



Republic of the Philippines
DEPARTMENT OF AGRICULTURE
Office of the Secretary
Elliptical Road, Diliman,
Quezon City



Republic of the Philippines
DEPARTMENT OF AGRICULTURE
Series of 2015

DEPARTMENT CIRCULAR NO. 07

RULES AND REGULATIONS IMPLEMENTING REPUBLIC ACT NO. 10659

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

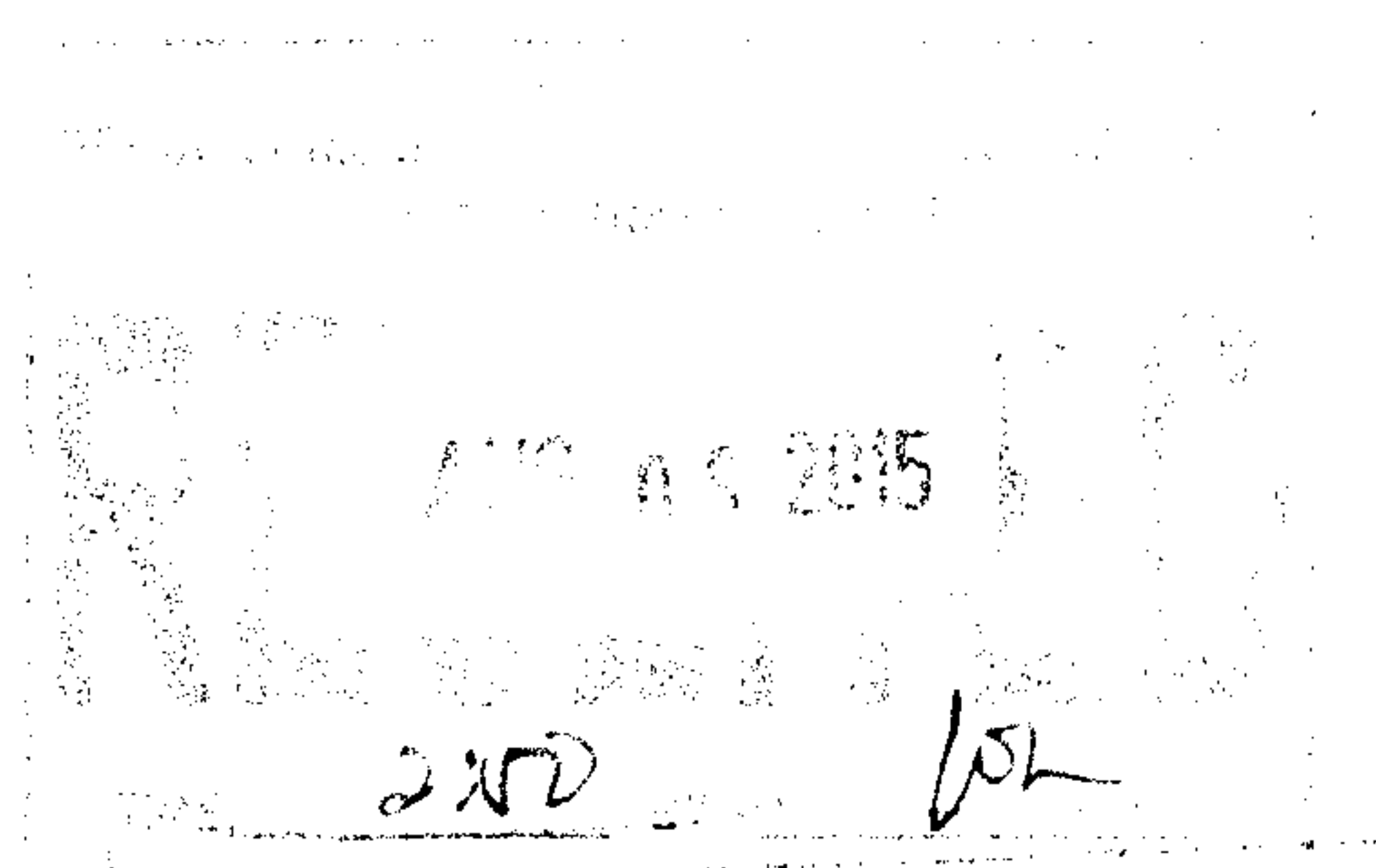
Rule 1.1. Title. This Department Circular shall be known as the Implementing Rules and Regulations (IRR) of Republic Act No. 10659 otherwise known as the Sugarcane Industry Development Act of 2015. The latter shall be referred to as the "Act" in this IRR.

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.

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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:

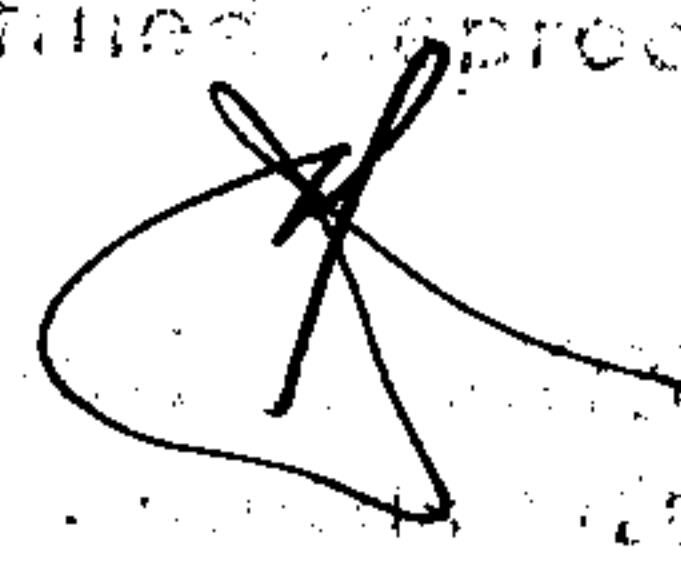
- a. Establish productivity improvement programs;
- b. Provide the needed infrastructure support;
- c. Enhance research and development of other products derived from sugar, sugarcane, and their by-products;
- d. Provide human resource development and extension services; and
- e. Provide financial assistance 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

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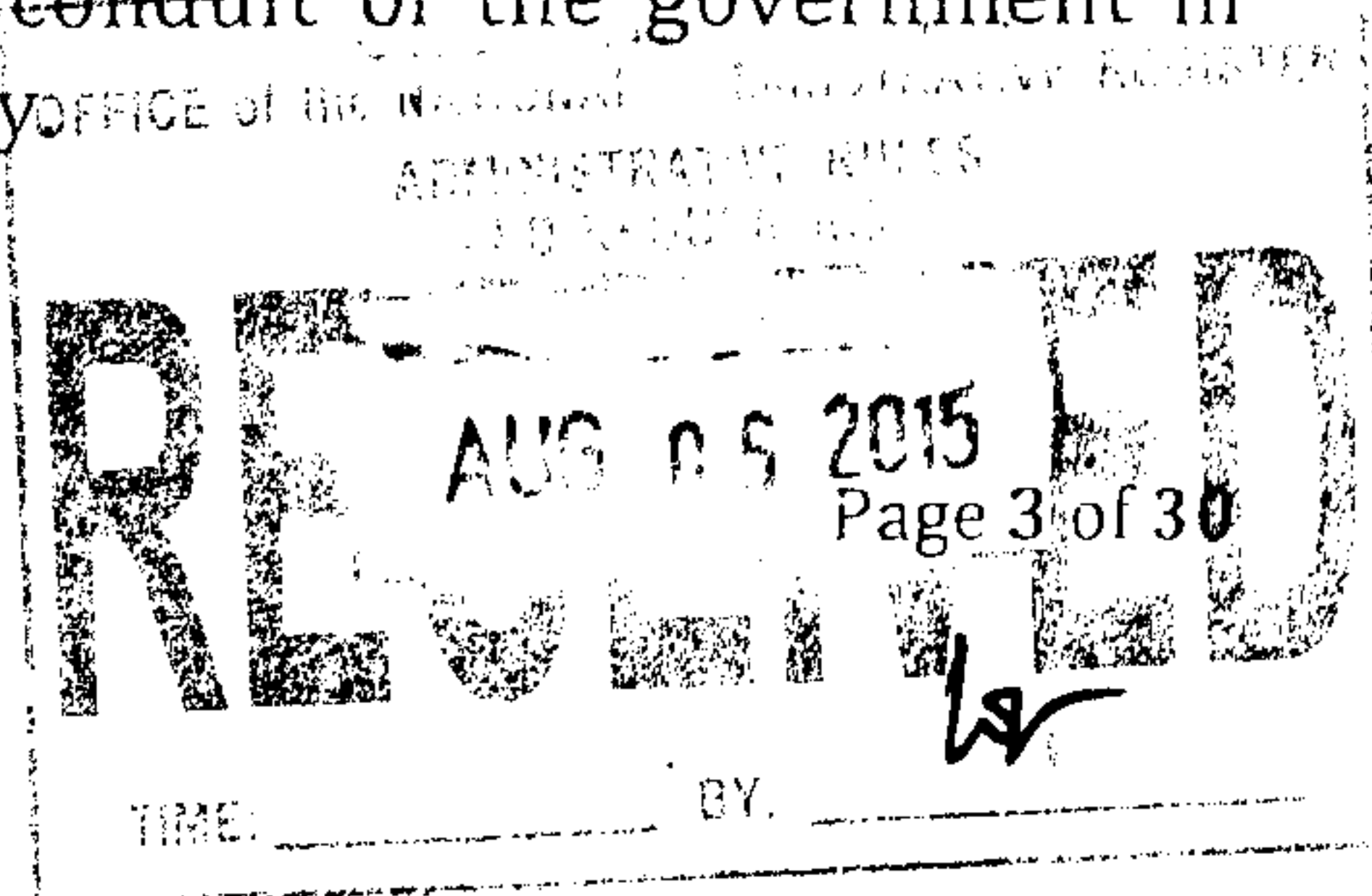
contiguous area of thirty (30) hectares within a two-kilometer maximum distance from each other.

- 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 (SRA).
- 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

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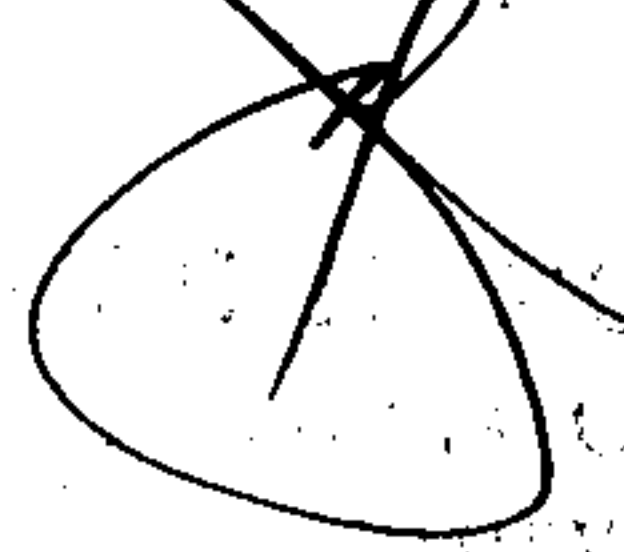
- i. Philippine Sugar Research Institute Foundation, Inc. (PHILSURIN) – a SEC-registered non-stock, non-profit corporation created through the efforts of the National Council of Sugar Producers which is the private sector arm for sugarcane research, development and extension services.
- j. Raw Sugar – means sugar whose content of sucrose, by weight, in the dry state corresponds to a polarimeter reading of less than 99.5^o.
- k. Refined Sugar –refers to sugar whose content of sucrose, by weight, in the dry state corresponds to a polarimeter reading of 99.5^o 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

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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

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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.

