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**A REVIEW OF WELFARE ISSUES IN THE  
COCONUT INDUSTRY**

by

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- The views expressed in this study are those of the author (s) and do not necessarily reflect those of the Institute.
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# A REVIEW OF WELFARE ISSUES IN THE COCONUT INDUSTRY

## INTRODUCTION

PAGE

### *Chapter One*

#### HISTORICAL BACKGROUND

2

Introduction/Beginnings of Increased Production/Coconut Export:  
Early History to Pre-World War I/Export to the United States:  
World War II Effects/Continued US Protection/Continued Export to  
the US: World War II Effects/Stabilization of the Coconut Industry,  
1950-1960/Local Control of the Industry: 1970s/Summary

### *Chapter Two*

#### THE STRUCTURE OF THE COCONUT INDUSTRY

6

Introduction/Local Marketing/Exploitation of Coconut Farmers  
Perpetuated/Capital and Profit Share as Profit Determinants/Regulatory  
Policies vis-à-vis Market Activities/The Agricultural Sector/Farm  
Incomes/Export and Processing Sector/Export Orientation/Shift from  
Copra Exports to Coconut Oil Exports/Coconut Oil Milling/Conclusion

### *Chapter Three*

#### THE COCONUT FARMER

18

Introduction/Review of Definitions/The Number of Coconut Farmers/  
The Socio-Economic Conditions of the Coconut Farmers/Income/  
Expenditures/Education/ Housing/Conclusion

### *Chapter Four*

#### POLICIES AND PROGRAMS OF THE COCONUT INDUSTRY

29

Introduction/Industrialization Policy and the Coconut Industry/Legal  
Background of Industry Programs/Sources of Literature/Description  
of Industry Programs/The Subsidy Program/National Coconut  
Replanting Program/Welfare Programs/Scholarship/Insurance/The  
Vertical Integration Program/Other Support Programs/Program/  
Administration/Philippine Coconut Producers Federation (COCOFED)  
Philippine Coconut Authority (PCA)/United Planters Bank (UPCB)/  
Sources of Funds/Conclusion

	<u>PAGE</u>
<i>Chapter Five</i>	
THE IMPACTS OF COCONUT INDUSTRY PROGRAMS	41
Introduction/Scholarship Benefits: Pros and Cons/Insurance Benefits/ The Replanting Program/Program Rationale/Program Implementation/ Equity Implications/The Use of Hybrids/Other Issues Against the Levy/ Accounting/Levy Incidence and Equity Implications/Industry Revitalization/ Conclusion	
<i>Chapter Six</i>	
SUMMARY AND CONCLUSIONS	59
ANNEXES	62
REFERENCES	

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# A REVIEW OF WELFARE ISSUES IN THE COCONUT INDUSTRY

## Introduction

This paper is a review of welfare-related issues in the Philippines' coconut industry. It surveys the literature dealing with various aspects of the coconut industry in an attempt to highlight the impact of these on the well-being (i.e., in terms of incomes, consumptions, employment, etc.) of the coconut farmers and laborers.

Two things motivated this research. For quite some time now, community organizers (faculty members and students) from the Institute of Social Work and Community Development (ISWCD) have been dealing with coconut farmers in various localities. A research output such as the present could help the Institute's practitioners broaden their perspective, familiarize themselves with the issues at a macro level, and thus facilitate the process of understanding the more immediate problems confronted in the actual field work. Also, by identifying current gaps in research, this review could help pinpoint areas for future investigation by social scientists.

The other reason for this study is that farmers and laborers in the coconut industry constitute the second most important group, after rice and corn farmers, in terms of poverty incidence (World Bank 1980). This finding was based on data from the 1971 Family Income and Expenditure Series (FIES); it would be interesting to find out how the situation has changed through time especially since various programs have been implemented in the coconut industry purportedly to improve the conditions of the farmers.

Few studies actually deal directly with the conditions of coconut farmers. David (1977), Cornista (1981), Manuel and Maunahan (1982) and the MOLE-NEDA (1982) study are some of these. Most make a passing reference to farmers' welfare in the context of a discussion of some policy or programs being implemented in the industry. We can cite here the studies made by Clarete and Roumasset (1982), Tiglao (1981), ILMS (1981), and David (1982). The ones we have found to have discussed in great detail the plight of coconut farmers and laborers were more of position papers espousing one view or another view. Where helpful to a point being made we have also included such non-academic type of literature in this review. We have also included primary data collected from various interviews conducted during field visits.

In the process of doing this review, we have tried to cover a lot of ground for the reason that most of the issues affecting coconut farmers and laborers are likely to be buried in numerous discussions of some other aspect of the coconut industry. In fact, even the term "coconut farmer" has varied meanings; we devote a portion of this review to that.

The interrelatedness of the various aspects of the programs and policies of the coconut industry under discussion has necessarily produced a tendency for the sections to overlap in certain occasions. This case is especially so in reference to chapters four and five.

The first chapter of this study gives a brief historical background of the coconut industry from its early beginnings during the Spanish colonization to the years immediately after the war. Chapter two discusses the structures of the industry (local marketing, the agricultural sector and the industrial sector). Chapter three investigates the various literature that deal with the problem of identifying who the coconut farmer is. Chapter four delineates the various policies and programs of the industry, focusing on the welfare programs launched by the most important institutions in the coconut industry. Chapter five deals with the impacts of the various policies and programs on the socio-economic status of the farmers and laborers. Finally, chapter six provides a summary of the most pertinent points taken up in the previous chapters and tries to identify the areas what need further investigation.

## CHAPTER ONE

### HISTORICAL BACKGROUND

#### Introduction

The history of the Philippine coconut industry is extensively documented in three major works: *The Philippine Coconut Industry: Growth and Change, 1900-1965* by George Hicks, *The Philippine Coconut Industry: Looking Into Coconut Export Oriented Agricultural Growth* by Rigoberto Tiglao and the *Countryside Report* by the Luzon Secretariat for Social Action (LUSSA).

The work of Hicks summarizes the major physical features of the industry and includes a detailed description of domestic and international policies in the coconut industry. Further, Hicks distinguishes three major periods in the coconut industry. These are: 1) 1900-1916, when the main export was copra and Europe was the major market; 2) 1916-1940, which was characterized by the sustained dominance of the American market; and 3) 1940-1965, characterized by a steady decline of the US market share. Tiglao in his book attempts to trace, define and describe the forces behind the formation and development of the coconut export industry, and more importantly, describes the forms of class and national exploitation engendered by these forces.

#### 1.1 Beginnings of Increased Production

Coconut was introduced in the Philippines by immigrants from the Indo-Malayan archipelago in the early twelfth and thirteenth centuries. Coconut has been used by Filipinos for food, wine, vinegar and oil when the Spaniards came. In 1642, by virtue of a decree passed by Governor-General Sebastian Corcuera, Filipinos were enforced to increase production of coconut. The decree set a quota for the tribal chiefs (200 trees) and the serfs (100 trees), with a penalty of P1,000.00 fine and/or imprisonment for failure to comply.

This increased production, however, did not reach the level of commodity production; it merely supplied the demands of the Spaniards for fuel and rigs of the galleons, as Tiglao (1981) discusses;

a system of protection from Philippine coconut oil and desiccated coconut, as well as other exports like sugar and abaca. While the tariff imposed on these products raised the cost of non-Philippine agricultural imports, the US maintained a cheap supply of raw materials from the Philippines.

The tariff system increased the levy on coconut export in the countries which were not American colonies. Thus, US firms operating in the Philippines made use of coconut-based raw materials. By 1926, 99 percent of US demand for desiccated coconut was being supplied by the Philippines, with 90 percent of the export companies under the ownership of the United States.

Even as the American agricultural and industrial sectors succeeded in passing the Act of 1934 in their effort to restrict the entry of Philippine coconut products which competed with US produce, the effects of the taxes made the American market reserved for Philippine account products. As the LUSSA Report (1982:43) notes, this worked to the mutual advantage of US industrial consumers of Philippine coconut oil and the US oil processor operating in the Philippines.

By 1937, six big coconut oil mills contributed to the P23.8 million asset, with 46.5 percent of American capital, 29.2 percent British, 11.8 percent Chinese, 7.6 percent Filipino and 4.6 Spanish. This data is given in a report made by Philippine Coconut Oil Mills to the Technical Committee to the President, American-Philippine Trade Relations.

The six oil mills were: 1) Philippine Refining Company owned by Lever Brothers, Ltd.; 2) Spencer Kellogg and Sons (Philippines), American firm; 3) Philippine Manufacturing Company, later Procter and Gamble; 4) Cristobal Oil Mills, owned by Vicente Madrigal; 5) Luzon Industrial Corporation, controlled by M.G. Osorio and 6) Lu Do and Company, a Chinese firm.

#### **1.1.4. Continued Export to the US: World War II Effects**

World War II isolated the US from Philippine resources. This prompted the former to use substitutes for oil such as soybean and cottonseed. Petroleum was used for soap manufacture in lieu of coconut oil. This development paved the way for the US to become the world's largest exporter of oil in the 1950s. However, with the advent of further technological developments, coconut oil found other uses in the manufacture of US products. Coconut oil with its glycerine content was used in the manufacture of cosmetics, pharmaceuticals, propellants, paints and rust inhibitors. It was also used for bather bleaching, as a softening agent for plastic, for insecticides and germicides. Glycerine was used for the manufacture of explosives. This demanded continued exportation to the United States.

#### **1.1.5. Stabilization of the Coconut Industry, 1950-1960**

In between these periods, specifically by mid-1950s, Europe replaced the United States as the major market for Philippine copra. Coconut oil export to the US fell below the 90 percent level while desiccated coconut export fell below 80 percent. In 1955, legal protection and export encouragement

were provided by the US through the processing taxes and the Laurel-Langley Trade Agreement. As a result, coconut oil export rose to 94.5 percent and copra export to 45 percent.

In the 1950s, exchange and import controls were introduced in the Philippines. For twelve years ending in 1962, the program to develop the manufacturing industry was undertaken. This aimed to produce substitutes for US imports. Payer in *Debt Trap* (1974) notes that this period is regarded as the golden age of industrialization and filipinization of the Philippine economy. Nonetheless, smuggling existed and became rampant in 1961 when 50 percent of copra bound for Europe was regarded as smuggled (Nyberg, 1968).

At the cessation of the import substitution program with the declaration of full foreign decontrol on 21 January 1962, the profitability of export industries increased. Thus, growth in volume of coconut production grew from a million metric tons in 1950s to about 1.5 million mark in the seventies (Hicks, 1967: 95)

Philippine coconut oil processing and exportation in the sixties was dominated by Procter and Gamble and Philippine Refining Company. Copra production was monopolized by the International Copra Export Corporation, Granex port Corporation and Procter and Gamble. By 1965, 59 percent of copra export was attribute to Franklin Baber, Peter Paul, Red V Coconut Products and the Blue Bear Coconut Products.

#### **1.1.6. Local Control of the Coconut Industry: 1970s**

Increased international prices consequently increased prices in the local market, specifically that of coconut. In 1974, 28 percent of the total export income was contributed by the coconut export. Encouraged by high profitability of production, local capitalists (Ayala Corporation with Mitsubishi Corporation; Aboitiz Corporation, San Miguel Corporation with Fuji Oil and C. Itoh and Company, Ltd. to make up the Southern Island Oil Mills; and Lu Do Development Corporation and the Private Development Corporation of the Philippines with Jardine-Davies and Nichimen) joined transnational corporations in the oil processing industry.

Protection thru government legislation increased the lucrativeness of the coconut industry. The Investment Incentives Act and the Export Incentives Act gave strong government support for the oil industry from 1970. In 1972, taxes for processed coconut products relative to copra were effectively lowered by Presidential Decree 230, later PD 1476, as well as by Executive Order No. 425.

Since 1977, 90 percent of Philippine oil export has been attributed to the following firms: Legaspi Oil Company, Cagayan De Oro Oil Mills, Granexport Manufacturing Company, San Pablo Manufacturing Corporation, Philippine Refining Company, Procter and Gamble, Red V Coconut Products and Southern Islands Oil Mills.

The state-sponsored group, on the other hand, composed of the Philippine Coconut Producers Federation, the United Coconut Planters Bank (UCPB) and the United Coconut Oil Mills.

As Tiglao (1982:79) notes, the 1970s was characterized by unprecedented developments in the coconut industry.

## CHAPTER TWO

### THE STRUCTURE OF THE COCONUT INDUSTRY

#### Introduction

The discussion of the structure of the coconut industry is in order to be able to understand further the elements which ultimately affect human activities.

This section deals with the local marketing, the agricultural sector and the industrial sector of the coconut industry. Local marketing presents the flow of the coconut commodity from producer to end-user. The agricultural sector provides data on how much land is planted to coconuts, farm incomes, work classification in the farmers. The export industry, which represents the greater part of the coconut industry structure discusses the benefits as well as the pitfalls of an export-oriented industry.

Finally, the question of who ultimately benefits from the coconut industry structure is given great attention.

For this purpose the works of Tiglao, Famatigan, Manuel and Maunahan are referred as primary sources.

#### 2.1. Local Marketing

##### 2.1.1. Farmers As Price Takers

Domestic or local marketing traces the transfer of nuts from the farmer, at its raw form, to the hands of the coconut traders, to its end-users: copra importers, coconut oil millers and coconut desiccators.

A study of domestic marketing in the coconut industry should establish the primary beneficiaries of the present system. Famatigan (1980), Tiglao (1982) Manuel, and Maunahan (1982) are of the opinion that the ultimate losers to the local marketing system are the farmers themselves.

Famatigan (1980) notes that the farmer becomes the last participant in a long process of prices reduction. Tiglao (1981), on the other hand, specifies that local traders in the town level number about 4,500 and 10,000 in the barrio level. These people are the ones the end-users deal with

by means of the contract system. He also adds that these people are responsible for boarding the coconut and thus have the privilege of price speculation, at various points in time.

Manuel and Maunahan (1982) describes the marketing system as an oligopsony, where there are many sellers and few buyers, or a buyer's market. With the entry of UNICOM, Manuel and Maunahan explain the free enterprise system found its exit.

### **2.1.2. Exploitation of Coconut Farmers Perpetuated**

According to Tiglao (1982:66) the traders exact surplus value from the difference between their buying and selling prices. This inequality, as far as the farmers are taken into consideration, is further stretched through several onerous schemes. These include underassessment of quality of the coconut and its products, through visual inspection and feel methods.

Manuel and Maunahan (1982) stress that the exploitation of coconut farmers is furthered by the absence or lack of awareness (on the part of the farmers themselves) of the actual deductions on the value of their commodity.

The credit marketing tie up, the same study reveals, further exploits the farmers. Traders entice farmers short of cash to borrow money from them without interest. Actually, there was a price difference of five centavos for coconuts sold with and without the credit. This means that the farmers were unknowingly paying for the interest. This system also creates an interdependence of prices which concentrates profit among buyers. Market knowledge and information, again to the disadvantage of the farmers, are taken from the traders themselves.

### **2.1.3. Capital and Market Share As Profit Determinants**

Again, in the study by Manuel and Maunahan (1982) the trading system is described as an interrelationship and an interdependence of the producers, agents, assemblers-wholesalers and exporters-processors. The desirability of each unit depends on the cost of service provided, the time element involved in the provision and the form in which the product reaches its end-user.

Market power depends on capital and market share. Lack of capital may restrict entry of traders and make wholesalers abandon the training. Bankruptcy or lack of marketing outlets are other consequences of capital inadequacy.

Exporters-processors are the most advantaged of the units due to their relative size in the market share and financial capacity. Also, they have the access to market information.

#### **2.1.4. Regulatory Policies vis-à-vis Market Activities**

Relations among market members and their activities are determined by regulatory policies on the account industry.

An example cited by Manuel and Maunahan (1982) is the Coconut Consumers Stabilization Fund or CCSF levy imposed on farmers designed to subsidize the sale of coconut product at socialized price ceilings. The farmers are supposedly the direct recipients of the subsidy, effective 16 June 1979. However, to meet a drastic price decline of coconut products, the Coconut Industry Stabilization Fund (CISF) was created 21 October 1981 which reduced rate for copra by P50/ 100 kilograms. It was done to be able to finance such projects and programs are replanting, amortization of United Coconut Oil Mills (UNICOM), scholarships, life and accident insurance. Though the levy is legally imposed on the millers and the exporters the farmers indirectly shoulder the burden through the reduced buying price system. Again, the farmers hardly benefit from the program.

## **2.2. The Agricultural Sector**

### **2.2.1. The Coconut Land**

Coconut is one of the most extensively grown crops in the Philippines. It is grown in 3.16 million hectares of agricultural land, covering about 20 percent of the 12.19 million hectares total Philippines cultivated land area and 79 percent of total Philippine croplands devoted to commercial crops. It is grown in 55 of the country's 72 provinces. (UCAP 1980).

Area planted to coconut has continually increased from 1,082,028.5 hectares in 1948, to 1,497,004.4 hectares in 1960, to 2,127,546.5 hectares in 1971. The rate of increase has almost doubled from 1971 to 1981.

As a result of the southward shift of distribution of population and the shortage of agricultural land in Southern Tagalog region due to the fact that coconut is a frontier crop (easy to grow but with low returns per hectare), there has been a gradual shift in the geographic location of coconut lands. In 1939, only 23 percent of coconut lands were in Mindanao; this has increased to 35 percent in 1960 and to 52.4 percent or more than half by 1981 (Hicks 1967).

Southern Mindanao and Southern Tagalog regions take the greater bulk of agricultural land planted to coconut, while Cagayan Valley and Central Luzon regions account the smallest percentage share. (See Table 2.1 for coconut hectarage distribution, by region).

### **2.2.2. Farm Incomes**

The Ministry of Labor and Employment (MOLE) and the National Economic Development Authority (NEDA), in their joint study on the socio-economic conditions of the coconut farm population, from 1975-1980 reveal that the average income per hectare in a year is P1,603,00. For small-sized farms, its was P6,798 in 1975 and P3,231 in 1980. The medium-sized farm earned P19,366 in 1975 and P10,436.00 in 1980, a drastic decline. Large-sized farms, on the other hand, yielded P41,718 in 1975 and P39,820 in 1980. All of the farms suffered decreases.

The LUSSA report (1982) reveals an estimate of P800.00 a year for the account farmers assuming that the farmer harvest at a minimum of 8 times a year or every 45 days.

The Ministry of Agriculture (1979) reports P7,925.00 as the average gross cash income for all the farms for the year preceeding the study.

Differences in income, the study says, are attributed to additional farm hands (as in case of women farmers) and varied coconut price levels.

Tiglao's (1981) findings show that the average annual income from coconut production per hectare for all farms is P3,429.00. The low-yielding farms earn P1,461, the medium size earn P3,064 and the high-yielding farms earn P5,763.00.

He further estimates that per capita income is P1,591 for all 525,595 peasants and rural wage workers. To them goes the 20.9 percent of the total coconut export value (1974-1975 data).

David (1977) found out in his survey of 399 coconut farmers in December 1976 that 41 percent earned less than P1,000 a year, 29 percent earned between P1000 to P2,000 a year, 12 percent earned between P2001 to P3,000 a year, 6 percent earned between P3001 to P4,000 a year and 12 percent earned more than P4,000.

He further reports that the total industry income in 1971 accrued mostly to non-farmers. The farmers who constitute 75 percent on the total industry population and who produced the farm output,

received only 24.6 percent of the total industry income. The landowners and overseers received 49.2 percent, the traders 18.5 percent, and exporters and miller 7.7 percent.

The income of the coconut farm workers have been surveyed and estimated too by most of these studies.

The MOLE-NEDA (1982:27) study reports that the median income in 1980 of the coconut farm worker is P3,867 (Abrera 1976:37). The average annual income form 1975 however, is P3,358 and in 1980, is P2,758, registering a slump of 17.9 percent of a decline of P600.

The LUSSA study (1982:65) reports that 66 percent of the coconut farm workers interviewed received less than P200 per harvest. They are paid according to work done, such as *panunungkit* (nut-picking), *pagtatalop* (husking), *pag-iipon* (nut-gathering), *paghahakot* (hauling), *paglilinis or pagtatabas sa niyugan* (cleaning the coconut fields), and *pagkokopra* (copra drying). Wages are paid either on a per 1,000 nut-basis or on daily basis. The rates generally are as follow: (1) panunungkit – P12 to P35 per 1,000 nuts; (2) pag-iipon – P5 to P10 per 1,000 nuts; (3) paghahakot – P 6 to P25 per 1,000 nuts; or P7 to P10 per day, (4) pagtatalop – P8 to P15 per 1,000 nuts; (5) paglilinis – P12 –P14 per day and (6) pagkokopra – P10 to P50 per 1,000 nuts.

The same study observes that the wage rates in the coconut industry fluctuate according to the market price of copra. If copra prices are high, higher wage rates are paid sometimes even exceeding the ceiling of the ranges given. But when copra sells low, the wages hit every low the bottom levels.

Per harvest, 23.69 percent earn P51 to P100, 21.71%, P101 to P200 per harvest, 21.05 percent P50 or even less, and 13.16 percent between P201 to P400.

The LUSSA study contrasts this with the 1976 Economic Development Foundation study that showed that a family of six needed P5,020 in 1975 to be able to cope with an adequate diet for a year and must have P8,370 in 1976 to be able to live decently. Computed according to 1980 CPI, it becomes P12,776.22.

Tiglao (1981: pp. 41-44) notes that farm workers in copra production receive piece wages while large plantations workers receive time wages. For hired labor, the average rate per day in Southern Luzon is P8.61 for Bicol P8.15, for Samar P7.43, for Leyte P7.07, for Northern Mindanao P8.74 and for Southern Mindanao P12.90.

The piece-rates are in effects the wage worker's subsistence minimum. Rates are even lower in depressed areas where employment opportunities are very low and farm income levels are equally disastrously, low.

Castillo (1977) notes that the lowest wage earners in the coconut industry are those who gather tuba, coconut pickers, huskers and copra-makers. The haulers earn the highest daily wage.

All the studies therefore clearly point out that the income in coconut farms are very low and not enough to meet even the basic needs of the farmers and farm workers. David and Tiglao go even further. David (1977) states that the farmers who comprise three fourths of the population and who actually produce the coconuts/copra, receive only one fourth of the industry income, while the landowners and overseers, the traders and the exporters and millers who comprise one fourth of the industry population garner three fourths of the industry income. The landowners and overseers alone, who do not actually do farm work, receive 49.2 percent of total industry income. Tiglao (1981: p 69) concludes that the prime characteristic of the coconut industry is that: "while it provides income only at subsistence levels for the working classes in the industry, it generates substantial profits for landlord and capitalist classes as well as revenues for the state."

## **2.3. Export and Processing Sector**

### **2.3.1. Export Orientation**

The coconut industry of the Philippines is export oriented. Data over 10 years showed that, on the average, 82 percent of the total production is exported while only 19 percent is consumed domestically. The traditional coconut export products are crude oil, dessicated coconut, copra, refined coconut oil, copra solvent meal pellets, copra cake/meal expeller pellets, coconut shell activated carbon and coconut shell charcoal.

As the Philippine Coconut Authority itself assess, in its Philippine Coconut Industry Situationer 1969-1978:

"The coconut industry in the Philippines – unlike other major producing countries (e.g. Indonesia, India, increased in parallel magnitude with production growth, while domestic consumption, though adequate in meeting local requirements, has remained minimal compared to total production."

Coconut export products have been one of the consistent dollar earners of the Philippines, averaging 20.69 percent of the total merchandise exports of the Philippines from 1972 to 1981. In

fact, coconut products comprised 32.1 percent of the value of the top ten exports of the country. Dollars earned by coconut product exports comprised 46.41 percent of the country's international reserves for the said period.

This section has been referred to as the export and processing sector to underline the export-oriented nature of the coconut industry as well as emphasize that semi-processing and processing of coconut is an attempt to increase earnings from coconut exports.

However, the past years has not been as fruitful for the coconut industry as before. Export earnings slid from a record US\$ 1.03 billion in 1979, to US\$ 820.5 million in 1980, US\$ 779.59 million in 1981 down to US\$ 638.44 million in 1982 (Business Day February 22, 1983).

The decrease in value of coconut product exports does not mean, however, that the volume of exports has decreased. It has in fact increased. In 1979 export volume registered at 1.526 million metric tons; total shipments in 1981 reached 1.903 million metric tons (in copra equivalent), improving by 11.3 percent from 1.710 million metric tons in 1980. However, this is still 18.6 percent short of the all-time high of 2.338 million metric tons recorded in 1976, and 1.04 percent shy from the annual average (1976-1980) of 1.923 million tons (Coconut Statistics 1981).

In 1982 there was an 18 percent decline in coconut export earnings. This was due to the decrease in export revenues from five traditional coconut product exports coconut oil – a decrease by 23 percent, desiccated coconut by 34 percent, copra solvent meal pellets by 24 percent, coconut shell charcoal by 44 percent and activated carbon slid by 15 percent (Business Day 1983).

### **2.3.2. Shift from Copra Exports to Coconut Oil Exports**

The last ten years have indicated a shift from the export of “raw material (copra) to finish product – like coconut oil (Philippine Coconut Industry Situationer 1969-1978).

Peak exportation in 1981 reached almost 1.7 million metric tons (copra terms), the equivalent of 88.8 percent of total coconut exports. Copra exports have, on the other hand, fallen substantially since 1978 to its lowest level of 106 million metric tons in 1981. The share of more processed products (coconut oil and desiccated coconut) has increased from 42.5 percent in 1969 to 94.4 percent in 1981. (Table 2.1).

In studying the period from 1920 to 1965, Hicks (1967) notes the changing relative importance of different export products combined with the relative stability of the share of exports to

the total nuts produced, ranging from a low of 86 percent in 1920 to a high of 91 percent in 1930 and 1950. In 1920, 85 percent of the total nuts were used for coconut oil manufacture and 71 percent of exports were composed of coconut oil. He observes that the data show a marked and continuous decline from 1920 to 1960 in the share of total nuts used in coconut oil manufacture and coconut oil exports. However, between 1960 and 1965, there was a reversal of the trend with the substantial increase in coconut oil exports.

Smuggling prior to decontrol was due to the incentive arising from the discrepancy between free market rate and the legal export rate. After 1962, there was little to gain from smuggling and therefore it was reasonable to assume that it declined drastically. Before decontrol, the copra smuggler can exchange part of the foreign exchange proceeds at free market rate, i.e., in 1961, the legal exchange rate was P2.75 to a dollar while the free rate was P4 to a dollar.

However, devaluation/decontrol barely compensated for the falling world prices. The decisive factor for the shift to coconut oil was the decline in international freight rates for coconut oil. Until 1961, coconut oil was shipped in drums at \$25 to US West Coast, \$33 to the East Coast and \$28 to Europe from Manila. In 1962, large ocean tanker which can take up to 14,000 tons of liquid cargo carried tallow from the US to Japan, then Philippine coconut oil to the US. This reduced the cost to \$9 to the West Coast, \$12 to the East Coast and \$17 to Europe. To recap, freight rates dropped in 1962; and the greatest decline in smuggling occurred in 1962-63. Coconut oil exports increased by 99 percent in 1961-62 and by 115 percent in 1962-63.

In the more recent years, copra exports have continually declined to only 5.1% of the total Philippine copra production in 1981 (106 thousand metric tons out of 2.09 million metric tons). From its ten year average (1968 to 1977) of 61.2 percent of copra production crushed locally into coconut oil, the percentage rose to 83.7 percent in 1978, 91.6 percent in 1979, 93.4 percent in 1980 and 94.6 percent in 1981.

PCA attributes such increase in domestic crushing and coconut oil exports to encouragement by the extremely auspicious 1974 export performance, accompanied by support programs enunciated by the government.

The United Coconut Association of the Philippines or UCAP, in its Coconut Statistics (1981), refers to this changing pattern as an “interesting development shift towards industrialization from a basically agrarian stage,” the extent of which may be “measured by the amount of internal/domestic processing of copra and the export ratio of processed goods vis-à-vis the raw materials. (Annex 2.1).

