Farmers’ Cooperatives in Conflict Ridden Areas: The Maguindanao Experience¹.

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Abstract:

This paper highlights the experiences of four farmers’ cooperatives in the conflict areas of Maguindanao, Southern Philippines. Using a case study method, the research found that for cooperatives to viably operate in this province, the following organizational factors are critical: a) leadership; b) dynamism and versatility in income-generating activities; and c) efficient utilization of resources. The coops’ purposes and objectives, and organization and management appear not to be critical at all. Coop networks and assistance extended by government agencies and international organizations proved to be contributing factors for coops’ viable operations. However, links with non-governmental organizations, local governments and coop federations and unions did not appear to be critical for the coops’ survival. Private sectors also assisted coops by providing technical know-how, and in marketing their products. Finally, despite of difficulties in operations, the political, economic and social environments appeared to have negative impact on the coops’ operation.

Introduction

There have been many cooperatives organized in the Philippines, especially, when late President Corazon C. Aquino on March 10, 1990, signed two laws, R. A. No. 6938, creating an organic law for cooperatives, and R. A. No. 6939 establishing a Cooperative Development Authority (CDA) under the Office of the President. But unfortunately, only few thrived for development purposes. A considerable number these cooperatives failed because of problems that plagued in their respective operations. In Maguindanao alone, there were 1,010 cooperatives registered at the Cooperative Development Agency (CDA), Provincial Office from 1990-1998, but it is sad to note that only few survived: Many floundered, and later just “die” a natural death, defeating the very essence of cooperativism, that is, for self reliance and self sufficiency.

This cooperative trend in the province calls for some kind of closer review: Why only few could implement viable projects, many failed, despite of a completely the same environment they worked with.

In order to provide a more systematic explanation about this trend of cooperative development, the author pursued a study which closely examines the experiences of four farmers’ cooperatives operating in the conflict areas of Maguindanao. The study is hoped to compare, and subsequently, shed lights on the distinct characteristics of those few, whose operations were quite viable, despite of the province’s unstable peace and order condition in contrast to those that failed, and later, ceased to operate. Specifically, the study addresses the following questions: First, how do the following organizational factors such as purposes and objectives, organization and management, project/activities, resources, and leadership affect the viability of these farmer’s cooperatives? Second, how do networks of cooperatives and assistance extended by the national government agencies, local government units, non-government organizations, coop federation and unions and international organizations
contribute for the success of these farmers’ cooperatives? Third, do the economic environment, political environment, and social environment within the province affect this viability? And fourth, what policy implications for the regional and provincial cooperative development programs result from this study?

**Development of Cooperatives in the Philippines**

The strengthening of cooperatives in the Philippines did not take place without legal basis. In 1915, a law was created to address the problem of usury. With this law, Rural Credit Cooperative Associations were organized in order to pool funds and to extend credit to members at reasonable terms for exclusively agricultural operations. In 1940, a cooperative law was enacted. This law provided for the organization of all types of cooperatives, authorized the creation or designation of a government agency to promote and supervise them, established a national cooperative fund, and allowed a minimum of fifteen persons to form a cooperative that would then be exempted for the first five years of its existence from all government taxes and fees (BCOD 1987).

Twelve years later, Republic Act (R.A.) No. 821 was passed. This law created the Agricultural Credit and Cooperative Financing Administration (ACCFA). It was supposed to provide loans to the members of Farmers’ Cooperative Marketing Association (FACOMA) members without requiring any collateral from them (BCOD 1987).

Notwithstanding these aforementioned policies, the cooperative movement grew slowly. On 14 April 1973, then President Ferdinand E. Marcos issued Presidential Decree 175 seeking to strengthen it. The decree stated as state policy the creation and growth of cooperatives as a means of increasing the income and purchasing power of the poor, thereby promoting a more equitable distribution of income and wealth. Presidential Decree 175 repealed all previous laws on cooperatives, and assigned to the Department of Local Government and Community Development, through the BCOD, the task of issuing regulations for the effective implementation of the decree. The program conceived and implemented under this decree was premised on the following:

1. That cooperatives facilitate the redistribution of wealth and income, and should thus be accorded special consideration by the government;
2. That cooperatives are instruments for rural development;
3. That cooperatives must be built from the bottom up; and
4. That cooperatives must be systematic and system-oriented.

