



Republic of the Philippines  
**DEPARTMENT of AGRARIAN REFORM**  
ELLIPTICAL ROAD, DILIMAN, QUEZON CITY • TELS. 928-7031 TO 39

ADMINISTRATIVE ORDER NO. 05  
Series of 1997

SUBJECT : RULES AND REGULATIONS GOVERNING THE LEASE OF LANDS PLANTED TO PALM OIL TREES AND THE DETERMINATION OF LEASE RENTAL UNDER LEASE ARRANGEMENT, AMENDING ADMINISTRATIVE ORDER NO. 11, SERIES OF 1988

I. PREFATORY STATEMENT

- A. It is the policy of the State to recognize "the right of the farmers and regular farmworkers, who are landless, to own directly or collectively the lands they till" (Section 4, Article XIII, Constitution).
- B. The objectives of agrarian reform and owner-cultivatorship are:
1. "to enhance" the "dignity" of the farmers and farmworkers (Section 2, R.A. No. 6657; Sec. 2 (2), R.A. No. 3844, as amended);
  2. to "improve the quality of their lives through greater productivity" (Sec. 2, R.A. No. 6657; Sec. 2 (3), R.A. No. 3844, as amended);
  3. "to create a truly viable social and economic structure in agriculture" (Sec. 2, (3), R.A. No. 3844, as amended); and
  4. "to make the farmers more independent, self-reliant, and responsible citizens, and a source of genuine strength in our democratic society" (Sec. 2 (6), R.A. No. 3844, as amended), and "to divert landlord capital in agriculture to industrial development" (Sec. 2 (1), R.A. No. 3844, as amended; Sec. 2, R.A. No. 6657).
- C. Section 2 of R.A. No. 6657 provides the following:
1. "It is the policy of the state to pursue a Comprehensive Agrarian Reform Program (CARP). The welfare of the landless farmers and farmworkers will receive the highest consideration to promote social justice and to move the nation toward sound rural development and industrialization, and the establishment of owner cultivatorship of economic-



"Tulong-tulong sa pagsulong"



size farms as the basis of Philippine agriculture.

x x x x x

2. "The agrarian reform program is founded on the right of farmers and regular farmworkers, who are landless, to own directly or collectively the lands they till or, in the case of other farm-workers, to receive a just share of the fruits thereof. x x x x x"

D. Paragraph 2 of Section 3 of R.A. No. 7905 amending Section 44 of R.A. No. 6657 provides that "the PARCCOM shall coordinate and monitor the implementation of the CARP in the province. It shall provide information on the provisions of the CARP guidelines issued by the PARC and on the progress of the CARP in the province: in addition, it shall:

"a) recommend to the PARC the following:

x x x x x

"3) continuous processing of application for lease back arrangements, joint-venture agreements and other schemes that will optimize the operating size for agricultural production and also promote both security of tenure and security of income to farmer beneficiaries: provided, that lease back arrangements should be the last resort."

E. Section 11 of E.O. No.229 provides that "Leases and management contracts on land covered by land distribution and registered with the Register of Deeds prior to the approval of this Order may continue under their original terms and conditions, but not beyond five (5) years from the effectivity of this Order; provided that upon expiration, leases and management contracts may only be renewed subject to the agreement of the qualified beneficiaries; and provided further that upon the distribution or award of the land, where the existing lease rentals are not acceptable to the qualified beneficiaries, such rentals shall be renegotiated with the assistance of the Barangay Agrarian Reform Council (BARC). If the parties fail to agree, the DAR shall determine the rental. Mortgages and other claims registered with the Register of Deeds will be assumed by the Government up to the landowner's compensation value as provided for in Section 6 hereof."

F. The fourth paragraph of Section 8 (c) and the last paragraph of Section 8 of R.A. No. 6657 provide as follows:

1. "In general, lands shall be distributed directly to the individual worker-beneficiaries. In case it is not economically feasible and sound to divide the land, then they shall form a workers' cooperative or association which will deal with the corporation or business association or any other proper party for the purpose of entering into a lease or growers agreement and for all other legitimate purposes. Until a new agreement is entered into by and between the workers' cooperative or association and the corporation or business association or any other proper party, any agreement existing at the time this Act takes effect between the former and the previous landowner shall be respected by both the workers' cooperative or association and the corporation, business association or such other proper party. In no case shall the implementation or application of this Act justify or result in the reduction of status or diminution of any benefits received or enjoyed by the worker-beneficiaries, or in which they may have a vested right, at the time this Act becomes effective."
2. "In no case shall a foreign corporation, association, entity or individual enjoy any rights or privileges better than those enjoyed by a domestic corporation, association, entity or individual."

These guidelines are hereby prescribed to streamline contracting procedures and the fixing of lease rental in lands planted to palm oil trees.

## II. COVERAGE

These rules shall apply to all lands covered by the CARP and planted to palm oil trees under lease arrangement: Provided, that the lease arrangement has been considered as the last resort.

