

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Seventeenth Congress
First Regular Session

HOUSE BILL NO. 5443



Introduced by Representative Sharon S. Garin

EXPLANATORY NOTE

To date, the Philippines is the only country in the world that continues to implement quantitative restrictions (QR) on rice imports. The QR works as a protection to domestic rice farmers by limiting the volume of imported rice that enters the Philippine market – all in the name of rice self-sufficiency. However, the QR period, which has already been extended 3 times in the past by the World Trade Organization (WTO), is set to expire on July 2017. With this impending expiration, it is high time to look at other options when it comes to regulating rice imports.

Currently, a 40 percent duty on imported rice is imposed for importations below the minimum access volume (MAV) of 805,200 metric tons (MT), while a 50 percent tariff is imposed for importations above the MAV. Although the current system provides ample protection to domestic rice farmers; it also keeps the price of rice artificially high, due to the limited supply.

In a country where rice is considered the staple food and where millions of people, or about a fifth of the population are considered poor and food-insecure, perhaps the imposition of quantitative restrictions is too severe a system for our fellow countrymen. It keeps more Filipinos than necessary below the poverty line, as rice alone is the single biggest item in the average poor Filipino family's budget. Increase in the poverty rate can even be attributed not to falling incomes, but to higher rice prices. What use is our stock of rice if our own people cannot afford it?

However, once the QR is lifted, the country would see an influx of cheap rice imports from our South East Asian neighbors like Thailand and Vietnam, who are much more adept at producing rice. And although this might be advantageous for consumers, it can also be detrimental to our rice farmers. The rice industry itself employs more than three million farmers and agricultural workers comprising about 30% of the total employed in agriculture. Domestic rice production contributed

P259.53 billion to the Philippine economy in 2015, constituting about 2.24% of the country's gross domestic product (GDP). Simply lifting the quantitative restrictions on rice and providing for trade liberalization without ensuring financial and technical support to the local agricultural sector, would not only endanger our food self-sufficiency, but also negate the country's economic growth and development.

A good balance must be sought to protect the interests of our poor and marginalized people and the interests of our local rice farmers. This bill seeks to provide such measure by: (a) subjecting rice imports to ordinary custom duties and tariff; and (b) distributing the proceeds of such tariffs to the benefit of rice farmers. This agricultural assistance may come in the form of infrastructure, better seedling varieties, irrigation, drying facilities, farm-to-market roads, and other technology-oriented, location, situation, and farmer-specific support services. This ensures that we are able to keep the price of rice relatively low due to competing market forces, but still provide adequate support for our own local farmers.

Lifting the quantitative restrictions may also lead to innovations and advancements in the rice industry to keep up with the competition. This would result to better yields, and greater productivity for our farmers, further ensuring food security. Imposing appropriate tariff rates is also in line with our international treaties and obligations, particularly, with our dealings with the World Trade Organization (WTO) and the ASEAN Free Trade Area agreements.

We only have a short time to pass this bill before the July 2017 deadline inevitably comes. Instead of looking at the lifting of the QR as a drawback, we should look at it as an opportunity to rethink our rice policy, and craft a more comprehensive program that looks after the interests of not only one but various sectors in our society. For the foregoing reasons, this representation earnestly seeks the immediate passage of this bill.



SHARON S. GARIN
AAMBIS-Owa Party-list

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8 HOUSE BILL NO. **5443**
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13 AN ACT

14 REPLACING QUANTITATIVE IMPORT RESTRICTIONS ON RICE,
15 WITH TARIFFS, AND CREATING THE RICE COMPETITIVENESS
16 ENHANCEMENT FUND, AMENDING FOR THIS PURPOSE
17 REPUBLIC ACT 8178, AS AMENDED BY REPUBLIC ACT 10848,
18 ENTITLED "AN ACT REPLACING QUANTITATIVE IMPORT
19 RESTRICTIONS ON AGRICULTURAL PRODUCTS, EXCEPT RICE,
20 WITH TARIFFS, CREATING THE AGRICULTURAL
21 COMPETITIVENESS ENHANCEMENT FUND, AND FOR OTHER
22 PURPOSES"
23

24 *Be it enacted by the Senate and House of Representatives of the Philippines in*
25 *Congress assembled:*
26

27 SECTION 1. Section 2 of Republic Act 8178, as amended, otherwise
28 known as "An Act Replacing Quantitative Import Restrictions on Agricultural
29 Products, Except Rice, With Tariffs, Creating the Agricultural Competitiveness
30 Enhancement Fund, and For Other Purposes," is hereby amended, to read as
31 follows:

32 "Sec. 2. *Declaration of Policy.* – It is the policy of the State to make the
33 country's agricultural sector viable, efficient and globally competitive.

