

**Republic of the Philippines
Congress of the Philippines
Metro Manila**

Sixteenth Congress

Second Regular Session

Begun and held in Metro Manila, on Monday, the twenty-eighth day of July, two thousand fourteen.

[REPUBLIC ACT NO. 10659]

AN ACT PROMOTING AND SUPPORTING THE COMPETITIVENESS OF THE SUGARCANE INDUSTRY AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* – This Act shall be known as the “Sugarcane Industry Development Act of 2015”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to promote the competitiveness of the sugarcane industry and maximize the utilization of sugarcane resources, and improve the incomes of farmers and farm workers, through improved productivity, product diversification, job generation, and increased efficiency of sugar mills.

For these purposes, the State shall: (a) establish productivity improvement programs; (b) provide the needed infrastructure support; (c) enhance research and development of other products derived from sugar, sugarcane, and their by-products; (d) provide human resource development and extension services; and (e) provide financial assistance to small farmers.

SEC. 3. *Productivity Improvement Programs.* – To boost the production of sugarcane and sugar, and increase the incomes of sugarcane farmers/planters and farm workers, the following Productivity Improvement Programs shall be implemented:

(a) Block Farm Program. – The Block Farm Program for sugarcane farming being implemented by the Sugar Regulatory Administration (SRA), the Department of Agriculture (DA), the Department of Agrarian Reform (DAR), and other government agencies is hereby institutionalized and shall be further enhanced and supported.

For purposes of this Act, the Program is the consolidation of small farms including farms of agrarian reform beneficiaries, as one larger farm, with a minimum area of thirty (30) hectares within a two-kilometer radius, to take advantage of the economies of scale in the production of sugarcane, such that the activities in the small farms are aligned and implemented to ensure the efficient use of farm machineries and equipment, deployment of workers, volume purchase of inputs, financing, and other operational advantages, as well as recognition by sugar mills, government financial institutions, private investors, but the ownership of each small farm remains with the landowners.

The SRA, the DA, the DAR and other concerned government agencies shall provide common service facilities, such as farm machineries and implements, grants or start-up funding for the needed production inputs, technology adoption, livelihood and skills training and other development activities for the block farm and its members, and other support activities that may be identified.

To ensure the success of, and compliance to the objectives of the Program, the SRA shall:

(1) Develop guidelines for sugarcane farms to qualify for and continue to participate in the Program;

(2) Provide farm management, technical assistance, and professional services support to block farms, in coordination with the DA, the DAR and other concerned government agencies;

(3) Monitor the development and productivity of block farms;

(4) Recommend, after six (6) years, the cessation of the Program on block farms that have failed to improve productivity or raise efficiency, or graduation of block farms that have achieved high and sustainable productivity and profitability on its operations; and

(5) Implement a certification system as a mechanism to access grants, low interest financing, and other incentives and support from Official Development Assistance (ODA); and market access of sugarcane: *Provided*, That sugar mills, bioethanol distilleries and other markets of sugarcane shall provide market access priority to the SRA-certified block farms.

(b) Farm Support Program. – For other farms that are not eligible under the Block Farm Program, the SRA shall make available a support program which shall include, among others, the provision of (1) socialized credit; and (2) farm management, technical assistance; and professional services:

(i) Socialized credit shall be made available, through the Land Bank of the Philippines (LBP), for the acquisition of production inputs, farm machineries, and implements necessary for the continuous production of sugarcane: *Provided*, That the loans shall be available to sugarcane farmers duly registered with the SRA: *Provided, further*, That the lender shall have a lien on the quedan of farmers who obtained a crop loan until the crop loan is fully paid: *Provided, finally*, That farmers cannot be granted another loan until the loan is fully paid.

To ensure immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mills or distilleries for their sugarcane.

(ii) Farm Management, Technical Assistance and Professional Services –The SRA, the DA, the DAR, the Department of Labor and Employment (DOLE), the Technical Education and Skills Development Authority (TESDA), state universities and colleges (SUCs), and other concerned private and nongovernment organizations (NGOs) shall formulate and implement a deployment program of agricultural engineers, agriculturists and farm technicians for the provision of farm management, technical assistance and professional services to these farms.

