

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress
Third Regular Session

COMMITTEE REPORT NO. 2659

Submitted by the Committees on Agriculture Food and Appropriations on
30 JAN 2013 **6880**

Re: House Bill No. _____

Recommending its approval in substitution of House Bill No. 6113

Sponsors: Representatives Mark Llandro L. Mendoza, Alfredo 'Albee' B. Benitez and
Jocelyn Sy-Limkaichong

Mr. Speaker:

The Committee on Agriculture & Food and the Committee on Appropriations to which was referred House Bill No. 6113, introduced by Representative Alfredo 'Albee' B. Benitez, entitled:

**AN ACT STRENGTHENING THE DEVELOPMENT OF THE SUGAR
CANE INDUSTRY, ESTABLISHING THE SUGAR CANE INDUSTRY
DEVELOPMENT FUND, AMENDING FOR THE PURPOSE
PRESIDENTIAL DECREE NO. 1890, PROVIDING FUNDS
THEREFOR AND FOR OTHER PURPOSES**

has considered the same and has the honor to recommend to the House that the attached House Bill No. **6880**, entitled:

**AN ACT STRENGTHENING THE DEVELOPMENT OF THE SUGAR
CANE INDUSTRY BY ESTABLISHING THE SUGAR CANE
INDUSTRY DEVELOPMENT FUND, PROVIDING FUNDS
THEREFOR AND FOR OTHER PURPOSES**

be approved in substitution of House Bill No. 6113, with Representatives Alfredo 'Albee' B. Benitez, Mark Llandro Mendoza, Jesus Crispin Remulla, Jocelyn Sy-Limkaichong, Jesus Crispin Remulla, Tomas Apacible, Robert Raymund Estrella, Daryl Grace Abayon, Cresente Paez, Jun Omar Ebdane, and Alejandro Mirasol as authors thereof.

Respectfully submitted,


MARK LLANDRO L. MENDOZA
Chairperson
Committee on Agriculture & Food

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. **6880**

AN ACT
STRENGTHENING THE SUGAR CANE INDUSTRY BY ESTABLISHING THE
SUGAR CANE INDUSTRY DEVELOPMENT FUND, PROVIDING FUNDS THEREFOR
AND FOR OTHER PURPOSES

Introduced by Representatives Alfredo "Albee" B. Benitez, Mark Llandro L. Mendoza, Jesus Crispin Remulla, Jocelyn Sy-Limkaichong, Tomas Apacible, Robert Raymund Estrella, Daryl Grace Abayon, Cresente Paez, Jun Omar Ebdane, and Alejandro Mirasol

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

1 **SECTION 1. Short Title** – This Act shall be known as the "Sugar Cane Industry
2 Development Act of 2013".
3

4 **SEC 2. Declaration of Policy.** – It is hereby declared the policy of the State to provide
5 policy directions and support programs/projects for the sustained development and
6 diversification of the sugarcane industry inasmuch as the industry provides employment and
7 livelihood to a sizeable number of Filipinos in the agricultural sector, contributes significantly to
8 the national economy as well as local economies of host provinces, earns for the country foreign
9 reserves from exports to other countries, and is vital for food sufficiency and energy security of
10 the country.
11

12 It is hereby further declared that the development and diversification of the sugarcane
13 industry shall be directed primarily to the increase in incomes of the farmers, the enhancement of
14 the productivity of sugar planters and sugar mills and the improvement in marketing and trading
15 practices.
16

17 **SEC. 3- Development of the Sugar Cane Industry**—The main focus of the development
18 of the sugar industry shall be on the following measures, programs and projects:
19

20 **A. Industry-wide development**
21

- 22 1. The transformation of sugarcane industry from the limited "raw and refined sugar
23 production" into a diversified industry producing not mainly raw and refined sugar,
24 but also power, waste disposition and other possible biochemical products primarily
25 through integration of by-products production with sugar processing;

2. The establishment of Special Economic Zones for Sugarcane Industry pursuant to R.A. No. 7916 (Special Economic Zone Act of 1995), and/or the designation and establishment of nuclear farms/Agro-Industrial Districts for Sugarcane Industry entitled to the existing fiscal incentives under Book VI of Executive Order No. 226 otherwise known as the Omnibus Investments Code of 1987 as well as Sections 4,5, 6 and 7 of R.A. 10000 (The Agri-Agra Reform Credit Act of 2009), promoting, among others, block/corporate farming to achieve economies of scale;
3. The development of programs that are environment friendly and will attract investment in the development, production, or manufacture of products derived from sugarcane, sugar, molasses, cane juice, crop waste, bagasse, filter mud and other by-products and co-products of sugarcane milling;
4. The institution of marketing programs that will lead to expansion of markets for sugarcane and by-products;
5. The building and/or improvement of existing trans-loading ports for export or coast-wide transport of sugar and its by products in key sugar producing areas through various programs or projects of other government agencies such as National Economic Development Authority (NEDA), Department of Transportation and Communication (DOTC) and Philippine Ports Authority (PPA);
6. The development of a sugar cane industry that shall benefit sugar farmers, planters and mill workers;
7. The encouragement and intensification of farm productivity improvement, including but not limited to farm mechanization, organic farming, fertilization, irrigation, intensified inter-cropping, and dispersal of planting materials and improved high yielding varieties;
8. The sustained support/conduct/sponsorship of research and development on the sugar cane industry including, among others, high yielding varieties, farm implements, farm methodologies, by-products profitability and marketing/promotion techniques, new manufacturing chemical and biotechnologies for bagasse, molasses and other by-products, weather monitoring and soil fertility mapping;

B. Regulation of sugar industry

1. The effective monitoring of the withdrawal, transfer, transport and movement of sugar and premixes: Provided, That, all sugar warehouses and storage facilities are required to register with the Sugar Regulatory Administration (SRA);
2. The institution of electronic quedanning, expansion of quedanning to molasses and the implementation of the quedan system under Republic Act No. 2137 (Warehouse Receipts Law);

3. The classification of imported sugar and premixes as either "C", "D", or "E" when imported at a time when there is a sufficiency sugar stocks: Provided, That the Bureau of Customs (BOC) shall not release imported sugar and premixes without requisite SRA clearances and classification;
4. The export of refined sugar to the world market shall be subjected to VAT zero percent rate from the time it is withdrawn or released from the sugar mill/refinery including refined sugar withdrawn for constructive export to Customs Bonded Warehouse (CBW) of food processors that are duly licensed and registered with SRA;
5. The wastewater discharge of mills that meet the standard of the Department of Agriculture on safe re-use of waste water for irrigation and other agricultural purposes shall not be imposed any discharge fee.

