

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 2098

Introduced by HON. AMADO T. ESPINO, JR.

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 important mandates should be strengthened as stabilization will now cover both domestic and foreign markets considering our farmers will be forced to compete with the foreign farmers that are often highly subsidized.

For as long as 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 compete 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 livable income. This is a role that NFA should play in an effective manner.

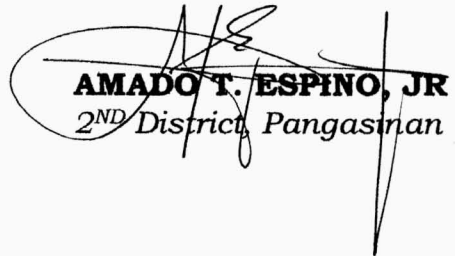
There is an urgent need to restructure the NFA and strengthen its finances so that it can truly be effective. Further, there is a growing clamor to decouple or separate its proprietary and regulatory functions considering it acts as a market player and referee at the same time.

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 reorganized into the National Food Corporation (NFC) attached to the Office of the President responsible for 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 NFC 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 to the Department of Trade and Industry.
- c) The National Food Corporation shall start on a clean slate with a total authorized capitalization of Twenty Billion Pesos (P 20 B) without liability
- d) The assets and unexpended appropriations of the defunct NFA shall be transferred to either the National Food Corporation or 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 need to strike a delicate balance between the national and local aspects of the police service, passage of this bill is earnestly requested.


AMADO T. ESPINO, JR
2ND District, Pangasinan

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HOUSE BILL NO. 2098

Introduced by HON. AMADO T. ESPINO, JR.

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

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

1 SECTION 1. *Short Title.* – This Act shall be known as the **“National**
2 **Food Authority Reorganization Act of 2004”**.

3 SECTION 2. *Declaration of Policies.* – It shall be the policy of the
4 State to ensure food security for all Filipinos, and provide an orderly
5 development as well as the needed services to the foodgrains marketing
6 industry for global competitiveness so that, it can extend sufficient
7 motivations to farmers and producers to increase their productivity and
8 competitiveness.

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

- 12 1. To provide and make available production, financing and
13 marketing technical services and infrastructures that will
14 ensure sustainable food security by making Filipino farmers
15 globally competitive.

2. To provide rice farmers initially with a market for their palay and eventually the skills to market their own produce at remunerative prices.
3. 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;
4. To provide appropriate and adequate support aimed at integrating, improving and modernizing foodgrains marketing systems and facilities;
5. To provide and make available services including but not limited to marketing and technical services;
6. To promote the modernization and optimum utilization of foodgrains post-harvest facilities and technology;
7. To promote developmental regulation aimed at enhancing competitiveness, transparency and responsibility in the foodgrains marketing industry;
8. To improve existing services and linkages in all sectors of the industry;
9. To adopt all other measures for the foodgrains marketing industry as may be necessary to achieve the foregoing policy.

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

1 facilities and equipment, loans used in the business and
2 amount of working capital.

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

- 4 i) unreasonable depletion of stocks;
5 ii) selling or lending government stocks to another grains
6 businessmen;
7 iii) selling or offering to sell the government stocks beyond
8 the maximum quantity or price allowed by the
9 Administration;
10 iv) storing and/or selling the government stocks in other
11 places/ stalls, other than duly authorized by law.

12 d) "Foodgrains" – refers to palay, rice, white corn and corngrits.

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

18 Food Security shall imply people's access to food supplies on a
19 year-round basis at stable and reasonable prices.

20 f) "Hoarding" – shall mean the undue accumulation by any person
21 or a combination of persons of any foodgrain beyond his or their
22 normal inventory levels or the unreasonable limitation or
23 refusal to dispose of, sell or distribute the stocks of any basic
24 necessity or prime commodity from the channels of production,
25 trade, commerce and industry.

26 g) "Licensing" – shall mean the act of granting an
27 authority/privilege to a qualified applicant to engage in a
28 particular line of activity in the rice and/or corn industry.

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

33 i) "Price Stabilization" – refers to measures which ensure that
34 realized fluctuations of foodgrains prices conform to people's
35 expectations of such price movements.

j) "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.

k) "Strategic Rice Reserve" is the inventory of rice to be maintained as a matter of national policy to ensure food security equivalent to a minimum of fifteen (15) days national rice consumption maintained year round in government depots to respond to calamities/emergencies.

