

**MEMORANDUM CIRCULAR**

**No. AO-2K8-03-026**

**Date : March 05, 2008**

**TO : ALL RICE-BASED FARMERS' ORGANIZATIONS  
AND OTHER SECTORS (INDIVIDUALS AND ENTITIES)**

**FROM : THE NFA ADMINISTRATOR**

**SUBJECT : GENERAL GUIDELINES ON THE PARTICIPATION OF  
FARMERS' ORGANIZATIONS AND ALL OTHER  
SECTORS IN THE IMPORTATION OF THE COUNTRY  
SPECIFIC QUOTA OF 163,000 MT OF RICE FOR THE  
YEAR 2008**

Pursuant to the powers granted to the National Food Authority (NFA) under Presidential Decree No. 4, as amended, to establish rules and regulations governing the importation of rice and by virtue of the **Council Resolution No. 374-2k8-A** dated **January 11, 2008**, this Memorandum Circular is hereby issued for the information and compliance of all concerned.

**A. GENERAL GUIDELINES**

1. Rice importation under this Circular shall be undertaken under a regime with Quantitative Restrictions in place pursuant to Republic Act No. 8178. However, instead of the National Food Authority (NFA) issuing import permits, all rice importation other than NFA's shall be undertaken after payment of the required "**Service Fee**" (SF).

2. For transparency, the volume of importation shall be allocated through public auction of the **Service Fee**.

3. All importation shall be made in the name of the "**National Food Authority**" (NFA) for the account of the farmers' organization or other sector.

4. In line with the government's policy of providing assistance to rice farmers to become agri-entrepreneurs, Farmers' Organizations (FOs) whose membership consist of at least 50% + 1 palay farmers, shall be granted initially **100,000 METRIC TONS** of the rice import volume. All other sectors shall be allocated **63,000 METRIC TONS** of the volume to be imported.

5. FOs and other sectors intending to avail of the privilege to engage in the business of importing rice must first secure a license from the NFA as an importer and other incidental lines of business activity. They shall be subject to the usual licensing requirements. Acceptance for importing license may start on January 02, 2008. The license shall be valid for one year and shall expire on December 31, 2008.

6. Each importer whether FOs or other sectors can **only be awarded/availed of a maximum of 2,500 MT for the entire year.**

7. The import volume shall be available to all FOs and all other sectors nationwide. However, the volume of **100,000 MT** shall initially be exclusively allocated to qualified FOs while **63,000 MT** shall be allocated for all other sectors, excluding rice based FOs, from the following countries:

<u>SOURCE COUNTRIES</u>	<u>ALLOCATION (MT)</u>
Thailand	98,000
China	25,000
India	25,000
Australia	15,000

Any unavailed allocation shall be forfeited and be opened/made available to all other sectors including interested FOs in the succeeding auctions of the **Service Fee** to be conducted by the NFA during the year.

8. Any volume which the FOs/all other sectors fail to import out of this allocation, shall be imported by the NFA if still necessary.

9. Violators of the 2003, 2004, 2005, 2006 and 2007 circulars on rice importation under the FAI program are disqualified to participate in the 2008 importation **unless payment of penalties as to late arrival and non-arrival of allocation has been made.**

10. FOs/Other sectors will be allowed to import the following variety only :

- 10.1 Well Milled Rice (WMR) with maximum 15% brokens
- 10.2 Well Milled Rice/Overmilled Rice (WMR/OVR) with less than 15% brokens up to 5% brokens

11. The NFA through BDPD shall set the **Minimum Service Fee (MSF).**

12. The NFA through BDPD shall likewise set the maximum **Cost, Insurance, Freight (CIF)** of the rice that the FOs/Other sectors will be allowed to import.

## **B. CONDUCT OF AUCTION FOR “SERVICE FEE”**

1. The conduct of auction for **Service Fee** shall be published in a newspaper of general circulation by the NFA and shall also be posted at its website.

