



Republic of the Philippines
Department of Finance
BUREAU OF CUSTOMS
1099 Manila

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February 22, 2019

CUSTOMS MEMORANDUM CIRCULAR
NO. 58-2019

To: All Deputy Commissioners
All Directors and Division Chiefs
All District/Port Collectors
And Others Concerned

SUBJECT: RICE TARIFFICATION

Attached is the copy of the of the **Republic Act No. 11203** entitled: "An Act Liberalizing the Importation, Exportation and Trading of Rice, Lifting for the Purpose the Quantitative Restriction on Rice, and for Other Purposes".

For your information and guidance.

For record purposes, please confirm dissemination of this circular throughout your offices with fifteen (15) days from receipt hereof.

REY LEONARDO B. GUERRERO
Commissioner

FEB 20 2019



S. No. 1098
H. No. 7735

Republic of the Philippines
Congress of the Philippines
Metro Manila
Seventeenth Congress
Third Regular Session

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

[REPUBLIC ACT NO. 11203]

AN ACT LIBERALIZING THE IMPORTATION, EXPORTATION AND TRADING OF RICE, LIFTING FOR THE PURPOSE THE QUANTITATIVE IMPORT RESTRICTION ON RICE, AND FOR OTHER PURPOSES

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

SECTION 1. Section 2 of Republic Act (R. A.) No. 8178, as amended, is hereby further amended to read as follows:

"SEC. 2. *Declaration of Policy.* – It is the policy of the State to ensure food security and to make the country's agricultural sector viable, efficient and globally competitive. The State adopts the use of tariffs in lieu of non-tariff import restrictions to protect local producers of agricultural products.

x x x."

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SEC. 2. Section 3 of R. A. No. 8178, as amended is hereby further amended to read as follows:

SEC. 3. *Definition of Terms.* - The following definitions apply to the terms used in this Act:

"(a) 'Agricultural products' shall refer to specific commodities classified under Chapters 1-24 of the Harmonized Commodity Description and Coding System (HS) adopted and used in Section 1611 of R. A. No. 10863, otherwise known as the "Customs Modernization and Tariff Act" (CMTA);

"x x x

"(c) 'ATTIGA Rate' refers to tariff rate commitments under the ASEAN Trade in Goods Agreement (ATTIGA) applicable to importations originating from Association of Southeast Asian Nations (ASEAN) member States;

"(d) 'Bound rate' refers to the agreed maximum tariffs on products committed by the Philippines to the World Trade Organization (WTO) under the Uruguay Round Final Act, and under the ATTIGA, in accordance with its tariff schedule (Annex 2: Tariffs under the ASEAN Trade in Goods Agreement (ATTIGA)- PHILIPPINES);

"(e) 'Buffer Stock' refers to the optimal level of rice inventory that shall be maintained at any given time to be used for emergency situations and to sustain the disaster relief programs of the government during natural or man-made calamities;

"(f) 'In-Quota Tariff Rate' refers to the tariff rates for minimum access volumes committed by the Philippines to the WTO under the Uruguay Round Final Act;

"(g) 'Out-Quota Tariff Rate' refers to the higher rate of customs duty that is levied on the quantities of an imported agricultural product in excess of its minimum access volume (MAV);

"(h) 'Minimum Access Volume' refers to the volume of a specific agricultural product that is allowed to be imported with a lower tariff as committed by the Philippines to the WTO under the Uruguay Round Final Act;

"(i) 'Most Favoured Nation (MFN) Rate' refers to Philippine tariff rates that are applicable to imports from all sources as prescribed in the CMTA;

"(j) 'Quantitative Import Restrictions' refer to non-tariff restrictions used to limit the amount of imported commodities, including, but not limited to, discretionary import licensing and import quotas, whether qualified or absolute;

"(k) 'Rice' refers to all products classified under the Harmonized Commodity Description and Coding System (HS) heading 10.06;

"(l) 'Rice Shortage' is a situation where the quantity available or the supply of the commodity in a market falls short of the quantity demanded or required at a given time;

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

"(n) 'Tariff Equivalent' refers to the rate of tariff that provides comparable protection under existing quantitative import restrictions, reflected by the average price gap between domestic prices and world prices; and

"(o) 'Tariffication' refers to the lifting of all existing quantitative restrictions such as import quotas or prohibitions, imposed on agricultural products, and replacing these restrictions with tariffs."

