

Republic of the Philippines
NATIONAL GRAINS AUTHORITY
Quezon City

RULES AND REGULATIONS IMPLEMENTING
PRESIDENTIAL DECREE NO. 194

Pursuant to Section 8 of Presidential Decree No. 194 dated May 17, 1973, the following rules and regulations are hereby promulgated in order to implement the provisions of said Decree.

REGULATION I

For purposes of these Rules and Regulations, the following shall, unless the context indicates otherwise, have the following meanings:

- 1. Republic Act 3018** - refers to the Act limiting the right to engage in the rice and corn industry to citizens of the Philippines or associations, partnership or corporation the capital or capital stock of which is wholly owned by citizens of the Philippines.
- 2. Decree** - shall refer to the Presidential Decree No. 194.
- 3. NGA** - shall mean the National Grains Authority.
- 4. Rice and/or Corn Industry** - as used in this Decree shall include the following activities:
 - a. Acquiring by barter, purchase or otherwise, rice and corn and/or by-products thereof, to the extent of their raw material requirements when these are used as raw materials in the manufacture or processing of their finished products.
 - b. Engaging in the culture, production, milling, processing and trading, except retailing of rice and corn.
- 5. Rice** - shall mean the hulled and unhulled kernel coming from a plant known in Botany as *Oryza Sativa* L. and/or all its strains, varieties and sub-varieties, otherwise known generally and commonly as palay in the national language belonging to the family Gramineae.
- 6. Corn** - shall mean and include corn grains or corn grits coming from a plant known in Botany as *Zea Mays* L. as well as all its strains, varieties and sub-varieties belonging to the family Gramineae.

7. **By-Products** - shall mean the secondary products resulting from the process of husking, grinding, milling and cleaning of grains, such as, but not limited to "binlid", "darak", "tahop", "tiki-tiki", "corn husk", "corn drips", "corn meals", and "oat meals".
8. **Direct Consumption** - shall mean the use of rice and corn grains and/or their by-products as raw materials in the manufacture or processing of their finished products.
9. **Raw Materials** - shall refer to the rice and corn grains and/or their by-products in their natural form which are used as inputs in the manufacture or processing of finished products.
10. **Alien** - shall refer to an individual who is not a citizen of the Philippines and who owes allegiance to a foreign country.
11. **Association or partnership or corporation**- refers to a juridical entity organized and existing under the laws of the Philippines or of any foreign country, all or a certain percentage of the members, partners or stockholders of which are aliens as defined in No. 10 hereof.
12. **Barter** - shall mean the exchange of goods for rice, corn and/or their by-products.
13. **Culture or Production** - refers to the raising of rice and/or corn including such incidental farm operations as land preparation, planting, cultivation, weeding, application of fertilizers and soil conditioner, control of plant pests and diseases, harvesting, stocking and other allied operations.
14. **Milling** - includes the conversion of palay and/or grains into a form ready for use or consumption.
15. **Processing** - is an intermediate step resulting in the improvement of the nature of either rice or corn without any change in its form.
16. **Manufacture** - refers to a process effecting a change in the substance of rice, corn and/or their by-products resulting in a finished products.
17. **Trading** - shall be understood to refer to wholesale only or the sale of rice, corn and/or their by-products, derived from the trader's own produce, to any person, natural or juridical, without regard to price and volume in their natural form or in their processed or manufactured state.
18. **Area** - shall refer to the designated locality within which an alien, association, partnership or corporation wholly or partly alien-owned shall be authorized by the NGA to engage in the culture and production of rice and corn as well as the trading of their produce in the domestic or foreign market.

- 19. Foreign Investment** - shall mean investment owned by an alien or an alien member, partner or stockholder of an association, partnership or corporation composed wholly or partly by aliens, made in the form of foreign exchange or fixed assets actually transferred to the Philippines and registered with the Central Bank which shall assess and appraise the value of such assets other than foreign exchange.
- 20. Monopoly** - shall mean the ownership or control of so large a part of the market supply or output of rice or corn and their by-products as to stifle competition, restrict freedom of commerce and give the monopolist control over prices thereof.
- 21. Combinations in Restraint of Trade** - shall mean any conspiracy, agreement or organization to monopolize the rice and corn business or to prevent by artificial means free competition in the market.
- 22. Development Plan** - shall refer to the project study which an applicant for a license or authority will be required to submit to the National Grains Authority.
- 23. Foreign Equity Participation** - means the extent of alien ownership in the business.
- 24. Virgin Lands** - refer to lands not previously subject to cultivation as may be determined by the NGA with the assistance of the Bureau of Lands and the Bureau of Forestry thru the Department of Agriculture and Natural Resources.

REGULATION II

An alien, association, partnership or corporation owned in whole or in part by the foreigners may engage in rice and corn industry subject to the limitations provided for under Section 3 of the Decree.

REGULATION III

The National Grains Authority shall upon proper determination with the assistance of the Board of Investments, certify on the urgent need of foreign investment in the rice and corn industry. Such certification shall specify per fiscal year of the following:

- a) Amount of total foreign investments necessary;
- b) Nature of foreign investment activities;
- c) Geographical allocation of investment; and
- d) Such other requirements as the NFA may deem necessary.

