

SENATE OF THE PHILIPPINES)
SIXTEENTH CONGRESS)
First Regular Session)



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SENATE

RECEIVED BY: *[Signature]*

SENATE BILL NO. **1229**

Introduced by **SENATOR JOSEPH VICTOR G. EJERCITO**

EXPLANATORY NOTE

Traditionally, the Sugar Industry has been given extraordinary support by the government through various legislations and financial accommodations, primarily because of the critical contribution of the Sugar export industry in the country's economic development. Hence, in 1937, the Philippine Sugar Administration was created, renamed it as the Sugar Quota Administration in 1957, followed by the various Presidential Decrees during the Marcos Administration and finally the Sugar Regulatory Administration (SRA) Executive Order 18 in 1986 was established.

The volatility and fluctuations of the price of sugar (raw and refined) in the world market had resulted in the various phase of government's interference over the years. The apparent neglect of the development of the Sugar by-products further aggravated uncertainty in the future of the sugarcane industry.

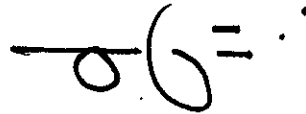
By 2015, the tariff on sugar shall be finally lifted. This scenario has spawned numerous reactions of uncertainty from the sugar planters, millers and consumers alike.

It is therefore, incumbent upon our policy-makers to institute measures, both by legislation and executive implementation of specific programs and projects that will cushion if not counter the possible destabilization effects of the 2015 "no-tariff" provision of the sugar cane industry as a whole.

This bill therefore aims to revitalize and strengthen the Sugar cane Industry through a diversification, development, and financing program promoting the interests of sugarcane farmers/planters, mills workers and consumers as well as contributing to the food security objectives of the national government.

Specifically, programs and projects to diversify sugar cane production involving not only raw and refined sugar but also its by-products namely bagasse, molasses and filter mud, among others shall be identified, developed, promoted and implemented starting 2013. Additionally, funding for these programs and projects shall be assured through the establishment of a Sugar Development Fund.

In view of the foregoing, approval of this bill is earnestly sought.

A handwritten signature in black ink, appearing to read 'JOSEPH VICTOR G. EJERCITO', with a horizontal line drawn through the middle of the letters.

JOSEPH VICTOR G. EJERCITO

SENATE OF THE PHILIPPINES)
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Senate
Office of the Secretary

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SENATE BILL NO. 1229

Introduced by **SENATOR JOSEPH VICTOR G. EJERCITO**

AN ACT STRENGTHENING THE SUGAR CANE INDUSTRY BY ESTABLISHING THE SUGAR CANE INDUSTRY DEVELOPMENT FUND, PROVIDING FUNDS THEREFORE AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title* – This Act shall be known as the “Sugar Cane Industry Development Act of 2013”.

SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State to provide policy directions and support programs / projects for the sustained development and diversification of the Philippine sugarcane industry inasmuch as the industry provides employment and livelihood to a sizeable number of Filipinos in the agricultural sector, contributes significantly to the national economy as well as local economies of host provinces, generates foreign direct investments, earns foreign reserves from exports under the US quota and the world market, contributes in maintaining the country’s balance of trade and is vital for maintaining the food self-sufficiency and energy security of the country.

It is hereby further declared that the development and diversification of the sugarcane industry shall be directed primarily to the increase in income of the farmers, the enhancement of the productivity of sugarcane planters, sugar mills and other manufacturers of products from sugarcane and sugar and the improvement in the trading and marketing practices of products derived from sugarcane and sugar in terms of administrative, policy directives and financial assistance to the sugarcane industry in support of the food security objectives and environmental concerns of the national government.

