

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 6190



Introduced by HON. JOCELYN S. LIMKAICHONG

EXPLANATORY NOTE

Republic Act No. 8976, otherwise known as the "Philippine Food Fortification Act of 2000", was signed into law on November 7, 2000. RA 8976, provides for, among other things, the mandatory fortification of certain staple foods with specific nutrients including refined sugar, with Vitamin A. Pursuant to Section 2, Rule XVI of the Implementing Rules of Regulations of R.A. 8976, the mandatory fortification of refined sugar was supposed to commence on November 7, 2004.

Before the implementation of mandatory fortification in November 2004, representatives from the sugar industry (of PASRI and sugar traders and repackers) met officials from the Department of Health (DOH), through the officers of the Bureau of Food and Drugs (now Food and Drugs Administration), to present and convey the problems and constraints in fortifying refined sugar with vitamin A. After a series of consultations between BFAD/DOH and sugar refineries and refined sugar repackers, a consensus was reached that the mandatory fortification of refined sugar with Vitamin A is not practical and cannot be effectively implemented. As a result mandatory food fortification of refined sugar with vitamin A was not pursued by BFAD/DOH.

This bill seeks to amend the Act by removing refined sugar from the mandatory food fortification program, in view of the various constraints and problems related to the fortification of the said product with vitamin A, to wit:

1. Sugar refineries – as manufacturers of refined sugar – are not the owners of a large portion of raw sugar, which is processed into refined sugar, and of the resulting refined sugar that it renders mandatory fortification legally non-implementable.

The unique feature of the sugar industry is its "sharing system" under Republic Act No. 809 or the Sugar Act of 1952. Under the sharing system, farmers and sugar mills share or divide between them and at pre-agreed percentages the resulting raw sugar, among other products, from the milling of sugarcane. Farmers and mills may sell their respective share of raw sugar to traders and beverage or confectionary producers who in turn may want to have the raw sugar further processed into refined sugar to suit their product specifications. In some cases, farmers and mills themselves have their raw sugar processed to refined sugar to avail of a more attractive price. In all instances, sugar refineries just impose a tolling fee for the processing of raw sugar to refined sugar. Sugar refineries, therefore, do not acquire ownership over the raw sugar and refined sugar.

Since sugar refineries are not the owners of the refined sugar, they cannot just readily fortify the refined sugar with Vitamin A despite the directive of Section 6(b) of R.A. 8976. The decision to fortify refined sugar with Vitamin A is an act of ownership which may be enjoyed and exercised only by their owners, as it will introduce changes in the characteristic of refined sugar, and sugar refineries which decide to fortify the refined sugar that they do not own may be held legally accountable by the owners thereof.

2. Fortification of refined sugar entails additional cost to manufacture which would result in a higher market price of the product. This puts the product beyond the reach of the target consumers who are at high risk of having vitamin A deficiency i.e., women and children in the lower income brackets of the economic strata.

It has been estimated that the cost of fortifying refined sugar with vitamin A costs Php 50.00/bag or about one peso per kilo of refined sugar – a cost that will have to be passed on to the consumers. The table below shows that the average price of refined sugar is about P3.65/kg higher than washed sugar and about P6.50/kg higher than raw sugar.

Table 1. Average Retail Prices of Sugar (Metro Manila, 2011, ₱/1 kilogram bag)

	Raw Sugar	Washed Sugar	Refined Sugar
January	58.69	61.10	65.01
February	59.07	61.19	65.54
March	57.35	60.07	63.26
April	55.01	57.83	61.68
May	53.24	56.19	60.04
June	49.92	53.24	57.15
July	44.97	47.77	51.17
August	41.66	45.15	48.32
September	40.45	43.78	47.10
October	40.34	43.16	46.76
November	38.95	41.79	45.41
December	38.35	40.89	44.51

Source: Sugar Regulatory Administration, Sugar Production Bulletin, 11 March 2012

A study has shown that the price of refined sugar is a major factor in the consumers' decision to reduce consumption or shift to lower-priced washed sugar (*Analysis and Projection of Domestic Demand, Asia Research Organization and the Center for Food and Agri-Business of the University of Asia and the Pacific, February 2009*). Likewise, an assessment of the Medium-Term Philippine Plan of Action for Nutrition, 2005-2010, has reported that food consumption surveys indicate that only 27.7 percent of households in the lowest income quintile (poorest) use refined sugar, while 46.4 percent use brown sugar. Thus, after incurring all that expense to fortify refined sugar, the nutritional deficiency of the targeted group will still not be addressed.

3. Fortification with Vitamin A hastens the deterioration of refined sugar which affects the supply stocking programs of refined sugar users.

Under normal or dry conditions, refined sugar has a storage life of up to 24 months from the date of production before any significant discoloration can be discernable. This relative longevity of refined sugar is factored in by sugar traders, repackers and industrial users of refined sugar such as beverage companies and confectionaries in their purchases of the product. Strategically, they buy and store up refined sugar or raw sugar for tolling into refined sugar during the height of sugar milling to take advantage of more flexible prices, which they will use in their respective businesses during the lean and off-milling months ahead. This sugar stocking mechanism makes their product fairly inexpensive and therefore attractive to consumers.

However, fortifying refined sugar with Vitamin A speeds up the discoloration process that about 6-8 months after fortification the white crystals turns yellowish even if the refined sugar is placed under normal or dry conditions, as reported by Victorias Milling Company which conducted an initial Vitamin A fortification of some 99 sacks/bags of refined sugar in 1997, as its test run. According to VMC, repackers and industrial users refused to purchase the fortified refined sugar because of the risk of discoloration. Because of this, it can readily be assumed that production schedules of traders, repackers and industrial users will be affected as they cannot and will not store up on refined sugar fortified with Vitamin A. Consequentially, sugar farmers and mills will have high inventories brought about by weak refined sugar withdrawals.

