

- ③ The federation is requesting that the CISP provide it with a regular flow of information, and education and training, regarding insurance for primary cooperatives.

D. 1ST ILOILO AREA MARKETING COOPERATIVE, INC. (1ST AMC)

1) Outline

This federation is a provincial level federation, established on July 16, 1975, with 133 SN as members. It was confirmed on February 14, 1991. The principal objectives in establishing the federation were as follows.

- ① To raise the economic and social status of cooperative members living in the region of agricultural villages;
- ② To provide a stable supply of agricultural products to the market;
- ③ To purchase in bulk, and to supply, materials required for agricultural production by cooperative members;
- ④ To conduct instruction in agricultural production technology and to provide information on advanced technology;
- ⑤ To provide facilities for shipments to market, warehousing, and processing of agricultural products;
- ⑥ To lend capital required for the operations of member cooperatives;
- ⑦ To support the human resource needs of member cooperatives by assisting or providing personnel in charge of bookkeeping, accounting and auditing.

The federation's principal facilities include: ① a rice-polishing machine; ② a warehouse; ③ an office; ④ a truck and jeep, for use as a means of transportation; and ⑤ a solar dryer. In seeking to enlarge the scale of operations, the federation has formulated a medium and long-term plan, in which are included: ① the bulk purchasing of output produced by federation members; ② the borrowing of capital from government-affiliated financing institutions.

## 2) Management

Currently, 95 primary cooperatives comprise the membership. Paid-up capital from the membership in FY 1991 totaled P687,000; however, because these funds have been applied to eliminating accumulated liabilities, the member's equity account stands at P413,000. The federation's principal agricultural products are ① palay and ② rice; the production materials it handles are ① fertilizer and ② chemical fertilizer.

The financial situation is as follows (unit: 1,000 pesos).

	1990	1991
Gross Sales	6,309	7,140
Selling expenses	5,822	6,591
Profit on sales	487	549
Net profit	50	30
Assets	3,037	4,209
Liabilities	3,483	4,621
Member's equity	- 446	- 413

## 3) Organizational structure

Under the board of directors, ① a sales and management committee, ② an education and training committee, and ③ a special committee have been established. There are 15 directors and 15 full-time employees. Among matters being requested by the membership are: ① low-interest production financing; ② the raising of market prices; ③ the supplying of production material at low prices.

Among matters being requested of umbrella organizations (VICTO, CUP) are: ① the providing of service and technology relating to agricultural production; ② the sale of agricultural products at suitable prices in the market; ③ the development of sales channels for the primary cooperatives.

## 4) Others

The federation provides training in sales and bookkeeping for its members, and also conducts a counseling activity.

A matter being requested of government institutions is the establishment of a policy of support for sales of palay through the NFA.

#### E. THE COOPERATIVE RURAL BANK OF ILOILO, INC. (CRBI)

##### 1) General information

The Cooperative Rural Bank of Iloilo (The Bank) was registered and confirmed on December 1990. Its area of operation covers the City of Iloilo and the provinces of Iloilo and Guimaras. Its corporate office is located in Iloilo City. Its objective is to extend loans to cooperatives and their members including small farmers and tenants. Its authorized capital stock P10.0 million, subscribed capital is P4.14 million and paid-up capital is P3.96 million.

##### 2) Organization and management

The officers of the Bank consists of an Executive Officer, the Chairman and Vice-Chairman of the Board, the Secretary-Treasurer and the General Manager. The Board of Directors is organized around 5 committees --- the Credit Committee, the Amendment committee, the Operating Committee, Special Projects Committee and the Planning Committee. The Bank consists of three Divisions --- the Finance Division, the Business and Marketing Division and the Accounting Division. The Office of the Manager and Assistant Manager is staffed with one Clerk/Secretary, a Planning Assistant, a Special Assistant and a Driver.

The annual corporate plan and the Financial Statement is submitted to the General Assembly during the annual General Assembly meeting. During the meeting the Bank officers meet individually or in group with officers of each member cooperative to discuss mutual problems and how best to remedy these problems. In general most cooperative members expect from the Bank increased loan availability at lower interest and more liberal credit terms, technical assistance and assistance in developing alternative sources of funds.

Other methods of capital build-up include a 5% deduction from approved loans and deposited as savings for the borrower, increased retained earnings from patronage refunds and dividends, increased collection of overdue rates and subscribed capital.

Some of the more critical problems faced by the Bank are:

- ① Insufficient loan funds and funds for promotional activities
- ② Lack of skilled staff to develop programs, and
- ③ Low repayment rates.

The priority activities at the present time are to improve the system of collection, savings mobilization and closer supervision of borrowers.

3) Financial information (units in P1000)

Financial Accounts	1991	1990
Total Revenue	2,524.01	2,746.33
Expenses	2,232.97	2,098.01
Net Profit	291.04	648.29
Assets	19,182.26	17,207.51
Liabilities	15,251.86	14,051.00
Capital	3,930.40	3,156.51
Accumulated Losses	(1,759.04)	(2,455.04)

## 6. Leyte Province

### (1) Socio-economic condition

Leyte occupies the northern portion of the island of Leyte. It is bounded by Samar Sea in the north; Leyte Gulf in the east; Cebu Island in the west; and Southern Leyte in the south. Its land area is about 6,266 square kilometers covering 2 cities, 41 municipalities and 1,649 barangays. The provincial income in 1986 was P69,147,603.85 making it a first class province.

The total population in 1990 was recorded at 1,366,181. The population growth rate was 1.60% in 1984, 50.67% of the total population were females. In 1983, the average household income was P1,757.00, 82.4% of which earned less than P4,000.00.

In 1983, a total of 7,395 establishments were identified in the province with 62.12% belonging to wholesale and retail trade; 17.28% classified as manufacturing; and 15.05% providing, social and personal services. Agriculture, fishery and forestry establishments (1.8%) ranked fourth in number followed by finance, insurance, real estate and business (1.78%) and then by transportation, storage and communication. Electricity, gas and water category has 13 establishments followed by construction 7 and then by mining and quarrying.

Support services present in the province are 4,129.89 kilometers of road network; an airport; 23 municipal fishing/ports; one (1) provincial port; electricity and water systems in all city and municipalities; 6 ice plants; 2 ice storage facilities; 2 cold storage facilities; and 2 blast freezers.

### (2) Agricultural condition

Leyte has a total arable land of 306,872 hectares: 115,039 hectares were under temporary crops; 160,654 hectares under permanent crops; 8,485 hectares under permanent pastures; 5,928, covered with forest growth and 3,126 hectares were all other lands. Around 13,540 hectares were lying idle.

The major crops grown were: corn (164,950 has.), palay (123,750 has.), coconut (155,546 has.), abaca (16,808 has.), camote (16,107 has.), banana (15,334 has.), sugarcane (10,643 has.), cassava (9,696 has.), taro (4,765 has.), and papaya (95 has.). In terms of production, Leyte produced significant proportions of the following crops for the whole of Region VIII: coconut (80%), palay (61%), corn

(60%), taro (70%), and abaca (65%).

The marine sector accounts for 95% of the total fishery output of the province. The total fish catch for 1986 was 15,878 MT from the marine and 924 MT from inland sectors.

The livestock inventory for the province in 1986 was: cattle - 15,210 heads; hogs - 325,640 heads; carabao - 82,080 heads; and goat - 31,100 heads. A total of 1,114,300 heads of chicken and 103,380 heads of ducks were counted during the same year.

The agri-business establishments include: cassava flour making; mongo processing; feed milling; camote processing; nipa shingles making; mat weaving; abaca twinning; rice and corn mills; and fish processing. With most potential agri-business ventures were post harvest processing facilities; tomato catsup production, coconut by product processing; prawn culture; fruit preservation; wine making; and cottage cheese production. The crops with highest potentials were:

garlic	coffee	peanuts
sweet potato	cacao	banana
cassava	rambutan	watermelon
gabi	durian	mongo
ubi	lanzones	

The NIA established 358 irrigation systems in the province covering a total area of 17,958.90 hectares. NFA, on the other hand, build 2 Rice Mills (5 TPH & 0.75 TPH), 3 pre-cleaners (3 TPH), 1 thresher (0.75 TPH), 2 dryers (3 TPH), 3 dryers (0.75 TPH) and 10 warehouses (717,000 bags).

The province is hosting the Visayas State College of Agriculture (VISCA), a national training center, a regional training center and a farmers training center.

### (3) Condition of primary cooperatives

#### A. BARAYONG AGRICULTURAL MULTI-PURPOSE COOPERATIVE INC. (BAMCI)

##### 1) Background

The Barayong Agricultural Multi-purpose Cooperative (BAMCI) started as

Farmers Association, a loose organization of farmers in Barayong, Abuyog, Leyte. It operated on November 1990 and was registered on April 1991. At the end of December 1990, it generated a total of P5,815.75 net capital and networth. Upon registration in 1990 it had a total membership of 25 and a paid-up capital of P6,500. It is affiliated with Eastern Leyte Federation of Agricultural Cooperatives.

2) Current status

i. Situation of members

The major product produced by members and non-members of BAMCI is palay (with some coconuts). Majority of its members are in their thirties and they felt that they need to expand their members by providing examples in terms of successful business operation. BAMCI covers all 63 barangays of Abuyog, Leyte having 8,797 households with 6,378 farm households. In Barayong, there are only 216 households, all of which are farm households. BAMCI has 27 regular members, 10 of which are women. There is no associate member. BAMCI is affiliated with ELFACO to which it has invested P3,000.00.

ii. Administration of BAMCI

(a) General assembly

The BAMCI conducts its GA every 2nd Thursday of January. Usually an attendance of 75% is attained during GA's. In 1991, two special GA's were conducted to tackle their irrigation project proposal and capital formation program. BAMCI does not conduct special meetings of members before a regular GA.

(b) Board/Directors

BAMCI has 5 members BOD who conducts regular monthly meetings plus an average of 4 special meetings. BOD meetings are only conducted when there are at least 4 members present.

Two of the 5 members of BAMCI's BOD had college level of education and 3 were elementary graduates. All of its 9 committee members were only elementary school graduates. BAMCI has no employees.

The Chairman is 58, a male and has reached college level of education. The Vice-Chairman is also a 58 year old male with a college level of education. The Secretary is 45 years old, male and has college level of education. The Treasurer, acting General Manager, and acting Accountant were all males and elementary graduates and were 40, 50 and 49 years old, respectively.

The Chairman claimed that BAMCI had been audited once when it was still a Farmers Association (FA). It paid P1,000.00.

(c) Committees

BAMCI has 4 regular committees, namely: Audit and Inventory Committee (AIC). Education and Training Committee (ETC); Credit Committee (CC), and Election Committee (EC). In 1991, the AIC met once to conduct an internal audit. The ETC conducted one caucus with the barangay officials while the (CC) met thrice. The EC met only once to hold the regular election. Candidates for BOD and committees are nominated on the floor during the GA. The past and present Chairman of BAMCI is a full time farmer who was also elected as barangay councilor.

(d) Outside auditors

BAMCI had not yet been audited by an outside auditor. It could not avail of such services from its federation because the latter does not provide such services.

(e) Written plan

BAMCI does not have a written mid or long term plan.

iii. Education and training

The cooperative has plans (but not written) for the education and training of its officers, employees, members and non-members. The coop needs badly a training on bookkeeping and management for officers and part-time employees.



BAMCI conducted one (1) PMES with 38 participants. The total cost was P700.00.

The coop expects financial and training assistance from its federation, the ELFACO.

iv. Relationship with Local government

According to the Chairman, BAMCI has good relationship with municipal government and the DA. The coop participated in the latter's hog dispersal program.

v. Management of cooperative

In ratio and proportion, the financial condition of BAMCI appeared to be good. In absolute terms, however, the financial position of the cooperative is less than to be desired. For instance, the average paid-up capital of members is only P366.70 per member, which represents 30.46% of the subscribed capital. The total asset is P18,162.20, 69.82% of which comes in the form of members equity and reserves. The total liability is P5,000.00 and for every peso of liability there is P3.00 worth of current asset. The liability, actually is only 39.43% of the members' equity and reserves. The gross revenue for the year 1991 was only P9,777.35 and the gross savings/profit was P1,292.15 (i.e., 13.22%). This gross savings comes from the net sales of the consumer store. The gross profit which equals the net surplus (because the coop did not subtract the reserves and CETF from gross savings) was computed to be 7.11% of total assets.

The coop has plan to increase their capital by requiring their members to contribute 1 cavan palay per hectare per harvest. The coop has no system yet to distribute both the dividends and patronage refund. So far, it has not remitted CETF to any higher federation or union.

vi. Marketing business

BAMCI has temporarily closed their consumer store. It has no other marketing business. After the closure of their consumer store, BAMCI concentrated in providing small loans to its members. In 1991, it had a total of P12,049.60 loan balance.

