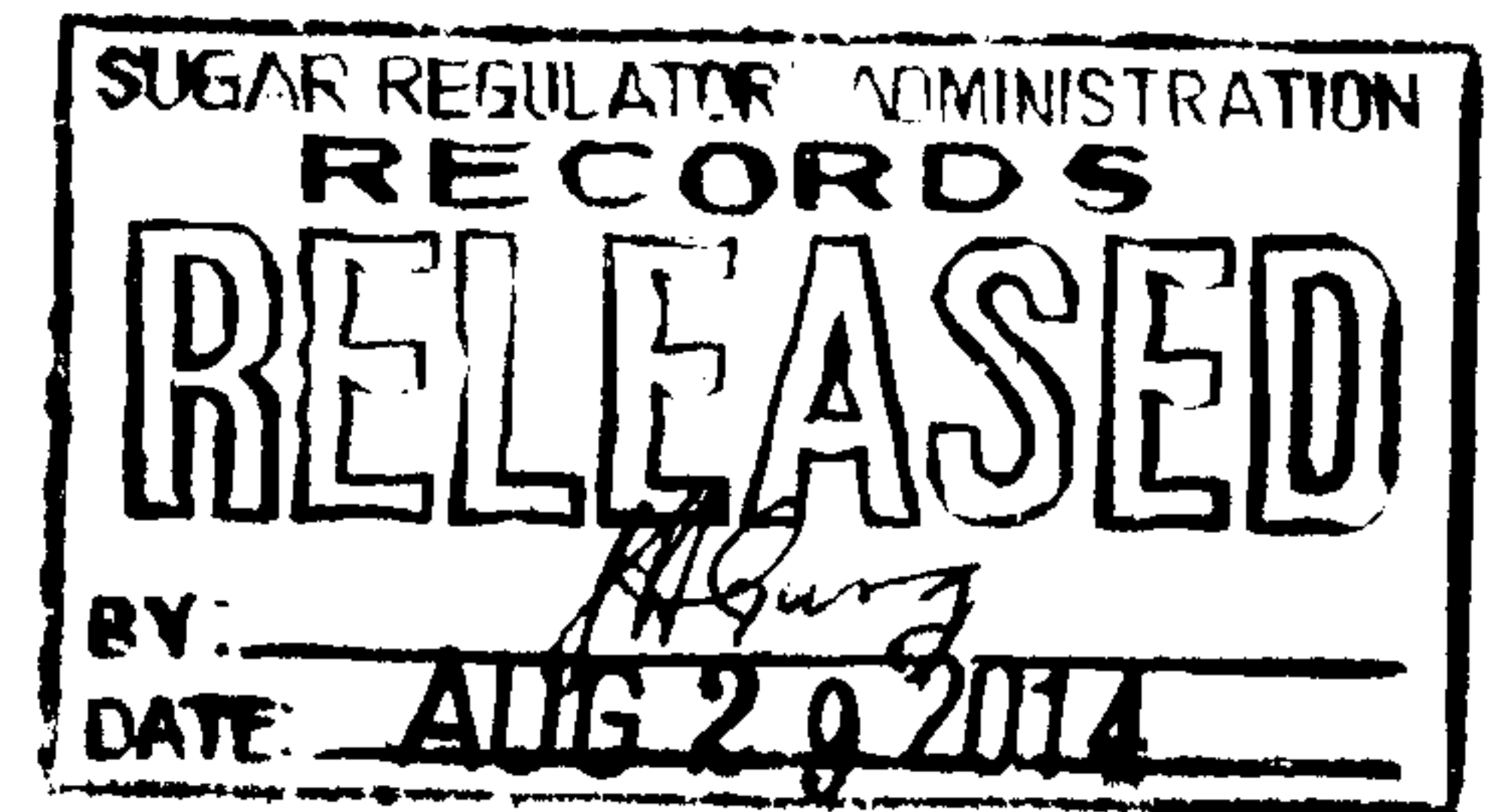




Republic of the Philippines
Department of Agriculture
SUGAR REGULATORY ADMINISTRATION
Sugar Center Bldg., North Ave., Diliman, Quezon City
Philippines 1101
TIN 000-784-336