### **2.3.3. Coconut Oil Milling**

Coconut oil as export product. Coconut oil is one of the coconut export products, giving less than 1/5 of its supply to the market. This local consumption declined since its recorded high in 1977 and 1978. However, local demand for coconut oil in 1981 increased by 14.2 percent. This increase was due to the newest usage of oil in the form of coco diesel fuel mix.

When international prices for coconut oil dropped middle of 1982 to its lowest of 17 US/pound, the President ordered the adoption of the cocodiesel scheme. Starting September 11, in place of the 100 percent diesel, a mixture of 5 percent coconut oil and 95 percent diesel fuel will be sold to the public. The mixture may be modified from time to time, depending on the availability and price of coconut oil. Cocodiesel will be sold at the same prices diesel is sold. This program will surely decrease the percentage of coconut oil exported.

Coconut Oil Mills. The number of oil mills, and their aggregate crushing capacity have increased tremendously in the recent years.

Fernando and Brian Grimwood (1973) give a study on coconut oil mills. In 1971, 27 copra crushing mills operated with installed capacity of 1.36 million tons per year, with utilized capacity of 67 percent. This year 72 percent of coconut oil produced was reported, a volume higher by 21 percent than the previous year. The increase was attributed to the oil refining system which was generally efficient with only 3 percent losses.

In 1978, there were already 51 coconut oil mills with a combined annual capacity to crush 3,421,000 tons copra into 2,121,000 MT of coconut oil and 1,094,000 MT copra meal. The oil mills then produced 1,191,000 MT coconut oil in 1978; capacity utilization is therefore calculated at 56.1 percent. PCA assesses then that coconut oil production suffered less fluctuation than copra due to government programs. Crushing activities therefore tended to readily increase as more mills are established despite normal fluctuations in coconut output.

The number of mills and aggregated crushing capacity reached their peak in 1980. There were 65 coconut oil mills with a combined crushing capacity of 3 million 324 thousand 6 hundred metric tons of copra per year. Total coconut oil export reached 914 thousand and six metric tons.

In 1981, there were 54 units of Philippine oil mills, with an aggregate crush capability at 10,577 metric tons per day (or 3,173,100 MT per year). Assuming full utilization, this would yield about 6,700 metric tons of oil daily or approximately 2 million tons of crude coconut oil yearly.

Thirty of the oil mills are situated in Luzon, 7 in Visayas and 17 in Mindanao. Nine mills are in Metro Manila, and are of moderate capacity since they are situated outside coconut regions. They are generally of the older generation, having been set up in the pre-war and post war rehabilitation periods when the major consideration for the location of industries was proximity to marketing, shipping, financial and communication centers.

## **Conclusion**

Discussions on local marketing and the agricultural sector come hand in hand to establish a common observation that farmers receive the least benefits from the industry. In spite of the fact that farm incomes are quite low the landowners, traders, exporters and millers are provided with substantial profit. Again, the industrial sector indirectly reinforces the neglect of the farmers' economic situation by stressing the revenues that the industry generates. While capitalists invest millions in the construction of mills and in the actual trading of export, remunerations are not hard to come by.

The land planted to coconuts cover about 26 percent of the total cultivated land area in the country, mostly in Southern Mindanao and Southern Tagalog. Production has continually increased except in times of typhoons drought, while productivity is high, local bulk exported to other countries. The antiquity of farm methods, however, contributed greatly to the downward productivity level between 1960 and 1970. One-third of the country's population is supported by the coconut industry and yet (notwithstanding the laborious farm activities) coconut farm income levels are below or at par with subsistence levels.

Coconut farmers are at a great disadvantage. They are the producers but they have the least power over their products. The traders and the processors mostly benefit from the local coconut market profit. To make things worse, government policies concerning the industry serve the interest of the powerful exporter-processor more than those of the farmers.

It is therefore imperative that a study of welfare policies and benefits be undertaken to help alleviate the plight of the coconut farmer.

Table 2.1

**COCONUT HECTARAGE DISTRIBUTION BY REGION**

<u>REGION</u>	<u>HECTARAGE</u>	<u>PERCENTAGE</u>
Southern Mindanao	559,380	17.7
Southern Tagalog	543,380	17.2
Western Mindanao	410,500	13
Northern Mindanao	368,140	11.6
Bicol	353,470	11.2
Eastern Visayas	333,870	10.6
Central Mindanao	319,180	10.1
Central Visayas	158,220	5
Western Visayas	94,340	3
Cagayan Valley	6,520	.2
Central Luzon	1,890	.05

Source: UCAP (1980)

Table 2.2

**SIZE OF COCONUT FARMS**

	<u>Number</u>	<u>Percent</u>	<u>Area (Has.)</u>	<u>Percent Average Size</u> (Has.)	
All farmer	429,486	100.0	2,152,776	100.0	5.0
Under 5 has.	312,397	72.7	754,359	35.0	2.4
5 and under					
10 has.	75,217	17.5	491,609	22.8	6.5
10 and under					
50 has.	40,297	9.4	687,600	31.9	17.1
50 has. and over	1,575	0.4	219,208	10.2	139.2

Source: National Census and Statistics Office (NCSO) 1971  
Census of Agriculture

Table 2.3

**PHILIPPINE EXPORTS OF COCONUT PRODUCTS**

(1000 MT. copra terms)

Year	Copra	Coconut Oil	Desiccated Coconut	Percentages Copra	to total exports CNO	DCN
1981	106	1,687	106	5.6	88.8	5.6
1980	123	1,474	106	7.2	86.6	6.2
1979	145	1,282	100	9.5	83.9	6.6
1978	380	1,596	110	18.2	76.5	5.2
1977	560	1,276	119	28.7	65.2	6.1
1976	867	1,373	98	37.1	58.7	4.2
1975	833	954	80	44.6	51.1	4.3
1974	309	699	77	28.5	64.4	7.1
1973	728	691	95	48.1	45.6	6.3
1972	968	756	95	53.2	41.6	5.2
1971	711	653	91	48.9	44.9	6.2
1970	423	539	73	40.8	52.0	7.2
1969	553	345	63	57.5	35.9	6.6

\*Details may not tally with total due to rounding off.

Source: Coconut Statistics (1981).

## CHAPTER THREE

### THE COCONUT FARMER

#### Introduction

A review of related literature shows that the term “coconut farmer” has never been defined clearly. Terms like “coconut producer” and “coconut planter” are used loosely and interchangeably with the term “coconut farmer”. Cornista (1981) points out that “the coconut farmer as a social grouping has not been clearly distinguished whether conceptually or analytically”. According to her the lack of information on the coconut farmer and on the coconut industry in general may be attributed to two factors. One, the concentration of studies has been mainly on rice because of its importance as a primary means of livelihood for the majority of Filipinos; and two, there is the tendency of government to shield the coconut industry from being studied because of its contribution to the foreign exchange earnings of the government.

Thus, the general lack of information on the coconut farmer and the use of terms with double meanings has led to confusion on who the coconut farmer is. Existing definitions are inadequate and tend to obscure important distinctions which are crucial to policies and programs related to the coconut industry.

David (1977) in his study asserts that an accurate, complete and meaningful definition of the coconut farmer can be vital to his interest. His obscurity in definition can be a factor to his continuing poverty and the denial of his rights. Cornista further stresses, “Any attempt to formulate policies must identify the different tenure groups and their sub-classes as well as their nature and socio-economic characteristics”. She points out that the danger of non-analytical distinction among the different tenure groupings is inadequate and can, at times, be misleading.

#### 3.1. Review of Definitions

The Philippine Coconut Authority (PCA), the government agency in charge of the coconut industry, defines a coconut farmer as one: 1) who owns and tills the farm by himself and/or with assistance of farm laborers and/or by the persons described in 2) and 3); 2) who harvests and processes the coconut product and is compensated in the form of the produce which he sells as his own; or 3) who works in the coconut farm and is compensated in kind which he sells as his own.

In the above definition, the coconut farmer is seen as constituting a homogenous grouping – whether as a landowner, a tenant or a farm worker.

On the other hand, David (1977:53) defines a coconut farmer as “anyone engaged in the actual act of farming in a coconut farm”. He elaborates, “Since coconut farming is in all senses a production activity; the coconut farmer can only be defined objectively within the context of production. All activities in the production of coconut planting, caring for the trees, harvesting, copra-making (Annex 3.1) are interrelated, constituting a complete process of work that is systematically and divisionally organized. The various stages of coconut production “involves skills and art possessed only by the coconut farmer”.

Based on his definition of the coconut farmer, David provides three categories of coconut farmers:

- 1) Owner-Farmers. These are farmers who own and cultivate small-size farms generally consisting of four hectares or less. Some of them own more land than they can actually cultivate; they are owner-farmers only as far as the lands they actually farm are concerned.
- 2) Tenant-Farmers. These are farmers who do not own the land that they cultivate and have to share the produce with the landowner. Some of them are *part-owners*, that is, they own a portion of the land that they work on but are tenants in respect of the remainder; they may be called semi-tenants.
- 3) Farm-Workers. These are farmers who work in the farm for wages. Some of them are also tenants who, because of their small shares, are compelled to supplement their income by working for wages; they are semi-tenants who are not part-owners.

“A Study on the Socio-Economic Conditions of the Coconut Farm Population, 1975-80” (1982) on the other hand, confines its discussion on the coconut farm worker. It categorizes coconut farm workers into two types: the “regular” and the “roving”. Regular workers are generally those employed by a single farm throughout the year, usually in small and medium farms. Roving or seasonal workers are those who are employed by at least two farms during the year, or are employed by a single farm only on a part-time basis.

The above definition follows David’s (1977) basic criterion of participation in actual production and maybe considered as a sub-type.

An intensive study at the micro level of two coconut villages by Cornista (1981) provides a definition of the coconut farmer from the historical and structural perspectives. She observes that, “The intrusion of market forces into a subsistence economy which produces coconut for exchange accounts for the transformation of the coconut farming system. The following changes in the organization of the coconut production are evident.

“First, from an essentially household enterprise, coconut farming was transformed into one which is dependent on outside hired labor to perform farming tasks, absorbing the growing labor force brought about by the rapid increase in population. A distinct hired laboring class eventually emerged. Second, from an essentially owner-operated enterprise, coconut farming evolved into one where the farm’s operations are shared by a *mag-aalaga*. As a consequence, division of labor became more distinct: the landowners own the land and its fruits, the *mag-aalagas* take care of the fruits for which they get a share, and the hired laborers concentrate on harvesting and processing tasks for which they are paid wages. Third and related to the first two is the rise of task specialization within the hired laboring group which has resulted in further social differentiation and stratification. Fourth, tenurial changes occurred. Fifth, coconut farms which were relatively big holdings were parcelized. Sixth, a multi-level marketing system developed. Consequently, the earnings from coconut products are siphoned from the producers and appropriated through a system of buyers.”

Based on these transformations, Cornista came up with the following categories:

1. Landowners. They are categorized into residents and non-residents and those with and without “mag-aalaga”. The residence factor becomes an important variable in looking at the nature of the relationship between the landowner and his *mag-aalaga* as well as the extent of the former’s participation in farm management. (It seems that the resident landowner tends to develop closer ties with his “mag-aalaga” and engage actively in farm management).
2. Mag-aalaga. The big *mag-aalaga* operates an *alagaan* of six hectares; the medium *mag-aalaga* operates more than three hectares but less than six, and the small *mag-aalaga* operates less than three hectares.
3. Hired laborers. They are classified according to the tasks performed. The *magkakawit* plucks the nuts from the trees, the *mag-iipon* gathers the plucked nuts; the *magtatapas* dehusks the nuts; the *magkakariton* or *maghahakot* transports the nuts to a designated place usually along the roadside; and the *magkokopra* processes nuts into copra.

### **3.2. The Number of Coconut Farmers**

David (1977) calculated the number of coconut farmers in 1976 to be 1,550,000 representing a population of close to 11 million people. Of these, 50,000 or more than three percent are owner-farmers; 500,000 or 32 percent are tenants, and the most numerous are the one million farm workers who constitute about 65 percent of the total population. Together, the tenants and the farm worker comprise 96 percent of the total number of coconut farmers.

Table 3.1

**NUMBER OF COCONUT FARMERS BY TYPE**

(1976)

Type of Farmer	Number of Farmers	Total Population <u>a/</u>	Percent of Total
Owner-Farmers	50,000	350,000	3.22
Tenants	500,000	3,500,000	32.26
Farm workers	1,000,000	7,000,000	64.52
Total	1,550,000	10,850,000	100.00

a/ Assuming seven persons per household.

Sources: Calculated from Jose Eleazar, *The Coconut Story*, the 1960 Census of Agriculture, and current population data.

The bulk of the coconut farmers are found in the major coconut producing regions. As of 1975, the total area devoted to coconut was 2,263,180 hectares. Southern Tagalog has the biggest number of hectares followed closely by Northern Mindanao. Western Visayas has the smallest number of hectares devoted to coconut.

Table 3.2

**COCONUT HECTAREAGE BY REGIONS**

(1975)

Region	Number of Hectares	Percent of Total
1. Southern Tagalog	481,750	21
2. Bicol	254,830	11
3. Western Visayas	87,220	4
4. Central Visayas	147,230	7
5. Eastern Visayas	236,110	14
6. Western Mindanao	179,580	8
7. Northern Mindanao	447,440	20
8. Southern Mindanao	339,020	15
Total	2,263,180	100

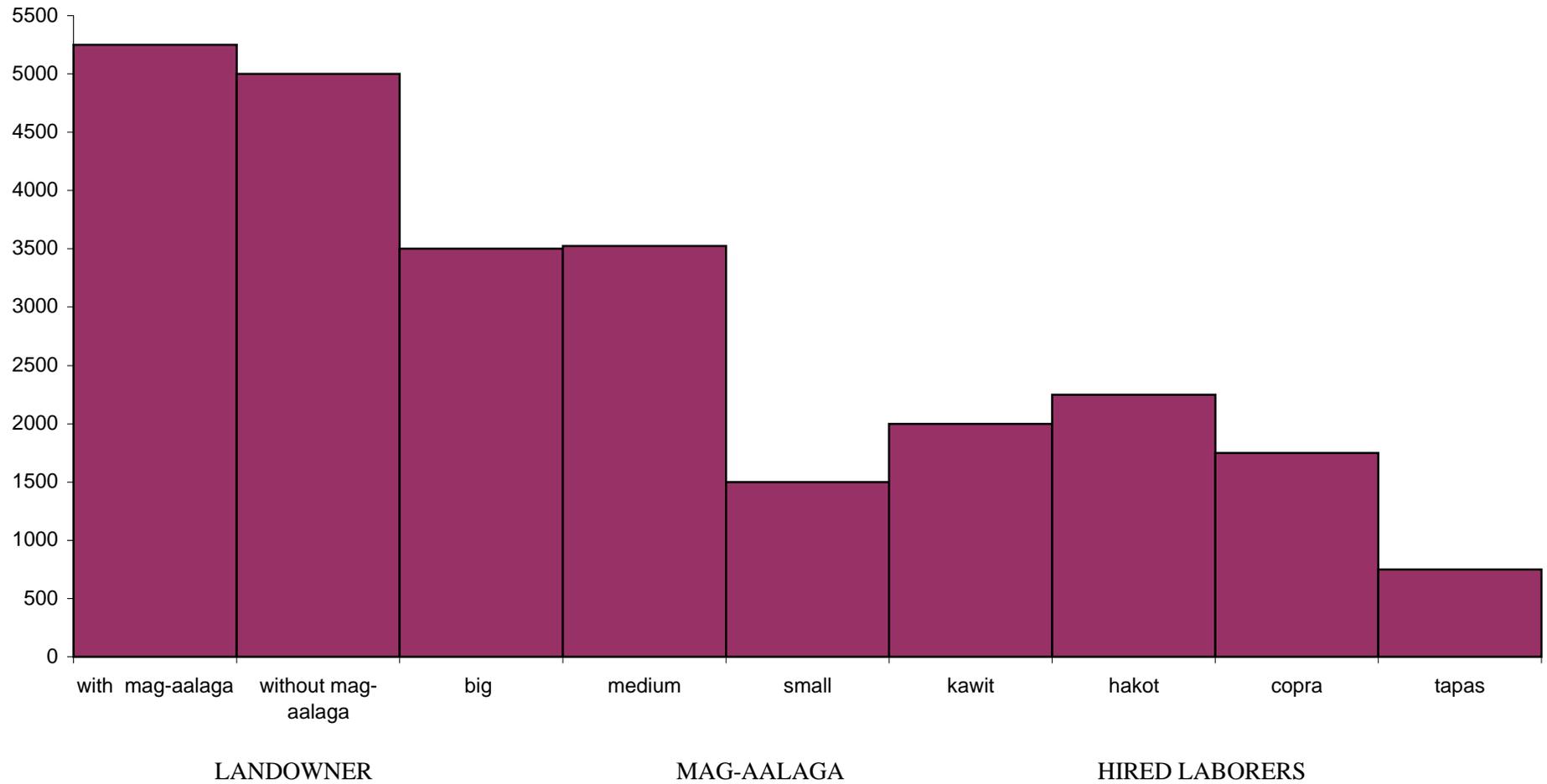
Source: Bureau of Agriculture Economics, 1975.

### 3.3. The Socio-Economic Conditions of the Coconut Farmers

At present, there are few studies on the socio-economic conditions of the coconut farmers. David (1977), Valiente et al. (n.d), Tiglao (1981) and Cornista (1981) devoted sections of their studies on the profile of the coconut farmer. Except for the study of Cornista, the studies made by David (1977), Valiente et.al (1982) and Tiglao (1981) have been conducted at the macro level and present a general picture of the socio-economic conditions of the coconut farmers. Also, except for the study of Cornista, all of the studies are rational in scope.

**Figure 3.1**

**AVERAGE HOUSEHOLD GROSS INCOME FOR 19 WEEKS, SANTIAGO 1  
(1979)**



*Source: Cornista (1982:15)*

### 3.3.1. Income

In the 1946 survey conducted by David (1977) out of 399 coconut farmers, in Luzon, Visayas and Mindanao, he found that 41 percent received annual income under P1,000 or a maximum monthly income of P83.00. Another 29 percent received from P1,000 to P2,000 annually or a monthly average of P123. The rest of the coconut farmers are constituting 12, 6, and 12 percent and received P2,001 to P3,000, P3,001 to P4,000 and P4,000 and above, respectively. On the average a coconut farmer had a monthly income of P142.

Given the poverty line of P7,524.00 (MSSD) in 1977, the annual income received by the coconut farmers were very much below the poverty line.

On the other hand, Tiglao (1981) calculated for 1979, P5,520 as “the average net income of the small landowning peasant employing hired labor for 81 percent of the labor requirements.” This figure is well below the estimated minimum subsistence requirement of P9,663 (Tan’s 1974) minimum cost basket for a family of six in the rural areas adjusted to 1979 prices (Annex 3.1)

The Ministry of Agriculture in a survey for the period 1975-1980, calculated the average gross income at P7,925 for 2,850 coconut farms located in 248 towns and 32 cities all over the country. Farms in Western Mindanao had the highest average gross income of P15,091, followed by Western Visayas, P13,357. The lowest gross income were reported in Bicol (P5,042) and Southern Luzon (P4,473).

Using Tan’s (1978) minimum cost basket of P9,663 for a family of six in the rural areas, the average gross income of P7,925 reportedly in the Ministry of Agriculture still falls below the minimum requirement for subsistence. It is significant to note that while coconut farms in Western Mindanao, Western Visayas, Southern Mindanao, and Central Visayas reportedly an average gross income above the minimum subsistence requirement, the farms in these regions have the highest percentage of owner tenure status. On the other hand, Bicol and Southern Tagalog regions which reported the lowest average gross income have the lowest average gross income have the lowest percentage of owner-tenure status on the other hand, and the highest share tenant-tenure status on the other.

At the micro level, the income pattern reported in three earlier studies is confirmed by Cornista in her study of two coconut villages in Laguna. In one village, she reported a highest average gross income of P5,250 and a lowest average gross income of P1,000 for 19 weeks, or an average of P3,125 for the whole community. Computed on a monthly basis, this is equivalent to P625 which is

not very far from the average monthly gross income of P560 computed from the average gross annual income reported by Tiglao (1981) and the Ministry of Agriculture (1979). Her study also reports similar patterns of income stratification based on tenure. She says, "... where income is primarily derived from coconut farming activities, stratification based on tenure in coconut farms is distinctly apparent. This, in Santiago 1 the landowning households generate the biggest income, the *mag-aalaga*, the second biggest, and the hired laborers, the smallest" (Figure 3.1)

That the farm workers received the smallest gross average income is further confirmed by the study jointly conducted by the Institute of Labor and Manpower Studies (ILMS), Rural Workers Office (RWO), National Wages Council (NWC) and the National Economic and Development Authority (NEDA), hereafter referred to as the farms in the provinces of Quezon (140), Leyte (140) and Davao Oriental (4) reported that majority (56.2 percent) of the farm workers belonged to the P4,000 and below income level. A sizeable portion, 37.1 percent were concentrated on the P1,000 to P3,000 annual income bracket.

The farm worker study elaborates, "As a group, the median annual income of coconut workers for 1980 was P3, 371, with P3,244 for regular workers and P3,560 for roving workers. Roughly, roving workers earned P116 more than the regular workers, which can be attributed to the fact that they worked in more farms in a year and for longer periods like four weeks per month." (Annex 3.2). Moreover, the study found that the annual average income of the farm workers registered a slump over the five-year (1975-1980) period. Between 1975 and 1980, a P600.00 difference (17.9 percent) was noted between the reported P3,358 and P2,758 annual income averages respectively.

### **3.3.2. Expenditures**

The Ministry of Agriculture (1979) study shows that a 78 percent of the total gross cash income was spent for regular living items. Expenses for food accounted for 33 percent of the total gross income. There is a significant difference of 22 percent of how much is spent for food in Western Visayas (20 percent) and Southern Luzon (42 percent), which is due largely to the difference in the total cash incomes. This is followed by savings, 16 percent, education, 10 percent, and others (which include medical expenses, utilities, home maintenance, travel and transportation, recreation, repairs and clothing) 19 percent.

Production costs accounted for all percent of the gross cash income. Special items like repayment of old loans accounted for another 11 percent. (Annex 3.3)

The farm workers study has similar findings. Food also accounted for the number one expenditure, which was 44 percent and 58.7 percent of the total household budget for 1975 and 1980, respectively. With an annual average food expenditure of P2,738, the food expenditure was very much less than the P7,738 annual food budget estimated for each household in the rural areas by the Development Academy of the Philippines (DAP study).

Expenses for education accounted for 11.17 percent and 8.57 percent for 1975 and 1980, respectively, showing a decrease of 2.6 percent. Expenditures for clothing came in next, followed by medicine and transportation. (Annex 3.4)

Other expenses included expenses for special occasions, taxes and the like. House rental accounted for the least expense. Cornista (1981) points out that a general pattern observed among all tenure groups, that is they spend more than what they earn. Consumption expenditures accounts for the bulk of expenses in both villages.

She reports that indebtedness is common to all tenure groups. Frequent borrowing from relatives and “sari-sari” stores explain why coconut households spend more than what they earn.

Summing up the data, all the studies reveal that expenses for food account for the biggest percentage of expenditures in the households surveyed. Significantly, in spite of the very low income of coconut farmers, education comes next as the biggest item for expenditures. The studies also reveal that payment for loans account for a substantial share.

### **3.3.3. Education**

While education comes as the second biggest expenditure for the coconut farmers, their access to education registers very low percentages. David (1977) reports that in his survey of 413 households, 19 percent of the farmers and their wives never went to school and only 2.8 percent actually graduated from high school, while 2.4 percent entered college. Out of the 1,929 children of the families surveyed, 494 were graduates of elementary school, while 281 were high school graduates. Only sixteen were in college. (Annex 3.6)

Citing a Department of Agriculture survey (n.d.), David (1977) notes that on the average 59.31 percent of the men and women finished grade school, 21.38 percent finished high school and 3.51 percent attended college. (Annex 3.7)

The Ministry of Agriculture study for 1975-1980 was not very much different from the findings cited above. More than half or 56 percent of the men finished grade school, while 24 percent finished high school and 12 percent attended or finished college. Seven percent had no formal schooling.

Of the women, 63 percent finished grade school, while 18 percent finished high school and 11 percent attended or finished college. Eight percent had no formal schooling.

The survey also shows that 3.6 percent of the children finished grade school, while 28 percent finished high school, and 16 percent attended or finished college. However, a big percent, 19 percent had no schooling.

The farm workers study also gives a similar report. Majority of the farmworkers or 68 percent had some elementary education while 7.3 percent finished high school and a little over one percent finished college. Eleven percent had no formal schooling. (Annex 3.11)

All of the studies reveal that more than half of the men and women (husband and wife) finished grade school and a very small percentage reached or finished college. On the other hand, less than half of the children finished grade school but a substantial percentage, 16 percent in one study, are able to reach or finish college. However, an increasing percentage never went to school.

#### **3.3.4. Housing**

The coconut farmer's dwelling has been referred to as a "no-cost house." It is normally a one-room affair made of the simplest materials.

The farm workers study gives a comprehensive picture of the housing conditions of the farm workers. The report states, that "most of the farm workers live in a single unit or barong-barong, 60 percent and 36 percent respectively. Only about 4 percent live in a duplex row housing (Annex 3.1)

Seventy-two percent of the respondent's houses have only one room which serves as the living room, dining room, kitchen and bedroom. Most of the houses are made of coconut wood, 41 percent, G.I. sheet/wood, 25 percent and nipa/bamboo, 26 percent.

Most of the farm workers, 73 percent of the regular farm workers and 56 percent of the roving farm workers own their houses but rent the lot on which their house and farm are situated. A very minimal number, 0.8 percent own their lot which they acquired through inheritance. The average

rent ranges from less than P200 to as much as P800 yearly. A substantial number 37 percent do not pay any rent.

The inadequacy of housing conditions becomes more evident in the availability or better still, in the inavailability of household facilities. Piped water systems, toilet facilities and electrical lighting are not available in the average farm worker's house.

The Ministry of Agriculture's study however, gives another picture of the housing conditions of the farm workers. Of the 2,850 respondents interviewed in the study, they found out that 1,650 owned their home lot. Of these, 35 percent had home lots ranging from 101 to 301 square meters in size, while 20 percent had lots of 301 to 500 square meters and 19 percent had home lots 701 square meters and above in size.

The report also reveals that a big proportion, 31 percent of homes are made of concrete, wood and G.I. sheets. Wood and nipa account for 20 percent of the homes while another 20 percent accounts for wood and G.I. sheets. The remaining percent of the home are made of wood, bamboo and nipa.

## **Conclusion**

The diverse points of view taken by the studies cited above on the coconut industry, in particular on who the coconut farmer is, can be taken as an indicator of the present confusion that plagues the industry. While some of the literature do agree on certain aspects in the definition, specific delineations and distinctions with regard to the production processes and division of labor in the industry vis-à-vis the question of who the coconut farmer is manifested in the literature under consideration. It is perhaps within this context that the need for further studies becomes imperative not only for policy planners but also and perhaps more importantly, for the farmers themselves.

The studies under consideration also tried to not only present various definitions of the coconut farmer in terms of the production processes involved in the industry and income levels but also attempted to view them within a specific physical and social environment, i.e., what is a coconut farmer? Most of the studies agree that a great percentage of them have gone beyond the grade school, despite that fact that these farmers place so much premium on education as evidenced by their expenditures. A very high percentage for a one-room type of dwelling has been also reported. On the whole though, one observation that can be forwarded is that the coconut farmers' socio-economic circumstances remain at subsistence level.

