(For Private Circulation only)

REGIONAL WAREHOUSE FOR CONSUMER COOPERATIVES IN MINDANAO (PHILIPPINES)

A Preliminary Feasibility Study

July 1984

M. K. PURI
Specialist in Consumer Cooperation

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for South-East Asia
"Bonow House", 43 Friends Colony (East)
New Delhi-110065. India

(For Private Circulation only)

REGIONAL WAREHOUSE FOR CONSUMER COOPERATIVES IN MINDANAO (PHILIPPINES)

A Preliminary Feasibility Study

M.K. Puri
Specialist in Consumer Cooperation

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for South-East Asia
"Bonow House", 43 Friends Colony (East), New Delhi-110-065
India

C O N T E N T S

Page

****

P R E F A C E

In May 1982, the Cooperative Union of the Philippines, in collaboration with the International Cooperative Alliance Regional Office for South-East Asia, conducted a two week, Workshop on Cooperative Retail Management at Cagayan de Oro City. The Workshop was attended by 25 senior employees of consumers cooperatives representing all the four regions in Mindanao. At this Workshop managers of cooperative stores pointed out that they were experiencing serious difficulties in getting regular and assured supply of merchandise for sale through their shops. They said that the irregular supply of merchandise at uncompetitive prices and terms was hampering the growth of their business and they were handicapped to provide effective service to their members.

2. The Regional Cooperative Union of Northern Mindanao (Region X) took an initiative and convened the First Consumers Cooperative Congress of Mindanao Island on 5th November 1982 at Cagayan de Oro City. The Congress which was attended by over 50 delegates from all the regions unanimously resolved and requested the Cooperative Union of the Philippines to explore the possibility of setting up a Regional Warehouse for Consumers Cooperatives in Mindanao, which could undertake the responsibility of joint procurement and coordinated supply of merchandise to all consumers cooperative societies on the island.

3. Thereafter, the Chairman of the Cooperative Union of the Philippines (CUP) moved this matter in the 6th Meeting of the ICA Committee on Consumer Cooperation for South-East Asia which was held on 9 November 1982 at Manila. The Committee considered the request of CUP and recommended to the ICA Regional Council to request the ICA Regional Office New Delhi to carry out a preliminary survey to ascertain the feasibility of the proposed project. The request was duly endorsed by the Council and a preliminary investigation study was included in the work programme of the ICA Regional Office for the year 1983-84.

4. The preliminary investigation study was carried out by the undersigned in Mindanao Island during 23rd June to 8th July 1984. During this period I made three field trips of 2 to 5 days duration and visited 12 consumers cooperative stores, in various towns, municipalities and provinces of Region X, XI and XII. For want of time, I could not visit any cooperative in Region IX. Bukidnon, Bugo, Butuan, Surigao, Illigan, Ozamis, Cebu and Davao etc. were included in the itinerary. Earlier, the RCU X had circulated to all consumers cooperative societies in Mindanao a questionnaire which had been prepared by me. Out of 190 societies to whom the questionnaire was sent, response was received from 63 societies only.

5. I also conferred with the Chairmen of Regional Cooperative Unions and other cooperative leaders on matters concerning the warehouse project. It was also possible for me to have discussions with concerned officers in the Cooperative Union of the Philippines and the Bureau of Cooperatives Development in the Ministry of Agriculture.

6. The enclosed report is the outcome of my study. The report has been divided into three parts. The Part I : Mindanao Profile, gives general information about climate, topography and socio-economic conditions in Mindanao. Part II contains brief information about the existing position of consumers cooperatives in Mindanao. In Part III of the report, I have discussed the economic feasibility of establishing a Regional Warehouse in Mindanao.

7. This report is merely in the nature of preliminary investigations hence it should not be treated as a feasibility study in strict terms. Obviously, much more time and information will be necessary in order to prepare a proper and accurate feasibility report. This report serves only the limited purpose of indicating the size of the project and the magnitude of resources in terms of funds, equipment and man-power that are required for a project of this kind.

8. The report contains my findings and recommendations which the Cooperative Movement in Mindanao and its leaders can consider while taking a final decision on the establishment of a Regional Warehouse in Mindanao. It is my sincere hope that this report would serve as a guide to them in arriving at a conclusion whether to have a Regional Warehouse in Mindanao at this stage or not.

M.K. Puri

ACKNOWLEDGEMENT

On the request of the Cooperative Union of the Philippines, I was assigned by International Cooperative Alliance Regional Office for South-East Asia in New Delhi to carry out a preliminary survey to assess the economic feasibility of establishing a Regional Warehouse for consumers cooperatives in Mindanao. This preliminary investigation study was carried out by me in Mindanao Island during 23rd June to 8th July 1984. I was placed with the Northern Mindanao Regional Cooperative Union at Cagayan de Oro City. During this period, I made three field trips and visited 12 consumers cooperative societies in regions X, XI and XII and conferred with many cooperative leaders and government officials on matters concerning the warehouse project. I also held discussions with representatives of some suppliers and private supermarkets.

My grateful thanks are due to the Cooperative Union of the Philippines, particularly to its President, Brigadier General Arcadio S.Lozada and Mr.Manuel F.Verzosa, Secretary-General, for their kind assistance.

I wish to express my grateful appreciation and very sincere thanks to the President and Chairman of the Northern Mindanao (Region X), Union of Cooperatives, Mr.Ladislao P. Zarsuelo and his colleagues and staff for their kind assistance on various accounts. They circulated my questionnaire to all consumers cooperative societies in Mindanao, followed up with their managements, collected, compiled and sifted the information data received from societies. They arranged my visits to various cooperatives in different regions. It was indeed very thoughtful on their part and I very much appreciate that they convened, during my mission, a meeting of directors of all the four Regional Cooperative Unions in Mindanao. It afforded me an opportunity to know their views and have discussions with them. The RCU also assisted me in establishing contacts with representatives of some suppliers. My special thanks are due to their very energetic Executive Officer, Mr.Jesus B.Ilogan, who accompanied me during my field trips and assisted in discussions. But for his untiring efforts and sincere zeal it would not have been possible for me to see so much in such a short time.

I am also very grateful to the Presidents of PPC group of cooperatives and their Business Planning Staff for collecting useful information data and preparing a detailed report on Mindanao. It proved very helpful to me in understanding the situation in correct perspective.

Thanks are also due to Mr.Francisco B.Caranan, Chief of the Promotion & Supervision Division in the Bureau of Cooperatives Development for making available statistical and other information about the cooperative movement in the country.

In the end, I wish to convey my sincere thanks to management and employees of all cooperative institutions which I visited during my mission for the courtesy and consideration they extended to me and for their very friendly and frank discussions.

M.K. Puri
Joint Director & Specialist
in Consumer Cooperation

18 August 1984
New Delhi

P A R T - I

P A R T - I

MINDANAO PROFILE

The island of Mindanao is situated at the southern part of the Philippine archipelago. Administratively, it is composed of four (4) regions; Region IX, Region X, Region XI and Region XII. Region IX (known as Western Mindanao) is composed of four cities and five provinces, namely Dapitan, Dipolog, Pagadian and Zamboanga and Basilan, Sulu, Tawi-twai, Zamboanga del Norte and Zamboanga del Sur, respectively. Region IX occupies a land area of 18,685.10 square kilometers (sq.km.) which account for 18.00% of the Mindanao total of 101,998.90 sq.km. or about 6.23% of the country's total of 300,000 sq.km.

Region X, Northern Mindanao, is composed of seven provinces and seven cities. The provinces are: Agusan del Norte, Agusan del Sur, Bukidnon, Camiguin, Misamis Occidental, Misamis Oriental and Surigao del Norte. The cities are Butuan, Cagayan de Oro (which serves as the regional capital), Gingoog, Oroquieta, Ozamis, Surigao and Tangub. Region X is within the grid square of 7°30' north latitude and 124°15' to 126°15' east longitude. It is bounded on the north by Bohol Sea; on the south by Davao del Norte, Davao City and North Cotabato. On the east it is bounded by Surigao del Sur; on the west by Zamboanga del Sur and on the southwest by Lanao del Norte and Lanao del Sur. Region X occupies a land area of 28,000.0 square kilometers which account for 27.0% of Mindanao land area or 9% of the country's total land area.

Region XI is the South Eastern Mindanao region and is bounded on the north by the provinces of Surigao del Norte, Agusan del Norte, Agusan del Sur and Bukidnon, on the south by the Celebes Sea, on the east by the Philippine Sea and on the west by the Moro Gulf. It has a total land area of 32,667.0 square kilometres which account for 32.0%

of Mindanao land area and represents 10.5% of the Philippine land area. The region consists of five provinces and two chartered cities, General Santos and Davao City, the regional capital. The five provinces are Surigao del Sur, Davao Oriental, Davao del Norte, South Cotabato and Davao del Sur.

The region's topography is characterized by extensive mountain ranges with uneven distribution of plateaus and lowlands. The north-eastern part of the region is is mountainous with very low plains. Endowed with the finest mahogany forests, the Diwata mountain range extends from the north to the southern end of the provinces of Surgao del Sur and Agusan del Sur. The highest mountain in the country, Mt. Apo, with an elevation of 9,696 feet is located at the boundaries of Davao City, North Cotabato and Davao del Sur. The mean annual temperature is 26.8 degrees centigrade (^{o}C) in the lowlands. Temperature below the regional average are registered in upland areas such as the Lake Sebu in South Cotabato and the slopes of Mt. Apo near Davao City.

