

FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)

HOUSE OF REPRESENTATIVES

HOUSE BILL No. 1772

Introduced by the Honorable Agapito H. Guanlao

EXPLANATORY NOTE

The current rice crisis has brought to fore the need to review the government policy on food security. Rice, being the national staple food, deserves a special policy consideration. There is a need to ensure steady rice production by involving as many stakeholders in the agricultural sector as possible. The Philippines cannot rely solely on importation to augment its food needs. The government must find a lasting solution to the recurring rice supply shortage.

The attached measure envisions a solution to the perennial problem on rice supply. Currently, the supply of food staples from overseas sources are erratic and therefore unreliable; our farmers should then be encouraged to produce more to meet our domestic food needs, and what better encouragement for our farmers than a better profit margin for their everyday toils in the farm. The government can make this possible by providing enough support for the small farmers through irrigation, improved rice seedling and genetic stock, improved farm mechanization, and affordable and accessible agricultural credit.

It is proposed as well to review the mandate and operations of a few government agencies involved with rice and corn production and distribution to improve synergy and cooperation pursuant to the mandate of this proposal.

BUTIL Farmers Party has long upheld that farmers' security is synonymous to food security. This measure aims to fulfill that into reality. Your full support on this measure is therefore highly sought.


HON. AGAPITO H. GUANLAO

HOUSE OF REPRESENTATIVES

HOUSE BILL No. 1772

Introduced by the Honorable Agapito H. Guanlao

**“AN ACT INSTITUTIONALIZING THE STATE POLICY ON FOOD PRODUCTION
AND SECURITY, ESTABLISHING THE NATIONAL FOOD SECURITY COUNCIL,
APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES”**

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

SECTION 1. Title. – This Act shall be known as the “National Food Security
Act of 2010.”

SECTION 2. Declaration of Policy. – It is the policy of the State to ensure the
adequate and continuous supply of rice, corn, grains, and other key food products
generated principally from domestic land-based agricultural activity at reasonable
and affordable prices at all times especially in times of calamities and/or
emergencies. Towards this end, the State hereby recognizes the private sector as
having the lead role to provide the resources, organization, planning, marketing and
control systems to maximize agricultural production with the government providing
the technical support, regulatory and monetary climate while progressively
minimizing its active participation in roles assigned to the private sector.

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

1. To maximize the production of key food products to make it accessible
and sufficient at all times at affordable prices;
2. To maintain strategic reserves of key agricultural products throughout the
year and a buffer stock of these food essentials during the lean production
months;

3. To encourage and enable the private sector to engage and maximize their participation in producing these key food products;
4. To provide a system of government guarantees to enable private sector to access funding from capital markets for the purpose of engaging in food production;
5. To establish a National Food Security Council consisting of representatives from the government, the academe, the agri-financing sector, the agribusiness sector, the consumers and the farmers to implement the policies and objectives of this Act;
6. To provide a safeguard to protect local farmers from the impact of globalization to enable them to take advantage of the same through enhanced production, post-harvest facilities and transport;
7. To encourage the adoption of innovative and proven systems and technologies that will reduce costs and improve the quality of key food products;
8. To promote developmental regulations aimed at enhancing competitiveness, transparency, and responsibility in the food industry;
9. To institute measures to fully establish the integrity and negotiability of warehouse receipts or the warehouse system;
10. To strengthen the efficiency of the food supply chain;
11. To promote and organize inter-relationships and linkages among key food products industry stakeholders; and
12. To improve income for the farmers and agricultural communities by providing them with the necessary production support and subsidies.

