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INTER-REGIONAL COOPERATIVE DEVELOPMENT:

AN ACCELERATED DEVELOPMENT PLAN FOR MINDANAO

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I. INTRODUCTION

This paper was prepared by Mr. Mark A. Van Steenwyk, Cooperative Development Specialist, who was on assignment in Mindanao as an ACDI Consultant under the Cooperative Marketing Project during the period February 8 - April 9, 1982. The paper is an attempt to accurately reflect the current thinking and planning of cooperative leaders within Mindanao regarding the accelerated development of their own cooperative program. Government personnel from the Ministry of Agriculture from Regions IX, X, XI and XII who are directly involved with the promotion and development of cooperatives in Mindanao have been involved extensively in the planning of this approach and have generally endorsed it as an action development program for Mindanao Agricultural Cooperatives. The author has taken the liberty to express his own views on some of the subject matter presented within this paper and such views are drawn from his own personal experience gathered over an eleven-year period of studying cooperative development within the Philippine context.

II. BACKGROUND: THIRTY YEARS OF PHILIPPINE AGRICULTURAL COOPERATIVE DEVELOPMENT, 1952-1982, AN OVERVIEW

The Philippines' first attempt to succeed in the business of building agricultural cooperative began in 1952 with the advent of the Farmers Cooperative Marketing Association (FaCoMa). Despite massive government and bilateral assistance over a twenty year period, the super-structure of over 650 FaCoMas had all but collapsed by 1970. Only a handful of FaCoMas were still functioning and many of these were financially and operationally unsound. Despite eleventh-hour attempts to resurrect the FaCoMas' apex marketing organization, GRAMACOP, it too became a casualty to the early 1970's, completing a disappointing legacy to two decades of cooperative development.

In 1971, the Philippine Government set out to re-examine the principles of cooperative organization and re-direct cooperative development strategies within the country. Fundamental changes were made which were to differentiate the "New" approach from the previous FaCoMa pattern. This "New" approach, pilot tested in Nueva Ecija Province (1971-1972), was to become a national program in 1973, following the issuance of P.D. No. 175.

Conceptually, the new cooperative development plan introduced in 1973, showed a marked improvement in design over the past FaCoMa approach. Localized village representation was to be initiated

for the first time through Samahang Nayon. The economy-of-scale of the primary cooperative was to increase from the municipal to the multi-municipal (and in some cases provincial) level. And, management for credit and marketing functions was to be separated. Additionally, a massive educational program and farmer capitalization were seen as prerequisites to program success.

Despite early program momentum, the Philippines' second attempt to institutionalize an agricultural cooperative system began to bog down by 1975. This time, however, the problem was not related to program design, but rather to implementation strategy. Scarce development resources, people money and time, were not able to cope with the magnitude of the program. Secondly, critical assumptions were made involving implementation strategy which violated the somewhat slower, but time-proven principle of bottoms-up cooperative development.

In an effort to institutionalize a viable nucleus cooperative structure from which to eventually expand and build a national program upon, two special projects were initiated by the Bureau of Cooperatives Development in 1976 and 1977. The first project, today known as the "Samahang Nayon Support Project (SNSP)," was launched in an attempt to strengthen the organizational and economic base of the Samahang Nayon, the institution rightfully identified as the building block of the cooperative structure.

The SNSP development target was 150 SN. The second project initiated by the BCOD was, and is today, known as the "Cooperative Marketing Project (CMP)". While the SNSP's focus was at the Samahang Nayon level, the CMP devoted its attention to overcoming the development constraints, namely, management ability, technical know-how and financial resources, at the primary level of the cooperative structure, the Agricultural Marketing Cooperative. The CMP was designed to provide support to a nucleus of 15 AMCs. It is worthwhile to point out here that SNSP and CMP beneficiaries were to be geographically complementary.

