

# Assessment of the Philippine Salt Industry: Profile, Challenges, and Initiatives to Support the Industry\*

## I. INTRODUCTION

Salt, scientifically known as sodium chloride, is an essential mineral for the human body. A small amount of salt plays a pivotal role in transmitting nerve signals, muscle movement, and a healthy balance of minerals and water (Harvard School of Public Health, n.d.). Beyond its fundamental importance to human health, salt has also emerged in the culinary and manufacturing industries. In culinary, salt is commonly used as a flavor enhancer, seasoning, and preservative while in the manufacturing industry, it is used in the production of soaps, detergents, and processed foods, among others. Interestingly, the use of common salt is also being endorsed by the Philippine Coconut Authority as a fertilizer for fruit-bearing coconut trees as it accelerates crop growth and development, and increases copra weight and number of nuts, among its other advantages (Philippine Coconut Authority, n.d.).

The Philippines, an archipelago surrounded by vast bodies of saline water, is naturally positioned for abundant salt production. In the early 1990s, the country was able to meet 85% of its salt requirement, and only 15% was imported (Hontucan & Acedo, 2017). Presently, however, the country has become highly dependent on imported salt, importing 93% of its salt requirement (Senate of the Philippines, 2023). The decline of local salt production was attributed to several factors, such as climate change, limited technological advancements in the industry, reclamation of bay areas, and subsequent construction of coastal roads, which disrupted salt production, among others, leading to the gradual deterioration of the industry.

Currently, the government is trying to revive the industry to achieve salt self-sufficiency through the institutionalization of a policy framework. This initiative aims to reduce the country's heavy reliance on imported salt, address existing policy gaps, improve salt production methods, and attract and encourage investment through the grant of tax incentives, among others.

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This study will provide a profile of the Philippine salt industry, including the issues and challenges confronting it. A discussion on government initiatives as well as pending proposals in both Houses of Congress that seek to revitalize the said industry in order to achieve salt self-sufficiency for the country are also provided.

## II. PROFILE OF THE PHILIPPINES SALT INDUSTRY

### A. Historical Background

Salt production in the Philippines has a long history and the methods vary by location. During the pre-colonial period, salt was produced using a traditional method called solar evaporation<sup>1</sup> (Ventayan et al., 2023), which played an important role in the development of the industry and is still a common process for making salt today. In the 18th century, salt-making using solar dry beds was introduced in the City of Las Piñas, which was then known as a fishing village. Over time, the hectares of land in the area were converted into salt beds or *irasan*, establishing a reputation as a salt-making center and producer of *primera* or first-class salt<sup>2</sup>.

In the 1950s, the industry flourished as new salt farms were built in Pangasinan, Bulacan, Occidental Mindoro, Cavite, Parañaque City, Negros, and Cebu, among others. The then towns of Las Piñas and Parañaque, and parts of Panay Island produced salt through the solar evaporation process while boiling or cooking<sup>3</sup> seawater was practiced in Pangasinan and Ilocos. A combination of both processes, on the other hand, was practiced in other parts of Iloilo, and Mindoro.

These salt-producing areas in the Philippines reached an estimated peak of 5,000 hectares, yielding an estimated 240,000 metric tons (MT) of salt yearly in the 1960s and 1970s (Bacelonia, 2023), despite the use by producers of traditional methods or the absence of technology in the production of salt. In the early 1990s, the country was able to meet 85% of salt demand, while the remaining 15% was addressed through importation. As such, the local salt industry flourished and the country was almost self-sufficient when it came to the production of salt.

Meanwhile, data gathered from the Philippine Statistics Authority (PSA) showed that the historical volume and value of imported salt from 1991 to 2020 had notable increases in the years 1994 and 1999. (See Annex A.) Further, it was observed that the bulk of the imported salt during the said period was industrial salt, largely used to produce different chemicals. In 1994, the volume of imported salt drastically

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<sup>1</sup> It is the oldest method of salt production. It has been used since salt crystals were first noticed in trapped pools of sea water. Solar salt production is, typically, the capturing of salt water in shallow ponds where the sun evaporates most of the water (Dela Cruz, 2018).

<sup>2</sup> Explanatory Note of Senate Bill No. 1334.

<sup>3</sup> Boiling or cooking method is the boiling of seawater in large pans to evaporate excess moisture and eventually form salt crystals (Bartolome et al., 2022).

increased to 257.40 million kilograms (kg) from 67.83 million kg in 1993, or an increase of 279.50%, which may be attributed to the reduction in the applicable tariff rates of salt from 20% or 10% in July 1992 to 10% or 3% in July 1993, pursuant to the issuance of Executive Order No. 470, s. 1991<sup>4</sup>, which modified the rates of import duty on imported salt, among other commodities. In 1999, a similar exponential increase in the volume of imported salt was recorded at 258.57%, which was attributed to the La Niña weather phenomenon (Hontucan & Acedo, 2017) that affected the local salt production.

