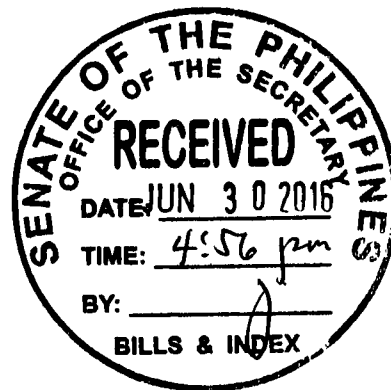


SEVENTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

SENATE

Senate Bill No 142



Introduced by Senator Cynthia A. Villar

AN ACT MERGING THE PHILIPPINE CARABAO CENTER AND THE NATIONAL DAIRY AUTHORITY INTO THE PHILIPPINE NATIONAL DAIRY DEVELOPMENT AGENCY TO PROVIDE GREATER FOCUS ON THE ACCELERATED DEVELOPMENT OF THE DAIRY INDUSTRY AND TO INCREASE PRODUCTION OF DAIRY ANIMALS IN THE PHILIPPINES, PROVIDING A RUMINANT DEVELOPMENT FUND THEREFORE, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Milk and dairy products play an important role in a healthy, balanced diet. They are rich sources of calcium which is easily absorbed by the body. This mineral, along with other nutrients present in dairy foods, such as protein, magnesium and phosphorus, is essential to build and maintain strong bones. Having a good calcium intake throughout life is important for keeping bones healthy. Many people, particularly teenagers have diets low in calcium and therefore have an increased risk of developing osteoporosis (brittle bone disease) in later life.

One of the easiest ways to meet your daily calcium requirement is to consume a portions of milk, cheese and dairy products a day. The Food and Agriculture Organization (FAO) estimates the Philippines' per capita milk consumption at 22kg, compared to 26kg for Thailand, 52kg for Malaysia, and 287kg for the United States (Ang, 2012).

The importance of the dairy sector in economic terms is not limited to farming as it is important to many upstream and downstream industries, such as animal feed manufacturers and milk processors. Every dairy farm has a much bigger economic multiplier effect, providing work for local veterinarians, mechanics, feed suppliers and a whole range of other suppliers. To date, the Philippines has 15 commercial processors and / or importers, 103 import-traders, and 209 NDA-assisted dairy producers. According to the NDA, the dairy farming, processing, and distribution industry generates and/or secures approximately 19,000 jobs (National Dairy Authority Philippines, 2010).

The Philippines' dairy industry which generates sales of about \$1 Billion annually is made up of two (2) distinct sectors:

- Huge importing and processing sector that supplies over 95% of the milk requirements of the country, and
- Small milk producing sector that provides the rest of the supply.

Dairy products are the country's second largest agricultural import, next to wheat, that amounted to about US\$588 million in 2010 or a 29% increase from 2009. About 80% of imported milk is in powder form. In terms of liquid milk equivalent (LME), the local supply does not exceed one percent. Almost half of families with a young child and one-third of families living on less than \$2 per day purchase infant formula (Sobel et al., 2012).

Our milk producing sector consists of:

- Informal group of individual unorganized producers, and
- Formal group that is made up of:
 - Smallholder producers with 1 to 10 head of milk animals,
 - Smallholder producers with growing dairy herds numbering from over 20 to about 75 head of milk animals, and
 - Producer-processors that maintain farms with about a hundred milk animals or more, operate a milk pasteurizing plant and undertake marketing of milk in urban centers.

With dairy production in the country being more community-based and with the lack of dairy processing facilities and milk delivery vehicles, maintaining the quality of fresh milk becomes a major concern.

The Department of Agriculture (DA) prioritizes the development of the Philippine dairy industry through its Philippine Dairy Development Plan 2008-2030. The Philippines' local production sufficiency (which is defined as the percentage of local production's contribution to the net local supply) for dairy products has been pegged at 1% for the last 5 years (National Dairy Authority, 2013; Ang, 2012). This implies that 99% of the local dairy consumption has been continually sourced from overseas, and that the dairy production supply is more or less growing at the same rate as the local demand. Most of the imported milk utilized for consumption and further processing are sourced from New Zealand (46%), USA (29%), Australia (8%), and France (3%). Eighty five percent of these imports are in the form of powdered milk (National Dairy Authority, 2013).