Region XII, otherwise known as Southwestern Mindanao region, is bounded by the provinces of Misamis Oriental and Bukidnon and the Bay of Iligan in the north; the provinces of Zamboanga del Sur and Misamis Occidental and Illana Bay and the Moro Gulf in the west; Davao del Sur and Davao City in the east; and South Cotabato and the Celebes Sea in the south. Region XII is composed of five provinces and three cities. The provinces are: Lanao del Norte, Lanao del Sur, Maguindanao, North Cotabato and Sultan Kidarat. The cities are: Iligan, Marawi and Cotabato. Region XII has a total land area of 24,266.66 square kilometres which account for 23% of Mindanao land area. This representes 7.8% of the Philippine land area.

1. Climate and Resources

1.1 Climate

In general, three types of climate prevail for Regions, X,XI and XII in Mindanao. Type B is characterized by a short low sun dry season, one to three months with less than 75 millimetres (mm.) of rainfall per month. Type B is distinguished by an even distribution of rainfall throughout the year with 75 mm. or more rainfall of the driest month; and Type F which is more or less similar to Type E except that the wettest month has less than three times the rainfall of the driest month.

The climate for Region IX is Western Mindanao, particularly Zamboanga Peninsula and portion of Basilan Island (which are the only ones classified so far) has five types of climate. The most predominant is Type B (short, low sun dry season, 1 to 3 months with less than 75 mm. of rainfall per month), which embraces the entire Zamboanga del Sur. Type E covers the whole of Zamboanga del Sur. Type A (low sun dry seasons; four months with less than 75 mm. of rainfall per month) characterizes the whole of Zamboanga City, while Type D (wettest month has less than three times the rainfall of the driest month, all months with 75 mm. or more of rainfall) characterizes the entire classified portion of Basilan.

1.2 Land Resources and Land Use Pattern:

Mindanao has a total land area of 101,998.90 sq.km. which is roughly 34.0% of the country's total land area. Region IX accounts for 18.3% of the Mindanao area, Region X 27.7%, Region XI 30.9% and Region XII 22.9% of Mindanao's total land area of 10,200,256 hectares or 3,631,969 hectares have been classified and certified, alienable and disposable land; 55.7% or 5,682,216 hectares are classified forest land, while the remaining 8.6% or 884,174 hectares are unclassified forest land.

1.3 Fishery and Aquatic Resources:

Fishing is a vital industry of Mindanao supporting no less than

165,000 families distributed over acoast line of 6,328 kilometres. Mindanao's major fishing grounds are Bohol Sea, Macajalar Bay, Butuan Bay, Panguil Bay and Dinagat Sound situated in Northern Mindanao, Region IX (Western Mindanao) has four major fishing grounds. The first is located in the water surrounding Tawi-tawi, particularly the South Ubian area; the second in the southern section of Sulu surrounding the Pangutaran group of islands; the third in the Moro Gulf; and the fourth in the Sibuguey Bay area. Region XI (Southern Mindanao) has three commercial fishing areas situated in Davo Gulf, Pujada Bay and Sarangani Bay. Other marine areas such as the bays of Lanuza, Lianga, Bisling and Cateel and the Celebes Sea are also potential fishing grounds.

There are 81 fish ponds of various sizes with an aggregate area of 5,402 hectares.

Region XII (Southwestern Mindanao) has its rich fishing grounds, namely; Sillana Bay, Moro Gulf, Iligan Bay, Lanao Bay, Basiawang Bay and Panguil Bay. There is an approximately 40,336 hectares of swamp lands which is available for fish production.

2.0 Demographic Profile

2.1 Population Levels

The 1975 population of Mindanao was estimated at 10 million representing 22.2% of the national population.

Regionwise, during the 1970-75 period Region IX comprises about 23.5% of the total Mindanao population, Region X 24.5%, Region XI 27.0% and Region XII 20.6%. Annual population growth rate is 2.79 compared to the National average of 2.7%.

3.0 Social Profile

Mindanao's life expectancy is estimated at 60 years. However, an interregional analysis reveals a wide disparity in the health status of various regions of Mindanao. The population in the rural areas exhibit a much higher life expectancy than those in the urban areas with the former hauling an average of 60.6 years and only 59.8 in the latter. The relatively lower life expectancy level could be attributed to the insufficient nutritional intake of the population and the inadequate health facilities in Mindanano.

4.0 Economic Profile

4.1 Gross Domestic Product (Mindanao)

In spite of tight fiscal and credit measures which greatly disturbed private business and investment, dynamic changes occurred in the various productive sectors in response to the government's effort in integrated area planning and programme implementation. Recent statistics available, Mindanano's output as measured by the Gross Regional Domestic Product (GRDP) increased by 3.0 percent on the average during the 1972-1975.

4.2 Employment

Employment totalled to approximately 3,261,317 in 1970. This number represents 32.6 percent to total population. Region X being an Agro-Industrial area of Mindanao has higher employment rate at 48 per cent of the available labour forces, followed by Region XII at 18.3 per cent and Region IX at 15.0 per cent. Classified according to major occupation groups, the agricultural-related occupations, including mining constitute more than 70 per cent; the clerical and sales worker 6.0 per cent; craftsmen and production processing workers, 0.5 per cent;

of the total labour force.

4.3 Income Distribution

The pattern of household income distribution seem to have improved over the years. Over 54 per cent of total number of household belonged to the low-income level in 1975 (3,000.00 per year in 1975; 4,000.00 per year in 1978-1979). In 1979 only about 38 per cent were classified under this level. As a result, the middle income group expanded from 44 per cent of total household in 1975 to 60 per cent in 1979. The high income group likewise, increased from only 0.7 per cent of total household in 1975 to 1.7 per cent in 1979.

Moreover, the average household income (current terms) grew higher at over 22 per cent annually during 1975-1979, then that of the national average of only 15 per cent.

4.4 Social Services

Three types of social services are examined here as a means of determining the adequacy of efforts to meet Mindanao's social needs.

4.5 Housing: As reported by the Ministry of Human Settlements, the total housing backlog as of 1977 for the four Mindanao regions was 689,707 units. Northern Mindanao has the biggest shortage (491,393 houses). The other three regions average a backlog of 65,000 units each.

4.6 Education: The literacy rate of Mindanao lags behind the national average. As a matter of fact, the regions with the lowest literacy rates in the country are in Mindanao. Central Mindanao had the dubious honour of having the lowest literacy level in the whole country, with only 75 per cent of total population ten years old and above able to read and write. Northern Mindanao comes next with 73 per cent, and Western Mindanao is third with 63 per cent. Only Southern Mindanao had a literacy rate that was higher than the national average of 90.73 per cent.

For the entire Mindanao, out of a total population ten years old and over 7.2 million persons, a total of 1.3 million persons, or 18 per cent, are unable to read and write.

4.7 Nutrition: Malnutrition among Mindanao children is widespread. A survey of some 4.8 million pre-school children throughout Mindanao, between the years 1976 to 1978, revealed a malnutrition rate of 74 per cent. This means that only 26 percent, or 1.2 million, of the children were normal.

Ironically, the biggest malnutrition rate of 29.3 per cent was registered in the most developed of Mindanao's regions - Southern Mindanao. Central Mindanao had 27 per cent of its children malnourished, while Western and Northern Mindanao had identical rates of 24 per cent.

Central Mindanao further reports that, of the total per capita food consumption allowance recommended by the Food and Nutrition Research Council (FNRC) for Region XII, only 73 per cent is being adequately met by its population.

Infrastructure/Utilities

Transportation

Three major highways were under construction/improvement during this period. These are the Iligan-Cagayan de Oro-Butuan road (ICBR), 100 per cent accomplished; the Sayre highway, 53 per cent accomplished; and the Bukidnon-Davao City road with a reported accomplishment of 57 per cent. Several acres and feeder roads to these highways were also improved. Ninety-one (91) barangay road projects were also pursued throughout the region with an overall accomplishment of 81 per cent.

Portworks

There are nine ongoing or recently completed major port projects in Mindanao. Six are newly constructed ports, while three are improvement and expansion work on existing facilities. The total also includes three major fishports.

The following are details of each port project, with their corresponding costs in local and foreign currency, foreign funding agencies, and project status :

1. Cotabato Port Development Project (Polloc Port) ₱69.46 million, $3.6 million; ADB Completed.
2. Improvement of Cagayan de Oro Port: P47.25 million, $0.68 million; World Bank (2nd IBRD Port Project); Completed.
3. Improvement of General Santos Port in Makar: P49.1 million, $1.96 million; World Bank (2nd IBRD Port Project); Completed.
4. Construction and supervision of improvement of Cagayan de Oro and General Santos Ports: P3.28 million, $0.49 million; World Bank.
5. Expansion and Improvement of Ports of Davao at Sasa and Sts. Ana: P20 million, $2.2 million; KFW (West Germany): Completed.
6. Gen.Santos Fishport: P16 million, $4 millin; Foreign funding agency not known; Schedule: 1978-1980.

7. Davao City Fishport: P12 million, $3 million; Foreign contributor not known; Schedule 1978-1980.

8. Port of Zamboanga: P51 million, $4 million; Wodd Bank; Schedule: 1980-1984.

9. Zamboanga Fishport Complex in Sangali, Zamboanga del Sur: P80 million, OECF of Japan, Schedule: 1979-1980.

10. Phividec Industrial Port Complex: P75 million, $3.3 million; Foreign contributor not known; Completed

Total cost of the above portwords, excluding the Zamboanga Fishport Complex, is P343 million in local funds and $23 million in foreign counterpart currency. Among the proposed major port projects are the Gen.Santos Port Development (Phse II) which is estimated to costP11 million, and the Cagayan de Oro Port (Phase II) which would cost P20 million.

Power and Electrification

Outside of the CARBDP, all major power generating projects in Mindanao center on the utilization of the vast resource potential of the Agus River in Lanao del Norte..

