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AN EVALUATION OF GRAIN AREA MARKETING
COOPERATIVES IN THE PHILIPPINES

by

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AN EVALUATION OF GRAIN AREA MARKETING COOPERATIVES IN THE PHILIPPINES

by MARIO V. PERILLA

INTRODUCTION

Overview of Cooperative Program in the Philippines

Cooperation is not new to Philippine culture. The concept has spanned centuries of human existence from its pristine form of mutual assistance to what the Filipinos term as the Bayanihan. Cooperation, as we know it today however, i.e., a system which seeks to harness the limited resources of economic as well as social ends, was introduced in the Philippines only at the beginning of the American regime in the 1900's.

The first attempt to institutionalize cooperatives as a way of life started in 1915 with the enactment of Act No. 2508, otherwise known as the Rural Credit Act. It helped the farmers with their credit needs through the establishment of rural credit cooperatives. This was followed in 1927 by the passage of Act No. 3425, the Cooperative Marketing Law, which was designated primarily to organize the farmers into cooperatives to help them market their produce efficiently.

In 1940, a general law on cooperatives, Commonwealth Act No. 565, was enacted to promote the organization of cooperatives by giving them some tax exemption. During 1952, Agricultural Cooperatives received a big boost through the enactment of Republic Act No. 821 which created the Agricultural Credit and

Cooperative Financing Administration (ACCFA). The ACCFA was entrusted with the functions of extending agricultural credit to farmers at liberal terms and organizing them into Farmers Cooperatives Marketing Associations (FaCoMas).¹

In 1957, Republic Act No. 2023 was enacted. It was known as the Non-agricultural Cooperative Law, the general objective of which was to promote, organize and supervise all types of non-agricultural cooperatives.

Republic Act No. 3844, the Agricultural Land Reform Code, became a law in 1963. The act provided production and marketing incentives to members of farmers cooperatives as a direct support to land reform programs.

All these previous attempts at fostering the growth of cooperatives in the Philippines, however, failed to achieve the desired results. Of a total 938 registered agricultural coops in 1963, only 38.8 per cent were considered active. A larger percentage was less than successfully being operated. The Agricultural Credit Administration, which took the place of ACCFA in 1963, reported that out of 700 affiliated FaCoMas, only 120 were operating.²

With this as background, the new cooperative development program was begun. On the 14th of April, 1973, President Ferdinand E. Marcos signed PD No. 175 entitled "Strengthening of

¹Clemente, E. Terzo Jr., The New Philippine Cooperatives Development Program, BCOD, DLGCD, 1978, p. 1.

²Ibid. p. 2.

Cooperatives Movement" (see Appendix A for details), as an initial effort to consolidate the different cooperative laws into one and to provide a sound basis of a truly systematic cooperative program. The new cooperative law sets the tone of cooperative development by declaring it a policy of the state -

"to foster the creation and growth of cooperatives as means of increasing the income and purchasing power of low-income sector of the population in order to attain a more equitable distribution of income and wealth."³

The present cooperative development program is based on three basic premises:

1) Cooperatives are a means of affecting income and wealth distribution and as such should be accorded special privileges by the government.

2) Cooperatives should be built from the bottom up. This requires attitudinal changes through a learning process which may be completed only after a sufficient time. Thus cooperatives shall be built from the grassroots level, particularly in the barrios,⁴ and:

3) Cooperatives shall be developed into a system by integrating the different types of cooperatives into a single national development scheme.

³Bureau of Cooperatives Development. Important Documents on Cooperative Developments 1977-1978. MLGCD, Manila, Philippines. 1978. p. 1.

⁴Barrio is a basic unit in the political system. It can also refer to a group of hamlets.

The program is being pursued in four stages. These include:

Stage I - Organization and development of Samahang Nasyon (SN) (Barrio Association). SN is a barrio based organization composed of some 25 to 200 farmers.

Stage II - Organization and development of a full-fledged cooperative such as the Cooperative Rural Banks (CRB's) or the organization of SN's into Area Marketing Cooperatives (AMC's).

Stage III - Organization of consumer cooperative markets in key urban centers of the country for the purpose of developing steady and regular domestic outlets of agricultural produce.

Stage IV - Integration of cooperatives into a whole system culminating in the establishment of the National Cooperative Union as the apex organization of a truly cooperative system in the Philippines.⁵ This consists of federating cooperatives at the national level, and establishing the proper and necessary linkages as well as areas of cooperation among different types of cooperatives.⁵

Research Objectives

The research report attempts to evaluate the Area Marketing Cooperatives' operations, specifically the Grain Area Marketing Cooperatives (GAMC's). The development of these types of

⁵Bureau of Cooperative Development Field Workers Manual on Area Marketing Cooperatives MLGCD, Philippines. p. 4.

cooperatives is a part of the Cooperative Development Program with goals and objectives to stabilize the distribution of commodities and to improve the present marketing system that favors the middlemen more than the tillers of the soil or the ultimate consumers of the produce.

In as much as the SN's are pre-cooperative organizations at the barrio level which cannot perform business activities, the only way of improving the standard of living of farmer-members is through the establishment of a full-fledged cooperative as the GAMC's. Hence this study has been undertaken to evaluate the current operation of GAMC's.

Specifically for the Grain Area Marketing Cooperatives, the research study aims to:

- 1) Identify their objectives and functions;
- 2) Evaluate their organization and management operations;
- 3) Evaluate some of their marketing practices;
- 4) Analyze their financial statements;
- 5) Identify major problems affecting their operations; and
- 6) Suggest possible alternatives to improve the cooperative management and marketing services.

The result of this study can be useful in identifying relevant areas for research considerations. It can provide some useful basis for policy formulation, particularly the enhancement of cooperative development, thus contributing to the attainment of the ultimate goal for a more equitable distribution of income and wealth.

Methodology

Information was gathered from the reports of the Bureau of Cooperatives Development (BCOD), Ministry of Local Government and Local Development (MLGCD), personal files of Prof. Mary Jean McGrath of the University of Wisconsin - Madison and from the benchmark survey from the Cooperative Marketing Project (CMP)⁶. This benchmark survey was conducted by the Agricultural Credit and Cooperatives Institute (ACCI), University of the Philippines at Los Baños as commissioned by BCOD. The cooperative institutions included in the survey were fifteen GAMC's, nine CRB's and seventy-eight SN's. The sample sizes of the cooperative institutions were determined in advance.

Prior arrangements regarding the use of the survey data were made with ACCI by the author who has been directly involved in the project. Tabular and descriptive analyses of data were used in this study.

⁶This project known as Cooperative Marketing Project is being financed by a \$6M loan grant from the United States Government through the United States Assistance for International Development to the Philippines.

Generally, the project aims to provide financing for an improved marketing system for essential agricultural commodities like rice and corn produced by small farmers in the country. Specifically it seeks to improve a nucleus of marketing cooperatives which will provide basic production, supply and marketing needs of some 90,000 small farmers in the Philippines.

THE GRAIN AREA MARKETING COOPERATIVE

Definition, Objectives and Functions

The Grain Area Marketing Cooperative is a voluntary business association of at least ten (10) Samahang Nayons or pre-cooperatives engaged primarily in the marketing of grains or produce of its members as well as in the supply of members' production inputs and other requirements.

The Cooperative's broad objectives include:

- 1) To increase the income and purchasing power of SN/pre-cooperative members through efficient and effective marketing of their produce and supply of their production inputs;
- 2) To stimulate capital formation for economic development of farmer-members; and
- 3) To institutionalize cooperation as a technique for improving the social and economic status of its members.

In order to carry out its primary objectives, the Grain Area Marketing Cooperative shall undertake the following functions:

- 1) To assemble, pack, store, or process its members' produce for the purpose of selling and/or transporting such produce to market centers;
- 2) To purchase for and sell to its members the following:
 - a) Production inputs such as seeds, fertilizers, chemicals and other supplies;
 - b) Agricultural machinery, equipment and other implements; and
 - c) Other commodities needed by its members.

3) To provide extension services that will enable SN-pre-cooperatives to acquire and use modern methods of production;

4) To provide common facilities for marketing, storage, processing, grading and standardization, packaging, transportation or other functions essential to its operations;

5) To mobilize savings for capital formation, to secure credit, and to borrow funds needed to carry on its own business;

6) To provide budgeting, accounting, auditing and other fiscal sources to all member SN/pre-cooperatives; and

7) To cooperate actively with other cooperatives.

Organizational Structure

Area Marketing Cooperatives such as the Grain Area Marketing Cooperatives are formed by Samahang Nayons (Figure 1). Area operations are supported and centrally coordinated by the Cooperative Marketing System of the Philippines (CMSP), the apex of national cooperative marketing structure. The primary function of CMSP is to regulate and/or streamline the flow of farm inputs and farm harvests from areas of excess supplies to areas of shortage. In effect CMSP will link the production and consumer centers of agricultural inputs and goods in the country. Such linkage is actually a prerequisite to an efficient performance of marketing services and the reduction of market prices for consumers.

Table 1 presents the Area Marketing Cooperative's organizational data. There were fifty AMC's organized in 1978, but only thirty-one were operational. Fifty-four provinces were covered nationwide. There were 2,290 SN's, 110,427 individual farmers, plus 843 non-farmers affiliated with the AMC's. Of the 31 operating AMC's, the majority are

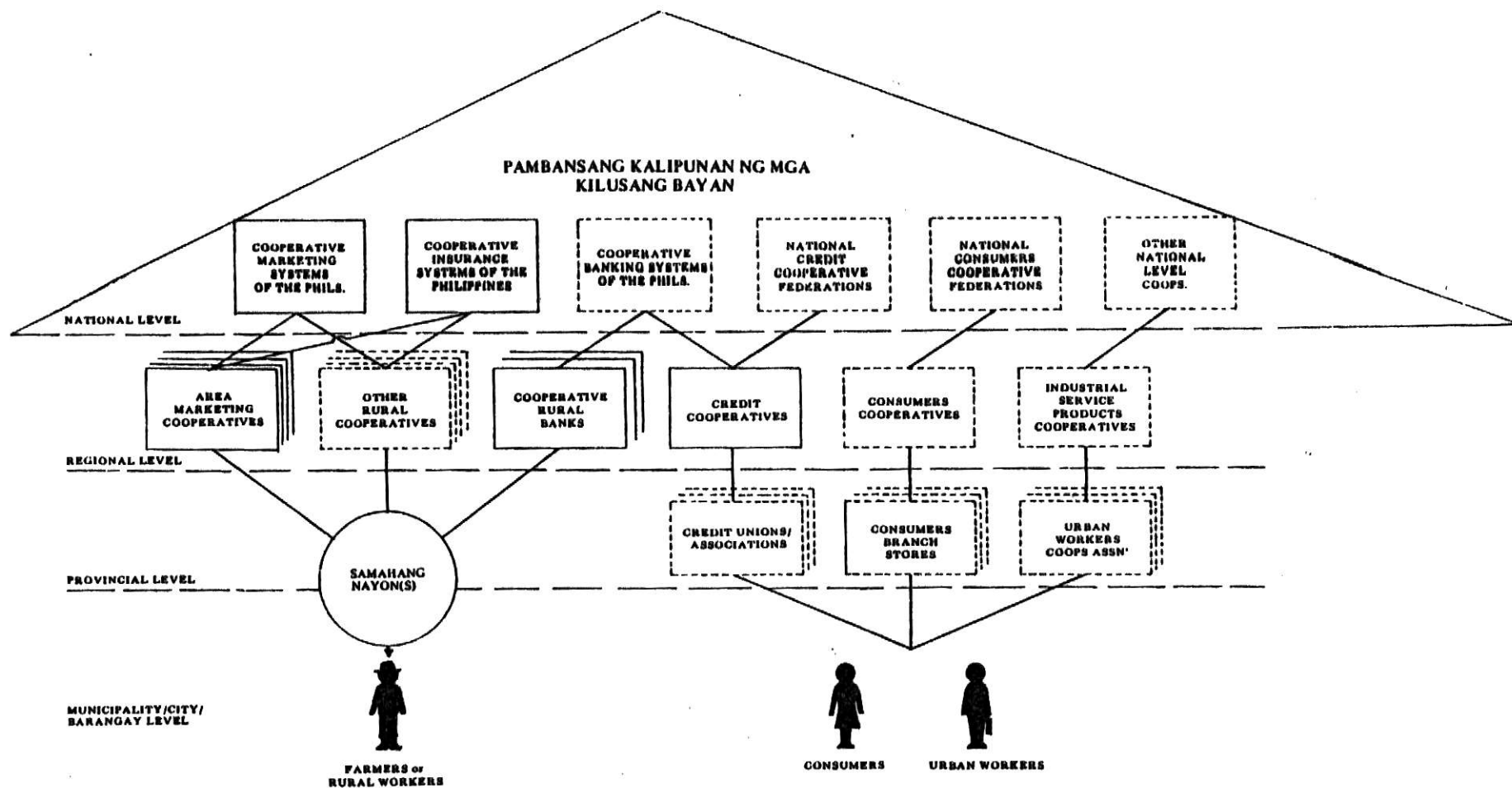


Figure 1. THE PHILIPPINE COOPERATIVE SYSTEM ORGANIZATIONAL INSTITUTIONS

Table 1. The Area Marketing Cooperatives Organizational Data^a
in the Philippines.

	Dec. '77	March '78
Provinces Covered	53	54
·AMCs organized	49	50
·AMCs registered ^b	30	33
·AMCs operational ^c	29	31 ^d
·AMCs with pending registration	19	17
Institutional Members of AMCs		
·Samahang Nayan	2,168	2,290
·Other cooperatives	15	15
Individuals Affiliated		
·Farmers	103,717	110,427
·Non-farmers	843	843

Source: Bureau of Cooperatives Development - Report on Cooperatives for the President, First Quarter CY 1978.

^aThe organizational data include all the different types of Area Marketing Cooperatives i.e. Grain Area Marketing Cooperatives, Vegetables Area Marketing Cooperatives and Livestock Area Marketing Cooperatives.

^bAMC's registered refers to full-fledged cooperatives which are authorized to conduct business by Bureau of Cooperatives Development and which have met the requirements as prescribed by BCOD.

^cAMC's operational refers to full-fledged cooperatives that are actively engaged in business activities.

^dOf these 31 AMC's, 26 were GAMC's. From the 26 GAMC's 15 were included in the Cooperative Marketing Project survey.

Grain Area Marketing Cooperatives.

The general structure of a GAMC organization is shown in Figure 2. The general members control and own the business. They elect the Board of Directors which in turn serves as the trustee. The Board selects the manager to implement the management policies and operations of the cooperative business. The manager hires the management staff. There are either appointed or elected committees to perform special functions for the Board.

