



MEMORANDUM ORDER

No. 17

Series of 2023

SUBJECT : REVISED GENERAL GUIDELINES ON THE ESTABLISHMENT OF RICE PROCESSING CENTERS (RPC) UNDER THE RICE BANNER PROGRAM

I. RATIONALE

The agriculture sector is beset with high postharvest losses in rice due to inefficient postharvest practices and limited postharvest facilities in the country. Coupled with extreme weather disturbances due to climate change, quantitative and qualitative losses remain substantial as the high moisture content of freshly harvested grain is not immediately reduced thereby affecting the storability and milling recovery of paddy.

The establishment of Rice Processing Centers (RPC) is one of the strategic interventions of the Department of Agriculture to improve efficiency in the rice post-production system through the reduction of postharvest losses, improvement in the quality of milled rice, enhance effective distribution and marketing system, and maximize utilization of rice by-products. This will also complement or can serve as Agricultural Machinery and Equipment Service Centers being established under Section 9 of RA No. 10601.

Since 2012, the Department has already established numerous RPCs to address the drying and milling deficiencies in the country. Some of these facilities however were not optimized due to weaknesses in planning, implementation, operation, and maintenance. Some of the RPCs, on the other hand, are operational but nonetheless need upgrading to be more competitive and be able to produce the demands of the market.

This Memorandum Order is being issued to ensure efficient implementation, coordination, and delivery of integrated support services that will optimize investments in RPCs under the Rice Banner Program. It shall complement with the Revised Guidelines in the Provision of Agricultural Production, Postharvest and Processing Machinery, Equipment and Facilities under Memorandum Order No. 50 series of 2020 and supersede the General Implementing Guidelines in the Establishment of Agri Pinoy Rice Processing Center under Memorandum Order No. 12, 17 and 18, series of 2012.

II. SCOPE

The guidelines shall cover the planning, procurement, implementation, operation, maintenance, monitoring and evaluation of RPCs funded under the Rice Banner Program FY 2023 and onwards. In particular, it shall be applicable on the following scope of works:

1. Upgrading of existing DA-funded RPCs, which includes the construction of a new warehouse and provision of machinery;
2. Construction of new RPCs; and
3. Complementation support to RCEF-funded Rice Processing System (RPS).



III. OBJECTIVES

The establishment of RPCs aims to reduce postharvest losses in rice, provide consumers with quality milled rice and create business and independent oriented Farmer's Cooperative and Associations (FCAs) and/or Local Government Units (LGUs). Specifically, the project aims to:

1. Assure farmers access to palay drying facility especially during inclement weather conditions thus preserving the quality of harvested paddy and ensuring the attainment of at least 65% milling recovery and the production of high-grade quality milled rice;
2. Provide farmers with direct access to modern rice milling facilities capable of producing premium, well-milled, and regular-milled rice based on the required preference of consumers; and
3. Enhance the technical, financial, entrepreneurial and managerial capacities of farmer's organizations.

IV. ELIGIBILITY OF RECIPIENTS

The qualified beneficiaries shall

1. be either of the following:
 - a. Farmer Cooperative and Association (FCA) with CSO¹ accreditation from DA, registered to FFEDIS² and with RSBSA-registered members;
 - b. Local Government Unit (LGU);
 - c. Agricultural schools, State Universities and Colleges (SUCs); or
 - d. a joint venture of LGU, SUC, or FCA.
2. have a concrete plan for the use of the RPC for the benefit of the members and the locality;
3. have a service area equivalent to 175% of the capacity of the RPC being proposed;
4. be currently engaged in palay/rice production and any of the following:
 - a. machinery custom servicing;
 - b. custom drying and/or custom milling;
 - c. milling;
 - d. trading
5. provide land equity supported with proof of ownership/possession, free from liens and encumbrances and not in any way subject to mortgage;
6. have no machinery(s) from DA that is unutilized/underutilized;
7. be willing to secure all legal documentations, e.g. Environmental Compliance Certificate, Permit to Operate, etc. and shall have the full accountability to any problem or issue arising to it;

¹ CSO - Civil Society Organization engaged by DA in operation of the RPC projects

² FFEDIS - Farmers and Fisherfolk Enterprise Development Information System



8. have good financial standing and capacity to shoulder the cost for the application/processing/installation of the counterpart components necessary for the establishment of the RPC as stated in Section VII.
9. have at least two (2) operators capable of operating and maintaining the RPC. The operator must have Rice Machinery Operations National Certificate (NC) II, Drying and Milling Plant Servicing NC III or be willing to undergo such training and assessment by the Technical Education and Skills Development Authority (TESDA); and be willing to undergo further training course(s).
10. with existing and/or willing to hire a Professional Management Team (e.g. Manager, Field Classifier, Quality Assurance Officer, Machine Operator, Warehouseman, Bookkeeper, Cashier, Marketing Officer, Agricultural and Biosystems Engineer (ABE), etc.).

