

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City, Metro Manila

NINETEENTH CONGRESS  
First Regular Session

**HOUSE BILL NO. 4970**



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Introduced by **ANG PROBINSYANO**  
Party-List Representative Alfred Delos Santos

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### **EXPLANATORY NOTE**

Smallholder farmers are producers that cultivate crops, rear livestock and raise fish in a limited scale and low capital input. These farmers generally have limited opportunity to improve their livelihood because of their small farm size, limited knowledge in production and marketing and difficulty in accessing additional capital.<sup>1</sup> They are also not protected from associated risks and often shoulder the weight of overhead and fixed costs of operations.

This bill seeks to address the limitations and challenges often faced by smallholder farmers through the Agriculture Village Farm Management (AVFM) enterprises. AVFMs are business undertakings between professional agriculturists, business entities, and investors who seek to partner with consolidated and synchronized smallholder farmers and fisherfolk. Through this arrangement, smallholder farmers will gain access to capital, management support, knowledge of best practices and latest farming technology. Furthermore, the burden of overhead and fixed costs and as well as risks can be minimized by distributing it across all participants through coordination and cooperation.

It is for the foregoing premises that the approval of this Bill is earnestly sought.

  
**ALFRED C. DELOS SANTOS**  
*Representative, Ang Probinsyano Party-List*

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<sup>1</sup> Oakeshott, J. A. (2018). Sustainable smallholder farming clusters in the Philippines. *Acta Horticulturae*, (1205), 109–116. doi:10.17660/actahortic.2018.1205.12

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**AN ACT**  
**INSTITUTIONALIZING AND ENCOURAGING PARTNERSHIPS BETWEEN**  
**AGRICULTURE VILLAGE FARM MANAGEMENT (AVFM) ENTERPRISES**  
**AND SMALLHOLDER FARMERS AND FISHERFOLK, TO HASTEN THE**  
**DOUBLING OF RURAL HOUSEHOLDS' INCOME THROUGH THEIR**  
**ADOPTION OF BETTER PRODUCTION, PROCESSING, MARKETING,**  
**LOGISTICS, AND FINANCING TECHNOLOGIES, ESTABLISHING**  
**ECONOMIES OF SCALE THROUGH SYNCHRONIZED COMMUNITY**  
**AGRICULTURE, CONSOLIDATING PRODUCTION, AND APPROPRIATING**  
**FUNDS THEREFOR AND FOR OTHER PURPOSES**

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

**SECTION 1.** *Short Title.* – This Act shall be known as the “Agriculture Village Farm Management (AVFM) Enterprises Promotion Act of 2022.”

**SECTION 2.** *Declaration of Policy.* – Recognizing the potential of the private sector and agriculture professionals, the State hereby encourages partnerships and other institutional arrangements that would seek to address various gaps in the implementation of development programs for the smallholder farming sector, including lack of access to production inputs, capital and financing, modern farming and/or fishery technologies, postharvest processing, product packaging tools, storage systems, transport and logistics, and marketing and distribution networks.

**SECTION 3.** *Statement of Objectives.* – This Act shall have the following objectives:

- a) Enhance the productivity in the rural sector, with the end view of doubling rural households' incomes within the next three to six years;
- b) Improve investment climate, competencies, and efficiency of agriculture and fisheries businesses by encouraging and

- institutionalizing private sector professional and investment partnerships with smallholder farmers and fisherfolk;
- c) Develop higher value agriculture and fisheries production through an all-out promotion of better production technologies, mechanization, post-harvest processing and storage, stronger marketing, and distribution networks; and
  - d) Upgrade the value chain in Philippine agriculture under a framework of production consolidation and synchronization in rural communities to reap the benefits of economies of scale and utilize better management, science-based approaches, and the latest technologies.

