

1-4 Credit Business

1-4-1 Primary cooperative level

(1) Production loans for farmers

From all outward appearances, since 1989 when it became the primary source for such loans, the LBP has successfully blanketed the country with crop production loans to farmers by promoting the development of primary level agricultural (multi-purpose) cooperatives to be utilized as conduits for the loans. In 1991 the LBP made P 6.8 billion in loans to cooperatives which was expected to grow to P 10.0 billion in 1992.

However, although reliable data is not available the vast majority of small farmers still rely very heavily on informal sources of credit sources such as moneylenders, traders, etc. Informal sources are more easily accessible and reliable and generally require no collateral or paperwork.

(2) Savings mobilization

In the smaller, newly established cooperatives there is a nearly universal lack of enthusiasm for a savings mobilization activity mostly because they are relatively new and are focusing all their energies on building member share capital.

There also appears to be a general lethargic attitude amongst the larger, well established primary cooperatives. This is due mostly to a lack of promotion, training and technical assistance by their higher level federations.

The most aggressive and successful savings mobilization programs are centered in the more established agri-based credit cooperatives. This is due to their historical emphasis on savings as a primary source of loan funds.

(3) Borrowings

As indicated in (1) above most primary level cooperatives are obtaining loans from the LBP for on lending to their members for production purpose which is currently the only available source of formal credit for such.

However, the availability of loans to primary cooperative to finance their institutional needs appears to be seriously lacking although reportedly available from the LBP. Few cooperatives have borrowed from the LBP for short-term working capital needs and especially for intermediate and long term needs primarily because of unrealistic collateral and repayment terms according to those cooperatives surveyed.

The CDA has approximately P 200 million available for intermediate and long-term loans to cooperatives from the residual funds in the CDLF, CMP, SNSP programs. This is a relatively insignificant mount and has only recently become available following development of new lending guidelines. In summary, the availability and access to loans for on-lending to farmers for production purpose appears to be currently adequate. However, there appears to be a serious lack of accessibility to loan sources to satisfy the development needs of primary level cooperatives.

1-4-2 Province/City/Regional level

(1) Supply and marketing entities

a. Production loans for farmers

It appears that none of the regional, provincial or municipal level cooperatives of this type are participating in the LBP crop production loan program and it is very strongly felt that they should not become involved. By doing so, among other things, it would create too great a concentration of risk and potential threat their viability. Their limited capital resources are needed to support their primary supply and marketing activities.

b. Loans to members

Since most of the entities of this type are relatively new and under-capitalized they lack the financial resources or access to them to provide loans to member primaries other than normal accounts receivable financing are supply purchases. Further, it is felt strongly that primaries should obtain their loans for their purposes directly from the formal banking system.

c. Savings mobilization

Similarly, since most of the entities of this type are relatively new and have therefore concentrated most of their energies toward building member capital it appears that none have developed savings mobilization programs. Furthermore, it is very strongly felt that while entities of this type should be actively involved in promoting savings programs amongst their members, the actual deposits should flow directly to a provincial CB which would be in a much better position to use those deposits most effectively.

d. Borrowing

Again, because of the relative newness and general lack of equity capital and repayment capacity only a few have been able to access short-term working capital loans from LBP to support their supply and marketing activities. However, potentially there could develop a great demand for short, intermediate and long-term loans amongst this group of cooperatives if they can develop the appropriate borrowing capacities and if appropriate funding sources are available.

(2) Cooperative banks (CBs)

a. Production loans for farmers

Generally speaking the CBs have not been engaged in granting loans directly to farmers but many do provide short-term loans to individual market vendors and small businessmen. Nor have they engaged in lending to primary cooperatives for on-lending to primary cooperatives for on-lending to farmers for production purposes but in the past they were actively involved in "group lending" to their Samahang Nayon (SN) members for production purposes. And currently the few CBs that do not have excessive past due ratios are borrowing from LBP for on-lending to the SNs which have not yet developed into full-fledged primary cooperatives.

b. Loans to member primaries

Few CBs have the financial resources to provide loans to agri-based primary cooperative members. However, some are lending modest amounts on a short-term basis. The only loans outstanding to primary cooperatives for intermediate and long-term on the books of some CBs are those granted several years ago under the CMP and/or SNSP loan programs many of which are past due. However, a few

CBs with adequate resources are aggressively lending short-term loans to members who are market vendors, merchants, etc. on which repayment is generally good.

c. Savings mobilization

All CBs provide both regular and time savings deposits however, performance has been inconsistent. Some of the better managed CBs have aggressively promoted savings with notable success and some that are unable to rediscount their loan paper due to high past due ratios have turned to more aggressive promotion of savings as a source of loanable funds with modest success. The primary promotional device used is to pay slightly higher (1 to 2%) interest rate than competing depositories such as private rural banks and commercial banks of which there are many. There is also at least one very major constraint to any meaningful development of savings deposits in virtually all CBs which is the lack of accessibility. CBs are generally situated in the respective provincial capital city and have no branch or extension offices. Therefore, only those members in close proximity to the CBs have easy access. Furthermore, currently only 31 of the 75 provinces have a CB and two of those have just recently been organized. The BANGKOOP federation of CBs has mounted a campaign to promote development of one CB in every province.

d. Borrowings

Since there is no apex cooperative bank there currently exists only two major sources of borrowed funds available to CBs which is by discounting their loan paper with either the LBP or the Central Bank. However, because of high past due ratios (over 25%) and/or other regulatory deficiencies none of the CBs currently have access to those sources. This problem is very serious constraint for the growth and development of CBs. However, a few CBs have been able to access modest amounts from LBP for on-lending to SNs for crop production purposes. And some have borrowed modest amounts under various government soft loan programs for lending to primary cooperatives for special programs such as livestock production, livelihood projects, seed production, etc.

(3) Regional Cooperative Development Centers (RDCs)

Special mention should be made of the successful (but still very modest) financial intermediary role being played by the six RDCs which are regional

affiliates of the NATCCO national federation. The RDCs in general are relatively large, well established and well managed regionals. Originally they were established to serve the needs of rural-based credit cooperatives. However, in recent years they have been also serving the needs of agri-based multi-purpose primary cooperatives. For many years they have been successfully providing short-term loans to member primaries but such loans have generally been very modest in amount and mostly to satisfy temporary liquidity needs of the credit functions of their primary members. This has grown into an interlending program within the NATCCO structure and coordinated by NATCCO with funding coming primarily from an aggressive savings mobilization program. And, reportedly delinquencies are relatively low.

1-4-3 National level

(1) Lending

There are no apex or national level federations currently engaged in any conventional lending activities to their members. However, BANKOOP is serving as a conduit for some loans to CBs involving some specialized government programs and the Federation of Free Farmers and NATCCO are providing their members a very modest amount of short-term loans.

(2) Savings mobilization

None of the apex or national level federations are engaged in savings mobilization with the exception of the NATCCO organization. It is very actively promoting savings programs, through its RDC members which depend heavily on savings deposits, as a source of loan funds but to date the NATCCO federation is not acting as a central depository.

(3) Borrowing

With the possible exception of NATCCO and Federation of Free Farmers there are no apex or national level federations with adequate equity capital or repayment capacity to leverage borrowing from external sources. However, even when borrowing capacity exists there is no source of loan funds which can satisfy their peculiar needs. To date both NATCCO and FFF have relied heavily on foreign donor grants to finance their development.

1-5 Insurance Business

1-5-1 Primary cooperative level

The CISP is the national institution which the CDA has confirmed to carry on the cooperative insurance business. At present, its shareholders number 13,450; of these, 90% are agricultural cooperatives. Of the 600,000 or so insureds, the percentage accounted for by members of agricultural cooperatives is also overwhelmingly large.

However, the role which primary agricultural cooperatives are now playing with respect to CISP's insurance business, is limited to soliciting members for the insurance contracts being sold by the CISP (group term life insurance, liability guarantee insurance for borrowers, whole life insurance, etc.), and receiving commissions from the CISP in proportion to the number of contracts obtained. Therefore, the primary cooperatives do not function as insurance underwriters. To put it another way, unlike the business of selling agricultural products or of supplying material for agricultural production, insurance is not established as a proper business department of cooperatives, and there are no special sections set up to deal with insurance-related office work.

Further, with respect to cooperatives' activities in the limited area of soliciting for insurance contracts, it would be possible to achieve steadily greater results if education and training, and information regarding insurance, were provided frequently and adequately to the cooperative employees involved in this activity. However, in this respect as well, the CISP has until now made contact only with a limited number of cooperatives to provide guidance to them. There has also not been much thought given to ways of bringing the experience and opinions of cooperatives engaged in solicitation into the purview of the CISP. As a result, it appears that cooperatives perceive the CISP to be just another insurance company, rather than the national organization on the same team with whom responsibilities must be shared regarding the insurance business. That this appears to be so would make it a fundamental issue for development of the cooperative insurance business.

On the other hand, although persons affiliated with cooperatives believe that interest among cooperative members in insurance remains low, potentially it is quite high. In a survey of members which we conducted via questionnaire (multiple responses), 143 (26.9%) of the 539 respondents from 16 cooperatives

answered "life insurance" in response to the question "what business would you like to see cooperatives devote greater resources to." This figure was lower than responses for sales (29.3%), supply (30.8%) and loans (35.6%), but exceeded that for savings (24.1%).

Managers and others in cooperatives we surveyed in detail, often expressed opinions such as the following: "In the future we would like to position insurance as one segment of our business," "If insurance could be established as one of our businesses, directors and employees would be prepared to take an active hand in promoting its spread,"

Therefore, the insurance business, as it currently stands, fails to provide a sufficient response to members' needs. Further, it would appear that managers are frustrated in their attempts to advance the insurance business by a lack of direction in cooperatives about insurance functions.

1-5-2 National level

Although there are 24 life insurance companies in the Philippines, CISP is the only one confirmed by the CDA to provide life insurance services to cooperatives. Its operations are under the jurisdiction of the CDA.

As of March 1992, insureds of CISP numbered about 600,000, of which the overwhelming proportion were accounted for by members of agricultural cooperatives. The main product sold is group term life insurance (one-year renewable), but whole life insurance, liability guarantee insurance for borrowers, and student insurance are also offered.

To expand the business, CISP divides the country into 13 regions, but has not gotten around to opening offices in all those regions. In several of them, it is using a system of agencies. Business has been increasing yearly; in fiscal 1991, net premiums received reached 10.2 million pesos, which was a 12% increase over the previous year.

Although it has a history of about 20 years since its establishment in 1974, CISP ranks at the bottom of the Philippines' life insurance industry in terms of insurance sold. As the economy develops hereafter, one can readily foresee other life insurance companies moving into farming villages and selling to cooperative

members; thus, there is a need for CISP to endeavor to strengthen its ties with cooperatives.

At present, cooperatives establish promotional objectives with regard to CISP's products and solicit new policyholders among members.

Cooperative members polled in our survey expressed strong opinions about services needed from CISP. Among them were (1) the provision of various types of information, (2) the strengthening of educational activities regarding the necessity of insurance, and (3) increased guidance in the form of visits by employees to cooperatives.

1-6 Education and Guidance Activity

1-6-1 Primary cooperative level

(1) Education and training activity

1) Education and training activity for officers and employees

Within the small cooperatives classified under category I and II, most officers and employees are volunteers or part-time workers, who have few opportunities for education and training. Emphasis was placed on the necessity for training in Bookkeeping since it is closely related with the clerical work of cooperative operations. Also stressed was the need for training as general manager, who has the responsibility for the overall management of the agricultural cooperative.

The medium-sized cooperatives classified under category III are characterized by the emphasis placed on on-the-job training (OTJ). A comparatively large number of these cooperatives have developed specific programs in self-development (SD). Off-the-job training (Off-JT) activity is rather meager in light of the management base of the cooperatives in this category. They seem to have a stronger need for training in management than in bookkeeping and accounting.

The cooperatives classified under category IV are actively engaged in education and training. Many of them spend in excess of 10,000 pesos a year on training. Many of their programs are directly linked to practical work and business, such as computer training, promotion of savings, development of small-scale business. Also, these cooperatives recognize the need for training in section management, middle management, attitude training for all workers, rating of personnel, and computer programming. These activities are not found in cooperatives of the other categories. Thus, the level of participation, and the contents and methods of training vary within the four categories.

The results of the detailed study of the 16 primary cooperatives revealed that a large percentage of the cooperatives (94%) have established education and training plans. However, the number of those which have actually implemented the plans seems small. Among the reasons given for the failure to implement the plans are a shortage of funds, lack of educational materials and training information from outside. This trend is noticeable among categories I and II cooperatives.

