

FURTHER AMENDING CERTAIN PROVISIONS OF THE NATIONAL GRAINS INDUSTRY DEVELOPMENT ACT

PRESIDENTIAL DECREE NO. 1485, June 11, 1978

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WHEREAS, it is the declared policy of the State to promote the integrated growth and development of the grains industry so as to provide adequate and continuous food supply to the nation and contribute to the national economy;

WHEREAS, to carry out and implement the foregoing policy, Presidential Decree No. 4 dated September 26, 1972 was promulgated making the "Act to Develop the Rice and Corn Industry, Created the National Grains Authority and Provide Funds Therefor" otherwise known as the National Grains Industry Development Act, as part of the law of the land;

WHEREAS, it becomes necessary to adopt various measures calculated to promote zeal and enthusiasm in the production of rice, corn and other grains in order to attain self-sufficiency in such grains, hasten development of virgin and undeveloped lands and to provide more opportunities to small farmers towards their economic well-being;

WHEREAS, the Authority is being hampered by various technicalities and otherwise operational hindrances that diminish the impact of its campaign, and thereby undermine its efforts, to purge the industry of unscrupulous elements;

WHEREAS, recent developments and continuing scientific and technological studies on grains production, processing and marketing have revealed that the foregoing policy will be best attained and thereby facilitate a truly integrated development, planning, programming and implementation by vesting the Authority with supplementary responsibilities and powers and by amending certain provisions of said Act.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines and pursuant to Proclamation No. 1081, dated September 21, 1972 and General Order No. 1 dated September 22, 1972, as amended, do hereby adopt and make as part of the law of the land the amendments to the aforesaid National Grains Industry Development Act stated hereunder;

SECTION 1.—The heading and introductory paragraph to the aforementioned Act is hereby amended to read as follows:

"PROCLAIMING THE CREATION OF THE NATIONAL GRAINS AUTHORITY AND PROVIDING FUNDS THEREFOR.

"Pursuant to Proclamation No. 1081, dated September 21, 1972, I, FERDINAND E. MARCOS, President of the Republic of the Philippines and Commander-in-Chief of all the Armed Forces, by virtue of the powers vested in me by the Constitution of the Republic of the Philippines, do hereby declare as a law of the land, the creation of the National Grains Authority which shall be under the Office of the President. The provisions of this Decree are contained herein below."

SECTION 2.—Section 1 is hereby amended to read as follows:

"SECTION 1.—Title of the Act.—This law shall be known as the National Grains Authority Act."

SECTION 3.—Section 2 is hereby amended to read as follows:

"SECTION 2.—Declaration of Policy.—It shall be the policy of the State to promote the integrated growth and development of the grains industry (rice, corn, wheat, and other grains and their substitutes such as but not limited to mongo, soybeans and cassava) so that it can adequately function as in institution conscious of its social responsibilities and capable of providing adequate and continuous food supply to the nation and of contributing of its proper share to national economy."

SECTION 4. Section 3, paragraph, b) and f) are hereby amended to read as follows:

"SECTION 3.—Policy, Goals and Objectives.—

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- Provide comprehensive guidance for the development of the industry in all its aspects, delineating and coordinating the respective roles of both government and private sectors and their respective components and earmarking adequate financing from credit and other resources to support the program; Provided, however, That credit and other resources contemplated in this Act for the development of the grains industry shall be complementary and supplementary to those earmarked under existing laws."

- Adopt all other measures for the grains industry as may be necessary to achieve the foregoing policy."

SECTION 5.—Section 4 is hereby amended to read as follows:

"SECTION 4.—Policy Implementation.—To execute the foregoing policy, there is hereby created a body corporate with regulatory and supervisory powers to be known as the National Grains Authority, hereinafter simply referred to as the Authority, which shall be governed by a Board of Directors, known as the National Grains Authority Council, hereinafter referred to as the Council. The powers and functions of the Authority shall be vested in the Council which shall have overall responsibility for formulating and coordinating a comprehensive program for the development of the grains industry. The Council shall be composed of the following:

Chairman:

Secretary of Agriculture

Members:

The Administrator, National Grains Authority

The Governor, Central Bank of the Philippines

The President of the Philippine National Bank

The Chairman of the Development Bank of the Philippines

Representative of the Office of the President

The Secretary of the Department of Trade

The Secretary of the Department of Industry

A Representative from the consuming sector

In the absence of the Chairman, the Administrator of the National Grains Authority shall act as the Chairman of the Council.