## III. DEFINITION OF TERMS

- A. Lease Arrangement - is an agribusiness scheme whereby the agrarian reform beneficiaries (ARBs), who already own the land covered by CARP, enter into a contract of

lease with the lessee/investor through their cooperative or farmers' association. The lessee-investor, under this arrangement, shall be allowed to manage the farm operations within an agreed period of time, subject to extension, upon mutual agreement of the contracting parties, in exchange for the payment of lease rental and other benefits at rates agreed upon by the lessor and the lessee.

- B. Lessor - pertains to beneficiaries of the agrarian reform program who organize themselves into cooperatives and/or associations and lease their awarded lands to any investor for purposes of agricultural production pending their readiness to assume general control and management over the farm.
- C. Lessee - refers to any person who, with the consent of the lessor, operates the leased land for agricultural production in accordance with the terms of the lease arrangement.
- D. Normal Harvest - refers to the average gross production of the subject land during the three (3) agricultural years immediately preceding the date of use of the data but which should not be lower than the industry data.

#### IV. POLICIES AND GOVERNING PRINCIPLES

- A. The terms and conditions of the lease agreement, including the determination and computation of lease rental of palm oil land shall be mutually agreed upon by the contracting parties, subject to the approval of the PARC Executive Committee upon the recommendation of the PARCCOM and certification of the DAR that the lease agreement is not violative of agrarian policies and principles (Annex F).

In case of disagreement, the parties may submit themselves to mediation by the PARCCOM. Should the disagreement remain unresolved, the negotiations shall be terminated.

In no case shall the lease rental be less than the yearly amortization and taxes to be paid by the lessor on the land, or the computations based on Section 34 of R.A. No. 3844, whichever is higher.

The lease arrangement is an interim agreement between the lessee/investor and the agrarian reform beneficiaries until such time that the farmworkers' cooperative or organization is ready to assume general control and management over the farm, having sufficiently acquired the necessary

managerial and technical skills which will enable it to operate the farm on its own.

- B. Lands shall be distributed directly to the individual worker-beneficiaries. However, in case the division of the land is deemed not economically feasible and sound, the land shall be owned collectively by the worker-beneficiaries who shall form a farmworkers' cooperative or association.

The lease arrangement shall balance and address the farmer/farmworker's distinctive roles and rights as a cooperative member, an employee/farmworker and an agrarian reform beneficiary. The ARB's membership in the cooperative shall be in accordance with the Cooperative Code (R.A. No. 6938), his/her beneficiary status shall be determined by the CARL (R.A. No. 6657), while his/her employment relation shall be governed by the Labor Code and related legislation.

- C. The determination of lease rentals for palm oil plantations shall be undertaken on a case-specific basis, considering that the production levels and prices depend on: (a) product form (i.e., whether in fresh fruit bunches (FFB) or crude palm oil (CPO)); (b) production and processing technology; and (c) age of palm trees, among others.
- D. Renegotiation of the amount of lease rental shall be undertaken by the parties every five (5) years, subject to the recommendation of the PARCCOM and review by the DAR.

Lease rental on the leased lands may be renegotiated by the contracting parties even prior to the termination of the contract on the following grounds: (a) domestic inflation rate of seven percent (7%) or more; (b) drop in the world prices of the commodity by at least twenty percent (20%); and (c) other valid reasons.

- E. Any conflict that may arise from the implementation of the lease contract shall be referred to the PARCCOM by any of the contracting parties for mediation and resolution. In the event of failure to resolve the issue, any of the parties may file an action with the Department of Agrarian Reform Adjudication Board (DARAB) for adjudication pursuant to Section 50 of R.A. No. 6657.
- F. In case of insolvency or bankruptcy of the lessee/investor, the lease contract shall be deemed terminated and the lands shall be returned to the ARBs. The ARBs shall be included in the insolvency

proceedings. Any unpaid claim of the ARBs (e.g., salaries/wages, lease rentals and others) shall have first lien on the salvaged value of the remaining assets of the insolvent lessee/investor.

- G. The lessee/investor shall give priority to members of the agrarian reform cooperative or association and their dependents, for employment in the enterprise. In such case, they (ARBs) shall be treated as employees of the lessee/investor and entitled to at least the mandated minimum wage and other economic benefits granted under the Labor Code and other existing laws.
- H. The farmworkers, through their cooperative/association, shall set aside a portion of not less than twenty-five percent (25%) of the total area of the land to be used for livelihood purposes.

Members of the cooperative who are not employed in the corporation shall be given priority in the utilization of the area set aside for livelihood purposes.

- I. The leased property shall be used solely as an agricultural plantation devoted to palm oil production, and the lessee shall not use or allow the use of the leased property for illegal or prohibited purposes or for other purposes not covered under the lease agreement.
- J. The PARCCOM, through its Executive Officer, shall regularly monitor and review the progress/implementation of the existing lease arrangement to ensure compliance with its terms and conditions, particularly the security of tenure and income of farmer-beneficiaries, pursuant to R.A. No. 7905.

