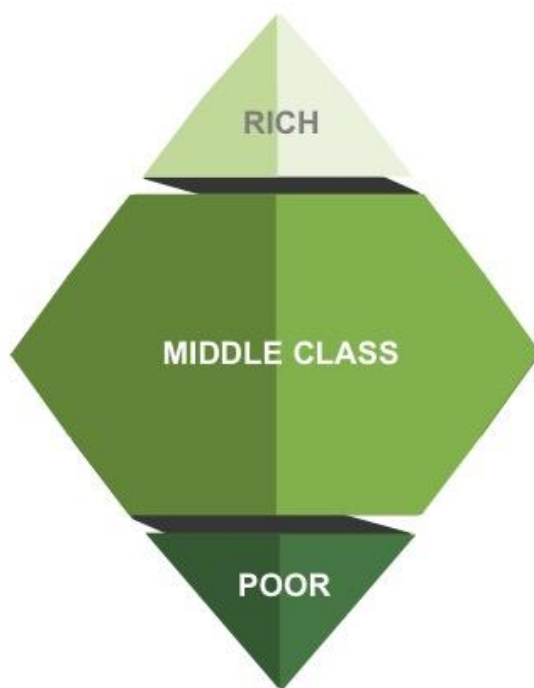

A PAMPHLET ON

**HOW TO WIN THE WAR AGAINST POVERTY
AND ATTAIN FOOD SECURITY**

– THE COOPERATIVE WAY –



ROBERTO M. PAGDANGANAN

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Dedicated to the Filipino people,
especially the farmers, fishers and MSMEs.

To God be the glory!

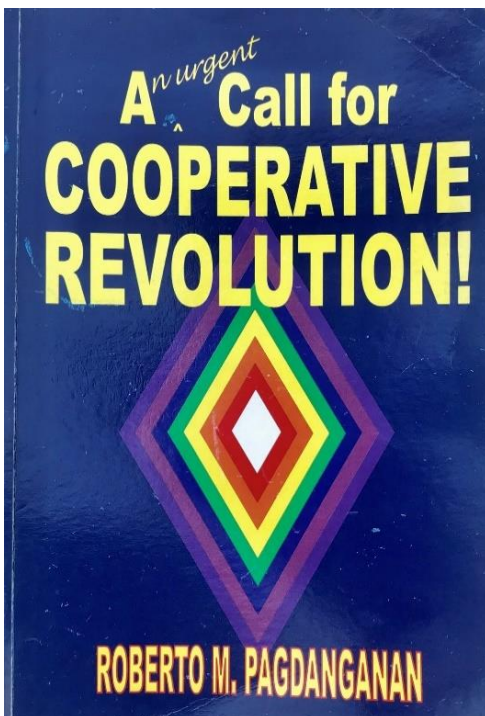
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INTRODUCTION

There is a Polish proverb which goes: "If the farmer is poor, so is the whole country". This is so true in the Philippines, except that the fishers are even poorer than the farmers. Together, the farmers and the fishers in the Philippines constitute more than 70% of the poorest of the poor! In fact, the latest report of the Family Income and Expenditure Survey (FIES), showed that 38.3% of the farmers and 39.2% of the fishers live below the poverty line which was estimated at PhP10,481 per month for a family of five (5) for 2018.

Contemplating on this sad reality the day President Rodrigo Roa Duterte declared Enhanced Community Quarantine (ECQ) in the entire Island of Luzon due to the COVID-19 Pandemic, I thought of writing this pamphlet on "*How to Win the War Against Poverty and Attain Food Security*". A few days before that, I also heard news that rice exporting countries might hold back on export sales to ensure their self-sufficiency. I felt that as a responsible citizen, I might as well try to contribute my two cents worth in addressing these crucial issues.



This pamphlet may be treated as a sequel to the book "*An Urgent Call for Cooperative Revolution*" published by this author in 2002, and revised in 2003. It seeks to analyze the prevailing situation and attempts to propose measures to win the war against poverty, and address the recurring food security problem in the Philippines. These two issues are deeply intertwined: one cannot be resolved without addressing the other. Food security can only be assured if the farmers and fishers are given the necessary support and afforded opportunities to earn higher incomes and lift their families out of poverty.

SOCIO-ECONOMIC SITUATION IN THE PHILIPPINES:

The population of the Philippines increased from 76.5 million in 2000 to 106.65 million in 2018. The poverty incidence (percentage of people earning less than the poverty threshold) was 39.4% in 2000, 21.6% in 2015, and 16.6% in 2018, according to the Philippine Statistics Authority (PSA). This means that 30.14 million Filipinos were poor in 2000, 21.81 million in 2015, and 17.7 million in 2018, earning less than the poverty threshold income, (Php 70 per capita per day in 2018).

Table 1.

Poverty Situation in the Philippines

	2000	2015	2018
Population (in millions)	76.50	100.98	106.65
Population Density, National (persons per square kilometer)	255	337	358
Population Density, NCR (persons per square kilometer)	16,032	20,785	22,080
Annual Per Capita Poverty Threshold (Php)	13,823	22,685	25,744
Poverty Incidence, National (among population)	39.4%	21.6%	16.6%
Poverty Incidence, National (among families)	33.7%	17.9%	12.1%
Poor People Living Below the Poverty Line (in millions)	30.14	21.81	17.70
Magnitude of Poor Families (in millions)	5.140	4.111	2.986
Annual Per Capita Food Threshold (Php)	9,183	15,852	18,067

Source: Philippine Statistics Authority, PSA

It is estimated that 40% of Filipinos directly depend on agriculture for their livelihood, (10 million rice farmers, 600,000 corn farmers, and 62,000 sugar farmers, and more than 1.25 million in other sectors). Another 30% of the population indirectly depend on agriculture for their livelihood. Agriculture is the backbone of the Philippine economy, providing food and raw material for industrialization. However, agriculture contributed only 8.1% to the Gross Domestic Product (GDP), and grew by a measly 0.8% in 2018, due to lack of attention to the agricultural sector, "one of the greatest blunders any developing country can do".

The rice farmers in particular, face a myriad of problems: lack of irrigation facilities, high cost of farm inputs, lack of capital compounded by lack of access to credit, lack of post-harvest facilities and marketing network, making them vulnerable to unscrupulous traders.

The fishers do not fare any better. Lacking capital, they use primitive fishing methods and equipment for their daily subsistence. Worse, their already limited catch is adversely affected by environmental degradation: pollution and destruction of coral reefs that serve as fish sanctuaries. They also have to contend with large trawlers that exploit resources within the municipal waters 15 kilometers from the shoreline that are reserved for the marginalized fishers.

Faced with such dire situations in rural areas, people migrate to the cities. The population in Metro Manila is roughly 12.8 million. Its population density is 60 times the national average, resulting in illegal settling, traffic congestion, criminality, unsanitary garbage disposal and other urban ills.

What's worse is that the farmers and fishers have become a vanishing breed, most of them now approaching senior citizenship (60 years old), with very limited younger reinforcement in sight. I consider this as the biggest threat to food security in the Philippines!

THE PHILIPPINES AS THE WORLD'S LARGEST RICE IMPORTER

The Philippines is the world's 9th largest rice producer accounting for 2.8% of global rice production. But for the longest time, the Philippines has been relying on importation to sustain its domestic rice requirements. In 1985, the Philippines imported 538,000 metric tons of rice. In 2010, the Philippines earned the unenviable distinction as the world's largest rice importer with 2.6 million metric tons imported from Thailand and Vietnam. (Source: USDA) The USDA-Foreign Agricultural Services reported in November, 2019 that the Philippines' rice importation would reach 3.0 million metric tons in 2019, beating China which imported 2.5 million metric tons! This was spurred by the liberalization of the rice industry with the implementation of RA 11203, or the Rice Tariffication Law, in March 2019.

But with the COVID-19 Pandemic forcing the hand of rice exporters to limit exports to ensure their own self sufficiency, it has become most urgent for the Philippines to attain food security. Self-sufficiency is the key to survival.

The question begs to be asked: WHAT MUST BE DONE, AND DONE URGENTLY?

HOW DO WE WIN THE WAR AGAINST POVERTY AND ATTAIN FOOD SECURITY?

The key to winning the war against poverty is to facilitate the creation of wealth and establish systems for its equitable distribution. Many Filipinos are poor, not because they are indolent, but because they lack access to capital. It is essential for the government on the one hand, to democratize access to resources and opportunities and for the people on the other hand, to perform their responsibilities in nation building. All sectors of society must be active participants and beneficiaries of the fruits of their collective endeavor.

In my book, *An Urgent Call for Cooperative Revolution*, I posited that to achieve a stable, democratic, sustainable and equitably progressive society, FOUR PILLARS OF EQUITABLE NATIONAL PROGRESS are absolutely necessary:

- I. Good governance,
- II. Genuine local autonomy,
- III. Quality education that is accessible to all, and,
- IV. Development of Cooperatives and Small and Medium Enterprises.

I. GOOD GOVERNANCE

Good governance begins with a clearly defined vision, mission and objectives. It requires a definitive program with timelines, delineated functions and responsibilities with the needed resources for the efficient and effective delivery of services to the people.

Good governance is anathema to graft and corruption, red tape, cronyism, nepotism, and other nefarious activities, and ensures moral uprightness at all levels. It promotes meritocracy, rewards good performance and punishes the corrupt. It establishes clear

policies for a level playing field. Good governance addresses poverty, criminality, homelessness, unemployment environmental degradation, illegal drugs, illegal gambling, smuggling and other social ills.

One basic requisite of good governance is the installation of good leaders through peaceful, orderly and clean elections. Vigilance and strict enforcement of laws and regulations should govern electoral processes thus minimizing if not obliterating altogether, irregularities like cheating, coercion, and vote buying, the mother of corruption in government!

II. GENUINE LOCAL AUTONOMY

Article II, Sec. 25 of the Philippine Constitution of 1987 provides that "The state shall ensure autonomy to local government units." The passage of Republic Act 7160, otherwise known as the Local Government Code (LGC) of 1991, through the principal authorship of Senator Aquilino Q. Pimentel, Jr. and Speaker Ramon B. Mitra, Jr., was perhaps the best legacy of the Administration of President Corazon Cojuangco-Aquino.

Genuine local autonomy is characterized by four elements in the LGC, namely decentralization, deconcentration of resources, devolution of powers and authorities, and democratization.

During the Marcos regime, and even before that, local government units (LGUs) were almost entirely dependent on the National Government. Their share of the national budget was a measly 2.5%. The local officials had limited authorities, subsisting on patronage politics. The LGC allotted 40% of the total internal revenue collections to LGUs, which increased their share of the national budget to 18-20%. They were also empowered to raise revenues through real property taxes and business fees apart from their share in the exploitation and development of natural resources in their localities.

The main criteria for Internal Revenue Allocation (IRA) to LGUS are population (50%), land area (25%), and equal sharing (25%).

For more equitable development, the author submits that two additional factors should be included, namely, a) poverty index and b) overall performance by the LGU.

An equalization fund must be established, so that poorer LGUs can qualify to receive a bigger allocation, but only if they are certified to have a "Seal of Good Governance" as initiated by my friend, former DILG Secretary Jessie Robredo (who was the National President of the League of Cities of the Philippines when I was in my last term as National President of the League of Provinces of the Philippines).

The authorities and resources provided by the LGC spurred countryside development and gave opportunities for local officials to shine and demonstrate their abilities. One most outstanding example of such local officials is obviously, President Duterte himself who was elected President of the Republic of the Philippines in 2016 on the strength of his performance as long-time Mayor of Davao City.

III. QUALITY EDUCATION THAT IS ACCESSIBLE TO ALL

This is another condition *sine qua non* for Filipinos to be globally competitive in this age of fast developing information and communication technology and health challenges. Note that the poorest regions are also where literacy and the level of educational attainment are the lowest.

Some progress had been attained during the last two decades in terms of Early Child Care and Development (ECCD), but much more has to be done. The K to 12 program is in place, and free education up to collegiate level is becoming more accessible.

The government is constructing more school buildings to meet increasing requirements. More reforms are on-going under the able leadership of Education Secretary Leonor Briones.

One very important point to consider: the "New Normal" being brought about by the COVID-19 Pandemic necessitates important adjustment in the conduct of education.

The Administration has started to establish and implement appropriate policies including online instructions, and revised school calendar. Perhaps gardening to raise vegetables in schools should be restored in K to 12 levels, just as the Department of Agriculture (DA) is advocating urban agriculture, providing free seedlings and technical support.

IV. DEVELOPMENT OF COOPERATIVES AND SMALL AND MEDIUM ENTERPRISES

All over the world, cooperatives have proven to be very effective instruments for empowering the poor and improving their quality of life.

Cooperatives are democratic, autonomous institutions designed to create capital through savings and to help members help themselves. They are founded on the principles of self-help, self-determination, and self-responsibility.

Cooperatives are especially beneficial to farmers, fishers, workers and entrepreneurs, and establishing a strong socio-economic middle class. They provide access to capital and enable farmers and fishers to procure cheaper farm inputs, apply modern technology, and market their produce at good margins, thus increasing their incomes.

A number of highly successful cooperatives and their significant roles in national development in the United Kingdom, Germany, the USA, Japan, South Korea, France, Canada, New Zealand and India among others, will be discussed in a later portion of this pamphlet.

We will also feature some of the leading cooperatives in the Philippines which have contributed much to improve the quality of life of their members and communities.

FOUR-PRONGED APPROACH TO WIN THE WAR AGAINST POVERTY AND ATTAIN FOOD SECURITY

Having laid down the Four Pillars of Equitable National Progress, we are now ready to humbly propose a FOUR-PRONGED APPROACH TO WIN THE WAR AGAINST POVERTY AND ATTAIN FOOD SECURITY!

- I. Big business development,
- II. Direct intervention for the marginalized sector, and support to the Micro, Small and Medium Entrepreneurs,
- III. Full support to Agriculture Sector,
- IV. Comprehensive Development of Cooperatives.

