Republic of the Philippines
House of Representatives
Quezon City

First Regular Session 15TH

HOUSE BILL NO.: 418

Introduced By: ***HONORABLE JOSE CARLOS V. LACSON***

Explanatory Note

The National Food Authority (NFA) is mandated to ensure food security in staple cereals in times and places of natural or man-made calamity/emergency and stabilization of staple cereal supply and prices. These mandates are considered critical and very significant even with the changing trend towards trade liberalization and globalization. These import mandates should be strengthened as stabilization will now cover both domestic and foreign markets considering our farmers will be forced to complete with the foreign farmers that are often highly subsidized.

For as long us the farmers do not have yet easy and adequate access to irrigation, affordable credit, low-priced farm inputs, basic post harvest facilities and reliable structures such as farm-to-market roads, port facilities, modern farm technology, their ability to complete with foreign farmers are severely handicapped. Food security in staple cereals through self-sufficiency will therefore be difficult to attain and sustain. During this period wherein government should put in place the above needed infrastructures and other productivity instruments, government must assure the farmers with a remunerative price and liable income.

There is an urgent need to restructure the NFA and strengthen its finances so that it can truly be effective. Further, there is a growing clamor to decouple or separate its proprietary and regulatory functions considering it acts as a market player and referee at the same time.

This bill is envisioned to strengthen NFA financially and structurally so it will develop into a strong Food Development and Regulatory Administration and a State Trading Enterprise, both of which are important to effectively perform the function as motivator for farmers to become more productive and competitive. This bill seeks to institute reforms in and reorganization of the National Food Authority. The salient provisions of this proposed bill, among others are the following:

A.) The National Food Authority shall be organized into the National Food Corporation (NFA) attached to the Office of the President responsible to buffer stocking for food security purposes and the Food Development and Regulatory Administration (FDRA) attached to the Department of Agriculture to discharge the regulatory and developmental functions.

B.) Some mandates of NFA shall be rightfully transferred to other government agencies that will be responsible for their implementation and sourcing of funds and shall exclusively commission the NPC to perform these services for a fee.

A.) The National Food Authority shall be organized into the National Food Corporation (NFA) attached to the Office of the President responsible to buffer stocking for food security purposes and the Food Development and Regulatory Administration (FDRA) attached to the Department of Agriculture to discharge the regulatory and developmental functions.

B.) Some mandates of NFA shall be rightfully transferred to other government agencies that will be responsible for their implementation and sourcing of funds and shall exclusively commission the NPC to perform these services for a fee.

1.) Programs directly relating to food subsidies for the poor particularly the Targeted Rice Distribution Program (TRDP) and Coconut Farmers Food Access Program (CFFAP) to the Department of Social Welfare and Development.

2.) Stabilization of prices and supply of grains at the farm-gate to the Department of Agriculture.

3.) Stabilization of supply and prices of rice at the consumer level will also be the responsibility of the Department of Agriculture.

C.) The National Food Corporation shall start on a clean slate with a total authorized capitalization of Fifteen Billion Pesos (P15B) without liability.

D.) The assets and unexpanded appropriations of the defunct NFA shall be transferred to either the National Food Corporation of Food Development and Regulatory Administration.

E.) A separation Incentive Package (SIP) shall be given to NFA officials and employees who choose to retire or leave government service and no personnel shall be involuntarily separated.

In view of the foregoing, early passage of this bill is earnestly requested.

JOSE CARLOS V. LACSON

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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House Bill No. 418

Introduced by : **HON. JOSE CARLOS V. LACSON**

AN ACT REORGANIZING THE NATIONAL FOOD AUTHORITY INTO THE NATIONAL FOOD CORPORATION AND THE FOOD DEVELOPMENT AND REGULATORY ADMINISTRATION, REDEFINING THEIR POWERS, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

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

SECTION I. Short Title. This Act shall be known as the "National Food Authority Reorganization Act of 2003 ".

SECTION 2. Declaration of Policies. - It shall be the policy of the State to ensure food security for all Filipinos, to protect farmers income, to create an environment that is conducive to market-based development, to ensure sufficient supply of staple food for domestic consumption and relief operations, and to motivate farmers to increase their productivity and competitiveness. Towards this end, its shall also ensure the stability of both the supply and prices of staple food.

