

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

Thirteenth Congress
Third Regular Session

House Bill No. 6104



Introduced by Reps. Rafael V. Mariano and Crispin B. Beltran

Explanatory Note

Our rice industry is the *backbone* of our staple food and food security but it is in crisis. Despite previous and present government attempts to modernize the local rice industry, it remains *underdeveloped*. On the mantle of widespread landlessness in the rice sector, the local rice industry is suffering from backward conditions of production. With backward conditions of production comes low productivity. With low productivity comes low income of rice farmers and with low income, high poverty in the rice sector. This in gist is the grind of the vicious cycle that afflicts our local rice industry.

Rice in the country is an P 80 billion industry. Its gross value contribution to the national economy has been decreasing through the years, perhaps a testimony of the sad plight of the industry. But among local crops, it remains as the top contributor to the gross value added in agriculture, contributing about 16 per cent through 2000-2004. Its gross production value of about P 54 million makes up 4 per cent of the GDP.

The industry involves some 2.7 million farmers while its linkages in milling, marketing, transportation, and inputs distribution give employment to another 1.5 million. But local rice production is so labor-intensive that the population involved in the rice industry could be more than what the statistics reflects. A one-hectare farm would need about 4-8 farm workers for the various phases of rice production, making the industry one of the biggest destination of seasonal farm workers during planting and harvesting seasons.

By and large, our local rice industry has remained *small-scale and labor-intensive, wallowing at the level of "carabao farming" technology*. Rice production in the country is so backward that it is still very much under the mercy of Nature. At production level, less than one (1) per cent of our rice farmers use farm machines such as tractors and power tillers. The use of fertilizers is also low at five (5) bags per hectare as against the recommended level of eight (8) bags per hectare. At post-harvest level, mechanization is also poorly developed such that recovery is only 65 per cent while losses are at 15 - 20 per cent of total harvests. Consequently, productivity is low at 3.5 MT/hectare, the lowest among the rice-producing countries in Southeast Asia.¹

Paradoxically, as a result of the intervention of Green Revolution in the 1970's, the local rice industry has at the same time become *capital-intensive* with its dependence on costly imported synthetic agricultural inputs. At present, the cost of rice production ranges from P25,000 per hectare for certified seeds to P30,000 per

¹ The data on the socio-economic profile of the rice industry, use of farm machines, fertilizer use, post-harvest mechanization, recovery rate and losses, and average production are culled from the following: Peasant Education and Studies Center, *Planting Rice Is Never Fun: A Study on the Rice Crisis in the Philippines*, PESC: Quezon City, 2004; SEARICE, *State Intervention in the Rice Sector in Selected Countries: Implications for the Philippines*, SEARICE, Quezon City, 2005; and Dawe, et. al., *Why Does the Philippines Import Rice*, IRRI/Philrice: 2006. As a measure of the slow growth of local rice production, the country took more than two decades to reach the 3 MT/hectare plateau. It reached the plateau only in 2000 after breaching the 2 MT/hectare mark in 1977. Most Southeast Asian rice-producing countries were able to breach the 4 MT.hectare mark in the mid-1990s.

hectare for hybrid seeds,² among the highest in Southeast Asia and, being so, well beyond the reach of the majority of rice farmers. With high production costs, rice farmers scrimp on their capital outlay which contributes to low productivity even as they become prey to rural loan sharks which shackle them in deep indebtedness with high interests.

In one important aspect, because of our dependency on imported technology and inputs, the local rice industry passed into the control of giant agri-business transnational corporations (TNCs) and this control undercuts any program to develop a self-sustaining and self-reliant rice industry.

Low productivity naturally results in low economic returns for rice farmers. The low returns are aggravated by the low prices of *palay*, both at traders' and government buying price, as against soaring production costs. At present, the going rate of the buying price of the National Fodd Authority is between P8 to 9 per kilo, a rate that could hardly enable the rice farmers to recoup their production costs. This results in low income among rice farmers. Thus, majority of our rice farmers are poor, with annual per capita household income of only P20,000.³ As this occurred on top of the persistence of feudal and semi-feudal practices in the countryside, the low income of farmers is further eroded by various forms of exactions and exploitation perpetrated by landlords, usurers and traders which exacerbate the poverty among rice farmers.

The productivity problem of the local rice industry and the poverty of our rice farmers are not helped any by the government's approach to addressing shortfalls in domestic consumption requirements. Given the low productivity of our local rice industry, our country has been importing rice to meet deficits in domestic rice supply. Unfortunately, with a government ever wary of volatile political situations that any looming crisis in staple food supply brings, this practice has inured into an official policy which thrusts rice importation into the forefront of government stop-gap measures, perhaps even as a strategy, to meet domestic consumption requirements. Following such policy, the government pursues rice importation on the excuse of securing the rice supply of the country despite the fact that it actually helps to depress the prices of *palay* at the farm gate and, therefore, undermines the efforts of farmers to increase production, even as such policy failed to stabilize the prices of rice in the consumers' market. Indeed, the only tangible result the policy produced is that the country has become dependent on rice importation, turning in the process into a *net rice importer*.

This dependence is deepening as can be shown by the runaway increases of rice importation through the years, especially after the government shifted to full gear in implementing agricultural trade liberalization following the country's commitments to the World Trade Organization. We have been consistently importing rice at an average of 800,000 metric tons since 1996 and over a million in the last three years, corresponding to the fact that the share of rice imports in domestic consumption requirements has risen to 12 per cent, well above the four per cent minimum access volume of WTO, from zero level in the early 1980's. This translates to an annual spending of P 8 billion a year. Ominously, with population growth rate, at 2.4 per cent, out pacing rice production growth rate, at 1.8 per cent, there are no signs that the trend is getting down or reversing.⁴

Rice importation, as the government's preferred approach in addressing domestic supply shortfalls, exemplifies what is so wrong with government policy and programs for the rice industry. It embodies the government's subservience to foreign interests resulting in befuddled approach to the ills of the rice sector that amounted to the long term neglect of the industry. In the wake of the "structural adjustment programs" in the late 1980's, the government turned from massive intervention during the Green Revolution to almost total withdrawal from the rice industry, maintaining only token programs of *palay* procurement and here-today-gone-tomorrow subsidies for promoting fad-of-the-moment seed varieties favored by big agri-business transnational corporations. This somersault of sorts took a drastic turn after the country signed the WTO when government started treading the path of full-scale liberalization, leaving the ills of the local rice industry to the supposed corrective mechanisms of the free market.

By primarily relying on the so-called free market to resolve the problems of the local rice industry, the government fell into addressing the problem of under-productivity with "first-aid" solutions instead of treating it at the roots. After its failed reliance on HYVs in the 1970's-1980's, it now looks to the alleged miraculous power of

² SEARICE, 2005.

