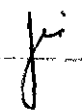


14 AUG 18 AIO :28

SENATE
S. B. **2360**

RECEIVED BY: 

Introduced by Senator Poe

**AN ACT
PROMOTING THE DIVERSIFICATION AND SUSTAINABLE DEVELOPMENT OF
THE SUGAR INDUSTRY, ESTABLISHING THE SUGAR INDUSTRY
DEVELOPMENT FUND, AND FOR OTHER PURPOSES**

Explanatory Note

The Philippines is mainly an agricultural economy and sugar is one of its major agricultural outputs. The sugar industry is an important component of the socio-economic and political structure of the country. Various programs had been launched to promote the growth and development of the industry since the creation of the Sugar Regulatory Administration in 1986, through Executive Order No. 18.

The sugar industry in the Philippines was once a dominating force in the global market, with sugarcane being grown in the provinces of Batangas and Tarlac in Luzon, provinces of Negros Occidental and Iloilo in the Visayas and Bukidnon province in Mindanao. In 2005, the Philippines was the 9th largest sugar producer in the world and the 2nd largest producer in the 10-member Association of Southeast Asian Nations (ASEAN)¹.

Sugar exports to the United States—Philippines' major sugar export market—however, had been on a steady decline since 2011. From September 2010 to August 2011, export shipments to the US amounted to 212,505 metric tons, valued at \$141.42 million. In the same period in 2011 to 2012, export shipments declined to 200,561 metric tons and valued at \$124.42 million, while 2012-2013 data plunged by half to 53,960 metric tons, valued at only \$22.2 million.

This bill recognizes the vital role of the local sugar industry in economic development. In order to prepare the industry from the opening up of markets for the ASEAN Economic Community in 2015 and beyond, when tariff of imported sugar will be reduced to 5 percent and the local industry should be able to compete with neighbors in the ASEAN, appropriate measures must be in place. The tariff reduction puts at risk the livelihood of some 62,000 farmers and 600,000 workers of the Philippines' sugar industry. To further protect the industry, Special Agro-Industrial

¹ http://en.wikipedia.org/wiki/Sugar_industry_of_the_Philippines

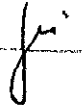
Economic Zones for Sugar Industry are created under this proposal, to enable the sugar industry to enjoy the benefits and privileges provided under Republic Act No. 7916 or the Special Economic Zone Act of 1995, as amended by RA No. 8748. This measure also implements a Block Farming Program, a consolidation of small farms in order to increase productivity, and provides a flexible credit scheme for the acquisition of production inputs, farm implements and machinery necessary for the continued production of sugarcane.

The sugar industry contributes about P76 billion annually to the Philippine economy from the production of raw and refined sugar, molasses and bioethanol. To further support the objective of strengthening the local sugar industry and its helping workers, approval of this measure is immediately sought.


GRACE POE

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AN ACT
PROMOTING THE DIVERSIFICATION AND SUSTAINABLE DEVELOPMENT OF
THE SUGAR INDUSTRY, ESTABLISHING THE SUGAR INDUSTRY
DEVELOPMENT FUND, AND FOR OTHER PURPOSES

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

1 **SECTION 1.** Title. – This Act shall be known as “The Sugar Industry
2 Development Act of 2014.”
3

ARTICLE I

DECLARATION OF POLICY AND DEFINITIONS OF TERMS

8 **SECTION 2.** – Declaration of Policy. – It is the declared policy of the State to:
9

- 10 a) Promote the sustainable development of the sugar industry through the 6
11 adoption of innovative and technology-based agricultural and industrial
12 practices;
13 b) Establish support programs for the sugar industry such as, but not limited to,
14 block farming, farm support, farm mechanization, human resource
15 development, and research, development and extension;
16 c) Assist the sugar farmers and farm workers in their livelihood and
17 employment including provision for housing and scholarships to children
18 and the promotion of communities where sugar are cultivated and planted;
19 d) Promote diversification of the sugar industry through the creation of agro-
20 industrial economic zones, development of other products derived from
21 sugar, and expansion of markets for sugar to maximize the utilization of
22 sugar resources and increase farmers’ income;
23 e) Increase the participation of sugar mills and farmers and farm workers in the
24 program to sustain the development of the sugarcane industry.
25 f) Provide the needed infrastructure, including, but not limited to, irrigation,
26 transport facilities, farm-to-mill roads to increase productivity and reduce
27 costs; and
28 g) Provide the necessary funding to carry out the policies mentioned in this Act.
29

