

**ALYANSA NG MGA MANGGAGAWANG BUKID SA ASYENDA LUISITA (AMBALA)
San Miguel, Tarlac City**

FACTS ABOUT HACIENDA LUISITA, INCORPORATED and the STOCK DISTRIBUTION OPTION

1. On the Ownership of the Hacienda Luisita

The farm workers have the lawful and legitimate right to the agricultural lands in Hacienda Luisita. However, they still do not own the land they till despite several regime changes and land reform programs – from Marcos to Macapagal-Arroyo – since the Hacienda was acquired by the Jose Cojuangco, Sr. in 1958.

a. Condition Upon Acquisition: Distribution of Hacienda Luisita to Small Farmers

Jose Cojuangco, Sr. offered to buy the majority shares of the common stock of Central Azucarera de Tarlac (CAT) from the Spanish-owned and –controlled Compañia General de Tabacos de Filipinas, otherwise known as TABACALERA. A condition to the purchase of the CAT stocks is the simultaneous purchase of Hacienda Luisita.

As the foreign owners required that the payment of the shares be made in US dollars, Jose Cojuangco, Sr. availed of a dollar loan from the Manufacturers' Trust Company of New York. Subsequently, he sought the approval of the Central Bank of the Philippines for the dollar loan and for the remittance of dollars over a 10-year period, for the liquidation of the loan.

On August 27, 1957, the Central Bank Monetary Board passed Resolution No. 1240, approving the dollar loan application of Jose Cojuangco and associates with the Manufacturers' Trust Company of New York. The Central Bank provided the dollar cover for the loan by depositing a part of the international reserve with the said bank and approved the remittance of US dollars to the former owners of the TABACALERA to acquire the controlling shares of the capital stock of the CAT, subject to two conditions, one of which provided that: 2) There shall be a simultaneous purchase of Hacienda Luisita with the purchase of the shares with a view to distributing this hacienda to small farmers in line with the Administration's social justice program.

Meantime, Jose Cojuangco, Sr. again applied for a loan of Seven Million Pesos (P7,000,000) from the GSIS to finance the acquisition of Hacienda Luisita, together with its improvements, farm equipment and water rights for an aggregate price of Ten Million Pesos (P10,000,000). Acting on this, the GSIS Board of Trustees passed Resolution No. 1085 on May 7, 1967, approving in principle the application for loan of Seven Million. Another resolution, No. 3202, by the same body approved the sum of Five Million Nine Hundred Eleven Thousand (P5,911,000) as a loan to purchase Hacienda Luisita, subject to several conditions, among them: 2) That the lots comprising the Hacienda Luisita shall be subdivided by the applicant-corporation among the tenants who shall pay the cost thereof under reasonable terms and conditions.

Still, on February 4, 1958, the GSIS Board of Trustees passed Resolution 356, changing the name of applicant from Jose Cojuangco and associates to Tarlac Development Corporation (TADECO) with condition No. 11: That the lots comprising the Hacienda Luisita shall be subdivided by the applicant-corporation and sold at cost to the tenants, should there be any, and whenever conditions should exist warranting such action under the provisions of the Land Tenure Act:

On June 25, 1958, TADECO wrote the Central Bank stating that the purchase of the controlling interest in the CAT by TADECO has been consummated. In compliance with their commitment to simultaneously purchase Hacienda Luisita, TADECO purchased the hacienda together with the existing sugar quota, improvements and equipment therein on May 31, 1958.

During the term of the dollar loan, the Central Bank made available the necessary foreign exchange, regularly remitted in payment of the Cojuangco's loan of about Two Million One Hundred Twenty Eight Thousand Four Hundred Eighty (US \$2,128,480) with the Manufacturers' Trust Company in New York until the loan was fully paid.

On March 2, 1967, Governor Conrado Estrella of the Land Authority wrote Jose Cojuangco asking what "have (been) done to implement the aforesaid condition".

On April 14, 1967, Jose Cojuangco, Sr. replied stating that "it is doubtful whether the Central Bank had the power to impose that condition which was so alien to its function of stabilizing the country's monetary system".

On May 5, 1977, Central Bank Governor, Gregorio Licaros wrote the heirs of the late Jose Cojuangco, Sr, who died in the meantime, requesting information on any action they had taken in compliance with their commitment to distribute Hacienda to small farmers.

On May 23, 1978, Undersecretary Ernesto V. Valdez of Agrarian Reform wrote the heirs of Jose Cojuangco, asking what has been done in fulfilling the condition stated in the Central Bank Monetary Board Resolution No. 1240, dated August 27, 1957, relative to the distribution of Hacienda to small farmers.