Within thirty days from the approval of this degree, the President of the Philippines shall constitute the Council.

The representative of the consuming sector shall not be less than thirty-five years of age, with sufficient education of proven honesty, integrity and recognized competence. He shall be appointed by the President of the Philippines to hold office for a term of four years unless sooner removed for cause or until his successor shall have been appointed and qualified.

The Council shall meet regularly at least once a month on any date to be determined by the Chairman: Provided, That the Chairman may convene special meetings to discuss any urgent matters needing immediate resolutions. The Council members shall be entitled to per diem of P400.00 for each meeting actually attended by them and other remunerations as may be determined by the Council.

If for any reason a member of the Council, who is a public official, is unable to attend a meeting, he shall be represented therein by the next ranking official or officer of the Office, Agency or organization he represents.

The Council shall adopt rules and regulations to govern its proceedings, call on any government agency or institution for assistance or support, and determine its official location and address.

SECTION 5.—Section 5, subsection (b), paragraph (i) is hereby amended to read as follows:

"(i) Determine the floor price for the grain crop which shall assure the farmer or producer a fair return on his investment; Provided, That the floor price for the grain crop of any season shall be the total sum of the season's anticipated cost of production per cavan, plus a reasonable mark-up, as determined by the Council; Provided, Further, That whatever agricultural minimum wage may be specified by law shall be included in the computation of the anticipated production cost even for work performed by operators and/or owners of farms; Provided, Further, That the retail prices for milled rice, corn grits, sorghum and other grains and their substitutes and their by-products/end-products shall not be more than the prices set for these items by the Council; Provided, Further, That price ceilings shall be adjusted in direct relation to significant changes in the Consumer Price Index (CPI) periodically prepared by the Central Bank of the Philippines; Provided, Further, That the Authority shall give preference to producers cooperatives in the procurement of grains so as to promote the development of cooperatives and other farmer's associations such as but not limited to Area Marketing Cooperatives, Samahang Nayons, selda, etc., in the country; Provided, Furthermore, That the price support shall cover only such quantity of palay, corn or other grains as was actually produced by the farmer in his own farm; and Provided, Finally, That the Authority may, upon authorization by the Office of the President, incur subsidies to be borne by the National Government in the implementation of the floor and ceiling prices for rice and corn and other grains and their substitutes and/or their by-products/end products;

SECTION 6.—Section 6 as amended by P.D. No. 699 is hereby further amended to read as follows:

"SECTION 6.—Administration—Powers, Organization, Management and Exemptions.—The Powers, organization, management and exemptions of the Authority shall be as follows:

- Powers—In order to effectively carry out its functions and responsibilities provided in this Act, the Authority shall have the following powers:

- To institute the negotiable warehouse receipt or quedan system in palay, corn and other grains not later than two (2) years after the approval of this Act. Pending the institution of said quedan system, however, the Authority shall implement the price support by procuring grains at the announced floor price in such quantities and in such places as may be necessary: Provided, That no such grains shall be procured unless they are stored in a bonded warehouse under a bond of not less than thirty-three and one-third (33 1/3) per centum of the value

of the stocks of said grains; Provided, However, That in areas where there are rebonded warehouses or adequate space in bonded warehouses the Authority shall start to purchase grains at the beginning of every harvest and for this purpose shall send its men and facilities to the places of harvest where the farmers can directly sell their harvested grains; Provided, Further, That the Authority shall take measures to expedite the establishment of bonded warehouses in areas where they are needed but do not exist; Provided, Finally, That such stocks shall be fully insured against loss due to fire.

- To maintain and manage a national buffer stock the quantity and locations of which shall be determined by the Authority.