4. Fortification will lead to a reduction in supply of refined sugar in the market.

The risk of discoloration of fortified refined sugar is perhaps the reason why no trader, repacker or industrial user has indicated to any sugar refinery the fortification of his or her refined sugar. With the slow turnover rate of refined sugar in the market and undetermined conditions of repacking refined sugar at retail outlets in public wet markets, the fear of discoloration heightens that refined sugar retail outlets cannot risk losing their small margins on discoloration. And their expected reaction to the mandatory fortification of refined sugar shall be reduction in available supply of refined sugar. Naturally, wholesalers and traders of refined sugar will also reduce their purchases or tolling of refined sugar. Taking this altogether, there will be a reduction in the volume of refined sugar available in the market, or worse, the non-registration or recall of unfortified refined sugar will cause a severe drop in the available supply of refined sugar in the country.

This deficiency in supply cannot be compensated by imports, as there is no country producing refined sugar for export that is fortified with Vitamin A. Even Thailand, the largest sugar exporter in Asia, is not fortifying its sugar. Therefore, there is no available source of fortified refined sugar, either here or abroad

5. Very weak demand for refined sugar fortified with Vitamin A.

The test run of Victorias Milling Company (VMC) in 1997 wherein it fortified with Vitamin A about 99 bags/sacks of refined sugar showed Filipino consumers preference for unfortified refined sugar over those fortified with Vitamin A. According to VMC, the 99 bags of fortified refined sugar were not sold, as there seems to be consumer aversion for fortified refined sugar. Importantly, this attitude is not confined to repackers, industrial and institutional

users of refined sugar but includes households that directly consume the refined sugar. Direct consumers which use refined sugar regularly and daily prefer the unfortified sugar. Expectedly, traders, repackers and industrial users gave no indication to refineries to fortify their refined sugar with Vitamin A. With a weak and unenthusiastic market reception for fortified refined sugar, it is impractical to implement the mandatory fortification of refined sugar. Consumers will not patronize the product.

In the light of the above considerations, the amendment R.A. 8976 by removing or excluding refined sugar from the list of products covered by mandatory food fortification with vitamin A is earnestly proposed.



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AN ACT
TO REMOVE OR EXCLUDE REFINED SUGAR FROM THE LIST OF
PRODUCTS COVERED BY THE MANDATORY FOOD
FORTIFICATION WITH VITAMIN A, AMENDING FOR THE
PURPOSE REPUBLIC ACT NO. 8976, OTHERWISE KNOWN AS
THE "PHILIPPINE FOOD FORTIFICATION ACT OF 2000"

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

SECTION 1. Section 3 of Republic Act No. 8976, otherwise known as the "Philippine Food Fortification Act of 2000", is hereby amended to read as follows:

"Section 3. *Definition of Terms.* - For purposes of this Act, the following terms shall mean:

- (a) xxx.
- (b) xxx.
- (c) xxx.
- (d) xxx.
- (e) xxx.
- (f) Manufacturer - the refinery in case of [refined sugar or] cooking oil, the miller in case of flour or rice, or the importer in case of imported processed foods or food products or the processor in case of other processed foods or food products."

SECTION 2. Section 6 of the same Act is hereby amended to read as follows:

"Section 6. *Mandatory Food Fortification.* - (a) the fortification of staple foods based on standards set by the DOH through the BFAD is hereby made mandatory for the following:

- (1) Rice - with Iron;
- (2) Wheat Flour - with vitamin A and Iron;
- [(3)] Refined Sugar - with vitamin A;
- [(4)] (3) Cooking Oil - with vitamin A; and
- [(5)] (4) Other staple foods with nutrients as may later required by the NNC.

(b) The fortification of processed foods or food products under this Section shall be undertaken by the manufacturers: Provided, That in the case of imported processed foods or food products, the required fortification shall be done by the producers/manufacturers of such imported processed foods or food products. Otherwise, the importer shall have responsibility of fortifying the imported processed foods or food products before said products are allowed to be distributed or sold to the public: Provided, further, That the implementation of the mandatory fortification for wheat flour, [refined sugar,] cooking oil, and rice, including those milled and/or distributed by the National Food Authority shall commence after 4 years from the effectivity of the Act.

(c) xxx.

(d) xxx.

(e) Imported rice, wheat flour, [refined sugar,] cooking oil and other processed foods or food products that may identified later by the NNC, shall comply with the requirements of this Act on entry in country, at the end of the manufacturing process and/or at all points of sale and distribution."

SECTION 3. Section 8 of the same Act is hereby amended to read as follows:

"Section 8. *Implementation, monitoring and Review* - The DOH through the BFAD shall be the lead agency for the implementation and monitoring of this Act while the NNC, the policy-making and coordinating body on nutrition, shall serve as the advisory board on food fortification.

XXX.

XXX.

The local government units through their health officers or agricultural officers or nutritionist-dieticians or the sanitary inspectors shall assist in monitoring/checking that foods to be mandated to be fortified like rice, [refined sugar,] wheat flour and cooking oil are properly fortified and labeled with "nutrition facts" indicating the specific micronutrient it was fortified with."

SECTION 4. *Repealing Clause.* All laws, decrees, executive orders, rules and regulations inconsistent herewith, are hereby repealed or modified accordingly.

SECTION 5. *Separability Clause.* If any provision of this Act is held invalid or declared unconstitutional, the other provisions which are not affected thereby shall remain valid and subsisting.

SECTION 6. This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in two (2) newspapers of general circulation, whichever comes first.

Approved,