

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. **4261**

Introduced by **Honorable EMIL L. ONG**

EXPLANATORY NOTE

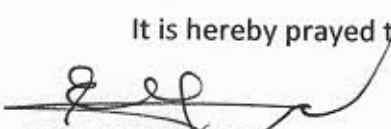
The bill seeks to reorganize the National Food Authority (NFA) into the National Food Corporation (NFC), and the Food Development and Regulatory Administration (FDRA) in order to further rationalize and strengthen the present mandate of the NFA.

The NFC will continue to pursue buffer stock functions and ensure food security, and the stabilization of supply and prices of palay and rice at the farm gate and consumer levels. On the other hand, the FDRA shall carry out regulatory powers of the present NFA in relation to grains, and of the Bureau of Agricultural Fisheries and Product Standards in relation to non-grains food commodities. The FDRA shall likewise undertake scientific researches and development activities for the efficiency of the food supply chain in order to increase the value of the farmers produce for export and against imports.

Most importantly, the bill proposes certain financial restructuring to allow the NFC to start on a clean slate, by transferring the financial liabilities of the NFA to the National Government. The NFC will then have a new capitalization in the amount of P15 Billion.

The bill also envisions the NFC to intervene and properly respond to calamity and emergency situations by ensuring the stability of supply and prices of palay/rice, and implement poverty alleviation programs whenever commissioned by the Department of Agriculture or the Department of Social Welfare and Development.

It is hereby prayed that this bill be immediately passed into law.



REP. EMIL L. ONG

District II, Northern Samar

Republic of the Philippines
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House Bill No. 4261

Introduced by **Honorable EMIL L. ONG**

AN ACT
REORGANIZING THE NATIONAL FOOD AUTHORITY INTO THE NATIONAL FOOD
CORPORATION AND THE FOOD DEVELOPMENT AND REGULATORY
ADMINISTRATION, REDEFINING THEIR POWERS, APPROPRIATING FUNDS
THEREFOR AND FOR OTHER PURPOSES

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

SECTION 1. Short Title. – This Act shall be known as the "National Food Authority
Reorganization Act of 2011".

SEC. 2. Declaration of Policy. – It shall be the policy of the State to ensure food security
for all Filipinos, to protect farmers' income, to create an environment that is conducive to
market-based development, to ensure sufficient supply of foodgrains for domestic consumption
and relief operations, and to motivate farmers to increase their productivity and competitiveness.
Towards this end, it shall also ensure the stability of both the supply and prices of foodgrains.

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

1 1) To provide grain farmers initially with a market for their palay and corn
2 and eventually the skills to market their own produce at remunerative prices;

3 2) To encourage the adoption, in the processing and marketing phases,
4 of such proven systems as will reduce costs and improve the quality of these
5 foodgrains and thereby bring about ultimately reasonable prices within the reach
6 of the great masses of the people;

7 3) To encourage the private sector and Local Government Units (LGUs)
8 participation in the country's food security and price stabilization programs;

9 4) To provide and make available services including but not limited to
10 marketing and technical services;

11 5) To improve existing services and linkages in all sectors of the industry;

12 6) To promote effective and efficient government intervention in the
13 foodgrains sector;

14 7) To promote transparency in the costs of government interventions;

15 8) To focus government price subsidies to disadvantaged families; and

16 9) To promote developmental regulations aimed at enhancing
17 competitiveness, transparency, and responsibility in the food grains marketing
18 industry.

19 **SEC. 4. *Definition of Terms.*** – As used in this Act, the following terms
20 shall mean:

1 1) "*Basic food products*" – refers to rice, corn, bread, fresh and dried fish
2 and other marine products, fresh vegetables, rootcrops, sugar, fresh pork, beef
3 and poultry meat.

4 2) "*Calamities*" - refers to fortuitous events which include acts of God
5 such as but not limited to typhoons, floods, droughts, earthquakes, volcanic
6 eruptions, lahar flows, and acts of man such as political and/or civil disturbances,
7 and widespread civil unrest.

8 3) "*Capitalization*" - refers to resources invested in the different lines of
9 activity in the rice and corn business. For purposes of this Act, capitalization
10 includes the cost of stocks, whether on consignment or bought on cash basis,
11 cost of facilities and equipment, loans used in the business and amount of
12 working capital.

