



# Agribusiness Venture Arrangements (AVAs) in Agrarian Reform Areas: A Policy Paper

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Land Justice Initiative is implemented by:



The Land Justice Initiative (LJI) aims to contribute in protecting and supporting land and human rights defenders (LHRDs) who face increasing threats and challenges in advocating for land rights and social justice. In particular, the LJI aims to enhance access to justice, legal protection, and institutional support for LHRDs through capacity building, policy advocacy, and investigative monitoring. Jointly implemented by KAISAHAN and ANGOC, LJI is a three-year project supported by the European Union (EU).

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## List of acronyms

AO	Administrative Order
AR	Agrarian Reform
ARBs	Agrarian Reform Beneficiaries
AVAs	Agribusiness Venture Arrangements
CARP/L	Comprehensive Agrarian Reform Program/Law
CLOA	Certificate of Land Ownership Award
CSO	civil society organization
DAR	Department of Agrarian Reform
DARPO	DAR Provincial Office
FAO	Food and Agriculture Organization of the United Nations
FGD	focus group discussion
NAEC	National AVA Evaluation Committee
PARCOMM	Provincial Agrarian Reform Coordinating Committee
PARC	Presidential Agrarian Reform Council
PARC ExCOM	PARC Executive Committee
PARO	Provincial Agrarian Reform Officer
POs	people's organizations
PPLAO	Policy Planning and Legal Affairs Office



## I. Introduction

Agribusiness venture arrangements (AVAs) have been recognized and promoted by the Philippine government since the early years of implementation of the Comprehensive Agrarian Reform Program (CARP). Essentially, AVAs pave the way for the private sector to assume the State obligation of providing support services to Agrarian Reform Beneficiaries (ARBs).

Given the State's limitations in the area of support services, many ARBs have turned to AVAs as a source of capital for the operation and management of their farming enterprises.

As early as 1988, the Department of Agrarian Reform (DAR) issued guidelines pertaining to the processing, approval and monitoring, validity, execution, and implementation of such agreements. However, despite the existence of these so-called guidelines, many agrarian reform advocates still encounter numerous cases of grossly disadvantageous AVAs between ARBs and national or multinational agribusiness firms and large traders.

The issues on AVA became a concern in 2014 when members of Hijo Agrarian Reform Beneficiaries Cooperative (HARBCO) came to Manila to raise their issue regarding their AVA/growership contract with Lapanday Foods Corporation (LFC).

The People's Campaign for Agrarian Reform, Inc. (AR Now!) took on their issue and helped raise it in Congress. As a result, legislative hearings, a house resolution (House Resolution No. 919), a house bill (House Bill No. 5085) and a senate bill (Senate Bill No. 1351) were filed to address the issues and concerns not only of HARBCO but of the whole implementation of AVAs as well.

At the heart of the issue was that agribusiness investors are taking advantage of ARBs to take away from them control and possession of the lands that have just been awarded to them, through grossly disadvantageous AVA contracts and lowballed lease rentals.

As a response, an Administrative Order (AO No. 4, series of 2016) was issued by the DAR to address the mounting concerns on AVAs. However, the implementation of said AO was suspended and the bills filed in Congress did not progress.

Almost a decade later, there have been no developments on the AVA issues. The main body — the National AVA Evaluation Committee (NAEC) – which is supposed to oversee the implementation of the AVAs has not even been convened, and no monitoring of these AVAs has actually been done.

ARBs were exploited and may continue to be exploited, indicating the urgent need to determine the current status of AVAs. If exploitation has continued to this day, then steps should be taken to stop such abuse and injustice.

### **Objectives**

This policy paper aims to revisit DAR AO No. 9, series of 2006 (Revised Rules and Regulations Governing AVAs in Agrarian Reform Areas) to determine if it continues to be responsive in addressing issues and concerns affecting the implementation of AVAs that have resulted in the



disenfranchisement, indebtedness, and dislocation of ARBs and their cooperatives/associations; and to propose recommendations to address both policy and implementation gaps.

The specific objectives of the paper are to identify policy and implementation issues related to AVAs; and, to formulate recommendations to address issues identified.

### **Methodology**

A review of secondary data on AVA implementation and AO No. 9-2006 was conducted. A focus group discussion (FGD) was also conducted by KAISAHAN on 22 August 2025 among its partner-farmers in Negros Occidental on issues affecting leaseback arrangements between former landowners and ARBs.

Another FGD was conducted by ANGOC and KAISAHAN on 10 October 2025 to gather additional information on AVA policy and implementation issues, and to validate the initial findings and recommendations of this policy paper. FGD participants included ARBs under AVAs and other civil society organizations (CSOs) working on land rights.