34 The State adopts the use of tariffs in lieu of non-tariff import restrictions

1 to protect local producers of agricultural products, **[except in the case of**
2 **rice, which will continue to have quantitative import restrictions.]**

3 XXX”

4 **SECTION 2.** Item (a) of Section 3 of Republic Act 8178 is hereby
5 amended, to read as follows:

6 “(a) “Agricultural Products” shall have the same meaning as
7 agricultural products under Chapters 1-24 of **[Presidential Decree**
8 **No. 1464, otherwise known as the Tariff and Customs Code of the**
9 **Philippines, as amended.] SECTION 1611 OF REPUBLIC ACT**
10 **NO. 10863, OTHERWISE KNOWN AS THE “CUSTOMS**
11 **MODERNIZATION AND TARIFF ACT (CMTA).**

12 XXX”

13 **SECTION 3.** Section 4 of Republic Act 8178 is hereby amended to read
14 as follows:

15 “Sec 4. *Repeal* –The following laws and all other laws or provisions of
16 law prescribing quantitative import restrictions or granting government
17 agencies the power to impose such restrictions on agricultural products,
18 **[except rice,]** are hereby repealed

19 XXX”

20 **SECTION 4.** Section 5 of Republic Act 8178 is hereby amended, to read
21 as follows:

1 “Sec. 5. *Amendment.* – Subparagraph (xii), paragraph (1) Section 6 of
2 Presidential Decree No. 4 (National Grains Authority Act), as amended,
3 is hereby further amended to read as follows:

4 “Sec. 6. (a) *Powers.* –

5 “(xii) to establish rules and regulations governing the importation
6 of rice **FOR FOOD SECURITY AND NATIONAL BUFFER**
7 **AND STOCKING PURPOSES** and to license, impose and collect
8 fees and charges for said importation [**for the purpose of**
9 **equalizing the selling price of such imported rice with normal**
10 **prevailing domestic prices.]**

11 “**In the exercise of this power, [the Council after consultation**
12 **with the Office of the President shall first certify to a shortage**
13 **of rice that may occur as a result of a short-fall in production, a**
14 **critical demand-supply gap, a state of calamity or other**
15 **verified reasons that may warrant the need for importation:**
16 ***Provided,* That this requirement shall not apply to the**
17 **importation of rice equivalent to the Minimum Access Volume**
18 **obligation of the Philippines under the WTO.]** The Authority
19 shall undertake direct importation of rice [**or it may allocate**
20 **import quotas among certified and licensed importers, and the**

1 distribution thereof through cooperatives and other marketing
2 channels, at prices] AT CONDITIONS TO BE DETERMINED
3 BY THE COUNCIL [regardless of existing floor prices and the
4 subsidy, thereof, if any, shall be borne by the National
5 Government].”

6 **SECTION 5.** Section 6 of Republic Act 8178 is hereby amended, to read
7 as follows:

8 “Sec 6. *Tariffication* – In lieu of quantitative restrictions, the maximum
9 bound rates committed under the Uruguay Round Final Act shall be
10 imposed on the agricultural products whose quantitative restrictions are
11 repealed by this Act. The President shall issue the corresponding tariffs
12 beginning 1996 up to the year 2000. Provided, that the schedule of the
13 initial and final rates shall be consistent with the country’s tariff binding
14 commitments.

15 In case of shortages or abnormal price increases in agricultural products,
16 whose quantitative restrictions are lifted under this Act, **AS AMENDED**,
17 the President may propose to Congress, revisions, modifications or
18 adjustments of the Minimum Access Volume (MAV). Provided,
19 however, that in the event Congress fails to act after fifteen (15) days
20 from receipt of the proposal, the same shall be deemed approved.