³ Family Income and Expenditure Survey, 2000. Since the FIES survey includes income from non-farm economic activities and receipts from abroad, it can be assumed that the income that farming households derived from rice farming is much lower on the average.

⁴ The data in this paragraph are culled from PESC, 2004 and SEARICE, 2005.

hybrid varieties to mightily increase production, a paradigm of rice industry development which many civil society critics see as yet another problem, not a solution, since it has all the features of the failed Green Revolution all over again.⁵ Ironically, these “first-aid” measures did not spare the government from massive costs which drain the economy, supposedly the very reason why government pulled back on its interventionist measures in the rice industry.

To illustrate this irony, according to Department of Agriculture estimate, the country spends about P10 billion to import 1 million tons of rice which volume could be produced locally with the government spending only P 3 to 5 billion.⁶ As to government’s stance of relying on the free market to solve the problems of the industry, the results are there for us to see - our rice imports are getting bigger.

Due to such factors as low productivity, low prices, low income, perpetual high indebtedness, and the existence of various practices that prey on the rice farmers, it is obvious that the capital formation necessary to develop our rice industry can not be left to our farmers alone. Such a role must be undertaken by the government. The importance of this role was rather stressed by the cross-country study conducted by SEARICE which found that robust government intervention spelled the difference in attaining successful rice industry development programs for Asia’s top rice producers. The study went on to conclude that “[I]ntervention by the state invariably played a critical role in ensuring the continued viability of rice production and guaranteeing farmers in sufficient numbers would continue to plant enough rice to feed the population.. . [It] played a largely positive role in ensuring that the goals of producing enough rice for a growing population and guaranteeing favorable income levels are met. . . [S]tate intervention was not only desirable but in most cases necessary.”⁷

Compared to the other countries covered by the SEARICE study, the Philippine government intervention for the development of the local rice industry is very minuscule, the most minimal among the countries studied. Credit support for small rice farmers is virtually non-existent.⁸ Government subsidy for farm inputs is sorely limited to the promotion of hybrid varieties. Infrastructure development necessary for increasing productivity and minimizing post-harvest losses as well as for the rapid transport of *palay* produce has lagged behind production and marketing requirements. A case in point: irrigation is a crucial factor for increasing productivity but the country’s irrigation systems cover only 45 per cent of the total irrigable lands.⁹ At present, about the only real government intervention into the local rice industry is its *palay* procurement program but even this is severely wanting, with government being able to purchase only about two (2) to five (5) per cent of the country’s total *palay* production since it prefers to hedge its scarce funds in rice importation.

The virtual absence of thoroughgoing government intervention for the development of the industry conspicuously brings to the fore one of the most critical factors why our local rice industry continues to wallow in underdevelopment and under-productivity and why our farmers continue to be poor. On the other hand, where government had intervened on a limited scale, its intervention only caused the drastic rise of the costs of production since it relies on import-dependent technology, a situation which only put a brake on the over-all productivity of local rice production.

The lack of government intervention into these problem areas of the local rice industry is what this bill seeks to address. It seeks to address the underdevelopment and under-productivity of our rice industry as well as the poverty of our rice farmers by building, through strong government intervention, the policy and program structure necessary for addressing those problems.

It pursues such legislative intent based on the dictum that the food security of the country is too delicate and important a matter to be left to the so-called free

⁵ In fact, the promotion of hybrid varieties is known as the Green Revolution II. Please see Devlin Kuyek, *Hybrid Rice in Asia: An Unfolding Threat*, Los Banos, Masipag, 2000.

⁶ PESC, 2004.

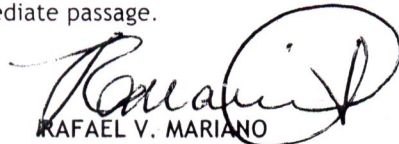
⁷ SEARICE, 2005. p. 20. This comparative cross-country study covered the rice industries of Indonesia, Malaysia, Thailand, Vietnam, China, and the United States. The study observes that in instances where government support was removed or reduced, the impact on production was immediate. This was the case of Indonesia in the early 1990’s. In the Philippines, the removal of government support beginning in the early 1980’s led to production slow down that forced the government to revert to rice imports.

⁸ Existing credit programs such as the Agri-Agra Credit Program has low compliance and is not accessible to poor rice farmers because of its fixed-assets collateral requirements.

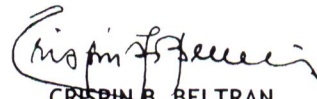
⁹ Ginintuang Masaganang Ani Rice Program, December 2003.

market. This is especially because the international market situation of rice is bleak, with the current trend of declining world rice production and the recent rise in world grains prices.

In view of the foregoing, the author(s) of this Bill strongly urge for its immediate passage.



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THE RICE INDUSTRY DEVELOPMENT ACT OF 2006

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

Section 1. **Title** - This bill shall be known as *The Rice Industry Development Act*.

Chapter I - Declaration of State Policies and Principles

Section 2. The State recognizes the vital importance of the local rice industry to the integrated development of the national economy, particularly to the holistic development of the agriculture sector and the attainment of food security of the country.

Section 3. It shall be the policy of the State to develop the local rice industry to enhance to the fullest its productive capability, increase the income and improve the living conditions of local rice farmers, upgrade its distribution and marketing linkages, make the local rice industry sustainable, ensure the affordability of rice to the consuming population, and ensure, through sustainable self-sufficiency, the food security of the country.

Section 4. The State recognizes that to develop the local rice industry and ensure the sustainable food security of the country, it must be given a rearing period of protection and support.

Section 5. The State recognizes the necessity to achieve self-sufficiency in rice to achieve the security of the main staple of the country. It shall be the policy of the State to stop its dependence on rice importation and to rely primarily on domestic production in attaining rice self-sufficiency and food security in its main staple.

Section 6. It shall be the policy of the State to implement a development strategy for the rice industry that optimizes the use of its actual and potential natural, human and technological resources. Toward this end, the State shall promote and support a strategic research development program for the sustainable development of the local rice industry that shall make optimal use of indigenous resources and knowledge and nationally-available materials in order to make for a self-reliant local rice industry.

Chapter II - Statement of Objectives, Timeframe, and Definition of Terms

Section 7. **General Objectives** - This Act envisions to develop the local rice industry through a timebound development program that shall establish the

core programs of a) direct credit for rice farmers, b) subsidy for production inputs, c) development of irrigation systems and post-harvest facilities, d) strengthening of the *palay* procurement capability of the National Food Authority (NFA) and upgrading of the distribution and marketing of rice, e) provision for extension services, and f) import control.

It shall be the objectives of this Act, through the installation of its core programs, to increase the productivity of the local rice industry, improve the living conditions of local rice farmers, especially the small-scale rice farmers, through increase of their income, and attain rice self-sufficiency as the main pillar of the food security of the country. It pursues these objectives through a sustainable rice industry development program that will provide direct support to rice farmers in order to develop their productive capability and upgrade the rice distribution and marketing system and network of the country to attain a decent economic return for local rice farmers, ensuring in the process a self-reliant food security with regard to its primary staple while securing an affordable and accessible rice supply for the consuming population. It shall likewise be the objective of this Act to strengthen the role of rice farmers in the local rice industry through the promotion of cooperatives and other forms of institutional and capability-building measures for rice farmers.

