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



Senate
Office of the Secretary

13 JUL -8 P1:14

SENATE

S. B. No. 592

RECEIVED BY: *[Signature]*

Introduced by Senator FRANCIS G. ESCUDERO

EXPLANATORY NOTE

The government's effort in advancing the country's interest in the sugar industry cannot be overstated especially with its significant role in the export business.

Historically, numerous legislations and executive issuances governed the sugar industry, from the creation of the Philippine Sugar Administration to Sugar Quota Administration, in 1937 and 1957, respectively, to the present Sugar Regulatory Administration established under Executive Order No. 18, series of 1986.

Given the nature of the price of sugar in the world market, which fluctuates every now and then, has made the government intercede over a period of time. Worse, such intervention has more often than not resulted in aggravating the uncertainty of the sugar industry.

With this in mind and factoring an even more important and inevitable scenario in 2015, where sugar tariff will be zero rated, it becomes indispensable that Congress legislates the appropriate applicable policy for the sugar industry.

Hence, in the House of Representatives, Representative Alfredo Benitez of the 3rd District of Negros Occidental has filed House Bill No. 6113.

In joining the proposed policy direction taken by Rep. Benitez, this representation is filing the same bill with the end in view of enacting a measure that seeks to address the current and forthcoming issues in the sugar industry. It is submitted that the sugar industry's contribution to economic development is worth looking into if only to address, among others, any ill effects of the 2015 "no-tariff" commitment of the country in the world economy.

Respectfully submitted for immediate consideration and approval.

FRANCIS G. ESCUDERO



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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 the House of Representatives of the Philippines in
Congress assembled:*

1 **SECTION 1.** *Short Title* – This Act shall be known as the “Sugar Cane Industry
2 Development Act.”
3

4 **SEC 2.** *Declaration of Policy.* – It is hereby declared the policy of the State to provide
5 policy directions and support programs/projects for the sustained development and
6 diversification of the sugarcane industry inasmuch as the industry provides employment and
7 livelihood to a sizeable number of Filipinos in the agricultural sector, contributes significantly to
8 the national economy as well as local economies of host provinces, earns for the country foreign
9 reserves from exports to other countries, and is vital for food sufficiency and energy security of
10 the country.
11

12 For the reasons stated, it is hereby further declared that the development and
13 diversification of the sugarcane industry shall be directed primarily to the increase in incomes of
14 the farmers, the enhancement of the productivity of sugar planters and sugar mills and the
15 improvement in marketing and trading practices in terms of administrative, policy directives and
16 financial assistance to the sugarcane industry in support of the food security objectives and
17 environmental concerns of the national government.
18
19

20 **SEC. 3-** *Development of the Sugar Cane Industry—*
21 The main focus of the development of the sugar industry shall be on the following measures,
22 programs and projects:
23

24 **A. Industry-wide development**

- 25
26 1. In general, the transformation of sugarcane industry from the limited “raw and refined
27 sugar production” into a diversified industry producing not mainly raw and refined
28 sugar, but also power, waste disposition and other possible biochemical products
29 primarily through integration of by-products production with sugar processing;
30
31 2. The establishment of Special Economic Zones for Sugarcane Industry pursuant to
32 R.A. No. 7916 (Special Economic Zone Act of 1995), and/or the designation and

1 establishment of nuclear farms/Agro-Industrial Districts for Sugarcane Industry to be
2 entitled to the existing fiscal incentives under Book VI of Executive Order No. 226
3 otherwise known as the Omnibus Investments Code of 1987 as well as Sections 4,5, 6
4 and 7 of R.A. 10000 (The Agri-Agra Reform Credit Act of 2009), promoting, among
5 others, block/corporate farming to achieve economies of scale;
6

