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Rice farmers' cooperative marketing associations (FaCoMas) in the Central Plain of Luzon have been assigned an important role in the land reform to be implemented or being currently carried on in the area: they are the main agents through which the bulk of the government's credit assistance to farmers will be channeled. The program, to be effective, will require revitalization of those FaCoMas that have ceased operations and expansion of activities of those that are presently operating.

To obtain information concerning problems that are likely to be met in these two processes (revitalization and expansion of activities of FaCoMas) a total of 278 members belonging to 14 FaCoMas in the area were studied. The specific objectives were to determine the resource base, financial conditions, income and expense, credit experiences, present attitudes and understanding with regard to

cooperatives, and problems of the members.

Results were tabulated according to membership status-- whether members were active, paid inactive, or delinquent inactive members.

Generally, active members, who numbered 97 or 35 percent of the sample, had larger farms and, therefore, larger production, better financial, income and credit situations, higher educational attainment and were better informed than the inactive members. They appeared to be generally satisfied with operations of their cooperatives. Their main complaint was in connection with inadequacy of loans obtainable from their cooperatives. During the year 1965-1966, only 61 percent of their credit needs was supplied by their cooperatives. Most of them would like to concentrate their borrowings from the FaCoMas.

In the analyses of the financial, income, and credit situations of delinquent inactive members it was found that a majority of them did not have the capacity to pay loans. Refinancing these members would involve a considerable risk. Because the success of the FaCoMa business as a whole depends to a very large extent on the success of the loaning operations, i. e., high repayment, it is imperative, therefore, that only those who have the capability to pay debts be granted credit.

Members that will be refinanced should be properly apprised

of their duties and responsibilities as members of cooperatives in general, and of their obligations as borrowers in particular.

A Study of Membership of Fourteen Active Rice Farmers'  
Cooperative Marketing Associations in the  
Central Plain of Luzon, Philippines

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A Study of Membership of Fourteen Active Rice Farmers'  
Cooperative Marketing Associations in the  
Central Plain of Luzon, Philippines

INTRODUCTION

Agriculture is the mainstay of the Philippine economy. It accounts for 31 percent of the nation's domestic product. Approximately 70 percent of the people live in the rural areas and over 60 percent of the total labor force is in agriculture (7, p. 85.) Despite the present efforts toward industrialization and the increasing contribution of the other sectors of the economy, other measures of importance invariably point to the fact that for many more years to come the Philippines will be depending primarily upon agriculture for basic food and fiber requirements, for foreign exchange to finance needs for industrial ventures and for raw materials to feed the growing number of factories.

But, as has been true for many years past, this basic industry of the country is currently characterized by low productivity and low income. This is caused, as enumerated by Tablante (10, p. 3) by a composite of factors such as small size of farms, tenancy, idle farms, lack of capital, lack of adequate marketing facilities, unfavorable social and cultural factors, and lack of needed information. All these forces through the years have engendered rural poverty.

To break the cycle of poverty, rural development has been the target of many government initiated measures as part of overall economic development schemes. Notable among these measures and the boldest prior to the enactment of the Land Reform Code of 1963 was Republic Act 821 of 1952 creating the Agricultural Credit and Cooperative Financing Administration, better known as the ACCFA.

The basic objectives of the ACCFA "are the provision of liberal credit (based on productive capacity) to small farmers and the promotion of effective grouping of these farmers into cooperative associations to establish a producer-controlled economy."

To accomplish these objectives the agency was empowered by law to organize Farmers' Cooperative Marketing Associations, better known as FaCoMas. These associations are essentially responsible for the marketing (procurement, storage, processing and selling) of the members' produce and acting as agents of the credit policies of Agricultural Credit and Cooperative Financing Administration (ACCFA). These two services are closely linked. Members who need loans make their loan applications to the FaCoMas. Upon approval by the cooperative and the ACCFA, the loans are granted to the members through the associations on the basis of a joint liability principle. For security, members sign promissory notes and either sign marketing contracts, deposit crops

in the cooperative warehouse or put up as security the work animals and/or farm improvements obtained with the loan (9, p. 8).

The initial target areas in the implementation of the ACCFA program were the principal rice-producing provinces because of the primary character of rice as a staple commodity and also because the "economic and social ills" in these areas were recognized to pose a threat to the social stability of the country.

The organization of cooperative marketing associations from late 1952 to 1958 proceeded at an impressive rate. This progress, however, was halted because various problems (principally collection problems, trading failures, inefficiency in management, etc.) arose, threatening the very existence of the cooperative movement itself and the government agency (the ACCFA) that provided support to it.

As of June 30, 1965, there were 547 registered cooperative marketing associations with an aggregate authorized capital of P35,757,750 (\$1.00 = P3.90). Their aggregate paid-up capital amounted to P7,200,110.57 and their total membership was composed of 312,137 individual farmers. Of this number of cooperative associations 360, or 66 percent, were handling rice and corn, 87 tobacco, 52 copra, 17 sugar and other associations handled miscellaneous products. On the basis of operating condition, 171, or 31 percent of the total agricultural cooperative marketing

associations were active, 88, or 16 percent, were semi-active or with limited activity, and 288, or 53 percent, were inactive or dead cooperatives (5, p. 44). These figures show the extent of the setback of the agricultural cooperative movement in the country. However, it is worth noting that out of this movement has emerged a number of cooperatives with substantial organizational and financial strength and stability.

Under the integrated land reform program of the government, aside from their basic function of marketing, cooperative associations are again to be the main instrument through which most of the government's financial assistance will be channeled. An area cannot be declared ready for land reform unless all services can be provided to the farmers that will be affected in the land reform process. The program, the target areas of which are the rice-producing provinces, will necessitate expanding the present activities of the active cooperatives and revitalizing the semi-active and some dead cooperatives or organizing new associations.

For the most part, expansion of the present activities of the active rice FaCoMas and the revitalization of the semi-active and completely inactive associations will require getting the inactive members to participate again in the affairs of their cooperatives. Revitalization, the more complex of the two, specifically means placing selected FaCoMas on a sound operating management and



financial condition. It involves a process which includes audit of the accounts, reorganization of management and membership, recapitalization, and other related activities. Circular No. 8, dated November 24, 1964, issued by the Land Reform Administration states that "it shall start with the development of favorable membership relations with the end in view of building up a strong capitalization structure, securing and maintaining sufficient volume of business for economical operation and promoting membership participation in, and control of their cooperative venture."

The important role, therefore, that cooperatives are expected to play in the land reform program of the government and the task of expansion of the activities of active cooperatives and the revitalization of other associations underscore the need for some studies to establish the facts of the present circumstances of these cooperatives.

This study attempts to detail the present membership situation of 14 largest (in terms of gross income) active rice FaCoMas in the central plain of Luzon. Information on the economic activities, credit situation, attitudes, problems, suggestions and complaints of members is hoped to provide insight in the improvement and expansion of the present activities of these FaCoMas. It is further hoped that the study will yield results that could be used in the revitalization of other associations in the same area or in some

other areas with similar circumstances.

### Objectives of the study

The broad objectives of the study are indicated above. The following are the more specific objectives:

1. To determine and describe the resource base and economic activities of members of selected active rice FaCoMas in Central Plain of Luzon.
2. To determine and describe their credit experience and their present attitudes with regard to their cooperative associations.
3. To ascertain their present problems--both in their farming business and in their dealings with their cooperative associations.

### Procedure

The study, a part of the research project, entitled "An Economic Study of Selected Rice Farmers' Cooperative Marketing Associations in the Philippines," was initiated in the Agricultural Credit and Cooperatives Institute, University of the Philippines, before the author came to Oregon State University.

1. The assistance of the Agricultural Credit Administration (formerly the ACCFA) was sought both for the gathering of data characterizing the rice FaCoMas and for obtaining the cooperation of sample FaCoMas in furnishing the lists of members and in

gathering information from the sample members.

2. Information from sample members was obtained through personal interview. Field schedules prepared in the Agricultural Credit and Cooperatives Institute were used in the survey.

3. Sampling was done in two stages. The first stage involved the selection of active rice FaCoMas, and the second the selection of members.

The basis of the selection of active rice FaCoMas was the gross income during the year ending June 30, 1965. Active rice FaCoMas in Central Plain of Luzon, of which there were 29, were ranked and the first 16 associations with the highest gross income were included in the study.

The number of members to be drawn from each FaCoMa was arbitrarily placed at 20 individuals. Selection of 20 members in each FaCoMa was done with the use of a table of random numbers.

During the survey, however, two FaCoMas were dropped from the sample. No interview could be made with members in one of the FaCoMas because of the deteriorating peace and order situation in one area at the time of the survey. The other FaCoMa, while listed as active, was found to have a very limited activity and its office was not open at the time of the visit.

The final number of the FaCoMas included in the study was 14. The total number of members interviewed was 280 individuals

but two records were discarded due to insufficiency of information.

4. The interview of FaCoMa members was done by three staff members of the Agricultural Credit and Cooperatives Institute, University of the Philippines, headed by the author. The survey started in August 1966 and ended in January 1967.

5. Computations and tabulations of results were done by two members of the team in the Philippines and by the author in the Department of Agricultural Economics, Oregon State University.

6. Results were tabulated according to membership status. Grouped according to membership status, members were either active or inactive. The inactive group was further classified into paid inactive and delinquent inactive. This further classification was based on the inactive members' repayment status for the last matured loans they obtained from their cooperative associations. Paid inactive members were those who had fully repaid their last matured loans but were no longer doing business or participating in the affairs of their cooperatives as of June 1965. Delinquent inactive members were those who had not fully repaid their last matured loans and also no longer doing business or participating in the affairs of their cooperatives as of June 1965.

