

PHILIPPINES

# Perspective Plan for Agricultural Cooperative Development 1988 - 2003



**INTERNATIONAL COOPERATIVE ALLIANCE**  
REGIONAL OFFICE FOR ASIA, NEW DELHI



**COOPERATIVE UNION OF THE PHILIPPINES**  
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**PERSPECTIVE PLAN FOR  
AGRICULTURAL COOPERATIVE  
DEVELOPMENT : 1988-2003  
PHILIPPINES**

# Perspective Plan for Agricultural Cooperative Development

1988 - 2003

AND

## Report of the ICA/FAO Study Mission

PHILIPPINES



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INTERNATIONAL COOPERATIVE ALLIANCE  
REGIONAL OFFICE FOR ASIA, NEW DELHI



COOPERATIVE UNION OF THE PHILIPPINES  
QUEZON CITY, PHILIPPINES

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July 1988 (500)

**Printed in India**  
at Fairfield Graphics Private Ltd.,  
H.S. 14, Kailash Colony, New Delhi 110 048.

## PREFACE

The ICA Cooperative Development Policy envisages assisting member organisations in formulating the Development Programmes, in making attempts to create a favourable environment for cooperative development and in making progress towards self-reliance of cooperative movement. Keeping in view this Development Policy, the ICA Specialised Sub-Committee for Agriculture for Asia, recommended that the ICA Regional Office for Asia (ROA) should assist the member movements in formulating perspective plans for the agricultural cooperative sector in selected countries. In pursuance of this decision, a Study Mission was sponsored by the ICA ROA in collaboration with the FAO for assisting the Cooperative Union of the Philippines in this regard. The ICA/FAO Study Mission was led by Mr. J. M. Rana, Deputy Regional Director and Head of the Development Coordination Unit of the ICA ROA and its other members were Mr. Sten Dahl, Cooperative Development Adviser in the ICA ROA; Mr. M. Matsuhiro, an Expert made available by the Japanese Cooperative Movement and Mr. R.G.G.O. Gunasekera, Consultant provided by the FAO.

The Report of the Study Mission was considered by a National Cooperative Conference in the Philippines, which was held in Metro Manila from 13-15 February 1988 and which was attended by a cross-section of cooperative leaders and senior personnel from the cooperative sector, the government and international agencies. The Conference formulated the Perspective Plan for Agricultural Cooperative Development in the Philippines for a fifteen year period viz. 1988 to 2003.

The present publication comprises the Perspective Plan mentioned above and the Report of the ICA/FAO Study Mission. We hope that this publication will be useful to other member organisations in the Region and would facilitate interchange of information and ideas.

New Delhi  
28th July 1988

G. K. Sharma  
ICA Regional Director for Asia

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## ACRONYMS

ADB	Asian Development Bank
ACA	Agricultural Credit Administration
ACCFA	Agricultural Credit and Cooperative Financing Administration
ACCI	Agricultural Credit and Cooperatives Institute
AMC	Area Marketing Cooperative
AMSAC	Appropriate Management Systems for Agricultural Cooperatives
BCOD	Bureau of Cooperatives Development
BGF	Bario Guarantee Fund
BSF	Bario Savings Fund
CALF	Comprehensive Agricultural Loan Fund
CCE	Central Cooperative Exchange
CDA	Cooperative Development Authority
CDLF	Cooperative Development Loan Fund
CDP	Cooperative Development Policy
CETC	Cooperative Education and Training Committee
CETF	Cooperative Education and Training Fund
CFPI	Cooperative Foundation of the Philippines
CMSP	Cooperative Marketing System of the Philippines
CMSS	Cooperative Marketing and Supply System
COMCOOP	Community Multipurpose Cooperative Society
COOPAID	Cooperative Agency for Investment and Development
COSAL	Cooperative Savings and Lending Association
CPDC	Cooperative Promotion and Development Committee
CRB	Cooperative Rural Bank
CUP	Cooperative Union of the Philippines
DAF	Department of Agriculture and Food
FACOMA	Farmers Cooperative Marketing Association
FAO	Food and Agriculture Organisation
GRAMACOP	Grains Marketing Cooperatives of the Philippines
ICA	International Cooperative Alliance
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
MTAP	Management Training and Assistance Programme
MTPDP	Medium Term Philippines Development Plan



<b>NAMCOOP</b>	<b>National Cooperative Marketing Federation of the Philippines</b>
<b>NATCCO</b>	<b>National Confederation of Cooperatives</b>
<b>NCB</b>	<b>National Cooperative Bank</b>
<b>NEDA</b>	<b>National Economic and Development Authority</b>
<b>NGO</b>	<b>Non-Government Organisation</b>
<b>PCU</b>	<b>Provincial Cooperative Union</b>
<b>PD</b>	<b>Presidential Decree</b>
<b>RCU</b>	<b>Regional Cooperative Union</b>
<b>REMCOOP</b>	<b>Regional Marketing and Agri-Industrial Cooperative Society</b>
<b>SN</b>	<b>Samahang Nayon</b>
<b>TOR</b>	<b>Terms of Reference</b>

# **PART-I**

## **PERSPECTIVE PLAN FOR AGRICULTURAL COOPERATIVE DEVELOPMENT IN THE PHILIPPINES**

**1988 – 2003**

**As adopted by the National Cooperative Conference,  
Metro Manila,**

**February 13 – 15, 1988**

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# **Perspective Plan for Agricultural Cooperative Development 1988 - 2003**

## **I**

### **INTRODUCTION**

1.1 A National Conference on Perspective Planning for Agricultural Cooperatives was held by the Cooperative Union of the Philippines (CUP) in collaboration with the ICA ROA in the Philippines from 13th to 15th February 1988 in Quezon city, Metro Manila. The Conference participants represented a cross-section of the existing cooperative sector as well as the government and other organisations involved in the cooperative programmes including international support agencies. The list of participants is given in the Annexe. The Conference considered the following two documents and based thereon formulated a 15 year Perspective Plan.

- i) ICA/FAO Study Mission Report on Perspective and Project Planning for Agricultural Cooperative Sector in the Philippines, December 1987.
- ii) Excerpts from Feasibility Study Report on "Establishment of an Apex Cooperative Financial Intermediary in the Philippines", by the U.S. Overseas Cooperative Development Committee, June-August 1987.

1.2 The Plan as adopted by the Conference is given below :

## II

### OBJECTIVES

2.1 The objectives of the Perspective Plan for Agricultural Cooperative Development are as follows :

- 1) to improve incomes and living standards of small farmers;
- 2) to increase membership coverage and participation of small farmers;
- 3) to strengthen the total cooperative structure for self-reliance and efficient services to small farmers; and
- 4) to enhance capital formation at member and institutional levels.

2.2 The ultimate and overall aim of the agricultural cooperative movement should be to improve the income levels and standard of living of small farmers. This overall goal should be the focus of all cooperative endeavour in the field of agriculture.

2.3 The coverage of farmers by agricultural cooperatives is yet rather small (about 12 per cent by the Samahang Nayons). Hence increased membership coverage is an important objective, if the movement is to fulfil its purpose and as a result thereof, make an important contribution to the national goals. The achievement of the agricultural cooperatives in the past in this regard cannot be regarded as fully satisfactory. Enhanced participation by members in the work of the cooperative and in setting goals and policies, and in business planning, is a vital necessity for its success.

2.4 The cooperative organisation is based on collective efforts of all the members. A small farmer is unable to have much strength by himself, but by joining his efforts with others in similar situation, he can acquire the much needed strength through group efforts and pooling of resources. This principle is to be applied not only at the primary level where individual farmers group themselves into a farmers' group, but also secondary and national levels in order to acquire enhanced strength and capability through vertical and horizontal co-ordination and integration. An important aim of the Perspective Plan is to build such an integrated cooperative structure as would help the small farmers to achieve self-reliance and secure efficient services.

2.5 Further, the cooperative association must derive its strength from the members and in turn impart further strength to them. In the past the cooperative movement in the Philippines has been excessively dependent on the government, particularly under the PD-175 programme. While the government support and assistance would be necessary, it should be given in such a manner that it nurtures and strengthens the spirit of self-reliance of the farmers and their cooperative associations.

2.6 Capital is a key resource for accelerating the economic progress. Hence it is essential that the cooperative movement places great emphasis on building up capital through the efforts of members and their cooperative institutions. The surplus generated in the cooperative organisations should be judiciously used and part of it ploughed back for further business development. Also formation of members' capital is very essential as it would provide a firm base for the movement's development. Excessive reliance on outside capital whether provided by the State or banking institutions is not conducive to the sound health of cooperative institutions. Hence enhanced capital formation is an important objective of the Perspective Plan.

### III

## POLICIES AND STRATEGIES

### **3. Recognition of cooperative movement as a distinct sector**

3.1 The cooperative movement should be recognised as a distinct socio-economic sector of the national economy keeping in view the special characteristics and attributes of cooperatives, as distinguished from the private sector on the one hand and the government sector on the other. Such a policy would be in keeping with the recognition given to cooperatives in the 1986 Constitution and the expected role of cooperatives in the Medium Term Philippines Development Plan 1987-92.

3.2 At the moment the cooperative movement is recognised by the government as part of the private sector. However, the cooperative movement has its own special character and features which are distinct from those of private enterprises. The government policies towards cooperatives cannot yield the desired results unless they take into account the special character and special features of the cooperatives. This has been recognised by the government to a certain extent inasmuch as special laws for cooperatives have been enacted. However, this is not adequate.

3.3 The growth of the cooperative movement would be properly fostered in the future by recognising the cooperative movement as a third sector distinct from the private and public sectors and requiring special policies and special treatment. Considering that farmers' organisations such as the cooperatives are expected to play an important role in the development of agriculture, which in turn is expected to lay the solid foundation for the growth of the entire national economy, such a policy enunciation is a vital necessity.

3.4 The National Development Plan, in the future, should give a special focus to cooperative development. The Plan should identify specific areas as priority areas for the cooperative sector, establish targets for specific cooperative activities and provide funds for cooperative programmes and projects.

## 4. Cooperative Development Policy

4.1 It is also necessary to formulate a long-term Cooperative Development Policy.

4.2 The long-term policy would flow from the recognition given to the cooperative movement in the Constitution and would be based on the role it would play in the development of the various sectors of the economy, such as agriculture, fisheries, implementation of land reforms, alleviating poverty, improving the economic and social conditions of men of small means, employment generation and enhancing peoples' participation in planning process and plan implementation. The cooperative development policy should also be based on the recognition of the special characteristics of the cooperative movement, specifically the internationally accepted Principles of Cooperation.

4.3 The objective of the Cooperative Development Policy (CDP) should be to establish and develop autonomous, democratic and viable cooperative organisations which are capable of serving their members efficiently and contributing to economic growth and social equity in their respective communities and within the country.

4.4 The CDP should also aim at developing a strong cooperative movement that is fully integrated both horizontally and vertically.

4.5 The State should provide adequate support to the Cooperative Movement, in view of the contribution the cooperatives make to the development of the rural economy. The small men who establish cooperative organisations are pitted against a powerful combination of money-lender-cum-traders backed by urban private enterprise in banking, trade and industry. The scales are heavily tilted against the weaker sections of the community such as small farmers and fishermen. In view of this the CDP should enunciate policies to assist the healthy growth of the cooperative movement.

4.6 An effective way of assisting the movement would be through development and expansion of cooperative education and training facilities, building needed infrastructure and providing financial support for these purposes.

4.7 The State policies should also show a preferential treatment to cooperatives in regard to activities in which cooperatives are engaged, e.g. similar to Indonesia, where the government guarantees rice prices

and effects purchases only through cooperatives.

4.8 Similarly, cooperatives should be given facilities for import of fertilisers and other agricultural inputs such as insecticides and be given incentives for distribution of agricultural inputs and basic consumer goods.

4.9 The State should also give preferential treatment to cooperatives in the issue of licenses for establishing agro-processing units and agri-based industries.

4.10 The State should also give appropriate support to the cooperative movement in building up professional management. This support should be given in such a manner that the principle of democratic management of cooperatives is safeguarded and the professional managers remain fully responsible and accountable to elected board of directors of cooperative organisations.

4.11 State support to the cooperative movement should be given in such a manner that it would not infringe upon the voluntary and autonomous character of the cooperatives, the affairs of which must be essentially chartered, run and managed by the members themselves and not by the government.

4.12 Needed changes in the cooperative and other legislation should be made in order to facilitate the growth and development of cooperative organisations.

## **5. Establishment of a unified Coop. Development Authority**

5.1 The 1986 Constitution states that "the state shall create an agency to promote the viability and growth of cooperatives as an instrument for social justice and economic development". As per this stipulation, the Cooperative Development Authority (CDA) should be established at the earliest.

5.2 The Authority should be so constituted and its powers and responsibilities so designed as would promote the autonomy and the democratic management of cooperatives in keeping with the internationally accepted Principles of Cooperation. The Authority should be given adequate resources to spearhead cooperative development, especially in the agricultural sector.



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5.3 The functions of the Authority should include registration of all cooperative organisations at the primary and other levels, formulation of Cooperative Development Policy in consultation with the Cooperative Promotion and Development Committee of the CUP, providing support for cooperative education and training activities, both formal and non-formal, liaison with appropriate governmental agencies including NEDA, and arranging and coordinating for financial and technical assistance from national and international funding sources. The CDA should implement cooperative education and training programmes through the Cooperative Education and Training Committee of the CUP.

## **6. CUP should be the coordination body for the entire Cooperative Movement**

6.1 Keeping in view the objective of building a strong cooperative structure for self-reliance and efficient services to small farmers, there should be one organisation which binds the entire cooperative movement together and which would be the spokesperson for the entire cooperative movement, both nationally and internationally.

6.2 At the moment the cooperative movement is split up into four segments, viz. (i) cooperatives having allegiance to the CUP, (ii) sugar cooperatives, (iii) electric cooperatives, and (iv) transport cooperatives. If the movement is to be unified with a view to making the desired impact on development, it is essential that there should be one umbrella organisation for all types of cooperatives. All apex organisations and cooperative leaders should work to make this goal a reality. In view of this the CUP membership should be broadbased and the CUP should be strengthened so that it can become truly the national body for the entire cooperative movement. Organisations such as the National Federation of Cooperatives (NATCCO) and the Cooperative Foundation of the Philippines (CFPI) should function as specialised agencies within the unified cooperative structure.

## **7. Developing effective network of services to farmers**

7.1 The basic services needed by the farmers are supply of credit for production and marketing purposes; supply of agricultural inputs such as fertilisers, improved seeds, insecticides and pesticides; infrastructure facilities such as transport facilities by sea and land, market intelligence, and storage; processing facilities for adding value to the farm produce; and marketing of the farm produce and processed products at remunerative prices.

7.2 An integrated cooperative structure should be built up to provide the farmer with these needed services so that eventually he does not have to go outside the cooperative network for any of his needs. The objectives of the integrated cooperative structure are to enable the farmers, (a) to achieve maximum possible production through the supply of credit and agricultural inputs, and (b) to get the best possible returns for their produce.

7.3 For this purpose a Community Based Multipurpose Cooperative Society (COMCOOP) model, which has been adopted by most developing countries in Asia, and which has been found successful in effectively servicing farmers be established at the grassroots level.

7.4 It would be the task of the COMCOOPS to deliver an integrated package of services to the farmers, with adequate support of the cooperative financial system, the cooperative marketing and supply system and the cooperative promotion and development system. If such integration could be successfully established, many of the problems faced by the farmers' cooperatives in the Philippines would be mitigated or eliminated altogether. The cooperative structure outlined later on aims to enable the cooperative movement to achieve this objective.

## **8. Developing an efficient Cooperative Financing System**

8.1 A strong cooperative financing system should be built up to support the community multipurpose cooperative societies and through them the farmers.

8.2 Presently the commercial banking system mobilises funds from all over the country but the large bulk of these funds are invested in trade and industry located in Metro Manila. The rural countryside is thus drained off the resources. This trend should be reversed. Only a cooperative financing system owned by the farmers would be committed to their cause and would have the capacity to achieve this task. The financing system would encompass the financial services needed by the individual farmer members and their primary, secondary and apex bodies.

8.3 The cooperative financing system is principally needed to mobilise members' savings, raise funds through borrowings, government grants and external aid and channel them to the farmers. In addition the cooperative financing system should perform tailor made

service functions for the farmer members and cooperative organisations in the country.

8.4 With this purpose in view a Cooperative Savings and Lending Association (COSAL) be established at the provincial level. These associations will replace the Cooperative Rural Banks which are essentially non-cooperative in character. The Cooperative Savings and Lending Associations will function very much like the Cooperative Credit Unions which have demonstrated considerable success in the urban areas.

8.5 It is suggested that at the national level, a Cooperative Financing Intermediary (CFI) be established in order to provide all the financial services required by the movement. The CFI should eventually be converted into a National Cooperative Bank as suggested by the ICA/FAO Study Mission.

8.6 In view of the high projected long-term capital needs of housing, electric and transport cooperative sectors, the CFI should immediately establish a separate subsidiary in order to ensure that the needs of agriculture, fishery and forestry would be adequately catered to. Unless a CFI Subsidiary is established, the needs of small farmers and fishermen, and their cooperatives would be neglected. The details regarding the CFI subsidiary are given later on.

## **9. Development of Cooperative Marketing and Supply System**

9.1 Every effort should be made to establish an efficient cooperative marketing and supply system, first, to enable the farmers to acquire greater control over the factors of production, such as seeds and fertilisers, for the purpose of reducing costs of production and secondly, to market the produce and products of the farmers at remunerative prices. Without a strong marketing and supply system the farmers would neither be fully motivated to increase production, nor would their efforts lead to increase in incomes and improved living standards.

9.2 The Cooperative Marketing and Supply System should aim at enhancing its share in the supply of the factors of production and marketing of farmers' produce. It should also develop storage and warehousing facilities and increase its access to transport and shipping facilities with a view to achieving price stabilisation.

9.3 The cooperative marketing system should also develop a well-

functioning network for collection and dissemination of market intelligence.

## **10. Agricultural Diversification and Agro-Industries**

10.1 Cooperative organisations should lend their full support to and work in close collaboration with the Department of Agriculture to enable the farmers to produce crops other than rice which would give them better returns. Value added from crops such as fruits and vegetables and other cash crops is much higher. It should be the endeavour of the cooperatives to help farmers increase the yields of food crops and thereby shift their acreage to production of more remunerative cash products in a planned manner.

10.2 Land which is particularly suitable for food crops should be earmarked for production of rice and corn, keeping in view the needs of food security. Individual farmers should be assisted in farm planning and management so as to maximise production.

10.3 The farmers producing food crops should be adequately compensated through price guarantee programmes. The government should also assist in developing an efficient market intelligence system and infrastructural facilities.

10.4 The farmers would get the best possible returns on their products if they sell their produce not in raw form but after processing. Experience in other countries such as India, Indonesia, Sri Lanka and Thailand have demonstrated the capacity of farmers to establish and manage the agro-processing units of even large magnitude. The development of such agro-processing units have not only helped the farmers in substantially raising their incomes, but also in transforming the entire countryside in a short span of 10–15 years. Therefore an important thrust of cooperative development should be to develop agro-processing units and to establish agri-industries for production of agricultural inputs needed by the farmer members.

10.5 Development of storage, warehousing, transportation and packing facilities are other associated activities which must be simultaneously developed by the agricultural cooperative movement.

## **11. Member Participation**

11.1 Member involvement and member participation are basic to cooperative activities. Intensive member education programmes are

necessary at all stages of development for effecting desired changes. These efforts will in the end lead to more enlightened and more active members participating in the affairs of the cooperative.

11.2 Each cooperative organisation at whatever level it functions, and most importantly the community multipurpose cooperative society at the grass roots level, should employ education-cum-member relations officer to give special attention to member activities and to bring about close identification and involvement of the members with their cooperative society.

11.3 For this purpose neighbourhood groups and special interest groups of farmers, women and youth, should be established. Group projects by the various member groups should also be encouraged for the purpose of education, income generation and improvement in environment. Such group work and active members participation in group projects would generate self-reliance and team work-qualities which are so essential for the development of cooperative organisations.

11.4 The secondary organisations, both promotional and business, should lend full support to the COMCOOPS in their member education and member relations programmes. They should employ cooperative education and member relations officers who possess necessary qualifications in modern techniques of andragogy. These officers should act as advisors to the Board of Directors and to the Cooperative Education and Training Committees of the COMCOOPS on methods relating to cooperative education and training. Flexibility should be exercised in deployment of these officers in order to avoid a stereotyped "average" approach and to achieve cost effectiveness.

11.5 Member participation in business planning, in providing financial support for the planned programmes, in utilising the services of their cooperative, and through their continuing interaction with the management would provide a sound basis for the successful operation of cooperative business. Cooperative planners and managers can follow with advantage the suggestions made by the FAO AMSAC Programme in building collaboration with members.<sup>1</sup>

11.6 Training of board members is equally important. It is the board members who set the goals and policies of individual cooperative

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1. See Section : *Major Factors in Building Collaboration*. FAO Guide to Management of Small Farmers Cooperatives, pp. 48-49.

organisations and who are thus responsible for the growth of their organisations. Adequate investment of resources by the movement should be directed towards these tasks.

## **12. Training of employed personnel**

12.1 Employment of professional management becomes imperative as the cooperatives grow in size. Unless the movement is able to attract and retain trained managerial personnel in adequate numbers and with requisite calibre, the movement will not grow. The recommendations of the ILO Project on Cooperative Training Policy and Standards in regard to the training and education of management personnel should be given due attention.

## **13. Research, Planning and Development**

13.1 The CUP and each of the national cooperative organisations should develop adequate research and planning capability in order to formulate the plans for their respective cooperative sectors. They should also have the capability to monitor and evaluate the plans and projects formulated by them.

13.2 Corporate planning should be used as an important tool by each cooperative organisation to improve its management effectiveness. The national apex organisations should help their associates in corporate planning.

13.3 The development of such research and planning capability coupled with monitoring and evaluation mechanisms at the various levels will enable the agricultural cooperative movement to plan from below with full participation of members and to ensure that efficient implementation of the plans and projects is carried out.

## IV

### AGRICULTURAL COOPERATIVE STRUCTURE

14.1 The existing cooperative structure built under PD-175 is defective, among others, from the point of view of participatory involvement of the members. The cooperative system that was introduced had collapsed because of many factors including non-participation of members, lack of cooperative character in many an organisation and in the structure as a whole, excessive controlling governmental influence on the one hand and lack of adequate government support on the other, an economic environment that favoured the urban to the rural sector and the severe recession experienced by the Philippines economy.

14.2 In view of this it is envisioned to develop a fully integrated agricultural system with a community based multipurpose cooperative as a base level organisation to provide a total package of services needed by the farmers in an effective manner. It will be supported by (a) Agricultural Cooperative Marketing and Supply System, (b) Cooperative Financing System, and (c) Cooperative Promotion and Development System.

14.3 All the three systems should be interconnected and they should mutually support and reinforce each other. There should be both horizontal and vertical coordination and integration starting from the lowest level cooperative organisation upto the apex level. Members identification, involvement and participation in the total cooperative system should be the foundation on which the new structure must be built. Accountability and administrative procedures which allow member control at various levels should be evolved and implemented.

#### **15. Base level cooperative organisation**

15.1 At present the base level organisation is the Samahang Nasyon (SN). However, the SN is too small an organisation to be viable.

15.2 Hence it is planned to establish a Community Multipurpose Cooperative Society (COMCOOP) covering a larger geographical area. As a thumb rule it is reckoned that the area of operation of the COMCOOP should be such in terms of hectares/members as would

give it an adequate supply of agricultural produce to set up a processing facility so that the farmers have greater control over the market.

15.3 In the case of paddy, for instance, the area of operation should enable a steady supply of paddy to operate a rice mill of at least 1.5 MT per hour capacity. The ICA/FAO Mission report states that an average farmer whose land holding is about 2–3 hectares would get an additional income of Pesos 6,302 per rice crop, if he sold his produce in the form of rice rather than paddy, the increase being nearly 35–40 per cent.\*\* The same considerations would apply in respect of other crops as well. It is only by concentrating on value addition and marketing of products of the farmers effectively that the cooperative would demonstrate its real usefulness to the farmers.

