

**RBAP/RBRDFI**



**MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO**

**PANABO AGRO-INDUSTRIAL COOPERATIVE  
AN INTEGRATED RICE COMMODITY SYSTEM  
A CASE STUDY**

**Final Draft**

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Davao City, Mindanao, Philippines

December 1998

Under Contract No. 492-C-00-98-00008-00  
**United States Agency for International Development**  
**Office Of Economic Development**  
Manila, Philippines

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## ACRONYMS

PAICOP	Panabo Agro-Industrial Cooperative
PAICOR	Panabo Agro-Industrial Corporation
RB Panabo	Rural Bank of Panabo
DOSRI	Directors, Officers, Stockholders and their Related Interests
DA	Department of Agriculture
NAFC	National Agriculture and Fisheries Council
LBP	Land Bank of the Philippines
IMPROVED Rice Coops	Integrated Marketing and Production Opportunities for the Viability and Economic Development of Rice Cooperatives
Primaries	Primary Cooperatives
LRGF	Loan Repayment Guarantee Fund
FIG	Farmer Irrigators Group
PCIC	Philippine Crop Insurance Corporation
SBL	Single Borrower's Limit

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*Everything that led to PAICOP  
was motivated by a Rural Bank trying to find a way  
of saving a credit program for farmers.*

*-Rural Bank of Panabo*



PAICOP Warehouse located at Km. 29, J.P. Laurel, Panabo, Davao del Norte

*"Wala man miy luna ug kagamitan niagi pero tungod  
sa among kita sa PAICOP ug sa maayong pagtagad kanamo sa Rural Bank of Panabo  
sa pagpautang kanamo nakaangkun kami ug yuta ug balay, luna, gamit sa balay, ug trisikel.  
Bisang ang among mga anak dali makakuha ug loan para sa negosyo sa RB Panabo"*  
(*We have no properties before but through income from PAICOP and priority credit from Rural Bank  
of Panabo we were able to acquire house and lot, additional rice land, house appliances, and tricycles.  
Our children can even avail of a business loan from RB Panabo.*)

*-Farmer Members of PAICOP  
October 23, 1998*

## EXECUTIVE SUMMARY

The Integrated Rice Commodity System of Panabo Agro-Industrial Cooperative (PAICOP) impressively increased the collection rate of Rural Bank of Panabo in lending to small rice farmers from 77% before PAICOP to almost 100% over the 12 years of its operation.

As an integrated rice commodity system, PAICOP operates by intermediating lending of RB Panabo to individual farmers with the requirement that they deliver their harvest to their cooperative as loan payment. PAICOP provides post-harvest facilities such as truck hauler, dryer, rice mill and marketing assistance. This eliminates reliance of farmers on private traders-lenders who normally profit more than the farmers and assures RB Panabo of an efficient collection.

### HISTORY

In 1986, RB Panabo organized a partnership with farmers to implement an integrated rice commodity system through a "corporative" known as Panabo Agro-Industrial Corporation (PAICOR) to provide an interim management control needed to protect the bank's investment. A corporative is a SEC-registered corporation that operates like a multi-purpose cooperative through an integrated commodity system with 55% of the authorized capital subscribed by an entrepreneur and the balance of 45% subscribed to by a big number of individual farmers producing a common crop. The entrepreneur (RB Panabo) commits to divest or dilute his shares in favor of farmer members who, likewise, signify their intention to gradually buy out the shares held by the entrepreneur upon gaining more capability, confidence and resources.

To make it more profitable and truly pro-farmer, PAICOR was dissolved in 1992 and changed to a cooperative, hence, the creation of PAICOP. The operation of PAICOP is characterized by pro-member policies of its officers and pro-farmer borrower commitment of RB Panabo. The farmer controlled board of directors only receive an honorarium of P250 per meeting every quarter while RB Panabo subsidized some of its administrative expenses and extended loans on land acquisition, farm implement, livestock, providential loans and for the working capital of PAICOP.

PAICOP was identified as a lead cooperative for the Grains Center Project of DA-NAFC and for the IMPROVED Rice Cooperatives Project of LBP. In late 1997, it was granted a P 3.48 M fixed asset loans under the Grains Center for the acquisition of a new rice mill, construction of new warehouse and acquisition of additional hauling truck payable in ten years without interest. In September 1998, it signed a memorandum of agreement with LBP and LBP assisted farmer's cooperatives or primaries under the IMPROVED Rice Coops project to be the latter's marketing arm. LBP will continue providing production loans to these primaries, however, working capital loans will be transferred from the primaries to PAICOP. These arrangements with DA-NAFC and LBP will double PAICOP's capacity from 600 hectares in 1997 to 1,200 hectares in the second quarter of 1999. PAICOP ensures matching its post-harvest capacity to the financed farmers production volume to safeguard against service quality deterioration.

### REPLICATION

To replicate an integrated rice commodity system for 500 hectares of palay production patterned after PAICOP will require an initial investment of P 26 M. Two million or 20% of the total fixed assets loans will be equity to be raised by farmers over an initial period of two years. While the farmers are building their equity, existing post-harvest facilities of private millers can be rented in the interim. Individual lending to farmers with guarantees from the cooperative, however, is vital to the approach of RB Panabo in keeping farmers individually and directly liable to the bank and also in lending to the cooperative without going above the single borrower's limit. Financing for production loan, fixed asset acquisition and working capital beyond the rural bank's capacity can be accessed by the lead cooperative directly from LBP and DA.

Production	P 6,000,000.00	P12.00 per hectare for an initial 500 hectare
Fixed Assets	P10,000,000.00	Land Area of 2 ha, warehouse, solar dryer, rice mill, truck
Working Capital	P10,000,000.00	Buying of palay, seedlings, chemicals and fertilizers

The greatest challenge for rural banks in replicating the integrated commodity system approach is building the lead cooperative under standard management systems and procedures. Organizing a new cooperative is vital in installing a set of standard business philosophies and strategies that PAICOP follows. As it expands, the cooperative will provide the rural bank bigger lending opportunities without the usual management problems common to new and struggling cooperatives. PAICOP has proven all this.

*"The success of PAICOP can be attributed to the effective collaboration between farmers, non-government agencies, DA, LBP and RB Panabo in its concern on the effectivity of credit to the upliftment of farmer's living condition."*

-Mario F. Corcalon  
Department of Agriculture, Davao Province  
October 22, 1998



*PAICOP Warehouse located at Km. 29, J.P. Laurel, Panabo, Davao del Norte*

*"Rural Banks should replicate the integrated commodity system approach of PAICOP as initiated by RB Panabo to make credit to farmers more effective."*

-Mona Lisa Ma. M. Ho  
Branch Manager, Land Bank, Panabo Branch  
October 23, 1998

## I. HOW PAICOP STARTED?

### *A Collection Problem*

It started as a loan collection improvement initiative of Rural Bank of Panabo to small rice farmers. In 1985, RB Panabo suffered from an average past due rate of 23% in lending to small rice farmers. The bank was losing given its high supervision and consultation costs with only 6% maximum interest spread on rediscounting allowed by the Central Bank of the Philippines.

Discussions with farmers revealed the reasons for their incapability to pay their loans as shown in Table 1. Farmers have become heavily dependent on traders in terms of post-harvest facilities, market for palay and for providential loans which make traders more profitable but put the farmers at a losing end. Traders have an efficient collection from farmers because they have the facilities to collect in kind. In short, they have primary access to the income of farmers.

Reason	Result
1. Lack of post-harvest facilities	Rely on traders to haul, dry and mill their produce
2. Poor prices and unfair weighing of palay as dictated by traders	Low income on sales.
3. Emergency needs	Resort to short-term high interest loans from informal moneylender usually traders.

### *Integrated Rice Commodity System*

It was during these discussions that an idea of an integrated rice commodity system was formulated to provide farmers access to facilities from loans, hauling, drying, milling to marketing, disposing reliance on traders. This in turn facilitates a collection in kind system that assures the bank of a 100% loan collection.