C. Fund management

The management and proper utilization and disposition of the Sugarcane Industry Development Fund established under Sec. 4 of this Act, with special emphasis on the industry's contribution to the food security program of the national government.

SEC. 4 -Establishment of Sugar Cane Industry Development Fund

- a. There is hereby established a Sugar Cane Industry Development Fund ("Sugar Fund") to support the implementation of the development strategy identified in Sec. 3 of this Act. The Sugar Fund shall be held in trust by the Philippine Sugar Corporation created under P.D. 1890.
- b. Initially, the Sugar Fund shall be utilized for the following specific purposes:
 1. Finance the establishment of Special Economic Zones, nuclear farms/Agro-Industrial Districts as provided for in Sec 3 A.2 of this Act;
 2. Provide financial assistance in the form of loans, guarantee and other suitable credit commodities or arrangements (e.g. Farmers Trust, Special Purpose Vehicles) to the sugar farmers, planters and mills covering purchase of seedlings, cane varieties, pesticides and fertilizer; acquisition of farm machinery and equipment; construction of farm to market roads; and construction or building of irrigation or water impounding facilities and water distribution networks;
 3. Provide financial conduiting/resources for industries harnessing the efficient use of the energy potential of the sugar cane (e.g. the Ethanol program) and utilization of farm wastes (e.g. bagasse as raw material for pulp and paper, boards and furfural and animal feeds) and other by-products using chemical and biotechnologies;

4. Conduct researches or feasibility studies to improve efficiency and productivity of farms and mills, identify areas for diversification, identify and develop other markets for sugar and its by-products and co-products particularly in the area of renewable energy and biochemical industry;
 5. Training of mill personnel on current technologies on efficiency, productivity and diversification; and
 6. Finance socio-economic programs for sugar farmers and mill workers including but not limited to livelihood programs and trainings in addition to the programs under Republic Act 6982 (Strengthening the Social Amelioration program in the sugar industry)
- c. The Sugar Fund shall be constituted out of the existing funds and appropriations for the agriculture and fisheries modernization such as:
1. The Agricultural Competitiveness Enhancement Fund (ACEF) – The Department of Agriculture (DA), in consultation with the Congressional Oversight Committee on Agriculture and Fisheries Modernization (COCAFAM), shall allocate annually from year 2013-2015 or until all ACEF funds are exhausted, and shall continue with any extension thereof, a portion of ACEF to fund the infrastructure support projects of the sugarcane industry such as farm-to-mill roads and irrigation, product development, and research & development projects to include all its subsectors, namely, farm sector, sugar sector, bioethanol sector, power generation sector and farm/mill support industries sector such as recipients or beneficiaries of funding support;
 2. The General Appropriations for the Agriculture Sector – The DA shall provide allocation to the sugarcane industry and all its subsectors from its annual General Appropriations Act (GAA) or from the Agriculture and Fisheries Modernization Act (AFMA) funds and prioritize the programs/projects of the sugarcane industry in its annual expenditure prioritization plan for ten successive fiscal years (FY 2014-FY2023).
 3. All sugar-producing local government units (LGUs) shall allocate a portion of their Incremental Reformed-Value-Added Tax – Internal Revenue Allotment (R-VAT –IRA) for the infrastructure and Research, Development & Extension (RD&E) projects of the sugarcane industry to include all its subsectors stated in Section 4.c1.

SEC. 5. *Board of Directors of the Philippine Sugar Corporation.* The powers and functions of the Philippine Sugar Corporation (PHILSUCOR), created under Presidential Decree No. 1890, shall be exercised by a Board of Directors referred to as the 'Board' which shall be composed of eleven (11) members, as follows:

- 1 (a) the Administrator of the Sugar Regulatory Administration (SRA), Chairperson;
2
3 (b) the President of the Philippine Sugar Corporation (PHILSUCOR), Vice-chairperson;
4 and
5
6 (c) the remaining nine (9) members nominated by SRA, of which five (5) shall come
7 from the sugar farmers sector and four (4) from the sugar millers sector.
8

9 Except for ex-officio members of the Board, the appointment and qualification of the
10 other members of the Board shall be in accordance with Republic Act No. 10149 or the 'GOCC
11 Governance Act of 2011'.
12

13 **SEC. 6. *Implementing Agency.*** — The Sugar Regulatory Administration (SRA) shall
14 formulate a Ten-year Sugarcane Industry Development Program (SIDP 2014-2023) which shall
15 be reviewed and updated annually, in consultation with the major stakeholders of the sugarcane
16 industry and its subsectors which shall serve as basis for the program / project proposals that
17 shall be submitted to the COCAFM, the DA and the LGUs for funding as provided for in
18 Sections 4.c1, 4.c2 and 4.c3.
19

20 **SEC. 7. *Transitory Provisions.*** — Upon the effectivity of this Act, the positions in the
21 Board of Directors of PHILSUCOR shall be deemed vacant, and the President shall appoint new
22 members based on the provision of this Act; *Provided*, however, That the members of the Board
23 shall hold over until the new members are appointed.
24

25 **SEC.8. *Separability Clause.*** — If any provision of this Act is declared unconstitutional,
26 the validity of the remaining provisions hereof shall remain in full force and effect.
27

28 **SEC. 9. *Repealing Clause.*** — Section 8 of Presidential Decree No. 1800 is hereby
29 repealed. Other laws, decrees, executive orders and rules and regulations or part or parts thereof
30 inconsistent with any provision of this Act are hereby repealed, modified or amended
31 accordingly.
32

33 **SEC. 10. *Effectivity Clause.*** — This Act shall take effect fifteen (15) days after its
34 complete publication in the Official Gazette or in at least two (2) newspapers of general
35 circulation.
36

37 **Approved,**

FACT SHEET

House Bill No. 6113

AN ACT STRENGTHENING THE DEVELOPMENT OF THE SUGAR CANE INDUSTRY, ESTABLISHING THE SUGAR CANE INDUSTRY DEVELOPMENT FUND, AND AMENDING SECTION 8 OF PRESIDENTIAL DECREE NO. 1890, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES

Introduced by **Rep. ALFREDO "ALBEE" B. BENITEZ**
Committee Referral: **COMMITTEE ON AGRICULTURE AND FOOD**
Committee Chairperson: **REPRESENTATIVE MARK LLANDRO L. MENDOZA**

OBJECTIVE:

- To revitalize and strengthen the sugar cane industry through diversification, development, and financing program promoting the interests of sugar cane farmers/planters, mills workers and consumers as well as contributing to the food security objectives of the national government.

