

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3105

Introduced by Anakpawis party-list Representative Rafael V. Mariano

EXPLANATORY NOTE

The rice industry is the backbone of our staple food and the pillar of our food security. It is an P80 billion industry. It involves some 2.7 million farmers while its linkages in milling, distribution, marketing, and inputs distribution give employment to another 1.5 million. Through the period 2000-2005, it contributed about 16 % to the gross value added in agriculture. But our rice industry remains underdeveloped despite previous and present government attempts to modernize it. Indicative of its state of underdevelopment is its decreasing share in the GDP, a trend that also expresses its eroding capability to meet national consumption needs.

On the mantle of widespread landlessness among our farmers, the local rice industry continues to wallow in backward conditions of production. By and large, the industry remains small-scale and labor-intensive, stagnating for centuries at the level of carabao farming. The average size of farm units in the industry is 2.5 hectares and still getting smaller due to land use pressure on rice lands and the increasing number of landless farmers. Our rice industry is so backward that it is still very much at the mercy of Nature. As only about a third of our rice lands are irrigated, the greater part of our rice production is dependent on rainfall, a condition that has made our rice industry highly vulnerable to the periodic visit of the El Nino phenomenon. Less than 1 per cent of our rice farmers use farm machines such as tractors and power tillers.

The use of fertilizers is also low at the average of five bags/hectare as against the desirable level of eight bags/hectare. Post-harvest facilities are also poorly developed such that recovery rate is only 65 percent.

Consequently, productivity is low at 3.5 MT/hectare, one of the lowest among the rice producing countries in Southeast Asia. In recent years, this average productivity per hectare has translated to a production growth of 3 per cent but we consume rice per capita at 118 kilograms a day, increasing from 108 in 2003 and translating to a national consumption increase rate of 3.6 per cent.

As farm-to-market roads are also poorly developed, the distribution and marketing of palay makes up another problematic aspect in our rice industry. About 85 per cent of palay distribution and marketing are in the hands of private traders, with about 45 percent being cornered by the so-called "Binondo cartel". With networks of middlemen scattered all over the country, they control the trading of palay at depressed farm gate price that prevents our rice farmers from recouping their high production costs.

At present, the costs of rice production ranges from P30,000/hectare for certified seeds to P45,000/hectare for hybrid varieties, among the highest in Southeast Asia. With high production costs, rice farmers scrimp on their capital outlay which contributes to low productivity while exacerbating their vulnerability to rural loan sharks who shackle them in deep indebtedness with high interest rates.

With low productivity comes low income of rice farmers and with their low income, high poverty in the rice sector. With high poverty, our rice farmers are shorn of the capability to improve production to such scale that could meet our national consumption requirements.

This in gist is the vicious cycle of underdevelopment that drags down our rice industry in a crisis of underproduction and unsustainability that keeps our country in a state of food insecurity. This crisis of underproduction gets hidden by the government policy of importation as first option but erupts periodically when pricked by factors beyond the control of government. It manifests itself in such condition in which the country gets visited with a rice crisis every decade.

Our rice industry has come to this pass because for centuries it had been dominated by a landlord class which, assured of their imposed share of the harvest of rice farmers, just bided their time in wait for the imposed share to come and preferred to spend their accumulated wealth in luxury and trade that further skimmed off the products of our rice farmers. For centuries, it is this class which presided over the deteriorating backwardness of our rice industry and the exploitation of our rice farmers. Propping up this dominance was a government that equally for long maintained the policy of leaving the industry to fend for itself, amounting to sheer neglect. Where it intervened at all, it intervened only into the supply side so as to prevent the hidden economic crisis of underproduction from erupting into an open political crisis.

In the 1970s, the underdevelopment of our rice industry was aggravated when the Marcos regime implemented the Green Revolution in our agriculture. Implemented as

Masagana 99 in our rice industry, the program actually distorted the development of the industry as it introduced the production technology purveyed by multi-lateral institutions and agro-chemical transnational corporations. After a brief period of "success", the program came home to roost as our industry floundered back to underproductivity and unsustainability. It's not only that the production technology the Green Revolution brought into the scene caused production costs to soar to heights beyond the reach of small rice farmers without effecting the dramatic production increase promised by the Marcos regime, our rice industry also lost its self-reliance in sourcing its production inputs. With the shift from traditional rice farming to the production technology purveyed by agro-chemical TNCs, our rice industry became import dependent and the control over its

reproduction requirements passed from our rice farmers to profit-hungry big foreign agri-business.

