

# Cooperativism as a Development Model for Philippine Agriculture: Case Study of a Cooperative in Oriental Mindoro

Alyssa Marie S. Dela Fuente-Viduya  
Department of Trade and Industry

## Abstract

In examining the role of agriculture cooperativism towards revitalizing the Philippine agriculture, this paper presents the case of a small calamansi (local lemon) farming cooperative, Coop M (not its real name), in Pola, Oriental Mindoro as empirical data. It documents management best practices, feelings of satisfaction of workers, and success stories of individual members. Through interviews, observations, and scrutiny of documents, findings reveal that Coop M complied with most of the cooperative principles and its workers and members were generally satisfied with their cooperative involvement thru non-monetary benefits. Management best practices, satisfaction of workers, and success stories of individual members of Coop M serve as proofs of the huge potential of the said cooperative for sustainability and further success.

**Keywords:** Agriculture, Cooperativism, Food Sufficiency, Farmers, Oriental Mindoro

## Introduction

This paper emphasizes the strengthening of cooperativism as a development model, so that farmers can band together, achieve economies of scale, and increase productivity. Many cooperatives were reportedly inactive or dissolved due to mismanagement and other

---

Alyssa Marie Samonte Dela Fuente-Viduya is currently Trade and Industry Development Specialist at Department of Trade and Industry-MIMAROPA, assigned in Occidental Mindoro Provincial Office. She is a graduate of BA in Social Sciences, major in Economics from University of the Philippines Baguio. She obtained her Master in Industrial Relations from the University of the Philippines Diliman. Email addresses: alyssamariedelafuente@dti.gov.ph or alyssamariedelafuente@gmail.com.

issues. The case study of a small farming cooperative in Oriental Mindoro in this paper, however, illustrates the story of a fledgling cooperative that had faced a number of challenges but had been able to rise above such challenges through sheer determination of its leadership and its partners to make the organization succeed and make a dent in the lives of its members and larger society. It underscores best practices of the cooperative other beginning cooperatives can emulate. This paper expects to contribute to revitalizing the agriculture sector towards food security and uplifting the lives of farmers categorized as one of the poorest sectors in the country.

### **Methodology and Limitations of the Study**

This study mainly used the case study method of gathering data from various perspectives including interviews, observations, and scrutiny of documents. To ascertain how cooperativism could contribute to the growth of agriculture, it examined a small farming cooperative, Coop M<sup>1</sup>, in Pola, Oriental Mindoro through focused interviews with workers and members of the cooperative and observations on the management. Seven workers out of the total 22 and three farmer-members served as interview participants. The three (3) members narrated their success stories. Criteria for choosing the three members are: (1) male or female; (2) more than 25 years old; (3) active members for more than five years; and (4) demonstrated a success story due to cooperative membership. Field data collection was done in November 2020 at the height of the pandemic, which, unfortunately, constrained the researcher from getting more interviewees and spending longer time in the research site.

### **Results and Discussion**

#### *Agricultural cooperativism as the way forward*

Agriculture is a laggard and a poorly organized sector in the country. Nevertheless, potential for growth is tremendous. This paper posits that for this sector to move forward, farmers must band together to strengthen their bargaining power with decisionmakers in government and private sector thru cooperativism, as it is a vehicle towards substantive growth and social justice. Collective efforts of farmers can increase productivity and achieve economies of scale and allow farmers

---

<sup>1</sup>Not its real name for reasons of privacy.

to avail of mechanization and other opportunities from government and private agencies. Cooperativism is the development model wherein members are also owners and decisionmakers. A cooperative is composed of individuals who voluntarily organize themselves to achieve common economic or social goals, make equitable contributions, and share risks and benefits of their activities (Cooperative Development Authority, 2021). Cooperatives registered with the Cooperative Development Authority (CDA) enjoy tax exemptions, for instance, a 10-year tax holiday from the time of registration (Macaraya & Tolentino, 2009).

