

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS

First Regular Session

House Bill No. 538



Introduced by **Hon. Rodolfo G. Biazon**

EXPLANATORY NOTE

The theory of inter-linked transactions between the landlord and the tenant demonstrates the many things that the landlord was to the farmer - owner of the land he tilled, creditor, source of non-labor inputs, buyer of his outputs, and employer of extra non-farm labor. In a sense the landlord provided the tenant with his only link to markets. The bundling together of all these transactions also remedied the problem of credit risk and transactions costs. In the absence of anything better, the landlord-tenant relationship was an improvement over subsistence production with no opportunity for exchange.

Agrarian reform addressed the distributive inequities of the tenancy system. However, with the exit of landlords from rural markets, the farmer finds himself without access to credit, to market opportunities and to many other things. Government intervention in rural markets has to address the urgent need to institutionalize ways of packaging factor inputs in agriculture to bring about innovative, efficient and competitive modes of production and marketing. Otherwise, support services like extension, information, and infrastructure will not be sufficient to overcome the perceived production risks that deter the farmer from venturing into higher value crops.

This bill rationalizes and restructures the existing government organizations in order to establish harmony and coordination between policy-making and implementation, and market-development programs geared towards supporting the farmer as he transforms himself into an entrepreneur.

The National Agricultural Marketing Council will serve as the policy-making body for agricultural trading, with the Regional Agricultural Marketing Councils as its branch offices. The following attached agencies are also created to serve proprietary roles in market development and intervention:

- (a) The National Agricultural Trading Corporation (NATCOR), to function as the market development and intervention arm of the council;

- (b) The Public Warehousing Corporation, to operate Commodity Exchange Centers (CECs); establish terminal markets all over the country, and maintain the country's buffer stocks of food grain and other food commodities;
- (c) The Agricultural Credit and Guarantee Corporation of the Philippines (AGCREDOR) to provide credit assistance and guarantee cover on project loans and inventory financing for commodities deposited in the warehouses of the Public Warehousing Corporation's warehouses.

The above agencies will absorb the functions and resources of the Agribusiness Group, the National Agribusiness Corporation, the Agricultural Credit Policy Council, the Quedan and Rural Credit and Guarantee Corporation of the Philippines and the National Food Authority.

Under the proposed set-up, the specialized functions are clearly identified, delineated and distributed among the appropriate agencies so as to avoid conflict of interest situations that have so often hamstrung past policy making and implementation. Moreover, the separation of policy-making and enforcement from proprietary functions paves the way for the eventual transfer of the latter functions to the private sector, with competitive markets geared for efficiency.

It has been said that the poverty in many underdeveloped economies stems from the massive waste of resources that result from the inadequacies of market mechanisms. In the Philippine countryside, the government must confront the challenge to develop the market institutions that will put a stop to the massive waste of resources, bring productive inputs together, pave the way for more innovative modes of production and deliver our products to national, regional and international markets.

In view of the foregoing, immediate passage of this bill is earnestly requested.



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AN ACT
TO PROMOTE THE AGRICULTURE INDUSTRY, STABILIZE PRICES OF
AGRICULTURAL PRODUCTS AND ENHANCE FOOD SECURITY THROUGH
THE EFFECTIVE PRODUCTION, PROCESSING, MARKETING AND
DISTRIBUTION OF AGRICULTURAL PRODUCTS, RATIONALIZING AND
RESTRUCTURING FOR THE PURPOSE, ALL EXISTING GOVERNMENT
ORGANIZATIONS IN AGRICULTURAL PRODUCTION, DISTRIBUTION
MARKETING AND OTHER SUPPORT PROGRAMS, 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. *Title.* – This Act shall be known as the “*National Agricultural Marketing Act.*”

Sec. 2. *Declaration of Policy.* – It is hereby declared to be the policy of the State to ensure the general welfare of farmers, who constitute a majority of the national population, and are key to the production of sufficient food supplies all over the country.