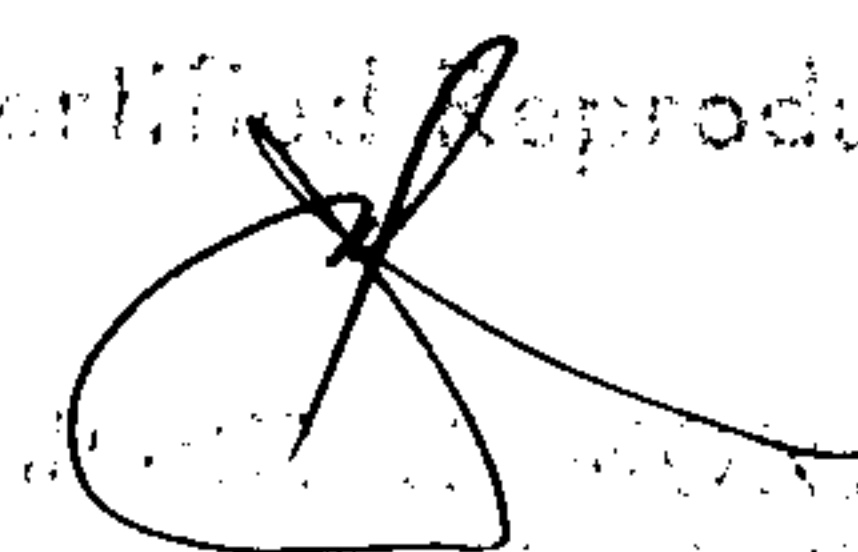
The SRA, the DA and the DAR, in partnership with local government units (LGUs), consistent with the provisions of Republic Act No. 10601, otherwise known as the "Agricultural and Fisheries Mechanization (AFMech) Law", shall:

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.

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,

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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 Land Bank of the Philippines (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.

RULE 3. PRODUCTIVITY IMPROVEMENT AND SUPPORT PROGRAMS

Rule 3.1. Implementation of Productivity Improvement Programs. Pursuant to Section 3 of the Act, 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:

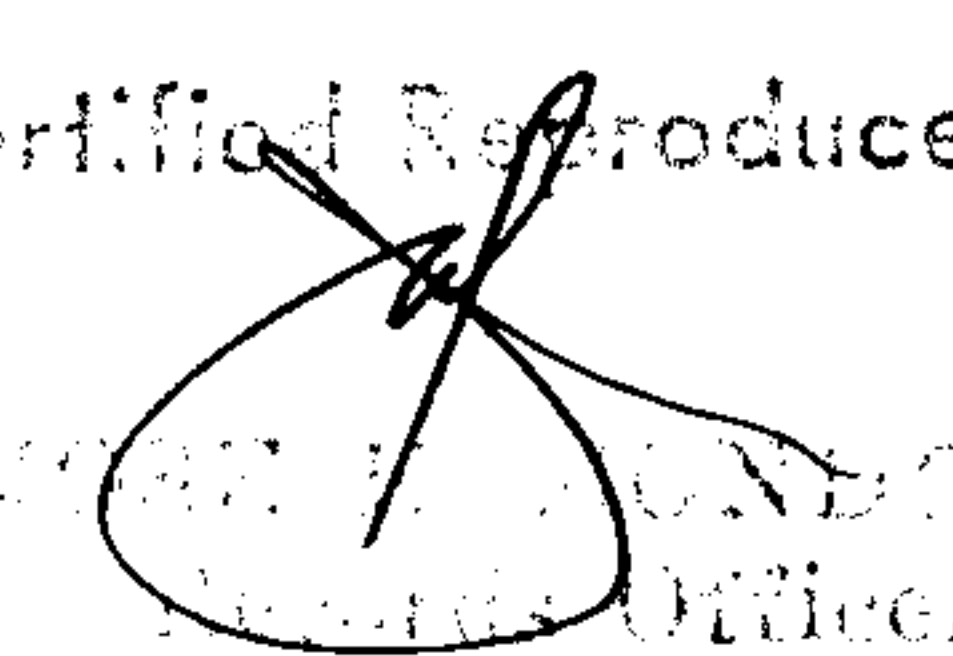
(A) Block Farm Program


i) Institutionalization. The Block Farm Program for sugarcane farming which is 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.

The Block Farm Program is the consolidation of small sugarcane farms including farms of agrarian reform beneficiaries, with an area of 5 hectares and below per farm, as one larger farm-unit with a minimum area of thirty (30) hectares within a two-kilometer radius. The two-kilometer radius shall be the distance between the perimeters of neighboring block farms.

The consolidation of small sugarcane farms into a block farm shall be on the management of farm operations 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. Ownership of each small farm that makes up a block farm shall remain with its owner.

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A block farm may organize itself as an association or cooperative, among others, which shall have a legal personality that is accredited by SRA. An SRA-accredited block farm can be recognized by and engaged in agreements with government agencies and financial institutions, non-government organizations (NGO), sugar mills, distilleries, and private investors on areas of supply arrangements, financing, investments, etc.

ii) Implementors and Support Programs. The SRA, as the lead implementor, the DA, the DAR and other concerned government agencies shall provide common service facilities, such as farm machineries and implements, irrigation and drainage equipment / facilities, 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 identified under the sugarcane roadmap or as determined by SRA to be appropriate under the circumstances. Provided, that the support programs under this provision shall be extended to block farms accredited by SRA only.

The grants or start-up funding for production inputs of block farms shall include but not limited to labor cost, planting materials, fertilizer, soil rehabilitation, soils analysis, herbicides, weedicides, tractor services, harvesting and hauling services, and crop insurance. Provided, that grants or start-up funding can be availed only once by a block farm. However, as an exception, a block farm may avail of additional grants or start-up funding when, as determined by SRA, its crops, equipment, facilities and structures have been significantly damaged by force majeure events. Block farms that have already availed of start-up funding in the form of a grant, have to recourse to Socialized Credit in Rule 3.1(B) (ii) (1) of this IRR as additional financing. Provided, that no grants or start-up funding and socialized credit can be availed by a block farm simultaneously in the same crop year.

As for the livelihood and skills training and other development activities for block farms, SRA shall enter into agreements with concerned government agencies on the mechanics of the program, guidelines for documentation, funding, utilization, accounting and liquidation of the activities under this program.

iii) Common Service Facilities. The common service facilities that shall be funded under the Block Farm Program shall be those service facilities and service providers established and operated by SRA-accredited block farms. Provided, that the general criteria for funding of common service facilities established and operated by SRA-accredited block farms are: (a) the common service facilities must be a separate juridical entity from the block farm, (b) it must be duly registered with the appropriate government agency, (c) must be of good standing, (d) ~~must be organizationally stable,~~

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(e) must have the organizational capability and personnel knowledge to operate and manage a common service facility, (f) has the financial capacity for the repair and maintenance of farm machineries and equipment, and (g) must have a deployment plan of machinery and equipment to the farms with provision on motor pooling. Otherwise, if a SRA-accredited block farm does not meet the general criteria or no block farm has established a common service facility in the area, the operation of common service facility in the area shall be awarded to non-block farm established or operated common service facilities created and referred under Rule 3 (C) (i), which will primarily serve the mechanization needs of block farms and small farmers. The same foregoing criteria shall apply to such non-block farm common service facilities.

The SRA, through the joint recommendation of the Block Farm Program Committee and Farm Mechanization Committee created under Rule 3 (C) (ii) of this IRR, shall establish guidelines for application, registration, and evaluation of block farm and non-block farm common service facilities/service centers. Provided, that socialized credit for non-block farm common service facilities shall be subject to consultation with LBP.

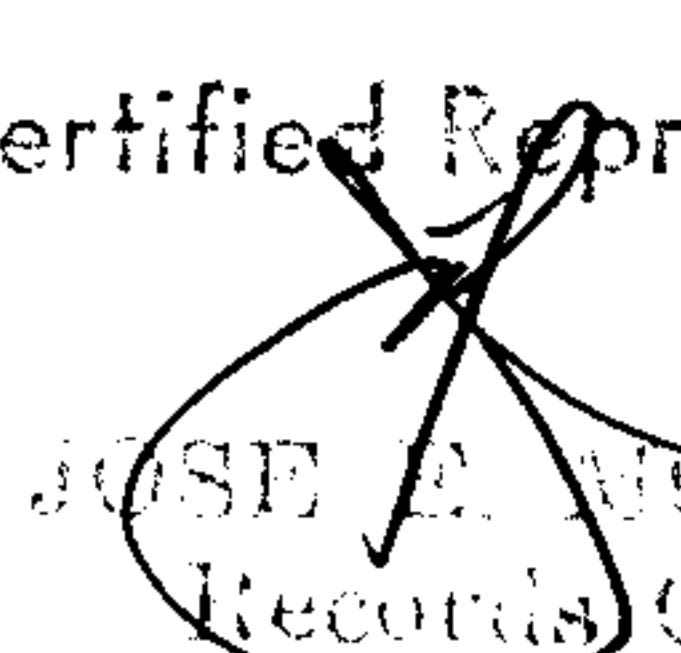
iv) Role of SRA in the Block Farming Program. To ensure the success of, and compliance with the objectives of the Program, the SRA through the Block Farm Committee shall:

- 1) Develop guidelines for sugarcane farms to qualify for and continue to participate in the Program, including guidelines for certification or accreditation of block farms;
- 2) Provide farm management, technical assistance, and professional services support to block farms, in coordination with the DA, the DAR, DOLE, Technical Education and Skills Development Authority (TESDA), Professional Regulations Commission (PRC), University of the Philippines - Los Baños (UPLB) and other concerned government agencies;

In the absence of expertise or due to lack of technical personnel, SRA may hire or outsource the necessary expertise in order to carry out the said functions which will be funded by the general appropriations and / or from any fund available for the purpose.

