

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. 4904



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

On July 1, 2017, Philippine Quantitative Restrictions (QR) on Rice will be lifted. Very simply, this means that henceforth, the Philippines will not be able to prescribe a rice import volume on the basis of a national rice supply shortfall. Depending on where one stands on the argument on food security, food self-sufficiency, rural poverty and farmers' income, the lifting of the QR can be seen as a boon or a bane for consumers and the rural sector, alike.

Many have speculated on what the impact(s) of this event will be for a country of 104 million people and where the national staple is rice. What will the consequences be in a country where more than 2 million hectares of rural lands are devoted to rice farming? In a situation where farmers are not fully supported in planting the national staple, can we still expect Filipino farmers to continue doing so, especially when rice will now be freely imported into the Philippines? As it is, the IRRI-Philrice Benchmarking Study released for 2015-2016, quoting the International Food Policy Research Institute (IFPRI), reports that in a climate changed world, in the next twenty years, rice prices will increase by 32% to 37%, yield losses in rice would be 15% and 20 million hectares of the world's rice growing areas will be at risk particularly India, Bangladesh and Vietnam.

But what about the interests of millions of consumers in a country where almost a fifth of the population are considered "poor?" There are many profound questions indeed.

However, what is clear and cannot be argued, is the fact that without a law prescribing tariffs for rice, the unbridled option to import rice at current international prices will mean opening the floodgates to rice importations at effectively near "duty-free" levels leaving Filipino farmers totally defenseless especially, at current regional costs of production where the Philippines lags Vietnam, Thailand and India.

Enacting a law that prescribes tariffs for rice importations cannot be seen as otherwise than a move to support millions of rice farmers comprising a majority of more than 40% of the Philippines' population which remain rural based. It is not anti-consumer but pro-livelihood for millions of our rural poor which will be condemned to even greater depths of poverty without it.

This Bill, when passed into law, will prescribe tariff rates which will not only support and ensure the future of Philippine Agriculture and the millions who depend on it (both tillers and consumers); but will also ensure that the rates will comply with our international treaties and obligations.

Furthermore, the collection of these tariffs, will be a revenue raising activity for the Government which can be set aside to strengthen the rice sector to meet head-on the challenges of confronting import threats and more importantly, keeping the Philippines food secure.

Funds that will be allocated to the rice sector can follow a Rice Industry roadmap that shall be based on the following principles: 1) rice industry competitiveness rather than self-sufficiency; 2) farmers' profitability; 3) support focusing on the whole-value chain rather than on production alone; and 4) technology-oriented, location, situation, and farmer-specific support services.

Unless, the end-view and objective of Government policies and programs is profitability and increasing rural income for farmers, Philippine Agriculture will never be robust and dynamic. Passage of measures in support of the rural sector, such as this one, will ensure that the said sector will have a fair shot and chance to bring into fruition the modernization and lasting development of Philippine Agriculture.

For the foregoing reasons, immediate passage of this Bill is earnestly requested.



ARTHUR C. YAP
Representative

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AN ACT
AMENDING THE REPUBLIC ACT 8178, OTHERWISE
KNOWN AS THE “AGRICULTURAL TARIFFICATION ACT”
AND PRESIDENTIAL DECREE NO. 4, AS AMENDED,
OTHERWISE KNOWN AS, “PROCLAIMING THE
CREATION OF THE NATIONAL GRAINS AUTHORITY AND
APPROVING FUNDS THEREFOR”

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

1 **SECTION 1. *Amendment.*** - The President of the Republic of the Philippines is
2 hereby authorized to effect the following amendments on Section 2, Paragraph 1
3 and Section 5, Paragraph 3 of RA 8178, and Subparagraph (xii), Paragraph 1,
4 Section 6 of Presidential Decree No. 4, as follows:

5 “*Sec. 2. Declaration of Policy.* –It is the policy of the State to make
6 the country’s agricultural sector viable, efficient and globally
7 competitive. The State adopts the use of tariffs in lieu of non-tariff
8 import restrictions to protect local producers of agricultural products

1 [except in the case of rice, which will continue to have quantitative
2 import restrictions.]

3 *"Sec. 5. Amendment –*

4 *"Sec. 6 (a) Powers –*

5 "(xii) to establish rules and regulations governing the
6 importations of rice and to license, impose and collect fees and
7 charges for said importation for the purpose of equalizing the selling
8 price of such imported rice with normal prevailing domestic prices."

9 "In the exercise of this power,[the Council after consultation
10 with the Office of the President shall first certify to a shortage of rice
11 that may occur as a result of a short-fall in production, a critical
12 demand-supply gap, a state of calamity or other verified reasons that
13 may warrant the need for importation: Provided, That this requirement
14 shall not apply to the importation of rice equivalent to the Minimum
15 Access Volume obligation of the Philippines under the WTO]. The
16 Authority shall undertake direct importation of rice or it may allocate
17 import quotas among certified and licensed importers, and the
18 distribution thereof through cooperative and other marketing channels,
19 at prices to be determined by the Council regardless of existing floor
20 prices and the subsidy thereof, if any, shall be borne by the National
21 Government."

