

H. No. 3231

REPUBLIC ACT NO. 821

AN ACT TO ESTABLISH AN AGRICULTURAL CREDIT AND COOPERATIVE FINANCING SYSTEM TO ASSIST SMALL FARMERS IN SECURING LIBERAL CREDIT AND TO PROMOTE THE EFFECTIVE GROUPINGS OF FARMERS INTO COOPERATIVE ASSOCIATIONS TO ENABLE THEM TO MARKET EFFICIENTLY THEIR AGRICULTURAL COMMODITIES, AND TO PLACE AGRICULTURE ON A BASIS OF ECONOMIC EQUALITY WITH OTHER INDUSTRIES, AND FOR OTHER PURPOSES

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

DECLARATION OF POLICY

SECTION 1. It is hereby declared to be the policy of Congress to assist small farmers in securing liberal credit and to promote the effective groupings of farmers into cooperative associations to enable them to market efficiently their agricultural commodities, so as to place agriculture (including livestock, poultry and fishing) on a basis of economic equality with other industries, and to improve the standard of living of our people engaged in agriculture—

(1) By granting personal loans to eligible small producers who are actually engaged in agriculture and by encouraging the organization of farmers into effective cooperative associations under their own control for greater unity of effort in productive processing, storage and marketing and by promoting the establishment and financing of a farm marketing system of producer-controlled and producer-owned cooperative associations.

(2) By extending government assistance in financing of facilities which may be required by cooperative associations for the processing, storage and marketing of agricultural produce as well

as for production and other essential services which may be needed for improved rural living.

(3) By promoting the effective merchandising of agricultural commodities in domestic and foreign commerce so that profits of agriculture may be kept by the farmers through the medium of their cooperative associations who may operate the facilities stated above, thus minimizing speculation and preventing inefficient and wasteful methods of distribution.

(4) By encouraging private banks to establish agencies in the rural areas through the concentration of storage of farm produce and by making available to credit institutions comprehensive production and credit information.

(5) By granting the Administration organized in this Act the privilege of rediscounting with the Central Bank of the Philippines, the Rehabilitation Finance Corporation and the Philippine National Bank eligible evidence of indebtedness acquired by it in carrying out its authorized activities.

SEC. 2. To effectuate the foregoing policy, a body corporate to be known as the Agricultural Credit and Cooperative Financing Administration, hereafter referred to as the “Administration”, is hereby created. Said Administration shall execute the powers and functions vested in, and conferred upon it, by this Act only in such manner as will, in the judgment of the Board of Governors, aid to the fullest practicable extent in carrying out the policy above declared.

AGRICULTURAL CREDIT AND COOPERATIVE FINANCING ADMINISTRATION

SEC. 3. *Place of business.*—The Administration shall have its principal place of business in the City of Manila, but may have representatives in other places as are necessary for the proper conduct of its business.

SEC. 4. *General powers.*—The Administration is hereby authorized to adopt, alter, and use a corporate seal which shall be judicially noticed; to make contracts; to lease or own real and personal property, and to sell or otherwise dispose of the same; to sue and be sued; to make an annual report to Congress upon the administration of this Act and any other matter relating to the better effectuation of the policy declared in section one, including recommendations for legislation; to make such regulations as are necessary to execute the functions vested in it by this Act; to appoint and fix the salaries of a secretary and such experts, and subject to the provisions of the civil service laws, such other officers and employees, as are necessary to execute such functions; to make such expenditures for the rent and personal services at the seat of government and elsewhere, for cooperative and law books, periodicals, and books of reference, and for printing and binding as are necessary to execute such functions. Expenditures by the Board shall be allowed and paid upon the presentation of itemized vouchers thereof approved by the Chairman of the Board; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purpose of this Act.

The Administration may acquire and hold such assets and incur such liabilities as result directly from operations authorized by the provisions of this Act, or as are essential to the proper conduct of such operations.

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 operations 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 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 any MSA-PHILCUSA Aid to cooperatives which may be entrusted to it by the joint entities, and to provide continuity of the program of assistance initiated by the said entities 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.

SEC. 6. *Board of Governors.—Its composition.*—The powers and functions of the Administration shall be exercised by a Board of Governors to be composed of the Chairman and six members who shall be appointed by the President of the Philippines with the consent of the Commission on Appointments for a term of three

years: *Provided, however,* That the first members appointed under the provisions of this section shall have terms of office two for one, two for two, and two for three years, respectively.

