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SENATE
P.S. RES. No. 536

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Introduced by **SENATOR CYNTHIA A. VILLAR**

**RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO
CONDUCT AN INQUIRY, IN AID OF LEGISLATION,
ON THE NEED TO IMPROVE THE RICE IMPORTATION PROCEDURE BASED
ON THE ALLEGATIONS THAT CERTAIN BIG RICE TRADERS, IMPORTERS
AND UNSCRUPOLOUS INDUSTRY PLAYERS ARE USING THE LICENSES OF
FARMER COPERATIVES AND IRRIGATORS ASSOCIATIONS TO IMPORT
RICE, AND TAKING ADVANTAGE OF THE CO-OPS TAX EXEMPTION
PRIVILEGES TO DEFRAUD THE GOVERNMENT IN ITS TARIFF COLLECTION
AND THE RICE FARMERS WHO ARE THE BENEFICIARIES OF THESE
REVENUES UNDER THE RICE TARIFFICATION LAW**

WHEREAS, THE Cooperative Development Authority (CDA) said there is a need to overhaul the country's rice importation system to prevent unscrupulous traders from using cooperatives as dummies so they can take advantage of the co-ops' tax exemption privileges.

WHEREAS, the CDA is capable of determining the capacity of farmers' cooperatives to import rice yet they are not part of the importation process. Prior to 2015, the CDA was part of the rice importation system as farmers' cooperatives seeking to purchase rice from abroad must first secure a certificate of good standing (CGS) from the agency. This procedure determines if a cooperative is indeed capable of importing rice in terms of its financial status and whether it has the requisite warehouses. Prior to issuing the certificate, the CDA conducts physical inspection of the coop's office and warehouses to verify their capability to import rice. The CDA will not issue the CGS if it deems the coop incapable of importing the staple. This, however, was removed by the National Food Authority (NFA) in 2015.

WHEREAS, in 2019 out of the total 1,857,341.871 MT of rice that has arrived in the Philippines, based on the Bureau of Plant and Industry (BPI) data as of Sept. 4, 2020, 1,017,490.778 MT or 54.78 percent were imported by Farmer Cooperatives/Associations (FCA). While as of September 4, 2020 of the 1,661,598.785 MT that arrived, 508,052.185 or 30.58% were imported by FCAs.

WHEREAS, with the passage of the Republic Act No. 11203 or "An Act Liberalizing the Importation, Exportation and Trading of Rice" or the Rice Tariffication Law (RTL) on March 5, 2019, the government removed the quantitative restrictions (QRs) on rice importation. Traders could now bring in unlimited volumes of rice but has to pay tariff of thirty five percent (35%) if the rice being imported are sourced from ASEAN countries and up to 180% if coming from outside of ASEAN. RA 11203 also created the Rice Competitiveness Enhancement Fund (RCEF) that is to be funded from the tariff collected from imported rice, amounting to Php 10 billion annually for six years, to assist rice farmers with seeds, farm machineries, credit and technical extension.

WHEREAS, the role of safeguarding both the producer and consumer welfare, ensure food safety, and food security was given to the Bureau of Plant Industry under the Department of Agriculture (DA). The DA for its part issued Memorandum Order (MO) 28 on November 11, 2019, requiring traders to ensure that their rice consignments will arrive within a prescribed period and that their rice imports are safe for consumption and free from pests. The arrival should not be later than 60 days from the indicated "must ship out" date in their SPS-IC.

WHEREAS, for the initial registration and renewal of importers, they are also required to submit a proof of existence and authority to use warehouses that includes proof of ownership, physical sketch, and GPS of the exact location of the warehouse, 5R pictures of the warehouse with a dated newspaper and distributed areas of the imported rice. Furthermore, rice importers are also required to submit their annual income tax return with audited financial statement of the last three years. For first-time rice importers and those renewing their registration should provide information on their market capacity.