It was assumed that these two categories of inactive members were "different" from each other. The assumption was that the delinquent inactive members stopped their business with their

cooperatives because they did not have the capacity or were unwilling to repay their loans. They stopped marketing their palay through the FaCoMas for they knew the proceeds of such transaction would be collected to cover their unpaid obligations. Their inability or unwillingness to repay their loans, therefore, is assumed to be the main obstacle in their becoming active members again. As for the paid inactive members, following this reasoning, obviously, they had other reasons for stopping their credit and marketing transactions with their cooperatives. What these reasons were need to be known if they are to be made active again in the expansion of business or revitalization of the FaCoMas.

#### Period covered by the study

As mentioned above, the interview of members was made from August 1966 to January 1967. However, information on the members' farm business and credit situation was for the crop year 1965-1966 (June 1, 1965 to May 31, 1966). Discussion of most results, therefore, were as of May 31, 1966.

## THE STUDY AREA

Central Plain of Luzon is composed of five provinces, namely, Nueva Ecija, Bulacan, Tarlac, Pampanga, and Pangasinan. The region lies north of Manila, the premier city in the Philippines.

It has a total land area of 1,885,867 hectares or 6.18 percent of the estimated land area of the country. In 1960 the cultivated area was 661,367 hectares of 11.85 percent of the cultivated area in the Philippines.

The total population of the region in 1960 was 3,332,251 or 12.3 percent of the population of the country. Density was 1.8 compared to .9 per hectare for the Philippines as a whole. From 1960 to 1962 the population of the region increased at the rate of 3.27 percent compared to 3.3 percent for the entire country.

The region is the principal palay (unhusked rice) producing area in the Philippines. In 1960 the total area devoted to first crop palay was 459,517 hectares, representing 27.58 percent of the total area devoted to the same crop in the country. One-third of the national rice production came from the area during the same year. These figures indicate that yield per hectare in the region is higher than the national average. The region has the highest proportion of farms in lowland rice, the proportion reported by Oppenfeld et. al. being 76 percent (4, p. 28).

Literacy in the region in 1960 was 79.46 percent, a figure higher than the 72.05 reported for the country as a whole. The proportion of farm families who had contact with the municipal agriculturist was among the highest in the country (4, p. 153). Transportation was good as indicated by the high proportion of farms using motorized transportation (4, p. 132).

Climate is an important limiting factor in the agriculture of the region. Although the annual precipitation ranges from 2,000 to 3,000 mm. in different parts, rainfall is extremely small in amount during the period from the middle of November until the middle of May. This is a period of six dry months. Limited irrigation facilities give no opportunities for the growing of a second or third crop. According to Oppenfeld et. al. farmers in the region were among those unemployed for the most number of months, the average being 5.2 months per year.

Central Plain of Luzon has always had agrarian troubles. It is a region of great contrasts: large estates and masses of landless farmers. The area has the highest rate of tenancy, the proportion being 60 percent (4, p. 39). Most of the tenants are perpetually indebted to the landlords. De Guzman reported that Central Luzon farmers were the largest users of credit (1, p. 462).

Always in recognition of the "distressing economic and social situation in Central Luzon," the area, most of the time, has been

the initial target of many rural development programs of the government.

The region was the starting point of the ACCFA activities. As of June 30, 1965, there were 111 FaCoMas in the area. This represented one-fifth of all the agricultural cooperative marketing associations in the country. The paid-up capitalization of these associations amounted to P1, 765, 952. 77 or 23. 55 percent of the paid-up capitalization of all FaCoMas in the Philippines. Total membership in the region was 104, 604 individuals or 33. 68 percent of total agricultural cooperative marketing membership in the country. Almost one-half (48. 3%) of the ACCFA's matured loans, as of June 1965, were released in this area.

Like all regions in the country, Central Plain of Luzon suffered a tremendous setback in the agricultural cooperative movement as a result of the failures of many cooperative associations. Only 67. 21 percent of the matured loans were collected. Only 29 of the 111 associations were active as of June 30, 1965.

Again, Central Luzon was the starting point in the implementation of the land reform program of the government. Pilot areas were declared land reform areas in preparation for the declaration of all the provinces as a land reform region. It is, therefore, in this region, again, that the revitalization of the semi-active and dead FaCoMas and the expansion of the activities of operating



associations were commenced.

Given below is the summarized basic information on the region.

a. Total land area and cultivated area, 1960

<u>Province</u>	<u>Land area (Ha)</u>	<u>Cultivated area (Ha)</u>
Pangasinan	536, 818	167, 701
Nueva Ecija	528, 433	217, 730
Tarlac	305, 345	115, 371
Bulacan	267, 203	74, 686
Pampanga	<u>218, 068</u>	<u>84, 879</u>
All	1, 855, 867	661, 367
Philippines	30, 000, 000	5, 580, 225

b. Area planted to first crop palay and percent of area irrigated, 1960

<u>Province</u>	<u>Area (Ha)</u>	<u>Percent irrigated</u>
Nueva Ecija	158, 326	46
Pangasinan	108, 341	41
Tarlac	82, 655	38
Pampanga	56, 375	57
Bulacan	<u>53, 820</u>	<u>37</u>
All	459, 517	43
Philippines	1, 666, 000	36

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Source of basic information for a and b: Agricultural Census Summary, 1960.

## c. Population: Density and growth rate

<u>Province</u>	<u>Total (1960)</u>	<u>Density per Ha.</u>	<u>Growth rate 1960-1962</u>
Pangasinan	1, 124, 164	2.09	No data
Pampanga	617, 259	2.83	by
Nueva Ecija	608, 362	1.15	province
Bulacan	555, 819	2.08	
Tarlac	<u>426, 647</u>	<u>1.39</u>	
All	3, 332, 251	1.8	3.27
Philippines	27, 087, 685	.90	3.30

## d. Literacy (for persons 10 years old and above)

<u>Province</u>	<u>Total number (thousand)</u>	<u>Percent literate</u>
Bulacan	382	85.6
Nueva Ecija	403	80.0
Pampanga	409	78.7
Pangasinan	763	77.9
Tarlac	<u>283</u>	<u>75.8</u>
All	2, 240	79.46
Philippines	18, 145	72.05

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Source of basic data for c and d: Bureau of Census Reports.

e. Data on farmer's cooperative marketing associations, June 30, 1965

<u>Province</u>	<u>Total No. of FaCoMas</u>	<u>No. active FaCoMas</u>	<u>Membership of all FaCoMas</u>	<u>Paid-up capital (P)</u>
Nueva Ecija	27	14	39,518	570,878.24
Pangasinan	33	5	18,267	270,096.47
Pampanga	20	3	17,469	320,793.54
Bulacan	17	2	16,840	298,216.65
Tarlac	<u>14</u>	<u>5</u>	<u>12,510</u>	<u>305,967.87</u>
All	111	29	104,604	1,765,952.77
Philippines	547	171	312,137	7,200,110.57

Source of data: Agricultural Credit Administration (mimeographed Summary Organization Data on Cooperatives Affiliated with ACA).

f. Matured loans and percent collected, June 30, 1963

<u>Province</u>	<u>Matured loans</u>	<u>Percent collected</u>
Nueva Ecija	37,578,835.80	68.01
Bulacan	18,575,047.00	60.94
Pampanga	14,315,638.60	61.87
Tarlac	13,077,846.34	75.40
Pangasinan	<u>9,672,555.04</u>	<u>72.93</u>
All	93,219,922.91	67.21
Philippines	192,978,594.83	64.18

Source of data: ACCFA Annual Report, 1962-1963.

## RESULTS AND DISCUSSION

Membership status

Classified according to membership status, the sample was composed of 97 active members, 30 paid inactive members and 151 delinquent inactive members. Percentagewise, the distribution was 35, 11, and 54 percent, respectively (Table 1)

Table 1. Membership status, 278 rice FaCoMa members, 1965-1966

Membership status	Number	Percent
Active	97	35
Paid inactive	30	11
Delinquent inactive	151	54
All	278	100

The first two groups, in terms of repayment of last matured loans, are nondelinquent. They constituted 46 percent of the sample. In terms of continuity of participation in the affairs of their cooperatives, as defined, the last two groups are inactive. They constituted 65 percent of the sample.

Tenure

Fifty-nine percent of the members studied were tenants, 13 percent were part-owners, 9 percent were owner-operators, 13

percent were small landlords, and 6 percent were either fake farmers or those who were no longer farming at the time of the interview (Table 2). The data show that there were relatively more members in the highest step of the so-called agricultural ladder (owner-operators and landlords) in the active group than in the two inactive groups. These two tenure groups constituted 33 percent of the active members, as compared to 13 percent for paid inactive members and 15 percent for delinquent inactive members.

Table 2. Tenure of members, grouped according to membership status, 278 rice FaCoMa members, 1965-1966

Tenure	Membership status							
	Active		Paid inactive		Delinquent inactive		All	
	No.	%	No.	%	No.	%	No.	%
Tenant	48	50	17	57	98	65	163	59
Part-owner	15	15	5	17	18	12	38	13
Owner-operator	10	10	5	17	9	6	24	9
Landlord	22	23	2	6	13	9	37	13
Others*	2	2	1	3	13	8	16	6
All	97	100	30	100	151	100	278	100

\* Fake farmers and members who had stopped farming.

Another way of looking at the relationship between tenure and membership status is presented in Table 3. The data show that, in general, the proportion of tenants and part-owners who had become inactive over time was higher than that of the owner-operators

and landlords. Only 23 percent of the tenants and 40 percent of the part-owners were active, as compared to 42 percent of the owner-operators and 60 percent of the landlords.

