

PASCN Discussion Paper No. 2003-01

**Cooperativism in Agriculture: The Case of
Top Four Cooperatives in Region IV, Philippines**

Eulogio T. Castillo



The *PASCN Discussion Paper Series* constitutes studies that are preliminary and subject to further revisions and review. They are being circulated in a limited number of copies only for purposes of soliciting comments and suggestions for further refinements.

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Eulogio T. Castillo et.al

University of the Philippines, Los Baños

January 2003

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**COOPERATIVISM IN AGRICULTURE: THE
CASE OF TOP FOUR COOPERATIVES
IN REGION IV, PHILIPPINES**

by

Eulogio T. Castillo, et al

ABSTRACT

The study demonstrated the importance of cooperative in improving the welfare of members and community, and in modernizing agriculture in Region IV.

Starting from manual operation, the feedmilling operations of LIMCOMA Multi-purpose Cooperative, Soro-soro Ibaba Development Cooperative, and Cavite Farmers Feedmilling and Marketing Cooperative became fully mechanized and automated as of year 2000. Padre Garcia Multi-purpose Cooperative became a community-lending cooperative from its modest beginning as a small grain retailers association.

All the case cooperatives were stable and mature with business operations of 25 years or more. Operations were profitable, liquid, and solvent. Net surplus and assets were in the multi-million peso levels. Lines of business had expanded from feed milling to granting of services such as production credit, marketing, banking, merchandizing, veterinary and extension services, meat processing, among others.

Aside from patronage refund and dividend on capital, members received other benefits from the cooperative such as quality and reliable supply of feeds, technical assistance, educational assistance for children, medical and dental assistance, technical training, and start-up capital.

The cooperative reached out the community by giving gifts during Christmas, aid and donations to the needy, and support to development projects of barangays, towns, and cities where the cooperatives are located.

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EXECUTIVE SUMMARY

The study sought to demonstrate the importance of cooperatives in modernizing agriculture in the Philippines. Specifically, it sought to a) analyze the policy and regulatory environment of cooperatives in the Philippines; b) assess the business and financial viabilities of multi-purpose agricultural cooperatives; c) evaluate the organization and managerial status of the cooperatives in Region IV; and d) show the contribution of cooperatives to the welfare of members and the community.

Case study of top four (4) multi-purpose (agricultural) cooperatives in Region IV (1998) was used to meet the objectives of the study: LIMCOMA Multi-purpose Cooperative in Lipa City (LIMCOMA); Cavite Farmers Feed-Milling and Marketing Cooperative in Silang, Cavite (CAFFMACO); Soro-soro Ibaba Development Cooperative in Batangas City (SIDC); and Padre Garcia Multi-purpose Cooperative in Padre Garcia, Batangas (PGMC). Data used in the study were obtained from CDA offices in Quezon and Calamba Cities; and from case cooperatives.

Region IV was used as the study area because of its national economic significance. It is the largest Region in the country in terms of land area, population, agriculture area, and gross value added of agriculture including forestry and fisheries. It is second to NCR in gross regional domestic product and manufacturing value added (1999 at 1985 prices).

At present, the importance of cooperatives in national economic and social development is provided for in various legal promulgations. The Constitution (1987) mandated Congress of the Republic to enact laws that will use cooperative as an instrument of social justice and

economic development. As a consequence, in 1990 Congress passed RA 6938, Cooperative Code and RA 6939, An Act Creating the Cooperative Development Authority, which serve as the organic laws on cooperative.

The importance of Cooperative is also cited in other laws such as RA 3844 (1963), Land Reform Code; Presidential Decree No. 27, Emancipation of Tenants from the Bondage of the Soil, (1972); RA 6657, CARP Law (1987); RA 7190, Local Government Code (1991); RA 7607, Magna Carta of Small Farmers (1992); and RA 8435, Agriculture and Fisheries Modernization Act (1997).

LIMCOMA, which main line of business is feed-milling, is a billionaire cooperative in terms of sales. It started a manual feed mixing operation in 1970 with 77 poultry and livestock raisers from Lipa City and San Jose, Batangas area and with a capital of ₱57,000. After 30 years of operation, it is now fully mechanized with a plant capacity of 11,000 bags per day, producing high quality feeds with precise mixture of ingredients, and exact quantity of products. Now, it is producing 34 different rations for hogs (15), chicken (9), tilapia (6), cattle (1), duck (1), quail (1), fighting cock (1). LIMCOMA is now engaged in various businesses such as “paiwi” system, breeding and experimental farming, meat processing, veterinary drugs production and services, animal diagnostic laboratory services, credit services, rural banking, food store operation, and distilled water bottling.

As of 2000, LIMCOMA had assets worth ₱519 million. The business operation of LIMCOMA is profitable, liquid, and solvent. There is a high utilization rate of assets and inventory of LIMCOMA.

Members receive various benefits from the Cooperative such as reliable and available quality feeds, veterinary assistance and services, death aid benefit, educational grant for children, transportation allowance for attending meetings, free medical and dental consultations, banking services, and outlets for their products. On top of these benefits, members also receive patronage refund and interest on capital.

Through the Community Service Committee, LIMCOMA extends grants and donations to school, churches, and NGOs seeking financial assistance. It also extends support to the livelihood program of the City of Lipa.

In recognition of the performance and success, LIMCOMA has received 14 awards in 1983-2000 such as Most Outstanding Marketing Cooperative by Bureau of Cooperatives Development (BCOD), Testimonial Recognition by BCOD and Cooperative Union of the Philippines (CUP), Most Outstanding Marketing Cooperative of Agriculture, Plague of Appreciation and Recognition by Cooperative Union of Batangas, Plague of Appreciation from the City Mayor of Lipa, Plague of Appreciation from Guarantee Fund for Small and Medium Enterprises, Most Outstanding Cooperative of the Philippines by CUP-RCU-NF, Plague of Appreciation during Lipa City Foundation Day, Cooperative Top Grosser Award, Plague of Appreciation from Western Philippine Colleges, Ulirang Cooperative, Pang-limang Pinakamahasay na Kooperatiba, and Best in Capital Build-Up by Gawad Pitak.

LIMCOMA is fortunate to have pioneers, officers and members who continuously dedicate themselves to LIMCOMA to bring it to what it is now today. The officers are successful men and women in livestock and poultry business and have good training and experiences in their lines of businesses and professions.

CAFFMACO is a success story of a small farmers feed-milling cooperative. It started small but after 23 years of operation, it is now a multi-million peso worth of assets, has more 1,200 members, and has more than 100 employees.

CAFFMACO started its operation in 1977 with 44 members, ₱137,000 capital, and rented feed-milling facilities of PLRC in Pala-pala, Dasmariñas, Cavite. In 2000, it had 1,208 members, and automated feed-mixing operation with mixing capacity of 4,700 bags per day. It produces various rations for swine, cattle, broiler, layer, cock, horse, quail, tilapia, duck, rabbit, turkey, dog, cat, and sheep.

CAFFMACO is now engaged in various businesses such as feed-milling, poultry (layer) production, hog fattening, hog dispersal, consumer store operation, veterinary and technical service extension, trucking service, and canteen operation.

As of 2000, CAFFMACO had total assets of ₱127 million, members' equity of ₱51 million, and net surplus of ₱6.8 million.

CAFFMACO's operation is profitable, liquid, and solvent. As a consequence, members receive various benefits such as patronage dividend, rebates, training and educational support, start-up capital, and free veterinary services.

CAFFMACO extends support to the community where it is situated. It allocates budget for donation to calamity areas, sports, health and nutrition program. In partnership with government and volunteer groups, it sponsors free medical and dental examination, feeding program to malnourished children, and education on proper selection and preparation of nutritious foods to parents.

In recognition of its performance and success, CAFFMACO has received various awards and citations such as Ulirang Kooperatiba by CUP (1998), Most Outstanding Primary Cooperative-Marketing Category (1995) by Cooperative Congress, Most Outstanding Award of Recognition (1991) by Cooperative Congress, Certificate of Recognition (1993) by KKK, and Commendation from DA-NAFC and CHED.

CAFFMACO is managed by competent and dedicated officers who spend quality time for the cooperative. Employees have continuous training to enhance skills on the job, professional experience, and cooperative values.

SIDC was organized to address the economic difficulties of farmers in the Barangay Soro-soro. It started as a Soro-soro Ibaba Association in 1969 selling basic commodities, feeds, and veterinary supplies to members with an initial membership of 59 and initial capital of ₱11,800. After 32 years of operations, membership grew to 2,098 (2001), and business expanded

to feed-milling, contract growing, credit services, meat stall operations, hog selling pen operation, rolling meat shop business, aqua-culture business, rentals of facilities, savings mobilization, artificial insemination services, pig farming, experimental farm operations, television services, and housing program.

Feed-milling, the major line of business of the cooperative was started in 1987. Feed-milling operation is now fully mechanized with milling capacity of 4,000 bags per day. In support of the feed-milling operations are two (2) corn silos with combined capacity of 3,000 metric tons, palletizing machine, semi-computerized gadgets, warehouses, and trucking facilities.

As of 2000, SIC had assets worth of ₱266 million, member's equity of ₱102 million, and net surplus of ₱33 million.

Operations of SIDC are profitable, liquid, and solvent, and with high rate of asset utilization.

Members receive various benefits from the cooperative. Aside from patronage dividend and interest on capital, members can avail of capital for livestock and poultry production, credit for the purchase of consumer goods, credit for hog fattening and breeding, credit for construction of pig pen, and housing loan. Marketing services are provided to members through the use of hog-selling pens, market stalls, rolling meat shop, and free seminars on marketing. High quality piglets are made available to members through artificial insemination. Members enjoy discount rate for its cable television operation, free training and seminars, free medical check-up, scholarship for children, educational loan, mortuary aid, job placement services, library services, and newsletter services.

SIDC supports various programs for the community. Under its Barangay Development Fund, it allocated in 2000 ₱1 million to support the projects of nearby barangays. It reaches out poor families in the community and other places during Christmas with gifts.

SIDC has received various awards and citations for its performance and services such as Most Outstanding Small Farmers Organization in the Philippines (1989) by the Department of Agriculture, Gawad Pitak (Best in Profitability) in 1993, 1994, 1995, and 1997 by President F.V. Ramos; Gawad Pitak (Best Coop Citizen) in 1996, Gawad Pitak (Most Outstanding Cooperative) in 1996 and 1997, Gawad Pitak (Best of Hall of Fame) in 1998, Most Outstanding Multi-purpose Cooperative, and Class “A” Cooperative Category by the Land Bank of the Philippines.

SIDC has pioneers who devoted time, energy and resources to bring it to its status today. It has skilled and trained officers who give unqualified leadership in formulating and implementing planned programs. It also has employees who efficiently carry out the programs laid out by the board of directors and officers.

PGMC is an example of a successful open-type multi-purpose cooperative of small-scale producers and entrepreneurs specializing in credit business.

PGMC started out as a grain dealers association of 60 pioneer-grain dealers in a rented space in the public market of Padre Garcia, Batangas in 1981 providing loan at low rate of interest. The community was aroused by the kind of service it provided to members. Membership expanded and in 1990 it was registered with CDA as PGMC. It is now situated in a 800 square-meter lot in the heart of Padre Garcia with a beautiful one-storey building.

By 2000, membership had reached 1,655 with a capital contribution of ₱25 million. Loan releases had reached ₱25 million to 736 borrower-members.

As of 2000, PGMC had total assets of ₱54 million, members' equity of ₱25 million, and net surplus of ₱2.8 million.

PGMC's business is profitable, liquid, and solvent. As such, it grants dividend on capital and patronage.

PGMC had demonstrated success in business of providing credit services to members, and in influencing the community. There is now a growing spirit of cooperativism among members and non-members in Padre Garcia. For instance, members no longer borrow from “5/6” system. There is no more “Bombay” lending in Padre Garcia and non-members make deposits with the Cooperative.

Credit to the success of the cooperative goes to the pioneers who faithfully led the cooperative to its present status. Credit also goes to the officers for formulating sound policies and programs for the cooperative; to the employees for faithfully doing their jobs, and to the members for the patronage of the cooperative.

All the case cooperatives presented in the study are matured and stable. They are also doing business profitably and are having liquid and solvent financial positions.

There is no doubt that the modernization of facilities and operation of the cooperatives, and expansion of services to members contribute to the well-being of members and community, and to the modernization of agriculture in the Philippines.

There is a common denominator among the case cooperatives of the study: that the cooperatives were conceived, initiated, nurtured, and managed by local talents and resources in accordance to a felt-need for the cooperative. It implies therefore that for an agricultural cooperative development to succeed, there is the need to mobilize local talents and resources because they appear to be the sources of strength and stability of the cooperative.

COOPERATIVISM IN AGRICULTURE: THE CASE OF TOP FOUR COOPERATIVES IN REGION IV, PHILIPPINES

by

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1.0 INTRODUCTION

Cooperative has been a policy instrument by the government in stimulating efficiency of agriculture in the Philippines. The choice of the policy instrument stems from the potentials of cooperative in promoting efficiency in production, marketing, and risk management.

Efficiency is traditionally viewed in terms of reduction in cost of production, increase in price of farm outputs, improvement of farmers' income, and spreading the risk of production and marketing through resource pooling, and group marketing.

Clear steps by the government towards the use of cooperative in stimulating efficiency in agriculture were the passages of Republic Act (RA) 821, Agricultural Credit and Cooperative Financing Administration (1951) Law, Presidential Decree (PD) 175 and Letter of Instruction (LOI) Number 23 (1973). Constitution of 1987; RA 6938, Cooperative Code (1990; and RA 6939, An Act Creating the Cooperative Development Authority (1990). Other legal frameworks which cited the importance of cooperative in government development programs include RA 6657, Comprehensive Agrarian Reform Program (1987); RA 7160, Local Government Code (1991); Republic Act 7607, Magna Carta of Small Farmers (1992); and RA 8435, Agriculture and Fisheries Modernization Act (1997). RA 6938, and RA 6939, provide for the current legal bases of registration, regulation, administration, and development of cooperatives in the Philippines. Executive Order 95 and 96 Series of 1993 provide for the creation and strengthening of cooperative development councils at the municipal and provincial, regional and national levels in the Philippines.

Objectives of the Study. The study seeks to demonstrate the importance of cooperatives in modernizing agriculture in the Philippines. In particular, it seeks to a) assess the business and financial viabilities of multi-purpose agricultural cooperatives; b) evaluate the organization and managerial status of the cooperatives in Region IV; c) determine the market share of agricultural cooperatives in the business of agriculture in Region IV; d) determine the growth and development of agricultural cooperatives in the Philippines; and e) analyze the policy and regulatory environment of cooperatives in the Philippines.

Results of the study are expected to provide inputs in formulating policies supportive of creating viable agriculture-based cooperatives and efficient agriculture. The joining of the Philippines in the World Trade Organization (WTO) and the consequence of international trade liberalization compel the Philippine agriculture to be competitive because of the limitation in applying quantitative trade restrictions for agricultural products coming from more efficient economies.

Methodology. The study uses secondary data and case studies in the evaluation of cooperatives. Secondary data were obtained from CDA Head Office (Quezon City) and Calamba Extension Office (City of Calamba), and sample cooperatives.

The top four (4) multi-purpose (agricultural) cooperatives in Region IV in 1998 were chosen as cases for the study: LIMCOMA Multipurpose Cooperative in Lipa City; Cavite Farmers Feed Milling and Marketing Cooperative (CAFFMACO) in Silang Cavite; Soro-Soro Ibaba Development Cooperative (SIDC) in Batangas City; and Padre Garcia Multi-purpose Cooperative in Padre Garcia, Batangas. Visits of the cooperatives, discussions with officials, and review of documents provided the basic information for the case studies.

The success of the cooperatives was viewed in terms of maturity, membership, assets, net surplus, equity, volume of business, services to members and community, awards, profitability, liquidity, and solvency of the cooperatives.

Profitability ratios used to measure the profit of the business operation were profit ratio, return on assets, and return on equity.

Liquidity ratios indicate the cooperatives ability to meet short-term obligations and were expressed in terms of quick and current ratios.

Solvency ratios measure the ability of the cooperatives to meet long-term obligations. In this study, debt ratio was used as the measure of solvency or long-term financial stability of the cooperatives.

The Choice for Region IV. Region IV is chosen as the study area because of its national economic significance. It is the largest region in the Philippines in many ways. In land area, it is the largest region with 4.692 million hectares or 15.6% of the total. Population in Region IV (2000) was 11.321 million or 15.6% of the Philippine population of 72.345 million, the largest among all regions in the country. Agriculture area in Region IV (2000) was 1.41 million hectares or 13.7% of the total agriculture area, the largest among all regions in the country. Gross value added of agriculture, fishery, and forestry in Region IV was ₱33.696 million in 1999 at 1985 prices or 18.4% of the total, the highest among all regions in the Philippines. Region IV was second to NCR in terms of Gross Regional Domestic Product in 1989 at 1985 prices at ₱142.079 million or 15.5% of the total, and in terms of manufacturing value added in 1999 at 1985 prices at ₱44.726 million or 18.3% of the total.¹

Theoretical Framework. Agriculture in general is characterized as atomistic, biological, seasonal, and climate-dependent venture. As such it is confronted with various risks such as business and financial risks.

¹ 2000 Philippine Statistical Yearbook, National Statistical Coordination Board, October 2000.

In the Philippines, in particular, farms are small with size averaging 5.0 hectares or less. Because of the limit in farm size, mechanization of production, post-harvest operation, and marketing becomes prohibitive and expensive on individual farmer. An approach to gain economies of size, and economies of scale is through group action such as cooperative. As members unite to solve common problems, the pooling of resources makes investment in large-scale machineries, equipment, and physical infrastructure possible to enable farmers to benefit from large investments which would be impossible to achieve if members act individually. As cooperative members and output expand, the economies of size and scale from the market can be realized.

Likewise, as pooling of resources and group action are done, the cooperative members could make investment in processing, storage, and transportation facilities which would enable them to modify the form, time, and place utilities of their products which ultimately could lead to improved production, and price management which all contribute to increase in income of the cooperative and individual farmers.

The pooling of resources and group action open also the possibility for systematic planning of production, diversification of production, and flexibility in resource use which all redound to dispersion of business risks.

Cooperation also enhances market competition. As group action is practiced through cooperative, members can collectively achieve market power which can lead to increase in price, of the output, and reduction in the price, of inputs. The benefits from such market power can lead to viability of cooperative and improvement of individual members' benefits.

Cooperatives also offer the opportunity for vertical integration of farm operations. The gains from this opportunity would be less likely to be realized if small farmers are individually doing their businesses due to the requirement in size and inherent lumpiness of investments in related operations. Cooperatives can provide the necessary capital for investment and optimal use of large facilities due to pooling of resources, and joint operation of such facilities.

Cooperative therefore could contribute to efficiency in farm business operation, optimize farmers' income, and ultimately could contribute to the overall efficiency of agriculture.

Theoretical Bases of Cooperative Enterprise. Cooperative as a business organization is founded on certain bases which make it unique and distinct from other types of business organization.²

- a. Cooperative Organization is a Business Enterprise or a Firm. As a firm, cooperative is a decision-making unit. The agreement to form a cooperative involves commitment on the part of the participants to submit certain activities to group decisions although each participant remains as individual producer or separate economic unit. The joint decisions in the cooperative with respect to a certain issue is integrated with the decision-making process of participants as separate economic units.
- b. Cooperative is a risk-bearing unit. A new risk-bearing unit emerges as cooperative is formed since risk bearing is a consequence of decision-making. However, the cooperative as a new group risk-bearing unit is not entirely dissociated from the participant's individual risk bearing activity.
- c. Cooperative is a Non-Profit (Loss) Organization. Cooperative can not incur profit or loss. This is because cooperative represents an extension of the entrepreneurial activity of the participants. While cooperative receives payment for services from participating (members) units, the payment represents liability to the members. Likewise, although cooperative incur expenses in the delivery of service, the expenses are part of the advances of members which they have to pay to the cooperative. It is a non-profit (loss) organization when it refunds to patrons the net surplus of operation and collects from members the deficits of operation.

² F. Rubotka, "A Theory of Cooperation," J. of Farm Economics, December 27, 1946.

- d. Patronage on Obligation. Participants in a cooperative are normally obliged to fulfill an agreement. When they agree, for example, to jointly sell their produce, they abstain to sell in competition with each other and are no longer free to respond to solicitation of competing buyers. In some formal agreement, provision for damages is stipulated in the event of a breach of agreement.
- e. Service At Cost. A tenet of cooperation is service at cost. This does not only mean that a participant receives the service at a cost of providing it but also income in receiving the service. They may “earn” or “save” in the conduct of business on what they would otherwise have to pay someone else to perform the service to them.
- f. Patronage Dividend. Patronage dividend is not a dividend in the sense that it represents a distribution of profit. It represents an overcharge of expenses in a full settlement of sales. However, when it is used as a profit-sharing device such as to attract patronage then it becomes a method of distributing profit.

Patronage dividend may arise when

- * each participant advanced lump sum to cover the cost of providing the service at an amount more than the likely expenses and after ascertaining the actual costs, the overcharge is refunded to participants as a patronage refund;
 - * the participants received advances as a provisional settlement of sales at an amount less than the actual sales and the remaining amount involved in the full settlement of sales is received by the participant.
- g. Capital of Cooperative. The capital fund in cooperative differs from ordinary entrepreneurial capital in several respects. Participants would not be accorded a voice in the management of the cooperative by virtue of their advances of such capital but by virtue of their participation in cooperative activity. Capital is not contributed for the purpose of deriving anticipated profit but as a condition of receiving the cooperative

services. Contributed capital does not assume risks occasioned by the cooperative activity because participants assume such risks by taking the responsibility for such cost of the activity which is deductible before sales proceeds are distributed.

- h. *Interest or Dividend on Capital.* Contributors of capital in a cooperative is not entitled to return on capital in the nature of profit as a reward for assuming risks because participants in a true cooperative assume responsibility for costs and risks on a patronage basis. Moreover, the capital advanced by the participants is not advanced in anticipation of returns they may receive upon it, but a necessary precondition in order to make certain services available to them. In practice, capital contribution is not in proportion to the services received, however. Payment of return on capital is justified in a sense it justifies payment for disproportionate capital contributions. In effect, participants who contribute capital in excess of their proportionate share loan out capital to those who contributed less, and the interest on capital takes the form of payment of interest and not a form of distribution of residual income.
- i. *Basis of Control.* In economic point of view, control is apportioned according to risk assumed. In a corporation, control is identified with capital contribution because it is capital that bears the major risk. In a cooperative, control is based on patronage and not on capital, because it is the patronage that shoulders the risk. Control in cooperative stems from the idea that cooperative is an association of persons and not of impersonal organization of capital.

Advantages of Cooperative. The advantages of cooperative over other types of business organization as a mechanism for promoting efficiency of agriculture stems from the potential efficiencies and effectiveness of the institution in the delivery of public service due to the following:

- a. *Cooperative is founded on need.* A true cooperative is organized based on need of its members. As such, it can never miss the kind of service that it should deliver to the members, hence an effective and efficient approach in the delivery of the service.

- b. Cooperative espouses self-help and self-reliance. In a situation where national government is short of resources and skills to support the people's needs and welfare, cooperative can be an efficient approach in mobilizing resources thru its spirit of self-help and self-reliance. This cooperative spirit relieves the government the burden of cost of providing service to the people, hence, an efficiency on the government in the administration of development program.

- c. Cooperative is democratically controlled. As an organization of persons and not capital, cooperative recognizes the importance of the person in the management of the organization. As such, it can be an effective and efficient approach in planning and administration of development programs because the people who shall receive the programs are given involvement and importance in the process.

- d. Cooperative patronage as a basis of control and reward. The principle of patronage of the service of cooperative as a basis of control and reward in the distribution of surplus are good virtues of cooperative that when involved in the planning and administration of development program would surely encourage a sound management of development programs. Wastage of resources due to poor planning and low participation of target clients will be minimized when cooperative ideals are involved in the process.

2.0 EVOLUTION OF AGRICULTURAL COOPERATIVE IN THE PHILIPPINES

ACCFA/ACA Period (1951-1973)

The initial and bold step in the country in developing a network of agricultural cooperatives was the enactment of RA 821, Agricultural Credit and Cooperative Financing Administration (ACCFA) Law on September 9, 1952. The law declared it as a policy to assist small farmers in securing liberal credit and to promote the effective groupings of farmers into cooperative associations to enable them to market efficiently their agricultural commodities so as to place agriculture on a basis of economic equality with other industries and to improve the standard of living of people engaged in agriculture³. The law created the ACCFA to take charge of all government activities related to the promotion, organization and supervision of cooperative associations in rural areas particularly to promote education in the principles and practices of cooperative production, marketing and credit among farmers⁴. In particular, the ACCFA sought to (a) extend liberal credit to small farmers to release them from the clutches of usury and to enable them to acquire essential tools for production, (b) promote the organization of cooperatives among farmers for greater unity of effort in production, processing, storage, and marketing of their products, as well as to strengthen their bargaining position in relation to their economic and social segments of the population; (c) establish an orderly, systematic and producer-controlled marketing system so that return to agriculture may accrue to the farmers through their cooperative associations; and (d) place agriculture on a level of economic equality with other industries, and in general, to raise the level of living of rural population⁵.

The ACCFA organized the Farmers Cooperative Marketing Associations (FACOMAS), the business organization owned and managed by farmers residing in the municipality. The FACOMAS served as the means through which the objectives of ACCFA were carried out and

³ RA 821, Section 1.

⁴ RA 821, Section 5, Special Powers, No. 7.

⁵ ACCFA, Fifth Annual Report, 1956-1957, p.1.

to reach out the farmers in the rural areas. FACOMAS were engaged in financing, procurement, storage, processing and marketing of farmers produce.

The ACCFA extended facility, and marketing loans to FACOMAS. The facility loans were intended for the acquisition of facilities essentials for production, processing, and marketing of farm produce of members. Marketing loans were extended to FACOMAS to enable them to purchase the produce delivered by members.

On the other hand, FACOMAS extended production, farm improvement, and commodity loans to members. Production loans were personal loans to finance the crops production in particular land preparation, transplanting, acquisition of seeds, fertilizers, and subsistence of farm families between planting and harvest of crops. Farm improvement loans, on the other hand, were loans for diversification of production such as purchase of work animals, and purchase of farm implements and equipment. Commodity loans were granted to farmers while waiting for better price for their produce delivered to FACOMAS.

ACCFA engaged in active organization of FACOMAS. By June 30, 1958, a total of 484 FACOMAS had been organized in 51 provinces covering 626 municipalities 11,714 barrios with a combined membership of 281,557.

Sacay (1961) observed that organization of FACOMAS was impressive, but it was too fast. The speed of organization may had been faster than that of any country were system of cooperatives have been successful. Consequently, the marketing activities of FACOMAS suffered and services to members reduced. Collection of loan from farmer-member of FACOMAS declined. In 1953-1954 loan collection was about 88%. By 1957-1958 the rate of loan collection was down to 26%. After almost ten years of operations, ACCFA and FACOMAS were struggling.

In 1960-1963, attempts were made to revitalize the ACCFA and FACOMAS, but to no avail. In 1963, ACCFA was renamed and reorganized into Agricultural Credit Administration (ACA) in line with the passage of RA 3844, Land Reform Code. Consequently, the functions of

ACA were limited to registration, supervision, and financing of cooperatives. Its former functions of promotion and organization of cooperatives were transferred to the Bureau of Agricultural Extension (BAEx).

As of June 30, 1965 the number of FACOMAS under ACA reached 547 with an aggregate capital of ₱35.8 million and total membership of 312,137. However of this number, only 31% of the FACOMAS were active; the rest were either partially or totally inactive. Matienzo (1968) however noted that out of the active cooperatives emerged a number of cooperatives with substantial organizational and financial strength and viability.

In 1972, with the declaration of Martial Law ACA was further reorganized and its function was shifted exclusively to serve the beneficiaries of agrarian reform. Under P.D. No. 2 which declared the whole country as a land reform area, ACA became the principal credit arm of the Department of Agrarian Reform and was declared to serve all agrarian reform beneficiaries in settlement, land estates operation land transfer, and leasehold areas; and to serve the cooperative movement by granting marketing loans to marketing cooperatives and facility loans to fishermen's cooperatives. The functions of ACA remained until it was absorbed by the Land Bank of the Philippines in late 1970s.

Under RA 821, ACCFA was granted an appropriation of ₱100 million to carry out its objectives and functions. Loans granted by ACCFA during its existence from 1952-53 to 1962-63 amounted to ₱204 million for production, farm improvement, commodity, merchandising/marketing, and facility loans. Under ACA period (1963-64 to 1975-76), the total loans granted by ACA for the same types of loans (plus operating capital loan) amounted to ₱476 million. Therefore, the combined financial assistance to cooperatives and their members under the ACCFA/ACA regime (1953 to 1976) reached ₱680 million (Table 1).

Table 1. Loans Released by Type and By Fiscal Year (P000), FY 1952-53 TO 1975-76, Philippines.

ACCFA	Total	Production	Farm Improvement	Commodity	TYPE OF LOANS		
					Merchandising Marketing	Operating Capital	Facility
FY 1952-53	227.6	188.60		5		-	34.1
1953-54	3981.7	2,117.50	522.80	702.3		-	639
1954-55	32637.5	12,335.20	6,370.90	7,942.00	401	-	5,588.60
1955-56	51424.0	19,574.80	7,846.40	11,709.50	3,977.80	-	8,315.60
1956-57	38209.0	11,094.50	4,695.00	5,264.50	11,530.70	-	4,624.30
1957-58	44082.1	5,307.20	1,445.00	10,653.90	22,208.80	-	4,467.30
1958-59	14515.8	7,029.60	339.20	3,850.50	2,886.70	-	409.8
1959-60	3168.4	2,374.70	2.5	573.1	59.1	-	159
1960-61	1855.3	1,248.40	-2.4	533.2	22	-	54.1
1961-62	7102.3	787.10	-	6,139.00	95	-	81.4
1962-63	7177.9	1,842.20	-	4,696.20	-1	-	640.5
Total	204,381.7	63,899.80	21,219.40	53,068.90	41,180.10		25,013.60
ACA							
FY 1963-64	3,524.20	1,566.10	-	1,850.80			107.3
1964-65	10,829.40	7,791.20	-	2,990.40	25	-	22.8
1965-66	12,427.20	7,505.60	-	4,493.90	340	-	87.6
1966-67	21,017.30	12,556.50	-	8,031.40	320	-	109.4
1967-68	33,373.80	25,040.30	-	7,297.30	947.9	-	88.3
1968-69	33,558.50	27,917.80	-	4,680.00	401.2	124.7	434.8
1969-70	48,356.40	34,421.10	-	6,030.60	7,133.10	130.3	641.3
1970-71	42,885.40	30,993.00	-	4,137.00	7,109.80	500	145.7
1971-72	45,337.60	33,565.20	-	6,312.60	4,884.50	-	575.4
1972-73	39,416.60	29,320.10	-	4,713.80	3,389.40	-	1,993.20
1973-74	63,594.00	39,541.80	-	8,907.00	11,573.60	450	3,121.70
1974-75	58,720.40	45,343.50	-	5,895.70	3,959.90	2,460.00	1,061.30
1975-76	63,471.30	52,004.20	-	5,134.40	4,068.40	200	2,064.30
Totals	476,512.20	347,566.40		70,475.00	44,152.80	3,865.00	10,453.10
GRAND TOTAL	680,893.80	411,466.20	21,219.40	123,543.90	85,322.80	3,865.00	35,466.70

Source: ACA Annual Report, 1975-76.

Samahang Nayon Period (1973-1990)

As a parallel measure to the land reform program under P.D. No.27 (September 21, 1972), P.D. No. 175 otherwise known as “Strengthening the Cooperative Movement” was issued on April 14, 1973. The law declared it as a policy of the State to foster the creation and growth of cooperatives as a means of increasing income and purchasing power of the low-income sector of the population in order to attain a more equitable distribution of income and wealth. It also provided for the power of cooperatives, their privileges and assistance to them including financial, management, and training. Letter of Instruction No. 23 (LOI 23) was issued on July 9, 1973 governing the organization, administration, and supervision of Samahang Nayon (barangay association) and Kilusang Bayan (cooperatives).