- 7 3. The development of programs that are environment friendly and will attract
8 investment in the development, production, or manufacture of products derived from
9 sugarcane, sugar, molasses, cane juice, crop waste, bagasse, filter mud and other by-
10 products and co-products of sugarcane milling;
11
- 12 4. The institution of marketing programs that will lead to expansion of markets for
13 sugarcane and by-products;
14
- 15 5. The building and/or improvement of existing trans-loading ports for export or coast-
16 wide transport of sugar and its by products in key sugar producing areas through
17 various programs or projects of other government agencies such as NEDA, DOTC
18 and PPA;
19
- 20 6. The development of a sugar cane industry that shall benefit sugar farmers, planters
21 and mill workers;
22
- 23
- 24 7. The encouragement and intensification of farm productivity improvement, including
25 but not limited to farm mechanization, organic farming, fertilization, irrigation,
26 intensified inter-cropping, and dispersal of planting materials and improved high
27 yielding varieties;
28
- 29 8. The sustained support/conduct/sponsorship of research and development on the sugar
30 cane industry including, among others, high yielding varieties, farm implements, farm
31 methodologies, by-products profitability and marketing/promotion techniques, new
32 manufacturing chemical and biotechnologies for bagasse, molasses and other by-
33 products, weather monitoring and soil fertility mapping;

34 **B. Regulation of sugar industry**

- 35
- 36 1. The effective monitoring of the withdrawal, transfer, transport and movement of
37 sugar and premixes; provided, that, all sugar warehouses and storage facilities are
38 required to register with SRA.
39
- 40 2. The classification of imported sugar and premixes as either "C", "D", or "E" when
41 imported at a time when there is a sufficiency sugar stocks; provided, that the Bureau
42 of Customs (BOC) shall not release imported sugar and premixes without requisite
43 SRA clearances and classification;
44
- 45 3. The export of refined sugar to the world market shall be subjected to VAT zero
46 percent rate from the time it is withdrawn or release from the sugar mill/refinery
47 including refined sugar withdrawn for constructive export to CBW warehouse of food
48 processors that are duly licensed and registered with SRA;
49
- 50 4. The wastewater discharge of mills that meet the standard of the Department of
51 Agriculture on safe re-use of waste water for irrigation and other agricultural
52 purposes shall not be imposed any discharge fee.
53
54
55
56

1 **C. Fund management**
2

- 3 1. The management and proper utilization and disposition of the Sugarcane Industry
4 Development Fund established under Sec. 4 of this Act, with special emphasis on the
5 industry's contribution to the food security program of the national government.
6

7 **SEC. 4 -Establishment of Sugar Cane Industry Development Fund.**
8

- 9 1. There is hereby established a Sugar Cane Industry Development Fund ("Sugar
10 Fund") to support the implementation of the development strategy identified
11 in Sec. 3 of this Act. The Sugar Fund shall be held in trust by the Philippine
12 Sugar Corporation created under P.D. 1890.
13
- 14 2. Initially, the Sugar Fund shall be utilized for the following specific purposes:
15 a. Finance the establishment of Special Economic Zones, nuclear
16 farms/Agro-Industrial Districts as provided for in Sec 4 (2. a) of this
17 Act;
18 b. Provide financial assistance to the sugar farmers, planters and mills
19 covering purchase of seedlings, cane varieties, pesticides and fertilizer;
20 acquisition of farm machinery and equipment; construction of farm to
21 market roads; and construction or building of irrigation or water
22 impounding facilities and water distribution networks;
23 c. Provide financial conduiting/resources for industries harnessing the
24 efficient use of the energy potential of the sugar cane (e.g. the Ethanol
25 program) and utilization of farm wastes (e.g. bagasse as raw material
26 for pulp and paper, boards and furfural and animal feeds) and other by-
27 products using chemical and biotechnologies;
28 d. Conduct researches or feasibility studies to improve efficiency and
29 productivity of farms and mills, identify areas for diversification,
30 identify and develop other markets for sugar and its by-products and
31 co-products particularly in the area of renewable energy and
32 biochemical industry;
33 e. Training of mill personnel on current technologies on efficiency,
34 productivity and diversification;
35 f. Finance socio-economic programs for sugar farmers and mill workers
36 including but not limited to livelihood programs and trainings in
37 addition to the programs under Republic Act 6982 (Strengthening the
38 Social Amelioration program in the sugar industry);
39 g. Scholarships for deserving university/college students taking relevant
40 degrees to the sugar cane industry; and
41
- 42 3. The Sugar Fund shall be constituted and collected from the proceeds of fifteen
43 percent (15%) of:
44 a. The Value Added Tax (VAT) on the sale and importation of refined
45 sugar, and sugar cane by-products; and
46 b. The total tariff collected on the importation of raw sugar (AHTN
47 1701.11.00), refined sugar (AHTN 1701.99 and its subheadings), and
48 premix sugar (AHTN 1701.91.00 and 2106.90.52).
49

