

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Seventeenth Congress
Third Regular Session

HOUSE BILL NO. 8122



Introduced by Honorable Deogracias Victor "DV" B. Savellano

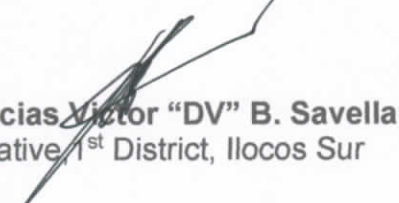
EXPLANATORY NOTE

In September 26, 1972, the National Food Authority (NFA) was created through Presidential Decree (PD) NO. 4 and was under the name of National Grains Authority. It had the mission of promoting the integrated growth and development of the grains industry covering rice, corn, feed grains like sorghum, mongo and peanut.

Presently, the National Food Authority (NFA) is vested with the functions of ensuring the food security of the country and the stability of supply and price of the staple grain- rice. In achieving this mandate, it performs through various activities and strategies, which include the procurement of palay from individual bonafide farmers and their organizations, buffer stocking, processing activities, dispersal of paddy and milled rice to strategic locations and distribution of the staple grain to various marketing outlets at appropriate times of the year.

But over the years, the National Food Authority (NFA) faced various challenges and concerns in the performance of its functions particularly in ensuring that prices of staple rice and corn are reasonable and affordable to the consuming public and also in monitoring and enforcing rules and regulations governing grains business, and licenses and registering all rice and corn business. These challenges present the National Food Authority a window to re-examine its organizational existence but it cannot do much given the laws that define its powers and functions.

This bill then seeks to strengthen the National Food Authority (NFA) and appropriating funds therefor. Approval of this measure is earnestly sought.


Hon. Deogracias Victor "DV" B. Savellano
Representative, 1st District, Ilocos Sur

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AN ACT

**STRENGTHENING THE NATIONAL FOOD AUTHORITY (NFA)
AND APPROPRIATING FUNDS THEREFOR**

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

SECTION 1. Title. This act shall be known as the "National Food Authority (NFA) Act of 2018".

SECTION 2. Declaration of Policy. It shall be the policy of the State to ensure food security for all Filipinos, provide safe and adequate supply of food grains at all times and in all places, maintain adequate levels of food grains, and carry out corporate proprietary and regulatory functions to attain sustainable development, reduce poverty and promote social justice, empower the rural sector, and improve the productivity and income of agricultural workers and producers.

SECTION 3. Definition of Terms.

1. **Adulteration** refers to an act which leads to the production of food which has been packed under unsanitary conditions which becomes injurious to health because of the omission or abstraction of a valuable constituent; or if any substance has been added thereto or mixed or packed therewith so as to increase its bulk or weight, or reduce its strength or to make it appear better or greater than it is.
2. **Calamities** refer to fortuitous events including acts of nature such as but not limited to typhoons, floods, droughts, earthquakes, volcanic eruptions, lahar flows, and acts of man such as political or civil disturbances and widespread civil unrest.

3. **Contumacy** refers to a person's willful refusal to appear before the Authority, comply with its order, or resistance to authority.
4. **Corporate** refers to powers of a corporation under the Corporation Code.
5. **Diversion** refers to an act committed by NFA accredited retailers/outlets authorized to sell NFA stocks resulting in or for the purpose of the following:
 - a. Unreasonable depletion of NFA stocks in the possession of grains businessmen;
 - b. Selling or lending government stocks to other grains businessmen;
 - c. Storing or selling government stocks in other places, stores or stalls other than those authorized by the Authority; or
 - d. Unreasonable, intentional, or undue delay in the delivery or unloading of NFA stocks to any authorized warehouses, stores, or places for storing food grains.
6. **Farm gate price** refers to the prevailing buying price of palay and corn at the farm level in a certain locality at a given specific time.
7. **Farmers** refer to the producers of palay and corn. They can be tillers of the land themselves or administrators or supervisors of palay and corn production.
8. **Food grains** refer to palay, rice, corn, corn grits, and other grain substitutes.
9. **Food security** refers to the physical and economic access to sufficient, affordable, safe, nutritious and accessible food that meets dietary needs and food preferences for an active and healthy life at all times.
10. **Price manipulation** refers to an unlawful act of any person habitually engaged in the production, manufacture, importation, storage, transport, distribution, sale or other methods of disposition of goods to engage in the following acts in order to influence prices of food grains for one's own profit without prejudice to the provisions of existing laws on goods not covered by this Act:
 - a. Hoarding, which is the undue accumulation by a person or combination of persons of any basic commodity beyond his or their normal inventory levels or the unreasonable limitation or refusal to dispose of, sell or distribute the stocks of food grains to the general public or the unjustified taking out of food grains from the channels of production, trade, commerce and industry. There shall be prima facie evidence of hoarding when a person has stocks of food grains fifty percent (50%) higher than his usual inventory and unreasonably limits, refuses or fails to sell the same to the general public at the time of discovery of the excess. The

