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Senate Bill No. 2400

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Prepared and submitted jointly by the Committees on Agriculture and Food, Government Corporations and Public Enterprises, Ways and Means, and Finance, with **Senators Binay, Escudero, Villar, Trillanes IV, Ejercito, Honasan II, Legarda and Poe** as authors thereof

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**AN ACT**  
**PROMOTING AND SUPPORTING THE COMPETITIVENESS OF THE SUGARCANE INDUSTRY, ESTABLISHING THE SUGARCANE 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 "Sugarcane Industry  
2 *Development Act of 2014.*"

3       **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of the State to  
4 promote the competitiveness of the sugarcane industry and maximize the utilization of  
5 sugarcane resources, and improve the incomes of farmers and farm workers, through  
6 improved productivity, product diversification, job generation, and increased efficiency of  
7 sugar mills.

8       For these purposes, the State shall: (a) establish productivity improvement  
9 programs; (b) provide the needed infrastructure support; (c) enhance research and  
10 development of other products derived from sugar, sugarcane, and their by-products; (d)  
11 provide human resource development and extension services; (e) establish agro-industrial  
12 economic zones for sugarcane and sugarcane-related industries; and (f) provide financial  
13 assistance to small farmers.

14       **SEC. 3. Productivity Improvement Programs.** – To boost the production of  
15 sugarcane and sugar, and increase the incomes of sugarcane farmers/planters and farm  
16 workers, the following Productivity Improvement Programs shall be implemented:

1 (a) *Block Farm Program* - The Block Farm Program for sugarcane farming being  
2 implemented by the Sugar Regulatory Administration (SRA), Department of Agriculture  
3 (DA), Department of Agrarian Reform (DAR), and other government agencies is hereby  
4 institutionalized and shall be further enhanced and supported.

5 For purposes of this Act, the Program is the consolidation of small farms, which are  
6 five (5) hectares or less, including farms of agrarian reform beneficiaries, as one larger  
7 farm, with an aggregate area ranging from thirty (30) to fifty (50) hectares within a two-  
8 kilometer radius, to take advantage of the economies of scale in the production of  
9 sugarcane, such that the activities in the small farms are aligned and implemented to  
10 ensure the efficient use of farm machineries and equipment, deployment of workers, volume  
11 purchase of inputs, financing, and other operational advantages, as well as recognition of  
12 sugar mills, government financial institutions, private investors, but the ownership of each  
13 small farm remains with the landowners.

14 The SRA, DA, DAR and other concerned government agencies shall provide  
15 common service facilities, such as farm machineries and implements, grants or start-up  
16 funding for the needed production inputs, technology adoption, livelihood and skills  
17 development activities for the block farm and its members, and other support activities that  
18 may be identified.

19 To ensure the success of, and compliance to the objectives of, the Program, the  
20 SRA, shall:

- 21 i) Develop guidelines for sugarcane farms to qualify for and continue to participate  
22 in the Program;
- 23 ii) In collaboration with DA, DAR, and other concerned government agencies,  
24 provide farm management, technical assistance, and professional services  
25 support to block farms;
- 26 iii) Monitor the development and productivity of block farms;
- 27 iv) Recommend, after three years, the cessation of the Program on block farms that  
28 have failed to improve productivity or raise efficiency, or graduation of block farms

1 that have achieved high and sustainable productivity and profitability on its  
2 operations; and

- 3 v) Implement a certification system as a mechanism to access grants, low interest  
4 financing, and other incentives and support from Official Development Assistance  
5 (ODA); and market access of sugarcane: *Provided, That*, sugar mills, bioethanol  
6 distilleries and other markets of sugarcane shall provide market access priority to  
7 SRA-certified block farms.

8 (b) *Farm Support Program* – For other farms, which are nine (9) hectares or less,  
9 that are not eligible under the Block Farm Program, the SRA shall make available a support  
10 program which shall include, among others, the provision of (i) socialized credit, and (ii)  
11 farm management, technical assistance, and professional services:

- 12 (i) Socialized credit shall be made available, through the Land Bank of the  
13 Philippines, for the acquisition of production inputs, farm machineries, and  
14 implements necessary for the continuous production of sugarcane: *Provided*,  
15 *That*, the loans shall be available to sugarcane farmers duly registered with the  
16 SRA: *Provided, further*, the lender shall have a lien on the quedan of farmers that  
17 obtained the loan until the loan is fully paid: *Provided, finally*, that farmers cannot  
18 be granted another loan until the loan is fully paid.