- To own, lease, operate or otherwise hold lands, buildings, equipment and such other immovable properties, as may be necessary to carry out its functions. (As amended by P.D. No. 699)

- To enter into, make, perform and carry out contracts of every class and description necessary or incidental to the realization of its functions with other person, firm or corporation, private or public, including loans or borrowings by the Authority from domestic or foreign sources, or initiate contracts and/or agreement in behalf of the industry between the Philippine Government and any foreign government or institution;

- To oversee and enforce the provisions of Republic Act Numbered Three Thousand Eighteen;

- To inspect palay, rice, corn, corngrits and other grains and their substitutes and/or their by-products/end-products stored by any person, partnerships, corporation or association, for purposes of taking inventory and record of such commodities, and to enter the premises thereof by the use of reasonable means;

- To order the seizure, whenever there is cornering or hoarding, as may be defined by the Authority of rice and/or corn and/or other grains and their substitutes and/or the by-products/end-products thereof, including facilities and equipments used in said cornering or hoarding, or wherever there is a scarcity of supply of such commodity in the consumer market and/or an unwarranted increase in the price thereof, of the hoarded commodity and its public sale in such quantity as may be needed to stabilize the supply in the area of scarcity and restore prices to normal levels;

- To establish and enforce standards in grading, sampling and inspection, test and analysis, specification, nomenclature, units of measurement, code of practice and packaging, conservation and transport for grains and their substitutes and/or their by-products/end-products and to effect a transition of standards in measurement of grains from volume to weight, and in metric system;

- To coordinate the activities of all government agencies engaged in the study, research and promotion of measures designed to enhance the integrated growth and development of the grains industry; and to improve the processing and marketing standards of rice, corn and other grains, such as methods of drying, handling, hauling, storage, milling, packaging, distributing and shipping these grains and their by-products;

- To call upon and/or deputize any official of such government agencies as may be necessary to assist the Authority in carrying out its functions;

- To register, license and supervise warehouses, whether bonded or not, and mills; and to prescribe, impose and collect fees, charges, and/or surcharges in licensing and regulating warehouses and mills;

- To establish rules and regulations governing the importation of rice, corn and other grains and their substitutes and/or by-products/end-products and to license, impose and collect fees and charges for said importation for the purpose of equalizing the selling price of such imported grains and their substitutes and/or their by-products/end products with the normal prevailing domestic prices.

In the exercise of this power, the Council after consultation with the Office of the President shall first certify to a shortage of grains and/or their substitutes that may occur as a result of a short-fall in production, a critical demand-supply gap, a state of calamity or other verified reasons that may warrant the need for importation.

The Authority shall undertake the direct importation of grains and/or their substitutes or it may allocate import quotas among certified and licensed importers, and the distribution thereof through cooperatives and other marketing channels, at prices to be determined by the Council regardless of existing floor prices and the subsidy thereof, if any, shall be borne by the National Government.

- To establish rules and regulations governing the export of rice, corn and other grains and/or their substitutes and their by-product/end-products, and to collect fees and charges for such exportation at rates to be determined by the Council;

In the exercise of this power, the Authority shall directly undertake the exportation of rice, corn and other grains and/or their substitutes and/or by-products/end products whenever there is an excess production and/or supply, or it may allocate export quotas among certified and licensed exporters; Provided, however, That the Council shall first certify to such excess production and/or supply after proper consultation with the Office of the President.

- To register, license and supervise persons, natural or juridical, who shall engage or are engaging in the business of providing goods and services in support of the different activities involved in the production, processing, transporting, marketing and trading of grains and/or their substitutes and to prescribe, impose and collect fees, charges and/or surcharges in licensing and regulating the operations of such persons;

- To register, license and supervise persons, natural or juridical, engaged in the wholesale and/or retail business of rice, corn, other grains and their substitutes and/or their by-products/end-products and to impose and collect fees to be determined by the Council;

- To register, license and supervise persons, natural or juridical, engaged in the processing or manufacture of goods where rice or corn or other grains and/or their substitutes are used as ingredients in the manufacture of starch, oil and animal feeds and/or other similar commodities and/or their by-products/end-products in which case it shall impose the nominal fees to be determined by the Council;

