

SUBJECT : REPORT ON THE PUBLIC HEARING OF THE COMMITTEE ON AGRICULTURE AND FOOD JOINT WITH THE COMMITTEES ON YOUTH, WOMEN & FAMILY RELATIONS AND FINANCE ON SEPTEMBER 14, 2004 AT 9:30 A.M., SENATOR C.M. RECTO ROOM, SENATE OF THE PHILIPPINES, GISIS BLDG., FINANCIAL CENTER, PASAY CITY.

I. PRELIMINARY

Hon. Ramon B. Magsaysay, Jr., Chairman of the Committee on Agriculture and Food, called the public hearing to order at 9:46 a.m. to discuss the following bills;

Extension of the utilization period of ACEF

- 1. SB No. 1165 – “An Act extending the utilization period of the Agricultural Competitiveness Enhancement Fund, amending for this purpose pertinent provision of Republic Act No. 8178, entitled ‘An Act Replacing Quantitative Import Restrictions on Agricultural Products, except Rice, with tariffs, creating the Agricultural Competitiveness Enhancement Fund’ and for other purposes”. (Senator Magsaysay, Jr.)**

Young Farmer’s Program (Heard Jointly with the Committees on Youth, Women & Family Relations, and Finance)

- 1. SB No. 484 – “An Act providing government assistance to youth engaged in agriculture to maximize productivity, and for other purposes ”. (Senator Osmeña III)**
- 2. SB No. 1162 – “An Act Institutionalizing the young farmers program, providing government assistance to youth engaged in agriculture therefore, and for other purposes”. (Senator Magsaysay, Jr.)**

Senators present: Senators Flavier , Madrigal and Gordon

Resource Persons: *Undersecretary* Cesar Drilon – Department of Agriculture (DA); *Assistant Secretary* Segfredo Serrano, *Assistantt Secretary* Ibarra Poliquit – Department of Agriculture (DA); *Deputy Commissioner.* Gil Valera – Bureau of Customs (BOC); *Director* Nora Oliveros – Department of Budget and Management (DBM); *Mayor* Ambrosio Cruz, Jr. – Guiguinto, Bulacan; *President* Nelson Buenaflor- QUEDANCOR; *Director* Jose Montes- Project Development Service, DA; *Administrator* James Christopher Ledesma – Sugar Regulatory Administration (SRA); *President* Pedro D. Destura – Association of Colleges of Agriculture of the Philippines (ACAP);

II. HIGHLIGHTS

Senator Magsaysay, Jr. informed the Body that the public hearing is meant to discuss two subject areas for legislation for consideration by the Committee on Agriculture and Food to improve agricultural productivity and competitiveness. *First*, is the extension of the utilization period of the agricultural competitiveness enhancement fund (ACEF). *Second*, is the institutionalization of the young farmers program.

Before the bills have been tackled, Senator Magsaysay, Jr. asked the members to go through the proposed rules on procedure of the Committee on Agriculture and Food. This is in pursuance to Section 21 of Article VI of the Constitution of the Philippines and to Rule 10 and 11 of the Rules of the Senate, as amended.

Senator Flavier moved for the adoption of the rules, accepted and approved *in toto*.

DISCUSSION:

SB No. 1165 – “An Act extending the utilization period of the Agricultural Competitiveness Enhancement Fund, amending for this purpose pertinent provision of Republic Act No. 8178, entitled ‘An Act Replacing Quantitative Import Restrictions on Agricultural Products, except Rice, with tariffs, creating the Agricultural Competitiveness Enhancement Fund’ and for other purposes”. (*Senator Magsaysay, Jr.*)

Senator Flavier said that before the Committee will be able consider the possibility of extending the life of the ACEF, collections and remittances to the ACEF including its utilization needed clarification considering that the duration of the ACEF as stipulated in R.A.8178 Sec. 8 otherwise known as the “Agricultural Tariffication Act of 1996” is nine years (9) and that there was a 3-year delay in its implementation from 1996 to 1998 before the Special Account 183 has been established, and the amounts that were expected have not been fully placed in the fund;

Deputy Commissioner Valera , in response to Senator Flavier, said that as of May 2003, the total collections of ACEF is 5.1 billion. However, there was an additional 373.6 million representing ACEF collections covering the period June -November 2003, and about 517 million for the period December 2003- August 2004, bringing the total fund in the ACEF to 6 billion pesos.

In answer to the query of Senator Magsaysay, Jr as to the ports where the collections are made as well as the frequency of remittances, Deputy Commissioner Valera said that these collections came from all the 15 ports all over the country and that it is remitted every six months.

ACEF UTILIZATION

Senator Flavier in his final inquiry, asked how much of the fund actually went to the DA for use for which it was originally conceived. Mr. Montes of the DA said that only 1.75 billion pesos have been released to the DA for the 56 projects that were identified and approved by the Executive Committee of the MAV Secretariat.

