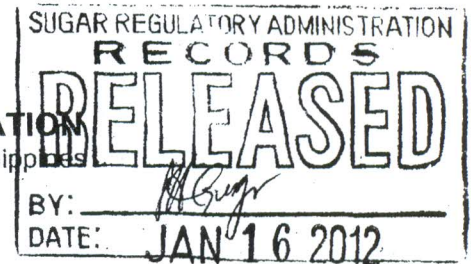




REPUBLIC OF THE PHILIPPINES
Department of Agriculture
SUGAR REGULATORY ADMINISTRATION
North Avenue, Diliman, Quezon City, 1101 Philippines



January 12, 2012

SUGAR ORDER NO. 6
Series of 2011-2012

Subject: **MANUAL OF CONSOLIDATED RULES AND PROCEDURES ON
SRA REGULATION OF CBW FOOD PROCESSORS/ MANUFACTURERS
OF SUGAR-BASED PRODUCTS FOR EXPORT**

WHEREAS, Executive Order No. 18 dated 28 May 1986, vests the Sugar Regulatory Administration with the power to establish and maintain a balanced relationship between sugar production and the requirements of the market, and to maintain such marketing conditions as will ensure stabilized prices at levels reasonably profitable to producers and fair to consumers;

WHEREAS, said Executive Order No. 18 further vests the Sugar Regulatory Administration with the power to institute regulations for implementing, controlling, and monitoring the production quotas, and to perform such functions directly or indirectly necessary, incidental or conducive to the attainment of the purposes of the Sugar Regulatory Administration;

WHEREAS, a number of orders, circulars, rules and regulations have been issued by the Sugar Regulatory Administration to ensure that sugar used by CBW food processors/manufacturers of sugar-based products for export are actually being used by them in the processing and manufacture of their products for export and that said sugar are not diverted into the domestic market;

WHEREAS, the issuance of an order integrating and incorporating all past issuances is necessary and imperative to provide an easy guide to the said CBW food processors/manufacturers of sugar-based products for export and other stakeholders of the sugar industry.

NOW, THEREFORE, under and by authority vested in the Sugar Regulatory Administration, the following are hereby ordered:

Section 1. Manual of Consolidated Rules and Procedures On SRA Regulation of CBW Food Processors/ Manufacturers of Sugar-Based Products For Export. The herein attached Manual of Consolidated Rules and Procedures On SRA Regulation of CBW Food Processors/ Manufacturers of Sugar-Based Products For Export is hereby issued and published for implementation.

Section 2. Provisions of Sugar Orders, Circular Letters, rules and regulations contrary to or inconsistent with the herein published Manual of Consolidated Rules and Procedures On SRA Regulation of CBW Food Processors/ Manufacturers of Sugar-Based Products For Export are hereby revised, modified or revoked.

Section 3. This Manual of Consolidated Rules and Procedures On SRA Regulation of CBW Food Processors/ Manufacturers of Sugar-Based Products For Export and all its provisions shall take effect after three (3) days from its filing and publication with the Administrative Register of the University of the Philippines Law Center.

BY AUTHORITY OF THE SUGAR BOARD



MA. REGINA BAUTISTA-MARTIN
Administrator



REPUBLIC OF THE PHILIPPINES
Department of Agriculture
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North Avenue, Diliman, Quezon City, 1101 Philippines

**MANUAL OF CONSOLIDATED RULES AND PROCEDURES ON SRA
REGULATION OF CBW FOOD PROCESSORS/ MANUFACTURERS
OF SUGAR-BASED PRODUCTS FOR EXPORT**

Section 1. Definition of Terms. The terms used hereunder shall be construed as follows:

- 1.1 **Certificate of Sugar Requirement of Food Processors/Manufacturers of Sugar-Based Products for Export** refers to the Sugar Regulatory Administration (hereinafter referred to as **SRA**) approved D or imported sugar or local D sugar annual allocation granted to food processors/manufacturers of sugar-based products for export.
- 1.2 **Clearance for Release of Imported Sugar** refers to the authority given by the SRA addressed to the Bureau of Customs (hereinafter referred to as the **BOC**) for the release of sugar under such terms and condition as stated therein.
- 1.3 **D to E Sugar** refers to the local D sugar (if allocated through Sugar Order) that are made available to food processors/manufacturers of sugar based-product for export, upon reclassification to E sugar.
- 1.4 **Food Processor/Manufacturer of Sugar-Based Products for Export** refers to the Philippine based-manufacturer or processors of food for export using imported or domestic sugar as one of its principal ingredients.
- 1.5 **Forfeiture of Bond** is the act of confiscating the Bond in favor of SRA for violation of SRA rules and regulations.
- 1.6 **ITDI Certification** refers to the certificate from the Industrial Technology and Development Institute of the Department of Science and Technology on the quantity of sugar required for every unit of finished product denoted as either % sugar, or unit sugar per unit product.
- 1.7 **Shipping Permit** refers to the permit to ship sugar within Philippine territory issued by the SRA.

- 1.8 **Statement of Liquidation** refers to the document detailing sugar usage, products made/exported, required by the BOC (in case of imported sugar) and the SRA (in case of local D to E sugar) for purposes of retirement of the bond.
- 1.9 **Sugar Utilization Report** refers to the monthly report now required by SRA, detailing an updated sugar usage and products made, without necessary being exported, as of the reporting period.

Section 2. Purpose and Classes of Sugar Allocations. Sugar requirements are approved by SRA upon application of food processors and manufacturers of sugar-based products for export or CBW food processors/ exporters to provide them with sugar at lower cost. These sugar are classified as follows:

- 2.1 Duty-free imported "D" or World Market Sugar
- 2.2 Local D or World Market Sugar reclassified to "E" or Sugar For Food Processor/ Manufacturers of Sugar-Based Products For Export
- 2.3 Specialty Sugars (organic, powder, confectionary, sugar preparations) not locally produced.

Section 3 . Consolidated Rules and Procedures

3.1. **Application for Sugar Requirements and Issuance of Certification of Sugar Requirement for Food Processors/ Manufacturers of Sugar-Based Products For Export.**

3.1.1. Requisites for Application (New) for Sugar Requirement/ Allocation

- 3.1.1.1 Application for Certificate of Sugar Requirements (notarized)
- 3.1.1.2 Corporate up-to-date documents
- 3.1.1.3 ITDI Certification
- 3.1.1.4 Purchase Order/s
- 3.1.1.5 Previous Export Documents, if already engage in food processing
- 3.1.1.6 Process Flow
- 3.1.1.7 CBW Certificate of Accreditation
- 3.1.1.8 Schedule of importation for the next year
- 3.1.1.9 Audited Financial Statements
- 3.1.1.10 Plant Visit Report

3.1.2. Requisites for Application for Sugar Requirement/ Allocation (Renewal). Section 3 of Circular Letter No. 40, Series of 1998-1999 and its amendments is hereby reiterated as follows:

3.1.2.1. **Application.** An applicant shall fill out and submit to SRA the application form for Certification of Sugar Requirements together with the following supporting documents in original form or duly certified true copy, to wit:

- 3.1.2.1.1 Industrial Technology and Development Institute (ITDI) certification on quantity of sugar used on export products **which needs to be updated if over 10 years, or in lieu of this, certification from ITDI that there's no change of sugar to product ratio**
- 3.1.2.1.2 Bank Remittance/Proof of Payment
- 3.1.2.1.3 Contracts between the processors/exporters and buyers/importers
- 3.1.2.1.4 Registration with the USFDA re: Bioterrorism Act (for U.S. exporter only)
- 3.1.2.1.5 Statements of Liquidation
- 3.1.2.1.6 Export Declarations
- 3.1.2.1.7 Export Sales Invoices of previous/current year
- 3.1.2.1.8 Summary of total quantity of exports for the previous/current year
- 3.1.2.1.9 Cancellation of bonds
- 3.1.2.1.10 Schedule of importation for the current year
- 3.1.2.1.11 Latest Audited Financial Statements
- 3.1.2.1.12 Year-end Inventory Report
- 3.1.2.1.13 Application Fee
- 3.1.2.1.14 Declaration of warehouse (location, capacity) and toll packers (if any) supported by a contract between the food processors and toll packers.

