



DEPARTMENT OF AGRARIAN REFORM –
LAND BANK OF THE PHILIPPINES



JOINT DAR-LBP MEMORANDUM CIRCULAR NO. 06
Series of 2007

TO : ALL CONCERNED OFFICIALS AND EMPLOYEES OF DAR AND
LBP

SUBJECT : GUIDELINES IN THE DETERMINATION OF VALUATION INPUTS
FOR LANDHOLDINGS PLANTED TO CAVENDISH BANANA

I. PREFATORY STATEMENT

Item II.B.2 of DAR Administrative Order (AO) No. 5, Series of 1998 states that:

"B.2 The landowner shall submit a statement of net income derived from the land subject of acquisition. This shall include, among others:

- total production and cost of operations on a per crop basis;*
- selling price/s (farm gate); and*
- such other data as may be required.*

These data shall be validated/verified by the Department of Agrarian Reform and Land Bank of the Philippines field personnel. The actual tenants/farmworkers of the subject property will be the primary source of information for purposes of verification or, if not available, the tenants/farmworkers of adjoining property.

In case of failure by the landowner to submit the statement within fifteen (15) days from the date of receipt of letter-request as certified by the Municipal Agrarian Reform Office (MARO) or the data stated therein cannot be verified/validated, DAR and LBP may adopt any applicable industry data or, in the absence thereof, conduct an industry study on the specific crop which will be used in determining the production, cost and net income of the subject landholding. (Underscoring supplied)

Since there is no specific government agency overseeing the banana industry, no industry study can be validly undertaken, hence, these guidelines provides only for the procedures in the determination of applicable inputs to be adopted in the valuation of landholdings planted to cavendish banana such as annual gross production, selling price and cost of operations.

II. COVERAGE

These guidelines shall cover lands planted to cavendish banana where:

- A. Landowner submitted BIR-filed audited financial statements which could be verified and validated;
- B. Landowner submitted BIR-filed audited financial statements but could not be verified and validated; and
- C. Landowner did not submit BIR-filed audited financial statements.

III. VALUATION GUIDELINES

A. LANDOWNER SUBMITTED BIR-FILED AUDITED FINANCIAL STATEMENTS WHICH COULD BE VERIFIED AND VALIDATED

The Capitalized Net Income (CNI) of the landholding shall be determined using the formula:

$$\text{CNI} = \frac{(\text{AGP} \times \text{SP}) - \text{CO}}{0.12}$$

Where:

AGP = Annual Gross Production, in boxes per hectare

SP = Selling Price, in pesos per box

CO = Cost of Operation, in pesos per hectare

1. Annual Gross Production

Refers to the LO's 12-months production per hectare immediately preceding the date of Field Investigation (FI) which could be derived from the audited financial statements and shall be verified against:

- industry production data for the applicable period;
- interviews with farmworkers;

- LO's accounting records (subsidiary ledgers, daily production reports, sales/delivery receipts, billings, etc.); and
- farm management practices, topography and soil characteristic of the landholding

2. **Selling Price**

Refers to 12-months average selling price prior to the date of Claim Folder (CF) receipt by LBP from DAR which could be derived from the audited financial statements and shall be verified against:

- industry average selling prices; and
- LO's sales records (sales invoices, billing reports, etc.)

3. **Cost of Operations**

Refers to the total cost of operation during the 12-months period prior to the date of FI.

- a. Shall include direct and indirect costs that are related to production and marketing of cavendish banana, depending on the point of sale.

A list of applicable cost of operations is shown in **Annex A**.

- b. Shall be verified and validated against:
 - LO's accounting records (i.e., subsidiary ledgers, official receipts, purchase/delivery receipts, billings, etc.); and
 - industry's generally accepted cost of operations per hectare.