The coop invested P3,000.00 to ELFACO and receives 1.6% per month. It borrowed P5,000.00 with an interest rate of 2% per month.

vii. Supply business

BAMCI does not also engage in import/supply business.

viii. Facilities

The cooperative has only the small consumer store which also serves as its office. It is now closed.

ix. Situation and competition

BAMCI is in no position to compete.

x. Marketing business of federation

ELFACO is new and has not started its marketing business.

xi. Savings business

BAMCI plans to start up a savings business in 1993 by paying an interest of 1%/mo. It cannot start its savings business because of the extremely low income of members.

xii. Lending & borrowings

BAMCI was not able to borrow from LBP, hence, it is using the loan it borrowed from ELFACO amounting to only P5,000.00 It is lending to members at an interest at 2%/mo. It was not able to borrow from LBP because PCIC won't insure their loans during the dry season, hence, they did not borrow during the rainy season altogether. They prefer lending institutions which can provide low interest rates for production loans.

xiii. Collection of lending fund

BAMCI has lent a total of P10,345.00 to members. Around 80% of the said amount is over due. It already sent collection letters to delinquent members. One borrower was already brought to Sangguniang Barangay for legal action.

#### xiv Farming and better living activities

BAMCI is engaged in farming and better living activities with 1 part-time staff. Its main source of information is the DA. Funds for said activities came from DA and personal funds of Chairman. The Chairman claimed that such activity is necessary to educate farmers members. The Chairman usually meets with DA extension worker because of his personal relationship with him.

For its farming and better living activities, BAMCI conducted the following activities: ① seminar on fertilizer and agri-chemical utilization; ② seminar on other agri-techniques; ③ seminar on market information; ④ distribution of circulars on market information and farming techniques; and ⑤ assist in the organization of rural youth groups and their management.

#### xv. Insurance

Members of BAMCI are interested to buy insurance but no one had been insured with any coop insurance organization. In order to sell coop insurance to BAMCI, representatives must come and explain their program to members. In general, the officers are not aware of the benefits that coop insurance can provide to BAMCI. They are interested in life and crop insurance.

### B. UNIFARM MULTI-PURPOSE COOPERATIVE, INC. (UMCI)

#### 1) Background

The Unifarm Multi-purpose Cooperative (UMCI) is a cooperative of sugar planters in Ormoc City. It was first registered at BACOD/DA in April 1990 and was confirmed by CDA on September 27, 1991. It is affiliated with Western Leyte Federation of Agribased Cooperatives (WELFACO).

#### 2) Current status

##### i. Situation of members

UMCI covers 148 barangays with a total of 26,000 households; 15,000 of which, are farm households (57.69%). The number of regular members is 717, of which 300 are women (41.84%). There are no associate members. It is affiliated with WELFACO, to which it invested P20,000. The members produce sugar with

corn and palay as side crops. Majority of its members are in their 40's. The management felt that they need to expand their members and the best way is for UMCI to finance the production of prospective members at the rate of P18,000 per hectare.

ii. General assembly

UMCI conducts their GA within 90 days after December 31. The average attendance in a GA is 85%. UMCI did not conduct any special GA last fiscal year. It is not the practice of UMCI to conduct special members meeting before a regular GA. To reflect the members will in the plan for the following year, they hold open forum during the GA.

iii. Executive and audit system

(a) Board of directors

UMCI has an 11 member BOD. It conducts 12 regular monthly meetings plus 3 or 4 special meetings. Attendance in BOD meetings is 90%. Each member receives P300 honorarium per meeting. 9 of the BOD members are college graduates; one (1) is college undergraduate and one (1) is elementary graduate.

(b) Committees

UMCI has 4 committees namely: Audit and Inventory Committee (AIC); Education and Training Committee (ETC); credit Committee (CC) and Election Committee (EC). AIC conducted 2 meetings in 1991 to conduct an internal audit, while, ETC had 3 meetings to conduct PMES. The CC had 8 meetings to conduct loan evaluation, while, the EC had 5 to conduct elections for general and special elections. Candidates for positions are required to file certificates of candidacy. Of the 15 committee members, 12 have college degrees while 3 are college undergraduates.

The past Chairman was full time sugar planter while the present is a retired professor in agriculture currently a full-time sugar planter with other agribusiness venture such as coconut, rice, fishpond and corn farms.

The Chairman (53 yrs.,female) and Vice Chairman (64 yrs., male) assumed their posts without compensation in 1991. The Treasurer (49 yrs., female) was employed in March 1992 with a monthly compensation of P30,000 p.a. The Accountant (40 years female) receives P50,000.00 .a. while the General Manager (60 years male) receives P72,000 per year. All of the above officers and management staff are university graduates.

(c) Outside auditors

The UMCI engaged an outside auditor selected by AIC. The auditor is a member of PICPA. UMCI does not utilize the audit services of federation because WELFACO and FACOP has no such services.

UMCI was audited three times in 1991 for a total auditing fee of P10,000. The audit lasted for 30 days. The UMCI has mid and long term plan, written in the minutes of their meetings.

iv. Education and training

UMCI had education and training plans for officers, members and employees but not for non-members. To increase the staff's abilities, UMCI send them to trainings. The most important trainings that UMCI needs are; Cooperative Business Management; Leadership and Values; and Financial Management/ Analysis. The UMCI expects management training assistance from WELFACO and FACOP.

v. Relation with local government

UMCI was claimed to have good relations with local government, however, it has not received nor requested any type of special assistance from them.

vi. Management of cooperative

UMCI planned to increase its capital by requesting members to pay their subscribed capital, borrowing, and engaging in fund savings activities (i.e., selling forms and pass books). The cooperative also did not pay dividends and patronage refunds during the first year. According to the General Manager, the GA decided that dividends and patronage refund will only be paid starting the second year of operation. UMCI had not remitted CETF to any union or federation.

vii. Marketing, supply and utilization business

UMCI did not organize a product wise group. It deals mainly with selling of sugar. It sells the members' produce without buying them (i.e., acted as broker). In its supply business, it sells fertilizer, ag., chemicals tires, batteries, accessories, cane knives and other supplies needed in sugar production. All these inputs and supplies were sourced from private dealers since WELFACO and FACOP do not have them.

The existing facilities/equipment of UMCI include office space, input/supply store, service jeep and a motor cycle. All of these facilities and equipment are extensively used. UMCI planned to have a warehouse, trucks for hauling canes, and 4-wheel tractor for custom services/plowing.

UMCI face no competition in selling sugar since they conduct joint selling with sugar planters associations. For inputs/supplies, they face stiff competition against traders and other businessmen. They confront competition by giving one (1) week credit to members.

In 1991, UMCI lent P9.8 M to members; had utilized a total of P10,000 service income; and generated a total of P100,000 in sales of inputs and other supplies. However, it has yet to sell a total of 131,521.44 bags of raw sugar deposited by members. For 1991, it already sold a total volume of sugar worth P59.18M and molasses worth P8.14 million.

As for supply, it sold 2,000 bags of fertilizers worth P4.0M and age chemicals worth P2.5 million.

viii. Credit business

UMCI does not engage in savings business because members usually end up with very little savings at the end of the milling season due to very volatile price of sugar.

UMCI lent to members the following loans: production loans - 18% p.a.; emergency loan - 1%/week for 1 week; livelihood loans to employees and small cane planter - 6% p.a. The production loan was borrowed by UMCI from LBP at an interest of 12%; the livelihood loan came from Department of Labor and Employment (DOLE) at an interest of 3%; and the other production loans came from traders at 24% interest p.a. all sourced funds were utilized.

UMCI prefer to borrow from LBP due to low interest rates; however, they were confronted with problems such as: confusing loan policies, delayed releases of loan, and delayed payments of PCIC insurance due to force majeure. UMCI needs additional funds for production and sugar trading as well as post harvest facilities. Current sources have inadequate funds at the moment. Out of the total loan extended to members (P9.8M) around 84% remained outstanding. Dunning letters were already sent to delinquent members but no legal actions/measures to collect has ever been taken.

ix. Farming and better living guidance activities

UMCI is doing farming and better living activities. In charge of such activities is a committee of 3 members who are experts in sugar cane culture. They get information from DA, outstanding farmers, and self education of committee members. Funds for this activities came from the beneficiaries themselves. Said activities are considered important to educate the members of latest techniques in producing sugar.

UMCI had opportunities to exchange information or policy dialogues with extension workers of DA during meetings and individual relationship with extension workers. They were also often visited by the extension workers.

Under this program, UMCI had performed the following activities: seminars on: ① utilization of fertilizers and chemicals; ② agri-machinery utilization; ③ seminar on agri-techniques; ④ establishment of demofarms ⑤ group visit to advanced areas ⑥ guidance on farm management planning and evaluation.

Overall, the financial structure and operation of UMCI in 1991 look impressive. On the average, each member has a paid-up capital of P1,055.76. Its total paid-up capital (P319,900) is 31.99% of the subscribed capital. Its total asset is worth P12.291 million, of which, 4.25% is made up of members' equity plus total reserves (P522,188.13).

The fixed asset amounts to P72,145.00 which amounts to 13.81% of the members equity and total reserves. The current ratio was computed at 1.03: 1, meaning that for every peso liability there is an asset worth P1.03. The total loans amount to P9.608 million is 1,840% of total members equity and total reserves.

For 1991, the UMCI had a gross revenue of P466,162.98. Its net surplus was P126,039.44 which was 27.04% of the gross revenue; and 1.06% of total assets. On

the average, each employee of UMCI contributed an average of P33,149.17 to gross savings/profit. Their salaries and other emoluments amounted to an average of only P8,502.12 per annum. These salaries and enumerations however, amounts to 77.86% of the total gross savings/profit.

### C. CANLUTAO PRIMARY MULTI-PURPOSE AGRICULTURAL COOPERATIVE, INC. (CMCI)

#### 1) Outline

Established in 1989 and registered in March 1991, the CMCI is a young cooperative with only a brief history. The Canlutaog Municipality and 3 neighboring barangays are its areas of operation. It is located in a flat area of extensive paddy fields. The CMCI has 87 members whose average farm land areas are 2 hectares. There are many who acquired their plots through the agrarian reform which implemented around 1980. All produce palay, and 10% of the coop members also grow sugar cane. About 90% of the coop members are full-time farmers. The average income per farm household is only from p20,000 to p50,000 a year. The diffusion rate of farming machineries is as follows; mechanization of farm work has barely progressed.

Hand tractors, 10%; power threshing machines, 10%; planting machines/harvesters, 0%.

The cooperative says that the area's biggest issue is the development of irrigation dams.

The CMCI's principle operations are: ① relending LBP loans; ② selling palay; ③ supplying fertilizer and pesticides; and ④ educational and training activities. Four part-time employees are responsible for managing these operations. Facilities are limited to ① a warehouse, ② a solar dryer, and ③ a mechanical dryer.

The CMCI has joined the Leyte-CRB and WELFACO, but is not a member of a Union.

#### 2) Organization

In its area of operation, the CMCI has 1,678 households, of which 955 are



farming households. The percentage of farm households that belong to the cooperative is 9%. Female members account for 55% of the total. Apart from the vice-chairman, all of the officers and management staff is female. This reflects the difficulty males have in participating in meetings due to their being busy at farm work. Although women make up most of the organization, no problems with respect to decision making have occurred. Most members of the cooperative are in the age 30-40s.

Although it has no specifically quantified target, the cooperative is strongly aware of the need to increase equity capital. Because of this, it is aggressively pushing to increase cooperative membership. Moreover, it intends to place emphasis on informing people about cooperative activities, on providing an ongoing program of education, and on making more extensive financing services available.

It holds "assembly meeting" each month, which is participated in by 80-85% of the entire membership. The board of directors also meets monthly, but is occupied entirely with preparations for the assembly meeting. In other words, the union has structured it so that decision making is carried out entirely at the assembly meeting.

The Audit & Inventory Committee of the CMCI conducts periodic audits of the books, and has arranged for a private CPA to act as outside auditor. However, beginning in FY 1992, the outside auditor was changed to the Philippine Institute of Certified Public Accountants (PICPA). The reason: the PICPA charges nothing for auditing. The CMCI does not receive auditing services from either a union or a federation, nor does it count on doing so.

The relationship between the CMCI and the local government is quite close with respect to farming guidance activities. Although no periodic meetings are held, the CMCI does invite a DA extension worker to its assembly meetings. It is also a beneficiary of the advantages of the "Rice Action Program" and the "Hog Dispersal Program" run by the local government.

### 3) Management

The CMCI has its sights set on increasing equity capital. The plan is to increase paid-up capital from p141,000 today to p564,000 in 3 years. To accomplish this, it was decided at the general assembly that, for the next 3 years,

all of the interests on share capital and patronage refunds would be allocated back to share capital. The CMCI says that new members have been made fully aware of this at the PMES. The average amount of share capital by members exceeds p1,000, and the ratio of paid-up capital to subscribed capital stands at 63%. We believe that this is quite a high level for a cooperative with only a short history. Financial ratios, including the fixed asset ratio and liquidity ratio, are healthy. The CMCI has also lent a portion of its excess funds (p297,000) on a short-term basis to WELFACO. The CMCI maintains the following standards with respect to distribution of net surplus.

Net surplus = 100%

① CETF:	10%
② General reserves:	10%
③ Optional funds:	30% (for office equipment)
④ Capital interest:	25% (to share capital)
⑤ Patronage refund:	25% (to share capital)

#### 4) Business activities

##### (a) Marketing

The CMCI is engaged in the selling of rice and palay (sales: p363,000). Purchases from non-members account for 15%, all of which are the result of the advantageous purchase price offered by the cooperative. The cooperative, moreover, sells nothing whatever to the federation. It is counting on the federation to provide palay trading and rice milling. However, in the near future, it intends to acquire a multi-pass rice mill with large warehouse and a 4-ton truck, based on which we believe the CMCI will raise its own selling capabilities.

