

The logo consists of two interlocking, stylized shapes. The left shape is orange and the right shape is light blue. They are positioned behind the text.

NFA ANNUAL REPORT  
FOR 2011

## **OVERVIEW**

In the targeting and measuring of NFA's performance, the benefits that accrue to its stakeholders, primarily the farmers, are the foremost concern. Even beyond the outcome of the targets, the essence of the Agency's performance lie in the direct good brought to the farmers, the grains industry, the country.

### ***MFO 1: Stable Supply and Price of Staple Cereals***

Simply put, both the supply and price of palay and rice were stable, as there was no protest rally from the farmer sector, nor were there consumers lining up to buy rice. NFA's stabilization mandate is to see to it that the Filipino farmer gets a reasonable return on his investment in the production of palay, and the Filipino consumer can afford to buy his staple food – rice. In other words, the prevailing market price should likewise be stable in the light of the government release price through the NFA.

While NFA buys palay at ₱17/kg, the prevailing farmgate price was ₱15.66/kg, which is 92% of the government support price. NFA's presence has been material enough for traders to *compete healthily* and offer farmers with prices higher or close to the government support price. Without NFA's usual presence, particularly extension services, the 92% level is high as a stabilized price, already 2% higher than the targeted level.

After all, NFA's presence in the market has a great influence on farmgate prices. NFA is never in competition with the traders who can provide the basic production needs of the farmers in advance, who need not buy the farmer's produce at par with the government's buying price, or higher.

The market prices were almost non-moving at levels affordable to consumers, and at enough quantity and quality to meet their daily food requirements. At the market, NFA has to contend with the basic Filipino cultural idiosyncrasy of preferring the white-even higher priced-rice (which averaged at P31.31/kg), to NFA's lower-priced (P27/kg) rice. When and where there are no lines that queue the rice outlets, NFA has performed its mandate.

Further, the private sector's more active participation in the importation adds up to the stability of prices.

### ***MFO 2: Staple Cereals are available during natural or man-made calamity or emergency***

The availability and accessibility of supply allowed NFA to respond efficiently and effectively to the needs of local government units (LGUs) and other national government agencies (NGAs), with the expedient release of rice stocks within 24 hours after notice. The sufficient supply of NFA/government stocks and quick response helped maintain stable prices immediately before, during and post-calamity/disaster in affected areas. This was evident in the regions hit by Typhoons Pedring, Quiel and Sendong. Monitored rice retail prices in the regions of Ilocos, Cagayan Valley, Central Luzon, Southern Tagalog and Mindanao revealed stable prices that ranged from P33.09/kg to P34.57/kg in Luzon, and P35.24 in Mindanao, before and after the typhoons. Thus, NFA is able to serve the rice

requirements of areas affected by natural and man-made calamities, which in 2011, averaged at 19.

### ***MFO 3: Buffer stock of Staple cereals effectively managed***

NFA ensures the country's food security by maintaining a buffer stock of the staple food equivalent to national 15-day rice requirement anytime of the year, and 30-day level every June 30 or July 1 of the year, in preparation for the lean months. On June 30, 2011, NFA had an inventory of 1.5 million metric tons of rice, equivalent to the country's 49-day rice requirement. For the rest of the year, especially on December 31, 2011, NFA had a rice inventory of 1.04 million metric tons, good to last for 34 days to serve the country's daily consumption requirement of 31,000 metric tons.

### ***MFO 4: Developmental regulation of the Grains industry***

Despite the deregulation of the grains industry, and the rationalization of NFA's extension services to its farmer and grainsbusinessman stakeholders, continued to serve the farmers' need for training and education and continued communications. Also thru extension services, NFA stabilized the market, allowed healthy competition among the grainsbusinessmen, and assured consumers of enough rice supply. NFA registered and licensed 74,515 grainsbusinessmen and generated ₱138.41 Million therefrom, 99% of its target. More importantly, there has been no outrageous price movement in the market, nor has there been supply problems, and NFA's activities in developing better quality grain and industry standards are continuing. The development of a new equivalent-net-weight (ENW) table that will govern pricing of farmers' produce was started (i.e. completed in February 2012).

As the lead government agency in the grains marketing industry with main mandates on staple cereal supply and price stabilization, and food security, NFA can not earn serving its social responsibility. But it can take pride in generating income across the labor sector – laborers, truckers, millers, ship and port workers.

### ***MFO 5: Management Efficiency and Competency***

NFA has finally and successfully converted ₱75 B short term loans into ten-year term thru a syndicated facility thereby restructuring its outstanding short-term obligations with its creditors by extending its debt maturity. This resulted to a much improved credit risk profile of the Agency to 76% long-term and 24% short term, while easing its tight cash flow liquidity. The terming out will also enable the NFA to take advantage of the lower interest rates prevailing at that time.

All these contributed to the Agency's share in the economic growth of the country.

## MFO I: Stable Supply and Price of Staple Cereals

### PROCUREMENT

#### A. Palay Procurement

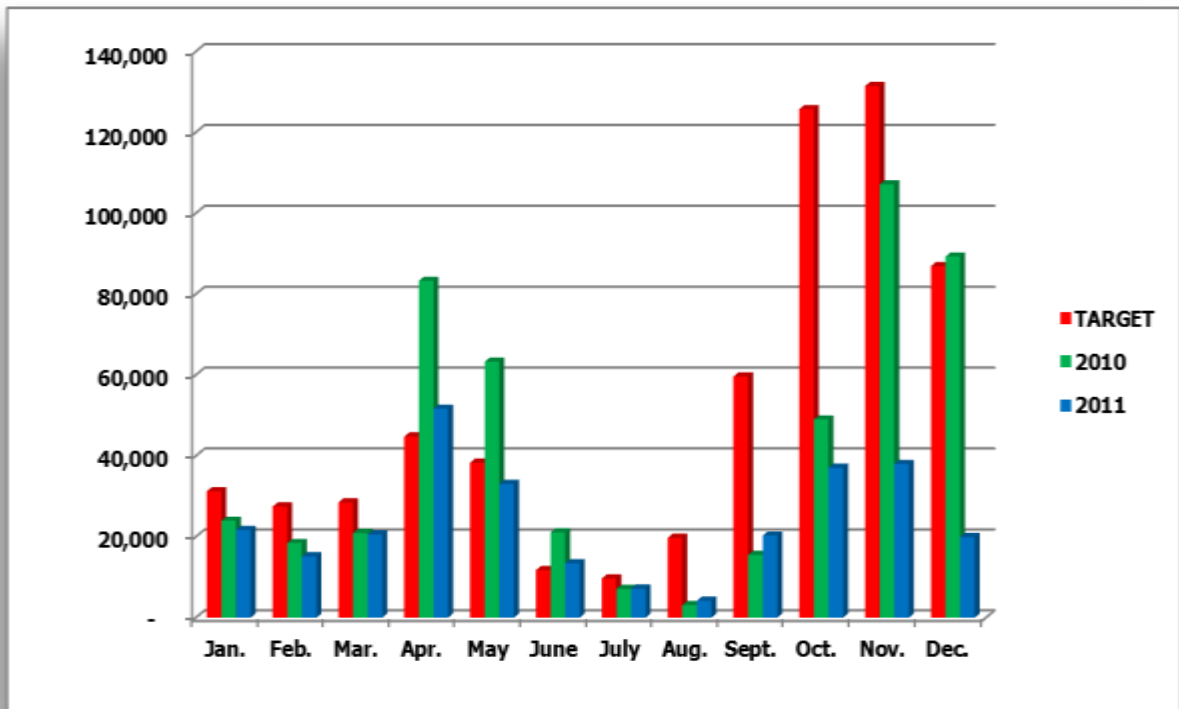
The agency is continuously procuring palay from the local farmers to further boost its rice inventory by increasing the government support price to ₱17.40 (including drying fee of ₱0.20 and delivery fee of ₱0.20) for individual farmers and ₱17.70 (including Cooperative Development Incentive Fee [CDIF] of ₱0.30, drying fee of ₱0.20 and delivery fee of ₱0.20) for organized small farmers, to ensure ready market and accommodate farmers' produce and allow farmers a fair return on their production investment.

#### NFA Procurement for 2011 (In Metric Tons)

Month	TARGET	ACTUAL	% ACCOMP
Jan.	31,240	21,712	69.50%
Feb.	27,463	15,179	55.27%
Mar.	28,493	20,572	72.20%
Apr.	44,775	51,670	115.40%
May	38,320	33,081	86.33%
June	11,745	13,441	114.44%
July	9,675	7,185	74.26%
Aug.	19,740	4,200	21.28%
Sept.	59,625	20,280	34.01%
Oct.	125,730	37,064	29.48%
Nov.	131,438	37,994	28.91%
Dec.	86,915	19,926	22.93%
<b>TOTAL</b>	<b>615,158</b>	<b>282,304</b>	<b>45.89%</b>

The total palay procured for the year 2011 totalled to 282,304 MT, accomplishing 45.89% of the procurement target set for the year at 615,158 MT. It registered about 1.69% absorption rate vis-à-vis total production of 16.68 MMT for the year.

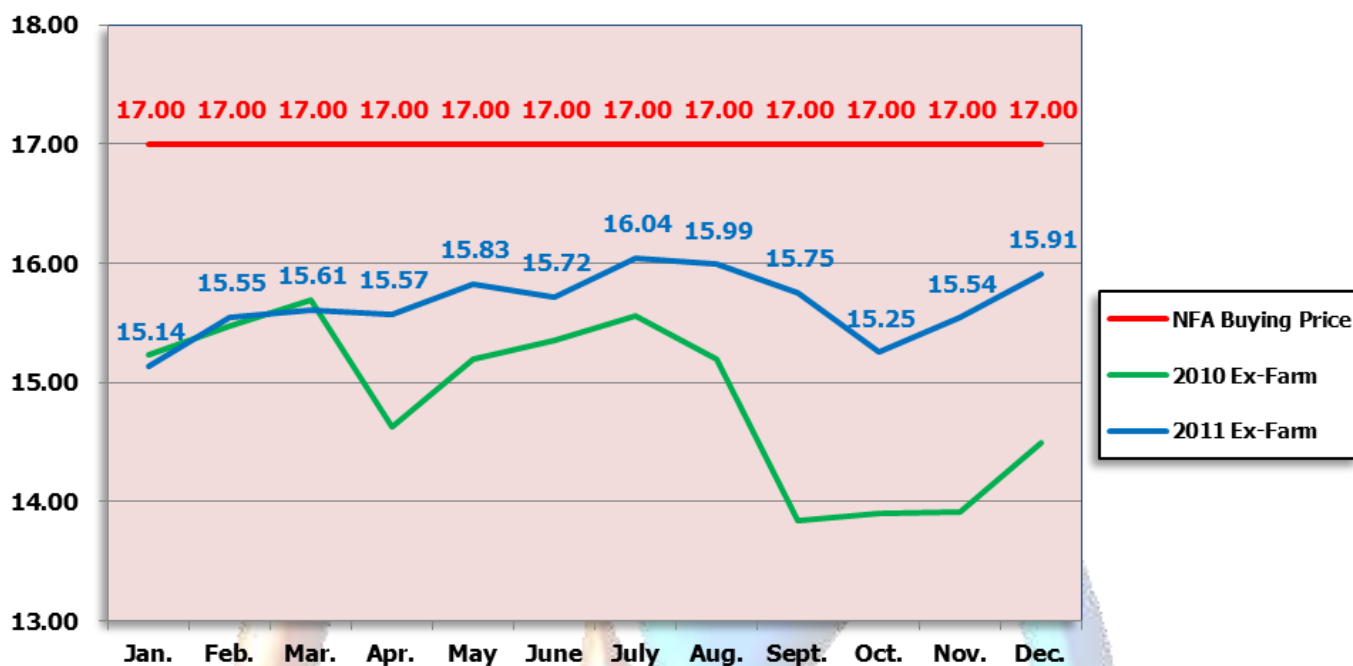
## NFA Procurement for 2011



The reasons for not being able to hit the procurement target are as follows:

1. Occurrence of 19 typhoons and flashfloods, which caused damage to standing palay crops and reduced the volume of harvest;
2. Most farmers are already indebted to the private traders' payable from their upcoming harvest. Traders also serve as their source for other kinds of loans aside from production loans;
3. Tedious process in encashing their check proceeds;
4. Strict quality specifications;
5. Complicated equivalent net weight table; and
6. Farmers lack of transport facilities in bringing their produce to NFA buying stations.