Mr. Montes explained that once a proposed project is approved by the executive committee, DA requests the DBM to release fund from Fund 183 the amount corresponding to the approved projects. However, the DBM has placed a ceiling on the amount that will be released on a year to year basis. Meaning even if there was an approved 1 billion pesos project for one year, DBM will only release 600 million for the project.

The doubt of Senator Flavier as to where the remaining balance for the project fund is, has been clarified by DBM Director Oliveros, that the money is in tact in the Bureau of Treasury (BTr).

Department of Budget and Management. Director Oliveros informed the body that the ACEF money has already been placed and settled in a special account in the BTr. Since that time until recently, the money is earmarked in the Fund 183. She clarified that although the fund as reported by the BOC amounts to 6 billion pesos, based on the certification from the BTr, the amount in the DBM record is 5.11 billion pesos. The DBM has yet to receive the certification from the BTr on the two remittances reported by the BOC.

Department of Agriculture. Undersecretary Drilon, aired out the issue on the provision in the AFMA, that is on Sec. 21, the direct credit program (DCP) of the DA has already been terminated and the DA cannot continue on ACEF because as far as AFMA is concerned, DA now cannot go into direct credit program and ACEF is one of the DCPs

PERCENT MAV ALLOCATION

Department of Agriculture (DA). DA Undersecretary Drilon, in response to the query of Senator Magsaysay, Jr. on the percent utilization of the *minimum access volume* (MAV) allocation, said that the MAV of pork is underutilized, Chicken has always been fully utilized, hence the importation of chicken and chicken parts was presumed as one of the biggest contributor on the MAV fund.

Usec Drilon added that the MAV mechanism will end by June 2005, collections for the ACEF will end, and that fund in the ACEF will be reverted to the National Treasury for the General Fund, bringing out the reason why the request for the utilization of the ACEF be extended for another 10 years or until 2015.

Senator Magsaysay, Jr. said that the Committee is looking into the need to extend the utilization period of the ACEF, possibly give some kind of concessional rates for the fund to grow. He asked how effective is the ACEF in terms of competitiveness of certain sectors, citing the observation that for the past two years, all initiatives come from the provincial and regional levels.

Mr. Montes responded that there are 56 projects being funded as of 31 August 2004 broken down into 28 projects in the Luzon area, 14 in the Visayas and 13 in Mindanao and nationwide is what the COCAFAM resolved to grant 1 billion to QUEDANCOR.

QUEDANCOR. Responding to the query of Senator Magsaysay, Jr, Mr. Buenaflor said that the QUEDANCOR has not received any support from the national government since the year 2000. Fortunately, they were able to initiate and see that funds from the capital market flow into the countryside, which they have tapped from banks, insurance companies and mutual fund. The fund from the ACEF set aside for the QUEDANCOR is being lent at 9% interest, while the average lending is 16 – 36 % depending on the size of the institution. The interest rate is simply used by QUEDANCOR to pay the salaries of their people.

Accordingly, QUEDANCOR is servicing 580,000 individual farmers mixed with fishermen and other marginalized sectors, with a current lending of 3 billion pesos. QUEDANCOR specialize in retailing as these are the areas where farmers need the access. Wholesale operations is being taken care of by other institutions.

SUGAR ACEF UPDATES

James Christopher Ledesma Administrator of the Sugar Regulatory Administration (SRA) provided updates as well as its accomplishments regarding

the Six Hundred (P600 M) Million Pesos ACEF funds allotted for the sugar industry out of the 1.141 Billion Conversion Fee. He said that 805 has already been spent on the following:

1. Forty per cent of the 600 million was spent on farm mechanization, used to buy 150 tractors distributed all over the countryside.
2. About 700 hectares of nurseries
3. About 84 million spent on roads and road maintenance.

After clarification on the details of the ACEF mechanisms, experiences on the grants, loans and loan repayments, Senator Magsaysay, Jr. named DA Undersecretary Drilon to lead in the technical working group (TWG) with the DA and concerned agencies on 15 September 2004, Wednesday, to work and evolve an acceptable Committee Report for the proposed legislative bill on the extension of the utilization period of the ACEF.

At this juncture, Senator Magsaysay, Jr. acknowledged the presence of some proponents of the ACEF as follows:

<u>Proponent</u>	<u>Enterprise</u>
a. RETCEM	- bangus production
b. Linnar Farms	- piggery
c. EMC	- mushroom
d. ITCPH	- agricultural trade training
e. JET Farma	- hog dispersal
f. KASAMNE	- Onions
g. San Francisco	- Vegetable farming
h. Sees International	- Banana chips manufacturing/export
i. Feedworld Inc.	- animal feed production

III SUSPENSION

Due to time constraint, the public hearing was suspended at 12:11 p.m. and will resume on 17 September 2004 to finalize the Committee Report on the said bill.