##### (b) Supply

The CMCI handles fertilizer and pesticides. The method it uses in supplying these inputs is to conduct purchasing by subscription twice a year (in November and May). Specifically, it invites inputs suppliers to its assembly meetings in May and November where it has them make explanations regarding their goods, after which each member puts in an application. It is a method that closely resembles joint buying activities.

(c) Credit

The CMCI does not handle savings business. It concludes that there is a need to develop a savings program that suits the present level of farm-family incomes. Its lending business involves the relending of LBP production loans (p872,000). It borrows at an annual rate of 12% and relends at 24% (for terms of 6 months). In this interest rate spread is included a profit for its credit business (6%) and purchasing commissions (6%). This is because it does not recognize separately under its present accounting system the loans to members which it makes in kind (fertilizer, pesticides) and for which it is also paid back in kind (palay).

The fact that neither the cooperative nor its members have any real properties as security, and the fact that cooperative members must pay high crop insurance premiums with the PCIC are major problems in its lending operation.

The competition in business activities is from Chinese traders and private banks. These competitors have large capital bases and large facilities. To compete, the CMCI is seeking to increase its equity capital and augment its facilities. Funds exceeding p3,000,000 from the Development Bank of the Philippines (DBP) have already been approved. The cooperative believes that the acquisition of hand tractors and threshing machines would also be an effective means of competing.

5) Education & guidance

The CMCI responded that it has formulated a plan for the education and training of officers and employees, its members and non-union members. However, no specific document was received.

The cooperative's principle educational activity is participation in seminars held by the LBP and CDA. It recognizes the necessity of training related to bookkeeping, accounting, and business management, and is requesting that educational opportunities are increased at WELFACO, not only for officers and employees but also for cooperative members. It has no information regarding unions, and has decided that it cannot count on anything from them.

Its educational activities on behalf of cooperative members involve having them participate in Hog Dispersal Seminars (DA) and other programs. These can be considered guidance activities related to farm management. Although the interest is strong in guidance activities related to farm management, there is no

specialist in charge because bearing the costs involved would be prohibitive. It participates frequently in meetings held by the DA and the DAR, and takes the initiative in exchanging information with others at these meetings.

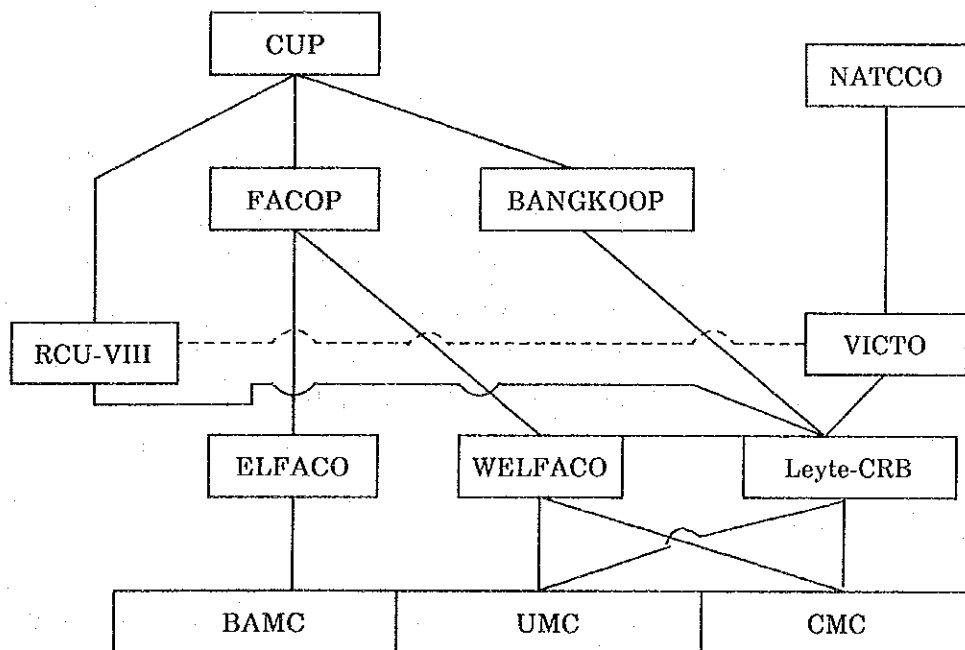
Its educational activities on behalf of non-cooperative members involves principally the PMES.

(4) Condition of affiliated unions/federations

(Introduction)

As of January 1993, there are 312 primary cooperatives in Leyte Province. Of those, 209 cooperatives are agri-based cooperatives. There are only 3 federations. The affiliated upper organizations of the 3 primary cooperatives we surveyed are as illustrated by Chart 1. Neither of the primary cooperatives belonged to RCU-VIII or VICTO. The directors of RCU VIII (7 persons) all serve as directors of VICTO (11 persons) as well. Further, 2 of the 3 part-time employees of the former are also employees of the latter.

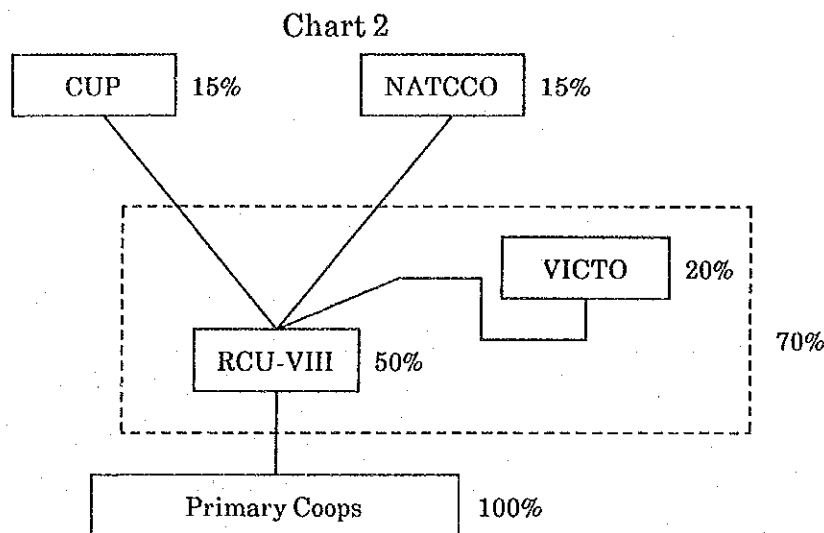
Chart 1



Note: ◦ Solid line indicates membership relationships.  
 ◦ Dotted line indicates relationships based on common directors.

According to an interview with RCU-VIII, the CETF remittance channel in Region VIII has been determined as shown by Chart 2. In Region VIII, good

relations have persisted from the past between RCU and VICTO. With regard to the CETF as well, approximately 70% of the total has been used in Region VIII. This is being watched closely as a good example of a cooperative tie-up between the CUP group and the NATCCO group.



#### A. EASTERN LEYTE FEDERATION OF AGRIBASED COOPERATIVES (ELFACO)

##### 1) Background

The Eastern Leyte Federation of Agribased Cooperatives (ELFACO) was organized by at least 50 rice-based primary cooperatives in Eastern Leyte in 1990. It was originally registered with the CDA Cebu Extension Office in 1990 and was confirmed in CDA Leyte Extension Office in June 1992. Upon confirmation, its membership increased to 51 primaries with P111,000.00 in paid-up capital. Its total palay area of production was computed at 3,690 hectares ranging from 28 to 153 hectares per primary.

##### 2) General information

ELFACO's main area of operation is the north-eastern part of the island of Leyte. The area has a total of 73 agribased cooperatives, of which 51 are affiliated with ELFACO. ELFACO is affiliated only to FACOP at the national level.

The federation has an 11 member BOD with elected Chairman, Vice-Chairman, Secretary and Treasurer. As of this writing, ELFACO has only one (1) volunteer staff, the manager, who receives no compensation.

The authorized capital of ELFACO was P1.0 million with subscribed capital of P414,000 and paid-up capital of P108,500.00. Outside of its membership fee of P1,000 to FACOP, ELFACO has not invested in any other organization. In 1990, it generated a gross savings/income of P8,259.68; spending P5,532.54 in operational costs; to get a net surplus of P2,727.14. In 1991, its total income reached P11,351.56, its total operating expense was P10,023.83, thus earning a total net surplus of P1,327.73.

The main business activity of ELFACO at the moment is lending to its primaries using its own fund. This is being done while waiting for the approval of its loan application to LBP which amounts to P8.4 million.

In 1991, ELFACO lent P92,000 to member-coops at the rate of 1.6%/mo. Around 70.12% had already been fully recovered (P64,515.00).

ELFACO conducted a total of 4 PMES and 1 Bookkeeping and Accounting Training. These trainings were conducted without costs to ELFACO.

### 3) Organization

ELFACO does not plan to increase its members until after it has established its facilities. The member-coops expected ELFACO to strengthen them by: ① providing capital for production; ② purchase, process and market their palay; ③ provide management assistance; and ④ provide inputs and other farm supply. ELFACO had no close association with other secondary coops in the area and finds difficulties communicating regularly with FACOP due to problems in postal communication.

ELFACO expects FACOP to provide assistance in: ① training of officers and employees; ② management; ③ marketing of products; ④ inputs/supply; and ⑤ operating capital.

### 4) Management

ELFACO's management capability highly depends on one man, the volunteer manager. Its long term plan includes acquisition of post harvest facilities and to engage in palay trading.

ELFACO planned to increase its capital by requiring members to save 1 cavan/ha/harvest. However, its implementation was delayed due to force

majeure. The federation's major management problems are: ① availability of full time employees; ② small operating capital; and ③ recording system. Its only source of funds are the members. At the moment, it cannot borrow from LBP because of the manager's bias against it. ELFACO has to solve immediately its problem on full time employees; facilities; and inadequate capital. ELFACO, felt that their processing and marketing business must be strengthened in order to be effective.

#### 5) Education and training

The education and training given to member coops include: PMES, Book-keeping/Accounting, Management, and Monitoring. During trainings, ELFACO use government (Free) and private facilities (rented). The major problems in training are: materials and funding. ELFACO has good relations with local government. It gets assistance ranging from food, facilities to training funds. The provincial government, on the other hand, provides vehicles, facilities and funds. ELFACO expects funds, facilities and equipment and market stalls/areas from local government.

### B. WESTERN LEYTE FEDERATION OF AGRICULTURAL COOPERATIVES, INC. (WELFACO)

WELFACO was confirmed by the CDA on December 16, 1992. Its area of operation are the towns in Western Leyte, including Ormoc City. Presently, its membership is comprised of 28 primary cooperatives. Its principal businesses are the selling of rice (p510,000), and the supplying of fertilizer (p110,000), seeds, pesticides and feed (p35,000 each). Its major facilities are a warehouse (10,000 bags), a mill (15 bags/hour), a dryer (200 bags), and a truck (4-tons).

WELFACO joined FACOP in 1992. At the moment, its relationship with FACOP entails not much more than attendance at FACOP's general assembly.

WELFACO is seizing each opportunity to increase its membership. It is attempting to utilize the influence of the LBP, saying that "for primary coops to receive service from the LBP, it is desirable that they become members of a federation" (quoting an unnamed LBP officer).

Members have the opportunity to attend monthly meetings. The CDA, DA and LBP are occasionally in attendance at these meetings, and the participation

of FACOP is also being requested. In order to encourage use of the federation by members, WELFACO wants to conduct campaigns; it also wants to conduct monthly visits and hold monthly meetings and seminars on its own. However, it has no intentions of entering into an exchange of ideas, or joint activities, with ELFACO, which is located also in Leyte Province.

WELFACO confronts the following kinds of operational problems.

① Collection of receivables on purchases.

About 20% of the sales amount it supplies is in arrears. The reason for this is the great flood and the drought in 1990. It is attempting to solve this by having pressure applied from the LBP.

② Shortage of capital and facilities.

Although it has borrowed a short-term loan from the LBP of p500,000, it is uncertain as to how it will pay it back. In order to oppose Chinese traders, who are competing operators, it will need to augment further trucks, warehouse and other facilities. However, its net worth is only p175,000, and its plans to increase it are not clear.

③ The necessity of education and training.

Education and training relating to specialist technology that will increase the yield of farming products is required for both WELFACO and its members. The federation still lacks the operational strength to be able to secure a specialist in charge of such activity.

## C. LEYTE COOPERATIVE RURAL BANK (LCRB)

### 1) Background

The Leyte CRB (LCRB) was registered as a Rural Bank with the Securities and Exchange Commission on September 1978 and as a Cooperative Rural Bank with the Bureau of Cooperatives Development on October 1978. Its initial members were 98 Samahang Nayons (SNs) and 11 full fledged cooperatives. Its initial paid up capital upon registration was P250,000.00. It was confirmed by CDA on April 22, 1991.



## 2) Current status

At present, the LCRB has 127 member-cooperatives/SNs. It is affiliated with BANGKOOP, RCU-8, VICTO, Leyte-Samar Federation of RB, RBAP and CCFDI. It has 11 members of the Board of Directors. Its main office is manned by a Chairman, a Vice Chairman, a Secretary and 10 full time employees, of which, 7 are males.

