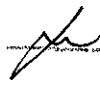


FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

7 JUL 26 2007

SENATE

RECEIVED BY: 

S. B. No. 1396

Introduced by Senator Loren Legarda

EXPLANATORY NOTE

This bill seeks to re-organize the National Food Authority (NFA) by dividing its commercial and regulatory functions and creating two agencies in lieu of the NFA to make it more efficient and effective in pursuing its mandate to ensure food security and stabilize supply and prices of staple food – rice.

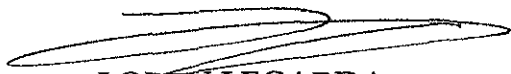
The NFA pursues its mandate by performing commercial and regulatory functions in the cereal/grains sector. Its commercial function involves procurement and distribution programs. The procurement program involves buying from produce of individual and organized farmers at prices that reflect government support to ensure that farmers earn a reasonable rate on their investment. The distribution program on the other hand seeks to make available affordable food supply to consumers. This twin program is directed at making food supply accessible and sufficient.

The productivity of the agriculture sector in the country is not sufficient to provide the needs of the consumers. This is brought about by inadequate support mechanisms to farmers such as access to irrigation, affordable credit, low-priced farm inputs, basic post-harvest facilities and reliable infrastructures such as farm-to-market roads. It has thus been difficult, under these conditions, for the country to attain self-sufficiency in staple food supply. Under these conditions, the NFA is forced to import rice to which has put a strain on government coffers.

Presently, the NFA rice importation program is sourced through borrowings which are guaranteed by the national government. In 2006, the NFA posted a deficit of P16 billion, the main cause of which is the losses it has incurred from its importation program as it is forced to buy at higher prices to meet the demands of the nation.

This bill seeks to address the need to re-structure the NFA and strengthen the management of its commercial functions for it to perform its core mandate in an efficient and sustainable manner. Separating the commercial functions under one entity and ensuring appropriations for such a function will lessen dependence on borrowings, would instill transparency and better handling of its finances. On the other hand, its regulatory functions (ex. price monitoring, licensing, registration), to be performed by a separate entity, shall be immune from losses due to the operations of the commercial activities.

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




LOREN LEGARDA
Senator

FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)

7 JUL 26 P3 E.

SENATE

RECEIVED BY: 

S.B. No. 1396

Introduced by Senator Loren Legarda

AN ACT
REORGANIZING THE NATIONAL FOOD AUTHORITY INTO THE NATIONAL
FOOD CORPORATION, REDEFINING ITS POWERS, AND CREATING THE
FOOD DEVELOPMENT AND REGULATORY ADMINISTRATION,
APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

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

SECTION. 1. Short Title - This Act shall be known as the "National Food Authority Reorganization Act of 2007".

SECTION. 2. Declaration of Policies - (a) It shall be the policy of the State to ensure that all Filipinos, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Towards this end, the State shall endeavor to increase the productivity of the grains industry and provide appropriate support to local farmers and agricultural producers to increase their efficiency and competitiveness.

SECTION. 3. Statement of Goals and Objectives - To carry out the foregoing policy, the government shall orient its programs towards the immediate attainment of the following goals and objectives.

1. To provide and make available production, financing and marketing technical services and infrastructures that will ensure sustainable food security by making Filipino Farmers globally competitive;
2. To provide rice farmers initially with a market for their *palay* and eventually the skills to market their own produce at remunerative prices;
3. To encourage the adoption in the processing and marketing phases of such proven systems as will reduce costs and improve the quality of there foodgrains and thereby bring about ultimately reasonable prices within the reach of great masses of the people;
4. To provide appropriate and adequate support aimed at integrating, improving and modernizing food grains marketing systems and facilities;
5. To provide and make available services including but not limited to marketing and technical services;
6. To promote modernization and optimum utilization of food grains post-harvest facilities and technology;
7. To promote developmental regulation aimed at enhancing competitiveness, transparency and responsibility in the food grains marketing industry;

8. To improve existing services and linkages in all sectors of the industry; to adopt all other measures for the foodgrains marketing industry as may be necessary achieve the foregoing policy.