1 SECTION 3. Definition of Terms. – The following are the definitions of terms used
2 in this Act:

- 3
4 i. Block farm – Refers to the consolidation of small farms and farms of agrarian
5 reform beneficiaries to take advantage of the plantation-scale production in
6 order to increase productivity and sugar yields, to be implemented by the
7 Sugar Regulatory Administration, Sugar Fund Board, Department of
8 Agriculture and the Department of Agrarian Reform. Operations of small
9 farms will be consolidated into minimum “block farms” of 30-50 hectares.
10 Ownership of each small farm is still maintained and respected, thus giving
11 the landowners a share in the profit or earnings in using the land for
12 sugarcane production.
- 13 ii. Commercial cane sugar payment system -
- 14 iii. Production inputs - The resources, such as feed, fertilizers, crop chemicals, and
15 seeds used in the production of agricultural products;
- 16 iv. Farm implements – The machinery and equipment used in farming;
- 17 v. Mill district – Area equipped with machines where sugarcane is processed to
18 produce end-products;
- 19 vi. Raw sugar - Raw sugar is cane sugar which has been minimally processed. It is
20 the product of the first stage of the cane sugar refining process;
- 21 vii. Molasses - is the by-product of the refining of sugarcane or sugar beets into
22 sugar;
- 23 viii. Sugar AIEZ – Refers to the Sugar Agro-Industrial Economic Zones as created
24 under this Act.

25
26 ARTICLE II

27
28 STRENGTHENING OF THE SUGAR INDUSTRY

29
30 To foster the diversification of the industry into producing non-traditional products
31 from sugar by products, the following programs shall be implemented:

32
33 SECTION 4. Creation of a Special Agro-Industrial Economic Zones for Sugar
34 Industry. – Pursuant to and consistent with the provisions of Republic Act No. 7916 or
35 the “Special Economic Zone Act of 1995,” as amended by Republic Act No. 8748, the
36 establishment of Special Agro-Industrial Economic Zones for Sugar Industry (Sugar
37 AIEZ) centered on a sugar mill shall be allowed: Provided, that it shall be the sugar mill
38 or a duly-registered special purpose vehicle created by it that shall apply with the
39 Philippine Economic Zone Authority (PEZA) for the creation of a Sugar AIEZ and shall
40 function as the eco-zone developer and operator: Provided further, notwithstanding
41 that the Sugar AIEZ is considered a separate customs territory, the sugar mill therein
42 shall continue to be covered by and comply with the rules, regulation, orders or
43 circulars of the Sugar Regulatory Administration (SRA).
44

45 The mills and business establishments operating within the Sugar AIEZ shall be
46 entitled to the fiscal incentives provided under RA 7916, as amended, or those provided

1 under book VI of Executive Order No. 226, otherwise known as the Omnibus
2 Investment Code of the Philippines: provided, that, except for real property taxes on
3 land owned by developers, no taxes, local ad and national, shall be imposed on business
4 establishments operating within the Sugar AIEZ. In lieu thereof, five per cent (5%) of
5 the gross income earned by all business enterprise within the Sugar AIEZ shall be paid
6 and remitted in accordance with Section 24 of RA 7916: Provided, further, that goods
7 manufactured by establishments operating within the Sugar AIEZ shall be made
8 available for immediate sale in the domestic market subject to:

- 9
- 10 i) Payment of corresponding taxes on raw materials, if any, and other regulations
 - 11 that may be adopted by the Board of the Philippine Economic Zone Authority
 - 12 (PEZA) including the negative list of enterprises not allowed to sell their
 - 13 products locally; and
 - 14 ii) Orders, circulars and clearances of the SRA.
- 15

16 Provided, finally, that sugar mill or the AIEZ operator shall be exempt from the
17 fifteen per cent (15%) public offer and sell requirement under Republic act 9136.