### *The Strategies*

#### *A corporative: PAICOR*

A cooperative and a corporation were considered in organizing the partnership between the farmers and the bank. Farmer borrowers proposed a multi-purpose cooperative for RB Panabo to finance. Although, RB Panabo finds the cooperative principle of income distribution through patronage refund and capital dividends beneficial to farmers, the bank's Board of Directors opted for a corporation since this will provide the interim management control it needs to protect its investment. A corporation provides consistent management unlike massive failures of cooperatives due to yearly change in officers and manager. The one-man-one-vote principle of cooperatives was deemed too risky in protecting the bank's investment due to its political instability specially in the observation that its officers were elected based on popularity.

The issue on management control was resolved when farmers themselves committed to participate in the project with the condition that RB Panabo commits to manage it. Likewise, RB Panabo committed to manage the corporation like a multi-purpose cooperative in all aspects, except for equity distribution and management control. Thus in February 1986, a "corporative" known as Panabo Agro-Industrial Corporation (PAICOR) was created with RB Panabo and its

individual owners owning 55% of the P 1M authorized capital. It is a fast-track approach to farmers' bankability through a real partnership between RB Panabo and the small rice farmers.

PAICOR initially operated with small integrated facilities worth P 440,000<sup>1</sup> for 400 hectares irrigable land tilled by 168 small rice farmers. Operating capital of P 2 M was borrowed from several individual owners of RB Panabo. Production loans, however, were extended direct to individual farmers due to the DOSRI limitations imposed by the Central Bank. Processing and follow-up of loans was done by Farmer Irrigators Group (FIG). RB Panabo provides management intervention on staffing, policies and internal control procedures<sup>2</sup>. Profit was generated beginning on its second year and cash dividends were declared. The 10% net return on the investment of RB Panabo was satisfactory compared with its net margin on extending loans while investment in PAICOR is higher compared to interest on bank deposits. However, high interest and tax expenses affected the profitability of the corporative resulting to a 3% average ratio of net income to total sales.

#### *A cooperative: PAICOP*

To increase profitability, the corporation was dissolved and converted into a cooperative named Panabo Agro-Industrial Cooperative (PAICOP) in April 22, 1992. RB Panabo became an associate member. Table 2 shows the primary reasons for the conversion to PAICOP.

#### *Characteristic of PAICOP*

Traders admire the way farmers patronize PAICOP. It is efficiently managed with pro-member officers and participating members unlike other cooperatives which suffer from mismanagement due to officer-incompetency, lack of internal control and pro-officer management style. Officers are only receiving an honorarium of P 250 per meeting per quarter. Farmers are directly liable for their loans from RB Panabo with guarantee from the cooperative through the FIG. Unlike other cooperatives, PAICOP actually distributes dividends and patronage refunds to members.

The pro-farmer/borrowers commitment of RB Panabo significantly characterized PAICOP's operation. Compared with other cooperatives, it provides low interest loans at 21% effective rate per annum. It extends other assistance in the form of subsidies on the salary of manager, a portion of the staff salary, a portion of rent and utility expenses. Management expertise provided by RB Panabo at the start of operation outlines the success of PAICOP. The current manager, treasurer, officer-in-charge and credit technician are competent persons from RB Panabo.

**Table 2**  
**Reasons for Conversion to Cooperative**

- ☛ Farmers are already capable and confident in managing the organization.
- ☛ Farmers are already disciplined in paying their loans and patronizing the organization.
- ☛ Operations and policies are fully installed and stable.
- ☛ Better distribution of income due to patronage refunds.
- ☛ Limitation on capital holding for every member (20%).
- ☛ Exemptions on taxes and pre-qualification bidding requirements on business transaction with government agencies
- ☛ Opportunities for government assistance, i.e., post-harvest assistance of DA and low price financing program of LBP.

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<sup>1</sup>Includes an Isuzu Elf 5-tonner truck, 2 hectares of industrial land, a 5,000-bag warehouse and a 1,000 square meter solar drier. A mini-rice mill worth P220,000 including installation was bought on installment over a year.

<sup>2</sup>RB Panabo's manager serves as president and manager of PAICOR on a part-time basis while a trusted RB Panabo staff was transferred to PAICOP as Officer-in-charge. Five of the nine directors were from RB Panabo.

### Expansion

Because of its strong leadership and management, PAICOP was identified as the lead cooperative for the *Grains Center Program* of DA<sup>3</sup> and for the *Integrated Marketing and Production Opportunities for the Viability and Economic Development (IMPROVED) of Rice Coops Project* of LBP (See Annex A and Annex B for details) which expands its operation and membership to primary cooperatives (primaries). As the lead cooperative, it serves as marketing arm of participating primaries under the financing program of LBP and as collection arm of LBP. Working capital for trading will now be discontinued by LBP for these primaries and given to PAICOP instead but production loans will still be directed to them. As of October 1998, two primaries had registered as associate members<sup>4</sup> of PAICOP. As associate members, they will enjoy all the benefits of regular PAICOP members except for the right to vote. They were even entitled to one observer seat in the Board.

#### *Grains Center Program of DA*

In late 1997, PAICOP was granted a loan of P 3.48 M fixed asset loan for ten years without interest for rice mill, warehouse and additional truck. This is through National Agriculture and Fisheries Council (NAFC) which is DA's main agency for coordinating private sector participation in the development of agricultural and fishery sectors that function as consultant, implementor, and fund generator. Construction of 10 slots of solar dryers and 4 units of mechanical dryers valued at P.9 M was also implemented through the office of the provincial agriculturist of Davao Province. It also received congressional assistance worth P.1 M. from then Davao Province District 3 Congressman Rodolfo del Rosario.

#### *IMPROVED Project of LBP*

An application for a loan of P 13 M working capital and P 3.5 M fixed assets to LBP was approved by the board of directors of PAICOP as part of its expansion program. Mortgages for said loans include land titles and building and a forward truck. LBP committed to expand the present volume of production loans they extend directly to their assisted primary cooperatives.

The above arrangements are expected to double PAICOP's capacity from 600 hectares in 1997 to 1,200 hectares in the second quarter of 1999. It is expected to make small rice farmers and their primary cooperatives competitive and profitable by eliminating reliance on traders, middlemen, processors and retailers that normally gets 40% of the wholesale price. An actual test conducted in October 1998 proved that farmers earn more with PAICOP compared to selling directly to traders. See Table 7 of Annex C for the result of the test.

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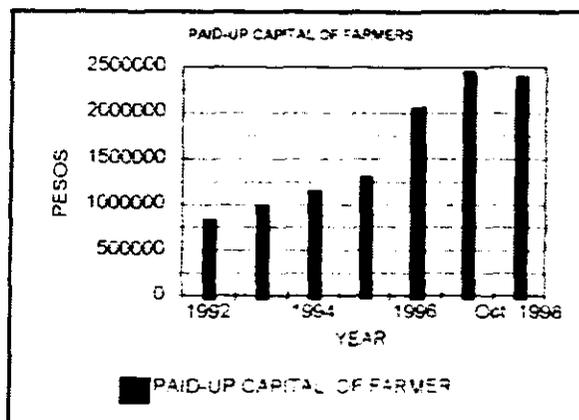
<sup>3</sup>Although PAICOP immediately accepted the proposal for a Grains Center, it took DA 4 years to convince farmer members who were apprehensive at first on the effect of the program to the flow of operation of the cooperative. This manifests the democratic control and pro-member officer's policy of PAICOP.

<sup>4</sup>The other four primary cooperatives short-listed by LBP are reluctant to join PAICOP because it would downscale their buying operation. Others are on a wait-and-see status.