September 1, 2014

CIRCULAR LETTER NO. 35-A
Series of 2013-2014

**TO : SUGAR MILLS COMPANIES
SUGAR PLANTERS' ASSOCIATIONS/COOPERATIVES/FEDERATIONS
SUGAR EXPORTERS AND TRADERS**

**SUBJECT : SUPPLEMENTAL RULES AND REGULATIONS IMPLEMENTING
SUGAR ORDER NOS. 12 AND 12-A, SERIES OF 2013-2014**

Pursuant to Sugar Order (S.O.) Nos. 12 and 12-A, Series of 2013-2014, hereunder are its Supplemental Implementing Rules and Regulations, to wit:

A. GENERAL PROVISIONS. The following rules shall be applicable to all classes of sugar covered by S.O. 12 and S.O. 12-A, Series of 2013-2014.

A.1. EXTENSION OF DEADLINE OF AUCTION. The deadline for the auction of sugar covered by S.O. 12 and 12-A, Series of 2013-2014 shall be extended to September 22, 2014.

A.2. PROCEDURE OF DISPOSITION. The following steps shall be followed in the disposition of the quedans subject of these sugar orders:

1. After the submission by the mill of the updated list of outstanding quedans, itemized statement of quedan value, liens and reasonable warehouseman's claims as required by CL No. 35, Series of 2013-2014, the mill shall request SRA for a replacement of the quedans subject of compulsory disposition according to classes and crop year.
2. The bidding may be conducted, subject to the guidelines set earlier by CL No. 35, Series of 2013-2014. Hence, the issuance of the replacement quedan will follow the rules indicated in subparagraph 4;
3. Only SRA licensed sugar traders shall be eligible to bid for "B", "C" including "D", "De", "Dr" and "Dx" sugars as these will be converted to "B" sugar. For "A" sugar, only SRA licensed sugar exporters shall be eligible to bid.

CL 35-A, S2013-



4. After the bidding, a Certificate of Award shall be issued by the Mill and attested by the planters association's representative and the Regulation Officer. Thereafter, a consolidated quedan shall be issued per class of sugar per crop year in the name of the winning bidder and indicating therein the total liens. As in the issuance of the regular quedan, these quedans must be signed by the mill representative, countersigned by the planters' associations involved and witnessed by the Regulation Officer. However, all homeless quedans must first be reinstated (by requesting for its reinstatement and paying the reinstatement fee of P5/Lkg) prior to its inclusion in the consolidated quedan. The reinstatement fee shall be paid by the winning bidder prior to the issuance of the consolidated quedan.
 5. The old quedans covered by the compulsory disposition shall be considered cancelled, and therefore, lose their validity (non-negotiable and their corresponding physical sugar cannot be withdrawn).
 6. The withdrawal of the physical sugar covered by these sugar orders and circular letters shall follow the same procedure as the regular sugar of the same class.
 7. Except for "D", "De", "Dr" and "Dx" sugars (which will be separately discussed below) any excess in the winning bid price after all the warehouseman's liens have been deducted, shall be held in escrow by the mill in favor of the owner/holder of the old quedan. As such, before the bidding, the mill shall submit to SRA an Undertaking to remit back to the owner/holder upon demand, the proceeds of the sale, net of all the liens.
 8. Failure to withdraw from the mill within three (3) months, or in the case of "A" Sugar, failure to ship on the first shipment as discussed in the next paragraph shall subject the owner/holder of the quedan to a penalty provided in Sec. 3.9 of Book of Penalties, Series 2009-2010 before it is allowed to be physically withdrawn from the mill.
- B. "A" SUGAR.** The "A" sugar subject of compulsory disposition shall be made available on the first shipment to the U.S. for crop year 2014-2015. To this end, "A" replacement quedans shall be presented to the SRA Regulation Department – Quezon City for verification on or before October 22, 2014.
- C. "B-1", B-2, "C" "C-1" Accordingly Classified as "B" and Regular "B" Sugar.** "B-1", B-2, "C" and "C-1" sugars that had been previously converted to "B" sugar by their respective sugar orders at the crop year they were classified, as well as the regular "B" sugar, shall be fully withdrawn from the mill three (3) months after the quedans were replaced, including "B" sugar.
- D. "D", De", "Dr" and "Dx" SUGAR.** The replacement quedans of "D", De", "Dr" and "Dx" sugar of Crop Year 2011-2012 and Previous Years shall be issued in their respective classes (as "D", "De", "Dr" and "Dx" as the case may be). However,

these quedans are hereby authorized for conversion to "B" or Domestic Sugar. As such, these sugar classes shall be bidded out as "B" sugar.