Section 8. Time frame - The institutionalization of the core programs of this Act shall be implemented within a period of five years. After the institutionalization period, Congress shall ensure the continued funding of the core programs.

Section 9. Specific targets - At the end of the five-year period of implementation, this Act shall have accomplished the following specific targets:

- a. The infrastructure build-up program of this Act, namely the construction of required irrigation systems and the development of post-harvest facilities shall have been finished and completed one hundred per cent;
- b. The productivity of the local rice industry shall have been increased from its current level to six (6) to eight (8) metric tons per hectare;
- c. The *palay* procurement capability of the government shall have been increased from its current level to twenty five per cent (25 %) of the total *palay* production;
- d. The poverty incidence among rice farmers shall have been reduced to sixty per cent (60 %); and
- e. A sustainable self-sufficiency in rice shall have been attained for the country, thereby putting an end to our dependence on rice imports.

Section 10. Definition of Terms - As used in the context of this Bill, the following terms shall mean:

Agrarian reform beneficiaries - are farmers who qualified as beneficiaries of the agrarian reform program as mandated by existing agrarian reform laws.

Collateral-free - refers to a kind of loan condition which does not require the putting up of fixed assets as collateral for the grant of the loan;

Credit cooperatives - are unions or cooperatives engaged in extending credit to its members based on their equitable share contributions; as used in the context of this Bill, it refers to credit cooperatives the majority of whose members are rice farmers or whose clienteles are rural-based;

Farmers' organizations - are farmers who have associated or organized themselves to achieve a common purpose or serve their common interest; as used in the context of this Bill, the term refers to rice farmers' organizations;

Farm inputs - are such elements as seeds, fertilizers, herbicides, and pesticides which are inputted to the process of rice production;

Farm machines and equipment - are mechanized tools such as hand tractors, power tillers, sprayers, mini-harvesters, and threshers used in the various processes of rice production and harvesting;

Farmers' marketing cooperatives - are farmers' cooperatives which specialize in marketing their palay produce;

Farm production cooperatives - are farmers' associations or cooperatives whose membership is based on the labor contribution of their members;

Food security - refers to an ideal situation in which the food requirements of a people or country are secured by continuous sufficient supply;

In-quota tariff - refers to the tariff rate to be imposed on import items within the quota set by the government;

Land use conversion - the process of changing the use of the land; as used in the context of this Bill, it refers to the conversion of agricultural lands into other uses such as industrial, commercial or residential;

Leaseholder - a farmer who works on the land under such terms in which he pays the landowner a fixed lease rate.

Minimum access volume - Under the rules of the World Trade Organization, it refers to the minimum volume of foreign agricultural products which a member-country must allow access to its domestic market, the volume constituting the minimum share of foreign agricultural products in the domestic market based on certain proportion of the domestic consumption requirements;

Credit auxiliaries - it refers to farmers organizations, rural loans associations or rural credit cooperatives designated and authorized in this Bill to act as structural arms to help the government extend its credit facility to rice farmers; the theory behind their designation is that farmers' organizations, rural loans associations and rural credit cooperatives are long embedded in the rural sector as to be readily available to help make the credit facility of the government accessible to rice farmers;

Out-quota tariff - refers to the tariff rate to be imposed on import items in excess of the quota set by the government;

Post-harvest facilities - refer to farm facilities used in treating and handling palay after the harvest; these include threshers, dryers, palay silos and warehouses, and mills;

Production enhancement loans - refers to the loan of the credit facility provided in this Bill to be exclusively applied for enhancing rice production;

Production inputs - same as farm inputs;

Production support - refers to government support to help rice farmers procure the farm inputs for rice production;

Quota - the volume or quantity set by the government as allowable foreign goods or products for entry into the domestic market;

Reclassification - the act or process of changing the classification of lands by the local government units;

Rice farmers - refer to farmers who plant or produce rice;

Rural loan associations - are associations of farmers or rural residents who contribute equity share and loan the shares out to its members;

Small-scale rice farmers - are rice farmers who own no land or whose landholding, produce or income is below the economic threshold necessary for meeting the requirements of maintaining their families;

Subsidized pricing - refers to a pricing mechanism in which a portion of the price of goods and services is paid for by the government;

The Department - refers to the Department of Agriculture.

Chapter IV - Primary Beneficiaries and Data Base Grounding

Section 11. Primary Beneficiaries and the conduct of census to identify and locate them - The primary beneficiaries of this Act shall be the small-scale rice farmers and those rice farmers with annual income below the rural poverty threshold as determined by periodic census.

Within three months after the effectivity of this Act, the National Statistics Office (NSO), in coordination with the Department of Agriculture (the Department), shall conduct a census of small-scale rice farmers to enable the Department to determine and locate the primary beneficiaries of this Act. After the conduct of the census, the NSO shall submit its report to the Department. The census should include the following items of information:

- a. size of rice farm unit;
- b. type of soil of the rice farm;
- c. irrigation condition (whether irrigated or not; if irrigated, whether man-made or rain-fed);
- d. source of capitalization;
- e. seed variety used and sources;
- f. volume of fertilizer used per hectare each cropping;
- g. volume of herbicide used per cropping;
- h. number of children (including children who participate in the labor force);
- i. output per hectare;
- j. cash conversion of their product;
- k. monthly family expenditures; and
- l. net income.

For the conduct of the census to locate the primary beneficiaries of this Act, the amount of Three Hundred Million (P 300 M) is hereby allocated to the NSO.

Section 12. Data base of primary beneficiaries for monitoring - The Department shall make and maintain a data base of the information gathered from the census. The information and data base from the census shall serve as basis for the focused intervention of the core programs of this Act as well as for monitoring during the implementation of this Act the trends of income of the primary beneficiaries.

Chapter V: Production Support for Farmers

Section 13. It shall be the policy of the state to prioritize the provision of production support to rice farmers to enable rice farmers to have access to economic resources necessary for sustaining their rice production with the end view of increasing their productivity and income. Toward this end, the state hereby provides for a direct credit and subsidy program for rice farmers.

A. Production Enhancement Credit Program

Section 14. Rice Production Enhancement Credit Program - There is hereby established a Rice Production Enhancement Credit Program (RPECP). It shall have a seed fund of Two Billion pesos (P 2 B) to be allocated from the Ten Billion pesos (P 10 B/year) annual appropriation mentioned in Section 70 of this Act. The fund of the RPECP shall be called the Rice Production Enhancement Credit Fund.

