

REPUBLIC OF THE PHILIPPINES
THE MASTER PLAN STUDY FOR STRENGTHENING THE AGRICULTURAL COOPERATIVE SYSTEM
THE FINAL REPORT
MAIN REPORT
DECEMBER

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

No. 2

COOPERATIVE DEVELOPMENT AUTHORITY (CDA)
REPUBLIC OF THE PHILIPPINES

**The Master Plan Study
for
Strengthening the Agricultural Cooperative System
in the Republic of the Philippines**

The Final Report

Main Report

December 1993

**Central Union of Agricultural Co-operatives (JA-ZENCHU)
Japan**

118
81.6
AFA

AFA
JR
93 - 57

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

COOPERATIVE DEVELOPMENT AUTHORITY (CDA)
REPUBLIC OF THE PHILIPPINES

The Master Plan Study
for
Strengthening the Agricultural Cooperative System
in the Republic of the Philippines

The Final Report

Main Report

JICA LIBRARY



1112640161

December 1993

Central Union of Agricultural Co-operatives (JA-ZENCHU)
Japan



PREFACE

In response to a request from the Government of the Republic of the Philippines, the Government of Japan decided to conduct a master plan study on Strengthening the Agricultural Cooperative System in the Republic of the Philippines and entrusted the study to Japan International Cooperation Agency (JICA).

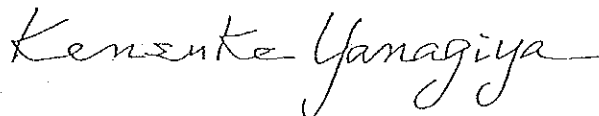
JICA sent to the Philippines a study team headed by Mr. Midori Matsuhira, Central Union of Agricultural Co-operatives three times from June, 1992 to September, 1993.

The team held discussions with the officials concerned of the Government of the Philippines, and conducted field surveys at the study area. After the team returned to Japan, further studies were made and the present report was prepared.

I hope that this report will contribute to the promotion of the project and to the enhancement of friendly relations between our two countries.

I wish to express my sincere appreciation to the officials concerned of the Government of the Republic of the Philippines for their close cooperation extended to the team.

December, 1993



Kensuke Yanagiya

President

Japan International Cooperation Agency

December 1993

Mr. Kensuke Yanagiya
President
Japan International Cooperation Agency
Tokyo, Japan

Letter of Transmittal

Dear Mr. Yanagiya,

We are pleased to submit to you the report of the master plan study for strengthening the agricultural cooperative system in the Republic of the Philippines. The report contains the master plan for strengthening national and local level agricultural cooperatives which was formulated on the basis of field study, interviews, and analysis of data, materials and questionnaires collected.

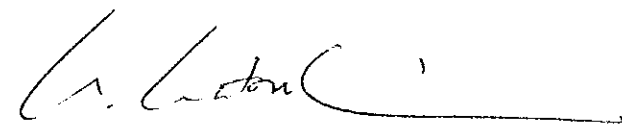
After careful consideration, this report suggests three major areas, that is, strengthening of manpower, organizational structure, and business activities. Among others, the first, that is, strengthening of manpower is given high priority because of the very nature of cooperatives.

During the field survey, sixteen agricultural cooperatives were surveyed and questionnaires were distributed and collected from among not only members of these cooperatives but non-members as well. This might be the first experience for the agricultural cooperatives in the Republic of the Philippines. After the field survey, these sixteen agricultural cooperatives were categorized into four groups by using statistical methodology. In this connection I would add that technical transfer has been also done during these two works.

The master plan covers many areas. It is hoped that the Government of the Philippines will refer to the detailed suggestions contained in this report and select priorities with due consideration of the current status of agricultural cooperatives.

We wish to take this opportunity to express our most sincere gratitude to your Agency, the Ministry of Foreign Affairs, and the Ministry of Agriculture, Forestry and Fisheries. We also express our deep gratitude to the Cooperative Development Authority, Office of the President, and other authorities concerned of the Republic of the Philippines for the close cooperation and assistance extended to us during our survey and study.

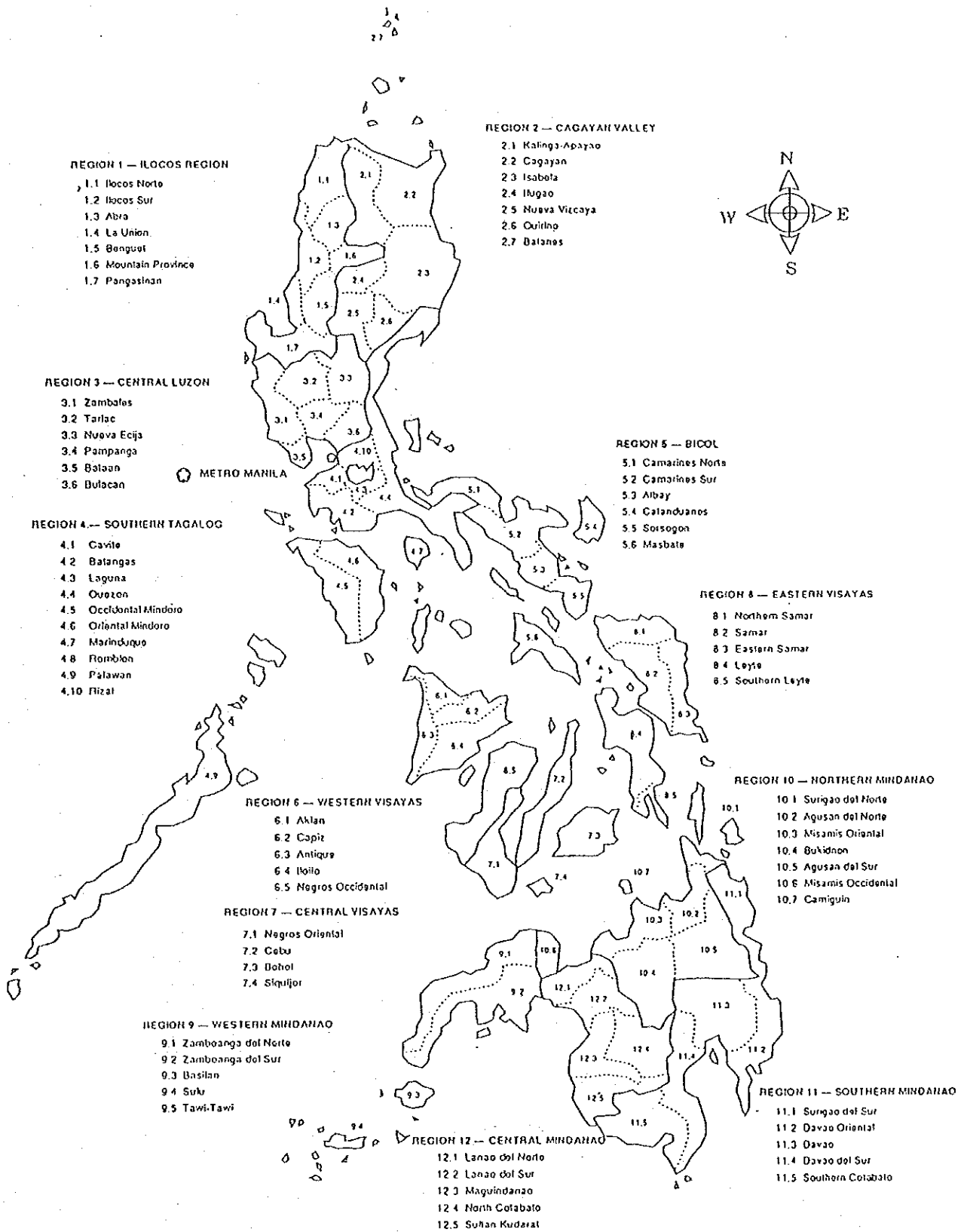
Very truly yours,



Midori Matsuhiro
Team Leader

PUBLIC OF THE PHILIPPINES

Regional Map



ACRONYMS

ACCI	Agricultural Credit and Cooperative Institute
ACDI	Agricultural Cooperative Development International
AMC	Area Marketing Cooperative
ATI	Agricultural Training Institute
BACOD	Bureau of Agricultural Cooperative Development
BANGKOOP	Cooperative Rural Bank Federation of the Philippines
BCDC	Bicol Cooperative Development Center
CALF	Comprehensive Agricultural Loan Fund
CARL	Comprehensive Agrarian Reform Law
CARP	Comprehensive Agrarian Reform Project
CB	Central Bank of the Philippines
CBs	Cooperative Banks
CDA	Cooperative Development Authority
CDLF	Cooperative Development Loan Fund
CERD	Cooperative Entrepreneurship for Rural Development
CETF	Cooperative Education and Training Fund
CFPI	Cooperative Foundation of the Philippines, Inc.
CISP	Cooperative Insurance System of the Philippines
CLT	Certificate Land Transfer
CLIMBS	Coop-Life Mutual Benefit Service Association
CMP	Cooperative Marketing Project
CMSP	Cooperative Marketing System of the Philippines, Inc.
CPA	Certified Public Account
CRB	Cooperative Rural Bank

CRDLF	Cooperative Rehabilitation Development Loan Fund
CUP	Cooperative Union of the Philippines, Inc.
DA	Department of Agriculture
DANIDA	Danish International Development Agency
DAR	Department of Agrarian Reform
DBP	Development Bank of the Philippines
DENR	Department of Environment and Natural Resources
DOF	Department of Finance
DTI	Department of Trade and Industry
FACOP	Federation of Agri-based Cooperatives of the Philippines
FECO-Phil.	Federation of Electric Cooperatives in the Philippines
FFF	Federation of Free Farmers
HYVs	High Yielding Varieties
Incas	Integrated Cooperative Audit System
ISF	Integrated Social Forestry
KKPPI	Federation of Transport Cooperatives in the Philippines
LBP	Land Bank of the Philippines
LGC	Local Government Code
LGU	Local Government Unit
MASS/SPECC	Mindanao Alliance of Self-Help Societies/Southern Philippines Educational Cooperative Center
NATCCO	National Confederation of Cooperatives, Inc.
NCB	National Cooperative Bank
NEDA	National Economic Development Authority
NFA	National Food Authority
NGO	Non-Government Organization

NIA	National Irrigation Administration
PBSP	Philippine Business for Social Progress
PCIC	Philippine Crop Insurance Corporation
PCU	Provincial Cooperative Union
P.D.	Presidential Decree
PFAC	Provincial Federation of Agricultural Cooperatives
PFCCI	Philippine Federation of Credit Cooperatives, Inc.
PMES	Premembership Education Seminar
PVO	Private Voluntary Organization
Quedancor.	Quedan Rural Credit Guaranty Cooperation
RCU	Regional Cooperative Union
RDC	Regional Development Center
RFAGC	Regional Federation of Agricultural Cooperatives
SEC	Security and Exchange Commission
SN	Samahang Nayon
SNSP	Samahang Nayon Support Project
TAGCODEC	Tagalog Cooperative Development Center
TLRC	Technology Livelihood and Resource Center
UPLB	University of the Philippines at Los Baños
USAID	United States Agency for International Development

Primary cooperatives, unions and federations covered by the study

(Benguet Province)

BFMCI	Balacbac Farmers Multi-purpose Cooperative, Inc.
BSDCI	Bangao Saving and Development Cooperative, Inc.
PPPK-MCI	PPPK-Multi-purpose Cooperative, Inc.

BACFED Benguet Agricultural Cooperative Federation, Inc.
NORLU Northern Luzon Cooperative Development Center, Inc.
CBB Cooperative Bank of Benguet

(Nueva Ecija Province)

PPMKBI Pulo Primary Multi-purpose Kilusang Bayan, Inc.
GNPMCI General Natvidad Primary Multi-purpose Cooperative, Inc.
GIPMCI Gapumaca-Isa Primary Multi-purpose Cooperative, Inc.
NEFABCI Nueva Ecija Federation of Agri-based Cooperatives, Inc.
PFACNE Provincial Federation of Agri-based Cooperatives of
Nueva Ecija
TINESCO Timog Nueva Ecija Secondary Cooperative, Inc.
CRB-NE Cooperative Rural Bank of Nueva Ecija

(Batangas Province)

LMCI Limcoma Marketing Cooperative, Inc.
SIDCI Sorosoro Ibaba Development Cooperative, Inc.
CUBI Cooperative Union of Batangas, Inc.
PBACI Province of Batangas of Agri-based Cooperative, Inc.
CCRBBI The Countryside Cooperative Rural Bank of Batangas, Inc.

(Laguna Province)

DIMCI Dambo Irrigators Multi-purpose Cooperative, Inc.
CULI The Cooperative Union of Laguna, Inc.
FLFMC The Federation of Laguna Farmers Marketing
Cooperative, Inc.