15.4 The aim of the COMCOOP should be to provide a full range of services to the farmer members, even though in the initial stages it may concentrate on few services.

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\*\* The ICA/FAO Mission's calculations are based on the following data :

– Price of paddy per kg.	Pesos 2.80
– Price of rice per kg.	Pesos 6.00
– 1 kg. of paddy yields 0.65 kg. of rice	
– 1 kg. of paddy processed and sold as rice thus gives.	Pesos 3.90
– Value addition to 1 kg. of paddy on account of processing:	Pesos 1.10
– Average rice holding	2.3 hectares
– Average yield per hectare	2,491 kg.
– Yield of average farmer	5,729 kg. paddy
– Additional income to an average farmer on account of processing.	<u>Pesos 6,302</u>



15.5 A well functioning COMCOOP should provide the following package of services to the farmers. As conditions change, the relative weightage of the services may be changed and even new services may be added.

- Credit and Savings;
- Warehousing;
- Produce marketing;
- Inputs supply;
- Agro-processing;
- Supply of basic consumer goods;
- Insurance, health and nutrition;
- Education and training; and
- Other income generating activities for members.

15.6 The COMCOOP is to be based on an area approach which would facilitate development planning. However for greater effectiveness the COMCOOP should establish, at appropriate places, service centres with an easy access to farmers and also ensure the active participation of farmers in the work of the service centres. The COMCOOP would appear too distant to the farmers without the service centres. The service centres would function as branches of COMCOOP. Active SNs undertaking economic services can also function as service centres within the area of a particular COMCOOP. The service centres should be closely supported by and integrally linked with COMCOOP.

15.7 The establishment of COMCOOPs would necessarily be a slow process. It should not be hurried, and it should be phased over a period of 15 years so as to cover all the farmers in the country. During the transition phase the active SNs which are capable of undertaking economic services should be allowed to do so. Any legal impediments that stand in the way of SNs undertaking economic services should be removed.

15.8 The conversion of existing agricultural cooperative organisations to the proposed integrated structure should be a gradual process. After proper feasibility studies successful SNs, AMCs, and other rural based cooperative societies should be converted into COMCOOPs with the necessary structural changes and amendments to the by-laws and the full participation of the membership. In this process an AMC may be divided into several COMCOOPs, be converted into one COMCOOP, become a branch of a REMCOOP, or if the geography so demands, remain a secondary level organisation servicing newly formed COMCOOPs—whichever is most acceptable and feasible.

15.9 The following steps would be necessary for the establishment of COMCOOPs.

- (a) Identification and conduct of feasibility studies for the conversion/merger of SNs, AMCs, and other primary cooperatives into COMCOOPs;
- (b) Preparation of feasibility studies for new COMCOOPs;
- (c) Development of model bye-laws, accounting systems and management and organisational structure;
- (d) Preparation of promotional materials; and
- (e) Education of members.

15.10 The COMCOOPs should be adequately supported by the secondary and national cooperative organisations.

## 16. Agricultural Cooperative Marketing and Supply System

16.1 This system is envisaged basically to support the farmers and COMCOOPs in their activities of input supply, agro-processing, agri-industries, and produce marketing.

16.2 Already some AMCs in Region VI have made a successful experiment in establishing a Regional Marketing Association. This is a welcome development and it needs to be systematically pursued. Keeping in view this experience, and the benefits therefrom, Regional Marketing and Agri-Industrial Coop Societies (REMCOOPs) would be established at the regional level.

16.3 The REMCOOPs should undertake the following activities with a view to spearheading efficient inputs supply and produce marketing.

- Inputs supply,
- Produce marketing/warehousing,
- Establishing agri-industries,
- Research, planning, consultancy and development,
- Training of personnel,
- Market information and promotion,
- Other activities according to needs.

16.4 The REMCOOPs should establish as per need branches at suitable locations to service COMCOOPs. In the alternative, the COMCOOPs and REMCOOPs may consider establishing Provincial level marketing federations, if the geographical conditions so demand.

16.5 The Cooperative Marketing System of the Philippines, the national organisation which was supposed to help the farmers in marketing their produce and the consumers in receiving their requirements at reasonable prices, collapsed for a variety of reasons. The basic deficiency of the Cooperative Marketing System of the Philippines was its duality and possibly its over-emphasis on developing cooperative supermarkets for the consumers.

16.6 Based on the recommendations of a task force that would be set up to make feasibility studies, the Cooperative Marketing System of the Philippines be reorganised, if feasible, under the name National Marketing Cooperative of the Philippines with focus only on farmers. In the alternative a new Organisation would be set up at the apex level. Its purpose would be to support the REMCOOPs and the COMCOOPs by undertaking the needed services for them as well as imports and exports. Its principal responsibility should be to develop the entire agricultural cooperative marketing and supply system for the benefit of the farmers. For this purpose it would undertake the following functions :

- Warehousing,
- Transportation,
- Production or Importation and distribution of fertilisers and other inputs,
- Agro-processing,
- Market information and promotion,
- Imports and exports,
- Research, planning, consultancy and development,
- Training of personnel, and
- Other activities as per needs.

16.7 Proper feasibility studies for the establishment of regional marketing cooperatives (REMCOOPS) and national marketing cooperatives (NAMCOOPS) should be undertaken. The feasibility studies should cover, among other things, financial requirements, socio-economic and technical questions and organisational and management needs.

16.8 Technical studies in regard to the following areas should be carried out :

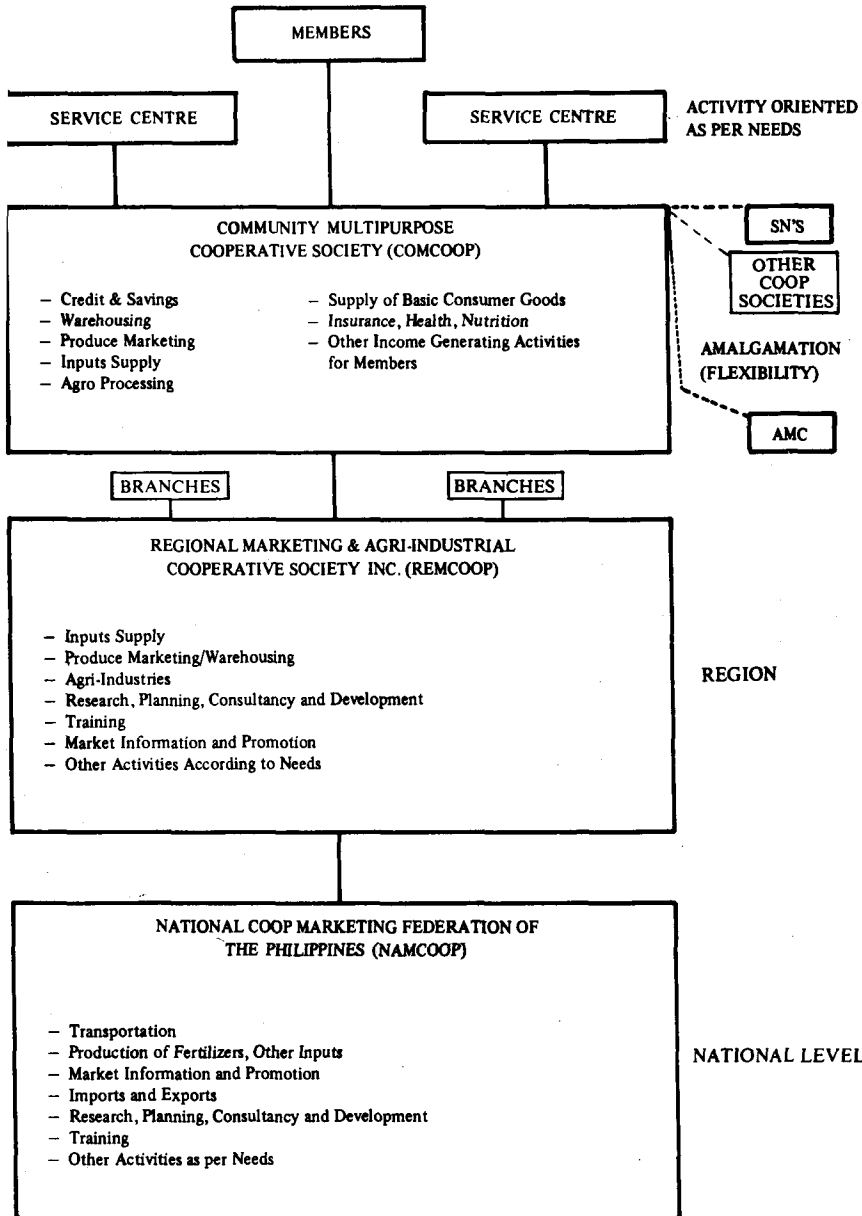
- (a) The setting up of a cooperative market information and dissemination network;
- (b) Cooperative marketing, including inter-trading, at regional

and national levels, considering supply and demand factors, logistic requirements, storage, warehousing and transport;

- (c) Production, sourcing, distribution and pricing of organic and inorganic fertilizers, and
- (d) Identification of commodities and potential areas for the setting-up of cooperative agro-processing facilities.

**16.9** A graphic presentation of the proposed Agricultural Cooperative Marketing and Supply System is given on the next page.

# AGRICULTURAL COOPERATIVE MARKETING & SUPPLY SYSTEM



## 17. Cooperative Financing System

17.1 The cooperative financing system needs to be established in order to (a) provide the farmers and the cooperatives with credit, (b) bring savings and operational funds of the farmers and the cooperative movement within its own system, and (c) establish needed links with the financial markets, government and international agencies. Experience of other countries demonstrate that a cooperative financing system is a powerful tool for cooperative development.

17.2 The Cooperative Financing System should see to it that the financial resources of the movement are mobilised and used for the benefit of the members and are not placed at the disposal of the commercial banks for use by private traders and industrialists. At present a substantial portion of the funds mobilised by the commercial banks in the rural areas are loaned out to private enterprise mainly based in Manila. This situation can be reversed only by a farmer-owned and farmer-controlled Cooperative Financial System.

17.3 High priority must be given to savings mobilisation which should become the bedrock of the financing system.

17.4 The base level organisations would be the COMCOOPs and other existing primary cooperatives. Cooperative Savings and Lending Association (COSAL) at the provincial level and a Cooperative Financing Intermediary (CFI) at the national level should be established. CFI should have branches in each of the Regions. CFI should establish a subsidiary to serve the needs of agriculture, fisheries and forestry. The COMCOOPS, the COSALS and the CFI along with its subsidiary would mobilise savings from members and other sources including the government and the development banks.

17.5 The record of the Credit Unions in mobilising savings of members and loaning is indeed excellent. The record of the cooperative rural banks on the whole is also above average. Keeping in view this experience, it is envisioned to build a genuine cooperative credit organisation at the provincial level which is member owned and member controlled and where voting is not on the basis of capital.

17.6 Successful CRBs should be converted into COSALS thereby ensuring that the strengths of CRBs are utilised while incorporating cooperative principles and methods into their constitutions and functioning.

17.7 The COMCOOPS, other agricultural cooperatives, credit unions and all other cooperatives at the local and provincial level should be enrolled as members by the Cooperative Savings and Lending Association (COSAL). The COSAL should in fact function as a financial centre for all cooperatives within the province, and operate under the Cooperative Law.

17.8 The COSAL should establish branches and where necessary, operate mobile service, keeping in view the need to extend efficient services to COMCOOPS and other cooperatives while minimising costs.

17.9 At the national level a Cooperative Financial Intermediary (CFI) should be established and which later on would become a full-fledged banking institution operating under a new Cooperative Law to be enacted especially for such a bank. It should be the focal point for the entire cooperative financing system in the country. Such a CFI should undertake all banking functions including the following :

- Current Accounts,
- Savings and Deposits,
- Rediscounting,
- Interlending,
- Loans (short, medium and long-term),
- Domestic Exchange,
- Foreign Exchange,
- Flotation of debentures with appropriate guarantee,
- International Funding.

17.10 A separate cooperative banking law should be enacted as in Japan in order to facilitate the establishment of a National Cooperative Bank.

17.11 In view of the high projected long-term capital needs of housing, electric and transport cooperative sectors, the CFI should immediately establish a separate subsidiary to cater to the needs of agriculture, fishery and forestry.

17.12 The proposed CFI Subsidiary for Agriculture, Fishery and Forestry (SAFF) is envisaged to cater to short, medium and long-term needs of the farmer members, as well as of agricultural cooperatives at various levels, especially for marketing, inputs supply and agro-processing facilities.

17.13 All the assets and funds of the Cooperative Marketing Project (CMP) and the Cooperative Development Loan Fund (which was transferred to the Comprehensive Agricultural Loan Fund created in 1987) should become the initial seed capital of SAFF.

17.14 In view of the complexity of establishing the SAFF and providing it with a sound management base, assistance of a successful cooperative bank in another country, on the basis of a mutually agreed consultative management contract, be secured.

17.15 The sources of funds for SAFF would be

- (a) savings and deposits of farmers and surplus funds of cooperatives;
- (b) annual appropriation by the Congress;
- (c) loans from international funding agencies such as ADB, World Bank and IFAD;
- (d) project funding from cooperative support agencies; and
- (e) floatation of debentures.

17.16 The base of the movement viz. the primary level COMCOOP and other existing cooperatives should play a crucial role in resource mobilization and in building up the entire cooperative financing system. The cash flows of the farmer members should be captured by the primary COMCOOPS through the integrated production-processing-marketing approach. The same strategy has to be applied by the Cooperative Savings and Lending Associations (COSALS) and the SAFF at the provincial and the national level respectively.

17.17 Successful examples of resource mobilisation are in operation in certain areas of the Philippines. These successful models should be studied in depth and their results utilised to develop improved resource mobilisation models for adaptation and implementation.

17.18 The CUP in collaboration with BANGKOOP, the SCCP, BACOD, and the proposed CDA should secure special recognition and treatment for the CFI, SAFF and the COSALS in the Central Bank policies, procedures and operations in view of the distinct characteristics of cooperatives. In the meantime exemptions from standard banking regulations should be included in the proposed Cooperative Code.

17.19 A separate cooperative banking inspectorate within the CDA should be created to safeguard the integrity of the operations



of the cooperative financing system. If and when cooperative financing system or parts thereof convert into cooperative banks, a separate cooperative banking inspectorate should be established in the Central Bank.

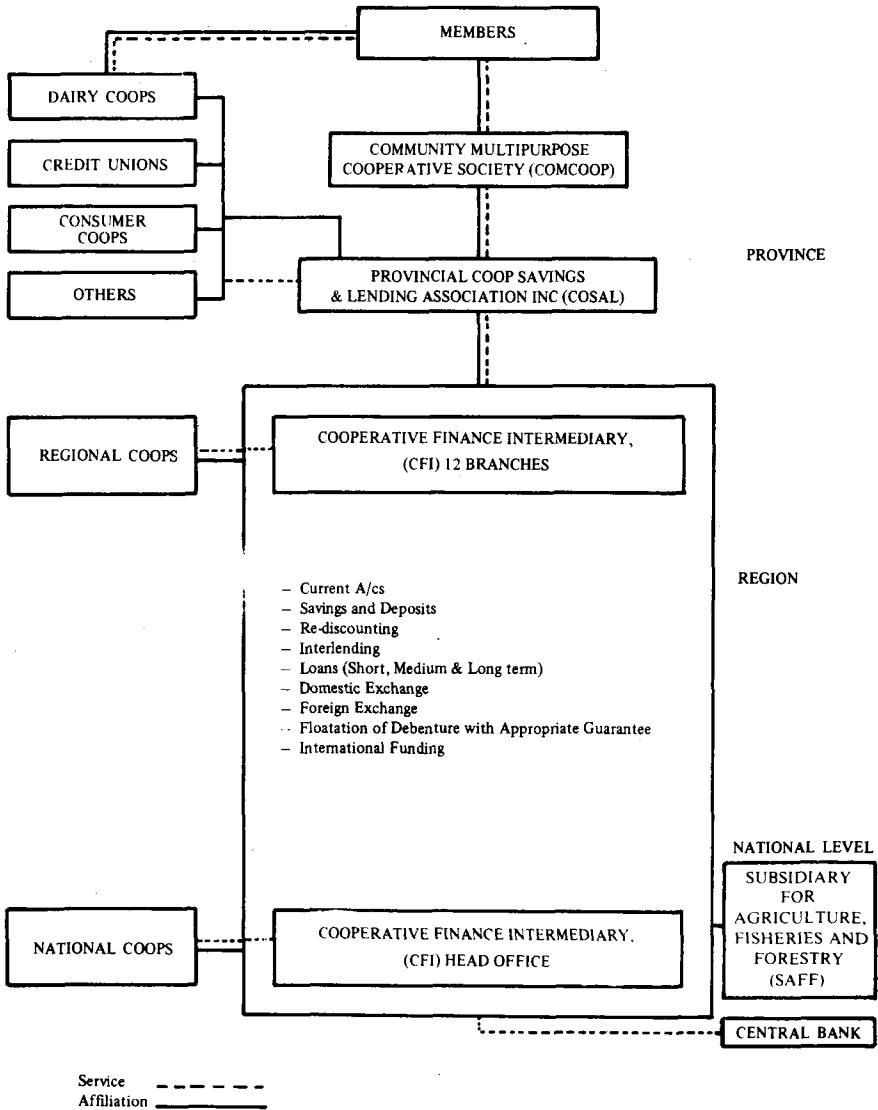
17.20 A Task Force of CFI is already in existence. Additional task forces be constituted for the following purposes :

- (a) To carry out a Feasibility Study on SAFF and estimate the total resource requirements of the integrated agricultural cooperative system including the establishment of agro-processing facilities over a period of 15 years.
- (b) To study successful examples of resource mobilisation by cooperatives in certain areas of Philippines and develop successful models for the purpose of adaptation and implementation by the COMCOOPS.

17.21 The leadership and management available to the CFI and SAFF in the formative period is of crucial importance for laying solid foundations for future success. The Movement should identify persons who have a good image and reputation, capability, and dedication to the cooperative cause and call upon them to help in the establishment of CFI and SAFF and later on to serve on the Board of Directors when these institutions are established. Equally important is professional management and the need to identify and appoint professionally competent and cooperatively motivated personnel. An important task of the foreign cooperative bank collaborating on a management contract would be to train professional personnel.

17.22 A graphic presentation of the Cooperative Financing System is given on the next page.

## COOPERATIVE FINANCING SYSTEM (CFS)



## **18. Cooperative Promotion and Development System**

18.1 The government has been the principal agency promoting and developing the cooperative movement. This function is performed by it through the Bureau of Cooperative Development (BCOD), re-designated as Bureau of Agricultural Coop Development (BACOD).

18.2 On the non-governmental side the Cooperative Union of the Philippines (CUP) was registered in February 1980 representing all the Regional Cooperative Unions (30) and National Cooperative Federations (14). The objectives of the CUP is to institutionalise the cooperative movement in the Philippines as a cohesive and dynamic vehicle for the economic, social, moral and spiritual advancement of the people.

18.3 Since its inception the CUP has functioned as the spokesperson of the Cooperative Movement and it has performed a wide range of services such as policy initiatives, representations to government in regard to tax exemption, etc. and international relations. The CUP has also initiated coop education and training activities in collaboration with ACCI which is an institute established by the University of the Philippines and NATCCO which is a federation of national cooperative training centres. The CUP collaborates with the Cooperative Foundation of the Philippines (CFPI) which was established in 1977 and has specialised in research activities.

18.4 The CUP represents only those cooperatives, unions and federations which are registered under PD-175. Thus it does not include in its membership electric, sugar or transport cooperatives. However, it has taken a leading role in establishing the Supreme Cooperative Council in which all these various sectors are represented in order to formulate unified cooperative policies. In these efforts the CUP has also enlisted the collaboration of the Cooperative Foundation of the Philippines, the ACCI and has worked in close collaboration with BCOD (now BACOD).

18.5 While the aims of the CUP are ambitious and expectations of the CUP by its affiliates are great, its financial strength is relatively weak.

18.6 Under the new policy, the role of the government is envisioned "to actively assist (but not organise) farmers in the development of cooperatives". The government policy places greater emphasis on decentralisation and has given increased powers and responsibilities to

the Regional Directors of Agriculture. The government also expects increased initiatives and participation by peoples organisations in decision-making process.

18.7 The changed policies thus imply a greater role on the part of the cooperative movement's own institutions in promotion and development as well as in the traditional areas of education and training. The Cooperative Movement welcomes this change in policy since it is in line with the spirit and philosophy of Cooperation.

18.8 The role of the CUP as the spokesperson and watchdog of the cooperative movement as well as a body representing the largest segment of the cooperative movement in the country thus becomes very critical.

18.9 Hence both the governmental agencies including the BACOD and the proposed Cooperative Development Authority as well as International Aid Agencies should make every effort to strengthen the CUP so that it can play its role of a truly national cooperative body.

18.10 The functions of the CUP and the Cooperative Promotion and Development System under its leadership, should mainly be as follows:

- (a) Promotion of member participation and expansion of membership of cooperatives,
- (b) Organising cooperative societies in new areas and for new purposes as per members' requirements,
- (c) Planning, monitoring and evaluation,
- (d) Coordination of all development programmes, and
- (e) Liaison with the Cooperative Development Authority, more specifically in the areas of policy formulation, education and training.

18.11 The promotional and developmental functions at the national, regional and the provincial levels should be carried out by Committees to be called "Cooperative Promotion and Development Committees (CPDCs)."

18.12 At the same time in order to give sustained and increased attention to cooperative education and training, recognised to be a vital need by all concerned, Cooperative Education and Training Committee (CETC) should also be established at all the three levels as well as in the COMCOOPS.

**18.13** The functions of the Coop Education and Training Committee would be as follows :

- (a) Educational and training needs', surveys,
- (b) Planning, organising and developing education and training systems and programmes,
- (c) Monitoring and evaluation of education and training programmes, and
- (d) Liaison with Cooperative Development Authority.

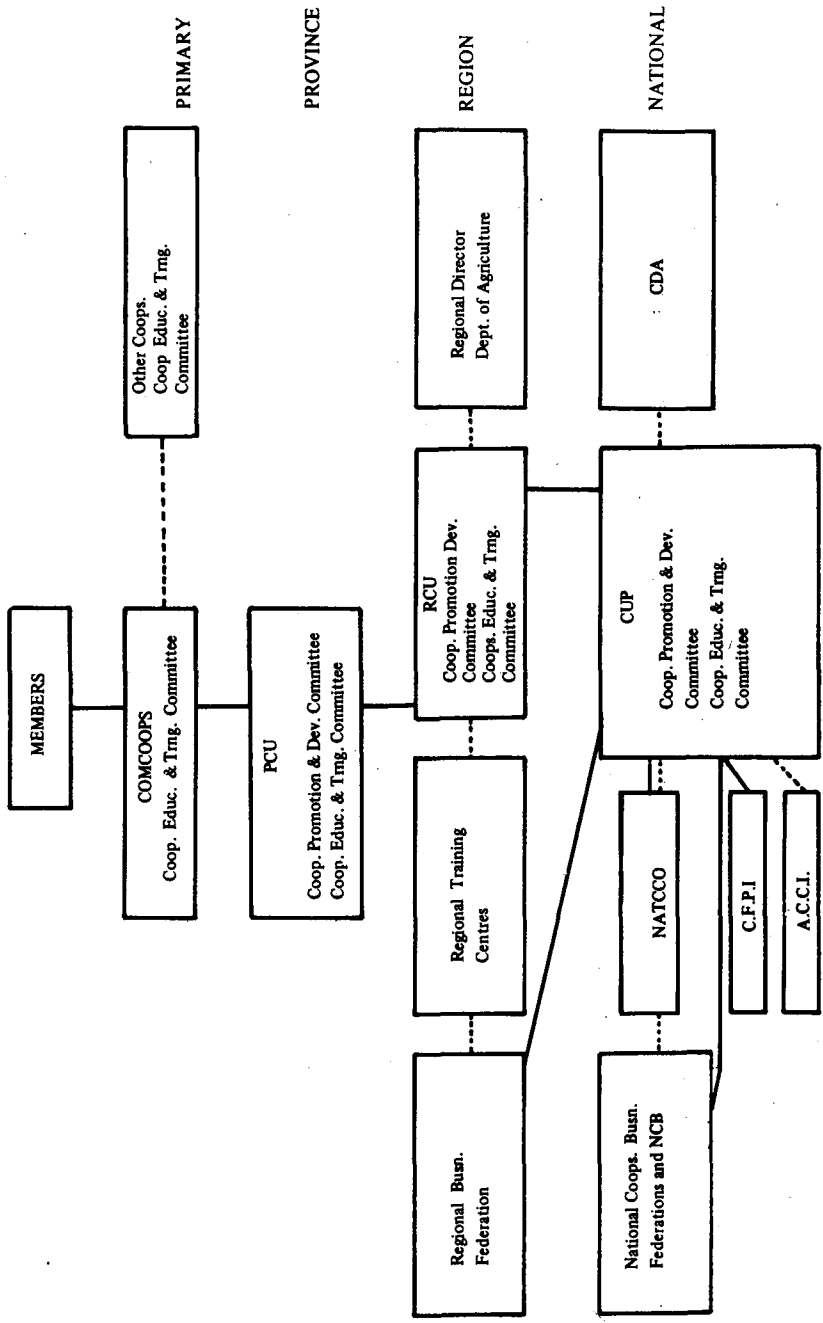
**18.14** As regards the composition of the Committees, it is suggested that these Committees be constituted on a multi-sectoral basis and that they should include cooperatives from the banking, marketing, consumer, service, producer (artisans, small scale industry), and training sectors. Government representatives should also be co-opted to these Committees. The Committees should be composed of professional persons to be nominated by the respective sectors.