REGULATION IV

Foreign Investment in the Culture and Production of Rice and Corn shall be subject to the following:

Sec. 1. Foreign investment in the culture and production of rice and corn shall be geared towards the development of virgin lands, the area of which shall be determined by the National Grains Authority.

Sec. 2. In order to achieve the objective of the Decree, the area designated for the culture and production of rice and corn shall be fully devoted only to said crops during the entire period allowed the investors. Please see Amendment.

Sec. 3. Foreign investors shall fully develop the land leased to them for rice and corn production and culture over a period as established in their development plan, provided such period shall not exceed four (4) years; provided, further, that the NFA may grant a grace period on a case-to-case basis.

REGULATION V

In order to render marketable the produce of the foreign investors, they are hereby required to establish rice and/or corn facilities and their accessories solely for their own rice or corn grains; provided, however, that they shall be allowed to trade, except retail, their own produce. Please see Amendment.

REGULATION VI

An alien, association, partnership or corporation owned in whole or in part by foreigners engaged in the manufacture or processing of finished products utilizing rice and corn and/or by-products as raw materials may acquire by barter, purchase or otherwise rice and corn and/or their by-products thereof, but only to the extent of their raw material requirements subject to proper determination by the NGA.

REGULATION VII

Licensing of foreign investors shall be in accordance with the following:

SEC. 1. NGA shall issue a license to any applicant it deems qualified to invest in rice and corn production, taking into consideration that such investment shall not promote monopolies or combinations in restraint of trade. After issuance of such license, NGA shall inform the Board of Investments and the Securities and Exchange Commission.

SEC. 2. No alien, association, partnership or corporation wholly or partly foreign-owned shall engage in the rice and corn industry without securing a certificate of registration from the Securities and Exchange Commission and the Board of Investments.

REGULATION VIII

Application for license shall be in accordance with the following:

SEC. 1. An alien, natural or juridical, who qualifies under the provisions of the Decree and of these rules and regulations, may apply for a license to engage in the rice and/or corn industry directly with the National Grains Authority.

SEC. 2. The application shall be prepared and submitted in quadruplicate in a form prescribed by the NGA; it shall give the true information as required therein and shall be signed and sworn to by the applicant himself or, in the case of a corporation, partnership or association, by the duly authorized officers thereof, and in the latter case, an authorization from the governing body of such corporation, partnership or association shall be attached to the application.

SEC. 3. Upon filing of the duly accomplished application form, the applicant must submit the following:

- a) Three (3) passport size pictures of the applicant or of the duly authorized representative in the case of an association, partnership or corporation.
- b) A development plan divided into various phases complete with approximations of the time to be devoted to each phase as well as the amount involved;
- c) Adequate proof of financial capability to undertake the development plan; and
- d) Proof of technical competence to put the development plan into effect.

REGULATION IX

Fees shall be charged by the NGA as follows:

SEC. 1. Upon filing of the duly accomplished application form, the applicant must pay an application fee of a minimum of **One Thousand Pesos (P 1,000.00)** and a maximum of **Five Thousand Pesos (P 5,000.00)**

REGULATION X

Repatriation of capital and remittance of earnings shall be made in accordance with existing laws.

REGULATION XI

Any violation of Presidential Decree No. 194 or of these Rules and Regulations shall be punished in accordance with Section 9 of said Presidential Decree No. 194.

REGULATION XII

SEC. 1. These rules and regulations shall take effect **fifteen (15) days** following their publication in at least two (2) daily newspapers of national circulation.

SEC. 2. These Rules and Regulations shall be distributed to all Philippine Embassies and Consulates in countries as may be determined by the NGA.

SEC. 3. The Department of Trade shall likewise assist the NGA in disseminating these Rules and Regulations thru its commercial attaches stationed in different countries of the world.

Approved: June 11, 1973

AMENDMENTS

During the 13th regular meeting of the National Grains Authority Council held on November 8, 1973, Section 2 of the Implementing Presidential Decree No. 194 (authorizing aliens, as well as associations, corporations or partnerships owned in whole or in part by foreigners, to engage in the rice and corn industry, and for other purposes), have been amended to read as follows:

"Regulation IV, Section 2. In order to achieve the objective of the Decree, the area designated for the culture and production of rice and corn shall be fully devoted to said crops during the entire period allowed the investors; Provided, however, that the cultivation of other crops such as sorghum, wheat, or soybean, may be allowed in order to provide the necessary crop cycle to improve land utilization in accordance with farm management techniques as well as the economic and financial viability of agriculture projects."

"Regulation V. In order to render marketable the produce of the foreign investors, they may be allowed to establish rice and/or corn facilities and their accessories solely for their own use in milling, storing and drying their own rice or corn grains, provided, however that they shall be allowed to trade, except retail, their own produce."

(Sgd.) VICENTE F. MILLAN
Council Secretary