B. **LANDOWNER SUBMITTED BIR-FILED FINANCIAL STATEMENTS BUT COULD NOT BE VERIFIED AND VALIDATED OR**

LANDOWNER DID NOT SUBMIT BIR-FILED AUDITED FINANCIAL STATEMENTS

The Capitalized Net Income (CNI) of the landholding shall be determined using the formula:

$$\text{CNI} = \frac{(\text{AGP} \times \text{SP}) - \text{CO}}{0.12}$$

Where:

AGP = Annual Gross Production, in boxes per hectare

SP = Selling Price, in pesos per box

CO = Cost of Operation, in pesos per hectare

1. Annual Gross Production

Refers to the 12-months production per hectare of the particular landholding immediately preceding the date of FI which shall be determined using the formula:

$$\text{AGP} = \text{DPH} \times \text{TR} \times \text{BSR}$$

Where:

AGP = Annual Gross Production per hectare

DPH = Density per hectare

TR = Turnover Ratio

BSR = Box-Stem Ratio

- a. The DPH shall be determined based on actual measurement of plant and row distances and shall be computed using the formula:

$$\text{DPH} = \frac{10,000 \text{ sq.m.}}{\text{RD} \times \text{PD}}$$

Where:

RD = Row Distance, in meters

PD = Plant Distance, in meters

10,000 = Equivalent of one hectare area in square meters

- b. The TR and BSR shall also be determined based on actual field investigation of the particular landholding and may be validated with the farmworkers thereat.

- c. The AGP shall be based on fruit classes (Class A, Class B, etc.) actually sold to the buyer/contractor.

2. Selling Price

Refers to the average of the latest available 12-months' selling prices prior to the date of receipt of the CF by LBP from DAR.

- a. The applicable SP shall be determined based on the existing contract of the landowner with the contractor/buyer.

In cases where the copy of the contract is not available, the applicable SP shall be determined and validated against the contract of adjacent/adjoining landholdings under the same contractor/buyer.

If the contract of adjacent/adjoining landholdings under the same contractor/buyer is also not available, the prevailing selling price in the barangay or municipality where the property is situated shall be used provided that the variety/quality of banana is comparable with that of the subject landholding.

- b. The SP shall be measured at the point of sale (ex-patio, ex-packing house or ex-wharf) as stipulated in the contract.

3. Cost of Operations

- a. The actual CO per hectare shall be determined using the generally accepted cost of operation per hectare for small and large plantation shown in **Annex B** as guide.

Small banana plantations are those plantations with less than 20 hectares while large banana plantations are those plantations with area of 20 hectares and above.

- b. If there is/are farming activity/ies found not being undertaken in the particular landholding, exclude such item/s from the list of cost items in **Annex B-1** in coming up with the actual CO per hectare.

On the other hand, if the LO undertakes other farming activities not included in the generally accepted cost of operation in Annex B-1, include/consider the same in coming up with the actual CO per hectare.

Provided, however, that the inclusion or exclusion of the said farming activities is duly supported with the necessary documentary evidences and justifications.

- c. If the actual CO per hectare of the particular landholding established at the time of FI is higher than the generally accepted CO per hectare in Annex B, adopt the actual CO per hectare in the determination of the property's CNI.

If the actual CO per hectare of the particular landholding established at the time of FI is lower than the generally accepted CO per hectare in Annex B, adopt the actual CO per hectare in the determination of the property's CNI provided that the same could be supported with documentary evidences and justifications. Else, adopt the generally accepted CO per hectare in Annex B in the determination of the property's CNI.

- d. All applicable direct and indirect costs identified by the AOC shall be presented in the Field Investigation Report (FIR) duly supported with the necessary documentary evidences and justifications.

IV. TRANSITORY PROVISION

These guidelines shall apply to lands planted to cavensish banana whose valuation is in process and not yet covered by Memorandum of Valuation (MOV) and whose valuation is rejected by the landowner. In the case of the latter, the use of these guidelines shall only be applied when so ordered by the Court.

No petition or requests for revaluation on the basis of these guidelines shall be entertained in cases where the LO has already accepted the DAR/LBP valuation, whether the LO has already been paid or not.

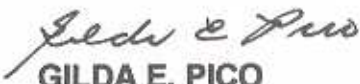
V. REPEALING CLAUSE AND EFFECTIVITY

All orders, circulars, rules and regulations inconsistent herewith are hereby revoked, amended or modified as the case may be.

