

FOURTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )

8 OCT -8 9138

**SENATE**

RECEIVED BY: 11

S. No. 2670

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Introduced by **Senator FRANCIS G. ESCUDERO**

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### **EXPLANATORY NOTE**

Despite the resolute plans and programs, the intended acceleration of the development of the local dairy industry has never materialized since the inception of the National Dairy Authority in 1995 by virtue of Republic Act (RA) No. 7884. This Dairy Law is never fully funded and thus has severely hampered the development efforts of the Authority.

The Authority has struggled and made use of its very limited resources to move the local dairy industry, which resulted in very modest gains as manifested by the growing enthusiasm to go to dairy by the farmer sector, the cooperative sector, the local government sector and the non-government sector. Likewise, local consumers are now aware and appreciative of the health and economic contribution of having local milk on their tables, especially in the rural areas and in selected urban areas where local milk has been an important ingredient of well-known coffee brands/chain shops.

The Authority however, is constrained to institute milk safety measures directly on milk product imports because it does not have any regulatory power. At present, the regulation of milk products rests on the combined efforts of the Bureau of Animal Industry (BAI) for issuance of import permit clearance, the Bureau of Agriculture & Fishery Product Standards (BAFPS) for fresh milk product standardization, the Bureau of Food and Drugs (BFAD) for registration, labeling and testing of processed milk products and the Department of Trade (DTI) for the monitoring of prices of milk products.

We do not want, and we must never opt, another milk scare in our midst, where a significant number of children died in China due to melamine contamination, an obvious lapse in the observance of milk safety protocols.

It is hoped that this legislation shall be instrumental in gearing up the Authority to act potently in steering the local dairy industry to the road to progress. Producing and buying local milk means rural development, and rural development means economic progress, and economic progress means a stable nation.

Immediate approval of this Act is thus earnestly sought.

A handwritten signature in black ink, appearing to be 'Francis G. Escudero', written over a horizontal line.

FRANCIS G. ESCUDERO

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Introduced by Senator FRANCIS G. ESCUDERO

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**AN ACT**  
**AMENDING REPUBLIC ACT NUMBERED 7884, OTHERWISE**  
**KNOWN AS THE "NATIONAL DAIRY DEVELOPMENT ACT**  
**OF 1995"**

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

1 **SECTION 1.** Sections 5, 6, 14, 16, 18 and 22 of Republic Act No. 7884 are  
2 hereby amended to read as follows:

3 *"Sec. 5. The Dairy Industry Board. —* The National Dairy Authority shall  
4 be governed by a Dairy Industry Board, hereafter referred to as the "Board", to  
5 be composed of the following:

6 (a) The Secretary of Agriculture, as chairperson;

7 (b) The NDA Administrator, as an ex officio member;

8 (c) The Secretary of Trade and Industry, as member;

9 (d) The Secretary of Health, as member;

10 (e) The Secretary of Education, Culture and Sports, as member;

11 (f) The Secretary of Science and Technology, as member;

12 (g) The Secretary of Agrarian Reform, as member;

13 (h) The {Director of the Dairy Training and Research Institute, as  
14 member} **SECRETARY OF THE DEPARTMENT OF SOCIAL WELFARE**  
15 **AND DEVELOPMENT**, as member; and

1           (i) Four (4) other members who shall be appointed by the President of  
2 the Philippines upon the recommendation of the chairperson: *Provided, That*  
3 one (1) shall come from the **COMMERCIAL MILK PROCESSOR'S GROUP**  
4 **AND THE OTHER THREE (3) FROM THE** dairy cooperatives and/or  
5 national dairy federation, with one representative each from Luzon, Visayas  
6 and Mindanao: *Provided, further, That* they will hold office for a period of  
7 three (3) years from the date of their respective appointments without  
8 reappointment; *Provided, finally, That* any member appointed to a vacancy  
9 shall serve only for the unexpired term of the member whom he succeeds.

