

# Agricultural Cooperatives\*

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## I. Introduction

SINCE the subject of this morning's discussion calls for a picture, I will begin my talk by asking you to join me in drawing a mental picture. Suppose that by some magic or miracle we woke up some fine day and found out that we, the academic supervisors, the teachers, the employees and everybody else had become, besides our respective occupational or social and economic status, also merchandizers, buying commodities in stores we ourselves owned and operated. We would all be, in addition to whatever else we might be, businessmen and capitalists, would not we? Surely, we would. And the situation would mean a few other important things. It would mean that the profits that the corner street retailers or grocery stores make everytime each one of us buys something would remain with us or would return to us. It would mean also that our usual money incomes would buy more and our peso go a longer way. And, it would of course mean that we would have less of profiteering or cheating, so common today, for the simple reason that we would not be playing tricks on ourselves. Hold that picture in your minds and let us look at another one.

Suppose our farmers on the same fine day found themselves engaged not only in the enterprise of tilling the soil and raising crops but also in the business of marketing or distribution, selling the products of their farms, not to middlemen and profit-seeking individual traders, but directly to us the consumers or perhaps to us through the stores we ourselves owned. That would make our farmers besides toilers of the soil, businessmen and capitalists, would it not? Surely, it would. And such situation would mean a lot of other big things. It would mean, for example, that the farmers, now subject of many servitudes, would be earning a bigger income; they would be earning the equivalent of the profits that middlemen, traders and perhaps usurers, too, are making, buying and selling farm products. Earning more our farmers would probably be encouraged to produce more. More

production would mean more and perhaps cheaper commodities for all of us. It would mean more wealth for the country. Certainly the farmers would be able to buy more of the goods and services that they need but have been going without so long. That would mean more business for many people, therefore more employment opportunity, therefore more revenues for the Government, therefore more funds for education, salaries for teachers, and other essential public services. And it would certainly mean that the farmers could send their children to schools that they might be better equipped to face the responsibilities of citizenship in a progress-conscious society. That is the other picture.

Take the two pictures and put them together. Visualize the composite picture and its meaning to us. Does it not show broad economic prosperity, equitable distribution of wealth? Does it not indicate social harmony with the artificial barriers now separating people from one another or creating segmentations in society on the basic differences in property holdings and economic circumstances, removed or minimized? Does it not convey freedom, political stability, social security, balanced progress? Look at the picture again sometime.

## II. Agriculture in the Philippines

Agricultural cooperatives spring from the problems that beset agriculture and out of the need of the farmers for relief from the many handicaps and hardships of their occupation. They represent an effort on the part of the farmers to overcome their individual inadequacies and conquer poverty by the weapon — perhaps the only weapon available to them — organized action. To provide background and perspective, therefore, for the discussion of agricultural cooperatives, it should prove helpful to review, even in a fast and cursory manner, the state of our agriculture and the conditions under which our farmers live and labor.

Let us begin our review by noting certain peculiarities in agriculture as an economic enterprise. On the main, agriculture produces commodities in raw

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form; that is to say, the products of the farm have to go through stages of processing before they can be ready for consumption. By established norms of the economic order or system, raw products or raw materials almost always command low prices or get the lowest margin. This is the reason why an agricultural economy is usually characterized by low incomes and therefore by national poverty.

Agriculture, again, produces crops on a seasonal basis. It takes time to plant and harvest a crop. And crops themselves are seasonal: there are periods in the year when certain crops must be planted and harvested. This seasonal character of agriculture results in two problems: first, the farmer invests comparatively more time and effort in the enterprise; and, second, there are times when the supply of a given crop is abundant while at other times, the supply is very low. The first result ultimately means low returns in relation to the time investment to the farmers. The second result leads to fluctuation in prices which can be disadvantageous not only to the farmer but also to the consumer. Following the iron-law — some call it the barbaric law — of supply and demand, prices fall during times of high supply, which of course coincides with harvest, and prices rise during times of scarcity. The farmers, particularly under conditions prevailing in the Philippines, get the low prices, while the consumers, including in many cases the farmers themselves, pay the high prices.

The significance and implication of this peculiar character of agriculture can be better seen and appreciated by comparison with other industries. A manufacturer, for instance, especially the modern one, can produce commodities on regular day-to-day, indeed hour-to-hour basis. He has complete control over his production. If he wants to increase output to meet demand, or cut it down to avoid gluts in the market, he can do so by the simple process of regulating his production. Agricultural production cannot be so easily controlled.