## B. Current State of the Local Salt Industry

At present, the situation is the opposite of the early 1990s as the bulk of the salt requirement of the country is being imported. This is despite the country having a shoreline of 36,000 kilometers (Ventayan et al., 2023), which is ideal for salt production. Based on the data gathered from the Bureau of Fisheries and Aquatic Resources (BFAR), local salt farmers produced an average of 89.67 million kg of salt annually from 2020 to 2022, which accounted for 12.48% of the total salt demand of the country. On the other hand, the country imported an average of 629.07 million kg of salt in the same period, representing 87.52% of the total salt requirement of the country, which is 983,000 MT annually (CNN, 2022), according to the Philippine Association of Salt Industry Networks (PhilASIN)<sup>5</sup>.

With regard to industry players, data from the BFAR shows that there are only 1,078 recorded businesses engaged in salt processing and manufacturing in the country, predominantly centered in 16 provinces. The majority, or 97.89%, of these salt producers are individuals, while associations/cooperatives and corporations are only 0.72% and 1.37% of the total, respectively. Among these provinces, 14 are classified as minor salt producers and only two are major salt producers (BFAR, official communication, July 20, 2023). The two major salt-producing provinces, Pangasinan and Occidental Mindoro, collectively contributed 90.59% of the total local salt production from 2020 to 2022. (See Table 1.)

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<sup>4</sup> Entitled, “Modifying the Nomenclature and Rates of Import Duty of Certain Imported Articles Under Section 104 of the Tariff and Customs Code of 1978 (Presidential Decree No. 1464)”, as Amended, July 20, 1991.

<sup>5</sup> PhilASIN is a group of salt producers and non-government organizations working to revive the salt industry (Pamintuan, 2023).

**Table 1**

*Total Number of Businesses Engaged in Salt Processing and Manufacturing, and Volume of Salt Production*

Salt producing provinces	Number of businesses (as of 2022)	Total annual volume of salt production in MT (2020-2022)	Percent share to total
<b>A. Major</b>			
1. Occidental Mindoro	38	52,500	58.55
2. Pangasinan	342	28,745	32.05
<b>B. Minor</b>			
3. Ilocos Norte	81	915	1.02
4. Ilocos Sur	99	161	0.18
5. La Union	2	33	0.04
6. Zambales	3	2,836	0.12
7. Bulacan	8	106	3.16
8. Cavite	3	165	0.18
9. Batangas	1	3	0.16
10. Quezon	1	144	0.003
11. Antique	25	37	0.04
12. Iloilo	54	470	0.52
13. Guimaras	88	676	0.75
14. Negros Occidental	269	1,855	2.07
15. Bohol	5	4	0.004
16. Misamis Oriental	59	1,025	1.14
Total	1,078	89,675	100.00

*Note.* BFAR (official communication, July 20, 2023)

### C. Regulatory Framework

Republic Act (RA) No. 8172<sup>6</sup>, otherwise known as “An Act for Salt Iodization Nationwide” (ASIN) Law, which was passed into law in December 1995, stands as the principal legislation overseeing the Philippine salt industry. The purpose of the law, among others, is to eliminate micronutrient malnutrition in the country, particularly iodine deficiency disorders<sup>7</sup>, through the cost-effective preventive measure of salt iodization.

<sup>6</sup> Entitled, “An Act Promoting Salt Iodization Nationwide and for Related Purposes”, (December 20, 1995).

<sup>7</sup> Iodine deficiency disorder is a broad spectrum of deficiencies resulting from lack of iodine in the diet which leads to the reduction of intellectual and physical capacity affecting everyone who is iodine-deficient and may manifest as goiter, mental retardation, physical and mental defects, and cretinism (Section 4(b), RA 8172).

The legislation encompasses all stakeholders in the salt industry, including producers, manufacturers, importers, traders, and distributors, as well as government and non-government agencies involved in salt iodization activities. Additionally, the law requires repackers, distributors, retailers, and vendors to sell and/or distribute iodized salt only. Furthermore, the food processing sector, food services, and food establishments are likewise compelled to use iodized salt only.

To implement the law, the Department of Trade and Industry (DTI), Cooperative Development Authority (CDA), Department of Science and Technology (DOST), and the Department of Environment and Natural Resources (DENR) are mandated to support the salt iodization program through their respective internal programs.

In the revised implementing rules and regulations (IRR) of RA 8172<sup>8</sup>, the DTI is mandated to assist and support the upgrade of the production technology of local salt producers/manufacturers by helping them obtain soft loans and financial assistance. Rule VI, Section 3(b) of the IRR also provides that the DTI shall provide incentives to the salt industry by including salt iodization as a priority investment program of the government through its Board of Investments (BOI). Further, the DTI is mandated to assist salt producers/manufacturers to obtain soft loans for machines, equipment, and other materials needed to upgrade the salt industry, through the Small Business Guarantee and Finance Corporation.