10           **THE BOARD, AS THE GOVERNING AND POLICY**  
11 **DETERMINING BODY OF THE AUTHORITY, SHALL HAVE, AMONG**  
12 **OTHERS, THE POWER TO:**

13           **(A) CREATE RELEVANT ORGANIZATIONAL UNITS ALONG**  
14 **WITH THE REQUIRED MANPOWER RESOURCES AND LOGISTICS**  
15 **SUPPORT SO AS TO RESPOND TO THE DEMAND OF THE INDUSTRY;**

16           **(B) REVIEW AND REORGANIZE THE AUTHORITY SO AS TO**  
17 **MAINTAIN EQUAL REPRESENTATION FROM THE GOVERNMENT**  
18 **AND THE PRIVATE SECTOR;**

19           **(C) DESIGN AND IMPLEMENT PERSONNEL DEVELOPMENT**  
20 **AND COMPENSATION PACKAGES, PROVIDED THAT THE**  
21 **AUTHORITY HAS SUFFICIENT FUNDING TO DO SO COMING FROM**  
22 **ITS REVENUE GENERATING ACTIVITIES OR OPERATIONS;**

23           **(D) ENACT SOUND AND REASONABLE POLICIES FOR THE**  
24 **AUTHORITY TO ENGAGE IN DAIRY RELATED BUSINESS**  
25 **ACTIVITIES, LIKE PRODUCTION, PROCESSING, PACKAGING,**  
26 **DISTRIBUTION, PROMOTION, TRADING, BUSINESS CONSULTING**  
27 **AND MANAGEMENT SERVICES; PROVIDED THAT THE ANNUAL**  
28 **NET INCOME GENERATED FROM SUCH ACTIVITIES DOES NOT**  
29 **EXCEED TEN PERCENT (10%) OF THE COMBINED TOTAL DAIRY**  
30 **PRODUCTS SOLD IN THE MARKET BY DAIRY COOPERATIVES,**  
31 **COMMERCIAL MILK PROCESSORS, DAIRY IMPORTERS AND**  
32 **TRADERS BASED ON THEIR LATEST ANNUAL SALES RECORD, OR**  
33 **TEN PERCENT (10%) OF THE VALUE OF THE LAST YEAR'S TOTAL**  
34 **DAIRY IMPORTS MADE, WHICHEVER IS HIGHER; AND**

1           **(E) ESTABLISH SUBSIDIARIES OR INVEST IN PRIVATE**  
2 **CORPORATIONS, WHENEVER REASONABLY NECESSARY AND**  
3 **APPROPRIATE, PURPOSELY TO AUGMENT OR SUPPLEMENT THE**  
4 **OPERATIONS OF THE AUTHORITY PROVIDED THAT ITS TOTAL**  
5 **EXPOSURE DOES NOT EXCEED TWENTY FIVE PERCENT (25%) OF THE**  
6 **AUTHORITY'S CURRENT NET EQUITY."**

7  
8           *"Sec. 6. Powers and Functions of the National Dairy Authority. — The*  
9 *National Dairy Authority shall have the following powers and functions:*

10           (a) To formulate and execute dairy programs that will generate a  
11 national impact on rural as well as urban nutrition levels and incomes;

12           (b) To assist in the purchase, importation, propagation, storage,  
13 distribution and sale of dairy equipment and engineering supplies and such  
14 other inputs as may be needed by the dairy industry;

15           (c) To encourage the integration of dairy production and local milk and  
16 the distribution of dairy products into various rural livelihood and nutrition  
17 programs;

18           (d) To assume control and supervision over all dairy-related  
19 government agency personnel and programs, including the Bureau of Animal  
20 Industry's Dairy Division, the Livestock Development Council's Dairy  
21 Division, the Philippine Dairy Corporation, Livelihood Corporation's Laguna  
22 Processing Center and other dairy related government agencies, division,  
23 councils subject to the guidelines prescribed by the Civil Service Commission;