2. The auction shall be handled by an Auction Committee to be formed by the NFA Administrator.

3. The volume to be auctioned shall be **163,000 metric tons (MT) Country Specific Quota (CSQ)** as follows :

<b>SOURCE COUNTRIES</b>	<b>VOLUME</b>	<b>ALLOCATED VOLUME</b>	
		<b>FOs</b>	<b>Other Sector</b>
Thailand	98,000	60,000	38,000
India	25,000	15,000	10,000
China	25,000	15,000	10,000
Australia	15,000	10,000	5,000
<b>TOTAL</b>	<b>163,000</b>	<b>100,000</b>	<b>63,000</b>

4. The participants must meet/accomplish the following Licensing requirements hereafter prescribed :

- ❖ Must be holders of NFA license as importer. To secure a license as importer, the following are required:

### **A. FARMERS’ ORGANIZATIONS :**

- 2 x 2 pictures of the representative
- Articles of Incorporation, By-Laws and all amendments thereto
- Recent Secretary’s Certificate of a Board Resolution authorizing the representative to sign for and in behalf of the FOs who shall be an officer/ shareholder/ member/ employee of the cooperative/ association.

- Certificate of Registration from the Securities and Exchange Commission (SEC)/ Cooperative Development Authority (CDA)/Bureau of Labor Relations (BLR)/Bureau of Rural Workers(BRW)/National Irrigation Administration (NIA).
- Certificate of Good Standing or Certification from their respective registering agencies that said FO is currently operational/active.
- For SEC registered entities, a copy of the current year Information Sheet duly received by SEC.
- For Provincial Farmers Action Council (PFAC) members, certification from the PFAC Chairman or his authorized representative that the FO is a bonafide member and is rice-based.
- For non-PFAC members, certification from local Barangay Chairman or Municipal Agricultural Officer (MAO) as to the existence of the farmer group in the locality/area and its being rice-based FO.
- License Fee **P3,300.00** per applicant

## **B. GRAINS BUSINESSMEN AND OTHER SECTORS :**

### **B.1. For entities:**

- 2 x 2 pictures of the representative
- Articles of Incorporation, By-Laws and all amendments thereto
- Recent Secretary's Certificate of a Board Resolution authorizing the representative to sign for and in behalf of the entity who shall be an officer/ shareholder/ member/ employee of the corporation/ association.
- Certificate of Registration from the Securities and Exchange Commission (SEC) and a copy of the current year Information Sheet duly received by SEC.

- Income Tax Return for the preceding year with audited financial statements.
- License Fee **P22,000.00** per applicant

**B.2. For individuals:**

- 2 x 2 pictures of the applicant
- Income Tax Returns of the preceding year
- Financial statement showing assets and liabilities for the preceding year if applicant's capitalization in the rice business exceeds P100,000.00
- License Fee **P22,000.00** per applicant

❖ Proof of payment of penalties for FOs/other sectors found to have violated year 2003, 2004, 2005, 2006 and 2007 circulars, **whose violations refer to late/ non-arrivals of imported rice**

5. The NFA shall set the **Minimum SERVICE FEE (MSF)** taking into account the quality/grade of rice allowed for importation, the prevailing world market price and wholesale and/or retail price of rice in the domestic market during the conduct of the auction.

6. FOs/Other Sectors shall offer based on the **Minimum Service Fee (MSF)**. They shall be likewise required to post bond equivalent to ten percent (10%) of their offered **Service Fee** computed based on the volume of rice intended for import as indicated in their offer :

<u>VARIETY</u>	<u>MSF</u>
Category A : WMR with maximum 15% brokens	to be set by NFA
Category B : WMR/OVR with minimum 15% brokens up to 5% brokens	to be set by NFA

7. All offers without the corresponding Bond and all offers below the **Minimum Service Fee** shall be rejected by the Auction Committee.

8. All winning offerors shall be issued **Notice of Award (NOA)** by the NFA. They will pay the total corresponding **Service Fee** within **FIVE (5) WORKING DAYS UPON RECEIPT OF NOA**. Failure to pay the **Service Fee** shall mean forfeiture of the Bond in favor of NFA.

9. Any unavailed volume during the auction automatically carried over to the succeeding auction and shall be opened to all interested offerors.