SEC. 3. Section 4 of R. A. No. 8178, as amended, is hereby further amended to read as follows:

SEC. 4. *Repeal.* - The following laws and all other laws or provisions of law prescribing quantitative import restrictions or granting government agencies the power to impose such restrictions on agricultural products or hindering the liberalization of the importation, exportation and trading of rice are hereby repealed:

X X X

"(8) Subparagraphs i, v, vi, vii, xi, xii, xiii, xiv, xv, xvi, xvii, xviii, xix, xxii, xxiii, and xxv of Section 6(a) of Presidential Decree (P.D.) No. 4, as amended."

SEC. 4. A new Section 5 is hereby inserted after Section 4 of R. A. No. 8178, as amended, to read as follows:

"SEC. 5. *Issuance of Sanitary and Phytosanitary Import Clearance for Rice for the Sole Purpose of Ensuring Food Safety.* - All importers of rice are required to secure a Sanitary and Phytosanitary Import Clearance (SPSIC) from the Bureau of Plant Industry (BPI) prior to importation in accordance with existing laws, rules and regulations: *Provided*, That the clearance shall not provide for import volume and timing restrictions: *Provided, further*, That failure on the part of the BPI to release the SPSIC without informing the rice importer of any error, deficiency, omission, or additional documentary requirement shall mean automatic approval of the SPSIC applied for within seven (7) days after submission of the complete requirements.

"The imported rice should arrive before the expiration of the SPSIC from the BPI.

"The food safety regulatory function of the NRA under Item (i), Section 16 of R. A. No. 10611, otherwise known as the 'Food Safety Act of 2013', is hereby transferred to the BPI."

SEC. 5. Section 6 of R. A. No. 8178, as amended, is hereby further amended to read as follows:

"SEC. 6. *Tariffication.* - In lieu of quantitative import restrictions, the maximum bound rates committed under the Uruguay Round Final Act shall be imposed on the agricultural products whose quantitative import restrictions are repealed by this Act. X X X.

X X X

"For the tariff equivalent of the quantitative import restrictions on rice, the bound rate shall be as notified by the Philippines to the WTO as follows:


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"(a) For the minimum access volume committed by the Philippines to WTO, the in-quota tariff rate indicated in the applicable provisions of the WTO Agreement on Agriculture shall apply;

"(b) For rice imports originating from ASEAN member states, the import duty rate under the ATIGA shall apply; and

"(c) For rice imports originating from non-ASEAN WTO member states, the out-quota tariff rate is one hundred eighty percent (180%) or the tariff equivalent calculated in accordance with Paragraph 10 of Annex 5, Section b, of the WTO Agreement on Agriculture upon the expiration of the waiver relating to the special treatment for rice of the Philippines, whichever is higher, shall apply.

"The calculated tariff equivalent shall be determined by the Tariff Commission and approved by the National Economic Development Authority (NEDA) Board within forty-five (45) days upon the effectivity of this Act."

SEC. 6. A new Section 7 is hereby inserted after Section 6 of R. A. No. 8178, as amended, to read as follows:

"SEC. 7. *Powers of the President.* - Consistent with the Philippine national interest and the objective of safeguarding Filipino farmers and consumers, the President is hereby empowered to act with full delegated authority subject to the provisions of the CMTA, in the following circumstances:

"(a) The President may increase, reduce, revise, or adjust existing rates of import duty up to the bound rate committed by the Philippines under the WTO Agreement on Agriculture and under the ATIGA, including any necessary change in classification applicable to the importation of rice: *Provided*, That the power herein delegated to the President shall only be exercised when Congress is not in session: *Provided, further*, That any order issued by the President adjusting the applied tariff rates shall take effect fifteen (15) days after publication;

"(b) In the event of any imminent or forecasted shortage, or such other situation requiring government intervention, the President is empowered for a limited period and/or a specified volume, to allow the importation at a lower applied tariff rate to address the situation. Such order shall take effect immediately and can only be issued when Congress is not in session; and

"(c) In case the calculated out-quota tariff rate referred to under Section 6(c) of this Act exceeds one hundred percent (100%), the provision of Paragraph 1, Section 1608(a) of the CMTA shall also not apply.

