



JOINT DAR-LBP MEMORANDUM CIRCULAR NO. 15
Series of 1999

TO : DEPARTMENT OF AGRARIAN REFORM AND LAND BANK
OF THE PHILIPPINES CONCERNED PERSONNEL

SUBJECT : VALUATION GUIDELINES FOR LANDS PLANTED TO
SUGARCANE

I. PREFATORY STATEMENT

The valuation of sugar cane lands is based on either the verified and validated production data of the landowner (LO) or the Average Gross Production (AGP) data secured from the Sugar Regulatory Administration (SRA) in cases where the former is not available or could not be validated. The net income from sugar to be capitalized at twelve percent (12%) rate is determined by multiplying the gross income derived using the AGP sourced above by the assumed Net Income Rate (NIR) of 20%, if NIR is not susceptible to verification. This is provided for under Department of Agrarian Reform (DAR) Administrative Order (A.O.) No. 5, Series of 1998.

There are some landowners, however, who requested that the effect of ratooning be considered in the valuation of sugar lands. On the basis of this request, the DAR and the Land Bank of the Philippines (LBP) Technical Working Group (TWG) conducted a study on sugar with the involvement and active participation of the Technical Research Department of the SRA. This is in line with Item II.B.2 of DAR A.O. No. 5, Series of 1998, which provides that DAR and LBP may conduct an industry study on specific crop/s which will be used in determining the production, cost and net income of landholdings.

The study aimed to determine whether the income derived by sugar planters from ratooning would affect the value of sugar lands. The following are the highlights of the results of the study:

- a. Ratooning as a means of reducing inputs in production by eliminating costs of land preparation, seedpieces and planting is widely practiced by sugar planters in almost all sugar-producing regions nationwide. Majority of respondent sugar planters, however, mentioned that they practice only up to two (2) ratoons;
- b. The practice of ratooning reduces the level of sugar production by only 5% to 15% compared with the production of original plant crop. On the other hand, eliminating the costs of land preparation, seedpieces and planting would reduce the cost of production by as much as 15% to 30%, which will more than compensate for the decrease in production;

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- c. The average NIR for ratoon crop/s is/are higher than that of the original plant crop. The combined NIR of plant and ratoon crops, on the other hand, is higher than the assumed NIR of 20%; and
- d. The Selling Price (SP) of sugar is no longer regulated by the SRA but is now dictated by market forces.

The foregoing considered, these valuation guidelines for sugar plantations are hereby issued.

II. COVERAGE

These guidelines shall cover all lands planted to sugar cane whose valuations are in process and not yet covered by Memorandum of Valuation (MOV) as of the date of signing of this Joint Memorandum Circular (JMC). Specific procedures are herein prescribed for uniform application in the computation of the Capitalized Net Income (CNI) factor.

III. VALUATION PROCEDURES

In cases where the statement of net income is submitted by the landowner (LO) and duly validated by DAR and LBP field personnel, the valuation procedures provided under **Item III.A** shall apply. In cases where the LO's statement of net income is not submitted or cannot be verified, the valuation procedures provided under **Item III.B** shall be followed. The 20% NIR as prescribed in DAR A.O. No. 5, Series of 1998, shall no longer apply to sugar lands.

A. STATEMENT OF NET INCOME SUBMITTED BY LANDOWNER

1. As provided under Item IIB.2 of DAR A.O. No. 5, Series of 1998, production and cost data submitted by the LO shall have to be validated by DAR and LBP personnel. The suggested methodology in the validation and verification of LO's production and cost data is as follows:

- a. Average Gross Production (AGP)

- a.1 Check LO's plant and ratoon AGP data for sugar and molasses against his farm records. The AGP of sugar is expressed in terms of LKG per hectare (1 LKG = 50 Kgs. bag of sugar) while the AGP of molasses is expressed in terms of Metric Tons (MT) per hectare. (Picul is the old standard unit of measurement for bag of sugar. To convert picul into its LKG equivalent, multiply picul sugar by a constant factor of 1.265.);