This strategy was to be realized in four distinct phases or stages:

1. The organization and development of the *Samahang Nayon* (a form of pre-cooperatives);
2. The organization and development of *Kilusang Bayan* (the full-fledged cooperative);
3. The organization of consumer cooperative markets; and
4. The integration of all cooperatives into one coordinated system (BCOD, 1986).
The ascendancy to power of Corazon C. Aquino after the EDSA Revolution in 1986 saw another breakthrough in the development of the cooperative movement. Specifically, the 1987 Constitution (Article XII, Section 15) mandates the State “to create an agency to promote the viability and growth of cooperatives as instruments of equity, social justice, and economic development.” Thus, President Aquino, on March 10, 1990, signed two laws, R. A. No. 6938 creating an organic law for cooperatives, and R. A. No. 6939 establishing a Cooperative Development Authority (CDA) under the Office of the President. Both laws sought to establish and strengthen cooperatives as forces for social change. They institutionalized the cooperative movement as an instrument of state policy.

Cooperative Principles and Characteristics of a True Cooperative

The operations of cooperatives are primarily guided by principles that are patterned after the “Rochdale Principles” developed by the Rochdale Pioneers (BCOD, 1986). These basic principles, as specified in the Cooperative Code of the Philippines, are as follows:

1. Open and voluntary membership – Membership in cooperatives shall be voluntary and available to all individuals regardless of their social, political, racial, or religious background or beliefs.
2. Democratic control – Cooperatives are democratic organizations. Persons elected or appointed in a manner agreed upon by the members shall administer their affairs. Members of primary cooperatives shall have equal voting rights on a one-member-one-vote principle: provided, however, that in the case of secondary and tertiary cooperatives, the provisions of article 37 of R.A. No. 6938 – The Cooperative Code of the Philippines, shall apply.
3. Limited interest in capital – Share capital shall receive a strictly limited rate of interest.
4. Division of net surplus – Net surplus arising out of the operations of a cooperative belongs to its members and shall be equitably distributed for cooperative development, common services, indivisible reserve fund, and for limited interest on capital and/or patronage refund in the manner provided in the law and specified in the article of cooperation and bylaws of the cooperative.
5. Cooperative education – All cooperatives shall make provision for the education of their members, officers, and employees, and of the general public on the principles of cooperation.
6. Cooperation among cooperatives – All cooperatives, in order to best serve the interest of their members and communities, shall actively cooperate with other cooperatives at local, national, and international levels.

Verzosa (1991) reinforced the aforementioned principles when he emphasized that true cooperatives are identified by their observance of a few simple rules. They are:

1. Open membership – all people who can benefit from the services of a cooperative are admitted to membership;
2. Democratic control – a member is entitled to only one vote regardless of the number of shares or other forms of capital he or she holds;
3. Limited interest to paid-up capital – money invested in a cooperative is allowed only a normal and modest rate of return;
4. Surplus earnings are distributed in proportion to the volume of transactions made
from the services offered by the cooperative. What is normally paid out as profit to shareholders in other businesses is returned to those who created the surplus in a cooperative.

Furthermore, he pointed out additional principles that he did not consider to be essential but that he said commonly characterized cooperatives. They were: political neutrality; business carried out in cash in preference to credit; and goods and products handled at current market prices.

Constraints for the Development of Cooperatives in the Philippines

In the Philippines, the cooperative movement has a long way to go to make a significant improvement in the lives of the people. Pagdanganan, in his observations, specified the constraints that for him stymied the full development of the cooperative movement in the country. He listed them as follows:

1. Government intervention
The hand of government plays a determinant role in the success or failure of cooperatives. In countries with a healthy and progressive cooperative movement, such as the United Kingdom and Germany, the government maintains a “respectful distance” from the cooperative movement but holds out a helping hand in times of need. In the UK, the Rochdale Pioneers founded and developed the first successful cooperatives because “government was indifferent” to their plight. Because of this indifference, the Pioneers strengthened their association and learned to depend on their individual and group resources. As in Germany, the UK pioneers sought government intervention, in so far as the legalities of their associations required them, but otherwise went about their affairs without any direct intervention from government.