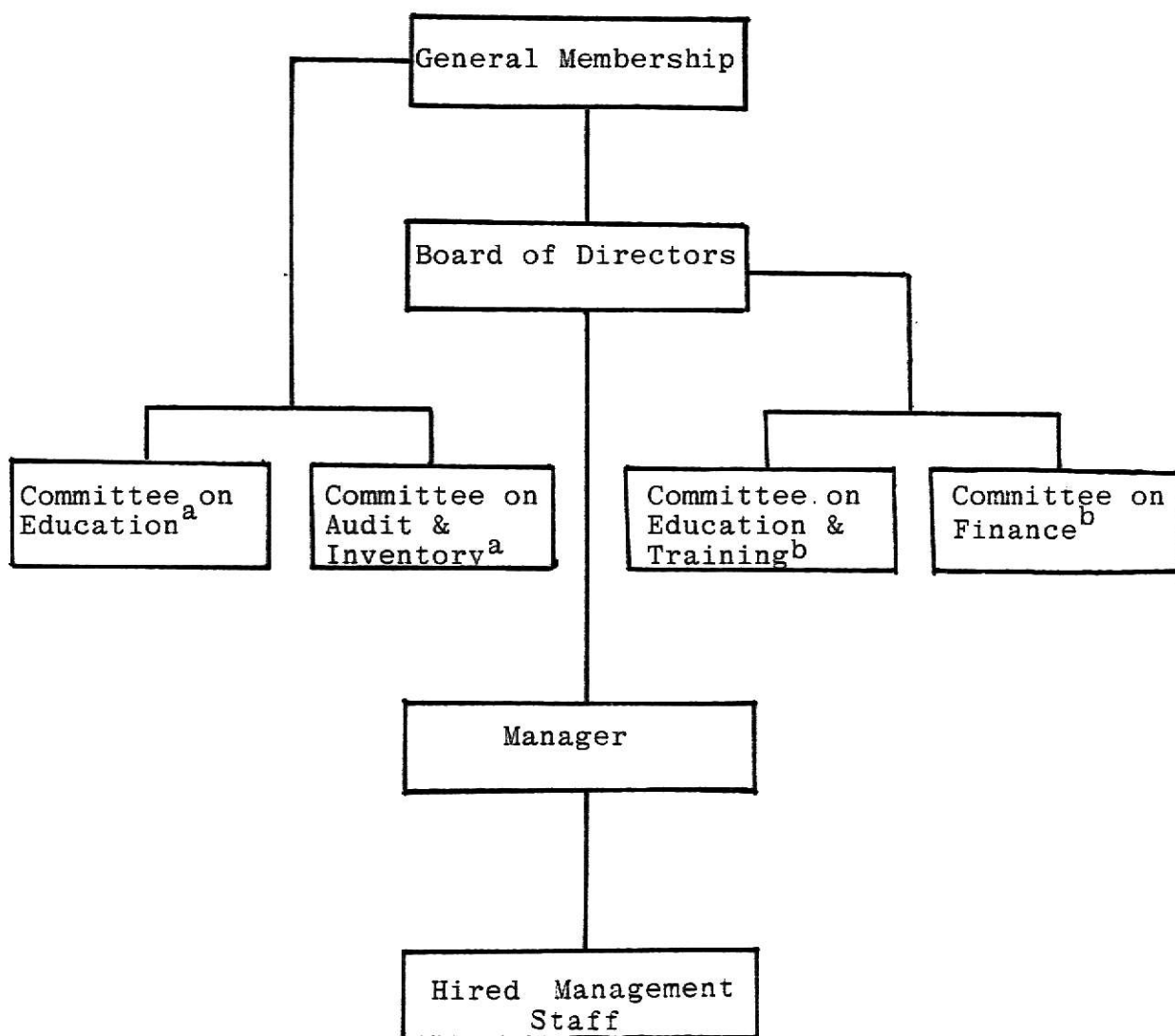
The organizational structure of the Central Nueva Ecija Marketing Cooperative (CENEMCO) is shown in Figure 3. There is a Management Committee which serves a staff/advisory function to the General Manager. Directly responsible to the General Manager are three managers - the Administrative and Finance Manager, Operation Manager and Extension Manager. The organization chart is intended to show the interdepartmental as well as intradepartmental relationships. Increasingly, organizational structure is developed in relation to the objectives of the company. People, facilities and other resources are grouped to facilitate achieving written objectives.⁷

Management

Managing a cooperative is a challenging and difficult job. It involves not only managing resources and business operations as in other business, but also dealing with problems stemming

⁷Leon Garoyan and Paul O. Mohn. The Board of Directors of Cooperative. Division of Agricultural Sciences, University of California, July 1976, p. 42.

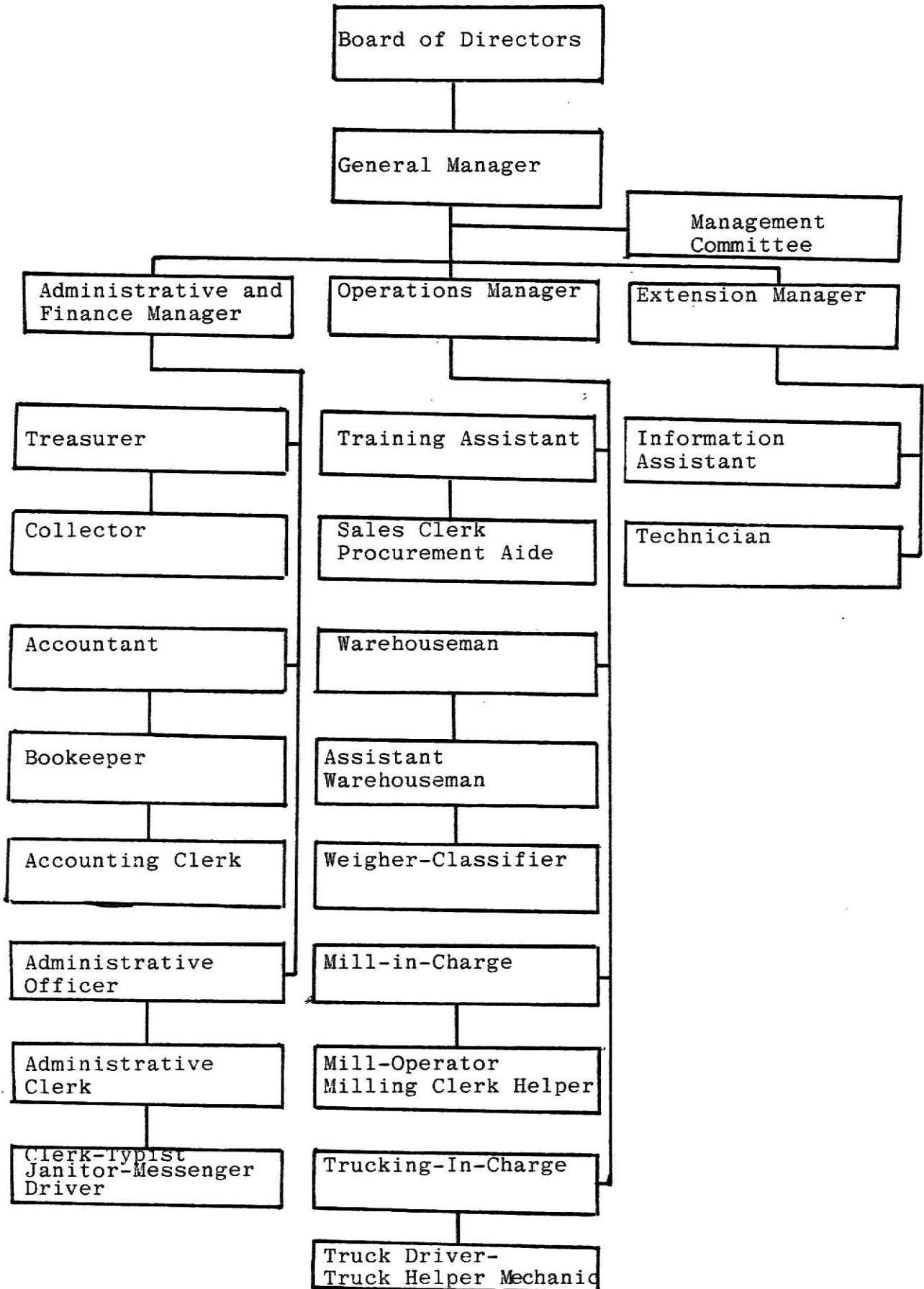
Figure 2. General Organization Structure of a Grain Area Marketing Cooperative.



^a elected committee

^b appointed committee

Figure 3. The Central Nueva Ecija Marketing Cooperative
Organizational Structure



from distinctive cooperative characteristics. Because the cooperative's members are both owners and patrons, special relationships and problems arise concerning members' and board of director's responsibilities.⁸

Personnel Management Personnel management involves the selection, development, utilization and compensation of employees. Management is concerned with obtaining qualified people as well as developing and utilizing employee capacities and abilities to best meet the demands and objectives of the organization. Fulfilling this basic responsibility should be in such fashion that a positive reaction in terms of personal enhancement is manifested by each member of the staff. The net result is optimum efficiency and effectiveness of all personnel.

Like any other business, hiring of personnel is done after the individual passes the interview and various employment-type examinations administered by cooperatives. Priority is given to qualified individuals whose parents are members of a Samahang Nayan. Additional preference is given if the SN is a member of the Area Marketing Cooperative.

In-service training of newly hired staff is inadequate. Further, incentives are relatively low as compared to private business doing the same services or tasks. The low salary of

⁸U.S.D.A., Economic Statistics and Cooperative Service. Farmers Cooperatives in United States Cooperative Information Report I, Section 8, U.S. Government Printing Office. April, 1980, p. 3.

employees is reflected in Table 2. It ranges from ₱10/day for casual status to ₱485 per month if regular status. This is one of the major reasons why there is high turnover of staff in the organization.

Education and Training Program. One strategy for improving management performance of cooperatives is through training and educational programs. With proper training, the members, the Board of Directors and the hired management in the cooperatives can increase the motivation to develop themselves and to cooperate or work together towards the achievement of their common goals. With the realization of their full potential, they are in a better position to increase their capacity to develop socially, politically and economically. In addition to increasing the capability of the people to develop and achieve, continuous training and education gives its members a deep sense of commitment to the cooperatives.

The major training schools for the boards and managers of GAMC's were sponsored by the Ministry of Local Government and Community Development. They were taught cooperative education, management, finance and marketing aspects of cooperative business and organization. Most of the training programs were held either at the Educational Training Center or Agricultural Credit and Cooperatives Institute at Los Banos. The training sessions were conducted as a seminar-workshop type. Several resource persons were from the Bureau of Cooperative Development, the Agricultural Credit and Cooperative Institute staff or from the cooperative movement.

Table 2. Management Personnel Profile of CENEMCO, 1979.

Position	Age	Sex ^a	Civil Status ^b	Educ. Attainment ^c	Date of App't	Status ^d	Monthly Salary(₱)
General Manager	45	F	M	BSC	-	regular	-
Administrative Assistant	24	M	S	BSC	Aug., 1975	regular	400
Junior Accountant	25	F	M	BSC	Aug., 1975	regular	485
Accounting Clerk	29	F	S	BSC	July, 1976	regular	365
Information Assistant	30	F	S	BSC	July, 1975	regular	440
Salesclerk/Storekeeper	25	F	M	BSC	April, 1978	regular	365
Milling Clerk	44	M	M	Elem	Aug., 1977	regular	330
Salesman/Collector	40	M	M	HS	July, 1976	regular	355
Clerk-typist	-	-	-	-	-	casual	365
Machine Operator	57	M	M	HS	Sept., 1975	regular	365
Acting Warehouseman	33	M	M	BSC	-	regular	365
Assistant Warehouseman	28	M	M	BSC	-	casual	₱10/day
Accounting Bookkeeper	26	F	M	BSC	Sept., 1975	regular	420
Technician	27	M	S	BSA	Oct., 1976	regular	440
Sales Supervisor	47	F	M	BSC	July, 1975	regular	450
Milling-in-Charge	57	M	M	Elem	July, 1976	regular	465
Driver	22	M	M	Elem	May, 1977	regular	420
Weigher-Classifier	35	M	M	HS	-	regular	330
Messenger -Janitor	35	M	M	HS	July, 1976	regular	365

Legend: ^a Sex F - Female M - Male

^b Civil Status M - Married S - Single

^c Educational Attainment BSC - Bachelor Degree in Commerce BSA - Bachelor Degree in Agriculture HS - High School Level Elem - Elementary Schooling

^d Regular is equivalent to full-time employment.
Casual is equivalent to part-time employment.

Marketing Operations and Strategy. The GAMC's are located in the different regions of the country as shown in Figure 4. Most of these marketing cooperatives are operating on a province-wide basis (see Appendix B). The major commodity marketed is palay/rice.

Volume of business transacted from January, 1975, to March, 1978, reached to ₱485.4M, mostly on accounts of grain marketing. Substantial sources of business included sales of by-products - ₱1.4M and production input distribution ₱1.2M. Milling fees contributed ₱370 thousands while freight and handling had 141.6 thousands; and warehousing had ₱15.7 thousands.⁹

a) Purchases. The GAMC's are operating with different lines of products. The principal commodity is palay/rice. They also market farm inputs which include seeds, chemicals and fertilizers. Thirty-three per cent of the Grain Area Marketing Cooperatives surveyed were engaged in marketing of farm equipment and only thirteen percent in prime commodities (Table 3).

The total value of purchases made by the fifteen marketing cooperatives surveyed during CY-1978 amounted to ₱28.6M or an average purchase of ₱1.9M while during the first half of CY-1979, the total purchases had reached to ₱18.2M, or an average of ₱1.2M. Hence for the period covering eighteen months, the total purchases amounted to ₱46.8M (Table 4).

⁹Bureau of Cooperative Development. Report on Cooperatives for the President: First Quarter CY-1978. p. 3-4.

Figure 4 OPERATION/LOCATION OF
AREA MARKETING COOPERATIVES (AMC)



Table 3. The Grain Area Marketing Cooperatives Line of Business, 1979.

GAMC	Line of Business			
			Farm Inputs ^c	Agricultural by Products ^d
Bulacan	Rice		Farm Inputs	
North Nueva Ecija	Rice	Palay ^a	Farm Inputs	
Central Nueva Ecija	Rice	Palay	Farm Inputs	Agricultural by Products
Pampanga	Rice	Palay	Farm Inputs	
Tarlac	Rice	Palay	Farm Inputs	Farm Machineries & Equipment
Batangas		Poultry	Farm Inputs	Prime Commodities
Mindoro Occidental	Rice		Farm Inputs	
Albay	Rice	Palay Corn		Farm Machineries & Equipment
Aklan			Farm Inputs	
Iloilo	Rice	Palay	Farm Inputs	Farm Machineries & Equipment
Negros Oriental		Corn	Farm Inputs	Farm Machineries & Equipment Prime Commodities
Misamis Occidental			Farm Inputs	Farm Machineries & Equipment
Surigao del Sur	Rice	Copra ^b	Farm Inputs	Agricultural by Products
South Cotabato			Farm Inputs	
North Cotabato	Rice		Farm Inputs	

^aPalay refers to paddy rice.

^bCopra is the dried coconut meat.

^cFarm inputs include seeds, fertilizers, herbicides and weedicides.

^dPrime commodities are commodities other than rice/corn which are commonly procured by farmers-members.

Table 4. Consolidated Total Purchases of Fifteen Grain Area Marketing Cooperatives During the CY-1978 and the First-half of CY-1979

Grain Area Marketing Cooperatives	Purchases (in thousand pesos)		
	Jan. 1, 1978 - Dec. 31, 1978	Jan. 1, 1979 - June 30, 1979	Total
Bulacan	4,283.2	1,008.8	5,292.0
North-Nueva Ecija	1,849.4	664.5	2,513.9
Central Nueva Ecija	5,490.7	6,489.8	11,980.5
Pampanga	202.3	321.6	523.9
Tarlac	2,972.0	1,189.7	4,161.7
Batangas	1,115.1	1,443.7	2,558.8
Mindoro Occidental	505.9	298.8	804.7
Albay	2,220.7	429.6	2,650.3
Aklan	1,378.1	1,072.2	2,450.3
Iloilo	848.6	269.1	1,117.7
Negros Oriental	235.3	1,029.7	1,265.0
Misamis Occidental	1,122.5	631.3	1,753.8
Surigao del Sur	443.4	473.9	917.3
South Cotabato	482.4	122.5	604.9
North Cotabato	5,497.9	2,754.5	8,252.4
TOTAL	28,647.5	18,199.7	46,847.2
AVERAGE	1,909.8	1,213.3	3,123.1

Table 5 presents the mode of delivery for products purchased by GAMC's during a period from August to September, 1979. Products purchased were either delivered by the suppliers or the GAMC transported whatever commodity purchased by them. Occasionally, a combination of transportation was used.

Twenty-five per cent of the palay purchased by GAMC's was delivered by its suppliers. Sixty per cent of the fertilizers purchased were GAMC transported.

Farm commodities were purchased on a cash-on-delivery basis (about 83.3 percent) or on credit (16.7 percent). The terms of payment for farm inputs were a combination of cash-on-delivery and credit installment or consignment basis. Prime commodities were on fifty percent cash and fifty percent credit basis (Table 6).

The suppliers of products to the Grain Area Marketing Cooperatives included non-SN farmers, Planters Products, Inc.,¹⁰ local traders, private dealers and viajero.¹¹ All of the palay came from the SN. Most of the farm-inputs were from Planters Products, Inc. and private dealers. The prime commodities and

¹⁰Planters Products Inc. is a chemical company that supplies farm inputs such as fertilizers, weedicides and herbicides.

