



THE ORGANIZATION AND ENTERPRISE CAPABILITIES OF SELECTED AGRARIAN REFORM BENEFICIARY ORGANIZATIONS

Dr. Beatriz B. Onate*

Abstract: *This study was conducted to determine the organization and enterprise capabilities of selected Agrarian Reform Beneficiary Organizations for the provision of common service facilities by the Department of Agrarian Reform. The descriptive - qualitative research design was used in the study. Personal interviews and focal group discussions were also used. Data were obtained from primary and secondary sources. The primary sources of data were the respondents while the secondary data were extracted from the financial and annual reports of the ARBOs. Results of the study revealed that all the ARBOs are cooperatives registered with the Cooperative Development Authority. The cooperatives are all guided with the presence of their vision, mission and goals which guide them in their operations. The organizational structure of the cooperatives is available at their respective offices. The specific roles and responsibilities of the officers are discussed during the pre-membership seminar among prospective members. As to participation, the cooperative members are committed and active. They have a good attendance during meetings. As to financial resources, all the cooperatives are liquid, solvent and stable as evidenced by their recent financial statements. As to the cooperatives existing enterprise activities, these include production, trading and the provision of credit. As to their capability in managing enterprise activities, all the cooperatives are very much capable.*

Keywords: *Enterprise Capabilities, DAR ARCESS, ARBO's, financial resources, Common service facilities*

*Cagayan State University, Andrews Campus, Tuguegarao city



INTRODUCTION:

The DAR Agrarian Reform Communities Connectivity Economic Support Services (ARCESS) is DAR's strategic intervention to retain the awarded lands of agrarian reform beneficiaries (ARBs) through increased production and engagement in agri-based and related enterprises. The project has five major components which include provision on common service facilities (CSFs) for production and processing, agri-extension services, business development services, credit facilitation, and land tenure improvement. The project aims to strengthen the ARB organizations by building them as hubs of support services in the community which are expected to contribute to increasing ARB household incomes and improve resiliency of ARB households. However, to ensure the achievement of the program's goal without any bias, DAR taps Business Development Service providers which include state colleges and universities or private sector in determining their capability as recipients of proposed projects. Hence, this study was undertaken to determine the organization, enterprise capability and the viability of the ARBO's proposed business endeavor in their respective communities. The ARBO's and communities considered in the study are Maduvika Multi-Purpose Cooperative at Sta. Ana, Sunrise Multi-Purpose Cooperative at Gattaran, MALASATCO MPC at Rizal, Bugnay Farmer's Marketing Cooperative at Tuao and Mabuhay Agri-Crop Multi-Purpose Cooperative at Piat, Cagayan.

The major objectives of the research are to :

1. Determine the organization and enterprise capabilities of selected Agrarian Reform Beneficiary Organizations.
2. Profile the selected agrarian reform beneficiary organizations in terms of :
 - a. Date of Registration
 - b. Registering Agency
 - c. Years of Existence
 - d. Membership
 - e. Participation to trainings
 - f. Proposed Projects
 - g. Proposed Common Service Facilities
3. Determine the status of the ARBO's in terms of its organizational capabilities along
 - a. Presence of Vision, Mission and Goals



- b. Organizational Structure
- c. Human Resources & Status of Position
- 4. Determine the status of the ARBO's in terms of enterprise capabilities along:
 - a. Financial Resources
 - b. Services Offered

LITERATURE REVIEW

Poverty being a rural phenomenon where the majority of the people live in developing countries, the mechanisms to be used should target the recipients. One of these methods which are used widely today is to organize people into cooperatives or associations (Adebayo et al., 2010). Agricultural cooperatives can help farmers get a better deal at various stages of production and distribution. Through membership in a cooperative, farmers are collectively able to negotiate better prices for inputs, transport and storage facilities. Cooperatives can also help expand access to markets and capture more of the value chain, such as getting involved in processing activities (DFID, 2010).

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality and solidarity. Cooperatives are dedicated to the values of openness, social responsibility and caring for others. Such legal entities have a range of social characteristics. Membership is open, meaning anyone who satisfies certain nondiscriminatory conditions may join. Economic benefits are distributed proportionally to each member's level of participation in the cooperative, for instance, by a dividend on sales or purchases, rather than according to capital invested. (Andrew, 2006).