SECTION. 4. Definition of Terms. For purposes of this Act, the definition of the following terms shall be used:

1. "Calamities" are fortuitous events which include acts of God such as but not limited to typhoons, floods, drought, earthquakes, volcanic eruptions, lahar flows, and acts of man such as political and/or civil disturbances, and widespread civil unrest;
2. "Capitalization" refers to the resources invested in the different lines of activity in the rice and corn business. For purposes of this Act, capitalization includes the cost of stocks, whether on consignment or bought on cash basis, cost of facilities and equipment, loans used in the business and amount of working capital.
3. "Diversion" shall mean any fact of the following circumstances:
 - a. unreasonable depletion of stocks;
 - b. selling or lending government stocks to another grains businessman;
 - c. selling or lending government stocks to beyond the maximum quantity or price allowed by the Administration;
 - d. storing and/or selling the government stocks in other places/stalls, other than duly authorized by law.
4. "Foodgrains" refers to palay, rice, white corn and corngrits.
5. "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 is affordable and available to all, through a combination of local production and importation, and consistent with the overall national government objectives; It shall imply people's access to food supplies on a year-round basis at stable and reasonable prices.
6. "Hoarding" shall mean the undue accumulation by any person or a combination of persons of any foodgrain beyond his or their normal inventory levels or the unreasonable limitation or refusal to dispose or, sell or distribute the stocks of any basic necessity or prime commodity to the general public or the unjustified taking out of any basic necessity or prime commodity from the channels of production, trade, commerce and industry.
7. "Licensing" shall mean the act granting an authority/privilege to a qualified applicant to engage in a particular line of activity in the rice and/or corn industry.
8. "Price Manipulation" shall mean the act of causing prices of essential commodities to fall or rise for one's own profit by changing or falsifying figures, accounts and other related information.
9. "Price Stabilization" refers to measures which ensure that realized fluctuations of foodgrains prices conform to people's expectations of such price movements.
10. "Rice Buffer Stock" is the inventory of rice equivalent to at least thirty (30) days national rice consumption by July 1 of every year. For stabilization purposes particularly in deficit areas and during lean production periods. This is inclusive of the 15 day Strategic Rice Reserve.
11. "Strategic rice reserve" is the inventory of rice to be maintained as a matter of national policy to ensure food security equivalent to a minimum of fifteen (15) days national rice consumption maintained year round in government depots to respond to calamities/emergencies.

Strategic Rice Reserve is inventory of rice to be maintained as a matter of national policy to ensure food security.

SECTION. 5. Policy Implementation - To execute the foregoing policy, there is hereby created a reconstituted body corporate known as the National Food Corporation (NFC) hereinafter referred to as the Corporation, which will be under the Office of the President, and the Food Development and Regulatory Administration (FDRA) attached to the Department of Agriculture.

SECTION. 6. The NFC Board - The powers and functions of the Corporation shall be vested in the Board which shall have the overall responsibility for formulating and coordinating a comprehensive for the development of the grains industry.

The Board shall be composed of eleven (11) members, seven (7) of which will be following:

1. Secretary of Department of Agriculture
2. Secretary of Department of Social Welfare and Development
3. Secretary of Department of Budget and Management
4. Secretary of Department of Trade and Industry
5. President of the Corporation
6. Representative from the Farmer Sector
7. Representative from the Agri-Business Sector

And the rest will be appointed by the President of the Philippines the Board shall elect. From among themselves the Chairman, the Vice-Chairman shall however be the President of the Corporation.

In the Absence of the Chairman, the President of the National Food Corporation shall act as the Chairman of the Board.

Within sixty (60) days from the approval of this Act, the President of the Philippines shall constitute the Board.

The Board shall meet regularly at least once a month on any date to be determined by the Chairman: Provided, That the Chairman may convene special meetings to discuss any urgent matters needing immediate resolution. The Board members shall be entitled to a minimum per diem of P10,000.00 for each meeting actually attended by them and other remuneration as may be determined by the Board. If the Department of Secretaries are unable to attend Board meetings they can send a representative which should however be the next rank of their respective offices.

The Board shall adopt rules and regulations to govern its proceedings and determine its official location and address.