- To provide for the enforcement of the provisions of this Decree or any Letter of Instruction, General Orders or Rules and Regulations issued or which may hereafter be issued pursuant thereto, or any other Decree, Letter of Instructions, General Order, the implementation and enforcement of which is vested with the Authority, and for violation thereto, to authorize the Administrator or his duly authorized representatives to impose administrative fines and penalties, to conduct investigations and to require by subpoena and/or duces tecum the attendance and testimony of witnesses, the production of books, papers, documents, exhibits, records, evidence; to administer oath by himself or his duly authorized representative, and to make arrests. Any case of contumacy shall be dealt with in accordance with the provisions of Section five hundred eighty of the Revised Administrative Code. Any fine imposed and collected under this paragraph shall form part of the Authority's corporate funds;

- Whenever the Authority determines that to accomplish its production, processing, marketing and other incidental functions, it is necessary to contract indebtedness, it shall by a resolution, stating the purpose for which the indebtedness is to be incurred and citing the project study designed for the purpose, so declare and authorize the Authority's execution or issuance of, and establish the terms and conditions to be contained in such bonds, loan agreements, other evidences of indebtedness necessary thereof, such resolution shall become valid and effective upon approval by the President of the Philippines and prior recommendation of the Secretary of Finance.

With respect to domestic indebtedness to be incurred by the Authority, the bonds or other evidences of indebtedness issued for the purpose shall contain such terms, conditions, privileges, exemptions and guarantees as are specified below.

- Such bonds or other evidences of indebtedness a) shall be registered from and transferable at the Central Bank of the Philippines; b) shall not be sold at less than par; c) shall be payable ten years or more from date of issue, as may be determined by the Secretary of Finance before their issuance, but shall be redeemable, upon

the election of the Council, after five years from such date of issue; and d) shall bear interest at an annual rate to be determined before their issuance by the Secretary of Finance. The interest may be payable quarterly, semi-annually or annually, as determined by the Secretary of Finance in consultation with the Monetary Board of the Central Bank of the Philippines before date of issuance, and both the principal and interest shall be payable in legal tender of the Philippines.

- The bonds or other evidences of indebtedness shall be exempt from the payment of all taxes by the Republic of the Philippines, or by any authority, branch, division or political sub-division thereof, which fact shall be stated upon their faces; and by virtue of this Decree are hereby made securities in which all public office, political subdivisions, commercial banks, insurance companies and associations, investment houses, financing companies, savings banks and savings institutions, including savings and loan associations, executors, administrators, guardians, trustees and fiduciaries in the Philippines may properly and legally invest their own funds or the funds within their control, and the same shall be receivable as collateral in any transaction with the government, its agencies, and instrumentalities, including government-owned or controlled corporations and government banking and financial institutions in which such collateral is required. Said instruments may be made payable both as to principal and interest in Philippine currency or any readily convertible currency;

- A sinking fund shall be established by the National Grains Authority in such manner that the total annual contribution thereto, accrued at such rate of interest as may be determined by the Secretary of Finance in consultation with the Monetary Board, shall be sufficient to redeem at maturity the bonds issued under this sub-section. The sinking fund shall be under the custody of the Central Bank of the Philippines, which shall invest the same, subject to the approval of the council and the Secretary of Finance in consultation with the Monetary Board: Provided, that the proceeds thereof shall accrue to the Authority;

- The Republic of the Philippines hereby guarantees the payment by the Authority of both the principal and the interests of the bonds or other evidences of indebtedness and shall pay such principal and interest in case the Authority fails to do so; and there are hereby appropriated out of the general funds in the National Treasury not otherwise appropriated the sums necessary to make the payments so guaranteed; Provided, That the sums so paid by the Republic of the Philippines shall be refunded by the Authority: and Provided, That the Authority, to assure such refunding, shall establish reserves or sinking funds and comply with such other restrictions and conditions as the Secretary of Finance may prescribe and establish for that purpose.

