Newsbreak: Gov't leases 1/10th of RP agricultural lands to China firm

By Gemma Bagayaua, Newsbreak October 17, 2007 3:04pm

Would you rather let a million hectares of agricultural land remain undeveloped due to lack of capital or lease them to a foreign company?

This, according to a ranking official of the Department of Agriculture (DA), is the government's main consideration when it decided to lease to China's Jilin Fuhua Agricultural Science and Technology Development Co., Ltd. (Fuhua Co.) some one million hectares of Philippine land under vague terms. The area covers about a tenth of all Philippine agricultural land.

The DA says that the memorandum of understanding (MOU) with the Chinese company is just an additional strategy to meet the department's goal under the Medium Term Philippine Development Plan (MTPDP), which is to develop two million hectares of agricultural land.

But cause-oriented groups and some legislators have expressed concern over the potential implications of the contract on the agrarian reform program and on the country's food security.

Fuhua Co. intends to plant hybrid rice, corn, and sorghum in these lands. The contract is expected to bring in about US$3.87 billion in investments.

The MOU with Fuhua Co. is one of 18 agriculture- and fisheries-related contracts that was signed in the presence of Chinese Premier Wen Jianbao when he visited Malacañang in January this year.

The 18 contracts cover agriculture and fisheries research, the provision of facilities for fishery and agriculture, the investment of Chinese entities in local agribusiness, and other trade-related matters. (Click here to read the Summary of RP-China Deals Relating to Fisheries and Agriculture.)

These agreements were hardly noticed until the scandal involving the national broadband network deal with China's ZTE Corp. broke. Following the Senate investigations into the ZTE deal, cause-oriented groups began calling for a scrutiny of the government's agriculture and fisheries contracts with China.

When President Arroyo announced the suspension of the ZTE deal, Agriculture Secretary Arthur Yap likewise announced that two of the 18 contracts—those that involve the lease of Philippine land—have been suspended as well.

Unprecedented

Of the 18 agri-fisheries contracts, the two that involve the lease of huge tracts of Philippine land to Chinese corporations particularly cause concern among critics. These are the MOUs with Fuhua Co (1 million hectares) and the Agriculture Department of China's Guangxi Zhuang Autonomous Region or ADGZAR (40,000 hectares).

The contracts were signed on January 15, 2007, by the heads of departments that form the so-called "convergence group"—DA Secretary Arthur Yap, then Department of Environment and Natural Resources Secretary Angelo Reyes, and Department of Agrarian Reform Secretary Nasser Pangandaman.

(Earlier reports on the China agriculture deals also cited Yap mentioning a third contract—with the Beidahuang Heilongjiang Group—which covers some 200,000 hectares of land in the North Luzon Agribusiness Quadrangle or NLAQ. Newsbreak learned from the agriculture department's policy planning desk, however, that this has not been signed yet.)

The scope of both contracts is unprecedented in scale.

Currently, perhaps the biggest holder of lease arrangements involving agricultural land in the country is the multinational company Dole (Philippines), but their land use arrangements with farmer's cooperatives cover only about 9,000 hectares.

Vague and Ambiguous

However, considering its scope, the MOU with Fuhua consists of only six pages. Much of the criticism emanates from the way the MOUs are worded. (Download a copy of the agreement with Fuhua here)

Lawyer Mabel Arias of the Initiatives for Dialogue and Empowerment through Alternative Legal Services Inc. (Ideals Inc.) noted that the terms of the agreement are “confusing, ambiguous," and are characterized by “utter lack of clarity." (Read the Ideals, Inc. critique of the Fuhua deal.)

Under the MOU with Fuhua Co., the Philippine government agreed to assist Fuhua in identifying one million hectares of land “legally owned by the Philippines" that are “ideal for the production of hybrid corn, hybrid rice, and hybrid sorghum" and to “lease out the identified land for a term of 25 years," renewable for another 25 years.

The agreement is unclear as to whether the lands involved are public or private. Agriculture Undersecretary Bernie Fondevilla told Newsbreak that the agreement covers both types of lands.

There are legal implications either way. Under the Constitution, only corporations that are at least 60-percent owned by Filipinos may lease land within the public domain. Even then, such a corporation cannot lease more than 1,000 hectares of public land. (Read the relevant provision of the 1987 Constitution)

On the other hand, all private lands devoted to or suitable for agriculture is under the coverage of the Comprehensive Agrarian Reform Law.

Arias pointed out that under DAR Administrative Order No. 9, Series of 2006, all agreements that involve lands awarded to agrarian reform beneficiaries (ARBs) are supposed to be submitted to the agrarian reform department for approval—in deference to the vulnerable position of ARBs due to their economic stature. (Download a copy of DAR AO No. 9. Read RA 7905, the basis of this provision in AO No. 9)

Lease agreements are supposed to be “the last resort" because it gives farmers the least amount of control over their land, Arias said.

However, except for stating that the Philippine signatories will “provide Fuhua Co. with vital information as to their [the land’s] legal status, susceptibility to CARP coverage," Arias noted that the agreement does not specify the role that the convergence group will play in approving any specific lease agreements that Fuhua Co. may enter into with ARBs. “How will the farmers be protected?" Arias asked.

The contract does provide that the project’s implementation will be subject to existing laws, Arias conceded, “but we want something clearer than that."

DA's Defense

Agriculture department’s Fondevilla explained to Newsbreak that these items were not specified in the MOUs because these were just preliminary agreements and that the details would be threshed out later.

Arias, however, noted that the MOUs should have at least specified which details would be contained in supplementary agreements. “The ambiguities relate to very critical terms. Even if they are merely preliminary [agreements], that’s not an excuse."

Besides, she said, “if this is a preliminary [agreement], when will the contract period start?" She noted that the agreement with Fuhua Co. stipulated that an initial 50,000 hectares of land would be developed this year.

