

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS

First Regular Session

House Bill No. 2936



Introduced by Hon. Delphine Gan Lee

EXPLANATORY NOTE

The National Food Authority (NFA) was created to address goals of ensuring low and stable food grain prices for consumers, pursuant to our national policy of agricultural modernization and sustainable poverty reduction. Historically, however, it has proven fiscally impossible to address all of these objectives. A study conducted by the International Rice Research Institute has further revealed that under the NFA monopoly over rice importation, Filipino consumers have ended up paying more for rice than they would have had to under a free trade regime.

There is a growing consensus among economists that with the NFA monopoly on rice importation, the costs imposed by NFA operations on the Philippine economy far outweigh the benefits to rice producers and consumers. The NFA has both regulatory and proprietary functions over the grain sector. It sets import quantities and also works as the lone importer of the authorized volume of imports. However, such interventions in the market over the years created severe distortions in the rice market, contributing, among others, to the poor productivity of the rice sector over the years, the rice supply gap, and the increasing cost of government actions to fill such gaps and artificially stabilize rice prices and supply.

This proposal aims to streamline government intervention in the rice sector by removing the rice importation function from the NFA and allowing the participation of the private sector in rice importation. Allowing market forces to work in the importation, stockpiling and marketing of rice will allow for scarce government resources to be re-

allocated away from costly price stabilization functions to more productive investment in rice research and development, extension services and irrigation.

This bill proposes the transformation of NFA from a grain marketing monopoly to a public regulatory agency focused primarily on maintaining the buffer stock requirement of the Country at both national and local levels which will allow the country to guard against price volatility due to natural calamities or emergencies. Along with this, the NFA shall continue other regulatory functions which include the licensing and registration of rice importers, allocation of import quotas among licensed rice traders, maintenance of marketing information dissemination systems and the inspection of stored food grains for the purpose of taking inventory. This bill further mandates the transfer of duplicative functions of the NFA, including the stabilization of prices and the licensing of warehouses to appropriate government agencies or local government units.

The early passage of this bill is thus earnestly sought.



HON. DELPHINE GAN LEE
Representative, AGRI Party-List

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1 **AN ACT**
2 **TO STRENGTHEN AND REORIENT THE MANDATE OF THE NATIONAL**
3 **FOOD AUTHORITY IN ORDER TO ENSURE FOOD SUFFICIENCY, FOR THAT**
4 **PURPOSE RATIONALIZING ITS FUNCTIONS, AND FOR OTHER PURPOSES**

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

5 SECTION 1. *Short Title.* – This Act shall be known as the “National Food Authority
6 Rationalization Act of 2013.”

7 SECTION 2. *Declaration of Policy.* – Affirming the right of every Filipino to have
8 access to sufficient food, it is hereby declared the policy of the State to make all government
9 agencies and corporations directly responsible for food production oriented toward the
10 attainment of food security and sufficiency, the enhancement of competitiveness and
11 transparency in the rice economy and to be more responsive to the increasing globalization of
12 the agricultural market.

13 SECTION 3. *Policy Goals and Objectives.* – To carry out the foregoing policy, the
14 mandate, programs and functions of the National Food Authority (NFA), shall be reoriented
15 and realigned towards the achievement of the following objectives:

16 (A) Ensure available adequate and accessible supply of rice and other foodgrains
17 during lean periods and in times of calamity and emergency;

18 (B) Promote regulation aimed at enhancing competitiveness, transparency and
19 responsibility in the foodgrains marketing industry; and

1 (C) Encourage private sector participation in the importation of rice and in production
2 and post-harvest facilities;

3 SECTION 4. *Re-orientation of the National Food Authority.* – The functions of the
4 NFA shall evolve *to* focus primarily on maintaining the buffer stock requirements of the
5 country. All other developmental and regulatory function of the NFA shall be transferred to
6 appropriate government agencies or local government units unless otherwise provided by this
7 Act.