With respect to foreign indebtedness to be incurred by the Authority, such may be contracted, in the forms of loans, credits convertible foreign currencies, or other forms of indebtedness, from foreign governments or any international financial institution or fund sources, including foreign private lenders, the total outstanding amount of such indebtedness, exclusive of interest, shall not exceed five hundred million United States dollars (US\$500M) or the equivalent thereof in other currencies. The President of the Philippines, by himself or through his duly authorized representative, is hereby authorized to negotiate and to so contract with foreign governments or any international financial institution or fund source in the name and on behalf of the Authority; and is further authorized to guarantee, absolutely and unconditionally, as primary obligor and not merely as a surety, in the name and on behalf of the Republic of the Philippines, the repayment of any indebtedness thereby contracted and the payment thereon of any due interest charge, up to the limited amount authorized by the foregoing, which shall be over and above the amounts which the President is authorized to guarantee under Republic Act No. 6124, and also to guarantee the performance of all or any of the obligations undertaken by the Authority in the territory of the Republic of the Philippines pursuant to loan agreements entered into pursuant to this paragraph. Any indebtedness contracted under this paragraph and the payment of the principal thereof and of any interest or other charges thereon, as well as the importation of machinery, equipment, materials, supplies and services by the Authority, paid from the proceeds of any such contracted indebtedness, shall also be exempt from all direct and indirect taxes, fees, imposts, other charges and restrictions, including import restrictions, by the Republic of the Philippines, or by any authority, branch, division or political subdivision thereof.

Investment in bonds, promissory notes, debentures and other evidences of indebtedness of the Authority

acquired by financial institutions, subject to the provisions of Republic Act No. 6389, as amended, including its implementing regulations, shall be considered sufficient compliance with the requirements of said Act and its implementing regulations.

All funds so acquired and realized by virtue of this power to contract indebtedness, interests and other income incidental thereto and income from other operations, projects or activities of the Authority shall be administered by it except such other funds the administration of which is specifically provided for by other provisions of Presidential Decree No. 4, (As amended by P.D. No. 699)

- To purchase, lease or otherwise acquire lands, whether public or private, for the cultivation and production of rice, corn and other grains;

In the exercise of this power, the Authority shall have the authority to engage and retain any person, firm or corporation, private or public, to render technical services in the development, cultivation or operations of such lands as it may have acquired by purchase, lease, or other means. Moreover, the Authority shall have also the power to effect the advance payment of the stipulated fees. (As amended by P.D. No. 699)

- To sell, lease, mortgage, pledge or otherwise dispose of the property, assets or undertaking of the authority or any part thereof as the Authority may deem fit. (As amended by P.D. No. 699)

- To adopt, alter, and use a corporate seal which shall be judicially, noticed, to sue and be sued; and otherwise to do and perform any and all acts, and to exercise any and all powers as may be necessary to carry into effect the provisions of this Act or as are essential to the proper conduct of its operations, (As amended by P.D. No. 699)

- In order to immediately implement the programs envisioned in this Decree, an initial sum of ten million pesos (P10,000,000.00) is hereby set aside from the Authority's corporate funds and for this purpose, the Administrator is hereby authorized to dispose the said amount as he may deem fit, subject to the usual accounting and auditing requirements. (As amended by P.D. No. 699)

- To promulgate such rules and regulations as may be necessary to carry out the provisions of this Act. Such rules and regulations shall take effect fifteen (15) days following their publication once in at least one daily newspaper of national circulation.

- To invest its funds or other assets in such undertaking as it may deem wise necessary such as but not limited to investment in any and all kinds of securities, stocks, bonds and other secured collaterals;

- To create and establish subsidiary corporations to undertake the related and intergrated business operations of the Authority;

- Organization.—The Authority shall be governed by a Council which shall create and administer, through, an Administrator as hereinafter provided, the necessary staff and line units of the Authority, whose personnel shall be exempt from the rules and regulations of the Office of Compensation and Position Classification and whose compensation shall be fixed by the Council.

- Management.—The Management of the Authority shall be vested in an Administrator who shall be appointed by the President of the Philippines within sixty (60) days from approval of this Act, and who shall direct and manage the affairs of the Authority, subject to the supervision of the Council, The Administrator shall hold office for a term of six (6) years, except when earlier removed for cause, or until his successor shall have been appointed and qualified.