The First Mindanao Power Project, also known as Agus No.VI, built the Maria Cristina Unit No.5. Generating a power of 50 MW, it was completed in 1979. The ADB loan of P37.5 million was supplemented by a local counterpart of P198.2 million.

The Second Mindanao Power Project cost P318.2 million in local funds at $29.6 million in foreign loans which were granted by the ADB. It built the Agus II hydro-electric plant which produces 180 MW of power. The ADB had provided $22.7 million as supplementary funds for the two above mentioned projects.

The Third Mindanao Power Project is still in its pre-implementation stage, with an ADB loan of $1 million already provided for engineering services, in preparation for the construction of the Agus III hydroelectric plant.

The Fourth Mindanao Power Project consists of the Agus IV hydro-electric plant, which is expected to generate 150 MW of power. Scheduled to be completed in 1980, the plant costs P439 million in local funds and $60 million in loans from the ADB and First California Bank.

The Agus I hydro power project was completed in 1979, and generates a power of 80 MW. Foreign funding in the amount of $37.2 million was provided by the Kontroll Bank of Australia and Citicorp of New York. Local counterpart funds amounted to P310 million.

The Agus VII hydropower plant is funded by a banking consortium composed of Interbanca, Soditic, Citibank and Kanematsu Gosho. With a power potential of 54 MW, the project costs P190.54 million in local currency and $34.1 million in foreign counterpart funds.

Electro mechanical equipment costing $9.53 million for the Agus II plant was funded by a Japan Ex-Im Bank loan. Engineering services in the amount of $2.71 million for Agus IV and V were funded by a loan from Lahmeyer International of West Germany. In addition to the above power plants, rural electrification projects totalling P8.4 million are going on all over Mindanao.

Proposed major power projects along the Agus River include the Agus III-A Hydroelectric Project, costing $75 millionin foreign funding and P532 million in local funds; and the Agus V Hydroelectric Project which would cost P37 million in local currency and $7 million in foreign funds. The two projects are expected to generate a combined power of 230 MW.

Two geo-thermal plants are being proposed in Mindanao. The Manat Geothermal I in Nabunturan, Davao del Norte will cost P22.2 million in local funding and $10.2 million in foreign currency. Expected to generate a power of 55 MW, the plant's shcedule of implementation is 1984 to 1986. Three more geo-thermal plants are being planned for Nabunturan. In Surigao del Sur, the Mainit Geothermal V has the same cost requirements as Manat I. No schedule has been set for its implementation

Nuclear power generation is also being considered. Two nuclear plants are being planned for Southern Mindanao. Nuclear Plant I is to be situated in Surigao del Sur, and the target date for its completion is the year 2000. Gen. Santos City will provide the site for Nuclear Plant II, and 1996 has been targeted as its date of operation. Both plants will generate a power of 600 MW each. So far, no cost requirements have been given by government agencies concerned.

Water Supply

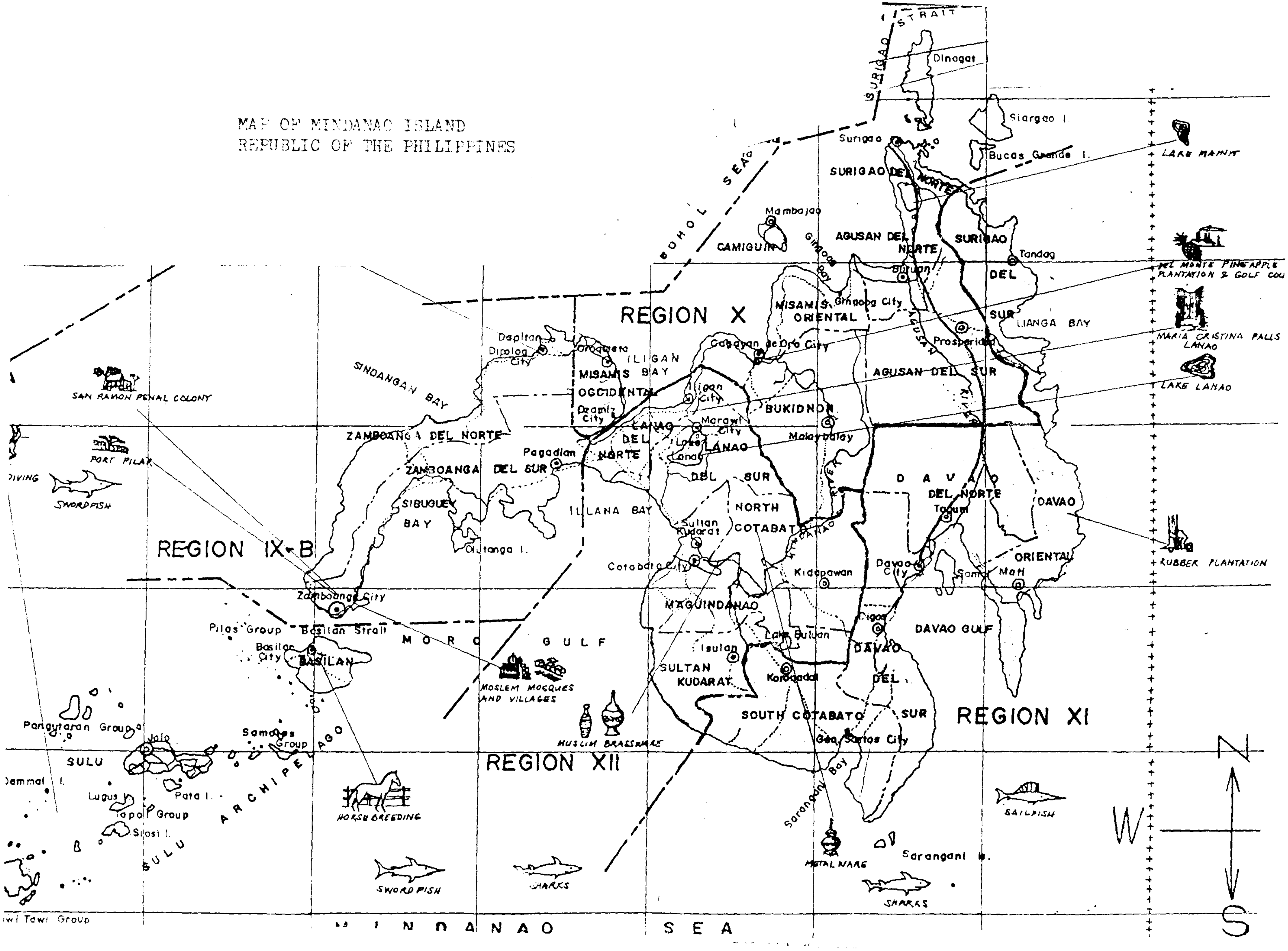
A total of six water supply systems in Mindanao are undergoing improvements. Details of the projects are as follows:

1. Marawi City Water Supply: P31.6 million, $4.04 million.
2. Marawi City: P17 million, $7.5 million; Government of Denmark funded.
3. Cagayan de Oro Water Supply: P14.8 million, $2.3 million; USAID funded.
4. Misamis Occidental Water Supply: P17.8 million, $1.7 million.
5. Butuan City Water Supply: P27 million, $4.7 million; USAID funded.

Communications

To provide efficient communications services, the region maintained 27 telegraph stations, 20 radio stations, 7 radio-telegraph stations, 2 teletype landline, 1 radio-telegraph telex. These are all strategically located within Northern Mindanao.

MAP OF MINDANAO ISLAND
REPUBLIC OF THE PHILIPPINES



P A R T - II

PART - II

CONSUMERS COOPERATIVES IN MINDANAO

The cooperative movement in this southern most island of the Republic appears to be better developed as compared to rest of the country. The island is located far off from the seat of national government. It is separated by a distance of over 1200 Kms from Metro Manila and is surrounded by sea on all sides. The Region is characterised by extensive mountain ranges with uneven distribution of platues and low lands. As such, the people on this island live in difficult and vulnerable situation and they are exposed to risks of exploitation. Thanks to efforts by the church, a large section of population in the area seem to realise that solutions to most of their economic and social disadvantages lies in the cooperative way of life. Special mention may be made of relentless efforts by Rev.Father Masterson ever since he came to Mindanao in the year 1953 as Dean of the Agricultural College at the Xavier University, in Cagayan De Oro City. He has infludenced and trained a large number of people in cooperative philosophy, group action and leadership development. Most of the cooperative societies on the island have been initiated by people who came under the inspiring influence of Father Masterson. They have spread out cooperative philosophy even to remote villages and have developed local leadership in most of the societies. A large number of well-managed cooperative credit and consumers societies have been organised among the working people and small farmers.

Financial support from Zentralstelle Fur Entwicklungshelf e.v. MISEREOR and Friedrich Ebert Foundation of the Federal Republic of Germany has helped the establishment of the Southern Philippines Education Centre (SPEC) which has been providing education and training facilities for employees of cooperative societies on the island.

There are also four Regional Cooperative Unions in Mindanao, one for each region. The Regional Cooperative Unions are affiliated to the Cooperative Union of the Philippines (CUP). Besides coordinating activities of all kinds of cooperative societies in their area of operation they also organise education and training activities for Coop. members and employees. Regional Cooperative Unions are recognised as spokesmen of the cooperative movement in their respective areas.

According to information supplied by the Bureau of Cooperative Development (BCOD), the number of registered and re-registered cooperative societies of different types in Mindanao island as on 30 April 1984 was as under :-

	Region IX	Region X	Region XI	Region XII
Credit	55	98	105	42
Rural Credit Banks	-	4	4	2
Consumers	30	47	46	24
Marketing	21	19	13	13
Area Marketing Coops	1	5	4	5
Producers Coops	-	8	4	23
Service Coops	8	16	14	6
Federations	1	7	5	
Unions	3	9	6	1
Total	119	213	201	116

It appears that the Bureau of Cooperative Development in the Ministry of Agriculture does not have upto date information. The number of consumers cooperative societies in Mindanao is 190 and not 147 as shown above.

