



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS
MANILA 1099

May 21, 2014

CUSTOMS MEMORANDUM CIRCULAR
NO. 67-2014

TO: All Deputy Commissioners
All Directors & Chiefs
All District/Port Collectors
And Others Concerned

SUBJECT: Details of NFA's 800,000MT Rice Importation for 2014

Attached is the letter dated May 7, 2014 of Administrator Orlan A. Calayag, National Food Authority (NFA), regarding the details of the rice importation of NFA for 2014 entered thru an open international bidding for the purchase and supply of maximum 800,000MT, 15% Broken, Well-Milled Long Grain White Rice at CIF, DDU Terms (Delivered Duty Unpaid); to wit:

<u>Name of Supplier</u>	<u>Source</u>	<u>Price US\$/MT</u>	<u>Delivery Period</u>	<u>Mode of Delivery</u>	<u>Quantity (in MT)</u>
VINAFOOD I	Vietnam	436.00	May-Aug 2014	Breakbulk	100,000.00
		439.00	May-Aug 2014	Breakbulk	<u>100,000.00</u>
		Sub-total			
VINAFOOD II	Vietnam	436.50	May-Aug 2014	Breakbulk	200,000.00
		437.75	May-Aug 2014	Breakbulk	200,000.00
		439.25	May-Aug 2014	Breakbulk	<u>200,000.00</u>
Sub-total				600,000.00	
Grand Total					<u>800,000.00</u>

Also attached are the contracts for the purchase and supply of rice made by NFA with both VINAFOOD I and VINAFOOD II.

For your information and guidance.

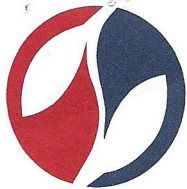
Please confirm the dissemination of this circular throughout your offices within fifteen (15) days from receipt hereof.


JOHN P. SEVILLA
Commissioner

 Bureau of Customs
JOHN P. SEVILLA
Commissioner



MAY 26 2014



**PAMBANSANG
PANGASIWAAN
SA PAGKAIN**
NATIONAL FOOD AUTHORITY

Internal Admin Group
Received by: VICKY REYES
Date: 05/15/14
Time: 2:50

ADMINISTRATION OFFICE
Received by: DETEL
Date: 05-16-14

Philippine Sugar Center Bldg. North Ave., Diliman, Quezon City Tel No. (02) 453-3900/981-3800 to 30 Website: www.nfa.gov.ph 10:55AM

07 May 2014

MR. JOHN PHILIP P. SEVILLA

Commissioner
Bureau of Customs
Port Area, Manila



Dear Commissioner Sevilla :

May we advise you of the details of the rice importation of NFA for 2014 entered thru an open international bidding for the purchase and supply of maximum 800,000MT, 15% Broken, Well-Milled Long Grain White Rice at CIF, DDU Terms (Delivered Duty Unpaid); to wit:

<u>NAME OF SUPPLIER</u>	<u>SOURCE</u>	<u>PRICE US\$/MT</u>	<u>DELIVERY PERIOD</u>	<u>MODE OF DELIVERY</u>	<u>QUANTITY (in MT)</u>
VINAFOOD I	Vietnam	436.00	May - Aug 2014	Breakbulk	100,000.00
		439.00	May - Aug 2014	Breakbulk	100,000.00
Sub-total					200,000.00
VINAFOOD II	Vietnam	436.50	May - Aug 2014	Breakbulk	200,000.00
		437.75	May - Aug 2014	Breakbulk	200,000.00
		439.25	May - Aug 2014	Breakbulk	200,000.00
Sub-total					600,000.00
Grand Total					800,000.00

Attached for your reference and perusal is our contract of supply.

Very truly yours,

ORLANA. GALAYAG
Administrator

CONTRACT FOR THE PURCHASE AND SUPPLY OF
MAXIMUM TWO HUNDRED THOUSAND (200,000) MT
OF LONG GRAIN WHITE RICE WELL MILLED,
15% BROKENS, ON CIF, DDU BASIS

KNOW ALL MEN BY THESE PRESENTS:

This contract is made and entered into this 30 day of April 2014 at Quezon City, Philippines for the Purchase and Supply of rice by and between:

NATIONAL FOOD AUTHORITY (NFA), a government owned and controlled corporation created and existing under and by virtue of Presidential Decree No. 4, as amended, with present office address at the Philippine Sugar Center Building, North Avenue, Diliman, Quezon City, Philippines represented by its Administrator, **ORLAN A. CALAYAG**, (hereinafter called "the Entity") of the one part,

and

VIETNAM NORTHERN FOOD CORPORATION (VINAFOOD I), a government corporation of the Socialist Republic of Vietnam, with Principal address at 6 Ngo Quyen Street, Hoan Kiem District, Hanoi, Socialist Republic of Vietnam, represented by its Director, Foreign Economic Department, **LE XUAN MINH**, (hereinafter called "the Supplier") of the other part:

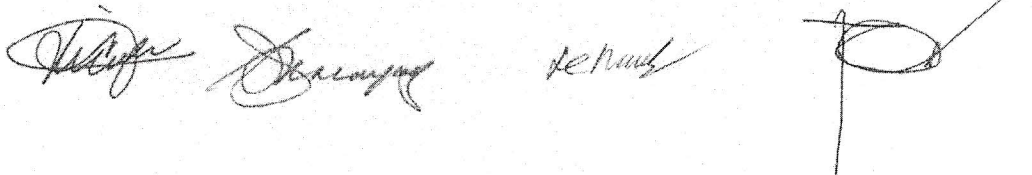
WITNESSETH

WHEREAS, the NFA Council, through Council Resolution No. 179-2014-B dated 27 February 2014, approved, upon the recommendation of the NFA Management and the Inter-Agency Committee for Rice and Corn, the importation of Eight Hundred Thousand Metric Tons (800,000MT) for the Year 2014;

WHEREAS, there is a need to augment the government buffer stocks due to the calamities that struck the country resulting to shortage of production and depleting commercial and household stocks;

WHEREAS, on 15 April 2014, the ENTITY conducted a bidding in accordance with Republic Act No. 9184 otherwise known as the "Government Procurement Reform Act" for the supply of MAXIMUM 800,000MT 15% brokens, well-milled long grain white rice, among foreign government suppliers and private international rice traders;

WHEREAS, as a result of said bidding and after deliberating on the offers submitted, the ENTITY has accepted the Bids by the SUPPLIER for the supply of 200,000 MT, 15% Brokens, Long Grain White Rice, Well-Milled, in the sum of