1. Samahang Nayon (SN)

Under Regulation 2 of LOI 23 SN is “a body corporate composed primarily of small farmers residing and/or farming within the geographical limits of a barrio for the purpose of improving the quality of life of the barrio people”. The SN was the primary and basic unit of the cooperative movement in the rural areas. It was a pre-cooperative and structured not to perform business activities. The function of the SN were to: facilitate the transfer of land titles to farmer-members under the Agrarian Reform Program and to guarantee the payments of its farmer-members for the lands transferred to them; channel or to coordinate technical assistance from the government and other agencies to its members; arrange for lower prices for production supplies needed by individual farmer-members; arrange for higher price for the produce of farmer-members intended for the market; encourage the building-up of capital and savings; provide its members with effective cooperative education in preparation for full-pledged Kilusang Bayan operations; and serve as an exercise in formal organization and self-government.

The SN focused on educational, capital build-up and savings mobilization, and disciplinary functions to prepare it to eventual transformation into KB.

The members of the SN have to undertake a total of 60 weeks of educational program. In the organizational phase, the members shall take lessons on Agrarian Reform and Cooperatives; Beginnings, Nature and Philosophy of Cooperatives Organizations; Cooperatives Principles and Practices; Barangay Association I: Rationale, Characteristics, Objectives and Functions; The Barangay Association II: Structure, Steps in Organizing, Requirements, and Producers for Registration; The Barangay Associations III: Organizational Documents; The Barangay Associations IV: Operating Policies and Procedures; and Factors for the Success of the Barangay Associations⁶.

In the development phase the SN education program had 10 lessons on office management, 20 lessons on technical agriculture, 8 lessons on product specialization, and 12 lessons on abridged business management for all members⁷.

The capital build-up and savings mobilization program were implemented through three (3) savings schemes: The Barangay Savings Fund, Barangay Guarantee Fund, and General Fund.

- a. *The Barangay Savings Fund (BSF)*. BSF was generated by saving 5% of all production loans taken by SN members from financing institutions. If a member had no borrowing, he was required to save at least five pesos a month. The savings were placed in the name of SN for the account of the members.

BSF could be used by SN to buy shares of stocks of existing rural banks or for the establishment of their own cooperative rural banks. This may be utilized for other purposes only upon approval of the Bureau of Cooperatives Development.

⁶ Cooperatives Development Program (Phase II). Instructor's Manual for Volunteer Barrio Worker's Dept. of Local Development and Community Development, Quezon City, Dec.1972, pp.18-19.

⁷ Cooperatives Development Program (Phase II). Management Training Manual, DLGCD, Quezon City, May 1973. Pp.20-21, 89-90, and 91-92.

- b. *The Barangay Guarantee Fund (BGF)*. BGF was social fund and was raised through the members' contributions of one cavan of palay per hectare per harvest or its equivalent in other product or in cash.

The SN may use this fund to guarantee land amortization of its members under the agrarian reform program; provide modest social security for its members in the form of life insurance; capital for their full-pledged marketing cooperatives; guarantee loans from financial institutions, and provide other social services needed by members.

As long as one is a member of SN he is obliged to contribute to BSF and BGF. It is not withdrawable unless prior authority is granted to SN by BCOD.

- c. *General Fund (GF)*. GF came from donations, membership contribution, fines, and fees collected from members. The fund was generally meant to finance the operations of the SNs.

2. ***Kilusang Bayan (Cooperatives)***

Kilusang Bayan (KB) was the full-pledged cooperative composed of one or more SN who had satisfactorily achieved the basic purpose for which they were organized and were able to meet further requirements. The accumulated capital of SN members served as the initial capital of the KB.

The cooperative development program during the martial law regime created a network of SNs, area marketing cooperatives (AMC) and cooperative rural banks (CRB).

As of 1978, a total of 17,956 SNs were organized and registered with a combined membership of 924,358. Total savings generated by the SNs were about ₱91 million.

The AMC organized reached a total of 65 by 1984, of which about 60% or 40 AMCs were operational.

The network of CRBs, as of 1984 was 41, 28 of which had license to operate from Central Bank of the Philippines. Paid-up capital of these banks reached a level of ₱59 million as of 1984 (Table 2). Today the only living legacy of the martial law legal framework for cooperatives development were the network of CRBs, now called Cooperative Banks, and the Cooperative Insurance System of the Philippines (CISP) which is struggling for viability.

ACCI (1977) in an evaluation of SNs after the Phase II Development Training Program found out that only 35% of SNs were able to complete the Phase II courses with 55% attendance. About 57% of the SNs have been collecting BSF and BGF. The respondents viewed forced savings and mutual aid as factors related to SN success.

ACCI (1980) in an status evaluation of SN 1974-75 reported that as of December, 1974, the general fund contribution of SN was ₱7.94 million, and BSF collection was ₱7.06 million. Compliance with BGF obligation was only 40% of all registered SNs. It was reported that of the 9,491 SNs in the study, only 28% had financial record book. This phenomenon together with the uncooperativeness of financial institution in collecting the BSF weakened the savings collection of the SNs.

Rola (1979) on analysis of savings program SNs reported that 57% of SN registered on or before November 1974, enforced the BSF and BGF program. Those that enforced singly BSF and BGF collected ₱1,385.60 and ₱1,033.45 per SN, respectively. SNs that enforced both BSF and BGF collected ₱4,695.75 per SN. BGF and BSF saved were only 29% and 50% of what was expected, respectively.

Naldoza (1979) on SN officers' sensitivity to management training pointed out that the prescribed number of weeks and training sessions were not practiced. About 71% of the officers and 28% of the members attended all the lessons. Officers claimed preparedness to assume leadership after the management training while members expressed uncertainty.

Oliva (1978) studied the perception and attitudes of farmer-members toward SN in North Cotabato. He reported that not all members had adequate perception of all aspects of SN. Significantly related to respondents' perception on the various SN aspects were educational attainment, farm tenurial status, anticipated success of cooperatives, membership status in SN, and level of investment in the association. Respondent-farmers joined SN because they viewed SN could help them attain some of their social and economic needs and goals.

Table 2. Status of SN, AMC, and CRB, Philippines.A24

	As of Dec. 31, 1977 ^a	As of Dec. 31, 1978 ^a	As of 1984 ^b
A. Samahang Nayon			
Organized Membership	20,657 995,110	21,089 1,019,210	
Registered Membership	17,555 896,708	17,956 924,358	
General Fund	19,287,000	20,165,000	
BSF	36,536,000	39,461,000	
BGF	28,348,000	31,322,000	
B. Area Marketing Coops			
Organized	49	50	65
Registered	30	38	-
Operational	29	32	40
Group Membership			
SN Members	2,168	3,351	
Others	15	16	
Individual Membership			
Farmers	103,717	210,596	
Non-Farmers	843	972	
Capital of Reg. AMC			
Authorized Capital	57,475,000	90,788,000	131,780,000
Subscribed Capital	12,303,000	13,023,000	
Paid-up Capital	4,111,000	4,778,000	
C. Cooperative Rural Bank			
Organized	23	24	41
Licensed to operate	4	11	28
Group Membership			
SN	3,266	4,341	
Others	77	84	
Individual Membership	161,584	196,819	
Capitalization			
Authorized Capital	40,000,000	83,000,000	160,500,000
Subscribed Capital	9,308,000	19,680,000	70,610,949
Paid-up Capital	4,708,000	7,430,000	59,451,000

a - Source: Annual Report, BCOD,MLGCD, 1978.

b - Source: Annual Report, MAF, 1984.

Acosta (1978) reported that SNs in Roxas, Isabela conducted training activities including pre-membership and 20 lessons on management courses. SNs were engaged in crop production including the use of modern farming techniques. Members (49%) indicated that much had been contributed by SN to their social, cultural, moral, and political upliftment .

Simbulan (1979) found that factors related to perceived viability of SN were discipline of members and project activities of SN. In terms of projects and activities, member-respondents considered their SNs inactive.

David – Medina (1980) on SN leadership in Southern Tagalog Region found that respondents believed that efficient leaders and cooperative members determine the success of the SN. Educational attainment and major occupation were significantly related to the respondents leadership role performance.

Lazaro (1980) found that majority of the members of Sapang Cauyan SN did not comply with their BGF in 1975-76. Compliance with BSF program was 42%. Net income, educational attainment, availability of loans were found significantly related to BSF and BGF compliance of members.

Niduaza (1980) on active and inactive SNs in four Mindanao provinces reported that active SNs were located in areas with more facilities/structures. She concluded that the presence of facilities/structures in the community, size of membership, total assets, and management practices were related to SN performance.

Naldoza (1983) on organizational capability and institutionality of Philippine pre-cooperatives reported that the objectives, functions, and policies behind the pre-cooperatives development program were beneficial to the intended clientele. Program-wise, the SNs experienced the “hurry” of training dosages in the first two years of the program. The organizational capability and institutionality of pre-cooperatives have not yet assumed the status of a “taken-for-granted reality”.

Castillo (1990) in the study of cooperative rural banking in the Philippines which included all 29 existing cooperative rural banks (CRBs), 205 SNs, 93 cooperatives, and 1048 farmer-respondents found that CRBs as a whole were not financially viable. Six CRBs consistently showed negative net income for the period 1985-89. Using past-due ratio (PDR) as indicator of performance, at best five CRBs met the maximum PDR of 25% to qualify for the rediscounting privilege of the Central Bank of the Philippines. The distance of SNs, cooperatives, and farmer-members to their CRB affected the patronage of the Bank. In the light of the problem of viability and the need to strengthen the financial, management, organizational, and operational capabilities of CRBs, among others, he recommended the following to improve the effectiveness of CRBs rehabilitation scheme: a) strengthen the financial base and viability of CRBs by requiring those that do not meet the required PDR of 25% to infuse fresh capital from stockholders to meet the minimum capital requirement and risk-asset ratio, and to participate in the rehabilitation program to enable them to convert their arrears with CBP into equities of the bank; b) require CRBs to launch vigorous deposit mobilization campaign by requiring non-member borrowers to make deposits with the bank and buy shares of stock; c) set a maximum limit of term of office of board of directors and managers, particularly for the poor performing CRBs, and d) allow the expanded entry of natural persons as stockholders in existing CRBs to strengthen and broaden the capital and organizational structure of the bank.

Post EDSA Period (1990-present)

The new Constitution of the Republic under the Aquino Administration provided a strong legal basis on the use of cooperative for national development. Article XII Section 15 of the 1987 Constitution mandated Congress to enact laws that make cooperative as an instrument of social justice and economic development. Thus RA 6938 and RA 6939 were enacted by Congress and approved by President Corazon Aquino on March 10, 1990.

Under the Aquino administration, it was declared a policy of the State to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. The State shall encourage the private sector to undertake the actual formation and organization of cooperatives and shall create an atmosphere that is conducive to the growth and development of these cooperatives. Under the new laws on cooperatives, all cooperatives registered under P.D. 175 (AMC, CRB, credit, consumers), P.D. 775 (sugar producers marketing cooperatives), P.D. 269 (Electric Cooperatives), Executive Order No. 898 Series of 1983 (Transport Cooperatives) and all other laws will be governed by the new Acts if they qualify as cooperative under their provisions.

Cooperatives under R.A. 6938 may organize themselves into a cooperative insurance entity for the purpose of covering the insurance requirement of the members whether it be life insurance with special group coverage, loan protection, retirement plans, endowment with health and accident coverage, fire insurance, motor vehicle coverage, bonding, crop and livestock protection and equipment insurance.

Cooperatives falling under R.A. 6938 shall register with the Cooperatives Development Authority (CDA). CDA was created with the powers, functions and responsibilities⁸ to:

- a. Formulate, adopt and implement integrated and comprehensive plans and programs on cooperative development consistent with the national policy on cooperatives and the overall policy on cooperatives and the overall socio-economic development plans of the government;
- b. Develop and conduct management and training programs upon registration of cooperatives that will provide members with the entrepreneurial capabilities, managerial expertise; and technical skills required for the efficient operation of their cooperatives and inculcate in them the true spirit of cooperativism and provide, when necessary the

⁸ R.A. 6939, pp.64-65

technical and professional assistance to ensure the viability and growth of cooperatives with special concern for agrarian reform, fishery and economically depressed sectors;

- c. Support the voluntary organization and consensual development of activities that promote cooperative movements and provide assistance towards upgrading managerial and technical expertise upon request of the cooperatives concerned;
- d. Coordinate the efforts of the local government units and the private sector in the promotion, organization, and development of cooperatives;
- e. Register all cooperatives and their federation and unions, dissolution or liquidation. It shall also register the transfer of all or substantially all of their assets and liabilities and such other matters as maybe required by the Authority;
- f. Require all cooperatives, their federations and unions to submit their annual financial statements duly audited by a Certified Public Accountants, and general information sheets;
- g. Order the cancellation after due notice and hearing of the cooperative's certificate of registration for non-compliance with administrative requirements and in cases of voluntary dissolution;
- h. Assist cooperatives in arranging for financial and other forms of assistance under such terms and conditions are calculated to strengthen their viability and autonomy;
- i. Establish extension officers as maybe necessary and financially viable to implement this act;
- j. Impose and collect reasonable fees and charges in connection with the registration of cooperatives;

- k. Administer all grants and donations coursed through the government for cooperatives development, without prejudice to the right of cooperatives to direct e.g. receive and administer such grants and donations upon agreement with the grantors and donors thereof;
- l. Formulate and adopt continuing policy initiatives consultation with the cooperative sector through public hearing;
- m. Adopt rules and regulations for the conduct of its internal operations;
- n. Submit an annual report to the President and Congress on the state of the Cooperative movement; and
- o. Exercise such other function as may be necessary to implement the provisions of cooperative laws.

3.0 POLICY AND LEGAL ENVIRONMENT

Constitutional Mandate. For the first time in the Philippines, the importance of cooperatives in the economic and social life of the Filipinos was enshrined in the Constitution. As mentioned earlier, Article XII Section 15 of 1987 Constitution mandated Congress to enact laws that will use cooperative as an instrument of social justice and economic development. This was a landmark legal framework which emphasizes the role of cooperative as a means to achieve national social and economic ends.

Cooperative Laws. The laws enacted by Congress, RAs 6938 and 6939, to implement the mandate of the Constitution took effect in July, 1990, RA 6938, otherwise known as the Cooperative Code of the Philippines, defines among others the concept and principles of cooperatives; membership; administration; responsibilities, rights and privileges of cooperatives; insolvency and dissolution; capital, property and funds; allocation and distribution of net surplus; and special provisions related to agrarian reform cooperatives, public service cooperatives, cooperative banks, credit cooperatives, and cooperative insurance societies.

It is important to point out that Article 2 of the Code declared as a policy of the State the recognition of the principle of subsidiarity under which the cooperative sector will initiate and regulate within its own ranks the promotion and organization, training and research, audit and support services relating to cooperatives with government assistance when necessary.

It is of interest also to point out that the Cooperative Code redefines the minimum number of persons who may organize a cooperative to 15. This is a departure from the old practice and regulations. Under RA 821, a cooperative was organized under a geographical boundary of a town with about 250 persons required to form a FACOMA. Under PD 175, a Kilusang Bayan could be organized by two or more economically viable Samahang Nayons. Given a membership of at least 25 members of a SN, a KB therefore would have a membership of at least 50 at the time of registration.

The reduction in the minimum required membership to organize a cooperative to 15 persons under RA 6938 has pros and cons. On the pros side, the organizers may have to mobilize only a smaller number of persons to organize a cooperative. A limitation of this requirement, however, is that the minimum 15 persons may not be able to generate an economic size capital and volume of business that may warrant a viable start of the cooperative. Anyway, the important thing to consider is viability of the cooperative and viability can be generated through time by appropriately expanding membership which consequently can bring in expansion of business and capital.

RA 6939, on the other hand, provided for the creation of Cooperative Development Authority under the Office of the President, as a government agency responsible for regulating and promoting the growth and viability of cooperative as instrument of equity, social justice and economic development; and defined CDA's functions, powers, responsibilities, organization, and qualifications of members of the governing board.

RA 6939 re-emphasizes as a policy of the State the recognition of the cooperative sector as the primary institution for the development of cooperative. The sector has the right to initiate and foster within its own ranks cooperative promotion, organization, training, information gathering, audit and support services with government assistance when necessary.

The primacy of the cooperative sector in the promotion and development of cooperative is further accentuated in the other provisions of RA 6939. Section 3 Powers, Functions, and Responsibilities provides that the CDA shall develop and conduct management training programs upon request of cooperative; and shall support the voluntary organization and consequential development of activities that promote cooperative movement, and provide assistance towards upgrading managerial and technical expertise upon request of cooperative concerned. Section II, Cooperatives in the Education System, provides among others that state colleges and universities shall provide technical assistance and guidance to cooperatives in the communities where they operate upon request.

The primacy of role vested by laws upon the cooperative sector in the promotion and development of cooperative in the country pushes the government sector into a passive role. This may work well in an occasion where the cooperatives are strong but not in cases where cooperatives are struggling as generally is in agriculture, in particular and Philippines, in general. A passive government participation in occasion where its initiatives and support are much needed would negate the meaningful realization of the constitutional mandate of using cooperative as an instrument of equity, social justice, and economic development.

RA 6939 grants CDA a limited budgetary provision to carry out its mandates. Under the law, the funds under the control of CDA are the Cooperative Development Loan Fund (CDLF) and the fund from Management Assistance Training Program (MTAP) created under PD 175, which would be transferred from the Department of Agriculture to CDA. Of course there is annual congressional appropriation for personnel, maintenance and operating expense, and some capital outlay. But unlike in the previous laws, funding for development was not clearly provided for under RA 6939. Under RA 821 (1952), the ACCFA was granted congressional appropriation of P100 million to carry out its mandate and this amount was provided for in the law. Under P175 (1973), the cooperative agency was allowed to mobilize BGF and BSF from the cooperative sector to partly finance the program and developments of cooperatives in the Philippines. The precarious financial position of CDA certainly contributes to less active participation of the agency in the promotion and development aspects of cooperatives in the Philippines today.

CDA, however, under RA 6939 is granted the sole authority to register all types of cooperatives in the Philippines. Prior to Martial Law, agricultural cooperatives were registered with ACCFA under RA 821, and non-agricultural cooperatives were registered with Cooperative Administration Office (CAO) under RA 2023. During Martial Law period until EDSA I Revolution electric cooperatives were registered with National Electrification Administration under PD 269, and transport cooperatives were registered with the Office of the Transport Commission (Department of Transportation and Communication) under Executive Order 898 of 1983 and all other types of cooperatives were registered with the Bureau of Cooperatives Development under PD 175.

Cooperatives and Land Reform. Cooperative is given a significant role in the implementation of the land and agrarian programs in the Philippines.

RA 3844 (1963) provided for the organization of cooperative association (Chapter III, Article II, Section 61) by farmer beneficiaries for more efficient management, adoption of modern farm methods and techniques, and spreading risk, either through diversification of farm projects or mutual assumption of risk. ACA, the resultant institution in the reorganization of ACCFA to align its activities with agrarian reform under RA 3844, extended credit to farmer-beneficiaries and farmers' cooperatives. Cooperatives then were eligible for loans from ACA for construction or acquisition of facilities.

During the Martial Law period, under PD 27 (1972), farmers' cooperatives were given a right of recourse against members when members defaulted on land amortization and cooperative paid for the amortization.

The passage of RA 6657 (1987), otherwise known as the CARP Law, re-emphasized the role of cooperatives in the implementation of the comprehensive agrarian reform program. It was declared policy of the State under the law to recognize the right of farmers, farm workers and land owners, as well as cooperatives and other independent farmers' organizations, to participate in the planning, organization, and management of the program, and shall provide support to agriculture through appropriate technology and research, and adequate financial, production, marketing, and other support services.

Chapter II Section 8 of the CARP Law provides for the direction of worker beneficiaries to form workers' cooperative or association in cases where it is economically infeasible to individually distribute the multi-national companies landholdings to workers-beneficiaries as a way in which to deal with the corporation or business association or any other proper party for the purpose of entering into a lease or growers agreement and for all other legitimate purposes.

Under the CARP, cooperatives are categorized as sixth in the order of priority as qualified beneficiary of land distribution in the barangay or in the municipality where

cooperative is situated. In addition, agricultural cooperatives, through their representative, are included in the membership of the Provincial Agrarian Reform Coordinating Committee (PARCCOM).

Land Bank of the Philippines which was created under RA 3844 to finance the acquisition of land from the landowners and which later took over the role of financing the credit needs of agrarian reform beneficiaries from ACA championed the cooperative movement and extended support services to lead communities into self-reliance. LBP then engaged itself in organizing cooperatives in the countryside as viable conduits in reaching out the beneficiaries of land reform, rural folks, and fisher folks with credit facilities.

Cooperatives and Local Government Administration. RA 7160 (1991), otherwise known as the Local Government Code of 1991, provided for an optional position of cooperative officers at the provincial and city government units. The Cooperative Officers shall be primarily responsible for ensuring that in formulating projects and programs for LGUs the principles, methods, promotion and development of cooperatives are taken into consideration. The Cooperative Officers are also mandated to assist LGUs in the organization of cooperatives and to provide technical assistance.

The Local Government Code grants cooperatives of marginal fishermen the preferential right to erect corrals, oysters, mussels, or other aquatic beds or bangus fry areas within a definite zones of municipal waters; and gather or catch bangus fry, prawn fry, or kawag-kawag or fry of other species and fish in municipal waters by nets, traps, or other fishing gear free of any charge, fee or rental or any other imposition.

The Code also grants that the development and improvement of local distribution channel of copra should be preferably through cooperatives. It also mandates the sangguniang barangays to assist in the establishment, organization, and promotion of cooperatives to promote the welfare of the residents of the barangays.

Cooperatives and Small Farmers Empowerment. RA 7607 (1992), otherwise known as “An Act Providing A Magna Carta of Small Farmers”, was passed in June 4, 1992 declaring it as a policy of the State to give the highest priority to the development of agriculture such that equitable distribution of benefits and opportunities is realized through the empowerment of small farmers. (Chapter 1, Section 2).

In pursuance of this policy the State gives recognition to the rights of small farmers and farm workers, as well as cooperatives and independent farmers’ organizations, to participate in the planning, organization, management, and implementation of agricultural programs and especially through the “bayanihan” spirit.

The State also recognizes the right of farmers to organize themselves to promote their welfare and advance or safeguard their interests. Towards this end the government shall assist small farmers in establishing self-help organizations such as farmer’s cooperatives and associations. In particular, the government shall encourage the formation of marketing cooperatives among farmers in order to enable members to purchase inputs at lower cost and obtain fair price for their products. (Chapter 2, Section 5). As a means of empowerment, the small farmers shall make use of their organizations preferably cooperatives in order to enhance their capabilities in production, processing, marketing, and financing towards self-reliance. (Chapter III, Section 9).

On construction of infrastructure, a site in the barangay shall be chosen to be approved by the Sangguniang Barangay in consultation with small farmers and farmers’ organizations including cooperatives who shall provide labor and locally available materials for the construction and maintenance of post-harvest facilities. The farmer’s organization, including cooperatives, may collect reasonable fees in connection with the use of such facilities for maintenance, improvement and expansion of such facilities (Chapter IV Section 13).

On trading of farm inputs, the State is mandated to support farmers’ organization (where cooperative is one) in the trading of fertilizers and pesticides. To eliminate the added cost

passed on by traders to the farmers, farmer's organizations (including cooperatives) are encouraged to undertake the distribution of fertilizers to their members (Chapter IV, Section 17).

On rural credit delivery, the Department of Agriculture, through the Agricultural Credit Policy Council (ACPC) and other concerned agencies are mandated to give subsidies for education and training of small farmers on credit awareness, loan acquisition, and loan repayment and shall conduct information drive that will promote the establishment of strong and viable farmers' organizations such as cooperatives, credit unions, rotating savings, and credit associations and non-government organizations (NGOs) to have an increased small farmers access to credit. Government is also mandated to promote the establishment of cooperative banks and the growth of their networks (Chapter VII, Sections 21 and 22).

On incentives and support, financial and technical incentives shall be awarded to deserving farmers' organizations (including cooperatives) implementing livelihood projects. Likewise, farmers' organizations, including cooperatives, shall be extended preferential tariff treatment on imports of farm inputs, spare parts, farm machinery, and equipment for their projects. Government shall give incentives and recognition to farmers and farmers' organization (including cooperatives) adopting efficient farm technologies or equipment resulting in increased productivity and income. Farmer's organizations (including cooperatives) are singled out to be the main conduits for funding livelihood projects (Chapter VIII Sections 23 and 24).

On research and extension services, technology verification and piloting shall be done by farmers' organization (including cooperatives) on farmers' fields under the supervision of PCARRD. Extension workers of DA shall however serve as the linkages between farmers and farmers organizations (including cooperatives) and together shall identify on-farm problems to be referred to research and development institutions. The farmers' organizations (including cooperatives) shall complement the extension program of DA for more effective technology transfer and information (Chapter IX, Sections 29 and 32).

Cooperatives in Agriculture and Fisheries Modernization. RA 8435, otherwise known as "Agriculture and Fisheries Modernization Act of 1997", gives recognition in

cooperatives in the pursuit of the State objectives. It is an objective of the law “ to encourage horizontal and vertical integration, consolidation and expansion of agriculture and fisheries activities; groups, functions and other services through the organization of cooperatives, farmers and fisherfolks’ associations, corporations, nucleus estates, consolidated farms and to enable these entities to benefit from economies of scale, afford them stronger negotiating position, pursue more focused, efficient, and appropriate research and development efforts, and enable them hire professional managers.”

Particular roles were given to cooperatives under AFMA in the areas of credit, information and marketing support service, and extension service.

On credit service, cooperative banks are included as one of the financial institutions to manage the funds under the directed credit program (DCP), and comprehensive agricultural loan fund (CALF) for the Agro-industry Modernization Credit Financing Program (AMCFP).

Cooperative is also identified as a user and beneficiary of the market information system to be installed under AFMA together with farmers and fisherfolks, traders, processors, the LGU and DA.

On extension service, DA encourages the participation of farmers and fisherfolks’ cooperatives and associations, and the private sector in training and other complementary extension services especially in community organizing, use of participatory approaches, popularization of training materials, regenerating agricultural technologies, agribusiness, and management skills.

Cooperatives in general are earmarked to receive a total of about 28% of the initial P20 billion appropriations for the AFMA. The Secretary of Agriculture may invest up to 50% of the 10% post-harvest facilities allocation to fund post-harvest facilities of existing and operational cooperatives. Together with rural banks, cooperative banks are earmarked as depository of no less than 50% of the 10% allocations for AMCFP. Finally, 8% of the initial appropriation for

AFMA is allocated for the implementation of the Farmer-Fisherfolk Marketing Assistance System and support of market vendors' cooperatives.

Hurdles for Cooperative Development. On the whole, the existing legal frameworks grant cooperatives challenging roles to influence the development of agriculture and the rural sector. The Constitution mandated for the use of cooperatives as instruments of social justice and economic development. The agrarian reform programs included cooperatives as institutions to help implement the land and agrarian reform programs of the Philippines. The local government units also use cooperatives as means to reach the constituents with the needed government services. Cooperatives are likewise used in the modernization program of agriculture and the fisheries sectors. Cooperatives are also identified as institutions to actualize the empowerment of small farmers in the country. The Land Bank of the Philippines uses cooperatives as the way to reach and develop the countryside with credit facilities.

With all the importance given to cooperatives for agriculture and countryside development, however, the initiatives of government to promote and organize strong and viable cooperatives are restrained, if not passive. The RA 6938 and 6939, the basic cooperative laws of the land put the government into a passive role as far as cooperative promotion and development are concerned because of the principle of subsidiarity and the primacy granted to the cooperative sector as far as these activities are concerned. Besides, there is limitation of budget of CDA to effectively carry out the promotion and development of cooperatives. With these legal and financial realities, the initiatives of promotion and development of strong and viable cooperatives would primarily be left to the private sector, in particular cooperative sector. The problem arises, as being perceived today, when the private sector is not sensitive and responsive to the needs of the clientele such as the poor and marginalized farmers and fisherfolks. This being the case, we are bound to loose the opportunity and possible gains from cooperatives to promote farmers' income and national social and economic development ends.

4.0 STATUS OF COOPERATIVES IN THE PHILIPPINES

The current legal bases for cooperatives, RA 6938 and RA 6939 are laws governing all types of cooperative. In contrast, previous laws like RA 821 and PD 175, were all addressed primarily to agricultural cooperatives. Under the current legal bases, all cooperatives registered under the previous laws should re-register with the CDA either as credit, consumer, producer, marketing, service, and multi-purpose cooperative⁹. Credit cooperative is a thrift and loan granting cooperative for productive and provident purposes. Consumer cooperative is one that is engaged in procurement and distribution of goods to member and non-members. Producer cooperative is one that undertakes joint production whether agricultural or industrial. Service cooperative is defined as one that is engaged in providing services such as medical and dental care, hospitalization, transportation, insurance, housing, labor, utilities, communication, among others. Multipurpose cooperative is a cooperative that combines two or more activities of the different types of cooperatives.

Number of Cooperatives. As of July, 1999, the total number of registered cooperatives with CDA was 46,020. In terms of regional distribution, Regions XI, III and IV have the most number of cooperatives. The least number of cooperatives were CARAGA and Region 10 (Table 3).

The leading type of cooperative registered with CDA is multipurpose (agriculture) or MPA. It comprised more than 50% of the total number of registered cooperative.

A reason for a large number of registered cooperative under the current legal framework as against those of RA 821 and PD 175 is the change in policy as to the minimum number of natural persons required to organize a cooperative.

Under RA 821, 250 persons in a community or town were required to organize a cooperative. Under PD 175, a KB required two or more SNs or a membership of at least 50

⁹ RA 6938, Article 23, Types of Cooperatives.

natural persons for registration. RA 6938 stipulates that 15 or more natural persons who are citizens of the Philippines may organize a cooperative, a much less number compared to the requirements of previous laws.

Growth and Development of Cooperatives. Looking at the number of cooperatives registered, there is an upward growth of cooperatives in the Philippines (Table 4) at least for the period 1999 and 2000. The number however does not necessarily suggest an improvement in the strength of the cooperative movement.

Table 3. Number of registered cooperatives by type and region, Philippines, as of July 1999.

COOPERATIVE	REGION															ALL
	1	2	3	4	5	6	7	8	9	10	11	12	CAR	CARA GA	NCR	
MPA	2,718	1,769	2,883	2,528	1,802	2,610	889	1,611	1,321	1,130	2,207	1,865	1,006	1,049	43	25,431
MPN	693	458	1,647	1,743	881	726	901	460	1,031	525	2,170	512	450	440	1,972	14,609
CREDIT	132	140	254	266	179	186	128	124	50	99	256	70	129	81	715	2,809
SERVICE	31	23	140	95	85	30	59	56	22	50	82	38	27	26	196	960
MARKETING	29	9	45	42	22	38	11	61	39	30	127	35	11	34	13	546
PRODUCER	6	19	84	61	61	40	34	127	32	41	126	11	13	48	48	751
CONSUMER	29	8	41	75	29	38	57	85	26	35	189	19	51	44	188	914
COOP BANKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,638	2,426	5,094	4,810	3,059	3,668	2,079	2,524	2,521	1,910	5,157	2,550	1,687	1,722	3,175	46,020

Source of data: Cooperatives Development Authority

Note: No reported data from cooperative banks, and other types of cooperatives.

Table 4. Number of Cooperatives by Types, Philippines, 1993-2000.

TYPES OF COOPERATIVE	Y E A R							
	1993	1994	1995	1996	1997	1998	1999	2000
MPA	4,175	3,114	2,022	25,582	1,703	2,390	25,431	32,086
MPN	1,443	1,525	1,473	9,701	2,000	2,405	14,609	16,386
CREDIT	251	256	259	2,475	419	686	2,809	3,756
SERVICE	126	95	98	882	175	163	960	1,340
MARKETING	49	57	51	508	82	44	546	729
PRODUCER	64	116	69	597	114	48	751	991
CONSUMER	72	130	68	727	186	134	914	1,164
COOP BANKS	6	1	5	45	4	-	-	53
OTHERS (federations, unions and laboratories)	68	70	43	516	28	-	-	639
TOTAL	6,254	5,364	4,088	41,033	4,711	5,870	46,020	57,144

Source of data: Cooperatives Development Authority Annual Reports, 1993-2000.

There are some problems with the data. It appears that data for years 1993, 1994, 1995, 1997 and 1998 were for cooperatives submitting financial report because the 1998 data when verified were cooperatives submitting financial report. Data for 1996, 1999 and 2000 appeared total number of registered cooperatives.

