

LETTER OF INSTRUCTION NO. 704, June 09, 1978

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TO:

THE GOVERNOR, CENTRAL BANK OF THE PHILIPPINES
THE COMMISSIONER, BUDGET COMMISSION
THE CHAIRMAN, PRESIDENTIAL COMMITTEE ON

AGRICULTURAL CREDIT

THE ADMINISTRATOR, NATIONAL GRAINS AUTHORITY

WHEREAS, THE COUNTRY'S SUCCESSFUL ATTAINMENT OF SURPLUS RICE PRODUCTION BRINGS ABOUT THE NEED FOR MORE MASSIVE PROCUREMENT OF THE FARMERS' PRODUCE BY PRIVATE TRADERS, MILLERS AND WAREHOUSE OPERATORS SO AS TO COMPLEMENT GOVERNMENT EFFORTS TO STABILIZE EX-FARM PRICE, STRENGTHEN THE MASAGANA 99 CREDIT PROGRAM AND THEREBY SUSTAIN INCREASED PRODUCTIVITY AND HASTEN THE UPLIFTMENT OF LIVELIHOOD IN THE RURAL AREAS;

WHEREAS, FINANCING OF GRAINS QUEDAN OR WAREHOUSE RECEIPTS IS A CONVENIENT MEANS TO AUGMENT THE OPERATING CAPITAL OF THE PRIVATE SECTOR AND CONSEQUENTLY TRIGGER MORE EXTENSIVE PALAY PROCUREMENT;

WHEREAS, BANKING INSTITUTIONS, PARTICULARLY COMMERCIAL BANKS, POSSESS THE CAPABILITY AND RESOURCES TO PROVIDE ADEQUATE FINANCING FOR GRAINS QUEDANS AS A TYPE OF AGRICULTURAL LENDING UNDER THE PURVIEW OF PRESIDENTIAL DECREE NO. 717; AND

WHEREAS, A SYSTEM OF GUARANTEE TO STRENGTHEN FURTHER THE INTEGRITY AND ACCEPTABILITY OF GRAINS QUEDANS IS NECESSARY IN ORDER TO ENCOURAGE BAKING INSTITUTIONS TO EXPEDITE THE CHANNELING OF THEIR LOANABLE FUNDS TO GRAINS BUSINESSMEN - A SET-UP WHICH ULTIMATELY SHALL REDUCE TO SPREADING ECONOMIC SUPPORT TO FILIPINO 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 ORDER AND DIRECT:

- THAT A PORTION OF THE NINETY-FIVE MILLION PESOS (P95 M) PROVIDED FOR IN LETTER OF INSTRUCTIONS NO. 696 SHALL BE SET ASIDE AS A START-UP FUND TO GUARANTEE GRAINS QUEDAN PLEDGED BY GRAINS BUSINESSMEN FOR COMMODITY LOAN WITH BANKS;
- THAT, SAID FUND SHALL GUARANTEE THE EXISTENCE OF PALAY DEPOSIT COVERED BY

QUEDAN UP TO AN AMOUNT EQUIVALENT TO 66 2/3% OF OUTSTANDING LOAN;

- THAT, NGA SHALL UNDERTAKE TO PURCHASE THE PALAY STOCKS EQUIVALENT TO THE OUTSTANDING LOAN COVERED BY QUEDAN AT THE OPTION OF LENDING BANK UPON MATURITY OF THE LOAN;

- THAT BY VIRTUE OF THE GUARANTEES SYSTEM AND THE NGA LICENSING AND SUPERVISION OF ALL BONDED WAREHOUSE OPERATORS, FINANCING OF GRAINS QUEDAN SHALL BE CONSIDERED AS SUPERVISED CREDIT UNDER EXISTING POLICIES OF THE CENTRAL BANK.

- THAT A BOARD COMPOSED OF THE NGA ADMINISTRATOR AS CHAIRMAN WITH THE CENTRAL BANK GOVERNOR AND BUDGET COMMISSIONER OR THEIR DULY AUTHORIZED REPRESENTATIVES AS MEMBERS SHALL ADMINISTER THE GUARANTEE FUND AND EVOLVE A PROGRAM TO AUGMENT THE AMOUNT OF THE SAID FUND;

- THAT SUCH RULES AND REGULATIONS AS MAY BE NECESSARY TO EFFECTIVELY IMPLEMENT AND ACHIEVE THE OBJECTIVE OF THIS LETTER OF INSTRUCTION SHALL BE PROMULGATED BY THE ADDRESSED INSTITUTIONS.

ALL PROVISIONS OF OTHER LETTERS OF INSTRUCTIONS INCONSISTENT WITH THIS ORDER ARE HEREBY REPEALED OR MODIFIED ACCORDINGLY.

THIS LETTER OF INSTRUCTION SHALL TAKE EFFECT IMMEDIATELY.

DONE IN THE CITY OF MANILA THIS 9th DAY OF JUNE IN THE YEAR OF OUR LORD NINETEEN HUNDRED A1TD SEVENTY EIGHT.

(Sgd.) FERDINAND E. MARCOS
PRESIDENT
REPUBLIC OF THE PHILIPPINES

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