

Republic Act No. 7884

IMPLEMENTING RULES AND REGULATIONS

The following rules and regulations are hereby issued pursuant to RA 7884, otherwise known as "National Dairy Development Act of 1995".

RULE 1. POLICY AND APPLICATION

SECTION 1. Purpose - These rules and regulations provide guidance and measures that will operationalize RA 7884.

SEC. 2. Declaration of Policy. It is hereby declared the policy of the State to strive for national self-sufficiency in milk and dairy products as a vital feature in the attainment of a self-reliant and independent Philippine economy in the provision of proper nutrition and the generation of more employment opportunities for the people. It is also the policy of the State to recognize the primary role of private sector in research, training, production, processing, and marketing, and to provide incentives to those undertaking these activities, with government limiting itself to policy-making, facilitation and regulation.

SEC., 3. Objectives

- a) To promote and provide direction for the accelerated development of the Philippine dairy industry, consistent with the provisions of this Act;
- b) To give support and assistance in the production, processing and marketing activities of all those engaged in the business of producing milk and other dairy products particularly rural based small dairy farmers through the provision of necessary support systems;
- c) To encourage and promote the active participation of farm families, rural cooperatives and the private sector recognizing them as principal agents in the development of the Philippine dairy industry;
- d) To ensure an adequate supply of milk and dairy products at affordable prices;
- e) To improve livelihood opportunities and thereby increase income level through dairying;
- f) To enhance children's and pregnant and nursing mothers' nutritional intake through the promotion of locally produced milk and milk products.
- g) To develop and disseminate appropriate smallholder-based dairy technology;
- h) To improve milk production from existing stock and to systematically program the build-up of productive milk herd; and
- i) To conserve foreign exchange by supporting local milk production.

SEC. 4. To uphold the declared policy of the state and to promote the objectives set forth, the dairy industry envisioned under the National Dairy Development Act of 1995 shall have the following features:

- a) A base of smallhold dairy farmers and/or farmers organizations and/or cooperatives operating dairy production units and participating as co-owners and beneficiaries in processing and marketing cooperative enterprises;
- b) Cooperative enterprises owned, managed and controlled by farmer-producers and their partners in the industry to handle processing, marketing, product development, breeding and related dairying activities;

- c) Government assistance in herd infusion and upgrading and dairy infrastructure that ensures the maximum development and participation of smallhold dairy farmers and/or farmers cooperatives;
- d) Particular focus on improved nutrition for all through milk feeding for malnourished children and pregnant and lactating mothers and the inclusion of milk in all government–assisted food distribution programs;
- e) Government providing a favorable policy environment and the needed support services towards increased over-all milk sufficiency;

In furtherance of objectives (c) and (e) in Sec. 3, Particular focus should be given to agrarian reform communities suitable for dairying to provide livelihood opportunities for small farm families.

RULE 2. THE NATIONAL DAIRY AUTHORITY

SEC. 5. Mandate. The National Dairy Authority shall be the central policy determining and directing body tasked to ensure the accelerated development of the Philippine dairy industry. For the purpose of policy and program coordination, the NDA shall be attached to the Department of Agriculture.

SEC. 6. The Dairy Industry Board. - The National Dairy Authority Board. - The National Dairy Authority shall be governed by a Dairy Industry Board, hereafter referred to as the Board, to be composed of the following:

- a) The Secretary of Agriculture, as chairperson;
- b) The NDA Administrator, as an ex-officio member;
- c) The Secretary of Trade and Industry, as member;
- d) The Secretary of Health, as member;
- e) The Secretary of Education, Culture and Sports, as member;
- f) The Secretary of Science and Technology, as member;
- g) The Secretary of Agrarian Reform, as member;
- h) The Director of the Dairy Training and Research Institute, as member; and;
- i) Four (4) other members who shall be appointed by the President of the Philippines upon the recommendation of the chairperson: Provided, That one (1) shall come from the commercial milk processors' group and the other three (3) from the dairy cooperatives and/or national dairy federation, with one (1) representative each from Luzon, Visayas and Mindanao: Provided, further, that they will hold office for a period of three (3) years from the date of their respective appointments without reappointment; Provided, finally, that any member appointed to a vacancy shall serve only for the unexpired term of the member whom he succeeds.