On June 22, 1978, TADECO Vice-President Demetria S. Cojuangco addressed a letter dated June 22, 1978 to Deputy Minister Ernesto Valdez stating that "it was extremely unwarranted to make us account for the fulfillment of a condition that cannot be enforced".

b. Court Order

On May 7, 1980, the Marcos government brought the case against TADECO to court to "seek judgment for 'specific performance' to compel defendants TADECO, and the heirs of the late Jose Cojuangco, Sr. to comply with the terms of Central Monetary Board Resolution No. 1240 dated August 27, 1957, in relation to GSIS Resolution No. 3202, dated Nov. 25, 1957 and 356, dated Feb. 5, 1958, by turning over "Hacienda Luisita" to the Ministry of Agrarian Reform for the purpose of subdivision and sale at cost to "small farmers" or "tenants" in line with the Administrator's social justice policy.

In their answer, defendants contended, among others, that the Central Bank and GSIS resolutions sought to be enforced are legally unenforceable because there are not tenants in Hacienda Luisita; the Central Bank resolution does not indicate "small farmers"; the hacienda is outside the scope of any land reform program of the government; and that there is no agrarian unrest in "Hacienda Luisita".

On December 2, 1985, the Manila Regional Trial Court sentenced the defendants "jointly and severally, to comply with Central Bank Resolution No. 1240, dated August 27, 1957, in relation to GSIS Resolution No. 3202 and 356 requiring the distribution and size at cost of Hacienda Luisita to

‘small farmers in line with the Administration’s social justice policy’.

“ ... defendants shall execute the necessary documents to convey the entire Hacienda Luisita to the Ministry of Agrarian Reform, which shall take possession of the hacienda to be subdivided into small lots and conveyed at cost to qualified and deserving citizens small farmers” to free them from the bondage of the soil, upon payment to defendants of just compensation fixed at Three Million Nine Hundred Eighty Eight Thousand Pesos (P3,988,000), Philippine currency, with interest at legal rate from the finality of the decision, and costs.”

Source: Civil Case No. 131654, Regional Trial Court of Manila, Branch XLIII, with the Republic of the Phil as Plaintiff and the TADECO as Defendant, Dec 2, 1985

2. On the Stock Distribution Option and CARP

a. CARP and the Stock Transfer Scheme

In February 1986, Corazon Cojuangco Aquino became president by force of a popular uprising that toppled the Marcos dictatorial regime. As an incorporator of TADECO, her landlord interests took precedence over her official duty as the head of the Presidential Land Reform Committee. She instituted her own Comprehensive Agrarian Reform Program (CARP), and evaded the order of the Regional Trial Court of Manila in 1985 to distribute Hacienda Luisita to small farmers through the Stock Distribution Option (SDO) scheme.

Before the Comprehensive Agrarian Reform Law or Republic Act 6657 was passed into a law on June 7, 1988, Cory Aquino has beforehand issued Presidential Proclamation 131 and Executive Order 229 which outlined her land reform program and expanded land reform to sugarlands. However, at the same time, Aquino offered in her program the so-called "stock transfer scheme" as an option to landlords wherein, instead of subdividing haciendas and distributing small lots to tenants or small farmers, shares of stocks are issued to beneficiaries through a stock distribution plan. So the concept of the “Stock Distribution Option”, a corporative scheme in Hacienda Luisita came forth.

b. Stock Distribution Option in Hacienda Luisita

Hacienda Luisita, Incorporated (HLI) was established on August 23, 1988, as a spin-off corporation by the Tarlac Development Corporation (TADECO) for the purpose of operationalizing the Stock Distribution Option in Hacienda Luisita. In the Memorandum of Agreement signed by the TADECO and a handful of farm workers on May 11, 1989, the HLI was designated as the SECOND PARTY, to which the TADECO has transferred and conveyed the agricultural portions of Hacienda Luisita and other farm-related properties in exchange for shares of stock of the farm workers. By implication, the farm workers became “co-owners” of the HLI.

The agricultural lands in Hacienda Luisita consisted of 4,915.75 hectares, with an appraised value of P196.830 million, at the time the HLI was incorporated and the Memorandum of Agreement was signed on May 11, 1989. Other assets were valued at P393.924220 million. However, researches show that the appraised value of lands in the stock distribution option scheme tend to be undervalued while that of other assets such as machineries and equipment are overvalued.

Based on this, the farm workers supposedly owned 33.296% of the outstanding capital stock of the HLI, which before May 10, 1989 was P355.531 million or 355,531,462 shares at 1 peso per share.(1)

In the stock distribution plan P118 million (33.296% of capital stock) will be distributed to farm worker beneficiaries every year within 30 years.

However, the distribution of the farm workers' shares of stock is actually based on the number of mandays in the hacienda. And the mandays in turn, are based on the system of guaranteed mandays, wherein the management of the HLI allocates the number of mandays available for manual work. Currently, guaranteed mandays consist of 423,000 mandays for 5,339 farm workers. That means a farm worker could only work for no more than 80 mandays a year or 1-2 days a week!