**V. RIGHTS AND OBLIGATIONS OF THE LESSOR/COOPERATIVE AND LESSEE/INVESTOR**

- A. The lessor shall:
  - 1. receive from the lessee rentals on the property and other benefits that may be agreed upon by the parties;
  - 2. pay realty taxes on the leased property;
  - 3. keep the lessee in full and peaceful possession and enjoyment of the leased property during the duration of the contract and shall not physically appropriate or partition the land among the farmworker cooperative's members;

4. have the right to ownership of permanent improvements introduced on the land by the lessee upon the termination of the lease agreement, unless the contracting parties provide otherwise; and
5. cause, permit and/or allow the annotation and registration of the lease agreement in the Office of the Register of Deeds of the Province where the leased property is located, and a memorandum thereof annotated and entered on the Original and the Owner's Duplicate Certificate of Title of the leased property.

B. The lessee shall:

1. manage and operate the property within the period stipulated in the lease arrangement, conditioned on the payment of lease rental and other benefits at rates agreed upon by both parties; such period may be extended by the parties, subject to approval by the PARC Executive Committee;
2. in consultation with the lessor, have the right to construct buildings and other infrastructure on the property which are deemed necessary for agricultural operations. In no case, however, shall any such improvement decrease the aggregate agricultural area and/or lower the rental and other privileges accruing to the farmworkers' cooperative and its members under the lease contract;
3. manage and care for the leased property and assume its undertakings properly and efficiently in accordance with sound agricultural and financial practices;
4. bear all expenses for production, cultivation, harvesting and marketing of products, and all charges necessary for the conduct of business operations including business taxes and other impositions;
5. comply, in good faith, with the duty to pay the rent and to observe and perform all the other obligations contained in the lease agreement;
6. obtain the consent of the lessor before the conduct of any experimental project(s) not directly related to palm oil processing, but is deemed necessary for sound agriculture purposes;

7. have the option to remove, transfer or move any such non-permanent improvement, prior to or upon termination/expiration of the agreement/contract, chargeable to his/its account, without causing any damage to the premises and the land; and
8. ensure a successful turn-over of the venture to the farmer/farmworker-beneficiaries, by implementing, in collaboration with the DAR, the Department of Trade and Industry (DTI), and other concerned agencies, a transfer of technology and management program focused on production technologies, entrepreneurship, marketing, resource mobilization, project monitoring and evaluation.

## VI. PROHIBITIONS ON THE LESSOR AND LESSEE

A. It shall be unlawful for the lessor to:

1. dispossess the lessee/investor of the landholding subject of the lease, except upon authorization of the Court. Should the lessee/investor be dispossessed without authorization from the Court, the lessor/cooperative shall be liable for damages suffered by the lessee/investor for breach of contract; and
2. require the lessee/investor to assume, directly or indirectly, the payment of the realty taxes, or part thereof, levied by the government on the landholding.

B. It shall be unlawful for the lessee to:

1. cultivate other crops on the land or use the landholding for a purpose other than what had been agreed upon in the lease agreement;
2. cause, through its operations, any substantial and unreasonable damage on the land and the deterioration/depletion of the fertility of the soil and the other improvements thereon;
3. plant, grow, raise, or permit the planting, growing or raising of any plant which is the source of dangerous drugs, as defined in P.D. No. 1683, as amended; and



4. sub-lease the property subject of the lease to another lessee/investor.

## VII. PROCEDURE

### A. PRE-CONFERENCE

1. Prospective lessees/investors and farmworker beneficiary cooperatives or associations may jointly apply in writing for a lease arrangement with the PARCCOM through its Executive Officer (i.e., Provincial Agrarian Reform Officer).
2. Upon receipt of the written application, the PARO, as PARCCOM Executive Officer, shall prepare and send invitations for a conference (Annex C) to the prospective lessees/investors, lessors/cooperative or association, the BARC, the NGOs/POs in the area, the Department of Agriculture (DA), and other concerned agencies.

The lessor and lessee shall be required to submit production data or any evidence with probative value as proof of the average normal harvest, including the cost of deductible item/s, during the three (3) preceding agricultural years, or any other documents pertinent to the determination of lease rental. In the absence of the foregoing production data or documents, the production data provided by the concerned government agency (e.g., the Bureau of Agricultural Statistics, Department of Agriculture (BAS-DA) may be accepted as basis of the lease rental.

3. A copy of the invitation for conference shall simultaneously be posted in the bulletin board of the provincial, municipal and barangay halls, and other conspicuous places where the property is located for a period of seven (7) working days. The fact of posting shall be certified by the PARO, MARO, the BARC Chairman and the Barangay Captain of the area, after the lapse of the prescribed posting period.

### B. CONFERENCE PROPER

1. During the conference, the PARCCOM Chairperson or his/her designated officer shall allow the parties to mutually agree on the lease rental of the subject land.

2. If both parties agree on the amount of lease rental for the land, including other conditions and stipulations, such agreement shall be embodied in the prescribed lease agreement form (Annex A).
3. In case of disagreement, a mediation/conciliation proceeding shall be undertaken in accordance with procedures stipulated under Item VII-E of this Order.