Cooperative-societies are organizations voluntarily owned and self-controlled (non-governmental) aimed at solving the felt need of its members. Cooperatives are a development tool that promote both social and economic goals, offers a way for a group to pool their limited resources to achieve self-development. The role of cooperatives involves increasing number of quality jobs so that the individual incomes expand. Cooperatives offer more to their communities than employment opportunities. They provide market access and essential service to the farmers and other community residents. It helps to develop local leadership that can start and load other business ventures. Formation of a cooperative society enable its members to enjoy all the benefits conferred to it by the registering agency and recognized as a business entity capable of transacting business in its own name.



(Basheer,2007). Cooperatives have been described as membership based entrepreneurial organizations characterized by democratic and inclusive governance (Birchall, 2010; Borzaga and Tortia,2010).

Cooperatives are user-driven businesses that have contributed greatly to the development of one of the world's most productive and scientific-based agricultural systems. They have played an important role in strengthening market access and competitive returns for independent farm operators during the 20th century (USDA, 2002).

METHODOLOGY

The descriptive-qualitative research design was used in the study with 5 agrarian reform beneficiary organizations and their respective officers. More specifically the organizational maturity tools, personal interviews and focal group discussions were used.

The study was conducted at Capissayan Sur, Gattaran , Cagayan , Visitacion, Sta. Ana, Cagayan, Rizal, Cagayan, Tuao, Cagayan and Piat, Cagayan where all the respondents are located.

The research instrument utilized in the study made use of a structured questionnaire which was complemented by ocular observation and the administration of the Focus Group Discussion (FGD) and personal interviews. Data were obtained from primary and secondary sources. The primary sources of data were gathered through the use of the structured questionnaires personally distributed and administered by the researcher. A Focus Group Discussion was also conducted where all the officers and members were given the chance to freely air their ideas and to answer questions asked in the guide questionnaire. The researcher utilized a communication medium understood by all the respondents i.e. in the dialect spoken by the respondents. The secondary data were extracted from the financial and annual reports of the ARBOs. The data gathered were then tabulated, analyzed and interpreted using frequency counts and percentages.

RESULTS

- The Agrarian Reform Beneficiary Organizations are all cooperatives registered with the Cooperative Development Authority. The Maduvika MPC as the oldest registrant was registered in June 15, 1998 and Bugnay Farmers Marketing Cooperative being the youngest registrant among the ARBOs was registered in February 2, 2012.



- The oldest cooperative is 15 years in operation while the youngest ARBO is only 1 year in operation..
- The Sunrise Multi-Purpose Cooperative has the most number of members and Bugnay Farmers Marketing Cooperative has the least number of members.
- The MALASATCO officers and management staff ranks number 1 on trainings attended with the Bugnay Farmers' Marketing Cooperative having the least number of trainings attended.
- All the Agrarian Reform Beneficiary Organizations are in need of hauling trucks and mechanical dryers.
- All the ARBOs have written vision, mission and goals that guide them in their operations which are all known to them.
- The Agrarian Reform Beneficiary Organizations have complete set of officers responsible in governing their operations.
- Only Maduvika MPC and Sunrise Multi-Purpose Cooperatives have full time management staff while the other ARBOs maintain management staff on a part-time basis.
- The Maduvika Multi-Purpose Cooperative has the largest asset amounting to P5,381,611.78. while Bugnay Farmers Marketing Cooperative has the least amount of assets of P61,118.
- On the profitability, liquidity and stability, the Bugnay Farmers Marketing Cooperative ranks first followed by Sunrise MPC as second and the last is Mabuhay Agri-Crop MPC.
- Majority of the ARBOs have a good record on financial performance and financial condition.
- As to services offered to members, almost all the agrarian reform beneficiary organizations extend credit to its members..
- The current services provided by the ARBOs are credit/lending, trading and production.
- The ARBOs possess the enterprise capabilities as evidenced by their present business activities. Their attendance to trainings and trade fairs by some ARBOs provided them the necessary skills in operating their present enterprises.



DISCUSSIONS:

The table shows that all the five (5) ARBOs are registered with the Cooperative Development Authority which is the appropriate registering agency for cooperatives.

