

SIXTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
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'14 MAY 19 P5:11

SENATE

S.B. No. 2233

RECEIVED BY: *ji*

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Introduced by Senator Loren Legarda

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#### EXPLANATORY NOTE

Being an integral part of our country's exports, the sugar industry has always merited attention from the Philippine government. The Philippine Sugar Administration was first established in 1937 and was renamed as the Sugar Quota Administration in 1957, yet various Presidential Decrees and Executive Orders have further addressed fluctuations in sugar prices over the years.

Still, the "no-tariff" provision on sugar products, which is to be implemented in 2015, has raised concerns from sugarcane farmers and planters, millers, and consumers alike. The growing sentiment among stakeholders is that the measures in place will do nothing to combat the potentially destabilizing effect of the said provision on the entire sugarcane industry.

This looming threat to the sugarcane industry is likewise exacerbated by the current lack of initiatives to develop its by-products such as bagasse, molasses and filter mud among others. Rather than limiting sugarcane production to raw and refined sugar, proper utilization of by-products can generate additional income for the industry, mitigating the impact of the "no-tariff" provision.

Thus, this bill seeks to strengthen the sugarcane industry through a Sugarcane Industry Development Fund and industrial diversification projects. With adequate financing programs, the development of the industry can expand to include its by-products as marketable items. Considering the role of sugar in food security, more stringent regulations on the management of sugarcane products must be implemented.

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

  
**LOREN LEGARDA**  
Senator

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AN ACT

**STRENGTHENING THE SUGARCANE INDUSTRY BY ESTABLISHING THE SUGARCANE INDUSTRY DEVELOPMENT FUND, 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 "Sugarcane Industry  
2 Development Act of 2014".

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

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

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

19 A. Industry-wide Development

20 1. The transformation of sugarcane industry from the limited "raw and  
21 refined sugar production" into a diversified industry producing not only  
22 raw and refined sugar, but also power, waste disposition and other  
23 possible biochemical products primarily through integration of by-  
24 product production with sugar processing;

- 1           2.     The establishment of Special Economic Zones for Sugarcane Industry  
2           pursuant to R.A. No. 7916 (Special Economic Zone Act of 1995), and/or  
3           the designation and establishment of nuclear farms/Agro-Industrial  
4           Districts for Sugarcane Industry to be entitled to the existing fiscal  
5           incentives under Book VI of Executive Order No. 226, otherwise known as  
6           the Omnibus Investments Code of 1987, as well as Sections 4,5, 6 and 7 of  
7           R.A. 10000 (The Agri-Agra Reform Credit Act of 2009), promoting, among  
8           others, block/corporate farming to achieve economies of scale;
  
- 9           3.     The development of programs that are environment friendly and will  
10          attract investment in the development, production, or manufacture of  
11          products derived from sugarcane, sugar, molasses, cane juice, crop waste,  
12          bagasse, filter mud and other by-products and co-products of sugarcane  
13          milling;
  
- 14          4.     The institution of marketing programs that will lead to expansion of  
15          markets for sugarcane and by-products;
  
- 16          5.     The building and/or improvement of existing trans-loading ports for  
17          export or coast-wide transport of sugar and its by products in key sugar  
18          producing areas through various programs or projects of other  
19          government agencies such as NEDA, DOTC and PPA;
  
- 20          6.     The development of a sugar cane industry that shall benefit sugar farmers,  
21          planters and mill workers;
  
- 22          7.     The encouragement and intensification of farm productivity  
23          improvement, including but not limited to farm mechanization, organic  
24          farming, fertilization, irrigation, intensified inter-cropping, and dispersal  
25          of planting materials and improved high yielding varieties;
  
- 26          8.     The sustained support/conduct/sponsorship of research and  
27          development on the sugar cane industry including, among others, high  
28          yielding varieties, farm implements, farm methodologies, by-product  
29          profitability and marketing/promotion techniques, new manufacturing  
30          chemical and biotechnologies for bagasse, molasses and other by-  
31          products, weather monitoring and soil fertility mapping;

32    B.     Regulation of Sugar Industry

- 33          1.     The effective monitoring of the withdrawal, transfer, transport and  
34          movement of sugar and premixes; provided, that, all sugar warehouses  
35          and storage facilities are required to register with SRA.
  
- 36          2.     The institution of electronic quedanning, expansion of quedanning to  
37          molasses and the implementation of the quedan system under Republic  
38          Act No. 2137 (Warehouse Receipts Law).
  
- 39          3.     The classification of imported sugar and premixes as either "C", "D", or  
40          "E" when imported at a time when there is a sufficiency sugar stocks;  
41          provided, that the Bureau of Customs (BOC) shall not release imported  
42          sugar and premixes without requisite SRA clearances and classification;

1 4. The export of refined sugar to the world market shall be subjected to VAT  
2 zero percent rate from the time it is withdrawn or released from the sugar  
3 mill/refinery, including refined sugar withdrawn for constructive export  
4 to Customs Bonded Warehouse (CBW) of food processors that are duly  
5 licensed and registered with SRA;

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

9 C. Fund Management

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

14 **SEC. 4. Establishment of Sugarcane Industry Development Fund.**

15 A. A Sugarcane Industry Development Fund, hereinafter referred to as the "Sugar  
16 Fund", is hereby established to support the implementation of the development  
17 strategy identified in Sec. 3 of this Act. The Sugar Fund shall be held in trust by  
18 the Philippine Sugar Corporation created under P.D. 1890.