### Average Palay Farm Prices vs. NFA Buying Price (2011 Prices per kg.)



The ex-farm price of palay of ₱15.99 in August went down to ₱15.75/kg in September, then further down to ₱15.25/kg in October, which attributed to abundant supply of commercial rice in the market.

## B. Corn Procurement

### Corn Procurement (In Metric Tons)

<b>MONTH</b>	<b>2010</b>	<b>2011</b>
Jan.	4,799	0
Feb.	2,780	0
Mar.	1,222	0
Apr.	4,689	0
May	5,848	0
June	4,375	0
July	1,272	0
Aug.	402	0
Sept.	137	81
Oct.	16	83
Nov.	21	0
Dec.	4	0
<b>TOTAL</b>	<b>25,565</b>	<b>164</b>

As of December 2011, NFA procured 164 MT of corn (YGN only) or 0.64% compared to last year's 25,565 MT. This year's low procurement maybe attributed to the setting of one yellow corn quality specification (14% MC and 97% purity min.) and the very close gap between NFA's buying price and the ex-farm price of corn.

## Yellow Corn (YGN)

For YGN, prices increased due to limited supply and big demand for animal feeds. As approved by the NFA Council in its May 2, 2011 meeting, effective immediately, the NFA buying price for clean and dry Yellow Corn grains (YGN) is set at P12.30/kg.

**Average Yellow Corn Farm Prices vs. NFA Buying Price**  
(2011 Prices per kg.)



## White Corn (WGN)

For WGN, demand increased due to limited supply of white corn and as an additional source of alternative food for rice-eating people, hence, prices of WGN increased.

**Average White Corn Farm Prices vs. NFA Buying Price**  
(2011 Prices per kg.)



## IMPORTATION

For the year, NFA contracted 860,000 MT of rice from the neighboring Asian Countries following the bidding procedures under R.A. 9184. The contracted volume is broken down as follows:

200,000 MT – NFA Imports  
600,000 MT – Private Sector  
60,000 MT – Farmers Sector

This volume is 61.79% lower from last year's total contracted volume of 2,250,946.34 MT of imported rice. This is part of the Nation's effort to reduce imports and reach self-sufficiency by 2013 based on the NFA Road Map Assumptions and focus on private and farmer sector imports rather than government imports.

In summary, the NFA has awarded the 660,000 MT of imported rice allocation to Sixty-Six (66) winning bidders. NFA was able to generate a total earnings of P1.53 Billion from service fees collected from the winning bidders.

### a. NFA Imports (200,000 MT)

The remaining 51,300 MT balance from 2010 Rice Importation arrived on April 26, 2011.

For the year, the total rice import volume is 200,000 MT through government-to-government transaction.

<b>NFA Imports</b>	
Quantity Contracted for CY 2011	200,000.00
Balance Quantity Contracted CY 2010	51,300.00
<b>TOTAL</b>	<b>251,300.00</b>
<b>Total Arrivals</b>	<b>251,300.00</b>
<b>Balance</b>	<b>-</b>

## **b. Private Sector Financed – Tax Expenditure Subsidy (600,000 MT)**

Of the 660,000 MT allocated to Private Sector Financed (PSF) Importation thru NFA Tax Expenditure Subsidy (TES), 400,000 MT was first bid out last March 23, 2011 where NFA awarded Three Hundred Ninety-Four Thousand Eight Hundred Forty-Eight Metric Tons (394,848 MT) of imported rice to the Twenty (20) winning bidders enabling NFA earnings of Eight Hundred Twenty-Six Million Six Hundred Four Thousand Pesos (₱826,604,000.00) from service fees collected from the winning bidders. Service fees average at ₱2.31/kg or ₱115.50/50kg bag.

Another bidding was conducted on May 02, 2011 for the remaining volume allocation of Two Hundred Five Thousand One Hundred Fifty-Two Metric Tons (205,152 MT) under PSF. Out of the Twenty-Six (26) bidders which participated, fourteen (14) were declared as winning bidders. The NFA generated an earnings of Five Hundred Sixty-Four Million One Hundred Ninety-Nine Thousand One Hundred Fifty-Eight Pesos (₱564,199,158.00) from service fees collected from the winning bidders. Service fees ranged from ₱2.45 to ₱3.60/kg.

As of December 31, 2011, out of the total allocated volume of 600,000 MT for the Private Sector Financed, 595,874.36 MT or 99.31% arrived in the Country with a balance of 4,125.64 MT.

<b>Private Sector Financed (PSF) - TES</b>	
Total Allocation	600,000.00
Actual Arrival	595,874.36
<b>Balance</b>	<b>4,125.64</b>

## **c. Farmers' Sector (60,000 MT)**

For April bidding, all of the total volume allocation of Sixty Thousand Metric Tons (60,000 MT) was awarded. The Notice of Award was already sent to the 32 winning bidders. However, only Twenty (20) bidders have posted their performance security and were issued the Notice to Proceed enabling NFA to generate an earnings of One Hundred Seventy-Eight Million Eleven Thousand Eighty-Eight Pesos (₱178,011,088.00) from service fees collected from the winning bidders. Service fees ranged from ₱2.35 to ₱3.61/kg.

As of December 31, 2011, out of the total allocated volume of 59,911 MT for the Farmers' Sector, 59,120.28 MT or 98.68% arrived in the Country with a balance of 790.72 MT.

<b>Farmers Sector</b>	
Total Allocation	59,911.00
Actual Arrival	59,120.28
<b>Balance</b>	<b>790.72</b>

## DISTRIBUTION

NFA distributed 1,113,589 MT of rice or 52.81% of the total rice distribution target set at 2,108,798 MT and 36.70% lower than last year's total distribution. Market Participation rate was recorded at about 9.77% given the country's total food requirement of 11.40 MMT. Rice distribution target was not met due to the following reasons:

1. Higher stock inventory maintained by the private sector for the four quarters of the year ranging from 10% to 50% higher;
2. The presence of better quality rice as compared to NFA stocks in the market; and
3. The stoppage of the Tindahan Natin Outlets of the DSWD, Bigasan sa Parokya and the Food for School Program of the DepED.

### NFA Distribution for 2011 (In Metric Tons)

Month	TARGET	ACTUAL		% ACCOMP
		2010	2011	
Jan.	158,687	158,711	137,928	86.92%
Feb.	161,653	155,809	93,857	58.06%
Mar.	129,138	212,921	94,627	73.28%
Apr.	140,613	128,505	60,986	43.37%
May	189,323	122,682	53,218	28.11%
June	219,010	171,679	50,624	23.11%
July	475,145	160,789	83,456	17.56%
Aug.	226,639	166,891	128,489	56.69%
Sept.	140,595	142,482	133,106	94.67%
Oct.	106,211	118,243	100,653	94.77%
Nov.	79,000	115,660	84,789	107.33%
Dec.	82,784	104,862	91,857	110.96%
<b>TOTAL</b>	<b>2,108,798</b>	<b>1,759,234</b>	<b>1,113,589</b>	<b>52.81%</b>

The increase in the distribution target in July was made to dispose old stocks through the Sale through Market-Determined Pricing (SMDP). Accomplishment of targets for the months of November and December was due to the withdrawal of SMDP stocks by the winning bidders.

# IRRIGATED RICE PRODUCTION ENHANCEMENT PROJECT (IRPEP)

## 4<sup>th</sup> Component - Provision of Marketing and Post-Harvest/Processing Facilities

The Irrigated Rice Production Enhancement Program (IRPEP) is a sub-programme of The Rapid Food Production Enhancement Programme (RaFPEP), a program of the National Government towards rice self-sufficiency, funded by a loan from the International Fund for the Agricultural Development (IFAD) and a grant from the European Union (EU).

### FUNDS FLOW

Beginning Balance		9,186,225.87
(Received from DA-RaFPEP PCO)		
<i>IFAD</i>	4,278,537.00	
<i>EC Grant</i>	3,114,198.00	
<i>GOP (DA)</i>	1,793,490.87	
Uses		84,452.50
<b>Fund Balance (10/31/2011)</b>		<b>9,101,773.37</b>
<b>For DA-RaFPEP CO's release</b>		<b>2,157,570.00</b>

### Plan of Action:

- Set-up of Farmers' Kiosks (FK)
  - Complete procurement of FK components
  - Inclusion of IRPEP in linking to the NFA website; Loading of data
  - Inauguration (Promo info campaign)
- Upgrading of PHF
  - Procurement of repairs and maintenance (RMT) contracts/Biomass furnace
- Collective Marketing System
  - Conduct of trainings
  - Info dissemination/Press release
- Policy Dialogue
  - Design of Policy Dialogue
  - Conduct of Policy Dialogue

## **MFO II: Staple Cereals are Available during Natural or Man-made Calamity or Emergency**

### **RICE RELEASES**

During the year, the NFA distributed 221,688 bags of rice to various relief Agencies under the Disaster Preparedness Program. With the readiness and accessibility of our rice stocks anywhere in the country and with the continuous coordination and partnership forged by NFA local field offices with concerned offices, NFA was able to respond efficiently and effectively to the call of emergencies and calamities:

<b>AGENCY</b>	<b>QUANTITY (In Bags)</b>
DSWD	80,024
PRC	4,568
LGUs	39,256
Private Institutions/NGOs	87,855
Legislators	1,819
Other Gov't. Agencies	7,316
PAGCOR	200
PCSO	650
<b>TOTAL</b>	<b>221,688</b>

