

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

13th Congress
First Regular Session

House Bill No. 3091



Introduced by **Honorable PEDRO M. PANCHO**

EXPLANATORY NOTE

The purpose of consolidating House Bill Nos. 2857 and 6715 filed during the 11th Congress is to give equal representation to the NFA, Rice Millers and Farmers in the importation of rice and production of local crops.

Land cultivation is not profitable in the Philippines even to the beneficiaries of the Land Reform Program as there is no stable market for the agricultural products. The intention of the plan to help the farmers lost the essence of the purpose to promote and assure that the tilling of the soil is productive and gives a good earning from their products. Instead, it resulted to make them poorer after the harvest season. Every year, the income from rice is insufficient. The importation of rice drains our dollar reserves, reduces employment opportunities and revenue income collections. In this manner, we are helping the farming industries of the foreign countries.

The only measure taken by the government agencies is to change the name of the NFA and the financial managers without improving the mechanism of the engine. The worn out part of which are no longer functioning to buy or procure the crops harvested from their farms with reasonable profits and avail their own water and fertilizers from the healthy production.

The billion peso assistance in water, fertilizer and road construction does not lead to a steady supply in our market because there is no money in tilling the soil. The life cycle of a farmer remains the same with no improvement like the land that yields insufficient harvest to supply the business community.

The only strategy to do is to harmonize the distant relationship between the NFA, the farmers, and the rice millers have an equitable sharing in policies on crop cultivation that will serve the land industry. For several decades now,

the rice cartels get more benefits than the three sectors that have invested billions of pesos only to enrich the rice cartels. The privatization of rice importation was given to the private sector whose investment is extremely incomparable with the rice millers who buy land to construct warehouses, acquired trucks and equipments, hire laborers, pay taxes on their properties and buy the produce of the farmers when the NFA, for lack of cash, cannot buy the support price of our government.

The cordiality among the three (3) sectors disintegrates during the harvest seasons for lack of complete rules or guidelines to get at a quota ceiling price. The alternative solution is to give the right to import rice to the rice millers as incentives, provided they buy the palay at the support campaign price of the Department of Agriculture and the Department of Agrarian Reform to give a fair income to the tillers of the soil.

I have filed two (2) bills during the 11th Congress House Bill Nos. 2857 and 6715, setting out clear guidance policies to be followed by our agencies in satisfying the market with harmony through an equalized system that will benefit our local investors. I consolidated these two bills to assure a clear definition of the purpose of satisfying the equal distribution of palay procurement during harvest season with buffer products. The rice millers who import the rice will subsidize the support price from their income from importation unlike the rice cartel which put all the gains in their pockets without assistance to the loss of the cultivators in their marketing.

For lack of capital, the treasury crop certificate will help to finance the procurement of palay to satisfy the market price between the NFA, the farmers and the rice millers.

The National Food Authority (NFA) is tasked with the stabilization of prices of grain and basic commodities. The NFA needs to balance prices of grains especially to provide the farmers with the highest price possible for palay, corn and other grains and the lowest consumer cost of these politically sensitive products. Such operations require massive capital to finance the program. The issuance of the Treasury Crop Certificate (TCC) by the NFA will raise sufficient funds very much needed by the agency. It may even reduce the need for budgetary support to the NFA by the national government.

The bill therefore, seeks to authorize the NFA to issue its own Treasury Crop Certificates, backed up with corresponding deposits of grains at any authorized NFA warehouse and guaranteed by the Department of Finance and Bangko Sentral ng Pilipinas. Income arising from the use of the TCC shall be exempt from tax.

Under this scheme, the farmer deposits his harvest of palay with the NFA and he is paid cash for one-half (1/2) of his stocks brought and

deposited to any NFA authorized warehouse. The remaining fifty percent (50%) of the grains stock deposited with the NFA shall be paid by the Treasury Crop Certificate (TCC). The farmer may use the TCC as collateral to secure a loan based on the face value of the stock or on a percentage value depending on the discretion of the bank or he may hold on to the TCC until its maturity. The TCC shall be redeemable in cash after one-hundred eighty (180) days from the time the palay is accepted by the NFA warehouse. Ten (10) days before maturity, the NFA have the right to dispose the grains to raise cash for the payment in liquidating the grains of the farmer who has been served notice.

The NFA shall monetize the certificate at a pre-agreed price for the bank or the farmer, as the case maybe. If the market price of the stored grains stock is higher than the NFA pre-agreed price, the farmer may request the lending institution or NFA for the withdrawal and disposition of the stock to outside buyer. The NFA shall have the right to first refusal for stocks stored in its warehouse and may match the highest price offered subject to approval by the NFA Council.

If the NFA refuse to make the purchase and the grain is sold to an outside buyer, the lending institution shall deduct the loan value or the farmer had hold on to the TCC, then the NFA shall deduct storage fees and other legal charges and in both cases the excess is released to the farmer.

The TCC, would then double the palay stocks of the NFA as it has only to pay for half of the stocks brought by the farmer to its authorized warehouse. The farmer is also assured of a market for his product at the NFA support price without selling at discount to middlemen who takes advantage of offering lower price when supply is plentiful.

The purchase of TCC shall likewise be available as an alternative investment for the unused portion of the reserve fund requirement for agrarian reform credit availment under PD 717 by banks and/or other lending institutions.