SECTION 4. *Definition of Terms.* - For purposes of this Act, the definition of the following terms shall be used:

1. *Calamities* - refer to natural calamities such as typhoons, floods, droughts, earthquakes, volcanic eruptions, lahar flows, man-made calamities such as political and/or civil disturbances, and widespread civil unrest;
2. *Diversion* - refers to any of the following circumstances:
 - (a) unreasonable depletion of stocks;
 - (b) selling or lending government stocks to another private party;

- (c) selling or offering to sell government stocks of food grains beyond the maximum quantity or price allowed by the National Food Authority (NFA),
 - (d) storing and/or selling the government stocks in other places/stalls, not duly authorized by law;
 - (e) unreasonable, intentional, or undue delay in the delivery or unloading of NFA stocks to any NFA authorized warehouses, stores or places for storing key food products;
3. *Farmers* – refer to producers of agricultural food products. They can be tillers of the land themselves or administrators or supervisors of the process;
 4. *Food Security* – refers to the policy objective, plan and strategy of meeting the food requirements of the present and future generations of Filipinos in substantial quantity, ensuring the availability and affordability of food to all, either through local production or importation, or both, based on the country's existing and potential resource endowment and related production advantages, and consistent with the overall national development objectives and policies. However, sufficiency in rice and white corn should be primarily and actively pursued;
 5. *Foodgrains* – refers to palay, rice, white corn, and corngrits;
 6. *Government Rice Buffer Stock* – refers to the Government's inventory of rice equivalent to at least thirty (30) days national rice consumption by July 1 of every year inclusive of the fifteen (15) day Strategic Rice Reserve particularly in deficit areas and during lean production periods;
 7. *Hoarding* – the undue accumulation by any person or a combination of persons of any basic necessity or prime commodity beyond his or their normal inventory levels or the unreasonable limitation or refusal to the unjustified taking out of any basic necessity or prime commodity from the channels of production, trade, commerce and industry. There shall be prima facie evidence of hoarding when a person has stocks of any basic necessity or prime commodity fifty percent (50%) higher than the usual inventory and unreasonably, limits, refuses, or fails to sell the same to the general public at the same time of discovery of the stocks;
 8. *Key Food Products* – refers to foodgrains and meat and meat products;
 9. *Price Manipulation* – refers to the act of causing prices of foodgrains to fall or rise for one's own profit by changing or falsifying figures, accounts and other related information;

10. *Price Stabilization* – refers to measures which ensure that realize fluctuations of foodgrains prices conform to peoples' expectations of such price movements;
11. *Strategic Rice Reserve* – refers to the minimum inventory of rice equivalent to at least fifteen (15) days national rice consumption to be maintained all year round under government control as a matter of national policy to ensure food security during times of calamities/emergencies whether natural or man made.

SECTION 5. Policy Implementation. – To execute the foregoing policy, there is hereby created the National Food Security Council, hereinafter referred to as the Council. The Council shall have the overall responsibility for formulating and coordinating a comprehensive program for the implementation of these policies and objectives. The Council shall be composed of the following:

Chairman: Secretary, Department of Agriculture (DA)
Members: Secretary, Department of Finance (DOF)
Secretary, Department of Trade & Industry (DTI)
Administrator, National Food Authority (NFA)
President, Land Bank of the Philippines (LBP)
President, Quedan and Rural Credit Guarantee Corporation (Quedancor)
Chancellor, University of the Philippines-Los Banos (UPLB)
President, Central Luzon State University (CLSU)
President, Mindanao State University (MSU)
Representative, Consumer Sector
Representative, Grains Sector
Representative, Farmers Sector
Representatives of Congress from three (3) dominant Farmers' Party List

The representatives of the consumers, grains and farmers sectors shall be Filipino citizens, not less than thirty-five (35) years of age, with sufficient education, proven honesty, integrity and recognized competence. They shall be appointed by the President of the Philippines to hold office for a term of four years unless sooner removed for cause or until its successors have been appointed and qualified.

The Council shall meet regularly at least once a month on any date to be determined by the Chairman. Provided, that the Chairman may convene special meetings to discuss matters needing immediate action. The Council members shall be entitled to a per diem for each meeting actually attended by them and as may be determined by the Council in accordance with existing policies but not to exceed two (2) meetings per month. The Council member, in his or her absence, may designate a permanent representative, provided however, in case of a government official, said

representative should at least be a third ranking official of his/her department or office.

The Council shall adopt its own rules and regulations to govern its proceedings. It shall determine its official location and address and likewise organize a Secretariat to support its work.