13 4) "*Diversion*" - refers to any act of the following circumstances:

14 (a) unreasonable depletion of stocks;

15 (b) selling or lending government stocks to another grains businessmen;

16 (c) selling or offering to sell the government stocks beyond the maximum
17 quantity or price allowed by the Administration; and

18 (d) storing and/or selling the government stocks in other places/stalls,
19 other than those duly authorized by law.

20 5) "*Farmgate Price*" – refers to the prevailing buying price of a certain
21 commodity at the farm level in a certain locality at a given specific time.

1 6) "*Farmers*" – refers to producers of agricultural food products. They
2 can be tillers of the land themselves or administrators or supervisors of the
3 process.

4 7) "*Foodgrains*" - refers to palay, rice, white corn and corngrits.

5 8) "*Food security*" - refers to the policy objective, plan and strategy of
6 substantially meeting the food requirements of the present and future
7 generations of Filipinos, ensuring that food is affordable and available to all,
8 through a combination of local production and importation, and consistent with
9 the overall national development objectives.

10 9) "*Government Rice Buffer Stock*" – refers to the government's inventory
11 of rice equivalent to at least thirty (30) days national rice consumption by July 1
12 of every year inclusive of the 15-day Strategic Rice Reserve, for stabilization
13 purposes particularly in deficit areas and during lean production periods.

14 10) "*Hoarding*" – refers to the undue accumulation by any person or a
15 combination of persons of any foodgrains beyond his or their normal inventory
16 levels or the unreasonable limitation or refusal to dispose of, sell or distribute the
17 stocks of any basic necessity or prime commodity to the general public or the
18 unjustified taking out of any basic necessity or prime commodity from the
19 channels of production, trade, commerce and industry.

20 11) "*Licensing*" – refers to the act of granting an authority/privilege to a
21 qualified applicant to engage in a particular line of activity in the rice and/or corn
22 industry.

1 12) "*Minimum Access Volume (MAV)*" – refers to the volume of a
2 specific agricultural product that is allowed to be imported with a lower tariff as
3 committed by the Philippines to the World Trade Organization (WTO) under the
4 Uruguay Round Final Act.

5 13) "*Price Manipulation*" – refers to the act of causing prices of essential
6 commodities to fall or rise for one's own profit by changing or falsifying figures,
7 accounts, and other related information.

8 14. "*Price Stabilization*"– refers to measures which ensures that realized
9 fluctuations of foodgrains prices conform to people's expectations of such price
10 movements.

11 15. "*Prime food products*" – refers to fresh fruits, onions and garlic.

12 16. "*Service Corporation*" – refers to a concept of the corporate operating
13 orientation of a government owned corporation operating like a private business
14 but performing the food security function of the State with minimum government
15 subsidy.

16 17. "*Strategic Rice Reserve*" – refers to the minimum inventory of rice
17 equivalent to at least fifteen days (15) national rice consumption *to be* maintained
18 all year round under government control as a matter of national policy to ensure
19 food security during times of calamities/emergencies whether natural or man
20 made.

21 **SEC. 5. *Reorganization of the National Food Authority.*** - To execute the
22 foregoing policy, goals and objectives, there is hereby created a body corporate

1 to be known as the National Food Corporation (NFC), herein after referred to as
2 the Corporation, and a Food Development and Regulatory Administration
3 (FDRA), hereinafter referred to as Administration. Both of these agencies shall
4 be attached to the Department of Agriculture (DA).

5 **SEC. 6. *The NFC Board.*** - The powers and functions of the Corporation
6 shall be vested in a Board which shall have the overall responsibility of
7 formulating and coordinating a comprehensive program for the development of
8 the grains industry. The NFC Board of Directors shall be composed of the
9 Chairman, the President of the Corporation, and three (3) members, all to be
10 appointed by the President of the Republic of the Philippines. The Chairman,
11 President and Board Members shall be Filipino citizens, at least 35 years of age,
12 with sufficient experience in agri-business and management, of proven honesty,
13 integrity, and recognized competence, and familiarity with the Philippine market
14 environment. The appointed Chairman, President and one of the members of
15 the Board shall serve for a term of three (3) years. Of the remaining two (2)
16 members, one shall serve for a term of two (2) years and the last for a term of
17 one (1) year. Subsequent appointments to the Board shall be for a term of three
18 (3) years.

