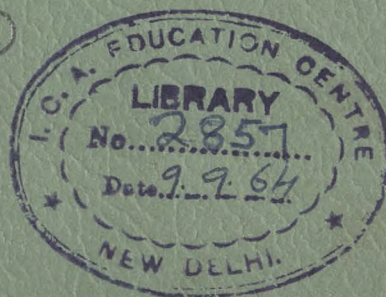


NATIONAL SEMINAR
on
AGRICULTURAL COOPERATIVE

Baguio City, Philippines

December 16 - 22, 1963

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ICA



Sponsors:

International Cooperative Alliance

Central Cooperative Exchange, Inc.

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION
Baguio City, Philippines

December 16-22, 1963

LIST OF PARTICIPANTS REGISTERED AS OF MONDAY, DEC. 16, 1963 (2:00 P. M.)

<u>Delegate</u>	<u>Organization</u>	<u>Region</u>
1. Ricardo S. Castro	Batac Procoma Batac, Ilocos Norte	I
2. Justino D. Galano	Batac Procoma Batac, Ilocos Norte	I
3. Remedio Mangaser	Caba Facoma Caba, La Union	I
4. Lucio A. Guzman, Jr.	Echague Facoma Echague, Isabela	II
5. Pedro Mendoza	Malasiqui Facoma Malasiqui, Pangasinan	III
6. Igmidio Villarama	Baliwag Facoma Baliwag, Bulacan	III
7. Bartolome C. Chico	Baliwag Facoma Baliwag, Bulacan	III
8. Rodrigo Felix	Camiling Facoma Camiling, Tarlac	III
9. Leonie Chavez	Cabanatuan City Facoma Cabanatuan City	III
10. Julita B. Esguerra	Licab Facoma Licab, Nueva Ecija	III
11. Edilberto Avendaño	Plaridel Facoma Plaridel, Bulacan	III
12. Magno G. Reyes	Sta. Ana Facoma Sta. Ana, Pampanga	III
13. Aurelio V. Chavez	Libon Facoma Libon, Albay	IV

<u>Delegate</u>	<u>Orgnization</u>	<u>Region</u>
14. Paulino C. Segui	Polangui Facoma Polangui, Albay	IV
15. Tomas R. Severo	Federation of Facomas Naga City, Camarines Sur	IV
16. Blas A. Ladrera	Palo Facoma Palo, Leyte	V
17. Jose L. Casiple	Lambunac Facoma Lambunao, Iloilo	VI
18. Avelino A. Palomero	Janiuay Facoma Janiuay, Iloilo	VI
19. Romeo M. Panique	Oton Facoma Oton, Iloilo	VI
20. Alfredo Respicio	Kidapawan Facoma Kidapawan, Cotabato	VII

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City, Philippines
December 16-22, 1963

A G E N D A

for

MONDAY, December 16, 1963

- 7:30 - 9:00 A.M. Registration of Delegates - Pines Hotel
- 9:00 -10:30 A.M. Welcome and Inauguration
Keynote Speaker: Dr. Jose R. Katigbak
Officer-in-Charge, Agricultural
Credit Administration (ACA)
- Introduction to ICA Activities
Dr. S. K. Saxena
ICA Regional Officer
- Program and Working Methods of the Seminar
Mr. J. M. Rana, Deputy
Director
International Cooperative
Alliance
- 10:30-10:45 A.M. Coffee Break

SECTION I

- 10:45-12:00 A.M. Structural Organization of Local Cooperatives
And Overhead Units for Production Credit
Purposes with Tie-up to Cooperative Marketing
- Introduced by: Mr. Eugenio V. Mendoza
General Manager, Central
Cooperative Exchange, Inc.
- Resource Person: Mr. Yoshio Nakahara
Chief, Administration Section
Central Cooperative Bank for
Agriculture and Forestry
Japan
- 2:00- 2:45 P.M. Discussion
- 2:45- 3:45 P.M. Agrarian Structure and Credit Cooperatives
(Impact of Land Reform on Credit Cooperatives)
- Introduced by: Mr. Amado A. Lansang
Executive Director
Land Reform Council
Secretariat

Resource Person: Mr. K. Madhava Das
Zonal Deputy Chief Officer
Agricultural Credit Dept.
Reserve Bank of India

3:45-4:00 P.M.

Coffee Break

4:00-5:00 P.M.

Discussion

7:00

Dinner - Host, International Cooperative
Alliance (ICA)

S P E E C H

delivered by

Dr. Jose R. Katigbak
Acting Administrator, Agricultural Credit Administration
and Chairman, CCE Board of Directors

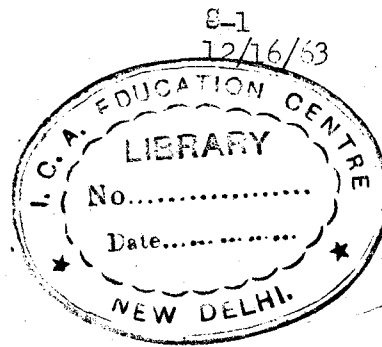
at the

National Seminar on Agricultural Cooperation
Baguio (Philippines) December 16-22, 1963

organized by

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia
6 Canning Road, New Delhi-1
(India)

CENTRAL COOPERATIVE EXCHANGE, INC.
Pureza, Sta. Mesa
P. O. Box Number 1968
Manila
Philippines



LEARNING FROM THE PAST;
BUILDING FOR THE FUTURE

Fellow-Cooperators and Friends:

Last week, in this very hall, a conference of experts on the various phases of agricultural cooperative credit was held. That conference brought together distinguished cooperative leaders, all men of high purposes and rich experience, from seven of our neighboring countries in Southeast Asia, including top officials of the Asian regional Office of the International Cooperative Alliance, which, with our own Central Cooperative Exchange, sponsored and organized the conference. For seven earnest and enlightening days, several of our own cooperative workers sat and shared ideas, thoughts, and experience with experts on the subject from Ceylon, India, Japan, East Pakistan, New Caledonia, and Thailand. Top officials of ICA in Southeast Asia and the ECAFE also lent their expertise as well as an inspiring presence to the conference.

To evaluate the results of the Experts' Conference would be exceedingly worthwhile and useful, but neither the time nor the purpose of this occasion permits me to do so. There should be time and timeliness, however, for a few general comments and observations on the significance and value particularly to us in this assembly of the International Conference which closed only last Saturday.

For the experts - and I use the term in its truest and fullest meaning - from cooperative movements and institutions in the six countries I have already mentioned and two international bodies to have come here to discuss with us the problems as well as the progress of agricultural cooperation and cooperative credit in their respective countries, has brought honor to our country and our people. More than that, we have been vastly enriched by their knowledge and experience. Everyone of the experts, in the papers they submitted and in the comments they made during the panel discussions, gave forthright, incisive and thoroughly objective reports and presentation of relevant facts and conditions about the cooperative movement in their respective countries. What they conveyed to us is the distillate and essence of experience and efforts of at least six nations with a combined population of over 600,000,000 across many years of studies and experimentation in agricultural cooperative credit. Such experience is of incalculable value for us. It is as if 600,000,000 people in six kindred nations at such tremendous cost have gathered and shifted over many patient years information and data, facts and figures, knowledge and wisdom and have made all these available to us in an organized, consolidated and readily assimilable form. The gesture and the event are of course the expressive manifestation of the emerging oneness of humanity as well as of the internationalism of the cooperative movement.

It is now left to us to use the great pool of knowledge and experience that the Experts' Conference has assembled and bequeathed to us.

This National Seminar that opens today has been purposely organized and scheduled to be held immediately following the International Experts' Conference precisely so that the ideas and insights acquired during that Conference may be brought to the participants of this Seminar while they are still fresh and warm from the minds and deliberations of the experts. In fact, six of the foreign delegates to that conference have very generously consented to stay behind to assist us in this seminar. To them we and the whole cooperative movement in the Philippines shall of course be forever grateful.

In the course of this seminar, we shall try to take stock anew of the cooperative movement in agriculture in our country. We shall look at the movement in its structural framework and against the background of agrarian conditions that we are under compulsion of social and economic necessity to improve. How the cooperative form of organization can be employed to advantage in the various phases of production through distribution, and how the movement should operate as an integrated whole, will occupy our time and attention.

Credit, being the most basic and important need of agriculture and those who derive their livelihood from farming, constitute a major part in the seminar agenda. The proper management of credit and its efficient use by FaCoMas and their farmer-members have to be developed and attained if credit is to serve its purpose as an effective instrument for the progressive rise of the farmers in their productivity, income, and bargaining position in relation to other occupational or economic groups in the social economy. This subject, therefore, should deserve the most serious consideration of the participants in this seminar.

We shall also review the major fields of business activity where cooperation in agriculture is best suited and where it should produce the greatest boon and benefit to the farmers. The time has come, however, for us all who are in the FaCoMas to realize that cooperatives must be organized and operated as business enterprises according to the strict discipline and rules of sound successful business. For this reason, appropriate discussion-subjects have been included in the programme of this seminar.

In approaching the task before us during all this one week, I should think that we can gain perspective and perception in appreciating the merit and value of our deliberations by constantly keeping in the very front of our minds the failures we have seen and experienced in our FaCoMas. We can and should use those failures as touchstones in testing the soundness and

validity of the ideas, thought, procedures, and techniques that may or will emerge during our discussions. They could and should also be used as markers on pitfalls along the road to cooperative growth that we shall not fall into them again. Let the lessons of the past light and guide our course to the future.

From our experience in the Philippines and that of others in other lands, we can derive courage and confidence that cooperatives under proper management can and will succeed, as many did succeed and are succeeding. One of the delegates to last week's Experts' Conference gave the interesting report that some of the most successful cooperatives in his country today had formerly been classified as failures. We can be certain that those cooperatives came out of a state of failure by the simple wisdom and decision of self-analysis and self-examination, identifying their points of weakness and their mistakes, and, with courage and determination, decided to correct their previous weaknesses and mistakes. They learned from experience and used their lesson well.

Where the FaCoMas stand today, after ten years of accumulated experience in failures for many as well as success in not a few associations, with the rich storehouse of experience in both success and failure of cooperatives in all Southeast Asia if not of the whole world available to us, they should have enough to go by to strike and strive for revitalization and recovery. For us who share in the responsibility of promoting and fostering cooperatives and who believe in the unlimited possibilities and potentialities of the people for achievement and progress through organized action in cooperative unity, this is a sustaining source of heightened hopes and enlarged expectations. For the officials and members of the FaCoMas and other cooperatives that may be formed in the months and years ahead, this should provide some basis for courage and confidence.

That courage and confidence, however, should be sustained and strengthened by continuous acquisition of additional knowledge and skill in the organization and management of cooperatives which must keep on expanding in their operations and services or usefulness to their memberships. With growth and expansion, the business of the cooperatives becomes more complex and complicated necessitating correspondingly higher level of skill and competence on the part of those who manage them. While we should not force expansion beyond the resources and capabilities of our young cooperatives, we should prepare ourselves for ever increasing responsibilities that must come with success. ✓

In the context of our restless and revolutionary times and in the perspective of the mounting challenge to our system of democracy and freedom, there is in fact nothing else left for us except to

make cooperation work and succeed. For only through cooperation can the vast masses of our unredeemed poor find fulfillment for their legitimate aspirations to participate as active partners in a society that is founded on the principle and promise of equal opportunity in the enjoyment of rights as well as in the exercise of responsibilities. The fulfillment of these aspirations can not be delayed or denied much longer without at the same time depriving the nation of the vast constructive and creative forces and powers for economic development and social progress that today lie untapped and submerged in the poverty and prostration of three-fourths of our population and without, I am bound to say, placing in precipitate peril the very security of our democratic institutions.

S U M M A R Y
(December 16, 1963, A.M.)

SUBJECT: Structural Organization of Local Cooperatives
 And Overhead Units for Production Credit
 Purposes with Tie-up to Cooperative Marketing

INTRODUCED BY: Mr. Eugenio V. Mendoza
 General Manager
 Central Cooperative Exchange, Inc.
 Philippines

RESOURCE PERSON: Mr. Yoshio Nakahara
 Chief, Administration Section
 Central Cooperative Bank for
 Agriculture and Forestry
 J a p a n

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City

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INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
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6 Canning Road, New Delhi-1
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CENTRAL COOPERATIVE EXCHANGE, INC.
Purea, Sta. Mesa
Post Office Box Number 1968
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(Philippines)

Sum-la
A. M.

SUBJECT: Structural Organization of Local Cooperatives And Overhead Units for Production Credit Purposes with Tie-up to Cooperative Marketing

Introduced by: Mr. Eugenio V. Mendoza
General Manager, Central Cooperative Exchange, Inc.

Resource Person: Mr. Yoshio Nakahara
Chief, Administrative Section
Central Cooperative Bank for Agriculture and Forestry

Preliminaries to Conference

As it appears in the General Programme distributed to the participants, the Opening Ceremonies were started at 9:00 o'clock where Dr. Jose R. Katigbak, Officer-in-Charge, Agricultural Credit Administration, was the guest speaker, copy of speech was already distributed to each participant during the conference.

After that, Dr. S. K. Saxena, ICA Regional Officer, gave the participants a brief run-down of the purposes of ICA, as well as its scope in the extent of the work it has done so far.

Before the actual conference started, Mr. J. M. Rana, Deputy Director of the International Cooperative Alliance, briefed the participants as to the program and working methods of the Seminar. Briefly, the following are the points which, he said, should govern the procedures and mechanics of carrying out the conference:

1. It is not the intention of the conference to adopt resolutions since it is not one composite body and, therefore, whatever is arrived at should not be considered as binding either to the individual participant or to the organization to which the participant belongs; rather the purpose, according to him, is to educate themselves;
2. The main task confronting the delegates is to bring forth the problems facing them and to analyze these problems carefully and discuss possible solutions;
3. In the course thereof, various means should be explored and approaches evolved in order to solve such problems;
4. The participants should not completely rely on the words of the lecturers and/or experts acting as resource persons, since the essence of conferences like this is self-criticism and self-examination. In other words, one must keep an open mind of the subjects under discussion and not be unduly influenced by the views of the speakers;

5. Specialized subjects will be presented by various speakers, after which suggestions and/or discussions may be made and questions asked by the participants. Participants are welcome to make whatever suggestions they may have regarding the subject matter;
6. Since it is not the purpose to discuss problems in detail, after the discussions, the participants will be divided into groups. Group discussions, which should be conducted in an informal and conversational manner, would prove very helpful in ventilating the various phases of the problem under discussion. In order that group discussions will be guided well, the groups should elect a group chairman whose primary functions would be to conduct and guide discussions, raise questions in appropriate stages and, afterwards, to summarize or sum up the different discussions that have already taken place. After the discussions, a report in writing should be produced by the secretary of the group who, likewise, should be elected by the group. The secretary should take care that not merely conclusions raised are set forth in the report but also the different pro's and con's involved in arriving at such a conclusion; and
7. Although groups are supposed to make written reports of their discussions, main speakers on the different subjects outlined in the Programme should also submit summaries of their own discussions;

Lectures And Discussions

On the subject "Structural Organization of Local Cooperatives And Over-head Units for Production Credit Purposes with Tie-up to Cooperative Marketing" as appears in the Programme, Mr. Mendoza asked the Resource Person, Mr. Yoshio Nakahara, to discuss before the participants the matter of cooperative marketing credit in Japan inasmuch as participants are interested to learn how these are being effected in Japan where cooperative marketing and credit activities are known to have achieved some high degree of success. Mr. Nakahara provided the participants with a written outline containing the broad sub-divisions of the subject matter which he amplified by explaining certain points where explanation was necessary, such as:

1. As far as "Development of Cooperative Marketing" which is Item 1 in his outline is concerned, it has to do with the development of cooperative marketing, he observes that in Japan, legislation on cooperatives started 60 years ago. In Europe, he says that legislation started some 50 years ago. By way of general observation, however, he added that considering the late stage at which cooperative legislation in the Philippines was enacted, existing cooperatives, particularly those which he had seen, like the Rosales and Malasiqui Facomas, they have already achieved some appreciable advances.

The progress of cooperative legislation in Japan from purely credit societies to multi-purpose societies at primary level, and later on allowing the formation of secondary federations, and still later on of the apex federations is contained in the broad outline he distributed.

2. As to Item 2 in his outline which has to do with "Multi-purpose Societies", while initially, it is the basic function of cooperatives, Japan was that of credit; afterwards, purchasing became an added function of cooperatives, and still afterwards, the matter of marketing, the processing, and still later on, to technical guidance. At a still later stage, other functions were added to associations which he placed under the category of "Others" in his outline, such as cooperative insurance system, farmers' home building programs and life insurance.

He observed, in this connection, that multi-purpose societies are working well in Japan because they cover almost all aspects in the life of the farmer and are not limited merely to the matter of credit and/or marketing.

In the course of his discussion of the matter of marketing, he informed the body that as far as rice is concerned, the matter of purchasing and marketing of the same is purely within government control and, therefore, there is no question as to price; as to wheat and barley, there is much fluctuation in the price inasmuch as there is, at most, only an indirect control of the purchasing program; the same is true with vegetable seeds and potatoes, while as to livestock products, the government has established some sort of purchasing agency, although this agency has very limited funds and cannot actually go out in controlling marketing. Other products belong to what he called the non-supported products which are just like any normal commercial products subject to the fluctuations of the market.

Diagram 3 of his outline shows "Sale of Rice to Government In Japan".

He also pointed out in connection with the multi-purpose societies that there is actually now a competition between the special product marketing societies which are single-purpose and these multi-purpose societies which actually cover a much larger area of operation, including those already being handled by the single-purpose special product marketing societies.

3. As to Item 3 in his outline entitled "Facilities to Promote Marketing", he dealt with the first item which is "Warehouse" by saying that if there is no available storage space, a cooperative will not be in a position to store goods and await better prices in the market. As to the second item which is "Collection points", this has particular reference more to perishable products such as vegetables and fruits which cannot be

stored very long. Farmers are told where to deliver these products and there they will be collected by the societies. As to the third item which is "Grading", he said that grading is necessary in order to standardize products, more particularly because under the pooling system, there should be standardization of grades. As to the next item which is "Market", he said that cooperatives in many places in Japan have small markets of their own. About the next item which is "Processing", he observed that while there are ricemills, flour mills and canning facilities at primary and secondary levels, these have not proved to be paying societies inasmuch as farmers prefer to buy known brands or finished products. As to the item "Others", which is last in the list in his outline of facilities, he classifies them in the following categories: slaughterhouse with cold storage facilities which, he says, is actually a new phase of marketing for multi-purpose societies, as well as hatchery business. He says that egg production is now very high and hence, the hatchery business is becoming more popular in Japan.

4. About Item 4 of his outline which is captioned "Respective Functions", the first point which is "Primary" is, according to Mr. Nakahara, limited only to whatever is sold in the village. The second point which is "Secondary" is limited to those sold outside the village but within the prefectural level, and the third point which is "Apex" is limited to those outside the prefectural level but within territorial boundaries of Japan as a country.
5. The 5th item in his outline is "Present Problems". As stated in his outline, he set down the following as the main problems facing the cooperatives in Japan: 1) loyalty of members due to competition from private sector; 2) enlargement of consumption by recovery of production cost; and 3) competition from imports.