Moreover, the DOST is mandated to develop and implement an appropriate program for assistance to salt producers/manufacturers in the design and fabrication of salt iodization equipment, provide technical assistance in the design, maintenance, and operation of salt iodization machines, and transfer appropriate salt iodization technology to salt producers/manufacturers, among others.

On the other hand, the CDA is mandated to provide technical assistance to small and subsistence salt producers/manufacturers to organize themselves into cooperatives and undertake salt iodization and marketing of iodized salt in the spirit of cooperativism. The organized cooperatives shall be registered in accordance with CDA guidelines, rules and regulations, and applicable laws. The CDA is also mandated to encourage registered cooperatives to trade in food-grade iodized and assist in the promotion of the ASIN Law and monitor its compliance.

Based on the data gathered from the CDA, there are only 11 cooperatives out of 2,136 total registered cooperatives involved in the salt industry as of December 2022 (BFAR, official communication, May 26, 2023). Among these, eight are multipurpose cooperatives, while the other three are consumers, producers, and agrarian reform cooperatives. Notably, only one of these cooperatives is a salt producer cooperative - the Tamaraw Salt Producers Cooperative of Occidental Mindoro (TAMACO) (CDA, official communication, August 24, 2023). These cooperatives are entitled to tax exemptions, which include exemption from income tax; value-added tax (VAT);

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<sup>8</sup> Entitled, “Revised Implementing Rules and Regulations of Republic Act No. 8172 “An Act Promoting Salt Iodization Nationwide and for Related Purposes”, (March 3, 2004).

percentage tax; donor's tax; excise tax; documentary stamp tax; all taxes on transactions with insurance companies and banks; and annual registration fee of P500, as provided under Articles 60 and 61 of RA 6938<sup>9</sup>, otherwise known as the "Cooperative Code of the Philippines", as amended by RA 9520<sup>10</sup>.

#### D. Issues and Challenges of the Salt Industry

As previously mentioned, local salt production flourished in the early 1990s, but since, has experienced a gradual decline. The decline was not instantaneous but was brought about by a series of events and policy changes that significantly impacted the industry. The following are some of the issues and concerns identified by the BFAR that affected the productivity of the industry (BFAR, official communication, July 20, 2023):

##### 1. Climate change

The local salt industry relies heavily on solar evaporation (BFAR, 2023), making it vulnerable to the impacts of climate change. According to Pacific Farms Inc., a major salt producer in the country, the sharp increase in salt imports from 1998 to 2001 was mainly attributed to the country's extreme weather conditions, such as El Niño and La Niña. These weather changes have greatly affected the course of production of the industry. In a 2017 interview conducted by Regina Yoma of the University of San Carlos University, salt farmers from Bulacan and Cavite explained that prolonged wet seasons and rains during the dry season had detrimental effects on their salt farms. The rain would dissolve the crystallizing salt in the salt beds and contaminate the brine before the final stage of salt production (Hontucan & Acedo, 2017).

##### 2. Orphan industry

Despite being a crucial component of the country's food and manufacturing industry, the salt industry has struggled to attain consistent government support. Specifically, no specific government agency has been designated to oversee the industry over the past years, leading to an inability to address the concerns of the stakeholders, which has impeded the potential of the industry to grow.

##### 3. Passage of RA 8172

While certain agencies were mandated to support the local salt producers/manufacturers through financial and technical assistance, industry leaders, however, complained that the promised assistance in research and loans, technology transfer, and incentives in the production, marketing, and distribution of iodized salt did not materialize (Valderama, 2023).

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<sup>9</sup> Entitled, "An Act to Ordain a Cooperative Code of the Philippines", (March 10, 1990).

<sup>10</sup> Entitled, "An Act Amending the Cooperative Code of the Philippines to be Known as the "Philippine Cooperative Code of 2008", (February 17, 2009).

Moreover, some lawmakers perceived the passage of RA 8172, or the ASIN Law, as a deterrent to the industry. The BFAR pointed out that the ASIN Law imposed heavy sanctions for violations and non-compliance, forcing most small-scale producers to cease operation due to a lack of training, funds, or resources to comply with the iodization requirements. As a result, salt farms were converted into fishponds, and residential and commercial properties to create profit avenues (BFAR, 2023).

4. Limited government policies, access to financial and other government support services, and technological innovation

Government policy and support are crucial for any industry's growth and sustainability. Presently, aside from the ASIN Law, there are no other existing laws or policies that provide the legal and institutional framework for the development of the local salt industry. Further, limited access to credit programs hinders the local salt industry from capitalizing and using more efficient and sustainable salt production methods and improving salt production facilities. According to the BFAR, financial constraints pose the primary challenge in the salt industry, as most producers struggle to secure the necessary capital to sustain, upgrade, and expand their operations.