SECTION 3. Statement of Goals and Objectives. - To carry out the foregoing policy, the government shall orient its programs towards the immediate attainment of the following goals and objectives.

1. To provide rice farmers initially with a market for their palay and eventually the skills to market their own produce at remunerative prices;

2. To encourage the adoption, in the processing and marketing phases, of such proven systems as will reduce costs and improve the quality of these foodgrains and thereby bring about ultimately reasonable prices within the reach of the great masses of the people;

3. To encourage private sector participation in the country's food security and price stabilization programs;

4. To provide and make available services including but not limited to marketing and technical services;

5. To improve existing services and linkages in all sectors of the industry;

6. To streamline government intervention in the rice sector so that these are effective and efficient;

7. To promote transparency in the costs of government interventions to stabilize rice supplies, stabilize palay farm gate prices, and subsidize rice for the poor;

8. To focus government price subsidies to disadvantaged families.

9. To promote developmental regulations aimed at enhancing competitiveness , transparency, and responsibility in the food grains marketing industry;

SECTION 4. Definition of Terms

a) "Calamities" are fortuitous events which include acts of God such as but not limited to typhoons, floods, droughts, earthquakes, volcanic eruptions, lahar flows, and acts of man such as political and/or civil disturbances, and widespread civil unrest.

b) "Capitalization" - refers to the resources invested in the different lines of activity in the rice and corn business. For purposes of this Act, capitalization includes the cost of stocks, whether on consignment or bought on cash basis, cost of facilities and equipment, loans used in the business and amount of working capital.

c) "Diversion" shall mean any act of the following circumstances :

(a) unreasonable depletion of stocks;

(b) selling or lending government stocks to another grains businessmen;

(c) selling or offering to sell the government stocks beyond the maximum quantity or price allowed by the Administration; and

(d) storing and/or selling the government stocks in other places/stalls, other than duly authorized by law.

d) "Farmgate Price" - the prevailing buying price of a certain commodity at the farm level in a certain locality at a given specific time.

e) "Farmers" - agricultural producers of palay and/or white corn grain. They can be tillers of the land themselves or administrators or supervisors of the process.

f) "Foodgrains" refers to palay, rice, white corn and corngrits.

g) "Food security" refers to the policy objective, plan and strategy of substantially meeting the food requirements of the present and future generations of Filipinos, ensuring that food is affordable and available to all, through a combination of local production and importation, and consistent with the overall national development objectives;

h) "Hoarding" - shall mean the undue accumulation by any person or a combination of persons of any foodgrain beyond his or their normal inventory levels or the unreasonable limitation or refusal to dispose of, sell or distribute the stocks of any basic necessity or prime commodity to the general public or the unjustified taking out of any basic necessity or prime commodity from the channels of production, trade, commerce and industry.

i) "Licensing" - shall mean the act of granting an authority/privilege to a qualified applicant to engaged in a particular line of activity in the rice and/or corn industry.

j) "Price Manipulation" shall mean the act of causing prices of essential commodities to fall or rise for one's own profit by changing or falsifying figures, accounts and other related information.

k) "Price Stabilization" refers to measures which ensures that realized fluctuations of foodgrains prices conform to people's expectations of such price movements.

l) "Government Rice Buffer Stock" is the inventory of rice equivalent to at least thirty (30) days national rice consumption by July 1 of every year, for stabilization purposes particularly in deficit areas and during lean production periods. This is inclusive of the 15-day Strategic Rice Reserve.

m) "Service Corporation - a concept of the corporate operating orientation of a government owned corporation operating like a private business but performing the food security function of the State with minimum government subsidy.

n) "Strategic Rice Reserve" is the minimum inventory of rice equivalent to at least fifteen days (15) national rice consumption to be maintained all year round under government control as a matter of national policy to ensure food security during times of calamities / emergencies whether natural or man made.