Table 3. Membership status of the different tenure groups 262\*  
rice FaCoMa members, 1965-1966

Membership status	Tenure							
	Tenant		Part-owner		Owner-operator		Landlord	
	No.	%	No.	%	No.	%	No.	%
Active	48	23	15	40	10	42	22	60
Paid inactive	17	11	5	13	5	21	2	5
Delinquent inactive	98	60	18	47	9	38	13	35
All	163	100	38	100	24	100	37	100

\*Fake farmers and members who had stopped farming not included.

Tenure may have affected repayment of last matured loans. Among the bona fide farmer-members, tenants had the highest rate of delinquency (60 percent), followed by part-owners, with a rate of delinquency of 47 percent. On the other hand, only 38 percent of the owner-operators and 35 percent of the landlords had become delinquent.

#### The member's family

The typical family in this study had seven members, with five members being ten years or older. Differences in the number of

members per household of the three groups of cooperative members are given in Table 4.

Table 4. Size of household by membership status, 262 rice FaCoMa members, 1965-1966

Membership status	Number of members
Active	6
Paid inactive	8
Delinquent inactive	7
All	7

#### Age and educational attainment

The average age of members was 50.3 years, over six years higher than the average age of 400 ACCFA crop loan borrowers studied in 1957-58 (9, p. 82). This average age varied from 49.8 years for active members to 53.3 years for delinquent inactive members (Table 5).

The importance of having a formal education among members of a cooperative cannot be overemphasized. Membership demands at least a minimum of basic literacy skills of writing and reading. An educated member "has more and better channels of communications and is in a better position to assimilate and acquire information" that makes for effective participation in the affairs of the cooperatives.

Table 5. Age and educational attainment by membership status,  
262 rice FaCoMa members, 1965-1966

Membership status	Age	Number of years of formal education
Active	49.8	7.8
Paid inactive	53.3	5.1
Delinquent inactive	52.1	4.8
All	50.3	5.9

Active members studied had an average of 7.8 years of formal education. Paid inactive had only 5.9 years while delinquent inactive had only 4.8 years. The average for all members was 5.9 years. The average for 400 ACCFA crop loan borrowers in 1957-58 (9, p. 82) was only 3.8 years. On the average, farmers in the Philippines had four years of formal education (4, p. 48).

#### Farm experience

Active members had been in farming occupation for 26 years, paid inactive members 23 years, and delinquent inactive members 29 years. The average for all members was 27 years, the last 21 years being on the present farm (Table 6).

#### Size of farm

The average rice farm area of members was 3.5 hectares. Thirty-eight percent of the farms had areas between 0 and 2 hectares. Thirty-seven percent were above 3 hectares.



Table 6. Farm experience by membership status, 262 rice FaCoMa members, 1965-1966

Membership status	Years in farming	Years operating present farm
Active	26	21
Paid inactive	23	22
Delinquent inactive	29	21
All	27	21

The average total area planted to rice during the year, or the effective rice crop area, was 4.25 hectares. The difference between the average rice farm area and the effective rice crop area (.75 Ha.) represents the area out of 3.25 hectares planted to second rice crop during the dry season. Second rice crop was possible only in areas with irrigation water available during the dry season. Only 14 percent of the members studied were able to plant second rice crop. Table 7 shows the size of rice farms and effective rice crop area of members grouped according to status of membership.

Table 7. Size of farm by membership status, 262 rice FaCoMa members, 1965-1966

Membership status	Farm area (Ha.)	Effective crop area (Ha.)
Active	4.25	5.67
Paid inactive	4.21	4.16
Delinquent inactive	2.81	3.65
All	3.5	4.25

## Financial Condition

One of the essential services performed by the FaCoMa, as mentioned earlier, is the provision of credit to its members. It is therefore essential to have a knowledge of the assets, liabilities and net worth of members. The analyses of these items will indicate (a) the nature of agricultural production of members, (b) the amount and type of assets which may be used as collateral for loans, and (c) the repayment capacity and risk-bearing ability.

The average value of the total assets (excluding dwelling) of FaCoMa members studied was P9,693 (Table 8).

Of the total assets, only 11 percent, or P1,047 were in the form of current assets. Work stock was the most commonly reported important current asset. There were 1.4 work-type animals per farm. The average value of this investment was P676 or 65 percent of the current assets. Investment in tools and equipment was low as this was valued at only P135, or 13 percent of the total current assets. Poultry and other livestock were the other minor current assets. Other assets, such as cash on hand, crops on hand, notes and accounts receivable and miscellaneous items made up 10 percent of the total current assets.

Investment in fixed assets, valued at P8,646 was over eight times larger than the investment in current assets. Land alone,

Table 8. Financial condition, 262 rice FaCoMa members (as of May 31, 1966)

Items	Amount (Pesos)	
<b>Assets:</b>		
Current assets		
Work stock	676	
Poultry and other livestock	94	
Tools and equipment	135	
Feeds and other supplies	37	
Other current assets	<u>105</u>	
Total current assets		1, 047
Fixed assets:		
Land	8, 229	
Buildings (excluding dwelling)	108	
Other fixed assets	<u>309</u>	
Total fixed assets		<u>8, 646</u>
TOTAL ASSETS		<u><u>9, 693</u></u>
<b>Liabilities:</b>		
Current liabilities:		
Outstanding short-term loans incurred this year	110	
Outstanding short-term loans incurred during the previous years	<u>337</u>	
Total current liabilities		447
Fixed liabilities:		
Outstanding loans incurred this year	100	
Outstanding loans incurred during the previous years	<u>168</u>	
Total fixed liabilities		<u>268</u>
TOTAL LIABILITIES		715
Net worth		<u>8, 978</u>
Total net worth and liabilities		<u><u>9, 693</u></u>

valued at P8, 229 constituted 84.9 percent of the total assets. This represented 95 percent of the total fixed assets. The value of farm buildings and other fixed assets averaged P417 or only five percent of the fixed assets. The value of fixed assets would have been considerably higher if the value of the dwelling was included in the sample computation.

The total liabilities of members averaged P715, 62.5 percent or P447 of which were current liabilities. Seventy-five percent or P337 of the current liabilities were old debts that were still unpaid at the end of the crop year 1965-1966.

Fixed liabilities averaged P268, or 37.5 percent of the total liabilities. Sixty-three percent of this amount, or P168, were debts incurred during the previous years.

The debts incurred during the previous years, both current and fixed, averaged P764 at the beginning of the year. Thirty-four percent, or P259, were repaid during the year leaving a balance of P505 at the end of the year. This amount, plus the unpaid portion (P210) of the current and fixed liabilities incurred during the year constitute the total liabilities of the members. The total indebtedness, therefore, of members was reduced by only P49, the difference between P764, the amount outstanding at the beginning of the year, and P715, the total liabilities at the end of the year.

The net worth of members averaged P8, 978, an amount equal

to 92.6 percent of the value of their total assets. This owner's equity appeared to be favorable. The financial situation of these members generally, however, was not as good as indicated by this high net worth ratio. Their actual capacity to settle debts out of assets was poor. Eighty-nine percent of their total assets were in the form of fixed assets while 62 percent of their liabilities were current in nature. Further, examination of the current assets shows that work stock, and tools and equipment constitute 81 percent of its composition. Settling current debts out of current assets will therefore seriously affect the ability of these members to continue farming operations.

The financial conditions of members grouped according to status of membership are given in Table 9.

The total assets of active members averaged P14, 118 while that of the paid inactive members and delinquent inactive members averaged P8, 193 and P6, 961, respectively. The data show that there was not as much difference in current assets as in fixed assets among the membership groups. The variation in fixed assets was largely due to the differences in the amount of land-holding of members. There were relatively more owner-operators and landlords in the active group than in either of the inactive groups.

The total liabilities of delinquent inactive members amounted to

Table 9. Financial condition by membership status, 262 FaCoMa members, 1965-66

Items	Active	Paid inactive	Delinquent Inactive
Assets:			
Current assets	1, 154	1, 035	991
Fixed assets	<u>12, 964</u>	<u>7, 158</u>	<u>5, 970</u>
Total assets	14, 118	8, 193	6, 961
Liabilities:			
Current liabilities	386	306	648
Fixed liabilities	<u>296</u>	<u>131</u>	<u>152</u>
Total liabilities	682	437	800
Net worth:	<u>13, 436</u>	<u>7, 756</u>	<u>6, 161</u>
Total net worth and liabilities	14, 118	8, 193	6, 961

P800 while that of the active members and paid inactive members amounted to P682 and P437, respectively. Sixty-eight percent, or P529, of the liabilities of delinquent members were debts incurred during the previous years. Of particular interest here is the fact that 38 percent, or P202, of these long over due accounts was obtained from the FaCoMa.

As to be expected from the above figures, delinquent inactive members had the lowest net worth, the average being P6,161, as compared to P13,436 for active members and P7,756 for paid inactive members. The owner's equity was 95 percent for active members, 94.6 for paid inactive members and 88.5 percent for

delinquent inactive members.

As indicated above, the financial condition of members, in terms of settling debts out of investment without unfavorably affecting the farm business, was not good. The figures, in the case of the delinquent members, show that there is really no good prospect of being able to collect FaCoMa loans which had been long outstanding without seriously affecting the members' farming operations. While they had, on the average, total assets valued at P6,961, only P991 of these assets were current in nature. Further, 79 percent of their assets were invested in work animals (P701) and, tools and equipment (P79). Repayment of their FaCoMa loans out of current assets could unfavorably affect their capacity to continue their farming operations.