18

19 The SRA, in coordination with the PEZA, Department of Trade and Industry (DTI)
20 and Bureau of Customs (BOC), shall jointly issue the necessary implementing rules and
21 regulations of this Section six (6) months from the effectivity of this Act.

22

23 **SECTION 5. Block Farm Program.** – The SRA, Sugar Fund Board, Department of
24 Agriculture (DA) and Department of Agrarian reform (DAR) shall implement a block
25 farm program for the operational consolidation of small farms and farms of agrarian
26 reform beneficiaries into larger unit to take advantage of the economies of scale
27 required in the farming of sugarcane. The SRA shall:

28

- 29 i) Develop guidelines for sugar cane farms to qualify for and continue to
 - 30 participate in the program;
 - 31 ii) Provide technical and managerial support to block farms,
 - 32 iii) Monitor the development and productivity of block farms, and
 - 33 iv) Recommend the cessation of the program on the block farms that have failed to
 - 34 improve productivity or raise efficiency, or graduation of block farms that are
 - 35 self-sustaining and no longer need the program.
 - 36 v) Implement a certification system as a mechanism to access grants, low interest
 - 37 financing, market access of sugarcane and other incentives from Official
 - 38 Development Assistance (ODA): Provided, that sugar mills shall provide
 - 39 market access priority to SRA-certified block farms.
- 40

41 The DA and DAR shall provide the funds for the needed production inputs, farm
42 implements, and machinery of the block farms. Funding for the program shall be
43 sourced from the budget, already earmarked for such purpose, of the DA and DAR:
44 Provided, That, DA shall fund the program for small farms while DAR for farms of
45 agrarian reform beneficiaries: Provided, further, in the event the DAR shall be abolished
46 its responsibilities under this Act shall be performed by the DA.

47

1 **SECTION 6.** Farm Support Program. – For farms that are not eligible under the
2 block farm program, the SRA and the Sugar Fund Board shall make available a support
3 program which shall include, among others, soft loans for the acquisition of production
4 inputs, farm implements and machinery necessary for the continued production of
5 sugar cane: Provided, that the loans shall be available to all farmers, association and
6 cooperatives duly registered with the SRA and Sugar Fund Board. Provided further,
7 that the SRA and Sugar Fund Board shall have a lien on the quedan of farmers that
8 obtained the loan until the loan is fully paid: Provided finally, that the SRA shall not
9 endorse a loan application of any farmer, association or cooperative that has not fully
10 paid an existing loan.

11
12 To ensure immediate payment of farmers and secure their income, farmers may
13 enter into a fair payment method *with the sugar mill*.

14
15 **SECTION 7.** Farm Mechanization Program. – All sugar cane farms including block
16 farms and agrarian reform beneficiaries shall be provided with appropriate agricultural
17 machineries and equipment necessary for a more efficient planting, cultivation and
18 harvesting of sugar cane. In line with this, the SRA, DA and DAR, in partnership with
19 Local Government Units shall support the establishment, operation and maintenance of
20 Agricultural Machinery Service Centers, as provided in Republic Act No. 10601, in
21 sugar areas and formulate and implement a Sugar Farm Mechanization Plan at the mill
22 district levels and block farms.

23
24 **SECTION 8.** Human Resource Development. – All stakeholders in the sugar
25 industry shall contribute to the development of a sustainable human resource for the
26 industry. Towards this end, the SRA, in consultation and/or with state universities, the
27 Department of Labor and Employment (DOLE), Sugar Fund Board, Technical
28 Education and skills Development Authority (TESDA), professional Regulation
29 Commission (PRC) and the private sector, shall formulate and implement a Human
30 resource Development (HRD) program for the sugar industry which shall include, but
31 not limited to, the following:

- 32
33 a) Scholarship program for the underprivileged but deserving college and post
34 graduate students that are taking up courses in relevant fields or disciplines in
35 state universities which have programs in agriculture, agricultural engineering
36 and mechanics, and chemical engineering/sugar technology;
- 37 b) Scholarship program for vocational courses and skills development for farmers
38 and farm technicians, and skilled workers in sugar mills & sugar refineries;
- 39 c) Housing program for sugar farmers and assisting communities in the generation
40 of livelihood and employment opportunities;
- 41 d) Conduct of or attendance to local or international trainings and seminars by
42 farmers, mill, refinery, plant technicians including SRA technical personnel on
43 the latest technologies related to sugar farming, manufacture or production of
44 sugar and other by-products;

45
46 **SECTION 9.** Research and Development. – SRA, in coordination with the
47 Department of Science and technology, as well as relevant state universities and
48 government research and development institutions and the private sector, shall conduct

1 researches on other viable products that can be derived from sugar manufacturing. The
2 DOST shall likewise provide assistance to SRA to improve the latter's crop forecasting
3 and crop monitoring activities or programs. The R & D to be conducted shall also
4 include organic farming, viable use of organic fertilizers and compost-making, and
5 small-scale farm implement making and production.

6
7 To attain its productivity target, the SRA in coordination and/or collaboration with
8 the private sector shall intensify researches on high yielding or flood resistant varieties,
9 pest control and prevention, latest farming, milling, refining, soil analysis and fertility
10 mapping of sugar areas, weather and climate change adaptation measures, and sugar
11 and sweetener consumption.

12
13 **SECTION 10.** Expansion of Sugar Market. – The Foreign Agricultural Officers, in
14 coordination with SRA, shall promote sugar and other exportable products derived
15 from sugar & by-products in foreign markets. On order to make refined sugar more
16 competitive in the world market, the Bureau of Internal revenue (BIR) is directed to
17 implement through the issuance of a corresponding revenue regulation the value added
18 tax (VAT) zero rated percent rate as provided under section 106 of the National Internal
19 Revenue Code (NIRC) on export sales.

20 21 **ARTICLE III**

22 23 **INFRASTRUCTURE DEVELOPMENT OF THE SUGAR INDUSTRY**

24
25 **SECTION 11.** Transport Infrastructure. – The National Economic Development
26 Authority (NEDA), Department of Transportation and Communications (DOTC),
27 Department of Public Works and Highways (DPWH), and Philippine Ports Authority
28 (PPA), shall include in their Development Plans and Priority Investment programs the
29 immediate construction and/or improvement of existing trans-loading ports for export
30 or coast-wide transport of sugar and by-products derived from sugar in key sugar
31 producing provinces. The SRA shall submit to these agencies a priority list of trans-
32 loading ports covered by this provision.

33
34 **SECTION 12.** Farm-to-Mill Roads. – The EDA, DA, DPWH shall include in their
35 priority investment program the immediate construction and/or rehabilitation of farm-
36 to-market roads in key sugar producing provinces. The SRA and Sugar Fund Board
37 shall prepare and submit to these agencies a farm-to-mill road master plan as basis for
38 the planning and programming and investment prioritization: provided, that,
39 municipal or provincial roads covered by the road master plan of SRA shall be the
40 responsibility of the concerned local government unit.

41
42 **SECTION 13.** Irrigation. – The National Irrigation Administration (NIA) and the
43 DA in coordination with the SRA shall construct appropriate, efficient and cost effective
44 irrigation facilities, rain capture and water impounding facilities in block farms and
45 sugar farms. The SRA shall submit to these agencies the list of priority sugar areas
46 under this program. The DA shall include in its budget the item or provision on
47 construction and rehabilitation of irrigation facilities, rain capture and water
48 impounding facilities in sugar areas.

