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SENATE
S. No. 1992

RECEIVED BY: *J*

Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

The Constitution, Article 2, Sections 19 and 20, provides:

Section 19. The State shall develop a self-reliant and independent national economy effectively controlled by Filipinos.

Section 20. The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.

The National Food Authority (NFA) was created to address goals of ensuring low and stable food grain prices for consumers, pursuant to our national policy of agricultural modernization and sustainable poverty reduction. Historically, however, it has proven fiscally impossible to address all of these objectives. A study conducted by the International Rice Research Institute has further revealed that under the NFA monopoly over rice importation, Filipino consumers have ended up paying more for rice than they would have had to under a free trade regime.

There is a growing consensus among economists that with the NFA monopoly on rice importation, the costs imposed by NFA operations on the Philippine economy far outweigh the benefits to rice producers and consumers. The NFA has both regulatory and proprietary functions over the grain sector. It sets import quantities and also works as the lone importer of the authorized volume of imports. However, such interventions in the market over the years created severe distortions in the rice market, contributing, among others, to the poor productivity of the rice sector over the years, the rice supply gap, and the increasing cost of government actions to fill such gaps and artificially stabilize rice prices and supply.

This proposal aims to streamline government intervention in the rice sector by removing the rice importation function from the NFA and allowing the participation of the private sector in rice importation. Allowing market forces to work in the importation, stockpiling and marketing of rice will allow for scarce government resources to be re-allocated away from costly price stabilization functions to more productive investment in rice research and development, extension services and irrigation. This will also prepare the local market for the expiration of the

quantitative restrictions on the importation of rice under the General Agreement on Tariffs and Trade- World Trade Organization (GATT-WTO). The revenues generated from the tariffs paid by the private sector once they import may also be invested back to the agricultural sector.

This bill proposes the transformation of NFA from a grain marketing monopoly to a public regulatory agency focused primarily on maintaining the buffer stock requirement of the Country at both national and local levels which will allow the country to guard against price volatility due to natural calamities or emergencies. Along with this, the NFA shall continue other regulatory functions which include the licensing and registration of rice importers, allocation of import quotas among licensed rice traders, maintenance of marketing information dissemination systems and the inspection of stored food grains for the purpose of taking inventory. This bill further mandates the transfer of duplicative functions of the NFA, including the stabilization of prices and the licensing of warehouses to appropriate government agencies or local government units.

Miriam Defensor Santiago
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1 **AN ACT**
2 **TO STRENGTHEN AND REORIENT THE MANDATE OF THE NATIONAL**
3 **FOOD AUTHORITY IN ORDER TO ENSURE FOOD SUFFICIENCY AND**
4 **TO RATIONALIZE ITS FUNCTIONS**

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

5 SECTION 1. *Short Title.* -- This Act shall be known as the "National Food Authority
6 Rationalization Act of 2013."

7 SECTION 2. *Declaration of Policy.* -- Affirming the right of every Filipino to have access
8 to sufficient food, it is hereby declared the policy of the State to make all government agencies
9 and corporations directly responsible for food production oriented toward the attainment of food
10 security and sufficiency, the enhancement of competitiveness and transparency in the rice
11 economy and to be more responsive to the increasing globalization of the agricultural market.

12 SECTION 3. *Policy Goals and Objectives.* -- To carry out the foregoing policy, the
13 mandate, programs and functions of the National Food Authority (NFA), shall be reoriented and
14 realigned towards the achievement of the following objectives:

15 (A) Ensure available adequate and accessible supply of rice and other foodgrains during
16 lean periods and in times of calamity and emergency;

17 (B) Promote regulation aimed at enhancing competitiveness, transparency and
18 responsibility in the foodgrains marketing industry; and

19 (C) Encourage private sector participation in the importation of rice and in production
20 and post-harvest facilities;

21 SECTION 4. *Re-orientation of the National Food Authority.* -- The functions of the NFA
22 shall evolve to focus primarily on maintaining the buffer stock requirements of the country. All
23 other developmental and regulatory function of the NFA shall be transferred to appropriate
24 government agencies or local government units unless otherwise provided by this Act.