The ultimate goal is to create a strong middle-class society; to transform the Philippine socio-economic structure from a pyramid-shape to a diamond-like one.

**Figure 1:
Pyramid to Diamond Structure**



I. BIG BUSINESS DEVELOPMENT

Big business is the main driver for economic growth of a nation. They provide capital, modern technology, effective management techniques, and access to foreign markets. Business will flourish, foreign direct investments will be attracted, bringing in fresh capital, when there is political stability, peace and order, adequate infrastructure, a level playing field, and predictable, sound business policies.

As the maxim goes, "there should be less government in business and more business in government".

The Duterte administration has done well in a number of these factors though much more has to be done to implement the "Build, Build, Build" Program, to catch up with infrastructure development which was neglected by the previous administration, and now being impeded by the COVID-19 pandemic.

II. DIRECT INTERVENTION FOR THE MARGINALIZED SECTOR AND SUPPORT FOR THE MICRO, SMALL, AND MEDIUM ENTREPRENEURS (MSMEs)

The government's 4Ps program, *Pantawid Pamilyang Pilipino Program*, was initiated during the Administration of former President Gloria Macapagal-Arroyo, and expanded by former President Benigno Simeon C. Aquino, to provide conditional cash grants to the poorest of the poor to improve the health, nutrition and education of children aged 0-18. These include farmers, fishers, homeless families, indigenous peoples, those in the informal sector, and those in geographically isolated areas. President Duterte and the 17th Congress had institutionalized the 4Ps by enacting Republic Act 11310 or the *Pantawid Pamilyang Pilipino Program Act*. The program which now benefits about 5 million families, has lifted millions of families out of poverty.

But to win the war against poverty, the poor must be assisted to help themselves and become self-reliant. "Give a man a fish and you feed him for a day; teach a man to fish and you feed him for life". That is why MSMEs must be fully supported by providing them access to capital.

Big business may have tremendous impact on the nation's Gross Domestic Production (GDP) but the MSMEs provide approximately two-thirds of total employment for the workforce! In fact, SMEs are the economic backbone of even the most progressive nations. In the USA, Germany and Japan, SMEs provide 70 to 80% of total employment.

Filipinos are highly enterprising! Entrepreneurs can be seen everywhere, from the farms to the flea markets or even sidewalks: the fish and vegetable vendors, footwear makers, sari-sari stores, bakery owners, automotive repair shops, and many others. They constitute the so-called informal sector. But while the entrepreneurial spirit is very much alive among Filipinos, their access to capital is so limited which in turn limits their access to market and technology.

As will be shown later on, the Philippine banking and financial system is controlled and dominated by some thirty to forty elite families who own and control the banking system in the country. Consequently, a great majority of MSMEs have to depend on the so-called five-six system, paying exorbitant interest rates for

their capital. Unfortunately, this is the only way they can presently, continue to do business. If the five-six system is abolished without putting in place an alternative, many of the MSMEs will be forced out of business.

We will discuss proven ways on how this can be done, in the succeeding pages of this pamphlet.

III. FULL SUPPORT TO AGRICULTURAL SECTOR

As discussed earlier, farmers and fishers who provide food for the people and raw materials for industrialization, constitute tragically, more than two-thirds of the poorest of the poor in our country. More than half a century from the enactment of the Agrarian Land Reform Code, the Filipino farmers are far from emancipated. They continue to live in extreme want, buying farm inputs like synthetic fertilizers and pesticides at more than twice the landed costs, borrowing capital at usurious rates, and are then forced by circumstances to sell their produce at low prices. Imported and smuggled rice and other farm produce brought in during the harvest season depress prices, further aggravating the farmers' woes.

The fishers are worse off than farmers. With no access to capital, they use antiquated fishing methods and have no storage nor processing facilities. This partly explains why the Philippines, despite being an archipelago of more than seven thousand islands with a longer coastline than the USA, cannot even produce enough fish for our own consumption.

Table 2:

Demographic Data on the Philippines, Vietnam and Thailand

	Philippines	Vietnam	Thailand
Population (in millions)	106.7	95.54	69.43
Median Age (years)	24.4	30.5	40.1
Families Engaged in Agriculture (in millions)	10	17	13
Contribution to GDP (%)	8 - 10	18 – 19	9 – 11

Unless something is done soon enough to rectify this dire situation, our country's food security and overall stability will be in jeopardy.

We submit that the following remedial actions must be prioritized by the government:

1. Build irrigation facilities, farm to market roads, and post-harvest facilities,
2. Establish a financial system that will provide access to capital to farmers, fishers and MSMEs, (FFMSMEs),
3. Supply chain for farm inputs of good quality and reasonable prices,
4. Marketing network for the agricultural products.

IRRIGATION SYSTEMS IN THE PHILIPPINES, VIETNAM AND THAILAND:

The Philippines has the smallest hectarage of riceland among the three countries. Vietnam and Thailand have about five times more irrigated riceland than the Philippines! Our cost of production is twice that of Vietnam and 50% higher than Thailand.

After their unification in 1975, Vietnam launched their "Rice Everywhere" program. Within four decades, they built about 100 large to medium scale hydraulic works, and 8,000 irrigation systems sourced mainly from surface water and groundwater (reservoirs, weirs or low head dam, irrigation and drainage gates and pumping stations). Currently, Vietnam is modernizing their irrigation system, building eight big and more efficient irrigation system in five provinces, financed by a USD100 million concessional loan from the Asian Development Bank (ADB). Similarly, Thailand is also building bigger dams and providing subsidies to the farmers to increase their incomes.

**Table 3:
Comparison of Agriculture Land Areas - Philippines, Vietnam and Thailand**

	Philippines	Vietnam	Thailand
Total Land Area (in million hectares)	30	33	51.3
Cultivable Land (in million hectares)	9.7	9.41	18.995
Irrigated Land (in million hectares)	1.89 ^a	8.34	9.2
Cost of Production of Paddy Rice (in Php per kg)	12.72	6.22	8.86

^a Out of 3.1 million hectares of irrigable land in 4.8 million hectares of total Riceland
Source: www.nia.gov.ph

The Philippines established the National Irrigation Administration (NIA) in 1964, which has been constructing three (3) types of irrigation systems, namely:

1. National Irrigation System (NIS)
Source: large multi-purpose dams; Examples: Magat River Integrated Irrigation System (Cagayan Valley), and the Upper Pampanga River Integrated Irrigation System (Central Luzon), and Angat-Maasim Irrigation System (Bulacan) primarily for supplying water to Metro-Manila but which also serves 31,500 hectares in Bulacan province;
2. Communal Irrigation System (CIS)
Mainly run-of-the-river (ROTR) gravity diversion systems. The NIA builds CISs and transfers them to Farmers Irrigators Associations (FIA) for operations and maintenance. Ownership of CIS is transferred to the FIA on completion of amortization payments, and;
3. Private Irrigation System (PIS)
Small water impoundments, shallow tube wells, and irrigation pumps that are privately owned and operated.

Table 4.
Data on Irrigation Systems, Service Areas (in thousand hectares)

Type of Irrigation System	1964 -1980	1980-2000	2000-2015
National Irrigation System (NIS)	218 – 472	472 – 686	686 – 755
Communal Irrigation System (CIS)	126 – 310	310 – 501	501 – 616
Private Irrigation System (PIS)	52 – 152	152 – 174	174 – 361
TOTAL	396 – 934	934–1,361	1,361–1,732
Annual Growth Rate (%)	5.7	1.6	1.7

Source: www.nia.gov.ph

Until 1980, the rate of increase in irrigation coverage was 5.7% annually. Then it went down to 1.6% for the period 1980-2000, and 1.7% until 2015, when the total irrigated area reached 1.731 million hectares. Then it went up again by 4.6% per year from 2015-2017 reaching a coverage of 1.89 million hectares in 2017.

The share of irrigation service areas in 2015 was as follows: NIS 43.6%, CIS 35.6%, PIS 20.8%.

The first significant step towards attaining rice self-sufficiency is for the government to pursue more aggressively and determinedly, the building of sufficient irrigation facilities.

The average rice consumption in the Philippines is estimated at 115 kg per capita per year. For a population of 109 million (estimated in 2020), the total rice requirement will be 12.535 million metric tons! At a conversion rate of 65.4%, this will require 19.2 million metric tons of palay or paddy rice.

As of 2018, there were approximately only 1.92 million hectares of irrigated riceland out of 3.1 million hectares irrigable land and total riceland of 4.8 million hectares in the Philippines. The average yield was only 4.0 tons per hectare, (4.4 tons per hectare of irrigated land and 3.1 tons per hectare of rain-fed land). This was why we could not produce enough rice for our domestic consumption.

We must increase our irrigation capacity, optimize the yield per hectare and reduce cost of production to increase the income of farmers and have enough rice for our needs.

In 2019, the much delayed Php 4.37 billion Chico Dam project in Kalinga and Cagayan provinces, was finally started. It is projected to be completed in 2023, and will service 8,700 hectares of riceland. The Php 12.189 billion Kaliwa Dam has also been approved by President Duterte and is estimated to supply 800 million liters per day of potable water to the 17.46 million residents of Metro Manila, Rizal and Quezon. This will significantly reduce total dependence of the Metropolitan Waterworks and Sewerage System (MWSS) on Angat Dam for water supply and hopefully augment irrigation water to farmlands in Bulacan.

In addition to NIS dams which take much longer time to complete and require huge budget to build, it is strongly suggested that the government builds more CISs and provide incentives to the private sectors, especially to Farmers' Cooperatives, to build more PISs. Together, the CIS and PIS account for more than half of irrigation service areas and can be implemented much faster. This will enable farmers to access irrigation more quickly where they are needed, which was how Vietnam achieved their current status as one of the world's leading rice exporters in a relatively short period of time.

Another advantage of building CIS types is that social conflicts arising from dislocation of people especially the indigenous, are avoided. These run-of-the-river irrigation systems also help mitigate floods and provide means to raise fish for our protein needs.

Giving top priority to “Build, Build, Build” CIS and PIS types as well as more farm to market roads all over the country will create jobs opportunities, increase farmers income and spur economic activities in the countryside! This will help hasten economic recovery from the devastation caused by COVID-19! This will also provide incentives for urban settlers to return to the provinces as espoused by Senator Bong Go.

The second significant step to attain food security is to establish financial system that will provide access to capital for farmers, fishers and MSMEs or FFMSMEs.

Access to financial services in the Philippine Banking System is currently limited to established medium to big businesses. While Universal and Commercial Banks (UCBs) and Thrift Banks (TBs) accept deposits from all sectors, including Overseas Filipino Workers (OFWs) many of whom are children of farmers and fishers, they do not have the structure to extend loans to small clients. They do not consider the farmers and fishers as credit worthy, so the latter are forced to borrow from informal lenders who charge exorbitant rates of interest.

Table 5.

The Philippine Banking System: Total Assets, Total Loan Portfolio, and Total Deposits and Share of Each Sector

	Total Assets (in Php B & % share of total)	Total Loan Portfolio (in Php B & % share of total)	Total Deposits (in Php B & % share of total)
Universal and Commercial Banks	15,421.1 91.2%	9,017.8 89.5%	11,596.0 90.8%
Thrift Banks	1,244.7 7.4%	916.9 9.1%	991.5 7.8%
Rural and Cooperative Banks	245.6 1.4%	140.9 1.4%	176.7 1.4%
TOTAL	16,911.4 100.0%	10,075.6 100.0%	12,764.2 100.0%

Source: *Bangko Sentral ng Pilipinas, BSP; bsp.gov.ph*

This table shows that in 2018, 91.2% of the total resources in the Philippine Banking System is controlled by the UCBs, 7.4% by the TBs, and 1.5% by the Rural and Cooperative Banks (RCBs). This means that 98.6% of the banking resources catered mainly to big business, and therefore not accessible to farmers and fishers. Of the total loan portfolio, only 1.4% was accounted for by the RCBs, which meant that less than 1% was loaned to farmers and fishers.

Republic Act 10000 otherwise known as the Agri-Agra Law, provides that all banking institutions whether government or private, shall set aside at least 25% of the total loanable funds for agriculture and fisheries credit in general, of which at least 10% shall be made available for agrarian reform beneficiaries.

Yet even with several modes of compliance, including allowing the banks to invest in bonds issued by DBP and the LBP and/or open special deposit accounts (SDAs), or rediscount with UCBs, etc., only Php 707.4 billion out of Php 1.24 Trillion was loaned by the banks to agri/agra sector in 2018. The banks would rather pay the 0.5% penalty on non-compliance than help the poor farmers and fishers.

The total Agri-Agra amount loaned by all the banks in 2018, was a measly 7% which mainly went to treasury bonds, SDAs and rediscounting. Only a minimal amount directly benefited the poor farmers and fishers.

The lack of appreciation of the predicament faced by the farmers/fishers, and the worsening lack of food security in our country, is tragically illustrated by the position paper of the Chamber of Thrift Banks as reported recently by the Business Mirror, *"Lending to the agri/agra sector is difficult and forcing (us) to lend to a market that is not ready and will just create another financial crisis due to bad loans that the Philippines cannot afford. Given the share of agriculture in GDP, there is no absorptive capacity for the sector, and the allocation will just result in excess supply, therefore enhancing non-compliance of the mandated amount."*

FILIPINO FARMERS AND FISHERS ARE EITHER UNBANKED OR UNBANKABLE.

Unfortunately, this condescending attitude upon the struggling farmers and fishers, who day after day endure back-breaking efforts to provide food on our table and raw materials for industry, may be attributed to lack of familiarity with how instrumental cooperatives have been in most progressive countries in mobilizing savings, democratizing access to capital and building strong economies.

The Philippine agriculture sector grew by only 0.6% and its contribution to GDP was only 8.1% in 2018. These have remained low for the longest time, not because Filipino farmers and fishers are lazy or bad debtors, but precisely because the existing banking system denies them access to capital. They are either unbanked or unfairly considered by bankers as unbankable. But if the poor farmers, fishers and market vendors religiously pay amortization to usurious loans which the existing system forces them to borrow from informal lenders, why won't they pay loans at much lower, legal rates of interest?

