

**[DAR ADMINISTRATIVE ORDER NO. 06, s. 1998,
May 04, 1998]**

**RULES AND REGULATIONS GOVERNING THE ACQUISITION AND
DISTRIBUTION OF COMMERCIAL FARMS UNDER DEFERMENT**

I. PREFATORY STATEMENT

Section 11 of R.A. No. 6657, as amended by Sec. 3 of R.A. No. 7881 provides that commercial farms shall be subject to immediate compulsory acquisition and distribution after ten (10) years from effectivity of the Comprehensive Agrarian Reform Law (CARL). It further provides that during the ten-year deferment period, the Government (DAR) shall initiate steps necessary to acquire the lands upon payment of just compensation for the land and the improvements thereon, preferably in favor of organized cooperatives or associations, which shall thereafter manage the land for the worker-beneficiaries.

In line with expiration of the ten-year deferment period provided for under the CARL, these rules and regulations governing the acquisition and distribution of deferred commercial farms are hereby prescribed.

II. DEFINITION OF TERMS

For purposes of these rules and regulations, the following terms are herein defined as follows:

A. Commercial Farms — private agricultural lands devoted to saltbeds, fruit farms, orchard, vegetables and cut-flower farms, and cacao, coffee and rubber plantations as defined in Section 11 of R.A. No. 6657.

B. Commercial Farm Deferment — the postponement of coverage under CARP of lands utilized for large-scale agricultural production, for a period of ten years reckoned from June 15, 1988 for already productive farms at the time, or from the start of commercial production for commercial farms still in their gestation period as of June 15, 1988.

C. Qualified Agrarian Reform Beneficiaries — farmers or farmworkers who possess the requisites stipulated under Section 22 of R.A. 6657 for ARBs, and who may therefore be awarded Certificates of Land Ownership Award (CLOAs), or other proof of ownership or possession of the land.

D. Agrarian Reform Beneficiaries Cooperative or Association — duly registered cooperative or association composed exclusively of ARBs in a commercial farm.

E. Institutional Development — a process consisting of a set of interrelated and interdependent activities geared towards the building and strengthening of Agrarian

Reform Beneficiaries' Organizations that will facilitate the establishment of self-reliant Agrarian Reform Communities. There are generally four (4) phases of Institutional Development: Social Preparation, Organizational Building, Capability Building, and Enterprise Development and Alliance Building.

F. Social Preparation — the phase of Institutional Development wherein the solid foundation of Agrarian Reform Beneficiaries' (ARBs) Organization is established. This is the phase where activities preparatory to actual organizing are undertaken such as Community Consultations, Formulation of Plans of Action, and the definition of responsibilities of the ARBs, DAR, NGO and others involved in the Institutional Development Process.

G. Enterprise Development and Alliance Building — the phase of Institutional Development which focuses on enhancing organizational capability, widening the support base, and sustaining operations (i.e. improving farm management arrangements and productivity systems, and generating resources). Economic improvement and the sustainability and viability of the Commercial Farms are the basic objectives of this phase.

H. Gestation Period — the period which begins from the time the crop/commodity is first planted or raised until the time the crops bear fruit or produce is harvested. (A.O. 16-88)

I. Farmworker — a natural person who renders service for value as an employee or laborer in an agricultural enterprise or farm regardless of whether his compensation is paid on a daily, weekly, monthly or "pakyaw" basis. The term includes an individual whose work has ceased as a consequence of, or in connection with, a pending agrarian dispute and who has not obtained a substantially equivalent and regular farm employment. (Section 3[g] of R.A. 6657)

III. POLICY STATEMENTS

A. Pursuant to the provisions of Sec. 11 of R.A. 6657, as amended by Sec. 3 of R.A. 7881, deferred commercial farms shall be automatically subject to immediate compulsory acquisition and distribution upon the expiration of the ten-year deferment period or prior to the termination of the ten-year period when the DAR determines that the purpose for which the deferment was granted no longer exists.

B. For commercial farms already in commercial production and operations as of June 15, 1988, the deferment period shall begin on said date and end on June 15, 1998. After the expiration of the ten-year deferment period, the farm shall then be subject to compulsory acquisition and distribution by the DAR.

However, for commercial farms established before June 15, 1988, but which were not yet in commercial production and operation at the time, the ten-year deferment period shall commence at the end of the gestation period for the said crop or commodity as determined by DAR.

C. Landowners may voluntarily offer their commercial farm for sale to the government during the deferment period. However, commercial farms for which Notices of Coverage and Field Investigation Reports have already been issued by DAR may no longer be voluntarily offered for sale.