1 **IN LIEU OF THE QUANTITATIVE RESTRICTION ON RICE,**
2 **THE MAXIMUM BOUND RATE SHALL BE SUBMITTED BY**
3 **THE PHILIPPINES TO THE WTO.”**

4 **SECTION 6.** Section 8, Paragraph 1 of Republic Act 8178, as amended,
5 is hereby amended, to read as follows:

6 “Sec 8. *Agrigultural Competitiveness Enhancement Fund* – To implement
7 the policy enunciated in this Act, there is hereby created the Agricultural
8 Competitiveness Enhancement Fund, hereinafter referred to as THE
9 FUND. The Fund shall consist of all duties collected from the importation
10 of agricultural products, **EXCEPT RICE**, under the minimum access
11 volume (MAV) mechanism, including unused balances and collections
12 from repayments from loan beneficiaries including interests, if any. The
13 Fund shall be automatically credit to Special Account 183 in the General
14 Fund of the National treasury; Provided, that fund release shall not be
15 subject to any ceiling by the Department of Budget and Mangement
16 (DBM).

17 XXX”

18 **SECTION 7.** A new Section 9 is hereby inserted after Section 8-B of
19 Republic Act No. 8178, as amended, to read as follows:

1
2 ***“Sec 9. RICE COMPETITIVENESS ENHANCEMENT FUND –***
3 **THERE IS HEREBY CREATED THE RICE COMPETITIVENESS**
4 **ENHANCEMENT FUND, HEREIN REFERRED TO AS THE**
5 **“RICE FUND,” FOR THE PURPOSE PROVIDED HEREIN. THE**
6 **RICE FUND SHALL CONSIST OF ALL DUTIES COLLECTED**
7 **FROM THE IMPORTATION OF RICE UNDER THIS ACT AND**
8 **THE MINIMUM ACCESS VOLUME (MAV) MECHANISM FOR**
9 **FIVE (5) YEARS FROM THE START OF THE EFFECTIVITY OF**
10 **THIS ACT. THE RICE FUND SHALL BE AUTOMATICALLY**
11 **CREDITED TO A SPECIAL ACCOUNT IN THE GENERAL**
12 **FUND OF THE NATIONAL TREASURY: PROVIDED THAT,**
13 **FUND RELEASE SHALL NOT BE SUBJECT TO ANY CEILING**
14 **BY THE DEPARTMENT OF BUDGET AND MANAGEMENT**
15 **(DBM). ANY REMAINING BALANCE AT THE DATE OF**
16 **EXPIRATION OF THE COLLECTION OF DUTIES FOR THE**
17 **RICE FUND SHALL NOT REVERT TO THE GENERAL FUND**
18 **BUT SHALL CONTINUE TO BE USED FOR THE PURPOSE FOR**
19 **WHICH IT WAS COLLECTED AND SET ASIDE.”**
20

1 **THE RICE FUND SHALL BE SET ASIDE UP THE RICE FUND**
2 **SHALL BE SET ASIDE AND RELEASED TO:**

3 **(A) ENHANCE PRODUCTIVITY AND INCOME OF RICE**
4 **FARMERS;**

5 **(B) MODERNIZE FARM AND MARKETING**
6 **PROCESSES AND STRENGTHEN THE COMMODITY'S**
7 **VALUE CHAIN;**

8 **(C) ENHANCE RESEARCH, DEVELOPMENT, AND**
9 **EXTENSION ON RICE;**

10 **(D) EXPAND INSURANCE COVERAGE FOR RICE**

11 **(E) EXPAND CREDIT TO INCLUDE ACQUISITION AND**
12 **ESTABLISHMENT OF PRODUCTION, POSTHARVEST,**
13 **AND PROCESSING MACHINERIES, EQUIPMENT AND**
14 **FACILITIES OF RICE FARMERS AND THEIR**
15 **COOPERATIVES AND ASSOCIATIONS AND MICRO AND**
16 **SMALL-SCALE ENTERPRISES.**

17 **PROVIDED THAT:**

18 **(1) PREFERENTIAL ATTENTION SHOULD BE GIVEN**
19 **TO RICE FARMERS ADVERSELY AFFECTED BY THE**
20 **TARIFFICATION OF THE QUANTITATIVE**
21 **RESTRICTION ON RICE;**

