

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City**

**FIFTEENTH CONGRESS
First Regular Session**

4603

House Bill No. _____

**Introduced by Representatives
DIOSDADO MACAPAGAL ARROYO and GLORIA MACAPAGAL ARROYO**

**AN ACT
INCREASING SHORT-TERM GRAIN AVAILABILITY, MINIMIZING
VULNERABILITY TO EXTERNAL PRICE AND SUPPLY SHOCKS AND
ACHIEVING IMMEDIATE RICE SECURITY, MANDATING FOR THE PURPOSE
THE CREATION OF A FERTILIZER SUPPORT MECHANISM AND THE
RESTRUCTURING AND REORIENTATION OF THE NATIONAL FOOD
AUTHORITY, APPROPRIATING FUNDS THEREFOR AND FOR OTHER
PURPOSES**

EXPLANATORY NOTE

Food expenditures of the poorest 30% of the Filipino population reveal that 25% account for rice. Two out of every three of our poor are dependent on agriculture for employment and sustenance. Thus, rice prices have a significant impact on the well-being of Filipinos, including small rice farmers who are net buyers of rice for household consumption.

The first half of 2008 had ushered in an alarming series of rice price increases. Domestic selling price of rice, which is now at Php37.00/kg for regular-milled rice and Php39.00/kg for well-milled rice, was only at Php22.43/kg for regular-milled rice and Php24.69/kg for well-milled rice at this time last year. The increasing price of crucial inputs to farming such as fertilizer and fuel has also been unprecedented. The optimal amount of urea (at 46% nitrogen) per one hectare of irrigated land is 4 bags. However one bag of urea (at 46% nitrogen) now costs P1,800.00, or double the prices from June 2007. In other words, if incomes did not significantly change from last year, farmers may be purchasing/affording just half the prescribed amount per hectare.

Moreover, computations indicate that subsidizing production on irrigated land through fertilizer support can contribute to closing the immediate rice supply gap at 1/5 the cost of importing the same amount through the NFA. Specifically, producing rather than importing an average of 2 million MT of rice would require harvesting an additional 1.1 MT of palay per hectare per crop of irrigated land, which is equivalent to the application of an additional 1 bag of urea (for a total of 5 bags) per hectare per crop of irrigated land. Subsidizing this extra bag in addition to subsidizing a base of two bags per hectare which are now unaffordable due to higher prices - or a total of 3 bags of urea per hectare per crop of irrigated land, will cost an estimated 15 billion pesos, or approximately 20% of NFA imports of the same amount.

It is evident then that not only is there is an urgent need to revive the rice economy - to minimize the country's vulnerability to future external shocks and to reduce supply and price volatility - but that in the immediate term, the rice supply gap can be minimized at much less cost than what is usually resorted to. Thus, this proposed measure seeks to mandate an immediate fertilizer support to Filipino farmers of irrigated land in the form of a "buy 2-take 3" subsidy scheme where farmer beneficiaries will receive in-kind 3 bags of urea fertilizer per hectare of irrigated rice farm actually tilled to supplement 2 bags already privately purchased. This will ensure that farmers are able to use the prescribed amount of fertilizer per hectare, plus one more, to increase rice yields.

In conjunction with this, long overdue reforms and restructuring in the National Food Authority will be initiated as a preparatory step toward the long-term goal of rice self-sufficiency for our country. This bill thus paves the way for redesigning NFA into a buffer stock management agency that will check and maintain the rice reserve requirement of the country. Necessary steps to make registration processes more efficient and its corresponding fees more affordable shall also be undertaken by the NFA in order to encourage private sector participation in rice importation.

Fertilizer prices have more than doubled over the last two years, making optimal usage unaffordable and optimal palay yields unattainable. Combining fertilizer support with initiatives to reorient the NFA into a buffer stock management agency, away from its importation function, will set the stage to correct rice market distortions that have been created by NFA intervention in the market over the last three decades.

In view of the foregoing, urgent approval of this bill is earnestly requested.


DIOSDADO MACAPAGAL ARROYO
Second District, Camarines Sur


GLORIA MACAPAGAL ARROYO
Second District, Pampanga

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

CHAPTER 1
GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the "Immediate Rice Security Act of 2011."

SECTION 2. *Declaration of Policy.* – The State hereby reaffirms the fundamental right of every person to adequate food and to be free from hunger. Toward this end, the State shall provide immediate strategic measures to ensure short-term availability of grain, particularly the staple food rice and the sustained productivity growth of agriculture. Thus, interventions that ensure the availability and accessibility of crucial inputs to farming, especially fertilizer, shall be carried out by the State to maximize rice production in order to increase the yield and meet the national requirement.

The initiation and execution of key reforms to address crucial rice market distortions and to minimize the country's vulnerability to external price and supply shocks is hereby further declared a State policy. Pursuant to this, the reorientation and transformation of the National Food Authority into a buffer stock management agency shall be undertaken and the implementation of measures that make private sector participation in rice importation more feasible and accessible shall be prioritized.

CHAPTER 2

FERTILIZER SUPPORT PROGRAM

SECTION 3. *Creation of the Fertilizer Support Program.* – As the mechanism for extending government fertilizer counterpart to the farmers, a Fertilizer Support Program (FSP) is hereby created which shall be implemented per cropping season over the next fiscal year immediately succeeding the enactment of this Act or for the duration of the rice crisis as determined by the President upon recommendation of the Department of Agriculture, whichever is longer.