An attempt to analyze the growth of agricultural cooperatives for the period 1993-2000 was made, the period in which data are available (Table 4). But a close examination of the data for the number of cooperatives registered for the period alone shows that the analysis could not be meaningfully done. It appears that the data for years 1993, 1994, 1995, 1997 and 1998 were number of cooperatives submitting financial reports while the data for 1996, 1999 and 2000 were number of registered cooperatives. It is observed in the study that the number of cooperatives submitting financial reports is much less than the number of registered cooperatives because of the dismally low compliance rate of the registered cooperatives to submit annually financial statements to CDA as required by law.

Given the inconsistencies of data on the number of registered cooperatives, it follows that data on other variables such as assets, capital, savings, net surplus, volume of business, among others, would be inconsistent, too, because they are part of the data on cooperatives. As such, the analysis on the growth of cooperative using the parameters number of cooperatives, assets, paid-up capital, savings, net surplus and volume of business would not be meaningful, hence not pursued anymore and constituted a limitation of the study.

The development of cooperatives could be viewed in terms of number and distribution of viable cooperatives existing and their networks by province and by Region. However, these aspects cannot be accurately ascertained from the available data with CDA.

It is observed that there is really much to be desired as far as data on cooperatives in the Philippines are concerned. This is an area, information management system, which could be offered to CDA for development in order to have an effective regulation and sound policy formulation on cooperatives in the Philippines.

Submission of Financial Report. The law requires that cooperative should submit annual report to CDA. The problem is compliance with the rule is very low. For year 1999, out of the 46,020 registered cooperatives, only 1459 or merely 3% (Tables 5 & 6) submitted financial report. Compliance of the requirement was highest in NCR and Region IV. Using this

information as a basis of gauging performance, many cooperatives may not had been able to take off the organizational stage and the number of registered cooperatives may not correctly indicate the size of the cooperative movement.

Size of Membership. Membership in cooperatives throughout the country is more than 1.6 million. This means that at least 2% or 2 for every 100 persons of 70 million Filipinos are members of cooperative.

Region-wise, again Regions XI, III and IV have the largest size of membership in cooperative. CAR, CARAGA, and Region VIII have least size of membership (Table 7). In terms of type of cooperative, MPA had the most membership comprising a little more than 50% of the total.

Table 5. List of Top 30 Multipurpose Agricultural Cooperatives which submitted Annual Report 1998, Region IV

According to Total Assets.			
RAN K	NAME OF COOPERATIVE	PROVINCE	TOTAL ASSET
1	LIMCOMA MULTI-PURPOSE COOPERATIVE	BATANGAS	340,683,843.00
2	SORO SORO IBABA DEVELOPMENT COOPERATIVE	BATANGAS	160,605,037.67
3	PADRE GARCIA MULTI-PURPOSE COOPERATIVE	BATANGAS	105,102,032.92
4	CAVITE FARMERS FEEDMILLING AND MARKETING COOPERATIVE	CAVITE	89,662,706.00
5	SORO SORO CREDIT COOPERATIVE	BATANGAS	26,356,013.68
6	COOPERATIVE BANK OF CAVITE	CAVITE	26,023,915.21
7	EMMANUEL MULTI-PURPOSE COOPERATIVE	BATANGAS	20,641,834.00
8	LOPEZ VENDORS DEVELOPMENT COOPERATIVE	QUEZON	20,039,177.41
9	LIPOFEA MULTI-PURPOSE COOPERATIVE	CAVTIE	19,025,526.19
10	PINAGTUNGULAN MULTI-PURPOSE COOPERATIVE	BATANGAS	15,130,881.73
11	AGRO-INDUSTRIAL COOPERATIVE OF MATAAS NA KAHOY (AICOM)	BATANGAS	13,116,796.92
12	SARIAYA COMMUNITY CREDIT COOPERATIVE	QUEZON	12,929,519.66
13	MOUNT CARMEL DEVELOPMENT COOPERATIVE	QUEZON	12,073,968.67
14	MALAYANG NAGKAKISANG MAGSASAKA AT MANGINGISDA MULTI-PURPOSE COOPERATIVE	OR. MINDORO	11,512,353.40
15	GEMASCO	CAVITE	11,413,814.53

16	GMA VENDORS DEVELOPMENT COOPERATIVE	CAVITE	11,074,184.47
17	LABAC MULTI-PURPOSE COOPERATIVE	BATANGAS	11,005,650.43
18	PROGRESSIVE ENTREPRENEURS ON AGRI-BUSI & RELATED LIVELI SERVICE	QUEZON	10,831,303.29
19	BAGO (IBAAN) MULTI-PURPOSE COOPERATIVE	BATANGAS	10,306,454.28
20	TOTAL AGRICULTURAL ASSISTANCE & DEVELOPMENT MPC	BATANGAS	10,081,865.98
21	BARANGAY SCHOLARS MULTI-PURPOSE COOPERATIVE	CAVITE	8,579,280.20
22	BATANGAS CITY GOVERNMENT EMPLOYEES KB FOR CREDIT	BATANGAS	8,666,427.40
23	PANGKASAMA MULTI-PURPOSE COOPERATIVE	AURORA	8,029,623.13
24	BATANGAS INTEGRATED SUGAR PLANTERS COOPERATIVE MKTG. ASSN.	BATANGAS	7,947,925.80
25	OUR LADY OF PEACE CREDIT COOPERATIVE	RIZAL	7,800,442.22
26	MARINDUQUE DIOCESAN DEVELOPMENT COOPERATIVE	MARINDUQUE	7,335,731.92
27	ST. FRANCIS CREDIT COOPERATIVE INC.	QUEZON	4,639,475.34
28	BANAL NA KRUS KOOPERATIBA SA PAGPAPAUNLAD	QUEZON	6,432,497.45
29	SIBBAP MULTI-PURPOSE COOPERATIVE	BATANGAS	5,999,110.69
30	MARYKNOLL ACADEMY KB FOR CREDIT	QUEZON	5,833,928.49

Table No. 6. Submission of financial report (in percentage) of registered cooperatives, 1999

COOPERATIVE	REGION															
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	CAR	CARAGA	NCR	TOTAL
MPA	2.2	1.7	0.2	2.8	0.3	2.4	-	0.9	1.5	-	2.5	4.0	3.7	1.8	14.0	1.8
MPN	-	2.2	0.6	10.0	-	7.6	-	5.4	2.7	-	3.2	7.0	5.3	3.9	10.0	4.4
CREDIT	-	5.0	2.8	13.2	3.4	10.8	-	2.4	12.0	-	7.8	10.0	10.1	4.9	16.5	8.8
SERVICE	-	-	0.7	15.8	-	13.3	-	-	4.5	-	4.9	13.2	18.5	11.5	9.7	5.9
MARKETING	-	-	-	7.1	-	7.9	-	1.6	-	-	0.8	5.7	-	-	-	1.8
PRODUCER	-	-	-	11.5	-	-	-	-	-	-	0.8	18.2	-	-	4.2	1.6
CONSUMER	-	-	-	10.7	3.4	-	-	-	-	-	1.1	-	3.9	-	6.9	2.8
COOP BANKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2.2	1.9	0.5	6.6	0.4	3.9	-	1.7	2.2	-	3.0	6.0	4.8	2.5	11.2	3.2

$\frac{S}{R} \times 100$

LEGEND:

S - Total number of cooperatives submitting financial report
R - Total number of registered cooperatives

Source of data: Cooperatives Development Authority

Table 7. Size of membership of cooperatives by type and region, Philippines, as of 1999

Cooperative	REGION															
	1	2	3	4	5	6	7	8	9	10	11	12	CAR	CARAGA	NCR	ALL
MPA	96,254	64,145	83,112	79,862	58,706	95,562	30,462	44,982	43,885	38,508	75,419	58,384	36,118	32,468	1,173	839,040
MPN	29,964	18,837	51,754	35,651	35,226	29,107	33,292	18,552	41,972	29,640	84,864	17,619	14,428	15,668	80,717	568,997
CREDIT	6,737	5,782	6,600	11,743	18,189	7,314	3,064	4,523	10,497	4,281	6,798	2,442	4,603	7,652	23,472	125,903
SERVICE	1,513	1,114	8,710	4,726	5,828	1,111	3,947	1,974	665	1,836	3,918	1,425	647	1,582	6,637	41,526
MARKETING	605	228	1,550	2,692	3,295	933	111	1,806	968	841	2,667	1,086	438	1,027	218	12,922
PRODUCER	105	532	3,896	1,466	2,027	1,216	629	3,349	741	1,104	3,143	228	256	2,193	948	20,721
CONSUMER	2,051	722	1,456	2,860	1,907	2,272	2,079	2,169	1,980	647	6,330	394	3,564	4,279	7,117	39,551
COOP BANKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	137,229	91,360	157,078	139,000	125,178	137,515	73,584	77,355	100,708	76,857	183,139	81,578	60,054	64,869	120,282	1,648,660

Source of data: Cooperatives Development Authority

Note: No reported data from cooperative banks, and other types of cooperatives.

Average size of membership per cooperative is small, 36 (Table 8). Average size does not vary much by types of cooperative ranging from 24 for marketing to 45 for credit cooperative. Region-wise, average size ranges from 11 (Region I) to 41 (Region IV).

Assets. The combined assets of cooperatives amounted to more than ₱16.99 billion. Regions with largest size of assets are NCR, XI, CAR, VI and IV in that order with NCR having about 41% of the total combined assets (Table 9).

In terms of type of cooperative, MPN has the largest assets with about ₱6.382 billion followed by credit (₱5.161 billion) and MPA (₱4.394 billion).

On the average, NCR, CAR, Regions XI, V, and II have the largest size of asset per cooperative of ₱19.51 million, ₱19.08 million, ₱16.69 million, ₱15.83 million, and ₱14.29 million.

By type of cooperative, credit cooperatives have the largest average size of assets at ₱20.98 million followed by marketing at ₱17.13 million. Producer cooperatives have the smallest national average size, ₱1.83 million (Table 10).

Paid-up Capital. Paid-up capital of all cooperatives was ₱5.967 billion in 1999. NCR, CAR, and Region IV had the largest paid-up capital with ₱2.692 billion, ₱733.67 million, and ₱619.35 million, respectively. The share of NCR in the paid-up capital was about 45% (Table 11).

By types of cooperative, MPN had paid-up capital of ₱2.646 billion, followed by MPA (₱2.028 billion), and MPA (₱1.040 billion). The combined share of these three types of cooperatives in the total assets was about 96% of the total paid-up capital of all types of cooperative.

Paid-up capital per cooperative was about ₱4.09 million with highest size found in NCR (₱7.58 million), Region I (₱7.14 million) and Region V (₱5.29 million) in that order. By type of

cooperatives, credit had the largest paid-up capital of ₱8.25 million, more than twice the paid-up capital of average cooperative. MPN and MPA had ₱4.10 million and ₱2.25 million paid-up capital, respectively (Table 12).

Data show that cooperatives submitting financial report to CDA are all millionaire cooperatives by assets, except for producer cooperative.

Volume of Business. The combined business transaction of all cooperatives reached P14.197 billion in 1999. Transactions were more than a billion mark in NCR (₱6.514 billion), Region VI (₱1.893 billion), Region II (₱1.492 billion), and CAR (₱1,227 billion). NCR again had the largest volume of transaction comprising about 46% of the total cooperative business.

By types of cooperatives, MPN (₱4.984 billion), Credit (₱4.429 billion), and MPA (₱4.104 billion) had the largest volume of business transaction comprising 35%, 31%, 29% of the total business, respectively (Table 13).

Table 8. Average size of membership of cooperatives by type and region, Philippines, as of 1999

Cooperative	REGION															
	1	2	3	4	5	6	7	8	9	10	11	12	CAR	CARAGA	NCR	TOTAL
MPA	35	36	29	32	33	37	34	28	33	34	34	31	36	31	27	33
MPN	43	41	31	20	40	40	37	40	41	56	39	34	32	36	41	39
CREDIT	51	41	26	44	102	39	24	36	210	43	27	35	36	94	33	45
SERVICE	49	48	62	50	69	37	67	35	30	37	48	38	24	61	34	43
MARKETING	21	25	34	64	150	25	10	30	25	28	21	31	40	30	17	24
PRODUCER	18	28	46	24	33	30	19	26	23	27	25	21	20	46	20	28
CONSUMER	71	90	36	38	66	60	36	26	76	18	33	21	70	97	38	43
COOP BANKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	11	38	31	29	41	37	35	31	40	40	36	32	36	38	38	36

*Average size of membership of cooperative = total size of membership/number of registered cooperatives.

Source of data: Cooperatives Development Authority

Note: No reported data from cooperative banks, and other types of cooperatives.

Table 9. Total asset of cooperatives by type and region, Philippines, as of 1999, in million pesos.

COOPERATIVE	REGION													CAR	NCR	ALL
	1	2	3	4	5	6	7	8	9	10	11	12	13			
MPA	350.75	462.46	55.68	174.93	33.52	486.94	#	78.37	127.01	-	#####	465.65	146.42	506.08	50.09	4,394.35
MPN	176.61	133.70	99.93	576.72	117.11	347.93	#	159.28	134.59	-	644.28	123.35	95.30	248.33	3,525.38	6,382.50
CREDIT	532.83	75.07	86.21	315.41	24.83	171.38	#	10.73	24.00	-	132.50	36.35	26.55	574.05	3,151.63	5,161.53
SERVICE	2.18	0.02	2.97	22.20	40.25	14.20	#	0.40	7.05	-	169.85	152.82	22.09	186.10	112.37	732.48
MARKETING	0.21	-	-	7.52	-	147.01	#	4.36	0.25	-	3.15	5.89	1.66	0.30	0.94	171.29
PRODUCER	-	-	-	2.79	0.12	0.03	#	0.89	0.27	-	5.93	5.56	0.33	-	6.00	21.92
CONSUMER	2.70	0.29	-	2.74	1.14	0.93	#	0.99	0.24	-	9.16	1.20	0.33	30.23	79.27	129.22
COOP BANK	-	-	-	-	-	-	#	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	#	-	-	-	-	-	-	-	-	-
TOTAL	1,065.28	671.52	244.80	1,102.32	216.97	1,168.42	#	255.01	293.41	-	#####	790.81	292.67	1,545.09	6,925.69	16,993.28

Source of data: Cooperatives Development Authority

Note: Data are based on cooperatives submitting financial report to CDA; no data from Regions 7 and 10, cooperative banks and other type of cooperatives.

Table 10. Average size of total asset per cooperative, by type and region, Philippines, as of 1999, in million pesos.

COOPERATIVE	REGION															
	1	2	3	4	5	6	7	8	9	10	11	12	CAR	CARAGA	NCR	ALL
MPA	5.85	15.42	7.95	2.43	5.59	7.85	-	5.60	6.35	-	26.48	6.29	13.68	7.71	8.35	9.51
MPN	-	13.37	9.99	3.31	-	6.33	-	6.37	4.81	-	9.20	3.43	10.35	5.61	17.90	9.88
CREDIT	-	10.72	12.32	9.01	4.14	8.57	-	3.58	4.00	-	6.63	5.19	44.16	6.64	26.71	20.98
SERVICE	-	-	2.97	1.48	-	3.55	-	-	7.05	-	42.46	30.56	37.22	7.36	5.91	12.85
MARKETING	-	-	-	2.51	-	49.00	-	4.36	-	-	3.15	-	-	0.05	-	17.13
PRODUCER	-	-	-	0.40	-	-	-	-	-	-	5.93	-	-	0.01	3.00	1.83
CONSUMER	-	-	-	0.34	1.14	-	-	-	-	-	4.58	-	15.12	0.01	6.10	4.97
COOP BANK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	5.85	14.29	9.79	3.51	16.69	8.11	-	5.93	5.33	-	15.83	6.28	19.08	6.81	19.51	11.65

*Average size of total asset = total asset / number of cooperatives submitting financial report

Source of data: Cooperatives Development Authority

Note: Data are based on cooperatives submitting financial report to CDA; no data from Regions 7 and 10, cooperative banks and other type of cooperatives.

Table 11. Total paid-up capital of cooperatives by type and region, Philippines , as of 1999, in million pesos.

COOPERATIVE	REGION													CAR	NCR	ALL
	1	2	3	4	5	6	7	8	9	10	11	12	13			
MPA	114.27	95.31	10.52	167.86	5.97	128.14	-	25.19	28.08	-	98.11	75.92	17.15	248.26	26.21	1040.99
MPN	88.58	46.67	33.75	280.21	44.24	141.62	-	64.93	39.45	-	219.21	46.38	30.01	134.66	1477.20	2646.89
CREDIT	222.55	29.41	31.27	145.92	13.16	67.59	-	5.66	13.72	-	65.97	14.94	13.36	305.16	1100.13	2028.84
SERVICE	0.96	-	0.26	17.35	5.12	7.10	-	0.40	0.02	-	39.34	12.45	1.71	27.69	57.36	169.74
MARKETING	0.01	-	-	5.07	-	11.47	-	0.17	0.01	-	0.95	0.71	0.57	0.22	0.05	19.23
PRODUCER	-	-	-	1.88	0.01	0.01	-	0.18	0.26	-	1.64	0.68	0.19	-	3.21	8.06
CONSUMER	1.80	0.25	-	1.07	0.34	0.38	-	0.31	0.13	-	3.46	0.33	0.05	17.69	28.34	54.16
COOP BANK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	428.16	171.65	75.79	619.35	68.83	356.32	-	96.84	81.67	-	428.66	151.41	63.05	733.67	2692.50	5967.90

Source of data: Cooperatives Development Authority

Note: Data are based on cooperatives submitting financial report to CDA; no data from Regions 7 and 10, cooperative banks and other type of cooperatives.

Table 12. Average paid-up capital per cooperative, by type and region, Philippines, as of 1999, in million pesos.

COOPERATIVE	REGION												CAR	CARAGA	NCR	ALL
	1	2	3	4	5	6	7	8	9	10	11	12				
MPA	1.90	3.18	1.50	2.33	0.99	2.07	-	1.80	1.40	-	1.78	1.03	6.71	0.90	4.37	2.25
MPN	-	4.67	3.37	1.61	-	2.57	-	2.60	1.41	-	3.13	1.29	5.61	1.77	7.50	4.10
CREDIT	-	4.20	4.47	4.17	2.19	3.38	-	1.89	2.29	-	3.30	2.13	23.47	3.34	9.32	8.25
SERVICE	-	-	0.26	1.16	0.06	1.77	-	-	0.02	-	9.83	2.49	5.54	0.57	3.02	2.98
MARKETING	-	-	-	1.69	-	3.82	-	0.17	-	-	0.95	0.36	-	-	-	1.92
PRODUCER	-	-	-	0.27	-	-	-	-	-	-	1.64	0.34	-	-	1.60	0.67
CONSUMER	-	0.03	-	0.13	0.34	-	-	-	-	-	1.73	-	8.85	-	2.18	2.08
COOP BANK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1.90	3.65	3.03	1.97	5.29	2.47	-	2.25	1.48	-	2.80	1.20	0.43	1.47	7.58	4.09

*Average paid-up capital per cooperative = total paid-up capital / number of cooperatives submitting financial report

Source of data: Cooperatives Development Authority

Note: Data are based on cooperatives submitting financial report to CDA; no data from Regions 7 and 10, cooperative banks and other type of cooperatives.

Table 13. Total volume of business of cooperatives by type and region, Philippines, as of 1999, in million pesos.

COOPERATIVE	REGION															
	1	2	3	4	5	6	7	8	9	10	11	12	13	CAR	NCR	ALL
MPA	689.43	245.15	36.41	9.57	15.50	1,317.86	-	38.29	114.45	-	688.52	517.34	88.55	328.74	14.75	4,104.55
MPN	-	149.78	1.10	262.93	35.98	312.76	-	79.36	82.00	-	611.34	111.74	180.22	324.60	2,832.21	4,984.00
CREDIT	-	77.72	14.83	106.73	4.26	158.80	-	3.30	5.52	-	134.43	18.41	22.49	404.80	3,478.61	4,429.89
SERVICE	-	-	-	10.14	5.56	10.26	-	-	-	-	51.84	108.02	10.55	92.27	54.05	342.68
MARKETING	-	-	-	4.31	-	93.90	-	0.34	-	-	0.84	12.80	-	-	-	112.19
PRODUCER	-	-	-	0.59	-	-	-	-	-	-	0.20	-	-	-	3.40	4.19
CONSUMER	-	-	-	5.73	0.20	-	-	-	-	-	5.24	-	-	77.31	131.59	220.07
COOP BANKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	689.43	472.65	52.34	400.01	61.50	1,893.57	-	121.27	201.96	-	1,492.40	768.31	301.81	1,227.71	6,514.61	14,197.56

Source of data: Cooperatives Development Authority

Note: Data are based on cooperatives submitting financial report to CDA; no data from Regions 7 and 10, cooperative banks and other type of cooperatives.

On the average, cooperative volume of business was ₱9.73 million. Regions NCR (₱18.35 million), CAR (₱15.16 million), Region VI (₱13.15 million), Region I (₱11.49 million), Region II (₱10.06 million) and Region XI (₱9.75 million) had volume of business above the average. The least was found in Regions IV (₱1.27 million), III (₱2.09 million), and VIII (₱2.82 million).

Credit (₱18.02 million) and marketing (₱11.22 million) had the largest volume of transaction by types of cooperative (Table 14).

Net Surplus. Net surplus is the net return from the operation of business. This is the amount available for distribution for patronage dividend, interest on capital, reserve fund (10%), education and training fund (10%), and optional fund for land and building, community development, and other necessary fund (10%).

The net surplus of all cooperatives was ₱1.23 billion in 1999. Given this surplus, the amount that went back to members in terms of interest on capital and patronage refund was 70% or ₱861 million (Table 15).

By Region, the largest net surplus was realized by NCR (₱550.34 million) or 45% of the total.

By type of cooperative, MPN (₱487.81 million) and credit (₱454.37 million) had the largest size of net surplus.

On average net surplus per cooperative, was only ₱ 30,000.00. Largest net surplus of average cooperative was in Region I (₱1.08 million) and the least was in NCR (₱170,000).

By type of cooperative, the average credit cooperative had the largest net surplus of ₱160,000.00 in 1999 and least was earned by MPA (₱10,000.00) Table 16).

Cooperatives in Region IV. An analysis of multi-purpose (agricultural) cooperatives in the Region was attempted using the financial reports submitted by cooperatives to CDA Calamba Extension Office. The reports were borrowed from CDA for tabulation and analysis at ACCI.

Table 17 shows the provincial distribution of the 314 responding primary cooperatives. Out of the 11 provinces in Region IV, only Quezon and Occidental Mindoro had a considerable number of responding cooperatives, 25 and 20, respectively although the numbers still cannot be considered as large samples. The rest of the provinces had less than 10 responding cooperatives with Rizal, Oriental Mindoro, and Marinduque with no reports at all. Aurora and Batangas had only one responding cooperative each.

Consequently, the study was not able to determine the market share of cooperatives in the business of agriculture in Region IV due to the limitation of data and budget.

Table 14. Average volume of business per cooperative, by type and region, Philippines, as of 1999, in million pesos.

COOPERATIVE	REGION															
	1	2	3	4	5	6	7	8	9	10	11	12	CAR	CARAGA	NCR	ALL
MPA	11.49	8.17	5.20	-	2.58	21.26	-	2.73	5.72	-	12.52	6.99	8.88	4.66	2.46	8.88
MPN	-	14.98	-	1.51	-	5.69	-	3.17	2.93	-	8.73	3.10	13.53	10.60	14.38	7.72
CREDIT	-	11.10	2.12	3.05	0.71	7.94	-	1.10	0.92	-	6.72	2.63	31.14	5.62	29.48	18.01
SERVICE	-	-	-	0.68	-	2.56	-	-	-	-	12.96	21.60	18.45	3.52	2.84	6.01
MARKETING	-	-	-	1.44	-	31.30	-	0.34	-	-	0.84	6.40	-	-	-	11.22
PRODUCER	-	-	-	0.08	-	-	-	-	-	-	-	-	-	-	1.70	0.35
CONSUMER	-	-	-	0.72	0.20	-	-	-	-	-	2.62	-	38.65	-	10.12	8.46
COOP BANKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	11.49	10.06	2.09	1.27	4.73	13.15	-	2.82	3.67	-	9.75	6.10	15.16	7.02	18.35	9.73

*Average volume of business per cooperative = total volume of business / number of cooperatives submitting financial report

Source of data: Cooperatives Development Authority

Note: Data are based on cooperatives submitting financial report to CDA; no data from Regions 7 and 10, cooperative banks and other type of cooperatives.

Table 15. Net surplus of cooperatives by type and region, Philippines, as of 1999, in million pesos.

COOPERATIVE	REGION													CAR	NCR	ALL
	1	2	3	4	5	6	7	8	9	10	11	12	13			
MPA	64.73	16.09	2.38	7.40	1.49	31.61	-	2.66	5.52	-	51.51	16.33	5.05	32.43	6.43	243.62
MPN	12.04	10.20	15.83	48.14	7.84	35.70	-	11.72	15.03	-	43.39	10.98	13.29	24.23	239.43	487.81
CREDIT	32.60	4.81	4.04	18.64	1.93	20.91	-	1.22	4.42	-	14.34	3.23	3.62	57.80	286.81	454.37
SERVICE	0.24	-	0.18	1.43	-0.04	0.78	-	-	0.02	-	3.00	6.88	1.50	3.14	6.22	23.34
MARKETING	-	-	-	0.91	-	0.16	-	0.05	0.10	-	0.51	0.13	0.16	0.04	0.05	2.11
PRODUCER	-	-	-	(0.05)	-	-	-	0.88	0.047	-	0.03	0.04	0.22	-	0.42	1.59
CONSUMER	0.20	0.08	-	1.05	0.02	0.48	-	0.23	0.09	-	1.00	0.03	0.07	3.16	10.99	17.40
COOP BANK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	109.81	31.19	22.43	77.52	11.23	89.64	-	16.75	25.22	-	113.78	37.62	23.91	120.79	550.34	1230.23

Source of data: Cooperatives Development Authority

Note: Data are based on cooperatives submitting financial report to CDA; no data from Regions 7 and 10, cooperative banks and other types of cooperatives.

Table 16. Average net surplus per cooperative, by type and region, Philippines, as of 1999, in million pesos.

COOPERATIVE	REGION															
	1	2	3	4	5	6	7	8	9	10	11	12	CAR	CARAGA	NCR	ALL
MPA	1.08	0.01	-	-	-	0.01	-	-	-	-	0.02	0.01	0.88	-	1.07	0.01
MPN	-	0.02	0.01	0.03	0.01	0.05	-	0.03	0.01	-	0.02	0.02	1.01	0.78	1.22	0.03
CREDIT	-	0.03	0.02	0.07	0.01	0.11	-	0.01	0.09	-	0.06	0.05	4.45	0.90	2.43	0.16
SERVICE	-	-	-	0.02	-	0.03	-	-	-	-	0.04	0.18	0.63	0.50	0.11	0.02
MARKETING	-	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-
PRODUCER	-	-	-	(0.00)	-	-	-	0.01	-	-	-	-	-	-	0.21	-
CONSUMER	-	0.01	-	0.01	-	0.01	-	-	-	-	0.01	-	1.58	-	0.85	0.02
COOP BANK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHERS (federations, unions and laboratories)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1.08	0.66	0.90	0.25	0.86	0.62	-	0.39	0.46	-	0.74	0.30	0.07	0.56	0.17	0.03

*Average net surplus per cooperative = total net surplus / number of cooperatives submitting financial report

Source of data: Cooperatives Development Authority

Note: Data are based on cooperatives submitting financial report to CDA; no data from Regions 7 and 10, cooperative banks and other type of cooperatives.

Table 17. Number of cooperatives submitting financial report, by type and province, Region IV, as of 1999.

Cooperative Type	Aurora	Batangas	Cavite	Laguna	Marinduque	Occidental Mindoro	Oriental Mindoro	Palawan	Quezon	Rizal	Romblon	TOTAL
MPA	1	1	8	7	-	20	-	3	25	-	7	72
MPN	8	19	24	43	2	8	10	13	29	6	12	174
CREDIT	-	8	7	5	-	1	4	1	4	4	1	35
SERVICE	-	1	4	2	-	4	-	-	2	1	1	15
MARKETIGN	-	-	-	3	-	-	-	-	-	-	-	3
PRODUCER	1	-	-	3	-	-	-	-	1	1	-	6
CONSUMER	-	-	1	4	1	-	1	-	-	-	1	8
COOP BANKS		-	-	-	-	1	-	-	-	-	-	1
OTHERS (federations, unions and laboratories)		-	-	-	-	-	-	-	-	-	-	-
TOTAL	10	29	44	67	3	34	15	17	61	12	22	314

Source of data: Cooperatives Development Authority, City of Calamba

As shown in this study there is only about 3% and 6% of the registered cooperatives in the Philippines and the Region IV, respectively which submitted financial statements to CDA (1999) as required by law. With these statistics, it is not possible to correctly ascertain the market share of cooperatives in agriculture business in the Region because the financial statements, which are the only sources of business transactions of cooperatives from CDA, are very limited. To get sufficient data to answer the objective of the study, a survey of cooperatives in the Region is necessary. But the data on total number of registered cooperatives can not indicate whether all the cooperatives are still existing and viable or otherwise. Therefore the population for sampling purposes, hence representative samples cannot be established. In addition, Region IV is a very expansive Region, comprising 11 provinces, six (6) of which are in the mainland Luzon and five (5) are island provinces. Given the limited budget, I have to admit that the survey cannot be undertaken with an appropriate number of samples to answer to objective number 3 of the study. It is suggested that maybe another study should be designed specifically for this problem considering its importance in regulation of and policy formulation on cooperatives, and in national economic planning.

5.0 THE CASE COOPERATIVE AND FRAMEWORK OF ANALYSIS

The limitation of data to make a fair assessment of the status of agricultural cooperatives in Region IV, and to make an evaluation of the cooperatives in promoting modernization of agriculture using statistical analysis is re-emphasized by Tables 17. To find out the contribution of cooperative in improving farmers' welfare and developing agriculture therefore, case studies of ranking agricultural cooperatives in Region IV was used instead.

The Case Cooperatives. Using data (1998) available at CDA on the ranking of MPA (by total assets) in Region IV (Table 19) the top four (4) agricultural cooperatives were selected as cases for the study, such as LIMCOMA Multi-purpose Cooperative (LIMCOMA) in Lipa City; Farmers Feedmilling and Marketing Cooperative (CAFFMACO) in Silang, Cavite; Soro-Soro Ibaba Development Cooperative (SIDC) in Soro-Soro Ibaba, Batangas City; and Padre Garcia Multi-purpose Cooperative (PGMC) in Poblacion, Padre Garcia, Batangas.

The main line of business of LIMCOMA, CAFFMACO, and SIDC is feedmilling, while PGMC is primarily involved in credit delivery and savings mobilization.

Framework of Analysis of Case Cooperatives. Cooperative is a business and social organization at the same time formed to serve the needs of the members and helps improve their economic and social well-being. Consequently, as it achieves the purposes for which it was organized, it helps in achieving national economic and social ends.

As a business organization, it has to be economically viable. Viability is a prerequisite of survival in the market and effectiveness in serving the needs of the members.

As a social organization, it should assist the members and their families in meeting non-business ends. In addition, the cooperative helps in promoting the welfare of the community where it is situated.

The economic viability of the cooperative can be gleaned from the conventional business measures of profitability, liquidity, and solvency. Growth of membership, lines of business, volume of business, balance sheet items, and patronage dividend can also be used as parameters of economic viability.

The social contribution of the cooperative to its members and their families can be measured in terms of contribution to the promotion of their economic well-being such as skills development, acquisition of new information and knowledge, economic assistance, among others.

The contribution of cooperative to the community can be measured in terms of goodwill such as contribution for the community project and needs, enhancement of the environment, and access to services which were made available through the cooperative.

6.0 DISCUSSION OF CASE COOPERATIVES

This section presents the highlights of each case study. Among others, it discusses the cooperatives beginning, business operations, financial viability, benefits to members and contribution to community welfare. An expanded version of discussion of each case is found in the annex such as Annex “A”, LIMCOMA Multi-purpose Cooperative; Annex “B”, CAFFMACO; Annex “C”, SIDC; and Annex “D”, PGMIC.

LIMCOMA Multi-Purpose Cooperative (LIMCOMA)

Beginning. LIMCOMA was born out of need. When Lepeños shifted to poultry and livestock production due to devastation of citrus industry in the 1960’s, the incorporators thought of organizing a cooperative to produce their own feeds. Feeds were then supplied by “big four” feedmillers which consistently raised prices.

LIMCOMA was formally organized in 1970 by 77 small and large poultry and livestock producers from Lipa City and San Jose, Batangas areas many of whom were military men from Fernando Air Base. Feedmilling, the main business, was started with an initial capital of ₱57,000.