1 (2) THE USE OF THE RICE FUND SHALL BE
2 CONSISTENT WITH THE POLICIES AND PRIORITY
3 THRUSTS UNDER REPUBLIC ACT 8435, AS AMENDED,
4 OTHERWISE KNOWN AS THE AGRICULTURE AND
5 FISHERIES MODERNIZATION ACT VIS-A-VIS THE
6 MEDIUM-TERM PHILIPPINE DEVELOPMENT PLAN
7 (PDP); AND

8 (3) THE USE OF THE RICE FUND SHALL BE
9 COMPLEMENTARY AND SUPPORTIVE OF VARIOUS
10 AND CURRENT FUNDING ASSISTANCE WINDOWS OR
11 PROGRAMS OF THE DEPARTMENT OF AGRICULTURE
12 AND OTHER GOVERNMENT INSTITUTIONS.”

13 TO ENSURE THE ATTAINMENT OF THE OBJECTIVES OF
14 THE RICE FUND, THERE IS HEREBY CREATED AN RCEF
15 EXECUTIVE COMMITTEE, COMPOSED OF:

16 (A) THE SECRETARY OF AGRICULTURE, AS CHAIR;

17 (B) THE PRESIDENT OF THE LANDBANK OF THE
18 PHILIPPINES; AND

19 (C) A REPRESENTATIVE OF RICE FARMERS
20 ASSOCIATIONS AND COOPERATIVES.

1 THE COMMITTEE SHALL PROMULGATE THE POLICIES
2 AND GUIDELINES NECESSARY FOR THE PLANNING,
3 ADMINISTRATION, COORDINATION AND MONITORING OF
4 THE UTILIZATION OF THE RICE FUND.

5
6 THE CONGRESSIONAL OVERSIGHT COMMITTEE ON
7 AGRICULTURAL AND FISHERIES MODERNIZATION
8 (COCOAFM) SHALL CONDUCT A PERIODIC REVIEW OF
9 THE USE OF THE RICE FUND.”

10
11 **SECTION 8.** A new Section 10 is hereby inserted after the new Section 9
12 of Republic Act No. 8178, as amended, to read as follows:

13 “Sec 10. RICE INDUSTRY ROADMAP – UPON THE
14 ENACTMENT OF THIS ACT, THE DEPARTMENT OF
15 AGRICULTURE (DA) TOGETHER WITH RELEVANT
16 AGENCIES SHALL BE GIVEN A MAXIMUM OF 180 DAYS
17 TO FINALIZE THE RICE ROADMAP TO RESTRUCTURE
18 THE GOVERNMENT’S DELIVERY OF SUPPORT
19 SERVICED FOR THE SECTOR. AS PART OF THE
20 ROADMAP, A FIVE-YEAR (5-YEAR) RICE PROGRAM
21 SHALL BE IMPLEMENTED TO PROVIDE ALTERNATIVE

1 **LIVELIHOOD FOR THOSE WHO WILL BE AFFECTED**
2 **BY THE SHIFT IN THE IMPORT POLICY. THE DA**
3 **SHALL PROVIDE A LIST OF FARMERS IN THE**
4 **GOVERNMENT’S TRANSITION PROGRAM IN WHICH**
5 **THEY WILL EVENTUALLY GRADUATE INTO A MORE**
6 **APPROPRIATE INDUSTRY.”**

7 **SECTION 9.** Sections 9, 10, 11, and 12 of Republic Act No. 8178, as
8 amended, are hereby renumbered accordingly.

9 **SECTION 10. *Separability Clause*** – If, for any reason, any section or
10 provision of this Act is declared unconstitutional or invalid, the other sections or
11 provisions not affected thereby shall remain in full force and effect.

12 **SECTION 11. *Repealing Clause*** – All other laws, decrees, executive
13 orders, issuances, rules and regulations, or part thereof inconsistent with this
14 Act are hereby likewise repealed or amended accordingly.

15 **SECTION 12. *Effectivity*** – This Act shall effect fifteen (15) days after
16 its publication in the Official Gazette or in at least two (2) newspapers of
17 general circulation.

18 Approved,