

[PRESIDENTIAL DECREE NO. 2032, February 04, 1986]

DECLARING NATIONAL POLICIES ON AGRICULTURAL DEVELOPMENT AND PROMULGATING THE AGRICULTURAL INCENTIVES ACT OF 1986

WHEREAS, there is indispensable need to provide the essential impetus for agricultural development and incentives;

WHEREAS, the primacy of agricultural development and incentives necessitates urgent and immediate concern by way of implementation;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby order and decree the following:

Chapter I.

DECLARATION OF POLICY

SECTION 1. *Declaration of Agricultural Development and Investment Objectives and Policies.*—

A. *Objectives:* It is the basic objective of the State to promote agricultural development on a sustainable basis utilizing indigenous materials whenever feasible, and in particular to achieve the following objectives:

1. To preserve, improve and put to their most productive use the land, water, forest, genetic materials and other agricultural resources of the country.

2. To manage and develop the land so that the land is put to its optimal uses, and the security of land tenure is guaranteed. In particular, it is the policy of the State to strengthen the capability for land classification; to complete the cadastral surveys and land titling as quickly as feasible; to regulate the diversion of agricultural land to industrial and urban uses; to facilitate agrarian reform and stabilize land tenure; and to improve and expand the resettlement program in order to accommodate the growing number of landless farmers.

3. To ensure the availability of food supplies at reasonable prices and attain self-sufficiency in basic food items.

4. To accelerate the development of the meat and dairy industry, and for this purpose, grazing and credit policies shall be consistent with the evolving requirements of the industry.

5. To enhance the judicious and optimum utilization of our marine and fishery resources by both the commercial fishing boat operators and the municipal/small fishermen, as well as expand and improve fishpond operations and aquaculture activities.

6. To increase agriculture's contribution to the balance of payments through export promotion and import substitution.

7. To provide adequate research and extension facilities aimed at increasing productivity and efficiency, including incentives for the private sector to invest therein.

8. To encourage and assist small and medium-sized agricultural farms and industries as well as large industrial ventures intended to achieve economies of scale in all agricultural farms and agro-industrial ventures.

9. To accelerate the development of less developed regions of the country.

10. To improve and stabilize farmers' income and farmers' welfare through higher productivity, better processing, storage, marketing, transport and communications facilities, and a more efficient system of rural community development aimed at meeting family needs.

B. *Policies:* To carry out the objectives of this Decree the following principles are hereby adopted:

1. Market intervention and pricing policy shall be aimed primarily at increasing production by providing reasonable and stable prices to farmers, so that the private sector becomes the primary implementor and beneficiary of agricultural development.

2. An adequate level of farm inputs, preferably indigenous materials, shall be *provided* at reasonable prices.

3. Agricultural credit at reasonable costs shall be mobilized and delivered at the levels necessary to support the development program, both through the rehabilitation of existing institutions and through the creation of new institutions and systems.

4. A program of organizational and institutional improvements for more efficient sector management shall be instituted, aimed at improving and 'rationalizing coordination among the ministries, agencies and other government entities involved in agriculture.

Chapter II. DEFINITION OF TERMS

SEC. 2. *Definition of terms.*—As used in this Decree, the following terms are defined as follows:

A. "Ministry" shall mean the Ministry of Agriculture and Food.

B. "BOARD" shall mean the Board of Investments.

C. "Agriculture" shall cover the subsectors of crops, tree farming, poultry and livestock, and fisheries.

D. "Committee" shall mean the Inter-Agency Committee.

E. "Indigenous Materials" shall mean raw materials grown and/or produced in the Philippines.

F. "GENETIC MATERIALS" shall mean livestock breeds, : crop varieties, and fishery species.

G. "FARMERS GROUP" shall mean formal organizations registered with the government.

- H. "CROP ZONIFICATION" shall mean geographical delineation of suitable area for the production of specific crops based on the following criteria: soil and climate conditions; infrastructure and support services; and local and external demands within specific periods of time.
- I. "RATE OF PREFERENCE" shall mean the level or extent of incentive accorded to a particular agricultural activity.
- J. "STATUS OR PREFERENCE" shall mean the priority category, i.e. First, Second or Third of a particular agricultural activity.
- K. "AGRICULTURAL PRODUCTION" shall mean raising, growing and rearing of crops, livestock and fisheries for food, feed and as raw materials.
- L. "IDLE LANDS" shall mean lands suitable for agricultural production but are uncultivated or not devoted to such use.
- M. "TAX CREDIT" shall mean any of the credits against taxes and /or duties paid or would have been paid' or based on a percentage of gross sales extended to a registered agricultural enterprise by this Decree to evidence which a tax credit certificate shall be issued by the Board.

The tax credit certificate shall be negotiable with the following creditors of the registered agricultural enterprises:

- a. Fertilizer and chemical producers registered with the Fertilizer and Pesticide Authority;
- b. Seed producers registered with the National Food and Agriculture Council; and
- c. Board registered enterprises.

The tax credit certificate issued in favor of a registered agricultural enterprise under this Decree may be used or applied against any or all tax liabilities to the National Government.

- N. "Registered Agricultural Producer and/or Enterprise" shall mean any person or entity which has the qualifications prescribed in Sec. 20 hereof and which registers with the Board.
- O. "Measured Capacity" shall mean the estimated additional volume of production or service which the Board determines to be desirable in each preferred area of investment in order to supply the needs of the economy at reasonable prices.
- P. "Contract Growing" shall mean a system by which individuals, corporations, partnerships or other entities registered under this Decree contract to grow their raw material requirements with small farmers and provide financial, technical as well as other forms of assistance.