SECTION. 7. Organization - The Corporation shall be governed by the NFC Board which shall approve the organizational structure and staffing pattern for officers and employees of the Corporation upon recommendation of the President of the Corporation, fix remuneration, emoluments, performance incentives and fringe benefits: Provided, that the President of the Corporation as may be assigned and delegated to him by the Board, any provision of existing law to the contrary notwithstanding.

SECTION. 8. Management - The management of the Corporation shall be vested in President who shall be appointed by, the President of the Philippines for a fixed term of three (3) years within sixty (60) days from approval of this Act, and who shall direct and manage the affairs of the Corporation subject to the policy supervision of the Board.

There shall be two (2) Executive Vice Presidents (EVPs) appointed by the Board, also for term of three (3) years, who shall assist the President in the performance of his functions. The President and Executive Vice-Presidents shall be persons of recognized competence and integrity with experience in the trading aspects of grains. Either one of the Executive Vice Presidents upon designation by the President of the Corporation shall perform the duties and exercise the powers and functions of the President in the absence of the latter.

There shall also be four (4) Vice Presidents (VPs), who shall be Career Officials and enjoy security of tenure provided they are Career Executive Service eligible. Lower ranking officials shall be also Career Executive Service Officials and/or Civil Service eligible and have security tenure.

The President, EVPs and VPs shall be natural-born citizens of the Philippines, not less than thirty-five years of age, of proven honesty and integrity and of recognized managerial competence.

The President shall receive a compensation to be determined by the Board but not less than Eight Hundred Forty Thousand Pesos (P840,000.00) per annum. The EVP shall receive a salary to be determined by the Board but not less than Seven Hundred Twenty Thousand Pesos (P720,000.00) per annum. The Vice-President shall each receive a salary to be determined by the Board but not less than Six Hundred Thousand Pesos (P600,000.00) per annum.

SECTION. 9. Power, Functions and Responsibilities of the Corporation.

1. To maintain and manage a national strategic rice reserve equivalent to at least fifteen (15) days of the national consumption at any time each year. The reserve shall be augmented by July 1 of each year to a total equivalent of around thirty (30) days national rice consumption or a volume to be determined by the President of the Philippines;
2. To exclusively undertake importation of rice for government duty/tariff free. Importation of other commodities may also be duty/tariff free subject to the approval of the President of the Philippines;
3. To own, or acquire ownership by purchase or otherwise, or to invest in, hold, sell or otherwise dispose of stocks or bonds or any interest in either or any obligation or evidence of indebtedness of any person, partnership, firm or corporation;
4. To issue debt instruments that are agri-agra eligible and guaranteed by the national government up to a maximum amount of Ten (10) Billion Pesos (P10,000,000,000.00). Borrowings beyond this amount that are to be agri-agra eligible and guaranteed by the national government must be already approved by the President of the Philippines;
5. To own, lease, operate or otherwise hold land, buildings, equipment, facilities and such other properties as may be necessary to carry out its functions;

6. To enter into contracts in the procurement and distribution of commodities in quantities and in location as may be determined by the concerned department/agencies;
7. To enter into, make, perform and carry out contracts of every class and description otherwise not prohibited by law;
8. To provide incentives to farmers in the form of shares of stocks;
9. To establish and structure its own internal organization as the need arises and to its the remuneration, emoluments allowances and other fringe benefits of its officers and employees as the Board may applicable. The personnel of the Corporation shall be covered by the rules and regulations of the Civil Service Commission and the Government Service Insurance (GSIS). This shall include the power to create contractual or project hire without need of DBM approval;
10. To create and establish subsidiaries, when deemed necessary by the Board;
11. To sue and be sued;
12. To exercise all the rights and powers of a domestic Corporation duly organized and registered with the Securities and Exchange Commission not otherwise prohibited by law;
13. Subject to the guidelines to be formulated by the Board, the Corporation is allowed to immediately negotiate with private or government entities in the business or trading, marketing, importing and exporting commodities.

SECTION. 10. Capitalization - The National Food Corporation shall start as a corporation on a clean slate. All liabilities of NFA shall be transferred to the National Government. The Corporation shall have a total authorized capitalization of Twenty (20) Billion pesos (P20,000,000,000.00) shall be in assets from the defunct NFA and Ten Billion Pesos (P10,000,000,000.00) shall be in cash of which P5 Billion should be immediately provided by the national government, the balance to be given at P 1 Billion a year for the next 5 years. The DBM is obliged to put there amounts in the President's Budget submitted to Congress.