This Joint Memorandum Circular shall take effect ten (10) days after its publication in two (2) national newspapers of general circulation pursuant to Section 49 of RA 6657.

Quezon City, June 22, 2007.


NASSER C. PANGANDAMAN
OIC-Secretary
Department of Agrarian Reform


GILDA E. PICO
President and CEO
Land Bank of the Philippines

Published in two (2) national newspapers
of general circulation:

1. The Malaya
2. The Philippine Star

Date of Publication - July 2, 2007

LIST OF APPLICABLE COST OF OPERATIONS
One (1) Hectare Banana Plantation

I. Direct CostsFieldwork Costs

Plant Care
 Fruit Care
 Fertilizer & Chemical Application

Harvesting and Packing Costs

Cutting and Hauling
 Packing & Stacking
 Quality Inspection

Banana Sales Costs

Box Hauling to Wharf
 Stevedoring & Arrastre
 Other Costs at Dock

II. Indirect Costs

Item	Small Plantation	Large Plantation
Depreciation	<ul style="list-style-type: none"> ▪ Tractors, Trucks, Service Vehicles ▪ Office Equipment 	<ul style="list-style-type: none"> ▪ Admin Building ▪ Packing House ▪ Warehouse ▪ Guard House ▪ Cableways ▪ Overhead Cable Propping ▪ Irrigation Facility ▪ Tractors, Trucks, Service Vehicles ▪ Office Equipment
Communication, Fuel, Light & Water	<ul style="list-style-type: none"> ▪ Tractors, Trucks, Service Vehicles ▪ Office Equipment 	<ul style="list-style-type: none"> ▪ Admin Building ▪ Packing House ▪ Warehouse

		<ul style="list-style-type: none"> ▪ Guard House ▪ Irrigation Facility ▪ Tractors, Trucks, Service Vehicles ▪ Office Equipment
Salaries, Wages and Allowances		<ul style="list-style-type: none"> ▪ Senior Management ▪ Admin Staff ▪ Plantation Manager, Supervisors ▪ Security Personnel
Office Supplies	<ul style="list-style-type: none"> ▪ Supplies 	<ul style="list-style-type: none"> ▪ Admin Building ▪ Packing House ▪ Warehouse
Employees Benefits		<ul style="list-style-type: none"> ▪ Senior Management ▪ Admin Staff ▪ Plantation Manager, Supervisors ▪ Security Personnel ▪ Farmworkers
Taxes & Licenses		<ul style="list-style-type: none"> ▪ Realty Taxes ▪ Business Permit ▪ Vehicle Registration
Repairs & Maintenance	<ul style="list-style-type: none"> ▪ Tractors, Trucks, Service Vehicles ▪ Office Equipment 	<ul style="list-style-type: none"> ▪ Admin Building ▪ Packing House ▪ Warehouse ▪ Guard House ▪ Cableways ▪ Overhead Cable Propping ▪ Irrigation Facility ▪ Tractors, Trucks, Service Vehicles ▪ Office Equipment
Miscellaneous		

ANNEX " B"

GENERALLY ACCEPTED COST OF OPERATION (CO) ^{1/}
One (1) Hectare Banana Plantation

COST ITEM	SMALL	LARGE
I. FIELD LABOR		
Plant Care	41,204.00	41,204.00
Fruit care	11,480.00	11,480.00
Harvesting	10,192.00	10,192.00
Packing	19,136.00	19,136.00
Sub-Total	82,012.00	82,012.00
II. MATERIAL INPUTS		
Fertilizers	22,845.00	22,845.00
Chemicals	70,652.06	70,652.06
Supplies	41,900.00	41,900.00
Sub-Total	135,397.06	135,397.06
III. IRRIGATION COST	19,600.00	19,600.00
IV. INDIRECT COST	43,482.00 ^{2/}	72,556.00 ^{3/}
TOTAL CO PER HA.	280,491.06	309,565.06

1/ See Annex B-1 for the specific cost items.

2/ Equivalent to 20% of the sum of field labor and material inputs.

