

**[DA JOINT DEPARTMENT ADMINISTRATIVE
ORDER NO. 1, S. 1998, December 07, 1998]**

**IMPLEMENTING RULES AND REGULATIONS GOVERNING THE
GRANT OF TARIFF EXEMPTIONS ON THE IMPORTATION OF
AGRICULTURE AND FISHERIES INPUTS, MACHINERY AND
EQUIPMENT UNDER SECTIONS 108 TO 110 OF REPUBLIC ACT
8435 — THE AGRICULTURE AND FISHERIES MODERNIZATION
ACT OF 1997**

Pursuant to the authority granted to the Department of Agriculture (DA), in consultation with the Department of Finance (DOF) and the Board of Investments (BOI), under Section 109 of Republic Act No. 8435, otherwise known as the "Agriculture and Fisheries Modernization Act of 1997," the following implementing rules and regulations (IRRs) are hereby promulgated and issued for the guidance of all concerned.

**Rule I
Preliminary Provisions**

Section 1. Title. — These rules and regulations shall be known as the rules and regulations implementing Title 5 (Trade and Fiscal Incentives) of Republic Act No. 8435.

Section 2. Objective. — These rules and regulations shall govern the importation of agriculture and fisheries inputs, machinery and equipment exempt from the payment of tariff and duties.

Section 3. Construction. — These rules and regulations shall be construed to carry out the objectives of RA 8435 as follows:

- a) To modernize the agriculture and fisheries sectors by transforming these sectors from a resource-based to a technology-based industry;*
- b) To enhance profits and incomes in the agriculture and fisheries sectors, particularly the small farmers and fisherfolk, by ensuring equitable access to assets, resources and services, and promoting higher-value crops, value-added processing, agribusiness activities, and agro-industrialization;*
- c) To ensure the accessibility, availability and stable supply of food to all at all times;*
- d) To encourage horizontal and vertical integration, consolidation and expansion of agriculture and fisheries activities, groups, functions and other services through the organization of cooperatives, farmer's and fisherfolk's associations, corporations, nucleus estates, and consolidated farms and to enable these entities to benefit from*

economies of scale, afford them a stronger negotiating position, pursue more focused, efficient and appropriate research and development efforts and enable them to hire professional managers;

e) To promote people empowerment by strengthening people's organizations, cooperatives and NGOs and by establishing and improving mechanisms and processes for their participation in government decision-making and implementation;

f) To pursue a market-driven approach to enhance the comparative advantage of our agriculture and fisheries sectors in the world market;

g) To induce the agriculture and fisheries sectors to ascend continuously the value-added ladder by subjecting their traditional or new products to further processing in order to minimize the marketing of raw, unfinished or unprocessed products;

h) To adopt policies that will promote industry dispersal and rural industrialization by providing incentives to local and foreign investors to establish industries that have backward linkages to the country's agriculture and fisheries resource base;

i) To provide social and economic adjustment measures that increase productivity and improve market efficiency while ensuring the protection and preservation of the environment and equity for small farmers and fisherfolk; and

j) To improve the quality of life of all sectors.

Section 4. Definition of Terms. — The terms used in this set of IRRs are defined as follows:

a) Agriculture Enterprise refers to any single proprietorship, partnership, cooperative, corporation, farmer's organization/association or juridical entity engaged in the cultivation of the soil, planting of crops, growing of fruit trees, raising of livestock, or poultry, the harvesting and marketing of such farm products, and other farm activities and practices.

b) Agriculture Inputs, Machinery and Equipment refer to goods that are used or employed in cultivation of the soil, planting of crops, growing of fruit trees, raising of livestock, or poultry, the harvesting and marketing of such farm products, and in the conduct of farm activities and practices.

c) Agriculture Sector refers to the sector engaged in the cultivation of the soil, planting of crops, growing of fruit trees, raising of livestock or poultry, whether for food or non food purposes, including the harvesting and marketing of such farm products and other farm activities and practices.

d) Cooperatives refer to duly registered associations of persons, which may be considered as agriculture and fisheries enterprises with a common bond of interest who have voluntarily joined together to achieve a lawful common social and economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

e) *Exclusive Use of Imported Agriculture and Fisheries Inputs, Machinery and Equipment* refers to the employment, application, use or consumption by a certified agriculture and fisheries enterprise of an imported agriculture and fisheries input, machinery and/or equipment.

