



HOUSE OF REPRESENTATIVES

H. No. 7735

BY REPRESENTATIVES PANGANIBAN, UNABIA, DALIPE, NIETO, CHIPECO, YAP (A.), BULUT-BEGTANG, BELMONTE (R.), VILLAFUERTE, NOGRALES (J.J.), ORTEGA (V.N.), PADUANO, ROMERO, SALO, SAMBAR, TAN (A.), TUGNA, TY, UYBARRETA, VELASCO-CATERA, MACAPAGAL-ARROYO, VIOLAGO, DE VENEZIA, VILLANUEVA, CHAVEZ, SUANSING (E.), TAMBUNTING, SARMIENTO (E.M.), GARIN (S.), GERON, SALON, VERGARA, GONZALEZ, DATOL, ANTONIO, AMATONG, SACDALAN, GONZALES (A.D.), CUA, NOGRALES (K.A.), ZAMORA (M.C.), NUÑEZ-MALANYAON, ANTONINO, MANALO, TEJADA, LIMKAICHONG, ZUBIRI, ARCILLAS, NOEL, BRAVO (A.), CASILAO, FARINAS, BONDOC, ALVAREZ (P.), PRIMICIAS-AGABAS, DEL MAR AND ROQUE (H.), PER COMMITTEE REPORT NO. 739

AN ACT REPLACING THE QUANTITATIVE IMPORT RESTRICTIONS ON RICE WITH TARIFFS AND CREATING THE RICE COMPETITIVENESS ENHANCEMENT FUND

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

1 SECTION. 1. *Short Title.* – This Act shall be known as the
2 “Revised Agricultural Tariffication Act”.

3 SEC. 2. *Declaration of Policy.* – It is the policy of the State to
4 ensure food security and to make the country’s agricultural sector
5 viable, efficient and globally competitive. The State adopts the use

1 of tariffs in lieu of nontariff import restrictions to protect local
2 producers of agricultural products.

3 Consistent with the constitutional mandate of protecting
4 Filipino firms against unfair trade, it is furthermore the policy of
5 the State to employ anti-dumping and countervailing measures to
6 protect local producers from unfair trade practices, rather than use
7 quantitative import restrictions.

8 To help the agricultural sector compete globally, the State
9 shall seek to raise farm productivity levels by providing the
10 necessary support services such as irrigation, farm-to-market roads,
11 post-harvest equipment and facilities, credit, research and
12 development, extension services, other market infrastructure and
13 market information.

14 SEC. 3. *Definition of Terms.* – As used in this Act:

15 (a) *Agricultural products* refer to those agricultural products
16 as defined under Chapters 1-24 in Section 1611 of Republic Act
17 No. 10863, otherwise known as the “Customs Modernization and
18 Tariff Act (CMTA)”;

19 (b) *Applied rate* refers to import duty that is actually used by
20 Customs authorities in the collection of Customs revenues;

21 (c) *ATIGA rate* refers to tariff rate commitments under the
22 ASEAN Trade in Goods Agreement (ATIGA) applicable to
23 importations originating from ASEAN member states;

24 (d) *Bound rate* refers to the agreed maximum tariffs on
25 products committed by the Philippines to the World Trade
26 Organization (WTO) under the Uruguay Round Final Act, as listed
27 in its schedule of concessions (Schedule LXXV) and under the

1 ATIGA, in accordance with its tariff schedule (Annex 2: Tariffs
2 under the ATIGA Philippines);

3 (e) *Buffer stocks* refer to the National Food Authority's
4 (NFA) rice inventory as reserve, equivalent to fifteen (15) day
5 national consumption requirement. This reserve requirement shall
6 be maintained at any given time to address calamities and
7 emergency situations, and for price stabilization during the
8 traditional lean months;

9 (f) *In-quota tariff rate* refers to the tariff rate for minimum
10 access volumes committed by the Philippines to the WTO under the
11 Uruguay Round Final Act;

12 (g) *Out-quota tariff rate* refers to the higher rate of customs
13 duty that is levied on the quantities of an imported agricultural
14 product in excess of the Minimum Access Volume (MAV) of that
15 particular product;