It shall also be the policy of the state to ensure the attainment of food security at all times as an essential element of national security and a critical element of national development. For purposes of this Act, food security shall be defined as the availability and stability of food supply in a manner accessible to every Filipino of any economic and social standing, given any change in the country’s climatic, social, political and economic condition. The State recognizes that the goal of food security is best served through the operation of competitive markets that will provide sufficient incentives to farmers and producers to increase the productivity levels of their farms.

For the above purposes, the state hereby rationalizes and restructures existing government structures and programs on the production, processing, marketing and distribution of agricultural products.

Sec. 3. *Creation of the National Agricultural Marketing Council (NAMC).* – There is hereby created a policy-making and implementing body corporate called the National Agricultural Marketing Council, hereinafter referred to as the Council, which shall have the general powers and attributes of a corporation as set forth in the Corporation Law and the particular mandate to perform the following functions, powers and responsibilities:

- (a) To formulate policies, plans and programs on food production, post-harvest handling, storage, milling, distribution and credit support, including the coordination of its implementation among the various agencies and institutions of the government and the private sector;
- (b) To ensure the best administration of market development programs for agricultural commodities and food products;
- (c) To ensure an adequate flow of these products to consumers as well as a fair return to producers and prevent inefficient and wasteful methods of distribution;
- (d) To foster the empowerment of agricultural producers into effective associations or corporations under their own control for greater unity of effort in marketing;
- (e) To promote the establishment and financing of a farm marketing systems of producer-owned and producer-controlled cooperative associations and other agencies;
- (f) To set and review annually the government's buffer grain stock requirements at the national and local levels and to ensure that these requirements are achieved;
- (g) To effect, with the Regional Agricultural Marketing Councils and/or other government entities as implementing agents, the domestic procurement of the government's buffer grain stock through purchases of warehouse receipts or quedans of grain deposits in government, farmer-cooperatives and private warehouses and/or by buying grain produce directly from farmer cooperatives;
- (h) To cause the direct importation of rice and allocation of import quotas among private entities, especially certified and licensed farmer cooperatives;
- (i) To promulgate the government's "stabilization price" for grains to assure farmers with a reasonable mark-up on their production cost and participation in the profits that may be realized from the sale of the government's buffer grain stock;
- (j) To reorient the country's food production policies, plans and programs in such a way that the thrust of increasing the productivity of farmers is not only in terms of yield per unit area but more so in the aggregate income from farming enterprises;

- (k) To promote and coordinate plans and programs of assistance to producers through input supplies, purchases, payments and other operations, including low or no interest loans in partnership with available financial sources or institutions;
- (l) To institutionalize and actively promote the adoption of sustainable agricultural practices at all farm levels so that steady production of various food commodities to cope with the demands of a growing population is achieved in a way that maintains the productivity of the soil and diminishes any adverse impact to the immediate environment; and
- (m) To undertake other tasks and activities as may be necessary to ensure the attainment of efficient agricultural marketing systems and food security.

Sec. 4. *Governing Council.* – The powers, functions and affairs of the Council shall be exercised and directed by a governing council to be chaired by the Executive Secretary, with the Secretary of Agriculture as Vice Chair and with the following as members:

- (a) The Secretary of the Department of Agrarian Reform;
- (b) The Secretary of the Department of Finance;
- (c) The Secretary of the Department of Trade and Industry;
- (d) The Secretary of the Department of Public Works and Highways;
- (e) The Secretary of the Department of the Interior and Local Government;
- (f) The Secretary of the Department of Budget Management;
- (g) The Secretary of the Department of Social Welfare and Development;
- (h) The Secretary of the Department of Transportation and Communications; and
- (i) The Secretary of the Department of Environment and Natural Resources.

The governing council shall meet regularly at least every month on any date to be determined by the Chairman; *Provided*, That the Chairman may convene special meetings to discuss urgent matters needing immediate resolution. The council members shall be entitled to *per diem* for every meeting actually attended by them and other remunerations as may be determined by them. It shall prescribe the rules and regulations to govern its deliberations and other official actions.