SECTION 5. Reorganization of the National Food Authority. - To execute the foregoing policy, goals and objectives there is hereby created a reconstituted body corporate known as the National Food Corporation (NFC), herein after referred to as the Corporation, and a Food Development and Regulatory Administration (FDRA) both of which are attached to the Department of Agriculture.

SECTION 6. The NFC Board. - The powers and functions of the Corporation shall be vested in the Board which shall have the overall responsibility for formulating and coordinating a comprehensive program for the development of the grains industry. The NFC shall be governed by a Board of Directors composed of the Chairman, the President of the Corporation, and three (3) members to be appointed by the President of the Republic of the Philippines. The Chairman, President and Board Members shall be Filipino citizens, at least, 35 years of age, with sufficient experience in agri-business, management, of

an honesty, integrity, and recognize competence, and with familiarity with the Philippine market environment. The appointed Chairman, President and one member shall serve for a term of three (3) years, another for a term of two (2) years and the last for a term of one (1) year. Subsequent appointments to the Board shall be for terms of three (3) years.

The Corporation Code shall govern all matters regarding the Corporation that are not specifically governed by this law.

In the absence of the Chairman, the President of the National Food Corporation shall act as the Chairman of the Board. Both the Chairman and the President of the Corporation shall be appointed by the President of the Philippines from nominees to be recommended by the Secretary of DA upon consultation with concerned sector to be submitted within 30 days from the creation of the NFC and when a vacancy is created.

Within thirty (30) days, the Secretaries of DA, DSWD, DTI shall recommend fifteen (15) nominees from which the President of the Philippines shall choose the remaining three (3) members of the Board from among the recommendees from concerned sector. At least one nominee from each sector or the nominees identified by each Secretary of DA, DTI and DSWD shall be appointed to the Board. Subsequent vacancies in the Board will be filled up with the above Secretaries submitting three (3) nominees for each vacancy from which the President of the Philippines will choose the replacement(s).

Within thirty (30) days from the submission of the list of recommendees, the President of the Philippines shall constitute the Board.

The Board shall meet regularly at least once a month on any date to be determined by the Chairman: Provided, That the Chairman may convene special meetings to discuss any urgent matters needing immediate resolution. The Board members shall be entitled to a per diem for each meeting actually attended by them and other remuneration as may be determined by the Board in accordance with existing policies of the government.

The Board shall adopt rules and regulations to govern its proceedings and determine its official location and address.

SECTION 7. Organization - The Corporation shall be governed by the NFC Board which shall approve the organizational structure and staffing pattern for officers and employees of the Corporation within 90 days from the creation of the Board. Upon recommendation of the President of the Corporation, the Board shall fix remuneration, emoluments, performance incentives and fringe benefits of the Corporation: Provided, that the President of the Corporation shall have the authority to appoint, promote, transfer, assign, reassign, remove, suspend or otherwise discipline officers and employees of the Corporation as may be assigned and delegated to him by the Board.

SECTION 8. Management - The management of the Corporation shall be vested in a President who shall be appointed by, the President of the Philippines for a fixed term of three (3) years within sixty (60) days from approval of this Act, and who shall direct and manage the affairs of the Corporation subject to the policy supervision of the Board. The President of the Corporation shall receive the same salary and allowances received by a Department Secretary.

There shall be two (2) Executive Vice Presidents (EVPs), appointed by the Board, also for a term of three (3) years, who shall assist the President in the performance of his functions. Either one of the Executive Vice Presidents upon designation by the President of the Corporation shall perform the duties and exercise the powers and functions of the President in the absence of the latter. The EVP shall receive the salary and allowances of an Undersecretary. In the event the NFC experiences a loss, the President and Executive Vice President shall lose their security of tenure and may be immediately replaced by the President of the Philippines.

There shall also be four (4) Vice Presidents (VPs), who shall be Career Officials and enjoy security of tenure provided they are Career Executive Service eligibles. Lower ranking officials shall be also Career Executive Service Officials and/or Civil Service eligibles and have security of tenure. The Vice President shall receive the salary and allowances of an Assistant Secretary.

The President, EVPs and VPs shall be natural-born citizens of the Philippines, not less than thirty-five years of age, of proven honesty and integrity

with experience in the trading aspects of grains and of recognized managerial competence.

