

# NFA Palay Procurement Program

(Post RA 11203 or the Rice Tariffication Law)



## **What is the Rice Tariffication Law and what is its impact on NFA?**

RA 11203 (An Act Liberalizing the Importation, Exportation and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice and for Other Purposes) was signed into law on February 14, 2019 and took effect March 5, 2019.

Aside from removing NFA's powers and functions in rice importation, it also repealed NFA's other regulatory functions in the local grains industry, such as: registration, licensing and supervision of persons/entities engaged in the rice business; monitoring and supervision of rice and corn businesses to generate industry information necessary for policy and decision-making; enforcement of rice trading rules and regulations; regulation of rice importation or exportation; and importation of rice for national food security buffer stocking, among others.

NFA was left only with the function of buffer stocking for calamities and emergencies, with stocks to be sourced solely from local farmers.

## **What is NFA's buffer stocking role under RA 11203?**

NFA will continue to be the custodian of government buffer stocks to respond to the need for immediate distribution of rice during calamities and emergencies anywhere across the country.

## **What is the level of buffer stock inventory that NFA is mandated to maintain?**

At present, NFA is still following the old protocol prescribed by the Legislative Executive Development Advisory Council (LEDAC) of maintaining an inventory of 15-30 days of national daily consumption requirement (DCR) as buffer stock for calamities/emergencies.

There are proposals to increase this volume. But as prescribed in the Implementing Rules and Regulations (IRR) of RA 11203, a third party study was commissioned by the NFA Council to determine the Optimal Volume of buffer stock that the government needs to maintain at any given time. This will be completed by December 2019.

## EQUIVALENT NET WEIGHT FACTOR FOR PALAY

Classification	Purity %	D&D %	% Moisture Content																
			14.0	14.1-15.0	15.1-16.0	16.1-17.0	17.1-18.0	18.1-19.0	19.1-20.0	20.1-21.0	21.1-22.0	22.1-23.0	23.1-24.0	24.1-25.0	25.1-26.0	26.1-27.0	27.1-28.0	28.1-29.0	29.1-30.0
PD1	95-100	0 - 7	1.000																
	90-94.9	0 - 7	0.948																
PW1	95-100	0 - 7		0.985	0.972	0.959	0.946	0.934	0.921	0.908	0.895	0.882	0.869	0.857	0.844	0.831	0.818	0.805	0.793
	90-94.9	0 - 7		0.934	0.921	0.909	0.897	0.885	0.873	0.860	0.848	0.836	0.824	0.811	0.799	0.787	0.775	0.763	0.750
PD3	95-100	7.1-13	0.935																
	90-94.9	7.1-13	0.887																
PW3	95-100	7.1-13		0.921	0.909	0.897	0.885	0.873	0.861	0.849	0.837	0.825	0.813	0.801	0.789	0.777	0.765	0.753	0.741
	90-94.9	7.1-13		0.873	0.862	0.851	0.839	0.828	0.816	0.805	0.793	0.782	0.771	0.759	0.748	0.736	0.725	0.713	0.702

D&D - Discoloration & Damage

PD - Palay Dry

PW - Palay Wet

### Sample Computation:

Gross weight of palay: 150 bags x 50kg/bag = 7,500 kg

Less: weight of container: 0.095kg x 150 bags = 14.25kg

**Net Weight = 7,485.75kg**

Classification of palay:

(14% MC, 95% purity, 7% D&D) = PD1

Computation: Net Weight x 1.00 (ENWF) = 7,485.75

Procurement Cost: ENW x Buying Price = 7,485.75 x 19.00/kg

**Total buying cost = P142,229**

Gross weight of palay: 150 bags x 50kg/bag = 7,500 kg

Less: weight of container: 0.095kg x 150 bags = 14.25kg

**Net Weight = 7,485.75kg**

Classification of palay:

(30% MC, 90% purity, 13% D&D) = PW3

Computation: Net Weight x .702 (ENWF) = 5,254.9965

Procurement Cost: ENW x Buying Price = 5,254.9965 x 19.00/kg

**Total buying price = P99,844.9335**

Produced by NFA Public Affairs Department



**NATIONAL FOOD AUTHORITY**



## How does NFA implement its Procurement Program?

The NFA directly buys palay from both individual farmers and farmer organizations or cooperatives at a set support price. This is to ensure that farmers will have a ready market for their produce at a price that will assure them of reasonable income.

## What is the NFA's palay support price at present?

The NFA Council, during an emergency meeting held on September 10, 2019 decided to increase the NFA palay support price of P17/kilogram (set in 2008) to P19/kg for clean and dry palay. This is to ensure that farmers selling their palay to NFA will enjoy a good income from the estimated P12.80/kg production cost per kg of palay produced in the country.

This new support price is applicable effective September 13, 2019 and only during this year's main harvest season or until end of December.

## How does NFA buy palay?

### A. Classification and Net Weight

In buying palay, NFA takes into consideration the following parameters for classification:

- ▶ Moisture content – 14% - 30%
- ▶ Purity
- ▶ Discoloration and damage

NFA also follows an Equivalent Net Weight Table in the computation of the palay price based on the above classification parameters. There is a corresponding decrease in the price of palay if the moisture content is higher, lower percentage of purity, and higher percentage discoloration and damage. Although NFA buys palay with higher moisture content up to 30%, this is subject to the drying capacity and capability of the NFA regional/provincial office.

The weight of container is also deducted from the total or gross weight.

### B. Legitimate Farmers

NFA buys palay from individual farmers and farmer cooperatives. Farmer cooperatives must secure a Master Passbook containing the list of members. Those without Master's Passbook must at least provide proof that they are included in the Registry System for Basic Sectors in Agriculture (RSBSA) from the Department of Agriculture (DA).

Farmers selling their palay for the first time to NFA are allowed to walk-in and sell up to 200 bags of 50-kilogram palay, but they have to fill out and submit a Farmer's Information Sheet.

### C. Volume of Palay

The volume of palay that can be sold to NFA depends on the hectareage of a farmer as recorded in the DA. At present, NFA buys a maximum of up to seven (7) hectares production per individual farmer.

For farmer cooperative or association, the maximum volume that can be sold to NFA depends on the number of members and hectareage per member, but not higher than seven (7) hectares production per farmer-member.

### D. Payment

NFA pays for palay through the following modes:

- ▶ Cash – up to P300,000
- ▶ Combination of cash and check – Cash not more than P300,000 and check from P300,001 to P500,000
- ▶ Check – for the full value of palay sold, depending on the preference of farmer-seller or cooperative

### E. Buying Stations

At present, NFA has 303 buying stations strategically located nationwide ready to accept palay deliveries from farmers.

NFA has decided and identified additional areas where buying stations will be established, during the Regional Directors meeting on September 17, 2019.