

DENR ADMINISTRATIVE ORDER
NO. 61

SUBJECT: Guidelines in the Determination of Floor Price for Rattan.

Pursuant to DENR Administrative Order No. 04 dated 10 January 1989, otherwise known as the "Revised Regulations Governing Rattan Resources", the following guidelines for the determination of floor price for rattan is hereby issued:

SECTION 1. *Objectives.* Since the floor price constitutes the economic rent, the collection of such rent by the government will not only generate revenues for rattan resources development/renewal but in the long-run promote a more optimal resource allocation. The floor price can also potentially correct the present undervaluation of rattan.

These guidelines are finally directed to ensure the sustainability and efficient utilization of rattan resources, and rationalize the industries which are dependent upon rattan as their primary raw material.

SECTION 2. *Floor Price.* For the purpose of these guidelines, floor price shall be defined as the minimum price at which the seller/vendor, in this case, the government, is able to recover all the costs incurred in producing a product, i.e., rattan.

SECTION 3. *Formula for Floor Price.* Expressed in formula, floor price is derived as follows:

$$FP = PC + FC$$

where:

FP = Floor Price
PC = Production or replacement cost
FC = Statutory Forest Charges

Production or replacement cost refers to costs incurred in the replenishment of rattan resources.

SECTION 4. *Factors to be considered in using the Floor Price Formula*

1. The floor price should approximate the above-normal profit or economic rent generated from the business activity;
2. As much as possible, the true values of the variables included in the computation of the floor price should be obtained to eliminate underestimation/overestimation.

3. The floor price should approximate the effective price that would be paid by the rattan manufacturers/user for rattan obtainable from an alternative source, e.g., importation.
4. Government fees, charges should be taken into account in the calculation of the floor price.

SECTION 5. *Other operational guidelines*

1. The floor price shall be determined and applied for both areas to be bid and negotiated.
2. In determining the financial capacity of the prospective bidder in the prequalification process, his (bidder) net worth should at least be equal to the floor price of rattan for the area to be bid.
3. In no case shall any bid, including those offered by indigenous cultural communities, be less than the determined floor price.
4. Initially, one national Floor Price for each diameter class shall be adopted. The two diameter classes are those equal or larger than 2 cm. and less than 2 cm. (≥ 2 cm. and < 2 cm.).
5. In determining the national floor price, the prevailing prices and costs in the replenishment of the resource shall be taken into account.

SECTION 6. Should there be significant increases or decreases in the renewal costs, prices and/or charges, the floor price may be revised to adjust to actual/prevaling conditions.

SECTION 7. *Effectivity.* This order supplements DENR Administrative Order No. 04 and 04-1, both series of 1989 and shall take effect immediately.

CELSO R. ROQUE
Acting Secretary

Signed on July 7, 1989