EIGHTY SEVEN MILLION FIVE HUNDRED THOUSAND US DOLLARS (US \$ 87,500,000.00), (hereinafter called "the Contract Price") as shown in the table;

Quantity (MT)	Price (in US\$ per MT CIF,DDU)	Total Contract Price (in US\$)
100,000.00	436.00	43,600,000.00
100,000.00	439.00	43,900,000.00
TOTAL 200,000.00		87,500,000.00

NOW THEREFORE, for and in consideration of the foregoing premises and the mutual covenants herein set forth, the parties have agreed as they do hereby agree to enter into this contract, under the following terms and conditions:

I. COMMODITIES

Long Grain White Rice, 15% Brokens, Well Milled, packed in 50 kilograms net capacity polypropylene bags

II. SPECIFICATIONS

QUALITY PARAMETERS

CONTRACT STANDARDS (15%)

Whole Kernels (min. %)	50.00
Brokens (max. %)	15.00
Damaged Grains (max. %) ^{1'}	1.00
Yellow/Discolored Grains (max. %)	1.00
Chalky Kernels (max. %)	7.00
Immature Kernels (max. %)	0.40
Red Kernels (max. %)	2.00
Foreign Matter (max. %)	0.15
Weed Seeds and other Crop Seeds (max. no. per 1,000 g)	25.00
Paddy (max. no. per 1,000 g)	15.00
Moisture Content (max. %)	14.00
Milling Degree	Well Milled (WMR) ^{2'}
Bran Streaked Kernels (BSK)	(1 - 14)

[Handwritten signatures and initials]

Crop Year Harvested not earlier than the second semester of 2013. Stocks should be freshly milled not more than four (4) months prior to loading as certified by Buyer's appointed Surveyor. Mixing of freshly-milled rice with aged rice (more than four (4) months) shall not be allowed. Stocks should not be powdery, and free from sack-like odor and free from insect infestation. These requirements shall apply to both headrice and brokens. Reprocessed/remilled rice shall not be accepted.

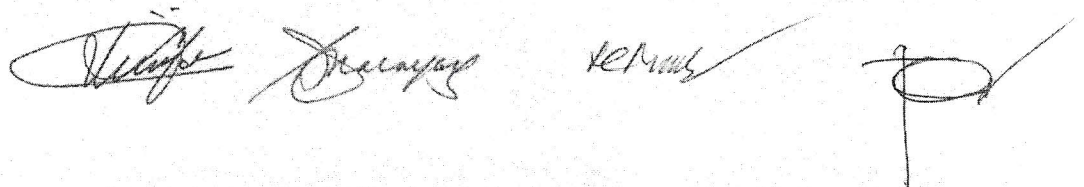
¹Damaged Grains - grains which are obviously damaged by insects, water, diseases and/or any other means as seen by the naked eye.

²Well Milled Rice - rice kernel from which the hull, the germ, the outer bran layers and greater part of the inner bran layers have been removed but parts of the lengthwise streaks of the inner bran layers remaining shall be less than 15% of the kernels.

Rice which does not conform with the specifications of this contract will be rejected by the appointed SURVEYOR. The ENTITY's technical representatives shall work hand in hand with the appointed SURVEYOR in the inspection of the stocks intended for loading to closely monitor adherence to the quality specifications particularly moisture content. All moisture content shall be 14% maximum. Under no circumstances shall stocks with moisture content above 14% be loaded. However, if there are rice deliveries which still do not conform with the contract specifications, a formal notice will be made by the ENTITY to the supplier/surveyor which may be subjected to penalty/blacklisting in future tenders of the ENTITY.

The following methods shall be applied in determining the moisture content, milling degree and age of milled rice:

1. The official method to be used to determine the moisture content of milled rice is **air-oven method** (Annex A).
2. The official method to be used to determine bran streak is the alcohol alkali bran **staining method** (Annex B).
3. The official method to be used to determine the age of milled rice is the **chemical method** (Annex C).



III. QUANTITY / PRICE

MAXIMUM 200,000 MT, 15% Brokens, Long Grain White Rice, Well Milled with Vietnam as origin and details as follows:

Quantity (MT)	Price (in US\$ per MT, CIF-DDU)	Total Contract Price (in US\$)	Arrival Period/Quantity (MT)
100,000.00	436.00	43,600,000.00	May 2014 - 25,000.00
			June 2014 - 25,000.00
			July 2014 - 25,000.00
			August 2014 - 25,000.00
100,000.00	439.00	43,900,000.00	May 2014 - 25,000.00
			June 2014 - 25,000.00
			July 2014 - 25,000.00
			August 2014 - 25,000.00
TOTAL 200,000.00		87,500,000.00	200,000.00

IV. DELIVERY/ARRIVAL PERIOD

The SUPPLIER shall deliver in accordance with following schedule:

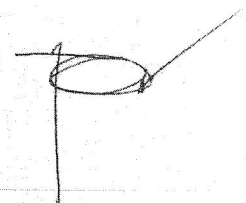
- Not later than MAY 2014: 25.00% of the total volume awarded
- Not later than JUNE 2014: 25.00% of the total volume awarded
- Not later than JULY 2014: 25.00% of the total volume awarded
- Not later than AUGUST 2014: 25.00% of the total volume awarded

Early shipment shall be allowed, provided arrival dates of all vessels are within the required arrival period. However the ENTITY may re-schedule delivery period as it may deem necessary. **Otherwise penalty on shipments beyond the arrival period will be imposed as per GAFTA 122's schedule of penalty on shipment extension penalty to apply on undelivered volume.**

SUPPLIER shall inform the ENTITY of vessel's expected date of departure from load port and its expected time of arrival at designated Philippine port.

Shipment of any cargoes other than the goods stated in this Contract is strictly prohibited.





V. PERFORMANCE BOND

THE SUPPLIER shall submit a Performance Security as an obligation under the Condition of the Contract equivalent to five percent (5%) of the Total Awarded Contract Price within five (5) banking days after receipt of the Notice of Award valid up to sixty (60) days from last day of vessel arrival in the form of Irrevocable Stand-by Letter of Credit (LC) issued by reputable Universal or Commercial Bank to guarantee the faithful performance of their obligations under the contract. Provided, however, that it shall be confirmed or authenticated by a Universal or Commercial Bank in Metro Manila, if issued by foreign bank.

VI. PACKING

Fifty (50) kilograms net each in polypropylene bags (with a minimum weight of 110 grams/pc.) suitable for rice export with ENTITY's markings design and specifications of which is hereto attached as Annex E of the bidding documents.

SUPPLIER must provide free empty sacks equivalent to 1.5% of the total volume (in bags) loaded also suitable for rice export with ENTITY's markings to serve as allowance for busted bags.