KEY PROVISIONS:

- Establishes the Sugar Cane Industry Development Fund (Sugar Fund), to be held in trust by the Philippine Sugar Corporation (PhilSuCor) created under P.D. 1890. The Sugar Fund shall be constituted out of the existing funds and appropriations for the agriculture and fisheries modernization such as:
 - a. Agricultural Competitiveness Enhancement Fund; and
 - b. General Appropriations for the Agriculture Sector;
 - c. Incremental R-VAT (RA 9337) which forms part of the LGU-IRA.
- Establishes Special Economic Zones for the Sugar Cane Industry, and/or the designation and establishment of nucleus farms / agri-industrial districts for the sugar industry.
- Develops programs that are environment friendly and will attract investment in the development, production, or manufacture of products, by-products and co-products of sugar cane milling.
- Provides financial assistance to the sugar farmers, planters and mills covering purchase of seedlings, cane varieties, pesticides and fertilizer; acquisition of farm machinery and equipment; construction of farm to market roads; and construction or building of irrigation or water impounding facilities and water distribution networks.

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HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 6113

**AN ACT STRENGTHENING THE DEVELOPMENT OF THE SUGAR CANE
INDUSTRY, ESTABLISHING THE SUGAR CANE INDUSTRY
DEVELOPMENT FUND, AMENDING FOR THE PURPOSE PRESIDENTIAL
DECREE NO. 1890, PROVIDING FUNDS THEREFOR AND FOR OTHER
PURPOSES**

Introduced by Honorable **Alfredo "Albee" B. Benitez**
3rd District, Negros Occidental

EXPLANATORY NOTE

Traditionally, the Sugar Industry has been given extraordinary support by the government through various legislations and financial accommodations, primarily because of the critical contribution of the Sugar export industry in the country's economic development. Hence, in 1937, the Philippine Sugar Administration was created, renamed it as the Sugar Quota Administration in 1957, followed by the various Presidential Decrees during the Marcos Administration and finally the Sugar Regulatory Administration (SRA) Executive Order 18 in 1986 was established.

The volatility and fluctuations of the price of sugar (raw and refined) in the world market had resulted in the various phase of government's interference over the years. The apparent neglect of the development of the Sugar by-products further aggravated uncertainty in the future of the sugarcane industry.

By 2015, the tariff on sugar shall be finally lifted. This scenario has spawned numerous reactions of uncertainty from the sugar planters, millers and consumers alike.

It is therefore, incumbent upon our policy-makers to institute measures, both by legislation and executive implementation of specific programs and projects that will cushion if not counter the possible destabilization effects of the 2015 "no-tariff" provision of the sugar cane industry as a whole.

This bill therefore aims to revitalize and strengthen the Sugar cane Industry through a diversification, development, and financing program promoting the interests of sugarcane farmers/planters, mills workers and consumers as well as contributing to the food security objectives of the national government.

Specifically, programs and projects to diversify sugar cane production involving not only raw and refined sugar but also its by-products namely bagasse, molasses and filter mud, among others shall be identified, developed, promoted and implemented starting 2013. Additionally, funding for these programs and projects shall be assured through the establishment of a Sugar Development Fund.

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



ALFREDO "ALBEE" B. BENITEZ

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 6113

**AN ACT STRENGTHENING THE DEVELOPMENT OF THE SUGAR CANE
INDUSTRY, ESTABLISHING THE SUGAR CANE INDUSTRY DEVELOPMENT
FUND, AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1890,
PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES**

Introduced by Honorable **Alfredo "Albee" B. Benitez**
3rd District, Negros Occidental

SECTION 1. *Short Title* – This Act shall be known as the “Sugar Cane Industry Development Act of 2012”.

SEC 2. *Declaration of Policy.* – It is hereby declared the policy of the State to provide policy directions and support programs/projects for the sustained development and diversification of the sugarcane industry inasmuch as the industry provides employment and livelihood to a sizeable number of Filipinos in the agricultural sector, contributes significantly to the national economy as well as local economies of host provinces, earns for the country foreign reserves from exports to other countries, and is vital for food sufficiency and energy security of the country.

For the reasons stated, it is hereby further declared that the development and diversification of the sugarcane industry shall be directed primarily to the increase in incomes of the farmers, the enhancement of the productivity of sugar planters and sugar mills and the improvement in marketing and trading practices in terms of administrative, policy directives and financial assistance to the sugarcane industry in support of the food security objectives and environmental concerns of the national government.

SEC. 3- *Development of the Sugar Cane Industry—*

The main focus of the development of the sugar industry shall be on the following measures, programs and projects:

A. Industry-wide development

1. In general, the transformation of sugarcane industry from the limited “raw and refined sugar production” into a diversified industry producing not mainly raw and refined sugar, but also power, waste disposition and other possible biochemical products primarily through integration of by-products production with sugar processing;
2. The establishment of Special Economic Zones for Sugarcane Industry pursuant to R.A. No. 7916 (Special Economic Zone Act of 1995), and/or the designation and establishment of nuclear farms/Agro-Industrial Districts for Sugarcane Industry to be entitled to the existing fiscal incentives under Book VI of Executive Order No. 226 otherwise known as the Omnibus Investments Code of 1987 as well as Sections 4,5, 6 and 7 of R.A. 10000 (The Agri-Agra Reform Credit Act of 2009), promoting, among others, block/corporate farming to achieve economies of scale;
3. The development of programs that are environment friendly and will attract investment in the development, production, or manufacture of products derived from sugarcane, sugar, molasses, cane juice, crop waste, bagasse, filter mud and other by-products and co-products of sugarcane milling;
4. The institution of marketing programs that will lead to expansion of markets for sugarcane and by-products;
5. The building and/or improvement of existing trans-loading ports for export or coast-wide transport of sugar and its by products in key sugar producing areas through various programs or projects of other government agencies such as NEDA, DOTC and PPA;
6. The development of a sugar cane industry that shall benefit sugar farmers, planters and mill workers;
7. The encouragement and intensification of farm productivity improvement, including but not limited to farm mechanization, organic farming, fertilization, irrigation, intensified inter-cropping, and dispersal of planting materials and improved high yielding varieties;