V. MINIMUM REQUIREMENTS TO BE SUBMITTED

The candidate recipient shall submit the following documents to support the need for the RPC:

1. Letter of Intent and Board Resolution signed by the majority of the Board members, stating the following:
 - a. Justification or explanation for the need and appropriateness of constructing/upgrading the RPC in the area;
 - b. Commitment to shoulder the undertakings in Section IV; and
 - c. Authorized representative to sign any legal documents/ documentary requirements with the Department of Agriculture on the project.
2. Record or any proof that the recipient is engaged in rice production and related business operation (e.g. Business/Mayor's Permit/DTI Registration/Audited Financial Statement/Contract Agreement, etc.);
3. Authenticated proof of land ownership such as copy of Title (registered in the name of the recipient) or duly notarized Deed of Donation (with a copy of the Title) or copy of the Usufruct Agreement for at least 25 years, with a copy of the Title of the proposed site location;
4. Audited Financial Statement for the last two (2) years;
5. Endorsement from the Agricultural and Biosystems Engineering Office³ and Agriculturist Office of the municipal, city and provincial LGUs stating (a) the alignment of the request to local development plans such as local Agricultural and Fisheries Mechanization Program, Agriculture and Fisheries Modernization and Industrialization Plan (AFMIP), Local Commodity Investment Plan, among others, and (b) deficit status of drying and milling facilities in the municipality/city/province;
6. Organizational structure and manpower complement the concerned office that will manage the RPC;

³ Created through DA,DBM, CSC and DILG JMC No. 2, series of 2021 and now mandatory positions under CSC No. 12, s. of 2022



7. Map of the service area showing the RPC location and existing and potential production area; and
8. Business Plan that indicates the production area and volume, the general specification (including type and capacity) of the requested machinery, equipment facility, the period of operation, the access scheme of members and non-members, and its marketing and sustainability strategies, among others. (Annex A: Business Plan Template)

Additional documents for Farmer Cooperatives and Associations:

1. CSO Accreditation Certificate issued by the DA; and
2. Profile of the organization and its members (List of officers and members with corresponding farm addresses, areas, and RSBSA number).

Additional documents for LGUs:

1. Certification of No Unliquidated Funds from DA;
2. For the use of public forest lands, a copy of the Special Land Use Agreement for a period of 25 years issued by the Department of Environment and Natural Resources (DENR); and
3. Proof of creation of Agricultural and Biosystem Engineering Office or engagement of Agricultural and Biosystem Engineer.

The checklist of requirements is attached in Annex B.

VI. SELECTION CRITERIA FOR THE RPC LOCATION

The proposed location should be technically feasible, economically viable, socially acceptable, and environmentally sound. The qualified recipient should have the technical, financial, and institutional capacity to operate and maintain the RPC. The selection and prioritization of the area and the recipient shall be based on the submitted documents, validation and audit to be conducted by BAFE, Field Operation Service (FOS), Agribusiness and Marketing Assistance Service (AMAS) and DA Regional Field Offices (RFOs). It shall satisfy the parameters and criteria indicated in Annex C (Site Validation Form).

RPCs for upgrading, in particular, shall satisfy the following requirements:

1. be currently continuously operating and has positive financial status;
2. have sufficient and potential source of raw materials;
3. have stable and potential market engagements;
4. have an existing three-phase system;
5. have the capacity to provide adequate/ additional working capital;
6. have sufficient professional manpower complement; and
7. undertake regular RPC repair and maintenance.



