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SENATE

S. No. 715

RECEIVED BY: *Jee*

Introduced by Senator Ralph G. Recto

Explanatory Note

The Philippines is consistently among the top rice consuming countries while Filipinos belong to top rice eaters.¹ Rice is also our top food import.² Rice farms are expanding nationwide and production has grown with increased yields.³ All these make rice the most important grain in the Philippines.

Total Philippine palay (rice equivalent at 65% recovery) production and harvested area in the past five years, are as follows:

2008:	16.816 Million metric tons (10.93 MMT rice) on 4.460 Million hectares
2009:	16.266 MMT (10.573 MMT rice) on 4.532 Mhas.
2010:	15.772 MMT (10.25 MMT rice) on 4.354 Mhas.
2011:	16.684 MMT (10.844 MMT rice) on 4.537 Mhas.
2012:	18.032 MMT (11.72 MMT rice) on 4.69 Mhas.

However, per capita rice consumption declined in the past 4 years, as follows: 128.10 kilograms with 90.4 million population in 2008; 119.92 kgs. with 92.06 M population in 2009; 114.81 kgs. with 92.3 M population in 2010; and, 115.30 kgs. with 94 M population in 2011.

Rice is cultivated in prime agricultural land such as deltas, river basins and alluvial plains with a few on hillsides and still fewer on steep mountain terraces. These are often carved out of forestland. Yields and cropping cycles are very dependent on the application of technology, drainage and water supply, and the climate type in a given rice-producing area or collectively, the ecosystem. However, extreme weather events like typhoons and tornados, diseases and infestations decimate crops and can lead to shortages and/or rising prices. A single crop failure can ruin farmers' livelihood and turn even rice producers without rice to eat, such as the P12 Billion rice damage due to the El Niño phenomenon in 2010. It is a political commodity. Woe is it to leaders who fail to provide the most important grain three times a day, and, to assure citizens of sufficient buffer stock in National Food Authority granaries especially during the lean months from July to September.⁴

The National Food Authority Act or Presidential Decree No. 1770 states that it shall be the declared policy of the State to promote the integrated growth and development of the food industry so it can adequately function as an institution conscious of its social responsibilities, capable of maintaining an adequate and continuous food supply and contributing its proper share to the economy. The NFA deals with the procurement of palay and other grains from farmers, warehousing, provision of other inputs and services in coordination with the Department of

¹ http://www.irri.org/index.php?option=com_k2&view=item&id=12109&lang=en (Accessed July 9, 2013)
² <http://faostat.fao.org/desktopdefault.aspx?pageid=342&lang=en&country=171> (Accessed July 9, 2013)
³ Palay: Harvest area estimates and forecasts. Department of Agriculture, 2013
⁴ <http://www.philstar.com/business/2013/05/01/936786/nfa-buys-rice-vietnam>

Agriculture (DA) and assure rice adequacy in line with the Food Self-Sufficiency Program, either through increased production, or, importation.⁵

The power to import is based on the certification of the National Food Authority Council, upon consultation with the Office of the President, that there is shortage of grains and/or their substitutes caused by a shortfall in production, a critical demand-supply gap, a state of calamity or other verified reasons. In conjunction with a rice supply sufficiency policy, a growing population and an agriculture sector dealing with the effects of climate change, the country's rice imports reflected varying volumes. For the past five years, rice imports were as follows:

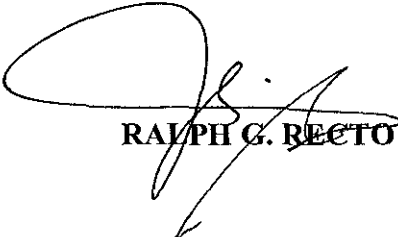
2008	2.432 million metric tons
2009	1.755 MMT
2010	2.378 MMT
2011	0.707 MMT
2012	0.860 MMT

The NFA has allowed the private sector this year to import 163,000 metric tons (MT) of rice where 98,000 MT of which will come from Thailand; 25,000 MT from China; 25,000 MT from India; and 15,000 MT from Australia⁶ to ensure sufficient supply.

Recently, however, smuggled rice has been flooding the local market to the detriment of farmers' incomes and livelihood. The Bureau of Customs filed charges against several parties, among them cooperatives, for illegal shipment of rice through various ports and for violations of the Tariff and Customs Code of the Philippines.⁷

Smuggling has put into question the policy of allowing the private sector to import either through Private-Sector Financed Importation Program or the Minimum Access Volume-Country Specific Quota Program. Anomalous transactions also involved the use of dummies, monopolies and combinations in restraint of trade on top of fraudulent use of import documents. Most of all, private sector imports have become a tool for price-fixing when large volumes of rice are held privately.

Despite the large volume of rice shipments to the Philippines, the price of rice remains high. It is still left to the NFA to intervene directly in the purchase and distribution to stabilize prices and secure supply. These raised anew the need to control rice imports in order to protect rice farmers, consumers and government revenues. Thus, the power to exclusively import rice shall be reverted back to government through the NFA.