CONSUMERS COOPERATIVES

1. As of April 1984, Mindanao has 190 Consumers Cooperative Societies, spread in 21 provinces. It is found that most of the consumers cooperative societies have been organized among members of Cooperative Credit Societies. Big plantations, factories, mines and other undertakings have also encouraged their employees to organise consumers cooperative stores. The employers have provided them shop premises and, in some cases, even limited funds for working capital. Some open type citizens consumers cooperatives have been organized by teachers and other public spirited people. 'Cooperatives' are well-accepted mutual assistance institutions among the people in this area. The movement however is not evenly developed in all the four region. 50 per cent of the total number of consumer cooperatives exist in one region, that is region X.

2. Out of 190 consumers cooperative societies on the island, only 63 societies (33.15%) responded to the questionnaire. The response from societies in region No. X was better than those from other regions. It was particularly poor from societies in region XI.

Region	Population (Million)	No. of Socs.	Socs. Responded	% Response
IX	2.05	26	6	23.07
X	2.75	94	41	43.61
XI	2.70	38	7	18.42
XII	2.06	32	9	28.12
Total	9.56	190	63	33.15

It cannot be said with certainty as to how many of 190 consumers cooperatives are actually operative. It is however estimated that at least 150 consumers cooperative societies are operating in Mindanao.

3. The 63 societies which responded to the survey have 33,406 individual members and transacted retail sales over ₱ 110,150 million pesos through 146 retail outlets. All respondents are reported to be operating in profit and have been distributing patronage refund to their members and dividend on shares at 8%. Approximately, 80% of total sales are to members and 20% represents sales to non-members.

4. The exhibit I and the following table contains a summary of the information received from 63 consumers societies which have respond to the questionnaire:

CONSUMERS COOPERATIVE IN MINDANAO
as of April 1984

Region	No. of Socs. Regd.	Responded	Membership	Sales (Pesos)	%
IX	26	6	2,011	₱ 8,025,359.00	7.3
X	94	41	22,147	68,276,438.00	62.0
XI	38	7	6,222	19,810,040.00	18.0
XII	32	9	3,026	14,038,927.00	12.7
	190	63	33,406	₱110,150,764.00	100.0%

It is observed from the above table that though region X commands only 28.76% of the population, it represents 66.26% of membership and 62.0% of the total business of the societies which have responded to the survey.

contd...

EXHIBIT -I

CONSUMERS COOPERATIVES IN MINDANAO

		As of April,1984
1.	Number of societies responded	63
2.	Members	33,406
3.	Average member per society	530.25
4.	Paid up share capital	12,200,808
	per society	193,663
	per member	365
5.	Sales	110,150,000
6.	Average sales per society	1,748,412
7.	Average sales per member	3,297
8.	Net surplus: Societies	63
	Amount	N.A.
9.	Net Loss: Societies	Nil
	Amount	Nil
10.	Average trade margin	11.0%

Figures above are based on 33.1% of cooperative societies which responded to the survey.

5. BIG SOCIETIES

There are only three consumers cooperative societies in Mindanao which have annual turnover of over 5 million each. These are Bukidnon Plantation Coop., Inc., Philippine Packing Corporation Employees Consumers Coop., Inc., and M&S Consumers Coop. The first two are situated in Northern Mindanao or Region X and the third is situated in North Cotabato or Region XII. The individual position of each of the three big societies during 1983-84 was as under :

	Bukidnon Plantation	PPC Consumers Coop	M & S Consumers Coop
Member	4,500	2,281	1,000
Retail Outlets	16	2	
Share Capital	₱ 1,883,230	₱ 989,970	₱ 490,626
Avg.Share Capital/ Member	418.50	434.00	490.
Annual Sales	15,000,000.00	8,638,316.00	5,234,659.00
Av.Sales/Member	3,333.00	3,787.07	5,234.00
Net Surplus % to Sales	7.6%	6%	38/7%
Amount	1,168,528.00	51,305.00	243,653.00
Ave. Trade Margin % to Sales	13.3%	10.9%	12.0%
Amount	2,030,129.[illegible]0	940,188.00	629,624.00
Dividend	8%	8%	8%
Patronage Rebate	444,04[illegible].00		92,588.00

AVERAGE PERFORMANCE

6 The overall performance of consumers cooperatives in Mindanao who responded to the survey can be judged from the following figures :

	Including Plantation, PPC-Bugo and M & S	Excluding 3 big societies
Number of societies (responded)	63	60
Total Membership	33,406	25,625
Ave.Membership sper society	530.25	427.0
Total Paid-up Share Capital	₱ 12,200,808.00	8,836,982.00
Ave.Share Capital per society	193,663.60	147,283.00
Ave.Share Capital per member	365.00	344.85
Total Annual Sales	110,150,000.00	81,277,025.00
Ave.Sales per society	1,748,412.00	1,354,617.00
Ave. Sales per member	3,297.00	3,171.78
Societies with net surplus		
No. of societies	63	60
Amount	-	-
Societies with Net loss		
No. of Societies	nil	nil
Total Amount	nil	nil
Loss per society	nil	nil
Ave. Trade Mafgin	11.0%	11.0%

7. COMMODITY-WISE SALES

Tabulated below is the commodity-wise break-up of sales during the year 1983 (comparative figures for previous years not available).

Commodity	Percent	1983 Pesos
Groceries	25%	₱ 27,537,500.00
General Merchandise	35%	38,552,500.00
Household	12	13,218,000.00
Hardwares	1	1,101,500.00
Clothes	8	8,812,000.00
Drugs	2	2,203,000.00
Cigarettes	5	5,507,500.00
Stationery	1	1,101,500.00
Restaurants/Cafeteria	5	5,507,500.00
Others	6	6,609,000.00
Total Sales*	100	₱110,150,000.00*

*Represents sales of 63 societies only.

TRADING RESULTS

8. Trading results of 63 societies in Mindanao who responded to the survey. Below are extracted figures based on average prevailing rates :

	1983
Sales	₱ 110,150,000.00
Trade Margin	13.3%
Gross Surplus	13.3%
Operating Expenses	8.9

Surplus	4.4
Other Income	3.2
Net Surplus	7.6

9. The average gross margin in retail societies ranges between 11.0 to 13.5% and operating cost has been between 8.5 to 8.9 of sales, thereby giving a net surplus of 2 to 4.5% of sales. Othor income in the form of commission and discounts ranges between 1.3 to 3.2%

10. Among the societies which have responded to the survey, 78.4% of the members belong to closed type cooperative societies while the remaining 21.6% are the so-called general citizens. It would appear from the survey that closed type cooperative societies command a substantial portion of consumer business even though their number does not exceed more than 35% of the total strength. Most of these societies have been organized in Plantations, mines, factories and other undertakings.

11. Consumers cooperative societies are managed by the elected officers consisting of a board of directors. The members of the board elect from among themselves a President, a Vice President, treasurer and a secretary. Election is conducted every year to replace one half of the elected directors. The outgoing directors can seek re-election.

Cooperative leadership, particularly in closed type societies, is quite active. A large number of members are being involved in the working of the cooperative through the constitution of various sub-committees e.g. Election Committee, Membership Committee, Education Committee, Audit and Inventory Committee, Business Management Committee.

12. The cooperative societies hold their monthly board meeting mostly at the end of the month. The meeting is attended by all elected as well as appointed officers numbering between 24-30 officers. The elected officers of the board and committees chairmen give information regarding financial position of the society. It is also during this forum that problems are discussed and solutions are offered. In most societies, however, the managers do not prepare their monthly trading accounts and compare their performance with budget estimates.

13. MANAGEMENT AND STAFF

The General Manager is appointed by the Board of Directors and is responsible for carrying out business operations withinthe policies laid down by the Board. In general, the Manager and staff are hired because of their educational qualification and business expertise. The quality of managerial resource as well as the staffing pattern is greatly influenced by the financial capacities of the cooperative society. The consumers cooperatives in Mindanao lack the technical and financial resources to provide training facilities to their employees to improve their knowledge and skills. Adequate facilities for training of employees of consumers cooperative societies are not available on the island.

15 Some societies are over staffed and their labour productivity is rather low. It was noticed that in many societies, salaries paid to employees are very low and in some cases even lower than those required under the Minimum Wage Law. It is learnt that cooperatives in the Philippines have been exempted from the Minimum Wages Law.

16. Even though societies are operating in profit, no standardized system of book-keeping or inventory control has been developed. Each society societyis following its own way and some small societies have no system at all. Thanks to the integrity and deligence of their employees that they have avoided any serious pitfall to their operations.

17. LAYOUT AND DISPLAY OF GOODS

Consumers Cooperative in rural areas of Mindanao are atuned to old practice of layout and display such as 'sari-sari' stores and sell across the counter. Some of the commodities like rice, corn, beans, flour and onion are weighed on the counter. In the urban areas, the Cooperative societies are practising self-service type of display. This practice allowed the members to select from various displayed goods.

18. Most of the consumers shops are located away from the main shopping centres. Many cooperative shops in closed types of cooperatives are located near or in the vicinity where their members work. Most of the citizens consumers cooperative shops are small with selling area of less than 50 square metres. In close-type cooperative, the employers have provided premises of adequate size and in some cases even limited funds for working capital.

19. ASSORTMENT

In general, consumers cooperative societies stock basic commodities like groceries, general merchandise and household goods. Some big societies have wider assortment which may include a few more non-food items, domestic medicines, cigarettes and school supplies. Most of the societies do not deal in fresh meat or fish. In general, the assortment is in the range of 400 to 1200 articles. Because of paucity of funds and storage space, societies are generally handling fast moving commodities which are in common demand. Most of the societies are able to achieve a stock turn rate of 10 to 12 times a year.