- 3) Monitor the development and productivity of block farms in coordination with the Block Farm Program Committee;


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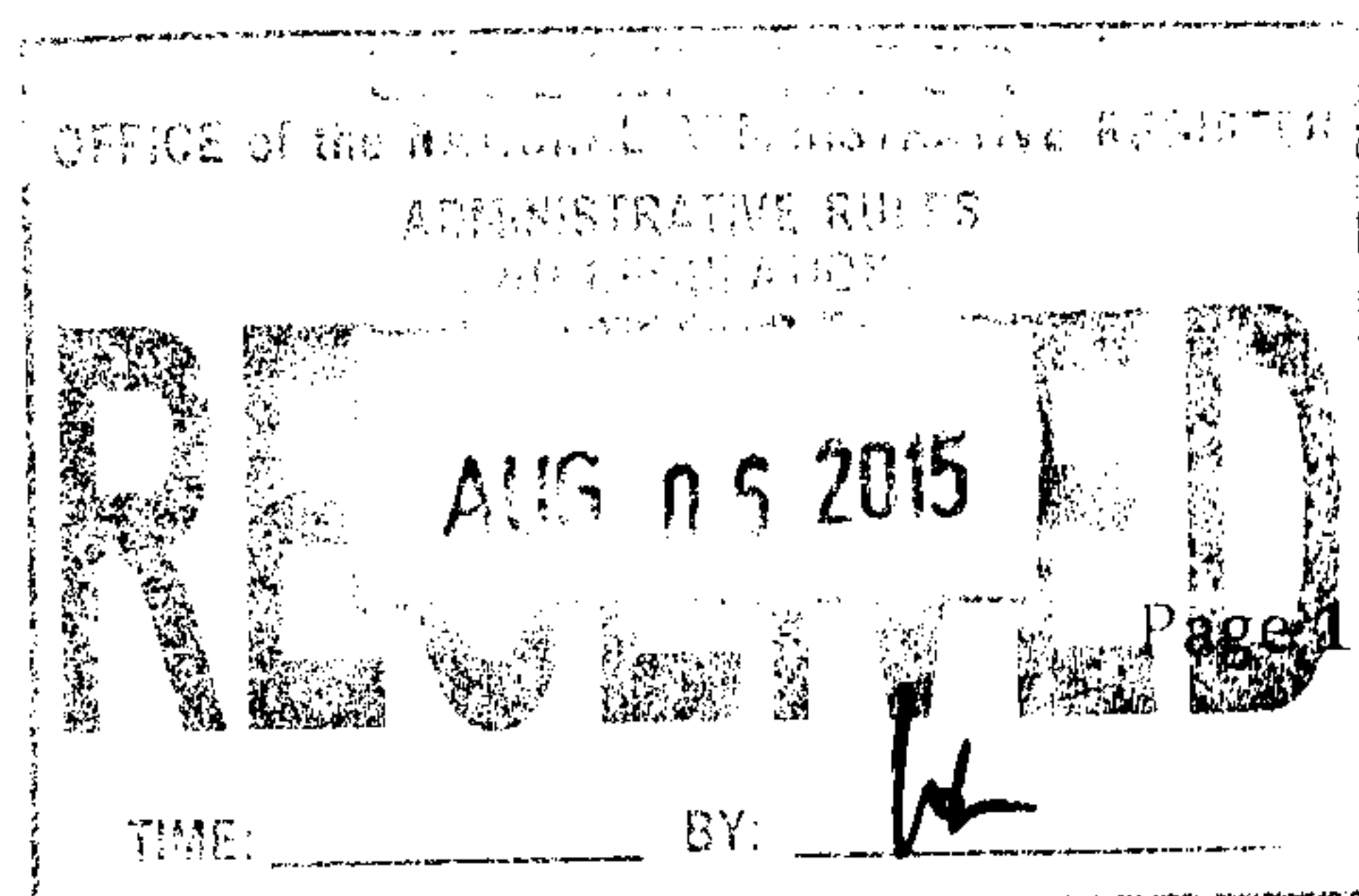
- 4) Recommend to the DA and DAR, in consultation with the Block Farm Committee, after six (6) years, the cessation of the Program on block farms that have failed to improve productivity or raise efficiency, or graduation of block farms that have achieved high and sustainable productivity and profitability on its operations; and
- 5) Implement a certification system as a mechanism to access grants or start-up funding, low interest rate financing, and other incentives and support from the government and 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 or accredited block farms. As used in this provision, market access priority to SRA - accredited block farms means that sugar mills, bioethanol distilleries and other markets of sugarcane shall not refuse sugarcane deliveries from such block farms.

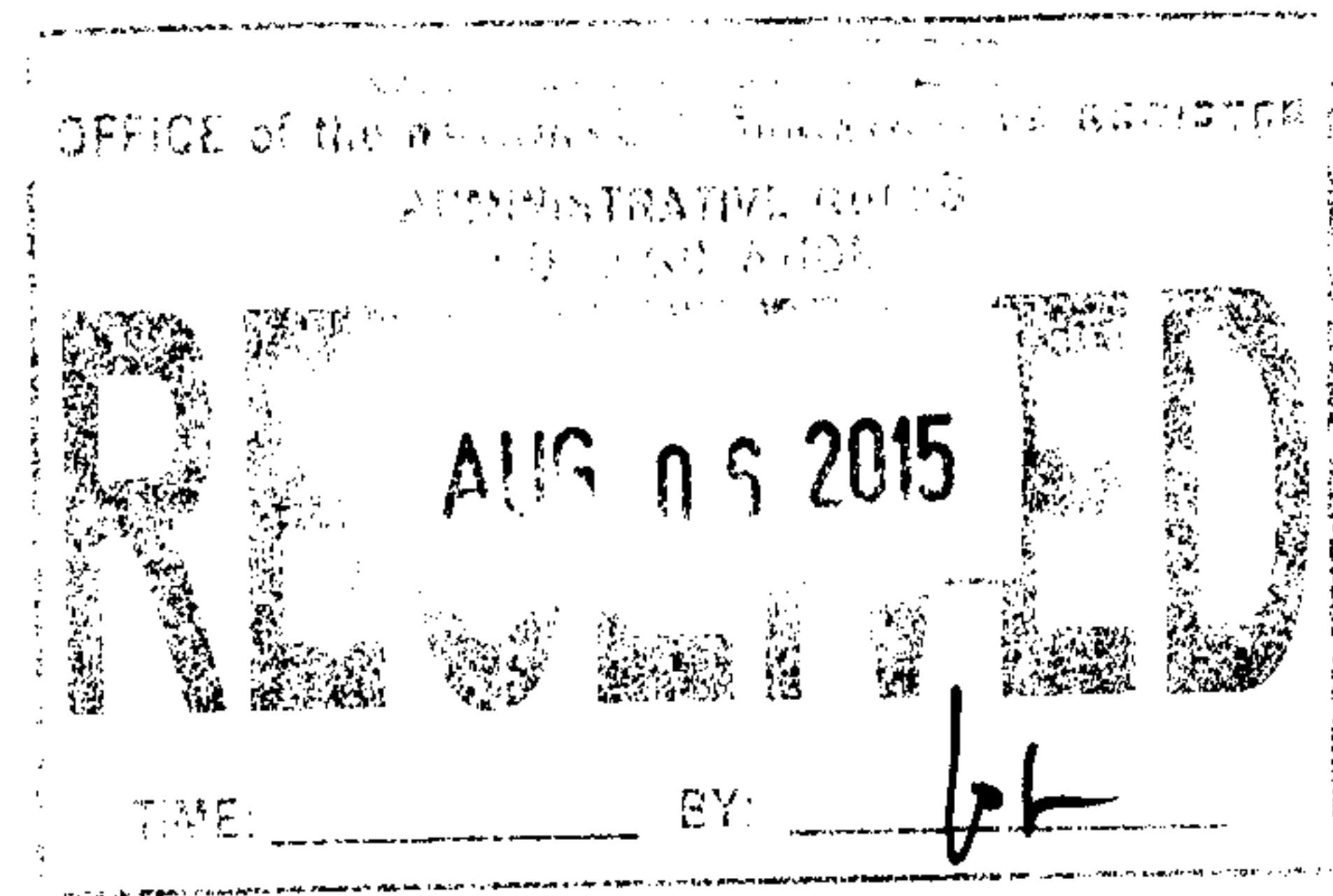
v) Creation of Block Farm Program Committee. A Block Farm Program (BFP) Committee shall be created that shall determine and recommend to SRA the programs, projects and activities to be developed, adopted, funded or prioritized under this program. Provided, that the programs, projects and activities recommended by the Committee and approved by SRA must be in line with or towards the attainment of the objectives or targets of the SRA Roadmap. The Committee shall be composed of SRA Board member as Chairperson, representative of the Department of Agrarian Reform (DAR), representative of the Department of Agriculture (DA), one representative each from established block farm in Luzon, Visayas, and Mindanao, one representative from the SRA-registered sugar millers association, one representative from the SRA-registered refiners' association, one representative from SRA-registered sugarcane farmers' federation, and one sugarcane planter representative from the Sugar Master Plan Foundation, Inc. (SMPFI). The Chairperson may call on other concerned government agencies or private sector stakeholders to attend meetings when needed.

The Committee shall be assisted by a technical working group (TWG) headed by the SRA focal person for block farms and made up of designated personnel from the appropriate departments of SRA. Members and representatives from other concerned agencies and stakeholders shall not receive per diems for their participation in the Committee.

