



Republic of the Philippines  
Department of Agriculture  
**SUGAR REGULATORY ADMINISTRATION**  
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October 12, 2015

**MEMORANDUM CIRCULAR NO. 8**  
Series of 2015

**TO :** SUGAR TRADERS  
CBW/FOOD PROCESSORS  
BIOETHANOL PRODUCERS  
BUREAU OF CUSTOMS

**SRA Policies on the Disposition of Imported/Confiscated Sugar  
for Appropriate Markets**

**Rationale**

Smuggled/imported sugar are external sugar supply that could create domestic market distortion and depress sugar prices if not judiciously disposed of to other appropriate markets such as CBW/Food Processors and Bioethanol Producers.

**A. Policy Legal Basis**

- 1. Executive Order No. 18, May 28, 1986**, mandates the Sugar Regulatory Administration, to establish such a balanced relationship between supply and demand of sugar at price levels profitable to the producers and fair to consumers.
- 2. Joint SRA-BOC Memorandum Order No. 4-2002** setting the guidelines for the disposition of abandoned/forfeited sugar.
- 3. The Biofuels Act of 2006** provides that SRA, along with others agencies, develop and implement appropriate programs and guidelines to ensure a sustainable supply of biofuel feedstock.
- 4. The Sugarcane Industry Development Act** authorizes the SRA to reclassify imported sugar according to its appropriate classification as "A" as US Sugar Quota, or "B" as Domestic Market Sugar, or "C" as Reserved Sugar or "D" as World Market Sugar, or "E" as World Market Sugar for Food Processors or "F" as World Market Sugar for Ethanol, provided that at the time sugar is imported, domestic production is sufficient to meet domestic requirement, as determined by SRA.
- 5. Sugar Order No.1, Series of 2015-2016** authorizes all sugar mills 100% queдання of "B" sugar, to meet domestic demand, thus limiting the



opportunity of the CBW/Food Processors and SRA Registered Bioethanol producers to avail of locally produced sugar.

## **B. Policy Objectives**

SRA is one and the same with the objective of the BOC to provide protection to local industry that may be adversely affected by undue market competition, thus in effect preventing market distortion through appropriate disposition of imported/confiscated sugars.

With emplaced disposition mechanism that would strictly define appropriate markets of confiscated sugar, the targets/purposes of smuggling, such as windfall profit in the domestic market, is thereby pre-empted and will consequently discourage further sugar smuggling.

However, the disposition policies are not meant to encourage possible connivance among end users and importers that would induce more sugar importation or smuggling for mutual benefits.

## **C. Coverage**

The sugar policies and implementing guidelines set forth hereby shall cover all smuggled and confiscated sugar of whatever form, to be auctioned by the Bureau of Customs (BOC) in coordination with SRA, for appropriate domestic requirements by the food processors and the bioethanol producers registered with SRA. The term "Sugar" covers all those classified under HS 1701, including liquid sugar, colored or flavoured sugar, gur and kandsari, muscovado, blanco directo, and sugar derived from various sources, such as cane, beet, sweet sorghum, etc.

## **D. Implementing Guidelines**

### **D.1 General Guidelines under Joint Memorandum Order No. 4-2002**

1. Abandoned/Forfeited sugar shall only be disposed of through public auction and may be participated only by qualified bidders. The following qualify as bidders of forfeited sugar, among other requirements:
  - a. SRA-accredited sugar traders for the account of CBW/Bioethanol producer
  - b. SRA-accredited processors/manufacturers under the CBW system/PEZA/Special Economic Zone
  - c. SRA Registered Bioethanol (Fuel and Potable Ethanol) Producers
2. Prior to offering of abandoned/ forfeited sugar for public auction, the District/Port Collector shall secure from SRA the market classification of the abandoned/ forfeited sugar to be disposed of. In response, the SRA shall identify the market classification of said sugar and recommend the floor price at which sugar shall be sold.

3. No auction shall be conducted unless the SRA has determined the market classification of the sugar, for this purpose, upon classification by SRA, the SRA shall issue to the District/Port Collector a certification of such classification.
4. The District/Port Collector shall indorse the SRA certification to the winning bidder and shall cause the release of the won bid in accordance with the SRA certification/ market classification.