**18.15** In order that these committees are well integrated into the management structure of the unions at the various levels, the Chairmen of the Unions at the respective levels shall be the ex-officio Chairmen of the CPDCs and the Vice Chairmen of the Unions at the respective levels should be the ex-officio Chairmen of the CETCs.

**18.16** There should be collaboration, both horizontal and vertical, among the Unions, business federations and governmental agencies, according to needs and capabilities in the implementation of these programmes.

**18.17** A graphic presentation of the Cooperative Promotion and Development System is given on the next page.

# COOPERATIVE PROMOTION & DEVELOPMENT SYSTEM



## 19. Strengthening CUP – Including its Member Relations

19.1 The CUP has a critical role in cooperative promotion and development. The CUP has made important contributions in this regard through convening the cooperative congress and organising cooperative conferences and discussion fora with a view to formulating unified cooperative policies and view points. It has also played its part in securing the recognition for the role of cooperatives in the new constitution of the Philippines and in securing tax exemption privileges. Such activities should be continued and the CUP should make enhanced contributions to cooperative development in the wake of government policy not to take an active role.

19.2 However, the CUP is not sufficiently equipped financially and does not have professional personnel. The communication between the CUP and the affiliates also needs to be improved.

19.3 The membership of the CUP should be broad based. All coop organisations at the regional and provincial levels, both unions and business federations, should be eligible for membership.

19.4 Delegates at the annual general assembly from the provincial unions should be on the basis of one vote for each member affiliate plus additional delegates on the basis of number of individual members and contributions to the cooperative education and training fund. The business federations at the provincial level as well as the regional unions and regional business federations should have only one vote each.

19.5 The bye-laws of the union should be amended so as to give weightage in representation to individual members as compared to financial contributions.

19.6 Proxy voting should be disallowed.

19.7 Two-way communication between the CUP and its affiliates down to the primary societies should be enhanced. In this regard the following steps should be taken :

- (a) Information on planned programmes, activities carried out, financial resources and expenses should be communicated to the affiliates up to the primary level.
- (b) CUP Gazette should be distributed widely and should reach all the primary societies.

- (c) The problems, needs and views of the individual members and the cooperative societies at all levels should reach the CUP. For this purpose appropriate mechanisms should be devised.

19.8 The CUP should be financially strengthened so that it can employ professional personnel.

19.9 The CUP should build up its capability in (i) legal aspects and relations with government, (ii) research and planning, (iii) communication involving member participation programmes, leadership development and public relations, and (iv) international relations.

19.10 The CUP should establish a Cooperative Development Fund. The COMCOOP and provincial, regional and national business federations should make contributions to this fund on the basis of their turnover. Appropriate formulae should be devised for the purpose.

19.11 The BACOD should consult the CPDC of the CUP before making any substantial changes in cooperative policies, regulations and procedures. When the Coop Development Authority is established, every effort should be made by the Cooperative Development Authority to make the CUP a partner in cooperative development programmes.

19.12 International aid agencies should coordinate their aid activities to coop organisations in the Philippines with the CUP in order to preserve and maintain the integrity and viability of the cooperative structure.



## PLAN IMPLEMENTATION STRATEGY

20.1 A National Farmers Cooperative Promotion and Development Council (NFCDC) should be immediately established to promote, plan, coordinate, monitor and evaluate the implementation of the Agricultural Cooperative Development Plan. The Council would also identify and assist in mobilisation of resources, and the Council together with the CUP and other relevant agencies should establish task forces. The establishment of NFCDC would help the different concerned agencies and responsibility centres in formulating and working towards common goals.

20.2 The following six task forces at the national level and one at the regional level should be established:

### **National Level :**

- (a) Task Force 1 to carry out proper feasibility studies for the establishment of COMCOOPS, REMCOOPS and NAM-COOP and developing their functioning in an integrated way. The feasibility studies should cover, among other things, financial requirements, socio-economic and technical questions and organisational and management needs.
- (b) Task forces 2 and 3 to deal with item(s) mentioned in para 15.9 (c) and 15.9 (d).
- (c) Task forces 4, 5 and 6 to deal with item(s) mentioned in para 16.8 (a), (b), and (c) respectively, and
- (d) Task force 7 to deal with items covered in para 15.9 (a) and 15.9(b).

20.3 Non-government organisations, alongside other agencies, government and private, should be established as responsibility centres for each of the priority areas for special studies. In respect of NGOs some accreditation mechanisms must be designed to ensure that only NGOs with cooperative orientation are associated with the cooperative development programme.

20.4 The CUP should convene at an appropriate time, with the

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assistance of the ICA, a Forum of International Support Agencies to present the perspective plan, priorities of development and the work of the Task Forces and to find out the interest of support agencies for assistance in funding and technical support.

20.5 The services of the following lead agencies should be utilised for establishing specific Task Forces. The time schedule for carrying out these specific tasks is given below:

PRIORITY AREAS	TIME-TABLE	LEAD AGENCIES
1. Establishment of the National Farmers Cooperative Development Council (NFCDC)	Feb.18–March 30, 88	CUP
Task Force :		
1. Strengthening CUP/RCU/PCU Structure	Mar 30–June 1, 88	CUP
2. Establishing the Cooperative Movement as a Distinct 3rd sector	Mar 30–Oct 1, 88	SCCP
3. Establishing the Cooperative Promotion and Development System	Mar 30–June 1, 88	CUP NFCDC
4. Membership Participation and Strengthening Management Capability	March 30–Aug 1, 88	CUP NFCDC
5. CFI Task Force	Jan 88–June 30, 88 already in operation	SCCP CUP BANGKOOP
6. CFI Subsidiary for Agriculture Fishery and Forestry including finances for developing Coop. Agro-Processing	Feb 15–May 15, 88	CUP BANGKOOP
7. Resource Mobilisation and Development of successful models	May 1–Oct 30, 88	CUP BANGKOOP
8. Feasibility studies for REMCOOPS & NAMCOOPS	Mar 30–Aug 30, 88	NFCDC CUP, CFPI

9. Development of Model bylaws Accounting system and management and organisation structure for COMCOOP	Mar–May 88	NFCDC CFPI
10. Preparation of Promotional Material	Mar–May 88	NFCDC
11. Market Information and Dissemination.	Mar–April 88	NFCDC, CFPI NATCCO
12. Coop Marketing and Inter-Coop Trading	Mar–April 88	NFCDC CFPI CUP
13. Production, sourcing and distribution of fertilisers	Mar–April 88	NFCDC CFPI CUP
14. Identification and conduct of Feasibility studies for new COMCOOPS	Mar–June 30, 88	RCU, NGOs CFPI, Regional Coop. Trg. Centres.

## VI

### SUMMING UP

21.1 The Plan seeks to establish a coordinated and well-integrated cooperative structure comprising the Cooperative Financing System, Agricultural Cooperative Marketing and Supply System and the Cooperative Promotion and Development System, and all the three Systems Working in unison. A graphic presentation of the total Agricultural Cooperative Structure is given on Page 36.

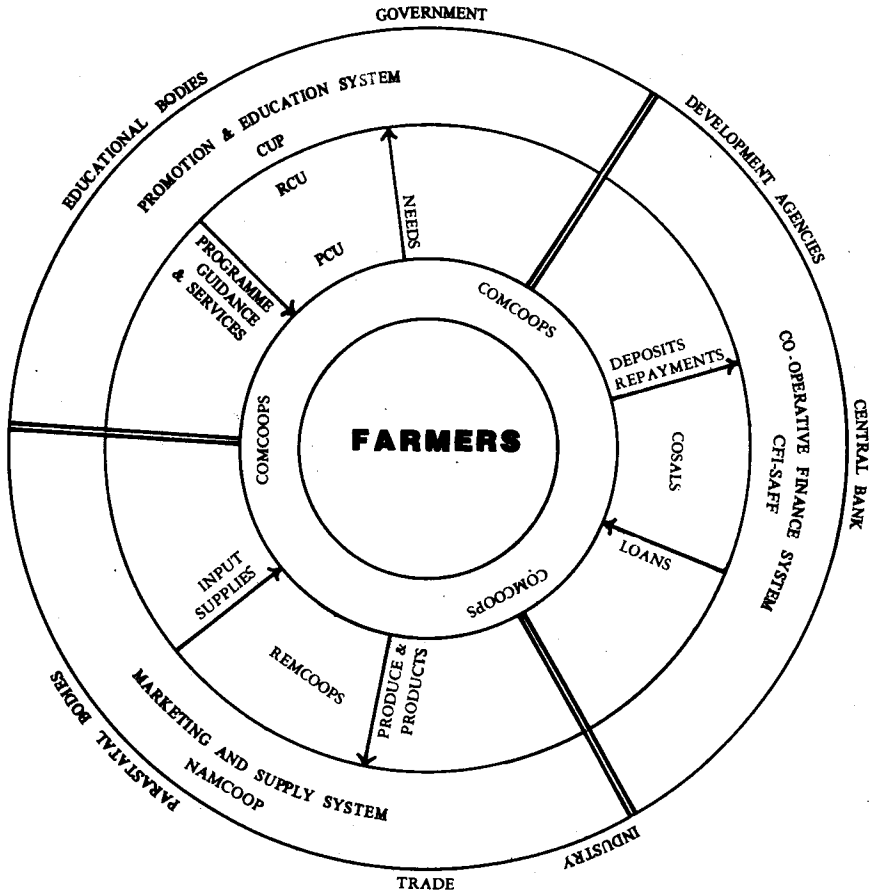
21.2 The Community Multipurpose Cooperative Society (COMCOOP) would play the most important role vis-a-vis the farmer in providing a total package of services with the support of the three systems mentioned above. When a farmer sells his produce through the cooperative society he will not be paid cash, but instead the sale proceeds would be credited into his account. In turn when he buys agricultural inputs and the basic consumer requirements, he will not make payment in cash, but his account will be debited by the extent of his purchase. This policy would entail a close financial discipline and fixation of cash credit limits for each individual farmer based on his past sales income. The same approach should be adopted for inter-cooperative purchases and sales, with the cooperative finance institution functioning as an account-keeping mechanism as well as a financial reservoir. In this way no funds would remain idle and all funds for the farmers and cooperatives would be pooled together; and this strategy will enable the cooperative movement to put all capital resources to the maximum possible use, keeping in view the short-medium and long-term needs.

21.3 In the same way, the farmers should buy all their requirements of agricultural inputs and basic consumer goods and sell agricultural produce only through their cooperatives. In the early stages cooperatives would not be able to meet all the needs of farmer members. Hence business transactions with the private money market and the private business would be required. However, the apex organisations in each system should coordinate and pool together all the members' needs and centralise all purchases, sales and procurement of services. Such a coordinated approach will enable apex bodies to wield considerable bargaining power and thereby obtain the best possible terms

on behalf of farmer members. Experience in other countries suggest that such economies range between 25 to 30 per cent, depending upon the nature and volume of transaction. Further the coordination among various systems of the movement will enhance the economic capability of each system and thereby benefits to members. The total economic power of a well-coordinated and integrated agricultural movement would be tremendous and movement would be a force to reckon with in the economy of the country.

21.4 The Cooperative Promotion and Development System should instill the necessary cooperative knowledge, skills and discipline in the members, board members and the staff in order to orchestrate the entire agricultural cooperative movement towards a common goal on the basis of a commonly agreed plan and strategy. A high degree of participation by members and consultation are essential. Therefore, it should be the endeavour of the entire cooperative movement to foster the cooperative values of member participation, mutual consultation and participation processes in decision-making.

**INTEGRATED AGRICULTURAL COOPERATIVE SYSTEM .**



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# **PART-II**

**REPORT OF THE ICA/FAO**

**STUDY MISSION**

**ON**

**PERSPECTIVE AND PROJECT PLANNING**

**FOR AGRICULTURAL COOPERATIVE SECTOR :**

**PHILIPPINES**

**December 1987**

**J. M. Rana**

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**M. Matsuhira**

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# **Perspective and Project Planning for Agricultural Cooperative Sector: Philippines**

## **CONCLUSIONS AND RECOMMENDATIONS**

1. SN-AMC-CRB stands on a weak foundation of a small number of SNs functioning. A large number of farmers are left out of the cooperative system (3.30).
2. The Cooperative Development Programme for Agriculture needs a more dynamic and integrated structure where there is greater scope for member responsiveness, involvement and participation (3.39).
3. The new constitution of the Philippines adopted in 1986 recognises the role of cooperatives alongside corporations and other collective organisations in achieving the goals of the national economy (4.1).
4. The policy framework of the Medium-Term Philippines Development Plan (1987-1992) opens up a tremendous scope for farmers' cooperatives whose aim should be to improve farmers' social and economic conditions through appropriate business undertakings and other means (5.7).

### **Objectives of Perspective Plan**

5. The ultimate and overall aim of the agricultural cooperative movement should be to improve the income levels and the standard of living of small farmers. This overall goal should be the focus of all cooperative endeavour in the field of agriculture (6.4).
6. Increased membership coverage should be an important objective, if the movement is to fulfil its own purpose and as a result thereof make an important contribution to the national goals (6.5).

7. The development of an agricultural cooperative structure that would help the small farmers to achieve self-reliance and obtain needed services efficiently should be given priority in the perspective plan (6.6).

8. The cooperative movement should aim at building up capital through the efforts of members and their cooperative institutions (6.8).

### **Policies and Strategies**

9. Cooperatives should be recognised as a sector distinct from the private and the public sectors with special policies and special treatment (6.11).

10. Development plans of Government should identify specific areas as priority areas for the cooperative sector, establish targets for specific cooperative activities and provide funds for cooperative programmes and projects (6.12).

11. There should be a Cooperative Development Policy whose aim should be to establish and develop autonomous, democratic and viable cooperative organisations (6.15).

12. The State should provide adequate support to the cooperative movement, such as preferential treatment to cooperatives in respect of activities that cooperatives are engaged in, facilities for importation of fertilisers and other agricultural inputs, incentives for distribution of agricultural inputs, preferential treatment in the issue of licenses for establishing agro-processing units and agri-based industries by cooperatives, and support for building up professional management (6.16 to 6.22).

13. Needed changes in the cooperative and other legislation should be made in order to facilitate the growth and development of cooperative organisations (6.23).

14. A National Cooperative Development Authority, as envisaged in the Constitution of the Philippines, should be established at the earliest opportunity, with adequate powers and resources to spearhead especially agricultural cooperative development. The Authority should be so constituted and its powers and responsibilities so designed as would promote the autonomy and the democratic management of cooperatives in keeping with the internationally accepted

**Principles of Cooperation (6.24 to 6.26).**

15. The functions of the CDA should include registration of cooperative organisations, formulation of cooperative development policy, providing support for cooperative education and training and liaison with governmental agencies and international bodies (6.27).

16. The membership of the Cooperative Union of the Philippines (CUP) should be broadbased and the CUP should be strengthened so that it becomes the spokesperson for the entire cooperative movement (6.28 to 6.29).

17. An integrated cooperative structure should be built up to enable farmers to achieve maximum possible production through the supply of credit and agricultural inputs and to get the best possible return for his produce (6.31).

18. At the grassroots level a Community based Multipurpose Cooperative Society, on the Japanese model, is recommended and it should be supported by a cooperative financing system, a cooperative marketing and supply system and a cooperative promotion and development system (6.32 to 6.33).

19. A sound cooperative financing system is considered a powerful tool for cooperative development and should be established to provide farmers and cooperatives with credit, mobilise savings and establish links with private financial markets and government (6.79).

20. A strong cooperative marketing and supply system should be established to enable farmers to acquire greater control of the factors of production and to market the produce and products of farmers at remunerative prices (6.42).

21. Cooperative organisations should lend their full support and work in close collaboration with the Department of Agriculture to enable farmers to produce crops which would give them better returns (6.45).

22. An important thrust of cooperative development should be to develop agro-processing units and to establish agri-industries (6.48).

23. Member involvement and member participation are basic to cooperative activities. Hence cooperative organisations at whatever level they function should employ education-cum-member relations

officers to bring about close identification and involvement of members with their cooperative societies (6.50 to 6.51).

24. Establishment of neighbourhood groups and special interest groups of farmers, women and youth should be encouraged (6.52).

25. Cooperative planners and managers should become familiar with the suggestions made by the FAO AMSAC Programme in building collaboration with members (6.54).

26. Adequate investment of resources by the movement should be directed towards member education and training, including the training of board members (6.55).

27. Recommendations of the ILO Project on Cooperative Training Policy and Standards are commended for careful study and implementation by the CUP, BCOD and other apex organisations (6.56).

28. The CUP and other apex organisations should develop adequate research and planning capability in order to formulate the plans for their respective cooperative sectors and corporate planning should be used as an important tool to improve management effectiveness (6.57 to 6.58).

### **Agricultural Cooperative Structure**

29. The Samahang Nayon is too small an organisation to be viable and hence a Community Multipurpose Cooperative Society (COMCOOP) is recommended, with an area of operation which is adequate both in respect of hectares and members to supply agricultural produce to set up a processing facility (6.63 to 6.64).

30. The aim of the COMCOOP should be to provide a full range of services to the farmer members (6.66).

31. For greater effectiveness the COMCOOPs should establish service centres at suitable locations to increase access and to ensure active participation of farmer members (6.68).

32. The establishment of COMCOOPs should not be hurried but should be phased over a period of 15 years to cover all farmers in the country (6.69).

33. Successful Area Marketing Cooperatives and Samahang Nayons,



if considered viable according to the criterion recommended in determining the area of operation, should be converted into COMCOOPs with the necessary structural changes and amendments to the by-laws (6.70).

34. To support the farmers and their COMCOOPs in regard to input supply, agro-processing and marketing it is recommended that a Regional Marketing and Agri-Industrial Cooperative Society (REMCOOP) be established at the regional level (6.73).

35. The REMCOOP should establish distribution depots and produce collection points at suitable locations (6.75).

36. The Cooperative Marketing System of the Philippines should be reorganised under the name National Cooperative Marketing Federation of the Philippines. Its principal responsibility should be to develop the entire agricultural cooperative marketing and supply system for the benefit of farmers (6.77).

37. It is recommended that the cooperative financing system should consist of a Cooperative Savings and Lending Association (COSAL) at the provincial level, which would replace the CRBs; a National Cooperative Bank should be established at the apex level (6.37,6.38 & 6.40).

38. The COMCOOPs, other agricultural cooperatives, credit unions, and all other cooperatives at the provincial and local level should become eligible for membership of the COSAL (6.82).

39. The COSALs should establish branches at suitable locations to ensure efficient services to client cooperative societies (6.84).

40. Successful CRBs should be converted into COSALs with the necessary amendments to their bye-laws in order to meet the new objectives (6.85).

41. At the national level, a National Cooperative Bank should be established with branches at the Regional level (6.86).

42. The National Cooperative Bank should cater to short, medium and long-term credit requirements of farmers and agricultural cooperatives. It is recommended that the NCB should establish a subsidiary, the Cooperative Agency for Investment and Development to cater to the investment needs of the cooperative movement (6.39).

43. A separate Cooperative Banking Law should be enacted, as in Japan, in order to facilitate the establishment of a National Cooperative Bank (6. 87).

44. As it will not be feasible to generate all the capital needed from member cooperatives to establish the Bank, it would be necessary to obtain seed money either from government or external funding source (6. 90).

45. During the formative period leadership and management of the NCB is of crucial importance. Hence it is suggested that an experienced foreign cooperative bank, whose main task would be to train professional personnel to ultimately take over the management of the Bank, be engaged on a contract basis to manage the NCB initially (6. 91).

46. Governmental agencies, including the BCOD and the proposed Cooperative Development Agency as well as International Aid Agencies should make every effort to strengthen the Cooperative Union of the Philippines (CUP) so that it can play its role as the spokesperson and watchdog of the cooperative movement (6. 100 & 6. 101).

47. It is recommended that a Cooperative Promotion and Development Committee (CPDC) and a Cooperative Education and Training Committee (CETC) be established at all the three levels, namely, CUP, the Regional Cooperative Union (RCU) and the Provincial Cooperative Union (PCU) (6. 103 & 6. 104).

48. It is recommended that the CPDCs and CETCs be constituted on a multi-sectoral basis to represent all types of cooperative organisations and that government representatives be also coopted for greater coordination of effort (6.106).

49. To ensure that the CPDCs and the CETCs are integrated into the management structure of the unions at the various levels it is suggested that the Chairmen and Vice-Chairmen of the unions at the various levels be the ex-officio chairmen of the CPDCs and CETCs respectively (6. 107).

50. In order to make the CUP more representative and member responsive it is recommended that :

- (a) membership of CUP be broadbased (6.112),
- (b) delegates to the annual general assembly be selected on a

- more representative basis (6.113),
- (c) bye-laws of CUP be revised to give weightage to individual members as compared to financial contributions (6.114),
- (d) proxy voting be disallowed (6.115),
- (e) communication between CUP and its affiliates down to the primary societies be enhanced (6.116).

51. The CUP should establish a Cooperative Development Fund to which all cooperative organisations should make contributions on the basis of their turnover (6. 119).

52. International Aid Agencies should coordinate their aid activities to cooperatives, with the CUP (6. 120).

53. In deciding on cooperative development projects priority should be given to the following:-

- (a) Establishing a cooperative financing system with a National Cooperative Bank at the national level,
- (b) Establishing a Cooperative Marketing and Supply System with a National Cooperative Marketing Federation at the national level,
- (c) Study the feasibility of purchase/import and distribution of fertiliser by cooperatives,
- (d) Developing agro-processing and establishing agri-industries on a cooperative basis,
- (e) Strengthening the Cooperative Union of the Philippines (7.2 to 7.6).

# I

## INTRODUCTION

1.1 The ICA Specialised Sub-Committee for Agriculture for Asia suggested that one of the priority activities of the ICA Regional Office (RO) should be to assist the member movements to carry out Perspective Planning for the Agricultural Cooperative Sector. In pursuance of this recommendation and the request of the Cooperative Union of the Philippines (CUP), a Study Mission was constituted by the ICA in collaboration with the FAO of the UN to carry out the Perspective Planning Study in the Philippines. The Study Mission comprised the following members :

1. Mr. J. M. Rana Head of Mission  
Regional Development Officer and  
Head, Development Coordination Unit,  
ICA Regional Office for Asia.
2. Mr. Sten Dahl Member  
Cooperative Development Adviser  
ICA Regional Office for Asia.
3. Mr. M. Matsuhiro Member  
Senior Counsellor  
Economic Research Division  
Central Coop Bank for Agriculture,  
Forestry & Fishery of Japan.
4. Mr. R.G.G.O. Gunasekera Member  
Consultant, Credit & Cooperatives  
FAO Regional Office for Asia & Pacific  
Bangkok, Thailand.