SEC. 7. Powers and Functions of the National Dairy Authority - The National Dairy Authority shall have the following powers and functions:

- a) To formulate and execute dairy programs that will generate a national impact that will generate a national impact on rural as well as urban nutrition levels and incomes;
- b) To assist in the purchase, importation, propagation, storage, distribution and sale of dairy animals, semen, forage seeds, fertilizers, veterinary supplies, dairy equipment and engineering supplies and such other inputs as may be needed by the dairy industry;

- c) To encourage the integration of dairy production and local milk and the distribution of dairy products into various rural livelihood and nutrition programs;
- d) To assume control and supervision over all dairy-related government agency personnel and programs, including the Bureau of Animal Industry's Dairy Division, the Livestock Development Council's Dairy Division, the Philippine Dairy Corporation, Livelihood Corporation's Laguna Processing Center and other dairy related government agencies, division, councils subject to the guideline prescribed by the Civil Service Commission;
- e) To borrow, raise or obtain funds: to issue bonds and other instruments of indebtedness; or to enter into any financial or credit arrangements in order to support or carry out its objectives and purposes, subject to pertinent laws governing public debts and expenditures;
- f) To receive grants, subsidies, donations or contributions from corporations, trusts, foundations, associations and other sources from any private or government office, agency or corporation in the Philippines or abroad;

Guideline for sourcing of Dairy Supplies

Milk and milk product donations for all government-assisted programs shall be coursed through the NDA.

In the sourcing of dairy supplies, the NDA shall give priority to locally produced dairy production and processing inputs subject to quality and price considerations.

- g) To establish, maintain or operate field units or office in various parts of the country in order to utilize the objectives of this Act;
- h) To help design and implement a credit system that will finance dairy farmers and dairy cooperatives or associations;
In the design and implementation of the credit system the NDA may put up its own seed fund and/or guarantee fund.
- i) To charge reasonable fees for services rendered for the attainment of the objectives of this acts;
- j) To promulgate rules and regulations to carry out the provisions and policy objectives of this Act; and
- k) To adopt, alter and use a corporate seal; to sue and be sued; and otherwise to do and perform all acts or exercise all powers as may be necessary or incidental to carry out the objectives or RA 7884.

SEC. 8. Meeting of the Board. – The board shall convene in a regular monthly meeting and shall hold special meetings when necessary. The presence of at least seven (7) members of the Board shall constitute a quorum and the vote of a majority of those present shall be sufficient to transact business during any meeting; Provided, that the department secretaries can be represented on a permanent basis by their respective undersecretaries or assistant secretaries who will have full voting power and shall be considered in the determination of quorum; Provided, finally, that the chairperson shall not vote except in case of a tie.

SEC. 9. Allowance of the Board Members. The chairperson and members of the Board shall be entitled to per diem and other allowable emoluments as may be fixed by the Board for every meeting actually attended, subject to existing laws, rules and regulations which, in no case, shall exceed Four Thousand Pesos (P4,000.00) per month: Provided, however, That the transportation expenses for representatives from far places will be reimbursed; Provided, finally, that the Administrator of the Authority, as an ex-officio member of Board, shall receive only the remuneration and allowances which shall be provided by the Board for the said position.

Whenever the exigencies of the service demand, and the Board, for any valid reason, cannot be convened to a meeting, the Administrator, in coordination with the Board Secretary, is hereby authorized to submit any matter for resolution by memorandum and the concurrence of a majority of the Board members and/or alternates constituting a quorum shall be considered sufficient for the approval thereof.

