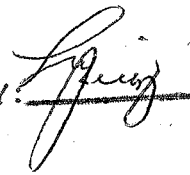


THIRTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
First Regular Session

SENATE
OFFICE OF THE SECRETARY

04 JUN 30 P2:37

RECEIVED BY: 

SENATE

S. No. **207**

Introduced by Senator S. R. Osmeña III

EXPLANATORY NOTE

The NFA is guided by a policy mandate to promote the integrated growth and development of the entire grain sector, invariably constraining it to support the conflicting interests of farmers, consumers and traders. Exercising both regulatory and proprietary functions over the grain sector, the NFA is responsible for setting import quantities while at the same time serving as the sole importer of the authorized volume of rice imports. This makes the NFA the biggest single competitor not only of rice traders but of farmers as well.


In most of the agency's 25 years of operation, the response has been one that

- a. Induces a depression in farm prices every time the NFA sells low-priced imported rice in the open market;
- b. Makes the government the biggest single rice trader in the country; and
- c. Requires billions of subsidy releases from the national government.

There is an urgent need to re-direct and attune government policies on rice and corn with changing market conditions in order that the private sector can appropriately respond and contribute to the government's overall development goal of enhancing food security. Judicious use of scarce government resources becomes more relevant at this time when reforms towards trade liberalization call for higher efficiency and global competitiveness in the agricultural sector.

This bill proposes the needed reforms to support the government's food security agenda. The regulatory functions of the NFA will be discharged by the National Grain Council, while its proprietary role will be discharged by a new corporation with government equity. This will allow transparency in policy-making and in import transactions and the maintenance of the required buffer stock for rice and corn.

In view of the foregoing, early passage of this bill is earnestly requested.

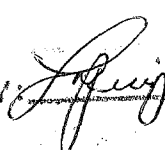

SERGIO OSMEÑA III
Senator

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AN ACT
TO REORGANIZE THE NATIONAL FOOD AUTHORITY, SEPARATING ITS
REGULATORY FROM ITS PROPRIETARY FUNCTIONS, CREATING THE
NATIONAL GRAIN COUNCIL, AND THE NATIONAL GRAIN AND SUGAR
CORPORATION AND DEFINING THEIR POWERS AND FUNCTIONS, AND FOR
OTHER PURPOSES

*Be it enacted by the Senate and the House of Representatives of the Republic of the
Philippines in Congress assembled:*

1 SECTION 1. **Short Title.** – This Act shall be known as the “Food Security
2 Rationalization Act of 2004.”

3 SEC. 2. **Declaration of Policies** – It is hereby declared the policy of the State
4 to ensure food security for all Filipinos; to protect farmers and consumers from wide
5 fluctuations in the prices of agricultural products; and to encourage effective and
6 efficient government intervention in sectors which produce food.

7 SEC. 3. **Statement of Goals and Objectives.** – The goals and objectives of
8 this Act are the following:

- 9 a) To streamline the government’s involvement in the grain and sugar sector
10 in order to ensure available, adequate and accessible supply of rice, corn
11 grits and sugar during lean periods especially in times of calamities or
12 emergencies at a reduced budgetary cost to government;
- 13 b) To create an environment of transparency and competitiveness in the grain
14 and sugar sector that is conducive to a market-based development;
- 15 c) To create conditions that will allow the stabilization of food prices through a
16 more liberalized trade policy;

- d) To strengthen direct subsidies to producers through infrastructure and production support;
- e) To encourage private sector participation in the development of post harvest and marketing facilities; and
- f) To provide more effective assistance to disadvantaged families through directly targeted food subsidies.

SEC. 4. **Definition of Terms.** – The following definitions apply to the terms used in this Act:

a. “Emergency” refers to a situation that deviates from the normal due to fortuitous events which include acts of God such as, but not limited to, typhoons, floods, droughts, earthquakes, fires, volcanic eruptions, lahar flows, and acts of man such as political and/or civil disturbances, and widespread civil unrest;

b. “Grain” refers to palay, rice, white corn and corn grits;

c. “Food security” refers to the policy objective, plan and strategy of substantially meeting the food requirements of the present and future generations of Filipinos, ensuring that food that is affordable is available to all, through a combination of local production and importation, and consistent with the overall national development objectives;

d. “National food security reserve” is the inventory of grain to be maintained as a matter of national policy to ensure food security; and

e. “Price stabilization” refers to measures which ensure that the fluctuations of the prices of rice and corn grits are contained within a band, the limits of which will be specified by the Council.