16 (h) *Minimum access volume* refers to the volume of a specific
17 agricultural product that is allowed to be imported with a lower
18 tariff as committed by the Philippines to the WTO under the
19 Uruguay Round Final Act;

20 (i) *Most Favoured Nation (MFN) rate* refers to Philippine
21 tariff rates that are applicable to imports from all sources as
22 prescribed in the CMTA;

23 (j) *Quantitative import restrictions* refer to nontariff
24 restrictions used to limit the amount of imported commodities,
25 including discretionary import licensing and import quotas, whether
26 qualified or absolute;

1 (k) *Rice* refers to all products classified under the
2 Harmonized Commodity Description and Coding System (HS)
3 Heading 10.06;

4 (l) *Tariff* refers to a tax levied on a commodity imported
5 from another country. It earns revenues for the government and
6 regarded as instruments to promote local industries by taxing their
7 competitors. The benefit is accorded to the local producers by the
8 maintenance of a domestic price at a level equal to the world price,
9 plus tariff;

10 (m) *Tariff equivalent* refers to the rate of tariff that allows
11 the same protection given by existing quantitative import
12 restrictions, reflected by the average price gap between domestic
13 prices and world prices; and

14 (n) *Tariffication* refers to the lifting of all existing
15 quantitative restrictions such as import quotas or prohibitions,
16 imposed on agricultural products, and replacing these restrictions
17 with tariffs.

18 SEC. 4. *Tariffication*. – In lieu of quantitative restrictions,
19 the maximum bound rate commitments of the Philippines under the
20 WTO shall be imposed on the agricultural products whose
21 quantitative restrictions are repealed by this Act. The President
22 shall issue the corresponding tariffs: *Provided*, That the schedule
23 of the initial and final applied rates shall not exceed the country's
24 WTO tariff binding commitments.

25 In case of shortages or abnormal price increases in
26 agricultural products whose quantitative restrictions are lifted
27 under this Act, the President may propose to Congress, revisions,

1 modifications or adjustments of the MAV: *Provided, however*, That
 2 in the event Congress fails to act after fifteen (15) days from receipt
 3 of the proposal, the same shall be deemed approved.

4 In lieu of the quantitative restriction on rice, the maximum
 5 bound rate shall be as notified by the Philippines to the WTO.

6 SEC. 5. *Minimum Access Volume.* – Upon the effectivity of
 7 this Act, the MAV on rice will revert to its 2012 level at three
 8 hundred fifty thousand (350,000) metric tons (MT) as indicated in
 9 the Philippines' commitment to the WTO.

10 (a) The bound rate for rice imported into the Philippines
 11 shall be set at:

12 (1) Forty percent (40%) MFN rate for importation within the
 13 three hundred fifty thousand (350,000) MT MAV from non-ASEAN
 14 WTO member countries; and

15 (2) One hundred eighty percent (180%) MFN out-quota tariff
 16 rate.

17 (b) For imported rice originating from ASEAN Member
 18 States, the import duty rate commitments of the Philippines in the
 19 ATIGA shall be applied.

20 SEC. 6. *Import and Export Rules and Regulations.* –

21 (a) The NFA shall establish rules and regulations governing
 22 the importation of rice and license, impose and collect fees and
 23 charges for said importation.

24 (b) The NFA shall likewise establish rules and regulations
 25 governing the export of rice and corn and to collect fees and charges
 26 for such exportation at rates to be determined by the NFA Council.

1 In the exercise of this power, the NFA shall provide guidelines for
 2 the exportation of rice and corn by certified and licensed exporters.

3 SEC. 7. *Direct Importation.* – The NFA shall undertake the
 4 direct importation of rice for the purpose of ensuring food security
 5 and maintaining sufficient national buffer stocks. For importation
 6 other than maintaining buffer stocks, the NFA shall issue import
 7 permits among certified and licensed importers.