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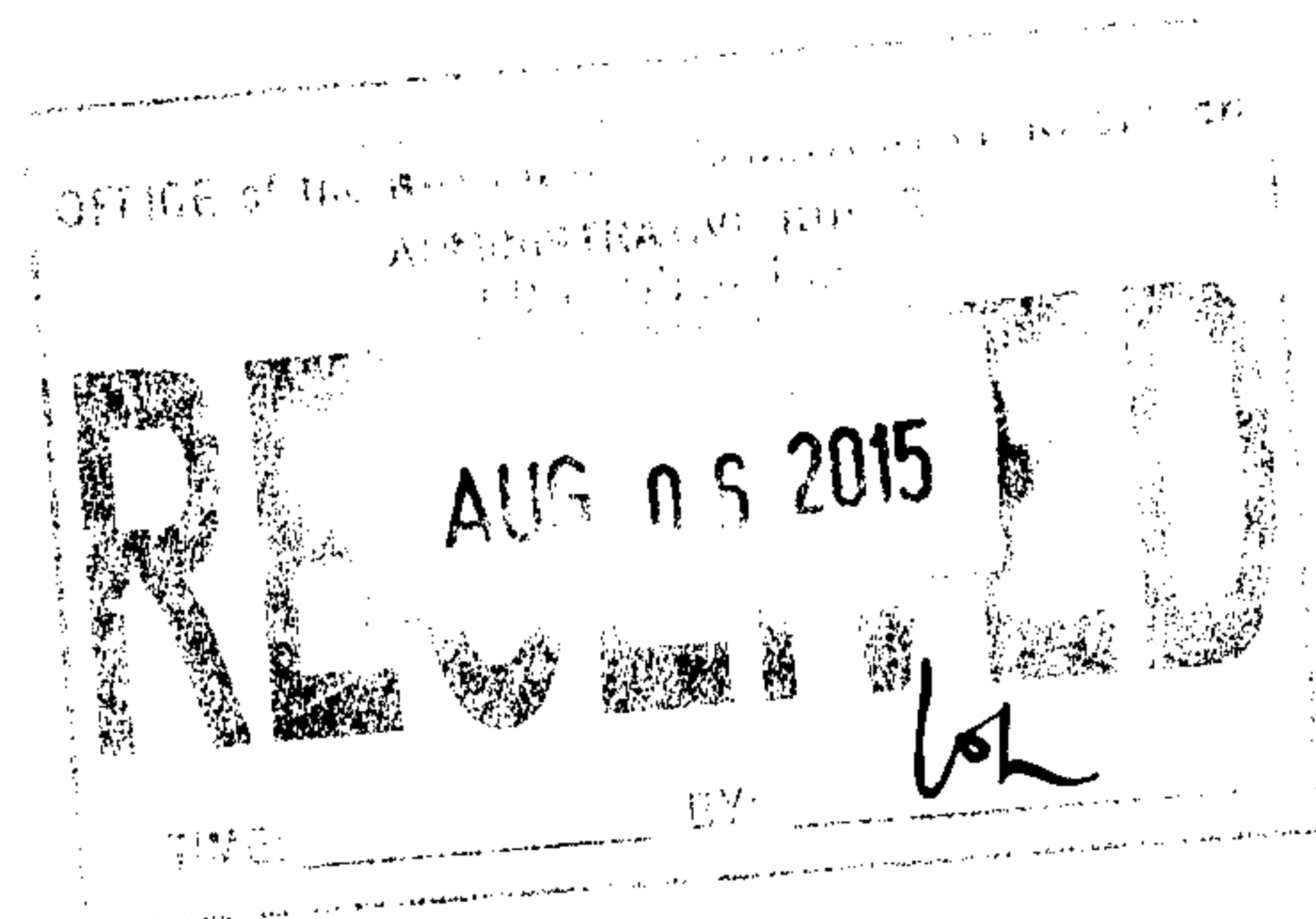
(B) Farm Support Program

i) Coverage. For other farms that are not eligible under the Block Farm Program, the SRA, as the implementing agency of this Program, shall make available a support program which shall include, among others, the provision for (i) socialized credit, and (ii) farm management, technical assistance, and professional services. Farms that fall under the Farm Support (FS) Program are farms with aggregate areas beyond five (5) hectares but less than thirty (30) hectares, not members of any SRA-accredited block farm, and managed by an individual farmer, farmers' association or federation, or Mill District Development Council (MDDC). Provided, that farms with areas of 5 hectares and less that are not members of any SRA-registered block farm are also eligible under the FS Program.

ii) Program Components and Mechanics of Implementation. Financial assistance and support services under the FS Program shall be provided in the following manner:

1. Socialized credit. The funds for socialized credit shall be released directly to SRA, provided, it shall be made available through the Landbank of the Philippines (LBP) for the acquisition of production inputs, farm machineries and implements necessary for the continuous production of sugarcane. SRA, however, may tap the Philippine Sugar Corporation (PHILSUCOR) as conduit of LBP for loans to eligible farms. For this purpose, SRA, LBP and PHILSUCOR shall enter into a memorandum of agreement covering, among others, mechanics, terms and conditions of the socialized credit including interest and application requirements that ensures timely release of loans to borrowers. DA and DAR may be a party to the agreement, when necessary. Provided, that LBP and/or PHILSUCOR shall regularly submit to SRA reports on the loans released and loan payments specifying the name of borrowers, amount borrowed / paid and dates of loan releases and payments as basis for SRA evaluation, monitoring and impact assessments. Provided, further that LBP and/or PHILSUCOR shall attend, upon request of SRA, any meeting or hearing on the Socialized Credit Program.

The loans under the Socialized Credit Program shall be made available to sugarcane farmers and service centers duly registered with the SRA. Provided, that the lender shall have a lien on the quedan of farmers who obtained a crop loan until the loan is fully paid. Provided, further that farmers cannot be granted another loan until existing loan has been fully paid. However, as an exception, farmers with existing loans may be granted additional loans or have their existing loans restructured when, as determined by SRA, their sugarcane crop, equipment, facilities and structures has been significantly damaged by force majeure events.



As socialized credit, the interest rate on the loan shall be significantly lower than the prevailing market rate with simplified documentary requirements for availment. LBP and/or PHILSUCOR shall conduct an information campaign on the mechanics, terms and conditions for availment of the socialized credit among the sugarcane industry stakeholders upon signing of the agreement with SRA.

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. Provided, that all sugar produced regardless of payment arrangements shall be subject to the SRA policies on production allocation of sugar as to their market destination and shall also be subject to SRA orders and regulations particularly on the collection of fees and charges in the production of sugar and other products and by-products derived from sugarcane and sugar, pursuant to Executive Order No. 18, series of 1986.

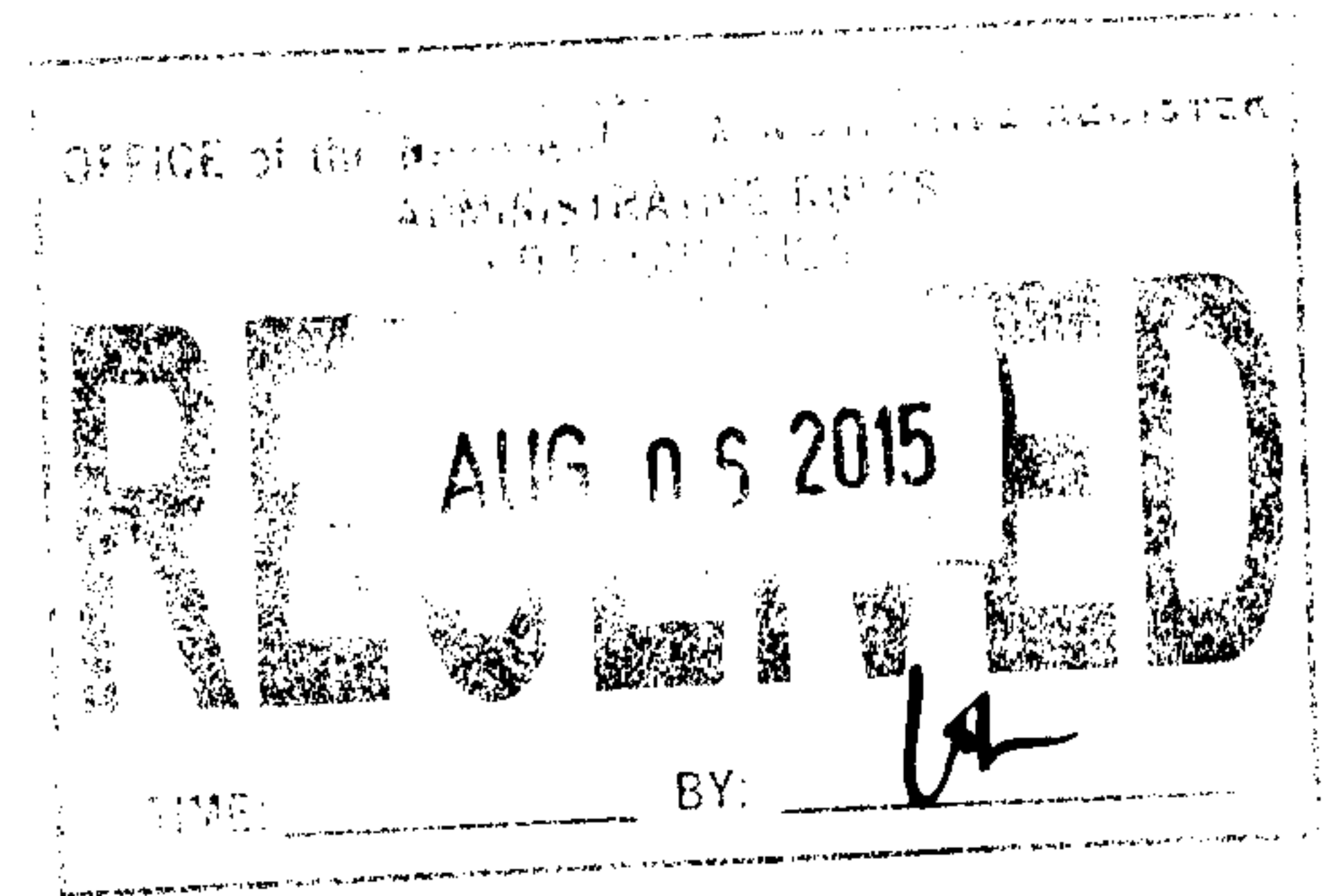
2. Farm Management, Technical Assistance and Professional Services. A Human Resource Development Plan (HRDP) Committee shall be created, and chaired by SRA and co-chaired by DOLE. Government and private sector representatives in the committee are representatives of the DA, the DAR, Technical Education and Skills Development Authority (TESDA), University of the Philippines (UPLB), the Philippine Regulatory Commission (PRC), representative from SRA-registered sugarcane farmers' federation, sugarcane planter from the SMPFI, the Sugar Industry Foundation, Inc. (SIFI), SRA-registered millers association, SRA-registered refiners' association, one each from the workers' foundation of farmers' federations, and from SRA-registered sugar workers association.

The HRDP Committee shall develop a deployment program of agricultural engineers, agriculturists and farm technicians that shall provide the necessary technical and professional assistance to sugarcane farmers. Provided, that the outsourcing of experts for farm management, technical assistance and other professional services shall be included for funding in the general appropriations.

The HRDP Committee shall also come up with a Human Resource Development (HRD) Master plan for the sugarcane industry which shall, among others, identify the needed or priority expertise for deployment and fields of discipline to be included in the Scholarship Program of the industry. Provided, that the HRDP Committee shall likewise implement the programs and activities provided under Rule VI on Human Resource Development of this IRR.

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The Committee shall be assisted by a technical working group (TWG) made up from the appropriate department of SRA. Members and representatives from aforementioned agencies and stakeholders shall not receive per diems for their participation in the Committee.

(C) Farm Mechanization Program

i) Coverage. 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. For this purpose, 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 a Farm Mechanization Master plan at the mill district and block farms levels; and
- 3) Support the establishment, operation and maintenance of Agri-business 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. Provided, further the Service Centers referred herein shall be non-block farm operated.

ii) Creation of Farm Mechanization Committee. A Farm Mechanization (FM) Committee shall be created to formulate projects and activities to attain the foregoing objectives and recommend the same to SRA for adoption and implementation. The Farm Mechanization Committee shall also develop a Farm Mechanization Program for the sugarcane industry, and jointly with the Block Farm Committee, in consultation with LBP, shall recommend to SRA the guidelines for registration and prioritization for funding of SRA-registered Common Service Centers under this provision.