(c) Farm Mechanization Program. – Planters/farmers of sugarcane farms, including block farms and farms of agrarian reform beneficiaries, shall be encouraged and trained to utilize

appropriate agricultural machineries and equipment necessary for the efficient planting, cultivation, care and maintenance, harvesting and handling of sugarcane.

The SRA, the DA and the DAR, in partnership with local government units (LGUs), consistent with the provisions of Republic Act No. 10601, otherwise known as the “Agricultural and Fisheries Mechanization (AFMech) Law”, shall:

- (1) Introduce or expand the use of machineries for the different stages of sugarcane farming;
- (2) Formulate and implement a Sugarcane Farm Mechanization Program at the mill district levels and block farms; and
- (3) Support the establishment, operation and maintenance of Agri-fisheries Machinery and Equipment Service Centers, as provided in Section 9 of Republic Act No. 10601, in sugarcane areas and, for this purpose, provide socialized credit to service centers: *Provided*, That these service centers shall emphasize the provision of plowing, harrowing, weeding, fertilization, harvesting and other farm mechanization services to sugarcane farms that do not have the capability to purchase or maintain their own machineries and equipment.

To develop and deploy appropriate machineries and equipment, the SRA, through its research centers, in collaboration with the Philippine Sugar Research Institute, the Philippine Center for Post-Harvest Development and Mechanization, the Bureau of Agricultural Research, SUCs, other concerned government agencies, and industry stakeholders, shall formulate and conduct a research, development and extension program for sugarcane farm mechanization and engineering.

The LBP shall manage the socialized credit facility under the Farm Support Program and the Farm Mechanization Program.

The SRA, the DA, the DAR, and the LBP shall issue the guidelines on the administration and lending of the socialized credit facility.

SEC. 4. Research and Development. – The SRA, in coordination with the Department of Science and Technology (DOST), as well as relevant state universities and government research and development institutions and the private sector, shall intensify researches on sugarcane high yielding or flood resistant varieties; pest control and prevention; latest farming, milling, refining and biomass co-generation technologies; soil analysis and fertility mapping of sugarcane areas; weather monitoring and climate change adaptation measures; sugar and sweetener consumption; and other viable products that can be derived from sugarcane. The DA and the DOST shall likewise provide assistance to the SRA to improve the latter’s crop forecasting and crop monitoring activities or programs.

SEC. 5. Extension Services. – In addition to extension services provided by the DA, the DAR, the SUCs and private and NGOs, extension services in sugar districts shall be provided by the SRA and the mill district development councils (MDDCs). Extension services that can be provided shall include, but not limited to, provision of technical assistance and advice, conduct of tests, propagation, and dissemination of high yielding varieties, and operation of demonstration farms.

For its extension services, MDDCs may develop linkages with NGOs, peoples' organizations, and LGUs. It may likewise secure funding for its extension services from private sector sources.

SEC. 6. Human Resources Development. – All stakeholders in the sugarcane industry shall contribute to the development of a sustainable human resource for the industry. Towards this end, the DOLE, in collaboration with the SRA, the Commission on Higher Education, the TESDA, the Professional Regulation Commission (PRC) and the private sector, shall formulate and implement a Human Resources Development (HRD) Master Plan for the sugarcane industry which shall include, but not limited to, the following:

(a) Capacity building, skills trainings, institutional strengthening of the sugarcane industry workers, small farmers and agrarian reform beneficiaries and their organizations to actively contribute in productivity and competitiveness;

(b) Scholarship program for the underprivileged but deserving college and post graduate students who are taking up courses in relevant fields of discipline in SUCs which have programs in agriculture, agricultural engineering and mechanics, and chemical engineering/sugar technology; and for vocational courses and skills development for farmers and farm technicians, and skilled workers in sugar mills, sugar refineries, distilleries and biomass power plants;

(c) Conduct of capability training or attendance to local or international trainings and seminars by farmers, mill, refinery, distilleries and biomass power plant technicians, including the SRA technical personnel on the latest technologies related to sugarcane farming, manufacture or production of sugar and other products derived from sugarcane;

(d) Formulation and implementation of competency standards and training regulations for technical vocational education and training for the sugarcane industry by the TESDA; and

(e) Upgrading of facilities, faculty development and strengthening of the on-the-job training program of agri-based higher education institutions in sugarcane areas towards the production of highly employable and globally competitive graduates needed by the sugarcane industry.