1.2 The period of the Study Mission was from 2nd to 20th March 1987. Messrs J.M. Rana and R.G.G.O. Gunasekera joined the Mission from 8th to 20th March.

1.3 The Study Mission was assisted by local counterparts. A list of their names is given in Annexe-1.

### **Scope of the study**

1.4 The terms of reference of the Study Mission were broadly agreed upon by the ICA, FAO and the CUP in advance. However, in order to obtain guidance and plan the work of the Mission, a meeting of the members of the Study Mission was arranged on 2nd March 1987 with the President and other representatives of the CUP, officers of the Bureau of Cooperative Development (BCOD) and National Counterparts to the Mission. The terms of reference and a detailed plan of work were agreed upon at this meeting. The terms of reference which guided the work of the Mission are as follows:

1. To identify the problems and needs of farmers and agricultural cooperatives in the context of existing cooperative structure particularly those under Presidential Decree 175 as well as past agricultural and cooperative development trends;
2. To outline future opportunities of development within the next 10–15 years and specify cooperative development possibilities, strategies and policies for a Five-Year period in the context of the national development plan including sugar, coconut, fibres, forestry, etc.;
3. To define specific areas in which cooperative development projects may be formulated to give effect to proposed cooperative development strategies;
4. To study the present position relating to and make recommendations for making further progress towards self-reliance of the cooperative movement, bearing in mind the mutuality of interests between the government and the movement; and
5. To formulate at least one or two projects in the areas of most critical importance for cooperative development.

1.5 The Mission has directed its attention to broad policy matters and not attempted to make detailed recommendations, keeping in view its terms of reference. However, the Mission has identified areas in which detailed studies would be required.

1.6 The Mission has paid special attention to small farmers. The Mission's programme of visits was heavily oriented to rice and corn areas because it is in these areas that special efforts were made to

develop agricultural cooperatives under P.D. 175. Also due to limitations of time, it could not visit sugar, coconut, forestry and fibre crop areas excepting ramie. Attention was not given to the Plantation Sector as the scope for farmers' cooperatives therein is practically non-existent. That scope would materialise when land reform is carried out in these areas.

1.7 The fisheries sector was not covered by the Mission as the Mission's constitution and tasks emanated from the directions given by the ICA Sub-Committee for Agriculture which does not deal with fisheries; there is a separate Sub-Committee for Fisheries within the ICA set-up.

1.8 The Mission would like to indicate that although it did not visit small farmers producing crops other than rice, corn and Ramie fibre, the basic approach to cooperative development suggested by it would be appropriate for small farmers producing other crops as well.

## Methodology

1.9 The following methods were used by the Study Mission :

1. All possible secondary data were collected from the materials produced by the CUP, BCOD and other agencies of the Government of the Philippines, parastatal organisations, the ICA and the FAO.
2. Discussions were held with the senior officers of the CUP and other national level cooperative organisations, BCOD, Department of Agriculture and Food, Department of Agrarian Reform, and relevant parastatal and non-government organisations.
3. Field visits were made to selected agricultural cooperative organisations and Samahang Nayons ( SNs ) in Luzon, Mindanao and Visayas islands for making a first hand study. During this period meetings were held with farmer members, boards of directors, cooperative leaders and Regional Directors and Cooperative Officers of the DAF (Department of Agriculture and Food). The Regions visited by the Mission included Regions Nos. 3, 6, 10 and 11 in Central Luzon, Northern and Southern Mindanao, and Central and Western Visayas. Discussions were also held with Mr. Ulrich Grieb, FAO Representative and with the Faculty Members of the International Rural Reconstruction Movement, Cavite and the Agricultural Credit and Cooperatives Institute, Los Banos.

4. The Study Mission then had detailed discussions among themselves and the National Counterparts to formulate tentative conclusions and recommendations and prepare a Preliminary Report.
5. The Preliminary Conclusions and Recommendations of the Study Mission were presented on 20th March 1987 at a meeting of the representatives of apex and selected cooperative organisations from the Regions, BCOD and DAF, other relevant government departments and parastatal organisations, Central Bank and international bodies based in Manila.

1.10 A detailed programme of work carried out by the Mission based on its TOR and the above methodology is given at Annex-2.

### Timeliness of the Mission

1.11 The Study Mission was considered very timely because of the following reasons. First, the role of cooperatives has been recognised in the Constitution for the first time; According to Article XII, Section 15 of the 1986 Constitution of the Republic of the Philippines, the Congress has been mandated to "create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development". Secondly, the Medium-Term Philippines Development Plan 1987-1992 marks a radical change in government policy towards cooperatives, as reflected in the following quotes :

"one of the critically important institutional reforms is the strengthening of farmers' institutions such as cooperatives. Given the thrust towards decentralisation and increased private initiative, people's organisations shall be tapped to serve as an appropriate institutional framework within which the population at the grassroots level could participate in decision making".<sup>1</sup>

"People's participation through farmers institutions shall be recognised as a key factor in bringing about rural agricultural development".<sup>2</sup>

- "The role of government shall be to actively assist (but not organise) farmers in the development of cooperatives".<sup>3</sup>

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1. Medium-Term Philippine Development Plan 1987 - 1992, p. 94.  
 2. Ibid, p. 84.  
 3. Ibid, p. 94.

## **Report Format**

1.12 The Report opens with a background to the need and reasons for the ICA/FAO to sponsor the Study Mission, Terms of Reference of the Mission and the Methodology adopted by it.

1.13 The second chapter reviews the situation of agricultural sector in the context of the national economy and also describes the utilisation of land, the situation in regard to land reform and production of various crops. The chapter concludes with an enumeration of the problems of small farmers identified by the Study Mission.

1.14 Chapter three describes the status of agricultural cooperatives against the historical background as well as the performance of various types of cooperatives and government sponsored programmes. The weaknesses of the existing cooperative structure as identified by the Mission are also outlined.

1.15 Chapter four is a short chapter which indicates the place of cooperatives in the current Constitution of the Philippines which was adopted in 1986.

1.16 The national development goals as outlined in the Medium-Term Philippines Development Plan 1987-92 are given in chapter five. This chapter also outlines government policies affecting agricultural cooperative sector and in that context the opportunities available to agricultural cooperatives as identified by the Mission.

1.17 Chapter six embodies the main work of the Mission and is entitled Cooperative Development Perspective Plan. This chapter states the objectives of the perspective plan, policies and strategies needed to realise the objectives as well as the changes required in the cooperative structure. A strong plea is made for developing a well coordinated and integrated agricultural cooperative movement unifying the three systems recommended by the Mission, namely, Cooperative Financing System, Agricultural Cooperative Marketing and Supply System and Cooperative Promotion and Development System.

1.18 Chapter seven lists the priority areas for establishing cooperative development projects.



## II

### REVIEW OF THE AGRICULTURAL SECTOR WITH SPECIAL REFERENCE TO PROBLEMS AND NEEDS OF SMALL FARMERS

#### Overview

2.1 Agriculture is a very important sector of the economy. 62% of the population lives in the rural areas and is dependent on agriculture, directly or indirectly. It employs half of the labour force and contributes about 33% of the gross domestic product. Agriculture contributes 60% of export earnings. While the economy as a whole has stagnated or registered a negative growth rate during the last few years, agriculture continued to grow at an average rate of 1.5% a year.

2.2 The present Government regards agriculture as the cornerstone for the national programme of economic recovery. In this regard the Medium-Term Philippines Development Plan (1987-1992) states as follows:

“The ultimate aim of development efforts is the eradication of poverty and the attainment of a better life for each and every Filipino in an equitable and just society. . . The resurgence of economic growth is the most immediate task. A demand led, employment oriented and *rural-based strategy* is expected to lay the foundation for a more enduring growth path”.<sup>4</sup>

#### Agricultural Sector

2.3 A review of the agricultural sector on the basis of published documents and information gathered by the Mission revealed the following scenario.

2.4 The total arable land and permanent cropped area was 11.2 million hectares. 17.8 per cent of the arable land was under irrigation. The average annual growth in irrigation facilities was low—3.5 per cent during 1973-1983 and it declined to 2.5 per cent during 1980-83.

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4. Medium-Term Philippines Development Plan, p.3.

2.5 According to the Philippines Statistical Year Book 1986, the following were the principal food and commercial crops.

Table 1 : Principal Crops, 1986

Food Crops	Metric tons in Millions	Commercial Crops	Metric tons in Millions
Paddy	8.2	Coconut	3.00
Maize	3.4	Sugarcane	2.75
Root Crops	2.5	Abaca & other crops	0.10
Fruits and vegetables	6.6	Tobacco	0.05
Other food crops	0.3	Rubber	0.10
<b>Total</b>	<b>21.00</b>		<b>6.00</b>

2.6 The principal exports in 1985 were as follows :

Table 2 : Principal Exports, 1985

S. No.	Commodity	Value in Million Pesos
1.	Copra	—
2.	Sugar	168.7
3.	Banana	113.5
4.	Logs and Lumber	129.7
5.	Desiccated coconut	75.7
6.	Coconut oil	347.4
7.	Pineapple canned	88.8
8.	Gold	100.0
9.	Abaca (unmanufactured)	16.5
10.	Copper concentrates	84.5
	<b>Total</b>	<b>1.124.8</b>

Due to fall in commodity prices in world markets, export earnings from agricultural produce have declined during the 1980s.

2.7 A significant step in land reform was taken in 1972 under P.D. No. 27. About 28 per cent of the arable land was covered by agrarian

reform by 1985.<sup>5</sup> However, only rice and corn areas were included and the plantation crop areas were kept outside the scope of land reform. Only 32 per cent of the lands under P.D. No. 27 have completed transfer. The present government proposes to introduce a comprehensive programme of land reforms covering all crops. The land reform programme is regarded by the government as the lynchpin of its Economic Recovery Programme (to which agriculture is expected to give a major push).

2.8 The total cultivated area has almost remained constant from 1960s. After the mid-1960s, the average harvested area per capita has continued to decline and it stands at about 0.20 hectares today. Farm sizes have also become smaller.

2.9 Of the total harvested area, 85 per cent is devoted to rice, corn and coconut. These crops are low in value addition. Sugar cane farmers are also facing problems due to fall in international commodity prices. The value added per hectare from other crops cultivated on other lands, such as mangoes, pineapples, bananas, onions, is 3–30 times higher. Thus it is necessary to enhance yields of rice and corn, crops essential for food security, thereby releasing land for production of more valuable crops. Farmers should be encouraged and assisted to increase yields of food crops and thereby shift to production of more remunerative cash crops.

2.10 Productivity increases in most crops have been low during recent years.

2.11 Average annual productivity increases in respect of some of the major crops have been as follows during 1981-1985:

Table 3 : Productivity of major crops, 1981-1985

S. No.	Crops	Annual Increase
1.	Rice Paddy	: 2.7%
2.	Maize	: 0.6%
3.	Cereals	: 1.7%
4.	Roots and Tubers	: -3.1%
5.	Sugarcane	: -7.3%

5. *Report on Agrarian Reform and Rural Development, Philippines, by Jose C. Medina Jr. Under Secretary, Dept. of Agrarian Reform—presented to the 5th Government Consultation and follow-up to the World Conference on Agrarian Reform and Rural Development, held by FAO RAPA at Bangkok in Feb. 1987.*

2.12 The Massagana/Maisagana (rice and corn) production programme have raised production but failed to increase farm net incomes appreciably.

2.13 The rural sector continues to suffer from poverty with 67.1% of the rural people below the poverty line. The rural-urban inequality has grown over time leading to steady migration to urban areas. In 1983, 82% of the rural families belonged to the lower 30% income bracket.

2.14 The terms of trade have been unfavourable to agriculture. On the one hand, farmers had to pay high prices for fertilisers, mainly due to the existence of fertiliser cartels, and pesticides; and on the other, agricultural prices have remained relatively low, due to inefficiencies in the marketing system, export taxes on farm products and marketing monopolies in coconut, sugar, rice and cotton.

2.15 The credit system has failed to reach a greater proportion of the rural sector. The rural financial institutions were not provided with the right incentives to effectively intermediate financial resources in the agricultural sector. The farmers received only three per cent<sup>6</sup> of their credit requirements from institutional sources; for the rest, especially the small farmers had to depend on the money lender cum trader who also acts as the marketing channel for their farm produce.

2.16 The development strategy so far followed placed greater accent on industrialisation with emphasis on capital intensive investments. This resulted in lower rate of labour absorption, growth of unemployment in rural areas and consequently lower wage rates for the rural people.

2.17 Farmers involvement and participation in rural development programmes was rather low.

2.18 The ratio of extension workers to rural population was low.

2.19 The budgetary support for the agricultural sector was low and inadequate.

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6. Sacay Orlando J & Others, Small Farmer Credit - Dilemma, Technical Board for Agricultural Credit, 1985, p. 4

## **Problems of Small Farmers**

2.20 While statistics regarding distribution of farms under various farm sizes are available, detailed information regarding farmers' land holding pattern was not available. However, all evidence and data pointed towards the existence of a preponderance of small farmers among the farming population. This is particularly so in the rice and corn areas which were brought under the land reform programme from 1972 onwards.

2.21 The Study Mission identified the problems of small farmers as follows :

- Low income and high rate of poverty;
- Low education levels;
- Malnutrition and poor health;
- Prevailing insecure conditions;
- Lack of capital (savings and other assets);
- Inadequate and unequal access to production resources;
- Inadequate information regarding weather forecasting and early warning system concerning rains, droughts and floods;
- Inadequate support services;
- Lack of coordination among support agencies;
- Terms of trade and farm prices biased in favour of consumers;
- Cartels in shipping and transportation;
- Dishonesty and irregularities affecting farmers' organisations;
- Confusion due to existence of many farmers' organisations.

### III

## STATUS OF AGRICULTURAL COOPERATIVES

### Historical Background

3.1 The idea of cooperation in its modern form was introduced by Dr. Jose P. Rizal, National Hero of the Philippines, when he organised in 1896 a Marketing Cooperative among the farmers of DAPITAN during his exile. However, the first cooperative law, i.e. Rural Credit Law, which paved the way for rural credit cooperatives was enacted in February 1915. The Cooperative Marketing Law in 1927 was enacted allowing the formation of Farmers Cooperatives. The Commonwealth Act No. 565 enacted in 1940 provided for the organisation of all types of cooperatives.

3.2 In 1950 the cooperative administration office was established for implementing the above three laws.

3.3 In 1952 Agricultural Credit and Cooperatives Financing Administration (ACCFA) was established through Republic Act No. 821 in order to provide agricultural credit and cooperative financing for small farmers on a liberal basis. The ACCFA programme was heralded as an important programme to emancipate the farmers from usury and to establish a farmer controlled marketing system with a view to removing the exploitation of the farmers by the middlemen traders. Under this programme Farmers Cooperative Marketing Associations (FACOMAS) were established.

3.4 ACCFA was re-organised into a new institution called Agricultural Credit Administration by the enactment of the Agricultural Land Reform Code in 1963. The functions of ACA was to supervise and extend credit to FACOMAS. The tasks of promotion and organisation of agricultural cooperatives were transferred to the Agricultural Productivity Commission.

3.5 Another cooperative legislation, The Philippines Non-agricultural Cooperative Act, was passed in 1957 to facilitate the formation and growth of non-agricultural cooperatives, credit unions,

electricity cooperatives, transport and service cooperatives.

3.6 In 1960 the Philippines National Cooperative Bank was established to provide credit to cooperatives. However, the Bank was expected to serve only non-agricultural cooperatives.

3.7 The agricultural cooperatives from 1915 to 1973 had a chequered history. During this period the cooperatives attempted to create employment, improve incomes of farmers and develop capacity in farmers for self-management of their enterprises. The agricultural cooperatives received considerable impetus after the enactment of the Cooperative Marketing Law and the establishment of ACCFA. Initially there was considerable enthusiasm and the programmes were started with great expectations. However, these expectations could not be fulfilled and the cooperatives suffered setbacks due to insufficient working capital, poor supervision, inadequate marketing facilities, member disenchantment and mismanagement.

3.8 The FACOMAS which were established under the leadership of ACCFA in the priority provinces from 1953 onwards developed rather well. However, rapid expansion of FACOMAS undermined their early success.

3.9 Massive import of rice by government prior to elections around 1957 (following the sudden death of President Magsaysay) depressed rice prices severely, particularly as FACOMA warehouses were full. The rice importation policy of the government was a major cause for the ultimate collapse of 250 FACOMAS.

3.10 There was insufficient support from the institutions established by the government. For example in 1967 ACCFA was able to serve only 45% of the 217 FACOMAS.

3.11 The Cooperative Movement was also fragmented of account of different pieces of legislation and lack of coordination among the various agencies promoting different types of cooperatives.

3.12 Organisations at the national level were also established, namely, the Central Cooperative Exchange (CCE) in 1955, the Agricultural Credit and Cooperatives Institute (ACCI) in 1964, and the Grains Marketing Cooperatives of the Philippines (GRAMACOP) in 1966. The CCE and the GRAMACOP, after having developed to a certain extent, suffered severe setbacks and became dormant.

## **The New Cooperative Development Programme**

3.13 The new Cooperative Development Programme was initiated by the government in 1973 and continues to date. The programme was established for strengthening the Cooperative Movement and providing the needed support to the agrarian reform programme. Both the programmes were inter-related components of the government's new development strategy. On 14th April 1973 the President issued a decree on "Strengthening the Cooperative Movement" (P.D. 175). P.D. 175 declared it to be the *"Policy of the State to foster the creation and growth of cooperatives as a means of increasing income and purchasing power of the low-income sector of the population in order to attain a more equitable distribution of income and wealth"*. The decree defined cooperatives as *"Organisations composed primarily of small producers and of consumers who voluntarily join together to form business enterprises which they themselves own, control and patronize"*.

3.14 P.D. 175 consolidated the different cooperative laws into one and placed the responsibility for promoting, supervising and developing the cooperatives on one government agency, i.e. Bureau of Cooperative Development (BCOD). Later, however, sugar and electric cooperatives were placed under special laws and different authorities other than the BCOD.

3.15 The land reform programme was initiated in October 1972 by presidential decree No. 27. This decree hoped to emancipate the tenant farmers from the landlords. As per this decree the tenant farmers were expected : (a) to pay for the land transferred to them in 50 annual instalments and (b) be members of the cooperatives. The cooperatives were to guarantee the payments towards land amortisation.

3.16 Under this scheme the membership of the cooperative enabled tenant farmers to get the needed institutional support. The cooperative was expected to meet his credit needs, supply him farm inputs, and undertake efficient marketing of his produce. The cooperatives were also expected to channel to farmers technical information and agricultural know-how.



## Cooperative Structure under Presidential Decree 175

### (i) *Samahang Nayon (SN)*

3.17 The base level organisation is the *Samahang Nayon* (SNs), which is a pre-cooperative primarily composed of small farmers, residing and/or farming within the geographical limits of a village. Its membership could be between 25 and 200 persons. It was not allowed to engage in any business activity.

3.18 The SN has three functions : (i) to carry out continuous education of members, (ii) to carry out the savings programme through (a) the Barrio Savings Fund, and (b) the Barrio Guarantee Fund, and (iii) to develop a strong sense of discipline among the members in regard to their obligations such as payment of land amortisations, contributions to savings programmes and adoption of improved farming practices.

### (ii) *Area Marketing Cooperative (AMC)*

3.19 A group of at least 10 'A' Class SNs could establish an Area Marketing Cooperative for the purpose of procuring and supplying agricultural inputs to members, undertaking marketing of farm produce of members at the best possible prices and undertaking other activities such as processing, storage, warehousing and transportation. Extension services may also be provided by the AMC. An AMC is established at the provincial or multi-municipal level comprising several districts.

### (iii) *Cooperative Rural Bank (CRB)*

3.20 The Cooperative Rural Bank was another cooperative established by SNs to mobilise savings of members and to provide credit to farmer members. The area of operation of the CRB is the province.

### (iv) *National Level Organisations*

3.21 At the national level, the following cooperative institutions were established to serve the SNs, other cooperatives and individual members :

- (a) Cooperative Marketing System of the Philippines (January 1975) – established by AMCs.
- (b) Cooperative Insurance System of the Philippines – estab-

lished by SNs and other cooperatives to provide life and other insurance to members.

- (c) National Publishing Cooperative — established in 1973 by SNs and other cooperatives to handle preparation and publication of printed materials needed for cooperative promotion and education.
- (d) Cooperative Union of the Philippines was registered in February 1980 representing all the regional unions and the national cooperative federations covered by P.D. 175. The CUP activities include a wide range of services such as policy initiatives, coordination of plans and programmes, representation at government and international levels, legal aid, audit, cooperative education and training. The activities of CUP are financed by membership fees and contributions, grants, donations and the Cooperative Education and Training Fund (CETF).

### **Cooperative Development Loan Fund (CDLF)**

3.22 The new cooperative law provided for the establishment of a Cooperative Development Loan Fund, funded through general appropriation, foreign loans, grants and donations and levies imposed by existing laws on agricultural commodities for the development of cooperatives. The Fund is utilised for granting loans to cooperatives and for guaranteeing loans granted to cooperatives by other institutions. No loans from this Fund can be given to farmers directly as per the cooperative law.

### **Management Training and Assistance Programme (MTAP)**

3.23 The Cooperative Management Training and Assistance Programme sought to establish a central management and training pool to be composed of capable managers who could be assigned to manage cooperatives. One of the tasks of these professional managers was to train one or two understudies.

### **Support Programmes**

3.24 The Bureau of Cooperatives Development (BCOD) also established some programmes and projects in support of Samahang Nayon and for the Development of cooperative marketing, viz. Katipunan ng mga Samahang Nayon, Depressed Area Development Programme, Cooperative Marketing Project and the SN support programme. The first two programmes aimed at establishing demonstration farms for

farmers to learn modern agricultural techniques and to take up joint development projects such as cattle and poultry projects. The other two projects aimed at developing cooperative marketing activities in selected areas and assisting the SNs for improving their record keeping, extension work and membership development.

### **Review of Progress**

3.25 Steady progress was made upto 1983. However, the programme ran into serious difficulties with the onset of the world recession, the slow-down in the Philippines economy and political instability. Additional factors which contributed to the reverses suffered by the programme were the dilution of the land reform programme, allowing separate cooperative laws for sugar and electric cooperatives, and the deterioration in the terms of trade for agricultural products vis-a-vis industrial goods. The inbuilt weaknesses of the programme arising from non-cooperative features also manifested themselves and had led to the weakening of the farmers faith.

3.26 The situation with regard to SNs, AMCs, and the CRBs at the time of the visit of the Mission was as follows :

3.27 As of December 1985, 20,423 SNs were organised. Of these 84% were registered with a membership of 727,029. However, only 7,138 SNs (35 per cent) were operational. The survey jointly conducted by the BCOD and the Economic Development Foundation showed that 195 SNs were given loans amounting to Pesos 6.9 million. Only 6% of the SNs had engaged themselves in economic and business activities.

3.28 As regards the AMCs, 47 out of 84 AMCs were reported to be operating. Out of the 47 AMCs only 10 AMCs regularly sent their reports to BCOD. Capital generation from within has remained weak and there has been a great deal of financial dependence on the government. Most of the AMCs ran into difficulties on account of adverse terms of trade and the price policy followed by the government. The management of the AMCs was weak and the extent of supervision negligible, with the result that only about 10 AMCs were found to be functioning well. The Cooperative Marketing System of the Philippines at the national level collapsed because of poor management and its tilt towards consumer cooperatives vis-a-vis the AMCs and the farmers.

3.29 The performance in regard to the cooperative rural banks has

been much better. Out of 29 registered and operating CRBs, 28 were doing well and only one was under a rehabilitation programme. All the CRBs put together had granted loans amounting to Pesos 146 million. These loans were mostly for crops; loans were also given for livestock and poultry. The net income of the CRBs was Pesos 4.2 million which worked out to 11% of their paid-up capital.