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- a.2 Secure from SRA Mill District Office (MDO) the average sugar and molasses production data for plant and ratoon crops in the area where the property is located;
- a.3 Compare LO's production data with the MDO's data. If the LO's data does not exceed the average MDO production data for sugar and molasses (*plant and ratoon*) by 5%, **adopt LO's data**; and
- a.4 If LO's production exceeds the average MDO production data for sugar and molasses by more than 5%, a certification shall be secured from the MDO as to the attainability of LO's data in the particular area where the property is located. However, if the MDO cannot issue a certification for whatever reason, the valuation procedure under **Item III.B** of these guidelines shall apply.

b. **Selling Price (SP)**

The LO's SP for sugar and molasses shall be verified against the 12-months' average SPs from the SRA MDO.

c. **Cost of Operation (CO)**

The LO's CO shall have to be verified against the LO's records (book of accounts, ledgers, purchase/delivery receipts, etc.)

The operation costs to be verified are: (a) land preparation; (b) planting; (c) fertilizer and chemical application; (d) irrigation; (e) harvesting; and (f) milling. The only cost that is attributable to molasses production is the milling cost. The milling cost for sugar and molasses refers to the milling share as agreed upon by the planter and the Sugar Central.

The validation of AGP, SP and CO data shall be for one (1) complete production cycle. **In determining what constitute one (1) complete production cycle, the period from the beginning of the plant crop (pc) up to the end of the last ratoon crop (rc) shall be considered.** Expressed in formula:

$$AGP = \frac{AGP(pc) + [AGP(rc1) + AGP(rc2) + \dots + AGP(rcn)]}{1 + \text{Number of ratoon (n)}}$$

The abovecited definition shall be used for valuation purposes and will not in any way be construed as similar to the definition of Standing Crops as defined in R.A. No. 6657.

- 2. If the LO's production and cost data are verified and duly validated, the CNI shall be computed thru the following procedures.
 - a. Determine the Average NIR of sugar for one complete production cycle using the following formulae:

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a.1 Compute for the Average Gross Income (AGI)

$$\text{AGI}(\text{sugar}) = \frac{[(\text{AGP}(\text{pc}) \times \text{SP}(\text{pc})) + (\text{AGP}(\text{rc1}) \times \text{SP}(\text{rc1})) + \dots + (\text{AGP}(\text{rcn}) \times \text{SP}(\text{rcn}))]}{1 + \text{Number of Ratoons (n)}}$$

a.2 Compute for the Average Cost of Operation (ACO)

$$\text{ACO}(\text{sugar}) = \frac{\text{CO}(\text{pc}) + \text{CO}(\text{rc1}) + \dots + \text{CO}(\text{rcn})}{1 + \text{Number of Ratoons (n)}}$$

a.3 Compute for the Net Income Rate (NIR)

$$\text{NIR}(\text{sugar}) = \frac{\text{AGI}(\text{sugar}) - \text{ACO}(\text{sugar})}{\text{AGI}(\text{sugar})}$$

where:

- AGP(pc) - sugar AGP of plant crop
- AGP(rc1) - sugar AGP of first ratoon crop
- AGP(rcn) - sugar AGP of nth ratoon crop
- SP(pc) - average selling price of sugar for the crop year when the plant crop was harvested
- SP(rc1) - average selling price of sugar for the crop year when the first ratoon crop was harvested
- SP(rcn) - average selling price of sugar for the crop year when the nth ratoon crop was harvested
- CO(pc) - sugar CO of plant crop
- CO(rc1) - sugar CO of first ratoon crop
- CO(rcn) - sugar CO of the nth ratoon crop
- n - Number of ratoon crops

b. Determine the Average NIR of molasses for one complete production cycle using the following formulae:

b.1 Compute for the Average Gross Income (AGI)