The bank's authorized capital is P5.0 million; subscribed capital is P3,124,000.00; and paid-up capital is P3,124,000.00. LCRB has investments of P50,000 to BANGKOOP and P560,000.00 to VICTO. In 1991, LCRB earned a gross income of P779,624.46, spent P1,821,941.70 in total expenses to incur a total net loss of P1,042,317.24.

From out of its own and non-government funds, it lent out a total of P1.0 million to coop-members at the beginning of 1991 at an interest rate of 21% p.a. At the end of 1991, around P500,000 are still to be collected.

LBP invested a total of P1.0 million and DBP P250,000 in preferred shares to LCRB. CB has Special Time Deposit of P1.0 million in 1978. The current balance is P100,000.00. In 1991, LCRB had 90% past due over its total borrowings. Thus, it cannot apply for rediscounting.

In 1991, LCRB co-sponsored a PMES and Bookkeeping/Accounting training with VICTO for a total cost of P8,000.00 for each training.

## 3) Organization

To improve its performance, the LCRB plans to expand its membership. Outside of its annual report, however, the LCRB does not give anything to its member coops.

According to the Manager, the member-coops expects the LCRB to give specialized trainings and financial assistance.

The LCRB have constant meetings with secondary coops nearby and with other upper organization it is affiliated with.

From the upper organization' the LCRB expects technical, management and financial assistance.

The LCRB has 10 full time employees and has a long term plan. To increase its capital, LCRB is soliciting new stock holders to include all types of cooperatives.

The problems of LCRB that need immediate attention are its "low liquidity" and "high past due ratio". It raised funds for business from the following:

VICTO	-	P450,000.00
LBP	-	1,000,000.00
DBP	-	250,000.00
CDA	-	643,000.00
CB	-	100,000.00

To induce more savings from member-cooperatives, LCRB is conducting raffle draws and giving higher interest rates.

It preferred to source funds from LBP through its rediscounting window. On the other hand, it welcomes all who can provide financial assistance at the moment.

The main problem of obtaining loans or additional funds is its high past due ratio.

In education and training, the LCRB gives the following subjects to officers and employees; coop principles and philosophy, savings promotion, and cooperative/leadership values. It has not produced nor disseminated training materials to officers and employees. Whenever trainings are conducted, LCRB either request the local government to provide facilities free of rent, or it rents from private groups. Its main problem in trainings are: funds and technical people in banking.

LCRB has very good relation with municipal government. In fact, the bank's lot and skeleton building were donated by the Inopacan municipal government.

LCRB expects the following assistance from the government.

National	-	financial assistance
	-	technical training in banking
Local	-	moral, financial and facilities support

#### D. VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC. (VICTO)

VICTO was organized in 1971 and registered with the Securities and Exchange Commission. It was also registered with the Ministry of Agriculture as a cooperative federation on September, 1988, and confirmed with the Cooperative Development Authority on February 23, 1991.

The area of operation of VICTO is "the Provinces and Cities of the Visayas".

At present, its membership is comprised of 279 cooperatives. In Leyte Province, 33 cooperatives are members (of which 21 are agri-based coops). Just about 10% are members of VICTO. Communication with members is conducted via: ① quarterly board of directors meetings; ② monthly meetings of special committees on business activities; ③ a quarterly publication ("VICTO-FOCUS").

Matters being requested of VICTO by its members are as follows:

- ① to improve/enhance their management skills in the delivery of programs/ services to their members.
- ② to address the staff development concerns of the paid and volunteer employees of the coop.
- ③ to provide additional capital to their business activities.
- ④ to provide technical and entrepreneurial skills in business.
- ⑤ to provide skills in safekeeping and management of excess funds.

VICTO provides education & training (367 training events, 112 affiliates, 8,904 participants), consulting (139 assistance coops), auditing (114 coops), electronic data processing, lending (181 investors, 57 served coops, P10.4M granted loan), and inter-coop trade services (net sales P9.2M, 77 affiliates).

VICTO engages in these activities with a full-time staff of 127 persons. In the Tacloban office, there are 29 persons involved in operations.

Major source of funds utilized for financing activities emanated from the Canadian International Development Agency (CIDA).

Major facilities are ① warehouse (3 buildings, 450 bags each), ② Trucks (4 ton), jeep (1), ③ Training Center (2 bldg, accommodate capacity of 70 and 40 persons), ④ Radio station, ⑤ Central office and 9 branches.

The affiliates to the upper organization are National Confederation of Cooperatives (NATCCO), Women Action in National Development and others. VICTO Board of Directors are well represented (elected) in the NATCCO leadership which holds quarterly meetings, and programs/services staffs call at the national level meeting as often as necessary. VICTO and other secondary coops have a close relation through attendance in the provincial federation meetings and federation/union conferences.

The major problems of VICTO are the followings:

- ① lack of funds (insufficient income that can sustain salaries & operational cost for staff generated from the delivery of regular programs and services).
- ② weakness due to cost consideration.
- ③ less profitability in inter-coop marketing.
- ④ multiple membership of coop to secondary organizations.
- ⑤ standardization of training contents and manualization of training modules.

The activities intending to strengthen are the following:

- ① Economic enterprise (implementing a joint/partnership program).
- ② Human resource development (producing professional and social responsible leaders, staff and members).
- ③ Coop network building.

## 7. Davao Del Norte Province

### (1) Socio-economic condition

Bounded by Agusan del Sur in the North, Davao Oriental in the east, Bukidnon in the west and Davao del Sur and Davao Gulf in the south, Davao del Norte is located in Southern Mindanao region of the country. Its terrain consists of flat, rolling, hilly and mountainous areas which are evenly distributed throughout the province.

Davao del Norte has a total land area of 8,129.8 square kilometers with 21 municipalities and 412 barangays. In 1986, its total income amounted to P37.389 million. It is a first class province with no dry season and pronounced maximum rainfall between November to January. In 1987, it has a population growth rate of 4.22% thus, by 1990 it was recorded to have a total population of 1.055 million coming from a total household of 193,765. In 1984, the male population comprise 53% of the total. In 1983, the average household income was P2,340 with 79% earning less than P4,000 per annum.

### (2) Agricultural condition

Davao del Norte is the southern Mindanao major producer of banana, sweet potato, soybeans and abaca. In 1986, 153, 880 has. were planted to corn; 69,460 has. to palay; 106,535 has. to coconut; 26,691 to banana; 7,770 has. to abaca; 5,751 has to sugar cane; 3,900 has. to soybeans; 3,154 has. to coffee, 2,605 has. to sweet potato; and 695 has. to cacao. During the same year the total number of livestock inventory were as follows: cattle - 15,310 heads; hogs - 149,570 heads; carabao - 61,490 heads and goat - 56,370 heads. The poultry inventory was composed of 836,570 heads of chicken and 144,930 ducks. The province's total production of fish and aquatic products were 4,255 metric tons, 2/3 of which came from marine fishing.

Of the province's 285,909 arable land: 30.2% were under temporary crops; 14.00% were lying idle; 45.4% were under permanent crops; 2.0% were under permanent meadows and pastures; 7.1% were covered by forest growth; and 1.3% were classified as all other lands.

Among the major agribased establishments were: banana exporters (18); copra exporters (1); and rice and corn mills. Castor beans, bamboo, cauliflowers, cacao and coffee were potential agricultural crops. The potential agribusiness

ventures were: rammie de gumming plant; banana processing plant; coffee processing; prawn hatchery and production; rice and corn processing and marketing; coconut oil mill; guava fertilizer production; fruit processing and preservation; coconut coir fiber production; coconut charcoal and feedmill.

Among its support services include: 3,005.831 kilometers of road network; 8 private airports; 5 municipal ports; 7 radio stations; 17 rural banks; 1 CRB; 19 pawnshops; 2 lending investors; and 7 commercial banks. All the municipalities have electricity and community water system. There were 48 irrigation systems servicing 9,211 hectares; 3 ice plants and NFA facilities such as: 1 rice mill (0.35 tph), 6 threshers (6.5 tph), 20 corn sheller (3.0 tph), 2 dryers (6.2 tph) and 3 warehouses (319,000 bags). It has a provincial training center.

Although cooperatives are known to be strong in Davao del Norte, processing storage and marketing of agricultural products are still controlled by the private traders/middlemen. In irrigated areas, rice-rice culture pre-dominates. However, rice-corn, corn-corn and coconut intercropped with corn or ramle were not uncommon cropping pattern.

Unlike in rice and corn producing provinces in Luzon, there are few rice and corn tenants in Davao del Norte. Land rents were thus paid in fixed amounts of harvest or in absolute amount of pesos. Being far from Manila, the employed rural workers and hired agricultural workers receive less than what their counterparts in Luzon receive.

Local government agencies have strong positive policies and measures to promote agricultural development in the province.

### (3) Condition of primary cooperatives

#### A. DAVAO FREE FARMERS COOPERATIVE, INC. (DFFCI)

##### 1) Outline

The office of the cooperative is located in the province's capital, Tagum. Its operations consist mainly of the sale of rice, corn, etc. and the supply of fertilizer, chemicals, etc. Its area of operation is vast, covering 12 municipalities including Tagum, with the total number of barangay in this area reaching 68. The cooperative was registered in October 1978 and confirmed in May 1991.

## 2) Characteristics of organization and operations

### i Organization

This cooperative has 2,980 members. Among these are 788 women members. The officers of the cooperative are putting their energies behind organizing groups of members at the barangay and village levels, trying to strengthen the connection between members and cooperative business activities with these as the basic organizational unit.

The upper organizations to which this cooperative belongs are the three of the PCU (Provincial Cooperative Union), the DAFEDACO (Davao Federation of Agri-based Cooperatives, Inc.), and the CB of Davao City. On the national level, moreover, it is a member of the FFFCI (Federation of Free Farmers Cooperatives, Inc.).

### ii The will to decide/implement

The general meeting is held each year in March. It is comprised of representatives elected at the ratio of one per 15 members. The attendance rate each year exceeds 90%. Representatives, as an obvious duty toward the general membership, immediately hold briefings after the close of the general meetings. These are regarded by leaders of the cooperative as the fruits of long years of educating members.

### iii Board of directors

The board of directors is comprised of 11 members, including one woman. Board meetings are held once each month and over the past year the attendance rate has been maintained at 100%. When a director attends a board meeting, he is paid a transportation allowance of p300 by the cooperative.

In selecting directors, members at the barangay level and even at the village level first go through a careful process of meetings that are held to pare down the list of candidates. Ultimately, the person who receives the recommendation of member submits his candidacy to the election committee. Directors are elected by secret ballot at the general meeting.

#### iv Employees

Between 1991 and 1992, the cooperative cut its number of full-time employees while it increased its number of part-time employees. A look at the academic backgrounds of full-time employees indicates that the level of knowledge is high, with 13 of the 38 having university degrees and 2 junior college degrees. At present, there are 21 part-time employees. Hereafter, it is the cooperative's policy to do the utmost to restrain growth in number of employees through endeavoring to rationalize administrative loads with the introduction of office equipment.

Worthy of special mention is the consistent adoption of a system of "advisors" since 1988. Presently, there are five. Each is a graduate of a school of agriculture and each is in his 20s.

Initially, the advisor's primary task was to guide members with outstanding loans in the preparation of repayment schedules. However, as they began instructing members in plans for the repayment of funds, this developed into guidance in the planning of profit and loss. Then, in order to make the plans for profit and loss dependable, production plans for agricultural products became necessary, which led further to a requirement for improvements in agricultural technology. The cooperative says that this guidance, with the cooperation of specialists responsible for the spread of farming improvements, is at the point of making its first inroads into the realm of instruction on technological improvement.

What the officers of the cooperative expect of the advisors is not simply a fragmentary parceling out of production technology but their acting as consultants on production technology which is supported by the cooperative's businesses.

### 3) Characteristics of management

#### i Finance/profit & loss

The trend of business results has been generally healthy. Although fiscal 1991 showed a decline in profit year-on-year, fiscal 1992 is showing signs of a recovery.



	FY1989	FY1990	FY1991 (in pesos 1,000)
Sales	22,882	29,565	32,839
Cost of sales	20,059	26,020	30,862
Gross profit on sales	2,823	3,595	2,031
Other income	2,693	4,510	6,680
Total gross profit	5,516	8,075	8,711
Expenses	4,399	6,977	8,126
Net profit	1,117	1,098	585

If one were to cite problems areas, it would be that (a) the rates of increase in cost of sales and in expenses has exceeded the rate of increase in sales, and that (b) other income has become a much larger factor by far than gross profit on sales. Other income is comprised largely of profit from a trucking operation and interest income.

ii Plans for a capital increase

The measure which the cooperative has emphasized to date with regard to increasing capital has been an allocation of an amount equivalent to 5% of production loans toward new capital. However, it terminated this in 1992. Beginning in 1993, the officers of the cooperative are considering paying into the capital account each year P800 per managed plot under cultivation and continuing this for 5 years. If this becomes reality, members' paid-up capital would double in 5 years from its present P2,521,000.

iii Distribution of net profit

Interest is intentionally kept at the low rate of 4% on members' investments. Patronage refunds are distributed based upon the total amount used with respect to marketing, supply and finance (this works out to only about 0.02% of the total amount used).

#### 4) Characteristics of business activities

##### i Marketing

Rice and corn are the mainstays. In 1991, the cooperative purchased about 2,800 tons of palay, sourced 80% from members and 20% from non-members, while selling about 2,400 tons of rice and 400 tons of palay. 95% of sales went to primary cooperatives. Because the DAFEDACO has still not begun the marketing of rice, the total amount was sold through the cooperatives own channels.