In the aftermath of the Green Revolution, rice production had become capital-intensive in a capital-starved industry. Thus, to the underdevelopment and unsustainability of our rice industry was added the distorted development which aggravated that underdevelopment and unsustainability. In the period after the Green Revolution, the country started to become a net rice importer.

If the Green Revolution distorted the development of our rice industry, the "structural adjustment program" in the 1980s, with its intensification of export-oriented production in agriculture, and the later heightened implementation of agriculture liberalization in the 1990s had marginalized it, and later constricted and strangled its development.

In this period, the rice industry, not being an export crop, was relegated further to the backburner of government attention and policy-making which focused on creating structures for foreign investments, expanded export production and processing enclaves, and production of high value crops. In the allocation of funds and resources for implementing these structures, it was the rice industry that was made the sacrificial lamb. Production subsidies and credit facilities first receded and later were withdrawn as government chose to pour its scarce funds to infrastructure build up for the so-called "growth areas", "regional industrial centers", and "special economic zones". Even the government's palay procurement, the only real state intervention into the rice industry, was rendered useless and ineffective as NFA procurement funds were drastically diminished, with government procurement capability slipping down from 5 per cent of total production in the 1980s to the present 1 per cent. Irrigation development had virtually stopped while existing irrigation facilities were left in various stages of deterioration.

The devious irony in all this should not be lost: the government did all this while increasing its outlay for rice importation. And it did all this at a time when our rice farmers were in dire higher need of support as the globalization and liberalization of the economy had exposed them to more exacting competition and much stringent standards of competitiveness. It was during this period of intense attack on our rice industry that we started incurring huge shortfalls in domestic supply with the government adopting the policy of importation as first option, importing rice at the level of above 500,000 MT/year. In the last six years, the volume has increased to over 1 million MT/year, stressing our growing dependency on rice imports.

Imported rice continuously floods the local market while tens of thousands of metric tons are allegedly rotting in government warehouses.

The over-importation and ill-timing of rice imports, anomalous rice procurement, illegal trade practices and other irregularities in the rice industry have turned to a waste of resources for the government, killing of the rice industry, threatened the nation's food security, and a burden to consumers.

Not only was our rice industry left out in government priorities in the implementation of agriculture liberalization; the frenetic build up of infrastructures for foreign investment-led export production enclaves and the "real estate boom" that attended the speculative investment spree in the 1990s proceeded like a campaign of "encirclement and annihilation" on the local rice industry. Rice lands

were targeted for extreme reduction from 5 million hectares to just 2.1 million hectares to make way for the intensification and expansion of high value export crops. As the government reserved and allocated vast tracts of lands for the so-called "growth areas", "regional industrial centers", "special economic zones", prime rice lands (read: highly irrigated rice lands) in Central Luzon, Southern Tagalog and other regions were wiped out by massive land use conversion.

They were replaced by golf courses, recreation complexes, supermalls and high-end "self-contained communities" and other projects that belong to the first instance of nonessentials and speculative spending. Otherwise, rice lands which survived land use conversion fell to crop conversion or they fragmented into smaller production units due to the pressure of landlessness of the greater number of our rice farmers.

Today, we are reaping what our past and present governments have sown. We have a rice industry that does not have the capability to produce and supply our consumption requirements. The rice crisis in 2008 is but the coming into full circle of the vicious cycle of underdevelopment of our rice industry because of government neglect, mindless land use conversion which constricted our rice industry, and over-reliance on massive rice importation.

Since 2002, we have been importing rice at over 1 million MT a year, with the volumes increasing each year. While we have lost our self-reliance in sourcing production inputs, we have also practically lost our self-reliance in supply in the domestic market. We have become import-dependent on our primary staple food. We now rank first among the world's top rice importers, rising from fourth in 2003, outranking big and thickly populated countries such as India, China, and Indonesia. The country is also listed by the United Nations among the 33 countries that stand in high risks to food shocks.