1 SECTION 5. *Buffer Stock Management.* – The NFA shall be the primary agency
2 responsible for the management of the buffer stock requirements of the country. For this purpose,
3 the NFA shall review on an annual basis the buffer stock requirements of the country at the
4 national and local levels and shall devise a system of regularly monitoring the buffer stock
5 levels. For the purpose of ensuring that desirable buffer stock level of the country are met and
6 maintained, the NFA may enter into contracts for the procurement of rice for government;
7 *Provided* that the volume of rice procurement shall not be more than the strategic 30-day rice
8 buffer stock requirement of the country.

9 SECTION 6. *Other Powers and Functions of the NFA.* – The NFA shall exercise the
10 following responsibilities, powers and functions:

11 (A) To establish rules and regulations governing private sector importation of rice and
12 collect fees and charges for said importation

13 (B) To determine and allocate import quotas among private sector entities and farmer
14 organizations licensed to engage in rice importation

15 (C) To coordinate with the Bureau of Agricultural Statistics in the generation of
16 marketing information and establish and maintain marketing information
17 dissemination systems in order to keep the public informed on the prevailing market
18 situation of foodgrains and their substitutes and/or their by-products/end products in
19 different parts of the country; and

20 (D) To inspect foodgrains and their substitutes and/or their by-products, stored by any
21 person, partnership, corporation, or association, for purposes of taking inventory kind
22 record of such commodities, and to enter the premises thereof by use of reasonable
23 means.

24 SECTION 7. *Transfer of Mandate.* – The following regulatory and developmental
25 functions of the NFA are hereinafter transferred to the following:

26 (A) The registration, licensing and supervision of warehouses, whether bonded or not,
27 and the prescription, imposition and collection of fees and charges relative thereto to
28 the local government units;

29 (B) The stabilization of prices of rice, corn and other foodgrains at the farm gate level to
30 the Department of Agriculture;

31 (C) The stabilization of supply and prices of other foodgrains and other basic food items
32 at the consumer level to the National Price Coordinating Council;

33 (D) The development of more efficient ways, systems and facilities for harvesting,
34 threshing, drying, storage, milling, packaging, post-harvest handling, and
35 transporting of foodgrains to the Philippine Rice Research Institute;

- 1 (E) The registration, licensing, and supervision of persons, natural or juridical, who shall
2 engage or are engaged in the business of providing goods and services in support of
3 the different activities involved in the processing, transporting, marketing, and
4 trading of foodgrains and their substitutes and/or their byproducts/ end-products as
5 well as the imposition and collection of fees, charges, and surcharges in licensing and
6 regulating the operations of such persons to the Department of Agriculture;
- 7 (F) The formulation of plans and programs on foodgrains production, storage, milling
8 and distribution, as well as the coordination for its implementation among various
9 agencies of the government and the private sector to the Bureau of Agriculture and
10 Fisheries Product Standardization; and
- 11 (G) The establishment of appropriate post-production technology and formulation of
12 plans and programs aimed to reduce post-harvest losses to the Bureau of Post-
13 Harvest Research and Extension.

14 SECTION 8. *Role of the Private Sector.* -- The importation of rice shall henceforth be
15 open to the participation of and exclusively undertaken by private sector entities and farmers'
16 organizations, subject to appropriate tariffs and quotas; *Provided*, that the necessary registration
17 and licensing processes and requirements of the NFA have been complied with. For this
18 purposes, the policy of open importation and distribution by all interested private parties shall be
19 fully implemented.

20 SECTION 9. *Transitory Provisions.* -- Within one (1) year from the effectivity of this
21 Act, the NFA shall gradually phase out all its rice importation activities to give way to the entry
22 of private sector entities, especially farmers' organizations, in rice importation; *Provided*, that the
23 NFA shall have completely ceased all its rice importation functions and activities four (4) years
24 from the time of the enactment of this Act. For this purpose, the NFA shall, within one hundred
25 twenty (120) days from the enactment of this Act, establish the necessary rules and regulations
26 for the importation of rice by the private sector.