Meanwhile, most of the local salt producers are still using traditional techniques such as solar evaporation, boiling, and other conventional methods in artisanal salt-making. Salt producers generally iodize salt manually (i.e., by using bare hands, shovel, or plastic sprayer), and with no standard procedures or guidelines being followed. Further, production and storage facilities in some areas do not comply with regulatory standards in terms of food safety and sanitation. Due to lack of innovation, and intervention and support from the government, the industry failed to adapt to the changes brought by climate change, food safety standards, and quality requirements, which affected salt farms' productivity and product quality.

5. Change in business interest, and urbanization

Salt production is labor-intensive and seasonal, with small economic returns, which led to growing disinterest among younger generations and entrepreneurs. As a result, salt farmers switched to other salt-related activities such as salt trading; and fish farming, which are more profitable.

Urbanization also became detrimental to the country's local salt production. Salt farms in Cavite, Bulacan, Las Piñas, and Parañaque were converted to residential and commercial properties, because of higher profit margins (De Leon, 2022). Moreover, according to the BFAR, land reclamation, and urbanization have made land prices high in areas such as Cavite and Bulacan. Las Piñas City was once regarded as the salt-making center of the country. However, as shown in Table 1, no salt producer is accounted for in the said city. It was reported by the PhilASIN that these conversions occurred without opening or approving new areas for salt-making (De Leon, 2022).

## 6. Market competition

The implementation of RA 8172, which required the sale and use of iodized salt only, posed challenges for local salt producers. The sanctions for non-compliance with the provisions of RA 8172 resulted in the patronage of imported iodized salt by sellers, distributors, traders, the food processing sector, food services, and food establishments. As such, the salt market was flooded by cheap imports after 1994 (Hontucan & Acedo, 2017). Due to trade agreements of the country, such as the Most Favoured Nation, ASEAN Trade in Goods Agreement, and ASEAN-Australia-New Zealand Free Trade Area, among others, with its main export partners, salt products have a 0% or 1% applicable tariff rate in 2023. Salt became one of those goods the tariff rate of which was reduced in the said trade agreements to ensure the free flow of goods in the concerned regions. Consequently, the price of locally-produced food-grade salt could no longer compete with its imported counterparts. Further, trading and prices were monopolized by a few major salt traders (BFAR, 2023).

### III. GOVERNMENT EFFORTS TO REVIVE THE PHILIPPINE SALT INDUSTRY

In response to the challenges faced by the Philippine salt industry, the government is aiming to revitalize the industry through various initiatives.

#### A. Inclusion of Salt Farmers into the Fisherfolk Sector

Being tagged as an orphan industry for so many years, it was only in May 2021 that legislators urged the Department of Agriculture (DA), DENR, DOST, DTI, and the CDA to consider salt producers as part of the fisherfolk sector pursuant to House Resolution (HR) No. 00171<sup>11</sup> (BFAR, 2023). Once part of the fisherfolk sector, salt farmers shall benefit from the financial, technical, and other assistance provided by the aforementioned agencies. HR 00171 also explained that the ASIN Law led to the loss of livelihood and means of survival of salt producers because they lacked the facilities to comply with the requirements of the law.

The extraction of salt<sup>12</sup> falls under the Mining and Quarrying Sector or the Philippine Standard Industrial Classification (PSIC) Code 08930. On the other hand, the processing of salt into food-grade salt falls under the Manufacturing Sector with PSIC Code 1079.

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<sup>11</sup> Entitled, “Resolution Urging the Department of Agriculture, Bureau of Fisheries and Aquatic Resources, Department of Environment and Natural Resources, Department of Science and Technology, Department of Trade and Industry, and the Cooperative Development Authority, to Consider Salt Producers as Part of the Fisherfolk Sector and Provide Them the Same Assistance and Benefits Given to Fisherfolk”, (May 25, 2021).

<sup>12</sup> Includes (a) extraction of salt from underground including by dissolving and pumping, (b) salt production by evaporation of sea water or other saline waters, and (c) crushing, purification and refining of salt by the producer (PSA, n.d.).



## B. The Development of Salt Industry Project

### 1. Features of the Development of Salt Industry Project

As part of the initiative of the government to revive the Philippine salt industry, the BFAR launched the Development of Salt Industry Project (DSIP), also known as "Oplan Asin," in March 2022, to bolster local salt production. This project, which has a total funding of P100 million, is aimed at producing excellent quality salt through process enhancement, improvement of practices on salt production, and product compliance with food safety standards. It is implemented by the DA through the BFAR and the National Fisheries Research and Development Institute (NFRDI).<sup>13</sup>

The project is to be implemented through project site identification whereby profiling and assessment, and shortlisting of the existing salt production areas in Regions I (Ilocos), VI (Western Visayas), and IX (Zamboanga Peninsula) shall initially be conducted in coordination with the Provincial Fishery Offices and local government units (LGUs). Also, the NFRDI in coordination with the BFAR, regional fishery offices, and LGUs shall identify/select project sites in Regions I, III (Central Luzon), IV-A (CALABARZON), IV-B (MIMAROPA), VI, VII (Central Visayas), IX, and X (Northern Mindanao) to produce a comprehensive profile of salt farmers, producers, traders, distributors, importers, and consumers in the country.

