

REPUBLIC ACT NO. 7900

AN ACT TO PROMOTE THE PRODUCTION,

PROCESSING, MARKETING AND DISTRIBUTION

OF HIGH-VALUED CROPS, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES.

Section 1. Title. — This Act shall be known as the "High-Value Crops Development Act of 1995."

Sec. 2. Declaration of Policy. — It is hereby declared the policy of the State to accelerate the growth and development of agriculture in general, enhance productivity and incomes of farmers and the rural population, improve investment climate, competencies and efficiency of agribusiness and develop high-value crops as export crops that will significantly augment the foreign exchange earnings of the country, through an all-out promotion of the production, processing, marketing, and distribution of high-value crops in suitable areas of the country.

The State shall be guided by the principles that land has a social function and land ownership has a social responsibility. As such, owners and lessees of agricultural land, being stewards, have the obligation to cultivate the lands they own or lease and make the land economically productive on a sustainable and environmentally friendly manner. The State has the right to expropriate lands not utilized for the benefit of the community and the country as a whole.

The State shall effect an efficient use of land and other productive resources with due regard to ecological balance and environmental protection, rural development, equity consideration, mobilization of human resources, and increased agro-industrial production for the alleviation of poverty and sustainable growth objectives.

Sec. 3. Scope of Application. — This Act shall cover upland dwellers as well as lowland tenants, indigenous and cultural communities, Comprehensive Agrarian Reform Program (CARP) beneficiaries, upland farm owners, farmers, farmers' organizations/associations/cooperatives, community associations and farmworkers, and to the extent herein provided, the departments, offices, agencies, subdivisions, branches or instrumentalities in the areas identified by the Department of Agriculture as key commercial crop production areas.

Sec. 4. Definition of Terms. — For purposes of this Act, the term:

a. "Non-traditional crops" — refer to crops other than rice, corn, coconut and sugar.

b. "High-value crops (HVC)" — these are crops other than traditional crops which include, but are not limited to: coffee and cacao, fruit crops (citrus, cashew, guyabano, papaya, mango, pineapple, strawberry, jackfruit, rambutan, durian, mangosteen, guava, lanzones, and watermelon), root crops (potato and ubi), vegetable crops (asparagus, broccoli, cabbage, celery, carrots, cauliflower, radish, tomato, bell pepper, and patola), legumes, pole sitao (snap beans and garden pea), spices and condiments (black pepper, garlic, ginger, and onion), and cutflower and ornamental foliage plants (chrysanthemum, gladiolus, anthuriums, orchids, and statice).

c. "Idle and abandoned land" — refers to any agricultural land not cultivated, titled or developed to produce any crop nor devoted to any specific economic purpose continuously for a period of three (3) years immediately prior to the receipt of notice of acquisition by the government as provided under the CARP.

d. "Alienable and disposable lands" — refer to those lands of the public domain which have been the subject of the present system of classification and declared as not needed for forest purposes.

e. "Forest land" —refers to the lands of the public domain which have not been declared as alienable or disposable, public forests, permanent forests or forest reserves, forest reservations, timberlands, grazing lands, game refuge, and bird sanctuaries.

Sec. 5. Site Identification. — The Department of Agrarian Reform and the Department of Agriculture, in coordination with the Department of Environment and Natural Resources, and the municipal government concerned, shall identify the broad areas suitable for high-valued crops production, within six (6) months after the effectivity of this Act: Provided, That such site identification shall be reviewed at appropriate intervals to ensure consistency with the agrarian reform program and the national land use policy.

Sec. 6. Tenorial Arrangement. — Farmer cooperatives may lease the land for a period of twenty-five (25) years, and not to exceed one thousand hectares (1,000 has.) in area.

Sec. 7. Farm Model. — For the program, farmers may adopt the cooperative system in putting up economically-sized farms for high-value crop farming. Farmer members shall collectively manage individual farms which includes contracting process and means of production; planning and coordinating crops varieties; and raising breed, hectarage, distribution and some production measures with reference to the market it shall serve. Said farm models may be replicated by farmers' organizations all over the country.