3.30 The above review would show that the SN-AMC-CRB cooperative structure stands on a pretty weak foundation. Only a small number of SNs are functioning and hence a large number of farmers are left out of the cooperative system. The virtual collapse of the AMCs and the CMSP also implies that the farmers are left without basic services in regard to supply of agricultural inputs and marketing of agricultural produce. The farmers have to fend for themselves and are under the tight grip of the private traders. The only hopeful feature is the good performance of the CRBs and the leadership provided by the CUP in wielding the movement together.

### **Weaknesses of the Existing Cooperative Structure**

3.31 The Study Mission identified the following weaknesses of the existing cooperative structure.

3.32 Lack of direct participation of members.

The SNs were not allowed to carry out business activities, and the members had no direct relationship with AMCs and the CRBs which were carrying on business activities.

3.33 Lack of ownership perception.

On account of the above situation, and on account of government sponsorship, the members did not feel that the AMCs and the CRBs were their own organisations.

3.34 Low coverage of rural families in agricultural cooperatives.

The SNs had covered 727,029 farm families as of December 1985. This represented about 12 per cent of all the farm families.

3.35 Schemes of capital formation such as Barrio Guarantee Fund and Barrio Savings Fund were wrongly conceived and ineffectively implemented and hence they operated as disincentives for member involvement.

BGF and BSF were schemes in which farmer members had to save compulsorily. The SNs which collected savings deposited moneys in the Rural Banks or Coop Rural Banks in their own names and not in the names of members. Further, share capital acquired by SNs in the AMCs and CRBs out of individual members' savings were in the names of SNs and not in the names of individual members. Accounting in respect of each members' savings was not maintained. No passbooks were issued to members. Hence members do not know how much each of them have saved and where each members' savings were invested.

Further the savings made by members in the BGF are nonwithdrawable. Deposits from BSF can be withdrawn when the individual ceases membership of SN. Hence the collections made by the BGF and BSF were looked upon by the farmers as levies and not savings.

The BCOD statistics of 1980 state that total collections in the savings schemes were Pesos 98.40 million. 1985 statistics could account for a total of Pesos 41.14 million. In the interest of farmers the status of the remaining amount viz. Pesos 57.26 million needs to be ascertained.

**3.36 Ineffectiveness of CRBs and AMCs in providing farm credit and inputs, and in marketing of farm produce; Ineffective linkages between the SNs, AMCs and CRBs; and failure to provide integrated services to the farmer members.**

As seen earlier, the weakest link in the programme has been the AMC. Also the farmers have suffered because of the adverse term of trade. On account of the lack of services by the AMCs in selling farmers produce at the remunerative prices, adverse terms of trade and lack of support prices for agricultural produce, the cooperative credit structure was also put to enormous strain leading to increased loan delinquency. The productivity has suffered also since the incentive to produce more was lacking.

The SN which is the basic foundation of the cooperative structure has also weakened on account of the defective savings programmes. Further out of 20,423 SNs, only 7,138, amounting to one-third, were operational. Two-third of the SNs were either inactive or dead. Only 111 SNs amounting to 6% engaged

themselves in economic activities.

On account of the reasons mentioned above, farmers have ceased to contribute to BGF and BSF. Members have considered these savings programmes too onerous.

As regards the CRBs are concerned, the CRBs are not really cooperative banking institutions as the control structure of the CRB is based on the share capital and not on membership. Hence the orientation of the CRBs became distorted and they did not remain service oriented vis-a-vis farmer members. The research study on CRB operations shows that CRBs give increased preference to non-agricultural borrowers vis-a-vis agricultural borrowers. CRBs have also been shifting from non-collateral lending to collateral lending. The farmer members find that the CRBs are located too far away from them and there are difficulties in reaching the CRBs on account of transportation problems and sometimes difficult and impassable roads.

### 3.37 Management Training and Assistance Programme (MTAP) becoming counter-productive.

Cooperative Management System Inc. was registered as a non-stock cooperative in 1975 and was contracted under the MTAP to provide managers to agricultural cooperatives. Although Cooperative Management System recruited professional managers, many of its managers were not experienced in the cooperative form of business. Further they were from urban areas. Both these factors limited their effectiveness to manage rural based agricultural cooperatives. The professional managers who were supplied to the cooperatives regarded themselves as responsible to an outside agency viz. MTAP rather than the board of directors of the cooperatives to which they were attached. Some unscrupulous managers compounded the problem further. As of now the programme has lost its image and efficacy.

### 3.38 Government sponsored and operated programme without adequate resources; Lack of autonomy to cooperatives for management and development; and inability of the programme to attract and utilise existing local and regional leadership, management and resources.

The new cooperative development programme was basically a

government sponsored and government operated programme. In fact a considerable extent of high handedness was evident at the initial stages when the government insisted that all cooperatives previously registered under other laws must re-register themselves under P.D. 175. Unless this was done the previously organised cooperatives would be deemed to be un-registered. This caused great resentment among the cooperatives which had become well established and successful. Cooperative leadership also regarded the above requirement as a ruse to bring them under tighter government control. This feeling did not auger well for the new cooperative development programme. Also there were several elements in the cooperative development programme which were not strictly cooperative and which militated against members involvement and identification with the programme. After the initial experimental stages were over, the programme was expanded too rapidly. The direct involvement of high officials of the Ministry in the management of national level organisations worsened the situation. The heavy involvement of the government in various facets of the programme severely affected the autonomy of cooperatives.

### **Non-fulfilment of expected benefits**

- 3.39 On account of the above factors the benefits expected of the programme did not materialise. As a result, after the initial spurt, the programme slowed down in momentum and later on stagnated. The Mission came to the conclusion that the cooperative development programme for agriculture needed a more dynamic and integrated structure where there is greater scope for member responsiveness, involvement and participation.

## IV

### PLACE OF COOPS IN THE 1986 CONSTITUTION OF THE PHILIPPINES

4.1 The new constitution of the Philippines adopted in 1986 recognises the role of cooperatives alongside corporations and other collective organisations in achieving the goals of the national economy. The goals of the national economy are a more equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged.

4.2 The constitution also recognises the right of cooperatives, as it does those of individuals and private groups including corporations and similar collective organisations, to own, establish and operate economic enterprises.

4.3 As per the constitution, the State shall recognise the right of farmers, farmworkers, and landowners, as well as cooperatives, and other independent farmers' organisations to participate in the planning, organisation, and management of the Agrarian and National Resources Programme, and shall provide support to agriculture through appropriate technology and research, and adequate financial, production, marketing and other support services.

4.4 The Congress may, by law, allow small-scale utilisation of natural resources by Filipino citizens, as well as cooperative fish farming, with priority to subsistence fishermen and fish-workers in rivers, lakes and lagoons.

4.5 Cooperatives will also be allowed to own and manage mass media.

4.6 Cooperatively owned educational institutions may be entitled from exemption from taxes and duties.



**4.7 The Constitution also provides for the State to create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development.**

**4.8 The full text of the constitutional provisions in regard to cooperatives is given in Annexe-3.**

## MEDIUM-TERM PHILIPPINES DEVELOPMENT PLAN 1987-92 AND EXPECTED ROLE OF COOPERATIVES

5.1 The new government adopted in December 1986 the Medium-Term Philippines Development Plan (MTPDP) for six years, covering the period 1987-1992. The National Economic and Development Authority has been vested with the responsibility to coordinate and monitor the implementation of the plan by various government agencies with the participation of local governments and non-governmental organisations.

5.2 The national development goals according to the MTPDP are the following :

- i) Alleviation of poverty;
- ii) Generation of more productive employment;
- iii) Promotion of equity and social justice; and
- iv) Attainment of sustainable economic growth.

5.3 The MTPDP has accorded the highest priority to the development of agriculture. A demand-led, employment-oriented and *rural-based strategy* is expected to lay the foundation for a more enduring growth path. The basic aim of agricultural development is to lay the foundation for an equitable, efficient and economically sustainable growth in the agricultural sector. The following are the principal objectives of agricultural development over the next six years of the plan :

- (a) To enhance small farmers' income;
- (b) To sustain the increases in productivity;
- (c) To effect an equitable distribution of the factors of and the returns to production;
- (d) To attain food self-sufficiency/self-reliance for improved nutritional well-being;
- (e) To create/increase agro-based employment opportunities among the rural population, particularly the landless

- rural workers and sustenance fishermen;
- (f) To improve the delivery system for agricultural crops/commodities, farm inputs and services; and
  - (g) To institutionalise the expanded participation of farmers through cooperatives and other farmers' organisations.

### **Government Policies Affecting Agricultural Coop Sector**

5.4 According to the MTPDP, "the private sector shall not only serve as the initiator but also as the prime mover of development. Specifically the business sector, non-government organisations (NGOs) and private voluntary agencies shall take the lead in undertaking and sustaining programmes and projects aimed at improving the socio-economic situation".<sup>7</sup>

5.5 Specifically, the policies in the following four areas where the role of non-governmental organisations has been recognised, offer substantial scope to agricultural cooperatives.

- (i) The private sector and non-governmental organisations are expected to contribute to the formation and implementation of plans, policies and programmes in support of the development goals. A bottom-up planning approach is to be adopted to ensure the consideration of the needs of the people at the grassroots level. Greater involvement of the people is to be promoted also in programme/project identification, in the decision-making process and in initiating community based activities;
- (ii) Non-governmental organisations are expected to play a key role in enhancing the relationship between the government and the people by encouraging the people to take part in the development programmes and by directing government support to the most needy;
- (iii) Further, non-governmental organisations can develop and implement low-cost innovative approaches that emphasise community participation in the building up of the beneficiaries capacity for examining and solving their own problems;
- (iv) Private voluntary organisations can lend their support not only to service delivery but also to directly mobilising available human community resources. NGOs can help in further strengthening the delivery mechanisms and more focussed

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7. MTPDP, p. 39.

targeting of priority groups.

5.6 In the above process appropriate rural institutions shall be identified which shall serve as the rallying points of community based activities. Elsewhere the MTPDP states that “one of the critically important institutional reforms is the strengthening of farmers’ organisations particularly *farmers’ institutions such as cooperatives*”.

5.7 The above policy framework opens up a tremendous scope for farmers’ cooperatives whose aim should be to improve farmers’ social and economic conditions through appropriate business undertakings and other means.

5.8 In the view of the Mission, cooperative institutions on account of their democratic, voluntary and service character are eminently suited to fulfil the expectations of the MTPDP. Cooperatives are peoples institutions, organised and managed by persons of limited means with the purpose of improving their social and economic conditions. They are non-government organisations functioning on the basis of voluntary and open membership and on the principles of equity, non-profit and democratic management. They serve their members by establishing business undertakings in the interest of members and providing commonly needed services.

### **Opportunities for Agricultural Cooperatives**

5.9 On the basis of the above, the Mission identified the following areas wherein opportunities exist for agricultural cooperatives to make a contribution to members’ development and national goals :

1. Delivery of services and inputs to farmers such as credit, fertilisers, implements and extension, for increased production of basic food crops essential for food security;
2. Crop diversification and promotion of new and potentially high value agricultural crops based on comparative advantages of producing such crops;
3. Development of cooperative processing of agricultural produce;
4. Seed production and marketing on cooperative lines;
5. Importation and distribution of essential farm inputs which are not domestically produced, such as seeds and fertilisers;
6. Marketing of agricultural commodities in both domestic and international markets;

7. Promotion of rural agro-based industries for absorption of landless rural workers and subsistence farmers;
8. Production and distribution of indigenous feeds for live-stock and poultry industries;
9. Mobilisation of rural savings; and
10. Cooperative ownership of sugar factories, plantations etc. affected by future agrarian reform programmes.

## VI

### COOPERATIVE DEVELOPMENT PERSPECTIVE PLAN

6.1 On the basis of the field visits, discussions with senior officials in the government, the movement and development agencies and the study of a large volume of material presented to it, the Mission has made recommendations in this chapter on the long-term perspectives for the agricultural cooperative movement of the Philippines. The Mission has concerned itself with overall issues of objectives, policies, strategies and structures. Detailed targets for various segments of the agricultural cooperative movement such as credit, marketing, agro-processing would have to be worked out by specialised task forces after decisions are taken on the policy and strategy framework recommended by the Mission.

6.2 The time span kept in view by the Mission is 10–15 years.

#### A. OBJECTIVES

6.3 The Mission recommends that the objectives of the Perspective Plan for Agricultural Cooperative Development may be as follows :

1. to improve incomes and living standards of small farmers;
2. to increase membership coverage and participation of small farmers;
3. to strengthen the total cooperative structure for self-reliance and efficient services to small farmers; and
4. to enhance capital formation at member and institutional levels.

6.4 The ultimate and overall aim of the agricultural cooperative movement should be to improve the income levels and the standard of living of small farmers. This overall goal should be the focus of all cooperative endeavour in the field of agriculture.

6.5 The coverage of farmers by agricultural cooperatives is yet rather small (about 12 per cent by the SNs) and hence the Mission re-

commends increased membership coverage as an important objective, if the movement is to fulfil its own purpose and as a result thereof, make an important contribution to the national goals. The achievement of the agricultural cooperatives in the past in this regard cannot be regarded as fully satisfactory. Enhanced participation by members in setting goals and policies, and in business planning is a vital necessity for a cooperative which is a democratic organisation based on peoples' participation. In fact much has gone wrong in the past on account of the neglect of this important element which is an essential requirement for the success of any cooperative endeavor.

6.6 The cooperative organisation is based on collective efforts of all the members. A small farmer is unable to have much strength by himself, but by joining his efforts with others in similar situation he can acquire the much needed strength through group efforts and pooling of resources. This principle is to be applied not only at the primary level where individual farmers group themselves into a farmers group, but also secondary and national levels in order to acquire enhanced strength and capability through vertical and horizontal coordination and integration among the cooperative societies. An important aim of the Perspective Plan should be to build a cooperative structure that would help the small farmers to achieve self-reliance and secure efficient services.

6.7 Further, the cooperative association must derive its strength from the members and in turn impart further strength to the associating members. In the past the cooperative movement in the Philippines has been excessively dependent on the government, particularly under the PD - 175 programme. While the government support and assistance would be necessary, it should be given in such a manner that it nurtures and strengthens the spirit of self-reliance of the farmers and their cooperative associations.

6.8 The importance of capital for accelerating economic progress cannot be over emphasised. Therefore, the Mission recommends that the cooperative movement places great emphasis on building up capital through the efforts of members and their cooperative institutions. The surplus generated in the cooperative organisations should be judiciously used and part of it ploughed back for further business development. Hence the Mission visualises enhanced capital formation as an important objective of the Perspective Plan. Formation of members capital is very essential as it would provide a firm base for the movement's development. Excessive reliance on outside capital whether provided by the State or banking institutions

is not conducive to the sound health of the cooperative institutions.

## **B. POLICIES AND STRATEGIES**

### **Recognition of Cooperative Movement as a Distinct Sector**

6.9 Keeping in view the recognition given to cooperatives in the 1986 Constitution and the expected role of cooperatives in the Medium Term Philippines Development Plan 1987 - 92, the cooperative movement should be recognised as a separate sector of the national economy.

6.10 At the moment the cooperative movement is recognised by the government as part of the private sector. However, the cooperative movement has its own special character and features which are distinct from those of private enterprises. The government policies towards cooperatives cannot yield the desired results unless they take into account the special character and special features of the cooperatives. This has been recognised by the government to a certain extent inasmuch as special laws for cooperatives have been enacted. However, this is not adequate.

6.11 The growth of the cooperative movement should be properly fostered in the future by recognising the cooperative movement as a sector distinct from the private and the public sectors and requiring special policies and special treatment. Considering that farmers' own organisations such as the cooperatives are expected to play an important role in the development of agriculture, which in turn is expected to lay the solid foundation for the growth of the entire national economy, such a policy enunciation is a vital necessity.

6.12 Development plans, in the future, should give a special focus to cooperative development. The Plans should identify specific areas as priority areas for the cooperative sector, establish targets for specific cooperative activities and provide funds for cooperative programmes and projects.

### **Cooperative Development Policy**

6.13 It is also necessary to formulate a long-term Cooperative Development Policy.



6.14 The long-term policy would flow from the recognition given to the cooperative movement in the Constitution and would be based on the role it would play in the development of the various sectors of the economy, such as agriculture, fisheries, implementation of land reforms, alleviating poverty, improving the economic and social conditions of men of small means, employment generation and enhancing peoples' participation in planning process and plan implementation. The cooperative development policy should also be based on the recognition of the special characteristics of the coop movement specifically the internationally accepted principles of cooperation.

6.15 The Mission recommends that the objective of the Cooperative Development Policy (CDP) should be to establish and develop autonomous, democratic and viable cooperative organisations which are capable of serving their members efficiently and contributing to economic growth and social equity in their respective communities and within the country.

6.16 The CDP should also aim at developing a strong cooperative movement that is fully integrated both horizontally and vertically.

6.17 The State should provide adequate support to the Cooperative Movement, in view of the contribution the cooperatives can make to the development of rural economy. The small men who establish cooperative organisations are pitted against a powerful combination of money lender cum traders backed by urban private enterprise in banking, trade and industry. The scales are heavily tilted against the weaker sections of the community such as small farmers and fishermen. In view of this the CDP should enunciate policies to assist the healthy growth of the cooperative movement.

6.18 An effective way of assisting the movement would be through development and expansion of cooperative education and training facilities, building needed infrastructure and providing financial support for these purposes.

6.19 The State policies should also show a preferential treatment to cooperatives in regard to activities in which cooperatives are engaged, similar to Japan and Indonesia, where the government guarantees rice prices and effects purchases only through cooperatives.

6.20 Similarly, cooperatives should be given facilities for import of fertilisers and other agricultural inputs such as insecticides and be given incentives for distribution of agricultural inputs and basic con-

sumer goods.

6.21 The State should also give preferential treatment to cooperatives in the issue of licenses for establishing agro-processing units and agri-based industries.

6.22 The State should also give appropriate support to the cooperative movement in building up professional management. This support should be given in such a manner that the principle of democratic management of cooperatives is safeguarded and the professional managers remain fully responsible and accountable to elected boards of directors of cooperative organisations.

6.23 Needed changes in the cooperative and other legislation should be made in order to facilitate the growth and development of cooperative organisations.

### **Establishment of a Unified Coop Development Authority**

6.24 The 1986 constitution states that "the state shall create an agency to promote the viability and growth of cooperatives as an instrument for social justice and economic development".

6.25 The Mission recommends that a Cooperative Development Authority be established at the earliest.

6.26 The Authority should be so constituted and its powers and responsibilities so designed as would promote the autonomy and the democratic management of cooperatives in keeping with the internationally accepted Principles of Cooperation. The authority should be given adequate resources to spearhead especially agricultural cooperative development.

6.27 The functions of the Authority should include registration of all cooperative organisations at the primary and other levels, formulation of Cooperative Development Policy in consultation with the Cooperative Promotion and Development Committee of the CUP ( as recommended by the Mission later on in para 6.103), providing support for cooperative education and training activities, both formal and non-formal, liaison with appropriate governmental agencies including NEDA, and arranging and coordinating for financial and technical assistance from national and international funding sources. The CDA should implement cooperative education and training programmes through the Cooperative Education and Training Committee of the

CUP ( as recommended by the Mission in para 6.104).

### **CUP should be the Coordination Body for the Entire Coop. Movement**

6.28 Keeping in view the objective of building a strong cooperative structure for self-reliance and efficient services to small farmers, it is felt that there should be one organisation which binds the entire cooperative movement together and which would be the spokesperson for the entire cooperative movement, both nationally and internationally.

6.29 At the moment the cooperative movement is split up into four segments, i.e. (i) cooperatives having allegiance to the CUP, (ii) sugar cooperatives, (iii) electric cooperatives, and (iv) transport cooperatives. If the movement is to be unified with a view to making the desired impact on development, it is essential that there should be one umbrella organisation for all types of cooperatives. The Mission is strongly of the view that all apex organisations and cooperative leaders should work to make this goal a reality. In view of this the Mission recommends that the CUP membership be broadbased and the CUP should be strengthened so that it can become truly the national body for the entire cooperative movement. It is suggested that organisations such as National Federation of Cooperatives (NATCCO) and the Cooperative Foundation of the Philippines (CFPI) should function as specialised agencies within the unified cooperative structure.

### **Developing Effective Network of Services to Farmers**

6.30 The basic services needed by the farmers are supply of credit for production and marketing purposes; supply of agricultural inputs such as fertilisers, improved seeds, insecticides and pesticides; developing infrastructure such as transport facilities by sea and land, market intelligence, and storage; developing processing facilities for adding value to the farm produce; and arranging marketing of the farm produce at remunerative prices.

6.31 An integrated cooperative structure should be built up to provide the farmer with these needed services so that eventually he does not have to go outside the cooperative network for any of his needs. Detailed recommendations for establishing such a cooperative structure are made separately. At this stage it may be stated that what is envisaged is a cooperative structure which would

enable the farmers, (a) to achieve maximum possible production through the supply of credit and agricultural inputs, and (b) to get the best possible return for his produce.

6.32 For this purpose the Mission recommends that the Community based Multipurpose Cooperative Society (COMCOOP) on the Japanese model, which has been adopted by most developing countries in Asia, be established at the grassroots level.

6.33 It would be the task of the COMCOOPS to deliver an integrated package of services to the farmers, with adequate support of the cooperative financial system, the cooperative marketing and supply system and the cooperative promotion and development system. If such integration could be successfully established, many of the problems faced by the farmers cooperatives in the Philippines could be mitigated or eliminated. The cooperative structure outlined by the Mission later on aims to enable the cooperative movement to achieve this objective.

### **Developing an Efficient Coop Financing System**

6.34 The Mission is of the opinion that a strong cooperative financing system should be built up to support the community multipurpose cooperative societies and through them the farmers.

6.35 Presently the commercial banking system mobilises funds from all over the country but the large bulk of these funds are invested in trade and industry located in Metro Manila. The rural countryside is thus drained off the resources. In the opinion of the Mission this trend needs to be reversed and it is only a cooperative financing system owned by the farmers which would be committed to their cause would have the capacity to achieve this task.

6.36 The cooperative financing system is principally needed to mobilise members savings and to channel the funds raised by it through members savings, borrowings, government grants and external aid to the farmers. In addition the cooperative financing system should perform tailor made service functions for the farmer members and cooperative organisations in the country.

6.37 With this purpose in view the Mission recommends that a Cooperative Savings and Lending Association be established at the provincial level. This association will replace the Cooperative Rural Banks which are essentially non-cooperative in character. The Co-

operative Savings and Lending Association will function very much like the Cooperative Credit Unions which have demonstrated considerable success in the urban areas.

6.38 The Mission also recommends the establishment of a National Cooperative Bank at the apex level with adequate number of branches at the regional level. To begin with one branch per region is considered adequate. The National Cooperative Bank shall (a) provide the agricultural cooperative movement with an instrument which would help in mobilisation of capital; (b) establish linkages with the commercial banking system; and importantly (c) ensure that the funds mobilised by the cooperative financing system are utilised for development of farmers' business in the rural sector.

6.39 The National Cooperative Bank should cater to short, medium and long-term credit requirements of farmers and agricultural cooperatives. The long term financing required for establishing agro-processing, agri-industries, housing, storage, warehousing and such other investment needs special financial intermediary. Keeping these requirements in view and the need for a unified financial system, the Mission recommends that the NCB should establish a subsidiary to be named "The Cooperative Agency for Investment and Development (COOPAID)

6.40 The sources of funds for COOPAID would be (a) annual appropriations by the Congress, (b) loans from international funding agencies such as the ADB, the World Bank and the IFAD, and (c) project funding from bilateral aid agencies.

6.41 It is also suggested that all the assets and funds of the erstwhile Cooperative Development Loan Fund that were transferred to the Comprehensive Agricultural Loan Fund created in 1987 be the initial seed capital of COOPAID.

### **Development of Cooperative Marketing and Supply System**

6.42 The Mission recommends that every effort should be made to establish an efficient cooperative marketing and supply system firstly, to enable the farmers to acquire greater control over the factors of production such as seeds and fertilisers, for the purpose of reducing costs of production and secondly, to market the produce and products of the farmers at remunerative prices.