Sec. 5. *Organization and Staff.* – The management of the day-to-day operations of the Council shall be vested in an Executive Director who shall be appointed with the rank of an Undersecretary by the President of the Philippines.

The Council shall set up the organizational structure, staffing pattern, qualification standard, compensation scale, functions and authorities of their officers and employees

pursuant to pertinent laws, rules and regulations being implemented by the Civil Service Commission and the Department of Budget and Management.

Sec. 6. *Regional Agricultural Marketing Councils (RAMC).* – To operate and serve as the branch offices of the National Agricultural Marketing Council at the regional level, there are hereby instituted Regional Agricultural Marketing Councils in all administrative regions of the country.

The Regional Agricultural Marketing Councils shall be under the administrative supervision and control of the National Agricultural Marketing Council and shall implement in the region the policies, plans and programs of the latter.

Sec. 7. *Composition of the Regional Agricultural Marketing Council.* – The Regional Agricultural Marketing Council shall be composed of:

- (a) All the provincial governors of the region;
- (b) The Regional Director of the Department of Agriculture;
- (c) A representative from the farming/fisheries sector;
- (d) A representative from the agricultural marketing and trading sector; and
- (e) A representative from the consumer sector

All provincial governors with the Department of Agriculture Regional Director shall, by majority vote, choose the sectoral representatives from among nominees respectively submitted by recognized sectoral associations in the region. Thereafter, the Council members shall elect their Chair, Vice-Chair and other officers.

Sec. 8. *Support Staff.* – The RAMC shall appoint, from among its members or qualified outsider, a regional director who shall manage and direct the daily operations of the regional council.

The concomitant organizational structure and plantilla of personnel shall be set up by the regional council subject to the approval of the national council.

Sec. 9. *Creation of the NATCOR.* – There is hereby created a body corporate to be known as the National Agricultural Trading Corporation (NATCOR) an attached agency to the Council hereinafter referred to as the NATCOR which shall evolve the most efficient, dependable economical and equitable marketing systems for agricultural products.

Sec. 10. *General Powers and Functions of the NATCOR.* – The NATCOR shall have the following powers and functions:

- (a) To formulate a medium term agricultural market development plan which shall be updated every year;

- (b) To provide farmers and fisher folks an up-to-date market information by the establishment of an integrated and efficient nationwide information access system that will guide producers and other stakeholders to make decisions on what and how much to plant and where and when to market;
- (c) To gather, analyze and disseminate market information on various foreign countries' food supply, domestic and export demand, local and export prices and other relevant data;
- (d) To identify markets for Philippine agricultural products and assist in the planning of market centers, marketing channels and distribution networks to reduce marketing costs for producers and ultimately the cost to consumers;
- (e) To foster and assist in the development of new or expansion of existing domestic and foreign markets through institutional arrangements like contract growing, market matching, market intelligence and other promotional activities for agricultural products;
- (f) To provide farmers, fisher folks and other persons or firms access to existing public and private researches supporting food market development activities;
- (g) To disseminate information on inspection, classification, standardization, and grading system for all agricultural products to enhance global competitiveness;
- (h) To formulate as part of its market development thrust more efficient ways, systems, and facilities for harvesting, threshing or shelling, drying, storage, milling, packaging, post-harvest handling, transportation and/or shipping of agricultural products for purposes of reducing costs and ensuring stable consumer supply;
- (i) To require as a tool for market information the annual registration and publication of a directory of all persons, natural or juridical, engaged or intending to engage in wholesaling, milling, processing, warehousing and transporting of agricultural products, including by-products thereof;
- (j) To coordinate with the Department of Transportation and Communications towards establishing more efficient, regular, adequate, suitable and economical systems of transporting and/or shipping of food products for purposes of reducing marketing costs and ensuring availability of basic transport which is central to the whole chain of agricultural production and distribution; and
- (k) To promulgate policies, plans, programs, rules and regulations, sanctions and penalties as may be necessary for the effective exercise of the powers and functions of the NATCOR.