C. APPROVAL AND CONFIRMATION BY FARMERS/FARMWORKER-BENEFICIARIES (FWBs) COOPERATIVE/ ASSOCIATION

The PARCCOM Chair shall:

1. call a general assembly of the FWBs cooperative/association to explain to its members the contents of the lease agreement, and the policies prescribed under this A.O.;
2. ascertain the consensus of the farmworker beneficiaries through secret balloting, with the assistance of a three-person committee composed of one (1) representative from the lessee/investor, one (1) representative from the lessor/cooperative or association and the PARO. The tallying of the ballots shall be undertaken by said committee. Consent of the FWBs shall be determined through a vote of the absolute majority (i.e., fifty percent plus one of the total number of regular farmworkers); and
3. certify the conduct of the briefing of the FWBs and the process of confirmation by consensus of the absolute majority (Annex E).

D. EXECUTION OF THE LEASE CONTRACT

1. The parties shall affix their signatures on the lease agreement. Said agreement shall also be countersigned by two (2) witnesses who are not parties thereto.
2. The contract shall be forwarded by the PARO (copy furnished the Regional Director and the MARO) to the Presidential Agrarian Reform Council Executive Committee (PARC ExCom) through the Assistant Secretary for Support Services who shall endorse the same for approval by the said body, through a resolution.

3. The lease agreement shall be drawn up in five (5) copies and signed by the parties who shall acknowledge the execution of the documents before a DAR lawyer commissioned as Notary Public or before any other Notary Public. The PARO shall:
  - (a) register the lease agreement with the Municipal Treasurer;
  - (b) cause the annotation of the lease agreement (Annex B) at the back of the Transfer Certificate of Title on file with the Register of Deeds; and
  - (c) furnish a copy of the registered lease agreement to each party.

E. MEDIATION/CONCILIATION IN CASE OF DISAGREEMENT

1. If the parties fail to agree, the PARCCOM Chair shall:
  - a. call a PARCCOM meeting en banc or create a panel of three (3) members composed of two (2) PARCCOM members and the PARO to undertake mediation/conciliation efforts in resolving the disagreement; and
  - b. require the PARO to submit the following documents:
    - 1) Documents or evidence presented or gathered by the lessor, lessee, PARO and other parties involved relative to the production data, deductible item(s) provided by law, and other relevant information;
    - 2) Minutes of conferences/meetings held for the purpose of establishing, determining and fixing the land rental, and resolving conflicts, if any;
    - 3) Computation of lease rental of subject land under the lease arrangement in accordance with Section 34 of R.A. No. 3844 (Annex D); and
    - 4) Investigation Report, if any.
2. If the recommendation of the PARCCOM is not acceptable to the parties, the negotiations shall be terminated.

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F. EXISTING LEASE ARRANGEMENTS

1. The PARO, under authority of the PARCCOM, shall conduct a review of existing lease arrangements to determine --
  - a. whether or not the security of tenure and the security of income of farmworkers are protected under these arrangements;
  - b. whether there have been violations of any of the terms and conditions of the contract by either party;
  - c. the parties' compliance with the minimum wage law;
  - d. whether the present lease rental should be renegotiated pursuant to Item IV-D of this Administrative Order; and
  - e. other acts and omissions which may affect the smooth implementation of the lease arrangement.
2. The PARO shall prepare a report of his/her findings to the PARCCOM for appropriate resolution/action on the matter.
3. If the present rental is deemed subject to a renegotiation pursuant to Item IV-D of this Order, the lessee/investor or the lessor/cooperative or association may file a written petition for renegotiation of the lease contract addressed to the party concerned, copy furnished the PARCCOM, through the PARO.
4. The PARO shall assist the lessee/investor or the lessor/cooperative or association, as the case may be, in the renegotiation.
5. In case the renegotiation efforts fail, the matter may be referred to the PARCCOM for mediation/conciliation purposes in accordance with Item VII-E of this Order.
6. If the parties continue to disagree despite the mediation of the PARCCOM, they may file an action on the lease contract with the Department of Agrarian Reform Adjudication Board (DARAB), pursuant to Section 50 of R.A. No. 6657.

#### G. INQUIRIES FOR PROSPECTIVE LEASE ARRANGEMENTS

1. Any interested lessee/investor and/or farmworkers' cooperative or organization may contact the DAR Assistant Secretary for Support Services and submit a letter of inquiry/intent with a proposal for a lease arrangement, specifying the following:
  - a. the terms and conditions of the lease arrangement to be introduced/ established;
  - b. the preferred area or location of the property, or a request for assistance in identifying possible areas and FWB cooperatives/ organizations, lessees/ investors for the purpose; and
  - c. the expected benefits to be derived by the parties from the lease arrangement.
2. The Assistant Secretary for Support Services shall evaluate the queries/applications of interested lessees/investors and/or lessors/cooperatives and arrange the negotiation for a lease arrangement of the prospective contracting parties.