Philippine agriculture operates under these universal peculiarities. And, in addition, it has its own special problems. Philippine agriculture is still by and large feudal in cast and pattern. Tenancy is very high, as high as 89 percent in certain provinces. Acreage per farmer is uneconomically low — the average size of farms is less than three hectares. Methods are antiquated, in many cases even primitive, which necessarily means low per hectare yield and therefore high per unit cost of production. Our average production per hectare in rice is less than 27 cavans, and it has not improved during the last 30

years. Even in the more advanced sectors of agriculture — sugar, copra, and abaca — the yield is low and production cost per unit high compared to the record of other countries.

Three other problems are specially relevant to mention in this discussion. First, the absence of legitimate credit facilities and the prevalence of usury in agriculture. Taken together with high tenancy, inequitable share cropping relations, small acreage, low or inefficient production, this problem can only mean, as it has meant, mass poverty among the farmers.

Second, middlemen domination of the marketing of farm produce. Agriculture, by its very nature, lends itself to a middleman system in its distributive phase. In the Philippines, precisely because of the conditions we have described, this already natural tendency has been even more pronounced and carried to such an extreme that we all know today. In simple terms, this situation means that the farmer has forfeited or forfeits a large portion of what otherwise would be his reward for his efforts to the middlemen who control or dictate prices, and, mind you, both to the producers and to the consumers. I might add in this connection that the control of middlemen is not limited to agricultural crops; it extends practically to all other commodities.

And, third, — something nearer to the subject of this Seminar — paralyzing ignorance, illiteracy and general low level of education among the agricultural population. This is a problem that cuts two ways: on the one hand, it makes progress slow and compounds the problems, and on the other, it makes change or introduction of corrective measures difficult and costly.

It is against the backdrop of these conditions and problems that I shall now attempt to draw the picture of agricultural cooperatives.

### III. Agricultural Cooperatives in the Philippines

For more than a generation, from 1915 to 1952 to be exact, intermittent efforts were undertaken by the Government to encourage and promote cooperatives in agriculture. These efforts had been undoubtedly inspired by reports filtering into the islands about achievements of this form of economic organization in other countries, notably the Scandinavian area. In spite of the strong need among the farmers for cooperatives, these efforts produced perhaps more harm than good. Several reasons may be given for their failure: imperfect appreciation of both the magnitude of the problems of the farmers and the nature of cooperation, total lack of or woefully inadequate

financial support, opportunism and outright dishonesty among the people who administered the projects, and, above all, lack of educational foundation and support. In no time, cooperatives that had been formed, died without even the benefit of official or formal pronouncement of their death. Funds disappeared with nobody knowing where they had gone. What was left was a bad taste in the mouths of the farmers who felt that once more they had been exploited and deceived. This was to prove a serious obstacle in a later program to promote cooperatives.

All these notwithstanding, however, during this 37-year period, there were enacted laws on cooperatives which, while for all practical purposes remained dead in the statute books, served as basis for the revival of the program in 1952. Among these laws, two deserve to be mentioned. These are Commonwealth Act No. 565 which provided among other things exemption from taxes of cooperatives, and Republic Act No. 3425 otherwise known as the Cooperative Marketing Law. The first provided a substantial incentive and the second a general law for marketing cooperatives. Both are still extant.

The cooperative movement in agriculture did not start in earnest until 1952 when Republic Act 821 was enacted. This Act set forth a program of farm credit and cooperative development and established the Agricultural Credit and Cooperative Financing Administration or ACCFA to administer the program. This program laid down four objectives, which are:

1. Extension of liberal credit to small farmers in order that they may be released from the clutches of rural usury and at the same time to enable them to acquire essential tools of production.
2. Promotion and development of farmers' cooperative associations in order to strengthen the bargaining position of the farmers in relation to other social and economic groups.
3. Establishment of an orderly marketing system in order to enable the farmers to realize more income from the marketing of their produce. In effect, this part of the program seeks to emancipate the farmers from middlemen control over the distribution or sale of their crops.
4. Public education in cooperatives.