Strategic Rice Reserve is the inventory of rice to be maintained as a matter of national policy to ensure food security.

SECTION 5. *Policy Implementation.* – To execute the foregoing policy, there is hereby created a reconstituted body corporate known as the National Food Corporation (NFC), hereinafter referred to as the Corporation, which will be under the Office of the President and a Food Development and Regulatory Administration (FDRA) 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 Board shall be composed of eleven (11) members, seven (7) of which will be the following:

- a. Secretary of the Department of Agriculture
- b. Secretary of the Department of Social Welfare and Development
- c. Secretary of the Department of Budget and Management
- d. Secretary of the Department of Trade and Industry
- e. President of the Corporation
- f. Representative from the Farmer Sector
- g. Representative from the Agri-Business Sector

1 And the rest will be appointed by the President of the Philippines.
2 The Board shall elect, from among themselves the Chairman. The Vice-
3 Chairman shall however be the President of the Corporation.

4 In the absence of the Chairman, the President of the National Food
5 Corporation shall act as the Chairman of the Board.

6 Within sixty (60) days from the approval of this Act, the President
7 of the Philippines shall constitute the Board.

8 The Board shall meet regularly at least once a month on any date
9 to be determined by the Chairman: Provided, that the Chairman may
10 convene special meetings to discuss any urgent matters needing
11 immediate resolution. The Board members shall be entitled to a
12 minimum per diem of P10,000.00 for each meeting actually attended by
13 them and other remuneration as may be determined by the Board. If the
14 Department Secretaries are unable to attend Board meetings they can
15 send a representative which should however be the next in rank of their
16 respective offices.

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

19 SECTION 7. *Organization.* – The Corporation shall be governed by
20 the NFC Board which shall approve the organizational structure and
21 staffing pattern for officers and employees of the Corporation upon
22 recommendation of the President of the Corporation, fix remuneration,
23 emoluments, performance incentives and fringe benefits: provided, that
24 the President of the Corporation shall have the authority to appoint,
25 promote, transfer, assign, reassign, remove, suspend or otherwise
26 discipline officers and employees of the Corporation as may be assigned
27 and delegated to him by the Board, any provision of existing law to the
28 contrary notwithstanding.

29 All positions in the Corporation shall be governed by a
30 compensation and position classification system and qualification
31 standards approved by the Board based on a comprehensive job analysis
32 and audit of actual duties and responsibilities. The compensation plan
33 shall be comparable with the prevailing compensation plans in the
34 private sector and shall be subject to periodic review by the Board no
35 more than once every three (3) years without prejudice to yearly merit
36 reviews or increases based on productivity and profitability. The National
37 Food Corporation shall be exempt from Republic Act No. 6758 (SSL) and
38 other existing laws, rules and regulations or compensation.

1 SECTION 8. *Management.* - The management of the Corporation
2 shall be vested in a President who shall be appointed by, the President of
3 the Philippines for a fixed term of three (3) years within sixty (60) days
4 from approval of this Act, and who shall direct and manage the affairs of
5 the Corporation subject to the policy supervision of the Board.

6 There shall be two (2) Executive Vice Presidents (EVPs), appointed
7 by the Board, also for a term of three (3) years, who shall assist the
8 President in the performance of his functions. The President and
9 Executive Vice-Presidents shall be persons of recognized competence and
10 integrity with experience in the trading aspects of grains. Either one of
11 the Executive Vice Presidents upon designation by the President of the
12 Corporation shall perform the duties and exercise the powers and
13 functions of the President in the absence of the latter.

14 There shall also be four (4) Vice Presidents (VPs), who shall be
15 Career Officials and enjoy security of tenure provided they are Career
16 Executive Service eligibles. Lower ranking officials shall be also Career
17 Executive Service Officials and/or Civil Service eligibles and have
18 security of tenure.

19 The President, EVPs and VPs shall be natural-born citizens of the
20 Philippines, not less than thirty-five years of age, of proven honesty and
21 integrity and of recognized managerial competence.

22 The President shall receive a compensation to be determined by the
23 Board but not less than Eight Hundred Forty Thousand Pesos
24 (P840,000.00) per annum. The EVP shall receive a salary to be
25 determined by the Board but not less than Seven Hundred Twenty Pesos
26 (P720,000.00) per annum. The Vice-President shall each receive a salary
27 to be determined by the Board but not less than Six Hundred Thousand
28 Pesos (P600,000.00) per annum.