The Fertilizer and Pesticide Authority (FPA), in coordination with the Department of Agriculture, shall be the primary agency tasked with the implementation of the FSP. The FPA shall, within sixty (60) days from the enactment of this Act, formulate the necessary rules and regulations for the implementation of the Fertilizer Support Program created by this Act.

SECTION 4. *Fertilizer Subsidy Mechanism.* – The FSP shall provide "buy-two-take-three" in-kind urea (46% nitrogen) subsidy to qualified farmers of irrigated land duly recognized by and registered with the municipal agricultural offices (MAO) of their local government units. Upon presentation of proof of procurement of two bags from a FPA registered fertilizer dealer or retailer, the FPA designated distribution centers shall give out the corresponding amount of in-kind urea subsidy to MAO-registered farmer-beneficiaries ; *Provided, however*, that the amount of urea granted to each farmer shall not be less than two (2) 50-kgs. bags or more than three (3) 50 kgs. bags per hectare.

SECTION 5. *Identification of Farmer Beneficiaries.* – Each municipal agriculture office shall submit a masterlist of qualified farmer-beneficiaries, together with the corresponding area of their rice field to the Department of Agriculture. For the purpose of the Fertilizer Support Program created under this Chapter, qualified farmer-beneficiaries must:

- a. Be an actual tiller,

- b. Have a fully irrigated rice land; and
- c. Undertake that he will apply the urea in his rice field.

SECTION 6. *Fertilizer Procurement.* –The FPA, pursuant to their charter, shall promulgate the necessary rules and regulations for the importation of the required urea under the FSP; *Provided that* procurement shall be conducted through the government open competitive bidding in accordance with the harmonized procedures on procurement under Republic Act 9184 or the Government Procurement Reform Act; *Provided further*, that the urea imported shall be directly shipped to the respective FPA distribution centers.

SECTION 7. *Monitoring and Assessment.* –The Fertilizer and Pesticide Authority, through their Provincial FPA Coordinators, shall monitor the distribution and use of urea under the FSP, as well as fertilizer availability, prices and movements. The Department of Agriculture shall design a reporting system for the regional field units to monitor and assess the impact of the FSP on rice farm productivity. The MAFC shall assist the Provincial FPA Coordinators in the monitoring and evaluation of the program.

SECTION 8. *Prohibited Acts.* – For the purpose of this Chapter, any person who engages in any fraudulent transaction or manipulative activity in order to influence the outcome of the public bidding process, or engages in simulated or fictitious procurement process leading to the awarding of a contract for the supply of fertilizers, shall suffer the penalty of imprisonment of not less than twelve (12) years and one (1) day nor more than twenty (20) years, without prejudice to separate criminal prosecution under Republic Act No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act and other penal laws.

CHAPTER 3 REORIENTATION OF THE NATIONAL FOOD AUTHORITY

SECTION 9. *Reforms in the National Food Authority.* – The National Food Authority shall, within one (1) year from the effectivity of this Act, formulate and implement guidelines to phase out its participation in rice importation: *Provided that* the NFA shall undertake a comprehensive review of its plans and programs and redesign the same to focus on the management and maintenance of proper levels of buffer stock requirements of the country.

SECTION 10. *Rice Importation.* – The NFA shall establish rules and regulations that will make participation in importation of rice more feasible and accessible to the private sector. Within sixty (60) days from the effectivity of this Act, the NFA shall have amended its guidelines to facilitate and allow for a

shorter registration process and reduced associated fees to encourage private sector, especially farmer organizations' participation in the rice importation business. Along with this, the NFA shall implement necessary restructuring in their programs in order to make vital information that ensure timely and sufficient importation of rice available to duly registered rice importers.

CHAPTER 4 FINAL PROVISIONS

SECTION 11. *Congressional Oversight Committee.* – For the effective implementation of this Act, a Congressional Oversight Committee on Rice Security Program is hereby created, hereinafter referred to as the Rice Security Program Oversight Committee, to be composed of five (5) members each from the Senate and the House of Representatives. The Rice Security Program Oversight Committee shall be jointly chaired by the Chairs of the Committee on Agriculture and Food of both Houses, with the Chairs of the Committee on Trade and Commerce of both Houses acting as vice-chairs. They shall meet bi-annually to monitor and review the status of implementation of the provisions of this Act. For this purpose, the Rice Security Program Oversight Committee shall have the power to require the submission of status reports and other necessary data and information.

SECTION 12. *Appropriations.* – For purposes of the FSP created under Chapter 2 of this Act, a special fertilizer support fund, which will be used by the FPA in the importation of urea under this program, in the amount of Fifteen Billion pesos (Php15,000,000,000.00) per cropping season for the fiscal year immediately following the enactment of this Act, shall be specially appropriated, released to and administered by the FPA; *Provided, that* appropriations for the FSP shall continue and be maintained for the duration of the rice crisis as determined by the President pursuant to Section 3 of this Act.

SECTION 13. *Rules and Regulations.* – The Department of Agriculture, in consultation with relevant government agencies and LGUs, farmer organizations and other stakeholders, shall, within one hundred twenty (120) days from the effectivity of this Act, promulgate the necessary rules and regulations to effectively implement the provisions of this Act.

SECTION 14. *Separability Clause.* – If, for any reason, any section or provision of this Act shall be held unconstitutional or invalid, the other section or provision not otherwise affected shall remain in full force and effect.

SECTION 15. *Repealing Clause.* – All laws, presidential decrees, executive orders, proclamations, rules and regulations which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 16. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the **Official Gazette** or in at least two (2) newspapers of general circulation.

Approved,