Mr. Rana then, by way of summarizing the discussion given by Mr. Nakahara, said that Mr. Nakahara gave the conference group an insight into the complex operations of the subject of cooperative marketing and credit in Japan and, in connection therewith, dealt with the following points:

1. Multi-purpose societies at primary level perform both the functions of extension and credit, collection, processing, technical guidance and such other services as insurance, etc.
2. On the secondary level, there are separate organizations with each of these functions: for example, there are credit federations, purchasing federations, etc. There are also special product marketing federations.
3. Mr. Rana said that Mr. Nakahara also outlined the various functions involved in the performance of marketing activities by multi-purpose societies, stressing on the flow of goods and funds as well as the functions of the national organization in relation thereto and the warehouse arrangements with processing plants in order to avoid gluts in the market.

4. He also dealt, Mr. Rana said, on the role of cooperative banks in providing credit.
5. The pooling system of marketing was touched upon by Mr. Nakahara, although he observed that here in this area, member-education is necessary because farmers cannot usually be convinced of the wisdom of waiting for sometime before their products are paid to them in view of their immediate need for cash.
6. The need for grading and processing, especially in view of the pooling system of marketing.
7. The next number outlined the distribution of functions among the three (3) types of cooperative structure in connection with which Mr. Rana observed that certain functions which the national organization undertakes should be mapped out carefully in order to avoid conflicts with lower organizations.
8. Lastly, Mr. Rana said he dealt on the different problems facing cooperatives now in Japan.

Discussion ensued afterwards and the following points came up:

1. Upon request of Mr. Mendoza, who made the observation that it is a complex thing to manage a multi-purpose organization and it is difficult to get a cooperative manager who knows both credit and marketing, for which reason he requested Mr. Nakahara to brief the participants as to the organizational structure of the cooperatives in Japan, Mr. Nakahara said that at the top is a board of directors whose term of office is 3 years and are elected by members who have a general meeting once a year; within the board, a chairman is elected; under the board is a general manager, and under a general manager, the association is divided into different departments, such as those for credit, insurance, warehousing, etc.

Mr. Nakahara called attention to the fact that since these different departments were separately on different societies, there is an effort now being made to sort of integrate their activities in order to have one coordinated movement. For example, he says that for bookkeeping purposes, there are now centralized accounting records for all these departments.

There are also plenty of sub-committees in the organization, especially those which have to do with matters of loans to the members. Amount of loans is fixed by the general manager and for a certain amount, no collaterals are required; over a ceiling, the collaterals are required. It appears that the amount of the loan as well as conditions on which they are granted is fixed by the members during their regular meeting.

2. Employees in the cooperative societies are now paid well; hence, the problem of lack of competent personnel is being met with by societies. A high percentage of income of the society is being used for salaries.
3. Asked by Mr. Mendoza how societies are audited in Japan, Mr. Nakahara said that at least once a year, there is a local agency in charge of cooperatives which comes over to inspect the books of accounts of the societies. The function of this government agency, however, is not guidance but purely inspection inasmuch as guidance work is being provided by the central union.

COOPERATIVE MARKETING AND CREDIT IN JAPAN

by

Mr. Yoshio Nakahara
Chief, Administration Section
Central Cooperative Bank for Agriculture and Forestry
J A P A N

To give a broad picture of cooperative marketing and the link-up with cooperative credit in Japan, some of the characteristics shall be explained in the following lines:

1. DEVELOPMENT OF COOPERATIVE MARKETING

- 1) Marketing of commercialized product in early stage
- 2) Passage of cooperative legislation
 - a. Credit and other functions separated
 - b. Multi-purpose societies
 - c. Secondary federation
 - d. Apex federation
 - e. Reorganization after the war

2. MULTI-PURPOSE SOCIETIES

- 1) Credit
- 2) Purchasing
- 3) Marketing
- 4) Processing
- 5) Guidance
- 6) Others

3. FACILITIES TO PROMOTE MARKETING

- 1) Warehouse (farmer
(primary
(secondary
(apex
- 2) Collection points (secondary and apex
shall be public market)
- 3) Grading
- 4) Market
- 5) Processing
 - a. Ricemill, flourmill
 - b. Canning
- 6) Others
 - a. Slaughterhouse with cold storage facilities
 - b. Hatchery, etc.

4. RESPECTIVE FUNCTIONS

- 1) Primary
- 2) Secondary
- 3) Apex

5. PRESENT PROBLEMS

- 1) Loyalty of members due to competition from private sector
- 2) Enlargement of consumption by recovery of production cost
- 3) Competition from imports

DIAGRAM 1. STRUCTURE OF AGRICULTURAL COOPERATIVE IN JAPAN

Apex	: Central Cooperative Bank for Agriculture and Forestry	: National Marketing Federation	: National Purchasing Federation	: National Insurance Federation
Secondary	: Credit federations	: Economic federations	: Economic federations	: Insurance federations
Primary	: Multi-purpose cooperative societies:			

- NOTES: 1. All farmers are members of societies.
 2. In addition to the given 4 apex federations, there are apex for transportation (include traveling), welfare (mostly hospitals), newspaper (weekly), etc.
 3. Central Union (Apex) and prefectural central unions (secondary) are organized separately for education, auditing and promotion of agricultural interests.
 4. Single purpose societies with secondary and apex organizations are organized separately for marketing of specialized farm products (refer diagram 2).
 5. Irrigation, drainage and other basic improvements of agricultural land are usually carried out by land improvement districts organized separately.

DIAGRAM 2. STRUCTURE OF COOPERATIVE MARKETING IN JAPAN

APEX	:	NATIONAL MARKETING FEDERATION	:	NATIONAL SPECIAL PRODUCT FEDERATION
SECONDARY	:	ECONOMIC FEDERATIONS	:	SPECIAL PRODUCT MARKETING FEDERATIONS
PRIMARY	:	MULTI-PURPOSE SOCIETIES	:	SPECIAL PRODUCT MARKETING SOCIETIES (SINGLE PURPOSE)

NOTES:

1. Agricultural products marketed by multi-purpose societies are mainly rice, wheat and barley.
2. Products marketed by single purpose societies are vegetables, fruits, milk and livestock. These products are also marketed by multi-purpose societies. This raises competition not only with private enterprises but within the cooperative movement. Efforts are taken to integrate the 2 cooperative marketing.

DIAGRAM 3. SALE OF RICE TO GOVERNMENT IN JAPAN

1. Farmer (1) Delivery of rice to societies warehouse
(2) Issuance of purchase certificate by Food Agency's inspector (decision of grade and price to be paid)
2. Primary (1) Presentation of purchase certificate, payment of requested price. (Written into farmer's account immediately)
(2) Send duplicate of purchase certificate to economic federations and credit federations.
3. Secondary (1) Economic federations inform National Federation the total amount of delivery of rice with duplicate of purchase certificates.
(2) Credit federations to primaries and inform Central Cooperative Bank of total payment with duplicate purchase certificates.
4. Apex (1) National Federation report the total amount of delivery and receive **handling charges** from government (for the three tiers)
(2) Central Cooperative Bank - payment to federations and settling of advanced governmental payments.
5. Government (Food Agency) (1) Entrust collection and purchase of rice to cooperatives.
(2) Advance payment of fund to Central Cooperative Bank for purchase of rice.

S U M M A R Y
(December 16, 1963, P.M.)

SUBJECT: Agrarian Structure and Credit Cooperatives
(Impact of Land Reform on Credit Cooperatives)

INTRODUCED BY: Mr. Amado A. Lansang
Executive Director
Land Reform Council Secretariat
Philippines

RESOURCE PERSON: Mr. K. Madhava Das
Zonal Deputy Chief Officer
Agricultural Credit Department
Reserve Bank of India

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Sum-1b
P. M.

SUBJECT: Agrarian Structure and Credit Cooperatives
(Impact of Land Reform on Credit Cooperatives)

Introduced by: Mr. Amado A. Lansang
Executive Director
Land Reform Council Secretariat
Philippines

Resource Person: Mr. K. Madhava Das
Zonal Deputy Chief Officer
Agricultural Credit Department
Reserve Bank of India

Mr. Amado A. Lansang, Executive Director, Land Reform Council Secretariat, distributed to the participants an introduction to "Agrarian Structure And Credit Cooperatives (Impact of Land Reform on Credit Cooperatives)" which, he said, is some sort of syllabus on the subject matter "Land Reform".

In connection therewith, he observed that the subject on land reform is quite an involved one because it requires a discussion of the agrarian structure of the country. As a general observation, he stated that the agrarian structure of the country is weak, undependable and fragile, dominated by share tenancy and a one-crop farming agriculture. Farmers do not own the land but they work for the owners of the land. The rate of tenancy is very high reaching as high as 88% in a province of Central Luzon which, he said, is Pampanga. The primary objective, he said, of land reform is not only to change existing agrarian structure but also to improve the socio-economic structure. It starts with tenancy which the Land Reform Code intends to abolish as tenancy, he said, is synonymous to low productivity, low literacy and low social efficiency in a group which constitutes the larger mass of the country's population. The Land Reform Code also intends to intensify and accelerate development in the industrial sector of the country's economy, starting with the abolition of tenancy and expropriation of big estates and thereby unlock the potentialities of these lands and divert them to more receptive sectors of the economy. The Land Reform Code, he said, establishes the conditions on which the whole economy could move with quick pace.

He also dealt on the subject of land reform on the context of existing international conditions as they affect the country, referring particularly to the conflict in ideologies vying for loyalty of mankind; in short, the cold war context within which we must find, he said, the proper perspective, particularly in the case of emerging nations. He said that under this context, the Land Reform Program acquires a sense of urgency and immediacy.

Next, he dealt with the problem of implementation. Agricultural development, he said, depends on a large extent on the availability of credit, the lack of which has been the cause of enslavement of the population. Therefore, he said, that all resources should be utilized and mobilized in sufficient scale to make credit available. Citing figures, he said that out of 1,700,000 farmers, about 85% stands in dire need of credit and, therefore, only about 15% can provide credit for their own needs. The 85% who do not have access to institutional credit must be provided with such credit, and something like ₱400,000,000 have been estimated to be the initial need to provide for the very essentials of this percentage of population who stand in need of credit. This estimate of ₱400,000,000 does not include provision for agricultural development, crop diversification and modernization of farms which will naturally incur more outlay.

Dealing next with possible source of credit, he stated that although the government will provide as much as it can in this field, it is not desirable that all funds should come from the government. He said that as much as possible, part of the same should be supplied by the farmers themselves.

Then he underscored the vital question of how to bring this credit to the farmer at the time when this credit is needed, in the amount it is needed, and how to collect it back. He informed the body that if the government should take care of the entire machinery of extending credit and collecting back this credit from the farmers who are spread out in 27,000 barrios, in 13,000 municipalities, within 55 provinces and 36 chartered cities, a vast army of personnel is needed and this certainly cannot all be provided by the government. Therefore, cooperatives have to play a major role both in the extension of credit and the recovery of the same.

This brought him actually to the next point - the fact that the Land Reform Code provides that as soon as the farmers are able to do so, they should be encouraged to form their own cooperative associations for use as the main channels in extension of credit and collection thereof. If farmers are affiliated with cooperatives, it is easier to reach them through the associations; then the associations can assume increasing responsibilities in the processing and releasing of loans and the collection of these loans. Also, he said, that through these associations, funds can be mobilized through the accumulated savings of members of the associations. To this extent, he said, the need for funds with which to provide credit may not be satisfied.

He ended his introduction of his paper by posing a question: are the facomas prepared to harness all their elements and resources for leadership such that cooperative associations may be revitalized and made instruments of land reform in a democratic basis?

Mr. Mendoza summarized the discussions of Mr. Lansang by saying that he dealt with the following:

1. Agrarian structure in the country being dominated by tenancy, likening the situation obtaining in the Philippines to an inverted pyramid;
2. The Land Reform Code has the primary purpose of abolishing tenancy;
3. It is necessary to unlock the potentialities of capital in large landed estates in order to commercialize farming;
4. The scheme of land reform is intended to accelerate production and increase the efficiency and income of the farmers;
5. He dealt with the necessity of extending credit to some 1,700,000 farmers and just to extend credit to the farmers as may be necessary to provide for their barest essential needs, some P400,000,000 will be necessary. He dealt with problems involved in the whole process of land reform - how to implement its objectives, how to make credit available, and how to effect collection.
6. Lastly, he said that agricultural cooperatives are the answer to all these problems and that through these cooperatives, loans could be extended to members at the minimum cost; there can be a pooling of funds coming from the savings of associations and, in general, will encourage democratic processes and practices.

Mr. Das, acting as a Resource Person, then observed that in India, which is composed of several states, each state has its own land reform program through separate legislations, the primary objectives of which are to remove impediments of production arising from the agrarian structure as well as to eliminate social inequalities. He said there are 3 aspects of the land reform involved in India which are:

1. Abolition of intermediaries;
2. Tenancy reform;
3. Imposition of a ceiling on land holdings, both as to existing land holdings as well as future acquisitions.

In another point, Mr. Das said that as to short-term credit being extended in India, the emphasis is on the productive capacity of the farmer-borrower, not on his land holdings. The same is true with medium-term credit, although in the case of long-term credit, land security is required. Thus, he underscored the necessity of a land reform working hand in hand with a land mortgage scheme in order to maximize the effects of the program as far as extension of credit is concerned.

Afterwards, he suggested the following topics for group discussions:

1. Content of land reform;
2. Role of cooperatives in land reform;
3. Present situation of cooperatives;
4. Can the cooperatives undertake responsibility in this field and how should they be run in order to be effective and strong tools

Mr. Lansang then stated, at this juncture, that the Agricultural Credit Administration (ACA) actually provides short-term credit. In this connection, he adverted to a fear expected in some circles that the Land Reform Program may cause complete withdrawal of private credit. He said, however, that experts say this may not necessarily come into being because of the long attachment developed between landowner and tenant which cannot immediately be destroyed. At any rate, should private credit withdraw as feared, the Agricultural Credit Administration (ACA) will fill the vacuum.

Other points which came out during the discussions are as follows:

1) Areas which may not fall within the established land reform areas may also become future production loan areas, although extension thereof may not be as extensive as it is within the declared land reform districts.

2) Actually, the Land Reform Code does not merely seek to subdivide large landed estates; it also encourages the development of uncultivated portions of the public lands of the country by intensifying settlements and attracting people to uncultivated lands.

3) To a certain extent, organizational structure of facomas will have to be reorganized in order to be more responsive to the demands of land reform program both in its basic structure, composition and capital structure;

4) The Agricultural Credit Administration will be actually involved in the reform program by the operation of law; other agencies such as the RICOB, RCA, CCE, are not directly involved but in view of the nature of their functions, have to synchronize their coordinated activities with the ACA.

5) The land reform is nothing new; many laws have already been passed seeking the establishment of some agrarian reforms but since existing agencies are disorganized and have conflicting purposes, the present Land Reform seeks to integrate all these functions. Under the letter of the law, the Commission on Agricultural Productivity (CAP) is the one entrusted with the promotion and organization of cooperatives. In the general scheme of things, however, as viewed by those implementing the program, it will actually involve some tasks among the different agencies involved, such as: ACA, CAP, Office of the Agricultural Council (OAC), PACD and others,

6. The price of land to be expropriated largely depends on the productivity of the land.
7. While Mr. Lansang avoided a question of constitutionality raised, he did state that the constitution is not intended to embalm or straight-jacket social and economic progress.
8. Sugar and coconut lands have been exempted from the Land Reform Program merely because in the case of these two products, international commitments having to do with exports have been made and disturbing the existing set-up might affect these international commitments. Aside from this, he said, the system of tenancy in coconut and sugar lands is peculiar in the sense that it is not similar at all to the conditions obtaining in rice tenancy.
9. Under declared policies of the ACA, farmers who cannot repay their loans are still entitled to new loans provided:
 - 1) The farmers can show that he can improve his production such that he can liquidate the old and new loans; and
 - 2) That the farmer accepts guidance as to how he can increase his production.

Lastly, he said, that farmers may fail to pay back their loans either because they have no sense of responsibility or they have suffered from reverse s. In both instances, he said, however, the facoma management can duly manage by way of inculcating in them the proper sense of responsibility as well as to teach them how to increase their production and be able to repay their loans.

I N T R O D U C T I O N

AGRARIAN STRUCTURE AND CREDIT COOPERATIVES (Impact of Land Reform on Credit Cooperatives)

by

AMADO A. LANSANG
Asst. Administrator, ACA
on full-time detail as Ad-Interim
Executive Director
Secretariat, Ad-Interim National Land
Reform Council

(Prepared for the National Seminar on Agricultural Cooperation sponsored jointly by International Cooperative Alliance and the Central Cooperative Exchange, Inc. held at Baguio City, December 16-22, 1963)

I. FOCUS

Our subject this afternoon - "Agrarian Structure and Credit Cooperatives" sub-titled "Impact of Land Reform on Credit Cooperatives" - is extremely interesting and timely for us in the Philippines. It is, however, highly involved and complex for full or even adequate examination within the time available. Within this limitation and that of an introductory, there is opportunity for only a broad and panoramic survey of its substantive elements.

The limitation of this introductory will, I am sure, be made up for by the contribution that we shall have from our distinguished resource person - Mr. K. Madhava Das of the Reserve Bank of India. Mr. Das stayed behind from last week's International Experts' Conference of which this Seminar is a direct echo, to share with us his profound knowledge and rich experience on the subject.

For purposes of this discussion, the subject matter as given might be re-stated in the form of a question, thus -

What is the role or place of credit cooperatives in our land reform program? Or, what is possibly a more realistic question in the light of Philippine conditions - What can credit do to help achieve the objectives of land reform?

A consideration of the question - whichever of the two we prefer - might profitably be directed to or along the following points:

1. The structure of our agriculture in its socio-economic effects on the farming population in particular and the national society in general.

2. The land reform in its philosophy, its objectives, its requirements for implementation with particular reference to credit.
3. The need for and relevance of credit cooperatives in connection with land reform - - - why credit cooperatives?

On each and all these points, numerous questions can and normally will arise in the course of a seminar like this. On the land reform program alone, which is relatively new in the Philippines, the whole one hour allotted to us may not be enough. On credit cooperatives, particularly for agriculture and in the context of land reform, the mechanics of their organization and operation should prove of special value to us in this seminar.

On all these points, however, we would have to exercise utmost economy in our discussion. Time won't permit more than the most essential details.

II. SELECTED FACTS AND FACTORS: CONTEXT

A brief summary of selected facts and factors should be helpful as frame of reference for the context of our discussion.

A. Agrarian Structure

A recognizable picture of our agrarian structure may be drawn or viewed from the following facts:-

Out of the total cultivated area of 7,529,100 hectares in 1961, 5,948,200 hectares were planted to food crops, over 83% of which were taken up by rice and corn. Commercial crops took 1,580,900 hectares, over 82% of which were sugar and coconut - the major export crops of the country.

Approximately 70% of all farms have an area below 3 hectares and only about 15% are over 5 hectares in size. The national average size of farm is less than 3 hectares.

There are about 1,700,000 individual Filipino farmers, about 800,000 of whom work as tenants. Tenancy is heaviest in the rice areas. Agriculture takes over 60% of the total labor force which is estimated at about 9,000,000.

In the majority of farm areas, particularly in the staple crops of rice and corn, only one crop is raised a year. More than one-half of the year these farms are idle and the farmers without regular employment. The average yield on rice (palay) is 27.4 cavans and on corn 15 cavans per hectare.