6.43 The Cooperative Marketing and Supply System should aim at enhancing its share in the supply of the factors of production and marketing of farmers produce. It should also develop storage and warehousing facilities and increase its access to transport and shipping facilities with a view to achieving price stabilisation.

6.44 The Mission would like to underline that without a strong marketing and supply system the farmers would neither be fully motivated to increase production, nor would their efforts lead to increase in incomes and improved living standards. The cooperative marketing system should also develop a well-functioning network for collection and dissemination of market intelligence.

### **Agricultural Diversification and Agro Industries**

6.45 Cooperative organisations should lend their full support and work in close collaboration with the Department of Agriculture to enable the farmers to produce crops other than rice which would give them better returns. It was noted earlier that value added from other crops such as fruits and vegetables and other cash crops is much higher. It should be the endeavour of the cooperatives to help farmers increase the yields of food crops and thereby shift their acreage to production of more remunerative cash products in a planned manner as in Japan.

6.46 Land which is particularly suitable for food crops should be earmarked for production of rice and corn, keeping in view the needs of food security. Individual farmers should be assisted in farm planning and management so as to maximise production.

6.47 The farmers producing food crops should be adequately compensated through price guarantee programmes. The government should also assist in developing an efficient market intelligence system and infrastructural facilities.

6.48 The farmers would get the best possible returns on their products if they sell their produce not in raw form but after processing. Experience in other countries such as India, Indonesia, Sri Lanka and Thailand have demonstrated the capacity of farmers to establish and manage the agro-processing units of even large magnitude. The development of such agro-processing units have not only helped the farmers in substantially raising their incomes, but also in transforming the entire countryside in a short span of 10 – 15 years. In the opinion of the Mission an important thrust of cooperative develop-

ment should be to develop agro-processing units and to establish agri-industries for production of agricultural inputs needed by the farmer members.

6.49 Development of storage, warehousing, transportation and packaging facilities are other associated activities which must be simultaneously developed by the agricultural coop movement.

### **Member Participation**

6.50 The Mission regards member involvement and member participation as basic to cooperative activities.

6.51 Each cooperative organisation at whatever level it functions, and most importantly the community multipurpose cooperative society at the grass roots level, should employ education-cum-member relations officer to give special attention to member activities and to bring about close identification and involvement of the members with their cooperative societies.

6.52 For this purpose neighbourhood groups and special interest groups of farmers, women and youth, should be established. Group projects by the various member groups should also be encouraged for the purpose of education, income generation and improvement in environment. It is only such group work and active participation of members in group projects that would generate self-reliance and team work-qualities which are so essential for the development of cooperative organisations.

6.53 The secondary organisations, both promotional and business, should lend full support to the COMCOOPS in their member education and member relations programmes. They should employ cooperative education and member relations officers who possess necessary qualifications in modern techniques of andragogy. These officers should act as advisors to the Board of Directors and to the Cooperative Education and Training Committees of the COMCOOPS on methods relating to cooperative education and training. Flexibility should be exercised in deployment of these officers in order to avoid a stereotype "average" approach and to achieve cost effectiveness.

6.54 Member participation in business planning, in providing financial support for the planned programmes and in utilising the services of their coop as well as their continuing interaction with the manage-

ment would provide a sound basis for the successful operation of cooperative business. The Mission would like to draw attention of cooperative planners and managers to the suggestions made by the FAO AMSAC Programme in building collaboration with members.<sup>8</sup>

6.55 Training of board members is equally important. It is the board members who set the goals and policies of individual cooperative organisations and who are thus responsible for the growth of their organisations. Adequate investment of resources by the movement should be directed towards these tasks.

### **Training of Employed Personnel**

6.56 The importance of professional management as the cooperatives grow in size, becomes imperative. Unless the movement is able to attract and retain trained managerial personnel in adequate numbers and with requisite caliber, the movement will not grow. The ILO Project on Cooperative Training Policy and Standards has made detailed recommendations for the training and education of management personnel. The Study Mission commends these recommendations to the CUP, BCOD and other apex organisations for careful study and implementation.

### **Research, Planning and Development**

6.57 The Mission is of the opinion that the CUP and each of the national cooperative organisations should develop adequate research and planning capability in order to formulate the plans for their respective cooperative sectors. They should also have the capability to monitor and evaluate the plans and projects formulated by them.

6.58 Corporate planning should be used as an important tool by each cooperative organisation to improve its management effectiveness. The national apex organisations should help their associates in corporate planning.

6.59 The development of such research and planning capability coupled with monitoring and evaluation mechanisms at the various levels will enable the agricultural cooperative movement to plan from below with full participation of members and to ensure that efficient implementation of the plans and projects is carried out.

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8. See Section : *Major Factors in Building Collaboration*, FAO Guide to Management of Small Farmers Cooperatives, pp. 48-49.



## C. AGRICULTURAL COOPERATIVE STRUCTURE

6.60 The Mission has observed that the cooperative structure built under PD-175 was defective among others from the point of view of participatory involvement of the members. The cooperative system that was introduced collapsed because of the weaknesses mentioned earlier, the unfavourable terms of trade between agriculture and the urban sector and severe recession experienced by the Philippines economy.

6.61 In view of this the Mission recommends a new cooperative structure with a community based multipurpose cooperative as a base level organisation to provide a total package of services needed by the farmers in an effective manner. It will be supported by (a) Agricultural Cooperative Marketing and Supply System, (b) Cooperative Financing System, and (c) Cooperative Promotion and Development System.

6.62 All the three systems should be interconnected and they should mutually support and reinforce each other. There should be both horizontal and vertical coordination and integration starting from the lowest level cooperative organisation upto the apex level. Members identification, involvement and participation in the total cooperative system should be the foundation on which the new structure has to be built. Accountability and administrative procedures which allow member control at various levels should be evolved and implemented.

### Base Level Cooperative Organisation

6.63 At present the base level organisation is the Samahang Nayan (SN). However, the SN is too small an organisation to be viable.

6.64 Hence the Mission recommends that a Community Multipurpose Cooperative Society (COMCOOP) covering a larger geographical area should be established. As a thumb rule it is suggested that the area of operation of the COMCOOP should be such in terms of hectares/members as would give it an adequate supply of agricultural produce to set up a processing facility so that the farmers have greater control over the market.

6.65 In the case of paddy, for instance, the area of operation should enable the steady supply of paddy to operate a rice mill of at least 1.5 MT per hour capacity. The calculations made by the Mission show that an average farmer whose land holding is about 2 - 3 hectares

would get an additional income of Pesos 6,302 per rice crop, if he sold his produce in the form of rice rather than paddy, the increase being nearly 35–40 per cent.\*\* The same considerations would apply in respect of other crops as well. It is only by concentrating on value addition and marketing of products of the farmers effectively that the cooperative would demonstrate its real usefulness to the farmers.

6.66 The aim of the COMCOOP should be to provide a full range of services to the farmer members, even though in the initial stages it may concentrate on few key services.

6.67 A well functioning COMCOOP should provide the following package of services to the farmers. As conditions change, the relative weightage of the services may be changed and even new services may be added.

- Credit and savings;
- Warehousing;
- Produce marketing;
- Inputs supply;
- Agro-processing;
- Supply of basic consumer goods;
- Insurance, health and nutrition; and
- Other income generating activities for members.

6.68 The COMCOOP is to be based on an area approach which would facilitate development planning. It should however be empha-

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\*\* The Mission's calculations are based on the following data :

— Price of paddy per kg.	Pesos 2.80
— Price of rice per kg.	Pesos 6.00
— 1 kg. of paddy yields 0.65 kg. of rice	
— 1 kg. of paddy processed and sold as rice thus gives	Pesos 3.90
— Value addition to 1 kg. of paddy on account of processing	Pesos 1.10
— Average rice holding	2.3 hectares
— Average yield per hectare	2,491 kg.
— Yield of average farmer	5,729 kg. paddy
— Additional income to an average farmer on account of processing	Pesos 6,302

sised that the COMCOOP would be really effective only if it would establish, at appropriate places, service centres with easy access to farmers and by ensuring active participation of farmers in the work of the service centres. The service centres can take the form of SNs undertaking economic services and closely supported by and integrally linked with COMCOOP or function as branches of COMCOOP, whichever is most acceptable to participating farmers. Without this arrangement the COMCOOP would appear too distant to the farmers.

6.69 The Mission also realises that the establishment of COMCOOP would be a slow process. In fact the Mission recommends that the establishment of the COMCOOP should not be hurried, but that it should be phased over a period of next 15 years so as to cover all the farmers in the country. During the transition phase the active SNs which are capable of undertaking economic services should be allowed to do so. Any legal impediments that stand in the way of SNs undertaking economic services should be removed.

6.70 The Mission would like to clarify that in making the above recommendations it has been guided by the work of the Area Marketing Cooperatives and the area concept in development which has proved successful in other countries. The significant change the Mission recommends is that the Area Marketing Cooperative should really be a multipurpose cooperative organisation at the local level to which the farmers would turn for all their economic and social needs. This recommendation implies that the successful Area Marketing Cooperatives and Samahang Nayons should be converted into COMCOOPs as soon as possible, with the necessary structural changes and amendments to the bye-laws.

6.71 The COMCOOPs should be adequately supported by the secondary and national cooperative organisations.

### **Agricultural Cooperative Marketing and Supply System**

6.72 This system is envisaged basically to support the farmers and their COMCOOPs in their activities of input supply, agro-processing, agri-industries, and produce marketing.

6.73 Already some AMCs have made a successful experiment in establishing a Regional Marketing Association. This is a welcome development and it needs to be systematically pursued. Keeping in view this experience, the Mission recommends that at the regional level

Regional Marketing and Agri-Industrial Coop Societies (REMCOOPs) should be established.

6.74 The REMCOOPs should undertake the following activities with a view to spearheading efficient inputs supply and produce marketing.

- Inputs supply,
- Produce marketing/warehousing,
- Establishing agri-industries,
- Research, planning, consultancy and development,
- Market information and promotion,
- Other activities according to needs.

6.75 The REMCOOPs should establish distribution depots and produce collecting points at appropriate places.

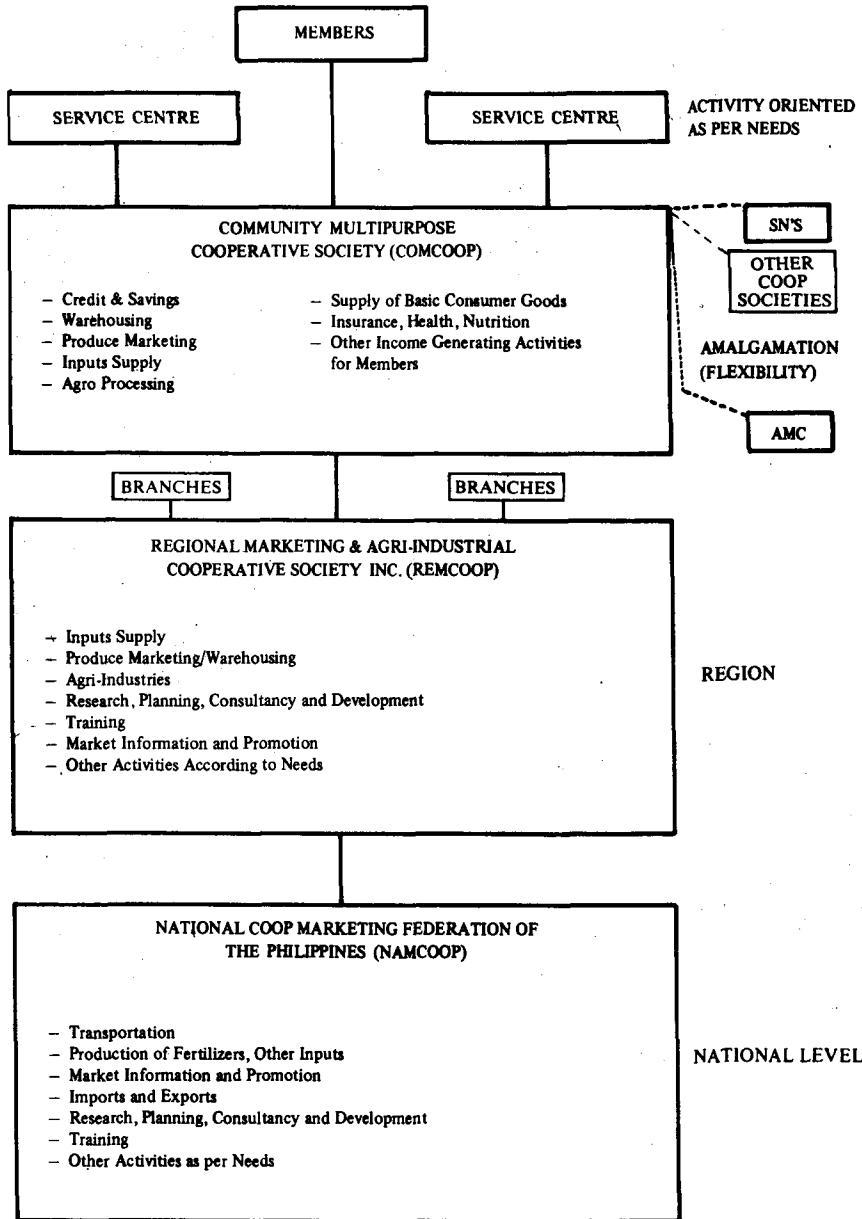
6.76 It has been noted earlier that the Cooperative Marketing System of the Philippines, the national organisation which was supposed to help the farmers in marketing their produce and the consumers in receiving their requirements at reasonable prices, has collapsed for a variety of reasons. The basic deficiency of the Cooperative Marketing System of the Philippines was its duality and possibly its over emphasis on developing cooperative super markets for the consumers.

6.77 The Mission recommends that the Cooperative Marketing System of the Philippines be reorganised under the name National Cooperative Marketing Federation of the Philippines having focus only on farmers. Its purpose should be to support the REMCOOPs and the COMCOOPs by undertaking the needed services for them as well as imports and exports. Its principal responsibility should be to develop the entire agricultural cooperative marketing and supply system for the benefit of the farmers. For this purpose it would undertake the following functions :

- Warehousing,
- Transportation,
- Production or Importation and distribution of fertilisers and other inputs,
- Agro-processing,
- Market information and promotion,
- Imports and exports,
- Research, planning, consultancy and development,
- Other activities as per needs.

6.78 A graphic presentation of the proposed Agricultural Cooperative Marketing and Supply System is given on the next page.

**AGRICULTURAL COOPERATIVE MARKETING & SUPPLY SYSTEM**



## Cooperative Financing System

6.79 The cooperative financing system needs to be established in order to (a) provide the farmers and the cooperatives with credit, (b) bring savings and operational funds of the farmers and the cooperative movement within its own system, and (c) establish needed links with the financial markets, government and international agencies. The base level organisation would be the COMCOOPs. Experience of other countries demonstrate that a cooperative financing system is a powerful tool for cooperative development. The Mission places high priority to savings mobilisation which should become the bedrock of cooperative banking.

6.80 At the provincial level, the Mission recommends the establishment of Cooperative Savings and Lending Association (COSAL) and at the national level the establishment of a National Cooperative Bank, with branches in each of the regions and a subsidiary (COOPAID) to cater to the long-term capital needs of the movement. Both the provincial organisation and the national cooperative bank along with its subsidiary would mobilise savings from members and other sources including the government and the development banks.

6.81 The record of the Credit Unions in mobilising savings of members and loaning is indeed excellent. The record of the cooperative rural banks on the whole is also above average. What is thus envisaged here is to build a genuine cooperative credit organisation at the provincial level which is member owned and member controlled and where voting is not on the basis of capital.

6.82 The COMCOOPS, other agricultural cooperatives, credit unions and all other cooperatives at the local and provincial level should be enrolled as members by the Cooperative Savings and Lending Association (COSAL). The COSAL should in fact function as a bank for all cooperatives within the province, even though legally it will not have the nomenclature of a bank.

6.83 The Cooperative Financing System should see that the financial resources of the movement are mobilised and used for the benefit of the members and are not placed at the disposal of the commercial banks for use by private traders and industrialists. We are given to understand that a substantial portion of the funds mobilised by the commercial banks in the rural areas were loaned out to private enterprise mainly based in Manila. This situation can be reversed only by a farmer-owned and farmer-controlled Cooperative Financing System.

6.84 The COSAL should establish branches, keeping in view the need to extend efficient services to COMCOOPS and other cooperatives while minimising costs.

6.85 Successful CRBs should be converted into COSALS thereby ensuring that the strengths of CRBs are utilised while incorporating cooperative principles and methods into their constitutions and functioning.

6.86 At the national level a national cooperative bank should be established as a full-fledged banking institution with needed approval from the Central Bank of the country. It should be the focal point for the entire cooperative financing system in the country. Such a national cooperative bank should undertake all banking functions including the following :

- Current Accounts,
- Savings and Deposits,
- Re-discounting,
- Interlending,
- Loans (short, medium and long term),
- Domestic Exchange,
- Foreign Exchange,
- Floatation of Debentures with appropriate guarantee,
- International Funding.

6.87 It is the opinion of the Mission that a separate cooperative banking law should be enacted as in Japan in order to facilitate the establishment of a National Cooperative Bank. The Mission recommends that such a law be enacted. The law pertaining to the Central Cooperative Bank for Agriculture and Forestry in Japan is given in Annexe-6.

6.88 The Mission has earlier recommended the establishment of the Cooperative Agency for Investment and Development (COOPAID) as a subsidiary of the NCB to cater to the long-term capital requirements of the cooperative sector including agriculture (see para 6.80).

6.89 The establishment and management of a national cooperative bank is a complex operation. In view of the past experience and complexity of the task, it is suggested that the NCB be established through a management contract with a successful cooperative bank in another country. The association of a foreign cooperative bank may be phased out after a five year period.

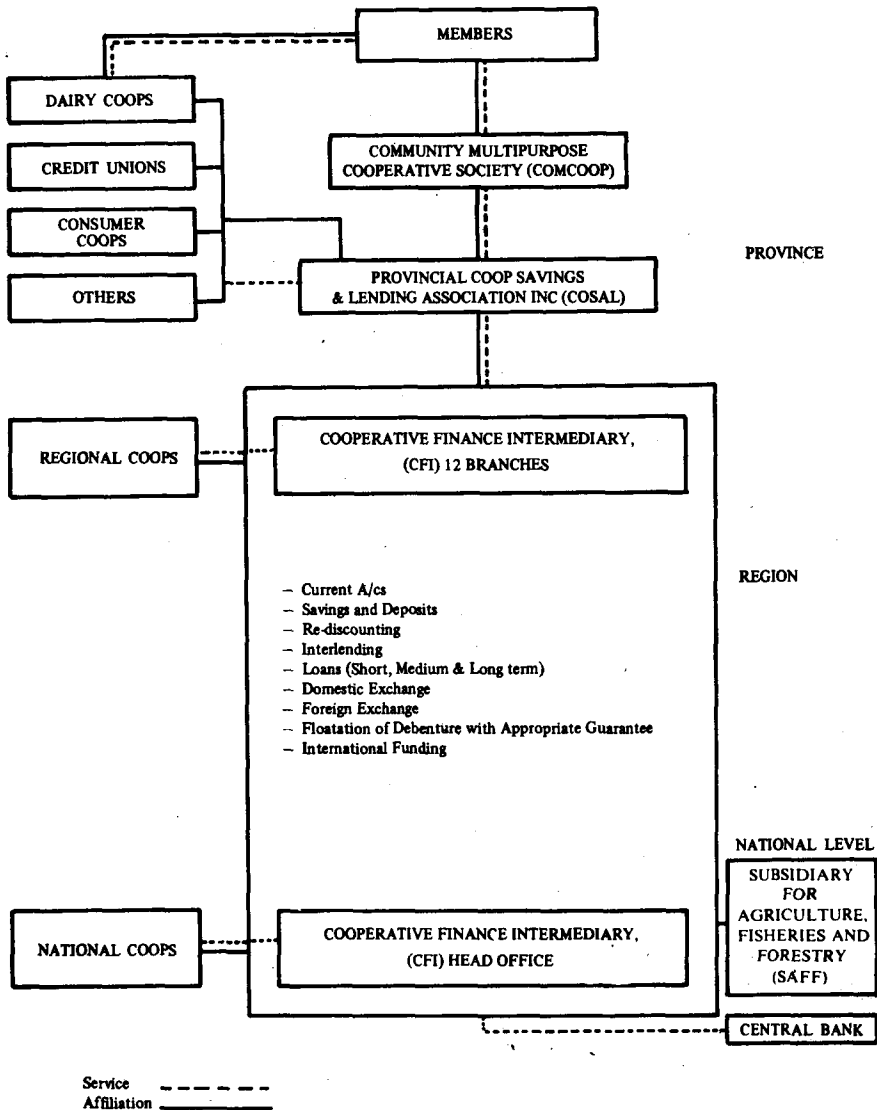
6.90 The NCB would need a strong capital base. In the initial stages, member cooperatives would not be able to generate all the capital needed. Hence governmental and external aid would be needed to provide adequate seed capital. Member cooperatives and affiliated COSALS should contribute as much capital as possible.

6.91 The leadership and management available to the NCB in the formative period is of crucial importance for laying solid foundations for future success. The Movement should identify persons who have a good image and reputation, capability, and dedication to the cooperative cause and who could thus be called upon to serve on the Board of Directors. Equally important is professional management and the need to identify and appoint professionally competent and cooperatively motivated personnel. An important task of the foreign cooperative bank collaborating on a management contract would be to train professional personnel, who will ultimately take over the total management of the Bank.

6.92 A graphic presentation of the Cooperative Financing System is given on the next page.



## COOPERATIVE FINANCING SYSTEM (CFS)



## Cooperative Promotion and Development System

6.93 The government has been the principal agency promoting and developing the cooperative movement. This function is performed by it through the Bureau of Cooperative Development (BCOD). It has been recently re-designated as Bureau of Agricultural Coop. Development.

6.94 On the non-governmental side the Cooperative Union of the Philippines (CUP) was registered in February 1980 representing all the Regional Cooperative Unions (30) and National Cooperative Federations (14). The objective of the CUP is to institutionalise the cooperative movement in the Philippines as a cohesive and dynamic vehicle for the economic, social, moral and spiritual advancement of the people.

6.95 During its short existence the CUP has been recognised as the spokesperson of the Cooperative Movement and it has performed a wide range of services such as policy initiatives, representations to government in regard to tax exemption, etc. and international relations. The CUP has also initiated coop education and training activities in collaboration with ACCI which is an institute established by the University of the Philippines and NATCCO which is a federation of national cooperative training centres. The CUP collaborates with the Cooperative Foundation of the Philippines (CFPI) which was established in 1977 and has specialised in research activities.

6.96 The CUP represents only those cooperatives, unions and federations which are registered under PD-175. Thus it does not include in its membership electric, sugar or transport cooperatives. However, it has taken a leading role in establishing the Supreme Cooperative Council in which all these various sectors are represented in order to formulate unified cooperative policies. In these efforts the CUP has also enlisted the collaboration of the Cooperative Foundation of the Philippines, and ACCI and has worked in close collaboration with BCOD.

6.97 While the aim of the CUP are ambitious and expectations of the CUP by its affiliates are great, its financial strength is relatively weak.

6.98 Under the new policy, the role of the government is envisaged "to actively assist (but not organise) farmers in the development of cooperatives. The government policy also places greater emphasis on

decentralisation and has given increased powers and responsibilities to the Regional Directors of Agriculture. The government also expects increased initiatives and participation by peoples organisations in decision-making process.

6.99 The changed policies thus imply a greater role on the part of the cooperative movement's own institutions in promotion and development as well as in the traditional areas of education and training. The Mission commends this change in policy since it is in line with the spirit and philosophy of cooperation.

6.100 The role of the CUP as the spokesperson as watch dog of the cooperative movement as well as a body representing the largest segment of the cooperative movement in the country thus becomes very critical.

6.101 It is suggested that both the governmental agencies including the BCOD and the proposed Cooperative Development Authority as well as International Aid Agencies make every effort to strengthen the CUP so that it can play its role of a truly national cooperative body.