2) Education and training activity for cooperative members

In category I, II and III cooperatives, most of their education and training activities for cooperative members are related to guidance in farming practices. These activities include sending some representatives to participate in seminars on farming technology sponsored by institutions such as the DA (ATI), or holding sessions on the use of fertilizers and pesticides. However, it is obvious that category IV cooperatives undertake programs of a completely different nature. Seminars such as simplified bookkeeping for wives of farming households, or ownership for associate members are conducted. Some agricultural cooperatives are conducting a seminar once a week for new members. There are attended by 100 ~ 400 members each and are independently planned and conducted. Expenditures are as high as 100,000 pesos for a single seminar.

The study of the 16 primary cooperatives reveals that 31% distribute cooperative newsletters and 69% commend cooperative members for their distinguished performance, and their activities for members focus upon seminars. However, among small-scale cooperatives, particularly those in category I, the monthly meeting of members is the most important occasion for member education.

3) Education and training activity for non-members

Almost all cooperatives have established a "Pre-Membership Education Seminar (PMES)" for those who apply for membership. Besides this PMES, education and training for non-members is not very active. When the 16 primary cooperatives were asked what methods were used to recruit new members, the responses were as follows:

By distributing leaflets	13%
By putting up posters	19%
By showing slides/movies	6%

However, there were also a few other examples worth mentioning, such as participating in agro-festivals or parades (activities that appeal to the community), inviting non-members to seminars or supporting "Laboratory-co-ops*" for high school students.

* Laboratory-cooperative

A cooperative defined by the latter paragraph of Article 27 of the New

Cooperative Law (RA6938) as being a) organized by the minors and b) affiliated with a registered cooperative (which acts as its guardian-cooperative)."

(2) Guidance activity for farming and better living

15 out of the 16 primary cooperatives said they are engaged in guidance activities for farming and better living. Analysis of their actual activities shows a focus on assistance in agricultural production. Less attention is given to guidance in sales (pricing) and even less to rationalized, planned living.

Furthermore, while there are some primary cooperatives (especially those in category IV) which take the initiative in implementing extension activities, the study results show that in most instances extension workers from the DA or private business (manufacturers of agricultural chemicals/machinery) take the lead in extension. Unions, as well as federations, very rarely participate in such activities, even as cosponsors. As most of the unions and federations are weak, the primary cooperatives do not expect much from them in terms of extension activities.

The number of persons in charge of extension activities within the primary cooperatives varies, from one in category I and II cooperatives, to II to III in category III and IV cooperatives. An agricultural cooperative in category IV employed five graduates of agricultural colleges, and is providing education to train them as special staff in charge of extension activities. In category I, II and III cooperatives, these individuals are selected mainly from among cooperative members (farmers) who are volunteers or part-time staff. There was a case of a chairman of a cooperative who used to work as agricultural technician in the DA. Among category IV cooperatives, full-time members are employed as special consultants, but they are not employed to handle only extension activities for farming and better living. They conduct technical assistance based on their own study and personal experience, participation in DA (ATI) seminars and information received from the DA. They have not been trained specifically as extensionists and consultants.

Funding extension activities for farming and better living inevitably depends on earnings from cooperative operations. Subsidies from affiliated upper organizations or national/local governments are rare. A few cooperatives make

use of their own CETF or collect a certain share of the expenses from the beneficiaries.

Clause 2 of Article 87 of the new Cooperative Law (RA6938) has the following stipulation: Every cooperative shall distribute an amount for the education and training fund, which shall be not more than ten percentum (10%) of net surplus. Half of the amounts transferred to the education and training fund annually may be spent by the cooperative for education and training and other purposes, while the other half shall be credited to the cooperative education and training fund of the respective apex organization of which the cooperative is a member. An apex organization may be a federation or union.

1-6-2 Provincial / City / Regional level

(1) Unions

Local unions are extremely weak in terms of personnel, facilities, equipment, and funds. Their performance in education and training activities, which should be their main function, is far from members needs. Even the most active of unions responds to such needs only through sending their personnel as seminar instructors when such requests are received, or through cosponsoring seminars or study courses with the CDA/CUP. Some solicit affiliated upper organizations for necessary personnel or request CUP to train local instructors. According to our detailed study, unions rarely engage in either educational and cultural activities for non-member farming households, or support the primary cooperatives' extension activities for farming and better living.

(2) Federations

There are large differences in activities among federations. Of the 15 federations covered in the study, eight said they perform education and training activities for member cooperatives. Among these federations are some which are engaged exclusively in such activities. Most of the federations perform the function by sending instructors from their staff upon request to seminars in bookkeeping and accounting, cooperative management and PMES.

There are few seminars covering subjects directly related to federation business and to utilization of federations, such as sales, purchasing, and processing facilities. Many point to shortages of educational materials, equipment, parts and funds, rather than the ability of the seminar instructors.

Although the officers and staff of the federations have participated themselves in seminars conducted by ATI/LBP, these are mostly straight lectures which do not apply to an actual work situation. The member cooperatives are said to want seminars on subjects directly related to farming and better living, such as assistance on production, sales and distribution of agricultural products, and farm household management. Although reference books and other documents are provided by the DA/LBP/CDA or by certain advanced federations, instructors conduct the seminars based mostly on their own experience. Seminars are held in barangay halls, schools or leased facilities (gratis in many cases) from NFA/LBP or private businesses. Very few seminars are held which require overnight accommodation for the participants.

On the other hand, there are federations like VICTO, which has a lodging facility for 110 participants, and which conducts 367 education and training seminar courses a year with 8,900 participants. It has 127 full-time officers and staff, and is actively engaged in such activities as assistance in management, auditing, management analysis, and public relations, in addition to their central-fund and marketing business. Although the varied educational and training activities utilizing the comprehensive functions of the federation are remarkable, it has problems such as a low cooperative membership ratio (estimated ratio: 10%) and high cost of sponsoring seminars.

CB is also a type of federation, but CBs are not active in education and training activities for their member cooperatives. Only two out of the six CBs studied are engaged in such activities. Although some of the member cooperatives want seminars in bookkeeping and accounting, promotion of saving, and financing, CBs are currently placing priority on the training of their own personnel. This reflects their lack of personnel with a thorough knowledge of financing operations. While there are some instances of CB personnel participating in training courses held by the Central Bank or LBP/BANGKOOP, there are those who wish to have the reference books used by CB personnel, as well as popular edition textbooks and specialized newsletters.

There are no instances of federations being directly engaged in educational and cultural activities for non-member farmers. Even for support measures for farming and better living, only a limited number of federations currently sponsor seminars in fertilization and feeding jointly with member cooperatives. Only five out of the 15 federations studied said they would consider such activity in the future. A representative opinion of the federations was "since our present

economic situation does not permit us to hire specialists, there is no other way but to depend on the agricultural extension services of government institutions."

1-6-3 National level

Education and training is one of the fundamental activities of CUP, but its activity in 1991 centered upon policy campaign (the two New Cooperative Laws). In addition, some CUP officers and staff were directly involved in cooperative education at the university level. This could be regarded as one of the cultural activities. Thus, many of CUP's activities can possibly be referred to as political campaigning, cultural and dissemination of information.

NATCCO has been actively engaged in developing correspondence courses and scholarship programs, and promoting national cooperative youth congress (NCYC). NATCCO is in charge of planning and development of seminar modules, and operating basic seminar courses, while RDCs are in charge of operating specialized and applied courses. NATCCO-RDCs seminars had more than 11,000 participants in 1991. A characteristic of NATCCO is that education and training activity is handled as a part of their business operations.

As for BANGKOOP and CISP, their main activities include coordination and dispatch of instructors upon request and dissemination of information and manuals of their services.

Although FACOP lists entrepreneurial seminars and bookkeeping and accounting seminars among its non-business activities, this does not mean that these are of a practical nature which derives from its actual business. Their seminars are similar to those of other organizations.

With the exception of FACOP, all education and training activities are not intended exclusively for agricultural cooperatives. Accordingly, the participants are from cooperatives involved in various types of business. In many instances, instructors change the focus of the training course upon consideration of the participants' backgrounds. Having reviewed the training courses of NATCCO, there are no courses for only personnel of agricultural cooperatives.

National federations all lack facilities and personnel for education and training activities, with the exception of NATCCO. In addition to the lack of lodging facilities, some do not even have a special training room.

Extension activities for farming and better living are the domain of government agencies, private organizations, and agricultural businesses. The principal government agencies are DA/DENR/DAR and the state universities. Among the private organizations are agricultural cooperatives, NGOs, and PVOs (private voluntary organizations). The major businesses are large manufacturers of agricultural machinery and other production materials, and also traders of agricultural products. However, none of the national cooperatives have their own personnel and system for use in this activity. Continuous and methodical assistance in farming and better living largely depends on the extension workers of DA/LGC* (Approximately 13,000 persons were engaged in such activities as of 1990) and on the seminars on corn, poultry and livestock-based farming systems, by ATI (seminars such as cooperative development, crop-based farming systems).

* LGC (Local Government Code)

According to the stipulations of the code, "all agricultural extension functions of the DA at the provincial/city level and below shall be transferred to the local government units. This includes both facilities and staffs, and registration of those is currently under way. Attention in the future will focus on the development of the organization and function of agricultural extension service."

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

The following are main points of the results of the questionnaire which was carried out on 560 farmers who are members and non-members of 16 agricultural cooperatives in 7 areas.

Here, we stress what those members and non-members are expecting from projects of the said agricultural cooperatives, and also how they view the current agricultural cooperative activities. Further details are shown in the appendix.

2-1 Outline of the Questionnaire

- Time: December, 1992 - January, 1993
- Distribution: 560
- Collection: 539 (the ratio of collection 96.3%)
- Areas surveyed and numbers collected on a regional basis:
Benguet 99, Nueva Ecija 108, Batangas & Laguna 103,
Iloilo 78, Leyte 78, Davao Del Norte 73.
- Numbers Collected on an agricultural cooperative basis: BSDCI 27, PPKMCI (PPPK) 26, BFMCI 46, PPMKBI 35, GNP MCI 38, GIPMCI 35, LMCI 34, SIDCI 33, DIMCI 36, PCDCI 42, PFMCI 36, U MCI 20, BAMCI 30, CMCI 28, DFFCI 38, NICI 35.
- Number of members and non-members among respondents: members - 383 (71.1%), non-members - 148 (27.5%), unidentified - 8 (1.5%).
- Number of respondents according to age groups:
Teens - 3 (0.6%), People in their 20s - 61 (11.3%), People in their 30s - 142 (26.3%), People in their 40s - 114 (21.2%), People in their 50s - 120 (22.3%), People in their 60s - 67 (12.4%), People in their 70s - 21(3.9%).

2-2 Main Points of the Results

We analyzed the results to discuss the following: the reasons why members decided to join the cooperative, projects they utilize daily, and utilization rates; to what extent they are satisfied with the cooperative (with what they are satisfied and dissatisfied), projects they want to see improved, production materials they want the cooperative to deal with, facilities they want in the cooperative; and to what extent non-members want to join the cooperative. We also gave some comments on each category.

2-2-1 Reasons for becoming agricultural cooperative members (Figure 1, Table 1)

Among the reasons they joined the cooperative, the major ones were "to obtain a loan," and "to purchase agricultural chemicals and fertilizers." Nearly 50 percent of the respondents gave these as their reasons for joining. The popularity of obtaining a loan as a reason, is due to the fact that the cooperatives work as the window to obtain and return the government- sponsored loans such as LBP Funds. Purchasing agricultural chemicals and fertilizers, is as popular as obtaining a loan from the cooperative. The third major reason given was to market farm products, given by 40%.

On the other hand, "being persuaded" was given as a reason by only 7%, the smallest number. This means that many members had their own purposes for joining the cooperative.

When we look at reasons given according to age groups, we can see certain tendencies. For example, respondents in their 30s or under, tend to give reasons such as "obtaining a loan" and "purchasing agricultural chemicals and fertilizers." Even in other age groups, there are many people who give these reasons. But as members get older, they give a greater variety of reasons. For example, among the respondents in their 30s or under, less than 30% of them gave the reason "to market farm products," but in the age groups of 40 or over, that reason reached nearly 60 percent. Those respondents who cited as reasons "purchasing feed" or "using a store dealing in consumer goods" increase in number in the age groups of 40 or over.

To summarize, the younger the respondents, the more fixed are the reasons they give, while the older the respondents, the more various are the reasons they give.

2-2-2 Agricultural cooperative projects usually utilized (Figure 2, Table 2)

Here we look at what kind of services are commonly utilized by the respondents. This is to see whether their reasons for joining agricultural cooperatives coincide with the services they are actually using.

Among the most utilized agricultural cooperative services by the respondents, both "obtaining a loan" and "purchasing agricultural chemicals and fertilizers" topped others with more than 50% usership, followed by "marketing farm products" with 47% usership. In other words, many members use agricultural cooperative services according to their reasons for joining.

The thing we have to bear in mind is that 8% of the respondents said that they are not utilizing any agricultural cooperative service. Among those who mentioned "purchasing feed," "using food processing facilities" and "using a store dealing in consumer goods," as their reasons to have joined the agricultural cooperative, 20% to 27% do not utilize any cooperative service. This shows that they joined the cooperative with set services in mind, but have failed to use them.