After the five-year implementation of this Act, Congress shall ensure the continuing funding for the RPECF by including the RPECF as an expenditure item in its annual enactment of the national appropriation.

The RPECF shall be deposited with the LBP. All interest earnings on the deposit shall accrue to the RPECF.

Section 15. Exclusivity of Purpose - The RPECF shall be made available to farmers and farmers' organizations or farm production cooperatives as loans for the exclusive purpose of rice production and rice production related endeavors. The loan is for the purpose of rice production and rice production-related endeavors if it is applied, though not limited, to the following:

- a. purchase of seeds and other farm inputs;
- b. purchase of draft animals;
- c. purchase of farm equipment and machineries necessary for rice production such as power tillers, hand-held harvesters, threshers and other similar equipment;
- d. purchase of irrigation equipment such as water pumps and tube wells; and
- e. construction of dryers or purchase of drying machines.

In the case of farmers' organizations and farm production cooperatives, in addition to the purposes and endeavors mentioned above, the loans may also be applied to the following:

1. purchase of farm machinery for cooperative use;
2. construction of water impounding systems for irrigating rice farms;
3. construction of drying facilities;
4. construction of cooperative warehouse for *palay*;
5. seed capital for establishing cooperatives for marketing of *palay*;
6. purchase of vehicle for *palay* marketing;
7. construction of communal compost pit for making organic fertilizers; and
8. financing the putting up of industries that produce *palay*-derivative products.

Section 16. Schedule of Interest Rates - In dispensing the loanable funds of the RPECF, the RPECF and its credit auxiliaries shall give priority to small-scale rice farmers and rice farmers determined by the census as having annual income below the rural poverty threshold. As to these farmers, the RPECF shall charge interest rates according to the following schedule:

- a. For small-scale farmers and farmers determined by the census as having annual income below the rural poverty threshold, the interest rate is hereby fixed at twelve per cent (12%) per annum. The interest rate as to these farmers shall remain until they have increased their annual income to a level above the rural poverty threshold.
- b. For farmers who are agrarian reform beneficiaries and still amortizing their lands, the per annum interest rate is hereby fixed at twenty-five per cent (25 %) lower than the prevailing interest rate of commercial banks. The interest rate as to these farmers shall remain until they have fully paid their amortization on the land they till. If the farmer is an amortizing agrarian reform beneficiary with annual income below the rural poverty threshold, the interest rate schedule mentioned in the immediately preceding subparagraph shall apply. Such farmer shall continue to enjoy the abovementioned rate even after the full payment of his/her land if his annual income remains below the rural poverty threshold.
- c. For farmers with annual income above the rural poverty threshold, the per annum interest rate shall be ten per cent (10 %) lower than the prevailing interest rates of commercial banks. On the third year of

implementation of this Act, the per annum interest shall be fixed at four per cent (4 %) lower than prevailing interest rates of commercial banks. The ceiling on interest rates shall be removed on the fifth year to level off with the prevailing interest rates of commercial banks.

d. Farmers' organizations and farm production cooperatives with net worth of below Five Million pesos (P 5 M) shall be considered as farmers mentioned in subparagraph (a) above and shall be imposed an interest rate of twelve per cent (12 %) per annum. Farmers' organizations and farm production cooperatives with net worth above Five Million pesos (P 5 M) shall be treated as farmers mentioned in subparagraph c.

Section 17. Collateral-free and provision against foreclosure - For farmers falling under subparagraphs (a), (b), and (c) in the immediately preceding section, the loans shall be collateral-free. In consonance with the concept of agrarian reform, in case of failure to pay, the Department shall exhaust all opportunities for extending to an indebted farmer a restructuring scheme of the loan payments until the farmer has fully paid the loan. It shall formulate a scheme for this purpose; *provided* that in no case shall such a scheme operate to effect the loss of the land of the indebted farmer, especially if the farmer is an amortizing agrarian reform beneficiary, nor shall it give effect to the blacklisting or disqualification of the indebted farmer from being a beneficiary of the RPECF. If the farmer has failed to pay for three consecutive loan terms, the indebted farmer shall be proceeded against in accordance with the provisions of Section 24.

Section 18. Priority fund for the primary beneficiaries - In order to give effect to the intention of this Act to give priority to small scale farmers, sixty per cent (60 %) of the RPECF shall be segregated and constituted as Small-Scale Farmers Priority Credit Fund (SSFPCF). The SSFPCF shall be devoted to production enhancement loans exclusively for rice farmers enumerated in Section 16, subparagraphs (a) and (b). The farmers enumerated in these subparagraphs shall be treated as the preferred clientele of the RPECF.

Section 19. Farmers' organizations, rural loan associations, and credit cooperatives as RPECF auxiliaries - The Department shall have the authority to accredit farmers' organizations, rural loan associations or credit cooperatives as RPECF auxiliaries of the RPECF; *provided* that such farmers' organizations, rural loan associations, and credit cooperatives are duly registered with the Cooperative Development Authority (CDA). Farmers' organizations, rural loan associations and credit cooperatives accredited as RPECF auxiliaries can access the RPECF at the maximum amount of One Million pesos (P1 M) at zero interest rate for dispensation to their members who are rice farmers; *provided* that all loan applications with accredited RPECF auxiliaries shall be approved by the Department.

The Department, in consultation with the LBP and representatives of farmers' organizations, rural loans associations and credit cooperatives, shall formulate the criteria, standards and procedures for the accreditation and participation of farmers' organizations, rural loan associations and credit cooperatives as RPECF auxiliaries.

In accessing the RPECF, farmers' organizations, rural loans associations or credit cooperatives accredited as RPECF auxiliaries shall undertake to charge interest to their members according to the schedule provided for in Section 16 hereof. All interest earnings of the loanable funds shall accrue or revert to the RPECF and not to the capital of the farmers' organizations, rural loan associations, or credit cooperatives. If the farmers' organizations, rural loan associations or credit cooperatives are found to have charged interest rates not in accordance with the abovementioned schedule, they shall be charged as fine the interest rate of six per cent (6 %) lower than the prevailing interest rates of commercial banks.

In extending production enhancement loans to farmers' organizations and farm production cooperatives, the Department shall give priority to farmers'

organizations and farm production cooperatives whose members are small-scale rice farmers or the majority of whose members have annual income below the rural poverty threshold; *provided* that such farmers' organizations and farm production cooperatives shall no longer be qualified to access the RPECF as auxiliaries.

Section 20. Farmers' organizations, rural loans associations and credit cooperatives duly accredited by the Department as RPECF auxiliaries, subject to the provisions of Sections 16 and 17 of this Act, may extend loans under the RPECF to non-members as long as the applicants are rice farmers.

Section 21. The Department shall formulate a scheme for giving incentives to farmers' organizations, rural loan associations and credit cooperatives that achieve at least eighty per cent (80 %) recovery of the loans they extended to rice farmers.