VII. LOADING/DISCHARGING PORT

From one/two safe berth/s, one safe port out of Vietnam to one/two safe berth/s, one safe Philippine port to be declared by the ENTITY five (5) days prior to completion of loading.

No container shipment is allowed.

The ENTITY shall use the following discharge ports with a guaranteed maximum draft of 8.0 meters.

MANILA
CEBU

The ENTITY shall also use the following additional disports in order to strategically position rice stocks for stabilization purposes:

SAN FERNANDO, LA UNION	ZAMBOANGA
SUBIC, ZAMBALES	SURIGAO
BATANGAS CITY	GENERAL SANTOS CITY
ILOILO CITY	TABACO
BACOLOD CITY	LEGAZPI CITY
CAGAYAN DE ORO	DAVAO CITY

The ENTITY's designated warehouses shall be within 30-km radius from the intended port of discharge. SUPPLIER undertakes to deliver the goods free of obligations and expense of the ENTITY up to the ENTITY's designated warehouse/s.

The ENTITY shall assist SUPPLIER in securing the necessary clearances from the Department of Finance (DOF) Bureau of Customs (BOC) for the release of rice cargoes.

VIII. FUMIGATION

The cargo must be properly fumigated at the port of origin for SUPPLIER'S account under the direct supervision of the ENTITY's appointed.

Fumigation to be carried out shall be as follows:

The recommended fumigant shall be 3 pounds per 1,000 cubic feet of Methyl Bromide (CH₃Br) for a minimum of 48 hours exposure period. The piping carrying fumigant to the holds must be such that no liquid methyl bromide comes into direct contact with the rice cargo.

It should be clearly stated in the Certificate of Fumigation issued by the fumigating company certified as supervised by the ENTITY's appointed SURVEYOR the method of application, the fumigants used and actual dosage applied, date and time of completion of fumigation application. The fumigating company shall be appointed by the ENTITY's appointed SURVEYOR.

Refumigation due to live infestations upon vessel arrival at discharge port shall be for SUPPLIER's account and billeting of crews at the port of unloading, if necessary, shall be for the account of the SUPPLIER.

IX. WEIGHT/QUALITY

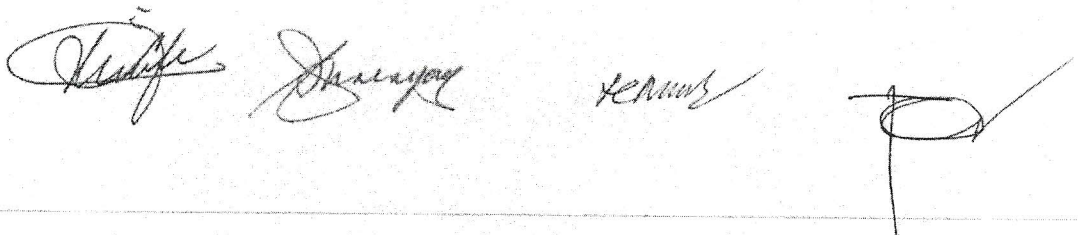
Weight, quality and condition of rice stocks and polypropylene bags and packing to be final at the ENTITY's designated warehouses as inspected and certified by a reliable First Class Independent International Surveyor appointed by the ENTITY from among its accredited surveyor/s. The appointed surveyor/s shall ensure that the ENTITY's rights to receipt of "in-specifications" and quality of stocks are protected. SUPPLIER shall be responsible for ensuring that the rice delivered to the ENTITY on board vessel at loadport up to ENTITY's designated warehouses is the same commodity as that described in the Certificate of Weight and Inspection of the Quality, Quantity and Weight of the Cargo including the bags.

Quality to be accepted at the ENTITY's designated warehouses shall only be good quality stocks in accordance with the specifications. Stocks not in conformity with the required specifications shall be rejected by the SURVEYOR. Bad order stocks shall not be paid by the ENTITY. The said stocks shall be received at the designated warehouses but will be auctioned by the ENTITY's in accordance with its Guidelines in the Disposition of Bad Order Stocks. The proceeds of the auction shall be turned-over to the SUPPLIER and/or insurance company.

X. PAYMENT

Payment shall be through Documents Against Payment (D/P).

The ENTITY shall remit through the bank via telegraphic transfer to the SUPPLIER's nominated bank.

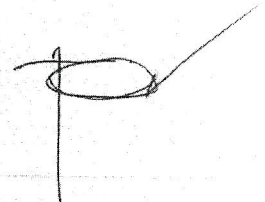
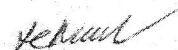


The documentary requirements for payment are the following:

- a. Bill of Exchange (2 copies);
- b. SUPPLIER's Commercial Invoice, duplicate ;
- c. Clean on board ocean vessel/charter party Bills of Lading (2 originals and 2 non-negotiable copies), made out to order and marked "FREIGHT PREPAID". Notify Party: National Food Authority (NFA), Grains Marketing Operations Department (GMOD), Phil. Sugar Center Bldg., North Avenue, Diliman, Quezon City, Philippines;
- d. Certificate of Weight and Inspection on the Quality, Quantity and Weight of the Cargo including the bags issued by ENTITY's appointed SURVEYOR;
- e. Certificate of Origin;
- f. Phytosanitary Certificate, duplicate;
- g. Certificate of Fumigation issued by the fumigating company certified as supervised by ENTITY's appointed SURVEYOR, duplicate;
- h. Inspection Certificate as to the condition of the vessel issued by the appointed SURVEYOR;
- i. Certificate of Milling issued by the appointed SURVEYOR stating that the stocks were milled not more than four (4) months prior to loading or harvested not earlier than second semester of CY 2013.
- j. Four (4) photocopies of Certificate of Complete Delivery and Receipt (CCDR) issued by the ENTITY with its best efforts and as earliest as possible from completion of delivery to the ENTITY's designated warehouses.

XI. SURVEYOR AND CARGO HANDLER

- a. The supervision and survey at warehouses/mills and on board ocean vessel and at final warehouses on the quality, weight and condition of rice stocks including polypropylene bags and hatch cover survey (as part of hull cleanliness survey and/or condition of containers) are to be done by a reliable first class independent international surveyor appointed by the ENTITY, subject to the provision of Article X of this Contract. The survey fees shall be for the account of the SUPPLIER. The scope of work of the SURVEYOR is subject to the conformity of the ENTITY.
- b. SUPPLIER shall utilize the CARGO HANDLER appointed by the ENTITY for the unloading and delivery of cargoes from the disport to the designated warehouses, for the SUPPLIER's account. The scope of work of the CARGO HANDLER is subject to the conformity of the ENTITY.