On the other hand, to realize the goal of reviving the local salt industry through technology development and research initiatives, the NFRDI will focus its activities on boosting and sustaining local salt production by providing necessary production, post-harvest, and marketing-related interventions to the selected salt farmers/project beneficiaries. These initiatives include the development and standardization of processing methods, consumers' acceptability tests, and market research for locally-produced sea salt products, as well as revisiting and amending existing policies governing the salt industry. Capability building activities, as well as provision of production materials, equipment, and facilities, are to be provided to improve the handling, processing, storage, and distribution of salt products in compliance with relevant food safety and product standards.

For qualified beneficiaries of the project, item II, 2.1 of the DA Memorandum Circular No. 36, s. of 2022, provides for the following criteria, as applicable:

- a. Existing salt farmers/producers, fisherfolk groups/individuals who are willing to collaborate and adopt/avail the latest technologies for the improvement/enhancement of the salt production process.

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<sup>13</sup> Department of Agriculture Memorandum Circular No. 36, series of 2022, (September 22, 2022).

- b. Salt producers ceased their operations but were encouraged to revive their operations and avail of new technologies to increase salt production.
- c. Salt farmers/producers and processors who will be capacitated and provided training on appropriate technologies for product formulation, packaging, labeling, and compliance with food safety requirements.
- d. Must be registered under the Fisherfolk Registry system of the LGU or Registry System for Basic Sector in Agriculture.

The Circular also provides that clustering and consolidation of production, processing, and marketing activities of salt farmer-beneficiaries will be done to optimize the interventions and assistance to be provided. Individual salt farmers in a community will be formed into a cooperative to avail of opportunities from the CDA and other funding agencies. This strategy targets to escalate local salt production and will allow government financing institutions to facilitate easier and cost-effective business transactions, increase access to government support programs, and establish close linkage to suppliers, consumers, marketing services, and competitors. It is also seen to improve production and manufacturing lines that cannot be undertaken by individual units, especially for small-scale subsistence producers.

Upon completion of the DSIP, the projects shall be turned over to the beneficiaries through the LGUs. Teams at the BFAR-Central Office (CO) and Regional Offices (ROs) are to be created to monitor the progress of the project and to evaluate the same for further planning purposes. Monthly reports are thus, required to be submitted by the BFAR-ROs to the BFAR-CO, and similarly the BFAR-CO, through the Assistant Director for Operations, to the DA-CO.

## 2. Implementation status of the DSIP

According to the BFAR, the implementation of the DSIP transpired in the last quarter of 2022 or shortly after its implementing guidelines was issued in September 2022 (BFAR, official communication, September 27, 2023). While salt is a new commodity assigned to the BFAR, the agency was able to accomplish the following under the project:

- a. Conduct of capacity-building activities such as training on salt production technology and food safety;
- b. Provision of new materials for solar salt production and cooking methods; and
- c. Establishment/rehabilitation of salt storage houses.

As of September 2023, the DSIP has a total of 265 beneficiaries in Regions I (Ilocos), VI (Western Visayas), and IX (Zamboanga Peninsula). The majority, or 224 of the beneficiaries, are individual salt farmers, 39 are associations, and 2 are cooperatives.

In terms of salt production areas, the BFAR noted that there are possible new potential areas that can be developed for salt production but these are still subject to suitability criteria and existing land use. The development of the said criteria is still ongoing and is being undertaken by the NFRDI, as part of the research and development (R&D) of the DSIP for the year 2023. The existing land use and possible land use of suitable public lands, on the other hand, still require consultation with the concerned LGUs. For the time being, the focus of the project was on the existing salt producers, and also those salt producers who ceased their operations and are willing to be revitalized.

As regards salt production method/s, none has been introduced yet as the budget for the R&D of the project is focused on profiling the salt industry, documenting the existing technologies, and developing site suitability criteria. Current salt production still utilizes solar and cooking methods.

The project, however, was not spared of issues or challenges one year into its implementation. Below are some of the concerns and issues identified by the BFAR:

- a. Lack of manpower and technical capability of extension workers (salt being a new commodity under the BFAR);
- b. Identification and suitability of expansion areas;
- c. Profit sharing between salt farmers and land owners;
- d. Tenurial instruments;
- e. Unpredictable weather conditions; and
- f. Beneficiary selection.