SECTION 9. Powers, Functions and Responsibilities of the Corporation.

1. To maintain and manage the national Strategic Rice Reserve and the government Rice Buffer Stock throughout the year when commissioned by the FDRA;

2. To undertake importation of rice for government duty/tariff free in order to maintain the appropriate volume of Strategic Rice Reserve and Government Rice Buffer Stock by July of each year. Upon recommendation of the FDRA Council, the President may approve importation aside from the above situation and for other commodities also duty/tariff free;

3. To terminate the implementation of the " buy high and sell low" policy;

4 To engage in the business of trading, marketing, importing and exporting basic and prime food products;

5. To own, lease, or acquire ownership by purchase or otherwise, or to invest in, hold, sell or otherwise dispose of stocks or bonds or any interest in either or any obligation or evidence of indebtedness of any person, partnership, firm or corporation;

6. To issue debt instruments that are agri-agra eligible and guaranteed by the national government up to a maximum amount of Five (5) Billion Pesos (P5,000,000.000.00). Borrowings beyond this amount that are to be agri-agra eligibles and guaranteed by the national government must be already approved by the President of the Philippines;

7. To own, lease, operate or otherwise hold land, buildings, equipment, facilities and such other properties as may be necessary to carry out its functions;

8. To enter into, make, perform and carry out contracts of every class and description otherwise not prohibited by law;

9. To establish and structure its own internal organization defining as the need arises and to fix the remuneration, emoluments, allowances, and other fringe benefits of its officers and employees as the Board may deem fit. For this purpose, the latest salary grades schedule of the salary standardization law shall be applicable, except with respect to

the authority of the Board to give performance incentives/ bonuses to officials and employees of the Corporation, provided that the Corporation registers a profit and that the yearly amount does not exceed 10% of the Corporation's net income before taxes and does not go beyond 100% of each of the Corporation's officials and employees gross pay;

10. To sue and be sued;

11. To exercise all the rights and powers of a domestic Corporation duly organized and registered with the Securities and Exchange Commission not otherwise prohibited by law; and

12. Subject to the guidelines to be formulated by the Board, the Corporation is allowed to immediately negotiate with private or government entities in the business of trading, marketing, importing and exporting of commodities.

SECTION 10. Capitalization. - The National Food Corporation shall have a total authorized capitalization of fifteen (15) Billion Pesos (P15.0 Billion) in the form of 150,000,000 per shares with a par value of P100 per share. Twelve (12) Billion Pesos (P12.0 Billion) shall be in the form of assets from the defunct NFA and Three (3) Billion Pesos (P3.0 Billion) shall be in cash to be given by the National Government over a period no longer than ten (10) years. The DBM shall however include during the three (3) years transition period the yearly amount of P500 MIllion in the President's Budget submitted to Congress..

SECTION 11. Transfer of Assets and Liabilities. - The National Food Corporation shall start as a Corporation on a clean slate basis. All assets and liabilities of NFA not transferred to NFC or FDRA shall be retained and administered, disposed of and liquidated by the NFA itself which shall continue to exist as the NFA Board of Liquidator (BOL). NFA-BOL shall be financially assisted by the National Government in the disposition of assets and liquidation of liabilities. It shall be manned by personnel detailed from FDRA. It shall be deemed abolished upon full disposition of assets and liquidation of all liabilities but not later than ten (10) years. All remaining assets and liabilities after ten (10) years shall be transferred to the National Government.

Assets pertaining to the regulatory, developmental research function shall be transferred to FDRA. Land where NFA assets that maybe considered by the Corporation or Administration as critical and owned by other government entities

are deemed transferred to the Corporation or the Administration with the appropriate consideration.

SECTION 12. Food Development and Regulatory Administration (FDRA)- There is hereby created a Food Development and Regulatory Administration herein referred to as FDRA which shall carry out regulatory as well as scientific and development functions for strengthening the efficiency of the food supply chain in order to increase the value of farmer's produce as a component of food products for export as well as against imports.

The remaining functions, resources and personnel of the *defunct* National Food Authority (NFA) created under Presidential Decree No. 4, as amended, shall evolve into the Food Development and Regulatory Administration.