Sec. 11. *Strengthening of the Agricultural Marketing Information System.* – For the effective implementation of the policy enunciated in this Act, the Bureau of Agricultural Statistics shall be strengthened as the principal line agency of the Republic of the Philippines

for agricultural statistics and marketing information. It shall serve the data requirements of the NATCOR.

Sec. 12. *Cooperation with other Government Agencies and Private Business Organization.* – All units and agencies of the government shall support and cooperate with the NATCOR in the implementation of its functions and programs. Likewise, private research organizations, purchasing and consuming organizations, boards of trade, chambers of commerce, other associations of business or trade organizations, transportation and storage agencies and organizations, or other persons or corporations engaged in the production, transportation, storing, processing marketing and distribution of agricultural products shall support the NATCOR in the implementation of its functions.

Sec. 13. *Creation of the Public Warehousing Corporation.* – There is hereby created a government-owned corporation to be known as the Public Warehousing Corporation, hereinafter called the Corporation, which shall be attached to the Council and have the following functions, powers and responsibilities:

- (a) To establish and maintain warehouses and post-harvest facilities for foods, grain and other agricultural products in all areas of production in the country;
- (b) To provide warehousing/storage services and post-harvest facility assistance for the farmers' grain and food agricultural stocks/inventories;
- (c) To issue, pursuant to existing laws and regulations, corresponding warehouse receipts or quedan for the farmers' grain and food inventory deposits;
- (d) To store and safe-keep the government's food or grain buffer/security stocks as directed by the Council;
- (e) To lease out, sell, build, and transfer warehouses and/or post-harvest facilities to farmer-cooperatives and federations, subject to the approval of the Council;
- (f) To establish and operate Commodity Exchange Centers (CEC); and
- (g) To exercise the general powers and attributes of a corporation as set forth in the Corporation Law.

Sec. 14. *Authorized Capital Stock of the Corporation.* – The authorized capital stock of the Corporation shall be Five billion Pesos (P5,000,000,000) divided into five million (5,000,000) common shares of stock which shall be subscribed and paid for by the national government and government institutions.

Sec. 15. *Governing Board.* – The powers, functions and affairs of the Corporation shall be exercised and directed by a governing board composed of the following:

- (a) Executive Director of the Council as Chair;
- (b) General Manager of the Corporation as Vice-Chair;

- (c) President of AGCRECOR as Member;
- (d) Director of NATCOR as Member; and
- (e) Director of the Bureau of Agricultural Statistics as Member.

The Board shall meet regularly at least every month and convene special meetings to discuss urgent matters. The Board members shall receive *per diem* for each meeting actually officiated and other remuneration as may be determined by the Board. It shall prescribe the rules and regulations to govern its deliberations and other official actions.

Sec. 16. *Organization and Staff.* – The management of the day-to-day operations of the Corporation shall be vested in a general manager who shall be appointed by the Council.

The governing board shall set up the organizational structure, staffing pattern, qualification standard, compensation scale, functions and authorities of their officers and employees pursuant to pertinent laws, rules and regulations being implemented by the Civil Service Commission and the Department of Budget and Management.

Sec. 17. *Commodity Exchange Centers (CEC).* – The Corporation shall establish at all terminal markets in the country, especially in Metro Manila and cities in Luzon, Visayas and Mindanao, Commodity Exchange Centers which shall serve as central trading facilities for grains in the regions to provide ready market for farmers' produce and promote efficiency of grain distribution to consumers under a transparent marketing system which enhances the interest of farmers and consumers alike. Strategically located warehouses of the National Food Authority (NFA) shall be the sites and business officers of the Commodity Exchange Centers. NFA personnel, because of their expertise in warehousing and grain classification and grading, shall serve as the core staff for the operation of the CECs.

Initially, daily public bidding of grains shall be on the basis of "on the spot" commodity. Bidding shall later be on the basis of quedans or warehouse receipts for grain inventories deposited in the warehouses of the Corporation, the CECs or private bonded warehouses. Trading on agricultural commodity "futures" shall be the final phase that the CECs shall work for to achieve. Similarly, the CECs shall initially cover grains only and later include other food and agricultural commodities.