Sec. 8. High-Value Crops Development Fund (HVCDF). — For the purpose of providing the funding requirements of the production, marketing, and processing of high-value crops, and the establishment of low-cost credit to qualified project proponents, there is hereby created a

High-Value Crops Development Fund (HVCDF), with an initial amount of One billion pesos (P1,000,000,000). The HVCDF shall be sourced from the Comprehensive Agricultural Loan Fund (CALF) and shall be managed by the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP). Other sources of funds, including but not limited to borrowings from local and international financial institutions, shall also be considered to further support the program: Provided, That sixty percent (60%) of the HVCDF shall be utilized for direct lending to high-value crop producers while the remaining forty percent (40%) shall be allocated by the Department of Agriculture to guarantee loans granted by private financial institutions toward high-value crop production through existing guarantee institutions. The Department of Agriculture, which is directly responsible for the management of the HVCDF, is hereby authorized to designate the Land Bank of the Philippines and the Development Bank of the Philippines to manage the direct lending operations of the sixty percent (60%) portion of the HVCDF through LBP and DBP facilities or their conduits.

All financial institutions, whether public or private, shall be tapped to support the program. Participating banks are hereby exempted from the compliance requirement of Presidential Decree No. 717: Provided, That they shall lend a minimum of five percent (5%) of their loanable funds without alternative compliance directly to farmers' associations or cooperatives.

Other sources of funds, including but not limited to borrowings from local and international financial institutions, shall also be considered to further support the program.

Sec. 9. Incentives. — The proponents of the program shall be entitled to the following incentives:

a. **Crop insurance** — the insurance program of the Philippine Crop Insurance Corporation (PCIC) shall be expanded to cover high-value crops. The premium rates shall be set not on the basis of the performance of previous programs specifically on rice and corn;

b. **Credit assistance** — the HVCDF shall be loaned out to farmers' organizations/ associations/cooperatives composed of, but not limited to, CARP beneficiaries, subject to the prevailing Land Bank interest rates;

c. **Credit Guarantee** — to enhance the bankability of projects, a credit guarantee cover shall be extended by the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) which shall thereby be provided with a commensurate guarantee fund, in the form of equity, out of the HVCDF;

d. Grace period on lease of government lands payments — project proponents shall effect payment on the lease not earlier than two (2) years after the lease agreement is signed and approved. The grace period shall be determined by the gestation periods of the crops;

e. Tax exemption — project proponents as defined in Section 7 of this Act shall be entitled to the following tax exemptions:

1. Exemptions from taxes and duties subject to the provisions of Article 62 of Republic Act No. 6938 or the Cooperative Code of the Philippines;

2. Exemption from the value-added tax in accordance with Section 103 of the National Internal Revenue Code, as amended; and

3. Exemption from taxes, fees and charges under Title One of Book Two of the Local Government Code of 1991 in accordance with Section 133(n) of the said Code.

f. Market linkage — the Department of Agriculture, in coordination with the Department of Trade and Industry, shall link-up agribusiness cooperatives directly with consumers cooperatives, agro-processing companies, or exporters to provide marketing outlets and assure relatively higher and stable prices. Agro-processing firms buying directly from project proponents shall be granted tax rebates.

To ensure health and proper trading, the agribusiness development group of the Department of Agriculture shall establish and enforce standards in grading, sampling and inspection, tests and analysis, specifications, nomenclature, units of measurement, code of practice and packaging, preservation, conservation and transportation of high-value crops.

g. Technical and infrastructure support — technical support on research and extension, infrastructure development, financial and market information shall be provided by the Department of Agriculture, Department of Trade and Industry, Department of Science and Technology, Cooperative Development Authority, state universities and colleges and other relevant government agencies;

h. Post harvest facilities — access to post harvest facilities, storage and distribution/transport facilities of existing government agencies shall be facilitated. Assistance shall be given to qualified and viable farmers/growers cooperatives in the availment of soft loans or grants for the construction of post-harvest, processing and storage facilities. Guidelines for the eventual transfer of ownership of these facilities to the proponent shall be formulated by the Department of Agriculture;

i. **Good seeds and planting materials** — the Department of Agriculture, in coordination with the state universities and colleges, the Department of Trade and Industry, and farmers organizations shall make good seeds and materials readily available to farmers/farmers' cooperatives to ensure high yield and good quality produce. However, the project proponents may be allowed to import, free of duties, high quality seeds/planting materials subject to quarantine laws and Section 15 of Republic Act No. 7083 or the Seed Industry Development Act of 1992; and

j. **Fiscal incentives** — the same fiscal incentives granted by the Board of Investments shall be automatically granted to project proponents.