Chapter III. ADMINISTRATION

SEC. 3. Administration. —Administration of this Decree shall be vested in the Ministry of Agriculture and Food.

The fiscal incentives shall be administered by the Board of Investments.

The preparation of the Agricultural Investment Priorities Plan shall be the primary responsibility of the Inter-Agency Committee which shall be composed of the following: the representative of the Ministry of Agriculture and Food, as Chairman, and the representatives of the National Economic and Development Authority

(NEDA), the National Food Authority (NFA), the Philippine Council for Agriculture and Resources Research and Development (PCARRD), the Ministry of Finance, the Central Bank of the Philippines, the Ministry of Agrarian Reform (MAR), the Ministry of Natural Resources (HNR), and two (2) representatives from the Farmers' group which shall be chosen by the Ministry as members, with the representative of the Ministry of Trade and Industry, as Vice-Chairman.

Chapter IV. AGRICULTURAL INVESTMENT PRIORITIES PLAN

SEC. 4. *Agricultural Investment Priorities Plan.*—Not later than the end of March of every year, the Inter-Agency Committee shall prepare an Agricultural Investment Priorities Plan which shall list the preferred areas of agricultural ventures deserving of assistance and incentives taking into account their contributions to the economy and their measured capacity. Such Plan shall be prepared in correlation with established long range agricultural and other development plans.

The Committee shall indicate in the Plan the priority of each agricultural activity to determine the degree of assistance and incentives to be given under this Decree.

SEC. 5. *Criteria in Agricultural Investment Priority Determination.*—No agricultural activity shall be included in the Agricultural Investment Priorities Plan unless it is shown to be economically, technically, financially or socially viable after a thorough analysis by the Committee. The Plan shall specify each type of agricultural crop or activity as First Priority, Second Priority or Third Priority, taking into account any or all of the following criteria:

1. domestic requirement;
2. worldwide demand for the product;
3. prevailing and projected world market prices;
4. technical suitability of the crop or activity to Philippine agricultural conditions;
5. innovativeness of the agricultural crop/activity or the technology employed in the production;
6. linkages with desirable business activities;
7. degree of risk involved ;
8. import substitution;
9. employment generation; and
10. other criteria as may be determined by the Committee, such as the crop zonification plan of the government for a particular area.

SEC. 6. *Amendments.*—Except for the indicated rate of preference and the duration of the status of preference, the Committee may, after due notice and hearing, amend the whole or any part of the Plan.

SEC. 7. *Publication.*—Upon approval of the Plan or upon approval- of an amendment thereof, the Plan or the amendment specifying and declaring the preferred area of investment shall be published in at least two (2) newspapers of national circulation and broadcast nationwide through selected radio and television programs. All such activities shall be open for application until the publication of an amendment or deletion thereof.

Chapter V. PRICING AND MARKETING INCENTIVES

Sub-Chapter
A.—Pricing Incentives

SEC. 8. *Pricing Policy.*—The primacy of market forces in the determination of input and output prices for agricultural products shall prevail; *Provided, However,* That in order to ensure price and supply stability, the Ministry may recommend to the President appropriate intervention measures if so warranted by conditions as may exist from time to time.

Sub-Chapter
B.—Marketing Incentives

SEC. 9. *Establishment of Price and/or Market Information System.* —The Ministry shall establish an effective nationwide price information system, with small farmers and farmers' cooperatives as primary clientele, in order that producers may avail of updated information on existing market prices of agricultural commodities during a specified time period.

In like manner, the Ministry of Agriculture and Food, in coordination with the Ministry of Trade and Industry shall also set up a nationwide information system to ensure an even flow of agricultural produce and also identify non-traditional markets, both domestic and foreign, for the benefit of small farmers and farmers' cooperatives.

SEC. 10. *Establishment of Trading Post and/or Centers in Major Agricultural Producing Areas.* —Government shall encourage the establishment of trading posts and/or centers and processing plants by cooperatives in major agricultural production areas to minimize losses due to spoilage and avoid or prevent rush sales that usually lead to unprofitable farm prices.

Chapter VI.
CREDIT AND INSURANCE INCENTIVES

SEC. 11. *Preferential Credit Facilities.* —The Central Bank in the performance of its rediscounting function is required to use the Agricultural Investment Priorities Plan as basis for their credit allocation policies. The Central Bank shall ensure that credit allocations for agriculture and agriculture related activities shall be strictly complied with and no alternative investments in compliance with said requirement shall be allowed as *provided* for in P.D. 717.

SEC. 12. *Preferential Interest Rates.* —In setting interest rates, the Central Bank is required to use the Agricultural Investment Priorities Plan as the basis for any preferential interest rate structure.

SEC. 13. *Priority in" Project Financing.*—Government financing institutions shall give priority in project financing to agricultural producers in accordance with the AIPP.

SEC. 14. *Agricultural Insurance.*—To minimize the risk of producers, the Government shall study the possibility of expanding crop insurance coverage to other types of agricultural commodities in addition to rice and corn which, if found feasible, shall be implemented on a voluntary basis. Meanwhile, the Government shall assist the Philippine Crop Insurance Corporation (PGIC), whenever necessary, in the effective implementation of its insurance program for rice and corn.