19 To ensure immediate payment of farmers and secure their income from  
20 sugarcane, farmers may enter into any payment method with the sugar mill or  
21 distilleries for their sugarcane.

22 (ii) *Farm Management, Technical Assistance and Professional Services* –  
23 The SRA, DA, DAR, Department of Labor and Employment, Technical Education  
24 and Skills Development Authority, state universities and colleges, and other  
25 concerned private and non-government organizations shall formulate and  
26 implement a deployment program of agricultural engineers, agriculturists and  
27 farm technicians for the provision of farm management, technical assistance and  
28 professional services to these farms.

1 (c) *Farm Mechanization Program* – Planters/farmers of sugarcane farms, including  
2 block farms and farms of agrarian reform beneficiaries, shall be encouraged and trained to  
3 utilize appropriate agricultural machineries and equipment necessary for the efficient  
4 planting, cultivation, care and maintenance, harvesting and handling of sugarcane.

5 The SRA, DA and DAR, in partnership with local government units, consistent with  
6 the provisions of Republic Act (R. A.) No. 10601, otherwise known as the “Agricultural and  
7 Fisheries Mechanization (AFMech) Law,” shall:

- 8 1. Introduce or expand the use of machineries for the different stages of sugarcane  
9 farming;
- 10 2. Formulate and implement a Sugarcane Farm Mechanization Program at the mill  
11 district levels and block farms; and
- 12 3. Support the establishment, operation and maintenance of Agri-fisheries  
13 Machinery and Equipment Service Centers, as provided in Section 9 of R. A. No.  
14 10601, in sugarcane areas and, for this purpose, provide socialized credit to  
15 Service Centers: *Provided that*, these Service Centers shall emphasize the  
16 provision of plowing, harrowing, weeding, fertilization, harvesting and other farm  
17 mechanization services to sugarcane farms that do not have the capability to  
18 purchase or maintain their own machineries and equipment.

19 To develop and deploy appropriate machineries and equipment, the SRA, through its  
20 research centers, in collaboration with the Philippine Sugar Research Institute, Philippine  
21 Center for Post-Harvest Development and Mechanization, Bureau of Agricultural Research,  
22 state universities and colleges, other concerned government agencies, and industry  
23 stakeholders, shall formulate and conduct a research, development and extension program  
24 for sugarcane farm mechanization and engineering.

25 The Land Bank of the Philippines shall manage the socialized credit facility under the  
26 Farm Support Program and the Farm Mechanization Program.

27 The SRA, DA, DAR, and Land Bank of the Philippines shall issue the guidelines on  
28 the administration and lending of the socialized credit facility, funded out of the Sugarcane  
29 Industry Development Fund, established under Section 12 of this Act.

1           **SEC. 4. *Research and Development.*** – SRA, in coordination with the Department  
2 of Science and Technology, as well as relevant state universities and government research  
3 and development institutions and the private sector, shall intensify researches on sugarcane  
4 high yielding or flood resistant varieties; pest control and prevention; latest farming, milling,  
5 refining and biomass co-generation technologies; soil analysis and fertility mapping of  
6 sugarcane areas; weather monitoring and climate change adaptation measures; sugar and  
7 sweetener consumption; and other viable products that can be derived from sugarcane. The  
8 DA and DOST shall likewise provide assistance to SRA to improve the latter’s crop  
9 forecasting and crop monitoring activities or programs.

10           **SEC. 5. *Extension Services.*** – In addition to extension services provided by the  
11 Department of Agriculture, Department of Agrarian Reform, state universities and colleges,  
12 and private and non-government organizations, extension services in sugar districts shall be  
13 provided by SRA and the mill district development councils (MDDC). Extension services  
14 that can be provided shall include, but not limited to, provision of technical assistance and  
15 advice, conduct of tests, propagation, and dissemination of high yielding varieties, and  
16 operation of demonstration farms.