### Receipts and Expenses

#### Receipts

The capacity of the individual to repay the loan is one of the important considerations in the granting of credit. According to Sacay (9, p. 95) one method of determining capacity to pay is to measure the total receipts which are available for consumption, for farm operating expenses, for capital investment and maintenance, for savings, and for payment of debts.

Sacay (9, p. 95) also claims that total cash receipts is a good indicator of capacity to pay among Filipino farmers. Loans obtained by farmers in the Philippines are usually for consumption purposes or for expenditures of the "delayed payment type." Farm operation expenditures are small and are paid when farm produce is realized and sold. The situation, therefore, of a Filipino farmer can be likened to that of a "wage-earner-borrower whose repayment capacity is measurable by his total income which is mainly for consumption. As long as debts do not exceed his monthly income, they can be repaid when his monthly earnings are received.

Total receipts or gross income in this study refer to everything that a member and his family received during the crop year 1965-1966. These include the cash and cash equivalents received from the farm business, nonfarm employment, employment on other farms and nonemployment sources.

Crop and livestock sales and other partially cash and noncash items constitute the farm business receipts. Nonfarm employment receipts were earned mostly by other members of the family through the practice of profession or occupations outside of the farm. Receipts earned as farm laborer or helper were considered income from employment on other farms. Pension, interest and dividends, gifts, and the like were classified as nonemployment



receipts.

The average receipts of members studied was P3,038. Fifty-three percent, or P1,617, of this amount came from the farm business, while 46 percent, or P1,402, was earned from nonfarm employment. Receipts from employment on other farms and non-employment sources combined constituted only one percent of the total receipts.

Active members had higher gross income than the paid and delinquent inactive members. Table 10 also shows that the average cash receipts of delinquent members (P2,332) was lower than the cash receipts of the nondelinquent groups, the average for active members being P4,005 while that of paid inactive members was P3,634. Further, the data show that nonfarm employment, in the case of the delinquent members, was the more important source of income.

### Expenses

Expenses in this study include living expenses, farm operating expenses, farm capital investment and maintenance, and unusual expenses. Analysis of these expenditures may indicate the well-being of the members and their families, the "intensity of cultivation, level of technology in production, and the rate of capital formation."

Table 10. Cash receipts by membership status, 262 rice FaCoMa members, 1965-1966

Source	Membership status			
	Active	Paid	Delinquent	All
		inactive	inactive	
<u>Pesos</u>				
Farm	2, 185	2, 337	1, 075	1, 617
Nonfarm	1, 721	1, 207	1, 223	1, 402
Employment on other farms	65	74	30	48
Nonemployment	34	16	4	16
Total	4, 005	3, 634	2, 332	3, 083
<u>Percent</u>				
Farm	48	65	46	53
Nonfarm	50	33	53	46
Employment on ) other farms )	2	1	1	1
Nonemployment )				
Total	100	100	100	100

The average expenses of the members studied was P2, 970 (Table 11). Seventy-two percent, or P2, 134, of this amount was spent for living purposes. Farm operating expenses constituted only 16 percent of the total cash expenses. Including the farm capital investment and maintenance expenditures of P105, the total farm cash expenses made up only 20 percent of the total expenses. Living expenses, therefore, was over three and one-half times bigger than the expenses for the farm business. Expenses incurred as a result of serious illness, accidents, deaths, loss of work

Table 11. Summary of cash expenses, 262 rice FaCoMa members, 1965-1966

Items	Amount (pesos)	Percent
Living expenses	2, 134	72
Farm operating expenses	479	16
Farm capital investments	105	4
Unusual expenses	251	8
Total	2, 970	100

animal, and the like, classified here as unusual expenses, averaged P251 or eight percent of all the expenditures.

Food was the major living expense item. The average expenditure for this item alone was 40 percent, or P1,066, of the total living expenses (Table 12). Expenditures for education, which averaged P407, and for clothing which averaged P209, made up 19 percent and 10 percent, respectively, of the total living expenses. All other expenses, which ranged from P40 for recreation to P171 for miscellaneous purposes constituted 23 percent.

The major item of expenditure for the farm business was labor. Hired labor alone amounted to P193 or one-third of the total farm cash expenses. Including food for this hired labor, and hired animal labor, the total labor expenses constituted one-half of the total farm operating expenses.

Other important farm operating expenses were feed and fertilizer. Expenditures for these items were P126 and P59, or

Table 12. Living expenses, 262 rice FaCoMa members, 1965-1966

Item	Amount (pesos)	Percent
Food	1, 007	47
Education	407	19
Clothing	209	10
Transportation	88	4
House repair	82	4
Normal medical	65	3
Fiesta	65	3
Recreation	40	2
Miscellaneous	171	8
Total	2, 134	100

22 percent and 10 percent, respectively, of the total farm cash expenses. All other operating expenses were minor in importance.

Expenditure for capital investment and maintenance was low, the average being P105 or only 18 percent of the total cash expenditures for the farm business (Table 13).

Shown in Table 14 are the differences in the total cash expenses among members grouped according to membership status. Non-delinquent groups, the active and paid inactive members, had almost the same total cash expenses, the average amount being P3, 774 for the former and P3, 627 for the latter. Delinquent inactive members' total cash expenses averaged P2, 317.

Delinquent inactive members had the lowest living expenses, the average being P1, 720, as compared to P2, 636 and P2, 435 for active members and paid inactive members, respectively. Food

Table 13. Farm cash expenses, 262 rice FaCoMa members, 1965-1966

Item	Amount (pesos)	Percent
Labor		
Hired man labor	193	33
Food for labor	28	5
Hired animal labor	16	3
Subtotal	237	41
Other operating expenses		
Feed	126	22
Seed	9	1
Fertilizer	59	10
Insecticide	10	2
Irrigation fee	17	3
Taxes	13	2
Miscellaneous	9	1
	242	41
Total operating expenses	479	82
Capital investment and maintenance, and tools and equipment bought	18	3
Work stock, and poultry and livestock bought	79	14
Building and fencing materials	8	1
Subtotal	105	18
TOTAL	584	100

Table 14. Summary of cash expenses by membership status, 262 rice FaCoMa members, 1965-1966

Item	Membership status		
	Active	Paid inactive	Delinquent inactive
		Pesos	
Living expenses	2, 636	2, 435	1, 726
Farm expenses	768	931	386
Unusual expenses	370	261	205
Total	3, 774	3, 627	2, 317
-----			
Item	Percent		
	Active	Paid inactive	Delinquent inactive
		Percent	
Living expenses	70	67	72
Farm expenses	20	26	20
Unusual expenses	10	7	8
Total	100	100	100

expenditure of delinquent members amounted to only P918, as compared to P1,066 for active members and P1,234 for paid inactive members. Expenses for education of active members averaged P548 while that of paid inactive members and delinquent inactive members averaged only P334 and P324, respectively (Table 15).

Nondelinquent groups, the active and paid inactive members, had higher farm cash expenses, the average amount being P627 and P827, respectively, than the delinquent members who had only P386 (Table 16).

Table 15. Living expenses by membership status, 262 rice FaCoMa members, 1965-1966

Item	Membership status		
	Active	Paid	Delinquent
		inactive	inactive
		<u>Pesos</u>	
Food	1, 066	1, 234	918
Education	548	334	324
Clothing	266	281	154
Transportation	102	100	75
House repair	92	91	74
Normal medical	70	81	58
Fiesta	86	102	44
Recreation	64	85	15
Miscellaneous	342	127	63
Total	2, 636	2, 435	1, 726
-----			
	Percent		
Food	40	51	53
Education	21	14	19
Clothing	10	11	9
Transportation	4	4	4
House repair	4	4	4
Normal medical	3	3	3
Fiesta	3	4	3
Recreation	2	3	1
Miscellaneous	13	5	4
Total	100	100	100

Table 16. Farm cash expenses by type of membership, 262 rice FaCoMa members, 1965-1966

Items	Membership status		
	Active	Paid	Delinquent
		inactive	inactive
		<u>Pesos</u>	
Labor			
Hired man labor	277	227	129
Food for labor	28	50	23
Hired animal labor	19	37	10
Subtotal	324	314	162
Other operating expenses			
Feed	128	364	74
Seed	15	10	4
Fertilizer	93	102	27
Insecticide	18	15	5
Irrigation fee	21	34	10
Taxes	22	14	7
Miscellaneous	6	20	8
Subtotal	303	559	135
Total operating expenses	627	873	297
Capital investment and maintenance, tools and equipment bought	33	5	10
Work stock, and poultry and livestock bought	94	43	76
Building and fencing materials	14	10	3
Subtotal	141	58	89
TOTAL	761	931	386



## Income Position

Depending upon the factor or factors of production for which a measure of return is desired various measures may be used in the determination of income. Disposable income or cash income as a measure of returns to the factors of production was used in this study.

### Family net cash income

Family net cash income is measured by deducting farm operating expenses from the total cash receipts. It is technically, therefore, the amount available for family living, for capital investments, for savings, and for payment of debts. Sacay (9, p. 104) states that family net cash income is considered by others as a poor measure of income from farming because it may represent decreases in inventory, returns to large investments, nonfarm income, and unpaid labor. He maintains, however, that it is of interest in the study of farm credit, since it represents disposable income over and above the cost of farm operation.

In this study, active members had the highest family net cash income among the three groups, the average being P3, 378, as compared to the P2, 761 for paid inactive members and P2, 035 for the delinquent inactive members. Table 17 also shows that nondelinquent members, the active, and paid inactive, had higher

Table 17. Family net cash income by membership status, 262 rice FaCoMa members, 1965-1966

Membership status	Amount (Pesos)
Active	3, 378
Paid inactive	2, 761
Delinquent inactive	2, 035
All	2, 064

family net cash income than the delinquent members.