#### VIII. TRANSITORY PROVISION

The provisions of the Joint DAR-CDA-DA A.O. No. 2, Series of 1997, Re: Rules and Regulations Governing Membership Issues and Concerns of Farmworkers and Employee Beneficiaries in Agrarian Reform Plantation-based Cooperatives, which are not inconsistent herewith, shall apply to lease arrangements negotiated/established under this Order.

Upon the effectivity of this Administrative Order, the DAR-Field Operations Group (DAR-FOG) shall make an inventory of all existing lease arrangements and review the same to ensure compliance with these rules and regulations.

#### IX. MONITORING

The PARCCOM, through its Executive Officer (PARO), shall prepare quarterly reports on the parties' compliance with this Order. Said report(s) shall be submitted to the Assistant Secretary for Support Services, copy furnished the Regional Director and the MARO concerned.

X. REPEALING CLAUSE

All Administrative Orders, Circulars, Memoranda, Rules and Regulations or portions thereof inconsistent with the provisions of this Order are hereby revoked, canceled or modified accordingly. Other issuances not inconsistent herewith shall have suppletory effect.

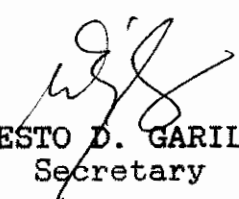
XI. RESERVATION CLAUSE

Nothing herein shall be construed as precluding the PARC or the PARCCOM from adopting any appropriate and expedient procedure or rule, or from imposing additional requirements.

XII. EFFECTIVITY CLAUSE

This Administrative Order shall take effect ten (10) days after its publication in two (2) national newspapers of general circulation.

Diliman, Quezon City 21 MARCH, 1997.

  
ERNESTO D. GARILAO  
Secretary

Published in Two (2) national newspapers  
of general circulation:

Date of Publication

1. THE PHILIPPINE STAR - - - March 26, 1997
2. PHILIPPINE DAILY INQUIRER - - - March 27, 1997

LEASE AGREEMENT

This agreement executed and entered into this \_\_\_\_\_ day of \_\_\_\_\_ 199\_\_ by and between:

\_\_\_\_\_, an agrarian reform workers' cooperative with principal office address at \_\_\_\_\_, represented herein by its President, \_\_\_\_\_ duly authorized by virtue of a Special Power of Attorney from the worker beneficiaries referred to in the fourth whereas clause hereof, a copy of which consisting of \_\_\_\_\_ pages is hereto attached as "Annex A", and made an integral part hereof, herein referred to as the LESSOR;

and

\_\_\_\_\_, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office at the \_\_\_\_\_, represented herein by its President, \_\_\_\_\_, duly authorized by its Board of Directors, by virtue of Resolution No. \_\_\_\_\_, dated \_\_\_\_\_, a copy of which hereto attached as "Annex B" and made an integral part hereof, herein referred to as the LESSEE.

WITNESSETH That

WHEREAS, (name of the former landowner) has availed of Section 20 of R.A. No. 6657 (the Comprehensive Agrarian Reform Law of 1988) and has transferred the Leased Property to the Department of Agrarian Reform (hereinafter, "DAR") on \_\_\_\_\_ as evidenced by a Deed of Sale dated \_\_\_\_\_, a copy of which is hereto attached as Annex "C" and made an integral part hereof;

WHEREAS, pursuant to Section 29 of the same law, DAR has caused the distribution of lands comprising the Leased Property to the qualified worker beneficiaries by transferring to them the ownership of the Leased Property undivided described as follows:

WHEREAS, LESSOR is a duly constituted workers cooperative organized by the said qualified worker beneficiaries to represent them on all matters pertaining to the Leased Property;

NOW THEREFORE, for and in consideration of the foregoing premises, the parties hereby agree, stipulate and covenant as follows:

1. THE SUBJECT

- 1.1 The LESSOR hereby leases unto the LESSEE the Leased Property, for a period of \_\_\_\_\_ years, commencing on \_\_\_\_\_, 199\_\_\_\_\_ and ending on \_\_\_\_\_, 19\_\_\_\_\_.
- 1.2 The Leased Property shall be used solely for agricultural purposes, devoted principally to palm oil cultivation, and the LESSEE covenants that it shall not use or allow the use of the Leased Property for illegal or prohibited purposes or for other purposes not permitted under this Lease Agreement.

2. RENTALS

- 2.1 In consideration of this Lease Agreement, the LESSEE shall pay to the LESSOR the following annual rentals:

- 2.2 The rental described under Clause 2.1. (i) hereof shall be paid in Philippine currency within ninety (90) days after the end of each fiscal year by the LESSEE based on the audited accounts of the Company. The LESSEE, upon written request by the LESSOR, shall furnish the latter with a certification from the Company Auditor in respect of the amount of



net sales, as defined in Clause 2.1. (ii) hereof, generated by the company for each fiscal year;

