

AN ACT ESTABLISHING A COCONUT PRODUCTS BOARD TO ENCOURAGE THE IMPROVEMENT OF COCONUT PRODUCTS, AND FOR OTHER PURPOSES.

Act No. 2598., February 04, 1916

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By authority of the United States, be enacted by the Philippine Legislature, that:

SECTION 1. A Coconut Products Board for the improvement of the coconut industry of the Philippine Islands is hereby established, consisting of the Governor-General, the Speaker of the Philippine Assembly, or their authorized representatives, and one member appointed by the Governor-General, with the advice and consent of the Upper House of the Philippine Legislature.

SEC. 2. It shall be the duty of this board:

- (a) To improve the production of copra, by aiding in the establishment of copra dryers in suitable places and bringing the producers in touch with the consumers or exporters, in order to enable the former to determine what quality of copra is in demand in the market.
- (b) To promote and aid in the establishment of factories for the extraction of coconut oil; or for other industries derived from the coconut; or for the utilization of the waste products of said factories.
- (c) To organize corporations or cooperative societies among the owners of the coconut plantations, in order to facilitate the purposes of subsections (a) and (b) of this section.

SEC. 3. Said board shall have the following powers:

- (a) To guarantee to the concern constructing a copra dryer or a factory for the extraction of coconut oil or the utilization of coconut by-products, the payment of the value of its plant and equipment and interest thereon out of the fund to be created by a deduction from the net profits of the transactions of the dryer or factory to be determined by the board, which fund shall be sufficient to liquidate the capital invested therein in twenty years or less, counting from the date on which such dryer or factory begins operation, and to provide for the proper annual interest thereon and any surplus in the funds shall be distributed proportionately among the owners of the land and coconuts with whom the concern operating the dryer or factory had entered into any contract: Provided, That such guarantee shall be granted only on condition that the dryer or factory shall finally become the property of the owners of the coconut land.
- (b) To purchase from a corporation or corporations composed of owners of land. planted in coconut trees, bonds issued upon the security of the property of said corporation or upon the security of first mortgages upon the lands or part of the lands of the individual owners who are stockholders in the said corporation, or upon both the securities mentioned.
- (c) To make loans secured by first mortgage to a corporation or corporations owning and operating a dryer or factory established for any of the purposes mentioned in section two hereof; for additions and improvements thereto.

SEC. 4. For the purposes of the next preceding section the Board is hereby authorized:

- (a) To enter into negotiations with, receive propositions from, and make contracts on behalf of the corporations taking advantage of the benefits of this Act with constructing firms or concerns engaged in the establishment of coconut dryers or factories for the extraction of coconut oil, or the utilization of the waste products of said dryers or factories.
- (b) To select the points where the dryers or factories shall be established, taking into account the largest number of persons benefited whenever compatible with the economic operation of the dryer or factory.
- (c) To determine the operating capacity of the dryer or factory to be established.
- (d) To demand that the minimum production of coconuts necessary for the economic operation of the dryer or factory be guaranteed.
- (e) To establish rules and conditions under which it will furnish aid to the coconut dryers or the factories for the extraction of coconut oil, or the utilization of the waste products of said factories.
- (f) To make proper provision for the training of technical supervisors, employees, and laborers who may take part in the work of a dryer or factory receiving the benefits of this Act.
- (g) To sell part or all of the bonds purchased in accordance with this Act and re-invest the proceeds, as herein provided.
- (h) And any other powers necessary for carrying out the purposes specified in this Act.

SEC. 5. Except by permission of the board, no owner of land or of coconuts contracted for by a dryer or factory may, within twenty-five years from and after the date of the contract, give, sell, alienate, or in any other manner dispose of or engage his production of coconuts to any person other than the dryer or factory.

No proprietor of land under contract with a dryer or factory may, within twenty-five years from and after the date of the contract, give, sell, alienate, or in any other manner dispose of or engage his property without the consent of the Coconut Products Board.