There is also some difference among those who utilize agricultural cooperative services according to the reasons they gave for joining the cooperative. In the case of those who answered "to use food processing facilities", only 60% of them use that service. This is the lowest utilization rate, followed by 70% of the people who cited "to use a store dealing in consumer goods." But with other reasons, more than 80% of the people are utilizing the agricultural cooperative services according to their reasons for joining.

2-2-3 Utilization rates of major agricultural cooperative projects

We examined to what extent farmers are using the AC projects such as farm products processing, marketing farm products, purchasing agricultural chemicals and fertilizers, and obtaining a loan. The utilization rates are classified according to "0% usage," "1% to less than 30% usage," "30% to less than 50% usage," "50% to less than 80% usage," "80% to less than 100% usage," and "100% usage."

Farm products processing facilities (Figure 3, Table 3)

Regarding usage of agricultural cooperatives farm products processing facilities, 5% of the members answered "0% usage," while 11% answered "100% usage." Utilization rates of "1% to less than 30%," and "50% to less than 80%" were reported by 13% of the respondents, the highest ratio.

Utilization rates are relatively low for young age groups. The older they become, the higher the rates. The greatest reason why young people fail to use agricultural cooperative facilities is that, according to interviews, the facilities are too old.

Marketing farm products (Figure 4, Table 4)

Regarding the utilization of agricultural cooperatives for marketing farm products, "30% to less than 80% usage," and "80% to less than 100% usage," have about 15% of the members each. About 6% reported "0% usage" and about 5% reported "100% usage." Utilization rates vary greatly in this project too, with utilization rates being higher in older age groups.

Purchasing agricultural chemicals and fertilizers (Figure 5, Table 5)

In this category, utilization rates are low compared with those in other services. For example, "0% usage" shares more than 8% of the members, but "100% usage" has only about 3%. In the low utilization rates of "1% to less than 30%," there are more than 13% of the members. But at the same time, "80% to less than 100%" usage was reported by 12% of the members.

Young members tend to use this service at low rates, while senior members show higher utilization rates. In this category, the difference of utilization rates between young groups and senior groups is significant compared with other projects.

Obtaining a loan (Figure 6, Table 6)

Obtaining a loan was the most common among the reasons to have joined the cooperative. More than 5% answered "100% usage," which means they obtain all of their loans from the cooperative, about the same percentage as 5% of them who answered "0%," which means they don't obtain loans from the cooperative at all.

A utilization ratio of "1% to less than 30%" was reported by 20% of the respondents, the highest ratio.

But the interrelations between the number of individual loans and utilization rates are obscure. For example, among 5% of those who answered "0%," there may be some who don't owe on any loans, while there may be some who had obtained large loans from other financial institutions, but not from the cooperative.

In general, obtaining cooperative loans is uncommon among young age groups, while the middle-aged or over are seen to be more reliant on them. This means senior groups are more involved with the cooperative.

2-2-4 Satisfaction with agricultural cooperative projects

In answer to a question about whether the members are satisfied with the services and other aspects of the cooperative they belong to, about 77% of the respondents answered "fairly satisfied." This means the members' judgment about the cooperative is generally good. There was no difference in satisfaction according to the reasons they have joined the cooperative.

2-2-5 Satisfactory aspects of the cooperatives (Figure 7)

Then in what points are they satisfied? "Low interest on loans," "good marketing prices of farm products," and "low prices for production materials," were answers given by more than 50% of the members. On the other hand, members who pointed to "good facilities," or "transportation," were few in number. In order to raise utilization rates of the cooperative, these last points seem to require much improvement.

2-2-6 Aspects of dissatisfaction (Figure 8)

Among the aspects of dissatisfaction, "low marketing prices of farm products," and "high prices for production materials," were answered by more than half of the respondents respectively. The percentages are as high as for satisfactory aspects. This seems to be contradictory, but may suggest that members' evaluation of the cooperatives vary widely.

Meanwhile, it's noteworthy that 35% to 40% of members answered "lack of, and age of the transportation facilities," and "lack of, and age of facilities in general."

2-2-7 Improvements requested on agricultural cooperative projects (Figure 9)

Among requested improvements on cooperative services, many members answered "methods of improving living," "improvement in production techniques," "acquisition of better knowledge about cooperative," and "loan services." The fact that more than 40% of the members answered "methods of improving living," and "improvement in production techniques," means they hope to raise their living standards through farming improvement with the help of an agricultural cooperative.

2-2-8 Materials that members want an agricultural cooperative to sell (Figure 10. Table 7)

Among the inputs materials that members want the cooperative to start to sell or to improve the sales of, "fertilizers," "agricultural chemicals," "seeds," and "agricultural machines," were answered by around 50% of the members, respectively.

Here we examine the request that the cooperatives should sell agricultural chemicals, fertilizers, and others, according to the utilization rates. About 70% of the people who said their utilization rate is "0%" wanted the cooperative to sell agricultural chemicals and fertilizers, while 80% of those who answered their utilization rate is "100%" requested that the cooperative should sell a greater variety of materials. This implies that, in the case of those who answered their utilization rate is "0%," they are not satisfied with the materials the cooperative sells or that their cooperative has not stocked what they want.

2-2-9 Requests for improvement regarding agricultural cooperative facilities (Figure 11, Tables 8 & 9)

Good facilities are one of the conditions for raising the utilization rates. Here we examine the major requests for facilities improvement. More than half of the members requested improvement of "warehouses" and "trucks." More than 40% of the members hoped for improvement of "facilities for cargo collection and shipping," and "facilities for threshing and polishing rice."

But according to the differences in farming conditions, there appear specific features. Following are the largest requests according to farmers' operations. Owner-operator (about 70% of them) requested "trucks," Shareholder (55%) also requested "trucks," while seasonal leaseholder tenants (60%) said "warehouses." In the case of owner-operators, requests for improving "warehouses", "facilities for cargo collection and shipping," and "communication facilities," are also high, close to those for "trucks." This indicates that owner-operators have to do their farming independently, so they need many kinds of facilities.

It's also notable that there are differences in their requests according to the differences of utilization rates. That is, members whose utilization rates are low tend to hope for improvement in specific facilities, while those with high utilization rates request improvements more evenly in a variety of facilities. This means that members with high utilization rates use many kinds of facilities evenly, and their requests for facilities improvement will also become varied.

2-2-10 Interest in joining agricultural cooperative by non-members (Tables 10 & 11)

Unlike Japanese farmers, the number of Filipino farmers who are members of an agricultural cooperative is relatively small. Agricultural cooperative in the Philippines can expect further development and the non-member farmers are potential future members.

Here are the results of questions on how they are looking at a cooperative. Among 148 non-member farmers covered by the questionnaire, more than 80% answered that they are interested in a cooperative. Their interest is very high. Then we asked the 120 non-member farmers who answered in the affirmative whether they wanted to join a cooperative. More than 90% of the respondents said "yes." Their responses were evenly affirmative, in spite of differences between their major farm products.

To increase membership is to reinforce the agricultural cooperative. The survey results prove that there is great promise for increasing the number of agricultural cooperative members in the Philippines in the future.

Fig. 1 Reasons for joining a co-op

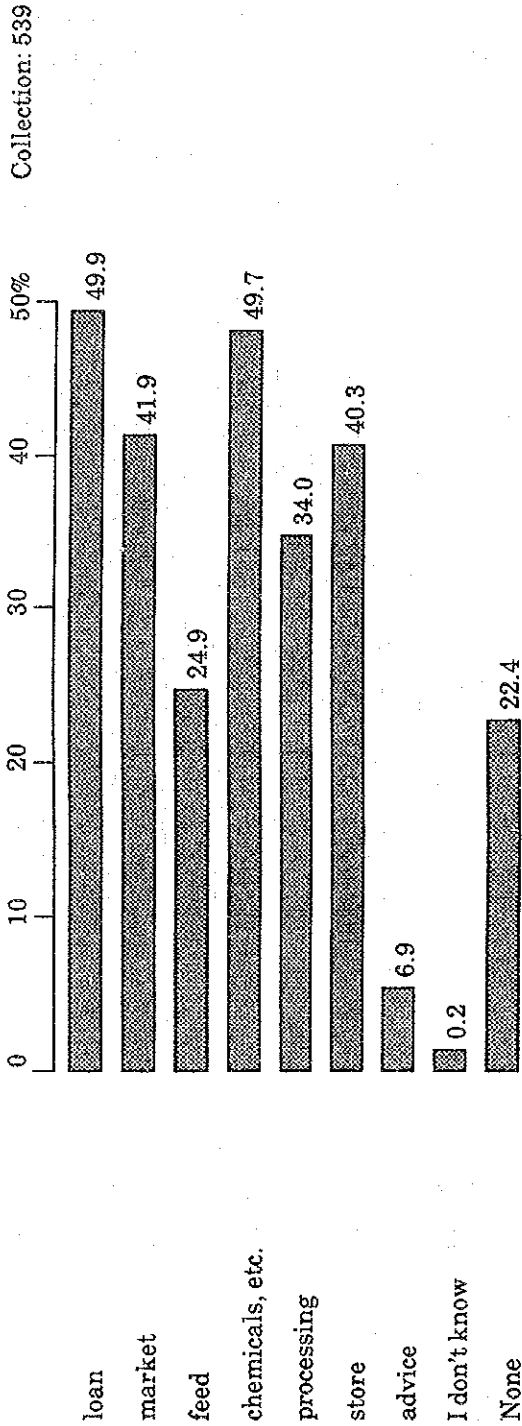


Table 1 Reasons for joining a co-op

	Total	loan	market	feed	chemicals, etc.	processing	store	advice	I don't know	none
	539	269	226	134	268	183	217	37	1	121
	100.0	49.9	41.9	24.9	49.7	34.0	40.3	6.9	0.2	22.4
10s	3	-	-	-	-	1	-	-	-	2
	100.0	-	-	-	-	33.3	-	-	-	66.7
20s	61	24	21	10	26	21	19	3	-	21
	100.0	39.3	34.4	16.4	42.6	34.4	31.1	4.9	-	34.3
30s	142	73	51	28	62	38	55	11	1	33
	100.0	51.4	35.9	19.7	43.7	26.8	38.7	7.7	0.7	23.2
40s	114	59	54	24	60	41	46	12	-	22
	100.0	51.8	47.4	21.1	52.6	36.0	40.4	10.5	-	19.3
50s	120	68	59	36	67	44	56	8	-	19
	100.0	56.7	49.2	30.0	55.8	36.7	46.7	6.7	-	15.8
60s	67	28	28	24	36	25	28	3	-	16
	100.0	41.8	41.8	35.8	53.7	37.3	41.8	4.5	-	23.9
70s	21	14	12	11	14	10	11	-	-	2
	100.0	66.7	57.1	52.4	66.7	47.6	52.4	-	-	9.5
none	11	3	1	1	3	3	2	-	-	6
	100.0	27.3	9.1	9.1	27.3	27.3	18.2	-	-	54.5

Fig. 2 Major business utilized

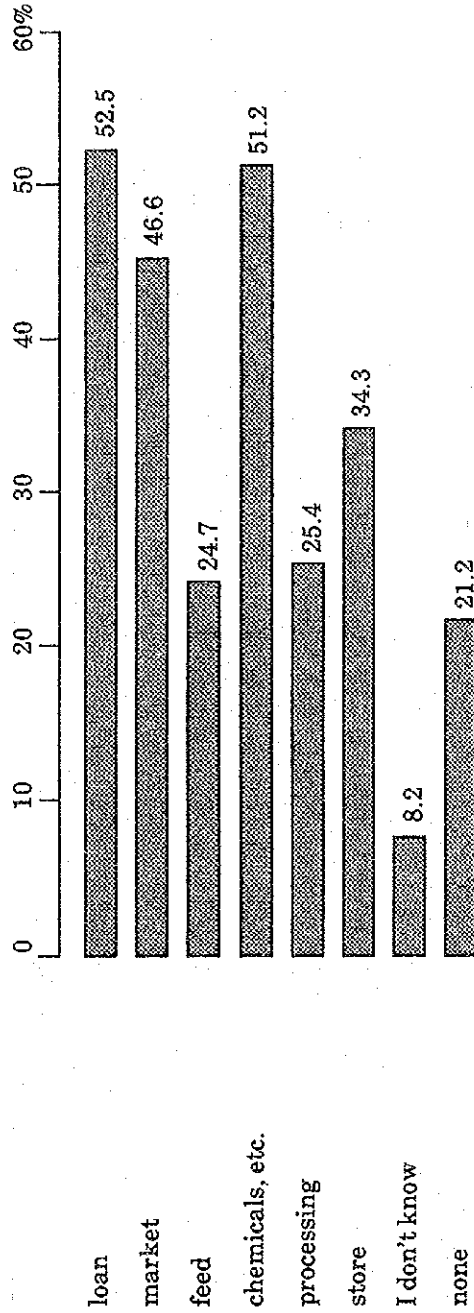
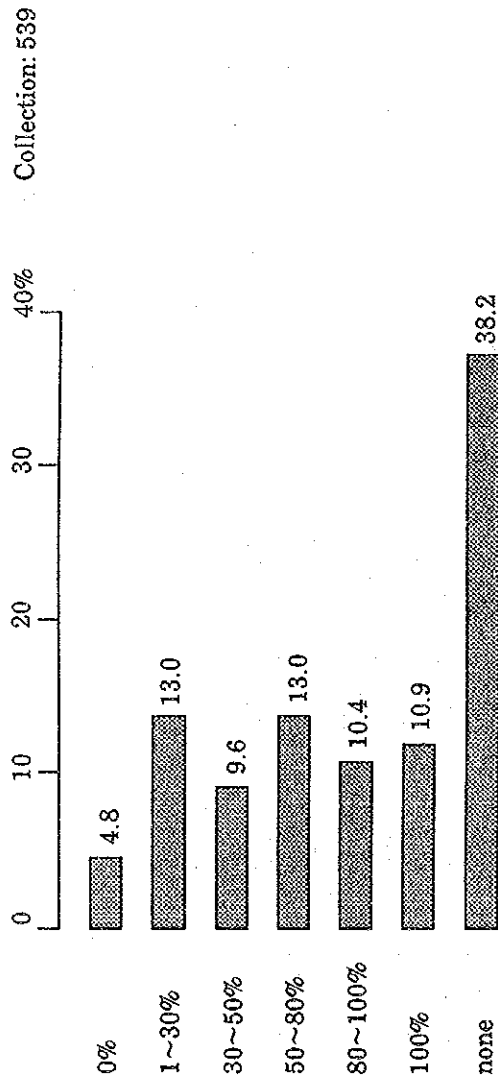


