

FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

2010

SENATE

S.B. No. 2051

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Introduced by Senator EDGARDO J. ANGARA

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### EXPLANATORY NOTE

The coconut industry is the country's oldest and most strategic industry contributing 1.14% of the total Gross Domestic Product amounting to US\$ 760 million. The Philippines is a world leader in coconut exports dominating 59% of the global market.

Statistics from Philippine Coconut Authority (PCA) indicated that area planted with coconut covers 3.258 M hectares equivalent to 27% of total agricultural land. Sixty-eight (68) out of seventy-nine (79) provinces are considered coconut areas, representing 1,195 coconut municipalities.

Moreover, coconut products are still the number one agricultural export earner of our country. More than twenty million Filipinos all over the country depend on the planting and harvesting of coconuts for their living. Due to the recent glut of palm oil in the world market and typhoons that hit the country last year, our coconut farmers are in desperate straits.

As of October 2008, coconut oil prices fell to new record low within the last two (2) years. According to PCA, coconut oil and copra prices were greatly affected by the overall weak tone in vegetable oils, lingering uncertainties in global financial markets, steep decline in crude mineral oil prices, and lower Asian vegetable oils markets.

In Southern Tagalog, copra prices went down from Php 28.25 per kg in 2007 to Php 24.75 per kg in 2008. This rapid and steep decline in prices is worse in the Visayas and Mindanao regions, averaging more than Php 7.00 of decline within a year. Given this stark situation, farmers are no longer harvesting coconuts. More farmers cut trees and sell them as lumber, instead of harvesting the coconut. If this low copra selling price and production continues, the coconut industry will collapse.

This calamity requires emergency action, in order to provide immediate and long-term relief to coconut farmers suffering from the effects of abnormally low prices of copra and other coconut products. Thus, this bill seeks to create a corporate body known as the Philippine Coconut Industry Development Authority (PHILCIDA) in order to promote rapid, steady and continuous integrated development and growth of the coconut industry. In the end view of ensuring that the coconut farmers, farm workers, processors, lessees and

tillers, and their families, shall become direct participants in, and beneficiaries of such development and growth thereby increasing their income and uplifting their quality of life.

Approval of this bill is earnestly sought.

  
**EDGARDO J. ANGARA**

10 27 2010

SENATE

S.B. No. 2051

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Introduced by Senator EDGARDO J. ANGARA

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AN ACT  
REVITALIZING THE COCONUT INDUSTRY, APPROPRIATING  
FUNDS THEREFOR AND FOR OTHER PURPOSES

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

ARTICLE I

GENERAL PROVISIONS

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4 SECTION 1. *Short Title.* - This Act shall be known as "*The Coconut Industry*  
5 *Development Act of 2010*".

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7 SEC. 2. *Statement of Policy.* - It is the policy of the State to recognize the  
8 essential role of coconut as a strategic, indigenous, replenishable and renewable source of  
9 livelihood for a great number of people.

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11 Towards this end, the State shall promote the rapid, steady and continuous  
12 integrated development and growth of the coconut industry in all its aspects and ensure  
13 that the coconut farmers, farm workers, processors, lessees and tillers, and their families,  
14 shall become direct participants in, and beneficiaries of, such: development and growth  
15 thereby increasing their income and uplifting their quality of life.

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17 SEC. 3. *Goals and Objectives.* - Pursuant to the above-mentioned policy, the  
18 effort of government shall be directed towards the following goals and objectives:

19 a) Promote the steady, accelerated and orderly development of the coconut  
20 industry consistent with the agrarian reform policy of the government;

21 b) Develop and establish the coconut based farming systems including but not  
22 limited to the establishment of model coconut farms;

23 c) Hasten and advance industrialization in the coconut industry and the  
24 diversification and proper utilization of coconut products and by-products;

1 d) Promote the effective utilization and marketing of coconut products and by-  
2 products in the domestic and foreign markets and preserve the competitiveness and  
3 reliability of the country as a major producer and supplier of said products, by  
4 establishing national standards acceptable in the international market

5 e) To increase production by expanding the planting and replanting program of  
6 coconut trees in strategic areas identified as having the most potential;

7 f) Conduct scientific researches and investigations in all areas pertaining to  
8 agricultural, industrial, marketing and socio-economic aspect of the coconut industry and  
9 encourage the participation of small farm holders in research and technology;

10 g) Encourage and promote the organization of coconut farmers cooperatives,  
11 associations, and organizations and provide them credit and financing schemes;

12 h) Generate and disseminate information and communication to farmers,  
13 producers and other sectors to ensure the appreciation and adoption of appropriate  
14 technology and practices, inventions, as well as the proper awareness and correct  
15 understanding of issues and development in the coconut industry; and

16 i) Coordinate and integrate all efforts of various agencies of government and  
17 provide general direction for the steady and orderly development of the industry.

