

SENATE

S.B. No. 3380

Introduced by **Senator Gregorio B. Honasan II**

EXPLANATORY NOTE

Section 1, Article XII of the 1987 Constitution provides that the goals of the national economy are sustained increase in the amount of goods produced by the nation for the benefit of the people, and an expanding productivity as the key to raising the quality of life for all, especially the under-privileged. The State shall promote industrialization and full employment based on sound agricultural development through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets. However, the State shall protect Filipino enterprises against unfair foreign competition and trade practices.

Sugarcane is the world's largest crop. The 2010 statistical data of the Food and Agricultural Organization of United Nations (FAO-UN) showed that sugarcane was cultivated on about 23.8 million hectares in more than 90 countries, with a worldwide harvest of 1.69 billion tones. In the 2009 FAO Top Ten Sugarcane World Producers Survey, the Philippines ranked 8th place.

In the pursuit of our national goals, the Philippine government requires to provide maximum support to promote the integrated rationalization, development and stabilization of the sugar industry for its very significant contribution and share to the socio-economic growth and development of our country.

The instability 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.

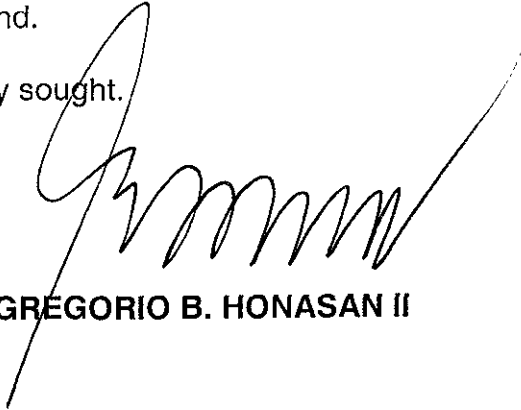
It is therefore, incumbent upon our policy-makers to institute measures, both by legislation and executive implementation of specific programs and projects that will cushion if not counter the possible destabilization effects of the 2015 "no-tariff" provision of the sugar cane industry as a whole.

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 begasse, 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.



GREGORIO B. HONASAN II

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AN ACT
STRENGTHENING THE DEVELOPMENT OF THE SUGAR CANE INDUSTRY,
ESTABLISHING THE SUGAR CANE INDUSTRY DEVELOPMENT FUND,
AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1890, PROVIDING
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 "*Sugar Cane Industry Development Act of 2012*".

SEC. 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 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, and earns for the country foreign reserves from exports to other countries. This industry is vital for food sufficiency and energy security of the country.

For the reasons stated, it is hereby further declared that the development and diversification of the sugarcane industry shall be directed primarily to the increase in incomes for the farmers, the enhancement of the productivity of sugar planters and sugar mills and the improvement in marketing and training practices 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.

SEC. 3. Development of the Sugar Cane Industry.- The main focus of the development of the sugar cane industry shall be on the following measures, programs and projects:

A. Industry-wide development

1. In general, the transformation of sugarcane industry from the limited "raw and refined sugar production" into a diversified industry producing not mainly raw and refined sugar, but also power, waste disposition and other possible biochemical products primarily through integration of by-products production with sugar processing;

2. The establishment of Special Economic Zones for Sugarcane Industry pursuant to Republic Act No. 7616 (Special Economic Zone Act of 1995), and/or the designation and establishment of nuclear arms/Agro-Industrial Districts for Sugarcane Industry to be entitled to the existing fiscal incentives under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987 as well as Sections 4, 5, and 6 and 7 of Republic Act No. 10000 (The Agri-Agra Reform Credit Act of 2009), promoting, among others, block/corporate farming to achieve economies of scale;

3. The development of programs that are environment friendly and will attract investment in the development, production, or manufacture of products, derived from sugarcane, sugar, molasses, cane juice, crop waste, bagasse, filter mud and other by-products and co-products of sugarcane milling;

4. The instruction of marketing programs that will lead to expansion of markets for sugarcane and by-products;

5. The building and/or improvement of existing trans-loading ports for export or coast-wide transport of sugar and its by products in key sugar producing areas through various programs or projects of other government agencies such as NEDA, DOTC and PPA;