Fuhua Co. has committed to bring in the equivalent of $3.84 billion in investments into the Philippine agriculture sector with funds supplied by the China Development Bank for the next five to seven years, according to a briefing paper on the agriculture deals with China, which was prepared by the agriculture department’s China Trade Desk.

This amount, however, is not expressly stated in the MOU. The document is unclear on whether funds from the China Development Bank are to be treated as direct investment by Fuhua Co. or a loan package.

Under the agreement, Fuhua Co. is supposed to provide funds, seeds, technologies, fertilizers, equipment, and other agricultural inputs for the project’s implementation. Yet the agreement also states that Fuhua Co. will “establish a credit platform company" and “organize the implementation of the project and loans repayment."

Akbayan Rep. Risa Hontiveros said that this provision implies that the supposed “investments" from Fuhua Co. may actually be loans that either the farmers or the government will eventually have to pay for.

Fondevilla claimed that a provision for a credit platform company was included in the contract to accommodate different types of land use arrangements that Fuhua Co. and land owners/beneficiaries may choose to enter into. “They can either go into straight lease with the owner of the property or go into production sharing arrangements." In the latter case, Fondevilla said that farmers might need to share in the cost of production, thus the credit platform.

Hontiveros warned, however, that “China may end up harvesting all of these products for free. We produce for them, then pay them."

For Survival

The legal questions aside, critics also raise potential implications of the lease holdings on Philippine food security.

“Nothing stops these companies from bringing all the produce to China," Bukidnon Rep. Teofisto Guingona III told Newsbreak. “China has a lot of mouths to feed," Guingona pointed out. “We’re not the only part of the world where they have these plantations."

Home to over 20 percent of the world’s population, China’s quest to feed itself has been a subject matter for economists all over. One reason is because arable land in China is so scarce. The country’s ratio of arable land per capita is only 0.095 hectares—60 percent less than the global per capita average.

As the Chinese population continues to grow—currently at a rate of about 13 million annually—economists predict that its per capita distribution of arable land could further fall to just 0.07 hectare.

China has been addressing its food problems through importation and the extensive use of biotechnology. Recently, however, it began leasing farmland overseas, as shown by the following examples:

* In 1996, the Suntime International Techno-Economic Cooperation Co. Ltd, a listed company in northwestern China's Xinjiang Autonomous Region, invested US$50,000 in Cuba for the development of a 150-hectare area of land on which to grow rice.

* In 1998, the Suntime Group invested $3.2 million in purchasing 1,050 hectares of farmland from the Mexican government.

* In March 2004, southwest China’s Chongqing municipal government and the Lao government agreed to cooperatively build a comprehensive 5,000 hectare agricultural park in Laos for Chinese enterprises to produce grain.

Recently, the China National Offshore Oil Corp. (CNOOC) also entered into an agreement with the Indonesian government to convert a million hectares of tropical forests for oil palm, sugarcane, and cassava crops for biofuel production.

In the Philippines, the area covered by the agreements is so extensive that it spans about a tenth of all Philippine agricultural land.

During a Senate hearing, Sen. Edgardo Angara, former agriculture secretary, warned of the dire implications of giving farmlands to China given the fact that the Philippines has only three million hectares of arable land out of 10 million hectares of agricultural land.

‘Xenophobia’

The DA briefing paper dismisses the concerns raised by sectors as the result of “baseless allegations, lies and xenophobia." It stresses that the produce from the investment projects are “not exclusively for exports" and that there is “no minimum volume required for produce exports" in any of the contracts.

It also notes that given current grain prices in the country, “before prices of grains in the Philippines become low enough to induce the Chinese to export their grains to China, the additional production from the identified projects would already have helped stabilize the supply and prices in the Philippines, which will be to the benefit of our food security."

Fondevilla explained that the agriculture department has enough powers to oversee the implementation of the project. “If the effect is that it imperils food security, government can prevent exportation."

The ZTE controversy, however, has made the agriculture department re-think its position.

On September 24, Yap told senators that the implementation of the contracts has been suspended to allow time “for deeper consultation with all possible stakeholders to come up with an acceptable mechanism."

This consultation is set to take place next month. - Newsbreak

Related Stories

Aquino: Govt initiatives spurring further growth in agriculture

Agri Dept. reveals P12.193-B PPP projects co-funded by Korea Eximbank

Rice prices to increase only in key urban areas — Agri Dept. official

Agri Dept. says PHL need not import rice outside WTO's MAV in 2014

DA: PHL targets Singapore for next rice export

More Special Reports Stories

Top Stories

SC justice calls contraceptives 'poison' that can harm unborn children

Full text: English translation of President Aquino's fourth SONA

Drilon: Senate to take hands-off approach on pork barrel scam probe

Britain's Kate gives birth to baby boy - Kensington Palace

Related Videos

State of the Nation: Pagkakaroon ng rural farm high school sa bawat probinsya, isinusulong ng isang panukalang batas sa Senado

Balita Pilipinas: Mga produktong agrikultural, ibinida sa 'Agrilympics' sa Naga City

State of the Nation: Bigas na inaangkat ng Pilipinas mula abroad, kumokonti na, ayon sa DA

Balitanghali: Pananim na gulay, apektado ng matinding init

More News Videos

Related photos


Nine-foot-long banana bundle surprises La Union agriculturists


Pinoy farmer-scientist 'Ka Pecs' Vicente, 80


Exotic fresh water fish showcased at ARMM agri fair


'Viva Vigan' festivities showcase agri products


DA conducts cloud seeding over Lanao, CDO


Guinobatan farmers harvest upland tomatoes


Benguet frost spares carrots


Benguet crops damaged by frost

More Photos