In relation to the whole economy, agriculture contributed in 1960, 33.5% (the biggest single source) of the total national income and accounted for 63% of the total export trade. It is of course the main source of the food, shelter, and clothing for our people and of raw materials for our local industries.

On the whole, the structure has meant for 70% of the population dependent on it poor income and poverty, unemployment and underemployment, low level of literacy, and in general substandard level of living. For the nation as a whole, shortages in even staples, low national income, slow industrial growth, and in general creeping instability.

B. Land Reform

The existing agrarian structure with all its implications to the social economy, as indicated in the facts cited, has provided the basis and justification or the imperative for land reform.

As envisioned in the law (Republic Act 3844), the land reform program is designed in the main to achieve the following specific and general objectives:

1. To abolish tenancy and establish a system of ownership - cultivatorship on family-size farms. In other words, giving land to the tiller.
2. To unlock the capital tied up in land and induce its shift to industry and other economic activities including development of large-scale, commercial type farming.
3. To increase per unit and aggregate production through more efficient use of land and the application of modern methods of culture.
4. In general, to establish an agrarian structure that shall provide increasing productivity and income to the farmers as a strategic step towards accelerated and balanced economic growth and development.

It should perhaps be emphasized here that the foregoing objectives have strong bearing on the historic issue of preserving and promoting democracy against the challenge of communism and other forms of subversive ideologies.

C. Credit Cooperatives and Land Reform

The reconstruction of the agrarian structure along the lines of the land reform program entails the employment of tremendous amount of resources in financing and materials, technology, and

man-power. It involves a vast machinery of organization and administration to carry out the complex program.

Credit, which is a basic requisite in agriculture, is particularly important in land reform. In fact, the complete enslavement of the landless farmers to tenancy has been achieved to a great extent through credit extended by the landowners and the traders. Land reform immediately and unavoidably implies that credit, which used to be supplied by the landowners and other private sources, should be made available from an institutional source. In the early years of land reform, the government - mainly through the Agricultural Credit Administration - will have to provide the credit needed by the farmers affected by the program.

Three major problem areas, separate but interrelated and interacting, however, pose themselves. These are:

1. The enormous physical magnitude or volume of funds that will be required.
2. The mechanics and machinery of bringing the credit to the farmers and of recovering the loans. This is inseparably linked to efficiency in the release and collection of the loans and to cost of servicing them.
3. Long-run national policy. This has to do with the preservation of the integrity of the system of private and free enterprise, as against complete and direct state control of the economy which is of course untenable.

The above three problems can be reduced to one all-embracing central question: How can the credit requirements of land reform be met and administered within the capacity of the government and at a cost that will be tolerable without unduly raising interest rate and at the same time developing among the farmers independence or self-reliance and self-government which are fundamental to our system of democracy?

In the context of the agrarian structure and the objectives of land reform as well as the larger aims of national policy, the answer to the central question is development of credit and related agricultural cooperatives. This, in fact, is the answer provided in the Land Reform Code.

Why credit cooperatives? For the following reasons:

1. Credit cooperatives are convenient and effective media and means of building up ~~from~~ systematic savings of the members a pool of funds which can steadily grow in size. These funds will of

course be available to the members for loans. In proportion to the size of the cooperative pool, the amount that must be provided by the government will be reduced and/or augmented.

2. The farmer-members of these cooperatives can be served or serviced with credit if the loans supplied by the government are coursed through these associations which also can be the same channels for collection. In this way the cost of administering the loans can be substantially reduced and its efficiency increased. To the extent of the assets of the associations and the influence of the associations over their members, the collateral or security-factor on the loans can be tremendously improved. The cost of the credit to the farmers will likewise be reduced correspondingly. The cheapest kind of capital, it must be noted, in a cooperative is that which is provided by the members themselves.

3. As a natural and extremely desirable consequence of the whole process of farmers accumulating their own pool of funds in a credit cooperative and using their association as a medium in securing and paying back loans, the spirit and attitude of self-reliance and self-government are bound to take firm root and steadily grow in the farmer-members. As the process continues, credit cooperatives will develop into full maturity as cooperative banks owned and controlled by the farmer-members who will also use them as their principal if not sole source of credit.

But to that extent, private enterprise will be enriched, invigorated, and made more enduring because it is built and works on the solid base of positive participation of large segments of the population. Economic democracy will have expanded and reinforced political democracy the structure of a much more balanced, stable, and just society established.

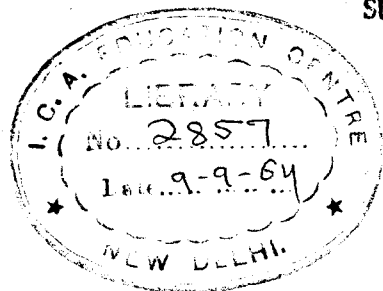
III. CONCLUSION

Land reform, basically and ultimately, is a program of socio-economic development based on more equitable distribution of resources and opportunities and their maximum utilization with the largest possible participation of the citizenry in both production of wealth and distribution of economic well-being. Both in its proper and effective implementation and in the attainment of its immediate and ultimate objectives, the land reform program can generate great capability, effectiveness and propulsive power by utilizing the social and economic dynamics of cooperation.

Credit cooperatives and other related types of cooperative associations should receive immense impetus from land reform which will crystalize and deepen the need and the necessity for cooperation equally on the part of the farmers and on that of the government.

To us in this seminar the last question must be addressed:
How well and how fast can we reorganize the FaCoMas and develop
their management and capital capabilities to place them in position
to competently assume their proper share of the responsibility of
bringing about land reform?

SUM-2



SUMMARY
(December 17, 1963)

SUBJECT: System of Supervised Farm Credit to be Employed --
Roles of Government Agencies and Cooperatives

INTRODUCED BY: Mr. Solomon G. Cabrera
Head, Cooperatives Department
Agricultural Credit Administration
M a n i l a

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City

December 16-22, 1963

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia
6 Canning Road, New Delhi-1
(India)

CENTRAL COOPERATIVE EXCHANGE, INC.
Eureza, Sta. Mesa
Post Office Box Number 1968
Manila
(Philippines)

Subject: System of Supervised Farm Credit to be Employed -
Roles of Government Agencies and Cooperatives

Introduced by: Mr. Solomon G. Cabrera
Head, Cooperatives Department
Agricultural Credit Administration
M a n i l a

Preliminaries to Conference

Mr. Rana opened the session at 8:30 in the morning with the observation that next time, everybody should come on schedule. Then he requested Mr. Solomon G. Cabrera to introduce the subject entitled System of Supervised Farm Credit to be Employed - Roles of Government Agencies and Cooperatives. He did not find it necessary, he said, to introduce Mr. Cabrera as he was familiar to all participants.

Lectures and Discussions

Mr. Cabrera started his lecture by saying that he will limit his discussion to the practical aspects of supervised credit as it relates to the country's Land Reform Program. Heretofore, he said, credit and extension were conducted by the government separately through two separate agencies providing these services to the farmers, namely: the Agricultural Credit Administration (ACA), formerly the Agricultural Credit and Cooperative Financing Administration (ACCF) for credit, and the Commission on Agricultural Productivity (CAP), formerly the Bureau of Agricultural Extension, for extension work. He expressed the view that it would perhaps be easier to understand and appreciate the Land Reform Program if it is thought of as not merely supervised credit but supervised credit farming.

He then proceeded to explain that in supervised credit, the two services of credit and extension are supposed to be brought to the farmers in integrated form to produce maximum beneficial effects to the farmers as well as consumers. As to supervised farming, that aspect of the work has to do with supervising and assisting the farming operations of the farmers and guiding them in their farming activities in order to maximize their production and income.

He then proceeded to explain the organization set up of the program of land reform with the aid of a diagram which he drew on the blackboard and which is substantially in the form as appears in the diagram attached to these minutes. Essentially, there have been integrated five separate agencies in the Land Reform Authority.

They are the -

1. Land Bank (LB)
2. Commission on Agricultural Productivity (CAP)
3. Agricultural Credit Administration (ACA)
4. Office of the Agrarian Counsel (OAC)
5. Another agency

incorporated in the land reform but is a judicial body and actually, therefore, is independent of the rest.

The Land Authority is the old National Resettlement and Rehabilitation Administration (NARRA) and the Land Tenure Administration put together in one office; the Land Bank has yet to be created; the Commission on Agricultural Productivity is the former Bureau of Agricultural Extension; the Agricultural Credit Administration used to be the Agricultural Credit and Cooperative Financing Administration (ACCFA); and the Office of the Agrarian Counsel used to be the Tenancy Mediation Commission. All the heads of these various reform agencies constitute the National Land Reform Council, and by provision of law, the head of the Land Authority is also the Chairman of the National Land Reform Council.

Under the National Land Reform Council are two specialized bodies which assist in the formulation of policies and programs for the implementation of the Land Reform Code. The first is the Secretariat headed by Mr. Amado Lansang, the functions of which are administrative in nature, such as those which have to do with personnel, logistics, accounting, transportation, and others. The Secretariat is also in charge of preparing the agenda and minutes of meetings of the Council. The second is the Plans and Programs Group which is a technical group charged with the making of studies and the formulation of policies of the Land Reform Authority.

There are three levels of organization under the land reform machinery: 1) the National Land Reform Council at the top; 2) the regional committees at intermediate level; and 3) the local project team. Mr. Cabrera informed the body, however, that in the deliberations of the Council, the view was expressed that there was actually no need for any intermediary body because the regional committee would actually be too far from the local project teams. Under the existing program, Mr. Cabrera said that there are provincial offices of the 3 agencies at present. The team which is to be in direct contact with the farmers for the local project team is composed of representatives of the Land Bank, CAP, and OAC, and a representative of the Land Authority is the over-all head of such project teams. A local project team covers 750 families of all types of tenants or leaseholders.

Central to the organizational network is the extension man who is actually charged with and who bears the brunt of the work with respect to improving the production and income of the farmers. There will be one extension officer for every municipality and each extension man will be in charge of 75 farmers.

Under the extension man are 10 farm technicians; and working closely with the farm technicians are home technicians who will actually be working with the wives in the homes because the objective is not only to increase production and income of the farmers but also to improve their living conditions, condition in the farms, etc. Home technicians operate in each municipality or one for every two municipalities depending on productivity and will be working at barrio level so that, invariably, a home technician has some 150 families or homes under him.

The next agency concerned with land reform is the Agricultural Credit Administration with the primary purpose of providing credit to the farmers. Under the supervised credit program, there will be three loan supervisors who will be in direct touch with the farmers and who will be working in coordination with the three farm technicians.

Summarizing so far his discussions at this point, Mr. Cabrera said that the agencies, therefore, now active in the field are the Commission on Agricultural Productivity, the Agricultural Credit Administration and to some extent the Office of the Agrarian Counsel, which office provides legal service to the farmers in the shift of status from share-tenant to leaseholder. Plenty of legal problems are expected to arise as a result of this shift of status from tenancy to a lease-hold system; hence the necessity for providing for such counseling services. Should there be any legal disputes formally raised later, the Court of Agrarian Relations decides the issues.

Responding to a question asked as to the role of FaCoMas under the Land Reform Program, Mr. Cabrera stated that, initially, FaCoMas are out of the picture, saying that the program was started and drawn up on the assumption that there are no FaCoMas.

He then informed the body that there is now what is known as the lower Angat Project composed of about 7 municipalities being served by the Angat River Irrigation System. The CAP has made a survey of the farms and on the basis of this farm survey, plans are being worked out for the area. He said that although there are several cooperatives existing in the area, for the time being these are not being taken into consideration in the plans being drawn up.

Emphasizing the need for coordination between different agencies involved, he said that the operations will be integrated. No agency will be working independently of the other. Although by law, these are separate agencies and are maintained independently of one another, they actually operate as one coordinated institution under the land reform project teams. He observed that heretofore, when these agencies were working independently of each other, the impact of their services was never really felt. Very often, when there was extension work being done, there was no credit, and when there was credit, there was no extension work to go along with it.

Responding again to another question as to the proper man to approach in case farmers have problems, Mr. Cabrera said that farmers are not really in direct touch with the CAP men but with the farm technicians. As planned, the farm technician will be required to reside in the barrios and if a farmer has a problem, he should bring it to the attention of the farm technician who, in turn, will bring it to the person handling that phase of the problem in the project team. He also said, at this stage, in response to another question, that loans will be extended direct to the farmers.

By way of clarifying the functions of the CAP in connection with cooperative development, he said that whereas before the responsibility for cooperative development rested solely on the ACCFA, this function is now performed both by the CAP and the ACA: the matter of promotion and organization of cooperatives to be discharged by the CAP as well as informational and educational activities, and the ACA to exercise regulatory powers. Regulatory powers are those which have to do with determining whether a certain association is actually a cooperative and/or whether a cooperative is actually operating as a cooperative.

Responding again to several questions at this stage, he said that loan supervisors look into the matter of disbursement of loans to farmers. There are only 3 of them in the local committee. They are assisted by farm technicians.

He also said that while the different agencies are already functioning in the Angat (Bulacan) project, the Land Bank is not yet functioning there.

As to expropriation of land, he said that at this stage, no expropriations are yet being made because the activities are still presently directed to effecting the shift from a tenancy system to the leasehold system, not yet to land ownership. The program is being followed by stages and, as a matter of fact, no farmer can purchase land until he has passed the shift from tenancy to leasehold. If he makes good as a leasehold possessor, then the next stage is ownership.

To a question asked at this stage as to the distinction between leasehold and tenancy, Mr. Cabrera said that in share tenancy, the farmer gets a certain percentage of the produce but also shares in the expenses. In leasehold system, the owner gets a fixed percentage of the produce but does not share in the expenses.

Going now to the matter of lending procedures, he said that under the defunct ACCFA, it was simply a matter of seeing to it that the loans were released on time and that the farmers make proper use of the loan. Under the present organization, loans will be extended on the basis of a farm planning budget framed and developed jointly by the farmer and the extension man in charge of the barrio where the farmers resides. The framing-up of the budget is not limited to the cost of production of rice alone; it also embraces such other matters as means to improve productivity of the farm by means of the farm management approach.

The farm management approach was explained by Mr. Cabrera by saying that under the guidance of the farm technician who is actually a highly trained person, the most profitable combination of enterprises for the farm is determined. If a combination of enterprises is not possible because of the condition of the land, the farm technician tries to find out how production can be maximized by the introduction of improved farm practices. The farm technician helps the farmer determine the type of crops to produce and the suitable variety to cultivate. For instance, if the farm is both upland and lowland, the farmer may be asked to devote the lowland portion of his land to rice and the upland portion to the raising of hogs, poultry, or planting of vegetables or other high income-producing crops like onions, garlic, etc.

On the basis of all these, the loans will be extended to the farmer. The farm plan, Mr. Cabrera said, consists of two principal columns: one for "Last Year" and one for "Proposed" which means proposals for the coming agricultural year or years. For example, the column "Last Year" may reveal the information that there are no improved farm practices; the column "Proposed..." may contain such recommendations as the use of certified seeds, fertilizers or farm chemicals. The farm technician should be in a position to advise the kind of fertilizer a farmer is going to need and also his credit requirements; and in making the farm plan, the farm technician is also supposed to be able to give repayment plan, because more or less, he can determine when harvest is expected for rice and other products. Through this repayment plan, farmers will know what to expect from their business enterprise and when to make repayment of the loan.

After all these, the farm technicians assist the farmer in the processing of his loan application. Items such as "Month," "Operation," "Credit Needed" and "Purpose" may appear in the farm plan which may show that at a certain month, for a particular operation such as preparation of land or for seeds or for transplanting purposes, the farmer may need so much money. Hence, the farm technician is required to be familiar with the locality wherein he works.

Commenting on an observation made by one of the group that the entire scheme is a little idealistic and may actually suffer a drawback because the men assigned to see to its implementation may not actually be competent, Mr. Cabrera said that precisely emphasis on training is being laid by the Land Reform Council which has adopted the policy that there must be fresh orientation for all personnel on the different aspects of the job they are supposed to perform. Therefore, the Council sees to it that they are given the necessary training and, at present, they are actually being trained at Fort Wm. McKinley.

At this point, a number of complaints were aired by members of the discussion group, principally because of some anomalies in fertilizer distribution in the past years and up to the present time, and the apparent lukewarmness of the authorities to investigate complaints about these

anomalies. Mr. Cabrera said in this connection that the Land Reform Council is trying its best to solve this problem and stated that under the administration of the new officer-in-charge of the ACA, Dr. Jose R. Katigbak, complaints are certain to be entertained and looked into promptly.

On the matter of government subsidies, Mr. Cabrera stated that the Chairman of the National Economic Council (NEC), Mr. Sixto K. Roxas, is of the view that all kinds of subsidies should eventually be done away with although at this point, a participant observed that it is difficult to do away completely with such subsidies because in the case of fertilizers, for example, the farmers find it hard to purchase at prevailing commercial rates because the price is high. Which prompted Mr. Rana to observe that the problem indeed is very complex, saying that if fertilizers are subsidized, there may be graft and corruption as one of the delegates said, adding that another difficulty in this connection may be that the fertilizer may not be suited to the soil where it is to be applied.

At this point, Mr. Cabrera hastened to say that he might have been misunderstood because, he said, only the legislature could withdraw a subsidy program.

Going back to the matter of loan processing and approval of releases, Mr. Cabrera said that on the basis of a farm planning program drawn up through the assistance of the farm technician, a farm loan application is sent to the loan supervisor of the ACA. The loan supervisor then decides whether to approve or disapprove the loan or reduce the amount thereof. Loan applications are supposed to be submitted at least 60 days before the time of need. The amount of the loan as approved is sent to the ACCFA District Office and, on this basis, loans are authorized to be released to the farmer. Actually, cash is transferred by the District Office to agencies who could be either a cooperative man, an ACA disbursing officer, or a municipal secretary authorized to release funds. Assuming that all of these preliminary steps have been properly done, the farmer then goes to the loan supervisor for releases to him in the form of a non-negotiable draft which is some sort of check which can be only be cashed at the office of the disbursing officer. The farmer now can buy his needs although as to the purchase of seeds and farm supplies, the loan supervisor informs him where such could be bought, whether through a cooperative, through the CCE or any duly authorized private agency. Activities of farmers are so supervised that to assure the proper use of loans, these are released only in installments and the rest cannot be released until the supervisor issues a certification to the effect that crops are successfully producing results and that nothing adverse has happened.

As to the storage of farm products, the farmer deposits his products with a warehouse designated by the ACA; the warehouse issues a warehouse receipt which, in turn, is endorsed to the ACA and then given to the loan supervisor. Under existing policies, if prices are low, the ACA extends

commodity loans to the farmer. When he wants to sell his products, he should advise the loan supervisor to sell his products and the loan supervisor arranges with other agencies for the purchase of these products such as the RCA, the CCE, the FaCoMa or a private entity.