## CHAPTER FOUR

### POLICIES AND PROGRAMS OF THE COCONUT INDUSTRY

#### Introduction

Crucial to an assessment of the issues plaguing the coconut industry today is an understanding of the industry policies and programs. There are two ways by which such policies are perceived. One view sees them as part of the government's strategy to spur the coconut industry's development for the benefit of coconut farmers. The other view rejects the first, and instead holds that the same policies and programs redound to long-term negative implications on the industry, particularly the majority of coconut farmers. For example, in a manifesto signed by coconut farmers and workers (*We Are Deep Fried in the Oil We Produce*, May 1982), reference was made to industry legislations in general as the "elite's instruments of oppression and injustice."

This chapter aims to present the policies and programs on the coconut industry and how various studies have estimated the effects of government intervention in the industry. The materials to be reviewed in this section generally pertain to the levy period which began in 1970, a period characterized by the rapid growth of the coconut industry, as well as by the upsurge of criticisms regarding specific programs of the industry.

Policy studies related to the coconut industry are limited, generally concentrating on the economic aspect of the industry. David (1982) studied these in the context of the agricultural sector while Clarete and Roumasset (1982) focused on the industry itself. Both studies agree on the bleak prospects of the coconut industry, particularly in agriculture, considering the existing economic policies of the government.

#### 4.1. Industrialization Policy and Coconut Industry

The Revised Coconut Industry Code of 1978 sums up the government's overall policy regarding the industry. In part, it states:

"It is hereby declared to be the policy of the state to promote the rapid integrated development and growth of the coconut and other palm oil industry in all its aspects and to ensure that the coconut farmers become direct participants in and the beneficiaries of such development growth."

(As cited in ILMS 1982)

This policy declaration has been cited as a reference point for the existing coconut industry program and projections (de la Cuesta 1980; Lobregat 1982). Ironically, the second phrase of the declaration which provides equity among the coconut farmers has been used as the primary argument in criticizing the same programs (ILMS 1982; Ibon (n.d.); David 1977; LUSSA 1982; Tiglao 1981).

The industrialization policy of the government, bears direct implications on the production, manufacture, processing and trade of coconut as a leading export crop and its by-product. Fernandez (1978) cites eight specific strategies for industrialization which cover a broad range of concern from government financing to refunds of premium duty collected on exports. (See Annex 4.1)

These strategies are directly linked to the government goal of sustained rate of economic growth which called for increased productivity and efficiency in agriculture, and the generation of foreign exchange from traditional exports to support the industrialization program. David (1982) cites the increase in government's regulations of agricultural sector, particularly export crops. In the 1970s, government economic policies in terms of price intervention, export, credit, manufacturing and public financing resulted in a biased incentive structure against agriculture (David 1982). Many export crops, including copra, were penalized by lower protection rates and implicit taxes due to government regulations that promoted industrialization via tariff protection. Even credit policies have not significantly improved economic incentives for agricultural products.

In describing the development of the coconut industry in the postwar period, two significant periods can be cited: the pre-RA 6260 phase and the levy period. (See Annex 3.2) Prior to the 1970s the industry developed even with the absence of help or hindrance from government legislations (Hicks 1967). Tiglao (1981) concurs with this observation when he noted that state involvement became crucial to the significant transformation of the coconut industry after 1972. Prior to this period, few commodity-specific policies were issued. Government intervention on export on export crops then was confined to indirect measures (i.e., foreign exchange regulations, exchange rates).

The protection and taxation policies, however, bore negative implications for the coconut industry (Clarete and Roumasset 1982). Using comparative estimates of nominal protection rates (NPR) and effective protection rate (EPR) for copra and coconut oil, they discuss the greater incentive given to coconut oil exports. The study cites several issues resulting from their findings: 1) limited competition with UNICOM as copra buyer and exporter of copra and coconut oil; (for a more detailed discussion of the institutions involved in the coconut industry, see Annex 4.3); 2) increased government intervention in marketing coconut products in addition to intervention in investment and pricing which can lead to an unending spiral of offsetting regulations; and 3) the possibility of a variable levy (corresponding to fluctuations in world prices) on

domestic and export products in order to stabilize producers' income and provide balance to the overall tax system.

Virata (1982), on the other hand, justifies the higher tax imposed on copra exports, stating that the measure aims to counteract tax and trade policies of copra importing countries. He further notes that the policy of limited exportation of copra is "part of a general plan to integrate an industrialized coconut industry and to diversify the uses of coconut oil."

#### **4.2. Legal Background of Industry Programs**

The major programs such as the vertical integration program, subsidy program, national replanting program, welfare programs, subsidy program, and other related programs are generally described with reference to their legal background in a chronological order (ILMS 1982; LUSSA 1982; Clarete & Roumasset 1982; Tiglao 1981). These same resources further cite two important sources of industry funds, the Coconut Investment Fund or Cocofund Levy and the Coconut Consumer Stabilization Fund (CCSF levy). Pertinent Presidential Decrees and Letters of Instruction are also listed in order to account for changes in these two levies especially in terms of amount, implementing period and purposes. Details of current legislations, especially those pertaining to the suspension and changes in the levy, are cited in major newspapers and journals (Cocofed Report 1982; Cocofed Farmers Bulletin 1981). Fernandez (1978) reviews all laws related to the coconut industry, including those on programs, production, tenancy and trade and manufacturing. (See Appendix 2 for a summary of the more important legislations).

As can be gleaned from the provisions of these laws, implementing structures and mechanisms as well as the main components of the programs and their subsequent amendments are accounted for by appropriate legislation. These PDs, LOIs and IOs are cited in the studies reviewed only as part of the background of the coconut industry, programs and the levies. Analysis of particular legislations in terms of industry trends and effects, especially on the welfare of the coconut farmers, are indirectly discussed, i.e., the legislations are cited in the context of reviewing the corresponding program provision, not in relation to the industry in general. As an exception, the study by Clarete & Roumasset (1982) analyzes the effects of protection rates on the coconut industry as a whole.

#### **4.3. Sources of Literature**

A description of specific programs of the coconut industry may be found in the various brochures, bulletins and reports of its implementing agencies, notably PCA, COCOFED and UCPB. Other studies provide a chronological review and analysis of these programs as essential background information for their respective focus of study. ILMS (1982) concentrates on government programs in the industry as they relate to

equity among coconut farmers. Both the Tiglao (1981) and LUSSA (1982) studies emphasize the monopoly issue in discussing these programs within the context of the coconut industry's semi-colonial pattern of trade (LUSSA 1982) and the capitalist orientation of the coconut export industry with the resulting "class and national exploitation" (Tiglao 1981). The implications of CCSF levy allocations to the coconut industry programs were pointed out in a primer published by ACCM (1982). Clarete & Roumasset (1982) focus on efficiency losses in terms of nominal and effective protection rates in the industry.

Other position papers, statements and manifestos issued on the topic discuss certain industry programs, particularly the vertical integration program and the national replanting program. These articles generally emphasize the adverse implications of the two programs on the industry's overall growth and the welfare of coconut farmers and workers.

#### **4.4. Description of Industry Programs**

"Project Cocofund" of 1968 and the cooking oil crisis of 1973 both played significant roles in the development of the Philippine Coconut Industry in the last decade.

The former pressed for the passage of RA 6260, a move which signaled the start of a significant transformation of the 300-year-old coconut industry (ILMS 1982). Tiglao (1981) notes that COCOFED capitalized on the urgency of industry changes and benefits to be derived by the coconut farmers to facilitate the enactment of the law.

Some basic elements of the original Cocofund Program are retained in the existing coconut industry programs, i.e., the establishment of financial institutions for an investment program in the processing and trading sectors, and manpower development (ILMS 1982). The subsidy program was added in 1973. Allocations for the replanting program started in 1974, at the same time as the vertical integration program and the welfare program for coconut farmers, the Cocofed Scholarships which started in 1975 and the Cocolife Insurance benefits which was established in 1977. With regards to the vertical integration program, the following major developments took place: the First United Bank was purchased in 1975 to fund the UCPB; UNICOM was created in 1979; and Cocomark was organized in 1980 (refer to Annex 4.3 for description of UCPB and Cocomark). The subsidy scheme was revised in 1979 to partly support the vertical integration program.

The present industry programs which have received much attention in the literature can be classified under these main categories:

1. Programs which are intended to directly benefit the coconut farmers such as the scholarship and insurance programs (ILMS 1981; Cocofed reports/brochure; Lobregat 1982).
2. Programs which concern the whole industry and have indirect effects on the coconut farmers such as the vertical integration program and the replanting program. (ILMS 1982; LUSSA 1982; Clarete & Roumasset 1982; Ibon 1982; Tiglao 1981; De la Cuesta 1981; Pelaez 1981; Calub 1982; Enrile 1981; other position papers and manifestos).
3. Programs which focus on other members like consumers and manufacturers of the industry such as the subsidy program (LUSSA 1982; Clarete & Roumasset, 1982; Ibon 1980).

Newly established and planned support programs of the coconut industry have not been reviewed extensively. However, cursory descriptions are provided in agency bulletins/reports and newspaper accounts. Most of these programs have surfaced during the last two years, such as the coco diesel program, coconut product diversification, market diversification, and crop diversification (de la Cuesta 1981; Coco Farmers Bulletin 1981; ECOP-ECOR 1981).

Used as a reference, the ILMS (1982) chronologically outlines the major industry programs. Salient features of the programs are included in the succeeding descriptions, which basically summarize four main sources of program reviews; (Tiglao 1981; ILMS 1982; LUSSA 1982 and Clarete & Roumasset 1982 and some brochures/reports of Cocofed, UCPB PCA published in 1981 and 1982). (See Appendix 2.)

#### **4.5. The Subsidy Program**

The subsidy program aims to provide coconut based products at subsidized prices to domestic consumers. The products include cooking oil, laundry soap, filled milk and copra meal. The subsidy is used to compensate for manufacturers' losses when they sell at government controlled prices. Part of the CCSF goes to the subsidy program. The formula for calculating the amount of subsidy is given by ILMS (1982) and Clarete & Roumasset (1982). The latter study also points out that it was from the subsidy program, which started in 1973 as a response to the cooking oil crisis, that the CCSF levy was instituted and got its name, "largely a misnomer when taken in its present context." The levy was used to subsidize consumers and the profit rates of manufacturers of coconut-based products (Tiglao, 1981). At present, the subsidy is no longer included in the levy allocations (LUSSA 1982).

The subsidy scheme has two versions. The old scheme operated in 1973-1979 and provided for direct subsidy to manufacturers. The actual amount given to the program from CCSF collections varied during this period, according to estimates cited by LUSSA (1982). It ranged from 10 percent of CCSF collections in 1973 to 6 percent in 1976 and 20 percent in 1978. Hence, the subsidy became a small fraction of the levy collections. Amounts of subsidy for specific products in the period 1973-1978 are provided by Clarete &

Roumasset (1982). There were periods in 1975 when no subsidies were allocated because the base price of copra was higher than its settlement price.

In 1979, the scheme was revised entitling the UCPB coconut oil mills to be the only direct recipients of the subsidy. Refiners were assured of the subsidy if they purchased their raw materials such as copra or crude oil from the UCPB oil mills. (Clarete & Roumasset 1982).

#### **4.6. National Coconut Replanting Program**

In 1974, through PD 582, the CCSF levy was expanded to include a Coconut Industry Development Fund (CIDF) which aimed to finance the coconut replanting program. To meet the P100 million CIDF capitalization, P20/ck (century kilo) of copra from the P60 CCSF levy was to be remarked for this fund.

De la Cuesta (1980), PCA chairman, cites increased coconut productivity as the primary aim of the replanting program. Production is expected to increase two to three times more than the present volume.

LUSSA (1982), ILMS (1982) and Clarete & Roumasset (1982) summarize the mechanics of implementation of the replanting program.

1. With PCA taking the lead role, the planning phase covered the 1975-1979 period.
2. Within the 40-year implementation phase beginning 1980, 60 percent of the country's coconut farms (about 2,200,000 hectares) would be replanted with the MAWA hybrid variety, claimed to have a higher yield 500 percent and a shorter gestation period (three years), compared to the native variety.
3. The contract to supply all the seed nuts required by the program was awarded by the National Investment and Development Corporation, a subsidiary of the Philippine National Bank, to Agricultural Investment, Inc. (AII). AII's 1,500 hectares of seednut farm is situated in Bugsoc Island, off Palawan. AII stands to profit at least P40 million annually.
4. The government will buy all the seednuts produced by AII at P7.00/nut and distribute these free to farmers. The sale and transfer of coconut hybrids will be exempted from taxation.
5. Model plantations, extension services and other activities will be operated/provided to ensure that farmers are informed of the proper methods for replanting. Estimates for the total cash equivalent of the program in acquiring hybrid nuts, planting and maintaining the replanted farms are provided by ILMS (1982). The study also computed the net profit of the seednut farm for the 40-year period.

De la Cuesta (1980) claims that the program implementation “has been so phased so as to avert radical decreases in production which may result to economic dislocation.” The 1981 PCA Annual Report further cites that the hybrids have not shown susceptibility to diseases. However, both these claims are refuted by Pelaez (1981) and Clarete & Roumasset (1982). The latter study also brought up the issue of “forced” replanting program in addition to cost-benefit considerations.

#### **4.7. Welfare Programs**

The welfare program has two basic components: the COCOFED Scholarship and the insurance benefits.

##### **4.7.1. Scholarship**

Cocofed launched the First Cocofed National College Scholarship Program in 1975. It later assumed a new name, “the Pres. F.E. Marcos – Cocofed Scholarship Grant.” The objective was to develop the manpower competence and expertise of the “coconut people.”

According to the Cocofed brochure, the phase I had 300 recipients and the grantees doubled to 600 in 1976. At present, there are about 6,500 grantees from “deserving children and relatives of coconut farmers and workers.” ILMS (1981) estimates 7,100 total grantees for the period 1975-1980. According to the same study Cocofed claims that it spends P7,800/grantee annually.

Local Cocofed chapters also extend educational scholarships to its members (Lobregat 1982; ILMS 1981) from national funds allocated for such purpose.

Certain provisions are required by the program in terms of qualifications of grantees, selection procedures starting from the municipal level up to the national level, priority courses and choice of schools, and coverage of the scholarship grant.

##### **4.7.2. Insurance**

The program was launched in 1979. Without paying any premium, Cocofed members are insured for P10,000. The funds from the Coconut Farmers’ Refund (basically for social amelioration projects for farmers) are invested in the United Coconut Planters Life Assurance Corp. (UCPLAC), a sister company of UCPB. This fund originated from the 40% surplus of the money allotted for the subsidy program (ILMS, 1981; Clarete & Roumasset, 1982).

According to the latter study, there are also plans to include medical benefits for coconut farmers. Lobregat (1982), Cocofed president, states that Cocolife has paid over P200 million to beneficiaries of coconut farmers.

#### **4.8. The Vertical Integration Program**

This program is the most widely covered by the literature under review, considering the encompassing implications on the whole coconut industry in terms of economic structures, investments and industry leadership. In fact, it has been the focus of most criticisms and justifications based on the very principle on which it was founded, that of “enabling the coconut farmers to become traders, processors and bankers, as well” (Clarete & Roumasset 1982; Tiglao 1981).

As early as 1973, even before the imposition of the CCSF levy, vertical integration of the coconut industry was embodied in PD 232 (ILMS 1981). It was later reiterated in the over-all policy declaration in 1974 contained in PD 414).

The program, which was one of the original purposes of the Cocofund levy, formally started with the appropriation of part of the CCSF revenue for PCA investment in 1974. This linkage between the vertical integration program and the CCSF has been provided through legislations (ILMS 1981; Clarete & Roumasset 1982; LUSSA 1982).

“In 1974, PD 414 apportioned part of the levy to the PCA for investments in processing plants. In the following year, PD 755 authorized the PCA to purchase PUB in behalf of the coconut farmers. These were followed by provisions in PD 1468, creating the Coconut Industry Investment Fund (CIIF), establishing a new subsidy scheme in 1978. In May 1979, LOI 857 created the Copra Price Stabilization Fund (CPSF). Finally, the UNICOM was given full support by the government in LOI 926, issued in September 1979” (Clarete & Roumasset 1982).

Four entities have been closely associated with the operationalization of the vertical integration program, namely the UCPB, UNICOM and COCOMARK and quite recently, UNICHEM (see Annex 4.4).

#### **4.9. Other Support Programs**

In response to the “bearish market situation” and to cushion its adverse effects on coconut farmers, several support programs have been instituted and has since then gained momentum in the industry. These support programs are merely cited in the literature but not described in detail.

#### **4.9.1. Product Diversification**

Foremost among the products being currently developed is the coco diesel, which is a mixture of 20 percent coco oil and 80 percent diesel. Other products from account include chemicals from coco oil, cheap protein from copra meal, detergents, explosives, etc. Other parts of the coconut can also be used for lumber, charcoal and raw materials for crafts. (De la Cuesta 1980, 1981; Manuel & Maunahan 1982; Coconut Farmers Bulletin 1981; PDCP-ECOR 1980).

#### **4.9.2. Market Diversification**

The penetration of non-traditional markets can significantly increase the demand for copra, and this can directly influence domestic prices of copra and farmers' incomes. Some of the countries being tapped are China, Mexico, Russia and Eastern European countries. (De la Cuesta 1980, 1981; Manuel & Maunahan 1982; Coconut Farmers Bulletin 1981; Lobregat 1982).

#### **4.9.3. Crop & Income Source Diversification**

Alternative income sources can be explored so that coconut farmers can cope with their present financial problems, brought about by low copra prices. These include intercropping in their coconut farms, fishing, cattle and poultry raising. (De la Cuesta 1981; PDCD-ECOR 1981).

#### **4.9.4. Program of Local COCOFED Chapters**

Local COCOFED chapters engage in copra trading, cottage industries, animal raising and dispersal, cooperatives; offer credit facilities; grant scholarship; and manage other productive activities of its members. (Lobregat 1982).

### **4.10. Program Administration**

The leadership and supervision of the major programs in the coconut industry are vested on three institutions: COCOFED, PCA and UCPB.

<u>Program</u>	<u>Supervision</u>
Subsidy Program	PCA
Replanting Program	PCA
Vertical Integration Program	UCPB-COCOFED-PCA
Welfare Program	UCPLA-COCOFED

#### **4.10.1. Philippine Coconut Producers Federation (COCOFED)**

COCOFED dubbed as the only “franchised” organization of coconut farmers in the Philippines, is a private non-stock and non-profit organization mainly oriented toward service and development. Its major tasks include farmer organization, intensive manpower development, massive information program, promulgation and implementation of farmer-oriented programs and liaison functions with government and private entities (Manuel & Maunahan 1982). However, the organization’s representativeness of the interest of the majority of farmers has been questioned (David 1977; LUSSA 1982; Tiglao 1981). This is of course refuted by Cocofed Pres. Lobregat (1982) who claims that “the primary focus of our effort is the coconut farmer.”

Specifically, Cocofed takes charge of the scholarship program and the copra collecting centers.

#### **4.10.2. Philippine Coconut Authority (PCA)**

PCA is the only government agency administering the coconut industry. However, a significant role is given to the private sector since industry programs are financed by funds which are privately owned (ILMS 1981). Its seven-man board is composed mostly of representatives from the private sector.

In addition to its replanting program which aims to increase farm productivity and stabilize coconut supply, PCA has also three research centers for coconut-related studies (Manuel & Maunahan 1982). Industrial research activities on product and process development are conducted. Local offices also provide technical assistance to farmers.

#### **4.10.3. United Coconut Planters Bank (UCPB)**

In behalf of its legal owners, the coconut farmers, UCPB has invested part of its capital in UNICOM, COCOLIFE, COCOMARK and other entities. It also offers production loans to its members. Stock certificates of the bank are distributed to farmers through cocofund receipts. Whether or not these certificates reach their rightful owners is subject of another controversy (Clarete & Roumasset 1982; Manuel & Maunahan 1982; LUSSA 1982).

Upon examination of the list of the board of directors of these major institutions and other affiliate organizations (UNICOM, ACCRA Investments, JAKA investments, Agricultural Investors

Inc., UCPLA, UNICHEM, etc.) most literature agree that there exists interlocking directorates like a “formidable Spartan Phalanx” (Enrile 1981; Ibon 1982; LUSSA 1982; Calub 1981; Tiglao 1981). Such arrangement has been rationalized as a measure to “harmonize, coordinate and harness all sectors of the industry in the planning and implementation of all the diverse programs in the industry” (Enrile 1981).

Tiglao (1981) calls the organizations (COCOFED, PCA and UCPB) as the “institutional form of the power elite” in the coconut industry whose centralized nature is manifested in their interlinking boards. He further named the seven prominent personalities in the industry whose names repeatedly appear in the major organizations’ boards of directors. This contention is further supported by LUSSA (1982) and Calub (1982).

#### **4.11. Sources of Funds**

A funding mechanism to pursue the coconut industry programs was set up in the early 1970s. It started with the Cocofund Program which through RA 6260 provided for the collection of the cocofund levy until the P100 million capitalization for CIC was reached. (According to the PCA Annual Report 1981, the amount was reached in December 1981).

From then on, the coconut levy has undergone several changes in terms of name, amount and allocation. Ibon (1982) provides a review of the pertinent changes in the levy for the 1968 to January 1982 period. Most other studies (LUSSA 1982; Clarete & Roumasset 1982; ILMS (1981) have focused on the CCSF, covering the 1973-1980 period.

What began as a source of consumer subsidy in mid-1973 when cooking oil was scarce has evolved into a general funding source for all multipurpose projects managed by COCOFED & PCA. However, the exact total CCSF revenue is not known. Even estimates vary from P6 billion for 1973-1980 (Business Day, 1980), to P7.4 billion (Clarete & Roumasset, 1982) to P8 billion (Ibon 1982); David (1977) computed CCSF revenue for 1973-1977.

The amount of levy and the corresponding allocation for the different programs have changed more than ten times, Clarete & Roumasset (1982) outline these changes. The levy which was imposed for the longest duration amounted to P60/ck copra. Major studies tend to agree on the allocations given to the various programs (LUSSA 1982; Clarete & Roumasset 1982; Ibon 1982; ACMM 1982; and Coconut Farmers Bulletin 1981). (See Annex 4.5.)

When the levy was scrapped in September 1981, the continuation of the programs supported by the levy became a big question. Upon the reported “clamor” of the coconut beneficiaries (Coconut Farmers Bulletin 1981) and/or industry leaders (LUSSA 1982), the levy was restored in October 1981 at P50/ck. The CCSF levy was renamed the Coconut Industry Stabilization Fund (CISF). Then in January 1982, the assessment rate was further reduced from P50 to P32. This reduction was embodied in the provisions of PD 1842 which provides for levy adjustments to world prices of coconut oil.

Ibon (1982) summarizes the levy allocations for September 1981, October 1981 and January 1982. The amounts were also cited in the Coconut Farmers Bulletin (1981-1982). (See Annex 4.6.)

## **Conclusion**

The foregoing discussions described the provisions for the growth of the coconut industry as embodied in the industry policies and programs. The data sources reviewed are both descriptive and evaluative. One basic question, however, remains unresolved: are the productivity and industrialization goals of the coconut industry (including their mechanisms for implementation) being pursued to the detriment of the majority of the coconut farmers and their families.

## CHAPTER FIVE

### **THE IMPACTS OF COCONUT INDUSTRY PROGRAMS**

#### **Introduction**

While the policies and programs of the government related to the coconut industry have been hailed by some sectors as a definite boost to the development of the industry, various questions and arguments against precisely those have been also raised by many studies. This section deals with the various impacts of such policies and programs. Some of the programs and their corresponding impacts have been extensively written about, others still are in need of a more comprehensive research and analysis.

The controversies generated by the policies and programs of the coconut industry have elicited a spate of criticisms and reactions from different sectors in the form of letters, position papers and manifestoes. Thus such materials have been deemed necessary in the discussion of the research problem at hand. This effort should hopefully provide a more rational and coherent picture of the problems and prospects that confront the industry.

#### **5.1. Scholarship Benefits: Pros and Cons**

Very little has been written about the scholarship program of the coconut industry, much less on its impact on the program beneficiaries, the coconut farmers. The COCOFED published a primer called “President Ferdinand E. Marcos-Cocofed Scholarship Grant” which provides background information and discusses the technicalities and mechanics of the program. The ILMS study (1981) also describes the program and its mechanics, such as the criteria for the selection of grantees.

The scholarship program has presently a total of 7,100 grantees in the college level. For its high school and vocational scholars – in 755 provincial chapters and 957 municipal chapters – it extends scholarship amounting to P10,000 per province and P5,000 per town annually (ILMS 1981).

Table 5.1

**Number of Grantees of the PEM-COCOFED/Scholarship Program  
(1975-1980)**

<b>YEAR</b>	<b>NEW GRANTEES</b>	<b>CUMMULATIVE <u>1/</u></b>
1975	300	300
1976	600	900
1977	1,200	2,100
1978	2,900	5,000
1979	900	5,900
1980	1,200	7,100

---

Note: Assuming a four-year college of all grantees.

The following are the qualifications of applicants for the program:

1. A COCOFED member or relative to one by:
  - a. third degree of consanguinity
  - b. third degree of affinity
  - c. birth (a child)
2. Financial inability to pursue a college course.
3. A high school graduate belonging to the upper 25 percent of the graduating class.
4. Passed the National College Entrance Examination (NCEE).
5. In good physical condition and of good moral character.
6. Not convicted of any crime involving moral turpitude.
7. Not enrolled in college at the date of application.
8. Not more than 25 years old.
9. Single.

Source : ILMS 1981, p. 43.

The COCOFED report (1980) claims that a total of 10,402 children/relatives of coconut farmers have been benefited by this program as of 1980 (Manuel and Maunahan 1982). However, the coconut areas too, as shown by recent studies conducted by the Ministry of Labor and the World Bank, register the highest dropouts, a problem that is aggravated by the drop in coconut prices (Ocampo 1982). However, in a study conducted by Manuel and Maunahan (1982), it has been pointed out that only one out of the 420 sample

farmers received educational benefits from the government agencies in strategic places, in this case the COCOFED. This observation then puts the fair implementation of the program in question.

Most of the farmers likewise reported that since the COCOFED scholars are selected on the basis of mental ability, and since only a limited number can qualify under the criteria cited above, the great majority of the farmers' dependents are deprived of the opportunity to further their studies. Another issue being raised by coconut farmers is the possibility of the scholarship program being dissolved in instances when copra prices are increased, thus enabling the farmers to personally send their dependents to school. Further, the coconut farmers actually shoulder the educational expenses of the scholars since a specific amount is collected by the COCOFED from individual farmer-members. It may be worth to mention that only one out of 420 sample farmers received educational benefits from government agencies situated in strategic places, in this case, the COCOFED (Table 5.2). However, while COCOFED was not originally conceived as a government institution, the same has been categorized by a number of studies as such.

The MOLE-NEDA survey of 320 coconut farmers in Quezon, Leyte and Davao Oriental in 1982 cites the scholarship program as the second most-widely known (after insurance) among the 763 farm workers interviewed (65 percent), while 83.4 percent of farm operators interviewed (N-320) are aware of the program. However, only 5.3 percent of the farm workers and 28.1 percent for farm operators reportedly benefited from or had access to the program. The scholarship is the most favored program among farm workers (36.5 percent); there is no similar tabulation for farm operators. Twenty three (23) percent of the farm operators interviewed were of the opinion that the program actually helped improve their living conditions, while only 15 percent said the program may help improve their conditions; farm workers have no tabulation on this. Only 8.4 percent of farm operators interviewed did not favor the program.

A number of literature on the scholarship program have posed certain question and/or arguments regarding the claimed benefits of the program. LUSSA (1982) inquires whether the estimated 30,000 collegiate and high scholars include children of coconut tenants and farm workers. One source claims that only children of the well-to-do are able to avail of the scholarship program. The Economic Emancipation Association of the Philippines, Inc. (see Annex 5.1) is more blunt when it states that the scholarships for dependents of the coconut farmers are actually forcibly exacted from them through the levy. The Asosasyon Pagpanghikawas sa Industriya sa Lubi or APIL (Annex 5.2) on the other hand, says that it is the government's duty to provide education to the youth of this nation and that the levy exacted from the coconut farmers is being paid over and above other taxes.