## **II. Context and Salient Features of DAR AO 9, series of 2006**

### **Context of AO No. 9, series of 2006**

DAR Administrative Order No. 9, series of 2006: *Revised Rules and Regulations Governing Agribusiness Venture Arrangements (AVAs) in Agrarian Reform Areas* was issued in 08 December 2006 to update previous policies governing Joint Economic Enterprises (AVAs' predecessor), which was governed by AO No. 2, series of 1999: *Rules and Regulations Governing Joint Economic Enterprises in Agrarian Reform Areas (JEE/AVA)*. The concept behind the JEE/AVA is to augment the DAR's limited resources for support services by facilitating agribusiness partnerships between ARBs and investors. The said scheme was targeted for large commercial plantations (mainly planted to banana and pineapple) whose 10-year deferment period was about to end in 2008.

It must be noted that other administrative orders have also been issued to augment AO No. 9, series of 2006. These are AO No. 2, series of 2008: *Guidelines Governing Lease of Lands Under AVA in Agrarian Reform Areas and the Determination of Lease Rental Thereof*, which expanded the rules on leasing of agrarian reform (AR) lands, and AO No. 14, series of 2016, which was supposedly a response to emerging issues concerning the proliferation of grossly disadvantageous and exploitative AVAs that have resulted in ARBs being deep in debt to the investors, and losing control and possession of their lands. It was also in response to the United Nations Food and Agriculture Organization's (FAO) call for observance of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT).

AO No. 14, series of 2016 was issued by then DAR Secretary Virgilio De Los Reyes on 27 May 2016 but its implementation was reportedly suspended by his successor, Secretary Rafael "Ka Paeng" Mariano.



## **Key Provisions/Salient Features**

The following are the key provisions/salient features of AO No. 9-2016:

### ***Review and Approval of AVA Contracts***

Sec. 8 – Requires creation of the National AVA Evaluation Committee (NAEC), which evaluates, reviews, and recommends to the PARC/PARC ExCom the approval or disapproval of the AVA.

Sec. 9 – Requires creation of the National AVA Evaluation Committee-Technical Working Group (NAEC-TWG), which initially reviews and evaluates AVA applications endorsed by the PARCCOM and petitions for revocation/cancellation of the AVA, and provides recommendations and technical assistance to the NAEC in the final evaluation of the AVA.

Sec. 10 - Creation of AVA Task Forces (AVA-TF) which:

Initially evaluate AVA applications;

Initially evaluate petitions for revocation/cancellation of the AVAs;

Provide recommendations to the PARCCOM or PARO;

Maintain updated database of all AVA applications;

Submit periodic reports to the NAEC, PARC Secretariat and DARRO; and,

Conduct regular monitoring of all AVAS in their province.

### ***Establishment of AVA Database***

Sec. 17.1.1 – Requires DAR Provincial Office (DARPO) to maintain database on all AVA applications.

Sec. 17.1.2 – Requires that the database to be submitted to the NAEC, PARC Secretariat, and DAR Regional Office (DARRO).

Sec. 17.2 – Requires NAEC Secretariat to maintain a master database of all AVA contracts.

Sec. 18 – Requires AVA-TF to be responsible for monitoring and inspection of AVAs to determine the following:

- a. Compliance with terms and conditions of the AVA contract;
- b. Overall viability of the AVA's implementation;
- c. Status of the ARBs and improvement in the income level of the ARBs;
- d. Level of acceptance of the implementation of the AVA by the ARBs; and,
- e. Identification of problems/issues/concerns on AVA implementation.

Sec. 18.1.3 – Requires AVA-TF to prepare and submit to the NAEC, PARC or PARC ExCom reports on their monitoring activities.

Sec. 18.2 – Requires NAEC to evaluate the findings and recommendations and to recommend to the PARC or PARC ExCom appropriate action/s to be undertaken.



Sec. 18.3 – Requires PARC or PARC ExCom to review and decide on the report and to forward a resolution to the NAEC for appropriate action/s.

### *Revocation and Cancellation of AVA Contracts*

Sec. 19 – Grounds for revocation/cancellation of AVA contracts:

- a. Gross violation or non-compliance of terms and conditions of the contract:
  - I. Non-implementation of the human resources development plan provisions;
  - II. Non-employment of the ARBs;
  - III. Concealment of true financial status of the enterprise; and,
  - IV. Fraud
- b. Failure to provide benefits and incentives stipulated in the AVA contract (i.e. dividends, production and quality incentives, etc.) except due to conditions beyond the control of the investor such as *force majeure*;
- c. When the AVA is no longer financially and economically viable;
- d. When part of the farm is converted or fragmented into non-agricultural use without the consent of the majority of the ARBs; and,
- e. When the ownership of the land is transferred to the investors.

Sec. 21 – Upon expiration of the AVA contract, the ARB cooperative/association:

- a. May assume full control and management of the land;
- b. Has the option to renew or extend the AVA contract with existing investor; or,
- c. May enter into a new contract with another investor.