Table 2 Relation between reasons for joining and utilizing

Reasons for joining	utilizing	Total	Reasons for utilizing								I don't know
			loan	market	feed	chemicals, etc.	processing	store	none		
loan	utilizing	539	283	251	133	276	137	185	44	114	21.2
		100.0	52.5	46.6	24.7	51.2	25.4	34.3	8.2	8.2	21.2
market	utilizing	269	225	183	107	200	106	127	35	9	3.3
		100.0	83.6	68.0	39.8	74.3	39.4	47.2	13.0	3.3	3.3
feed	utilizing	226	187	191	112	183	108	117	32	4	1.8
		100.0	82.7	84.5	49.6	81.0	47.8	51.8	14.2	1.8	1.8
chemicals, etc.	utilizing	134	121	116	109	121	98	99	36	2	1.5
		100.0	90.3	86.6	81.3	90.3	73.1	73.9	26.9	1.5	1.5
processing	utilizing	268	214	185	118	224	116	132	37	8	3.0
		100.0	79.9	69.0	44.0	83.6	43.3	49.3	13.8	3.0	3.0
store	utilizing	183	144	144	101	145	111	105	36	6	3.3
		100.0	78.7	78.7	55.2	79.2	60.7	57.4	19.7	3.3	3.3
advice	utilizing	217	167	148	99	161	102	152	39	7	3.2
		100.0	77.0	68.2	45.6	74.2	47.0	70.0	18.0	3.2	3.2
I don't know	utilizing	37	24	20	6	21	9	6	-	3	8.1
		100.0	64.9	54.1	16.2	56.8	24.3	16.2	-	-	8.1
none	utilizing	1	-	-	-	-	-	-	-	1	100.0
		100.0	-	-	-	-	-	-	-	-	100.0
none	utilizing	121	5	9	5	15	4	9	1	95	78.50
		100.0	4.1	7.4	4.1	12.4	3.3	7.4	0.8	78.50	78.50

Fig. 3 Utilizing rates of co-ops (processing)

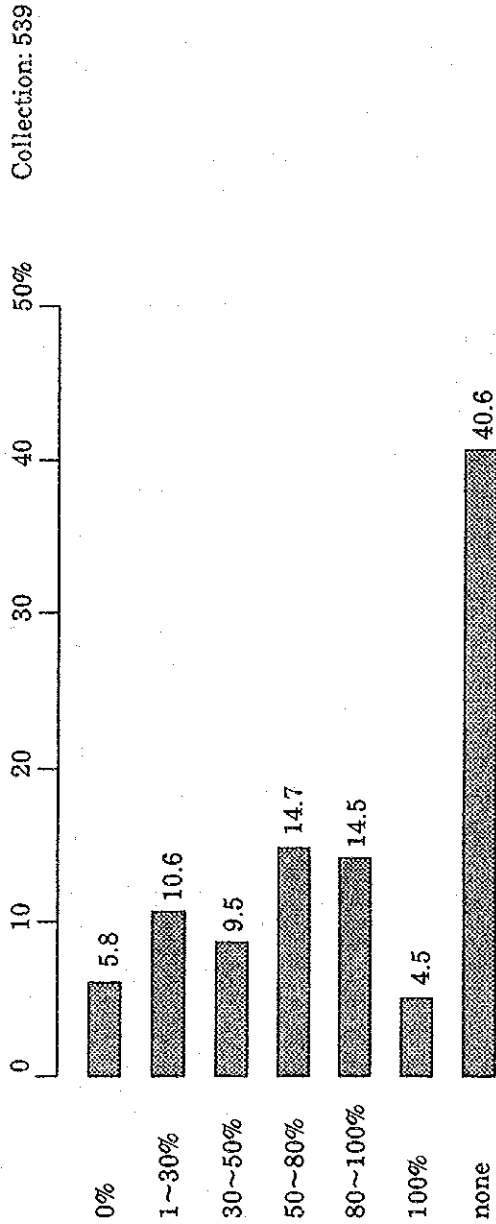


Collection: 539

Table 3 Utilizing rates of co-ops (processing)

	Total	0%	1~30%	30~50%	50~80%	80~100%	100%	none
	539	26	70	52	70	56	59	206
	100.0	4.8	13.0	9.6	13.0	10.4	10.9	38.2
10s	3	-	33.3	-	-	33.3	-	1
20s	61	1	9	4	6	6	6	29
	100.0	1.6	14.8	6.6	9.8	9.8	9.8	47.5
30s	142	5	19	17	13	10	18	60
	100.0	3.5	13.4	12.0	9.2	7.0	12.7	42.3
40s	114	5	14	11	13	13	10	48
	100.0	4.4	12.3	9.6	11.4	11.4	8.8	42.1
50s	120	9	13	13	25	15	12	33
	100.0	7.5	10.8	10.8	20.8	12.5	10.0	27.5
60s	67	3	11	5	9	6	9	24
	100.0	4.5	16.4	7.5	13.4	9.0	13.4	35.8
70s	21	2	2	2	2	4	4	5
	100.0	9.5	9.5	9.5	9.5	19.0	19.0	23.8
none	11	1	1	-	-	1	-	6
	100.0	9.1	9.1	-	-	9.1	-	54.5

Fig. 4 Utilizing rates of co-ops (marketing)

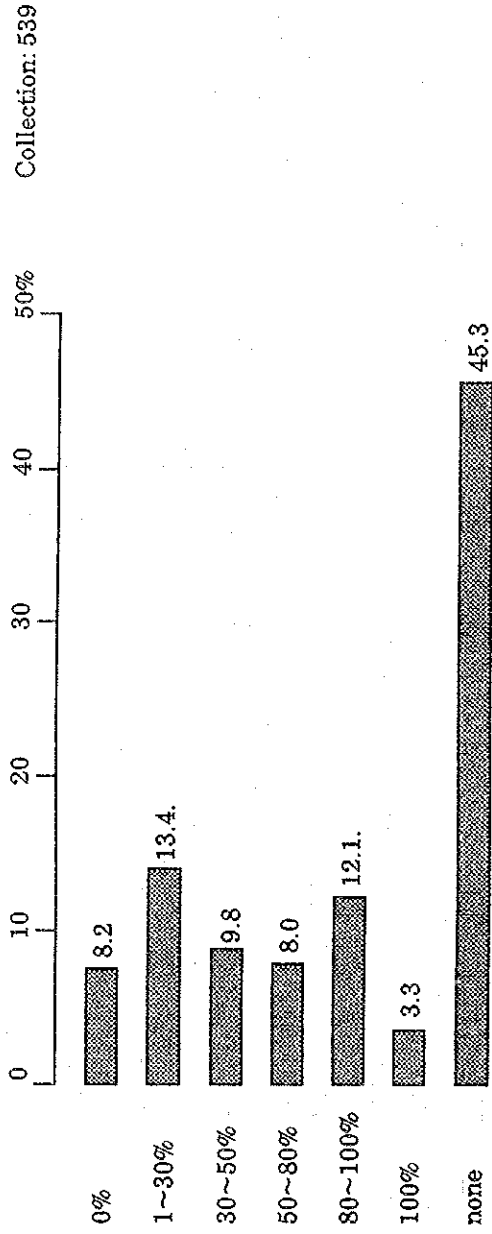


Collection: 539

Table 4 Utilizing rates of co-ops (marketing)

	Total	0%	1~30%	30~50%	50~80%	80~100%	100%	none
	539	31	57	51	79	78	24	219
	100.0	5.8	10.6	9.5	14.7	14.5	4.5	40.6
10s	3	-	1	-	1	-	-	1
	100.0	-	33.3	-	33.3	-	-	33.3
20s	61	2	5	8	11	4	2	29
	100.0	3.3	8.2	13.1	18.0	6.6	3.3	47.5
30s	142	13	15	14	10	14	6	70
	100.0	9.2	10.6	9.9	7.0	9.9	4.2	49.3
40s	114	4	12	7	17	21	5	48
	100.0	3.5	10.5	6.1	14.9	18.4	4.4	42.1
50s	120	8	14	12	20	22	9	35
	100.0	6.7	11.7	10.0	16.7	18.3	7.5	29.2
60s	67	3	7	8	14	9	1	25
	100.0	4.5	10.4	11.9	20.9	13.4	1.5	37.3
70s	21	1	1	1	4	7	1	6
	100.0	4.8	4.8	4.8	19.0	33.3	4.8	28.6
none	11	-	2	1	2	1	-	5
	100.0	-	18.2	9.1	18.2	9.1	-	45.5

Fig. 5 Utilizing rates of co-ops (purchasing)



Collection: 539

Table 5 Utilizing rates of coops (purchasing)

	Total	Utilizing Rate							none
		0%	1~30%	30~50%	50~80%	80~100%	100%		
	539	44	72	53	43	65	18	244	
	100.0	8.2	13.4	9.8	8.0	12.1	3.3	45.3	
10s	3	-	1	1	-	-	-	1	
	100.0	-	33.3	33.3	-	-	-	33.3	
20s	61	3	5	9	4	7	1	32	
	100.0	4.9	8.2	14.8	6.6	11.5	1.6	52.5	
30s	142	13	17	15	7	11	8	71	
	100.0	9.2	12.0	10.6	4.9	7.7	5.6	50.0	
40s	114	7	16	7	10	16	3	55	
	100.0	6.1	14.0	6.1	8.8	14.0	2.6	48.2	
50s	120	16	17	10	16	13	3	45	
	100.0	13.3	14.2	8.3	13.3	10.8	2.5	37.5	
60s	67	3	13	6	2	14	2	27	
	100.0	4.5	19.4	9.0	3.0	20.9	3.0	40.3	
70s	21	1	3	2	4	4	1	6	
	100.0	4.8	14.3	9.5	19.0	19.0	4.8	28.6	
none	11	1	-	3	-	-	-	7	
	100.0	9.1	-	27.3	-	-	-	63.6	

Fig. 6 Utilizing rates of co-ops (loan)