Aside from stock distribution, the Cojuangcos boast of other benefits for the farm workers under the SDO scheme: 3% production share and residential lots. However, the production share, as in the shares of stock, is based on the number of mandays; and not all farm workers could avail of the residential lots. Other benefits such as free hospitalization and interest-free loans are terms under the Collective Bargaining Agreement (CBA) between HLI management and the United Luisita Workers Union (ULWU) and not benefits under the SDO.

By implication, after 30 years, the agricultural lands of the Hacienda Luisita will revert back to the Cojuangco's hands, that is, after the shares in capital stock have been distributed to the farm workers. Not that the farm workers ever got to own the agricultural lands but that would seal the Cojuangcos' claim to the land legally and permanently.

3. On the Farm Workers' Plight and Struggles Against SDO and LUC

Fourteen years or so of SDO and LUC has further rendered the farm workers impoverished and very vulnerable to the Cojuangcos' machinations to retain control of the hacienda.

Under the SDO scheme, the farm workers were made virtually to give up their rightful claim to the agricultural lands of the hacienda in exchange for meager shares of capital stock and production shares. They were made to believe that they are "co-owners" of the corporation when in fact, they have to sweat it out to be able to claim their benefits.

Majority of the farm workers were forced vote YES to SDO in a referendum in 1989 for fear that they will be thrown out of their jobs. Besides, many of them were made to sign blank papers in exchange for release of loans or other benefits.

The shares and benefits under the SDO are in fact delimited by diminishing mandays, with mandays as the main factor for computing stock and production shares. As a farm worker is guaranteed a maximum of 80 mandays a year, or 1-2 mandays a week, his shares in stock could not go beyond P118 million/30 years/5,339 farm workers or P737/year while his production shares, not beyond P1,120.(2)

Diminishing mandays are significantly affected by land-use conversion and mechanization in the hacienda. Since 1988-1989, guaranteed mandays have drastically dropped because of less manual work available.

Out of the 4,915 hectares of agricultural lands in the hacienda, 3,290 have been reclassified by the local government 1995, hence, available for conversion. Around 500 hectares have already been converted into the Luisita Industrial Park 2. More hectarage is expected to be converted as the Cojuangcos make way for infrastructure projects like the Subic-Clark-Tarlac Expressway due for construction until 2005.

Almost all processes in sugar production in the hacienda have been mechanized – from soil preparation to harvesting to milling and refinery.

As guaranteed mandays dwindle, massive lay-off of farm workers in sugar-coated forms like early retirement (replete with quit claim/waiver documents) or the more direct retrenchment become widespread. The HLI is set to retrench around 2,500 farm workers to cut down its work force and, subsequently, variable capital.

Current daily wage for seasonal workers is P199.17 and for casuals, P194.50 which translates to a maximum of P1,327.80 and P1,296 , respectively, per month based on 80 guaranteed mandays. After deductions for the loans and advance pays, the average take home pay is P18 for the seasonal, or P9 for the casual for a 2-manday week.

Gathering or cultivating supplementary food within the hacienda premises is strictly prohibited. Not even in vacant and idle lots.

During sugar central workers' strike in February 2003, the farm workers were able to air their grievances against the HLI management. However, up to this day, these have not been addressed.

The failure of the management to address such grievances and the realization that SDO has pushed them deeper into the mire of poverty, the farm workers now have escalated their struggles:

- Only 15.26% of the shares voted in the recent elections for the farm workers' and supervisors' representatives to the HLI Board of Directors on September 28, 2003. Around 95% of the farm workers boycotted the elections as a protest to the SDO.
- Fora and other activities by the farm workers are continuously being held at the barrio level to discuss the options and actions by the farm workers to reclaim their right to the hacienda.
- More than a thousand gathered on October 7, to protest the SDO, land-use conversion, joblessness at the hacienda, during the opening of the milling season.
- As of October 14, 2003, around 80% of the 5,339 farm workers at the hacienda have signed the petition to the Department of Agrarian Reform to nullify and rescind the SDO and to stop land-use conversion at the hacienda.

1 On May 10, 1989, a day before the Memorandum of Agreement was signed, the Securities and Exchange Commission approved the application by Hacienda Luisita, Incorporated to raise its authorized capital stock to P400 million, where P150 million are Class A or shares of SDO beneficiaries.

2 Within 14 years of SDO implementation, production share is computed based on P10-14 per farm worker.

Appendix 1

Chronology of Events:

February 1986: Cory Aquino became president of the RP by force of a people's uprising ousting

erstwhile dictator Ferdinand Marcos

Presidential Proclamation 131 and Executive Order 229 signed by Cory Aquino on July 22, 1987, expanded CARP coverage to other crops like sugar.

Comprehensive Agrarian Reform Law or Republic Act 6657 enacted on June 7, 1988

Hacienda Luisita, Incorporated was incorporated on August 23, 1988, as a spin-off corporation of the TADECO

May 11, 1989, signing of Memorandum of Agreement between TADECO and HLI placing the Hacienda Luisita under the Stock Distribution Option scheme.