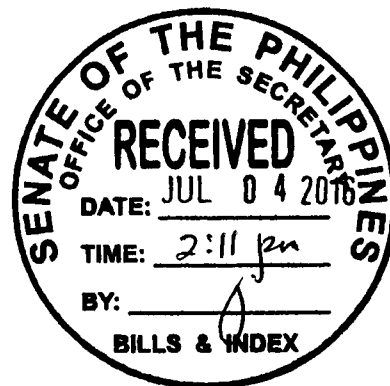


SEVENTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES

First Regular Session

SENATE
S.B. 341



Introduced by Senator Poe

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

Explanatory Note

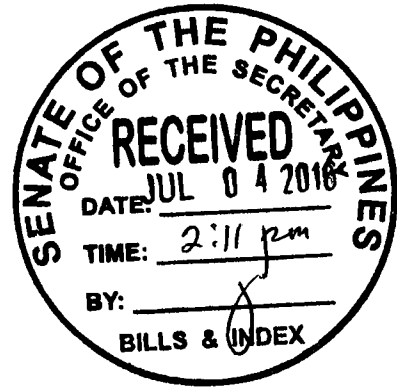
The current food crisis and the recent rice importation fiasco illustrate the need to review government policies on food security and to seek creative means to reinvigorate the agricultural sector. As a newly liberalizing economy competing against well-entrenched world economies, the Philippines is hard-pressed to make its agricultural policies more responsive.

Investments in the agricultural sector cannot be shouldered by the public sector alone. Corporative farming programs aim to attract more private sector engagement in the agriculture sector. Corporative farming enables the vertical integration the entire process of food production. Moreover, it offers more efficient management not only of the farm itself, but also of the entire chain of agriculture-related business, including seed supply, agrochemicals, food processing, machinery, storage, transport, distribution, marketing, advertising, and retail sales. This would ensure more stable rice and corn supplies and make rice and corn prices more predictable.

This bill is a counterpart version of the BUTIL farmers' proposed policy measure.

Early recognition of this legislation is earnestly sought.

Grace Poe
GRACE POE



SENATE
S.B. 341

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

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

1 **SECTION 1. Domestic Corporations and Partnerships.** – For the purpose
2 of this Act, domestic corporations and partnerships shall refer to all corporations and
3 partnerships organized and existing under Philippine laws, operating for profit:
4 Provided, that said corporations and partnerships report earnings over the last four (4)
5 years that allow them to engage in the production of rice/ corn for their employees'
6 requirements without adversely affecting their financial viability. Appropriate
7 guidelines shall be issued to determine the corporations and partnerships that are to be
8 covered by this Act.

9
10 **SECTION 2. Corporative Farming Arrangements.** – Participation in
11 Corporative Farming programs shall be on a voluntary basis. For the purpose of this
12 Act, corporations/partnerships may engage in the following Corporative Farming
13 programs:

14
15 (a) Corporations/partnerships with existing landholdings suitable for rice/corn
16 production may manage the land and produce the rice/corn or may enter
17 into a management/contractual arrangement with farmers' groups such as

1 farmers' associations, cooperatives, and agrarian reform communities
2 (ARCs);

3
4 (b) Corporations/ partnerships may purchase or lease on a long term basis,
5 public or private agricultural land suitable for rice/corn production,
6 whereby the corporations/partnerships are given full management and
7 production control over the purchased or leased lands or may enter into
8 contractual arrangements, or joint ventures with landowners, farmers'
9 organizations and ARCs.

10
11 Agricultural land purchased or leased for the purpose cannot be converted
12 to other uses. Should the corporative Farming venture cease to be
13 financially viable and the partners declare bankruptcy or insolvency, land
14 ownership shall automatically revert to the agrarian reform beneficiaries
15 within a period of three (3) years in the case of public agriculture lands and
16 private lands originally distributed under the Comprehensive Agrarian
17 Reform program. Fifty percent (50%) of the land should have been
18 developed within a period of three (3) years, and ninety percent (90%)
19 within a period of five (5) years.

20
21 (c) Corporations/ partnerships may enter into contractual arrangements with
22 farmers' organizations/ ARCs, whereby the corporations and partnerships
23 will provide the production inputs and technical and related services, then
24 buy back the produce. Provided, that the farm inputs that shall be utilized
25 shall subscribe to the requirements set forth by Republic Act 10068
26 "Organic Agriculture Act of 2010."

27
28 Local Government Units (LGUs) shall be required to identify appropriate
29 land areas for Corporative Farming in consonance with their
30 comprehensive land-use plan and ordinances. The LGU shall require the
31 participating corporations/ partnerships to provide livelihood projects/
32 opportunities to families who will not be hired by the said entities.

1 Further, the LGUs may also identify local taxes that may be offered as
2 incentives for Corporative Farming.

3
4 (d) Corporations/partnerships may enter into contractual arrangements with
5 farmers' organizations/ ARCs, whereby farmers' organization shall be
6 responsible for the production of raw agricultural materials while the
7 corporations/partnerships shall perform the agro-processing/value-addition
8 and look for domestic and international markets.