8 SEC. 8. *Power and Authority of the President.* – To fulfill the
 9 objective of the law to safeguard the Filipino farmers, consumers,
 10 and the national interest, the President is hereby empowered to act
 11 with full delegated authority in the following circumstances:

12 (a) *Adjustment of Applied Rate.* – In the interest of the
 13 general welfare and national security, the President, upon the
 14 recommendation of the NFA Council, may increase, reduce, revise
 15 or adjust existing rates of import duty, including any necessary
 16 change in classification, applicable to the importation of rice.

17 The power herein delegated to the President as provided for in
 18 the above paragraph shall be exercised only when the Congress is
 19 not in session.

20 Any order issued by the President adjusting the applied tariff
 21 rates shall take effect fifteen (15) days after its publication. In the
 22 event of any imminent or forecasted shortage, or such other
 23 situation requiring government intervention, the President is
 24 empowered, for a limited period of time not exceeding two (2)
 25 months unless extended by the Congress and/or a specified volume
 26 not exceeding fifty thousand (50,000) metric tons unless increased
 27 by the Congress, to allow the importation of rice at a lower applied

1 tariff rate, to address the situation. Such order shall take effect
2 immediately and may be issued even when Congress is in session;
3 and

4 (b) *Regulation of Rice Exports.* - Whenever there is a
5 critical shortage in the supply of rice and there is an urgent need to
6 act, as certified by the NFA Council, the President may temporarily
7 regulate the export of rice for a limited period of time.

8 SEC. 9. *Special Rice Safeguard.* - In order to protect the
9 Philippine rice industry from sudden or extreme price fluctuations
10 and/or unexpected surges of import of the volume of rice, the
11 President may, following a recommendation from the NFA Council,
12 impose temporary regulations or restrictions on the volume of
13 imports of rice for a temporary period through the imposition of a
14 rice safeguard tariff sufficient in level to address the situation.

15 Within ninety (90) days upon the effectivity of this Act,
16 the NFA Council shall issue such rules and regulations as may
17 be necessary to implement this special rice safeguard provision.

18 SEC. 10. *Trade Negotiating Authority.* - The President,
19 in the interest of the Philippine rice industry, as well as Philippine
20 consumers, may, upon the recommendation of the NEDA and the
21 DA, enter into trade negotiations or renegotiations of the country's
22 international trade commitments on rice.

23 SEC. 11. *Agricultural Competitiveness Enhancement Fund.* -
24 To implement the policy enunciated in this Act, there is hereby
25 created the Agricultural Competitiveness Enhancement Fund
26 (ACEF), hereinafter referred to as the Fund. The Fund shall consist
27 of all duties collected from the importation of agricultural products,

1 except rice, under the MAV mechanism, including unused balances
2 and collections from repayments from loan beneficiaries including
3 interests, if any. The Fund shall be automatically credited to
4 Special Account 183 in the General Fund of the National Treasury:
5 *Provided,* That Fund release shall not be subject to any ceiling by
6 the Department of Budget and Management (DBM).

7 The Fund shall continue to be set aside up to year 2022, after
8 which the collection of duties from the MAV mechanism and the
9 setting aside of the amount collected for the purpose shall
10 terminate. However, any remaining balance at the date of
11 expiration of the collection of duties for the Fund shall not revert to
12 the General Fund but shall continue to be used for the purpose for
13 which it was collected and set aside.

14 The Fund shall be set aside and released for:

15 (a) The increased productivity of farmers and fisherfolk by
16 providing the necessary credit to farmers and fisherfolk and their
17 cooperatives and associations, and micro and small-scale
18 enterprises, for the acquisition and establishment of production,
19 postharvest, and processing machineries, equipment and facilities,
20 farm inputs and improvement;

21 (b) Research and development on agricultural and fishery
22 products of state universities and colleges; and

23 (c) A comprehensive and attractive grant-in-aid program for
24 agriculture, forestry, fisheries, and veterinary medicine education to
25 promote the development of agriculture and fisheries: *Provided,*
26 That:

1 (1) Preferential attention should be continuously given to
2 products or people adversely affected by the repeal or removal of
3 quantitative import restrictions to agricultural products;