¹¹Viajeros are small scale business operators who are generally mobile and own trucks for transporting rice but lack warehousing and milling facilities. They usually operate with their own capital, usually of minimal amount therefore necessitating rapid stock turnover.

Table 5. Modes of Delivery for Products Purchased. August to September, 1979.

Product	GAMC Reporting Number	Modes of Delivery		
		AMC Transported	Supplier Percent	Combination
A. Farm Commodities				
Rice	8	37.5	25.0	37.5
Corn	2	50.0	-	50.0
Palay	6	50.0	33.3	16.7
Others, Copra	1	100.0	-	-
B. Poultry & Livestock	1	100.0	-	-
C. Farm Inputs				
Fertilizers	15	60.0	20.0	20.0
Chemicals	15	40.0	26.7	33.3
Seeds	4	25.0	25.0	50.0
D. Farm Machineries & Equipment	4	50.0	25.0	25.0
E. Prime Commodities	2	-	50.0	50.0
F. Agricultural By-Products	3	-	-	100.0
G. Others	4	75.0	-	25.0
Total	65	46.2	21.5	32.3

Table 6. Terms of Payment for Products Purchased. August - September, 1979.

Product	GAMC Reporting Number	TERMS OF PAYMENT			
		COD	COD/ Credit	COD/Credit/ Installment	COD/ Consignment
A. Farm Commodities					
Rice	8	87.5	12.5	-	-
Corn	2	100.0	-	-	-
Palay	6	83.3	16.7	-	-
Others	1	100.0	-	-	-
B. Poultry & Livestock	1	100.0	-	-	-
C. Farm Inputs					
Fertilizers	15	26.6	60.0	6.7	6.7
Chemicals	15	26.6	53.4	6.7	13.3
Seeds	4	25.0	50.0	-	25.0
D. Farm Machineries & Equipment	4	25.0	50.0	25.0	-
E. Prime Commodities	2	50.0	50.0	-	-
F. Agricultural By-Product	3	66.7	33.3	-	-
G. Others	4	75.0	25.0	-	-
TOTAL	65	49.2	40.0	4.6	6.2

COD = Cash-on-Delivery

Table 7. Suppliers of Products Purchased. August - September, 1979.

Product	GAMC Reporting Number	Source of Supply						Local Traders/Private Dealers/Middlemen/Viajero	Others
		SN	Other Coops	Other AMC	SN Members	Non-SN Members	Planters		
A. Farm Commodities									
Rice	8	62.5	-	25.0	37.5	25.0	-	12.5	37.5
Corn	2	50.0	-	-	50.0	-	-	-	-
Palay	6	100.0	-	-	66.7	50.0	-	16.7	16.7
Others (coconut)	1	100.0	-	-	-	-	-	-	-
B. Poultry & Livestock	1	100.0	-	-	-	-	-	-	-
C. Farm Inputs									
Fertilizers	15	-	26.7	-	-	-	46.7	53.3	-
Chemicals	15	6.7	20.0	-	-	-	40.0	53.3	-
Seeds	4	-	-	-	25.0	25.0	25.0	50.0	-
D. Farm Machineries & Equipment	4	-	-	-	-	-	-	100.0	-
E. Prime Commodities	2	-	-	-	-	-	-	100.0	-
F. Agricultural By- Products	3	33.3	33.3	33.3	33.3	33.3	-	100.0	-
G. Others	4	25.0	50.0	-	-	-	-	75.0	-

farm equipment were supplied by private dealers, local traders or viajeros (Table 7).

A comparison was made concerning the grain purchase prices of marketing cooperatives and the competitors in the same business. Seventy-five percent of GAMC's surveyed reported it was the same, eight percent said it was slightly higher than its competitors but 16.6 percent reported that the GAMC's purchase prices were lower (Table 8).

Table 8. Purchase Prices of GAMC's Compared to Competitors.
August - September, 1979.

<u>Price Comparison</u>		<u>Practicing GAMC</u> <u>Percent</u>
GAMC Reporting	15	
Slightly higher		8.3
Same		75.0
Slightly lower		8.3
Lower		8.3

b) Sales. The total sales volume for an eighteen month period covering January, 1978 to June, 1979 amounted to ₡49.9M (Table 9). Of this amount, ₡10.6M came from Central Nueva Ecija Area Marketing Cooperative and ₡9.9M from North Cotabatio Area Marketing Cooperative. These two Grain Area Marketing Cooperatives were operating in rice granary areas, i.e., the northern and the southern parts of the country respectively.

Table 9. Consolidated Total Sales of Fifteen Grain Area Marketing Cooperatives During the CY-1978 and the First-half of CY-1979.

Grain Area Marketing Cooperatives	Sales (in thousand pesos)		
	Jan. 1, 1978 - Dec. 31, 1978	Jan. 1, 1979 - June 30, 1979	Total
Bulacan	4,481.0	1,073.9	5,554.9
North Nueva Ecija	2,072.4	684.8	2,757.2
Central Nueva Ecija	5,687.9	4,875.3	10,563.2
Pampanga	236.2	314.1	550.3
Tarlac	3,126.1	1,262.8	4,388.9
Batangas	1,131.5	1,505.0	2,636.5
Mindoro Occidental	1,328.9	81.1	1,410.0
Albay	2,516.2	554.0	3,070.2
Aklan	1,215.1	990.6	2,205.7
Iloilo	1,400.5	410.5	1,811.0
Negros Oriental	1,280.2	1,069.7	2,349.9
Misamis Occidental	1,001.7	708.4	1,710.7
Surigao del Sur	672.9	540.8	1,213.7
South Cotabato	276.3	86.7	363.0
North Cotabato	6,125.8	2,720.7	8,846.5
TOTAL	32,552.7	16,878.4	49,431.1
AVERAGE	2,170.2	1,125.2	3,295.4

The products were sold to different market outlets with about 75 percent of the farm commodities sold to the National Grain Authority (NGA). Eighty-seven percent of farm inputs were sold to SN/SN-members (Table 10). About 91.7 percent of the GAMC's sold farm inputs on a first priority basis to GAMC-SN members and only 8.3 percent to the general public (Table 11). Only 58 percent of the GMAC's sold farm products to AMC-SN members on first priority basis (Table 12).

Usually the buyers pick up the commodity purchased from the cooperative. The payments for the major products sold were mostly on cash basis. Agricultural by-products were sold on cash basis (Table 13).

c) Marketing Incentives and Practices. The GAMC's offered incentives to its clientele/customers. They were given discounts, commissions, and free freight were the most common incentives provided to customers who purchased in bulk.

The GAMC's also offered incentives to suppliers of commodities. Eighty percent of their suppliers were given free freight of commodities; forty percent were loaned sacks and about twenty percent price average (Table 14).

The grain purchased were graded in terms of quality, purity, moisture content, old to new stocks and variety. Table 15 shows the number of Grain Marketing Cooperatives that practice grading.

In order to prevent spillages and spoilage, the cooperatives used several safety measures. Most popular was the use of pallets- 86.7 percent; 80 percent used good containers and sacks. Collections of spilled grains, use of good wall and roofing materials, and maintaining sanitation in the warehouse were also practiced (Table 16).

Table 10. Market Outlets of Different Products Offered by Grain Area Marketing Cooperatives-
August - September 1979.

Product	GAMC Reporting Number	Market Outlet Used					
		SN/ Member	Other Coop. ^a	Other AMC	Middlemen/ Viajero	NGA Others ^b	
							Percent
A. Farm Commodities							
Rice	8	25.0	37.5	37.5	100.0	45.0	37.5
Corn	2	-	-	-	100.0	50.0	-
Palay	6	16.7	16.7	50.0	83.3	50.0	-
Others(coconut)	1	-	100.0	-	-	-	-
B. Poultry & Livestock	1	-	100.0	-	-	-	-
C. Farm Inputs							
Fertilizers	15	86.7	6.7	20.0	13.3	-	33.3
Chemicals	15	86.7	6.7	20.0	13.3	-	33.3
Seeds	4	100.0	-	-	-	-	50.0
D. Farm Machineries & Equipment	4	75.0	-	-	25.0	-	25.0
E. Prime Commodities	2	50.0	-	-	-	-	50.0
F. Agricultural By- Products							
Rice Brand	3	100.0	-	-	33.3	-	-
G. Others	4	100.0	-	-	-	-	25.0

^a Employees Coop, Super Palengke, Consumers' Coop, Producers' Coop
^b Farmers, Offices, Hospitals, Restaurants, Schools, General Public

Table 11. Practices in Selling Farm Inputs. August - September, 1979

Source	GAMC Reporting Number	Priority			
		First Come First Served		First Priority	
		Number	Percent	Number	Percent
Individual					
GAMC-SN Member	12	-	-	11	91.7
General Public	12	1	8.3	-	-
Institutional					
SN	12	-	-	11	91.7
Any Institution	12	1	8.3	-	-

Table 12. Practices in Selling Farm Products. August - September 1979

Type of Customer	GAMC Reporting Number	Priority			
		First Come First Served		First Priority	
		Number	Percent	Number	Percent
Individual					
GAMC-SN Member	12	-	-	7	58.3
General Public	12	5	41.7	-	-
Institution					
SN	12	-	-	9	75.0
Any Institution	12	3	25.0	-	-

Table 13. Terms of Payment for Products Sold. August - September, 1979.

Products	GAMC Reporting	Number	Term of Payment		
			COD	COD/Credit Credit	COD/Credit Installment
<u>Percent</u>					
A. Farm Commodities					
Rice	8	50.0	25.0	-	25.0
Corn	2	100.0	-	-	-
Palay	6	50.0	33.3	-	16.7
Others	1	100.0	-	-	-
B. Poultry & Livestock	1	100.0	-	-	-
C. Farm Inputs					
Fertilizers	15	53.3	40.0	-	6.7
Chemicals	15	53.3	33.4	-	13.3
Seeds	4	50.0	25.0	-	25.0
D. Farm Machineries & Equipment	4	50.0	-	25.0	25.0
E. Prime Commodities	2	50.0	-	-	50.0
F. Agricultural By- Products					
Rice Brand	3	100.0	-	-	-
G. Others	4	50.0	25.0	-	25.0
TOTAL	65	56.9	26.2	1.5	15.4

Table 14. Incentives Offered to Suppliers of Commodities.
August - September, 1979.

Incentive	Number	Percent
GAMC Reporting	<u>5</u>	
Sack Lending	2	40.0
Free Freight	4	80.0
Price Average ^a	1	20.0
Others	2	40.0

^aPrice average refers to the average of the different prices of a particular commodity prevailing in a locality or area.

Table 15. Grading Practices for Rice and Corn Purchased.
August - September, 1979.

Type of Grading	Number	Percent
GAMC Reporting	<u>11</u>	
Quality/Purity	11	100.0
Moisture Content	11	100.0
Old to New Stocks	9	81.8
Variety Class	7	63.6

Table 16. Measures Adopted to Prevent Spillages and Spoilage.
August - September, 1979.

Safety Measures GAMC Reporting	Number	Percent
	15	
1. Use of pallets	13	86.7
2. Use of good containers/sacks	12	80.0
3. Provide rat proofing/traps	6	40.0
4. Employ experienced laborers	10	66.7
5. Collection of spilled grains	11	73.3
6. Use of good wall and roof materials	11	78.3
7. Prompt repair of drainage system around warehouse	6	40.0
8. Employ regular inspector	4	26.7
9. Sanitation in the warehouse	11	73.3
10. Others	1	6.7

Finance

Cooperative financing is conceptually a mobilization of the small, scattered resources of its members and channelling them into the mainstream of cooperative activity. Time tested cooperative precepts demand that funding requirements of cooperatives be provided by the members themselves through an organized and planned savings program. Harnessing the resources of members must be undertaken before the cooperative considers tapping external sources of finance. And if external financing is utilized at all, the cooperative shall endeavor to replenish such funds with internally generated capital as soon as possible.

Sources of Financing. The marketing cooperative derives its funds from the following:

1. Share capital - Direct membership capital shall be in the form of shares of capital stock, each with the par value of ₱1,000.00. Each member subscribes for at least 5 shares payable in lump sum or by installments. Payments for at least one share and the membership fee shall entitle the members to rights and privileges of membership. By way of generating additional capital, each member SN/pre-cooperative increases its shareholding by channeling into the share capital at least 20 percent of annual collections of Barrio Guarantee Funds (BGF).

Paid in shares of stock may earn interest at the rate to be determined by the Board of Directors but in

no case shall it exceed the ceiling prescribed by the Ministry of Local Government and Community Development (MLGCD).

The authorized capital is prescribed in the Articles of Incorporation (Appendix D - Incorporation Format).

At least 20 percent of authorized capital shall be subscribed. In no case should the paid-in capital be less than ₱100,000.00 for purposes of organizing and registering the Grain Area Marketing Cooperatives.

2. Revolving Capital. The marketing cooperative may adopt a scheme of generating capital by deferring the payment of patronage refunds for a period not exceeding five years. The rate of interest on patronage refunds delayed shall be consistent with the rate prescribed by the MLGCD.
3. Capital Reserves. At least 10 per cent of the annual income of GAMC's shall be set aside as General Funds to be accumulated for the stability of the cooperative. Any losses suffered by the cooperative may be charged against the General Reserve Fund (GRF) with approval by the members. On the dissolution of the marketing cooperative, the GRF shall be donated to the Cooperative Education and Training Fund.
4. Loan Capital. Borrowing may be made by the marketing cooperatives from either the members or external sources to supplement the members' share capital contribution. Cooperatives operate under the principles that the required capital shall be generated from within. Borrowings

shall be resorted to only as temporary measures and shall be replenished immediately with internally-generated funds. In the event that the marketing cooperative has to borrow additional capital, it must see to it that the cooperatives' autonomy and independence are not compromised.

5. Subsidies, Grants and Donations. The GAMC is authorized by law to accept subsidies, grants and donations from local and foreign sources, subject to the rules promulgated by the Bureau of Cooperative Development (BCOD).
6. Kilusang Bayan Guarantee Fund (KBGF). Each year the GAMC shall set aside at least one percent of its gross income as KB guarantee funds to be used primarily to achieve the objectives of the organization, as a social fund for financing common facilities and services of its members, as premium payments for social insurance, and for investments in other cooperatives.

The consolidated capitalization of fifteen Grain Area Marketing Cooperatives as of September 30, 1979 was ₱49.4M authorized capital; ₱10.2M subscribed capital and a paid up capital of ₱3.7M (Table 17). There was an increase of 29.6 percent on the subscribed capital from December 31, 1978 to September 30, 1979. From this increase, more than forty percent was paid-up.

Table 17. Consolidated Capitalization of Fifteen GAMC's as of December 31, 1978 and September 30, 1979.

Item	As of December 31, 1978	As of September 30, 1979	Change
(Values in thousand pesos)			
Authorized Capital	35,500	49,400	13,900
Subscribed Capital	7,200	10,233	3,029
Paid-up Capital	2,377	3,690	1,313

Recordkeeping. There are five (5) types of records or books of accounts prepared and kept by GAMC's. These records include cash receipt book, cash disbursement book, purchasing book, sales book, accounts/notes receivable ledger and accounts/notes payable ledger. The status of the records shows that records were properly kept, up-dated and audited. Only one of the marketing coops was found with an un-updated salesbook and accounting ledgers (Table 18).

Financial statements were prepared by about half of the survey of GAMC's quarterly (Table 19). Records were audited by internal and external auditors.

Table 20, 21 and 22 show the different control measures on cash, inventory and receivables as practiced by the cooperatives. They maintained cash records and cash receipts. They used vouchers, maintained an inventory of records/accounts and practiced regular inventory counts.

Table 18. Status of Records/Books of Accounts. August - September, 1979.

Records	GAMC Reporting	Up-Datedness		Status		Frequency of Audit			
		Up to Date	Not up to Date	Filing Properly Kept	Not Properly Kept	Month.	Quart.	Semi Ann. Others	
Number		Percent							
Cash Receipt Book	15	100.0	-	100.0	-	13.3	13.3	40.0	33.4
Cash Disbursing Book	15	100.0	-	100.0	-	13.3	13.3	40.0	33.4
Purchase Book	14	100.0	-	100.0	-	21.4	14.3	35.7	28.6
Sales Book	14	92.9	7.1	100.0	-	21.4	14.3	42.9	21.4
Account/Notes Receivable Ledger	14	92.9	7.1	92.9	7.1	21.4	14.3	42.9	21.4
Accounts/Notes Payable Ledger	14	92.9	7.1	100.0	-	21.4	14.3	42.9	21.4

Table 19. Frequency of Preparation of Financial Statements and Auditing. August - September, 1979.