The situation could even be more perilous than it would first appear given that, as a result of our import-dependence, the sourcing for our main staple is now tightly tied to a world market that has been getting more volatile and unstable in recent years. Since rice is produced mainly for home consumption, only about 5 per cent of rice produced through out the world is marketable. But with decreasing production since the turn of century as against increasing global demands, that figure should be decreasing as rice-producing countries have recently scaled down their exportable rice to build buffers for their home supply. As a reaction to tight supply situation, the price of rice in the international market has been skyrocketing since the turn of the century. It has soared from the level of \$300/MT in 2004 to over \$700/MT in the early part of 2008 with much of the increase occurring within just a year since January 2007. In the latest bidding conducted by the NFA, prices have breached the \$800/MT mark and still increasing with abundant estimates that these would go as high as the \$1000/MT mark as early as June this year which would translate to an estimated P50/kilo increase in the domestic market.

With the tight world market supply and world prices soaring, the government could no longer contain and hide with importation the crisis of underproduction and unsustainability of our rice industry. But unable to read the roots of the crisis, it is trying to resolve it with its reliance on allegedly miraculous hybrid varieties peddled by agrochem TNCs as well as with the same old worn-out, self-destructive, and neo-liberal formula of massive rice importation.

Moreover, unbridled rice importation will not induce our rice farmers to produce more to meet our consumption requirements and domestic supply shortfalls. On the contrary, it will move them to abandon rice production not only because of high costs but also because their products are bumped off in the domestic market. This has been proven in the past wherein our rice farmers have found rice production a “high risk” endeavor, even a losing proposition, because of low prices of their palay due to the flooding of cheap rice imports in the domestic market which prevents them from recouping their high production costs. As a result, our rice industry has no new entrants, no new generation of rice farmers. It is predominantly peopled by “old guards” or old farmers as the younger labor force of the industry has migrated to alternative “minimum risks” livelihood or to foreign employment.

It is these root causes that this bill seeks to address. It starts from the perspective that our food security is a life-and-death matter – a survival issue – that cannot be left to the whimsical forces of the so-called “free market”; nor can we leave the development of our rice industry to our helpless rice farmers since the present state of the industry prevents them from accumulating the capital formation necessary to improve productivity. There is a vacuum that must be filled in by the government. The importance of filling such vacuum by the government was stressed by a cross-country study conducted by SEARICE which found that robust government intervention spelled the difference in attaining successful rice industry development programs among 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. . . . [I]t played a largely positive role in ensuring 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.”

Proceeding from this perspective, this bill seeks to do away with the policy of importation as first option. In its place, it aims to create a policy environment of sturdy state intervention that would institutionalize the core programs that will nurse the development and protection of our rice industry into a self-reliant and sustainable economic element of our national development and bring the country away from import-dependency and food insecurity. These core programs are:

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

In addition, it institutionalizes measures that will protect our rice lands from land use conversion so that the country will have the reserve lands that ensure that we can produce our main staple at levels required for our food security.

Our country has a very high potential for rice self-reliance and self-sufficiency as to attain food security in our main staple. What is left for us to do is to develop these potentials to build a rice industry with the strong capability to meet our consumption requirements. To prevent another rice crisis, there is no other alternative but to produce by ourselves the rice that we eat and we can only do this

if we mold and develop our rice industry into one that is productively capable to meet our consumption requirements.

This bill was first filed in 2006 during the 13th Congress and again, in 2008 during the 14th Congress. On its first filing, it warned of the dangers posed by bleak prospects in the international rice market because of declining production and increasing prices. Had this bill been acted upon in the 13th and 14th Congress, the country would have likely avoided the rice crisis in 2008, and did not put to waste billions of taxpayers' money in over-importation.

In view of the foregoing, the author strongly urges anew the immediate passage of this bill.



RAFAEL V. MARIANO

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HOUSE BILL NO. **3105**

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THE RICE INDUSTRY DEVELOPMENT ACT OF 2010

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

Section 1. **Title** -This bill shall be known as The Rice Industry Development Act of 2010.

Chapter I -Declaration of State Policies and Principles

Section 2. **State Policies and Principles** -In pursuit of the development of the local rice industry, the State adheres to the following policies and principles:

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.