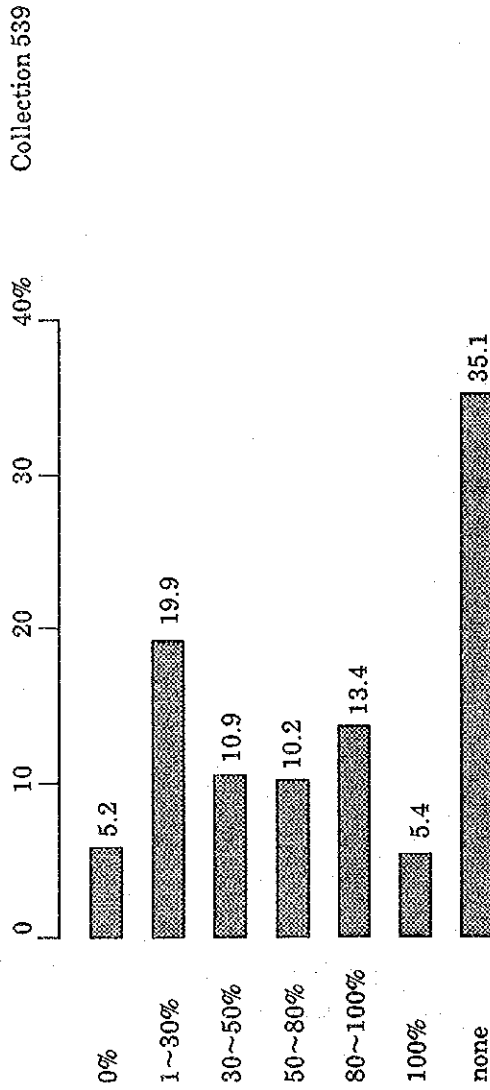
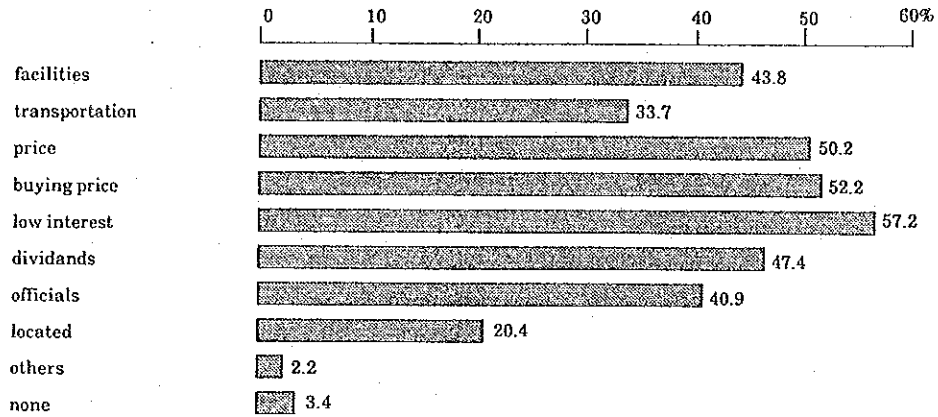


Table 6 Utilizing rates of co-ops (loan)

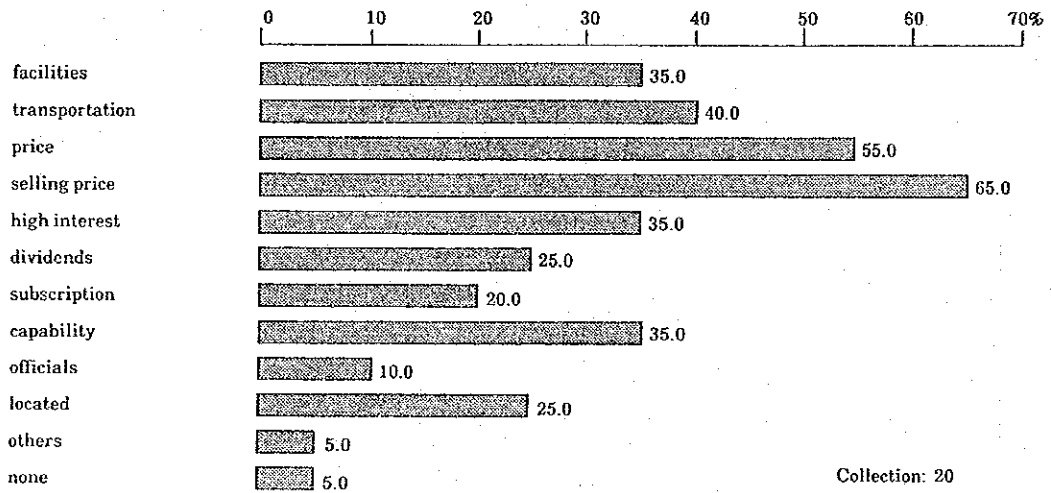
	Total	0%	1~30%	30~50%	50~80%	80~100%	100%	none
10s	539 100.0	28 5.2	107 19.9	59 10.9	55 10.2	72 13.4	29 5.4	189 35.1
20s	3 100.0	-	2 66.7	-	-	-	-	1 33.3
30s	61 100.0	3 4.9	9 14.8	12 19.7	1 1.6	8 13.1	3 4.9	25 41.0
40s	142 100.0	9 6.3	23 16.2	11 7.7	13 9.2	14 9.9	11 7.7	61 43.0
50s	114 100.0	4 3.5	27 23.7	12 10.5	12 10.5	16 14.0	4 3.5	39 34.2
60s	120 100.0	7 5.8	26 21.7	12 10.0	17 14.2	21 17.5	9 7.5	28 23.3
70s	67 100.0	2 3.0	14 20.9	8 11.9	6 9.0	11 16.4	1 1.5	25 37.3
none	21 100.0	2 9.5	3 14.3	3 14.3	5 23.8	2 9.5	1 4.8	5 23.8
	11 100.0	1 9.1	3 27.3	1 9.1	1 9.1	-	-	5 45.5

Fig. 7 Satisfactory aspects of co-ops



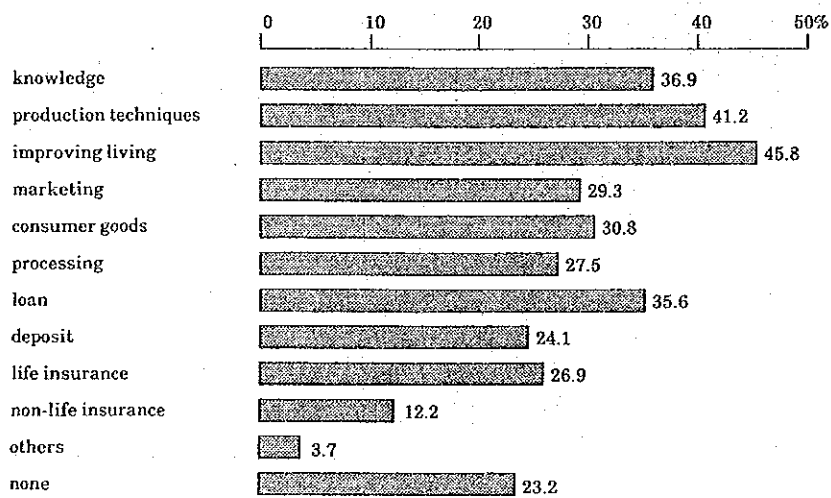
Collection: 416

Fig. 8 Dissatisfactory aspect of co-ops



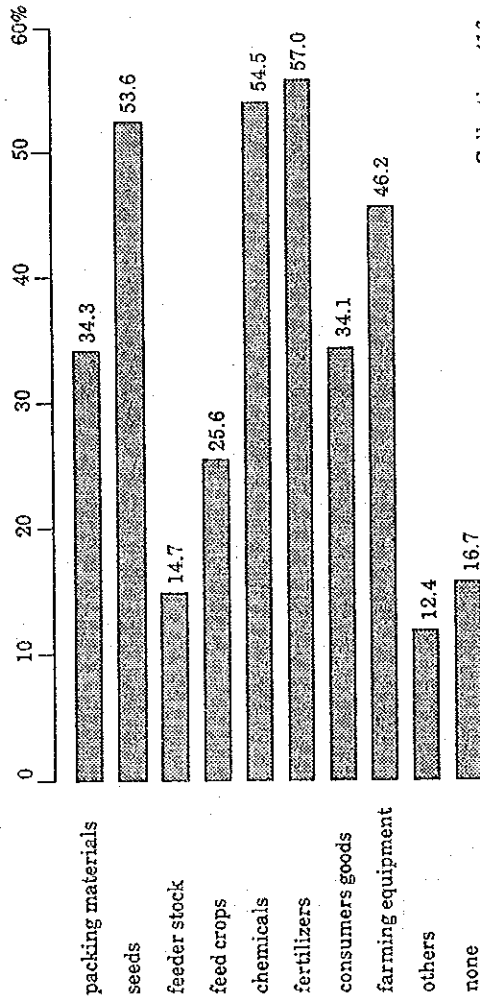
Collection: 20

Fig. 9 Improvements required



Collection: 539

Fig. 10 Wanting materials

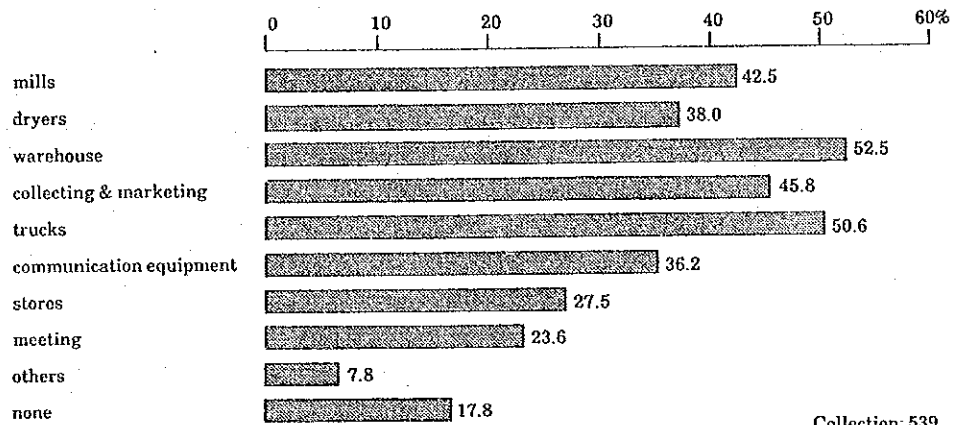


Collection: 416

Table 7 Wanting materials

	Total	packing materials	seeds	feeder stock	feed crops	chemicals	fertilizers	consumers goods	farming equipment	others	none
0%	539	185	289	94	138	294	307	184	249	67	90
	100.0	34.3	53.6	17.4	25.6	54.5	57.0	34.1	46.2	12.4	16.7
1 ~ 30%	44	13	27	3	6	34	30	24	26	8	4
	100.0	29.5	61.4	6.8	13.6	77.3	68.2	54.5	59.1	18.2	9.1
30 ~ 50%	72	24	38	10	22	50	48	25	41	8	3
	100.0	33.3	52.8	13.9	30.6	69.4	66.7	34.7	56.9	11.1	4.2
50 ~ 80%	53	24	28	11	13	34	36	22	31	5	2
	100.0	45.3	52.8	20.8	24.5	64.2	67.9	41.5	58.5	9.4	3.8
80 ~ 100%	43	113	27	11	14	22	29	10	19	6	2
	100.0	30.2	62.8	25.6	32.6	51.2	67.4	23.3	44.2	14.0	4.7
100%	65	34	50	25	23	46	50	30	41	14	4
	100.0	52.3	76.9	38.5	35.4	70.8	76.9	46.2	63.1	21.5	6.2
none	18	14	16	8	15	15	15	15	16	5	1
	100.0	77.8	88.9	44.4	83.3	83.3	83.3	83.3	88.9	27.8	5.6
none	244	63	103	26	45	93	99	58	75	21	74
	100.0	25.8	42.2	10.7	18.4	38.1	40.6	23.8	30.7	8.6	30.3

Fig. 11 Wanting facilities



Collection: 539

Table 8 Wanting facilities

	Total	mills	dryers	ware-house	collecting & marketing	trucks	communi-cation equipment	stores	meeting	others	none
	539 100.0	229 42.5	205 38.0	283 52.5	247 45.8	273 50.6	195 36.2	148 27.5	127 23.6	42 7.8	96 17.8
Owner operator	123 100.0	58 47.2	52 42.3	32 66.7	79 64.2	85 69.1	74 60.2	55 44.7	61 49.6	23 18.7	10 8.1
Share holder	75 100.0	38 50.7	35 46.7	39 52.0	36 48.0	41 54.7	21 28.0	16 21.3	7 9.3	1 1.3	7 9.3
Lease holder tenant	139 100.0	72 51.8	75 54.0	83 59.7	77 55.4	72 51.8	52 37.4	36 25.9	22 15.8	10 7.2	21 15.1
farm worker, etc.	43 100.0	13 30.2	10 23.3	22 51.2	15 34.9	19 44.2	9 20.9	13 30.2	14 32.6	4 9.3	5 11.6
Others	9 100.0	3 33.3	2 22.2	4 44.4	4 44.4	3 33.3	3 33.3	1 11.1	1 11.1	-	1 11.1
None	59 100.0	20 33.9	20 33.9	25 42.4	20 33.9	27 45.8	17 28.8	15 25.4	13 22.0	-	17 28.8
not concerned	91 100.0	25 27.5	11 12.1	28 30.8	16 17.6	26 28.6	19 20.9	12 13.2	9 9.9	4 4.4	35 38.5