#### Net income

Net income is the amount left after deducting farm operating expenses and living expenses, the first claimants on gross income. It represents the amount available for the next priority items like capital investments and settling carry-over debts.

It is in the analysis of the capacity of members to settle carry-over debts, especially of the delinquent inactive members who had an average outstanding loan of P202 from the FaCoMa, that the application of net income is of special interest. These debts were incurred to defray farm operating and living expenses but were not repaid during the years they were used. Hence items from the proceeds of the loans had been used up or were already lost. It is clear, therefore, that repayment of these loans without unfavorably affecting the ability of member-borrowers to carry on farming

operations can only be made if members realized enough net income.

In this study, net income of active members averaged P742, while that of the paid inactive members and the delinquent inactive members amounted to P309 and P301, respectively. The average for all members was P470 (Table 18). Their carry-over debts at the beginning of the year was P764, 66 percent, or P505 of which remained unpaid at the end of the crop year 1965-1966. Considering these figures, members on the average, therefore, could not have settled their old debts even if they did not incur unusual expenses. Actually, only the active members on the average, could have settled their old debts of P533. Delinquent inactive members with net income of only P301, even without having incurred unusual expenses, could not have settled their old debts still unpaid at the end of the year which amounted to P529. In fact, they did not make any payment at all for their long outstanding accounts in their cooperatives. Paid inactive members, also, even without having incurred unusual expenses, could not have settled all their unpaid old debts of P309 at the end of the year.

Table 18. Net income by membership status, 262 rice FaCoMa members, 1965-1966

Membership status	Amount (Pesos)
Active	742
Paid inactive	326
Delinquent inactive	309
All	470

### Credit situation

#### Use of credit

Credit financing of farm operation and family living is not uncommon among farms of developed countries. In an underdeveloped country like the Philippines, where farms are small and yields are low, credit financing is also widely resorted to by farmers. In fact, it assumes a greater importance in a region like Central Luzon where there is dependence on only one crop a year. Muere (3, p. 137) states that "the use of credit is both customary in the case of store credit for essential consumption and an economic necessity for maintenance or replacement of capital equipment as they wear out, and improvement or change, and also for farm operating expenses. In the case of 'amor propio' and rooted traditions of fiesta celebration, baptism and weddings of sons or daughters and for social and ceremonial amenities, credit is obtained from close friends, relatives, and money lenders even

though such would mean a debt burden in the months ahead. In addition, credit for subsistence is not uncommon in the rural areas especially during the lean months between planting and harvesting seasons." Findings of independent studies bear this out. McMillan and Rivera (8, p. 101) reported that in 1952, 89 percent of the 749 farmers interviewed in Central Luzon borrowed during the crop year ending in 1952. According to de Guzman (1, p. 478) 74 percent of 5,144 farmers studied in 25 provinces obtained some form of credit for food, clothing, supplies and for farming. Gapud (2, p. 280) reported in 1959 that practically all of the farmers included in his study obtained short-term loans with more than four-fifths of them availing themselves of store credit aside from short-term loans. S acay (9, p. 107) reported that 87 percent of 400 ACCFA crop loan borrowers included in his study used credit during the crop year 1957-1958. He reported an average loan amount of P348 per farmer or P402 per individual borrower.

In this study, 81 percent of the 262 FaCoMa members obtained credit for farm, living, and other unclassified purposes during the crop year 1965-1966. The average amount of loan per member was P690 or P857 per borrower. This amount represented slightly over 23 percent of the total cash expenditures during the year.

Relatively more active members than inactive members

obtained loans during the year. Ninety-one percent of them obtained loans from various sources compared to only 78 percent of the delinquent inactive members and 62 percent of the paid inactive members. Also, loans of active members were bigger than the loans of the inactive groups, the average being P1,175 compared to P447 for delinquent inactive members and P254 for the paid inactive members (Table 19).

Table 19. Percent of members who used credit during the year and amount borrowed by membership status, 262 rice FaCoMa members, 1965-1966

Membership status	Percent of members	Average amount borrowed (Pesos)
Active	91	1, 174
Paid inactive	62	254
Delinquent inactive	78	447
All	81	690

The dependence on credit for financing various needs is also reflected in the number of members who had outstanding accounts at the beginning of the crop year. Sacay (9, p. 107) reported that 78 percent of the 400 crop loan borrowers included in his study had outstanding obligations at the start of the crop year 1957-1958. The reported average amount of these carry-over debts was P276.

In this study, 60 percent, or 156, of the 262 FaCoMa members had outstanding obligations at the start of the crop year 1965-1966.

The average amount of unpaid loans at the beginning of the year, as mentioned earlier, was P764. Delinquent members had the highest carry-over debts, the average amount being P811 compared to P791 for active members and P442 for paid inactive members (Table 20). Actually, all delinquent inactive members, by definition in this study, had carry-over debts. They still owed their cooperatives an average amount of P202 when they became inactive.

Table 20. Percent of members with outstanding loans at the beginning of the year and amount of loans, 262 rice FaCoMa members, 1965-1966

Membership status	Percent of members	Average amount (Pesos)
Active	13	791
Paid inactive	34	442
Delinquent inactive	100	811
All	60	764

#### Classification of loans

An attempt was made to classify loans according to purpose for which they were put into use. During the year, 331 loans were obtained by the 262 members and each loan was used for one or more of the purposes classified here as living, production, and other unclassified purposes.

Fifty-two percent of the reported purposes for which loans

were used were classified as "living purposes" (Table 21). The two most important under this category were subsistence and education.

Table 21. Purposes of 331 loans obtained during the year, 262 rice FaCoMa members, 1965-1966

Purpose	Percent of total number of purposes
<u>Living:</u>	
Subsistence	36
Medical	2
Education	10
Unusual expenses	4
Subtotal	52
<u>Production:</u>	
Farm operating expenses	33
Farm capital maintenance and investment	12
Subtotal	45
<u>Unclassified:</u>	
Miscellaneous	3
Subtotal	3
All	100

Forty-five percent of the reported purposes for which loans were used was classified as production: 33 percent farm operating and 12 percent capital investment and maintenance.

Three percent of the reported purposes for which loan proceeds



were used was difficult to classify. Some loans were used for both farm and home and for payment of debts. Some loan proceeds were loaned to others.

Table 22 shows the relative importance of different purposes for which loans were obtained by members grouped according to status of membership.

Table 22. Purposes of 331 loans obtained during the year by membership status, 262 rice FaCoMa members, 1965-1966

Purpose	Membership status		
	Active	Paid inactive	Delinquent inactive
<u>Percent of total number of purposes</u>			
Living	40	56	62
Production	58	28	36
Unclassified	2	16	2
All	100	100	100

No figure on loan classification according to period is given here. Most loans were obtained for farm operations and living purposes and therefore considered as short-term loans. The occurrence of unpaid debts at the end of the year, however, shows that the terms of the loans have changed although the effects of their use were only for the season or the year they were obtained.

Classified according to type, 85 percent of the 331 loans obtained by members were in cash, 9 percent in kind, and 6 percent in both cash and kind. Consumption goods, mostly rice, and

farm supplies, mostly fertilizer, were those obtained in kind.

### Sources of loans

The sources of loans of members were classified as to whether they were registered or unregistered lenders.

Table 23 shows that unregistered lenders, such as landlords, farmers, merchants, private individuals, and relatives, provided 58 percent of the total number of loans. This number of loans, however, represented only 43 percent of the total volume. Registered lenders, such as the FaCoMa, banks, and other institutions like insurance companies, credit unions, etc., provided 57 percent of the total volume of loans.

Table 23. Sources of 331 loans obtained during the year, 262 rice FaCoMa members, 1965-1966

Source	Percent of number of loans	Percent of volume of loans
<u>Unregistered sources;</u>		
Landlord	21	10
Farmer	5	3
Merchant	4	4
Private individuals	18	18
Relatives	10	8
Subtotal	58	43
<u>Registered sources:</u>		
FaCoMa	26	38
Bank	15	18
Other registered sources	1	1
Subtotal	42	57
TOTAL	100	100

Among the unregistered lenders, landlords gave the most number (26 percent) of loans. Private individuals, however, provided the highest (18 percent) in terms of amount.

FaCoMas were the most important sources of credit among the registered lenders. They loaned 26 percent of the total number of loans representing 38 percent of the volume of loans.

Table 24 gives the differences in the sources of credit of members grouped according to membership status. Active members generally obtained relatively more loans, both in terms of number and amount, from registered sources. Seventy-four percent of the number of their loans amounting to 80 percent of the volume of credit used during the year came from these sources. The major sources, in their case, were the FaCoMas. Inactive members, on the other hand, depended much on unregistered lenders for their credit needs. In the case of delinquent inactive members only 18 percent of their loans, amounting to 23 percent of the volume of credit used, during the year came from registered sources. In the case of paid inactive members, the proportion coming from registered sources, in terms of number and volume, was even lower.

#### Security and interest

Loans coming from registered sources were all secured by

Table 24. Sources of 331 loans obtained during the year by membership status, 262 rice FaCoMa members, 1965-1966

Membership status	Source			
	Unregistered		Registered	
	% of No. of loans	% of volume of loans	% of No. of loans	% of volume of loans
Active	26	20	74	80
Paid inactive	88	90	12	10
Delinquent inactive	82	77	18	23
All	58	43	42	57

either real estate, chattel mortgages or promissory notes. Fifty-eight percent of the total number of loans were unsecured. They were loans granted by unregistered leaders solely on the basis of confidence.