##### ii Supply

The primary items are fertilizers and chemicals. In terms of quantity, fertilizers account for the most sold, while in terms of value, chemicals make the largest contribution.

Because DAFEDACO once again cannot act as a principal in purchasing these items, the cooperative purchases directly from wholesalers.

##### iii Savings

In September 1990, savings activities by members began in a certain barangay. This has spread until today there are over 10 locations where members have independently formed groups which conduct daily savings operations based on deposits of P20~30 per month. The cooperative pays 9% interest on these deposits. As of December 1992, the balance of these deposits exceeded P800,000. The role played by women members and by the families of members, especially the women therein, has been great in bringing this about, according to analysis by the cooperative.

##### iv Credit

The main source of outside capital is the LBP. Currently, the balance of production loans from the LBP stands at P5,909,100. Close attention is paid with respect to control, with the credit committee being very careful in its examinations. In spite of strict guidance as well from the previously mentioned advisors, however, the rate at which loans are completely repayed prior to the dates they fall due is still only 85%.

Although the business is still tiny, this cooperative also conducts a loan business using its own capital as a funding source. In it are made machinery loans, home improvement loans, etc. and the amount lent each year is about P500,000.

v Education and training activities

With respect to employees, the cooperative has sent 8 to a computer school in Davao to prepare for the coming computer age. All costs of this education are being borne by the cooperative.

With respect to members, the cooperative is placing its greatest emphasis on membership refreshment seminars with each barangay as the basic area of coverage. Each month it sends mainly its own directors and employees to the barangay as instructors, conducting education for about 400 people each year.

B. NABUNTURAN INTEGRATED COOPERATIVE, INC. (NICI)

1) General description

NICI is a municipal based primary cooperative which was originally organized in August 1967 as a Credit Cooperative. In April 1983 it merged with a "sister" consumer cooperative in the same municipality. NICI currently has 2,645 regular members in Nabunturan and 245 associate members in surrounding municipalities.

Principal activities include the following:

	F/Y 1991
Savings Mobilization	P12,100,121
Lending	15,848,685
Marketing	7,435,895
Selling Farm Inputs	904,802
Consumer Store	5,460,968

Total share capital as of Dec. 31, 1991 was P6,452,840 and: total members' equity and reserves was P8,373,415.

NICI has a total salaried staff of 4B, of which 33 (69%) are university graduates. The general manager and the majority of employees are female. There are 11 directors of which 9 (80%) are university graduates and 9 are male.

NICI owns a large, concrete office building and a small solar dryer. It rents a rice mill with warehouse and solar dryer and the space in which the consumer store operates.

NICI is affiliated with the following:

- DAFENACO - Davao Federation of Non-Agri-Based Cooperatives
- DAFEDACO - Davao Federation of Agricultural Cooperatives
- Cooperative Rural Bank of Tagum
- Cooperative Bank of Davao City
- Provincial Cooperative Union of Davao Del Norte
- NATCCO - National Confederation of Cooperatives
- MASS-SPECC (Regional Affiliate of NATCCO)
- CLIMBS (Insurance affiliate of MASS-SPECC)
- CISP - Cooperative Insurance System of the Philippines

## 2) Organization aspects

In the municipality of Nabunturan there are approximately 6,500 farm households of which 1,382 (21%) are members of NICI. Total regular members amount to 2,645 of which 1,417 (53%) are women. Most of the non-farm members are local merchants, vendors, etc. NICI also has 245 associate members located in surrounding municipalities of which 130 (53%) are women. The majority of members are in their forties. NICI is actively expanding membership mostly through monthly seminars for non-members and personal contact by directors and staff.

NICI's annual General Assembly is normally held in February each year and member attendance averages about 50%. Prior to each General Assembly the directors and management conduct meetings in each barangay to learn of members' needs. In addition to electing directors members also elect an Audit, Supervisory and Inventory Committee, a Credit Committee and an Election Committee. Subsequently, the Board appoints an Education Committee. The

Board meets at least twice per month and the Audit and Credit Committee meet every week. Attendance averages about 90%.

Officers include a General Manager, a Treasurer, an Accountant and a Secretary all of whom are female.

Internal auditing is performed weekly by the Audit Committee. For the past 2 years an external audit has been performed twice each year by a private, local auditing firm. Previously external audits were performed by MASS-SPECC but its service was expensive and the quality was poor due to rapid employee turnover.

NICI management and Board maintain very good communication linkages with local and provincial government officials. The provincial Governor is the former Mayor of Nabunturan.

### 3) Management aspects

NICI's financial performance and financial condition are very good.

#### i. Financial Performance (FY 1990 and 1991):

- a. Number of loans granted increased 23.0%
- b. Number of borrowers increased 14.4%
- c. Amount of loans granted increased 23.0%
- d. Gross savings increased 57.3%
- e. Total operating expenses increased 66.0%
- f. Net savings increased 03.4%

#### ii. Financial Condition (FY 1990 and 1991)

- a. Assets employed increased 56.7%
- b. Savings deposits increased 57.5%
- c. Total share capital increased 36.6%
- d. Total equity and reserves increased 36.6%
- e. Net working capital increased 69.7%

NICI maintains an active capital build-up program through a variety of programs. The principal source is involuntary which requires borrowers to invest 2% to 5% of amounts of loans obtained. Also loans are limited to 3~4 times share

capital which encourages investment. And, NICI offers free term life insurance equal to an individual's share capital (up to P20,000). NICI also encourages members to reinvest their patronage refunds and dividends in share capital.

Net savings, after CETF and required reserves, are distributed 70% for dividends on share capital and 30% for cash patronage refunds. In 1991 the dividend rate was 4% on share capital and the patronage refund was 4% on merchandise and 3% on loans. The CETF is divided equally and paid to the PCU and DAFENACO.

NICI prepared a five-year plan in 1989 however, it was not properly updated and fell into disuse. A new five-year plan is expected to be completed in January 1993.

#### 4) Marketing/supply activities

The major products marketed by NICI are palay, milled rice and corn all of which are sold wholesale to private traders or direct to retailers of which about 90% is sold on consignment. None is marketed through federations because they lack markets and funding. Only about 60% of milled rice sales is sourced from members because of NICI's limited drying milling and warehousing facilities and financing. The remaining requirements to satisfy NICI's market demands are purchased from private traders which are also NICI's principal competition. Other major crops produced in the area include copra, coffee, abaca and bananas.

The sale of fertilizers and chemicals is a relatively small and not very profitable part of NICI's business however, it is growing slowly. Most are purchased from private traders because the federations lack the capital to purchase farm inputs in bulk quantities at lower prices. In 1991 only 30% was sourced from a federation (DAFEDACO).

NICI's office and credit facilities were constructed 10 years ago and are adequate and in good condition. The rented rice mill, solar dryer and warehouse are old, inadequate and inefficient. The rented consumer store is very cramped which limits sales volume. Moving it to a larger facility is planned.

Facility needs - about one year ago NICI developed a feasibility study on the construction of a modern rice mill with a mechanical and solar dryer and an adequate warehouse and a new truck at a total cost of P5,000,000. However, because of the drought and lack of appropriate financing the plan was temporarily

postponed. At this stage those needs are essential to NICI's further development. Other needs cited include a large tractor, a portable thresher, two power tillers and a computer/printer. In the future NICI would like to build a training center and a feed mill.

#### 5) Savings/loan activities

##### i. Savings

NICI offers both demand and time savings deposits which is one of its principal business activities. During the past 2 years total savings deposits have increased 57.5%. Competition from 2 local private rural banks is being met by NICI paying 2-3% more interest on deposits and by maintaining longer business hours.

##### ii. Lending

Loans are granted only to members at no more than 3 to 4 times their paid-up share capital NICI has a variety of loan programs for both providential and productive purposes to serve local merchants, market vendors, farmers, etc. Most are short-term with a minimum of 90 days and a maximum of 1 to 2 years. The 1 to 2 year loans which exceed P20,000 are usually collateralized by a real estate, mortgage, personal property or a third party guarantee. Interest rates vary based upon amount, term and type from about 24% per annum to 36% per annum for (LBP) agricultural production loans. NICI has a relatively good collection program and normally past due loans average about 20%. However, in 1991 it was about 30% due to the drought in the area. Past due loans are being well managed.

##### iii. Borrowing

Aside from the Land Bank (LBP) from which NICI obtains most of its funds for making crop production loans, NICI has depended very little on external funding sources mostly because they are unreliable and have limited funds available. The major source of funds for lending is from the generation of savings deposits and capital buildup. Some grant funds have also been utilized for some narrowly targeted special loan programs of donor agencies.

Principal competition in lending comes from money lenders, private traders and the 2 private rural banks. This competition is met by lower interest rates, longer business hours, personalized service to borrowers and conducting training

seminars for existing and new members.

The major problems related to external funding are:

- Reluctance to provide adequate amounts for working capital needs to finance crop purchases and inventories
- Most repayment programs are not related to actual cash flows. (Arbitrary/unrealistic)
- Most sources are government related in limited amounts and not very reliable especially for long-range planning needs.

6) Education and training activities

i. Members and non-members

NICI has 5 full-time staff working with members and non-members. 2 are agricultural specialists, 2 are better living specialists and one is a community organizer. They are selected from the membership and are trained by government agencies and/or self-educated.

NICI also conducts weekly seminars for new members. Funding comes from CETF or NICI's own funds and support from cosponsoring agencies. Federations provide very little but should be able to provide training of trainers.

ii. Directors and employees

Several training seminars sponsored by NGOs, GOs and federations were attended by NICI's directors and/or employees during 1991. Federations have provided only modest support due to lack of funding.

iii. Training needs cited included

Training of newly elected directors'; financial management training; and skills training especially in regard to value-added food processing and ready-to-wear clothing. Staff training needs include: leadership training for board and management; management training for second level managers; how to evaluate employee performance; and, computer training especially in programming.



7) Insurance

For the past 5 years NICI has utilized the life insurance programs of DAFENACO. Previously the CLIMBS program was used but the service was poor and the cost was higher than DAFENACO. CISP is not aggressively marketing its insurance products in the area.

NICI offers credit life insurance which is optional but is required whenever a borrower's loan exceeds his/her share capital. The member pays the full premium.

NICI also provides free term insurance to members whose share capital exceeds P10,000. The amount is equivalent to the member's share capital up to a maximum of P20,000. The cost to NICI is P1 per P1,000 of coverage per month. It can also be purchased on a voluntary basis.

NABUNTURAN INTEGRATED COOP., INC (NICI)

	89.12.31	90.12.31	91.12.31
1. LIQUIDITY RATIO			
1.1 <u>Current Assets</u> Current Liabilities	1.38:1	1.49:1	1.41:1
1.2 Working capital (pesos)	3,781,286	6,628,925	6,417,771
2. PROFITABILITY RATIOS			
2.1 <u>Net Savings</u> Gross Savings	13.9%	07.7%	09.1%
2.2 <u>Total Operating Expenses</u> Gross Savings	86.1%	92.3%	90.9%
2.3 <u>Net Savings</u> Total Assets	02.9%	01.5%	01.9%
2.4 <u>Net Savings</u> Fixed Assets	26.8%	18.9%	27.3%
3. SOLVENCY RATIOS			
3.1 <u>Member Equity and Reserves</u> Total Assets	38.0%	32.2%	33.1%
3.2 <u>Loans Outstanding</u> Total Deposits	139.0%	152.1%	127.7%
3.3 <u>Long-Term Liabilities</u> Members Equity & Reserves	0.02:1	0.25:1	0.13:1
4. OTHER RATIOS			
4.1 <u>Ave. Share Capital-regular Member</u> No. of Regular Members	N/A	N/A	P2,268
4.2 <u>Ave. Share Capital Ass. Members</u> No. of Ass. Members	N/A	N/A	1,850
4.3 <u>Share Capital (pd)</u> Subscribed Capital	N/A	N/A	42.7%

(4) Condition of affiliated unions/federations

The two cooperatives which conducted the detailed survey are apparently affiliated with the following union and federations within Davao Del Norte Province.

Davao Free Farmers Cooperative

[Union]

Provincial Cooperative Union of Davao

[Federations]

DAFEDACO and the CB of Davao City

Nabunturan Integrated Cooperative

[Union]

Provincial Cooperative Union of Davao

[Federations]

DAFEDACO and DAFENACO (non-agribased)

CB (Tagum)

CB of Davao City

We will review briefly the results of this survey of union and federations in the order of: (a) Provincial Cooperative Union of Davao; (b) DAFEDACO; (c) CB of Davao City. Furthermore, we will also touch upon the Federation of Davao City, of which the CB of Davao City is a member. Both cooperatives belong to the latter.

A. PROVINCIAL COOPERATIVE UNION OF DAVAO, INC. (PCU-DAVAO)

Registered in December 1986, it was confirmed in accordance with the new law in December 1991. Among its members are the following 3 organizations: DAFEDACO (Davao Federation of Agri-based Cooperatives, comprised of 30 member cooperatives); DAFENACO (Davao Federation of Non-agri-based Cooperatives, comprised of 48 member cooperatives); and DAVAO-CB. In addition, in accordance with the enactment of the new law on cooperatives in fiscal 1991, 352 primary cooperatives within the province became its members. The upper organizations to which the PCU belongs are the two of RCU XI and CUP.