4 (2) The use of the Fund shall be consistent with the policies
5 and priority thrusts under Republic Act No. 8435, as amended,
6 otherwise known as the "Agriculture and Fisheries Modernization
7 Act of 1997" *vis-a-vis* the Medium-Term Philippine Development
8 Plan (MTPDP);

9 (3) The use of the Fund shall be complementary and
10 supportive of the various and current funding assistance windows or
11 programs of the DA and other government institutions;

12 (4) Projects to be funded shall enhance the competitiveness
13 of target project beneficiaries or sectors, especially the small
14 farmers and fisherfolk;

15 (5) Product or service competitiveness in the local and
16 foreign markets in terms of product or service prices or fees, and
17 quality is achieved;

18 (6) Upstream and downstream linkages with related and
19 complementary agricultural activities are promoted;

20 (7) Clear and verifiable proof of sustainability of operations
21 is determined and supported; and

22 (8) Projects funded shall be beneficial to most, and not only
23 to selected firms or groups within a sector.

24 The Fund shall be set aside and earmarked as follows:

25 (i) Eighty percent (80%), in the form of credit with
26 reasonable interest, which shall not exceed Five million pesos
27 (P5,000,000.00) per project loan, for the acquisition and

1 establishment of agri-based production and postproduction, and
2 processing machineries, equipment and facilities to achieve modern
3 agricultural practices, to be extended to Filipino farmers and
4 fisherfolk associations and cooperatives, and micro and small-scale
5 enterprises as defined in Republic Act No. 6977, as amended,
6 otherwise known as the "Magna Carta for Small Enterprises",
7 engaged in agricultural production, farming, fisheries, agribusiness
8 and similar activities, and not to exceed One million pesos
9 (P1,000,000.00) to individual farmers and fishermen to finance the
10 purchase of farm inputs, equipment, or for farm improvement.

11 The loan beneficiaries shall provide a counterpart fund or
12 equity of not less than ten percent (10%) of the total project cost,
13 which may be in the form of capital outlay, labor, land for the
14 project site, facilities, equipment, and salaries.

15 The Land Bank of the Philippines shall manage the credit
16 facility of the Fund and shall determine the eligibility requirements
17 and set the required loan security or collateral and reasonable
18 interest for the loan. For this purpose, the Land Bank of the
19 Philippines is hereby authorized to charge a management fee from
20 the Fund;

21 (ii) Ten percent (10%) as grants for research and
22 development of agricultural and fishery products, and the
23 commercialization of such, including the upgrading of research
24 facilities, of qualified state universities and colleges, which shall not
25 exceed Five million pesos (P5,000,000.00) per project; and

26 (iii) Ten percent (10%) to be used for the funding of a
27 comprehensive and attractive grant-in-aid program for agriculture,

1 forestry, fisheries, and veterinary medicine education, to be
2 implemented by the Commission on Higher Education (CHED).

3 To ensure the attainment of the objectives of the Fund, there
4 is hereby created an ACEF Executive Committee, composed of:

- 5 (a) The Secretary of Agriculture, as Chairperson;
- 6 (b) The President of the Land Bank of the Philippines;
- 7 (c) The Chairperson of the CHED;
- 8 (d) A representative of farmers associations and
9 cooperatives; and
- 10 (e) A representative of fisherfolk associations and
11 cooperatives; as members.

12 The Committee shall promulgate the policies and guidelines
13 necessary for the planning, administration, coordination and
14 monitoring of the utilization of the Fund.

15 The Congressional Oversight Committee on Agricultural and
16 Fisheries Modernization (COCAFAM) established under Republic Act
17 No. 8435, otherwise known as the "Agriculture and Fisheries
18 Modernization Act of 1997", shall conduct a periodic review of the
19 use of the Fund.

20 SEC. 12. *Accounting of Duties Collected from the Minimum*
21 *Access Volume Mechanism.* – The following agencies shall submit
22 their respective reports to the ACEF Executive Committee and the
23 COCAFAM:

- 24 (a) Bureau of Customs – duties collected from the MAV
25 mechanism for the period 2018 to 2022;
- 26 (b) Bureau of Treasury – funds remitted and credited to the
27 ACEF (Special Account 183); and

1 (c) Department of Budget and Management – ACEF funds
2 released to the DA for the period 2018 to 2022.