8. The sustained support/conduct/sponsorship of research and development on the sugar cane industry including, among others, high yielding varieties, farm implements, farm methodologies, by-products profitability and marketing/promotion techniques, new manufacturing chemical and biotechnologies for bagasse, molasses and other by-products, weather monitoring and soil fertility mapping;

B. Regulation of sugar industry

1. The effective monitoring of the withdrawal, transfer, transport and movement of sugar and premixes; provided, that, all sugar warehouses and storage facilities are required to register with SRA.
2. The classification of imported sugar and premixes as either "C", "D", or "E" when imported at a time when there is a sufficiency sugar stocks; provided, that the Bureau of Customs (BOC) shall not release imported sugar and premixes without requisite SRA clearances and classification;
3. The export of refined sugar to the world market shall be subjected to VAT zero percent rate from the time it is withdrawn or release from the sugar mill/refinery including refined sugar withdrawn for constructive export to CBW warehouse of food processors that are duly licensed and registered with SRA;
4. The wastewater discharge of mills that meet the standard of the Department of Agriculture on safe re-use of waste water for irrigation and other agricultural purposes shall not be imposed any discharge fee.

C. Fund management

1. The management and proper utilization and disposition of the Sugarcane Industry Development Fund established under Sec. 4 of this Act, with special emphasis on the industry's contribution to the food security program of the national government.

SEC. 4 -Establishment of Sugar Cane Industry Development Fund

1. There is hereby established a Sugar Cane Industry Development Fund ("Sugar Fund") to support the implementation of the development strategy identified in Sec. 3 of this Act. The Sugar

Fund shall be held in trust by the Philippine Sugar Corporation created under P.D. 1890.

2. Initially, the Sugar Fund shall be utilized for the following specific purposes:
 - a. Finance the establishment of Special Economic Zones, nuclear farms/Agro-Industrial Districts as provided for in Sec 4 (2. a) of this Act;
 - b. Provide financial assistance to the sugar farmers, planters and mills covering purchase of seedlings, cane varieties, pesticides and fertilizer; acquisition of farm machinery and equipment; construction of farm to market roads; and construction or building of irrigation or water impounding facilities and water distribution networks;
 - c. Provide financial conduiting/resources for industries harnessing the efficient use of the energy potential of the sugar cane (e.g. the Ethanol program) and utilization of farm wastes (e.g. bagasse as raw material for pulp and paper, boards and furfural and animal feeds) and other by-products using chemical and biotechnologies;
 - d. Conduct researches or feasibility studies to improve efficiency and productivity of farms and mills, identify areas for diversification, identify and develop other markets for sugar and its by-products and co-products particularly in the area of renewable energy and biochemical industry;
 - e. Training of mill personnel on current technologies on efficiency, productivity and diversification;
 - f. Finance socio-economic programs for sugar farmers and mill workers including but not limited to livelihood programs and trainings in addition to the programs under Republic Act 6982 (Strengthening the Social Amelioration program in the sugar industry);
 - g. Scholarships for deserving university/college students taking relevant degrees to the sugar cane industry; and
3. The Sugar Fund shall be constituted and collected from the proceeds of fifteen percent (15%) of:
 - a. The Value Added Tax (VAT) on the sale and importation of refined sugar, and sugar cane by-products; and
 - b. The total tariff collected on the importation of raw sugar (AHTN 1701.11.00), refined sugar (AHTN 1701.99 and its subheadings), and premix sugar (AHTN 1701.91.00 and 2106.90.52).

All the proceeds collected from the above sources shall be remitted in full by the Department of Finance to a separate trust fund maintained by the Philippine Sugar Corporation (PhilSuCor), created under P.D 1890, on or before August 1 of every year;

provided, that the PhilSuCor shall utilize and disburse such trust fund in accordance with the purposes enumerated in Sec. 3 of this Act and its Implementing Rules and Regulations; *provided further*, that only the interest earnings of the trust fund shall be available for the operational expenses of implementing the purposes of the trust fund; *provided moreover*, that the year-end cumulative financial balance of the trust fund shall constitute as the minimum matching amount of credit available to the sugarcane industry under Sec. 6 of R.A. 10000 (the Agri-Agra Reform Credit Act of 2009); and *provided finally*, that this trust fund shall be audited by the Commission on Audit separately from the other funds/accounts of PhilSuCor.

SEC. 5. *Members of the Board of the Philippine Sugar Corporation--* Section 8 of P.D. 1890 is hereby amended as follows:

“(a) THE ADMINISTRATOR OF THE SUGAR REGULATORY COMMISSION SHALL BE THE CHAIRMAN OF THE BOARD”;

“(b) XXX

“(c) THE ADMINISTRATOR OF THE SUGAR REGULATORY COMMISSION SHALL BE THE CHAIRMAN OF THE BOARD”;
ALL THE ELEVEN MEMBERS OF THE BOARD SHALL BE NOMINATED BY SRA OF WHICH FIVE (5) SHALL COME FROM THE SUGAR FARMERS SECTOR, FIVE (5) FROM THE SUGAR MILLERS SECTOR AND ONE (1) FROM THE INTERNATIONAL TRADER SECTOR;

SEC. 6. *Transitory Provisions.* – Upon the effectivity of this Act, the positions in the Board of Directors of PHILSUCOR shall be deemed vacant, and the President shall appoint new members based on the provision of this Act; *provided*, however, the members of the Board shall hold over until the new members are appointed.