APIL-Mindanao (Annex 5.2) further states that "farmers can better afford to send their children to school only if the levy will not be collected from them." The paper also claims that the investment made from the Cocofund earnings are more than enough to sustain the scholarship programs amounting to P59.83 million

account for only 7.5 percent of the levy collection and that it has the lowest percentage share of the coconut subsidy (CACP Journal 1982, quoting Business Day), “trickle of the whole package of benefits” (ILMS 1981).

## **5.2. Insurance Benefits**

The MOLE-NEDA study (1982) reveals that the insurance program is the best known among the workers (89.7 percent of the 60 percent who are aware of this government program); but it is the best known among farm operators (76.2 percent). Among farm workers, next to the scholarship grant, it is the second most favored program (34.3 percent). Among farm operators, it ranks first among the programs which have helped improve living conditions. As to actual beneficiaries, a low 5.3 percent of farm workers received benefits, against the high 37.7 percent among farm operators. Among the latter 6.3 percent did not like the insurance program.

In a survey done by Manuel and Maunahan (1982) among 420 coconut farmers, only seven or a low 2 percent claimed to have received insurance benefits (see Table 5.2). However, in a letter Enrile (1981) (see Annex 5.2) states that the “insurance program...is highly advantageous” since a farmer is insured uniformly at P10,000 each on a non-medical, non-selective basis...regardless of his age, volume of copra production and without any medical examination. Moreover, the insurance policy is participating policy, which means that the insured farmers share in the profits”. Enrile further claims that 95 percent of those insured with COCOLIFE are above 50 years, and that in a short span of four years, it has paid 113,433 death and five disability claims – a total of P132,849,072.00.

Despite such claims however, various groups and studies have come out with several issues attacking the insurance program for the coconut farmers. One of the issues is that the insurance premiums being collected are exclusively high, and that the ratio between the levy and the policy does not benefit the farmer, i.e., if a farmer sells more, he is charged more, but the policy is not increased (Bunawan Coconut Planters Association n.d.; see Annex 5.4). The same association attacks the program on the charge that the policy has narrow scope and coverage.

Another issue raised is that insurance coverage is a task of the government, not of the farmers whose levy payment is over and above the other taxes collected from them (Annex 5.2).

Table 5.2

**Assistance or Service Provided by Government Agencies in the Area  
420 farmers; by province; Philippines, 1981**

PROVINCE	SERVICES <u>a/</u>							
	Technical <u>b/</u>	Credit	Educ'l. Benefits	Inputs	Insurance	Others <u>c/</u>	None	No Answer
Luzon	<u>NUMBER REPORTING</u>							
Laguna	-	-	-	-	-	-	-	60
Quezon	5	1	-	-	4	-	33	17
Bicol								
Camarines Sur	-	-	-	-	1	-	26	33
Albay	-	-	-	-	-	1	26	33
Visayas								
Leyte	13	1	1	3	-	-	1	43
Mindanao								
Misamis Oriental	13	1	1	-	2	-	34	11
Davao del Sur	13	1	1	2	-	-	20	26
Philippines	44	4	4	5	7	1	140	223
Percent	10	1	1	1	2	<u>d/</u>	33	53

- Note:
- a/ Some farmers gave more than one answer
  - b/ Includes seminars, lectures, advices, information and the like
  - c/ Includes t-shirts and calendar
  - d/ Less than 1%

Source: *Manuel and Maunahan, 1982, p. 135.*

### **5.3. The Replanting Program**

Of the several programs in the country industry, replanting is one of the more controversial. Still: not much has been written about it, except for the impact study done by MOLE-NEDA (1982). In Manuel and Maunahan (1982), no specific assistance is categorized as replanting rather the classification is termed as “technical assistance and input.” A group of professors, on the other hand, at the University of the Philippines in Los Baños, focuses on the viability of the program with regard to the use and propagation of the Ivory Coast hybrid seednut. The study also gives recommendations on how to resolve the issues.

The ILMS study (1981) describes the mechanics of the program, computes the cost and benefits and enumerates the issues pertinent to the program, while Clarete and Roumasset (1982) give a brief program description and outline the issues affecting the program.

The replanting program was conceived to boost production and speed up the growth of the industry; farmers are reportedly able to produce only an average of one ton of copra per hectare per year. Scientists developed a coconut hybrid capable of boosting the low yield by as much as five tons per hectare. Through Presidential Decree No. 582 (Annex 5.6), Presidential Marcos ordered the Philippine Coconut Authority to formulate and implement a nationwide replanting program (COCOFED Report 1982). The program is aimed to replanting 60 percent of the country’s coconut plantations with a coconut hybrid by the year 2020. The hybrid is a cross between the West African tool and Malaysian dwarfs, and is alleged to have a 500 percent advantage in yield with a shorter gestation period of three years (Clarete and Roumasset 1982).

Clarete and Roumasset (1982) further note that the funding for the massive replanting program comes from the CCSF levy which mandates that 20 out of every 60 pesos is to be allotted under the Coconut Industry Development Fund (CIDF).

Again, the only known impact study on this program was done by MOLE-NEDA (1982). The study reveals that only 14.9 percent of farm workers interviewed knew of the replanting program, with 13.8 percent in favor of it. However, a dismal 1.5 percent reportedly benefited from it. Among farm operators, 40.3 percent admitted having knowledge of the program. A high 47.3 percent perceive it will help improve living conditions. However, only 24.8 percent had access to or actually benefited from the program. Ironically, 49.9 percent did not favor the program.

Issues raised by various studies may be classified under four general heading: 1) program rationale 2) program implementation, 3) equity implications, and 4) the use of the hybrids.

### **5.3.1. Program Rationale**

Clarete and Roumasset (1982) question the principles of a “forced” replanting program. The study asserts that government intervention is a highly questionable move, and that if current coconut land values appreciate because of “superior coconut technology” then there is no need for government intervention since the farmers would naturally plant the high-yielding varieties. The study further notes that what is probably more desirable is a program of subsidizing planting materials along with extension services, since farmers tend to be “privately efficient in (their) choice of technique.” On the other hand, David (1977) asserts that “replanting is rational only when done on senile trees and not totally on all existing productive trees. Productivity is not a sole function of tree variety but also of improved cultural practices like weeding, cultivation, fertilization, covercropping, intercropping, pest and diseases control, etc. – all of which in turn depend on the socioeconomic status of the ... coconut farmer himself.”

The ILMS study (1981) raises the point of production net loss with the replanting program and states that in early 1980, there was expectedly a loss of half a million tons which may climb up to 182.7 million tons in 1986. Such a situation places the international demand for coconut under threat and consequent structural changes may lead to more favored coconut substitutes. It has been noted that there is declining demand for traditional coconut products, particularly coconut oil. Soya bean, palm oil, sunflower seed and cottonseeds have been observed to cut off the market for coconut oil (Sacerdoti 1982).

### **5.3.2. Program Implementation**

The ILMS study (1981) poses three main questions pertinent to this issue: 1) What is the basis in the selection of the farms? 2) What will happen if the program is lifted for whatever reason in the middle of its operation? 3) If according to Pres. Marcos, 60 percent of all coconuts in the Philippines will be replanted in the next 10-20 years, what happens to the 40 percent?

A paper of anonymous authorship titled “Suspension of the Coconut Levy Free Enterprise and the Massive Campaign to Pastore the Coconut Levy thru Mass Media,” (Annex 5.8 further claims that a total of P479 million worth of seedlings have been bought by the government ostensibly for distribution to coconut farmers who pay the coconut levy for years but must wait after 40 years to claim his seedlings.

### **5.3.3. Equity Implications**

It has been pointed out that even farmers who are not participants in the replanting program have twenty pesos deducted from their sale of every hundred kilos of copra, meaning that a farmer contributes to the program that he may not need or avail of. Thus, “the more he sells, the greater the amount taken from him” (Bunawan Coconut Planters and Copra Producers Association, Inc. (Annex 5.4). A more unjust aspect of the program is revealed by David (1977) when he states that a sum of P1.1 billion were provided by poor coconut farmers to finance the production of super hybrid seedlings that would be distributed free to the selected landlords. The poor farmers, a great majority, are disqualified from this scheme since they own no land on which to plant them.

Virata (1982) acknowledges this when he admitted that “these farmers are actually financing the operation and maintenance of this private enterprise.”

David (1977:112) also asserts that in any event the hybrid replanting program succeeds, only the big coconut landowners stand to gain from it since by the time the replanting has been completed they shall have also “consolidated their landholdings into bigger plantations, and thus be in a stronger position to resist the demands of the coconut farmers for their just rights over the land.” The study further suggests that “hybridization-replanting should proceed only after the coconut farmers are raised to their just socioeconomic position. The human principle of social equity precedes, fundamentally speaking, from the technical principle of productivity.” (p. 112)

The ILMS (1981) study notes that while the goals of the replanting program may be good, the design is bad, and suggests that education of the farmers and a policy for production increase, expansion of markets, and development researches may be the more effective and just directions to take.

### **5.3.4. The Use of Hybrids**

APIL Mindanao (Annex 5.2) attacks the replanting scheme vis-à-vis its claimed “high productivity and early yielding characteristics” of the MAWA hybrids, without due considerations for the intensive care it needs through constant fertilizing and use of pesticides.

Some scientists from the University of the Philippines, Los Baños (1979), furthermore claim that such a hybrid has not undergone performance tests against the record of locally-cultivated varieties like “Laguna” or “San Ramon.” They further say that the imported hybrids and varieties are susceptible to two diseases of unknown causes, based on experiments in Ivory Coast. Experience in

the citrus and coffee industries have proven that the outbreak of a disease of pest can wipe out the entire coconut industry. It takes considerable time before a new crop becomes productive. Apart from all these, the hybrids' peak productivity is limited to 35 or 40 years (APIL Mindanao, Annex 5.2).

Since yield is the alleged benefit of the technology and is measured in terms of nuts/tree, it may be worthwhile to examine the program since the hybrid nuts are only one-half to two-thirds of the size of the native nuts (Clarete and Roumasset 1982).

One of the avowed objectives of the Philippine coconut policy is to increase the growth of coconut production, on the one hand, and to integrate the different sectors of the industry, on the other. Thus, as the policy-makers perceive, such goals may be the means to promote equity and uplift the conditions of the coconut farmers (Clarete and Roumasset 1982). However, the replanting program, i.e., the hybridization in particular, has created several problems for the coconut farmer. One, the use of a relatively new technology requires added cost on him in terms of fertilizers and use of pesticides. Further, the hybrids are untested, produce shorter trees, and bear smaller nuts. On the whole, the replanting may prove to work against the welfare of the coconut farmer.

#### **5.4. Other Issues Against the Levy**

##### **5.4.1. Accounting**

The levy policy is the most controversial issue that plagues the industry. Presidential Decree 1468 (Annex 5.7) mandated the collection of the CCSF levy, a private fund, by the Philippine Coconut Authority but management of said fund would be under the United Coconut Planters Bank.

The controversy stems from the levy's fund being exempted from mandatory government audit, despite the fact that it is the government that collects it (Clarete and Roumasset, 1982). Several position papers issued by various groups argue that the farmers have the right to know how their money is being spent, saying that since it is public fund, it is therefore subject to public audit (Bunawan Coconut Planters Association, APIL, Friends of the Coconut Farmers and Workers, FCFW, Studies for Decision).

Enrile (1981), on the other hand, explains that the PCA is audited by the Commission on Audit, while UCPB, depository of the levy, is audited by the Central Bank and by C.J. Valdez and Co. an independent public accountant. The United Coconut Planters Assurance Corporation, COCOFED and UNICOM are all audited by the Insurance Commission and Sycip, Gorres-Velayo and Co. (SGV).

Even the actual amount of the total levy collection seems is not known though definitely it involves a huge sum. Clarete and Roumasset (1982) estimate the 1973-1978 fund to be 5.5. billion pesos with an annual average of 916.667 million pesos. The Clarete and Roumasset study (1982), claims that information about the fund is “inaccessible.” A letter of appeal, on the other hand, compares the 1981 estimated levy with 1981 government expenditures and argues that the former can support the latter in the coconut producing regions. (Table 5.3)

Table 5.3

**COMPARISON OF GOVERNMENT EXPENDITURES AND  
THE COCONUT LEVY COLLECTIONS  
(by Region)**

<b>Region</b>	<b>Estimated Coconut Levy (1981)</b>	<b>Government Expenditures (1981)</b>
IV	178,512,281	279,009,000
V	103,907,417	65,896,000
VI	29,422,604	92,096,000
VII	30,942,557	68,273,000
VIII	59,914,399	57,352,000
IX	166,137,897	40,394,000
X	147,747,475	75,968,000
XI	199,506,534	84,607,000
XII	129,458,291	40,099,000
<b>Total</b>	<b>1,045,545,000</b>	<b>803,694,000</b>

Source: “A Letter of Appeal to President Marcos et al.” (n.d.)

#### **5.4.2. Levy Incidence and Equity Implications**

Foremost among the issues on the effects of the levy is that of its incidence and subsequently, its equity implications. In other words, the issue centers on who bears the burden of the levy.

Presidential Decree No. 1842 (Annex 5.9) issued on January 16, 1982 states that the levy would be paid by exporters, millers, refiners, desiccators, and other end-users and would be remitted upon sale (local trading) or applications for export clearance (Manuel and Maunahan 1982).

However, it is argued that although the tax is collected at the miller's level, the incidence of the tax is clearly on the farm level (David 1982). The levy is legally imposed on end-users particularly the millers and exporters; in reality, the farmers indirectly shoulder it in that the millers can pass the burden to the middlemen, then the latter to the farmers through price reduction. An anonymous open letter to Pres. and Imelda Marcos, and the KBL discusses how "the coconut producers bear the full weights of the coconut levy." (Annex 5.10)

Those who argue that farmers pay the levy state that this burden is not equitably distributed. The reason that a farmer pays a fixed amount regardless of whether or not the price is remunerative. Both the rich and poor coconut farmers pay the same P.60 per kilo each, hence, there is a greater burden imposed on the poor farmer (cited in Studies for Decision, 1981). Even assuming that the program can really benefit them, it is not fair to require small coconut farmers to pay the levy with an annual income of only about P1,500.00 (ILMS, 1981).

Columnist J. Bigornia quotes Davao farmers whose perception of the problem goes beyond the issue of paying the levy: And they wrote: "What makes the levy objectionable to us farmers is that we have never really had any say about it. Whether we liked it or not, we are forced to support programs that go with the levy because we pay them anyway" (*Bulletin Today*, November 24, 1981). Majority of them ironically are not aware of the mechanics regarding such a levy and where it really goes (Manuel and Maunahan 1982; ILMS 1981).

Other questions that pertain to the levy is the claim that it is a cause for the uneven development of the Philippines with regard to urban and rural areas. That same letter of appeal (1982) addressed to Marcos et al. (Annex 5.10) claims that at least one billion seven hundred million pesos a year is siphoned out of the countryside into the urban area. Of this, P1 billion is supposedly from the coconut levy. The same letter of appeal further contends that the levy taken out of the farmer's price reflects a corresponding decrease in money circulation and in purchasing power in the local economies.

Table 5.4  
**EFFECTIVE OR NET DECREASE IN MASS PURCHASING POWER**  
 (by Region)\*

Southern Tagalog Region	P	2.900 million
Bicol Region		528 million
Eastern Visayas		877 million
Western Visayas		964 million
Northern Mindanao		725 million
Southern Mindanao		2.251 million
Central Mindanao		302 million

\*CRC calculation

Source: As cited in “An Open Letter of Appeal to President Marcos et al.” (Annex 5.10)

The question of “who pays the levy?” brings about the next question of “who benefits?”

To be able to avail of the program benefits, a coconut farmer has to have registered Cocolfund receipts.

(The table below summarizes the responses of farmers to the issue of Cocolfund receipts).

Table 5.5

**COCOFUND RECEIPTS (2,850 COCONUT FARMS) PHILIPPINES, 1975-1978**

<u>REGION</u>	Did You Get Cocofund Receipts?		If Yes, What Have You Done With Them?				
	<u>YES</u>	<u>NO</u>	<u>REGISTERED</u>	<u>KEPT</u> <u>THEM</u>	<u>GAVE TO</u> <u>LANDLORD</u>	<u>SUBMITTED</u>	<u>OTHERS</u> <u>TO PCA</u>
N & C Luzon	14%	86%	52%	45%	3%	-	-
S. Luzon	46	54	20	68	4	4%	4%
Bicol	49	51	34	55	6	-	5
W. Visayas	66	34	47	34	3	9	7
C. Visayas	80	20	71	20	1	6	2
E. Visayas	55	45	24	38	2	17	19
W. Mindanao	89	11	89	11	-	-	-
N. Mindanao	69	31	61	27	3	3	6
S. Mindanao	70	30	69	34	3	3	1
<b>Average</b>	59	41	49	35	6	5	5

Source: Figures from the National Food and Agriculture Council as cited in ILMS, 1981.

The Cocofund receipts are issued to end-users who transfer them to copra buyers and then to the coconut producers.

Tiglao (182:82) observes that “while levy payments are automatically collected in copra purchases (daily copra prices are in “net of levy” terms), registration of the Cocofund receipts do not show the same efficiency.” V. David (1978) reports that some end-users and dealers sell the Cocofund receipts to landlords while others give them as gifts to Cocofund officials and PCA officials.

## 5.5 Industry Revitalization

In an effort to revitalize the industry through rationalization, the President signed LOI 926 creating the United Coconut Oil Mills Incorporated (UNICOM), a private domestic corporation which serves to pool and coordinate the resources of the coconut farmers and the oil mills in the buying, milling and marketing of copra and its by-products. It is jointly owned by the coconut farmers and oil millers (Manuel and Maunahan, 1982).

Compared with the other programs financed by the levy, more has been written about the UNICOM. The UNICOM is one, if not the most controversial issue of the Philippine Coconut Industry.

Manuel and Maunahan (1982) contains a section with a very brief background of UNICOM. It focuses more on the effects on coconut farmers and copra traders, especially with regards to trading and marketing.

One of the issues raised by the same study refers to the integration of the mills, a policy which created a monopoly in the milling sector. UNICOM which undertakes the marketing of the greatest volume of copra and coconut oil exports in effect exercises control over the same. "Free enterprise," argues Manuel and Maunahan has "disappeared," and the several alternatives on the choice of marketing outlets which previously existed have practically been closed for both farmers and local dealers. While the effects of such a marketing structure still has to be thoroughly examined, many farmers and traders are still in the dark as to the role of UNICOM (Manuel and Maunahan, 1982).

ILMS (1981) on the other hand, provides the more extensive legal and historical background on the establishment of the UNICOM. Insights or possible consequences of this corporation are likewise given. The study poses several questions on the establishment of the Corporation, the most important being. "Is there any reason to believe that LOI No. 926 was issued because UNICOM was already effectively controlling the milling industry to give it formal government recognition rather than the letter's avowed purpose to solve the millers' problems?" (ILMS, 1982:39)

Clarete and Roumasset's (1982) write-up on the UNICOM is similar to that of the ILMS study, and further relates UNICOM to the vertical integration program of the coconut industry.

Tiglao (1981) deals more on the monopolization of the coconut oil milling industry and how this came about.

LUSSA (1982) tackles more the ownership and administration aspects especially in line with the industry's interlocking directories. In addition, it exposes recent developments and more controversial issues.

Magazine articles and newspaper accounts, and position papers and statements from different organizations expound and give their sides to the UNICOM controversy.

## **Conclusion**

While a number of issues have emanated from the various studies cited above, from policies and programs to the question of uneven development in economies, it can never be over emphasized that the impact of the coconut industry programs should be viewed primarily with reference to its target beneficiaries,

the majority of the coconut farmers. The project staff agreed to conduct exploratory interviews with selected coconut farmers regarding their perceptions of industry programs. The main purpose of the interviews was to substantiate and possibly, validate the data gathered from the review gathered of literature. It should be noted, however, that the interviews were exploratory in nature and thus, limited in scope.

The basic selection criterion for the respondents was that they should be affiliated with any coconut farmer's organization. Two organizations served as contacts for the project staff: the Friends of the Coconut Farmers and Workers (FCFW) which first started in Southern Tagalog and later expanded to Mindanao and the *Asosasyon Pagpanghingkawas sa Industriya sa Lubi* (APIL) which covers the Mindanao region. Both organizations were selected on the basis of their active participation in the industry issues at the time of data gathering for the study.

Individual interviews and group discussions were conducted by the project staff with some members and officers of the FCFW and APIL. To clarify some points raised during these interviews, informal discussions were also conducted with some Cocofed Officers, a Cocofed Scholarship Coordinator, a Cocomark Manager, a coconut landowner-manager and some coconut farmers who are non-members of the two organizations. The interviews can perhaps serve as a mirror with which to view the existing literature on the coconut industry and further stimulate more in-depth studies on the subject.

### **Coconut Industry Programs in General**

The views of the respondents generally echo the conclusions of the ILMS study (1981). They say that the industry programs (through Cocofed) are peripheral and may be considered as just a drop in the bucket. The farmers pay the levy but only Cocofed members get the benefits. Less than one million are members of Cocofed compared to about 15 million total dependents of the coconut industry. When the levy was P75/ck, P3 went to COCOFED and of this only P1 was allotted for scholarships. These programs are used only as "scapegoats." One respondent, however, commented that the current programs are really well-meaning but they become detrimental to the farmers because of inefficient implementation.

### **Coconut Receipts**

Programs benefits are tied to the registration of Cocofund receipts. Two main problems were cited by the respondents regarding the receipt; (1) the lack of information regarding its purposes/benefits, (2) non-issuance of receipts to the farmers.

According to a former Cocofed chapter president, farmers do not receive the receipts since they do not sell the copra. And some dealers do not give to the farmers the receipts due them. Some respondents also complain about the inefficiency in the processing of receipts; one case took about a year.

With reference to the *Operation Balik-Bigay* (OBB), the respondents say that very little has actually been given through OBB. They estimate that less than half of those who are entitled to the Cocofund receipt actually ask for and receive the receipts. Sometimes stock dividends are distributed with T-shirts. Oftentimes, only T-shirts are distributed. But the certificates are non-participating stocks, meaning, in order to receive them, one has to sign a waiver assigning certain industry leaders as proxy. In 1977, they received cash dividend. Though many have received stock dividends, they have not received dividends for the past two years.

The farmers also complain that the stocks are of little use. Often, they cannot use these as collateral for loans. In cases when they can, the papers are first sent to Manila for verification. One respondent also questions the auditing of these stocks.

## **Scholarship**

The scholarship fund comes from the Cocofed National Board. Although it is part of the chapter fund, it has a separate account. The municipal chapters also have their own scholarship funds. In the chapter where one of the respondents belongs, four to five high school scholars are provided with tuition money plus P50.00 as monthly allowance.

According to the respondents, the scholarship program only benefits the roteges of Cocofed officials and not the children of ordinary farmers. Most of the scholars come from the families of the officers themselves. In one chapter, every director is given one slot for scholarship.

A Cocofed Scholarship coordinator, on the other hand, claims that the program benefits the farmers. About 5,000 scholars have benefited in four years. However, he notes that some people get the scholarship because of their “connections” and by faking the income bracket they belong to. In spite of this practice, he said, about 75 percent of Cocofed scholars really come from poor families.

## **Insurance**

The insurance covers death benefits as well as accidents related to coconut farming. But it does not cover the farm workers, especially the climbers who face the greatest risk.

Not all beneficiaries receive the insurance due them. And for those who receive them, there are delays. It takes about 1 ½ years in some cases before they get the benefits.

One farmer contends that the premium being collected from them is too big for such a small amount of insurance. He claims that with P0.15 of the levy going to insurance and a farmer being able to sell 20,000 kilos of copra a year, the farmer pays about P3,000/year for a P10,000 insurance (some say that the amount has decreased to P5,000 recently). Given this, it would be better to get insured in private companies.

### **Replanting Program**

Reactions from the respondents ranged from praises for the replanting program to serious criticisms. But most of the respondents question the suitability of the hybrid and the efficiency of the replanting program's implementation.

According to the farmers, MAWA has weak roots. During strong typhoons, the farmer stands to suffer total loss. Other complaints include its susceptibility to diseases, the small fruits and its lifespan of 30-40 years (compared to the old trees which continue bearing beyond 100 years). Moreover, the MAWA hybrid is dependent on fertilizers.

Program implementation is also criticized by the farmers. The rate of replanting of less than 2% annually is considered very slow. In some cases, because of the cash incentives, the farmers apply for the program but just allow the nuts to rot or convert these to copra. Others do not want to participate in the program because PCA requires the farmers to cut down the present trees before replanting. Intercrops such as banana and corn would be necessarily affected. And the farmers rely on these crops for their subsistence.

### **Marketing of Copra**

The price for copra is very low. With the *kuryente* system, copra is priced at P0.90 – P1.30 per kilo while with the *resicada* system, it is P1.20-P1.30 per kilo. Other expenses include approximately P0.60 per kilo for processing the product and P0.30 per kilo for transportation.

The farmer usually hesitates to improve his farm because of the unstable prices. The sudden price fluctuations and typhoons prevent him from estimating input-output ration.

The farmers bring the copra to the mill. They are charged P0.25 per sack for unloading, regardless of whether they do it themselves or not. There are buyers who measure moisture. These buyers deduct for moisture content and fine about 5 to 7 kilos per 1000 kilos as waste matter. If the posted price is P1.45, they

buy at an average of P1.20 due to deductions. There are also unfair practices in the mill which tend to decrease the farmers' income, such as the "goma" deductions for young nuts made into copra and the unreliable measures of moisture content.

Cocomark buys at a price higher than the mills but lower than other traders. Cocomark buys at P1.53 (Nov. 1982) compared to P1.50 at Ilisco and Granex, while General Trade buys at P1.56 per kilo. The millgate price for copra is P1.50 per kilo. Farmgate prices are lower, ranging from P0.85 to P1.05 per kilo. Dealers buy at P1.57 per kilo.

Authorized dealers operate like this: when you bring in the copra, the dealers are inside the mill. They approach the copra sellers and persuade them to sell to them since they offer better prices. They give the sellers a sort of black chits. After the moisture content is checked, the mill pays the authorized dealers price minus the deductions when they are shown the chits.

## CHAPTER SIX

### SUMMARY AND CONCLUSIONS

From the review of studies on the coconut industry, it is evident that welfare problems and concerns are inextricably linked with issues of power and structure. The protagonists in the debate as to “who pays and who benefits” from the coconut levy have marshalled facts and statistics to support their extremely disparate contentions and interpretations. The debates on the cocofund levy issue have, in fact, generated more heat than light. For example, the existence of a monopoly and an interlocking directorate in the key organizations of the industry has been given two distinct interpretations by the opposing camps. From the COCOFED-PCA-UCPB leaders’ view, these three vital organizations interlocked by a common board, form a “formidable Spartan phalanx” which will facilitate the attainment of industry goals and benefit the millions of coconut farmers. To their adversaries/critics, however, these three organizations are “actually one organization formed like a Spartan spear threateningly poised against the poor coconut farmers.”

In the light of these extreme disparities in perspectives, it would be quixotic to expect a resolution of the conflicts prevailing in the industry through systematic research alone. What systematic analyses and empirical investigations could perhaps do, is to help clarify some aspects of the controversy and provide initial answers to questions that relate primarily to program impacts on target beneficiaries, hopefully for the use of policy makers and planners. Because of the politically sensitive nature of some of the problems in the industry, data and statistics as well as empirical findings, whenever available, are often difficult to obtain and/or disseminate. Other extremely important areas for policy, are either not open to research or may be deemed non-refundable topics. Hence, a spate of manifestoes, position papers, and untested assertions has ensued, and thus used in this survey.

