

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

Thirteenth Congress  
First Regular Session

House Bill No. 3804



**Introduced by Honorable Catalino V. Figueroa**

**EXPLANATORY NOTE**

The planned privatization of the National Food Authority (NFA) is one of the most controversial issues plaguing the Macapagal-Arroyo Administration. The future of this important government agency has been under dark clouds ever since the Estrada Cabinet devised in the Grains Sector Development Program, which paves the way for its privatization. In the 11<sup>th</sup> Congress, then Majority Leader Mar Roxas II filed House Bill No. 3898 entitled "The NFA Reorganization Act". A closer perusal of its provisions revealed, however, that it was in reality a privatization measure because it seeks to completely abolish the NFA and replaces it with two new entities: a new government agency to be called the Food Grains Regulatory Bureau, and a Philippine Food Grains Corporation which is envisioned to be 51% privately owned and controlled.

It is the firm contention of this representation that the NFA should not be privatized now or in the future. The NFA performs the crucial role of being the government's parastatal food security agency and thus should remain under State control. It performs clearly social functions, which the government cannot abdicate to private business. Moreover, food security is a complex and controlling concern. The NFA is primarily responsible for the main functions of price support at the farm level, price stabilization at the consumer level, buffer stocking and supply of staple food during emergencies and relief operations. These activities rightly belong to the State as shown by our own experiences and those of other Asian countries who continue to maintain State owned food agencies.

It is, however, submitted that the NFA is in dire need of reform. With its current defects, the NFA is losing literally millions in taxpayers' money. With its policy of buying high and selling low, the NFA trading operations is designed to lose money. As of December 1998, it had an accumulated loss of 1.2 billion, a serious drain to the already depleted coffers of the government. This explains why the government is having increasing difficulty in meeting the fund requirements of NFA. There is also a perception of graft in the delivery of food security services and there exists a public clamor for efficient food distribution services.

This bill seeks to institute reform and reorganization in the National Food Authority without going the way of privatization. It seeks to convert the NFA into a government owned and controlled corporation with clearly defined powers to ensure the food security of the country. The salient provisions of this measure, among others, are the following:

- a) The NFA shall remain under government control and attached to the Department of Trade and Industry because the reformed NFA is primarily a trading entity with proprietary functions. This is also in consistent with the provisions of the Consumers Act and the Price Act;
- b) The NFA is granted the authority to perform proprietary activities thus allowing it to earn profits in order to maintain its operations without further burdening the State which has been subsidizing the NFA in ridiculous proportions;
- c) The present "buy high and sell low" policy, which is politically motivated, is terminated. This policy has caused the NFA huge losses which are then passed on to the government for subsidy; a clear recipe for disaster;
- d) The NFA is divested of its non-germane functions. Its regulatory functions are transferred to the DTI while its research and development functions goes to the DOST where it rightfully belongs. It would be inconsistent for the reformed NFA to conduct proprietary activities while at the same time regulating the industry for which it is a part;
- e) The NFA Board is granted the authority to restructure and reorganize the NFA in order for it to adjust to its new mandate and adjust to market conditions. This will also allow the NFA to fix the compensation and benefits of employees to a level at par with the private sector. This also includes the authority to pay separation and other retirement benefits at a rate higher than what is enjoyed under existing laws.

It is hoped that with these reform measures in place, the NFA will be able to perform its functions as the parastatal food security arm of the government without losing precious taxpayers money in its daily operations. Hence, the immediate approval of this measure is earnestly requested.



CATALINO V. FIGUEROA

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**AN ACT REFORMING THE NATIONAL FOOD AUTHORITY, CONVERTING IT  
INTO A GOVERNMENT OWNED SERVICE CORPORATION, DEFINING ITS  
POWERS TO INSURE FOOD SECURITY, AND APPROPRIATING FUNDS  
THEREFOR**

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

SECTION 1. Title. This Act shall be known as the "National Food Authority Reform Act of 2005."

SECTION 2. Declaration of Policy. It is hereby declared the policy of the State to attain effective food security by ensuring people's access to food at all times at stable and reasonable prices. The State shall insure a sufficient supply of staple food for domestic consumption, buffer stocking and relief operations. Towards this end, it shall also insure the stability of both the supply and price of staple foods.

SECTION 3. Definition of Terms. As used in this Act, the following terms are defined, thus:

- a) 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.
- b) Food Security – a condition where supply availability of the staple food is assured, accessible and within the purchasing powers of all sectors of society at all times;
- c) Service Corporation – a concept of a corporate operating orientation of a government owned corporation operating like a business but

performing the food security function of the State with minimum government subsidy;

- d) Ex-Farm Price – the prevailing buying price for a certain commodity at the farm level in a certain locality at a given specific time;
- e) Price-Push Strategy – an economic management tool used to influence the ex-farm price of the staple food by causing the delay of the disposal of the significant volume of farmer's marketable supply by providing them with storage and credit assistance resulting in a price favorable to the farmers.