$$\text{AGI}(\text{molasses}) = \frac{[(\text{AGP}(\text{pc}) \times \text{SP}(\text{pc})) + (\text{AGP}(\text{rc1}) \times \text{SP}(\text{rc1})) + \dots + (\text{AGP}(\text{rcn}) \times \text{SP}(\text{rcn}))]}{1 + \text{Number of Ratoons (n)}}$$

b.2 Compute for the Average Cost of Operation (ACO)

$$\text{ACO}(\text{molasses}) = \frac{\text{CO}(\text{pc}) + \text{CO}(\text{rc1}) + \dots + \text{CO}(\text{rcn})}{1 + \text{Number of Ratoons (n)}}$$

b.3 Compute for the Net Income Rate (NIR)

$$\text{NIR}(\text{molasses}) = \frac{\text{AGI}(\text{molasses}) - \text{ACO}(\text{molasses})}{\text{AGI}(\text{molasses})}$$

where:

- AGP(pc) - molasses AGP of plant crop
- AGP(rc1) - molasses AGP of first ratoon crop
- AGP(rcn) - molasses AGP of nth ratoon crop
- SP(pc) - average selling price of molasses for the crop year when the plant crop was harvested
- SP(rc1) - average selling price of molasses for the crop year when the first ratoon crop was harvested
- SP(rcn) - average selling price of molasses for the crop year when the nth ratoon crop was harvested
- CO(pc) - molasses CO of plant crop
- CO(rc1) - molasses CO of first ratoon crop
- CO(rcn) - molasses CO of the nth ratoon crop
- n - Number of ratoon crops

- c. Determine the AGP of sugar and molasses for one (1) complete production cycle using the following formulae:

$$\text{AGP}(\text{sugar}) = \frac{\text{AGP}(\text{pc}) + \text{AGP}(\text{rc1}) + \dots + \text{AGP}(\text{rcn})}{1 + \text{Number of Ratoons (n)}}$$

$$\text{AGP}(\text{molasses}) = \frac{\text{AGP}(\text{pc}) + \text{AGP}(\text{rc1}) + \dots + \text{AGP}(\text{rcn})}{1 + \text{Number of Ratoons (n)}}$$

- d. Determine the average of the latest available 12-months selling price of sugar and molasses from the SRA (**Annex A**) prior to the date of receipt of the Claim Folders (CF) by LBP for processing.
- e. Compute for the sugar and molasses CNI of the property using the following formulae:

$$\text{CNI}(\text{sugar}) = \frac{\text{AGP}(\text{sugar}) \times \text{SP}(\text{sugar}) \times \text{NIR}(\text{sugar})}{0.12}$$

where:

- AGP(sugar) - the AGP of sugar determined under **Item III.A.2.c**
- SP(sugar) - the SP of sugar determined under **Item III.A.2.d**

NIR(sugar) - the NIR of sugar determined under **Item III.A.2.a.3**

$$\text{CNI(molasses)} = \frac{\text{AGP(molasses)} \times \text{SP(molasses)} \times \text{NIR(molasses)}}{0.12}$$

where:

AGP(molasses) - the AGP of molasses determined under **Item III.A.2.c**

SP(molasses) - the SP of molasses determined under **Item III.A.2.d**

NIR(molasses) - the NIR of molasses determined under **Item III.A.2.b.3**

f. Compute for the total CNI of the property:

$$\text{CNI(property)} = \text{CNI(sugar)} + \text{CNI(molasses)}$$

g. Apply the computed CNI of the property in the applicable Land Value (LV) formula under DAR A.O. No. 5, Series of 1998.

B. LO's STATEMENT OF NET INCOME NOT AVAILABLE OR PRODUCTION AND COST DATA COULD NOT BE VERIFIED/VALIDATED

1. Average Gross Production (AGP)

a. If the AGP of a particular sugar farm/plantation is not available or the AGP data submitted by the LO could not be verified or validated, the AGP shall be secured from the SRA-MDO.