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

20 1. Finance the establishment of Special Economic Zones, nuclear  
21 farms/Agro-Industrial Districts as provided for in Sec 4 (2. a) of this Act;

22 2. Provide financial assistance in the form of loans, guarantees and other  
23 suitable credit commodities or arrangements (e.g. Farmers Trust, Special  
24 Purpose Vehicles) to the sugar farmers, planters and mills covering  
25 purchase of seedlings, cane varieties, pesticides and fertilizer; acquisition  
26 of farm machinery and equipment; construction of farm to market roads;  
27 and construction or building of irrigation or water impounding facilities  
28 and water distribution networks;

29 3. Provide financial conduiting/resources for industries harnessing the  
30 efficient use of the energy potential of the sugar cane (e.g. the Ethanol  
31 program) and utilization of farm wastes (e.g. bagasse as raw material for  
32 pulp and paper, boards and furfural and animal feeds) and other by-  
33 products using chemical and biotechnologies;

34 4. Conduct researches or feasibility studies to improve efficiency and  
35 productivity of farms and mills, identify areas for diversification, identify  
36 and develop other markets for sugar and its by-products and co-products,  
37 particularly in the area of renewable energy and biochemical industry;

38 5. Training of mill personnel on current technologies on efficiency,  
39 productivity and diversification; and

1 6. Finance socio-economic programs for sugar farmers and mill workers  
2 including but not limited to livelihood programs and trainings in addition  
3 to the programs under Republic Act 6982 (Strengthening the Social  
4 Amelioration program in the sugar industry)

5 B. The Sugar Fund shall be constituted out of the existing funds and appropriations  
6 for the agriculture and fisheries modernization such as:

7 1. The Agricultural Competitiveness Enhancement Fund (ACEF) - The DA,  
8 in consultation with the Congressional Oversight Committee on  
9 Agriculture and Fisheries Modernization (COCAFAM), shall allocate  
10 annually from year 2013-2015 or until all ACEF funds are exhausted, and  
11 shall continue with any extension thereof, a portion of ACEF to fund the  
12 infrastructure support projects of the sugarcane industry such as farm-to-  
13 mill roads and irrigation, product development, and research and  
14 development projects to include all its subsectors, namely, the farm sector,  
15 sugar sector, bioethanol sector, power generation sector and farm/mill  
16 support industries sector such as recipients or beneficiaries of funding  
17 support;

18 2. The General Appropriations for the Agriculture Sector - the DA shall  
19 provide allocation to the sugarcane industry and all its subsectors from its  
20 annual General Appropriations Act (GAA) or from the Agriculture and  
21 Fisheries Modernization Act (AFMA) funds and prioritize the  
22 programs/projects of the sugarcane industry in its annual expenditure  
23 prioritization plan for ten successive fiscal years (FY 2014-FY2023).

24 3. All sugar-producing local government units (LGUs) shall allocate a  
25 portion of their Incremental Reformed-Value-Added Tax-Internal  
26 Revenue Allotment (R-VAT-IRA) for the infrastructure and Research,  
27 Development & Extension (RD&E) projects of the sugarcane industry to  
28 include all its subsectors stated in Section 4.c.1.

29 **SEC. 5. Board of Directors of the Philippine Sugar Corporation.** - The powers and  
30 functions of the Philippine Sugar Corporation (PHILSUCOR), created under  
31 Presidential Decree No. 1890, shall be exercised by a Board of Directors referred to as  
32 the "Board" which shall be composed of eleven (11) members, as follows:

33 " **SECTION 8. Board of Directors, Composition.** - The powers and functions of  
34 the Corporation shall be exercised by a Board of Directors, hereinafter referred  
35 to as the 'Board', which shall be composed of eleven (11) members, as follows:

36 (a) The Administrator of the Sugar Regulatory Administration (SRA) as  
37 Chairperson;

38 (b) the President of the Philippine Sugar Corporation (PHISUCOR) as Vice  
39 Chairperson; and

40 (c) the remaining nine (9) members nominated by SRA, of which five (5)  
41 shall come from the sugar farmers sector and four (4) from the sugar  
42 millers sector.

1 Except for Ex-Officio members of the board, the appointment and qualification of  
2 the other members of the Board shall be in accordance with R.A. no. 10149 or the  
3 'GOCC Governance Act of 2011'."

4 **SEC. 6. *Implementing Agency.*** - The Sugar Regulatory Administration (SRA) shall  
5 formulate a Ten-year Sugarcane Industry Development Program (SIDP 2014-2023) that  
6 shall be reviewed and updated annually, in consultation with the major stakeholders of  
7 the sugarcane industry and its subsectors which shall serve as basis for the program/  
8 project proposals that shall be submitted to the COCAFPM, the DA and the LGUs for  
9 funding as provided for in Sections 4.c.1, 4.c.2 and 4.c.3.

10 **SEC. 7. *Transitory Provisions.*** - Upon the effectivity of this Act, the positions in the  
11 Board of Directors of PHILSUCOR shall be deemed vacant, and the President shall  
12 appoint new members based on the provision of this Act, provided, however, that the  
13 members of the Board shall hold over until the new members are appointed.

14 **SEC. 8. *Separability Clause.***- If any provision or part thereof of this Act is declared  
15 unconstitutional, the validity of the remaining provisions hereof shall remain in full  
16 force and effect.

17 **SEC. 9. *Repealing Clause.***- All laws, decrees, executive orders and rules and regulations  
18 or part or parts thereof inconsistent with any provision of this Act are hereby repealed,  
19 modified or amended accordingly.

20 **SEC. 10. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days after its complete  
21 publication in the Official Gazette or in at least two (2) newspapers of general  
22 circulation.

23 Approved,