With sufficient irrigation facilities and a financial system that will provide farmers, fishers access to credit, the third and fourth remedial measures will also be put in place, namely:

1. Supply line for quality and affordable farm inputs, including post-harvest facilities, like mechanized palay dryers,
2. Marketing network that will liberate farmers and fishers from the clutches of unscrupulous traders.

As early as three year ago, it was estimated that the average age of farmers was 57 years. If younger farmers do not take over, we will have few farmers left in ten to fifteen years' time. This is presuming that farmers stay healthy up until they are 70, the projected life expectancy. There will of course be those who will continue to farm for lack of any other alternatives. But they will soon be a dying breed.

It is imperative that the farmers and fishers be given fair opportunities to improve their quality of life, if we are to ever attain food security and equitable national progress. Filipinos have what it takes to build a better future for their family. All that is needed is for the government to establish fundamental system and structures that will provide them means for upward mobility.

IV. COMPREHENSIVE DEVELOPMENT OF COOPERATIVES

Further discussion of providing access to capital to farmers, fishers and MSMEs, cannot be properly undertaken without looking into the development and important role of cooperatives in national development. We will now briefly feature some of the best cooperative practices in some of the most progressive countries in the world.

COOPERATIVE DEVELOPMENT IN SOME OF THE MOST PROGRESSIVE ECONOMIES

UNITED KINGDOM: Birthplace of Modern Cooperativism

The birth of cooperative movement can be traced to the period when Robert Owen (1771-1858), a British pioneer of industrial cooperation started the creation of cooperative enterprises in the 1820s in New Lanark, Scotland.

In 1844, in the industrial town of Rochdale, on the outskirts of Manchester,, England, a group of 28 elderly and unschooled blanket weavers got together to discuss ways to best respond to the ever growing difficulty of survival, the oppressive tactics of business owners and capital investors and find ways to improve their basic rights and increase their incomes. They designed a system where they could become owners of an enterprise and direct its course for their respective benefit. They laid down the foundation of the Rochdale Equitable Pioneer Society, the world's first known modern cooperative.

Through frugal living and extreme sacrifice the Rochdale pioneers managed after one year, to save One Pound each. With a starting capital of Twenty-Eight Pounds they opened their first cooperative store on October 24, 1844. The initial inventories consisted of sugar, flour, oil and oatmeal. They held up as their fundamental mission, the "*creation of a cooperative community in which exploitation and economic hardship for the working people would be abolished.*"

The Rochdale pioneers eventually organized other cooperatives, founded the Cooperative Wholesale Society, Cooperative Insurance Society, Cooperative Union and the CWS Cooperative Bank which became one of the biggest banking institutions in the UK. As of end 2018, the Cooperative Bank Plc had total assets of

23.1 billion Pounds, total equity of 1.57 billion Pounds, and 2,800 employees.

Building Societies also play a significant role in the UK economy. The term "building society" first arose in the 19th century in Great Britain from cooperative savings groups. They are financial institutions owned by members as a mutual organization that actively compete with banks for banking and financial services, particularly for people buying homes. The Nationwide Building Society is the seventh largest cooperative financial institution in the UK with total assets of 208.9 billion euros in 2015/2016.

GERMANY

Two prominent local leaders of the last century, Freidrich Wilhelm Raiffeisen and Franz Herman Schulze-Delitzsch, built the foundation for Germany's cooperative movement. Raiffeisen (1818-1888) was Mayor of Westerwald, Flammersfeld and Heddesdorf, while Schulze-Delitzsch was a lawyer economist who came upon the problems of small entrepreneurs while working as a judge in his hometown of Delitzsch, Saxony. Their pioneering efforts coincided with momentous events in the history of Europe, the beginning of farmers' liberation through agrarian reform and the industrial revolution. Despite the massive industrialization, however, many farmers in Germany remained poor with accumulated debts to usurers after the famine and crop failures in 1846-47.

Then Mayor Raiffeisen initially built cooperative societies on the principle of benevolent assistance to the poor. Realizing these did not suffice, he transformed the charity units into a thrift and loan society that soon became Germany's first rural cooperative, founded on the principles of self-help and self-administration.

Credit unions took over money operations from abusive usurers. Cooperatives supplied farmers with capital resources like seeds and cattle. Purchasing and marketing cooperatives were set up for economies of scale.

Raiffeisen emphasized self-responsibility for the payment of loans, that "the members' most important duty is liability... to obtain credit worthiness. That liability be shared by the members

on the basis of solidarity, all must be liable for one and one for all.”

Raiffeisen also initiated the formation of a central banking institution to guide and support the rural cooperatives, an Agricultural Central Loan Society, and the first Union of Rural Cooperatives. He also established in 1881, a Company for Centralized Purchasing of cooperative supplies and a printing house.

Schulze-Delitzsch on the other hand, organized Cooperative Credit Unions and Mutual Loan Societies to provide access to credit for Small and Medium Entrepreneurs. Later, he founded the German Mutual Loan and Credit Societies, which became a forerunner of Germany's first Central Bank of Cooperatives' the Genossenschaftsbank. When Schulze-Delitzsch became a member of the Prussian Legislature, he pushed for the enactment of a special law regulating Cooperative Societies in 1867, which became the basis of the German Cooperative Act of 1889.

In 1895, then German Minister of Finance, Johannesburg Miguel, pushed for a law creating the Preussische Central Gennosenschafts-Kasse Preussenkasse, which served as the Central institution for promoting savings and loans through cooperatives. The initial seed fund of five million Deutsche Mark (DM5 million) for this central bank was provided by the King of Prussia together with a notice to subscribers that they could share in its capitalization at anytime. The amount was increased to DM20 million, one year later. The Preussenkasse which became the DG Bank, and which in 2001, was renamed the DZ Bank, acronym for Deutsche Zentral-Genossenschaftsbank or literally, German Central Cooperative Bank was primarily established to accomplish the following objectives:

1. Enable regional banks to deposit surplus funds at attractive rates to be made available when needed,
2. Provide fresh funds to its client banks.
3. Link the system with the general money market and the National Central Bank,
4. Serve as the "foundation stone" of cooperative banking.

In end December 2017, the DZ Bank had total assets of 506 Billion Euros, and 30,279 employees. It is the second largest bank in

Germany and the central institution for the 1,197 cooperative banks and 12,000 branch offices.

There are presently approximately 20 million members in German coops in five sectors:

1. Cooperative Banks that serve their respective localities,
2. Rural or Agricultural Cooperatives which provide farmers and fishers with production equipment/farm inputs, then buy, process and market their produce.
3. Buying and Marketing Cooperatives which serve small-scale industry and service sectors,
4. Housing Cooperatives, and,
5. Consumer Cooperatives

JAPAN

One of the secrets of Japan's incredible economic success is cooperative development.

Organization of cooperatives in Japan flourished during the Meiji restoration period (1868-1912). After World War II, cooperatives played a significant role in Japan's economic recovery. The structures for strengthening the movement were enhanced with the passage of Agricultural Organization law of 1943, which required the organization of cooperatives in every municipality (village, town and cities) the Agriculture Cooperative Law in 1947 and the establishment of the National Central Union of Agricultural Cooperatives in 1954.

Japan has been described as "land of cooperatives". The total membership of cooperatives in Japan was 65 million which was more than half of the total population (123.731 million as of October 2019). Ninety-one percent (91%) of farmers and fishers are coop members. One-fourth (1/4) of the total deposits is held in cooperative banks. One fourth of the total population has insurance covered by Coops. Half of total output from farming, forestry, and fisheries is sold through coops.

Japan has the largest Consumer Coop in the world with 28 million members.

The Norinchukin Bank, Japan's Agriculture Cooperative Bank had total assets of USD 844.4 billion in 2017, the 31st largest in the

world. It has 3,229 employees and serves over 5,600 Agricultural, Fisheries, and Forestry Coops. It was founded in 1923, by Japan Agricultural Coops, (JA), Japan Fisheries Coops and Japan Forestry Coops.

There are various types of Cooperatives in Japan, including cooperatives for agriculture, fishery, forestry, consumers, credit, purchasing, marketing, utility, workers, and even for elderly or seniors.

The National Federation of Agricultural Cooperative Associations (JA-ZEN-NOH), was established in 1972 primarily to provide inputs like fertilizers, agro-chemicals, machinery, packaging, household goods at low prices, and to market products produced by its members.

In 2018, Japan organized the Japan Co-operative Alliance, an umbrella organization to promote, cooperation among the members, inter coop collaboration, lobby for pro-coop policies, and provide better information and education to the general public.

SOUTH KOREA

Cooperative development in South Korea dates back to the Shilla Kingdom in 30 BC when farmers formed self-help, village based groups. But the first modern cooperative organization was established in 1907 with the formation of Kwang-Ju Local Financial Association.

The Agricultural Bank of Korea was organized in 1956 as a special bank to provide agricultural credit and financial support to farmers and fishers. The Agricultural Cooperative Law was passed in 1958 to organize agricultural cooperatives all over the country. The two were designed to cooperate to develop agriculture and rural communities but found themselves in conflicting positions, operating contrary to their original purposes. In 1961, when General Park Chung Hee assumed power through a military coup, he ordered the merging of the Agricultural Bank of Korea and Agricultural Cooperatives to form the National Agricultural Cooperative Federation (NACF).

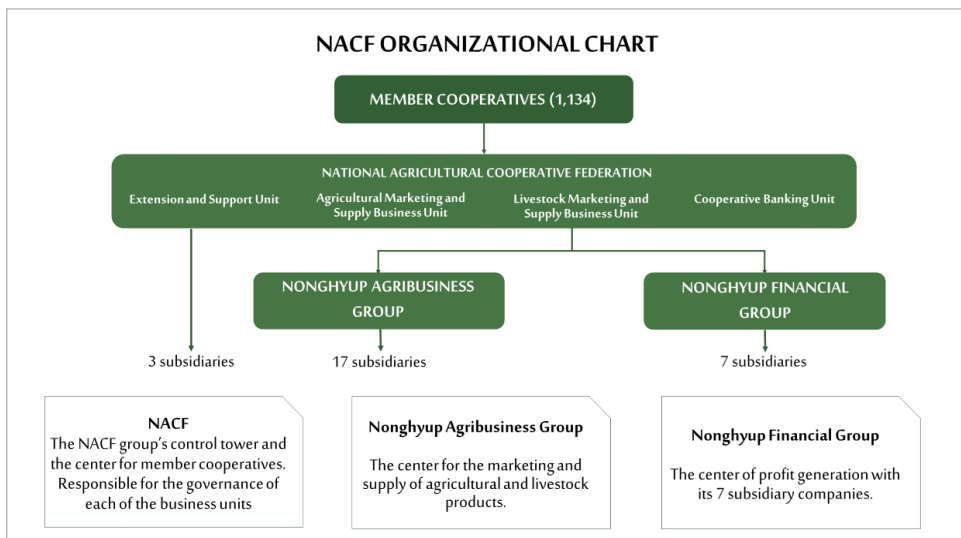
The NACF, immediately embarked on a cooperative restructuring program to promote self-help, self-reliance, and cooperation among the members. This resulted in:

1. economies of scale through merging of primary cooperatives,
2. focus on agriculture production and increasing income of farmers,
3. increased credit services and household savings,
4. enhancing public confidence on cooperatives, and,
5. developing competent and independent management structure.

The NACF offers its members a wide range of services, including improvement of agricultural competitiveness through technological information and innovation, supply of farm inputs, marketing network for agricultural products, processing and export of value-added products, strengthening of livestock industry, banking and insurance businesses.

The NACF is the apex organization of 1,134 primary cooperatives with more than 2.3 million member farmers in South Korea. Member farmers are the owners, users and controllers of the primary cooperatives which in turn own and control the NACF. On March 2, 2012, NACF separated its operation and established a financial holding company, NongHyup Financial Group and an agricultural holding company, NongHyup Agribusiness Group.

**Figure 2:
NACF Organizational Chart**



NHFG is now the second largest financial group in Korea in terms of total assets. As of December 31, 2015, NHFG's consolidated assets totaled USD 287.2 billion.

Apart from the NACF, the other cooperative sectors in Korea are separately organized, as follows:

1. National Federation of Fisheries Cooperatives, (NFFC),
2. National Credit Union Federation of Korea (NACUFOK), and ,
3. Korean Federation of Community Credit Cooperatives (KFCCC).

As the names imply, the different Federations serve their respective type of cooperatives. They provide their members basically similar services: access to credit and other financial products, supply line for inputs and marketing network for their produce, access to information and innovative technology, training and education, and political advocacy.

It is noteworthy that these cooperatives were organized when the Koreans were of the same economic status, if not poorer than Filipinos. In fact, the Koreans at that time (1961-1962) were still struggling to recover from the Korean War (1950-1952), during which Filipinos helped them.

But the Korean leaders saw the important role cooperatives could play in their economic development along with big business development. They had faith in the rural population's capabilities to help themselves and their country, if provided with the means to do so.

Today, South Korea is one of the world's most progressive countries with a strong middle class society. They achieved this by combining the strength of Chaebols (which are giant family-owned conglomerates like Samsung, Hyundai, SK Group, LG Group and about twenty others), with cooperative development to support farmers, fishers and MSMEs. The chaebols spurred economic growth through industrialization and export market expansion, while the cooperatives helped ensure countryside development and food security.

UNITED STATES OF AMERICA

Cooperative development in America was influenced by the massive migration of British and other Europeans who brought along with them the seeds of cooperation. It was not difficult to sell the idea of this "miracle organization" as some migrants would refer to cooperatives, as the nation itself was founded on democratic principles of equality and respect.

In 1867, the Grange, the oldest of American farm organizations engaged in collective management of cooperative stores that invested in cotton and grains, to fight the effects of depression. Eventually, they ventured into oranges converting fruit pulp to juice drinks. The Sunkist Growers Inc. is a superb example of a cooperative that made it to the tables of the world.