(Iloilo Province)

PCDCI	The Panay Cotton Cooperative Development , Inc.
PFMCI	Pototan Farmers Multi-purpose Cooperative, Inc.
WVUCI	Western Visayas Union of Cooperatives, Inc.
SIAMCI	Southern Iloilo Area Marketing Cooperative, Inc.
IFACI	Iloilo Federation of Agricultural Cooperatives, Inc.
1ST AMC	1st Iloilo Area Marketing Cooperative, Inc.
CRBI	The Cooperative Rural Bank of Iloilo, Inc.

(Leyte Province)

BAMCI	Barayong Agricultural Multi-purpose Cooperative, Inc.
UMCI	Unifarm Multi-purpose Cooperative, Inc.
CMCI	Caulutao Primary Multi-purpose Agricultural Cooperative, Inc.
ELFACO	Eastern Leyte Federation of Agri-based Cooperatives
WELFACO	Western Leyte Federation of Agricultural Cooperatives
LCRB	Leyte Cooperative Rural Bank, Inc.
VICTO	Visayas Cooperative Development Center, Inc

(Davao Del Norte Province)

DFFCI	Davao Free Farmers Cooperative, Inc.
NICI	Nabunturan Integrated Cooperative, Inc.
PCU-DAVAO	Provincial Cooperative Union of Davao, Inc.
DAFEDACO	Davao Federation of Agri-based Cooperatives, Inc.
CFDC	Cooperative Federation of Davao City
CBDC	Cooperative Bank of Davao City, Inc.

TABLE OF CONTENTS

	Page
Summary	[1]
I. Background and Details of the Study	1
II. Details and Content of Task of Surveying and Analyzing	11
III. The Current State and Overall Evaluation of the Organization and Activities of Agricultural Cooperatives	23
1. Current State	23
1-1 Organization	26
1-2 Management	33
1-3 Marketing and Supply Business	36
1-4 Credit Business	46
1-5 Insurance Business	51
1-6 Education and Guidance Activity	54
2. Summary of the Results of the Questionnaire for Members and Non-members of Agricultural Cooperatives	61
3. Evaluation	79
3-1 Organization	79
3-2 Management	84
3-3 Marketing and Supply Business	87
3-4 Credit Business	91
3-5 Insurance Business	96
3-6 Education and Guidance Activity	99
4. Overall Evaluation	104

IV.	Present Situation and Evaluation of Government and Local Government Agency Measures to Promote Agricultural Cooperatives and Systems for their Implementation	107
1.	Government Measures to Promote Agricultural Cooperatives and Systems for their Implementation	107
2.	Local Government Measures to Promote Agricultural Cooperatives and Systems for their Implementation	120
V.	Basic Concept of Designing a Plan for Strengthening National and Local Agricultural Cooperatives	123
1.	Potential and Deterrent Factors	123
2.	Basic Concept	126
VI.	The Plan for Strengthening National Agricultural Cooperatives	129
1.	Guidelines for Operation	130
2.	Supporting Program for Local Agricultural Cooperatives by the National Agricultural Cooperative Organizations	154
3.	Plan to Foster the Training of Agricultural Cooperative Officials and Employees	166
VII.	Plan for Strengthening Local Agricultural Cooperatives	195
1.	Guidelines for Organization	195
2.	Guidelines for the Management and Administration	209
3.	Measures to Promote the Business Activities	226
3-1	Marketing and Supply Business	226
3-2	Credit Business	233
3-3	Insurance Business	241
3-4	Education and Guidance Activity	243
VIII.	Concepts of Staged Implementation for Strengthening National and Local Agricultural Cooperatives	253

IX. Recommendation	257
--------------------------	-----

(Attachment 1)

1. List of Persons who have conducted the Study and GOP Counterpart Personnel	A-1
2. Implementing Arrangement	A-2
3. Minutes of Meetings	A-9

(Attachment 2)

The Philippine Medium Term Cooperative Development Plan (1993-1998)	A-31
--	------

Summary

Summary

I Background and Details of the Study

1 Details of the Study

In the social economy of the Philippines, poverty resulting from the unfair distribution of income is a serious problem. The Philippine government has to date adopted large-scale and significant measures to solve this in the form of promotion of agricultural land reform and organization, and development of cooperatives in farm villages.

On the other hand, the role played by agriculture within the Philippine economy is extremely important; to achieve stable development of the nation's economy, the promotion of agriculture is an absolutely essential condition.

However, the problems of low productivity and poverty of farmers remain unsolved in Philippine agriculture. For this reason, cooperatives are being looked upon to promote agriculture and to stabilize farm household economics. Yet, in spite of the enthusiasm and effort of concerned persons within the Philippine cooperative movement, various aspects of the movement, including organization, business, and management, remain weak.

Faced with this situation, the Philippine government planned a major development and strengthening of the present cooperative organization. In 1988 it requested technical assistance from the Japanese government in order to design a master plan for this purpose. In response, the Japanese government, acting through the Japan International Cooperation Agency, dispatched a team to conduct a preliminary survey in December 1991. This team offered an agreement with the CDA detailing rules for govern the main survey, which began thereafter in August 1992.

2 The State of the Social Economy of the Philippines

A systems of mutual cooperation, as seen in people working together in the harvesting of crops, in planting, and in the construction of houses, etc., has traditionally developed and exists in the region. What can be done to make these

system function, are questions which must be researched, particularly by cooperative leaders, in carrying forth the cooperative movement.

The fundamental unit of rural society is the barangay, which is comprised of fifty to hundred families. The barangay is the smallest unit of regional self-government. As seen in the real-life examples of developing agricultural cooperatives, strengthening this with members at the barangay level and promoting joint activities by these members at the barangay level are extremely important for agricultural cooperatives.

Similar to many other countries whose economies are principally agricultural, the Philippines, notwithstanding the blessings of abundant natural resources, continues to face economic conditions in which those resources are still undeveloped. Its rate of population growth remains high, averaging 2.69% a year in the period 1975-1990. Total population grew to 64.3 million in 1992. A large portion of the growing labor force is placed in the position of being unemployed, and the number of agricultural households and the population of agricultural villages continue to grow. Further, the ratio of average annual income of agricultural households to that of urban households declined to the low level of 30% in 1989. The average size of operations per farm household has declined sharply because of an increase in the number of farm households; it fell to 2.86 hectares in 1980.

To date, there have been a number of attempts to promote agricultural cooperatives, but the results have not been very satisfactory.

Since the promulgation of the New Cooperative Law in 1990, a number of agricultural cooperatives established nationwide. We believe that the frame work of mutual support used to date could very well be adapted to, and could take root in, the context of joint activity by agricultural cooperatives.

II Details and Content of the Task of Surveying and Analyzing

1 Phase I Survey

After first going through the pre-survey preparations domestically (March 17, 1992 ~ March 31, 1992), then the First Field Survey (June 1, 1992 ~ August 29, 1992), and the First Domestic Work (September 1, 1992 ~ October 31, 1992), we prepared an Interim Report to serve as a summary of the Phase I Survey.

The most important task in the Phase I Survey was the formulation of a Basic Plan for Strengthening National Level Agricultural Cooperatives. After completing the tasks of gathering, organizing and analyzing currently existing and relevant data during the first field survey, performing field visits in Iloilo and six other provinces, and putting the facts in order about the potential of agricultural cooperatives and the constraints against their development, we formulated a rough, overall plan. We supplemented this plan during the first domestic work; the result was the Basic Plan.

2 Phase II Survey

After completing the Second Field Survey (November 24, 1992 ~ March 23, 1993) and the Second Domestic Work (May 6, 1993 ~ August 4, 1993), we prepared a Draft Final Report to serve as a summary of the Phase II Survey.

The most important task in the Phase II Survey was the formulation of Plans for Strengthening National and Local Level Agricultural Cooperatives. First, with regard to the Local Level Plan, we carried out Detailed Surveys of cooperatives which had been selected in the First Domestic Work to be the subjects of these surveys (sixteen cooperatives from seven provinces). After categorizing these cooperatives, and arriving at an understanding of the factors obstructing development of the cooperatives belonging to each category and the peculiarities of each, we drafted a rough plan. Then, in the Second Domestic Work, we incorporated a comprehensive evaluation of government, and local government agency measures, to promote agricultural cooperatives and systems for their implementation into the formulation of a plan.

With regard to the Plan for Strengthening National Level Agricultural cooperatives, we revised the Basic Plan formulated during the Phase I survey and, being mindful of consistency with the previously mentioned Local Level Plan, worked on formulation during the Second Domestic Work.

III The Current State and Overall Evaluation of the Organization and Activities of Agricultural Cooperatives

1 Current State

1-1 Organization

Although there is a notable trend toward establishment of new primary cooperatives nationwide, and although as of the end of 1992 there were approximately 15,000 agricultural cooperatives, their membership is generally extremely small.

Unions have not been established in all provinces or in all regions. Moreover, the number of their employees is small and the guidance they provide to primary cooperatives for the running of their organizations is inadequate. On the other hand, although there are large numbers of federations, the scale of their businesses is small and their links with primary cooperatives weak.

There are many agricultural cooperative organizations at the national level. Although 11 belong to CUP, the organization corresponding to a central union of cooperatives, there are some that do not belong and others that have broken away. By type of business, there is FACOP, the federation for marketing and supply operations, and CISP, the organization for life insurance businesses. However, a national financial institution for cooperatives does not exist. Most notable among the national level federations that are not affiliated with CUP are NATCCO and PFCCI. The former has in recent years ventured into commercial and financial operations in addition to educational activities. The latter is involved mainly in independently established credit operations.

1-2 Management

The formation of equity capital among primary cooperatives is not adequate, and cooperatives with efficient operations are relatively few in number.

Unions at each and every level are financially unstable as are the federations. Among national agricultural cooperative organizations, the operations of CUP in particular are unstable. The reason is that remittances of funds from primary cooperatives for education and training (CETF), which make up 80% of annual revenues, are not made regularly.

1-3 Marketing and Supply Business

Annual volumes of business for primary cooperatives differ greatly according to scale of membership. Competition with private merchants is fierce, and profitability low. The rate of usage of federations is low.

1-4 Credit Business

Although production loans are provided from the Land Bank (LBP) to members through primary cooperatives, there are many instances of small farmers depending on private money lenders. There are also many primary cooperatives which have not begun savings activities.

The Cooperative Rural Bank (CRB) is also unable to effect any kind of significant influence on the credit operations of primary cooperatives.

1-5 Insurance Business

Primary cooperatives are soliciting institutions that seek new policyholders among their members for various life insurance contracts sold by the CISP.

1-6 Educational and Guidance Activity

In the area of educating and training officers and employees, conspicuous qualitative differences exist depending on size of cooperative. Large cooperatives are energetically engaged in training sessions for members which they themselves plan and operate.

2 Summary of the Results of the Questionnaire for Members and Non-members of Agricultural Cooperatives

According to the results of a survey of 560 persons which we conducted during the detailed survey of cooperatives, it is clear that there is a fairly large difference between the views of young people and those of middle and older aged persons regarding cooperative operations.

Further, it became evident that a large number of non-members were keenly interested in cooperatives and wished to become members.

3 Evaluation

3-1 Organization

We recommend that primary cooperatives become involved in promoting membership among non-members and in effecting stronger ties between themselves and their members. Support activity by unions and federations toward primary cooperatives is inadequate.

3-2 Management

Primary cooperatives lag in developing and adopting methods of management and administration that suit the foundations of their operations and the specifics of their businesses.

3-3 Marketing and Supply Business

Greater use of federations by primary cooperatives depends on dealing successfully with the issue of readying the business structures of federations. Promoting transactions with cooperatives and federations in other areas is useful and effective.

3-4 Credit Business

Many small cooperatives lack sufficient control over loan operations because of insufficient education and training of employees. Perhaps because so much effort is expended on creating capital, the enthusiasm to start savings operations is lacking even in fairly large primary cooperatives.

Further, many CRBs today have insufficient links with primary cooperatives.

3-5 Insurance Business

Because ties between primary cooperatives and the CISP are weak, contracts in force are not growing.

3-6 Educational and Guidance Activity

Differences in content of operations due to size of membership are large. In educating members, a focus on deepening the understanding of cooperative opera-

tions is necessary. Although members are looking for guidance relating to farming, establishing an educational structure within the cooperative itself would be difficult for the time being.

Regarding educational facilities, there are none apart from NATCCO which deserve mention, even among national level organizations; this is hindering the execution of well-planned and efficient education and training.

4 Overall Evaluation

It is necessary to suit methods of management and administration to each cooperative's operations. A central union should be able to provide guidance, education and coordination. However, today's CUP is not adequately responding.

The activity of federations is also generally feeble. Hereafter, it will be desirable for them to respond in ways that meet the needs of primary cooperatives.

While efforts are being made and new approaches tried at each level, there is a need to promote further streamlining of education and training.