A unique feature of the program is the introduction of a bold and unorthodox scheme of credit in which the customary collateral is dispensed with or made unnecessary, the productive capacity of the farmer being considered sufficient to qualify him for a loan. To implement the program, the law authorized the ACCFA a revolving capital of ₱100

million. Later, Republic Act 821 was amended by Republic Act 1285 which granted the ACCFA greater authority in supervising the operations of agricultural cooperatives. What the movement is today is closely and inseparably identified with the activities and operations of the ACCFA.

When the ACCFA was organized in September, 1952, some 160 marketing cooperatives appeared in the registry of the Securities and Exchange Commission and the Cooperatives Administration Office. Of these, however, only 72 responded to a call to report by the ACCFA and none of the 72 societies was found in proper organizational and operational condition under ACCFA's standards. To all intents and purposes, therefore, the ACCFA had to start on virgin ground or, to be more precise, to reopen ground which having been formerly broken had been hardened by stubborn stubs of past failures and a thick undergrowth of skepticism if not hostility to cooperatives.

Yet another obstacle and obstruction met the program. Persons who had been reaping benefits from disorganized, helpless and unlettered farmers, to whom the ACCFA represented a threat to their ancient and unchallenged power and privilege, offered resistance and tried by means open and disguised to undetermine the program. These included the unscrupulous landlords, the usurers and the middlemen. To this day they are still trying to wreck the program.

In spite of all these odds and obstacles, after four short but eventful years, today there are 450 farmers' cooperative marketing associations in active operation with a total membership of over 260,000 individual farmers. These associations, or FaCoMas as they are now popularly known, embrace a geographical area extending to almost 11,000 barrios in 572 municipalities in 50 provinces. They are steadily growing in number as well as in membership, business activities and in general participation in the social and economic life of the country.

Organizationally and operationally, the FaCoMas follow the universal principles and practices of cooperation. They are capitalized by the farmer-members themselves who by the democratic system of representation control and manage them. Their combined paid up capital today exceeds ₱7 million. In addition to their primary function of marketing members' produce, they serve as procurement or purchasing agencies for their members in both farm and household commodities. They also provide a practical and effective channel through which various aids and services are brought down to the farmers and the rural communities. Through them, for instance, extension and technical services in agricul-

ture including introduction of modern culture methods and distribution of fertilizer are being channeled to the farmers and disseminated in the farming areas. They are thus multi-purpose in function as well as in the commodities they handle.

The entire movement is pyramidal or federated in pattern. At the base are local FaCoMas organized on a municipal level. On an intermediate level are provincial or district Federations formed by the primary FaCoMas in the area. Forming the top of the pyramid is a national federation which is known as the Central Cooperative Exchange. The CCE is established by and has for stockholders the provincial federations and the FaCoMas. Thus, in both organizational coverage and operational spread, the agricultural cooperatives are now nationwide in scope and undoubtedly in influence.

During the last four years, these cooperatives and their members have been extended various types of credit in the aggregate amount of P126 millions. Mainly as a result of ACCFA's credit and financing plan, the FaCoMas have built or installed and purchased as of today some 158 modern warehouses with a total storage capacity of over 3 million cavans of palay, 105 ricemills of the latest type with a milling capacity of 5,487,000 cavans of palay a year; two steel grain elevators, 13 tobacco buying stations, about 100 tobacco flue-curing barns, 3 refrigeration and canning plants and many other facilities essential to processing and marketing. The Central Cooperative Exchange operates a number of processing installations the most important of which is a P4 million tobacco rearing plant. Out of the total loans extended by ACCFA, P64, 745, 513.95 went to farmer members in the form of production loans and farm improvement loans. The bulk of the last type of loans went to the purchase by the farmers concerned of over 64,000 carabaos.

A complete evaluation and interpretation of the full impact and implication of all these facts will be difficult at this time and within the limits of this discussion. A few of the obvious and significant results of the program may serve to identify or bring out the broad outlines of the cooperative picture. These are —

1. To the extent of the credit extended, the stranglehold of usury has been loosened and broken, and, what may be even more important in the long run, the factor of credit has been introduced into the rural areas to break the inertia of feudal stagnancy. To the same extent, one of the shackles which has enslaved the farmer has been removed or is being effectively removed.