SEC. 7. *Vacancies.*—Any vacancy in the Board of Governors created by the death, resignation, or removal of an appointive member shall be filled by the appointment, as provided for in section six hereof, of a new member to complete the unexpired period of the term of the member concerned.

No member of the Board of Governors shall be required to submit courtesy resignation on occasion of any change in the Presidency of the Philippines.

SEC. 8. *Powers and duties of the Chairman.*—The Chairman of the Board shall be the chief executive of the Administration. He shall be known as Administrator and shall cease only when his term expires, or when he resigns or is removed for cause. The person appointed as Administrator shall be possessed of administrative ability, experience related to agricultural financing and, in general, knowledge of Philippine agriculture. The Administrator's compensation shall be fixed by the President of the Philippines but it shall not be less than eighteen thousand pesos per year. The powers and duties of the Administrator shall be:

(a) To prepare the agenda for the meetings of the Board and to submit for the consideration thereof the policies and measures which he believes to be necessary to carry out the purposes and provisions of this Act;

(b) To execute and administer the policies and measures approved by the Board;

(c) To direct and supervise the operations and internal administration of the Administration. The Chairman may delegate certain of his administrative responsibilities to other officers of the Administration, subject to the rules and regulations of the Board; and

(d) To exercise such other powers as may be vested in him by the Board.

SEC. 9. *Activities of the Administration.*—The activities of the Administration shall be carried out under the supervision of the Administrator through the following administrative officials who will be responsible directly to him:

(a) An Assistant Administrator to assist the Administrator when the volume of activities is sufficient to justify the creation of this position.

(b) A General Counsel to advise the Administrator on legal matters and procedures.

(c) Regional supervisors as determined necessary but not to exceed seven in number.

(d) Such division chiefs as are considered necessary for the efficient conduct of the Administration's activities, except that a cooperative division shall be established to promote cooperatives and administer cooperative loaning activities.

(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 the capital of the province to which such official is assigned. Contract with loan applicants and borrowers will be maintained through loan supervisors and assistant loan supervisors as authorized by the Administration.

(f) The Secretary of Justice shall be the *ex officio* legal adviser of the Administration. He shall appoint a representative who shall

be the General Counsel of the Administration. Any assistant legal counsel and other personnel shall be appointed by the Board. All salary and operating expenses of the General Counsel will be fixed and paid by the Administration.

(g) The Auditor General shall be the ex officio Auditor in charge of the auditing office of the Administration. The Auditor General shall, upon the recommendation of the Auditor of the Administration, appoint or remove personnel of the auditing office. The operating expense of the auditing office and the salaries and traveling expenses of the officials and employees of such office shall be fixed by the Board and paid by the Administration. The representative of the Auditor shall render a quarterly report on the financial condition of the Administration to the President of the Philippines, the Secretary of Finance, the Auditor General and the Board of Governors. The report shall contain a statement of the resources and liabilities including earnings and expenses, the amount of paid-up capital stock, surplus, reserve and profits, as well as losses, bad debts and such other facts which the Auditor considers necessary to accurately describe the financial condition of the Administration.

SEC. 10. *Revolving fund.*—(a) There is hereby authorized to be appropriated the sum of one hundred million pesos which shall be made available by the Congress as soon as practicable after the approval of this Act and shall constitute a revolving fund to be administered by the Administration as provided in this Act.

(b) Any sums or assets which MSA-PHILCUSA may assign to the Administration shall be constituted as part of this revolving fund except when it is provided that said sums or assets are to be used for research or operating expenses.

(c) The President of the Philippines is empowered to allocate and transfer to the Administration any unallocated unexpended collections made by bureaus under the Department of Agriculture and Natural Resources, from the sale and lease of public lands, abaca inspection fees, forest charges and others.

(d) The Administration, subject to the approval of the President of the Philippines, is authorized to float debentures to augment its revolving fund when Congress shall fail to make available adequate sums: *Provided, however,* That the aggregate amounts procured from the sources mentioned in this section shall not exceed total of one hundred million pesos.

SEC. 11. *Loaning activities.*—Loaning activities of the Administration shall be directed towards:

(a) Stimulating the development and operation of farmers' cooperatives.

(b) Minimizing the lack of credit as a limiting factor in the expansion of Philippine agriculture.

(c) Freeing farmers from the economic and social domination caused by the unreasonable conditions and excessive charges imposed by money lenders for the use of capital.