Today, ten years after the first SN and AMC were established in Nueva Ecija province, we find a cooperative development program at the cross roads of its history. To be sure, the program has to date achieved only a small percentage of its intended objectives. Yet, no other program can offer a more expedient alternative to direct farmer participation in the development process and ownership of rural institutions than can the SN/AMC/CRB cooperative structure. At best, cooperative growth is a long-term development process. Government's role in this process is to first insure the continuity of long-range policy support and direction, and second, to provide on a sustained basis the necessary development resources to this effort.

It is the expressed purpose of this paper to build upon the first thirty years of agricultural cooperative experience in the Philippines by proposing an accelerated cooperative development strategy consistent with ongoing program and project objectives. The essence of this strategy focusses on bottom's-up cooperative growth within the regional development context.

III. ACCELERATED COOPERATIVE DEVELOPMENT - MINDANAO STYLE

In objectively analyzing the reasons why we have not progressed further than we have in this business of cooperative development during the past ten years, one of the conclusions that must be drawn is the fact that we have simply tried to do too much too soon with limited resources and too little experience. In short, we identified where it was that we wanted to go, but we were too impatient and inexperienced to follow the process which would eventually lead us there. We wanted a short cut to development and in our haste we tripped over our own shoe strings. We saw the goal, but we forgot the process.

Accelerating cooperative development in the Philippines will require us to follow step by step the proper sequence in the development process. There is no short cut to success, and the time it takes us to reach our goal will be directly proportional to how attentive we are to the steps in the process. Each step

we try to avoid or circumvent will cause us delay and dissappointment.

If we believe that Samahang Nayon are no stronger than the loyalty and commitment of the farmers who compose them, then we also must believe that similarly the AMCs are no stronger than their institutional membership, the Samahang Nayon. Why is it then that we are surprised when we see weak AMCs when little to no effort has been spent with respect to strengthening the building blocks which form these primary societies? Why is it also that during the past ten years more than 2/3 of our development resources for this program were spent developing a top-down structure for the small farmer which virtually ignored his participation in the process? It is not enough that small farmers "understand" what cooperatives are, they must also "value" what cooperatives can do for them. Only when they have reached a level in their attitudinal development of valuing the role of cooperatives can we expect to see their direct participation and commitment to the growth of the program. Unfortunately, today most SN members are only at a level of "understanding" and not yet "valuing" in their development process with respect to cooperatives. So it is here that we must first begin.

The key to Mindanao's present cooperative development approach is a bottom's-up development strategy which concentrates resources

coming from government, private and cooperative sectors on a manageable and highly definable scale. This development effort will be directed toward a vertically integrated skeletal nucleus of the most viable of existing agricultural cooperative structure within Mindanao. Initially, this structure will be composed of some 60-80 of the strongest Samahang Nayon representing a half-dozen active Agricultural Marketing Cooperatives who have now joined together to form the first Katipunan Ng Mga AMCs, known as the Federated Agricultural Marketing Cooperatives of Mindanao (FAMCOM), Inc.

Accelerated cooperative development, Mindanao style, will involve area development planning and implementation where the cooperative structure is not just the recipient of development efforts, but is more importantly the primary initiator in the development process. Stated differently, cooperatives will be expected for the first time to lead in their own development and will identify the role of government and the private sector in this process.

In the following section, various components of the development strategy are discussed in greater detail.

IV. DEVELOPMENT STRATEGY

A. Strengthen the Grassroots: Accelerating SN Socio-Economic Growth and Development.

As mentioned in the preceding section, initially 60-80 Samahang-Nayon will be selected from the ranks of the membership of the half-dozen AMCs who have now federated to form FAMCOM. These 60-80 SN will represent the strongest base of the Samahang Nayon movement within Mindanao. A fundamental assumption in the Mindanao Cooperative Development strategy is to build success upon success, bottom's-up. Therefore, it is neither practical, manageable or advisable to direct SN development efforts at this time beyond the magnitude of this well defined group. Incidentally, as the cooperative structure is now planning and managing its own development process, it will be the cooperatives themselves who select which SN are to participate in the program. This will no longer be a function of government.

