

IMPLEMENTING RULES AND REGULATIONS OF THE REVISED PRICE ADJUSTMENT SCALE FOR MOISTURE CONTENT IN COPRA

PHILCOA ADMINISTRATIVE ORDER NO. 02, S. 2003, July 08, 2003

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SECTION 1. Rationale - The threat of aflatoxin contamination and undesirable substances in copra and copra meal has been a continuing concern of both producers and end users. To mitigate the problem, the Philippine Coconut Authority promulgated Administrative Order No. 01, series of 1991, otherwise known as the New Copra Classification Standards, in conjunction with its copra quality improvement program to prevent the occurrence of harmful Aflatoxin naturally arising from molds in improperly dried copra.

During the implementation of Administrative Order No. 01, Aflatoxin was controlled down to the range of 50 to 100 parts per billion (ppb) in copra products, which have been exported to and accepted by buyers in Europe at discounts.

Recently, the European Community issued EC Directive 2002/32/EC, setting at 20 ppb the lowest and maximum tolerance limit for Aflatoxin B1 in copra meal used as feed ingredient, which restriction, the member countries have adopted beginning May 1, 2003 and to be uniformly enforced by the member countries effective on August 1, 2003.

To meet the requirement of the EC Directive, and to further promote the quality and marketability of Philippine coconut oil and copra that is consistent with prevailing market prices, there is an urgent need to review and amend certain provisions of Administrative Order No. 01, series of 1991.

SECTION 2. Legal Mandate - Considering the foregoing rationale, the Philippine Coconut Authority hereby exercises its function under Article II, Section 3 (i) of Presidential Decree No. 1468 to devise and prescribe by means of rules and regulations a method of measuring the moisture content of copra at first domestic sale of deduction according to the percentage of the moisture content.

SECTION 3. Coverage - These rules and regulations shall cover all copra traded in the first domestic sale and subsequent transactions by coconut farmers and their cooperatives/organizations, copra dealers/traders, copra exporters, oil millers including their buying stations and their agents, for direct use or processing into other products intended for domestic use or for export.

SECTION 4. Moisture Content. Unless otherwise revised or amended by the Authority, the following rules shall govern the treatment of moisture content in copra:

- A. The base, traded, or "on-the-spot" price of copra at the mill or farm gate shall apply to the weight of copra net of the moisture content determined by the equivalent percentage of deduction prescribed in Table 1[*] of this Order.
- B. No equivalent percentage deduction or discount shall apply to traded copra rescada/bodega with moisture at equilibrium level of six percent (6%).
- C. The deductions or discounts prescribed in Table 1 of this Order for moisture in excess of the equilibrium

level shall be applied within the moisture range from Six and One Tenth percent (6.1%) up to Thirteen and Nine Tenth percent (13.9%).

D. Similar deductions shall likewise be applied for copra with moisture below Six percent (6%) or within the moisture range of Five and Nine Tenth percent (5.9%) down to Five percent (5%) to discharge over drying or long storage that results in the increase of undesirable free fatty acid in copra.

E. Copra with moisture content of Fourteen percent (14%) and above shall be deemed non-merchantable for purposes of export or processing to other by-products for human consumption and shall be rejected by copra buyers, traders, dealers, exporters and millers and buying stations.

SECTION 5. Moisture Test - All copra traded under these rules shall be tested and determined for its moisture content.

A. Copra dealers/traders, copra exporters and oil millers trading in quantities of 500 kilograms or more shall test and measure the moisture content of their copra purchases with the use of the Brown-Duvel method or its equivalent.

B. Those trading in quantities less than 500 kilograms shall measure the moisture content with the use of appropriate and calibrated copra moisture meter duly registered with the nearest Provincial Office of the Philippine Coconut Authority.

Registrants of moisture meters shall pay a registration fee of P250.00 per unit, which registration shall be renewed every year while the meter is in use in the trading of copra.

C. In the absence of the appropriate moisture meter device, the moisture in traded copra of less than 500 kilogram may be estimated through the traditional "break" method, provided that the testing shall be done in the presence of and to be observed by the seller.

D. For purposes of paragraphs A and B, copra dealers, traders, copra exporters and oil millers shall certify to the nearest Provincial Office the names of their authorized moisture test technicians who shall perform the sampling and testing of copra.

SECTION 6. The "Pasa" System - The indiscriminate application of the "pasa" system wherein moisture content and deduction therefrom are arbitrarily determined as consideration for the purchase and delivery of copra shall be avoided; thus, copra buyers shall not apply any deductions for copra with moisture exceeding 14%, which the buyer, under Section 4 (E) of this rule, shall have the option to reject.

SECTION 7. Aflatoxin Related Mold - Copra traded under these rules shall be free from excessive contaminating molds and shall be classified into grades based on the presence of yellow-green mold together with penetrating mold, otherwise known as Aflatoxin Related Mold (ARM), causing indentations or holes on the surface of the copra that are visibly seen on the cross section of a split copra. The grading shall be based on the presence and percentage of Aflatoxin Related Mold (ARM) with the corresponding premiums and deductions as provided in Table 2[*] of this Order.