IV Present Situation and Evaluation of Government and Local Government Agency Measures to Promote Agricultural Cooperatives and Systems for their Implementation

1-1 Present Situation

Policy is being implemented in each of the following areas: (1) promotion and organization, (2) education and training, (3) technical and management assistance, (4) financial assistance and credit guarantees, (5) price supports, (6) tax incentives, (7) postharvest and processing facilities, (8) macroeconomy and development financing, (9) capability building on infrastructure development and construction, (10) cooperative entrepreneurship development, and (11) the system for the dissemination of agricultural improvements.

1-2 Evaluation

Among the policies cited above, preferential measures regarding taxation provide an extremely important support for cooperative operations. Further, we believe that policies relating to strengthening the ability to develop social infrastructure and the cooperative program on entrepreneurial spirit make large contributions to enriching cooperative operations and management. Partly because of financial constraints and other circumstances affecting the government, the following policies cannot be considered adequately implemented: technical and management assistance, price supports, provision of postharvest and processing facilities.

Even though an enormous amount of effort has been made in education and training, an even greater effort will have to be made hereafter in training of officers, members, and staff, if one considers the increase in the number of new cooperatives established in recent years.

V Basic Concept of Designing a Plan for Strengthening National and Local Agricultural Cooperatives

Both potential and deterrent factors for strengthening agricultural cooperatives have been classified into three areas, i.e. education and training, organization, and business activities. Taking these factors into consideration, the team placed first priority on training and education, because of the very characteristic of cooperatives. The team took the basic stance that the national and local level unions and federations are to be organized for the benefit of primary cooperatives, and due consideration should be given to the stage of development of primary agricultural cooperatives. Based on this concept, some of the suggestions, which appear in the following chapters in more detail, were introduced in a compact way.

VI The Plan for Strengthening National Agricultural Cooperatives

1 Guidelines for Operation

1-1 Overall Framework of National Level Agricultural Cooperative and Measures for Coordination Among Them

A national level central union of agricultural cooperatives representing all agricultural cooperatives should be established by the agricultural cooperatives themselves. Given that there can be only one national level central union of cooperatives under the legal system of the Philippines, we believe it appropriate that a "Central Union of Cooperatives," representing all cooperatives nominally and in fact, be established at the present time. A system capable of performing the functions of a central union of agricultural cooperatives should be created within.

At the same time, we recommend that a "National Cooperative Bank" and a "National Marketing and Supply Federation" be established, and further that the establishment of a national insurance federation be considered as a long-term issue.

1-2 Framework of Each National Level Agricultural Cooperatives

We would establish an "Agricultural Cooperative Bureau" within the Central Union and make it responsible for carrying out the functions of a central union of agricultural cooperatives. Primary cooperatives would join the Central Union directly. All national level agricultural cooperative organizations, including the National Cooperative Bank, and all local level federations would join the Central Union.

The Central Union would establish branch offices at the regional and provincial levels.

The National Cooperative Bank would have as its investors not only agricultural cooperatives from around the country, but all types of cooperatives and federations and cooperative-type organizations and groups.

The National Marketing and Supply Federation will vigorously promote the organization of local level marketing and supply federations, particularly provincial level federations, and push for increased membership.

The establishment of a national insurance federation will be considered a long-term issue; for now, cooperatives will seek to expand their present operations.

1-3 Functions, Roles, Businesses, Management and Management Methods of Each National Level Agricultural Cooperative Organization

The Central Union would unify the country's agricultural cooperatives, indicate direction for the agricultural cooperative movement, and be the representative of agricultural cooperatives domestically and abroad. The focus of its operations would be on organization of cooperatives, guidance in management and administration, education and training, and public relations. We propose that the idea of establishing a "Fund for Managing and Administering the Agricultural Cooperative Bureau of the Central Union" (provisional name) be considered. Limiting support to local branches, this fund would contribute capital to their activities.

The National Cooperative Bank would seek to adjust regional and seasonal imbalances of funds among cooperatives and, when necessary, to raise money from external capital markets.

The National Marketing and Supply Federation would be responsible for providing the functions of marketing, processing, storing and distributing agricultural products, and for supplying material necessary for agricultural production. For the time being, it would narrow the focus of products handled and build up a track record in areas where chances of success are high.

The National Insurance Federation would endeavor, for the time being, to provide education and training to the directors and employees of cooperatives, and to provide various information regarding cooperative insurance.

1-4 Policy for Coordination with the Government within the Framework of Existing Government Measures

Central organizations would seek the support of the government in readying

the facilities for cooperative economic projects, principally in constructing the educational and training center, establishing the National Cooperative Bank, and providing postharvest facilities.

2 Supporting Program for Local Agricultural Cooperatives by the National Agricultural Cooperative Organizations

2-1 Organizational Streamlining of Program Organizations

With the Central Union (Agricultural Cooperative Bureau) taking the lead, practical support and guidance would be provided to cooperatives with plans to do the following: (1) increase membership; (2) improve organizational structure; and (3) establish member-based organizations.

2-2 Business Improvement Program

The Central Union, National Marketing and Supply Federation, and National Cooperative Bank would provide practical guidance and support to cooperatives with plans to do the following: (1) shift from single-faceted to multi-faceted operations; (2) raise the rate of usage among members of cooperative businesses; (3) improve sales operations; (4) incorporate savings operations; and (5) develop loan products, etc.

2-3 Management Improvement Program

The Central Union and national cooperative organizations would provide guidance and support to cooperatives with plans to do the following: (1) adhere strictly to accounting principles, (2) reduce operating costs, and abide by the principle of beneficiaries bearing costs, (3) upgrade equipment for telecommunications via personal computer, (4) promote the paying in of equity capital, (5) improve employee wages, (6) incorporate a common employee system of the kind established by small cooperatives in conjunction with other cooperatives, and (7) train employees to handle financial closings and prepare business plans.

3 Plan to Foster the Training of Agricultural Cooperative Officials and Employees

3-1 Burden Sharing of Roles Among the National Agricultural Cooperatives and the Plan to Improve their Systems

A "Comprehensive Agricultural Cooperative Training Department" (tentative name) would be established within the Agricultural Cooperative Bureau of the Central Union, and be involved in: (1) establishing comprehensive policies regarding education and training; (2) designing an educational and training structure, and modules and study material; (3) training instructors for educational and training programs; and (4) implementing educational and training activities, etc. This department's members would be from the Central Union and the various central federations (however, for the time being it is probably realistic for the CDA to take a leading role in management). Further, "Comprehensive Cooperative Training Sections" (provisional name) would be established in branch offices to implement educational and training activities in regional areas.

3-2 Establishment and Expansion of Training Facilities of National Level Agricultural Cooperatives

In order to heighten the impact of education and training, the construction of training facilities within central cooperative organizations should be considered. These facilities should eventually be managed and operated by the aforementioned "Comprehensive Agricultural Cooperative Training Department", but for the moment it is probably realistic for these responsibilities to be undertaken by the CDA.

3-3 Preparation of Educational Training Manuals by the National Level Agricultural Cooperatives

The central organizations will promote the development of standard study material on subjects related to agricultural cooperatives, and promote unified printing and distribution.

3-4 Supporting Measures for Training Projects by the National Level Agricultural Cooperatives

Central cooperative organizations shall devise measures aimed at promoting participation by cooperative directors and employees in training sessions. These include: (1) measures to expand the opportunities for participation in training, through correspondence courses, courses over the radio, and (2) measures to decrease the cost of participation in training, including scholarship systems.

VII Plan for Strengthening Local Agricultural Cooperatives

1 Guidelines for Operation

In order to attain a scale of operations sufficient to bring about well functioning cooperative businesses, an adequate size of membership is necessary. Toward this end, cooperatives will engage in recruitment activities among non-member farmers, rural women, and those succeeding to their parents' farms.

Also, when necessary, cooperatives will plan mergers among themselves.

Next, in order to incorporate members' recommendations into cooperative businesses, cooperatives will widen the opportunities for dialogue among members by holding membership meetings for small geographical units, or according to types of farming engaged in by members.

For relatively large cooperatives, the cooperative's areas of operation will be divided into several districts. Cooperative employees will share the responsibility of making the rounds of members' homes to provide day-to-day consultation.

In addition, in order to further the participation of members in the management of cooperative businesses, cooperatives will organize groups of members by small districts, or by types of farming, and encourage joint activity based on the initiative of members.

The Central Union will provide specific and practical guidance for these efforts.

2 Guidelines for Management and Administration

Regarding everyday operations, cooperatives will record monetary transactions and the movement of physical property, summarizing in daily reports and monthly trial balances. They will then analyze (1) financial health, (2) profitability of operations, (3) rate of usage of the cooperative by members, and (4) productivity of employees, using indices for managerial analysis designed for this purpose. After considering the results of this analysis, cooperatives will endeavor to devise policies for improvement.

Additionally, cooperatives whose memberships are small but whose operational efficiencies are high will seek to develop postharvest facilities and means of transportation.

Large cooperatives will pursue diversification of their businesses. At the same time, they will raise the level of their managerial and administrative skills, and set plans in motion for the introduction of special accounting systems for each business segment.

To make its guidance of primary cooperatives more effective in these matters, the Central Union will make use of the previously mentioned "Fund for Managing and Administering the Agricultural Cooperative Bureau of the Central Union."

Federations will attempt a thorough implementation of corporate managerial and administrative systems, including the introduction of systems for proposing improvements in managerial matters, for maintaining appropriate levels of inventory, and for checking the quality of inventory purchased.

3 Measures to Promote the Business Activity

3-1 Marketing and Supply Business

By utilizing the functions of federations, marketing and supply business will seek to sever the transactional ties between cooperatives and merchant-based businesses. Further, in order to facilitate payment of their suppliers in marketing and supply operations, cooperatives will attempt to enhance their negotiating power, in part through seeking the support of federations.

3-2 Credit Business

In order to further the creation of capital, cooperatives will attempt to recruit new members, utilize dividends for equity investments and for quantities of cooperative services used, and increase the amount of savings and internal reserves.

They will develop the savings operations through one-peso-per-day savings programs, the use of dividends for equity investments and for quantities of cooperative services used, and other suitable methods.

Cooperatives will strengthen education and training by providing manuals to employees in charge of lending. It will be important for cooperatives to maintain close communications between members who are borrowing and employees of the cooperatives and the credit committees, and that they provide guidance to members in making planned repayments, using written records.

The federations will strengthen their support of primary cooperatives in the following ways: (1) the establishment of sections in charge of credit operations at primary cooperatives and the training the employees in those sections, (2) technical guidance regarding the formation of capital, (3) technical guidance on the promotion of savings, and (4) control of loans, and especially support of agricultural cooperatives facing difficulties with collection.

3-3 Insurance Business

For the time being, cooperatives working within the framework of the present system will seek to recruit new policyholders among their members. CISP will strengthen its ties with primary cooperatives, provide them with various types of information, and strengthen its support of their activities to solicit new policyholders.

3-4 Education and Guidance Activity

Taking advantage of the activities of the comprehensive agricultural cooperative training departments, cooperatives will overcome the problem of insufficient study materials, and widen the opportunities for training.

They will select young persons for leadership development from among the children of cooperative members. They will seek better compensation for employees, and by using better compensation in conjunction with an appropriate personnel system, seek to retain talented personnel.

Each cooperative will plan and operate programs of education for non-members. Or, targeting the students of nearby schools, they will organize cooperatives for young people. By providing guidance in the running of their organizations, they will contribute to greater activity aimed at enlightening non-members.

By sustaining close relationships with organizations for the dissemination of agricultural improvements, they will provide guidance in farming.

The branch offices of the Central Union will support educational and guidance-related activities carried out by agricultural cooperatives.

VIII Concepts of Staged Implementation for Strengthening National and Local Agricultural Cooperatives

The purpose of this survey is to address the broad range of tasks required in the National and Local Agricultural Cooperative Strengthening Plan. Below is a list of major tasks; some require immediate action, while others are intended to be viewed from the medium- and long-term. They can be divided as follows:

1 Current Tasks

1-1 Strengthening of Education and Training with an Emphasis on Leadership Training

- (1) Establishment of a central training center (one location).**
- (2) Establishment of local training centers (one center in each of the 14 regions).**
- (3) Development and distribution of standard training materials.**

- (4) Development and implementation of training courses for education and training of leaders and managers of cooperatives.
- (5) Development and implementation of training courses for bookkeeping, accounting, and tax-related personnel (including holding of a bookkeeping competition event) .

1-2 Increasing the Rate of Use of Primary Cooperative's Services and Promoting the Reduction of Non-Members

- (1) Promoting the transfer of single-purpose primary cooperatives into multi-purpose cooperatives.
- (2) Holding member's meetings at primary cooperatives divided according to type of agricultural activity performed, and farming areas.
- (3) Performing consulting activities for members at primary cooperatives.
- (4) Strengthening guidance for the improvement of farming and better living at primary cooperatives.
- (5) Strengthening the education and training of primary cooperative non-members.
- (6) Strengthening cooperation with government extension officers to improve farming and daily life at primary agricultural cooperatives.

