

[LETTER OF INSTRUCTIONS NO. 926, September 03, 1979]

TO: Central Bank of the Philippines
Board of Investments
Bureau of Customs
Philippine Coconut Authority
Philippine National Bank
Development Bank of the Philippines
National Investment & Development Corporation
Other Government Agencies/Instrumentalities
and Government-Owned/Controlled Financial
Institutions Concerned

Subject: Rationalization of the Coconut Oil Milling Industry.

WHEREAS, it is the declared policy of the State to promote the rapid integrated development and growth of the coconut and other palm oils industry in all its aspects and to ensure that the coconut farmers become direct participants in, and beneficiaries of, such growth and development;

WHEREAS, the coconut industry is one of the major earners of foreign exchange for the country and, therefore, its continued survival, growth and development is vital to the national economy;

WHEREAS, a major sector of the coconut industry, the coconut oil milling industry, is presently in a state of financial distress brought about, among others, by:

- a) The overcapacity of the existing coconut oil mills;
- b) The cutthroat competition for copra;
- c) The inefficient and uneconomic flow of copra supply from island to island without regard to the respective locations of the coconut oil mills;
- d) The resultant poor competitive position of Philippine copra, coconut oil and their byproducts in the international market for fats and oils;

WHEREAS, the state of financial distress of the coconut oil milling industry is of such serious nature that most, if not all, of the persons or entities engaged in the business of coconut oil milling will be rendered insolvent to the ultimate prejudice of the coconut farmers, in particular, and of the country, as a whole;

WHEREAS, extensive studies indicate that the most feasible and practicable solution to the problems confronting the coconut oil milling industry is for the coconut farmers and the oil millers to pool their resources and coordinate their copra selling and buying, oil milling and marketing efforts, and thereby realize optimum benefits resulting from economics of scale;

WHEREAS, the appropriate vehicle to implement such a cooperative endeavor is a private domestic corporation jointly owned or controlled by the coconut farmers and the oil millers;

WHEREAS, the coconut farmers, through the Philippine Coconut Producers

Federation (COCOFED), and entities owning/controlling a substantial portion of the country's entire copra milling capacity have signified their willingness and determination to join in such cooperative endeavor, with a private domestic corporation as the vehicle therefor;

WHEREAS, it is to the national interest that the Government provide concrete assistance and support to the cooperative endeavor;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President/Prime Minister of the Philippines, by virtue of the powers vested in me by the Constitution and by law, do hereby declare, direct and order that:

SECTION 1. Declaration of National Policy - It is hereby declared to be the policy of the State to rationalized the coconut oil milling industry and insure its survival, viability and stability and thereby assure the consuming countries of an adequate and continuous supply, at fair and reasonable prices, of copra, coconut oil and their by-products; that this policy can be expeditiously and efficiently realized by the pooling of the resources and the coordination of the copra buying and selling, oil milling and marketing efforts of both the coconut farmers and the oil millers in order that the optimum benefits resulting from economies of scale may be realized; and that the most appropriate vehicle for such pooling and coordination is a joint venture company between the coconut farmers and the oil millers.

SECTION 2. Organization of the Cooperative Endeavor - The bank acquired for the benefit of the coconut farmers pursuant to the provisions of P.D. 755 in its capacity as the investment arm of the coconut farmers thru the Coconut Industry Investment Fund (CIIF) created by P.D. 1468, is hereby directed to invest, on behalf of the coconut farmers, such portion of the CIIF as may be necessary in a private corporation which shall serve as the instrument to pool and coordinate the resources of the coconut farmers and the oil millers in the buying, milling and marketing of copra and its by-products under the following guidelines:

- a) The coconut farmers shall own or control at least fifty percent (50%) of the outstanding voting capital stock of the private corporation thru the CIIF and/or corporations owned or controlled by the coconut farmers thru the CIIF;
- b) The private corporation authorized to be organized and the bank acquired for the benefit of the coconut farmers shall determine which of the domestic coconut mills are in a position to better promote and successfully pursue the objectives of the cooperative endeavor ("Participating Mills") and shall enter into appropriate contracts with such domestic coconut mills for their participation either as an operating mill and/or affiliate or subsidiary under such terms and conditions as said corporation and bank may deem beneficial and necessary to carry out the intent and purpose of the contemplated cooperative endeavor; and
- c) The private corporation authorized to be organized and the Participating Mills shall be entitled to Government support and assistance upon certification by the bank acquired for the benefit of the coconut farmers that the said private corporation owns or controls, either directly or indirectly, or under such contractual