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19 **ARTICLE II**

20 **PHILIPPINE COCONUT INDUSTRY DEVELOPMENT**

21 **AUTHORITY**

22  
23 **SEC. 4. *Philippine Coconut Industry Development Authority.*** - To implement  
24 the policy and objectives of this Act, there is hereby created and established a corporate  
25 body known as the Philippine Coconut Industry Development Authority (PHILCIDA),  
26 hereinafter referred to as the Authority.

27  
28 **SEC. 5. *Powers and Functions.*** - The Authority shall exercise the following  
29 powers and functions:

30 a) Formulate and adopt a general program of development geared towards  
31 increased farm productivity, through planting or replanting of suitable seedling varieties,  
32 rehabilitation and fertilization of coconut, integrated coconut-based farming systems and  
33 product processing, and whenever necessary, the construction of related support and  
34 infrastructure facilities. For this purpose, the Authority shall adopt a special program to  
35 maximize the yield of small coconut farmers and their farm families particularly those  
36 farms covered by the agrarian reform program of the government;

37 b) Undertake scientific researches and investigations on crop and varietal  
38 improvement, pests and diseases, agronomy and mineral nutrition, coconut wood

1 utilization, virology and biochemistry and epidemiology of cadang-cadang, and such  
2 other similar studies on varietal and crop improvement of general or local suitability;

3 c) Undertake scientific researches and investigations on food, nonfood products  
4 and by-products including bio-diesel, directly or in collaboration with other public  
5 agencies or the private sector;

6 d) Establish, maintain and operate such number of research centers and  
7 experiment stations, including laboratories, seed gardens, nurseries, pilot farms and  
8 industrial facilities as may be necessary to undertake extensive research in coconut pests  
9 and diseases, improvement of copra, manufacture of coconut products and by-products  
10 and the greater utilization of the coconut for traditional and non-traditional uses;

11 e) Purchase or fabricate such machineries, material, equipment and supplies as  
12 may be necessary to execute successfully such researches, investigations and  
13 experimental work as provided under this Act on its own or in partnership with other  
14 agencies;

15 f) Conduct intensive studies and data research, establish and maintain a database  
16 of primary, accurate and reliable information on coconut culture, production, pricing  
17 capacity, marketing, inventories as well as scientific thesis and treaties in coordination  
18 with other government offices, the private sector and international agencies and bodies;

19 g) Promote the utilization and integration of in-house developed technologies;

20 h) Construct, invest, establish and operate integrated coconut centrals, processing  
21 plants and integrated processing mills and other support facilities in aid of its research  
22 and development function;

23 i) Create subsidiaries or enter into partnerships or joint ventures with any public  
24 or private foreign or local entity, natural or juridical, and acquire, own or hold shares of  
25 stock or interest therein for the purpose of fully utilizing the commercial value of pioneer  
26 and new technology generated in the industry, or of financing the manufacture, on  
27 commercial scale, of coconut trees: Provided, That such subsidiary, partnership, joint  
28 venture, which the Authority is authorized to create, shall be governed by the provisions  
29 of general laws applicable to corporations and such entities: Provided, further, That after  
30 such partnership, subsidiary, or joint venture with private Filipino citizens or entities  
31 authorized to be created shall have become fully viable for commercial operation, and the  
32 Authority has recovered its investments or contributions the Authority shall immediately  
33 divest itself of its interest over the partnership, subsidiary, or joint venture in favor of any  
34 private person or entity. For purposes of this paragraph, the Authority shall make studies  
35 and investigations of the enterprises and projects for which the loans, contributions and  
36 subscriptions to the capital of the enterprise or investments mentioned are needed, and  
37 determine the advisability of financing the same;

1           j) Promote, encourage and help coconut planters, farmers, processors and workers  
2 organize themselves into associations and cooperatives to give them greater control in the  
3 marketing of their products and to help them obtain more credit facilities to register and  
4 accredit such associations and cooperatives for purposes of participation in the  
5 developmental programs of the Authority: Provided, That the Authority shall not directly  
6 or indirectly influence the farmers in the exercise of their choice or selection of  
7 candidates or leaders in the organizations;

8           k) Render training, extension service programs and disseminate information to  
9 coconut farmers, farm workers and processors relative to production technology,,  
10 marketing systems and other technical skills and values, attitude formation and socio-  
11 economic development strategies;

12           l) Expand and develop the domestic and foreign market for coconut products, and  
13 by-products;

14           m) Regulate the marketing and the exportation of coconut products and by-  
15 products to conform with quality or food standards recognized by both the domestic and  
16 international market;

17           n) Take samplings and conduct examination of any copra product to measure and  
18 determine its moisture content as required in the trade; conduct laboratory analysis to  
19 determine the chemical characteristics of coconut products and by-products including the  
20 presence of toxin and other contaminations and issue the necessary commodity clearance  
21 and export permit: Provided, That the Authority may withhold the issuance of such  
22 clearance or permit, or suspend or cancel any clearance or permit already issued in case  
23 of violation by the holder of any provision of this Act or rules and regulations duly  
24 promulgated by the Authority;