As to number of years of existence, it appears that Maduvika MPC is the oldest while Bugnay Farmer's Marketing Cooperative is the youngest among all. The oldest registered cooperative has its registration in 1998 while the youngest cooperative had its registration in 2012.

Table 1. Distribution of ARBOs as to date of Registration, Registering Agency, Years of Existence

Name of ARBO	Date of Registration	Registering Agency	Years of Existence
1. Sunrise MPC	6 – 4- 2003	CDA	10
2. Maduvika MPC	7 – 15- 1998	CDA	15
3. MALASATCO	7 – 31 – 2003	CDA	10
4. Mabuhay Agri-Crop MPC	2009	CDA	5
5. BUGNAY FARMERS MKTG. Coop	2 – 2 – 2012	CDA	1

As to the number of members, the table shows that the Sunrise Multi-Purpose Cooperative has the biggest number of members followed by Maduvika MPC, Mabuhay Agri-Crop MPC and MALASAT CO. The newly organized cooperative has the least number in terms of membership.

Table 2. Distribution of ARBOs as to number of Members

Name of ARBOs	Number of Members
1. Sunrise MPC	275
2. Maduvika MPC	107
3. MALASATCO	66
4. Mabuhay Agri-Crop Coop	72
5. BUGNAY FARMERS MKTG. Cooperative	45

The table presents the composition of the Board of Directors, Committees,/officers and Management Staff. As to the number of committee members, the MALASATCO has the highest number while Bugnay Farmers Marketing Cooperative has the least. It is understandable for Bugnay Farmers Marketing Cooperative because it is newly organized. Since the different ARBOs meet the minimum number of BODs, committees and



management staff complemented with the different trainings provided them, it is expected that they are capable of managing their own cooperatives .

Table 3. Distribution of ARBOs as to Number of BOD, Committee/officers & Management Staff

Name of ARBO	BOD	Committee Members	Mgt. Staff
1. Sunrise MPC	7	18	3
2. Maduvika MPC	7	15	3
3. MALASATCO	7	21	3
4. Mabuhay Agri-Crop Coop	5	11	3
5. BUGNAY FARMERS MKTG. Coop	5	4	4

The table shows that 100% of the officers of Sunrise MPC and MALASATCO attended basic trainings. As to advance trainings, there are three (3) organizations that sent all their officers for advance trainings. As to the management , majority of them were given opportunities to attend Basic as well as advance trainings. This implies that training is an important factor for organizations to be successful. It can also be gleaned from the table that Mabuhay Agri-Crop Cooperative’s officers and management staff have not yet undergone advance trainings and so with the Bugnay Farmer’s Marketing Cooperative. No basic and advance trainings were attended by the Bugnay Farmer’s Marketing Cooperative and Mabuhay Agri-Crop Cooperative management staff.

Table 4. Distribution of Respondents as to attendance to Trainings

Name of ARBO	Officers		Management Staff	
	Basic	Advance	Basic	Advance
1. Sunrise MPC	25	10	3	3
2. Maduvika MPC	24	12	3	2
3. MALASATCO	28	28	3	3
4. Mabuhay Agri-Crop Coop	5			
5. BUGNAY FARMERS MKTG Coop	1	1		

Table 5 shows that the five (5) agrarian reform beneficiary organizations have different needs in their respective communities. Thus, the organizations have submitted different project proposals to the Department of Agrarian Reform.



Table 5. Distribution of Respondents as to Proposed Projects

Proposed Projects	Agrarian Reform Beneficiary Organizations				
	Sunrise MPC	Maduvika MPC	MALASATCO	Mabuhay Agri-Crop Cooperative	Bugnay Farmers Mktg. Coop
Integrated Pre-Post Harvest Facilities for Rice Production and Trading		✓			
Provision of Common Service Facilities Cum Grains Trading	✓				
Improving Productivity of Sugarcane Farms under CARP through Block Farming				✓	✓
Mechanized Corn Production and Trading			✓		

Table 6 presents the common service facilities needed by the different municipalities like Sta. Ana, Gattaran, Rizal, Tuao and Piat represented by the five (5) ARBOs. The mechanical dryer as well as the hauling trucks are the common needs of the different ARBOs. As gleaned from the table, it appears that Maduvika has the most number of common facilities needed that would cater for Sta. Ana and Gonzaga.