### **III. Issues and challenges in the implementation of AVAs vis-à-vis DAR AOs 9, 2006 & 4, 2016**

The following are issues and challenges that have been identified by various studies on AVA implementation:

#### **1. Problematic contractual mechanisms and provisions**

##### **For LEASE arrangements:**

- a. **Extremely long duration of lease contracts** – AVA lease contracts have durations of 25 to 44 years, with almost half of these having a lessee option to unilaterally renew or extend. This would effectively set the lease to fifty (50) to eighty-eight (88) years which would already be the lifetime of the ARB. With such long leases, the ARB would have very little opportunity to fulfil the goal of CARP, which is to give ARBs control of their land and empower them to manage it (FAO, 2016, p. 17).
- b. **Option to renew the contract lies entirely with the lessee** – Certain contracts also provide only the lessee the option to renew the contract. The contracts are written in such a way that is unclear whether the ARBs/lessors can also unilaterally renew the contract, refuse the offer of renewal by the lessee, or if they can negotiate for new terms, such as increasing the lease rate (IDEALS, 2013, p. 51).



- c. **Unilateral right of the lessee to terminate the contract** – Certain lease contracts allow only the lessee to prematurely terminate the contract, even without cause or when the business becomes unviable. This places the entire business risk on the ARBs. However, such contracts do not provide the ARBs the same right (FAO, 2016, p. 25) (IDEALS, 2013, p. 52).
- d. **Low lease rental rates** – Even though Section 5.3.4 of AO 9-2006 requires that the annual lease rental should be higher than the annual land amortization value and the annual real property tax per hectare, there are cases where the annual lease rental was as low as five hundred (500) to one thousand (1,000) pesos, which clearly is not even enough to cover the land amortization value of the land (Palawan Palm Oil Farmers MPC, 2025). In addition, Section 3.4 of DAR AO No. 2-2008 even added poverty threshold to the minimum lease rental rate. According to DAR representatives, if such requirements were to be followed, lease rentals would total 40,000 pesos per hectare per year. This is way higher than the average lease rental (in 2016) of 15,000 pesos per hectare per year (FAO, 2016, p. 21).
- e. **Insignificant periodic increases in lease rental** – An example would be the 25-year lease contract between Marsman Drydale Organic Farms and Dizon Farm Workers' Cooperative wherein the cooperative would be paid five thousand (5,000) pesos per hectare in the first five years, increasing to six thousand (6,000) pesos per hectare for the next five years, then seven thousand (7,000) pesos per hectare for the next five years, and so on (IDEALS, 2013, p. 49). This would translate to an annual increase of only two hundred pesos per hectare per year.
- f. **Inutile contract “reviews and renegotiations” clauses** – In compliance with Section 4.14 of AO No. 9-2006, which mandates the conduct of regular reviews and/or renegotiations of “critical terms” of the contracts, most contracts would include provisions to review or renegotiate the contract or specific provisions (such as lease rates) at regular intervals. In compliance with its contractual obligation, investors do hold such reviews and renegotiations to discuss what possible revisions can be done to the contract, but nothing actually comes out of these “reviews.” In reality, these meetings merely turn out to be discussion sessions, and if both parties are unable to reach any agreement, then no actual changes to the contract happen (FAO, 2016, p. 25-26).
- g. **Force Majeure clause** – Most lease contracts also have a clause that gives lessees the right to withhold payments in the event of natural calamities, leaving ARBs to cope with the losses in the aftermath of calamities (FAO, 2013, p. 24-25). This, however, is prohibited under Section 5.3.3 of AO 9-2006.
- h. **ARB right of ownership to permanent improvements** – Section 5.1.4 of AO 2-2008 states that ARBs “have the right to ownership of permanent improvements introduced on the land by the lessee-investor upon the termination of the lease agreement, unless the lease agreement provides otherwise.” However, Section 5.3.7 of AO 9-2006 states that certain permanent improvements, such as “all infrastructure, facilities and improvements, including buildings, roads, machinery, receptacles, irrigation and drainage system, packing plants, cables, instruments or implements, and the like, permanently attached to the land, may be acquired at the option of the ARBs, subject to the amount agreed upon by both parties.” This means that ARBs have to “buy” such permanent improvements from the lessee-investor.
- i. **Sub-leasing or assignment of lease contracts** – Many contracts allow the lessees unilateral right to “assign” the land to another company without the permission of the lessor. This is also prohibited under Section 6.2.4 of AO 2-2008 (FAO, 2016, p. 24). However,



Section 5.2.10 of AO 9-2006 does not require the investors to acquire the consent of the ARBs. The investor must only inform the ARBs, in writing, and submit a copy to the AVA-TF.