## I FINANCIAL PERFORMANCE

### *As a Cooperative*

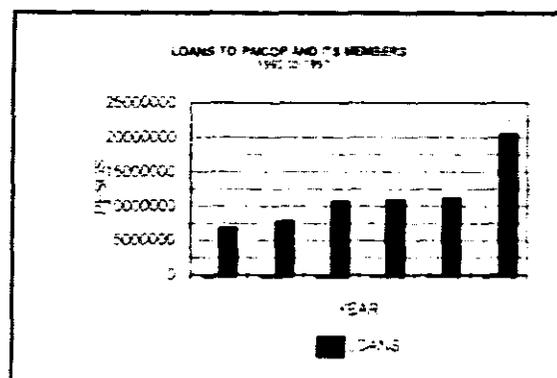
The operation of the integrated commodity system is profitable. Profit was generated and dividends were declared beginning on its second year. Increasing yearly dividends and patronage refund give farmers a stable source of income specially if they experience fluctuating sales due to depressed market prices. It earns more compared to ordinary savings deposits. Likewise, the 47% average ratio of net income to paid-up makes investment to PAICOP more profitable than interest on bank deposits. Exemption from tax increased average net income to sales to 6% compared to the 3% before the shift to cooperative. PAICOP has enough resources to fund its operation and farmers are gaining capability to finance the cooperative as shown in the declining capital share of RB Panabo in favor of the farmers who presently own 86% of the P 3,376,660.04 paid-up capital in June 1998. Table 9 of Annex G shows the Financial Statements of PAICOP.



### *As an Investment and Borrower of RB Panabo*

Loans to PAICOP posted an average share of 6% and 4% in the gross interest income of RB Panabo before (1992 to 1995) and after (1996 to 1997) it branch out. The 10% net return of the P 400,000 investment of RB Panabo to PAICOP is high compared to its net margin on lending in 1997.

The P 4,320.57 per month cost of subsidies (based on 1997 costing) of RB Panabo to PAICOP is amply covered by the bank's income from lending to PAICOP with an almost 100% collection rate. The volume of aggregate loan releases to PAICOP increased by more than 50% from 1992 to October 1998. Aside from production loans and working capital loans, the bank also provides loans on land acquisition, providential and farm implements. Table 10 of Annex H shows the loan releases to PAICOP and its members. Although unsecured loans, the bank is assured of repayment by farmers due to the Loan Repayment Guarantee Fund (LRGF) and the liability of the Farmer Irrigators Group (FIG) to pay their member's loan. The FIG is liable to pay 5% of the principal amount of the loan which is sourced out from its own savings (P10 per month for every member) while the LRGF (see descriptions on page 6) guarantees to pay 95% of the loan principal amount by withdrawing from the LRGF savings deposited at RB Panabo. As of September 1998, the total LRGF collected amounts to P384,547.42. The volume of deposits of PAICOP and its members increased by more than 60% from 1992 to 1997. Table 13 of Annex I shows the deposits (savings) and capital build-up of PAICOP and its members with RB Panabo.



### III. HOW TO MOBILIZE AND OPERATE AN INTEGRATED COMMODITY SYSTEM?

The succeeding sections outline the factors needed to mobilize an integrated commodity system patterned after PAICOP. Presentation highlights the factors contributing to the success of PAICOP.

#### A. Area

PAICOP covers a total of 714 hectares of irrigated land with an average of 3 hectares per member. Majority is located in Carmen, Davao Province which has a larger area of irrigated land.

Learning from the experience of PAICOP, it is best to start with 500 hectares irrigated land and as much as possible compact in one area or located near the cooperative warehouse to avoid higher cost on hauling.

#### B. Members

Members of PAICOP are old clients and good payers of RB Panabo since 1973. There was a 14% decrease in the 168 pioneer members due to mortality, migration and change of crop. At present, however, it has a total of 222 farmer members with an average increase of 4 members every year since its operation in 1986.

The impressive membership of PAICOP is attributed to the important role of the FIGs in the selection and processing of members. This ensures good membership since the farmers themselves know the background of the applicant.

MEMBERSHIP CRITERIA	PROCESSING SYSTEM
1. Maximum irrigable land area of 5 hectares	1. Membership application and a resolution form given to FIG chairman.
2. No outstanding bad loan from Rural Bank of Panabo and other financial institutions.	2. Interview of applicant by FIG and RB Panabo technician during FIG meeting.
3. Residents of either Panabo, Carmen, and Lasang, Davao Province for easy supervision.	3. RB Panabo technician investigates credit background of applicants from lending institutions and traders.

Farmer members reveal that PAICOP improved their economic status as well as their social status in the community. Many of them were able to purchase land, house appliances, tricycle and jeepney, build a house, diversify to other businesses, and send their children to good schools and colleges. They were not anymore dependent on traders for farm inputs, loans and market for palay. Some of their children were able to acquire commercial loans from RB Panabo. Members of PAICOP, they were highly regarded in the community.

#### Governance and Management

In the cooperative, PAICOP has the general assembly as the highest policy-making body. It has 11 active board of directors, three of which are from RB Panabo, that conducts meeting every quarter. Activities are outlined by six committees. Annex D and Annex E shows the organizational structure and specific functions of the committees respectively. The current manager serves on a part-time basis leaving daily management to the officer-in-charge and other regular employees with supervision from the treasurer, who is also the general manager of RB Panabo.

Contractual laborers are hired for hauling, drying, and milling of palay.

The key to the sound management of PAICOP is the effective application of business philosophies of RB Panabo at the start of its operation. Close supervision by the bank's officers and a credit technician ensures continuous efficiency in its operation.

**D. Systems and Procedures**

**D.1. Production Loan**

Individual lending to farmers with guarantees from FIG (5% of loan principal amounts) and from PAICOP's LRGF (95% of loan principal amounts) are vital to the approach of RB Panabo. This will keep farmers individually and directly liable to the bank and enable the bank to lend to PAICOP without going beyond the 25% of networth single borrowers' limit.

Only one credit technician supervises the processing and releases of production loans of 222 farmer borrowers from PAICOP, who also handles the agricultural loans of the bank's other branches. This efficient supervision is attributed to the FIG that coordinates application and processing of loans.

**Table 4  
Process Of Loan**

REMARK	DESCRIPTION
1. Credit technician (CT) schedules a meeting with FIG.	1. CT attends meeting of FIG attended by the new applicant. FIG recommends the applicant to the membership committee <i>Note: New loan serves as application for membership</i>
2. CT distributes application forms to farmers through the FIG.	2. Endorsement by membership committee to PAICOP BOD.
3. CT schedules loan releases by batch one month after harvest. <i>Note: Maximum 5 hectare is allowed for loan to small farmers.</i>	3. Endorse to RB Panabo BOD for loan approval. Requirements include endorsement of FIG, approval of membership committee, and lease contract for leaseholder.

**Deductions**

**LRGF**

The LRGF was created as a risk guarantee for payment failure of farmers. One percent of the principal amount is retained under LRGF. In case of write-offs, the FIG is liable to pay 5% of the principal amount while the rest is charged to LRGF. RB Panabo waives interest and penalty. To date, only one farmer's loan was paid out of this guarantee system.

**Capital Build-Up**

The required capital share from farmers is P500 per cropping. This is paid through deduction from the

**Table 5  
Break-Down Of Loan**

REMARK	AMOUNT
Land preparation	P 2,360.00
Transplanting	2,000.00
Seeds	1,300.00
Fertilizers	2,375.00
Chemicals	3,590.00
Deductions: PCIC (4%) Capital Build-up (2%) LRGF (1%)	500.00 250.00 125.00
<b>Total Loan per hectare</b>	<b>P12,500.00</b>

principal loan amount and the balance is deducted after harvest from sales proceeds.

### **Collection**

To pay their loans, at least 70% of the total harvest of farmers must be delivered to PAICOP using its post-harvest facility. PAICOP deducts loans from the sales of palay.

Due to increased confidence on PAICOP, some farmers are observed to deliver even more than 100% of their harvest because they allow inclusion of harvest of their neighbors who are non-members into their deliveries.

### ***D.2. Purchasing of Palay and Selling of Milled Rice***

In purchasing palay from farmers, PAICOP follows the prevailing price from among three biggest competitors. The farmer informs PAICOP of his harvest schedule, sets the day for hauling, and gets sacks from PAICOP. He confirms on the scheduled day itself and PAICOP sends its truck to the farm site to haul his harvest. The warehouse supervisor then weighs the palay and issues weighing slip which will be presented by the farmer to PAICOP Office at the RB Panabo Building for issuance of a purchase invoice. From the sales, PAICOP deducts loan and other accountabilities of the farmer. The balance from sales is paid in cash by the teller of RB Panabo.