Interest rates of loans granted by registered lenders ranged from 6 to 12 percent. Loans obtained from unregistered sources were usually without interest if they came from relatives and friends. Those coming from landlords, merchants, and professional money lenders were usually charged actual or hidden interest beyond the legal limit.

#### Repayment

- a. Of loans obtained during the crop year 1965-1966.

Of the 331 loans obtained during the year, 56 percent were fully repaid, while 34 percent were only partially paid. No repayment was made on 8 percent of the loans.

In terms of amount, of the P690 obtained during the year, 70 percent, or P480, was repaid. Active members repaid 87 percent of what they obtained during the year. Paid inactive members and delinquent inactive members repaid only 46 percent and 39 percent, respectively (Table 25).

Table 25. Repayment of 331 loans obtained during the year by membership status, 262 rice FaCoMas members, 1965-1966

Membership status	Amount repaid	Balance	Percent repayment
	<u>Pesos</u>	<u>Pesos</u>	
Active	1,026	149	87
Paid inactive	117	137	46
Delinquent inactive	176	271	39
All	480	210	70

b. Of outstanding loans at the beginning of the year.

Generally, members made higher repayment on loans that they obtained during the year than on their old debts or loans that were outstanding at the beginning of the year. These carry-over debts, as indicated earlier, amounted to P764 per member, only 34 percent, or P259, of this amount was repaid during the year.

Table 26 shows that members grouped according to membership

status had almost the same repayment performance for this particular account.

Table 26. Repayment of loans outstanding at the beginning of the year by membership status, 262 rice FaCoMa members, 1965-1966

Membership status	Amount repaid	Balance	Percent repayment
	<u>Pesos</u>	<u>Pesos</u>	
Active	258	533	33
Paid inactive	142	300	32
Delinquent inactive	282	529	35
All	259	505	34

c. Total payment made during the year.

As indicated above, aside from the outstanding accounts of P764 at the beginning of the year 1965-1966, members obtained an average amount of P690 during the year. Their total obligations outstanding during the year, therefore, amounted to P1,454. A total payment of P739 was made out of the year's income. Sixty-six percent of this amount, or P480, was for the repayment of loans obtained during the year and the remainder, P259, was used for settling some of the old debts.

The members, therefore, at the end of the year had average outstanding accounts of P715, the difference between P1,454 and P739. Comparison between this amount (P715) and the amount outstanding at the beginning of the year (P764) shows that members

were able to reduce their total indebtedness by only P49. On the average, active members were able to reduce their total indebtedness by P109, paid inactive members by P5, and delinquent inactive members by P11. Table 27 shows the carry-over debts at the beginning of the year and the amount of unpaid debts at the end of the year.

Table 27. Amounts outstanding at the beginning and ending of the year by membership status, 262 rice FaCoMa members, 1965-1966

Membership status	Beginning (P)	Ending (P)
Active	791	682
Paid inactive	442	437
Delinquent inactive	811	800
All	764	715

Some Ideas and Knowledge, Attitudes,  
and Experience of Members Relative  
to Their Cooperatives

This section deals with the description of some cooperative experiences, ideas and knowledge, and attitudes of members with regard to the credit operation of their FaCoMas. Members' suggestions, problems and complaints were ascertained so that FaCoMas management and other officials may be guided accordingly.

Reasons for joining the cooperatives

FaCoMas are marketing organizations. As such, therefore, they need sufficient volume of business to be able to have a successful operation. However, only 13 percent of all the members joined their cooperatives for marketing purposes. These members were the only ones who knew that it was the obligation of members to patronize the marketing services of their cooperatives. To the other members, especially those who joined in the early years of cooperative organization, the main incentive for becoming members was the opportunity to get loans. Seventy-nine percent of the total membership studied joined their associations for this purpose. To most of these members patronage of the cooperative marketing services depended very much upon the success of the credit operation of their associations and whether or not they could purchase subsidized fertilizer. Other members (5 percent) joined their cooperatives for



some reason or another like "attracted to cooperative movement" and "told by landlord to become members" (Table 28).

Table 28. Reasons for joining the FaCoMa by membership status, 278 rice FaCoMa members, 1965-1966

Reason	Active	Paid	Delinquent	All
		inactive	inactive	
		Percent		
To get loan	78	79	81	79
To market produce	10	15	13	13
To get low cost fertilizer	4	2	3	3
Others*	8	4	3	5
All	100	100	100	100

\*Attracted to cooperative movement, told by landlords to join the cooperatives.

It is apparent from the above that to most of the members their ties with their cooperatives were just temporary. They would market their produce through their association only when they could get loans and be able to repay such loans. In fact, approximately 32 percent of all the members stopped marketing or did not market at all their produce through the FaCoMas after having been granted their first loans.

Sufficient volume of business, however, can only be assured if there is permanence of ties of members with their associations. Efforts, therefore, should be made to make members understand or realize that their FaCoMas are marketing business organizations,

the success of operation of which depends very much upon their patronage. These efforts should be directed especially to the inactive members who would like to be active again.

#### Knowledge or understanding of the procedures in obtaining loans from the FaCoMa

All members included in the study had obtained loans from their associations. On the average they had gone through applying for loans from their cooperatives 3.5 times. Thirty-seven percent, mostly inactive members, however had obtained loans only one time. Another 18 percent had borrowed only two times. It is among these groups of members where knowledge or understanding of the loaning procedures of the FaCoMas was still lacking. Table 29 shows that only 30 percent of the delinquent inactive members and only 40 percent of the paid inactive members knew the loaning procedures of their associations. Only 8 percent of the active members, mostly first time borrowers, did not completely understand yet the steps in obtaining loans from their associations.

#### Timeliness of loan release

One measure of the efficiency of service of a lending institution is the ability to release loan funds in time of need of the borrower. It is very often in this aspect of service that registered lenders

Table 29. Percent of members with knowledge of the procedures in obtaining loans from the FaCoMa by membership status, 278 rice FaCoMa members, 1965-1966

Membership status	Percent
Active	92
Paid inactive	40
Delinquent inactive	30
All	53

lose out to the unregistered sources of credit in the rural areas. The latter are always "there when needed" and have the necessary flexibility to lend or release loan funds at the time of need of the borrowers. Many registered sources, however, do not have the flexibility of their unregistered competitors.

One of the serious problems in the loaning operation of the FaCoMas during the initial implementation of the ACCFA credit program was the delay in the release of loan funds. Because the first release was usually for seed and land preparation, members experiencing late releases had to borrow from outside sources for these purposes. Sacay (9, p. 186) reported that 43 percent of the 400 ACCFA crop loan borrowers included in his study in 1957-1958 experienced late releases. Seventy-five percent of those whose releases were delayed had to borrow from outside lenders, usually unregistered sources, who charged higher interest. There were some evidences in his study that this delay may have unfavorably

affected repayment.

In this study, only 25 percent of the members reported actually experiencing late releases of the last loans that they obtained from their associations. Table 30 indicates that there seems to be an improvement in the ability of the FaCoMas to release loan funds in time. Only 15 percent of the present borrowers (the active members) experienced late releases. Thirty percent, on the other hand, of the inactive members or past borrowers reported a delay in the release of their last loans.

Three-fourths of the active members whose loan releases were late had to borrow from other lenders. For the inactive groups the corresponding figure was 33 percent for paid inactive members and 64 percent for the delinquent inactive members. (Table 31)

#### Adequacy of loans granted

Fifty-eight percent of all the members reported that the last loans they obtained from their FaCoMas were adequate enough for their needs (Table 32).

The proportion of present borrowers or active members who felt they were granted adequate loans, however, was much below average. Only 44 percent of them reported that their last loans were large enough. In fact, during the year only 61 percent of their total credit needs came from the FaCoMa.

Table 30. Percent of members who experienced late releases of last loans by membership status, 278 rice FaCoMa members, 1965-1966

Membership status	Percent
Active	15
Paid inactive	30
Delinquent inactive	30
All	25

Table 31. Percent of members given late releases who had to borrow from other sources by membership status, 69 rice FaCoMa members, 1965-1966

Membership status	Percent
Active	75
Paid inactive	33
Delinquent inactive	64
All	62

Table 32. Adequacy of loans granted by membership status, 278 rice FaCoMa members, 1965-1966

Membership status	Adequate	Inadequate
Active	44	56
Paid inactive	63	37
Delinquent inactive	63	37
All	58	42

Even then, this represents an improvement over the 48 percent of the total credit needs supplied to active members studied by Sacay in 1957-1958 (9, p. 166).

Most inactive members felt that they were granted loans adequate for their needs, the proportion reporting receiving inadequate loans being only 37 percent. For delinquent inactive members, FaCoMas may even have been granting loans much greater than their needs and perhaps beyond their capacities to repay.

#### Problems encountered in applying for loans from the FaCoMas

When asked of the problems encountered in applying for their last loans, 81 percent of all the members indicated that they did not have any (Table 33).

While 25 percent of the members experienced a delay in the release of loan funds only 10 percent considered it a problem. Ten percent felt that they incurred expenses not commensurate to the size of the loans granted to them.

