

AN ACT TO AMEND SECTIONS FIVE, NINE, TWELVE, FOURTEEN, SEVENTEEN, EIGHTEEN, NINETEEN AND THIRTY-ONE OF REPUBLIC ACT NUMBERED EIGHT HUNDRED AND TWENTY-ONE.

REPUBLIC ACT NO. 1285, June 15, 1955

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

SECTION 1. Section five of Republic Act Numbered Eight hundred and twenty-one is hereby amended to read as follows:

"SEC. 5. Special powers.—The Administration is authorized and directed:

"(1) To establish such regional, provincial and local offices as are considered necessary for the efficient conduct of the Administration's activities.

"(2) To formulate policies and procedures with respect to credits to small farmers and the financing and construction as well as the operation of facilities to be financed by the Administration.

"(3) To approve such loans as deemed necessary and appropriate and on terms specified by the Board, and to delegate this authority to officials of the Administration.

"(4) To establish and operate terminal markets or producers' exchanges equipped with the necessary facilities for adequate storage which will serve as clearing houses for the cooperative associations, these exchanges to be eventually owned jointly by the cooperative associations in either a region or individual province.

"(5) To control the issuance of the warehouse receipts for the purpose of facilitating liberal production credit and other short-term loans and for the protection of the lending institutions.

"(6) To supervise and administer any aid to cooperatives which may be entrusted to it by any duly authorized agency, governmental or private, and to provide continuity of the program of assistance initiated by such agency for the small farmers.

"(7) To take charge of all government activities relating to the promotion, organization and supervision of cooperative associations in rural areas particularly to promote education in the principles and practices of cooperative production, marketing and credit among farmers.

"(8) To encourage diversified agriculture and accumulate all necessary statistics related to agricultural production, marketing, credit and financing.

"(9) To float debentures for the purpose of implementing this Act when sufficient revolving funds to undertake the financing program are not provided for by Congress.

"(10) To accept savings and time deposits from members of cooperative associations and from associations duly affiliated with it and to pay interest for such deposits at a rate not to exceed two and one-half per centum."

SEC. 2. Section nine (e) of the same Act is hereby amended to read as follows:

"(e) Provincial directors who will be responsible for administering the Administration's activities in rural

communities. Supervisory jurisdiction over provincial directors may be delegated by the Administrator to the regional supervisors to the extent which he deems necessary for the efficient accomplishment of the Administration's activities.

"The office of a provincial director shall be established in any municipality or city within the territorial limits of the province to which such official is assigned. Contact with loan applicants and borrowers will be maintained through loan supervisors and assistant loan supervisors as authorized by the Administration."

SEC. 3. Section twelve of the same Act is hereby amended to read as follows:

"SEC. 12. Definitions.—For purposes relating to the implementation of this Act, the following definitions shall apply:

"(a) A farmers cooperative association shall be a voluntary business organization among farmers (producers of agricultural products including tenants and landlords) established for the purpose of marketing farm products and/or buying farm supplies and implements and basic everyday necessities collectively for the members' direct benefit. It is governed according to the cooperative principles of one-man-one vote basis, limited interest on capital and the savings apportioned among the members on the basis of patronage.

"(b) The term "small farmer" shall mean an individual person who exclusively uses the labor available from within his immediate farm household in the cultivation of his holding and/or one who owns agricultural land of not more than twenty-four hectares and engages directly in its cultivation and resides in the municipality where the farm is located."

SEC. 4. Section fourteen (e) of the same Act is hereby amended to read as follows:

"(e) No application for loan shall be considered unless the applicant has entered into a marketing contract with the cooperative association of which he is a member in accordance with the provisions of section thirty-five of Act Numbered Three thousand four hundred twenty-five. The contract shall be registered and a copy thereof filed in the office of the municipal treasurer of the municipality where the association has its principal office, for which a book for that purpose shall be kept showing the date the contract was presented for registration, the name of the parties, the amount and kind of produce to be marketed, and the period of the contract. No charge or fee in any form shall be collected for registration.