The FM Committee shall be chaired by SRA Board member and composed of representatives from the DA- Philippine Center for Post-Harvest Development and Mechanization (DA-PHILMECH), DA-Bureau of Agricultural Research (DA-BAR),

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Department of Science and Technology -Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development (DOST-PCAARRD), DAR, LGUs, UPLB, one representative from SRA-registered millers association, one representative from SRA-registered refiners' association, one representative from SRA-registered sugarcane farmers' federation, one sugarcane planter representative from SMPFI, and representatives of concerned MDDCs.

The Committee shall be assisted by a technical working group (TWG) made up of designated personnel from the appropriate departments of SRA. Members and representatives from aforementioned agencies and stakeholders shall not receive per diems for their participation in the Committee.

iii) Common Service Centers. SRA shall require the registration of Agri-business Machinery and Equipment Service Centers (or Common Service Centers) that shall avail of the funding support under the socialized credit of the Farm Mechanization Program. The common service centers created under this provision shall be subject to the guidelines jointly issued by the Block Farm and Farm Mechanization committees.

iv) Financing. The Landbank of the Philippines (LBP) shall manage the socialized credit facility under Farm Mechanization Program. In line with this, SRA and LBP shall enter into a Memorandum of Agreement to implement this provision.


Section 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.

RULE 4. RESEARCH AND DEVELOPMENT

Rule 4.1. Implementors and Program Components. The SRA, in coordination with the Department of Science and Technology (DOST), UPLB, as well as relevant state universities and colleges, and government research and development institutions including that of the private sector, shall intensify researches on sugarcane high-yielding or flood-resistant varieties; pest control and prevention; latest farming,

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milling, refining and biomass co-generation technologies, soils analysis and fertility mapping of sugarcane areas; weather monitoring and climate change adaptation measures, among others; sugar and sweetener consumption; and other viable products that can be derived from sugarcane.

Towards this objective, a Research, Development and Extension Services (R, D & E) Committee shall be created with the SRA Board member as chairperson. Representatives from DA-BAR, DA-PHILMECH, DOST-PAG-ASA, DOST-PCAARRD, Philippine Council for Industry, Energy and Emerging Technology Research and Development (DOST-PCIEERD), UPLB, CHED, PHILSURIN, SRA-registered millers association, SRA-registered refiners' association, SRA-registered sugarcane farmers' federation, and one sugarcane planter representative from the SMPFI, and representatives from the MDDCs are the members of the committee. The R, D & E Committee shall make recommendations to SRA on the projects, activities and researches that shall be conducted, undertaken or prioritized by SRA in line with this provision, taking into consideration the R, D & E priorities identified in the sugarcane roadmap, the new and emerging technologies, changes in the investment climate and new thrusts of the sugarcane industry. The Chairperson may call on other concerned agencies or private sector stakeholders to attend meeting when the need arises. The Committee shall be assisted by a technical working group (TWG) headed by an SRA personnel from the R, D and E Department and made up of designated personnel from the appropriate departments of SRA. Members and representatives from aforementioned agencies and stakeholders shall not receive per diems for their participation in the Committee.

The DA and the DOST shall likewise provide assistance to the SRA to improve the latter's crop monitoring and forecasting activities or programs.

Section 5. Extension Services. In addition to extension services provided by the DA, the DAR, the SUCs and private and nongovernment organizations, extension services in sugar districts shall be provided by the SRA and the mill district development councils (MDDC). 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 nongovernment organizations, peoples' organizations, and LGUs. It may likewise secure funding for its extension services from private sector sources.

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RULE 5. EXTENSION SERVICES

Rule 5.1. Implementors. In addition to extension services provided by the DA, the DAR, the UPLB, the SUCs and private and non-government organizations, extension services in sugarcane districts shall be provided by the SRA and the Mill District Development Councils (MDDCs). Provided, that the MDDCs shall be responsible for the formulation of the development plan of its mill district in line with or according to the objectives or targets of the SRA Roadmap. The extension personnel of SRA in the MDDC shall assist in the preparation of the development plan of that mill district.

A Mill District Development Program (MDDP) Committee shall be created and shall be chaired by SRA Board member. The MDDP Committee shall be composed of representatives from DA, UPLB, SUCs, PHILSURIN, SRA-registered sugar milers association, SRA-registered refiners association, SRA-registered biofuel/bioenergy producers' association, one representative from sugarcane planters' federation, one sugarcane planter representative from the SMPFI, and one representative from the MDDCs of Luzon, Visayas and Mindanao as members. The Committee shall be assisted by a technical working group (TWG) made up of designated personnel from the appropriate departments of SRA. Members and representatives from aforementioned agencies and stakeholders shall not receive per diems for their participation in the Committee.

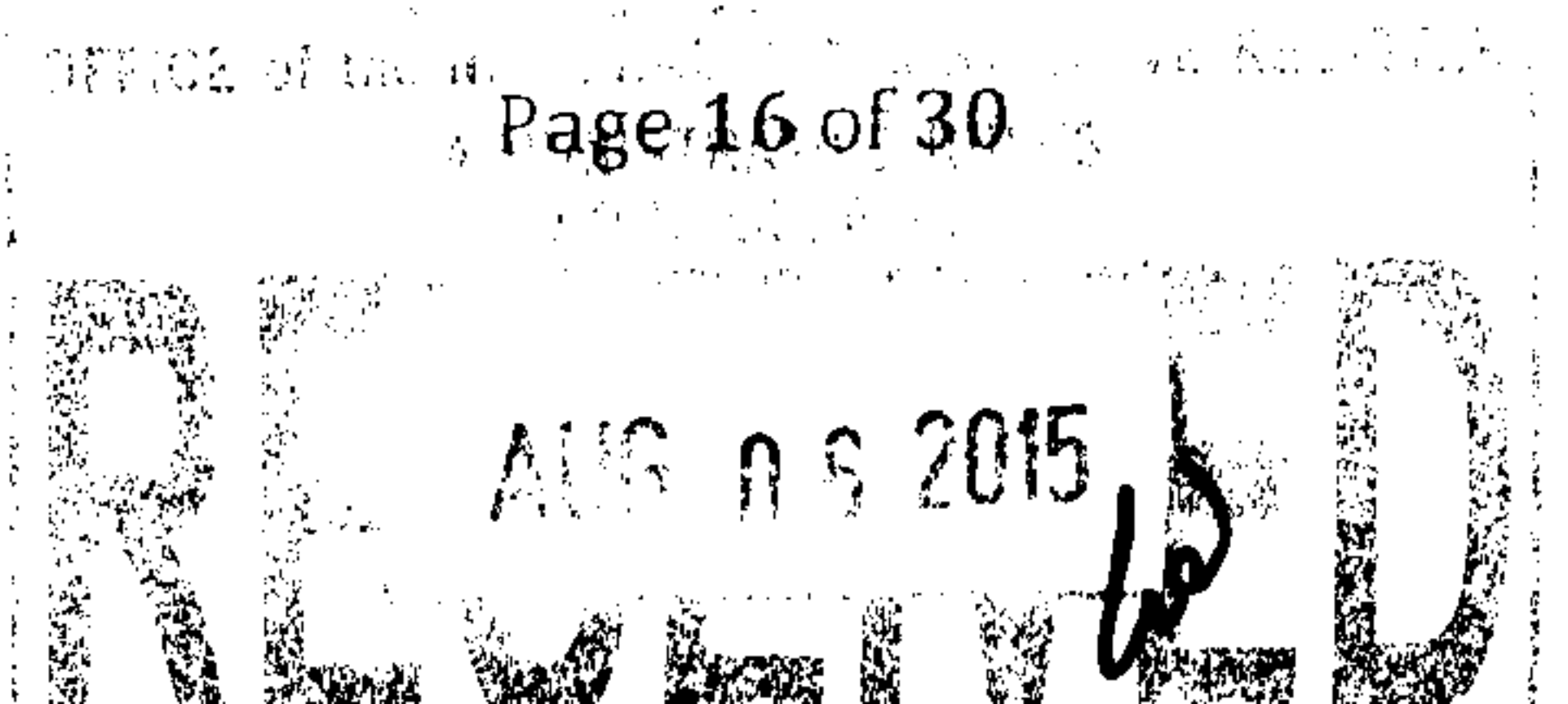
The MDDP Committee shall develop the guidelines for the funding, prioritization and implementation of the development plan submitted by the MDDCs. In addition, the MDDP Committee shall review every five (5) years or sooner when necessary the programs, projects, activities and implementation of the SRA Roadmap, and shall make recommendations to SRA for their amendment or modification. In performing its functions as stated in the Act and this IRR, the MDDP Committee may call upon other government agencies and private sector stakeholders to participate in meetings.

Rule 5.2. Components. Extension services that can be provided shall include, but not limited to, technical assistance and advice, conduct of tests, propagation, and distribution of high-yielding varieties, and operation of demonstration farms. For its extension services, MDDCs may develop linkages with non-government organizations, people's organizations, and LGUs. It may likewise secure funding for its extension services from private sector sources.

Rule 5.3. Funding. The MDDCs may avail of funding from the government's general appropriations through the SRA for its extension services projects subject to Commission on Audit (COA) accounting rules and regulations with the following

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conditions:(i) the proponent MDDC is accredited by the SRA, (ii) has the organizational capacity to implement and manage the project, and (iii) has no pending financial obligations or unliquidated funds with SRA.

