

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

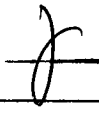


Senate
Office of the Secretary

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SENATE

S. No. 834

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

AN ACT
RESERVING TO GOVERNMENT THE EXCLUSIVE AUTHORITY TO IMPORT RICE TO FURTHER ENSURE FOOD SECURITY AND PROTECT DOMESTIC PRODUCERS, AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 4, OTHERWISE KNOWN AS "THE NATIONAL GRAINS AUTHORITY ACT," AS AMENDED

Explanatory Note

Being one of the staple foods in Filipino households, it is imperative upon the national government to ensure adequate supply of rice three times a day, and to assure citizens of sufficient buffer stock in National Food Authority (NFA) granaries especially during the lean months from July to September.

Rice plays a crucial role in Philippine society and economy because it provides an income source to those engaged in the production, processing, distribution and sale of rice and rice products. As such, disruption of rice production directly affects not only the farmers and consumers, but also a chain of traders, millers, distributors, and merchants.

Despite its strategic importance, Philippine rice production does not keep pace with the increasing Filipino rice demand. *Palay* production¹ in 2015 increased by 46.49% from 2000 production levels, despite a mere 15.31% increase in dedicated farmlands for *palay* production. Philippine population² and per capita rice utilization, however, increased by 34.88% and 10.72% during the same time period, respectively – thereby increasing national rice consumption by 49.34% or 3.83 million metric tons of rice. These figures show a significant deficit between production and consumption, even before considering losses from milling, warehousing and transport.

Along with intervention to increase food production, this rice production-consumption gap is mitigated through importation. The power to import is based on the certification of the NFA Council, upon consultation with the Office of the President, that there is shortage of grains and/or their substitutes caused by a shortfall in production, a critical demand-supply gap, a state of calamity or other verified reasons.

In pursuit of such policy, NFA has imported or authorized the importation of rice both for buffer stock purposes and for satisfying domestic demand. In 2015, NFA authorized the importation of 805,200 metric tons of rice under the Minimum Access Volume (MAV) Program for the private sector³. The MAV Program refers to the program that specifies the volume of a

¹ Data on *palay* production and rice consumption taken from *CountryStat Philippines* of the Philippine Statistical Authority.

² Data on population taken from *Population Census* of the Philippine Statistical Authority.

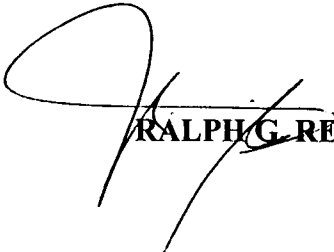
³ National Food Authority. (20156, June 10). NFA Memorandum Circular AO-2015-06-012. *General Guidelines in the Importation of 805,200 Metric Tons, White Rice Under the Minimum Access Volume Country Specific Quota (MAV-CSQ) and the Minimum Access Volume Omnibus Origin (MAV-OO) for the year 2015 by the Private Sector*. Quezon City: National Food Authority.

specific agricultural product that is allowed to be imported as committed by the Philippines to the World Trade Organization (WTO) under the Uruguay Round Final Act⁴. This importation figure comprises the bulk of the 1.086 million metric tons of broken, semi-milled, and wholly-milled rice the Philippines has imported for the same year⁵.

The benefits of private sector participation in rice trade, however, are yet to be realized by ordinary Filipino farmers and consumers. Despite the large influx of imported rice to the Philippines, the price of rice has remained high. Retail price of well-milled rice went up by 22.42% from P 34.34 per kilo in 2010 to P 42.04 in 2015⁶. Retail Price Index for all items, meanwhile, rose only by 10.85% during the same period⁷. Moreover, the policy of allowing the private sector to import either through Private-Sector Financed Importation Program or the Minimum Access Volume-Country Specific Quota Program is fraught with accounts of smuggling, fraud, and other unlawful activities. To illustrate, while the Philippines reported an influx of 1,086 million metric tons of broken, semi-milled, and wholly-milled rice in 2015, countries which exported rice to the country only reported sending 828,203.35 metric tons of broken, semi-milled, and wholly-milled rice during the same period, leaving an unaccounted rice import of about 257,388⁸. The legislative inquiry on rice smuggling spearheaded by the Senate Committee on Agriculture and Food during the 16th Congress also uncovered how financiers illegally used farmer cooperatives to purchase rice on their behalf, and how old import permits were recycled with the collusion of the officials from the Bureau of Customs (BOC) and NFA. This situation show that instead of becoming a mechanism to sustain food security, market participation in the international rice trade has been used not only for smuggling and fraud, but also for price-fixing considering the large volumes of privately-held rice supply.