The assets and unexpended appropriations of the defunct NFA are hereby transferred to the National Food Corporation, Food Development and Regulatory Administration or National Government to carry out the purpose of this Act. Land where NFA assets that maybe considered by the Corporation or Administration as critical and owned by other government entities are deemed transferred to the Administration or the Corporation.

SECTION. 11. The remaining functions, resources and personnel of the defunct National Food Authority (NFA) created under Presidential Decree No. 4 as amended, shall evolve into the Food Development and Regulatory Administration.

SECTION. 12. Food Development and Regulatory Administration (FDRA) - there is hereby create a Food Development an Regulatory Administration herein referred to as FDRA which shall carry out regulatory as well as scientific and developmental functions for strengthening the efficiency of the food supply chain in order to increase the value of farmer's produce as a component of food products for export as well as against imports.

FDRA shall be responsible for the implementation and enforcement of the regulatory powers of the former National Food Authority in relation to grains and the functions of the Bureau of Agriculture and Fisheries Product Standards (BAFPS) in relation to non-grains food commodities and shall assume new development functions. It shall carry out activities which are not within the mandates and/or which need to

overarch the mandates of the various bureaus in the Department of Agriculture and other government agencies.

To formulate and monitor the implementation of the policies of the Administration, there is hereby create a Food Development and Regulatory Administration Council, hereinafter referred to as the Council.

SECTION. 13. Composition of Food Development and Regulatory Administration Council (FDRAC) - The Secretary of Agriculture shall serve as Chairman of the Council, with the Bureau Executive Director as Vice-Chairman and with the following as members:

1. Secretary of the Department of Justice
2. Secretary of the Department of Trade and Industry
3. Secretary of the Department of Interior and Local Government
4. Secretary of the Department of Budget and Management
5. A Representative from the Farmer Sector
6. A Representative from the Consumer Sector
7. A Representative from a Federation of Grains Business Organization

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 Ten Thousand Pesos (P10,000.00) for each meeting actually attended by them and other remuneration as may be determined by the Council.

If for any reason a member of the Council is unable to attend a meeting he shall be represented therein by the next ranking officer of the office or agency he represents.

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

The Administration shall be headed by an Administration with the rank of an Undersecretary and be assisted by two (2) deputy Administration with the rank of an Undersecretary and be assisted by two (2) Deputy Administrators with the rank of Assistant Secretaries. One Deputy Administrator shall be a lawyer and a member of the Philippine Bar shall be responsible for the regulatory functions while the other Deputy Administrator shall take charge of the developmental functions of the Administration.

SECTION. 14. Powers and Functions of the Administration - in order to effectively carry out its functions and responsibilities under this Act, the Administration which shall be governed by the Food Development and Regulatory Administration shall have the following duties and powers:

1. To register, license and supervise persons, natural or juridical who shall engage in the business of providing goods and services in support of the different activities involved in the production, processing, transporting, marketing and trading of grains and/or their substitutes and to prescribe, impose and collect fees, charges and/or surcharges in licensing and regulating the operations of such persons.