3. USE, MANAGEMENT AND OPERATION OF THE LEASED PROPERTY

- 3.1 The LESSEE agrees to use the Leased Property in accordance with the rules and regulations provided under A.O. No. \_\_\_\_\_, Series of 199\_\_\_\_. The LESSEE however, shall have absolute discretion in the manner of operating the plantation, the method of cultivation, harvesting and marketing of the farm produce. The LESSOR hereby recognizes that the palm trees planted in, and the fruits produced by, the Leased Property within the period of effectivity of this Agreement, properly belong to the LESSEE and that LESSOR has no interest in the same.
- 3.2 The LESSOR shall in no way interfere with the operation of the Leased Property, it being understood that this Lease Agreement is strictly one of land lease.
- 3.3 The LESSEE shall comply, in good faith, with its duty to pay the rent and to observe and perform all the other obligations contained in this Lease Agreement. The LESSOR, in turn, warrants that the rights of the LESSEE under this Lease Agreement shall be unaffected by any changes in the membership of the LESSOR or by any distribution made or to be made in said membership.
- 3.4 The management of the LESSEE's business operations, including the formulation and implementation of policies on labor and security operations, shall be, subject to existing laws, within the absolute control of the LESSEE.
- 3.5 In the conduct of its business operations, the LESSEE may plant new palm trees, and construct new improvements necessary for the farm operations on the Leased Property for its business subject to the consent of the LESSOR and the approval of the DAR. In case the LESSEE wishes to conduct experimental project(s) not directly related to oil palm agriculture, he/she shall secure the consent of the LESSOR. The LESSOR hereby agrees not to unreasonably withhold its consent, provided the

experimental project(s) is necessary for sound agricultural purposes.

- 3.6 The LESSEE agrees to manage and care for the Leased Property and shall assume its undertakings properly and efficiently and in accordance with sound agricultural, administrative, business and financial practices, including, if necessary, any cut back in production and abandonment of certain areas. The LESSEE, however, shall incur no liability to the LESSOR for any decrease in production in any given year as long as the LESSEE performs, in good faith, its duties under Administrative Order No. \_\_\_\_\_, series of 199\_ and this Agreement.

#### 4. PARTITION OF THE LEASED PROPERTY

- 4.1 The Leased Property shall not be physically segregated and partitioned by the LESSOR within the period of effectivity of this Agreement. In the event the LESSOR's members, by the required vote, agree to dissolve and liquidate its cooperative, or agree to partition the Leased Property, the LESSEE shall be entitled to the benefits granted by law to registered leases, and any and all of the LESSOR's members who become individual owners of any portion of the Leased Property as their share in the liquidation and/or partition thereof shall respect this Lease Agreement for the entire duration of its term, and any extension thereof, in accordance with the terms and conditions herein provided.
- 4.2 In the event that the LESSOR is compelled to go into a process of dissolution, liquidation and/or partition and distribution of its assets, including the Leased Property, by virtue of and in compliance with the provisions of its corporate charter, such process shall be conducted by the LESSOR in a manner which shall not prejudice the LESSEE's operations on the Leased Property nor interfere with the LESSEE's day to day conduct of its business affairs. Further, the LESSOR shall, prior to actual partition and distribution of any portion of the Leased Property to its members, elect and/or designate a Trustee or any person or group of persons who shall be authorized to receive payment of rental due on

the Leased Property for the entire duration of this Lease Agreement, including its renewal.

5. EXPENSES, TAXES AND INSURANCE

- 5.1 All expenses for production, cultivation, harvesting and marketing of products within the Leased Property shall be for the account of the LESSEE.
- 5.2 The LESSEE shall also be liable for all expenses and charges necessary for the conduct of the business operations.
- 5.3 All taxes due on the improvements on the Leased Property except those improvements on the Area that LESSOR shall have utilized shall be for the account of the LESSEE. Taxes due on the road lots within the Leased Property, and for which the LESSEE is not obliged to pay rent, shall be for the account of the LESSOR.
- 5.4 The LESSEE may, for its own account, obtain insurance on all leasehold improvements, including the palm trees. In the event of loss, all proceeds from such insurance shall accrue to the LESSEE.

6. LESSOR'S COVENANTS

The LESSOR hereby represents and undertakes to the LESSEE as follows:

- 6.1 It has full legal title to the Leased Property and has the power and authority to lease the same to the LESSEE.
- 6.2 It has taken all appropriate and necessary corporate and legal action authorizing the execution and performance of this Lease Agreement.
- 6.3 It shall keep the LESSEE in full, peaceful and quiet possession and enjoyment of the Leased Property within the period of effectivity of this Agreement.
- 6.4 It shall hold the LESSEE free and harmless from any and all claims of third parties to ownership of, or right of possession over, the Leased Property, and shall indemnify LESSEE for all damages resulting from its eviction, in the event such third parties successfully

maintain their claims. However, this excludes any and all cases/claims on the property prior to its transfer to the LESSOR.

