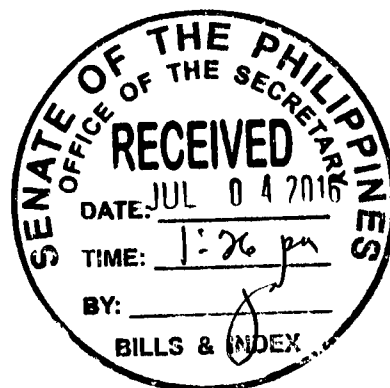


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE

Senate Bill No. 321

Introduced by Senator Cynthia A. Villar

**AN ACT ESTABLISHING A NATIONAL PROGRAM FOR THE COFFEE INDUSTRY
PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

The Philippines is one of the few countries that produces the four varieties of commercially-viable coffee: Arabica, Liberica (Barako), Excelsa and Robusta. Climatic and soil conditions in the Philippines - from the lowland to mountain regions - make the country suitable for all four varieties. Coffee can only be grown in the band surrounding the equator between the Tropics of Cancer and Capricorn—known as the “Coffee Belt”. Coffee has become one of the three most imbibed drinks across the globe. Coffee’s popularity is also largely due to the fact that it is a soothing, flavorful drink that has become very easy to obtain.

Coffee farming in the country is dominated by small farmers. The average size is 1-2 hectares (ha), with most of the farms being owned by the farmers themselves. Most of the farms are intercropped, such as with vegetables, coconut, fruit trees and even forest trees (especially in the case of Arabica coffee). There are very limited commercial scale plantations in the country.

Philippine imports of coffee raw, ground and unground, roasted and unroasted, extracts, preparations, primarily single-serve sachets) posted substantial increases over the past 20 years. Imports in 2011 were dominated by unroasted green Robusta, at 39 percent, and concentrates at 34 percent, while coffee preparations followed with 20 percent and unroasted green Arabica with six percent.

The bulk of value shipments came from Vietnam 42 percent followed by Indonesia at 21 percent, Malaysia, 18 percent, Thailand 9 percent, and South Korea at 4 percent.

Based on UN Trade map statistics, Philippine imports of coffee amounted to 24,200 tons in 2011 valued at US\$ 55.9 million.

In the Philippines, coffee has a history as rich as its flavor. The first coffee tree was introduced in Lipa, Batangas in 1740 by a Spanish Franciscan monk. From there, coffee growing spread to other parts of Batangas like Ibaan, Lemery, San Jose, Taal, and Tanauan. Batangas owed much of its wealth to the coffee plantations in these areas and Lipa eventually became the coffee capital of the Philippines. To many Filipinos, breakfast is not complete without a cup of coffee. In the provinces many pour coffee over their rice, turning it into a soup that adds heat and flavor to the meal.

By the 1860s, Batangas was exporting coffee to America through San Francisco. When the Suez Canal was opened, a new market started in Europe as well. Seeing the success of the Batangas, Cavite followed suit by growing the first coffee seedlings in 1876 in Amadeo. In spite of this, Lipa still reigned as the center for coffee production in the Philippines and Batangas barako was commanding five times the price of other Asian coffee beans. In 1880, the Philippines was the fourth largest exporter of coffee beans, and when the coffee rust hit Brazil, Africa, and Java, it became the only source of coffee beans worldwide.

The glory days of the Philippine coffee industry lasted until 1889 when coffee rust hit the Philippine shores. That, coupled with an insect infestation, destroyed virtually all the coffee trees in Batangas. In two years, coffee production was reduced to 1/6th its original amount. By then, Brazil had regained its position as the world's leading producer of coffee. A few of the surviving coffee seedlings were transferred from Batangas to Cavite, where they flourished. This was not the end of the Philippines' coffee growing days, but there was less area allotted to coffee because many farmers had shifted to other crops.


During the 1950s, the Philippine government, with the help of the Americans, brought in a more resistant variety of coffee. It was also then that instant coffee was being produced commercially, thus increasing the demand for beans. Because of favorable market conditions, many farmers went back to growing coffee in the 1960s.

Coffee is a global commodity. As one of the world's most traded products-second in value only to oil. The coffee industry employs millions of people around the world through its growing, processing and trading. Established in 1963, the International Coffee Organization (ICO) has operated under the International Coffee Agreements of 1962, 1968, 1976, 1983, 1994 and 2001. The agreements were negotiated under the authority of the United Nations. The Philippines became a member of the International Coffee Organization (ICO) in 1980.