9
10 (e) Farmers' or other agricultural cooperatives with existing landholdings and
11 sufficient capitalization to undertake a "corporative" farming scheme for
12 rice/ corn.

13
14 **SECTION. 3. Disposition of Excess Production.** – The corporations/
15 partnerships shall be required to provide a minimum of six hundred (600) kilograms
16 of rice/corn per employee per year or fifty (50) kilograms per employee per month.
17 Production in excess of the employees' consumption requirements may be sold in the
18 local markets: Provided, that such will be reported to the National Food Authority
19 (NFA).

20
21 **SECTION 4. Implementing Agencies and Implementing Rules and**
22 **Regulations (IRR).** – The Department of Agriculture (DA) and the Department of
23 Agrarian Reform (DAR) shall be the lead agencies to institute measures to ensure
24 higher rice/ corn productivity through Corporative Farming schemes.

25
26 Moreover, the DA and the DAR shall facilitate with the appropriate
27 government agencies the processing of management contracts between the
28 corporations/ partnerships and farmers' groups. Further, the DA and the DAR shall
29 oversee and monitor the IRR and guidelines of this Act. The DA and the DAR shall
30 exercise the following functions:

31
32 (a) Develop eligibility criteria for both corporations/ partnerships and farmers'
33 groups, cooperatives and/ or ARCs for consideration under this Act and to

1 institute their accreditation: provided, that the farmers' group criteria
2 should include management capabilities, technical and production skills
3 critical to the effective operation of the Corporative farm.

- 4 (b) Identify suitable private and public-owned rice/ corn production areas for
5 Corporative farming and determine the maximum ceiling of landholdings
6 for Corporative Farming arrangements: Provided, that the DA and the
7 DAR shall periodically determine the need to expand/ reduce rice/ corn
8 production areas for Corporative Farming schemed on the basis of rice/
9 corn demand-supply gaps;
- 10 (c) Facilitate and promote grassroots cooperation to access agricultural
11 services such as information, inputs, and technical assistance;
- 12 (d) Initiate and develop periodic rural/ arm assembly markets to provide
13 avenues to showcase their produce;
- 14 (e) Exercise regulatory functions with respect to the adherence to the
15 provisions of contracts and arrangements entered into by both
16 corporations/ partnerships and farmers' groups, cooperatives and/ or
17 ARCs and to develop mechanism to facilitate negotiations and mediate in
18 disputes between stakeholders on matters of contract enforcement;
- 19 (f) Coordinate with the appropriate government agencies to ensure the timely
20 establishment of support services such as credit, infrastructure, extension
21 services, and others;
- 22 (g) In consultation with other concerned government agencies, non-
23 government organizations, private sectors, and farmers' groups involve in
24 rice/corn production, formulate the IRR necessary to operationalize the
25 provisions of this Act within ninety (90) days from approval; and
- 26 (h) Facilitate the registration of the participating corporations/ partnerships
27 with the NFA.

28
29
30 **SECTION 5. Incentive package.** – Corporations/ partnerships which shall
31 participate in the Corporative Farming Act shall be entitled to tax incentives covering
32 all aspects of the operation germane to Corporative Farming activities.

1 These include the following:
2

3 (a) Exemption from the payment of customs duties on the importation of all
4 types of agricultural inputs, particularly seeds, fertilizers, agricultural
5 machinery, and other agricultural implements as provided under Republic
6 Act No. 9281, which amends Republic Act No. 8435 or the Agriculture
7 and Fisheries Modernization Act;
8

9 (b) Exemption from the value-added tax (VAT) on the importation of
10 agricultural inputs in accordance with Section 109(d) of the National
11 Internal Revenue Code, as amended; Provided, that the importation
12 requirement shall be in accordance with the provision of Republic Act No.
13 10068 or the “Organic Agriculture Act of 2010”;
14

15 (c) Exemption from the payment of capital gain tax for a person either natural
16 or juridical, who sells and or transfers idle agricultural land to corporations
17 and partnerships engage in Corporative Farming; and
18

19 (d) Tax incentives, including income tax holiday, in accordance with the
20 provisions of executive Order No. 226 or the Omnibus Investment
21 Incentives Code, as amended.
22

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

26 **SECTION 7. Duration.** – Participating corporations/ partnerships with
27 existing landholdings may engage in rice/ corn production within a period of time to
28 be determined by this Act. However, those corporations/ partnerships which
29 purchased agricultural lands for the purpose cannot convert the land to other uses and
30 must relinquish land ownership in favour of agrarian reform beneficiaries within a
31 period of three (3) years in the case of public agricultural lands and for private lands

1 originally distributed under the Comprehensive Agrarian Reform Program should
2 they wish to terminate the Corporative Farming agreement.

3 Arrangements/ negotiations for leased public or idle private agricultural lands
4 shall be for a period not less than ten (10) years.

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

8 A review on the viability of the program shall made by the concerned agencies
9 after five (5) years of its implementation.

10 **SECTION 9. Effectivity.** – This act shall take effect after (15) days following
11 its publication in the official gazette or in a national newspaper of general circulation.

Approved.