

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session



HOUSE BILL NO. 4252

**INTRODUCED BY ANAKPAWIS PARTY-LIST REPRESENTATIVE
FERNANDO L. HICAP**

EXPLANATORY NOTE

Agriculture is an important aspect of the Philippine economy. Majority of Filipinos depend on agriculture for a living. Based on the figures from the Bureau of Agriculture Statistics (BAS), the agriculture sector contributed a total of 11% in the country's Gross Domestic Product in 2011. Moreover, it employed 12.27 million persons and they represented 33% of the country's total employment on the same period.

Being an agricultural country, rice is one of the most important commodities in the Philippines. It is the staple food of almost 90% of the population. Likewise, rice is produced extensively nationwide. In 2012, crop production which accounted for 51.46% of total agricultural output increased by 4.14%. The main source of growth came from the palay industry where output is at 18.03 million metric tons or 8.08% higher than the previous year level. Palay grossed at 14.89% more in this period as a result of increases in production and prices (BAS, 2012). Moreover, rice provides livelihood to many households engaged in rice-based farming along with millions of farm laborers and thousands of merchants and traders.

Inspite of the contributions of agriculture sector in the economy, the local rice industry continues to suffer from underdevelopment and unsustainability because of landlessness, backward condition of agricultural production, exploitation of small rice farmers and lack of necessary infrastructures such as irrigation, post-harvest facilities and farm-to-market roads. The industry remains small-scale and labor-intensive.

Consequently, rice productivity is low over the years. Data from BAS revealed that palay production has fallen for two straight years, from 16.8 million metric tons in 2008 down to 16.3 million metric tons in 2009. It actually fell 3.0% or by 494,098 metric tons and then further to 15.8 million metric tons in 2010. Palay yield dropped from 3.79 metric tons per hectare in 2009 to 3.64 metric tons per hectare in 2010. In addition, farm-to-market roads are poorly developed which makes distribution and marketing difficult and costly aside from the fact that palay distribution and marketing are mostly dominated by private traders. The networks of middle men all over the country control the

trading of palay at low farm gate prices that prevents the rice farmers to recover their high production costs.

The present condition of agricultural backwardness was aggravated by previous policies in the rice industry. In the 1970s, the Marcos regime implemented the Green Revolution that drastically restructured the local agriculture. Based on the study of *IBON Foundation*, the program aimed to supposedly modernize traditional subsistence rice and corn farms through the use of high yielding varieties (HYVs). These varieties are heavily dependent on well-irrigated farms, importation of modern technology and inputs that farmers could not afford. It also launched a credit program for small farmers but they are required to choose from ten (10) HYVs and to purchase fertilizer and pesticides. It also bankrolled the establishment of the *International Rice Research Institute* (IRRI) in 1960 which developed the rice HYVs promoted by the Green Revolution.

During this period, Marcos created the Fertilizer and Pesticide Authority (FPA) through Presidential Decree No. 1144 "to assure adequate supply of fertilizer and pesticide in the country at reasonable prices, regulate fertilizer importation, manufacturing and marketing, and protect the public from the hazards of using pesticides." It also marked the planting of Miracle Rice. Miracle Rice is officially the IR8 variety developed by American scientists from IRRI. From 1965 to 1980, Miracle Rice expanded to irrigated lands, and increases the use of commercial farm inputs such as fertilizers and pesticides in the process.

As a result, Filipino farmers lost control over the seeds and were completely dependent on transnational agribusiness corporations and private seed traders. Rice HYVs and their inputs have thrown the farmers into indebtedness as they found themselves in perpetual bondage to high production costs amidst decreasing income and mounting debt obligations. Eventually, the credit program was phased out, irrigation slowed down and production costs soared. After posting a positive growth in the initial years of implementation, average growth dropped to a 4% contraction in 1983 and rice productivity started to slow down.

The Marcos dictatorship also ushered the neoliberal restructuring of the local agriculture. In 1980, an International Monetary Fund-World Bank (IMF-WB) structural adjustment program (SAP) for the Philippines intensified the export-oriented production in agriculture. The latter was then heightened by the implementation of agriculture liberalization in the 1990s.

During the Uruguay Round of Negotiation of the General Agreement on Tariffs and Trade (GATT) that began in 1986 and ended in 1994, agriculture was one the contentious issues. In 1995, when the World Trade Organization (WTO) was established, rules governing international trade in agriculture and food were introduced. Following the Uruguay Round negotiations, all agricultural products were brought under multilateral trade rules by the WTO's Agreement on Agriculture (AoA). The country's formal accession to WTO and its principles of globalization and free trade has led to the increasing reliance of the Philippines on imported food and agricultural products while catering to the export market and production of cash-crops for the market requirements or raw

material needs of capitalist countries, thereby strengthening the economy's export-oriented and import-dependent orientation.