In order to have a common source of information on the AGP of sugar, an agreement was made between DAR/LBP and SRA whereby the latter shall provide a standardized form containing the production data for plant and ratoon crops and other related information for each MDO (See **Annex B**). Under each MDO are Extension Workers who are responsible for the monitoring of the production and expenses of sugarcane in the barangays/municipalities assigned to them. These barangays/ municipalities are grouped together as Extension Work Areas (EWAs). The AGP for plant and ratoon crops for the particular EWA where the property is located shall be used. The said document shall be secured from the MDO or from the SRA Central Office.

- b. There are Sugar Centrals which keep track of the individual planter's sugar production and molasses output. There are cases, however, where some of the sugar planters who want to avail of: (a) the higher planter's share offered by other Sugar Centrals; (b) better milling efficiency; and/or (c) the timely milling of their canes, would bring some or all of their canes to another Sugar Central. The additional tonnage of sugar which is credited to the Sugar Central, would result in a higher production output per hectare for that Central.

The DAR and LBP field staff should therefore exercise caution and diligence in the gathering of the actual sugar production of the specific LO for the property under valuation.

- c. In the absence of specific data on the AGP of molasses, the following approaches may be adopted in estimating the AGP for molasses:

c.1 **Where Ton Cane Sugar is Available**

$$\text{AGP}_{(\text{molasses})} = \frac{\text{Ton Cane Sugar} \times \text{Kg. Molasses per Ton Cane}}{1,000}$$

c.2 **Where LKG Sugar is Available**

$$\text{AGP}_{(\text{molasses})} = \frac{\left[\frac{\text{LKG Sugar}}{\text{Ave. LKG Sugar}} \right] \times \text{kg. Molasses}}{\frac{\text{Per Ton Cane}}{1,000} \text{ per Ton Cane}}$$

The molasses conversion factor (kg. molasses per Ton Cane) and the average LKG sugar per Ton Cane (LKG/TC) for a sample EWA is shown in **Annex B**.

2. **Selling Price (SP)**

- a. For purposes of uniformity, the SRA shall serve as the only source of data for sugar. Attached is a monthly composite mill site price of sugar of a sample MDO for Crop Year (CY) 1997-1998 up to CY 1998-1999 provided by the SRA Central Office (See **Annex A**). SP data for the succeeding CYs shall be requested from the SRA Central Office.
- b. The SP of molasses, on the other hand, may be secured from the sugar planter's cooperatives/associations in the area.

3. **Net Income Rate (NIR)**

- a. The prescribed NIR for sugar and molasses for each region is shown in **Annex C**.
- b. The computation of the prescribed NIR for sugar for each region already considers the effect of the increase in the net income of the planter/LO from ratoon crops.
- c. The NIR of molasses would vary from one Sugar Central to another, depending on the existing planter/miller sharing arrangement.

Any significant increase in the computed land value vis-à-vis the prevailing Fair Market Value (FMV) brought about by an abnormal increase in the selling price of sugar may warrant a review of the Net Income Rates (NIRs) prescribed under these Guidelines.

4. **Capitalized Net Income (CNI)**

Using the AGP, SP and NIR of sugar and molasses gathered under **Items III.B.1, III.B.2, and III.B.3**, respectively, compute for the CNI of the property using the following formulae:

- a. **Compute for the CNI of sugar and molasses**

$$\text{CNI(sugar)} = \frac{\text{AGP(sugar)} \times \text{SP(sugar)} \times \text{NIR(sugar)}}{0.12}$$

$$\text{CNI(molasses)} = \frac{\text{AGP(molasses)} \times \text{SP(molasses)} \times \text{NIR(molasses)}}{0.12}$$

- b. **Compute for the total CNI of the property**

$$\text{CNI(property)} = \text{CNI(sugar)} + \text{CNI(molasses)}$$

5. Apply the computed CNI of the property in the applicable Land Value (LV) formula under DAR A.O. No. 5, Series of 1998.