17           For its extension services, MDDCs may develop linkages with non-government  
18 organizations, peoples’ organizations, and local government units. It may likewise secure  
19 funding for its extension services from private sector sources.

20           **SEC. 6. *Human Resources Development.*** – All stakeholders in the sugarcane  
21 industry shall contribute to the development of a sustainable human resource for the  
22 industry. Towards this end, the Department of Labor and Employment (DOLE), in  
23 collaboration with SRA, Commission on Higher Education, Technical Education and Skills  
24 Development Authority (TESDA), Professional Regulation Commission (PRC) and the  
25 private sector, shall formulate and implement a Human Resource Development (HRD)  
26 Master Plan for the sugarcane industry which shall include, but not limited to, the following:

27           a)     Capacity building, skills trainings, institutional strengthening of the sugarcane  
28 industry workers, small farmers and agrarian reform beneficiaries and their organizations to  
29 actively contribute in productivity and competitiveness;

1           b)    Scholarship program for the underprivileged but deserving college and post  
2 graduate students who are taking up courses in relevant field of disciplines in state  
3 universities and colleges which have programs in agriculture, agricultural engineering and  
4 mechanics, and chemical engineering/sugar technology; and for vocational courses and  
5 skills development for farmers and farm technicians, and skilled workers in sugar mills,  
6 sugar refineries, distilleries and biomass power plants;

7           c)    Conduct of capability training or attendance to local or international trainings  
8 and seminars by farmers, mill, refinery, distilleries and biomass power plant technicians,  
9 including SRA technical personnel on the latest technologies related to sugarcane farming,  
10 manufacture or production of sugar and other products derived from sugarcane;

11          d)    Formulation and implementation of competency standards and training  
12 regulations for technical vocational education and training for the sugarcane industry by  
13 TESDA; and

14          e)    Upgrading of facilities, faculty development and strengthening of the on-the-job  
15 training program of agri-based higher education institutions in sugarcane areas towards the  
16 production of highly employable and globally competitive graduates needed by the  
17 sugarcane industry.

18           **SEC. 7. *Infrastructure Support.*** – To facilitate the transport of sugarcane to mills  
19 and distilleries, enhance the marketing and export of sugar and other products derived from  
20 sugarcane, and complement productivity improvement measures in this Act, transport  
21 infrastructure, farm-to-mill roads, and irrigation facilities shall be provided.

22           (a) *Transport Infrastructure.* – The National Economic and Development Authority  
23 (NEDA), Department of Transportation and Communications (DOTC), Department of Public  
24 Works and Highways (DPWH), and Philippine Ports Authority (PPA), shall include in their  
25 annual Development Plans and Priority Investment Programs the immediate construction  
26 and/or improvement of existing trans-loading ports for export or coast-wide transport of  
27 sugar and other products derived from sugarcane in key sugarcane producing provinces.  
28 The SRA shall submit to these agencies, six (6) months from the start of the effectivity of  
29 this Act, a priority list of trans-loading ports covered by this provision.

1 (b) *Farm-to-Mill Roads.* – The NEDA, DA, DPWH, and concerned local government  
2 units, shall include in their annual Priority Investment Program the immediate construction  
3 and/or rehabilitation of farm-to-mill roads in key sugarcane producing provinces. The SRA  
4 shall prepare and submit to these agencies and LGUs, within six (6) months from the start  
5 of effectivity of this Act, a Farm-to-Mill Road Master Plan and priority farm-to-mill roads at  
6 the mill district as basis for the planning, programming and investment prioritization.

7 (c) *Irrigation.* – The National Irrigation Administration (NIA), Bureau of Soils and  
8 Water Management, and concerned LGUs, in coordination with the SRA, shall construct  
9 appropriate, efficient and cost effective irrigation facilities, pump and other pressurized  
10 irrigation systems, rain capture and water impounding facilities in block farms and other  
11 sugarcane farms. The SRA shall submit to these agencies the list of priority sugarcane  
12 areas within six (6) months from the start of the effectivity of this Act. The DA and NIA shall  
13 include in its annual budget the item or provision on construction and rehabilitation of  
14 irrigation facilities, rain capture and water impounding facilities in sugarcane areas.