Section 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 Resource Development (HRD) Master Plan for the sugarcane industry which shall include, but not limited to, the following:

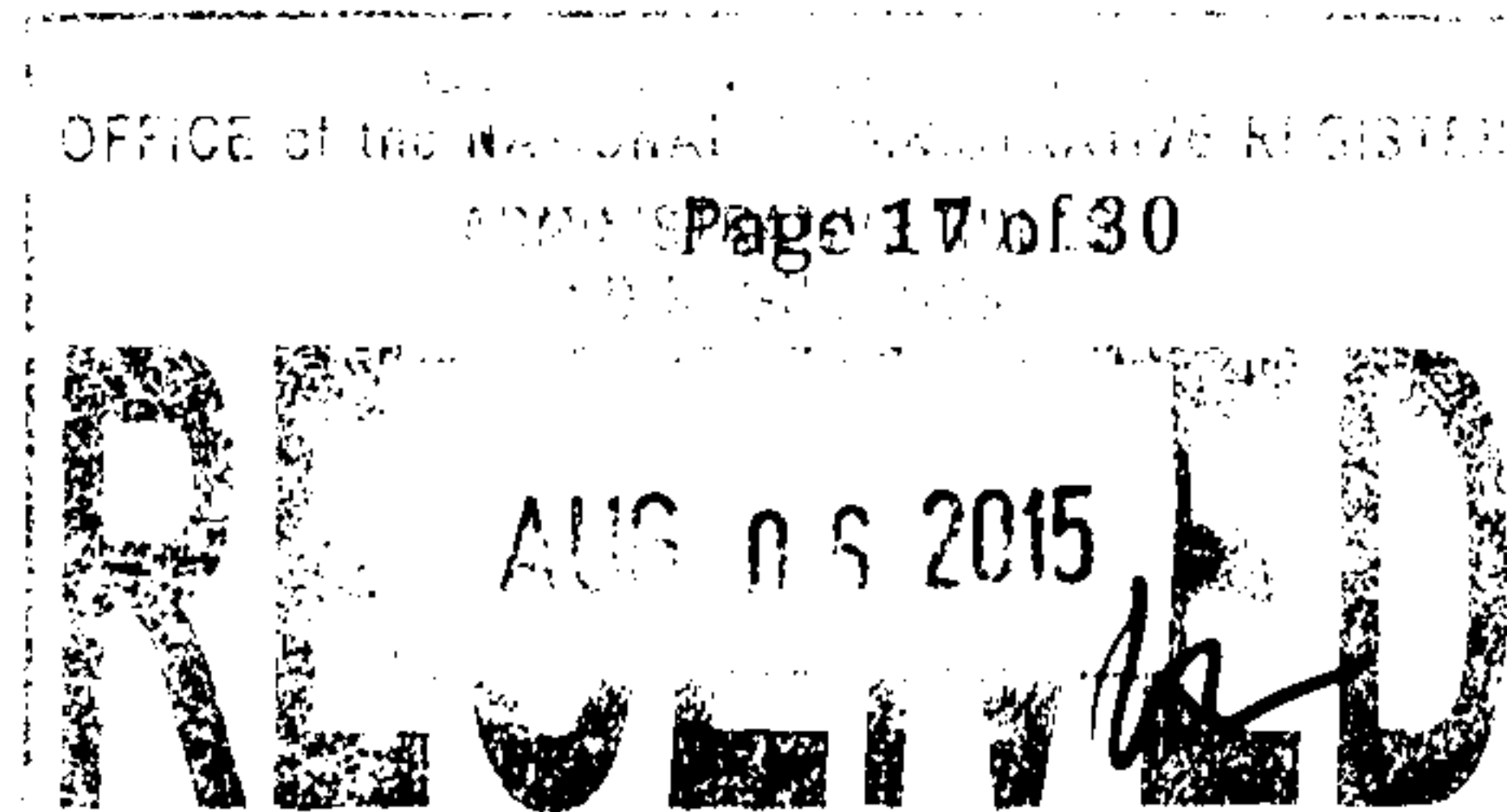
- a) Capacity building, skills trainings, institutional strengthening of the sugarcane industry workers, small farmers and agrarian reform beneficiaries and their organizations to actively contribute in productivity and competitiveness;
- b) Scholarship program for the underprivileged but deserving college and post graduate students who are taking up courses in relevant field of disciplines 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.

RULE 6. HUMAN RESOURCES DEVELOPMENT

Rule 6.1. Mandate. Pursuant to Section 6 of the Act, all stakeholders in the sugarcane industry shall contribute to the development of a sustainable human resource for the industry.

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Rule 6.2. Implementors. The DOLE, in collaboration with the SRA, the Commission on Higher Education, the UPLB, the TESDA, the Professional Regulation Commission (PRC) and the private sector shall formulate and implement a Human Resource Development 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. Provided, that the aforementioned activities shall be conducted atleast once every crop year starting in the crop year after the effectivity of this IRR, when funding is available;

(b) Scholarship program for the underprivileged but deserving college and post graduate students who are taking up courses in relevant field of disciplines in SUCs which have programs in agriculture, agribusiness, agricultural engineering and mechanics, 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. Provided, that the scholarship program shall give priority to dependents of sugarcane industry farmers and workers. Provided, further that vocational courses and skills development trainings shall commence in the crop year after the effectivity of this IRR, when funding is available;

For this purpose, HRDP Committee created under Rule 3(B)(2) of this IRR, in addition to its functions stated therein, shall formulate and recommend to SRA the guidelines for the Scholarship program which includes the qualifications of scholars and identification of undergraduate, graduate, post doctorate courses including professorial chairs that are relevant to the sugarcane industry.

(c) Conduct of capability training or attendance to local or international trainings and seminars by farmers, mill, refinery, distilleries and biomass power 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 Provided, that the capability training shall be conducted atleast once every crop year starting in crop year the after the effectivity of this IRR. Provided, further that attendance to local and international trainings and seminars shall be endorsed by the HRDP Committee to the SRA for its approval. International trainings and seminars shall be funded from the general appropriations of SRA.

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(d) Formulation and implementation of training regulations for technical vocational education and training for the sugarcane industry by the TESDA. Towards this purpose, the SRA shall assist TESDA in the formulation and implementation of training regulations for the sugarcane industry workforce; and,

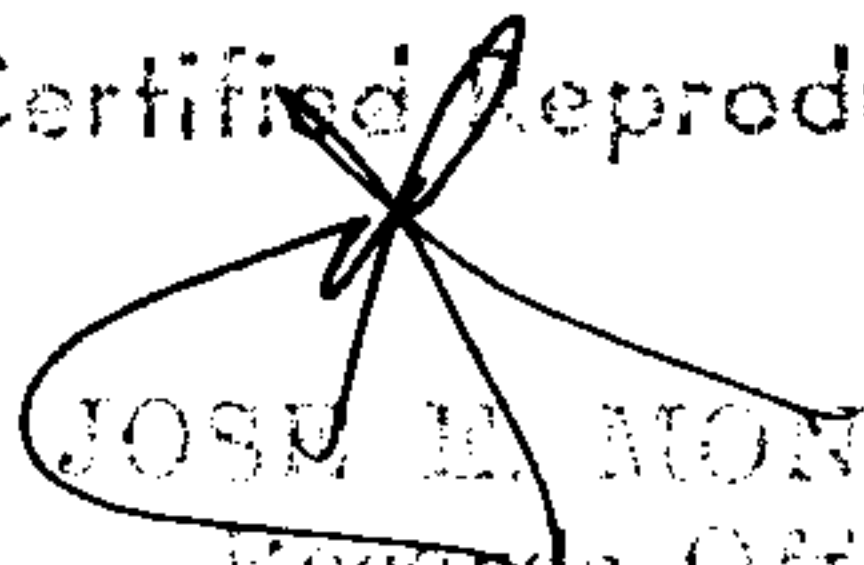
(e) Upgrading of facilities, faculty development and strengthening of the on-the-job training program of agri-based higher education institutions in sugarcane areas towards the production of highly employable and globally competitive graduates needed by the sugarcane industry. For this purpose, state universities and colleges and agri-based higher education institutions shall submit to the HRDP Committee proposals for the upgrading of facilities, faculty development and strengthening of OJT programs for funding. Provided, that SUCs or agri-based higher education institutions that are beneficiaries and partners of the program shall have the commitment to implement the program at least on a five year term.

SECTION 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 trans-loading 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 trans-loading 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.

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(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".

RULE 7. INFRASTRUCTURE SUPPORT

Rule 7.1. Mandate. 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.

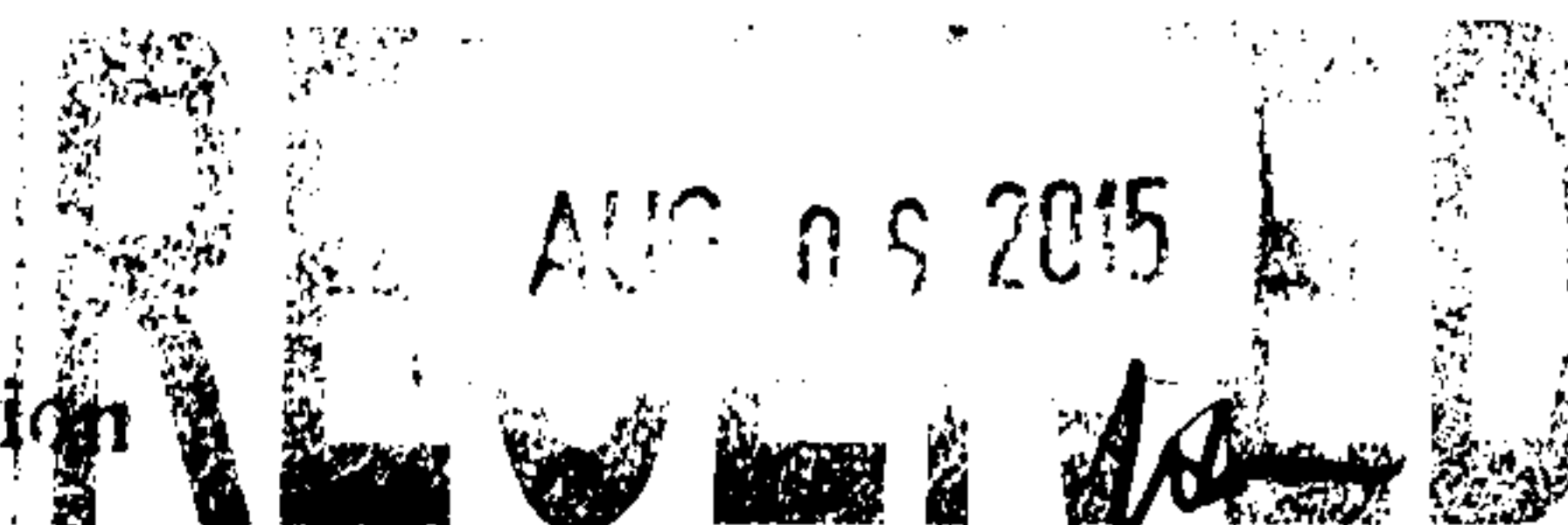
(a) **Transport Infrastructure.** The National Economic and Development Authority (NEDA), the Department of Transportation and Communications (DOTC), the Department of Public Works and Highways (DPWH), and the Philippine Ports Authority (PPA), shall include in their annual Development Plans and Priority Investment Programs the immediate construction and / or improvement of existing trans-loading ports for export or coastwise transport of sugar and other products derived from sugarcane in key sugarcane-producing provinces. The SRA, through the Infrastructure Program Committee, shall submit to these agencies, six (6) months from the start of the effectivity of this Act, a priority list of trans-loading ports covered by this provision. Provided, that to attain the objective of this provision, NEDA shall endorse for ICC approval projects proposed under this Rule, if applicable.

(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

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and /or rehabilitation of farm-to-mill roads in key sugarcane producing provinces. The SRA, through the Infrastructure Program Committee, shall submit to these agencies and LGUs, within six (6) months from the start of the 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. Provided, that to attain the objective of this provision, NEDA shall endorse for ICC approval projects proposed under this Rule, if applicable.

(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, through the Infrastructure Program Committee, 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. The DA and NIA shall also include the provision of communal drainage systems especially in water-logged 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". Towards this purpose, the SRA and representatives from SRA-registered sugar mills' association and SRA-registered distilleries' association shall be represented in the DA Committee and Technical Working Group in charge of processing the approval of the reuse of the wastewater discharges from the sugar mills, sugar refineries and distilleries for fertilization, irrigation and other agricultural uses.