XII. ENTITY'S REPRESENTATIVES

ENTITY shall appoint two (2) representatives for every 25,000 MT and a fraction thereof or one (1) loadport representative to witness loading operations at the port of origin, if awarded volume is 12,500 MT and below. Expenses relative thereto such as international plane fares (round trip) inclusive of travel tax, per diem for seven (7) days, actual hotel accommodation, transportation fares to and from the hotel to the loading site shall be for the account of the SUPPLIER.

SUPPLIER should make travel arrangements to ensure that ENTITY's representatives will arrive at the designated loadport twenty-four (24) hours prior commencement of loading.

In case of ENTITY's technical representatives who will work with the appointed SURVEYOR in the pre-shipment inspection (prior the initial shipment, halfway and prior completion of shipments), SUPPLIER shall make travel arrangement for them upon receipt of award.

XIII. INSURANCE

Carrying vessel must be seaworthy, fully geared, single/tween decker suitable for the transportation, loading and unloading of bagged grains.

SUPPLIER shall undertake to cover the goods with marine risk insurance at the loading port up to the ENTITY's designated warehouses at SUPPLIER's account and expense.

XIV. PRE-ADVICE NOTICE OF VESSEL

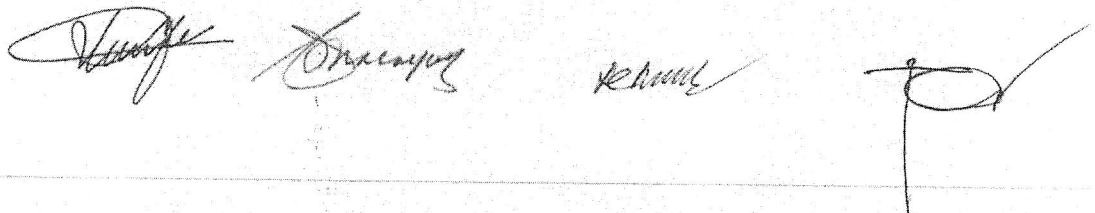
1. SUPPLIER must notify ENTITY promptly of vessel's name, and expected time of vessel arrival at loadport for monitoring purposes
2. SUPPLIER to keep ENTITY informed about vessel's position and daily loading status.
3. Immediately after completion of loading, SUPPLIER shall advise ENTITY vessel's time of departure at loadport and estimated time of arrival at disport. SUPPLIER shall likewise provide ENTITY every 72/48/24 hour-notice of ETA at disport.

XV. ADVANCE COPIES OF SHIPPING DOCUMENTS

SUPPLIER shall furnish ENTITY through telefax and/or electronic mail, advanced copies of shipping documents as enumerated under Provisions X (Payment) including a copy of the Charter Party Contract or Fixture Note within two (2) calendar days from completion of loading/Bill of Lading date.

XVI. ARBITRATION

In the event of any dispute arises between the parties in regard to their rights and obligation thereunder and which cannot be settled amicably, such dispute shall be settled in Singapore, by arbitration, through the two (2) arbitrators, one of whom shall be appointed by SUPPLIER and one by ENTITY. Should



the arbitrators fail to reach an agreement, then the dispute shall be referred to an Umpire, nominated and agreed by the arbitrators. The decision of the Umpire shall be final, conclusive and binding on both parties. The arbitrators or Umpire, as the case may be, shall also stipulate three party/ies who shall bear the cost of arbitration and the proportion to be shouldered by such party/ies. The International Chamber of Commerce (ICC) Rules on Arbitration shall govern.

XVII. PRESIDENTIAL DECREE NO. 1466/FLAG WAIVER

The SUPPLIER shall take cognizance of Presidential Decree No. 1466 of the Philippines and whenever available shall utilize Philippine flag vessels in the shipment of the cargo, otherwise, SUPPLIER shall secure the necessary waiver from the Philippine Shippers' Bureau. Cost of filing waiver shall be for SUPPLIER's account or its authorized local agent in the Philippines. Loading of cargo shall not commence in the absence of the said approved waiver.

XVIII. GAFTA PROVISIONS

For all other terms and conditions which are not in contravention with the above terms and conditions, GAFTA 122 shall prevail and shall form an integral part of the Contract.

XIX. DEFAULT AND PENALTIES

Penalty on shipments beyond the arrival period will be imposed as per GAFTA 122's schedule of penalty.

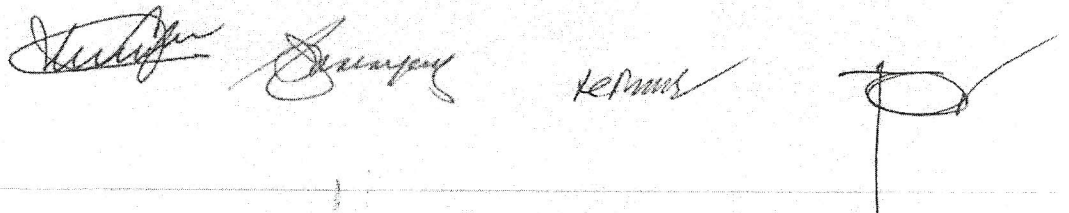
Default of all or any provision of the Contract due to war, blockade, hostilities, insurrection, mobilization, strikes, lockouts, civil commotion, riots, plague, or other epidemics, destruction by fire, flood or other acts of nature or other causes beyond the control of the SUPPLIER or ENTITY shall operate and cancel contract to the extent of such default.

Should there be any violation of the terms and conditions of this contract which are not covered by the preceding paragraph by the SUPPLIER or ENTITY, totally or partially, the other party not in default may, after giving formal notice by letter, facsimile declare the other party in default, and shall be automatically entitled to a penalty sum equivalent to 30% of the monetary value of the Contract, as liquidated damages.

The provision of this Article may be invoked in addition to the rights and obligations stipulated in the Performance Bond.

XX. MISCELLANEOUS

In the event of any dispute/s arising between/among/and/or the supplier/charterer/disponent owner and the headowner such as non-settlement of freight charges, and other relative costs/expenses/charges and under any inevitable circumstances, these shall not in any way affect the commencement or continuous discharging operations. Any delay in the commencement of discharge and/or disruption of unloading operations which may cause undue delay in the delivery of rice to its designated warehouse, shall be for SUPPLIER's account/expense.