19 In the absence of the Chairman, the President of the National Food
20 Corporation shall act as the Chairman of the Board. Both the Chairman and the
21 President of the Corporation shall be appointed by the President of the
22 Philippines from nominees to be recommended by the Secretary of DA upon

1 consultation with concerned sector to be submitted within 30 days from the
2 creation of the NFC and when a vacancy is created

3 Within thirty (30) days from the creation of the NFC, the Secretaries of
4 DA, Department of Social Welfare and Development (DSWD), and Department of
5 Trade and Industry (DTI) shall each recommend five (5) nominees from which
6 the President of the Philippines shall choose the remaining three (3) members of
7 the Board; *Provided*, That at any given time, each of the sector recommended by
8 the departments shall be represented in the Board. Subsequent vacancies in the
9 Board shall be filled up with the concerned Secretary of the sector which is
10 vacant submitting three (3) nominees from which the President of the Philippines
11 will choose the replacement.

12 Within thirty (30) days from the submission of the list of recommendees,
13 the President of the Philippines shall constitute the Board.

14 The Board shall meet regularly at least once a month on any date to be
15 determined by the Chairman: *Provided*, That the Chairman may convene special
16 meetings to discuss any urgent matters needing immediate resolution. The Board
17 members shall be entitled to a per diem for each meeting actually attended by
18 them and other remuneration as may be determined by the Board in accordance
19 with existing policies of the government.

20 The Board shall adopt its own rules and regulations to govern its
21 proceedings and determine its official location and address.

1 **SEC. 7. Organization** - The Corporation shall be governed by the NFC
2 Board which shall approve the organizational structure and staffing pattern for
3 officers and employees of the Corporation within ninety (90) days from the
4 creation of the Board. Upon recommendation of the President of the Corporation,
5 the Board shall fix remuneration, emoluments, performance incentives and fringe
6 benefits of the Corporation: *Provided*, That the President of the Corporation shall
7 have the authority to appoint, promote, transfer, assign, reassign, remove,
8 suspend or otherwise discipline officers and employees of the Corporation as
9 may be assigned and delegated to him by the Board in accordance with existing
10 civil service rules and regulations.

11 **SEC. 8. Management** - The management of the Corporation shall be
12 vested in a President who shall be appointed by, the President of the Philippines
13 for a fixed term of three (3) years within sixty (60) days from approval of this Act,
14 and who shall direct and manage the affairs of the Corporation subject to the
15 policy supervision of the Board. The President of the Corporation shall receive
16 the same salary and allowances received by a Department Secretary.

17 There shall be two (2) Executive Vice Presidents (EVPs), appointed by
18 the Board, also for a term of three (3) years, who shall assist the President in the
19 performance of his functions. Either one of the Executive Vice Presidents upon
20 designation by the President of the Corporation shall perform the duties and
21 exercise the powers and functions of the President in the absence of the latter.
22 The EVP shall receive the salary and allowances of an Undersecretary. In the

1 event the NFC experiences a loss, the President and Executive Vice President
2 shall lose their security of tenure and may be immediately replaced by the
3 President of the Philippines.

4 There shall also be four (4) Vice Presidents (VPs), who shall be Career
5 Officials and enjoy security of tenure provided they are Career Executive Service
6 eligible. Lower ranking officials shall be also Career Executive Service Officials
7 and/or Civil Service eligible and have security of tenure. The Vice President shall
8 receive the salary and allowances of an Assistant Secretary.

9 The President, EVPs and VPs shall be natural-born citizens of the
10 Philippines, not less than thirty-five years of age, of proven honesty and integrity
11 with experience in the trading aspects of grains and of recognized managerial
12 competence.

13 **SEC. 9. Powers, Functions and Responsibilities of the Corporation. –**

14 The Corporation shall have the following powers, functions and responsibilities:

15 1) To maintain and manage the national Strategic Rice Reserve and the
16 Government Rice Buffer Stock throughout the year when commissioned by the
17 FDRA;

18 2) To undertake importation of rice for government duty/tariff free in order
19 to maintain the appropriate volume of Strategic Rice Reserve and Government
20 Rice Buffer Stock by July 1 of each year. Upon the recommendation of the FDRA
21 Council, the President may approve the importation of other commodities that are
22 also duty/tariff free;