There shall be two Deputy Administrators, appointed by the Council, who shall assist the Administrator in the performance of his functions. The Deputy Administrators shall be persons of recognized competence and experience in the production, processing, marketing and trading aspects of grains. Either one of the Deputy Administrators, upon designation by the Administrator, shall perform the duties and exercise the powers and functions of the Administrator in the absence of the latter.

There shall also be Assistant Administrators as the Administrator may deem necessary to assist him in the performance of his functions to supervise and cover functional areas as the Administrator may determine with the consent of the Council.

The Administrator shall appoint, remove, suspend or otherwise discipline, with the confirmation of the Council, other officers and employees as may be assigned and delegated to him by the Council.

The Administrator and the Deputy Administrators shall be natural-born citizens of the Philippines, not less than thirty-five (35) years of age, of proven honesty and integrity and of recognized managerial competence.

The Assistant Administrators shall be natural-born citizens of the Philippines, not less than thirty (30) years of age, of proven honesty and of recognized managerial competence.

The Administrator shall receive, a compensation to be determined by the Council but not less than ninety thousand (P90,000.00) pesos per annum. The Deputy Administrators shall receive a salary to be determined by the Council but not less than sixty thousand (P60,000.00) pesos per annum. The assistant Administrators shall each receive a salary to be determined by the Council but not less than forty-eight thousand (P48,000.00) pesos per annum.

- Exemptions—In furtherance to the effective implementation of the policy enunciated in this decree, the authority is hereby declared exempt:

- From payment of all taxes, duties, fees, imposts, charges, costs and restrictions to the Republic of the Philippines, its provinces, cities, municipalities and other agencies and instrumentalities, including the taxes, duties, fees, imposts and other charges provided for under the Tariff and Customs Code of the Philippines, R.A. No. 1937, as amended by Presidential Decree No. 34, dated October 27, 1972, and Presidential Decree No. 69, dated November 24, 1972, and all filing, docket, and service fees, bonds and other charges or costs in any court or administrative proceedings in which the Authority may be a party.

- From all income taxes, franchise taxes and realty taxes to be paid to the National Government, its provinces, cities, municipalities and other government agencies and instrumentalities; and

- From all duties, arrastre fees in so far as the government's share is concerned, including all charges and fees imposed under Presidential Decree No. 857 compensating taxes and advance sales taxes, wharfage fees and tonnage dues on import/export of goods required for its operations and projects.

All documents or contracts executed by or in favor of the Authority shall also be exempt from the payment of documentary and science stamp taxes and registration fees: Provided, however, that this exemption shall not apply to taxes and assessments payable by persons or entities transacting business with the Authority.

The Authority shall likewise be exempt from the coverage of Presidential Decree No. 711.

SECTION 7.—Section 7 is hereby amended to read as follows:

"SECTION 7.—Development and Stabilization Fund.—There is hereby established the National Grains Authority Development and Stabilization Fund, herein referred to as the "Fund", for the purpose of financing the growth and development of the industry and the stabilization of the domestic market in grains, to be administered in trust by the Authority, and derived in the manner herein below cited from the following sources:

- An additional tax on rice and corn mills as provided in Section ten of this Act;

- Stabilization fees which shall be collected from the warehouseman by the authority on all grains covered by negotiable warehouse receipts or quedans at the rate of ten centavos (P0.10) per cavan of fifty kilograms of grain per month but not to exceed fifty centavos (P0.50) per year;

- A surtax on corporation as provided in Section eight of this Act;

- Such borrowings as may be obtained from PL 480, international institutions and other outside foreign agencies;

- Such funds, profits, cash and stocks of the Rice and Corn Administration (RCA) as will be turned over to the Authority;
- Fees for licensing bonded warehouses at rates which shall be determined by the Council and collected by the Authority per cubic meter bonded capacity;
- Fees, charges and/or surcharges hereby imposed in the issuance of license for importation of rice and corn and other grains and their substitutes, to be collected by the Authority at the rates which shall be determined by the Council: Provided, That the rate of any surcharge to equalize the wholesale price of imported grain and/or their substitutes with the prevailing selling price of the equivalent commercial grain in the domestic market shall be at: determined by the Council under subparagraph (xii) of section six of this Act; and
- A tax on the sale, exchange or transfer of real property as provided in Section Nine of this Act.

