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NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



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SENATE
S. No. 961

RECEIVED BY:

Introduced by Senator Grace Poe

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

EXPLANATORY NOTE

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.

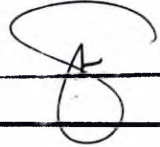
Investments in the agricultural sector cannot be shouldered by the public sector alone. Hence, this measure aims to implement corporative farming programs to attract more private sector engagement in the agriculture sector. Corporative farming enables the vertical integration the entire process of food 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
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AN ACT
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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 rice/corn
14 production may manage the land and produce the rice/corn or may enter into
15 a management/contractual arrangement with farmers' groups such as
16 farmers' associations, cooperatives, and agrarian reform communities (ARCs);
17 b. Corporations/ partnerships may purchase or lease, on a long term basis,
18 public or private agricultural land suitable for rice/corn production, whereby

1 the corporations/partnerships are given full management and production
2 control over the purchased or leased lands or may enter into contractual
3 arrangements, or joint ventures with landowners, farmers' organizations and
4 ARCs.

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

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

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

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

- 27 d. Corporations/partnerships may enter into contractual arrangements with
28 farmers' organizations/ ARCs, whereby farmers' organization shall be
29 responsible for the production of raw agricultural materials while the
30 corporations/partnerships shall perform the agro-processing/value-addition
31 and look for domestic and international markets.

- 1 e. Farmers' or other agricultural cooperatives with existing landholdings and
2 sufficient capitalization to undertake a "corporative" farming scheme for
3 rice/corn.

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

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

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

- 18 a. Develop eligibility criteria for both corporations/ partnerships and farmers'
19 groups, cooperatives and/ or ARCs for consideration under this Act and to
20 institute their accreditation: Provided, that the farmers' group criteria should
21 include management capabilities, technical and production skills critical to the
22 effective operation of the Corporative farm;
- 23 b. Identify suitable private and public-owned rice/ corn production areas for
24 Corporative farming and determine the maximum ceiling of landholdings for
25 Corporative Farming arrangements: Provided, that the DA and the DAR shall
26 periodically determine the need to expand/reduce rice/corn production areas
27 for Corporative Farming schemes on the basis of rice/corn demand-supply
28 gaps;
- 29 c. Facilitate and promote grassroots cooperation to access agricultural services
30 such as information, inputs, and technical assistance;
- 31 d. Initiate and develop periodic rural/arm assembly markets to provide avenues
32 to showcase their produce;

- 1 e. Exercise regulatory functions with respect to the adherence to the provisions
2 of contracts and arrangements entered into by both corporations/
3 partnerships and farmers' groups, cooperatives and/or ARCs and to develop
4 mechanism to facilitate negotiations and mediate in disputes between
5 stakeholders on matters of contract enforcement;
- 6 f. Coordinate with the appropriate government agencies to ensure the timely
7 establishment of support services such as credit, infrastructure, extension
8 services, and others;
- 9 g. In consultation with other concerned government agencies, non-government
10 organizations, private sectors, and farmers' groups involve in rice/corn
11 production, formulate the IRR necessary to operationalize the provisions of
12 this Act within ninety (90) days from approval; and
- 13 h. Facilitate the registration of the participating corporations/ partnerships with
14 the NFA.

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

18 These include the following:

- 19 a. Exemption from the payment of customs duties on the importation of all types
20 of agricultural inputs, particularly seeds, fertilizers, agricultural machinery,
21 and other agricultural implements as provided under Republic Act No. 9281,
22 which amends Republic Act No. 8435 or the Agriculture and Fisheries
23 Modernization Act;
- 24 b. Exemption from the value-added tax (VAT) on the importation of agricultural
25 inputs in accordance with Section 109(d) of the National Internal Revenue
26 Code, as amended; Provided, that the importation requirement shall be in
27 accordance with the provisions of Republic Act No. 10068 or the "Organic
28 Agriculture Act of 2010";
- 29 c. Exemption from the payment of capital gain tax for a person either natural or
30 juridical, who sells and or transfers idle agricultural land to corporations and
31 partnerships engage in Corporative Farming; and

1 d. Tax incentives, including income tax holiday, in accordance with the
2 provisions of Executive Order No. 226 or the Omnibus Investment Incentives
3 Code, as amended.

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

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

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

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

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

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

Approved,