### **PERFORMANCE PARAMETERS**

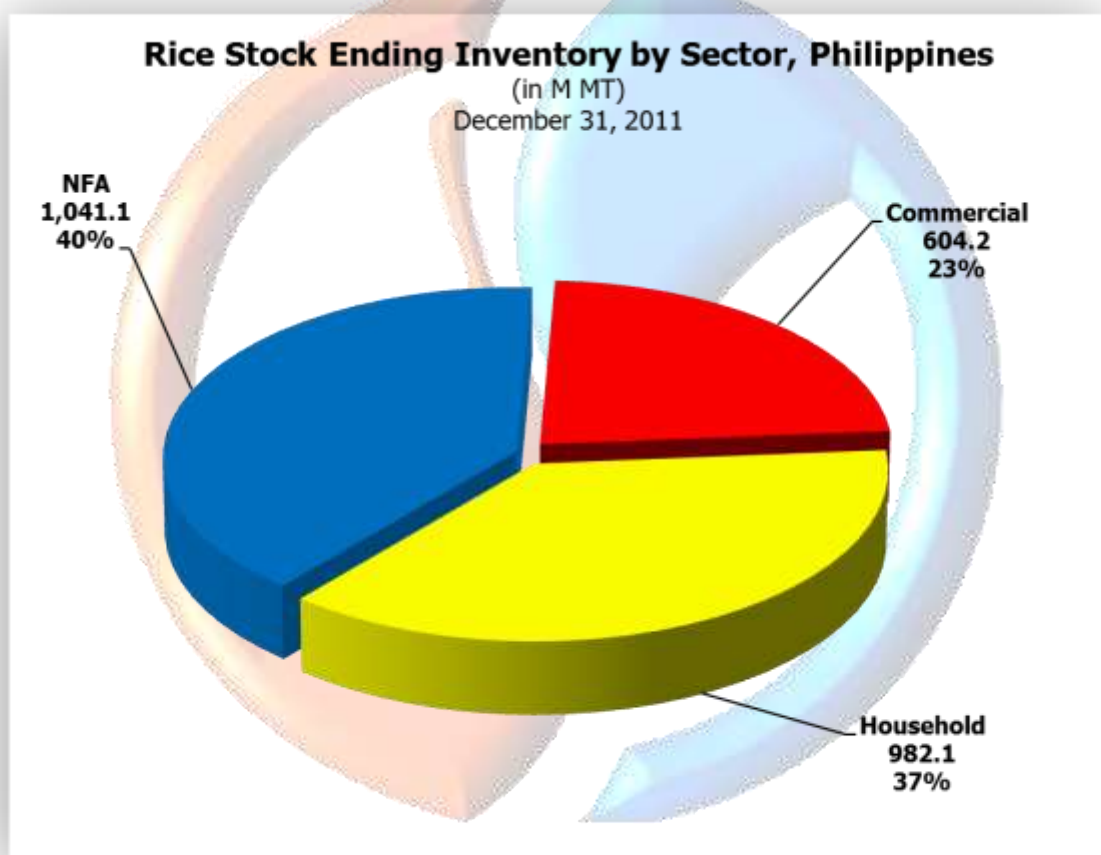
- ✓ 48-hour response time to staple cereal requirements in calamity/emergency-stricken areas.
- ✓ Restore or maintain within 2 weeks staple cereal supply and prices at levels immediately prior to a calamity or emergency.

In December 2011 alone, the prices of rice in the provinces of Agusan Sur, Bukidnon, Lanao Norte, Cagayan de Oro and Negros Oriental were kept at stable levels, even after the flashfloods and landslides in the said province.

## MFO III: Buffer Stock of Staple Cereals Effectively Managed

### RICE STOCK INVENTORY

As of December 31, 2011, NFA maintained a rice and palay stock inventory of 20,822,525 bags or 1,041,126 MT, good to last for 34 days based on the 31,000 MT national daily consumption requirement. NFA's stock was lower by 688.20 TMT or 66% from last year's inventory of 1,729.3 TMT.



### NFA Rice Stock Ending Inventory

(In '000 MT)

CY 2011

MONTH	NFA	DAYS TO LAST
January	1,622.3	52
February	1,541.5	50
March	1,453.6	47
April	1,467.7	47
May	1,446.9	47
June	1,507.8	49
July	1,488.0	48
August	1,385.1	45
September	1,264.2	41
October	1,185.5	38
November	1,120.4	36
December	1,041.1	34
<b>AVE.</b>	<b>1,377.0</b>	<b>38</b>

As mandated by Legislative and Executive Development Council (LEDAC), NFA must maintain a strategic emergency rice reserve enough for at least 15-day requirement, at any given time, equivalent to 465,000 MT of rice (15 days at 31,000 MT daily consumption requirement).

The NFA should also have at least a 30-day buffer stock by July 1 of each year as the country enters the traditional rice lean months, equivalent to 930,000 MT (30 days x 31,000 MT daily requirement). The chart shows that NFA held inventories ranging from 34 days to 52 days consumption requirement.

## ENGINEERING SERVICES

### ➤ Construction/Completion of Warehouses

Throughout the year, NFA facilitated and assisted the field office in the construction/completion of the hereunder carry-over projects: Six (6) warehouses with total project cost of ₱153.720 Million as shown below:

<u>Location</u>	<u>Whse. Capacity (in bags)</u>
Baloy, Cagayan de Oro	200,000
Mambajao, Camiguin	20,000
Calintaan, Occ. Mindoro	110,000
San Jose, Occ. Mindoro	100,000
Lebak, Sultan Kudarat	100,000
NDO, Valenzuela City	200,000

Apparently, these warehouse projects resulted to the reduction of NFA warehousing deficiency by 730,000 bags. This also resulted to reduction of warehouse rental in the concerned project sites. In the case of newly constructed warehouse at Baloy, Cagayan de Oro City, the reduction in warehouse rental amounted to ₱400,583.34 a month exclusive of the ₱39,234.00 savings in security services were met. Warehouse rental rate in the area is ₱109.00/sq.m. In the case of NDO warehouse in Valenzuela City, the potential savings once the warehouse will be utilized is ₱322,560.00/month, considering the warehouse rental rate in the area of ₱67.20/sq.m. The rate is based on an existing contract with a nearby warehouse in Valenzuela City.

### ➤ Monitoring of Post-Harvest Facilities (PHF) Operation

#### Mechanical Grain Dryers (MGDs)

Based on records, there are 441 units MGDs with a total drying capacity of 185 tons per hour. These units include the 60 units procured in 2008-2010, for which 5 units were tested in 2011 and 6 units still due for testing.

The utilization rate of these dryers averages to 50% based on 760 hr./yr. except for NFA Bataan which reported 69% utilization.

## Ricemills (RM)

Based on records, there are 62 units ricemills with total milling capacity of 154.6 tons per hour. The utilization rate of these ricemills is based on 1,320 hr./yr. This will process about 203,082 tons of milled rice per year.

In 2011, the ricemill at NFA Pili, Camarines Sur has the highest utilization rate of 150%, followed by NFA San Jose at 97.54%, and NFA Isabela, at 94.94%. The total volume of milled rice processed is 38,618.015 tons or about 19% of the expected volume based on total capacity on 1,320 hr./yr. operation.

### ➤ **Completion of necessary Engineering Details of various Proposed New Projects**

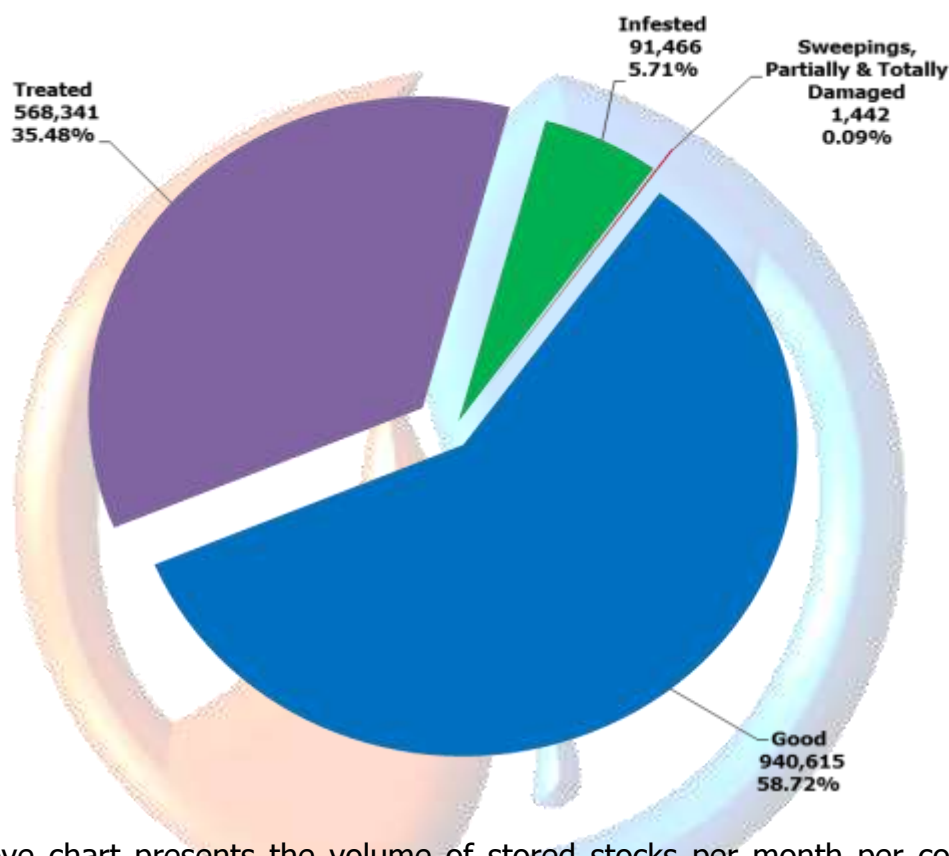
ESD completed all the design, detailed plans/drawing/TOR and estimates of the following listed projects under the 2011 Capital Outlay Budget (COB) with budget allocation of ₱169M with 93.88% of the 2011 Engineering Services Division(ESD) COB for new projects (₱169M / ₱180M) excluding the preparation of plans for other offices:

<b>Location</b>	<b>Particulars</b>
Libmanan, Camarines Sur	100-TCC Warehouse
Port Area, Cebu City	165-TCC Warehouse
Borongan, E. Samar	45-TCC Warehouse
Catbalogan, W. Samar	50-TCC Warehouse
Guiuan, E. Samar	20-TCC Warehouse
NDO, Valenzuela City	200-TCC Warehouse
SDO, FTI-Taguig	100-TCC Warehouse
Bontoc, Mt. Province	Warehouse & P.O. Extension
Nabunturan, Compostela Valley	Provincial Office
Tacurong, Sultan Kudarat	Regional Office
Baloy, Cagayan de Oro	R.O. Ren. w/ Training Center & Dorm.
Typical	Biomass Furnace Shed
Typical	Dryer Shed
5 sites	Site Development Plan for Truckscales
Cagayan de Oro	Site Development
NDO, Valenzuela City	Site Development
Loakan, Baguio City	Site Development Plan

## QUALITY ASSURANCE SERVICES

### ➤ Regular Monitoring of Stock Condition

Based on January to December 2011 quality assurance reports, out of the average monthly inventory of 1,601,864 MT stored by NFA, 940,615 MT or 58.72% constitute good stocks; 568,341 MT or 35.48% constitute treated stocks; 91,466 MT or 5.71% constitute infested stocks while the remaining 1,442 MT or 0.09% constitute the sweepings, partially and totally damaged stocks.