20. CREDIT SALES

It has been a common practice for consumers cooperatives in Mindanao to extend credit facility to their members. The practice is prevalent in societies where majority of members belong to working class. The extension of credit line is dependent on their share capital contribution. Since most societies practise a payroll collection system, lesser risk is involved. The percentage of collection in some big societies usually drops down during the slack period of company operations.

21. PATRONAGE REFUND

The study showed that all the 63 cooperatives who responded to the survey are operating in profit. Most of them allowed patronage refund to their members on their purchases as well as dividends on shares at the rate of 8.0%

DISTRIBUTION OF PROFIT

22. There is great emphasis on education and training of members and employees. 10% of the net profit is allocated for Education and Training Fund, of 10% for General Reserve Fund; 10% for Land and Building Fund; 1% of gross income is provided for Kilusang Bayan Guarantee Fund. The remaining portion of net surplus is divided among the members as Dividend and Patronage Refund on purchases.

23. PROCUREMENT OF SUPPLIES

Cooperative societies in Mindanao are making their own purchases individually through various dealers and suppliers. Most cooperative societies will have to travel to the capital city of the region in order to buy commodities from authorized stockists or dealers. Others have to contend with mobile and travelling representatives of big companies, who visit them once or twice a month. Small societies buy their requirements from local wholesalers or semi-wholesalers, a few of whom may extend limited credit facility but they charge higher prices.

24. Because of the economic crisis and tight money situation, most of the suppliers have withdrawn credit facilities and demand payment before delivery and insist on cash and carry terms. Very few suppliers are extending limited credit facility of 15 days to selected well-managed cooperatives with good track record.

25. The country is passing through a period of deep economic crisis The money market is very tight. Bankruptciesare frequent. The rate rate of interest is soaring sky high. There is shortage in supply of consumer goods, particularly those with foreign component. Because of high inflation and unstable economic situation, the prices of consumer goods are rising every week. The dealers and/or suppliers prefer to deal with private trade and only stable cooperative societies are given any attention. The smaller societies do not receive the same treatment and attention as given to bigger and more stable cooperative societies. Small societies are required to make their own arrangements for transportation of goods from the suppliers' godown to their shops.

26. The absence of a parent organisation or an Apex body which could provide them guidance and business consultancy and assist in the procurement and supply of merchandise is being felt by all the primary societies as a serious handicap to them. There appears to be a great desire among the leadership and management of consumers societies in Mindanao to set up a Regional Federation of Consumers Cooperative Societies to fill up this void.

27. PROBLEMS

The following have been stated as some of the problems of consumers cooperative societies in Mindanao :

a. Difficulty in getting competent managers
b. Inadequate working capital
c. Delinquency of collections
d. Undesirable shop locations
e. Spiraling cost of merchandizes
f. Scarcity of supply
g. Lack of training facilities for managers and employees of consumers cooperative societies.
h. The absence of an effective and strong organization which could coordinate the activities of retail societies that can also provide them the technical assistance and consultancy services.

28. Despite all the problems and difficulties, consumers cooperative societies in Mindanao are trying their best to serve the needs of their members in this time of economic crisis. Some of the societies are really very fortunate to have a matured and dynamic leadership of high calibre. There is a need for an apex organization to guid and coordinate the activities of all societies and to enhance their competitive capacity vis a vis private trade. It can improve their trade margins by arranging supplies of goods in an economic and rational manner and by standardising some procedures and systems at retail level. The need for a strong parent organization to consolidate their achievement and achivities cannot be over emphasised.

29. For the purpose of carrying out a preliminary survey, the Consultant was assigned with Northern Mindanao (Region X) Union of Cooperatives, Inc. at Cagayan de Oro City. The Consultant made three field trips of 2 to 5 days duration from Cagayan de Oro city and visited 12 consumers cooperative societies, covering three, out of the 4 regions in Mindanao. He also visited Associated Labour Unions (ALU) Consumers Cooperative Society in Cebu. Most of these visits were very brief and discussions centred around the limited problems of procurement of merchandise by cooperative stores. The reception on these visits was always very warm and friendly. The Consultant found that managements in most of the societies were very keen and eager for the establishment of a regional warehouse for consumers cooperatives in Mindanao. The summary of the business statistics collected during visits to cooperatives have been analysed and appended to this report as Appendix A to E.

PART - III

P A R T - III

REGIONAL WAREHOUSE IN MINDANAO

1. The objective of this preliminary survey is to determine whether setting up a regional warehouse for consumers cooperatives in Mindanao will ensure regular and assured supply of merchandise to retail societies at more advantageous terms than those already available and thereby help in strenghening the development of consumers cooperative movement on the island.

2. A few important facts as came to notice during the survey and which may have a direct or indirect bearing on the project proposal are stated as under :-

i. The Region's topography is characterised by extensive mountainaous ranges with uneven distribution of plateaus and low lands. There is no railway system on the island. The available means of transportation is through road or sea only. Because of mountaineous territory there are only a few roads, distances are long and circutous.

ii. The country is presently passing through a serious and deep economic crisis. The domestic currency (Pesos) has been devalued three times during the course of less than one year. The economic situation is very unstable and uncertain.

iii. The money market is very tight and stringent. It is difficult to mobilise any funds or raise a loan. The cost of credit is prohibitive. The commercial banks are quoting their interest rate in the range of 24-30%.

iv. The inflation rate during the past one year has been as high as 40%. The purchasing power of the consumer is being fast depleted.

v. Many consumer goods are in short supply. As such, presently there is a sellers' market and the manufacturers-suppliers are dictating their terms.

vi. There is more than a mere desire among the managements and leaders of cooperative societies to coordinate their purchases and to undertake joint buying.

The above facts in the present situation have to be kept in view while examining the proposal for establishment of a regional warehouse for consumers cooperatives in Mindanao.

DISTRIBUTION CHANNEL

3. In the existing marketing system,as obtaining in the Philippines, the channel of distribution through which a finished consumer product flows from the point of manufacturer to the ultimate consumer is rather a long and complicated one, as in many other developing countries of Asia. The channel of distribution for a Nestle product is illustrated on the next page.

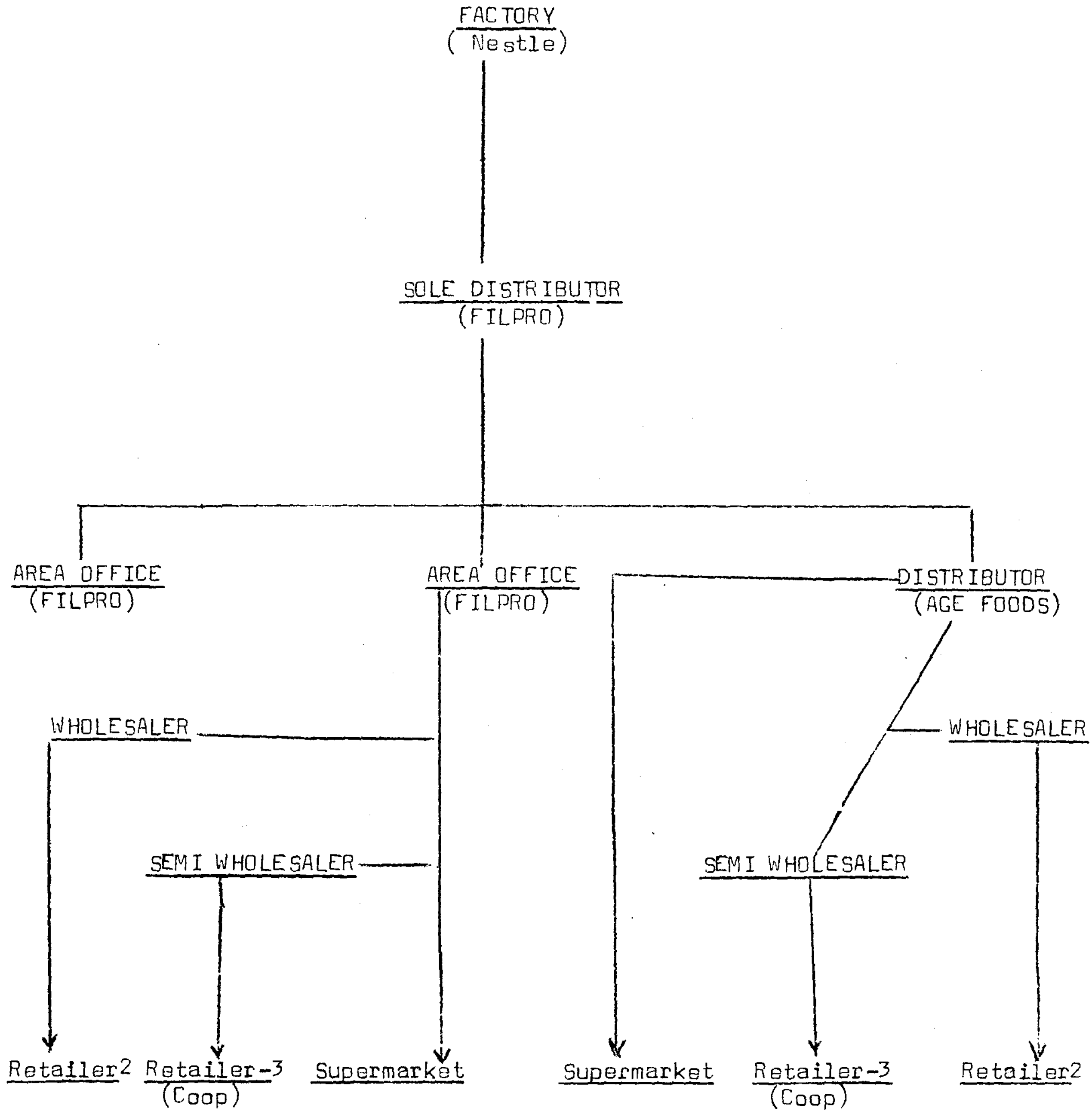
4. FILPRO who are sole distributors for Nestle products have established their area offices, equipped with warehouses, in different parts of the country. In Mindanao island they have three offices at Cagayan, Davao and Cotabatu. In addition, they have appointed authorised distributors e.g. ACE Foods. FILPRO and their authorised distributors deliver merchandise, from their respective warehouses, to wholesale and semi-wholesale dealers and even to some big retailers through their own delivery vans or trucks. The terms of supply and selling prices vary for each category of buyer depending upon the size of order and their standing with the company. In some cases the sole distributors do not operate regional warehouses and they are functioning through authorised stockists and dealers.