***Case study of Coop M in Pola, Oriental Mindoro:  
A small agriculture cooperative aiming for expansion***

Coop M is categorized as a small cooperative with seven regular, 15 contractual workers, and 361 members, 324 of whom are farmers. It is a beneficiary of the Comprehensive Agrarian Reform Law or RA 6657 and is registered with the CDA.

Coop M started as an auto savings group organized by individuals from the apostolic vicariate, indigenous people, and farmers in Pola in 1993. The savings group encouraged members to save money and earn interest from loans availed by other members. Such scheme resulted in a strong sense of community among members.

Majority of Coop M members are farmers planting calamansi on an estimated 100 ha. They were encouraged to become members, because the cooperative bought fruits from its farmer members at a price beneficial to them unlike the usual bargain prices offered by commercial traders.

To jumpstart its agribusiness, Coop M received assistance from the Department of Agriculture (DA), through its rural development program, and Department of Agrarian Reform (DAR). It started processing calamansi into concentrate and juice in 2003 with an initial capitalization of PHP 200,000 for infrastructure and PHP 80,000 for machineries and other expenses. In 2014, the Department of Trade and Industry (DTI) provided water purification system. Students from Ateneo de Manila University and member organizations of the Pambansang Kilusan ng mga Samahang Magsasaka sa Pilipinas (PAKISAMA), a national federation of farmer organizations in the

Philippines, donated the building for the water system. In 2016, Coop M partnered with the Asian Partnership for the Development of Human Resources in the Rural Areas (AsiaDHRRRA) to help the former to strategize on increasing the number of members through clustering. Also, AsiaDHRRRA facilitated trainings on new technology through pruning and rejuvenating of trees for offseason fruiting.

In 2018, the cooperative started to strategize for capital buildup and savings generation to increase active membership and provide additional assistance to members, particularly in financing. In January 2021, it launched a loan program with a 2.5% monthly interest for its 361 members.

#### *Compliance with the principles of cooperativism*

As it assessed the compliance of Coop M with the principles of cooperativism as per the 2008 Philippine Cooperative Code and gauged its potential for sustainability and success, this study found out that Coop M is compliant with five principles: (1) voluntary and open membership; (2) democratic member control; (3) education, training, and information; (4) cooperation with fellow cooperatives; and (5) concern for the community. It, however, fell short of complying with two principles: (1) economic participation of members; and (2) autonomy and independence. Below is an analysis of the two principles in order for Coop M to improve its compliance with all seven principles.

Coop M followed the Standard Chart of Accounts required by the CDA in presentation of their financial reports. Members decided on the allocation of their net surplus, such as setting up of reserved funds for further improvement of calamansi production and marketing, community development, and education and training. Members also had access to the funds corresponding to the interest on their share capital and patronage refund which constituted the proportion of their transactions with the cooperative. However, the principle of economic participation of members seemed inevident in the status of Coop M as a microenterprise at the time of the study. On average, majority or 94% of the equity of Coop M came from donations and grants and only 6% came from capital shares of members. In 2016, some members started to increase their subscribed capital. The increase was substantial

in 2017 when the cooperative started its clustering<sup>2</sup> practice wherein many members from other municipalities joined the cooperative. Despite the increase in capital shares, Coop M still needed to maintain a positive statutory fund or buffer fund to save the cooperative in case of deficit. Table 1 below presents the financial standing of Coop M in the last eight years.

Table 1. Coop M's financial statement 2013-2020

Financial Status	2013	2014	2015	2016	2017	2018	2019	2020
Total Revenues	370,994	730,991	334,248	282,712	707,366	568,428	952,236	558,499
Expenses	259,824	328,483	307,703	243,342	485,838	653,526	921,284	522,042
Net Surplus as distributed	111,17	402,507	26,545	39,370	221,528	85,098	21,666	36,457

Source: Dela Fuente, 2021.

