

MEMORANDUM CIRCULAR

AO No. AO-2K8-05-001

Date : May 06, 2008

TO : ALL PRIVATE GRAINS BUSINESSMEN (INDIVIDUALS AND ENTITIES)

FROM : THE NFA ADMINISTRATOR

SUBJECT : GENERAL GUIDELINES ON THE PARTICIPATION OF ALL PRIVATE GRAINS BUSINESSMEN (INDIVIDUALS AND ENTITIES) IN THE IMPORTATION OF ADDITIONAL 200,000 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. 386-2K8-D dated April 2, 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 importer.

4. Importers 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.

5. Each importer can **only be awarded/availed of a maximum of 5,000 MT.**
6. Any volume which the importer fails to import out of the allocation of 200,000 MT, shall be imported by the NFA if still necessary.
7. 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.**
8. Importers will be allowed to import well milled white rice.
9. The NFA through BDPD shall set the **Minimum Service Fee (MSF).**
10. The NFA through BDPD shall likewise set the maximum **Cost, Insurance, Freight (CIF)** of the rice that the importer 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 the Auction Committee per Special Order No. AO-2k8-04 dated April 28 , 2008.
3. 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. The importer 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.

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.

C. ARRIVAL OF IMPORTATION

1. The imported rice stocks should arrive not later **August 31, 2008**.

2. In case the importer who availed of the allocation but failed to bring into the country the allocated volume on the prescribed deadline of August 31, 2008, the **Service Fee** paid by the said importer 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 :

No, of days after deadline	Penalty (1% of landed cost)
1 - 4 days	- 0.5%

5 - 6 days	-	1.0%
7 - 8 days	-	1.5%
9 - 10 days	-	2%
11-12 days	-	2.5%
13 - 15 days	-	3.0%
16 - 30 days	-	30%
31 days and beyond	-	forfeiture of entire cargo In favor of NFA

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 service fees shall be for the account of the supplier and/or importer.

5. The importers 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 the 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 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