Records	GAMC Reporting Number	Frequency			Annual
		Monthly	Quarterly	Semi-Annual	
		Percent			
A. Financial Statement					
Balance Sheet	15	33.3	46.7	13.3	6.7
Income Statement	15	33.3	46.7	13.3	6.7
B. Audit					
Internal	9	11.1	22.2	55.6	11.1
External	14	-	14.3	35.7	50.0

Table 20. Cash Control Policies and Practices. August - September, 1979.

Policy GAMC Reporting	Number <u>15</u>	Percent
1. Maintain Cash Record and Cash Receipts/Evidence	15	100.0
2. Use of Voucher/System/Disbursement by Check	9	60.0
3. Immediate Deposit in Bank	7	46.0
4. Use of Impost System	5	33.3
5. Frequent Cash Count	5	33.3
6. Division Responsibility (Cash & Record)	2	13.3
7. Cash/Bank Reconciliation	2	13.3
8. Periodic Audit	1	6.7

Table 21. Inventory Controls and Policies. August - September, 1979.

Policy GAMC Reporting	Number <u>15</u>	Percent
1. Maintain Records for Inventory	11	73.3
2. Regular Inventory Count	8	53.3
3. Separation of Responsibility (Recording & Custody)	6	40.0
4. Use of Documents on Inventory Movement	5	33.0
5. Regular Audit	3	20.0

Table 22. Policies and Practices to Control Receivables.
August - September, 1979.

Policy GAMC Reporting	Number	Percent
	<u>15</u>	
1. Aging of Accounts	7	46.7
2. Issuance of Receipts and Other Evidence of Indebtedness	7	46.7
3. Regular Preparation of Receivables Report	5	33.3
4. Maintenance of Subsidiary Ledger	5	33.3
5. Notices of Collection are Sent	4	26.7
6. Confirmation of Balance	3	20.0
7. Others	1	6.7

The records mentioned earlier should not only be kept but they should be analyzed too. Analysis of the data is useful in planning and controlling the efficient use of the capital resources.

Financial Analysis. Financial management is a key area in cooperatives. This involves managing assets of cooperatives such as cash, accounts receivables, inventories, fixed assets and investments in other cooperatives. It includes managing of liabilities, maintaining sufficient member or equity capital and maintaining a sound financial position that will be acceptable to creditors, suppliers, or buyers of cooperatives products. This requires periodic analysis of a cooperative's financial position, its operating efficiency, and proposals for expansion.

Ratios are useful in making an evaluation of the past activity in relation to some standard performance. Furthermore, ratios are useful in forecasting future levels of capital investments in various enterprise within the business.

In appraising the liquidity and indebtedness, three ratios were used. These are the current ratio, equity/debt ratio, and debt ratio.

The current ratio measures the margin of safety of business against unforeseen events. The rule of thumb 2:1 (for current assets to current liabilities ratio) should be used with discretion, since a cooperative's ability to meet its current obligations will depend on the quality and the character of the current assets and its debt capacity (ability to raise new credit).

The equity/debt ratio (members equity: total debt) indicates the debt capacity of the business. A 1:6 ratio indicates assets financed mainly by creditors and a low debt capacity available. A 4:1 ratio indicates the opposite.

The debt ratio is the ratio of total debts to total assets. The rule of thumb for this ratio is 1:2 to be safe. Total debt includes both current liabilities and fixed liabilities. This ratio shows the extent to which assets are financed from debt (creditors) rather than equity (members). From the creditors' viewpoint, the lower the percentage of debt financing the better, since ownership funds provide a cushion of debt capacity to absorb possible losses from operations and decreases in asset values.

For appraising funds management, a sales/assets ratio was used. This ratio calculates the turnover ratio of total funds used in the business and is often used to judge the efficiency with which a cooperative is using its assets to produce sales. The rule of thumb is that sales should be at least 1 to 4 times as much as the assets.

As of December 31, 1978, Central Nueva Ecija's Marketing Cooperative has the highest value of assets — ₱4.3M, while North Cotabato has the highest net worth value—₱1.01M (Table 23). On June 30, 1979, the Central Nueva Ecija Marketing Cooperative's total assets amounted to ₱6.7M and its networth valued at ₱0.5M (Table 24). The majority of the assets ie. buildings were financed from longterm loans.

Table 23. Consolidated Financial Statements of Fifteen Grain Area Marketing Cooperatives as of December 31, 1978.

Item	Grain Area Marketing Cooperatives					
	Bulacan	North Nueva Ecija	Central Nueva Ecija	Pampanga	Tarlac	Batangas Mindoro Occidental Albay
(Values in thousand pesos)						
<u>Assets</u>						
Current assets	973.5	1,583.6	3,958.1	540.7	631.4	399.4 1,407.9 785.6
Fixed assets	196.0	1,250.3	190.2	137.6	71.1	4.5 93.8 14.1
Investment, Others	24.4	136.0	148.3	19.1	41.3	13.9 26.1 1.8
Total	1,193.9	2,969.9	4,296.6	697.4	743.8	417.8 1,527.8 801.5
<u>Liabilities</u>						
Current liabilities	1,132.1	1,575.0	3,286.4	258.3	171.3	6.0 701.9 171.1
Fixed liabilities	-	537.7	506.9	450.0	400.1	300.0 595.9 500.0
Total	1,132.1	2,112.7	3,793.3	708.3	571.4	306.0 1,297.8 671.1
<u>Networth</u>						
Paid-up capital	341.9	485.6	322.9	318.3	233.0	111.0 159.0 131.6
Reserves	4.8	465.0	80.6	-	-	0.8 - -
Undistributed savings/loss	(294.9)	(93.4)	99.9	(329.2)	(60.5)	- 71.1 (1.2)
Total	61.8	857.2	503.4	(10.9)	172.5	111.8 230.1 130.4
Total Liabilities & Net Worth	1,193.9	2,969.9	4,296.6	697.4	743.9	417.8 1,527.9 801.5
Equity ratio	0.05:1	0.40:1	0:13:1	0.02:1	0.30:1	0.36:1 0.18:0 0.19:1
Current ratio	0.86:1	1.00:1	1.20:1	2.09:1	3.68:1	66.57:1 2.00:1 6.60:1
Debt ratio	0.95:1	0.71:1	0.88:1	1.02:1	0.77:1	0.73:1 0.85:1 0.84:1

Table 23. Continued

Item	Grain Area Marketing Cooperatives					
	Aklan	Iloilo	Negros Oriental	Misamis Occidental	Surigao del Sur	North Cotabato
(Values in thousand pesos)						
<u>Assets</u>						
Current assets	679.2	590.4	249.3	413.7	166.2	313.6
Fixed assets	72.0	819.5	79.3	31.8	63.6	27.9
Investment, Others	-	47.5	1.1	56.3	9.5	0.3
Total	751.2	1,457.4	329.7	501.8	239.3	341.8
<u>Liabilities</u>						
Current liabilities	192.0	572.6	218.9	151.3	132.9	172.9
Fixed liabilities	400.0	638.2	43.9	-	-	-
Total	592.0	1,210.8	262.8	151.3	132.9	172.9
<u>Networth</u>						
Paid-up capital	127.0	168.1	100.0	343.9	130.2	167.1
Reserves	4.1	337.9	-	6.6	-	-
Undistributed savings/loss	28.1	(259.4)	11.7	-	(23.8)	1.8
Total	159.2	246.6	111.7	350.5	106.4	168.9
Total Liabilities & Net Worth	751.2	1,457.4	374.5	501.8	239.3	341.8
Equity ratio	0.27:1	0.20:1	0.42:1	0.23:1	0.80:1	0.98:1
Current ratio	3.54:1	1.03:1	2.17:1	4.90:1	6.16:1	1.81:1
Debt ratio	0.79:1	0.83:1	0.80:1	1.10:1	0.56:1	0.51:1

Table 24. Consolidated Financial Statement of Fifteen Grain Area Marketing Cooperatives as of June 30, 1979.

Item	Grain Area Marketing Cooperatives					
	Bulacan	North Nueva Ecija	Central Nueva Ecija	Pampanga	Tarlac	Mindoro Occidental
(Values in thousand pesos)						
<u>Assets</u>						
Current assets	926.3	1,519.0	6,315.1	526.6	669.5	436.5
Fixed assets	192.4	1,290.3	203.1	135.2	73.8	9.7
Investment, others	23.4	136.0	46.8	15.6	40.9	69.9
Total	1,142.1	2,945.3	6,665.0	677.4	784.2	516.1
						1,246.6
						95.3
						27.4
						8.8
						745.5
<u>Liabilities</u>						
Current liabilities	1,099.3	1,311.2	5,936.4	259.4	163.6	115.2
Fixed liabilities	-	822.9	436.9	450.0	400.0	300.0
Total	1,099.3	2,134.1	6,173.3	709.4	563.6	415.2
						1,126.9
						612.9
<u>Networth</u>						
Paid-up capital	342.2	530.2	326.0	371.5	250.2	115.0
Reserves	-	465.0	93.6	-	2.4	-
Undistributed savings/loss	(300.4)	(183.8)	42.1	(403.5)	(32.0)	14.3
Total	42.8	811.2	491.7	(32.0)	220.6	100.7
						242.4
						132.6
						745.5
<u>Total Liabilities & Net Worth</u>	1,142.1	2,945.4	6,665.0	677.4	784.2	515.9
						1,369.3
						745.5
Equity ratio	0.04:1	0.38:1	0.08:1	-0.04:1	0.41:1	0.20:1
Current ratio	0.84:1	1.16:1	1.10:1	2.03:1	4.09:1	3.79:1
Debt ratio	0.96:1	0.72:1	0.92:1	1.04:1	0.72:1	0.80:1
						0.82:1
						0.82:1

Table 24. Continued

Item	Aklan	Iloilo	Grain Area Marketing Cooperatives				South Cotabato	North Cotabato
			Negros Oriental	Misamis Occidental	Surigao del Sur			
(Values in thousand pesos)								
<u>Assets</u>								
Current assets	1,383.7	492.2	340.9	514.0	326.9	381.1	2,960.8	
Fixed assets	77.1	806.6	82.0	31.0	59.5	28.9	54.1	
Investment, others	-	52.4	2.1	58.0	11.2	-	5.0	
Total	1,460.8	1,351.2	425.0	603.0	397.6	410.0	3,019.9	
<u>Liabilities</u>								
Current liabilities	353.4	484.3	289.3	157.6	90.7	199.7	1,284.2	
Fixed liabilities	700.0	632.3	18.4	-	200.0	-	541.7	
Total	1,053.4	1,116.6	307.7	157.6	290.7	199.7	1,825.9	
<u>Networth</u>								
Paid-up capital	374.8	169.7	100.0	429.3	132.3	183.6	477.4	
Reserves	6.7	339.7	-	4.8	-	-	159.2	
Undistributed savings/loss	25.9	(274.8)	17.3	11.3	(25.4)	26.7	557.4	
Total	407.4	234.6	117.3	445.4	106.9	210.3	1,194.0	
Total Liabilities & Net Worth	1,460.8	1,351.2	425.0	603.0	397.6	410.0	3,019.9	
Equity ratio	0.60:1	0.21:1	0.38:1	3.80:1	0.36:1	1.05:1	0.65:1	
Current ratio	3.92:1	4.93:1	1.18:1	4.61:1	3.60:1	5.51:1	2.30:1	
Debt ratio	0.72:1	0.83:1	0.72:1	0.26:1	0.73:1	0.49:1	0.60:1	

Only Misamis Occidental and South Cotabato Grain Area Marketing Cooperatives had a equity ratio of more than 1:1 as of June 30, 1979. The former with 3.8:1 and the latter with 1.05:1. Four out of fifteen GAMC's have current ratios less than 2:1 indicating that in short-run they are illiquid (Table 24).

In general, the equity ratio, current ratio and debt ratio during December 31, 1978 and as of June 30, 1979 are stable. The current ratio of 1.5:1 is below the standard. Equity ratio of 0.26:1 is relatively low. The debt ratio of 0.79:1 is high (Table 25). Major fixed assets are financed from debt (loans), although a high level of debt financing is expected since most of GAMC's are just starting operations.

The total sales for June, 1979 amounted to ₱16.8M while the value of the total assets during the same date was ₱22.5M. With those values, the efficiency ratio was 0.73:1.

With this as a background, there is a crucial need for closer financial supervision and guidance to the GAMC's.

Operating Policies and Procedures. Policies are statements of the organization's beliefs on vital issues that are useful in guiding an individual or a group action toward desired goals and objectives. They are guidelines or line fences defining boundaries within which the organization operates. Policies are classified into broad areas. These include those related to management functions and those related to the functions of the business enterprise. They should be written, inviolate, broadly stated, carefully considered and formulated, long-range in duration and adopted by the board.

Table 25. Summary of Consolidated Financial Statements of Fifteen Grain Area Marketing Cooperatives as of June 30, 1979 and December 31, 1978.

Item	June 30, 1979		December 31, 1978	
	All GMAC	Average per GAMC	All GMAC	Average per GAMC
(Values in thousand pesos)				
<u>Assets</u>				
Current assets	18,748.3	1,249.7	15,166.0	1,011.1
Fixed assets	3,166.5	211.1	3,108.0	207.2
Investment, Others	597.5	39.8	580.9	38.7
Total	22,512.3	1,500.8	18,854.9	1,257.0
<u>Liabilities</u>				
Current liabilities	12,158.1	8.015	9,732.1	648.8
Fixed liabilities	5,628.1	375.2	4,908.5	327.2
Total	17,786.2	1,185.7	14,640.6	976.0
<u>Networth</u>				
Paid-up capital	4,097.5	273.2	3,558.3	237.2
Reserves	1,115.8	74.4	965.3	64.4
Undisturbed Savings/Loss	(487.1)	(32.5)	(309.2)	(20.6)
Total	4,726.1	315.1	4,214.3	281.0
<u>Total Liabilities & Networth</u>	22,515.3	1,500.8	18,854.9	1,257.0
Equity ratio	0.26:1	-	0.29:1	-
Current ratio	1.54:1	-	1.56:1	-
Debt ratio	0.79:1	-	0.77:1	-

Appendix C enumerates the different operating policies and procedures for Area Marketing Cooperatives like Grain Area Marketing Cooperatives. Some policies were not implemented as a result of deficiency of capital. For example the GAMC's policy of upgrading and developing SN-member's skills, industry and creativity necessitates continuous training and education of members. Such requires logistics and skilled manpower to make effective training programs possible. The limited training capital, however, limits actual implementation of the policy.

Another policy which has not been carried out effectively by the GAMC's is the assistance to affiliated SN's of adequate and periodic accounting and auditing services. There is lack of competent, professional and dedicated auditors within the ranks that will do this job. It is vital to have these records kept and audited. The data will be very useful in providing information for planning and preparing control systems to make the organization viable and to improve its economic/business performance.