Today, the Philippines produces 30,000 metric tons of coffee a year, up from 23,000 metric tons just three years ago. The top producers of coffee in 2011 were

SOCCKSARGEN, Davao Region and ARMM covering 66 percent of the national production. Domestic consumption is running at about 100,000 tons a year and demand is growing, according to the Philippine Coffee Board, a private sector marketing group. Despite substantial geographical advantages and its reputation as one of the world's great coffee producers, the Philippines cannot produce anywhere near enough beans to satisfy the market.

Expenditure for the country's top 10 agricultural imports, on the other hand, rose 9.44 percent to \$2.47 billion on 2015. These products are wheat, soybean oil/cake meal, milk and cream products, fertilizer, rice, bovine meat, palm kernel oil, sugar preparation, urea, and coffee. Agriculture trade deficit widened 113.02 percent in the first half of 2015 as imports continued to outpace exports, the Philippine Statistics Authority (PSA) reported.



CYNTHIA A. VILLAR
Senator

Sources:

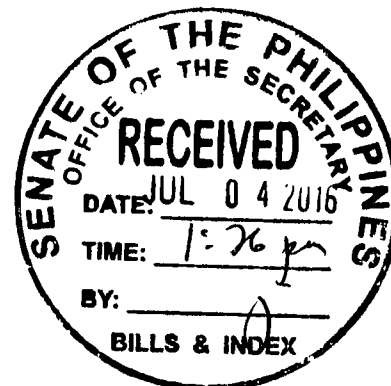
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*Be it enacted by the Senate and the House of Representatives of the Philippines in
Congress assembled:*

- 1 SECTION 1. Title - This act shall be known as the "Coffee Development Act of 2016."
- 2 SECTION 2. Declaration of Policy. - It is hereby declared the policy of the State to
3 promote the coffee industry as an income source of farmers and increase farm
4 productivity for sustainable development.
- 5 SECTION 3. Development of the Coffee Industry. - The Department of Agriculture
6 (DA), in consultation with the Department of Science and Technology, state
7 universities and colleges, farmer groups, local government units, and the private
8 sector, shall formulate necessary programs and projects for the advancement and
9 industry-wide development of coffee in the Philippines, as follows:
- 10 1. Organize systematic programs that could improve coffee production including
11 the development of effective production systems;
- 12 2. Promote the coffee as industry to investors;
- 13 3. Provide technical assistance on planting systems and rehabilitation of farms;
- 14 4. Develop efficient and productive processing technologies for coffee beans;
- 15 5. Allow, facilitate the establishment of credit programs in government banks for
16 coffee farmers;
- 17 6. Conduct research and other scientific studies on coffee;
- 18 7. Establish and maintain a germplasm collection and gene bank for coffee;
- 19 8. Provide marketing and promotions of coffee for domestic and export markets.
- 20 9. Classify coffee as a high value crop.

- 1
2 10. Establish a coffee processing facilities for farmers and farmer's organizations.
3 11. Coordinate and collaborate with other government and non-government agencies
4 involved in the development of the coffee industry.

5 SECTION 4. Creation of a National Coffee Board. There shall be a National Coffee Board
6 that shall direct, supervise and monitor the development and promotion of the coffee
7 Industry. The board shall be composed of:

- 8
9 a. The Secretary of the Department of Agriculture as Chairman;
10 b. The Secretary of the Department of Trade and Industry as Vice Chairman;
11 c. One (1) representative from the League of Municipalities where coffee is primarily
12 grown;
13 d. One (1) representative from an Non-governmental Organization working on coffee
14 production, research and development, processing or promotion;
15 e. One (1) representative from coffee growers;
16 f. One (1) representative from coffee traders;
17 g. One (1) representative from coffee processors.
18

19 SECTION 5. Secretariat of the Coffee Board. The Undersecretary of Agriculture in
20 Charge of Crops and the Head of the Bureau of Plant Industry shall be the Secretariat of
21 the Board. The Office of High Value Crops Development shall establish an office space
22 for the Coffee Board for their meetings.
23

24 SECTION 6. Appropriation. The amount of fifty million pesos (Php50,000,000.00) shall
25 be allocated from the Special Activities Fund of the President of the Republic of the
26 Philippines, or from any other sources that may be identified for the purpose for the
27 operation, industry development as contained in Section 3 hereof. Thereafter, such sum
28 required shall be included in the annual General Appropriations Act of the Department of
29 Agriculture.
30

31 SECTION 7. Separability Clause. All existing laws, rules and regulations or part thereof
32 inconsistent with the provisions of this Act are hereby repealed, superseded or modified
33 accordingly.
34

35 SECTION 8. This Act shall take effect fifteen (15) days after its complete publication in
36 the Official Gazette or in two (2) newspaper of national circulation.
37
38

39 ***Approved.***