In the case of the Philippines, the passage in 1990 of R.A. Nos. 6938 and 6939 seemed to herald a new wave of progress for cooperatives. The laws provided a legal framework for development, emphasizing cooperative principles and providing tax incentives. However, he considered some practices to actually have negative effects on cooperatives, these being:

a. Dole-out oriented approach. Many government agencies have encouraged a dole-out mentality that violates a basic principle of the cooperative movement. “Organize cooperatives and we will give you grants or loans as you need them” is the common government bait. Such a beginning often spelled doom because the easy money from government was rarely paid back. Often, they were even used for purposes not originally intended. The principles of self-help, self-responsibility, and self-actualization are not at all encouraged by this dependence on government largesse.

b. Excessive government interference. One example was the issuance of PD 175 by then Pres. Ferdinand Marcos obliging cooperatives to register as Samahang Nayon. This was done in support of Marcos’ political grand design of a “New Society.” Less than 10 percent of the more than 20,000 Samahang Nayon created eventually survived. Those that persisted did so only because they seriously applied the principles of the cooperative movement.

2. Cultural factor
In countries with successful cooperatives such as the UK, Germany, and Japan, people are committed to excel in their fields of endeavor and are driven by “higher goals” beyond the
immediate satisfaction of their own or their family’s needs. In the Philippines, the prevalence of a crab mentality, coupled with a sub-culture of graft and corruption, have worked against the success of the cooperative movement.

3. Natural element

Developed countries are mostly in the temperate climatic zone, which may be a factor for the success of cooperatives, and of planning in general. The warm and humid climate of the tropics seem to invite “no compelling reason” to urgently solve a problem, much less making cooperatives succeed.

4. Lack of or poor education of cooperators

Education in the cooperative principles plays a crucial role in the success of cooperatives, as experience has shown. In the case of the UK, America, Germany, Japan, and Canada, education is a big part of training. They have also established centers devoted to the study of cooperatives, and to the imparting of skills necessary for business and finance, and for managing a growing network.

5. Non-strict adherence to the cooperative principles

The literature on successful cooperatives is replete with the admonition of the need to commit oneself to the cooperative principles of self-help, democratic control, independence, and self-reliance (Pagdanganan, 1999: 290-294).

The aforementioned observations are further bolstered by the results of a study conducted by the Cooperative Development Authority (1992) that lists the following reasons for the failure of cooperatives (as cited in Turingan 1995):

1. Lack of education and training, information, and practical know-how on the principles, nature, and operations of the cooperative organization, which led to incompetent management;
2. Non-internalization of cooperative principles and practices by the members;
3. Insufficient working capital;
4. Inadequate marketing facilities;
5. Political interference, particularly in the collection of overdue accounts; and
6. Inadequate and ineffective supervision by government agencies entrusted with the development and promotion of cooperatives.

It was further pointed out that, while government support of the cooperative movement reaffirms its commitment to the vital role of cooperatives for socio-economic development, such support has had negative effects, such as:

1. Dependence of cooperative leaders on government for direction and financial support has bred a culture of patronage that does not encourage self reliance and self-management among cooperatives;
2. Dependence on government made cooperatives mere extensions of government plans and programs, thereby hampering their growth as autonomous people’s organizations; and
3. Intervention by government has discouraged peoples’ participation. Worse, government officials have had occasion to use cooperatives for their own political purposes.