FDRA shall be responsible for the implementation and enforcement of the regulatory powers of the former National Food Authority in relation to grains and of BAFPS in relation to non-grains food commodities and shall also assume the latter's developmental functions. .

SECTION 13. Composition of the Food Development and Regulatory Administration Council (FDRAC). To formulate and monitor the implementation of the policies of the Administration, there is hereby created a Food Development and Regulatory Administration Council, hereinafter referred to as the Council.

The Secretary of Agriculture shall serve as Chairman of the Council, and with the following as members:

a. Secretary of the Department of Justice
b. Secretary of the Department of Trade and Industry;
c. Secretary of the Department of Interior and Local Government;
d. Secretary of the Department of Budget and Management
e. Administrator of FDRA
f. A Representative from the Farmer Sector
g. A Representative from the Consumer Sector
h. A Representative from a Federation of Grains Business Organization

The selection process for representative from the farmer and consumer sector and representative from a federation of grains business organization shall be as follows:

a. National Agricultural and Fishery Council (NAFC) and the National Farmers Action Council (NFAC) shall recommend three (3) nominees each from the farmer sector from which the DA Secretary can choose one (1) representative;

b. The DTI Secretary shall recommend three (3) nominees from the consumer sector from which the DA Secretary can choose one (1) representative; and

c. Philippine Confederation of Grains Millers Association (PHILCONGRAINS) and the Confederation of Grains Retailers Association (GRECON) shall recommend three (3) nominees each from a Federation of Grains Business Organization from which the DA Secretary can choose one (1) representative.

The Council shall meet regularly at least once every quarter on any date to be determined by the Chairman: Provided, That the Chairman may convene special meetings to discuss any urgent matters needing immediate resolutions. The Council members shall be entitled to a per diem of Ten Thousand pesos (P 10,000.00) for each meeting actually attended by them and other remuneration as may be determined by the Council in accordance with existing policies of government. The per diem will only be paid for each meeting actually attended.

If for any reason an ex-officio member of the Council is unable to attend a meeting, he shall be represented therein by the next ranking officer of the office or agency he represents.

The Council shall elect from among its members a vice-chairman and adopt rules and regulations to govern its proceedings, call on any government agency or institution for assistance or support, and determine its official location and address.

The Administration shall be headed by an Administrator with the rank of an Undersecretary and be assisted by two (2) Deputy Administrators with the rank of Assistant Secretaries. One Deputy Administrator shall be a lawyer and a member of the Philippine Bar shall be responsible for the regulatory functions

while the other Deputy Administrator shall take charge of the developmental functions of the Administration.

SECTION 14. Powers and Functions of the Administration. In order to effectively carry out its functions and responsibilities under this Act, the Administration which shall be governed by the Food Development and Regulatory Administration shall have the following duties and powers:

1. To formulate and review, on an annual basis, the strategic rice reserve requirements at the national and local levels;

2. To cause the maintenance of the National Strategic Rice Reserve of at least fifteen (15) days national rice consumption throughout the year and the Government Rice Buffer Stock of at least thirty (30) days national rice consumption by July 1 of each year;

3. To establish a mechanism to stabilize rice prices through effective stock management and trade policy including but not limited to the following: a) determine the volume of rice imports required to stabilize rice prices; b) recommend to the President any modifications in the tariff rate of rice necessary to stabilize rice prices; and c) to impose other parameters that the government may see fit for attaining food security;

4. To establish rules and regulations governing the importation of rice, and to license, impose penalties and fines for non - compliance with established rules and procedures and collect fees and charges for said importation for the purpose of equalizing the selling price of such imported rice with the normal prevailing domestic prices;

5. To establish rules and regulations governing the allocation of tariff import quotas for grains or all MAV among private sector entities and farmer cooperatives, and impose fees and charges for said transactions;

6. To establish rules and regulations governing the export of rice, and/or its substitutes and its by-products/end-products and to collect fees and charges for such exportation at rates to be determined by the Administration;