determination of a person's usual inventory shall be reckoned from the third month immediately preceding the discovery of the stocks in case the person has been engaged in the business for at least three (3) months; otherwise, it shall be reckoned from the time he started his business.

- b. Profiteering, which is the sale or offering for sale of food grains at a price grossly in excess of its true worth. There shall be prima facie evidence of profiteering whenever a basic necessity or prime commodity being sold: (a) has no price tag; (b) is misrepresented as to its weight or measurement; (c) is adulterated or diluted; or (d) whenever a person raises the price of food grains he sells or offers for sale to the general public by more than ten percent (10%) of its price in the immediately preceding month; and
- c. Cartel, which is any combination of or agreement between two (2) or more persons engaged in the production, manufacture, processing, storage, supply, distribution, marketing, sale or disposition of food grains designed to artificially and unreasonably increase or manipulate its price. There shall be prima facie evidence of engaging in a cartel whenever two (2) or more persons or business enterprises competing for the same market and dealing in the same basic necessity or prime commodity, perform uniform or complementary acts among themselves which tend to bring about artificial and unreasonable increase in the price of food grains or when they simultaneously and unreasonably increase prices on their competing products thereby lessening competition among themselves.

11. Government Instrumentality vested with Corporate Powers (GICP) refers to instrumentalities or agencies of the government, which are neither corporations nor agencies integrated within the departmental framework, but vested by law with special functions or jurisdiction, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy.

12. Minimum Access Volume (MAV) refers to the volume of rice that is allowed to be imported with a lower tariff as commitment of the Government of the Republic of the Philippines to the World Trade Organization (WTO).

13. National Rice Reserve refers to the National Food Authority's (NFA's) rice inventory, equivalent to at least Fifteen (15) days national consumption requirement. This reserve requirement shall be maintained by the government, to be managed by NFA with the following components:

- a. Stocks for Food Security
 - 1. Strategic stocks for intervention
 - 2. Operational stocks for distribution
- b. Stocks for Calamity

Readiness and accessibility of rice during calamities, disasters and emergency situations

c. Stocks for the Marginalized Sector

Marginalized families under Pro-Poor Programs, DepEd's Feeding Program, revival of KADIWA operations

d. Stocks for Trade/Export (if sufficient)

14. Regulatory refers to the functions necessary to attain the developmental mission of ensuring sustainability food supply, assuring local food grains producers a fair return of investment and protecting the rights of poor consumers to safe and affordable food grains.

SECTION 4. The National Food Authority. Pursuant to its original mandate prescribed in Presidential Decree No. 4, as amended by Presidential Decree Nos. 699 and 1485, the National Food Authority, shall be classified as a Government Instrumentality vested with Corporate Powers (GICP). It shall hereinafter be referred to as the Authority, tasked to maintain a safe, adequate and continuous supply, at reasonable prices of food grains in the country. The Authority shall be attached to the Office of the President and cannot be abolished without the approval of Congress.