"The power herein delegated to the President may be withdrawn or terminated by Congress through a Joint Resolution."

SEC. 7. A new Section 7-A is hereby inserted after the new Section 7 of R. A. No. 8178, as amended, to read as follows:

"SEC. 7-A. *Trade Negotiation Authority.* - In the interest of the Philippine rice industry and Philippine consumers, and upon the recommendation of the NEDA and the Department of Agriculture (DA), the President may enter into trade negotiations or renegotiations of the Philippine international trade commitments on rice."

SEC. 8. A new Section 8 is hereby inserted after the new Section 7-A of R. A. No. 8178, as amended, to read as follows:

"SEC. 8. *Maintenance of Rice Buffer Stock.* - The NFA shall, in accordance with the rules, regulations and procedures to be promulgated, maintain sufficient rice buffer stock to be sourced solely from local farmers."

SEC. 9. A new Section 9 is hereby inserted after the new Section 8 of R. A. No. 8178, as amended, to read as follows:

"SEC. 9. *Lifting of Quantitative Export Restrictions on Rice.* - Any and all laws, rules, regulations, guidelines, and other issuances imposing quantitative export restrictions on rice are hereby repealed. The exportation of rice shall be allowed in

accordance with the established rules, regulations and guidelines."

SEC. 10. A new Section 10 is hereby inserted after the new Section 9 of R. A. No. 8178, as amended, to read as follows:

"SEC. 10. *Special Rice Safeguard.* - In order to protect the Philippine rice industry from sudden or extreme price fluctuations, a special safeguard duty on rice shall be imposed in accordance with R. A. No. 8800, otherwise known as the 'Safeguard Measures Act' and its implementing rules and regulations."

SEC. 11. Section 7 of R. A. No. 8178, as amended, is hereby renumbered as Section 11 and is amended to read as follows:

"SEC. 11. *Mechanism for the Implementation of Minimum Access Volume (MAV).* - An equitable and transparent mechanism for allocating the MAV of agricultural products whose quantitative restrictions are herein lifted, shall be developed and established, having the least government intervention, addressing the requirements of each geographical area, and without entailing any cost to importers/users of these products to the detriment of local consumers and other end-users."

"In the case of rice, its MAV will revert to its 2012 level at three hundred fifty thousand metric tons (350,000 MT) as indicated in the Philippine commitment to the WTO."

X X X."

SEC. 12. Section 8 of R. A. No. 8178, as amended, is hereby renumbered as Section 12 and is amended to read as follows:

"SEC. 12. *Agricultural Competitiveness Enhancement Fund.* - To implement the policy enunciated in this Act, there is hereby created the Agricultural Competitiveness Enhancement Fund, herein referred to as the Fund. The Fund shall consist of all duties collected from the importation of agricultural products, except rice, under the MAV mechanism, including unused balances and collections from repayments from loan beneficiaries including interests, if any. The Fund shall be automatically credited to Special Account 183 in the

General Fund of the National Treasury: *Provided*, That fund releases shall not be subject to any ceiling by the Department of Budget and Management (DBM).

"x x x"

SEC. 13. A new Section 13 is hereby inserted after the renumbered Section 12 of R. A. No. 8178, as amended, to read as follows:

"SEC. 13. *Rice Competitiveness Enhancement Fund.* - There is hereby created a Rice Competitiveness Enhancement Fund, herein referred to as the 'Rice Fund'. The Rice Fund shall consist of an annual appropriation of Ten billion pesos (P10,000,000,000.00) for the next six (6) years following the approval of this Act and shall be automatically credited to a Special Account in the General Fund of the National Treasury which shall be in place within ninety (90) days upon the effectivity of this Act.

"At the end of the sixth (6th) year, a mandatory review shall be conducted by the Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFAM) to determine whether the Rice Fund and its use as provided for under this Act shall be continued, amended, or terminated. The COCAFAM shall utilize the increase or decrease in farmers' incomes as a primary benchmark in determining the effectiveness of the interventions under the program and its possible extension.

"The Secretary of Agriculture shall be accountable and responsible for the Rice Fund in coordination with other government agencies concerned.