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⁵ Summary of rice import arrivals, Per Year, Per Disport. National Food Authority, 2013.

⁶ Memorandum Circular No. AO-2K13-03-003 dated March 22, 2013, NFA.

⁷ C. R. No. 763 Re: Privilege Speech of Sen. Pres. J. Ponce Enrile on the Rice Smuggling at the Subic Bay Freeport Zone, July 25, 2012; the Rice Shipment at the Port of Legaspi; and the NFA Private Sector Financed Importation program and the Minimum Access Volume-Country Specific Quota Program. Senate of the Philippines, Feb. 6, 2013.

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AN ACT
RESERVING TO GOVERNMENT THE EXCLUSIVE AUTHORITY TO IMPORT RICE
TO FURTHER ENSURE FOOD SECURITY AND PROTECT DOMESTIC
PRODUCERS, AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 4,
OTHERWISE KNOWN AS "THE NATIONAL GRAINS AUTHORITY ACT," AS
AMENDED

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

1 **SECTION 1.** Section 5 subsection (b) paragraph iii of Presidential Decree (P. D.) No. 4,
2 otherwise known as "The National Grains Authority Act," as amended, is hereby further
3 amended to read as follows:

4 **"SECTION 5. Implementing Agencies.** Within the framework of the
5 grains industry development program adopted by the Council, primary and direct
6 responsibilities and functions shall be vested in specified agencies, as follows:

7 "(a) xxx;

8 "(b) The administration as created and organized in this Act shall undertake and
9 assume primary responsibility for all government activities relating to the
10 processing, storage, transport and marketing of grains. It shall-

11 "i. xxx;

12 "ii. xxx;

13 "iii. Procure and control or cause the procurement or control of such stock
14 of grains in quantities and in locations, as may foreseeably be needed, to
15 maintain the floor price or manage as buffer stocks to stabilize consumer
16 prices: *PROVIDED THAT, IN THE CASE OF RICE, THE AUTHORITY*
17 **SHALL EXERCISE THE EXCLUSIVE POWER AND NON-**

1 DELEGABLE DUTY TO UNDERTAKE THE IMPORTATION
2 THEREOF.

3 **Sec. 2.** Section 6 sub-section (a) paragraph xii of P.D. No. 4, as amended, is hereby
4 further amended to read as follows:

5 "Sec. 6. *Administration Powers, Organization, Management and Exemptions.* The
6 powers, organization, management and exemptions of the Authority shall be as
7 follows:

8 "(a) x x x

9 "i. "x x x

10 [...]

11 "xi. x x x."

12 "xii. To establish rules and regulations governing the importation of rice,
13 corn and other grains and their substitutes and/or by-products/end products
14 and to license, impose and collect fees and charges for said importation for the
15 purpose of equalizing the selling price of such imported rice, corn and other
16 grains and their substitutes and/or by-products/end products with the normal
17 prevailing domestic prices.

18 In the exercise of this power, the Council after consultation with the Office
19 of the President, shall first certify to a shortage of rice, corn and other grains
20 and/or their substitutes that may occur as a result of a short-fall in production,
21 a critical demand-supply gap, a state of calamity or other verified reasons that
22 may warrant the need for importation: *Provided*, That this requirement shall
23 not apply to the importation of rice equivalent to the Minimum Access
24 Volume obligation of the Philippines under the WTO. The Authority shall
25 undertake the direct importation of grains and/or their substitutes or it may
26 allocate import quotas among certified and licensed importers and the
27 distribution thereof through cooperatives and other marketing channels, at
28 prices to be determined by the Council regardless of existing floor prices and
29 the subsidy thereof, if any, shall be borne by the National Government.

1 *PROVIDED, HOWEVER, THAT WITH RESPECT TO THE*
2 *IMPORTATION OF RICE, THE AUTHORITY SHALL EXERCISE THE*
3 *EXCLUSIVE POWER AND NON-DELEGABLE DUTY TO UNDERTAKE*
4 *THE IMPORTATION THEREOF.*

5 **Sec. 3. *Implementing Rules and Regulations.*** – The National Food Authority shall issue
6 the necessary implementing rules and regulations.

7 **Sec. 4. *Separability Clause.*** - If, for any reason, any provision of this Act or any part
8 thereof shall be held unconstitutional and invalid, the other parts or provisions of this Act, which
9 are not affected thereby, shall remain in full force and effect.

10 **Sec. 5. *Repealing Clause.*** - All laws, decrees, orders, rules and regulations or parts
11 thereof inconsistent with any of the provisions of this Act are hereby repealed, amended or
12 modified accordingly.

13 **Sec. 6. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days after its complete
14 publication in the Official Gazette or at least two (2) newspapers of general circulation.

Approved,