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

SENATE

P. S. RES. NO. 40

Introduced by Senator Cynthia A. Villar

RESOLUTION

DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE REPORTED FAILURE OF THE SUGAR REGULATORY ADMINISTRATION (SRA) IN ITS IMPLEMENTATION OF REPUBLIC ACT 10659 OR THE SUGARCANE INDUSTRY DEVELOPMENT ACT OF 2015 TO THE DETRIMENT OF THE SUGAR INDUSTRY IN GENERAL AND THE SMALL FARMERS AND WORKERS IN PARTICULAR

WHEREAS, Republic Act 10659 or the Sugarcane Industry Development Act (SIDA) of 2015 took effect on April 15, 2015. The law is intended to bolster the sugarcane industry, which contributes P70 billion to the economy yearly, and government expects it to grow by P100 billion annually;

WHEREAS, this law mandates, among others, the construction of farm to mill roads, support for the strengthening of block farms of at least 30 hectares in area, formed out of small individual farms, to make them more productive and profitable as commercial enterprises, taking advantage of the economies of scale;

WHEREAS, under this law, starting in 2016, the government shall provide P2 billion to the industry, allocated as follows: a) fifteen percent (15%) or P300 million for block farm grants; b) fifteen percent (15%) for research and development, capability building and technology transfer; c) fifteen percent (15%) for socialized credits to be implemented by Land Bank for farm support and mechanization; d) five percent (5%) or P100 million for scholarship grants and human resources development programs; and e) fifty percent (50%) or P1billion for infrastructure development programs for farm to mill roads, irrigation and transport infrastructure;

WHEREAS, the Philippine Sugarcane Industry covers a land area of about 422,500 hectares, with about 62,000 farmers. It has 28 operating raw mills with combined crushing capacity of 185,000 metric ton cane per day. It has 14 refineries with combined capacity of 8,000 metric tons refined sugar per day, all operating as adjunct to the raw mills. Geographically, there are 7 sugar mills and 1 distillery in Luzon, 4 sugar mills in Mindanao, and the rest are located in the Visayas region, which produces about 65% of the country's sugar output. The biggest sugarcane hectarage is in the Visayas, particularly in Negros Island, followed by the fast-growing area of Mindanao. In terms of farm sizes, 75% of farms have sizes less than 5 hectares; 11% have sizes of 5 to 10 hectares; 11% have sizes of 10 to 50 hectares; 2% have sizes of 50 to 100 hectares; and a mere 1% with a size of over 100 hectares. In terms of provincial spread, sugarcane is grown in 17 provinces, distributed in eight regions from northern Luzon (Isabela, Cagayan) to Mindanao (Bukidnon, Cotabato, Davao). Twelve (12) of the 28 operational sugar mills are located in Negros, Panay, Leyte and Cebu, producing 56 percent of raw sugar. Tarlac and Batangas contribute 20 percent, and Bukidnon, 24 percent;

WHEREAS, the sugarcane industry has also a viable business opportunity for bioethanol. The implementation of the Biofuels Law and the Renewable Energy Law impacts the sugar industry because bioethanol comes from sugarcane, either from molasses or direct from cane juice, and energy will come from bagasse and cane trash. The Biofuels Law mandates that all locally-produced bioethanol will have to be bought by oil companies, prior to using imported ethanol. The biofuel and renewable industries, two emerging industries, while are already in place, have also to grow faster than their current pace;

WHEREAS, the sugar industry should continue to serve the sugar needs of the domestic market and fulfill the Philippines' US sugar quota obligations. It should aim to supply all the bioethanol needed for blending with our gasoline requirement. It should aim to increase the profitability of our sugar mills and ethanol distilleries so that they can eventually sell power to the country's electric grid. The sugarcane areas should be expanded to produce enough sugar and bioethanol, even as most of the existing sugar mills have underutilized milling capacities, as data show only 68-80% utilization. More investments and improved technologies in growing sugarcane are badly needed, driven by the need for our sugarcane/sugar industry to be globally competitive in terms of productivity and cost;

WHEREAS, The Philippines has a low sugar yield at 5.1 tons sugar per hectare. Columbia yields 2.38 times more sugar per hectare; Australia, 2.15 times; Brazil, 1.88 times; Guatemala, 1.74 times; and Thailand, 22 percent more. With respect to sugar recovery per ton of milled cane, Brazil recovers 58 percent more; Australia, 45 percent; China, 36.5 percent; and Thailand, 15 percent;

WHEREAS, close to 700,000 Filipinos are directly employed in sugar production, and about 5-6 million more are indirectly employed, representing close to 7 percent of the country's population;

WHEREAS, at the moment, the sugar industry is threatened by at least four (4) elements: a) high costs of production—inputs, labor, interest rates; b) low yield and low market price of sugar, which leads to low farm income; c) climate change, which has become more damaging in recent years; and d) labor shortage due to the alternative work and monetary opportunities offered by government's infrastructure program, the private construction boom and the 4Ps (cash transfer program) which, combined, have provided more employment options. Another pressure impinging on the sugarcane industry is government's plan to deregulate sugar imports;

WHEREAS, recognizing that the sugarcane industry plays a vital role in the country's economic development and anticipating the reality that the local sugar industry should compete with the rest of the world, the SIDA was enacted;

WHEREAS, based on official reports, since the enactment of SIDA, the SRA failed to implement its programs so much so that that from close to P2 billion SIDA budget at its disposal in 2016, it now has only P500 million for 2019. The reduction through the years of its budget has been the result of its underspending, which if left uncorrected will result in a budget of only P67 million by 2020. The Department of Budget and Management believes that the reduction of the SIDA budget is but proper because the SRA, as the primary agency involved in the use of the funds for implementation of the SIDA Programs, has no capacity to spend its allocations. These reports on the SIDA implementation and the shortcomings of the SRA are disturbing issues that call for immediate action, as the ultimate victims would be the sugar farmers and the sugarcane industry;

RESOLVED BY THE SENATE, to direct the appropriate Senate Committee to conduct an inquiry, in aid of legislation, into the reported failure of the Sugar Regulatory Administration (SRA) in its implementation of Republic Act 10659 or the Sugarcane Industry Development Act of 2015 to the detriment of the sugar industry in general and the small farmers and workers in particular.

Adopted,

CYNTHIA A. VILLAR
Senator