27 To effect a smooth transition, the NFA shall continue to exercise its developmental and
28 regulatory functions, until the concerned government agencies or local government units shall
29 have established their plans, programs and rules and regulations to implement their mandate
30 identified in Section 6 above, which in no case shall be no longer than one (1) year from the
31 effectivity of this Act.

32 SECTION 10. *Penal Provisions.* -- The following acts or omissions shall be punishable as
33 follows:

34 (A) Serious Offenses:

- 1 i) Cornering or hoarding of foodgrains resulting in an artificial shortage or
2 scarcity of supply and increase of prices thereof in any part of the country;
3 ii) Unreasonable depletion of stocks; selling or lending of government stocks
4 to another foodgrains seller; selling or offering to sell government stocks
5 beyond the maximum quantity or price allowed by the Department of
6 Agriculture; or storing or selling government stocks in other places other
7 than those duly authorized by law;
8 iii) Causing prices of essential commodities to fall or rise for one's own profit
9 by changing or falsifying figures, accounts, and other related information
10 pertaining thereto;
11 iv) Printing, issuing, or knowingly using, processing, or negotiating, a
12 cancelled, unauthorized, illegal, counterfeit, or falsified warehouse receipt;
13 v) Failure or refusal of an accountable officer to turn over or remit collection
14 within a reasonable period of time; or
15 vi) Failure or refusal of a foodgrains warehouseman to deliver foodgrains
16 deposited with him; Provided, that the warehouseman shall be entitled to
17 the allowance authorized for depreciation of the foodgrains deposited.

18 The offender shall, upon conviction, be punished by imprisonment of not less than six (6)
19 years and one (1) day to not more than twelve (12) years, or a fine of not less than Two Hundred
20 Thousand Pesos (P200,000.00) to not more than Two Million Pesos (P2,000,000.00) or both, at
21 the discretion of the court.

22 (B) Less Serious Offenses:

- 23 i) Conniving in the concealment of stock shortage in a foodgrains
24 warehouse;
25 ii) Knowingly submitting any report containing false information or data;
26 iii) Failure or refusal of a warehouseman to allow the inspection of his
27 foodgrain stocks to misrepresent their quantity or quality or to conceal a
28 shortage, including impeding such inspection and examination by
29 abandonment, absence, or other similar means.

30 The offender shall, upon conviction, be punished by imprisonment of not less than four
31 (4) years and one (1) day to not more than eight (8) years, or by a fine of not less than One
32 Hundred Thousand Pesos (P100,000.00) to not more than One Million Pesos (P1,000,000.00), or
33 both, at the discretion of the court.

34 (C) Light Offenses:

- 1 i) Willful non-compliance with any official order, circular, or directive
2 lawfully issued by the DA, unless such constitutes a higher offense under
3 this Act, in which case the offender shall be penalized under the latter
4 offense;
5 ii) Committing any other violation of a provision of this Act for which no
6 specific penalty is prescribed and which is not punished under any other
7 existing law.

8 The offender shall, upon conviction, be punished by imprisonment of not less than two
9 (2) years to not more than four (4) years, or a fine of not less than Fifty Thousand Pesos
10 (P50,000.00) to not more than One Hundred Thousand Pesos (P100,000.00), or both, at the
11 discretion of the court.

12 SECTION 11. *Implementing Rules and Regulations.* – The NFA, in consultation with
13 relevant government agencies and LGUs, farmer organizations and other stakeholders, shall
14 within one hundred and twenty (120) days from the enactment of this Act, formulate the
15 necessary rules and regulations to effectively implement the provisions of this Act.

16 SECTION 12. *Separability Clause.* – If any provision or part hereof is held invalid or
17 unconstitutional, the remainder of the law or the provision not otherwise affected shall remain
18 valid and subsisting.

19 SECTION 13. *Repealing Clause.* – Any law, presidential decree or issuance, executive
20 order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent
21 with, the provisions of this Act is hereby repealed, modified, or amended accordingly.

22 SECTION 14. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
23 publication in at least two (2) newspapers of general circulation.

Approved,

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