**For GROWERSHIP arrangements:**

- **The “growership debt trap” combo:**

- ⇒ **Low, fixed, long-term buying price agreement** – Most growership contracts usually contain provisions that set the buying price of the produce over the term period of the contract (AR Now!, 2014, p. 2). Contracts can be as short as five years (IDEALS, 2013, p. 65) but are usually from 10 to 20 years. Setting the buying price may be desirable for ARB-growers, especially during times when prices are very low. However, this also prevents them from taking advantage of seasonal spikes in prices. Other issues related to pricing is the manner in which quality of the produce is determined (which can be quite subjective), and how rejects and/or surplus products are disposed or sold to other buyers (FAO, 2016, p. 43).

- ⇒ **Investor-buyer as exclusive provider of inputs** – Due to lack of capital for inputs, ARBs are usually locked into input supply agreements with investors. This arrangement is desirable for the investor buyer as they are assured that the desired volume of production will be achieved and that the chemicals and fertilizers to be used would be free of contaminants that could result in rejection of produce in the export market. This arrangement should also be advantageous for the ARB-growers as investors/buyers, (with their superior buying power and ability to buy directly from suppliers and in bulk) should be able to acquire these inputs at much cheaper prices, making them more cost-competitive as cost of production is lowered, than if the cooperatives were to purchase inputs themselves.

However, investors/buyers prefer to pass these inputs on to the ARB-growers with a significant mark-up to establish a another income stream (FAO, 2016, p. 41-42) (IDEALS, 2013, p. 39-40). This is being done in spite of Section 5.2.2 of AO No. 9-2006 mandating that such technologies and farm inputs be provided “at reasonable cost” to the ARBs.

These arrangements have also resulted in the cost of production being higher than the contracted buying price. ARB-growers lose money, instead of earning profits, and end up deeper in debt to the investor-buyer every time they sell their produce.

- ⇒ **Investor-buyer as source of credit/capital for inputs** – Due to the ARB-growers’ lack of access to formal credit, it is a usual practice for the investors/buyers to “advance” the cost for the purchase of inputs in the form of loans (Pantoja, 2019, p. 20). This practice further adds to the indebtedness of the ARBs to the investor-buyer.

- ⇒ **Take-over clause** – Most growership contracts require ARB-growers to provide inputs in the prescribed manner, meet anticipated volumes of production, and meet prescribed quality specifications. Repeated failure of the ARB-growers to meet these



requirements contractually allow investor-buyers to take-over the operations of the farm to ensure that such requirements are met. The usual period for such take-overs is two (2) years.

However, there are contracts that also have provisions to prevent termination and take-overs until all debts to the investor-buyer have been fully paid by the ARB-growers or their cooperative. Combined with provisions on low pricing for the produce and increasing cost of production inputs (resulting in buying price being lower than the cost of production), this resulted in situations wherein control of the farm by the investor-buyer could be perpetual. Worse, there are also contracts that allow the investor-buyer to still charge all expenses for farm operations to ARBs even though the farm is already under his/her management. Such charges or expenses could be inflated to further increase the debt of the cooperative to the investor-buyer (IDEALS, 2013, p. 40-41) (FAO, 2016, p. 46-47).

- **Regular price reviews** – In compliance with Section 4.14 of AO No. 9-2006, contracts with fixed buying prices will usually have provisions for regular review of prices, which would be every two years, or when certain triggers occur, such as five percent or higher increase in prices of inputs. However, there have been occasions wherein the investor-buyer does conduct said reviews but no changes in the buying price happen. The provisions are worded in such a way that the investor-buyer is only legally required to conduct the review but does not compel him/her to agree to the change in buying price (FAO, 2016, p. 43) (IDEALS, p. 17, 77-78).
- **Risk of loss shouldered by ARB-growers** – Aside from ARB-growers being expected to shoulder the cost of crop insurance to cover risks due to *force majeure* (while investor-buyers are still expected to be paid for advances or loans made by the ARB-growers for the damaged crops), they still shoulder risks even after they have already produced and transferred their products to the investor-buyer. There are contracts that, even though the produce are already in the possession of the investor-buyer, require ARBs to replace at no charge, or pay (at the price that the importer would have bought the produce and not the at the buying price agreed upon by the grower and buyer) (AR Now, 2014, p. 2-3), the produce that may eventually be rejected by the foreign buyers, including a proportion or all of the costs associated with packing, loading, transporting, unloading, and disposing of such rejected produce (FAO, 2016, p. 46) (IDEALS, 2013, p. 7-8).
- **Signing bonus as “incentive” for ARBs to sign contracts** – A common provision in lease contracts is one that provides for “signing bonuses” in the form of advance lease payments (usually an initial lump-sum payment equivalent to five years of the agreed upon lease amount). The ARBs usually get “excited” with the prospect of receiving a relatively large amount that they would readily sign the contract offered to them without fully knowing or scrutinizing the contents of the contract. This results in reduced income for the ARBs in the next five years. There have also been reports of lessee-investors charging the “signing bonus” in the final five years of the lease period (drastically decreasing the ARBs’ income) and then offering a second “signing bonus” to “force” them to sign a lease extension (FAO, 2016, p. 19) (IDEALS, 2013, p. 45).



