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Introduced by: Hon. Angelina "Helen" D.L. Tan, M.D.

**AN ACT ESTABLISHING THE COCONUT FARMERS AND INDUSTRY TRUST
FUND AND PROVIDING FOR ITS MANAGEMENT AND UTILIZATION**

EXPLANATORY NOTE

In 1971, Republic Act No. 6260 imposed the first levy on coconut farmers. The levies collected from the coconut farmers, for which they were issued receipts to be converted into shares of stock, were primarily used to establish the Coconut Investment Fund (CIF). The CIF sought to provide adequate medium and capital investment in the coconut industry. Presidential Decree No. 232 created the Philippine Coconut Authority (PCA), which took over the collection of the coco levy.

By 1973, abnormal global market fluctuations for fats and oils prompted the issuance of Presidential Decree No. 276, which established a Coconut Consumers Stabilization Fund (CCSF). The CCSF which was funded by imposing an initial levy of P15.00 per 100 kilos of copra resicada or its equivalent on every first sale, shall be utilized to subsidize the sale of coconut-based products.

By April 1974, Presidential Decree No. 414 granted the PCA additional powers such as the authority to adjust the levy imposed. It also expanded the use of the CCSF for investment, research and development, and extension of services to the coconut industry.

A few months after the issuance of PD 414, Presidential Decree No. 582 created the Coconut Industry Development Fund (CIDF). The CIDF, unlike the CCSF, is a permanent fund, thereby making the collection of the coco levy permanent as well. The CIDF shall serve to finance the establishment, operation and maintenance of a hybrid coconut seed nut farm.

By July 1975, Presidential Decree No. 755 empowered PCA to acquire the United Coconut Planters Bank (UCPB) as a permanent solution to the perennial credit problems of the coconut industry. The said issuance also mandated that all CCSF collections to the UCPB shall be made interest free.

Presidential Decree No. 961, which codified all laws pertaining to the coconut industry; provided a number of amendments to prior laws and issuances. The CCSF levy, for instance, was passed on to the end users (Le. copra exporters and oil millers) from the coconut farmers. The Presidential Decree also declared that both CCSF and CIDF shall be owned by coconut farmers in their own private capacities. By virtue of the said legislation, UCPB was granted full authority to make investments using the CIDF and CCSF surplus. Presidential Decree No. 1468 also gave UCPB the sole right to administer the Coco Levy Funds. Such mandate led to the creation of the Coconut Industry Investment Fund (CIIF).

The levy, primarily intended to insulate the local coconut industry and its consumers from global market fluctuations for fats and oils, further expanded over time by virtue of succeeding presidential decrees to provide funding for a comprehensive development program to enable the industry to compete in the international market. Such funds were then transferred to the Coconut Industry Development Fund (CIDF) and the Coconut Industry Investment Fund (CIIF). The CIIF, for instance, was used to acquire the oil mills which now comprise the CIIF - Oil Mills Group (CIIF-OMG). The CCSF, along with the CIDF and the CIIF, constitute what is now known as the Coco Levy Funds.

Substantial collections have been accumulated from the imposition of the coco levy. By 1986, the Coco Levy Funds have amounted to as much as 9.7 Billion Pesos.

Almost forty years since its establishment, the Coco Levy Funds is now estimated to be worth One Hundred Billion Pesos (Php100,000,000,000.00) in aggregate market value, comprising various assets and entities such as the CIIF-OMG, including its 14 holding companies, as well as the UCPB, United Coconut Chemicals (Cocochem), United Coconut Planters International (UCPB), United Coconut Planters Assurance Corporation (Cocolife), and the shares of stocks in San Miguel Corporation (SMC) that are owned by the CIIF-OMG Companies.

Most, if not all, of the objectives for the creation of these funds have yet to be realized. Under sequestration by the Presidential Commission on Good Government (PCGG), the ownership of the assets acquired through the use of Coco Levy Funds remains in question. As a result, neither the coconut industry nor the public benefited from the Coco Levy Funds.

With regard to the ownership issue of the Coco Levy Funds, a partial summary judgment of the Sandiganbayan on the Republic v. COCOFED, et. al. (Civil Case No. 0033-F) dated May 7, 2004, stated that:

"WHEREFORE, in view of the foregoing, we hold that:

"The Motion for Partial Summary Judgment (Re: Defendants CIIF Companies, 14 Holding Companies and Cocofed, et al.) filed by Plaintiffs hereby GRANTED. ACCORDINGLY, THE CIIF, NAMELY:

1. Southern Coconut Oil Mills (SOLCOM);
2. Cagayan de Oro Oil Co., Inc. (CAGOIL);
3. Iligan Coconut Industries, Inc. (ILICOCO);
4. San Pablo Manufacturing Corp. (SPMC);
5. Granexport Manufacturing Corp. (GRANEX); and
6. Legaspi Oil Co., Inc. (LEGOIL)

"AS WELL AS THE 14 HOLDING COMPANIES, NAMELY:

1. Soriano Shares, Inc.;
2. ACS Investors, Inc.;
3. Roxas Shares, Inc.;
4. Arc Investors, Inc.;
5. Toda Holdings, Inc.;
6. AP Holdings, Inc.;
7. Fernandez Holdings, Inc.;
8. SMC Officers Corps, Inc.;
9. Te Deum Resources, Inc.;
10. Anglo Ventures, Inc.;
11. Randy Allied Ventures, Inc.;
12. Rock Steel Resources, Inc.;
13. Valhalla Properties Ltd., Inc.; and
14. First Meridian Development, Inc.

"AND THE CIIF BLOCK OF SAN MIGUEL CORPORATION (SMC) SHARES OF STOCK TOTALING 33,133,266 SHARES AS OF 1983 TOGETHER WITH ALL DIVIDENDS DECLARED, PAID AND ISSUED THEREON AS WELL AS ANY INCREMENTS THERETO ARISING FROM, BUT NOT LIMITED TO, EXERCISE OF PRE-EMPTIVE RIGHTS ARE DECLARED OWNED BY THE GOVERNMENT IN TRUST FOR ALL THE COCONUT FARMERS AND ORDERED RECONVEYED TO THE GOVERNMENT.

"The aforementioned Partial Summary Judgment is now deemed a separate appealable judgment which finally disposes of the ownership of the CIIF Block of SMC Shares, without prejudice to the continuation of proceedings with respect to the remaining claims particularly those pertaining to the Cojuangco, et al. block of SMC shares."

Furthermore, a Supreme Court decision on Republic v. COCOFED-et. al. provides that:

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