3.1.2.2 Corporate up-to-date documents:

- 3.1.2.2.1 SEC Registration
- 3.1.2.2.2 BOI Registration
- 3.1.2.2.3 DTI Registration
- 3.1.2.2.4 BIR/VAT Registration
- 3.1.2.2.5 Mayor's Permit

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3.1.3. SRA Sugar Requirement/ Allocation Formula

3.1.3.1. SRA shall determine the volume of Total Sugar Requirement (TSR) for the current year based on the total withdrawals and inventory for the preceding year, computed as follows:

$$\text{TSR} = \text{W} - \text{I}$$

where TSR = Total Sugar Requirement

W = Total Withdrawals

I = Year-End Inventory, Preceding Year

Example

Food Processor A Data

Withdrawals for the Preceding Year - 500 MT

Year-End Inventory - 500 Lkg

$$\begin{aligned}\text{TSR} &= 500 \text{ MT} - 25 \text{ MT} \\ &= 475 \text{ MT}\end{aligned}$$

This is the maximum volume to be allocated for the year, unless requests for additional allocation are approved.

$$\text{A. Volume of Initial Allocation (VIA)} = \frac{1}{2} (\text{W}) - \text{I}$$

where W = Total Sugar Withdrawals for the preceding year

I = Sugar Inventory end of preceding year

Using the above data

$$\begin{aligned}\text{Volume of Initial Allocation for the Current Year} &= \frac{1}{2} (500 \text{ MT}) - (25 \text{ MT}) \\ &= 250 \text{ MT} - 25 \text{ MT} \\ &= 225 \text{ MT}\end{aligned}$$

$$\text{B. Volume of Succeeding Allocation (VSA)} = (\text{TSR}) - (\text{VIA})$$

where TSR = Total Sugar Requirement
VIA = Volume of Initial Allocation

Using the above data

$$\begin{aligned} & \text{Volume of Succeeding Allocation for the Current Year} \\ & = (500 \text{ MT} - 25 \text{ MT}) - 225 \text{ MT} \\ & = 250 \text{ MT} \end{aligned}$$

This formula computes for the maximum available balance of allocation that may be succeedingly granted. In case of application for succeeding allocation by tranches, the total must not exceed the available balance, after the initial allocation.

3.1.3.2. The Volume of Sugar Allocation for New Application shall be based on:

3.1.3.2.1 Projected Sugar Requirements based on plant capacity, POs, etc.

3.1.3.2.2 Export Declaration and Previous Year Sugar Utilization, if already engaged in food processing

3.1.3.3. Approval of request for additional allocation must be strongly justified and shall be validated through the following requirements:

3.1.3.3.1 Letter-request for additional allocation, citing reasons therefor.

3.1.3.3.2 Proofs of additional sugar requirement (PO's, plant expansions, new product line)

3.1.3.3.3 Production capability (plant facility and availability of raw material)

3.1.3.3.4 Plant Visit Report attesting to all of the above.

3.1.3.4. All applications for sugar requirements/ allocations should be approved by the Sugar Board.

3.2. Issuance of Certification for the Release of Imported Sugar

3.2.1. The following are the requisites for the issuance of certification for the release of imported sugar

- 3.2.1.1 Letter of application
- 3.2.1.2 Bill of Lading
- 3.2.1.3 Commercial Invoice
- 3.2.1.4 Packing List
- 3.2.1.5 Monitoring Fee

3.2.2. The CBW Food Processors/ Manufacturers of Sugar-Based Products For Export are strongly advised not to make importation ahead of approved allocation as no certification for release shall be issued for sugar imported in advance but which failed to secure the approval for allocation and likewise for those imported sugar in excess of the approved allocation.