Currently, PAICOP has 15 regular wholesale buyers both in Davao City and Panabo. It also serves several retailers in Panabo. To capture higher price, PAICOP keeps dry palay as inventory until fast milling is done whenever selling price goes up.

### ***D.3. Internal Control***

The treasurer controls disbursements of the officer-in-charge who has no petty cash fund. No cash transactions are done at the PAICOP office and all disbursements must be through either withdrawal slip or check issued against the PAICOP account at RB Panabo.

Effective monitoring of the business transactions of PAICOP is easily done since its office is located within the building of RB Panabo.

### ***D.5. Project Cost***

To replicate an integrated commodity system patterned after PAICOP, an estimated initial investment of P 26 M is required to service an initial production base of 500 hectares. Two million or 20% of the total fixed assets loans will be equity to be raised by farmers over an initial period of 2 years. While the farmers are building their equity, existing post-harvest facilities of private millers can be rented in the interim. Financing for production loan, fixed asset acquisition and working capital beyond the rural bank's capacity can be accessed by the lead cooperative directly from LBP and DA.

**Table 6  
Project Cost for Replication**

Amount	Category	Source
P 6,000,000	Production loan	Rediscounting from LBP
P 8,000,000	Fixed Asset	DA/LBP/Rural Bank
P 2,000,000	Fixed Asset	Equity of farmers
P 10,000,000	Working Capital	DA/LBP/Rural Bank

Note:

P 8 M fixed assets + P 10 M Working Capital - (SBL of the Rural Bank or 25% of networth) = Financing to be directly accessed from LBP and DA-NAFC by the cooperative.

### III. CONCLUSION

Most rural banks suffer low collection rates from lending to small farmers concluding that they are not bankable. Rural Bank of Panabo has proven that farmers are bankable if provided with a wholistic system of services other than financing through an integrated commodity system.

The greatest challenge for rural banks in replicating the integrated commodity system approach is building the lead cooperative for two years under standard management systems and procedures. Organizing a new cooperative is vital in installing a set of standard business philosophies and strategies that PAICOP follows. As it expands, the cooperative will provide the rural bank bigger lending opportunities without the usual management problems common to a new and struggling cooperative.

Other rural banks who might want to replicate integration with a different product must basically come up with an integration model with a focus on finished products.

## ANNEXES

# ANNEX A

## THE GRAINS CENTER

### EXECUTIVE SUMMARY

#### Objectives

*General:* To achieve sustainable agricultural development through economies of scale and big brother approach.

- Specific:*
1. To group together agricultural cooperatives within a cluster area to comprise one (1) grain center.
  2. To conduct an inventory of existing facilities and evaluate financial standing of each cooperative and to identify their priority needs.
  3. To provide necessary support services.
  4. To cushion the adverse effect of price fluctuation of palay and milled rice.

#### Mechanics of Implementation

##### 1. Organization of Grain Center

Agricultural cooperatives located in area proximate to each other would be group as one grain center of which it is strategically located.

Phase I	a. Sto. Tomas Grain Center b. Tagum Valley Grain Center	Sto. Tomas Development Cooperative (STDC) Davao Federation of Free Farmers Coop (DFFC)
Phase II	a. Asuncion Grain Center b. New Corella Grain Center c. Comval Grain Center d. *Panabo Carmen Grain Center	Doña Andrea ARB MPC (DAARBEMCO) New Corella Fedn. of ARB irrigators Assn.(NECOFARBIA) Nabunturan Integrated Coop (NICO) Panabo Agro-Industrial Cooperative (PAICOP)

\*They have already started serving 9 FIGs with a total number of 460 has., total membership of 326 and having a potential membership of 15 FIGs covering Panabo and Carmen area.

##### 2. Management of the Grain Center

The Grain Center will be managed by the lead coop having competent management capability and currently engaged in processing and marketing of palay and milled rice.

##### 3. Support Services Needed

a. Production Loan	P 49,370,200
b. Working Capital/Marketing	P 151,318,744
c. Post-harvest Facilities	P 84,082,375
d. Communication Facilities	P 1,642,277
e. Technical Assistance	DA-LGU, NFA
f. Marketing System	Continue serving the existing market of the center, thru DAFEDACO as marketing arm for outside market not served by the center and seek the assistance of NFA thru its linkages

##### 4. Identified Source of Funds

- a. Land Bank of the Philippines (LBP)
- b. DAFEDACO/ACPC
- c. NAFC
- d. DCB

e. QUEDANCOR

## **GRAINS CENTER APPROACH IN THE RICE INDUSTRY**

The desire of every cooperative movement is to derive more profit and provide efficient service to its members. It is in this aspiration that cooperatives, regardless of its location and status, work to attach itself with one another to seek out solutions to common needs. The objective is to capitalize their strength towards attaining the economics of scale which is regarded as the focal point to attain the much coveted growth.

It is in this context that the GRAINS Center concept is developed, drawing the line between cooperation and competition as cooperative conducts their operations and business consistent with their aspirations for growth. A Grains Center is established by strategically clustering cooperatives committed to help one another. As clustered cooperative differ in status, the role of each cooperative is defined on the notion of "big brother approach" to eliminate unproductive competitions. One stronger cooperative has to lead and the rest will function as the production units or primaries.

The step will facilitate accumulation of the desired volume of products to be marketed (rice in this particular program), conforming to market standards and clients' requirements. The approach will also simplify identification and availment of specific facilities each of the cooperative necessarily needs, doing away with underutilization and white elephant projects which usually drains their resources. With a social responsibility, Grains Center will also help cushion the effect of rice price fluctuations given the possible volume it can accumulate. It helps not only the farmers but the consumers as well.

Although the concept is more inclined to focus on rice marketing aspects of the business, the production aspects is also inseparably taken cared of. In the total picture, the program provides convenience to stakeholders in the industry. Government assistance programs to farmers in all aspects of the industry can easily be facilitated knowing who needs what. Complications usually associated with prioritization of project implementation will be held to the minimum.

Prepared By:

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*Provincial Agricultural Officer*  
Davao Province

Date submitted to PAICOP:

1997

## ANNEX B

### IMPROVED Rice Cooperatives

#### CONCEPT

As the country enters the year 2000, the bank must keep abreast with changes brought about by competition, economic factors, innovations, etc. in order to sustain the viability of its operations. Bank strategies adopted over the years have to be improved without sacrificing the social mandate that LANDBANK exists for-as catalyst to countryside development. In view of this aspiration, the unit (in cooperation with other agencies/entities), has come up with the project-IMPROVED Rice Coops.

The main objective of IMPROVED Rice Coops is to increase our farmers farm income. This can be achieved by developing rice-based cooperatives (whether LBP assisted coops or not yet qualified coops) in the area into a more competitive organization in terms of production, marketing and management. This is a joint endeavor of Land Bank, RFI (Rural Bank of Panabo), Department of Agriculture and a lead cooperative (PAICOP).

The identification of a lead cooperative that will serve as the marketing arm of all the participating primary cooperatives must be based on the seven (7) pillars of coop. viz:

1. Quality growing membership
2. Increasing member's capital shares and savings
3. Strong coop leadership and management
4. Fully and properly installed book of accounts
5. Well-defined credit policies and business operational process
6. High financial performance
7. Active affiliation to cooperative federation

The mechanics in the implementation of IMPROVED Rice Coops shall be as follows:

- The Primary Coop shall:**
- ▶ open and maintain a deposit account with the Land Bank where remittance from the lead coop shall be credited;
  - ▶ re-lend to farmer-member production loan availed from the Land Bank;
  - ▶ apply for associate membership\* with the lead coop;
  - ▶ designate or appoint a production technician to assist the lead coop and Land Bank;
  - ▶ sell to lead coop all palay produce or at least a minimum quantity equivalent to the farmer-borrower's total loan, interest, savings and capital obligation to the primary coop, lead coop and Land Bank;
  - ▶ authorize lead coop to remit all sales proceeds to Land Bank, deduct the agreed capital or contributions and authorizes Land Bank to withhold and/or deduct from their account the amount representing loan amortization and other monies due from primary coop;
  - ▶ extend to the coop-members the benefits derived from the project through dividends and patronage refund;
  - ▶ undertake farm management assistance or take-over of affected farms in cases where a member can not meet the production schedule and/or the loan payment to Land Bank until such member's obligation is updated;
  - ▶ authorize Land Bank and the lead coop to inspect the plantation areas and record periodically
- \*Associate members enjoy all the benefits of a member except for the right to vote.