(d) Establishing an official policy with respect to agricultural credit which will be flexible enough to permit private financing institutions sufficient latitude in their operations to participate in serving those borrowers having the economic stability necessary for the use of such credit.

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 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 family, and is actually engaged in agriculture.

SEC. 13. *Credit to small farmers.*—Credit extended to small farmers, either with titles or no titles over their lands, whether tenants or part owners, should be based upon the anticipated productive capacity of farmers insofar as repayment probabilities are concerned: *Provided*, however, That the amount does not exceed two thousand pesos. Such loans may be granted for the purchase of fertilizer, seed, feed, work animals and corresponding tillage equipment, poultry, livestock and such other items specified by regulations as are directly related to the production of crops and livestock. The ability of such a borrower to provide security in the form of land or other tangible securities should not be the primary deciding factor in approving or disapproving a loan. Instead, the size of the loans should be predicated upon his production with other security being considered as supplemental. In instances where credit is extended for items which are not consumed in their use, such items should be pledged as security, but in such cases approval of the loan should be dependent upon the borrower’s productive capacity after receiving the item rather than upon the return which can be anticipated in the event of forced sale of the item. Loans made to farmers should be conditioned upon compliance by them with those proven practices which are reasonably within their capacity to carry out and will result in the maximum income and production from such farming units. The supervision necessary to insure full implementation of this policy will be maintained by the Administration.

SEC. 14. *Terms of loans.*—The terms of loans made to farmers should be adjusted to the needs of the borrower with special attention being given to the following:

(a) Making the duration of the loan consistent with the period of time necessary to permit repayment by the borrower from his production.

(b) Adjusting the terms of repayment to the borrower's income from his production. Where necessary the repayment of the loan should be amortized over a period of time which will permit installment payments which are within the borrower's income.

(c) Granting extensions in the time for repayment when damages and destruction caused by insects, disease, weather and other causes beyond the power of the borrower to control occur.

(d) Since the production of the borrower must serve as the primary security, such production should be pledged as security with appropriate safeguards being taken to insure against unauthorized disposition.

(e) When the Administration considers such to be necessary to insure repayment, it may require a borrower to enter into a marketing agreement covering the terms which must be complied with, including notice to the Administration and manner of disposition of the produce covered by the contract. The duration of such contract shall be terminated when the borrower has complied with his obligation to the Administration.

(f) In the event of any breach or threatened breach of a marketing contract by a borrower, the Administration shall be entitled to an injunction and a decree of specific performance. Also, upon filing a verified complaint showing a breach or threatened breach, the Administration shall be entitled to a temporary restraining order against such borrower.

SEC. 15. *Loan to cooperatives.*—Loan shall be made to any cooperative association, if in the judgment of the board of directors of the association concerned, the loan is in furtherance of the policy declared in section one, and the cooperative association applying for the loan has an organization and management, and business policies, of such character as to insure the reasonable safety of the loan and the furtherance of such policy. No cooperative association shall be entitled to apply for a loan unless it has been registered with the Securities and Exchange Commission. The provision of

existing cooperative laws regarding minimum number of members shall apply to cooperative associations mentioned in this Act.

Loans for the construction or acquisition by purchase of such facilities shall be subject to the following limitations:

(a) Loans for the construction or acquisition by purchase of such facilities may be made in an amount equivalent to one hundred *per centum* of the value of the facilities to be constructed: *Provided, however,* That the facilities meet the following requirements:

(1) All major parts must be completely of steel or concrete materials;

(2) If ten annual amortizations will fully pay back for the loans.

(b) Loans for facilities not meeting the above-mentioned requirements may be made, provided the amount is not in excess of eighty *per centum* of the value of the facilities, to be constructed or purchased.

(c) No loan for the purchase of facilities shall be made unless the board of directors of the association concerned finds that the purchase price to be paid is reasonable.

(d) No loan for the construction or purchase of such facilities shall be made unless the board of directors of the cooperative association finds that there are not available suitable existing facilities that will furnish their services to the cooperative association at reasonable rates, and in addition to the preceding limitations, no loan shall be made unless the said board finds that suitable facilities are not available for purchase or lease at a reasonable price or rent.

SEC. 16. Interest in all kinds of loans shall not be more than eight *per centum per annum*. Loans to any cooperative association shall be made upon the terms specified in this Act and upon such other terms not inconsistent therewith and upon such security the

Board of Governors may deem necessary. Loans may be subjected to a five *per centum* insurance fee which is to be paid at the time the loan is granted.

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 receipt 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 cent 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*.