Philippine agriculture has not shown any sign of remarkable growth under the liberalized trading regime. The WTO-AoA period also recorded increasing volume of imported agricultural products. Since 1995, the country became a net importer of rice and posted negative figures in the balance of trade. In fact, rice became the top imported agricultural product in 1998. Since 1995, the country imported an annual average of 12.5% of the country's total rice consumption – the highest being in 1998 at 28.5% and in 2008 at 18.4%. From 1980 to 1998, it recorded a zero to more than 2 million metric tons of imported rice. Since 1995, from 257,262 metric tons of rice imports, it soared to 1.8 million metric ton in 2005, marking 700% increase. Since 1996, the country has been importing over 600,000 metric tons of rice.

The development of local rice industry was neglected by the government. The government created more structures for foreign investments and later drawn to build up so called "growth areas", "regional industrial centers" and "special economic zones." This led to the reclassification, conversion and designation of vast areas of our agricultural lands which constricted and strangled the development of our basic food production. These have also closed the door for any real expansion in rice and other food production that could erode the capability of our food production to meet increasing demands. This situation highly endangers the country's food security. It also caused displacement of farmers on lands they have long tilled.

Not only was our rice industry left out in government priorities, unbridled liberalization is onset once quantitative restrictions (QRs) on rice is lifted. The QRs on rice under the WTO allows the country to limit the volume of rice that can be imported by the Philippine government through the National Food Authority (NFA). The protection ended last June 30, 2012. The government filed the request with the WTO on November 18, 2011 for an extension for another 3 to 5 years. During the negotiations for extending the QR in 2012, the Philippines agreed to increase its minimum access volume (MAV) for rice to 350,000 metric tons (MT) as a concession. According to latest reports, the WTO temporarily waived the lifting of rice QRs so that the country could conduct bilateral talks with other countries. The retention of QRs is necessary in protecting the local farmers and preventing the deluge of imported rice in the local market. Lifting of QRs will further intensify the surge of agricultural imports in the local market which will lead to bankruptcy of farmers and the country's food insecurity.

For a country with rice as its staple food, the government's neglect on the Philippine agriculture and food producers is highlighted, while the supposed goal of "rice self-sufficiency" in its Food Staples Sufficiency Program and food security become more unattainable.

The cross-country study made by South East Asia Regional Initiatives and Community Empowerment (SEARICE), a non-government organization working towards agricultural sustainability through harnessing local practices and knowledge, stressed the robust government intervention spelled in different

countries in attaining successful rice industry development programs among Asia's top rice producers.

According to the study, "intervention by the state invariably played a critical role in ensuring the continued viability of rice production and guaranteeing farmers in sufficient numbers would continue to plant enough rice to feed the population.. it [government] played a largely positive role in ensuring the goals of producing enough rice for a growing population and guaranteeing favorable income levels are met. State intervention was not only desirable but in most cases necessary." The study that stressed the different experiences of Asia's rice-producing countries shows that when government support was removed or reduced, the impact on production was immediate and later led to the reinstitution of support.

Moreover, the recent hikes in rice prices underscore the need for the country to comprehensively develop the rice industry centered on strengthening the capability of the productive forces, the Filipino rice farmers, and pave the way for the ending of rice import-dependency and monopoly of rice traders.

This bill seeks to create a policy environment of strong State intervention that would institutionalize the core programs that will ensure development and protection of our rice industry into a self-reliant and sustainable economic element of our national development and will veer away the country from import-dependency and food insecurity. The bill's core programs include:

- a) direct credit for rice farmers;
- b) sustained subsidy for production inputs;
- c) development of irrigation systems and post harvest facilities;
- d) strengthening the palay procurement capability of the National Food Authority (NFA) and upgrading the distribution and marketing of rice; and
- e) provision of extension services.

In addition, this bill will institutionalize measures that will protect the country's rice lands from land use conversion and ensures the production of our main staple at levels required for our food security.

In view of the foregoing, the immediate deliberation and approval of this measure is earnestly sought.


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RICE INDUSTRY DEVELOPMENT ACT OF 2014

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

SECTION 1. Title. - This Act shall be known and cited as the “*Rice Industry Development Act of 2014*”.

SECTION 2. State Policies and Principles. - It is the policy of the State to develop the local rice industry to enhance to the fullest its productive capability, upgrade its distribution and marketing linkages, increase the income and improve the living conditions of local rice farmers, upgrade its distribution and marketing linkages, make the local rice industry sustainable, ensure the accessibility and affordability of rice to the consuming population, and ensure, through sustainable self-sufficiency, the food security of the country.

It is also the policy of the State to stop its dependence on rice importation and to rely primarily on domestic production in attaining rice self-sufficiency and food security in its main staple.

Finally, it is the policy of the State to implement a development strategy for the rice industry that optimizes the use of its actual and potential natural, human and technological resources to the best interest of the country and local rice farmers. Toward this end, the State shall promote and support strategic research development program for the sustainable development of the local rice industry that shall make optimal use of indigenous resources and knowledge and nationally-available materials in order to make a self-reliant local rice industry.

SECTION 3. Objectives. - This Act aims to achieve the following:

- a) increase the productivity of the local rice industry;
- b) increase the income and improve the living standards of local rice farmers, especially the small rice farmers;

- c) transform the rice sector into a self-reliant industry and to attain rice self-sufficiency as the main pillar of the food security of the country;
- d) upgrade the rice distribution and marketing system and network of the country to ensure a decent economic return for local rice farmers and achieve an affordable and accessible rice supply for the consuming population; and
- e) strengthen the role of rice farmers in the development of the local rice industry through the promotion of cooperatives and other forms of institutional and capability-building measures for rice farmers.