2. To register, license and supervise natural or juridical, engaged in the wholesale and/or retail business of rice, corn and other grains and their substitutes and their by-products/end-products and to impose and collect fees to be determined by the Administration.
3. To register, license and supervise natural or juridical, engaged in the processing or manufacture of goods where rice, corn and other grains and/or by products in which case it shall impose the nominal fees to be determined by the Administration.
4. To promote and organize interrelationships among industry stakeholders.
5. To inspect foodgrains stored in private warehouse for purposes of taking inventory and monitoring commercial stocks, prices and stocks movement.
6. To register and license persons in the grains business, including their facilities and equipment.
7. To introduce more efficient postharvest systems and technologies; and
8. To coordinate research and development activities on foodgrains.
9. To regulate the foodgrains quedan system.
10. To register, license and supervise warehouse used for foodgrains storage, whether bonded or not, and mills; and to prescribe, impose and collect fees, charges, and/or surcharges in licensing and regulating warehouses and mills.
11. To establish rules and regulations governing the importation of rice and to license, impose and collect fees and charges for said importation for the purpose of equalizing the selling price of such imported rice with the normal prevailing domestic prices.
12. To establish rules and regulations governing the export of rice, corn and other grains and/or their substitutes and their by-products/end-products and to collect fees and charges for such exportation at rates to be determined by the Administration.
13. To identify, develop and implement regulations, standards codes of practice that will increase the competitiveness of food exports and or local food products against imports, and to establish and/or collect data in support of making regulations and standards.
14. To certify to the quality and safety of fresh and processed foods meeting the standards and codes of practices established by FDRA.
15. To establish networks with international and national institutions for developing and accessing up-to-date technologies.
16. To organize members of the food supply chain and promote their interaction in the use of new technologies and systems.
17. To engage professional consultants to facilitate the in-house development of expertise and development of expertise and the rapid transfer of technology and information to stakeholders.
18. To avail of foreign grants and development aid to support its development thrusts and to ensure that technologies and expertise are up-to-date.
19. To charge fees to regulatory and development tasks as necessary, to ensure appropriate implementation of activities and functions and to utilize these fees for its operations.
20. To provide for the enforcement of the provisions of this Act or any Regulations issued or which may hereafter be issued pursuant thereto, the implementation and enforcement of which is vested with and Administration, and for violation thereto, shall impose administrative fines and penalties, to conduct investigations and to requires by subpoenas and/or subpoena "duces tecum" the attendance and testimony of witnesses the production of books, papers documents, exhibits, records, evidence; to administer oath by himself or his duly authorized representative, and make arrests. Any case of contumacy shall

be dealt with in accordance with the provisions of Section Five Hundred Eighty (580) of the revised Administrative Code. Any fine imposed and collected under this paragraph shall form part of Administration's funds

21. To own, lease operate or otherwise hold hands, buildings, equipment and such other immovable properties, as may be necessary to carry out its functions.
22. To enter into, make, perform and carry out contacts of every class and description necessary or incidental to the realization of its function with other person, firm or corporation, private or public.
23. To inspect palay, rice, corn, corn grits and other grains and their substitutes and or their by- products/end-products stored by any person, partnership, corporation or association, for purposes of taking inventory and record of such commodities, and to enter the premises thereof by the use of reasonable means.
24. To order the seizure, whenever there is concerning, hoarding, or improper acquisition of stocks as may be defined by the Administration of rice and/or corn and/or other grains and substitutes and/or their by-products/en-products thereof, including facilities and equipment used in said activities, or whenever there is a scarcity of supply of such commodity in the consumer market and/or an unwarranted increase in the price thereof, of the hoarded commodity and its public sale in such quantity as may be needed to stabilize prices to normal levels.
25. To immediately auction perishable stocks and hold the proceeds in trust while legal proceedings are being undertaken.
26. To establish and enforce standards in grading, sampling and inspection, tests and analysis, specification, nomenclature, units of measurement, code of practice and packaging, conservation, and transport for food items and to effect a transition of standards in measurement for food from volume to weight, and in metric system.
27. To coordinate the activities of all government agencies engaged in the study, research and promotion of measures desired to enhance the integrated growth and development of the foodgrains industry and to improve the processing and marketing the standards of rice, corn and other foodgrains, such as methods of drying, handling, hauling, storage, milling, packaging, distributing and shipping these foodgrains and their byproducts.
28. To call upon and/or deputize any official of such government agencies as may be necessary to assist the Administration in carrying out its functions.
29. To sell, lease, mortgage, pledge or otherwise dispose of the property assets or undertaking of the Administration or any part thereof as the Administration may deem fit.
30. To adopt, alter and use a corporate seal which shall be judicially noticed to sue and be sue; and otherwise to do and perform any and all powers as may be necessary to carry into effect the provisions of this Act or as are essential to proper conduct of its operations.
31. To promulgate such rules and regulations as may be necessary to carry out the provisions of this Act. Such rules and regulations shall take effect fifteen (15) days following their publication once in at least one daily newspaper of national circulation.
32. To promulgate its own rules and procedures and operations in general, including matters of quorum and of organization and appointment of subcommittees throughout the Philippines and to keep a record of its meetings with reference to the standards of foodgrains whether passed or not, if passed and classification thereof.
33. To retain revenues and fees generated to finance reward and incentive system for program such as but not limited to anti-hoarding, anti-smuggling and

agriculture development programs subject to guideline to be formulated by the Council.