Table 6. Distribution of Respondents as to Common Service Facilities Proposed

Common Service Facilities	Agrarian Reform Beneficiary Organizations				
	Sunrise MPC	Maduvika MPC	MALASATCO	Mabuhay Agri-Crop Cooperative	Bugnay Farmers Mktg. Coop
Combined Harvester	✓	✓			✓
Mechanical Dryer	✓	✓	✓	✓	✓
Rice Mill with stoner, complete accessories & installation	✓	✓			
Solar dryer		✓			
Double Purpose Thresher	✓	✓			
Hauling Truck	✓	✓	✓	✓	✓
Warehouse	✓				✓
Tractor			✓	✓	



Hand Tractor		✓	✓	✓	✓
Corn sheller			✓	✓	✓
Water Pumps			✓	✓	
Rice Transplanter		✓			

The table shows that all of the cooperatives are governed by their own vision, mission, goal and objectives. This serves as their bible/bases in managing their own organizations. All the ARBOs have them written, however, it is recommended that once in a while, these organizations should refresh themselves of their policies. It was found out that policies are there but some policies were not implemented.

Table 7. Distribution of ARBOs as to the Presence of Vision, Mission, Goals and Objectives

Name of ARBO	Available	Not Available
1. Sunrise MPC	✓	
2. Maduvikaq MPC	✓	
3. MALASATCO	✓	
4. Mabuhay Agri-Crop Cooperative	✓	
5. Bugnay Farmers Mktg. Coop	✓	

The table shows that all the organizations have their own organizational structures. This guides them on the performance of their duties and responsibilities as well as the observance of the flow of authority,

Table 8. Distribution of Respondents as to presence of Structure

Name of ARBO	Available	Not Available
1. Sunrise MPC	✓	
2. Maduvika MPC	✓	
3. MALASATCO	✓	
4. Mabuhay Agri-Crop Cooperative	✓	
5. Bugnay Farmers Mktg. Coop	✓	

Based on the information gathered, there were two of the cooperatives particularly those with large amount of assets and operated for several years maintain management staff on a full time basis. It is obvious because for an organization to be operating smoothly, full time workers should be assigned to cater to its members. It was also found out that the organizations who are classified to be young maintain part-time management staff.



Table 9.. Distribution of ARBOs Management Staff as to Status of Position

Name of ARBO	Full Time	Part Time
1. Sunrise MPC	✓	
2. Maduvika MPC	✓	
3. MALASATCO		✓
4. Mabuhay Agri-Crop Cooperative		✓
5. Bugnay Farmers Mktg. Coop		✓

In terms of assets, it is observed that the Maduvika MPC has the highest in terms of asset amount as well as in liabilities. This implies, that most of its assets are financed by the creditors. This is evidenced by its debt ratio of 87.77%. which means that for every peso of asset, 87.77 centavos is provided by the creditors. In short, it means that the cooperative is heavily dependent on creditors for financing its operations.

Sunrise MPC ranks second in terms of assets, liabilities, equity and reserves. Based on the data presented above, it shows that the cooperative is making a balance as to the financing of its operations. Forty One (41%) comes from the creditors and 59% is provided by the cooperative members.

The MALASATCO has a total assets of P152,751.16 composed of cash on hand of P42,330.28 as of December 31, 2011 and Accounts & Loans receivable of P110,420.88. Their current liability is only the amount due to Apex Organization of P2,306.16. Based on the submitted reports, it was observed that the cooperative's assets is mostly in the form of receivables. Policies on credit & collection should be reviewed to improve their collections. However, the BOD interviewed were confident that the borrowers will be able to settle their loans.

The Mabuhay Agri-Crop MPC assets as of December 31, 2009 amounted to P137,113.46 and a total liability of P15,718.73. As an observation, in order for the cooperative to increase its capitalization and to operate as its name connotes, more members should be encouraged.

The Bugnay Farmer's Marketing Cooperative although .75 years in existence with 45 members has a total assets of P61, 118.00 and no reported liabilities.