SECTION 4. Definitions. - For the purpose of this Act, unless the context indicates otherwise:

- 1) *Agrarian reform beneficiaries* are farmers who qualified as beneficiaries of the agrarian reform program as mandated by Republic Act 6657 otherwise known as the "*Comprehensive Agrarian Reform Law of 1988*".
- 2) *Collateral-free* refers to a loan condition which does not require the putting up of fixed assets as collateral for the grant of the loan.
- 3) *Credit auxiliaries* refers to farmers' organizations, rural loan associations or rural credit cooperatives designated and authorized to act as structural arms to help the government extend its credit facility to rice farmers.
- 4) *Credit cooperatives* refers to credit cooperatives the majority of whose members are rice farmers or whose clienteles are rural-based.
- 5) *Department* refers to the Department of Agriculture (DA).
- 6) *Farmers' organizations* refer to rice farmers' organizations consisting of farmers who have associated or organized themselves to achieve a common purpose or serve their common interest.
- 7) *Farm inputs* include seeds, fertilizers, herbicides, and pesticides which are used for rice production.
- 8) *Farm machines and equipment* are mechanized tools such as hand tractors, power tillers, sprayers, mini-harvesters, and threshers used in the various processes of rice production and harvesting;
- 9) *Farmers' marketing cooperatives* are farmers' cooperatives which specialize in marketing their palay produce.
- 10) *Farm production cooperatives* are farmers' associations or cooperatives whose membership is based on the labor contribution of their members.
- 11) *Food security* refers to a situation in which the food requirements of people or country are secured and sustained by continuous sufficient supply from local production.

- 12) *Land reclassification* refers to the act or process of changing the classification of lands by the local government units (LGUs).
- 13) *Land use conversion* refers to the process of changing the use of the land.
- 14) *Leaseholder* is a farmer who works on the land and pays the landowner a fixed lease rate.
- 15) *Minimum access volume (MAV)* refers to the minimum volume of foreign agricultural products which a member-country must allow access to its domestic market, the volume constituting the minimum share of foreign agricultural products in the domestic market based on certain proportion of the domestic consumption requirements under the rules of the World Trade Organization (WTO).
- 16) *Post-harvest facilities* refer to farm facilities used in treating and handling palay after the harvest; these include threshers, dryers, palay silos, warehouses and mills.
- 17) *Private commercial banks* are commercial banks owned and operated by the private sector.
- 18) *Production enhancement loan* refers to the loan of the credit facility to be exclusively applied for enhancing rice production.
- 19) *Production inputs* refer to farm inputs.
- 20) *Production support* refers to government support to rice farmers to enable them to procure farm inputs for rice production.
- 21) *Research Program* refers to Rice Industry Development Research Program.
- 22) *Rice farmer* refers to a farmer who plant or produce rice.
- 23) *Rural loan associations* refer to associations of farmers or rural residents who contribute equity share and loan the shares to its members.
- 24) *Small-scale rice farmers* refer to rice farmers who own no lands or whose land or produce is not enough to meet the requirements of maintaining their families.
- 25) *Subsidized pricing* refers to a pricing mechanism in which a portion of the price of goods and services is paid for by the government.

SECTION 5. Core programs. - The following are the core programs of this Act:

- a) direct credit for rice farmers;
- b) sustained subsidy for production inputs;
- c) development of irrigation systems and post-harvest facilities;
- d) strengthening the palay procurement capability of the National Food Authority (NFA) and upgrading the distribution and marketing of rice; and

- e) provision for extension services.

SECTION 6. *Time frame of Core Programs.* – The institutionalization of the core programs of this Act shall be implemented within a period of three (3) years from the effectivity of this Act. After the institutionalization period, Congress shall enact appropriate legislations to ensure the continuity and sustainability of the core programs.

SECTION 7. *Targets.* – At the end of the three-year period of implementation, this Act shall have accomplished the following specific targets:

- a) The infrastructure build-up program of this Act, namely the construction of required irrigation systems and the development of post-harvest facilities shall have been finished and completed one hundred per cent (100%);
- b) The productivity of the local rice industry shall have been increased from its current level to at least six (6) to eight (8) metric tons per hectare;
- c) The palay procurement capability of the government shall have been increased from its current level to twenty five per cent (25 %) of the total palay production;
- d) The poverty incidence among rice farmers shall have been reduced by sixty per cent (60 %) from the present level; and
- e) A sustainable full self-sufficiency and self-reliance in rice shall have been attained for the country, thereby putting an end to our dependence on rice imports.

SECTION 8. *Beneficiaries.* – The beneficiaries under this Act are the small-scale rice farmers, rice farmers with annual income below the rural poverty threshold as determined by periodic census of the National Statistics Office (NSO), agrarian reform beneficiaries and their organizations.