Institutional Linkages

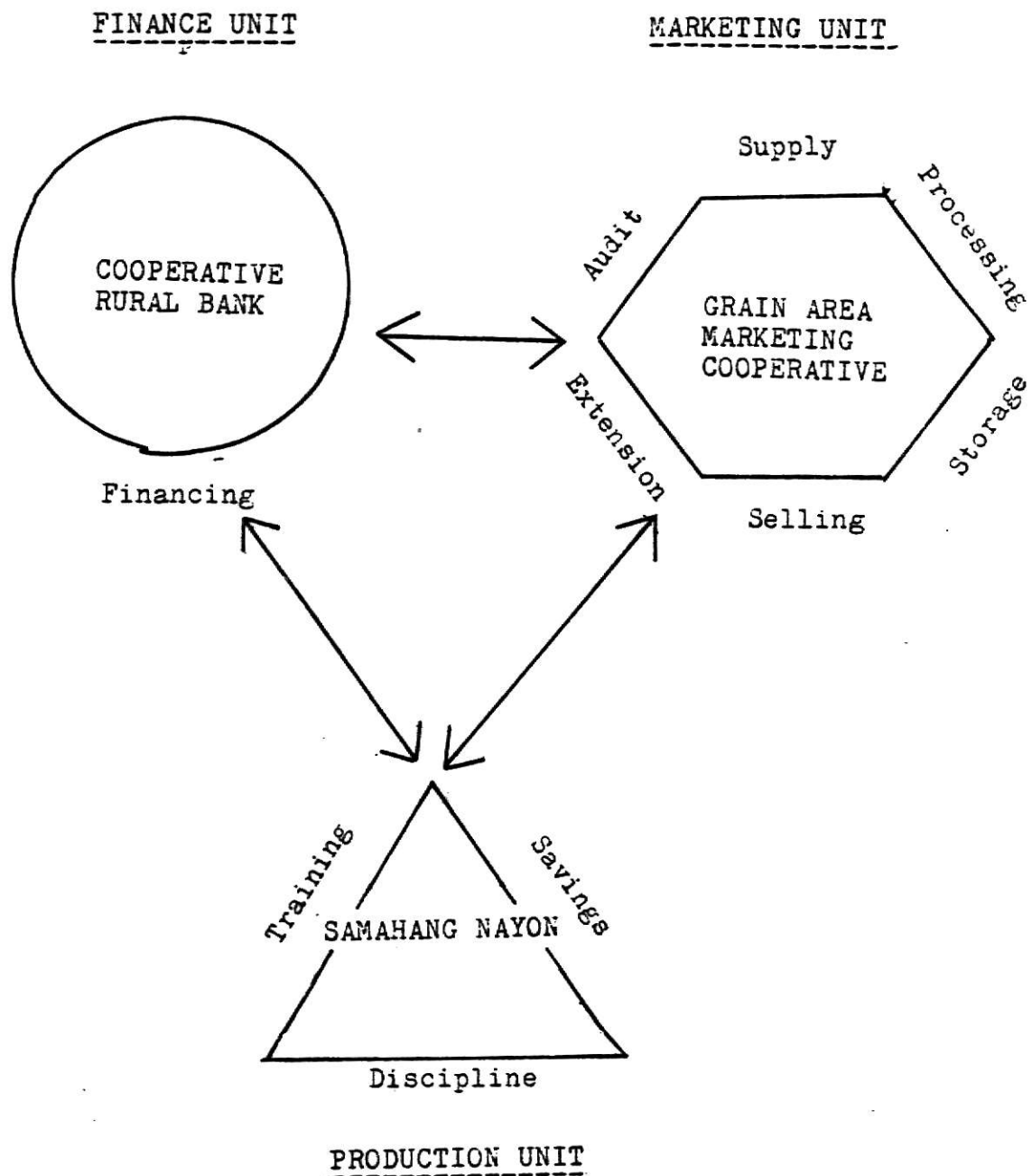
The GAMC's are just one of the important units of the Philippine Cooperative System as shown earlier in Figure 1. To highlight its role in the cooperative sub-system, a triumverate of institutions was formed which includes the production, financing and marketing units. This is shown in Figure 5.

The Samahang Nayon serves as the production unit, the Cooperative Rural Bank (CRB) as the financing unit and the Grain Area Marketing Cooperative as the marketing unit. The triumverate

members are so interrelated that if they were to function as planned, there would be no problems. This system not only helps keep the small farmers free from the "exploitation" of marketing middlemen, but more importantly, provides farmers a marketing structure which helps them develop their self-reliance.

The GAMC's market the produce of SN-farmer members. They provide marketing services such as storage and processing. Modern farming technology is extended to SN's members. On the other side, the CRB's provide financing to GAMC's for operations. In similar cases the bank extends credit to SN's for production purposes. The SN's sell their produce to GAMC's.

Figure 5. Triangular Linkages of Samahang Nayon, Grain Area Marketing Cooperative and Cooperative Rural Bank



PROBLEM AREAS/CONSTRAINTS MET BY GAMC'S

Based on the preliminary report from benchmark surveys concerning cooperative marketing, the following were the most pressing problems as perceived by the chairmen of the Boards and Managers of fifteen (15) GAMC's: lack of adequate operating capital, lack of discipline/education of SN farmer members, weak support of the SN's and the Ministry of Local Government and Community Development fieldworkers, inadequate facilities, and lack of extension personnel (Table 26).

Table 26. Most Pressing Problems of GAMC's as Perceived by the Chairmen of the Boards and Managers. August - September, 1979.

	CHAIRMEN		MANAGERS	
	Number	Percent	Number	Percent
Lack of adequate operating capital	14	93.3	15	100.0
Lack of discipline/education of SN farmer-members	10	67.7	10	66.7
Weak support of SN's MLGCD, and local officials	12	80.0	13	86.7
Inadequate facilities	6	40.0	8	53.3
Lack of extension personnel	7	46.7	8	53.3
Others	7	46.7	3	20.0

The problems are related to organization and management, marketing, financing and institutional linkages. Each problem is interrelated to one another. Solving the problems separately

would be costly and provide no tangible social and economic impacts to the people.

Management Problems

Grigsby et. al. reported that there is a lack of skilled and trained managers to manage cooperatives. Inexperienced GAMC's managers are not supported by consultative or supervisory help on the job by the Cooperative Marketing System of the Philippines field personnel. CMSP itself lacks experienced management people, especially those having business expertise. Apparently, it also lacks any identifiable top management team using a modern consultative management approach. There is an apparent lack of supporting elements for an effective and efficient CMSP-GAMC-SN system.¹¹

SN's do not fully support Area Marketing Cooperatives since the GAMC's are unable to meet the economic needs of its members. Education and training programs might not be adequate to arouse the interest and enthusiasm of its members and therefore, support for their marketing cooperatives.

The salaries/incentives for hired management are relatively low as compared to that of the private business sector operating the same kind of business. The problem is an off-shoot of limited capital. It might be one of the major reasons for turnover of staff. Obviously, turnover can affect the services to members-patrons.

¹¹Reid M. Grigsby et. al. Cooperative Rice Marketing Study. Office of Agricultural Development-USAID, Manila, Philippine. October, 1975. pp. 43-45.

The annual audit reports by auditors to the GAMC Board are delayed much too long to be useful as a management tool.

These management problems can be corrected by proper education and training at all levels involving the top to lower management personnel of CMSP, GAMC's and even SN farmers themselves. Training areas should include human relations, management and accounting.

Marketing Problems

The farm products of SN-farmer members are not all sold to the GAMC of which their SN is a member. Instead, they sell them to local traders/viajeros and middlemen. Among the major reasons cited by farmers are that they can readily get the cash as payments for the products sold by them.

The middlemen/private traders are well organized and have been operating for a number of years. They have acquired the marketing business skills which are lacking in the GAMC's marketing men. The private business/middlemen know about farmers' behavior and their weaknesses. Further, they have sufficient capital and can even extend credit readily to farmers who need money during a "crises" without asking any collateral. With this extra service of middlemen to small farmers, the farmers become so indebted that they sell their products to the middlemen as an act of gratitude for the services rendered.

Another pressing marketing problem by major GAMC's is inadequate facilities for warehousing, drying and milling. The problems can be minimized by the government providing GAMC's sufficient

capital plus proper supervision and guidance from CMSP concerning marketing business activities.

Financing Problem

Under-capitalization, with insufficient credit available, is a major problem. The equity financing of a beginning GAMC is usually very meager relative to its requirements. The lack of adequate capital contributed to many problems i.e., limited/inadequate cooperative facilities such as warehouses, milling and drying. Hence the business operations of a GAMC become limited, resulting in it not serving all its SN members.

The ability of SN's to raise capital is limited to roughly 30 percent of that accumulated in their Barrio Guarantee Fund. Financing by loans has been limited primarily to those provided by the Agricultural Credit Administration (ACA) under guarantee from the Cooperative Development Loan Fund (CDLF) and direct loans granted by CDLF.¹²

Part of the financial problem is attributed to lack of government budgetary support as a result of an unexpected shortfall in foreign exchange earning, coupled with the increased cost of fuel imports. The situation is further aggravated by the absence of a well managed and tested system of cooperative financing in the country.¹³

¹²Ibid., p. 38.

¹³Agricultural Credit and Cooperatives Institute. Research and Evaluation Program of Cooperative Marketing Project of the Philippines: A Preliminary Report. UPLB. Philippines Oct. 1979, p. 4.

To solve the problems, government financial assistance with management guidelines and supervision is necessary especially since some cooperatives are just beginning their operations. On the part of GAMC's, strengthening the savings and membership programs are required.

Further, financial management is also required since it is a key area in a cooperative. It involves: 1) considering funds available and sources for additional capital; 2) allocating funds among assets to be financed; and 3) ensuring that all aspects of financing are dealt with in a manner consistent with sound business practices and cooperative principles.

Weak Institutional Linkages

The triangular linkages of an SN, GAMC and CRB are weak. Some of the SN-farmer members who borrowed money from CRB for production purposes purchase their farm inputs, ie., fertilizers, chemicals and seeds not from GAMC but from private dealers. They claim that GAMC charges higher prices. The farmers fail to consider that GAMC is operating just like other businesses, hence it should derive net earnings. They do not realize that the net earnings are returned to them in terms of patronage refunds or dividends, as the case may be.

It has been generally observed that the expected supervision, cooperation, support and coordination between and among cooperatives institutions, the SN-farmer/members and MLGCD fieldworkers are very weak. Fifteen Area Marketing Cooperatives and nine Cooperative Rural Banks surveyed claimed that they did not get

full support of SN's and the farmer-members in terms of investment and patronage. They claimed that MLGCD technicians were seemingly not very much interested in their affairs. As such, they feel that they were being left alone and have no alternatives but to operate by themselves in order to survive.

The SN's and their members, on the other hand alleged that their GAMC's and CRB's were operating as if the SN's were not part of the triumvirate arrangement. SN's complain of not being informed of GAMC's and CRB's operations, of receiving no tangible benefits and services from these organizations, and of being offered higher prices for inputs and lower prices for palay. They further contend, they only hear from their GAMC's and CRB's when these organizations request additional investment. Because of this, the majority of SN-members returned to dealing with their local traders and input dealers as their traditional sources of credit and inputs.

On the other hand with MLGCD fieldworkers, the problem arises mainly due to limited time they are able to allot to supervising their SN's and cooperative as a result of their big volume of work with the other two bureaus of their ministry. This is not to mention their deep involvement with numerous tie-up programs with other ministries. It is true, however, that there are certain cases wherein fieldworkers were observed to be not very enthusiastic with respect to cooperatives. In Negros Oriental for instance, it was the Provincial Development Officer himself who showed indifference to the present cooperative development program. He even stressed that the organization of SN's in the

area was just a mere compliance to the ministry's order.¹⁴

Recently the Bureau of Cooperatives was placed under the Ministry of Agriculture. The staff can now have full concentration on cooperative development programs. The fieldworkers have more time to work with their areas of assignment and responsibilities unlike when they were under the Ministry of Local Government and Community Development office where local government work was also included. With the change in the system, GAMC's and SN's will both directly or indirectly benefit.

Other Relevant Problems

A danger of repeating past errors might occur by establishing too many Area Marketing Cooperatives too soon too close together for each to maintain some economic viability. The CMSP - an apex of the cooperative marketing structure and BCOD must look at this matter closely. New GAMC's are formed as a result of BCOD study teams' recommendations. Study results are based only on input from members of a Grade A SN's¹⁵ and without sufficient prior involvement of the CMSP in a "partner role" to help decide the following questions:

1. Should another Area Marketing Cooperative be formed?
2. Is the location strategic to serve the most number of small farmer?
3. Should these SN's be served by a branch or satellite of

¹⁴Ibid., p. 16.

¹⁵Grade A SN's are Samahang Nayons whose members have satisfactorily completed the technical education and management training in Phase II of an SN program and have complied strictly with the Barrio Savings Fund and Barrio Guarantee Fund.

of an existing viable GAMC already operating from some centralized location?

A recognition that GAMC's are cooperative business organizations as part of the private sector and not political units of the government should be borne in mind. Because GAMC's are based on trading, they must be in the best possible location with the provision for later addition of branches or satellites for overall accumulation of palay in the palay-rice marketing sequence and for getting major farm production supplies as near as possible to the point of use by SN-farmers.

The majority of the present problems of cooperatives discussed are similar to those experienced by previous programs. According to Tiongson and Salvacruz, past cooperative programs failed due to the following:

- 1) Absence of substantial loyal membership support;
- 2) Incompetent management;
- 3) Weak financial base; and
- 4) Competition of established business.¹⁶

McGrath who has followed the development of cooperatives in the Philippines, observed that at least two factors partly contribute to past failures and present problems of some cooperatives:

- 1) The wrong kind of cooperative education, and

¹⁶Fabian A. Tiongson, Joseph S. Salvacruz. "The Cooperative Movement in the Philippines," a mimeograph, UPLB, 1978.

2) A dependency mentality which is probably a hangover from centuries of colonial status. This dependency shifts to others and often accompanies some repetitive patterns of behavior such as:

- a) Using personal influence to circumvent laws and regulations;
- b) Asking for special privileges for relatives and friends;
- c) Justifying and covering up dishonest dealings of others;

or

- d) Allowing those behavior patterns to continue because it is embarrassing to say "no" to any request.¹⁷

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Mary Jean McGrath. Teaching Cooperation Through the Education System. Office of Agricultural Development USAID, Manila, Philippines. 1977, p. 4.

SUMMARY/RECOMMENDATION/IMPLICATION

The Philippine government is exerting all efforts towards the attainment of its goals and objectives of strengthening the cooperative movement in the country. There has been much done; but much remains to be done.,

The problems and constraints met by cooperatives need critical analysis and require necessary actions to foster the creation and development of cooperatives as a means of increasing the income and purchasing power of the low income sector of the population and to attain equitable distribution of income and wealth. It is important that the following general recommendations are considered:

- 1) Continued and intensified technical and financial assistance to Grain Area Marketing Cooperatives by the government.
- 2) Coordination of support activities with other government and private agencies. Coordination of efforts with other agencies is not only desirable and efficient, but it is essential for the success of the program.
- 3) Development from within the cooperative itself including:
 - a) Strengthening the Samahang Nayon;
 - b) Continual capital build-up;
 - c) Encouragement of savings of members; and
 - d) Skills training of members, hired management and the Board.
- 4) Marketing research and periodic evaluation of GAMC's.
- 5) Training of management staff/people at all levels -

BCOD, CMSP, GAMC's and SN's.

One of the many broad approaches that can be used to help solve problems is proper education, training and research. Several specific courses of actions can be undertaken to improve the performance of Grain Area Marketing Cooperatives in the country. These are the specific recommendations:

On Management

1. Establish a viable "management team effort" by having job description understanding between the manager and the Board.
2. Upgrade the staff capability by formal and on-the-job training with special emphasis on accounting, human relations and management functions.

Strengthening accounting, auditing and financial analysis provides management a better tool for decision making. It also provides better financial control of operations and investments.

3. Improve efficiency of grain marketing cooperatives' operations by planning, budgeting and more effective use of its resources - human, facilities and equipments.
4. Initiate an intensive program to improve public and member relations and services to SN's.
5. Reinvigorate and, where necessary, reorganize ailing SN's.
6. Have periodic evaluation of the management of cooperatives.¹⁸

¹⁸A sample of evaluation checklist was developed by Dr. Milton Manuel of Kansas State University which is useful for such an evaluation. There are key questions about planning, organization, directing, controlling and co-op management team (see Appendix E).

7. Increase individual incentives by salary increases to hired personnel based on merit. Bonuses may be used for this purpose but salary increases based on merit are preferable.

On Marketing

1. Provide market price information to farmers as part of GAMC's extension services.
2. Provide better marketing incentives to SN-member-patrons, e.g. cash discounts for large volumes.

On Financing

1. Limit investment on facilities to those actually needed.
2. Increase capitalization by increasing memberships and volume of business.
3. Conduct feasibility studies and analysis before beginning new activities or adding services and use these types of studies to evaluate existing services and performance.
4. Practice planning, budgeting, and periodic evaluation of account books as control measures.