SECTION 6. Powers, Functions and Responsibilities of the Council - To pursue the food security policy of the State, the Council shall have the following powers, functions and responsibilities:

1. To establish ideal levels of inventory annually based on the calendar year for key food products for the purpose of meeting the policies and objectives in this law and indicating at the minimum, the following:
 - a) the ideal inventory levels for a given quarter within the year giving due consideration to the interaction and relations of the supply and availability of particular key food products to each other;
 - b) the report shall indicate the strategic reserves for key food product, if not provided here, shall be appropriate for said item and industry as determined by the Council;
 - c) the report shall identify the regions or provinces where these productions are expected if programmed to be produced domestically or the foreign sources if these are to be imported; and
 - d) that such production levels shall not only consider the ideal levels to keep farmers' income improving while keeping the prices for these key food products stable.
2. To establish rules and regulations governing the importation of key food products in the context of the annual ideal inventory level report, licensing, and prescribe penalties and fines for non-compliance with established rules and procedures;
3. To monitor supply and demand indicators of key food products including the imports and exports of the private sector in coordination with the Bureau of Agricultural Statistics (BAS) and the Bureau of Customs (BOC) and monitor the impact of activities in the agricultural sector on farmers' income, standards of living and consumer prices through the Department of Trade and Industry (DTI) and the National Statistics Office (NSO);
4. To identify the locations and encourage the establishment by the private sector of food terminal markets throughout the country. Trading Centers shall be established to serve as central trading facilities for key food products in the regions to provide ready market for farmers' produce and promote efficiency of distribution to consumers under a transparent marketing system which enhances the interest of farmers and consumers alike;

5. To authorize the inspection by appropriate agencies of key food products stored in private warehouses for the purpose of taking inventory and monitoring commercial stock, prices and stocks movement;
6. To order the appropriate agencies to effect . seizure whenever there is cornering, hoarding or improper acquisition of key food products, particularly, stocks of rice, corn, other grains and substitutes and/or their by-products / end-products, including facilities and equipment used in said activities; and
7. To establish and enforce, through the appropriate agencies, standards in storage, milling, distribution, shipping, drying, handling, hauling, grading, sampling and inspection, test and analysis, specification, nomenclature, units of measurement, code of practice and packaging, conservation, and transport of key food products.

SECTION 7. *Additional Responsibilities and Authorities of the National Food Authority (NFA).* - The National Food Authority (NFA) shall continue to be the key agency ensuring that the supply of food grains are always adequate and their prices competitive and within the reach of the consumers and industrial users. For this purpose, the NFA is by mandated to do the following:

1. To maintain and manage throughout the year a Strategic Rice Reserve equivalent. to at least fifteen (15) days national rice consumption for food security purposes, and a Government Rice Buffer Stock equivalent to at least thirty (30) days national rice consumption by July 1 of each year for supply and rice stabilization purposes. In the event there is a surplus, the President may reduce the thirty (30) days buffer stock;
2. To undertake tariff free importation of rice in order to maintain the appropriate volume of Strategic Rice Reserve and Government Rice Buffer Stock;
3. To encourage rice importation by the private sector through reduction of tariff at a rate that would give protection to both consumers and farmer-producers to compensate for the high world market prices during calamities;
4. To make arrests for violation of any offenses enumerated in this Act and other pertinent rules and regulation, circulars, orders, and directives which may be promulgated hereafter by the Council through the NFA;
5. To create a fund from revenues and fees generated to finance reward and incentive systems for programs such as but not limited to anti-hoarding and anti- smuggling and to support agricultural development programs;

6. To import/export or cause the importation/exportation of food products/commodities and/or raw materials, equipment and facilities needed in the manufacture/processing of food commodities as may be determined by the NFA and as approved by the Council; and
7. To engage in the production, manufacturing, processing and/or packaging of food products/commodities as may be necessary to effectively carry out its functions and as approved by the Council.