25           o) Require exporters, traders, millers, refiners, desiccators, oleo- chemical  
26 processor, other manufacturers and end-users of coconut products and by-products to  
27 submit periodic reports of production, receipts of deliveries or purchases or both, sales,  
28 inventory, contracts and such other data the Authority may deem necessary to properly  
29 and effectively promote the development of the industry. All information given to the  
30 Authority by the individual firms shall be confidential in nature and could not be used  
31 against them;

32           p) Undertake, initiate or participate in trade missions to obtain better preferential  
33 trading arrangements with importing countries, and enter or otherwise participate in  
34 behalf of the coconut trading industry in all agreements, arrangements, missions or  
35 conventions with any foreign government or entity with respect to trading relations,  
36 market quotas, tariff and non-tariff barriers and such other matters affecting the export of  
37 coconut products and by-products;

1 q) Provide, in coordination with the private sector, a system of accreditation of  
2 association of traders, millers, desiccators, farmers, exporters and end-users of coconut  
3 products;

4 r) To assist coconut farmers, organizations in marketing their products locally or  
5 abroad when the need arises;

6 s) Assist coconut farmers organizations in establishing farmer- owned bonded  
7 warehouses and processing facilities;

8 t) Impose and collect all fees, charges, assessments and imposts including  
9 interests and surcharges authorized under this Act or its implementing rules and  
10 regulations and disburse funds generated by the Authority from its operations to carry out  
11 its functions;

12 u) Grant or accept and receive donations of any kind for any purpose not  
13 inconsistent with the purposes of this Act;

14 v) Enter into, make and execute contracts of any kind as may be necessary or  
15 incidental to the attainment of its purposes;

16 w) Promulgate Its own rules for investigation and procedure to investigate  
17 complaints involving violations of this Act or any rules and regulations issued pursuant  
18 thereto, or any such other laws, rules and orders affecting the coconut industry; attribute  
19 or settle conflicting claims or render the appropriate decision or award including the  
20 imposition and administrative penalty of suspension of license, registration, permit or  
21 clearance issued in accordance with this Act;

22 x) Order the closure of any mill, refinery, processing firm, copra warehouse or  
23 any place or building where coconut products are stored or to intercept and seize any  
24 vehicle or ship or vessel carrying or transporting coconut products where there is  
25 reasonable ground to believe that the owner, possessor or person or persons in control of  
26 such place, building, vehicles, ship or vessel, of such products have violated the  
27 provisions of this Act or any rules and regulations promulgated thereto in a manner that is  
28 prejudicial and detrimental to the coconut industry, or the consuming public;

29 y) Develop and recommend measures and methodology quarantine for coconut  
30 products and by-products and to impose such restrictions in the transport movement or  
31 handling of the same in accordance with such standards and quarantine procedure  
32 determined by the Authority;

33 z) Call upon or deputize any official or law enforcement agency of the  
34 government as may be necessary to assist the Authority in carrying out and enforcing its  
35 functions under this Act;

36 aa) Obtain loans and grants from local and foreign sources to finance or support  
37 the operations of the Authority under this Act;

1           bb) Issue *subpoena* or *subpoena duces tecum* to summon witnesses to appear in  
2 any investigation or hearing conducted by it; and

3           cc) Exercise all powers and functions necessary or incidental to attain the national  
4 policy and objectives under this Act.

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6                                       **ARTICLE I11**

7                           **BOARD OF DIRECTORS AND OTHER PERSONNEL**

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9           **SEC. 6. *Board of Directors.*** - The corporate powers and duties of the Authority  
10 shall be vested and exercised by a Board of Directors, hereinafter referred to as the  
11 Board, composed of eleven (11) members to be appointed by the President, five (5) of  
12 whom shall represent the coconut farmer sector, the trading and processing sector and the  
13 science and research sector. The chairman shall be designated by the President from  
14 among the members appointed.

15  
16           **SEC. 7. *Tenure.*** - The members of the Board shall hold office for a term of six (6)  
17 years or until their successors shall have been appointed and qualified or unless sooner  
18 removed for cause. The first members of the Board to be appointed under this Act shall  
19 hold office as follows: Three (3) members for two years, Four (4) members for four years  
20 and Four (4) members, inclusive of the chairman, for six years. Appointment to vacant  
21 positions shall only be for the unexpired term of the predecessor.