29 SECTION 9. *Powers, Functions and Responsibilities of the*
30 *Corporation.*

- 31 1. To maintain and manage a national strategic rice reserve
32 equivalent equivalent to at least fifteen (15) days of the national
33 consumption at any time each year. The reserve shall be
34 augmented by July 1 of each year to a total equivalent of
35 around thirty (30) days national rice consumption or a volume
36 to be determined by the President of the Philippines;

2. To exclusively undertake importation of rice for government duty/tariff free. Importation of other commodities may also be duty/tariff free subject to the approval of the President of the Philippines.
3. To own, 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.
4. To issue debt instruments that are agri-agra eligible and guaranteed by the national government up to a maximum amount of Ten (10) Billion Pesos (P10,000,000,000.00). 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.
5. To own, lease, operate or otherwise hold land, buildings, equipment, facilities and such other properties as may be necessary to carry out its functions;
6. To enter into contracts in the procurement and distribution of commodities in quantities and in location as may be determined by the concerned department/agencies.
7. To enter into, make, perform and carry out contracts of every class and description otherwise not prohibited by law;
8. To provide incentives to farmers in the form of shares of stocks;
9. 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 Board may deem fit. For this purpose, the salary standardization law shall not be applicable. The personnel of the Corporation shall be covered by the rules and regulations of the Civil Service Commission and the Government Service Insurance System (GSIS). This shall include the power to create contractual or project hire without need of DBM approval.
10. To create and establish subsidiaries, when deemed necessary by the Board;
11. To sue and be sued;

12. 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;

13. 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 9. *Capitalization.* – The National Food Corporation shall start as a corporation on a clean slate. All liabilities of NFA shall be transferred to the National Government. The Corporation shall have a total authorized capitalization of Twenty (20) Billion Pesos in the form of 200,000,000 shares with a par value of P 100 per share. Ten (10) Billion Pesos (P10,000,000,000.00) shall be in assets from the defunct NFA and Ten Billion Pesos (P10,000,000,000.00) shall be in cash of which P5 Billion should be immediately provided by the national government, the balance to be given at P 1 Billion a year for the next 5 years. The DBM is obliged to put these amounts in the President's Budget submitted to Congress.

The assets and unexpected appropriations of the defunct NFA are hereby transferred to either the National Food Corporation, Food Development and Regulatory Administration or National Government to carry out the purpose of this Act. Land where NFA assets that maybe considered by the Corporation or Administration as critical and owned by the other government entities are deemed transferred to the Administration or the Corporation.

SECTION 11. *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.

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 developmental 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 purchase for export as well as against imports.

FDRA shall be responsible for the implementation and enforcement of the regulatory powers of the former National Food Authority in relation

1 to grains and the functions of the Bureau of Agricultural and Fisheries
2 Product Standards (BAFPS) in relation to non-grains food commodities
3 and shall assume new developmental functions. It shall carry out
4 activities which are not within the mandates and/or which need to
5 overarch the mandates of the various Bureaus in the Department of
6 Agriculture and other government agencies.

7 To formulate and monitor the implementation of the policies of the
8 Administration, there is hereby created a Food Development and
9 Regulatory Administration Council, hereinafter referred to as the
10 Council.

11 SECTION 13. *Composition of the Food Development and Regulatory*
12 *Administration Council (FDRAC).* – The Secretary of Agriculture shall serve
13 as Chairman of the Council, with the Bureau Executive Director as Vice-
14 Chairman of the Council, with the Bureau Executive Director as Vice-
15 Chairman and with the following as members:

- 16 a. Secretary of the Department of Justice
17 b. Secretary of the Department of Trade and Industry
18 c. Secretary of the Department of Interior and Local Government
19 d. Secretary of the Department of Budget and Management
20 e. A Representative from the Farmer Sector
21 f. A Representative from the Consumer Sector
22 g. A Representative from a Federation of Grains Business
23 Organization

24 The Council shall meet regularly at least once every quarter on any
25 date to be determined by the Chairman: Provided, that the Chairman
26 may convene special meetings to discuss any urgent matters needing
27 immediate resolutions. The Council members shall be entitled to a pier
28 diem of Ten Thousand pesos (P10,000.00) for each meeting actually
29 attended by them and other remuneration as may be determined by the
30 Council.

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

1 The Council shall adopt rules and regulations to govern its
2 proceedings, call on any government agency or institution for assistance
3 or support, and determine its official location and address.