1-3 Promoting Mergers of Cooperatives

- (1) Hold joint exchanges and promote cooperative projects among nearby primary cooperatives.
- (2) The national agricultural cooperative organizations categorize primary agricultural cooperatives, and establish guidelines for the merger of cooperatives.
- (3) The national agricultural cooperative organizations promote the merger of federations of cooperatives that engage in identical of business activities.

1-4 Strengthening Marketing Activities of Primary Agricultural Cooperatives

- (1) The national agricultural cooperative organizations establish plans for improving distribution of agricultural products (including the improvement and development of sales facilities and transportation), select model primary cooperatives, and execute the plan step-by-step.
- (2) The national agricultural cooperative organizations, under the leadership of FACOP, build a unified product flow and a distribution system for agricultural products.
- (3) A pooling-price system and commission-sales system is adopted.

1-5 Establishment of a National Cooperative Union and Strengthening of the Agricultural Cooperative Bureau

- (1) Establish a national cooperative union that represents all types of cooperatives.
- (2) Establish a strong agricultural cooperative bureau in the national cooperative union. The union in regions and provinces will be branches of the national cooperative union.
- (3) Create a Fund for the Management and Administration of the Agricultural Cooperative Bureau of Cooperative Union.

1-6 Establishment of a National Cooperative Bank and Structuring Savings

- (1) A national bank will be established for all types of cooperatives. It will satisfy demand for short-term operational funds, agricultural cooperative operational funds, and middle-term facility funds.
- (2) Provincial cooperative banks will be established in all provinces. There will be one in each province.
- (3) In provinces where members of cooperatives have poor access to the banks, the provincial cooperative bank will introduce mobile banks.
- (4) Subscribed capital will be strengthened and a savings promotion movement will be promoted.

2 Mid-to-Long-Term Tasks

2-1 Measures for Overcoming Distance and Transportation Limitations

- (1) Installation of communication equipments, such as telephones, at all primary cooperatives.
- (2) Active use of radio communications including satellite communications, to spread educational materials and information (including development and operation of radio courses).
- (3) For businesses run by primary cooperatives, introduce mobile libraries.

2-2 Supply of Long-Term, Low-Interest Loans

- (1) Establish a government financial institution which maintains a cooperative relationship with the National Cooperative Bank and supplies soft loans
- (2) It is most desirable that the government financial institution will be the central organization. As for the loan network, cooperative banking outlets should be utilized.
- (3) Improvement and development of mutual aid business

2-3 Promotion of Mutual Insurance Business

- (1) Establish a national mutual insurance federation of cooperatives.
- (2) The primary cooperative will carry out primary mutual insurance business.
- (3) Establish a federation that will be responsible for secondary mutual insurance business in the regions where applicable.

IX Recommendation

Based on the survey of the agricultural cooperative organizations and their current activities and evaluations of the cooperatives, we have established plans for revitalizing national and local agricultural cooperatives in the Philippines.

The plan covers many areas. We hope that the Philippine government will refer to the preceding chapter (VIII) and select priorities that take into account the current status of the cooperatives, their stage of development, and the feasibility of executing the plans. We sincerely wish that the government gives the agricultural organizations concerned positive advice and cooperation in the promotion of agricultural cooperative activities.

In view of the nature of the cooperatives, the role played by training and education in strengthening organizations is very important. However, compared to direct promotion of cooperative businesses, the effects of education and training are slow to materialize. Notwithstanding, it is very important that education and training is undertaken to strengthen agricultural cooperatives. We believe the Philippine government has sufficient understanding of these matters. However, it is hoped that both improvement and development in physical equipment and facilities (hardware), and education and proper placement of appropriate personnel (software) proceed simultaneously.

I. Background and Details of the Study

I. Background and Details of the Study

1. Details of the Study

One of the most severe social and economic problems in the Philippines is the poverty caused by the inequality of income distribution. The Philippine government has in the past considered the eradication of poverty and the elimination of socio-economic inequalities to be two of its most important problems on the road to national development. The largest and most important measure taken toward solving these problems is agrarian reform.

The Aquino government expressly set forth a basic policy for agrarian reform in the new constitution enacted immediately following its establishment in 1987, and had been promoting the three stage Comprehensive Agrarian Reform Program (CARP) in accordance with the Comprehensive Agrarian Reform Law (CARL) which was approved in June 1988.

The previous law governing cooperatives in the Philippines was Presidential Decree No. 175-strengthening the cooperative movement issued in April 1973. By this law, the Government of the Philippines tried to promote cooperative movement mainly by encouraging the growth of Samahang Nayan and foster them into the full-fledged cooperatives. In the law it is clearly stated that "the policy of the State to foster the creation and growth of cooperative as a means of increasing income and purchasing power of the low-income sector of the population in order to attain a more suitable distribution of income and wealth." Some of the measures for attaining this purpose were described in the Letter of Implementation No. 23-Rules and Regulations Implementing Presidential Decree 175. For capital formation, such as Barrio Savings Fund and Barrio Guarantee Fund were implemented in conformity with this LOI No. 23. These ideas, some of which are very good, and others are not, contributed to the failure of the Samahang Nayan.

In 1986, the New Constitution of the Republic of the Philippines was promulgated. In formulating this new constitution, cooperators exerted every possible effort to include the cooperative clause into the document. Multi-sectorial cooperative consultations were held, and earnest efforts were continuously made. As a result, cooperators eventually succeeded to have the following phrase included in the new constitution: "In pursuit of these goals, all sectors of

the economy and all regions of the country shall be given optimum opportunity to develop. Private enterprises, including corporations, cooperatives, and similar collective organisations, shall be encouraged to broaden the base of their ownership." "Congress shall create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development."

In 1990, a new cooperative law (The Cooperative Code of the Philippines, RA 6938) was enacted, and CDA was set up in the Office of the President of the Philippines to supervise the administration of cooperatives.

A new cooperative law defines the general concept of cooperatives as "a cooperative is a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles (Article 3)." The cooperative principles are "Open and Voluntary Membership," "Democratic Control," "Limited Interest on Capital," "Division of Net Surplus," "Cooperative Education," and "Cooperation Among Cooperatives."

The Philippine Medium-Term Cooperative Development Plan 1993-1998, which was established by CDA, set up general goals for strengthening cooperatives as follows:

- (1) To establish and put into operation a mechanism that will integrate production, marketing, financing, and other support activities that will lead to agro-industrial development.
- (2) To promote participation of the agricultural cooperative sector in the formulation of a rural development agenda, plans and policies for agro-industrial development.

To achieve these goals, the following programs were designed to be implemented in the next six years:

- (1) Area focused and cooperative-led agro-industrial enterprise development program

- (2) Organization and development of agrarian reform beneficiaries cooperatives program
- (3) Program to establish cooperatives for exporting products
- (4) Training and education program
- (5) Capability building on infrastructure development program
- (6) Research and development program
- (7) Development of the cooperative banking system and strengthening of the financial base of the cooperative movement program.

In this way, agricultural cooperatives have an extremely significant role to play in improving the economic conditions of the farming population, and this has promoted better understanding toward a need to aggressively develop agricultural cooperatives. In view of this, the Government's Medium-Term Development Plan (1987-1992) emphasizes improving the income of small-farm households and strengthening farmers' organizations, including agricultural cooperatives, as goals for agricultural development.

To provide indirect support to agrarian reform, it has become imperative for its beneficiaries to organize their own agricultural cooperatives. The cooperative law defines the majority of member farmers as beneficiaries of agrarian reform and organizations meeting certain requirements as "agrarian reform cooperatives," making it mandatory to provide them with a variety of incentives.

In such a situation, the Philippine government, which formulated plans to dramatically strengthen the existing agricultural cooperatives, asked the Government of Japan in 1988 to extend technical cooperation in the design of a master plan. In response to this request, the Government of Japan dispatched a preparatory study team in December 1991 through JICA, and agreed on an "Implementing Arrangement (I/A)" with CDA concerning the implementation of the study.

After that, "The Master Plan Study for Strengthening Agricultural Cooperative System in the Republic of the Philippines" was carried out from March 1992 to July 1993 based on the I/A. This is the Final Report of the Study.

2. Social and Economic Conditions of the Philippines

2-1 Society and Culture

2-1-1 Society and culture

Some observers emphasize that Filipino society has a culture akin to that of America or Europe; they cite as examples that the great majority of people are Christians, or that there are many Filipinos who are proficient in European and American-style social interaction. However, observation of society from the inside leads us to the view that, all this notwithstanding, Filipino society maintains the basic character of a Southeast Asian culture.

In short, prior to the arrival of the Spaniards in the sixteenth century, a Malay culture had existed for a thousand years, imposing a variety of external influences, and blending these to create the traditional characteristics of Filipino behavior and thinking. Examples would include villages which have continued in existence for generations; the existence of families as powerful social units; blood relationships which expand through marriage and leaders; the authority held by heads of households and elders.

In particular, the Filipino family is a highly concentrated social entity which excludes the influence of larger social units and demands that the interests of family members be protected and that family members remain loyal. The sense among Filipinos that the family will protect them from a potentially antagonistic world is extremely strong.

A system of mutual cooperation, as seen in people working together in the harvesting of crops, in planting, and in the construction of houses, has traditionally developed and exists in each region. However, in contrast to the family and a consciousness of protecting one's relatives, mutual cooperation engaged in by groups working together is characterized outwardly by the inclusion of systems for organizing certain kinds of labor and of providing mutual remuneration.

These systems, furthermore, are effective only for short periods. Many point out that, when sustained group action of a public nature is required, such as that called for by the cooperative, these systems frequently fail to function because of interference from the individualistic dispositions of farmers. Why this is so, and what can be done to make these systems function, are questions which must be

researched, particularly by cooperative leaders, in carrying forth the cooperative movement.

The fundamental unit of rural society is the barangay, which is comprised of between fifty and a hundred families. The barangay is the smallest unit of regional self-government. It has a chief known as the barangay captain and a legislative assembly. Normally, the barangay is formed through the combination of several family groups. Its cohesiveness, however, is not as strong as that of a Japanese village. The tension in the relationship between the individual and the barangay society, and between the barangay and the individual, is mild. Further, some hold that leadership is not always stable and fixed, but that it changes over relatively short periods.

With respect to social classes in the barangay, there are three, the landed farmers, the public tenant farmer, and the landless agricultural workers--landowners are not usually present. This is because major landowners frequently live in the large cities, such as Manila, while the medium to smaller landowners live in the urban areas of town. In regions where the supply of water is abundant, shifts in this class structure have begun to be quite common, due to the continued progress of technological innovation related to rice farming, and advances, albeit gradual ones, in agricultural land reform.

As seen in the real-life examples of developing agricultural cooperatives, strengthening ties with members at the barangay level and promoting joint activities by these members at the barangay level are extremely important for agricultural cooperatives. In particular, the development of leaders among such cooperative members is an effective step, we believe.

2-2 Society and Economy

2-2-1 Population and household trends

Despite its observed declining trend, the country's total population continue to grow at a rapid rate (2.69% from 1975 to 1990). Thus, the Philippine total population remained large relative to its total output. In addition, majority of its total households continue to live in the rural areas.

In 1988, more than 60 percent of the 10.67 million households were considered rural households. In 1990, the total population was estimated at 61.5

million. This grew to 64.3 million in 1992, of which, more than 56 percent were found residing in the rural areas.

2-2-2 Production and income trends

(1) Production

The chief staples in the Philippines are rice and corn. The major crops for export are coconuts, sugar, pineapple, banana, coffee and mango. The livestock are made up largely of hogs and poultry. Cattle, carabao, and other animals have limited production.

The crops and livestock production in 1990 reached a total of only 63.7 metric tons. The bulk of the crop production (61.5 million metric tons) came from the major export crops (57.02%). The share of rice and corn was 23.05 percent. As for livestock (2.22 million metric tons), 48.3 percent came from hogs and 26.5 percent came from chicken or poultry.

(2) Income

In 1990, the country's per capita income was placed at P1,891.00. This grew to P2,064.00 in 1992 for an average annual growth rate of 9.15 percent. In 1988, the urban households earned an average annual income of P58,948.00, while, the rural households earned an average of only P27,826.00 -- yielding an average rural to urban income ratio of 0.47. In 1989, this rural to urban income ratio decreased to 0.30, implying that the rural households earned an average income equivalent to only 30 percent of what the urban households are making.

2-3 Agriculture

2-3-1 Trends in land utilization

The utilization of agricultural lands in the country was not maximized. Of the total land area (14.73 million hectares) available for crop production, around 3.13 million (21.25%) were allowed to remain idle or underutilized. From 1983 to 1989, the total area harvested with crops increased at a decreasing rate. In 1990, the total area harvested with crops (13.13 million hectares) physically decreased by 20,900 hectares.

From 1989 to 1990, the harvested area for staple crops declined by a net of 47,000 hectares (i.e., rice-178,000 has; corn +130,400 has.) while, the area for major export crops increased by a net of only 9,200 hectares (i.e., coconut, banana, sugar and pineapple).