And any agreement, document, or transaction entered into or made by the proprietor in violation of this section shall be null and void: Provided, That the provisions of this section shall be applicable only to contracts made with dryers or factories who have taken advantage of the benefits of this Act.

SEC. 6. The dryers or factories constructed or operated under this Act shall be under the supervision of the board until the capital and interest invested by the Government have been paid off and the Government has completely disengaged itself from the obligations contracted in connection with the guaranty granted by it.

In the case of the purchase of bonds or of a loan granted to corporations taking advantage of the benefits of this Act, the board shall have the right to appoint a person who shall have supervision of the operation of the dryer or factory and whose compensation shall be fixed by the Governor-General and paid by the corporation concerned.

SEC. 7. The Coconut Products Board shall not purchase bonds of any corporation except under the following terms, and conditions, among others: That the amount of bonds issued by the corporation shall not exceed sixty per centum of the value of the property offered as security; that before such purchase is made, such corporation shall have contracts with the owners of coconut plantations, obligating such owners to deliver and sell to the corporation all the coconuts produced on such land or copra made from said nuts, and to convey to the corporation such rights of way as the corporation may deem necessary for roads and railroads connecting the dryer or factory with the fields; that the majority of the owners of said lands shall be stockholders in the corporations shall provide

for sinking fund to be deposited with the Insular Treasurer for the retirement of the bonds; that the payment for the retirement of the bonds shall have preference over any dividends or profits of the stockholders and shall be sufficient for the total extinction of the debt in not exceeding twenty years; but until all bonds issued by such corporation shall be fully paid or money sufficient to pay the same safely deposited for that purpose with the Insular Treasurer, no dividend in excess of ten per centum per annum shall be paid upon the stock of such corporation, and the net earnings over and above said dividend shall be used in additions, betterments, or improvements to the property offered as security or in the redemption of the bonds of such corporation: Provided further, That the Coconut Products Board shall not make any loan except upon first mortgage on the dryer or factory and the land or part of the land of the corporation, or both, and in a sum not to exceed sixty per centum of the value of the property offered as security, and that the corporation provide for the payment in each year of an annual installment, such annual installments to have the preference over any dividends or profits of the stockholders and to be sufficient for the total extinction of the debt in not exceeding twenty years.

SEC. 8. Whenever the Insular Treasurer invests funds in accordance with this Act, the sums invested shall draw interest at the rate of at least five per centum per annum. The interest shall be paid annually, together with the proportion of the principal due; but the first two payments may be made at once on the first day of July of the year next following the one in which the dryer or factory began operation.

Any provision in sections seven and eight of this Act, to the contrary notwithstanding, the Insular Treasurer may at any time receive payment of all or part of the indebtedness to the Government, and in case any payment is made, a proportional reduction shall be made in the interest.

SEC. 9. The books of any dryer or factory taking advantage of the benefits of this Act may, by request of the board, be examined by the Bureau of Audits.

SEC. 10. The Coconut Products Board shall report to the Legislature, at each session, the result of its work. Said report shall set forth, among other things, the names of the dryers or factories which have received Government aid, the sum invested for each, the sums received for the payment of the capital and the sums owing therefor, the interest paid and owing, and the losses or profits of each dryer or factory.

SEC. 11. The sum of ten thousand pesos is hereby appropriated out of any funds in the Insular Treasury not otherwise appropriated, to be used in the discretion of the board, including the payment of salaries or per diems of the necessary personnel and material authorized by the Governor-General: Provided, That said board may charge to the dryers or factories established under its control the sums expended in the preparation, investigation, and materialization of each dryer or factory: And provided further, That no officer receiving a salary from the Insular Government or any of its branches who is appointed to membership on the board or who assists it, shall be entitled to receive additional compensation from this appropriation.

SEC. 12. This Act shall take effect on its passage.

Enacted, February 4, 1916.

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