24           (e) To borrow, raise or obtain funds; to issue bonds and other  
25 instruments of indebtedness; or to enter into any financial or credit  
26 arrangement in order to support or carry out its objectives and purposes,  
27 subject to pertinent laws governing public debts and expenditures;

28           (f) To receive grants, subsidies, donations or contributions from  
29 corporations, thrusts, foundations, associations and other sources from any  
30 private or government office, agency or corporation in the Philippines or  
31 abroad;

32           (g) To establish, maintain or operate field units or offices in various  
33 parts of the country in order to utilize the objectives of this Act;

34           (h) To help design and implement a credit system that will finance  
35 dairy farmers and dairy cooperatives or associations;

1 (i) To charge reasonable fees for services rendered for the attainment of  
2 the objectives of this Act;

3 (j) To promulgate rules and regulations to carry out the provisions and  
4 policy objectives of this Act; [and]

5 (k) To adopt, alter and use a corporate seal; to sue and be sued; and  
6 otherwise to do and perform all acts or exercise all powers as may be  
7 necessary or incidental to carry out the objectives of this Act[.] ;

8 (L) TO SET UP A ONE STOP SHOP INSPECTION AND  
9 SURVEILLANCE CENTER TO BE NAMED AS THE DAIRY INSPECTION  
10 AND SURVEILLANCE CENTER (DISC) AND ENLIST THE ASSISTANCE  
11 FOR SUCH PURPOSE OF THE MILK AND DAIRY INSTITUTE OF THE  
12 PHILIPPINE (MDIP), BUREAU OF AGRICULTURAL & FISHERIES  
13 PRODUCT STANDARDS (BAFPS), BUREAU OF FOOD & DRUGS  
14 (BFAD), FOOD DEVELOPMENT CENTER (FDC), FOOD & NUTRITION  
15 RESEARCH INSTITUTE (FNRI), PHILIPPINE NUCLEAR RESEARCH  
16 INSTITUTE (PNRI), NATIONAL CONSUMERS WELFARE GROUP AND  
17 OTHER LOCAL OR FOREIGN ENTITIES;

18 (M) TO MONITOR, ON THE BASIS OF EXISTING SUBSTANTIVE  
19 EVIDENCE, ENTITY, NATURAL OR JURIDICAL, ENGAGED IN ANY  
20 DAIRY PRODUCTION AND MARKETING MALPRACTICE AS  
21 DEFINED HEREUNDER AND, FOR THE SAID PURPOSE, CALL UPON  
22 THE BUREAU OF CUSTOMS (BOC), THE PHILIPPINE PORTS  
23 AUTHORITY (PPA), THE PHILIPPINE COAST GUARD (PCG), THE  
24 PHILIPPINE NATIONAL POLICE (PNP), THE NATIONAL BUREAU OF  
25 INVESTIGATION (NBI) AND OTHER LAW ENFORCEMENT AGENCIES  
26 OF GOVERNMENT TO CONDUCT INTELLIGENCE AND COUNTER-  
27 INTELLIGENCE OPERATIONS;

28 FOR PURPOSES OF THIS PROVISION, DAIRY  
29 PRODUCTION AND MARKETING MALPRACTICES SHALL  
30 CONSIST OF ANY OF THE FOLLOWING: A) UNHYGIENIC FARM  
31 AND PLANT PRACTICES WHICH TEND TO CONTAMINATE MILK  
32 AND MILK PRODUCTS; B) ADULTERATION OF RAW MILK BY  
33 ADDING WATER; C) UNCLEAN HAND MILKING WHICH TEND  
34 TO CAUSE MASTITIS AND THUS CONTAMINATE MILK; D)  
35 DUMPING OF IMPORTED MILK PRODUCTS; E) UNDECLARED  
36 STOCKING OR INVENTORY, BUFFERING OR HOARDING; F)