f) *Farmers and Fisherfolk* refer to natural persons engaged in agriculture and fisheries activities as their primary source of income.

g) *Farmers' and Fisherfolk's Organizations or Associations* refer to entities duly accredited or registered by appropriate government agencies and which are composed primarily of agricultural producers, farmers, farm workers, agrarian reform beneficiaries, fisherfolk who voluntarily join together to engage in agriculture or fisheries activities which they themselves own control and patronize.

h) *Fish and Fisheries/Aquatic Products* refer to fin fish, mollusks, crustaceans, echinoderms, marine mammals, and all other species of aquatic flora and fauna and all other products of aquatic living resources in any form.

i) *Fisheries Enterprise* refers to any single proprietorship, partnership, cooperative, corporation, fisherfolk's organization/association, and other juridical entity that is engaged in producing, harvesting, processing, marketing of fish or fisheries/aquatic products and developing and conserving aquatic resources and fisheries areas.

j) *Fisheries Inputs, Machinery and Equipment* refer to goods for use as an ingredient, or component part of a finished fisheries product or employed in producing, harvesting, processing, marketing of fish or fisheries/aquatic products and developing and conserving aquatic resources and fisheries areas.

k) *Fisheries Sector* refers to the sector engaged in producing, harvesting, processing, marketing of fish or fisheries/aquatic products and developing, conserving, and managing aquatic resources and fisheries areas.

l) *Imports* refers to all articles or commodities brought into the Philippines from any foreign country.

m) *Import Consolidator* refer to any authorized person who will import agriculture and fisheries inputs, machinery and equipment on behalf of eligible agriculture and fisheries enterprises. Authorized refers to authorization as may be required by the Department of Agriculture from importers other than what the Rules hereunder require.

Rule II

Covered Imports

Section 1. The lists of agriculture and fisheries inputs, machinery and equipment eligible for tariff exemptions for five years from the date of the effectivity of this Administrative Order (AO) shall be issued in two batches, according to their appropriate eight-digit harmonized commodity description and coding system in the Tariff and Customs Code of the Philippines:

a) The 1st batch, which is attached as Annex A^{*}, covers products which shall be imported duty-free and where the rules on the application/certification and

monitoring procedures of this AO **shall not apply**; and

b) The 2nd batch shall be issued as Annex B, within 30 days from the effectivity of this AO which shall cover eligible products for tariff exemption, subject to the application and certification procedures outlined in Rule V of this set of IRRs.

Section 2. Agriculture and fisheries inputs, machinery and equipment for importation should comply with existing sanitary, phytosanitary, quality, grade, and/or performance standards, and/or other commodity clearance requirements of concerned DA agencies and other government units.

Section 3. The DA, in consultation with the concerned private and government institutions, shall review Annexes A and B periodically but at least once per semester until 31 December 2002.

Rule III Covered Enterprises

Agriculture and fisheries enterprises as defined in Section 4 a) and i) of Rule I of this set of IRRs shall be eligible for exemption from the payment of tariffs on imported inputs, machinery and equipment listed in Annex B that are for their exclusive use, subject to the provisions outlined in Rule V to VIII of this set of IRRs.

Rule IV Import Consolidators

Section 1. Import consolidators as defined in Section 4 m) of Rule I of this set of IRRs shall represent and assist those eligible agriculture and fisheries enterprises that are unable to undertake direct imports due to the small size of orders or lack of direct import experience.

An import consolidator shall be prohibited from diverting for its benefit or use, nor shall sell, barter, exchange, lease or transfer to third persons, the imported agriculture and fisheries inputs, machinery and equipment. Circumvention of this provision by the import consolidator shall be subject to the penalty provisions under Rule VIII of this set of IRRs.

Section 2. Import consolidators shall be allowed to import duty-free agriculture and fisheries inputs, machinery and equipment, provided that they have secured the following:

a) Certificate of Registration from the Cooperative Development Authority (CDA), Securities and Exchange Commission (SEC), or with the Department of Trade and Industry as the case may be.

b) Notarized letter of endorsement duly signed by all participating eligible agriculture and fisheries enterprises, attached with their approved individual CEs, allowing the import consolidator to import agriculture and fisheries inputs, machinery and equipment on their behalf; and

c) Aggregated and consolidated import purchase orders of all participating eligible