2-3-2 Trends in farm households and rural population

From 1971 to 1980, both the farm households and population in the rural areas increased. Households cultivating an area of less than one (1) hectare exhibited the biggest growth (143.75%). It was followed by those with farm areas of 5.00 to 9.99 hectares (50.0%), and then by those with farms of 1.00 to 2.99 hectares (41.10%). No significant changes occurred in the number of farm households cultivating an area of 3.00 to 4.99 hectares (5.36%) and those with greater than 10 hectares. Overall, the average annual growth of rural population from 1975 to 1990 was 1.52 percent.

2-3-3 Trends in farm management

Except for using HYVs, inorganic fertilizers, chemicals and hired labor/small machineries, the farm management style of the small farmers in the country remained at subsistence levels (i.e., inefficient). Borrowed funds are used land preparation, planting and consumption. Seeds used are not certified; more hired than family labor are employed; products are immediately sold after harvests to liquidate loans from the government and private money lenders; cooperatives are ignored for storage and marketing of produce; products are sold to traders at very low prices; savings are nil; and farmers remain heavily indebted. In view of this, farmers continue to be at subsistence levels, even if their yields are higher than before.

2-4 Farm Household Economy and Agricultural Cooperatives

2-4-1 Trends in landholdings and farm management scales

Due to increases in number of farm households, the average size of farms in the country declined drastically from 3.6 to 2.86 hectares in 1980. During the said period, 22.7 percent of the farmers were cultivating an area of less than one (1) hectare and 46.1 percent were operating between 1.0 to 3.0 hectares.

In 1989, the DA reported that 55 percent of the small farmers were owner operators, 34 percent were tenants, 6 percent were leaseholders and 4 percent

were CLT holders. The DA further reported that majority of the farmers raise only one (1) crop a year and a few heads of livestock and/or poultry. The DA finally disclosed that of the total irrigable areas in the country in 1990, only 47.27 percent (1.56 million has.) was irrigated.

2-4-2 Trends in the family composition and working force

The country's rural families continue to increase. However, its household size started to decline. From an average of 5.4 individuals in 1985, the rural households in 1988 declined to 5.2 members. The rural households increased from 6.59 million in 1988 to 6.78 million in 1990.

From 1986 to 1989, the number of people employed by the agriculture sector went down from 10.42 to 9.80 million. In 1990, however, a total of 10.1 million people were again absorbed by the sector.

Women comprise one-fourth of the total agricultural labor force. However, while they participate in all aspects of agricultural production, and up to marketing, their full range of contribution to the agricultural economy was not fully documented and recognized.

2-4-3 Ratio of farm household economy to agriculture

Despite the significant contributions of farmers (and fisherfolks) to the economy, majority of the agricultural producers remained poor. In fact, some 3.02 million rural families engaged in agricultural activities belong to the bottom 30 percent of the income scale.

Using the legislated nominal wages for agricultural workers of P52.81 per day, the value of income of the estimated 9.2 million farm workers in 1988 was computed at P122,866 million. This comprise 64.79 percent of the agriculture's GDP of P189,610 million in 1988.

2-4-4 Importance of agricultural cooperative development

To date, there have been a number of attempts to promote agricultural cooperatives, but the results have not been very satisfactory. A recent example is the Samahang Nasyon Plan, commenced in 1973 under Presidential Order No. 175. Although extensively promoted, it withered after a short while. We believe

that one major cause is that the caliber of many promoters of the plan at the grass roots level was insufficient to earn the trust of the farmers.

Since the promulgation of the New Cooperative Law in 1990, the number of cooperatives established nationwide has grown tremendously. However, in order for agricultural cooperatives to develop in a way that truly meets the expectations of their members, it is important that leaders educate members thoroughly, that cooperative members gain in the spirit of independence and self-government, and that cooperatives encourage the development of joint activities which are adapted to the demands of each region. We believe that the framework of mutual support used to date within barangay society could very well be adapted to, and could take root in, the context of joint activity by agricultural cooperatives.

II. Details and Content of the Task of Surveying and Analyzing

II. Details and Content of the Task of Surveying and Analyzing

The task of surveying and analyzing was carried out in the following two phases, beginning on March 17, 1992 and ending on July 29, 1993. Below we discuss the details and content of the various tasks.

1. Phase I Study

1-1 Prior Preparatory Work in Japan (March 17, 1992 - March 31, 1992)

Prior to the first field study, we organized and reviewed existing material and prepared a plan of action for the study, combining all into an inception report.

1-2 First Field Study (June 1, 1992 - August 29, 1992)

1-2-1 Confirmation of proposal for policy adopted in survey (June 3)

We submitted the inception report to the appropriate agencies of the Philippine government (CDA and DA), provided explanations and conferred with them. We then confirmed matters regarding survey policy, methods, work process and support to be received; the Philippine government expressed its agreement and intention to cooperate. We were then offered counterpart personnel from the Philippine side (names are noted in the attachment).

1-2-2 Collection and review of data and information pertaining to existing plans for fostering agricultural cooperatives

(1) Survey of documents (early June to late July)

We received documents and information for analysis from CDA, DA, DAR and other relevant government agencies, and from CUP and other national agricultural cooperative organizations. This material covered existing managerial plans for cooperatives; social, economic and agricultural conditions; the organization, management and operations of cooperatives; and governmental policies relating to cooperatives. While summarizing the results of our analysis in Progress Report (I), we also saw to it that the results were reflected in the

formulation of national and local plans for the strengthening of agricultural cooperative organizations.

(2) Interviews (June 5 to 11)

We conducted interviews with officials of the CDA and other government-related institutions involved in promoting agricultural cooperatives, and with those in authority in the CUP and other major national cooperative organizations. The interviews touched on policies and outstanding issues related to cooperatives, the present state and problem areas of agricultural cooperative organization, management and operations, and the state of affairs with regard to business operations of national cooperative organizations. The institutions with which we conducted interviews during this period were as follows.

Government-related institutions: CDA, DA, DAR, NEDA, CB, LBP, Quedancor.

National agricultural cooperative organizations: CUP, FACOP, CISP, BANGKOOP.

When necessary, we carried out additional interviews during the period of Phase I and Phase II field studies. We incorporated into a progress report the results of our analysis of the information gained via interviews along with the information gained through documentary research. At the same time, we saw to it that the results were reflected in the formulation of national and local plans for the strengthening of agricultural cooperatives.

1-2-3 Selection of detailed study areas

(1) Outline on number, location and selection criteria of detailed study areas (June 24)

In order to make effective and efficient decisions in Phase I domestic work regarding the number, location and selection for criteria of detailed study areas, we conducted the necessary analysis, prepared tentative proposals, and made general determinations based on discussions with those being interviewed.

The result was that the number of regions where detailed study would be conducted was tentatively set at seven. We discussed actual details regarding

selection criteria, etc. in Progress Report (I) and in our Interim Report (we also make note of these details in the Appendix 1 to this report).

(2) Selection of proposed detailed study areas (June 25)

Based on selection criteria, on which general decisions had been reached, and after discussion with Philippine officials, we selected areas that would be appropriate for detailed surveys, and cooperatives for study within those areas. We also selected unions, and federations at the province/ city/municipality levels, which were the umbrella organizations for the cooperatives chosen.

Based on this process, the areas chosen for detailed study were the seven provinces of Benguet, Nueva Ecija, Batangas, Laguna, Iloilo, Leyte and Davao del Norte. Sixteen cooperatives were chosen for our study, including Balacbac Farmers Multi-Purpose Cooperative in Benguet Province. We also selected 25 unions, federations, and others for our study, including the Benguet Agricultural Cooperative Federation in Benguet Province.

(3) Outline on detailed study areas (July 22)

Upon completion of field visits to areas selected for detailed study, and after organizing the results of these studies, we consulted with Philippine officials for the purpose of reaching general agreement on the areas which would be subject to detailed study. All of the areas which had been selected were generally approved for the study. Based on the criteria generally agreed upon during the first field survey, and on the conditions in the areas selected on the basis of these criteria, we agreed in general on September 11, in Phase I of our domestic work, on the areas which would be subject to detailed study; there were no changes regarding areas which had been generally approved.

1-2-4 Field visits (June 15 and July 5 - 10)

To supplement our analysis of existing material through investigation of documents and interviews, and to gather general information not obtainable through surveys of documents, we carried out field visits, as described below, of areas selected as candidates for detailed study and of cooperatives, unions and federations that were candidates for the study. Due particularly to strong wishes from Philippine officials, a field visit of the Iloilo province was carried out at an early stage. In conducting our survey, we tried to determine what the cooperatives in the surveys expected of national agricultural cooperative

organizations, and used this information in formulating the basic plan for strengthening national-level cooperative organizations.

Schedules, etc. for field visit

Dates	Provinces	Cooperatives surveyed	Investigators
June 15	Iloilo	Coops 2, regional union AMC 1, CRB 1	All study member
July 6 - 10	Batangas Laguna Davao del Norte	Coops 2 Coop 1, econ. fed. 1 Coops 2, econ. fed. 1 CRB 1	Survey group A Counterparts
July 5 - 10	Nueva Ecija Benguet Leyte	Coops 3, econ. fed. 2 Coops 3, econ. fed. 1 Coops 2, econ. fed. 2	Survey group B Counterparts

We should note that, on the occasion of these field visits, we received a tremendous amount of cooperation from the local offices of the CDA and the DA.

We reported the results of these field visits in Progress Report (I), and furthermore used what we learned in the formulation of the basic plan for strengthening national-level agricultural cooperatives.

1-2-5 Review of potential and restriction factors for the development of agricultural cooperatives (early August)

We analyzed and classified the potential and restrictive factors for the development of agricultural cooperatives by looking at problems from the standpoint of national cooperatives, province/city/municipality cooperatives, and primary cooperatives. This analysis and classification extended to economic society and cooperatives, and cooperative operations (organizational management, business operations, credit operations, guidance and educational activities).

These results were reported in Progress Report (I), and furthermore were utilized in the formulation of the basic plan for strengthening national-level agricultural cooperatives.

1-2-6 Decision on basic items for Interim Report (August 10)

After writing up our findings regarding various matters, we consulted with the CDA and received their approval on the following: (1) policy for compiling the

analysis results of data and information collected; (2) policy for formulating the basic plan for strengthening national-level agricultural cooperatives; (3) basic policy for selecting detailed study areas in the Phase II study; and (4) policy for implementing the Phase II study method. This was reported in our Interim Report.

1-2-7 Outline on the basic plan for strengthening national level agricultural cooperative organizations

Based on the policy on formulating plans decided on above in 1-2-6, and taking into consideration the thinking of Philippine officials, we reached a general decision on the basic plan for strengthening national agricultural cooperatives. The plan ties together: (1) guidelines for the management of national level cooperative organizations, (2) a plan for provision of assistance by national level agricultural cooperatives to local agricultural cooperatives, and (3) a plan for foster training of agricultural cooperatives officials and employees.

1-2-8 Preparation of Progress Report (I), explanation and discussion thereof (August 27)

We summarized the work of the the first field survey (Phase I) and prepared Progress Report (I), which we explained and consulted on with Philippine governmental institutions (CDA and DA). Progress Report (I) reports on the following six categories: (1) the collection, filing, and analysis results of data and information; (2) results of field visits; (3) summary of the potential and restrictive factors for development of agricultural cooperatives; (4) outline on the basic plan for strengthening national-level agricultural cooperatives (5) outline on number, location and selection criteria of detailed study areas; and (6) basic items of the Interim Report.

Following discussions, we obtained the basic approval of the Philippine governmental institutions.

1-3 First Domestic Work (September 1, 1992 - October 31, 1992)

1-3-1 Formulation of the basic plan for strengthening national-level agricultural cooperatives (October)

Taking into consideration the basic plan on which general agreement was reached during the Phase I field survey, we added and supplemented items where necessary and formulated the basic plan for strengthening national agricultural cooperatives. The basic plan thus formulated was made a part of the Interim Report.

1-3-2 Selection of detailed study areas (September 11)

As noted previously in 1-2-3 (3), we selected the areas which will be subject to detailed study. Based on this, the areas, cooperatives, unions and federations, which would be subject to detailed study during Phase II were determined (the list of cooperatives, subject to study is presented in the Appendix I).

1-3-3 Preparation of Interim Report (October)

To summarize the Phase I study, we compiled an Interim Report which dealt with the following: (1) analysis of data and information collected, (2) basic plan for strengthening national agricultural cooperatives, (3) selected detailed study areas, and (4) policy and methods for the conduct of the Phase II Study.

2. Phase II Study

2-1 Second Field Survey (November 24, 1992 - March 23, 1993)

2-1-1 Explanations and discussions of the Interim Report (November 26)

Upon submitting the Interim Report to Philippine officials, we explained and consulted with them on the basic plan for strengthening national agricultural cooperatives. Additionally, we confirmed the policy regarding the Phase II study.

High-level officials from the CDA and the DA participated in these discussions; we obtained basic approval of the report's content. Also, the policy regarding the Phase II study was confirmed.

