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Quezon City

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HOUSE RESOLUTION NO. 120

**Introduced by Hon. Anthony M. Bravo
and Hon. Sabiniano S. Canama
COOP-NATCCO PARTYLIST**

A RESOLUTION DIRECTING THE COMMITTEE ON COOPERATIVES DEVELOPMENT TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ALLEGED VIOLATIONS IN THE CONTRACTS BETWEEN OIL PALM PLANTATION COOPERATIVES IN SOUTHERN PALAWAN AND AGUMIL PHILS., INC. WHICH PUT COOPERATIVES IN HUGE DEBTS AND DISPLACED FARMERS FROM THEIR OWN LANDS

WHEREAS, in year 2007, twelve (12) cooperatives in Southern Palawan entered into separate but uniform agreements with Agumil Phils., Inc. (AGPI), a joint venture between a Singaporean firm and a Philippine corporation, to engage in palm oil production within their respective landholdings in a “contract-growing” model. The produce called Fresh Fruit Bunch (FBB) is being milled and manufactured into palm oil used mainly as cooking oil.

WHEREAS, each cooperative entered into two contracts with AGPI namely, Production, Technical and Marketing Agreement (PTMA) and Management Service Agreement (MSA). The PTMA which is valid for 30 years and MSA valid for 20 years, have the following notable provisions on the respective undertaking of the AGPI and Coop (Grower):

Contract	AGPI	Coop (Grower)
PTMA	<ul style="list-style-type: none"> • Provide technical assistance required in connection with the development, management and operation of the oil palm project. • Train the grower in undertaking all farm activities such as but not limited to scheduling, budget preparation, proper record keeping, appropriate agricultural practices including harvesting standard and quality control of produce called Fresh Fruit Bunch (FBB) • If required, assist the grower to secure a loan from LBP and AGPI for cultivation of oil palm up to maturity • Purchase all FBBs at a purchase price based on a pricing formula • Issue payment order/check in favor of the grower on the 5th day of the following month after deducting grower’s payment obligations to LBP 	<ul style="list-style-type: none"> • A prohibition to dispose or encumber land • To procure loan from Landbank of the Phils. to ensure cultivation up to maturity • Follow oil palm cultivation practices, technical and production management system and/or standard operating procedures set by AGPI • Agrees and authorizes AGPI to deduct from sale of proceeds of the produce called Fresh Fruit Bunch (FBB) delivered to AGPI all payments due to LBP and AGPI • Agrees that in the event the project is not managed by the grower to the satisfaction of the AGPI resulting in inferior production and poor agricultural conditions or if the payments due to LBP and/or AGPI are

	<p>and AGPI</p> <ul style="list-style-type: none"> • Assist the grower by taking over management of the project if grower is unable to maintain the project up to the standards set by or to the expectations of AGPI and if, in AGPI's sole opinion, such as act is in the best interest of the Grower. 	<p>not met, it will hand over the management of the project to AGPI upon the agreement of the coop and the LBP and AGPI, after AGPI shall have evaluated the situation and decided on taking over the management under the terms and conditions stipulated in the MSA.</p> <ul style="list-style-type: none"> • To execute the MSA within 7 days from receipt of letter from AGPI on management takeover.
MSA	<ul style="list-style-type: none"> • Assign a manager, accountant and necessary technical and administrative personnel to undertake the development and manage the plantation • Assist and train grower's employees with the objective that these personnel will eventually be competent and capable of taking over the management • Prepare annual budget for presentation to Grower's BOD and answer queries in order to obtain approval • Prepare monthly reports on the operations and monthly accounts to be submitted to BOD of the Grower • Charge annual management fee to Grower amounting to 10% of total operation cost or 10% of earnings before interest, taxes, depreciation and amortization, whichever is higher. Such fee shall be paid quarterly and delay shall be charged 14% compounded interest per annum • Provide financial assistance which shall charge 14% interest compounded annually • Arrange of effect payments from the funds of the Grower the amortization of loan and interest to LBP, AGPI and other creditors 	<ul style="list-style-type: none"> • Obtained approval and authority of the BOD and members to enter into MSA with AGPI • Obtained consent of LBP and AGPI for grower to enter into MSA with AGPI • Authorizes AGPI to takeover the management of the project and use the funds under LBP loan for the development of oil palm plantation including technical and financial matters • Agrees to pay the management fee • Authorizes the appointment of an AGPI manager to act as signatories to operate the bank accounts of the grower

WHEREAS, the cooperatives were not aware of the content of their contracts with AGPI as they were allegedly furnished with a copy by the AGPI only after three years when the coop leaders found out that the contracts they entered into were patently one-sided in favor of AGPI.

WHEREAS, the cooperatives secured loans from the Land Bank of the Philippines Puerto Princesa Leanding Center to finance the development of the plantation after the LBP conducted a seminar relative to the oil palm business for the purpose of granting loans to the coops under its Development Advocacy Program. The coops contract with LBP named Loan/Line Agreement (LLA) required equity of 20% of the total value of the project. The coops secured the equity amount from AGPI with higher interest rate. The LLA also required the coops to surrender possession of the land titles to LBP but not as collateral of the loans.

WHEREAS, the cooperatives alleged that AGPI violated the contract when it took over the management of the plantations immediately after execution of the contract. For instance, management took over of Aborlan Small Coconut Farmers Multi-Purpose Cooperative (ASCFMPC) was signed a week after the PTMA was signed leaving the cooperative no proof whether they have capacity to manage or not.

WHEREAS, following the management take over, the MSA took effect. The AGPI took over the management of operations and finances reducing the cooperatives' involvement to

farming and harvesting only while the AGPI controlled everything including the coop's bank accounts.

WHEREAS, as a result of this arrangement, 10 years after, the loans of cooperatives to LBP and AGPI have ballooned tremendously. For example, the ASCFMPC's loan to LBP and AGPI of P13 Million in 2008 has grown to P34M in 2015, while income is kept at negative. The coops have suffered losses and the farmers were disgusted and angry.

WHEREAS, the farmers were displaced from their own lands as their land ownership documents (titles, tax declarations, etc) were in the hands of LBP and the farm production and technology was dictated by AGPI. They also lost income and livelihood since their lands are not allowed for intercropping of other crops like coconuts, bananas and fruit trees.

WHEREAS, the coops and farmer members are calling for termination of contract with AGPI.

WHEREAS, the Cooperative Development Authority conducted an examination to document the legal issues of the cooperatives involved in this situation and found out the following:

- Most of the cooperatives involved were created by AGPI or were revived from previous non-operating coops to entice them to engage into oil palm production.
- Landowners which include agrarian reform beneficiaries (ARBs) and Indigenous Peoples (IPs) surrendered possession of their landholdings to the coops with contracts with AGPI and LBP.
- Coops were not fully apprised of the provisions of the PTMA and MSA and LLA and the obligations they entered into.
- There is lack of authority of the signatories to sign for and in behalf of the cooperatives as none of them are aware of any general assembly resolution to that effect of engaging into said plan prior to the contracts or to secure a loan from LBP.
- The provisions of the contracts were violated particularly of the takeover of management which put coops into disadvantaged position as AGPI controlled the accounting, proceeds of sales and bank accounts where all the money were deposited.
- The coops engaged in oil palm business are not operating on a cooperative basis.

NOW, THEREFORE, BE IT RESOLVED, that the Committee on Cooperatives Development conduct an inquiry, in aid of legislation, on the alleged violations in the contracts between palm oil plantation cooperatives in Southern Palawan and Agumils Phils., Inc which put cooperatives in huge debts and displaced farmers from their own lands.


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