1 **SECTION 2.** The composition of the NFA Council provided under Section
2 4 (Policy Implementation) of PD No. 4, as amended, shall reinstate the DA
3 Secretary or his alternate as member of the Council. The NFA Council shall have
4 the authority to monitor and oversee all the activities of the government with
5 regards to rice importation.

6
7 **SECTION 3. *Additional Funding in Support to the NFA*** – Funding and
8 other institutional development support for the NFA to function based on its new
9 mandate shall be provided by the government through general appropriations.

10 **SECTION 4. *Collection from Rice Importation.*** – All tariff collection on
11 rice imports shall accrue to the Rice Industry Development Fund (RIDF) and shall
12 be deposited in a special account with the National Treasury. The Most Favoured
13 Nation (MFN) tariff on rice imports shall, for a period of three years shall not be
14 less than 100% as determined by the Department of Agriculture and approved by
15 the President of the Republic of the Philippines.

16
17 **SECTION 5. *Importations borne out of commitment from various Free***
18 ***Trade Agreements (FTAs) and Bilateral Negotiations.*** – For the purpose of this
19 Act, the following shall be enforced:

- 20 a) In case of in-quota imports of rice from WTO member economies
21 and out-quota imports of rice from ASEAN member countries,
22 only the NFA or the appropriate government agencies shall be

1 allowed to import these quantities. The private sector may be
2 allowed to import rice at MFN rates.

3 b) The NFA may be authorized to import rice tariff-free upon
4 recommendation of the NFA Council and the DA Secretary and
5 approval of the President. In the event that the NFA imports rice at
6 zero tariff, half of the net income earned from the said importation
7 shall be used to augment the Rice Industry Development Fund. For
8 this purpose, NFA must have a separate accounting for its tariff-
9 free rice imports.

10 **SECTION 6. *Rice Industry Development Fund.*** – For the purpose of this
11 Act, the Rice Industry Development Fund shall be established and utilized to
12 support the implementation of the Rice Industry Competitive Enhancement
13 Program of the government. All tariffs (in- and out-quota) collected from rice
14 imports shall be set aside and earmarked by the Department of Finance (DOF) and
15 the Department of Budget and Management (DBM) to form part of the Rice
16 Industry Development Fund which will be accessed by the DA in support to the
17 Rice Industry Roadmap and the NFA as prescribed by the guidelines created by the
18 NFA Council.

19 The fund shall not replace the DA's rice program budgetary allocation. The
20 regular budget of the DA shall be used primarily to fund agricultural support
21 measures to be undertaken as a safety net for the industry in its transition to a more
22 competitive sector amidst the influx of rice imports. The rice tariff collected shall

only form part of the budget to finance the implementation of the Rice Industry Roadmap. This Fund shall be on top of the regular appropriation of the DA as contained in the GAA.

SECTION 7. *Rice Industry Roadmap.* – Upon the enactment of this Act, the Department of Agriculture, together with relevant agencies shall be given a maximum of 180 days to finalize the rice roadmap to restructure the government's delivery of support services for the sector. As part of this Roadmap, a Five-Year Rice Program shall be implemented to provide alternative livelihood for those who will be affected by the shift in the import policy. The DA shall provide a list of farmers in the Government's transition program in which they will eventually graduate into a more appropriate industry.

The roadmap shall be based on the following principles: 1) rice industry competitiveness rather than self-sufficiency; 2) farmers' profitability; 3) support focusing on the whole-value chain rather than on production alone; and 4) technology-oriented, location, situation, and farmer-specific support services.

The activities to be included in the roadmap shall include, but not limited to, the following:

- a) Technology development and transfer;
- b) Provision of administrative and technical support to lending institutions for clients' easier access to financing schemes (e.g. credit, insurance);
- c) Post-harvest facilities and mechanization;

- 1 d) Hiring of additional Agriculture Extension workers/technicians to
2 provide direct assistance to farmers;
- 3 e) Capacity building activities for DA personnel and LGUs; and
- 4 f) Provision of social protection schemes for farmers that may cover
5 pension benefits, medical and hospitalization, maternity benefits, and
6 educational assistance.

7

8 **SECTION 8. *Repealing Clause.*** – All other laws, decrees, executive
9 orders, issuances, rules and regulations, or part thereof inconsistent with this Act
10 are hereby likewise repealed or amended accordingly.

11

12 **SECTION 9. *Separability Clause.*** – If, for any reason, any section or
13 provisions of this Act is declared unconstitutional or invalid, the other sections or
14 provisions not affected thereby shall remain in full force and effect.

15

16 **SECTION 10. *Effectivity.*** - This Act shall effect fifteen (15) days after its
17 publication in the Official Gazette or in at least two (2) newspapers of general
18 circulation.

19

20 **APPROVED,**