7. To register, license and supervise persons, natural or juridical, who shall engage in the business of providing goods annd services in support of the different activities involved in the production, processing, transporting, marketing and trading of grains and /or their substitutes and to prescribe, impose and collect fees, charges and/or surcharges in licensing and regulating the operations of such persons;

8. To register and license persons in the grains business, including their facilities and equipment;

9. To monitor supply and demand indicators of food grains including the imports and exports of the private sector in coordination with the Bureau of Agricultural Statistics, National Statistics Office and the Bureau of Customs;

10. To monitor rice imports and recommend to the President of the Philippines through the Council the adoption of safeguard measures when necessary to protect domestic producers;

11. To inspect foodgrains stored in private warehouses for purposes of taking inventory and monitoring commercial stocks, prices and stocks movement.

12. To regulate other agricultural and fishery commodities that the Council may assign to the Administration;

13. To certify to the quality and safety of fresh and processed foods meeting standards and codes of practice established by FDRA;

14. To call upon and/or deputize any official of such government agencies as may be necessary to assist the Administration in carrying out its functions. In the seizure, whenever there is cornering, hoarding, or improper acquisition of stocks as may be defined by the Administration of rice and/or corn and/or other grains and substitutes and/or their by-products/end-products thereof, including facilities and equipment used in said activities, or whenever there is a scarcity of supply of such commodity in the consumer market and/or an unwarranted increase in the price thereof, of the hoarded commodity and its public sale in such quantity as may be needed to stabilize prices to normal levels;

15. To provide for the enforcement of the provisions of this Act or any Regulations issued or which may hereafter be issued pursuant thereto, the implementation and enforcement of which is vested with the Administration, and for violation thereto, shall impose administrative fines and penalties, to conduct investigations and to require by subpoena and/or subpoena "duces tecum" the attendance and testimony of witnesses, the production of books, papers, documents, exhibits, records, evidence; to administer oath by himself or his duly authorized representative, and to make arrests. Any case of violation shall be dealt with in accordance with the provisions of Section Five Hundred Eighty (580) of the Revised

Administrative Code. Any fine imposed and collected under this paragraph shall form part of the Administration's funds;

16. To regulate the foodgrains quedan system;

17. To register, license and supervise warehouses used for foodgrains storage, whether bonded or not, and mills; and to prescribe, impose and collect fees, charges, and/or surcharges in licensing and regulating warehouses and mills;

18. To promote and organize interrelationships among *food grains* industry stakeholders;

19. To introduce more efficient post harvest systems and technologies;

20. To establish and enforce standards in grading, sampling and inspection, test and analysis, specification, nomenclature, units of measurement , code of practice and packaging, conservation, and transport for food items and to effect a transition of standards in measurement of food from volume to weight and in metric system;

21. To coordinate research and development activities on foodgrains.

22. To establish networks with international and national institutions for developing and accessing up-to-date technologies and regulatory systems;

23. To avail of foreign grants and development aid to support its development thrusts and to ensure that technologies and expertise are up-to-date;

24. To own, lease, operate or otherwise hold lands, buildings, equipment and such other immovable properties, as may be necessary to carry out its functions;

25. To enter into, make, perform and carry out contracts of every class and description necessary or incidental to the realization of its function with other person, firm or corporation, private or public, otherwise not prohibited by the law;

26. To immediately auction perishable stocks and hold the proceeds in trust while legal proceedings are being undertaken;

27. To sell , lease, mortgage, pledge or otherwise dispose of the property, assets or undertaking of the Administration or any part thereof as the Administration may deem fit;

28. To adopt, alter and use an official seal which shall be judicially noticed, to sue and be sued; and otherwise to do and perform any and all powers as may be necessary to carry into effect the provisions of this Act or as are essential to the proper conduct of its operations;

29. To retain revenues and fees generated to finance reward and incentive systems for programs such as but not limited to anti-hoarding, anti-smuggling and agricultural development programs subject to guidelines to be formulated by the Council;

30. To establish and structure its own internal organization as the need arises and to fix the remuneration, emoluments, allowances, and other fringe benefits of its officers and employees as the Council may deem fit, subject to the provisions of Salary Standardization Law , Civil Service Law and other existing laws, rules and regulations on compensation; and