**SECTION 4. *Definition of Terms.*** – The following terms, as used in this Act, shall be understood thusly:

- a) Agriculture Village Farm Management (AVFM) entity or enterprise. – A business undertaking by professional agriculturists, business entities, and investors who seek to partner with smallholder farmers and fisherfolk to produce their selected crops, livestock, fish, and fish products under contractual and/or joint venture business arrangements that would synchronize or consolidate community production for economies of scale.
- b) Economies of scale. – Decrease in unit cost as more units are produced due to the spreading out of fixed costs over a greater number of units produced.
- c) Value chain. – Set of linked activities, actors, and actions—encompassing the flow of products, knowledge, information, technology options, finance, payments, human resources, and social capital—that improve a product, and better organize producers and communities, to link them with commodity processors and markets.
- d) Smallholder farmer – a producer who cultivates crops, rears livestock, or raises fish on a limited scale and with low capital input.

**SECTION 5. *Modernizing Production Ecosystems.*** – The mission of an AVFM Enterprise is to provide the institutional platform that will ignite the process of modernizing the rural farm economy at the village or municipal level by taking part in rural production systems, establishing partnerships, and introducing newer technologies and science-based agriculture management practices to the farmer-partners. AVFM entities shall institute a profit-based but socially equitable model of production enterprise ecosystem in transforming village communities towards agri-industry development.

**SECTION 6. *Social Justice in AVFM Enterprise.*** - The Department of Agriculture (DA) and the Department of Trade and Industry (DTI) shall ensure that smallholder farmers will not be disadvantaged and that such partnerships and institutional arrangements will benefit them.

**SECTION 7. *Development Activities.*** – AVFM Enterprises shall address the gaps faced by smallholder farmers and fisherfolk by organizing them into managed enterprise groups for contract production and by engaging in any combination of the following lines of business activity:

- a) Supply of agricultural inputs (seeds, fertilizers, pesticides, animal feeds, and other crop requirements) to consolidated/synchronized crop, livestock, or fishery production;
- b) Coordination, sourcing, or supply of farm credit, capital, and/or financial services;
- c) Fund management to ensure regular food budgets for the farmers' families until harvest time;
- d) Training and capability building (to update farmers' technical know-how, teach financial literacy and entrepreneurial values, and general education through alternative learning platforms);
- e) Contract growing, contract processing, and/or contract marketing with moderated and calendared farm activities and processes to ensure the quality of produce;
- f) Coordination of farm logistics and transport of farm produce, including post-harvest processing and packaging;
- g) Marketing of agricultural products produced by partner communities;
- h) Participation fees in the potential use of Information Technology and "blockchain" platforms in managing the farmer's access to their family budget funds and intra-community transactions;
- i) Provision of technologies of production and handling, grading criteria and facilities, cooling and packing technologies, post-harvest processing, industrial processing, storage, transport, finance, and feedback from markets.

**SECTION 8. *Partnership Strategies.*** – The AVFM Enterprise may engage with communities and farmer/fisherfolk organizations through one or a combination of the following:

- a) Joint venture partnerships;
- b) Contract growing arrangements;
- c) Service arrangements;
- d) Use of facilities and equipment;
- e) Financial services;
- f) Use of proprietary technologies;
- g) Use of specialized information networks;
- h) Marketing partnerships; and
- i) Specialized training programs.

**SECTION 9. *Competitiveness and Sustainability.*** – Each AVFM Enterprise shall formulate medium- and long-term plans aimed at enhancing the level of productivity, competitiveness, and sustainability in community agriculture and fishery. Efforts to double the income of farmers may take any relevant combination of the following approaches:

- a) Increase in the volume, quality, and value of agriculture and fisheries production for domestic consumption and for exports;
- b) Reduction in post-harvest losses;
- c) Increase in the number/types and quality of processed agricultural and fishery products;
- d) Increase in the number of sustainable agriculture and fisheries firms engaged in domestic production, processing, marketing, and export activities;
- e) Increase in the wider level of entrepreneurship among farmers and fisherfolk in the area;
- f) Increase in the number of farms engaged in diversified farming;
- g) Reduced use of agro-chemicals that are harmful to health and environment; and
- h) Increase in the number of international trading partners in agriculture and fishery products.