In growership arrangements, a “signing-in bonus” – an unrestricted fund that the ARB may use in any way they want – is also provided to entice ARBs to agree to the contract. However, unlike the “signing bonus” in lease agreements, these are actually “loans with interest,” further contributing to building-up the debt of the ARBs to the investors/buyers. (FAO, 2016, p. 40)

- **Promising employment but imposes strict screening processes** – Many lease contracts also promise that ARBs/cooperative members will be hired by the lessee-investor or be given priority. This may be appealing to the ARBs as it provides two income streams — lease rental and wages as farm workers. However, not all are hired as the lessee-investor imposes a very strict screening process that would declare ARBs as unqualified (IDEALS, 2013, p. 51).
- **Setting restrictions on the property rights of ARB-growers** – Certain contracts provided investor-buyers too much rights that already impinged on property rights of ARB-growers. There are agreements that:
  - ⇒ Provide the investor-buyer the right of first refusal over everything produced by the ARB-growers from any newly obtained plantation outside of the farm;
  - ⇒ Prohibit the ARB-grower from transferring, assigning, or leasing the land/farm or any portion thereof;
  - ⇒ Prohibit the ARB-growers from mortgaging the land/farm without the consent of the investor-buyer; and,
  - ⇒ Prohibit the ARB-growers from inter-cropping within the farm.

These contractual restrictions limit the income options and keep the ARB-growers/cooperative dependent on the income generated through its growership agreement with the investor-buyer. (IDEALS, 2013, p. 11-13)

## 2. *Other non-contractual issues*

- a. **ARBs are inadequately represented in the negotiations** – There were contracts that were only signed by one representative from the ARB cooperative, usually the chairperson or the president, with no Board resolution attached indicating Board approval of the contract, nor authorization from the Board for the signatory or representative to sign in behalf of the Board (FAO, 2016, p. 13). This is in violation of Section 4.2 of AO No. 9-2006, which requires the Board of Directors of the ARB cooperative to secure the vote of approval of at least 2/3 of the general membership to be able to enter into an AVA.
- b. **Lack of consultation with ARBs/ARB cooperative members** – There have also been instances where the members of the ARB cooperatives were not even consulted regarding the contracts (Rosete, 2016, p. 19, 41). This is also a violation of Section 4.2 of AO No. 9-2006.
- c. **ARBs do not know the details of the contract, do not have copies of it and, even if they did, could not understand them as the contracts are written in English** — Another major issue with AVAs is the lack of knowledge by the members of the ARB cooperatives on the details of the AVA contracts, mainly due to the fact that they are usually not briefed,



consulted, nor involved in the preparation and formulation of the provisions of the contract; or they do not have copies of the contract; (Pantoja, 2019, p. 32); and, they cannot understand the provisions of the contract as it is usually written in English and not translated to the local dialect (FAO, 2016, p. 69) (IDEALS, 2013, p. 44). These are in violation of Section 4.7 of AO No. 9-2006, which requires the DAR to make sure that the terms and conditions of the contract are fully known and understood by all parties, and that, if needed, should be translated in the local dialect known to the ARBS;