#### Willingness to borrow again from the FaCoMa

Seventy-eight percent of all the members expressed willingness to borrow again from their FaCoMas (Table 34). Because of the tie-up between the credit and marketing operations of the FaCoMas this means that they were willing to market their produce through

Table 33. Problems in applying for loans in the FaCoMa by membership status, 274 rice FaCoMa members, 1965-1966

Problem	Active	Paid inactive	Delinquent inactive	All
	<u>Percent</u>			
Late release	5	13	13	10
Inadequate amount	13	10	7	9
None	82	87	80	81
All	100	100	100	100

Table 34. Willingness to borrow again from the FaCoMa by membership status, 274 rice FaCoMa members, 1965-1966

Membership status	Percent of members willing
Active	91
Paid inactive	53
Delinquent inactive	74
All	78

their associations and, in effect, becoming active again, on the part of those who have been inactive for a number of years.

Among the present borrowers or active members, 9 percent indicated that they would not like to borrow again. All those who indicated willingness to borrow again would even like to concentrate their credit needs in their associations.

Among paid inactive members only 53 percent expressed willingness to use the credit facilities of the FaCoMas again.

Seventy-four percent of the delinquent inactive members expressed the same willingness. However, they have to settle their outstanding obligations first before they can apply for another loan.

Most of the reasons cited for willingness to continue using the credit facilities of their cooperatives could be translated into liberal nature of FaCoMa loans. For instance, 60 percent of those willing cited low interest and 30 percent cited ease of borrowing and no collateral requirements as their reasons (Table 35).

Table 35. Reasons cited for willingness to borrow again from the FaCoMa by membership status, 213 rice FaCoMa members, 1965-1966

Reason	Percent
Low interest	60
No collateral requirement	30
To supplement other credit sources	7
To avail use of FaCoMa facilities	3
All	100

Those who indicated unwillingness to borrow again mentioned the following reasons: 1) can manage with own capital, 2) old age, will retire, 3) unfavorable experience with the FaCoMa, 4) no definite income, no capacity to pay, 5) cannot meet deposit requirement, 6) can borrow from relatives. Some did not have any reason why they would not like to borrow again from their associations.



On repayment of FaCoMa loans: reasons for delinquency

As mentioned in an earlier section, delinquent inactive members owed their associations an average amount of P202. Most of these loans were wholly unpaid while some were partially paid.

These members cited various reasons for their inability to make even partial payments on or to fully settle their obligations due their cooperatives. Thirty-four percent specifically cited crop failure due to drought, flood, and other natural causes as the reason for nonpayment of the loans that they obtained (Table 36). Eighteen percent reported that they just did not have the capacity to pay. Twelve percent said they incurred unusually large expenditures and 6 percent had too many outside obligations and felt it proper to settle them first before making payments on their FaCoMa loans. Some of the reasons, however, seem to be outside of the ability of the members to repay their loans. For instance, 17 percent reported not making payments because of loss of confidence on the management of their cooperatives. Four percent reported that their FaCoMas stopped operation and the same proportion of members thought that their loan balances could be covered by what they had contributed to their associations. Five percent cited miscellaneous reasons (made payments to the landlords, paid to the manager, and other FaCoMa officials).

Asked when they could possibly settle this outstanding obligation,

87 percent of the delinquent members said they were not sure because they did not have the capacity to repay. Five percent said they could make payments any time. Another five percent indicated they would pay their loans if the FaCoMas would make reports on their financial condition. Three percent deposited palay in the FaCoMa warehouse but proceeds from sale of such deposits was apparently not applied to the loans of the depositors.

Table 36. Reasons for delinquency, 151 rice FaCoMa members, 1965-1966

Reason	Percent
Crop failure	34
No capacity to repay	18
Loss of confidence on management	17
Incurred unusual expenses	12
Too many outside obligations	6
Operation of FaCoMa stopped	4
Thought that share of stock could cover loan balance	4
Others (paid to landlords, paid to FaCoMa officers but payment not recorded)	5
All	100

#### Attitudes toward FaCoMa loans

Loans granted by FaCoMas was government money. Knowing this, 31 percent of all the members expected leniency from the government in the collection of their loans. This is understandable on the part of those who became delinquent and did not have the

capacity to repay their loans. But even among the present borrowers or active members almost one-fourth expected leniency on the part of the government in case they fail to pay their loans.

This attitude may have been reinforced by the laxness of the FaCoMa collection efforts. While the delinquent loans had been outstanding on the average of over five years, almost one-half (46 percent) of the delinquent members had been visited only once. Twenty-one percent had been visited only twice. In fact, during the year before the interview only 63 percent of them were visited for collection purposes. Twenty-four percent did not even receive collection letters.

Moreover members did not seem to have the knowledge that as owners of the FaCoMas they had limited amount of joint liability in connection with their loans. In fact, knowledge of the ownership of the FaCoMa was very limited; only 45 percent of all the members knew that members were the owners of the cooperative associations. Twenty-five percent just did not have any idea at all of the ownership. Twenty percent thought FaCoMas were government organizations and 10 percent indicated that managers and other FaCoMa officials, such as directors and treasurers, were the owners of the FaCoMas (Table 37).

The greatest knowledge of the real ownership of the FaCoMas was among the active members. However, 46 percent of them

Table 37. Knowledge of ownership of FaCoMa by membership status, 278 rice FaCoMa members, 1965-1966

Owner	Membership status			All
	Active	Paid	Delinquent	
		inactive	inactive	
		<u>Percent</u>		
Members	54	30	43	45
Government	15	20	23	20
Manager	6	20	4	7
Other FaCoMa officials	5	7	1	3
Did not know	20	23	29	25
All	100	100	100	100

either did not have any idea at all of the ownership or had the mistaken idea that FaCoMas were owned by the government and officials of the cooperatives.

Among the inactive members, the paid inactive group had the least idea of cooperative ownership; less than one-third of them knew that the members owned the FaCoMas. Forty percent of them attributed ownership to the government and FaCoMa officials. Delinquent inactive members had the highest proportion of those who did not have any idea (29 percent) and those who attributed ownership to the government (23 percent).

### Complaints

Sixty-one percent of all the members did not have any complaints in connection with the loaning operation of their FaCoMas. (Table 38)

Table 38. Complaints of members by membership status, 278 rice FaCoMa members, 1965-1966

Complaint	Membership status			All
	Active	Paid	Delinquent	
		inactive	inactive	
		<u>Percent</u>		
Late release	5	13	13	10
Small loan	13	10	7	9
Lack of information	5	3	14	10
Poor management	5	10	7	7
Favoritism, politics, discourteous employees	--	7	5	3
No complaints	72	57	54	61
All	100	100	100	100

One fifth-mentioned late releases and inadequate loans as their major complaints. The rest complained of lack of information and poor management, favoritism, politics and discourteous employees.

Among the present borrowers or active members, only 28 percent had complaints, the majority of which were in connection with inadequacy of loans granted and delays in loan release.

#### Suggestions to improve FaCoMa loaning activities

When asked with regard to the ways of improving FaCoMa loaning operations, 44 percent did not make any suggestions. This may indicate lack of interest on the part of these members or that they were satisfied with the credit services provided by their

associations.

Sixteen percent gave quite a general suggestion, namely, efficient management. Other suggestions in the order of importance were, 1) timely release of loan, 2) intensive loan collection, 3) regular information, and 4) adequate loans.

Among the present borrowers or active members the most important suggestions were in connection with loan collection efforts and with management (Table 39).

Table 39. Suggestions with regard to FaCoMa loaning operation by membership status, 278 FaCoMa members, 1965-1966

Suggestion	Membership status			All
	Active	Paid	Delinquent	
		inactive	inactive	
		Percent		
Efficient management	14	17	17	16
Timely loan release	10	20	13	12
Intensive loan collection	16	--	9	10
Regular information	4	--	13	9
Adequate loan	12	10	7	9
No suggestion	44	53	41	44
All	100	100	100	100

## More on Farming Activity

### Production: Members' share

Productive capacity is of special interest in the study of cooperative membership because it is related to the potential amount of business members can contribute to the operation of the cooperatives. In the case of FaCoMa credit operation, productive capacity is one of the bases of extension of crop production loans. It is calculated on the basis of the previous year's production. An allowance for home consumption of 4.4 cavans (a cavan is equal to 44 kilograms of dried unhusked rice) palay per capita over two years of age and other liens are deducted from a member's share and the remainder, called "marketable surplus" or the amount a member can presumably market, is used as the determinant of the size of the crop production loan a member or a member-applicant can obtain. The maximum limit of loan amount is 60 percent of the value of the pledged marketable surplus of the member. Production information is useful, therefore, in the determination of:

- 1) the number of cavans of palay a member can possibly market through the FaCoMa, and 2) the size of crop production loan he can obtain.

In this study the average production per farm was 158.96 cavans. Thirty-two percent (51.05 cavans) was used as payment

for land rent (landlord's share), 10 percent (16.56 cavans) was used as payment for services (harvesting and threshing), and 3 percent (4.04 cavans) was set aside as seed for the next crop season. The remainder, which averaged 87.31 cavans, was the share of members. This represented 55 percent of their total production.

Active members had the highest share, the average being 109.15 cavans. Paid inactive members had only 96.83 cavans while delinquent inactive members had only 78.02 cavans (Table 40).

Members, however, indicated that they could still increase their production on the average of 21.71 cavans per hectare through proper fertilization, adequate irrigation, control of pests and diseases, use of high-yielding varieties and other improved farm practices (Table 41)

#### Adoption of some selected farm practices

Table 42 shows the extent of adoption by members studied of four selected practices in connection with rice farming. Use of fertilizer and farm chemicals were relatively widely adopted. However, only a little over one-half of the members studied were using certified seed and only 15 percent were practicing straight row planting.