WHEREAS, under RA10845 or the Large Scale Agricultural Smuggling as Economic Sabotage Act of 2016, involving sugar, corn, pork, poultry, garlic, onion, carrots, fish, and cruciferous vegetables, in its raw state, or which have undergone the simple processes of preparation or preservation for the market, with a minimum amount of one million pesos (P1,000,000.00), or rice, with a minimum amount of ten million pesos (P10,000,000.00), as valued by the Bureau of Customs (BOC), is committed through any of the following acts: x x x

(b) Using import permits of persons, natural or juridical, other than those specifically named in the permit; xxx

(d) Selling, lending, leasing, assigning, consenting or allowing the use of import permits of corporations, non-government organizations, associations, cooperatives, or single proprietorships by other persons; xxx

(f) Organizing or using dummy corporations, non-government organizations, associations, cooperatives, or single proprietorships for the purpose of acquiring import permits;

- (g) Transporting or storing the agricultural product subject to economic sabotage regardless of quantity; or*
(h) Acting as broker of the violating importer.

WHEREAS, under Section 4 of RA 10845 it specifies the penalty of life imprisonment and fine of twice the value of the smuggled agricultural product in addition to payment of taxes, duties and other charges against anyone found guilty of economic sabotage. The penalty of imprisonment of 17-20 years, and a fine of twice the fair value of the smuggled agricultural product plus taxes, duties and other charges due *"shall be imposed on the officers of dummy corporations, nongovernment organizations, associations, cooperatives, or single proprietorships who knowingly sell, lend, lease, assign, consent or allow the unauthorized use of their import permits for purposes of smuggling."*

WHEREAS, any person or entity found guilty under the anti- agricultural smuggling law shall also suffer the penalty of perpetual absolute disqualification to engage in any business involving importation.

WHEREAS, dummy arrangement between rice traders and Farmer Coops and Associations seem to still exist. These rice traders serve as the financiers of the cooperatives for them to comply with government requirements for rice importation, such as bank statements, proof of warehouse and exporter networks. The rice traders wanted to secure the import volume and take advantage of cooperatives' privileges such as tax exemption.

Further, the malpractice led to the hoarding of rice stocks since the traders were in control of the imported volume.

WHEREAS, if we consider the costs of importation, it wise for the government to validate the credentials and capabilities of farmers' organizations, multipurpose cooperatives and irrigators' associations, in order to distinguish between those who are legitimate and those that are suspicion.

WHEREAS, the cooperatives in the trading of rice are mostly in Luzon and in Visayas, particularly in Bulacan with 43 coops; Mindoro Occidental with 20 coops; Tarlac & Nueva Ecija with 17 coops each; Aklan 13 coops; Pangasinan with 12 coops; Ilocos Norte and Pampanga with 10 coops each.

WHEREAS, ironically Nueva Ecija, Pangasinan, Tarlac and Mindoro Occidental are among the top rice producing provinces in the country and receiving full support from government in terms of agricultural inputs and training to make their rice farmers competitive.

WHEREAS, using BPI data on arrived Imported rice, Bulacan leads all provinces in terms of volume with 284,739.935 in 2019 and 61,074.MT in 2020 import arrivals. This is followed by Pampanga at 197,015.500 MT, Pangasinan at 102,749.850MT, Tarlac 141,153.50 MT, Occidental Mindoro at 56,152 MT, and Oriental 26,480 MT. An import application by a farmer cooperative ranges from 50 MT to almost 70,000 MT. In terms of value, this would be worth from P910, 000 to P1.274 billion at a conservative average of \$350 per MT.

WHEREAS, in 2020 the top coop importers are:

1. Integrated Farmers Producers Coop from Paniqui, Tarlac with 50,839.885 with 77 SPSIC;
2. Pink Ladies in Talang, Candaba, Pampanga with 50,277.150 MT with 51 SPS-IC
3. Sicap MPC from Tawog, Sigma, Capiz, with 43,666 MT with 62 SPS-IC;
4. Sta. Ines East Primary MPC from Sta. Ignacia, Tarlac with a volume of 26,940+ MT, with 41 SPS-IC;
5. San Jacinto Poblacion Farmers' Consumer Cooperative in San Jacinto, Pangasinan with volume of 26,700 MT, with 6 SPS-IC;
6. Mangkawayan Irrigators' Association of Camarines Sur with 25,746.1MT from Station Church Site, Libmanan, Camarines Sur;
7. Timmaguab II Primary MPC, from Sta. Ignacia, Tarlac with 24,992 MT and 30 SPS-IC;
8. Sta. Maria Farmers Consumer Cooperative of San Jacinto, Pangasinan with 22,326 MT with 6 SPS-IC;
9. Mariwara Pag-asa MPC, Narra, Palawan with 20,095+MT, 25 SPS-IC;
10. Aggressive MPC of San Miguel, Bulacan with 16,740 MT and 21 SPS-IC permits.