6. The development of a sugar cane industry that shall benefit sugar farmers, planters and mill workers;

7. The encouragement and intensification of farm productivity improvement, including but not limited to farm mechanization, organic farming, fertilization, irrigation, intensified inter-cropping, and dispersal of planting materials and improved high yielding varieties; and

8. The sustained support/conduct/sponsorship of research and development on the sugar cane industry including, among others, high yielding varieties, farm implements, farm methodologies, by-products profitability and marketing/promotion techniques, new manufacturing chemical and biotechnologies for bagasse, molasses and other by-products, weather monitoring and soil fertility mapping;

B. Regulation of sugar industry

1. The effective monitoring of the withdrawal, transfer, transport and movement of sugar and premixes: *Provided, That*, all sugar warehouses and storage facilities are required to register with SRA.

2. The classification of imported sugar and premixes as either "C", "D", or "E" when imported at a time when there is a sufficiency sugar stocks: *Provided, That*, the Bureau of Customs (BOC) shall not release imported sugar and premixes without requisite SRA clearances and classification;

3. The export of refined sugar to the world market shall be subjected to VAT zero percent rate from the time it is withdrawn or release from the sugar mill/refinery including refined sugar withdrawn for constructive export to CBW warehouse of food processors that are duly licensed and registered with SRA;

4. The waste water discharge of mills that meet the standard of the Department of Agriculture on safe re-use of waste water for irrigation and other agricultural purposes shall not be imposed any discharge fee.

C. Fund Management

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

SEC. 4. Establishment of Sugar Cane Industry Development Fund.

1. There is hereby established a Sugar Cane Industry Development Fund, hereinafter referred to as "Sugar Fund" to support the implementation of the development strategy identified in Section 3 of this Act. The Sugar Fund shall be held in trust by the Philippine Sugar Corporation created under Presidential Decree 1890.

2. Initially, the Sugar Fund shall be utilized for the following specific purposes:

- a. Finance the establishment of Special Economic Zones, nuclear farms/Agro-Industrial Districts as provided for in Section 4 (2.a) of this Act;
- b. Provide financial assistance to the sugar farmers, planters and mills covering purchase of seedlings, cane varieties, pesticides and fertilizer; acquisition of farm machinery and equipment; construction of farm to market roads; and construction or building of irrigation or water impounding facilities and water distribution networks;
- c. Provide financial conduiting/resources for industries harnessing the
- d. efficient use of the energy potential of the sugar cane (e.g. the Ethanol program) and utilization of farm wastes (e.g. bagasse as raw material for

pulp and paper, boards and furfural and animal feeds) and other by-products using chemical and biotechnologies;

- e. Conduct researches or feasibility studies to improve efficiency and productivity of farms and mills, identify areas for diversification, identify and develop other markets for sugar and its by-products and co-products particularly in the area of renewable energy and biochemical industry;
- f. Training of mill personnel on current technologies on efficiency, productivity and diversification;
- g. Finance socio-economic programs for sugar farmers and mill workers including but not limited to livelihood programs and trainings in addition to the programs under Republic Act No. 6982 (Strengthening the Social Amelioration Program in the Sugar Industry);
- h. Scholarships for deserving university/college students taking relevant degrees to the sugar cane industry; and
- i. The Sugar Fund shall be constituted and collected from the proceeds of fifteen percent (15%) of:

- 1. The Value Added Tax (VAT) on the sale and importation of refined sugar, and sugar cane by-products; and

- 2. The total tariff collected on the importation of raw sugar (AHTN 1701.11.00), refined sugar (AHTN 1701.99 and its subheadings), and premix sugar (AHTN 1701.91.00 and 2106.90.52).

All the proceeds collected from the above sources shall be remitted in full by the Department of Finance to a separate trust fund maintained by the Philippine Sugar Corporation (PhilSuCor), created under P.D. 1890, on or before August 1 of every year;

SEC. 5. 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.

SEC. 6. 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.

SEC. 7. Effectivity. - 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,