For quedan monitoring purposes, the consolidated replacement quedans shall be reclassified after payment of the reclassification fee of P5.00 per Lkg at the SRA Regulation Department Bacolod or Quezon City offices and thereafter, the quedans shall be stamped "RECLASSIFIED AS B PER SUGAR ORDER NO. 12-A". Similarly, all sugar covered by these quedans shall be fully withdrawn from the mill three (3) months after the quedans were replaced.

E. COMPUTATION OF THE CEILING COST FOR WAREHOUSEMAN'S LIENS AND PRICE DIFFERENTIAL. For sugar eligible for conversion under paragraph "D", the warehouseman's liens shall only be charged against the average price of the original class of sugar ("D", "De", "Dr" and "Dx") on the crop year it was produced. The difference between the "B" sugar price and the price of the original class of sugar shall be considered as price differential. A sample computation is attached as Annex "A".

F. DISTRIBUTION OF PRICE DIFFENTIAL. The price differential stated in paragraph E shall be based on the volume submitted by the mills and shall be distributed pro-rata between the mill and planters through their respective associations and mills (in the case of non-affiliated planters). To this end, within fifteen (15) days from the effectivity of this order, the mills are hereby ordered to submit to SRA their production data per planters' association per crop year that are included in the compulsory disposition, counter-signed by the sugar planters' associations within their milling district. For transparency purposes, the list of outstanding quedans submitted by the mills on a per mill, per crop year and per class of sugar as of July 1, 2014, shall be published on the SRA website.

BY AUTHORITY OF THE SUGAR BOARD:


MA. REGINA BAUTISTA-MARTIN
Administrator

SAMPLE COMPUTATION OF PRICE DIFFERENTIAL & WAREHOUSEMAN'S LIENS

Illustration 1

"D" sugar, CY 2007-2008	
Average price of "D" for CY 2007-2008	P 540.07/Lkg
Total Warehouseman's liens, Statutory liens etc.	P 700.00/Lkg*
Winning Bid Price (as "B" sugar)*	P1,500.00/Lkg*

Average price of "D" for CY 2007-2008 ----- P 540.07 per Lkg
 Less: Total Warehouseman's liens, Statutory liens, etc. ----- 700.00 per Lkg
 Negative, hence the quedan has no more value and there P (159.93) per Lkg
 is nothing to return to the quedan owner/holder while
 the payment of the liens shall only be limited to P540.07/Lkg

Winning Bid Price for the "D" sugar CY 2007-2008 per Lkg ----- P1,500.00 per Lkg
 Less: Average price of "D" for CY 2007-2008 ----- 540.07 per Lkg
 Price Differential for distribution ----- 959.93 per Lkg

Illustration 2

"D" sugar, CY 2009-2010	
Average price of "D" for CY 2009-2010	P1,130.79/Lkg
Total Warehouseman's liens, Statutory liens etc.	P 700.00/Lkg*
Winning Bid Price (as "B" sugar) .	P1,500.00/Lkg*

Average price of "D" for CY 2009-2010 ----- P 1,130.79
 Less: Total Warehouseman's liens, Statutory liens, etc. ----- 700.00
 Excess of the price of "D" to be returned to ----- P 430.79
 the quedan owner/holder, while the P700.00/Lkg
 is for the payment of liens

Winning Bid Price for the "D" sugar CY 2009-2010 per Lkg ----- P1,500.00
 Less: Average price of "D" for CY 2009-2010 ----- 1,130.79
 Price Differential for distribution ----- 369.21

* Amount are just used for illustration purposes and may not reflect the correct value