SECTION 5. Powers and Functions:

1. To sue and be sued;
2. To adopt, alter, and use an official seal;
3. To own, lease, or acquire ownership by purchase, or invest in, hold, sell, mortgage, pledge, or otherwise dispose of real and personal properties, stocks or bonds or any interest in either, or any obligation or evidence of indebtedness in any person, partnership, firm or corporation;
4. To enter into, make, perform, and carry out contracts necessary or incidental to the realization of its functions with other persons, firms, or corporations, private or public, including loans or borrowings from domestic or foreign sources which shall be guaranteed by the National Government, or initiate contracts or agreements between the Philippine Government and any foreign government or institution;
5. To create and establish a provident fund shall consist of contributions made by both the Authority and its officers and employees to a common fund for the payment of retirement and other benefits to such officers and members or their heirs under such terms and conditions as the Board may prescribe;
6. To maintain and manage National Rice Reserve, equivalent to at least Fifteen (15) days national consumption requirement. This reserve requirement shall be maintained as:

A.) Stocks for Food Security

- a. Strategic stocks for intervention
- b. Operational stocks for distribution

B.) Stocks for Calamity

- a. Readiness and accessibility of rice during calamities, disasters and emergency situations

C.) Stocks for the Marginalized Sector

- a. Marginalized families under Pro-Poor Programs, DepEd's Feeding Program, revival of KADIWA operations

D.) Stocks for Trade/Export (if sufficient);

7. To bring in additional buffer stock on top of the fifteen (15) days National Rice Reserve, if warranted. The President shall approve the importation of the additional buffer stock the volume of which shall be determined on an annual basis by the Board.
8. To stabilize supply and price of food grains primarily through local procurement and rice distribution. However, if local procurement will not be sufficient, the deficiency will be sourced through rice importation;
9. To supply rice or corn for programs of other government agencies, which shall pay for such services:
 - To supply rice, corn or rice corn blend in cases of calamity and national emergency for the Department of Interior and Local Government (DILG) and other government agencies tasked to distribute rice during calamities and national emergencies;
 - To supply rice, corn or rice corn blend for pro-poor programs of the Department of Social Welfare and Development (DSWD) and such other pro-poor programs of the government; and
 - To supply rice, corn or rice corn blend for the revival of KADIWA operations of the concerned government agencies;
10. To supply rice to all government offices, agencies, and instrumentalities who either grant rice as form of incentive or benefit to their employees or use rice in connection with their functions;
11. To determine the selling price of NFA rice and corn;
12. To maintain and manage food grains post-harvest facilities;
13. To undertake the direct importation of rice for the purpose of ensuring and maintaining National Rice Reserve. For importation other than maintaining buffer stocks, the Authority shall establish rules and regulations governing the importation of food grains, issue import clearance among certified and licensed importers;
14. To establish rules and regulations governing the export of food grains and collect fees and charges such as exportation at rates to be determined by the Board. The Authority shall provide guidelines for the exportation of food grains for certified and licensed exporters;
15. To regulate price/implement price freeze when there is an abnormal increase in the price of rice;
16. To establish a flexible buying price of palay depending on the prevailing ex-farm price in the area;

