

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. **7516**



INTRODUCED BY HONORABLE GAVINI "APOL" C. PANCHO

EXPLANATORY NOTE

Rice is the staple food of about 80 percent of Filipinos, and therefore a major item in the consumption basket of consumers. It is the single most important agricultural crop in the Philippines, and therefore a major source of income of millions of Filipino farmers. Because of its political significance, the government is heavily involved both in the supply and distribution of rice to assure consumers sufficient and stable supply of rice at low prices and to maintain a reasonable return to rice farmers with adequate price incentives.¹

Similarly, rice farmers are the most numerous farmers in the country, and a large proportion of them live below the poverty line. Despite improvements in the country's economy, official poverty statistics show that the concentration of the poor remains in the agriculture sector. Data available from the Philippine Statistics Authority (PSA) show that farmers in particular consistently posted one of the highest poverty incidences among the nine basic sectors in the Philippines at 38.3%.

Within this context significant price falls of palay, especially during the peak harvest season, have significant adverse impact on the incomes and poverty status of the rice farmers, especially because most of them do not have the capability to hold off the sale of their harvest due to credit and storage constraints. Exacerbating the situation is the fact that the welfare of our farmers continue to be at risk due to the government's continued reliance on imports and lower spending on local rice production, the existence of corruption in the agencies tasked to support and protect the farmer's interests and the exploitation by traders and middlemen in rice and palay trading.

Many interventions have been implemented by past administrations but the government continues to struggle to uplift the farmers out of poverty, improve their access to basic services, and help protect farmers against poor competitiveness of

¹ See "Rice Prices and the National Food Authority" by Ponciano S. Intal, Jr., Leah Francine Cu and Jo Anne Illescas.

palay prices and unfair rice/ palay trading practices. Palay/rice trading involves procurement, transportation, storage, milling and distribution.

For one, the reduced competitiveness of local palay due to importation resulted to lower purchase price of palay traders passed on the supposed reduction of their expected profit to farmers. The importation stabilized the price and supply of rice, but it destabilized the development of the private sector in grain trading.

Currently, government interventions are implemented through the National Food Authority (NFA), which is an attached agency of the Department of Agriculture. The NFA took over the operation of the National Grains Authority (NGA), which was in operation from 1972 to 1981. The administration of NGA in turn succeeded the Rice and Corn Administration, which operated from 1962 to 1972. Historically, this cycle of renaming and establishing of new offices has been the observed approach towards finding a solution to the aforementioned challenges. Immediately after the Second World War, the Philippines went through a period of rice shortage and the government established the National Rice (NARIC) to handle address the problem at the time. Consequently the Rice and Corn Agency Board was created owing to the inability of the NARIC to solve the problem, but like the NARIC the Board proved similarly inadequate to resolve the situation.

Moreover on June 4, 1992 Republic Act 7607 also known as the "Magna Carta of Small Farmers" was signed into law. It primarily aims in realizing equitable distribution of benefits and opportunities through the empowerment of the small farmers. The law recognizes the country's responsibility for the welfare and development of small farmers by giving them support in attaining their socioeconomic goals.

Even with this however, the procurement system for palay has remained the same. There is a bidding market where farmers, traders and NFA representatives interact to decide how and where the available palay will be sold and stored and at what price. During the bidding phase, traders naturally try to procure the palay and rice from the farmers at the lowest prices. Moreover since the farmers have no direct access to warehouses to stock their palay, they are forced to sell their stock at the soonest possible time to avoid the risk of decreasing weight of their produce as palay continue to dry up the longer they are kept in stock.

The trader's prices however still offer better prices than that of the NFA. As a result most of the available rice go to the traders and only a small portion is acquired by the NFA. Consequently, this results in a lower stock in our national inventory leading the government to spend more dollars to import more rice annually in order to sustain national demand for rice. Suffice to say, the situation has remained unresolved and continues to be a standing issue working against public interest and place at risk the food security of our people.

In order to protect the interests of our farmers, the NFA and the farmers must form a relationship which will push a palay procurement system that can correct the flow of palay in the market and responsively address such realities on the ground like the opportunism and experiences of price manipulation during the harvest season.

As of late, rice farmers have clamored for government to adopt a procurement system that gives them "freedom of choice" in the use of hybrid seeds suitable to their local climates instead of being limited to the lowest-cost seeds. In the same light many farmer organizations have been urging government to prioritize quality over economy --- choosing a hybrid seed based on quality, rather than just low price, is also in compliance with earlier pronouncements of President Rodrigo R. Duterte that government will improve procurement system by choosing quality, not only low price in government purchases.²

This bill proposes a palay procurement system using a Treasury Crop Certificate (TCC) which is backed up by the stock of palay stored in the facilities of the NFA. The concept consists of a system where 50% of the harvest of the farmers will be sold to the market while the other 50% will be sold to the NFA. The NFA will then issue a TCT for 50% of the total amount of the palay it buys for the farmers while the other 50% will be paid in cash.

The TCT will function as a negotiable instrument guaranteed by the Bangko Sentral ng Pilipinas (BSP), the value of which will be determined by the prevailing price of palay in the market at the time of issuance. It also identifies the farmer as the land cultivator rather than the trader who is entitled to repurchase the instrument at 50% of the share.