Some of those who have examined the problems of the industry at both macro and micro levels have strongly urged a political economy, historical-sociological research approach. Tiglao (1981) for instance, highlighted the visible contradictions in the industry – that is, while the industry “generates substantial profits for the landlord and capitalist classes as well as revenues for the state”, it has not made a significant impact on the lives of the majority of small coconut farmers. The incomes of tenant farmers and farm workers have remained at subsistence levels and their conditions continue to deteriorate. David (1977) likewise, focused on the “feudal and exploitative” socio-economic structure in coconut farming and the landlord-dominated coconut organizations. He stressed that these two are the main structural barriers in the development of the industry. An affluent and influential elite of landlords and industry leaders occupy the top positions in farmer’s organizations which were established to promote and protect the interests of small farmers. Cornista (1981) on the other hand, concentrated on micro-level studies of coconut villages, examining in-depth the

practices within the production and marketing system to help understand the problems faced by the coconut farmers.

The historical, sociological and empirical analyses by the different investigators of the main problems and issues in the industry thus suggest at least two types or clusters of research that need to be undertaken. The first set would include studies that address issues of power and of the underdevelopment crisis in the industry. These are problems of monopolistic control of the industry, of industrialized power and inequalities, the dynamics of power in the coconut sector and related structural and organizational questions. An analyses of both existing and alternative structures for governance in the coconut industry consistent with the avowed goals of emancipating the small farmers from the bondage of poverty is necessary. Needless to say, these analytical researches have important implications for setting policy directions.

Related to these issues are basic concerns on the definitions of the coconut farmer which are deemed crucial to any effort designed to protect him and/or promote his interests. Research on the real socio-economic condition of small coconut farmers requires more micro-level surveys. Cornista, for instance, is concerned with making clearer conceptual and analytical distinctions among various categories of coconut farmers. For policy purposes, it is more meaningful and useful to be able to differentiate occupational classes and groups of farmers, instead of lumping them together, as if they were homogenous groups.

For example, a study of the impacts of the scholarship and/or insurance program, becomes more useful for policy and planning, if these impacts can be disaggregated by tenurial status or occupational groups. In this regard, the categories proposed by David, (namely owner-farmers, tenant-farmers, and farm workers) or by Cornista (who distinguished resident from non-resident owners; small from medium and large tenant/*mag-aalaga*; hired laborers by tasks performed - - e.g., *magkakawit*, *mag-iipon* from *magtatapas*, *magkokopra*, etc.) can be further tested in these proposed studies.

Research on the structures and functions of the key organizations in the industry, particularly the COCOFED and the PCA is likewise imperative to determine how these affect the distribution of benefits to farmers. An objective and impartial management and financial audit of these organizations had been strongly demanded by various quarters.

Since a number of alternative farmers' organizations have emerged in recent years, a study of these regional/national organizations such as APIL, FCFW and BCPAI is essential. The purpose of such a study would be programs and services for small farmers as well as potential "checkpoints" in the enforcement of laws and regulations formulated to protect small coconut farmers. Since implementational difficulties have frequently besieged even well-planned and formulated programs, it is perhaps essential that small farmers evolve their own mechanisms to serve as checks and balances to potentially controlling forces/bodies.

Another set of studies is recommended to address glaring research gaps on welfare issues in the industry. These are researches that would assess the impact of the various industry programs.

An assessment of the impact of two programs, the COCOFED scholarship and insurance schemes, which were designed to benefit directly the coconut-farmers and their families is imperative. It is surprising that very little has been written on these two welfare programs and statistics on program recipients are not easy to obtain. The merits and demerits of these programs have also been debated by the protagonists. For instance, the eligibility requirements of the scholarship program have been questioned, with the critics alleging that the program has tended to benefit the children of the relatively well-off farmers and officers, not the “neediest of farmers”. It has been argued that since only COCOFED members are eligible to avail themselves of the program, and since there are less than a million members, then the potential beneficiaries would constitute only a small percentage of the coconut farmers population. Furthermore, the availment of these benefits is tied to the registration of COCOFUND receipts. Studies mentioned earlier have shown that only half of those who received receipts actually registered them and only about 60 percent of all farmers are eligible to convert their shares into UCPB stocks. This implies, according to the ILMS (1981) study, that only 30 percent of all farmers are able to avail themselves of the benefits through the registration of receipts.

Likewise, a systematic study of the mechanisms and procedures for implementing particularly the replanting and vertical integration programs will reveal specific problem areas, bottlenecks and other implementational difficulties which would have important implications to program planners and administrators. To answer the question, as to who benefits from the scholarship program, insurance scheme, credit and replanting programs, etc., will necessitate an analysis that would show the relationships between organizational structures and program features and the distribution of benefits. Likewise, an analysis of beneficiaries by region/province, tenurial status, occupational categories and similar relevant variables will provide planners with important data for redirecting policies and programs. In general, an empirically-based and systematic assessment of program implementation and impact will be necessary to pinpoint areas to reforms and probable industry restructuring.

UCAP explains this recent shift in the following manner:

“The export of copra had been discouraged in the past via higher export and premium duties on copra and preferential treatment for processed or semi-processed exports like coconut oil, desiccated coconut and copra cake. Thus, foreign demand has shown a tremendous downtrend during this decade. In 1972, foreign demand absorbed close to a million tons of copra (968 thousand tons to be exact). However, copra exports might show an improvement in the coming year (1982) due to a liberalization in export policy. The duration of this copra liberalization policy is crucial because it shall determine future trends in copra crush versus exports. The policy was not reversal of the government’s coconut industrialization program, as the government remains committed to support the oilmilling industry. Rather, the policy was required by the exigencies of the times. With the depressed prices for coco oil prevailing in the international markets and excessive supplies of competing oils, it was necessary to provide an alternative to coco oil exports that would give comparable or even better returns and dispose excess coconut supplies.”

Further, it was noted that

“In the last 3 years from 1979-1981 the foreign price equivalent of copra was higher than domestic prices. The export price in 1981 was the equivalent of P2.44/kilo or 6% higher than domestic price of P2.30/kilo. The differential used to be wider in 1979 and 1980 at P0.47 and P0.43/kilo export price premium. In 1981, the export premium narrowed down to P.14/kilo. This was not sufficient to offset the heavier export assessments on copra and thus further discouraged copra shipments. It must be noted that for most part of 1981, copra export was levied at P200/MT surcharge with copra assessment at P1000/MT. In effect, copra export price premium should at least be P0.24/kilo over the domestic price to offset this surcharge.”

Another factor in the increasing share of coconut oil in the export product mix is partly

“the limited availability of RP copra for export specifically to the European market. The lack of copra material for the Dutch crushing industry has led to the shift to coconut oil imports as the competing Dutch-crushed coconut oil was in extremely limited supply. The incremental coconut oil exports served to offset the decline in copra tonnage.”

**ANNUAL PRODUCTION PROFILE OF COCONUT FARMS**

(Per Hectare in 1979 pesos, unless otherwise indicated)

	Farm Type by Yield			Average All farms
	Low	Medium	High	
1. Nuts	1,461	3,064	5,763	3,429
2. Nuts per bearing tree	18	29	50	32
3. Kilos of copra	405.8	851	1,601	953
4. Total labor input (man-days)	13	20.4	30	21
5. Gross cash revenues	703	1,276	2,211	1,397
6. Production costs	124	190	291	202
7. Materials and taxes	19	21	28	23
Depreciation	16	15	25	19
Hired Labor	89	154	238	160
8. Net cash income (gross cash revenues less materials, taxes and hired labor costs)	595	1,101	1,945	1,214
9. Net cash income per farm	3,035	4,404	7,197	5,220
10. Hired labor as a percentage Of total hired input	54.5	58.0	70.4	61

Source: Calculated from data in Department of Agriculture, "Coconut Socio-economic and Marketing Survey, 1974-78". Reports on Southern Luzon (1975), Bicol (1976), Samar (1975), Leyte (1974), Northern Mindano (1976) and Southern Mindanao (1977-78) as cited in Tiglao, Rigoberto, The Philippine Coconut Industry: Looking into Coconuts, 1981. ARC Publication, pp. 38-39.

**PERCENTAGE DISTRIBUTION OF FARM WORKERS, BY TYPE OF WORKER  
BY TOTAL FAMILY INCOME**

Income Class	TOTAL		REGULAR		ROVING	
	N	Percent	N	Percent	N	Percent
Below - 1,000	70	13	53	12	17	5.5
1,000 - 1,999	151	19.8	97	21.3	54	17.6
2,000 - 2,999	126	16.5	66	14.5	60	19.5
3,000 - 3,999	94	12.3	53	11.6	41	13.6
4,000 - 5,999	74	9.7	48	10.5	26	8.4
5,000 - 5,999	88	11.5	51	11.2	37	12.1
6,000 - 6,999	53	6.9	28	6.1	25	8.1
7,000 - 7,999	27	3.6	18	3.9	9	2.9
8,000 - 8,999	27	3.6	21	4.6	6	1.9
10,000 - Up	53	13.1	21	4.6	32	10.4
<b>T O T A L</b>	<b>763</b>	<b>100.0</b>	<b>456</b>	<b>100.0</b>	<b>307</b>	<b>100.0</b>

Source: Study by ILMS, RWO et al. (1982).

**USE OF GROSS CASH INCOME: 2,850 COCONUT FARMS, PHILIPPINES  
1975-1978**

AREA	Production Cost		Regular Living Items				Special Items		Total
	Hired labor	Inputs other items	Food	Education	Savings	Others	Repayment of old loans	Others	
	<u>*Percent of gross cash income</u>								
N. and C. Luzon	3	3	41	13	9	20	6	6	100
S. Luzon	9	1	42	11	13	16	4	4	100
Bicol	7	2	37	11	16	21	3	3	100
W. Visayas	6	17	20	8	19	16	11	3	100
S. Visayas	6	3	30	10	16	19	8	8	100
E. Visayas	7	1	35	12	13	18	5	9	100
W. Mindanao	7	1	28	10	26	17	5	6	100
N. Mindanao	10	7	33	9	20	15	6	5	100
S. Mindanao	8	2	35	9	13	23	6	4	100
Average	7	4	3.3	10	16	19	6	5	100

Source: Ministry of Agriculture (1979).

**TYPE OF WORKER, BY ANNUAL AVERAGE FAMILY EXPENDITURE**  
1975 and 1980 (Pesos)

Expenditure Item	1 9 7 5				1 9 8 0			
	Total	%	Regular	Roving	Total	%	Regular	Roving
Food	2,015	44	2,181	1,740	2,738	57.76	3,086	2,160
Clothing	415	9.14	373	485	405	8.54	343	448
Medicine	309	6.81	273	370	296	6.24	278	327
House Rental	117	2.58	117	117	115	2.43	119	104
Education	507	11.17	534	459	406	8.57	466	304
Recreation	304	6.7	265	370	178	3.76	156	214
Transportation	305	6.72	297	319	282	5.95	250	336
Electricity, Gas and water	283	6.24	242	352	276	3.71	270	185
Other expenses	283	6.24	272	301	144	2.04	145	142
Average	4,538		4,554	4,513	4,740		5,013	4,200

Source: ILMS, RWO et al. (1982).

**HOUSEHOLD EXPENDITURE PATTERNS OF THE MAJOR TENURE TYPES: SANTIAGO 1  
(1979) and ATISAN (1980)\***

EXPENDITURES	SANTIAGO I						ATISAN					
	Landowner		Mag-aalaga		Agricultural Laborer		Landowner		Mag-aalaga		Agricultural Laborer	
	(n=4)	(%)	(n=6)	(%)	(n=8)	(%)	(n=1)	(%)	(n=3)	(%)	(n=3)	(%)
Consumption Expenditures	5269.12	(742-.2)	2923.37	(92-.7)	1,371.36	(89-.9)	588.75	(86-.0)	713.82	(95-.7)	501.57	(77-.7)
Production Expenditures	1829.18	(25-.8)	230.73	(7-.3)	153.57	(10-.1)	96.10	(14-.0)	31.77	(4-.3)	143.92	(22-.3)
Total expenditures	7098.3	(100-.0)	2701.74	(100-.0)	1,524.82	(100-.0)	684.85	(100-.0)	145.58	(100-.0)	645.48	(100-.0)
Total income	5064.9	-	-	-	1,423.66	-	781	-	466.67	-	688.83	-
Percent difference of consumption expenditures over income	3.9		7.6		3.8		32.65		34.62		37.33	

Source: Cornista (1981).

**RESULT OF SURVEY TABULATION**

1. No. of Respondent	Tenant:	284							
	Owner: <sup>a</sup>	129							
	Total:	413							
2. Family Size	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
No. of Families	11	20	16	35	49	45	49	56	132
3. Education Level:	<u>I-IV</u>	<u>V-VI</u>	<u>HS</u>	<u>HSG</u>	<u>College</u>			<u>Total</u>	
Husband and Wife	398	148	62	23	19			804	
	<u>14 YRS.</u>	<u>ESG</u>	<u>18 yrs.</u>	<u>HSG</u>	<u>College</u>			<u>Total</u>	
Children	1,346	494	897	281	16			1,929	
4. Sharing Basis	<u>5/2</u>	<u>1/4</u>	<u>1/3</u>	<u>1/2</u>	<u>2/3</u>			<u>3/4</u>	
No. of Tenants	3	6	282	79	5			1	
	Average: 1/3 in favor of Landlord								
5. Annual Income	<u>P1,000</u>	<u>1001-</u>		<u>2001-</u>	<u>3001-</u>	<u>4001</u>	<u>&amp;</u>		
	<u>&amp; Less</u>	<u>2000</u>		<u>3000</u>	<u>4000</u>	<u>Above</u>			
No. of Respondents	162	115		45	23	50			
	Average: 1001 - 2000 p. a								

<sup>a</sup> Some are also tenants in portion of land they toil.  
Source: David (1977)

**EDUCATIONAL PROFILE OF 2,054 COCO FAMILIES  
IN LUZON, VISAYAS AND MINDANAO**  
(percent)

Attainment	Men	Women	Children
No formal schooling	5.83	5.96	19.5
Grade school	55.37	63.26	36.74
High school	24.31	18.45	27.55
Vocational school	1.29	0.36	9.89
Attended college	4.38	2.64	9.91
College graduate	8.82	9.33	6.41
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Department of Agriculture survey as cited in David 1977:77

**EDUCATIONAL ATTAINMENT OF MEN, 2850 COCONUT FARMS,  
PHILIPPINES, 1975-78**

A r e a	Educational Attainment						T o t a l
	No formal Schooling	Grade School	High School	Vocational School	Attended College	College Graduate	
	<u>Percent of Men</u>						
N. & C. Luzon	8	52	28	1	3	8	10
S. Luzon	5	71	17	1	3	3	10
Bicol	5	60	24	-	5	6	10
W. Visayas	5	42	27	1	6	19	10
C. Visayas	3	47	26	7	4	13	10
E. Visayas	9	49	26	1	5	10	10
W. Mindanao	4	56	20	1	6	13	10
N. Mindanao	6	52	28	*	4	10	10
S. Mindanao	12	64	19	1	2	2	10
Average	7	56	24	1	4	8	10

\*Less than 0.5 percent

Source: Valiente, A.M. et al. (n.d.):7

**EDUCATIONAL ATTAINMENT OF WOMEN, 2850 COCONUT FARMS,  
PHILIPPINES, 1975-78**

A r e a	Educational Attainment						T o t a l
	No formal Schooling	Grade School	High School	Vocational School	Attended College	College Graduate	
	<u>Percent of Women</u>						
N. & C. Luzon	9	60	21	1	*	9	100
S. Luzon	6	74	14	*	2	4	100
Bicol	6	70	15	*	3	6	100
W. Visayas	3	52	22	1	3	19	100
C. Visayas	6	55	17	*	5	17	100
E. Visayas	7	58	23	*	2	10	100
W. Mindanao	9	61	14	-	3	13	100
N. Mindanao	6	63	21	*	3	7	100
S.Mindanao	19	64	14	*	1	2	100
Average	8	63	18	*	2	9	100

\*Less than 0.5 percent.

Source: Valiente, A.M. et al. (n.d.):8

**EDUCATIONAL ATTAINMENT OF CHILDREN, 2850 COCONUT FARMS,  
PHILIPPINES, 1975-78**

A r e a	Educational Attainment						T o t a l
	No formal Schooling	Grade School	High School	Vocational School	Attended College	College Graduate	
	<u>Percent of Children</u>						
N. & C. Luzon	17	34	29	4	8	8	100
S. Luzon	21	40	27	1	7	4	100
Bicol	24	46	22	*	6	2	100
W. Visayas	14	30	31	2	14	9	100
C. Visayas	13	26	28	1	16	16	100
E. Visayas	23	33	28	*	10	6	100
W. Mindanao	15	31	33	*	15	6	100
N. Mindanao	17	36	30	1	10	6	100
S.Mindanao	20	38	28	2	9	3	100
Average	19	36	28	1	10	6	100

\*Less than 0.5 percent.

Source: ILMS, RWO et al. (1982).

Specific strategies for industrialization as provided by law:

1. Financing from government and industry sources geared to industrialization.
2. Establishment of credit facilities under the ownership and/or control of the coconut producers.
3. Higher rates of export tariff and premium duty on exports of raw or semi-processed materials, and lower rates of such tariff and duty on exports of manufactured or processed materials.
4. Minimum prices prescribed for copra to be exported, but not copra for domestic use.
5. Subsidy for processors or manufacturers of coconut-based consumer products subject to price control.
6. Encouragement and support of coconut agro-industrial cooperatives.
7. Comparatively low rates of tax on output of coconut millers or processors.
8. Refunds to premium duty collected on exports.

**Summary of Major Legislation on the Coconut Industry (1971-1982)\***

<u>Legislation</u>	<u>Date Issued</u>	<u>Title</u>	<u>Provision</u>
RA 6260 was	June 1971	Coconut Investment Fund Law	Cocofund levy (P0.55/c.k. copra) collected from another farmers in order to accumulate capital for the Coconut Investment Fund.
RA 232	June 1973	The Creation of the PCA	Dissolved the PHILCOA and other related agencies. Established the integrated leadership or the PCA.
LOI 115	Aug. 16 1973	Military role in the 1973 cooking	Directed the Secretary of National Defense to establish & implement oil measures to solve the cooking oil crisis.
PD 276	Aug. 10, 1973	Establishing the CCSF	It started the CCSF levy (P15/c.k.) to effect a price stabilization scheme for coconut consumer products; supervised by the Phil. Coconut Consumer Stabilization Committee.
PD 414	April 18, 1974	Amending PD 232	PCCSC abolished/function given to PCA, CCSF levy collections were partly used for the vertical integration program and to absorb the premium duty.
PD 582	Nov. 14, 1974	Amending PD 232	Established the CIDF for the replanting program. A permanent levy of P0.20/c.k. from CCSF levy rate plus initial CCSF contribution of P100 M.
PD 755	July 29, 1975	Approving the credit policy of the coconut industry	Approved the purchase of the First United Bank to become the United Coconut Planters Bank out of CSF.
PD 961	July 1976	Coconut Industry Code	Integrated the various decrees from the Creation of PCA to the establishment of UCPB. UCPB authorized to invest in cooking oil enterprises. Established the UNICOM to rationalize the Coconut oil milling industry.

PD 1233	Nov. 8, 1977	Procedure for the management of Special and Fiduciary funds	Implicitly declared that the CCSF is a special and fiduciary fund.
PD 1468	June 11, 1978	Revised Coconut Industry Code	CCSF levy used for implementing vertical integration policy and price stabilization scheme. Declared CCSF as private. Established Coconut Farmers CIIF Refund. Promoted Cocofed Developmental and Scholarship Program.
PCA Adm.	April 19, 1979		Implements PD 1468. Established the subsidy scheme.
LOI 867	May 4, 1979		Established the CPSF. Allocated the Surplus of the Subsidy Fund to CIIF, Social Amelioration on Fund and CPSF at 25, 40 and 35 % respectively.
LOI 926	Sept. 3, 1979	Rationalization of the Coconut Oil Milling Industry	Established and gave full government support to UNICOM.
PD 1699	May 27, 1980	Suspension of the CCSF levy and similar levies	Suspended the levy for 45 days. Provided measure to cushion the adverse effects of the act on the account farmers.
LOI 857	Dec. 1980		Cocomark was formed.
	Sept. 9, 1981		The CCSF levy was lifted by Pres. Marcos, only to be reimposed a month later. (No PD issued)
PD 1842	Jan. 16, 1982	Instituted the "sliding levy"	The assessment rate was reduced from P50 to P32/c.k. Provides for a flexible rate of assessment which adjust directly with the world market price of coco oil.
	July 1982		Pres. Marcos abolished the coconut levy.

\* Sources: ILMS, 1981; LUSSA, 1982, Clarete & Roumasset, 1982; Cocofed Report, 1982; COCOFED Farmers Bulletin, 1981.

**SUMMARY OF MAJOR COCONUT INDUSTRY PROGRAMS (1971-1980)\***

Welfare Program

Scholarships  
(1975)

Insurance  
(1977)

Replanting Program

Planning Phase  
(1975-1979)

Formal Start  
of Program  
(1980)

Vertical Integration Program

Allocations for UCPB  
PCA Investments  
(1974)

Established  
(1975)

UNICOM  
Established  
(1979)

Cocomark  
Established  
(1980)

Old Subsidy Scheme  
(1973-1979)

Subsidy Program

New Subsidy Scheme  
(1979)

Cocofund Program  
(1971)

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1971    1972    1973    1974    1975    1976    1977    1978    1979    1980

### **Summary of Institutions Involved with the Vertical Integration Programs**

#### **United Coconut Planters Bank (UCPB)**

In behalf of the coconut farmers through COCOFED, the PCA bought the majority share of FUB in 1975 using part of the CCSF levy. About 30 percent of the stockholders retained their share while the other 70 percent of the bank's equity by definition belonged to coconut farmers. In distributing the shares of stocks, "Operation Balik-bigay" was launched in 1975, PCA utilized the COCOfund receipts for this purpose, P1 worth Cocofund receipt was exchanged for two shares of UCPB stock, valued at P1 each share. Cocofed claims that Operation Balik-bigay has been done three times, 1978, 1979 and 1981 (Cocofed Report, 1982).

According to LUSSA (1982) Security Exchange Commission (SEC) documents show that only 52.8% of the farmers' share have been distributed. It was also revealed that PCA transferred 10% of the farmers' equity to E. Cojuangco, Jr. (in addition to his 7.22% share), making him the biggest stockholder of UCPB. The contention that part of the farmers' equity is owned by other people was also pointed out by Clarete & Roumasset (1982).

UCPB is also the depository of the CCSF revenue amounting to P1 billion/year reaching P8.5 billion in 1981, interest free, (LUSSA, 1982), consequently, the bank also manages the CIDF allotted for the replanting program and the CIIF earmarked for the vertical integration program. The bank intends to provide production credit to farmers and at 8% annual interest.

The UCPB advertisement (Reader's Digest 1981) claims that the bank has accumulated a total capitalization of P584.1 million, making it the first private universal bank. It has 54 branches nationwide (Lobregat, 1982), providing both domestic and international services.

In 1979, UCPB created a subsidiary corporation known as the Phil. Coconut Planters Trading, Inc. (PCPTI). This corporation was engaged in the trading of copra and coconut oil. However, its bid to gain control of the trading industry was unsuccessful (Clarete & Roumasset, 1982).

#### **United Coconut Oil Mills, Inc. (UNICOM)**

UNICOM was first established in 1977 through ACCRA investments (LUSSA, 1982). The purpose of UNICOM is to engage in the processing of coconuts. The crisis in the coconut oil milling industry in 1979

facilitated UNICOM's bid to control the milling sector. In line with its integrating program, UCPB bought 75% UNICOM shares in the same year using P45 million from CIIF funds.

Sharing the height of the crisis in 1979, the rated milling capacity outstripped copra supply by 1.5 million tons. This overcrowding resulted from the BOI investment incentives generated by the 1973-1974 boom in coconut prices. UNICOM was established to rationalize the oil milling industry.

According to de la Cuesta (1980), UNICOM coordinates the resources of coconut farmers and oil millers and the buying, milling of copra and its by-products. He further categorized its ownership as 50% owned by coconut farmers (through CIIF), 10% UNICOM mills and 40% other oil mills.

ILMS (1982) lists oil mills owned by or affiliated with UNICOM and the corresponding dates of their purchase. According to LUSSA (1982), UCPB bought into the corporation several oil mills plague with problems of copra shortage. The 1981 Coconut Trade Directory reports that there are 25 mills participating in UNICOM. The bleak financial status of UNICOM mills upon purchase was also cited by Tiglao (1981). In some cases, the oil mills were economically viable but were bought out, nevertheless.

The Tiglao study highlights the importance of UNICOM in the coconut industry:

“The establishment of the UNICOM, and the UCPB's purchase of the two largest oil mills in the Philippines marked the centralization of the industrial sector of the coconut industry. Many have attributed this (lowering of copra prices) to the fact that since the copra end-users in effect constitute one corporation, copra prices can be easily manipulated by the UNICOM 'monopoly'.”

Clarete & Roumasset (1982), also points to the negative economic implications of creating a monopoly out of UNICOM in terms of absence of market competition, income transfers from farmers to UNICOM and export trade monopoly in relation to foreign earnings.

### **Cocofed Copra Marketing Center (COCOMARK)**

Organized in 1980, Cocomark is collecting and buying copra from farmers through its copra marketing centers (CMC) and copra collection centers (CCC). COCOMARK was formed under LOI 857. It was put up to provide farmers better copra prices through accurate weighing, correct moisture analysis and higher price offers (COCOFED report, 1982). However, there are no data on comparative prices of COCOMARK middlemen.

It operates at the town level and buys directly from the Coconut farmers. As its advertisement claims, the farmer will benefit from stock or cash dividend declared by Cocomark; and patronage bonuses from net profits realized.

According to Lobregat (1982), Cocomark is operating in 27 provinces and 201 towns after one year of incorporation.

The P100 million capitalization for the establishment and operation of the Cocofed copra collecting centers came from the Copra Price Stabilization Fund, which constitute 35% of the subsidy surplus.

The control of copra trading from coconut farmers and end-users in “poised against the interest of the middlemen, allegedly exploiting the farmers” (ILMS, 1982). The program wishes to dismantle and replace the suki system.

#### **United Coconut Chemicals (UNICHEM)**

UNICHEM is subsidiary of the UCPB group of companies. In January 1982, UNICHEM signed an agreement with a West German Corporation which involved the construction and operation of a \$121 million coco-chemical complex in Batangas which will become operational by mid 1982 (LUSSA, 1982). The main products include semi-processed materials for the manufacture of cosmetics, pharmaceuticals and explosives. Sales contracts have been explored with Japanese, US and some European corporation. UCPBs equity totals P400 million.

### ALLOCATIONS TO VARIOUS PROGRAMS

<u>Use</u>	<u>Percentage Share</u>
Coconut Industry Development Fund (CIDF)	33 1/3 %
Subsidy*	20
Coconut Farmers Refund (CFR)	25
Coconut Industry Investment Fund (CIIF)	33 1/3
PCA	3 1/3
COCOFED	5
	100 %

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\* Surplus from the subsidy is allocated for CFR (40%), CPSF (35%) and CIDF (25%).

**LEVY ALLOCATIONS**

	<u>Scrapped</u> Sept. 8, 1981	<u>Restored</u> Oct. 2, 1981	<u>Floating</u> Jan. 25, 1982
Amount of Levy			
Allocations			
Copra price support fund	50.18		
CIDF replanting program	8.66	20.00	20.00
Insurance premium	11.66	12.50	6.00
Educational fund	3.00	4.00	2.00
PCA	1.00	2.00	2.00
COCOFED	1.50	3.00	2.00
UNICOM debts		8.50	

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**Notes:**

In terms of increase in allocation, (Ibon 1982), also pointed out that replanting increased by 131%, PCA by 100%, Cocofed by 38% and added the UNICOM item. On the other hand, the allocation for the price support was totally scrapped, while the insurance and scholarship decreased by 49% and 33%, respectively.