Feed mixing was initially done on concrete floors using “pala” or spade of the improvised warehouse of the then rented Silva Rice Mill.

When capital was short, the original members of the Board of Directors raised funds by increasing their share capital and lending out personal funds to the cooperative. The BOD did not receive compensation to minimize the cost of operation.

Expansion of Milling Facilities. Due to many benefits from the cooperative, in particular the patronage refund, membership constantly grew which consequently expanded the demands for feeds and milling facilities.

Membership grew from 77 (1970) to 4,671 (2001) or an annual increase of 153 for 30 years. In the early 1970's feed mixing shifted from manual operation to mechanical operation. The loan obtained from the Development Bank of the Philippines (DBP) and Cooperative Development Loan Fund (CDLF) paved the way for the initial expansion of milling capacity and output.

In 1985, Quality Control Laboratory was organized to ensure quality feed materials and finished products. Further improvement of the mill facility was done in 1994 through the acquisition of computerized feed mill facility.

As for 1994, feed milling operation is fully mechanized and automated capable of producing high quality feeds with precise mixture of ingredients and exact quantity of products. Plant capacity at present is 11,000 bags per day. As of 2001, LIMCOMA produced 34 different ratios for hogs (15), chicken (9), tilapia (6), cattle (1), duck (1), quail (1), and fighting cock (1).

Support facilities to feed milling operation are a silo (3,600 metric tons capacity), a quality control laboratory capable of analyzing feed ingredients in two (2) minutes, an experimental farm for testing feed rations, warehouses, and trucking services for the delivery of feeds.

Sales and Businesses. As of year 2000, LIMCOMA had gross sales of P 1.1 billion. Sales mainly came from sales of feeds. Other businesses that contributed to sales were "paiwi" system, breeding and experimental farming, meat processing, veterinary drugs production and services, animal diagnostic laboratory services, credit system, rural banking, food store operation, and distilled water bottling.

LIMCOMA operates businesses as of 2001 in five provinces in Southern Tagalog and Central Luzon Regions. It has seven (7) branches in Batangas, three (3) in Quezon province, two (2) in Laguna, and one (1) in Bulacan. It has 13 sales outlets in Batangas, and one (1) each in Quezon Province and Mindoro.

Balance Sheet. LIMCOMA has shown consistent growth in financial terms. In the last six (6) years for example (1995-2001), assets had increased from ₱251.7 million to ₱519.1 million or more than double in the said period. Property, including plant and equipment as well as current assets dominated the asset items.

Networth (members equity) was ₱221.3 million in 2000. Considering the initial paid-up capital of ₱57,000 in 1970, networth had grown on the average about ₱7.4 million annually in 30 years.

Total liabilities of the cooperative was ₱297.0 million in 2000, a little above networth of ₱221.3 million. This shows that the networth alone can meet about 65% of all obligations (short- and long-terms) of the cooperative.

Net Surplus. LIMCOMA has consistently demonstrated positive net surplus from operation (net profits) at least in the last six (6) years of operation (1995-2000) from ₱8.8 million to ₱15.4 million. Net surplus in 2000 was ₱15.4 million, the amount available for patronage refund, interest on capital, investment and development, and reserves.

Profitability. As shown by profitability ratios as of 2000, profit ratio was 0.01 to 1; return on assets, 0.03 to 1; and return on equity, 0.07 to 1. In short, the cooperative is making profit from operation and members are getting a return of 7% on equity (2000) they put in the cooperative.

Liquidity. LIMCOMA is liquid as indicated by current and quick ratios. Current ratio had been 1.07:1 or better in 1995-2000 except in 1999, which was 0.5 to 1. Given the rule of thumb of 1:1 as acceptable ratio, LIMCOMA appears very liquid.

Looking at quick ratios, the ratio fluctuated between 0.5 to 0.94 in 1995-2000, indicating again the capacity of the cooperative to meet the most urgent financial commitment with quick assets.

Solvency. LIMCOMA is solvent or financially stable. Long-term ratios or debt ratios was 0.57 to 1 in 2000, indicating the ability of the cooperative to meet long-term obligations. Debt ratio was lowest in 1998 and 1999 (less than 0.5 to 1) for the period 1995-2001.

Asset Utilization. LIMCOMA utilizes its assets and inventory well. Inventory turnover fluctuated between 9.5 to 1 (2000) to 17.99 to 1 (1996) for 1995-2000. This means that inventory turnover was more than once a month in its best year (1996), and about once a month in hard times.

Turnover of assets was between 2.03 to 1 (2000) to 3.27 to 1 (1996). This means that the cooperative was able to use the assets to 2 to 3 times per year for the period 1995 to 2000.

Members' Benefits. Aside from having a reliable and available source of quality feeds, members get services and assistances from the cooperative including veterinary assistance and services, death aid benefit, educational grant for children, transportation allowance in attending meetings and assemblies, free medical and dental consultations, credit and banking services, market outlet for products, among others.

On top of these benefits is the patronage refund and interest on capital with the cooperative, which all granted out of the net savings from operation of the cooperative.

Community's Benefits. LIMCOMA has a Community Service Committee organized in August 25, 2000, which takes care of providing grants and donations to school, churches, and NGO's seeking financial assistance. LIMCOMA also supports the livelihood program of the City of Lipa.

LIMCOMA and some of its officers have been active in the promotion of cooperatives in the Province of Batangas, Region IV, and in the Philippines. LIMCOMA is consistent in remitting contributions for the training and education fund for cooperatives through the Cooperative Union of Batangas (CUB), Cooperative Union of Southern Tagalog (CUST) and Cooperative Union of the Philippines (CUP).

Awards. In recognition of its performance and success, LIMCOMA has received 14 awards in the 1983-2000 such as Most Outstanding Marketing Cooperative by the Bureau of Cooperatives Development, Testimonial Recognition by BCOD and Cooperative Union of the Philippines, Most Outstanding Marketing Cooperatives of Agriculture, Plaque of Appreciation and Recognition by Cooperative Union of Batangas, Plaque of Appreciation from the Office of the City Mayor of Lipa, Plaque of Appreciation from Guarantee Fund for Small and Medium Enterprise, Most Outstanding Cooperative of the Philippines by CUP-RCU-NF, Plaque of Appreciation during Lipa City Foundation Day, Cooperative Top Grosser Award, Plaque of Appreciation from Western Philippine Colleges, Ulirang Cooperative, Pang-Limang Pinakamahusay na Cooperatiba, and Best in Capital Build-Up by Gawad Pitak.

Plans. LIMCOMA intends to expand further its operations to include selling of products throughout the country, expand savings mobilization program, expand research and development program, and have production system under international standard (ISO 9000), among others.

The Success Factor. Behind the success of LIMCOMA are the pioneers, officers, employees, and members who steered the Cooperative into what it is now.

The pioneers, particularly the original set of Board Members remained officers for ten (10) years or more and steadfast in pursuing the progress of the Cooperative. In particular, the founding President Engr. Claro Malleta, spent time, energy and resources to fill-up the needs of LIMCOMA during its crucial time of development. He remained

President for 15 years until his retirement in 1985. Many pioneers belonged to the ranks of large poultry and livestock producers, and prominent families in Lipa.

LIMCOMA is fortunate to have officers who continue and expand the initiatives started by the pioneers. The officers are successful men and women in livestock and poultry business, and have good training and experiences in their lines of business and profession.

Influence of Government Policy. The organization and progress of LIMCOMA were generated by the pioneers and members of the cooperative. The government assistance to its development was the loan from DBP and CDLF in the 1970s during the initial expansion of the milling capacity of the cooperative. The rest of the capital was generated from members' contribution, outside sources, and profit from operation.

Cavite Farmers Feedmilling and Marketing Cooperative (CAFFMACO)

CAFFMACO is a success story of small farmers cooperative business. It started small but after 23 years of operation, it is now one of the high profile cooperatives in the country with multi-million peso worth of assets, has more than 1,200 members excluding associate members, and has more than 100 employees.

Beginning. CAFFMACO was conceived in mid 1970s when leaders of animal raisers and church-related development agencies in Cavite met to share information on activities of their respective groups. They decided to work together in planning and carrying out some cooperative development projects through Farmer Scholar approach. In this approach, persons were selected for training in various disciplines, such as swine and poultry production, rice production, and nutrition, from barangays of target areas. Following an intensive training-seminar, these persons who were called Farmers Scholars shared their learning and experiences with fellow persons in their barangays, thus, causing a multiplier effect of the training at the barangay level.

One of the first concerns shared by members of the groups was the need to increase production of swine and poultry in Cavite. It was noted, from household surveys that the production of swine, poultry and eggs were far below the minimum requirement and in remote barrios, up to 35% of the preschool children were found to be suffering from malnutrition.

As leaders discussed the need for the increased livestock and poultry production in Cavite, they all agreed that at the heart of an intensified production program lay the need for a feedmill that would provide feeds for the projects. Although Cavite is very near to many commercial feedmillers in Greater Manila Area, it was pointed out that the feeds were not always available in the province, and the quality of commercial feeds frequently necessitated addition of supplementary protein and other ingredients. As a result, persons involved in the livestock and poultry projects were frequently discouraged to expand or even continue their projects.

Thus, it was felt that an expanded program in livestock and poultry production in Cavite needs a feedmilling facility, which will provide members a reliable source of high quality feeds at affordable prices. It was further felt that such a feedmill should be set up as cooperative, with the small-scale livestock and poultry producers as members.

A series of meetings were held by representatives from various concerned agencies to lay the groundwork for the organization of a feedmilling and marketing cooperative such as: the International Institute of Rural Reconstruction (IIRR), the Cavite Interagency Institute Conference (CIAC), the Philippine Rural Life Center (PRLC), the Bureau of Animal Industry (BAI) of the Ministry of Agriculture, and the Cavite Hog Raisers' Association.

On October 26, 1976, the Cavite Farmers Feedmilling and Marketing Cooperative (CAFFMACO) was formally organized, with an initial membership of 44, including the 28 Barangay Scholars in Livestock and Poultry Production who formed the core group for the establishment of the feedmill. It was initially a pre-cooperative following the

government policy then which required cooperatives to undergo development stages before becoming a full-pledged cooperative.

CAFFMACO started its operation on January 2, 1977 with an initial capital of ₱137,030.00.

PRLC made available, on a rental basis of ₱1.00 per bag per day, its feedmilling facilities situated in Pala-pala, Dasmariñas, Cavite. It was also here where the first office of CAFFMACO was located.

Expansion of Milling Capacity. After five years of successful operation, CAFFMACO embarked on an expansion program and requested for a financial assistance, which was worked out by IIRR with German Freedom from Hunger Campaign (GFFHC). The fund was used to construct a new feedmilling plant in Barangay San Vicente, Silang, Cavite. The plant commenced operation on May 22, 1982.

CAFFMACO continued to expand its feedmilling operation, increasing its capacity and production as its membership increased. Membership grew from 28 in 1977 to 1,2208 in 2000. Feeds production increased from 8,799 bags (1977) to 847,400 bags (2000) as mixing of feeds transformed from manual to automated system.

CAFFMACO has two (2) mixers, one with a capacity of 3,200 bags per day and the other with a capacity of 1,500 bags per day. It has also a micromixer for a small volume order and a pelletizing machine.

CAFFMACO presently produces various rations for swine, cattle, broiler, layer, cock, horse, quail, tilapia, duck, rabbit, turkey, dog, cat and sheep.

Members may also make their feed formula and have the cooperative mix the feed for their requirements.

Business Enterprises. Aside from feedmilling, CAFFMACO is engaged in related businesses to have additional income and services to members, such as poultry (layer) project, piggery (hog) fattening project, hog dispersal, consumer store, veterinary/livestock extension and technical services, trucking services and canteen operation.

Hog dispersal project grants start-up capital in the form of breeder, feeds, and veterinary medicine to members who in turn provides housing and labor for the project. Net profit sharing is 75-25 in favor of the member.

Consumer store sells groceries, meat, poultry products, fertilizer and other farm inputs to members.

Veterinary and technical services of veterinarian are free to all members.

Tucking services for the delivery of feeds is also available to members at a minimal fee. It is operating at a loss but is still being maintained by the cooperative in service of the members.

Canteen is operated to serve meals to officers during meetings and to its 100 employees.

Balance Sheet. As of 2000, CAFFMACO had total assets of ₱127.9 million, ₱89.6 million or 70% were current assets, and ₱37.9 million or 30% were property, plant and equipment. For the period 1980-2000, total assets grew from ₱448,700 to ₱127.9 million or an average annual increase of ₱6.4 million for 20 years.

Members' equity was ₱51.9 million in 2000, an increase over 1999 figures of ₱30.7 million. The initial authorized capital of ₱40 million of the cooperative had been

fully paid and subscribed by the year 2000. For the period 1980-2000, equity grew from ₱95,498 to ₱51.9 million or an annual increase of ₱2.6 million for 20 years.

Total liabilities were ₱976.0 million (2000), a decline from 1999 liabilities of ₱101.8 million.

For the period 1999 and 2000, assets declined by 17.8% but equity increased by 69% due partly to the decline in liabilities by 25%.

Net Surplus. Net surplus from operation, the difference between sales and expenses was P6.8 million (2000) down by about ₱3 million from 1999 level of ₱9.8 million. It is worth noting that the cooperative-run piggery and poultry farms did not yield positive net surplus, at least, for the years 1999 and 2000.

It is also worth noting that CAFFMACO has reached million-level net surplus in 1985 and has consistently increase it until 2000, reaching the highest mark of ₱9.8 million in 1999.

Profitability. CAFFMACO has been operating on positive profit for the period 1980-2000. The return on investment (ROI) was 5% for 2000. For the recent years ROI was observed highest in 1994 at 28%.

Based on net profit ratio (NPR) in year 2000, the profitability index was 1.6%. It also means that the cooperative was making a net profit of 1.6% for every peso sale.

Liquidity. CAFFMACO is in liquid financial position. Current ratio for 1999 and 2000 at least, was 1.30. This implies that current obligation could be met by current asset by more that 30%.

Solvency. CAFFMACO is stable and solvent as indicated by debt ratios. The ratio for 2000 was 0.2, implying that the cooperative could easily pay its long-term obligation; it only required 20% of the equity to pay the long-term liability in 2000.

Members' Benefits. Members have a lot of benefits from the cooperative such as patronage dividend, rebates, training and educational support, start-up capital for hog project, and free veterinary services.

Patronage dividend is derived from the net surplus of operation. Since the last 20 years, (1980-2000) CAFFMACO had been generating profitably with net surplus of ₱6.8 million in 2000. About 35% of this amount goes back to members as patronage dividend.

Members are also entitled to P10.00 rebates for every bag feed purchase. Feeds are also delivered to members' residence at minimal cost. Rebate in 2000 was worth ₱12.6 million.

Members also enjoy the benefits of the education and training program of the cooperative. In 2000, CAFFMACO spent or allotted ₱312,216 for cooperative education and training fund.

Children of qualified members, officers, and employees are provided educational support of not more than ₱15,000 per semester under the Educational Support Program of the cooperative.

Members who are employees enjoy the member and employees education program. In 1997 for example, the cooperative budgeted ₱629,000 for training of employees.

Community's Benefits. CAFFMACO gives support to the community. In 1997, its budget for outreach-donation program to calamity areas, sports, health and nutrition program was ₱ 170,000. In partnership with government and volunteer groups, it

sponsors free medical and dental examinations and feeding programs to malnourished children, and education on proper selection and preparation of nutritious foods to parents.

Through its Education and Training Committee, CAFFMACO has established linkage with primary cooperatives and federations in and out of Cavite; offers free use of Boardrooms for seminars, conferences and meetings sponsored by Cooperative Union of Cavite (CUC), and Federation of Cavite Cooperatives (FCC). It is actively involved in Silang Municipal Cooperative Development Council.

Some officers of CAFFMACO are actively involved in the promotion of cooperative in Cavite, Southern Tagalog Region, and in the Philippines as officers of CUC, CUST and CUP.

Awards. CAFFMACO has received numerous awards and citations such as Ulirang Kooperatiba Award by the Cooperative Union of the Philippines (1998), Most Outstanding Primary Cooperative -Marketing Category (1995) by Cooperative Congress, Most Outstanding Award of Recognition (1991) by Cooperative Congress, Certificate of Recognition (1993) by KKK, and Commendation from DA-NAFC and CHED.

The Success Factors. The success of CAFFMACO is influenced by composite factors. As stated by one member of the Board of Directors, the success of CAFFMACO is a “concerted effort” of the pioneers, members, officers, and management staff.

The dedication and spirit of volunteerism of the incorporators was crucial during the organization of the Cooperative. It was noted that there should have been 44 incorporators, but 16 gave up leaving to the 28 pioneering members the work and later the glory. One cooperators relates that they used their own money to process the papers and do the tedious work of registration.

The support of institutions like IIRR, PCU, PRLC, CIAC, GFFHC were invaluable to the success of CAFFMACO. In the early years of the Cooperative, these

institutions provided assistance in the form of training, expertise sharing, and financing. It was also through the help of these institutions that the cooperators learned how to manage the cooperative, learned the technical aspect of feedmilling, and raised capital to modernize feedmilling operation.

The *continuous education and training program* also played an important role in the success of the Cooperative. The initial cooperators of CAFFMACO had training before they went on in organizing the cooperative. After the registration, training was again given to the members most especially to the new ones. Pre-membership seminar is a requirement for membership in the Cooperative.

Education and training promotes *transparency* in the affairs of the Cooperative. Members were informed about their rights and obligations. They were taught how to improve their own projects and thus continuously patronize the Cooperative. Inactive members are informed on how to avail of the hog dispersal project, and encourage to start raising hogs again. Members are informed and encouraged to participate in the activities of the Cooperative through the quarterly *CAFFMACO Newsletter*.

The employees, who are responsible in providing quality feeds and services to the members are also given continuous training to enhance their skills, professional experience, and strengthen cooperative values. They are given competitive package of benefits. With the personnel management principle that employees should be provided with monetary and non-monetary benefits, employees expressed preference to work with the Cooperative than to work somewhere else. The dedication of the employees to their jobs also contributes to the success of CAFFMACO.

Members' patronage of the Cooperative is also a key factor in its success. One member interviewed said that since starting his own livestock farm, he used only CAFFMACO feeds. Despite competition from other feeds, the members continue to patronize their own product.

The Cooperative has a competent manager who has been the manager of the cooperative since 1991. He served in the BOD of the Cooperative before becoming the General Manager. His competence in managing the Cooperative was brought about by his education and experience with multinational companies such as American Airlines, Boeing, and CibaGeigy. He is a hard-working person. The employees confirmed that he arrives the earliest in the office at around 5:00 a.m., sometimes earlier. His dedication to the Cooperative could be partly attributed to his large contribution in the capital of the cooperative and to the benefit he receives being a livestock raiser himself. He was, for consecutive years, awarded the outstanding individual member for having the most volume of feeds purchased.

CAFFMACO is managed by competent and dedicated directors and officers who spend quality time for the cooperative. The directors attend meetings regularly and the BOD meets more than the required minimum of one (1) meeting per month. Resolutions are discussed in detail resulting in clear provisions and guidelines of every program and project implemented. The competence and dedication of these officers, is partly instrumental for the yearly improvements in the services of the Cooperative.

Soro-soro Ibaba Development Cooperative (SIDC)

SIDC was organized to address the economic difficulties of farmers in Barangay Soro-soro Ibaba who were then solely engaged in crop farming. Income was not enough to feed the families. As a response to the difficulty, farmers ventured into hog and poultry raising and organized an association. The organization and development of SIDC was steered by the pioneers notably Mr. Victoriano Barte, the acknowledged “Father of SIDC”.

SIDC has the vision of being the prime mover of development in the community by providing quality products and services. It lives by its principles of service over profit, pro-God, pro-People, and pro-Nature. It seeks to be competitive with private

business organizations, with the end of uplifting the quality of life in the community that is inspired by the true spirit of cooperativism.

Beginning. SIDC started as Soro-soro Ibaba Association in 1969 selling basic commodities, feeds, and veterinary supplies to its members. It was later registered as Samahang Nayon in 1972 following the government policy then, and as Soro-soro Ibaba Cooperative in 1978. It was registered as development cooperative with CDA in 1990.

Initial membership was 59 with initial capital contributions of ₱200 per member or a total capital contribution of ₱11,800.

Growth of Membership. Membership had grown multifold since its founding in 1969 from 59 to 2,098 in 2001, or an annual rate of growth of 64 members for 32 years. Now, members are not only from Soro-soro area but also from other barangays of Batangas City and other towns of Batangas Province.

Expansion of Business. From a small trading business in 1969, SIDC has expanded its business to contract growing, feedmilling, credit services, meat stall operations, hog selling pen operation, rolling meat shop, aqua-culture business, rentals of facilities, savings mobilization, artificial insemination services, pig farming, experimental farm operations, television services, and housing program.

The major line of business is feedmilling and it was started in 1987. The mill capacity is 4,000 bags of feeds per day, enough to meet the requirements of its members.

Feedmilling has support facilities composed of two (2) corn silos with a capacity of 1,500 metric tons each, pelletizing machine, semi-computerized gadgets, warehouses and trucking facilities.

Balance Sheet. Assets, liabilities, and networth of SIDC had consistently grown in the period 1996-2000.

Assets grew from P80.4 million in 1996 to ₱265.7 million in 2000, or an average annual rate growth of 35% during the period.

For the same period, liabilities also increased from ₱1.3 million (1996) to ₱162.7 million (2000), or an average annual growth of 54%.

Members' equity showed a steady pattern of increase from P22.2 million in 1996 to ₱74.6 million in 2000, or an average annual rate of increase of 36% for the period.

Sales. Gross sales of SIDC for the period 1996 to 2000, consistently rose from ₱443.6 million (1996) to ₱922.1 million (2000). Cost of sales on the average was 91.4% of the gross sales for the period 1996-2000.

Net Surplus. Net surplus or net savings from operation fluctuated for the period 1996-2000 from ₱20.9 million in 1996 to ₱33.9 million in 2000 with the highest net surplus observed at ₱54.0 million in 1999. Net surplus was about 5.5% of the gross sales, on the average, for the period 1996-2000.

Profitability. SIDC has been doing business profitably. Profit margin was at least 4.3% (2000) for 1996-2000 with the highest profit margin at 8.1% in 1999.

Based on return on assets (ROA), the profitability figures were attractive. ROA was at least 12.8% (2000) for 1996-2000 with highest ROA in 1998 and 1999 at more than 27% each.

Using return on equity (ROE) as a measure of profitability, the figures were high, at least 45% in 1996-2000 with the highest figure in 1998 at 113.1%

Liquidity. SIDC is very liquid. Current ratio was more than 1.0 for 1996-2000 implying the capacity to meet its current obligations with its current assets.

Using quick ratios as a measure, SIDC is likewise liquid with a ratio of 0.5 in 1996-2000. In 2000, quick ratio was 0.6.

Asset Utilization. SIDC had a good utilization of assets. Inventory turnover was at least once a month for 1996-2000 except in 2000, which was 10.0 or less than once a month on the average.

Asset turnover was at least three (3) times a year for the 1996-2000 period with the high rate of turnover of 5.5 in 2000.

Stability. SIDC's financial position is stable. In the long run, it can meet its long-term liabilities with its networth as shown by the debt ratio of 0.61 (2000). The consistent rise in debt ratios from 0.4 (1996) to 0.6 (2000) indicates that solvency of SIDC is getting stronger through time.

Members' Benefits. Members are getting various benefits from its membership with SIDC. Of course they enjoy patronage dividend with the presence of multi-million peso surplus starting in 1996. The usual practice observed from cooperative is to allocate about 35% of the net surplus for patronage dividend.

Members can avail capital for livestock and poultry production under the "paiwi" system. All the member has to do is to provide the housing and support facilities for growing the animals; the rest are loaned out by the cooperative including the stock, feeds, veterinary supplies and services, and marketing services. Profits are equally shared by the cooperative and the member under the system.

Credit facilities are also available to members for the purchase of consumer goods at the mini-mart up to a 30-day credit; credit for hog fattening and breeding, and

construction of pig pens are also available to members. Housing loan up to ₱0.5 million payable for 15 years are also available to members.

Joint venture option is also available to members who would raise “tilapia” under the “Tilapia Mo, Tilapia Ko” project.

Marketing services are also provided to members through the use of hog-selling pens, market stalls in Batangas City and Alabang, Muntinlupa City, rolling meat market shop, and free seminars on marketing.

High quality piglets are also made available to members through its artificial insemination projects.

Free training and services are also available to members to upgrade knowledge on the business.

A cable television service at a minimal rate of ₱175 per month is available to members through its SIDC-SMATV, which operates 21 TV channels.

Members also enjoy other services such as free medical check-up (including the nearest relatives); scholarship grant for sons and daughters of indigent members; study now, pay later program for non-scholarship grantees; mortuary aid; job placements services; library services; and information services through its newsletter called *SIDCKAT*.

Community's Benefits. SIDC supports various community programs. Under its Barangay Development Fund, it allocated ₱1.0 million in 2000 to support the projects of nearby barangays. It is now a tradition of SIDC to reach out poor families in the community and other places during Christmas.

SIDC supports pollution control program in the community through seminars on biogas production, organic fertilizer production, and plan to install waste and water treatment plants in Batangas City.

Awards and Recognition. In recognition of its exemplary performance, SIDC has earned various awards and citations such as Most Outstanding Small Farmers Organization of the Philippines (1989) by the Department of Agriculture, Gawad Pitak (Best in Profitability) in 1993, 1994, 1995 and 1997 by Pres. F.V. Ramos, Gawad Pitak (Best Coop Citizen) in 1996, Gawad Pitak (Most Outstanding Cooperative) in 1996 and 1997, Gawad Pitak (Best of Hall of Fame) in 1998, Kabuhayan Awards in 1998, People Development Award in 1998, Most Outstanding Agricultural Multi-purpose Cooperative, and Class “A” Cooperative Category by Land Bank of the Philippines.

The Success Factors. There is no doubt that SIDC has reached a level of performance other cooperatives were not able to achieve. Awards and recognition at the national, regional, and local levels had been conferred with SIDC in recognition of this performance.

Credit to the achievements of SIDC goes to the pioneers as exemplified by Mr. Victoriano Barte who devoted time, energy, and resources to steer SIDC to what it is now. Credit also goes to all people who composed the cooperatives: the general membership, BOD and other elected officials, and employees. As Mr. Angelito Bagui, Chairman of the BOD in 2000 puts it, “As a whole, despite the crisis, we still maintained the successes of our Cooperative, which only prove that these are the fruits of our unceasing effort- of the different officers who gave unqualified leadership in formulating and implementing planned programs; of the employees who efficiently carried activities in implementing these programs; of the members for their patronage, cooperation and unity in carrying out these activities; and above all, the LORD for all his blessings to our cooperative.”

Padre Garcia Multi-purpose Cooperative (PGMC)

PGMC is an example of a successful open-type multi-purpose cooperative of small-scale producers and entrepreneurs specializing in credit business.

Beginning. PGMC started as a grain dealers association in a rented spare in the public market of Padre Garcia, Batangas. It was organized in 1981 by 60 pioneer-grain dealers as a pre-cooperative called Padre Garcia Grain Retailers Association. The Association became known as loan provider at low interest and aroused members of the community to join the Association. In 1984, membership was open to all qualified residents of the town, and the Association was converted to a full-fledged cooperative and was registered with Bureau of Cooperative Development (BCOD) with 138 members. In 1990, the Cooperative was registered with Cooperative Development Authority (CDA) as Padre Garcia Multi-purpose Cooperative.

The Cooperative was organized to (a) encourage thrift and savings mobilization among members for capital formations; (b) create funds to grant loans for productive and providential purposes to its members; (c) provide goods and services and other requirements of the members; (d) engage in photocopy, rental and rice retailing services; (e) promote the cooperative as a way of life for improving the social economic well-being of the people; (f) do any related activity for the members' self-government, improve social and/or economic well-being under a truly just, democratic society; (g) work with the cooperative movement, non-government, government organizational entities in the promotion and development of cooperative and in carrying out government policies; and (h) undertake other activities for the effective and efficient implementation of the provisions of the Cooperative Code of the Philippines.

Membership and Membership Growth. PGMC has three (3) kinds of members: regular, associate and over-age (senior).

Regular members are those who satisfy all the requirements for membership, are entitled to vote and be voted upon during election of the cooperative, and enjoy all the rights and privileges as a member.

Associate members are minors (17 years and younger) and citizens of Padre Garcia who reside abroad. They cannot vote nor borrow in the cooperative but can receive dividend on capital invested with the cooperative.

Over-age members are senior citizens, 60 years or older, who can vote in an election but cannot enjoy the benefits of group insurance.

Membership had grown from the original incorporators of 60 in 1981 to 1,599 in 2000, or an average annual growth of 77 in 20 years. The highest number of membership was observed in 1997 with 1,655. There was a reduction of membership by 105 in 1998 but there was an increase again in 2000 by 59. The reduction of membership was attributed to death of members, transfer of residence, and resignation.

Share Capital and Capital Build-Up. Share capital of PGMC comes from members' initial share contribution, and capital build-up.

PGMC require members an initial share contribution of ₱5,000. For capital build-up, daily deposit contribution equal to 50% of dividend and patronage refund, and 5% of loan granted is required of members. Members are also enjoined to contribute 2% of monthly income for share capital build-up.

As of 2000, PGMC had a capital of ₱25.2 million. There had been a steady increase in the capital for the period 1996-2000 from ₱17.5 million (1996) to ₱25.2 million (2000).

From the initial paid-up capital of ₱25,000 in 1981 to ₱25.2 million in 2000, PGMC had demonstrated capacity to mobilize capital on the average ₱1.26 million per year for 20 years.

Other Sources of Loanable Funds. Aside from share capital, PGMC source out loanable funds from deposits and credit facility of other institution.

PGMC offer savings and time deposits for loanable fund generations. Savings deposits of 5% (free of tax) and time deposits of 9% (6 months) are offered to members and non-members to attract deposits.

PGMC has a rediscounting facility with Land Bank of the Philippines (LBP) of ₱10 million, loan facility from DTI TST-SELA of ₱3.0 million (1998), credit line from UCPB Foundation of ₱5.25 million.

Loan Releases. In 2000, PGMC had a total loan of ₱25.6 million to 736 members, or an average amount of ₱34,849. In 1996-2000, loan releases fluctuated between ₱24.7 million (1996) to ₱36.2 million (1997) to 642 borrowers (1996) and 770 borrowers (1997).

Total Assets. As of 2000, PGMC had total assets of ₱54.3 million. Assets continuously rose from ₱31.3 million in 1996 to ₱54.3 million in 2000.

Equity. Members equity for the period 1996-2000 showed a consistent upward build-up from ₱17.5 million (1996) to ₱25.2 million (2000). This shows the ability of PGMC to attract members and raise capital at the same time.

Liabilities. Total liabilities of the cooperative also increased for the period 1996-2000. Liabilities in 1996 of ₱12.9 million were more than twice the amount in 2000 of ₱26.3 million.

Gross Income. Gross income during the period of study rose from ₱5.0 million in 1996 to a high of ₱8.1 million in 1999 and to ₱7.8 million in 2000.

Net Surplus. PGMC realized net surplus from operation although fluctuating from ₱2.2 million (1996) to ₱3.8 million (1997) to ₱2.8 million (2000). The fluctuation in net surplus was partly due to the fluctuation in gross income. The figures however indicate that PGMC is operating the business successfully.

Dividend on Capital. Dividend to capital investment has been consistently declared by PGMC. The amount of dividend to capital declared was million ₱1.6 (1996) to ₱2.6 million (1997) to ₱1.9 million (2000). Dividend declared in 2000 was 70% of the net surplus.

Patronage Refund. PGMC returned to members part of the net surplus as dividend for patronizing the cooperative. Patronage dividend declaration ranged from ₱673,321 (1996) to ₱1.1 million (1997). Patronage refund in 2000 was ₱839,785, equal to 30% of the net surplus and 14% of the total interest income.

Liquidity. As indicated by current ratios, PGMC is very liquid financially. Current ratio was 2.18 (1996) to 1.86 (1999) to 1.89 (2000) indicating that there was about ₱2.00 available current asset to meet every ₱1.00 current liability for the period 1996-2000.

Solvency. Using total asset to total liabilities ratio as a measure of solvency, the indicators showed that PGMC is financially stable. All its total liabilities can be met by total assets in the ratio of 1 to 2, at least for the period 1996-2000. This means that only one-half of the total assets is sufficient to settle all the obligations.

Success and Stewardship. PGMC has demonstrated success in business, delivery of service to members, and influence in the community.