## **D.2. Specific Guidelines**

### **1. Classification of Sugar by SRA**

Upon notification from BOC of auction sale, SRA shall classify and advise BOC of the classification of sugar subject of auction as either:

- A= US Quota Sugar
- B=Domestic Sugar
- C=Reserved Sugar
- D=World Market Sugar for Export
- E= World Sugar for Food Processors/CBWs Sugar
- F= World Sugar for Ethanol Sugar

Abandoned/forfeited sugar shall only be disposed of through public auction that shall be open only to qualified bidders. No public auction shall be conducted without the abandoned/forfeited sugar being identified by the SRA as to its market classification, among other requirements. SRA shall also recommend to BOC the floor price of the auction lot.

SRA shall disseminate information to priority markets/end users, atop of the posting of notice of Auction by BOC in a newspaper of general circulation

### **2. Sugar Sampling and Testing**

SRA shall conduct laboratory test to determine/analyze the fitness of confiscated sugar for the intended market

### **3. Identification of Market and Setting up of Floor Price**

SRA shall identify the intended market users of the sugar, according to demand priorities.

#### **Priority Markets for Forfeited Sugar**

##### *1.CBW/Food Processors*

- 1.1 Custom accredited CBW and SRA accredited Food Processors

1.2 With approved sugar allocation from SRA, as basis of procurement/bid out rights

1.3 Of good-standing and compliant to SRA rules and regulations for food processors (monthly report of liquidation)

*2. SRA Registered Bioethanol Producers ( Fuel and Potable Distillers)*

2.1 Accredited with SRA and DOE

2.2 Operational as of bid-out time

2.3 Compliant to SRA rules and regulations for Biofuel producers (report liens payments)

*3. Domestic Market*

3.1 Only after determination by the SRA of insufficiency of sugar supply shall the forfeited sugar be classified as "B"

**4. Basis of SRA's Determination of Floor Price**

***a) For CBW/Food Processors***

The floor price based on the average landed cost of imported sugar as determined and recommended by the Regulation Department.

***b) For SRA Registered Bioethanol Producers***

Based on the prevailing domestic price of molasses, computed with the following price and yield relationships

$$\frac{M_p}{\text{Ethanol Yield/ton (Due molasses)}} = \frac{S_p}{\text{Ethanol Yield/ton (Due sugar)}}$$

Where:

$M_p$  = Molasses Price

$S_p$  = Sugar Floor Price

Example:

$M_p = P8,000/\text{ton}$

$S_p = ?$

$$\frac{8000}{270} = \frac{S_p}{500}$$

$S_p = P740.00/\text{Lkg}$

In case of failed biddings, SRA shall conform to rules of BOC, allowing for 20% reduction in bid price.

#### **5. Release of Bid-out Sugar**

SRA shall issue a clearance for the release of auctioned sugar to the winning bidders as declared by BOC, upon payment of corresponding fees.

#### **6. Monitoring of Sugar Movements**

The Monitoring Team of SRA shall account for the sugar withdrawn by CBW/Food processor or bioethanol producers from the BOC to the point of destination. In case where bid-out sugar are to be transported coastwise, such shall be covered with appropriate shipping permit and payment of corresponding fee at P200.00/application. Further, the Monitoring Team shall regularly inspect the operations of CBW/Food Processors and Bioethanol plants.

#### **7. Reporting Requirement**

##### ***Production of sugar by CBW/Food Processors***

CBW/Food Processors shall submit to the monthly sugar utilization report and the final liquidation reports of all sugar received.

##### ***Feedstock Report by Fuel Bioethanol Producers***

All fuel bioethanol producers, as sugar recipients should submit monthly feedstock utilization report to SRA.

#### **8. Lien Collection from Fuel Bioethanol Producers**

The existing SRA policy on liens on feedstock used for bioethanol shall be operative for sugar used as feedstock.

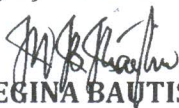
#### **9. Penalty Provision**

Applicable provisions of SRA Book of Penalty shall be enforceable for any violations.

#### **E. Effectivity**

This Circular shall take effect immediately.

*By authority of the Board:*



**MA. REGINA BAUTISTA-MARTIN**  
Administrator