IV. ILLUSTRATIVE EXAMPLES

Annexes D and E illustrate the application of the valuation concepts/principles presented in these Guidelines.

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V. TRANSITORY PROVISION

These Guidelines shall also apply to claims whose valuations have been rejected by the landowners and/or pending with the DAR Adjudication Board (DARAB) as of the effectivity of this Memorandum Circular. No petitions or requests for revaluation on the basis of these Guidelines shall be entertained for cases that have already been resolved.

VI. REPEALING CLAUSE


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

VII. EFFECTIVITY

This Joint DAR-LBP Memorandum Circular shall take effect ten (10) days after its publication in two (2) national newspapers of general circulation, pursuant to Section 49 of R.A. No. 6657.

Signed this 21 th day of July, 1999.


HORACIO R. MORALES, JR.
Secretary
Department of Agrarian Reform


FLORIDO P. CASUELA
President and CEO
Land Bank of the Philippines



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

1. MANILA STANDARD
2. MAIAYA

Date of Publication - July 23, 1999

Sugar Regulatory Administration
North Avenue, Diliman, Quezon City

COMPOSITE MILLSITE PRICE OF SUGAR

Mill District	Crop Year 1998 to 1999												
	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AVE.
Bais-URSUMCO	720.00	750.00	750.00	820.00	840.00	850.00	860.00	865.00	700.00	705.00	820.00	850.00	794.17

Prepared by:

Name

Designation

Certified by:

Name

Designation

Note: This is a pro-forma sample of the Selling Price data to be provided by the SRA Central Office.

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Sugar Regulatory Administration
North Avenue, Diliman, Quezon City

COMPOSITE MILLSITE PRICE OF SUGAR

Mill District	Crop Year 1997 to 1998												
	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AVE.
Bais-URSUMCO	675.00	692.00	650.00	685.00	690.00	670.00	680.00	690.00	695.00	700.00	700.00	705.00	686.00

Prepared by:

Certified by:

Name

Designation

Name

Designation

Note: This is a pro-forma sample of the Selling Price data to be provided by the SRA Central Office.

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Annex B

Sugar Regulatory Administration Mill District Office

(Location)

SUGAR PRODUCTION DATA

E W A	AGP SUGAR (LKG/HA.)		PLANT/RATOON	AVE. LKG	KG. MOLASSES	PLANTER-MILLER
	PLANT	RATOON	RATIO	PER TON CANE	PER TON CANE	SHARING
EWA No. 007 <u>Areas Covered:</u> Brgy. Sta. Alicia, Bais, Negros Oriental	98	90	30/70	1.80	21.60	67%-33%

Prepared by:

Certified by:

Name

Mill District Officer

Designation

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SUMMARY OF NET INCOME RATES

Region	SUGAR	MOLASSES _{-1/}
II	27%	60%
III	22%	65%
IV	23%	65%
V	21%	60%
VI	19%	62%
VI-A _{-2/}	26%	67%
VII _{-3/}	23%	60%
VII-A _{-4/}	24%	67%
VIII	19%	65%
X	26%	62%
XI-XII	17%	60%

_{-1/} The NIR for molasses is equivalent to the planter's share based on the existing planter-miller sharing arrangement in the area.

_{-2/} Negros Occidental

_{-3/} Cebu

_{-4/} Negros Oriental

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ILLUSTRATIVE EXAMPLE I

LO's STATEMENT OF INCOME SUBMITTED AND DULY VALIDATED
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I. GIVEN

1. Basic Information:

Name of LO : LIGAYA Sugar Plantation, Inc.
 Property Location : Sta. Alicia, Bais, Negros Oriental
 Area : 100 hectares
 Date of FI : September 1998
 Date of CF Receipt : February 12, 1999
 Cropping Practice : 1 Plant Crop, 2 Ratoon Crops
 Crop Status as of the date of FI : 2nd Ratoon
 Average SP of molasses : ₱ 1,750/Metric Ton 1/
(12 months prior to the date of CF Receipt)