SEC. 7. *Implementing Agency.* – The Sugar Regulatory Administration (SRA) shall be the primary implementing agency of this Act. The SRA, together with the PhilSuCor and representatives of sugar farmers, planters and mills, shall formulate the implementing rules and regulations that shall, among others, identify and establish the requirements and restrictions governing the execution of the above purposes no later than three (3) months from the effectivity of this Act.

SEC. 8. *Repealing Clause.* — All laws, decrees, executive orders and rules and regulations or part or parts thereof inconsistent with any provision of this Act are hereby repealed, modified or amended accordingly.

SEC. 9. *Separability Clause.* — If any provision of this Act is declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SEC. 10. *Effectivity.* — This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

HON. JOCELYN S. LIMKAICHONG

*Representative, 1st District, Negros Oriental
Chairperson, Committee on Appropriations*

January 22, 2013

HON. MARK LLANDRO L. MENDOZA

*Chairperson
Committee on Agriculture and Food*

Dear **Chairperson Mendoza**:

Please be informed that the Committee on Appropriations in its meeting held today at Conference Rooms 14 and 15, Ramon V. Mitra Building, approved to report out Substitute Bill to House Bill No. 6113, titled, **"AN ACT STRENGTHENING THE DEVELOPMENT OF THE SUGAR CANE INDUSTRY, ESTABLISHING FOR THE PURPOSE THE SUGAR CANE INDUSTRY DEVELOPMENT FUND AND AMENDING SECTION 8 OF PRESIDENTIAL DECREE NO. 1890, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES"**, with the following amendments:

1. On Section 4, Subsection 3, page 4, lines 35 - 46 and page 5, lines 1 - 21, delete the whole subsection and in lieu there of substitute the following:

3. THE SUGAR FUND SHALL BE CONSTITUTED OUT OF THE EXISTING FUNDS AND APPROPRIATIONS FOR THE AGRICULTURE AND FISHERIES MODERNIZATION SUCH AS:

A. AGRICULTURAL COMPETITIVENESS & ENHANCEMENT FUND (ACEF) – THE DEPARTMENT OF AGRICULTURE (DA), IN CONSULTATION WITH THE CONGRESSIONAL OVERSIGHT COMMITTEE ON AGRICULTURE AND FISHERIES MODERNIZATION (COCAFM), SHALL ALLOCATE ANNUALLY FROM YEAR 2013 TO 2015 OR UNTIL ALL ACEF FUNDS ARE EXHAUSTED, AND SHALL CONTINUE WITH ANY EXTENSION THEREOF, A PORTION OF ACEF TO FUND THE INFRASTRUCTURE SUPPORT PROJECTS OF THE SUGARCANE INDUSTRY SUCH AS FARM-TO-MILL ROADS AND IRRIGATION, PRODUCT DEVELOPMENT, AND RESEARCH & DEVELOPMENT PROJECTS TO INCLUDE ALL ITS SUBSECTORS,

NAMELY, FARM SECTOR, SUGAR SECTOR, BIOETHANOL SECTOR, POWER GENERATION SECTOR AND FARM/MILL SUPPORT INDUSTRIES SECTOR AS RECIPIENTS OR BENEFICIARIES OF FUNDING SUPPORT.

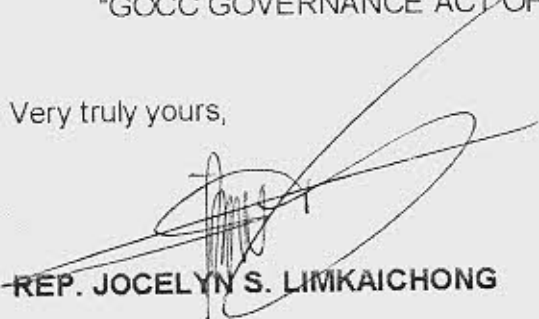
B. GENERAL APPROPRIATIONS FOR THE AGRICULTURE SECTOR – THE DA SHALL PROVIDE ALLOCATION TO THE SUGARCANE INDUSTRY AND ALL ITS SUBSECTORS FROM ITS ANNUAL GAA OR AFMA FUNDS AND PRIORITIZE THE PROGRAMS / PROJECTS OF THE SUGARCANE INDUSTRY IN ITS ANNUAL EXPENDITURE PRIORITIZATION PLAN FOR TEN SUCCESSIVE FISCAL YEARS (FY 2014 - FY 2023).

ALL SUGAR-PRODUCING LOCAL GOVERNMENT UNITS (LGUS) SHALL ALLOCATE A PORTION OF THEIR INCREMENTAL R-VAT-IRA FOR THE INFRASTRUCTURE AND R, D & E PROJECTS OF THE SUGARCANE INDUSTRY TO INCLUDE ALL ITS SUBSECTORS MENTIONED IN SECTION 4.3.A.

2. On Section 5, subsection (d) page 6, lines 4 - 5, delete the sentence " The members of the Board shall hold office for one year, or until their successors have been appointed and qualified.", and in lieu thereof, substitute the following:

(d) EXCEPT FOR EX-OFFICIO MEMBERS OF THE BOARD, THE APPOINTMENT AND QUALIFICATION OF THE OTHER MEMBERS OF THE BOARD SHALL BE IN ACCORDANCE WITH R.A. NO. 10149 OR THE "GOCC GOVERNANCE ACT OF 2011".