The above chart presents the volume of stored stocks per month per condition in 2011. Good, treated and infested stocks totalled 99.91%, which means they were fit for human consumption. Stocks assessed as 'treated and infested' during inspection are safe for distribution after treatment.

Further, out of the 804,119 MT NFA milled rice stock inventory as of October 31, 2011, 75.9% of these stocks constitutes >12 to 24 months old broken down as follows: 23.4% are >12 to 16 months old; 45% are >16 to 20 months old; while 6% are >20 to 24 months old.

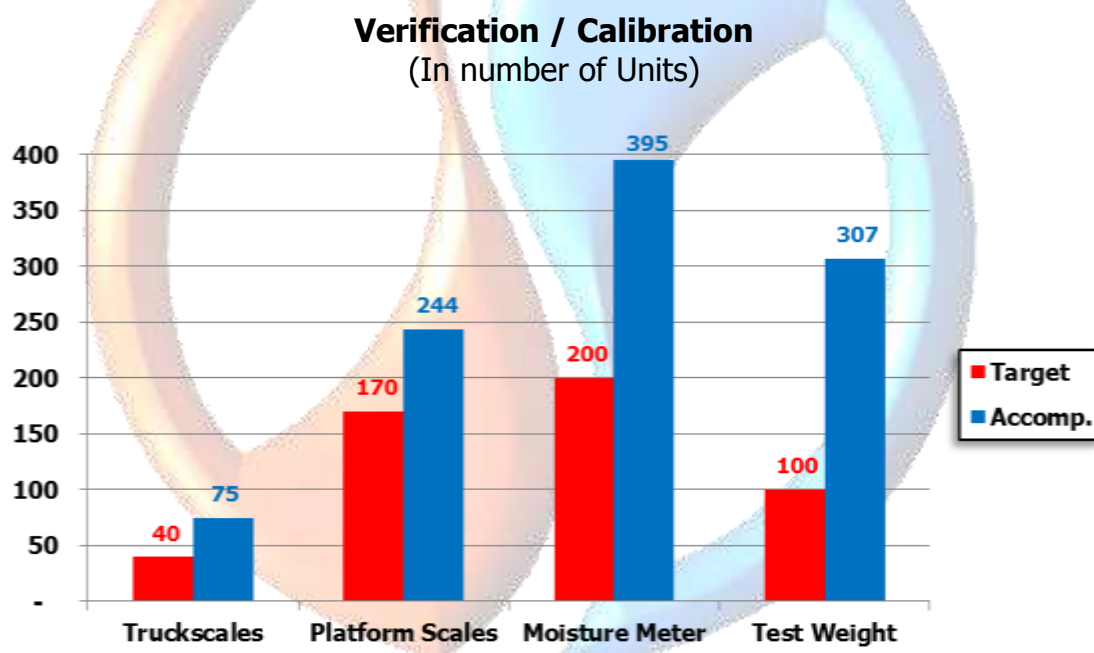
➤ **Regular Monitoring of Pest Control Activities**

Based on 2011 record, a total amount of ₱64.141 M was remitted to the NFA Regional Offices nationwide for the preservation of stock quality. On a three-year period (2009-2011), the average cost to protect grains from insect infestation amounted to ₱0.73/MT/month and ₱9.18/MT/month to treat infested stocks through fumigation.

## **METROLOGY SERVICES**

➤ **Verification and Calibration of Metrology Equipment**

During the year, calibration services consist of 75 truck scales, 244 platform scales, 395 moisture meters, and 307 test weights.



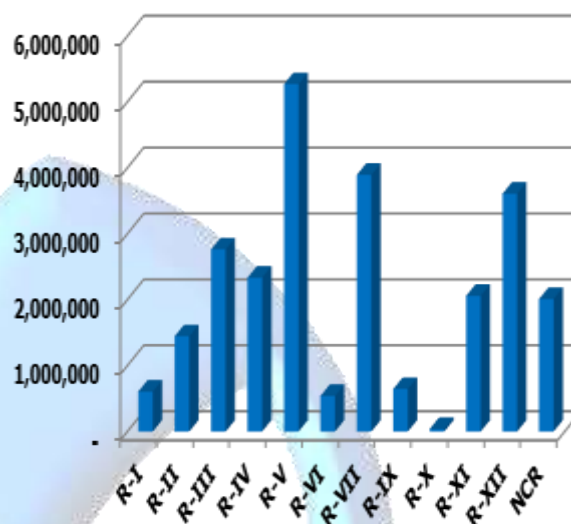
If out-sourced from private accredited calibration centers/ITDI, such services would cost the agency the total amount of ₱1,604,000.00. NFA, thus, saved the net amount of ₱1,386,000.00 net the amount of ₱217,200.00 travelling expenses incurred in the calibration works.

## ➤ Monitoring of Truckscale Utilization

Based on the report submitted by the concerned NFA field offices, NFA saved a total amount of P25.225 M during the year due to reduced handling cost with the use of 42 truckscales.

REGION	SAVINGS (In Pesos)	EXISTING TRUCKSCALES
R-I	608,170.17	4
R-II	1,446,494.44	4
R-III	2,763,034.65	5
R-IV	2,335,336.51	6
R-V	5,269,644.81	3
R-VI	540,600.14	2
R-VII	3,894,784.70	2
R-IX	646,856.96	1
R-X	40,279.59	4
R-XI	2,060,116.42	4
R-XII	3,608,956.08	4
NCR	2,010,278.16	3
<b>TOTAL</b>	<b>25,224,552.63</b>	<b>42</b>

### SAVINGS FROM HANDLING

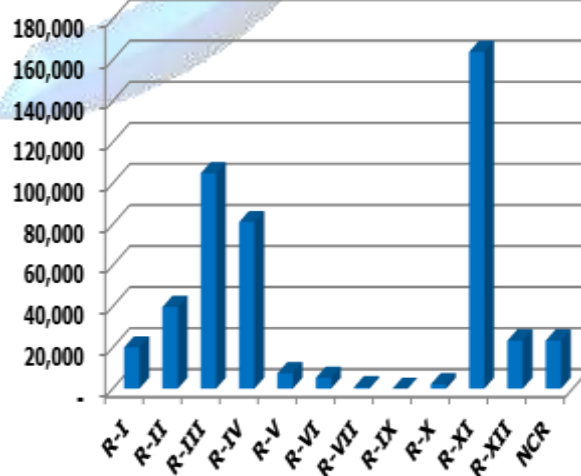


Savings = reduced handling cost by 50% (from two moves to one move per transaction)

Likewise, the Agency gained a total income of P472,453.04 from the third party services with the use of these truckscales.

REGION	SAVINGS (In Pesos)	EXISTING TRUCKSCALES
R-I	20,160.00	4
R-II	39,825.00	4
R-III	104,977.82	5
R-IV	81,195.00	6
R-V	7,602.00	3
R-VI	5,280.00	2
R-VII	817.30	2
R-IX	-	1
R-X	2,160.00	4
R-XI	164,122.50	4
R-XII	23,475.00	4
NCR	23,458.32	3
<b>TOTAL</b>	<b>473,072.94</b>	<b>42</b>

### THIRD PARTY INCOME



Income = Fee from truckscale services availed of by Private individuals/companies.

### ➤ **Pursuit of Gradual Shift on in-Warehouse Weighing System to Electronic Type**

As an initial move in the proposed conversion of our existing 966 units mechanical platform scales to electronic/digital system, TRSD-MD conducted (in collaboration with TRLD), a pilot study to check on the technical and financial viability of converting mechanical scale to electronic type. The pilot conversion project was initiated in December 2011. The project shows positive result, and the terminal report is now prepared for the information of higher management. Based on our estimate, the conversion will cost around ₱50,000.00 including the printer component.

A brand new electronic platform scales with printer costs around ₱130,000.00. Apparently, NFA's conversion project is the "least-cost" approach in pursuing the shift of NFA's in-warehouse weighing system mechanical to electronic system. The Agency will approximately save the amount of ₱77.280 M for the conversion of the existing 966 units of mechanical platform scales to electronic/digital system with this project.

## **TECHNICAL RESEARCH AND LABORATORY SERVICES**

### ➤ **Completed Projects**

The following were significant projects of the TRLD which could be used as basis for NFA operations improvement:

- Field Evaluation of Resposar SC 025 (Beta-Cyfluthrin) as Residual Spray to Control Stored Product Pests – It was found that the pesticide could retain its effectiveness for at least three months as compared to other existing pesticides which could last only for few weeks.
- Comparative Quality Characteristics of Hybrid and Other Popular Inbred Rice Varieties – Comparing hybrid rice and inbred rice, laboratory findings showed that there were more cracked grains in hybrid rice, less milling recovery and less headrice recovery. Although hybrid rice had higher percentage chalky and immature grains, the amount was still within the maximum limit of 4.2% for premium grade. In addition, both rice had similar eating qualities.
- Preliminary Investigation on Milling Recovery Based on Paddy Purity – Using the new technology of determining the purity of paddy through brown rice recovery, coefficient of determination,  $r^2$ , of 0.86. Thus, a full-blown study is being conducted to quantify the milling recovery at various purity levels using brown rice recovery as tool in measuring the purity.

- Test & Evaluation of CTD IFR Mixer at NFA Catanduanes – This was an invention of Catanduanes PSQAO Felix Vargas for iron fortification wherein he garnered a Best Employee Award of NFA-Region V. It was a low cost *í*Rice mixer, which was made of GI Sheet, plywood, and wood. Since it did not pass the iron premix dispersion requirement of 4.5-5.5 grams premix per kg of *í*Rice, it was recommended for future improvement.

➤ **Carry-over/On-going Projects and/or Program**

More projects are being conducted which are also important for NFA operations:

- Evaluation of the Reliability and Pilot Testing of Digital Image Processing System (DIPS) for Corn Grains;
- Enhancing Productivity and Competitiveness of Corn Farmers Through Sustainable Production and Use of Bio-N Fertilizers (Phase 2);
- NFA-TRSD ISO (9001:2008) Project (Phase 1) Development and Implementation of TRSD QMS;
- Expected Milling Recovery Based on Milling Degree and Purity of Paddy Determined Through Brown Rice Recovery;
- Modification & Evaluation of Rice Grader at NFA-Iligan City as Mixing/Blending Equipment for Iron Fortified Rice;
- Recruitment, Calibration and Training of New Panelists for Sensory Evaluation; and
- Rehabilitation/Upgrading of Existing Laboratory Hullers and Mills Nationwide.