The State recognizes the necessity to achieve self-sufficiency in rice to achieve the security of the main staple of the country and insulate the country from possible crisis that may be brought about by adverse conditions of rice supply in the world market. It recognizes that a rice industry able to meet the consumption requirements of the country should be at the core of the national quest for attaining food security.

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.

It shall be the policy of the State to develop the local rice industry to enhance to the fullest its productive capability, upgrade its distribution and marketing linkages, 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 accessibility and affordability of rice to the consuming population, and ensure, through sustainable self-sufficiency, the food security of the country.

It shall also 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.

Finally, 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 to the best interest of the country and local rice farmers. Toward this end, the State shall promote and support 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 a self-reliant local rice industry.

Chapter II – Statement of Objectives

Section 3. **General and Specific Objectives** – This Act aims to institutionalize within the period specified in Section 6 hereof the core programs that will harness the actual and potential human, natural and technological resources of the country in order to optimize their utilization for the holistic development of the local rice industry.

The holistic development of the local rice industry shall have the following objectives:

- a.) to increase the productivity of the local rice industry;
- b.) to increase the income and improve the living standards of local rice farmers, especially the small rice farmers;
- c.) to transform the rice sector into a self-reliant industry and to attain rice self-sufficiency as the main pillar of the food security of the country;
- d.) to upgrade the rice distribution and marketing system and network of the country to ensure a decent economic return for local rice farmers and achieve an affordable and accessible rice supply for the consuming population; and
- e.) to strengthen the role of rice farmers in the development of the local rice industry through the promotion of cooperatives and other forms of institutional and capability-building measures for rice farmers.

Chapter III – Definition of Terms

Section 4. **Definition of terms** -As used in the context of this Act, the following terms shall mean:

Agrarian reform beneficiaries – are farmers who qualified as beneficiaries of the agrarian reform program as mandated by Republic Act 6657 or the Comprehensive Agrarian Reform Law;

Collateral-free – refers to a 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 and sustained by continuous sufficient supply from local production;

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;

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;

Private commercial banks – refer to general run of commercial banks owned and operated by the private sector;

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;

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 lands or whose land or produce is not enough to meet 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;

Chapter IV – Core Programs, Time Frame and Targets

Section 5. ***Core programs*** -This Act envisions to develop the local rice industry through a time-bound development program that shall establish the core programs of:

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

Section 6. ***Time frame*** – The institutionalization of the core programs of this Act shall be implemented within a period of three years. After the institutionalization period, Congress shall enact the legislations appropriate and necessary to ensuring the continuity and sustainability of the core programs.

Section 7. ***Specific targets*** -At the end of the three-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 (100 %);
- b. The productivity of the local rice industry shall have been increased from its current level to at least 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 by sixty per cent (60 %) from the present level; and
- e. A sustainable full self-sufficiency and self-reliance in rice shall have been attained for the country, thereby putting an end to our dependence on rice imports.

Chapter V -Primary Beneficiaries and Data Base Grounding

Section 8. ***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. As primary beneficiaries, they shall be the subject of preferential focused intervention of this Act in line with its objective of reducing poverty incidence among rice farmers as mentioned in enumeration (d) of Section 7.

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 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 hectare 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 expenditure; and
- l. Net income.

For the conduct of the census to locate the primary beneficiaries of this Act, the amount of One Hundred Million Pesos (P100 M) is hereby allocated to the NSO.

Section 9. ***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 VI: Production Support for Farmers

Section 10. It shall be the policy of the state to provide 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 11. ***Rice Production Enhancement Credit Program*** -There is hereby established a Rice Production Enhancement Credit Program (RPECP). It shall have a seed fund of Fifteen Billion Pesos (P 15 B) to be allocated and released at Five Billion Pesos (P5 B) every year for three (3) years upon the effectivity of this Act. The fund of the RPECP shall be called the Rice Production Enhancement Credit Fund.

After the three-year implementation period of this Act, Congress shall ensure the continuing funding for the RPECF by including the RPECF as an expenditure item in the annual enactment of the National General Appropriations or annual national budget.