XXI. TERMINATION FOR UNLAWFUL ACTS

The ENTITY may terminate this Contract in case it is determined *prima facie* that the SUPPLIER has engaged, before or during the implementation of this Contract, in unlawful deeds and behaviors relative to contract acquisition and implementation. Unlawful acts include, but are not limited to, the following:

- (a) Corrupt, fraudulent, and coercive practices as defined in Instruction to Bidders (ITB) Clause 3.1(a);
- (b) Drawing up or using forged documents;
- (c) Using adulterated materials, means or methods, or engaging in production contrary to rules of science or the trade; and
- (d) Any other act analogous to the foregoing.

Procedures for termination of Contract are stipulated in General Conditions of the Contract (GCC) Clause No. 27.1

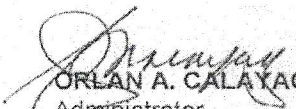
XXII. ASSIGNMENT OF RIGHTS

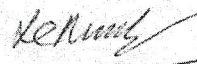
The SUPPLIER shall not assign his rights or obligations under this Contract, in whole or in part, except with the ENTITY's prior written consent.

XXIV. SPECIAL PROVISION:

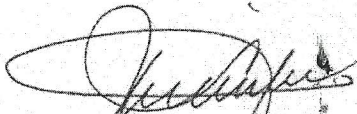
All other bidding documents submitted/issued shall be deemed and construed to form part of the Contract.

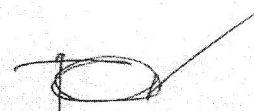
ACCEPTED


ORLAN A. CALAYAG
 Administrator
 National Food Authority
 (NFA)


LE XUAN MINH
 Director, Foreign Economic Dept.
 Vietnam Northern Food Corp.
 (VINAFOOD I)

WITNESSES:


LUDOVICO J. JARINA
 Deputy Administrator


PHAN XUAN QUE
 Deputy General Director
 Vietnam Northern Food Corp.
 (VINAFOOD 1)

**CONTRACT FOR THE PURCHASE AND SUPPLY OF
MAXIMUM SIX HUNDRED THOUSAND (600,000) MT
OF LONG GRAIN WHITE RICE WELL MILLED,
15% BROKENS, ON CIF, DDU BASIS**

KNOW ALL MEN BY THESE PRESENTS:

This contract is made and entered into this 28th day of April 2014 at Quezon City, Philippines for the Purchase and Supply of rice by and between:

NATIONAL FOOD AUTHORITY (NFA), a government owned and controlled corporation created and existing under and by virtue of Presidential Decree No. 4, as amended, with present office address at the Philippine Sugar Center Building, North Avenue, Diliman, Quezon City, Philippines represented by its Administrator, **ORLAN A. CALAYAG**, (hereinafter called "**the Entity**") of the one part,

and

VIETNAM SOUTHERN FOOD CORPORATION (VINAFOOD II), a government corporation of the Socialist Republic of Vietnam, with Principal address at 42 Chu Manh Trinh Street, District 1, Ho Chi Minh City, Socialist Republic of Vietnam, represented by its General Director, **HUYNH THE NANG**, (hereinafter called as **the "Supplier"**) of the other part.

WITNESSETH

WHEREAS, the NFA Council, through Council Resolution No. 179-2014-B dated 27 February 2014, approved, upon the recommendation of the NFA Management and the Inter-Agency Committee for Rice and Corn, the importation of Eight Hundred Thousand Metric Tons (800,000MT) for the Year 2014;

WHEREAS, there is a need to augment the government buffer stocks due to the calamities that struck the country resulting to shortage of production and depleting commercial and household stocks;

WHEREAS, on 15 April 2014, the ENTITY conducted a bidding in accordance with Republic Act No. 9184 otherwise known as the "Government Procurement Reform Act" for the supply of MAXIMUM 800,000MT 15% brokens, well-milled long grain white rice, among foreign government suppliers and private international rice traders;

WHEREAS, as a result of said bidding and after deliberating on the offers submitted, the ENTITY has accepted the Bids by the SUPPLIER for the supply of 600,000 MT, 15% Brokens, Long Grain White Rice, Well-Milled, in the sum of **TWO HUNDRED SIXTY-TWO MILLION SEVEN HUNDRED THOUSAND US DOLLARS**





(US \$ 262,700,000.00), (hereinafter called "the Contract Price") as shown in the table:

Quantity (MT)	Price (in US\$ per MT, CIF, DDU)	Total Contract Amount (in US\$)
200,000.00	436.50	87,300,000.00
200,000.00	437.75	87,550,000.00
200,000.00	439.25	87,850,000.00
TOTAL		262,700,000.00

NOW THEREFORE, for and in consideration of the foregoing premises and the mutual covenants herein set forth, the parties have agreed as they do hereby agree to enter into this contract, under the following terms and conditions:

I. COMMODITIES

Long Grain White Rice, 15% Brokens, Well Milled, packed in 50 kilograms net capacity polypropylene bags

II. SPECIFICATIONS

QUALITY PARAMETERS

CONTRACT STANDARDS (15%)

Whole Kernels (min. %)	50.00
Brokens (max. %)	15.00
Damaged Grains (max. %) ^{1/}	1.00
Yellow/Discolored Grains (max. %)	1.00
Chalky Kernels (max. %)	7.00
Immature Kernels (max. %)	0.40
Red Kernels (max. %)	2.00
Foreign Matter (max. %)	0.15
Weed Seeds and other Crop Seeds (max. no. per 1,000 g)	25.00
Paddy (max. no. per 1,000 g)	15.00
Moisture Content (max. %)	14.00
Milling Degree	Well Milled (WMR) ^{2/}
Bran Streaked Kernels (BSK)	(1 - 14)

Crop Year Harvested not earlier than the second semester of 2013. Stocks should be freshly milled not more than four (4) months prior to loading as certified by Buyer's appointed Surveyor. Mixing of freshly-milled rice with aged rice (more than four (4) months) shall not be allowed. Stocks should not be powdery, and free from sack-like odor and free from insect infestation. These requirements shall apply to both headrice and broken. Reprocessed/remilled rice shall not be accepted.

^{1/}Damaged Grains - grains which are obviously damaged by insects, water, diseases and/or any other means as seen by the naked eye.

^{2/}Well Milled Rice - rice kernel from which the hull, the germ, the outer bran layers and greater part of the inner bran layers have been removed but parts of the lengthwise streaks of the inner bran layers remaining shall be less than 15% of the kernels.

Rice which does not conform with the specifications of this contract will be rejected by the appointed SURVEYOR. The ENTITY's technical representatives shall work hand in hand with the appointed SURVEYOR in the inspection of the stocks intended for loading to closely monitor adherence to the quality specifications particularly moisture content. All moisture content shall be 14% maximum. Under no circumstances shall stocks with moisture content above 14% be loaded. However, if there are rice deliveries which still do not conform with the contract specifications, a formal notice will be made by the ENTITY to the supplier/surveyor which may be subjected to penalty/blacklisting in future tenders of the ENTITY.