SEC. 5. **Creation of the National Grain Council.** – To implement the policies declared in this Act, there is hereby created a policy formulating body called the National Grain Council, hereinafter referred to as the Council.

The Secretary of Agriculture shall serve as chairman of the Council, with an Undersecretary the Department of Trade and Industry as Vice-Chairman and the following as members:

- a. A Deputy Director General of the National Economic Development Authority;
- b. An Undersecretary of the Department of Interior and Local Government;
- c. An Undersecretary of the Department of Budget and Management;
- d. An Undersecretary of the Department of Social Welfare and Development;
- e. A representative from a federation of rice and corn farmer organizations;
- f. A representative from a federation of consumer organizations; and
- G. A representative from a federation of grain business organizations.

The three (3) private sector representatives to the Council shall serve for a term of three (3) years and shall be appointed by the President of the Republic of the Philippines from a list of nominees to be submitted by their respective duly accredited/registered organizations/federations. In the case of the farmer representatives, the provisions of Republic Act No. 7607 otherwise known as the Magna Carta of small farmers and its implementing rules and regulations shall have suppletory effect insofar as their nomination and selection to the council are concerned. The consumer group representative shall be nominated by the Presidential Commission for the Urban Poor (PCUP).

Of those first appointed, the farmer representative shall serve for a term of three (3) years; the representative for consumer groups shall serve for a period of two (2) years, and the representative from grain business organizations shall serve for a period of one (1) year, without reappointment.

The Council shall meet regularly at least once every quarter on any date to be determined by the Chairman: *Provided*, That the Chairman may convene special meetings to discuss any urgent matters needing immediate resolutions. The Council members shall be entitled to a per diem of Five Thousand Pesos (P5,000) for each meeting actually attended by them.

1 The Council shall adopt rules and regulations to govern its proceedings, call on
2 any government agency or institution for assistance or support, and determine its
3 official location and address.

4 SEC. 6. ***Responsibilities, Powers and Functions of the Council.*** – The
5 Council shall have the following responsibilities, powers and functions:

6 A. To formulate and review on an annual basis, the buffer stock requirements
7 at the national and local levels and to ensure that these requirements are
8 achieved;

9 B. To establish rules and regulations governing the importation of rice for the
10 purpose of price stabilization and impose or collect fees and charges for
11 said importation.

12 C. To enter into contracts with the National Grain and Sugar Corporation
13 created under this Act and/or any other private sector entity to undertake
14 measure that would ensure the maintenance of proper levels of inventory
15 including, but not limited to the direct importation of rice and/or the allocation
16 of the import quotas among private sector entities including certified and
17 licensed farmer cooperatives who are certified and licensed through the
18 Council Secretariat, and to impose the necessary punitive measures and
19 penalties against any breach in such contracts;

20 D. To formulate and adopt a pricing mechanism for the stabilization of rice and
21 corn grits prices;

22 “E. To facilitate the exportation of appropriate volumes of rice if necessary, to
23 prevent producer prices from falling below a target price;

24 “F. To cause the procurement of palay at a predetermined support price
25 through a purchase scheme requiring private sector participation;

26 “G. To administer a rice contingency fund that will enable the government to
27 respond to area-specific emergency situations.

1 "H. To determine and set the parameters for targeted food subsidy programs,
2 including but not limited to allocation volumes, targeted beneficiaries,
3 required budget, and implementing agency(ies);

4 I. To undertake such other tasks and activities as may be necessary to
5 ensure the attainment of national food security.

6 SEC. 7. **Secretariat.** -- The Council shall be assisted by a Secretariat, to be
7 headed by an Executive Director. The organizational structure of the Secretariat shall
8 be determined by the Council, based on the recommendation of the Executive
9 Director.