SEC. 10. Management of the Authority. – There shall be a full time Administrator who shall manage the operations of the Authority, to be assisted by a Deputy Administrator. Both the Administrator and Deputy Administrator shall be appointed by the President of the Philippines.

The Administrator shall be a citizen of the Philippines; at least thirty-five (35) years of age on the date of his appointment; of good moral character; with recognized executive ability and competence; and preferably well-versed in the various aspects of the dairy industry.

The salary and allowances of the Administrator and Deputy Administrator shall be in accordance with the provisions of R.A. 6758 or The Salary Standardization Act of 1989.

RULE 3. DAIRY COOPERATIVES AND FARMERS ORGANIZATIONS

SEC. 11. Dairy Cooperative and Farmers' Organizations. – The Authority shall help organize small producers and processors of milk into cooperatives or other forms of organizations to achieve the purposes of this Act including the following:

- a) To facilitate collective arrangements that will enable cooperatives to acquire dairy animals, feeds, veterinary and other supplies, materials, equipment, services of all kinds and other dairy inputs under favorable terms;
- b) To provide a forum for the members of cooperatives to discuss common problems affecting production, marketing and the cooperatives' relationships with the Authority;
- c) To help design credit systems that will provide loans, grants and such services as may be required, to dairy cooperatives and duly accredited people's organizations;
- d) To assist cooperatives in developing market channels and in negotiations for bulk outlets of milk output;

The Authority shall support the formation of a Dairy Cooperatives Federation among dairy cooperatives as a channel of its coordinative function in the industry.

RULE 4. NATIONAL DAIRY CAMPAIGN

SEC. 12. National Dairy Campaign. - The Authority shall promote a nationwide campaign to boost support for the realization of the objectives of this Act. It shall encourage the participation of women's groups in dairy and dairy-related projects including dairy, animal health care, village nutrition schemes, community-based processing, and marketing of milk and dairy products.

Guideline for Dairy Campaign Implementation

The NDA shall design and execute a National Dairy Campaign Program. The plan shall serve as guide for all information materials and activities of all participating government agencies.

The NDA may access the services of the Philippine Information Agency (PIA) and other government related media agencies for the National Dairy Campaign.

The National Dairy Campaign shall be consistent with the National Milk Code and supportive of RA 7192 (Women in Development and Nation Building Act) and other related issuances.

RULE 5. PRIORITY PROJECTS

SEC. 13. Priority Projects. – Immediately after the approval of this Act, the Authority, in coordination with other related agencies, shall undertake vigorously the following:

- a) Educational programs for dairy farmers and dairy cooperatives including, but not limited to, the conduct of seminars, workshops, assemblies and other;
- b) Training Programs including but not limited to, courses in animal husbandry, feed technology, dairy cooperatives management and other related aspects of dairying;
- c) Dairy research and development including but not limited to, breeds and breeding, herd improvement, indigenous and agree-waste feed sourcing, product development, herbal veterinary drugs and biologics, dairy facilities fabrication, and others;
- d) Establishment of support services to dairy farmers and cooperatives in the acquisition of basic supplies and inputs for animal health and nutrition; and
- e) Boost the number and quality of local animals stocks through applied technology.

RULE 6. DAIRY DEVELOPMENT FUND

SEC. 14. Dairy Development Fund. - To implement Section 13 of this Act, there is hereby created a Dairy Development Fund which shall be used exclusively for the above mentioned programs in the amount of Two hundred million pesos (P200,000,000) from the funds in the National Treasury not otherwise appropriated. Annually thereafter, the amount of not less than One hundred forty million pesos (P140,000,000) shall be provided to augment the fund in the General Appropriation Act.

The National Treasury shall immediately release to NDA the amount of P200 Million, which shall constitute the seed fund for the dairy development fund to be used exclusively for the implementation of the priority projects stated in Section 13 of RA 7884.