VII. RPC COMPONENTS

1. Each RPC shall include the following mandatory components/accessories to enhance its functionality and competitiveness:
 - a. Warehouse (milling, drying and storage area) and office;
 - b. Multi-stage Rice Mill (complete with mist polisher, color sorter, grader, weighing scale, dust collector and bagger);
 - c. Recirculating Dryer (with pre-cleaner and retrofitted with biomass furnace)
 - d. Hauling equipment: truck, forklift, and conveyor;
 - e. Generator Set
 - f. Multi-Crop Drying Pavement (MCDP);
 - g. Moisture Meter;
 - h. Weighing scale and Truck scale;
 - i. Combine Harvester (in case of insufficient harvesting machine in the area)

Additional components such as solar power, silo, etc. can be included and additional sites can be proposed if all mandatory accessories are already provided.

2. The recipient shall provide the following counterparts:
 - a. Lot
 - b. Perimeter Fencing
 - c. Three Phase Line and other Utilities
 - d. Permits and Licenses
 - e. Operational and Maintenance Fund, and Working Capital
 - f. Pallets
3. Site development can be a counterpart of the recipient in case of flat areas or minimal civil works. It may also be included in the DA cost estimate in case of extensive earth/civil works.
4. Three-phase electrical line must be available in the RPC site. In the event that it is not available, the recipient shall coordinate with its respective electric cooperative, which shall commit its installation prior to the construction/upgrading of the project. The DA will shoulder electrical connections from the transformer to service entrance to building wirings.

VIII. MECHANICS OF IMPLEMENTATION

Pre-Implementation Stage

1. The candidate recipients shall submit the letter of intent or letter request of their needed assistance together with the other documentary requirements, as stated in Section V of this Guidelines, to the ABE Office, and if not yet established, to the Agriculturist Office of the Municipal, City Provincial LGU and shall be endorsed by Local Chief Executive to the RFO-Office of the Regional Executive Director. All documents will be forwarded subsequently to the Field Operations Division (FOD) and Regional Agricultural Engineering Division (RAED) for evaluation.
2. The RAED in coordination with the LGU ABE Office shall document and conduct actual site validation of the request of the candidate recipients. The FOD, Planning,



Monitoring and Evaluation Division (PMED), and Agri Marketing Assistance Division (AMAD) shall provide technical assistance to the RAED in evaluating the institutional and financial capability of the potential project recipients as well as the threshold gap, technical, market, environmental, and social feasibility of the proposal.

3. The RFO (RAED with FOD, AMAD, PMED) shall prioritize recipients based on the submitted documents and results of validation and prioritization parameters (Annex D. Suggested Prioritization Matrix).
4. The RAED shall prepare site-specific Detailed Engineering Design (DED), Program of Works (POW) and technical specifications based on the modular design prepared by BAFE or PHilMech (for RCEF-funded RPS). It shall coordinate with the LGU-ABE Office and assist in securing building permit with the Local Building Officials.
5. The RAED shall ensure that the design addresses climate resiliency and Good Manufacturing Practices (GMP) for the entire production process from paddy receiving to storage and transport, with the end view of providing safe and good quality rice products suitable for human consumption. Moreover, the design of the building should match the dimensions and the space requirement of the drying and milling machine. The design should also be duly coordinated with the prospective recipient.
6. Technical specifications of the dryers and rice mills and other auxiliary components of the RPC as well as the warehouse shall conform with the Philippine National Standards/Philippine Agricultural and Biosystems Engineering Standards (PNS/PABES) (PNS/PABES 303: 2020 for Rice Mill Specifications and PNS/PABES 201:2015 for Heated Air Mechanical Dryer) or other applicable standards.
7. All DED, POW, and technical specifications of the RPCs shall be submitted to BAFE for their review and subsequent endorsement to the Banner Program for programming and funding.
8. An Audit Team composed of BAFE, FOS and AMAS at the national level and the RAED, FOD and AMAD at the Regional level will be created to conduct re-validation of the readiness of the recipient in terms of the availability of documentary permits, working capital, three-phase electrical connection, among others. The Audit Team shall prepare the list of documents and proofs, which will be submitted by the candidate beneficiary during the audit.

The revalidation will be conducted upon approval and prior to procurement. In case the prioritized recipient will not be able to timely comply with the requirements, the next prioritized recipient may be considered.

9. The candidate recipient is responsible for securing all necessary permits that include fees and taxes such as, but not limited to, Environmental Compliance Certificate (ECC). The RFOs and the LGUs shall assist the recipient in securing such permits. The construction will not commence unless ECC, building permit and other certifications needed for construction are secured.
10. The BAFE, in coordination with the Rice Banner Program and RAEDs shall ensure robust pipeline of implementation-ready RPC proposals (with feasibility study, DED, POW and business plan) for funding under GAA 2024 and onward.