34. To establish and structure its own internal organization as the need arises and to fix remuneration, emoluments, allowances, and other fringe benefits of its officers and employees as the Council may deem fit.
35. Undertake the division of the country into regions or districts and promote the grouping of existing fragmented private foodgrains establishments therein into organized foodgrains corporation or cooperatives that can serve as the pattern or base for foodgrain milling districts to certain grain production potential and/or for economic sized foodgrain warehousing, milling, packaging and distribution complex.
36. To regulate other agricultural and fishery commodities that the Council may assign to the Administration.
37. To be exempted from real estate taxes for its properties.

SECTION. 15. Offenses and penalties - Notwithstanding the provisions of any law or regulations to the contrary, and for purposes of carrying out the provisions of this Act, the following acts or missions are hereby considered as serious, less serious and light offenses and corresponding penalties therefore are herein prescribed:

a) Serious Offenses - Any of the following acts or omissions shall constitute a serious offense:

1. Cornering or hoarding of foodgrains resulting in artificial shortage or scarcity of supply and increase of prices thereof in any part of the country;
2. Any act of the following circumstances: unreasonable depletion of stocks; selling or lending government stock to another grains businessmen; selling or offering to sell the government stocks beyond the maximum quantity or price allowed by the Administration; storing and/or selling the government stocks in other places/stalls, other than duly authorized law.
3. The act of causing prices of essential commodities to fall or rise for one's own profit by changing or falsifying figures, accounts and other related information.
4. Printing issuing, or knowingly using, processing or negotiating a canceled, unauthorized, illegal, counterfeit or falsified warehouse receipt.
5. Failure or refusal of the responsible officials to turn over or remit the collection.
6. Failure or refusal of foodgrains warehouseman, without any lawful excuse, to deliver foodgrains deposited with him: provided, however, that the warehouseman shall be entitled to the allowance authorized for depreciation of the foodgrains deposited.

The Offender shall, upon conviction, be punished by imprisonment of not less than six(6) years and one (1) day or nor more than twelve (12) years, or a fine of not less than two hundred thousand pesos (P200,000.00) nor more than two million (P2,000,000.00) Pesos or both such fine and imprisonment at the discretion of the court.

b) Less Serious Offenses

1. *Connivance in the concealment of a stock shortage in a foodgrains warehouse;*
2. Knowingly submitting any report containing false information or data;

3. Misrepresentation in connection with any application for license to do business as foodgrains warehouseman, miller, exporter or importer or trader, manufacturer or processor;
4. Failure or refusal of a warehouseman to allow the inspection or examination of this foodgrain stocks to conceal shortage or to misrepresent the quantity or quality of his foodgrain stocks, including the impending of such inspection and examination by abandonment, absence or otherwise;
5. Engaging in the business of foodgrains threshing, shelling warehousing, milling, exporting, trading, growing and selling of certified seed, manufacturing or processing without a valid license;

The offender shall, upon conviction, be punished by imprisonment of not less than (4) years and one day nor more than eight (8) years, or by fine of not less than one hundred thousand pesos (P100,000.00), nor more than One Million Pesos (P1,000,000.00), or both such fine and imprisonment, at the discretion of the court.

c) Light Offenses - Any of the following acts or omissions shall constitute a light offense:

1. Noncompliance with the rules, regulations, decisions, order circulars or directives lawfully issued by the Council, provided noncompliance does not constitute a higher offense as herein above provided;
2. Selling or offering to sell to the Corporation by any person of palay or corn or other foodgrains other than that directly produced by him as farmer or shared by him as tenant or landlord, knowingly buying such foodgrains by any personnel for the Corporation; connivance by any person in the selling or buying of such foodgrains; and
3. Any other violation of the provision of this Act for which no specific penalty is prescribed and which not punished under any other existing laws.