Effective 1996 and annually thereafter the National Treasury shall certify to the availability of funds and the Department of Budget and Management (DBM) shall allocate and release to NDA the amount of P140 million pesos to augment the fund in the GAA.

SEC. 15. Government Agency Support. - The Authority shall coordinate closely with other government agencies in the establishment of support services for the dairy industry, including, among others, needed infrastructure, and the setting of tariff rate to countervail subsidize imports.

RULE 7. INTEGRATING NUTRITION PROGRAM

SEC. 16. Nutrition Programs. - The government's nutrition programs requiring milk and dairy product shall be sourced from small farmers and dairy cooperatives in coordination with the Authority.

The National Nutrition Council shall, within 60 days from the promulgation of these rules provide the National Dairy Authority with the list of government-assisted nutrition programs. The NNC and the NDA, shall, thereafter finalize the scheme for the inclusion of milk from the dairy cooperatives in these programs within the first year from the effectivity of the National Dairy Act. The NDA is empowered to enter into specific agreements with the concerned agencies such as the DECS, DOH, DSWD and others to immediately implement said schemes.

All government agencies shall include milk in their nutrition programs including but not limited to the DOH's Rehabilitation Program for malnourished children, DECS's School Health and Nutrition Center and School Lunch program, DSWD's Day Care Centers and Food Assistance Program.

RULE 8. MONITORING OF SUPPLY AND DISTRIBUTION OF DAIRY PRODUCTS

SEC. 17. Supply and Distribution – The Authority shall monitor the importation, manufacture, supply and distribution of dairy products and raw materials for the manufacture or processing of milk and dairy products, as well as the importation and exportation of dairy animals, if the needs of the industry require, it shall, after public hearing and after consultations with the National Economic and Development Authority, the Department of Trade and Industry, the Department of Finance, and the representatives of the dairy cooperatives and the commercial sector, set guidelines for the importation, exportation and pricing of dairy animals, raw materials and other products necessary for the manufacture or processing of milk and dairy products: Provided, that within a period of three (3) years from the effectivity of this Act, the dairy cooperative and the commercial sector shall, subject to quality and price considerations, mutually agree upon a volume of local milk production to be absorbed by the commercial sector.

Within the first three years of the effectivity of the National Dairy Act, the NDA shall conduct public hearings and commission appropriate studies to define the specific requirement for the smooth phasing in of the absorption of local milk supply by commercial processors.

The NDA shall render appropriate attention to the clustering of suitable dairy areas that will lead to the maximization of production volumes to commercially absorbable levels without prejudice to the prior objectives of nutrition enhancement and maximization of small farmers incomes.

If at the end of the three-year period, the parties mentioned above have not come to a mutual agreement, the commercial sector shall absorb a fixed portion of the local milk supply to be determined by the Authority.

Processors who purchase locally produced milk from dairy cooperatives in excess of the volumes prescribed by the Authority shall be accorded tax credits equivalent to ten (10%) percent of the value of the excess volume purchased.

The NDA shall monitor the compliance of the local milk absorption. It shall coordinate with the respective foreign trade units of the Department of Trade and Department of Finance to ensure the enforcement of the local milk absorption.

The Department of Finance shall provide NDA the list of all milk importers, type, volume, value, and country source of milk and milk product imports within 90 days from the effectivity of the IRR and the annually thereafter.

The Department of Trade and Industry shall provide NDA the list of all local milk processors, distributors and traders (volume, pricing, distribution) within 90 days from the effectivity of the IRR and the annually thereafter.

The DOH/BFAD shall set quality standards for physical, chemical and microbial characteristics of local as well as imported milk products within 90 days from the effectivity of the IRR.

NDA shall ensure through the DOH/BFAD the proper testing, grading classification and labeling of milk and milk products supply.

NDA shall convene affected parties and facilitate negotiations on supply of raw milk within 120 days from the effectivity of the IRR.