With a modest beginning in 1981 of 60 pioneers; ₱25,000 initial capital; and rented space in the public market, it has grown as of 2000 into an institution with ₱54.3 million assets, ₱25.2 million equity capital, and 1,599 members. It now also owns and does business in a beautiful one-story building on 787 square-meter lot in the heart of Poblacion, Padre Garcia, Batangas.

The influence of PGMC is already felt in the whole town. There is a heavy patronage of the cooperative and glowing spirit of cooperativism among members and non-members of the community. For instance, members no longer borrow from 5/6 system. There is no more “Bombay” loaning in Padre Garcia and non-members make deposits in the cooperative.

Credit to the success of the cooperative goes to the pioneers who endured the pains of steering the cooperative to what it is now, especially to Mr. Dionisio Manalo, acknowledged father of the PGMC. Mamay Doni as the folks call him, and the pioneers led the stewardship of the cooperative to its present status. It is important to note that four (4) of the pioneer-incorporators are still seating in the Board of Directors as of 2000.

Credit also goes to the employees for faithfully doing their jobs; to the Board of Directors and Officers for formulating sound policies and programs; and to the members for the important patronage of the cooperative.

7.0 SYNTHESIS AND CONCLUSION

The performance and accomplishment of the four case cooperatives are summarized in Table 18.

The cooperatives included in this study are matured and stable. LIMCOMA has more than 31 years of experience in the business of cooperatives and feedmilling; CAFFMACO has more than 25 years of experience; SIDC has about 32 years in cooperatives; and PGMC has about 23 years of experience.

LIMCOMA, CAFFMACO, and SIDC which main line of business is feedmilling have continuously modernized operation by having investment in mechanized and automated feedmilling and support facilities. They also developed and expanded business enterprises to expand the demand for feeds, and improve farmers' poultry and livestock production and marketing. Consumer goods and services are also provided to members.

PGMC which specializes in credit business, continue to expand the business by innovating on loan services, capital build-up and savings mobilization.

The four case cooperatives have multi-million assets, networths, and net surpluses. Volume of sales (2000) were huge: LIMCOMA had ₱1.1 billion; SIDC had almost a billion (₱0.92 billion); and CAFFMACO had ₱0.41 billion. By any measure they are large cooperatives with multiple services to members.

All the case cooperatives are profitable, liquid, and solvent. They declare dividends on patronage and share capital. They expand enterprises, invest in infrastructure and facilities, invest in skills and knowledge acquisition of members, employees and officers; and participate in the enhancement of well-being of communities

where they belong, all of which are in support of the business of the cooperative and livelihood of the members. It is evident that the case cooperatives are contributory to the improvement of business and economic well-being of the members. Members have access to economical, quality, and reliable source of feeds and veterinary products. Market for the products of members are also developed. Members have also access to reliable and low cost producer and consumer credit. Most of all, they are owners of the enterprises which serve them.

Consequently, the modernization of the cooperative business, and improvement of the economic and social well-being of the members contribute to the community's economic and social well-being.

The cases presented in this study have one common denominator: that the cooperatives were conceived, initiated, nurtured, and managed by local talents and resources in accordance to a felt need for such cooperatives. The case cooperatives from Batangas and Cavite were pioneered and nurtured by men who are active players in the industry; have the technical and professional preparations; have resources, respect and influence in the community; and have commitment to develop cooperatives. The business of cooperative is pursued according to local visions and capabilities.

It implies therefore that for an agricultural cooperative development to succeed, there is a need to mobilize the initiatives of local talents and resources. They appear to be the sources of strength and stability of the cooperatives. In places where they are absent or deficient, public investment in information dissemination, capability building, and initial capital may be infused on temporary basis. It is important that the stakes of the members in the cooperatives is built-up through infusion of equity capital. External capital, including the one that may come from the government whenever harnessed, should be on catalytic and interim terms, to build-up the values of self-reliance and governance.

Table 18. Summary Table of Performance of the Top Four (4) Cooperatives in Region IV, Philippines as of 2000.

CRITERIA	C O O P E R A T I V E			
	LIMCOMA	CAFFMACO	SIDC	PGMC
Year in business (years)	30	23	31	19
Membership (number)	4671	1207	2098	1599
Assets (₱ M)	519.09	127.86	265.67	54.31
Equities (₱ M)	221.34	51.86	74.64	2.80
Profitability Ratio				
Profit Ratio	.01:1		.04.3:1	
Return on Asset	.03:1		.12.8:1	
Return on Equity	.07:1		.44.0:1	
Liquidity Ratio				
Current Ratio	1.07:1	1.30:1	1.1:1	1.89:1
Quick Ratio	0.53:1		0.6:1	
Solvency Ratio				
Debt Ratio	0.57:1	0.20:1	0.61:1	
Net Surplus (₱ M)	15.394	6.807	33.91	2.799
Volume of Sales (₱)	1.1B	410.81M	922.07M	25.65M
Number of Employees	272	100	118	
Total Number of Business	10	8	16	
Major Line of Business	Feedmilling	Feedmilling	Feedmilling	Lending
Other Line of Business	paiwi system; breeding & experimental farming; veterinary drug prod'n/services; animal diagnostic lab services; credit services; rural banking; meat processing; food store operation; and distilled water bottling.	poultry production; hog fattening; consumer store operation; veterinary & technical service extension; and canteen operation.	contract growing; expanded credit line; Minimart operation; meat stall operation; hog selling pen; rolling meat shop; aqua culture; rental of facilities; savings mobilization program; artificial insemination services; pig farming; experimental farm operation; meat shop operation; sattellite master ATV services; and coop pabahay.	

Table 18. (continued)

CRITERIA	COOPERATIVE			
	LIMCOMA	CAFFMACO	SIDC	PGMC
Benefits Received by Members	quality feeds; veterinary assistance and services; death aid; educational grant for children; free medical/dental consultation; banking services; market for the products; interest on capital; and patronage refund;	patronage refund; rebates on feeds purchase; dividend on capital; training & educational support; and start up capital.	patronage refund; interest on capital; capital for livestock & poultry production; credit for purchases of consumer goods, hog fattening, breeding and construction of pig pen; housing loan; marketing services; high quality piglets; discount rate for cable TV operation; free training & seminar; free medical check-up; scholarship for children; educational loan for children; mortuary aid; job placement services; library services; and newsletter services.	dividend; patronage refund; available credit services; and savings facilities.
Benefits Received by the Community	grants/donation to school, churches, NGO seeking financial assistance; and support to livelihood program of Lipa City	donation to calamity areas, sports, health and nutrition program; and sponsor free medical/dental examination, feeding program to malnourished children, and education on proper preparation of nutritious food to parents.	allocate ₱1M for Barangay Dev.t. Fund; and reaches out poor families in community and other places during Christmas	low interest credit facility; and savings facility.

Table Summary (continued)

CRITERIA	COOPERATIVE			
	LIMCOMA	CAFFMACO	SIDC	PGMC
Award Received as of 2000.	<p>Most Outstanding Marketing Cooperative by the Bureau of Cooperatives Development, Testimonial Recognition by BCOD and Cooperative Union of the Philippines, Most Outstanding Marketing Cooperatives of Agriculture, Plaque of Appreciation and Recognition by Cooperative Union of Batangas, Plaque of Appreciation from the Office of the City Mayor of Lipa, Plaque of Appreciation from Guarantee Fund for Small and Medium Enterprise, Most Outstanding Cooperative of the Philippines by CUP-RCU-NF, Plaque of Appreciation during Lipa City Foundation Day, Cooperative Top Grosser Award, Plaque of Appreciation from Western Philippine Colleges, Ulirang Cooperative, Pang-Limang Pinakamahasay na Cooperatiba, and Best in Capital Build-Up by Gawad Pitak.</p>	<p>Ulirang Kooperatiba Award by the Cooperative Union of the Philippines (1998), Most Outstanding Primary Cooperative-Marketing Category (1995) by Cooperative Congress, Most Outstanding Award of Recognition (1991) by Cooperative Congress, Certificate of Recognition (1993) by KKK, and Commendation from DA-NAFC and CHED.</p>	<p>Most Outstanding Small Farmers Organization of the Philippines (1989) by the Department of Agriculture, Gawad Pitak (Best in Profitability) in 1993, 1994, 1995 and 1997 by Pres. F.V. Ramos, Gawad Pitak (Best Coop Citizen) in 1996, Gawad Pitak (Most Outstanding Cooperative) in 1996 and 1997, Gawad Pitak (Best of Hall of Fame) in 1998, Kabuhayan Awards in 1998, People Development Award in 1998, Most Outstanding Agricultural Multi-purpose Cooperative, and Class "A" Cooperative Category by Land Bank of the Philippines.</p>	

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Annex A

LIMCOMA MULTIPURPOSE COOPERATIVE: A CASE STUDY*

1.0 Brief Background

In the 1960's due to the devastation of citrus industry in Batangas, farmers shifted livelihood to swine and poultry productions. It was not an easy choice to undertake then because of the persistent increases in feed prices. Feed industry then was controlled by four (4) big corporations and the rise in feed prices seemed to have no end. Feeds cost comprised about 80% of the total cost of production and the rise in feeds cost cuts profit and consequently the viability of the new chosen means of livelihood. Looking for a solution to the problem, the farmers joined hands and organized an association to produce/mix their own feeds, thus the birth of LIMCOMA.

LIMCOMA was organized on March 25, 1970 with an authorized capital of ₱1 million. The initial paid-up capital of ₱57,000 was shared-in by 77 original incorporators, many of whom came from the ranks of Philippine Air Force from Fernando Air Base in Lipa City. On July 6, 1970, LIMCOMA was registered with the Securities and Exchange Commission and three and a half years later, on October 23, 1972, the registration of LIMCOMA was transferred to the Agricultural Credit Administration. Today LIMCOMA is registered with Cooperative Development Authority (CDA), and is rated as the No. 1 agricultural cooperative in Region IV and in the Philippines with assets worth ₱519 million and sales of more than ₱1.1 billion as of year 2000.

The Beginning. The success of the cooperative did not come easy as it would seem to show today. In the beginning, officers did not receive any compensation or allowance for the services rendered to the cooperative. These were done purely on voluntary basis and service to members and the cooperative .

Feed mixing was initially done manually using spade on the concrete floor of an improvised warehouse of the leased Silva Rice Mill. At times when capital was short, the original Board members contributed funds through the increase of share capital or lending out of personal funds to defray the cost of expanding demand for the mixed feeds. Contribution of capital easily came from large producers who were then members of the Board, in particular from the founding president, Engr. Claro R. Malleta.

The acknowledge founder of LIMCOMA is Col. Juanito Sabay, then a military officer in active duty from Fernando Airbase. Together with other military men notably Brig. Gen. Antonio Tan Torres and Col. Primitivo Mital, and some large civilian poultry producers in Lipa City such as Engr. Claro Malleta, Romeo Malleta, Sebastian Angeles and AurelioRobles formed the core organizers of the Cooperative. They pioneered and steered LIMCOMA to the most successful agricultural cooperative in the Philippines.

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The first set of officers when LIMCOMA was organized in 1970 is as follows:

President:	Claro R. Malleta
Vice-President:	Primitivo P. Mital
Directors:	Sebastian K. Angeles
	Felimon A. Espinosa
	Camilo E. Mariano
	Rodrigo D. Oroña
	Aurelio V. Robles
	Juanito M. Sabay
	Jose R. Sto. Tomas
	Rodrigo Velasco

2.0 Growth and Expansion

Through the years, membership grows due to the many benefits the cooperative gives to the members, most particularly the patronage refund. As a consequence, the normal production of feeds cannot meet the demand of the increasing number of members. Feeds production had to be increased by increasing the working capital. External sourcing of capital was resorted to through a loan from the Development Bank of the Philippines (DBP). The loan agreement was for five (5) years but this was paid in

a period of only four (4) years. The early payment of the loan was partly made possible through a policy of cash sales to members and procurement of ingredients on credit terms of 15 to 30 days.

After few years, LIMCOMA bought the Silva Rice Mill. This paved the way for the installation of mechanically operated feed mixer capable of producing an expanded volume of output. Operating capital was needed for the expanding milling operation. Loan was obtained from Cooperative Development Loan Fund (CDLF) and this gave way to the further growth and development. With the expansion of milling capacity and membership of the Cooperative, the management felt the need to branch out to better serve the increasing number of members coming not only from Lipa City but also from the adjoining towns of Batangas province.

In 1978, branches were established in the towns of Rosario and San Jose followed by Cuenca in 1981. The Quality Control Laboratory was built on the same year to ensure the quality of the materials being used as well as that of the finished feeds. LIMCOMA's three-storey Administration Building and a bigger warehouse were constructed in 1983 and two years later, in 1985, Mayflower Milling Corporation was organized as a consequence of the cancellation of tax exemptions for cooperatives under P.D. 1955. Meanwhile, Don Claro R. Malleta, the founding president, resigned after 15 years of presidency. He was awarded the coveted Honorary President for Life in recognition of his dedicated service and exemplary leadership in building LIMCOMA to what it is today.

On February 15, 1987, Don Claro R. Malleta died. Before his death, however, LIMCOMA was able to develop its five-year development program which included the modernization of the feed mill, the operation of the breeding farm, the organization of cooperative bank, and the marketing of the member's produce.

In 1988 LIMCOMA bought a six-hectare land for its Swine Breeding and Experimental Farm in Brgy. Talisay, Lipa City. In 1994 the computerized feed mill

worth P65 million was put up, and the brand “Batangas Best” processed meat was launched. Quite simultaneously, Aya Holding Pen in San Jose was operated, and Rosario and Cuenca branches were expanded. In 1999, sales of LIMCOMA had reached the 2 million bags output (2,151,329 bags).

In year 2000, the Balisong Fighting Cock concentrate, LIMCOMA Rice and distilled water were launched. With all these accomplishments, LIMCOMA is truly threading the right path to success.

Expansion of Membership and Capital. From an original member-incorporators of 77 in 1970, membership grew to 4,671 in 2001 or an average annual increase of 153 members for a period of 30 years. Likewise, the initial paid-up capital of ₱57,000 increased to ₱54,986,985 in 2000 or an increased of more than ₱54 million in the same period or an annual increased of capital of about P1.83 million for 30 years.

3.0 Present Business Activities

After more than 30 years of successful operation, LIMCOMA has grown into billion pesos worth of feed sales and is now engaged in numerous businesses for its members, most notables of which are:

Feed milling. Feed milling is the first and primary activity of the cooperative. This is considered a state of the art operation with the introduction of computerized feed milling system in 1994 capable of producing high quality feeds with precise mixture of ingredients and exact quantity of products. The plant capacity is 150 metric tons for an 8-hour operation or production capacity of 550 metric tons (three shifts) a day. Presently, LIMCOMA is producing 15 different rations for hogs; nine (9) rations for chickens; six (6) rations for Tilapia; one ration each for cattle, ducks, quails, and fighting cocks.

Support facility to milling operation is a silo with a storage capacity of 3,600 metric tons. This was built in October 1, 1999 to solve the pressing problems of high cost of rent of warehouses, shrinkage and oilage, transportation, and labor problem attendant to warehousing, storing and transporting feed materials. Aside from the resolution of the said problems, the SILO system helped in improving the quality of the raw materials and in facilitating the inventory of raw materials, in particular corn.

Another facility in support of feed milling is the Quality Control Laboratory. The laboratory has a near infrared instrument which analyzes the quality of feed ingredients in terms of crude protein, moisture content, fat, and fiber content. Results of the analysis, as claimed, can be produced in two (2) minutes.

The laboratory is an accredited facility of Bureau of Animal Industry.

Paiwi System. This is the swine dispersal program which seeks to assist members with limited capital to raise hogs or do business. Launched in July 1, 1998, in this system, the piglets, feeds, and medicine requirements are supplied by the cooperatives while housing, water, electricity and labor are all provided by the raisers. The raisers are not allowed to raise other piglets than the ones provided by the cooperative once the member engages in the paiwi system. The cooperative employs veterinarians to provide technical assistance/services to the raisers. LIMCOMA is not responsible for the expenses if the loss is caused by the negligence of the raiser. Costs of feeds, piglets, and medicines are charged against the proceeds of hog sales.

In 1998, 200 piglets were dispersed under the system. The volume of dispersal increased tremendously and reached the level of 11,900 after two years of operation.

Feeds Subsidy. This system was formerly called “Hog Contracting.” Basically, it has the same guidelines as the “Paiwi System.” Piglets are owned by the contract grower while the feeds, medicines, and veterinary services are supplied by LIMCOMA.

Rural Banking. LIMCOMA’s dream of putting up a cooperative bank in Lipa City was realized in 1994. This cooperative bank takes care of the banking needs of LIMCOMA and its members. Proceeds from the members’ sales are automatically deposited in their savings accounts. All members who receive cash from the cooperative and those who patronize the cooperative products have to utilize the services of the bank. The employees’ salaries are on the automatic deposit scheme with the Bank. The bank is also open to serve non-members.

The rural bank accepts savings and time deposits, and offers various types of loan such as agricultural, commercial, industrial, and salary loan. It also participates in granting loans to intended clients of government programs such as agrarian reform, and housing.

Breeding and Experimental Farm. LIMCOMA operates a 6.3 hectares breeding and experimental farm facility in Talisay, Lipa City, about 5.0 kilometers from the main office. Bought in 1985 and became operational in 1988, it has pens for swine, chickens, and quails. It has also an artificial insemination laboratory.

The facility is meant to produce quality stocks through artificial insemination, conventional and natural breeding, and to test the quality of feeds produced through experimental feeding. The facility is also the source of semen for A-I services program, and source of weanlings for the swine dispersal program.

As of year 2000, the facility was operating on a 250-sow capacity with 40 Eurobrid from Netherlands, and 10 F1 crosses from purebred lines of Landrace and Chesterwhite. It has also bulls of different breeds such as Largewhite, Landrace, Hypor AB, Seghers, Duroc, Duroc Pietran and Pietran Duroc.

For testing poultry rations, it raises 4,000 chicken layers, and 2,000 quails.

This facility helped in building the quality of swine stocks of members, and in producing good quality hogs.

Meat Processing. The cooperative meat processing plant is located in San Jose, Batangas. Organized in 1993, the meat processing facility aims to help members in marketing their produce by processing them to a wide array of products like tocino, tapa, longanisa, sisig, embotido, burger patties and hotdog. At the start, the products were manually produced by two staff at 20 kilograms per day for each kind of product. Now the processing system is already improved with various equipment such as smoke houses, cooking vat, meat slicer, meat tumbler, tie linker, freezer, meat grinder, meat mixer, and meat stuffer. Initially the products carry the brand name “Batangas Best;” now it is called “LIMCOMA’s Best.”

Veterinary Services and Animal Diagnostic Laboratory. Member-raisers whose livestock suffer from ailments can avail of free consultation and technical services from the highly qualified veterinarians employed by the Cooperative.

LIMCOMA operates an animal diagnostic laboratory which assists veterinarians, farmers, and livestock personnel in the proper use of drugs as treatment and preventive therapy for animals. The laboratory can do various tests such as necropsy, bacterial isolation and identification, antibiotic sensitivity, fecal, aflatoxin, and semen evaluation.

LIMCOMA is also engaged in the trade and manufacture of veterinary drugs through Mayflower Agri-Ventures.

Paluwag or Credit line System. The system offers sale of feeds to members on credit for six (6) months without interest. Collateral, however, is required for availing the credit. When the credit is not settled within six (6) months a minimal interest is charged to members.

The system is directed to members who would like to venture in poultry raising but lack the needed capital to do so. Under the system the raisers buy the pullets from LIMCOMA. Payment of the loan starts when the layers start laying eggs.

LIMCOMA Food Store. The facility was established to assist members in selling their produce. This serves as sales outlet of members produce. The store is located in the City of Calamba in the Province of Laguna.

Sales Services Formation. Enhancing the sales of LIMCOMA products particularly feeds is a thrust of the Cooperative. Sales were originally done in head offices, and branches. To encourage sales, modified branches and services outlets were also instituted.

Modified branches as against full-pledged branches are run by only few staff such as branch manager /officer in charge, cashier-clerk, loader and checker-guard. Under the modified branch, sales are on cash basis only. Also the branch manager should be a member to enable the crediting of sales to the branch manager for patronage refund purposes. Further, the modified branch is encouraged to do membership campaign. Pre-membership seminar is done when the modified branch has enlisted 30 or more applicants. As of the year 2000, seven (7) modified branched had been organized in Batangas (Tanauan, Padre Garcia, and Bauan), Quezon (Tayabas and Candelaria) and Laguna (Nagcarlan and Sta. Cruz).

Service outlets formation is also instituted to expand sales of feeds not only to members but also to non-members. Under this sales system, members buy feeds at a price the same as in the head office. Sales are also credited to members for patronage refund purposes. The outlet, however, received a sales subsidy of P4 per bag of feeds, and also patronage refund. Trucking subsidy is also provided for every purchase of 120 bags feeds per week. As of year 1999, 11 service outlets were already operating in different parts of Batangas: two each in Batangas City, Lipa City and Lobo; and one each in Lemery, Agoncillo, Talisay, Ibaan, and San Juan.

Existing Network. LIMCOMA's business operations are undertaken by its network operating in six (6) provinces of Southern Tagalog and Central Luzon such as head offices, branches, and sales outlets.

The head office, the center of business and administrative operations is located in Sabang, Lipa City. As of year 2000, in support of the head office are 13 branches in four (4) provinces and 15 sales outlets in three (3) provinces.

The branches are:

Batangas (7): San Jose, Rosario, Cuenca, Balayan, Bauan, Tanauan,
Padre Garcia

Quezon (3): Candelaria, Tayabas, Lucena

Laguna (2): Sta. Cruz, Nagcarlan

Bulacan (1): Sta. Maria

The sales outlets: Batangas (13), Oriental Mindoro (1), Quezon (1).

4.0 Business Growth

Financial Growth. LIMCOMA has demonstrated a consistent growth in financial terms. In the last five (5) years of operation for example, total assets more than doubled at P251 million in 1995 to P518 million in 2000. This rate of growth in assets holds true in current and fixed assets such as property, plant and equipment (See Table 1).

Sales of LIMCOMA was more than one (1) billion pesos (P1.102 billion) in year 2000. Out of this amount, it earned a gross savings of P103.988 million and net savings from operations of P15.394 million (See Table 2).

LIMCOMA is on sound financial positions: profitable, liquid and solvent. It is operating profitably as shown by the positive savings and networth over the last five (5) years of operation. It is very liquid as shown by the liquidity ratio of more than 1:1. It is solvent as indicated by the debt ratio of 0.57:1 (See Table 3).

Assets are being used properly as indicated by the asset utilization ratio. Inventory turn-over fluctuated between 9 to 17 times a year and total asset turn-over was more than 2:1 in the period 1995-2000.

Table 1. Balance Sheet 1995-2000, LIMCOMA Multipurpose Cooperative (P000).

YEAR	1995	1996	1997	1998	1999	2000
ASSETS						
Current Assets	127,081	114,637	121,202	122,613	156,574	221,015
Investment	22,510	16,580	14,110	14,442	24,143	31,982
Property, Plant and Equipment (Net)	102,113	95,355	203,129	203,613	229,591	266,078
Other Assets	17	17	52	17	17	17
Total Assets	251,721	226,589	338,493	340,685	410,325	519,092
LIABILITIES						
Current Liabilities	88,150	77,581	97,367	80,857	181,707	206,248
Long Term Liabilities	79,875	69,375	46,875	63,500	23,100	91,500
Total Liabilities	168,025	146,956	144,242	144,357	204,807	297,748
Networth	83,696	79,633	194,251	196,328	205,518	221,344
Total Liabilities and Networth	251,721	226,589	338,493	340,685	410,325	519,092
MEMBERS' EQUITY						
Members Capital Contribution (Capital Stock)	61,425	56,628	54,987	57,792	65,591	80,061
Reserves	5,474	6,182	8,770	8,042	9,433	10,788
Revaluation Increment	16,823	16,823	130,493	130,493	130,493	130,493
Total Members' Equity	83,722	79,633	194,250	196,327	205,517	221,342
Total Liab. & Members' Equity	251,747	226,589	338,492	340,684	410,324	519,090

Table 2. Comparative Statement of Operations 1995-2000, LIMCOMA Multipurpose Cooperative. (P000)

YEAR	1995	1996	1997	1998	1999	2000
Gross sales	a	a	a	a	1,031,067	1,102,901
Net Sales	747,375	740,586	733,673	933,325	971,782	1,055,019
Cost of Goods Sold	704,757	674,616	668,424	863,035	880,491	951,031
Gross Savings on Sales	42,618	65,970	65,249	70,290	91,291	103,988
Administrative and Selling Expenses	33,832	47,407	50,804	55,760	79,748	88,594
Net Savings from Operations	8,786	18,563	14,445	14,530	11,543	15,394
Other Income (Expenses)	-8,504	-16,235	-11,876	-12,338	-6,468	-11,862
Net Savings to General Reserves	282	2,328	2,569	2,192	5,075	3,532

a - no data

Table 3. Comparative Financial Ratios 1995-2000, LIMCOMA Multipurpose Cooperative.

YEAR	1995	1996	1997	1998	1999	2000
PROFITABILITY RATIO						
Profit Ratio	.01:1	.03:1	.02:1	.02:1	.01:1	.01:1
Return on Asset	.04:1	.08:1	.04:1	.04:1	.03:1	.03:1
Return on Equity	.11:1	.23:1	.07:1	.07:1	.06:1	.07:1
ASSET UTILIZATION RATIO						
Inventory Turnover	11.51:1	17.59:1	12.81:1	17.61:1	14.62:1	9.50:1
Total Asset Turnover	2.97:1	3.27:1	2.17:1	2.74:1	2.36:1	2.03:1
LIQUIDITY RATIO						
Current Ratio	1.44:1	1.48:1	1.24:1	1.52:1	.86:1	1.07:1
Quick Ratio	.70:1	.94:1	.66:1	.86:1	.50:1	.53:1
DEBT RATIO						
Debt Ratio	.66:1	.65:1	.45:1	.42:1	.50:1	.57:1

Awards Received. LIMCOMA had received various awards from 1983 to the present which show its success in business operations and in giving services to its members. Some of the awards received are:

TITLE	YEAR
Most Outstanding Marketing Cooperative by Bureau of Cooperatives Development (BCOD)	1983
Testimonial of Recognition by BCOD, and Cooperative Union of the Philippines (CUP)	1985
Most Outstanding Marketing Cooperative by Department of Agriculture (DA)	1985
Plaque of Appreciation and Recognition by Cooperative Union of Batangas, Inc. (CUBI)	1986
Plaque of Appreciation from the Office of the City Mayor, Lipa	1988
Plaque of Appreciation from the Guarantee Fund for Small and Medium Enterprises	1990
Most Outstanding Cooperative of the Philippines given by CUP-RCU-NF	1992
Plaque of Appreciation given during the 46 th Lipa City Foundation Day Celebration	1993
Cooperative Top Grosser Award given during the Cooperative Month Celebration	1993
Plaque of Appreciation from Western Philippine Colleges	1995
Ulirang Kooperatiba Award recipient by CUP	1998
Second Top Patron PHILAC Insurance Cooperative	1998-1999
Pang-limang Pinakamahasay na Kooperatiba (Agri-based Category) by Gawad Pitak	2000
Best in Capital Build-Up (Agri-based Category) by Gawad Pitak	2000

Members' Benefits and Community Service. Membership grew because of the different benefits being received by the members from the cooperative. On top of the patronage refund and benefits from various programs, members received other direct benefits and privileges such as:

- Death aid benefit to bereaved family members.
- Educational grant to deserving sons and daughters of members. The grant gives financial assistance to members in sending their children to either high school or college.
- Free veterinary services. Members with ailing livestock receive free consultation and technical services from the highly qualified veterinarians.
- Transportation allowance during attendance in dialogues and general assemblies.
- Transfer of technology through technical seminars conducted by the Cooperative.
- Free medical and dental consultations in the different branches.

Through the Community Service Committee organized in August 25, 2000, LIMCOMA grants donations to different organizations seeking its assistance such as churches, schools and NGOs. It also supports the livelihood program of the city government of Lipa.

Plans. The officers, with the help of the members, formulated plans for the continuous development of the cooperative. The highlights of the plans are the following:

- Establishment of Associate Cooperative Outlets (ACO) in places where they do not have service outlet. Under the plan, LIMCOMA will supply the needed feeds of the locality through the ACO. The ACO shall be entitled to receive a 2.5% discount on cash purchases and patronage refund equivalent to that

of the members of LIMCOMA. The members of the ACO will be given the chance to attend the Livestock Management Seminars to be conducted by LIMCOMA. It is envisioned that LIMCOMA would be able to increase the feeds sales under the scheme.

- Follow production/manufacturing practices which are in accordance with the international standards to become a certified ISO 9000 entity.
- Develop linkages with the corn producers of the country for direct selling of corn to LIMCOMA.
- Sell the products of LIMCOMA all over the country.
- Develop a “Savings Mobilization Program” where members can deposit their money in the Cooperative with interest comparable to a bank.
- Strengthen the employees technical capabilities and skills by sending them to seminars.
- Improve the quality of the cooperative’s products through research and development.
- Have responsive veterinarian program attuned to the needs of the members.
- Frequent conduct of livestock management seminars.
- Have proper waste management system and maintain the cleanliness of the environment.

5.0 The Management

Behind the success of the cooperative is the group of men who carried out the planning, decision-making, and implementing of its programs and activities. These are the board of directors, executive, and employees.

The Board of Directors (BOD). The BOD, policy-making body, is composed of eleven members. The board has a chairman and a vice-chairman. In the ranks of OD, the president and vice-president are elected who act as the chief executive of the cooperative.

Aside from the Chairman (Mr. Carlito R. Tecson) and Vice-Chairman (Mr. Abner Aguilar), in year 2000 the other members of the BOD have executive functions such as chairmanship/membership of committee such as:

President: Chairman, Executive Committee and Bidding Committee
(Mr. Nicanor M. Briones)

Vice-President: Chairman, Research and Development Committee
(Mr. Joselito R. Lingcao)

Other BOD members:

Helen de Castro: Chairperson, Education and Training Committee

Reynaldo Dimaculangan: Chairperson, Personnel Management Committee

Vicente Kalalo: Chairperson, Rules and Regulation Committee

Mennie Valle: Chairperson, Finance and Budget Committee

Merle Magtibay: Member, Finance and Budget, and
Personnel Management Committees

Julia Marquez: Member, Education and Training, and
Personnel Management Committees

Dominiano Arala: Member, Education and Training, and

Research and Development Committees

Committee of the BOD. The BOD is supported by the two committees: Audit and Inventory Committee (AIC) which has a chairperson and two members, and Election Committee (EC) which has also a chairperson and two members. The members of these two committees are elected by membership during the general assembly.

The Executive. As mentioned earlier, the President and Vice-President are the chief executive officers of the Cooperative. They are assisted by other executives from other offices such as:

HRO and Purchasing Division	:	9 personnel
Accounting, Auditing, and Treasury Division	:	12 personnel
Operation Department	:	22 personnel
Support Project, Quality Control, and Farm Division:		7 personnel

Employees. The Cooperative has a manpower complement of 272 regular employees in year 2000, a jump from four (4) regular employees when it started operation in 1970.

In 1999, LIMCOMA spent P10.06 million for labor in the manufacture of goods sold, and P79.75 million for administrative and selling expenses of goods sold.

6.0 CONCLUDING REMARKS

Cooperative as an alternative form of business organization can be an effective and efficient mechanism for modernizing agriculture in the Philippines. In the past, the Philippine government had used cooperative in implementing food production programs such as the Masagana programs; in implementing social support programs such as land reform, credit delivery, extension of technical services; and in improving local governance.

Experiences, however, point out that in general the viabilities of agricultural cooperatives remain unstable. Agricultural cooperative development landscape is largely composed of undeveloped cooperative units with patches of large successful cooperatives.

Successful agricultural cooperatives thrive in an environment of self-help and self-reliance with limited government participation in the cooperative business and financial assistance. It is also observed that successful cooperatives have limited participation in government programs where cooperatives are used as conduits to reach out certain target clients.

Success of agricultural cooperative are enhanced when the following factors for development are present: primary involvement of local talents, initiatives, and resources in the cooperative formation and build-up; provision of supplementary government financial assistance for infrastructure development; precise identification of services in support of members' needs; and presence of dedicated and capable leaders who would steer the initiation, growth, and development of the cooperative.