**Excerpts from the Letter  
of the EEAP Inc. to Pres. Marcos et al.**

ECONOMIC EMANCIPATION ASSOCIATION OF THE PHILIPPINES, INC.  
P.O. Box 95  
Manila 2800

December 28, 1981

President Ferdinand E. Marcos,  
Prime Minister Cesar E.A. Virata,  
Member of the Cabinet, Assemblymen,  
Governors, Mayors and all concerned  
with the coconut industry

Subject: **COCONUT LEVY, Part IX**

S i r s:

We have written eight (8) position papers regarding the abovementioned subject. Summaries are included in this paper.

We congratulated the Cabinet for wisely, courageously and patriotically lifting the coconut levy on September 8, 1981. But the Cojuangco oligarchs abruptly stopped buying copra and operation of the UNION mills. The group, led by Doroy Valencia who shamelessly admits that his programs are sponsored by the Cojuangco oligarchs, assailed the suspension and cried chaos, crisis, catastrophe and debacle for the coconut industry. It is chorused that the anti-levy are: witch-hunting, lawyering and working for foreign interests, anti-Filipino, creating chaos, dissension and division among Filipinos, out to get UNICOM and Eduardo Cojuangco, want to control UNICOM, COCO Bank and other interests of the Cojuangco group, fighting the President, enemies of the coconut farmers, undermining the coconut industry, unpatriotic, and other generalized, twisted and sweeping charges to suit its end and purposes. Those numerous innuendos did not clarify the issues but beclouded, confused and muddled them which are the intentions of the Cojuangco group. With muddling, confusion and division, robbers, thieves, grafters and corruptors cannot be detected and caught.

The oligarch's group staged a grand Malacañang rally on October 2, 1981 petitioning the President to restore the levy. The President obliged but reduced it from P.76 to P.50 per kilogram. The Cojuangco group reasoned out that levy is added to the export price and collected from and paid by the exporters and not from the farmers – levy subsidizing the coconut farmers.

We countered that:

1. UNICOM, COCOBANK, COCOLIFE, and BUGSUK were organized, purchased and operated with funds from coconut levy paid by 2 million coconut farmers but ownership and profits in the operations thereof belong to the Cojuangco group.
2. When the levy was lifted by the Cabinet, UNICOM stopped buying copra that brought about artificial (Cojuangco group made) chaos, crisis, have and catastrophe. Meanwhile, the group (Cojuangco's) organized huge rally in Malacañang using planes, cars, etc., -- spending millions of coconut farmers levy with scholars and cocofed officials only. Not a coconut farmer was present, and misrepresented themselves as genuine coconut farmers. They asked the President to restore levy, 95% of the restored levy shall go to the Cojuangco coffers through Bugsuk, insurance premiums, liquidation of junk oil mills bought by UNICOM with coconut farmers' levy, etc. The group told the President: "lifting the levy caused the crisis." After the restoration, crisis became worst.

The group further brazenly manifested to the President that the lifting of levy caused the reduction of copra prices in the world market which was a willful lie. Levy is an internal problem – does not affect international trade. Lift control and traders can buy from farmers at more than P2.00/kilo and export it at a profit. The international market can absorb even twice the Philippines copra production.

3. Decrees and LOIs (letters of instructions) were issued for the benefit only of the group who prepared them -- making the President believe that those PDs and LOIs were for the benefit of the poor and suffering coconut farmers which were absolute deception and betrayal of Presidential trusts and confidence.

LOI no. 926 which the group engineered gives virtual monopoly to UNICOM in oil milling and copra trading, stops installation of new oil mills even if they utilize the latest technologies and inventions -- blocking scientific progress in coconut processing. Because the group was spending the poor farmers' money, it did not mind buying junk oil mills, which, again, are being liquidated with the farmers' money. *Levy, ibinabayad ng coconut farmers, and pamukpuk ng Cojuangco group sa mga ulo ng magniniyog.* Revocation of LOI No. 926 will emancipate the coconut farmers from the firm strangle hold of the group.

4. The group, including its paid mediemen, are always insisting through TV's, Radio and newspapers that levy is paid by the millers/exporters. This is another deliberate lie to fool and victimize further the suffering coconut farmers. Levy is deducted from the price of the coconut farmers' products by the millers/exporters as shown in the project studies prepared by the Cojuangco oligarchs. Levy cannot be added to the export prices as the addition will price out our copra from the international market – drive it

from competition because coconut oil shares only 6% of the worlds' oil and fats. They cannot dictate. Cojuangco group, please stop fooling the coconut farmers. If the levy is added to export price, why add only P.50? Why not P3.00, P5.00, or more?

Worst, the group still wants the poor paying coconut farmers believe they are subsidized by the group when it is the poor coconut farmers, against their will, giving their hard-earned money to the affluent Cojuangco group. The group leader was a sugar baron in Paniqui, Tarlac before BUGSUK, COCOBANK, COCOLIFE and UNICOM. Now his group controls the coconut industry with the use of the money of the poor coconut farmers through clever manipulation, tricks, power and influence. UNICOM controls 72% of total oil mills capacity so that when it stopped operation –chose to be heartless and cruel to the coconut farmers –the coconut industry suffered leaving the poor coconut farmers groggy – not knowing what to do.

5. Trade freedom must not be denied to the suffering coconut industry. The industry needs freedom from the tight grip of the Cojuangco group, wringing the industry according to its whims and caprices;
6. PD No. 1699 mandated that levies were to finance private developmental projects for the benefit of the coconut farmers. It turned out that they were used to develop already developed families—made millionaires, billionaires –poor coconut farmers, poorer. Getting rich by depriving others is evil and self-defeating;
7. All over the world, scholarships are granted by government, schools, foundations and rich families. It is only here where funds for scholarships are forced from the poor coconut farmers whose own children cannot even finish secondary schools for financial reasons.
8. Suffering coconut farmers are forced to subsidized inefficient processing of finished products such as soap, milk, etc. from coconut raw materials when rice and corn are subsidized by the government. Throughout the world, no farmer has ever subsidized the processors of his products. Why single out the coconut farmers? Is it because they are grossly misrepresented, inarticulate, small and are being taken advantage of and exploited?
9. Newspapers said all levies are safely deposited with COCOBANK. Under whose name? Interests alone of P8.5 billion at 15% annual interest is P1,275,000,000 enough to support PCA and other coconut developmental projects; if any. Where do the interests and income of this huge sum go? At P0.50 per kilo, restored levy, another P1,250,000,000 yearly from 2,500,000 tons of copra is added to the sum. What a super lucky group! Investigation by Batasan of levy expenditures is a **MUST**;

10. One in the Cojuangco group is a “wonderful godfather” to some politicians before, during and after election and some mediemen. It is not surprising, therefore, that said politicians and mediemen are loyal supporters of coconut levy;
11. Lifting of coconut levy by the Cabinet provided the Cojuangco oligarchs a chance to be patriotic, loving and caring for the poor 2 million coconut farmers. It could purchase all available copra and export at a profit what UNICOM could not mill. But the oligarchs chose to stop buying and cease the operation of its mills to create an artificial crisis in the coconut industry and blamed the anti-levy for the crisis. The misfortune of the coconut industry happened because the oligarchs preferred to be heartless and cruel—to show that with the power in their hands, they can strangle to death the coconut industry and its two million coconut farmers and 15 million dependents anytime they wish with the levies paid by the coconut farmers. The group has nothing to lose as it has not invested its cash in the UNICOM, COCOBANK and BUGSUK. It simply started with influence, power and money of the poor and suffering coconut farmers which the oligarchs’ group chose to use to make the lives of the farmers miserable;
12. Dr. Ely D. Gomez, Ph. D., PCRDF Professorial Chairholder in communication and Col. Virgilio M. David, Deputy Military Supervisor of the coconut industry for three consecutive years concluded with other known and respected scholars, that the causes of the miseries of the coconut farmers are PCA, UNICOM, COCOFED, COCOBANK, -- all belonging to the Cojuangco group and as presently constituted. Their studies confirmed that the group is an elitist organization, run by affluent landlords and oligarchs who are exploiting the small coconut farmers. The studies showed that PCA is controlled by the Cojuangco oligarchs that prevents the economic emancipation of the coconut farmers from abject poverty;
13. In Malaysia, levies collected from rubber farmers guarantee replanting of new trees after 30 years, i.e., after replanting, farmers get back the whole amount plus compounded interests. ‘Dito naghuhulog sa buslong butas ang mga coconut farmers para saluhin lamang ang mga ganid at sakim na kamay ng Cojuangco oligarchs. Pagkatapos tinatapanan na lamang ang coconut farmers ng mismis—buto at tinik—kaya wala nang laman, panay buto ang katawan ng kaawa-awang coconut farmers. Cojuangco oligarchs, nakikiusap po kami, kaawaan po natin sila. Tigilan nating ang kakasipsip sa kanilang dugo at laman,’ and;
14. The recently published plan of the Cojuangco oligarchs to establish a huge coconut integrated industrial plants jointly with a German industrialist in Cavite is another ‘palabas’ to hoodwink the suffering coconut farmers. The proposed billion peso plant is impractical, technically impossible and against the interest of the coconut farmers. Of course, for the benefit of the Cojuangco oligarchs, yes. The President is always for industrial dispersal to benefit the rural farmers. The government is campaigning for the establishment of small and medium scale industries in the centers of raw material sources to give maximum benefits to

the rural people and their families. ‘Pirming billion ang plano nang Cojuangco oligarchs sapagkat nasa sa kanilang kamay ang mga bilyong piso na galling sa mga naghihirap na magniniyog!

Arguments and accusations of the pro-levy are given wide coverage in the press, radio and TV. It is understandable that our answers are not given a fraction of the spaces given to them. Pro-levy is spending the farmers’ money anti-levy wants lifted. We invited the pro-levy to a public debate in Plaza Miranda, Manila to be nationally covered by TV, radio and the press as much as the coverage of the Malacañang grand rally provided the oligarchs spend the levy money once for the benefit of the coconut farmers. We were not complimented. While the pro-levy has the media, we do not have. Hence our request to provincial newspapers to pick up the side of the coconut farmers. Our answers to the published arguments of the pro-levy are in this position paper.

To seek out the truth, please request Cojuangco group and its paid defenders including some assemblymen, to answer, elucidate, and explain to two million coconut farmers and their more than 15 million dependents the following searching, pertinent and clarificatory questions:

1. Is it not true that when Cojuangco group lost more than US\$10 million between October 1979 and March 1980 in oil sales in the United States, it lost coconut money? That if it lost US\$10 million in U.S. court for anti-trust violation and for creating artificial shortage of coconut oil in the U.S., it lost coconut farmers money (judgment was issued on a compromise)? That when it spent \$250 a day for limousines for shopping trips in the U.S. – free spending and with lavish expense accounts – and when it paid US\$2.3 million for an executive jet, it spent coconut farmers’ money?
2. It is not true that while members of Cojuangco group are wallowing in wealth coming from coconut farmers, farmers themselves are living in abject poverty, miseries and want? That causes of these miseries are Cojuangco group according to all studies made by prominent and noted scholars in the coconut industry? That when Minister Pelaez wanted wastage of farmers money and deduction of P0.50 from true cost of every kilo of copra from coconut farmers by Cojuangco group stopped, Pelaez was actually preventing poor farmers from becoming poorer and poorer; while multi-millionaire Cojuangco group from becoming more multi-millionaire out of coconut levy among many other illnesses in the coconut industry?
3. Is it not true that UNICOM created a bad image for the Philippines and our businessmen and endangered our position as premier coconut oil suppliers in the United States? That Cojuangco group did not care throwing away billion pesos of farmers money as there are more billions left? That even locally, Cojuangco group travels in grand styles, in limousines, helicopters, and jet planes and constructing multi-storied buildings in Makati, Pasig and other places without regards to suffering coconut farmers – sources

of its funds? That with billion pesos coming yearly from poor coconut farmers, problems of Cojuangco group are how to spend and enjoy this huge annual bonanza given to them on golden platter through collections of Philippine Coconut Authority?

4. Is it not true that UNICOM was using its U.S. subsidiary in salting millions of dollars and sabotaging Philippine Economy? That UNICOM (Manila) was selling its oil to UNICOM (U.S.) at much lower prices than the latter was selling to U.S. buyers?
5. Is it not true that Mr. Cojuangco and all his followers were never oil millers when LOI No. 926 mandated that oil mills purchased out the coconut levy should be jointly owned by oil millers and 2 million coconut farmers? That the 27 oil mills purchased with 100% coconut levy are now owned and managed wholly by Cojuangco group? That because they were purchased with coconut farmers money, they should be owned 100% by coconut farmers and not by Cojuangco group? That this LOI, prepared and implemented by Cojuangco group, totally prohibited establishment of new oil mills even if they utilize latest technology and inventions – padlocking progress through science for the account industry? That it was purposely prepared to assure absolute control by Conjuangco group of the coconut industry and to prevent its technological and scientific growth? That utilization of latest technology and inventions in coconut processing will multiply five times the income from our present coconut production – without any need for hybridization?
6. Is it not true that COCOBANK was also purchased with coconut levy for two million coconut farmers but ownership thereof is limited only to Cojuangco group – disregarding coconut farmers who paid levy? That total levy collected now is more than P9 billion – interests of which alone are enough to support PCA and developmental projects for the benefit of the coconut farmers, if there are any? That there was never any accounting of the levy? That inch thick receipts of coco-levy can guarantee a peso loan from COCOBANK?
7. Is it not true that Cojuangco group has never financed any developmental projects for the benefit of the coconut farmers – not even one of the 27 patented inventions on coconut processing despite the fact that its written policy is support to inventions of machinery and processes on coconut processing? That deviation of this huge coconut developmental funds from original purposes and objectives of the law to exclusive benefits of affluent Cojuangco group is swindling and perpetrators thereof should be prosecuted and jailed? That this deviation is a gross violation of Presidential trust and confidence? That every coconut farmer has receipts for the payment of levy my file a criminal case of malfeasance and misfeasance against those who appropriated his paid levy outside the development of projects for the benefit of the coconut farmer per PD no. 1699? That the deviation was made because the Cojuangco group saw to it that levy is turned private funds within minutes after collection is made by Philippine

Coconut Authority – Commission on Audit losing control thereafter? That coconut development program Cojuangco group has been parroting such as *vertical integration and rationalization, institutional rearrangement of various components of the coconut program and accelerated research and development* are all high sounding sugar coated press releases and high polluted statements designed to divert the real problems of the coconut farmers who are being cheated of their money and who are missing their meals? That the coconut farmers and we do not understand the underlined statement?

8. Is it not true that COCOLIFE was also organized with coconut levy but is owned by Cojuangco group? That premiums of those selected assured were paid by coconut levy paid by two million coconut farmers who were not covered by insurance policies issued by COCOLIFE? That the premiums are paid to the Cojuangco oligarchs?
9. Is it not true that 13 of 27 oil mills purchased by UNICOM were junks (not operable) and now Cojuangco group collects 17% of levy to liquidate them? That if Cojuangco group invested its own money, being judicious investors, it would never buy those junks? That Mr. Cojuangco was never connected with coconut industry before UNICOM and COCOBANK and now is the number one coconut oligarch through deceit, misrepresentation, power, tricks and influence? That these 27 oil mills were paid with huge overprices out of the money of 2 million poor coconut farmers?
10. Is it not true that Cojuangco group has monopoly of selling so-called hybrid coconut variety and is collecting 40% of levy for payment thereof? That despite favorable press releases, none of those earlier planted is producing exuberantly as claimed? That many scientists believe this hybrid variety, which needs plenty of fertilizer in-put, will fail? That if same amount of fertilizer is applied to local variety, coconut production will double? That this increase of production due to fertilization was proven in PCA experimental station in Davao City? That this imported variety was schemed by Cojuangco group as a means of siphoning the coconut levy?
11. Is it not true that as of May 26, 1978, when Mr. Cojuangco has already received an advance of P326,261,646.00 for hybrid coco seednut, he has not delivered even a single nut so that PCA imported 71,786 seednuts producing 48,178 seedlings and 23,608 culled nuts? That as of today, a few billion pesos have already been paid to Cojuangco and yet not a single coconut hybrid tree is producing the anticipated and parroted production? That imported hybrid is a total failure and must be stopped per position paper on coconut replanting prepared by six (6) top coconut scientists of the country? That the payment by Mr. Cojuangco of a minimum yearly salary, plus representation expenses, of P1,000,000.00 to a Frenchman, Mr. Yann Fremond, insults the President's self-reliance program and our abundant agricultural scientists who were born with coconut, educated, with coconut and know all the local problems of the coconut industry and are more qualified, knowledgeable and capable than Mr. Fremond?

12. Is it not true that justification of pro-levy that if monopoly is good for the sugar industry, it also follows that monopoly is badly desirable needed and good for the coconut industry is childish? That the logic insults the intelligence of the members of the cabinet, coconut farmers and scholars who found that main causes of miseries of our coconut farmers are coconut levy, controls, PCA, COCOFED, UNICOM and their monopolistic practices in the coconut industry?
13. Is it not true that on September 14, 1979, UNICOM deposited with COCOBANK, receipt No. 11958, the amount of P495 million with yearly interest of P59.4 million of the coconut farmers levy? That because the huge amount is deposited in the name of UNICOM, interests also belongs to the Cojuangco group? That aside from this transaction between the two Cojuangco group owned corporations, there are many other similar transactions so that in the end, no money appears left for the farmers? That when the Cabinet lifted the levy, the group cried to high heavens for the restoration thereof, stopped buying copra because it had no funds left to show for the benefit of the coconut farmers? That the coconut farmers money was malversed through clever manipulations? That the group is utilizing billions of pesos of the coconut levy to control not only the coconut industry but, ultimately, the entire country? That BIR should examine tax liabilities to top coconut oligarchs?
14. Is it not true that when coconut oligarchs take P0.50 every kilo of copra from the farmers, in the form of levy, they make poor farmers poorer and coconut oligarchs richer? That present poverty and sufferings of the coconut farmers are Cojuangco group made? That coconut oligarchs are undermining peace and order campaign of the government as poverty breeds dissidents and lawlessness? That Cojuangco group deprives farmers right compensation of their labors and as a consequence thereof they are reeling, discontented, disoriented – affecting their moral and normal behaviour? That levy is a tragedy to the coconut farmers?

By:

VICENTE D. GABRIEL, SR.  
National Chairman

**Excerpts from the Statement of the  
Asosasyon Pagpanghikawas sa Industriya  
sa Lubi (APIL), Mindanao**

The Philippine coconut industry groans under a grave crisis. Hardest hit are the coconut farm workers, tenants and small land owners. Also affected are small coconut traders, small landlords and nationalist businessmen of the coconut industry.

This crisis is characterized by a sudden plunge of the price of copra, a heavy tax burden imposed on coconut farmers in the form of the coconut levy and the unjust price increases of coco-based consumer products.

The livelihood of small coconut farmers, tenants and farm workers crashed as copra prices plummeted from P3.50 to P0.85 per kilo in the months of September and October of the last year. Copra production ground to a halt in some areas as production costs outstripped income.

Current farm gate copra prices have stayed at P1.15 per kilo. For coconut farmer families this means a drastic reduction in their standard of living. Destitution looms over the tenant who receives a share of only one-third of gross production and shoulders all the production costs. Coconut harvesters who used to receive P0.30 per tree now receive P10 per thousand nuts gathered. While in the past they were able to earn P40 per hectare, today they get about P18. Coconut farmers are forced to reduce farm wages to be able to meet production costs and maintain a reasonable income.

...We must unite the different oppressed sectors into a broad alliance and raised the following demands.

1. REPEAL ALL LAWS, PRESIDENTIAL DECREES AND LETTERS OF INSTRUCTIONS THAT SERVE TO ENTRENCH AND STRENGTHEN THE MONOPOLY AND CONTROL OF THE MARCOS-ENRILE-COJUANGCO CLIQUE OVER THE COCONUT INDUSTRY.

Using the 1973 cooking oil crisis as a smokescreen for its capital accumulation scheme, the regime passed PD 276 to establish the Coconut Consumer Stabilization Fund (CCSF) and imposed a levy of P15 per hundred kilos of copra to subsidize the prices of cooking oil, margarine, evaporated milk and other consumer products utilizing coconut as raw material.

Prices of coco-based consumer products remained high despite the P1.62 billion subsidy given to foreign corporations controlling the coco-transnational corporations increased.

Up to 1978 total levy collections amounted to P5.50 billion. After subsidy payments, the CCSF generated a surplus of P3.88 billion. An attractive amount indeed for those who never hesitate to use their position of power to satisfy their greedy ambition.

Instead of terminating the levy, the dictatorship issued PD 414 in 1974 empowering the Philippine Coconut Authority (PCA) to appropriate funds out of the levy revenue for investment in processing plants, research and development and extension services. Thus was set the stage for the monopolization of the industry. Juan Ponce Enrile was chairman of the Authority.

In that same year the levy was increased to P70 and CCSF was expanded to include the Coconut Industry Development Fund (CIDF) through PD 582. The CIDF was to be used for the coconut replanting program.

Very conveniently, the exclusive contract for the production of hybrid seednuts to be used in the replanting program was granted to Agricultural Investment Incorporated owned and operated by Eduardo Cojuangco, a known Marcos crony. The Decree set aside P100 million as initial investment for the replanting program.

The following year, PD 755 authorized PCA to use part of the CCSF revenue to purchase the First United Bank from the Cojuangco family and to establish the United Coconut Planters Bank (UCPB). The decree provided that the CCSF revenue be deposited with UCPB interest-free. Conservative estimates place the amount of levy revenue going to the bank annually at P500 million. As a result of the levy deposited, the bank experienced a phenomenal growth since 1975. Total deposits have grown from P421.9 million to P3.5 billion in 1982. Total assets increased to P5.7 billion from P706.5 million in the same period.

Farmers funds amounting to P13 million was used to purchase UCPB for the Cojuangco's who retained 30% of the total shares of stocks. Furthermore, Cojuangco was allowed to manage the bank for a period of 10 years.

The purchase of UCPB gave the tremendous boost to the monopolistic ambitions of the Marcos-Enrile-Cojuangco clique. In 1978, PD 1468 created a special fund to be used for investments particularly in the coconut processing sector. Known as the Coconut Industry Fund (CIIF), it was deposited with UCPB and managed by the bank as a trust fund. This money was used to purchase oil mills "for the coconut farmers."

Favorable conditions presented itself to UCPB in 1979 when crisis struck the coconut oil milling sector. Using pressure tactics, the bank took over the operation of 8 oil mills in 1979.

Before the year was over, the regime issued LOI 926 authorizing the creation of a private corporation which would integrate all the UCPB bought oil mills and other participating mills. These mills will jointly engage in buying, milling and marketing copra and coconut oil. Thus, was born UNICOM. The Marcos-Enrile-Cojuangco clique fleeced the coconut farmers P495 million of their hard-earned to establish this monopoly which would later on would refuse to buy the copra of the every farmer who financed it to existence. Today, UNICOM controls 93% of the total capacity of the oil milling sector and 80% of the country's oil exports. From such a vantage position, it can and does control the country's coconut trade.

The vertical integration program of the Marcos regime is therefore nothing but the integration of the domestic coconut industry from seed production, copra trading, oil milling, export trading of copra and coconut oil, and banking capital and credit facilities under the Marcos-Enrile-Cojuangco clique while maintaining the dominance of American and other monopoly capital interests over the coconut manufacturing sector.

**2. ABOLISH THE COCONUT LEVY AND OTHER INJUST TAXES IN THE COCONUT INDUSTRY. USE EXISTING FUNDS TO ESTABLISH PROGRAMS FOR THE GENUINE ECONOMIC AND SOCIAL UPLIFTMENT OF COCONUT FARMERS AND WORKERS.**

The coconut levy is a heavy burden imposed on the already impoverished farmer and farm workers of the coconut industry. The farmers are paying an exorbitant production tax for the benefit of the US-Marcos-Enrile-Cojuangco monopoly. While in theory, it is the coconut miller, exporter and coconut desiccator who are subject to this tax, in reality, it is the coconut farmer who suffers the full weight of the levy as it is passed on to him in the form of reduced copra prices. The current copra price in the world market is P4 per kilo, at P32 per hundred kilos, the current levy amounts to only 8% of the gross revenue of copra exporters. If this same amount were added to copra prices in the barrio, it would mean a 20% increase in the income of the coconut farmers.

Based on the average annual copra production of 2.5 million metric tons, the annual levy collection under RA 6260 would be about P13.75 million. An attractive amount indeed for any group who could control it through the use of political power and position in government.

The farmers are supposed to get a share of P8 out of the present P32 – levy as insurance premiums and to support the scholarship program. This amount, which is exactly 25% of the levy, looks big at first glance; but the Marcos-Enrile-Cojuangco clique together with PCA and Cocofed get three times as much for

programs that are actually harmful to the coconut farmers, farm workers, small traders and nationalist businessmen. For whom is the coconut levy?

The coconut farmers have every right to demand for the immediate abolition of the coconut levy. All existing levy revenue must be used to establish programs for the genuine economic and social upliftment of the coconut farmers and farm workers.

### 3. STOP CONTROL AND MONOPOLY OF UCPB-UNICOM OVER DOMESTIC COPRA TRADING, OIL MILLING AND EXPORTING OF COPRA AND COCONUT OIL.

In 1979 coconut oil millers were suffering from difficulties brought about mainly by excessive taxation imposed by the Marcos regime. Oil millers were made to pay three types of taxes, namely: 1) the CCSF at the rate of P600/MT; 2) premium duty at the rate of P169/MT; and 3) the export tax at the rate of 4% of the value of oil shipment. Considering that the average rate of return among small oil mills at the time was P10 per hundred kilos, they have difficulty absorbing these taxes.

To solve their problems, oil millers presented the following proposal to the Marcos government; 1) relief from the levy and export taxes for a levy; and 2) removal of the premium duty.

UNICOM was a private corporation organized in 1977 by the members of the Accra Law Office – Enrile's law partners. It became subsidiary of UCPB in September 1979 when the latter bought 4 million shares into the company using P495 million of CIIF funds on deposit. The present board of directors of the company include: Enrile, Chairman; Cojuangco, President; Regala of Accra Law Office, Secretary; Lobregat, Director and Pacifico Marcos, Director.

Coconut farmers do not benefit in any way from the establishment of UNICOM as it simply serves as a total for the perpetuation of the unjust coconut levy and a gold mine for the bandit monopoly clique. Copra prices will remain low for as long as UNICOM remains an instrument of the US and other big capitalist countries to maintain a steady supply of cheap raw materials.

### 4. RAISE THE WAGES OF COCONUT FARM WORKERS, INDUSTRIAL WORKERS AND WORKERS OF OTHER ALLIED BUSINESS ESTABLISHMENTS.

Coconut oil mills, refineries, desiccating plants and other business establishments in the coconut industry employ no less than 36,000 workers. About 1/3 (more than 10,000 workers) are employed in coconut desiccating.

Since coconut desiccating plants use whole nuts, they are usually located in the rural areas close to their sources of raw materials. The high unemployment condition in the countryside is exploited by these

companies to keep wage levels low. The most vicious form of wage slavery practiced in the coconut desiccating sector is the quota system. Here, they require their workers to process 1,000 nuts in 8 hours to be entitled to the basic rate which is only centavos higher than the legal minimum wage. This way they ensure maximum productivity at minimum cost. In 1974 workers in coconut desiccating plants produced for the foreign monopoly capitalists P5.70 in profits for every P1 spent in wages. The rate of exploitation could be higher considering that these companies practice transfer pricing.

No wonder that they could afford to underprice their products so much and at the same time enjoy return of P3 for every P1 invested.

Farm workers constitute the greatest number of wage workers in the coconut industry. In 1974 they numbered 200,000. They are the lowest paid and the most economically hard up population of the industry.

At the time of peak copra prices, coconut harvesters received P0.30 per coconut tree climbed. The strongest and most skillful among them may be able to climb 100 trees in a day earning for himself an income of P30. On the average, a coconut harvester earned P25 a day.

Today, wages in the farm sector has gone down with the fall of copra prices. Copra harvesters now get P10 per thousand nuts harvested. At present productivity levels, a harvester earns P15 if he is able to climb 100 trees. The average coconut harvester earns about P10 a day.