Table 9 Wanting facilities

	Total	mills	dryers	ware-house	collecting & marketing	trucks	communi-cation equipment	stores	meeting	others	none
	539 100.0	229 42.5	205 38.0	283 52.5	247 45.8	273 50.6	195 36.2	148 27.5	127 23.6	42 7.8	96 17.8
0%	31 100.0	15 48.4	11 35.5	18 58.1	12 38.7	16 51.6	10 32.3	9 29.0	9 29.0	1 3.2	2 6.5
1 ~ 30%	57 100.0	26 45.6	18 31.6	45 78.9	33 57.9	37 64.9	32 56.1	30 52.6	29 50.9	8 14.0	-
30 ~ 50%	51 100.0	27 52.9	21 41.2	32 62.7	21 41.2	25 49.0	13 25.5	12 23.5	9 17.6	-	6 11.8
50 ~ 80%	79 100.0	40 50.6	42 53.2	46 58.2	46 58.2	46 58.2	34 43.0	19 24.1	16 20.3	2 2.5	5 6.3
80 ~ 100%	78 100.0	50 64.1	50 64.1	54 69.2	50 64.1	52 66.7	41 42.6	26 33.3	14 17.9	8 10.3	1 1.3
100%	24 100.0	16 66.7	16 66.7	20 83.3	16 66.7	22 91.7	14 58.3	13 54.2	14 58.3	7 29.2	-
none	219 100.0	55 25.1	47 21.5	68 31.1	69 31.5	75 34.2	51 23.3	39 17.8	36 16.4	16 7.3	82 37.4

Table 10 Interest in co-ops

	Total	Yes	No	none	Not concerned
	148 100.0	120 81.1	6 4.1	22 14.9	391 -
Rice	69 100.0	58 84.1	3 4.3	8 11.6	237 -
Corn	22 100.0	19 86.4	- -	3 13.6	66 -
Wheat, Barley, etc.	2 100.0	2 100.0	- -	- -	2 -
Bananas	26 100.0	23 88.5	1 3.8	2 7.7	95 -
Pineapple	5 100.0	4 80.0	- -	1 20.0	16 -
Coconut	17 100.0	17 100.0	- -	- -	84 -
Mango	15 100.0	14 93.3	- -	1 6.7	47 -
Vegetables	51 100.0	46 90.2	1 2.0	4 7.8	152 -
Suger cane	11 100.0	11 100.0	- -	- -	24 -
Broiler chicken	30 100.0	23 76.7	2 6.7	5 16.7	113 -
Hens	39 100.0	33 84.6	1 2.6	5 12.8	134 -
Hogs	33 100.0	30 90.9	1 3.0	2 6.1	123 -
Beef cattle	13 100.0	10 76.9	- -	3 23.1	56 -
Dairy farming	3 100.0	2 66.7	- -	1 33.3	29 -
Others	12 100.0	11 91.7	1 8.3	- -	42 -
None	3 100.0	1 33.3	- -	2 66.7	3 -
Not concerned	37 100.0	27 73.0	2 5.4	8 21.6	54 -

Table 11 Interest in joining a co-op

	Total	Yes	No	None	Not concerned
	120 100.0	110 91.7	3 2.5	7 5.8	419 -
Rice	58 100.0	55 94.8	1 1.7	2 3.4	248 -
Corn	19 100.0	19 100.0	- -	- -	69 -
Wheat, Barley, etc.	2 100.0	2 100.0	- -	- -	2 -
Bananas	23 100.0	23 100.0	- -	- -	98 -
Pineapple	4 100.0	4 100.0	- -	- -	17 -
Coconut	17 100.0	16 94.1	1 5.9	- -	84 -
Mango	14 100.0	14 100.0	- -	- -	48 -
Vegetables	46 100.0	45 97.8	- -	1 2.2	157 -
Suger cane	11 100.0	11 100.0	- -	- -	24 -
Broiler chicken	23 100.0	23 100.0	- -	- -	120 -
Hens	33 100.0	32 97.0	- -	1 3.0	140 -
Hogs	30 100.0	28 93.3	1 3.3	1 3.3	126 -
Beef cattle	10 100.0	10 100.0	- -	- -	59 -
Dairy farming	2 100.0	2 100.0	- -	- -	30 -
Others	11 100.0	11 100.0	- -	- -	43 -
None	1 100.0	- -	- -	1 100.0	5 -
Not concerned	27 100.0	22 81.5	2 7.4	3 11.1	64 -

3. Evaluation

3-1 Organization

3-1-1 Primary cooperative level

(1) Size of cooperative membership

The fact that new agricultural cooperatives have been established at a rapid rate since the enactment of the New Cooperative Law indicates that there has been an increase in farmers' understanding of the role of cooperatives. We can give credit to the CDA for the success of its policies on agricultural cooperatives.

However, the size of agricultural cooperatives businesses is in general extremely small and, unless policies are devised to expand them, one can expect a fair number to begin withdrawing from the agricultural cooperative movement.

Urging farmers, who are not yet members to join agricultural cooperatives, and thereby increasing membership, and co-op business usage by members, is necessary for expansion of business. However, with a few exceptions, agricultural cooperatives are not fully aware of this necessity.

First of all, it has become an urgent task to increase membership by recruiting farmers who are not yet members.

There are agricultural cooperatives which have made considerable strides in getting women in member households and in farming villages to become members. In many cases, agricultural cooperatives, which have a lot of women members, are managing well. It is desirable to promote membership among women not only because it increases membership, but women make their own preferences known and can cause these to be incorporated in the conduct of the cooperatives. Further, it would be advisable to encourage those who will eventually take over farms from their parents to join the cooperative, in order to incorporate the desire for reform of agricultural management among young farmers into the operations of the cooperatives' businesses.

Activities such as inviting non-members to seminars, and to participate in agricultural festivals in the area in order to increase their interest in cooperatives are extremely effective.

While the need to expand the size of cooperative businesses is recognized, there are a few instances in which activities to bring non-member farmers into the organizations is impossible. These are the instances in which multiple agricultural cooperatives engage in the same types of businesses, overlapping in areas where business cannot be expanded to any great extent. Allowing this type of situation to remain invites failure by all agricultural cooperatives. With advice and guidance from governmental institutions and unions, restarting the movement through mergers of the affected agricultural cooperatives will become an issue.

(2) Decision-making bodies and executive capabilities

When one considers that a proxy system does not exist, the high rates of attendance by members at general meetings, which for them are the highest decision-making bodies, indicates a great deal of interest among members. We believe this point deserves very high marks. With regard also to the examples of large cooperatives which have adopted the representatives' general meetings introduced in the section on "Current State" we can give high marks for the progress made in educating members about the representatives' meetings.

We believe that management capabilities are being appropriately developed. As indicated by at least the cooperatives subject to our detailed surveys, cooperatives appear to elect as directors and members of the various committees outstanding persons who have experience as leaders in the locales of the respective cooperatives. We look forward to their leadership abilities being demonstrated hereafter.

Some agricultural cooperatives are in excellent condition because they have an internal audit performed every week.

It is evident that sufficient attention has been paid to the requirements for laying the groundwork for general meetings and executive structures.

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

As the membership increases ties may weaken between individual cooperative members and the cooperative. It is necessary to adopt policies which prevent this from happening and which foster stronger ties between individual members and the cooperative, even when size reaches enormous proportions. This means organizing cooperative members into groups within small districts, where

members can gather easily. The cooperative taps into the wishes of members primarily through dialogue within these groups.

Many cooperatives are already able to organize such groups of members. Consultations regarding selection of candidates for director, and discussions for planned repayment of production loans suggest that within these small district units, cooperative members have a great deal of concentrated experience.

Such groups of members are organized each time the cooperative requires it. If they can evolve into permanent organizations, by member resolution, and if through them a dialogue with the cooperative can be sustained in the context of daily activity, the ties between it and the members should become stronger, even if the co-op's membership is very large.

3-1-2 Province/City/Regional level

(1) Unions

Although agricultural cooperatives are counting on provincial unions to assist them in solving problems relating to organization, management, and education, the latter are not sufficiently active in these areas due to financial instability, and extreme shortages of manpower, which is disappointing.

Although provincial unions have become regular members of CUP as a result of revisions of the CUP articles of incorporation, opportunities for daily exchange are virtually nonexistent. In addition, due to the extreme weakness of regional unions, we must conclude that they are in no condition to be able to support the activities of provincial unions.

(2) Federations

Federations are neither structuring their businesses nor selecting commodities based on the underlying premise behind federations: that they exist to supplement the businesses of primary agricultural cooperatives. Therefore they cannot with confidence urge primary cooperatives to use their services.

Furthermore, in some districts, multiple federations engaging in the same businesses exist, causing competition to arise among federations, and between

federations and primary cooperatives. Such a situation must be corrected immediately.

With a few exceptions, CRBs too are weak and they are unable to support efforts to strengthen the credit operations of primary agricultural cooperatives. Moreover their offices are found in the cities and they do not have the resources to place branches in rural areas. As a result, their use is limited to a few primary agricultural cooperatives located nearby.

VICTO, on the other hand, is sharing common officials with the regional union, and sending two part-time staff members on loan to the union in order to strengthen their relationship, and support primary cooperatives' activities jointly. This effort deserves of high praise.

3-1-3 National level

Today's CUP is unstable financially, and has a shortage of employees. Compared with other types of cooperatives, its ability to provide guidance to cooperatives with problems that need to be solved is inadequate from an organizational and managerial standpoint, and from the standpoint of its business activities.

If FACOP can develop its businesses while cognizant that its role is to supplement the operations of primary cooperatives and federations, and can expand its membership in an organized fashion while doing so, it should develop into the country's only national marketing and supply federation.

If CISP's intentions are to develop its mutual insurance operation as an essential cooperative business, then it possesses adequate experience to perform in the role of a national mutual insurance federation. However, the way its insurance business is presently structured does not encourage primary cooperatives' participation in the operation of the business.

The fact that a national cooperative bank does not exist is a setback not only for the credit businesses of primary agricultural cooperatives, but also for the promotion of primary agricultural cooperatives in general. It is therefore necessary for CUP, BANGKOOP, and other national level cooperative organizations to come to grips with this issue and to establish such a bank. On the other hand, BANGKOOP, along with CRB, must develop and guide the deposit

operations of primary cooperatives, and regulate and provide guidance in structuring of credit operations.

For NATCCO, the current issue is expansion of member agricultural cooperatives, while for PFCCI, the issue is increasing the number of the credit cooperatives, which are its members.

3-2 Management

3-2-1 Primary cooperative level

According to financial statements and other data gathered about the primary agricultural cooperatives we surveyed, the financial condition of individual cooperatives is not bad. The reason is not whether they are earning sufficient amounts of revenue, but that expenses, in particular depreciation expense, are low. The reason that expenses are low is that the size of the business is small, and that the fixed assets that get depreciated are limited. This trend is evident among individual cooperatives which have just been formed.

Reflecting the weak operational foundations of individual cooperatives, modern methods of managing cooperatives have not been adopted. The fact that cooperatives are behind in their development of managerial expertise which is appropriate to the scale and content of operations, is a problem.

3-2-2 Province/City/Regional level

(1) Unions

Although their bases of revenue are weak, there are no major problems with the managerial control per se of the unions.

However, in almost all the unions, full-time staffing by directors and employees is inadequate, and there are unions which do not have a single full-time executive or employee. This point is a major factor behind why they are unable to respond to the expectations of primary agricultural cooperatives.

Actual managerial control rests with different persons, depending on the union concerned. In the examples in our survey, the role was generally filled by the chairmen or the managers. Almost all of these persons were volunteers, thus, establishing an ongoing operational structure is an issue.

(2) Federations

In the case of federations, the proper way of managing them as federated organizations conducting business, has yet to be established. While the question of how to effect an increase in revenue through increased use by members is a basic one for the management of federations, we did not notice sufficient efforts to

deal with this matter. The basic role of federations is to supplement the businesses of the primary cooperatives. However, at present, the federations are not fulfilling this function. The securing of facilities, and operational funds which are needed to make this possible, is an issue.

3-2-3 National level

(1) CUP

Because of financial constraints, CUP is unable to respond adequately to members' expectations. Although its financial situation is not completely satisfactory, it would be fair to say that it has no major problems with respect to methods of managerial control.

However, the fact that CUP has fallen behind in the development of a managerial information system linking members across the country, is preventing it from fulfilling its role as an institution of guidance.

(2) BANGKOOP

Although it needs to deal with many major issues, including development and assistance related to deposit operations by primary cooperatives, and the development and examination of systems to absorb those funds, BANGKOOP is presently not equipped to take on such issues. The issues it faces include securing personnel capable of handling the details of financial operations, considering the development and introduction of EDP systems, and designing financial products to attract savings.

(3) CISP

The fact that its market share is not adequate is a problem. There is a need for CISP to investigate the manner in which it provides information to local agricultural cooperatives about its mutual insurance operation.

(4) FACOP

There is a need for FACOP to create a track record while attempting to adjust fields of activity where they overlap with BANGKOOP's commercial businesses in similar ventures. Strengthening its affiliated local agricultural cooperative organizations, and building a foundation for its operations through adjusting

overlapping fields of activity with the AMC, and through agreeing to functional rearrangements with it, are issues that must be resolved.

(5) NATCCO

The issue currently facing NATCCO is to increase the number of member agricultural cooperatives. After member cooperatives attain a certain number, it will be necessary to design a plan of operation for assisting them with facilities-development programs, with development of sales networks, and with production of high-quality agricultural products.