Section 22. The Department, in consultation with the LBP, shall formulate the guidelines for simplifying the procedure for the filing and approval of loan applications with the end view of minimizing the administrative and documentary costs that may be incurred by rice farmers. The guidelines shall include provisions for giving effect to the provisions of Section 24 hereof.

Section 23. **Incentives for private commercial banks** - Private commercial banks which extend production loans to rice farmers under the interest rate formula provided in Section 16 above shall be entitled to tax credits of fifteen per cent (15 %) of their amount of capital actually extended to rice production loans. Upon the removal of the ceiling on interest rates on the fifth year of this Act, private commercial banks which continue to extend production loans to rice farmers shall continue enjoying tax credits at ten per cent (10 %) of their amount of capital actually extended to rice farmers mentioned in Section 16, subparagraphs (a) and (b) hereof.

Section 24. **Non-litigious action and proceedings for non-payment** - In consonance with the concept of agrarian reform and in the spirit of mutual assistance, in cases of three consecutive failure to pay, the lands of farmers enumerated in Section 16, subparagraphs (a) and (b), shall be turned over to the farmers' organization, rural loan association or credit cooperative from which the farmer incurred the loan or of which he is a member. The land so turned over shall be worked on and managed by the farmers' organization, rural loan association or credit cooperative with the end view of helping the indebted farmers fulfill their loan obligations; *provided* that in managing the land, the harvest or income therefrom shall be apportioned according to the following formula:

- a. thirty five per cent (35 %) - to the indebted farmer for the upkeep of his family;
- b. twenty five per cent (25 %) - to the farmers association, rural loan association, or credit cooperative as their share in the produce; and
- c. forty per cent (40 %) - to the amortization of the loan;

If the indebted farmer is a leaseholder with obligation to remit a share to the landowner, the harvest or income of the land shall be apportioned according to the following formula:

- a. twenty five percent (25 %) - to the indebted farmer for the upkeep of his family;
- b. twenty five per cent (25 %) - to the farmers association, or rural loan association or credit cooperative as their share of the produce;
- c. twenty five percent (25) - to the landowner in fulfillment of the lease share;
- d. twenty five per cent (25 %) - to the amortization of the loan.

If the indebted farmer is under leasehold terms in which the share of the landowner exceeds twenty five per cent, such contract shall be voided by operation of law and the twenty five per cent share for the landowner as mentioned above shall be applied. Upon the completion of the payment of the loan, the farmers' organization, rural loan association or credit cooperative shall return the land to the farmer without need of demand within thirty days to be reckoned from the date of the final payment.

If the farmers organization, rural loan association or credit cooperative failed to return the land after the lapse of thirty days, the land is deemed returned and the farmers shall be free to enter the land and resume possession thereof.

B. Production Subsidy

Section 25. Subsidy for production inputs - The amount of One Billion pesos (P 1 B) to be allocated annually for five years from the Ten Billion pesos (P10 B) annual appropriation for this Act is hereby appropriated for the provision of production subsidy to rice farmers. The Department shall apply the fund for the purchase of seeds and other farm inputs for rice production for distribution to rice farmers.

Section 26. Subsidized pricing formula - The seeds and other farm inputs shall be distributed according to the following subsidized price formula:

- a. to rice farmers enumerated in Section 16, subparagraphs (a) and (b) - at fifty per cent (50 %) of their purchase price;
- b. to rice farmers with annual income above One Hundred and Twenty Thousand pesos (P 120,000) - at twenty five per cent (25 %) of their purchase price.

Section 27. The Department shall ensure that the distribution of seeds and other farm inputs to rice farmers be made one month before the start of the preparation phase of the production season.

The Department shall coordinate with the local government units, farmers' organizations and farm production cooperatives to facilitate the distribution of seeds and other farm inputs to rice farmers through the local field units of the Department.

Section 28. Insurance for wide seed selection and farmers' selection based on adaptability - In the purchase and distribution of seeds, the Department shall ensure that rice farmers will have a wide selection of seed varieties in accordance with the knowledge and farm practices developed or existing in their communities.

The Department shall make full use of its data base and mapping of soil types as basis in distributing the fertilizers to rice farmers. As much as practicable and according to adaptability to the knowledge and farm practices prevalent in different areas of the country, the distribution must be based on the best applicability to the soil types in the area.

Section 29. Incentives for use of traditional varieties, organic farming and indigenous rice farming practices - The Department shall formulate an incentives scheme for farmers who use traditional varieties, organic farming and indigenous rice farming practices.

Chapter VI - Irrigation

Section 30. The government recognizes the importance of well-developed irrigation systems to increasing productivity. It shall thus endeavor to fulfill and complete within the time frame of this Act the total irrigation requirements for optimizing the production potential of the rice industry.

Section 31. NIA program of work, timeframe and budget - The National Irrigation Authority (NIA) shall prepare and implement a Five-Year program of work for the phased construction and development of irrigation systems necessary to satisfy the irrigation requirements for optimizing the production potential of the rice industry. In implementing the program of work, the NIA shall give priority to the development of irrigation systems in the remaining irrigable areas or potential areas for irrigation development. It shall pursue the construction of communal irrigation systems and such other irrigation systems that are appropriate to existing conditions of rice farms of the country. It shall take into account the preservation and rehabilitation of watersheds.

Toward this end, the annual amount of Three Billion pesos (P 3 B) to be allocated from the annual appropriation of this Act as mentioned in Section 68 is hereby appropriated for the next five years to augment the current regular budget of the NIA for the construction of irrigation systems within the five-year schedule of completion mentioned in the preceding Section.

Of the amount mentioned in the immediately preceding paragraph, Five Hundred Million pesos (P 500 M) shall be allocated at the minimum for the repair and maintenance of existing irrigation systems.

Section 32. Special privilege for the primary beneficiaries - The irrigation systems built under this Act shall be available at no cost to rice farmers mentioned in subparagraphs (a) and (b), Section 16 hereof.

Section 33. Funding for operation and maintenance - Upon the completion of the Five-Year program of work, the National Government shall appropriate One Billion pesos (P 1 B) in the annual national budget for the operation, maintenance and repair of established irrigation systems. The NIA shall submit every three years to the congressional oversight committee an inventory and monitoring report on the state of existing or built-up irrigation systems to enable Congress to review the appropriation for repair and maintenance and make the necessary adjustment in the annual allocation. The status and monitoring report shall cover those irrigation systems maintained and operated by private irrigators associations and local government units. For this purpose, the NIA may employ the services of independent experts to help the agency determine the status of built-up irrigation systems.

Local government units which operate and maintain irrigation systems may turn over such irrigation systems to farmers' organizations in their jurisdiction and may allocate funds for their operation and maintenance.

Section 34. Regulating the irrigation fees - Notwithstanding the provisions of Republic Act 8534, the payment of service fees for the use of irrigation systems maintained or operated by private irrigators associations shall be regulated by the NIA; *provided* that the NIA shall not issue any approval for increases in irrigation fees without consultation with farmers and farmers associations.