10 SEC. 8. **Transfer of Functions.** -- The following functions of the National Food
11 Authority shall be transferred to the respective agencies and instrumentalities of the
12 government:

13 A) The establishment and enforcement of standards in grading, sampling and
14 inspection, testing and analysis, specification, nomenclature, units of
15 measurement, code of measurement, code of practice and packaging,
16 conservation and transport of grain and their substitutes and by-products, to
17 the Bureau of Agriculture and Fisheries Product Standards (BAFPS) and
18 the Bureau of Plant Industry (BPI) of the Department of Agriculture;

19 B) The registration, licensing and supervision of MILLS AND warehouses,
20 whether bonded or not, to the local government units in the respective
21 localities;

22 C) The development of more efficient ways, systems and facilities for
23 harvesting, threshing, or shelling, drying, storage, milling, packaging, post-
24 harvest handling, transporting, and/or shipping of grain and their substitutes
25 and/or by-products, to the Philippine Rice Research Institute and the field
26 operations services of the Department of Agriculture; and

27 D) The monitoring of commercial rice stocks, prices, and stock movements,
28 and inspection of rice stocks stored in private warehouses for purposes of
29 inventory taking, and the establishment and maintenance of marketing

1 information dissemination systems in order to keep the public informed on
2 the prevailing market situation of grains and their substitutes and/or their
3 by-products/end-products in different parts of the country, to the Bureau of
4 Agriculture Statistics of the Department of Agriculture; and

5 E) The coordination of research and development activities on grain to the
6 Bureau of Agricultural Research or the Department of Agriculture.

7 **SEC. 9. *Creation of the National Grain and Sugar Corporation.*** – To carry
8 out the declared policy, there shall be created a body corporate known as the National
9 Grain and Sugar Corporation, herein referred to as the Corporation.

10 It shall be governed by a Board of Directors, hereinafter referred to as the
11 Board, which shall be vested with the powers and functions of the Corporation, and
12 which shall have overall responsibility for the formulation and coordination of
13 strategies necessary to attain the avowed objective. The Board shall be composed of
14 the DA Secretary as Chairman, the President of the Corporation as Vice-Chairman;
15 and three members from the private sector to be appointed by the President of the
16 Republic of the Philippines from a list a nominees to be submitted by the Secretary of
17 the Department of Agriculture. The appointed members shall be Filipino citizens, at
18 least thirty five years of age, with sufficient experience in agribusiness management,
19 of proven honesty, integrity, recognized competence and with familiarity with the
20 Philippine market environment. The appointed members shall serve for a term of six
21 (6) years: *Provided, however,* That of those first appointed, one (1) shall serve for a
22 term of six (6) years, another for a term of four (4) years, and the last for a term of
23 two (2) years, without reappointment.

24 The Corporation Code shall govern all matters regarding the Corporation that
25 are not specifically governed by this law.

26 **SEC. 10. *Powers and Functions of the Corporation.*** – In order to effectively
27 carry out its responsibilities, the Corporation shall have the following powers and
28 functions:

1 a) In case a contract is executed between the Corporation and the Council,
2 the Corporation may maintain and manage a national food security reserve of
3 rice and corn grits equivalent to fifteen (15) days of national consumption at any
4 time each year. Subject to the terms of the contract, the Council may
5 determine the location and manner of distribution of such stock nationwide.
6 The reserve shall be augmented by July 1 of each year to a total reserve
7 equivalent to thirty (30) days of national rice consumption;

8 b) To engage in the business of trading, marketing, importing and exporting
9 of grain;

10 c) To own, lease, as well as acquire ownership by purchase or otherwise,
11 or to invest in, hold, sell or otherwise dispose of stocks or bonds or any interest
12 in either, or any obligation or evidence of indebtedness of any person,
13 partnership, firm or corporation;

14 d) To own, lease, operate or otherwise hold land, buildings, equipment and
15 such other immovable properties as may be necessary to carry out its
16 functions;

17 e) To enter into, make, perform and carry out contracts otherwise not
18 prohibited by law as may be required in the performance of its functions;

19 f) To establish and restructure its own internal organization as the need
20 arises and to fix the remuneration, emoluments, allowances and other fringe
21 benefits of its officers and employees as the Board may deem fit, subject to the
22 Salary Standardization Law, the Civil Service Code and the Government
23 Service Insurance System.