Rule 7.2. Creation of Infrastructure Program Committee. There shall be created an Infrastructure Program (IP) Committee to be chaired by an SRA Board member and composed of representatives from NEDA, DPWH, PPA, DA, NIA, Bureau of Soils and Water Management (BSWM) and one representative from SRA-registered millers association, one representative from SRA-registered refiners association, one sugarcane representative from SRA-registered farmers' federation, one sugarcane planter representative from the SMPFI, and one representative each from block farms in Luzon,

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Visayas, and Mindanao. Provided, that the IP Committee may call on other agencies or private sector stakeholders to attend meetings when needed. Among other functions, the IP Committee shall:

(i) Prepare project proposals to implement the Infrastructure Program of the Act, including the priority list of trans-loading ports, Farm to Mill Roads Master Plan or Road Network Plan and priority list of farm to mill roads at the mill district level, and priority list of sugarcane producing areas for construction or rehabilitation or appropriate irrigation facilities. Provided, that the proposed farm-to-mill roads have GPS maps and part of the mill district road network plan. The general guidelines for the determination for priority funding of farm to mill roads under the Act shall be the following:

a. First priority of farm-to-mill roads shall be those connected to the national highways or arterial roads, leading to block farms, small farms and expansion areas with at least 100 hectares of sugarcane plantations and validated by the MDDCs or planters organizations.

b. Second priority of farm-to-mill roads shall be those connected to national highways or arterial roads, leading to at least 100 hectares of sugarcane farms and validated by the MDDCs or planters organizations.

Provided, further that the IP Committee may consult the MDDP Committee created under Rule 5 of this IRR in the preparation of project proposals;

(ii) Submit the project proposals and work for their approval with SRA, and monitor their implementation;

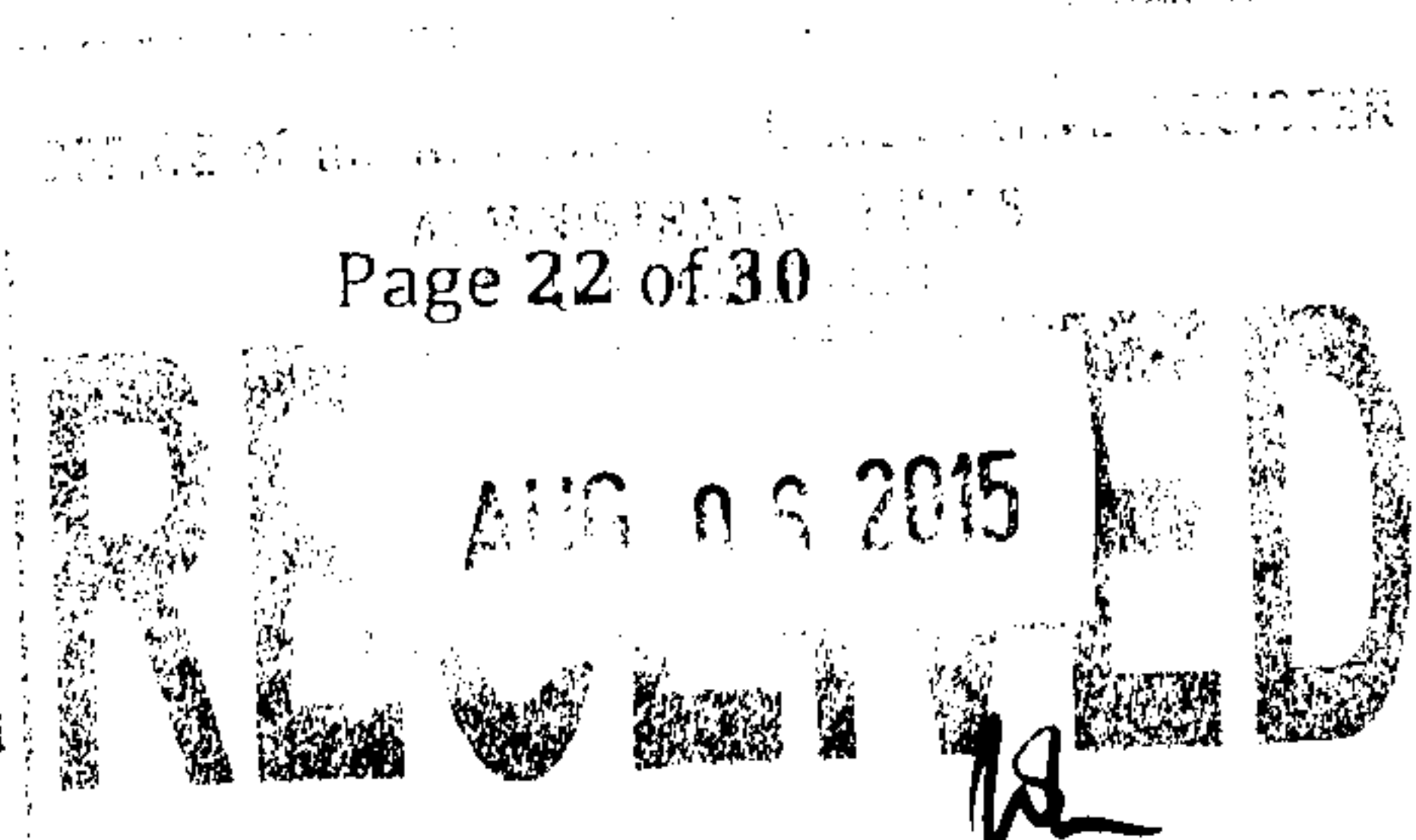
(iii) Develop guidelines and/or mechanics for the identification and prioritization of projects under the Infrastructure Program for funding under the Act; and,

(iv) Other functions that will contribute or lead to the attainment of the objectives of the Infrastructure Program.

The IP Committee shall be assisted by a technical working group (TWG) headed by the SRA Manager of the Policy and Planning Department and made up of designated personnel from the appropriate departments of SRA. Members and representatives from aforementioned agencies and stakeholders shall not receive per diems for their participation in the Committee.

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Section 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 custom bonded warehouses (CBW) of food processors importing sugar for re-export: *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.

RULE 8. SUGAR MONITORING AND REGULATIONS

Rule 8.1. Sugar Supply Monitoring System. Pursuant to Section 8 of the Act, 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 this effect, the SRA shall be the lead agency in

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the implementation of the food safety regulation on all forms and classifications of sugar derived from sugarcane. Furthermore, the SRA shall be the sole competent authority to formulate and provide the technical definition of all forms of sugar derived from sugarcane.

Rule 8.2. Registration. 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 SRA:

- (a) Sugarcane farmers, farmers' associations / federations, mills / mills 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 custom bonded warehouses (CBW) of food processors importing sugar for re-export; 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.

Any of the aforementioned entities that do not register when directed in writing shall be subject to penalties imposed by SRA.

Rule 8.3. Mechanics of Registration. 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. For this purpose, the SRA shall issue a Sugar Order on the guidelines and requirements of registration.

Rule 8.4. Purpose of Registration. The information gathered shall be used to develop a sugarcane industry database which shall be administered and updated by the SRA. Towards this objective and purpose, the SRA shall strengthen its management information system capability and provide funds for the development of information systems and databases of the sugarcane industry.

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Rule 8.5. Collaboration. For food sufficiency and food safety purposes, concerned government entities such as the Department of Trade and Industry (DTI) and LGUs shall be requested to share with the SRA their databases of business permits and LGU permits issued to the aforementioned entities which are doing business with the sugarcane industry. To this effect, the SRA shall provide funds for the conduct of an initial survey of the list of establishments generated by the databases of the DTI and the LGUs up to the barangay level in accordance with the Commission on Audit (COA) accounting rules and regulations.

Section 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 BOC shall require importers or consignees to secure from the SRA the classification of the imported sugar prior to its release.

RULE 9. Classification and Regulation of the Supply of Sugar

Rule 9.1. Classification of Imported Sugar. Pursuant to Section 9 of the Act, the SRA, in the exercise of its regulatory authority, shall classify imported sugar according to its appropriate classification of "A" or U.S. quota sugar, "B" or Domestic market sugar, "C" or Reserved sugar, or "D" or World market sugar, "E" or World market sugar for food processors/exporters and custom bonded warehouses, or "F" or World market sugar for ethanol, when imported at a time that domestic production is sufficient to meet domestic requirements. SRA shall prepare the necessary guidelines in the determination of sufficient supply. Prior to importation, all importers shall declare and submit to SRA the volume of their quarterly sugar requirements within the subject year of importation as basis for the determination of sugar sufficiency level, the appropriate sugar classification and allowable volume of importation, if necessary.

Rule 9.2. Regulation of Imported Sugar. The BOC shall require importers or consignees to secure from the SRA the classification of the imported sugar prior to its release. To this effect, SRA may issue the SRA clearance to Release Imported Sugar from BOC with the appropriate sugar classification, subject to the submission of all documentary requirements and payment of applicable fees and charges. This regulation shall cover all forms of imported sugar classified under tariff heading 1701 from country/ies of origin with equivalent food safety measures evidenced by Sanitary and Phytosanitary (SPS) certifications or its equivalent.


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SECTION 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.

**RULE 10. Value-Added Tax (VAT) Zero-Rated
On Refined Sugar for Export**

Rule 10.1. Mandate. 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.

Rule 10.2. Definition of Refined and Raw Sugar for Value Added Tax. 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°.

Rule 10.3. Regulation. The Bureau of Internal Revenue (BIR), in consultation with the SRA and industry stakeholders, shall issue the necessary regulation to implement this Section.

SECTION 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:

(1) Fifteen percent (15%) for grants to Block Farms under the Block Farm Program;

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(2) Fifteen percent (15%) for Socialized Credit under the Farm Support and Farm Mechanization Programs;

(3) 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;

(4) Five percent (5%) for scholarship grants to be provided under paragraph (b) of Section 6, Human Resources Development; and

(5) 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 as prescribed in this Section.

RULE 11. MANDATED APPROPRIATIONS

Rule 11.1. Program Allocations. Pursuant to Section 11 of the Act, 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 (P 2,000,000,000) 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;

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(d) Five percent (5%) for scholarship grants to be provided under paragraph (b) of Section 6 of the Act, Human Resources Development; and

(e) Fifty percent (50%) for Infrastructure Support programs.

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.

Rule 11.2. Mechanics of Funding. The SRA shall submit to DBM every budget year the proposed priority projects and programs in line with the Medium-Term Roadmap of the sugarcane industry (SRA Roadmap), taking into consideration the new investment environment, the technological advancements and the new policy thrusts of the government subject to DBM evaluation and endorsement for their inclusion in the President's National Expenditure Program (NEP). The priority projects and programs shall be taken from the projects submitted by the different program committees created under this IRR which were approved by SRA. Provided that the different committees may at their discretion conduct consultations with stakeholders prior to adoption of a program, project or activity and submission to SRA for approval. Provided, further, that the SRA may develop its own, approve and implement programs, projects, and activities to be funded under the Act subject to prior consultation with the stakeholder consultative assembly created under Rule 11.4.