Within three (3) months after the effectivity of this Act, the National Statistics Office (NSO), in coordination with the Department of Agriculture (DA), shall conduct a census of farmers referred to in the preceding paragraph to enable the Department to locate the beneficiaries under this Act. After the conduct of the census, the NSO shall submit its report to the Department. The census shall include the following items of information:

- a) Size of farm unit;
- b) Type of soil of the rice farm;
- c) Irrigation condition (whether irrigated or not; if irrigated, whether man-made or rain-fed);
- d) Source of capitalization;
- e) Seed variety used and sources;
- f) Volume of fertilizer used per hectare each cropping;
- g) Volume of herbicide used per hectare per cropping;
- h) Number of children (including children who participate in the labor force);
- i) Output per hectare;
- j) Cash conversion of their product;
- k) Monthly family expenditure; and

- l) Net income.

SECTION 9. Data base of beneficiaries for monitoring. - The Department shall make and maintain a data base of the information gathered from the census. The information and data base from the census shall serve as basis for the emphasis of the core programs under this Act as well as for monitoring, during the implementation of this Act, the trends of income of the primary beneficiaries.

SECTION 10. Socialized Credit Program. - A Socialized Credit Program (SCP) is hereby established to enable rice farmers to have access to economic resources that are necessary for increasing their productivity and income.

The program shall have a fund which shall be called Socialized Credit Fund (SCF) that shall be made available to farmers and farmers' organizations or farm production cooperatives as loans for the exclusive purpose of rice production and rice production-related undertakings. The rice production-related undertakings include the following:

- a) purchase of seeds and other farm inputs;
- b) purchase of draft animals;
- c) purchase of farm equipment and machineries necessary for rice production such as power tillers, hand-held harvesters, threshers and other similar equipment;
- d) purchase of irrigation equipment such as water pumps and tube wells; and
- e) construction of dryers or purchase of drying machines.

In case of farmers' organizations and farm production cooperatives, the loans may also be applied to the following:

- a) purchase of farm machinery for cooperative use;
- b) construction of water impounding systems for irrigating rice farms;
- c) construction of drying facilities;
- d) construction of cooperative warehouse for palay;
- e) seed capital for establishing cooperatives for marketing of palay;
- f) purchase of vehicle for palay marketing;
- g) construction of communal compost pit for making organic fertilizers; and
- h) financing the putting up of industries that produce palay-derivative products.

The Socialized Credit Fund (SCF) shall be deposited with the Land Bank of the Philippines (LBP). All interest earnings on the deposit shall accrue to the Socialized Credit Fund (SCF).

SECTION 11. Interest Rate on Loan. - The interest rate for the loan availed of under the Socialized Credit Program (SCP) shall not be more than five percent (5%) of the principal loan.

SECTION 12. Collateral-free loan and provision against foreclosure. – The loans availed of under the Socialized Credit Program (SCP) shall be collateral-free.

SECTION 13. Farmers' organizations, rural loan associations, and credit cooperatives as credit auxiliaries of the Socialized Credit Fund (SCF). –

The Department shall have the authority to accredit farmers' organizations, rural loan associations or credit cooperatives as credit auxiliaries of the Socialized Credit Fund (SCF): *Provided*, That such farmers' organizations, rural loan associations, and credit cooperatives are duly registered with the Cooperative Development Authority (CDA). Farmers' organizations, rural loan associations and credit cooperatives accredited as credit auxiliaries of the Socialized Credit Fund (SCF) can access the Socialized Credit Fund (SCF) at the maximum amount of *One Million Pesos* (P1M) at zero percent (0%) interest rate for extending credit to their members who are rice farmers: *Provided, further*, That all loan applications with accredited credit auxiliaries shall be approved by the Department.

The Department, in consultation with the Landbank of the Philippines (LBP) and representatives of farmers' organizations, rural loan associations and credit cooperatives, shall formulate the criteria, standards and procedures for the accreditation and participation of farmers' organizations, rural loan associations and credit cooperatives as credit auxiliaries of the Socialized Credit Fund (SCF).

The interest collected from the loanable funds shall accrue to the Socialized Credit Fund (SCF) and not to the capital fund of the accredited credit auxiliaries.

Farmers' organizations, rural loan associations and credit cooperatives accredited as credit auxiliaries of the Socialized Credit Fund (SCF) may extend loans under the Socialized Credit Fund to non-members as long as the applicants are rice farmers.

SECTION 14. Simplifying the procedure for loan dispensation. – The Department, in consultation with the LBP, shall formulate the guidelines for simplifying the procedure for the filing, processing and approval of loan applications of rice farmers to make Socialized Credit Program (SCP) more accessible, facilitating quick approval and minimizing the administrative and documentary costs that may be incurred by farmer-applicants.

SECTION 15. Incentives for participating private commercial banks. –

Private commercial banks which extend production loans to rice farmers with interest rate provided in Section 11 of this Act shall be entitled to tax credits of fifteen per cent (15%) of the amount of their capital that has been devoted to rice production loans. Private commercial banks which continue to extend production loans to rice farmers after the three (3) years from the effectivity of this Act shall continue enjoying tax credits at ten per cent (10%) of the amount of their capital that has been devoted to rice production loans of the beneficiaries mentioned in Section 8 of this Act.