15 To promote the conservation of water resources and encourage and involve the  
16 participation of sugar mills, refineries and distilleries in providing irrigation to sugarcane  
17 areas, the utilization for irrigation of wastewater discharge of mills, refineries, or distilleries,  
18 that meet the specifications of the DA on the safe re-use of wastewater for irrigation,  
19 fertilization and other agricultural uses, is considered “re-use” and, therefore, exempt from  
20 wastewater charges under the system provided under Section 13 of R. A. No. 9275, also  
21 known as the “Philippine Clean Water Act of 2004.”

22 **SEC. 8. Creation of Agro-Industrial Economic Zones for the Sugarcane and/or**  
23 ***Sugarcane-Related Industries.*** – Pursuant to and consistent with the provisions of R. A.  
24 No. 7916, as amended by R.A. No. 8748, otherwise known as the “Special Economic Zone  
25 Act of 1995”, the establishment of agro-industrial economic zones for the sugarcane  
26 industry and its related industries shall be allowed: *Provided*, that, an agro-industrial  
27 economic zone developer/operator from the sugarcane industry and/or its related industries,  
28 shall apply with the Philippine Economic Zone Authority (PEZA) for the creation of an agro-  
29 industrial economic zone for its agro-industrial economic zone enterprises: *Provided*,

1 *further*, that said agro-industrial economic zone shall be considered a separate customs  
2 territory: *Provided furthermore*, that sugarcane milling and/or its related industries shall be  
3 allowed to apply and locate in such economic zone and may apply with the PEZA as an  
4 agro-industrial economic zone enterprise.

5 The agro-industrial economic zone and its agro-industrial economic zone locator  
6 enterprises shall both be entitled to fiscal incentives provided under R.A 7916, as amended,  
7 or those provided under Book VI of Executive Order No. 226, series of 1987, otherwise  
8 known as the Omnibus Investments Code of 1987: *Provided, That*, except for real property  
9 taxes on land owned by developers, no taxes, local and national, shall be imposed on agro-  
10 industrial economic zone enterprises operating within the agro-industrial economic zone. In  
11 lieu thereof, five per cent (5%) of the gross income earned by all agro-industrial economic  
12 zone enterprises within the agro-industrial economic zone shall be paid and remitted in  
13 accordance with Section 24 of R. A. No. 7916.

14 The sugar mill, refinery, distillery and bioethanol facility in the agro-industrial  
15 economic zone shall likewise be covered by and comply with the rules, regulations, orders  
16 or circulars of the Sugar Regulatory Administration (SRA), Department of Energy and other  
17 concerned agencies.

18 The Philippine Economic Zone Authority, in consultation with the SRA, Department  
19 of Trade and Industry (DTI), Department of Energy, and the Bureau of Customs (BOC),  
20 shall issue the necessary implementing rules and regulations of this Section within six (6)  
21 months starting from the effectivity of this Act.

22 **SEC. 9. Sugar Supply Monitoring System.** – As the agency mandated to regulate  
23 the supply of sugar in the country, in addition to its powers and functions under E. O. No.  
24 18, series of 1986, SRA shall establish a supply chain monitoring system from sugarcane to  
25 sugar at the retail level to ensure sufficiency and safety of sugar.

26 To accurately determine the supply of sugarcane and sugar in the country and to  
27 provide sound basis for diversification, planning and policy, it is mandated that the following  
28 shall register with SRA:



1 (a) Sugarcane farmers, farmers' associations/federations, mills/mill associations,  
2 sugarcane consolidators and muscovado producers;

3 (b) Distilleries, using molasses, sugar or sugarcane as ingredient for alcohol:  
4 *Provided*, that, importers and consignees of imported molasses regularly report to  
5 SRA, among other information, the volume of molasses imported;

6 (c) International and domestic sugar traders, including wholesale traders and  
7 repackers, muscovado and molasses traders and custom bonded warehouses  
8 (CBW) of food processors importing sugar for re-export: *Provided*, that  
9 international and domestic sugar traders and CBW food processors shall likewise  
10 submit a list of all their warehouses of sugar;

11 (d) Warehouses of sugar, and business establishments that manufacture or sell bags  
12 or sacks for packing sugar; and

13 (e) Cane hauling and harvesting service providers.