### **C. Pending Legislation in Congress**

As mentioned earlier, some lawmakers view the enactment of the ASIN Law, as a deterrent to the industry. Consequently, both Houses of Congress have introduced multiple bills aimed at revitalizing the Philippine salt industry. These bills were all considered and consolidated under House Bill (HB) No. 8278<sup>14</sup> and Senate Bill (SB) No. 2243<sup>15</sup>, both to be known as the “Philippine Salt Industry Development Act”.

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<sup>14</sup> Entitled, “An Act Revitalizing the Salt Industry, Creating a Comprehensive Plan for Its Development, Providing Incentives to Salt Farmers, Producers and Exporters, and Appropriating Funds Therefor”. Introduced by Representative Salo, et. al. of the Nineteenth Congress, First Regular Session.

<sup>15</sup> Entitled, “An Act Strengthening and Revitalizing the Salt Industry in the Philippines, Appropriating Funds Therefor”. Introduced by Senator Villar et. al. of the Nineteenth Congress, First Regular Session.

Salt, unprocessed or processed, is proposed to be classified as a basic agricultural product under HB 8278 and as an aquatic resource product under SB 2243. Both bills also identified provinces with Type I<sup>16</sup> climate as priority areas for salt production. These provinces include Ilocos Norte, Ilocos Sur, La Union, Pangasinan, Zambales, Bataan, Occidental Mindoro, Oriental Mindoro (SB 2243), Palawan, Antique, and Marinduque (HB 8278). As such, the said provinces shall be prioritized in the national development of salt farms (HB 8278).

The bills also propose the formulation and establishment of a Philippine Salt Industry Roadmap, which shall include, but not limited to, programs, projects, interventions, and incentives for the development and management, research, processing, utilization, modernization, business development, and commercialization of Philippine salt. Both bills provide that the roadmap shall be aligned with the objectives and continued implementation of the ASIN Law, which shall include the mandatory iodization of all food-grade salt. In the case of HB 8278, however, domestically-produced salt including industrial salt shall be exempt from mandatory iodization unless required by the Philippine Salt Industry Development Council (PSIDC). Similarly, imported food-grade salt may also be exempt from mandatory iodization subject to the approval of the PSIDC. The proposed PSIDC, shall ensure the unified and integrated implementation of the industry's roadmap and accelerate the modernization and industrialization of the Philippine salt industry.

Additionally, the bills also seek to grant incentives to investors in salt farm development and salt processing facilities. These include the BOI classifying salt farm as a preferred area of investment under the Strategic Investment Priority Plan (SIPP)<sup>17</sup> subject to pertinent rules and regulations. SB 2243 further proposes to exempt salt farm owners, salt processors, and other related businesses from the payment of import duties for imported machines and equipment that are actually and directly used in their businesses, subject to pertinent rules and regulations. SB 2243 also seeks to levy, collect, and be paid upon all imported salt a duty of 9% ad valorem. The bills also provide that the tariff collections from imported salt shall be credited automatically to the proposed Salt Industry Development and Competitiveness Enhancement Fund, a special account to be created with the National Treasury, which shall be used to develop the salt industry. (See Table 2.)

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<sup>16</sup> Refers to two pronounced season – dry from November to April and wet during the rest of the year (DA Regional Field Office IX, n.d.).

<sup>17</sup> The SIPP refers to the plan prepared by the BOI, in coordination with the Fiscal Incentives Review Board, investment promotion agencies, and other government agencies administering tax incentives, scope and coverage of location and industry tiers, recommendations for non-fiscal support and corresponding specific activities wherein investments are to be encouraged, and other information, analyses, data, guidelines, or criteria as the BOI may deem appropriate (Part 1, Rule 1, Section 4 (DD), Corporate Recovery and Tax Incentives for Enterprises Act Implementing Rules and Regulations).

**Table 2***Incentive Provisions in HB 8278 and SB 2243*

Particulars	HB 8278	SB 2243
On incentives and tax exemptions	<p>Section 31. Incentives. – The following incentives shall be provided to investors in salt farm development and salt processing facilities:</p> <p>(a) The Board of Investments shall classify salt farms as preferred areas of investment under its Investment Priorities Plan subject to pertinent rules and regulations;</p> <p>(b) The salt farmers and processors shall be given priority to access credit assistance and guarantee schemes being granted by Government Finance Institutions; and</p> <p>(c) Salt farm development and their equipment shall be covered by the Philippine Crop Insurance Corporation.</p>	<p>Section 26. Incentives. - The following incentives shall be provided to investors in salt farm development and salt processing facilities:</p> <p>(a) The Board of Investments shall classify salt farms as preferred areas of investment under its Investment Priorities Plan (IPP) subject to pertinent rules and regulations;</p> <p>(b) Salt farm owners, salt processors, and other related businesses shall be exempt from the payment of import duties for imported machines and equipment to be actually and directly used in their businesses, subject to pertinent rules and regulations;</p> <p>(c) The salt producers and processors shall be given priority to access credit assistance and guarantee schemes granted by Government Financial Institutions (GFIs); and</p> <p>(d) Salt farm development and their equipment shall be covered by the Philippine Crop Insurance Corporation.</p>
On tariff rate for imported salt		<p>Section 27. Tariff on Salt. – There shall be levied, collected, and paid upon all imported salt a duty of 9% ad valorem.</p>