The taxes, fees, charges, surcharges and other levies aforesaid in this section, including surcharges and penalties, if any, shall be turned over to the Authority to form part of the Fund. For this purpose, the agencies charged with the collection thereof shall remit their monthly collection to the Authority for the account of the Fund within fifteen (15) days of every succeeding month; provided, however, That said taxes, fees, charges, surcharges and levies as provided for in this section shall take effect upon instruction of the President to the Council. Failure or refusal by any person to turn over or remit the collections within the period mentioned in this section shall be treated as a serious offense punishable under section twenty-nine of this Act.

In order to enhance the usefulness of the Fund, the Authority is hereby authorized to invest the resources thereof and the proceeds or increments arising out of such investments shall form part of the Fund.

The Fund shall be utilized by the Authority for funding the requirements of the development of the grains industry starting with the production of grains, development of post-harvest technology and the stabilization of supply and prices, including the following:

- Procurement of palay, rice, corn and other grains and/or their substitutes in such quantities and places as may be necessary to stabilize the supply and price thereof;
- Implementation of price support programs for palay, corn and other grains and/or their substitutes;

The disposition, allocation and utilization of portion of the Fund for the purpose envisioned in this Act shall be the exclusive prerogative of the Council.

SECTION 8.—Section 14, second paragraph, it hereby amended to read as follows:

"SECTION 14.—Warehouse Receipts—a negotiable warehouse receipt for rice or corn or other grains shall be printed, serially numbered, on security notepaper, in specific quantity in denominations of 5, 10, 20, 50 or 100 cavans, contain the name and business address of the warehouseman, the variety, classification, moisture content and quality of the grain deposited, the warranties of the warehouseman prescribed by existing laws, and the charges and authorized liens on the stocks in deposit.

SECTION 9.—Section 20, 1st paragraph is hereby amended to read as follows:

"SECTION 20.—Collateral Acceptable for Loans—For purposes of this Act, lens shall be granted with any or a combination of the following collaterals, namely: (1) real estate property, if available: (2) chattel mortgage on standing crops and/or existing livestock or poultry; (3) stored crops in bonded warehouse; (4) the guarantee of two co-maker acceptable to the bank: Provided, That in case a farmer is a member of a group or "selda", the cooperative or "selda" may act as co-maker: and Provided, Further, That in the case of multi-purpose cooperatives no co-maker shall be required; (5) leasehold rights arising from leasehold contracts, subject to the following conditions:

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SECTION 10.—The entire provision of Section 11 is hereby deleted.

SECTION 11.—Section 25 is hereby amended to read as follows:

"SECTION 25.—Funding of the Authority.—There is hereby appropriated, out of the funds of the National Treasury not otherwise appropriated, the sum of fifteen million pesos for the expenditure of the National Grains Authority: Provided, That for the succeeding five calendar years following the approval of this Act, the Authority shall submit to the President of the Philippines a budget of its expenditures for consideration and inclusion in the annual General appropriation Act. Provided, Further, That pending the issuance of instructions from the President to the Council for the implement at of Section 7, 8, 9 and 10 of this Act, the Authority shall continue to submit to the President of the Philippines a budget of its expenditures for consideration and inclusion in the annual General Appropriations Act; Provided, Finally, That five years after the implementation of such instructions the Authority shall derive its funds from sources provided by the industry. The proceeds of all other collections made the Authority from levies, fees, charges or surcharges authorized in this Act but not specifically mentioned Section 7 hereof shall be retained and used by the Authority as a source of funds to finance its annual budgetary requirements.