SEC. 7. Infrastructure Support. – To facilitate the transport of sugarcane to mills and distilleries, enhance the marketing and export of sugar and other products derived from sugarcane, and complement productivity improvement measures in this Act, transport infrastructure, farm-to-mill roads, and irrigation facilities shall be provided.

(a) *Transport Infrastructure.* – The National Economic and Development Authority (NEDA), the Department of Transportation and Communications (DOTC), the Department of Public Works and Highways (DPWH), and the Philippine Ports Authority (PPA), shall include in their annual Development Plans and Priority Investment Programs the immediate construction and/or improvement of existing transloading ports for export or coast-wide transport of sugar and other products derived from sugarcane in key sugarcane producing provinces. The SRA shall submit to these agencies, six (6) months from the start of the effectivity of this Act, a priority list of transloading ports covered by this provision.

(b) *Farm-to-Mill Roads.* – The NEDA, the DA, the DPWH, and concerned LGUs, shall include in their annual Priority Investment Program the immediate construction and/or

rehabilitation of farm-to-mill roads in key sugarcane producing provinces. The SRA shall prepare and submit to these agencies and LGUs, within six (6) months from the start of effectivity of this Act, a Farm-to-Mill Road Master Plan and priority farm-to-mill roads at the mill district as basis for the planning, programming and investment prioritization.

(c) Irrigation. – The National Irrigation Administration (NIA), the Bureau of Soils and Water Management, and concerned LGUs, in coordination with the SRA, shall construct appropriate, efficient and cost effective irrigation facilities, pump and other pressurized irrigation systems, rain capture and water impounding facilities in block farms and other sugarcane farms. The SRA shall submit to these agencies the list of priority sugarcane areas within six (6) months from the start of the effectivity of this Act. The DA and the NIA shall include in its annual budget the item or provision on construction and rehabilitation of irrigation facilities, rain capture and water impounding facilities in sugarcane areas.

To promote the conservation of water resources and encourage and involve the participation of sugar mills, refineries and distilleries in providing irrigation to sugarcane areas, the utilization for irrigation of wastewater discharge of mills, refineries, or distilleries, that meet the specifications of the DA on the safe reuse of wastewater for irrigation, fertilization and other agricultural uses, is considered “reuse” and, therefore, exempt from wastewater charges under the system provided under Section 13 of Republic Act No. 9275, also known as the “Philippine Clean Water Act of 2004”.

SEC. 8. *Sugar Supply Monitoring System.* – As the agency mandated to regulate the supply of sugar in the country, in addition to its powers and functions under Executive Order No. 18, series of 1986, the SRA shall establish a supply chain monitoring system from sugarcane to sugar at the retail level to ensure sufficiency and safety of sugar.

To accurately determine the supply of sugarcane and sugar in the country and to provide sound basis for diversification, planning and policy, it is mandated that the following shall register with the SRA:

(a) Sugarcane farmers, farmers’ associations/federations, mills/mill associations, sugarcane consolidators and muscovado producers;

(b) Distilleries, using molasses, sugar or sugarcane as ingredient for alcohol: *Provided*, That importers, and consignees of imported molasses regularly report to the SRA, among other information, the volume of molasses imported;

(c) International and domestic sugar traders, including wholesale traders and repackers, muscovado and molasses traders and customs bonded warehouses (CBWs) of food processors importing sugar for reexport: *Provided*, That international and domestic sugar traders and the CBW food processors shall likewise submit a list of all their warehouses of sugar;

(d) Warehouses of sugar, and business establishments that manufacture or sell bags or sacks for packing sugar; and

(e) Cane hauling and harvesting service providers.