Once pilot SN have been selected for participation, the SN leadership, together with AMC representatives will conduct an intensive baseline survey of the social and economic

condition and potential existing within the geographic service area of the SN. Government and private sector agricultural expertise will no doubt be called in to participate in this process as an accurate assessment of agricultural productivity potentials will be critical information to be gathered and will contribute directly to the determination as to where to build economic viability into the business fabric of the cooperative structure. For, without economic viability, we have no justifiable criteria for promoting cooperatives.

Once baseline information has been gathered within the environment of our initial 60-80 SN participants, social and economic planning for the development of the grass-roots must begin. Although the cooperative structure will rely heavily, at least initially, upon the outside private sector for economic planning and upon government for promoting social development, significant responsibility for planning, initiating and evaluating development efforts will rest upon the cooperative structure itself and will necessarily involve cooperative leadership at each level within the structure, SN/AMC/FAMCOM.

Again, it must be stressed that the decision making responsibility for the particular social and economic development path to be followed with respect to strengthening, the Samahang Nayon

must be left to the cooperative structure. Government's role is that of an abiding partner in this process. As an abiding partner, government has much to offer. The BCOD has during the past six years defined and demonstrated successfully a socio-economic blueprint for SN development in its SNDP program. This highly significant program offers the Mindanao cooperative structure invaluable guidance in the process of strengthening its grassroots. Similarly, government should now lend its full support to expanding SNSP in Mindanao pilot selected SN, provided, as already stated, that program decision making responsibilities continue to rest within the cooperative structure.

Some discussion at this point is warranted with respect to the role of KKK. As a development resource, this program should be careful to build upon the achievements and development strategies set forth under the SNSP program. As such, KKK resources should be applied in a manner consistent with established government cooperative development policy in such a way as to promote vertical integration of business and services within the cooperative environment (which in effect is the heart and soul of the Mindanao cooperative development plan). When the economic development of Samahang Nayon is treated independently out

of the context of the vertically integrated cooperative structure of which it is a part, a very real danger lies in making critical business assumptions without considering realistic economies of scale.

B.. Expanding AMC Services and Supporting Equity Growth Through Diversification.

Within the context of the Mindanao accelerated program, the development of the primary cooperative society, the Agricultural Marketing Cooperative, will at least initially be restricted to a group of some six cooperatives who are now federated as a group and committed to the development objectives presented in this paper.

As was pointed out in the previous section, AMCs will play a very active and direct role in, first, selecting pilot SN from within their membership to participate in the accelerated cooperative development plan, and second, working with SN leadership in defining, initiating and evaluating a socioeconomic development program for those SN. Additionally, the AMCs will work closely with their federation (FAMCOM) in order to insure harmony and comple-

mentation in overall program planning and implementation within the total environment of the defined cooperative structure.

AMC growth and development must be premised on sound economic enterprise. Accordingly, the cooperative structure must steer clear of product lines and services which do not produce income. For the past thirty years, government has promoted the growth of agricultural marketing cooperatives in the Philippines around a single commodity crop, rice. Unfortunately, rice milling and trading is a highly competitive, highly capitalized, narrow margin business, with built in price control disincentives which virtually discount any chance of offering an economic return to a small farmer owned and operated cooperative marketing system. Perhaps one day, AMCs will be able to compete in this business once they have gained the necessary experience, institutional strength and volume of business activity required to overcome a break-even operation. As for now, rice milling and trading is at best a social service for the AMC. At worst, and in reality, it is an economic disservice to membership. If the AMC is not making money for members, it is losing the money of its investors,

small farmers. And if the AMC is losing the equity entrusted to it by the farmers, it has no social or economic reason for justifying its continued existence. It bears repeating, AMCs cannot and will not survive if their business activities are built solely around the commodity of rice.