**Key Factors that Led to the Success of Cooperatives in Other Countries**

Former Bulacan province Governor, Roberto “Obet” Pagdanganan, (Bulacan is considered the cooperative capital of the Philippines) has made a thorough analysis of the factors responsible for cooperative success in some countries. He traveled abroad, particularly to
Germany in 1991 and 1999 through the sponsorship of the Hanns Seidel Foundation, for a close up view of successful cooperative experiences and pointed out the following:

1. Merging and consolidation of primary cooperatives resulted in economies of scale, and improved productivity and competitiveness. There were more than 50,000 cooperatives with about 6.5 million members in Germany in the early 1930s. As of December 1998, there were only 7,607 cooperatives but membership had ballooned to 15.6 million.

2. Professionalization of management. Training and education are a must in these countries, not just for members but also for auditors and directors. They make full use of modern technology in information and communications.

3. Training and education programs. They have established excellent training centers and research and education facilities, and have developed appropriate curriculum for members and management.

4. Effective auditing system. Auditors are required to undergo special training before they can be accredited. Auditing by the Cooperative Federation is compulsory in Germany. This has improved overall management systems and provided protection to investors.

5. Strong federation of cooperatives. Cooperatives in Germany, Japan, Korea, North America, and other progressive countries have developed strong federations. These provide support in terms of consultancy services, auditing, and lobbying for a supportive policy environment. The federations are instrumental in establishing business enterprises, such as the BayWa in Germany, procuring supplies for member needs, and marketing the products of cooperatives.

6. Cooperative federations have also established modern training facilities and systems, as well as insurance firms and convenience stores. Membership in federations is mandatory in Germany and other countries. The Bavarian Federation of Cooperatives is an outstanding example of such a federation.

7. Centralized banking system for cooperatives and cooperative banks. The DG bank in Germany, the RABO Bank in Holland, the CWS Retail Bank in the UK, and similar banks in the USA, Japan, and other countries are very effective in managing the liquidity of cooperatives and cooperative banks. They also offer members the whole line of banking services, e.g. access to local and international financing, markets, redistributing, checking accounts, ATM facilities, credit cards, debentures, and others.

8. Government support to cooperatives based on the principle of subsidiarity. Cooperatives are greatly affected by their relationship with the state. The government determines the legislative framework within which cooperatives must operate. They set policies in taxation and socio-economic matters. In successful countries, the government has generally respected the autonomy and independence principles of cooperatives. They see cooperatives as partners in development, and have supported rather than exploited them (Pagdanganan, 1999: 287-289).
Methodology

Research Design

This study uses case study method in comparing viable farmers’ cooperatives from the non-viable ones. The choice of the design is prompted by the need to come up with an in-depth analysis of why some farmers’ cooperatives in Maguindanao have remained active and functional while others have not.

The Selection of Cooperatives for Case Analysis

It took some doing to “sift the chap from the grain” as it were, that is, to pick which of the cooperatives registered at the CDA Maguindanao should be considered viable and which not. After consulting with CDA officials, a list was made up classifying the cooperatives into viable and non-viable ones. The main criteria used to designate viability or non-viability was whether or not the cooperative was continuing to render services and implement activities for its member-farmers, that is, whether or not it was still active as a cooperative. In particular, non-viable cooperatives were those that had been previously active but had since ceased to operate. Out of the 1,010 multipurpose-agriculture cooperatives registered at the CDA Maguindanao from 1990 to 1998, only about eight (less than 1 percent of the total) were found to be still active. The others had apparently suspended or stopped operations altogether. A number had registered but never managed to begin operations.

In order to assess first hand the state of those cooperatives identified in the list, visits to those organizations were made and their officials interviewed. It was then decided to choose two of them, based on their income, the nature of services they offered and the size of their membership, to represent the viable coops. One was picked from the first district of Maguindanao and the other from the second district. Two others were chosen that had once been active but had now become inactive because of one problem or another, one from each district as well. There were then a total of four cooperatives to be included in the study, namely, Woodland Integrated Farm Resort Multipurpose Cooperative in Sultan Kudarat and Brar Communal Irrigators Multipurpose Cooperative in Talayan, both active coops, and Kurintem Farmers’ Multipurpose Cooperative in Datu Odin Sinsuat and Kooperatiba sa Bayan ng Ampatuan, the problematic coops. In addition to the above criteria, these four were chosen, in particular, because they consented to the study and were willing to cooperate. Also, they were all fairly accessible and their membership consisted mainly of farmers.