SECTION 16. Non-payment of loans. – In case of failure to pay the loan, the Landbank of the Philippines (LBP) or the credit auxiliaries from which the

farmer incurred the loan shall renegotiate or restructure the loan of the indebted farmer until the loan is fully paid. The Department shall formulate guidelines for this purpose: *Provided*, That in no case shall the restructuring of loan operate to effect the loss or foreclosure of the land of the indebted farmer nor shall it give effect to the blacklisting or disqualification of the indebted farmer from being a beneficiary of the Socialized Credit Program (SCP).

Credit auxiliaries from which the farmer incurred the loan may also extend assistance to the indebted farmer that will increase his income and productivity in order to pay the loan incurred. The assistance shall include, but shall not be limited to, permitting the indebted farmer to use the farm implements, working animals and farm inputs belonging to the credit auxiliaries.

In times of natural and man-made calamities, the Landbank of the Philippines (LBP) or the credit auxiliaries shall automatically impose a three (3)-month moratorium on the payment of loans, their interests, penalties and other charges.

SECTION 17. *Subsidized price of seeds and other farm inputs.* – The seeds and other farm inputs procured by the Department shall be sold to the farmers in accordance with the following:

- a) to rice farmers mentioned in Section 8 of this Act - fifty percent (50%) of their purchase price;
- b) to all other farmers - twenty five per cent (25%) of their purchase price.

SECTION 18. *Distribution of seeds and other farm inputs.* - The Department shall ensure that the distribution of seeds, fertilizers, and herbicides to rice farmers shall be made one (1) month before the start of production season.

The Department shall coordinate with the local government units (LGUs), farmers' organizations and farm production cooperatives to facilitate the distribution of seeds and other farm inputs to rice farmers.

SECTION 19. *Seed selection.* – In the purchase and distribution of seeds, the Department shall ensure that rice farmers shall have a wide selection of seed varieties in accordance with the knowledge and farm practices developed or existing in their communities.

The Department shall make full use of its data base and mapping of soil types as basis in distributing fertilizers to rice farmers. As much as practicable and according to adaptability to the knowledge and farm practices prevalent in different areas of the country, the distribution shall be based on the best applicability to the soil types in the area.

SECTION 20. *Incentives for use of traditional varieties, organic farming and indigenous rice farming practices* . – The Department shall formulate an incentives scheme for farmers who shall use traditional varieties, organic farming, and indigenous rice farming practices.

SECTION 21. *Irrigation.* - The National Irrigation Authority (NIA) shall prepare and implement a Three-Year Program of Work for the construction and development of irrigation systems necessary to satisfy the irrigation requirements for optimizing the production potential of the rice industry. In implementing the program of work, the NIA shall give priority to the development of irrigation systems in the remaining irrigable areas or potential areas for irrigation development. It shall pursue the construction of communal irrigation systems and such other irrigation systems that are appropriate for existing conditions of rice farms of the country. It shall take into account the preservation and rehabilitation of watersheds.

SECTION 22. *Special privilege for the primary beneficiaries.* - The irrigation systems constructed under this Act shall be available at no cost to rice farmers mentioned in Section 8 of this Act.

SECTION 23. *Monitoring of Irrigation Systems.* - The NIA shall submit to the Department an annual status and monitoring report of irrigation systems established under this Act. The agency shall also submit to the Department an annual report on irrigation systems maintained and operated by private irrigators associations and local government units (LGUs). For this purpose, the NIA may employ the services of independent experts to help the agency in determining the status of irrigation systems.

The NIA shall submit every three (3) years to the Congressional Oversight Committee under this Act an inventory and monitoring report on the state of existing irrigation systems to enable the Legislature to review the appropriation for repair and maintenance of irrigation systems.

The local government units (LGUs) which operate and maintain irrigation systems may turn over such irrigation systems to farmers' organizations and production cooperatives in their jurisdiction and may allocate funds for their operation and maintenance.

SECTION 24. *Regulation of irrigation fees.* - The payment of fees for the use of irrigation systems maintained or operated by private irrigators associations and local government units (LGUs) shall be regulated by the NIA. No schedule of payment rates or any increase thereof shall be imposed by any local government unit unless the same have been submitted for approval by the NIA through a resolution of the local government council: *Provided*, That such a resolution shall not be issued without consultation with farmers or farmers' associations and production cooperatives.

Within three (3) months after the effectivity of this Act, NIA shall issue the guidelines and mechanism for regulating the payment of fees for the use of irrigation systems maintained or operated by private irrigators associations and local government units (LGUs).

SECTION 25. *Maintenance of irrigation systems.* - Upon the completion of the construction of post-harvest facilities, the Department shall turn over for maintenance the post-harvest facilities:

- a) to the National Food Authority – all provincial multi-purpose dryers and warehouses after which these shall form part of the warehouses operated by the National Food Authority (NFA); and
- b) to the municipalities where the facilities are located – all barrio and municipal multi-purpose dryers and warehouses.