At the close of Mr. Cabrera's discussion, Mr. Rana summarized what had taken place by saying that Mr. Cabrera brought out the following points:

- 1) That the land reform program is an integrated program of agricultural development, with various government agencies which were previously functioning independently of each other now being joined together under one body called the Land Reform Council and the various services in the field of agriculture integrated. Mr. Rana observed in this connection that this is a very interesting development which bears watching as in the Experts' Conference, the question of coordination between the agricultural extension agents and those directly involved in agriculture was discussed in great length. He added, at this point, that the experiment being undertaken in Bulacan may be of great interest not only for those in the Philippines but also for those in other parts of the world.
- 2) How the land reform structure can reach the farmer level, through the farm technicians who are assigned certain functions to perform; one farm technician to be provided for each farm; intensive agricultural extension services to be undertaken; the role of the farm supervisor for agricultural development; and the extension of credit through the instruments of farm planning.
- 3) The various steps before a loan could be released to a farmer, in connection with which Mr. Rana said that Mr. Cabrera outlined how farm planning would develop a system of enterprise by improving land use and bringing about increased agricultural production as well as improvements in the home front.
- 4) The program of operations of the ACA in the non-land reform program areas, such as the plan to liquidate agricultural cooperative societies which cannot stand on their own and to rehabilitate those which deserve help, with ACA providing the loans to members.

This, Mr. Rana said, is a very broad summary of the very complex outline which Mr. Cabrera made of his subject matter. He added that in the discussions which took place, several things were pointed out, one of which is the duplication of land reform programs in other areas. He said that the concentration of personnel in Bulacan appears to be very heavy and the manner in which the project is developed should be interesting to watch. The question of personnel to implement this program was also brought out during the discussion and as one of the

participants pointed out, it would very much depend on the type and attitude of people entrusted with the implementation of the program. Certain questions were also raised, Mr. Rana said, regarding the use of farm fertilizers and he said that the point raised by Mr. Galano regarding the use of farm fertilizers being dependent on the soil analysis is an observation the validity of which cannot be questioned. Mr. Rana further observed that a very important point about cooperatives was raised, which is, that the participation of farmers in the program should be developed through organized channels, the FaCoMa being, in this respect, best situated, although unfortunately, many FaCoMas have failed to perform and cannot perform the functions expected of them. Lastly, he said that it is the intention of the Land Reform Council to build up certain representative institutions in certain areas only after careful study of the area has been made. At this point, he threw open the subject matter for discussion.

Miss Esquerria was asked by Mr. Rana as to her opinion about the home demonstration, and Miss Esquerria answered that home demonstration should be distributed in different areas. She added that in Nueva Ecija, this has proved to be quite successful.

Mr. Chavez then called the attention of Mr. Cabrera on the matter of timing in the financing of loans by the ACA. He said that if they apply for a loan on May and June for purposes of harvest, almost immediately after harvest, they have to prepare the land again during the month of July for transplanting, August for use of fertilizers, and later on comes the harvest again. So at the time they receive loans during the last months of the year at harvest time, they cannot yet effect liquidation of their earlier commodity loans. The problem thus raised has to do with the fact that it is quite impractical to require that before a new loan is granted, the old loan or loans should have been settled first. He also added that ACA does not give loans in sufficient amount.

Anent this point, Mr. Cabrera said this can be solved when the shift is effected to the supervised credit scheme under which lending will be made against a farm planning budget which covers not merely a limited number of months in a year but the entire year. Also, a repayment plan is supposed to be drawn up under this scheme where convenient dates of repayment are scheduled. Then, he also added that while there is nothing definite yet about this, the idea of converting the commodity loan system into an operating capital loan which can be used for the purchase of palay or commodities is being considered. Hand in hand with this system of financing is the merchandising loan that the CCE is supposed to handle under which system of operations, farmers can accumulate enough stock which can be passed on to the CCE for marketing. He informed the group that during the last CCE board meeting, the ACA officer-in-charge agreed substantially with this proposition and Mr. Cabrera's work along this line will be resumed after the seminar. He assured the discussion group that the problem can be solved.

EDUCATION

Mr. Joglekar, at this point, observed that one of the possibilities to consider in the matter of timing the extension and collection of loans is that since there are two different loans, one for crops and another for commodities, the repayment of the crop loan may be made only after the harvest is sold, and in the meantime, another type of loan may be extended. He added that there is no reason why a second loan should not be extended merely because the first loan has not been repaid yet in view of the fact that the products are there anyway ready to be marketed. He cited practices in his own country where two different loans are also extended to the farmers and where the practice he just cited is being followed.

Commenting on all these, Mr. Cabrera stated that all these difficulties arise because the ACCFA lending program was geared to the one-crop system. Under the farm planning budget, however, the problem is expected to be solved because the plan as drawn covers one full agricultural year. This means, he said, that loans can be extended for the first crop, second crop, etc., because anyway, the ability to pay at different stages of the agricultural year can be determined. Also, since under the supervised credit scheme the farmers' enterprises can be increased, a timely repayment plan can be more or less evolved. It will all be actually a matter of programming.

Mr. Galano then observed that the problem really becomes complicated because there are different regions in the country and different seasons.

Mr. Rana then said that what can be best done under the circumstances is to deposit these crops with warehouses and against these deposits, commodity loans can be given when the crops are sold, this can provide the source for repayment. The sale of crops deposited may be effected when the price is favorable, which would not prove too difficult, he said, if marketing is already developed.

Mr. Respicio then added that a possible additional source of credit is the funds which can be accumulated from the private sector. He said that in his organization, they have succeeded to accumulate a revolving fund of some P20,000 from the private sector. He attributed the success of his association in this regard to the fact that the members have been sufficiently impressed with the importance of accumulating savings. As a result, they have voluntarily subjected themselves to some sort of forced savings scheme. This they have found time and time again to be of much help to them. Elaborating further on this forced savings system, he said that a retention of the rate of P0.10 per sack of fertilizer sold was made. It was understood by the farmers that this retention would not earn any interest but that it would merely become a steady, stable fund to assure the continuity of the association's operations. No interest is paid on this.

Mr. Galano then recounted the experience of tobacco FaCoMas in Batac, Ilocos Norte, particularly the Batac Virginia Tobacco FaCoMa

with 400 farmer-members. He recounted that in the first year of its operations, in 1954-55, ₱20,000 was borrowed from the ACCFA. This, in addition to the paid-up shares of the members at the rate of ₱5.00 per member, constituted its starting capital. He said that for the first two years, the manager and the secretary-treasurer were not paid any salaries just to accumulate enough operating funds. Through these measures of economy, they were able to effect much savings such that in the first year of tobacco operations, his association realized ₱49,000 out of which they were able to pay off their ACCFA loans. After the loans were repaid, the officials who did not receive any salaries for two years were paid their back wages. Also, patronage dividends were not distributed during the first three years of operations in order to accumulate more operating capital.

Mr. Rana then cited a parallel example of a cooperative system started in France where capital was raised from contributions of its members alone. The members agreed that they would not receive dividends for the first two or three years, after which they started to receive these in due time when the organization was already well advanced in its finances.

Mr. Rana, in closing the discussions for the morning, observed that what just transpired were interesting and provocative discussions, and stimulating too. Then he announced that the afternoon will be devoted to group discussions suggesting that one group should meet in the conference room and another in the lobby. Both groups should elect their own chairman and their own secretary.

At this juncture, the meeting was adjourned at 12:00 noon.

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NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City

December 16-22, 1963

QUESTIONS FOR DISCUSSION

Section I: December 17, 1963

- (1) Please outline various methods for building up owned capital in Facomas.
- (2) Please outline the main features of supervised credit and suggest ways and means of improving the system described by Mr. Cabrera.
- (3) Please outline the advantages and difficulties involved in formulation of farm plans and farm budgets by farmers with the help of farm technicians.
- (4) In your opinion, what constitutes a revitalized Facoma, so that it may qualify for participation in a supervised credit programme?

REPORT ON GROUP DISCUSSIONS UNDERTAKEN BY
GROUP I OF DELEGATES IN NATIONAL SEMINAR
ON AGRICULTURAL COOPERATION
(December 17, 1963)

At 2:00 P.M., December 17, 1963, the group in the presence of Mr. J. M. Rana and Mr. V. M. Joglekar of India opened up with the initial move of electing a group Chairman and a Secretary before going on with the prescribed topics of discussions.

Mr. Rodrigo Felix of the Camiling FaCoMa in Tarlac was elected Chairman and Mr. Magno G. Reyes of the Santa Ana (Pampanga) FaCoMa was elected Group Secretary.

The Chairman then presented the four questions on topics for discussions and asked for suggestions and opinions regarding each particular topic from members of the group which was noted and summarized as follows:

I - Outline Various Methods for Building up FaCoMa-Owned Capital in FaComas.

1. Soliciting of increased subscription of stocks and in the paid-up capital of the members of the FaCoMa.
2. Request for the return of accumulated 5% insurance fee withheld by the ACCFA to the FaComas.
3. To collect an amount corresponding to P0.10 per cavan from members who deposit palay with the FaCoMa and which amount is to be credited individually to members as their additional paid-up capital.
4. Retaining amounts which are intended for distribution as patronage dividends so they could augment FaCoMa capital.
5. Securing of outside financing by mortgaging FaCoMa-owned facilities.
6. Realizing additional capital from service fees thru extensive collection campaigns.
7. By withholding for capitalization purposes 1 cavan or amount corresponding to it from every 50 cavan deposit or in such proportion.
8. Expansion of volume of business in profitable undertakings.

9. By increasing the retained 45% of savings intended for additional working capital of the FaCoMa to a higher percentage.

II. Outlines of Main Features of Supervised Credit and Suggestion of Ways and Means of Improving the System Described by Mr. Cabrera.

1. By increasing in proportion the amount of credit assistance in kind rather than in cash so as to avoid misuse or diversion of funds.
2. Continuance of extension of commodity loans, farm improvement loans and facility loans even after the Land Reform Program is implemented.
3. To exert more efforts to direct supervised credit to a more specific goal in increasing production.
4. To assure ways and means by which palay pledged by farmers who receive financing are actually deposited on designated warehouses to avoid past failures and seeing to it that personnel utilized in the program have virtues, honesty, integrity, competence and dedication.
5. By utilizing deserving organized cooperatives in the implementation of the program if there are such, so as to avoid waste of much time and money, hiring of many additional employees, and the impracticability of the ACA dealing direct with thousands of farmers individually if it could be done collectively.
6. That there would be more sense of responsibility in farmers who will receive assistance thru cooperatives rather than direct from ACA due to the fact that money received direct from the government will very likely be considered as a HAND-OUT.
7. Securing of Co-Makers of farmers obtaining loans.

IV. Advantages and Difficulties Involved in Formulation of Farm Plans and Farm Budgets by Farmers with Help of Farm Technicians.

ADVANTAGES:

1. Proposed Farm Technicians are qualified men with scientific knowledge and better trained to supervise actual farm work.

2. Greater Farm Productivity can be achieved.
3. It is but natural that presence of planning and budgeting would produce better results than none.
4. That Farm Technicians are supposed to stay in the barrios and could guide farmers effectively.
5. Diversification of crops may be practised intensively to give more returns to farmers.

DIFFICULTIES INVOLVED:

1. Difficulties may be involved due to different existing conditions in different localities.
2. Farmers are generally reluctant to follow modern practices and attend meetings.
3. Difficulties may arise in cases when Farm Technicians and Farmers may not see eye to eye with each other.
4. There may be possibility of corruptions later if one man formulates plans, formulates budget and recommends loans.
5. There may be long delays in all mechanics entailed so that farmers may not receive assistance on time.

IV. In Your Opinion, What Constitutes a Revitalized FaCoMa, so that It May Qualify for Participation in a Supervised Credit Program?

1. A FaCoMa with dedicated and efficient management.
2. A FaCoMa with adequate facilities such as warehouses and rice mills.
3. FaCoMas which have been active in continuous operation for several consecutive years and which could be clearly identified from dormant FaCoMas.
4. FaCoMas whose management officials were or are not connected with any irregularities and anomalies.
5. FaCoMa with sound business operations for quite a number of years to determine competence in management, aside from satisfactory loan repayments

The Group discussion was closed at 5:00 P.M.

Group II
Group Discussion, Dec. 17, 1963
Undertaken by Delegates in National Se-
minar on Agricultural Coop-
eration

- (1) Outline various methods of building up FaCoMa-owned capital in FaCoMas.
 1. Linking of amount of loans given to a member to his shareholding in the FaCoMa;
 2. Collection of unpaid balance of subscribed capital stock from members;
 3. Retaining an amount out of their patronage refunds and stock ~~from~~ members to increase their shareholdings;
 4. Requesting payment of 5% insurance withheld by the ACCFA, now the ACA, to the FaCoMa;
 5. Collection of \$1.00 per bag of fertilizer and 0.10 per cavan of palay or corn among members;
 6. Conducting educational campaigns to develop a strong cooperative organization among small farmers especially the non-members and acquainting them in the basic principles to understand the value of cooperatives and in order for them to increase their subscription to capital stock and paid-up capital.

- (2) Outline the main features of supervised credit and suggest ways and means of improving the system described by Mr. Cabrera.
 1. In an area where there is a FaCoMa which is working well, preference should be given to that FaCoMa in providing agricultural credit;
 2. In an area where there are weak or non-revitalized FaCoMas, there should be a definite program for revitalizing them within a specific period so the revitalized FaCoMas can take up loans as soon as possible.
 3. Each revitalized FaCoMa should have a loan supervisor. ✓
The salary of the supervisor should be subsidized by the government for three years on a graduated scale, that is, 100% of the salary, or full, for the first year, 2/3 at the second year, 1/3 at the third year and thereafter, beginning the fourth year, the full cost of the salary to be borne or financed by the FaCoMa.

- (3) Outline the advantages and difficulties involved in formulation of farm plans and farm budgets by farmer with the help of the farm technicians.

Advantages:

1. The farmers can practically find out the cost of his farm budget;
2. Farmers can be apprised of the cost of his modern farming;
3. It will place the farmer's and his family's resources within the government's technical and material assistance program. By self-help, he can raise his standard of living as a result of increased production and better income.

Difficulties:

1. Filipino farmers in general are indifferent to change;
2. He seems to lack self-confidence;
3. His understanding is limited;
4. Extra family obligations disturb him;
5. Slightest failure in his guided farming is likely to shake his faith in the system.

- (4) In your opinion, what constitutes a revitalized FaCoMa, so that it may qualify for participation in a supervised credit programme?

1. The books are all in order and ready for credit;
2. The officers of the FaCoMa should all be efficient in their jobs throughout the FaCoMa operation;
3. The FaCoMa should be able to present a good financial position;
4. Officers should all be active in patronizing the operations of the FaCoMa for several years;
5. At least 90% compliance with the marketing agreement should be made;

6. In the case of different loans, the FaCoMa should pay the ACA at certain percentages and the farmers to the FaCoMa such as:

Commodity loans - - - - - 100%
Production loans not less than - - 75%

7. Payment of facility loans should immediately begin and continue until this type of loan is fully paid;

8. Start capital formation as soon as they can.

SB-1a
12-17-63

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION
Baguio City, Philippines

December 16-22, 1963

DISCUSSION GROUPS

<u>GROUP I</u>		<u>GROUP II</u>	
<u>NAME</u>	<u>REGION</u>	<u>NAME</u>	<u>REGION</u>
1. Ricardo S. Castro	I	1. Justino D. Galano	I
2. Remedio Mangaser	I	2. Lucio A. Guzman, Jr.	II
3. Igmidio Villarama	III	3. Pedro Mendoza	III
4. Bartolome C. Chico	III	4. Jesus F. Villanueva	III
5. Rodrigo Felix	III	5. Julita B. Esguerra	III
6. Leonie Chavez	III	6. Edilberto Avendaño	III
7. Magno G. Reyes	III	7. Emilio V. Chavez	IV
8. Paulino C. Segui	IV	8. Blas A. Ladrera	V
9. Tomas R. Severo	IV	9. Jose L. Casiple	VI
10. Romeo M. Panique	VI	10. Avelino A. Palomero	VI
		11. Alfredo Respicio	VII

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City, Philippines
December 16-22, 1963

A G E N D A

for

WEDNESDAY, December 18, 1963

- 8:00- 9:00 A.M. Credit for Cooperative Marketing
- Introduced by: Mr. V. M. Joglekar
General Manager
Maharashtra State Cooperative Bank
I n d i a
- 9:00-10:00 Discussion
- 10:00-10:15 Coffee Break
- 10:15-11:15 Possibilities of Cooperative Credit Organizations
Supplementing and Eventually Replacing Government
Agencies
- Introduced by: Dr. Pablo N. Mabbun
Economist, Philippine Rural
Reconstruction Movement
Philippines
- Resource person: Mr. J. M. Rana
Deputy Director
International Cooperative Alliance
I n d i a
- 11:15-12:00 Discussion
- 2:00- 3:45 P.M. Group Discussions
- 3:45- 4:00 Coffe Break
- 4:00- 5:00 Group Discussion (Cont'd.)

S U M M A R Y
(December 18, 1963)

SUBJECT: Credit for Cooperative Marketing

INTRODUCED BY: Mr. V. M. Joglekar
General Manager
Maharashtra State Cooperative Bank
I n d i a

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City

December 16-22, 1963

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia
6 Canning Road, New Delhi-1
(India)

CENTRAL COOPERATIVE EXCHANGE, INC.
Pureza, Sta. Mesa
Post Office Box Number 1968
Manila
(Philippines)

Subject: Credit for Cooperative Marketing

Introduced by: Mr. V. M. Joglekar
General Manager
Maharashtra State Cooperative Bank
I n d i a

Introduction to Paper

Mr. Rana opened the session by stating that the subject for today was "Credit for Cooperative Marketing" to be discussed by Mr. V. M. Joglekar who comes from the Maharashtra State Cooperative Bank of India. Mr. Joglekar is the general manager of this progressive bank, and Mr. Rana said he was sure whatever he will say would be of considerable interest to all the participants.

Mr. Joglekar opened his discussion by emphasizing that to improve the economy of the farmers, credit facilities for farm operations are absolutely necessary, and so marketing facilities are also needed. Credit without marketing is meaningless.

The ideal situation, he says, is for the producer to be the one to determine at what price he is going to sell. But what happens in the agricultural market is that the purchaser is the one who tells at what price he is going to purchase. The producer has no right to estimate for himself the price of that which he has produced. This is what is known in India as auction. This situation has to be converted from a buyer market to a seller market, but, he asks, how can this be done?

It cannot be done if each and every producer will go to the market and sell because then there will be many sellers and very few buyers as a result of which the purchaser dictates the prices. On the other hand, if there are few sellers and many buyers, it is the seller that dictates the price and it is exactly the desire of the cooperative marketing society that the individual farmer should not go to the market because it should be the society that should sell in the market. This, he said, is one important aspect of cooperative marketing and as such, its development needs special attention.

Another aspect is with respect to price determination. Citing as an example the price of potatoes in the local market which is ₹0.60, Mr. Joglekar said he found out that the seller got it merely for ₹0.30 a kilo. Thus, the middleman got a 100% profit. This is the reason, he says, why cooperative credit, without marketing, is meaningless.

Then, he outlined the functions of marketing society as follows:

- (1) collection of farm produce;
- (2) grading and cleaning;
- (3) transportation to marketing centres;
- (4) securing higher prices by releasing the goods at an opportune time;
- (5) locating new markets, including foreign markets;
- (6) processing activities.

He then cited the fact that in India, there is a credit society and also a marketing society. The credit society does not undertake any marketing system except pooling of savings of their members; and the marketing society does not undertake any loaning operations. This marketing society is usually organized as a marketing centre and it is intended to serve all the cooperatives in the village. This is known, he said, as the primary marketing society which is affiliated with a district cooperative marketing society. At the state level, there is also a state marketing society which in turn is also affiliated with the district marketing society. A national marketing society was recently organized but since this is of recent origin, he said there is actually not much to talk about yet.