Implementation

11. The requirement for AMTEC testing and evaluation shall follow the existing policies and shall form part of the technical specifications in the procurement documents.
12. The cost of system testing (i.e. raw material, electricity, AMTEC testing) shall be at the expense of the contractor/ supplier. The DA-RFO, in coordination with the recipient, shall assist in the sourcing of the test materials.
13. It should also be stipulated in the procurement documents (i.e. Instruction to Bidders, Special Conditions of Contract, etc.) that the machinery suppliers shall provide warranty and after-sales service in accordance to PNS/BAFS PABES 192:2016. Warranty for the machinery component of the project shall be at least two (2) years upon the acceptance of the procuring entity of the machinery. The suppliers shall also be required to schedule at least four (4) follow-up visits to the recipient within the warranty period. The first visit shall check if the RPC is properly operated. The succeeding visits shall check if the RPC are properly maintained. The last visit shall also include recalibration of the RPC machine.
14. The RAED shall ensure that contractors submit Contractor's All-Risk Insurance (CARI) as part of its contract documents.
15. Pursuant to Department Circular No. 1, Series of 2019 on the Guidelines for the Implementation of Constructors' Performance Evaluation System (CPES) at Department of Agriculture, CPES shall be undertaken by DA CPES-IU, in coordination with the accredited DA CPEs to evaluate the infrastructure component of the RPC.
16. The RFO, LGU and qualified recipient shall execute a Tripartite Memorandum of Agreement (MOA) prior to the construction of the RPC. The MOA shall specify the detailed arrangements during the construction of the facility and operational phase of the project. In particular, the recipient shall provide equity in the form of land, secure all legal documents, attend training, assume the operation and maintenance cost, and regularly report the operational status and level of utilization of the machines and facilities. Other salient provisions of the MOA shall include: (i) impositions and conditions to strictly ensure that the machinery, equipment, and facilities will only be used for their intended purposes; (ii) machinery and equipment may be recalled or re-assigned to LGU or another FCA if non-operational, under-utilized, or unutilized; and (iii) means or remedies in case the facilities are used for purposes in violation of the subject MOA. The BAFE shall prepare a Proforma MOA immediately upon signing of the Guidelines (Annex E).
17. The AMAD shall assist the recipient in the preparation of the RPC Business Plan and marketing linkages and marketing contracts.
18. No acceptance report shall be signed by the DA-RFOs unless the facility has already complied with the desired performance and set standards. The RAED shall issue an Acceptance/Compliance Report, which shall serve as a basis (of the Inspectorate Team) in accepting the delivered machinery and structure. The report shall likewise form part of the Deed of Donation.



19. No RPC will be turned over unless the recipient submitted the Business Plan, list of indicative names of RPC Management Team, Mayor's Permit, DENR's Permit to Operate, RPC Bank Account and sample of Official Receipt.

To ensure proper operation and management, the RPC Organizational Structure and Manpower Complement shall be composed of at least a (a) Manager, (b) Field Classifier, (c) Quality Assurance Officer, (d) Machine Operators, (e) Warehouseman, (f) Bookkeeper/Cashier, (g) Marketing Officer and (h) Agricultural and Biosystems Engineer. Based on financial capability/viability, they shall be hired on full-time, part-time or consultant.

Monitoring and Evaluation

20. The BAFE in coordination with AMAS and FOS shall craft an Implementation Monitoring Form to determine the physical and financial status of implementation as well as Operation Monitoring Form to assess the utilization, operation and maintenance, business operation and marketing activities of the RPCs. The monitoring forms shall be distributed to regional offices for their monitoring.
21. The RAED in coordination with the LGU shall conduct geo-tagging activities and regular monitoring during, and after the construction of the RPC. Implementation monitoring shall be undertaken at least once a month while operational monitoring using the IMMAS shall be conducted within three (3) years after the turnover.

The RAED in coordination with the LGU shall conduct geo-tagging activities and regular monitoring during, and after the construction of the RPC. Implementation monitoring shall be undertaken at least once a month while operational monitoring using the Infrastructure and Machinery Audit System (IMMAS) shall be conducted within three (3) years after the turnover. Note that the first IMMAS shall be conducted before the end of the defect liability period.