#### 5. RAISE THE PRICE OF COPRA AND STOP ALL UNJUST PRICE INCREASES OF COCONUT-BASED CONSUMER PRODUCTS.

Various estimates place the total population directly or indirectly dependent on the coconut industry at between 12 million to 1/3 of the national population. Any upward or downward fluctuation of copra prices, therefore, would have far-reaching effects on the livelihood of the people and on the national economy as a whole.

Citing the Center for Research and Communication (CRC) report on the impact of copra prices on rural income, a paper prepared by several concerned organizations noted that a 10% increase in coconut prices can lead to a 25% improvement in rural income. The paper further said that the 57% decrease in copra prices from P3.50 in 1979 to P1.50 in 1982 mean a decline of P8.5 billion in mass purchasing power in the coconut producing regions.

Quoting from the same source, Leonardo Ignacio, Executive Secretary of the United Coconut Association of the Philippines (UCAP), Inc., in a paper on processing and marketing of coconut oil, computed

an increase of P1 billion in rural purchasing power for every 10% increase in domestic copra prices. He cited CRC research findings which showed that for every 10% improvement in coconut income, the following industries' sales went up: textiles industry sales rose by 5%; soaps and detergent 4%; food processing industry 4%; dairy products and slaughtered meat products 3-5%; pharmaceutical industry 2%; and beverage industry and distilleries 2%.

If the present value of the coconut levy were added to domestic copra prices, the farmers' income would increase by 20%. Why reduce farmers' income to maintain foreign monopoly capital superprofit?

The present P1.50 buying price of UNICOM is too low considering the present international copra oil price of 25 US cents per pound. An article which appeared in We Forum, Nov. 25-27, 1981 issue estimated a break even millgate copra resecada price of P244.58 per hundred kilos. Monopoly price fixing by UNICOM drives copra prices down.

The 1973-74 boom in copra prices was mainly due to production shortfalls in vegetable oil producing countries and the recession in the West. The present slump of copra prices, on the other hand is caused by several factors among them a bumper harvest of oil seeds and the US grains embargo against Russia.

Even as the Philippines control 90% of all coconut products sold in the world market, we are not in the position to control prices because coconut oil is easily substituted by other vegetable oils.

**Excerpts from “The Coconut Issue: Enrile States the Facts”  
(Letter of Juan Ponce Enrile to Jose A Roño, Chairman of the Special Committee  
on the Coconut Industry, Batasan Pambansa, dated 15 December 1981)**

1. The coconut levy was allegedly increased when the replanting program was launched and the United Coconut Planters Bank (UCPB) was purchased –

This is false. Government records show that when the President launched the coconut replanting program under PD 582, the Coconut Consumers Stabilization Fund (CCSF) levy was P70.00 per 100 kilos.

Two months after the launching of the replanting program, the levy was reduced from P70.00 to P40.00.

Again, shortly before the President authorized the purchase of UCPB under PD 755, the levy was further reduced from P40 to P30.00 per 100 kilos. This levy was maintained for two years – 1975 to 1977.

2. Alleged misappropriation of P95 million of the P495 million investment of the farmers in the United Coconut Oil Mills, Inc. (UNICO) –

This claim is a distortion of the truth. There was no misappropriation of the coconut farmers' money. Records show that their investment in UNICOM is fully intact. UNICOM is owned entirely (100%) by the Coconut Industry Investment Fund which represents the coconut farmers of the country. Thus, the farmers own 495 million UNICOM shares of stock with a par value of P1.00 per share with a total par value of P495 million. The remaining 5 million are owned by Southern Luzon Coconut Oil Mill, Inc. (SOLCOM), a corporation owned by the coconut farmers, also through the Coconut Industry Investment Fund.

The Coconut Industry Investment Fund is the funding mechanism established to implement the provisions of PD 1468 (Art. III, Secs. 9 and 10) requiring investments for the benefit of the coconut farmers in commercial and industrial enterprises relating to the coconut industry. The investments are registered in the name of the Coconut Industry Investment Fund in the meantime that the shares are not distributed to the coconut farmers. The delay in the distribution of shares is caused by the fact that we must print 14,584,005 stock certificates of fifteen (15) companies including UNICOM for distribution to 972,267 coconut farmers.

3. UNICOM is an illegal monopoly –

UNICOM is the solution to the various problems which plague the industry, like the over-capacity of existing coconut oil mills and the cutthroat competition for copra. We also have to cope with the inefficient and uneconomic flow of copra supply from island to island throughout the nation without regard to the respective locations of the mills. Resulting from these factors is the poor competitive position of Philippine copra, coconut oil and their by-products in the international market for fats and oil.

UNICOM is not without precedent. Commonwealth Act No. 518 (1940) prescribed a National Coconut Corporation to establish and operate drying plants or coconut centrals with the view to strengthen the position of the industry in the world market.

4. Ten percent (10%) of the interest income of the P495 million invested by the Coconut Industry Fund in UNICOM was allegedly paid to its Board of Directors and Officers as management bonus –

This is not true. In fact, I daresay, it is a malicious falsehood intended to injure our honor and reputation.

The Coconut Industry Investment Fund subscription of P495 million was placed in a time deposit since UNICOM was not in full operation when the subscription was paid. Shortly thereafter, the deposit was withdrawn to finance the copra buying operations of UNICOM. It is normal practice for business corporations to place their idle funds in interest bearing deposits even if the funds remain idle only for a short while. The earnings of the P495 million on time deposit up to the time it was withdrawn for operation was P2,057,000.00 net of withholding tax. This is nowhere near the P59.4 million mouthed publicly and falsely by our critics.

5. UNICOM allegedly buys copra only from selected dealers –

The most favored dealer is the Philippine Coconut Producers Federation (COCOFED) Marketing Corporation, COCOMARK, a corporation owned by the coconut farmers established pursuant to LOI 857.

COCOMARK has established cooperative copra collecting centers engaged in the direct purchase of copra from the coconut farmers and the direct sale of the product to end-users which the coconut farmers themselves own or control through the Coconut Industry Investment Fund. This eliminates the need for multiple copra middlemen. The speculative profits that would otherwise be reaped by them are now shared by both the coconut farmers and consumers. Thus, we have higher farmgate prices of copra and more reasonable prices of essential coconut based products.

COCOMARK, having been recently organized, cannot however supply the total copra requirements of UNICOM. Qualified dealers have therefore been allowed to supply the balance of the copra requirements of UNICOM. Selection of qualified dealers is designed to minimize, if not eliminate, the exploitative practices of copra middlemen.

Coconut industry are deposited interest free –

When the President authorized the acquisition of UCPB, he ordered that the bank shall extend credit facilities to the coconut industry at preferential rates. In the implementation of this statutory obligation, UCPB has been extending the following credit facilities to the coconut farmers.

- a) Eight percent (8%) interest rate for coconut production loans;
- b) Ten percent (10%) interest rate for coconut hybrid loan assistance; and
- c) Twelve percent (12%) interest for coconut processing loans

... The collection and utilization of the levy are all allegedly not subject to public audit.

The Philippine Coconut Authority (PCA) which collects the levy is audited by the Commission on Audit (COA). The depository of the levy collection UCPB, is audited by the Central Bank as well as independent public accountants, C.J. Valdez & Co. The United Coconut Planters Life Assurance Corporation is audited by the Insurance Commission and Sycip Gorres Velayo & Co. (SGV). COCOFED and UNICOM are audited by the same firm.

... It is also claimed that the farmers are allegedly being forced to participate in the replanting program –

Participation in the replanting program is on a purely voluntary basis.

The President himself personally inserted in PD 1468 in his own handwriting that the seednuts shall be distributed to the coconut farmers on a “voluntary basis”. As a matter of fact, PCA records show that from 1980 to 15 November 1981, PCA has been able to service only fifty percent (50%) of the 15,766 farmers who have enthusiastically applied for participation in the program.

... Then they say the allocation for replanting is “excessive”.

This is false.

The cost of replanting one (1) hectare from receipt of seednuts to the fruitbearing stage is P15,200.00. Under the program, 30,000 hectares will be replanted per year starting in 1981. The required amount of financing per year is P465 million which does not even include administrative and implementation costs. The present allocation for the replanting program is insufficient to meet the projected annual cost of replanting.

... There is also the charge that the Ivory Coast Variety is allegedly not suited to the Philippines –

As early as 1978, certain quarters had questioned the selection of the Ivory Coast Variety for the replanting program. To resolve that issue, the President created a committee composed of five (5) experts in the agricultural field, including the late Dr. Jose Drilon and now Minister of Science Emil Javier to study the matter. The committee recommended that the choice of the Ivory Coast Hybrid as the initial planting material is advisable in the absence of a proven alternative.

... The critics also make the claim that the insurance premiums of the coconut farmers are “excessive” –

The insurance program for coconut farmers is highly advantageous to them.

COCOLIFE is one solid example of how the coconut farmers benefit out of the present coconut industry program. COCOLIFE assures the coconut farmers savings of P10,000 to be utilized by them at that critical period when the head of the family dies.

... Our critics also question the interlocking directorates of PCA, COCOFED, UCPB and UNICOM –

The uniformity of directors among the governing boards in these institutions is a legal and necessary arrangement. This was decided upon to harmonize, coordinate and harness all sectors of the industry in the planning and implementation of all the diverse programs in the industry.

**Excerpts from the Statement of the Bunawan Coconut Planters  
and Copra Producers Association Inc.**

The Bunawan Coconut Planters and Copra Producers Association, Inc. have been advocating and waging the campaign of the lifting of the coco levy as well as the abolition of PCA, COCOFED, and UNICOM. The coconut farmers are hit hard by the imposition of the levy. PCA and COCOFED are supposed to serve and help the coconut farmers, but instead they are in cahoots with UNICOM to deprive *them* of the fruits of their labor and efforts in the production of their copra.

PCA, COCOFED and UNICOM make all kinds of inducements to the coconut farmers to increase their production. They tell them that the hybrid coconuts will double their production. They should replant with the new miracle coconuts. They should keep the oil mills operating with increased production. They say that the oil mills are not operating full time because they do not have enough copra to mill. Why were the building of so many oil mills allowed since our increased production has not yet arrived? Also they tell us that there is a glut in the world's market of copra because of the use of substitutes. The use of substitutes was caused by UNICOM and its associates abroad in their attempt to corner the world's market of copra and coconut oil. We understand that UNICOM and its associates are boycotted and black-listed by the foreign traders in US and Europe. There is no sense of increasing our production if there is no market. They want us to increase our production and at the same time they penalized us for producing more through the imposition of the levy. All these do not make sense.

In the massive propaganda of PCA, COCOFED and UNICOM the coconut farmers are made to believe that the levy is beneficial to *them*. They cite the insurance and the Scholarship grant to students. They made the scholarship issue to prominent in their presentation to President Marcos for the restoration of the levy. They succeeded in hoodwinking the President. Now the levy is returned, minus P10.00 which make it to P50.00. We are back to the system of cheating and robbing the coconut farmers.

We are made to understand that the levy was P60.00 on every 100 kilos. Now we learn that it was P76.00. The breakdown of the P60.00 levy was given us by representatives of PCA who were sent to one of the meetings of the Bunawan Coconut Planters to enlighten us about the problems confronting the coconut industry. (1) P20.00 goes to the Hybridization and Replanting Program; (2) P15.00 goes to the Insurance Refund; (3) P12.00 goes to Coco-Prime Commodities; (4) P8.00 goes to the Investment and Development; (5) P2.00 each to PCA and COCOFED; (6) P1.00 goes to the PFM Scholarship Fund.

We made complaints to PCA, COCOFED and to some members of the Batasan about the unfairness and injustice of the imposition of the levy. We pointed out that the P20.00 deducted on every 100 kilos of

copra we sell for replanting is an added burden and is of no benefit to a farmer who is not participating in the replanting program. A farmer who sells four (4) tons a quarter is made to pay the amount of P800.00 for program that is of no benefit or need to him. In one year the amount of P3,200.00 is taken from him through the dubious program of PCA. The more he sells, the greater the amount taken from him.

Let us take the Insurance that they talk so much about that are extended to the coconut farmers. Formerly, the amount deducted was P15.00 on the P60.00 levy. Now it is reduced to P12.50. We refer to the former amount that was deducted – P15.00 on every 100 kilos for a policy of P10,000.00. A farmer who sells four (4) tons 1 quarter is made to pay P600.00. In one year the amount of P2,400.00 is deducted or collected for payment of insurance. One can get insured for less than P300.00 for a policy of P10,000.00. If a farmer sells more he is charged more, but the policy is not increased. What a grand scheme of cheating and robbing the coconut farmers. The most pitiful part of it all is that there was no policy issued which means that no payment was ever made to those who registered their coupons later than October 1978.

Let us look into the scholarship support to students. Formerly, P1.00 on the P60.00 levy was the scholarship Fund. Now they increased it to P4.00. A great majority of these students that are given the scholarship grant are children of affluent and well-to-do people. These well-to-do people can very well afford to keep their children in school without the aid of the scholarship support. On the other hand, children of the common ordinary coconut farmers cannot continue their studies because their parents can no longer afford to keep them in school. These children are the elementary and high school level. These are the children who are more in need of aid. The scholarship under the present scheme, is for the well-to-do whose children are in college. The poor farmers who cannot have their children continue their studies in the elementary and high school level are left out. So we say that the scholarship is of no benefit to the common ordinary coconut farmer. It is our money but it is called President Ferdinand E. Marcos scholarship.

We were told that fertilizer is the Coco-Prime Commodity that is subsidized for the benefit of the coconut farmers. Very few were lucky to get fertilizer at the subsidized price. Yet the amount of P2.00 was deducted on every 100 kilos of copra they sell. How about the P8.00 Investment and Development Fund? It is the United Coconut Planters Bank (UCPB). We are told that this bank is owned by the coconut planters. The coconut farmers are not given stock certificates to show that they are owners of the bank. Coconut farmers have no say in the management of the bank. Money collected and deposited in the bank do not earn interests. Why? The coconut farmers demand that PCA, COCOFED, and UNICOM submit an accounting of the money collected through the imposition of the levy and how it was spent. The farmers are entitled to know how their money was spent. The money of the levy is a public fund. It is subject to public audit. Worse, those close to the powers at PCA, COCOFED are the ones who have obtained big loans from UCPB.

MALACAÑANG  
Manila

PRESIDENTIAL DECREE NO. 582

FURTHER AMENDING PRESIDENTIAL DECREE NO. 232,  
AS AMENDED (RE-PHILIPPINE COCONUT AUTHORITY)

WHEREAS, unlike other copra producing countries, the Philippines has not exerted concerted efforts towards the development and planting of an early-breeding and high yielding hybrid variety of coconut trees capable of producing at least five (5) tons of copra per hectare per year compared to the present national average of less than one (1) ton per hectare;

WHEREAS, to enable the country to compete in the international market of vegetable fats and oils and thereby ensure stable and better incomes for the coconut farmers, it is imperative that the country should pursue a vigorous program of replanting existing coconut farms and idle lands with superior hybrid coconut trees;

WHEREAS, to attain that objective the Government should channel part of what the coconut farmers are presently paying as coconut consumers stabilization levy to their ultimate direct benefit;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, in order to effect the desired changes and objectives, do hereby decree the further amendment of Presidential Decree No. 232, as follows:

SECTION 1. Section 3 of Presidential Decree No. 232, as amended is hereby amended by inserting new paragraphs to read as follows:

- “( ) To formulate and implement within the next five (5) years a nationwide coconut replanting program using precocious high-yielding hybrid seednuts;
- p) To distribute for free, to coconut farmers the hybrid coconut seednuts herein authorized to be acquired.”

SECION 2. A new section, to be known as Section 3-8 is hereby inserted to read as follows:

SECTION 3-8. Coconut Industry Development Fund.

There is hereby created a permanent fund to be known as Coconut Industry Development Fund which shall be deposited with, and administered and utilized by, the Philippine National Bank through its subsidiary the National Investment and Development Corporation for the following purposes:

a) To finance the establishment, operation and maintenance of a hybrid coconut seednut farm under such terms and conditions that may be negotiated by the National Investment and Development Corporation with any private person, corporation, firm or entity as would insure that the country shall have, at the earliest possible time, a proper, adequate and continuous supply of high yielding hybrid seednuts;

b) To purchase all of the seednuts produced by the hybrid coconut seednut farm which shall be distributed, for free, by the Authority to coconut farmers in accordance with, and in the manner prescribed in, the nationwide coconut replanting program that it shall devise and implement; Provided, That farmers who have been paying the levy herein authorized shall be given priority;

c) To finance the establishment, operation and maintenance of extension services, model plantations and other activities as would insure that the coconut farmers shall be informed of the proper methods of replanting their farms with the hybrid seednuts.

As the initial final funds of the Coconut Industry Development Fund the Authority is hereby directed to pay to the Coconut Industry Development Fund the amount of One Hundred Million Pesos (P100,000,000.00) out of its collections of the coconut consumers stabilization levy and thereafter the Authority shall pay to the said Fund an amount equal to at least twenty centavos (P0.20) per kilogram of copra resecada or its equivalent out of its current collections of the coconut consumers stabilization levy. In the event that the coconut consumers stabilization levy is lifted, a permanent levy of twenty centavos (P0.20) is thereafter automatically imposed on the first sale of every kilogram of copra or its equivalent in terms of other coconut products which shall be collected and paid to the Coconut Industry Development Fund by the Authority in accordance with the mechanics presently followed in the collection of the coconut consumers stabilization levy. The Philippine National Bank is hereby authorized to invest any unutilized portion of the Fund in easily convertible investments and all earnings therefrom shall form part of the Fund.

The sale or transfer of the hybrid coconut seednuts herein authorized to be acquired is hereby declared exempt from the payment of the coconut consumers stabilization levy and any all taxes and fees of whatever kind and nature.”

SECTION 3. Repealing Clause. - All laws, executive and administrative orders, rules and regulations inconsistent with the foregoing provisions are hereby repealed or amended accordingly.

SECTION 4. This Decree shall take effect immediately.

Done in the City of Manila, this 14th day of November, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS  
President  
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR

Executive Secretary

**Excerpts from the “Coconut Issue (Part III): Prime Minister Cesar E.A. Virata states the facts at the Fourth Regular Session of the Batasang Pambansa”, January 28, 1982.**

THE FOLLOWING QUESTIONS WERE SUBMITTED BY ASSEMBLYMAN HILARIO G. DAVIDE JR., PUSYON BISAYA, REGION VII.

- 1) Please fully enlighten our people on the benefits which the coconut farmers or growers would have received if the suspension of the coconut levy, which you recommended and which the Cabinet approved, was allowed to continue.
- 2) What were/are the ill-effects of the coconut levy which prompted you and the Cabinet to decide for its suspension?
- 3) What is the extent of the monopoly on the coconut industry in our country? Who are the persons behind the monopoly?

ANSWER OF PRIME MINISTER CESAR E.A. VIRATA

“Prior to the Cabinet meeting of September 8, I had requested Chairman dela Cuesta of the Philippine Coconut Authority to report on the situation of the coconut industry because we have been receiving various cables from different places in the Philippines saying that UNICOM had not been buying promptly the coconut or copra that they had been offering to the UNICOM mills. And at that time, the UNICOM was buying at P2.00 a kilo whereas if you convert the international price of coconut oil into its copra equivalent, it would have been informed that they had been using part of the levy in order to sustain their purchasing at P2.00. They were hoping that by doing so they could help the farmers at a time when the price of copra was quite low.

FOLLOW-UP QUESTIONS OF ASSEMBLYMAN DAVIDE

Mr. Davide prefaced his question by stating that from the answers given by the Prime Minister, it would clearly appear that the Cabinet was divided on the matter of the retention, lifting or adoption of any formula with respect to the coconut levy. He then inquired as to whether it was the majority of the Cabinet which actually voted in favor of the lifting of the levy.

With respect to the benefits from the viewpoint of the members of the Cabinet in favor of the lifting of the levy that the immediate lifting of said levy would have brought about, Mr. Virata stated that some people believed that with the removal of the levy, the prices would go up, but it turned out that it was not true, since prices went down in some areas. Mr. Virata stated that the matter could not be dependent on a single act, since as far as the Cabinet is concerned, the levy was not bad in view of its uses. Mr. Virata cited the significance of projects that would improve the coconut industry. He stressed that if there would be no collection, nobody would undertake some of the desirable projects that had been started by the Coconut Federation.

As to whether the Cabinet was well aware of the fact that about 85 to 90 per centum of the market was in the hands of UNICOM and that the composition of the leadership in UNICOM does not actually represent the interest of the coconut farmers, Mr. Virata stated that the matter is a very debatable subject, since to the Cabinet it is a federation matter. Mr. Virata opined that to say that the officers of the Federation do not serve the interest of the coconut farmers would lead into interminable debate and that he could not make categorical statements on the matter. Mr. Virata further pointed out that since the Federation has its ways and means of installing its officers, it has also ways and means of removing them.

Mr. Virata then underscored that the real problem of the coconut industry had been oversupply of coconuts because of the very good weather the previous year and also on account of the fact that it was so timed with a worldwide recession and therefore prices went down further than expected.

On whether the Cabinet is aware of the fact that in the coconut hybridization program, one private entity has been given an exclusive monopoly to supply the hybrid coconut seednuts, Mr. Virata replied in the affirmative. He pointed out, however, that as a result of the association of Mr. Cojuangco in this particular industry and his efforts to produce different types of hybrid nuts, he started a nursery at Bugsuk, Palawan, in order to supply those interested in planting hybrid seeds.

Mr. Virata then affirmed the statement of Mr. Davide that although these hybrid coconut seeds are to be distributed to the coconut farmers, these farmers are actually financing the operation and maintenance of this private enterprise.

FOLLOW-UP QUESTIONS OF ASSEMBLYMAN FILEMON L. FERNANDEZ, PUSYON BISAYA, REGION VII.

Mr. Virata then affirmed the statement of Mr. Fernandez that after the levy was lifted, domestic prices of copra did not go up, and that the reason why the prices of copra did not go up was because UNICOM

stopped buying copra. He pointed out, however, that for any commodity where there is no demand, prices would go down because the premise of the lifting of the levy is a total return to the free market.

On whether it would be correct to say that at the time that the levy was lifted, the only authorized buyer of copra in the country was UNICOM, Mr. Virata replied in the negative. He stated that there were many other people and entities who bought copra, although UNICOM was a dominant factor as far as buying copra was concerned.

On whether UNICOM controlled 20% of the market, Mr. Virata explained that about 63 to 65 percent of the milling capacity was controlled by UNICOM at that time.

On whether the extent of the control of UNICOM of the market was brought about by its purchase of existing mills which used to be independent buyers of copra before, Mr. Virata replied in the affirmative inasmuch as it is in consonance with the move to integrate and industrialize the industry.

On whether UNICOM reduced the number of outlets for copra in the country by buying out the mills which used to be independent buyers of copra, Mr. Virata stressed that the capacity remained the same inasmuch as UNICOM is owned by the planters, which would, in effect, have a unitary interest.

Mr. Virata also affirmed that other countries would rather want to see the Philippines as copra producer and not as an oil processor. In assessing the situation, he stated that the United States imposes a duty on coconut oil, Japan has a differential duty between copra and coconut oil, and Europe, while admitting copra as duty-free, imposes a duty on coconut oil, thus, one could see that their policy is for the Philippines to maintain as much as possible the exportation of copra.

On the ownership of the UNICOM, particularly in reply to Mr. Fernandez' question whether it was true the UNICOM was actually formed by five lawyers of the Angara Law Offices who invested only P5 million which allegedly became P100 million because of the P495 million investment of the UCPB purportedly made in behalf of the coconut farmers which eventually became only P400 million. Mr. Virata adverted to the memorandum which contained Minister Enrile's clarification on the matter. Mr. Virata then read at length said memorandum which showed that there was no misappropriation of the coconut farmers' money and that such money in the UNICOM is fully intact.

PRESIDENTIAL DECREE NO. 1468

REVISING PRESIDENTIAL DECREE NUMBERED  
NINE HUNDRED SIXTY ONE

WHEREAS, Presidential Decree No. 961 was promulgated to promote the development of the coconut and other palm oil industry and to ensure that the coconut farmers become direct participants in, and beneficiaries of, such development;

WHEREAS, there is a need to restructure the provisions of Presidential Decree No. 961 in order to meet the changes of the times and to provide effective means of achieving the objectives of the coconut industry as expressed in said Decree;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order the following:

**ARTICLE I**

TITLE AND POLICY OF THE STATE

SECTION 1. Title. - This Decree shall be known as the "Revised Coconut Industry Code".

SECTION 2. Declaration of Policy. - It is hereby declared to be the policy of the State to promote the rapid integrated development and growth of the coconut and other palm oil industry in all its aspects and to ensure that the coconut farmers become direct participants in, and beneficiaries of, such development and growth.

**ARTICLE II**

SECTION 1. Creation of a Philippine Coconut Authority. - To implement and attain the declared national policy, there is hereby created an independent public corporation to be known as the Philippine Coconut Authority, hereinafter referred to as Authority, directly reporting to and supervised by, the President of the Philippines.

SECTION 2. Principal Office. - The Authority shall maintain its principal office in the Greater Manila Area but it may establish branches and agencies within the Philippines as may be necessary for the proper conduct of its business.

SECTION 3. Power. - In the implementation of the declared national policy, the Authority shall have the following powers and functions:

a) To formulate and adopt a general program of development for the coconut and other palm oil industry in all its aspects;

b) To formulate and implement a nationwide replanting program using precocious high-yielding hybrid seednuts and, in the discretion of the Authority, the program may include new areas provided that existing coconut farmers shall always be given priority;

c) To distribute, for free, to coconut farmers the hybrid coconut seednuts herein authorized to be acquired;

d) To review and revise, and thereafter integrate into the adopted general program of development, the existing policies, projects and activities of all other governmental agencies directly relating to the development of the industry;

e) In coordination with the hybrid coconut seed farm herein authorized to be established, to conduct genetical and agricultural researches and investigations for the improvement of the coconut palm productivity;

f) To establish, operate and maintain one central experiment station and such sub-stations as it may prescribe to undertake extensive research in the control and eradication of coconut diseases and pests and in the method of making copra; and in connection therewith, all research stations and centers, facilities and equipment operated by any governmental agency or instrumentality in the researches on genetical, agronomical and disease control relating to coconut culture are all hereby transferred to the Authority;

g) To explore and expand the domestic and foreign markets for coconut products and by-products.

h) To regulate the marketing and the exportation of copra and its by-products by establishing standards for domestic trade and export and, thereafter, to conduct an inspection of all copra and its by-products proposed for export to determine if they conform to the standards established;

i) To devise and thereafter prescribe by means of rules and regulations a method of measuring the moisture content of copra at its first domestic sale and a scale of deduction according to the percentage of the moisture content;

j) To impose and collect the levies herein authorized to be collected;

k) To impose and collect, under such rules that it may promulgate, a fee of ten centavos for every one hundred kilos of desiccated coconut, to be paid by the desiccating factory, coconut oil to be paid by the oil mills and copra to be paid by the exporters, which shall be used exclusively to defray its operating expenses;

l) To enter into, make and execute contracts of any kind as may be necessary or incidental to the attainment of its purposes and, generally, to exercise all the powers necessary to achieve the purposes and objectives for which it is organized; provided, however, it shall not engage in commercial/industrial activities including the commercial production of hybrid coconut seednuts;

m) Except in respect of entities owned or controlled by the Government or by the coconut farmers under Sections 9 and 10, Article III, hereof, the Authority shall have full power and authority to regulate the production, distribution and utilization of all subsidized coconut-based products, and to require the submission of such reports or documents as may be deemed necessary by the Authority to ascertain whether the levy payments and/or subsidy claims are due and correct and whether the subsidized products are distributed among, and utilized by, the consumers authorized by the Authority;

n) To issue subpoena and subpoena duces tecum; to summon witnesses to appear in any investigation conducted by the Authority pursuant to its powers granted herein; and, in appropriate cases, to impose punishment for contempt, direct or indirect;

o) To authorize officers or agents of the Authority to enter any house, building, or place where subsidized products are stored or kept, or when there are reasonable grounds to believe that said products are stored or kept thereat, so far as maybe necessary to examine the same; to seize such products as are found to be unlawfully possessed or kept; and to stop and search any vehicle or other means of transportation when there are reasonable grounds to believe that the same unlawfully carries any subsidized coconut-based products;

p) To utilize hereafter, as the basis for final assessment of the levies herein authorized to be collected, the Central Bank out-turn reports of copra and its by-products at the foreign port of destination and for that purpose, the Central Bank shall furnish the Authority with copies thereof;

q) To formulate a system for the reward of compensation of persons instrumental in the discovery of violations of this law or implementing rules and regulations; and conviction of the violators; and whenever necessary, to provide for the appropriate security of the witnesses testifying against such violators; and

r) To exercise such other powers as may be necessary and proper for the effective enforcement of this law and the implementing rules and regulations.