Mr. Joglekar then classified marketing societies into three groups:

- (1) marketing societies not connected with any agricultural credit society;
- (2) marketing societies connected with cooperative credit societies and doing marketing work; and
- (3) marketing societies undertaking processing activities.

The function of the 1st type of marketing society is confined to profitable marketing of the members' produce. This system are usually supported by big farmers.

The second type of marketing society does business this way: officials of the credit society give loans to members. Then the society collects the produce of its members and delivers them to the marketing society. This marketing society arranges for the cleaning of the agricultural produce and then sells it in the market as commission agents. Proceeds are remitted to the credit society which retains the amount of the loans it extended to members. He added that since marketing is done

upon instructions of the members, if the price realized is higher, the benefit goes to the member as a personal gain of the farmer; if the price is low, it is a personal loss to that member. There is no common sharing of profits or losses.

The third type is a marketing society which undertakes processing activities in the matter of disposal of the produce. For example, if sugar cane is to be sold as sugar cane, the scope of marketing is limited to nearby markets; but if sugar cane is to be converted into sugar, the range of the market is considered wider. If the processing operation is done by the marketing society, the difference between the raw sugar cane and the finished sugar goes to the benefit of the farmer.

Finances required may be distinguished under three (3) categories -

- (1) block capital - for transportation, godowns, processing machinery and other equipment;
- (2) working capital - for expenses of transport, running the processing plant, labour, etc.;
- (3) margin money - for block capital and working capital.

Financing against block capital is usually available to the extent of 60% of the total cost and the remaining 40% has to be provided as margin money by the society.

As to the construction of warehouses, Mr. Joglekar said this can be done in two ways:

- (1) Under various plans of India, there is a provision for the construction of warehouses in a suitable place and the state government gives financing to selected marketing societies for construction of warehouses. 25% of this is subsidy and 75% is by way of a loan to the society payable for fifteen (15) years.
- (2) Working capital is also provided in the form of merchandising loans or commodity loans. The District Bank gives 75%, and the marketing society provides for the 25%.

The financial requirements of the marketing society in the background of the situation in India are therefore the following 3 types of financial assistance:

- (1) working capital
- (2) short-term or medium-term resources for trucks and the marketing equipment; and
- (3) long term loans for processing facilities.

Mr. Rana then asked Mr. Das to make supplementary explanations if he had any and Mr. Das said that the Central Bank usually gives loans to apex banks at the rate of 2-1/2%. It is given during agricultural seasons. The apex banks then give it to the district banks and lastly to the borrowers. These, he said, are usually short-term and medium-term loans.

Mr. Rana then at this point summarized the discussion by saying that Mr. Joglekar pointed out:

- (1) the importance of cooperative marketing.
- (2) the difference between prices which the consumer pays and the prices paid to the producers.
- (3) the marketing society would benefit the producers as it will reduce the cost of the operations of marketing.
- (4) the functions of the marketing society.

After that, Mr. Joglekar outlined the structures of the cooperative credit movement and the cooperative marketing society in India. In India, in the primary society, they have the single purpose and multi-purpose societies. In the district, they have the district society and in the provincial level, they have the provincial cooperative. Also, in the district, they have the district bank and in the provincial cooperative, they have the provincial bank. They assist the primary society. So far as credit is concerned, it is generated by the cooperative bank. Financing is done both for marketing operations and for processing. So far as the marketing society is concerned, in India, there is a marketing society in the primary marketing level - the area where the products flow.

Mr. Rana then added that in India, there are primary marketing societies at the central level where the produce in the village flow; there is also secondary and tertiary level marketing. The marketing society is located at the district and is located in the project itself. The function of this higher structure is to help the producers in the marketing operations so that the farmer receives higher prices for his products when the proper time comes for the sale of the product.

After this, Mr. Rana said that Mr. Joglekar pointed out the need for storage of products while awaiting better prices.

Next, Mr. Joglekar dealt with processing. It actually means to improve the quality further. When the quality of a commodity is improved, it becomes more attractive to the consumer or the dealer and that helps in the increase of prices.

Then, Mr. Joglekar outlined the various kinds of loans which are required by the marketing society and the processing society. One type of loan required is the loan by the farmers when he deposits the produce with the marketing society. If the marketing society is not going to sell the produce deposited, then, against this produce, certain types of loans will be given. This is called the commodity loan or advance loan or marketing advance. The second type of loan is that which the marketing society requires for purchasing equipment, trucks, tractors, etc. The district cooperative banks also gives loans up to around 75% of the value of the whole loan applied for. The loans are also necessary for constructing warehouses. This is provided by the government itself.

This, Mr. Rana said, forms the complete capital structure of a marketing society. However, he said that if the society has its own funds to loan out, the position of that society is very strong. So, it is important for an organization to build up strong funds.

Mr. Rana then threw open the subject for discussion.

Discussions

In the discussion which ensued, the following points were brought out:

- (1) Pooling system is difficult to undertake in the Philippines because of the various kinds of palay deposited by members. No member is willing to pool his product under these conditions.
- (2) Conditions in India are not very different from this, Mr. Joglekar said. But there, they pool only selected varieties. They have to be sorted out. Aside from this, suggestions are now being made to the farmers to grow only three or four varieties, although Mr. Joglekar added it may take time to impress upon the farmers in the importance of this.
- (3) Varieties may also be reduced in another manner. An example was given by Mr. Rana by citing the Cotton Act of India which provided that in a certain area, a certain variety of cotton should be raised, and no other.
- (4) The rate of commission charged by the marketing societies in India for marketing the produce of their members is one (1%) percent.

- (5) The farmers in India do not pay interest for the advance prices they are given for the products deposited as these are not in the concept of loans, said Mr. Joglekar. Mr. Mendoza at this point distinguished between advance price for commodities deposited for which the farmer does not pay interest, and the commodity loan for which the farmer pays interest.
- (6) Mr. Mendoza brought out the point that what is actually happening here is that in the absence of FaCoMa funds, reliance is made on the ACA for commodity loans for which the farmer-depositor pays interest. Serious thoughts therefore have to be given to generate sufficient funds within the FaCoMa itself so it can take care of the fund requirements of its members.
- (7) In India, there are actually two types of members of marketing societies: The first type is that who keeps his products and to be sold when the time requires, that is when the price is high. The other type has the marketing society as his marketing agent and when he needs financing, he will get the fund from the marketing society as his selling agent. He takes the responsibility of losing and gaining for the sale of his products.
- (8) There are so-called food zones in India. There are some states which grow only rice and some grow only wheat. The food zones are created so the different states grow specific products. Before the creation of these food zones, the prices were either rather very high or the prices tended to be very low.
- (9) There is only government intervention in the purchase of products when the price becomes abnormal, such as an unusual rise in prices. In this case, the government regulates the prices by asking the producers to deliver the produce at a fixed rate because the intention is to cut high prices. But if the produce is too much, the government supports the prices by telling the producers that it is willing to buy products at rates higher than the market prices. The government also sells the products at lower prices.
- (10) In 1960, Mr. Mendoza said, when the ACA was created, there were efforts made by Don Vicente Araneta to coordinate the activities of the government and the FaCoMas in this aspect. In fact, RCA officials were exploiting the possibility of letting the FaCoMas participate in the stabilization of the prices of commodities. The ACA then submitted a

detailed implementation of this objective and the FaCoMas made recommendations through which to stabilize the price of rice. Unfortunately, some of the members of the Council which sat down thought that the FaCoMa system was not in a position to assume such a role especially because the FaCoMas were disorganized. Mr. Mendoza then expressed the view that a central cooperative exchange can be the rally-ing point in the system "so that our voices can be heard in Congress but what we can do now is to start gradually." Efforts, he said, must be exerted towards a common objective of helping the farmers and to coordinate with the government in this regard.

Dr. Mabbun then said the sugar bloc in the Philippines is strong enough to get itself heard by the government.

- (11) Mr. Joglekar cited an instance in India where a strong cooperative marketing structure resisted a low-priced rate fixed by the government for cotton. The farmers were advised not to sell their cotton and the marketing societies were financed temporarily by the banks in order that the farmers could hold on to their stocks. There was some legal fight regarding the price of cotton and on the 46th day, the government gave a higher price for the commodity.

Mr. Rana before closing the session summarized the proceedings so far by saying that first, the question regarding pooling was discussed and the conclusion was reached that only selected varieties should be pooled and in the case of rice, only three or four varieties should be pooled. Grading and farmer education are also essential to pooling.

The question of advance prices versus commodity loans was also discussed, and the conclusion was reached that the first includes interest in the operating fees and the second charges interest. Finally, the question was raised about selling rice at a low price to the consumers, prices which bring down producers' prices also.

Mr. Rana also added that actually, there are short-term loan problems and long-term loan problems. From the short-term point of view, there must be a strong organization to exert pressure on the government. But on the long term point of view, a good marketing system must be developed.

CREDIT FOR COOPERATIVE MARKETING

by

Mr. V. M. Joglekar
General Manager
Maharashtra State Cooperative Bank
I n d i a

1. In order to improve the economy of the farmers, building up of suitable credit agencies within the cooperative structure becomes necessary. This, by itself, does not, however, bring about the desired improvement unless activities connected with the disposal of harvest are also undertaken simultaneously. As a matter of that, credit without marketing is not effective. It is, therefore, no wonder that cooperative marketing is being urged now ever than before.
2. A marketing system has to perform a variety of functions beginning has to perform a variety of functions beginning with collection of farm produce, grading and cleaning, transporting to marketing centres, securing reasonable yield for the producer, by undertaking if need be, some processing operation, finding and developing new markets and lastly, realizing credit dues from a farmer on behalf of a credit society.
3. All of the cooperative marketing societies, however, do not necessarily undertake all these functions and it is possible to distinguish one from the other and grouped in three broad categories as under:
 - (a) Marketing societies not undertaking any responsibilities of realization of credit dues;
 - (b) Marketing societies linked with credit societies;
 - (c) Marketing societies which undertake pooling, grading and processing and are also linked with credit societies.
4. A marketing society falling under the first group consists of farmers who are not necessarily members of credit societies but who come together to improve by joint endeavours one their marketing costs as well as prices. These societies, therefore, function as if they are the marketing departments of the member farmers.
5. A marketing society falling under second group can hardly be said to be undertaking any cooperative marketing if it merely acts as a commission agent for the sale of member's produce. If higher prices are realized, the benefit goes to that particular member. Similarly, if lower prices are obtained, it is the loss of that particular member. There is no joint effort of sharing the risk of gain, profit or loss. If a member does not want to sell the produce at a particular time, he can wait on his own for better prices and all that the society does is to act on his instructions. A pledge finance is made available to

him, if necessary. The sale proceeds, when collected, are remitted to the credit societies towards recovery of production dues.

6. A marketing society in the third group takes charge of the member's produce soon it is harvested. After transport to a point, the produce is pooled and graded and stored ready for the market. Processing by itself is more or less complicated and specialized. No farmer can process his product on his own and it is the marketing society which should undertake it on behalf of the body of its members. Through the medium of processing, a producer farmer goes nearer the consumer thereby securing for himself a major portion of the price spread between him and the consumer. The sale proceeds are pooled after deducting the various costs such as transporting, grading and processing, etc. The balance represents the aggregate price fetched. On the basis of which price to be paid per unit to a member farmer is worked out. This final settlement takes some time, but, in the meanwhile, the small farmer may need money for his domestic needs. The marketing society, therefore, pays him some amount as advance price, pending determination of final price.

7. In under developed countries where majority of farmers are small producers, an assurance of realization of production credit goes a long way in creating a situation under which larger production credit can be dispensed, if necessary, for increasing farm production even though there may be no tangible security except the farmer's capacity to get higher yield by intensive and extensive cultivation.

8. The society in the first group needs financial accommodation much in the same way as a trader or a businessman and there should be no difficulty for a cooperative bank in allowing a pledge finance. A marketing society in the second group also needs finance. This finance, is no doubt, purposive in the sense that there is a linking with credit societies. The finance issued by a marketing society to its members is in no way different from the finance provided by any banking institution against the security of produce. This finance, therefore, does not really mean finance for cooperative marketing. The finance required by a marketing society falling under the third group is really a marketing finance where the members agree to receive a pooled price.

9. The finance required may be distinguished under three categories -- (a) block capital -- for transport, godowns, processing machinery and other equipments; (b) working capital -- for incurring expenses of transport, running the processing plant, labour, etc.; (c) margin money -- for block capital and working capital.

10. The margin money should really come from the share capital of the society. Finance against block capital is usually available to the extent of 60% of the total costs and the remaining 40% has to be provided as margin money by the society. Similarly, the working capital

is usually available to the extent of 75% of the price of produce. The margin of 25% has to be made available by the society. In a cooperative marketing, the members supply share capital primarily to obtain and gain from the services and they have no eye on the return on the capital. Their contribution, therefore, is very much less with the result that adequate share capital is not always available with cooperative marketing societies. In India, the State Governments are contributing to the share capital of cooperative marketing societies out of long-term loans made available to them by the Central Government. The working capital should be made available by cooperative banks. Block capital, however, being of a long-term nature, should come from the long-term financing agencies like Industrial Corporations or the Government.

POSSIBILITIES OF COOPERATIVE CREDIT
ORGANIZATIONS SUPPLEMENTING AND
EVENTUALLY REPLACING GOVERNMENT AGENCIES 1/

By

Dr. Pablo N. Mabun
Economist and Coordinator, Livelihood Department
Philippine Rural Reconstruction Movement (PRRM)

INTRODUCTION

One of the main obstacles to increasing agricultural production is the lack of facilities for the provision of credit to farmers, particularly to small farmers. Activities in the field of Agricultural Credit should therefore have an important place in our programme of agricultural development.

The main purpose of agricultural credit is to supply the farmer with the working capital (short-term credit) and the investment capital (medium-term and long-term credit) he needs in order to improve and increase his productive capacity, to improve and expand his operations.

Agricultural credit, besides being a source of funds at reasonable cost and adequate terms, can also be a valuable instrument for implementing agricultural policies. It is in this respect, I believe, that we are very interested in discussing the various aspects of agricultural credit and in exploring the possibilities of cooperative organizations to provide such credit. This is because it is believed that agricultural credit is important in the implementation of the new agricultural policy of our Government as expressed in Republic Act 3844, otherwise known as the Land Reform Code.

Public institutions are usually essential if agricultural credit is to be effective. But where private facilities are providing credit at reasonable terms, it is usually better to use public facilities to supplement or complement them, and assist them to improve their services rather than put them out of existence through competition. Where they are unsatisfactory, as is generally the case with private money-lenders, regulatory measures may be necessary to direct them to give satisfactory service. But regulation alone, as shown by our own experience with usurers, is seldom effective. Our failure to regulate the usurious practices of private money-lenders has led to the promotion of the organization and development of cooperative credit societies, which are intended to eventually replace the usurers.

1/Paper read on December 18, 1963, at the National Seminar on Agricultural Cooperation sponsored jointly by International Cooperative Alliance and the Central Cooperative Exchange, Inc., held at Baguio City, December 16-22, 1963.

The limitation of funds for agricultural credit is another major problem. The low output of most of the farmers limits the accumulation of savings which could be used for financing agriculture, and public saving tends to be used in undertakings other than agriculture. Thus, where opportunities for investment in agriculture are great and demand for agricultural credit far exceeds the availability of funds, private financing institutions have been more inclined to lend to more liquid, secure and lucrative types of enterprise, and have shown a lack of interest in agriculture. This phenomenon is taking place in our midst. While our agricultural development requires a great deal of funds, we see many new banks, with large amounts of capital, being established. These lend practically all their funds to commercial and industrial enterprises. For this reason, the capital of most of our agricultural credit institutions is provided, or at least guaranteed, by the government.

A natural consequence of the limited funds is that private money-lenders are still the most important sources of agricultural credit (about 82% of the small farmer's credit need as indicated in a study conducted by the College of Agriculture, University of the Philippines) in this country. As long as this situation continues, indebtedness will be the greatest handicap of the small farmers, their crops will continue to be pledged before they are grown or harvested, the prices received by them will be well below market levels and their small income will continue to go directly to their creditors.

With the foregoing introductory remark, I shall now discuss the sources of agricultural credit with the view to pointing out the possibilities of cooperative credit organizations supplementing and eventually replacing government credit agencies.

Sources (Supply) of Agricultural Credit

It has been said that agricultural credit has not usually led to cumulative increase in productive power. In other words, credit has remained static, by which is meant that, after paying interest and repaying debt, the assets of the farmer and his capacity to produce and maintain levels of consumption for himself and family remained unchanged. This normally implies that the debt cycle be repeated to maintain the farmer's position.

It should be the primary objective to use credit to promote a cumulative increase in output: convert static to dynamic credit. But we should not expect too much to be achieved by credit toward this goal. The bulk of the credit for working expenses will normally be required to maintain levels of production, even if the over-all result is to promote growth. Although the aim is at a progressive increase in output, the process may be discontinuous. Improvements occur leading to an expansion of output, which is held for some time until a further advance is not possible. Meanwhile adequate static credit is necessary to sustain the position.

In order that credit will promote growth, the requirements are: (1) To increase the amount of funds available, which leads to a discussion of the sources of funds. (2) To reduce the cost of credit and improve the conditions under which it is given. A reduction in cost not only improves the share going to the farmer, but also makes it possible to undertake investments which otherwise would not be economic. The latter result will also require that the terms of repayment and the length of loans are adjusted to the convenience and capacity of the farmer as affected by additional income from the use of the loan. (3) To integrate credit with assistance in applying new techniques and promoting better farm management.

Credit will only be dynamic when confined to those farmers who have actual or potential capacity to produce beyond the amount needed to sustain the minimal levels of consumption required for health and efficiency, meet charges and repay the loans. This is because the resources of the credit system should be regarded as a revolving fund, not something to be used up.

This does not mean that submarginal farmers should not be helped; or that credit should not be given for consumption. The submarginal farmers may be taken care of by other agencies of the government. They should not be the responsibility of the credit system.

As to sources of agricultural credit, the All-India Rural Credit Survey, gives this significant finding. About 9% of the credit needs of farmers is supplied by money-lenders, landlords, merchants and similar individual lenders. The rest is supplied by government, cooperatives and other sources. The following tabulation shows the sources of agricultural credit in India, Japan and Thailand.

<u>Sources of Credit</u>	<u>Percentage of total borrowing</u>		
	<u>India</u>	<u>Japan</u>	<u>Thailand</u>
Government	3.3	5.8	0.2
Co-operatives	3.1	36.9	14.0
Relatives	14.2	46.1	55.4
Landlords	24.8)	5.7)	
Professional Money-lenders	44.8)	-)	27.3
Traders & Commission Merchants	5.5	-	-
Other sources	<u>2.5</u>	<u>5.5</u>	<u>1.1</u>

Credit for farmers, especially small farmers, may be supplied by any of the following sources:

1. Merchants or Traders. There are two types of merchants who supply credit to the farmers. The first is the storekeeper in the barrio. The practice of this type of merchants is to allow credit on day-to-day sales repayable in farmer's produce after harvest. The storekeeper is said to reap profits on these credit transactions at the rates of 100% to 250% per annum. The barrio storekeeper may also

lend money on the security of land, animals, jewelry, etc. The interest similar to those charged by other small money-lenders. His advantage over the other small money-lenders is that his local residence and knowledge, as well as his power to withhold credit at his shop, give him a better position in regard to repayment. The second type of merchant is the trader or broker dealing in agricultural produce. He makes advances on standing crops at high rates of discount. The advances are sometimes conditional on the whole crop being sold to the trader making the advance. This system of advanced sale may be truly oppressive to the farmer. This system is common in the case of our fruit crops.