Of the 352 member cooperatives, 69 are agricultural cooperatives. Inside the PCU's jurisdiction, although large cooperatives such as the Davao Free Farmers

Cooperative and Nabunturan Integrated Cooperative, the two that conducted the current survey, exist in very rare instances, there are numerous small cooperatives, with those having a membership of less than 100 exceeding half of the total.

The present role of the PCU is very likely to lie in strengthening the organizational aspects of its member cooperatives, and in assisting in the development of DAFFDACO, which will have responsibilities for marketing/supply.

Its operations to date have focussed on educational and training activity, and in fiscal 1991, it has held seminars on bookkeeping and credit collection as well as carried out training in postharvest technology and basic cooperative management. Hereafter, it intends to emphasize training in the incorporation of planning into the management process. There is a need to have the content of the various educational and training programs suit the age and the training director spoke of needing to revise the heretofore useful CEPCCR manual (created jointly by BACOD, ACCI, RCU XI, and USP [the University of the Southern Philippines]).

Although the responsibilities placed on the PCU are great, its annual budget of around p370,000 and its staff of only 5 employees make it difficult for it to provide services that are in accord with members' expectations.

The PCU's training director mentioned the need for the PCU to be strengthened by the appearance of a powerful apex organization on the one hand, and for it to use its own initiative in strengthening itself financially on the other.

#### B. DAVAO FEDERATION OF AGRI-BASED COOPERATIVES, INC. (DAFEDACO)

Registered in March 1989, and confirmed in accordance with the new law in June 1991, this federation is a relatively new one which oversees a marketing/supply operation. Its area of operation is the 3 provinces of Davao (Davao Del Norte, Davao Oriental, Davao Del Sur) and Davao City. However, in the province in which another federation is already engaged in activity (Davao Del Sur), it is refraining from soliciting members. From Davao Oriental, which does not have a federation, 3 agricultural cooperatives have become members, bringing the total number of members to 30 as of December 1992. It is generally accepted that in two years' time membership should increase to 60 agricultural cooperatives.

In 1991, the federation which had just been founded was to gain the spotlight as the principal organization in the implementation of "Self Reliance," a pilot project created jointly by the public and private sectors.

This project, in Davao Del Norte Province, involves the implementation of measures which take a constructive, self-help orientation in various fields such as production, sales, credit, and education in order to strengthen cooperatives' selling ability and to raise the income levels of farmers. It was inaugurated in October 1991, with administrative entities such as DA, NFA, LBP and regional governments providing systematic and comprehensive support. Actual managerial duties are to be handled by the member cooperatives of DAFEDACO, and DAFEDACO is now expected to play a central role in the cooperative organization.

DAFEDACO is planning to try to maintain a procurement ability for palay and a marketing ability for milled rice using post-harvest facilities owned by the NFA by uniting member cooperatives and planning a unified marketing effort for rice two years hence. In a separate survey done in preparation for the aforementioned project (PSR), the actual record of rice procurement by DAFEDACO members was, in the one-year period ending March 1992, 6,835 tons; if this were sold as milled rice, it would amount to a quantity of 4,575 tons. Many expect that the impact that cooperatives would create on rice distribution would be one that commercial interests would find impossible to ignore.

However, unfortunately, DAFEDACO has at present no actual track record in rice-selling operations.

With respect to supply activities, volumes of fertilizer and chemicals, the two major items, vary greatly each year and moreover the profit on this activity is insignificant. "Other income," which is not a part of the marketing/supply business, is relatively large and is mainly comprised of handling commissions taken when LBP loans are made to members and of interest income.

	FY1990	FY1991	FY1992 (until Oct) (in 1,000 pesos)
Sales	6,704	3,919	8,384
Cost of sales	6,627	3,812	8,013
Gross profit on sales	77	107	370
Other income	225	453	2,924
Total gross profit	302	560	3,294
Expenses	119	453	2,904
Net profit	182	107	389

Among the 30 cooperatives belonging to DAFEDACO are such powerful cooperatives as the Nabunturan Integrated Cooperative and the DFFCI, which conducted the present detailed survey. Both have memberships in excess of 2,500. On the other hand, there are also 6 cooperatives whose memberships do not exceed 100. Because such differences exist according to cooperative, it might, depending on the kind of unified system that was created, be extremely difficult to move federation businesses forward. However, we feel that initially the two senior organizations, Nabunturan and DFFCI, should set the example by beginning to assist in the strengthening of DAFEDACO.

### C. COOPERATIVE FEDERATION OF DAVAO CITY, INC. (CFDC)

#### 1) General background

This federation has been operating for slightly over one year. It is very poorly capitalized and staffed and to date has functioned very little. It was organized primarily to provide education and training for its members. Its area of operations is limited to Davao City.

#### 2) Membership

In Davao City there are some 364 cooperatives of which currently 32 (8.9%) are members. A complete list of current members was not available. However, a

list as of December 14, 1991 listing 24 members was provided. From perusal of this list of 24 it appears that only 2 or 3 are agriculturally related cooperatives. The vast majority of members are employee, credit, consumers, market vendor or merchant cooperatives.

### 3) Affiliations

Reportedly the CFDC is affiliated with the following:

- Cooperative Union of the Philippines (CUP)
- Cooperative Union Region XI
- MASS-SPECC (Regional Affiliate of NATCCO)

### 4) Organization aspects

CFDC has a Board of 11 directors of which 9 are male and 2 are female. The Board meets at least once each month. It also has an Election Committee of 3 persons, an Education Committee of 3 persons and an Audit Committee of 3 persons.

The full-time staff consists of 3 persons; one general manager (male) and 2 female staff.

### 5) Operations aspects

As previously indicated the CFDC was established primarily as an education and training entity. It does not engage in any business activities nor does it expect to in the foreseeable future. To date the CFDC has conducted some pre-membership seminars and a leadership training seminar.

CFDC does not have an effective membership or capital build-up program. In fact, it appears to be struggling because of lack of leadership, direction and funding.

CFDC has a subscribed capital of P83,000 and paid-up capital of P57,000 however, that equity has been reduced to P41,611 as of December 31, 1991 as the result of operating losses of P15,388 during its first six-months of operations. CFDC's main sources of income are from CETF which few members are remitting, and registration fees.

6) Deposits/lending/borrowing

CFDC does not accept deposits nor make loans and to date has not borrowed nor does it have any basis for borrowing at this time.

7) Communications/expectations of upper organizations

Because of its lack of leadership, direction and funding CFDC does not have an effective communications program with its members.

D. COOPERATIVE BANK OF DAVAO CITY, INC. (CBDC)

1) General background

CBDC commenced operations in March 1983 following registration with the Securities and Exchange Commission (SEC) and receiving authority from the Central Bank to operate as a Rural Bank. In February 1991 it was confirmed by the CDA as a Cooperative Bank under the new Cooperative Act. In April 1991 CBDC opened its first and only branch to date in the Agdao Public Market in Davao City.

CBDC area of operation includes all of Region XI which includes in addition to Davao City the provinces of Davao Del Norte; Davao Del Sur; Davao Oriental; South Cotabato; and, Surigao Del Sur. However, currently the major portion of the Bank's operations are in Davao City and the nearby municipalities.

2) Membership

CBDC started in 1983 with 36 member cooperatives most of which were Samahang Nayons (pre-cooperatives). Currently there are 841 cooperatives of all types in all of Region XI of which 139 (16.5%) are common stock holders of CBDC. CBDC has also 177 preferred (non-voting) stockholders of which the major ones are the Land Bank (P1,000,000); the Development Bank of the Philippines (P598,000); the Department of Agriculture (643,000) and the remainder are individuals.

### 3) Affiliations

CBDC is affiliated with the following upper level organizations:

- Cooperative Federation of Davao City (CFDC)
- Philippine Cooperative Rural Bank Foundation (PCRBF)
- Mindanao Federation of Cooperative Rural Banks
- Cooperative Rural Bank Federation of the Philippines (BANGKOOP)

### 4) Organization aspects

CBDC has a Board of 11 which meets at least once each month and attendance is very good. This Board is very active largely as a result of management initiatives. It has a total of 33 full-time employees of which 17 are men and 16 are women. One problem cited is a high turnover of staff. This is being addressed in the 1992 plan through evaluation of individual job performance and a review of adequacy of salary levels.

CBDC expects federations to provide skill training for the staff but this has been meager to non-existent to date. However, a considerable amount of skill training has been provided by the Central Bank and the Land Bank.

CBDC has an operating plan for 1992 and is in the process of developing a five-year plan. It also has an annual plan for capital buildup however, it is very general and lacks specific monetary targets.

Primarily through its general manager the CBDC is providing the leadership in the potential merger of the 11 cooperative banks in Mindanao to form a regional bank. Other plans to strengthen CBDC include more active promotion of the member cooperatives in terms of capital buildup and patronage and improvement and expansion of the communications network amongst members.

CBDC holds its Annual General Assembly in April each year and attendance is good. CBDC management and Board maintain good communications linkages with its cooperative members throughout the year.

CBDC also maintains excellent communications with local governmental agencies and affiliated organizations and is active in community social and environmental programs some of which it has initiated such as a cooperative hospital and tree planting.



## 5) Operations aspects

The CBDC has never recorded a loss year in its ten-years of operations. It is the largest and most profitable cooperative bank in the country. The highlights of financial statements are summarized below for the past two years:

- Total assets employed increased 42.0%
- Loans outstanding increased 43.8%
- Past due loans increased 1.3% of total
- Total deposits increased 63.1%
- Capital stock increased 41.5%
- Reserves and undivided income increased 29.6%
- Total equity accounts increased 34.3%
- Total gross income increased 37.6%
- Total operating expenses increased 44.6%
- Net savings increased 0.9%

## Distribution of net savings

After setting aside legally required reserves, sinking funds and CETF the balance of net savings is distributed as dividends on common and preferred stocks which average 9% to 12% per annum. The CETF to be paid to upper organizations is all paid to the Cooperative Federation of Davao City.

## 6) Deposits/lending/borrowing

### i Deposits

CBDC offers both demand and time savings deposit programs. During the past 2 years total deposits have increased P13,268,063 (63.1%). Recently CBDC has developed a major deposit of \$ US 200,000 from the Ecumenical Development Cooperative Society of the Netherlands. Management maintains an aggressive deposit mobilization program with primary cooperatives. Some constraints cited were related to limited growth of primaries such as:

- Parochial attitude of some primaries.
- Absence of entrepreneurial spirit.
- Stunted growth due to economic factors
- Lack of management and business skills of leaders.

Being located in a relatively large city CBDC has considerable competition from commercial banks. This competition is being successfully countered by maintaining good communications with members and paying a slightly higher rate of interest.

## ii Lending

Similarly lending activities during the past two years have expanded by P 14,928,103 (43.8%) CBDC provides mostly short-term loans (six-months or less) for productive purposes to primary cooperatives and also for providential and productive purposes to non-cooperative preferred stockholders (individuals).

Most of the latter group are merchants, market vendors, etc. Interest rates vary from 17% per annum for cooperative common stockholders to 28% per annum to preferred stockholders.

As of December 31, 1991 loans to primary cooperatives were 34.8% past due and to non-cooperatives 6.6% which clearly indicates cooperative lending is riskier.

## iii Borrowing

The primary source of external borrowing is the Land Bank (LBP) which is limited to onlending for agricultural production loans. CBDC relies largely on deposits and equity buildup as its primary source of loan funds. Lack of adequate sources of borrowed funds especially long-term funds for post-harvest facilities is a serious constraint to CBDC's development.

## 7) Communications/expectations of upper organization

As previously indicated CBDC maintains close communications with its upper organizations. However, CBDC is dissatisfied with the adequacy of services which should be provided by them. Some examples cited were:

### i Organization aspects

Assist the Bank with linkages and better communications with other cooperative banks.

ii Management aspects

- ① Training programs to develop and upgrade skills of the Bank's staff.
- ② Conduct seminars to broaden the knowledge of the Bank's staff in various disciplines related to banking activities.
- ③ Publications and reference materials useful to the Bank's staff.

iii Business aspects

- ① Provide schemes, mechanisms, etc. to expand deposit mobilization and capital buildup.
- ② Assist the Bank in procuring external funding.
- ③ Facilitate the promotion of the Bank's socially oriented programs.

## **VI. Present Condition of Agricultural Cooperatives**



## **VI. Present Condition of Agricultural Cooperatives**

### **1. Organization of Agricultural Cooperatives**

#### **1-1 Whole Figure**

In the light of recent events, the organization of agricultural cooperatives in the Republic of the Philippines is categorized as -below.

By type, primary cooperatives are divided into credit, consumers, production, marketing and service cooperatives, and multi-purpose cooperatives. Multi-purpose cooperatives are classified furthermore into agriculture-based cooperatives and non-agriculture-based cooperatives. Primary cooperatives are also organized at different levels—barangay, municipal and city.

Provincial or city-level organizations have complicated affiliations. To begin with, for example, various types of primary cooperatives, in essence agricultural cooperatives centering on agriculture-based multi-purpose cooperatives, are affiliated with AMCs (Area Marketing Cooperatives) and CRBs (Cooperative Rural Banks). These primary cooperatives are also members of city or provincial-level unions of cooperatives. This is also the case with AMCs, CRBs and federations of agricultural cooperatives.