This does not mean to imply that AMCs should divorce themselves from the primary crop being produced by their members. Rather it is to say that management must realistically know what it is up against in this highly competitive business and be prepared to minimize its loses in this area and offset any such loses with other income generating services to its members. In-other-words, AMCs must diversify their business operations and services to members in such a way as to insure cooperative profitability. Today, the most successful AMCs in the country are those which have managed to do just this.

Business diversification of course first begins at the production level within the SN. That is why in the case of Mindanao that particular emphasis is being placed upon obtaining baseline production information within selected SN which will be used in determining realistic agricultural diversification potential for cooperative membership. Once specific commodities have been identified, such as coffee,

rubber, sugar, feedgrains, vegetables, livestock, fish, etc., then technicians from the cooperative and private sectors operating through the cooperative structure will determine at which level within the cooperative structure that the economy of scale for the services required to produce, transport, process, store and market a particular product lie. Once this is determined, then the basic resources which the Cooperative Marketing Project (CMP) was designed to produce, namely management capability, technical know-how and adequate financing, can be programmed at each level within the cooperative structure to insure complementary cooperative functions from production through marketing.

By diversifying their agricultural business enterprises into other commodities in addition to rice, the Samahang Nayon and AMCs will be safeguarding the economic livelihood of their farmer members while at the same time generating and retaining equity growth within the cooperative structure, which is their reasonable duty and concurrently their key to survival.

C. Creating an Inter-Regional Federated Cooperative Support Structure

It is reasonable to expect that the activities presented in the preceding Sections A and B in support of an accelerated approach to cooperative development for Mindanao if left to the initiative of individual Samahang Nayon and Agricultural Marketing Cooperatives may or may not come about. This is precisely the reason why a group of active and for the most part economically viable AMCs within Mindanao, in the interest of their own survival and the survival of their SN membership, have voluntarily federated themselves to create the first bottom's-up agricultural cooperative apex support structure within the Philippines.

The Federated Agricultural Marketing Cooperative of Mindanao, FAMCOM, was established March 10, 1982 as a small farmer owned and operated regional cooperative. As such, it will offer its cooperative base services which up until the present have been lacking in the cooperative system. To be sure, others have on behalf of the cooperatives tried to offer such services, but not until now have the agricultural cooperatives had the ability to provide apex business

and development services through their own cooperative organization.

In addition to the economic benefits to be derived from the economy of scale of volume inputs procurement and marketing services, FAMCOM offers a wide array of support services to its cooperative membership. Initially, the federation will provide technical guidance in devising an area development plan which will be premised on promoting sound, diversified business enterprises which are complementary within the cooperative environment and economically efficient within the private competitive environment. In as much as many of its AMC members are still administratively weak, FAMCOM will, during its initial five-year development plan, provide a continuing program of management development services to its members. This program will not only provide for people development but will also address business development functions such as accounting systems, inventory control systems, auditing procedures and business development planning (including Financial Planning). Additionally, technical know-how to support business administration will be provided throughout the cooperative environment by FAMCOM on an "as needed" basis. Where internal talent is

not present, local expertise will be recruited on a contract basis with the private sector. As the cooperative structure grows stronger, many of these services can, over time, be turned over to the AMCs who are responsible for seeing that the skill transfer of these same basic services is augmented at the Samahang Nayon level.

FAMCOM will over time provide other direct services to its membership such as: management incentives; input supply, marketing and new product research and development functions; marketing information services; and yes, eventually, computer services. In short, FAMCOM will offer its members the very same services which the National Cooperative structure (CMSP/CMSI/CISP/CFPI) was designed (top-down) to do.

Direct government subsidy will be required to cover the cost of non-business related services of FAMCOM during its initial five-year development plan. Over time the cost of these services can be absorbed by the AMCs and paid for out of business operations. Efforts should be undertaken to re-direct the functions and support provided to CMSP and CFPI

under the Cooperative Marketing Project (CMP), insofar as Mindanao is concerned, in order to allow this support to be directly channeled to FAMCOM as a means of expediting CMP implementation within Mindanao.