➤ **Grains Quality Test and Analyses**

The laboratory section analyses grain samples intended for research, samples from the Quality Assurance Division, which usually come from the field offices and generally for arbitration purposes, and from private institutions.

- |  |   |                |
|--|---|----------------|
| • Analyses of In-House Samples           | - | 2,308 Analyses |
| • Analyses of Samples from Third Parties | - | 315 Analyses   |
| and Income Generated                     | - | ₱18,408.00     |

## **MFO IV: Developmental Regulation of the Grains Industry Implemented and Enforced**

### **INDIRECT MARKET INTERVENTION PROGRAMS**

#### **FARMERS OPTION TO BUY-BACK (FOBB)**

This program allows farmers to buy-back the same volume of stocks sold to NFA within six months or one cropping cycle for resale to traders when palay prices in the market are better than NFA's support price.

FOBB addresses farmer's immediate need for cash and at the same time provide them with the opportunity to maximize their earnings thru proper timing in the sale of said stocks.

<b>PARTICULARS</b>	<b>ACCOMPLISHMENT (Jan. – Dec. 2011)</b>
Total palay deliveries (bags)	58,629
Stocks Withdrawals (bags)	13,878
Palay Balance (bags)	44,759
No. of FOs	44

Under FOBB Program of NFA, 13,878 bags of palay were withdrawn by 44 Farmers Organization out of 58,629 bags delivered to avail of higher prices for their palay produce.

#### **INSTITUTIONALIZED FARMERS AS DISTRIBUTORS (I-FAD) OF NFA RICE**

This program allows FOs to directly participate in the distribution of imported rice. As partners in the implementation of food security and stabilization program of NFA, farmers are allowed to undertake the distribution of NFA rice subject to certain rules and regulations formulated by the Agency.

<b>PARTICULARS</b>	<b>ACCOMPLISHMENT (Jan. – Dec. 2011)</b>
Total Allocation (bags)	1,997,544
FO Withdrawals (bags)	1,296,581
% Accomplishment	64.91%

Rice distribution through the IFAD program registered at a volume of 1,296,581 bags representing total withdrawals of farmer-organizations vis-à-vis the total approved allocation of 1,997,544 bags or a measy 64.91% accomplishment.

## FARMERS' INCENTIVE RICE (FAIR) PURCHASE PROGRAM

Designed to encourage farmers to sell their palay harvest to NFA and be entitled to buy-back in the succeeding year up to 25% of rice equivalent of palay stocks sold to the Agency.

<b>PARTICULARS (2010 Palay Deliveries)</b>	<b>ACCOMPLISHMENT (Jan. – Dec. 2011)</b>
Total palay deliveries (bags)	5,083,943
FAIR allocation (bags)	807,064
Total rice withdrawn (bags)	13,162
Rice balance todate (bags)	793,902
No. of Coops./FO Beneficiaries	885

Under FAIR, 13,162 bags of rice were bought back or withdrawn by 885 Coop/Farmers Organization beneficiaries out of the allocated 807,064 bags.

## NFA-OWNED PHF ASSISTANCE PROGRAM

### NFA-Owned PHF Assistance Program CY 2011

<b>FACILITIES</b>	<b>AMOUNT GENERATED</b>	<b>VOLUME PROCESSED (In bags)</b>	<b>BENEFICIARIES</b>	
			<b>FARMERS</b>	<b>TRADERS</b>
a. Mechanical Dryer	942,274.15	95,096.53	397	32
b. Warehouse	981,235.55	700.00	4	0
c. Truckscale	511,150.00	83,611.00	941	37
d. Trucking	459,335.00	1,192.00	9	3
e. Solar Drying	435,717.89	121,338.00	539	76
f. Moisture Meter	2,520.00			
g. Handling	1,314.00			
h. Corn Drying	52,237.96	2,969.00	6	0
<b>TOTAL</b>	<b>3,385,784.55</b>	<b>304,906.53</b>	<b>1,896</b>	<b>148</b>

There were 1,896 farmers and 148 traders' beneficiaries who availed of NFA-Owned PHF Assistance Program in which NFA generated P3.386 Million. Warehouse and Mechanical Dryer service was the most availed.

## **PALAY MARKETING ASSISTANCE FOR LEGISLATORS AND LOCAL GOVERNMENT UNITS (PALLGU)**

Legislators and LGUs enter into a marketing agreement with NFA where the former shall provide a premium amount in addition to the existing NFA Support Price for the purchase of palay from the farmers.

The provision of such premium entitles the legislator/LGU the right to buy the subject stocks from NFA within six (6) months.

Stocks may be stored in any designated NFA warehouse for free for four (4) months. If stocks are not withdrawn after the 4<sup>th</sup> month period, NFA shall charge the buyer with a 1.5% carrying cost for the 5<sup>th</sup> until the 6<sup>th</sup> month, which is the maximum period of storage.

NFA shall have the right to auction or sell the palay stocks if the buyer was not able to withdraw the same after six months.

<b>PROGRAMS/ACTIVITIES</b>	<b>NO. OF BAGS</b>	<b>AMOUNT (PhP)</b>	<b>NO. OF FARMERS/FO</b>
Volume Delivered	12,329	1,849,383.00	246 FOs
Premium Paid		1.50/kg	
<b>Province:</b> Isabela			

Under PALLGU, 12,329 bags were delivered by 246 Farmers Organization in the province of Isabela only amounting to ₱1,849,383.00.

## **CORN MARKETING ASSISTANCE PROGRAM FOR INDUSTRY PRODUCERS/USERS AND LOCAL GOVERNMENT UNITS (CMAPIPULGUs)**

The program aims to help corn farmers increase their income and at the same time assist corn users in sourcing their corn requirements

Corn buyers (commercial/industrial/LGUs) shall enter into a marketing agreement with NFA where the former shall provide a premium amount in addition to the existing NFA Support Price for the purchase of corn from NFA accredited individual farmers and/or farmers' organizations.

The provision of such premium shall entitle the corn user/LGU to the right to buy the subject stocks from NFA within four (4) months.

<b>PARTICULARS</b>	<b>ACCOMPLISHMENT Jan. – Dec. 2011</b>
No. of bags procured	25,000
Amount of Premium Paid	₱3,210,795.00
No. of farmers	292
No. of FOs	-
Premium Paid	₱3.00/kg
Province Aailed – Isabela only	

For CMAPIPULGUs, 25,000 bags of corn were procured from 902 farmers from Isabela with a total premium price of ₱3,210,795.00.

### **FARM LEVEL GRAINS CENTER (FLGC) – 3<sup>RD</sup> PARTY**

FLGC, which involves the construction of 10,000-bag capacity, warehouses with dryers to serve as collection centers in production areas.

#### **FLGC Loan Amortization**

As of December 31, 2011

<b>PROGRAMS/ACTIVITIES</b>	<b>NO. OF FOs</b>	<b>TOTAL LOAN AMOUNT (In Million PhP)</b>	<b>TOTAL PAYMENTS (In Million PhP)</b>
Updated w/ Satisfactory Repayment Record	6	19.9	10.7
Defaulting FOs	16	55.02	17.9
Scheduled for Repossession	4	13.14	1.18
Repossessed/Voluntary Turned-over to NFA	9	32.9	0.56
For awarding to Viable FOs	1 FLGC	1.09	0.38
Not yet Awarded to FOs	2 FLGCs	3.4	
Amount of Amortization Payment Collected (Jan. – Dec. 2011)	14	43.7	1.6
<b>TOTAL</b>			<b>30.71</b>
<b>TOTAL LOAN EXPOSURE ₱125.80M</b>		<b>%ACCOMPLISHMENT</b>	<b>24.41%</b>

Out of the ₱125.80 Million FLGC loan exposure, total payments collected as of December 2011 amounted to ₱30.71 Million equivalent to 24.41% accomplishment.

Adjusted loan exposure due to reduced loan amount of one (1) FLGC in Pinabacdao, Western Samar from ₱3,569,799.91 to ₱1,097,474.00 that was repossessed and awarded to Pinabacdao LGU thru negotiated sale.

## POST-PRODUCTION INCENTIVE FOR SERVICES OFFERED (PPISO)

PPISO is a one-time procurement incentive granted to Farmers' Organizations (FOs) in 2004 and was terminated in 2005 when Cooperative Development Incentive Fee (CDIF) was again implemented. Balance as of the end of 2011 was ₱544,600.29.

## COOPERATIVE DEVELOPMENT INCENTIVE FEE (CDIF)

The provision of CDIF aims to promote membership of farmers in farmers' organizations (FOs).

A monetary incentive of ₱0.30 granted to Farmers' Organizations for every kilogram of palay/corn they sell to NFA.

The CDIF revolving fund can be used by FOs in the acquisition/rental of post-harvest facilities, as a subsidy for training expenses of FOs, purchase of farm inputs, as payment for loans, to fund entrepreneurial and development programs for FOs and for other purposes.

PARTICULARS	ACCOMPLISHMENT CY 2011
Amount CDIF Granted	₱64.29M – Granted to some 2,867 FOs
CDIF Utilized	₱85.55 – Utilized by some 822 FOs
PPISO Utilization	None

CDIF WITHDRAWAL/UTILIZED	NO. OF FOs EVALUATED	AMOUNT (In Million Pesos)	% SHARE
Purchase of NFA Rice	669	71.53	83.61%
Purchase of farm inputs/fertilizer	83	6.82	7.98%
Payment of Loan Amortization	32	5.22	6.11%
Purchase/Repair of Warehouse, Coop. Office, MPDP, others.	2	0.39	0.46%
Purchase/Repair of Post-Harvest & Production Facilities	15	1.40	1.64%
Purchase of Empty sacks	1	0.07	0.08%
Training/Seminar Expenses	20	0.10	0.12%
<b>TOTAL</b>	<b>822</b>	<b>85.55</b>	<b>100.00%</b>

The CDIF fund amounted to ₱85.55 Million were used by 822 FOs in the acquisition/rental of post-harvest facilities, as a subsidy for training expenses of FOs, purchase of farm inputs, as payment for loans, to fund entrepreneurial and development programs for FOs and for other purposes.

## **CORN DEVELOPMENT FUND (CDF)**

The Corn Development Fund (CDF) was created on March 17, 1998, with an initial fund of ₱124.4 Million for use in the development of the corn industry. It was later augmented by another ₱65.9 Million representing Service Fees from 2007 Corn Imports, bringing the total CDF principal amount to ₱190 Million. This fund is being held in trust by NFA and managed by the CDF Committee.

This is a loan assistance to corn producers and users (maximum of ₱10M) and grants (maximum of ₱0.5M). The loan can be used for the acquisition, installation and/or improvement of equipment and facilities for production, transport, warehousing and marketing. The grant is for training, seminars and research studies for corn.