4 The Administration shall be headed by an Administrator with the
5 rank of an Undersecretary and be assisted by two (2) Deputy
6 Administrators with the rank of Assistant Secretaries. One Deputy
7 Administrator shall be a lawyer and a member of the Philippine Bar shall
8 be responsible for the regulatory functions while the other Deputy
9 Administrator shall take charge of the development functions of the
10 Administration.

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

- 16 1. To register, license and supervise persons, natural or judicial,
17 who shall engage in the business of providing goods and
18 services in support of the different activities involved in the
19 production, processing, transporting, marketing and trading of
20 grains and/or their substitutes and to prescribe, impose and
21 collect fees, charges and/or surcharges in licensing and
22 regulating the operations of such persons.
- 23 2. To register, license and supervise persons, natural or juridical,
24 engaged in the wholesale and/or retail business of rice, corn
25 and other grains and their substitutes and/or their by-
26 products/end-products and to impose and collect fees to be
27 determined by the Administration.
- 28 3. To register, license and supervise persons, natural or juridical,
29 engaged in the processing or manufacture of goods where rice,
30 corn and other grains and/or their substitutes are used as
31 ingredients in the manufacture of starch, oil and animal feeds
32 and/or other similar commodities and/or by-products/end-
33 products in which case it shall impose the nominal fees to be
34 determined by the Administration.
- 35 4. To promote and organize interrelationships among industry
36 stakeholders.

- 1 5. To inspect foodgrains stored in private warehouses for purposes
2 of taking inventory and monitoring commercial stocks, prices
3 and stocks movement.
- 4 6. To register and license persons in the grains business,
5 including their facilities and equipment.
- 6 7. To introduce more efficient postharvest systems and
7 technologies; and
- 8 8. To coordinate research and development activities on
9 foodgrains.
- 10 9. To regulate the foodgrains quedan system.
- 11 10. To register, license and supervise warehouses used for
12 foodgrains storage, whether bonded or not, and mills; and to
13 prescribe, impose and collect fees, charges, and/or surcharges
14 in licensing and regulating warehouses and mills.
- 15 11. To establish rules and regulations governing the importation
16 of rice, and to license, impose and collect fees and charges for
17 said importation for the purpose of equalizing the selling price
18 of such of such imported rice with the normal prevailing
19 domestic prices.
- 20 12. To establish rules and regulations governing the export of
21 rice, corn and other grains and/or their substitutes and their
22 by-products/end-products and to collect fees and charges for
23 such exportation at rates to be determined by the
24 Administration.
- 25 13. To identify, develop and implement regulations, standards
26 and codes of practice that will increase the competitiveness of
27 food exports and or local food products against imports, and to
28 establish and/or collect data in support of making regulations
29 and standards.
- 30 14. To certify to the quality and safety of fresh and processed
31 foods meeting the standards and codes of practice established
32 by FDRA.
- 33 15. To establish networks with international and national
34 institutions for developing and accessing up-to-date
35 technologies.

- 1 16. To organize members of the food supply chain and promote
2 their interaction in the use of new technologies and systems.
- 3 17. To engage professional consultants to facilitate the in-house
4 development of expertise and the rapid transfer of technology
5 and information to stakeholders.
- 6 18. To avail of foreign grants and development aid to support its
7 development thrusts and to ensure that technologies and
8 expertise are up-to-date.
- 9 19. To charge fees to regulatory and developmental tasks as
10 necessary, to ensure appropriate implementation of activities
11 and functions and to utilize these fees for its operations.
- 12 20. To provide for the enforcement of the provisions of this Act or
13 any Regulations issued or which may hereafter be issued
14 pursuant thereto, the implementation and enforcement of which
15 is vested with the Administration, and for violation thereto,
16 shall impose administrative fines and penalties, to conduct
17 investigations and to require by subpoena and/or subpoena
18 "duces tecum" the attendance and testimony of witnesses, the
19 production of books, papers, documents, exhibits, records,
20 evidence; to administer oath by himself or his duly authorized
21 representative, and to make arrests. Any case of contumacy
22 shall be dealt with in accordance with the provisions of Section
23 Five Hundred Eighty (580) of the Revised Administrative Code.
24 Any fine imposed and collected under this paragraph shall form
25 part of the Administration's funds.
- 26 21. To own, lease, operate or otherwise hold lands, buildings,
27 equipment and such other immovable properties, as may be
28 necessary to carry out its function
- 29 22. To enter into, make, perform and carry out contracts of every
30 class and description necessary or incidental to the realization
31 of its function with other person, firm or corporation, private or
32 public.
- 33 23. To inspect palay, rice, corn, corn gifts and other grains and
34 their substitutes and or their by-products/end-products stored
35 by any person, partnership, corporation or association, for
36 purposes of taking inventory and record of such commodities,

1 and to enter the premises thereof by the use of reasonable
2 means.