- 1 3) To discontinue the implementation of the "buy high and sell low" policy;
- 2 4) To engage in the business of trading, marketing, importing and
3 exporting basic and prime food products;
- 4 5) To own, lease, or acquire ownership by purchase or otherwise, or to
5 invest in, hold, sell or otherwise dispose of stocks or bonds or any interest in
6 either or any obligation or evidence of indebtedness of any person, partnership,
7 firm or corporation;
- 8 6) To issue debt instruments that are agri-agra eligible: *Provided,*
9 *however,* That the debt instruments may be guaranteed by the National
10 Government subject to the approval of the President of the Philippines: *Provided,*
11 *further,* That the National Government guarantee shall not exceed the amount of
12 Ten billion pesos (P10,000,000,000.00): *Provided, finally,* That the ceiling of Ten
13 billion pesos shall apply only to new debts that the Corporation will incur;
- 14 7) To own, lease, operate or otherwise hold land, buildings, equipment,
15 facilities and such other properties as may be necessary to carry out its
16 functions;
- 17 8) To enter into, make, perform, and carry out contracts of every class
18 and description otherwise not prohibited by law;
- 19 9) To establish and structure its own internal organization defining as the
20 need arises and to fix the remuneration, emoluments, allowances, and other
21 fringe benefits of its officers and employees as the Board may deem fit. For this
22 purpose, the latest salary grades schedule of the salary standardization law shall

1 be applicable, except with respect to the authority of the Board to give
2 performance incentives/ bonuses to officials and employees of the Corporation,
3 provided that the Corporation registers a profit and that the yearly amount does
4 not exceed 10% of the Corporation's net income before taxes and does not go
5 beyond 100% of each of the Corporation's officials and employees gross pay;

6 10) To sue and be sued;

7 11) To exercise all the rights and powers of a domestic corporation duly
8 incorporated and registered with the Securities and Exchange Commission. The
9 Corporation Code shall govern all matters regarding the Corporation not
10 specifically governed by this Act; and

11 12) To negotiate with private or government entities in the business of
12 trading, marketing, importing and exporting of commodities subject to the
13 guidelines to be formulated by the Board.

14 **SEC. 10. Capitalization.** - The National Food Corporation shall have a
15 total authorized capitalization of Fifteen billion pesos (P15,000,000,000.00) in the
16 form of existing assets of the defunct National Food Authority (NFA) pursuant to
17 Section 19 of this Act. In the event that the assets of the NFA are not sufficient to
18 cover the P15 Billion authorized capitalization, the National Government shall
19 provide the balance in the form of equity contributions through the General
20 Appropriations Act.

21 **SEC. 11. Transfer of Assets and Liabilities.** - The National Food
22 Corporation shall start as a Corporation on a clean slate basis. All assets and

1 liabilities of NFA not transferred to NFC or FDRA shall be retained and
2 administered, disposed of and liquidated by the NFA itself which shall continue to
3 exist as the NFA Board of Liquidators (BOL): *Provided*, That the liabilities of NFA
4 with National Government Guarantee that are transferred to the NFA-BOL or
5 NFC shall continue to be covered by said guarantee and its agri-agra eligibility
6 shall also be maintained.

7 The NFA-BOL shall be financially assisted by the National Government in
8 the disposition of assets and liquidation of liabilities. It shall be manned by
9 personnel detailed from FDRA. It shall be deemed abolished upon full
10 disposition of assets and liquidation of all liabilities but not later than ten (10)
11 years. The Personnel Services (PS) and the Maintenance and Other Operating
12 Expenses (MOOE) of the NFA-BOL shall be provided for by the FDRA and NFC,
13 respectively.

14 **SEC. 12. *Food Development and Regulatory Administration (FDRA)-***
15 There is hereby created a Food Development and Regulatory Administration
16 hereinafter referred to as FDRA which shall carry out regulatory as well as
17 scientific and developmental functions for strengthening the efficiency of the food
18 supply chain in order to increase the value of farmer's produce as a component
19 of food products for export as well as against imports.

20 The remaining powers, functions and personnel of the defunct NFA
21 created under Presidential Decree No. 4, as amended, shall be transferred to the
22 FDRA.

1 The FDRA shall be responsible for the implementation and enforcement of
2 the regulatory powers of the former NFA in relation to grains and of Bureau of
3 Agricultural Fisheries and Product Standard (BAFPS) in relation to non-grains
4 food commodities and shall also assume the latter's developmental functions.

5 **SEC. 13.** *Food Development and Regulatory Administration Council.*- In
6 order to assist the FDRA on policy matters with respect to food security issues,
7 there is hereby created a Food Development and Regulatory Administration
8 Council, hereinafter referred to as the Council.