2. Validated LO's Production Income and Cost Data

CY	AGP		SP		CO	
	Sugar	Molasses	Sugar	Molasses	Sugar ^{2/}	Molasses
1997-1998 1 st ratoon	95 LKG	1.14 MT	₱720/LKG	₱1,880/ LKG	₱ 48,000/ Ha.	<u>3/</u>
1996-1997 plant crop	102 LKG	1.22 MT	₱700/LKG	₱ 1,700/ LKG	₱ 60,000/ Ha.	<u>3/</u>
1995-1996 2 nd ratoon	90 LKG	1.08 MT	₱660/LKG	₱ 1,500/ MT	₱ 37,440/ Ha.	<u>3/</u>

II. REQUIRED

Compute for the CNI per hectare of the property.

1/ Since there is no available industry data on the SP of molasses, the 12-months average selling price of molasses gathered from molasses traders was used instead.

2/ CO of sugar includes production cost, milling cost, Queдан liens and association dues.

3/ The prevailing planter-miller sharing scheme in the area is 67%-33%.

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III. SOLUTION

1. Compute for the average NIR of sugar for one (1) complete production cycle.

a. **Average Gross Income (AGI)**

$$\begin{aligned} \text{AGI}(\text{sugar}) &= \frac{[(\text{AGP}(\text{pc}) \times \text{SP}(\text{pc})) + (\text{AGP}(\text{rc1}) \times \text{SP}(\text{rc1})) + \dots + (\text{AGP}(\text{rcn}) \times \text{SP}(\text{rcn}))]}{1 + 2} \\ &= \frac{[(102 \text{ LKG} \times \text{P}700/\text{LKG}) + (95 \text{ LKG} \times \text{P}720/\text{LKG}) + (90 \text{ LKG} \times \text{P}660/\text{LKG})]}{3} \\ &= \text{P } 66,400/\text{Ha.} \end{aligned}$$

b. **Average Cost of Operation (ACO)**

$$\begin{aligned} \text{ACO}(\text{sugar}) &= \frac{\text{CO}(\text{pc}) + \text{CO}(\text{rc1}) + \dots + \text{CO}(\text{rcn})}{1+2} \\ &= \frac{\text{P } 60,000 + \text{P } 48,000 + \text{P } 37,440}{3} \\ &= \text{P } 48,480/\text{Ha.} \end{aligned}$$

c. **Net Income Rate (NIR)**

$$\begin{aligned} \text{NIR}(\text{sugar}) &= \frac{\text{AGI}(\text{sugar}) - \text{ACO}(\text{sugar})}{\text{AGI}(\text{sugar})} \\ &= \frac{\text{P } 66,400 - \text{P } 48,480}{\text{P } 66,400} \\ &= 26.99\% \end{aligned}$$

2. Compute for the average NIR of molasses for one (1) complete production cycle.

a. **Average Gross Income (AGI)**

$$\begin{aligned} \text{AGI}(\text{molasses}) &= \frac{[(\text{AGP}(\text{pc}) \times \text{SP}(\text{pc})) + (\text{AGP}(\text{rc1}) \times \text{SP}(\text{rc1})) + \dots + (\text{AGP}(\text{rcn}) \times \text{SP}(\text{rcn}))]}{1 + 2} \\ &= \frac{[(1.22 \text{ MT} \times \text{P}1,700/\text{MT}) + (1.14 \times \text{P}1,880/\text{MT}) + (1.08 \times \text{P}1,500/\text{MT})]}{3} \end{aligned}$$