Very truly yours,



REP. JOCELYN S. LIMKAICHONG

cc: Hon. Alfredo B. Benitez
Hon. Jesus Crispin Remulla
Hon. Tomas Apacible
Hon. Robert Raymund Estrella
Hon. Cresente Paez
Hon. Jun Omar Ebdane
Hon. Alejandro Mirasol
Hon. Daryl Grace Abayon



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

14 August 2012

HON. MARK LLANDRO L. MENDOZA
Chairman
Committee on Agriculture and Food
House of Representatives

Dear Chairman Mendoza:

The Committee on Ways and Means in its meeting today, August 14, 2012, has approved with amendment the tax provision on the Unnumbered Substitute Bill to House Bill 6113, entitled, **"AN ACT STRENGTHENING THE DEVELOPMENT OF THE SUGAR CANE INDUSTRY, ESTABLISHING FOR THE PURPOSE THE SUGAR CANE INDUSTRY DEVELOPMENT FUND AND AMENDING SECTION 8 OF PRESIDENTIAL DECREE NO. 1890, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES"**, to wit:

SEC. 3 – Development of the Sugar Cane Industry – x x x

A. Industry-wide development

xxx

2. The establishment of Special Economic Zones for Sugarcane Industry pursuant to R.A. No. 7916 (Special Economic Zone Act of 1995), and/or the designation and establishment of nuclear farms/Agro-Industrial Districts for Sugarcane Industry to be entitled to the existing fiscal incentives under Book VI of Executive Order No. 226 otherwise known as the Omnibus Investments Code of 1987 as well as Sections 4,5,6 and 7 of R.A. 10000 (The Agri-Agra Reform Credit Act of 2009), promoting, among others, block/corporate farming to achieve economies of scale.

xxx

COMMITTEE ON WAYS & MEANS

Noth Basement
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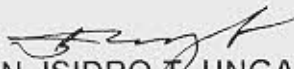
B. Regulation of sugar industry

xxx

4. The export of refined sugar to the world market shall be subjected to VAT zero percent rate from the time it is withdrawn or released from the sugar mill/refinery including refined sugar withdrawn for constructive export to [CBW warehouse] **CUSTOMS BONDED WAREHOUSE (CBW)** of food processors that are duly licensed and registered with SRA.

Thank you.

Very truly yours,


HON. ISIDRO T. UNGAB
Chairman

PRESIDENTIAL DECREE NO. 1890
PRESIDENTIAL DECREE NO. 1890 - CREATING THE PHILIPPINE SUGAR
CORPORATION

WHEREAS, among the export products of the Philippines, sugar has proven to be one of the biggest and most reliable sources of foreign exchange earnings, accounting for an industry average of US\$450 million annually for the last ten years;

WHEREAS, many of the obligations of the sugar mills, refineries, and other sugar facilities acquired after the war at heavy financing cost to rehabilitate the damaged sugar industry remain unpaid and in arrears, creating an onerous burden not only to their owners but to the local financing institutions;

WHEREAS, in view of their vital role in our economy, it is hereby declared as a governmental policy to continue assisting the sugar industry through a government corporation especially charged and empowered to design and implement a program for sugar mills, refineries and other sugar facilities.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, hereby order and decree:

Section 1. Philippine Sugar Corporation. — There is hereby created a body corporate to be known as the Philippine Sugar Corporation.

Section 2. Primary Purposes. — The primary purposes of the Corporation shall be as follows:

- a) To provide financing in the acquisition, rehabilitation and/or expansion of sugar mills, refineries, and other related facilities used in the manufacture, packing, storage, distribution, and shipment of sugar and its by-products and derivatives;
- b) To see to the viability and stability in the operation of the aforesaid entities; and
- c) To provide for the eventual redemption and/or reacquisition of the aforesaid entities by the private sector.

Section 3. Functions. — The Corporation shall have the following functions:

- a) To render assistance to sugar mills, refineries, and other related facilities either in the form of loans, guarantees, investment in equity, outright purchase, lease, management, including other suitable credit accommodations or arrangements;
- b) To borrow and lend money for itself or for sugar accounts, to issue bonds and debentures from time to time as may be necessary and/or to guarantee obligations in accordance with its corporate purposes and actions;
- c) To assist in the repayment and/or restructuring of the accounts of sugar mills, refineries, and other related facilities used in the manufacture, packing, storage, distribution, and shipment of sugar and its by-products and derivatives;

(d) To provide assistance in the preparation, financing and execution of sugar development or expansion programs including the formulation of specific project proposals;

(e) To acquire during the duration of the indebtedness of each mill through importation and/or local purchase of such equipment, machinery, spare parts as may be necessary for the development, expansion, and/or rehabilitation of such sugar mills, refineries, transport systems, storage facilities and other activities in the manufacture, packing, distribution and shipment of sugar and hauling or transportation of sugar cane in which Philippine Sugar Corporation may have an interest, including agricultural machinery and road construction and maintenance equipment to be used in the Mill District concerned;

(f) To acquire, operate, lease, or manage sugar mills, refineries, and other related facilities used in the manufacture, packing, storage, distribution, and shipment of sugar and its by-products and derivatives.

Section 4. Corporate Powers. — The Corporation is hereby authorized to enter into contracts or own real and personal property, and to pledge, encumber, transfer or otherwise dispose of the same; to borrow and lend money and/or guarantee obligations in accordance with its corporate purposes and functions; to sue and be sued; and otherwise to do and perform any and all things that may be necessary or proper to carry out its purposes and functions as specified in this Decree, or as essential to the proper conduct of its operations.

Section 5. Borrowing and other Miscellaneous Powers. — In addition to the powers specified elsewhere in this Decree, the Corporation shall have the power:

(a) To borrow funds locally through loan as debtor or guarantor of loans of sugar mills refineries and other related facilities and subsidiaries of the Corporation, float bonds and debentures, and avail of other credit accommodations and facilities; and in the case of foreign loans, to negotiate for itself or as Guarantor, in accordance with Central Bank rules and regulations and upon the recommendation of the Minister of Finance and finally subject to the approval of the President of the Philippines;

(b) To buy and sell securities that the Corporation has issued or guaranteed, or those issued by entities in which the Corporation may have an interest;

(c) To underwrite or participate in the underwriting of securities issued by any domestic entity or enterprises for purposes consistent with the purposes of the Corporation;

(d) To invest funds not needed in its operations;

(e) To exercise such other powers and establish such rules and regulations as may be necessary and appropriate in furtherance of its purposes and functions;

(f) To have subsidiaries either by investment in existing companies or by organizing new companies.

Section 6. Operating Guidelines. — The operations of the Corporation shall be conducted in accordance with the following guidelines:

(a) The Corporation may borrow funds for re-lending, subject to a service charge, to sugar mills, refineries, etc. or as an investment in equity.

(b) The Corporation may float bonds from time to time up to Six Billion Pesos (P6 Billion) under such

terms and conditions as may be approved under existing procedures.

