

# Philippines

## Highlights of consumer co-ops

- ✓ Small scale retail co-operatives
- ✓ Weak vertical structure

## 1. Co-operative movement in the Philippines

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### Background

According to the information given by the Co-operative Development Authority (CDA), the co-operative movement in the Philippines started late in the 19th century.

Two Filipinos travelling in Europe during the later part of the 19th century were impressed with the success of a new economic movement in effecting a gradual metamorphosis of the economic and social life of the people in European countries.

These two men were Dr. Jose P. Rizal and Mr. Teodoro Sandiko. Rizal, after his trip to Sandakan, Borneo in 1892, requested Governor Despujol that he and some relatives and friends wanted to be permitted to move to that place and found a colony under the co-operative plan of Robert Owen.

Instead, he was arrested for

treason and banished to Dapitan, Zamboanga del Norte. In Dapitan, Rizal had his ideas in co-operation partially fulfilled.

He set up a school for the poor community on a purely co-operative basis. He also established a co-operative store with the help of his pupils. One noteworthy group organized by Rizal was the La Sociedad de los Abacaleros (Society of Abaca Producers).

This Society functioned only for one year. Rizal returned the share contributions to the members without any loss.

Teodoro Sandiko, had a close contact with the co-operative movement in Germany during his travels in Europe. He came across the Raiffeisen movement.

He was very much impressed by this co-operative and he wished to introduce the same in the Philippines.

## Co-operative movement in the Philippines (contd.)

Later, Sandiko was appointed as a Governor, and had the chance to establish co-operatives.

As soon as Civil Government was established, the Filipinos were encouraged to participate in the political activities.

Teodoro Sandiko, then governor of Bulacan, prepared a bill patterned after the Raiffeisen type of credit union and had Rep. Albert Barreto of Zambales sponsor the bill in the lower House of Congress.

The principal aim of this bill was to protect farmers and develop agricultural co-operatives in the country.

The first attempt failed, but it was put through again in the Second Philippine Legislature. This time it was sponsored in the Lower House by Rep. Rafael Corpuz who succeeded Rep. Barreto from Zambales.

The bill was ably presented in both Houses and it was finally passed into law on February 11, 1914 and became Act 2508. When this Act was finally made into law, Gov. Sandiko earned a title of Father of Co-operation in this country.

The administration of the Rural Credit Law was entrusted to the Bureau of Agriculture. The first rural credit association that was organized under this Law was the Agricultural Credit Co-operative Association of Cabanatuan, Nueva Ecija.

It was formed on October 18, 1916. With this initial organization farmers in the different provinces were organized.

At the end of 1926 there were 544 rural credit co-operatives organized in the 42 provinces and by 1930 there were 571 associations formed all over the country. In 1935, however, about 90% of these co-operatives became inactive with no funds left in their treasury.

As soon as the organization of rural credit co-operatives was in full swing, the Co-operative Marketing Law (Act 2425) was enacted and approved on December 9, 1927.

The rural credit associations were designed to help finance the productive efforts of the farmers. In order to provide incentives to the farmers to produce more, an efficient machinery for the profitable marketing of their products needed to be provided.

Wherever rural credit associations were organized co-operative marketing societies were also designed to be organized. The apparent weakness of the rural credit co-operatives, however, failed the enthusiasm of farmers to organize themselves into co-operative marketing associations.

By 1939 only 164 societies were actually organized with a total membership of around 5,000 farmers. With this number only 35 re-

ported sale of their products to the Bureau of Commerce.

The number of associations reporting indicated that only 20% of the organized associations were active.

The Filipino economists and students of co-operatives have often attributed the failure of co-operative societies to the following causes:

- ✓ Incompetent management
- ✓ Lack of proper understanding of the principles, practices, true aims, and purposes of co-operative organisations.
- ✓ Improper use of credits by the borrowers who, instead of using money borrowed for production, spent it for fiestas or luxuries.
- ✓ Defective securities.
- ✓ Political interference particularly in the collection of overdue accounts.
- ✓ Lack of compensation of officers.

## Co-operative movement in the Philippines (contd.)

- ✓ Inadequate character and moral responsibility in handling the other fellow's money.
- ✓ Lack of adequate safeguard against unscrupulous officers who took advantage of their position to grant loans to themselves and their compadres which later proved disastrous to the system.
- ✓ The dominance of the individualistic attitude instead of the spirit of co-operation among the people.
- ✓ Inability of co-operatives to secure adequate capital.
- ✓ Their dependence on alien suppliers and distributors.
- ✓ Ineffectiveness of the government and promotion of co-operative organizations.
- ✓ Inadequate marketing facilities.

Considering the experiences of similar societies in other countries, however, the fundamental cause of failure in a co-operative enterprise is the lack of proper understanding of the principles and true aims of co-operative associations, and the non-adherence to them in actual operation of co-operative enterprises.

In recognition of the strategic position occupied by farmers in the social structure and economic development of the country, the Congress of the Philippines in 1952 enacted Republic Act 821.

This law established a system of liberal credit which is specially designed to meet the needs of the small farmer.

It also created an administrative agency known as the Agricultural Credit and Co-operative Financing Administration (ACCFA).

*[Extracted from: CDA Home Page]*



## 2. Outline of Consumer Co-operatives

Co-operatives in the Philippines are administered by the Co-operative Development Authority, which is the Office of the President.

The ruling Law of co-operatives is the Cooperative Code 2008.

The structure of co-operatives is in three-tier: primary, secondary, and tertiary.

In 2011, 20,547 co-operatives were registered to CDA. The biggest sector is credit union.