- d. **Withholding of salaries to pressure ARBs into signing contracts** – There were instances wherein the investor withheld the salaries and 13th month pay of the ARBs and used it as leverage to get the consent of individual members of the cooperative to a new contract. The members, anxious to receive their delayed salaries and 13th month pay, readily gave their consent to the new contract even if the content of which was not presented to them (IDEALS, 2013, p. 25-26). This is in violation of Section 5.2.9 of AO 9-2006 which states that in a production/growing/growership contract, “the investor/buyer is solely responsible for generating financial resources to pay for the ARBs’ produce and advance payments.” However, this seems to be a strategy adopted by investors/buyers to circumvent Section 4.2 of AO No. 9-2006, securing the consent of the majority or two-thirds (2/3) of the general membership of the cooperative prior to holding a general assembly. As the individual consent of majority of the ARB cooperative members were already acquired by the investor, the Board members of the cooperative claimed they had no choice but to approve the contract solely prepared by the investor, even without any negotiations for better terms (IDEALS, 2013, p. 26-27).
- e. **Lack of access by ARBs to legal advice** – ARBs, especially individual ARBs, who usually do not have access to legal advice do not realize the implications of provisions in the contract, and if terms such as lease rental rates or buying price being offered by investors are correct and sufficient. Getting no sound legal advice, they are also easily swayed into accepting lump sum offers, such as signing bonuses (Pantoja, 2019, p. 31). Studies have also indicated that many ARB cooperatives do not have access to legal advice (Rosete, 2016, p. 19, 41). Having no lawyers to assist them also makes it difficult to negotiate for better terms.
- f. **Lack of DAR involvement in contract preparations and negotiations** – In spite of having laid out in AO No. 9-2006 the meticulous policies and procedures for the submission to, review and approval by the DAR (i.e., from the PARCOMM to the PARC/PARC ExCom) of AVA contracts, and the creation of specific bodies mandated to undertake these tasks (i.e., NAEC, NAEC-TWG, Provincial AVA Task Forces, etc.), several ARBs have reported that the DAR had not been involved in the preparations and negotiations of their AVA contracts (IDEALS, 2013, p. 53-56, 81-82). These show clear non-compliance with the mandate of AO No. 9-2006’s Section 4.5, which requires the PARCOMM to endorse to the NAEC all AVAs that would require the transfer of use and possession of the land to investors, and the PARO to review all other AVAs that require no transfer of use and possession of the land, and of Section 4.6, which requires the Policy, Planning and Legal Affairs Office (PPLAO) Undersecretary (for AVAs requiring transfer of use or possession of the land) or the PARO (for AVAs not requiring transfer of use or possession of the land) to be signatories as nominal party to AVA contracts.
- g. **Lack of monitoring and enforcement by the DAR due to programmatic constraints** – Sections 4.17, 4.21, 4.23, 18-19 of AO No. 9-2006 mandates the DAR to monitor the ARB



cooperatives to ensure their viability as business entities, determine compliance or non-compliance with agreements stated in the contracts, and ensure the progress and implementation of the AVA. Section 18.1.1 of AO No. 9-2006 even mandates the DARPO through the AVA-TF and the PARCOMM to conduct inspections of the landholding every semester.

However, there is no official database of all AVA applications and approved AVA contracts (Aquino-Arcayera, 2024, p. 235), preventing the DAR from exercising its oversight and enforcement functions.

This is mainly due to AVA implementation being just a mere “activity” subsumed under the ARB Development and Sustainability Program (ARBSP) and not a full-blown program of the DAR. This means that oversight of AVA does not have a specific budget allocation and dedicated personnel to allow the DAR to perform the functions mandated by AO No. 9, series of 2006. Thus, activities such as monitoring and enforcement are assigned as “add-on” tasks to existing staff members of the ARBSP (Aquino-Arcayera, 2024, p. 148-149, 233).

- i. **Non-submission of AVA contracts to DAR** – The DAR’s lack of proactive involvement in the negotiations and preparations of AVA contracts, and its lack of monitoring of AVAs may have brought about the situation where very few AVA contracts were just being submitted by the investors and ARBs to the DAR for review and approval. Also, ARBs may not have been aware of such policy/requirement, and investors wanting to hide grossly disadvantageous/lopsided provisions favoring them, and/or both parties wanted to hasten operations of the agribusiness (FAO, 2016, p. 13-14).
- j. **Land Bank of the Philippines’ requirement of long-term marketing agreements for loan approval** – The Land Bank of the Philippines may have inadvertently tied up ARBs into these long-term disadvantageous contracts with its policy requiring ARB cooperatives to be in a 15-year marketing agreement with a banana corporation or an export company to be able access loans (FAO, 2016, p. 36).

### ***Current experience of ARBs/POs with AVAs***

The focused group discussions (FGDs) conducted in the course of the preparation of this policy paper corroborated many of the issues raised, and brought to light new issues or variations thereof.

The following were the issues raised by the participants of the FGDs with regards to AVA implementation:

- a. **Negotiations and lease contracts executed before CLOAs were awarded** – ARBs have also claimed that negotiations and contracts for lease agreements were initiated and finalized even before their Certificates of Land Ownership Awards (CLOAs) were issued to them (KAISAHAN FGD, 2025). This is in violation of Sec. 4.1 of AO No. 9-2006, which prohibits the execution of AVAs prior to awarding the Emancipation Patent (EP)/CLOA and the “possession of the land.”



- b. **Inconsistencies between verbal declarations and actual terms in the written contract** – There were instances where what was declared verbally (contract length would be for two years) did not match what was stipulated in the written contract (contract actually states five years) (KAISAHAN FGD, 2025).
- c. **Trapped in the AVA** – Some farmers who wanted to opt out of the lease agreement (to take possession of their land) could not do so as long as majority of the members of the ARB cooperative/association renewed the lease contract.
- d. **Minimal involvement of the DAR in the negotiations for the lease contract** – The DAR was only involved in making sure that the decision to enter into the lease agreement was a “majority decision.”
- e. The participants also claimed that no contracts were endorsed by the PARCOMM nor approved by the DAR (i.e. NAEC, PARC/PARC-ExCom).
- f. They have also not received any legal assistance/advice during the negotiations for the terms of the contracts.
- g. They have also been forced to sign extensions/new contracts as these are timed during “lean months” and ARBs are offered “signing bonuses.”
- h. They also confirmed the absence of DAR monitoring of the AVAs.