"The amount allocated shall be released directly to the implementing agencies as provided for in this Act based on the objectives and plans of the rice industry roadmap: *Provided*, That the unutilized portion of the Rice Fund allocated to the implementing agencies shall not revert to the General Fund but shall continue to be used for the purpose for which it was set aside. Fund releases charged against the Rice Fund shall not be subject to any ceiling by the Department of Budget and Management (DBM).

"Any program undertaken in accordance with this Act shall only be deemed complementary and supplementary to and shall not be a replacement of any existing programs for rice and rice farmers already implemented by the DA and other agencies concerned.

"Subject to the usual accounting and auditing rules and regulations, the Rice Fund shall be allocated and disbursed to rice producing areas, as follows:

"(a) Rice Farm Machineries and Equipment - fifty percent (50%) of the Rice Fund shall be released to and implemented by the Philippine Center for Postharvest Development and Mechanization (PHilMech) as grant in kind to eligible farmers associations, registered rice cooperatives and local government units (LGUs), in the form of rice farm equipment, such as tillers, tractors, seeders, threshers, rice planters, harvesters, irrigation pumps, small solar irrigation, reapers, driers, millers, and the like, for purposes of improving farm mechanization: *Provided*, That the PHilMech shall, whenever feasible, procure from accredited local manufacturers to assist in the promotion of locally manufactured farm machineries and equipment;

"(b) Rice Seed Development, Propagation and Promotion - Thirty percent (30%) of the Rice Fund shall be released to and implemented by the Philippine Rice Research Institute (PhilRice) and shall be used for the development, propagation and promotion of inbred rice seeds to rice farmers and the organization of rice farmers into seed growers associations and/or cooperatives engaged in seed production and trade;

"(c) Expanded Rice Credit Assistance - Ten percent (10%) of the Rice Fund shall be made available in the form of credit facility with minimal interest rates and with minimum collateral requirements to rice farmers and cooperatives; to be managed equally by the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP); and

"(d) Rice Extension Services - Ten percent (10%) of the Rice Fund shall be made available for the

extension services provided by PhilMech, PhilRice, Agricultural Training Institute (ATI) and Technical Education and Skills Development Authority (TESDA) for teaching skills on rice crop production, modern rice farming techniques, seed production, farm mechanization, and knowledge/technology transfer through farm schools nationwide as follows: seventy percent (70%) to TESDA, ten percent (10%) each to ATI, PhilRice and PhilMech.

"Provided, That the percentage allocation will be reviewed on the third year of the effectivity of this Act for possible revisions should intervention priorities change.

"Provided, further, That preferential attention should be given to rice farmers, cooperatives and associations adversely affected by the tariffification of the quantitative import restriction on rice in accordance with the thrust and priorities of R. A. No. 8435, as amended, otherwise known as the 'Agriculture and Fisheries Modernization Act' and the Philippine Development Plan (PDP). The increase or decrease of farmers' incomes shall be the primary benchmark in granting these interventions.

"Provided, furthermore, That if the annual tariff revenues from rice importation exceeds Ten billion pesos (P10,000,000,000.00) in any given year within the six (6) year period following the effectivity of this Act, the excess tariff revenues shall be earmarked by Congress and included in the General Appropriations Act (GAA) of the following year.

"(a) Rice Farmer Financial Assistance - A portion of the excess rice tariff revenues shall be released to the DA and shall be used for providing direct financial assistance to rice farmers who are farming two (2) hectares and below regardless of whether they continue farming rice or not as compensation for the projected reduction or loss of farm income arising from the tariffification of the quantitative import restrictions on rice.

"(b) Tilling of Agricultural Rice Lands - A portion of the excess rice tariff revenues shall be released to the Department of Agrarian Reform (DAR), Department of Environment and Natural Resources (DENR) and Land Registration Authority (LRA), and shall be used for the subdivision and tilling of agricultural rice lands or parts thereof

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awarded to farmer-beneficiaries under the Comprehensive Agrarian Reform Program (CARP) and other similar programs of the government.

"(c) Expanded Crop Insurance Program on Rice - A portion of the excess tariff revenues shall be released to the Philippine Crop Insurance Corporation (PCIC) and shall be used for the provision of crop insurance to qualified rice farmer-beneficiaries under its existing agricultural insurance programs; and

"(d) Crop Diversification Program - A portion of the excess tariff revenues shall be released to the DA and shall be used for productivity-enhancement programs for rice farmers seeking to diversify production towards other crops.