Institutional Linkages

1. Strengthen institutional linkages with SN-CRB-CMSP and other cooperatives.

Others

1. Strengthen BCOD and CMSP staff capability to be able to serve effectively and efficiently the cooperatives.
2. Require feasibility studies prior to organizing new cooperatives to determine if there is an economic need

for the proposed cooperative and if the proposed cooperative can wisely meet this economic need.

Since the majority of the GAMC's problems relate to inadequacy of capital and mismanagement, the BCOD and CMSP should undertake a study to evaluate and analyze existing cooperatives, liquidating those that show an unsound financial position and retaining those that show promise of achieving a sound financial status. Should they merge or consolidate one GAMC into another? Which of the cooperatives require closer supervision and guidance? This is one major issue that can be researched.

By merging or consolidation of two or more cooperatives, the following can be achieved:

1. Economies of scale in buying and selling.
2. Better use of facilities and equipment.
3. Improved and strengthened cooperative financing.
4. Opportunities for new areas of business.
5. More competitiveness.
6. More capable manager.

It should be recognized also that mergers per se do not necessarily improve business performance. Whether or not mergers can succeed in promoting the interest of members will depend on the competency and ability of management to handle the new and enlarged responsibilities growing out of a merger. Success of merger involves (1) the effectiveness and objectivity of the educational programs that are developed to acquaint all interested groups with what can and what can not be accomplished through

merger; (2) the understanding and support that members give to the merger venture; (3) the leadership of directors in dealing with the intricate and complex problems involved in merging; and (4) the willingness and ability of the manager and the staff to meet their expanded opportunities.

If capital were not a constraint, the GAMC's would like to acquire supporting facilities and equipment i.e. ricemill, driers, warehouses. They plan to increase the number of skilled manpower; improve operating plans i.e., marketing warehousing and milling; conduct general and advanced training of their staffs on cooperative management, marketing, finance and extension services. All these plans aim to best serve the member-patrons of the cooperative.

Cooperative may have social and cultural objectives as well as economic. A successful cooperative that is meeting an economic need of its members may also achieve social and cultural objectives. However, a coop that has social and cultural objectives and does not meet an economic need will fail unless subsidized in some fashion. If a country is truly objective in its program for economic development, it will recognize that if institutions are to be social and cultural, then another form of organization should be chosen to achieve these objectives, such as a government agency, a foundation or a civic organization.

Finally, it can be said that the future of Grain Area Marketing Cooperatives is bright. By providing the technical and financial assistance plus the coordinated support activities of the government agencies, the private sector and the farmers'

commitment for cooperation, the Grain Area Marketing Cooperative program can not fail.

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APPENDICES

MALACANANG
Manila

PRESIDENTIAL DECREE NO. 175
STRENGTHENING THE COOPERATIVE MOVEMENT

WHEREAS, a parallel measure to the emancipation of tenant-farmers from feudal bondage, as provided for in Presidential Decree No. 27 dated October 21, 1972, is a provision for a strong social and economic organization and system to ensure that they will enjoy on a lasting basis the benefits of agrarian reform;

WHEREAS, there are equally less fortunate segments of our society who are in need of social and economic amelioration and should have the right to enjoy the privilege of self-development, social growth and economic independence under a truly just and democratic society;

WHEREAS, there is a need to increase income and purchasing power of the low-income sector of the population in order to attain a more equitable distribution of income and wealth;

WHEREAS, the cooperative institution is a means of attaining a more equitable distribution of income and wealth and providing the common man a dignified level of existence;

WHEREAS, the Bayanihan Spirit is an inborn trait of the Filipino people which if properly guided can serve a strong foundation of cooperative institutions;

NOW THEREFORE, in order to effect the desired changes and reform in the economic, social and political structure of our society, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1681, dated September 21, 1972, and General Order No. 1 dated September 22, 1972, do hereby order and decree the following:

Section 1. Declaration of Policy - It is hereby declared 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.

Section 2. Cooperative Defined - Cooperative shall mean only organizations composed primarily of small producers and of consumers who voluntarily join together to form business enterprises which they themselves own, control and patronize.

A small producer shall mean a self-employed individual who, by himself or with his family provides the primary labor requirements of his business enterprise or one who earns at least fifty percent of his gross income from the payment proceeds or income of the labor he provides.

Section 3. Cooperative Principles - A cooperative shall be governed by the following principles:

(a) Open membership - Membership in a cooperative should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership.

(b) Democratic control - The cooperative is meant to be collectively owned and controlled by its members. As such, the supreme power in a cooperative society resides in the general membership, where each member is entitled to one vote, regardless of the amount of capital he has contributed. The affairs of the cooperative shall be administered by persons elected or appointed in a manner agreed by the members accountable to them. In other than primary cooperatives, administration shall be conducted in a suitable democratic form.

(c) Limited interests to capital - Share capital shall earn only limited interests, the maximum rate of interest to be established by the Bureau of Cooperatives Development, Ministry of Agriculture from time to time.

(d) Patronage refund - Net income after the interest on capital has been paid shall be redistributed among the members in proportion to their patronage.

Section 4. Powers of Cooperatives - Cooperatives shall have the following powers:

(a) To exercise the same rights and privileges given to persons, partnerships and corporations provided under existing laws;

(b) To establish and operate business enterprise of all kinds as their needs dictate and their capabilities allow subject to the provisions of existing laws;

(c) To establish rural banks under the Rural Bank Act and/or to purchase government held preferred shares of rural banks which may be converted to voting common stocks, under the rules and regulations to be promulgated by the Monetary Board of the Central Bank and the Agrarian Reform Fund Commission;

(d) To enjoy all the privileges and incentives granted by the NACIDA Act and those granted by all government agencies to business organizations under existing laws, provided that all requirements are met;

(e) To petition the government to expropriate idle urban or rural lands for agricultural production, cottage industry, business or housing purposes; and

(f) To own and dispose of property to enter into contract to sue or be sued and to do and perform such other acts as may be necessary in the pursuit of its objectives.

Section 5. Privileges of Cooperatives - Cooperatives shall enjoy the following privileges:

(a) Exemption from income taxes and sales taxes provided that a substantial portion of the net income of the cooperative is returned to members in the form of interest and or patronage refunds; Provided, further, that for income tax purposes, non-agricultural cooperatives shall be exempt for a period of five (5) years and agricultural cooperatives for a period of ten (10) years reckoned from the date of registration with the Bureau of Cooperatives Development; Provided, finally, that the taxable income shall mean that portion of the cooperative's income after deducting the interest paid to members and patronage refunds;

(b) In areas where appropriate cooperatives exist, the preferential right to supply rice, corn and other grains, fish and other marine products, meat, eggs, milk, vegetables, tobacco and other agricultural commodities produced by members of the cooperatives concerned to State Agencies administering price stabilization programs; and

(c) In appropriate cases, exemption from the application of

the Minimum Wage Law upon the recommendation of the Bureau of Cooperatives Development subject to the approval of the Minister of Labor.

Section 6. Financial Assistance to Cooperatives - There is hereby created a Cooperative Development Loan Fund for the development of the cooperative movement.

(a) Sources of funds - This fund shall be financed from the following sources:

- 1) General appropriations
- 2) Proceeds of sales of US Public Law 480 commodities .
- 3) Foreign loans or proceeds of sales of commodity loans
- 4) Grants and donations
- 5) Levies imposed by existing laws on agricultural commodities for the development of cooperatives; and
- 6) Such other sources as are now provided by existing laws or as may be provided for in the future.

(b) Uses - This Fund shall be utilized for the following purposes:

- 1) Source of loanable funds to cooperatives;
- 2) Serve as a guarantee for loans granted to cooperatives; and
- 3) Source of advances to cooperatives for the purchase of equity of rural banks.

In no case shall any portion of this fund be utilized for direct loans to farmer members. As far as practicable, funds shall be channelled through existing government and private financial institutions.

(c) Administration of fund - For purposes of administering the fund, there is hereby created a Management Committee composed of:

- 1) A representative of the Ministry of Local Government and Community Development who shall serve as Chairman;

- 2) A representative of the Central Bank of the Philippines;
- 3) A representative of the Philippine National Bank;
- 4) A representative of the Ministry of Agriculture and Natural Resources;
- 5) A representative of the Ministry of Agrarian Reform, and
- 6) Two representatives of the Cooperative Movement designated by the Minister of the Ministry of Local Government and Community Development.

The Management Committee shall have the power to administer this fund and prescribe rules and regulations for its utilization.

(d) Other financial assistance - the Agrarian Reform Fund Commission, Food Terminal, Inc., National Development Corporation or their subsidiary institutions or the subsidiary institutions of any government financial agency or any government agency is authorized to establish or acquire fixed facilities such as storage facilities, requiring large long-term investment which shall be leased or sold to cooperatives. Likewise, cooperatives shall have preferential right to purchase or lease existing facilities as herein above specified belonging to other government institutions and agencies.

Section 7. Management and Training Assistance - There is hereby established a Management and Training Assistance Program. It shall create a Central Management and Training Pool to be composed of top caliber managers, who may be assigned to actively manage a cooperative or cooperatives for the prime purpose of training an understudy or understudies to assume management thereafter. In this connection, it may contract for and defray the cost of professional managers and/or firms who shall actively manage cooperatives as part of the training program. Cooperative managers contracted for this purpose shall be exempt from WAPCO salary rates. Training programs to develop cooperative managers may be undertaken by any existing educational or other institutions on contract basis.

Suitable and practical management materials and guides shall be developed for the use of cooperative managers.

The Management and Training Assistance Program shall be ad-

ministered by an Advisory Board of five members to be appointed by the Minister of the Ministry of Local Government and Community Development, at least two of whom shall come from the cooperative system, and one from the Ministry of Agrarian Reform.

The Management Training Program shall be financed from the following sources:

- (a) General appropriations;
- (b) Income from the Cooperative Development Loan Fund;
- (c) Grants and donations; and
- (d) Contribution from cooperatives.

Section 3. Powers of Regulatory Agency - The Ministry of Agriculture through the Bureau of Cooperatives Development is vested with full authority to promulgate rules and regulations to govern the promotion, organization, registration, regulation and supervision of all types of cooperatives. Specifically, it shall have the following powers:

(a) To call on any office, agency, instrumentality or individuals belonging to the government or private sector for such assistance as may be needed.

(b) To register new cooperatives, re-register existing cooperatives and regulate and supervise the following types of cooperatives

1) Barrio Associations which shall have the provisional status of a cooperative and serve the requirements of Presidential Decree No. 27 in the issuance of certificates of land transfer;

2) Local or primary cooperatives which shall be composed of natural persons and/or barrio associations;

3) Federations which shall be composed of cooperatives which may or may not perform business activities; and

4) Unions of cooperatives which shall not perform any business activities.

Provided, that, in the case of re-registration, the cooperative shall file its application or petition for re-registration within a period of six (6) months from the date of promulgation of this

Decree, and its corporate existence shall be deemed to continue until the application or petition is approved or denied; and Provided, further, that for purposes of re-registration, Section 2 and 5 (a) hereof shall not be applicable to existing cooperatives which do not meet the qualification requirements provided for in this Decree.

(c) To determine the manner and extent by which powers, privileges, assistance and support granted to cooperatives provided by this Decree shall be exercised or enjoyed by cooperatives;

(d) To suspend the operation or cancel the registration of any cooperative after hearing and when in its judgment and based on findings, such cooperative is operating in violation of this Decree, rules and regulations, existing laws as well as the by-laws of the cooperative itself;

(e) To liquidate and to determine disposal of assets and settlement of liabilities of any cooperative which has been inoperable, inactive or defunct or any cooperative violating the penal provisions herein provided;

(f) To recommend charges to be filed against any official of any cooperative who has committed crimes against the cooperative or who has violated the penal provisions herein provided; and to establish rules and regulations governing the suspension and/or expulsion of any members of a cooperative;

(g) To condone the principal and/or accumulated interest on past due production and/or farm improvement loans extended by the defunct Agricultural Credit and Cooperative Financing Administration and the Agricultural Credit Administration to farmer members of agricultural cooperatives, and to authorize writing off of bad debts or bad accounts of agricultural cooperatives arising from loans granted by the Agricultural Credit and Cooperative Financing Administration or the Agricultural Credit Administration subject to the rules and regulations to be promulgated jointly by the Ministry of Local Governments and Community Development and the Ministry of Finance;

(h) To recommend charges to be filed against non-farmers who through misrepresentation have secured loans from the Agricultural Credit and Cooperative Financing Administration or the Agricultural Credit Administration through agricultural cooperatives;

(i) To authorize the collection by barrio associations and cooperatives past due loans granted by the Agricultural Credit and Cooperative Financing Administration or the Agricultural Credit Administration on a commission basis; and

(j) To authorize cooperatives to collect amortizations on lands under Presidential Decree No. 27.

Section 9. Penal Provisions - (a) No person or group of persons other than cooperatives registered pursuant to the provisions of this Decree shall use in its name the word cooperative or its equivalent in the vernacular with intent to defraud. Violators shall be fined Two Thousand (P2,000.00) pesos. In case of insolvency, a subsidiary imprisonment of not more than six (6) months shall be imposed.

(b) Any official of the cooperative, elected or appointed, who commits crimes against the cooperative shall be penalized in the same way as if such official were a civil servant, with disqualification of holding any elective or appointive office.

(c) Any official of the State, elected or appointed and not belonging to the Ministry of Local Government and Community Development, who willfully and unduly interferes with the business activities and internal affairs of any cooperative shall be penalized by a fine of not more than five thousand pesos (P5,000.00) and/or imprisonment of not more than six (6) months.

(d) Individuals who are found to have organized cooperatives for the evident purpose of taking advantage of the privileges granted to cooperatives under this Decree and who operate such organizations in clear violation of cooperative principles herein set forth as adjudged by a competent court shall be subject to attachment of all their assets in such organizations and such organizations shall summarily be stopped from operating without prejudice to other penalties as provided for by existing laws.

Section 10. Separability Clause - If any provision, provisions, part or parts of this Decree is declared unconstitutional, such declaration shall not invalidate the other provisions hereof.

Section 11. Repealing Clause - All past cooperative laws are hereby repealed. Portions or parts of any other laws inconsistent herewith are likewise repealed. The Ministry of Agriculture through the Bureau of Cooperatives Development shall promulgate within thirty (30) days from date hereof the rules and regulations for the effective implementation of this Decree and upon approval by the President of the Philippines shall have the force and effect of law.

These rules and regulations may be amended, modified or abrogated as the circumstances may so demand.