Within three months after the effectivity of this Act, NIA shall issue the guidelines and mechanism for regulating the payment of fees for the use of irrigation systems maintained or operated by private irrigators associations and local government units.

As to irrigation systems operated and maintained by local government units, no increases in the payment of service fees shall be made by local government units without consultation with rice farmers or their organizations.

Chapter VII - Post harvest facilities

Section 35. It shall be the policy of the state to develop post-harvest facilities in order to help rice farmers maximize their recovery rate as a component mode for increasing their income. The state shall develop the post-harvest facilities in strategic locations that will funnel *palay* from the barrios to municipal and provincial marketing centers with the end view of minimizing transportation costs and speeding up the delivery of rice to its end users.

Toward this end, the local government units, especially LGUs in rice producing areas, are mandated to get highly involved in the development and maintenance of post-harvest facilities. The state shall also install the mechanism for building among, or transferring to, rice farmers, through their farmers' organizations and marketing cooperatives, the capability to undertake the operation and maintenance of structures and facilities for post-harvest.

Section 36. Clustering strategy for the development of post-harvest facilities and time-frame - In coordination with the National Food Authority (NFA), Bureau of Post-Harvest Research and Extension of the Department, local government units, and Department of Public Works and Highways (DPWH), the Department shall draw up a Five-Year program of work for the priority construction of multipurpose dryers, warehouses and other post-harvest facilities in municipalities, provinces and areas that are centers of rice production. The construction plan shall use the clustering of barrios and municipalities in designating the location of multipurpose dryers, warehouses and other post-harvest facilities at a ratio to be determined on the basis of distance, population, and volume of rice crops produced and traded. The program of work shall include the repair and rehabilitation of existing dryers, warehouses and other post-harvest facilities of the NFA.

Section 37. Funding - The amount of One Billion and Five Hundred Million pesos (P 1.5 B) allocated from the Ten Billion pesos (P 10 B) annual budget for the implementation of this Act is hereby allocated annually for five years to finance the Five-Year program of work for the priority construction of multipurpose dryers, warehouses and other post-harvest facilities.

Section 38. Supplemental funding from LGUs - For a period of five years, municipal government units in centers of rice production shall supplement the budget mentioned in the preceding section by setting aside One per cent (1 %) of their budget as contribution to the construction fund; provincial government units in centers of rice production shall set aside Two per cent (2 %) of their budget. The respective contributions of municipal and provincial government units shall form their counterpart funds to the construction fund.

Section 39. Maintenance responsibility - Upon the completion of the priority construction of multi-purpose dryers and warehouses, the Department shall turn over for maintenance the built-up multi-purpose dryers, warehouses and other post-harvest facilities as follows:

- a. to the National Food Authority - all provincial multi-purpose dryers and warehouses after which these shall form part of the warehouses operated by the NFA; and
- b. to the municipalities where the facilities are located - all barrio and municipal multi-purpose dryers and warehouses.

Section 40. Mechanisms for self-sustaining maintenance - To help defray the maintenance costs of multi-purpose dryers, warehouses and other post-harvest facilities, the agencies and local government units responsible for their maintenance shall be allowed to collect reasonable fees for services rendered in connection with the use of such facilities; *provided* that no collection or increases of service fees shall be imposed without consultation with farmers and farmers' organizations. The revenues raised from the fees on the use of multi-purpose dryers and maintenance shall be used exclusively for the maintenance, repair or, where viable, expansion of these facilities.

Section 41. Local government units shall have the power to lease out the multi-purpose dryers and warehouses to farmers' organizations, farm production cooperatives or farmers' marketing cooperatives. They can enter into lease-to-buy schemes in which the lease will mature into the ownership of farmers' organizations, farm production cooperatives or farmers' marketing cooperatives after fifteen years or when the cost of construction has been recouped, whichever comes first; *provided* that the lease rentals paid by the farmers organizations and farm production cooperatives shall be treated as

revenues devoted to the purpose mentioned in the last sentence of the preceding paragraph.

Section 42. Inventory of post-harvest facilities - Within three months after the effectivity of this Act, the NFA shall make an inventory of its dryers and warehouses and design a scheme to make those under-utilized and non-operational dryers and warehouses operational and viable. If the NFA decides to sell or lease out these facilities, it shall make the offer first to farmers and farmers organizations and cooperatives.

Section 43. Regulating dryer and warehouse fees - Dryers and warehouses operated by private entities, including farmers' cooperatives which rent out their facilities to non-members, shall be regulated by the local government units with jurisdictions over them.

Chapter VIII - Price Support and Marketing

Section 44. It shall be the policy of the State to give priority in its resource allocation to strengthening the *palay* price support program of the government in order to ensure rice farmers a just and decent economic return of their endeavors as well to ensure affordable rice to the consuming public. It shall install the mechanism for enabling rice farmers to market their *palay*, through cooperatives and other self-help organizations, so they can command better prices of their products.

Section 45. Budget infusion for strengthening the procurement capability of the NFA; provision for automatic budget increase when production increases - In addition to the present budget of the NFA, the amount of Fifteen Billion pesos (P 15 B) is hereby allocated annually for the sole purpose of strengthening the *palay* procurement capability of the NFA. Such allocation shall be used exclusively for the purchase of *palay* from rice farmers at farm gate prices that will ensure a just and decent economic return for rice farmers, particularly the small-scale rice farmers. If the appropriation falls short of the specified amount, the difference shall be automatically included in the next annual national appropriation.

The annual allocation shall be increased each time by ten per cent (10 %) if the volume of total *palay* production, to be determined on the basis of harvest forecasts, increases by five per cent (5 %).

Section 46. Mechanism for reaching out to rice farmers at the farm gate - In coordination with the local government units, the NFA shall endeavor to maximize the funnel system in the construction of multi-purpose dryers and warehouses for its use as buying stations in order to be able to buy the *palay* of rice farmers at farm gate prices.

Section 47. Farmers' organizations and marketing cooperatives as marketing arms; incentives scheme for cooperative marketing - In purchasing *palay* from rice farmers at farm gate prices, the NFA shall promote the cooperative marketing of *palay* among rice farmers, particularly small scale rice farmers. For this purpose, the NFA shall devise a scheme for enrolling farmers' organizations or their marketing cooperatives as its procurement arms. The scheme shall have an incentives package for farmers who sell their *palay* to the NFA through their farmers' organizations or their marketing cooperatives.

Chapter IX - Research and Development

Section 48. The State recognizes the importance of research in the development of the rice industry. It shall promote a research program on rice industry development that is open, multi-disciplinary and multi-dimensional and geared toward the development of a self-reliant local rice industry.

Section 49. Rice industry development research program - The Department is hereby mandated to formulate a rice industry development research program

(henceforth Research Program). Such program shall serve as the country's principal strategic program for research and development of the rice industry, taking into account the policies embodied in this Act.