22  
23           **SEC. 8. *Powers and Functions.*** - The Board shall exercise the following powers  
24 and functions:

25           a) Formulate and adopt a national government plan for the coconut industry and  
26 promulgate the necessary rules and regulations, policies and measures in support of the  
27 plan;

28           b) Prescribe the organization of the Authority and fix the compensation of all its  
29 personnel in accordance with law and determine and grant such allowances and  
30 incentives as it may deem proper with the rates to be approved by the Department of  
31 Budget and Management;

32           c) Reorganize the Authority when there is a need to institute reforms in the  
33 organizational structure to effect economy and promote efficiency. For this purpose, the  
34 Board may group, coordinate, consolidate or integrate positions and create, classify, split  
35 and abolish positions;

36           d) Adopt, promulgate or amend, revise, modify or repeal rules and regulations  
37 necessary to implement the provisions of this Act;



1 e) Appoint the administrator and deputy administrators and other officers upon  
2 the recommendation of the chairman and chief executive officer;

3 f) Approve the annual budget and such supplemental budgets of the Authority;

4 g) Review, revise, modify, increase or decrease the fees and assessment  
5 authorized to be collected in this Act as market condition may warrant taking into  
6 account public interest, cost of services and the prices of coconut products and by-  
7 products; and

8 h) Perform such other duties as may be assigned to it by the President of the  
9 Philippines.

10  
11 SEC. 9. *Quorum and Meeting.* - The Board shall meet as often as the exigency of  
12 the service may demand. The presence of at least six (6) members shall constitute a  
13 quorum and the vote of a majority of the members present constituting a quorum shall be  
14 necessary for the adoption of any rule, resolution, decision or any other act of the Board.

15  
16 SEC. 10. *Compensation.* - The members of the Board may receive per diems for  
17 every meeting actually attended at such amount to be fixed by the Board but not to  
18 exceed Two Thousand Pesos (P2,000.00) per board meeting: Provided, That it shall not  
19 exceed four (4) board meetings during any month for each member.

20  
21 SEC. 11. *Officers and Personnel.* - The chairman of the Board, who shall have  
22 the rank and privileges of a department secretary, shall be the head and chief executive  
23 officer of the Authority. Upon his recommendation, the Board shall appoint an  
24 administrator of the Authority who shall be the chief operating officer, with the rank and  
25 privileges of a department undersecretary. The administrator shall have the responsibility  
26 of managing the day-today affairs and operations of the Authority subject to the  
27 supervision and control of the chief executive officer and in accordance with the policies  
28 established by the Board.

29 There shall be such sufficient number of deputy administrators as the Board may  
30 prescribe to assist the administrator who shall be appointed or removed for cause by the  
31 Board. The administrator and the deputy administrator may be delegated with such  
32 powers and duties as the chairman and chief executive officer may prescribe from time to  
33 time.

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35 SEC. 12. *Application of the Civil Service Law.* - All officers and employees of  
36 the Authority shall be subject to the civil service laws, rules and regulations, and all  
37 selection and appointments shall be based on merit and fitness.

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**ARTICLE IV**  
**MANAGEMENT AND OPERATIONS**

SEC. 13. *Management.* - The management of the corporate affairs of the Authority shall be the responsibility of the chief executive officer with the assistance of the administrator, deputy administrator and such other officers as may be determined by the Board.

SEC. 14. *Duties of the Chief Executive Officer.* - The chief executive officer shall exercise the following duties and responsibilities:

a) Initiate and develop corporate policies, programs and objectives for approval of the Board;

b) Establish general administrative and operating policies;

c) Appoint all other non-officer employees of the Authority;

d) Execute for and in behalf of the Authority contracts, obligations and agreements which are required to be approved by the Board;

e) Appoint technical consultants;

f) Discipline officers and employees in accordance with civil service laws, rules and regulations;

g) Submit the internal organizational structure of the Authority, financial statements and other reports as may be required by the Board;

h) Delegate or assign any of the foregoing powers and duties except the power to appoint any official in the hierarchy of authority and always subject to his supervision and control; and

i) Exercise such other powers and duties as may be delegated by the Board.

SEC. 15. *Corporate Planning Office.* - To assist the chief executive officer in the formulation of general plans and programs, promulgation of policies, the monitoring and evaluation of industry and corporate activities, there shall be a Corporate Planning Office which shall serve as the technical arm under the office of the chairman, having the status of a branch which shall be headed by an executive director with a rank of a deputy administrator. The executive director shall be co-terminous with the chairman and with three (3) permanent managers performing the functions of plans and programs development, policy research and analysis, and monitoring and evaluation.

SEC. 16. *Duties of the Chief Operating Officer.* - The chief operating officer shall exercise the following duties and responsibilities:

1 a) Ensure that the administrative and operating policies are carried out under the  
2 direction and control of the chairman and chief executive officer;

3 b) Prepare and submit to the chief executive officer, within sixty (60) days before  
4 the beginning of each calendar year, an annual operational budget of the Authority; and

5 c) Monitor operational problems, adopt remedial measures and submit policy  
6 proposals to improve the day-to-day affairs and operations of the Authority.