2-1-2 Detailed field survey

The detailed field surveys were conducted twice, in a first and second phase, by the survey team divided into three groups.

The matters surveyed covered a wide range, including: (1) conditions of community and economy; (2) conditions of local agriculture; (3) conditions of primary cooperatives (organizational structure, management, businesses -- marketing and supply, usage, credit, guidance, education --); and (4) conditions of farming for farming families and their expectations toward cooperatives.

Below is a summary of the methods used in our survey.

Before carrying out the survey, we requested, through the CDA, that the following items be submitted from cooperatives being surveyed: (1) articles of cooperation; (2) bylaws; (3) annual reports and financial statements; (4) audit reports; (5) membership lists; (6) results of education and training activities for the members. We also prepared uniform hearing questionnaires and data sheets and distributed these after the survey to all members of the survey team. By using these forms, we sought to achieve a common basis for perception and greater efficiency in analysis. In addition to conducting interviews at cooperative offices, we also endeavored to carry out surveys and inspection of major facilities. We also made efforts to understand the expectations and wishes of cooperatives toward national agricultural cooperative organizations.

We distributed survey forms prepared in local languages on which we requested responses relating to the conditions of farms and livelihoods of cooperative members and non-members, and the degree of interest and kinds of expectations, held toward cooperatives. With the assistance of the cooperatives, we distributed these to a total of 560 persons and obtained valid responses from 539. In carrying out this survey, it was decided that our CDA counterparts would play the principal roles, with guidance from members of the survey team. We conducted training sessions before the survey started (a summary of the results of the survey of cooperative members and non-members is included in Progress Report (II); we also present a summary in the attachment to this report).

Schedule, etc. for Detailed Field Survey

Dates	Area	Cooperatives surveyed		Investigators	
		Coops	Unions and Feds.		
[Phase I Survey]	1992 Dec. 6~18	Davao del Norte	DFFC I NIC I	PCU-DAVAO DAFEDACO CFDC CBDC	Survey group A Counterparts
	Dec. 6~18	Benguet	BFMC I BSDC I PPKMC I	BACFED NORLU CBB	Survey group B Counterparts
	Dec. 6~18	Batangas	LMC I SIDC I	CUBI PBACI CCRBBI	Survey group C Counterparts
		Laguna	DIMC I	CULI FLFMC	
[Phase II Survey]	1993 Jan. 11~22	Nueva Ecija	PPMKB I GNPMC I GIPMC I	NEFABCI PFACNE TINESCO CRB-NE	Survey group A Counterparts
	Jan. 10~22	Leyte	BAMC I UMC I CMC I	ELFACO WELFACO LCRB VICTO	Survey group B Counterparts
	Jan. 11~17	Iloilo	PCDC I PFMC I	WVUCI SIAMCI IFACI 1st AMC CRBI	Survey group C Counterparts

Results of the detailed surveys were reported in Progress Report (II). By categorizing the cooperatives surveyed, we used these results in reaching general decisions on the basic plan for strengthening local agricultural cooperatives.

2-1-3 Categorization of agricultural cooperatives subject to detailed study (February 1992)

In categorizing the cooperatives subject to detailed study, we first looked at the following six factors: (1) number of regular members; (2) important agricultural products in area of operation; (3) main types of business; (4) turnover; (5) net profit; and (6) paid-up capital. The original data and other information relating to these factors were processed, analyzed and studied.

We adopted as the criteria for categorization (1) the number of regular members, reflecting scale, and (2) the ratio of net profit to turnover, reflecting managerial efficiency. Based on these criteria, the 16 cooperatives were divided into the following four categories.

	Names of cooperatives
Category I (small scale, high efficiency)	BSDCI, BFMCI, PPMKBI, CMCI
Category II (small scale, low efficiency)	PPPKMCI, GIPMCI, GNPMCI, DIMCI, BAMCI
Category III (medium scale, high efficiency)	SIDCI, PCDCI, UMCI
Category IV (large scale, low efficiency)	LMCI, PFMCI, DFFCI, NICI

In making this categorization, we consulted carefully with our Philippine colleagues.

The results of the work on categorization were helpful in reaching general decision on the basic plan for strengthening local agricultural cooperatives. We reported these results in Progress Report (II). The same appears in Appendix 1.

2-1-4 Filing and study of factors hampering the development of categorized agricultural cooperatives and their peculiarities; (February 1993)

We filed and studied the factors hampering the development of agricultural cooperatives belonging to categories I through IV, as well as the difference of operations of these cooperatives, in terms of the five following items: (1) cooperative organization, (2) cooperative management, (3) marketing and supply

businesses of cooperatives, (4) credit businesses of cooperatives, and (5) guidance and educational activities of cooperatives.

We reported these results in Progress Report (II). In addition, we used them in the formulation of the basic plan for strengthening local level agricultural cooperatives.

2-1-5 Outline of the basic plan for strengthening local level agricultural cooperatives (March 1993)

We analyzed and studied each of the different types of cooperatives categorized in groups I through IV in terms of the following: (1) guidelines for agricultural cooperative organization, (2) guidelines for agricultural cooperative management, and (3) measures to promote the development of agricultural cooperative undertakings. After consultation with Philippine officials, we reached the outline of the basic plan for strengthening local agricultural cooperatives. In creating this plan, we divided it into two parts, one related to primary cooperatives and the other related to unions/federations at the province/ city/ municipality level. The plan which resulted has been made a part of Progress Report (II).

2-1-6 The preparation of progress report (II) and explanation and discussions thereof (March 22, 1993)

To summarize the second field survey, we prepared a Progress Report (II), which we explained and discussed with Philippine government institutions. Progress Report (II) dealt with: (1) results of the detailed field survey, (2) categorization of the agricultural cooperatives subject to the detailed field surveys, (3) study of factors hampering the development of categorized agricultural cooperatives and their diversities, and (4) outline of the basic plan for strengthening local agricultural cooperatives.

In attendance at our presentations and discussions were persons in positions of authority, including high-ranking officials of the CDA and DA, who basically agreed with the content of the report. Representatives from the Philippines expressed the opinion that strengthening the educational and training abilities of cooperatives was important.

2-2 Second Domestic Work (May 1, 1993 - July 27, 1993)

2-2-1 Overall evaluation of the organization and activities of agricultural cooperatives (May 1993)

We evaluated the organization and activities of agricultural cooperatives at all levels -- primary, province/city/region, and national -- according to the following categories: (1) organization; (2) management; and (3) cooperative businesses (marketing and supply businesses, credit businesses, insurance business, dissemination and education, guidance in farming). Based on this, we made a general appraisal of cooperative activity as a whole, and made this a part of the Draft Final Report. We also saw to it that this appraisal was reflected in the formulation of the plan for strengthening local agricultural cooperatives.

2-2-2 Evaluation of government and local government agencies measures to promote agricultural cooperatives and systems for their implementation (May 1993)

We evaluated the legal system, the subsidies, loans, and other policies of support by national and local governments for agricultural cooperatives and systems for their implementation. We made this a part of the Draft Final Report, and also saw to it that this evaluation was reflected in the formulation of the plan for strengthening local agricultural cooperatives.

2-2-3 Formulation of Plan for Strengthening National Agricultural Cooperatives (May-June 1993)

Taking the results of the Phase II detailed survey into account, we revised the tentative basic plan drafted during the Phase I survey and settled on the plan for strengthening national cooperatives. In the process of the drafting work, we paid special attention to consistency with the local level plan. The plan was made a part of the Final Report.

2-2-4 Formulation of Plan for Strengthening Local Level Agricultural Cooperatives (May-June 1993)

We settled on a plan for strengthening local agricultural cooperatives, which included policies for each type of cooperative categorized during Phase II study. This process was based on the basic plan for strengthening local agricultural cooperatives agreed upon during work on the Phase II field survey, and further

took advantage of (1) overall evaluation of the organization and activities of agricultural cooperatives, and (2) evaluations of government and local government measures to promote the agricultural cooperatives and systems for their implementation. Finally, it took into consideration the content of the plan for strengthening national agricultural cooperatives. The plan has been made a part of this report.

Additionally, we settled on a plan for strengthening local cooperatives for each of the cooperatives categorized. Please see the appendix of this report.

2-2-5 Preparation of Draft Final Report (July 1993)

We prepared the Draft Final Report as an overall summary of the Phase I and Phase II study.

III. The Current State and Overall Evaluation of the Organization and Activities of Agricultural Cooperatives

III. The Current State and Overall Evaluation of the Organization and Activities of Agricultural Cooperatives

1. Current State

(Introduction)

Organizational structure of agricultural cooperatives in the Philippines is shown in Figure 1.

Some of the main features are:

- (1) Unions can be established at regional, provincial and municipal levels (municipal level is omitted in Figure 1).

However, there are not many cases where unions are established at all levels.

Existing CUP is only one national cooperative union which is recognized under the cooperative law to represent all types of cooperatives.

Nevertheless, members of CUP are not included in all national organizations.

- (2) A national organization, which is to engage exclusively in cooperative credit business, is not yet organized.

BANGKOOP is a national level federation of Cooperative Rural Banks (CRBs), however, its main business is to deal with the allocation of project loans of the government to agricultural cooperatives.

- (3) FACOP is the only one existing national agricultural organization to deal with marketing and supply.

There are marketing and supply federations at regional level. However, only agricultural federations at provincial level are members of FACOP.

Nevertheless, this does not mean that marketing and supply federations are established in all regions and provinces.

There are some marketing and supply federations at the municipal level.

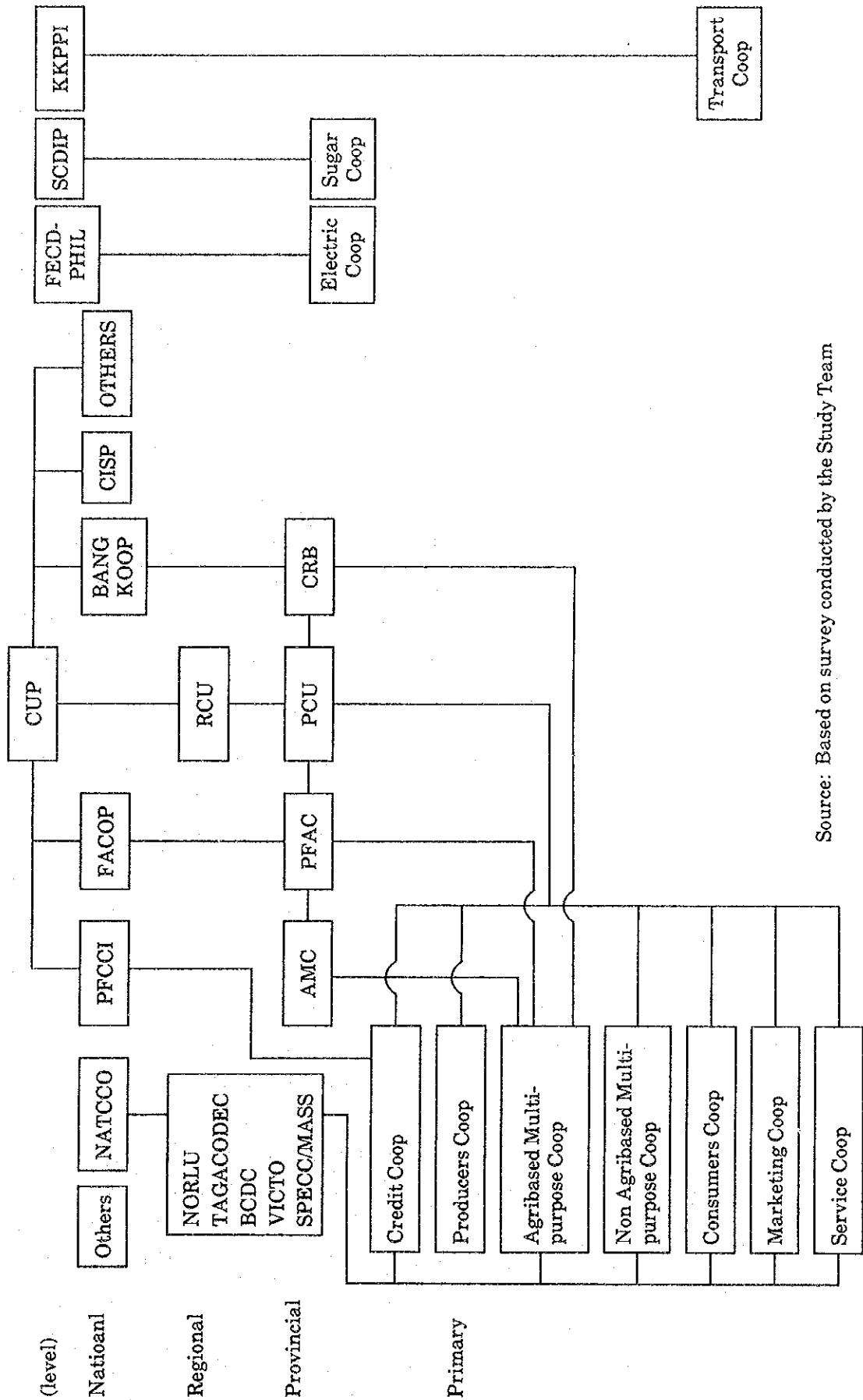
Area Marketing Cooperatives (AMCs) exist at provincial and municipal levels.