Figures in Table 1 above show positive net surplus in 2013-2017, specifically in 2013-2014. The cooperative at this time had a buyer of calamansi extract from Metro Manila. But Coop M lost its buyer and faced problems in resources management. Typhoon Ompong severely damaged farms and affected the production and processing of calamansi in Oriental Mindoro in 2018. Nevertheless, despite the challenges, including COVID 19, Coop M recovered and continued operations in 2019. Positive net surpluses were noted in 2019-2020.

Due to the pandemic, demand for calamansi concentrate and other citrus products increased. However, as schools were not conducting in person classes, there was no ready market for calamansi ready to drink juice. Also, Coop M needed market for fresh calamansi extract. From previous experience, large companies did not want to buy calamansi at a price the organization set. Another challenge was to prod the inactive members, which were almost half of the total members, to actively participate in monthly meetings and give their capital share. To address such challenges, the cooperative launched a credit service facility for its members in January 2021. It crafted guidelines to include accounting policy, audit management, board manual, cash management and internal control, code of governance and ethical standards, credit policy, members savings operation, membership policy, and personnel policy. It required a co-warrantor for loan availment to ensure protection of its financial resources.

<sup>2</sup>Clustering refers to groupings of members based on their barangay. Cluster leaders communicate the monthly meeting's agreements to their members.

As mentioned, Coop M received various forms of assistance and support, such as project funds, infrastructure, facilities, and trainings and seminars from government and private sectors.

Cooperativism expert Jorge Sibal<sup>3</sup> explains that to follow the principle of autonomy and independence, the cooperative should reflect the amount of donations or income from donations, such as water system and building for water system, as reserved fund or asset set for the purpose of expansion of production. Any amount of cash donations or income from such should not be given as dividends to the members. Another option is for the cooperative to present the donation as a separate asset reflecting the amount received and the purpose of these assets. In case of dissolution of the cooperative, the money could be donated to another foundation, LGU, or church engaged in providing service to communities.

Coop M had seven regular and 15 contractual workers with an asset of PHP 4.1 million as of 2019. It had limited capacity in terms of guaranteed fulfillment of its goals or objectives. In the past two decades, it had experienced problems, such as mismanagement of resources, inactive membership, lack of market access, and increasing competition. It had received various interventions from government agencies and private organizations committed to mobilize funds for poverty alleviation and inclusive growth in the rural areas. Unfortunately, these interventions contradicted the principle of autonomy and independence stating that the cooperative must be a self-help organization controlled by its members. The cooperative must ensure that it maintains the democratic control of its members, even as it enters into agreements with or raised capital from other organizations, such as the government. This implies the need for Coop M to preserve the rights of its members to participate in decision-making that is free from political bias or influence from donor organizations.

### ***Best practices***

The study identified the following best practices of the cooperative, particularly strategies on: (1) product improvement; (2) training and development of workers and members; and (3) partnership with academe for research and development. The continued commitment of workers and members could help the cooperative to develop more

---

<sup>3</sup>Jorge Sibal (May 02, 2021). Personal interview.

strategies for best practices and plans for expansion. The cooperative was in the process of crafting its retirement program for its workers at the time of the study.

Coop M used to have a problem with discoloration of calamansi. To address such problem, it acquired freezers. It now had four freezers to store calamansi for at most one week. It encouraged its members to sign an agreement for offseason fruiting to establish sustainability of supply for processing of calamansi concentrate and ready to drink juice. Meanwhile, as support to local producers, the provincial government issued an ordinance requiring caterers within Oriental Mindoro to utilize 50% mineral/purified drinking water and 50% juice or other beverages produced locally. At the time of the study, Coop M was exploring the possibility of adding preservatives to its ready to drink juice to compete in the market and lengthen its shelf life.