Today, it is estimated that there are 29,000 cooperatives operating in every sector of the US economy, with more than 100 million members, generating two (2) million jobs each year and USD 650 billion in sales. Most of America's two (2) million farmers are farmers' coop members, providing 250,000 jobs and USD 8 billion annual wages. Ninety-two (92) million Americans turn to 7,500 credit cooperatives for their financial services. One million two hundred thousand families of all income levels live in homes owned and operated through cooperatives.

One million two hundred thousand rural Americans are served by 260 telephone cooperatives in 31 states. Fifty thousand US families rely on cooperative day care facilities and pre-schools for the care of their children.

National Rural Electric Cooperative Association (NRECA)

The most widely considered as America's most impressive and outstanding rural cooperative association is the NRECA, which was officially recognized in 1942 as a direct response to the problems brought about by World War II. It has since become an effective promoter of consumer-owned electric cooperatives and a catalyst of rural economic development.

Forty-two million Americans rely on electricity from 900 rural electric coops in 42% of the nation's electric distribution covering 46 states. Rural electric coops are established to

provide electric services at-cost and most significantly, owned by the consumers that they serve.

Top Five Revenue-earning Cooperatives in the USA in 2016

	NAME OF COOPERATIVE	REVENUES (In US\$ B)
1	CHS Inc. (Agriculture, St. Paul, Minnesota)	39.3
2	Dairy Farmers of America	13.5
3	Land O'Lakes, Inc.	13.2
4	Wakern Food/Coop/Shoprite Grocery (New Jersey)	12.8
5	Associate Wholesale Grocers (Kansas City)	9.2

Source: National Cooperative Bank which provides banking services to the sector

FRANCE

In the late 19th century in France, agriculture was struggling to find suitable credit, that is long term, flexible and with low interest rate. There were several failed attempts to set up agriculture banks. The 1884 Act encouraged the formation of farm unions and together with the example of mutual banks in Germany and Italy, this paved the way for the emergence of suitable banks.

Then Minister of Agriculture Jules Meline pushed for the passage of the Act of 5 November 1894 which created the Credit Agricole. Credit Agricole's Local Banks were organized by farm unions owned by their members according to the principles of mutuality. The local banks quickly faced financial problems due to lack of capital and insufficient collateral from small farmers. In 1897, the government required the Banque de France to accept discounted notes from farm unions and to infuse additional endowment of 40 million francs and an annual fee of 2 million francs to Credit Agricole. The Act of 1898 resolved the collateral issues through farm warrants. Regional and local banks were organized.

To give greater autonomy to what was then merely a credit department of the Ministry of Agriculture, and to create a central clearing organization for the regional and local banks, the Act of 5 August 1920 created the Office National de Credit Agricole which was later renamed Caisse Nationale de Credit Agricole (CNCA) to emphasize its role as a bank.

Credit Agricole expanded operations lending low interest loans to farmers, loans to rural tradesmen and financing rural electrification programme from 1923 onwards. In 1966 Credit Agricole was granted financial autonomy and the responsibility for balancing the surpluses and deficits of the regional banks.

On 18 January 1988, CNCA was transformed into a public limited company, with a 90% stake sold to Regional Banks and 10% to staff. Credit Agricole became fully independent of the government, and continued to expand its operations not only in France but also globally.

Credit Agricole is now the biggest lender and leading partner of the French economy and one of the biggest banking groups in Europe. Its total assets in 2018 amounted to 1.854 trillion euros, with net income of 4.4 billion euros from net revenues of 19.736 billion euros. Built on its strong cooperative and mutual roots, its 142,000 employees and 31,500 directors of Local and Regional Banks, Credit Agricole serves 51 million customers across 47 countries, 8.2 million mutual shareholders, and 1.1 million individual shareholders.

CANADA

The Cooperative movement in Canada started in the middle of the 19th century and continues until today. It was spurred during the Great Migration of Canada when many British people as well as citizens from other European countries brought with them new ideas of cooperative enterprises, following the Rochdale system.

Agricultural cooperatives were the first successful cooperatives in Canada, especially the dairy industry because many farmers had excessive production of milk. Moreover, farmers explored new ways of marketing and saving and borrowing money. Through "cooperative pooling", the farmers were able to control marketing of their products.

Banking cooperatives were initiated by Alphone Dejardins and Frederick Debartzch Monk, a Member of Parliament who pushed for cooperative legislation between 1906-1911. The Credit Union National Association was organized and a Credit Union Act was passed. These laid down the foundation for creation and effective use of capital in various enterprises. Before long

cooperativism became a way of life for majority of the people, giving rise to Financial Cooperatives, Consumer Cooperatives, Housing Cooperatives, Worker Cooperatives, Fishing Cooperatives, Health Cooperatives, Retail Cooperatives, Funeral Cooperatives, Forestry Cooperatives and Aboriginal Cooperatives.

The three major Canadian Cooperative Federations are as follows:

1. CCA, Canadian Cooperative Association,
2. DID, Developpement International Dejardins, and ,
3. SOCODEVI, Societe de Cooperation pour le Developpement International.

Today, there are over 9,000 cooperatives, credit unions and mutuels in Canada. They are widely supported and 83% of Canadians say they would rather buy their products at a cooperative than a private business.

Together, Canadian cooperatives have over 18 million members, (half of the total population of Canada) and employ more than 150,000 people. (www.cooperativedifference.coop)

NEW ZEALAND

New Zealand, a country with a population of only 4.886 million in 2018, is home to the largest dairy company in the world, the Fonterra Cooperative Group, Limited, which accounts for thirty percent (30%) of the world's dairy exports. It is also the largest company in New Zealand with 21,400 employees, and revenues of NZ Dollars 19.23 billion in 2016-2017.

Fonterra comes from the Latin "Fons de Terra" meaning "spring from the land". It processes 16 billion liters of milk every year, supplied by 10,500 farmers and their families, representing 96% of the country's dairy farmers, all members of the cooperative. Ninety-five per cent (95%) of their products is exported to 140 countries. They produce two (2) million tons of dairy ingredients and consumer products daily. Among their well-known brands are Anchor, Nalgene, and Farm Source.

Established in 2001 following the merger of New Zealand's two largest dairy cooperatives, New Zealand Dairy Group and Kiwi

Coop Dairies, Fonterra exists for the mutual benefit and sustainability of its supplying shareholders. Fonterra is committed to cooperative ownership as its cornerstone activities.

INDIA

In the last three decades, world milk production has increased by more than 59%, from 530 million tons in 1988 to 843 million tons in 2018. India is the world's largest milk producer, with 22% of global production, followed by the USA, China, Pakistan and Brazil. (source: www.fao.org) India's milk output surpasses that of all the European Union countries combined. This magnificent achievement actually originated in the small village of Anand in the state of Gujarat, India, when disgruntled dairy farmers declared a "milk strike" in 1946.

AMUL which stands for Anand Milk Union Limited, was founded by a few hard working farmers in December, 1946, with a mission to stop the exploitation by middlemen. Angered by unfair and manipulative practices, the farmers under the leadership of Tribhuvandas Patel decided to be self-sustaining entrepreneurs and work for themselves. They formed their own cooperative society starting with a few member farmers producing 247 liters of milk a day. Tribhuvandas Patel then joined forces with Dr. Verghese Kurein to spearhead the milk cooperative movement in the region, organizing the Kara District Cooperative Milk Producers Union Ltd, which was later renamed to the now popular AMUL.

Under Dr. Kurien's inspiring leadership, the Gujarat Cooperative Milk Marketing Federation Ltd (GCMMFL), and the National Dairy Development Board were created. These institutions played a significant role in shaping the Dairy Cooperative Movement across the country and led to the replication of the AMUL model all over India.

Today, AMUL is jointly owned by 3.6 million milk producers in India. It is supplied milk by 15 million dairy farmers in 144,500 dairy cooperative societies across India. AMUL is now present in over 50 countries and in India alone, they have 7,200 exclusive parlors. AMUL's net revenues totaled 380 billion INRs or USD 5.3 billion in 2018-2019.

Dr. Kurien has since been acknowledged as the Father of White Revolution in India.

AMUL on the other hand symbolizes economic emancipation for farmers through cooperative revolution.

There are many other models of highly successful cooperative movements in the world, including the Mondragon Cooperatives in Spain, Rabobank in the Netherlands, 25,000 Worker Cooperatives and Retail Cooperatives in Italy, and the dominant Dairy and Forestry Cooperatives in Denmark and Sweden. I wanted to discuss them too, but perhaps I have given enough outstanding examples in this pamphlet to show that cooperatives play a highly significant role in socio-economic development of nations.

ALL EQUITABLY PROGRESSIVE NATIONS IN THE WORLD HAVE SUCCESSFUL COOPERATIVE MOVEMENTS!

One common element in these progressive nations is the establishment of appropriate structures to generate savings and provide access to capital to farmers, fishers and MSMEs, through the cooperative movement. This in turn has enabled the FFMSMEs to engage in economic enterprises that supply farm inputs, process agricultural produce to add value, and trade/market them directly through the cooperative way to consumers. All these countries have robust agricultural sector and enjoy food security.

KEY SUCCESS FACTORS OF COOPERATIVES IN PROGRESSIVE COUNTRIES

Symbiosis characterizes the relationship between the successful cooperatives and government of developed countries, for the simple reason that cooperatives need governments and governments need coops. Governments act as nursemaids of cooperative growth through the adoption of enabling economic systems, laws and banking policies. They provide legal framework by integrating cooperative development into national plans and programs, policies and budgetary provisions.

The key success factors of cooperatives in progressive countries may be summarized as follows:

1. Adherence to the basic principles of cooperativism: self-help, self-administration, self-regulation, and self-responsibility through internal regulatory mechanisms within cooperative structures;
2. Appropriate government support based on subsidiarity, e.g., regulatory systems to professionalize management and strengthen financial and auditing procedures;
3. Establishment of support structures like centralized cooperative banking system with initial funding from the government if necessary, but which eventually become owned and operated by cooperative federation/unions; joint procurement of production inputs; and marketing and distribution networks for farm produce;
4. Integration of cooperative education into the mainstream public and private academic programs; training and education for all levels of cooperators from primary members to board directors.

COOPERATIVE MOVEMENT IN THE PHILIPPINES

The first vestiges of cooperative movement in the Philippines may be traced to the manifesto of the La Liga Filipina which Dr. Jose P. Rizal founded on July 3, 1892, which "vowed to aid the poor and help provide them with the resources needed such as loans for agriculture and commerce. On July 6, 1892, Rizal was arrested and exiled in Dapitan, Zamboanga. There, he organized the local farmers and helped them build an irrigation system which still exists today, a monument to his cooperative spirit and patriotism. The association helped the farmers procure farm implements, and market their produce. Eventually, Rizal also established a consumer cooperative.

The first law on Cooperatives, the Act 2508 of 1915, or the Rural Credit Law was drafted by Governor Teodoro Sandico of Bulacan and sponsored by Representative Rafael Corpus of Zambales, to authorize rural coops to provide farmers with credit for agricultural production. Thereafter, a number of laws were subsequently enacted to promote cooperative development.

On March 10, 1990, President Corazon C. Aquino signed into law Republic Act 6938, otherwise known as the Cooperative Code of the Philippines, and RA 6939 which created the Cooperative Development Authority which were principally sponsored by then Senator Agapito "Butz" Aquino.

Later, these laws were amended by RA 9520, which was labeled as the Philippine Cooperative Code of 2008. On August 14, 2019, President Duterte signed into law RA 11364, the Cooperative Development Authority Charter of 2019, “to promote viability and growth of cooperatives as instruments for social justice and equitable economic development.”

There are various types of coops in the Philippines, including credit cooperatives, multi-purpose coops, producers' coops, transport coops, workers' coops, housing coops, dairy coops, and consumers' coops. Credit coops are the most common and biggest group, evidently because of lack of access to credit. Below is a list of some outstanding cooperatives in the Philippines today.

1. *ACDI Multi- Purpose Cooperative*

Established on October 20, 1981, by 26 Philippine Air Force Cadet Alumni with an initial capitalization of Php 200,000 as Aces Credit Cooperative Development, Inc. Later renamed as ACDI Credit Cooperative in 1991, this is now the largest cooperative in the Philippines with an asset base of Php 33 billion and 122 offices across the country. Its members include active and retired uniformed and civilian personnel of the Armed Forces of the Philippines (AFP) and the Philippine Coast Guard (PCG), and their dependents.

2. *Philippine Army Finance Center Producers Integrated Cooperative (PAFCPIC)*

Established in November 1981, this multi-awarded coop offers financial services, deposits and loans to its members serving in the Armed Forces of the Philippines (AFP).

Its membership consists of military and civilian personnel of the Philippine Army, Philippine Navy and Philippine Air Force both active and retired, as well as their immediate dependents. It had a current membership of 120,000 and total assets of Php 8.6 billion. They have 25 satellite offices across the country.

3. *First Community Credit Cooperative (FICCO)*

Through the inspiration of Fr. James Masterson, S.J., FICCO was established as the Ateneo Credit Union in July 1954 by 15 pioneers, mostly faculty and personnel of Ateneo de Cagayan,

now Xavier University, with total initial capital of Twenty-six Pesos and Thirty centavos, (Php 26.30). Their motto: "Not for profit, not for charity, but for service". Renamed First Community Credit Cooperative, Inc.", (FICCO) in 1975, this is now one of the largest and diversified coops in the Philippines with 363,162 members from across the Philippines, 95 offices, 49 branches, and 46 business centers, as of June 2019. FICCO had total assets of Php 4.79 billion as of March 2016. (www.ficco.org)

4. *Metro South Cooperative Bank (MSCB)*

Metro South Cooperative Bank started operation on March 24, 1997, with an initial capitalization of Php 33 million contributed by 34 member cooperative stockholders. MSCB pioneered in providing banking services primarily to cooperatives instead of giving loans mainly to individuals as was practiced by other cooperative banks at that time. As of December, 2017, MSCB had 800 member owner cooperatives with paid-in capital of Php 587.3 million and total assets of Php 3.48 billion. (www.msbc.com.ph)

5. *Lamac Multi-Purpose Cooperative*

The inspiring story of Lamac Multi-Purpose Cooperative started in 1973 when 70 poor farmers in Barangay Lamac in the remote town of Pinamungahan, Cebu contributed Fifty Pesos (Php 50.00) each to form the Lamac Samahang Nayon Consumers Cooperative. At that time, there were no electricity, no paved roads to Cebu City which was 34 kilometers away, and the people had to fetch water from spring wells. Despite such very difficult situation, the farmers struggled to improve their quality of life, living the cooperative core values of volunteerism, self-discipline, self-help, transparency and cooperation.