## IV. Recommendations

### ***Proposals on how to address policy gaps within AO 9 and AO 4:***

1. The following provisions should be mandatory to all AVA contracts:
  - a. For all:
    - ⇒ Both ARBs and investors have freedom to renew, extend, or terminate existing contracts based on specific conditions to be enumerated in the contract;
    - ⇒ As per Section 4.2 of AO No. 9-2006, securing the approval by the general membership of the ARB cooperative of any AVA arrangement shall be done during a general assembly called and presided by the cooperative’s Board of Directors;
    - ⇒ Require the participation of DAR lawyers, legal officers, and/or external legal advisors in all AVA negotiations (FAO, 2016, p. 27); and,
    - ⇒ Contracts should be translated to the local dialect or be explained in the local dialect by or in the presence of the ARBs’ lawyer. All negotiations should be conducted in the local dialect of the ARBs (FAO, 2016, p. 27).
  - b. For lease arrangements:
    - ⇒ Amend Section 4.14 of AO No. 9-2006 to include a provision that allows either party to terminate a lease/contract during any review/renegotiation conducted after 10 years wherein both parties are unable to agree on new economic terms (FAO, 2016, p. 26);
    - ⇒ Provisions for employment benefits should be clearly stated in the lease agreement, including requirements and qualifications, of ARBs, or members of their immediate families, who will be hired under the venture;
    - ⇒ Lease rate should be automatically adjusted annually with minimum adjustment based on the core inflation rate (FAO, 2016, p. 23);
    - ⇒ Prohibit lease provisions that give lessees the unilateral right to terminate without cause and on minimal notice (FAO, 2016, p. 25);



- ⇒ Permanent improvements on the land should accrue to the ARBs at the end of the lease; amend Section 5.1.4 of AO 2, s. 2008 so that it would be consistent with Section 5.3.7 of AO 9, 2006 (FAO, 2016, p. 24); and,
  - ⇒ Amend Section 6.2.4. of AO 2, s. 2008 to require the written consent of the lessor for sub-leasing the land under the AVA (FAO, 2016, p. 24).
- c. For growership:
- ⇒ ARBs should have freedom to choose other inputs/service providers; have access to competitively priced inputs; prohibit investors from imposing penalties on ARBs for procuring inputs of comparable quality from other suppliers; require investors to reveal the true cost of procured inputs; and, only be allowed a five percent mark-up as administrative fee (FAO, 2016, p. 52);
  - ⇒ Buying price to be indicated in the contract shall be the minimum selling price or floor price (IDEALS, 2013, p. 89);
  - ⇒ Buying price can never be below the production cost;
  - ⇒ Amend Section 4.14 of AO No. 9-2006 to include a provision that allows any party to terminate an AVA contract (especially growership contracts) after three consecutive reviews/renegotiations are conducted with no change or increase in buying/selling price agreed upon by both parties;
  - ⇒ Growership contracts that have “take-over clauses,” should be required to comply with the requirements stated in Section 4.5 of AO No. 9-2006, which are submission of the contract to the NAEC for review/evaluation upon the endorsement of the PARCOMM, and the approval by the PARC or PARC ExCom. Otherwise, “take-over” clauses in AVA contracts, except for lease agreements, should all-together be disallowed as this would allow the use and possession of the land in favor of the investor or former landowner; and,
  - ⇒ ARBs/cooperatives should be released from any obligations once the investor has taken possession of the produce.

***Proposals on how to address implementation issues regarding AVAs/AO 9/AO 4:***

1. DAR to recognize and declare AVA as a full-blown program with specific budget allocation and dedicated personnel who have expertise in contract review and agribusiness development (Aquino-Arcayera, 2024, p. 233, 236).
2. DAR to establish an inventory of all existing AVAs and conduct a survey on process compliance and status and challenges in the implementation.
3. DAR to declare a period for all AVAs to be registered with the Department; otherwise, such contracts shall be declared null and void.
4. DAR to declare a period for investors and ARBs/ARB cooperatives to file before the Department requests for review/renegotiation/cancellation of their AVA contracts.
5. DAR to conduct review of all AVA contracts, especially expiring contracts, and cancel or declare null and void all contracts in violation of the following:
  - a. Section 4.2 of AO No. 9-2006, which requires the board of directors of the ARB cooperative to secure the vote of approval of at least 2/3 of the general membership;
  - b. Section 4.7 of AO No. 9-2006, which requires that the terms and conditions of the contract should be fully known to all parties, and that, if needed, translated in the local dialect known to the ARBS;