50 All the proceeds collected from the above sources shall be remitted in full
51 by the Department of Finance to a separate trust fund maintained by the
52 Philippine Sugar Corporation (PhilSuCor), created under P.D 1890, on or before
53 August 1 of every year; *provided*, that the PhilSuCor shall utilize and disburse
54 such trust fund in accordance with the purposes enumerated in Sec. 3 of this Act
55 and its Implementing Rules and Regulations; *provided further*, that only the
56 interest earnings of the trust fund shall be available for the operational expenses

1 of implementing the purposes of the trust fund; *provided moreover*, that the year-
2 end cumulative financial balance of the trust fund shall constitute as the minimum
3 matching amount of credit available to the sugarcane industry under Sec. 6 of
4 R.A. 10000 (the Agri-Agra Reform Credit Act of 2009); and *provided finally*,
5 that this trust fund shall be audited by the Commission on Audit separately from
6 the other funds/accounts of PhilSuCor.
7

8
9 **SEC. 5.** *Members of the Board of the Philippine Sugar Corporation*-- Section 8 of P.D.
10 1890 is hereby amended as follows:
11

12 **“(a) THE ADMINISTRATOR OF THE SUGAR REGULATORY**
13 **COMMISSION SHALL BE THE CHAIRMAN OF THE BOARD”;**
14

15 **“(b) XXX**

16 **“(c) THE ADMINISTRATOR OF THE SUGAR REGULATORY**
17 **COMMISSION SHALL BE THE CHAIRMAN OF THE BOARD”;**
18 **ALL THE ELEVEN MEMBERS OF THE BOARD SHALL BE**
19 **NOMINATED BY SRA OF WHICH FIVE (5) SHALL COME FROM THE**
20 **SUGAR FARMERS SECTOR, FIVE (5) FROM THE SUGAR MILLERS**
21 **SECTOR AND ONE (1) FROM THE INTERNATIONAL TRADER**
22 **SECTOR;**
23

24
25 **SEC. 6.** *Transitory Provisions.* — Upon the effectivity of this Act, the positions in the
26 Board of Directors of PHILSUCOR shall be deemed vacant, and the President shall appoint new
27 members based on the provision of this Act; *provided*, however, the members of the Board shall
28 hold over until the new members are appointed.
29

30
31 **SEC. 7.** *Implementing Agency.* — The Sugar Regularoty Administration (SRA) shall be
32 the primary implementing agency of this Act. The SRA, together with the PhilSuCor and
33 representatives of sugar farmers, planters and mills, shall formulate the implementing rules and
34 regulations that shall, among others, identify and establish the requirements and restrictions
35 governing the execution of the above purposes no later than three (3) months from the effectivity
36 of this Act.
37

38 **SEC. 8.** *Repealing Clause.* — All laws, decrees, executive orders and rules and
39 regulations or part or parts thereof inconsistent with any provision of this Act are hereby
40 repealed, modified or amended accordingly.
41

42
43 **SEC. 9.** *Separability Clause.* — If any provision of this Act is declared unconstitutional,
44 the validity of the remaining provisions hereof shall remain in full force and effect.
45

46
47 **SEC. 10.** *Effectivity.* — This Act shall take effect fifteen (15) days after its complete
48 publication in the Official Gazette or in at least two (2) newspapers of general circulation.
49

50
51 *Approved,*