D. Commercial Farms (CFs) shall be distributed and titled according to the provisions of the second paragraph, Sec. 29 of R.A. 6657, which provides that lands shall be distributed directly to the individual worker-beneficiaries. However, in case it is not economically feasible and sound to divide the land, it shall be owned collectively by the worker-beneficiaries who shall form a farmworkers' cooperative or association. The land may be titled under the name of the said cooperative, provided however, that all the names of the beneficiaries shall be annotated at the back of the Certificate of Land Ownership award (CLOA) as co-owners of the subject land.

E. In the case of commercial farms planted to high value crops (e.g., banana, rubber, pineapple, palm oil, etc.) and which require a high level of technology, management and capitalization, the ARBs shall organize into a duly registered cooperative/association.

F. The PARC, through the CARP implementing agencies, non-government organizations and agribusiness firms, shall provide the necessary support services in the form of credit assistance, infrastructure facilities development, production technologies, institutional development and strengthening, with emphasis on organizational and enterprise development which shall continue even after the expiration of the ten (10) year deferment period.

G. The guiding principle in the compensation or valuation of deferred commercial farms may be the amount agreed upon with the landowner at the time of acquisition by the DAR-LBP, and in accordance with the criteria provided for in Sections 17 and 18, and other pertinent provisions of R.A. 6657, as implemented by A.O. 5, Series of 1998 and its amendments. Any improvements introduced in the commercial farms found out to be necessary in the effective operation of the farm shall be valued by the Land Bank of the Philippines (LBP) as provided under pertinent Administrative Issuances.

H. Valuation of lands planted to commercial crops (e.g. rubber, banana, pineapple, etc.) shall have separate and distinct valuation factors, to include valuation of permanent improvements (movable and immovable) to be formulated by the DAR-LBP composite policy review and formulation group, pursuant to Joint Special Order 493, Series of 1997.

I. The landowner shall not be compensated or paid for the improvements introduced by the farmer-beneficiaries or by the government.

J. The landowner shall retain his share of any standing crops or fruits unharvested at the time the DAR shall take possession of the land under Section 16 of R.A. 6657 and shall be given a reasonable time to harvest the same, pursuant to Section 28 of R.A. 6657.

For purposes of determining standing crops for banana farms, those bagged and ready for harvesting as of the field investigation shall be considered standing crops. For other crops, the practice of the industry shall be followed.

K. Payment of land amortizations by the ARBs shall be based on Section 26 of R.A. No. 6657, as implemented by pertinent administrative Orders of the DAR.

L. In cases where the agrarian reform beneficiaries are not yet ready or are still incapable of managing or operating the commercial farm, they may hire the services of plantation managers through the cooperative. However, the agrarian reform beneficiaries or their cooperative, in coordination with the Bureau of Agrarian Reform Beneficiaries Development (BARBD), through the PARO, shall exert all efforts in adopting and transferring the necessary technology and skills required to operate the commercial farm and sustain its productivity.

M. As a general rule, the DAR shall distribute the commercial farms to qualified agrarian reform beneficiaries according to the order of priority provided under Section 22 of R.A. 6657 and its pertinent implementing guidelines. In the listing of qualified ARBs, the DAR shall be guided by the following order of priority:

1. Regular farmworkers — natural persons who are employed in a permanent basis by an agricultural enterprise;
2. Seasonal farmworkers — natural persons who are employed on a recurrent, periodic or intermittent basis by an agricultural enterprise or farm, whether as permanent or non-permanent laborers, such as "pakyaw", "dumaan", "sacada", and the like; and
3. Other farmworkers — farmworkers who do not fall under paragraphs "h" and "i" of Section 3 of R.A. 6657.

Workers involved in processing and technical employees working directly or indirectly in the production and post-production aspect of the commercial farm shall be deemed to form part of the term "regular farmworkers". To be qualified for the award of the land, the applicant-farmer must possess all the qualifications and none of the disqualification provided for under this Order.

N. Beneficiaries shall not be more than the proportion of one (1) ARB to three (3) hectares, which is the maximum award ceiling as provided by Section 25 of R.A. 6657, nor less than one ARB to one (1) hectare, to ensure gainful, productive and sustainable livelihood on the awarded lands.

O. The existence of labor-related problems between the landowner and the farmworkers shall in no case deter or delay the process of land acquisition and distribution of the commercial farm.

P. The Barangay Agrarian Reform Committee and the Provincial Agrarian Reform Committee shall be involved in the selection and identification of qualified agrarian reform beneficiaries. The BARC representative, PARCCOM representative and the PARO shall form a qualification committee to be chaired by the PARO for purposes of determining the qualified ARBs.

IV. SELECTION, QUALIFICATION AND IDENTIFICATION OF AGRARIAN REFORM BENEFICIARIES. For purposes of this Administrative Order, the following procedure shall govern the selection, qualification and identification of agrarian reform beneficiaries:

A. Notice of Coverage and Invitation for Listing of Beneficiaries. Upon the effectivity