

23 JAN 25 A11 :07

SENATE
Senate Bill No. 1763

RECEIVED BY:



Introduced by: **Senator Raffy T. Tulfo**

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

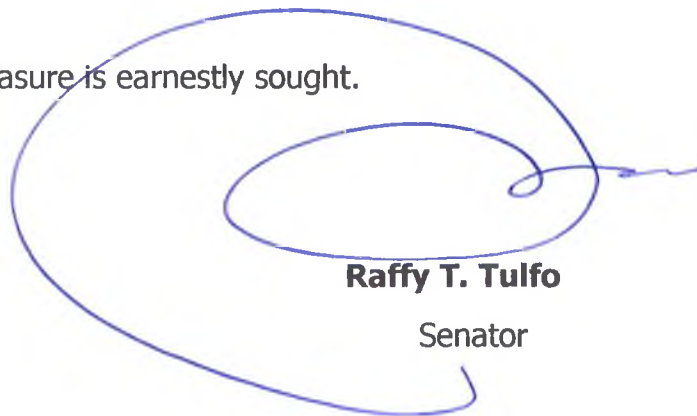
EXPLANATORY NOTE

Agriculture is the backbone of the Philippine economy. The Philippines is primarily an agricultural country with a large portion of Filipinos living in rural areas and supporting themselves through agricultural activities. About a quarter of employed Filipinos work in the agricultural sector which is made up of four sub-sectors: farming, fisheries, livestock, and forestry.

The current food crisis and the rice importation fiasco highlight the need for the government reorient its public expenditure programs and promote research and development to boost long-term productivity. As a newly liberalizing economy competing against well-entrenched world economies, the Philippines is hard-pressed to make its agricultural policies more responsive and amenable. Investments in the agricultural sector cannot be shouldered by the public sector alone.

Hence, this measure aims to implement corporative farming programs to draw more private sector partaking in the agricultural 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.

A large, stylized handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Raffy T. Tulfo

Senator

23 JAN 25 AM 11:07

SENATE
Senate Bill No. 1763

RECEIVED BY: 

Introduced by: **Senator Raffy T. Tulfo**

**"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 Corporation and Partnerships.* — For the purposes of this
2 Act, domestic corporation and partnership shall refer 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. Corporation/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' group such as farmers'
16 associations, cooperatives and agrarian reform communities (ARCs);

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

6 Agriculture land purchased or leased for the purpose cannot be
7 converted to other uses. Should the Corporative Farming venture cease to be
8 financially viable and the partners declare bankruptcy or insolvency, land
9 ownership shall automatically revert to the agrarian reform beneficiaries within
10 a period of three (3) years in the case of public agriculture lands and private
11 lands originally distributed under the Comprehensive Agrarian Reform program.
12 Fifty percent (50%) of the land should have been developed within a period of
13 three (3) years, and ninety percent (90%) within a period of five (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 back
17 the produce. Provided, that the farm inputs that shall be utilized shall subscribe
18 to the requirements set forth by Republic Act 10068 or the "Organic Agriculture
19 Act of 2010."

20 Local Government Units (LGUs) shall be required to identify appropriate
21 land areas for Corporative Farming in consonance with their comprehensive
22 land-use plan and ordinances. The LGU shall require the participating
23 corporations/partnerships to provide livelihood projects/opportunities to
24 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

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

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

6 *Sec. 3. Disposition of Excess Production.* — The corporations/partnerships
7 shall be required to provide a minimum of six hundred (600) kilograms of rice/corn
8 per 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 (IRR).*
12 — The Department of Agriculture (DA) and the Department of Agrarian Reform (DAR)
13 shall be lead agencies to institute measures to ensure higher rice/corn productivity
14 through Corporative Farming schemes.

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

1 and farmers' group, cooperatives and/or ARCs and to develop mechanisms to
2 facilitate negotiations and mediate in disputes between stakeholders on matters
3 of contract enforcement;

4 f. Coordinate with the appropriate government agencies to ensure the timely
5 establishment of support services such as credit, infrastructure, extension
6 services, and others;

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

11 h. Facilitate the registration of the participating corporations/partnerships with the
12 NFA.

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

16 These include the following:

17 a. Exemption from the payment of customs duties on the importation of all types
18 of agriculture inputs, particularly seeds, fertilizers, agricultural machinery, and
19 other agricultural implements as provided under Republic Act No. 9281, which
20 amends Republic Act No. 8435 or the Agriculture and Fisheries Modernization
21 Act;

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

27 c. Exemption from the payment of capital gain tax for a person either natural or
28 judicial, who sells and or transfer idle agricultural land to corporations and
29 partnership engage in Corporative Farming; and

1 d. Tax incentives, including income tax holiday, in accordance with the provisions
2 of Executive Order No. 226 or the Omnibus Investment Incentives Code, as
3 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 favor of agrarian reform beneficiaries within a period of
12 three (3) years in the case of public agricultural lands and for private lands originally
13 distributed under the Comprehensive Agrarian Reform Program should they wish to
14 terminate the Corporative Farming agreement.

15 Arrangements/ negotiations for leased public or idle private agricultural land
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,