SECTION 12.—Section 26-A is hereby inserted as a new provision between 26 and Section 27 and incorporated to read as follows:

"SECTION 26-A.—The National Grains Authority, successor of the properties, assets, records and unexpended appropriations of the Rice and Corn Administration, is hereby authorized to initiate and/or continue the prosecution of all criminal and civil cases now pending or to be filed, based on past transactions of the Rice and Corn Administration, notwithstanding the latter's abolition. Pursuant to the provisions of the next preceding paragraph on the settlement by the National Government of the outstanding obligations of the Rice and Corn Administration, the liabilities of the Rice and Corn Administration are not transferred to the National Grains Authority and the latter agency: Provided, however, that where the National Grains Authority initiate or pursues any cause of action for the Corn Administration the adverse party may offset and assert against the National Grains Authority any valid claim arising from obligations and liabilities of the Rice and Corn Administration but not exceeding the amount recovered by or awarded to the National Grains Authority from that adverse party."

SECTION 13.—Section 29, paragraph (b) and (c) are hereby amended to read as follows:

"SECTION 29.—Offenses and Penalties.—Notwithstanding the provisions of any law or regulations to the contrary, and for purposes of carrying out the provisions of this Act, the following acts or omissions are hereby considered as serious, less serious and light offenses and corresponding penalties therefor are herein prescribed:

- Less Serious Offenses—Any of the following acts or omissions shall constitute a less serious offense:
- Connivance in the concealment of a stock shortage in a grains warehouse;
- Knowingly submitting any report containing false information or data;
- Misrepresentation in connection with any application for license to do business as grains warehouseman, miller, exporter or importer or trade, manufacture or processor;
- Failure or refusal of a warehouseman to allow the inspection or examination of this grains stocks to conceal shortages or to misrepresent the quantity or quality of grains stocks, including the impending of such inspection and examination by abandonment, absence or otherwise;
- Failure or refusal of any government bank or financial institution, without any lawful excuse, to grant a loan

applied for by a qualified farmer who meets the conditions for the loan;

- Engaging in the business of grains threshing, shelling, warehousing, milling, exporting, importing, trading, growing and selling of certified seed, manufacturing or processing without a valid license.

The offender shall, upon conviction, be punished by imprisonment of not less than six (6) months and one day nor more than four (4) years, or by fine of not less than four thousand pesos (P4,000.000) nor more than eight thousand pesos (P8,000.00), or both such fine and imprisonment, at the discretion of the court.

- Light Offenses.—Any of the following acts or omissions shall constitute a light offense:

- Issuance by a warehouseman of warehouse receipts showing an aggregate quantity of grains stock in excess of the quantity permissible in his bond coverage:

- Issuance by a warehouseman of warehouse Receipts showing an aggregate quantity of grain stocks not covered by fire insurance at full value as required by this Act;

- Failure or refusal to give information required by the Authority, provided such failure or refusal does not constitute a higher offense as hereinabove provided;

- Non-compliance with the rules, regulations, decisions, orders, circulars or directives lawfully issued by the Authority, provided non-compliance does not constitute a higher offense as hereinabove provided;

- Fraudulent misrepresentation by the applicant in, or by any other person in connection with, an application for a production loan;

- Selling or offering to sell to the Authority by any person of palay or corn or other grains other than that directly produced by him as farmer or shared by him as tenant or landlord, knowingly buying such grains by any Authority personnel for the Authority: connivance by any person in the selling or buying of such grains;

- Any other violation of the provision of this Act for which no specific penalty is prescribed and which is not punished under any other existing law.

The offender shall, upon conviction, be punished by imprisonment of not less than one month nor more than six (6) months, or by a fine of not less than one thousand pesos nor more than four thousand pesos, or both such fine and imprisonment at the discretion of the court.

SECTION 14.—Section 30-A is hereby inserted as a new provision between Section 30 and 31 and incorporated to read as follows:

"SECTION 30-A.—Separability Clause.—If any part, section or provision of this Act be held invalid or unconstitutional, no other part, section or provision thereof shall be affected thereby.

APPROVED in the City of Manila, this 11th day of June in the year of Our Lord, nineteen hundred and seventy-eight.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JUAN C. TUVERA

Presidential Assistant

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