

**DENR Administrative Order
No. 10
Feb. 24, 1988**

**SUBJECT : Guidelines for Determining the Floor
Price of Timber to be Harvested**

1. Pursuant to Article XII of the 1987 Constitution, Section 3 and 5 of Executive Order No. 192 and Section 64 and 65 of PD 705, which adopts stumpage valuation as an official instrument for determining the true and fair market value of timber, a guideline for computing floor price of timber is hereby adopted.
2. Definition of Terms:
 - a. **Stumpage** — refers to standing timber in its unprocessed form as it is found in the woods.
 - b. **Seller** — refers to the government particularly to the Department of Environment and Natural Resources (DENR).
 - c. **Buyer** — refers to the winning bidder(s) over an areas containing merchantable timber advertised/opened for bidding/sale by the seller.
 - d. **Market Price** — refers to the prevailing price in the free market.
 - e. **Stumpage Valuation** — the process of estimating the value of standing timber for purposes of revenue assessment, tax collection and as guide for buying and selling timber.
 - f. **Stumpage Price** — the price at which the seller sells the timber.
 - g. **Stumpage Value** — selling price minus production costs minus margin for profit and risks.
 - h. **Selling Price** — equals market price.

- i. **Natural Forests** — naturally grown timber, generally consisting of species of the Dipterocarpaceae family, and remnant forests of important hardwoods including narra, akle, ipil, kamagong.
- j. **Forest Plantations** — refers to artificially grown forest inside forest lands.
- k. **Forest lands** — areas declared as such pursuant to existing land classification procedures of the national government.
- l. **Production Cost** — all items of cost incurred in forest production by the seller.
- m. **Floor Price** — amount that will accrue to the government and composed of SV + all government costs.
- n. **Logging Cost** — all items cost incurred in harvesting by buyer.

3. Determination of Floor Price

a. For Natural Forest

The following basic formula shall be used in determining the stumpage value of merchantable timber:

$$SV = SP - (PC + mpr)$$

WHERE:

SV = stumpage value

SP = prevailing selling price*

PC = production costs

mpr = margin of profit and risk (based on bank rate)

a.1 Breakdown of Production Costs:

a.1.1 Government Cost (GC) — To be added to SV

- (1) forest inventory
 - (2) tree marking
 - (3) road construction
 - (4) forest protection
 - (5) administrative costs
 - (6) reforestation costs
 - (7) taxes and fees
- (forest charges and realty tax)

*Central Bank price index will be followed for domestic market. The prevailing International Market Price for export market.

- b. Buyer's or Bidder's Costs (Including Logging Cost) (BC) - To be deducted from the selling price.

- (1) labor cost
- (2) equipment
- (3) gasoline and oil
- (4) transport
- (5) administrative

- all items under production costs to be undertaken by the government will accrue to the government.
- all items under production costs to be undertaken by the buyer will accrue to the buyer.
- costs to be undertaken either by the government or the buyer may be mutually decided later.

- c. Floor Price for Natural Forest

Floor price shall be equal to the stumpage value (SV) plus all government costs (GC). The floor price will serve as a minimum price in public bidding.

FORMULA:

$$\text{Floor price (FP)} = \text{SV} + \text{GC}$$

4. The Forest Management Bureau (FMB) shall continuously monitor, evaluate and verify existing production costs and selling price of stumpage.
5. This Administrative Order refers only to naturally grown timber and does not include forest plantations, where there is an establishment cost that has to be compounded through time at present value plus some amount to be realized by the government in the sale of timber.
6. This Order shall take effect immediately and supercedes all other orders, circulars, and instructions inconsistent herewith.

(Sgd.) FULGENCIO S. FACTORAN, JR.
Secretary