Table 10 . Distribution of ARBOs as to Assets , Liabilities and Equity & Reserves

Name of ARBOs	Assets	Liabilities	Equity & Reserves
1. Sunrise MPC	P3,006,376.69	P1,227,653.69	P1,778,723.00
2. Maduvika MPC	5,381,611.78	4,723,180.26	558,431.53
3. MALASATCO	152,751.16	2,306.16	150,445.01
4. Mabuhay Agri-Crop Cooperative	137,113.46	15,718.73	121,333.83
5. Bugnay Farmers Mktg. Coop	61,118.00	0	61,118.00

As to the profitability of the cooperatives using the net profit margin as basis, the Bugnay Farmer's Marketing Cooperative has the highest despite their being the youngest among the cooperatives. MALASATCO has the second highest profit margin rate of 30.30%. this means that for every peso of sales, it earns 30.30 centavos. The profit margin rate is high, however its income being taken into consideration is small in amount as compared with Sunrise MPC and Maduvika MPC. As seen on the table, the Mabuhay Agri-Crop has a net loss margin rate of 565%. It was reported on their Statement of financial operation that they only earned an amount of P398.45 and incurred total expenses of P2,650.

Based on the measures used to evaluate the profitability of the cooperatives, it is observed that Sunrise MPC, Maduvika MPC and Bugnay Farmer's Marketing Cooperative are doing good in their operations. The rate of return on assets actually measures the overall efficiency of the firm in managing assets and generating profits.

Table 11. Distribution of ARBOs (Cooperatives) as to their Profitability

Profitability Analysis	Sunrise MPC	Maduvika MPC	MALASATCO	Mabuhay Agri-Crop	BugnayFarmers Mktg. Coop
1. Net Profit Margin	20.38%	9.05%	30.30%	(565%)	54.40%
2. Rate of Return on Assets	29.73%	4.81%	.05%	(1.64%)	46%
3. Rate of Return on average Current Assets	36.30%	7.43%	.05%	(1.64%)	46%

The table shows the ability of the cooperatives to settle their short-term liabilities as they fall due. Information taken from their respective statement of financial condition indicates that cooperatives are very liquid. For Sunrise MPC its current ratio of 4.23:1 means that



for every peso of liabilities it is back up 4.23 pesos of current assets. Furthermore, the rule of thumb states that for a company to be liquid, it should have a current ratio of 2:1. Thus, Maduvika MPC is liquid, however it is below the rule of thumb. To improve its liquidity, a review of their credit and collection policies should be done because most of their current assets are in their loans and receivables. Thus, it also affects the way they settle their short-term obligations. The working capital to asset ratio indicates relative liquidity of the total assets and the distribution of the resources employed. Thus, for Sunrise MPC for example, its working capital to total assets of 58.63 means that for every peso of total asset, 58.63 centavos is used as working capital.

Although Bugnay Farmer's Cooperative is young in its operation it is very capable of paying its short-term obligations. A good start in managing the cooperative is displayed by the management by depending on their internal sources of funds for their operation. The only liability they have is the CETF due to Apex.

Table 12. Distribution of ARBOs (Cooperatives) as to short-term solvency or liquidity

Solvency Ratio	Sunrise MPC	Maduvika MPC	MALASATCO	MABUHAY Agri-crop	Bugnay Farmers
1. Current Ratio	4.23	1.27	66.24	8.72	60.76
2. Working Capital to Total Assets	58.63	13.94	98.49	88.54	100

The debt equity ratio measures the proportion of all assets financed with debt. On the table Maduvika has the highest debt ratio. This means that for every peso of asset, it is financed with 87.77 centavos of total debts. The higher the proportion of debt, the greater the risk because creditors must be satisfied before owners in the event of bankruptcy. The equity ratio computed shows the proportion of assets provided by the members or owners. The higher the equity ratio, the better because it reflects the financial strength and caution to creditors. The equity ratio of 59.17 means that for every peso of total asset, 59.17% is provided by the members or owners.

Bugnay Farmer's Marketing Cooperative is the most stable among the cooperative as far as the documents presented. However, as to years of operation it is the youngest, thus its good record should be maintained from year to year.