### **CDF Approved Projects**

Conduct of Project Benefit Monitoring and Evaluation (PBME) on Masisit Dacal Livelihood Cooperative with a budget cover of Ninety One Thousand Pesos (₱91,000.00).

As part of CDF advocacy project, the CDF co-sponsored the First National Grains Postproduction Summit to Philippine Grains Postproduction Consortium (PGPC) on November 22-23, 2011 held at the BSWM with a Three Hundred Thousand Pesos (₱300,000.00) financial assistance treated as direct expense of the CDF.

For the year 2011, the CDF was not able to aggressively implement projects because it was prudent to suspend approval of projects due to the issues and concerns raised by the NFA Council regarding the nature of CDF. The CDF Committee decided to lift the suspension order on November 23, 2011.

### **CDF On-going Projects**

Two (2) *CDF loan* applications are currently under evaluation: Dinas Community Integrated Cooperative (DCICO) of Zamboanga del Sur for its corn dryer project; and CREDO Savings and Agrarian Reform Cooperative of Tuguegarao, Cagayan for its acquisition of 3 units tractor project.

Three (3) *CDF grant* applications for submission by coop-beneficiaries for evaluation: Impasug-ong MPC of Bukidnon; Alamada MPC of North Cotabato (Training Grant); and North Cotabato Free Farmers Coop. Inc. from North Cotabato (Training Grant).

**CDF FINANCIAL REPORT**  
March 1998 to December 31, 2011

**A. FUNDS INFLOW**

Principal Fund Sources:

1998 Corn Importation Net Proceeds	PhP	124,137,671.83
Service Fees from 2007 Imports		65,900,000.00

<b>Total</b>	<b>PhP</b>	<b>190,037,671.83</b>
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Other Fund Sources

Interest Income From:

Treasury Bills	PhP	20,986,632.21
Investment with NFA		69,422,318.45
PNB Deposit		2,730,923.93
Collection – Amortization Payments		12,330,783.94
Penalties from late payments		503,897.87

<b>Total</b>	<b>PhP</b>	<b>105,974,556.40</b>
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<b>TOTAL FUND INFLOW</b>	<b>PhP</b>	<b>296,012,228.23</b>
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**B. FUNDS OUTFLOW**

Corn PHF Projects	PhP	26,816,870.13
Loans		71,439,263.41
Grants (net of returned excess funds)		27,369,007.70
Equipment		1,330,969.66
Study Tour Expenses*		8,095,330.78
Other Advocacy Expenses		2,500,000.00
Project Management/Technical Evaluation and Other Operating Expenses		24,257,560.93

<b>TOTAL FUNDS OUTFLOW</b>	<b>PhP</b>	<b>161,809,002.61</b>
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<b>FUND BALANCE – DECEMBER 31, 2011</b>	<b>PhP</b>	<b>134,203,225.62</b>
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\* Exclusive of P2M grant @ P0.5M each to PAHRI, PAFMI, Philmaize & FFFCI for the Study Tour expenses of their representatives.

## INDUSTRY REGULATION DEVELOPMENT

NFA continues to be one of the driving forces and catalyst for change and improvement of the grains industry. This involves the monitoring and enforcement of rules and regulations governing grains business, licensing and registration of all rice and corn business for a purpose of acquiring industry information and ensuring rational distribution of grains business for optimum utility and profitability. It also includes the promotion of harmonious and productive relationship among rice and corn industry stakeholders to achieve sectoral efficiency, discipline and growth. The following programs are being undertaken to achieve the above objectives.

### ➤ **Licensed/Registered Grains Businessmen**

For the year 2011, the number of grains businessmen registered/licensed nationwide was 74,515 applicants composed of 9,924 new and 64,591 renewees. Out of the total number of registered/licensees, 2,367 grains businessmen availed the 2-year advance RL payment scheme. Based on the projected target of 84,000 licensees, registration and licensing activities fell short by 11.29% over its set mark and 23.82% of the 84,786 total applicants in year 2010.

The declines in the number of non-renewees were accounted by the following factors/reasons:

- Financial difficulty
- Shifted to other kind of business
- No longer interested in the business
- Mechanical breakdown of machine
- Closed operation
- Transferred to other people/place
- Went abroad
- Old age
- Deceased
- Losing business venture
- Cancelled/submit letter
- Others (without reasons)

### ➤ **Registration and Licensing (RL) Collections**

For the year, total collections generated from registration and licensing activities nationwide amounted to ₱138,411,180.86 or a 98.86% accomplishment vis-à-vis set target of ₱140 Million.

Advance RL collections for the 2-year advance payment yielded ₱1,719,910.98 garnered from 2,367 applicants, posted a 1.24% share to the gross collections.

The total 12,308 pieces of metal plates paid by licensed/registered grains businessmen or equivalent to ₱2,461,700.00, contributed a 1.87% share in the total collections. Metal plates are issued in lieu of NFA registration/licensed certificates except for import license. These are issued only once, unless lost or destroyed, a replacement is made upon payment of reasonable amount.

**TOTAL AMOUNT OF COLLECTIONS  
Registration/Licensing**

REGION	COLLECTIONS	2-YR ADVANCE SCHEME
I	12,559,054.94	12,980.00
II	20,251,986.28	-
III	16,797,749.05	38,198.60
IV	14,363,998.34	149,888.76
V	7,215,945.54	2,915.00
VI	8,382,176.26	-
VII	9,780,397.82	600,302.12
VIII	5,829,526.44	197,741.50
IX	4,232,340.31	-
X	6,431,826.52	2,805.00
XI	8,994,213.08	-
XII	4,447,221.58	-
XIII	12,134,092.35	655,790.00
XIV	1,398,996.59	3,300.00
XV	5,591,655.76	55,990.00
<b>TOTAL</b>	<b>138,411,180.86</b>	<b>1,719,910.98</b>

➤ **Customer Assistance Unit (CAU)**

The CAU served 20,453 customers relative to the products and services carried by NFA particularly on matters such as product quality, pricing, weighing and packaging.

**CUSTOMERS ASSISTANCE UNIT (CAU)  
CY 2011**

<b>Customers Served</b>	<b>20,453</b>
Inquiries	12,739
Request	7,681
Complaints	33

Concerns consisted of 12,739 inquiries mostly about licensing requirements and operations matters; 7,681 requests about rice allocations and release of Cooperative Incentive Funds; and 33 complaints regarding rice allocation quality deliveries, grains establishment owner operating without NFA license and non-accredited rice retailers selling NFA rice.

Action/response was within 24 hours for requests/inquiries and within 72 hours for customers' complains.

➤ **Philippine Grains Standardization Program (PGSP)**

This is a multi-sectoral effort spearheaded by Agency that aims to effectively implement or institutionalize the national grains standards through continuing advocacy, enforcement and monitoring activities among grain farmers, millers, traders or retailers and the general consuming public.

The National Grains Standards is a set of rules prescribing standards specifications on the quality, packaging, labelling, as well as, test and analysis for rice, corn and other grain commodities to help ensure efficiency, order and fair trade in the grains production and marketing system, which will benefit all the stakeholders from the farmer producers to the end-consumers.

Total number of establishments inspected in compliance to PGSP rules and regulations was 22,686 stalls/units with 135 seminars/trainings and meetings conducted to 16,474 grains stakeholders.

➤ **2011 Private Sector Rice Importation Program**

Monitored/recorded a total of 361 licensed rice importers nationwide consisting of licensees from the farmers' organizations (FOs) and the private sector. License fees gained from importing activity netted a ₱3,940,791.25 collections.

➤ **NFA Insurance Accreditation**

The NFA Insurance Accreditation Committee accredited nine (9) private insurance companies for 2011 to cater to the needs of the NFA licensed grains businessmen for their fire insurance/surety bond and "Acts of God/Fortuitous Event Clause" requirements. The NFA was able to collect from these companies ₱45,000.00 for the application and accreditation fees of accredited insurance companies.

## FOOD DEVELOPMENT CENTER

### ➤ **Iron Fortification of Rice and Consumer Acceptance of Iron-Fortified Rice (I-Rice)**

FDC's paper on "**Iron Fortification of Rice and Consumer Acceptance of Iron-Fortified Rice (I-Rice)**" garnered the AFMA Best Paper Gold Award in the Socio-Economics Category for this year's DA-BAR 23rd National Research Symposium (NRS). This was presented by Ms. Edith M. San Juan, Acting Chief – Quality Evaluation Division. A cash prize of P100,000.00 was given to the authors and a research fund of P1,000,000.00 was similarly given to FDC. There were 126 papers submitted and the top 25 papers were selected for oral presentation.

This Research Paper Competition is conducted annually by the Bureau of Agricultural Research (BAR) to promote R & D excellence and give due recognition to the accomplishments of agriculture and fisheries researchers who sponsored the AFMA Research Paper Award.

FDC is planning to utilize the research fund in the continuation of the project on efficacy of consuming I-Rice in reducing incidence of anaemia in pre-school kids ages 4 – 6.

### ➤ **Test Analysis Conducted for Food and Food Products**

For the year 2011, 5,130 out of the 4,188 tests/analyses or 122% accomplishment were conducted in response to requests made by 3<sup>rd</sup> party and in-house clients for various analyses of food products, packaging materials, establishment of processes and product shelf life. Breakdown of the 5,130 tests conducted for various food processors and exporters is as follows: 2,815 chemical analyses; 1,346 microbiological; 681 physical and sensory; 137 microanalytical; 15 package testing; and 136 process establishment and evaluations.

The conduct of the above activities generated an income of P4,821,081.00.

➤ **FDC Financial Services**

Generate funds from fees and projects, prepare budget, financial reports, monitor, and allocate costs.

PARTICULARS	(In Million Pesos)		% ACCOMP.	EVALUATION / REMARKS
	TARGET	ACTUAL		
Collection Income	12.20	15.00	123%	Exceeded the target. Accomplishment includes the P2.5M and P0.5M project funds from DA-BAR for 2 projects of FDC.

## LEGAL MATTERS

<b>Adjudication</b>	
Pending administrative cases	39
Submitted for resolution	27
Number of hearings conducted	84
Decided cases	11
Decisions for approval and signature of the Administrator	16
New cases docketed	7
* Prepared and filed comments to the petition for review with the Court of Appeals in Cagayan de Oro City	
* Prepared draft contract for the Private Sector-Financed Importation for the year 2011, forwarded to the AO for review and finalization	
<b>Documentation &amp; Legal Research</b>	
Contracts reviewed/evaluated	67
Contracts prepared	9
Opinions rendered	90
Letters/Memo prepared	35
Others: Opinions received from OGCC	3
Adm. Hearings/meetings attended	28
Bidding/Opening sealed canvass	34
<b>Litigation</b>	
Hearing/s attended by Lawyers	78
Pleadings, memoranda & related documents prepared by Lawyers	55
Opinions, reports, requests, queries & communications prepared and sent by Lawyers	426

## **MFO V: Management Efficiency and Competency**

### **NFA ROAD MAP**

#### ***Objective***

Transform the NFA into a more cost-effective government agency that will facilitate sustained national food security, through the rationalization for efficiency and sustainability in the execution of its mandate.