SECTION 3- *Development of the sugarcane industry* - The priority measures, programs, projects of the sugarcane industry shall be focused on the following:

A. Industry-wide Development

1. The transformation of the sugarcane industry from the limited "*raw and refined sugar production*" into a diversified industry producing bioenergy such as biofuels and biomass power and other biochemicals, if financially and technically feasible, primarily through the integration of co-products production with sugar processing and proper waste disposition / utilization;
2. The establishment of "*Special Economic Zones*" for the sugarcane industry pursuant to R.A. 7916 (Special Economic Zone Act of 1995), and / or the designation or establishment of nuclear farms to be called "*Agro-Industrial Districts for the Sugarcane Industry*" that shall be entitled and included as one of the priorities to existing fiscal incentives under Book VI of Executive Order No. 226 otherwise known as the Omnibus Investments Code of 1987, as amended, as well as Sections 4, 5, 6 and others of R.A. 1000 (The Agri-Agra Reform Credit Act of 2009), promoting among others, block or corporate farming to achieve economies of scale;
3. The development and promotion programs that are environment-friendly and will attract investments in the development, production, or manufacture of products derived from sugarcane, sugar, molasses, cane juice or syrup, crop waste, bagasse, mudpress and other products and by-products from sugarcane;
4. The institutionalization of Good Agricultural Practices (GAP), Good Manufacturing Practices (GMP) and marketing programs that will lead to competitiveness, market development and market expansion of sugar and other sugarcane products and by-products;
5. The construction of trans-loading ports and improvement of existing trans-loading ports for the coastwise transport of sugar and other products and by-products derived from sugarcane and sugar in key sugarcane-producing areas through integration in the various programs / projects of the other government agencies such as the National Economic Development Authority (NEDA), Department of Transportation and Communication (DOTC), Department of Public Works and Highways (DPWH), Philippine Ports Authority (PPA) and others;
6. The implementation of programs that shall benefit the sugarcane planters and workers of the agricultural and industrial sectors of the industry;
7. The prioritization of farm productivity improvement programs such as but not limited to farm mechanization, construction of farm-to-mill or to distillery roads, organic farming, irrigation, intensified inter-cropping, fertilization, and dispersal of high-yielding or improved sugarcane varieties;

8. The sustained financial and technical support in the conduct / sponsorship of research, development and extension studies in the sugarcane industry, including, among others, acquisition /breeding of cane high-yielding or improved varieties, design of farm implements and farm mechanization equipment, better and cost-efficient farm methodologies / technologies / practices, market research and promotion techniques, technical / economic viability studies in the production of products and by-products from sugarcane & sugar such as biochemical and biotechnologies from bagasse and other crop and manufacturing wastes, design and studies on appropriate climate adaptation and mitigation instruments / technologies and soil fertility mapping / assessment.

B. Regulation of sugar industry

1. The institutionalization of an effective monitoring and control system for the withdrawal, transfer, land transport and coastwise movement of imported sugar and sugar premixes;
2. The institutionalization of electronic quedanning, expansion of the quedanning system to molasses and muscovado and the implementation of the quedan system under R.A. 2137 (Warehouse Receipts Law);
3. The classification of imported sugar and sugar premixes as "C", "D", "E", "F" (reserve sugar, world market sugar, CBW or food processors/exporters sugar, bioethanol sugar, respectively) or to any other sugar classification which the SRA may deem necessary to stabilize the sugar supply and prices in the domestic market: Provided, that the Bureau of Customs (BOC) shall not release imported sugar and sugar premixes without the requisite SRA clearances and classification;
4. The export of refined sugar to the world market or to any country where the Philippines has bilateral trade agreement or sugar quota shall be VAT zero-rated from the time it is withdrawn or released from sugar mills / refinery warehouses including refined sugar withdrawn for constructive export to Customs Bonded Warehouse (CBW) operators or food processors/exporters of sugar-based products who are holders of sugar allocations for import under the CBW program and/or duly licensed or registered with SRA;
5. The wastewater discharge of sugar mills / refineries that meet the standard of the Department of Agriculture for re-use as irrigation water or any other agricultural purposes shall be exempted from any discharge fees.

C. Fund management

The management and proper utilization and disposition of the Sugarcane Industry Development Fund established under Sec. 4 of this Act, with special emphasis on the industry's contribution to the food security program of the national government.