7  
8 **SEC. 17. *Branch Offices.*** - The Authority shall have the following branches:

9 a) *Agricultural Research and Development Branch* for the execution and  
10 implementation of policies, plans and programs relating to advancement in  
11 industrialization and development;

12 b) *Industrial Research and Development Branch* for the execution and  
13 implementation of policies, plans and programs relating to advancement in  
14 industrialization and development for the coconut products and byproducts, particularly  
15 on food, oleo-chemicals, fuels and lubricants;

16 c) *Market Research and Development Branch* for the formulation and  
17 implementation of policies, plans and programs relating to domestic and international  
18 markets development affecting the coconut industry including the enforcement of market  
19 rules and regulations formulated by the Authority;

20 d) *Field Operations Branch* for execution and implementation of policies, plans  
21 and programs relating to production, marketing and processing activities;

22 e) *Administration and Finance Branch* for developing and maintaining the  
23 delivery of all necessary administrative, financial and manpower support for the whole  
24 operations of the Authority; and

25 f) *Development Information and Communication Branch* for the execution and  
26 implementation of policies, plans and programs relating to development, information and  
27 communication as well as other socioeconomic research and development.

28 Every branch shall be headed by a deputy administrator or such qualified acting  
29 or officer in charge as may be designated by the chief executive officer.

30  
31 **SEC. 18. *Regional Offices.*** - The Authority shall establish and organize regional  
32 offices in accordance with the political and administrative regions in the country and such  
33 number of provincial or district offices, or both, that will assist the Authority in the full  
34 implementation of this Act.

35  
36 **SEC. 19. *Departments, Divisions and Units.*** - There shall be, under the office of  
37 the chairman and chief executive officer, an administrator and deputy administrators of  
38 specialized departments, divisions, units or offices as may be necessary to provide the

1 needed administrative, technical and specialized services, as may be deemed proper and  
2 expedient by the Board, which shall be headed by a person with the required  
3 specialization or expertise.

4  
5 **ARTICLE V**  
6 **SOURCES OF FUNDING**  
7

8 **SEC. 20. *Coconut Development Fund.*** - There is hereby established a National  
9 Coconut Development Fund, herein referred to as the "Coconut Fund," to be  
10 administered by the Authority for the purpose of financing the growth and development  
11 of the coconut industry, including human resource development, training of farmers and  
12 other related activities. As initial capitalization, the sum of One Billion Pesos  
13 (P1,000,000,000.00) is hereby appropriated to be made available within one (1) year from  
14 the approval of this Act.

15 Thereafter, a continuing appropriation is hereby authorized to be appropriated in  
16 the amount of not less than One Billion Pesos of the total industry export performance of  
17 the immediately preceding year as reported by the Bangko Sentral ng Pilipinas and to be  
18 deposited in a trust account with an authorized government bank as may be determined  
19 by the Authority. The amount shall be released annually by the said bank to the Authority  
20 upon presentation of its approved budget and programs.

21  
22 **SEC. 21. *Special Corporate Support Fund.*** - The Authority shall have a Special  
23 Corporate Support Fund for its administrative operating expenses to be funded from the  
24 following sources:

25 a) An assessment of twelve centavos (P0.12) per kilogram of copra or husked  
26 nuts, or their equivalent in other coconut products, delivered to and purchased by traders,  
27 exporters, millers, desiccators and other end-users of coconut products: Provided, That  
28 such assessment shall be collected by the Authority and deposited with any government  
29 depository bank which shall be used exclusively for the operational, supplemental or  
30 special budget duly approved by the Board: Provided, further, That no portion of the fund  
31 nor any unexpended balance thereof, including its earnings, shall be transferred to the  
32 general or any special funds of the government, but shall remain as corporate funds to be  
33 used in accordance with the authorized purposes; and

34 b) The proceeds of regulatory and service fees or charges as may be determined  
35 and imposed by the Board in the implementation of the provisions of this Act to cover  
36 reasonable costs of service in the issuance of licenses, certificates, export permits prior  
37 commodity clearances including other incomes to be withdrawn in accordance with the  
38 immediately preceding paragraph. Such regulatory and service fees or charges shall be

1 exempted from the provisions of Presidential Decree No. 1234, entitled "Instituting A  
2 Procedure For The Management Of Special And Fiduciary Funds Earmarked Or  
3 Administered By Departments, Bureaus, Offices And Agencies of the National  
4 Government, Including Government-Owned Or Controlled Corporations".