The buying price of raw milk shall be based on the average local prevailing farmgate price of milk.

RULE 9. OTHERS

SEC. 18. Exemption from Taxes and Duties - The Authority shall be exempt from the payment of customs duties and taxes on the importation of dairy animals, veterinary and other supplies, other farm inputs, dairy equipment and machineries, including its spare parts, for distribution to dairy cooperatives subject to the following conditions:

- 1) That said equipment and machineries, including its spare parts are not manufactured domestically in sufficient quantity, or comparable quality and reasonable prices;
- 2) That it shall be actually, directly and exclusively used by the dairy cooperatives in the manufacture of its products;
- 3) If it will be subsequently sold, transferred or exchanged in the Philippines to non-exempt persons or entities, the purchaser or recipients shall be considered the importers thereof, and shall be liable for the customs duties and internal revenue taxes due on such importations. The customs duties and internal revenue taxes due on such articles shall constitute a lien on the articles itself, superior to all other charges or liens, irrespective of the possessors thereof.

Any donation, contribution, bequest, subsidy or financial aid which may be made to the Authority shall constitute as allowable deduction from the income of the donor for income tax purposes and shall be exempt from donor's tax, subject to such conditions as provided under the National Internal Revenue Code, as amended.

Small farmers and small farmers' dairy cooperatives shall be exempt from all taxes on proceeds from sale of raw milk and milk products.

Milk processors shall enjoy a presumptive input tax credit of four percent (4%) of the value of their gross purchases from small farmers and small farmers' dairy cooperatives.

SEC. 19. Credit Facilities. – The Bangko Sentral ng Pilipinas shall adopt such monetary and re-discounting policies as may be designed to encourage rural banks, savings and loan associations, commercial banks and other credit institutions to meet the financing and credit needs essential to achieve the objectives of this Act.

In addition, the Philippine National Bank, the Lank Bank of the Philippine, and the Development Bank of the Philippines shall design and establish special lending programs at affordable terms for small dairy farmers and dairy cooperatives.

SEC. 20. Auditor.- The Authority shall have an auditor and complementary personnel who shall be appointed by the Commission on Audit in accordance with the civil service law, rules and regulations. The salaries of the auditor and the audit staff shall be determined and paid by the Commission on Audit.

SEC. 21. Transitory Provision. – The Philippine Dairy Corporation is hereby abolished. The dairy functions of the Livestock Development Council, the Dairy Division of the Bureau of Animal Industry and the Laguna Processing Center are hereby transferred to the Authority.

The personnel, assets, funds held, grants, subsidies and records of the abolished agencies and including that of LDC, BAI (Dairy Division), LPC will be transferred to the NDA.

The Secretary of Agriculture shall designate an officer-in-charge pending the appointment of the Administrator by the President of the Philippines.

Incumbent officials and employees of the affected offices shall continue to exercise their respective functions, duties and responsibilities, with the corresponding benefits and privileges unless and until otherwise ordered by the Board.

The new position structure and staffing pattern of the Authority shall be approved and prescribed by the Board within ninety (90) days from the effectivity of this Act within guidelines set by existing civil service and other laws, rules and regulations on the matter. Those separated from the service shall receive the retirement benefits to which they may be entitled under existing laws, rules and regulations. Otherwise, they shall be paid the equivalent of one (1) month's salary for every year of service or a fraction thereof, computed on the basis of the highest salary received, but in no case shall such exceed the equivalent of twelve (12) month's salary.

RULE 10. BUDGET AND FINAL PROVISIONS

SEC. 22. The activities embodied in this IRR shall be implemented using the regular budget of the government departments/agencies. In cases where some critical activities can not be funded from the regular budgets, the concerned government departments/agencies, and the LGU's shall be advised to source these from supplemental budgetary requests.

SEC. 23. Effectivity. - These rules and regulations shall take effect immediately upon approval.

Approved: April 18, 1995