WHEREAS, in 2019 the top Coop importers are:

1. San Jacinto Poblacion with address in Sta. Cruz 40,392.000MT;
2. Timmaguab II Primary MPC, from Sta. Ignacia, Tarlac with 36,720.000MT;

3. Senior Salvador Multi Purpose Coop with registered address at San Agustin, San Miguel, Bulacan but have warehouses in several locations – Davao, Iligan - 2, Cebu, Cagayan de Oro which imported 34,779.000MT;
4. Sta. Ines East Primary MPC in Sta. Ignacia, Tarlac with 30,650,000MT;
5. Economic Resource All Purpose Cooperative in Camarines Sur with a warehouse in Wakas, Bocaue, Bulacan imported 30,023.750M;
6. Mary Nazareth MPC, San Miguel, Bulacan with 28,420.000MT;
7. CanioganBalbalay Kali A Lakay Irrigators, Association, Inc, Banna, Ilocos Norte with warehouse in Bay Fair Subdivision, Putatan, Muntinlupa City, imported 26,312.000MT;
8. Aggressive MPC, imported 21,582.000MT located in San Miguel, Bulacan with Warehouse in San Juan, Balatas, Bulacan;
9. Samahan ng Magsasaka sa Calawitan MPC, Mapaniqui, Candaba, Pampang with 21,562.000MT;
10. Antongalon Agusan Multi-purpose Cooperative, Butuan City with 21,180.00MT.

WHEREAS, Republic Act No. 9520 of 2009 or AN ACT AMENDING THE COOPERATIVE CODE OF THE PHILIPPINES TO BE KNOWN AS THE "PHILIPPINE COOPERATIVE CODE OF 2008," states in ART. 4. Cooperative Principles. –*“Every cooperative shall conduct its affairs in accordance with Filipino culture, good values and experience and the universally accepted principles of cooperation which include, xxx (7) Concern for Community - Cooperatives work for the sustainable development of their communities through policies approved by their members. While, the primary objective of every cooperative is to help improve the quality of life of its members. A people-centered kind of business enterprise, a cooperative differs from the capital-driven, competition-based corporation in several key areas.”*

WHEREAS, Cooperatives also enjoy many benefits and privileges under RA 9520, especially with regard to taxation. Cooperatives that transact only with members “shall not be subject to any taxes and fees imposed under the internal revenue laws and other tax laws.” While cooperatives transacting with non-members enjoy benefits such as exemption from national, city, provincial, municipal or barangay taxes, customs duties, advance sales or compensating taxes on imports; exemption from value-added tax; and exemption from all other taxes, with certain exception.

WHEREAS, the BPI, should do a detailed verification of the capacity of rice importers to ensure they are really a viable business for such venture. There should be an investigation over the track records of these cooperatives.

WHEREAS, the government has to scrutinizing rice importation players, including farmers' cooperatives, to fully realize the benefits of the Rice Tariffication Law. We should be concerned about the proper rice tariff collection, correct tax remittance, possible collusion between unscrupulous traders and cooperatives, and competition issues in the rice industry, among others.

WHEREAS, other government agencies such as the CDA, should be involved in checking the capability of applicants for importation other than just the BPI to prove their worthiness to be involved in rice trading.

NOW THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED TO CALL FOR AN INVESTIGATION IN AID OF LEGISLATION TO HARNESS THE FULL BENEFITS OF THE RICE TARIFFICATION AND STOP THE USE OF UNDERCAPITALIZED COOPERATIVES IN THE RICE IMPORTATION TRADE.



SENATOR CYNTHIA VILLAR