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Annex B

CAVITE FARMERS FEEDMILLING AND MARKETING COOPERATIVE (CAFFMACO): A CASE STUDY*

1.0 Brief Historical Background

CAFFMACO was conceived in the mid '70s when leaders of animal raisers in Cavite and private and church-related development agencies met together to share information on activities of their respective groups. They decided to work together in planning and carrying out some cooperative development projects using the Farmer Scholar approach. In this approach, persons were selected for training in various disciplines, such as swine and poultry production, rice production and nutrition from barangays of target areas. Following an intensive training-seminar, the Farmer Scholars shared their learning and experiences with fellowmen in the barangays, thus, causing a multiplier effect of the training at the barangay level.

A concern shared by members of the groups was the need to increase production of swine and poultry in Cavite. It was noted, from barangays survey that the production of swine, poultry and eggs were far below the requirement. This was particularly noted in remote barrios, where up to 35 percent of the preschool children were found malnourished.

As leaders discussed the need to increase livestock and poultry production in Cavite, they all agreed that at the heart of an intensified livestock and poultry production program is a feedmill which will provide feeds for the program. Although Cavite is near to large commercial feedmills in Greater Manila Area, it was pointed out that the feeds were not always available and the quality needs supplementary protein and other ingredients.

Thus, it was felt that an expanded program in livestock and poultry would need a feedmilling facility which would provide a reliable source of high quality feeds to the producers. It was further felt that such a feedmill should be set up as a cooperative with small-scale livestock and poultry producers as members.

A series of meetings followed to lay the groundwork for the organization of a feedmilling and marketing cooperative by representatives of various agencies such as the International Institute of Rural Reconstruction (IIRR); Cavite Interagency Institute Conference (CIAC), a tri-sectoral body organized in 1972 composed of representatives from 22 agencies from government, religious, and private sectors; the Philippine Rural Life Center (PRLC); Bureau of Animal Industry (BAI) of the Ministry of Agriculture; and Cavite Hog Raisers' Association, an association composed of 25 Farmers/Barangay Scholars.

On October 26, 1976, the Cavite Farmers Feedmilling and Marketing Cooperative (CAFFMACO) was formally organized, with an initial membership of 44, including the 28 Barangay Scholars in livestock and poultry production. It was initially a pre-cooperative following the government policy requiring cooperatives to undergo development stages before being registered as full-pledged cooperative.

CAFFMACO started its operation on January 2, 1977 with an initial capital of ₱137,030.00 distributed as follows:

<i>Share capital of 28 members</i>	<i>₱ 6,030.00</i>
<i>Feed ingredients from PRLC</i>	<i>81,000.00</i>
<i>Loan from CODEL</i>	<i><u>50,000.00</u></i>
<i>Total</i>	<i>₱137,030.00</i>

PRLC made available, on a rental basis of ₱1.00 per bag per day, its feedmilling facilities, situated in Pala-pala, Dasmariñas, Cavite. It was also here where the first office

of CAFFMACO was located. As a cooperative and a feedmill, it was registered with the Department of Commerce and Industry; Bureau of Animal Industry (Department of Agriculture); Social Security System, and Cooperative Development Authority (CDA);

After five years of successful operation, CAFFMACO embarked on an expansion program and requested for a financial assistance. This was worked out by IIRR, which was able to negotiate fund from the German Freedom from Hunger Campaign (GFFHC). The fund was used to construct a new feedmilling plant in Barangay San Vicente, Silang, Cavite which commenced operation on May 22, 1982. CAFFMACO continued to expand its feedmilling operations, increasing its capacity and production as its membership increases.

2.0. Business Operation

The major business activity of CAFFMACO is feedmilling. As a complementary business, the cooperative has expanded activities to include poultry and livestock raising, consumers' store, hog dispersal program and meat processing. Aside from these income-generating projects, it also provided other services to serve the ever increasing needs of its members.

Feedmilling. Feedmilling business is the source of quality feeds for livestock and poultry of the members. The feedmilling operation continuously grew output from 8,799 bags in 1977 to 867,685 bags in 2000. The tremendous increase in production was accompanied by improvement in facilities and feed formulation.

The cooperative has two feed mixers: one which has a capacity of 3,200 bags per day; the other machine has a capacity of 1,800 bags per day. The cooperative also has a

micromixer that is used to mix customized orders in small volume; it has also a pelletizing machine.

The raw materials in the manufacture of CAFFMACO feeds included yellow corn, rice bran (D-1 and D-2), wheat pollard, molasses, ipil-ipil leaf meal, copra meal, soybean meal, oyster shell powder, vegetable oil, limestone, salt and other vitamins and minerals. Corn is sourced out from Cagayan Valley (Region 2) and Mindanao. Other raw materials are imported from U. S., Peru, Brazil, and India.

CAFFMACO is presently engaged in producing various types of feeds for swine, cattle, broiler, layer, cock, horse, quail, tilapia, and duck. It can also produce other feeds requirement of members such as feeds for rabbits, turkey, dog, cat, and sheep.

The members may formulate their own feeds and have the cooperative mix them for their needs. A minimum of one sack (50 kg.) of customized feeds mixing is required.

The price of CAFFMACO feeds is lower than most commercial feed brands (Table 1) sold in Dasmariñas and Zapote, Cavite. This shows the price competitiveness of CAFFMACO feeds which make them attractive to members.

CAFFMACO follow a system of pricing of for a bag of feed as follows:

ITEMS	PERCENT (%) OF P / BAG
1. Feed ingredient costs	80
2. Ingredient transportation costs	5
3. Administrative cost	6
4. Overhead costs	8
5. Profit margin	<u>1</u>
TOTAL	100%

Members get a rebate of P10.00 for every bag of feed bought. With this policy on rebates, many members are into dealership of CAFFMACO feeds. The dealership provides additional source of income for members aside from improving the sales of their cooperative.

Feeds are sold either to the end-users (members and non-members), and member-dealers in different municipalities of Cavite and nearby provinces of Laguna, Batangas, Rizal, Quezon, Mindoro, and Bulacan. Almost all municipalities of Cavite have CAFFMACO outlets. Feeds were sold on a cash- on- delivery basis (COD) or on credit.

CAFFMACO has its own trucks and drivers who deliver feeds to members. Members from far areas such as the neighboring provinces of Batangas, Laguna and Quezon, buy directly from the cooperative or dealers in their respective areas.

Table 1. Comparison of Prices of CAFFMACO Feeds against other brands sold at retail in
Zapote and Damariñas, Cavite, September 2001.

Name of Feeds	<i>CAFFMACO</i>	<i>Maureen's</i>		<i>Zapote Poultry Shop</i>		
	CAFFMACO	SELECTA	FEEDMIX	GOLDWIN	NUTRENA	PREMIUM
Swine Pre-Starter (25 kls.)	471.50	600.00	-	-	-	-
Swine Starter	603.50	675.00	565.00	-	-	-
Hog Grower	523.50	520.00	477.00	485.00	480.00	535.00
Hog Fattener	497.50	530.00	-	-	-	-
Swine Gestation	500.50	530.00	492.00	-	-	-
Swine Lactation	531.50	550.00	-	-	-	-
Broiler Booster (25 kls.)	397.50	425.00	350.00	350.00	345.00	420.00
Broiler Starter	631.50	660.00	570.00	555.00	600.00	645.00
Broiler Finisher	579.50	620.00	535.00	535.00	530.00	595.00
Quail Starter	605.50	-	-	-	-	-
Chick Starter	603.50	605.00	-	-	-	-
Tilapia Feeds	543.50	-	-	-	-	-
Swine Starter-SR	686.50	-	-	-	-	-
Hog Grower-SR	580.50	-	-	-	-	-
Swine Gestation-SR	520.50	-	-	-	-	-
Swine Lactation-SR	588.50	-	-	-	-	-
Super Booster (25 kls.)	750.50	-	-	-	-	-
Cattle Fattener	405.50	395.00	-	-	-	-
Horse fattener	444.50	-	-	-	-	-
Cock Feeds	605.50	615.00	-	-	-	-
Quail Layer	605.50	650.00	-	-	-	-
Layer Mash	602.50	685.00	570.00	515.00	525.00	595.00
Chick Grower	597.50	565.00	525.00	490.00	480.00	570.00
Duck Starter	585.50	-	-	-	-	-
Duck Layer	545.50	665.00	-	-	-	-
Calf Starter	518.50	-	-	-	-	-

Note:

CAFFMACO Feeds - Members have P10.00 discount for every sack.

List of prices was obtained from the Cooperative, Silang, Cavite

Maureen's and Zapote poultry feeds - Retail price

Both are located at Dasmariñas, Cavite

The Cooperative promotes its products by attracting new members. It is important to note that a large portion of the sales of the cooperative is to non-members. Feed sales promotion is integrated in the promotion of the whole cooperative usually during its sponsored community development programs.

Poultry (layer) and Piggery (hog fattening) Project. The cooperative has a farm in Maragondon, Cavite where its poultry and hog fattening projects are located. The poultry project had 13,000 layers. These two projects produce eggs and meat, which add to the income of the cooperative.

Hog Dispersal. CAFFMACO is engaged in hog dispersal project. In this project members are granted start-up capital in the form of inputs like breeders, feeds, and veterinary medicine. The member-producer provides the housing and labor requirement for the project.

The cooperative earns from this project by sharing in the profits with the members. After accounting of all input costs from the cooperative, the profit is divided into 75-25% in favor of the member.

Consumer Store. CAFFMACO started operating a Kadiwa-style consumers' store in 1988. Members and non-members alike could buy their day to day necessities from the store. Initially selling grocery items, the store has expanded selling eggs, fresh meat, poultry, feeds, fertilizers, veterinary medicines, and other farm inputs.

Truck Weighing Scale. As an added service to its patrons, a truck weighing scale was constructed near the gate of the cooperative to determine the weight of their truck load by just passing through the weighing scale. It also caters to other truck drivers who are not members.

Veterinary/ Livestock Extension & Technical Services. Another complimentary service by CAFFMACO to its members is the veterinary/livestock extension and

technical services. The cooperative employs a veterinarian who is available upon request to provide animal health services to members for free.

Delivery of goods. The Cooperative has trucking services to deliver feeds to the members at a very reasonable cost. Currently, this activity of the cooperative is operating at a loss. Despite of this, it is still being continued as an additional service to members. The cooperative is making plans to improve the performance of its delivery service by eliminating the small trucks in its delivery services.

Canteen. CAFFMACO is operating a canteen for its about 100 employees at a reasonably priced meals. The canteen also caters to the meals of officers during meetings.

3.0 Financial Condition

The business operation of CAFFMACO is profitable, liquid and solvent as shown by the income statements and balance sheets for 1999-2000 (Tables 2 and 3).

Net Surplus. Net surplus, the difference between sales and expenses was ₱6.807 million in year 2000. Net surplus in 1999 was ₱9.811 million.

Gross sales from feeds was ₱410.810 million in year 2000. Cost of good manufactured and sold for this year was ₱364.057 million and operating expenses was ₱30.884 million.

The amount earmarked for interest on capital and patronage refunds was ₱4.371 million or 64% of net surplus.

It is worth noting however that other business operations of CAFFMACO did not give positive net income for year 1999 and 2000 such as the piggery operations,

poultry operations, and MARA Farm. Swine dispersal project, consumer stores, and meat processing, however, consistently yielded income, at least for years 1999 and 2000.

Assets. CAFFMACO has a total assets of ₱127.862 million in year 2000. Out of this amount, current assets was ₱89.569 million and the net value of property, plant and equipment was ₱37.948 million or 70% and 29.7% of the total assets, respectively.

Liabilities. Total liabilities for year 2000 was ₱76.0 million, ₱65.863 million were current and ₱10.336 million was long-term liabilities or 87% and 13% of the total, respectively.

Members' Equity. Total members' equity as of year 2000 was ₱51.862 million. It is important to point out that the authorized capital of ₱40.0 million of the Cooperative has been fully subscribed and paid as of the year 2000.

Credit Collection. Reports of the Credit and Collection Committee showed 99.3% collection rate of members' obligations from 1996-2000 (Table 4). This implies a consciousness of members on the value and importance of the Cooperative. It likewise implies the success of the members in their respective lines of business.

Current ratio. Current ratio is a measure of the firm's ability to repay its current debt. It compares the assets that will turn into cash within the year with the liabilities that must be settled within the year. It is computed by dividing current assets by current liabilities. The ideal ratio is at least 1:1 which means that the cooperative must have at least ₱1.00 of current assets for every ₱1.00 of current liability. The current ratio for CAFFMACO in the past two years amounts to ₱1.30. This means that the Cooperative has ₱1.30 worth of current assets for every peso of current liability implying a sound liquidity position of the Cooperative.

Table 2. Income Statements, CAFFMACO, 1999 and 2000, Silang, Cavite.

	1999	2000
SALES	361,759,828.36	410,810,775.31
LESS: SALES DISCOUNT	1,195,445.00	5,752,883.00
NET SALES	360,564,383.36	405,057,892.31
COST OF GOODS MANUFACTURED AND SOLD	298,940,738.64	364,057,440.90
GROSS SAVINGS	61,623,644.72	41,000,451.41
OPERATING EXPENSES		
Salaries and Benefits	9,024,990.92	9,748,529.51
Members' Rebate	30,833,000.00	12,576,225.00
Board Meeting Expenses	1,241,557.34	1,029,348.93
Members' Millenium Expense	2,105,000.00	
Insurance	571,391.70	115,000.14
Representation	593,573.55	489,715.29
Transportation and Gasoline	432,247.84	437,456.01
Repairs and Maintenance	1,033,504.01	697,518.94
Telephone	194,481.28	195,974.97
Light and Water	394,980.31	395,771.54
Taxes and Licenses	17,591.28	47,373.26
Office and Laboratory Supplies	415,687.65	445,354.10
Advertising and Promotion	1,716,223.25	418,161.89
Committee Expense	677,431.82	602,309.35
Security Service Fee	302,250.00	330,910.00
Professional Fee	337,112.62	409,196.16
Medical Expense	500,000.00	172,292.36
General Assembly	552,605.57	1,153,213.36
Depreciation	803,499.62	921,304.69
Bad Debts	600,000.00	600,000.00
Miscellaneous	52,683.00	98,984.72
Total Operating Expenses	52,399,812.06	30,884,640.22
NET OPERATING INCOME	9,223,832.66	10,115,811.19
OTHER INCOME (EXPENSES)		
Swine dispersal project	88,636.20	152,700.54
Piggery operations	(100,718.67)	(153,885.89)
Poultry operations	(11,899.08)	(112,662.71)
Consumer stores	240,588.86	150,785.24
Meat processing	30,648.84	21,208.27
Mara farm	(424,005.51)	(987,712.38)
Others-net	764,231.04	(2,379,201.34)
Total Other Income/ (Expense)	587,481.68	(3,308,768.27)
NET SURPLUS	9,811,314.34	6,807,042.92
ALLOCATION OF NET SAVINGS		
Provision for cooperative guarantee fund		410,004.51

Provision for livelihood projects		152,700.54
General Reserve Fund		624,433.79
Cooperative Education and Training Fund		312,216.89
Due to CUP and other apex cooperatives		312,216.89
Reserve for Plant Expansion		312,216.89
Retirement Fund		312,216.89
Interest on Capital and Patronage Refunds		4,371,036.51

Source: Cooperative Development Authority (CDA), Regional Office, Calamba, Laguna

Table 3. Balance Sheets, CAFFMACO, 1999 and 2000, Silang Cavite.

ASSETS	1999	2000
Current Assets		
Cash	29,717,795.19	14,806,360.35
Investment in short term-notes	10,567,027.04	12,271,007.68
Accounts receivable-net	29,436,091.08	30,420,797.88
Cash advances		
Inventories and supplies	32,008,704.30	31,977,138.34
Prepaid insurance	59,268.21	94,539.36
Total Current Assets	101,788,885.82	89,569,843.61
INVESTMENT IN SHARES OF STOCK-AT-COST	234,752.62	272,627.47
PROPERTY, PLANT AND EQUIPMENT-NET	30,407,252.30	37,948,760.33
OTHER ASSETS	71,710.00	71,710.00
FIXED		
TOTAL ASSETS	135,502,600.74	127,862,941.41
LIABILITIES, RESERVES AND MEMBERS EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	32,935,842.23	37,104,872.59
Interest on capital and patronage refund payable	9,584,673.78	7,218,351.80
Members rebate payable	33,661,059.74	15,217,879.28
Retirement fund payable	438,580.08	312,216.89
Members Deposit		5,628,190.31
Current portion of long-term debt		
Due to apex cooperative		
Due to CETF	209,113.98	66,476.70
Customer deposit	69,862.94	115,892.44
Total Current Liabilities	76,899,132.75	65,663,880.01
Long-Term Liabilities		
Capital revolving fund	9,872,207.55	8,830,904.68
Long-term debt	15,000,000.00	1,505,293.64
Total Long-Term Liabilities	24,872,207.55	10,336,198.32
Other Liabilities		
TOTAL LIABILITIES	101,771,340.30	76,000,078.33
MEMBERS' EQUITY		
Authorized 400,000 shares @		
100.00 par value per share =P40,000,000.00		
Subscribed and fully paid	22,355,236.57	40,000,000.00
Donated capital	165,943.67	2,427,610.34
Reserves	8,210,080.20	9,435,252.74
Total Members' Equity	30,731,260.44	51,862,863.08
TOTAL LIABILITIES, RESERVES AND MEMBERS EQUITY	132,502,600.74	127,862,941.41

Source: Cooperative Development Authority (CDA), Regional Office, Calamba, Laguna

Table 4. Limang Taong Paghahambing ng mga Pautang, Taunang Ulat ng Komite ng Pagpapautang at Koleksiyon, CAFFMACO, 1996-2000, Silang, Cavite.

No. of Days	Amount (in thousand pesos)					Amount (in percent)				
	2000	1999	1998	1997	1996	2000	1999	1998	1997	1996
Total	27480	26571	29324	20317	18313	100%	100%	100%	100%	100%
1-30	17046	15618	19474	14574	12457	62%	59%	66%	72%	68%
31-60	2917	2048	2890	1393	2175	11%	8%	10%	7%	12%
61-90	1677	697	1779	485	1212	6%	3%	6%	2%	7%
91-120	1060	418	673	350	628	4%	1%	2%	2%	3%
121-365	1348	4947	2300	3152	882	5%	19%	8%	15%	5%
366-over	3432	2843	2208	363	959	12%	10%	8%	2%	5%

PAGHAHAMBING NG PAUTANG AT KOLEKSIYON (in thousands)

	2000	1999	1998	1997	1996
NAPAUTANG	281225	252178	280622	226669	198189
KOLEKSIYON	280398	255491	271852	224319	197561
PERCENT COLLECTIONS	99.7	100.0	97.9	99.0	99.6

BILANG NG KASAPI NA MAY PAGKAKAUTANG

December 31, 2000

	1-30 Days	31 Days & Over	Total
MEMBER	135	180	315
ASSOCIATE	2	19	21

Debt Ratio. This ratio measures the solvency of the Cooperative. The ratio is computed by dividing the total long term liabilities by the total members' equity. A debt ratio of more than 1.0 indicates that the cooperative may not be able to pay its long-term debt. The debt ratio in year 2000 was 0.20. This means that the Cooperative is very solvent.

Return on Investment (ROI). The return on investment (ROI), also called return on total assets, measures the overall effectiveness of management in generating profits with its available assets. The higher the firm's return on investments, the more favorable it is. This is computed by dividing net surplus by total assets. The average ROI of the Cooperative from 1997 to 2000 is 5.9%. The Cooperative reached its highest ROI in 1994 which was 28%. In year 2000, ROI was 5% indicating that Cooperative was able to have a net gain from operation of ₱5 for every ₱100 of assets.

Net Profit Margin. Net profit margin measures the percentage of each peso sales remaining after all expenses have been deducted. The higher the firm's net profit margin, the better. It is a commonly cited measure of a firm's success with respect to earnings on sales. It is computed by dividing net surplus by total sales. In year 2000, net profit margin was 1.6%.

4.0 Business Related Services

Member and employee education activities. The cooperative gives emphasis on continuous education and training of members. It allocates sizeable budget annually for these activities. For example, the budget given to education committee in 1997 amounted to ₱629,000 for the training of employees such as:

- Pre-Membership Education Seminar
- Ownership Seminar,

- Dealership Seminar,
- Officership Workshop,
- Leadership/ Supervisory Skills Enhancement,
- Personal and Professional Development Workshops,
- Poultry and Livestock management,
- Animal Diseases Prevention and Control, and
- Performance Review and Planning Workshop

Educational Support Program. CAFFMACO has also an *Educational Support Program*, which is extended to children of qualified members, officers, and employees. The program grants beneficiary:

- ❖ financial assistance, tuition fees, not exceeding fifteen thousand pesos for every semester;
- ❖ guidance and counseling, as needed;
- ❖ annual medical examination;
- ❖ privilege to earn extra allowance/stipend during school breaks through on-the-job/summer job training program; and
- ❖ ensured employment upon graduation (as determined by the Personnel Department)

Community Projects. CAFFMACO also gives emphasis on community development projects. In 1997, the cooperative allotted a total of ₱170,000 budget for the activity which included outreach program-donations to calamity area, sports, and *health and nutrition programs*. CAFFMACO, in partnership with other government and other volunteer groups, sponsors *free medical and dental examinations, feeding programs* to malnourished children, and education on proper selection and preparation of nutritious food to parents.

CAFFMACO through its education and training committee (ETC) established linkages with other primary cooperatives and cooperative federations

within and outside Cavite. It has been offering its Boardroom to be the venue for seminars, conferences and meetings sponsored by the Cooperative Union of Cavite (CUC) and the Federation of Cavite Cooperatives (FCC). This involvement in cooperative development is in response to the “Big-brother-small-brother” concept. In assisting small and young cooperatives to take-off. Being the largest in the province, it played a major role in the development of small and newly organized cooperatives. It plays active role in Silang Municipal Cooperative Development Council (MCDC).

Awards Received. The cooperative received numerous awards and citations for its outstanding performance. In 1998, it was the recipient of the *Ulirang Kooperatiba Award* which was awarded by the Cooperative Union of the Philippines (CUP) during the 19th CUP Annual General Assembly.

It was given the *Certificate of Most Outstanding Primary Cooperative–Marketing Category* in 1995 during the 1995 Cooperative Month Celebration in Manila. It was also given the *Certificate of Most Outstanding Award of Recognition* in October 5, 1991 during the Cooperative Congress on 12th CUP General Assembly.

CAFFMACO was also awarded a certificate of recognition in 1993 by the Kilusang Kabuhayan at Kaunlaran for its “efforts that contributed to the pursuit of the National Livelihood Development”. Other commendations to CAFFMACO’s services came from the Department of Agriculture and Fishery Council, Don Severino Agricultural College, Commission on Higher Education and other institutions, which benefited from the cooperative’s community services.

Expansion plan. CAFFMACO envisions itself to be “*The best Cooperative conglomerate serving the socio-economic-ecological upliftment of its members, the country, and the global community*”. It does not only just envision itself to be expanding its operation nationwide but also ambitiously to be a global conglomerate. As what it has

been doing, it would not limit itself to feedmilling, piggery and poultry, but would continuously expand to related lines of business.

Among its proposals was to establish a slaughterhouse, a poultry dressing plant, and a central market for livestock and poultry.

A dream of CAFFMACO is to operate a shopping center or a superstore that would offer good quality merchandise at low prices. The plan is to gradually expand the present consumer store's capacity until it reaches the size of a shopping center.

The cooperative plans to construct a new warehouse, silos for corn storage, another conveyor for transferring corn from Warehouse 3 to the milling area, and a tallow oil storage. It has a newly acquired pelletizing machine and soon will be providing pelleted feeds for its members. It also plans to construct a new administration building. To further expand the scope of its operation, it plans to construct satellite warehouses in other provinces to bring the feeds nearer to members/consumers.

5.0 Growth of the Cooperative

CAFFMACO has shown consistent and phenomenal growth in terms of membership, production, sales, net surplus, assets, and equity in the last 20 years of operation, 1980-2000 (Table 5).

Membership. As of the year 2000, the total membership of CAFFMACO was 1,208. This is an increased of about 9 times of the membership in 1980.

Feed production. Feed production consistently increased for the period 1980-2000. The production of 21,810 bags in 1980 increased to 847,400 in year 2000 or an increased of more than 40 times in 20 years.

Sales. In the last twenty years, 1980-2000, sales increased more than 20 times from P1.911 million in 1980 to ₱410.81 million in year 2000.

Net Surplus. Net surplus fluctuated from 1980-2000, but the general trend is still upward. Net surplus hit the million mark in 1985. From a few thousand pesos net surplus in 1980 (₱14,608) it reached ₱6.80 million in year 2000. This is an increase of about 485 times between the two periods.

Assets. The build-up of assets likewise consistently expanded. From the modest amount of less than half million in 1980, assets grew to ₱127.862 million in year 2000. This is a phenomenal increased of about 283 times in 20 years.

Equity. The equity of the cooperative, the claim of the stockholders (members) in the assets of the cooperative, likewise grew consistently in the last 20 years starting from a modest amount of less than ₱100,000 in 1980 to ₱51.862 million in year 2000. Again, this growth in equity is phenomenal, an increased of about 544 times in 20 years.

Table 5. Growth of CAFFMACO, 1980-2000, Silang, Cavite.

Indicator	1980	1985	1990	1993	1995	1997	1999	2000
Membership	147	389	708	871	986	1,005	1,187	1,208
Production (in Bags)	21,830	63,918	285,660	309,326	479,693	623,548	771,136	847,400
Sales	1,911,655	16,564,069	78,940,525	107,485,155	189,357,811	279,352,663	361,759,828	410,810,775
Net Surplus	14,698	1,384,641.3	1,280,078	4,507,220	2,346,616	1,754,422	9,811,314	6,807,042
Asset	448,667	6,249,462.5	15,742,399	26,459,704	53,565,088	80,527,618	135,502,600	127,862,941
Equity	95,498.30	1,760,688.7	806,027.75	1,858,575	6,257,871	9,267,387	30,731,260	51,862,863

6.0 Organizational Structure

The organizational structure of CAFFMACO is presented in Figure 1. The structure has three layers: general assembly, elected officials (board of directors and committees) and management staff.

General Assembly. The General Assembly (GA), composed of members in good standing (MIGS), is the ultimate decision-making authority of the cooperative. Among others, the GA has the power to elect and remove elective officers of the cooperative such as the members of the Board of Directors (BOD), Audit and Inventory Committee (AIC), and Election Committee (EC). They make final decisions regarding any major changes in the policies of the cooperative, particularly those involving 2/3 votes of the GA.

The GA meets at least once a year within 30 days after the close of each fiscal year usually on the last Saturday of February or on the first week of March as it has been in the past six (6) years. During the GA, the members approve the minutes of the past GA, the reports of cooperative officials elect new set of officers, and amendments in the cooperative by-laws and article of cooperation.

Membership in CAFFMACO is open to any Filipino citizen at least 18 years of age, and must be of good moral character. To patronize the services of the cooperative, members must be involved in either poultry or livestock raising or fisheries. He may also join the cooperative if he plants corn or other feed grains.

To be fully qualified to join the cooperative, a farmer must be capable of paying the required share capital of ₱6,000, registration fee of ₱200, and membership fee of ₱200.

For a qualified applicant, he/she must be willing and able to attend the Cooperative's Pre-Membership Seminar (PMES), Annual General Assembly and any

Cooperative Seminars offered by CAFFMACO. Furthermore, he should have no vested interest prejudicial to the Cooperative.

Members in good standing are qualified to vote and participate in the General Assembly of the cooperative. No member is entitled to more than one vote regardless of the number of share capital owned.

Members in good standing refers to members who have complied with membership requirements such as:

- /// Paid required minimum share capital of ₱1,500.00,
- /// Uses the services of the Cooperative,
- /// Patronizes the cooperative products,
- /// No over-due accounts,
- /// No criminal record and/or civil convictions, and
- /// No history of bad habits in paying debts.

Board of Directors (BOD). The BOD has general supervision and control of the cooperative's affairs. It prescribes policies consistent with the by-laws and resolutions formulated by the General Assembly for the management of its business and the guidance of its members, officers and employees. The members elect seven (7) directors during the annual General Assembly who hold office for two (2) years.

The practice of making membership of the BOD and committees in odd numbers was for the purpose of avoiding ties in the votes of the body thereby ensuring that majority vote is always determined.

A meeting of the BOD is held within ten days after each annual GA, to elect by secret ballot from among themselves a chairman, a vice-chairman, a treasurer, and a secretary.

Election Committee. The Election Committee is composed of three members elected during the annual GA. They choose from among themselves a chairman and a secretary. The Committee supervises the conduct of all elections and performs its duties in accordance with established election practices. It screens and identifies qualified members who can run for elective positions. It also identifies members in good standing (MIGS) who would compose the General Assembly and who would elect candidates for elective positions.

Audit and Inventory Committee. The Audit and Inventory Committee also has three members elected during the annual GA. The committee is responsible for the internal audit service. It maintains a complete record of inventories and submits audited annual financial reports to the GA. It also conducts management audit and performance appraisal on each officer and employee of the cooperative. Here, the committee assesses the status and performance of every area of operation of the Cooperative. Based from its assessment, it recommends resolutions to the BOD for study and appropriate action.

Under the BOD are the General Manager, Internal Auditor, Education and Training Committee, Board Secretary, Treasurer, and the Credit and Collection Committee. As may be needed by the cooperative, the BOD may form Ad Hoc committees who would be responsible for a certain project or activity. This is usually composed of the members of the BOD, committee members and the management staff.

Treasurer. The treasurer takes custody of all money, securities, and papers of the cooperative. He/she keeps a complete record of its cash transactions and proof of his/her cash position at any given time and date. He/she is authorized by the BOD to sign all money transactions of the cooperative.

Secretary. The secretary keeps a complete list of all members and maintains complete records of all meetings of the BOD and the GA. He gives notices of all meetings. He keeps and maintains the stock and transfer book and serves as the custodian of the corporate seal of the cooperative.

Education and Training Committee. The Education and Training Committee whose membership is appointed by the Chairman is responsible for the planning and implementation of the cooperatives promotional and educational activities. The vice-chairman of the Board of Directors automatically serves as the Chairman of this committee. This year, there are four (4) members of CAFFMACO's Education and Training Committee. In addition to the Vice-chairman of the BOD as the Chair, the other members include the Chairman of the BOD, an Ex-Officio chairman, a member of the BOD and the personnel officer who is one of the management staff.

Credit and Collection Committee. The Credit and Collection Committee is responsible for the collection of sales on credit extended to members. It is responsible for the implementation of the credit policies of the cooperative. Currently, this committee is composed of four members wherein the general manager of the cooperative is a member.

Management Staff. CAFFMACO has more than 100 employees working full-time. The General Manager takes charge of the personnel and all phases of the business operations.

Under the General Manager is the personnel officer who also acts as the assistant to the General Manager. Member of the management staff has different designations and is under the supervisor of each department where they belong. The various departments are quality control section, accounting and finance, purchasing department, sales and marketing, administration, production, warehousing, planning and resource, and special projects.

7.0 The Success Factors

CAFFMACO is indeed a successful cooperative as shown by the financial condition and expansion. With many other cooperatives which tried to operate together with CAFFMACO, and considering that the country's economic woes, how has CAFFMACO able to emerge stable and growing?

As stated by one member of the BOD, the success of CAFFMACO cannot be attributed to a single factor. It is a "concerted effort" by pioneers and support institutions, the member, officers and management staff. The following were identified as key factors to the success of CAFFMACO.

Dedication and voluntarism of members. This factor was crucial during the organization and formative stage of the Cooperative. It was noted that there should have been 44 cooperators, but 16 gave up leaving the 28 pioneering members the work and later the glory. One cooperator relates that they used their own money to process the papers and do the tedious work of registration during the beginnings of the Cooperative.

Supporting institutions. The support from institutions such as IIRR, PCU, PRLC, CIAC and GFFHC were invaluable for the success of CAFFMACO. Its early years were marked by assistance in the form of training, expertise sharing, and financing from these institutions. It was through the help of these institutions that enabled the cooperators to learn how cooperative works and how it is managed. They were also able to learn the technical aspect of feedmilling. With their meager capital contribution, they were able to acquire their own facilities, through the support IIRR and GFFHC. The support of these institutions was supplemented by the commitment of their respective heads to extend help to the needy. An institution would not act if not for the people managing it. The vision of establishing a feedmill to help the farmers was present in the people serving in these institutions.