The following methods shall be applied in determining the moisture content, milling degree and age of milled rice:

1. The official method to be used to determine the moisture content of milled rice is **air-oven method** (Annex A).
2. The official method to be used to determine bran streak is the alcohol alkali bran **staining method** (Annex B).
3. The official method to be used to determine the age of milled rice is the **chemical method** (Annex C).

The bottom of the page features several handwritten signatures and initials. On the left, there is a large, stylized signature. In the center, there is another signature followed by the initials 'MA'. On the right, there is a large, circular scribble or signature.

III. QUANTITY / PRICE

MAXIMUM 600,000 MT, 15% Brokens, Long Grain White Rice, Well Milled with Vietnam as origin and details as follows:

Quantity (MT)	Price (in US\$ per MT, CIF-DDU)	Arrival Period/Quantity (MT)
200,000.00	436.50	May 2014 - 50,000.00
		June 2014 - 50,000.00
		July 2014 - 50,000.00
		August 2014 - 50,000.00
200,000.00	437.75	May 2014 - 50,000.00
		June 2014 - 50,000.00
		July 2014 - 50,000.00
		August 2014 - 50,000.00
200,000.00	439.25	May 2014 - 50,000.00
		June 2014 - 50,000.00
		July 2014 - 50,000.00
		August 2014 - 50,000.00
TOTAL		600,000.00

IV. DELIVERY/ARRIVAL PERIOD

The SUPPLIER shall deliver in accordance with following schedule:

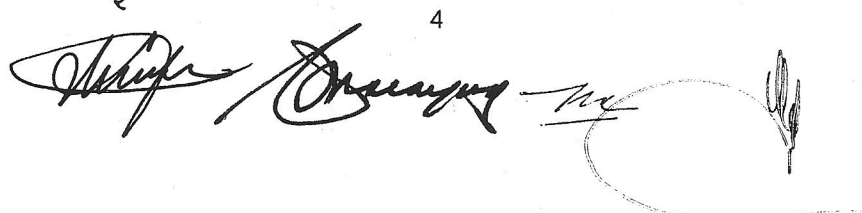
- Not later than MAY 2014: 25.00% of the total volume awarded
- Not later than JUNE 2014: 25.00% of the total volume awarded
- Not later than JULY 2014: 25.00% of the total volume awarded
- Not later than AUGUST 2014: 25.00% of the total volume awarded

Early shipment shall be allowed, provided arrival dates of all vessels are within the required arrival period. However the ENTITY may re-schedule delivery period as it may deem necessary. **Otherwise penalty on shipments beyond the arrival period will be imposed as per GAFTA 122's schedule of penalty on shipment extension penalty to apply on undelivered volume.**

SUPPLIER shall inform the ENTITY of vessel's expected date of departure from load port and its expected time of arrival at designated Philippine port.

Shipment of any cargoes other than the goods stated in this contract is strictly prohibited.

4



V. PERFORMANCE BOND

THE SUPPLIER shall submit a Performance Security as an obligation under the Condition of the Contract equivalent to five percent (5%) of the Total Awarded Contract Price within five (5) banking days after receipt of the Notice of Award valid up to sixty (60) days from last day of vessel arrival in the form of Irrevocable Stand-by Letter of Credit (LC) issued by reputable Universal or Commercial Bank to guarantee the faithful performance of their obligations under the contract. Provided, however, that it shall be confirmed or authenticated by a Universal or Commercial Bank in Metro Manila, if issued by foreign bank.

VI. PACKING

Fifty (50) kilograms net each in polypropylene bags (with a minimum weight of 110 grams/pc.) suitable for rice export with ENTITY's markings design and specifications of which is hereto attached as Annex E of the bidding documents.

SUPPLIER must provide free empty sacks equivalent to 1.5% of the total volume (in bags) loaded also suitable for rice export with ENTITY's markings to serve as allowance for busted bags.

VII. LOADING/DISCHARGING PORT

From one/two safe berth/s, one safe port out of Vietnam to one/two safe berth/s, one safe Philippine port to be declared by the ENTITY five (5) days prior to completion of loading

No container shipment is allowed.

The ENTITY shall use the following discharge ports with a guaranteed maximum draft of 8.0 meters.

MANILA
CEBU

The ENTITY shall also use the following additional disports in order to strategically position rice stocks for stabilization purposes:

SAN FERNANDO, LA UNION	ZAMBOANGA
SUBIC, ZAMBALES	SURIGAO
BATANGAS CITY	GENERAL SANTOS CITY
ILOILO CITY	TABACO
BACOLOD CITY	LEGAZPI CITY
CAGAYAN DE ORO	DAVAO CITY

The ENTITY's designated warehouses shall be within 30-km radius from the intended port of discharge. SUPPLIER undertakes to deliver the goods free of obligations and expense of the ENTITY up to the ENTITY's designated warehouse/s.

The ENTITY shall assist SUPPLIER in securing the necessary clearances from the Department of Finance (DOF)/ Bureau of Customs (BOC) for the release of rice cargoes.

Handwritten signatures and stamps at the bottom of the page, including a large signature on the left and a circular stamp on the right.

VIII. FUMIGATION

The cargo must be properly fumigated at the port of Vietnam for SUPPLIER'S account under the direct supervision of the ENTITY's appointed surveyor.

Fumigation to be carried out shall be as follows:

The recommended fumigant shall be 3 pounds per 1,000 cubic feet of Methyl Bromide (CH₃Br) for a minimum of 48 hours exposure period. The piping carrying fumigant to the holds must be such that no liquid methyl bromide comes into direct contact with the rice cargo.

It should be clearly stated in the Certificate of Fumigation issued by the fumigating company certified as supervised by the ENTITY's appointed SURVEYOR the method of application, the fumigants used and actual dosage applied, date and time of completion of fumigation application. The fumigating company shall be appointed by the ENTITY's appointed SURVEYOR.

Refumigation due to live infestations upon vessel arrival at discharge port shall be for SUPPLIER's account and billeting of crews at the port of unloading, if necessary, shall be for the account of the SUPPLIER.