8 SECTION 5. *Buffer Stock Management.* – The NFA shall be the primary agency
9 responsible for the management of the buffer stock requirements of the country. For this
10 purpose, the NFA shall review on an annual basis the buffer stock requirements of the
11 country at the national and local levels and shall devise a system of regularly monitoring the
12 buffer stock levels. For the purpose of ensuring that desirable buffer stock level of the
13 country are met and maintained, the NFA may enter into contracts for the procurement of rice
14 for government; *Provided* that the volume of rice procurement shall not be more than the
15 strategic 30-day rice buffer stock requirement of the country.

16 SECTION 6. *Other Powers and Functions of the NFA.* – The NFA shall exercise the
17 following responsibilities, powers and functions:

18 (A) To establish rules and regulations governing private sector importation of rice and
19 collect fees and charges for said importation

20 (B) To determine and allocate import quotas among private sector entities and farmer
21 organizations licensed to engage in rice importation

22 (C) To coordinate with the Bureau of Agricultural Statistics in the generation of
23 marketing information and establish and maintain marketing information
24 dissemination systems in order to keep the public informed on the prevailing
25 market situation of foodgrains and their substitutes and/or their by-products/end
26 products in different parts of the country; and

27 (D) To inspect foodgrains and their substitutes and/or their by-products, stored by any
28 person, partnership, corporation, or association, for purposes of taking inventory
29 kind record of such commodities, and to enter the premises thereof by use of
30 reasonable means.

1 SECTION 7. *Transfer of Mandate.* – The following regulatory and developmental
2 functions of the NFA are hereinafter transferred to the following:

- 3 (A) The registration, licensing and supervision of warehouses, whether bonded or not,
4 and the prescription, imposition and collection of fees and charges relative thereto
5 to the local government units;
- 6 (B) The stabilization of prices of rice, corn and other foodgrains at the farm gate level
7 to the Department of Agriculture;
- 8 (C) The stabilization of supply and prices of other foodgrains and other basic food
9 items at the consumer level to the National Price Coordinating Council;
- 10 (D) The development of more efficient ways, systems and facilities for harvesting,
11 threshing, drying, storage, milling, packaging, post-harvest handling, and
12 transporting of foodgrains to the Philippine Rice Research Institute;
- 13 (E) The registration, licensing, and supervision of persons, natural or juridical, who
14 shall engage or are engaged in the business of, providing goods and services in
15 support of the different activities involved in the processing, transporting,
16 marketing, and trading of foodgrains and their substitutes and/or their byproducts/
17 end-products as well as the imposition and collection of fees, charges, and
18 surcharges in licensing and regulating the operations of such persons to the
19 Department of Agriculture;
- 20 (F) The formulation of plans and programs on, foodgrains production, storage,
21 milling and distribution, as well as the coordination for its implementation among
22 various agencies of the government and the private sector to the Bureau of
23 Agriculture and Fisheries Product Standardization; and
- 24 (G) The establishment of appropriate post-production technology and formulation of
25 plans and programs aimed to reduce post-harvest losses to the Bureau of Post-
26 Harvest Research and Extension.

27 SECTION 8. *Role of the Private Sector.* – The importation of rice shall henceforth be
28 open to the participation of and exclusively undertaken by private sector entities and farmers'
29 organizations, subject to appropriate tariffs and quotas; *Provided,* that the necessary
30 registration and licensing processes and requirements of the NFA have been complied with.
31 For this purposes, the policy of open importation and distribution by all interested private
32 parties shall be fully implemented.

1 SECTION 9. *Transitory Provisions.* – Within one (1) year from the effectivity of this
2 Act, the NFA shall gradually phase out all its rice importation activities to give way to the
3 entry of private sector entities, especially farmers' organizations, in rice importation;
4 *Provided*, that the NFA shall have completely ceased all its rice importation functions and
5 activities four (4) years from the time of the enactment of this Act. For this purpose, the NFA
6 shall, within one hundred twenty (120) days from the enactment of this Act, establish the
7 necessary rules and regulations for the importation of rice by the private sector.