The SRA shall provide the forms and make sure that the manner of registration shall be the least possible cost to the stakeholder concerned particularly agrarian reform beneficiaries. The information gathered shall be used to develop a sugarcane industry database which shall be administered and updated by the SRA. Any of the aforementioned entities that shall not register shall be subject to penalties imposed by the SRA.

SEC. 9. Classification and Regulation of Supply of Sugar. – The SRA, in the exercise of its regulatory authority, shall classify imported sugar according to its appropriate classification when imported at a time that domestic production is sufficient to meet domestic sugar requirements. The Bureau of Customs (BOC) shall require importers or consignees to secure from the SRA the classification of the imported sugar prior to its release.

SEC. 10. Value-Added Tax (VAT) Zero-Rated on Refined Sugar for Export. – Pursuant to Section 106(A)(2)(a)(1) of the National Internal Revenue Code, VAT zero-rated shall be imposed on refined sugar withdrawn from warehouses for actual physical export to the world market.

To differentiate refined sugar from raw sugar for VAT purposes, refined sugar refers to sugar whose content of sucrose, by weight, in the dry state corresponds to a polarimeter reading of 99.5° and above, and raw sugar means sugar whose content of sucrose by weight, in the dry state, corresponds to a polarimeter reading of less than 99.5°.

The Bureau of Internal Revenue, in consultation with the SRA and industry stakeholders, shall issue the necessary regulation to implement this section.

SEC. 11. Mandated Appropriations. – The Department of Budget and Management (DBM) is hereby mandated to include annually, starting the year 2016, an initial aggregate amount of Two billion pesos (P2,000,000,000.00) in the President's program of expenditures for submission to Congress and allocated, as follows:

- (a) Fifteen percent (15%) for grants to block farms under the Block Farm Program;
- (b) Fifteen percent (15%) for socialized credit under the Farm Support and Farm Mechanization Programs;
- (c) Fifteen percent (15%) for research and development, capability building and technology transfer activities under Research and Development, Extension Services, Human Resources Development, and Farm Support Programs;
- (d) Five percent (5%) for scholarship grants to be provided under paragraph (b) of Section 6, Human Resources Development; and
- (e) Fifty percent (50%) for infrastructure support programs.

In the identification and prioritization of specific programs and projects, the SRA shall conduct prior consultation with representatives of block farms, sugarcane farmers and workers, sugar millers, refiners, bioenergy producers, and producers of other products derived from sugarcane and its by-products. The Department shall issue the necessary guidelines for this purpose.

For the current year, the DBM shall include in a supplemental budget, that may be formulated, the amount of Two billion pesos (P2,000,000,000.00) and following the allocation prescribed in this section.

SEC. 12. *Non-Exemption from Comprehensive Agrarian Reform Program (CARP) Coverage.* – Nothing in this Act shall exempt any landholding from CARP Coverage.

SEC 13. *Implementing Rules and Regulations.* – The DA, in consultation with concerned government agencies and sugarcane industry stakeholders, shall issue the implementing rules and regulations of this Act within ninety (90) days starting from the effectivity of this Act.

SEC. 14. *Separability Clause.* – If any provision of this Act is declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SEC. 15. *Repealing Clause.* – All laws, decrees, executive orders and rules and regulations or part or parts thereof inconsistent with any provision of this Act are hereby repealed, modified or amended accordingly.

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

Approved,

(Sgd.) **FELICIANO BELMONTE JR.**
*Speaker of the House
of Representatives*

(Sgd.) **FRANKLIN M. DRILON**
President of the Senate

This Act which is a consolidation of Senate Bill No. 2400 and House Bill No. 4633 was finally passed by the Senate and the House of Representatives on February 2, 2015 and February 3, 2015, respectively.

(Sgd.) **MARILYN B. BARUA-YAP**
*Secretary General
House of Representatives*

(Sgd.) **OSCAR G. YABES**
Secretary of the Senate

Approved: **MAR 27 2015**

(Sgd.) **BENIGNO S. AQUINO III**
President of the Philippines