1 UNFOUNDED PRICE HIKING; AND G) MISLABELING, AND  
2 OTHERS THAT MAYBE IDENTIFIED IN THE IMPLEMENTING  
3 RULES & REGULATIONS (IRR);

4 (N) TO CONDUCT REGULAR VISITS OR, IF NECESSARY, DO  
5 SPOT INSPECTIONS OF DAIRY FACILITIES SUCH AS BUT NOT  
6 LIMITED TO LABORATORIES, PLANTS, MARKET OUTLETS AND  
7 WAREHOUSES; AND

8 (O) TO REQUIRE OR ENJOIN ALL SECTORS INVOLVED IN  
9 DAIRY RELATED BUSINESSES TO SUBMIT REGULARLY RELEVANT  
10 REPORTS, ACTUAL AND PLANNED, SUCH AS, BUT NOT LIMITED  
11 TO, PRODUCTION, INVENTORY, DISTRIBUTION, MARKET, SALES,  
12 PRICING AND COSTS.”

13

14 “Sec. 14. *Dairy Development Fund.* — To implement [Section 13] THE  
15 PROVISIONS of this Act, there is hereby created a Dairy Development Fund  
16 which shall be used exclusively for the [above-mentioned] programs,  
17 PROJECTS AND ADDITIONAL FUNCTIONS AND DUTIES OF THE  
18 AUTHORITY AS PROVIDED FOR IN THIS ACT in the amount of [Two  
19 hundred million pesos (P200,000,000)] FIVE BILLION PESOS  
20 (P5,000,000,000.00) from the funds in the National Treasury not otherwise  
21 appropriated FOR A PERIOD OF FIVE (5) YEARS. [Annually thereafter, the  
22 amount of not less than One hundred forty million pesos (P140,000,000) shall  
23 be provided to augment the fund in the General Appropriations Act.] THE  
24 INITIAL RELEASE SHALL BE MADE UPON THE EFFECTIVITY OF THIS  
25 ACT WHICH SHALL NOT BE LESS THAN ONE BILLION PESOS  
26 (P1,000,000,000.00). IN ORDER TO REALIZE THIS FUNDING THERE  
27 SHALL BE, AMONG OTHERS, AN AUTOMATIC BUDGET  
28 ALLOCATION EQUIVALENT TO TWENTY-FIVE (25%) PERCENT OF  
29 THE ANNUAL VALUE-ADDED TAX COLLECTIONS FROM THE SALE  
30 OF LOCAL AND IMPORTED DAIRY PRODUCTS, RAW MATERIALS,  
31 DAIRY EQUIPMENT AND OTHER DAIRY RELATED PRODUCTS.”

32 “Sec. 16. *Nutrition Programs.* — [The government's] ALL nutrition  
33 programs requiring milk and dairy products shall be PRIMARILY sourced  
34 from small farmers [and], dairy cooperatives AND LOCAL PRIVATE

1   **PRODUCERS AS DULY CERTIFIED BY** [in coordination with] the  
2   Authority.”

3           **“Sec. 18. Exemption from Taxes and Duties.** — The authority shall be  
4   exempt from the payment of customs duties and taxes on the importation of  
5   dairy animals, veterinary and other supplies, other farm inputs, dairy  
6   equipment and machineries, including its spare parts, for distribution to dairy  
7   cooperatives subject to the following conditions:

8           (1) That said equipment and machineries, including its spare parts are  
9   not manufactured domestically in sufficient quantity, of comparable quality  
10   and reasonable prices;

11          (2) That it shall be actually, directly and exclusively used by the dairy  
12   cooperatives in the manufacture of its products;

13          (3) That it shall not be disposed within three (3) years from acquisition,  
14   without prior approval of the Authority; and

15          (4) If it will be subsequently sold, transferred or exchanged in the  
16   Philippines to non-exempt persons or entities, the purchasers or recipients  
17   shall be considered the importers thereof, and shall be liable for the customs  
18   duties and internal revenue taxes due on such importations. The customs  
19   duties and internal revenue taxes due on such articles shall constitute a lien  
20   on the article itself, superior to all other charges or liens, irrespective of the  
21   possessors thereof.