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

Section 12. ***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:

- f.) purchase of farm machinery for cooperative use;
- g.) construction of water impounding systems for irrigating rice farms;
- h.) construction of drying facilities;
- i.) construction of cooperative warehouse for palay;
- j.) seed capital for establishing cooperatives for marketing of palay;
- k.) purchase of vehicle for palay marketing;
- l.) construction of communal compost pit for making organic fertilizers; and
- m.) financing the putting up of industries that produce palay-derivative products.

Section 13. ***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 periodic census of the NSO 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 periodic 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 second year of implementation of this Act, the per annum interest shall be fixed at six per cent (6 %) lower than prevailing interest rates of commercial banks. The cap on interest rates shall be removed on the third year to level off with the prevailing interest rates of commercial banks.

d. Farmers' organizations and farm production cooperatives with net worth of Five Million Pesos (P 5 M) and below 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 14. ***Collateral-free and provision against foreclosure*** – For farmers falling under subparagraphs (a) and (b) 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 or foreclosure of the land of the indebted farmer, especially if the indebted farmer is an amortizing agrarian reform beneficiary; nor shall it give effect to the blacklisting or disqualification, whether temporary or permanent, of the indebted farmer from being a beneficiary of the RPECF. If the farmer has failed to pay for three consecutive loan terms, he/she shall be proceeded against in accordance with the provisions of Section 20.

Section 15. ***Priority fund for the primary beneficiaries*** – In order to give effect to the intention of this Act to give priority to small scale farmers as mentioned in Section 8, 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 13, subparagraphs (a) and (b). The farmers enumerated in these subparagraphs shall be treated as the preferred clientele of the RPECF.

Section 16. ***Farmers' organizations, rural loan associations, and credit cooperatives as RPECF credit auxiliaries*** – The Department shall have the authority to accredit farmers' organizations, rural loan associations or credit cooperatives as RPECF credit 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 credit 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 credit 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 credit auxiliaries.

In accessing the RPECF, farmers' organizations, rural loans associations or credit cooperatives accredited as RPECF credit auxiliaries shall undertake to charge interest to their members according to the schedule provided for in Section 13 hereof. All interest earnings of the loanable funds shall accrue or revert to the RPECF and not to the capital fund of the farmers' organizations, rural loan associations, or credit cooperatives. If any farmers' organization, rural loan association or credit cooperative is found to have charged interest rates not in accordance with the abovementioned schedule, it shall be charged as fine the interest rate of six per cent (6 %) lower than the prevailing interest rates of commercial banks.

In accordance with the provision of Section 8, 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.

Farmers' organizations, rural loans associations and credit cooperatives duly accredited by the Department as RPECF credit auxiliaries, subject to the provisions of Sections 13 and 14 of this Act, may extend loans under the RPECF to non-members as long as the applicants are rice farmers.

Farmers' organizations, farm production cooperatives, rural loans associations, and credit cooperatives who avail of the loan program of the RPECF shall no longer be qualified to serve as RPECF credit auxiliaries.

Section 17. ***Incentives scheme for high recovery rate*** – 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 18. ***Simplifying the procedure for loan dispensation*** – The Department, in consultation with the LBP, shall formulate the guidelines for simplifying the procedure for the filing, processing and approval of loan applications of rice farmers with the end view of making the RPECF more accessible, facilitating quick approval and minimizing the administrative and documentary costs that may be incurred by farmer-applicants. The guidelines shall include provisions for giving effect to the provisions of Section 14 hereof.

Section 19. ***Incentives for participating private commercial banks*** – Private commercial banks which extend production loans to rice farmers under the interest rate formula provided in Section 13 hereof shall be entitled to tax credits of fifteen per cent (15 %) of the amount of their capital actually extended to rice production loans. Upon the removal of the cap on interest rates on the third year of

implementation 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 the amount of their capital actually extended to rice farmers mentioned in Section 13, subparagraphs (a) and (b).

Section 20. *Non-litigious action and proceedings for non-payment of loans of preferred clientele and apportionment scheme of income* – In consonance with the concept of agrarian reform and in the spirit of mutual aid, in cases of three consecutive failure to pay, the lands of farmers enumerated in Section 13, 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 of 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 (25 %) 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 loans 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 and cultivation thereof.