2. Landlords. "Advances" or loans made by landlords constitutes an important source of credit for our tenant farmers. These loans should not be confused with the "contributions" made by landlords to the expenses of share-croppers and other "partnership" tenants, which are not ordinarily repayable. The loans made by landlords to their tenants are repayable (usually in kind) at harvest. This practice is encouraged by the weak position of the tenant in a lending market, which requires land or other forms of assets as security for loans. If the landlord himself borrow from banks or money-lenders to lend to his tenants, the interest charged is necessarily higher than those charged by the sources of the money for making the loans to the tenants.

3. Private Money-lenders. The term "money-lender" here refers to that type of money-lender with whom the small farmer has to deal. Even in this restricted class we must draw a distinction between closely organized large firms and the small local money-lender whose total available capital may be less than the cash balance ordinarily kept in a small branch of a commercial bank.

Money-lending as a profession ranks low in popular esteem. One reason for this is the human trait of disliking those to whom one owes money. But it must be admitted that the small farmer, who becomes deeply indebted to professional money-lenders, has little chance of operating his farm efficiently and profitably. It should be noted that the degree of harshness and greed displayed by a money-lender in his transactions tends to vary inversely with the volume of this business. The small money-lender generally demands usurious interest and conducts his business with relentless severity.

There is, however, another side to the operations of agricultural money-lenders. Their risks are high, and the staff each must employ for the efficient conduct of his business must be trustworthy and well paid. There is also the important fact that the cost per monetary unit lent in extending credit rises rapidly in inverse ratio to the amount of the individual loans. It is also important to note that rates charged by money-lenders vary with the known character and reliability of the borrower.

Since money-lenders and merchants are still the most important sources of short-term credit for our small farmers, cooperative credit societies are being developed with the hope that eventually the cooperative credit societies will replace these sources.

4. Private Mortgage. The type of private mortgage common in our rural areas is the usufructuary mortgage. Under this the mortgagor surrenders possession of the mortgaged land until the debt is paid. In some form of this private mortgage liquidation is effected after the expiry of a definite period without repayment of the original loan or payment of interest. In others, the mortgage is for an indefinite period and is liquidated on repayment of the original loan. This latter transaction is clearly by nature of conditional sale. Another extreme form of this kind of mortgage is one which, if the loan is not repaid at the end of a prescribed period, the land passes automatically to the mortgagee. This source of agricultural credit, however, is not very important at present in our country.

5. Private agricultural banks. - These sources are represented by the rural banks and the private development banks. The rural banks are growing in importance as sources of credit for our small farmers who have the assets to offer as security for loans. The private development banks are still very new and their role in the provision of agricultural credit is still very insignificant.

6. Government. There are two forms of governmental sources of agricultural credit. One is the government Department or instrument, which is given an allocation from the regular annual budget for lending to farmers, such as settlers of newly opened settlement; and the other constitutes government banks or financing agencies. These government sources of agricultural credit extend short-term, medium-term and long-term loans to our farmers.

I would like to discuss here the role of the former Agricultural Credit and Cooperative Financing Administration (ACCFA) in providing credit to our small farmers and in assisting the development of agricultural cooperative credit. Since time does not permit a detailed account of the operations of the former ACCFA (now the Agricultural Credit Administration (ACA), I shall mention only in general what it could have done to develop the Farmers' Cooperative Marketing Associations (FaCoMas) as effective cooperative credit institutions for providing short-term and intermediate-term loans to our small farmers. The ACCFA granted short-term credit in the form of crop production loans and commodity loans to the farmers, through the FaCoMas. It also extended long-term credit (for 10-year period) to the FaCoMas in the form of facility loans to construct or acquire warehouses and processing facilities. If more emphasis were given to increasing the share capital of the FaCoMas in order to enable them to accumulate funds of their own to gradually make crop loans to their members, they could have developed to supplement or complement the lending service of the ACCFA. If this idea were implemented, the FaCoMas could have developed

to be independent of the ACCFA, first, as a source of crop production loans and later, as their capital increased, as a source of commodity loans. This would have left the provision of only the long-term facility loans by the ACCFA to the FaCoMas for financing the acquisition and construction of processing facilities and warehouses. It is hoped that with the reorganization of the ACCFA, brought about by the Land Reform Code, the Agricultural Credit Administration will have ample opportunity to develop the remaining FaCoMas and other cooperative credit societies that will be organized as effective sources of short-term and medium-term credit for our small farmers.

The government banks, such as the Development Bank of the Philippines and the Philippine National Bank, should provide the long-term credit, or mortgage loans, needed by our farmers. These government banks, particularly the Philippine National Bank, should continue to supply the short-term crop production loans and loans for marketing purposes needed by our big farmers.

7. Cooperatives. In theory, cooperative credit organizations are the best possible form of credit institutions for the small farmers. Close local knowledge, which is the main essential to the success of banking and the lack of which is the most frequent cause of failure in agricultural banking, is inherent in the usual cooperative structure of primary societies, district or provincial federations and central association, each higher unit of which is normally built up from the local society below. In practice, however, there have been many failures in cooperative agricultural credit. The basic cause of this is often the attempt to develop a cooperative credit organization among farmers who do not understand the basic principles of the cooperative. In these cases careful education in these principles is essential. Too often the farmer has been encouraged to run before he has learnt to walk, and it must be admitted that the farmer is usually very slow in learning to walk securely.

We have had valuable experience in the provision of agricultural credit through cooperative associations as cited in the case of the FaCoMas. It is hoped that this experience will guide us in developing cooperative credit institutions to provide the short-term credit at first, and then later, when the cooperative credit institutions have increased their capital, gained experience and competence, the medium-term credit, needed by the small farmers. It is interesting to note that there are now being developed cooperative credit societies in many of our barrios (villages) to provide credit for their farmer members out of funds raised solely from the savings of the farmers.

Possibilities of Cooperative Credit
Organizations to Supplement and Eventually
Replace Government Agencies

Experience in other countries indicates that cooperative credit societies have been successful in providing short-term and medium-term

credit needed by farmers. Long-term agricultural credit, however, has not been successfully provided by cooperative credit organizations, except in very few countries, due largely to the lack of adequate funds at their command. Agencies which provide long-term or mortgage credit must have access to large amounts of capital. This means that much of this capital must come from outside the community. Expert management is also necessary in order that the suppliers of funds may be assured of the safety of their investments. Furthermore, success in cooperation credit requires continuity of active interest, need and supervision. When a small farmer in a primary cooperative credit society has obtained a long-term loan, his interest may decline because he has no further need for the group. It is because of this fact that in most underdeveloped countries the government has become to be regarded as the most logical source of long-term loans.

Looking at our own experience, agricultural cooperative credit has been used to supplement the services extended to farmers by government agencies. Cooperative credit associations, e.g. the FaCoMas, have provided loans to small farmers who could not avail of the facilities offered by government banks, because they do not possess the assets required by the banks as security for loans. This supplementary service, I believe, will continue to be provided in increasing volume as more and more cooperative credit associations are organized and developed. But even if cooperative credit organizations will be developed extensively and efficiently, as they have been developed in Japan, there will always be a need for government agencies to provide the funds necessary to enable the cooperative credit organizations to expand their services to farmers and to provide long-term loans for agricultural development.

CONCLUSION

The foregoing paragraphs have indicated that the bulk of the credit needs of small farmers is still supplied by private money lenders: merchants, traders, landlords and professional money-lenders. These sources charge usurious rates of interest on loans (usually short-term loans). To free the small farmers from the oppressive effects of usury, agricultural cooperative credit organizations have been developed and are being developed to provide the short-term loans usually supplied by the private money-lenders. Experience here and in other countries indicates that there are great possibilities for agricultural cooperative credit organizations to eventually replace the private money-lenders. This means that the small farmers, who can not make use of the facilities of banks and other financing institutions, because they have little or no assets to use as security for loans and who are generally the victims of usurers, will be provided the credit they need by their own cooperative organizations.

However, farmers who have property to offer as security for loans, particularly the large landowners, will continue to use the facilities of government and/or private banks and financing agencies. These big farmers generally do not need the services of cooperative credit institutions.

The need for long-term loans, experience has also shown, has been successfully provided by government and/or private banks and financing institutions, because cooperative credit organizations have not been able to accumulate the large amounts of capital needed for such type of loans. It may therefore be concluded that, while agricultural cooperative credit organizations have great possibilities of supplementing the credit provided to agriculture by government agencies, and eventually replacing private non-institutional sources of credit such as private money lenders, landowners and merchants, it will be hardly possible for agricultural cooperative credit institutions to replace government credit agencies. Government credit agencies will always be necessary to provide the capital for the expansion of the operations of agricultural cooperative credit organizations and to meet the demand of farmers for mortgage loans. ✓ ✓

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City

December 16-22, 1963

QUESTIONS FOR DISCUSSION

Section I: December 18, 1963

1. What are the sources from and purposes for which Facomas receive loans for marketing operations? P.T.O.
Please discuss the adequacy of amounts received and specify additional purposes for which loans are required by Facomas for marketing operations.
2. What are the possibilities of developing cooperative credit unions for purposes of mobilizing savings and giving loans for productive purposes to farmers?
3. Please outline various methods by which Facomas could be strengthened so that they could perform efficient services.
4. What type of an informational and educational programme should be developed by Facomas and other related agencies to create enlightened members and to develop leadership?

II. Possibilities

1. Members of FaCoMas should become members of the credit union in order to encourage savings and educate them on the same. Unless less you save, you don't create something;
2. Money borrowed by members may be used for production purposes;
3. You can't be a member of more than one credit union because you can only belong to one community;
4. While there are possibilities of graft because of dishonest officials, these may actually be reduced since the treasurer holds at least very little money and are bonded. This bond is increased from time to time.

- ## III.
1. Re-screening of members and officials of the FaCoMa;
 2. More systematic educational and informational campaign for effective member support with the aid of other governmental agencies identical with those involved in the land reform program;
 3. More government financial support but with less government intervention especially on management, except in the matter of audits which the government has to perform to protect its funds;
 4. Stop government importation of rice which could hinder the growth of FaCoMas;

5. Discourage political intervention especially in loan applications;
 6. Members of the Board of Directors should set an example of good loan paying habits;
 7. Establish cooperative stores as trading centers for members;
 8. A more realistic and practical tie-up between the CCE and the trading activities of FaCoMas;
 9. Determining ways and means by which FaCoMa capital can be increased;
 10. Request that fertilizer distribution be given to the FaCoMas who know the farmers better, through the CCE agency;
 11. Intensive training of management officials.
- IV.
1. Proper information be placed on bulletin boards about daily accomplishments;
 2. Publication of deserving FaCoMas through movies;
 3. Distributing patronage dividends no matter how small during annual meetings;
 4. Leaflets to be given to members.

Group Discussion, December 18, 1963
Undertaken by Delegates in National Seminar
on Agricultural Cooperation

GROUP II

- (1) What are the sources from and purposes for which FaCoMas receive loans for marketing operations? P.T.O. Please discuss the adequacy of amounts received and specify additional purposes for which loans are required by FaCoMas for marketing operations.

- Sources:
1. ACA
 2. CCE
 3. PNB
 4. DBP
 5. Rural Banks
 6. Private merchants

Adequacy:

1. Construction of rice mill and availability of transportation facilities for commodity deliveries;
2. In case FaCoMas have no facilities, these should be provided by the ACA;
3. Loan for sacks are necessary.

- (2) What are the possibilities of developing cooperative credit unions for purposes of mobilizing savings and giving loans for productive purposes to farmers?

1. Existing credit unions should be expanded so as to include FaCoMa farmer-members; in case there are none, credit unions should be organized and established;

2. Information can be secured from CAO and the Central Co-operative Educational Board, Isabel Building, Corner España-Isabel streets;
 3. Contact the Commercial Cooperative Officer.
- (3) Outline various methods by which FaCoMas could be strengthened so that they could perform efficient services.
1. Realization of FaCoMa-owned capital for his own use;
 2. Proper screening of members and officers of FaCoMa;
 3. Extensive educational information;
 4. Maintain good public relations with both government and non-government agencies;
 5. Putting up FaCoMa stores;
 6. Good management is needed;
 7. FaCoMa should engage in the certified seeds production project;
 8. Construction of soil laboratory within the FaCoMa.
- (4) What type of an informational and educational programme should be developed by FaCoMas and other related agencies to create enlightened members and to develop leadership?
1. Intensify campaigns on barrio and sitio level;
 2. Request the CCE and BAE to buy motion pictures and also companies for advertisements;
 3. Translation of available credit guides to the respective dialects of the barrios;

4. Radio interviews;
5. Provide the members' barrio centers with cooperative reading materials;
6. Use of sign boards and posters in strategic places;
7. If the cooperative is in a position to have newsletters printed and circulated.

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City, Philippines
December 16-22, 1963

A G E N D A

for

THURSDAY, December 19, 1963

8:00- 9:45 A.M. Plenary on Section I
9:45-10:00 Coffee Break
10:00-11:00 Plenary on Section I (Cont'd.)

SECTION II

11:00-12:00 Organization of Cooperative Complex Functions
Introduced by: Mr. Solomon G. Cabrera
Head, Cooperatives Department
Agricultural Credit Administration
M a n i l a

2:00- 3:00 P.M. Discussion

3:00- 4:00 System of Market Intelligence and Information
Introduced by: Mr. J. M. Rana
Deputy Director
International Cooperative Alliance
I n d i a

4:00- 4:15 Coffee Break

4:15- 5:00 Discussion

ORGANIZATION OF THE COOPERATIVE COMPLEX -
FUNCTIONS TO BE PERFORMED AT DIFFERENT LEVELS

By

Mr. Solomon G. Cahrama
Head, Cooperatives Department
Agricultural Credit Administration (ACA)

A. General Considerations

FaCoMas have originally been intended to operate on a municipal basis because they were the agencies through which ACCFA would extend loans to small farmers. Inevitably, on account of this policy, a "multi-purpose" organization emerged with credit as the main motivation for membership. Farmers, regardless of the crops they raised, were allowed to organize only one FaCoMa in any given locality. Later, however, as interest shifted to cooperative marketing, which is supposed to be the principal business of FaCoMas, farmer groups found it desirable to organize on a commodity basis. ACCFA policies had to be correspondingly modified to allow the formation of single-commodity FaCoMas side by side with the general purpose FaCoMas.

It is believed that a combination or mixed pattern of organization rather than a rigid, one-pattern set-up is more in keeping with the voluntary nature of cooperatives. It will also permit specialization which should result in efficiency and enable farmers to adopt the type of organization that is best suited to their circumstances and the peculiarities of their crops. In this connection, it would perhaps be worthwhile to point out that even in the United States, England and the Scandinavian countries, where cooperatives are most advanced, the single-purpose cooperative is generally the rule, and no definite or schematic pattern of organization is visible.

It might also be helpful to observe that in countries where cooperatives get a minimum of government intervention and support, they have always attained a high level of prosperity and stability. On the other hand, where cooperatives are promoted and supervised under paternalistic government policies, they are rather slow in development. This is the case in the Philippines and in many oriental countries.

B. Two Main Types of Organization Needed

Consistent with the broad objectives of ACA which are to make credit available to small farmers under liberal terms and conditions and to promote the cooperative marketing of agricultural products, two types of cooperatives appear to be necessary: one concentrating on production credit and other farming services, and another specializing in marketing. The two types of organization have to be linked together, however, in order to produce an integrated system and thereby maximize benefits to farmers.

By the nature of its activities, a cooperative engaged primarily in production credit and other services has to be small local organization because it has to deal directly with individual farmers. One that will engage in purely marketing activities will have to be a big organization in order to achieve the economies of large scale operation. The first type, because it will have individual farmers as members, as much as possible will have to limit its operations to one municipality. The second type, the marketing type, may be organized on a province-wide, regional or national scale depending on the volume needed for economical operations and other practical considerations. It may be a federation of local units, a centralized organization of individual producers, or a combination-type organization of local units and big producers.

Local units handling production credit will have to affiliate with an overhead marketing organization as individually they cannot insure large enough volumes to warrant economical marketing operations. They will, however, have to undertake some marketing functions as under Public Act 3425, as amended, farmers have to form a marketing cooperative although the same cooperative is not prevented from branching out into other activities in the service of its members. Concentration of small scattered productions is perhaps the ideal marketing function for a local unit. The local unit should always be in a position to render at least this service because marketing contracts which form the basis of ACA loans to farmers call for the delivery of their pledges (crops) to their FaCoMas. This calls for the operation of at least a storage facility by each local unit whenever economically feasible.

C. Multiple Commodity Vs. Single Commodity Associations

Several advantages are given for the handling of a variety of commodities in one organization. Among these are: 1) it avoids the need and expense of organizing several associations; 2) it increases volume of business and consequently lowers per unit cost of operation; and 3) it makes continuous operation possible especially if the marketing seasons of the different crops handled are consecutive.

The above-mentioned advantages, however, do not seem to have influenced the formation of successful cooperatives both here and abroad. Our better cooperatives are single-commodity associations. As a matter of fact, we have yet to organize a successful multi-commodity cooperative. Experiments in combining fish and rice, poultry and rice, etc., in one organization have failed. Many cooperatives organized as multiple-crop FaCoMas have ended as single crop FaCoMas.

In foreign countries, notably Denmark and the United States, where farmer cooperatives may be said to have attained the highest level of development, there is a marked preference for organization on a commodity basis rather than on a geographical basis. Cooperatives in these countries handle only one function -- either marketing, purchasing, or service. It is not uncommon to find a farmer who is a member of several cooperative associations. Experience must have taught these people that in cooperative business there must be similarity in members products and interests. For in joining a cooperative, a farmer seeks service for himself and his farming business and not an investment opportunity.

Bakken and Schaars in their book "The Economics of Cooperative Marketing", very convincingly discussed the advantages of organizing cooperatives on a commodity basis as follows:

"1. Common interests of the membership are recognized. Problems of production, marketing, legislation, pricing and other economic considerations differ for producers of unrelated products. Hence, it is more difficult to obtain a unity of interest if heterogeneous products are handled. G. Harold Powell wrote in 1913, 'The members must be well acquainted with each other, their aims must be similar, and they must group products of similar quality and character if they are to succeed when associated with one another'. Even though producers of unlike commodities live in the same community and have certain problems in common, they may not be the best cooperators in a marketing association if there is a great variance in the technique of handling, in costs, in market outlets, in sales promotion policies, and in numerous other matters relating to the different commodities. Divergence of interest in the marketing of the separate commodities tends to split the membership into factions. 'A house divided against itself cannot stand.'

"2. Handling unrelated commodities requires additional facilities, additional specialized labor, and greater capital investments than does the marketing of commodities using the same equipment and kind of labor. Whether or not an additional commodity shall be handled depends upon the extent to which the labor, capital, land, and management of one article may be used to economical advantage by the other. If the fullest use of these factors of production can be made by handling several commodities, then the unit cost of operation for each is lowered. If they do not supplement each other, then from the standpoint of internal operations of the company it would be unwise to combine them under one association.