This bill seeks to address such situation by instituting direct government intervention in rice purchase and distribution. The proposed measure reverts the power to exclusively import rice back to government through the NFA, thereby reducing the avenues where smuggling could occur. It is hoped that through this intervention, along with better customs administration and sustained anti-smuggling operation in our ports, rice prices will be stabilized, rice supply will be ensured, and farmers and consumers will be protected.

In light of the aforementioned undertaking, the approval of this measure is earnestly sought.


RALPH G. RECTO

/mdg

⁴ Definition provided under section 3 (e) of Republic Act No. 8178, otherwise known as the "Agricultural Tariffication Act."

⁵ Data taken from United Nations Commodity Trade Statistics Database.

⁶ Data on rice prices taken from *CountryStat Philippines* of the Philippine Statistical Authority.

⁷ Data on retail price index taken from Industry and Trade Statistics of the Philippine Statistical Authority

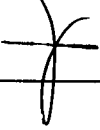
⁸ Data calculated from United Nations Commodity Trade Statistics Database



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

1 **SECTION 1.** Section 5 subsection (b) paragraph iii of Presidential Decree (P. D.) No. 4,
2 otherwise known as "*The National Grains Authority Act*," as amended, is hereby further
3 amended to read as follows:

4 "SEC. 5. *Implementing Agencies.* Within the framework of the grains
5 industry development program adopted by the Council, primary and direct
6 responsibilities and functions shall be vested in specified agencies, as follows:

7 "(a) xxx;

8 "(b) The administration as created and organized in this Act shall
9 undertake and assume primary responsibility for all government activities
10 relating to the processing, storage, transport and marketing of grains. It
11 shall-

12 "i. xxx;

13 "ii. xxx;

14 "iii. Procure and control or cause the procurement or
15 control of such stock of grains in quantities and in locations, as
16 may foreseeably be needed, to maintain the floor price or manage
17 as buffer stocks to stabilize consumer prices: **PROVIDED, THAT IN**
18 **THE CASE OF RICE, THE AUTHORITY SHALL EXERCISE THE**
19 **EXCLUSIVE POWER AND NON-DELEGABLE DUTY TO UNDERTAKE**
20 **THE IMPORTATION THEREOF.**

21 "x x x.

22

1 SEC. 2. Section 6 sub-section (a) paragraph xii of P.D. No. 4, as amended, is hereby
2 further amended to read as follows:

3 “SEC. 6. *Administration Powers, Organization, Management and*
4 *Exemptions.* The powers, organization, management and exemptions of the
5 Authority shall be as follows:

6 “(a) Powers In order to effectively carry out its functions and
7 responsibilities provided in this Act, the Authority shall have the
8 following powers:

9 “x x x.

10 “xii. To establish rules and regulations governing the
11 importation of rice, corn and other grains and their substitutes
12 and/or by-products/end products and to license, impose and collect
13 fees and charges for said importation for the purpose of equalizing
14 the selling price of such imported rice, corn and other grains and
15 their substitutes and/or by-products/end products with the normal
16 prevailing domestic prices.

17 In the exercise of this power, the Council after consultation
18 with the Office of the President, shall first certify to a shortage of
19 rice, corn and other grains and/or their substitutes that may occur
20 as a result of a short-fall in production, a critical demand-supply
21 gap, a state of calamity or other verified reasons that may warrant
22 the need for importation: *Provided*, That this requirement shall not
23 apply to the importation of rice equivalent to the Minimum Access
24 Volume obligation of the Philippines under the WTO. The
25 Authority shall undertake the direct importation of grains and/or
26 their substitutes or it may allocate import quotas among certified
27 and licensed importers and the distribution thereof through
28 cooperatives and other marketing channels, at prices to be
29 determined by the Council regardless of existing floor prices and
30 the subsidy thereof, if any, shall be borne by the National
31 Government: **PROVIDED, HOWEVER, THAT WITH RESPECT TO THE**
32 **IMPORTATION OF RICE, THE AUTHORITY SHALL EXERCISE THE**
33 **EXCLUSIVE POWER AND NON-DELEGABLE DUTY TO UNDERTAKE**
34 **THE IMPORTATION THEREOF.**

35 **Sec. 3. *Implementing Rules and Regulations.*** – The National Food Authority shall issue
36 the necessary implementing rules and regulations within thirty (30) days from the effectivity of
37 this Act.

38

1 **Sec. 4. Repealing Clause.** - All laws, decrees, orders, rules and regulations or parts
2 thereof inconsistent with any of the provisions of this Act are hereby repealed, amended or
3 modified accordingly.

4 **Sec. 5. Effectivity Clause.** - This Act shall take effect fifteen (15) days after its complete
5 publication in the Official Gazette or at in least two (2) newspapers of general circulation.

6 Approved,