31. To be exempted from real estate taxes for its properties.

SECTION 15. Offenses and penalties - Notwithstanding the provisions of any law or regulations to the contrary, and for purposes of carrying out the provisions of this Act, the following acts or omissions are hereby considered as serious, less serious and light offenses and corresponding penalties therefore are herein prescribed:

a) Serious Offenses- Any of the following acts or omissions shall constitute a serious offense:

i) Cornering or hoarding of foodgrains resulting in artificial shortage or scarcity of supply and increase of prices thereof in any part of the country;

ii) Any act of the following circumstances: unreasonable depletion of stocks; selling or lending government stocks to another grains businessmen; selling or offering to sell the government stocks beyond the maximum quantity or price allowed by the Administration; storing and/or selling the government stocks in other places/stalls, other than duly authorized by law;

iii) The act of causing prices of essential commodities to fall or rise for one's own profit by changing or falsifying figures, accounts and other related information;

iv) Printing, issuing, or knowingly using, possessing or negotiating a canceled, unauthorized, illegal, counterfeit or falsified warehouse receipt;

v) Failure or refusal of the responsible officials to turn over or remit the collection; and

vi) Failure or refusal of foodgrains warehouseman, without any lawful excuse, to deliver foodgrains deposited with him: Provided, however, that the warehouseman shall be entitled to the allowance authorized for depreciation of the foodgrains deposited.

The offender shall, upon conviction, be punished by imprisonment of not less than six (6) years and one (1) day nor more than twelve (12) years, or a fine of not less than two hundred thousand pesos (P200,000.00) nor more than two million (P2,000,000.00) Pesos or both such fine and imprisonment at the discretion of the court.

b) Less Serious Offenses - Any of the following acts of omissions shall constitute a less serious offense:

i) Connivance in the concealment of a stock shortage in a foodgrains warehouse;

ii) Knowingly submitting any report containing false information or data;

iii) Misrepresentation in connection with any application for license to do business as foodgrains warehouseman, miller, exporter or importer or trader, manufacturer or processor;

iv) Failure or refusal of a warehouseman to allow the inspection or examination of this foodgrain stocks to conceal shortages or to misrepresent the quantity or quality of his foodgrain stocks, including the impending of such inspection and examination by abandonment, absence or otherwise; and

v) Engaging in the business of foodgrains threshing, shelling, warehousing, milling, exporting, importing, trading, growing and selling of certified seed, manufacturing or processing without a valid license;

The offender shall, upon conviction, be punished by imprisonment of not less than four (4) years and one day nor more than eight (8) years, or by fine of

not less than one hundred thousand pesos (P100,000.00), nor more than One Million Pesos (P1,000,000.00), or both such fine and imprisonment at the discretion of the court.

C) Light Offenses - Any of the following acts or omissions shall constitute a light offense:

i) Non-compliance with the rules, regulations, decisions, order, circulars or directives lawfully issued by the Council, provided non-compliance does not constitute a higher offense as herein above provided;

ii) Selling or offering to sell to the Corporation by any person of palay or corn or other foodgrains other than that directly produced by him as farmer or shared by him as tenant or landlord, knowingly buying such foodgrains by any personnel for the Corporation; connivance by any person in the selling or buying of such foodgrains; and

iii) Any other violation of the provision of this Act for which no specific penalty is prescribed and which is not punished under any other existing law.

The offender shall, upon conviction, be punished by imprisonment of not less than two (2) years nor more than four (4) months, or a fine of not less than Fifty Thousand (P50,000.00) Pesos nor more than Five Hundred Thousand (P500,000.00) or both such fine and imprisonment, at the discretion of the court.

SECTION 16. Transfer of Mandates. The following other mandates of the defunct National Food Authority shall be transferred to the following agencies:

a) Programs directly relating to food subsidies for the poor particularly the Targeted Rice Distribution Program (TRDP) and Coconut Farmers Food Access Program (CFFAP) to the Department of Social Welfare and Development.

b) Stabilization of prices and supply of grains at the farm gate to the Department of Agriculture (DA)

c) Stabilization of supply and prices of rice at consumer level will also be the responsibility of the DA.