- c. Section 4.9 of AO 9-2006, which states that AVA contracts without the approval of the PARC or PARC ExCom or signature of the PARO as witness and as nominal party to the contract shall be rendered null and void;
- d. Section 4.1 of AO No. 9-2006, which prohibits the execution of contracts and interim arrangements prior to the issuance of CLOAs/EPs, and actual possession of the land by the ARBs;
- e. Section 5.3.4 of AO No. 9-2006 and Section 3.4 of AO No. 2-2008, which require lease rental rates to be not less than the land's annual amortization, real property tax, and, the poverty threshold (as per AO No. 2-2008);
- f. Failure to notarize contracts.
- g. Other grounds for the revocation/cancellation and termination of the AVA contracts as stated under Section 19 of AO No. 9-2006, which include among others:
  - ⇒ non-implementation of the human resources development plan provisions;
  - ⇒ non-employment of ARBs;
  - ⇒ concealment of the true financial status of the enterprise;
  - ⇒ fraud;
  - ⇒ failure to provide the benefits and incentives stipulated in the contract;
  - ⇒ when the AVA is no longer financially and economically viable;
  - ⇒ when portion of the farm has been converted to non-agricultural use;
  - ⇒ ownership of the land has been transferred to the investor; and,
  - ⇒ other meritorious grounds.
6. Establish a Legal Assistance division/program that will focus on developing “model” contracts that contain “safeguard provisions” to protect the rights of ARBs (FAO, 2016, p. 27) and assist ARBs/ARB cooperatives in negotiations for new contracts.
7. Commission a study on current market lease rates on agricultural lands in AVA areas, which shall be used for negotiation of lease rates (FAO, 2016, p. 22, 52).
8. Conduct a study on commodity pricing for major agricultural crops under AVA agreements.
9. Commission an independent study into the pricing of bananas that would determine if ARBs are better or worse off under a variable pricing model or the current fixed price model (FAO, 2016, p.50).
10. Production loans from Land Bank of the Philippines should be advanced directly to ARB cooperatives rather than through the investors (FAO, 2016, p. 53), which will break the cycle of dependence and enable ARBs, without encumbrance, to negotiate with downstream buyers for the highest price; and, also negotiate with input suppliers for the most cost-effective products and services.
11. Land Bank of the Philippines should not require ARB cooperatives to have long term (i.e., 15 years) marketing agreements to be able to access loans.

***Proposals on how to address impact on communities resulting from implementation issues:***

1. DAR to develop a program that would offer alternative livelihood/employment options for ARBs, especially those under lease/leaseback agreements, to supplement their income from low lease rentals ((Aquino-Arcayera, 2024, p. 236-237).
2. Conduct consultations with IEC campaigns in major AVA areas (i.e. banana, oil palm, pineapple, etc. areas/plantations) to determine the current state (productivity, financial/economic status, land tenure status, etc.) of ARBs/ARB cooperatives with AVAs.



3. Alternative law groups to develop programs/projects for providing assistance to ARBs/ARB cooperatives in reviewing their contracts and determining what appropriate legal actions they can take, and for providing legal assistance/advice during negotiations for their AVA contracts.
4. With the enactment of RA 11953 or the New Agrarian Emancipation Act, potential income from leasing ARB land has increased (if appropriate lease pricing as provided under DAR AO No. 9, series of 2016 is followed) as the amount that used to be for payment of land amortization can now become additional income for ARBs, added capital for inputs of un-leased portions of their land, or new capital for other non-farm businesses.

CSOs, academe, and ARB cooperatives should develop a business model wherein ARB cooperatives may lease a portion of their land to generate capital which they can use to finance the operation of the remaining portion of their land they wish to cultivate. This would decrease the reliance of ARB cooperatives from investors or banks for capital/credit to finance acquisition of production inputs and operational costs, at the same time ensuring that the land still contributes to food security.

## V. Conclusion

There is an urgent need to know the current economic and social situation of ARBs under AVAs, the business viability and economic status of AVAs, and possession and control of AVA lands.

At the very least, DAR AO No. 9-2016 needs to be amended to address grossly lopsided and exploitative agreements between ARBs and investors engaged in AVAs. DAR must address and correct on-going abuses and exploitation under the AVA's immediate remedial processes.





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Agribusiness Venture Agreements (AVA) were meant to assist in transitioning agrarian reform beneficiaries (ARBs) from producers to farmer-entrepreneurs. However, widespread abuses by partner business entities, as well as lapses in implementation and monitoring by government agencies, have resulted to ARBs falling into debt and even losing their lands.

This publication revisits the status of AVA implementation and provides recommendations on how the program may be improved to benefit the farmers it meant to serve.