"3. There are limits to the capacity and efficiency of the management. The intricate marketing problems that arise for each commodity in a large-scale association require well-trained

specialists. However, if the marketing operations and problems are not greatly dissimilar for a variety of products, then handling several commodities may enable a manager and his department heads to utilize their abilities to a fuller capacity and efficiency than if only one commodity were marketed. The issue centers about the economics of specialization and diversification.

"4. The problem of equitably allocating the cost of handling several dissimilar commodities is not encountered in the single commodity association. If, for example, honey and apples were marketed by one association, the sheer difficulty of apportioning the costs of operations between the two commodities would be sufficient, no doubt, to create dissension between the members marketing the different products. The fact that a number of multiple commodity associations handling dissimilar commodities had to be re-organized on a single-commodity basis due to internal dissensions indicates the seriousness of the complications when they do arise."

In view of the fact that, on the whole, organization on a specialized commodity basis appears to be preferable to organization on a geographical or multiple commodity basis, local units and large-scale marketing cooperatives should be organized on a single commodity basis. For purposes of acquiring and operating special facilities, however, like a cold storage, a processing or a canning plant, even unrelated commodities may be handled in one association provided the different commodities require the same equipment and technical skills.

D. Organization and Operation of Local FaCoMas

Local FaCoMas should be formed primarily to enable small farmers to secure ACCFA financing for production purposes and procure farm supplies, equipment and services at cost. Their farm credit activities must, however, continue to be tied up with marketing, for which purpose a local FaCoMa must affiliate with an overhead specialized marketing organization, especially if it (the FaCoMa) does not have adequate volume. The minimum marketing service that a FaCoMa has to render to its members is receipt and storage of their products. If its volume warrants, it may take further steps in the marketing channel such as processing, but in all instances a local FaCoMa has to join an overhead specialized marketing organization for the distributive functions.

In view of the difficulty of recruiting competent managers for small local FaCoMas, the operation of cooperatives at this level should be as simple as possible. The more complicated operations should be performed by an overhead organization, which by virtue of the volume it would handle could afford to hire expert management. Unless otherwise warranted by economic factors, operation at local levels should be limited to the

following activities: a) Loaning to members; b) Warehousing; c) Retail store operation (farm supplies). A FaCoMa whose operations are limited to the above activities can efficiently run with 3 employees: a Manager-Warehouseman, a Secretary-Treasurer and a Clerk-Bookkeeper.

Regardless of the initial membership, capitalization and pledges a FaCoMa should perform only the above basic operations during its formative years. Only after demonstrating proficiency in the above activities and gaining members' support and confidence should a FaCoMa undertake other services.

E. Organization and Operation of Large-Scale Specialized Marketing Associations

In the meantime that separate specialized marketing organizations have not been established on a commodity basis, the Central Cooperative Exchange should continue to be the central overhead organization of local FaCoMas. As soon as feasible, however, the organization of large-scale marketing associations for each major crop should be encouraged. These large-scale associations may be organized on a provincial, regional or national scale, or as a centralized, federated or combination type organization, depending on the peculiarities of the crop or crops to be handled by each and the preferences of farmers desiring to organize.

It would be impractical to lay down minimum requirements for large-scale marketing associations, but definitely groups desiring to form such associations should be able to present for ACA's evaluation a plan of business operation which should show that:

- a. Adequate volume can be secured and maintained;
- b. Sufficient financing can be furnished by members; and
- c. Efficient management is available and the association can pay its price.

With the above conditions satisfied, approval of a proposed association would be in order. The only other precaution to take would be to see to it that there is no overlapping of territorial coverage of associations handling the same products.

Small local FaCoMas may form a federation which shall perform for the member FaCoMas the marketing functions which are not economically feasible at local levels, or they may, together with big producers who have no need for ACCFA production credit, form a combination type organization. Big producers may, by themselves, organize a centralized type organization.

A specialized marketing association may perform all the marketing functions, or it may choose only such services as may be demanded by members and efficiently handled by it. If it chooses not to undertake full marketing functions, it may join and integrate its marketing operations with a similar or overhead organization for greater economic advantage. It may ramify into such other business as procurement of farm supplies and equipment provided its members need and will support the undertaking.

An overhead marketing association may extend management services to its member local FaCoMas. Such services may be in the form of accounting, auditing or management guidance and assistance. It may even own stocks in the member FaCoMas or extend loans to these local units for the purpose of expanding or improving marketing operations at the local levels. Under no circumstances, however, should an overhead organization perform a function in competition with its affiliated units.

F. Revitalization of Existing FaCoMas

The revitalization and development of existing cooperatives should be programmed based on the results of a FaCoMa classification project which will determine which of the existing associations possess the attributes of successful operations. Gradual expansion of this program should be effected within the financial resources of the ACA and its capacity to develop reliable and competent supervisory personnel and cooperative officials and employees.

FaCoMas that will be found beyond rehabilitation should be liquidated. Their assets should be foreclosed as fast as possible and disposed in such manner as will best afford protection to ACA interests and the cooperative movement. Liquidation of hopelessly weak or inactive FaCoMas would be necessary because their continued existence would mean not only further financial losses to its members and the government, but what is worse, it would tend to undermine public faith and confidence in cooperatives.

The revitalization program should be started in the major rice-producing provinces and progress outwards from there until all rice associations worth saving have been attended to and extended needed technical and financial assistance. At the same time, all other types of cooperatives actively operating without ACA financial assistance should be supervised as required by law. New associations should be organized only in highly meritorious cases.

A FaCoMa selected for revitalization and eventual financing should have a board and management that is acceptable to ACA. It should amend its by-laws to conform with the revised ACA model. The activities that it will engage in should have prior approval of ACA.

Membership should be rescreened and those found not eligible should be expelled. Qualified members should be required to pay balances of their stock subscriptions and/or subscribe to additional shares, in order to provide the association with fresh operating funds. No member who refuses to pay stock subscriptions should be extended new loans and other benefits.

New marketing agreements should be signed by the association with each member only after realistically re-examining each member's productive capacity and marketable surplus. Marketing pledges signed-up before ACA extends financing to the association should be verified by ACA personnel and equal at least the full capacity of the FaCoMa's warehouse.

Management officials and employees should undergo training for their respective positions, if new, before they actually discharge their functions. A retraining program should be conducted for old officials and employees.

The operation of revitalized local FaCoMas should be restricted to the basic operations recommended for new FaCoMas unless volume and facilities already available justify other activities. The idea is to simplify operations at local levels as much as possible so that the managerial skills needed at these levels need not be so difficult to find and develop. Considering the dearth of qualified management material and the inability of local units to pay the price of good managers especially at the beginning, the simplification of operations at local levels becomes necessary. As they develop stability, however, through competent management and members' loyalty and support, FaCoMas may embark on other services consistent with members' needs and capacity to finance and use. In the field of marketing, while it is not possible to prescribe uniform operations at local levels on account of differences in business volumes, managerial and financial capabilities, and facilities already acquired or installed, as a general policy, local FaCoMas should affiliate with an overhead marketing association for greater efficiency, particularly in the distributive functions.

G. Role and Function of the CCE

The CCE as it has already been mentioned shall continue to be the central marketing and procurement agency for all FaCoMas. As and when it becomes necessary, however, separate large-scale organizations should be created to handle the major crops on a specialized basis. Each large-scale single commodity cooperative may be affiliated with the CCE. In time the CCE may be developed as the Terminal Market where both cooperative and non-cooperative organizations dealing in agricultural commodities may meet and do business, with CCE providing the facilities for wholesale transactions. The CCE could also be developed as the cooperative wholesale society for farm supplies and equipment.

H. Supervision of Cooperatives

Government supervision of cooperatives is necessary not only because government funds and public interest are involved in their operations, but also because their members and officers have yet to be trained and guided in the proper management of their affairs. Very few people are fully qualified to manage cooperatives, and when available, the price is usually beyond the capacity of FaCoMas to pay. The government, therefore, has to extend not only financial but also technical assistance and supervision in order to insure successful operations.

The objective of supervision should be to provide just enough guidance and external control so that the FaCoMas may operate without in any way being curtailed in their basic right to decide and act in their best interest. Too much interference with the management of cooperatives might lead, as it has already led many FaCoMas, to total dependence on government direction and assistance. Supervision to be most effective and of permanent value to the movement should give members and officials of cooperatives all the opportunity to discover their own needs and shortcomings and formulate solutions by themselves. Government supervision should be restricted to necessary restraints and guidance only. Regulations should be designed to prevent dishonesty, mismanagement or expansion beyond the limitations of law, the cooperative principles, and the ability of members to support and use.

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City, Philippines
December 16-22, 1963

A G E N D A

for

SATURDAY, December 21, 1963

- 8:30- 9:00 A.M. Standardization and Grading
Introduced by: Dr. N. B. Tablante
Director, Agricultural Credit and
Cooperatives Institute
University of the Philippines
- 9:00- 9:30 Allocation of Costs and Benefits to Various
Units of the Marketing Complex
Introduced by: Dr. N. B. Tablante
Director, Agricultural Credit and
Cooperatives Institute
University of the Philippines
- 9:30- 9:45 Coffee Break
- 9:45-10:30 Discussion (for two topics above)
- 10:30-12:30 Group Discussions
- 2:30- Onward P.M. Plenary on Section II
Final Plenary
- 3:45- 4:00 Coffee Break
- 4:00- Onward Plenary on Section II (Cont'd.)
Final Plenary

PAPER ON

STANDARDIZATION ON GRADING

by

Dr. Nathaniel B. Tablante
Director
AGRICULTURAL CREDIT AND COOPERATIVES INSTITUTE
University of the Philippines

at the

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City

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INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
for South East Asia
6 Canning Road
New Delhi-1, India

CENTRAL COOPERATIVE EXCHANGE, INC.
Pureza, Sta. Mesa
Post Office Box Number 1968
Manila
Philippines

STANDARDIZATION AND GRADING

by

Dr. Nathaniel B. Tablante
Agricultural Credit and Cooperatives Institute
University of the Philippines

Introduction

Variation is an almost universal feature of agricultural production. Products coming from the same farm or even from the same plant or tree are a conglomeration of different sizes, shapes, degree of maturity, color, texture, content of moisture or foreign matter, taste, physical damage or marked defects and other quality factors. On the other hand consumers and industrial users of raw materials demand products that are more or less uniform in characteristics such as size, shape and condition. This maladjustment between the characteristics with which nature endows farm products and those desired by consumers who buy them or use them gives rise to the twin functions of standardization and grading.

Standardization refers to the process of setting up and describing basic limits in the form of specification to which products must conform and classes into which they may be sorted.

Grading is the sorting of products into different lots, each of which has substantially homogeneous quality characteristics or grade specifications. Some of the quality factors commonly used as a basis for grading agricultural products include size, shape, variety, weight, color, taste, odor, length, diameter, tensile strength, content of various elements such as moisture and foreign matter, degree of ripeness or maturity, physical damage or marked defects, age and tenderness. Quality characteristics for different products cover different selections and combination of these various factors, depending upon the kind of the commodity and its particular uses. The various grade factors may be measured by using sensory, physical, chemical and/or microbiological techniques. As a rule, the more objective the grading method used, the more generally accepted are the standards.

Beneficial Economic Results of Grading and Standardization

1. Facilitates trading and decreases cost of marketing by making possible the buying and selling of goods by sample or by description rather than by personal inspection.

2. Eliminates much waste in the marketing system by discouraging the shipment of goods of inferior quality which may not be sold at a price that would be sufficient to cover the costs of handling and transporting them. Lower quality products can be utilized more quickly or sold nearer the point of production.

3. Enables buyers to obtain the particular qualities of a commodity they need. (Buyers do not have uniform tastes or purchasing power and use products for different purposes).

4. Permits sellers to take maximum advantage of market preferences for different qualities, thereby making it possible to have a more effective distribution and to increase returns by tapping more segments of potential markets.

5. Minimizes spoilage, permits appropriate use of products which otherwise could not be sold through regular channels, and encourages storage to meet seasonal requirements, since products of poor quality are separated from those of high quality and good keeping condition.

6. Encourages the production and marketing of better quality products, thus tending to increase returns.

7. Results in greater uniformity and less misrepresentation of a given product, thus protecting the buyers.

8. Facilitates the financing of the marketing of farm products. Loans would be easier to obtain if the products is graded, since it is possible to secure a more accurate estimate of the value of the collateral offered.

9. Facilitates the settlement of claims for damage since the value of the products can be more nearly determined, and prevents frauds.

10. Provides a common language for buyers, sellers, and market reporters, thus facilitating the exchange of market information and resulting in more meaningful price quotations.

11. Makes possible the pooling of products by cooperative marketing associations.

12. Acts as an educational medium to obtain a better understanding of the factors constituting quality of products and those responsible for variations in quality.

Criteria for Determining Adequacy of Standards^{1/}

1. Standards should be built on characteristics which the users consider important as indicated by their willingness to pay different prices, and these characteristics should be easily recognizable.

^{1/} These criteria were suggested in the book, Marketing of Agricultural Products, by Richard L. Kohls, (New York: The Macmillan Company, 1955, pp. 143-144).

2. They should be built on those factors which can be accurately and uniformly measured and interpreted. If the major part of the standard consists of subjective measurements, uniform application by different grades or at different points will be very difficult.

3. They should use those factors and terminology which will make the grade meaningful to as many users of the product as possible. The ideal situation would be that in which the grade terminology is used at all levels of the marketing channel from the consumer to the producer.

4. They should be such that each grade classification includes enough of the average production so as to be a meaningful category on the market. It is of little purpose to have a standard for the top quality set up in such a fashion that very little of the actual production can meet the standards. The real facts of production cannot be ignored.

Probably the best practical test of the adequacy of standards, according to Professor Kohls, is their acceptance and use by the various marketing agencies. If the grading standard is widely used, it is probable that the standards are fairly adequate and economically meaningful. Otherwise, it may usually be assumed that some of the criteria are not adequately met.

Problems of Agricultural Standardization

1. The very nature of standards suggests that they cannot be expected to meet all requirements of producers, consumers and dealers.

2. Some standards are stated in too general terms that they do not provide an adequate basis for measuring variations in quality. Agricultural products cannot hope for the precise standardization that is possible with many industrial commodities.

3. There are at present no known methods or techniques by which some of the important quality factors, such as flavor and odor, are measured quantitatively or objectively.

4. The margin between the upper and lower limits of some grades is too wide and the grades thus do not reflect qualities peculiar to the products of various regions. The purpose of national grades is to serve the entire industry and this makes it impracticable to narrow the grade limits to the point where they cover all possible gradations in quality.

5. In many commodities there seems to be little or no relationship between grade specifications and the quality factors which actually result in market-price differentials for quality. Grade specifications in some cases are purely descriptive of the physical characteristics of the commodity, without any reference to the market's evaluation of those characteristics.

6. The quality of production of farm products changes from year to year. This makes it extremely difficult to maintain consistent standards, especially when the grade factors depend upon subjective measurement.

7. Many agricultural products are perishable, and, therefore, the quality of a commodity at one point in the marketing channel may not necessarily be the same as when it reaches the final consumers. The problem of quality deterioration during marketing suggests that grading should be done as often as needed throughout the marketing process to assure accurate grade when it reaches the ultimate user.

The two major problems in improving grade standards for agricultural products revolve around the questions of developing improved methods for measuring quality factors as objectively as possible, and developing objective weights based on market-price differentials.

Role of Government in Standardization

The principal role of government in standardization is to see to it that the quality specifications of grades should be uniform among buyers and sellers and from place to place and time to time.

It is possible that products might be graded according to quality specifications set up by different sellers, buyers, markets or organizations, acting individually. Grade specifications of no two of them would be alike. The top grade of one skipper, or as used in one market, may overlap the second grade of another skipper or market. Similarly, some sellers might change their grade specifications from time to time, as the constituent qualities of the products to be graded changed, or as changes occurred in the market demand for and prices of the different grades.

To avoid such variable grade specifications, it is necessary to have grade standards which are recognized and followed by the trade in all markets at all times, though not necessarily permanent but which would permit changes from time to time depending upon trends in consumer preferences or requirements, as well as changing technological and economic conditions. The Government should set up official standard grade specifications to meet this need. Official standards may be classified into three broad categories, namely: mandatory (those whose use is compulsory under certain conditions); permissive (those which are officially recommended but whose use is not compulsory); and tentative (those which are offered for use but are still subject to further study before becoming permissive or mandatory).

Without an adequate system of grades and standards in any complex marketing machinery, the possibilities of waste confusion and downright deceit are great, and the rule caveat emptor ("let the buyer beware") would prevail, along with the attendant confusion and unfairness. But it should be pointed out that in some instances the costs of rendering the service of standardization and grading may far outweigh the benefits that may be derived, so that in all cases, the cost-returns relationships should always be borne in mind.

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PAPER ON

ALLOCATION OF COSTS AND BENEFITS TO VARIOUS UNITS
OF THE MARKETING COMPLEX

by

Dr. Nathaniel B. Tablante
Director
AGRICULTURAL CREDIT AND COOPERATIVES INSTITUTE
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at the

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Basic Concept of Marketing Costs

Total marketing costs, or marketing margin, represent the difference between the price paid by the consumers and the price received by the producer for a given product. This margin, or marketing spread as it is sometimes referred to, includes all the cost items involved in moving the commodity from the point of production to the ultimate consumer, of any processing that may be undertaken, and of handling at all levels in the marketing system. In this context, marketing costs may be regarded as the translation in value terms of the performance of the various marketing functions and services in moving the product from the producer to the consumer, including the costs of operating the various agencies engaged in marketing activities.

Several different bases for grouping and allocating direct and indirect expenses of distribution are being used in the analysis and presentation of marketing costs. The most common method is the functional approach, in which the breakdown of costs is made in terms of various marketing functions or component elements, such as retailing, wholesaling, processing, transporting, storing, etc. A second grouping is by institutions. Under this institutional allocation, the costs may be measured and analyzed in terms of marketing agencies and institutions, either for all of a particular agency, for different types of a middleman, or for each institution or establishment in given geographical areas. The breakdown of the marketing costs may also be by purposes for which such expenses were incurred or by "cost items", such as salaries and wages, materials and supplies, rent, equipment, etc. Other methods of cost analysis are by departments of a given marketing institution, by particular commodities or groups of products, by geographical territories, by chronological groupings, and by size of market or business volume, as well as combinations of these methods.

Relationship between Farmer's Share and Marketing Margin

The farmer's share of the consumer's peso is the residual amount received by the farmer for his product after the various costs of marketing have been deducted from what the consumer pays. The farmer's share of the peso spent for agricultural products is a function of the absolute retail value of the product and the absolute aggregate margin or marketing charges. With any given absolute margin there is a direct relationship between the farmer's share and the

retail value. With any given retail value, there is an inverse relationship between the farmer's share and the marketing charges.

Marketing charges are determined by the supply of and demand for marketing services rather than by the supply of and demand for commodities, and they usually do not change with changes in consumer demand for products, unless such shifts in consumer demand are accompanied by changes in wage rates and other costs affecting the supply of marketing services. Changes in the farmer's share of the consumer's peso, therefore, generally reflect changes in the retail value of his products, which varies with changes in consumer income and consumer demand. Being relatively stable, marketing charges generally do not initiate changes in the farmer's share of the consumer's peso.