(c) The Corporation may assist the sugar mills, refineries, and sugar facilities in obtaining loans from local and foreign sources at advantageous terms, subject to the guarantee of the Corporation, if necessary.

(d) Where the control of the sugar mills, refineries, or sugar facilities is transferred to the Corporation, the management or supervision may be undertaken through an affiliate or subsidiary of the Corporation organized as a private corporation under the Corporation Law.

(e) The Corporation shall at all times be guided by sound business procedures and principles in its operations.

Section 7. Capital Stock. — The authorized capital stock of the Corporation shall be Five Billion Pesos (P5,000,000,000.00) of which P2 Billion shall be initially subscribed by the Philippine Sugar Commission (65%) and the Philippine National Bank (35%), with an initial paid-in capital of One Hundred Twenty Five Million Pesos (P125 Million).

Section 8. Board of Directors, Composition. — The powers and functions of the Corporation shall be exercised by a Board of Directors, hereinafter referred to as the "Board", which shall be composed of Eleven (11) members, as follows:

(a) ~~The~~ ^{Adm.} Chairman of the Philippine Sugar Commission who shall be the Chairman of the Board.

(b) The President of the Corporation, who shall be the Vice-Chairman of the Board, shall assist the Chairman and act in his stead in case of absence or incapacity.

(c) ~~All~~ All the eleven members of the Board shall be appointed by the President of the Philippines, seven to be nominated by the Philippine Sugar Commission and four by the Philippine National Bank.

(d) The members of the Board shall hold office for one year, or until their successors have been appointed and qualified.

(e) Vacancies in the Board may be temporarily filled by the action of a majority of the other members of the Board, if there is a quorum.

Section 9. Powers of the Board. — The Board shall have the authority:

(a) To formulate policies to carry out effectively the provisions of this Decree.;

(b) To prepare and issue rules and regulations necessary for the effective discharge of the responsibilities and exercise of the powers assigned to the Corporation under this Decree;

(c) To direct the management, operations and administration of the Corporation;

(d) On the recommendation of the President of the Corporation, appoint, fix the remunerations and other emoluments, and remove the personnel of the Corporation;

(e) To authorize such expenditures by the Corporation as are in the interest of the effective administration and operations of the Corporation.

Meetings. — The Board shall convene as frequently as is necessary, but meet at least once a month.

Stockholders meetings shall be held annually or as may be fixed by the Board of Directors.

Section 11. President. — The Chief Executive Officer of the Corporation shall be the President who shall be appointed by the Board. He shall be assisted by such executive officials as may be necessary for the efficient operations of the Corporation.

Section 12. Powers and Duties of the President. — The powers and duties of the President of the Corporation shall be:

(a) To prepare the agenda for meetings of the Board and to submit for the consideration of the Board the policies and measures which he believes to be necessary to carry out the purposes and provisions of this Decree;

(b) To execute and administer the policies and measures approved by the Board;

(c) To direct and supervise the operations and internal administration of the Board. He may delegate certain of his administrative responsibilities to other officers of the Corporation, subject to the rules and regulations of the Board; and

(d) To exercise such other powers as may be vested in him by the Board.

Section 13. Remuneration of the President. — The salary of the President of the Corporation shall be fixed by the Board. The Board may authorize payment of allowances and other emoluments to the President of the Corporation.

Section 14. Other Officials and Employees of the Corporation. — All officials and employees of the corporation shall be appointed and removed by the Board, on recommendation of the President of the Corporation.

Section 15. Auditor. — The Chairman of the Commission on Audit shall act as the ex-officio Auditor of the corporation and, as such, he is empowered and authorized to appoint a representative who shall be the Auditor of the Corporation and, in accordance with law, fix his salary, and to appoint and fix the salaries and number of the personnel to assist said representative in his work, but in all cases subject to the approval of the Board. The salaries and all other expenses of maintaining the Auditor's office shall be paid by the Corporation.

The funds of the Corporation subject to audit shall be limited to the proceeds of the bond issues and the portion of the accountee-Central/s remittances earmarked for the bond redemption, exclusive of the service charge and other income of the Corporation, to the end that such funds are applied to the specific purposes herein prescribed. The accountee-Central/s shall continue to function as purely private business corporations and shall not be subject to government audit.

Section 16. Effectivity Clause. — This Decree shall take effect immediately.

Done in the City of Manila, this 14th day of November, in the year of our Lord, nineteen hundred and eighty-three.

MINUTES OF THE MEETING OF THE COMMITTEE ON AGRICULTURE AND FOOD, HELD ON 06 JUNE 2012, 9:00 AM, AT CONFERENCE ROOMS 7 & 8, RAMON V. MITRA BLDG., HOUSE OF REPRESENTATIVES, QUEZON CITY

AGENDA:

HB 3259 - AN ACT ENHANCING THE POWERS OF THE SUGAR REGULATORY ADMINISTRATION (SRA) TO BAN THE SMUGGLING OF SUGAR AND ITS DERIVATIVES, AMENDING EXECUTIVE ORDER NO. 18, PROVIDING FUNDS THEREFOR AND ESTABLISHING A POLICY FOR ITS IMPLEMENTATION AND FOR OTHER PURPOSES, Introduced by: Rep. Jeffrey Padilla Ferrer

HB 3265 - AN ACT STRENGTHENING THE SUGAR REGULATORY ADMINISTRATION AND FOR OTHER PURPOSES, Introduced by: Rep. Joseph Victor G. Ejercito

HB 6113 - AN ACT STRENGTHENING THE DEVELOPMENT OF THE SUGAR CANE INDUSTRY, ESTABLISHING THE SUGAR CANE INDUSTRY DEVELOPMENT FUND, AMENDING FOR THE PURPOSE PD NO. 1890, Introduced by: Rep. Alfredo 'Albee' B. Benitez

I. CALL TO ORDER/ROLL CALL

The meeting was called to order at 9:38 AM with Hon. Mark Llandro Mendoza presiding. On a motion made and duly seconded, the calling of the roll was dispensed with.

II. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

On a motion made and duly seconded, the reading of the previous minutes was dispensed with and the same was approved.

III. DELIBERATION ON HB Nos. 3259 & 3265 - STRENGTHENING THE SUGAR REGULATORY ADMINISTRATION

The Chair said that there is a need to look into the charter of the Sugar Regulatory Administration (SRA) to further enhance and strengthen its powers to protect the sugar industry.