Currently, the cooperative is *cooperating and operating with existing federations and unions* such as the Cooperative Union of the Philippines (CUP), Cooperative Union of Cavite (CUC) and Cooperative Union of Southern Tagalog (CUSTI). It also works in partnership with the Cooperative Development Authority (CDA), Office of the Governor of Cavite, municipal and barangay officials of Silang and Dasmariñas, Bureau of Animal Industry (BAI), Cavite Hog Raisers Cooperative, Cooperative Bank of Cavite, Inc., Philippine Hog Raisers Association, Land Bank of the Philippines, and many other institutions and organizations. These institutions also provide varying support to the Cooperative such as training, and credit.

Emphasis on Continuous Education and Training. The *continuous education and training program* of the cooperative has played important role in their success.

The initial cooperators of CAFFMACO had training before they went in organizing the cooperative. Even after the registration of the cooperative, a continuous training was given to the members most especially to the new ones. It is a requirement that any farmer interested in joining the cooperative should attend a pre-membership seminar before he becomes a member.

Education and training promotes *transparency* in the affairs of the Cooperative. Members were informed about their rights and obligations. They were taught how to improve their own projects and thus continuously patronize the Cooperative. For inactive members, they were informed on how to avail of the hog dispersal project, and encouraged to start raising hogs again. The members are informed and encouraged to participate in the activities of the cooperative through the quarterly *CAFFMACO newsletter*.

The employees, who are responsible in providing quality feeds and services to the members, were also given continuous training to enhance their skills and professional experience, and strengthen cooperative values. A sample of seminars and trainings attended and conducted by the Cooperative is shown in one of the reports of the Education and Training Committee (Table 6). From the sample report, it is shown that almost all the employees have had a training or seminar.

Membership patronage of their product. One member interviewed said that since starting his own livestock farm, he used only CAFFMACO feeds. The members have shown faithful patronage of their Cooperatives. Despite competition from other feeds, the members continue to patronize their products.

Competent and efficient management and staff. The Cooperative has a competent manager who has been in the post since 1991. He served as a member of the BOD before he became the General Manager. His competence in managing the Cooperative was brought about by his education and experience with multinational companies such as American Airlines, Boeing, and CibaGeigy. He is a workaholic person. The employees confirmed that he arrives the earliest in the office at around 5:00 AM, sometimes even earlier. His dedication to the

Cooperative could partly be attributed to his large contribution in the capital of the Cooperative and to the benefits he receives being a livestock raiser himself. He was, for many consecutive years had been awarded the outstanding individual member for having the most volume of feeds purchased.

The employees, who are responsible for the daily operations of the Cooperative perform well. With the personnel management principle that employees should be provided with not just monetary but also non-monetary incentives, the employees prefer to work with the Cooperative rather than work somewhere else.

Aside from regular employees, the Cooperative also sought the services of consultants such as a feed nutritionist from University of the Philippines Los Baños (UPLB) and a legal consultant. The feed nutritionist ensures that best feed formulation is available to the members. The legal consultant, on the other hand, is responsible in helping to instill discipline among the membership and to settle conflicts within and outside the Cooperative. Delinquent members are those who do not pay their debts despite notices are obliged to cooperate. This way, losses to the Cooperative due to bad debts are minimized.

Competent and dedicated officers. CAFFMACO is managed by competent officers who spend quality time for the cooperative. They attend meetings regularly. BOD meetings exceed the minimum requirement of once a month. Resolutions are discussed in detail resulting in clear provisions and guidelines of every program and project implemented. The competence and dedication of these officers is instrumental for the yearly improvements in the services of the Cooperative.

The *autonomy* of each body of elected officers of the cooperative plays important role in providing true information about the Cooperative. There is check and balance relationship between the Board of Directors (BOD), Audit and Inventory Committee (AIC), and Election Committee (EC). The EC screens qualification/disqualification of candidates for elective positions as well as

members who are allowed to vote. The BOD passes policies and approves projects discussed and evaluated while the AIC checks not only the records and inventories but also the performance of officers and employees including the members of the BOD. This sometimes leads to conflict within and among each body. The conflict is often resolved through their own initiative of being open about the issue on hand. They allow constructive discussion of issues brought before their attention.

Table 6. Sample list of seminars, conferences, trainings attended by CAFFMACO staff, employees and officers, 1997, Silang Cavite.

DATE OF TRAINING	TYPES OF ACTIVITIES	NO. PARTICIPANT	NAME OF PARTICIPANTS
04/22/97	NIR System's Near-Infrared Spectroscopy Seminar	1	Vanjie Amondente-Laboratory
04/24-05-31/97	Molave Trading Basic Computer Skills Training Program Kidlat Computer Shop atbp. Inc.	9	M.Ditangan – Warehouse N. Peji – Personnel E. Manimtim – Sales & Mktg. G. Harina – Accounting A. Cervantes – Accounting A. Bergonio – Accounting Ma. Luisa Cervantes – Accounting V. Villela – Accounting K. Lloren – Accounting
05/10/97	Pre-Membership Seminar	37	New Members
05/10/97	Swine Management Seminar Foot and Mouth Disease Cordline Veterinary Products	37	CAFFMACO Members
05/28/97	1997 – Operational Management of Cooperative Under the Rule of CDA and BIR Tax Studies and Research Center, Inc.	3	E. V. Camañag – Personnel A. C. Bergonio – Accounting V. Villela – Accounting
05/31/97	CAFFMACO SUMMER OUTING AND TEAM BUILDING	100	CAFFMACO Employee & Family
05/15-30/97	Inter-Barangay Basketball Tournament Community-Goodwill and Camaraderie	15	CAFFMACO Basketball Team
06/17-18/97	Inventory Planning and Control Pacific Management Forum	4	L. Calitis – Purchasing L. Calitis – Purchasing N. Timola – Production L. Ditangan – Warehouse
01/31-02/01/97	Systems Thinking and Strategic Planning Process (CUC)	2	O. Tayko – V. Rodil

04/25-27/97	CUP-CPA Cooperative Program Implementation Workshop	1	O. Tayko
06/21-09/20/97	Computerized Accounting – Informatics J. Casuco – Sales and Marketing	1	V. Rodil
07/01-04/97	First Animal Feeds and Veterinary Drug Congress Phil. Vet. Drug Ass. And Bureau of Animal Industry	1	Vanjie Amondante-Laboratory
07/12/97	Dealership Seminar CAFFMACO EdCom	43	CAFFMACO
07/26/97	CAFFMACO wnership summit Seminar CAFFMACO EdCom	45	CAFFMACO Members
07/17-18/97	Simplified COOP Auditing Seminar Cooperative Union of the Philippines	2	L. Ganuelas – AIC M. Hayag – AIC
08/09/97	Pre-Membership Seminar	56	New Members
09/06/97	Dealership Seminar CAFFMACO EdCom	30	CAFFMACO Members Dealers
09/24-26/97	GAA and IIRR Evaluation- CAFFMACO	15	BOD and Management
09/30-10-5/97	GAA and IIRR Evaluation SAPODECO – Bicol	1	E. V. Camanag – Personnel
11/5-7/97	Third National COOP Summit in Cebu Cooperative Development Authority CDA	8	BOD – O. Tayko, A. Abarquez, V. Ambulo, R. Herrera AIC – L. Ganuelas, G. Bayan, V. Rodil, GM – J. A. Trinidad
11/11/97	Pre-Membership Seminar	42	New Members
10/16-18/97	Advance Trainor’s Training (CUSTI)	2	O. J. Tayko – V. Rodil
10/28-29/97	CDA-UNDP Consultative Conference on Local Governance	1	N. J. Tayko
11/27/97	New Policies & Procedures in Corporate Benefits Administration Under RA8282 Tax Studies and Research Center, Inc.	3	E. V. Camanag – Personnel A. C. Bergonio – Accounting V. Villela – Accounting
11/27/97	1997 Modified Corporate and Individual Income Tax System and the New BIR Administrative Requirements in Computerized Bookkeeping Tax Studies and Research Center, Inc.	3	E. V. Camanag – Personnel A. C. Bergonio – Accounting V. Villela – Accounting
11/09/97	Libreng Gamutan Para sa Kalusugan CAFFMACO Outreach Community Program	300	Community
12/27/97	1997-1998 Updates on Individual Corporate Tax Administration and Modified Taxation Under Comprehensive Tax Reform Program (CTRP TSRC – Navin Philis.	3	E. V. Camanag – Personnel A. C. Bergonio – Accounting V. Villela – Accounting
12/29/97	Tax Amnesty Program – BIR Revenue District Officer	2	V. Villela – Accounting M. Peji – Personnel
12/10-12/97	COOP Management and Leadership Training Using Brain	3	AIC – Lito Ganuelas Elecom - Glicerio Bayan D.Locsin
Oct. 1997	Literary Approach Cooperative Month Celebration	6	Management Staff, manager, BOD and Election Committee
July 1997	Nutrition Month Celebration	1	A. C. Bergonio
Jan. 30–Feb. 97	Regional Cooperative Congress Festival	7	G.M. – Mgt. Staff
12/03/97	Forum: Doing Business with Coops	3	O. J. Tayko, V. Rodil, J. A. Trinida

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Motivated Labor Force. The Cooperative employs 100 persons in year 2000. Management of personnel is guided by the principle that the staff will render excellent job if they are given good working condition, excellent benefits and right values. CAFFMACO provides air-conditioned rooms, above minimum wage, salaries, and continuous training to employees.

The major benefits received by CAFFMACO personnel are:

- Standardized salaries which are above minimum pay;
- Mid-year and year end bonus both of which are 200% their monthly salaries;
- Insurance and health plan;
- Retirement plan;
- Incentive pay scheme;
- Yearly clothing allowance;
- Training and seminars local and abroad;
- Vacation and sick leave with pay;
- Compassionate leave of sevens (7) days with pay; and
- Representation and transportation allowance on official business trip.

CAFFMACO claims to be the highest paying institution in Silang and even in the whole province of Cavite. The General Manager even boasts that CAFFMACO's employees receive benefits better than the employees of San Miguel, a conglomerate.

8.0 Past Problems and Resolutions

Decreasing number of members in good standing (MIGS). From 1993 to 2000, the average number of members in good standing was only 46%. This means, only 46% of the total membership can participate in the General Assembly (GA) of the Cooperative. The quorum for the GA, however, is only 25% of MIGS.

To increase the number of MIGS, the Education and Training Committee did a survey on why they do not attend the GA and not raising livestock anymore. From the survey, they found out that many members lack capital to start the business again. The cooperative then went on with the program of swine dispersal where the members can start raising livestock by just preparing the pigpen. Ownership Seminars were also held with the purpose of letting the members understand why they should participate in the affairs of the cooperative.

Credit Delinquency. Payment of debt is a common problem of businesses involve in sales. To encourage payments of debt/obligation, CAFFMACO introduced new credit policies and amnesty wherein the member who are in debt pay for sometime can only the principal.

Mortality of hog. To reduce the mortality of hogs under the dispersal program, the Cooperative provides free consultation for the animals through its veterinarian. The members also can request free training on livestock raising. In this way, the members' enhanced skills in hog raising and consequently reduces the mortality of hogs under the program.

Shortage of cash to buy raw materials. Before the current manager took over, the Cooperative had difficulty acquiring raw materials on time because of shortage of cash. As a result, production of feeds was irregular, only when raw materials were available. The members have to wait in queue to have some feed for their livestock. The present manager solved this problem by establishing credit lines with suppliers.

Low price of hogs. Members of the Cooperative marketed their finished hogs individually. As a consequence, the price is dictated by middlemen. To improve the benefits of members, the Cooperative went into meat processing to increase member's income.

9.0 Concluding Remarks

CAFFMACO was organized with the objective of providing the members with a means of livelihood and continuous supply of quality and affordable feeds. Non-government and government organizations such as IIRR, PRLC, and CIAC played important roles in its organization by providing training and financial support.

For about 24 years of existence, it has grown into a multimillion peso cooperative. It has not just continuously supplied quality feeds to members but also provided complimentary services such as market, technical assistance, supply of farm inputs, and capital. It continues to expand its services and plans to diversify into other ventures that would serve the needs of the members.

Its success can be attributed among others to:

- ✍ dedication of the cooperators;
- ✍ support coming from some BAI (DA) and non-governmental organizations (NGOs) ;
- ✍ competent and dedicated officers ;
- ✍ competent and dedicated management and support personnel;
- ✍ continuous education of member, and
- ✍ participation of members in the activities of the Cooperative.

Indeed, CAFFMACO has provided members services that could not be availed of from any other establishments. If these services can be made accessible to other farmers by other cooperative organization in other provinces of the country, there is no doubt that their lives will improve, in particular and agriculture in general.

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Annex C
SOROSORO IBABA DEVELOPMENT COOPERATIVE (SIDC):
A CASE STUDY²

1.0 Brief Background

Sorosoro Ibaba is a peaceful barangay in the eastern part of the City of Batangas and is one of the four barangays composing the Sorosoro Area, namely: Sorosoro Ilaya, Sorosoro Karsada, Tinga Itaas, and Sorosoro Ibaba.

In the 1960's the locality was in serious economic difficulty. The residents practically lived in isolation from the rest of Batangas City due to the inaccessibility of the area by land transportation. Roads were unpassable and construction was abandoned. It was difficult to market farm products and procure inputs.

During those times, farming was the only source of living of the residents but produce was not enough to feed their families much less to provide for other basic needs. In order to survive, aided by strong faith in God, farmers thought of venturing into another sources of living; poultry and swine raising. The economic difficulties cause by poor performance of their farms and poor roads system coupled by the needs of the new sources of living drove the residents to devise means to improve their living.

As a measure to address the situation, farmers decided to form an organization which will answer their needs, hence, the birth of the Sorosoro Ibaba Farmers Association, now well known as Sorosoro Ibaba Development Cooperative (SIDC).

The organization and development of SIDC was steered by the pioneers, most notably Mr. Victoriano Barte now recognized as the "Father of SIDC". Mr. Barte acted as President and General Manager at the time SIDC was formed and remained the leading

² Prepared by Eulogio T. Castillo and Winifrida David-Medina, Professor and Asst. Professor, respectively, Agricultural Credit and Cooperatives Institute, College of Public Affairs, U.P. Los Baños, College, Laguna, November 16, 2001.

figure in the stewardship of the Cooperative to what is now as one of the most successful farmers cooperatives in the Southern Tagalog Region.

Sorosoro Ibaba Farmers Association was organized on March 19, 1969 through the efforts of Mr. Victoriano Barte and was registered with the Securities and Exchange Commission on March 26, 1969.

In 1972, it was renamed as the Samahang Nayon ng Sorosoro Ibaba, Inc. in compliance with the new cooperatives development program of the government under Martial Law.

In November 1978, it was registered with the then Bureau of Cooperatives Development (BCOD) as the Sorosoro Ibaba Consumers' Cooperative.

When cooperatives were put under the supervision of the then Ministry of Agriculture in 1983, it was renamed as the Sorosoro Ibaba Development Cooperative. SIDC was re-registered with the Cooperative Development Authority (CDA) under Republic Act 3969 in 1990.

SIDC has the vision of being the prime mover of development in the community by providing quality products and services. It shall live by its principles: service over profit, pro-God, pro-People, and pro-Nature. It shall continue to become competitive with other leading private business organizations with the end of uplifting the quality of life in the community that is inspired by the true spirit of cooperativism.

2.0 Growth of SIDC

SIDC from its modest beginning has grown into a multi-million peso and multi-business cooperative influencing the welfare of its members and community.

Membership. SIDC had an initial membership of 59 most of whom were residents of the Sorosoro Area. Membership as of May 31, 2001 was 2,098. Aside from members coming from the Sorosoro Area, others were from 58 barangays of the City of Batangas and other towns of Batangas province. Some of the members were from the other provinces in the region.

Capitalization. SIDC had an initial capital of P11,800 (P200 from each member) which was used to construct a goods store which sold basic commodities, veterinary supplies, and feeds for poultry and hog raising. In the year 2000, members' capital was P74.639 million, excluding the additional capital contribution of P1.281 million for tilapia raising.

Net Savings. Net savings have positively and consistently grown from a little more than P10,000 in 1969 to P33.91 million in year 2000 (Table 1). Negative net saving was realized only in 1972, the year when members' poultry were wiped out by an epidemic. Net savings reached the million mark in 1985 and reached P54 million in 1999, the highest for the period 1985-2000.

Lines of Business. From its initial operation of consumer goods store (1969) and trading of veterinary supplies and products including feeds, SIDC has ventured into multiple lines of other business in support of members' farm business, household needs, housing, credit, and entertainment.

3.0 Business Activities, Services, Plans, and Recognition

SIDC is now engaged in a number of business activities and services beneficial to its members, in particular, and to the community, in general.

Business Activities

Contract Growing (since 1972). Known locally as the “paiwi system”, this has contributed a lot to the development of SIDC. It has given the members a good means of livelihood with limited capital. Under the system, a member can avail the following: 80 heads of fatteners, 15 heads of breeders, 800 heads of broilers, three (3) heads of cattle breeders, stocks, feeds, veterinary services, marketing services, and loan for pig pens.

A member can avail of all these at one time as long as he has the required housing and support facilities for contract growing. The cooperative provides the livestock and all the expenses related to raising the livestock such as feeds, veterinary supplies, technical assistance as well as marketing service. Profits are shared equally by the cooperative and the member-raiser.

Feedmilling. To ensure adequate and high quality supply of feeds for swine and poultry raisers, SIDC constructed its own feedmill in 1987. It is located over a 7,572 square meter-land in Sorosoro Karsada, Batangas City. The feedmill produces daily 4,000 bags of feeds on the average, enough to meet the requirements of its members.

It has expanded its warehouse to produce aqua feeds. It now possesses pelletizing machine and other semi-computerized gadgets.

Feedmilling is supported by two corn silos with storage capacity of 1,500 metric tons each. The silos were used starting the year 2000.

SIDC offers rebates and discounts for large volume of purchases and trucking rebates for direct purchase of feeds.

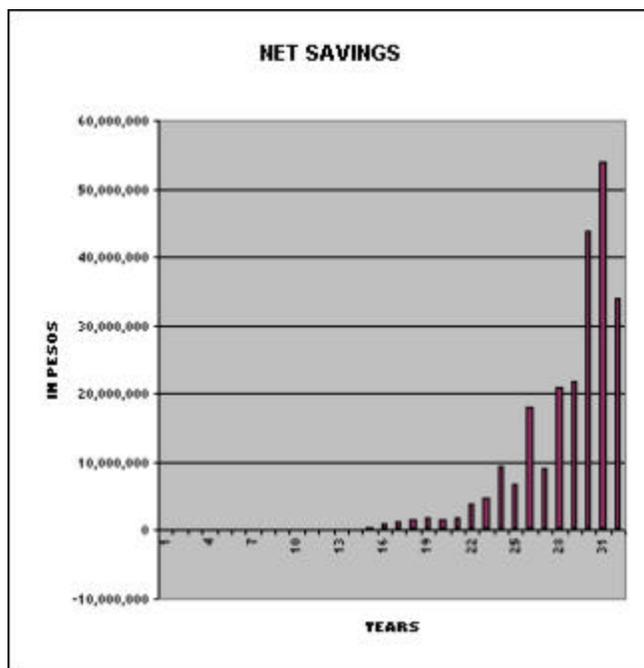
Expanded Credit Line (ECL.) This is intended for hog fattening and hog breeding projects for members who are in need of additional capital for their own businesses. A member can avail of a maximum loan of P200,000 for hog fattening and P90,000 for hog breeding, payable in very affordable terms of five (5) months for hog fattening and seven (7) months for hog breeding) at 18% interest per annum. The loans require real estate collateral and are released in kind.

Another project under this program is ECL – Hog Pen. A member can borrow as much as P50,000 to construct hog pen to start a business.

Minimart Business. To avoid the inconvenience of going to the city market, SIDC decided to expand its consumer goods store into a minimart; offering a variety of merchandise at affordable prices from household commodities to agricultural inputs. Its operation is semi-computerized and offers a 30-day credit for members.

With the minimart, members can now buy their household and farm needs without the traffic hassle in going to the city plus a rebate of course, through their patronage refund.

Table 1. Net Savings, Sorosoro Ibaba Development Cooperative, Batangas City, 1969-2000.



Source of data: SIDC, Batangas City

YEAR	NET SAVINGS
1969	10,022
1970	13,566
1971	20,831
1972	(7,000)
1973	10,860
1974	38,056
1975	60,947
1976	74,856
1977	112,560
1978	61,701
1979	121,248
1980	153,286
1981	217,726
1982	238,801
1983	432,968
1984	860,852
1985	1,236,753
1986	1,609,854
1987	1,897,981
1988	1,702,785
1989	1,895,274
1990	3,773,357
1991	4,622,220
1992	9,238,080
1993	6,810,930
1994	17,943,672
1995	9,139,413
1996	20,907,654
1997	21,848,893
1998	43,712,426
1999	54,010,026
2000	33,908,371

Small Stalls Operation. SIDC opened to the public three (3) meat stalls (December 10, 1989) in Batangas City market to serve as outlets for the hogs produced by the cooperative members. It has also two (2) meat stalls in Alabang, Muntinlupa, Metro Manila.

Prices for all the meat at the stalls are kept reasonable not only to cooperative members but also to the general public.

Hog Selling Pen. As a measure to facilitate the sale of hogs of members and hastening the hog-selling, SIDC constructed a hog selling pen where members can hold their hogs for sale at the convenience of the buyers. The pig pen is equipped with an electronic weighing scale and charges fees for every kilo of hogs weighed.

Selling of hogs in this manner provides convenience to the buyers since they no longer have to go to the separate places of the member-raisers to procure the hogs. Some member-raisers live in remote areas which are almost inaccessible and going there is costly and inconvenient.

Rolling Meat Shop. As an answer to the increasing demands for fresh, safe, and high quality meat at reasonable prices, SIDC launched a Rolling Meat Shop (RMS) to deliver cut fresh meat to the community, hotels, canteens, and restaurants in the City of Batangas.

A daily average of 1,300 kilos of choice cuts are delivered to the patrons. Deliveries are done through a SIDC van attended by highly trained staff.

The Rolling Meat Shop now serves large industrial parks both in Batangas and Laguna.

Aqua Culture Business. SIDC also ventured in Tilapia/Bangus in Cages Production in Barangay Bili-binwang, Agoncillo, Batangas. Each cage contains 15,000 fingerlings; production is done every 3.5 to 4.0 months.

The cooperative is also engaged in the “Tilapia Mo, Tilapia Ko” project where members who cannot raise tilapia on their own can invest a minimum amount of P5,000 per cage. Profit realized on this venture is shared proportionately according to capital contribution by the cooperative and the member-investors.

Rentals of Facilities. Because of its growing membership, SIDC bought chairs, tables, and other facilities for general assemblies. But for the rest of the year, these facilities remain idle. This led the officers to think of ways to maximize the use of these facilities. They thought of renting these out to members as well as non-members.

In addition to chairs, tables, SIDC also rent out shuttle van, demountable (collapsible) sheds (19), water faucets/tanks (4) and chafing dishes/food warmers (33).

Applications/reservations should be made at least one week before the use of facilities. Members enjoy discounted rentals at the following rates:

Tables (33)	-	P23.00/piece
Chairs (400)	-	P 5.00/piece
Stainless Water Tanks (100 gallons)	-	P250.00 (per unit)
Chafing Dishes (Food Warmers)	-	P50.00 per unit
Shuttle Van	-	P2,000 per day to Manila
Collapsible Shed	-	P1,200-P1,700 per unit

Non-members pay 50% more than what the members pay for the same facilities. The cooperative requires down payment for users; balance is paid upon installation/delivery of the facility.

Savings Mobilization Program. SIDC launched its Savings Mobilization Program on September 28, 1995 to enhance the value of thrift and financial discipline among members. Time and regular savings deposits with competitive rates of interest are available to regular and associate members.

The cooperative gives five percent (5%) interest per annum for its regular savings deposits compounded quarterly while interest on time deposits can be as much as 12.5% per annum. Interests given on time deposits depend on the amount and maturity of deposits. Premium rates are given to loyal patrons and an incentive trip awaits the “Year’s Outstanding Depositor.”

Interest can be withdrawn regularly. Depositors are attended to by courteous tellers and clerks.

Artificial Insemination Services (A-I Services). On March 4, 1998, SIDC started operating its Artificial Insemination Center. Its aim is to provide members with high quality piglets for hog breeding/raising business at affordable artificial insemination services. Eight high grade boars are maintained in the Center and are handled by three (3) skilled technicians. The artificial insemination services yield very good operational results.

Pig Farm. Aside from A-I Services, SIDC established its own pig farm in July 1999 as another means of providing hog breeding/raising members with high quality piglets. This multi-million piglet multiplier farm is located in Barangay Dagatan, Taysan, Batangas.

The pig farm is designed to accommodate 1,500 sows capable of producing 50,000 high quality piglets for sale to members.

Experimental Farm. SIDC's experimental farm is located in Tinga Itaas, Batangas City. Through this project, members are ensured with tested feed formulation, feeding technology, and growing facilities.

Meat Shop. A meat shop was organized in June 2001 to further assist members in the sale of their produce. This is in addition to the rolling meat shop and meat stalls in Alabang and Batangas City.

Satellite Master Antenna Television Services. The cooperative put up its own Satellite Master Antenna Television (SIDC-SMATV) providing its members with 21 TV channels.

About 750 members from Sorosoro Ibaba, Sorosoro Ilaya, and Tinga Itaas are served by this cable T.V. SIDC offers the service at very affordable rates of P175 per month. The member-users may pay monthly rental in cash or through deduction from patronage refunds at the end of the fiscal year.

SMATV occupies a space at the third floor of SIDC building for control switches, monitors and decoders; and the rooftop of the building for parabolic satellite discs and other receivers.

The initial investment for this project was close to P5.0 million.

Coop Pabahay. Housing loans are provided through this project which started in December 1999. Loans are granted to the members and employees of the cooperative who are aiming to construct or purchase a house. The maximum loanable amount is P500,000 which is payable in 15 years.

The Services

SIDC is providing its members with the following services:

Free Medical Check-up/SIDC Care. By hiring its own physician, SIDC is able to provide free medical check-up to all its members and their nearest relatives.

Aside from free medical check-up, under SIDC-Care program, members may avail of medical subsidy up to 50% of their hospital bills.

Scholarship Grants. Deserving sons and daughters of indigent members may avail of scholarship grants from SIDC provided they meet the minimum grade requirements. The grants include tuition and miscellaneous fees plus monthly allowance during the period of study.

During summer, the scholar is given the option to undergo on-the-job training in the cooperative at a minimum wage in the form of allowance.

The first graduate (Raquel Catamora) under the program is now employed with SIDC. At present, SIDC has five (5) high school and five (5) college scholars. One of the college scholars is now presently enrolled in U.P. Los Baños taking up veterinary medicine. After graduation, she may be hired as a veterinarian under the free veterinary services program of the Cooperative.

The other (4) College scholars are enrolled in the different colleges in the province of Batangas.

Study Now, Pay Later Program. This program is offered to scholarship applicants who failed to meet the minimum grade requirements.

Barangay Development Fund. SIDC has a reserve of more than P1.0 million (as of 2000) for its Barangay Development Fund. This fund is intended to support the councils of nearby barangays in their development projects. This is in response to the seventh ICA universally approved/accepted cooperative principle of concern for the community.

Pollution Control. Another service to the community is SIDC's efforts to minimize pollution in the area. SIDC sends its concerned members to seminars to gain basic information on the use of swine wastes biogas production. In addition, the cooperative is now conducting training on the production of organic fertilizers from wastes.

SIDC is now planning to put-up more sophisticated system of preventing/controlling pollution by operating a waste and water treatment plant in Batangas City.

Newsletter Publication. SIDC has a quarterly newsletter called SIDCKAT. The newsletter is a step to keep the members abreast of what is happening in the cooperative, in particular, and in the community, in general. This is also one way of fostering the spirit of cooperativism among members through the print medium. Through SIDCKAT, members as well as non-members are informed of the events, activities, plans, and news in the cooperative and community.

Job Placement. SIDC gives priority to qualified members or their nearest relatives in the hiring of employees. SIDC gives competitive compensation and benefit packages to its employees.

Mortuary Aid. SIDC grants P15,000 mortuary aid for the bereaved family deceased member. This is another way of extending help to members and their families in times of difficulty.

Seminars and Training. To upgrade the knowledge of members in their lines of business and make them more profitable, SIDC provides free appropriate training and seminars to the members.

Outreach Program. This is a fund raising project designed to extend help to less fortunate brothers and sisters in the community and other places especially during Christmas. In 1997, SIDCKAT staff spearheaded the Miss SIDC '97 Beauty Quest to extend assistance to the less fortunate residents of the community. In 1998, SIDC was also able to help residents in the Smokey Mountain from the funds it collected from the project SIDC-Rama (movie showing). In December 1999, bags of goods were distributed to poor patients in the Batangas Regional Hospital.

It is now a tradition of SIDC to reach out to poor families in the community and other places during Christmas season.

Marketing and Technical Assistance. Aside from free training and seminars, SIDC extends marketing assistance to assure disposal of members' produce. In addition, technical assistance is provided for the smooth and successful business operations of the members.

Library Services (SIDC Library). SIDC has a library with a good collection of books, reading and reference materials. Those who are in need of reference materials are invited to visit and use the cooperative's library. The library is also open to students who are in need of the services of SIDC library for their research activities.

Business Plans

SIDC is committed to further expand services to members by pursuing related projects in the future. Under its ten-year development plan, SIDC intends to pursue the following for future expansion: Waste/Water Treatment Plant, Gasoline Station with Auto Shop, Continuous Development of Meat Processing, Feed Nutrition and Testing

Center, Diagnostic Laboratory for Animal, Supermarket, Training Center and Resort, and SIDC Rural Bank.

Recognition and Awards

Invariably SIDC has demonstrated exemplary performance in the conduct of cooperative business, in serving its members and the community where it belongs. Various agencies have given notice of this distinction and granted SIDC various recognition and awards, to wit:

- ❖ Most Outstanding Small Farmers Organization of the Philippines (1989) presented by the Department of Agriculture. SIDC received a certificate as well as a cash award of two hundred thousand pesos (P200,000) from the then President Corazon C. Aquino.
- ❖ Best in Profitability (Gawad Pitak 1993, 1994, 1995, 1997). A trophy and a cash prize of P25,000 for each year of award presented by the then President Fidel V. Ramos.
- ❖ Best Coop Citizen (Third Place – Gawad Pitak Award 1996). Received a trophy and a cash prize of P25,000 for the service SIDC rendered to the community.
- ❖ Third Most Outstanding Cooperative (Gawad Pitak 1996). Received a trophy and a cash award of P300,000.
- ❖ Most Outstanding Cooperative (Gawad Pitak 1997). SIDC was given P500,000 cash award and qualified for the Gawad Pitak Hall of Fame.
- ❖ Best of Hall of Fame (Gawad Pitak 1998). The highest award that a cooperative may receive from the Gawad Pitak of Land Bank. A one million-peso cash award was given to SIDC.
- ❖ Most Outstanding Filipino Enterprise (Kabuhayan Awards, 1998). The Livelihood Corporation gave SIDC P100,000 for the award.
- ❖ Outstanding Social Enterprise for People Development (People Development Awards 1998) – Presented by the University of Asia and the Pacific.

- ❖ Most Outstanding Agricultural Multi-purpose Cooperative. Presented by the Cooperative Development Authority, 1999. A trophy of recognition and cash reward were given to the cooperative.

In 1996, SIDC was categorized as “Class A”, the highest one in the Maturity Level, in the Co-op Accreditation Criteria of the Land Bank of the Philippines.

4.0 Business and Financial Condition (1996-2000)

Gross Sales

For the past five years (1996 to 2000), SIDC had shown an increasing volume of sales indicating an increasing number and patronage of its members of the business of the Cooperative. In fact, SIDC membership continuously increased during the period. Increase in membership would mean an increase in the volume of sales of the cooperative since membership is directly proportional to livestock population and demand for feeds and other veterinary products and services.

In 1996, SIDC realized gross sales amounting to P443.62 million. Sales were up by 8.2% in 1997, 38.4% in 1998, 0.30% in 1999 and 38.4% in 2000 (Tables 2 and 3).

The average gross sales per year in the last five years was P635.27 million (Table 2).

Cost of Sales

SIDC incurred P413.34 million cost of sales in 1996; P446.21 million in 1997; P599.78 million in 1998; P586.20 million in 1999; and P856.88 million in 2000.

Percentage of cost of sales to gross sales over the last five (5) years were 90% to 93% except in 1999 which was 88.0%. (Tables 2 and 3).

Net Surplus

For the period 1996-2000, net saving fluctuated but in general still in an upward trend from the P20.91 million in 1996. Net surplus reached P54.01 million in 1999, the highest for the period. Incidentally, this is the year when cost of sales was the lowest. (Tables 1 and 2).