8 To effect a smooth transition, the NFA shall continue to exercise its developmental
9 and regulatory functions, until the concerned government agencies or local government units
10 shall have established their plans, programs and rules and regulations to implement their
11 mandate identified in Section 6 above, which in no case shall be no longer than one (1) year
12 from the effectivity of this Act.

13 SECTION 10. *Penal Provisions.* – The following acts or omissions shall be
14 punishable as follows:

15 (A) Serious Offenses:

- 16 i) Cornering or hoarding of foodgrains resulting in an artificial shortage
17 or scarcity of supply and increase of prices thereof in any part of the
18 country;
- 19 ii) Unreasonable depletion of stocks; selling or lending of government
20 stocks to another foodgrains seller; selling or offering to sell
21 government stocks beyond the maximum quantity or price allowed by
22 the Department of Agriculture; or storing or selling government stocks
23 in other places other than those duly authorized by law;
- 24 iii) Causing prices of essential commodities to fall or rise for one's own
25 profit by changing or falsifying figures, accounts, and other related
26 information pertaining thereto;
- 27 iv) Printing, issuing, or knowingly using, processing, or negotiating, a
28 cancelled, unauthorized, illegal, counterfeit, or falsified warehouse
29 receipt;
- 30 v) Failure or refusal of an accountable officer to turn over or remit
31 collection within a reasonable period of time; or
- 32 vi) Failure or refusal of a foodgrains warehouseman to deliver foodgrains
33 deposited with him; *Provided*, that the warehouseman shall be entitled

1 to the allowance authorized for depreciation of the foodgrains
2 deposited.

3 The offender shall, upon conviction, be punished by imprisonment of not less than six
4 (6) years and one (1) day to not more than twelve (12) years, or a fine of not less than Two
5 Hundred Thousand Pesos (P200,000.00) to not more than Two Million Pesos (P2,000,000.00)
6 or both, at the discretion of the court.

7 (B) Less Serious Offenses:

- 8 i) Conniving in the concealment of stock shortage in a foodgrains
9 warehouse;
- 10 ii) Knowingly submitting any report containing false information or data;
- 11 iii) Failure or refusal of a warehouseman to allow the inspection of his
12 foodgrain stocks to misrepresent their quantity or quality or to conceal
13 a shortage, including impeding such inspection and examination by
14 abandonment, absence, or other similar means.

15 The offender shall, upon conviction, be punished by imprisonment of not less than
16 four (4) years and one (1) day to not more than eight (8) years, or by a fine of not less than
17 One Hundred Thousand Pesos (P100,000.00) to not more than One Million Pesos
18 (P1,000,000.00), or both, at the discretion of the court.

19 (C) Light Offenses:

- 20 i) Willful non-compliance with any official order, circular, or directive
21 lawfully issued by the DA, unless such constitutes a higher offense
22 under this Act, in which case the offender shall be penalized under the
23 latter offense;
- 24 ii) Committing any other violation of a provision of this Act for which no
25 specific penalty is prescribed and which is not punished under any
26 other existing law.

27 The offender shall, upon conviction, be punished by imprisonment of not less than
28 two (2) years to not more than four (4) years, or a fine of not less than Fifty Thousand Pesos

(P50,000.00) to not more than One Hundred Thousand Pesos (P100,000.00), or both, at the discretion of the court.

SECTION 11. *Implementing Rules and Regulations.* – The NFA, in consultation with relevant government agencies and LGUs, farmer organizations and other stakeholders, shall within one hundred and twenty (120) days from the enactment of this Act, formulate the necessary rules and regulations to effectively implement the provisions of this Act.

SECTION 12. *Separability Clause.* – If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SECTION 13. *Repealing Clause.* – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with, the provisions of this Act is hereby repealed, modified, or amended accordingly.

SECTION 14. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,