"The Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFAM) shall conduct a periodic review of the use of the Rice Fund."

SEC. 14. A new Section 14 is hereby inserted after the new Section 13 of R. A. No. 8178, as amended, to read as follows:

"SEC. 14. *Beneficiaries of the Rice Fund.* - The beneficiaries of the Rice Fund shall be those farmers and farmworkers and their dependents listed in the Registry System for Basic Sectors in Agriculture (RSBSA), and rice cooperatives and associations accredited by the DA. Within one hundred eighty (180) days from the effectivity of this Act, the DA, in consultation with farmers' cooperatives and organizations and LGUs, shall validate and update the masterlist of eligible beneficiaries to ensure that those listed are legitimate farmers, farmworkers and rice cooperatives and associations.

"In order to focus on the targeted rice farmer beneficiaries, cooperatives and associations for the Rice Fund, the list of rice producing provinces and LGUs, as provided for by PhilRice as of 2015-2018, shall be the basis and shall be added to the roadmap as an appendix."

SEC. 15. A new Section 15 is hereby inserted after the new Section 14 of R. A. No. 8178, as amended, to read as follows:

"SEC. 15. *Rice Industry Roadmap.* - Upon the effectivity of this Act, the DA, together with the NEDA, Department of Finance (DOF), DBM, DAR, National Irrigation Administration (NIA), TESDA, PCIC, National Anti-Poverty Commission (NAPC), Farmer Sectoral Council Representative and other government agencies concerned, including rice farmer representatives, shall be given a maximum of one hundred eighty (180) days to formulate and adopt the rice roadmap to restructure the government's delivery of support services for the agricultural rice sector.

"The following principles shall govern the development and implementation of the roadmap for the rice industry:

"(a) Raise sustainable investments in the rice industry particularly on rice support infrastructure and post-harvest facilities;

"(b) Improve the productivity, efficiency and profitability of small rice farmers and landless farmworkers;

"(c) Strengthen research and development programs that will enhance the resiliency of the rice industry;

"(d) Preserve and enhance the rice production capabilities of future generations;

"(e) Provide accessible, targeted and technology-oriented support services that cover the entire value chain;

"(f) Set up responsible, participatory and effective governance mechanisms; and

"(g) Address impact of income loss caused by rice tariffication.

The rice industry roadmap shall be implemented through a complementation of the DA's

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rice sector programs as funded by the GAA, and the Rice Fund created under this Act."

SEC. 16. A new Section 16 is hereby inserted after the new Section 15 of R. A. No. 8178, as amended, to read as follows:

"SEC. 16. *National Single Window Program.* - To ensure the accurate collection of tariff as provided in Section 6 of this Act, the National Single Window (NSW) program of the Bureau of Customs (BOC) shall be implemented within one hundred eighty (180) days from the effectivity of this Act in accordance with Executive Order No. 482."

SEC. 17. *Implementing Rules and Regulations.* - Within forty-five (45) days from effectivity of this Act, the DA, NEDA and DBM shall, in coordination with DAR, DENR, NIA, LRA, PCIC, PhilMech, PhilRice, TESDA, LBP, DBP, ATI, and other government agencies concerned and after consultation with directly affected stakeholders, promulgate the rules and regulations to effectively implement the provisions of this Act.

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

SEC. 19. *Repealing Clause.* - All laws, decrees, executive issuances, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.


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

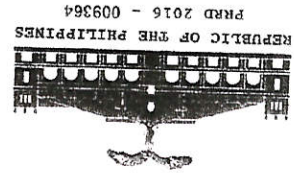
Approved.

GLORIA MACAPAGAL-ARROYO
Speaker of the House

VICENTE C. SOTTO III
President of the Senate

8/18-2019


 ATTN: CONCERNED CITIZEN & EMPLOYING-EMPLOYEES
 CHAIRMAN COPY
 MALACANANG RECORDS OFFICE
 Office of the President



RODRIGO ROA DUTERTE
 President of the Philippines



Approved: FEB 14 2019

DANTE ROBERTO P. MALING MYRA MARIE D. VILLARICA
 Acting Secretary General Secretary of the Senate

This Act which is a consolidation of Senate Bill No. 1998
 and House Bill No. 735 was passed by the Senate and the
 House of Representatives on November 28, 2018.

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