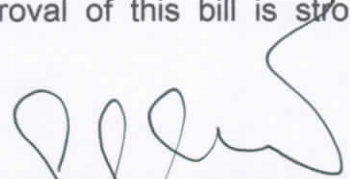
The whole value of the stock owned by the NFA will be stored in its warehouses but the farmer has the option of repurchasing said palay stocks after a period of three months subject to fees arising from storage, insurance and bank interests. The farmer can also use the TCT he has been issued as collateral to be able to facilitate loans from private banks. This significantly improves the value chain afforded to the farmers and allows them the power to decide and make choices consonant to their need.

The proposed palay procurement system solves three major issues that have been discussed: 1) First it significantly helps prevent palay shortage and reinforce the stock of palay in our NFA warehouses to support public demand while diminishing our reliance on importation to maintain buffer stocks. This not only gives the government opportunity to save on dollars and avoid a depletion of our dollar reserves, but similarly allows the NFA to free more of its annual budget and allocate the same for its programs and projects; 2) Second, it will help regulate palay prices and insulate farmers from opportunism and price manipulation during harvest

² See <http://www.manilatimes.net/rice-farmers-seek-choice-govt-seed-program/303294/>

season; 3) Lastly but equally important, this proposed palay procurement system can urgently help ensure that our farmers get maximum financial gains for their produce, empower them to make the choices they need, and become more productive members of the sector.

With this purpose in mind, the immediate approval of this bill is strongly requested.

A handwritten signature in black ink, appearing to read 'Gavini' followed by a stylized flourish.

GAVINI "APOL" C. PANCHO
Representative
2nd District of Bulacan

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HOUSE BILL NO. **7516**

INTRODUCED BY HONORABLE GAVINI "APOL" C. PANCHO

**"AN ACT PROVIDING FOR THE PALAY PROCUREMENT SYSTEM USING A
TREASURY CROP CERTIFICATE FOR RICE FARMERS AND APPROPRIATING
FUNDS THEREFOR"**

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

SECTION 1. Short Title. — *This Act shall be known as "Palay Procurement
System Act of 2018".*

SECTION 2. Statement of Policy. *It is the policy of the State to pursue the
realization of equitable distribution of benefits and opportunities through the
empowerment of the small farmers. It recognizes its responsibility for the welfare
and development of small farmers by giving them support in attaining their
socioeconomic goals.*

*Article II, Section 9 of the 1987 Constitution provides that the State shall
promote a just and dynamic social order that will ensure the prosperity and
independence of the nation and free the people from poverty through policies that
provide adequate social services, promote full employment, a rising standard of
living, and an improved quality of life for all; Moreover Section II of Republic Act No.
8435, otherwise known as the Agriculture and Fisheries Modernization Act of 1997,
declares that the State shall enable those who belong to the agriculture and fisheries
sectors to participate and share in the fruits of development and growth, and that the
State shall ensure the availability, adequacy, accessibility and affordability of food
supplies to all at all times;*

*Toward these ends, the State shall maintain a farm to fork food safety
regulatory system that ensures a high level of food safety, promotes fair trade and
advances the global competitiveness of Philippine foods and food products.*

SECTION 3. Responsibility for Administration and Enforcement. *It shall
be the primary duty of the National Food Authority together with concerned
government offices to effectively enforce the provisions of this Act. All duly
constituted law enforcement agencies and officers of national, provincial, city or
municipal government, baranggay or of any political subdivision thereof, shall, upon*

the call or request of the NFA, DA or BSP, render unqualified/ unconditional assistance in enforcing the provisions of this Act and to prosecute any person violating the provisions of the same.

SECTION 4. Implementing Guidelines. *Within sixty (60) days from the effectivity of this Act, the National Food Authority (NFA) in close coordination with Bangko Sentral ng Pilipinas (BSP), the Department of Agriculture (DA), and the top three (3) rice farmers organizations to be identified by the DA, shall formulate and issue the necessary rules and regulations to implement this Act.*

SECTION 5. Information Program. *The NFA in coordination with the DA and BSP shall develop and implement a continuous information dissemination program on the provisions of this Act, both at the national and local level, immediately after the enactment of this law.*

SECTION 6. Transition Phase. *A transition phase will be provided in the implementing rules and regulations following the approval of this Act in order for the NFA and BSP to make the appropriate preparations for the effective implementation of this Act. Likewise the provisions of this Act shall be included in the Citizens Charter of all NFA offices.*

SECTION 7. Appropriation. *To carry out effectively the provisions of this Act, the initial funding required for the implementation of this Act shall be sourced from the savings of the Executive Branch of the government and other possible sources that may be determined by the Office of the President, and subsequent funds needed shall be sourced from the General Appropriations Act for the year following the implementation of this Act.*

SECTION 8. Separability Clause. *If for any reason, any provision of part hereof is declared invalid, the other provisions not affected thereby shall remain in full force and effect.*

SECTION 9. Repealing Clause. *Any provision of the law, presidential decree, executive orders, rules and regulations contrary to the provision of this Act is hereby repealed, amended or modified accordingly.*

SECTION 10. Effectivity. *This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation, whichever comes earlier.*

Approved,