6.102 The functions of the CUP and the Cooperative Promotion and Development System under its leadership, should mainly be as follows:

- (a) Promotion of member participation and expansion of membership of cooperatives,
- (b) Organising cooperative societies in new areas and for new purposes as per members' requirements,
- (c) Planning, monitoring and evaluation,
- (d) Coordination of all development programmes, and
- (e) Liaison with the Cooperative Development Authority, more specifically in the areas of policy formulation, education and training.

6.103 It is suggested that the promotional and developmental functions at the national, the regional and the provincial levels be carried out by Committees to be called "Cooperative Promotion and Development Committees (CPDCs)"

6.104 At the same time it is also suggested that in order to give sustained and increased attention to cooperative education and training, recognised to be a vital need by all concerned, Cooperative Education and Training Committee should also be established at all the three levels as well as in the COMCOOPS.

6.105 The functions of the Coop Education and Training Committee would be as follows :

- (a) Educational and training needs surveys,
- (b) Planning, organising and developing education and training systems and programmes,
- (c) Monitoring and evaluation of education and training programmes, and
- (d) Liaison with Cooperative Development Authority.

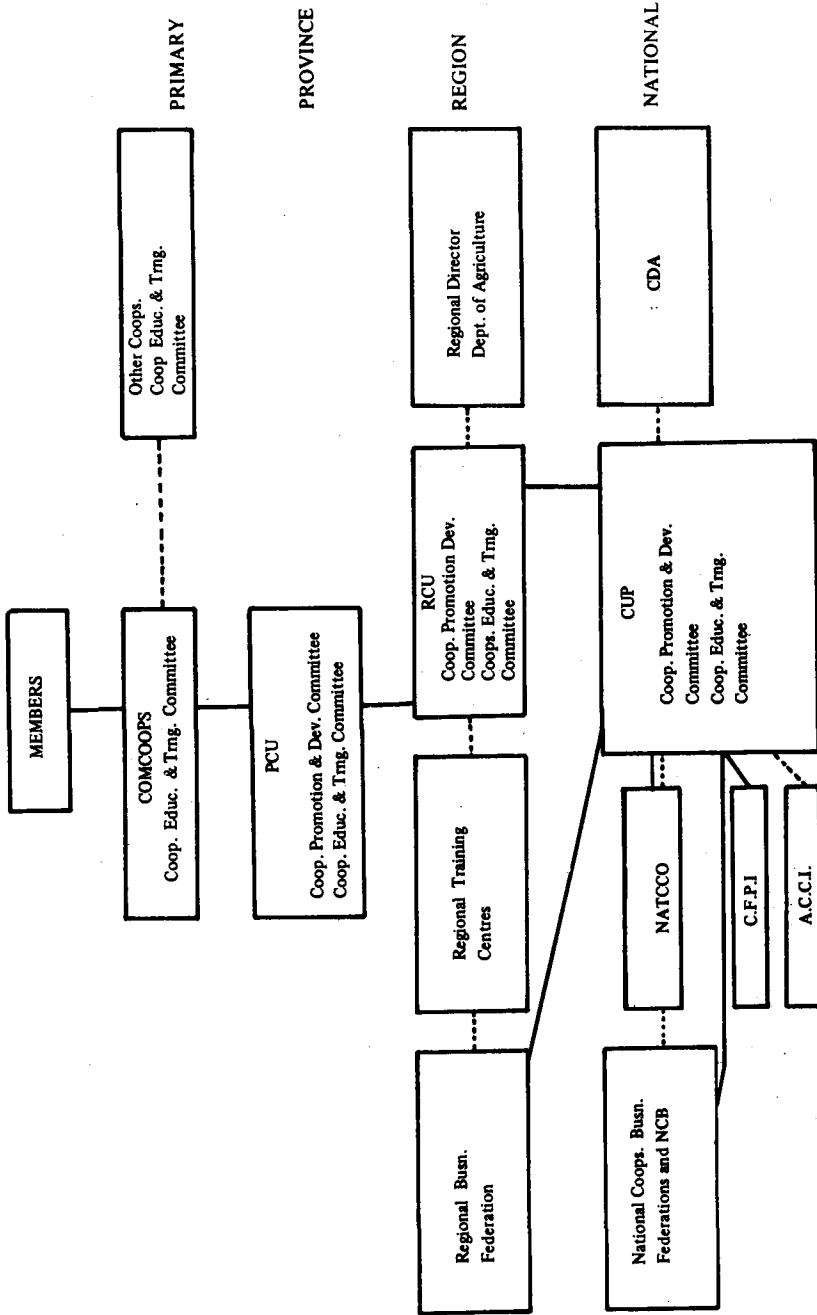
6.106 As regards the composition of the Committees, it is suggested that these Committees be constituted on a multi-sectoral basis and that they should include cooperatives from the banking, marketing, consumer, service, producer (artisans, small scale industry), and training sectors. It is suggested that government representatives should also be co-opted to these Committees. The Committees should be composed of professional persons to be nominated by the respective sectors.

6.107 In order that these committees are well integrated into the management structure of the unions at the various levels, it is suggested that the Chairmen of the Unions at the respective levels shall be the ex-officio Chairmen of the CPDCs and the Vice Chairmen of the Unions at the respective levels should be the ex-officio Chairmen of the CETCs.

6.108 It is suggested that there should be collaboration, both horizontal and vertical, among the Unions, business federations and governmental agencies, according to needs and capabilities in the implementation of these programmes.

6.109 A graphic presentation of the Cooperative Promotion and Development System is given on the next page.

# COOPERATIVE PROMOTION & DEVELOPMENT SYSTEM



## **Strengthening CUP--Including its Member Relations**

6.110 Cooperative leaders, management personnel and government officers at national, regional, provincial and local levels were unanimous in regard to the critical role of the CUP in cooperative promotion and development. There was wide spread appreciation of the contributions made by the CUP in convening the cooperative congress and organising cooperative conferences and discussion fora with a view to formulating unified cooperative policies and view points. The contribution made by the CUP in securing the recognition of the role of cooperatives in the new constitution of the Philippines and in securing tax exemption privileges was highly appreciated.

6.111 There was concern, however, that the CUP was not sufficiently equipped financially and did not have professional personnel. The communication between the CUP and the affiliates was also seen to be wanting. Keeping these aspects in view, the Mission makes the following recommendations :

6.112 The membership of the CUP should be broad based. All coop organisations at the regional and provincial levels, both unions and business federations, should be eligible for membership.

6.113 Delegates at the annual general assembly from the provincial unions should be on the basis of one vote for each member affiliate plus additional delegates on the basis of number of individual members and contributions to the coop education and training fund. The business federations at the provincial level as well as the regional unions and regional business federations should have only one vote each.

6.114 The bye-laws of the union should be so devised that weightage is given in representation to individual members as compared to financial contributions.

6.115 Proxy voting should be disallowed.

6.116 Two-way communication between the CUP and its affiliates down to the primary societies should be enhanced. In this regard the following suggestions are made :

- (a) Information of planned programmes, activities carried out, financial resources and expenses and future plans should be communicated to the affiliates up to the pri-

- mary level.
- (b) CUP Gazette should be distributed widely and should reach all the primary societies.
  - (c) The problems, needs and views of the individual members and the cooperative societies at all levels should reach the CUP. For this purpose appropriate mechanisms should be devised.

6.117 At present the CUP lacks professional staff. The Mission recommends that the CUP should be financially strengthened so that it can employ professional personnel.

6.118 The Mission recommends that the CUP should build up its capability in (i) legal aspects and relations with government, (ii) research and planning, (iii) communication involving member participation programmes, leadership development and public relations, and (iv) international relations.

6.119 The CUP should establish a Cooperative Development Fund. The COMCOOP and provincial, regional and national business federations should make contributions to this fund on the basis of their turnover. Appropriate formulae should be devised for the purpose.

6.120 The BCOD should consult the CPDC of the CUP before making any substantial changes in cooperative policies, regulations and procedures. When the Coop Development Authority is established, it is suggested that every effort should be made by the Cooperative Development Authority to make the CUP a partner in coop development programmes.

6.121 It is recommended that international aid agencies should coordinate their aid activities to coop organisations in the Philippines with the CUP in order to preserve and maintain the integrity and viability of the cooperative structure.

### Summing-up

6.122 In recommending the coordinated and well-integrated cooperative structure the Mission envisages close coordination and working relationships between the Cooperative Financing System, Agricultural Cooperative Marketing and Supply System and the Cooperative Promotion and Development System.

6.123 The Community Multipurpose Cooperative Society (COMCOOP)

is to play the most important role vis-a-vis the farmer in providing a total package of services with the support of the three systems mentioned above. For example, when a farmer sells his produce through the cooperative society he will not be paid cash, but instead the sale proceeds should be credited into his account. In turn when he buys agricultural inputs and the basic consumer requirements, he will not make payment in cash, but his account will be debited by the extent of his purchase. This would, of course, entail a close financial discipline and fixation of cash credit limits for each individual farmer based on his past sales income. The same approach should be adopted for inter-cooperative purchases and sales, with the cooperative finance institution functioning as an account keeping mechanism as well as a financial reservoir. In this way any funds of farmers and cooperatives would not remain idle and all funds of the farmers and cooperatives would be pooled together. This will enable the cooperative movement to put all capital resources to maximum possible use, keeping in view the short-term and long-term needs.

6.124 In the same way, the farmers should buy all their requirements of agricultural inputs and basic consumer goods and sell agricultural produce only through their cooperatives. In the early stages the cooperatives would not be able to meet all the needs of farmer members. Hence business transactions with the private money market and the private business would be required. However, the apex organisations in each system should coordinate and pool together all the members' needs and centralise all purchases, sales and procurement of services. Such a coordinated approach will enable apex bodies to wield considerable bargaining power and thereby obtain the best possible terms on behalf of farmer members. Experience in other countries suggest that such economies range between 25–30 per cent, depending upon the nature and volume of transaction. Further the coordination among various systems of the movement will enhance the economic capability of each system and the benefits to members. The total economic power of a well-coordinated and integrated agricultural movement would thus be much greater and the movement would be a force to reckon with in the economy of the country.

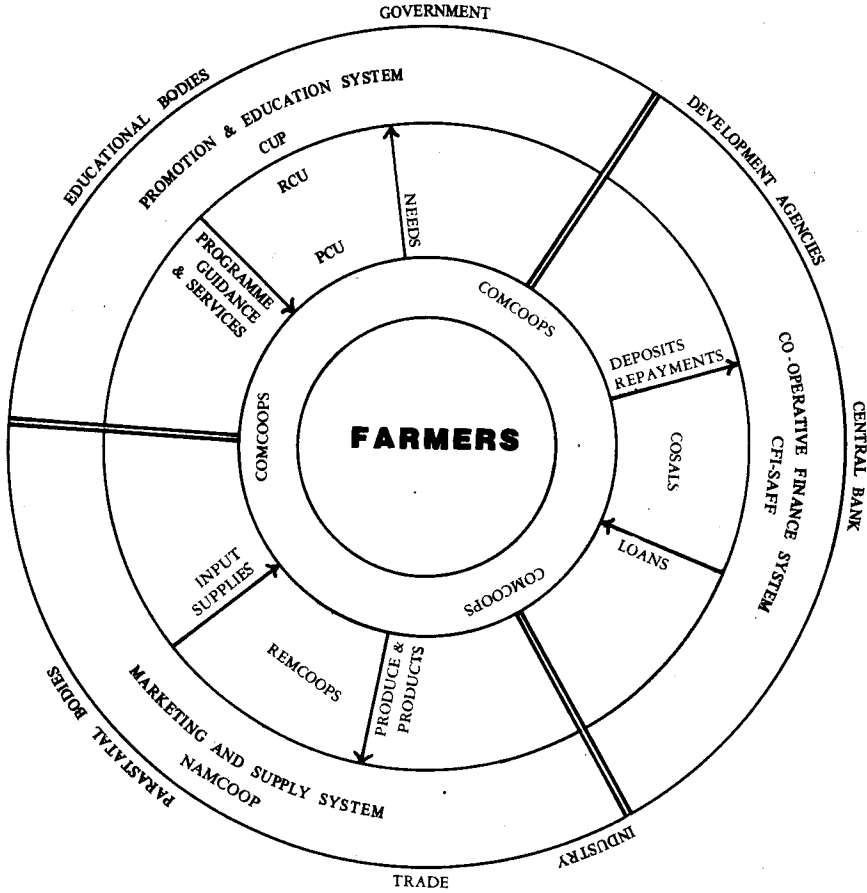
6.125 The Cooperative Promotion and Development System should instill the necessary cooperative knowledge, skills and discipline in the members, board members and the staff in order to orchestrate the entire agricultural cooperative movement towards a common goal on the basis of a commonly agreed plan and strategy. A high degree of participation by members and consultation are essential. Therefore, it should be the endeavour of the entire cooperative movement to



foster the cooperative values of member participation, mutual consultation and participation processes in decision-making.

6.126 A graphic presentation of the total Agricultural Cooperative Structure is given on the next page.

# INTEGRATED AGRICULTURAL COOPERATIVE SYSTEM



## VII

### **PRIORITY AREAS FOR COOPERATIVE DEVELOPMENT PROJECTS**

7.1 Some major priority areas for cooperative development, as identified by the Mission, are referred to in the paragraphs that follow :

#### **Establishing a Cooperative Financing System with a National Cooperative Bank at the apex level**

7.2 When the Mission was in the Philippines it was informed that a specialised Mission from the U.S. would be assisting the Philippines Cooperative Movement in the above task. The U.S. Mission was in the Philippines in July 1987 and one of our members, Mr. Sten Dahl, briefed the U.S. Mission on the preliminary conclusions and recommendations as also the views of the Mission on the establishment of a National Cooperative Bank. It is hoped that the U.S. Mission carried out more detailed study in this regard and that practical steps would be taken in establishing a National Cooperative Bank and the Cooperative Financing System.

#### **Establishing a National Cooperative Marketing Federation**

7.3 The importance of a National Coop Marketing Federation to provide leadership, professional and technical support to the Agricultural Marketing and Supply System and to engage in a meaningful dialogue with the government in regard to price policies and such other functions cannot be over emphasised. In view of this a detailed study should be made for reorganising the Cooperative Marketing System of the Philippines to make it an effective apex body which is able to support and service its affiliates down to farmer level.

### **Importation and Distribution of Fertiliser**

- 7.4 Fertiliser is one the most important agricultural inputs and it was the view of the Mission that wholesale purchase/import and distribution of fertiliser by cooperatives should be a priority area. In view of this, it is suggested that a detailed study be carried out in respect of fertiliser imports and distribution involving the proposed National Cooperative Marketing Federation of the Philippines, from an operational point of view. Based on the study a project for the purpose may be established.

### **Developing Agro-processing and Establishing Agri-Industries on a Cooperative Basis**

- 7.5 A detailed study in this regard is called for, for the purpose of identifying the crops and products, geographical areas and possible locations, technology and capital requirements and the enabling and facilitating measures required of the Government. Relevant projects in this regard could be formulated after conducting a detailed study/studies in this important area. Necessary support from external agencies such as the FAO may be requested.

### **Strengthening the Cooperative Union of the Philippines**

- 7.6 The Cooperative Union of the Philippines as the umbrella organisation of the Cooperative Movement has a pivotal role in cooperative development. As noted earlier the CUP is making an important contribution in several respects. However, it needs to be considerably strengthened to make it a fully representative and an effective national apex. Hence the Mission recommends that a project to strengthen the CUP should be developed.
- 7.7 In the opinion of the Mission early steps should be taken in regard to the above five critical areas in order to give effect to the recommendations made by the Mission.
- 7.8 During the Mission the CUP affiliates also submitted to the Mission the following cooperative development projects for onward transmission to the ICA Regional Office.
- (a) Cooperative Entrepreneurship for Rural Development.
  - (b) Trainers Training for Education/Training Committee

**Members.**

- (c) **Regional Training for Audit and Inventory Committee Members.**
- (d) **Development of Agricultural Marketing : Davao Marketing Cooperative Inc.**
- (e) **Catalanacan Backyard Swine Raising Project.**
- (f) **Institutional support for women capacity building in cooperatives.**
- (g) **Swine Raising : Towards generating family income.**
- (h) **Bukidnon Integrated Agricultural Coop : Reactivated Coop Development Undertaking, Region-X.**
- (i) **RCU-III Training Project for Samahang Nayons.**

## ICA/FAO STUDY MISSION COMPOSITION

### *ICA/FAO Study Mission Team*

- |  |                 |
|--|-----------------|
| 1. Mr. J. M. Rana<br>Regional Development Officer<br>ICA Regional Office, New Delhi.                             | Head of Mission |
| 2. Mr. Sten H. Dahl<br>Cooperative Development Advisor<br>ICA Regional Office, New Delhi.                        | Member          |
| 3. Mr. M. Matsuihiro<br>Senior Counsellor<br>Central Cooperative Bank for<br>Agriculture & Forestry, Japan.      | Member          |
| 4. Mr. R.G.G.O. Gunasekera<br>Consultant for Cooperative Management<br>and Credit, FAO Regional Office, Bangkok. | Member          |

### *Local counterpart Study Team*

1. Brig. General Arcadio S. Lozada (Retired)  
President & Chief Executive Officer  
Cooperative Union of the Philippines, Inc.
2. Dr. Adelino Ordone  
Chief, Research, Evaluation & Allocation Division  
Bureau of Cooperatives Development.
3. Dr. Vicente Quintana  
Agricultural Expert  
Agricultural Credit & Cooperatives Institute.

### *Study Mission Advisors*

1. Atty. Vicente A. Martires
2. Judge Manuel F. Verzosa

*Study Mission Coordinators*

1. Mr. Alonso I. Pinlac,  
Chief of Education & Training Division,  
Bureau of Cooperative Development.
2. Mrs. Nelia A. Hernandez  
Programme and Operations Officer  
Cooperative Union of the Philippines.

*Secretariat/Support Staff*

1. Ms. Nancy Marguez
2. Ms. Rosalinda S. Giron
3. Ms. Cecille F. Carlos
4. Ms. Corazon P. Legaspi
5. Mr. Benny Blones

**PROGRAMME OF MEETINGS AND VISITS FOR  
THE STUDY MISSION IN THE PHILIPPINES**

- Sunday, 1-3-87*                      Arrival of Mr. M. Matsuhira and Mr. Sten Dahl.
- Monday, 2-3-87*  
14.00                                      Preparatory work and Mission Planning at CUP with representatives of the CUP, BACOD (BCOD) and Members of the National Counterparts of the Mission.
- Tuesday, 3-3-87*  
09.00                                      Department of Agrarian Reform—Meeting with Mr. Jose Medina, Jr., Under Secretary and Mr. Cesar G. Leuterio, Director, Bureau of Resettlement.
- 11.00                                      Philippines Crop Insurance Corporation (PCIC) Atty. Bienvenido Faustino, Executive Vice President (Operations).
- 13.30                                      Technical Board for Agricultural Credit (TBAC) —Mr. Leo P. Caneda, and Mr. Raike Quinones, Staff Researcher, Agricultural Credit Policy Council (ACPC) Comprehensive Agricultural Loan Fund.
- 15.00                                      National Food Authority (NFA)—Meeting with Mr. Emil Ong, Administrator, Mr. Gregorio Y. Tan, Jr., Assistant Administrator and Mr. Abercio V. Rotor, Director for Extension.
- Wednesday, 4-3-87*  
09.00                                      Quedan Guarantee Fund Board—Mr. Galo Garchitorena, Director.
- 11.00                                      Bureau of Fisheries and Aquatic Resources (BFAR)—Mr. Juanito Malig, Director.
- 13.30                                      The Cooperative Rural Banks Federation of the Philippines Inc. Mrs. Leonila V. Chavez, Chair-



man-President, Mr. Al Rasulo L. Biscocho, Manager, Planning and Development, and Mr. Benny F. Caballero, Financial and Technical Services Department.

16.00 Bureau of Agricultural Cooperatives Development—Mr. Benedito Allanigue, Director, Atty. Alexander Brillantes, Assistant Director and Mr. Alonso Pinlac, Chief of Education and Training Division.

*Thursday, 5-3-87*

09.00 Guarantee Fund for Small and Medium Scale Industries—Mr. Jesus Tirona, Managing Director and Ms. Deng N. Orsal, Manager, Corporate Planning Office.

11.00 Department of Agriculture and Food (DAF)—Meeting with Under Secretary, Roberto Anzaldo

13.30 Philippine Federation of Credit Cooperatives, Inc. (FFCCI), Col. Severo L. Castulo, FFCCI President.

15.00 Philippine Rural Reconstruction Movement (PRRM) & Cooperative Foundation Philippines, Inc.—Mr. Horacio R. Morales, Jr., Executive Director Technical Staff and Ms. Marilen J. Bavia, Manager for Planning, Development and Research.

17.00 Agricultural Credit Policy Council (ACPC)—Dr. Bruce Tolentino, Executive Director and Mrs. Leonila V. Chavez.

*Friday, 6-3-87*

08.30 National Economic Development Authority (NEDA)—Ms. Marrieda Adriano, Director, Agricultural Staff.

10.00 Food and Agriculture Organisation (FAO)—Mr. Arcadio Cruz, Assistant Programme Officer.

- 11.00 International Labour Organisation (ILO)—Mr. Raimo Kaila, ILO/MATCOM Liaison Officer.
- 14.00 Asian Development Bank—Mr. Thomas B. Calvin.
- 16.00 Visit and Discussion—Dr. Andrew Braid and Dr. Florangel Braid, *Philippine Daily Inquirer*.

*Saturday, 7-3-87*

- 10.00 Quezon City to Pampanga Province in Region—III Minalin Poultry and Livestock Producers Cooperative—Mr. Jose Mercado, President, Col. Pacito Nefulda, RCU-III Executive Officer Region-III, SCODO.
- 14.00 Visit to St. Martin of Tours KB sa Pag-Papautang, Bocaue, Bulacan Province—Dr. Antonio Fortuna, President, together with all members of the Board of Directors and staff.
- 16.00 Departure (back to Quezon City).

*Sunday, 8-3-87*

- 10.00 Philippine Federation of Women for Cooperatives, Inc. (PFWCI) (Sulo Hotel)—Miss Josefina Gaerlan, President, Mrs. Iraida Banaira and Mrs. Milagros S. Macaranas.
- 19.00 Mr. J. M. Rana, Head of Study Mission and Mr. R.G.G.O. Gunasekera, Member, join the Mission.

*Monday, 9-3-87*

- 09.00 Departure for Davao City by Flight No. 113.
- 10.40 Arrival at Davao City.
- 13.30 Davao Fibres Producers' Cooperative, Inc. Farmers Field and Warehouse. Dra. Valeriana Castillo, President, Mr. Catalino Mendez, Manager, Board Members and Staff.

*Tuesday, 10-3-87*

09.30

King Development Cooperative, Inc. (King DCI)  
Mr. Juan Y. Solomon, Chairman and Managing  
Director, the Board Members and Amaure S.  
Dalisy, President Sta. Ana Credit Union, Mr.  
Fustaquio A. Ancheta, Supervising Cooperative  
Development Officer.

DCI Region XI Integrated Cooperative Develop-  
ment, Inc. (DCI XI). Mr. Juan Y. Solomon,  
Treasurer, Mr. Eladio E. Vasquez, Chairman  
and Board Members.

12.30

Department of Agriculture, Region XI, Regio-  
nal Director Mr. Juan Y. Solomon.

15.00

Cooperative Rural Bank Davao City (CRB-DC)  
Atty. Josefito A. Guillermo, Board of Directors  
and Staff.

*Wednesday, 11-3-87*

07.45

Meeting on Sta. Ana Credit Cooperative, Inc.  
Mr. Ernesto Galenzoga, Executive Director.

08.00

Provincial Cooperative Union, Davao City—Mr.  
Ermelo Galenzoga, Executive Officer.

11.30

Departure for Cagayan de Oro City/Arrival.  
Met by Mr. Filomeno Bautista, Jr. Chairman,  
Regional Cooperative Union of Region X,  
Chairman, Philippines Corporation, Del Monte,  
Mrs. Norma Diaz, Executive Officer, Region X,  
and Mr. Marietto Ga, SCODO.

12.30

Bulua Samahang Nayon, President, Barangay  
Captain and Members.