For the Philippines to achieve sustainability in terms of dairy production, an exponential increase in both livestock and animal productivity is needed. This can only be accomplished through a well-implemented government intervention with a long term plan that will involve encouraging more and more individuals entering the dairy production sector, even as small scale farmers. (Knips, "Developing Countries and the Global Dairy Sector Part I: Global Overview", N.d.; Valencia, The power of cooperatives in the Thai dairy industry, 2013.).

Radical moves to support for local milk production is needed for a meaningful increase in milk production supply. An effective plan that involves exponentially increasing the number of small scale farmers and cooperatives is needed to increase the staling production sufficiency ratio. Increasing the physical number of dairy animals and the per head milk productivity through breeding and selection will also play a part. The increase in the number of small holder farmer groups, the establishment of more breeding farms to provide good stock and to increase milk productivity and the continued training of farm technicians, the need for strong partnerships between government and farmers are some of the steps toward changing our dairy situation.


The processing of imported milk powders will still be the prime income source of dairy industry. The tariffs and export dollars earned will not be enough to curtail the net loss brought about by heavy reliance on this importations. A substantial local dairy processing industry will not appear unless demands for Ready to Drink (RTD) milk are first met.

The development of carabao as a source of milk for household and community consumption appears to be feasible. However, this will depend on the ability of the industry to stimulate local milk production at a quantity that would significantly contribute to the total milk supply of the country and, at the same time, compete with the low-cost imported milk.

One major constraint to production, particularly on building up an enterprise, is capital. For years, many lending institutions have created windows for small-scale farmers, yet the effect and impact of these available credit windows on the overall industry have not been significant.

A specialized (farmer-friendly) credit or loan window that would stimulate small-scale farmers to access credit and raise ruminants is very essential.

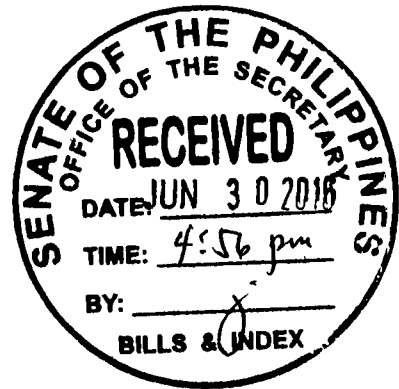
Thus, the passage of this bill is earnestly sought.


CYNTHIA A. VILLAR
Senator

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Strong Support from Government
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SENATE

S.B. No. 142

Introduced by Senator CYNTHIA A. VILLAR

AN ACT MERGING THE PHILIPPINE CARABAO CENTER AND THE NATIONAL DAIRY AUTHORITY INTO THE PHILIPPINE DAIRY DEVELOPMENT AGENCY TO PROVIDE GREATER FOCUS ON THE ACCELERATED DEVELOPMENT OF THE DAIRY INDUSTRY AND TO INCREASE PRODUCTION OF DAIRY ANIMALS IN THE PHILIPPINES, PROVIDING FOR A RUMINANTS DEVELOPMENT FUND THEREFORE, AND FOR OTHER PURPOSES

- 1 *Be it enacted by the Senate and House of Representatives of the Philippines in*
2 *Congress assembled:*
- 3 SECTION 1. *Title.* - This Act shall be known as the "Dairy Development Act of 2016".
- 4 SEC. 2. *Declaration of Policy.* - It is the declared policy of the State to promote the
5 development of the livestock industry in order to increase the supply of livestock and
6 livestock products and to attain greater self-sufficiency in food commodities from
7 ruminants as sources of supply of milk and dairy products.
- 8 Towards this end, the State aims to restructure and realign the government agencies
9 charged with the development of ruminants, by separating the regulatory functions
10 from the development missions of the said agencies and merging these separate
11 groups of functional role into the appropriate agency structures.
- 12 The State recognizes the primary role of the private sector in research, training,
13 production, processing, and marketing, and shall provide incentives and the needed
14 support to encourage these activities in the areas of production and processing of
15 ruminant meat and hide production as well as dairy products.
- 16 SECTION 3. *Objectives.* - The objectives of this Act are as follows:

- 1 a) To ensure adequate supply and growth of meat, milk and dairy, and other
2 ruminants products at affordable prices and to promote and provide direction for
3 the accelerated development of ruminants as sources of draft animal power,
4 meat, milk and dairy, and hide products;
- 5 b) To give support and assistance in the production, processing and marketing
6 activities of ruminants and dairy products, particularly rural based small farm
7 operators, farm families, rural cooperatives and private corporate enterprises
8 through the provision of necessary support systems;
- 9 c) To formulate the long and short range programs calculated to achieve major self-
10 sufficiency, efficiency, and stability in food commodities of ruminant animal
11 origins;
- 12 d) To formulate and establish comprehensive support programs and policy
13 guidelines for the development of the ruminant livestock industry in all aspects in
14 order to make the industry productive and profitable under sustainable
15 environment through sound policies, programs, research and services on animal
16 production, post-harvest activities.
- 17 e) To coordinate with sources of production financing support, and marketing
18 assistance in order to boost the sustainability of ruminant animal and dairy
19 producers; and
- 20 f) To coordinate, integrate, and supervise all policies and programs of all
21 government agencies charged with the implementation thereof.

22 SEC. 4. *The Philippine Dairy Development Agency.* – The Philippine Carabao Center
23 created under R.A. 7307 and the National Dairy Authority, created under R.A. 7884 are
24 hereby merged and converted into Philippine Ruminants Development Agency (PRDA),
25 which shall be attached to the Department of Agriculture, and headed by an
26 Administrator.

27 The Agency shall be the central coordinating agency tasked to ensure the accelerated
28 development of the Philippine ruminant meat, hide and dairy industries, in accordance
29 with the policies and objectives set forth in this Act.

30 SEC. 5. *Powers and Functions of the PDDA.* – The PDDA shall have the following
31 powers and functions:

- 32 (a) To conserve, propagate and promote the ruminant animals as sources of
33 draft animal power, meat, milk and dairy, and hide products;
- 34 (b) To enable the farmers, particularly smallholder farmers and CARP
35 beneficiaries to avail themselves of good quality ruminant stocks at reasonable
36 prices through an organized program of production, breeding, training and
37 dispersal;

1 (c) To undertake training programs for farmers, particularly smallholder farmers
2 and CARP beneficiaries, designated to transfer technology on the proper care
3 and reproduction of the carabao and the processing of its meat and milk;

4 (e) To undertake research and development activities that lead to the
5 improvement of the over-all productivity of the Philippine ruminants, provided that
6 such activities shall indicate the potential of positive returns on the invested
7 research funds.

8 (d) To provide update information on varieties, prices, importation, propagation,
9 storage, distribution and sale of ruminants and dairy animals, semen, forage
10 seeds, fertilizers, veterinary supplies, dairy equipment and engineering supplies
11 and such other inputs;

12 (f) To receive grants, subsidies, donations or contributions from corporations,
13 thrusts, foundations, associations and other sources from any private or
14 government office, agency or corporation in the Philippines or abroad;

15 (g) To establish, maintain or operate field units or offices in various parts of the
16 country in order to achieve the objectives of this Act;

17 Section 6. *Transfer of Functions.* All on-going programs and functions of the merged
18 agencies are hereby transferred to the PDDA and shall continue to be operational until
19 such time as the appointed PDDA Administrator is able to implement a rationalization
20 and reengineering program to align their functions, programs and activities to the
21 objectives of this Act.

22 Any and all regulatory functions embodied in R.A. 7307 and R.A. 7884 are hereby
23 transferred to the Bureau of Animal Industry, created by Republic Act No. 3639 as
24 amended.