SECTION 8. *Compliance with Agri-Agra Law.* – Section 6 of Republic Act 10000 or ‘The Agri-Agra Reform Credit Act of 2009’ mandates all banking institutions, whether public or private, to reserve 25% of their total loanable amount for agriculture and fisheries credit. To pursue the spirit and intent of the law, the Council shall require banking institutions to deposit 25% of their total loanable amount to cooperative banks for re-lending to the agriculture and agrarian reform sectors.

Bank loans intended for grain inventories deposited in the warehouses of the NFA, Trading Centers and franchised private bonded warehouse operators shall also be deemed as compliance with the Agri-Agra Law.

Furthermore, private bank investment in the authorized capital stock of Quedancor, the Philippine Crop Insurance Corporation (PCIC), cooperative banks and rural banks shall also be considered compliance with RA 10000.

SECTION 9. *Sovereign Guarantee Funding of Agri-Businesses and Projects: Qualified Financing* - The Council shall be empowered to cause the issuance by the Department of Finance (DOF) of sovereign guarantees over a period of five (5) years after approval of this Act for qualified agribusiness projects for production of key food products and for the establishment of food terminals or wholesale/ retail markets for these products. These qualified funding shall bear these government guarantees: For the first P100 billion funding – eighty percent (80%) guarantee; Second P100 Billion- seventy percent (70%) guarantee; Third P100 Billion – sixty percent (60%) guarantee; Fourth P100 Billion – fifty percent (50%) guarantee; Fifth P100 Billion - forty percent (40%) guarantee.

For this purpose, the Council, with the assistance of the DOF, shall prepare, approve and publish within 90 days from approval hereof of the Terms of Reference (TOR) for the availment of this guarantee.

This guarantee shall be available for funds sourced from the capital market – both and abroad. Such funds may be availed of in the form of loans, direct investments, investments in securities or asset participation certificates (APCs) issued by entities in support of projects, whether these are floated by corporations,

cooperatives, special purpose vehicles (SPVs), trustees or asset pool trusts (APTs) created for these projects.

SECTION 10. *Agricultural Marketing Assistance System* - Section 40 of Republic Act 8435 or the 'The Agriculture and Fisheries Modernization Act' states that the Department of Agriculture (DA) shall establish a National Marketing Assistance Program that will immediately lead to the creation of the national marketing umbrella body in order to ensure the generation of the highest possible income for the farmers and fisherfolk or groups of farmers or fisherfolk matching supply and demand in both domestic foreign markets.

For the effective implementation of the policy enunciated in this Act, the Bureau of Agricultural Statistics (BAS) shall be strengthened. It shall provide the agricultural data and key information requirements of the NFA, to include, but not limited to the following:

1. Supply -data;
2. Demand data;
3. Price and price trends;
4. Product standards for both fresh and processed agricultural and fisheries products;
5. Directory of, but not limited to, cooperatives, traders, key market centers, processors and business institutions concerned with agriculture and fisheries at the provincial and municipal levels;
6. Research information and technology generated from research institutions involved in agriculture and fisheries;
7. International, regional, local market forecasts; and
8. Resource accounting data.

SECTION 11. *Responsibility for Credit Assistance and Guarantee Cover.* - The vision of credit assistance and guarantee cover on inventories owned and deposited by farmers and traders in the NFA warehouses, Trading Centers and franchised private bonded warehouses shall be the responsibility of the NFA and the Quedancor.

SECTION 12. *Operating Guidelines.* - The Quedancor shall adhere to the following rating guidelines:

1. provide production loans to farmers/fishers through their primary cooperatives or federations by direct lending, co-financing scheme, providing lending banks with special time deposit, rediscounting lending banks' production loan receivables and similar mechanisms so as to reach out to as many rural clients as possible;
2. encourage lending institutions to extend project loans for production, warehouses, post-harvest machineries and equipment, land transportation

and shipping, bulk handling facilities, silos, port handling infrastructures and the like by providing a guarantee cover on such loans;

3. provide guarantee cover on inventory loans for grain or food (commodities owned and deposited by farmers, consumers and traders in the NFA warehouses, Trading Centers and franchised private bonded warehouses;
4. extend loans directly for the aforementioned projects and food inventory when and where no lending banks are available or willing to provide the loans; and
5. submit for the Council's approval, a Credit Plan and Budget for the undertakings envisioned in paragraphs (a) and (d) above, detailing therein the per region loan volume targets, expected beneficiaries, repayments, arrearages and defaults on previous loans. Likewise, a separate Plan shall be submitted in regard to the guarantee operation.