3/ Based on the average indirect of farm overhead costs of AMS Farms which more or less representative of the different banana plantations in Region XI.

STANDARD COST OF OPERATION
One (1) Hectare Banana Plantation

I. FIELD LABOR

Cost Item	Man-Days/Ha	Rate/Man-Day	Amount/Ha.
A. Plant Care			
Deleafing	10.40	200	2,080.00
Mat Sanitation	15.60	200	3,120.00
Prunning	10.40	200	2,080.00
Weed Spray	5.20	200	1,040.00
Fertilization			
- Urea	3.00	200	600.00
- Sulfate	3.00	200	600.00
- Potash	3.00	200	600.00
Replanting	5.00	200	1,000.00
Sigatoka Trimming	15.60	200	3,120.00
Boquetes-Weekly	15.60	200	3,120.00
Moko-Bunchy Top	5.20	200	1,040.00
Moko-Eradication	13.00	200	2,600.00
Lesson Counter	2.60	200	520.00
Master Prunning	3.00	200	600.00
Aerial Spray	78.00	138	10,764.00
Tertiary Canal	20.80	200	4,160.00
Secondary Canal	20.80	200	4,160.00
Sub-Total			41,204.00
B. FRUIT CARE			
Canopy Removal	0.20	200	40.00
SF-101 (Bud Injection)	15.60	200	3,120.00
SF-202 (Stem Injection)	10.40	200	2,080.00
Bagging	10.40	200	2,080.00
Propping	20.80	200	4,160.00
Sub-Total			11,480.00
C. Harvesting	50.96	200	10,192.00
D. Packing	95.68	200	19,136.00
TOTAL – FIELD LABOR			82,012.00

II. MATERIAL INPUTS

Cost Item	Quantity	Unit	Cost/Unit	Amount
A. FERTILIZERS				
Urea	7.50	Bags/ha.	950	7,125.00
Ammonium Sulfate	12.00	Bags/ha.	570	6,840.00
Potash	12.00	Bags/ha.	740	8,880.00
Sub-Total				22,845.00
B. CHEMICALS				
Bud Injection (SF-101)				
Confidor	0.42	Liters/ha.	6,750	2,835.00
SECO/Success	0.24	Liters/ha.	1,980	475.20
Stem Injection (SF-102)				
Topcin	1.80	Kg./ha.	1,300	2,340.00
Basudin	1.20	Liters/ha.	570	684.00
Weed Spray				
Gramoxone	6.00	Liters/ha.	280	1,680.00
Round-up	6.00	Liters/ha.	320	1,920.00
Basta	7.20	Liters/ha.	700	5,040.00
Sulfate	1.20	Kgs./ha.	570	684.00
Formalin	1.00		35	35.00
Moko/Bunchy Top				
Basudin	0.96	Liters/ha.	550	528.00
BPK	0.96	Liters/ha.	300	288.00
Diesel	0.24	Liters/ha.	28.58	6.86
Rice Hull	2.00	Tons/ha.	400	800.00
Sigatoka Spray				
Bankit	2.08	Liters/ha.	3,825	7,956.00
Seco	2.40	Liters/ha.	1,990	4,776.00
Banole	130.00	Liters/ha.	41	5,330.00
Baycor	6.00	Liters/ha.	1,895	11,370.00
Manze (MDF)	12.60	Liters/ha.	195	2,457.00
Daconil	8.28	Liters/ha.	410	3,394.80
Dithane	24.00	Liters/ha.	150	3,600.00
A1-100	1.38	Liters/ha.	210	289.80
Folicur	1.38	Liters/ha.	3,480	4,802.40
Vanozeb	48.00	Liters/ha.	195	9,360.00
Sub-Total				53,336.00
C. SUPPLIES				
Bagging				

Polybag	102.00	Kgs./ha.		12,750.00
Flat Twine	15.00	Kgs./ha.		1,650.00
Propping (with guying)				
Twine	250.00	Kgs./ha.		27,500.00
Sub-Total				41,900.00
TOTAL-MAT. INPUTS				135,397.06