### **C. ARRIVAL OF IMPORTATION**

1. The imported rice stocks should arrive not later **August 30, 2008**.

2. In case the FO/other sector who availed of the allocation but failed to bring into the country the allocated volume on the prescribed deadline of August 30, 2008, the **Service Fee** paid by the said FOs/Other sectors will be forfeited in favor of the NFA as penalty.

3. For late shipment arrival, the schedule of penalty shall apply based on the following schedule :

<b><u>No. of days after deadline</u></b>	<b><u>Penalty (% of landed cost)</u></b>
* <b>1 - 4 days</b>	- <b>0.5%</b>
* <b>5 - 6 days</b>	- <b>1.0%</b>
* <b>7 - 8 days</b>	- <b>1.5%</b>
* <b>9 - 10 days</b>	- <b>2%</b>
* <b>11 - 12 days</b>	- <b>2.5%</b>
* <b>13 - 15 days</b>	- <b>3.0%</b>
* <b>16 - 30 days</b>	- <b>30%</b>
* <b>31 days &amp; beyond</b>	- <b>forfeiture of entire cargo in favor of NFA</b>

4. Rice cargoes must be inspected at the load port and discharge port by surveyor/s to be appointed/chosen by the importer from a list provided by the NFA or that are accredited by BOC. The surveyor's services fees shall be for the account of the supplier and/or importer.

5. The importers (FOs/Other sectors) or their duly designated licensed broker must submit to NFA thru Department of Marketing Operations (DMO) the following documents at least five (5) days before the arrival of the vessel/container in the name of NFA for the account of the importer :

- ❖ Bill of lading
- ❖ Commercial Invoice
- ❖ Certificate of origin
- ❖ Certificate of Fumigation
- ❖ Phytosanitary Certificate
- ❖ Certificate of weight and quality

6. The discharge ports for the 2008 importation are the Port of Manila, the Manila International Container Port, the Port of Batangas, the Port of Cebu, Port of Cagayan de Oro and the Port of Davao.

7. All importation made shall strictly adhere to the prescribed Philippine Grains Standardization Program (PGSP) in the labeling and packaging of the rice.

8. All negotiable instruments and other documents relative to the rice importation **shall be in the name of NFA for the account of the importer.**

9. Advanced information (at least 5 days before the cargo arrives) on the quality, quantity (complete specifications), origin, supplier, price on C & F basis, expected date of arrival, name of carrier/vessel and discharging port of the rice being imported, plus a copy of the sales contract and load port surveyor's report.

10. The NFA through DMO shall advise the Bureau of Customs (BOC) on the incoming shipment/s for the account of the importer, the assigned discharging port and the Estimated Time of Arrival (ETA) of the vessel.

11. The NFA shall facilitate the filing of the necessary Customs Entry on said importation thru its tax subsidy expenditure.

12. The NFA shall issue to the importer a Certificate of Turn-Over once documentation has been completed and the rice shipment/cargoes already been approved for release by the BOC.

13. All incidental expenses/charges such as brokerage fee, port charges ,etc. shall be for the account of FOs/Other sector importer.

14. The **Business Regulation Department (BRD) in coordination with the Extension Department (EXD)** shall undertake information dissemination of this program. It shall publish Memo/Letter Circular/s, Notice/s and/or Rules and Regulations that NFA may issue relative to this importation in a newspaper of general circulation and register the same with the Office of the National Administrative Register of the UP Law Center.

15. The **Marketing Operations Department (DMO)** shall prepare a consolidated report on this FOs/Other sectors rice importation.

#### **D. REPEALING CLAUSE**

All rules and regulations, circulars, directives and/or orders or parts thereof, inconsistent with any of the provisions of these guidelines are hereby repealed, modified and/or amended accordingly.

#### **E. EFFECTIVITY**

The guidelines shall be published in a newspaper of general circulation and shall take effect after fifteen (15) days from the date of filing at the U.P. Law Center.

**APPROVED :**

**(Sgd.) JESSUP P. NAVARRO**  
Administrator

FAI DMO