"Such registration will operate to encumber the produce in favor of the association, and any production loan extended by the Administration and/or the association on account of said marketing contract shall constitute a preferential lien over the produce of the member for the duration of the contract until paid. In case of agricultural tenants, such lien shall be enforceable to the extent of seventy-five per centum of his total share of the harvest. The preferential lien herein granted shall be an exception to the provisions of the Civil Code and of the Chattel Mortgage Law as well as of other laws or parts of laws on credit preferences which are inconsistent herewith. Unauthorized disposition by the member of the produce so encumbered shall be punished as violation of chattel mortgage."

SEC. 5. Section seventeen of the same Act is hereby amended to read as follows:

"SEC. 17. Personal short term loans to members in good standing with cooperatives may be granted by the association from funds which it may receive in advance from the Administration for the said purpose; such loans may be granted against warehouse receipts of the cooperative association to the extent of eighty per centum of the market value of the stored produce; loans upon the security of expected production from the current crop to the extent of sixty per centum of the value of expected yield: Provided, however, That no loan shall be granted on any production estimated to exceed the applicant's previous year's stored crop with the cooperative by more than fifty per centum.

"The administration may extend loans to individual members or group of members of any farmers' cooperative

marketing association for the construction or acquisition of facilities under the same terms and conditions for granting facility loans to a cooperative association prescribed in section fifteen: Provided, That such loans shall not exceed eighty per centum of the total value of the properties of the borrower or borrowers and the facilities to be constructed or acquired, all of which shall be encumbered by way of first mortgage as security for the loan."

SEC. 6. Section eighteen of the same Act is hereby amended to read as follows:

"SEC. 18. Transfer of functions, personnel, and equipment of the Cooperatives Administration Office.—All the powers vested in and the duties conferred upon the Cooperatives Administration Office by Commonwealth Act Numbered Five hundred and sixty-five, as amended by Commonwealth Act Numbered Seven hundred and thirteen, relative to the promotion, organization and supervision of cooperative marketing associations as authorized by Act Numbered Three thousand four hundred and twenty-five and such number of personnel and equipment as are now used and utilized in the promotion, organization and supervision of said cooperative marketing associations by the Cooperatives Administration Office and the unexpended balance of the funds provided for in Commonwealth Act Numbered Seven hundred and thirteen and Republic Act Numbered Five hundred and eighty-three, are hereby absorbed by, and transferred to the Agricultural Credit and Cooperative Financing Administration.

"The supervisory powers of the Administration over farmers' cooperative marketing associations affiliated with it shall include the authority to declare vacant any or all offices or positions and order an election to fill them whenever any of the following grounds occur:

- "1. Serious losses in the business operations of the association.
- "2. Failure to pay or meet its obligations to the Administration or other parties.
- "3. Repeated and willful violation or disregard of rules and regulations of the Administration.
- "4. Extravagance in the management of the association resulting in serious depletion of its resources.

"Action under this section shall be taken only upon approval by a majority vote of the Board of Governors and upon due notice to the association and after the officers concerned have been given a chance to be heard. The order relieving any officer or officers from any position shall state the ground or grounds therefor.

"In case the association should refuse or fail to elect or appoint new officers, the Administration may designate new officers from the membership of the association or from its own staff to manage the affairs of the association until the order has been complied with or until the next election of officers. Nothing contained herein shall be construed to prevent any officer or officers removed by the Administration from contesting in the proper court the veracity of the ground or grounds upon which the authority has been exercised."

SEC. 7. Section nineteen (a) of the same Act is hereby amended to read as follows:

"SEC. 19. (a) Obligations issued by the Administration in accordance with the authority of paragraph (d) of section ten of this Act shall be secured by the assets of the Administration including all securities held by it under the provisions of this Act. These obligations shall be redeemable at the option of the Administration at or before maturity and in such manner as may be stipulated therein and shall bear such rate of interest as may be fixed by the Administration. The Administration shall provide for appropriate reserves for the redemption or retirement of such obligations. Obligations issued and offered for sale by the Administration may be offered at such price or prices as the Administration may determine. The said obligations shall and are hereby fully and unconditionally guaranteed both as to principal and interest by the Government of the Republic of the Philippines and such guaranty shall be expressed on the face thereof."

SEC. 8. Section thirty-one of the same Act is hereby amended to read as follows:

"SEC. 31. All acts, parts of acts, and any special charter, or parts thereof, of the banking and financing institutions, or laws or parts of laws inconsistent herewith are hereby repealed."

SEC. 9. This Act shall take effect immediately after its approval.

Approved, June 15, 1955.

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