17. To establish rules and regulations governing the export of food grains and to collect fees and charges for such exportation at rates to be approved by the Board;
18. To register and license persons, natural or juridical, who intend to or are engaged in the business of food grains, whether in the trading or sale of food grains or in the provision or services in support of the different activities involved in the production, processing, transporting and warehousing of food grains and charges and/or surcharges in licensing and regulating the operations of such persons;
19. To establish and enforce quality and food safety standards in grading, sampling and inspection, test and analysis specification, nomenclatures, units of measurement, code of practice and packaging conservation, storage, milling, distribution, shopping, drying, handling and transport of food grains;
20. To inspect food grains stored in private warehouses for the purpose of taking an inventory and monitoring commercial stocks, prices and stock movement;
21. To order the seizure, whenever there is adulteration, profiteering, hoarding or improper acquisition and mishandling of rice or corn and their by-products or end-products as defined herein, including facilities and equipment used in said activities; or whenever there is scarcity of supply of such commodity in the consumer market or an unwarranted increase in the price of the hoarded commodity and its public sale in such quantity as may be needed to stabilize prices to normal levels;
22. To order the transfer or conveyance of and accept the confiscated smuggled food grains seized by the Bureau of Customs to form part of the Authority's stocks inventory based on the quality of stocks;
23. To provide for the enforcement of the provisions of this Act or any regulations issued or which may hereafter be issued pursuant thereto, the implementation and enforcement of which is vested with the Authority and prescribe and impose administrative fines and penalties; to conduct investigations and to require subpoena or subpoena duces tecum, the attendance and testimony of witnesses, the production of books, papers, documents, exhibits, record evidence; to administer oath; and to make arrests. Any case of contumacy shall be dealt with in accordance with the procedure prescribed pursuant to the pertinent law. All fines imposed and collected under this paragraph shall form part of the Authority's funds;
24. To establish rules and regulations governing the allocation of the Minimum Access Volume (MAV) among the private sector, other private entities, and even the Authority for its Food Security Stocks, and issue import clearances and impose fees and charges for said transactions;
25. To promote organized interrelationships among stakeholders to attain efficiency in the food grains marketing system;
26. To establish networks with national and international institutions for food security and development of the food grains industry;
 - A. To cause the arrest persons for violation of prohibited acts committed in this act and other pertinent rules and regulations, circulars, orders and directives which may be promulgated hereafter by the Authority; and
 - B. To implement other plans, programs and policies as may be directed by the President, with necessary funding.

In the exercise of the foregoing functions, the Authority is authorized to do and perform and all other acts necessary to carry into the effect the provisions of this act or as essential to the proper conduct of the operations of the Authority.

SECTION 6. Governing Body. The corporate powers and functions of the Authority shall be vested in and exercised by the Board of Directors, hereinafter referred to as the Board, which shall be composed of the Administrator who shall act as its Chairman, and the following ex-officio members: representative from the Department of Agriculture (DA) as Vice-Chairman; representative from the Department of Social Welfare and Development (DSWD); representative from the Department of Interior and Local Government (DILG); representative from the Office of the President (OP); one (1) representative from rice farmers; and one (1) representative from corn farmers to be appointed by the President of the Philippines from a short list prepared by the GCG pursuant to Section 5(e) of Republic Act No. 10149. Except for the NFA Administrator whose term as Chairman of the Board shall be for six (6) years, unless sooner removed, the term of the appointive members of the Board shall be one (1) year, in accordance with the provisions of Republic Act NO. 10149; Provided, that they shall continue to hold office until their successors shall have been appointed and duly qualified. All vacancies prior to the expiration of the term shall be filled for the unexpired term only. In the absence of the Chairman, the Vice Chairman shall act as the chairman. In the absence of both the Chairman and the Vice Chairman, the Board shall elect a temporary presiding officer. The Board shall meet regularly at least once a month and as frequent as necessary to discharge its duties and responsibilities properly. The Board shall be convened by the Chairman or a majority of the members. Except when otherwise provided for in this Act, the vote of a majority of the members constituting a quorum shall be sufficient for the adoption of any rule, resolution, decision or any act of the Board. Each member of the Board shall be entitled to a per diem, of a reasonable amount under the law, incurred by them in the performance of their duties for the Authority as may be specifically authorized by the Board.

SECTION 7. Powers and Functions of the Board. The Board shall be the policy making body of the Authority. In furtherance thereof, the Board shall promulgate such rules and regulations as may be necessary and proper for the effective exercise of its powers and functions, as well as the discharge of duties and responsibilities of the Authority, its officers and employees. The Board shall exercise such other powers and perform such other functions as may be necessary to carry out provisions of this Act.

