

[SRA Department Circular No. 07, August 04, 2015]

RULES AND REGULATIONS IMPLEMENTING REPUBLIC ACT NO. 10659

Adopted: 04 August 2015

Date Filed: 06 August 2015

Pursuant to Section 13 of Republic Act No. 10659, otherwise known as the "Sugarcane Industry Development Act of 2015", the Department of Agriculture, in consultation with concerned government agencies and sugarcane industry stakeholders, hereby issues, adopts and promulgates the following implementing rules and regulations.

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

RULE 1. TITLE AND SCOPE

Rule 1.1. Title. This Department Circular shall be known as the Implementing Rules and Regulations (IRR) of Republic Act No. 10659 otherwise known as the Sugarcane Industry Development Act of 2015. The latter shall be referred to as the "Act" in this IRR.

Rule 1.2. Scope. The scope of this IRR is to provide rules, regulations and/or guidelines for the implementation of the following provisions of the Act:

- a. Sugarcane Industry Productivity Improvement Programs;
- b. Research and Development;
- c. Extension Services;
- d. Human Resources Development;
- e. Infrastructure Support;
- f. Sugar Supply Monitoring Systems;
- g. Classification and Regulation of Supply of Sugar;
- h. Value-Added Tax (VAT) Zero-Rated on Refined Sugar for Export;
- i. Mandated Appropriations;
- j. Non-exemption from Comprehensive Agrarian Reform Program (CARP) Coverage.

The IRR shall likewise provide the roles and responsibilities of the government agencies, government-owned and controlled corporations, government financing

institutions, state colleges and universities, private research institutions, and private sector stakeholders mentioned in the Act.

SECTION 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.

RULE 2. DECLARATION OF POLICY AND DEFINITION OF TERMS

Rule 2.1. 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.

Rule 2. 2. Definition of Terms. As used in this IRR, the following terms shall be defined as follows:

- a. Block Farm – a consolidation of small sugarcane farms including farms of agrarian reform beneficiaries, as one larger farm, with a minimum contiguous area of thirty (30) hectares within a two-kilometer maximum distance from each other.
- b. Common service facilities (CSF) – refer to SRA-registered entities that provide technical, professional, marketing or farm services such as but not limited to plowing, planting, harvesting, hauling and trucking to block farms and other sugarcane farms. Common service facilities may be operated by block farms, mill district development councils, individual farmers, farmers' associations or federations, or private corporations. Common service facilities can also refer to common service centers or service providers.
- c. Ethanol Producers Association of the Philippines (EPAP) – a Securities

and Exchange Commission (SEC)-registered, non-stock, non-profit association of bioethanol fuel producers in the Philippines.

- d.** Farm-to-mill roads – shall mean roads connecting the sugarcane farms to any sugarcane processing facilities such as sugar mills, ethanol distilleries, biomass power plants and other production facilities using sugarcane as raw material with specifications that can handle truckloads of sugarcane.
- e.** Institutionalized – shall mean to make or establish as a regular program of government by law.
- f.** Mill District – refers to a contiguous area wherein a sugar mill, bioethanol distillery or any processing facility of sugarcane together with all sugarcane plantations adherent thereto are operating. A plantation is deemed adherent by virtue of sugarcane being delivered to a processing facility regardless of contract relation between the processing facility and plantation or its landowner and/or any other person cultivating sugarcane in the plantation contiguous to the facility.
- g.** Mill District Development Council (MDDC) – a SEC or Cooperative Development Authority (CDA)-registered non-government organization in a sugarcane mill district which is composed of among others representatives from the sugar mill, distillery, planters associations in the district, Philippine Sugar Research Institute (PHILSURIN), and Sugar Regulatory Administration
- h.** Philippine Sugar Corporation (PHILSUCOR) – a government-owned and controlled corporation created under Presidential Decree No. 1890, one of its mandated functions being to provide assistance in the preparation, financing and execution of sugar development or expansion programs with among others borrowing and lending powers, as a conduit of the government in assisting the development of the sugar industry.
- i.** Philippine Sugar Research Institute Foundation, Inc. (PHILSURIN) – a SEC- registered non-stock, non-profit corporation created through the efforts of the National Council of Sugar Producers which is the private sector arm for sugarcane research, development and extension services.
- j.** Raw Sugar – means sugar whose content of sucrose, by weight, in the dry state corresponds to a polarimeter reading of less than 99.5 0 .
- k.** Refined Sugar – refers to sugar whose content of sucrose, by weight, in the dry state corresponds to a polarimeter reading of 99.5 0 and above.
- l.** Small Sugarcane Farms – refers to sugarcane farms with an area of 5 hectares and less.
- m.** Sugar Industry Foundation, Inc. (SIFI) – it is a foundation which provides, among others, livelihood and skills training, medical and dental assistance, scholarships, and community development to sugarcane industry farmers, workers and their dependents pursuant to Republic Act 6982.
- n.** Sugar Master Plan Foundation, Inc. (SMPFI) – is a foundation which recommends policy and programs for the viability and continued development of the sugarcane industry. The SMPFI is funded from contributions of sugar producers.
- o.** Sugar Regulatory Administration (SRA) – a government-owned and controlled corporation created under Executive Order No. 18, series of 1986. When used in this IRR, SRA shall refer to SRA Sugar Board.

SECTION 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), Department of Agriculture (DA), 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:

- i) Develop guidelines for sugarcane farms to qualify for and continue to participate in the Program;
- ii) Provide farm management, technical assistance, and professional services support to block farms, In coordination with the DA, the DAR and other concerned government agencies;
- iii) Monitor the development and productivity of block farms;
- iv) 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
- v) 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 (i) socialized credit, and (ii) 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 mill or distilleries for their sugarcane.

- ii) **Farm Management, Technical Assistance and Professional Services – The SRA, the DA, the DAR, Department of Labor and Employment (DOLE), Technical Education and Skills Development Authority (TESDA), state universities and colleges (SUCS), and other concerned private and nongovernment organizations 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.**