14 SRA shall provide the forms and make sure that the manner of registration shall be  
15 the least possible cost to the stakeholder concerned particularly agrarian reform  
16 beneficiaries. The information gathered shall be used to develop a sugarcane industry  
17 database which shall be administered and updated by SRA. Any of the aforementioned  
18 entities that shall not register shall be subject to penalties imposed by SRA.

19 **SEC. 10. Classification and Regulation of Supply of Sugar.** – The SRA, in the  
20 exercise of its regulatory authority, shall classify imported sugar according to its appropriate  
21 classification when imported at a time that domestic production is sufficient to meet  
22 domestic sugar requirements. The Bureau of Customs (BOC) shall require importers or  
23 consignees to secure from SRA the classification of the imported sugar prior to its release.

24 **SEC. 11. Value-Added Tax (VAT) Zero percent on Refined Sugar for Export.** –  
25 Pursuant to Section 106 (A) (2) (a) (1) of the National Internal Revenue Code, VAT zero  
26 percent shall be imposed on refined sugar withdrawn from warehouses for actual physical  
27 export to the world market.

28 The Bureau of Internal Revenue, in consultation with SRA and industry stakeholders,  
29 shall issue the necessary regulation to implement this Section.

1        **SEC. 12. Sugarcane Industry Development Fund.** – There is hereby  
2 established a Sugarcane Industry Development Fund, or Sugar Fund, as a special  
3 account in the General Fund, which shall exist for a period of ten (10) years. It shall be  
4 administered by the Sugar Regulatory Administration.

5        The Sugar Fund shall support the implementation of programs mandated in this Act.  
6 Specifically, the Sugar Fund shall be set aside and earmarked for the following:

- 7        (1) Thirty percent (30%) for grants to Block Farms under the Block Farm  
8            Program;
- 9        (2) Thirty percent (30%) for Socialized Credit under the Farm Support and Farm  
10            Mechanization Programs;
- 11        (3) Thirty percent (30%) for research and development, capability building and  
12            technology transfer activities under Research and Development, Extension  
13            Services, Human Resources Development, and Farm Support Programs; and
- 14        (4) Ten percent (10%) for scholarship grants to be provided under paragraph (b)  
15            of Section 6, Human Resources Development.

16        The Sugar Fund shall be constituted and collected from the proceeds of fifteen  
17 percent (15%) of the:

- 18        i. Value Added Tax (VAT) on the sale of imported refined sugar and other products  
19            derived from sugarcane;
- 20        ii. Value Added Tax (VAT) on the sale of domestically-produced refined sugar and  
21            other products derived from sugarcane; and
- 22        iii. Tariff collected on the importation of raw sugar (AHTN 1701.11.00), refined sugar  
23            (AHTN 1701.99 and its subheadings), and premix sugar (AHTN 1701.91.00 and  
24            2106.90.52).

25        All proceeds from the above sources, as the case may be, shall be remitted by the  
26 Bureau of Internal Revenue and the Bureau of Customs to the Sugar Fund. At the  
27 expiration of the ten-year period, all remaining amounts of the Sugar Fund shall be remitted  
28 to the National Treasury.

1           **SEC. 13. *Implementing Rules and Regulations.*** – The Department of Agriculture,  
2 in consultation with concerned government agencies and sugarcane industry stakeholders,  
3 shall issue the Implementing Rules and Regulations of this Act within ninety (90) days  
4 starting from the effectivity of this Act.

5           **SEC. 14. *Separability Clause.*** – If any provision of this Act is declared  
6 unconstitutional, the validity of the remaining provisions hereof shall remain in full force and  
7 effect.

8           **SEC. 15. *Repealing Clause.*** – All laws, decrees, executive orders and rules and  
9 regulations or part or parts thereof inconsistent with any provision of this Act are hereby  
10 repealed, modified or amended accordingly.

11           **SEC. 16. *Effectivity.*** – This Act shall take effect after fifteen (15) days from its  
12 publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

*Approved,*