Data Gathering Techniques

The following techniques were used to facilitate the data gathering processes:

1. Key Informants (KIs)

   a. Interviews with the officers of the cooperatives.

A series of interviews was conducted with the organizations’ officers, particularly the members of the Board and their respective committee members, as well as those directly involved in the operation of the cooperative such as the Manager, Secretary, Treasurer and
other responsible persons that had been appointed by the Board. The interviews centered on
the purposes and objectives, organization and management, projects/activities, resources, and
leadership and leadership styles in the particular cooperative.

b. Meetings with other key informants
Meetings with key informants were crucial in obtaining general information regarding
cooperative development in the province as a whole as well as in providing insights into the
external environment, social, political, policy, etc., in which the coops had to operate. Other
key informants included:

i. Administrators or heads of government and private institutions (LBP, DA, CDA etc.) that were supposed to provide assistance to cooperatives in the
province;
ii. Local government officials both at the municipal and provincial levels;
iii. Officials of NGOs that had extended assistance to cooperatives.

2. Focused Group Discussions (FGDs)

Focused group discussions with senior members of the cooperatives were undertaken in order
to get “ground level” feedback from the direct beneficiaries and actors of the organizations.

3. Review of Official Documents

A review of official documents and other materials was made. These came from the
cooperatives concerned, from the local government units, government development agencies,
private institutions, NGOs, and even international organizations involved with the
cooperatives under study. The documents included reports, programs, brochures,
publications, etc.

4. Field Observation and Documentation
Cooperative operations were observed and documented in order to cull information that could
contribute to the study.

The Major Findings

The Woodland Integrated Farm Resort Multipurpose Cooperative (WIFRMPC), and the
Brar Communal Irrigators Multipurpose Cooperative (BCIMPC), both viable coops,
sustained their operations because of the following distinguishing characteristics:

1. Strong family-based leadership as a key factor for viable coop operation.

WIFRMPC and BCIMPC continue to operate partly because strong family leadership served
to bond the members together. In the case of WIFRMPC, the leadership provided by the
Pahm clan of educators and professionals gave the cooperative a solid vision as an impetus
for its growth and development. In the case of the BCIMPC, the Sultan family, a respected
traditional leading clan in the community, provided such leadership. In both cooperatives,
strong leadership encouraged unity and teamwork among the members and officers. It was
this kind of leadership that enabled the cooperatives to endure amidst the turmoil in Maguindanao.

2. **Dynamism and versatility in income generating activities lead to both coop productivity and sustainability.**

Flexibility in the pursuit of economic activities, coupled by the resolve of both members and officers, appear to be critical for cooperative development. Both WIFRMPC and BCIMPC sought to diversify their economic projects and sources of income. The WIFRMPC, in addition to its fisheries, poultry, forestry, coffee, rice, and corn production activities, also engaged in rice, corn, and oil trading. It also derived income from operating the resort’s facilities. BCIMPC, on the other hand, engaged in trading to supplement its income from rice and corn production. To conserve their resources, both cooperatives also stopped their lending services after the crop failures that plagued their members. WIFRMPC focused its resources on collecting on its receivables. BCIMPC, on the other hand, sought to become independent of the Land Bank’s support for its programs.

3. **Efficient utilization of resources (technical, financial and human) enhances coop productivity and sustainability.**

WIFRMPC and BCIMPC both benefited from the training exposures of their members. Officers of WIFRMPC supervised their members’ farming activities to make sure that they apply the technical know-how taught to them in training. In the BCIMPC, the Chairman took the lead role, serving as a model in applying new technologies. As a result, both cooperatives began to show positive earnings after an initial period of losses. They also both managed to continue to deliver services to their members despite problems with unpaid loans.

4. **Networks and linkages contribute to both coop productivity and sustainability.**

Both cooperatives nurtured and sustained the networks and linkages they established with institutions working for cooperative development. Their members were able to benefit from these networks and linkages, acquiring new technologies and techniques for increasing production.