CUP (Cooperative Union of the Philippines, Inc.) is the only national-level union recognized by CDA (Cooperative Development Authority) and includes in its membership regional, provincial or city-level unions, national-level federations, and special secondary and tertiary organizations. Mentioned in the foregoing are leading member organizations. Of them, FACOP (Federation of Agri-based Cooperatives of the Philippines) is, so to speak, a national marketing and supply federation of agricultural cooperatives, founded in June 1991 and registered by CDA in January 1992.

BANGKOOP (National Federation of Cooperative Rural Banks) is also a national-level federation, of which CRBs are members.

CISP (The Cooperative Insurance System of the Philippines, Inc.) is a national organization engaged in mutual insurance activities.

Among the influential national-level organizations is NATCCO (National Confederation of Cooperatives, Inc.), which has various types of primary cooperatives as its members through five local development centers (RDCs) in the Philippines. NATCCO itself with-drew from the CUP membership in 1991.

Electric cooperatives, sugar cooperatives and transport cooperatives have been under the overall supervision of CDA since its inception. Organizationally, however, these cooperatives are, as the diagram shows, affiliated with organizations different from those to which credit and consumers cooperatives belong.

## 1-2 Primary Agricultural Cooperatives

The New Cooperatives Law was established in 1989 and took effect in March 1990, after with CDA was created.

At first, Article 16 of the New Cooperative Law stipulated that any agricultural cooperatives should be registered with CDA when it is established, but Article 128, which provided for interim measures, later made it mandatory for all cooperatives, registered under Presidential Decree No. 175 and No. 775, Administrative Order No. 898 and under other relevant laws, to submit registration certificates and other related documents to CDA for confirmation within one year from the enforcement of the New Cooperative Law. This is why a distinction has been established between registered cooperatives and confirmed cooperatives.

Latest data showing the number of domestic cooperatives are provided in Table 1 and Table 2.

As of the end of March 1992, there were a combined total of about 15,000 cooperatives 11,567 registered cooperatives and 4,424 confirmed cooperatives throughout the Philippines.

Table 3 and Table 4 clearly show that the number of registered cooperatives has increased per region and type.

In 1991, the number of registered cooperatives increased in one bound to about 9,000. By region, conspicuous increases are noted in Region I, Region III, Region IV and Region XI.

By type, multi-purpose agricultural cooperatives account for about 80 percent of the registered cooperatives and also for nearly 70 percent of all the cooperatives.

Among various types of cooperatives, including credit cooperatives as well as "multi-purpose cooperatives" in Table 1 and Table 2 are a considerable number of cooperatives which can be duly regarded, in essence, as agricultural cooperatives, because they have many farmers as members. Some of these types of cooperatives include consumers cooperatives, in addition to virtual agricultural cooperatives. It is, therefore, impossible, either, to check them precisely for recategorization.

Because of this, CDA has officially announced that the number of agricultural cooperative members was 172,064 as of September 30, 1991, in the case of registered cooperatives and 96,881 as of June 30, 1991, in the case of confirmed cooperatives. But the exact number of agricultural cooperatives members could not be calculated even at the time of the Study.

This means that it is impossible to calculate accurately how many qualified farmers are affiliated with agricultural cooperatives, in other words, to ascertain the affiliation rate of agricultural cooperatives even though it has been confirmed that members of farm households, in extremely rare cases, have joined the agricultural cooperative membership.

This is a matter that requires further elaboration through a field survey.

(Agrarian Reform Cooperatives)

These are cooperatives whose members are mostly beneficiaries of agrarian reform and marginal farmers, and are designated "Agrarian Reform Cooperatives" by the government of the Philippines. The new Cooperative Law includes provisions aimed at providing government support for the promotion of these cooperatives, including the following:

- ① Preferential treatment will be accorded with respect to the construction, maintenance and management of basic facilities and equipment for production and living (Article 91).
- ② Public land will be leased for up to 25 years (the lease period can be extended for another 25 years) (Article 92).



- ③ Priority will be given to patents or authorizations pertaining to public goods or essential commodities (Article 93).
- ④ The cooperatives will be granted certain privileges in the conduct of their economic activities (Article 94).

Agrarian reform in the Philippines has made progress over the years, although it has followed a tortuous process. Table 5 shows how many of Agrarian Reform Cooperatives have been established, and how many of them are registered with CDA. The table is based on data compiled by DAR (Department of Agrarian Reform).

As of the end of 1991, a total of 355 cooperatives existed, of which 201 were registered with CDA. The registered cooperatives had a total membership of 12,708. Most of the registered cooperatives are located in Region X, the Car mountainous region, and Region XI. Region IX is ranked first in membership, followed by Region XI and CAR in this order.

Three national organizations are to provide guidance in stage for beneficiaries of agrarian reform in order to support their efforts to establish cooperatives and conduct the necessary cooperative activities. The three organizations are ARBA (Agrarian Reform Beneficiaries Association), FLRF (Federation of Land Reform Farmers of the Philippines), and FFF (Federation of Free farmers). The FLRF is an associate member of the CUP.

DAR will not provide direct guidance in the establishment of cooperatives. However, it will support efforts to establish cooperatives, in cooperation with DA (Department of Agriculture) and CDA, so that they can be registered as full-fledged Agrarian Reform Cooperatives.

### 1-3 Unions, Federations and Other Related Organizations

Table 6 shows the number of AMCs, CRBs, federations and unions by level as of the end of March 1992.

AMCs have tended to decrease over the last several years (as of the end of June 1988, there were 78 AMCs according to data provided by CDA).

Here, the present status of CUP, which represents the functions of cooperatives throughout the country, and leading national--level organizations under the CUP wing, is summarized.

(CUP)

In the mid-1970s leaders of the agricultural cooperative movement held frequent talks with the government to create a central national group representing all types of cooperatives. These talks bore fruit, leading to the creation of CCCC (Cooperative Consultative and Coordinating Committee). In 1979, as a result of the consultations between CCCC and the government, CUP was established as a national umbrella group comprising 13 regional cooperative unions and 13 cooperative federations. The CUP was duly registered in January 1980 under P.D. No. 175.

CUP is the top organization that represents all cooperatives in the Philippines. Its objective is to promote the cooperative movement through a range of activities, such as policy orientation, research and study, and education and training, in cooperation with the government. CUP is a member of ICA (International Cooperative Association). In January 1991 it was confirmed by CDA under the new Cooperative Law.

CUP as it stands now is not an all-embracing national organization in its strict sense, because national level organization in the electric power, sugar and transport industries are not included. Moreover, in 1991, NATCCO (National Confederation of Cooperatives) and NAMVESO (National Market Vendors Cooperative Service Federation, Inc.) withdrew from CUP. Their withdrawals put the CUP in a difficult situation, organizationally and financially. However, CUP has the most important role to play in promoting the development of cooperatives in the Philippines.

CUP's members consist of regional members and central members. Regional members had been represented by regional unions of cooperatives until 1991 when CUP's articles of association were revised. The revisions opened the way for provincial and municipal unions to become full members of CUP. At present CUP has 47 provincial unions and eight municipal unions. The central members belong to national cooperative federations and other national cooperative organizations. The current members are the following 11 organizations.

CISP	(Cooperative Insurance System of the Philippines, Inc.)
BANCKOOP	(Cooperative Rural Bank Federation of the Philippines, Inc.)
PFCCI	(Philippine Federation of Credit Cooperatives, Inc.)
CFPI	(Cooperative Foundation of Credit Cooperatives, Inc.)
NPCI	(National Publishing Cooperative, Inc.)
PFWCI	(Philippine Federation of Women for Cooperatives, Inc.)
PKSN	(Pawbansang Katipunan ug mga Samahang Nayon, Inc.)
CCFDI	(Central Cooperative Finance Development Intermediary)
PCSI	(Philippine Cooperative Services, Inc.)
CTIP	(Cooperative Trade International Philippines)
FACOP	(Federation of Agri-based Cooperatives of the Philippines)

PKSN, the federation of cooperatives in Samahang Nayong, has suspended its operations. It might be added that CUP is to accept as its associate members organizations whose business is it to promote the development of cooperatives. In fact, CUP already has one such member, FLRF (Federation of Land Reform Farmers of the Philippines), one of farmers' guidance groups that came into existence prior to the establishment of Agrarian Reform Cooperatives. The entry of an associate member requires the approval of CUP's Board of Trustees. However, associate members do not have voting rights over items that require decisions by a CUP general meeting.

According to its articles of association, the CUP conducts the following activities:

- ① Representing both at home and abroad all cooperatives in the Philippines.
- ② Gathering analyzing and disseminating economic, statistical and other information pertaining to cooperatives.

- ③ Conducting research on cooperative activities from economic, legal, fiscal, social and other perspectives, and publishing results of such research.
- ④ Spreading knowledge of principles governing cooperatives.
- ⑤ Promoting the development of cooperatives in the Philippines within the framework of government policies.
- ⑥ Providing auditing, legal and other technical services for all cooperatives.
- ⑦ Formulating and implementing education and training programs for cooperatives.
- ⑧ Providing advice on all matters to pertaining powers and functions of cooperatives.
- ⑨ Coordinating, monitoring and evaluating all cooperative development programs.
- ⑩ Conducting activities with a view toward the unification of all cooperatives, including cooperatives established under other laws.

Currently CUP has a staff of 13. Most of the funds needed to conduct its activities come from part of the education and training fund, registration fees, donations, and other sources.

#### (CISP)

CISP is a mutual aid organization established in 1974 by Samahang Nayong and AMCs. What motivated its establishment was a desire to help avoid a situation where a farming household bereaved of its principal breadwinner would inherit a large amount of debt as the result of his death.

CISP has the following stated objectives: (1) providing mutual aid at a socially acceptable low cost; (2) building a financial foundation for the cooperative movement; (3) promoting self-help programs through savings, and offering services as a means of propagating the thought of cooperatives.

After its establishment, however, CISP suffered a setback in part because the Samahang movement lost some of its momentum. Consequently, CISP widened

its vision to enlist the participation of agricultural cooperatives and other types of cooperatives, trade unions and other organizations. In these efforts CISP entrusted recruitment activities to agricultural cooperatives and other organizations in order to organize uncommitted farmers and other individuals who did not belong to any cooperatives.

Mutual insurance activities have increased in scope since CISP was created. The following services are now available:

① Group yearly renewable term

Time deposits are accepted for a period of one year from cooperative members. A unified amount of mutual insurance is set aside for each group of members.

② Loan payment protection insurance

This is aimed at sparing a bereaved family the heavy burden of loan repayment. Debt will be paid from a mutual insurance fund in proportion to its borrowing from a cooperative or a similar organization.

③ Land payment protection insurance

In the event that a farmer who is a beneficiary of land reform has died without fully paying the price of land he owes, the outstanding debt will be paid by the CISP, and the land will be transferred to the legal heir. A mutual insurance fund is created to make such payments. The amount of the fund is equal to the total value of the land prices to be paid by agrarian reform beneficiaries.

④ Saving incentive insurance

Each cooperative member holds a certain amount of saving deposits in the cooperative to which he belongs. In the event of his death, his family is entitled to receive not only the savings but also a mutual insurance allowance calculated according to the amount of savings.

⑤ Student insurance

In the event of an accident involving a child attending a kindergarten, an elementary or junior high school pupil, a high school student, or a student

enrolled at a specialized school or a university, a mutual insurance allowance will be paid for a period of one year.

⑥ Individual permanent insurance

CISP is the youngest organization of the life insurance industry in the Philippines. However, from its inception in 1974 to the end of 1991, the CISP paid a total of 29 million pesos in mutual insurance allowances, and its paid-in capital reached 12.34 million pesos. This attests to its favorable managerial performance.

(BANGKOOP)

BANGKOOP was established in 1979 as an association of non--subscribing organization to grasp the common needs of the CRB and develop CRB into a larger institution. In 1985 BANGKOOP was reorganized as a federation of CRBs. At the same time, the non--subscription system was changed to the subscription system.

BANGKOOP is not a financial institution in the strict sense of the term because it does not raise funds through depository and other services that are performed by financial institutions. The BANGKOOP however, receives government project funds for agrarian development and distributes them to agricultural cooperatives. In addition, it makes special loans to CRBs. For further details, refer to "Credit Business," 3-2, Part I of this report. Furthermore, BANGKOOP supplies some capital goods to the farmers.

In addition, BANGKOOP is engaged in the following operations:

- ① Improving the laws and regulations governing the CRB.
- ② Education and training for executive officers and other employees of member cooperatives.
- ③ Management consulting for member cooperatives.
- ④ Research and study for member cooperatives.

### (PFCCI)

PFCCI originates from the credit union movement that began in Germany in the mid-19th century and later spread to other parts of the world. In 1960 it was established as the Philippine Cooperative Credit Union League and joined CUNA (Credit Unions National Alliance), the international organization of credit unions.

In 1980 the articles of association were revised to make a new start as a federation of credit unions in the Philippines. At the same time, its name was changed to PFCCI (Philippine Federation of Credit Cooperatives, Inc.).

At present the PFCCI has a total of 570 member cooperatives. The membership has been increasing in recent years.

The following services are provided for member cooperatives and their individual members:

- ① Interlending as a central bank for member cooperatives.
- ② Insurance involving both loans and savings for individual members of cooperatives.
- ③ Education and training.
- ④ Management consulting.
- ⑤ Providing management information.