22          Any donation, contribution, bequest, subsidy or financial aid which  
23   may be made to the Authority shall constitute as allowable deduction from  
24   the income of the donor for income tax purposes and shall be exempt from  
25   donor's tax, subject to such conditions as provided under the National  
26   Internal Revenue Code, as amended.

27          Small farmers and small farmers' dairy cooperatives shall be exempt  
28   from all taxes on proceeds from sale of raw milk and milk products.



1 Milk processors shall enjoy a presumptive input tax credit of four  
2 percent (4%) of the value of their gross purchases from small farmers and  
3 small farmers' dairy cooperatives.

4 **MILK PROCESSORS AND PRODUCERS SHALL BE GIVEN A TEN**  
5 **PERCENT (10%) TAX REBATE FOR THE COST OF ANNUAL DAIRY**  
6 **ADVERTISEMENT EITHER IN PRINT, TELEVISION OR RADIO,**  
7 **PROVIDED THAT SAID PROCESSORS AND PRODUCERS ARE USING**  
8 **ONLY LOCAL MILK FOR THEIR PRODUCTS.**

9 **ENTITIES, NATURAL OR JURIDICAL, WHO SPONSOR SOCIAL**  
10 **MILK FEEDING PROGRAM OF THE GOVERNMENT SHALL BE**  
11 **ENTITLED TO A FULL TAX CREDIT DEDUCTION EQUIVALENT TO**  
12 **THE ACTUAL COST OF SUCH SPONSORSHIP.**

13 **THE SAME FULL TAX CREDIT SHALL LIKEWISE BE ACCORDED**  
14 **TO ENTITIES, NATURAL OR JURIDICAL, WHO ARE ENGAGED IN**  
15 **FARM OPERATIONS THAT EXCLUSIVELY PRODUCE MILK FOR**  
16 **DOMESTIC AND FOREIGN CONSUMPTION, COMMERCIALY OR**  
17 **OTHERWISE."**

18 **"Sec. 22. Penalty Clause. — Any person or entity found guilty of**  
19 **violating any provision of this Act, shall be sentenced to an imprisonment of**  
20 **not more than six (6) months or a fine of [not more than Twenty thousand**  
21 **pesos (P20,000.00) or both upon the discretion of the Court] ONE MILLION**  
22 **PESOS (P1,000,000.00) FOR THE FIRST OFFENSE, TWO MILLION PESOS**  
23 **(P2,000,000.00) FOR THE SECOND OFFENSE AND THREE MILLION**  
24 **PESOS (P3,000,000.00) AND THE REVOCATION OR CANCELLATION OF**  
25 **ALL PERTINENT LICENSES OR PERMITS FOR THE THIRD OFFENSE."**

26 **SEC. 2. Implementing Rules and Regulations.** To effectively implement the  
27 provisions of this Act, the Authority, in coordination with the concerned  
28 agencies of government as well as the private sector, shall promulgate the  
29 required implementing rules and regulations.

30  
31 **SEC. 3. Separability Clause.** If any provision or part hereof is held invalid  
32 or unconstitutional, the remainder of the law or the provision not otherwise  
33 affected shall remain valid and subsisting.

1   **SEC. 4.**       *Repealing Clause.*   All laws, presidential decrees, executive  
2   orders, proclamations and/or administrative regulations which are  
3   inconsistent with the provisions of this Act are hereby amended, modified,  
4   superseded or repealed accordingly.

5

6   **SEC. 5.**       *Effectivity Clause.*   This Act shall take effect fifteen (15) days  
7   from its publication in at least two newspapers of national circulation.

8

9   Approved,