5. As regards direct supply of sugar from sugar factories, it is regulated by the National Sugar Trading Corporation,Inc., who appoints authorised wholesale dealers. It is only the authorised wholesale dealers who can buy sugar direct from the mills at ex-factory price. Against ex-factory

price of 345 peso per 50 kg. bag, the controlled retail price is 7.88 per kg. There is a price differential of Peso 49 to cover transportation cost and margins at wholesale and retail level. Cooperative stores have not been able to secure authorized wholesale dealership to buy sugar direct from the mills. The National Food Authority is a government agency which handles distribution of wheat flour, corn grit, rice and other cereals to Kadiwa Centres which have been established mainly with a view to supply daily necessities to government employees at fair prices. Food Terminal Inc. is another government sponsored agency which handles imports and distribution of manufactured non-food consumer goods to Kadiwa centres.

6. It came to notice that William lines Inc. a private shipping and cargo handling company owns a number of warehouses at important ports all over the country. Williams lines also supply material handling equipment like forklifts, pellet trucks, containers, pellets and transport fleet etc. on custom basis. They also provide services of trained and experienced staff for handling warehouse operations. The shipping line maintains container service to ensure safe and prompt handling of merchandise. They are operating a subsidiary firm (FCT), under the name of Fast Cargo Handling Transport Co. William lines owns nearly 10 warehouses, each of the size of 600 sq.m. to 1,000 Sq.m. area, in Cagayan port area. These warehouses have been rented out by them to companies like FILPRO, Philippines Refinary Corporation, Union Carbide, Carnation, Procter and Gamble, Consolidated Food Corporation, Johnson & Jonson etc. It is learnt that the company is charging monthly rent at the rate of approximately 10 peso per sq.m. Some of these warehouses were visited by the Consultant during his visit to Mindanao. Most of the operations in these warehouses are being carried through manual labour with very little use of powered pellet trucks or fork-lifts. They are not using even pelletized racks. The merchandise, on wooden pellets, is being stored directly on the floor. The Consultant was informed that the warehousing cost to most of these companies was in the range of 1 to 1% on the value of goods handled by them. They are maintaining very limited number of staff, just 2 to 5 employees on a regular basis. All other staff is engaged on job basis, as and when necessary.

FLOW OF MERCHANDISE



WAREHOUSE FOR CONSUMERS COOPS

7. It is true that consumers cooperative societies in Mindanao, particularly the smaller ones, are experiencing great difficulty in securing regular and assured supply of merchandise on competitive prices. The terms of supply to them are also such as place them in a disadvantaged situation so as to compete with their competitors in the private trade. They are unable to provide effective service to their members. Even big societies are not able to get as favourable terms of supply as are available to some of their competitors in private trade. It is, therefore, being urged by the leaders and managements of these cooperative societies that a regional warehouse should be established as may pool the experience and resources of all societies and arrange regular and assured supply of merchandise on competitive terms to all consumers cooperatives in Mindanao.

8. Considering the topography of the region, its mountaineous ranges, absence of railways, rough circuitous roads, and long distances, it seems economically unfeasible to supply merchandise to all cooperatives in Mindanao from one point. Separate warehouses have to be set up for catering to requirements of societies in each region. Even in a plain area, a warehouse can efficiently service societies upto within a radius of 150-200 kms.

LOCATION

9. As nearly 50% of Mindanao consumers cooperatives are situated in Region X and this region accounts for over 60% of trade volume and 66% of the membership, it is obvious that the first warehouse should be located in Region X.

In Region X, Bukidnon appears to be a most central location, but there are many other considerations which favour the selection of Cagayan De Oro City as a suitable location for putting up a warehouse. Cagayan is not only the capital of Region X, it is also one of the main sea-ports in Mindanao and a big commercial and university town, where offices of many important banks, insurance companies and business houses are located. Again, for procuring merchandise from Manila and Cebu, Cagayan de Oro will definitely be more suitable than Bukidnon.

10. Cagayan is connected through concrete roads with Iligan one side and Butuan and Surigao on the other. The Sayre highway is also under progress. There is already a concrete road from Cagayan to Bukidnon. A large number of consumers cooperative societies of Region X, are situated in cities and municipalities located on these highways.

11. In view of the above considerations, it is suggested that the first warehouse in Mindanao should be located at Cagayan de Oro City, preferably on Cagayan-Bukidnon road.

12. There are 94 consumers cooperatives in Region X. The 41 socioties which responded to the questionnaire, reported an annual turnover of 68 million, including 2 biggest societies of Mindanao. It is estimated that the annual turnover of all consumers societies in Region X may be around 125 million. In case the warehouse is located at Cagayan, it can also cater to requirements of societies in Iligan and Marawi areas of Region XII, as they are situated within 100 kms.range and are connected through a concrete road. This area can provide an additional turnover of 15 million pesos or more.

13. If it is intended, may be after sometime, to provide a possibility also to the far distant cooperatives in other regions to procure their requirments of merchandise from this warehouse, then sub-depots may have to be established at places like Butuan, Davao, Cotabato, Ozamis and Zamboanga. The distances of these places from Cagayan by road is shown below :

Butuan	209 km.	concrete road
Surigao	312 "	concrete road
Davao	387 "	concrete road
Osamis	249 "	partly concrete and ferry boat
Cotabato	263 "	only partly concrete
Zamboanga	473 "	onyy partly concrete

14. It may, however, be stressed here that it will be necessary to develop an adequate volume of business in an area, before a viable depot point can be established. At present, the volume of business around these points is much too inadequate.

15. The following functions are generally contemplated at a Warehouse :-

- Storage of palletized goods on the floor
- Storage of palletized goods on racks
- Storage of small items in shelves
- Free area for storage of bulk goods like flour, rice, sugar and salt
- Bulk storage for grains, corn grits, beans and moong.

- Goods receiving area
- Area for cleaning and packaging
- Despatch area for ready-pick orders
- Re-loading area

- Truck parking and truck maintenance
- Office
- Personnel rooms, social and recreation purpose
- Toilets.

Goods Reception Area

16. All arriving goods will be received here, including such goods as may require prepackaging in the warehouse e.g. sugar, rice, beans, etc.

The items that are to be handled on pallets are palletised here. The wooden pallets are used in Philippines. There is no standard size for a pallet, hence for purpose of calculations, the size which is commonly used in Europe e.g. 120 cm x 80 cm will be used. A pallet of this size generally carries a merchandise load of 550 kg.

Storage Area

17. Most of the goods are stored in pallet racks, but small items, in small quantities, are stored in shelves.

The big volume and fast-moving items may be stored on the floor itself, provided the goods can carry the weight of other pallets on the top.

To handle pallets in the storage area fork-lift trucks are required. For order-picking, roll-containers and powered pallet-trucks are used.

Despatch Area

18. Here the filled order are placed in roll containers. The roll containers are arranged according to a transport plan, awaiting their transportation to retail outlets of indenting cooperative societies.

Office & Personnel Room

19. The office and personnel rooms can be suitably located on the first floor (mezzanin floor) as some parts of the warehouse do not require the full height to the ceiling. In part of the warehouse where despatches of goods and reloading is done, a clearance of 7 metres is considered quite adequate.

Storage Space

20. To specify the dimensions of a warehouse so that it may correspond exactly to the existing storage requirement is not so easy. Of course, with assistance of turnover prognosis of each product group, it is possible to determine, with a reasonable accuracy, the volume of goods to be stored and space requirement for each. This, however, is a very time-consuming task, requiring a heavy demand on detailed statistics. As in the present case, most of these details are not available, one can attempt to make only a rough estimate about the size of the warehouse.

Assumptions

21. In order to work out a rough estimate of the size of the warehouse, we are making the following assumptions :

Total Annual Turnover (in retail value)	= 125 million (Peso)
- Proportion expected to be supplied by the Warehouse.	60%
- Value of merchandise estimated to be handled (retail price)	$= 125 \times \frac{60}{100} = 75$ million
- Average retail price per kilo of merchandise.	= 20 Peso
- Weight of merchandise to be handled on one year.	$= \frac{75,000,000}{20 \times 1,000} = 3,750$ tons
- Stock turn rate	= 10 Times.
- Average Stock-holding in terms of weight (tonnes)	= 375 tonnes.
- Average merchandise on one pellet	= 550 kgs.
- Average Stock-holding in the Warehouse in terms of pallets.	$= \frac{375 \times 1,000}{550} = 682$ pellets
- Daily volume	$= \frac{3,750}{300} = 12.5$ tonnes.

Warehouse size

22. It is estimated that on pallet racks, for four pallets in a height, a floor area of 900 sq.m. will be required as storage space. The total area required will be about 1,200 sq.m.

- Space required for storage area	= 900 Sq.m.
- Space required for goods reception, despatching and prepackaging.	= 300 sq.m.
Total area required	= 1,200 sq.m.