Sec. 10. Inter-Agency Committee. — A committee, composed of representatives from the Department of Agriculture, the Department of Agrarian Reform, the Bangko Sentral ng Pilipinas, the Land Bank of the Philippines, the Development Bank of the Philippines, the Cooperative Development Authority, the Department of Science and Technology, the Department of Trade and Industry, the Department of Environment and Natural Resources, and the Department of the Interior and Local Government and one (1) each from the small farmers and commercial producers sectors to be designated by the Secretary of Agriculture, shall formulate and prescribe, after public hearing and publication as required by law, the implementing rules and regulations in order to carry out the provisions of this Act. The representatives from the Department of Agriculture and the Department of Trade and Industry shall be the chairman and the vice-chairman, respectively, of the committee.

The Secretary of the Department of Agriculture shall report to both Houses of Congress on the status of the High-Value Crops Development Program biannually.

Sec. 11. Agribusiness Development Group. — The agribusiness development group of the Department of Agriculture shall be strengthened to implement, coordinate and monitor the program based on the rules and regulations set forth by the inter-agency committee. Aside from its usual functions, it shall be tasked to perform the following functions:

a. **Assist in the formulation of general and specific policies for the development of high-value crops;**

b. **Set up the appropriate system to monitor the utilization of the HVCDF and shall furnish the Bangko Sentral ng Pilipinas regular reports on the financial institutions' compliance to the program;**

c. **Extend assistance in marketing and distribution of high-value crops through monitoring and dissemination of market information, including identification of the local supply-demand situation, domestic market matching and overseas market intelligence and promotion activities on high-value crops;**

d. Enjoin the Department of Transportation and Communications to effect a more efficient, regular, adequate, suitable, and economical means of transporting and/or shipping of high-value crops, for purposes of reducing marketing costs and ensuring stable consumer supply;

e. Encourage the establishment of wholesale markets in identified major centers of the country: Provided, That agricultural produce collection centers may also be established in areas where feasible, which may also serve as buying stations of farm products, packaging houses, pick-up points and meeting places of farmers'/growers' cooperatives;

f. Establish linkages with various government and private research institutions for the conduct of studies and researches designed to promote the production, marketing and processing of high-value crops;

g. Conduct farmers' training programs primarily aimed at increasing their knowledge on production technologies and on market potentials and prospects for various types of high-value crops, through the DA-Agricultural Training Institute (ATI), the DTI or the LGU's technicians or by contracting agriculturists and marketing specialists from private or academic institutions;

h. Establish experimental stations and seed farms for the development of varieties suitable to the agro-climatic conditions of the area and markets that will provide greatest value added to high-value crops; and

i. Devise and maintain a system for regularly obtaining information on current and future production, their prices and movement in trade, to determine and effect a balanced distribution of high-value crops by means of inter-trading or intra-trading among the established wholesale markets. Such amount as may be needed for the initial operating expenses of the group shall be charged to any available funds in the appropriation for current operating expenditures of the Department of Agriculture. Thereafter, the amount necessary for its operations shall be included in the annual General Appropriations Act.

Sec. 12. Repealing Clause. — All laws or parts thereof, decrees, orders, rules and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly: Provided, however, That nothing in this Act shall be construed or applied as amending the CARL and other laws on agrarian reform.

Sec. 13. Separability Clause. — If any of the provisions of this Act is declared invalid, the other provisions not affected thereby shall remain in full force and effect.

Sec. 14. Effectivity Clause. — This Act shall take effect immediately following its publication in a newspaper of general circulation or in the Official Gazette, whichever comes first.

Approved: 23 February 1995.