Generally, relatively more active members than inactive members had adopted the four selected practices, the difference



Table 40. Production and member's share per farm by membership status, 262 rice FaCoMa members, 1965-1966

Item	Membership status			
	Active	Paid inactive	Delinquent inactive	All
<u>Cavans</u>				
Member's share	109.15	96.83	73.02	87.31
Land rent*	63.71	46.06	46.45	51.05
Service payment	22.84	12.76	16.40	16.56
Seed	4.56	3.78	3.35	4.04
Total	200.26	159.43	139.22	158.96
<u>Percent</u>				
Member's share	54	61	52	55
Land rent*	32	29	33	32
Service payment	11	8	12	10
Seed	3	2	3	3
Total	100	100	100	100

\*Refers to share of tenants in case members were landlords.

Table 41. Ways of increasing production, 258 rice FaCoMa members, 1965-1966

Ways	Percent of members*
Proper fertilization	62
Adequate irrigation	46
Pest and disease control	17
Use of high-yielding variety	6
Mechanization, weeding, and other recommended practices	28

\*Some members cited more than one way.

Table 42. Adoption of some selected farm practices by membership status and tenure, 262 rice FaCoMa members, 1965-1966

Practices	Membership status			
	Active	Paid	Delinquent	All
		inactive	inactive	
		Percent of members		
Using fertilizer	93	76	80	84
Using farm chemicals	85	55	69	73
Using certified seeds	59	45	54	55
Straight-row planting	19	14	12	14

in the rate of adoption being more marked for the first two practices than the last two practices.

#### Reasons for nonadoption of some practices

As indicated above, only a little over one-half of the members studied were using certified seeds. Their reasons for nonadoption had something to do mostly with availability of certified seeds. For instance, while they were perhaps aware of the advantage of using certified seeds and therefore willing to adopt such practice, 40 percent reported they did not know where to get their supply and another 31 percent reported that if there were any supply at all, it was not available most of the time. (Table 43) Another important reason had something to do with decision making. In the case of 25 percent of the tenants, or 17 percent of the members not using certified seeds, decision on what kind of seed to use rested

on the landlords. High cost of certified seeds was cited by 6 percent of the members as their reason for nonadoption. Some reported that they were doing their own seed selection.

Table 43. Reasons of 119 rice FaCoMa members for not adopting the use of certified seed, 1965-1966

Reason	Percent of members
Did not know the source	40
Not available	31
Landlord decided what to use	17
High cost of seed	6
Selecting own seed in the crop	6
All	100

Reasons of 85 percent of members for nonadoption of straight-row planting are given in Table 44. The data indicate the lack of experience among members and the available labor in their communities in straight-row planting. Forty-three percent of those not practicing this innovation reported that the method was laborious and therefore expensive. Twenty-nine percent specifically cited not knowing the technique. Another important reason as cited by 18 percent of those not practicing was the inadequate irrigation on their farms. Some reported that it was their landlords that decided on the method of planting to be used. This was mentioned by 8 percent of those not practicing the method.

Table 44. Reasons of 223 rice FaCoMa members for not adopting the practice of straight-row planting, 1965-1966

Reasons	Percent of members *
Laborious and expensive	43
Did not know the technique	29
Inadequate irrigation	18
Landlord's decision	8
Got same yield	7
Topography of farm not suitable	4

\*Some members cited more than one reason

#### Problems on the farm

Given in Table 45 are the important problems that members had in relation to their farming activity. Irrigation problem, as reported by 62 percent of the members, was the most important. Either there was no irrigation or irrigation was inadequate, making the raising of second crop impossible and the adoption of some recommended practices not feasible. Eighteen percent reported fertilizer problem--referring to nonavailability of low cost fertilizer in the market. Another 18 percent mentioned pest and disease control problem. Fifteen percent reported credit problem. To delinquent members this refers to their inability to get loans from their associations on account of their delinquency. To the active members, as mentioned earlier, this refers to the inadequacy of what they can obtain from their associations. Other problems like price fluctuations, small size of farm, tenancy, weed control

and lack of good roads were mentioned by 9 percent of the members.

Two percent of the members did not report any problem.

Table 45. General farm problems, 262 rice FaCoMa members, 1965-1966

Problem	Percent of members*
Irrigation	62
Fertilizer	18
Pest and disease	18
Credit	15
Other**	9
Did not report	2

\* Some members reported more than one problem.

\*\* Price fluctuation, small size of farm, tenancy, weed control, lack of good roads, nonavailability of certified seeds.

## SUMMARY AND CONCLUSIONS

Rice farmers' cooperative marketing associations in the Central Plain of Luzon have been given an important role to play in the land reform programs; they have been scheduled to be the main instrument through which the bulk of the government's credit assistance to the farmers is to be channeled. Most of these FaCoMas, however, had ceased operations. Only 29 of the 111 associations in the area were active as of June 30, 1965. The implementation of the land reform program, therefore, will require the revitalization of the inactive associations and the expansion of the activities of the FaCoMas that are presently operating if they are to fulfill their assigned role. This, in turn, will involve getting the inactive members to participate again in the affairs of their associations.

What are the facts about inactive members that may be relevant in the process of revitalization and expansion of activities of FaCoMas? From this study of membership of 14 FaCoMas in the Central Plain of Luzon, it was found that:

First. Most of the inactive members have unpaid loans in their associations.

Second. They are small farmers, mostly tenants, with very limited resources and with low income. They are generally on a subsistence level of living.

Third. They are heavily indebted to outside creditors, mostly unregistered money lenders, in addition to being indebted to their FaCoMas.

Fourth. Membership education is low. Only a few had a reasonably accurate concept of a cooperative.

A majority of the delinquent inactive members studied signified willingness to participate again in the affairs of their cooperatives. But, like before, the main incentive for becoming active members of their cooperative is the opportunity to obtain loans. Most of these delinquent members would prefer to not market their produce through their cooperatives unless they are assured of, at the outset, another loan even if they have not fully settled their previous loans. What they want therefore is refinancing of their old loans in addition to the privilege of borrowing for current needs.

Financing these farmers on this basis, however, involves a considerable amount of risk. They already owe their associations an average amount of P202 and extending more credit would mean increasing their indebtedness to their associations in addition to other existing debts. The inactive members are mostly, as mentioned above, small farmers with limited productive resources and therefore limited repayment capabilities after meeting living requirements. The nature of their economic position is such that any

significant decline in production and/or selling price or occurrence of unusual expenses would result in a negative income. Most of them definitely do not have the capacity to carry more debt load. In fact, 87 per cent of the delinquent members studied were not sure when they could settle their outstanding obligations in their associations because of their poor financial and income condition. During the crop year 1965-1966 only 37 percent of them realized a positive income.

Definitely, a majority of these farmers could not be refinanced within the context of prudent business standards. The risk of non-collection of loans would be very high. Basic to the success of the FaCoMa operations as a business is the success of both the credit and marketing services that these associations perform. Because of the tie-up between these two services, failure to collect loans would lead to difficulties in the marketing operations. This is due to the fact that delinquent members do not market their produce through their associations. Economical and effective marketing is predicated on utilizing fixed inputs at optimum levels. Reduced volume of product channeled to the cooperative becomes detrimental to the efficiency of operation.

Obviously, in the above context, many farmers who are the ones in critical need of credit assistance will be denied service by the government. However, the Agricultural Credit Administration can



extend credit assistance to these farmers through some other means and may be on some other bases. The point here is that FaCoMas should not be made to share the burden of risky loaning operations which, as experiences show, could only lead to failure of the FaCoMa business as a whole.

Important in connection with the member-borrower's financial and credit situation is the occurrence of unpaid debts at the end of the year. In the case of the delinquent borrowers studied the total indebtedness per member was P800, P598 of which was borrowed from outside money lenders. It is, therefore, essential that the capacity of the member-borrower to pay all obligations be determined. His credit problem should be discussed with him and a realistic plan for settling these obligations be made. Delinquent members have the tendency to settle outside obligations first before making payments on their FaCoMa loans. In fact, during the year 1965-1966, not one of the delinquent members studied made any payment on their outstanding loans in the cooperatives. If these members are again to be granted credit, the FaCoMa should wage a timely collection program. By timely collection means that "loans be collected within the period of the loans and ahead of other lenders." Laxness in collection, as shown by previous experience, only encourages nonrepayment.

Also, efforts should be made to inform these members and even

the present member-borrowers about their obligations and responsibilities to promote permanency of ties with their cooperatives. A majority of the delinquent members and even almost one-half of the active members did not know that as members of the FaCoMas they are joint owners of their associations. A majority of them either thought that FaCoMas were owned by the government, FaCoMa officials or did not have any idea at all as regards FaCoMa ownership. With regard to borrowing from their associations, many of the delinquent members did not know the procedures in applying for loans. And many of them, and even some of the active members, had the wrong attitude toward FaCoMa loans. They expected leniency on the part of the government in the collection of these loans. They should therefore be properly apprised of their obligations as borrowers.

To summarize, if FaCoMas, in the long run, are to perform an effective role in the areas subject to land reform program they should be operated as a business organization, which they really are, and not be burdened by the government with the risky operation of loaning to farmers with extremely small income.

Because of the importance of the credit operation to the success of the FaCoMa business, it is imperative, therefore, that in the revitalization of inactive FaCoMas and in the expansion of activities of those that are presently operating only members with capacity

and willingness to pay should be granted credit.

It is felt that a majority of the inactive FaCoMas in the area can be revitalized with a sufficient number of good members. This membership could be made up of a majority of the non-delinquent inactive members and some of those that are delinquent inactive but qualify for refinancing, and prospective new members with sufficient marketing pledges for economical marketing operations. All members must be willing to support their FaCoMas through patronage, fresh capital contribution, and active participation in and control of the affairs of their associations.

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