3 24. To order the seizure, whenever there is cornering, hoarding,
4 or improper acquisition of stocks as may be defined by the
5 Administration of rice and/or corn and/or other grains and
6 substitutes and/or their by-products/end-products thereof,
7 including facilities and equipment used in said activities, or
8 whenever there is scarcity of supply of such commodity in the
9 consumer market and/or an unwarranted increase in the price
10 thereof, of the hoarded commodity and its public sale in such
11 quantity as may be needed to stabilize prices to normal levels.

12 25. To immediately auction perishable stocks and hold the
13 proceeds in trust while legal proceedings are being undertaken.

14 26. To establish and enforce standards in grading, sampling and
15 inspection, tests and analysis, specification, nomenclature,
16 units of measurement, code of practice and packaging,
17 conservation, and transport for food items and to effect a
18 transition of standards in measurement of food from volume to
19 weight, and in metric system.

20 27. To coordinate the activities of all government agencies
21 engaged in the study, research and promotion of measures
22 desired to enhance the integrated growth and development of
23 the foodgrains industry and to improve the processing and
24 marketing the standards of rice, corn and other foodgrains,
25 such as methods of drying, handling, hauling, storage, milling,
26 packaging, distributing and shipping these foodgrains and their
27 byproducts.

28 28. To call upon and/or deputize any official of such government
29 agencies as may be necessary to assist the Administration in
30 carrying out its functions.

31 29. To sell, lease, mortgage, pledge or otherwise dispose of the
32 property, assets or undertaking of the Administration or any
33 part thereof as the Administration may deem fit.

34 30. To adopt, alter and use a corporate seal which shall be
35 judicially noticed, to sue and be sued; and otherwise to do and
36 perform any and all powers as may be necessary to carry into
37 effect the provisions of this Act or as are essential to the proper
38 conduct of its operations.

31. To promulgate such rules and regulations as may be necessary to carry out the provisions of this Act. Such rules and regulations shall take effect fifteen (15) days following their publication once in at least one daily newspaper of national circulation.

32. To promulgate its own rules and procedures and operation in general, including matters of quorum and of organization and appointment of subcommittees throughout the Philippines and to keep a record of its meetings with reference to the standards of foodgrains whether passed or not, if passed the classification thereof.

33. 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.

34. 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.

35. Undertake the division of the country into regions or districts and promote the grouping of existing fragmented private foodgrains establishments therein into organized foodgrains corporation or cooperatives that can serve as the pattern or base for foodgrain milling districts to certain grain production potential and/or for economic-sized foodgrain warehousing, milling, packaging and distribution complex.

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

37. 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:

1 a) **Serious Offenses** – Any of the following acts or omissions shall
2 constitute a serious offense:

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

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

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

17 iv) Printing, issuing, or knowingly using, possessing or
18 negotiating a canceled, unauthorized, illegal,
19 counterfeit or falsified warehouse receipt.

20 v) Failure or refusal of the responsible officials to turn
21 over or remit the collection.

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

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

32 b) **Less Serious Offenses** – Any of the following acts or omissions
33 shall constitute a less serious offense:

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

- 1 ii) Knowingly submitting any report containing false
2 information or data;
- 3 iii) Misrepresentation in connection with any application
4 for license to do business as foodgrains
5 warehousemen, miller, exporter or importer or trader,
6 manufacturer or processor;
- 7 iv) Failure or refusal of a warehouseman to allow the
8 inspection or examination of this foodgrain stocks to
9 conceal shortages or to misrepresent the quantity or
10 quality of his foodgrain stocks, including the
11 impending of such inspection and examination by
12 abandonment, absence or otherwise;
- 13 v) Failure or refusal of any government bank or financial
14 institution, without any lawful excuse, to grant a loan
15 applied for by a qualified farmer who meets the
16 conditions for the loan; and
- 17 vi) Engaging in the business of foodgrains threshing,
18 shelling, warehousing, milling, exporting, importing,
19 trading, growing and selling of certified seed,
20 manufacturing or processing without a valid license;

21 The offender shall, upon conviction, be punished by imprisonment
22 of not less than four (4) years and one day nor more than eight (8) years,
23 or by fine of not less than one hundred thousand pesos (P100,000.00),
24 nor more than One Million Pesos (P1,000,000.00), or both such fine and
25 imprisonment, at the discretion of the court.