There is a wide variation among different commodities in the size of the farmer's share and the marketing margin or middlemen's share. The reason for these variations is that the marketing job for some products is more complex than for others. Differences in the size of what the farmer gets from what the ultimate consumer pays reflect largely the effect of the product characteristics on the complexity of the marketing functions which must be performed. These characteristics include processing required, perishability, bulkiness in relation to value, and extreme seasonality of production. Other factors not attributable to the product itself may also increase the farmer's share; these include high degree of vertical and horizontal integration in marketing, a highly organized system of accurate market information, and demand by consumers of a large amount of special services in some commodity areas.

Components of the Marketing Spread

By function, the breakdown of the marketing costs for different farm food products in the United States is as follows:

Transportation - - - - -	6.5%	of the consumer's dollar
Local assembly - - - - -	2.9	" " " "
Wholesale concentration - - - - -	0.8	" " " "
Processing - - - - -	21.3	" " " "
Wholesaling - - - - -	6.8	" " " "
Retailing - - - - -	23.9	" " " "
	<u>62.2%</u>	
Total - - - - -	62.2%	
Farmer's share - - - - -	<u>37.8%</u>	
Consumer's dollar	100.0%	

By principal cost items, the breakdown is as follows:

Transportation - - - - -	6.5%
Salaries & Wages - - - - -	25.9
Packages & containers - - - - -	4.1
Other expenses - - - - -	20.3
Profit - - - - -	<u>5.4</u>
Total - - - - -	62.2% of the consumer's dollar

Even with a perfectly functioning and highly efficient marketing machinery, the total costs would still be great. The physical arrangement of the production and consumption patterns accounts for much of the higher costs of marketing. We find the regions of farm production and the major consumption centers concentrated within a relatively small area. With the two areas located at some distance from each other, losses from deterioration in quality and spoilage tend to be great.

The principle of consumer supremacy also contributes to high marketing costs. Consumers' wants will be satisfied as long as they will pay for them. Consumers demand a large amount of services. And to match production to such a situation will always entail large costs.

Many of the costs of performing a particular marketing function are related to the physical volume handled rather than to the money value of that volume. As a result, marketing margins become inflexible and the charges taken by each level of the marketing system are relatively stable. Thus, marketing costs generally do not change proportionately with the change in the peso value of the products handled.

Increasing Marketing Efficiency and Reducing Marketing Costs

Substantial reductions in marketing costs and increased efficiency of the marketing system redound to the ultimate benefit of both producers and consumers, as well as the marketing agencies.

Reduction in costs is assumed to be passed on to buyers and so on through the marketing system until the ultimate consumer reaps the benefit of the cost reduction in terms of a lower retail price of the product. If there is no change in consumer demand, the lower retail price will result in an attempt on the part of the consumer to take more of the product off the market. The effort of consumers to buy more would result in dealers all along the line attempting to increase their purchases, bringing an increase in demand at all levels of marketing clear back to the farmers. With no corresponding increase in the quantity of the product moving through the marketing channel, an increase in price from producers to consumers would result, thereby balancing supply and demand at all levels. So long as the supply of the product remained fixed, the tendency would be for producers rather than consumers to benefit from the reduction in marketing costs.

Eventually, of course, producers may increase production in response to the increase in price, the amount of output depending upon the elasticity of supply of the particular product under consideration. These increased quantities, passed on through the marketing system to consumers, eventually would result in lower retail prices, with consumers obtaining a larger quantity of food for about the same total expenditure and farmers receiving a larger gross return for a somewhat larger production.

In outline form, the possible ways of achieving increased efficiency and reduced costs are given below:

1. Reducing profits in marketing
 - a. Reducing risks in marketing
 - (1) Market news and outlook services
 - (2) Official grading and standardization
 - (3) Inspection and regulatory activities
 - (4) Financing of cooperative marketing associations and price-support activities
 - (5) Improving the pricing mechanism
 - (6) Vertical integration of marketing agencies.
 - b. Modifying conditions of imperfect competition
2. Increasing efficiency of individual marketing agencies
 - a. Discovering and adopting technological improvements in physical handling of commodities in all phases of marketing, including but by no means limited to agricultural processing
 - b. Organizing the individual marketing business units on the most efficient basis from the standpoint of location, size, plant, equipment, layout, financing and lines of administration
 - c. Discovering and adopting more efficient management techniques and day-to-day operating practices.
 - d. Increasing labor efficiency
3. Reorganizing the marketing system
 - a. Changing the form in which the product is marketed
 - b. Setting up radically new types of marketing agencies to handle commodities in their present form
 - c. Vertical or horizontal combination of existing functions or agencies

The marketing complex, unlike the field of technology, does not lend itself so readily to measurement of efficiency solely in terms of cost factors or measures of effectiveness in ratios of input to output. However, the important thing to remember is that our effort to increase efficiency by whatever means is not so much a matter of increasing the size of the farmers share in the consumer's food peso but rather the total returns received by agricultural producers from the sale of their produce. Nor is it a matter of low peso costs alone but rather of getting the marketing job done with the best combination of resources, with the end in view of maximizing consumer satisfactions. Higher marketing costs and a more prosperous rural life are not necessarily incompatible.

NATIONAL SEMINAR ON AGRICULTURAL COOPERATION

Baguio City, Philippines

December 16 to 22, 1963

Conference Report on Group Discussions Under Section I

I. Subjects Covered Under Section I

Section I of the GENERAL PROGRAMME covers the following subject matters introduced by and/or discussed by the persons whose names are indicated opposite the topics listed down, as follows:

Structural Organization of Local Cooperatives and Overhead Units for Production Credit Purposes with Tie-Up to Cooperative Marketing - -Ms Eugenio V. Mendoza, with Mr. Yoshio Nakahara as resource person.

Agrarian Structure and Credit Cooperatives (Impact of Land Reform On Credit Cooperatives - - - Mr. Amado A. Lansang, with Mr. K. Madhava Das as resource person

System of Supervised Farm Credit to be Employed - Roles of Government Agencies and Cooperatives - - - Mr. Solomon G. Cabrera

Credit for Cooperative Marketing - - - Mr. V. M. Joglekar

Possibilities of Cooperative Credit Organizations Supplementing And Eventually Replacing Government Agencies - - - Dr. Pablo N. Mabbun, with Mr. J. M. Rana as resource person

II. Questions For Discussion

On December 17, 1963, the following questions were submitted for discussion to the groups:

1. Please outline various methods for building up owned capital in FaCoMas.
2. Please outline the main features of supervised credit and suggest ways and means of improving the system described by Mr. Cabrera.

3. Please outline the advantages and difficulties involved in formulation of farm plans and farm budgets by farmers with the help of farm technicians.
4. In your opinion, what constitutes a revitalized FaCoMa, so that it may qualify for participation in a supervised credit programme?

On December 18, 1963, the following questions were submitted for discussion to the groups:

1. What are the sources of and purposes for which FaCoMas receive loans for marketing operations? P. T. O. Please discuss the adequacy of amounts received and specify additional purposes for which loans are required by FaCoMas for marketing operations?
2. What are the possibilities of developing cooperative credit unions for purposes of mobilizing savings and giving loans for productive purposes to farmers?
3. Outline various methods by which FaCoMas could be strengthened so that they could perform efficient services.
4. What type of an informational and educational programme should be developed by FaCoMas and other related agencies to create enlightened members and to develop leadership?

III. Discussion Group Divisions

The following persons composed the two group divisions:

Group I

Mr. Ricardo S. Castro
Mr. Remedio Mangaser
Mr. Igmidio Villarama
Mr. Bartolome C. Chico
Mr. Rodrigo Felix
Mrs. Leonie Chavez
Mr. Magno C. Reyes
Mr. Paulino C. Segui
Mr. Tomas R. Severo
Mr. Romeo M. Panique

Group II

Mr. Justino Galano
Mr. Lucio A. Guzman, Jr.
Mr. Pedro Mendoza
Mr. Jesus F. Villanueva
Miss Julita Esguerra
Mr. Edilberto Avendaño
Mr. Emilio V. Chavez
Mr. Blas A. Ladrera
Mr. Jose L. Casiple
Mr. Avelino A. Palomero
Mr. Alfredo Respicio

IV. Group Answers to Questions of December 17, 1963

Q. No. 1

Group I answered question no. 1, December 17, 1963, as follows:

1. Solicitation of increased subscriptions to stocks and in the paid-up capital of the members of the FaCoMa.
2. Request for the return of accumulated 5% insurance fee withheld by the ACCFA from the FaCoMas.
3. To collect an amount corresponding to ₱0.10 per cavan from members who deposit palay with the FaCoMa and which amount is to be credited individually to members as their additional paid-up capital.
4. Retaining amounts which are intended for distribution as patronage dividends so they could augment FaCoMa capital.
5. Securing of outside financing by mortgaging FaCoMa-owned facilities.
6. Realizing additional capital from service fees thru extensive collection campaigns.
7. Withholding for capitalization purposes one cavan or amount corresponding to it from every 50 cavan deposit or in such proportion.
8. Expansion of volumes of business in profitable undertakings.
9. Increasing the retained 45% of savings intended for additional working capital of the FaCoMa to a higher percentage.

Group II on the other hand answered the same question as follows:

1. Linking of amount of loans given to a member to his shareholding in the FaCoMa.
2. Collection of unpaid balance of subscribed capital stock from members.

3. Retaining an amount out of their patronage refunds and stock from members to increase their shareholdings.
4. Requesting payment of 5% insurance withheld by the ACCFA, now the ACA, to the FaCoMa.
5. Collection of ₱1.00 per bag of fertilizer and ₱0.10 per cavan of palay or corn among members.
6. Conducting educational campaigns to develop a strong cooperative organization among small farmers especially the non-members and acquainting them with the basic principles to understand the value of cooperatives and in order for them to increase their subscriptions to capital stock and paid-up capital.

Q. No. 2

To the second question of December 17, 1963, Group I answered the same as follows:

1. By **increasing in proportion** the amount of credit assistance in kind rather than in cash so as to avoid misuse or diversion of funds.
2. Continuance of extension of commodity loans, farm improvement loans and facility loans even after the land reform program is implemented.
3. To exert more efforts to direct supervised credit to a more specific goal in increasing production.
4. To assure ways and means by which palay pledged by farmers who receive financing are actually deposited on designated warehouses to avoid past failures and seeing to it that personnel utilized in the program have virtues, honesty, integrity, competence and dedication.
5. By **utilizing** deserving organized cooperatives in the implementation of the program if there are such, so as to avoid waste of much time and money, hiring of many additional employees, and the impracticability of the ACA dealing direct with thousands of farmers individually if it could be done **collectively**.

6. There would be more sense of responsibility in farmers who will receive assistance thru cooperatives rather than direct from the ACA due to the fact that money received direct from the government will likely be considered as a hand-out.
7. Securing of co-makers of farmers obtaining loans.

Group II on the other hand answered the same question in the following manner:

1. In an area where there is a FaCoMa which is working well, preference should be given to that FaCoMa in providing agricultural credit.
2. In an area where there are weak or non-revitalized FaCoMas, there should be a definite program for revitalizing them within a specific period in order that they can receive loans as early as possible.
3. Each revitalized FaCoMa should have a loan supervisor. The salary of the supervisor should be subsidized by the government for three years on a graduated scale, that is, 100% of the salary, or full, for the first year, 2/3 for the second year, 1/3 for the third year and thereafter, beginning the fourth year, the full cost of the salary to be borne or financed by the FaCoMa.

Q. No. 3

To the third question of December 17, 1963, Group I gave the following answers:

1. Advantages are:
 - a. Proposed farm technicians are qualified men with scientific knowledge and better trained to supervise actual farm work.
 - b. Greater farm productivity can be achieved.
 - c. It is but natural that presence of planning and budgeting would produce better results than none.
 - d. Farm technicians are supposed to stay in the barrios and could guide farmers effectively.

- e. Diversification of crops may be practised intensively to give more returns to farmers.

2. Difficulties pointed out were:

- a. Difficulties may be involved due to different existing conditions in different localities.
- b. Farmers are generally reluctant to follow modern practices and attend meetings.
- c. Difficulties may arise in cases when farm technicians and farmers may not see eye to eye with each other.
- d. There may be possibility of corruptions later if one man formulates plans, budget, and recommends loans for approval.
- e. There may be long delays in all mechanics involved so that farmers may not receive attendance on time.

Group II on the other hand answered the same question as follows:

1. Advantages

- a. The farmers can practically find out the cost of his farm budget.
- b. Farmers can be apprised of the cost of his modern farming.
- c. It will place the farmer's and his family's resources within the government's technical and material assistance program. By self-help, he can raise his standard of living as a result of increased production and better income.

2. Difficulties pointed out were:

- a. Filipino farmers in general are indifferent to change.
- b. He seems to lack self-confidence.
- c. His understanding is limited.

- d. ~~Extra~~ family obligations disturb him.
- e. Slightest failure in his guided farming system is likely to shake his faith in the system.

Q. No. 4

Group I answered question no. 1 of December 17, 1963, in the following manner:

1. A FaCoMa with dedicated and efficient management.
2. A FaCoMa with adequate facilities such as warehouses and rice mills.
3. FaCoMas which have been active in continuous operation for several consecutive years and which can be clearly identified from defunct FaCoMas
4. FaCoMas whose management officials were or are not connected with any irregularities and anomalies.
5. FaCoMas with sound business operations for a number of years sufficient enough to determine competence in management, aside from a satisfactory record of loan repayments.

Group II on the other hand answered the same question in the following manner:

1. The books are all in order and ready for credit.
2. ~~The~~ officers of the FaCoMa should all be efficient in their jobs throughout the FaCoMa operation.
3. The FaCoMa should be able to present a good financial position.
4. Officers should all be active in patronizing the operations of the FaCoMa for several years.
5. At least 90% compliance with the marketing agreement should be made.
6. In case of different loans, the FaCoMa should pay the ACA at

certain percentages and the farmers to the FaCoMa such as:

commodity loans ----- 100%
production loans not less than 75%

7. Payment of facility loans should immediately begin and continue until this type of loan is fully paid.
8. Start capital formation as soon as they can.

V. Group Answers to Questions of December 18, 1963.

Q. No. 1

Group II answered question no. 1 of December 18, 1963, in the following manner: As to sources -

1. ACA
2. CCE
3. PNB
4. DBP
5. Rural banks
6. Private merchants

As to adequacy

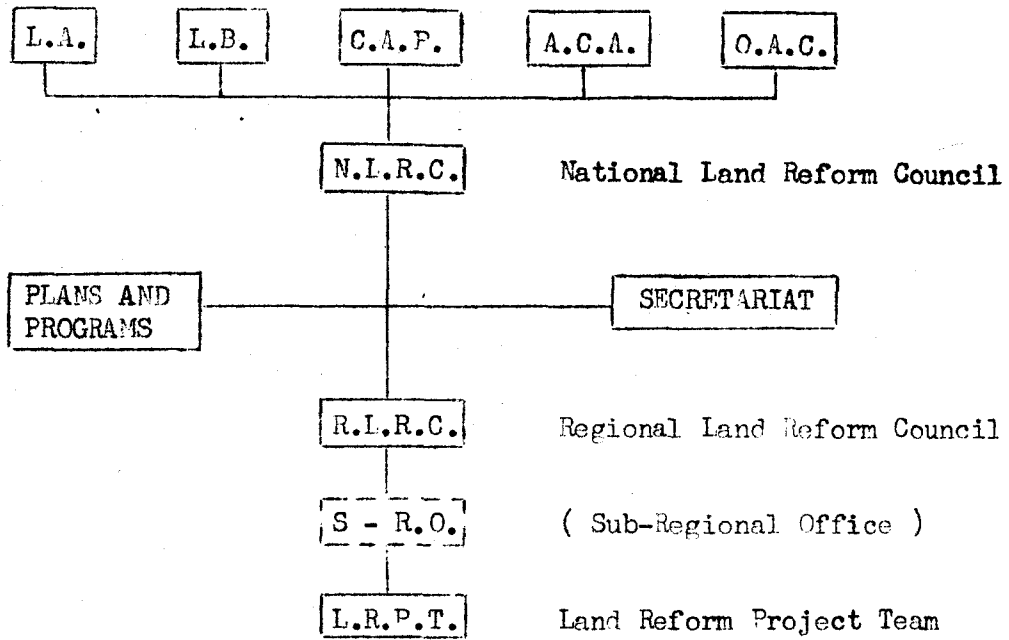
1. Construction of rice mills and availability of transportation facilities for commodity deliveries.
2. In case FaCoMas have no facilities, there should be provided by the ACA.
3. Loans for sacks are necessary.

Q. No. 2

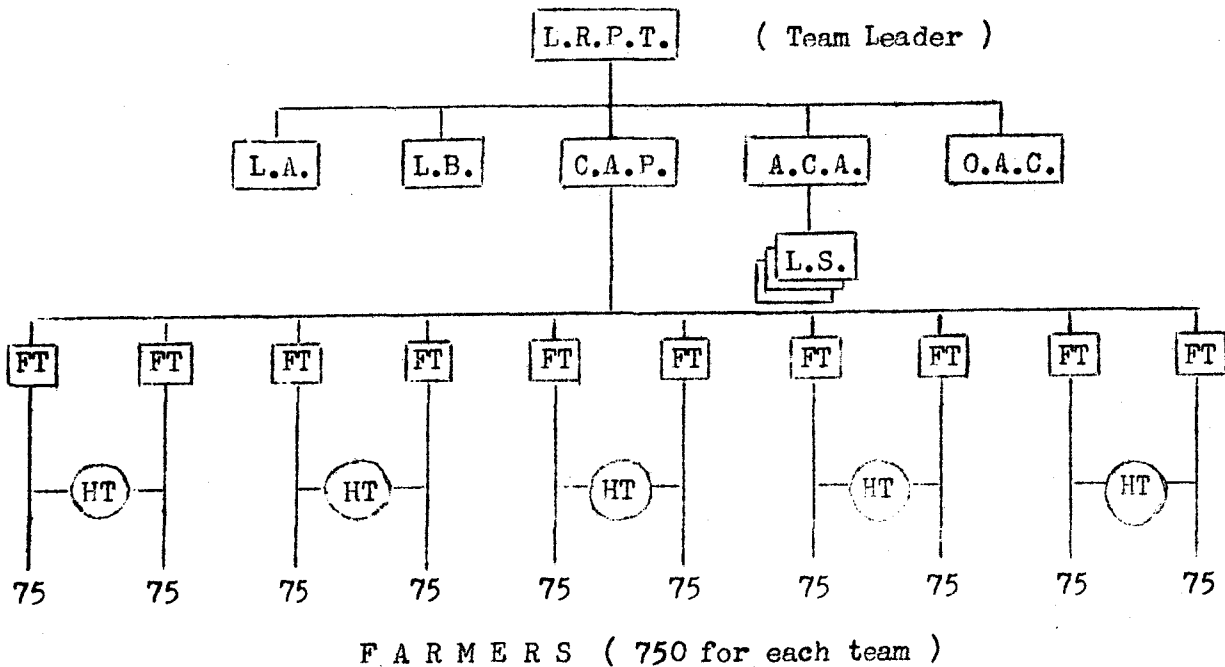
The same group answered the second question of December 18, 1963, as follows:

1. Existing credit unions should be expanded to as to include FaCoMa farmer-members; in case there are none, credit unions should be organized and established.
2. Information can be secured from CAO and the Central Cooperative Educational Board, Isabel Building, España, Manila.

LAND REFORM ADMINISTRATION



LAND REFORM PROJECT TEAM



NOTE: FT - Farm Technician
 HT - Home Technician
 LS - Loan Supervision