Done in the City of Manila, this 14th day of April, in the year of Our Lord, nineteen hundred and seventy-three.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

**LIST OF ORGANIZED AREA MARKETING COOPERATIVES
AS OF DECEMBER 31, 1978**

Region and/or Seq. No.	Area Marketing Cooperative	Registration Date	CAPITAL STRUCTURE (in Thousand Pesos)				Scope of Operation	Status
			Auth	Subs	PD/UP			
Reg I								
1	Benguet AMC	7 Sept 1976	P 2,500	P 500	P 100		Province-wide	Operational
2	Ilocos Norte AMC	—	—	—	—		-do-	Organized
3	Ilocos Sur AMC	1 Sept 1976	2,500	500	100		-do-	Operational
4	La Union AMC	6 June 1977	2,500	500	100		-do-	Operational
5	Eastern Pangasinan AMC	30 Apr 1976	3,975	885	180		Multi-Mun.	Operational
6	Western Pangasinan AMC	—	—	—	—		-do-	Organized
Reg II								
7	First Isabela AMC (Cauayan)	6 Jan 1975	2,000	450	128		Province-wide	Operational
8	Cagayan-Kalinga-Apayao AMC	12 March 1975	2,500	519	130		-do-	Operational
9	Nueva Vizcaya AMC	5 May 1975	2,500	565	147		Multi-Mun.	Operational
Reg III								
10	Zambales AMC	—	—	—	—		Province-wide	Under study
11	South Nueva Ecija AMC	18 May 1973	1,000	417	223		Multi-Mun.	Operational
12	North Nueva Ecija AMC	9 Nov 1973	500	303	332		-do-	Operational
13	Central Nueva Ecija AMC	15 Jan 1975	5,000	1,140	285		-do-	Operational
14	North Bulacan AMC	21 Mar 1975	2,500	500	11		-do-	Operational
15	Central Bulacan AMC	6 June 1976	2,500	500	178		-do-	Operational
16	Pampanga AMC (San Fernando)	8 Aug 1975	2,000	480	124		-do-	Operational
17	Tarlac AMC (Tarlac)	23 Dec 1975	2,500	635	169		-do-	Operational
Reg IV								
18	Batangas AMC	25 Jan 1978	2,000	435	103		Province-wide	Operational
19	Cavite AMC	12 Jan 1978	500	100	100		-do-	Operational
20	Laguna AMC	—	2,500	500	100		-do-	Organized
21	Mina de Oro AMC	18 Nov 1976	2,500	500	136		-do-	Operational
22	Eastern Quezon AMC	11 June 1976	2,500	510	127		Multi-Mun.	Operational
23	Central Quezon AMC	24 Mar 1977	2,500	572	124		-do-	Operational
Reg V								
24	Albay AMC	28 June 1976	2,500	515	110		Province-wide	Operational
25	Camarines Norte AMC	—	—	—	—		-do-	Operational
26	Camarines Sur AMC	11 June 1976	2,500	500	108		-do-	Operational
27	Sorsogon AMC	—	—	—	—		-do-	Organized

Reg	VI		28 Oct	1976	P	2,500	P	175	P	101	Province-wide	Operational
28		Aklan AMC										Operational
29		First Iloilo AMC (Sta. Barbara)	16 July	1976	2,500	537				128	-do-	Operational
30		Second Iloilo AMC (Pototan)	17 Mar	1976	2,500	500				104	Multi-Mun.	Operational
31		Antique AMC	-		-	-				-	Province-wide	Organized
32		Capiz AMC	-		-	-				-	-do-	Organized
33		Negros Occidental AMC	-		-	-				-	-do-	Organized
Reg VII												
34		Bohol AMC	-		-	-				-	Province-wide	Organized
35		Negros Oriental AMC (Mabinay)	17 Sept	1976	2,500	500				100	-do-	Operational
Reg VIII												
36		Southern Leyte AMC	-		-	-				-	Province-wide	Organized
37		Samar AMC	8 Dec	1978	2,500	500				100	-do-	Organized
38		Eastern Samar AMC	-		-	-				-	-do-	Organized
39		Northern Samar AMC	-		-	-				-	-do-	Organized
Reg IX												
40		Zamboanga del Sur AMC	-		-	-				-	Province-wide	Organized
Reg X												
41		Misamis Oriental AMC	31 May	1977	2,500	500				100	Province-wide	Operational
42		Bukidnon AMC (Malaybalay)	7 Nov	1975	2,500	587				144	-do-	Operational
43		Misamis Occidental AMC	25 Jan	1978	2,000	500				189	-do-	Registered
44		Agusan del Norte AMC	-		-	-				-	-do-	Under study
45		Agusan del Sur AMC	-		-	-				-	-do-	Under study
Reg XI												
46		South Cotabato AMC	-		2,500	500				100	Multi-Mun.	Organized
47		Davao del Norte AMC	7 Dec	1977	2,500	500				212	Province-wide	Registered
48		Davao del Sur AMC	-		-	-				-	-do-	Under study
49		Davao Oriental AMC	-		-	-				-	-do-	Organized
50		First Surigao del Sur AMC	24 Jan	1978	2,500	507				128	-do-	Registered
Reg XII												
51		North Cotabato AMC	6 Jan	1975	1,500	484				194	Multi-Mun.	Operational
52		Sultan Kudarat AMC	29 Dec	1976	1,500	500				116	Province-wide	Operational
53		Lanao del Sur AMC	-		-	-				-	-do-	Operational
54		South Cotabato AMC	-		-	-				-	-do-	Organized

APPENDIX C

OPERATING POLICIES AND PROCEDURES FOR A KILUSANG BAYAN FOR MARKETING

PURCHASE, HANDLE AND MARKET PRODUCTS OF SAMAHANG NAYON/PRE-COOPERATIVE MEMBERS.

A. Policies

1. The Kilusang Bayan shall collect the assembled produce of Samahang Nayon/pre-cooperative members.
2. The Kilusang Bayan shall purchase the SN/pre-cooperative members' produce at the price prevailing in the localities. Distractive, competition should be avoided. It should operate within the frame work of sound cooperative business practices.
3. The member-Samahang Nayon shall give the Kilusang Bayan full authority to market its members' produce.

B. Procedures

1. The Kilusang Bayan shall designate the assembly points where the produce of Samahang Nayon/pre-cooperative members could be delivered.
2. The General Manager shall coordinate the marketing activities of the KB with the Cooperative Marketing System of the Philippines (CMSP) the Cooperative Rural Bank (CRB) and the National Grains Authority (NGA). The Kilusang Bayan may also undertake direct sales to customers, through a system of auction in order to obtain better prices. If it decides to sell the product of members as processed, it may acquire warehousing facilities, rice mills and other facilities needed for processing the members' produce.

As much as possible the facilities of consumers cooperatives in key urban centers shall be utilized as outlets of the Kilusang Bayan.

3. The Kilusang Bayan shall acquire, lease, maintain and operate a truck pool, warehouse and rice mill, to haul, store and process the products of its members.
4. It shall establish a processing plant or effect an agreement with already existing plants to process the excess produce especially perishable commodities.
5. The Kilusang Bayan general manager must see to it that sufficient working capital is available for the purchase of SN/pre-cooperative members produce. If not available, he may recommend to the Board of Directors borrowing from CDLF/CRB or secure cash advances from CMSP.
6. The Kilusang Bayan shall deduct from the cost of produce the following:
 - a) The obligation of the SN member to the KB, CRB or other financing institution/agency with whom the KB signed an agreement; and
 - b) The obligation of the SN member to the member-samahang nayon/pre-cooperative if any.

PURCHASE AND SELL TO SAMAHANG NAYON/PRE-COOPERATIVE MEMBERS THE FOLLOWING:

- a. Production inputs such as seeds, fertilizers, chemicals, and other supplies needed in production.
- b. Labor saving devices, equipment and other implements, such as driers, etc.
- c. Prime commodities needed by its members.

A. Policies

The Kilusang Bayan shall maintain an up-to-date information of the quantity as well as current price levels of production inputs, like seeds, fertilizers, chemicals, and prime commodities needed by Samahang Nayon/pre-cooperative members.

It shall endeavor to procure these production inputs and supplies together with labor saving devices and other equipment in bulk to avail itself of the economies of scale.

B. Procedures

1. The Kilusang Bayan shall require each member-Samahang Nayan/pre-cooperative to submit the input and household needs of their respective members including labor saving devices and equipments.
2. The Kilusang Bayan shall conduct a survey of supplier/s who can offer the best price of commodities especially farm inputs which the KB will sell to the member-Samahang Nayan/pre-cooperative.
3. The Kilusang Bayan shall distribute the inputs and household commodities to the Samahang Nayan/pre-coop., the latter will in turn distribute the same to its members. If the SN does not have trucking facilities for delivery, the KB shall arrange with the supplier the delivery of the commodities to the member-Samahang Nayan.

MOBILIZE THE RESOURCES OF ITS MEMBERS FOR CAPITAL FORMATION:

Policy:

1. The KB shall encourage continuous and regular savings and/or retains for the purpose of building its capital base.

PROCEDURES:

1. The prospective members Samahang Nayan/Pre-Cooperative shall subscribe for at least 5 shares payable in lump-sum or in regular installments as prescribed in the membership subscription agreement.
2. Upon payment in full of the minimum number of shares, the member Samahang Nayan/pre-cooperative shall increase its shareholding by channeling 20 per cent of its annual Barrio Guarantee Fund collection.
3. The member Samahang Nayan/pre-cooperative shall recycle into the KB at least 50 per cent of its annual interest on capital.

UTILIZE AND DEVELOP SKILLS' INDUSTRY AND CREATIVITY OF SAMAHANG NAYON/PRE-COOPERATIVE MEMBERS IN THE PRODUCTION OF COMMODITIES

POLICIES:

1. The KB shall endeavor to utilize fully existing skills and manpower for productive activity.
2. The KB shall make upgrade and develop Samahang Nayan/Pre-Cooperative members skills, industry and creativity.

PROCEDURES:

1. The KB shall pool existing skills and manpower resources of Samahang Nayan members for productive activity along sound cooperative lines as a possible source of additional income.
2. The KB shall continue to explore possible markets and product lines to maximize the utility of available raw materials, manpower and skills.
3. The KB shall undertake market and product research activities and provide the corresponding training to improve the quality of the Samahang Nayan/Pre-Cooperative members skills.
4. The KB shall make provisions for the development and growth of Samahang Nayan/pre-cooperative members' and the elevation of their production activities on an economic level.

QUALITY CONTROL TO STANDARDIZE PRODUCTION

POLICY:

1. The KB shall adopt standards in production.

PROCEDURES:

1. The KB shall maintain quality standards that will make its products competitive with private dealers in the market.
2. The KB shall provide adequate safe guards against spoilage to ensure consistent quality.
3. The KB shall adopt consistent test measures in quality control.

PROVIDE ADEQUATE AND PERIODIC ACCOUNTING AND AUDITING SERVICES TO THE SAMAHANG NAYON/PRE-COOPERATIVE

A. Policies

1. The Kilusang Bayan shall see to it that affiliate SN/pre-cooperative are assisted with adequate and periodic accounting and auditing services.
2. The KB shall develop within its ranks competent professional auditors.

B. Procedure

1. The KB shall supervise the installation of an adequate accounting system in each of the member SN. The KB auditor or its agents shall discuss with the SN Board the system and its rationalization.
2. The KB, through its Education Committee and in coordination with other cooperatives and the DLGCD, shall prepare training designs and conduct training activities for the development of its own corp of auditors.
3. The KB may, depending on its capabilities and the need for audit by its affiliates, enter into contracts with reputable accounting firms to conduct the audit of its members-SN.

UNDERTAKE CONTINUOUS EDUCATION AND TRAINING PROGRAMS FOR OFFICERS AND MEMBERS OF THE SN/PRE-COOPERATIVE ON THE CONCEPTS AND PRACTICES OF COOPERATIVE MARKETING.

A. Policies

1. The Kilusang Bayan shall adopt a continuous training program for officers, directors, committee members and members on the concepts and practices of cooperative marketing.
2. The Kilusang Bayan shall serve as an exercise in community leadership.

B. Procedures

1. The Education and Training Committee shall plan and conduct appropriate training activities in coordination with the DLGCD and cooperative training institutions.
2. It shall formulate steps to carry out the training of the present and future officers of SN and KB.
3. It shall provide a budget to finance the information and training activities.

ACQUIRE SUPPLIES AND FACILITIES LIKE EQUIPMENT AND MACHINERIES EITHER BY CONSTRUCTION ON SELF-HELP BASIS, PURCHASE, LEASE AND/OR DONATION.

A. Policies

1. To maintain facilities, equipment, machineries and supplies necessary and essential to the business activities of the KB.
2. To acquire, purchase or lease existing facilities established by the Food Terminal Inc., National Development Corporation or their subsidiary institutions of any government financial agency, or any government agency as provided under Section 6 - D of Presidential Decree No. 175.
3. As much as possible, funds for acquiring needed facilities shall come from the capital of the KB. To augment its funds, the KB may borrow from the Cooperatives Development Loan Fund and other lending institutions.

B. Procedures

1. The General Manager of the KB shall:
 - a) determine the volume of business it expects; the facilities and equipment necessary for the operation.
 - b) procure the facilities and equipment needed;
 - c) program the full utilization of said facilities and equipment.
2. The Board of Directors of the KB, upon the recommendation of the General Manager, shall appropriate the necessary amount to finance its undertaking. If funds are insufficient, the Board of Directors may borrow from the CDLF or other financing institutions to augment its capital.

3. The General Manager shall prepare the necessary project study showing the cash required, source cost, profit rate, repayment scheme and other features necessary to support the borrowings.

COOPERATE WITH OTHER KB IN ORGANIZING THE PROVINCIAL, REGIONAL OR NATIONAL FEDERATION OF KB SA PANGANGALAKAL.

A. Policies

1. To initiate the organization of the Katipunan ng mga Kilusang Bayan sa Pangangalakal or its affiliation with existing Katipunan in the locality.
2. To initiate the organization of the Kalipunan ng mga Kilusang Bayan or its affiliation with an existing Kalipunan ng mga KB in the locality.

B. Procedures

1. The Board of Directors shall coordinate with other KBs in the formation of the Katipunan or Kalipunan ng mga KB, if there is none in the area.
2. The Board of Directors shall take the necessary steps in affiliating with existing Katipunan and/or Kalipunan ng mga KB sa Pangangalakal.
3. The KB shall as much as possible, coordinate with the Katipunan or Kalipunan in the conduct of activities that are of common benefit to cooperatives, realizing that through a collaboration of efforts, more can be achieved at the least cost possible.

GUARANTEE THE SOCIAL GROWTH AND ECONOMIC INDEPENDENCE OF THE SN/PRE-COOPERATIVE MEMBERS.

POLICIES:

1. The KB shall create and maintain a social fund to be known as the KB Guarantee Fund.
2. The KB shall endeavor to strengthen the economic position of the KB and deepen its social involvement for the individual and collective growth of its members.

PROCEDURE:

1. The KB shall set aside at least 1 per cent of its gross income each year to constitute the KB Guarantee Fund. The Fund shall be utilized primarily to insure the attainment of the objectives of the KB; pay for common services and facilities needed by the members, such as premiums for social insurance; and for investment in other KB.
2. On the dissolution of the KB, the KBGF shall not be divided among the members, but shall be donated to the Cooperative Education and Training Fund.

DISCIPLINARY MEASURES

Disciplinary measures are processes adopted by the Kilusang Bayan for the purpose of insuring orderliness and orderly conduct through self-control and providing sanctions for non-observance of the rules so promulgated. These processes have their bases in the law under which the KB operates, in the bylaws, articles of incorporations and other covenants entered into by and between the member SNs/Pre-Cooperatives, the decisions of the Board and the membership assembly and membership agreements.

The disciplinary processes and sanctions are adopted by the member SNs/Pre-Cooperative for their mutual protection, the preservation and protection of the organization itself, and to carry out effectively the purposes of the KB. They are either from within or from without.

From within: By mutual consent, each member SN/pre-cooperative agrees to comply with the provisions of the by laws, the articles of incorporation, membership, subscription and marketing agreement, decisions by the Board and the membership assembly, as well as other rules promulgated by the KB. Failure to comply with any of the stipulations may subject the member SN/pre-cooperative to penalties or sanctions such as censure, fines, suspension of the rights and privileges of membership or expulsion from membership.

1. Fine/Suspension/Expulsion. A member SN/pre-cooperative may be fined, suspended or expelled from membership by the Board after due hearing, if he:
 - a) Fails to comply with its duties and responsibilities, the terms and conditions of the membership agreements, decisions of the Board and the membership assembly, as well as the terms and conditions of the application for membership, membership, subscription and marketing agreements, and other instruments executed by him as prescribed in the bylaws or by the Board of Directors;
 - b) Acts in violation of law, bylaws, the rules and regulations of the KB, the membership and the Board decisions; and
 - c) Commits any act prejudicial to the interest of the KB.
2. Members SN/pre-cooperatives who fail to pay the installments on their subscriptions to the capital stock of the KB shall be subject to a fine of not more than 2 per cent a month on the amount in default.
3. Member SNs/pre-cooperatives who fail to pay their obligations as they fall due, unless excused by the Board, shall pay a fine of 2 per cent a month. If non-payment continues beyond the period allowed by the KB, said members may be suspended or his membership terminated.
4. Member SNs/pre-cooperatives who are declared "members not in good standing" cannot enjoy the rights and privileges of membership.
5. Disciplinary measures imposed on directors, officers and committee members:
 - a) Directors and committee members falling under any of the following circumstances are disqualified to continue serving as such:
 - Holding or assumption to an elective position in the government, except that of a barrio councilman;
 - Having conflicting interest with that of the cooperative;
 - Having been absent for three (3) consecutive meetings without being excused;
 - Being a full time employee of the KB;
 - Having been convicted of a crime involving moral turpitude, gross negligence, or gross misconduct in the performance of duties or found culpable in any administrative case involving such offenses;
 - b) Any director, officer or committee member who violates any provisions of the bylaws, decisions of the Board and the membership, or commits any acts prejudicial to the interest and welfare of the KB, after proper hearing, shall forfeit his position;
 - c) Automatic forfeiture of the position by a director, committee member or officer who has been declared bankrupt or insolvent.
 - d) Joint and several liability to the extent of the damage suffered by the KB, for any willful violation of the law, regulations, the bylaws, and resolutions of the general assembly, through acts or omissions, except directors who entered a protest at the time the transaction, act or omission was acted upon.
 - e) The Board is under obligation to furnish each member at least 10 days before the general assembly, with the consolidated reports and the reports of the committees, financial statements, and other papers. The board members may be censured for their failure to make available the required reports.