From a simple consumer store where they sold their farm produce, mainly rice, vegetables, carabao milk and fish, they gradually ventured into processing and other economic enterprises. Their products included ice cream from carabao milk, sardines using coconut water and tomato sauce, cassava cakes, cacao, and other high value crops.

Today Lamac MPC is a multi-awarded cooperative with a housing subdivision, a popular mountain resort and dozens of sales outlets for their products. Of their more than 100,000 members, 66% are farmers/entrepreneurs with a smaller proportion of fishers, who pride themselves for being able to provide good education and better future for their children. From Php 3,500.00 initial capital Lamac MPC had more than Php 1.7 billion assets as of end of 2017.

6. *Tagum Multi-Purpose Cooperative*

Tagum Multi-Purpose Cooperative was founded in May 1967 as the Holy Name Society of Tagum Parish by 38 pioneers with an initial capital of Php 80,000. They have since become a multi-awarded coop, by national and international bodies, like the CDA and *Galing Pook Award*. The World Council of Credit Unions (WOCCU) recognized Tagum MPC in 2000 for being a finance organization achieving Certified Credit Union Standards in its operations, programs and policies.

As of 2015, Tagum MPC had more than Php 2.5 billion total assets and 117,000 members from Tagum City and neighboring towns and provinces in Region XI and CARAGA.

7. *St. Martin of Tours Credit and Development Cooperative*

St. Martin of Tours Credit and Development Cooperative was founded in 1969 by fifteen (15) socio-civic pioneers led by Dr. Antonio Fortuna with an initial capital of Php 250.00. Its main objective was "the creation of wealth through a system of allowing people to help themselves." It has since evolved to become one of the largest coops in the country with twelve branches in Central Luzon provinces.

8. *Novaliches Development Cooperative, Inc. (NOVADECI)*

NOVADECI was established in 1974 by market vendors in Novaliches, Quezon City with an initial capital of Php 7,000. Today, it is one of the largest market coops helping market vendors and other MSMEs with total assets of Php 3.2 billion and 44,709 members as of January 2020.

9. *PLDT Employees Credit Cooperative, Inc. (PECCI)*

Established on December 5, 1968 as Free Telephone Workers Cooperative Credit Union, it was organized by 30 pioneers with Php 500.00 fixed deposit each for an initial capital of Php 15,000, augmented by a loan of Php 5,000 from the PLDT rank and file union. Its main objective was "to keep the members away from loan sharks".

In 1975, it was renamed as PLDT Employees Credit Cooperative, Inc. It is today the largest employees' coop in the country and one of the leading billionaire cooperatives.

10. *Limcoma Multi-Purpose Cooperative*

Originally known as Lipa City Multi-Purpose Cooperative, LIMCOMA was established on March 25, 1970 by 77 backyard poultry and piggery owners from different towns in Batangas with an initial capital of Php 57,000. They started animal feed production manually with four workers in a rented rice mill, when the price of commercial feeds rose to levels beyond the reach of small scale growers.

On April 9, 1970, the Lipa City Multi-purpose Cooperative Marketing Association was established with an authorized capitalization of Php 1.0 million.

Today, LIMCOMA is a leading manufacturer of premium quality animal feeds and one of the most successful multi-purpose coops in the country.

11. *Baguio Benguet Community Credit Cooperative (BBCCC)*

BBCCC is one of the first three cooperatives in the Philippines under Republic Act 2023 or the Non Agricultural Cooperative Law. BBCCC was organized by fifteen (15) teachers on October 11, 1958 and was registered with the Cooperatives Administration Office on December 23, 1958. It is now one of the largest coops in the country with total assets of Php 1.3 billion and membership base of 19,109 as of April, 2004.

BBCCC offers the following services to its members: savings and loans, lodging services, and seminar/training facilities.

12. Cebu CFI Community Cooperative (CCFICC)

CCFICC was founded on April 7, 1970 by then Judge Francisco Tantuico and Retired Judge Esperanza F. Garcia of the Cebu Court of First Instance (now Regional Trial Court) out of compassion for poor Court employees who were selling in advance at much reduced value, the Treasury Warrants representing their hard-earned salaries, to usurious money lenders. Twenty-nine Cebuano court employees pooled Php200 to establish the CCFICC. They strictly adhere to their savings and loan policy: a member could borrow twice the amount of his/her fixed deposit but only after six months of membership. Training and education of members and officers were also conducted regularly.

CCFICC has grown exponentially in 50 years to become a multi-billion cooperative with a membership base of 130,000 active and strong members. Today, the very foundation upon which the cooperative was built is maintained and improved. It still continues to give out, without fail, dividends to its loyal investors at better returns than banks and operates health clinics, schools, credit, mutual funds and other services. It is the first billionaire cooperative in central Philippines with total assets of Php 13.003 billion as of end 2019.

There are a number of other successful coops in the country that the author would like to feature, but sufficient data are not accessible.

As of December 31, 2018, the Cooperative Development Authority (CDA), reported that there were 18,065 operating cooperatives in the Philippines. The 11,138 coops who submitted updated reports had total combined assets of Php 429.7 billion, 10.7 million members and 580,000 employees. At first glance this may look impressive, but not if compared with the big picture. These total assets of all cooperatives was only 2.54% of the total assets of the banks in the Philippines.

Compared with the apex cooperative banks of progressive countries, the picture is even worse. The total assets (USD 8.26 billion) of all the 11,138 operating coops in the Philippines as of end 2018 was less than 1% of the assets of Japan's Norinchukin Bank, 1.4% of the assets of Germany's DZ

Bank, and four-fifths of one per cent (0.4%), of the French Credit Agricole.

As reported at www.ceic.com, the Gross Savings Rate of the Philippines as of December 2019 was 15.1%. It was 45.2% in South Korea, 27.3% in Japan, 35.7% in Thailand, 25.4% in Vietnam, 26.4% in Germany and 30.1% in India. This explains the much slower rate of capital creation in our country. The reason for this is because a great majority of Filipinos are either unbanked or considered as unbankable by bankers themselves. This is where cooperatives will be useful. Farmers, fishers, and other ordinary people who may not be welcome in banks will feel a sense of belonging in coops where they are members/part owners.

With access to capital thus created, they will then be encouraged to save more and be able to earn more.

The growth and development of coops in the Philippines had been stunted because of the following factors:

1. Lack of understanding of the basic cooperative principles, resulting in poor support by both policy makers and the communities,
2. Lack of safeguards against unscrupulous practices,
3. Political patronage and interference,
4. Limited capital,
5. Lack of centralized cooperative financial system, e.g., a cooperative central bank.

One century and five years after the first law on cooperatives, the Rural Credit Act of 1915, was enacted there is still much skepticism about coops in the Philippines. Much still has to be done before cooperatives can attain their full potentials to help bring about equitable progress to our country.

It is absolutely essential to institutionalize support structures and systems to avoid pitfalls and ensure successful operation of cooperatives as the world's most progressive nations have shown.

It must be pointed out though, that even these progressive nations experienced numerous difficulties at the beginning of their cooperative development. Mayor Raiffeisen learned that

charitable institutions were unsustainable and had only limited and temporary impact in alleviating poverty which was why he shifted to cooperative development. The King of Prussia had to provide seed funding of Five Million Deutsche Marks, which was later increased to Twenty Million Deutsche Marks, for the fledgling DG/DZ Central Cooperative Bank. French Minister of Agriculture Jules Meline pushed for the passage of the Act of 1894 to create Credit Agricole after several failed attempts to create agricultural banks. General Park Chung Hee had to use his dictatorial powers to merge Korea's Agricultural Bank and Agricultural Cooperative that were operating contrary to the original purposes for which they were created. Other countries had to hurdle similar challenges during their initial stages of development.

The Philippines should learn from these experiences and adopt suitable measures now to strengthen cooperatives, and start winning the war against poverty.

RECOMMENDATIONS

Based on the foregoing, and on accumulated local experiences of cooperatives during the last 105 years, the following Action Points are hereby recommended:

1. Massive information campaign about the important role of cooperatives in national development,
2. Training and education of cooperators about cooperative principles, values and regulatory structures,
3. Strengthening of cooperative federations,
4. Professionalization of auditing and management systems,
5. Establishment of a Centralized Cooperative Financial System to function as a cooperative central bank,
6. Setting up of cooperative purchasing services for farm inputs, and,
7. Institution of a cooperative marketing and distribution network for farm produce.

THE KEY TO ACHIEVING THESE RECOMMENDATIONS IS FOR THE NATIONAL LEADERSHIP TO ADOPT COOPERATIVE DEVELOPMENT AS AN IMPORTANT TOOL IN BRINGING ABOUT EQUITABLE NATIONAL PROGRESS. Once this decision is made, the various instrumentalities of government like Department of Finance (DOF), Land Bank of the Philippines (LBP), National Economic Development

Authority (NEDA), Department of Agriculture (DA), Department of Agrarian Reform (DAR), CDA, Department of Education (DepEd), Technical Education and Skills Development Authority (TESDA), Commission on Higher Education (CHED), National Anti-Poverty Commission (NAPC), Department of Interior and Local Government (DILG) and local government units (LGUs), can be mobilized to implement it.

The first four items are operational and regulatory matters that can be effectively implemented by the CDA with the assistance of the other government agencies, especially the DA, DAR, and DILG/LGUs, NAPC, DepEd, TESDA and CHED.

To effectively implement items 1, 2, 3, and 4, it is suggested that separate Memorandum of Agreement be entered into by CDA with DepEd, CHED, DILG and LGUs. The education curricula (DepEd and CHED) and TESDA training programs should include introduction to cooperatives, especially courses in Agriculture, Fishery and Entrepreneurship.

DILG can mobilize LGUs to support cooperative development. The Local Government Code provides that LGUs should designate a Cooperative Officer in every municipality, city or province, not necessarily on a full-time basis.

Following the example set by Mayor Frederick Raiffeisen, local officials can really catalyze countryside development through cooperatives. But every effort along this line must strictly follow the SEVEN PRINCIPLES OF COOPERATIVES, as follows:

1. Voluntary and open membership,
2. Democratic control,
3. Economic participation,
4. Autonomy and independence,
5. Education, training and information,
6. Cooperation among cooperatives,
7. Concern for the community.

They should also be guided by the values instilled by the Rochdale Pioneers: self-imposed discipline and self-regulation, freedom and neutrality from political patronage, and co-equality.

BULACAN COOPERATIVE EXPERIENCE

I was fortunate to have been exposed to cooperatives during my employment with Unilever PRC, starting as management trainee in 1968 until my early retirement as a senior executive in 1986. While on training visits to the Unilever head offices and sister companies in the United Kingdom, the Netherlands and Germany, I saw many competing products under coop brands being marketed by Cooperative Wholesale Society (CWS), and other cooperative entities. That cooperative could compete with giants like Unilever aroused my curiosity. Then while developing export markets for PRC products, I also saw in South Korea thousands of Hanaro Marts (big supermarkets) and Hanaro Clubs (membership warehouse discount stores) owned and operated by cooperatives.

When I was unexpectedly appointed OIC Governor of Bulacan in March 1986 after the EDSA Revolution, one of the programs I introduced was Cooperative Development. After consultation with stakeholders, we launched a Five Point Development Program for Bulacan which featured the “*Kaunlaran sa Pagkakaisa Program*”. The KPP was launched on August 19, 1986 to promote development of cooperatives and support farmers, fishers and entrepreneurs.

We created a Provincial Cooperative and Enterprise Development Office (PCEDO) and organized the Bulacan Chamber of Commerce and Industry, to support farmers, market vendors, and MSMEs. The Provincial Government allocated initially Php 1.0 million for training and as counterpart seed fund for start-up coops. The KPP was founded on the basic principles of trust, thrift and self-reliance, emphasizing the value of savings consciousness and credit-worthiness.

Hundreds of cooperatives were organized. Among them was the San Jose del Monte Savings and Credit Cooperative (SJDMSCC), led by then OIC Mayor Reynaldo Villano and socio-civic leader businessman Romeo de Jesus. The group managed to raise Php 37,500 seed capital and the Provincial Government invested a counterpart loan of Php 50,000. Registered with the then Bureau of Cooperatives on May 14, 1987, SJDMSCC is now one of the biggest and multi-awarded coops in the Philippines with 32,917 members (of which I am proud to be one), and total assets of Php 1.664 billion as of December 31, 2017.

In 1991, Bulacan had the biggest number of operating cooperatives and MSMEs, and the highest average family income of Php 94,437 among all provinces. Eventually, we realized the need for centralized support systems and structures and that was when we advocated for “cooperative revolution”.

ESTABLISHMENT OF A CENTRALIZED COOPERATIVE FINANCIAL SYSTEM (CCFS)

Let us now focus on arguably, the most important recommendations, item numbers 5, 6, and 7. The most crucial is the establishment of a Centralized Cooperative Financial System (CCFS). The setting up of cooperative purchasing services and marketing network, will depend on access to capital through the CCFS, and its conduit local banks and coops.

A CENTRALIZED COOPERATIVE FINANCIAL SYSTEM (CCFS), is absolutely necessary for the Cooperative Movement in the Philippines to attain full development. The present system does not allow the coops and coop banks to grow beyond their own limited resources. There is no mechanism for surplus funds to be deposited with an apex bank and channeled for lending where they are needed. As such, coops are only able to help a small portion of the population with limited impact.

