

**Administrative Order
No. 65
December 27, 1991**

SUBJECT: Guidelines in the Determination of Actual FOB Market Price of Timber and Other Forest Products as Basis for Assessing Forest Charges

Pursuant to the provisions of Section 6 of Republic Act No. 7161, the following criteria and/or guidelines in the determination of actual FOB market price, to be used as basis for the assessment of the **ad valorem tax** on timber and other forest products, are hereby promulgated for the information and guidance of all concerned.

Section 1. FOB Market Price refers to the prevailing price of a product at the designated monitoring areas. This includes all the charges involved in getting the product actually to the specified place (monitoring area).

Section 2. The actual FOB market price of timber and other forest products shall be set by geographical region (Luzon, Visayas and Mindanao) once a year.

Section 3. The FOB market price of timber and other forest products in each of the geographical region shall be the average price of the product in the following price monitoring areas:

Price Monitoring Areas

Region	Timber	Additional Areas for Other Forest Products
CAR	Mankayan, Benguet & Banawe, Ifugao	Baguio City
1	San Fernando, La Union Laoag,	Ilocos Norte & Dagupan City
2	Sta. Ana, Cagayan Maconacun & Ilagan, Isabela & Sta. Fe, Nueva Vizcaya	Tuguegarao, Cagayan & San Mariano, Isabela
3	Cabanatuan City	San Fernando, Pampanga

		& Olongapo City
4	Puerto Princesa City Casiguran, Quezon & Calapan, Mindoro Or.	Lucena City & Mamburao, Mindoro Occ.
5	Legaspi City & Virac, Catanduanes	Dact, Cam. Norte, Naga, Cam. Sur & Sorsogon
6	Bacolod City & Iloilo City	San Jose, Antique, Kalibo, Aklan & Roxas City
7	Tagbilaran, Dumaguete	Cebu City
8	Sogod, S. Leyte	Catbalogan, Samar & Tacloban, Leyte
9	Zamboanga City	Basilan, Dipolog & Pagadian
10	Butuan City & Cagayan de Oro City	Surigao City
11	Bislig, Surigao del Sur & Davao City	Gen. Santos & Mati
12	Cotabato City	Lebak & Kidapawan
ARMM	Iligan City	Marawi City

The Regional Executive Director concerned may designate additional monitoring areas or deactivate or replace existing monitoring areas, if the need arises. Provided, however, that the FMB Director is informed accordingly and concurrence from the regional representatives of the agencies/sectors enumerated in Section 5 hereof.

Section 4. In determining the actual FOB market price, the weighted average price at the designated monitoring area during the last twelve (12) months shall be used.

Section 5. For the purpose of gathering market information, a price monitoring unit shall be established in each regional office of the DENR which shall

closely coordinate with the local units/chapters of the Department of Trade and Industry, the National Economic and Development Authority, the Bureau of Internal Revenue, the Philippine Wood Products Association, the Chamber of Furniture Industries of the Philippines and the Consumers sector in undertaking a monthly survey using the attached forms.

Section 6. Survey respondents shall include both producer-sellers and processors-buyers.

Section 7. A monthly price survey report shall be submitted by the Price Monitoring Unit to the Director, Forest Management Bureau. The report, which should reach the Forest Management Bureau at Quezon City not later than the 10th day of the ensuing month, shall include each of the following product categories:

- a. Timber
 - 1. Common hardwoods (tangile, lauan, apitong, etc.)
 - 2. Construction hardwoods (yakal, guiyo, etc.)
 - 3. Premium hardwoods (narra, almaciga, etc. where cutting is allowed by DENR)
 - 4. Pine
 - 5. Mangrove timber (where cutting is authorized by DENR)
 - 6. Lesser-known species
 - 7. Pulpwood
 - 8. Matchwood
 - 9. Poles and piles
- b. Rattan
- c. Bamboo
- d. Almaciga resin
- e. Gums
- f. Other resins (pili, balau, olcoresin, etc.)
- g. Beeswax
- h. Gutta percha

Section 8. In cases where the prices of the forest products are not readily available, the mill gate price shall be used. If the mill gate price is not available (e.g. if only one company is granted a license to cut or gather a certain kind of forest product as raw material for its processing plants), the FOB market price shall be determined taking into account the factors enumerated under RA 7161 and using the following equation:

$$P = C + MPR$$

where:

P = FOB market price
C = Production cost including reforestation
MPR = Margin for profit and risk computed as a percentage of production cost. For this purpose, a 15% margin shall be used

The reforestation deposit embodied in DAO No. 79, Series of 1987, as amended, will still be remitted by TLA holders to the PWPA, hence, included as part of production cost.

This order shall take effect immediately.

FULGENCIO S. FACTORAN, JR.
Secretary