- The Lead Coop (PAICOP) shall:**
- ▶ honor and accept the associate membership of the primary coop;
  - ▶ provide free technical services required in connection with the development and operation of the project;
  - ▶ assist the primary coop in monitoring and hauling of palay produce from members;

- ▶ directly handle harvest operations, with prior approval of primary coop, if cases of pilferage in certain farms have been proven;
- ▶ open and maintain a deposit account with the Land Bank to facilitate payment of palay deliveries and other related transactions;
- ▶ adopt a built-in collection mechanism wherein the gross sales proceeds of the primary coop (less capital shares and other charges due to lead coop) can be remitted and deposited with Land Bank within five (5) working days from the date of delivery;
- ▶ purchase all fresh palay delivered or picked-up from the primary coop and/or its members farms;
- ▶ provide eligible primary coop members equal privileges with regular members except voting rights;
- ▶ allow one (1) representative from the primary coop and Land Bank to participate without voting rights in all Board Meetings.

**The Land Bank shall:**

- ▶ provide financial support to primary coop for palay production;
- ▶ provide financial assistance to lead coop for working capital and fixed asset acquisition to enhance its palay procurement and processing capabilities;
- ▶ provide financial assistance to RFI through a Rediscounting Facility;
- ▶ provide institutional and technical assistance to participating and prospective coops for their capability building requirements and for maintaining their credit standing;
- ▶ receive from the lead coop payments for palay delivered by primary coops for credit to the latter's account;
- ▶ debit from primary coop's account loan amortization due and other charges, thereon, in accordance with the approved terms and conditions of the loan

**ADVANTAGES:**

1. Assurance of high collection rate
2. Lower risk of past due
3. High quality of rice through the use of first class post harvest facilities
4. Higher farmer's income due to (a) very good palay price, (b) higher farm production, (c) dividends and patronage refund from lead coop
5. Strengthened linkage of Land Bank with cooperatives, RFIs and other government agencies
6. Primary coops not yet qualified for financing by Land Bank can be assisted through linkage with lead coop
7. Supports key coop scheme of Land Bank

**PROJECT PARTNERS:**

**Land Bank  
(Panabo USP)**

- ▶ provides financial assistance to RFI, lead cooperative and primary cooperatives
- ▶ provides institutional building and technical assistance to primary cooperatives
- ▶ monitors farm activities of bank-assisted primary coops
- ▶ link to all project proponents

**Rural Financial  
Institution  
(Rural Bank of Panabo)**

- ▶ provides financial assistance (production loan, providential loan and educational loan) to lead coop members
- ▶ provide management assistance to the lead coop

**Lead Cooperative  
(PAICOP)**

- ▶ serves as the marketing arm of the primary coops
- ▶ provides technical assistance to primary coops to ensure high yield i.e. certified seeds, farm technology, etc.
- ▶ assists in the monitoring of farm activities of primary coops
- ▶ assist in the collection of production loan payments by primary coops associate members for remittance to Land Bank

**Department of  
Agriculture**

- ▶ provides financial assistance to lead coop for acquisition of post-harvest facilities i.e. warehouse, rice mill and solar drier
- ▶ provides farm technology assistance to primary coop farmers to ensure high production

On top of the assistance provided by Land Bank to the primary coops as enumerated herein, trainings and seminars necessary for the development of the cooperative and of the farmers, in particular, are also conducted.

**SUCCESS FACTORS**

1. Effective Management of Lead Coop

The management of the lead coop (PAICOP) is greatly influenced by an RFI (Rural Bank of Panabo). It is a condition that the RFI extends production loans to the Lead Coop's farmer-members provided the former appoints the coop's manager. The RFI also sits on the board of the coop. This management style and composition has been proven effective, as there is sufficient control over the coop's operation by the lending institution. Moreover, the officers are very much committed to the ideals of the coop and serves as model to their members.

2. Strong Private Sector Support

In the case of PAICOP, it is proven that a coop can become more successful with a strong private sector support, which is from an RFI (Rural Bank of Panabo). Though most of the assistance is financial, RB Panabo also provides technical, marketing (networking) and research assistance to the coop. RB Panabo's financial assistance to the coop members includes almost all the basic financial needs i.e. education loan, appliances loan, house improvement, hospitalization, vehicle acquisition and consumption. Mortuary and other minor financial needs are provided directly by the coop to its members. It is believed that member's loyalty can be attained through financial support to the members especially on providential needs either directly by the coop or with its guarantee. Based on existing commitment, these facilities shall also be extended to its associate members, the primary coops.

3. National Government Assistance

Government support, through Department of Agriculture (DA), is necessary in the success of this IMPROVED Rice Coops project, as they are the one who can provide soft loans and/or grants to the lead coop. DA has provided PAICOP an interest-free loan of P4.20 M for the acquisition of a warehouse and rice mill and a grant of P 0.4 M for the construction of a solar drier. Noteworthy also is the major role of Mr. Mario Corcolon, DA head of Davao del Norte, in making this project a reality. He is instrumental in the approval of this financial assistance to the lead coop, which is very necessary in the acquisition of additional post-harvest facilities to accommodate the produce of the primary coops.

4. Land Bank Panabo

Undoubtedly, Land Bank is the only government financial institution committed to development of the farmers through the cooperatives. With its existing financial facilities and programs, Land Bank also provides training and technical assistance to the primary coops and the lead coop.

5. The Alex V. Buenaventura Factor

Mr. Alex Buenaventura, PAICOP General Manager, is one of the main reasons of PAICOP's success. He conceptualize PAICOP and made it a reality. During the early years of PAICOP, he closely guarded the operation and guide the coop towards an effective coop management. Lately, however, he has relegated most of the tasks to trusted PAICOP officers whom he, himself, trained and are now effective managers, themselves. But, then, through these years, he has remained the father of PAICOP, seeing to the planning and networking needs of the lead coop to ensure continuing increase in coop's production and resources. Since the very start, Mr. Buenaventura has shown his sincerity and unselfish assistance, to PAICOP and this becomes the factor that binds the members and officers to the coop.

6. Teamwork of Key Players

Very crucial to the success of this project is teamwork. During the conceptualization stage, initial implementation until the full implementation, it is necessary that all key players work closely together. In our areas, the DA, Land Bank,

RB Panabo, PAICOP and primary cooperatives have banded together to make this project a success. DA technicians, Land Bank Account Officers, CMT and IRF, RB Panabo and PAICOP technicians work side by side in ensuring high production of good quality palay by our farmers in the area.

Although not key players of this project, Land Bank also closely coordinates with National Irrigation Administration (NIA) for the farm water supply and PCIC for crop insurance.