The offender shall, upon conviction, be punished by imprisonment of not less than two (2) years nor more than four (4) months, or a fine of not less than fifty thousand (P50,000.00) Pesos nor more than Five Hundred Thousand (P500,000.00) or both such fine and imprisonment, at the discretion of the court.

SECTION. 16. Transfer of Mandates - the following other mandates of the defunct National Food Authority shall be transferred to the following agencies;

1. Programs directly relating to food subsidies for the poor particularly the targeted Rice Distribution Program (CFFAP) to the Department of Social Welfare and Development.
2. Stabilization of prices and supply of grains at the farm gate to Department of Agriculture (DA)
3. Stabilization of supply and prices of rice at consumer level will be the responsibility of the DTL.

These government agencies shall be responsible for sourcing of funds for these programs and shall exclusively commission the NFC to perform and above service for a fee which shall include but not be limited to losses/subsidies to be incurred by the program, overhead expenses plus a reasonable margin for the Corporation.

SECTION. 17. Appropriation of the Administration - the amount necessary to finance the initial implementation of this Act insofar as the Food Development and Regulatory Administration is concerned shall be charged against the existing appropriations/resources of the NFA. Thereafter, such sums as may be needed for the Administration operations and maintenance shall be included by DBM as part of the President's budget proposal each year including the farm-gate palay price stabilization and targeted rice distribution programs of the government.

SECTION. 18. Restructuring/Reorganizing of the National Food Authority - Permanent officials and employees of the national Food Authority who choose to leave government service or who prefer to retire, if qualified for retirement shall be given a Separation Incentive Package (SIP) equivalent to the following scale:

1-20 years - 1.5x gross monthly pay of service for the first 20 years

21-30 years - 2.0x gross monthly pay x yr of service in excess of 1st 20 years

More than 30 years - 2.5x gross monthly pay x yr. of service in excess of 1st 30 years

In addition to other retirement benefits to which they are entitled to under existing laws and regulation. Employees who opted to retire under RA 1616 shall receive only 1.5 gross monthly pay for every year of service under SIP. For those who want to stay and are not absorbed in the Corporation shall be automatically placed in the Administration. They shall retain their remuneration and seniority. No new hiring in the Administration and Corporation shall be

Gross monthly pay = Basic Pay + PERA + LOP

Allowed until all NFA employees have been properly placed. No NFA personnel shall be involuntarily separated. For the purpose of SIP there is hereby appropriated a sum to be determined by Finance Group or so much thereof as may be necessary, out of any funds or resources of NFA, any deficiency shall be automatically appropriated in the succeeding year's GAA. If for any reason funding for the SIP is inadequate people who have chosen to be separated but not received their benefits can choose to stay or be reinstated and will retain their previous remuneration and rank.

To provide continuity in the operation of the Corporation, all incumbent personnel of the defunct National Food Authority shall continue to exercise their respective duties and functions and receive their corresponding salaries and benefits until the organizational structures and staffing patterns of the National Food Corporation and Food Development and Regulatory Administration have been approved by the Corporation and the Administration respectively.

SECTION. 19 Transitory Provisions - to effect a smooth transaction officials and employees of NFA who choose to avail of the SIP may be requested to temporarily stay on for a period of not longer than three (3) years without losing their right to avail SIP. Employees and Officials of the Administration not yet properly placed within three (3) years can still choose to avail SIP during this period. The Board and the Council shall appoint three (3) representatives each to constitute a group that will act as mediators in setting issues as to which assets and personnel will go to which organization. In any event the right and privileges of officials and employees of NFA and FDRA shall be adequately protected. The Corporation will, however has priority in deciding which asset will comprise the P10 billion of capitalization. The Chairman of this group will be appointed by the President of the Philippines.

SECTION. 20. Repealing Clause ~ All laws, decrees, executive orders, rules and regulations issuance or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION. 21. Separability Clause ~ the provisions of this Act are hereby declared to be separable and in the event one or more such provisions are held unconstitutional, the validity of the other provisions shall not be affected thereby.

SECTION. 22. Effectivity Clause ~ this Act shall take effect fifteen (15) days after its complete publication in at least two (2) national newspapers of general circulation.

Approved,