Percentage wise, net savings realized by SIDC in proportion to gross sales ranged from 3.7% (year 2000) to 8.1% (1999), the year net savings were also the largest in absolute amount, P54.01 million.

Operating Expenses

SIDC incurred P13.63 million for its operating expenses in 1996. Operating expenses steadily increased to P18.67 million in 1997 to P25.93 million in 1998 to P31.42 million in 1999 and P39.28 million in 2000.

The average operating expenses per year for the last five years was P25.79 million. Operating expenses ranged from 3.1% to 4.7% of gross sales for the period 1996-2000.

Table 2. Selected accounts (in million pesos), SIDC, Batangas City, 1996-2000.

ACCOUNT	Y E A R					AVERAGE
	1996	1997	1998	1999	2000	
Gross Sales	443.62	480.02	664.43	666.20	922.07	635.27
Cost of Sales	413.34	446.21	599.78	586.20	856.88	580.48
Operating Expenses	13.63	18.67	25.93	31.42	39.28	25.79
Net Savings	20.91	21.85	43.71	54.01	33.91	34.80

Table 3. Percent of selected accounts to gross sales, SIDC, Batangas City, 1996-2000.

ACCOUNTS	Y E A R					AVERAGE
	1996	1997	1998	1999	2000	
Gross Sales (in million pesos)	443.62	480.02	664.43	666.20	922.07	635.27
Cost of Sales (%)	93.2	93.0	90.3	88.0	92.9	91.4
Operating Expenses (%)	3.1	3.9	3.9	4.7	4.3	4.1
Net Savings (%)	4.7	4.6	6.6	8.1	3.7	5.5

Assets

SIDC had total assets amounting to P80.39 million in 1996. Total assets increased continuously in 1996-2000 reaching a level of P265.67 million in 2000.

Percentwise, amount of assets owned by SIDC increased from 1996 level of P80.39 million by 45.9% in 1997; 37.0% in 1998; 20.9% in 1999; and 36.8% in 2000. (Tables 4 and 5).

Liabilities

The cooperative had total liabilities amounting to P31.35 million (1996); P56.37 million (1997); P105.10 million (1998); P114.56 million (1999); and P162.69 million (2000).

An increase per year on SIDC's liabilities can be observed. From 1996 level, total liabilities increased by 79.8% in 1997; 86.4% in 1998; 9.0% in 1999; and 42.0% in 2000. (Tables 4 and 5).

Members' Equity

Members' contribution to the cooperative's capital amounted to P49.03 million (plus P17.58 million retained interest and patronage refund) in 1996; P60.89 million (plus P18.07 million retained interest and patronage refund) in 1997; P55.51 million in 1998; P79.65 million (plus an additional capital of P0.62 million for tilapia raising) in 1999; and P102.98 million (plus P1.28 million additional capital for tilapia raising in 2000).

Members' regular contributions steadily increased from P49.03 million in 1996 to P102.98 million in 2000. There was an average annual increase of 22% of equities from 1996 to 2000 (Table 5).

There were years (1996 and 1997) when interest and patronage refund were retained to augment members' regular capital contributions. In some years (1999 and 2000) members who were interested to raise tilapia who on their own cannot, contributed additional capital for the cooperative's tilapia raising project. Unlike the members' regular capital contribution, these additional contributions can be withdrawn by the members.

Table 4. Total assets, total liabilities, and total equities (in million pesos), SIDC, Batangas City, 1996-2000.

I T E M	Y E A R				
	1996	1997	1998	1999	2000
Total Assets	80.38	117.26	160.61	194.21	265.67
Total Liabilities	31.35	56.37	105.10	114.56	162.69
Total Equities	49.03	60.89	55.51	79.65	102.98

Table 5. Percent increase of total assets, total liabilities, and total equities from 1996 to 2000, SIDC, Batangas City.

I T E M	Y E A R			
	1996-97	1997-98	1998-99	1999-2000
Total Assets	45.90	37.00	20.90	36.80
Total Liabilities	79.80	86.40	9.00	42.00
Total Equities	24.19	(8.84)	43.49	29.29

5.0 Analysis of Financial Condition

The financial condition of the Cooperative for 1996-2000 was analyzed in terms of profitability, liquidity, and stability. Looking at the said parameters, the Cooperative business appeared profitable, liquid, and fairly stable.

Profitability

Profit Margin. Table 6 shows that the net savings as a proportion of gross sales fluctuated from 4.7% in 1996 to 8.1% in 1999 and down to 4.32% in 2000.

The years 1998 and 1999 were good years in terms of profitability. Although years 1996, 1997, and 2000 did not reach 5%, they can still be considered fair operating profit.

This ratio had direct relationship with operating expenditure and net sales.

Return on Assets (ROA). This ratio points to the earning capacity of the assets of the Cooperative. It is translated into the net profit attributed in the utilization of the total assets by the entity in business operation.

The ratio showed that total assets were earning quite well in the years 1996 (26.0%); 1998 (27.2%); and 1999 (27.8%). However, when assets increased in 1997 by 85%, coupled with an increase in net savings of only P0.9 million, ROA in 1997 declined to 18.6%. Similarly in year 2000 the increase in asset investment of 57% and the decrease in net savings of P20.0 million over 1999 resulted into a decline of return on assets (12.8%).

Return on Equity (ROE). The ROE of the Cooperative for 1996-1999 was very high. ROE was 94.2% for 1996, 70.2% for 1997, 113.1% for 1998, and 97.1% for 1999. Only in year 2000 where ROE was low, 12.76%.

The decrease of ROE in 1997 over 1996 of 24% was due to the minimal increase of P0.9 million in net savings with an increase of equity of P8.9 million. However, the numerical increase in 1998 of 42.9% over 1997 was due to the combined effect of 200% increase in net savings and almost constant increase in equity (P7.1 million). The decrease of ROE of 52.4% in 2000 over 1999 is partly due to the combined effect of an increase in equity (P20.3 million) and a decrease in net savings (P20 million).

Asset Utilization

Inventory Turn-over. Inventory turn-over measures the rate at which inventory is converted into sales within a year. The year 1996 registered the highest turn-over of 19.8 times; 16.4 times in 1997, 12 times in 1998, 16.2 times in 1999, and 10 times in 2000, the lowest turn-over. This depicts a picture of an erratic trend in the five-year sample period.

Table 6. Financial analysis using ratios, SIDC, Batangas City, 1996-2000.

R A T I O	Y E A R				
	1996	1997	1998	1999	2000
<i>Profitability</i>					
Profit Margin	4.71	4.55	6.58	8.11	4.32
Return on Assets	26.01	18.63	27.22	27.81	12.76
Return on Equity	94.23	70.19	113.09	97.07	44.67
<i>Asset Utilization</i>					
Inventory Turnover	19.84	16.37	11.95	16.25	10.03
Total Assets Turnover	5.52	4.09	4.14	3.43	2.96
<i>Liquidity</i>					
Current Ratio	1.93	1.24	1.05	1.05	1.08
Quick Ratio	1.21	0.71	0.50	0.68	0.60
<i>Stability</i>					
Debt Ratio	0.39	0.48	0.65	0.59	0.61

In terms of days, considering that approximately 10 times is the standard rate, the turn-over exceeded expectation especially in the early four (4) years; the turn-over of 18 days in 1996, 22 days in 1997, 30 days in 1998, 23 days in 1999, and 36 days in year 2000. The over-all turn over picture was promising over the years.

Total Assets Turn-over. This ratio shows the efficiency by which total assets are utilized to produce income (sales). It means that asset must be instrumental in generating revenue several times its value in a year if we are to say that they are being utilized efficiently.

Asset turn-over was on the downward trend for the period 1996-2000 with a rate of 5.5 times in 1996, 4.1 times in 1997, 4.1 times in 1998, 3.4 times in 1999, and about 3.0 times in year 2000.

SIDC made good asset turn-over in 1996 but began to recede in 1999-2000. This indicates that acquisition of assets did not sustain an increased production of revenue (sales). However three (3) times asset turn-over in a period of one year may be considered a fair in performance in asset utilization.

Liquidity

Current Ratio. This measures the ability of the cooperative to meet its current obligations/liabilities and still have spare funds to finance its present operations. The ideal ratio is 2:1.

The liquidity position of the Cooperative was good in 1996 with almost 2:1 but deteriorated in 1997 at 1.2:1, 1.1:1 in 1998, 1:1 in 1999, and slightly improved to 1.1:1 in

2000. The years 1997 to 2000 current ratio indicated that there is a little fund that can be devoted to operations if it were compelled to pay its current liabilities.

In terms of peso value the Cooperative had only P1.24 in 1997 for every peso (P1.00) in current assets, P1.05 in 1998 and 1999, and P1.08 in 2000.

Quick Ratio. A more rigid test of liquidity is to deduct inventories from current assets in relation to current liabilities. The relationship must be put at least P1.00 of quick assets to every P1.00 of current liabilities.

The trend is still receding from P1.21 in 1996, going down to P0.71 in 1997; P0.50 in 1998; P0.68 in 1999; and P0.60 the lowest the in year 2000.

Stability

Debt Ratio. This ratio is a measure of how stable or how bankable the entity is to outside sources/financial intermediaries. The ideal ratio must not be lower than 1.5.

The debt ratios of 0.39 in 1996, 0.48 in 1997, 0.65 in 1998, 0.60 in 1999; and 0.61 in 2000 indicate concern on the stability of the cooperatives.

6.0 Organizational Structure

Like any other cooperative, SIDC has a three-tier organization with the general assembly at the top, followed by the Board of Directors and elected officials, and employees (executives and rank-and-file) at the bottom. The organizational structure is presented in Figure 1.

General Assembly (GA). The GA is the ultimate decision-making unit of the Cooperative. It has the power to elect or appoint officials and remove them for cause; approve and amend articles of cooperation and by-laws; approve development plans of the Cooperative; and act on matters requiring 2/3 vote of the GA.

Board of Directors (BOD). BOD is composed of nine members. It has the overall supervision and control of the operations of the cooperative. It has the authority to create regular and special committees when the need arises and appoint membership of these committees. The Board also defines the authorities, responsibilities, tasks, and privileges of these committees.

Of the nine BOD members, five are heads of the committees created by the Board; the Committees on Sale and Purchase of SIDC Real Properties; Committee on Physical Facilities; Committee on Human Resources Development; Committee on Research and Development; and Committee on Legal Affairs and Fact Finding .

The BOD Vice-Chairman is automatically the Chairman of the Education and Training Committee. The other members of the Committee are appointed by the BOD. One of the members of the BOD acts as the Secretary of the Education and Training Committee. Another member of BOD is in-charge of the contract growing project.

The BOD has a Secretary who is chosen from the general membership.

Audit and Inventory Committee (AIC). The AIC has three members whose duties are to conduct internal audit and to maintain complete reports on audit and inventories. The Board requires this committee to submit quarterly and annual reports to the Board and general assembly, respectively.

Education and Training Committee (ETC). Headed by the Board Vice-Chairman, this committee is responsible for the preparation and implementation of promotional as well as educational activities of the cooperative.

Election Committee (EC). Composed of three members, elected by the members of the cooperative during the general assembly. The committee sets the laws, policies, and procedures in holding elections. It also counts (canvasses) the votes and reports election results. The committee announces (proclaims) the winning candidates and is the deciding body on election matters such as election protests.

Treasurer. She/He serves as the overall supervisor of all finances, debts, and financial documents of the cooperative. She/he takes charge of all records on all financial transactions in the cooperative. The treasurer takes the place of the Board Secretary in his/her absence.

Board Secretary. He/She is the keeper of all records of all the Cooperative and all reports of Board and Assembly meetings. He/she is in-charge of keeping the members informed of every meeting. He/she takes over the responsibilities of the treasurer in his/her absence.

General Manager (GM). He is in-charge of the day-to-day activities of the Cooperative. He has the overall responsibility for all the management and business operations of the Cooperative. He implements the policies and programs formulated by the Board. He is required by the Board to submit annual and seasonal reports to keep the Board abreast of what takes place in the Cooperative.

The GM has the authority to hire, monitor, and fire employees subject to the approval of the Board. He keeps all documents and communications related to the business activities of the cooperative.

As of December 31,2000 the GM supervises SIDC's workforce of 118.

Affiliation of the Cooperative. SIDC as a cooperative business organization is affiliated with various institutions involved in cooperatives and related business such as:

- ❖ Cooperative Union of the Philippines, Inc.
- ❖ Cooperative Union of Southern Tagalog, Inc.
- ❖ Cooperative Union of Batangas, Inc.
- ❖ Batangas City Cooperative Union, Inc.
- ❖ Countryside Cooperative Rural Bank of Batangas, Inc.
- ❖ Orvetco Philippines, Inc. – Lipa City
- ❖ Batangas Federation of Multipurpose Cooperatives
- ❖ Batangas Trading and Allied Services Cooperative
- ❖ Federation of Agri-based Cooperatives
- ❖ Batangas Feedmillers and Growers Association
- ❖ Luzon Chamber of Agribased Cooperatives
- ❖ Philippine-Bavarian Delegates Batch 1997 MPC
- ❖ Batangas City Cooperative Development Council
- ❖ South Luzon Cooperative Consultants, Ltd

7.0 Concluding Remarks

SIDC is an example of a success story in agricultural cooperative. Starting from a humble beginning, it grew to a multi-million peso cooperative serving the interest of members and the community in various ways.

It is blessed to have dedicated pioneers as exemplified by Mr. Victoriano Barte; dedicated officers and employees who carry out the daily operations of the Cooperative; and responsive membership who faithfully assumes the duties and responsibilities.

SIDC had not encountered any major problems since it was organized in 1969 aside from an epidemic in 1972 which wiped out the members' poultry business. To recover from this loss, some members who had extra money, contributed additional capital. In addition, SIDC obtained a loan from a bank using a land title lent to the cooperative by a member as the collateral. The new capital acquired enabled the cooperative to start anew. From a net loss of P7,000 in 1972, SIDC realized a net income of P10,859.57 the following year (1973) and never suffered from any net loss since then.

Despite the economic difficulties confronting the nation, SIDC managed to continuously answer its members' needs. Through its services, the members continually reap benefits from their Cooperative.

The success of SIDC can be gleaned from the comments of Mr. Angelito B. Bagui, the Chairman of the Board of Directors on their general assembly on March 17, 2001. He said: "As a whole, despite the crisis, we still maintained the success of our Cooperative which only proves that all of these are the fruits of our unceasing efforts—of the different officers who gave unqualified leadership in formulating and implementing planned programs; of the employees who efficiently carried out activities in implementing these programs; of the members for their patronage and cooperation and unity in carrying out these activities; and above all, the Lord for all his blessings to our Cooperative."

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Annex D
PADRE GARCIA MULTIPURPOSE COOPERATIVE:
CASE STUDY³

1.0 BRIEF HISTORICAL BACKGROUND

Padre Garcia Multipurpose Cooperative (PGMPC), located at M. Malvar St., Poblacion, Padre Garcia, Batangas, was organized in 1981 as a pre-cooperative called Padre Garcia Grain Retailers Association. It started with 60 members, all grain retailers with a paid-up capital of ₱25,000.00. The cooperative become known as a loan provider at a low interest of 18% per annum. This arouses the interest of the market vendors, tricycle drivers, teachers, employees, and small entrepreneurs to join the cooperative. At that time, the business operation was profitable but did not fare much with other cooperatives because of the limited membership. In 1984, membership was opened to all qualified residents of the town. A decision was arrived at to convert the association into a full-fledged cooperative because of the doubling in the number of members. Padre Garcia Credit Cooperative, Inc. with a membership of 138 was registered with the Bureau of Cooperatives Development (BCOD) on November 24, 1984 under Reg. No. RIV-FF0204.

Two (2) years after registration (1986), membership and share capital (₱650,000) continued to grow. By 1990, there were 588 members with share capital of ₱5,228,747. The special general assembly of September 15, 1990 decided to change Padre Garcia Credit Cooperative into Padre Garcia Multipurpose Cooperative, Inc. with a total share capital of ₱9,885,226 owned by 1,319 members. However, it was not until June 18, 1991 that the Cooperative Development Authority (CDA) confirmed the registration of the Cooperative under its present name.

³ Prepared by Eulogio T. Castillo and Juanita P. Baskiñas,, Professor and Associate Professor, respectively, ACCI, U.P. Los Baños, November 16, 2001.

The Cooperative was organized to (a) encourage thrift and savings mobilization among the members for capital formation; (b) create funds in order to grant loans for productive and providential purposes to its members; (c) provide goods and services and other requirements of the members; (d) engage in xerox, rental, and rice retailing services; (e) promote the cooperative as a way of life for improving the social and economic well-being of the people; (f) do any related activity for the members' self-government, improve social and/or economic well-being, under a truly just democratic society; (g) work with the cooperative movement, non-government, and government organizations/entities in the promotion and development of cooperative and in carrying out government policies; and (h) undertake other activities for the effective and efficient implementation of the provisions of the Cooperative Code of the Philippines.

2.0 GROWTH AND DEVELOPMENT OF THE COOPERATIVE

Membership

Membership to PGMPC is open to all persons who are of legal age with the capacity to contract or heads of families residing and/or working in Padre Garcia. Membership is either regular, associate, or over-age. Guidelines for membership are:

Regular Members. To qualify for regular membership, the applicant

- Must be a Filipino, 18 years old or older with the capacity to contract and has source(s) of income;
- Be a resident of Padre Garcia for at least one year;

- Has completed attendance in the prescribed Pre-Membership Education Seminar (PMES);
- Be willing to patronize the services offered by the Cooperative;
- Has passed the examination of the Membership Screening Committee; and
- Has paid the minimum share capital of ₱5,000 for at least six months.

Associate Members. Associate members are composed of Filipinos from Padre Garcia, who have not reached legal age (17 years old and younger) and Filipinos from Padre Garcia who work abroad. Associate members receive dividend or interest on the capital but they can not either vote or borrow from the Cooperative

Over-age. An over-age member is one who became a member at 60 years old or older has the right to vote but does not enjoy certain benefits e.g., group insurance.

Application for membership is in writing on a form provided for the purpose and is presented to the BOD for approval together with registration and membership fees of ₱50 each. The latter is returned to the applicant in case the application is denied or rejected. Subscription of at least 100 shares with a total value of ₱5,000 is required for membership.

An applicant rejected by the BOD may appeal his case to the next general assembly by giving notice to the secretary of the Cooperative 30 days before the said General Assembly, whose decision is final.

Membership has grown from the original 60 in 1981 to 1,599 in 2000. Membership had grown (588) more than 9 times the original number by 1990 and by more than 21 times (1,319) by 1994. The peak of membership was in 1997 with 1,655 members. In 1998 there was a reduction in membership by 105 members but in year 2000, 59 new members came in. The pattern of membership

was attributed to death of some members, transfer of residence out of Padre Garcia, and resignation by settling the loans using the share of stock.

Capital and Capital Build-Up

Capital, the most important resource, is continuously built-up by the Cooperative. A vigorous capital build-up campaign is done by requiring member to make daily deposit contribution of at least 50% of dividend and patronage refund of members into share of stock; by offering savings deposits to members and non-members at 8% interest per annum; informing members to add at least 2% of monthly income to the members share capital; adding at least 5% of each loan granted to member's share capital; offering time deposit with 12% interest rate per year.

As of December 31, 2000, there was ₱6,078,814 total deposits made by 148 depositors of the Cooperative.

The cooperative increased its capital also through the financial support extended by various institutions. PGMC has an approved ₱10M rediscounting facility with the Land Bank of the Philippines, Lipa City Branch. This line is used to finance the agricultural projects of the members. The Department of Trade and Industry (DTI) has been a partner of the Cooperative since 1988 through its Tulong sa Tao Self Employment Loan Assistance (TST-SELA). With the good track record of the Cooperative, DTI increased the loan facility from an initial amount of ₱400,000 in 1988 to ₱2M in 1994 to finance the livelihood projects of the members. After full payment of the loan in January 1997, it re-availed ₱3M on January, 1998. The United Coconut Planters Bank (UCPB) Foundation granted ₱5M credit line in addition to ₱250,000 line for the dealership of Minola Products such as cooking oil, laundry and bath soap.

The Cooperative which started as an association with 60 members and initial paid up capital of ₱25,000 in 1981 had reached ₱17,547,106 capital in 1996, after about 15 years of operation or an annual increased in capital of ₱1,168,140. From 1996, the share

capital of members had steadily increased and by year 2000 it reached ₱25,191,027 level (Table 1.)

Table 1. Capital PGMC, 1996-2000, Padre Garcia, Batangas.

Y E A R	CAPITAL
1996	17,547,106
1997	20,786,672
1998	24,200,039
1999	23,511,428
2000	25,191,027

3.0 LENDING OPERATION

Lending is the primary service offered by PGMC to its members. Every loan applied for is covered by policies/guidelines necessary for the smooth implementation of the program/projects.

Lending Policies

The Credit Committee decides on the amount of loan each member is entitled to based on

- Payment of the minimum ₱5,000 share capital;
- Membership - of at least member for (6) months;
- Security/collateral offered;
- Credit record;
- Ability to pay based on sources of income

No member is allowed to use the share capital of another member for purposes of obtaining or increasing the loan size. Only the owner of the share capital is allowed to transact business with the staff regarding loans. A second party or non-member is not allowed to transact such business with the staff.

Types of Loans

PGMC offers a variety of loans such as regular (clean or with collateral), DTI facility loan, and employee salary loan.

Regular Loan. This loan has two types: clean and secured loan.

- a. Regular Loan - without collateral (clean loan) is granted on graduated basis considering share capital and payment of the loan.

First Loan - has a limit of 1.75 times share capital and has 15% discounted interest per annum and 3% charges.

Second Loan – limit is 2 times share capital. This is granted if the borrower religiously pays the first loan and had share capital of ₱50,000 or more.

- b. *Regular Loan with collateral (secured loan)* – requires either real estate or chattel mortgage.

Real Estate Mortgage (REM) – Any member who wishes to borrow with collateral must have ₱10,000 or more share capital; loan requirements differ between titled and non-titled property and chattel mortgage.

* *For titled property

- Loan limit is fair market value/2) x 60%
- All the owners are still alive
- There is right of way
- The lot is located within Padre Garcia
- If the lot is outside Padre Garcia, the Credit Committee shall assess/evaluate the collateral and the BOD shall make the final approval of the security offered
- The property should be registered with the Registry of Deeds

* *For non-titled property (Tax Declaration)

- Loan limit is (fmv/2) x 50%
- All the rightful owners are still living
- There is a right of way
- The lot is within Padre Garcia. Loan assessment shall pass through the assessment of the Credit Committee. However, the final approval shall be done by the BOD

Chattel Mortgage

- Loan limit is the amount of share capital plus depreciated value of chattel or ₱50,000, the maximum;
- The original car registration (CR) together with the official receipt must be submitted;
- Need to be registered with the Registry of Deeds and the Land Transportation Office;
- It should have a comprehensive insurance;
- The vehicle should be brought to the office for the Credit Investigator's appraisal.

All regular loan carries 15%, interest per annum, 1% service fee, 0.7% filing and handling fee, and 1.3% loan insurance per year. Interest rate is deducted in advance. Included in the regular loans are: emergency loan, loan for house renovation and construction, loan for lot purchase, and educational loan.

Some of the livelihood projects supported by PGMC are under the regular loan are: bakery, whicharon making, meat processing/tocino making, miki making, parlor, sack trading, slipper making, tailoring, livestock trading, motorworks, puto making, jewelry making, ice cream making.

Department Trade and Industry Facility Loan. The loan facility is under the DTI-TST-SELA Program. The loan is

- With or without collateral depending on the amount of share capital;
- Has 3% charges will be deducted from the loan;
- Has 15% interest will be added to the amount of loan. This is now the total loan payable in one year;
- Needs 12 Post Dated Checks (PDCs) as added security.

Employee Salary Loan. The loan is granted only to the employees of the Cooperative on permanent status. The loan has

- 14% interest per annum;
- maturity of 3 years with monthly amortization of diminishing balance (principal plus interest);
- loan limit of 75% of basic salary x length of service.

Any employee who avails of this loan is no longer entitled to regular loan. They can avail of the loan again provided they have fully paid their previous loans.

Restructuring of Loan. Any member who is not able to pay his loan on due date (within one year) may opt to restructure his loan. However, he has to pay the 18% interest on loan.

Restructuring of Loan with real estate mortgage or chattel mortgage have different requirements.

For Real Estate Mortgage

- Resubmission of the original tax receipt;
- Certificate of non-tenancy if the collateral is more than 1,000 square meters;
- Tax declaration of the collateral needs the certificate on non-title from the Community Environment and Natural Resources (CENRO).

For Chattel Mortgage. If the collateral is a vehicle, the following are required,

- Original receipt of registration
- New comprehensive insurance
- Appraisal of the vehicle by the Credit Investigator

Lending Procedure

Filing of loan application (LA) – Anybody intending to borrow come to the Office to fill-out the application form. Then, the prospective borrower will be interviewed

by the Loan Clerk on certain matters e.g., sources of income. Once the Loan Clerk and the in-charge of the application form make a positive assessment, the documents together with the collateral will be submitted to the Credit Committee for evaluation.

Processing and Evaluation – The Credit Committee shall assess the application for loan approval. The procedures in approving the loan application are:

- The CI will conduct the “field investigation” to personally see the status of the collateral. It will also determine the paying capacity of the borrower and whether the intended project will be profitable. After CI shall have done his work, all the documents will be returned to the Loan clerk;
- The members of the Credit Committee shall sign the documents;
- These documents will be registered with the Registry of Deeds;
- The registered documents shall be handled to the Loan Clerk to check the correctness/deficiency, if any;
- The completed documents will be submitted to the Treasurer-Disbursing Officer to schedule the release of the loan.

Releasing of the Loan Proceeds and Repayments

Release of loan is done by the Disbursing Officer. Cash voucher will be prepared to be received by the member. This should be approved by the manager or his authorized representative in case of the manager’s absence. The borrower can authorize somebody to receive the money in case if he cannot come. An authorization letter is requested before the loan amount is released.

Failure to pay the monthly amortization, one pays 2.5% x monthly dues, and if past due, 3% x loan balance.

Rebates are granted for loans paid earlier than due date. These will be based on the number of months the loans were not used.

4.0 DEPOSITS MOBILIZATION

The Cooperative accepts both savings and time deposits. Their features and guidelines for operations are:

Savings Deposit

- Minimum initial deposit - ₱200
- Interest rate - 5% per annum (no withholding tax deduction)
- Below ₱200 balance will not receive any interest.
- The policy on “no passbook, no transaction” is strictly enforced

Guidelines on making savings deposits:

- Every withdrawal or deposit shall be accompanied by the passbook;
- The depositor shall agree with the rules and regulations of the Cooperative;
- The savings deposit shall receive 5% interest per year starting May 01, 2001;
- The interest on savings deposit will be based on the daily balance;
- The Cooperative has the right to demand withdrawal slip before the money is released;
- Any questionable entry in the passbook shall be settled before leaving the Cooperative;

- Lost or damaged passbook should be reported immediately to the Cooperative;
- If the depositor is in the name of an association or organization, a resolution of the BOD identifying the authorized representatives/signatories who will transact business with the Cooperative is required.

Time Deposit

- A minimum initial time deposit is ₱2,000
- Interest rate varies with terms of deposits, such as:

<u>%</u>	<u>Term</u>
9	6 months
8	3 months
5	pre-termination or withdrawal outside of schedule
- No withholding tax deduction;
- The interest can be withdrawn every month or lump sum at maturity date;
- The certificate of time deposit should be shown when making deposits or withdrawals.

5.0 PHYSICAL INFRASTRUCTURE/EQUIPMENT DEVELOPMENT

Equipment and facilities had improved through time. Starting from a portable typewriter when it was organized, the Cooperative now has three (3) computers, which speeded up the transactions. The accounting system of the Cooperative is already computerized. Services are now facilitated by the use of the identification card of each

member in making transactions with the Cooperative. These cards are designed in line with the computer system.

In 1993, the Cooperative bought a 781 square meters lot for ₱1.17M where an attractive building worth ₱1.59M was constructed. The small rented space in Poblacion has been transformed into a well-furnished air-conditioned office and building.

6.0 RESULTS OF BUSINESS OPERATION, 1996-2000

Loan Release. PGMPC made a total loan of ₱25.649 million to 736 borrowers in year 2000 or an average loan of ₱34,849 per borrower. For the period 1996-2000, the amount of loan release fluctuated between ₱24.671 million in 1996 to ₱36.196 million in 1997. On the overall, the number of borrowers is on the upward trend for the period 1996-2000 (Table 2).

Table 2. Loan releases, PGMPC, 1996-2000, Padre Garcia, Batangas.

YEAR	Number of Borrower	Total Amount of Loan (₱)	Average per Borrower (₱)
1996	642	24,671,739	38,429
1997	770	36,196,205	47,008
1998	702	32,819,931	46,752
1999	691	25,878,806	37,451
2000	736	25,649,400	34,849

Total Assets. As of year 2000, PGMPC had a total assets of ₱54.311 million. Assets continuously increased from ₱31.283 million in 1996 to ₱54.311 million in year 2000 (Table 3).

Equity. Likewise, total capital or equity of the Cooperative for the period 1996 (₱17.547 million) to 2000 (₱25.191 million) had an upward trend. The equity is a big leaped from an initial amount of P25,000 in 1981.

Liabilities. Total liabilities of the Cooperative also increased for the period 1996-2000. Liabilities of ₱12.882 million in 1996 more that doubled in year 2000 (₱26,283 million).

Gross Income. Gross income during the period of study rose from ₱5.043 million in 1996 to a peak of ₱8.071 million in 1999 and downed a little to ₱7.78 million in 2000.

Net Surplus. Net surplus from operation was between ₱2.241 in 1996 million to ₱3.758 million in 1997 and down to ₱2.799 in 2000. The fluctuation in net surplus was largely due to the fluctuation in gross income for the period of study.

Dividend Declared. PGMPC had been declaring dividend to the capital investment of members. In 1996, the amount of dividend declared was ₱1.568 million. The amount of dividend declared in 1997 was (₱2.630 million) due to higher amount of net surplus earned during the year. Dividend declared was ₱1.959 million in year 2000.

Patronage Refund. Patronage refund was ₱0.672 million in 1996 to ₱1.127 million in 1997 and then declined to ₱0.839 million in year 2000. The patronage refund was 23% of the interest charge in 1996. The rate, however, continuously declined to 14% year 2000.

Liquidity. PGMPC appear liquid on its finances. As shown by the current ratio which was 2.18 in 1996 but continuously declined to 1.89 in 2000.

Solvency. Using the ratio of total assets and total liabilities, there is asset of more than ₱4 for every ₱1 liability for the period 1996-2000. There is a very stable and solvent financial position of PGMPC as indicated by the ratio.

7.0 SUCCESS AND STEWARDSHIP

PGMPC has demonstrated success in business and influence in the community.

From a modest beginning in 1981 of having 60 members, initial paid-up capital of ₱25,000, and a small rented space in the public market, it now had grown as of year 2000, to a size with 1,599 members, capital of more that ₱25 million, and a beautiful one-storey building on 787 square meter lot in the center of the town of Padre Garcia. All this material achievements were done in a period of about 20 years.

The influence of PGMC is already felt in the whole town. Through the effort of the Education and Training Committee and the Board of Directors, the spirit of cooperativism has been instilled in the minds of members and non-members. This resulted into a heavy patronage of the services of the Cooperative. For instance, members no longer borrow from 5/6 system. There is no more “Bombay” lending in Padre Garcia, and non-members make deposits with the Cooperative.

Credit to the success of the Cooperative goes to the pioneers or incorporators who endured pains of organizing and managing the Cooperative, in particular to Mr. Dionisio Manalo, the acknowledge father of the PGMPC. Mamay Doni as the folks call him led the foundation of the Cooperative and help nurtured it to what it is today.

Credit also goes to members for patronizing the services of the Cooperative; the Board of Directors for ably formulating sound policies and programs; and to the employees who faithfully doing their job.

It is important to note that four of the incorporators are still serving in Board of Directors as of year 2000. It is also important to note that the present officers have the educational background required of the job. Seven (7) of the nine (9) members of the present (2000) Board of Directors have degrees in Aircraft Maintenance Engineering, Arts, Commerce (Baking and Finance), Education, Laws, and Veterinary Medicine. One member of the Board of Directors has MA degree.

The Secretary of the Board is a graduate of a Junior Secretarial Course and the Treasurer is a BSC graduate major in Accounting.