3 SEC. 13. *Inventory and Collection of ACEF Loans.* – The
4 ACEF Executive Committee shall conduct a complete accounting
5 and inventory of the ACEF loan portfolio.

6 The Commission on Audit (COA) shall continue to conduct a
7 full audit and report on the status of ACEF grants and loans.

8 The COA report and the loan portfolio report shall be
9 transmitted by the ACEF Executive Committee to the Office of the
10 Solicitor General (OSG), which shall exhaust all legal remedies to
11 exact collection of all ACEF past due accounts, and liquidation of all
12 grants.

13 The OSG is hereby allowed to charge reasonable fees for its
14 legal services and collection efforts from the actual collections of
15 outstanding ACEF loans.

16 The remaining amount collected shall be remitted to the
17 ACEF and shall be utilized in accordance with the provisions of this
18 Act.

19 The OSG shall submit, every six (6) months, a collection
20 performance report to the ACEF Executive Committee and the
21 COCAFAM.

22 SEC. 14. *Rice Competitiveness Enhancement Fund.* – There
23 is hereby created a Rice Competitiveness Enhancement Fund,
24 hereinafter referred to as the Rice Fund. The Rice Fund shall
25 consist of all duties collected from the importation of rice under this
26 Act and shall be automatically credited to a Special Account in the

1 General Fund of the National Treasury which shall be in place
2 within ninety (90) days upon the effectivity of this Act.

3 The Rice Fund shall be in place for the first six (6) years upon
4 the implementation of this Act, after which the earmarking of the
5 amount collected for the purpose for which it is intended shall
6 terminate unless otherwise extended by law. However, any
7 remaining balance at the date of expiration of the earmarking for
8 the Fund shall not revert to the General Fund but shall continue to
9 be used for the purpose for which it was earmarked and set aside.

10 The amount collected shall be released by the DBM to the DA.
11 The Secretary of the DA shall be the administrator of the Rice
12 Fund. The DA, in consultation with the Philippine Council for
13 Agriculture and Fisheries (PCAF), shall promulgate the policies and
14 guidelines necessary for the planning, administration, coordination
15 and monitoring of the utilization of the Rice Fund.

16 The proceeds from the Rice Fund shall automatically be
17 appropriated and periodically released by the DBM to the DA in
18 order to sustain the program on rice sufficiency and enhance the
19 small farmers self-reliance. Fund releases shall not be subject to
20 any ceiling by the DBM.

21 Any program undertaken in accordance with this Act shall
22 only be deemed complementary to and shall not be a replacement
23 for all and existing programs for rice and rice farmers already
24 implemented by the DA.

25 Subject to the usual accounting and auditing rules and
26 regulations, the Rice Fund, with priority accorded to rice producing
27 areas, shall be allocated and disbursed as follows:

1 (a) Rice Endowment Fund – Up to twenty percent (20%) of
2 the Rice Fund collected from the effectivity of this Act from the
3 applicable rates of duty for all rice importations shall be utilized for
4 the establishment of a permanent Rice Endowment Fund which
5 shall be preserved as a capital fund and not expended, and which
6 will be prudently invested, and its profits and earnings reinvested,
7 and any savings at the end of the year shall also accrue to the Rice
8 Endowment Fund;

9 (b) Farm Equipment/Mechanization – Grants up to twenty
10 percent (20%) of the Rice Fund shall be made available as credit
11 subsidy and/or grants in kind to service individual eligible small
12 scale rice farmers and registered rice cooperatives in the form of
13 small farm equipment, such as harvesters, irrigation pumps,
14 hand-held tractors, millers, reapers, and the like as identified by the
15 DA or other relevant agencies for purposes of increasing rice farms
16 modernization, mechanization, and production efficiency;