Administrator Regina Martin of the SRA said that anti-smuggling can now be addressed by SRA since the Tariff and Customs Code has been placed under the Bureau of Customs.

Rep. Alfredo Benitez stated that there is a need to curb smuggling in the sugar industry, and that approval of the bills will further strengthen the efforts of the government to address smuggling.

On motion duly made and seconded, HB Nos. 3259 and 3265 were approved. The Chair directed the secretariat to prepare a substitute bill in consultation with the stakeholders.

IV. DELIBERATION ON HB No. 6113 - STRENGTHENING THE SUGAR CANE INDUSTRY BY ESTABLISHING FOR THE PURPOSE THE SUGAR CANE INDUSTRY DEVELOPMENT FUND AND AMENDING SECTION 8 OF PD 1890

Rep. Benitez informed the Committee that the lifting of tariff on sugar by 2015 brings forth varied reaction and uncertainty from sugar planters, millers and consumers, hence, it is incumbent upon policymakers to institute measures both by legislation and executive implementation of specific programs and projects that will cushion or counter the possible effects of the 2015 no-tariff provision of the sugarcane industry.

He said that the bill aims to revitalize and strengthen the Sugar Cane Industry through a diversification, development, and financing program promoting the interests of sugarcane farmers/planters, mill workers and consumers as well as contributing to the food security objectives of the national government. He added that the bill is a product of deliberations with the stakeholders including various

sugar federations and the SRA. Furthermore, he emphasized that SRA should give specific details on the intent and objective of the sugarcane bill in order to come up with an IRR that depicts the real intent of the bill.

Administrator Martin explained that SRA is preparing for the 2015 eventuality and has prepared a roadmap for the sugarcane industry which can be a venue for investment, as well as creating a sugarcane agro-industrial economic zone. She said that SRA is working with the sugar stakeholders to come up with a good package and has joined with the Department of Agriculture and Department of Agrarian Reform in terms of funding.

Mr. Roberto Amores, President of the Philippine Food Processors and Exporters Organization, Inc. (PHILFOODEX), informed the committee on the situation of the sugar industry in the country, likewise, he illustrated why the Philippines is lagging behind other ASEAN countries in terms of agro-food exports. He said that our low agro-food export sales are caused by the following factors: (1) inadequate supply of raw materials due to low productivity; (2) high cost of power; (3) poor infrastructure and logistics; and (4) high cost of sugar and other materials. He stressed that the said factors should be considered to strengthen and develop the sugarcane industry.

He suggested that the Committee should make an expansive evaluation to eliminate the economic causes of smuggling by developing new methods of combating it. Moreover, he said that in order to achieve this goal, it is necessary to simplify regulations, to improve the quality of public services, to abolish or reduce the number of business permits and to adopt consistent, clear-cut and transparent legal regulations.

Further, he enumerated their comments and recommendations, to wit: (a) on HB Nos. 3259 and 3265, he asked where will the budget of the proposed Anti-smuggling Task Force come from and also suggested that the fine under Section 7 of the Penal Provision be increased from One Million Pesos (Php 1,000,000.00) to Five Million Pesos (Php 5,000,000.00) or 100% of the value of the confiscated smuggled goods whichever is higher (b) on HB No. 6113 he recommended that there should be at least (2) members representing the private agro-food processors/manufacturers and consumers coming from representatives of organized consumer/business associations.

The Chair clarified that the Committee is coordinating with the Bureau of Customs and the Department of Agriculture with regard to smuggling of agri-products.

Mr. Renato Salvatierra, President of the Philippine Sugar Corporation stated that he agrees with the recommendation of Cong. Benitez in strengthening PhilSuCor. He stressed that Philsucor was created mainly to help the sugar industry. But due to limited funds, it took them some time to accelerate their assistance that is now being enjoyed by the sugar planters. He likewise emphasized that HB No. 6113 will practically resolve the problems in the sugar industry.

Atty. Marcelino Aganon, President of the Confederation of Sugar Producers Association, Inc. informed the committee that they will submit their consolidated comments and recommendations after the meeting of the Sugar Alliance composed of millers and association of sugar planters.

Atty. Augusto Araneta, President of the Barotac-Dumangas-Anilao Planters Association suggested that the 15% fees to be collected for the sugar fund under Sec. 4(3b) be increased to 30%. He also mentioned that they have problems on sugar roads especially in the sugar producing areas like Batangas and Negros.

Mr. Cocoy Barrera, Representative of the Philippine Sugar Millers Association manifested their appreciation to HB 6113 specifically on the strengthening of PhilSuCor by providing funds not only for the development of sugar but of the sugarcane industry.

Dir. Victorio Mario Dimagiba of the Bureau of Trade Regulation and Consumer Protection, Department of Trade and Industry, proposed that there should be a provision that would empower SRA to exercise its authority under the Price Act or Republic Act No. 7581. He said that there is no clarity on the relationship of DA and SRA with regard to the implementation of the Suggested Retail Price (SRP) on

sugar under the Price Act. He added that they have encountered problems on who should monitor the price of sugar at the retail level and who should issue show-cost orders for purposes of filing administrative cases for violation of the Price Act. In addition, he also suggested to include traders and consumers to be part of SRA because the role of the traders is very important in studying the flow of prices in sugar.

At this point, Rep. Robert Raymund Estrella manifested that all members present be included as co-authors of the said bill and moved for its approval.

On a motion duly made and seconded, the bill was approved, with all members present as co-authors.

Thereafter, the Chair directed the Secretariat to prepare a substitute bill in close coordination with the stakeholders and likewise reminded the stakeholders to submit their position papers as soon as possible.

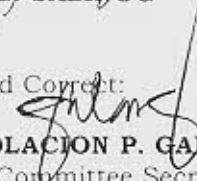
IV. ADJOURNMENT

There being no other matters to discuss, the meeting was adjourned at 10:23 am.

Prepared by:


EDNA G. SALINOG
SISO I

Certified Correct:


CONSOLACION P. GALANG
Acting Committee Secretary

Noted by:

Hon. MARK LLANDRO MENDOZA
Chairman