Prepared By:

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*Branch Manager*  
LAND BANK  
Panabo Branch

Date Submitted to PAICOP:

October 12, 1998

# ANNEX C

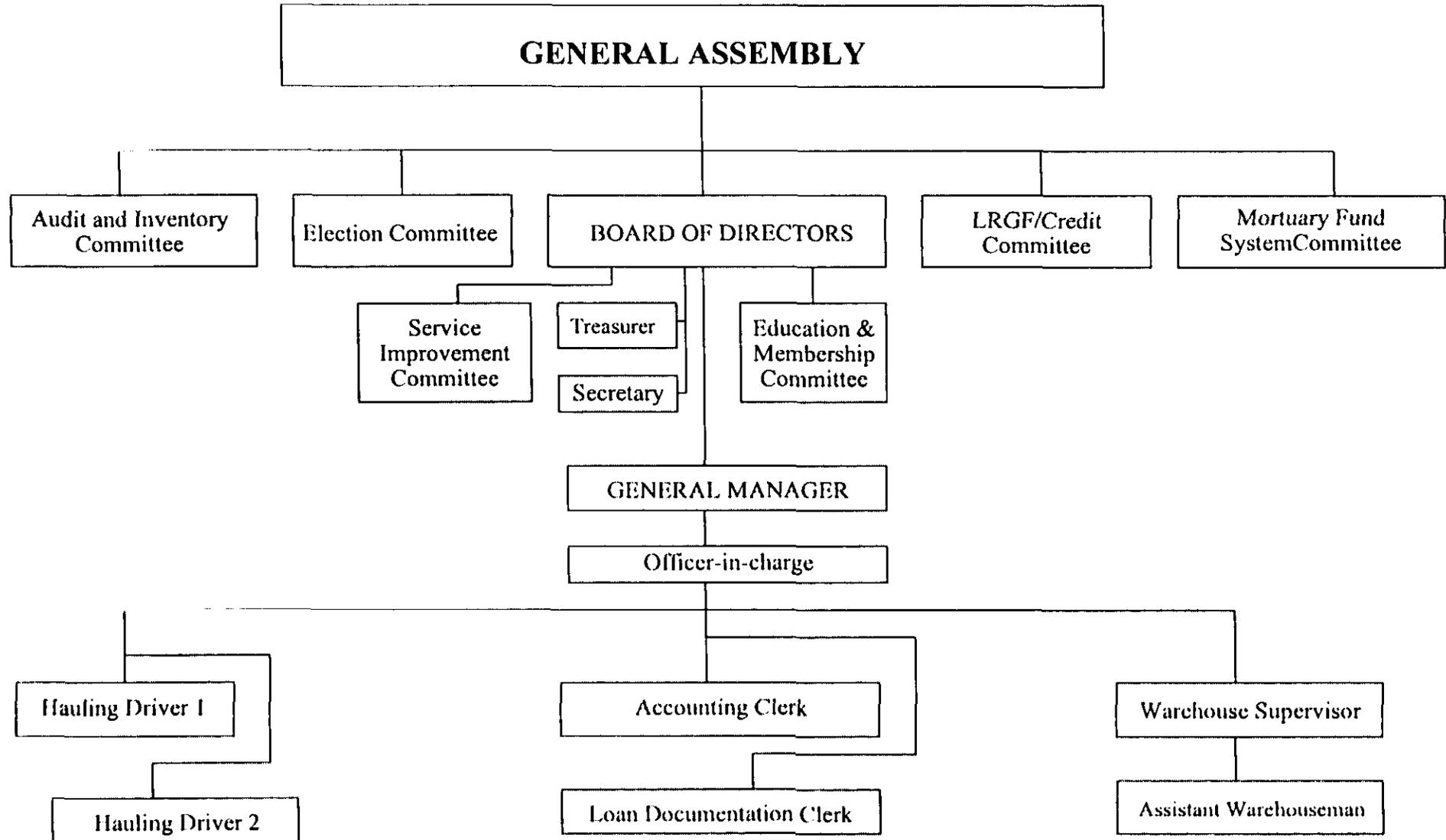
**Table 7**  
**COMPARATIVE SURVEY OF THE SERVICES OF PAICOP AND TRADERS**  
 September 1998  
 Panabo, Davao del Norte

FARMER	PAICOP			TRADERS		
	5 bags	50 bags	100 bags	5 bags	50 bags	100 bags
<b>Farmer 1</b>						
Gross Kilos	279.00	2,790.00	5,580.00	278.00	2,780.00	5,560.00
Less: Sacks Purity	1.00 2.78	10.00 27.80	20.00 55.60	2.50	25.00	50.00
Net Kilos	275.22	2,752.20	5,504.40	275.50	2,755.00	5,510.00
Price (in pesos)	7.00	7.00	7.00	6.50	6.50	6.50
Total Sales (in pesos)	1,926.54	19,265.40	38,530.80	1,790.75	17,907.50	35,815.00
Add: Patronage Refund (in pesos)	15.78	157.79	315.50	0.00	0.00	0.00
<b>Total</b>	<b>1,942.32</b>	<b>19,423.19</b>	<b>38,846.38</b>	<b>1,790.75</b>	<b>17,907.50</b>	<b>35,815.00</b>
<b>Farmer 2</b>						
Gross Kilos	283.00	2,830.00	5,660.00	278.00	2,780.00	5,560.00
Less: Sacks Purity	1.00 2.82	10.00 28.20	20.00 56.40	11.00	110.00	220.00
Net Kilos	279.18	2,791.80	5,583.60	267.00	2,670.00	5,340.00
Price (in pesos)	7.00	7.00	7.00	7.20	7.20	7.20
Total Sales (in pesos)	1,954.26	19,542.60	39,085.20	1,922.40	19,224.00	38,448.00
Add: Patronage Refund (in pesos)	16.00	160.00	320.00	0.00	0.00	0.00
<b>Total</b>	<b>1,970.26</b>	<b>19,702.60</b>	<b>39,405.20</b>	<b>1,922.40</b>	<b>19,224.00</b>	<b>38,448.00</b>
<b>Farmer 3</b>						
Gross Kilos	280.00	2,800.00	5,600.00	276.00	2,760.00	5,520.00
Less: Sacks Purity	1.00 2.79	10.00 27.90	20.00 55.80	3.00	30.00	60.00
Net Kilos	276.21	2,762.10	5,524.20	273.00	2,730.00	5,460.00
Price (in pesos)	P 7.00	P 7.00	P 7.00	P 7.00	P 7.00	P 7.00
Total Sales (in pesos)	1,933.47	19,334.70	38,669.40	1,911.00	19,110.00	38,220.00
Add: Patronage Refund (in pesos)	15.84	158.36	316.72	0.00	0.00	0.00
<b>Total</b>	<b>1,949.31</b>	<b>19,493.06</b>	<b>38,986.12</b>	<b>1,911.00</b>	<b>19,110.00</b>	<b>38,220.00</b>

Survey Methodology: To convince the primary cooperatives of LBP to become an associate member of PAICOP, a survey on the comparison of the income generated by farmers from PAICOP and from traders was done. Three directors from the primary cooperatives were invited to sell to three different traders at random without revealing the purpose of the sale. Based on the sale of the 5 sacks sold by the three farmers to three different traders, PAICOP computed the amount of sales of 50 bags and 100 bags of palay from traders and PAICOP including patronage refund.

ANNEX D

ORGANIZATIONAL STRUCTURE OF PAICOP



## ANNEX E

### PANABO AGRO-INDUSTRIAL COOPERATIVE WORKING COMMITTEES *As of Year 1998*

Committee	Functions
1. <i>Membership and Education Committee</i>	<ul style="list-style-type: none"> <li>• In-charge of membership seminar on services availed by member</li> <li>• Endorse to PAICOP Board Approval</li> <li>• Conduct credit investigation</li> <li>• Request FIG endorsement resolution</li> <li>• Formulate plans and program for the training needs of members indicating budget, time, and responsible people.</li> </ul>
2. <i>Service Improvement Committee</i>	<ul style="list-style-type: none"> <li>• To make a study of PAICOP facilities needed and other projects for improvement</li> </ul>
3. <i>Loan Repayment and Guarantee Fund/Credit Committee</i>	<ul style="list-style-type: none"> <li>• Screen loan application</li> <li>• Responsible for collection</li> <li>• Set terms and condition</li> <li>• Credit counseling</li> </ul>
4. <i>Mortuary Fund System Committee</i>	<ul style="list-style-type: none"> <li>• Formulate rules and regulations on claims</li> <li>• Additional benefits may be proposed</li> </ul>
5. <i>Audit and Inventory Committee</i>	<ul style="list-style-type: none"> <li>• Conduct frequent audit</li> <li>• Provide transparent report</li> <li>• Check management and financial operations</li> <li>• Recommend appropriate action for deliberation</li> </ul>
6. <i>Election Committee</i>	<ul style="list-style-type: none"> <li>• In-charge of election preparation and proceedings</li> </ul>