SECTION 26. *Development of post harvest facilities.* – In coordination with the National Food Authority (NFA), the Department of Public Works and Highways (DPWH), and local government units (LGUs), the Department, through its Bureau of Post-Harvest for Research and Extension, shall draw up a Three-Year Program of Work for the construction of multi-purpose dryers, warehouses and other post-harvest facilities in municipalities, provinces and other areas that are centers of rice production. The construction plan shall use the clustering of barrios and municipalities in designating the location of multi-purpose dryers, warehouses and other post-harvest facilities at a ratio to be determined on the basis of distance, population, and volume of rice crops produced and traded. The program of work shall include the repair and rehabilitation of existing dryers and warehouses of the NFA.

SECTION 27. *Mechanisms for Maintenance of Post Harvest Facilities.* -To help defray the maintenance costs of post-harvest facilities, the agencies and local government units (LGUs) responsible for their maintenance shall be allowed to collect reasonable fees for the use of the facilities: *Provided*, That no collection or increase of service fees shall be imposed unless mandated by a resolution of the local government council after consultation with farmers and farmers' organizations. The fees on the use of multi-purpose dryers and other post harvest facilities shall be used exclusively for the maintenance, repair or expansion of these facilities.

SECTION 28. *Lease of post-harvest facilities to farmers by the Local Government Units (LGUs).* – Local government units (LGUs) shall have the authority to lease out their post harvest facilities to farmers' organizations, farm production cooperatives or farmers' marketing cooperatives. *Provided*, That the lease rentals paid by the farmers' organizations and farm production cooperatives or farmers' marketing cooperatives shall be used for the maintenance, repair or expansion of these facilities.

They can enter into agreements in which the ownership of the facilities shall be transferred to farmers' organizations, farm production cooperatives or farmers' marketing cooperatives after fifteen (15) years or when the cost of construction has been returned, whichever comes first.

SECTION 29. *Inventory of post-harvest facilities.* – Within three (3) months after the effectivity of this Act, the National Food Authority (NFA) shall make an inventory of its dryers and warehouses and ensure that they are operational and viable. If the National Food Authority (NFA) decides to sell or lease out these facilities, it shall make the offer first to farmers and farmers' organizations and cooperatives.

SECTION 30. *Regulating dryer and warehouse fees.* – Dryers and warehouses operated by private entities, including farmers' cooperatives which

rent out their facilities to non-members, shall be regulated by the local government units (LGUs) in the area.

SECTION 31. *Responsibility of Local Government Units (LGUs)* – For a period of three (3) years, municipal governments in centers of rice production shall set aside one percent (1%) of their budget as contribution for the construction of post-harvest facilities;

Provincial governments in centers of rice production shall set aside two percent (2%) of their budget.

SECTION 32. *Procurement of Palay at Farm Gate.* – The National Food Authority (NFA), in consultation with farmers' organizations, shall formulate guidelines to strengthen the procurement of palay at the farm gate. The budget of the agency shall be exclusively used for the procurement of palay from local rice farmers. The agency shall also submit to the Department an annual comprehensive report on the procurement of palay from local rice farmers.

SECTION 33. *Mechanism to reach out rice farmers at the farm gate.* – In coordination with the local government units (LGUs), the National Food Authority (NFA) shall undertake to maximize the funnel system in the construction of post harvest facilities for its use as buying stations to buy the palay of rice farmers at farm gate prices.

SECTION 34. *Farmers' organizations and marketing cooperatives as marketing arms; incentives scheme for cooperative marketing.* – In purchasing palay from rice farmers at farm gate prices, the National Food Authority (NFA) shall promote the cooperative marketing of palay among rice farmers, particularly small scale rice farmers. For this purpose, the National Food Authority (NFA) shall devise a scheme for enrolling farmers' organizations or their marketing cooperatives as its procurement arms. The scheme shall have an incentives package for farmers who sell their palay to the National Food Authority (NFA) through their farmers' organizations or their marketing cooperatives.

SECTION 35. *Extension Services Program.* – The Department, in coordination with the local government units (LGUs) and state colleges and universities, and in consultation with farmers and their farmers' organizations and production cooperatives, shall formulate an extension services program focused on enhancing the production skills and knowledge of rice farmers and in building their capability through their farmers' organizations, production and marketing cooperatives. The program shall strengthen the direct complementary role of the national government in the delivery of extension services by local government units (LGUs) to rice farmers.

SECTION 36. *Areas of Extension Services* – The extension services program shall have the following major areas of services:

- a) training and education services;

This shall include the provision of trainings to help rice farmers establish cooperatives and other forms of mutual-aid and self-reliant

societies, including trainings on cooperative management, project management and monitoring, finance administration, accounting, capability building, project feasibility analysis and fund sourcing.

- b) production technology consultancy and advisory;
- c) consultancy and advisory on cooperative development and related matters; and
- d) marketing information and communication.

The extension services shall include the periodic upgrading of the technical skills, knowledge, and professional competence of extension service workers.

SECTION 37. *Pooling and networking of extension services* – The Department shall establish linkages with the agricultural extension programs of state colleges and universities and private schools with rural development extension programs, to harness their extension service capabilities and programs for rice farmers. The Department shall use the programs for recruiting agricultural students for volunteer extension service, programmed rural immersion, and apprenticeship in the major areas of services mentioned in the preceding section.