14.00

Pobibo (Farmers Association) Marketing Co-  
operative, Inc. Opol, Misamis Oriental Presi-  
dent, Board Members and Staff.

15.30

Cooperative Rural Bank of Misamis Occidental  
Inc. Mr. Crispin H. Joaquin, Chairman, Mana-  
ger and a Board Member.

- 16.30 Integrated Livestock and Poultry Raisers Cooperative Inc., (ILIPCO), Kauswagan and Bolulang, Ms. Victori G. Rosales, Operations Manager and Staff.
- 18.30 Dinner and interaction meeting with cooperative leaders and Regional Director.

*Thursday, 12-3-87*

- 08.30 First Community Credit Cooperative Inc., (FICCCO) Mr. Montano Sabau, Jr. Manager.
- 11.00 Plantation Consumers Cooperative, Inc. (PCCI) and Community Credit Cooperative of Bukidnon, Inc. (CCCBI) Mr. Warfredo C. Balandra, President, PCCI and Mr. Severino V. Tabasuares, Jr. President, CCCBI.
- 15.00 Southern Philippine Educational Cooperative Centre (SPECC) Mindanao Alliance Self Help Societies (MASS), Mr. Guillermo Cua, Secretary General and Atty. Mordino Cua, Consultant.
- 17.00 South East Afro Social Leadership Institute (SEARSOLIN). Dr. Anselmo B. Mercado, Assistant Director.
- 19.00 Dinner and Discussion meeting on Cultural Policies and Programmes of Region X. Mr. Constante Siapno, Director, Department of Agriculture, Region X Officers, Department of Agriculture.

*Friday, 13-3-87*

- 10.30 Cagayan de Oro Chamber of Commerce and Industry Foundation Inc. Mr. Adric T. Mamus, President/Governor (PCCI), Mr. Jose Belan, Chairman, Agricultural Committee.
- 11.30 Departure for Cebu City. Arrival Cebu City. Region VII. Atty. Julian Questa, Supervising Cooperative Development Officer, Mr. Carlito Fernandez, Cooperative Development Officer-II.

- 15.30 Department for Agriculture (DA), Region VII. Atty. Julian Questa SCODO, Carlito Fernandez CODO II, Mr. Rafael Cristobal, Administrative Officer, DAF VII.
- 16.30 Visayas Cooperative Development Centre Inc. (VICTO). Mr. Cresente "Cris" Paez, Executive Director, Edgar V. Comerros, i/c Consultancy Staff, Head of Training, Audit, Marketing Cooperative Lending Fund.
- 21.00 Director, Department of Agricultural Central Visayas Region VII. Mr. Leopoldo B. Romano, Regional Director.
- Saturday, 14-3-87*
- 07.40 Departure Cebu City.
- 08.15 Arrival Iloilo City, Western Visayas Region VI, PB/Gen. Arcadio S. Lozada, President, CUP; Mr. Ermelo Lazola, Supervising Cooperative Development Officer, DA, Region VI.
- 09.00 Visit to Southern Iloilo Area Marketing Cooperative Inc. Mr. Herminigildo Evidente, Chairman; Mr. Rogelio Gacuma, Manager and Ms. Melinda B. Aricaya, Consultant.
- 10.30 Visit to Balibagan SN, KABSACA Farmers Centre—Mr. Cipriano Subibi, President Board and Members.
- 11.30 Visit to Sta. Barbara, FACOMA (Farmers Cooperative Marketing Association), Mr. Eulogio Sampil, Chairman; Miss Natalia Villan, Manager and Sta. Barbara Mayor Rodolfo Delgado.
- 13.30 Visit to First Iloilo Area Marketing Cooperative Inc. Mr. Sinforoso Z. Bunal, Sr., Chairman, Miss Bernardita Barranco, Manager, all Board of Directors and Mr. Larry Farmer—US Peace Crops Volunteer.
- 16.00 Visit to Pototan Consumers Cooperative. Mrs.

- Silfide Zaldivar, Manager Second Iloilo Area Marketing Cooperative, Inc. (ISAMCO), Mr. Crispulo Robles, Chairman.
- 18.30 Visit to Cooperative Rural Bank of Iloilo, Inc. Mr. Basilio Ventilacion, Chairman, Mr. Abelardo Velete, Manager.
- 19.10 Visit to Regional CISP. Miss Melinda B. Aricaya, Manager.
- 20.00 Visit to Regional Cooperative Union. Mrs. Pura Librada, RCU VI, Programme and Training Officer; Mrs. Azucena Perbillo, RCU-VI Secretary.
- Sunday, 15-3-87*
- 10.30 Departure Iloilo for Manila.
- Monday, 16-3-87*
- 10.00 Food and Agriculture Organisation of the United Nations—Mr. Ulrich Grieb, FAO Representative.
- 13.30 International Institute of Rural Reconstruction —Mr. Antonio C. de Jesus, Vice President, Ms. Amparo Alvarez, Cooperative Specialist.
- 15.00 Cavite Farmers Feedmilling and Marketing Inc. (CAFFMACO) Silang, Cavite Province Ms. Eleanor P. Ambat, Secretary and Ms. Crispina Rafol, Adminsitrator.
- 17.00 Arrival at Agricultural Credit and Cooperatives Institute (ACCI). Dr. Vicente U. Quintana, Consultant; Atty. Florencio Coral, Consultant.
- Tuesday, 17-3-87 to Thursday, 19-3-87* Discussions and Preparation of preliminary Report.
- Friday, 20-3-87*
- 09.00 – 16.00 Presentation and discussion on Preliminary Mission Report to a Representative Meeting at Sulu Hotel, Quezon City.

## PROVISIONS ON COOPERATIVES IN THE CONSTITUTION OF THE PHILIPPINES

### Article XII – National Economy and Patrimony

*Section-1* The goals of the national economy are a more equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the under-privileged.

The State shall promote industrialisation and full employment based on sound agricultural development and agrarian reform, through the industries that may full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets. However, the State shall protect Filipino enterprises against unfair foreign competition, trade and practices.

In the pursuit of these goals, all sectors of the economy and all regions of the country shall be given optimum opportunity to develop. Private enterprises, including corporations, cooperatives, and similar collective organisations, shall be encouraged to broaden the base of their ownership.

*Section-2* All lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces of potential energy, fisheries, forests or timber, wildlife, flora and fauna, and other natural resources are owned by the State. With the exception of agricultural lands, all other natural resources shall not be alienated. The exploration, development and utilisation of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens. Such agreements may be for a period not exceeding twenty-five years, renewable for not more than twenty-five years, and under such term and conditions as may be provided by law. In cases of water rights for irrigation, water supply, fisheries or industrial uses other than the development of water power, beneficial use may be the measure and limit of the grant.

The State shall protect the nation's marine wealth in its archipelagic waters, territorial sea, and exclusive economic zone, and reserve its use and enjoyment exclusively to Filipino citizens.

The Congress may, by law, allow small-scale utilization of natural resources by Filipino citizens, as well as cooperative fish farming, with priority to subsistence fishermen and fish-workers in rivers, lakes, bays, and lagoons.

*Section-6* The use of property bears a social function, and all economic agents shall contribute to the common good. Individual and private groups, including corporations, cooperatives, and similar collective organisations, shall have the right to own, establish, and operate economic enterprise, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands.

*Section-15* The Congress shall create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development.

### **Article XIII – Social Justice and Human Rights Agrarian and Natural Resources Reform**

*Section-5* The State shall recognise the right of farmers, farmworkers, and landowners, as well as cooperatives, and other independent farmers' organisations to participate in the planning, organisation, and management of the programme, and shall provide support to agriculture through appropriate technology and research, and adequate financial, production, marketing, and other support services.

### **Article XIV – Education, Science and Technology , Arts, Culture, and Sports**

*Section-4 (3)* All revenues and assets of non-stock, non-profit educational institutions used actually, directly and exclusively for educational purposes shall be exempt from taxes and duties. Upon the dissolution or cessation of the corporate existence of such institutions, their assets shall be disposed of in the manner provided by law.

Proprietary educational institutions, including those cooperatively owned, may likewise be entitled to such exemptions subject to the limitations provided by law including restrictions on dividends and provisions for reinvestment.



**Article XVI – General Provisions**

*Section-11 (1)* The ownership and management of mass media shall be limited to citizens of the Philippines or to corporations, cooperatives or associations, wholly-owned and managed by such citizens.

The Congress shall regulate or prohibit monopolies in commercial mass media when the public interests so requires. No combinations in restraint of trade or unfair competition therein shall be allowed.

**LIST OF TABLES AND CHARTS****Tables**

1. Principal Crops – 1986.
2. Principal Exports – 1985.
3. Productivity of major crops – 1981-85

**Charts**

1. Proposed Agricultural Cooperative Structure.
2. Proposed Cooperative Financing System
3. Cooperative Promotion and Development System
4. Proposed Agricultural Cooperative Structure.

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## LAW OF THE CENTRAL COOPERATIVE BANK FOR AGRICULTURE AND FORESTRY

Law No. 42 : 6th April 1923

Last Revision : Law No. 71, 10th August 1984

### Chapter-1 : General Provisions

*Article-1* The Central Cooperative Bank for Agriculture and Forestry (hereafter called the Bank) shall be a juridical person, and shall have its principal administrative seat in Tokyo.

The Bank shall be formed on the basis of limited liability.

*Article-2* The bank may establish its branches with the authorisation of the competent ministers.

The competent ministers may order the Bank to establish branches when it is considered to be necessary.

The Bank may entrust its business as agents to the Federation of Agricultural Cooperative Associations, the Agricultural Cooperative Associations, the Federation of Fishery Cooperative Associations, the Fishery Cooperative Associations, the Federation of Marine Products Processing Cooperative Associations or the Marine Products Processing Cooperative Associations.

*Article-3* (repealed).

*Article-4* The capital of the Bank shall be 10,000,000,000 Yen divided into 100,000,000 shares of 100 Yen denomination.

The Bank may increase its capital by the resolution of the general meeting of shareholders with the authorisation of the Government.

*Article-5* No one except the Federation of Agricultural Cooperative Associations, the Agricultural Cooperative Associations, the Federation of Forestry Associations, the Forestry Associations, the Forestry Pro-

duction Associations, the Federation of Fishery Cooperative Associations, the Fishery Cooperative Associations, the Fishery Product Associations, the Federation of Marine Products Processing Cooperative Associations, the Federation of Fishery Cooperative Mutual Aid Associations, the Federation of Agricultural Mutual Aid Insurance Associations, the Agricultural Mutual Aid Insurance Associations, the Fishing Boat Insurance Associations, the Agriculture Credit Insurance Association, the Agricultural Credit Fund Association, the Central Fishery Credit Fund Association, the Fishery Mutual Relief Insurance Association, the Federation of Fishery Mutual Relief Insurance Associations, the Vegetable Production and Forwarding Stability Foundation, Tochi Kairyoku Rengo (the Federation of Land Improvement Districts), Tochi Kairyoku (the Land Improvement Districts), or medium and small-sized enterprise cooperative associations related to silk-reeling, forestry or salt industry may be the share holders of the Bank.

The number of shares to which shareholders other than the Government may subscribe shall not exceed the maximum laid down by the ordinance.

*Article-6* The provisions concerning Industrial Cooperative Associations in the Industrial Cooperative Association Law shall be applied *mutatis mutandis* to the Bank unless otherwise provided in this law with the exception of the provisions of Article 6 (2), Article 10 (5) to (8), Article 15, Article 96, Article 98 and Article 105 of the Industrial Cooperative Association Law.

The names and addresses of the directors and auditors provided in Article 14, para 1 (3), of the Industrial Cooperative Association Law shall be regarded as name, address and qualification of the person who has the authority of representative.

The provisions concerning Article 138 and Article 138, para 3 of the Non-litigable Case Adjective Law and Article 1 to Article 5, Article 7 to Article 14, Article 16 to Article 18, Article 20 (1) and (2), Article 21 to Article 23, Article 24 (1) to (12), Article 25, Article 26, Article 51, Article 52, Article 53 (1) and (2), Article 56 (2) and (3), Article 57 to Article 59, Article 61 (1) and Article 107 to Article 120 of the Commercial Registration Law shall be applied *mutatis mutandis* to the Bank.

*Article-8* (repealed).



## **Chapter-II : Administrative Officers**

*Article-9* The Bank shall have a President, a Vice-President, not less than three Directors, and not less than two Auditors.

*Article-10* The President shall represent the Bank and manage all its affairs. The Vice President shall replace the President in his functions in the event of the latter's inability, and in case the post of President is vacant shall fulfil his administrative functions.

The Vice President and the Directors shall assist the President and manage the business of the Bank in accordance with the provisions of the articles of incorporation of the Bank.

The Auditors shall audit the business of the Bank.

*Article-11* The President and Auditors shall be elected at the general meeting of shareholders in accordance with the provisions of the articles of incorporation of the Bank.

The Vice President and Directors shall be appointed by the President in accordance with the provisions of the articles of incorporation of the Bank and be given approval by the general meeting of the shareholders. The term of the President, the Vice President and Directors shall be four years and that of the Auditors shall be three years. The term of administrative officers elected or appointed to fill vacated administrative posts shall be the remaining term of their predecessors.

*Article-11(2)* Unless approved by the competent ministers, the President, Vice President, Directors and Auditors shall not engage in any other business or occupation with remuneration.

*Article-12* The Bank shall have a council consisting of not more than 10 members. The councillors shall reply to the inquiries submitted by the president in reference to important matters regarding the administration of the business of the Bank in accordance with the provisions laid down in the articles of incorporation of the Bank.

The councillors shall be commissioned by the President in accordance with the provisions laid down in the articles of incorporation of the Bank.

The term of the councillors shall be four years.

**Chapter-III : Business Operations**

**Article-13** The bank shall be empowered to transact the following business :

- (1) Make loans on fixed time repayable within a period of five years, without mortgage, to the affiliated corporations.
- (2) Make loans repayable in yearly instalments within a period of 30 years (in case of loans to the Federation of Forestry Associations or a Forestry Association, within a period of 50 years), without mortgage, to the affiliated corporations. The amount of the loans, however, shall not exceed the sum of the amount of paid-up capital and the outstanding bonds of the Bank.
- (3) Discount bills or accept overdrafts in favour of the affiliated corporations.
- (4) Give security to debts of the affiliated corporations.
- (5) Engage in exchange business.
- (6) Receive deposits, in compliance with ordinances in force, from the corporations mentioned in Article 5, para 1, persons receiving loans in accordance with the provisions of Article 14 (3) or otherwise, subscribers to the Bank's bonds (Norin Saiken) (including persons intending to subscribe these bonds) or persons intending to purchase these bonds, public corporations and other non-profit juridical persons, and banks and other financial institutions authorised by the competent ministers.
- (7) Receive for safekeeping valuable securities or other goods for those persons mentioned in the preceding item or holders of the Bank's bonds.
- (8.1) Transact commission sale and purchase of securities in favour of the affiliated corporations.
- (8.2) Transact offering or secondary distribution of, sales or purchase of, and other businesses regarding to (excluding businesses mentioned in item (10), the national Government bond, local government bond, or securities and other government-guaranteed bond (referred to as "the national government bond and other securities" in Article 14 (4) and in Article 15 para 1 in favour of the affiliated corporations.
- (8.3) Loan securities to the affiliated corporations or those persons to whom the Bank is authorised to make loans by the provision of Article 14 (3) or by other laws.

- (9) Receive investments or stock payments or handle payment of dividends for affiliated corporations or for the juridical persons, designated by ordinances, of which affiliated corporations are major constituent members or shareholders.
- (10) Undertake by proxy a part of the operations of the Government, public entities or other non-profit juridical persons, banks, or financial institutions, with the authorisation of the competent ministers.

In case the Bank loans to parties other than its affiliated corporations by proxy for the Government, public entities or other non-profit juridical persons, banks or financial institutions in accordance with the provisions of item 10 above, the Bank may guarantee liabilities arising out of these loans.

Regarding the business operations mentioned in para 1, item 9, the Bank shall be considered a Bank in the application of the provisions of Article 175, para 2, item 10, and para 4. Article 178 and Article 189 (including the application *mutatis mutandis* in Article 280 (14) of the Commercial Code) and Article 80 (10) and Article 82 (4) of the Commercial Registration Law.

The Bank shall be considered a bank in the application of the provisions of the Foreign Exchange and Foreign Trade Control Law.

*Article-14* The Bank may engage in the business mentioned in item 1 to 3 inclusive of para 1 of the preceding Article with mortgage when deemed necessary.

In case of loans to the Federations of Forestry Associations, a Forestry Association or a Forestry Production Association affiliated to the Bank, the Bank may make loans on fixed time, within a period of 20 years, with mortgage.

*Article-14(2)* The provisions of the proviso of para 1, item 2 and of the proviso of para 1, item 2 provided in the preceding Article shall not be applied in case the Bank loans Government funds necessary for the works of establishment and maintenance of owner-farmers, exploitation and improvement of farm land and other enterprises designated by the competent ministers.

The amount of the loans made in accordance with the preceding paragraph and the amount of the Bank's bonds issued for this trans-

action shall not be included in calculating the limit mentioned in the provisions of the proviso of para 1, item 2 and of the proviso of para 1, item 2 provided in the preceding Article.

*Article-14(3)* The Bank may engage in the following business operations insofar as they do not interfere with the execution of the business operations mentioned in Article 13, para 1, items 1 through 3 and Article 14.

- (1) Make loans either repayable on fixed time within a period of ten years or repayable in yearly instalments (repayable within twenty years in the case of the parties given in (b) below, discounts bills, or accept overdrafts on current accounts for the parties given below :
  - (a) Organisations mentioned in Article 5, para 1 (excluding parties mentioned in (b) below.
  - (b) Parties engaged in agricultural or fishery operations as designated by ordinance.
  
- (2) Make loans, with the authorisation of the competent ministers, either repayable on fixed time within a period of ten years or repayable in yearly instalments (repayable annually within twenty years in the case of the parties given in (c) below, discount bills, or accept overdrafts on current accounts for the following parties other than those given in the preceding item.
  - (a) Juridical persons operating facilities necessary for the advancement of the organisations given in Article 5, para 1.
  - (b) Juridical persons engaged in operations related to agricultural or fishery operations.
  - (c) Local public entities and other non-profit juridical persons operating enterprises for improving the industrial base of living environment in agricultural, mountain, or fishing villages, or other juridical persons operating such enterprises of which local public entities or other non-profit juridical persons are major constituent members or shareholders.
  - (d) Other juridical persons as deemed appropriate on the ground that such loans would contribute to economic and social development and as designated by ordinance.

- (3) Make loans, discount bills, and accept overdrafts on current accounts for banks and other financial institutions with the authorisation of the competent ministers.
- (4) Make short-term loans, with the authorisation of the competent ministers, to holders of the Bank's bonds, taking such bonds as security.

*Article-14(4)* The Bank may engage in the following business operations (excluding operations mentioned in Article 13 para 1 (7) to (8) 3 and in (10) insofar as they do not interfere with the execution of 3, and Article 14.

- (1) Underwriting the national Government bond and other securities (excluding those for secondary distribution), and the offering of them.
- (2) Underwriting (provided that this is only for secondary distribution), offering, or secondary distribution of the national government bond and other securities (excluding operations mentioned in the preceding item (1), or sales or purchase of, and other businesses relating to them for many and unspecified persons.

In case the Bank intended to operate the businesses mentioned in the preceding items (1) and (2), it shall set forth necessary details and shall obtain the authorisation of the competent ministers.

The Bank shall also obtain the authorisation of the competent ministers when it revises the authorised details. The necessary conditions for the authorisation mentioned in the preceding para shall be set forth by the ordinance.

*Article-15* The Bank shall not employ the surplus fund available from its business operations except for the following purposes :

- (1) Purchase, application or subscription of the national government bond, local government bond or securities authorised by the competent ministers.
- (2) Deposit in banks or in postal savings offices.

*Article-16* The bank shall not carry out any business operations

other than those mentioned in the present law and operations related thereto.

#### **Chapter-IV : Bond of the Bank**

*Article-17* The Bank may issue its bonds (Norin Saiken) upto an amount equal to 30 times the amount of paid-up capital and the reserves which come under the shareholders' account.

The necessary conditions for issuance of bonds shall be set forth by the Imperial Ordinance.

*Article-18* A bond shall have a nominal value of at least 50 Yen and be a bearer bond with interest coupons. On application of any subscriber or holder, however, it may be converted into a registered bond.

The bonds of the bank may be issued at discount.

*Article-19* The Bank may temporarily issue its bonds without complying with the restriction of Article 17 for the purpose of converting existing bonds into new ones.

When a bond is issued in accordance with the provisions of the preceding paragraph, redemption of the previous existing bonds shall be effected within one month from the issuance by drawing lots to the amount equivalent to the nominal value of the new ones issued.

*Article-20* Whenever the Bank issues its bonds, it shall report the amount and the conditions to the competent ministers in advance.

*Article-21* The extinctive prescription of a bond shall be 15 years as to the principal, and five years as to the interest.

*Article-22* The provisions of the Law on Forgeries of Currency and Securities shall be applied *mutatis mutandis* to the forgery of the bonds of the Bank.

#### **Chapter -V : Calculation**

*Article-23* (repealed)

*Article-24* The Bank shall set aside as reserves at least one-tenth of its surplus fund for each business year.

## **Chapter-VI : Supervision and Grant**

*Article-25* The competent ministers shall supervise the operations of the Bank. In this Law, the term “competent ministers” shall denote the Minister of Agriculture, Forestry and Fishery and the Minister of Finance.

*Article-26* In case the Bank revises its articles of incorporation, it shall obtain the authorisation of the competent ministers.

*Article-27* The bank shall not dispose of its surplus without the authorisation of the competent ministers regarding the disposition.

*Article-28* Whenever the competent ministers deem it to be necessary, they may order the Bank to submit reports on the status of its business affairs and on its financial conditions.

*Article-29* Whenever the competent ministers deem it to be necessary, they may instruct their officials to undertake inspection on the status of the business and financial conditions of the Bank.

*Article-30* (repealed).

*Article-31* Whenever the competent ministers deem it to be necessary for the assurance of appropriate operation of business or proper supervision on assets, they may lay down restrictions on the conditions of business or issue orders necessary for the supervision of the Bank.

*Article-32* When the Bank violates laws, articles of the Bank, or orders of the competent ministers, the competent ministers may order suspension of its business or replace the President, Vice President, Directors, or Auditors.

*Article-33* (repealed).

## **Chapter-VII : Penalties**

*Article-34* The officers and office-bearers of the Bank who fail to submit reports mentioned in Article 28 or make false reports therefor, or refuse, disturb or avoid inspections provided in Article 29, shall be liable to a fine of no more than 30 thousand Yen.

*Article-35* In the cases stipulated hereunder, the President, Vice-

President, Directors or Auditors of the Bank shall be liable to a fine of no more than 30 thousand Yen :

- (1) When the authorisation of the competent ministers is not sought and obtained in case such authorisation is required by this law.
- (2) When the surplus fund available from the business operations is appropriated in contravention of the provisions of Article 15.
- (3) When other business operations are practised in violation of the provisions of Article 16.
- (4) When the provisions of Article 17, para 1 or Article 19, para 2 are violated.
- (5) When the orders of the competent ministers stipulated in Article 31 and 32 are violated.

### **Supplementary Provisions**

*Article-36* The competent ministers shall create an organisation committee to which the task of dealing with all operations concerning the establishment of the Bank shall be entrusted.

*Article-37* The organisation committee shall draft the articles of incorporation, and, after obtaining the approval of the competent ministers, it shall open subscription for the shares.

*Articles-38* As soon as the subscription for the capital is converged, the organisation committee shall apply to the competent minister for the authorisation to establish the Bank by submitting a declaration concerning the capital subscribed.

*The organisation* committee shall, as soon as the authorisation mentioned in the preceding paragraph has been granted, have the subscribers pay the first payment of the shares without delay.

*Article-39* The organisation committee shall transfer its duties to the President of the Bank immediately after the inaugural general meeting.

*Article-40* The necessary enactments concerning the establishment of the Bank shall be set forth in the Imperial Ordinance.