

(GCG) DISCLOSURE REQUIREMENT

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The National Food Authority recognizes its social responsibility of ensuring food security in rice and corn for the nation, in helping increase the rice and corn farmers' income through giving them reasonable return on investment, and in helping reduce poverty by enhancing the poor consumers' access to rice.

It shall commit to implement a sustainable mechanism to ensure the stabilization of prices and supply of rice and corn and in regulating the development of the rice and corn industry.

The NFA supports the welfare of its stakeholders through provision of services which will give them fair value for their purchases and public needs, open lines of communication for a good feedback mechanism and which will allow NFA to respond quickly and efficiently to consumer and market requirements.

The NFA provides for the continuing personal and professional development of its employees, encourages them to deliver efficient services to the public, raise awareness to the community it serves, and most importantly, to think and act as a team.

MATERIAL RISKS FACTORS & MEASURES TO MANAGE SUCH RISKS

Financial risks of the National Food Authority primarily involves its ballooning debts, which has run into more than P155 B as of 2013, to carry out its mandate of buying at the farm level, and selling at the consumer level. The limited government subsidy leaves NFA with no choice but to borrow money from the commercial banks to fulfill its mandate. To manage the financial risks, all NFA loans are covered by government guarantee. To minimize debts, action plans being proposed under the NFA Reform Agenda include the adoption of new pricing policy, where the possibility of selling NFA rice at full costs or near market rates, are being considered. Ultimately, the NFA will push for the transfer of all its debts to the National Government through legislation.

Operational risks involve prioritizing the procurement of domestically produced palay for its buffer stocking/food security stocks, even if the present government support price of P 17.00/kg is lower than the prevailing commercial ex-farm prices. There is no move yet from the government to increase the present government support price considering that at its present level, the farmers are still receiving reasonable returns on their investment. The prevailing high farm prices are favorable to the Filipino farmers. Operational reforms consider procuring in top surplus/producing areas, including far-flung areas, where private traders have limited operational activity. This will, accordingly, augment the deficiency in buffer stocks.

Risks on stocks inventory maintained by NFA are addressed through regular quality monitoring to maintain its good and consumable condition, applying sound inventory management, monitoring and control through adoption of an I.T. System (eIfomis), and construction of Climate Change resilient warehouses, far from flood prone areas. NFA also conducts semi-annual audit of stocks, adherence to documentation requirements, and accountabilities of warehouse officers, so that proper liquidations can be made.