The Department shall also tap non-government agricultural resource centers and institutions in the rice areas of the country and establish linkages with them to avail their resource and extension services and programs.

Upon the approval of concerned state colleges and universities and private schools with rural development extension programs, an agricultural or community development student who has rendered a one-year volunteer extension service, immersion or apprenticeship in any of the major areas of extension services mentioned in this Act shall be credited with having completed the thesis requirement of his/her course.

SECTION 38. *Capability-building for rice farmers*. – The Department shall ensure the participation of rice farmers and their organizations in extension services. It shall ensure through education, trainings and seminar workshops the formation of technicians and production advisers from among rice farmers and members of farmers' organizations. It shall complement the training and seminar workshops with a program for the periodic and continuous upgrading of their technical skills and knowledge.

SECTION 39. *Information network for rice farmers*. – The Department in coordination with the Department of Science and Technology (DOST), National Food Authority (NFA), local government units (LGUs), and other appropriate government agencies, shall establish a computerized national network of information from the national to the provincial and municipal levels. The information network shall serve as resource procurement and marketing support services for rice farmers. It shall include, but not limited to, the following:

- a) directory of non-government organizations and institutions that provide resource dissemination, technical, organizational or legal services to rice farmers;
- b) supply and price trends, including comparative price trends, of rice production inputs;
- c) rice demand data;
- d) rice supply data;
- e) timely advisory and forecasts on palay prices (National Food Authority (NFA) prices and prices of private traders); and
- f) directory of trading centers, including listing of traders and farmers marketing cooperatives.

The Department shall make the information network available on government websites.

SECTION 40. *Promoting computer literacy among rice farmers.* - The Department shall promote the computerization of the operation of farmers' organizations and their production cooperatives, rural loan associations and credit cooperatives. Its training and education services shall include basic computer literacy for rice farmers.

SECTION 41. *Promoting cooperatives among rice farmers.* - The Department shall promote the formation of cooperatives of rice farmers, giving emphasis on the formation of cooperatives of small-scale rice farmers or rice farmers with annual income below the rural poverty threshold.

SECTION 42. *Types of cooperatives to be promoted.* - The Department shall promote the following types of cooperatives:

- a) farm resources cooperatives or resources procurement cooperatives (seeds, farm tools, draft animals or agricultural inputs);
- b) rice production cooperatives;
- c) irrigation cooperatives;
- d) warehouse cooperatives;
- e) marketing cooperatives; and
- f) credit cooperatives for loaning out capital for rice production.

SECTION 43. *Promotion of Self-reliant Organizations.* - Farmers' organizations engaged in cooperative marketing of palay are encouraged to form self-reliant organizations to strengthen their bargaining power in the pricing of the produce of their members. The Department, in coordination with farmers' organizations, shall help the farmers' marketing cooperatives in establishing self-reliant organizations of their line of cooperatives.

SECTION 44. *Promotion of Farmers' Marketing Cooperatives.* - To promote the formation of cooperatives of rice farmers in the marketing of palay, the Department shall promote farmers' marketing cooperatives whose membership, admission and share contribution are based on the volume of palay sold to the farmers' marketing cooperative instead of cash payment. After consultation with the National Food Authority (NFA) and farmers' organizations, the Department

shall issue the guidelines that will govern their creation and membership admission.

SECTION 45. *Prohibition on conversion of rice lands into other uses or crops.* - The conversion into other uses or crops of rice lands is strictly prohibited.

SECTION 46. *Prohibition on destruction of rice lands and diminishing their sustainability, economic viability or ecological soundness.* - It is likewise strictly prohibited of any person to perform such acts that cause the diminution of the economic viability or productivity of existing rice lands, or such acts that destroy or undermine the sustainability of rice production in rice lands, including the destruction of their ecological soundness. Such acts include the following:

- a) destroying water systems, whether natural or man-made, or diverting or impeding their flow that causes rice lands to lose their sources of irrigation, making it appear that the affected rice lands are no longer economically viable;
- b) large-scale cutting of trees that destroys the biodiversity of rice lands;
- c) quarrying that will have the same effect of destroying the biodiversity of rice lands;
- d) contaminating rice paddies or water systems that irrigate rice fields with mercury and similar harmful elements or chemicals; and
- e) failure to prevent the spill of mine wastes to rice lands;

SECTION 47. *Regulation on land reclassification by Local Government Units (LGUs)* -No reclassification of agricultural lands devoted to rice shall be made by the local government units (LGUs) without consultation with farmers and farmers' organizations, and the recommendation of the Department and the Department of Agrarian Reform (DAR): *Provided*, That such reclassification shall not exceed five per cent (5%) of the total rice lands of the municipality: *Provided, further*, That no reclassification of irrigated lands, rice lands with funding commitment for irrigation, and rice lands with metric ton per hectare productivity equal to the national average shall be made: *Provided, finally*, That no reclassification of rice lands shall be made within seven (7) years from the last reclassification.