(6) PFCCI

Although its membership is not large, the PFCCI must expand its volume of business while bearing in mind the trend toward development of a unified national financial institution for cooperatives.

3-3 Marketing and Supply Business

3-3-1 Primary cooperative level

(1) Four major Issues

1) Average size

The large number of small cooperatives has negative effects, because they compete against each other for market, supply, and credit. In the process of competition, they align themselves with private dealers from whom they obtain their supplies of farm inputs, and to whom they sell their farm products. To strengthen the cooperative movement in the Philippines, the dependence of cooperatives on private dealers must be stopped. It might be advisable to encourage some steps to make it more difficult to form small cooperatives by requiring, for example, a higher level of capitalization, a higher level of initial membership, and a more detailed economic feasibility study. The second step is for the CDA to conduct an annual review of the financial performance of small cooperatives. Those that are judged to be financially unstable should be advised to merge with bigger, and more financially stable cooperatives.

2) Profitability

The first ratio indicates that the return of investment in cooperatives is extremely low. Considering that the inflation rate was about 9% in 1991, the real return of capital would be -7%. The net profit-to-sales ratio indicates that the cost of goods sold, and the operating cost of the cooperative is about 98%, an extremely high figure in any industry, but not surprising in the case of cooperatives considering the very limited volume of sales. The 21% ratio of equity-to-asset indicates the cooperatives have not been able to build up their equity over the years, perhaps because of low profits, or perhaps due to cooperative policies on retained earnings or distribution of dividends.

3) Diversity of products and service

The range of commodities handled by cooperatives is extremely limited, compared with the crops farmers produce. This intensifies the competition between cooperatives and private dealers, and among cooperatives themselves, which in turn reduces the profit to a minimum. Also, the price and production

risks are greater for cooperatives that handle a relatively limited number of commodities.

4) Adoption of technology

Each cooperative has at least a warehouse, a truck, an office, and a rice mill. It shares stores, dryers, and tractors with other businesses, and none of the cooperatives interviewed had threshers and harvesters. In general Categories I and II cooperatives have newer facilities, and generally in good condition, while the facilities of Categories III and IV are about 10 - 20 years old. The result also shows that, except for warehouses and dryers which are utilized 62% of capacity, all other facilities are fully utilized. Only 55% are in good condition. About 45% need to be repaired to be fully operational.

Threshers and harvesters are not standard machinery among the cooperatives. This is surprising, considering that the principal business is palay. Another interesting result of the survey is the high percentage of equipment in need of repair. The maintenance cost of old and obsolete facilities is expensive, in terms of repairs, and in downtime that could otherwise be used for productive purposes. The inability of cooperatives to replace the old and obsolete machinery, or keep the new ones in good working condition, reflects their inability to adopt new and more advanced technology requiring more careful operation, skilled operators, and regular maintenance.

(2) Business technicalities

1) Marketing business

It is interesting that the federations are not involved as sources or outlets of farm products. There are a number of reasons for this phenomenon. First, federations do not have the working capital or the facilities to procure farm products from the primary cooperatives, and sell them to major marketing centers. Second, they do not have the contacts nor the experience to compete directly with the private wholesale dealers. Third, there exists a strong personal and business loyalty between the primary cooperatives, and private wholesale dealers. Fourth, farmers find it convenient to sell their products to private wholesale dealers, because they require very little paperwork, pay in advance or in cash, and accept inferior quality products at reduced prices.

In order for the federations to compete effectively with the private wholesale dealers, they must provide the kind of services, and convenience, and match the prices established by the wholesale dealers.

The need for cash procurement is unnecessary if a cooperative maintains a good relationship with the farmers. Cash purchases should be made only as a competitive strategy, otherwise consignment purchases should be encouraged as a way to shift the financing burden to the farmer, rather than to the cooperative. As a general rule, cash and demand sales should be encouraged to improve the cash flow situation of the cooperative. Consignment sales and installment sales should be used only as a competitive strategy.

2) Supply business

The results of the survey show the importance of private dealers in both the marketing and the supply businesses of the cooperative. The private wholesale dealer is the major source of farm inputs, as well as a major outlet of farm products. On the other hand, the cooperative federation plays an insignificant role in both the marketing and supply businesses of the primary cooperative, despite the fact that federations are organized to assist the primary cooperatives in their marketing and supply businesses.

The pattern of financing procurement and sales of farm inputs creates a cash flow problem for the cooperative. Cash and demand payments constitute 97% of all procurement, while cash and demand sales constitute only 75%. As in the marketing business, installment and consignment payment should be used in procurement, while sales should maximize cash and demand payments.

3-3-2 Province/City/Regional level

(1) Marketing business

The cash flow problem is reduced because of the minimum percentage of cash purchases relative to cash sales. Trading among federations does not exist. The reason for this is because of the absence of a strong national federation. This should be a priority area of development, the organization of backward and forward linkages of provincial and national federations. It is only through cooperation among the federations that they can compete effectively with the organized wholesalers.

(2) Supply business

As in farm product marketing, there does not seem to be a cash flow problem in supplies procurement and sales. The biggest problem is the dependence of federations on private dealers as a source of supplies and their dependence on cooperative members, and primaries for their outlets. The federations should develop alternative markets, and alternative sources of supply.

3-3-3 National level

Evaluation of FACOP at the present time is not possible because it is not fully operational. Although there is a full time administrative assistant and a part time director, no significant business was conducted.

An organizational structure and operational plan for a FACOP-type organization will be presented in a separate section.

3-4 Credit Business

3-4-1 Primary cooperative level

(1) Production loans for farmers

Serious problems are beginning to appear, which in the not too distant future could easily lead to the demise of many primary cooperatives and possibly the LBP itself. Some of the major reasons observed during the field survey are:

- a. Most cooperatives, especially the smaller, newly established, and under-capitalized ones, are very poorly equipped to effectively manage a credit business. They lack the necessary staff and many function with part-time volunteer help from farmer-members, or their families. Even simple procedural manuals are lacking. The minimal training provided focuses mostly on satisfying the loan documentary and reporting requirements of the LBP with little regard for the credit worthiness of the ultimate loan recipient, the farmer.
- b. Some exceptions are found among the larger, more established cooperatives. They are generally more capable of providing the human resources necessary to manage a credit program. But many are having difficulties with mounting delinquencies, because they are improperly organized, inadequately trained, and lack many of the necessary tools such as monitoring (accounting) systems, procedural manuals and adequate mobility to supervise large numbers of small borrowers.
- c. Logically the cooperatives best able to manage credit for farmers are the larger and well established multi-purpose cooperatives, which operated for a number of years strictly as credit cooperatives. However, even some of these are having difficulties controlling delinquencies, because of the rapid expansion in the number of borrowers created by the LBP program, and as a result many still lack the necessary tools mentioned above.
- d. In a great many instances, it was found that the LBP program is inadequate and/or inappropriate. The most universal deficiency is that no provision is made to provide needed loans to farmers for emergencies. Therefore, unless a cooperative can provide those needs from its own resources, such as established credit cooperatives are capable of providing, the farmer is usually forced to seek such loans from money lenders or traders, at exorbitant rates.

This not only fragments his borrowings and repayment capacity but keeps the farmers dependent upon those informal sources. And, of course, the money lenders usually get paid first, partly because of the high interest rate, but also because they are more easily accessible, require far less documentation than formal lenders, and are a far more reliable source for future loans.

- e. Because the LBP crop loans are based upon a formula related to rice production and generally applied countrywide, they are sometimes not only inadequate but also inappropriate. Perhaps an extreme example was found in Benguet province. One area had farmers engaged in planting tree crops. They were granted the same standard P 8,000 per hectare as rice farmers, which was inadequate for the purpose, and the loan maturity was for a six-month period, which is the crop cycle for rice and therefore totally inappropriate, since tree crops generally take 3 to 5 years to reach their full income producing stage.
- f. Virtually every primary cooperative surveyed cited problems related to the repetitious documentation for repeat borrowers required by LBP, and the late release of loan funds, which forced farmers to seek temporary bridge loans from moneylenders. However, most cooperatives were in favor of the LBP crop loan program, mostly because of the relatively low interest rate.
- g. Of greatest concern, the current crop loan program could easily lead to the demise of thousands of small undercapitalized primary cooperatives. It appears that LBP is granting loans to those cooperatives for on-lending to farmers with little regard for the cooperative's financial condition. With the passage of time, and when delinquencies grow, as they now do the cooperative's liability to LBP also grows, because the LBP will not approve new loans to delinquent borrowers thereby forcing them to return to money lenders. The existence of these liabilities could also become a major deterrent to the potential merger of smaller cooperatives which appears to be the present thrust of the LBP. As a general rule, merging two or more insolvent entities will not by itself create a solvent entity.
- h. In the circumstances above mentioned, there are agricultural cooperatives that guide strictly to offers of loan easily made by members, and after lending, make the borrowers report to a staff in charge of credit activity or a

credit committee periodically in order to prevent overdue, although the number is small.

(2) Savings mobilization

There appears to be a serious lack of training of cooperative staff members to motivate them to promote effective savings programs, and in the education of members of the advantages from savings.

The major exceptions to the foregoing problem are the well established credit-type cooperatives which have historically relied heavily on promoting member savings. Promoting women's participation in agricultural cooperatives seems effective to start and develop savings programs.

(3) Borrowings

The thousands of new small primary cooperatives generally do not have sufficient equity capital or repayment capacity to support any meaningful business activities. However, in spite of their low capital base, most have received LBP loans for on-lending to farmers for crop production purposes.

Also, the majority of the larger, more established primaries have insufficient equity capital and/or repayment capacity to support additional borrowings for their business and facility needs. Some of that is due to excessive borrowings for postharvest facilities under earlier government soft loan programs. A few appear to have the capacity for additional borrowing if an appropriate source is available, and some have been successful in obtaining short-term lines of credit from LBP.

Many of the larger, well established agri-based credit cooperatives appear to have both the capital base, and repayment capacity, to leverage additional short-intermediate- and long-term loans to support significant growth. However, a reliable source that can cater to their specific needs is currently not available. Also, little or no training has been provided to them on proper asset/liability management, and the effective use of credit to support and expand their business activities.

3-4-2 Province/City/Regional level

(1) Supply and marketing entities

a. Loans to members and savings mobilization

Except in unusual situations, such as where CBs or other cooperative financial institutions are not accessible, it is strongly recommended that cooperative supply and marketing entities should not be directly involved in providing loans or deposit functions for their member primaries, other than normal trade credit associated with their principal business.

b. Borrowings

Since the vast majority of unions and federation lack both the necessary equity base and repayment capacity to borrow needed development funds, emphasis needs to be placed on developing such borrowing capacity. To a large degree this could be accomplished by upgrading financial management skills of their staffs and through more effective training of their staffs, boards of directors and members.

(2) Cooperative Banks (CBs)

a. Loans to member primaries

CBs could become a vital link in a cooperative finance system emanating from an apex cooperative financial intermediary, if and when such an apex institution is established. However, before that becomes a reality, it will be necessary for the provincial CBs to substantially improve their performance and capabilities as effective financial intermediaries. Most of the provincial CBs are currently seriously under-performing and undercapitalized. Intensive management training for management and boards of directors will be required to improve performance along with significant growth in their equity bases. An integral part of any development program for CBs will be to satisfy the critical need to vastly improve their accessibility to their member primaries. Additionally, their linkages with an apex institution, as well as their intermediary capabilities, could be enhanced significantly through development of regional CBs. The establishment of provincial and urban-based CBs where none now exist should be encouraged, but only if they can be established as viable and capable links in a centrally focused cooperative finance system.

b. Savings mobilization

Most of the comments in (2) a. above apply equally to developing CBs as central depositories to improve their intermediation capabilities at the provincial and regional levels. CBs could play an important role in assisting member primaries in expanding their deposit mobilization capabilities by developing appropriate and timely savings promotion programs, and activities.

c. Borrowings

Again, the comments in (2) a. above apply also to developing the borrowing capacities of CBs. However, in the development of an adequate and reliable source of loan funds, the apex level would also be critical for the CBs to utilize their borrowing capacities most effectly in expanding their lending and other financial services to their primary members.

(3) Regional Cooperative Development Centers (RCDs)

Because of their demonstrated successful performance on a limited scale as financial intermediaries, and with their effective training capabilities, the RCDs could more readily be developed and integrated into a nationwide cooperative system.

3-4-3 National level

There remains a very critical need for the development of an effective, capable and reliable apex financial intermediary for cooperatives in the Philippines, if the cooperative sector is to be provided the opportunity to grow and succeed.

3-5 Insurance Business

3-5-1 Primary cooperative level

At present, the role that primary cooperatives play with regard to CISP's insurance business, is limited to soliciting new policyholders among members. Strengthening this function and expanding business would probably be quite difficult unless the current manner in which CISP and the cooperatives relate were improved.