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$$AGI_{\text{(molasses)}} = \text{P } 1,946 \text{ /Ha.}$$

b. Average Cost of Operation (ACO)^{1/}

$$\begin{aligned} ACO_{\text{(molasses)}} &= \frac{CO(\text{pc}) + CO(\text{rc1}) + \dots + CO(\text{rcn})}{1 + 2} \\ &= \frac{[(1.22 \times 1,700) + (1.14 \times 1,880) + (1.08 \times 1,500)] \times 0.33}{3} \\ &= \text{P } 642 \end{aligned}$$

c. Net Income Rate (NIR)

$$\begin{aligned} NIR_{\text{(molasses)}} &= \frac{AGI_{\text{(molasses)}} - ACO_{\text{(molasses)}}}{AGI_{\text{(molasses)}}} \\ &= \frac{\text{P } 1,946 - \text{P } 642}{\text{P } 1,946} \\ &= 67.01 \% \end{aligned}$$

3. Determine the average AGP of sugar and molasses for one (1) complete production cycle

$$\begin{aligned} AGP_{\text{(sugar)}} &= \frac{AGP(\text{pc}) + AGP(\text{rc1}) + \dots + AGP(\text{rcn})}{1 + 2} \\ &= \frac{102 + 95 + 90}{3} \\ &= 95.67 \text{ LKG/Ha.} \end{aligned}$$

$$\begin{aligned} AGP_{\text{(molasses)}} &= \frac{AGP(\text{pc}) + AGP(\text{rc1}) + \dots + AGP(\text{rcn})}{1 + 2} \\ &= \frac{1.22 + 1.14 + 1.08}{3} \\ &= 1.15 \text{ MT/Ha.} \end{aligned}$$

4. Referring to Annex A, the 12-months (February 1998 to January 1999) SP for sugar are as follows:

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January 1999 -	₱ 850
December 1998 -	₱ 840
November 1998 -	₱ 820
October 1999 -	₱ 750
September 1998 -	₱ 750
August 1998 -	₱ 720
July 1998 -	₱ 705
June 1998 -	₱ 700
May 1998 -	₱ 700
April 1998 -	₱ 695
March 1998 -	₱ 690
February 1998 -	₱ 680
Average -	<u>₱ 742 /LKG</u>

Average SP of molasses for CY 1997 – 1998 is ₱ 1,750/MT

5. Compute for the CNI of sugar and molasses

$$\begin{aligned}
 \text{CNI}_{(\text{sugar})} &= \frac{\text{AGP}(\text{sugar}) \times \text{SP}(\text{sugar}) \times \text{NIR}(\text{sugar})}{0.12} \\
 &= \frac{95.67 \text{ LKG/Ha.} \times \text{₱ } 742/\text{LKG} \times 26.99\%}{0.12} \\
 &= \text{₱ } 159,662 / \text{Ha.}
 \end{aligned}$$

$$\begin{aligned}
 \text{CNI}_{(\text{molasses})} &= \frac{\text{AGP}(\text{molasses}) \times \text{SP}(\text{molasses}) \times \text{NIR}(\text{molasses})}{0.12} \\
 &= \frac{1.15 \text{ MT/Ha.} \times \text{₱ } 1,750/\text{MT} \times 67.01\%}{0.12} \\
 &= \text{₱ } 11,238 / \text{Ha.}
 \end{aligned}$$

6. Compute for the total CNI of the property

$$\begin{aligned}
 \text{CNI}(\text{property}) &= \text{CNI}(\text{sugar}) + \text{CNI}(\text{molasses}) \\
 &= \text{₱ } 159,662 + \text{₱ } 11,238 \\
 &= \text{₱ } 170,900 \text{ per Ha.}
 \end{aligned}$$

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Annex E

ILLUSTRATIVE EXAMPLE 2

**LO's STATEMENT OF NET INCOME IS NOT AVAILABLE OR
SUBMITTED BUT COULD NOT BE VALIDATED**

I. GIVEN

1. Basic Information:

Name of LO : LIGAYA Sugar Plantation, Inc.
Location of Property : Sta. Alicia, Bais, Negros Oriental
Area : 100 hectares
Date of FI : September 1998
Date of CF Receipt : February 12, 1999
Cropping Practice : 1 Plant Crop, 2 Ratoon Crops
Crop Status as of the
date of FI : 2nd Ratoon
Average SP of molasses : ₱ 1,750/Metric Ton 1/
(12 months prior to the date of CF Receipt)

II. REQUIRED

Compute for the CNI per hectare of the property.