3.3. Availment of Local D to E Sugar. SRA reiterates the Implementing Rules and Regulation (IRR) of Circular Letter No. 16, Series of 2011-12, dated November 4, 2011 as follows:

3.3.1 Reclassification of "D" or World Market Sugar into "E" or CBW/Food Processors' /Exporters' Sugar

3.3.1.1 The concerned traders/exporters (to include processors/exporters who are also registered sugar traders with the SRA)/producers' group shall apply with the SRA for reclassification of the "D" or World Market Sugar into "E" sugar prior to its withdrawal for refining, attached thereto among others, the Contract of Sale/Purchase Order (exhibiting the sale/delivery of the "E" sugar to the processors/exporters), the "D" quedan-permits for reclassification into "E" sugar and the payment for reclassification fee of **Php3.00/Lkg-Bag**.

3.3.1.2 A Letter Authority for the Reclassification of the "D" or World Market Sugar into "E" or CBW Food Processors'/Exporterss' sugar shall be issued by the SRA to the concerned Traders/Exporters/Producers' group with the quedan-permits properly surcharged or with notation "**Reclassified as "E" or CBW Food Processors'/Exporters' Sugar**".

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3.3.2 Withdrawal of the “E” Sugar for Refining

3.3.2.1 The concerned traders/exporters/producers’ group shall request the SRA to allow them to withdraw for refining their “E” sugar pursuant to Circular Letter No. 6, Series of 2011-2012 for the account of (FAO) the CBW food processors/exporters with the following requirements:

3.3.2.1.1 Letter Request to authorize withdrawal for refining of the “E” sugar stating among others the following, to wit: **a)** Name of CBW processor/exporter recipient of the “E” sugar; **b)** Volume of the “E” sugar; **c)** Name of the mill where the “E” sugar shall be withdrawn for refining; **d)** Name of the refinery where the “E” sugar shall be delivered for refining

3.3.2.1.2 Contract of Sale/Purchase Order exhibiting the sale/delivery of the “E” sugar to the processor/exporter.

3.3.2.1.3 “E” Sugar Quedan-Permits for surcharging/notation thereof corresponding to the volume of sugar applied for withdrawal for refining.

3.3.3 Authority to Withdraw the “E” Sugar for Refining

3.3.3.1 A Letter of Approval to the request for withdrawal for refining of the “E” sugar FAO of the processor/exporter shall be issued by the SRA to the concerned Trader/Exporter attached thereto the “E” quedan-permits properly surcharged or with notation **“Withdrawn for refining FAO CBW processor/exporter per Circular Letter No. 6, Series 2011-2012”**.

3.3.3.2 A Letter Authority shall be issued by the SRA to the concerned mill to allow the volume of “E” sugar stated therein for withdrawal for refining.

A Letter Authority shall be issued by the SRA to the concerned refinery to allow the volume of “E” sugar stated therein for refining.

3.3.3.3 A Refined Sugar Quedan (**RSQ**) shall be issued by the refinery to the concerned trader/exporter corresponding to the volume of the “E” raw sugar brought for refining. The RSQ shall have a classification also, of “E” or Food Processors’/Exporters sugar.

3.3.4 Withdrawal of the “E” Sugar from the Refinery

3.3.4.1 The concerned traders/exporters/producers’ group shall request the SRA to allow them to withdraw their “E” sugar FAO of the CBW processors/exporters with the following requirements:

3.3.4.1.1 Letter request to authorize withdrawal of the “E” sugar from the refinery stating among others the following, to wit: **a)** Name of CBW processor/exporter recipient of the “E” sugar; **b)** Volume of the “E” sugar; **c)** Name of the refinery where the “E” sugar shall be withdrawn; **d)** Letter of approval of SRA for refining of the “E” sugar

3.3.4.1.2 Refined Sugar Quedan (**RSQ**) for surcharging/notation thereof corresponding to the volume of “E” sugar for withdrawal.

3.3.4.1.3 Monitoring Fee of Php25.00/Lkg-Bag shall be paid to SRA upon filing of the request for withdrawal from the refinery.