SECTION 8. Administrator. The Authority shall have an Administrator to be appointed by the President of the Philippines, for a term of six (6) years, unless sooner removed by the President. The Administrator shall be the Chief Executive Officer of the Authority and ex-officio Chairman of the Board. In case of resignation, retirement, separation, transfer, re-assignment, removal and other cause of cessation from office of the Administrator, the replacement shall serve for the unexpired portion of the term. The Administrator shall be assisted by two (2) Deputy Administrators who shall be appointed by the Administrator upon confirmation of the Board. In the absence of the Administrator, either one of the Deputy Administrators, upon the designation of the Administrator, shall perform the duties and exercise the powers and functions of the Administrator. There shall be two (2) Assistant Administrators to supervise and cover

functional areas. The Administrator, Deputy Administrators, and the Assistant Administrators should be natural-born citizens of the Philippines.

SECTION 9. Powers and Functions of the Administrator

1. Direct and supervise the management, operation and administration of the Authority and, for the purpose, may delegate any or some operational and administrative responsibilities and duties to the other officers of the Authority;
2. Define and promulgate the corporate objectives, target and direction of the Authority;
3. Promulgate rules and regulations necessary to carry out the objectives, policies and functions of the Authority;
4. Enter into and execute, on behalf of the Authority, all contracts and agreements which the Authority may enter into, and to sign, accomplish, and deliver any and all documents relative to such contracts and agreements;
5. To enter into, make, perform, and carry out contracts necessary or incidental to the realization of its functions with other persons, firms, or corporations, private or public, including loans or borrowings from domestic or foreign sources which shall be guaranteed by the National Government or initiate contracts or agreements between the Philippine Government and any foreign government or institution;
6. Submit to the Board an annual budget and such supplemental budgets as may be necessary for its consideration and approval;
7. Represent the Authority in all dealings with other offices, agencies, persons or entities, domestic or foreign, government or private;
8. Appoint and discipline or cause in accordance with civil service laws, rules, and regulations, the subordinate officers and personnel of the Authority;
9. Transfer officers and personnel as the exigencies of the service may require, in accordance with the existing rules and regulations; and
10. Exercise such other powers and perform such other duties as may be assigned by the Board.

SECTION 10. Departments. There shall be created the following departments within the Authority: administrative, legal, operations, regulatory, technical, financial and management, internal auditing, planning, public affairs, Information and Communications Technology (ICT), and such other department necessary to effectively carry out the functions of the Authority.

SECTION 11. Merit System. All officials and employees of the Authority shall be selected and appointed on the bases of merit and fitness in accordance with the civil service law, rules, and regulations. The recruitment, transfer, promotion, and dismissal of all its personnel including temporary workers shall be governed by the merit system that will established by the Authority in compliance with existing laws, rules, and regulations.

SECTION 12. Exemptions

1. The provisions of the Republic Act No. 9184, otherwise known as the "Government Procurement Reform Act", and its implementing Rules and Regulations, insofar as procurement of Food Grains from farmers and farmer organizations, with due consideration of the interest of the government in such negotiations;
2. Payment of taxes, duties, fees, imposts and charges, costs and restriction to the Republic of the Philippines, provinces, cities, municipalities, and other agencies and instrumentalities, including the taxes, duties, fees, imposts and, and other charges provided for under Republic Act No. 1937, otherwise known as the "Tariff and Customs Code of the Philippines"; and all filing, docket, and service fees, bonds, and other charges or costs in any court or administrative proceedings in which the Authority may be a party;
3. All income taxes, franchise taxes and realty taxes to be paid to the National Government, its provinces, cities, municipalities and other government agencies and instrumentalities;
4. All duties and arrastre fees, in so far as the government's share is concerned, including all charges and fees imposed under Presidential Decree No. 857, otherwise known as "Revised Charter of the Philippine Ports Authority", taxes and advance sales taxes, wharfage taxes and tonnage dues on import and export of foods required for its operations and projects;
5. The payment of documentary and science stamp taxes and registration fees for all documents or contracts executed by or in favour of Authority: Provided, however, that this exemption shall not apply to taxes and assessments payable by persons and entities transacting business with the Authority;
6. The coverage of Presidential Decree No. 711, "Abolishing All Existing Special and Fiduciary Funds and Transferring to the General Fund the Operations and Funding of all Special and Fiduciary Funds";
7. Compulsory procuring from the Government Service Insurance System (GSIS) insurance coverage for its food grains importation; and
8. Compulsory procuring of goods from other agency of the government, such as the Procurement Service of the Department of Budget and Management (DBM), which is tasked with a centralized procurement of commonly used goods for the government.