Coop M established partnership with different organizations to provide training and development services to its members and workers. It acquired membership to the Mindoro Sustainable Agricultural Federation that focuses on empowering calamansi farmers in Oriental Mindoro. In August 2016, with AsiaDHRRRA, Coop M developed strategies to increase membership through clustering. Before AsiaDHRRRA intervention, farmers in Barangay Matulatula alone had the opportunity to join the cooperative. With clustering, membership increased. Eleven clusters were formed in different barangays. AsiaDHRRRA trained farmer members in farm productivity as well as pruning and rejuvenating of calamansi trees for offseason fruiting. Also, it trained workers in the basics of bookkeeping and food safety requirements. In 2018, selected farmer members joined a learning exchange tour for citrus processing in South Korea AsiaDHRRRA sponsored. In May 2019, they attended a seminar on agricultural processing for the Philippines in Beijing Ministry of Agriculture and Rural Affairs of China sponsored.

Before the pandemic, Coop M had contract agreement to deliver calamansi ready to drink juice with elementary schools in Matulatula, Pola and Socorro to promote healthy juice drinks among children and youth. It had negotiations with the University of the Philippines Los Baños and Mindoro State College of Agriculture and Technology through Southeast Asian Regional Center for Graduate Study and Research in Agriculture to conduct research on calamansi byproducts and technology improvement.

### *Satisfaction of employees and members*

This study looked into the satisfaction of workers, as related literature confirms that satisfaction leads to productivity and economic sustainability of an enterprise. Determining whether or not workers were satisfied would help the enterprise decide on what areas needed improvement to further motivate workers towards better productivity and performance (Aziri, 2011). Work satisfaction, a related concept, is important in order to reduce quits (Akerlof et al 1988; Artz & Kaya, 2015) and absenteeism among members of the enterprise (Punnett et al 2007; Artz & Kaya 2015) that can result to increased productivity (Manguione & Quinn 1975; Artz & Kaya 2015). Locanto (2014) confirms that economically sustainable enterprise brings more good benefits and this is evident in the improved productivity, diversified income through increasing demand, and getting access and advantage in the market of the enterprise. Continued commitment of both workers and members would help sustain the enterprise while creating social impact.

Findings reveal that workers of Coop M were generally satisfied not because of their salaries but because of nonmonetary benefits, such as security in their work, ability to contribute towards the achievement of the goals of the cooperative, working environment, good relationship with coworkers, and management. This study confirms the previous findings of Gulyani and Sharma (2018) that firms without formal human resource management system have limited options on provision of compensation and compensation models from large firms may not be applicable to them. These workers reflected the values of the enterprise on how they showed their satisfaction, because they knew the contribution of calamansi industry to the province and how it helped sustain the livelihood of its farmer members. Professor Sibal explains that cooperatives have the advantage of close connection among members, sense of pride of employees, and satisfaction in doing socio-civic activities.

Furthermore, despite the workers' low salaries ranging from PHP 3,000 to PHP 7,000 monthly during lean season, and PHP 5,000 to PHP 8,000 during peak season, existence of worker-management relationship in accordance with the "fourfold test"<sup>4</sup> between the management and

---

<sup>4</sup>The fourfold test comprises the following: (1) selection and engagement of the employee; (2) payment of wages; (3) power of dismissal; and (4) the employer's power to control the employee with respect to the means and methods by which the work is to be accomplished (Project Jurisprudence. 2019).



employees” gave them security of tenure and benefits, such as SSS contribution, yearend grocery pack, outings, and opportunity to participate in community-based activities.

### *Success stories of selected members*

As mentioned, this study asked three male farmer-members – Jose, Victor, and Bonifacio (not their real names) – to narrate their stories to determine how their lives improved through their years of coop membership. Jose had been with the cooperative for 25 years while Victor and Bonifacio had been with the cooperative for 20 years. All three were beneficiaries of trainings and seminars Coop M offered in partnership with different organizations.

A co-founder of Coop M, Jose shared that he learned efficient technology through trainings and seminars. He became the cooperative chairperson in 2017 and was elected as barangay councilor. He was able to send his children through school. He had a total of 180 capital shares and promoted the offseason fruiting through pruning and rejuvenating of trees.