However, as these cooperatives have the function of marketing of agricultural products for Samahang Nayons (which are members of AMC), these AMCs are not federations in a real sense.

(4) CISP is a life-insurance company, but is registered and confirmed by CDA as a cooperative organization.

N.B.: "Multi-purpose cooperative" in Figure 1 means a cooperative which combines two or more business activities of different types of cooperatives.

Figure 1 Structure of the Cooperative Movement



Source: Based on survey conducted by the Study Team

1-1 Organization

1-1-1 Primary cooperative level

-- Trends in the number of cooperatives --

At the end of December 1992, the total number of various types cooperatives nationwide stood at 20,696. This breaks down into 16,372 registered cooperatives and 4,324 confirmed cooperatives. In addition, also at the end of December 1992, there were a number of cooperatives either registered or confirmed by the CDA as special cooperatives after the enactment of the New Cooperative Law in 1990. Specifically, there were 123 electric cooperatives, 171 transport cooperatives, and 37 sugar cooperatives.

Of the more than 20,000 cooperatives in existence, agricultural cooperatives numbered 14,685, or 70% of the total. Of these, registered cooperatives accounted for 76.4%, or 12,518. Confirmed cooperatives numbered 2,167, or 50.1% of total confirmed cooperatives. Of the 8,932 cooperatives registered during 1991, 73.4% were agricultural cooperatives; of the 7,305 cooperatives registered the following year, 1992, 78.8% were agricultural cooperatives.

As this indicates, during the two-year period since the enactment of the new cooperative law and the inauguration of the CDA in 1990, new cooperatives have come into existence in large numbers, and in the overwhelming majority of cases these have been agricultural cooperatives.

(1) Size of agricultural cooperatives in terms of members

Statistics indicating the number of regular members who currently belong to agricultural cooperatives are not available. Using CDA data, we took a random sampling of 320 cooperatives in regions III and IV and in the Manila region. This showed that cooperatives which had a regular membership of over 300 made up a mere 0.3% of the total, while cooperatives with only 15 regular members, or the minimum size required for establishment, accounted for 10%. The sampling also revealed that cooperatives with between 16 and 30 members accounted for 45.3% of the total. Judging from these figures, it appears that, nationally, membership in primary agricultural cooperatives is extremely small.

The size of membership of the 16 cooperatives in seven provinces which became the subjects of detailed surveys is also noteworthy in this regard; although

there were four cooperatives with more than 2,000 members, there were also four with less than 80; the eight cooperatives in between all had fewer than 800 members.

We were also unable to obtain nationwide statistics on the number of women members of cooperatives. In the examples from the detailed surveys, there were three cooperatives whose memberships were more than 50% female, while there were seven whose memberships were between 25-50% female. These cooperatives existed among all classifications, from Category I to Category IV. We believe that the trend of women joining cooperatives is gaining momentum; this includes women joining in place of the heads of households, who are absent because of jobs held elsewhere, reflecting the gradually increasing part-time nature of farming.

Only two cooperatives participating in the survey had associate members, who invest in the cooperatives and own rights to share in the profits but cannot vote. It is likely that their numbers are few on a nationwide basis.

The fact that cooperatives are small in membership means that, even if the rate of usage of cooperative businesses among members is high, constraints are placed on how far economies of scale can be pursued in these businesses. This means that size becomes a factor contributing to insufficiency of capital and to difficulties in raising funds for businesses. Furthermore, size of membership is closely related to the hiring of employees those with the desire to do good work to whom the administrative tasks of the cooperative are entrusted by the membership.

Expressing this in terms of examples from our survey, the maximum number of full-time employees in the four cooperatives with less than 80 regular members was four. Under such circumstances, it is not possible to introduce internal check system and also clarify job specification. Among our survey examples, there were even cooperatives forced to count on the services of part-timers or volunteers for their administrative work. On the other hand, with the exception of the one cooperative, which did not have a sales operation, the four cooperatives with memberships of over 2,000 persons had at least 45 full-time employees; these obviously not only have systems for handling administrative work, but are in a position to adopt modern methods of management and control.

(2) Decision-making bodies and performance capabilities

Rates of attendance by members at general meetings is generally high, between 80-90%, judging from examples in the detailed survey. In one cooperative, where membership exceeds 3,000, a "representatives' general meeting," comprised of representatives chosen at the ratio of one for each 15 members, has been established and authorized to perform the function of the general meeting. At this cooperative, meetings for reporting to the general membership are held as soon as possible after the conclusion of the "representatives' general meetings," with the responsibility left to the respective representatives to convene the meetings for the groups which elected them. Cooperatives, in turn, seek reports of the results of these meetings.

During the process of drafting the new fiscal year's proposed business plans, which are approved at the general meetings, cooperatives divide into those which seek the opinions of their members and those which don't.

The manner of deciding on candidates for director varies according to cooperative: some adopt a completely free system of standing for election, while others have candidates decided upon at the level of the barangay.

Although there are many cooperatives which hold directors' meetings once a month, there are others which hold them twice a month on certain days of the week.

In addition to the board of directors, various special committees governed by law exist as executive bodies. Normally, committees on audit and inventory, education and training, credit, and elections are established for those respective objectives, but other committees can be established in accordance with the views of a cooperative. Together these oversee the control and management of daily operations. At one of the cooperatives we surveyed, a former credit cooperative with a membership of close to 2,900 people, the audit and the credit committee meet every week. This is due to an internal audit system and to an emphasis placed on developing the credit business.

For cooperatives in our survey, we believe that the positions of cooperative director, committee member of the various committees, and officer are being filled by leaders of the respective regions.

(3) Daily activity aimed at strengthening ties with cooperative members

Members are the foundation of a cooperative's existence. The degree to which cooperatives perceive the importance of strengthening ties with these members in the context of its daily activities differs considerably depending on the cooperative.

In a survey we carried out via questionnaire, we asked members what improvements they would like to see regarding cooperative operations. Overall 36.9% of the members responded dissemination of knowledge about cooperatives. In the province-by-province tabulations, a high 68.5% of one province's members responded in this way. This illustrates what little information is available on cooperative operations from cooperatives on a daily basis.

Among the cooperatives we surveyed, there is one which is trying to open the lines of communication with its members by holding discussion meetings four times a year on how the cooperative should be run. Also, the smaller cooperatives provide opportunities once a month for all their members to engage in dialogue with the cooperative's directors. Members refer to these gatherings customarily as "general meetings" and say that they look forward to these opportunities.

However, many cooperatives are not aware of the need to approach members in this way in the course of their daily activities.

1-1-2 Province/City/Regional level

(1) Unions

According to CDA data, there are currently only nine regional unions and 37 provincial unions. In regions II, V, VII and XII, there are no regional unions, while nationwide, provincial unions do not exist in half of the provinces. Even in the provinces which we surveyed in detail, unions did not exist in three areas: Nueva Ecija, Iloilo and Leyte. On the other hand, there are no instances in which regional unions do not exist in a given region and not a single provincial unions exists in any of the provinces of that region.

In all cases, provincial unions were confronting fairly severe financial crises. In the examples we surveyed, full-time employees numbered at most five persons and the guidance they provided was extremely unsatisfactory in the area where

member agricultural cooperatives expected it: management of their organizations.

In 1991, the CUP revised its articles of incorporation and for the first time it became possible for provincial and city/municipal unions to become regular regional members. However, leaving out attendance at the CUP general meeting, the opportunity for periodic contact with CUP is almost nonexistent for all but regional level unions. The ability of regional level unions to conduct programs is also extremely weak, and their ability to support provincial unions is also not adequate.

(2) Federations

At the end of December 1992, the number of federations nationwide was 212. Of these, federations at the city/municipality numbered 98, accounting for more than 40% of the total; in terms of number of member cooperatives and of size of operations, these were extremely small.

Although provincial federations numbered 80, these too were small, many having a scale of operations smaller than that of primary cooperatives. Even among the 15 marketing and supply federations, which we surveyed in detail within seven provinces, there were seven which had been in existence for less than three years. Among them were three which could still not engage in business activities. Among the 15 federations, eight had five or less full-time employees.

One could not characterize the input that member cooperatives had into operating plans of federations as good. As a result, use by cooperatives of federation businesses is infrequent and, in some instances, there are even cases in which federations and cooperatives negotiate separately with the same buyer of agricultural products or supplier of agricultural materials.

At the end of December 1992, 32 CRB/CBs had been established, but there is still a gap between this and the goal aspired to by the CDA and BANGKOOP of establishing one in every province. However, the first cooperative and federation CB involved in the credit business, provided for under the new cooperative law, has made its appearance in Davao City. With this becoming the catalyst, there is a trend toward CRBs reorganizing into CBs.

Summarizing the results of the five examples existing in the regions we surveyed in detail, we can say the following: capital is generally inadequate. The banks' ability to raise capital for lending to cooperatives is weak, and collection rates on loans extended are generally not good.

1-1-3 National level

Although there are many national agricultural cooperative organizations, there are, in the strict sense of the term, no organizations today which represent all different types of cooperatives.

While the CUP was registered by the CDA as the sole national union to represent all types of cooperatives, the national organizations of the electricity, sugar and transportation cooperatives have yet to become members. Further, in 1991, NATCCO, NAMVESCO, and others who had previously been members withdrew from the organization. Since then there has been no attempt to maintain contact with such organizations.

Presently, the CUP's local members are unions at the regional, provincial, city and municipality levels, and its national members are national federations and national cooperative organizations. CUP's central members as of June 1992 numbered 11 organizations, of which the major ones were BANGKOOP, FACOP, CISP, et al. BANGKOOP is the national federation of CRBs, FACOP is the national federation of agricultural cooperatives involved in marketing and supply operations, CISP, a joint-stock company, is a national level insurance institution, whose primary investors are cooperatives. A national cooperative bank has not yet been established.

NATCCO, one of the organizations which withdrew from the CUP, has been engaged primarily in educational and training activities, providing services to all types of cooperatives. In recent years, it has expanded the range of its businesses to include managerial guidance and auditing, credit and commercial lines. An increasing number of cooperatives are becoming members.

FACOP has been in existence for only a little over two years; it is not yet at the stage of pursuing specific business.

BANGKOOP is engaged primarily in administering the provision of policy-based funds to the CRBs. Its ability to provide leadership in developing a structure of cooperative credit businesses is weak.

CISP's involvement in the insurance business is limited to life insurance. The participation of cooperatives in this business is limited to solicitation of members under commission by the CISP.

NATCCO has been involved primarily in educational activities, while PFCCI has been engaged primarily in the credit business. Each, acting independently, has had long years of experience in its respective field.

1-2 Management

1-2-1 Primary cooperative level

Reflecting the small size of membership of primary cooperatives, the size of businesses is generally small and cooperatives with efficient operations are relatively few. Moreover, equity formation is generally inadequate. As a result, raising funds for everyday operational needs and for construction of facilities, such as processing plants for agricultural products, warehouses, and means of transportation, is difficult.

However, there are quite a number of agricultural cooperatives that are making best efforts to equity formation by appropriating a part of loan, capital dividend and patronage dividend to increasing capital.

Although this is the situation confronting cooperatives, the success or failure of primary cooperatives' operations rests with the abilities of the manager. The actual authority of a manager with respect to daily operations, and responsibilities is great. In many cases, there are managers of primary cooperatives with long experience in the management of cooperatives, and with ample managerial ability. We can see many good examples where capable female managers are contributing to the success of agricultural cooperatives.

The differences in principal businesses and in primary agricultural products of a region give rise to the characteristics of cooperatives' operations. Many cooperatives are primarily involved in selling and purchasing operations; and a large part of their credit operations is no more than supplying (lending) funds from the LBP. This is the reason that the ability to raise operational funds independently is limited.

1-2-2 Province/City/Regional level

(1) Unions

Unions are not necessarily found in all regions. The ones that have been established are primarily regional and provincial organizations. However, because of the inability to gather sufficient CETFs, which are the foundation of operating revenues, unions at all levels are in situations of financial crisis. The other major source of revenue is cooperative projects such as analysis of management and preparation of long-term plan commissioned by primary

cooperatives. However, because this is not regular income, it does not contribute much to stabilizing the financial base.

(2) Federations

Federations are comprised mainly of marketing and supply federations and CRBs; their areas of operation are, in most cases, smaller than provinces.

Most federations are small; there are many which are smaller than primary cooperatives. Consequently, there are almost no federations which are satisfactorily performing the role of the regional federation, which is to supplement the businesses of primary cooperatives.