### (FACOP)

FACOP was established in June 1991 and registered with the CDA in January 1992. It is a national federation that takes charge of marketing and purchasing activities. Federations of cooperatives in 18 provinces across the country belong to the FACOP.

According to the five-year project promotion plan (1992-1996), FACOP aims to engage in the following economic activities: production and marketing of agricultural products, livestock (live animals and processed products), and other products; and purchasing and marketing of agricultural capital goods (including

guaranteed seeds, fertilizers and agricultural chemicals). In the greater Manila area, to which priority is given, the plan calls for export and import services, production and raising of livestock, and establishment of joint trade centers. In non-economic fields, the FACOP intends to provide education and training for agricultural cooperatives, conduct researches and studies, and offer consulting services.

The suspension of CMSP (Cooperative Marketing System of the Philippines, Inc.) in the early 1980s was a major setback for the development of Philippine agricultural cooperatives because a national federation in charge of marketing agricultural products and supplying agricultural capital goods ceased to exist. But the vacuum was filled by the establishment of the FACOP.

One of the immediate tasks for FACOP is to supply empty sacks and fertilizers to provincial federations. In the longer run, it plans to organize a technical staff and strengthen provincial federations. There is also a plan to conduct a one-day campaign in cooperation with the CDA and provincial federations.

In light of the fact that FACOP was created recently, much expectation is placed in its future activities.

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#### (NATCCO)

NATCCO is a leading national organization of cooperatives. In 1991, however, it withdrew from CUP. It may be characterized as a federation of various types of cooperatives operating throughout the Philippines.

NATCCO was established in 1977 by five cooperative training centers that were set up from 1966 to 1976. The five founding centers are as follows:

- ① The Northern Luzon Cooperative Development Center (NORLU).
- ② The Tagaloy Cooperative Development Center (TAGACODEC).
- ③ Bicol Cooperative Development Center, Inc. (BCDC).
- ④ The Visayas Cooperative Development Center (VICTO).
- ⑤ Mindanao Alliance of Self-Help Societies/Southern Philippines Educational Cooperative Center (MASS/SPECC).



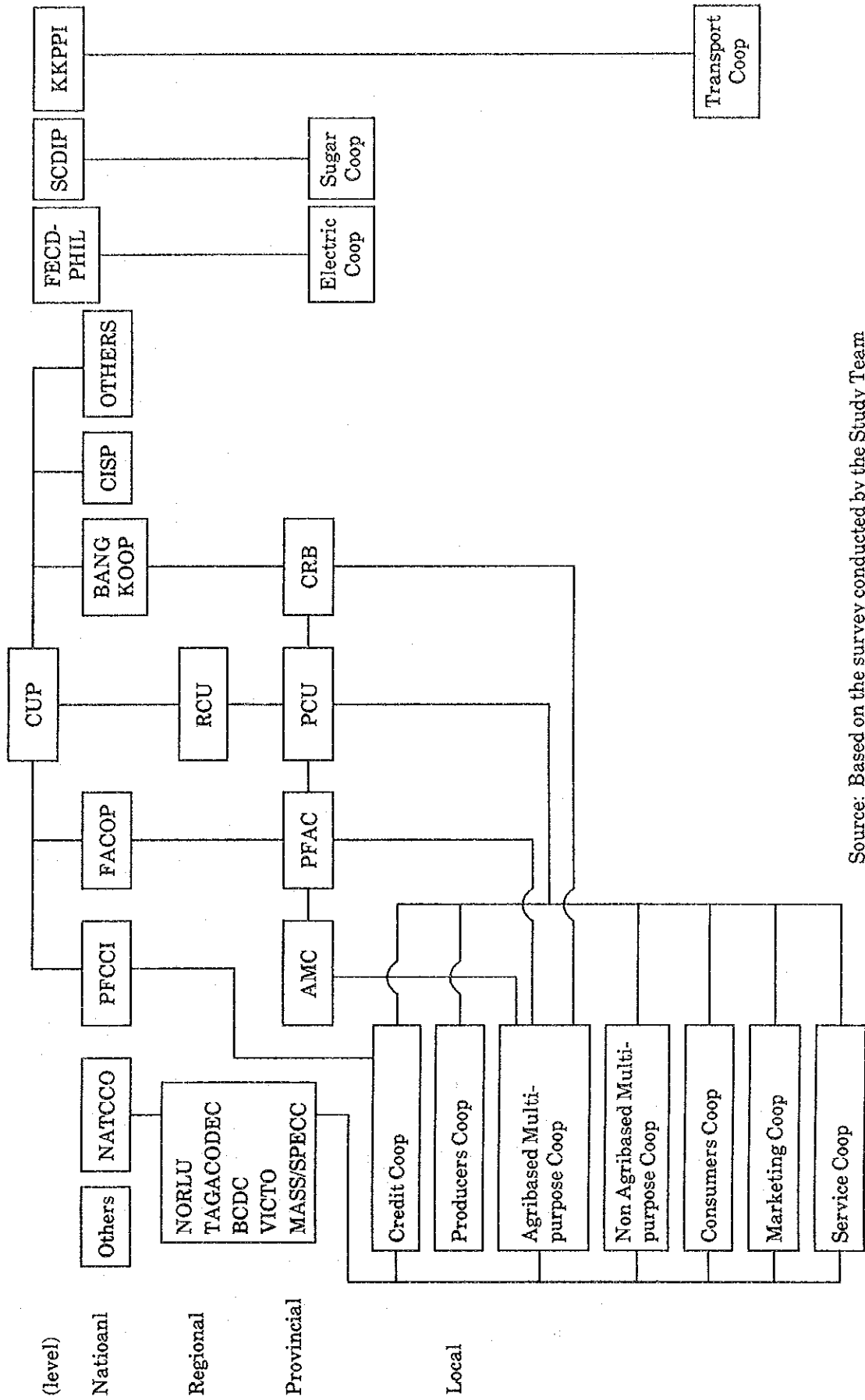
Initially, credit cooperatives made up more than 60% of the centers' member cooperatives. In the subsequent years, however, the membership composition changed. As of the end of 1991, the total number of member cooperatives stood at 1,123 of which 44.2% were credit cooperatives, 35.1% multi-purpose cooperatives, 3.6% marketing cooperatives, 2.2% service cooperatives, 1.3% producer cooperatives, and the rest were other types of cooperatives. The breakdown shows that the proportion of multi-purpose cooperatives has increased.

NATCCO's mission is to popularize the thought of cooperatives among all people of the Philippines, regardless of their social and economic backgrounds, and thereby strengthen the cooperative sector of the Philippine economy. Starting with education and training, it gradually expanded the scope of its activities in other areas as well. Following are the main areas of operation:

- ① Education and training for members, managers and other employees of cooperatives. Such education and training are provided at the centers.
- ② Consulting and auditing services for cooperatives. Fees are charged for these services.
- ③ Making loans under the Central Fund System and other arrangements.
- ④ Implementing inter-cooperative programs that are carried out beyond regional boundaries. Such programs are aimed at linking producers who are members of cooperatives and consumers.
- ⑤ Research and study concerning cooperatives.
- ⑥ Furnishing information.

It might be added that NATCCO is receiving financial support from Friedrich-Ebert-Stiftung of Germany, the Development Agency of the Netherlands and the Cooperative Association of Canada. Also, NATCCO is a member of ICA, as is the CUP.

Figure 1 Structure of the Cooperative Movement



Source: Based on the survey conducted by the Study Team

Table 1 Registration of Cooperatives

As of March, 1992

Regional Offices	Credit	Consumers	Producers	Marketing	Service	Multi-purpose		AMC	CRB	FED.	UNION	Total
						Agri	Non-Agri					
Region I	9	3	1	3	3	1,022	96	0	0	6	0	1,143
Region II	27	0	4	0	1	605	128	0	0	14	1	780
CAR	11	3	0	0	0	489	59	0	0	4	0	566
Region III	43	6	18	9	13	1,151	179	0	0	34	0	1,453
Region IV	48	11	11	13	17	1,260	204	0	1	10	0	1,575
NCR	89	21	5	3	20	55	389	0	0	3	0	585
Region V	7	2	8	2	9	650	133	0	0	6	1	818
Region VI	16	11	12	10	4	924	43	0	0	4	0	1,024
Region VII	12	3	8	1	1	144	137	0	0	2	0	308
region VIII	7	2	12	2	2	422	31	0	0	1	0	479
Region IX	4	3	4	0	2	124	24	0	0	2	0	163
Region X	17	3	12	4	6	454	76	0	0	2	0	574
Region XI	20	30	33	21	12	913	160	0	1	3	0	1,193
Region XII	19	0	13	52	1	790	29	0	0	1	1	906
Sub-total	329	98	141	120	91	9,003	1,688	0	2	92	3	11,567

Source: CDA

Table 2 Number of Confirmed Cooperatives per Type. per Region As of March, 1992 (As per Listing)

Regional Offices	Credit	Consumers	Producers	Marketing	Service	Multi-purpose		AMC	CRB	FED.	UNION	Total
						Agri	Non-Agri					
Region I	67	21	4	7	3	234	12	1	2	2	4	357
Region II	79	11	9	5	3	226	14	1	3	1	0	352
CAR	45	23	3	4	4	60	9	0	0	1	2	151
Region III	112	8	20	16	16	500	13	1	4	1	1	692
Region IV	127	24	17	37	24	141	12	0	1	3	7	393
NCR	252	49	0	2	53	1	59	0	0	11	2	429
Region V	58	12	17	15	20	270	21	0	1	2	2	418
Region VI	73	24	8	16	8	167	18	3	4	5	2	328
Region VII	59	38	11	4	5	90	60	1	1	2	2	273
region VIII	48	11	6	7	8	96	12	0	1	2	2	193
Region IX	21	10	1	7	1	59	24	2	0	1	3	129
Region X	46	19	4	6	14	82	17	3	5	2	4	202
Region XI	63	13	9	6	8	181	46	2	4	4	7	343
Region XII	34	23	9	27	11	44	8	2	1	1	4	164
Sub-Total	1,084	286	118	159	178	2,151	325	16	27	38	42	4,424

Source: CDA

Table 3 Total Number of Registered and Confirmed Cooperatives Per Region

Region	Registered				Confirmed As of Dec. 1991	Total	% of Distribution
	Aug. to Dec. 1990	Jan. to Dec. 1991	Jan. to Mar. 1992				
Region I	11	1,028	104		356	1,499	10.00
Region II	38	666	76		350	1,130	7.00
CAR	53	1,155	245		692	2,145	13.00
Region III	47	1,056	472		393	1,968	12.00
Region IV	9	656	152		418	1,235	8.00
NCR	0	803	221		328	1,352	8.00
Region V	6	229	74		274	583	4.00
Region VI	1	364	114		193	672	4.00
Region VII	1	134	28		129	292	2.00
region VIII	9	483	82		200	774	5.00
Region IX	2	889	352		343	1,536	10.00
Region X	2	621	283		164	1,070	7.00
Region XI	1	470	95		151	717	4.00
Region XII	32	428	125		429	1,014	6.00
Total	212	8,932	2,423		4,420	15,987	100.00

Source: CDA

Table 4 Total Number of Registered and Confirmed Cooperatives Per Type

As of March 31, 1992

Region	Registered			Confirmed As of Dec. 1991	Total	% of Distribution
	Aug. to Dec. 1990	Jan. to Dec. 1991	Jan. to Mar. 1992			
Credit	15	263	51	1,084	1,413	10.00
Consumers	4	80	15	286	385	3.00
Producers	7	118	16	118	259	2.00
Marketing	3	109	8	158	278	2.00
Service	1	71	19	178	269	2.00
Multi-Purpose Agri	134	7,010	1,859	2,148	11,151	68.00
Multi-Purpose Non-Agri	44	1,208	436	325	2,013	12.00
AMC	1	0	0	16	17	0.13
CRB	3	2	0	26	31	0.23
Federation	0	70	18	38	126	0.80
Union	0	1	1	43	45	0.32
Total	212	8,932	2,423	4,420	15,987	100.00

Source: CDA

Table 5 Number of Agrarian Reform Cooperatives  
As of March 31, 1992

Region	Organized		Registered		% of Distribution
	No.	Total Members	No.	Total Members	
Region I	26	985	12	445	10.00
Region II	3	84	3	149	7.00
CAR	0	0	33	1,900	13.00
Region III	11	596	19	1,202	12.00
Region IV	7	-	0	0	8.00
Region V	0	0	0	0	4.00
Region VI	75	5,255	16	892	4.00
Region VII	10	508	4	408	2.00
Region VIII	48	1,323	10	227	5.00
Region IX	2	230	15	4,010	10.00
Region X	136	5,113	50	1,286	7.00
Region XI	16	649	33	1,977	4.00
Region XII	21	1,179	6	212	6.00
Total	355	15,922	201	12,708	100.00

Source: CDA

Table 6 Distribution of Secondary & Apex Cooperatives  
(as of March 1992)

	National Level	Regional Level	Provincial Level	City/Municipal Level	Total
AMC	-	-	8	8	16
CRB	-	-	29	-	29
Federation*	14	14	61	61	150
Union	1	6	33	3	43
Total	15	20	131	72	238

\* Figure for Federation are as of May 1992.

Source: CDA