5  
6       **SEC. 22. *Other Sources of Funding.*** - In the event the funds as provided in  
7 Sections 20 and 21 of this Act become insufficient, an amount not less than the initial  
8 appropriation mentioned in Section 20 hereof shall be appropriated from the following  
9 sources:

10       a) The proceeds of the value-added tax imposed on all coconut products and by-  
11 products, except copra, copra cake and meal which are hereby exempted from payment of  
12 value added tax and on the services of coconut oil mills, desiccated coconut factories and  
13 other processors of coconut products shall be collected by the Bureau of Internal Revenue  
14 under Executive Order No. 273, entitled "*Adopting A Value-Added Tax, Amending For*  
15 *this Purpose Certain Provisions Of The National Internal Revenue Code, And For Other*  
16 *Purposes,*" Provided, That such proceeds of the value added tax shall be deposited with  
17 the Treasurer of the Philippines within the first ten (10) days of each quarter and shall be  
18 automatically appropriated to finance the programs and projects of the Authority;

19       b) The proceeds of the basic export and premium duties under Section 514  
20 (Export Products Subject To Duty and Rates) of the Tariff and Customs Code levied on  
21 copra, coconut oil, copra meal or cake and desiccated coconut exports, should the  
22 President of the Philippines reimpose such duties under and by virtue of the flexible  
23 clause provision of Section 515 of such 'Code: Provided, That such proceeds shall be  
24 collected by the Bureau of Customs and deposited with the Treasurer of the Philippines  
25 within the first ten (10) days of each quarter and shall be automatically appropriated and  
26 released to finance socio-economic and developmental programs and projects of the  
27 Authority;

28       c) The proceeds of loans which the Authority may obtain from financial  
29 institutions: Provided, That should the total outstanding proceeds shall at any one time  
30 exceed One Billion Pesos (P1,000,000,000.00), the transaction shall be subject to the  
31 approval of the President; and

32       d) The proceeds from sale of bonds and other certificates of indebtedness issued  
33 by the Authority and duly approved by the Monetary Board, in an amount exceeding One  
34 Hundred Million Pesos (P100,000,000.00) at any one time: Provided, That the bonds and  
35 other certificates of indebtedness to be issued under this Act shall be exempt from  
36 taxation: Provided, further, That proceeds of the bonds and other certificates of  
37 indebtedness herein mentioned shall be used to finance socioeconomic and

1 developmental programs and projects of the Authority as the President of the Philippines  
2 may approve.

3  
4 **ARTICLE VI**  
5 **REGISTRATION, LICENSE, PERMITS**  
6

7 **SEC. 23. *Application for Registration.*** - Any person directly or indirectly  
8 engaged in the business involving coconut products or by-products shall apply for  
9 registration with the Authority. For purposes of this Act, such person shall include:

10 a) Traders;

11 b) Processors;

12 c) Refiners;

13 d) Marine surveyors;

14 e) Trade intermediaries or brokers;

15 f) Laboratories dealing with the examination or analysis of coconut; either whole  
16 or husked; copra and coconut oil such as, but not limited to, paring oil, Cochin oil, acid  
17 oil, glycerine methyl ester, fatty alcohol, copra or paring meal; other coconut products;  
18 and

19 g) Coconut lumber processors, sawmills and dealers.  
20

21 **SEC. 24. *License to Operate.*** - Upon approval of application for registration, the  
22 Authority shall issue the corresponding license to operate under such rules and'  
23 regulations promulgated for the purpose. The application for registration and license shall  
24 be mandatory for both the principal and his agents in the case of natural persons, and the  
25 central or main offices and their branches or subsidiaries in the case of juridical persons.  
26

27 **SEC. 25. *Limitation.*** - The license to operate shall be valid only for the business,  
28 activity or function registered. Any additional business covered by this Act not included  
29 in the registration shall be subject to a separate application in which the Authority may  
30 issue a new or amended license to operate.  
31

32 **SEC.26. *Denial of Registration and License.*** - The Authority may refuse any  
33 application for registration and issuance of license, or renewal thereof, if the applicant  
34 has been found by the Authority, after inquiry or investigation, to have committed an act  
35 or acts violative of the rules and regulations administered by the Authority.  
36

37 **ARTICLE VII**  
38 **COMMODITY SUPERVISION**

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2           **SEC. 27. *Application for Export Clearance.*** – Notwithstanding any provision of  
3 law to the contrary, all exporters of copra, coconut oil, desiccated coconut, copra cake or  
4 meal, and other coconut products and by- products shall file with the Authority, not later  
5 than ten (10) days prior to the date of loading, an application for export clearance  
6 specifying the following:

- 7
- 8           a) Name of exporter;
  - 9           b) *Commodity*;
  - 10          c) Volume;
  - 11          d) Value;
  - 12          e) Name and address of consignee;
  - 13          f) Authorized agent bank report of foreign sale reference number for the report of  
14 *foreign sales*;
  - 15          g) Date of sale;
  - 16          h) Period of shipment;
  - 17          i) Port of loading;
  - 18          j) Name of vessel; and
  - 19          k) *Destination and port of discharge.*
- 20

21           **SEC. 28. *Issuance of Export Clearance.*** - The export clearance shall be issued by  
22 the Authority upon satisfaction of the following:

- 23           a) The export price must not be less than ninety-five percent (95%) of the  
24 prevailing market quotation or *Bangko Sentral ng Pilipinas* guiding rate as determined by  
25 the Authority; and
  - 26           b) The exporter has complied with the regulations governing the products for  
27 export, including the payment of administrative fees and assessment.
- 28

29           **SEC. 29. *Commodity Clearance.*** - Before shipment of coconut products covered  
30 under Section 27 of this Act, the exporter shall obtain a commodity clearance from the  
31 Authority showing the following:

- 32           a) An export clearance for the product issued to the exporter;
- 33           b) Inspection and sampling of the products by the inspector or surveyor appointed  
34 or designated by the Authority;
- 35           c) Laboratory analysis of the samples attesting that the product is an exportable  
36 quality, which analysis shall be valid only for one (1) month from the date it is reported  
37 by the laboratory services of the Authority; and
- 38           d) Payment to the Authority of all fees related to the exportation of the products.





1 documentary stamp tax, resident taxes, tax on banks and insurance companies and  
2 municipal and city taxes, but shall be liable for the payment of income tax at the  
3 full rate provided for under existing laws on the amount allocated for interest on  
4 capital, fixed and percentage taxes at the full rate provided for under existing laws  
5 on gross sales to non-members; and all other taxes provided for under existing  
6 laws;

7 2. Agro-industrial coconut cooperatives may deposit their sealed cash  
8 boxes, documents and valuable papers in the safes of city or municipal treasure  
9 and other government offices free of charge and the depository of said articles  
10 shall issue a receipt therefore; and

11 3. Agro-industrial cooperatives shall be represented in courts by provincial  
12 or city fiscal or the government corporate counsel or his representative in any case  
13 where they are a party either as a plaintiff or defendant, except when the  
14 government is one of the parties;

15 c) Exemption from all assessments, levies, taxes and fees of whatever nature  
16 arising from the sale or transfer to the Authority of coconut seednut for the planting or  
17 replanting program under Presidential Decree No. 1468, entitled "*Revising Presidential*  
18 *Decree Numbered Nine Hundred Sixty One*"

19 d) The deductibility as business expense for income tax purpose of contributions,  
20 donations made by members of the coconut industry to coconut farmers cooperatives or  
21 associations duly accredited by the Authority;

22 e) Exemption from payment of sales tax, special fund impost to diesel, specific  
23 tax applied to diesel fuel, manufacturer's tax on coconut oil to be used as engine fuel,  
24 either in its pure state or as blending component for diesel fuel under Section 1 of  
25 Executive Order No. 827, entitled "*Exempting Coconut Oil From The Coconut Levy And*  
26 *Sales Tax As Well As From The Special Fund Impost To Diesel,*" including the  
27 recognition as exports of all sales of coconut oil to the Philippine National Oil Company  
28 under the coco diesel program and for purposes of the grant of export credits and other  
29 privileges per Executive Order No. 846, entitled "*Amending Executive Order No. 827*"  
30 and Letter of Instructions No. 1332 to the Bangko Sentral ng Pilipinas, Philippine  
31 National Oil Company and Philippine Coconut Authority and other agencies concerned  
32 to ensure the

33 f) success of the coco-diesel program of the government;

34 g) Exemption from any and all assessable taxes, including income tax, duties,  
35 levies, imposts and other similar charges as well as ad valorem duty imposed by  
36 Executive Order No. 860, entitled "*Imposing An Additional Duty Of Three Percent (3%)*  
37 *Ad Valorem On All Imports,*" on the purchase abroad and importation into the Philippines  
38 by coco-chemical enterprises duly registered with the Board of Investment and the

1 Authority and the sale by foreign suppliers or contractors of all required, necessary and  
2 useful machinery, equipment and services for the establishment of a chemical processing  
3 plant under Executive Order No. 880, entitled "*Declaring The Establishment Of A*  
4 *Coconut Chemical Industry As A Means To Rationalize The Coconut Industry Of The*  
5 *Philippines And Granting Additional Incentives Therefor; "*

6 h) Exemption from all taxes, duty, imposts and other charges of whatever nature  
7 arising from acquisition of capital equipment and machinery including real estate tax on  
8 land and its improvement used by any person or enterprise to undertake a private  
9 productivity program in accordance with a farm development plan approved by the  
10 Authority, which privileges shall be enjoyed for a period of ten (10) years from the date  
11 of said approval: Provided, That the project shall be implemented and fully developed  
12 within five (5) years from the date of approval of the farm developmental plan; and

13 i) Generally, all other tax and non-tax incentives granted to the coconut industry,  
14 its institutions, members and participants under other existing applicable laws, decrees,  
15 executive orders and similar issuances.