Around 80% of co-operatives are multi-purpose co-operatives.

National Confederation of Co-operatives (NATCCO) is the biggest multi-service national federation of co-operatives in the Philippines. It was first founded by the credit union pioneers.

In 1986, it was transformed to a multi service federation. It has around 1.6 million individuals as co-op members (2012).

NATCCO joined the billionaires group of co-operatives in 2009, and is the only billionaire co-operative federation in the country.



## 3. Representative co-operative societies

Consumer co-operatives in the Philippines is not active. Most of them are small scale and their operations are not in good condition.

There is no clear definition of consumer co-operatives in the Co-operative Code 2008.

NATCCO has an Enterprise Development Center, which is in charge of developing CO-OP Mart concept stores. NATCCO is trying to de-

velop retail business within its member organizations.

This concept is adopted by some NATCCO member organizations that are credit unions and multi-purpose co-operatives.



**CO-OP MART - Soro-soro Ibaba  
Development Co-operative (SIDC)  
located in Batangas City**



**Co-op Mart ADTEMPCO (Multi-Purpose Co-operative) in Bangued, Abra**



## Outlook of the Philippines retail market

The majority of retail market in the Philippines is composed by micro-small Pop-Mom shops, so called Sari-sari stores.

A sari-sari store is a convenience store found in the Philippines. The word *sari-sari* is Tagalog meaning "variety". Such stores form an important economic and social location in a Filipino community. These are present in almost all neighborhoods, sometimes even in every street. Most sari-sari stores are privately owned shops and

are operated inside the shopkeeper's house. Commodities are displayed in a large screen-covered or metal barred window in front of the shop. Candies in recycled jars, canned goods and cigarettes are often displayed while cooking oil, salt and sugar are often stored at the back of the shop.

It is still small percentage but the modern supermarkets and hypermarkets are also growing in the Philippines.



## 4. Problems and future Visions

### 4.1 Problems

The problems of consumer co-operatives in Philippines can be summarized as follows:

- ✓ Small size co-operatives
- ✓ Lack of collaboration among consumer co-operatives
- ✓ Lack of organizational professional skills and abilities
- ✓ Lack of training system
- ✓ Weak vertical structure among co-operatives

There are co-operatives which are registered with more than 2 apex organizations and this has lead to the weakness of vertical structure among co-operatives in the Philippines.

### 4.2 Future Visions

The Co-operative Development Authority in its 2010-2016 Co-operative Development Plan envisages the following :

- ✓ Strengthening and enhancing delivery mechanisms of the Co-operative Development Authority
- ✓ Providing an enabling environment for the strengthening and development of co-operatives
- ✓ Ensuring local and global competitiveness of co-operatives
- ✓ Promoting co-operation as the vehicle for the social transformation for people, planet, prosperity and peace
- ✓ Massive expansion of co-operative membership.

## 5. Relationship with the Government

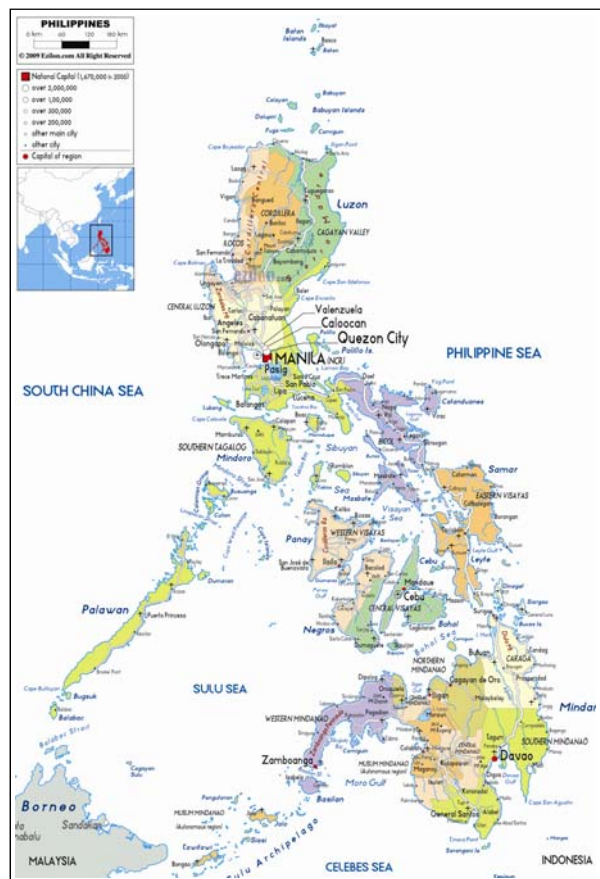
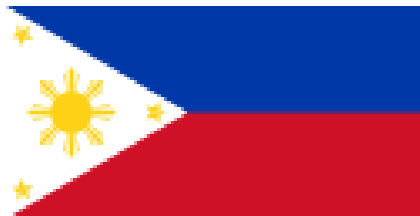
The relationship of co-operatives with the government is good.

The Co-operative Development Authority (CDA) is a government authority created by the virtue of Republic Act and it is in charge of both regulatory and development of co-operatives.



## 6. Basic Information on the Philippines

Name	: Republic of the Philippines
Capital	: Manila
Largest city	: Quezon City
Government	: Unitary presidential constitutional republic
Area	: 300,000 km <sup>2</sup>
Population	: 92,337,852 [2010 census]
GDP (PPP)	: US\$ 411.903 billion [2012 estimate]
Currency	: Peso (PHP) (1 US\$ = 41.40 PHP approx.)



*From: Wikipedia*