5. **Membership Expansion increases paid up capital, which subsequently enhances coop productivity and sustainability.**

Both cooperatives expanded membership, with WIFRMPC enjoying an average annual rise of 93 percent and BCIMPC, a 70 percent increase. More members naturally meant corresponding additions to paid-up capital that helped each cooperative enhance productivity and sustainability.

In contrast, Kurintem Farmers’ Multipurpose Cooperative (KMPCI), and Kooperatiba sa Bayan ng Ampatuan (KBAI), the non-viable coops were dragged down by the following circumstances resulting to their failure of operations:

1. **Leadership crisis leads to vulnerability and insensitivity to problems, dragging down the coops to failure.**
When coop officers fail to be responsible, the whole organization suffers. KMPCI officers’ limited knowledge of the concept of cooperativism made them entirely dependent on the chairman to run the cooperative. When he left, the officers were at a loss. KBAI officers, on the other hand, allowed the cooperative’s founder (the ex-priest) to manipulate the organization for his personal ends, leading the cooperative to ruin. The democratic processes that underpin the operations of cooperatives were never allowed to function properly.

2. Failure in project implementation results in no return of investment, non-payment of loans by the borrowers, and non-productive coop operations.

Both cooperatives failed in the implementation of their respective projects. Management incompetence confounded the crop failures that plagued the cooperatives’ members: KMPCI management’s laxity allowed its cashiers to steal from the coop store; KBAI fell to the wiles of its founder who took funds from the cooperative for his personal use and whose action led to the coop’s members refusing to repay their debts.

3. Dole out mentality leads to unproductive (passive) coop.

Cooperative members, having been exposed to government dole-outs in the past, sought to get out of repaying their loans by regarding them as nothing more than government largesse. This irresponsible position also led them to effectively abandon their obligations as members of their respective cooperatives.

4. Non-utilization of technical know-how acquired from training leads to non-productive performance.

The failed coops were unable to profit from the technical skills they were taught in training. For lack of resources, they were unable to provide the material support that their members required to upgrade their production techniques.

5. Unsustained networks and linkages meant lack of support mechanisms that could further enhance coop productivity and sustainability.

Neither cooperative was able to nurture and sustain the networks and linkages each had established with development agencies working for cooperative development.

6. Deficient record-keeping meant absence of reliable information on the coops’ financial condition, making them vulnerable to further corruption.

Persons in responsible positions in both cooperatives failed to keep reliable records of their respective business transactions. In the case of the KMPCI, the records maintained by the records officer did not jibe with the records of disbursement by the cashier. The case with KBAI was similar as releases were made without following proper procedures.
Conclusion

The research came up with the conclusion that for cooperatives to viably operate in conflict-ridden areas, the following organizational factors appear to be critical: a) leadership, i.e. strong family-based leadership; b) dynamism and versatility in income generating activities, illustrating both a certain degree of flexibility but also highlighting the resolve of coop members to succeed; and efficient utilization of resources (technical, financial, and human).

On the other hand, those traditional factors that are thought to generally apply to all cooperatives, such as purposes and objectives, and organization and management may not be critical at all. As the study showed, these factors did not have any bearing on either viability or non-viability conditions.

Institutional networks of cooperatives and assistance extended by national government agencies and international organizations proved to be contributory factors to coop viability as long as the acquired technologies were applied productively. However, links with non-governmental organizations, local government units and coop federations and unions, were not critical for the survival of Maguindanao coops in contrast to the more positive experience of cooperatives in Bulacan and Davao Del Sur (Gaffud, 1995).

In the experience of cooperatives in Maguindanao, the contributions of private institutions proved to be critical in enhancing coop viability, contrary to the traditional belief that they play no role. Private institutions assisted cooperatives in acquiring technical know-how and in marketing their produce.

Finally, while the action environment (political, economic and social) appeared to negatively impact on cooperative operations, their effect was not so great as to threaten coop survival or freely operations. The cooperatives were able to apply compensating strategies to reverse whatever stifling forces that may be attributed to such environmental factors.

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