SECTION 4 -Establishment of Sugar Cane Industry Development Fund

- a. There is hereby established a Sugar Cane Industry Development Fund ("Sugar Fund") to support the implementation of the development strategy identified in Sec. 3 of this Act.
- b. The Sugar Fund shall be administered by a Secretariat under the Sugar Regulatory Administration. The Sugar Fund Secretariat shall be composed of 7 members, as follows:
 - (a) The Administrator of the Sugar Regulatory Administration as Chairperson
 - (b) Two Representatives of sugarcane farmers/planters as member
 - (c) Two Representatives of sugar millers/refiners as member
 - (d) Two Representatives of bioethanol distillers as member
- c. Initially, the Sugar Fund shall be utilized for the following specific purposes:
 1. Finance the establishment of Special Economic Zones, nuclear farms or Agro-Industrial Sugarcane Districts as provided for in Section 3.A.2 of this Act;
 2. Provide financial assistance in the form of grant or guarantee fund and other suitable arrangements (e.g. Farmers Trust, Special Purpose Vehicles) with the sugarcane farmers, planters, millers, refiners and producers of other products from sugarcane covering the purchase of seedlings, high-yielding cane varieties, pesticides and fertilizer, acquisition of farm machinery and implements, construction of farm-to-mill or distillery roads, construction of irrigation systems, water impounding facilities and water distribution networks;
 3. Provide financial conduits or resources for industries harnessing the efficient use of energy potential of sugarcane such as the bioethanol and power cogeneration programs and utilization of farm wastes (such as cane trashes and bagasse as raw materials for pulp and paper, fiber boards, furfural, animal feeds, etc.) and other by-products using chemicals and biotechnologies;
 4. Conduct researches or feasibility studies to improve farm / mill efficiencies and productivities, identify areas for diversification,

identify and develop other markets for sugar and its by-products and co-products particularly in the area of bioenergy and the biochemical industry;

5. Training of mill and SRA personnel with current technologies on efficiency, productivity and diversification; and
 6. Finance socio-economic programs for sugarcane farmers through planters or farmers cooperatives or associations, agricultural /mill /refinery / distillery workers and other industrial workers of products directly derived from sugarcane including but not limited to the programs under RA 6982 (Strengthening the Social Amelioration Program in the Sugar Industry).
- d. The Sugar Fund shall be constituted out of the existing funds and appropriations for the agriculture and fisheries modernization such as:
1. The Agricultural Competitiveness Enhancement Fund (ACEF) – The Department of Agriculture in consultation with the Congressional Oversight Committee on Agriculture and Fisheries Modernization (COCAFAM), shall allocate annually from year 2014-2015 or until all ACEF funds are exhausted and shall continue with any extension thereof, a portion of ACEF to fund the infrastructure support projects of the sugarcane industry such as farm-to-mill or distillery roads and irrigation, product development, market research and Research, Development & Extension projects to include all its subsectors, namely, farm sector, sugar manufacturing sector, bioethanol sector, power generation sector and farm / mill support industries sectors.
 2. The General Appropriations for the Agriculture Sector – The DA shall provide allocation to the sugarcane industry and all its subsectors from its annual appropriations through the General Appropriations Act and / or from the Agriculture and Fisheries Modernization Act (AFMA) funds and include the programs / projects of the sugarcane industry in its annual expenditure prioritization plan for ten (10) successive fiscal years immediately upon the effectivity of this Act.
 3. All sugarcane-producing local government units (LGUs) shall allocate a portion of their Incremental Reformed-Value Added Tax-Internal Revenue Allotment (R-VAT-IRA) for infrastructure and Research, Development and Extension (R, D & E) projects of the sugarcane industry to include all its subsectors stated in Section 4.c.1.

SECTION 5. *Implementing Agency.* - The Sugar Regulatory Administration (SRA) shall implement the programs / projects funded by the Sugarcane Fund as recommended by the PMC. The SRA, through the Sugar Cane Fund Secretariat, shall formulate a Ten-year Sugarcane Industry Development Program (SIDP) which shall be reviewed and updated annually, in consultation with the major stakeholders of the sugarcane industry and its subsectors such as but not limited to the sugarcane farmers / planters, sugar millers / refiners, bioethanol distillers, and others which shall serve as basis for the program / project proposals that shall be submitted to the COCAF, the DA, and the LGUs for funding as provided for in Sections 4.c.1, 4.c.2 and 4.c.3.

SECTION 6. *Separability Clause.* - If any provision of this Act is declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SECTION 7. *Repealing Clause.* - All laws, decrees, executive orders and rules and regulations or part or parts thereof inconsistent with any provision of this Act are hereby repealed, modified or amended accordingly.

SECTION 8. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,