Considering the high risk of Aflatoxin contamination, poor oil recovery and free fatty acid caused by Aflatoxin Related Mold (ARM), copra with more than 20% ARM shall be rejected.

SECTION 8. Inferior Copra - The grades, associated price adjustments and rejection level for inferior copra are provided in Table 3[*] of this Order.

SECTION 9. Dust and Foreign Matter - Any copra delivery containing dust, dirt and other foreign matter shall be discounted at the rate of one percent (1%) for every one percent (1%) of dust/foreign matter.

The determination of the weight of dust/foreign matter shall be subject to the mutual agreement of buyer and seller.

SECTION 10. Sampling Procedure - For purposes of determining and measuring moisture content, inferiority of copra, the extent of Aflatoxin Related Mold, dust, dirt, and foreign matters in copra, the sampling procedures prescribed in Annexes 1, 2 and Table E of Administrative Order No. 001, series of 1991, which are hereby incorporated as Annexes A[*], B[*] and C[*] , respectively and forming part of these rules and regulations, shall be applied to the extent practicable.

SECTION 11. Preventive Measures to Control Yellow-Green Mold - Due to the high risk and deterioration associated with Aflatoxin Related Mold, farmers, traders and copra buyers shall observe the following precautions:

1. Farmers must examine their copra prior to delivery to the primary trader and remove any copra seen to contain the yellow-green aflatoxin-forming mold. Such contaminated copra should be destroyed.
2. Primary traders shall examine all purchases of copra and reject any individual copra cups or pieces found to contain the aflatoxin-forming mold. Such contaminated copra should be destroyed.
3. Copra buyers, dealers and traders are required to have the necessary facilities for the immediate redrying of copra in order to prevent the occurrence or growth of Aflatoxin-Related Mold.

SECTION 12. Information Campaign - (1) To ensure the effective dissemination of this Administrative Order, PCA, through its Regional & Provincial Offices, shall mount an information campaign after fifteen (15) days from the date of publication of this Order in a national newspaper of general circulation.

2. The PCA Regional and Provincial offices shall enlist the participation of the farmers organization at the barangay level, which shall be the primary forum of the information campaign.

3. Copra dealers, traders, exporters and buyers as well as oil millers and their buying agents/stations shall undertake complementary information campaign efforts through the posting in conspicuous places in their offices or places of business, copies (in original English and in the local dialect of their region) of this Order within fifteen (15) days from date of aforementioned publication. Failure to do so shall be construed as a violation of this Order.

SECTION 13. Banned Copra - Copra with moisture content of 14% and above are banned and considered non-merchantable. Copra buyers, traders, dealers, exporters or millers are prohibited from storing such copra in their bodegas or warehouses and trading of the same.

SECTION 14. Enforcement and Monitoring - The Regional and Provincial field units of the PCA shall be primarily responsible in the enforcement/implementation and monitoring of compliance or violations of these rules and regulations in their respective operational jurisdictions.

SECTION 15. Inspection and Notice to Re-dry - (1) Upon verified information of any non-compliance or violation of these rules, the regulatory officer of the Central, Regional or Provincial Office duly designated and authorized by the Administrator of the Philippine Coconut Authority shall visit and enter any warehouse, bodega or storage facility of any buyer, trader, or dealer, including vehicles by land, sea or air, and inspect any copra kept, stored or transported thereby in violation of the provisions of these rules.

2. After such inspection, the official authorized under this Section shall ascertain the condition of the copra and if confirmed to be those classified as banned or subject of rejection, the officer shall make a written report of such condition and notify the buyer, trader, dealer, who traded or otherwise owns the copra in writing, of the immediate

need to re-dry the copra at the latter's own account and facility as provided in Section 11, paragraph 3 of this Order.

3. Should the buyer, trader, dealer or owner of stored copra fail to redry the copra as prescribed in the preceding paragraph within forty-eight (48) hours from receipt of the notice, the PCA Regional Manager shall immediately notify the oil millers, refiners, exporters, and other end users of copra located within his jurisdiction, providing them copies of the inspection reports and notices issued thereby and shall certify that the copra is banned, non merchantable and should be rejected.

4. The Administrator of the Philippine Coconut Authority may request any law-enforcing officer to assist the regulatory officers of the Authority in enforcing the provisions of this Section.

SECTION 16. Penalty - Any violation or circumvention of the provisions of this Order including guidelines and directives issued pursuant thereto shall be subject to any one or more of the following administrative sanctions:

1. Non-processing of export application, non-issuance of export clearance and/or loading permit of copra for export.
2. Cancellation/suspension of the Certificate of Registration.

SECTION 17. Transition Period - To afford all persons and entities affected by this Order ample time towards its compliance, a transition period of six months from date of effectivity hereof, inclusive of the period for the information campaign shall be observed preparatory to the full enforcement of this Order.

SECTION 18. Repealing Clause - All orders, rules and regulations inconsistent with the foregoing provisions are hereby modified or superseded accordingly.

SECTION 19. Effectivity - Subject to the transition period herein provided, this Order shall take effect after fifteen (15) days from date of publication.

Adopted: 8 July 2003

(SGD.) DANILO M. CORONACION
Administrator

[*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City

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