ANNEX F

Table 8  
 Rural Bank of Panabo (Davao), Inc.  
 Rice Production Program (Masagana 99, IAF and IRF)  
 Schedule of Loan Releases and Collection  
 April 1978 to December 1997

LOANS	April 1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
<b>Loans Granted</b>										
Rice Production	246,961.00	429,293.00	467,898.00	470,547.00	564,755.00	862,405.00	1,610,860.00	2,190,350.00	1,617,750.00	1,961,000.00
<b>Loans Collected</b>	190,977.00	206,656.11	402,325.00	435,409.00	459,885.00	685,340.00	1,155,085.00	1,805,680.00	1,609,615.00	1,961,000.00
<b>Loans Matured</b>	246,961.00	429,293.00	467,898.00	470,547.00	564,755.00	862,405.00	1,610,860.00	2,190,350.00	1,617,750.00	1,961,000.00
<b>Past Due</b>	55,984.00*	222,636.89*	65,172.26*	35,137.10*	104,870.00*	177,065.00*	455,775.00*	384,570.00*	8,135.00	
<b>% Collected to Matured</b>	77.33%	48.13%	85.98%	92.53%	81.43%	79.46%	71.70%	82.43%	99.50%	100.00%

LOANS	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
<b>Loans Granted</b>										
Rice Production	1,550,500.00	2,203,000.00	2,793,750.00	4,533,750.00	4,361,500.00	4,276,500.00	3,524,000.00	4,153,000.00	3,875,000.00	6,845,000.00
<b>Loans Collected</b>	1,547,213.00	2,203,000.00	2,783,750.00	4,533,750.00	4,357,822.00	4,268,500.00	3,524,000.00	4,153,000.00	3,875,000.00	6,845,000.00
<b>Loans Matured</b>	1,550,500.00	2,203,000.00	2,793,750.00	4,533,750.00	4,361,500.00	4,276,500.00	3,524,000.00	4,153,000.00	3,875,000.00	6,845,000.00
<b>Past Due</b>	3,287.00		10,000.00		3,678.00	8,000.00	**	**	**	**
<b>% Collected to Matured</b>	99.78%	100.00%	99.64%	100.00%	99.92%	99.81%	100.00%	100.00%	100.00%	100.00%

\* These past dues are not reflected in the 1998 record of RB Panabo due to the installment payment made by farmers.

\*\* Loan defaults due to crop failure are immediately restructured while waiting for PCIC claims so as to pave the way for timely refinancing. Loan defaults out of "character" problems (only one farmers so far) are paid by the LRGF/FIG guarantee system. Hence, no past due is recorded.

## ANNEX G

**Table 9**  
**PANABO AGRO-INDUSTRIAL COOPERATIVE**  
**FINANCIAL STATEMENTS**  
**February 1986 to June 1988**  
**In Philippine Pesos**

<b>INCOME STATEMENT</b>	<b>Feb. to Dec. 1986</b>	<b>1989</b>	<b>Apr to Dec. 1992</b>	<b>1995</b>	<b>June 1998</b>
Sales	225,000.00	6,547,000.00	7,908,674.24	23,225,531.57	12,982,171.67
Total Gross Income (TGI)	49,000.00	1,139,000.00	1,422,525.19	4,394,074.64	2,227,746.96
% TGI to Sales	15%	17%	18%	19%	17%
Less: Operating Expenses					
Interest Expense		223,000.00	279,572.07	621,526.93	738,379.59
Salaries and Wages	19,000.00	156,000.00	149,623.03	296,005.16	167,849.53
Taxes and Licenses	1,000.00	62,000.00	4,294.96	6,278.84	21,525.50
Drying Expense		69,000.00	90,073.82	250,239.78	128,994.11
Hauling Expense			45,105.54	66,379.90	44,560.11
Contract Labor Milling		51,000.00	35,998.99	86,824.40	1,007.38
Milling Expense			7,415.90	64,590.90	369,253.83
Other Expenses	31,000.00	411,000.00	581,469.87	1,252,369.24	472,722.82
<b>Total Operating Expenses</b>	<b>51,000.00</b>	<b>972,000.00</b>	<b>1,193,554.18</b>	<b>2,644,215.15</b>	<b>1,944,392.97</b>
<b>Net Income</b>	<b>(2,000.00)</b>	<b>167,000.00</b>	<b>228,971.01</b>	<b>1,749,860.11</b>	<b>283,353.99</b>
% Net Income to Sales	-1%	3%	3%	8%	2%
<b>BALANCE SHEET</b>	<b>Feb. to Dec. 1986</b>	<b>1989</b>	<b>1992</b>	<b>1995</b>	<b>June 1998</b>
Current Assets	132,000.00	2,187,000.00	2,881,888.68	8,356,158.56	10,455,674.38
Fixed Assets	480,000.00	1,034,000.00	1,806,591.72	3,112,501.09	389,312.18
Other Assets	25,000.00	3,000.00		34,357.19	34,357.19
<b>Total Assets</b>	<b>637,000.00</b>	<b>3,224,000.00</b>	<b>4,688,480.40</b>	<b>11,503,016.84</b>	<b>10,879,343.75</b>
Loans Payable		2,000.00	2,753,594.20	6,250,613.03	8,213,180.30
Accounts Payable	12,000.00	158,000.00	223,844.43	691,471.78	399,058.45
Other Liabilities		12,000.00	8,776.85	128,232.83	84,119.69
<b>Total Liabilities</b>	<b>12,000.00</b>	<b>172,000.00</b>	<b>2,986,215.48</b>	<b>7,070,317.64</b>	<b>8,696,358.44</b>
Paid-up Capital	627,000.00	857,000.00	1,237,746.10	1,704,547.12	3,376,660.04
Retained Earnings		30,000.00	238,018.77	6.81	16.77
Others			226,500.00	826,100.00	826,100.00
Net Income	(2,000.00)	167,000.00	238,018.77	1,749,860.04	319,654.00
<b>Total Equity</b>	<b>625,000.00</b>	<b>1,054,000.00</b>	<b>1,940,283.64</b>	<b>4,280,513.97</b>	<b>4,522,430.81</b>
% Net Income to Paid-up		19%	19%	103%	9%
% Net Income to Equity	-0.32%	16%	12%	41%	6%
% Equity to Paid-up	100%	123%	138%	276%	13%
% Liabilities to Current Assets	9%	99%	104%	85%	83%
<b>Total Dividends Declared</b>		<b>94,000.00</b>	<b>133,000.00</b>	<b>1,204,830.00</b>	
Cash			133,000.00	455,160.00	
Stock				749,670.00	
<b>Patronage Refund</b>			<b>57,000.00</b>	<b>195,060.00</b>	
% Dividend to Paid-up		11%	15%	6%	
% RB Panabo to Total Paid-up	64%	47%	32%	23%	
% Int. Exp. to Gross Int. Inc. of RBP		3%	4%	10%	2%
Dividends share of RB Panabo		43,873.98	42,560.00	277,110.90	

## ANNEX H

**Table 10**  
**RURAL BANK of PANABO (Davao), INC.**  
**AGGREGATE LOAN RELEASES to PAICOP**  
 1992 to 1998 (In Philippine Pesos)

YEAR	LOANS						TOTAL
	Working Capital * (PAICOP operation)	Production Loan	Farm Implement	Land Acquisition	Emergency Loan	Others	
1992	1,400,000.00	4,361,500.00	293,293.00	708,000.00	36,000.00		6,798,793.00
1993	2,800,000.00	4,276,500.00	720,000.00		45,000.00		7,841,500.00
1994	6,800,000.00	3,524,000.00	240,000.00		60,000.00	30,000.00	10,704,000.00
1995	6,250,613.30*	4,153,000.00		420,000.00	75,000.00		10,898,613.30
1996	6,000,000.00	3,875,000.00	814,500.00		90,000.00	360,000.00	11,139,500.00
1997	12,900,000.00	6,845,000.00	330,000.00	247,000.00	105,000.00		20,427,000.00
October 1998	10,510,000.00	3,714,000.00		330,000.00		210,000.00	14,754,000.00
<b>Total</b>	<b>40,410,000.00</b>	<b>30,749,000.00</b>	<b>2,397,793.00</b>	<b>1,705,000.00</b>	<b>411,000.00</b>	<b>650,000.00</b>	<b>82,573,406.30</b>

\*Based on the closed loans of PAICOP from RB Panabo except for 1995 which is based on the loans payable of PAICOP.