The CCFS Apex Bank will be the "foundation stone" in cooperative banking like the DZ Bank in Germany, Norinchukin Bank in Japan' NongHyup Bank in Korea, and the Credit Agricole in France. It will undertake the following functions:

1. Be the depository bank (at attractive rates of interest) for surplus funds of regional/ local coop banks and cooperatives, to be made available to them when needed.
2. Provide fresh funds to its client regional/local banks for lending to farmers, fishers and MSMEs.
3. Link the system with the general money market and the Bangko Sentral ng Pilipinas.
4. Exercise supervisory functions over the regional and local banks, to ensure that proper regulatory policies are enforced in transactions with their client cooperatives.

Appropriate credit guarantees, deposit insurance and lending practices must be institutionalized. As is being practiced in Thailand and Korea, as many as five co-makers are required and strict measures implemented, following rigid banking rules and regulations on extending loans.

THE LAND BANK OF THE PHILIPPINES

The Land Bank of the Philippines (LBP) was established in 1963 with the enactment of Republic Act 3844, otherwise known as the Agrarian Land Reform Code, to finance the acquisition of agricultural estates for distribution and resale to small farmers, and to provide credit assistance to farmers, fishers and agrarian reform beneficiaries.

LBP started with an initial authorized capitalization of Php1.5 billion and paid up capital of Php 200 million. In 1973, LBP was granted commercial banking powers establishing it as "the Universal Bank with a social mission of spurring countryside development by granting loans to farmers' cooperatives/associations to facilitate production, marketing of coops and acquisition of essential commodities. Its capitalization was increased to Php 3.0 billion.

As of 31 December 2018, LBP ranked as the third largest bank in the Philippines with total assets of Php 1,771,990.65 million, 395 branches, 44 lending centers and 1969 ATMs nationwide. Its total loan portfolio was Php 798,800 million of which Php 222,000 million went to agriculture, Php 113,000 million to Small and Medium Enterprises, and Php 22,300 million to Micro Entrepreneurs. While the percentage of agricultural loans appears high, the big proportion of that likely went to treasury bonds and other investments as substantial compliance with the Agri Agra Law, with very limited amounts directly benefiting farmers, fishers and MSMEs.

From the foregoing, LBP has clearly strayed from its original mandate as specified in RA 3844.

President Duterte, in his State of the Nation Address (SONA) on July 22, 2019, specifically highlighted the need for LBP "to go back to land, to where you were created for, which was to help farmers." The President asked, "Why are you mired in so many commercial transactions when you are supposed to finance agricultural enterprises and endeavors?" The President then instructed LBP "to

go to the countryside, ask the people if there are cooperatives and help them.”

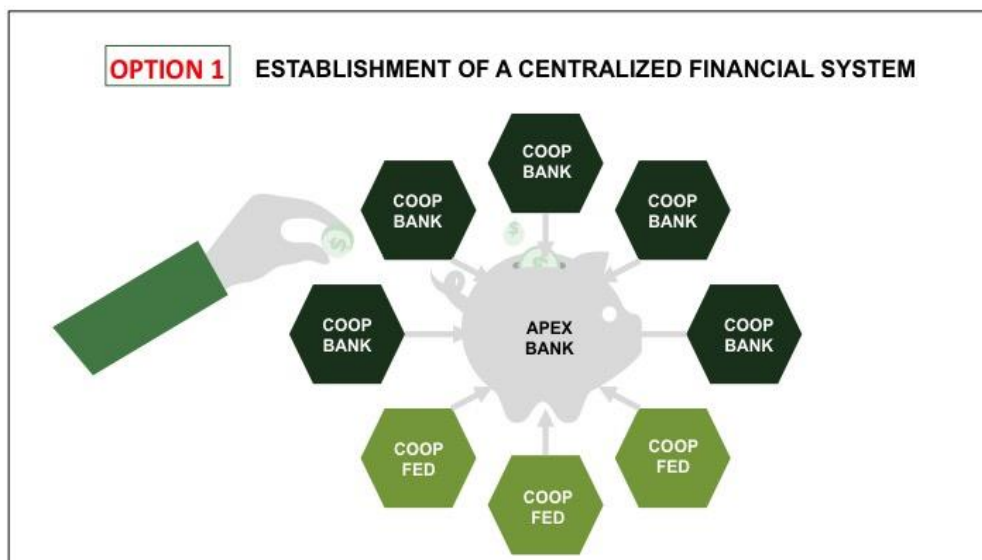
There are presently 18,065 operating cooperatives and 11,138 of these submit regular reports. In the following pages of this pamphlet, we will discuss suggestions on how LBP can comply with the Presidential directives through the SONA.

ESTABLISHMENT OF CENTRALIZED COOPERATIVE FINANCIAL SYSTEM (CCFS) APEX BANK

A CCFS is absolutely necessary to strengthen the cooperative movement, increase the people's propensity to save, create capital and enable the cooperators to engage in economic enterprises. We considered three (3) options.

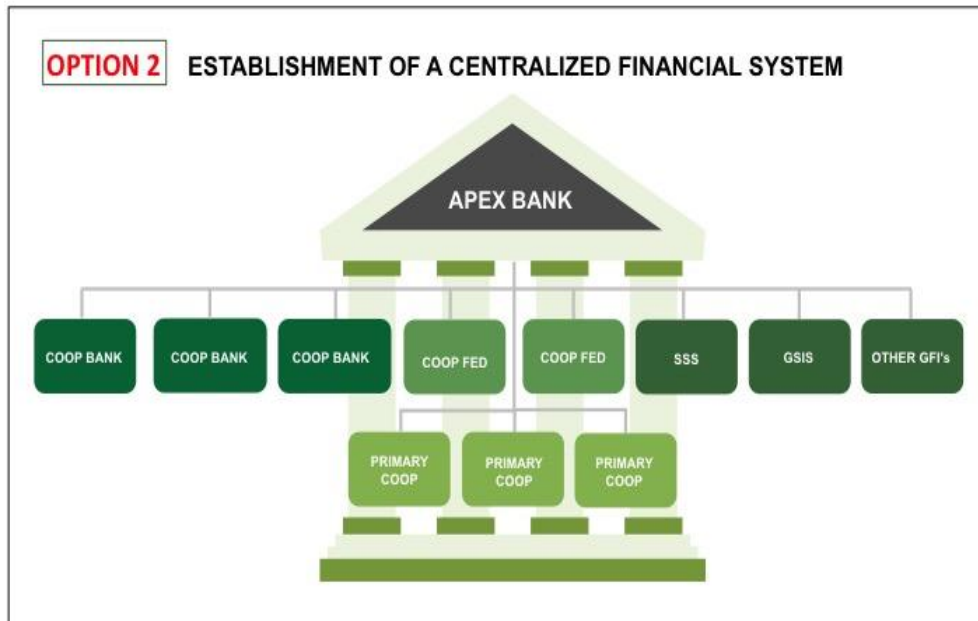
First: Merge the existing coop banks and leading cooperatives and pool their resources to create an Apex Bank. This had been tried in the past but had proven difficult to achieve, due to personal differences and preferences and limited financial resources of the prospective key players.

Figure 3. Option 1



Second: Merge the coop banks, the leading coops and invite SSS, GSIS and other GFIs to invest in the proposed Apex Bank. This option is even more complicated and cumbersome than the first.

Figure 4. Option 2



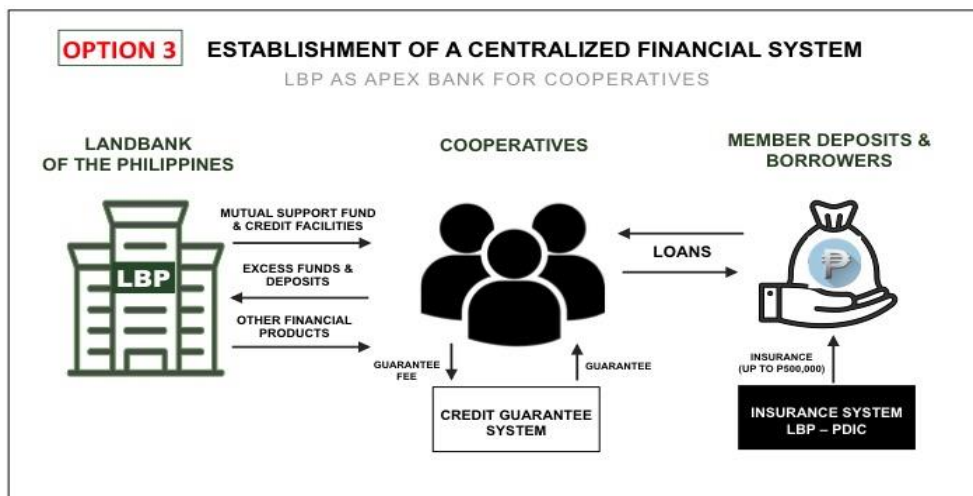
Third: The Land Bank of the Philippines to serve as Apex Bank in addition to its function as a Universal and Commercial Bank or for an LBP subsidiary to be created to be the Cooperative Apex Bank. This appears to be a logical choice considering the original mandate of LBP and its avowed mission to assist farmers and fishers.

This author personally prefers the establishment of an LBP subsidiary where cooperatives, coop banks, as well as UCBs and Thrift Banks can invest. The Bangko Sentral ng Pilipinas should be authorized to infuse necessary seed capital to the Cooperative Apex Bank.

We can certainly draw inspiration and some parallelism in the formation of Germany's DG/DZ Cooperative Central Bank which was initially funded by the then King of Prussia with Five Million Deutsche Marks (DM 5 million), which he later increased to DM 20 million. France's Credit Agricole was supported by Banque de France by infusing Forty Million Francs in 1897 and Two Million Francs annually until it was stable enough to pursue its mission. Then there was also Korea's NACF which was formed when President Park Chung Hee merged the Korean Agricultural Bank with their Agricultural Coops. These giant banks and other Cooperative Apex Banks like Japan's Norinchukin Bank, and The Netherlands's Rabobank, are now owned and controlled by agricultural cooperatives.

But this is something that is better analyzed by financial experts and decided upon by policy makers at the highest level.

Figure 5. Option 3



As shown in the diagram, LBP as the Coop Apex Bank, will manage the liquidity of accredited cooperatives and coop banks. It will be the depository of surplus funds and will in turn provide credit facilities, mutual support funds and other financial services to the cooperatives and coop banks who will act as conduits of loans to qualified farmers, fishers and MSMEs. A credit guarantee system and deposit insurance will also be enforced.

1. LAND BANK OF THE PHILIPPINES AS APEX BANK FOR COOPS

The first and most crucial decision is for the LBP or its subsidiary to be designated as the CCFs Apex Bank with the main responsibilities outlined above.

As Apex Bank, the LBP will have to allocate specific funding for this purpose. For a start, the amount being allocated by the Agri-Agra Law, 25% of the total loan portfolio of banks, (10% for Agra, 15% for Agri) may be used. In fact, the same amount as required by the same law of all the Banks may be loaned to target clientele, through the LBP as conduit once the organizational system is established. This will facilitate compliance with the Agri Agra Law by all the banks and at the same time significantly increase available capital for farmers, fishers and MSMEs.

The regional and local branches of LBP will be the channels for wholesale lending to accredited coops and coop banks. Starting with the Coops and coop banks with good track record, the network will be expanded as more coops qualify with the accreditation standards that will be institutionalized. With LBP as Apex Bank and a wide network of qualified coop conduits following strict financial and auditing procedures as discussed in succeeding paragraphs, the Universal and Commercial Banks as well as the Thrift Banks may then engage in lending operations to FFMSMEs, to spur countryside development.

The author prays that this humble suggestion be favorably considered and modified as necessary, by Secretary Sonny Dominguez of the Department of Finance who is also the Chairman of LBP, and the members of the Board of Directors, including Secretary William Dar of the Department of Agriculture who has been advocating for greater access to capital for agriculture sector. Hopefully they will then submit the necessary recommendation to President Duterte, in compliance with the Presidential directive in his 2019 SONA.

Appropriate legislation may later be enacted to strengthen and institutionalize the system.

2. COOP RURAL BANKS AND COOPS AS CONDUITS FOR LOANS

Qualified coop rural banks and cooperatives will act as conduits for granting loans to FFMSMEs. There should be a strict accreditation system for participating coop banks and cooperatives to minimize if not eliminate irregularities in loan transactions. The 11,138 cooperatives which regularly submit audited reports to the CDA, may be considered for accreditation.

The accreditation criteria will be determined by a Technical Working Group to be headed by LBP, with CDA, DA, and one representative each from Farmers coops and LGUs, as members. The principal objective in prescribing strict accreditation criteria is to promote good management among coops, and minimize the possibility of bad loans and patronage politics.

Following the principle of volunteerism, interested cooperatives and coop banks must apply for accreditation and qualify, before being allowed to participate in the program.

3. REGULATED EXPANSION; STRICT FINANCIAL AND AUDITING SYSTEMS

Once word gets out that more funds will be made available for loans through coops, there will likely be a big push to organize coops. The CDA must coordinate closely with LGUs to ensure that basic requirements like pre-membership seminars and paid up share capitals, are complied with before registering new cooperatives. It is strongly suggested that existing coops with good performance and track records be encouraged to expand membership base and organize branches in neighboring localities. Expansion must be regulated to allow close supervision of loan proceeds and keep operations under control. Strict enforcement of financial and auditing systems will be crucial to the success of cooperative operations.

COOPERATIVE PURCHASING SERVICE FOR FARM SUPPLIES

Cooperative purchasing in bulk, of farm equipment and supplies like seeds and fertilizers, will enable farmers to buy good quality inputs at reasonable prices. Coops procure inputs in bulk then sell them to their members usually in credit, to be paid after harvesting the crops. This requires pooling of requirements, proper planning and coordination.

Let us now try to illustrate some advantages of agricultural cooperative systems long adapted by developed economies.