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 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.

GENERAL PROVISIONS

SEC. 19. (a) Obligations issued by the Administration in accordance with the authority of paragraph (2) of section five 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.

(b) In the event that the Administration shall be unable to pay debentures, bonds, collaterals, notes or such other obligations issued by it, the Secretary of Finance shall pay the amount thereof which is hereby appropriated out of any funds in the National Treasury not otherwise appropriated and thereupon, to the extent of the amounts so paid, the Government of the Republic of the Philippines shall succeed to all of the rights of the holders of such bonds, debentures, notes, collaterals or other obligations.

SEC. 20. All notes, bonds, debentures, and other obligations issued by the Administration shall be exempt from all taxation both as to principal and interest, except inheritance and gift taxes.

SEC. 21. Upon the request of the Board, the Central Bank of the Philippines and Rehabilitation Finance Corporation shall lend or provide technical assistance needed by the Administration.

SEC. 22. Any justice of the peace, in his capacity as notary ex officio, shall render service free of charge to any person applying for a loan under this Act not exceeding five hundred pesos either in administering the oath or in the acknowledgment of instruments relating to such loan.

SEC. 23. Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Act and which does not exceed five hundred pesos.

PENAL PROVISIONS

SEC. 24. Any justice of the peace or register of deeds who shall demand or accept directly or indirectly, any gift, fee, commission or other form of compensation in connection with the service required to be performed by the said justice of the peace as provided in section twenty-two and by the said registry official as provided in section twenty-three of this Act, shall be punished by a fine not exceeding one thousand pesos or by imprisonment for not more than one year, or both, at the discretion of the court.

SEC. 25. No officer or employee of the Administration nor any government official who may exercise executive or supervisory authority over the said Administration, either directly or indirectly, for himself or as the representative or agent of others, shall become a guarantor, indorser, or surety for loans from the said Administration to others. Any such officer or employee who violates the provisions of this section shall be immediately removed by competent authority and said officer or employee shall be punished by imprisonment for not less than one year nor exceeding five years and by a fine of not less than one thousand nor more than five thousand pesos.

SEC. 26. No fee, commission, gift, or charge of any kind shall be exacted, demanded, or paid, for obtaining loans from the Administration, and any officer, employee, or agent of the Administration exacting, demanding, or receiving any fee for service in obtaining a loan, shall be punished by a fine of not less than one thousand nor more than three thousand pesos and imprisonment for not less than one year nor more than three years.

SEC. 27. Any person who, for the purpose of obtaining, renewing, or increasing a loan or the extension of the period thereof in his own or another's behalf, should give false information or cause, through his intrigue or machination, the existence and

production of any false information with regard to the identity, situation, productivity, or value of the security, or with regard to a point which would affect the granting or denial of the loan, whether the latter has been consummated or not, and every officer or employee of the Administration who, through connivance or negligence, should allow by action or omission such false information to pass unnoticed, thereby causing damage to the Administration or exposing the latter to the danger of suffering such damage, shall be punished with imprisonment of not less than three months or more than three years, and a fine of not less than the amount of the loan obtained or applied for, nor more than three times such amount.

SEC. 28. It shall be unlawful for any member, officer, or employee of the Administration to speculate, directly or indirectly, in any agricultural commodity or product thereof, or in contracts relating thereto, or in the stock of membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any such person violating this section shall, upon conviction thereof, be fined not more than twenty thousand pesos, or imprisoned not more than ten years, or both.

SEC. 29. It shall be unlawful for any director, officer, employee or member of any cooperative association, clearing house association, or commodity committee, or for any person acting on behalf of any such association or committee, to which or to whom information has been imparted in confidence by the Board of Governors of the Administration to disclose such information in violation of any regulation of the Board. Any director, officer, employee, or member of such association or committee violating this section, shall be fined not more than ten thousand pesos or imprisoned for not more than five years, or both.

MISCELLANEOUS PROVISIONS

SEC. 30. If any provision of this Act is declared unconstitutional, or the applicability thereof to any person, circumstance, commodity or class of transactions with respect to any commodity is held invalid,

the validity of the remainder of the Act and the applicability of such provision to other persons, circumstances, commodities, and classes of transactions shall not be affected thereby.

SEC. 31. All Acts, parts of Acts, and any special charters, or parts thereof, of the banking and financial institutions inconsistent herewith are hereby repealed.

SEC. 32. This Act shall take effect upon its approval.

Approved: August 14, 1952