2. Farm tools, modern storage and marketing facilities and installations have been established. That these are owned and operated by farmers' cooperative associations, is of paramount social and economic significance. At any rate, these facilities are valuable assets in economic development and constitute a force for modernization in agriculture including marketing.

3. Through credit and cooperative marketing and purchasing, the farmers are increasing their incomes directly through greater production and better prices and indirectly through savings from usurers' interest rates and middlemen's margins. It is estimated that up to the close of the 1956 crop year, the farmers have realized a substantial amount of nearly P500 million on this account.

4. Filipino participation in the trade of the country has been and is being effectively and steadily enhanced. From nothing before 1952, for instance, the FaCoMas have handled during the last three years an aggregate of over 8 million cavans of palay, conservatively valued at P80 million. In trading of Virginia leaf tobacco, the FaCoMas have taken over more than 80 percent of the total trade. In all types of consumer goods, the FaCoMas through their commodity procurement and stores have been handling a considerable amount of turnover. All this represents sizeable ground captured from alien control. FaCoMas are thus proving effective instruments for the nationalization of trade.

5. Increased farm incomes naturally means increased purchasing power for the group in the population that needs it most. The additional incomes derived have thus generated activity in wide areas of business. Farm machinery, farm implements, trucks, construction materials, rice mills and many other items which the farmers individually would never have been able to afford, have been and are being purchased by the farmers and their FaCoMas. The FaCoMas are also building up and engaging in various industries.

6. Immeasurable in money terms but nonetheless far-reaching in the light of national security and economic development, the program of credit and cooperatives has brought hope to the depressed farmers, faith in democratic institutions and self-confidence in their individual and collective ability to rise above age-old misery and servitudes. The cooperatives provide a positive, constructive and satisfying expression for the native instincts and impulses of the farmers as human being and as members of society. They are thus an effective counterpoise to the Huk movement which had at one time drawn desperate peasants to its bloody fold.

In this connection, I recall the poignant words of the wife of Huk Commander Dimasalang of Nueva


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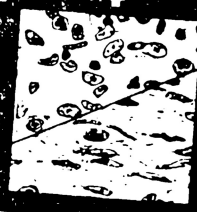


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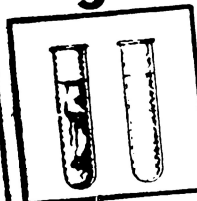


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Ecija when she said: "If the ACCFA had been established earlier, my husband would not now be a dissident leader; he would be a FaCoMa leader."

Such in bold outlines is the picture of the agricultural cooperatives in the Philippines. The picture, I dare say, is one of promise, of hope, of positive worth. It is the picture of enslaved farmers regaining their freedom, of the oppressed rising to a new life of creativeness, of the common people taking their place as self-conscious partners and participants in the task of building a just and self-reliant society.

#### IV. Spots and Shadows

The picture, however, is not all light and brightness. It has dark spots and shadows. As I have noted earlier, the cooperatives have enemies who would not want them to grow. Certain landlords, usurers, middlemen syndicates are known to be using every means fair or foul to obstruct their progress. Deep-rooted habits of individualism, in the dead-weight of inertia, a dense attitude of resignation to accustomed fate on the part of the farmers do not easily yield to the demands and disciplines of cooperative enterprise. Those who are used to slavery take to freedom slowly and with unsure gait. Long suffering, it seems, has sapped the spirit of ambition in many of our farming folk. Lack of managerial experience and skill in the towns and barrios to administer and direct the business operations of the cooperatives is a serious handicap. And, above all, creeping opportunism, dishonesty and corruption are restricting the area of choice for suitable cooperative leaders and officials and constitute a real drag to the rapid development of trust and confidence which are essential and indispensable to successful cooperation.

#### V. Conclusion

But all these difficulties are in larger or lesser degree natural concomitant of all social and economic reforms. They are the bitter heritage of colonial submergence and backward economies brought into contact with the predatory materialism of modern civilization. They must be taken as aspects to a complex problem which can only be overcome and solved through education. Cooperation, like all progress and every social form, must be nourished and sustained by a systematic and purposive educational process on which, in fact, the cooperative system consciously relies for its validity and vitality as a way of life.

Given the required support and sustenance by the educational system, the cooperative movement can become an integral and living part of the country's institutions and thereby take firm root in the faith of our people who conceived it and can fashion it as an instrument for their common advancement in social and economic well-being.