16  
17 SEC. 34. *Tax Exemption.* - Notwithstanding the provisions of any law to the  
18 contrary, all real and personal properties, equipment and machinery acquired by the  
19 Authority for its operations under this Act shall be exempt from all taxes, fees, duties,  
20 imposts and assessments, both national and local except income tax.

21  
22 **ARTICLE IX**  
23 **SPECIAL PROVISIONS**  
24

25 SEC. 35. *Conservation of Coconut Trees.* - In order to conserve and protect the  
26 resources devoted to coconut industry, the Authority shall regulate the cutting or  
27 destruction of coconut trees, and in furtherance thereof, no person shall convert public  
28 and agricultural lands primarily devoted to coconut into other uses without the prior  
29 approval of the Department of Agrarian Reform (DAR) and the Authority: Provided,  
30 That the cutting or conversion may be allowed only in cases where it is shown that  
31 majority of the coconut trees in the land have become senescent and economically  
32 unproductive as determined and certified by the Authority: Provided, further, That no  
33 coconut trees may be cut nor any coconut farms be subject of conversion where such tree  
34 or farm is involved in the productivity and rehabilitation program of the Authority;  
35 Provided, furthermore, That the affected farmers, tenants, lessees and regular farm  
36 workers shall be furnished of the findings of the Authority.

37

1           SEC. 36. *Measures to Protect the Industry.* - When the general welfare of the  
2 industry, for national interest so requires, and when there exist unabated increase in  
3 production capacity resulting, singly or collectively, in cutthroat competition,  
4 overproduction, underselling, and smuggling of poor quality coconut products, thereby  
5 threatening the viability and stability of the coconut industry or any sector thereof, the  
6 Authority shall regulate or otherwise suspend the issuance of license for the  
7 establishment and operation of any new coconut oil mill, desiccated coconut plant or  
8 refinery or the upgrading of capacities of existing mill, plant or refinery. In granting the  
9 license, the Authority shall evaluate and determine the need for the establishment of  
10 additional mills or plant or upgrading the capacity of any existing mills or plant in  
11 relation to:

- 12           a) The existing market demand;  
13           b) The production capacity prevailing in the country, locally or any sector of the  
14 industry;  
15           c) The level and flow of supply or raw materials; and  
16           d) Such other circumstances which may affect the viability or stability of the  
17 industry concerned.

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19

## ARTICLE X

20

### PENALTIES

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22           SEC. 37. *Penalties.* - Any person who willfully or deliberately violates any of the  
23 provisions of this Act or rules or regulations duly promulgated hereunder shall be  
24 punished by a fine of not less than Fifty Thousand Pesos (P50,000.00) but not more than  
25 One Hundred Thousand Pesos (P100,000.00), or by imprisonment of not more than five  
26 (5) years, or both: Provided, That should the violation constitute an act punishable under  
27 the Revised Penal Code, the pertinent provision and penalty prescribed in the said Code  
28 shall apply. If the violation be committed by an association, partnership, corporation or  
29 any juridical person, the officer or officers, director or employee responsible for the  
30 violation shall be held liable and shall suffer the penalties provided herein. An alien  
31 found guilty shall after having served his sentence be immediately deported and in case  
32 of a naturalized citizen, his Certificate of Naturalization shall be cancelled.

33

34           SEC. 38. *Interest and Charges.* - Assessment and regulatory or service fees or  
35 charges which are not paid on the due date thereof shall be subject to penalty interest of  
36 fourteen (14%) percent per annum plus a surcharge of twenty five (25%) percent in case  
37 of willful or fraudulent failure to pay.

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**ARTICLE XI**  
**TRANSITORY PROVISION**

SEC. 39. *Abolition.* - The Philippine Coconut Authority is hereby abolished and its powers and functions transferred to the Philippine Coconut Industry Development Authority together with all its appropriation and funding from all sources, equipment and other assets and such personnel as are necessary: Provided, That as a result or incident of the abolition, no personnel shall be terminated or separated except when the Board shall exercise its authority to reorganize pursuant to Article 111, Section 8 of this Act: Provided, further, That the Authority, through its Board, shall effect the transfer of the herein personnel in a manner that will insure the least disruption of on-going programs and projects: Provided, furthermore, That until such a reorganization is implemented all officers and employees of the abolished agency shall continue to exercise all functions and discharge all their duties and responsibilities.

SEC. 40. *Implementation.* - The Secretary of Agriculture shall, in coordination with the Secretary of Environment and Natural Resources, issue the necessary rules and regulations for the effective implementation of this Act.

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**ARTICLE XII**  
**MISCELLANEOUS**

SEC. 41. *Separability Clause.* - If any part or provision of this Act is declared unconstitutional, other parts or provisions thereof which are not affected thereby shall continue to be in full force and effect.

SEC. 42. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations and other issuances or parts thereof, inconsistent with the provisions of this Act, are hereby repealed or modified accordingly.

SEC. 43. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

*Approved,*