SECTION 13. Assets and Liabilities. The Authority shall identify all its idle assets and may authorize the Privatization and Management Office (PMO) to handle its disposition and liquidation. The Authority shall maintain all its existing operational assets. All existing obligations of the Agency and interest payments due thereon are hereby condoned and the Agency shall be relieved from payment thereof.

SECTION 14. Capitalization. The Authority shall maintain a 15-day buffer stocking, for National Rice Reserve. For this purpose, the National Government shall provide a fresh capital amounting to Twenty-Five Billion Pesos (P25,000,000,000.00) in the General Appropriations Act.

SECTION 15. Appropriations. The national government shall provide an annual budget in the General Appropriations, that is sufficient cover the procurement of the required volume of buffer stocks of the Agency for food security, and funds to cover the legitimate losses from operations of the Authority. The budget for the purchase of rice stocks from the Authority for any pro-poor programs of the DSWD, disaster relief operations of the NDRRMC and other relief giving agencies, and rice incentives of all government offices agencies, instrumentalities and the use thereof for their activities, shall be included in their respective allocations in the annual General Appropriations Act. Local government units shall allocate in their respective annual budgets the cost of rice to be purchased from the Authority for relief operations.

SECTION 16. Separation Incentive Package. Whenever necessary, a restructuring program shall be implemented by the Authority. Permanent officials and employees of the NFA who choose to leave government service, or who shall choose to retire if eligible, shall be given a Separation Incentive Package (SIP) in addition to other retirement benefits to which they may be entitled under existing laws and regulations, based on the following scales:

1. 1.5 x gross monthly pay for every year of service up to 20 years; and
2. 2.0 x gross monthly pay for every year of service in excess of 20 years.
3. 2.5 x gross monthly pay for every year of service in excess of the 1st 30 years.
4. Employees who opt to retire under the provisions of Republic Act No. 1616 shall receive the equivalent of 1.5 gross monthly pay for every year of service under SIP.

SAMPLE COMPUTATION FOR SEPARATION INCENTIVE PACKAGE

Computation

$$1 - 20 \text{ yrs} = 1.5 \times 81,344.00 \times 20 = \text{P}2,440,320.00$$

$$21-30 \text{ yrs} = 2.0 \times 81,344.00 \times 10 = 1,626,880.00$$

Excess of 30 years:

$$= 2.5 \times 81,344.00 \times 6.28 \text{ yrs} = \underline{1,277,100.80}$$

$$\text{TOTAL} = \underline{\text{P}5,344,300.80}$$

SECTION 17. Offense and Penalties

A. Serious offenses – Any of the following acts or omissions shall constitute a serious offense:

1. Hoarding, profiteering, or acting as a cartel involving food grains as defined in Section 5, Illegal Acts of Price Manipulation, of Republic Act No. 7581, otherwise known as the "Price Act";
2. Unauthorized re-bagging / re-sacking of government stocks in commercial sacks;
3. Trading or causing the distribution or sale of imported milled rice to the public without any permit from the Authority;
 - A. Mislabelling NFA and/or commercial stocks and/or misrepresenting imported milled rice as a local rice variety;
4. Selling NFA rice at prices above the government-mandated prices;
5. Engaging in the business of selling food grains without a valid license;
6. Failure or refusal of grains warehouseman, without any lawful excuse to deliver grains deposited with him; provided, however, that the warehouseman shall be entitled to the allowance authorized for depreciation of the grains warehouse;
7. Connivance in the concealment of a stock stored in a grains warehouse;
8. Diversion of government stocks by NFA accredited retailers / outlets authorized to sell NFA stocks;
 - A. Unreasonable depletion of stocks;
 - B. Selling or lending government stocks to another grains businessman;
 - C. Selling or offering to sell the government stocks beyond the maximum quantity allowed by NFA;
 - D. Storing and / or selling the government stocks in other places / stall other than that duly authorized by the NFA;
 - E. Unreasonable / intentional delay in the delivery / unloading of withdrawn stocks
9. Printing, issuing, or knowingly using, possessing or negotiating a cancelled, unauthorized, illegal, counterfeit or falsified warehouse receipt;
10. Cornering or hoarding of grains resulting in artificial shortage or scarcity of supply and increase of prices thereof in any part of the country;
11. Cartel;
12. Sale of smuggled rice;
13. Violations of Minimum Access Volume (MAV) Rice Importation
 - A. The offender of any of the serious offenses enumerated herein shall, upon conviction, be punished by imprisonment of not less than five (5) years and one day nor more than fifteen (15) years, or a fine of not less than Fifty Thousand Pesos (P50,000.00) but more than Five Hundred Thousand Pesos (P500,000.00), or both fine and imprisonment at the discretion of the Court without prejudice to

administrative penalties of fine, cancellation of accreditation and cancellation of NFA licenses, confiscation and seizure of stocks.

B. Less Serious Offenses – Any of the following acts or omissions shall constitute a less serious offense:

1. Connivance in the concealment of a stock shortage in a food grains warehouse;
2. Knowingly submitting any report to the Authority containing false information or data;
3. Misrepresentation in connection with any application for license to engage in food grains business;
4. Failure or refusal of a warehouseman to allow the Authority or his duly authorized representative to inspect or examine their food grains stocks to conceal shortage or to misrepresent the quantity or quality of his food grains stocks, including the impeding of such inspection and examination by abandonment, absence or otherwise;
5. Engaging in the business of food grains retailing, wholesale, threshing, shelling, warehousing, milling, exporting, importing, trading, growing, and selling of certified seed, manufacturing or processing without a valid license;
6. Possessing a rice polishing or rice color sorting machine unless authorized by the DA. *Provided*, that all rice polishing or rice color sorting machines being used or operated by any rice miller prior to the enactment of this Act shall be submitted to the Authority for inspection and recording and shall not be used nor operated unless authorized by the Authority;
7. Importing unmilled rice grains except upon proper showing that the same shall be used exclusively for agricultural or scientific purpose as duly certified by the DA and the Department of Science and Technology (DOST);
8. Possessing a rice polishing or rice color sorting machine unless authorized by the DA. *Provided*, that all rice polishing or rice color sorting machines being used or operated by any rice miller prior to the enactment of this Act shall be submitted to the Authority for inspection and recording and shall not be used nor operated unless authorized by the Authority;
9. Importing unmilled rice grains except upon proper showing that the same shall be used exclusively for agricultural or scientific purpose as duly certified by the DA and the Department of Science and Technology (DOST);
10. Non-maintenance of separate books and records keeping;
11. Issuance by a warehousemen of warehouse receipts showing an aggregate quantity of grains stocks in excess of the quantity permissible in his bond coverage;
12. Issuance by a warehousemen of warehouse receipts showing an aggregate quantity of grains stocks not covered by fire insurance at full value as required by this Act;

13. Failure or refusal to give information required by the Authority, provided such failure or refusal does not constitute a higher offense as herein provided;
14. Fraudulent misrepresentation by the applicant, in or by other person in connection with, an application for production loan;
15. Any violation of the provision of P.D. 4 for which no specific penalty is prescribed and which is not punished under any existing law;
16. Submission of any report or document containing false information or data.
17. Misrepresentation in connection with any application for license to do business as grains warehouseman, miller, exporter or importer or trader, manufacturer or processor.

B. The offender of any of the less serious offense enumerated herein shall, upon conviction, be punished by imprisonment of not less than six (6) months and one (1) day or more than four (4) years, or by fine of not less than Thirty Thousand Pesos (P30,000.00) nor more than One Hundred Fifty Thousand Pesos (P150,000.00), or both fine and imprisonment at the discretion of the court without prejudice to administrative penalty of fine, cancellation of accreditation and cancellation of NFA licenses.