IX. WEIGHT/QUALITY

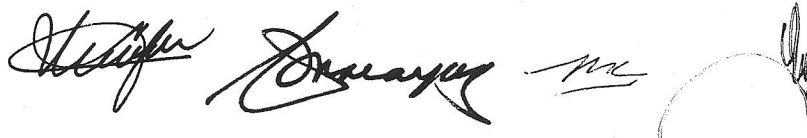
Weight, quality and condition of rice stocks and polypropylene bags and packing to be final at the ENTITY's designated warehouses as inspected and certified by a reliable First Class Independent International Surveyor appointed by the ENTITY from among its accredited surveyor/s. The appointed surveyor/s shall ensure that the ENTITY's rights to receipt of "in-specifications" and quality of stocks are protected. SUPPLIER shall be responsible for ensuring that the rice delivered to the ENTITY on board vessel at loadport up to ENTITY's designated warehouses is the same commodity as that described in the Certificate of Weight and Inspection of the Quality, Quantity and Weight of the Cargo including the bags.

Quality to be accepted at the ENTITY's designated warehouses shall only be good quality stocks in accordance with the specifications. Stocks not in conformity with the required specifications shall be rejected by the SURVEYOR. Bad order stocks shall not be paid by the ENTITY. The said stocks shall be received at the designated warehouses but will be auctioned by the ENTITY in accordance with its Guidelines in the Disposition of Bad Order Stocks. The proceeds of the auction shall be turned-over to the SUPPLIER and/or insurance company.

X. PAYMENT

Payment shall be through Documents Against Payment (D/P).

The ENTITY shall remit payment through the bank via telegraphic transfer to the SUPPLIER's nominated bank.

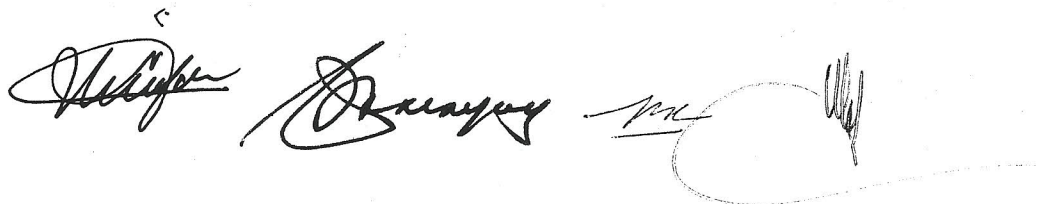


The documentary requirements for payment are the following:

- a. Bill of Exchange (2 copies);
- b. SUPPLIER's Commercial Invoice, duplicate;
- c. Clean on board ocean vessel/charter party Bills of Lading (2 originals and 2 non-negotiable copies), made out to order and marked "FREIGHT PREPAID".
Notify Party: National Food Authority (NFA), Grains Marketing Operations Department (GMOD), Phil. Sugar Center Bldg., North Avenue, Diliman, Quezon City, Philippines;
- d. Certificate of Weight and Inspection on the Quality, Quantity and Weight of the Cargo including the bags issued by ENTITY's appointed SURVEYOR.
- e. Certificate of Origin;
- f. Phytosanitary Certificate, duplicate;
- g. Certificate of Fumigation issued by the fumigating company certified as supervised by ENTITY's appointed SURVEYOR, duplicate;
- h. Inspection Certificate as to the condition of the vessel issued by the appointed SURVEYOR;
- i. Certificate of Milling issued by the appointed SURVEYOR stating that the stocks were milled not more than four (4) months prior to loading or harvested not earlier than the second semester of CY 2013.
- j. Four (4) photocopies of Certificate of Complete Delivery and Receipt (CCDR) issued by the ENTITY with its best efforts and as earliest as possible from completion of delivery to the ENTITY's designated warehouses.

XI. SURVEYOR AND CARGO HANDLER

- a. The supervision and survey at warehouses/mills and on board ocean vessel and at final warehouses on the quality, weight and condition of rice stocks including polypropylene bags and hatch cover survey (as part of hull cleanliness survey and/or condition of containers) are to be done by a reliable first class independent international surveyor appointed by the ENTITY, subject to the provision of Article X of this contract. The survey fees shall be for the account of the SUPPLIER. The scope of work of the SURVEYOR is subject to the conformity of the ENTITY.
- b. SUPPLIER shall utilize the CARGO HANDLER appointed by the ENTITY for the unloading and delivery of cargoes from the disport to the designated warehouses, for the SUPPLIER's account. The scope of work of the CARGO HANDLER is subject to the conformity of the ENTITY.

The bottom of the page contains several handwritten signatures and initials. From left to right, there is a signature that appears to be 'Delipon', followed by another signature that is less legible, and then a series of initials and a large, loopy flourish on the right side.

XII. ENTITY'S REPRESENTATIVES

ENTITY shall appoint two (2) representatives for every 25,000 MT and a fraction thereof or one (1) loadport representative to witness loading operations at the port of origin, if awarded volume is 12,500 MT and below. Expenses relative thereto such as international plane fares (round trip) inclusive of travel tax, per diem for seven (7) days, actual hotel accommodation, transportation fares to and from the hotel to the loading site shall be for the account of the SUPPLIER.

SUPPLIER should make travel arrangements to ensure that ENTITY's representatives will arrive at the designated loadport twenty-four (24) hours prior commencement of loading.

In case of ENTITY's technical representatives who will work with the appointed SURVEYOR in the pre-shipment inspection (prior the initial shipment, halfway and prior completion of shipments), SUPPLIER shall make travel arrangement for them upon receipt of award.

XIII. INSURANCE

Carrying vessel must be seaworthy, fully geared, single/tween decker suitable for the transportation, loading and unloading of bagged grains.

SUPPLIER shall undertake to cover the goods with marine risk insurance at the loading port up to ENTITY's designated warehouse at SUPPLIER's account and expense.

XIV. PRE-ADVICE NOTICE OF VESSEL

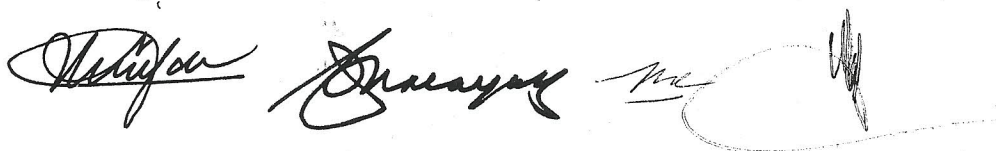
1. SUPPLIER must notify ENTITY promptly of vessel's name, and expected time of vessel arrival at loadport for monitoring purposes
2. SUPPLIER to keep ENTITY informed about vessel's position and daily loading status.
3. Immediately after completion of loading, SUPPLIER shall advise ENTITY vessel's time of departure at loadport and estimated time of arrival at disport. SUPPLIER shall likewise provide ENTITY every 72/48/24 hour-notice of ETA at disport.