Land

23. A site of at least double the warehouse area should be acquired so as to provide for future expansion.

In order to get a good layout for the warehouse, it is desirable that the shape of the site is rectangular and ratio between length to width should be 2 : 1. Thus a site measuring about 70 x $35m^2$ should be preferred.

Warehouse equipment

24. The average daily volume of merchandise which is estimated to pass through the warehouse is 12.5 tonnes only, which is equal to 23 pallets. A reasonable hypotheses is that it takes 5 minutes for a fork-lift truck to carry one pallet from the point of goods reception to placing it on the pallet rack. In order words, one fork-lift truck can handle nearly 12 pallets in one hour or nearly 90 pallets in one shift of eight hours. The daily volume of merchandise to be handled at the warehouse will be much too inadequate to keep even one fork-lift fully occupied, all the time. It takes three minutes per pallet for handling it from a pallet-rack to picking place. In other words one fork-lift truck can pick up nearly 20 pallets in one hour. As such one fork-lift truck should be adequate for both the operations, with proper planning and coordination of the operations.

25. For picking of 12 tonnes of merchandise in a day, one powered pallet truck should be enough. It can be supported by 2 hand driven pallet trucks.

Transport Fleet

26. It is estimated that out of 3,750 tonnes of merchandise to be distributed during the year, nearly 60% of it will be required to be delivered within a radius of 100 km. of Cagayan and more than 20% within 20 km. As,on an average, only about 12.5 tons of merchandise will have to be handled daily, two distribution trucks, with carrying capacity of 6-8 tonnes each and one delivery van or a light commercial vehicle should be enough to handle this job.

Cost Estimates

			(In Pesos)
27. Land & Building		Capital cost	Operating cost
Site			
Cost of 2500 m^2 land @ 150 P per m^2	2500 x 150=375,000 Peso		
Depreciation (40 years)			9,375
Interest 10 years @ 9%)			16,875
Construction Cost			
Cost of construction			
900 m2 @ 2000 Peso	1,800,000		
300 m^2 @ 2500 Peso	750,000		
	2550,000		
Total		2,550,000	
Depreciation (15 years)			170,000
Interest 10 years @ 9%			114,750
28. Warehouse Equipment			
One high lifting fork-lift		300,000	
One order-picking powered truck @ 200,000		200,000	
2 Hand driven pallet trucks @ 15,000		30,000	
Annual operating cost of trucks including service, fuel & depreciation (40%).			212,000
Racks, shelves,etc.		150,000	
500 Pallets (wooden) 120x80 cm. @ 200 P.		100,000	
Other equipment (weighing machine, strappling machine, prepackaging machine etc. Roll container)		200,000	
Depreciation 7 years	64,285		
Interest 5 years, 9%	20,250		
	84,535		84,535

29.	Transport Fleet		Capital cost	Operating cost
	2 Distribution Trucks @ 275,000 Pesos.		550,000	
	1 Delivery van @ 100,000		100,000	
	Depreciation 5 years.	130,000		
	Servicing (25%)	162,500		
	Fuel $2\frac{1}{2}$ Peso per kilometer for 150,000 kms.	375,000		
	Interest 5 yrs, 9%	29,250		696,750
30.	Total capital investment			
	Land Building		2,925,000 Pesos	
	Warehouse equipment		960,000	
	Transport fleet		650,000	
	Total		4,555,000	

31. Work organisation

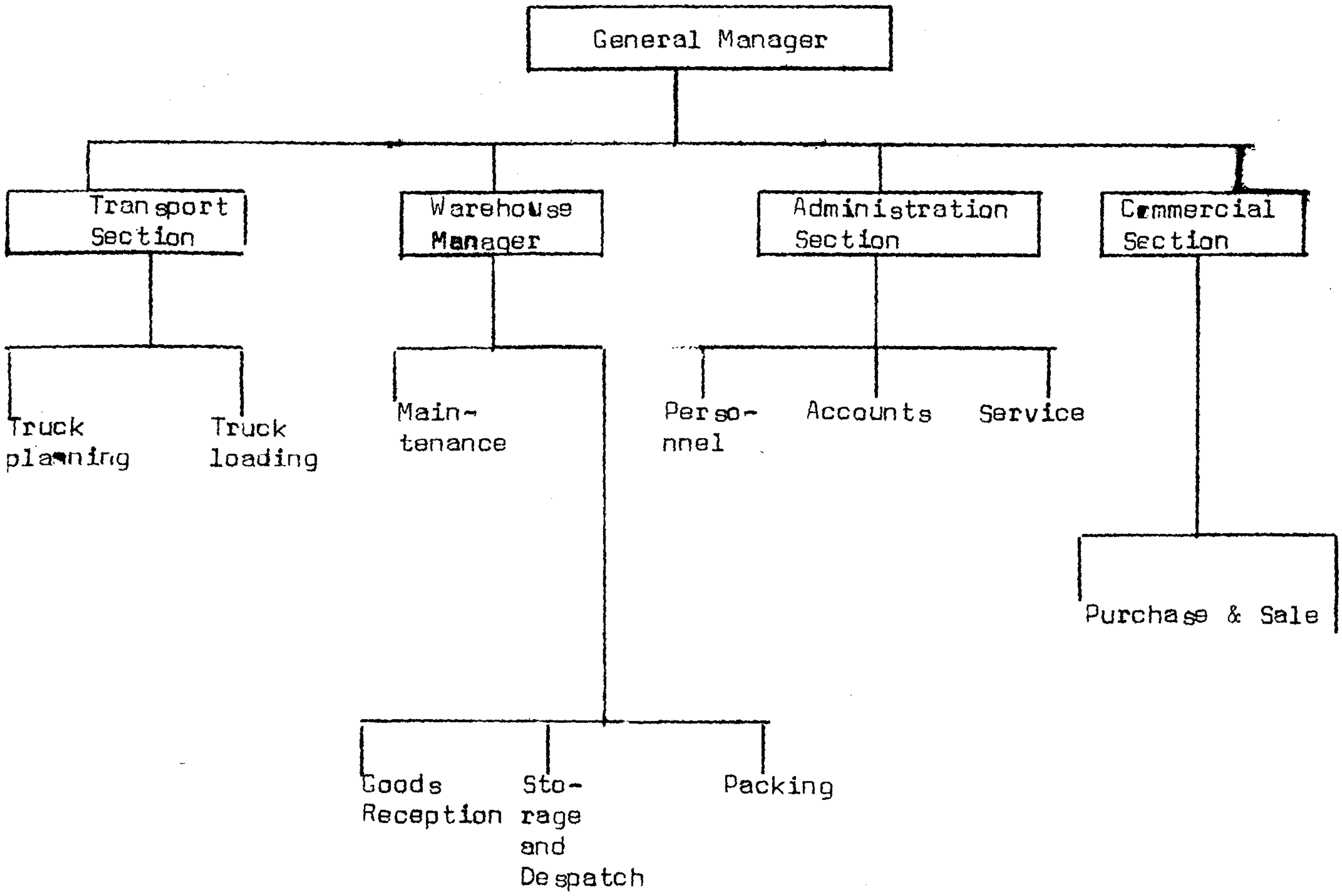
A Warehouse organisation can suitably be divided into four main areas :

- Warehouse operation
- Transport section
- Commercial section
- Administration

- The Warehouse operations includes various functions e.g. goods reception, storing, despatching and packing.
- The Transport section will be responsible for up-keep and maintenance of the transport fleet, transport planning and supervision over the loading of the vehicles.
- In commercial section there will be a number of expert buyers and salesmen responsible for different product groups to ensure planned procurement and distribution as per need and requirements of the affiliated societies, to their entire satisfaction.

The possible work organisation chart for the Warehouse is shown in the next page. The number of employees in each section will depend on the volume of business.

ORGANISATION CHART



32. Staff costs

The volume of business in the Warehouse will be very small. However, a skeleton staff in each section will be necessary so as to ensure that all important functions are attended to properly.

Warehouse Section		Salary Rate (Monthly)	Monthly cost
Supervisor	1	2,000	2,000
Goods Receivers	2	1,300	2,600
Pickers	2	1,300	2,600
Truck Drivers (1 Fork-lift & 2 Picking Truck	3	1,500	4,500
Clerks	2	1,300	2,600
			₱ 14,300
Transport Section			
Supervisor	1	2,000	2,000
Drivers	3	1,500	4,500
Extra	1	1,500	1,500
			₱ 8,000
Commercial Section			
Purchasers	2	2,500	5,000
Purbhase clerk	2	1,300	2,600
Salesmen	2	2,500	5,000
Sales clerks	2	1,300	2,600
			₱ 15,200
Administration Section			
General Manager	1	4,500	4,500
Secretary	1	1,500	1,500
Admn Officer	1	2,000	2,000
Clerks	1	1,300	1,300
Accountant	1	2,000	2,000
Accts.Clerks	2	1,500	3,000
Cleaning	1	1,300	1,300
Watchman	2	1,300	2,600
			₱18,200

TOTAL MONTHLY COST ₱55,700 or say Peso 56,000.

33. Stock Interest

With average stock-holding in the Warehouse worth Pesos 6,056,100 the interest cost at 18% works out to Pesos 1,090,000. Assuming that some credits will be extended by the suppliers the actual interest cost may be estimated at two-third s of this value i.e. Pesos 726,720.

34. Other costs

In addition to the costs stated above, there will be some other costs which it is difficult to specify like repairs and maintenance, electricity, water, stationery etc. These costs may roughly be taken at ₱100,000 for one year.