26 c) **Light Offenses** - Any of the following acts or omissions shall
27 constitute a light offense:

- 28 i) Noncompliance with the rules, regulations, decisions,
29 order, circulars or directives lawfully issued by the
30 Council, provided noncompliance does not constitute a
31 higher offense as herein above provided;
- 32 ii) Selling or offering to sell to the Corporation by any
33 person of palay or corn or other foodgrains other than
34 that directly produced by him as farmer or shared by
35 him as tenant or landlord, knowingly buying such
36 foodgrains by any personnel for the Corporation;

1 connivance by any person in the selling or buying of
2 such foodgrains; and

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

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

11 SECTION 16. *Transfer of Mandates.* – The following other mandates
12 of the defunct National Food Authority shall be transferred to the
13 following agencies;

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

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

- 21 c) Stabilization of supply and prices of rice at
22 consumer level will be the responsibility of the DTI.

23 These government agencies shall be responsible for sourcing of
24 funds for these programs and shall exclusively commission the NFC to
25 perform the above services for a fee which shall include but not be
26 limited to losses/subsidies to be incurred by the program, overhead
27 expenses plus a reasonable margin for the Corporation.

28 SECTION 17. *Appropriation of the Administration.* – The amount
29 necessary to finance the initial implementation of this Act insofar as the
30 Food Development and Regulatory Administration is concerned shall be
31 charged against the existing appropriations/resources of the NFA.
32 Thereafter, such sums as may be needed for the Administration
33 operations and maintenance shall be included by DBM as part of the
34 President's budget proposal each year, including the farm-gate palay
35 price stabilization and targeted rice distribution programs of the
36 government.

1 SECTION 18. *Restructuring/Reorganization of the National Food*
2 *Authority.* - Permanent officials and employees of the National Food
3 Authority who choose to leave government service, or who prefer to retire,
4 if qualified for retirement shall be given a Separation Incentive Package
5 (SIP) equivalent to the following scale:

6 1-20 years - $1.5 \times \text{gross monthly pay}^1 \times \text{yr. of service}$ for the first 20
7 years

8 21-30 years - $2.0 \times \text{gross monthly pay} \times \text{yr. of service}$ in excess of 1st 20
9 years

10 more than 30 years - $2.5 \times \text{gross monthly pay} \times \text{yr. of service}$ in excess of
11 1st 30 years

12 ¹ Gross monthly pay = Basic Pay + PERA + LOP

13 In addition to other retirement benefits to which they are entitled to
14 under existing laws and regulations. Employees who opted to retire
15 under RA 1616 shall receive only 1.5 gross monthly pay for every year of
16 service under SIP. For those who want to stay and are not absorbed in
17 the Corporation shall be automatically placed in the Administration.
18 They shall retain their remuneration and seniority. No new hiring in the
19 Administration and Corporation shall be allowed until all NFA employees
20 have been properly placed. No NFA personnel shall be involuntarily
21 separated. For the purpose of SIP there is hereby appropriated the sum
22 of _____ (to be determined by Finance Group) or so much thereof as
23 maybe necessary, out of any funds or resources of NFA, any deficiency
24 shall be automatically appropriated in the succeeding year's GAA. If for
25 any reason funding for the SIP is inadequate people who have chosen to
26 be separated but not received their benefits can choose to stay or be
reinstated and will retain their previous remuneration and rank.

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

34 SECTION 19. *Transitory Provisions.* - To effect a smooth transition,
35 officials and employees of NFA who choose to avail of the SIP may be
36 requested to temporarily stay on for a period of not longer than three (3)
37 years without losing their right to avail of the SIP. Employees and
38 Officials of the Administration not yet properly placed within three (3)

1 years can still choose to avail of SIP during this period. The Board and
2 the Council shall appoint three 930 representatives each to constitute a
3 group that will act as mediators in settling issues as to which assets and
4 personnel will go to which organization. In any event, the rights and
5 privileges of officials and employees of NFA and FDRA shall be
6 adequately protected. The Corporation will, however, have priority in
7 deciding which asset will comprise the P10 B of capitalization. The
8 chairman of this group will be appointed by the President of the
9 Philippines.

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

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

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

APPROVED.