SECTION 48. *Land reclassification review mechanism* - When a local government unit (LGU) reclassifies rice lands, it shall create a Task Force for the purpose of reviewing the proposed reclassification. The Task Force shall be composed of the following:

- a) representative from the rice farmers' sector;
- b) representative from the Barangay Agrarian Reform Council;
- c) representative from the irrigators' association;
- d) representative from the local government unit;
- e) representative from the NIA;
- f) representative from the National Food Authority (NFA); and
- g) representative from the private sector.

The Task Force shall ensure the consultation with farmers and their organizations. No reclassification of rice lands shall be made by local government units (LGUs) without the recommendation of the Task Force.

SECTION 49. Appropriations. – The amount of *Forty-Eight Billion Pesos* (P48B) is hereby appropriated to fund the three-year implementation of this Act. Such amount shall be apportioned according to the following:

- a) *Eighteen Billion Pesos* (P15B) for Production Enhancement Credit Program to be released at *Five Billion Pesos* (P5B) annually;
- b) *Three Billion Pesos* (P3B) for Production subsidy such as seeds and other farm inputs for rice farmers to be released at *One Billion Pesos* (P1B) annually;
- c) *Fifteen Billion Pesos* (P15B) for the construction of irrigation systems. *Five Hundred Million Pesos* (P500M) from the appropriated *Fifteen Billion Pesos* (P15B) shall be allocated for the repair and maintenance of existing irrigation systems;

Upon the completion of the Three-Year program of work, the National Government shall appropriate at least *One Billion Pesos* (P1B) in the annual national budget for the maintenance and repair of established irrigation systems.

- d) *Seven Billion and Five Hundred Million Pesos* (P7.5B) for the construction of post harvest facilities;
- e) *Seven Billion and Five Hundred Million Pesos* (P7.5B) for extension and other support services; and

At the end of the three-year period, the National Government shall appropriate the amount of not lower than Five Billion Pesos (P5B) for the remaining core programs of this Act. Such amount shall be apportioned according to the following program of expenditures:

- a) forty per cent (40 %) for the continuation of the production enhancement credit program;
- b) twenty per cent (20 %) for production subsidy;
- c) twenty per cent (20 %) for maintenance of built-up irrigation systems; and
- d) twenty per cent (20 %) for research and development, extension and other support services.

SECTION 50. Exemption from election ban – The construction of the infrastructures mentioned in this Act such as irrigation systems, multi-purpose dryers and warehouses, as well as the repair and rehabilitation of these facilities, and their maintenance shall be exempted from the election ban on public works.

SECTION 51. Penalties –

- A. Any person who violates Section 46 of this Act shall be punished as follows:

- A.1 For land use conversion of rice lands - imprisonment of not less than twelve (12) years and one (1) day but not exceeding fifteen (15) years and a fine of not less than Two Hundred Fifty Thousand pesos (P 250,000) but not exceeding Ten Million Pesos (P10M).
- A.2 For crop conversion – a fine of not less than One Hundred Thousand Pesos (P100,000) but not exceeding Two Hundred Fifty Thousand Pesos (P250,000).
- B. Any person who violates Section 47 of this Act shall be punished as follows:
 - B.1 If the rice lands affected exceeds twenty five (25) hectares and the prohibited acts inflicted damages to fifty percent (50%) of the ecological area – imprisonment of not less than twelve (12) years and one (1) day but not exceeding fifteen (15) years and a fine of not less than Two Hundred Fifty Thousand pesos (P 250,000) but not exceeding Ten Million Pesos (P10M).
 - B.2 In all other cases, the imprisonment shall be for a period of not less than six (6) years and one (1) day but not more than twelve (12) years and the fine shall be not less than One Hundred Thousand pesos (P100,000) but not more than Five Hundred Thousand pesos (P500,000.00).

SECTION 52. Congressional Oversight Committee. - A Congressional Oversight Committee is hereby created to oversee and monitor the implementation of this Act. It shall be composed of the Chairpersons of the Committee on Agriculture and Food of both Houses of Congress, three (3) Members of the House of Representatives, and three (3) Members of the Senate of the Philippines, to be designated respectively by the Speaker of the House of Representatives and the President of the Senate of the Philippines.

The Chairpersons of the Committees on Agriculture and Food of the House of Representatives and of the Senate of the Philippines shall be the Chairpersons of the Oversight Committee. The Members shall receive no compensation; however, traveling and other necessary expenses shall be allowed.

The Oversight Committee shall meet once a year or as often as necessary to review and recommend policy directions for the effective implementation of this Act. The Oversight Committee shall submit to the Speaker of the House of Representatives and to the President of the Senate of the Philippines periodic reports on its findings and recommendations on actions to be undertaken by both Houses of Congress and the Department of Agriculture (DA).

SECTION 53. Implementing Rules and Regulations. – The Department of Agriculture (DA) shall issue the Implementing Rules and Regulations of this Act within fifteen (15) days from its effectivity.

SECTION 54. *Repealing Clause.* – All previous or existing laws, decrees, executive orders, rules and regulations or parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

SECTION 55. *Separability Clause.* – If, for any reason, any section or provision of this Act is declared null and void, no other sections, provision, or part hereof shall be affected and the same shall remain in full force and effect.

SECTION 56. *Effectivity Clause.* – This Act shall take effect immediately after publication in at least two (2) newspapers of general circulation.

Approved.