The proposal of the bills to classify salt farm development as a preferred area for investment under the SIPP could boost investment in the industry, increase local production, and allow the country to improve its export capacity and thus, be able to compete globally. The 2022 SIPP is valid only for three years and is subject to review and amendment every three years thereafter unless a supervening event necessitates its review.

Additionally, it should be noted that Section 300 of the National Internal Revenue Code (NIRC) of 1997, as amended by RA 11534<sup>18</sup>, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act”, provides that all sectors or industries that may be included in the SIPP shall undergo an evaluation process to determine their suitability and the potential of the industry or sector to promote the long-term growth and sustainable development, and the national interest. It provides further that in no case shall a sector or industry be included in the SIPP unless a formal evaluation process or report supports it. Therefore, activities related to salt farm development shall undergo the necessary procedures to be included in the SIPP.

In the event that activities related to salt farm development are included in the SIPP, the same shall be entitled to avail of the following tax incentives under Title XIII of the NIRC of 1997, as amended by RA 11534 (See Table 3):

**Table 3**

*Tax Incentives Under Title XIII of the NIRC of 1997, as Amended by RA 11534*

Location Tier	Duration of tax incentives (in years)	
	Domestic market enterprise	Export-oriented enterprise
National Capital Region (NCR)	4, 6, or 5 income tax holiday (ITH) + 5 enhanced deductions (ED), and a maximum of 12 customs duty exemptions on the importation of capital equipment, raw materials, spare parts, or accessories from the date of registration	4, 6, or 5 ITH + 10 ED/Special Corporate Income Tax (SCIT), and a maximum of 17 customs duty exemptions on the importation of capital equipment, raw materials, spare parts, or accessories and VAT zero-rating on local purchases and VAT exemption on importation from the date of registration

<sup>18</sup> Entitled, “An Act Reforming the Corporate Income Tax and Incentives System, Amending for the Purpose Sections 20, 22, 25, 27, 28, 29, 34, 40, 57, 109, 116, 204 and 290 of the NIRC of 1997, as Amended, and Creating Therein New Title XIII, and for Other Purposes”, (March 26, 2021).

Location Tier	Duration of tax incentives (in years)	
	Domestic market enterprise	Export-oriented enterprise
Metropolitan areas or areas contiguous and adjacent to the NCR	5, 6, or 7 ITH + 5 ED, and a maximum of 12 customs duty exemptions on the importation of capital equipment, raw materials, spare parts, or accessories from the date of registration	5, 6, or 7 ITH + 10 ED/SCIT, and a maximum of 17 customs duty exemptions on the importation of capital equipment, raw materials, spare parts, or accessories and VAT zero-rating on local purchases and VAT exemption on importation from the date of registration
All other areas	6 or 7 ITH + 5 ED, and a maximum of 12 customs duty exemptions on the importation of capital equipment, raw materials, spare parts, or accessories from the date of registration	6 or 7 ITH + 10 ED/SCIT, and a maximum of 17 customs duty exemptions on the importation of capital equipment, raw materials, spare parts, or accessories and VAT zero-rating on local purchases and VAT exemption on importation from the date of registration

The proposal under SB 2243 to exempt the imported machines and equipment of salt farm owners, salt processors, and other related businesses from import duties, subject to pertinent rules and regulations, will encourage the adoption of modern and cost-effective machinery and equipment in salt production and enhance productivity. Also, the savings that will be generated from the proposed exemption can be used instead by stakeholders to purchase other materials necessary in the production, or on any activity relevant to their operation.

On the other hand, the proposal of SB 2243 to impose a 9% tariff rate on all imported salt would serve as a protection for the local industry and, at the same time, raise revenues for the government. As mentioned earlier, the applicable tariff rate for imported salt is 0% or 1%, depending on the tariff agreement. In the year 2022 alone, the Bureau of Customs (BOC) collected P79 million<sup>19</sup> in duties and taxes from imported salt. It must be pointed out, however, that the determination of tariff rates, as well as any further adjustment of tariff rates on imported salt as the situation may require, must be deferred to the wisdom of the President to ensure that the country adheres to its free trade agreements with the World Trade Organization and other trade agreements. Furthermore, Section 1608 of RA 10863<sup>20</sup>, otherwise known as the

<sup>19</sup> BOC. (n.d.) *Import Entries*. Retrieved September 18, 2023 from [https://customsph-my.sharepoint.com/personal/delakrusj\\_customs\\_gov\\_ph/\\_layouts/15/onedrive.aspx?ga=1&id=%2Fpersonal%2Fdelakrusj%5Fcustoms%5Fgov%5Fph%2FDocuments%2FImport%20Entries%2F2022](https://customsph-my.sharepoint.com/personal/delakrusj_customs_gov_ph/_layouts/15/onedrive.aspx?ga=1&id=%2Fpersonal%2Fdelakrusj%5Fcustoms%5Fgov%5Fph%2FDocuments%2FImport%20Entries%2F2022).