Also a co-founder of Coop M, Victor, became assistant manager of the cooperative from 2017 to 2019. He had a total of 86 capital shares. He received assistance from the cooperative, including fertilizer, seedlings, farming tools, poultry, and livestock. He was able to send his four children through college. Two of his children were already working in a province in central Luzon. He mentored other farmers to ensure that the cooperative would continue to adopt the established techniques and strategies in calamansi production.

With skills he learned from various trainings and seminars, Bonifacio served as worker in construction projects of the cooperative, machine operator, trainer-mentor, and on call machine troubleshooter. He and his wife were active cooperative members. They expressed gratitude to the cooperative for the opportunity to increase their incomes that allowed them to provide their children good education.

The success stories of the three members show material and nonmaterial improvements in their lives. Their satisfaction as members stem from their being able to provide for their family’s needs, children’s education, and voice out their needs in social dialogues with national and local government officials. Their stories manifest the continued commitment

and support of the cofounders of Coop M to the goals of the cooperative, such as the initiative for offseason fruiting and financing program for members. Although the abovementioned success stories are of three members only, these stories and other previously discussed factors, such as compliance with the five principles of cooperativism, management best practices, and satisfaction of workers, indicate the strong potential of Coop M for sustainability and further success.

### **Conclusion**

For agriculture to grow exponentially, cooperativism as a vehicle for equity and social justice is the way forward. Related studies show that successful cooperatives are those pioneered and managed by local residents who are also active players in the industry. These social enterprises proven to be profitable, liquid and solvent, could declare dividends, invest in infrastructures and skills development, use local resources, and contribute to community projects.

The case of Coop M shows that potential for success is in the areas of: (1) increase in membership and capital; (2) compliance with five out of seven principles of cooperativism; (3) management best practices including strategies on product improvement, training and development, and partnership with academe for research and development; (4) feelings of satisfaction of regular workers; and (5) improvement of the lives of some member-farmers.

### **Recommendations**

The study presented the importance of agriculture and agri-based processing to promote employment generation in rural areas. However, it did not provide strict generalizations due to its scope and limitations. There is a need to continuously support and expand value-adding processing in agriculture to encourage patronage of local products and economies of scale. Key actors, such as national government agencies (NGAs) and LGUs should improve the current technology and marketing of agricultural products. There is need for further studies on agriculture and cooperativism, including a review of current national laws and policies on the matter.

## References

- Artz, B., & Kaya, I. (2015). The impact of job security on job satisfaction in economic contractions versus expansions. *Journal on Applied Economics*. <https://www.researchgate.net/publication/261634552>
- Aziri, B. (2011). Job satisfaction: A literature review. *Management Research and Practice, Vol. 3, Issue 4* (2011): 77-86. <http://mrp.ase.ro/no34/f7.pdf>.
- Cooperative Development Authority. (2021). Cooperativism: The urgent call of the times. <https://cda.gov.ph/updates/cooperativism-the-urgent-call-of-the-times>.
- Dela Fuente, A. M. (2021). Success factors and employee satisfaction in a social enterprise: Case study of an agricultural cooperative in Oriental Mindoro. Quezon City: University of the Philippines Diliman (Unpublished master's thesis).
- Gulyani, G. & Sharma, T. (2018). Total rewards components and work happiness in new ventures: The mediating role of work engagement. *Evidence-based HRM: A Global Forum for Empirical Scholarship*. <https://doi.org/10.1108/EBHRM-12-2017-0063>.
- Loconto, A. (2014). Sustaining an enterprise, enacting sustainability. *Science, Technology, and Human Values, Vol. 39, No. 6, Special Issue: Voices from within and Outside the South-Defying STS Epistemologies, Boundaries and Theories: 819-843*. <https://www.jstor.org/stable/43671204>.
- Macaraya, B. & Tolentino, M. C. M. (2009). Growth, development and trends in Philippine small and medium enterprises: Issues of productivity and competitiveness. Monograph. Manila: Development Academy of the Philippines.
- Project Jurisprudence. (2019). The fourfold test. <http://www.projectjurisprudence.com/2019/07/the-four-fold-test-in-labor-law.html>.