3.3.4.1.4 Performance Bond which shall be determined by the SRA.

3.3.5 Authority to Withdraw the “E” Sugar from the Refinery

3.3.5.1 A letter of authority to withdraw from the refinery of the “E” sugar FAO of the processor/exporter shall be issued by the SRA to the concerned trader/exporter attached thereto the Refined Sugar Quedan properly surcharged or with notation **“Authorized for Withdrawal FAO CBW Processor/Exporter per Circular Letter No. 6, Series 2011-2012”**.

3.3.5.2 A Letter of Authority shall be issued by the SRA to the concerned refinery to allow the volume of refined “E” sugar stated therein for withdrawal.

3.3.5.3 A Letter of Advice shall be issued by the SRA to the concerned CBW food processor/exporter regarding the withdrawal and delivery of the refined "E" sugar (to be deducted from SRA allocation for the current year) on the basis of the Purchase Agreement between the CBW food processor/exporter and the SRA accredited trader/exporter.

3.4. Swapping of Allocated Sugar

3.4.1. SRA shall not allow any physical swapping of any sugar allocated for the CBW Food Processors/ Exporters to any other sugar class, despite any claim of logistical advantages.

3.5. Validation of CBW Food Processor's/ Exporter's Documents from the Source.

3.5.1. SRA reserves the right to validate any or all CBW Food Processor's/ Exporter's documents from the source, whenever it is deemed necessary.

3.6. Monitoring of Sugar Movement

3.6.1. Upon a written notice to the SRA of any sugar withdrawal/take-out from CBW (in case of imported sugar) or from the refinery warehouses (in case of local D to E sugar), the SRA Monitoring Team shall physically account for the sugar movement to ensure that all the sugars withdrawn are delivered to the food processors' plant site and are entered into SRA ledger of sugar receipts.

3.6.2. In case where the sugars withdrawn are to be moved coastwise to other port of destination, traders/food processors/ exporters are required to apply for shipping permit and make payment of the required shipping permit fee.

3.6.3. The sugar movement from the port of destination to the food processors plant site shall be physically accounted for/monitored by SRA to ensure that all sugar covered by the shipping permit are delivered to the plant site and are entered in the SRA ledger of sugar receipts.

3.7. Monitoring of Sugar Utilization

- 3.7.1. The SRA Monitoring Team, with or without advance notice shall conduct a random plant visit to assess the status of sugar utilization of allocated/withdrawn sugar.
- 3.7.2. The Food Processor/ Exporter shall update the SRA accredited ledger of sugar delivery and withdrawals to the processing center of allocated sugar for the inspection of the SRA Monitoring Team
- 3.7.3. SRA shall require the submission of all ledgers of sugar receipts and withdrawals (FP SM, Form No.1) at the end of the year.
- 3.7.4. The Food Processors/ Exporters are prohibited to use sugar of dubious origin as evidenced by markings bearing fictitious producers.
- 3.7.5. SRA shall only require the reporting of the utilization of other domestic sugar being not covered by sugar release certification, nor are subject of future liquidation by the food processors.

3.8 Liquidation of Aailed Sugar

- 3.8.1. The CBW Food Processor/ Exporter shall liquidate the withdrawn/utilized sugar within 6-9 months, commencing from the date of the release of imported sugar from the BOC or from the date of withdrawal from the mill- refinery, as the case may be.
- 3.8.2. Certified true copies of Liquidation Statement with all pertinent supporting documents attached shall be provided to the SRA, for validation. Documents attached to Statement of Liquidation are as follows:
 - 3.8.2.1 Letter of Liquidation
 - 3.8.2.2 Commercial Invoice
 - 3.8.2.3 ITDI Certification
 - 3.8.2.4 Bill of Lading
 - 3.8.2.5 Export Declaration
 - 3.8.2.6 Packing List
 - 3.8.2.7 Memo Bond
 - 3.8.2.8 Official Receipt-Performance Bond
- 3.8.3. As a new requirement, food processor/ exporter shall submit to SRA a **Monthly (not quarterly) Sugar Utilization Report**, detailing the breakdown of sugar utilized matched with the products made, without necessarily being exported as of the reporting period.

3.8.4. No approval of application for sugar requirement/ allocation shall be granted for the succeeding year unless the CBW food processor/ exporter concerned shall have liquidated the minimum of 50% of the availed sugar for the preceding year.