9 The Secretary of Agriculture shall serve as Chairman of the Council, with
10 the following as members:

- 11 (a) Secretary of the Department of Justice;
- 12 (b) Secretary of the Department of Trade and Industry;
- 13 (c) Secretary of the Department of Interior and Local Government;
- 14 (d) Secretary of the Department of Budget and Management;
- 15 (e) The Administrator of FDRA;
- 16 (f) A Representative from the farmers sector;
- 17 (g) A Representative from the consumers sector; and
- 18 (h) A Representative from the grains business sector.

19 The selection process for the representatives from the farmers,
20 consumers, and the grains business sectors shall be as follows:

- 21 1) The National Agricultural and Fishery Council (NAFC) and the National
22 Farmers Action Council (NFAC) shall recommend three (3) nominees each from

1 the farmers sector from which the Secretary of the DA shall choose one (1)
2 representative;

3 2) The Secretary of the DTI shall recommend three (3) nominees from
4 the consumers sector from which the Secretary of the DA shall choose one (1)
5 representative; and

6 3) The NFC President shall recommend three (3) nominees from the
7 grains business sector from which the Secretary of the DA shall choose (1)
8 representative.

9 The Council shall meet regularly at least once a month on any date to be
10 determined by the Chairman: *Provided*, That the Chairman may convene special
11 meetings to discuss any urgent matters needing immediate resolutions. The
12 Council members shall be entitled to a per diem of Ten Thousand pesos (P
13 10,000.00) for each meeting actually attended by them and other remuneration
14 as may be determined by the Council in accordance with existing policies of
15 government.

16 If for any reason an ex-officio member of the Council is unable to attend a
17 meeting, he shall be represented therein by the next ranking officer of the office
18 or agency he represents.

19 The Council shall elect from among its members a vice-chairman, adopt
20 rules and regulations to govern its proceedings, call on any government agency
21 or institution for assistance or support, and determine its official location and
22 address.

1 The Administration shall be headed by an Administrator with the rank of
2 an Undersecretary and *shall* be assisted by two (2) Deputy Administrators with
3 the rank of Assistant Secretaries. One Deputy Administrator shall be a member
4 of the Philippine Bar *who* shall be responsible for the regulatory functions while
5 the other Deputy Administrator shall take charge of the developmental functions
6 of the Administration.

7 **SEC. 14.** *Powers and Functions of the Administration.*- The
8 Administration shall have the following powers and functions:

9 1) To formulate and review, on an annual basis, the strategic rice reserve
10 requirements at the national and local levels;

11 2) To cause the maintenance throughout the year of the Strategic Rice
12 Reserve equivalent to at least fifteen (15) days national rice consumption, for
13 food security purposes, and the Government Rice Buffer Stock equivalent to at
14 least thirty (30) days national rice consumption by July 1 of each year; for price
15 stabilization purposes.

16 3) To establish a mechanism to stabilize rice prices through effective
17 stock management and trade policy including but not limited to the following:

18 (a) determine the volume of rice imports required to stabilize rice prices;

19 (b) recommend to the President any modifications in the tariff rate of rice
20 necessary to stabilize rice prices: *Provided*, That the President may issue the
21 needed Executive Order to implement the recommendation: *Provided, further*,
22 That such tariff change shall be effective for one year: *Provided, however*, That it

1 may be extended to a longer period subject to existing laws, rules and
2 regulations, and;

3 (c) adopt measures that will protect domestic producers.

4 4) To establish rules and regulations governing the importation of rice,
5 and to license, impose penalties and fines for non-compliance with established
6 rules and procedures and collect fees and charges for said importation for the
7 purpose of equalizing the selling price of such imported rice with the normal
8 prevailing domestic prices;

9 5) To establish rules and regulations governing the allocation of tariff
10 import quotas for grains as well as other commodities with Minimum Access
11 Volume (MAV) among private sector entities and farmer cooperatives, and
12 impose fees and charges for said transactions, when necessary;

13 6) To establish rules and regulations governing the export of rice, and/or
14 its substitutes and its by-products/end-products and to collect fees and charges
15 for such exportation at rates to be determined by the Administration;

16 7) To register, license and supervise persons, natural or juridical, who shall
17 engage in the business of providing goods and services in support of the different
18 activities involved in the production, processing, transporting, marketing and
19 trading of grains and /or their substitutes and to prescribe, impose and collect
20 fees, charges and/or surcharges in licensing and regulating the operations of
21 such persons;

1 8) To monitor supply and demand indicators of food grains including the
2 imports and exports of the private sector in coordination with the Bureau of
3 Agricultural Statistics, National Statistics Office and the Bureau of Customs;

4 9) To inspect foodgrains stored in private warehouses for purposes of
5 taking inventory and monitoring commercial stocks, prices and stocks movement.