## 7. TERMINATION

- 7.1 This Lease Agreement shall terminate at the close of business hours on \_\_\_\_\_ (hereinafter, the "Termination Date"). However, the LESSEE may, by written notice served to the LESSOR as early as one (1) year prior to the Termination Date, extend this Lease Agreement for an additional period of \_\_\_\_\_ years, on the terms and conditions which shall be mutually agreed between the LESSOR and the LESSEE AND REVIEWED AND APPROVED BY DAR. In the event that the parties cannot agree on the renewed terms and conditions, the same shall be determined by arbitration in accordance with Clause \_\_\_\_\_ hereof.
- 7.2 Prior to the expiration of its term, this Lease Agreement may be terminated by the LESSOR for any of the following causes:
- i) The LESSEE fails to fully pay the stipulated rental or any other amount due from the LESSEE under this Lease Agreement, for a period longer than 180 days from the date specified herein, without necessity of demand or notice. Interest charges shall be paid fourteen (14) days after due date on all due and unpaid amounts at an interest rate of twelve (12%) percent or the legal rate prevailing, whichever is higher.
  - ii) The LESSEE shall have intentionally failed in the performance of any act required herein, or is intentionally in breach of any of its obligations and covenants.
- 7.3 Upon termination of this Lease Agreement, the LESSEE shall peacefully return the use and possession of the Leased Property to the LESSOR, and shall promptly pay all rentals due up to the date of termination.
- 7.4 Subject to the LESSOR'S consent a statutory lien on movables belonging to the LESSEE for unpaid rentals and other amounts due the LESSOR arising out of this Lease Agreement, the LESSEE may, upon termination hereof, remove

all of its trade or professional fixtures, equipment, movable improvements and other similar properties from the Leased Property, at its own expense, provided, however, that the LESSEE shall repair any and all damages which may be caused to the Leased Property by reason of such removal.

All fixed and permanent improvements, such as roads and palm trees introduced on the Leased Property, shall automatically accrue to the LESSOR upon termination of this Lease Agreement without need of reimbursement.

8. LEGAL ACTIONS

Without prejudice to the proceedings for arbitration contained herein, any legal action or proceeding arising out of or connected with this Lease Agreement and involving a matter not determinable by arbitration as herein provided shall be brought before the proper forum.

IN WITNESS WHEREOF, the parties herein have hereunto set their hands this \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_  
(LESSOR)

\_\_\_\_\_  
(LESSEE)

By:

By:

\_\_\_\_\_  
SIGNED IN THE PRESENCE OF:  
\_\_\_\_\_



ANNOTATION OF REGISTRATION

Office of the Municipal Treasurer

\_\_\_\_\_  
City/Municipality

\_\_\_\_\_  
Province

On this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_ at \_\_\_\_\_ o' clock (AM/PM) the parties to the foregoing instrument appeared before me and presented four copies of this Agreement of Agricultural Lease for registration. This Agreement is hereby registered and entered in the Registry of Agricultural Lease Agreement of this Municipality/City at the time and date mentioned above, as Agricultural Lease Agreement No. \_\_\_\_\_.

\_\_\_\_\_  
Municipal/ City Treasurer

\_\_\_\_\_  
Municipality/City

\_\_\_\_\_  
Province

- Note:
- a) This form may be modified to suit local conditions and peculiarities, but should substantially contain the above provisions.
  - b) This agreement should preferably be translated into the local dialect for easier understanding, especially by the farmer-beneficiaries.

INVITATION FOR A CONFERENCE

\_\_\_\_\_  
Date

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Sir/Madam:

Pursuant to A.O. No. \_\_\_\_\_, Series of \_\_\_\_\_, may we request you to attend a conference on:

Date: \_\_\_\_\_  
Time: \_\_\_\_\_  
Place: \_\_\_\_\_

for purposes of determining the lease rental for the land and other provisions pertinent to the lease agreement with the farmworkers, through the \_\_\_\_\_ cooperative/association.

Please provide the following data to facilitate discussions:

- a) Total area covered by the lease
- b) Average gross production per year for the last three (3) normal years
- c) Deductible costs such as, harvesting, loading, hauling and processing cost per year
- d) Selling price of the produce and by-products (fresh fruit bunch and crude palm oil)
- e) Extraction rate of crude palm oil

Very truly yours,

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Signature of PARO)  
(Printed Name)  
(Designation)  
(Station)



SAMPLE COMPUTATION OF LEASE RENTAL OF PALM OIL UNDER  
THE LEASE ARRANGEMENT BASED ON SECTION 34 OF R.A.  
NO. 3844

A. Computing Lease Rental Rent for Fresh Fruit Bunch (FFB) <sup>1/</sup>

Given:	Area Cultivated	= 1,817.69 has.
	Normal Years of Production	= 1993 - 1995
	Average Gross Production (FFB)	= 13.06 MT/ha/yr
	Average Selling Price	= P 1,483.50/MT
	Harvesting Cost (Total)	= P 3,009.947.00/yr
	Loading Cost (Total)	= P 6,082.370.38/yr
	Hauling Cost	= P 4,324,208.08/yr

$$\text{LRI} = 0.25 \text{ (NI/ha)}$$

Where:

$$\text{NI/ha} = \text{AGR/ha} - \text{DC/ha}$$

Where:

$$\begin{aligned} \text{AGR} &= \text{Average Gross Returns} \\ \text{DC} &= \text{Deductible Cost} \end{aligned}$$