#### ***Key Principles***

1. Maintain palay procurement support price while adjusting NFA selling prices for rice to approach market prices, thus, encouraging farmers to produce more towards self-sufficiency;
2. Decreasing rice importation commensurate to the increase in rice production;
3. Amount of government support to NFA shall fully cover the costs of implementing (1) food security buffer stock(s); and, (2) farm price support;
4. Private sector will be the major player in rice importation ;
5. Improve NFA's organizational and operational efficiency; and
6. Subject to public consultation and legislation, allow Quantitative Restrictions to end by 2012.

The NFA Road Map is pending/awaiting for the approval of President Aquino.

### **ELECTRONIC INTEGRATED FINANCIAL AND OPERATIONS MANAGEMENT INFORMATION (*e*-IFOMIS)**

A program envisioned as a web enabled on-line information system consisting of NFA operations and financial transactions, that are linked together accessing one database. The development of an *e*-IFOMIS shall be used to:

- Collect, process, maintain, transmit and report data about financial and operations event;
- Support financial planning and budgeting activities;
- Accumulate and report cost and operations information;
- Provide facilities for adhoc queries within the data structure; and
- Support the preparations of financial statements, operations and other management reports.

The project is in the process of data gathering/classifications and presentations of report requirements of the different modules. As of December 2011, the over-all account of the project is 56.96%.

## **ENHANCED ELECTRONIC TRADING SYSTEM (EETS) FOR CORN**

A web-based trading system that provides information exchange and clearing house services and commodity trading for corn buyers and sellers.

An alternative market that gives buyers and sellers more opportunity to get better prices at less marketing layers and costs.

- EETS-Corn Advocacy for the Private Sectors (Corn Farmers/Cooperatives, Corn Traders and Corn Users) were conducted as follows:

<b>Site</b>	<b>Date</b>	<b>No. of participants</b>
Gen. Santos City	June 23, 2011	52 pax
Cagayan de Oro City	July 27, 2011	32 pax
Isabela	August 3-5, 2011	50 pax
Ciudad Christia	September 1-2, 2011	50 pax

- Amendment to the SOP on the Enhanced Electronic Trading System for Corn (EETS-Corn) was completed and approved on July 11, 2011.
- Completed the enhancement of the EETS-Corn web based system.
- A study to be conducted for the inclusion of sugar and rice in the EETS-Corn.
- A study being undertaken to collaborate with Inter Commerce Company for the development of an EETS-Corn Web-based System, which will capture all the intricacies of the EETS program on real time implementation.
- A study to be conducted where NABCOR will be accredited as NFA depository/withdrawal warehouse and the participation of NABCOR in the EETS-Corn to be linked to the CMAIPULGU and FOBB program of NFA.

## **STANDARD OPERATING PROCEDURES (SOP)**

### **Approved – 7**

1. SOP on Leave of Absence (January 7, 2011)
2. Amendment to the Revised SOP on Manpower Training and Development (March 21, 2011)
3. Amendment/Erratum to the Specs of Authority on Human Resource Matters (June 6, 2011)
4. Amendment to the SOP on the Enhanced Electronic Trading System for Corn (EETS- Corn) (July 11, 2011)
5. SOP on Filing and Resolution of Protests on Appointments (August 3, 2011)
6. Amendment to the Revised SOP on NFA Grievance Machinery (August 3, 2011)
7. Amendment to the SOP on Warehousing Policies & Procedures (FIFO) (December 1, 2011)

## **For Approval – 7**

1. Guidelines on Hiring of Workers on Job Order Basis (with AO as of July 4, 2011)
2. Memo Order re: Policies on Implementation of Infra Projects of Field Offices for approval of EXCOM (AO issued a memo dated November 14, 2011 that levels of authority of TRSD shall remain on status quo)
3. Revised SOP on Domestic Travel (with HRMD since March 24, 2010)
4. Addendum to the SOP on Leave of Absence (Revised 2011) (with HRD since Feb. 20, 2011)
5. Revised SOP on Certificate of Clearance (with HRMD since March 1, 2011/returned November 17, 2011 from HRD with comments)
6. Addendum to the Revised SOP on the Management & Utilization of Corn Development Fund (with Asst. Adm. Tan)
7. Amendment to the Revised Implementing Guidelines on Designation, Fielding, Reassignment and Relief of Sr. Grains Operations Officers (WSIIs) & Acting Sr. Grains Operations Officers (WSIIs) (deferred by GMOD; wants another meeting with concerned departments)

## **For Finalization – 7**

1. Revised SOP on Infrastructure Project Development (awaiting approval of the General Memorandum Order on Infra Projects of F.O.)
2. Amendment to the Revised SOP on Payment of Grains/MTS Shortages of NFA Accountable Officer (new draft on no installment policy)
3. Amendment to the SOP on New Computerized Stock Examination and TOLA Computation.(draft previously prepared to be reviewed to jibe with the no installment policy on shortages of accountable officer)
4. SOP on Vehicle Control System for Central Office (for review)
5. SOP on Vehicle Control System for Field Office (for review)
6. Guidelines for the Physical Inventory Taking of NFA PPES and Supplies and Materials to be used for the Initial Implementation of the E-IFOMIS (awaiting final review of e-IFOMIS Implementation Committee)
7. Implementing Guidelines for the Implementation of the e-IFOMIS -- New Policies to be observed for the NFA Purchasing System [e- IFOMIS- GSIS- Purchasing Module] (awaiting other modules of E-IFOMIS)

## **For Preparation of First and Second Draft – 8**

1. Revised SOP on PPE Inventory, Monitoring and Control System
2. SOP on Purchasing System (on going)
3. Execution of Penalties of Suspension and Dismissal Meted to Officials and Employees Found Guilty of Administrative Cases
4. SOP on Record Disposition (2nd draft for review & awaiting additional inputs from National Archives of the Philippines)
5. SOP on Registration and Titling on NFA Properties (2nd draft)
6. Implementing Guidelines for the Implementation of the e-IFOMIS (other Modules)
7. Revised SOP on CDIF
8. SOP on the Procurement of Storm Damaged Palay (SDP)

## HUMAN RESOURCES

### TRAINING AND DEVELOPMENT

ACTIVITY / DESCRIPTION	TOTAL
<b>A. Local External Training</b>	
Number of participants attended	423
Total expenses	964,450.00
<b>B. Foreign Training</b>	
Number of participants attended	4
Total expenses	-
<b>C. Internal Training</b>	
Number of program conducted	1
Number of participants attended	58
Number of training indexed	354
Coordinate w/ participants for livelihood programs	10
Total expenses	1,483,080.00

### SUMMARY OF NFA PERSONNEL COMPLEMENT

(As of December 31, 2011)

	Authorized Plantilla Positions	Filled-Up Positions
Central Office	615	570
Field Office	3,822	3,617
<b>TOTAL</b>	<b>4,437</b>	<b>4,187</b>
Co-Terminus with Incumbent (Rank & File Employees)		
Central Office		
Field Office		
<b>TOTAL</b>		<b>570</b>
<b>GRAND TOTAL</b>	<b>4,437</b>	<b>4,757</b>

# AUDIT SERVICES

## Assurance Services

1. Completed the conduct of Special Audit on Cash Management (Collections, Deposits and Remittances)
  - NCR (EDO, Batanes, Cavite, NDO, CDO, SDO)
  - Region I (Abra, La Union, Ilocos Sur, Ilocos Norte)
  - Region V (Camarines Sur, Camarines Norte, Catanduanes)
  - Region VIII (Biliran, Eastern Samar, Southern Leyte)
  - Region XI (Davao City, Davao del Sur, Compostella Valley)
  - Region IX (Pagadian)
  - Region XIV (Jolo, Sulu)
  - Region XII (South Cotabato)
  - Region II (Allacapan, Mt. Province, Kalinga Apayao)
  - Region IV (Laguna, Marinduque, Infanta, Lucena, Mamburao, Romblon)
  - Region III (Tarlac, Aurora, Zambales, Bulacan)
  - Region VI (Antique, Capiz)
  - Region VII (Bohol, Negros Occidental)
  - Region X (Camiguin, Misamis Occidental)
  
2. Completed the conduct of Special Audit on Registration and Licensing Activities at the following NFA offices of NCR:
  - East District Office
  - Batanes
  - Cavite
  - North District Office
  - Central District Office
  
3. Completed the conduct of Special Audit and Finalization of Reports on Fixed Assets Management of the following NFA Regional and Provincial Offices:
  - Region I
  - Region III
  - Region IV
  - Region VI
  - Region VII
  - Region VIII
  - Region IX
  - Region X
  - Region XI
  - Region XII
  - NCR
  - CARAGA
  - ARMM

4. Completed the conduct of Special Audit on Job Order (J.O.) Personnel:
  - Region II (Mt. Province, Ifugao, Allacapan)
  - Region IV (Quezon, Infanta, Batangas, Laguna, Calapan, San Jose)
  - Region V (Camarines Norte, Camarines Sur, Albay, Sorsogon, Catanduanes)
  - Region VI (Iloilo RO, Iloilo PO, Antique, Aklan, Capiz, Negros Occidental)
  - Region VII (Cebu, Dumaguete, Bohol, Siquijor)
  - Region IX (Zamboanga RO, Zamboanga PO, Ipil, Dipolog, Pagadian)
  - Region XI (Davao City, Davao Oriental, Davao Norte, Davao Sur, Gen. Santos City, Compostella Valley)
  - Region XV (RO, Agusan Norte, Agusan Sur, Surigao Norte, Surigao Sur)
  - Region III ( RO, Bulacan, Pampanga, Tarlac, Zambales, Bataan, Aurora, Nueva Ecija)
  - Region VIII (RO, PO, Biliran, Northern Samar, Western Samar, Eastern Samar)
5. Completed the conduct of Special Audit on Procurement Operations:
  - Pampanga, Palawan, San Jose, Occidental Mindoro, Camarines Sur, Mamburao, Occidental Mindoro, Calapan, Oriental Mindoro, Isabela and Allacapan, N.W. Cagayan
6. Special Audit on Western Pangasinan
7. Special Audit on Personnel Administration – Basilan
8. Cash Examination of Cashier Vendivil of NFA N. Vizcaya
9. Conducted Stock Accountability Assessment of Benjamin Gaytos of NFA Region VIII
10. Conducted Special Audit on Security Services at NFA San Jose, Occ. Mindoro
11. Conducted Special Audit on Operations at NFA Allacapan, N.W. Cagayan; and
12. Systems Audit on Food for School Program

### **Consultancy Services**

1. e-IFOMIS Project
2. Assistance to the NFA Systems Audit Consultants
  - a. Data Gathering;
  - b. Auction 2005; and
  - c. Private Sector Financed – NCR and Cebu

## TOLERABLE ALLOWANCE (TOLA)

TOLA is an allowance that may be granted to stocks accountability to Stocks Accountable Officers due to natural loss and other physical losses in the course of handling NFA stocks (e.g. palay, rice, corn, by-products, etc.) For the year ended December 31, 2011, 600 cases of stock accountabilities with a book value of ₱329.715 Million were examined (liquidated) representing a 94% accomplishment over the target of 637 cases of stock accountabilities with a book value of ₱360.911 Million.