6 10) To regulate other agricultural and fishery commodities that the
7 Secretary of DA may assign to the Administration;

8 11) To call upon and/or deputize any official of such government
9 agencies as may be necessary to assist the Administration in carrying out its
10 functions. In the seizure, whenever there is cornering, hoarding, or improper
11 acquisition of stocks as may be defined by the Administration of rice and/or corn
12 and/or other grains and substitutes and/or their by- products/end-products
13 thereof, including facilities and equipment used in said activities, or whenever
14 there is a scarcity of supply of such commodity in the consumer market and/or an
15 unwarranted increase in the price thereof, of the hoarded commodity and its
16 public sale in such quantity as may be needed to stabilize prices to normal levels;

17 12) To provide for the enforcement of the provisions of this Act or any
18 Regulations issued or which may hereafter be issued pursuant thereto, the
19 implementation and enforcement of which is vested with the Administration, and
20 for violation thereto, shall impose administrative fines and penalties, to conduct
21 investigations and to require by subpoena and/or subpoena "duces tecum" the
22 attendance and testimony of witnesses, the production of books, papers,

1 documents, exhibits, records, evidence; to administer oath by himself or his duly
2 authorized representative, and to make arrests. Any case of contumacy shall be
3 dealt with in accordance with the procedure prescribed in the provisions of
4 Section Five Hundred Eighty (580) of the Revised Administrative Code. Any fine
5 imposed and collected under this paragraph shall form part of the
6 Administration's funds;

7 13) To regulate the foodgrains quedan system;

8 14) To promote and organize interrelationship among food grains industry
9 stakeholders;

10 15) To introduce more efficient post harvest systems and technologies,
11 and to coordinate research and development activities in foodgrains processing
12 and marketing;

13 16) To establish and enforce standards in grading, sampling and
14 inspection, test and analysis, specification, nomenclature, units of measurement,
15 code of practice and packaging, conservation, and transport for food items and to
16 effect a transition of standards in measurement of food from volume to weight
17 and in metric system;

18 17) To establish networks with international and national institutions for
19 developing and accessing up-to-date technologies and regulatory systems;

20 18) To avail of foreign grants and development aid to support its
21 development thrusts and to ensure that technologies and expertise are up-to-
22 date;

1 19) To own, ease, operate or otherwise hold lands, buildings, equipment
2 and such other immovable properties, as may be necessary to carry out its
3 functions;

4 20) To enter into, make, perform and carry out contracts of every class
5 and description necessary or incidental to the realization of its function with other
6 person, firm or corporation, private or public, otherwise not prohibited by the law;

7 21) To auction off agricultural perishable stocks held by the Bureau of
8 Customs upon the approval of the Secretary of DA and hold in trust the proceeds
9 of the auction while legal proceedings are being undertaken;

10 22) To sell, lease, mortgage, pledge or otherwise dispose of the property,
11 assets or undertaking of the Administration or any part thereof as the
12 Administration may deem appropriate;

13 23) To adopt, alter and use an official seal which shall be judicially
14 noticed, to sue and be sued; and otherwise to do and perform any and all acts as
15 may be necessary to carry into effect the provisions of this Act or as are essential
16 to the proper conduct of its operations;

17 24) To create a revolving fund from revenues and fees generated to
18 finance reward and incentive systems for programs such as but not limited to
19 anti-hoarding, anti-smuggling and to support agricultural development programs,
20 subject to guidelines to be formulated by the Secretary of DA; and

21 25) To establish and structure its own internal organization as the need
22 arises and to fix the remuneration, emoluments, allowances, and other fringe

1 benefits of its officers and employees as the Council may deem fit, subject to the
2 provisions of Salary Standardization Law, Civil Service Law and other existing
3 laws, rules and regulations on compensation.