These government agencies shall be responsible for sourcing of funds for these programs and shall exclusively commission the NFC as a Service Corporation, to perform the above services for a fee which shall include but not be limited to losses/subsidies to be incurred by the program, overhead expenses plus a reasonable margin for the Corporation. To allow for the continued implementation of the above mandates and programs, the DBM during the three (3) year transition period shall include yearly in the President's budget proposal, the minimum amounts of One (1) Billion pesos (P 1,000,000,000,000.00) for DA farmgate price and supply stabilization and Two Hundred Fifty (250) Million pesos (P250,000,000.00) for DA supply and price stabilization of rice at consumer level and Five Hundred (500) Million pesos (P500,000,000.00) for DSWD.

SECTION 17. Appropriation of the Administration - The amount necessary to finance the initial implementation of this Act insofar as the Food Development and Regulatory Administration is concerned shall be charged against the existing appropriations/resources of the NFA. Thereafter, such sums as may be needed for the Administration operations and maintenance including at least One Billion pesos (P1,000,000,000.00) as service fee to NFC to maintain the Strategic Rice Reserve and the Government Rice Buffer Stock shall be included by DBM as part of the President's budget proposal each year.

SECTION 18. RESTRUCTURING/REORGANIZATION OF THE NATIONAL FOOD AUTHORITY. Permanent officials and employees of the National Food Authority who choose to leave government service, or who prefer to retire, if qualified for retirement shall be given a Separation Incentive Package (SIP) equivalent to the following scale:

1-20 years - 1.5 x gross monthly pay[1] x yr. of service for the first 20 years

21-30 years - 2.0 x gross monthly pay x yr. of service in excess of 1st 20 years

more than 30 years - 2.5 x gross monthly pay x yr. of service in excess of 1st 30 years

In addition to other retirement benefits to which they are entitled to under existing laws and regulations. Employees who opted to retire under RA 1616 shall receive only 1.5 gross monthly pay for every year of service under SIP. For

[1]Gross monthly pay = Basic Pay + PERA + LOP

those who want to stay and are not absorbed in the Corporation shall be automatically placed in the Administration. They shall retain their remuneration and seniority. The existing number of NFA personnel shall not be increased and no new hiring in the Administration and Corporation shall be allowed until all NFA employees have been properly placed. No NFA personnel shall be dislocated and involuntarily separated. For the purpose of SIP there is hereby appropriated the necessary amount out of any funds or resources of NFA. Any deficiency shall be automatically appropriated in the succeeding year's GAA. If for any reason funding for the SIP is inadequate people who have chosen to be separated but not received their benefits can choose to stay or be reinstated and will retain their previous remuneration and rank.

To provide continuity in the operations of the Corporation, all incumbent personnel of the defunct National Food Authority shall continue to exercise their respective duties and functions and receive their corresponding salaries and benefits until the organizational structures and staffing patterns of the National Food Corporation and Food Development and Regulatory Administration have been approved by the Corporation and the Administration, respectively.

SECTION 19. Transitory Provisions. To effect a smooth transition, officials and employees of NFA who choose to avail of the SIP may be requested to temporarily stay on for a period of not longer than three (3) years without losing their right to avail of the SIP. Employees and Officials of the Administration not yet properly placed within three (3) years can still choose to avail of SIP during this period. The Board and the Council shall appoint three (3) representatives each to constitute a group that will act as mediators in settling issues as to which assets and personnel will go to which organization. In any event, the rights and privileges of officials and employees of NFC and FDRA shall be adequately protected. The Corporation will, however, have priority in deciding which asset will comprise the *P5* B of capitalization. The Chairman of this group will be appointed by the President of the Philippines.

SECTION 20. Repealing Clause. - All laws, decrees, executive orders, rules and regulations, issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 21. Separability Clause. - The provisions of this Act are hereby declared to be separable, and in the event one or more such provisions are held unconstitutional, the validity of the other provisions shall not be affected thereby.

SECTION 22. Effectivity Clause. - This Act shall take effect fifteen (15) days after its complete publication in at least two (2) national newspapers of general circulation.

Approved.