22. Based on the monitoring reports, BAFE and MED shall randomly select samples for the project assessment and evaluation.
23. Monitoring reports shall be uploaded in the Agricultural and Biosystems Engineering Management Information System (ABEMIS) for consolidation, evaluation, verification and planning purposes.

Operation and Maintenance

24. Training on the operation, repair, and maintenance of the RPC shall be conducted by the contractor, in collaboration with the RAED and other concerned offices. An Operator's Manual shall also be provided containing full information on the method of installation and operation of the RPC.
25. The RFO, in collaboration with ATI, other concerned partner institutions and other government agencies, shall provide capacity building and marketing assistance to enhance the technical and marketing skills, competencies and linkages of the RPC recipients, and sustain the facility. It shall engage/mobilize the following offices:
 - a. AMAD for the conduct of business development, enterprise monitoring and market linkages;





- b. Regional ATI for capacity development (record keeping, operation and maintenance, etc.);
 - c. FOD for complementary support services such as provision of production inputs and machinery; and
 - d. Regional TESDA for the provision of training and assessment for the Rice Machinery Operations NC II, Drying and Milling Plant Servicing NC III and other appropriate National Certifications.
26. The BAFE-SRED and RAED-SRES shall conduct after-sales service compliance monitoring of the RPC suppliers.
 27. The cost of operation and maintenance of the RPC as well as the repairs beyond the warranty period shall be shouldered by the recipient. Furthermore, the recipient shall be encouraged to avail insurance for the machinery and facilities from the Philippine Crop Insurance Corporation (PCIC).
 28. In case of natural disaster and other unforeseen circumstances during and after the warranty period, the recipient and/or Local Government Unit shall inform the Regional Field Office on the status and damages of the RPC. The BAFE/RAED in coordination with DRRM Team shall conduct damage assessment to evaluate and appraise the extent of the damage. The damage assessment with geotagged photos can be used as documentary support for the repair and rehabilitation of the facility or for accessing insurance claims.
 29. The RAEDs shall engage the LGU Offices to provide assistance in ensuring the proper operation and maintenance of the RPCs.

Engineering and Administrative Overhead Expense

The RAEDs are entitled to deduct Engineering and Administrative Overhead (EAO) expenses not exceeding one percent (1%) of the project funds following the DA-DBM JMC. No. 4, S. 2021 "Guidelines on the Utilization of Engineering and Administrative Overhead (EAO) Expenses for the Implementation of Agricultural and Fisheries Infrastructure Projects in the Department of Agriculture".

IX. IMPLEMENTING STRUCTURE

A RPC Program Steering Committee (PSC) shall be created to be constituted by representatives from FOS, BAFE, PHilMech, ATI, AMAS and MED, with the following functions:

1. Provide direction and formulate policies for the program;
2. Monitor the over-all performance of the Program;
3. Act on issues or concerns relative to program implementation; and
4. Cause the conduct of program evaluation.

The PSC shall be composed of the following:

Chairperson:	Assistant Secretary for Operations
Vice Chairperson:	Director, BAFE



Members: FOS, BAFE, PHilMech, ATI, AMAS

BAFE shall serve as the RPC Program Management Office with the following functions:

1. Oversee the planning, implementation, and monitoring and evaluation of the RPC;
2. Ensure that policies, operational systems, procedures and guidelines approved by the PSC are implemented;
3. Coordinate with concerned program partner institutions for the conduct of training and business planning workshops for the RPC recipients;
4. Provide technical and secretariat support to the PSC;
5. Establish and maintain a monitoring system for the program; and
6. Consolidate and prepare quarterly progress report for subsequent submission to PSC and DA-OSEC.

X. SUPPLEMENTAL GUIDELINES

All RFOs are hereby authorized to formulate supplemental guidelines to address peculiarity in the region/program or to clarify further those indicated in this Memorandum Order. The request for the approval of the Supplemental Guidelines shall be submitted to BAFE for review and subsequent endorsement to the Office of Secretary for approval.

XI. REPEALING CLAUSE

All existing Memorandum Orders, issuances, rules, and regulations, or parts thereof, in conflict with, or inconsistent with any provisions of this Order are hereby repealed, modified, or amended, accordingly.

XII. EFFECTIVITY

This Memorandum Order shall take effect immediately upon approval.

Done this 23rd day of February 2023.


DOMINGO F. PANGANIBAN
Senior Undersecretary



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