17 (c) Rice Crop Finance – Up to twenty percent (20%) of the
18 Rice Fund shall be used for a special program for crop loans, farm
19 inputs, crop insurance, loan guarantees, and other financial
20 assistance to farmers and farmworkers included in the Registry
21 System for Basic Sectors in Agriculture (RSBSA), including related
22 technical assistance and support, shall be established and
23 administered by the DA;

24 (d) Postharvest, Logistical Projects and Rice Marketing –
25 Up to twenty percent (20%) of the Rice Fund shall be used for
26 postharvest facilities, logistics, storage, transportation facilities,
27 and infrastructure projects, including rice marketing systems and

1 development and farm modernization projects. These facilities may
2 be granted to farmers' cooperatives and local government units
3 (LGUs) but shall be for the benefit of farmers and farmworkers;

4 (e) Rice Scholarships and Vocational Education – Up to ten
5 percent (10%) of the Rice Fund shall be used for grants for rice
6 farmers education, scholarships, technical and vocational training of
7 farmers and their dependents; and

8 (f) Research and Extension Services – Up to ten percent
9 (10%) of the Rice Fund shall be used for research, development and
10 extension services to rice farmers.

11 The COCAFAM shall conduct a periodic review of the use of the
12 Rice Fund.

13 SEC. 15. *Beneficiaries and Release of Funds.* – The
14 beneficiaries of the Rice Fund shall be those rice farmers and rice
15 farmworkers and their dependents listed in the RSBSA. Within one
16 hundred eighty (180) days from the effectivity of this Act, the DA, in
17 consultation with farmers' cooperatives and organizations and
18 LGUs shall validate and update the existing RSBSA to ensure that
19 those listed are legitimate farmers and farmworkers.

20 SEC. 16. *Rice Industry Roadmap.* – Upon the effectivity of
21 this Act, the DA together with relevant agencies shall, within a
22 maximum period of one hundred eighty (180) days, finalize the Rice
23 Roadmap to restructure the government's delivery of support
24 services for the sector.

25 The Rice Roadmap shall be based on the following principles:

- 26 (1) Rice industry competitiveness;
27 (2) Farmers' profitability;

1 (3) Support covering the whole-value chain; and

2 (4) Technology oriented, location, situation, and farmer
3 specific support services.

4 The activities to be included in the Rice Roadmap shall
5 include the following:

6 (a) Technology development and transfer;

7 (b) Facilitating easier access of rice farmers and farmworkers
8 to financing schemes (e.g. credit, credit guarantee mechanism,
9 insurance);

10 (c) Postharvest and marketing facilities and mechanization;

11 (d) Establishment of manufacturing plants for farm
12 equipment, and providing subsidies thereof;

13 (e) Hiring of additional agriculture extension
14 workers/technicians to provide direct assistance to farmers;

15 (f) Capacity building activities for DA personnel and LGUs;

16 (g) Provision of social protection schemes for farmers; and

17 (h) Agricultural commodity exchange system or a marketing
18 system that can be feasibly utilized by small producers and users.

19 SEC. 17. *Implementing Rules and Regulations.* – Within
20 thirty (30) days from the effectivity of this Act, the DA, Department
21 of Finance, and DBM shall formulate the implementing rules and
22 regulations.

23 SEC. 18. *Separability Clause.* – If any portion of this Act is
24 declared invalid or unconstitutional, the portions or provisions
25 which are not affected shall continue to be in full force and effect.

26 SEC. 19. *Repealing Clause.* – Subparagraphs (xii) and (xiii),
27 Paragraph (a) Section 6 of Presidential Decree No. 4 is hereby

1 deemed amended or modified accordingly. Section 4 of Presidential
2 Decree No. 4, as amended, Republic Act No. 8178, otherwise known
3 as the "Agricultural Tariffication Act", as amended, and all laws,
4 decrees, executive issuances, rules and regulations inconsistent
5 with this Act are hereby repealed.

6 SEC. 20. *Effectivity.* - This Act shall take effect fifteen (15)
7 days after its publication in the *Official Gazette* or in any newspaper
8 of general circulation.

Approved,

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