4 **SEC. 15. *Offenses and Penalties.*** - Notwithstanding the provisions of
5 any law or regulations to the contrary, and for purposes of carrying out the
6 provisions of this Act, the following acts or omissions are hereby considered as
7 serious, less serious and light offenses and corresponding penalties therefore
8 are herein prescribed:

9 (a) "*Serious Offenses*" - any of the following acts or omissions shall
10 constitute a serious offense:

11 1) Cornering or hoarding of foodgrains resulting in artificial shortage or
12 scarcity of supply and increase of prices thereof in any part of the country;

13 2) Any act of diversion which refers to the following circumstances:
14 unreasonable depletion of stocks; selling or lending government stocks to
15 another grains businessmen; selling or offering to sell the government stocks
16 beyond the maximum quantity or price allowed by the Administration; storing
17 and/or selling the government stocks in other places/stalls, other than duly
18 authorized by law;

19 3) The act of manipulating the prices of essential commodities to fall or
20 rise for one's own profit by changing or falsifying figures, accounts and other
21 related information;

1 4) Printing, issuing, or knowingly using, possessing or negotiating a
2 cancelled, unauthorized, illegal, counterfeit or falsified warehouse receipt;

3 5) Failure or refusal of the responsible officials to turn over or remit the
4 collection; and

5 6) Failure or refusal of foodgrains warehouseman, without any lawful
6 excuse, to deliver foodgrains deposited with him: *Provided, however,* that the
7 warehouseman shall be entitled to the allowance authorized for depreciation of
8 the foodgrains deposited.

9 The offender shall, upon conviction, be punished by imprisonment of not
10 less than six (6) years and one (1) day nor more than twelve (12) years, or a fine
11 of not less than Two hundred thousand pesos (P200,000.00) nor more than One
12 million (P1,000,000.00) Pesos or both fine and imprisonment at the discretion of
13 the court.

14 (b) "*Less Serious Offenses*" - any of the following acts of omissions shall
15 constitute a less serious offense:

16 1) Connivance in the concealment of a stock shortage in a foodgrains
17 warehouse;

18 2) Knowingly submitting any report containing false information or data;

19 3) Misrepresentation in connection with any application for license to do
20 business as foodgrains warehouseman, miller, exporter or importer or trader,
21 manufacturer or processor;

1 4) Failure or refusal of a warehouseman to allow the inspection or
2 examination of this foodgrain stocks to conceal shortages or to misrepresent the
3 quantity or quality of his foodgrain stocks, including the impending of such
4 inspection and examination by abandonment, absence or otherwise; and

5 5) Engaging in the business of foodgrains threshing, shelling,
6 warehousing, milling, exporting, importing, trading, growing and selling of
7 certified seed, manufacturing or processing without a valid license.

8 The offender shall, upon conviction, be punished by imprisonment of not
9 less than four (4) years and one day nor more than eight (8) years, or by fine of
10 not less than Two hundred thousand pesos (P200,000.00), nor more than Five
11 hundred thousand pesos (P500,000.00), or both fine and imprisonment, at the
12 discretion of the court.

13 (c) "*Light Offenses*" - any of the following acts or omissions shall
14 constitute a light offense:

15 1) Non-compliance with the rules, regulations, decisions, order, circulars
16 or directives lawfully issued by the Council, provided non-compliance does not
17 constitute a higher offense as herein above provided;

18 2) Selling or offering to sell to the Corporation by any person of palay or
19 corn or other foodgrains other than that directly produced by him as farmer or
20 shared by him as tenant or landlord, knowingly buying such foodgrains by any
21 personnel for the Corporation; connivance by any person in the selling or buying
22 of such foodgrains; and

1 3) Any other violation of the provision of this Act for which no specific
2 penalty is prescribed and which is not punished under any other existing law.

3 The offender shall, upon conviction, be punished by imprisonment of not
4 less than two (2) years nor more than four (4) years, or a fine of not less than
5 Five Thousand (P5,000.00) Pesos nor more than Two Hundred Thousand
6 (P200,000.00) or both such fine and imprisonment, at the discretion of the court.

7 In addition to the foregoing penalties, the Administrator is hereby
8 authorized to prescribe and impose administrative sanctions, fines, and
9 penalties.

10 **SEC. 16. *Transfer of Mandates.*** - The following other mandates of the
11 defunct NFA shall be transferred to the following agencies:

12 (a) Programs directly relating to food subsidies for the poor to the
13 DSWD.

14 (b) Stabilization of price of palay at the farm gate to DA, and

15 (c) Stabilization of supply and price of rice at consumer level to the DA.