35. Summary of operating costs

The annual operating costs which are summarised below are only rough estimates and are based on costs of warehouse equipment, transport fleet and salary costs as are obtaining in 1984 and on the assumptions that a long-term loan of Pesos 4,555,000 will be available from the Cooperative Development Loan Fund at an interest rate of 9% per annum besides a working capital loan of 6 million peso at 18% interest.

Land and building	...	311,000
Warehouse equipment	...	296,535
Transport fleet	...	696,750
Staff	...	668,400
Stock interest	...	726,720
Other costs	...	100,000
Total operating costs	...	2,799,405 or say ₱2,800,000

Besides the costs mentioned here, there will be pre-operational expenses, in the form of salaries and interest, during the planning and construction period before the Warehouse goes into actual operation. The Project may also need some technical assistance for designing of the warehouse and training of its staff.

Thus, the total cost of the proposed project will be as under :-

Capital cost : 4.555 million Peso

Annual operating cost : 2.800 million Peso.

36. Warehouse Costs

Assuming a trade margin of 15% at retail level, the annual turnover at the Warehouse will amount to about 63.75 million pesos. Thus the warehouse operating cost of 2.8 million will figure out to 4.39% of turnover. Though this cost is somewhat on high side (because of limited turnover) yet it should not be difficult to cover it out of the expected discounts and price benefits as may accrue through direct purchases from manufacturer and their authorized stockists. Thus the preliminary investigation shows that the project of Regional Warehouse for Region X will be economically feasible, provided the requisite funds could be arranged at reasonable terms as envisaged in the calculations above.

37. Conclusion

The consultant however is doubtful whether it would be possible, in the present state of serious economic crisis in the Philippines to mobilize the requisite funds from the Cooperative Development Loan Fund (CDLF) or any other agency. No doubt, this is also the time when consumers in Mindanao are looking up to their cooperatives for effective service. It is suggested that in case the cooperatives are not able to mobilize requisite funds for setting up a modern mechanized warehouse, they may consider to set up a distribution centre in a rented warehouse. This Cooperative Distribution Centre should undertake joint procurement and coordinated supply of merchandise to all cooperatives in the Region.

The Bureau of Cooperative Development, in the Ministry of Food and Agriculture should extend full support to the Cooperative Distribution Centre and they should ensure that the National Food Authority (NFA), Food Terminal Corporation, Inc. (FTC), the National Sugar Trading Corporation (NSTC) and other public corporations, manufacturers and suppliers should extend preferential treatment to the Cooperative Distribution Centre in the matter of supply of consumer goods and other merchandise. Consumers Cooperatives in Mindanao are really doing a very useful service to their members and it is desirable that they should be strenghthened in their efforts both by the Government and other agencies.

****

A/1681984
75I/8/84

A N N E X T U R E S

Annexure - A

MEMBERS,RETAIL OUTLETS, EMPLOYEES, AND SALES

S. No.	Name	Members	Sales (Peso)	No. of Retail outlets	Employ -ees	Sales/ member	Weekly Sales / Employee (Peso)
1.	PPC,Bugo	2270	8,638,000	3	45	3805	3691
2.	Plantation,Bukidnon	3431	14,907,000	7	53	4344	5408
3.	Nasipit	479	756,200	1	3	1578	4847
4.	Butuan	373	547,000	1	6	1466	1753
5.	Bacuag	250	91,400	1	$1\frac{1}{2}$	3656	1171
6.	Tinabingan	154	1,173,000	1	4	7616	5639
7.	Mainit	243	853,000	1	4	3510	4100
8.	Cabadbaran	450	569,600	1	2	1627	5476
9.	Ozamis	1057	3,974,400	1	17	3760	4495
10.	Tanbug	360	1,807,800	1	10	5021	3476
11.	ALU, Cebu	4500	4,652,000	3	33	1033	2710
12.	General Hospital, Davao	340	426,300	1	6	1253	1366
13.	Hijo Plantation Madaum	2080	6,204,200	4	18	2982	6628

N.B. 1. Six consumers cooperatives at serial No. 1,2,6,,11, 12 and 13 were of closed type. The remaining seven are community cooperatives and are open to all.

2. Cooperative societies at serial No. 1,9 and 13 are also operating self service mini supermarket each. All other shops are small sari sari stores with personal service across the counter.

3. The Cooperative at serial No. 12 is operating a canteen only.

4. U.S. $ 1 = 18 Peso

Annexure - B

PAID UP SHARE CAPITAL AND OWN FUNDS

S. No.	Name	Mem-bers	Shares (Peso)	Share/ Member (Peso)	Reserves (Peso)	Own Fund (Peso)
1.	PPC Bugo	2270	897,000	395	254,000	1,051,000
2.	Plantation Bukidnon	3431	985,000	287	638,000	1,633,000
3.	Nasipit	479	77,850	162	16,000	93,850
4.	Butuan	373	75,200	201	28,266	103,466
5.	Bacuag	250	15,200	60	5,900	21,100
6.	Tinabingan	154	16,400	106	-	16,400
7.	Mainit	243	21,380	88	26,625	48,005
8.	Cabadbaran	350	24,945	71	-	24,945
9.	Ozamis	1057	535,045	506		726,527
10.	Tanbug	360	105,270	284	32,650	137,920
11.	ALU, Cebu	4500	789,870	175	192,717	982,587
12.	General Hospital, Davao	340	100,075	294	40,855	140,930
13.	Hijo Plantation Madaum	2080	1,155,000	555	1350,350	2,505,350

<u>Annexure - C</u>

OPERATING COSTS

(Peso)

S. No.	Name	Sales	Salaries and Allowances	Rent	Dep.	Int	Other Costs	Total Operating	% to Sales
1.	PPC Bugo	8,638,000	639,385	8,270	95,142	-	263,203	1,006,000	11.65
2.	Plantation Bukidnon	14,907,000	766,113	120,900	74,300	-	598,791	1,560,104	10.46
3.	Nasipit	756,200	21,797	3,500	532	-	17,731	43,560	5.76
4.	Butuan City	547,000	22,115	3,600	2,280	2650	14,795	45,440	8.30
5.	Bacuag	91,400	5,840	-	450	-	2,287	8,577	9.38
6.	Tinabingan	1,173,000	30,354	-	-	-	12,631	42,985	3.66
7.	Mainit	853,000	24,579	-	475	-	3,450	29,507	2.87
8.	Cabadbaran	569,600	13,622	5,050	1,450	3328	14,160	37,610	6.60
9.	Ozamis	3,974,400	157,052	24,000	9,400	1086	87,962	257,900	6.48
10.	Tanbug	1,807,800	39,348	5,333	-	4326	53,993	103,000	5.69
11.	ALU Cebu	4,652,000	154,517	-	4,952	-	261,611	421,080	9.05
12.	General Hospital Davao	426,300	46,562	-	2,450	-	34,971	83,983	19.70
13.	Hijo Plantation	6,204,200	238,885	10,600	-	-	334,659	584,144	9.41

Annexure - D

STOCK TURN RATE, TRADE MARGIN AND EXPENSE RATIO

S. No.	Name	Sales	Av.Stock (Peso)	Stock Turn (Times)	Gross Surplus	Trade Margin	Expense Ratio
1.	PPC Bugo	8,638,000	780,000	11.0	940,200	10.88	11.65
2.	Plantation Bukidnon	14,907,000	1500,000	9.9	1961,000	13.15	10.46
3.	Nasipit	756,200	59,800	12.6	50,785	6.71	5.76
4.	Butuan	547,000	38,000	14.4	33,560	6.13	8.30
5.	Bacuag	91,400	11,500	7.9	12,917	14.13	9.38
6.	Tinabingan	1,173,000			156,180	13.31	3.66
7.	Mainit	853,000	57,000	14.8	31,320	3.67	2.87
8.	Cabadbaran	569,600	13,300	*42.8	43,400	7.61	6.60
9.	Ozamis	3,974,400	867,600	4.5	334,145	8.40	6.48
10.	Tanbug	1,807,800	221,600	8.1	167,440	9.26	5.69
11.	ALU, Cebu	4,652,000	252,300	18.4	467,604	10.05	9.05
12.	General Hospital, Davao	426,300	5,600	76**	76,020	17.83	19.70
13.	Hijo Plantation	6,204,200	366,100	16.9	854,666	13.77	9.41

* It is also selling to small vendors

** It is operating only a Canteen.

Annexure - E

GROSS SURPLUS, OPERATING EXPENSES AND NET SURPLUS

S. No.	Name	Sales	Gross Surplus	Trade Margin	Operating Expenses	Expense Ratio	Other Income	Net Surplus
1.	PPC Bugo	8,638,000	940,200	10.88	1,006,000	11.65	117,160	51,305
2.	Plantation Bukidnon	14,907,000	1961,000	13.15	1,560,104	10.46	238,877	639,780
3.	Nasipit	756,200	50,785	6.71	43,560	5.76	800	8,025
4.	Butuan	547,000	33,560	6.13	45,440	8.30	13,000	1,120
5.	Bacuag	91,400	12,917	14.13	8,577	9.38	-	4,340
6.	Tinabingan	1,173,000	156,180	13.31	42,985	3.66	-	113,193
7.	Mainit	853,000	31,320	3.67	24,507	2.87	-	6,820
8.	Cabadbaran	569,600	43,400	7.61	37,610	6.60	2,290	8,075
9.	Ozamis	3,974,400	334,145	8.40	257,90[illegible]	6.48	35,645	111,890
10.	Tanbug	1,807,800	167,440	9.26	103,000	5.69	5,247	69,670
11.	ALU, Cebu	4,652,000	467,604	10.05	421,080	9.05	5,886	52,410
12.	Gen. Hosp. Davao	426,300	76,020	17.83	83,983	19.70	37,585	29,622
13.	Hijo Plantation	6,204,200	854,666	13.77	584,144	9.41	87,022	357,544