From Without

- a) Kalipunan or Katipunan ng Kilusang Bayan of which the KB is an affiliate. The grounds and penalties are the same as those provided in the case of the member and the KB.

Bases of the disciplinary measures are the law, regulations, bylaws and articles of the Katipunan or Kalipunan, the membership agreement, decisions of the Board and the membership assembly, as well as other rules promulgated by the Katipunan or Kalipunan.
- b) BCOD/DLGCD
The Bureau of Cooperatives Development of the Department of Local Government and Community Development is vested with authority to promulgate rules and regulations to govern the promotion, organization, registration and supervision of all types of cooperatives.

Specifically, the BCOD exercises the following:

- a) Registers cooperatives, and prescribes the rules relative thereto;
- b) Determines the manner and extent of the exercise and enjoyment by cooperatives of the powers, privileges, assistance and support extended them under PD 175;
- c) Suspends the operation or cancels the registration of any cooperative, found after due hearing, to be operating in violation of PD 175, existing laws, and regulations and its bylaws;
- d) Liquidates and determines the disposal of the assets and settlement of liabilities of a cooperative which has been inoperable, inactive or defunct, or any cooperative violating the penal provisions of PD 175;
- e) Recommends charges to be filed against any official of the cooperative found to have committed crimes against the cooperative or officials who have violated the penal provisions of the cooperatives; and
- f) Establishes the rules and regulations governing the suspension and/or expulsion of any member of a cooperative.

In the exercise of its supervisory powers, the BCOD through its duly authorized representative, may require the submission of certain documents and reports, inspect the books of account of the KB, visit its premises and observe its operation or require the Board to convene a membership assembly to consider vital matters requiring urgent action.

Source: Bureau of Cooperatives Development. Fieldworkers Manual
About Area Marketing Cooperatives. MLGCD, Philippines. pp. 21-26.

APPENDIX D

ARTICLES OF INCORPORATION
OF THE

KILUSANG BAYAN SA PANGANGALAKAL, INC. (AMC)

KNOW ALL MEN BY THESE PRESENTS:

We the undersigned, all of whom are of legal age, Filipino citizens, and residents of the Philippines, and duly authorized representatives of our respective Samahang Nayon have on this day voluntarily associated ourselves for the purpose of forming a Kilusang Bayan sa Pangangalakal with capital stock under the Laws of the Philippines, more particularly Presidential Decree No. 175 and Letter of Implementation No. 23.

AND WE HEREBY CERTIFY:

ARTICLE I

That the name of this Kilusang Bayan shall be _____ Kilusang Bayan, Inc.

ARTICLE II

That the Kilusang Bayan is formed for the following purposes:

GENERAL

1. To increase the income and purchasing power of Samahang Nayon/Pre-cooperative members;
2. To stimulate capital formation for marketing activities;
3. To pool the resources of the members of Samahang Nayon/Pre-cooperative through systematic and continuous savings;
4. To advance the cooperative movement as a technique for improving the economic status of the people;
5. To undertake continuous educational activities for the officers, management staff, Samahang Nayon/Pre-cooperative members and the general public;
6. To cooperate with existing Kilusang Bayan;
7. To cooperate with the government of the Philippines, together with its instrumentalities, in the execution of government policies which will redound to the benefit of the general public; and
8. To undertake any lawful activity related to the members' self-government, social growth and economic independence under a truly just and democratic society.

SPECIFIC

1. To acquire, handle and market palay and its by-products, corn, vegetables, dairy, poultry, marine products and other products produced by its members or any of the products derived therefrom;
2. To engage in any activity in connection with the hauling, storing, processing, marketing, selling or utilization of any of the aforesaid products produced and delivered to it by its members or in the manufacturing or marketing of the by-products thereof;
3. To engage in the purchase and sale to its members of farm supplies, machinery and equipment, and/or any commodity needed by them;
4. To encourage diversified agriculture and improve rural community living;
5. To acquire facilities either by construction, lease/purchase bequest, or donation of any equipment, machineries and supplies as are or may hereafter be required in the conduct of its business;
6. To invest in any cooperative in order to strengthen the cooperative system/movement;
7. To borrow money and, as security therefore, give as a lien on any of its assets, properties, loan papers and rights, and interest acquired or assigned to it, in any manner permitted by law;
8. To promote education in the principles, practices and techniques of cooperation, production, and marketing;

9. To issue stocks and revolving fund certificates, as well as other forms or evidences of indebtedness as are or may hereafter be provided in its by-laws;
10. To draw, make, accept, endorse, guarantee, execute and issue promissory notes, mortgages, bills of exchange, drafts, warrants, certificates, and all kinds of obligations and negotiable instruments in connection with, and in furtherance of its business operations;
11. To act as the agent or representative of its members in any of the activities of the Cooperative herein mentioned;
12. To acquire, own and develop any interest in patents, trademarks, and copyrights connected with, or incidental to its business;
13. To cooperate with other similar cooperatives in creating provincial, regional or national federations/unions of cooperatives for any of the purposes for which this cooperative is formed; and
14. To provide other services for the benefit of its members.

For the purpose of attaining or furthering any or all of the objectives and purposes herein stated, to do any other act and to exercise any other power which a natural person could do and exercise and which now or hereafter may be authorized by law.

ARTICLE III

That the area of operation of this Kilusang Bayan shall be _____
_____ and its principal office shall be established or located at _____
_____.

ARTICLE IV

That the term for which this Kilusang Bayan shall exist is fifty years from and after the date of its incorporation.

ARTICLE V

That the name, citizenship and addresses of the incorporators and their respective representatives are as follows:

Samahang Nayan/Pre-Cooperative	Citizenship	Address	Name of Representative
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
5. _____	_____	_____	_____
6. _____	_____	_____	_____
7. _____	_____	_____	_____
8. _____	_____	_____	_____
9. _____	_____	_____	_____
10. _____	_____	_____	_____

ARTICLE VI

That the field of membership of this Kilusang Bayan shall be open to registered SN of Grade "A" status

(area of operation)

ARTICLE VII

That the number of directors of this Kilusang Bayan shall be _____ and the names, citizenship and addresses of the directors who are to serve until their successors are elected and qualified as provided in the by-laws:

Name of Representative	Citizenship	Address	SN Represented
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____

ARTICLE VIII

That the authorized capital stock* of this Kilusang Bayan is _____ PESOS (P_____) and said capital is divided into _____ shares with a par value of ONE THOUSAND PESOS (P1,000.00) per share.

ARTICLE IX

That the amount of capital stock which has been actually subscribed is _____ PESOS (P_____) and the amount paid on such subscription is _____ PESOS (P_____), and that the following Samahang Nayon/Pre-cooperative have subscribed and paid for the number of shares and amount of capital stock set out after their respective names:

Name of SN/Pre-Cooperative	No. of Shares Subscribed	Amount Capital Stock Subscribed	No. of Shares Paid	Amount Paid
1. _____	_____	_____	_____	_____
2. _____	_____	_____	_____	_____
3. _____	_____	_____	_____	_____
4. _____	_____	_____	_____	_____
5. _____	_____	_____	_____	_____

* Minimum authorized capital is P 2.5 million of which 20% should be subscribed and 20% of the subscribed should be paid up, but in no case should the paid up capitals be less than P 100,000.00.

6. _____	_____	_____	_____	_____
7. _____	_____	_____	_____	_____
8. _____	_____	_____	_____	_____
9. _____	_____	_____	_____	_____
10. _____	_____	_____	_____	_____

ARTICLE X

BE IT KNOWN THAT:

_____ has been elected/ appointed by the Board of Directors as Treasurer of this Kilusang Bayan to act as such until his/her successor is duly elected/appointed and qualified in accordance with the by-laws, and that as such Treasurer, he/she has been authorized to receive for the Kilusang Bayan and to issue receipt in the name of the Kilusang Bayan for all subscriptions/shares paid in by the subscribers/members.

IN WITNESS WHEREOF, we have hereunto set our hands this _____ day of _____, 19 _____
at _____.

Name of Samahang Nayan/Pre-coop.	Signature of Representatives
1. _____	By: _____
2. _____	By: _____
3. _____	By: _____
4. _____	By: _____
5. _____	By: _____
6. _____	By: _____
7. _____	By: _____
8. _____	By: _____
9. _____	By: _____
10. _____	By: _____

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES

Province of _____

City/Mun. of _____ S.S.

Before me, a Notary Public, in and for the Province/City of _____ personally appeared on this _____ day of _____, 19 _____, the following persons with their respective Residence Certificates as follows:

Name of Representative	Res. Cert. Number	Date and Place of Issue
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
7. _____	_____	_____
8. _____	_____	_____
9. _____	_____	_____
10. _____	_____	_____

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and who acknowledged to me that the same is their voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hands and seal on the date and the place first above written.

Notary Public
Until December 31, 19 _____

Doc. No. _____
Page No. _____
Book No. _____
Series of 19 _____

APPENDIX E

Evaluating Management of a Cooperative

Key questions to ask:

Rating:
Circle
Number¹

1 2 3

Planning

1. Are the objectives of the cooperative clear-cut, up-to-date, understood and taken into account in current operations?

1 2 3

2. Are results of research studies used for planning, and is management aware of research available from regional cooperatives and State and Federal research agencies?

1 2 3

3. Have policies been formulated covering regular recurring operations on which decisions have to be made from time to time?

1 2 3

4. Are operations adequately planned on both a long-range and a short-term basis in harmony with objectives?

1 2 3

5. Have adequate analyses, which portray the potential business volume or service requirements of the cooperative over the next several years, been completed?

1 2 3

Organizing

1. Is there a clear-cut organization plan relating personnel and facilities consistent with tasks to be accomplished?

1 2 3

2. Are there detailed job descriptions for executives and supervisors making clear their responsibilities, authority, and relationships?

1 2 3

¹Rating" 1—*good*, no improvement needed, 2—*fair*, some improvement needed; and 3—*poor or lacking*, much improvement needed.

3. Are the functions, authority, and relationships of the various functional units clearly established?	1	2	3
4. Are qualified persons selected against position requirements and properly assigned in the organization and adequately paid?	1	2	3
5. Are personnel requirements for key positions projected far enough ahead (3 to 5 years), and are qualified replacements available as needed?	1	2	3
<i>Directing</i>			
1. Are work assignments fair and directions clear and complete? Do they tell <i>why</i> as well as <i>what</i> ?	1	2	3
2. Are positions evaluated and performance appraised objectively and periodically?	1	2	3
3. Are working conditions conducive to maximum effort?	1	2	3
4. Are standards of performance—or results—known? And accepted?	1	2	3
5. Are clearly defined channels of communication—down, up, and across organization lines—kept open and used consistently?	1	2	3
<i>Controlling</i>			
1. Does hired management control by making effective use of clear-cut policies and standards of performance to guide subordinates in making required decisions?	1	2	3
2. Does hired management exercise control by clearly delegating adequate authority so that each subordinate knows when he can decide without incurring displeasure?	1	2	3

- | | | | |
|--|---|---|---|
| 3. Does the board require and make appropriate use of an external audit? | 1 | 2 | 3 |
| 4. Are methods of operation critically reviewed periodically by qualified persons? | 1 | 2 | 3 |
| 5. Is an operating budget prepared and used to check current performance? | 1 | 2 | 3 |

Co-op Management Team

- | | | | |
|---|---|---|---|
| 1. Does the corporate structure clearly indicate the ultimate source of authority and the respective responsibilities of members, board of directors, and hired management? | 1 | 2 | 3 |
| 2. Are the respective functions and responsibilities of board and hired management clearly distinguished? | 1 | 2 | 3 |
| 3. Is the manager free to make recommendations to the board according to his best judgment? | 1 | 2 | 3 |
| 4. Does the manager present matters, including regular reports, to the board in the most effective form for their consideration and decision? | 1 | 2 | 3 |
| 5. Does the board delegate responsibility and corresponding authority to the manager? | 1 | 2 | 3 |
| 6. Does the board let the manager take appropriate action in selecting, directing, disciplining, or releasing staff members? | 1 | 2 | 3 |
| 7. Does the board support the manager appropriately when he functions within established policies? | 1 | 2 | 3 |

- | | | | |
|--|---|---|---|
| 8. Does the management team devote attention to member and public relations and promote programs for improving them? | 1 | 2 | 3 |
| 9. Do board members maintain appropriate balance between representing special localized interests, and on the other hand thinking in terms of the enterprise as a whole? | 1 | 2 | 3 |
| 10. Do all parts of the management team recognize their responsibility for continually seeking to improve themselves to do their jobs? | 1 | 2 | 3 |

Source: USDA, Cooperative Movement Farmers Cooperatives in the United States: Cooperative Information Report I, Section 8. Economics Statistics and Cooperative Services, US Government Printing Office. April, 1980, pp. 11-14.

AN EVALUATION OF GRAIN AREA MARKETING
COOPERATIVES IN THE PHILIPPINES

by

MARIO V. PERILLA

B.S.A., University of the Philippines at Los Banos, 1973

AN ABSTRACT OF MASTER'S REPORT

submitted in partial fulfillment of the
requirements for the degree

MASTER OF SCIENCE

Department of Economics

KANSAS STATE UNIVERSITY
Manhattan, Kansas

1980

The Philippine government is seeking the development of organizations that can help stabilize and improve the distribution of farm commodities and farm inputs. In as much as the current Samahang Nayons (SN's) are pre-cooperative organizations which can not perform economic business activity, one way of meeting the government's objective is through the further development of full-fledged cooperatives such as Grain Area Marketing Cooperatives (GAMC's). Specifically, the study aims to identify objectives and functions of GAMC's, determine their organization and management operations, analyze their financial statements, identify major problems affecting their operations and suggest possible alternatives to improve the cooperative and marketing services.

The GAMC's are voluntary business associations formed by at least 10 SN's engaged primarily in the marketing of grains or produce of its members as well as the supplying of members production inputs and other farm requirements. The total volume of business transacted by all GAMC's from January, 1975 to March, 1978, reached to ₱485.4M, mostly on accounts of grain marketing. Substantial sources of business also included sales of by-products -₱1.4M and sales of production inputs -₱1.2M. Milling fees contributed ₱370 thousands; warehousing -₱15.7 thousands.

As of June 30, 1979, the total assets of 15 GAMC's were ₱22.5M. The liabilities had reached to ₱17.8M. The equity/debt ratio was low at 0.26:1; the sales/assets efficiency ratio was low at 0.73:1.

The pressing problems of GAMC's as perceived by Chairmen of the Boards and Managers were the following: lack of adequate operating capital, facilities and extension persons; lack of discipline/education of SN farmer-members and limited support of SN's and local officials. These constraints need critical analysis to determine what actions are needed to enable the cooperatives to attain its objectives.

In view of the above problems, the following solutions can be considered: continued and intensified technical and financial assistance to GAMC's by the government; coordination of support activities with other government and private agencies; development from within the cooperative itself by strengthening the SN's; continual capital build-up; encouragement of savings of members; skills training of members, hired management and the board members; marketing research and periodic management evaluation of GAMC's.

The Philippine government is exerting much effort to strengthen the cooperative movement. There has been much done but much remains to be done. It is hoped that through the provision of technical and financial assistance as well as the coordinated support activities of the government agencies, private sector and the farmers themselves, the Grain Area Marketing Cooperatives can contribute to the attainment of the government's objectives of increasing income and purchasing power of farmers and providing equitable distribution of income and wealth.