III. SOLUTION

1. Determine the applicable AGP for sugar and molasses.

a. In accordance with **Item B.1.a**, the sugar AGP for plant and ratoon crops for EWA # 007 (See **Annex B**), covering the area of Sta. Alicia, Bais, Negros Oriental are shown below:

$$\begin{aligned} \text{AGP(plant)} &= 98 \text{ LKg/Ha.} \times 30\% = 29.4 \text{ LKG/Ha.} \\ \text{AGP(ratoon)} &= 90 \text{ LKG/Ha} \times 70\% = 63.0 \text{ LKG/Ha.} \\ \text{AGP (sugar)} &= \underline{92.4 \text{ LKG/Ha.}} \end{aligned}$$

b. Using the molasses conversion factor for EWA # 007 shown in **Annex B**, compute for the molasses AGP:

$$\text{AGP}_{(\text{molasses})} = \frac{\frac{\text{LKG Sugar}}{\text{Ave. LKG Sugar}} \times \frac{\text{Kg. Molasses}}{\text{per Ton Cane}}}{1,000}$$

1/ Since there is no available industry data on the SP of molasses, the 12-months average selling price of molasses gathered from molasses traders was used instead

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$$= \frac{92.4 \text{ LKG} \times 21.6 \text{ Kg/molasses/}}{1.8 \text{ LKG/Ton Cane} \times 1,000 \text{ Ton Cane}}$$

$$= 1.11 \text{ MT molasses/Ha.}$$

2. Referring to **Annex A**, the 12-months (*February 1998 to January 1999*) SP for sugar are as follows:

January 1999 -	₱ 850
December 1998 -	₱ 840
November 1998 -	₱ 820
October 1998 -	₱ 750
September 1998 -	₱ 750
August 1998 -	₱ 720
July 1998 -	₱ 705
June 1998 -	₱ 700
May 1998 -	₱ 700
April 1998 -	₱ 695
March 1998 -	₱ 690
February 1998 -	₱ 680
Average -	₱ 742 /LKG

3. The prescribed NIR for sugar and molasses for Region VII-A (See **Annex C**) are as follows:

$$\begin{aligned} \text{NIR (sugar)} &= 24\% \\ \text{NIR (molasses)} &= 67\% \end{aligned}$$

4. Using the AGP, SP and NIR for sugar and molasses determined in Items 1, 2 and 3, above, the CNI for sugar and molasses is computed below:

$$\begin{aligned} \text{CNI}_{(\text{sugar})} &= \frac{\text{AGP}(\text{sugar}) \times \text{SP}(\text{sugar}) \times \text{NIR}(\text{sugar})}{0.12} \\ &= \frac{92.4 \text{ LKG/Ha.} \times \text{₱ } 742/\text{LKG} \times 24\%}{0.12} \\ &= \text{₱ } 137, 122 / \text{Ha.} \end{aligned}$$

$$\begin{aligned} \text{CNI}_{(\text{molasses})} &= \frac{\text{AGP}(\text{molasses}) \times \text{SP}(\text{molasses}) \times \text{NIR}(\text{molasses})}{0.12} \\ &= \frac{1.11\text{MT/Ha.} \times \text{₱ } 1,750/\text{MT} \times 67\%}{0.12} \\ &= \text{₱ } 10, 846 / \text{Ha.} \end{aligned}$$

1/2

2

5. Compute for the total CNI of the property

$$\text{CNI(property)} = \text{CNI (sugar)} + \text{CNI(molasses)}$$

$$= \text{P } 137,122 + \text{P } 10,846$$

$$= \text{P } \underline{147,968 \text{ per Ha.}}$$

A