There is a sector in the agricultural industry which has been unduly neglected and unrecognized for its performance as partner of the government in serving the farmers. During the harvest seasons, this group helps them by buying their stock, as the NFA fails to absorb the oversupply in the market. The poor farmers who have no bodega to store their produce and no sufficient funds to cover the cost of planting their crops are also assisted by the rice millers who worked to help the farmers solve their problems. They are the capitalists who are even accused in the newspapers, radios and televisions of causing the price of palay to go up or down. These are the rice millers. They borrow money to help improve the market price especially at a time when there is no interested party willing to buy because

of the poor quality of palay affected by the foul weather. If there are no rice millers who support the farmers, what will happen? Like now, when the government agency can not afford to get the local agricultural products due to the large stock of imported rice in their warehouses.

These accused rice millers who borrow capital at high rates of interest need a low price for palay in order to maintain the ceiling price imposed by the authorities. The rice millers do not get any incentives to support the borrowed investments they put up for their warehouse, machineries and equipment. This is despite the fact that they generate employment and pay taxes. It is the lucky rice cartels who get all the privileges in cornering the imported rice. They use their influence to control the market while the rice millers are excluded from sharing in the imported grains. If this system continue to prevail in the agricultural industry, the farmers will remain poor. The rice cartel players who have no investment in food production have certainly no interest in assisting the farmers.

Now is the time to enact a law that will help and protect the rice millers, the government's partners in the development of the rice industry in the country by providing them assistance by way of low-interest rates and the privilege to share in the imported agricultural products in order to be able to establish and maintain the price and eliminate the price cartel that cripples our economy.

The provisions of the Agri-Agra Law No. 717 may likewise be applied to the rice millers in getting cash to buy the excess palay that cannot be absorbed by the NFA. This will lessen the worry in the market and forego the doubtful policy in protecting the crop prices of the farmers.

The medicine intended for the rice millers to stabilize the price in the market is swallowed by the rice cartel players who have no investment in food security.

It is very clear that the farmers will never enjoy a healthy and improved condition in their cultivation with the wrong treatment in administering palliatives to the weakening situation in the rice industry. The rice millers, who have the capacity to change and improve the present problems were ignored and were not given assistance to support the farming industry, their billion-peso investment in economic development was not given its due importance and recognition, if all the rice millers disappear from the scene, what will happen to the palay and palay producers?

I believe that we are killing or barking at the wrong tree that bears fruit for the tillers of the soil. Imagine, if we continue to impose high rates of interest, how can they preserve and maintain the ceiling price? At times when there is importation of rice, the rice cartel enjoys all the benefits making

big money without sharing anything with the rice millers except being investigated for having this imported rice.

To get rid of the problem, we must enact a law providing that imported rice must be distributed to bonafide rice millers at a price set by the NFA and the licenses of violators for overpricing shall be cancelled or revoked.

Accordingly, approval of the attached bill is earnestly requested.



PEDRO M. PANCHO

Congressman, 2nd District of Bulacan

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House Bill No. **3091**

Introduced by **Honorable PEDRO M. PANCHO**

AN ACT AUTHORIZING THE EQUAL REPRESENTATION OF THE NFA, RICE MILLERS AND FARMERS IN THE IMPORTATION OF RICE AND PRODUCTION OF LOCAL CROPS AND PROVIDING FOR A TREASURY CROP CERTIFICATE SYSTEM IN THE PROCUREMENT OF GRAINS BY THE NATIONAL FOOD AUTHORITY GUARANTEED BY THE DEPARTMENT OF FINANCE, FOR THE REALIZATION OF A HARMONIOUS RELATIONSHIP AMONG THE THREE SECTORS."

Be it enacted by the Senate and the House of Representatives in session assembled.

Section 1. The equal representation of the NFA, Rice Millers and Farmers in the importation of rice and production of local crops and the provision of Treasury Crop Certificate system in the procurement of grains by the National Food Authority guaranteed by the Department of Finance is hereby authorized.

Section 2. The Rice Millers in the Philippines are authorized to import and distribute imported rice, buy palay produce of farmers at ceiling price set by the NFA and for this purpose, to secure loans at a fixed rate of interest.

Section 3. The National Food Authority shall issue the Treasury Crop Certificate to be guaranteed by the Department of Finance to the approved debt ceiling, redeemable after one-hundred eighty (180) days from the time the grains are accepted at the NFA warehouse or such maturity period that NFA may decide in consultation with farmer-beneficiaries. The TCC shall be a negotiable instrument which can be sold, bartered, purchased and /or used as collateral for any loan or debt incurred.

Section 4. Farmers may avail of the TCC system by depositing their palay/corn/grains produce at any authorized NFA warehouse. He shall be paid in cash for one half (1/2) of his grains deposit and the remaining fifty percent (50%) shall be paid in TCCs.

The farmer shall also be given the option to buy back the grains paid by TCCs, provided he pays the authorized storage, handling and/or carrying charges imposed by NFA, including allowance for shrinkage.

Section 5. Income from the use of the TCCs shall be exempt from the tax on interest income for five (5) years upon its initial issue.

Section 6. The National Food Authority and the Land Bank of the Philippines shall issue the necessary rules and regulations to implement the system upon consultation and approval by the Secretary of Finance and the Secretary of Agriculture.

Section 7. Laws, rules and regulations and other issuances inconsistent with the provision of this Act are deemed modified, revoked or repealed accordingly.

Section 8. This Act shall take effect immediately upon its approval.

APPROVED.