C. Light Offenses – Any of the following acts or omissions shall constitute a light offense:

1. Non-compliance with rules, regulations, decision, orders, circulars or directives lawfully issues by the Council, provided non-compliance does not constitute a higher offense as herein above provided; or
2. Selling or offering to sell to the Authority by any person of palay or corn or other food grains other than that directly produced by him as farmer or shared by him as tenant or landlord; knowingly buying such food grains by any authorized personnel for the Authority; and connivance by any person in the selling or buying of such food grains;
3. Buying or possessing rice polishing or rice color sorting machines unless authorized by the Authority. For this purpose, such machines already being used or operated by any rice miller prior to the enactment of this Act shall be submitted to the Authority for inspection and recording and shall not be used or operated unless duly authorized by the Authority;
4. Importing unmilled grains except upon a proper showing by the imported that the same shall be used exclusively for agricultural or scientific purposes and duly authorized by the DA and the Department of Science and Technology (DOST) for such purposes;
5. Selling without price tags;
6. Improper display of NFA rice;
7. Refusal to sell NFA rice;
8. Storing or selling commercial stocks in the same establishment / stall authorized for NFA stocks;
9. Non-display of NFA license;

10. Non-display of prescribed NFA signboard.
11. Rice boxes not painted white and with unauthorized advertisements/posters;
12. Non-renewal of NFA license/registration;
13. Non-registration of transport facilities;
14. Non-compliance with weight / unit of measurement;
15. No duly calibrated weighing scales/apparatus;
16. Non-compliance with PGSP standards.

C. The offender of any of the light offenses enumerated herein shall, upon conviction, be punished by imprisonment of not less than three (3) months and one (1) day nor more than nine (9) months, or a fine of not less than Fifteen Thousand Pesos (P15,000.00) nor more than Thirty Thousand Pesos (P30,000.00), or both such fine and imprisonment without prejudice to administrative penalty of fine, cancellation of NFA licenses.

D. Rice polishing machines and rice color sorting machines found to be used in re-polishing or re-milling imported rice or used in color-sorting of rice after the promulgation of this Act shall be confiscated after conviction of the offender, in favor of the government. Confiscated rice stocks, on the other hand, shall be immediately donated to government hospitals, jails, outposts and detachments of the Philippine National Police or Armed Forces of the Philippines, through the DSWD, in the areas where the same confiscated.

SECTION 18. Violation by Juridical Persons. Whenever any violation of the provisions of this Act is committed by a juridical person, its directors, officers, officials or employees who are responsible for the violation shall be held liable therefor.

SECTION 19. Violation by Government Officials or Employee. Any public official or employee who, by reason of his office, with or without consideration, conspires in the commission or knowingly conceals violations of the offenses prescribed in this Act or the other provisions of this Act shall likewise be principally responsible for the violation and shall suffer the additional penalty of removal from office and permanent disqualification to hold any public office without prejudice to other criminal cases that could be filed.

SECTION 20. Penalties Without Prejudice to Administrative Sanctions. The foregoing criminal penalties shall be without prejudice to the administrative sanctions which the Authority, in the exercise of its powers and functions, may impose under this Act, its own Rules and Regulations or under any existing laws.

SECTION 21. Compensation. The NFA's compensation framework shall be generated by the National Government's Salary Standardization Law until the Authority qualifies for the Compensation Position and Classification Scheme (CPCS) under Republic Act No. 10149.

SECTION 22. Separability Clause. If, for any reason, any provision of this Act or the application of such provision to any person, group, circumstance is declared invalid or unconstitutional, the remainder of this Act shall not be affected by such declaration.

SECTION 23. Repealing Clause. The provisions of Presidential Decree No. 4, as amended and all other laws, decrees, executive order, rules and regulations, issuances or parts thereof inconsistent with the provision of this Act are hereby repealed or modified accordingly.

SECTION 24. Effectivity. This Act shall take effect Fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,