XV. ADVANCE COPIES OF SHIPPING DOCUMENTS

SUPPLIER shall furnish ENTITY through telefax and/or electronic mail, advance copies of shipping documents as enumerated under Provisions X (Payment) including a copy of the Charter Party Contract or Fixture Note within two (2) calendar days from completion of loading/Bill of Lading date.

XVI. ARBITRATION

In the event of any dispute arises between the parties in regard to their rights and obligation thereunder and which cannot be settled amicably, such dispute shall be settled in Singapore, by arbitration, through the two (2) arbitrators, one of whom shall be appointed by SUPPLIER and one by ENTITY. Should the arbitrators fail to reach an agreement, then the dispute shall be referred to an Umpire, nominated and agreed by the arbitrators. The decision of the Umpire shall be final, conclusive and



binding on both parties. The arbitrators or Umpire, as the case may be, shall also stipulate three party/ies who shall bear the cost of arbitration and the proportion to be shouldered by such party/ies. The International Chamber of Commerce (ICC) Rules on Arbitration shall govern.

XVII. PRESIDENTIAL DECREE NO. 1466/FLAG WAIVER

The SUPPLIER shall take cognizance of Presidential Decree No. 1466 of the Philippines and whenever available shall utilize Philippine flag vessels in the shipment of the cargo, otherwise, SUPPLIER shall secure the necessary waiver from the Philippine Shippers' Bureau. Cost of filing waiver shall be for SUPPLIER's account or its authorized local agent in the Philippines. Loading of cargo shall not commence in the absence of the said approved waiver.

XVIII. GAFTA PROVISIONS

For all other terms and conditions which are not in contravention with the above terms and conditions, GAFTA 122 shall prevail and shall form an integral part of the contract.

XIX. DEFAULT AND PENALTIES

Penalty on shipments beyond the arrival period will be imposed as per GAFTA 122's schedule of penalty.

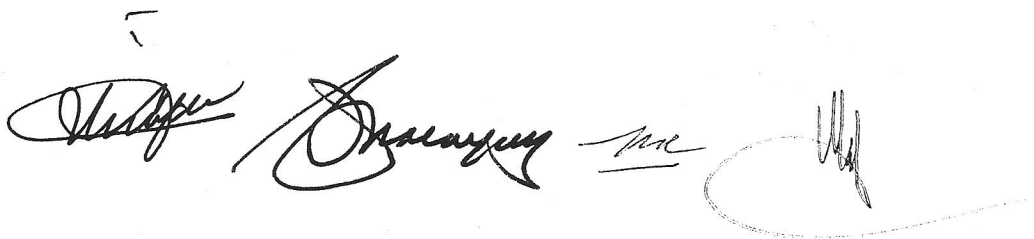
Default of all or any provision of the Contract due to war, blockade, hostilities, insurrection, mobilization, strikes, lockouts, civil commotion, riots, plague, or other epidemics, destruction by fire, flood or other acts of nature or other causes beyond the control of the SUPPLIER or ENTITY shall operate and cancel Contract to the extent of such default.

Should there be any violation of the terms and conditions of this Contract which are not covered by the preceding paragraph by the SUPPLIER or ENTITY, totally or partially, the other party not in default may, after giving formal notice by letter, facsimile declare the other party in default, and shall be automatically entitled to a penalty sum equivalent to 30% of the monetary value of the Contract, as liquidated damages.

The provision of this Article may be invoked in addition to the rights and obligations stipulated in the Performance Bond.

XX. MISCELLANEOUS

In the event of any dispute/s arising between/among/and/or the supplier/charterer/disponent owner and the headowner such as non-settlement of freight charges, and other relative costs/expenses/charges and under any inevitable circumstances, these shall not in any way affect the commencement or continuous discharging operations. Any delay in the commencement of discharge and/or disruption of unloading operations which may cause undue delay in the delivery of rice to its designated warehouse, shall be for SUPPLIER's account/expense.

The bottom of the page features several handwritten signatures and initials. From left to right, there is a large, stylized signature, followed by another large signature, and then a smaller signature with a horizontal line underneath. To the right of these is a large, faint circular stamp or mark.

XXI. TERMINATION FOR UNLAWFUL ACTS

The ENTITY may terminate this Contract in case it is determined *prima facie* that the SUPPLIER has engaged, before or during the implementation of this Contract, in unlawful deeds and behaviors relative to contract acquisition and implementation. Unlawful acts include, but are not limited to, the following:

- (a) Corrupt, fraudulent, and coercive practices as defined in Instruction to Bidders (ITB) Clause 3.1(a);
- (b) Drawing up or using forged documents;
- (c) Using adulterated materials, means or methods, or engaging in production contrary to rules of science or the trade; and
- (d) Any other act analogous to the foregoing.

Procedures for termination of Contract are stipulated in the General Conditions of the Contract (GCC) Clause No. 27.1

XXII. ASSIGNMENT OF RIGHTS

The SUPPLIER shall not assign his rights or obligations under this Contract, in whole or in part, except with the ENTITY's prior written consent.

XXIII. SPECIAL PROVISION:

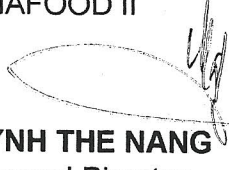
All other bidding documents submitted/issued shall be deemed and construed to form part of this Contract.

ACCEPTED

For and on behalf of the
NATIONAL FOOD AUTHORITY


ORLEAN A. CALAYAG
 Administrator

For and on behalf of
VINAFOOD II


HUYNH THE NANG
 General Director





WITNESSES



LUDOVICO J. JARINA
Deputy Administrator



Nguyễn Thọ Trí
DEPUTY GENERAL DIRECTOR

FUNDS AVAILABLE: PHP _____

CECILIA R. ROTOR
Director, Accounting Services

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

BEFORE ME, a Notary Public, for and in Quezon City, Philippines, personally appeared this _____ day of _____ 2014.

<u>NAME</u>	<u>PASSPORT No.</u>	<u>DATE</u>	<u>PLACE</u>
ORLAN A. CALAYAG	EB7457229	Feb. 22, 2013	Manila
HUYNH THE NANG	D0002925	Oct 12, 2012	Vietnam

known to me and to be known to be the same person who executed the foregoing Contract of Supply consisting of 11 pages including this page and acknowledged to me that the same is their free and voluntary act and deed as well as the corporation they respectively represent.

WITNESS MY HAND AND SEAL, on the date and place above written.

NOTARY PUBLIC
Until December 31, 2014
PTRNo.-----
Issued at-----
Issued on-----

Doc. No. :-----
Page No.:-----
Book No.:-----
Series of 2014