<sup>20</sup> Entitled, “An Act Modernizing the Customs and Tariff Administration”, (August 1, 2016).

“Customs Modernization and Tariff Act”, also authorizes the President to increase, reduce, or remove existing rates of import duty upon the recommendation of the National Economic Development Authority.

In the ASEAN, another country that incentivizes and considers salt production as a priority investment is Vietnam. The production of salt is prioritized for investment under the Government’s development policies. As such, the industry is entitled to a preferential tax rate of 10% on corporate income tax for the entire project duration or 17% for 10 years. Income from salt production of cooperatives is likewise tax-exempt. Moreover, the income of households and individuals directly engaged in salt production is likewise exempt from personal income tax. In addition, the Vietnam government also offers exemption from registration fees for land allocated, leased, or recognized by the state for use in salt production (Grant Thornton, 2020).

#### IV. CONCLUSION

While the Philippines is naturally positioned for abundant salt production, it is highly dependent on imported salt due to low local salt production caused by climate change, technological limitations in production methods, and existing policy gaps, among others. Nevertheless, the government has already taken initial steps to revitalize the local salt industry through the DSIP and the pending legislation in Congress aimed to support the local salt industry through the provision of appropriate technology and research, and adequate financial, production, marketing, and other support services, and grant of fiscal incentives, which are seen to pave the way for a more robust and resilient industry. This, in turn, will lead to a significant increase in salt production by salt farms that could make the country salt self-sufficient once again. Lastly, more than just creating jobs, increasing revenues of the government from the industry, and contributing to the country’s economic output, the revitalization of the Philippine salt industry will provide the opportunity to preserve and keep one of the country’s trade cultures.



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**Annex A***Total Value and Volume of Imported Salt, 1991 to 2020*

Year	Volume (in kg)	Growth rate (in %)	Free on board value <sup>a</sup> (in USD)	Growth rate (in %)
1991	81,104,836	-	2,048,742	-
1992	78,896,568	(2.72)	2,946,289	43.81
1993	67,825,207	(14.03)	3,203,219	8.72
<b>1994</b>	<b>257,398,226</b>	<b>279.50</b>	<b>8,869,061</b>	<b>176.88</b>
1995	186,505,989	(27.54)	8,649,355	(2.48)
1996	336,026,015	80.17	14,635,285	69.21
1997	361,521,774	7.59	13,310,975	(9.05)
1998	110,628,841	(69.40)	4,950,821	(62.81)
<b>1999</b>	<b>396,684,330</b>	<b>258.57</b>	<b>13,949,766</b>	<b>181.77</b>
2000	567,213,291	42.99	17,461,022	25.17
2001	423,892,655	(25.27)	11,884,331	(31.94)
2002	375,542,417	(11.41)	11,051,070	(7.01)
2003	343,167,330	(8.62)	10,222,500	(7.50)
2004	344,527,901	0.40	10,750,520	5.17
2005	342,957,043	(0.46)	13,746,107	27.86
2006	382,668,437	11.58	22,328,889	62.44
2007	347,638,746	(9.15)	47,370,390	112.15
2008	494,040,809	42.11	21,091,608	(55.48)
2009	436,573,136	(11.63)	22,744,791	7.84
2010	460,670,419	5.52	23,924,297	5.19
2011	365,409,729	(20.68)	22,321,673	(6.70)
2012	427,720,981	17.05	21,762,809	(2.50)
2013	349,754,223	(18.23)	15,005,890	(31.05)
2014	489,314,740	39.90	19,062,638	27.03
2015	467,831,136	(4.39)	21,705,831	13.87
2016	485,947,728	3.87	23,461,399	8.09
2017	535,300,534	10.16	24,054,146	2.53
2018	599,860,892	12.06	25,776,996	7.16
2019	711,751,469	18.65	30,382,908	17.87
2020	598,403,400	(15.93)	26,770,122	(11.89)

Note. PSA (official communication, September 28, 2023)

<sup>a</sup> Refers to the value of the goods free on board the carrier at the frontier of the exporting country. It includes inland freight, export duty and other expenses. Retrieved September 30, 2023 from [https://rssocar.psa.gov.ph/foreign\\_trade/October%202018%20CAR%20Exports](https://rssocar.psa.gov.ph/foreign_trade/October%202018%20CAR%20Exports).