As in the case of unions, operational conditions are shaky; there are a number of federations whose very survival is endangered. The principal factor behind this is the small number of business categories and the small volumes done by each. This, in turn, is caused by a failure to attract sufficient investment, and by shortages or a complete lack of fixed facilities or the means of transporting materials. Fierce competition with merchants in the same businesses is also a factor that is making it difficult to stabilize operations.

There are examples of CRBs engaged in a wide variety of activity other than savings and loan operations. They include health maintenance activity for members of primary cooperatives, and guidance in matters relating to daily life. Although one can find almost no instances of financial crisis emerging among CRBs, operations are not stable. For CRBs, too, competition with rural banks and commercial banks and private money lenders is fierce. The fact that economic conditions of the farming population are unstable, and that the ability of the CRBs to absorb and raise funds is not adequate, partly because a central cooperative bank does not exist, makes it difficult to stabilize its operations.

1-2-3 National level

(1) CUP

Because of weak growth in revenue from members, CUP's operations are unstable. In order to alleviate this weakness, CUP has begun to express an interest in engaging in commercial and credit activities.

(2) BANGKOOP

BANGKOOP's principal sources of revenue are interest, special projects, and commissions on the sale of material used in agricultural production. This institution functions as the conduit of policy-based funds to the CRBs and also supplies agricultural inputs. Its recent financial situation is not bad.

(3) CISP

CISP, which is an institution run along cooperative lines, has a 1% share in the national life insurance market. Its principal source of revenue is insurance premiums. Its financial situation has recently begun to show strength.

(4) FACOP

The actual start-up of operations for this federation was in July 1992, so it has yet to close its books. However, at the current stage, its financial situation is not good.

(5) NATCCO

Its financial situation is generally good. Aid received from overseas, particularly from Canadian cooperative organizations, is contributing to its financial stability.

(6) PFCCI

The PFCCI was established under the Credit Cooperative and Cooperative Law and is an organization whose members are financial institutions. It has branches in every region. Its principal functions are accepting deposits and making loans to its members (primary cooperatives). At present, there appear to be no problems for it financially.

1-3 Marketing and Supply Business

1-3-1 Primary cooperative level

(1) Four major issues

1) Average size

Based on a detailed and careful examination of the 16 primary and secondary cooperatives included in the survey, the average sales volume by category is shown in table 1.

Table 1: Average Sales of Cooperatives by Categories and Type of Business in P1000

Category of Cooperative	Marketing	Supply	Consumer	Average
I	298	550		848
II	3363	2441	17	5821
III	11528	13455		25630
IV	9532	5289	3566	18387
Federation	1205	8778		9966
Average	4290	6253	769	11312

Source: Based on the survey conducted by the Study Team

The average sales in 1992 is P11.3 million of which 38% represents sales of farm products; 55% represents sale of farm inputs and 7% represents consumer goods.

The volume of sales varies by category. For example, Category I is only 7% of the average; Category II, 51%; Category III, 226%; Category IV, 162% and federation 88%. Although the average sales volume seems high, the mode or the sales volume with the greatest frequency is probably between Categories I and II.

2) Profitability

Table 2 is a summary of certain cooperatives profitability indicators.

Table 2: Financial Indicators of Selected Cooperatives in Percent

Coop. No.	Net Profit to Asset Ratio	Net Profit to Sales Ratio	Equity to Asset Ratio
1	1.56	3.58	39.00
2	.67	.43	3.00
3	17.47	1.74	30.00
4	3.16	.76	78.00
5	.59	5.52	5.00
6	3.35	-3.77	20.00
7	-6.38	2.06	20.00
8	.81	.76	-10.00
9	.74	-1.95	15.00
10	-3.01	.38	48.00
11	.71	10.63	10.00
12	5.38	2.63	5.00
13	.74		6.00
Average	1.98	1.89	20.69

Source: Based on the survey conducted by the Study Team

As the above figures show, the net profit to sales ratio is less than 2%, net profit to asset ratio is less than 2% and the equity to asset ratio is about 21%.

3) Diversity of products and service

a. Present situation

The sales volume were classified to determine the diversity and proportion of commodities handled. The results shown in table 3.

Table 3: Sales of Primary Cooperatives by
Commodities in P1000, 1992

Commodities	Sales in P1000	Percent
1. Farm Products		
Palay	41200.00	35.10
Rice	4716.00	4.02
Swine	6000.00	5.11
Poultry	180.00	.15
Vegetable	720.00	.61
Cotton	3098.00	2.64
Subtotal	55914.00	47.64
2. Input Supplies		
Fertilizers	15306.00	13.04
Agr. Chem.	9543.00	8.13
Seeds	1515.00	1.29
Feeds (Corn)	23172.00	19.74
Subtotal	49536.00	42.20
3. Consumer Goods		
Food Items	7562.00	6.44
Non-food Items	4365.00	3.72
Subtotal	11927.00	10.16
Grand Total	117377.00	100.00

Source: Based on the survey conducted by the Study Team

The result shows that palay constitute about 35% and palay only 4% of the total business. The reason for this is that much of these cooperatives are not equipped to process palay into rice because of the capital investment needed to establish rice mills and related facilities such as dryers and warehouses. In terms of farm inputs, feeds, fertilizers and agricultural chemicals constitute the principal input supplies handled by the cooperatives. Together, they represent about 41% of the total business. As a service to their members, they also carry a minimum amount consumer goods. This represents about 10% of the cooperative business.

The survey of member and non-member farmers show the percentage of farmers producing the major crops in the Philippines. See Table 4.

Table 4: Percentage of Farmers Producing Major Crops
in the Philippines

Crops	Percent of Farmers Producing
Rice	68
Vegetables	45
Coconut	22
Hogs	35
Hens	39
Broilers	32
Banana	27

Source: Based on the survey conducted by the Study
Team

4) Adoption of technology

The ability to adopt a technology depends on the size of the cooperative, its profitability and its activities. The result of the survey of on facilities utilization is shown in table 5.

Table 5: Conditions and Utilization of Facilities, 1992

Facilities	No.	Percent Utilztn	Age	Condition		Percent Good
				G	NR	
Trucks	17	100	3	5	12	30
Stores	9	100	6	4	5	45
Warehouses	22	62	3	7	15	32
Offices	18	100	5	14	4	78
Mills	19	100	2	8	11	43
Dryers	8	62	3	2	5	38
Tractors	3	100	2	3	0	100
Threshers	0	-	-	-	-	-
Harvester	0	-	-	-	-	-

Source: Based on the survey conducted by the Study Team
G = Good Condition
NR = Needs Repair

The facilities needs of member and non-member farmers are summarized in Table 6.

Table 6: Facilities Needs of Member and Non-member Farmers

Facilities	Percentage of Farmers Indicating Need
Warehouse	52
Trucks	51
Mktng Facilities	46
Mills	42
Dryer	58

Source: Based on the survey conducted by the Study Team

(2) Business technicalities

1) Marketing business

The sources and outlets of farm products are summarized in table 6. Financing the procurement and sale of farm products is summarized in Table 7.

Table 7: Sources and Outlets of Farm Products Handled by Primary Cooperatives, 1992

Market Participants	Sources in Percent	Outlets in Percent
Farmers		
Coop. Members	75	2
Non-member	18	1
Private Dealers		
Wholesalers	4	88
Retailers	0	2
Cooperatives		
Primary	3	7
Federation	0	0
Others	0	0
Total	100	100

Source: Based on the survey conducted by the Study Team

Table 8: Financing the Procurement and Sale of Farm Products, 1992

Methods of Financing	Procurement in Percent	Sale in Percent
Cash	57	57
Consignment	25	2
Installment	0	7
Demand	18	34
Others	0	0
Total	100	100

Source: Based on the survey conducted by the Study Team

The result shows that the cooperatives purchase 75% of the crops they sell from member farmers; 18% from non-member farmers; 4% from private wholesale dealers; and 3% from primary cooperatives. About 88% of these commodities are sold to private wholesale dealers; 7% to primary cooperatives; and 2% each for member farmers and private retail dealers.

More than half (57%) of the purchase of farm products by the cooperatives are paid for in cash, about 25% are paid for on consignment, and 18% are paid for in demand.

Similarly, 57% of the farm products are sold by the cooperatives on cash, 34% on demand and 7% on installment and 2% on consignment.

2) Supply business

Table 9 shows the sources and outlets of from inputs handled by the cooperatives.

Table 9: Sources and Outlets of Farm Inputs Handled by Primary Cooperatives, 1992

Market Participants	Sources in Percent	Outlets in Percent
Farmers		
Coop. Member	0	82
Non-member	1	13
Private Dealers		
Wholesalers	96	0
Retailers	2	0
Cooperatives:		
Primary	1	5
Federation	0	0
Others	0	0
Total	100	100

Source: Based on the survey conducted by the Study Team

Table 10: Financing the Procurement and Sale of Farm Inputs, 1992

Methods of Financing	Procurement in Percent	Sale in Percent
Cash	75	26
Consignment	3	22
Installment	0	3
Demand	22	49
Others	0	0
Total	100	100

Source: Based on the survey conducted by the Study Team

About 96% of agricultural inputs were sourced from private wholesale and 2% from private retail dealers. Non-member farmers and primary cooperatives contributed 1% each. Very insignificant amount came from federations.

About 82% of farm inputs were sold to member farmers, 13% to non-members and the remaining 5% to primary cooperatives.

Financing the procurement and sale of farm inputs from private wholesale dealers follow a pattern similar to that of the farm products. About 75% of all

supply purchases are paid in cash, 22% on demand, and 3% on consignment. On the other hand, sales to farmers are paid for on demand, 49%; cash, 26%; consignment, 22%; and installment 3%.

1-3-2 Province/City/Regional level

(1) Marketing business

The types of commodities and the volume of business handled by typical local level federation is summarized in table 11.

Table 11: Average Sale of a Local Federation of Agricultural Cooperatives, 1992 in P1000

Commodities	Annual Ave. Sale	Percent
Farm Products		
Rice	500.00	4.94
Poultry	705.00	6.96
Subtotal	1205.00	11.90
Farm Inputs		
Fert	3980.67	39.32
Agr. Chem.	4826.67	47.67
Seeds	21.83	.22
Feeds	25.67	.25
Subtotal	8854.84	87.46
Food	65.00	.64
Total	10124.84	100.00

Source: Based on the survey conducted by the Study Team

Table 12: Sources and Outlets of Farm Products in Percent, 1992

Participants	Sources	Outlets
Farmer		
Members	4.90	2.77
Non-member	.66	6.88
Priv. Dealers		
Wholesalers	69.78	2.64
Retailers	.00	1.01
Cooperatives		
Primaries	24.67	84.72
Federation	.00	.00
Others	.00	1.98
Total	100.00	100.00

Source: Based on the survey conducted by the Study Team

Table 13: Financing the Purchase and Sale of Farm Products in Percent, 1992

Methods of Payment	Purchases	Sales
Cash	7.76	64.84
Consignment	1.32	1.74
Installment	90.92	32.75
Demand	0.00	.66
Total	100.00	100.00

Source: Based on the survey conducted by the Study Team

In 1992, local federation of agricultural cooperatives handled about P10.1 million of commodities of which 12% were farm products, mostly rice and poultry, and 87% were farm inputs mostly fertilizer and agricultural chemicals. For the most part, they did not handle palay, suggesting their inability to compete with private wholesale dealers and the difficulty of raising capital to finance the construction of rice mill facilities. Their principal source of farm products are the private wholesale dealers (70%), the primary cooperatives (25%), and 5% procured directly from the farmers. The procurement of farm products are paid for in installment basis (91%), cash (8%) and 1% consignment and sold for cash, 65%; installment, 33%; and a small percentage on consignment and on demand.

(2) Supply business

Almost 100% of all farm supplies are sourced from private wholesalers. The procurement of supplies are paid for mostly on demand 44%; consignment, 32%; installment, 15%; and cash 9%; and sold mostly for cash, 83%; on demand 13%; and consignment, 4%. As in farm product marketing, Member farmers are the principal outlet of farm inputs representing 75%; primary cooperatives 24% and less than 1% to non-member farmers. What is not known is whether the federations deal directly with the farmers or through their primary cooperative. See tables 14 - 15.

Table 14: Sources and Outlets of Input Supplies in Percent, 1992

Participants		Sources	Outlets
Farmer:	Members	.07	75.27
	Non-member	.00	.30
Priv. Dealers			
	Wholesalers	99.93	.00
	Retailers	.00	.00
Coop:	Primaries	.00	24.93
	Federation	.00	.00
Total		100.00	100.00

Source: Based on the survey conducted by the Study Team

Table 15: Financing the Purchase and Sale of Farm Inputs, in Percent, 1992

Methods of Payment	Purchases	Sales
Cash	8.55	82.62
Consignment	31.95	4.42
Installment	15.44	.29
Demand	44.06	12.67
Total	100.00	100.00

Source: Based on the survey conducted by the Study Team