Table 13. Distribution of ARBOs as to Stability

Stability Ratio	Sunrise MPC	Maduvika MPC	MALASATCO	Mabuhay Agri-Crop	Bugnay Farmers
1. Debt ratio	40.83%	87.77%	1.51%	11.46%	1.6%
2. Equity Ratio	59.17%	12.23%	91.63%	84.67%	100%

Presented on the table is an information about the profitability, liquidity and stability of the different ARBOs. It shows that based on the evaluation as to the overall performance of the different cooperatives, Bugnay Farmer's Marketing Cooperative ranks first, Sunrise MPC ranks second, followed by MALASATCO, Maduvika MPC and Mabuhay Agri-crop Cooperative. It is observed that the Mabuhay Agri-Crop incurred a loss in their operations. On the financial analysis made it was shown that they had not been in operations for sometime.

Table 14. Distribution of ARBOs as to Profitability, Liquidity (solvency) and Stability

Name of ARBOs	Average Profitability	Liquidity	Stability	Rank
1. Sunrise MPC	28.80%	4.23	40.83%	2
2. Maduvika MPC	7.10%	1.27	87.77%	4
3. MALASATCO	10.13%	66.24	1.51%	3
4. Mabuhay Agri-Crop	(189.43%)	8.72	11.46%	5
5. Bugnay Farmers Mktg.	50.20%	60.76	1.6%	1

The table presents the services offered to members. All the Cooperative respondents are engaged in credit operations. Although two of the cooperative respondents are registered as multi-purpose cooperatives, only Sunrise MPC performs 2 services. However, according to the management staff and officers of the cooperative, their production operations is not yet a regular activity. It is done occasionally because of financial constraints. As an observation, the MALASATCO went into lending activities however, if we look at their registered name, the cooperative should go into trading. In our discussion with the members of the board, it was identified that there is a need for them to go in to trading activities in as much as they experience difficulty in purchasing the inputs needed in farming.

The cooperative was able to acquire a lot of their own and if ever they go into full operation, it is suggested that they hire full time staff in order to fully be of service to their members.



Bugnay Farmers Marketing Cooperative is engaged in trading activities like buying and selling feeds for its members as well as grocery items. In an interview with the members of the Board of Directors it came out that they are still young in operation. Hence, they signified their interest for training relative to cooperative management and operations which includes records management noted that Mabuhay Agri-Crop's latest financial statements is 2009.

Based on the existing services offered by the five ARBOs, it shows that they have experiences in managing their cooperative affairs in a business way. The common service that they would be offering is the leasing of the common service facilities by the people in the community for a fee such as the use of hand tractors, combined harvester, thresher. It would also include generation of income from the operation of rice mill and the mechanized dryers.

Table 15. Distribution of ARBO's as to Services Offered to Members

Name of ARBOs	Credit/lending	Trading	Production
1. Sunrise MPC	✓		✓
2. Maduvika MPC	✓		
3. MALASATCO	✓		
4. Mabuhay Agri-Crop Cooperative	✓		
5. Bugnay Farmers Mktg. Coop		✓	

CONCLUSION

Based on the study conducted, the five agrarian reform beneficiary organizations possessed the organization and enterprise capabilities.

RECOMMENDATIONS

1. The cooperatives should sustain their organization and enterprise capabilities.
2. The cooperatives are very much capable of expanding their enterprise activities as evidence by their financial performance.

REFERENCES

1. Adebayo, S. T., Chinedson, O. H., Dabo, C. S. P., & Pascal, H. 2010. Cooperative association as a tool for rural development and poverty reduction in Rwanda: A study of Abahuzamugambi ba Kawa in Maraba Sector. Educational Research, 1(11).



2. Andrew, M., 2006. Types of Cooperatives. Northwest Cooperative Development Center.
3. Basheer, A. G., 2007. Formation, Management and Problems of Cooperative Movement in Nigeria. The Path Newspaper Company Sokoto, Sokoto State Nigeria.
4. Birchall J. 2010. People-centered businesses: cooperatives, manuals and the idea of membership Basingstroke: Palgrave Macmillan
5. Borzaga, C., Tortia, E.C. (2006) The Economics of Social Enterprises: An Interpretive Framework in L. Bechetti and C. Borzaga (Eds) The Economic Social Responsibility, The World of Social Enterprises, U.K. Routledge.
6. DAR-DF Report, 2013
7. ILO. 2007. Fact sheet cooperatives & rural employment.
8. Individual ARBOs Audited Financial Statements
9. Individual ARBOs Development Plan
10. RA 9520. The Cooperative Code of the Philippines, 2008.
11. USDA, 2002. Agricultural Cooperatives in the 21st Century.