TRADITIONAL VERSUS COOPERATIVE SYSTEM OF FINANCING FARM SUPPLY AND TRADING FARM PRODUCE

The following illustrates the traditional way of agricultural financing/trading practices as compared with the cooperative system. The traditional way binds the farmers in informal contracts with the traders/financier from whom they are forced to borrow capital, to sell their produce to them. Otherwise, they would not be able to borrow again for their future needs.

Under the cooperative way, the farmers can borrow capital and procure their farm inputs like fertilizers, from the cooperatives. They then sell their produce to the cooperatives which in turn process and market them directly to consumers, thus enabling them to earn higher income.

Figure 6:
Traditional Way of agricultural financing/trading

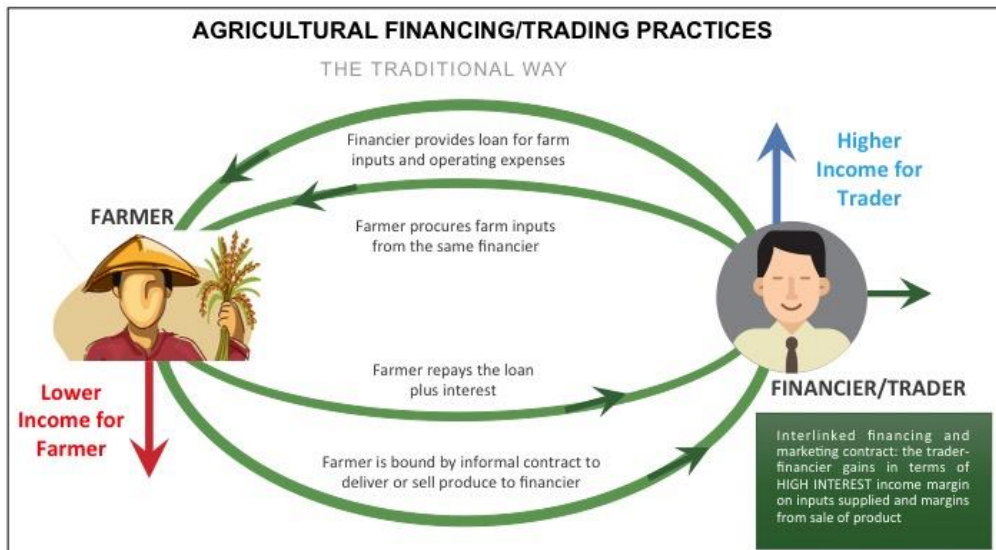
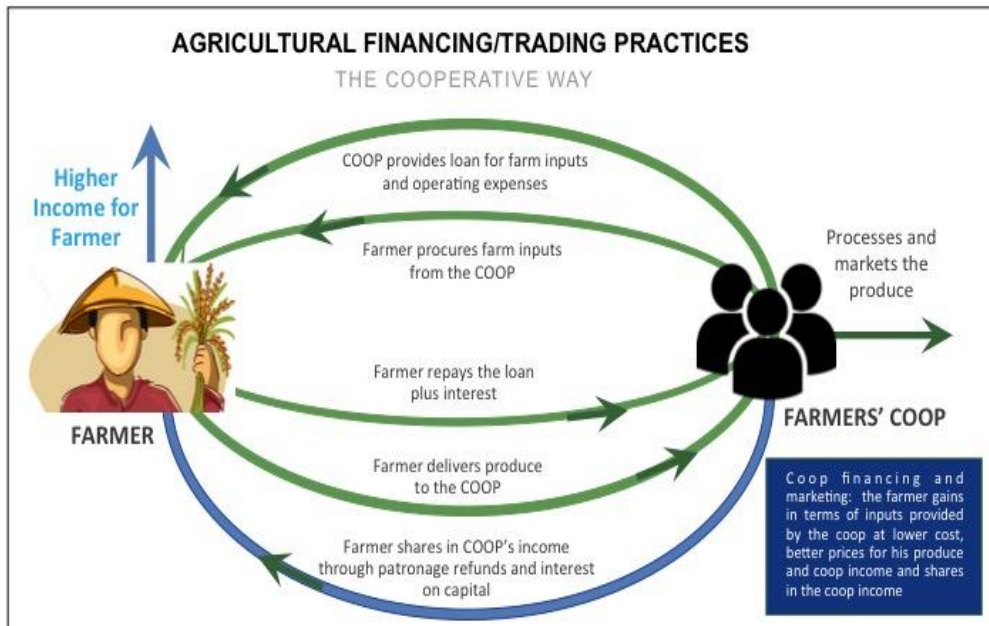


Figure 7:
The Cooperative Way of agricultural financing/trading



To facilitate the process, cooperative federations should be organized at municipal, city and provincial levels. Regional and national federations will further strengthen their position to

negotiate with suppliers. This is where the CDA in coordination with the LGUs can play an important role to ensure that the basic cooperative principles are strictly followed.

In Korea, the NACF provided purchasing services to the coop members, eventually establishing a separate entity, the NongHyup Agribusiness Group for both procurement of supplies and marketing of farm produce.

MARKETING NETWORK FOR FARM PRODUCE

Cooperative marketing networks are organized by the federations where farmers sell their produce. Unlike in the existing traditional system where farmers borrow capital from usurious lenders, and are then forced to sell their produce at low prices during harvest time, the cooperatives provide credits to farmers for their inputs and sell their produce to the same cooperatives. In the case of palay, cooperatives mill them and store the rice in their warehouses. Through a quedan guarantee system, the farmers take partial payment depending on their cash requirement, pay warehousing fees and later sell the rice when the prices go up.

Warehouses, collection points and trading centers are established in strategic areas.

TRADITIONAL VERSUS COOPERATIVE SYSTEM OF MARKETING AGRICULTURAL PRODUCE

The following illustrations compare the traditional way of marketing/selling palay/rice and other farm produce with the cooperative way. Under the traditional way, palay goes through as many as seven layers before rice reaches the consumer. The cooperative system reduces the number of layers to only two or three which results in lower prices to consumers and better margins to the farmers. Similar results are attained with other farm produce.

Processing of farm produce to add value and increase farmers' income becomes a natural option for cooperatives when they have the needed capital, as illustrated by the Lamac Multi-Purpose Cooperative in Cebu, the AMUL Cooperative in India, and dairy cooperatives in New Zealand to mention some examples.

Figure 8:
Traditional Way of Marketing/Selling Palay/Rice and other Farm Products

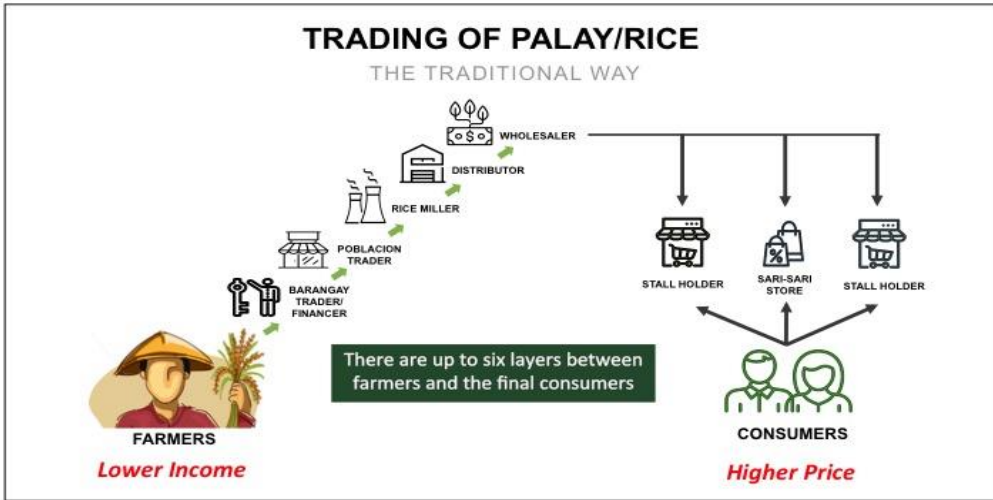
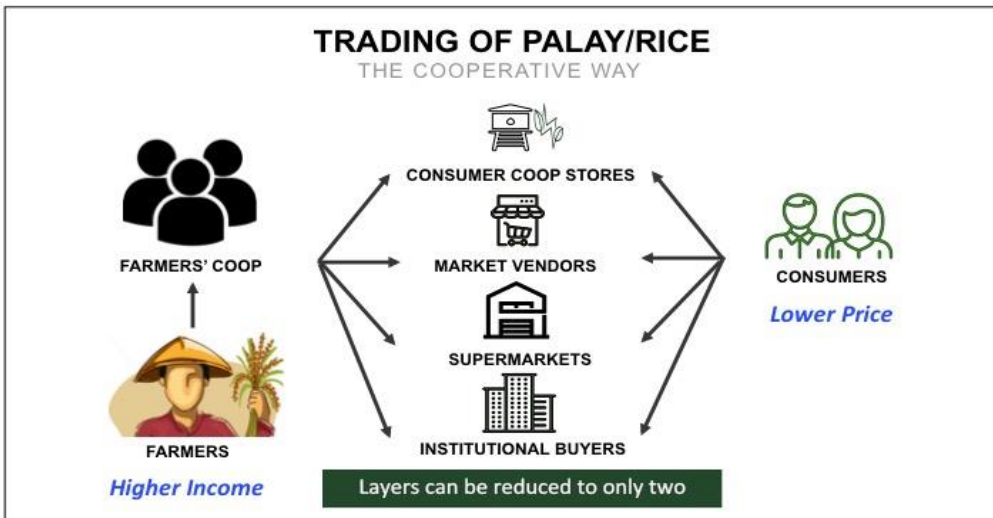


Figure 9:
The Cooperative Way of Trading Rice and other Farm Products



As proven by the combined experiences in progressive nations, ACCESS TO CAPITAL, PURCHASING SERVICES FOR FARM INPUTS, AND MARKETING NETWORK FOR FARM PRODUCE THROUGH COOPERATIVES, are the most effective way to free the farmers and

fishers from the clutches of unscrupulous traders/financiers and lift them out of poverty.

BALIK PROBINSYA PROGRAM

As this piece was being written, an announcement was made on television that President Duterte signed an Executive Order to implement the "*Balik Probinsya*" Program. The first thing that entered my mind was how will this be effected. Millions of urban settlers flocked to the cities precisely due to lack of opportunities in rural areas. They are now being asked to go back to the poor rural areas where they came from. Their number will likely be augmented by the returning Overseas Filipino Workers (OFWs) who are projected to lose their jobs, particularly in the Middle East, due to declining demand for oil. It was announced that they will be provided transportation expenses but if no jobs nor livelihood opportunities await these millions of returnees in the provinces, they will just soon enough be flocking back to the cities.

This is where job creation through building CIS Type irrigation facilities and farm-to-market roads will be crucial. Furthermore, with appropriate support, agricultural cooperatives can generate rural based enterprises as follows:

1. ADDITIONAL IRRIGATION FACILITIES

Build, Build, Build should prioritize construction of Community Irrigation Systems (CIS). These run-of-the-river diversion type of irrigation is easier to build. They require less capitalization, and cause no conflicts with local or indigenous people who are usually displaced when big dams are built. These will immediately create many job opportunities for resident and returning workers. The impounded water for irrigation also prevent flooding, and when seeded with fish fingerlings provide fishers additional income. Local agricultural cooperatives can operate these CIS which again create more job opportunities and enable the farmers to proactive self-help and self-reliance.

Furthermore, the government should give incentives for the local cooperatives and local businessmen, to build Private Irrigation Systems (PIS). The CIS and PIS types of irrigation systems presently account for 38% and 12% respectively, of the total irrigation facilities in the country.

With sufficient irrigation facilities, the next goal should be to increase the yield from the present 4.4 tons per hectare to 6-7 tons per hectare for two harvests per year, reduce production cost to competitive levels, and increase the farmers' income. We are presently able to produce 93% of domestic rice consumption. With sufficient irrigation facilities and resultant higher yield, we should be able to meet our domestic needs within five years, and join the ranks of rice exporters within eight years.

2. CARABAO MILK PRODUCTION

Another possible source of income for farmers is carabao milk production. More rice production means more palay stalks as by-product. At present, these palay stalks are being burnt in the fields by farmers to prepare for the next planting season. This is not only wasteful but worse, it is polluting the environment. The rice stalks should be ensiled and converted into silage or fodder feed for carabaos and cows.

The government should expand the Carabao Center in Nueva Ecija and consider importing high milk yielding carabaos from India which made their country the biggest milk producer in the world. With greater milk production, dairy cooperatives like the successful coop organized by Rotary Governor Danny Fausto in Nueva Ecija, or the giant AMUL in India, can be organized for producing dairy products like ice cream, cheese, yoghurt or butter. *(Please refer to the article on AMUL Dairy Cooperatives above for more details.)*

3. NATIONWIDE VEGETABLE AND FRUIT PRODUCTION

The Department of Agriculture recently launched a highly commendable program for urban agriculture, providing vegetable seeds and technical advice to participants. This deserves to be supported and propagated, which was why the Boy Scouts of the Philippines (BSP) signed a Memorandum of Agreement (MOA) with the DA to mobilize their three million members all over the country. Hopefully, the Girl Scouts of the Philippines (GSP), Rotarians and other groups will also be on board. It will also be a big boost to restore gardening and industrial arts in basic education curriculum.

Imagine if all the school yards will be planted with malunggay which are protein-rich, and vegetables and fruit-bearing trees are grown in every household! This will reduce malnutrition significantly, and help attain food security.

4. FISHING INDUSTRY

The preceding discussions have so far focused on farming which was intentional to highlight their problems and how these could be effectively addressed. But as was already mentioned at the introduction, the fishers are even poorer than the poorest of the poor in the Philippines.

The Philippines is an archipelago of more than 7,100 islands with the longest discontinuous coastline in the world. Yet, we are not even able to produce enough fish for our people's need. The total fish production has in fact been steadily declining. In 2014, the total fish production was 4,689,100 metric tons. In 2018, it dropped by 7.6% to 4,356,900 metric tons. Significantly, of this total tonnage, 33% or 1,478,300 metric tons were seaweeds.