SECTION 4. Governing Board. - The corporate powers and duties of the Authority shall be vested in and exercised by Board of seven (7) members to be appointed by the President, as follows:

- a) Two representatives of the Government, one of whom shall be designated by the President as Chairman and the other as Vice Chairman;
- b) Three members recommended by the Philippine Coconut Producers Federation;
- c) One member recommended by the United Coconut Association of the Philippines;
- d) One member recommended by the owner and operator of the hybrid coconut seednut farm herein authorized to be established.

The Board shall have the following additional powers and duties:

- a) To direct and manage the affairs of the Authority;
- b) To prepare and adopt an annual budget;
- c) To disburse the proceeds of the levies for the purposes herein authorized; and
- d) To establish the internal organization of the Authority and fix the salaries and other compensation of its officers and employees.

SECTION 5. Meeting and Quorum. - The Board shall meet as often as the exigencies of the service may demand. The presence of at least four members shall constitute a quorum, and the vote of four members shall be necessary for the adoption of any rule, resolution or decision or any other act of the Board;

SECTION 6. Compensation of the Members of the Board. - The members of the Board shall receive per diem of two hundred pesos for each meeting actually attended; Provided, that such per diems shall not exceed one thousand pesos during any month for each member; Provided, further, That no other allowance or any form of compensation shall be paid them, except actual expenses in traveling to and from their residences to attend board meetings.

SECTION 7. Executive Officers and Personnel. - The chief executive officer of the Authority shall be the administrator assisted by such Deputy Administrator as the Board may prescribe, all of whom shall be appointed, or removed, by the Board and delegated with such powers and duties as it may prescribe.

All officers and employees of the Authority shall be selected and appointed by the Board on the basis of merit and fitness.

SECTION 8. Departments. - The Board may establish such departments as it may be convenient for the discharge of its duties; Provided, That only one agronomical research department shall be created.

### **ARTICLE III**

#### **LEVIES**

SECTION 1. Coconut Consumers Stabilization Fund Levy. - The Authority is hereby empowered to impose and collect a levy to be known as the Coconut Consumers Stabilization Fund Levy, on every one hundred kilos of copra recocada, or its equivalent in other coconut products delivered to, and/or purchased by, copra exporters, oil millers, desiccators and other end-users of copra or its equivalent in other coconut products. The levy shall be paid by such copra exporters, oil millers, desiccators and other end-users of copra or its equivalent in other coconut products under such rules and regulations as the Authority may prescribe. Until otherwise prescribed by the Authority, the current levy being collected shall be continued.

SECTION 2. Utilization of Fund. - All collections of the Coconut Consumers Stabilization Fund Levy shall be utilized by the Authority for the following purposes:

a) When the national interest so requires, to provide a subsidy for coconut-based products the amount of which subsidy shall be determined on the basis of the base price of copra or its equivalent as fixed by the Authority and the prices of coconut-based products as fixed by the Price Control Council; provided, however, that when the coconut farmers, who in effect shoulder the burden of the levies herein imposed, shall have owned or controlled, under Section 9 and 10 hereof, oil mills and/or refineries which manufacture

coconut-based consumer products, only such oil mills and/or refineries shall be entitled to the subsidy herein authorized;

b) To refund wholly or in part any premium duty collected on copra or its equivalent sold prior to February 17, 1974;

c) To finance the developmental and operating expenses of the Philippine Coconut Producers Federation including projects such as scholarships for the benefit of deserving children of the coconut farmers; and

d) To finance the establishment and operation of industries and commercial enterprises relating to the coconut and other palm oil industry as described in Section 9 hereof; and

e) To finance the Coconut Farmers Refund which is hereby constituted as the pooled savings of the coconut farmers, to be utilized for their mutual assistance, protection and relief in the form of social benefits, such as life and accident insurance coverage of the farmers.

SECTION 3. Coconut Industry Development Fund. - There is hereby created a permanent fund to be known as the Coconut Industry Development Fund, which shall be administered and utilized by the bank acquired for the benefit of the coconut farmers under PD 755 for the following purposes:

a) To finance the establishment, operation and maintenance of a hybrid coconut seednut farm under such terms and conditions that may be negotiated by the National Investment and Development Corporation (NIDC) with any private person, corporation, firm or entity as would insure that the country shall have, at the earliest possible time, a proper, adequate and continuous supply of selected high-yielding hybrid as well as indigenous precocious seednuts and, for this purpose, the contract, including the amendments and supplements thereto as provided for herein, entered into by NIDC as herein authorized is hereby confirmed and ratified, and the bank acquired for the benefit of the coconut farmers under PD 755 shall administer the said contract, including its amendments and supplements, and perform all the rights and obligations of NIDC thereunder, utilizing for that purpose the Coconut Industry Development Fund;

b) To purchase all of the seednuts produced by the hybrid coconut seednut farm which shall be distributed, for free, by the Authority to coconut farmers on a voluntary basis as well as for new areas opened for coconut planting in accordance with, and in the manner prescribed in, the nationwide coconut replanting program, provided, that farmers who have been paying the levy herein authorized shall be given priority;

c) To defray the cost of implementing the nationwide replanting program which, including the activities described in sub-paragraphs (b) and (d) of this Section, shall upon prior approval of the President of the Philippines, be implemented by the Authority through a private non-profit foundation owned by the coconut farmers in the manner prescribed by Sections 9 and 10 hereof;

d) To finance the establishment, operation and maintenance of extension services, model plantation and other activities as would insure that the coconut farmers shall be informed of the proper methods of replanting; and

e) The balance, if any, shall be utilized for investments for the benefit of the coconut farmers as prescribed in Section 9 hereof.

SECTION 4. Coconut Industry Development Fund Levy. - As the initial funds of the Coconut Industry Development Fund, the Authority is hereby directed to pay to the Coconut Industry Development Fund the amount of One Hundred Million Pesos (P100,000,000.00) out of the Coconut Consumers Stabilization Fund and thereafter the Authority shall pay to the said Fund an amount equal to at least twenty centavos (P0.20) per kilogram of copra resecada or its equivalent out of its current collections of the Coconut Consumers Stabilization Fund Levy. In the event that the Coconut Consumers Stabilization Fund Levy is lifted, a permanent levy of twenty centavos (P0.20) is thereafter automatically imposed on every kilogram of copra or its equivalent in terms of other coconut products which shall be collected and paid to the Coconut Industry Development Fund by copra exporters, oil millers, desiccators and other end-users of copra or its equivalent under rules prescribed by the Authority.

The sale or transfer of the hybrid coconut seed nuts herein authorized to be acquired is hereby declared exempt from the payment of the coconut consumers stabilization levy and any and all taxes and fees of whatever kind and nature.

SECTION 5. Exemptions. - The Coconut Consumers Stabilization Fund and Coconut Industry Development Fund, as well as all disbursements as herein authorized, shall not be construed or interpreted, under any law or regulation, as special and/or fiduciary funds, or as part of the general funds of the national government within the contemplation of PD 711, nor as subsidy, donation, levy government funded investment, or government share within the contemplation of PD 898, the intention being that said Fund and the disbursements thereof as herein authorized for the benefit of the coconut farmers shall be owned by them in their private capabilities; Provided, however, That the President may at any time authorize the Commission on Audit or any other officer of the government to audit the business affairs, administration, and condition of persons and entities who receive subsidy for coconut-based consumer products as provided in sub-paragraph

(a) Section 2, Article III hereof and those required to pay the Coconut Consumers Stabilization Fund Levy as provided in Section 1, Article III hereof.

SECTION 6. Rules and Regulations. - For a proper and effective collection of the levies herein authorized to be imposed and collected, the Authority is hereby given full power and authority to promulgate such rules and regulations it may deem proper and necessary. The Authority may require the persons liable to pay the levies to submit periodic reports of their receipt of deliveries and/or purchases of copra or its equivalent. Provided, however, That the Authority shall have no power to require the disclosure of competitive information and/or trade secrets such as names and identities of their buyers and prices at which they sold the copra or its equivalents.

SECTION 7. Interest and Surcharges. - Hereafter, the Authority shall have the power to impose and collect interest equal to 14% per annum of the levies paid after the due date thereof: Provided, however, that in cases of willful or fraudulent failure to pay the levy, as determined by the Authority, the Authority may impose a surcharge of 25% in addition to the assessable interest on late payments. In dispute assessments where genuine issues of fact and/or law are raised the Authority may, in its discretion enter into a compromise settlement of the disputed assessment waiving in whole or part the assessable levy, interest and surcharges.

SECTION 8. Deposit of Collections. - All collections of the levies herein authorized to be imposed and collected shall, upon collection thereof, be immediately deposited for the account of the coconut farmers, interest-free by the Authority with the bank acquired for the benefit of such coconut farmers under PD 755 under such terms and conditions as will insure that said bank can service in full the credit requirements of the coconut farmers: Provided, however, That the deposits shall not be withdrawn for purposes other than those herein authorized until the nationwide replanting program shall have been fully implemented and realized.

SECTION 9. Investments for the Benefit of the Coconut Farmers. - Notwithstanding any law to the contrary, the bank acquired for the benefit of the coconut farmers under PD 755 is hereby given full power and authority to make investments in the form of shares of stock in corporations organized for the purpose of engaging in the establishment and the operation of industries and commercial activities and other allied business undertakings relating to the coconut and other palm oils industry in all its aspects and the establishment of a research into the commercial and industrial uses of coconut and other palm oil industry. For that purpose, the Authority shall, from time to time, ascertain how much of the collections of the Coconut Consumers Stabilization Fund and/or the Coconut Industry Development Fund is not required to finance the replanting program and other purposes herein authorized and such ascertain surplus shall be utilized by the bank for the investments herein authorized.

SECTION 10. Distribution to Coconut Farmers. - The investments made by the bank as authorized under Section 9 hereof shall all be equitably distributed, for free, by the bank to the coconut farmers except such portion of the investments which it may consider necessary to retain to insure continuity and adequacy of financing of the particular endeavor. In effecting the distribution of the investments to the coconut farmers, the bank shall provide measures as would ensure the viability and stability of the particular enterprise and afford the widest distribution of the investment among the coconut farmers.

## **ARTICLE IV**

### **PENALTIES**

SECTION 1. Whenever any person or entity willfully and deliberately violates any of the provisions of this Act, or any rule or regulation legally promulgated hereunder by the Authority, the person or persons responsible for such violation shall be punished by a fine of not more than P20,000.00 and by imprisonment of not more than five years. If the offender be a corporation, partnership or a juridical person, the penalty shall be imposed on the officer or officers authorizing, permitting or tolerating the violation. Aliens found guilty of any offense shall, after having served his sentenced, be immediately deported and, in the case of a naturalized citizen, his certificate of naturalization shall be cancelled.

SECTION 2. Unlawful Possession or Utilization of Subsidized Products. - Any person or entity who owns, utilizes, and/or if sound in possession of subsidized coconut-based products in violation of the provisions of this law and the implementing rules shall be liable to the penalty prescribed in Section 1 above. In addition, such unlawfully possessed or removed products shall be confiscated and sold by the Authority, and the proceeds thereof shall form part of the Coconut Consumers Stabilization Fund.

## **ARTICLE V**

### **MISCELLANEOUS PROVISIONS**

SECTION 1. Abolished Agencies. - The Coconut Coordinating Council (CCC), the Philippine Coconut Administration (PHILCOA) and the Philippine Coconut Research Institute (PHILCORIN) are hereby abolished and their powers and functions transferred to the Philippine Coconut Authority, together with all their respective appropriations, funding from all sources, equipment and other assets, and such personnel as are necessary; Provided, That personnel separated from the service hereby shall have the same

rights and privileges accorded to other government employees separated as a result of implementation of the Integrated Reorganization Plan; Provided, Further, That the Authority, through its Board, shall effect the transfer herein provided in a manner that will insure the least disruption of on-going programs and projects; Provided, moreover, That in Authority, except that the Board of the PILCORIN and PHILCOA, as well as the Council itself, shall immediately cease to exist upon the effectivity of this Decree, and their functions shall be exercised by the Authority; and Provided, Finally, That until otherwise so ordered by the President of the Philippines, the incumbent members of the Governing Board of the Authority are hereby automatically appointed as such members of the Board.

SECTION 2. Repealing Clause. - All laws, executive and administrative orders, rules and regulations inconsistent with the foregoing provisions are hereby repealed or amended accordingly including Republic Act Nos. 1145, 1365, 1369 and 2282.

SECTION 3. Separability Clause. - If any provision of this Decree is held unconstitutional, the same shall apply only to that provision and the remainder hereof remains valid.

SECTION 4. Effectivity. - This Act shall take effect immediately.

Done in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

**Suspension of the Coconut Levy Free Enterprise  
and the Massive Campaign to Restore  
the Coconut Levy thru Mass Media**

- 1) What is the truth behind the sudden and abrupt stoppage of copra buying by the UNICOM right after the Cabinet decision to suspend the coconut levy? Is UNICOM fighting for its own survival at the expense of some 15 million Filipinos depending for their own economic survival on coconut? The UNICOM was created supposedly for the good of the coconut farmers, and is supposed to be so viable in its management and operations that it is supportive of the coconut farmers during a crisis? Why is UNICOM now creating, it appears deliberately, a CRISIS that is practically forcing the poor coconut farmers in desperation to surrender their copra to speculators buying as low as P0.80 per kilo because UNICOM refuses to buy.
- 2) The coconut levy collected from 1973 to April 1980 amounted to about P9 Billion. What kind of system has the PCA and UNICOM established that instead of helping the coconut farmers, especially the small ones, it has not set up any mechanism whatsoever to protect the coconut farmers. Instead it immediately punished all the coconut farmers by stopping the buying operations of most of the coconut mills they have acquired throughout the country with the money (through the coconut levy) of the coconut farmers.
- 3) Assemblyman Pelaez started looking into the program and activities of the PCA, the UNICOM and the UNITED COCONUT PLANTERS BANK sometime last June 1980 in the IBP. The IBP Committee during its first meeting discovered that some P12 million were spent just for T-shirts alone. Today there is no P12 million for UNICOM to buy one more kilo of copra. What kind of a system has the PCA and UNICOM established? The IBP Committee had only one hearing before which the PCA Chairman was asked to explain. WHY was the second Committee hearing aborted, cancelled because they said Minister Tanco was abroad? During the first highly embarrassing hearing Minister Tanco did not attend? The people would like to know why Pelaez was prevented from investigating further when all he wanted was a review of the entire PCA program for the coconut industry?
- 4) Recently some P479 million was announced to have been spent for the coconut seedlings. When Assemblyman Pelaez was inquiring about the seedlings program, it was shocking to find out that the 40-year program of distributing coconut seedlings is unjust and expensive. Imagine a farmer paying the coconut levy for years only to wait for his turn to receive his seedlings on the 40th year.
- 5) Why don't we listen to the complaint of the poor coconut farmer who says: Why are they sending other scholars to schools when after the coconut levy is paid I have nothing to send my own children to school.

MALACAÑANG, MANILA

PRESIDENTIAL DECREE NO. 1842

**AMENDING CERTAIN PROVISIONS OF PRESIDENTIAL DECREE NO. 1841  
AND CREATING A COCONUT RESERVE FUND**

WHEREAS, recent adverse developments in the world market situation have threatened the viability of the coconut industry and affected the livelihood of more than six million farmers and workers;

WHEREAS, in immediate response to these developments, the President created under Executive Order No. 747 dated 19 November 1981, the Special Committee on the Philippine Coconut Industry, composed of the members of Cabinet and of the Batasang Pambansa, both from the majority and minority parties, to review and reassess existing policies, practices and institutions relative to the Philippine coconut industry, which in turn created a Subcommittee to study these matters;

WHEREAS, this Subcommittee of the Special Committee has now submitted its recommendations to effect a more realistic system of determining the amount of assessment on coconuts and its products in order to provide urgent relief to coconut farmers while at the same time ensuring continued financial support to on-going socio-economic and developmental programs for coconut farmers;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order the following:

SECTION 1. Sections 1 and 2, Article III of Presidential Decree No. 1468, as amended by Presidential Decree No. 1841 are hereby further amended to read as follows:

“SECTION 1. *Coconut Industry Stabilization Fund.* - To ensure the viability and stability of the coconut industry as a whole, the copra exporters, the oil millers, the refiners, the desiccators and other end-users of copra or its equivalent in other coconut products are hereby assessed an amount equivalent to a specific percentage of the prevailing copra equivalent of the world market price of coconut oil which shall be imposed on copra resecada or its equivalent in other coconut products delivered to and/or purchased by them. This specific percentage shall be equal to the average percentage assessment derived in the

immediately preceding quarter as determined by the Philippine Coconut Authority in accordance with the following schedule:

World Market Price of Coconut Oil (US¢/lb) -----	Percentage Assessment %
Below 20	0
20 to 29	11
30 to 34	12
35 to 39	14
40 to 44	16
45 to 49	19
50 and above	23

Provided, however, that no assessment shall be imposed and collected if the average world market price of coconut oil for the immediately preceding quarter falls below US twenty (20¢) cents per pound.

The assessment shall be collected by the Philippine Coconut Authority and shall constitute the Coconut Industry Stabilization Fund.”

“SECTION 2. The collections of the Coconut Industry Stabilization Fund shall be utilized to support socio-economic and developmental programs for the benefit of the coconut farmers in particular, and the coconut industry, as a whole, in a manner to be determined by the Philippine Coconut Authority subject to the approval of the President”.

SECTION 2. A new section to be designated as Section 2-A is hereby added after Section 2, Article III of the same Decree to read as follows:

“SECTION 2-A. *Coconut Reserve Fund.* To ensure continued financial support to critical socio-economic and developmental programs mentioned in Section 1 hereof in times of depressed world prices for coconut, a Coconut Reserve Fund is hereby constituted from assessment in excess of P50 per one hundred (100) kilos of copra research or its equivalent in other coconut products, provided, however, that no disbursements there from may be made

unless the applicable assessment in specific percentage falls to eleven percent (11%) or below as defined and computed in Section 1 hereof.

“The use and application of disbursements from the Coconut Reserve Fund shall be made in a manner to be determined by the Philippine Coconut Authority subject to the approval of the President.”

SECTION 3. *Repealing Clause.* - All laws, executive and administrative orders, rules and regulations inconsistent with the foregoing provisions are hereby repealed or amended accordingly.

SECTION 4. *Separability Clause.* - If any provision of this Decree is held unconstitutional, the same shall apply only to that provision and the remainder hereof remains valid.

SECTION 5. *Effectivity.* - This Decree shall take effect immediately.

Done in the City of Manila, this 16th day of January, in the year of Our Lord, nineteen hundred and eighty-two.

**(SGD.) FERDINAND E. MARCOS**

President of the Philippines

By the President:

**(SGD.) JUAN C. TIVERA**

Presidential Executive Assistant

**Excerpts from “An Open Letter of Appeal to His Excellency,  
President Ferdinand E. Marcos, Madame Imelda Romualdez Marcos  
and the KBL Leadership.”**

Because our voices are lost in the biased reporting of COCOFED media and because of an unyielding cordon sanitaire blocking our efforts to seek an audience with Your Excellency, we write this letter of appeal, confident that when you meet with the KBL leadership to discuss the nation’s multifarious problems and find ways and means to alleviate the sufferings of our people, you will consider us, your constituents in the coconut regions.

The coconut industry accounts for at least 19% of the nation’s foreign exchange earnings from the merchandise trade and directly provides employment to 2,500,000 Filipino heads of the family.

**THERE IS A NEED TO RESET THE COCONUT  
INDUSTRY ON A SOLID AND STABLE FOOTING**

In drafting the policies to insure the steady growth of the coconut industry which is the lifeblood of rural economies in the Southern Tagalog Regions, the Bicol Region, the Visayas and Mindanao Regions, it should consider equitable socio-economic balance between human needs and the heartless demand of economic development. Any strategy for future development must not place excessive strain on those presently depending on the coconut industry for sustenance. To be remiss on this regard is to be remiss in diffusing the ticking bomb in the countryside.

**THE COCONUT PRODUCERS DEFINITELY BEAR  
THE FULL WEIGHT OF THE COCONUT LEVY**

The UNICOM cannot pass on the cost of the levy to the U.S. end-users and cannot induce, much less force, the foreign market to absorb the additional expense of the coconut levy. The Philippine’s coconut oil accounts for only 3.79% of the world’s vegetable oil market. There are at least 21 kinds of vegetable oil fiercely competing in the world market. A fluctuation either way by even a fraction of U.S. cent per pound of vegetable oil causes foreign users to shift from one source to the other.

A P50.00 per 100 kilos of copra levy is translated to .045 U.S. ¢ per pound of coconut oil, CIF U.S.A. It is unthinkable in the coconut international trade for a seller to demand an arbitrary increase of .045 U.S. ¢ from the average price of 25¢ a pound of coconut oil.

## **THE UNICOM OIL MILLS DO NOT HAVE THE CAPACITY TO ABSORB THE COCONUT LEVY**

It is a common practice in the local oil crushing business that an oil mill nets only about P10.00 per 100 kilos of copra purchase. A net profit of P10.00 represents a return of 5% on its cash exposure. This is good enough, considering that it takes only a week from the purchase of the copra to the negotiation of the letter of credit.

How can an oil mill absorb the coconut levy of P50 per 100 kilos when it nets only P10.00 from the same commodity, without driving itself into an untimely bankruptcy?

## **COCONUT FARMERS ALWAYS LAST IN THE PECKING ORDER**

There is nowhere UNICOM can pass on the coconut levy except to the vulnerable coconut farmers.

To add insult to injury, the oil mills, in effect, use the producers' money, however, briefly.

## **HEMMORHAGING OF THE COUNTRYSIDE**

At least ONE BILLION SEVEN HUNDRED MILLION PESOS a year will be siphoned out of the countryside into the urban area. This is not unlike a situation where a doctor drains blood as a cure for anemia.

Of this huge amount of P1.7 Billion being siphoned off the rural economy, the coconut levy accounts for P1,000,000,000 – and underpricing of UNICOM, for at least P750,000,000 (with the international price of coconut at .25 cents per pound. UNICOM's millgate price of P150.00 per 100 kilos of copra is far below the fair price).

We contend that the amount of the Levy taken out from the farmer's price reflects a corresponding decrease in money circulation and in purchasing power in the local economies. Not only rural, municipal economies are affected but also city economies within the coconut producing regions of the Philippines.

The Center for Research and Communication (CRC) reports that the impact of the coconut situation positive or negative is broadly felt when prices and incomes are high or low. It has been found that a 10% increase in coconut prices can lead to a 25% improvement in rural income.

However, from an average of P850-P875 per 100 kilos of copra in 1979 to P180-P208 in 1980, there has been a price decline of 45% within that year.

At present copra price of P1.50 after P.50 deduction from the levy and assuming that all other things remained constant, the drop in coconut prices of some 57% from 1979 prices has meant a decline of P8.5 BILLION in mass purchasing power in the populous coconut regions which account for almost one third of the entire Philippine population.

### **JOINT RESOLUTION OF PHILIPPINE COCONUT ORGANIZATIONS ON THE COCONUT INDUSTRY PROBLEMS**

WHEREAS, the drastic decline of prices and the uncertainties of the situation have wrought havoc on the lives of more than sixteen million Filipinos who are directly or indirectly dependent for their source of livelihood on the coconut industry;

WHEREAS, today a similar albeit graver situation exist as that of September 1981 when Your Excellency promulgated P.D. No. 1841 because there was a real and imminent explosive atmosphere in the coconut industry which is being seized upon by the subversives and other elements of society as a potent weapon to erode and destroy the confidence of the citizenry in the Government;

WHEREAS, on the 9<sup>th</sup> of September, 1981, Your Excellency suspended the coconut levy upon representation of a group of Assemblymen coming from the coconut producing regions;

WHEREAS, within 22 days from September 9, 1981, UNICOM stopped buying copra which caused prices to nose-dive, thereby, creating confusion within the industry;

WHEREAS, on the 2<sup>nd</sup> of October 1981, a certain group, organized and led by COCOFED national officials, PCA personnel, COCOFED scholars and their parent, misrepresented to Your Excellency through resolutions, that the lifting of the coconut levy was the principal reason for the drastic decline of prices of copra;

WHEREAS, on the basis of the representations made this group and acting on the honest belief that the suspension of the coconut levy likewise caused grave uncertainties in the lives of 16 million Filipinos who are directly or indirectly dependent on the industry for their livelihood, Your Excellency was compelled to restore the levy but reduced it from P76 to P50 per 100 kilos;

WHEREAS, in spite of the restoration of the coconut levy, the price of copra has not increased;

WHEREAS, there is clear proof to the effect that UNICOM is the sole entity which has a trending mechanism in fixing the price of coconut products and this monopoly is surely to the disadvantage of the farmers and producers; and

WHEREAS, the 16 million Filipinos in the coconut industry can only look to the national leadership and the KBL to save them from their plight;

NOW THEREFORE BE IT RESOLVED, as it is hereby resolved, that:

1. The present collection of the coconut levy at P50 per 100 kilos be temporarily suspended.
2. The projects and social services financed by the coconut levy which may be found to be truly in the interest of the coconut farmers and others who depend on the coconut industry for their livelihood (considering above all a socio-economic balance between human needs and the heartless demand of economic development), be financed by funds to come from more equitable sources;
3. The levy funds presently deposited interest free in any bank now be required the payment of interest;
4. A public disclosure of industry data and all industry funds from the initial collection of the coconut levy in August, 1973 to the present, be made by PCA;
5. The balance of funds from the coconut levy may be used by COCOFED to finance the studies of students already on scholarships,
6. The portion of the levy earmarked to pay for the losses of mothballed UNICOM mills acquired from levy funds be suspended.
7. The coconut replanting program be suspended and re-studied,
8. The PCA, UNICOM and national COCOFED leadership be immediately revamped and COCOFED chapter elections be immediately called to elect a new national leadership;
9. The COCOFED organization be expanded and a barangay census to determine coconut landowners, “bantays”, laborers be ordered by the Minister of Local Government and Chairman of the

Presidential Coconut Committee Jose A. Roño to determine the authentic coconut people to be included in an expanded COCOFED organization;

10. The distribution of the shares of stocks of UCPB, UNICOM and other companies in which coconut levy funds have been invested for and in behalf of coconut farmers be made only in accordance with a law to be passed by the Batasang Pambasa, to insure just and equitable distribution. It is only through this measure that bona fide coconut farmers in their respective regions have control of such enterprises as direct participants on and beneficiaries of such regional development and growth.

Manila, Philippines  
January 13, 1982

PEDRO D. DURANO  
Mindanao Federation of Chambers of  
Commerce and Industry

HORACIO V. MARASIGAN  
Concerned Friends of the Coconut  
Industry

MARINA DE VILLA  
Coconut Industry Movement

VICENTE D. GABRIEL, SR.  
Economic Emancipation Association of the  
Philippines, Inc.

GAUDENCIO BEDUYA  
COFPRAS  
Coconut Farmers/Producers Association

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