**SECTION 10. *Tax Incentives.*** – Taxation policies must not deter the growth of value-adding activities in rural areas. Any registered AVFM Entity shall be exempt from the payment of income taxes for a period of five (5) years; *Provided*, That said entity shall have consolidated and synchronized production in at least 100 hectares of smallholder farms and/or coordinated and managed the fishery activities of at least 50 fishermen within a locality or village community.

The following incentives shall apply to the AVFM Enterprises and AVFM production projects:

- a) Crop insurance for the community production activity served by an AVFM enterprise.
- b) Credit assistance facility to be established by the Land Bank of the Philippines and the Development Bank of the Philippines. Loans provided by the banks to the AVFM Enterprise partnerships shall be counted as 200% in reckoning their compliance with the Agri-Agra Law.
- c) Credit guarantee—to enhance the bankability of projects, a credit guarantee system shall be organized through the Small Business Guarantee Fund Corporation, in partnership with and with the contributed resources of the local government units (LGUs) hosting AVFM community production projects.
- d) Reduced real property taxes for lands registered for consolidated/synchronized agriculture production under this Act.
- e) Tax exemption—AVFM project proponents 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 (“Cooperative Code of the Philippines”);
  - 2) Exemption from the value-added tax in accordance with the National Internal Revenue Code, as amended; and

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

**SECTION 11. *Monitoring and Evaluation.*** – The DA and the DTI shall develop the capability of monitoring the AVFM enterprise partnerships with farm and fishery communities and shall make semi-annual reports to Congress. They may secure the services of independent consultants and external evaluators in order to assess the overall impact of the production partnerships.

**SECTION 12. *Tariff and Duty Exemptions.*** – All registered AVFM Enterprises engaged in agriculture and fisheries as duly certified by the DA, in consultation with the Department of Finance (DOF) and the Board of Investments (BOI), shall, for five (5) years after the effectivity of this Act, be exempted from the payment of tariff and duties for the importation of all types of agriculture and fisheries inputs, equipment, and machinery, such as, but not limited to, fertilizer, insecticide, pesticide, tractor, trailers, trucks, farm implements and machinery, harvesters, threshers, hybrid seeds, genetic materials, sprayers, packaging machinery and materials, bulk-handling facilities such as conveyors and mini loaders, weighing scales, harvesting equipment, spare parts of all agricultural equipment, fishing equipment and parts thereof, refrigeration equipment, and renewable energy systems such as solar panels; *Provided, however,* That the imported agricultural and fishery inputs, equipment, and machinery shall be for the exclusive use of the importing enterprise.

The DA, in consultation with the DOF and BOI, shall, within ninety (90) days from the effectivity of this Act, formulate the implementing rules and regulations governing the importation of agriculture and fishery inputs, equipment, and machinery.

**SECTION 13. *Appropriations.*** – The amount necessary for the initial implementation of this Act shall be sourced from the current budgets and development funds of the DA. Thereafter, the funds necessary for the continuous implementation of this Act in the ensuing years shall be included in the respective annual appropriations of the DA in the General Appropriations Act.

**SECTION 14. *Automatic Review.*** – Every five (5) years after the effectivity of this Act, an independent review and panel composed of experts to be appointed by the President shall review the policies and programs under this Act and shall make recommendations, based on its findings, to the President and to both Houses of Congress.

**SECTION 15. *Separability Clause.*** – If any provision or part of this Act is held invalid or unconstitutional, the remaining provisions or parts unaffected shall remain in full force and effect.

**SECTION 16.** *Repealing Clause.* – All laws, executive orders, presidential decrees or issuances, letters of instruction, administrative orders, rules, and regulations contrary to or inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

**SECTION 17.** *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,