SECTION 4. Conversion. The present National Food Authority is hereby converted into a government owned and controlled service corporation of the same name, hereinafter referred to as the "Authority". It shall be attached to the Department of Trade and Industry.

SECTION 5. Powers and Functions. The reformed NFA shall have the following powers and functions:

- a) buy and sell or in any manner deal on rice and other major staple foods;
- b) establish, operate, rent or lease market infrastructure, post harvest and storage facilities benefiting the rice sector;
- c) act as agent, broker or commission merchant of the producers or dealers in rice or other major staple foods;
- d) enter into, make and execute contracts of any kinds as maybe necessary or incidental to the attainment of its objects;
- e) set a program for procuring volumes of rice and other staple products to attain a more stable price at a lower cost to the masses;
- f) provide support services to farmers and dealers of rice and other staple foods;
- g) prescribe fees and charges for the use of the Authority's facilities and services;

- h) provide farmers and the public with up-to-date and relevant information on supply, demand and the forecast price of rice both locally and internationally;
- i) provide training on post-harvest technology, entrepreneurial skills, marketing information and other support services;
- j) exercise such other powers as maybe necessary to carry out the policy and objectives of this Act.

In the achievement of the aforementioned powers and functions, the Authority shall exercise its activities or intervention in aid of the maintenance of the stable supply and prices of staple foods.

SECTION 6. Applicability of the Corporation Law. The Authority shall be subject to provisions of Corporation Law insofar as the same are compatible with the provisions of this Act and with the objectives for which it has been mentioned in the said Law in addition to those herein specified.

SECTION 7. Board of Directors. The management of the Agency shall be vested in a Board of Directors consisting of nine (9) members to be composed of the following:

- a) Secretary of Trade and Industry – Chairman
- b) Administrator of the National Food Authority – Vice Chairman
- c) Secretary of Agriculture – Member
- d) Executive Secretary or his duly authorized representative – Member
- e) Director General of the National Economic Development Agency (NEDA) – Member
- f) Four (4) other members to be appointed by the President from a list of nominees of organized associations of farmers, grain retailers, millers and traders. They shall serve for a term of four (4) years.

The Vice Chairman shall assist the Chairman and act in his stead in case of the latter's absence or incapacity. In case of incapacity or absence of both

Chairman and Vice Chairman, the Secretary of Agriculture shall act as temporary chairman.

SECTION 8. Powers and Duties of the Board. The Board of Directors shall exercise the following powers and functions:

- a) determine the general policies of the Authority within the scope of its powers and functions as provided under this Act;
- b) approve and adopt the annual budget of the Authority and ensure its proper allocation and utilization;
- c) monitor the implementation of the Authority's projects and programs;
- d) upon the recommendation of the Administrator, approve , reorganize or otherwise alter the position, structure, staffing, pattern, qualifications and functions of the Authority's officers and employees, with the concurrence of the Civil Service Commission and the Department of Budget and Management;
- e) rationalize the rates of salaries, wages allowances and other remuneration of officials and employees in accordance with pertinent rules and regulations without prejudice to the compensation, fringe benefits and gratuities enjoyed by incumbent personnel upon the effectivity of this Act;
- f) upon the recommendation of the Administrator, approve the appointment of senior officials in accordance with pertinent rules and regulations;
- g) perform such other functions as maybe necessary to attain themandate and objectives of the Authority.

SECTION 9. The Administrator. The management of day-to-day operations of the Authority shall be vested in the Administrator as its Chief Executive Officer. He shall be appointed by the President of the Philippines for a term of four (4) years.

No person shall be appointed Administrator unless he is a Career Executive Service Officer, at least thirty five (35) years old and has proven expertise in any three (3) of the following fields: finance, economics, law, agriculture, business management and public administration.

SECTION 10. Powers and Duties of the Administrator. The Administrator shall perform the following powers and duties:

- a) direct and manage the operations of the Authority;
- b) implement the policies, programs and projects duly approved by the Board;
- c) enter into and execute, in behalf of the Authority, all contract and authorized transactions.

All agreements and contracts entered into by the old NFA shall remain in full force and effect unless otherwise terminated, modified or amended for lawful cause by the new NFA.

SECTION 11. Appropriations. The appropriation of the old NFA under the current General Appropriations Act shall be deemed transferred to the Authority. Thereafter, all earnings of the Authority shall be allocated for its operations and maintenance.

SECTION 12. Separability Clause. Any portion or provision of this Act that maybe declared unconstitutional or invalid shall not have the effect of nullifying other portions or provisions thereof so long as such portions or provisions shall subsist and be given legal force and effect in their entirety.

SECTION 13. Repealing Clause. P.D. No. 4, as amended, is hereby repealed and other laws, executive orders or other issuances or parts thereof contrary to or inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 14. Effectivity. This Act shall take effect upon its approval.

Approved,