**Table 11**  
**RURAL BANK of PANABO (Davao), INC.**  
**GROSS INTEREST INCOME FROM PAICOP (DIFFERENT LOAN PRODUCTS)**  
 1992 to 1998 (In Philippine Pesos)

YEAR	LOANS						TOTAL
	Working Capital (PAICOP operation)	Production Loan	Farm Implement	Land Acquisition	Emergency Loan	Others	
Interest rate	12% , 21% mid '97	19%	21%	15%	19%	21%	
1992	279,572.07	414,342.50	47,476.84	5,310.00	3,420.00		750,121.41
1993	307,698.50	406,267.50	133,231.20	5,044.50	4,275.00		856,516.70
1994	344,762.42	334,780.00	79,800.00	4,779.00	5,700.00	5,500.00	775,421.42
1995	621,526.93	394,535.00	13,850.00	7,663.50	7,125.00	3,733.33	426,706.83
1996	792,713.88	368,125.00	131,777.22	7,240.50	8,550.00	27,066.70	1,335,473.30
1997	851,605.95	650,275.00	46,324.82	6,817.50	9,975.00	16,800.00	1,581,798.27
October 1998		352,830.00					352,830.00
<b>Total</b>	<b>3,197,879.75</b>	<b>2,921,155.00</b>	<b>452,260.08</b>	<b>38,855.00</b>	<b>39,045.00</b>	<b>53,200.03</b>	<b>6,078,867.93</b>

*Note:* Interest income from working capital loan is based on the interest expense of PAICOP; Farm implement loans payable in 2 years; Land Acquisition loans payable in 20 years; Emergency loans payable in 6 months; and Other loans payable in 3 years. Diminishing interest rate.

**Table 12**  
**RURAL BANK of PANABO (Davao), INC.**  
**GROSS INCOME from PAICOP**  
 1992 to 1997 (In Philippine Pesos)

PARTICULARS	INCOME						TOTAL
	1992	1993	1994	1995	1996	1997	
Dividends	42,560.00	45,431.11	78,894.40	277,110.90	73,417.13	121,951.57	639,365.21
Loans	750,121.41	856,516.70	775,421.42	426,706.83	1,335,473.30	1,581,798.27	5,726,037.93
<b>Total Income</b>	<b>792,681.41</b>	<b>901,947.81</b>	<b>854,315.82</b>	<b>703,817.73</b>	<b>1,408,890.43</b>	<b>1,703,749.94</b>	<b>6,365,403.14</b>
% Income from Loan to PAICOP to Gross Interest Income of RBP	10%	8%	5%	2%	4%	4%	

ANNEX I

**Table 13**  
**RURAL BANK OF PANABO, INC.**  
**SAVINGS AND CAPITAL BUILD-UP OF PAICOP & ITS FARMER-MEMBERS**  
 1992 to 1998 (In Philippine Pesos)

TYPE	1992	1993	1994	1995	1996	1997	Oct 1998
<b>1. PAICOP</b>							
A. Current Deposits	428,927.88	625,066.67	105,221.87	212,573.95	607,226.77	366,765.64	244,408.66
B. LRGF Savings	15,049.29	112,107.95	154,815.78	199,378.80	248,426.76	330,782.76	384,547.42*
<b>TOTAL</b>	<b>443,977.17</b>	<b>737,174.62</b>	<b>260,037.65</b>	<b>411,952.75</b>	<b>855,653.53</b>	<b>697,548.40</b>	<b>628,956.08</b>
<b>2. FARMERS</b>							
A. Personal Savings	200,630.33	387,823.29	254,405.25	380,280.69	400,823.91	210,555.39	134,910.11
B. Capital Share with PAICOP	837,746.10	999,708.92	1,148,218.82	1,304,547.12	2,058,798.12	2,450,558.04	2,392,214.94*
C. FIG/SHG Savings	198,703.33	228,734.07	240,466.00	298,786.17	348,524.24	375,568.10	320,760.50
<b>TOTAL</b>	<b>2,125,034.10</b>	<b>3,090,615.52</b>	<b>2,163,165.37</b>	<b>2,807,519.48</b>	<b>4,519,453.33</b>	<b>4,431,878.33</b>	<b>3,092,294.21</b>

\*As of September 1998

**Note:**

1. Current deposits of PAICOP in 1997 is low due to higher milling expenses. Due to depreciation of its rice mill, PAICOP rented the services of private millers while awaiting for the new rice mill from the fixed assets loan from DA.
2. Farmers prioritize saving with PAICOP through capital build-up and saving with FIG/SHG since the former earns more interest than ordinary bank deposits while the latter is accessible for loan repayment and emergency loan. Hence, the increasing capital share with PAICOP and savings with FIG/SHG and a decrease in personal savings of farmers.
3. All accounts are deposited with RB Panabo.

ANNEX J

PERSONS CONTACTED

- A. **Panabo Agro-Industrial Cooperative** *Address:* Panabo Public Market,  
RB Panabo Building, Quirino St.,  
Panabo, Davao del Norte  
Alex V. Buenaventura, *General Manager*  
Zenia D. Magpusao, *Officer-in-charge* *Telephone Number:* (082) 628-4127  
Odelon S. Velez, *Warehouse Supervisor*
- B. **Rural Bank of Panabo (Central Office and Quirino Branch)**  
Armando S. Yambao, *General Manager* *Address:* Panabo Public Market,  
Federico C. Romo, *Credit Technician* Quirino St., Panabo, Davao  
Mariver A. Capa, *Chief Accountant* del Norte  
Wilbur Jose I. Roferos, *REM Loan Specialist* *Telephone Number:* (082) 628-4130  
Casiano Edillon, Jr., *In-house Computer Programmer* (082) 628-4128  
Rosario Rachel S. Soto, *Accounting Clerk*  
Dionesio G. Rebuta, Jr., *Branch Loan Specialist*  
Leopoldo M. Gemarino, *Security/Driver*
- C. **Land Bank of the Philippines, Panabo** *Address:* Panabo Public Market  
Quirino St., Panabo,  
Davao del Norte  
Mona Lisa Ma. M. Ho, *Branch Manager*  
Nilo Labayan, *Bank Staff* *Telephone Number:* (082) 628-4288
- D. **Department of Agriculture, Davao Province** *Address:* Mankilam, Tagum City  
*Telephone Number:* (082) 217-3400  
Mario F. Corcolon, *Provincial Agriculture Officer* (082) 400-2463
- E. **Tuganay, Guadalupe, Anibongan, Salvacion Irrigators (TUGASI) MPC**  
Emma D. Monteverde, *Manager* *Address:* Carmen, Davao del Norte
- F. **Dujali, Isidro, Talisay, Casay Irrigators Association (DITCIA) MPC**  
Eduardo Barpedas, *Manager* *Address:* Dujali, Davao del Norte
- G. **Tubod Agrarian Reform Beneficiaries Cooperative**  
Eli Ledesma, *Chairman* *Address:* Carmen, Davao del Norte
- H. **Network Rural Bank, Southern Mindanao Head Office**  
Cris Sumajit, *Product Development Head* *Address:* Km. 9 Sasa, Davao City  
*Telephone Number:* (082) 234-3556  
(082) 234-3759