25 SEC. 7. *PDDA Advisory Board.* – The PDDA Advisory Board shall be composed of the
26 following:

27 The PDDA shall be governed by and Advisory Board to be composed of:

28 (a) Secretary of the Department of Agriculture as chairman;

29 (b) Director of the Bureau of Animal Industry;

30 (c) One farmer representatives for each among Carabao, Cattle, Goat and Dairy
31 producers; and

32 (d) Administrator of PDDA, as Vice Chairman.

1 The PDDA Board shall and approve all the policies, systems, protocols and
2 organizational re-engineering of the Agency. It shall also affirm the development
3 programs that will be implemented by the Administrator.
4

5 *SEC. 18. Exemption from Taxes and Duties.* – The Agency may, in behalf of ruminant
6 and dairy producer enterprises and cooperatives, import and shall be exempt from the
7 payment of customs duties and taxes on the importation of ruminants and dairy animals,
8 veterinary and other supplies, other farm inputs, dairy equipment and machineries,
9 research equipment, including its spare parts, for purposes of augmenting and
10 upgrading local stocks and breeders, subject to the following conditions:

- 11 a) That the breeders are certified to upgrade and improve existing stocks;
12 b) That the dairy equipment and machineries, including its spare parts are not
13 manufactured domestically in sufficient quantity, of comparable quality and
14 reasonable prices; and
15 c) That it shall be actually, directly and exclusively used by the ruminant
16 producer enterprises and cooperatives in the production or manufacture of
17 ruminant and dairy products;

18
19 *SEC. 10. Powers and Functions of the Administrator.* – Subject to the control and
20 supervision of the Advisory Board, the Administrator shall have the following powers
21 and functions:

- 22 a) Submit policy recommendations and proposed measures necessary to carry
23 out the objectives and functions of the Agency, for the consideration of the
24 Board;
25 b) Recommend to the Board, for approval, an organizational structure, and
26 plantilla of personnel of the merged Agency, in accordance with existing laws,
27 rules and regulations;
28 c) Execute, administer and implement policies and measures approved by the
29 Board;
30 d) Submit to the Board, in line with the national budget cycle, an annual budget
31 and such supplemental budget as may be necessary for its consideration and
32 approval;
33 e) Represent the Authority in all its dealings with other persons, entities,
34 agencies, and institutions whether public or private, domestic or foreign, subject
35 to the limitations and conditions herein provided;

1 f) Appoint, subject to the confirmation of the Board, and discipline or remove for
2 cause in accordance with the civil service law, rules and regulations, the officers
3 and personnel of the Authority; and

4 g) Perform such other duties which may be assigned to him by the Board or by
5 the Secretary of the Department of Agriculture.

6 SECTION 11. *Implementing Rules and Regulations.* Within three months from the
7 effectivity of this Act, the Secretary of Agriculture shall form an ad hoc Task Force to be
8 composed of two representatives each from the merged agencies, from the cattle
9 producers, from carabao producers, goat producers, and the local dairy industry to
10 formulate the Implementing Rules and Regulations within the ensuing period of three
11 months. Two representatives of the Congressional Commission on Agriculture and
12 Fisheries Modernization shall join the meetings of the ad hoc Task Force as observers.
13

14 SEC. 12. Appropriations. – The appropriations of agencies, division, council and
15 corporation, merged, abolished or transferred pursuant to this Act shall be turned over
16 to the Agency. Thereafter, such sums as may be necessary for its continued operation
17 and maintenance shall be included in the annual General Appropriations Act.
18

19 SEC. 13. Repealing Clause. – R.A. 7307 and R.A. 7884 are hereby repealed
20 accordingly. All laws, decrees, executive orders, rules and regulations or parts thereof
21 which are inconsistent with this Act are hereby repealed or modified accordingly.
22

23 SEC. 14. Separability Clause. – If any provision of this Act is declared unconstitutional
24 or invalid, other provisions thereof which are not affected thereby shall continue in full
25 force and effect.
26

27 SEC. 15. Effectivity. — This Act shall take effect after fifteen (15) days following its
28 publication in the Official Gazette or in any newspaper of general circulation.
29

30 Approved,