3.8.5. The rate of sugar liquidation should be substantially increased to 100% as the operating year progresses.

3.9. Charges and Fees. All existing fees and charges shall be duly paid to the SRA by the food processors/ exporters.

3.10. Retirement /Forfeiture of Bond by SRA

3.10.1. SRA shall retire the Bond only upon submission of complete liquidation of statements. Thereafter, SRA shall return the post-dated check to the food processor/ exporter.

3.10.2. SRA shall forfeit the bond equivalent to the unliquidated sugar nine (9) months after the issuance of the bond.

Section 4. Enforcement of Pertinent Provision of the SRA Book of Penalties. The applicable penalty provision, summarized as follows shall be strictly enforced by SRA, for verified violation

4.1 Reportorial Requirements

4.1.1 Failure to submit monthly report on consumption of sugar, imported or domestic, used as ingredients of sugar-based products for export.

1st Offense – Fine of Php 1,000.00/week of delay

2nd Offense - Fine of Php 2,000.00/week of delay

3rd Offense - Fine of Php 3,000.00/week of delay and/or cancellation/revocation of Certificate of Sugar Requirement for the year and/or black-listing.

4.1.2 Failure of food processor/manufacturer of sugar-based products for export to liquidate within six to nine months (6-9 mos.) “D” sugar used for food export, or failure to submit liquidation report from BOC of imported sugar used for food export within nine to twelve months (9-12 mos.) from date of withdrawal of sugar from mill or BOC, as the case may be.

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1st Offense – Fine of Php 100.00/Lkg and/or price differential if applicable

2nd Offense – Fine of Php 150.00/Lkg and/or price differential if applicable

3rd Offense – Fine of Php 200.00/Lkg and/or price differential if applicable and/or cancellation of certificate of Sugar Requirement for the year and/or black listing

4.1.3 The failure by the mill/refinery/sugar-based food exporter or CBW to report within three (3) working days from occurrence/discovery, the sugar losses of sugar mills due to natural calamities, warehousing problems, pilferages or similar causes shall be treated as no losses were incurred and any sugar shortage shall be treated under Section 8 of the Book of Penalty.

4.2. Mandatory Written Notice Relating to Transfer/Movement of Sugar

4.2.1 Processor/manufacturer of sugar-based products for export must submit to SRA notice of expected arrival of imported sugar within five (5) working days prior to said expected arrival.

4.2.2 Processor/manufacturer of sugar based products for export must submit to SRA notice to withdraw imported sugar from the BOC or CBW at least three (3) working days prior to its intended withdrawal.

4.2.3 Processor/manufacturer of sugar based products for export must submit to SRA notice to withdraw “D” sugar from the mill or refinery at least three (3) working days prior to its intended withdrawal.

4.3 Unauthorized withdrawal of imported sugar from the port of entry or the Bureau of Customs.

1st Offense – Fine of Php 200.00/Lkg

2nd Offense – Fine of Php 300.00/Lkg

3rd Offense – Fine of Php 500.00/Lkg and/or suspension or revocation of license.

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4.4 Unauthorized coastwise shipment of sugar from one Philippine port to another.

1st Offense – Fine of Php 100.00/Lkg

2nd Offense – Fine of Php 150.00/Lkg

3rd Offense – Fine of Php 200.00/Lkg and/or suspension or revocation of license or black listing

Section 5. Annual CBW/Food Processors/Exporters/Traders Conference

5.1. As may be deemed necessary by parties and the SRA, an Annual CBW/Food Processor/Exporters/Traders Conference shall be held to thresh out their issues and concerns.

Section 6. Consistency

6.1. All previous issuances inconsistent herewith are deemed hereby revoked or amended accordingly.

Section 7. Effectivity

7.1. These rules shall take effect after three (3) days from its filing and publication with the Administrative Register of the University of the Philippines Law Center.

Done this 12th day of January 2012 at Quezon City.

By the Authority of the Sugar Board:



MA. REGINA BAUTISTA-MARTIN
Administrator