In the first place, it is regretful but obvious that CISP is failing to provide adequate education and training and information to the cooperatives, and that communication with them regarding the establishment of objectives for solicitation is inadequate. As a result, cooperatives perceive their activity in soliciting new policyholders among members as nothing more than a one-way request from an individual life insurance company. There is no system in place whereby the cooperative establishes an objective for a certain number of new contracts, holding itself responsible for it, and making its approaches to members on that basis, and, if the objective is not achieved, to seek the causes of failure and to devise measures in response.

Furthermore, except for the few cooperatives with strong operation that are selected by CISP, cooperatives do not receive guidance directly from CISP employees on production of manuals required for the conduct of their activities. Therefore, it is not easy for cooperatives to increase the number of new policyholders or the amounts of insurance in force. Even assuming that the CISP revises rates on commissions received in accordance with new contracts solicited, there would probably not be much of an effect. Under such conditions, cooperatives cannot appropriately respond to the considerable interest among members about insurance, or fulfill their expectations for cooperative involvement in the insurance business, thus leaving themselves open to incursions by other insurance companies. Drastic measures are required.

On the other hand, strong wishes have been expressed by managers and others in cooperatives in our detailed survey regarding the possibility of establishing the insurance business as one of the divisions of cooperative operations in the future.

Placing the insurance business within the framework of cooperative operations as one of its divisions, means not restricting cooperatives to merely soliciting new policyholders, but treating insurance as a proper cooperative business, like selling agricultural products, or supplying material for agricultural production. Further, it implies cooperatives becoming insurance underwriters. Given the nature of the insurance business, it will be necessary for cooperatives to establish, at the federation level, institutions for reinsurance and re-reinsurance, and to create a unified and coordinated system for the insurance business. This should remain a long-term issue.

3-5-2 National level

Although CISP's business has increased each year, it has unfortunately failed to adequately publicize the benefits of cooperative insurance through the various media, to communicate with cooperatives, and to provide various insurance-related information. It has also failed to adequately educate and train cooperative employees. This has been due partly because of a lack of sufficient resources to establish regional offices in all regions. Assistance by CISP employees through visits to cooperatives has tended to be limited to cooperatives of a certain size, which are also strong operationally. This tendency has been a factor, obstructing the broad development of business through cooperatives in all regions.

Some cooperatives point to the insufficient effort by CISP to bring the experience and opinions of cooperatives engaged in solicitation of new policyholders among their members into its purview. In addition there is criticism that the methods used to establish objectives for new contracts, which the cooperatives are then told to meet, are strongly unilateral, based on the convenience of CISP.

As these problems requiring solution pile up, there is very little awareness among cooperatives that they and CISP must act as a unit to promote the insurance business. For cooperatives, the CISP is perceived not as the national organization for cooperative insurance but simply as another life insurance company. The greatest factor hindering the spread and promotion of insurance lies here.

This obstructive factor is keeping the function of cooperatives in the insurance business at the level of simply soliciting new policyholders, as they are

doing now. We believe that this factor will not be easily dislodged by a few measures aimed at improvement.

The CISP should take up as long-term concerns the issues of creating cooperatives as organizations of underwriting and of establishing insurance as operating divisions of cooperatives, and should probably conduct investigations aimed at making these a reality.

In that instance, from the standpoint of diversification of risk due to the nature of the insurance business, this will mean the establishment of federations that engage in reinsurance and re-reinsurance. For the time being, there is a need to establish a national federation for cooperative insurance at the national level, and to build a one-layer system of insurance. It would be possible to position CISP as the starter organization for such a federation.

Furthermore, if we were to add a final word, it would be that the objectives put forth by CISP for the cooperative insurance business--(1) disseminating the ideals of the cooperative movement; (2) providing low-cost insurance that would be appreciated by society; (3) promoting programs of self-help through savings; and (4) creating a financial foundation for the cooperative movement, --- would be realizable only if cooperatives and federations acted as a unit in this manner and created a system whereby responsibility was mutually shared.

3-6 Education and Guidance Activity

3-6-1 Primary cooperative level

There are wide differences among the cooperatives. Some are energetically carrying out a wide variety of education and training activities, while others are unable to do anything on their own, and end up introducing their members to activities handled by external organizations. The differences in activities are dependent mainly on the size of the cooperatives. This is one of the main factors impeding the systematic implementation of education and training activities. Other major problems and challenges are as follows:

(1) Education and training of officers and employees

a) The development of each cooperative is often dependent on whether it has competent personnel for bookkeeping and general management. The greatest difference between Category I and Category II cooperatives seems to depend on this factor. Small cooperatives have to make special efforts in securing and retaining such personnel.

b) Except for the large cooperatives under Category IV, most cooperatives are unable to bear the costs of attending the complete training sessions and seminars. Such training is held mostly during meetings of individuals from various cooperatives, and this involves substantial expenditures for transportation and meals. It is imperative to encourage attendance from small cooperatives. It is therefore necessary to provide opportunities for wider choices and participation, by reviewing costs and methods of conducting training sessions and seminars.

c) Small cooperatives, lack basic textbooks and reference materials needed for daily work. They are not always informed of training sessions and seminars being conducted. It is hoped that they are provided with standard textbooks for agricultural cooperatives and periodic information concerning the training activities.

d) Category IV cooperatives confront more sophisticated challenges regarding education and training activities. For example, an agricultural cooperative, which has nearly 3,000 members, is sending eight staff members to a computer school to study computerization of office work. Such advanced cooperatives are rare, however, there are few examples of such initiatives. Studying cooperatives

from other countries will be effective, and it will be necessary to examine the feasibility of establishing an organization to promote such a program.

(2) Education of cooperative members

a) Emphasis should be placed on education of cooperative members charged with the daily organizational and business operations of the cooperative. They already have monthly meetings and training seminars on improved farming and better living. However, since cost is of major interest to cooperative members, it is important to emphasize market-oriented education in the fields of selling and purchasing businesses.

b) Regarding Categories III and IV cooperatives, the relationship between cooperatives and their members is prone to weaken. It is necessary to reinforce information services between cooperatives and their members.

(3) Enlightening activity for non-members

a) Non-member farmers should have strong interest in the primary cooperative which they want to join. It is up to the cooperative to meet their expectations. Each primary cooperative should make more effort to plan and execute PMES on its own.

b) Category III and IV cooperatives are expected to undertake more diverse activities, including putting up posters, joining in community events and supporting "Laboratory-coops" in schools, in addition to PMES.

(4) Farming and better living guidance activity

a) As shown in the results of our questionnaire, cooperative members place the greatest hope on the cooperative providing "guidance in the improvement of agricultural production technique" (41.2%) and "guidance in the improvement of living" (45.8%). But, in fact, the cooperatives lack in both the system and know-how to meet these expectations.

There are some excellent examples in some cooperatives that staff in charge of improvement in agricultural production techniques are being trained, and some members who are skilled farmers are being assigned as advisors.

b) Current training activities emphasize the importance of farming, especially production. However, in order to strengthen the marketing aspect, it is

also necessary to provide training in distribution. Training in planning and streamlining of farm households and community life is also important for improving the economy of farm households. There are many questions about how to launch activities in these areas.

c) For the time being, it is recommended that Category I and II cooperatives build a closer relationship with government agricultural extension services, while Category III and IV cooperatives emphasize training of personnel to handle such activities.

3-6-2 Province, City / Regional level

One of the major weak points of education and training activities among agricultural cooperatives in the Philippines lies in this level. The unions are not active. The federations in charge of economic operations are organized disproportionately, and most of the federations are weaker than influential primary cooperatives. Even the CBs, which are comparatively well staffed, do not have adequate capacity or expertise to provide education and training for its members.

The agricultural cooperative organizations at this level are not prepared to coordinate and control the education and training activities by the unions and federations. While the cooperative federations at this level differ greatly in terms of types of business, the education and training activities are not specialized. Numerous small unions and federations are offering similar kinds of seminars. It is partly because primary cooperatives are so small, their types of business have yet to be defined. This situation results in redundancy and inefficiency of their education and training activities.

At present, with the exception of a few federations, agricultural cooperatives at this level do not have the organizational conditions required to develop formal education and training activities. Functional support from government agencies will be continuously required.

3-6-3 National level

The education and training activities of CUP do not consist of formal training courses, but are composed of advertising campaigns, workshops and conferences. The training facilities and personnel structure of CUP are weak, and it also has financial problems. A large part of CUP's revenues comes from the CETF. But remittance of the CETF from cooperatives are dwindling. Under these

circumstances, it has become difficult for CUP to take a strong initiative within the cooperative sector. NATCCO is the best staffed organization in the cooperative sector, and is conducting regular education and training activities along with the six RDCs. But, since such activities are considered business, the training courses are costly for most of the small cooperatives. NATCCO is trying to promote the participation of small primary cooperatives, by developing correspondence courses and scholarship programs. But there are few beneficiaries compared to the total number of cooperatives.

Although member organizations demand specially trained personnel in various fields of business, national organizations such as CISP, BANGKOOP and FACOP are not at sufficient levels in terms of business volume, financial basis, and human resources. With the exception of NATCCO, the other national agricultural cooperative organizations lack training facilities and specialized training staffs as well as regularly issued educational materials. It is essential to carry out a plan to furnish and expand such training resources.

Some federations at the regional, provincial and city levels under detailed study have not joined the above-mentioned unions and federations. The systems for business operations and other activities are mostly self-contained, and regular utilization through all levels has not developed sufficiently. Education and training activities are no exception. Since the members of many of the unions and federations are not necessarily composed of agricultural cooperatives only, the needs of the members are apt to be diverse. In referring to these conditions in the field of education and training activities, the "points of educational needs" of the agricultural primary cooperatives are liable to become blurred, and the needs of the primary cooperative are not always reflected at the national level.

In order to further promote education and training activities, it is important to design a systematic personnel-training system by focusing on the positive aspects of every sector and unit. In developing such a system, much will be expected of the efforts of CDA, which has been playing a significant role in coordinating numerous organizations concerned with the education and training activities of agricultural cooperatives. The initiative of forming CIMCM (Cooperative Institute of Management in Central Mindanao) in the Kindapawan extension office is regarded as a pioneering effort in this field.

To help spread such activities, it is important for all cooperatives at the national level to unite in requesting CDA's support for such development, since

CDA will provide support in education and training, based on requests from the cooperatives(RA6939 Section 3).

Meanwhile, efforts by agricultural cooperatives at the national level in "informational activities for non-members" and "training activities for farming and better living" are still insufficient. It seems especially important to reinforce the publicity campaign for non-members, and to strengthen the relation with school educational agencies, especially the establishment of laboratory co-ops and cooperation with the agricultural and cooperative education.

4. Overall Evaluation

After the CDA was established, the number of agricultural cooperatives grew rapidly. This can be attributed both to CDA's efforts and to the rising level of support for cooperatives in farming villages. We think this is an important achievement. However, this large number includes quite a few very small cooperatives and so it is difficult to benefit from economies of scale. And, although Type III cooperatives have proven to be stable, it is necessary to improve them. Therefore, for the future, it is important to not only increase the number of cooperatives, but to also promote their qualitative improvement.

It is necessary for the cooperatives to have management methods suitable to their scale. They need to plan around their core businesses. But at present, management and planning of cooperatives seems to be insufficient at all levels, with different cooperatives operating with a variety of management systems. This seems to be the major obstacle blocking cooperative development, along with the other problems of small cooperatives. In order to remove these obstacles, the Central Cooperative Union is expected to provide training, education, and adjustment advice to cooperatives. However, the current CUP is unable to satisfy the requirements of the agricultural cooperative organizations.

In reflecting on the conditions of primary cooperatives, it seems the activities of federations at both the national and local levels are not living up to their functional potentials. Therefore, the federations should strengthen their organizations, considering the needs and systems of the primary cooperatives.

The major functions of primary cooperatives are marketing, supply, and the provision of credit. However, in the future, it will be necessary to integrate agricultural cooperative businesses by linking their various businesses. In particular, it is necessary to strengthen their link with credit businesses.

The fact that a national cooperative bank has not yet been established is one obstacle to providing efficient financial functions. Also, promotion of savings by cooperatives is lacking at the primary level. Much effort is needed in this area.

As far as economic businesses are concerned, many of the primary cooperatives and federations remain weak in this area. Necessary facilities have not been sufficiently developed and very few efforts have been made in the promotion of commission sales and pooling-price system.

Considering education and training, it is evident that many ideas are being pioneered. Many programs have been established. However, concepts about funding sources for education and training related expenses have to change. Overlapping efforts by primary cooperatives, federations, and national organizations should be abolished to the extent possible, and efficiency should be increased by developing a formal system of education and training.

As for assistance in agricultural operations and daily living, rapid development cannot be expected as there are many small cooperatives. However, expectation is great for the national government's extension to provide training in improved agricultural technology.

It was quite encouraging to find capable and energetic managers among the cooperatives surveyed. These managers have won high praise from cooperative members. However, in most of the cases, the system was negligent in not publicizing these excellent examples.