B. Production Subsidy

Section 21. *Subsidy for production inputs* – The amount of Three Billion Pesos (P 3 B) to be allocated annually at One Billion Pesos (P1 B) for three (3) years from the annual appropriation for this Act is hereby appropriated for the provision of production subsidy for 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 22. ***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 13, subparagraphs (a) and (b) -at fifty per cent (50 %) of their purchase price;
- b. to all other farmers -at twenty five per cent (25 %) of their purchase price.

Section 23. The Department shall ensure that the distribution of seeds, fertilizers, and herbicides to rice farmers be made one month before the start of 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.

Section 24. ***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 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 25. ***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 VII -Irrigation

Section 26. 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 27. ***NIA program of work, timeframe and budget*** – The National Irrigation Authority (NIA) shall prepare and implement a Three-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 (POW), 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 Fifteen Billion Pesos (P 15 B) to be allocated and released every year according to the POW of the NIA is hereby appropriated for

the construction of irrigation systems within the three-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 28. ***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 13 hereof.

Section 29. ***Ensuring continuous funding for operation and maintenance*** – Upon the completion of the Three-Year POW, the National Government shall appropriate at least One Billion pesos (P 1 B) in the annual national budget for the 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.

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

Section 30. ***Regulating the irrigation fees*** – Notwithstanding the provisions of Republic Act 8534, the payment of fees for the use of irrigation systems maintained or operated by private irrigators associations and local government units shall be regulated by the NIA. No schedule of payment rates or any increase thereof imposed by any local government unit shall take effect unless it be submitted for approval by the NIA through a resolution of the local government council; provided that such a resolution shall not be issued without consultation with farmers or their farmers' associations and production cooperatives.

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.

Chapter VIII -Post harvest facilities

Section 31. 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 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 32. ***Time-frame and clustering strategy for the development of postharvest facilities*** – In coordination with the National Food Authority (NFA), the Department of Public Works and Highways (DPWH), and local government units, the Department, through its Bureau of Post-Harvest for Research and Extension, shall draw up a Three-Year Program of Work for the priority construction of multipurpose dryers and 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 and warehouses of the NFA.

Section 33. ***Funding*** – The amount of Seven Billion and Five Hundred Million Pesos (P 7.5 B) to be allocated and released each year according to the POW mentioned in the preceding Section is hereby allocated to finance the Three-Year POW for the priority construction of post-harvest facilities.

Section 34. ***Supplemental funding from LGUs*** – For a period of three 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 fund to the construction fund for post-harvest facilities.

Section 35. ***Maintenance responsibility*** – Upon the completion of the priority construction of post-harvest facilities, the Department shall turn over for maintenance the built-up 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 36. ***Mechanisms for self-sustaining maintenance*** – To help defray the maintenance costs of 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 unless imposed through a resolution of the local government council after or upon 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 37. ***Lease of post-harvest facilities to farmers by the LGUs*** – Local government units shall have the power to lease out their post harvest facilities 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 38. ***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 39. ***Regulating dryer and warehouse fees*** – Dryers and warehouses operated by private entities, including farmers' cooperatives which rent out their facilities to nonmembers, shall be regulated by the local government units with jurisdictions over them.

Chapter IX – Price Support, Procurement and Marketing

Section 40. It shall be the policy of the State to give priority in its resource allocation to strengthening the palay price support and procurement 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 41. ***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 enactment of the next annual national budget.

Upon recommendation by the NFA, the annual allocation shall be increased each year by ten per cent (10 %) if the volume of total palay production of the country, to be determined on the basis of harvest forecasts, increases by three per cent (3 %).

Section 42. ***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 post harvest facilities for its use as buying stations in order to be able to buy the palay of rice farmers at farm gate prices.

Section 43. ***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 X -Research and Development

Section 44. 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 45. ***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, principles and objectives of this Act.

Section 46. ***Research and development for sustainable and self-reliant 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 47. ***Maintaining experimental and demonstration farms and 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 cannot be procured from local sources.

Section 48. ***Information and data base*** – The Research Program shall serve as vehicle for the Department in maintaining 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, 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 49. ***Funding*** – The amount of Two Billion Pesos (P2 B) is hereby allocated from the Fifty Billion Pesos (P50 B) mentioned in Section 65 to initialize the operationalization of the Research Program. To augment this fund, twenty-five per cent (25 %) of the revenues raised from tariffs on rice imports shall be allocated annually 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 with the policies, principles and objectives of this Act.