16 These government agencies shall be responsible for sourcing of funds for
17 these programs and shall exclusively commission the NFC as a service
18 corporation. The NFC shall perform the above services for a fee which shall
19 include but not be limited to losses/subsidies to be incurred by the program,
20 overhead expenses plus a reasonable margin for the Corporation. To allow for
21 the continued implementation of the above mandates and programs, the DBM
22 during the three (3) year transition period shall include yearly in the President's

1 budget proposal, the minimum amounts of One Billion pesos
2 (P1,000,000,000.00) for DA farmgate price stabilization and Two Hundred Fifty
3 Million pesos (P250,000,000.00) for DA supply and price stabilization of rice at
4 consumer level and Five Hundred Million pesos (P500,000,000.00) for DSWD
5 food subsidies for the poor.

6 **SEC. 17. *Appropriation of the Administration*** - The amount necessary to
7 finance the initial implementation of this Act insofar as the FDRA is concerned
8 shall be charged against the existing appropriations/resources of the NFA.
9 Thereafter, such sums as may be needed for the Administration operations and
10 maintenance including at least One Billion pesos (P1,000,000,000.00) as service
11 fee to NFC to maintain the Strategic Rice Reserve and the Government Rice
12 Buffer Stock shall be included by DBM as part of the President's budget proposal
13 each year.

14 **SEC 18. *Separation Incentive Package*** - Permanent officials and
15 employees of the NFA who choose to leave government service, or who prefer to
16 retire, if qualified for retirement shall be given a Separation Incentive Package
17 (SIP) equivalent to the following scale:

18 1-20 years - 1.5 x gross monthly pay 1/ x yr. of service for the first 20
19 years;

20 21-30 years - 2.0 x gross monthly pay 1/ x yr. of service in excess of 1st
21 20 years;

1 more than 30 years - $2.5 \times$ gross monthly pay $\frac{1}{x}$ yr. of service in
2 excess of 1st 30 years.

3 In addition to other retirement benefits to which they are entitled to under
4 existing laws and regulations, employees who opt to retire under RA 1616 shall
5 receive only 1.5 gross monthly pay for every year of service under SIP. Those
6 who opt to stay and are not absorbed in the Corporation shall be automatically
7 placed in the Administration. They shall retain their remuneration and seniority.

8 The existing number of NFA personnel shall not be increased and no new hiring
9 in the Administration and Corporation shall be allowed until all NFA employees
10 have been properly placed. No NFA personnel shall be dislocated and
11 involuntarily separated. For the purpose of SIP, there is hereby appropriated the
12 necessary amount out of any funds or resources of NFA. Any deficiency shall be
13 automatically appropriated in the succeeding year's GAA. If for any reason
14 funding for the SIP is inadequate, officials and employees who have opted to be
15 separated but have not received their benefits may choose to stay or be
16 reinstated and shall retain their previous remuneration and rank, provided that
17 the option shall be exercised within three (3) years.

18 To provide continuity in the operations of the Corporation, all incumbent
19 personnel of the defunct NFA shall continue to exercise their respective duties
20 and functions and receive their corresponding salaries and benefits until the
21 organizational structures and staffing patterns of the NFC and FDRA have been
22 approved by the Corporation and the Administration, respectively.

23 1/ Gross monthly Pay= Basic Pay + PERA + LOP

1 **SEC. 19. *Transitory Provisions.*** - To effect a smooth transition, officials
2 and employees of NFA who choose to avail of the SIP may be requested to
3 temporarily stay on for a period of not longer than three (3) years without losing
4 their right to avail of the SIP. Officials and employees of the National Food
5 Authority not absorbed either by the Corporation or the Administration may still
6 choose to avail of the SIP during the period. The Secretary of DA, the Secretary
7 of DOF, and the President of the NFC shall appoint two (2) representatives each
8 to constitute a group that will act as mediators in settling issues as to which
9 assets and personnel will go to which organization. In any event, the rights and
10 privileges of officials and employees of NFC and FDRA shall be adequately
11 protected. The Corporation will, however, have priority in deciding which asset
12 will comprise the Fifteen Billion Pesos (P15,000,000,000.00) of capitalization.
13 The Chairman of this group will be appointed by the President of the Philippines.

14 **SEC. 20. *Repealing Clause.*** - Provisions of Presidential Decree No. 4,
15 as amended, and the Agriculture and Fisheries Modernization Act and all other
16 laws, decrees, executive orders, rules and regulations, issuances or parts thereof
17 inconsistent with the provisions of this Act are hereby expressly repealed or
18 modified accordingly.

19 **SEC. 21. *Separability Clause.*** - The provisions of this Act are hereby
20 declared to be separable, and in the event one or more such provisions are held
21 unconstitutional, the validity of the other provisions shall not be affected thereby.