1
2 To promote the conservation of water resources through the use of available
3 water from the mills, the utilization of wastewater discharge of mills & refineries that
4 meet the specifications of the DA on the safe reuse of wastewater for irrigation,
5 fertilization and other agricultural uses shall not be subject to any fee or charge.
6

7 **SECTION 14.** Registration. – As the sole agency mandated to regulate the supply
8 and production of sugar in the country, SRA shall establish a supply chain monitoring
9 system from production down to retail level to ensure sufficiency and safety of sugar.
10

11 To accurately determine the supply of sugar in the country to provide sound
12 basis for industry diversification, planning and policy, it is mandated that following
13 shall register with SRA:
14

- 15 a) Sugar farmers, farmers' associations/federations, mills/mill association,
16 sugarcane consolidators and muscovado producers;
- 17 b) Distilleries, using molasses as ingredient for potable alcohol: Provided that,
18 importers and consignees of imported molasses regularly report to SRA,
19 among other information, the volume of molasses imported;
- 20 c) International and domestic sugar traders, including wholesale traders and
21 repackers, muscovado and molasses traders and custom bonded warehouses
22 (CBW) of food processors importing sugar for re-export. Among the
23 requirements for registration of international and domestic sugar traders and
24 CBW food processors shall be a list of all of their warehouse of sugar;
- 25 d) Warehouses of sugar, and business establishments that manufacture or sell
26 bags or sacks for packing sugar; and
- 27 e) Cane hauling and harvesting service providers.
28

29 The SRA shall provide the forms and make sure that the manner of registration
30 shall be the least possible cost to the stakeholders' concerned particularly agrarian
31 reform beneficiaries. The information gathered herein shall be used to develop a sugar
32 industry database which shall be administered and updated by SRA.
33

34 **SECTION 15.** Unregistered Traders and Warehouses. – Traders and warehouses
35 of raw sugar, refined sugar, muscovado and molasses that are not registered with SRA
36 shall be subject to the penalty imposed by the Sugar Board. The penalty shall range
37 from fine to confiscation of these products.
38

39 **SECTION 16.** Promotion of Sugar Self-Sufficiency. – To augment domestic
40 supply, imported sugar may be allowed to enter the market: provided, however, that
41 SRA in exercise of its regulatory authority shall classify imported sugar as "C" or
42 reserved sugar when imported at a time that domestic production is sufficient to meet
43 domestic requirements. Reserved sugar shall remain stored in the warehouse of the
44 importer or consignee duly registered with the SRA as provided in Sec. 14 of this Act
45 until re-classified by SRA. The Bureau of Customs (BOC) shall first secure SRA
46 Clearance for release and Classification before releasing imported sugar: Provided,
47 That, imported sugar released by BOC without the requisite SRA Clearance for Release

1 and classification shall also considered as undocumented sugar and subject to penalty
2 imposed by the SRA ranging from fine to confiscation of sugar.

3
4 **ARTICLE V**

5
6 **CREATION OF THE SUGAR INDUSTRY DEVELOPMENT FUND**

7
8 **SECTION 17.** Sugar Industry Development Fund. – There is hereby established a
9 Sugar Industry Development Fund, or Sugar Fund, to support the implementation of
10 programs mentioned in this Act. Specifically, the Sugar Fund shall be utilized for the
11 following purposes:

- 12
- 13 a) Provide assistance to mills in developing the Sugar AIEZ mentioned in Section 4
 - 14 of this Act;
 - 15 b) Fund the farm Support program mentioned in Section 5 of this Act;
 - 16 c) Finance the Farm Mechanization Program of SRA mentioned in Section 7 of this
 - 17 Act;
 - 18 d) Finance the Human Resources Development of the Sugar Industry as mentioned
 - 19 in Section 8 of this Act, including, but not limited to, socio-economic programs
 - 20 for sugar farm, mill/refinery, and workers to expand their sources of income;
 - 21 e) Finance the Research and Development Programs of SRA and Sugar Fund Board
 - 22 as mentioned in Section 9 of this Act, such as, but not limited to, conduct
 - 23 researches or feasibility studies to improve efficiency and productivity of farms
 - 24 and mills, identify areas for diversification, identify and develop other markets
 - 25 for sugar and by-products;
 - 26 f) Provide assistance in the development of irrigation facilities, water impounding
 - 27 facilities and water distribution networks mentioned in Section 13 of this Act;
 - 28 g) Provide financial assistance for new products harnessing the efficient use and
 - 29 utilization of farm waste (e.g. bagasse as raw material for pulp and paper, boards
 - 30 and furfural and animal feeds) and other sugar by-products;
 - 31 h) Finance livelihood training for sugar farm, mill/refinery workers' dependent to
 - 32 expand their sources of income;
 - 33 i) Other programs, projects and activities that shall advance the development of the
 - 34 sugar industry as determined by a Sugarcane Development Council created in
 - 35 Section 18 of this Act where a Sugar Fund Body is to be created for this singular
 - 36 purpose, composed of:

37
38 Six (6) planters from different federations

39 Two (2) millers from different federations

40 One (1) farmer representative

41 One (1) representative from the National Economic Development Authority
42 (NEDA)

43 The Administrator of the Sugar Regulatory Administration

44
45 **SECTION 18.** Sources of the Sugar Fund. – The Sugar fund shall be constituted
46 and collected from the proceeds of twenty percent (20%) of the:

47

- 1 i. Value Added tax (VAT) on the sale and importation of refined sugar and
2 products derived from sugarcane; and
3 ii. Tariff collected on the importation of raw sugar (AHTN 1701.11.00), refined
4 sugar (AHTN 1701.99 and its2106.90.52).
5 iii. Lien collected by SRA from the manufacturers of sugar, and major products from
6 sugar and other by-products from sugar.
7

8 All the proceeds from the above sources, as the case may be, shall be remitted in full
9 by the Department of finance to a separate trust fund maintained by the Sugar Fund
10 Body on or before August 1 of every year: Provided, the Sugar Fund shall exist for a
11 period of ten (10) years, extendible for another ten (10) years upon recommendation of
12 the SRA Administrator based on the petition supported by a majority of sugar planters
13 & sugar millers and refiners. At the expiration of the period, all remaining amounts of
14 the Sugar fund shall revert to the National Treasury.
15

16 ARTICLE VI

17 MANAGEMENT OF THE SUGAR FUND

18
19
20 **SECTION 19.** Management of the Sugar Fund by the Sugar Fund Body. – The
21 Sugar Fund shall be held in trust by the Sugar Fund Body to be created. For this
22 purpose, it shall open and maintain a separate account for the Sugar fund. It shall
23 approve programs or projects for funding under the Sugar fund on the
24 recommendation of the Sugar Fund Body created.
25

26 The Board of Directors shall be composed of nine (9) members as follows:
27

- 28 a) The Administrator of the Sugar Regulatory Administration as Ex-Officio
29 Chairperson,
30 b) Six (6) members from the sugar planters' sector; nor two shall belong to the same
31 federation
32 c) Two (2) members from sugar millers' sector;
33 d) One (1) from the farmers sector
34 e) One (1) from NEDA

35 Except for the Ex-officio member of the Board, the appointment and qualification
36 of the other members of the Board shall be in accordance with republic Act no. 10149
37 or the "GOCC Governance Act of 2011."
38

39 **SECTION 20.** Implementing Rules and Regulations. – the Sugar Regulatory
40 Administration, in consultation with sugar industry stakeholders, shall come with the
41 implementing Rules and Regulations of this Act within ninety (90) days starting from
42 the creation & the filing up of the complete directors seats.
43

44 The SRA, in accordance with the Sugar Fund Body directions, shall likewise
45 implement the programs and projects funded by the Sugar Fund, and shall formulate a
46 Ten-Year Sugar Industry Development Program which shall be reviewed and updated
47 annually in consultation with major stakeholders at the annual convention of the
48 Philippine Sugar Technologists Association (PHILSUTECH).

1 **SECTION 21.** Separability Clause. – If any provision of this Act is declared
2 unconstitutional, the validity of the remaining provisions hereof shall remain in full
3 force and effect.

4
5 **SECTION 22.** Repealing Clause. – All laws, decrees, executive orders and rules and
6 regulations or part or parts thereof inconsistent with any provision of this Act are
7 hereby repealed, modified or amended accordingly.

8
9 **SECTION 23.** Effectivity. – This shall take effect after fifteen (15) days from its
10 complete publication in the Official gazette or in at least two (2) newspapers of general
11 circulation.

12
13 Approved,