Rule 11.3. Strict Requirement for Funding. No program, project, or activity shall be approved by SRA for implementation and funding unless in line with or towards the attainment of the objectives or targets indicated in the SRA Roadmap.

Rule 11.4. Call for a Stakeholder Consultative Assembly. Pursuant to Section 11 of the Act, the SRA shall call for a Stakeholder Consultative Assembly (SCA) composed of representatives of the different sugarcane farmers' federations, sugar millers association, sugar refiners association, ethanol distilleries association, sugar workers association, block farms, mill district development councils, and sugar traders. The consultative assembly shall serve as forum where SRA shall conduct consultations prior to approval or implementation of any program, project, or activity under the Act. Provided, that SRA may request other agencies to attend the consultative meetings to clarify or help explain the programs, projects, or activities. SCA meetings shall be presided by the SRA Administrator.

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In the preparation for the meetings and agenda of the consultative assembly meetings, the SRA shall be assisted by the Technical Working Group (TWG) headed by the Manager, Policy and Planning Department, and made up of designated personnel from the appropriate departments of SRA. Attendees and members of the SCA technical secretariat shall receive no per diems. Only members of the SCA TWG shall receive refunds for liquidated expenses for their participation in the Committee.

The TWGs of the various program committees created under this IRR shall coordinate with and assist the SCA TWG in the preparation and conduct of assembly meetings.

Rule 11.5. Schedule of SCA and Program Committee Meetings. SCA and the various committees shall meet regularly or when needed.

Rule 11.6. Operating Fund. The administrative costs, travel costs and other actual expenses of the different committees and their respective TWGs and the SCA and its TWG shall be derived or funded from the SRA corporate fund subject to COA rules and regulations and approval of the Sugar Board.

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

RULE 12. NON-EXEMPTION FROM COMPREHENSIVE AGARIAN REFORM PROGRAM (CARP)

Rule 12.1. Pursuant to Section 12 of the Act, nothing in this Act shall exempt any landholding from CARP coverage.

SECTION 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.

RULE 13. IMPLEMENTING RULES AND REGULATIONS

Rule 13.1. Reporting. The SRA shall be the lead agency in the implementation of the provisions of this Act. Provided, That the SRA shall submit annual reports on the implementation of the provisions of the Act including status and accomplishments of priority programs to the DA, the DBM, the House of Representatives and the Senate Committees of Agriculture.

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SECTION 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.

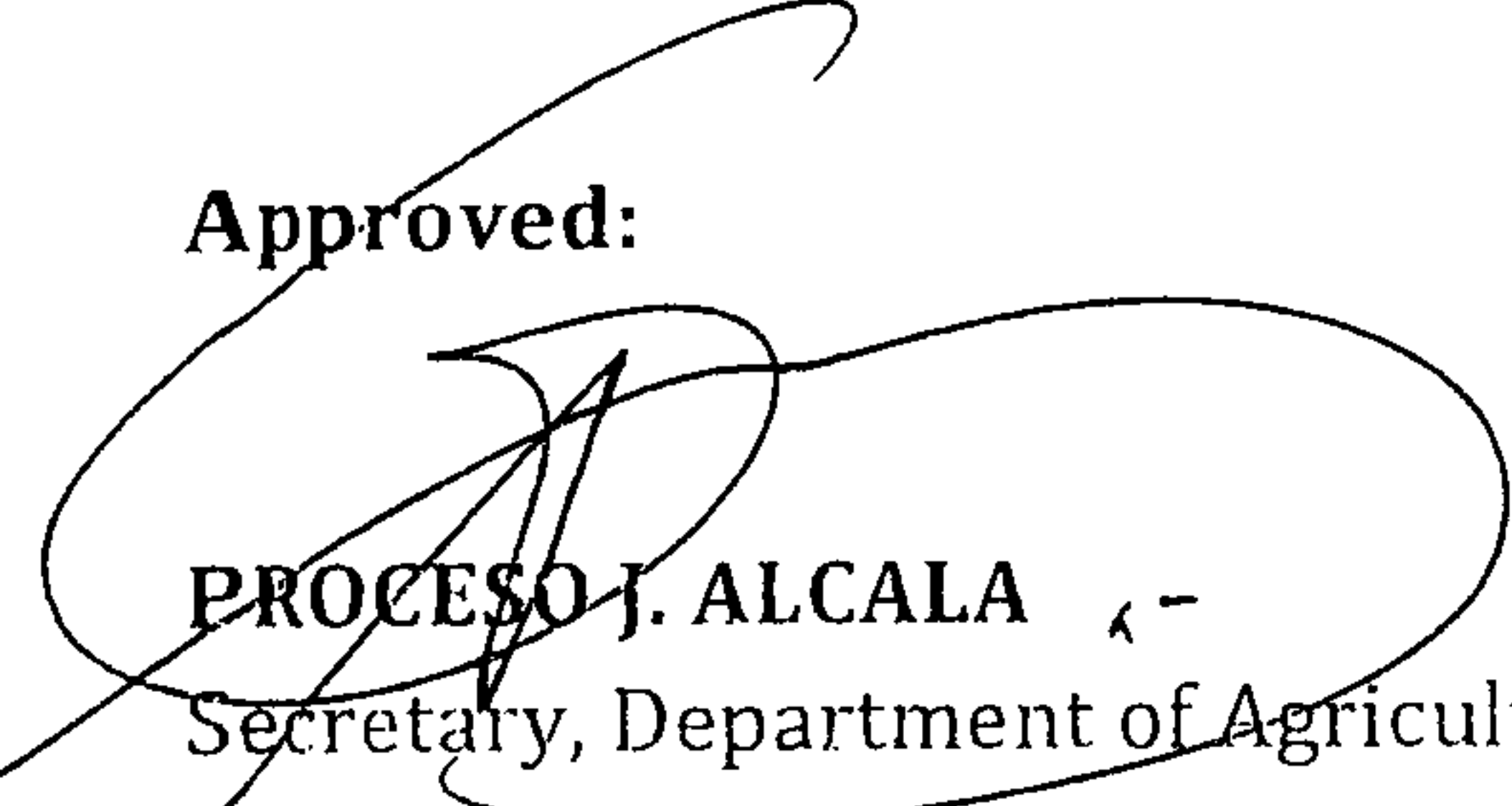
SECTION 15. Repealing Clause. All laws, decrees, executive orders and rules and regulations or part or parts thereof inconsistent with any provision of this Act are hereby repealed, modified or amended accordingly.

SECTION 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.

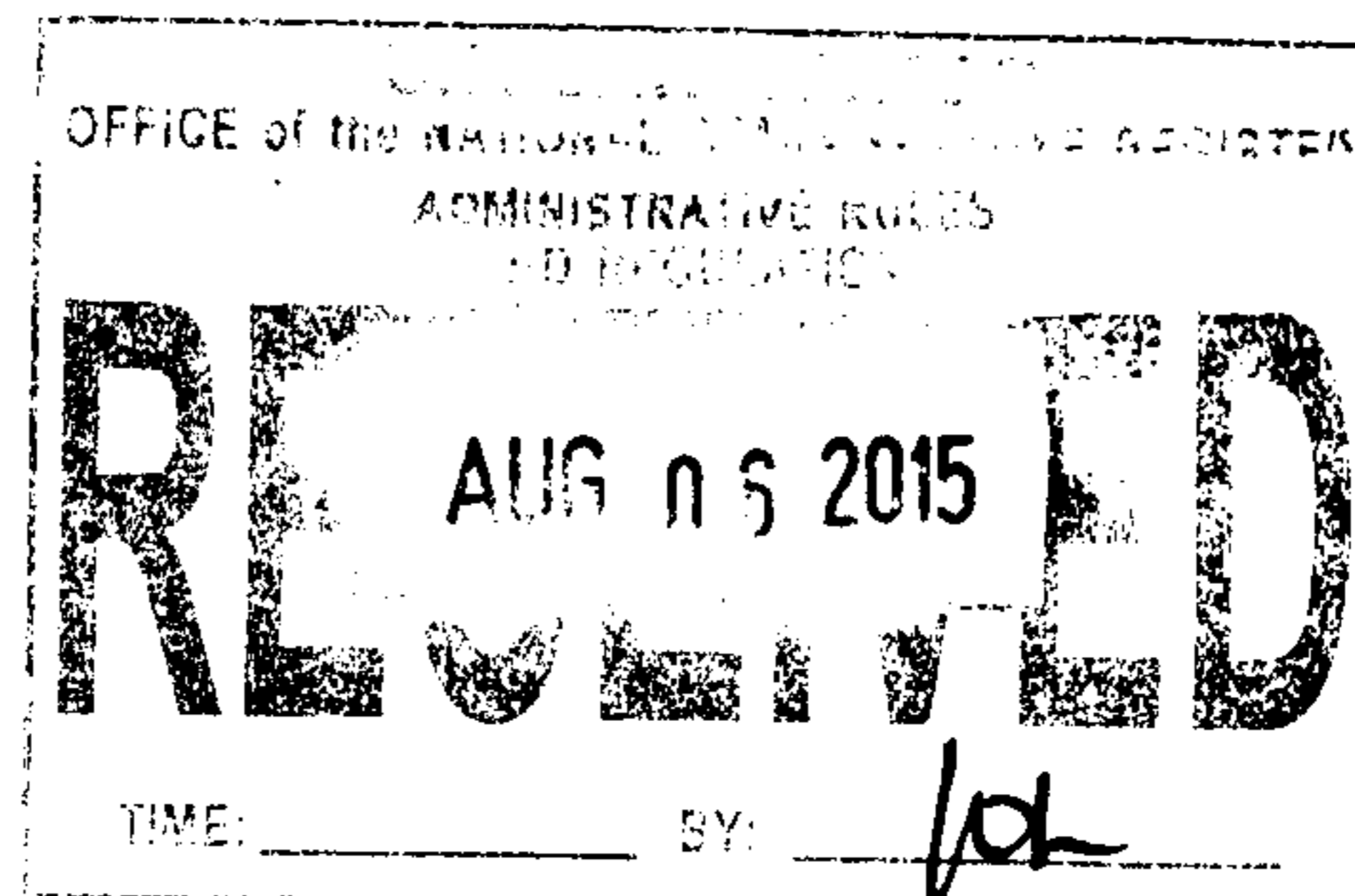
**RULE 14. EFFECTIVITY OF THE IMPLEMENTING RULES
AND REGULATIONS**

Rule 14.1. The Implementing Rules and Regulations shall take effect fifteen (15) days after publication in the Official Gazette or a newspaper of general circulation.


Approved:


PROCESO J. ALCALA
Secretary, Department of Agriculture
Date: August 4, 2015

DEPARTMENT OF AGRICULTURE
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