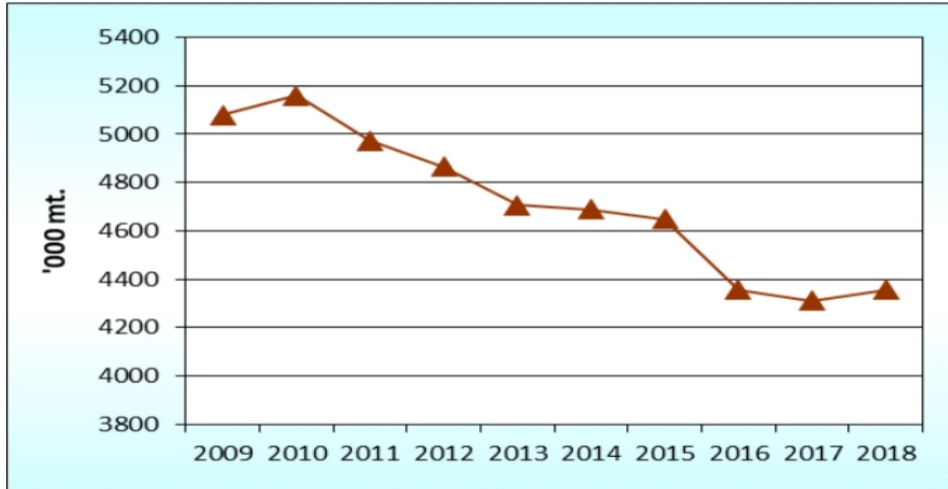
Municipal fishing by small fishers using traditional low cost techniques like nets and fish corral, accounted for the biggest contribution at 25.4% in 2018. But the total catch actually has also been steadily declining.

Table 6.
Volume of Fish Production in the Philippines (in '000 mt), 2014 - 2018

	2014	2015	2016	2017	2018
Commercial	1,107.2	1,084.6	1,016.9	948.3	946.4
Municipal	1,244.3	1,216.5	1,137.9	1,126.0	1,106.1
Marine	1,029.4	1,011.8	976.9	962.1	941.9
Inland	214.9	204.7	161.0	163.9	164.2
Aquaculture	2,337.6	2,348.2	2,200.9	2,237.8	2,304.4
Brackishwater Fishpond	322.7	325.6	340.6	347.5	329.7
Freshwater Fishcage/pen	150.4	155.6	154.2	158.5	160.9
Marine Fishcage/pen	125.0	116.8	117.6	117.8	118.9
Others	1,590.6	1,602.6	1,442.8	1,457.4	1,533.3
Oyster	22.3	20.3	19.5	22.9	28.7
Mussels	18.8	15.9	18.8	19.2	26.3
Seaweeds	1,549.5	1,566.4	1,404.5	1,415.3	1,478.3
TOTAL	4,689.1	4,649.3	4,355.8	4,312.1	4,356.9

Source: Selected Statistics on Agriculture 2019, PSA

Figure 10:
Volume of Fish Production in the Philippines (in '000 mt), 2009 - 2018



Source: Selected Statistics on Agriculture 2019, PSA

Republic Act 10654 which amended RA 8550 otherwise known as the Philippine Fisheries Code of 1998, provided the marginalized fishers preferential use of municipal waters which include streams, lakes, inland bodies of water, marine waters and off-shore islands within fifteen (15) kilometers from the coastline. Only fishing boats weighing less than 3.1 metric tons which use non-destructive fishing gears are allowed to fish in municipal waters.

However, commercial fishing boats weighing three times as much as the allowed limit, have invaded municipal waters using gears that catch juvenile fish even before spawning. Big trawlers also destroy corals. These have seriously impaired the livelihood of municipal fishers. Unable to compete, there are those who resort to destructive explosives to the detriment of the fishers themselves. Other fishers work as crew members on larger boats, but they are exploited by the capitalists who pay them starvation wages.

The 1978 Law of the Sea Treaty developed by the United Nations expanding the Exclusive Economic Zones of coastal countries to 200 nautical miles from specified baseline, has also proved detrimental to marginal fishers. As specified in the Treaty, "rational development of expanded zones" required full utilization of resources. Where this was not possible, other nations were to be given "access to the surpluses". To meet the challenge posed by the Treaty, the Philippine government opened the doors to foreign investors who were allowed to extract

resources and repatriate profits without taxation. Intensified harvesting in offshore fishing grounds depleted stocks in traditional fishing grounds of small fishers. Small scale fishing has become increasingly marginalized which is why fishers constitute the poorest sector of our society.

The following measures are suggested to alleviate the miserable situation of poor fishers:

- a) Strict enforcement of the Fisheries Code reserving the municipal waters for small scale fishers;
- b) Strictly prohibit large trawlers and use of explosives;
- c) The government must enforce payment of proper wages for fishing crewmembers;
- d) Organize and support Fisheries Cooperatives to enable small scale fishers to improve their skills, access capital to operate bigger boats and venture farther offshore, and acquire facilities for processing, storage and marketing of their catch to increase their incomes.
- e) Seek amendment to the 1978 Laws of the Seas Treaty for more equitable terms on rational development of Exclusive Economic Zones, for poorer coastal countries.

CONCLUSION

Winning the war against poverty and ensuring food security do not require rocket science. They require common sense, selflessness, visionary leadership and political will, a combination of traits that is extremely rare to find.

Common sense tells us that to narrow the huge chasm between the rich and the poor, the income of FFMSMEs must be increased. Selflessness means that the rich should share their blessings with the poor not only through charities but also by helping provide the poor with access to resources and opportunities. Visionary leadership establishes systems and structures that are conducive not only for big business to flourish but also for the FFMSMEs to have the means for upward mobility.

Political will refers to the determination and ability of a leader to take positive action and implement policies that will promote equitable progress and general welfare, even if opposed by powerful vested interests.

BizNews Asia, in its November 19, 2019 issue reported that, “The bottom half of the global population own less than 1% of the world’s wealth. The richest 10% holds 85% of the world’s wealth, and the top 1% alone accounts for 47% of global assets.”

In the Philippines, the Family Income and Expenditure Survey (FIES) data showed that as of end 2018, the combined income of the richest 10% was 7.6 times the income of the poorest 10% of the population. From these data and considering that the richest 30 to 40 families own as much as 98.5% of the total resources in the Philippine Banking System, it is estimated that similar to the global situation, the richest 1% Filipinos have as much, if not more wealth than the rest or 99% of the total population.

There is really nothing wrong with the rich becoming richer through legal means but the poor must have a fighting chance to improve their station in life. Dole-outs provide temporary relief, but they tend to promote mendicancy not human dignity, and dependency rather than self- reliance. What the poor need is access to resources and opportunities to be productive and help create a strong middle class society in our country.

Ironically enough, there are bright prospects that loom in the horizon as a consequence of the COVID-19 Pandemic. The travails and vulnerabilities of the downtrodden were exposed. Cooperation among all sectors became so evident. Charity and compassion became the order of the day. A good number of the super-rich and well-to-do donated huge amounts to the less fortunate. Discipline and compliance with the ECQ rules are being enforced. National and local officials work hand in hand with business, civil society and NGOs including the Boy Scouts of the Philippines (BSP), the Girl Scouts of the Philippines (GSP), and Rotary Clubs.

The Filipino *Bayanihan* spirit is very much alive!

All sectors are anticipating and preparing for a "New Normal" way of life, of doing business. Work from home, digitization, online education, home schooling, telemedicine, and a lot more creative ways. It is in this light that we see the opportunity for systems and structures to help the poor help themselves, to be established by the government in partnership with business and the private sector.

Filipinos are a compliant, caring and hardworking people by nature. They are admired and well-sought after all over the world. That is why the 10-12 million overseas Filipino workers who bring in more

than USD30 billion every year for more than four decades now, have propped up our economy. Now, many of our society's new heroes are coming home. Together with the farmers, fishers who feed us and the MSMEs who create 99% of our jobs, they deserve to be supported by institutionalizing policies that will give them access to resources and opportunities to be able to give their children a better future.

By creating under the “New Normal”, a socio-economic climate conducive for agri-business to flourish, and supporting FFMSMEs, jobs will be created, wealth creation will be facilitated, food security will be attained, and equitable national progress assured.

PRAYERS

THE COVID-19 PANDEMIC IS CHANGING THE WORLD!

The way we live, the way we work, the way we play, the way we do everything, will never be the same again.

As I wrote the concluding paragraphs of this pamphlet, it was being reported on television that globally, 4,523,916 COVID-19 cases have been reported and 306,412 people have died.

In the Philippines, 12,091 cases, 2,460 recoveries and 806 deaths have been accounted for. The curve has mercifully flattened according to the latest evaluation by experts, thanks to the sustained sacrifices of the frontliners to whom we are very grateful. Plans to gradually open economic enterprises are being prepared.

I join our people in praying for the Lord Almighty to stop this scourge that has plagued our people and the world. May God guide the hands that heal and comfort those who are suffering, have mercy on the souls of those who have passed on, and bless and protect us all.

I pray that the President and his Cabinet shall make the ultimate decision to institutionalize systems and structures under the "New Normal" that will help the poor farmers and fishers, market vendors and MSMEs become self-reliant and optimally productive.

I also pray that Mayors, Governors and other local officials will draw inspiration from Mayor Frederick Raiffeisen, and legislators from Prussian Legislator Herman Schulze-Delitzsch, in bringing about inclusive national progress, the cooperative way.

I pray that Rotary Clubs and other influential socio-civic, as well as religious organizations, will take on cooperative development as an advocacy to help the poor help themselves.

I pray most earnestly that the elite, particularly the richest one percent (1%) of our society, will translate the compassion they have shown in helping the downtrodden during the COVID-19 Pandemic, into concrete action by cooperating with the government in creating systems and structures that will give the FFMSMEs access to capital and economic opportunities.

Let us pray under the “New Normal”, that the farmers and fishers will be able to profitably produce sufficient food for our people, and that the MSMEs will be able to create needed jobs and wealth for our country.

Finally, let us pray for Almighty God to bless and guide the Filipino people in building together a nation with a strong middle class, one that is equitably progressive and respected by all other nations.

ALL FOR THE GREATER GLORY OF GOD!

AMEN

ACKNOWLEDGEMENT AND DELIMITATION

It is the author's fervent hope that this pamphlet will be able to trigger discussion, analysis, debate and most importantly, positive action on the critical issues that have been profounded. Its usefulness will ultimately depend on how the policy makers and key implementers will utilize the data and options presented.

The author would like to acknowledge that a full discussion on poverty reduction and food security will never be attained without tackling the issues concerning such major sectors as poultry and livestock, corn, coconut, sugar, banana, pineapple, abaca, vegetables or even cut flowers. However, the limited space in this pamphlet does not allow a fair treatment of the important issues affecting them.

It was decided to focus on rice, our main staple, and to a lesser extent, fishing, for greater emphasis, believing that most of the concerns of the other farmers would likewise be best addressed the cooperative way. By helping these farmers organize themselves into cooperatives and providing them access to credit, technology, farm inputs and markets, they will also be able to increase their productivity and incomes. They will thus be able to lift their families out of poverty and help ensure food security for our people.

Another factor which adversely impacts on the poor but which could not be covered by this pamphlet, is the high cost of healthcare in the Philippines 25 years after the enactment of the PhilHealth Law (RA 7975). The latest report showed that the out-of-pocket cost being shouldered by Filipinos amounted to approximately Php 400 billion, representing 54.5% of total healthcare expenses. The COVID-19 Pandemic exposed the weaknesses of the Philippine healthcare system which hopefully, will be rectified by RA 11223 which amended the PhilHealth Law.

I am deeply grateful to Google, the Cooperative Development Authority (CDA), and the Philippine Statistics Authority (PSA), for most of the data, some of which need updating.

I would also like to thank very much indeed, GB Reyes, Joe Sapio and my esteemed friends who helped me access, sort and present the data and prose in formats that YOU will hopefully, find more reader friendly.

ABOUT THE AUTHOR

A staunch advocate of Cooperatives as instrument of inclusive national progress, **Roberto "Obet" Pagdanganan** served as Presidential Adviser on Cooperatives and concurrent Chairman of Cooperative Development Authority in 2002-2003. Before that he was Chairman of the Philippine Cooperative Center and the NCM Service Cooperative, and authored the book, "*An Urgent Call for Cooperative Revolution*".



Obet served as Provincial Governor of Bulacan from 1986 to 1998, as three-term National President of the League of Provinces (1988-1998), and as founding Chairman of the League of Leagues, later renamed Union of Local Authorities of the Philippines. He was also Secretary of Agrarian Reform, Secretary of Tourism, Chairman and President of the Philippine International Trading Corporation (PITC), and founding Chairman of PITC Pharma, Inc., now known as Philippine Pharma Procurement, Inc., which launched the *Botika Ng Bayan* to make affordable quality generic medicines accessible to the people.

Prior to joining the government in 1986, Obet was a senior executive at Unilever PRC and Chairman of Chemical Engineering Department at Manuel L. Quezon University where he graduated with the degree BS in Chemical Engineering, summa cum laude, in 1968 and Bachelor of Laws in 1990. He also obtained a MBA at De La Salle University in 1980 and a Doctorate in Education Management, honoris causa, at Bulacan State University in 1995.

Obet is currently serving his third term as National President of the Boy Scouts of the Philippines, of which he is particularly proud to be a member for more than six decades and to which he attributes much of his values formation. He attended the 10th World Jamboree in July 1959 in Mt. Makiling.

Obet teaches MPA subjects at the Polytechnic University of the Philippines Open University System. He is also the Chairman of the Council of Rotary Governors of District 3810 for 2020-2021, Chairman of the Health Retirement and Tourism Alliance (HeaRT), and Medicines Transparency Alliance (MeTA) Philippines.