Sec. 18. *Responsibility for Credit Assistance and Guarantee Cover.* – The provision of credit assistance and guarantee cover on project loans and inventory financing for commodities owned and deposited by farmers, consumers, and traders in the warehouses of the Public Warehouse Corporations and franchised private bonded warehouses shall be the primordial responsibility of the Quedan and Rural Credit Guarantee Corporation, which is hereby attached to the Council and renamed as the Agricultural Credit and Guarantee Corporation of the Philippines, hereinafter referred to as AGCRECOR.

Sec. 19. *Operating Guidelines.* – The AGCRECOR shall adhere to the following operating guidelines:

- (a) Provide production loans to farmers/fishers through their primary cooperatives or federations by direct lending, co-financing schemes, providing lending banks with especial time deposit, rediscounting lending banks' production loan receivables and similar mechanisms so as to reach out to as many rural clients as possible;
- (b) Encourage lending institutions to extend project loans for production, warehouses, post-harvest machineries and equipment, land transportation and shipping, bulk and the like, by providing a guarantee cover on such loans;
- (c) Provide guarantee cover on inventory loans for grain or food commodities owned and deposited by farmers, consumers and traders in the PWC warehouses, Commodity Exchange Centers and franchised private bonded warehouses;
- (d) Extend loans directly for the aforementioned projects and food inventory when and where no lending banks are available or willing to provide the loans;
- (e) Endeavor to provide soft-term loans by sourcing and coordinating grants, no-interest and low interest funds and blending them with commercially sourced funds;
- (f) Submit for the Council's approval and funding, a credit plan and budget for the undertakings envisioned in paragraphs (a) and (d) above, detailing therein the per region loan volume targets, expected beneficiaries, repayments, arrearages and defaults on previous loans. Likewise, a separate plan shall be submitted in regard to the guarantee operation; and
- (g) Remit back to the Council all repayments for current loans and recoveries on past due loans funded by the said Council.

Sec. 20. *Increase in Fund Base.* – To achieve the vital credit assistance and guarantee cover envisioned in this Act, the authorized capital stock of AGCRECOR is hereby increased to Five billion pesos (P5,000,000,000) divided into common shares of stock of the same par value and with the same government-private sector ownership structure spelled out under Republic Act No. 7393. At the start of the year and upon the endorsement of the Council, the Department of Budget and Management and the Department of Finance shall program and execute the national government's and government institutions' (LBP, DBP, SSS, GSIS, PAGCOR, PCSO, etc.) subscriptions and payment thereof for the government portion of the authorized capital stock of AGCRECOR until such government portion is fully completed within five (5) years.

Furthermore, to enhance credit assistance to farmers/fishers, cooperatives/federations and other food enterprises envisioned in this Act, the national government through the Secretary of Finance shall guarantee the AGCRECOR's

borrowings, duly approved and endorsed by the Council, from government or private, domestic or foreign, financial institutions.

Sec. 21. *Incentives for Banks' Credit Support.* – The guarantee obligation of AGCRECOR shall be “sovereign” in nature and deemed as the obligation of the national government in order to entice much greater credit support from the banking sector since such guaranteed loan receivables shall be considered as compliance with the Agri-Agra Law, have access to the rediscounting window of *Bangko Sentral ng Pilipinas* and exempted from the “single-borrower limit” and “risk asset ratio requirements”.

Sec. 22. *Compliance with the Agri-Agra Law.* – All banking institutions are hereby mandated to allocate at least fifteen percent (15%) of their loanable funds to the agricultural sector. Furthermore, the provisions of the Agri-Agra Law, Presidential Decree No. 717, as amended on substantial compliance through the purchase of government securities, are hereby repealed. Bank loans extended for grain inventories deposited in the warehouses of the Corporation, Commodities Exchange Centers and franchised private bonded warehouse operators shall be deemed as compliance with the Agri-Agra Law.