24 g. To sue and be sued; and

25 h. To exercise all the rights and powers of a domestic corporation duly
26 organized and registered with the Securities and Exchange Commission not
27 otherwise prohibited by law.

28 SEC. 11. **Administration and Capitalization.** – The Corporation shall have
29 an authorized capital stock of Ten Billion Pesos (P10,000,000,000.00), divided into

1 One Hundred Million shares (100,000,000) with par value of One Hundred Pesos
2 (₱100.00) each. Government Equity in the Corporation shall be wholly subscribed
3 and paid by the national government. The properties of the present NFA, suitable to
4 the operations of the Corporation, shall be exchanged for shares of stock of the
5 Corporation. Said properties shall represent the equity investment of the government.
6 The existing accumulated capital stocks and surpluses of the National Food Authority
7 shall be evaluated and shall be additional paid-in capital of the Corporation.

8 SEC. 12. ***Transitory provisions.*** –

- 9 a) Within two (2) months after the approval of this Act, the President shall
10 appoint the members of the Board;
- 11 b) Within six (6) months after the approval of this Act, the Council shall
12 likewise determine the organizational structure and staffing pattern of its
13 Secretariat;
- 14 c) The personnel of the National Food Authority shall, in a holdover
15 capacity, continue to perform their respective duties and responsibilities
16 and receive their corresponding salaries and benefits until such time
17 when the organizational structures and staffing patterns of the
18 Corporation and the Secretariat shall have been approved by the Board
19 and the Council, respectively: *Provided*, That the preparation and
20 approval of the said new organizational structures and staffing patterns
21 shall, as far as practicable respect and ensure the security of tenure and
22 seniority rights of affected government employees;
- 23 d) Those personnel whose positions are not included in the new staffing
24 pattern or who are not re-appointed or who choose to be separated as a
25 result of the reorganization shall be paid their separation or retirement
26 benefits under existing laws: *Provided*, That in no case shall the
27 separation pay be less than one and one-fourth (1¼) months' salary for
28 every year of service;

1 “E. The Food Terminal Incorporated, a wholly owned subsidiary of the NFA
2 shall be PLACED under the jurisdiction of the Department of Agriculture
3 as an attached Corporation, with the Secretary as the Chairman of the
4 Board of Directors.

5 F. The present properties, assets, records and unexpended appropriations
6 of the National Food Authority are transferred to the Corporation,
7 including imported grain already in the country and such other stocks
8 thereof that may arrive as a result of the current importation of the
9 National Food Authority. Said stocks may be disposed of in accordance
10 with the policy of the Corporation; and

11 G. All obligations of the National Food Authority upon the approval of this Act
12 shall be transferred to and absorbed by the national government.

13 SEC. 13. ***Appropriations for the Council and its Secretariat*** . – The
14 amount necessary to finance the initial implementation of this Act insofar as the
15 Council and its Secretariat are concerned, including the Rice Contingency Fund shall
16 be charged against the existing appropriations of the National Food Authority.
17 Thereafter, such sums as may be needed for their operation and maintenance shall be
18 included as part of the appropriations of the Department of Agriculture in the annual
19 General Appropriations Act, including the service fees to be paid to the Corporation for
20 the implementation of the national food security reserve and the grain price
21 stabilization program of government.

22 SEC. [16] 14. ***Repealing Clause***. – All laws, decrees, executive orders, rules
23 and regulations, issuances or parts thereof inconsistent with the provisions of this Act
24 are hereby repealed or modified accordingly.

25 SEC. [17] 15. ***Separability Clause***. – The provisions of this Act are hereby
26 declared to be separable, and in the event one or more such provisions are held
27 unconstitutional, the validity of the other provisions shall not be affected thereby

1 SEC. [18] 16. ***Effectivity Clause.*** – This Act shall take effect fifteen (15) days
2 after its complete publication in at least two (2) national newspapers of general
3 circulation.

Approved,