

SENATE
S. No. 750

19 JUL 24 AM 58

Introduced by Senator Grace Poe

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

Explanatory Note¹

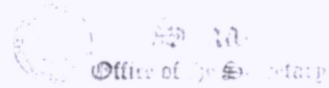
The current food crisis and the rice importation fiasco highlight the need to review government policies on food security and to seek creative means to reinvigorate the agricultural sector. As a newly liberalizing economy competing against well-entrenched world economies, the Philippines is hard-pressed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

Investments in the agricultural sector cannot be shouldered by the public sector alone. Hence, this measure aims to implement corporative farming programs 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.

The immediate approval of this measure is earnestly sought.


GRACE POE

¹ A version of this bill was previously filed during the 17th Congress as a counterpart of the measure proposed by BUTIL farmers party-list.



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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 of this
2 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
5 (4) years that allow them to engage in the production of rice/ corn for their
6 employees' requirements without adversely affecting their financial viability.
7 Appropriate guidelines shall be issued to determine the corporations and
8 partnerships that are to be covered by this Act.

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

13 (a) Corporations/partnerships with existing landholdings suitable for
14 rice/corn production may manage the land and produce the rice/corn or may
15 enter into a management/contractual arrangement with farmers' groups such
16 as farmers' associations, cooperatives, and agrarian reform communities
17 (ARCs);

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

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

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

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

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

29 (d) Corporations/partnerships may enter into contractual
30 arrangements with farmers' organizations/ ARCs, whereby farmers'
31 organization shall be responsible for the production of raw agricultural

1 materials while the corporations/partnerships shall perform the agro-
2 processing/value-addition and look for domestic and international markets.

3 (e) Farmers' or other agricultural cooperatives with existing
4 landholdings and sufficient capitalization to undertake a "corporative" farming
5 scheme for rice/corn.

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

11 *Sec. 4. Implementing Agencies and Implementing Rules and Regulations*
12 *(IRR).* – The Department of Agriculture (DA) and the Department of Agrarian
13 Reform (DAR) shall be the lead agencies to institute measures to ensure higher
14 rice/corn productivity through Corporative Farming schemes.

15 Moreover, the DA and the DAR shall facilitate with the appropriate
16 government agencies the processing of management contracts between the
17 corporations/ partnerships and farmers' groups. Further, the DA and the DAR shall
18 oversee and monitor the IRR and guidelines of this Act. The DA and the DAR shall
19 exercise the following functions:

20 (a) Develop eligibility criteria for both corporations/ partnerships
21 and farmers' groups, cooperatives and/ or ARCs for consideration under this
22 Act and to institute their accreditation: Provided, that the farmers' group
23 criteria should include management capabilities, technical and production
24 skills critical to the effective operation of the Corporative farm.

25 (b) Identify suitable private and public-owned rice/ corn production
26 areas for Corporative farming and determine the maximum ceiling of
27 landholdings for Corporative Farming arrangements: Provided, that the DA
28 and the DAR shall periodically determine the need to expand/reduce rice/corn
29 production areas for Corporative Farming schemed on the basis of rice/corn
30 demand-supply gaps;

31 (c) Facilitate and promote grassroots cooperation to access
32 agricultural services such as information, inputs, and technical assistance;

1 (d) Initiate and develop periodic rural/arm assembly markets to
2 provide avenues to showcase their produce;

3 (e) Exercise regulatory functions with respect to the adherence to
4 the provisions of contracts and arrangements entered into by both
5 corporations/ partnerships and farmers' groups, cooperatives and/or ARCs
6 and to develop mechanism to facilitate negotiations and mediate in disputes
7 between stakeholders on matters of contract enforcement;

8 (f) Coordinate with the appropriate government agencies to ensure
9 the timely establishment of support services such as credit, infrastructure,
10 extension services, and others;

11 (g) In consultation with other concerned government agencies, non-
12 government organizations, private sectors, and farmers' groups involve in
13 rice/corn production, formulate the IRR necessary to operationalize the
14 provisions of this Act within ninety (90) days from approval; and

15 (h) Facilitate the registration of the participating corporations/
16 partnerships with the NFA.

17 *Sec. 5. Incentive package.* – Corporations/partnerships which shall participate
18 in the Corporative Farming Act shall be entitled to tax incentives covering all aspects
19 of the operation germane to Corporative Farming activities.

20 These include the following:

21 (a) Exemption from the payment of customs duties on the
22 importation of all types of agricultural inputs, particularly seeds, fertilizers,
23 agricultural machinery, and other agricultural implements as provided under
24 Republic Act No. 9281, which amends Republic Act No. 8435 or the
25 Agriculture and Fisheries Modernization Act;

26 (b) Exemption from the value-added tax (VAT) on the importation
27 of agricultural inputs in accordance with Section 109(d) of the National
28 Internal Revenue Code, as amended; Provided, that the importation
29 requirement shall be in accordance with the provisions of Republic Act No.
30 10068 or the "Organic Agriculture Act of 2010";

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

4 (d) Tax incentives, including income tax holiday, in accordance with
5 the provisions of Executive Order No. 226 or the Omnibus Investment
6 Incentives Code, as amended.

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

10 *Sec. 7. Duration.* – Participating corporations/partnerships with existing
11 landholdings may engage in rice/corn production within a period of time to be
12 determined by this Act. However, those corporations/partnerships which purchased
13 agricultural lands for the purpose cannot convert the land to other uses and must
14 relinquish land ownership in favour of agrarian reform beneficiaries within a period
15 of three (3) years in the case of public agricultural lands and for private lands
16 originally distributed under the Comprehensive Agrarian Reform Program should
17 they wish to terminate the Corporative Farming agreement.

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

20 *Sec. 8. Automatic review.* – The DA and the DAR, being the lead government
21 agencies in the Corporative Farming Program, shall submit periodic reports to both
22 Houses of Congress on the accomplishments of the Program.

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

25 *Sec. 9. Effectivity.* – This act shall take effect after (15) days following its
26 publication in the Official Gazette or in a national newspaper of general circulation.

Approved,