REGION	STOCK ACCOUNTABILITIES (CASES)	AMOUNT
1	55	21,701,010.33
2	46	10,308,754.12
3	91	49,426,580.25
4	165	52,058,458.94
5	61	9,501,076.73
6	10	8,339,593.46
7	33	25,975,981.97
8	27	-
9	17	1,333,683.24
10	9	5,031,921.96
11	12	880,246.85
12	16	10,531,798.71
13	27	12,062,184.81
14	9	116,193,643.86
15	22	6,370,201.07
<b>TOTAL</b>	<b>600</b>	<b>329,715,136.30</b>
<b>TARGET</b>	<b>ACCOMP.</b>	<b>% ACCOMP.</b>
637 Cases	600 Cases	<b>94%</b>
₱360.911 M	₱329.715 M	<b>91%</b>

Of the examined 600 cases of stock accountabilities, 392 cases were computed and granted with Tolerable Allowance (TOLA) resulting to a final shortage of ₱25.738 Million. Of this final shortage, ₱1.610 Million were collected from concerned stock accountable officers, representing a 6.25% collection performance or a balance of ₱24.128 Million.

## ADMINISTRATIVE SUPPORT AND GENERAL SERVICES

### DISPOSITION OF UNSERVICEABLE PROPERTIES

PARTICULARS	AMOUNT (PhP)
Central Office	83,850.00
Field Office	2,045,710.10
<b>TOTAL NET PROCEEDS GENERATED</b>	<b>2,129,560.10</b>

## FINANCIAL VIABILITY

### INTERIM FINANCIAL REPORT

For the year ended December 31, 2011  
(In Billion Pesos)

	TARGET	2010	2011
<b>Rice Sales Generated:</b>			
January - March	8.126	10.715	7.487
April - June	11.472	8.749	4.116
Sub-Total	19.598	19.464	11.603
July	6.515	3.767	1.784
August	5.422	3.522	3.478
September	3.940	3.438	2.925
October	2.884	2.684	2.216
November	2.815	2.538	2.085
December	2.862	2.383	1.983
Sub-Total	24.438	18.332	14.471
<b>TOTAL</b>	<b>44.036</b>	<b>37.796</b>	<b>26.074</b>
<b>Palay Procurement Remittance Report:</b>			
January - March	0.974	1.070	0.918
April - June	1.587	2.953	1.735
Sub-Total	2.561	4.023	2.653
July	0.108	0.099	0.085
August	0.248	0.065	0.237
September	2.053	0.451	0.422
October	3.765	1.399	0.873
November	3.577	1.877	0.697
December	2.563	1.248	0.324
Sub-Total	12.314	5.139	2.638
<b>TOTAL</b>	<b>14.875</b>	<b>9.162</b>	<b>5.291</b>

**NG Subsidy:** Released in Full in March, 2011 P2.5B.

**NG Net Lending Program:** Fully Availed as of June 2011 P8B.

### **Outstanding Loans - Trade**

With Banks	
Short Term	34.559
Long Term	110.000
Sub-Total	<u>144.559</u>
With Foreign Suppliers	
Short Term	5.702
Long Term	0.433
Sub-Total	<u>6.135</u>
<b>TOTAL</b>	<b><u>150.694</u></b>

On the results of operations, as of October 31, 2011, NFA's gross loss amounted to ₱6.13 Billion. This is 49% lower than the previous year's ₱12 Billion gross loss. As to the net loss for the same period, the amount is ₱12.06 Billion which is just 4% lower than in 2010 of ₱12.58 Billion. This is because the subsidy in 2011 is only ₱2.5 Billion compared to ₱8 Billion in 2010.

On the financial condition, as of October 31, 2011, NFA's total assets amounted to ₱44.2 Billion, total liabilities amounted to ₱172.97 Billion and the capital deficiency is ₱128.77 Billion.

### **2011 Borrowing Plan**

- Shifted ₱75 Billion short term to long-term loan thru a syndicated 10 year loan facility arranged by Development Bank of the Philippines (DBP)/Land Bank of the Philippines (LBP). With this, NFA was able to revert back its debt portfolio of 24% and 76% of short and long-term respectively. Thus, NFA's loan is easier to manage because it lengthen the maturities.

### **Approved Conversion of NG Net Lending and NG Guarantee into Subsidy**

- Submitted documentary requirements relative to the conversion of Net Lending ₱3.5 Billion plus interest to the concerned agencies. With this, NFA was able to transfer its liabilities to the National Government and resulted to savings in interest cost.

## STATUS REPORT

As of December 31, 2011

(In Million Pesos)

PARTICULARS	As of Nov. 30	December 1-31	As of December 31
<b>I CASH IN BANK BALANCE C.O.</b>			241.753 <sup>/1</sup>
<b>II CENTRAL OFFICE COLLECTIONS/ REMITTANCES FROM F.O.</b>			<u>28,372.658</u>
LOCAL CEREALS			
IMPORTED RICE	24,399.211	2,050.796	26,450.007
SUGAR	0.000		0.000
MISCELLANEOUS	1,895.539	27.112	1,922.651
<b>III SUBSIDY RELEASES - 2011 FOOD SUBSIDY</b>	2,500.000		<u>2,500.000</u> *
<b>IV REMITTANCES TO FIELD OFFICES:</b>			<u>11,061.906</u>
CEREAL PROC. FUND - PALAY	5,006.550	323.770	5,330.320
CEREAL PROC. FUND - SUGAR	0.000		0.000
GOE/COF	3,385.925	417.840	3,803.765
C.O. DISBURSEMENTS	1,748.174	179.647	1,927.821
<b>V 2010 RICE IMPORTATION (NEGOTIATED)</b>			
Volume (MT)		Value in US\$	
2,209,646.335MT		US\$1,390,621,060.042	<u>60,797.253</u> <sup>/2</sup>
<b>VI 2011 RICE IMPORTATION (NEGOTIATED)</b>			
Volume (MT)		Value in US\$	Peso Value
51,300MT	US\$34,109,370.00		P1,475.200
200,000MT	96,000,000.00		4,137.290
		5,612.490	5,612.490
<b>VII OBLIGATIONS:</b>			<u>162,834.980</u>
SHORT AND LONG TERM LOAN - OUTSANDING	35,874.254		<u>144,559.408</u>
SHORT TERM LOANS - OUTSANDING BAL.			<u>34,559.408</u> ***
AVAILMENT		3,470.000	
PAYMENT		4,784.846	
ROP GUARANTEED LONG TERM - OUTSTANDING			<u>110,000.000</u>
VARIOUS CREDITORS - TREASURY BONDS	17,000.000		<u>35,000.000</u>
LBP - LONG TERM NOTES	18,000.000		17,000.000
LONG TERM NOTES - VARIOUS CREDITORS	75,000.000		18,000.000
FOREIGN	433.435		<u>75,000.000</u> <sup>/3</sup>
DOMESTIC: OTHERS	600.326		433.435
DUE TO SUPPLIER - 2011 RICE IMPORTATION	5,702.582		600.326
Volume (MT)	Value in US\$	Peso Value	<u>5,702.582</u> **
251,300MT	US\$129,816,568.92	P5,702.582	
NET LENDING			<u>11,539.229</u>
- PRINCIPAL	11,539.229		11,539.229
<b>VIII INTEREST / BANK CHARGES</b>			<u>6,345.329</u>
- Short Term	4,492.437	116.498	4,608.935
- Long Term	545.173	60.584	605.757
- Domestic	1,113.750		1,113.750
- Notes	16.887		16.887
- Foreign			
<b>IX BOND SINKING FUND CONTRIBUTION</b>			<u>1,000.000</u>
P8.0B ROP NOTES	600.000		600.000
P9.0B ROP NOTES	400.000		400.000
<b>X TAX WITHHELD ON INTEREST PAYMENTS</b>	352.641	9.930	<u>362.571</u>
<b>XI TAX SUBSIDY FOR 2011</b>	1,375.595	919.205	<u>2,294.800</u> <sup>/4</sup>

<sup>/1</sup> Notes - For funding on Jan. 3, 4 & 5, 2012

GOE/GOF Field remit.	P 30.030
Payment of Principal	400.000
Payment of Interest	18.883
	<u>P 448.913</u>

DA Mat - Jan. 2012 x P43.928	P 1,496.919
DA Mat - Feb. 2012 x P43.928	1,715.168
DA Mat - Mar. 2012 x P43.928	1,480.063
DA Mat - Apr. 2012 x P43.928	716.417
DA Mat - May 2012 x P43.928	294.015
	<u>P 5,702.582</u> **

\*\*\* Adjusted due to FX Valuation

<sup>/2</sup> Actual Peso Value (Gross)

* Subsidy Release	2,500.000
Less: Partial payt -Guarantee fee	12.500
<b>Net. Subsidy Release</b>	<u>2,487.500</u>

<sup>/3</sup> US\$1 = P43.928  
¥ = 0.012845

<sup>/4</sup> 04/29/11 -	P 494.631
08/31/11 -	880.964
10/20/11 -	398.392
12/16/11 -	408.698
12/22/11 -	112.115
<b>Total</b>	<b>P 2,294.800</b>

## PUBLIC AFFAIRS

PARTICULARS	ACCOMPLISHMENT
Press Releases	
News	26
Photo	13
Letters to Editors/Columnist clarifying various issues	7
Speeches/Messages	6
Photo Coverage	71
Monitored & clipped news items on NFA corporate and agriculture-related issues and concerns	6,074

In addition to this, NFA undertook various activities to continuously respond to challenges and maintain goodwill with the media as well as the NFA's external and internal public – employees, stakeholders and the general public.

## NFA'S CONTRIBUTION TO THE ECONOMY:

For the year, NFA paid the farmers and private sectors and remitted to BIR, a total of ₱7,172,152,242.85 broken down into:

PARTICULARS	AMOUNT
Palay Procurement	4,900,498,238.19
Corn Procurement	32,451,214.17
Rent Expenses	35,553,346.41
Transportation & Deliveries Expenses	567,842,318.65
Storage	374,140,969.48
General Services	100,697,781.81
Janitorial Services	37,225,930.30
Security Services	304,682,448.29
Drying	3,497,925.41
Milling	62,667,261.37
Handling	339,468,536.22
Tax Withheld from Employees' Compensation	29,276,136.92
Tax Withheld from Suppliers of Goods & Services	384,150,135.63
<b>TOTAL</b>	<b>7,172,152,242.85</b>