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, genuine agrarian reform, environment protection and people-oriented rural development.

Chapter XI -Other support and extension services

Section 50. ***Focus and orientation*** – The Department, in coordination with the local government units and state colleges and universities, and in consultation with farmers and their farmers' organizations and production cooperatives, 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 51. **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 the periodic upgrading of the technical skills, know how, and professional competence of extension service workers.

Section 52. **Pooling and networking of extension services** – To augment its extension services capability, the Department shall establish linkages with the agricultural extension programs of 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 53. **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 54. **Information network for rice farmers** – The Department in coordination with the DOST, 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 resource 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 55. ***Promoting computer literacy among rice farmers*** – The Department shall promote the computerization of the operation of farmers' organizations and their production cooperatives, rural loan associations and credit cooperatives. Its training and education services shall include basic computer literacy for rice farmers.

Chapter XII – Promotion of cooperatives in the rice industry

Section 56. ***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 57. ***Types of cooperatives to be promoted*** – The cooperativization thrust among rice farmers shall 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 58. The training and education extension services shall include the provision of trainings to help rice farmers establish cooperatives and other forms of mutual-aid and self-help societies, including trainings on cooperative management, project management and monitoring, finance administration, accounting, capability building, project feasibility analysis and fund sourcing.

Section 59. 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 to maximize the enjoyment of the incentives scheme of the price support program mentioned in Section 43 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 60. 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 XIII -Preservation and Protection of Rice lands

Section 61. ***Prohibition of conversion of rice lands into other uses or crops*** - The conversion into other uses or crops of rice lands is strictly prohibited.

Section 62. ***Prohibition of destruction of rice lands and diminishing their sustainability, economic viability or 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, making it appear that the affected rice lands are no longer economically viable;
2. large-scale cutting of trees that destroys the biodiversity of rice lands;
3. quarrying that will have the same effect of destroying the 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 63. ***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' organizations and the recommendation of the Department and the Department of Agrarian Reform (DAR); provided that such reclassification shall not exceed five per cent (5 %) of the total rice lands of the municipality; provided further that no reclassification shall be made of irrigated lands, rice lands with funding commitment for irrigation, and rice lands with metric ton per hectare productivity equal to the national average; and provided finally that no reclassification of rice lands shall be made within every seven (7) years from the last reclassification.

Section 64. ***Land reclassification review mechanism*** - 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' organizations. No reclassification of rice lands shall be made by local government units without the recommendation of the Task Force.

Chapter XIV -Budget and Supplementary Funding

Section 65. **Funding and budget** – The amount of Fifty Billion (P 50 B) is hereby appropriated to fund the three-year implementation of this Act. Such amount shall be apportioned according to the following program of expenditures:

- a. Eighteen Billion Pesos (P18 B) for production enhancement credit program;
- b. Fifteen Billion Pesos (P15 B) for the programmed construction of irrigation systems;
- c. Seven Billion and Five Hundred Million Pesos (P7.5 B) for the programmed construction of post harvest facilities;
- d. Two Billion Pesos (P2 B) for research and development; and
- e. Seven Billion and Five Hundred Million Pesos (P7.5 B) for extension and other support services.

Upon the end of the three-year period, 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 XV – Final Provisions

Section 66. **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 once a year or as often as necessary to review and recommend policy directions for the effective implementation of this Act.

Section 67. **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 68. **Penalties** –

A. Any person who violates the prohibition against use and crop conversion of rice lands as mentioned in Section 61 of this Act shall be punished as follows:

A.1 for land use conversion of rice lands -with an imprisonment of not less than twelve (12) years and one (1) day but not exceeding fifteen (15) 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 Section 62 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.1

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 69. **Implementing Guidelines** – Within three (3) months after the effectivity of this Act, the Department shall issue the Implementing Rules and Regulations of this Act.

Section 70. **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 71. **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 72. **Effectivity Clause** – This Act shall take effect after fifteen (15) days from its publication in at least two (2) newspapers of general circulation.

Approved.