To enhance credit assistance to farmers/fishers, cooperatives/federations and other icultural enterprises envisioned in this Act, the national government through the Secretary of Finance shall guarantee Quedancor's borrowings, duly approved and endorsed by the Council, from government or private financial institutions.

SECTION 13. *Offenses and Penalties.* - For purposes of carrying out the provisions of this Act, the following acts or omissions are hereby considered as serious, less serious, and light offenses and the corresponding penalties are prescribed herein:

1. Serious Offenses – any of the following acts or omissions shall constitute a serious offense:
 - a) Hoarding of foodgrains as defined in this Act;
 - b) Any act of diversion as defined in this Act;
 - c) The act of manipulating the prices of foodgrains as defined in this Act;
 - d) Printing, issuing, or knowingly using, possessing or negotiating a canceled, unauthorized, illegal, counterfeit or falsified warehouse receipt;
 - e) Failure or refusal of foodgrains bonded warehouseman, without any lawful excuse, to deliver foodgrains deposited with him: Provided, however, that the warehouseman shall be entitled to the allowance authorized for depreciation of the foodgrains deposited.

The offender shall, upon conviction, be punished by imprisonment of not less than four (4) years and one (1) day or more than six (6) years, or a fine of not less than two hundred thousand pesos (P200,000.00) or more than one million pesos (P1,000,000.00) or both at the discretion of the Court.

2. Less Serious Offense - Any of the following acts or omissions shall stitute a less serious offense:
- a) Connivance in the concealment of a stock shortage in a foodgrains warehouse;
 - b) Knowingly submitting any report to the NFA containing false information or data
 - c) Misrepresentation in connection with any application for license to engage in foodgrains business;
 - d) Failure or refusal of a warehouseman to allow the NFA or his duly authorized representative to inspect or examine their foodgrain stocks to conceal shortages or to misrepresent the quantity or quality of his foodgrain stocks, including the impeding of such inspection and examination by abandonment, absence or otherwise; and
 - e) Engaging in the business of foodgrains retailing, wholesaling, threshing, shelling, warehousing, milling, exporting, importing, trading, growing and selling of high yielding certified seeds / hybrid seeds, manufacturing or processing without a valid license.

The offender shall, upon conviction, be punished by imprisonment of not less than six (6) months and one (1) day or more than four (4) years, or by a fine of not less than Fifty Thousand Pesos (P50,000.00), or more than Two Hundred Thousand Pesos (P200,000.00), or both at the discretion of the Court.

3. Light Offenses - Any of the following acts or omissions shall constitute a light offense:
- a) Non-compliance with the rules, regulations, decisions, orders, circulars or directives lawfully issued by the Council, provided noncompliance does not constitute a higher offense as provided above;
 - b) Connivance in the selling or buying of foodgrains. Selling or offering to sell palay or corn or other foodgrains other than that directly produced by him as farmer or shared by him as tenant or landlord to the NFA;
 - c) Any other violation of the provision of this Act for which no specific penalty is prescribed and which is not punished under any other existing law.

The offender shall, upon conviction, be punished by imprisonment of not less than (1) month and one (1) day or more than six (6) months, or a fine of not less than Five ,usand Pesos (P5,000.00) or more than Fifty thousand Pesos (P50,000.00) or both at the discretion of the Court.

SECTION 14. *Apropriation.* - The amount determined by the Council as necessary for the initial implementation of this Act shall be charged under the current appropriations of the Department of Agriculture (DA). Thereafter, such amounts necessary for the continuous implementation of this Act, to include the maintenance and/or increase of rice reserves, shall be automatically appropriated in the General Appropriations Act.

SECTION 15. *Repealing Clause.* - All laws, decrees, executive issuances, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

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

SECTION 17. *Effectivity.* - This Act shall take effect thirty days from the date of its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,