Sec. 23. *Devolution of the Agribusiness Group, the National Agribusiness Corporation and the Agricultural Credit Policy Council.* – The Agribusiness Group of the Department of Agriculture, the National Agribusiness Corporation and the Agricultural Credit Policy Council are hereby devolved as follows:

- (a) The records of the Agribusiness Group shall be transferred to the NATCOR;
- (b) The records, researches and reference materials of the Agricultural Credit Policy Council shall likewise be turned over to the NATCOR;
- (c) All other properties, assets and unexpended appropriations or corporate operating budget of the National Agribusiness Corporation and the Agricultural Credit Policy Council shall be transferred to the Council;
- (d) The Comprehensive Agricultural Loan Fund created under Executive Order No. 113, dated 24 December 1986 is hereby transferred to the Council; and
- (e) Officials and employees of the said group and agencies shall be devolved into the NATCOR on the basis of merit and qualification.

Sec. 24. *Devolution of the Personnel, Properties, Assets, Records, and Unexpended Appropriation of the National Food Authority (NFA).* – The present warehouses, post-harvest facilities and equipment, trucks, and utility vehicles of the National Food Authority shall be transferred as the initial government equity to the Public Warehousing Corporation. All personnel attendant to the said grain facilities shall likewise be transferred to the Corporation.

All other personnel, properties, assets, records and unexpended appropriations of the National Food Authority are transferred to the National Agricultural Marketing Council and National Agricultural Trading Corporation in a manner that the said Council shall decide. This shall include imported rice and corn already in the country and such other stocks that may arrive pursuant to the current importation thereof. Said stocks shall be disposed of in accordance with the new policy of the Council.

Sec. 25. *Outstanding Obligations of the NFA.* – All obligations of the National Food Authority upon the approval of this Act shall be transferred to and absorbed by the national government: *Provided*, That those incurred in the current importation shall be paid by the Council up to the extent of the rice/corn inventory still on hand and transferred to the Council.

Sec. 26. *Options of Devolved Personnel.* – All personnel herein devolved and those otherwise not absorbed may opt to retire, if qualified for retirement, or be laid off and gratuity shall be given as follows:

- (a) Not more than 20 years of service, 1.5 months gross pay per year of service; and
- (b) More than 20 years of service, 2 months gross pay per year of service.

Those with pending administrative and/or criminal cases shall be paid only after exoneration, otherwise they shall forfeit whatever benefits are due to them.

Sec. 27. *Appropriations for the National Agricultural Marketing Council.* – The sum needed for the operation and maintenance of the Council, including the credit funds to support food production and other undertakings, shall form part of the appropriations, in the annual General Appropriations Act.

Sec. 28. *Appropriation for the National Agricultural Trading Corporation.* – For the initial operation of the NATCOR, the amount of Two Hundred Million Pesos (P200,000,000) is hereby appropriated from the current appropriations of the Department of Agriculture or the National Food Authority. Thereafter, such sum as may be needed for its operations and maintenance, including the amount needed for strengthening the Bureau of Agricultural Statistics, shall be included as part of the appropriations in the annual General Appropriations Act.

Sec. 29. *Appropriations for the Public Warehousing Corporation.* – For its initial operation, the amount of Five Hundred Million Pesos (P500,000,000) is hereby appropriated for the Corporation from the current appropriations of the Department of Agriculture or the National Food Authority. Thereafter, such amount needed for their continuous operation and maintenance shall be included as part of the appropriations in the annual General Appropriations Act.

Sec. 30. *Appropriations for the Regional Agricultural Marketing Council.* – The National Agricultural Marketing Council shall, out of its financial resources, appropriate

such amount as would be necessary for the start-up and continuous operation of each Regional Agricultural Marketing Councils.

Sec. 31. *Repealing Clause.* – All laws, decrees, executive issuances, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

Sec. 32. *Separability Clause.* – The provisions of this Act are hereby declared to be separable, and in the event one or more of such provisions are held unconstitutional, the validity of the other provisions shall not be affected thereby.

Sec. 33. *Effectivity Clause.* – This Act shall take effect immediately after its complete publication in at least two (2) newspapers of general circulation.

Approved,