Section 50. Research and development for sustainable rice production technology - The Research Program shall focus in the research on seed development and rice production technology that will increase local rice production through production techniques and methods appropriate to the character and conditions of local rice farming; and which optimize the use of genetic materials and biodiversity resources found in rice farming communities of the country. It shall orient its research towards developing farmer-led and environment-friendly rice farming technology.

In conducting research on seed development and rice production technology, the Research Program shall give focus on research that will develop and enhance the self-reliance of rice farmers in sourcing their production inputs. For this purpose, it shall give priority to research, invention, innovation, and utilization of production methods and technology that rely on materials and capabilities that can be found and harnessed in the rice areas of the country, including indigenous materials, knowledge and capabilities.

The Department shall establish research and experimental linkages with the seed development and production practices of rice farmers and pool these linkages with the scientific community. To augment its capability, the Department shall coordinate with state universities and colleges and other government agricultural research institutions in order to pool together their research programs on the rice industry.

In designing the Research Program, the Department shall include the study of policy formulations that will fine tune the implementation of this Act and promptly submit its findings and recommendations to the congressional oversight committee.

The Department shall establish and maintain a journal so it can timely publish its research findings and experimental results. In coordination with the local government units, state colleges and universities, farmers and farmers' organizations, it shall establish a system for the fast dissemination, through formal and non-formal means, of research findings and experimental results to the rice farmers.

Section 51. Maintaining experimental and demonstration farms; tax exemption of imported experimental inputs - In implementing the Research Program, the Department shall have the authority to maintain experimental and demonstration farms. All equipment and inputs necessary for the conduct of its experimental and demonstration farms shall be exempted from the payment of tariffs and duties for their importation; *provided* that such equipment and inputs can not be procured from local sources.

Section 52. Information and data base - The Research Program shall help the Department maintain an information and data base on the primary beneficiaries, as mentioned in Sections 8 and 9 hereof, so as to enable the Department to effectively monitor the effect and impact of the core programs of this Act on poor rice farmers.

In collaboration with the Bureau of Soil and Water Management (BSWM), Department of Science and Technology (DOST), state colleges and universities, and other appropriate government agencies, the Department shall make a mapping of the soil types of the rice areas in the country and classify them according to fertility grades and absorption capability for rice farming. The information gathered from this data base shall be the basis for the Department in the purchase and distribution of fertilizers to different areas of the country.

Section 53. Funding - The amount of One Billion pesos (P1 B) is hereby annually allocated from the Ten Billion pesos (P10 B) annual appropriation of this Act for the operationalization of the Research Program. To augment this fund, twenty-

five per cent (25 %) of the revenues raised from tariffs on rice imports is hereby allocated as additional budget for the Research Program. Such amount shall be remitted directly to the Research Program.

To augment its budget and funding, the Research Program shall have the authority to receive research grants or annuities from local and foreign benefactors; *provided* that such grants or annuities shall not compromise, undermine or be in conflict with its mandate as well as the thrust of the Authority.

In implementing the Research Program, the Department shall have the authority to enter into research partnerships with non-government research institutions with proven track record of advocacy on food security and self-sufficiency.

Chapter X - Other support and extension services

Section 54. Focus and orientation - The Department, in coordination with the local government units and state colleges and universities, shall formulate an extension services program focused on enhancing the production skills and know-how of rice farmers and in building their institutionalized capability through their farmers' organizations, production and marketing cooperatives. Such a program shall strengthen the direct complementary role of the national government in the delivery of extension services by local government units to rice farmers. It shall endeavor to establish a faster and more efficient delivery of extension services to rice farmers within the existing national system of extension services.

Section 55. Areas of extension services - The extension services program shall have the following major areas of services:

1. training and education services;
2. production technology consultancy and advisory;
3. consultancy and advisory on cooperative development and related matters; and
4. marketing information and communication.

It shall include, but not limited to, the periodic upgrading of the technical skills, know-how, and professional competence of extension service workers.

Section 56. Pooling and networking of extension services - To augment its extension services capability, the Department shall establish linkages with the agricultural extension programs of local government units and state colleges and universities, including private schools with rural development extension programs, to harness their extension service capabilities and programs for the rice farmers. It shall make use of such programs for recruiting agricultural students for volunteer extension service, programmed rural immersion, and apprenticeship in the major areas of services mentioned in the preceding Section.

To further augment its capability, the Department shall make a scanning of non-government agricultural resource centers and institutions in the rice areas of the country and establish linkages with them in order to tap their resource and extension services capabilities and programs.

Upon the approval of concerned state colleges and universities, an agricultural or community development student who has rendered a one-year volunteer extension service, immersion or apprenticeship in any of the major areas of extension services mentioned in this Act shall be credited with having completed the thesis requirement of his/her course.

Section 57. Capability-building for rice farmers - The Department shall ensure the participation of rice farmers and their organizations in the delivery of extension services. It shall ensure through education, trainings and seminar workshops the formation of technicians and production advisers from among

rice farmers and members of farmers' organizations. It shall complement the training and seminar workshops with a program for the periodic and continuous upgrading of their technical skills and know-how.

Section 58. Information network for rice farmers - The Department in coordination with the Department of Science and Technology, NFA, local government units, and other appropriate government agencies, shall establish a computerized national network of information from the national down to the provincial and municipal levels. The information network shall serve as inputs procurement and marketing support services for rice farmers. It shall include, but not limited to, the following:

- a. directory of non-government organizations and institutions that provide resource dissemination, technical, organizational or legal services to rice farmers;
- b. supply and price trends, including comparative price trends, of rice production inputs;
- c. rice demand data
- d. rice supply data;
- e. timely advisory and forecasts on *palay* prices (both of NFA prices and private traders'); and
- f. directory of trading centers, including listing of traders and farmers marketing cooperatives.

The Department shall make the information network available on the Internet.

Section 59. Promoting computer literacy among rice farmers - The Department shall promote the computerization of the operation of farmers' organizations, rural loan associations and credit cooperatives. Its training and education services shall include basic computer literacy for rice farmers through their farmers' organizations, institutions and other economic organizations.

Chapter XI - Promotion of cooperatives in the rice industry

Section 60. Promoting cooperatives among rice farmers - The Department shall promote the cooperativization of rice farmers, giving stress on the cooperativization of small-scale rice farmers or rice farmers with annual income below the rural poverty threshold. Cooperativization shall be the main pillar of the institutional and capability building for rice farmers.

Section 61. The cooperativization thrust among rice farmers shall primarily promote the following types of cooperatives:

- a. farm resources cooperatives or resources procurement cooperatives (seeds, farm tools, draft animals or agricultural inputs);
- b. rice production cooperatives;
- c. irrigation cooperatives;
- d. warehouse cooperatives;
- e. marketing cooperatives; and
- f. credit cooperatives for loaning out capital for rice production.