Determine:

$$1. \text{ AGR/ha} = \text{Ave. Gross Production/ha} \times \text{Average Selling Price}$$

$$= 13.06 \text{ MT (P1,483.50)}^{\frac{1/}{}}$$

$$\text{AGR/ha} = \text{P}19,374.51$$

$$2. \text{ DC} = \text{HC} + \text{LoC} + \text{HaC}$$

$$= \text{P}3,009,947.37 + 1,082,370.38 + 4,324,208.08$$

$$= \frac{8,416,525.83}{1,817.69 \text{ has}}$$

$$\text{DC/ha} = \text{P}4,630.34$$

<sup>1/</sup>

API Data

$$\begin{aligned}
 3. \quad \text{NI/ha} &= \text{AGR/ha} - \text{DC/ha} \\
 &= \text{P}19,374.5 - \text{P}4,630.34 \\
 \text{NI/ha} &= \text{P}14,744.17
 \end{aligned}$$

Therefore:

$$\begin{aligned}
 \text{LRI} &= 0.25 (\text{NI/ha}) \\
 &= 0.25 (14,744.17) \\
 \text{LRI} &= \text{P}3,686/\text{ha/yr.} \quad \text{Lease rental for palm oil in its} \\
 &\quad \text{raw of fresh fruit form}
 \end{aligned}$$

B. Computing Lease Rental for Crude Palm Oil (CPO) <sup>2/</sup>

Given:

Normal Years of Production	=	1993-1995
Extraction Rate	=	23%
Average Gross Production/Year	=	13.06MT/ha/yr (FFB) or 3,004/MT/yr (CPO)
Average Selling Price (CPO)	=	P 17/Kg
Harvesting Cost	=	P 1,656/ha/yr
Loading Cost	=	P 595/ha/yr
Hauling and Processing Cost	=	P 20,426/ha/yr

$$\text{LRI} = 0.25 (\text{NI/ha})$$

Where:

$$\text{NI/ha} = \text{AGR/ha} - \text{DC/ha}$$

Where:

1. AGR/ha = AGP x Average Selling Price

= 3,004 MT/ha (P17.00)

AGR/ha = ₱51,065

2. DC/ha = HC + Lo C + Ha C + PC

= ₱1,565 + ₱595 + ₱20,426

DC/ha = ₱20,426

3. NI/ha = AGR/ha - DC/ha

= ₱51,065 - ₱20,426

NI/ha = ₱28,388

Therefore:

LRI = 0.25 (NI/ha)

= 0.25 (NI/ha)

= 0.25 (₱28,388)

LRI = ₱7,097/ha/yr lease rental for palm oil  
for semi-processed or  
in its CPO form

NOTE: If the annual amortization is at four hundred twenty-six pesos (p426.00) per hectare, the minimum lease rental would be the value determined under Section 34 of R.A. No. 3844 at ₱3,686/ha/yr for FFB or ₱7,097/ha/yr for CPO since it is higher than the actual amortization of the lessor/cooperative.

LBA Form \_\_\_\_\_

Republic of the Philippines  
Department of Agrarian Reform  
Diliman, Quezon City

CERTIFICATION OF CONSENSUS AND BRIEFING

This certifies that a briefing of the general membership of the cooperative on the terms and conditions of the lease agreement between \_\_\_\_\_ and \_\_\_\_\_ including the pertinent policies governing \_\_\_\_\_ was conducted on \_\_\_\_\_.

The consensus of the farmworker beneficiaries was likewise obtained with the following results:

: Total No. : : of FWBs :	: Total No. : : of FWBs : : who Voted :	: Percentage : : of :	: Consensus :		
			: Yes :	: No :	: % Approval :
:	:	:	:	:	:
:	:	:	:	:	:
:	:	:	:	:	:

CERTIFIED TRUE AND CORRECT:

REFERENDUM COMMITTEE

\_\_\_\_\_  
PARCCOM Executive Officer

\_\_\_\_\_  
MARO

\_\_\_\_\_  
Lessor Cooperative  
Representative

\_\_\_\_\_  
Lessee Representative

\_\_\_\_\_  
PARCCOM Chairperson

LBA Form \_\_\_\_\_

Republic of the Philippines  
Department of Agrarian Reform  
Diliman, Quezon City

CERTIFICATION OF NON-VIOLATION OF  
AGRARIAN POLICIES AND PRINCIPLES

This is to certify that the lease agreement entered into by and between \_\_\_\_\_ and \_\_\_\_\_  
(lessor-cooperative) (lessee/investor)  
was reviewed by the Department of Agrarian Reform (DAR), as recommended by the PARCCOM, and that the same was found to be in conformity with existing agrarian reform policies and the provisions of Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL).

Given this \_\_\_\_\_ day of \_\_\_\_\_ nineteen hundred and ninety \_\_\_\_\_.

\_\_\_\_\_  
PARCCOM Executive Officer

\_\_\_\_\_  
PARCCOM Chair

\_\_\_\_\_  
PARC ExCom Vice Chair