Section 62. The training and education extension services shall include the provision of trainings to help rice farmers establish cooperatives and other forms of self-help societies, including trainings on organizational and cooperative management, project management and monitoring, finance administration, accounting, capability building, project feasibility analysis and fund sourcing.

Section 63. Farmers organizations engaged in cooperative marketing of *palay* are encouraged to form self-help organizations to strengthen their bargaining power in the pricing of the produce of their members and maximize the enjoyment of the incentives scheme of the price support program mentioned in Section 45 of this Act. The Department, in coordination with farmers'

organizations, shall help the farmers' marketing cooperatives in establishing self-help organizations of their line of cooperatives.

Section 64. To promote the cooperativization of rice farmers in the marketing of *palay*, the Department shall promote farmers' marketing cooperatives whose membership admission and share contribution are based on the volumes of *palay* sold to the farmers' marketing cooperative instead of cash payment. After consultation with the NFA, CDA, and farmers' organizations, the Department shall issue the guidelines that will govern their creation and membership admission.

Chapter XII - Preservation and Protection of Rice lands

Section 65. Prohibition of conversion of rice lands into other uses or crops and prohibition against destruction of sustainability of rice lands - The conversion into other uses or crops of rice lands is strictly prohibited.

Section 66. Prohibition of destruction of rice lands and diminishing their economic viability and ecological soundness - It is likewise strictly prohibited of any person to perform such acts that cause the diminution of the economic viability or productivity of existing rice lands, or such acts that destroy or undermine the sustainability of rice production in rice lands, including the destruction of their ecological soundness. Such acts include the following:

1. destroying water systems, whether natural or man-made, or diverting or impeding their flow that causes rice lands to lose their sources of irrigation and make it appear that the affected rice lands are no longer economically viable;
2. large-scale cutting of trees that destroys the environment and biodiversity of rice lands;
3. quarrying that will have the same effect of destroying the environment and biodiversity of rice lands;
4. contaminating rice paddies or water systems that irrigate rice fields with mercury and similar harmful elements or chemicals; and
5. failure to prevent the spill of mine wastes to rice lands;

Section 67. Regulation on reclassification by LGUs - In addition to existing laws and regulation, no reclassification of agricultural lands devoted to rice shall be made by the local government units without consultation with farmers and farmers associations and the recommendation of the Department and the Department of Agrarian Reform; *provided* that, such reclassification shall not exceed five (5) per cent of the total rice lands of the municipality; *provided further that*, no reclassification shall be made of irrigated rice lands, rice lands with funding commitment for irrigation, and rice lands with a metric ton per hectare productivity equal to the national average; and *provided finally*, no reclassification of rice lands shall be made within every seven (7) years from the last reclassification.

When a local government unit reclassifies rice lands, it shall create a Task Force for the purpose of reviewing the proposed reclassification. The Task Force shall be composed of the following:

- a. representative from the rice farmers' sector;
- b. representative from the Barangay Agrarian Reform Council;
- c. representative from the irrigators' association;
- d. representative from the local government unit;
- e. representative from the NIA;
- f. representative from the NFA; and
- g. representative from the private sector.

The Task Force shall ensure the consultation of farmers and their farmers' organization. No reclassification of rice lands shall be made by local government units without the recommendation of the Task Force.

Chapter XIII - Budget and Supplementary Funding:

Section 68. **Funding and budget** - The National Government shall appropriate Ten Billion (P 10 B) from the national budget each year for a period of five years for the implementation of this Act. The Ten Billion (P10 B) shall be annually apportioned according to the following program of expenditures:

- a. Two Billion (P2 B) for production enhancement credit program;
- b. Three Billion (P3 B) for the programmed construction of irrigation systems;
- c. One Billion and Five Hundred Million pesos (P1.5 B) for the programmed construction of post harvest facilities;
- d. Two Billion pesos (P2 B) for research and development; and
- e. One Billion and Five Hundred Million (P1.5 B) for extension and other support services.

At the end of the fifth year, the National Government shall appropriate the amount of not lower than Five Billion pesos (P 5 B) for the remaining core programs of this Act. Such amount shall be apportioned according to the following program of expenditures:

- a. forty per cent (40 %) for the continuation of the production enhancement credit program;
- b. twenty per cent (20 %) for production subsidy;
- c. twenty per cent (20 %) for maintenance of built-up irrigation systems; and
- d. twenty per cent (20 %) for research and development, extension and other support services.

Chapter XIV - Final Provisions

Section 69. **Oversight committee** - A bicameral congressional oversight committee is hereby created to oversee the implementation of this Act. It shall be composed of the Oversight Committee, Committee on Agriculture, and Committee on Appropriations of both Houses. It shall meet at least once a year or as often as necessary to review and recommend policy directions for the effective implementation of this Act.

Section 70. **Exemption from election ban** - The construction of the infrastructures mentioned in this Act, such as irrigation systems, multi-purpose dryers and warehouses, as well as the repair and rehabilitation of these facilities, and their maintenance shall be exempted from the election ban on public works.

Section 71. **Penalties** -

A. Any person who violates the prohibition against use and crop conversion of rice lands as mentioned in the first paragraph of Section 65 of this Act shall be punished as follows:

A.1 for land use conversion of rice lands - with an imprisonment of not less than eight (8) years and one (1) day but not exceeding twelve (12) years and a fine of not less than Two Hundred Fifty Thousand pesos (P 250,000) but not exceeding Ten Million Pesos (P 10 M).

A.2 for crop conversion - with a fine of not less than One Hundred Thousand pesos (P100,000) but not exceeding Two Hundred Fifty Thousand pesos (p250,000).

B. Any person who commits any of the prohibited acts mentioned in the second paragraph of Section 66 of this Act shall be punished as follows:

B.1 If the rice lands affected exceeds twenty five (25) hectares and the prohibited acts inflicted damages to fifty (50) per cent of the ecological

area, the imposable imprisonment and fine shall be the same as those provided in paragraph A.

B.2 In all other cases, the imprisonment shall be for a period of not less than six (6) years and one (1) day but not more than twelve (12) years and the fine shall be not less than One Hundred Thousand pesos (P100,000) but not more than Five Hundred Thousand pesos (P 500,000).

Section 72. **Implementing Guidelines** - Within six months after the effectivity of this Act, the Department shall issue the Implementing Rules and Regulations of this Act.

Section 73. **Repealing Clause** - All laws, issuances, and decrees, or any part or parts thereof, inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

Section 74. **Separability Clause** - If any provision or portion of this Act is declared to be unconstitutional, it shall not have the effect of nullifying the other provisions or portions hereof. Such remaining provisions or portions shall be given force and effect in their entirety.

Section 75. **Effectivity Clause** - This Act shall take effect after fifteen (15) days from its publication in at least two (2) newspapers of general circulation.

APPROVED.