

# Evaluation of Agricultural Cooperatives in Cabanatuan City, Nueva Ecija, Philippines During Covid-19 Pandemic

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**Abstract:** - The primary goal of cooperatives is to address the needs of their members and not for profit. The profit of a cooperation is distributed to its shareholders after deducting the cost. Agricultural cooperatives are becoming one of the most effective methods in the growth of countries with agriculture-based economy. The success of an agricultural cooperative depends on different factors. This includes competent managers, strategic plans, and proper execution of plans. These factors however were put to test by the spread of Covid-19 Virus all throughout the globe. Many sectors including agriculture were greatly affected. To further develop strategies in improving the performance of agricultural cooperatives even under the scare of a pandemic, it is important to start by analyzing the current situation of existing cooperatives. With that, this paper provides information and knowledge about the state and dynamics of cooperatives in the Philippines during the Covid-19 pandemic, which can be used to develop strategic programs and policies to enhance them. Its goal was to look at the effects of the pandemic on the performance of agricultural cooperatives in Cabanatuan, Nueva Ecija, Philippines. It also attempted to identify key organizational capacity indicators that cooperatives require to exist and fulfill their role as effective partners in increasing their members' well-being. In this study, the strengths and weaknesses, opportunities and threats of agricultural cooperatives operating in Cabanatuan, Nueva Ecija, Philippines were tried to be determined by using the SWOT analysis.

**Key Words:** — *Agricultural development, expenditure support, trade policy, covid19 pandemic.*

## I. INTRODUCTION

Agricultural cooperatives play a critical part in the Philippines' economic development. While there remain places for development, the most recent advances have exhausted the agricultural cooperative movement's potential for growth are gradually becoming apparent. These initiatives respond to the need to improve agricultural cooperatives by addressing underlying factors such as insufficient enabling policies, lack of government backing, insufficient capability-building mechanisms, and a lack of strong centralized agricultural cooperative finance, production, and marketing systems [1].

Agricultural Cooperatives link farmers to markets, providing distribution channels for primary products, and delivering training, services, and benefits to their members. Generally, the Philippines follow through to the basic principles of cooperativism. That is the membership is maintained as voluntary. Related to this, cooperatives avoid destructive competition and undertake constant expansion. Tax incentive system for agricultural cooperatives is also in place [1].

The law which governs cooperatives, prior to the recent enactment of Republic Act No. 9520 entitled "Philippine Cooperative Code of 2008", is Republic Act No. 6938 namely "Cooperative Code of the Philippines." While the Cooperative Development Authority is the government agency that takes the lead in implementing the following programs and innovations. First is the Registration where the development of an express cooperative registration system. Second is the Regulation of more responsive credit program through the creation of a Credit Supervision Division in CDA; formation of a governance audit

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team; training Program for beneficiary cooperatives; and value-chain marketing.

In both rich and developing nations, cooperatives play an important role in agriculture. Cooperatives have historically been the primary institutional and organizational instrument used by independent farmers to counteract the market dominance wielded by local and international merchants. They help shorten the supply chain by letting manufacturers to combine most or all of the processing and marketing operations into one or a few phases, saving money on transaction and other intermediation expenses [2].

The advantages of cooperative over other types of business organization as a mechanism for promoting efficiency of agriculture stems from the potential efficiencies and effectiveness of the institution in the delivery of public service due to the following: Cooperative is founded on need, Cooperative espouses self-help and self-reliance, Cooperative is democratically controlled, and Cooperative patronage as a basis of control and reward [3].

There are 34,203 agricultural cooperatives in the Philippines registered with the Philippines Cooperative Development Authority. The role of agriculture in the Philippine economy has undergone striking changes. Its contribution of agriculture to Gross Domestic Product (GDP) and exports of the Philippines is declining, consistent with the country's transition to middle income status. Structural change and population growth has caused a shift in its position from net food exporter to net food importer in the late 1980s [4]. The cooperative sector contributed about 12.5% (517 billion Pesos or US\$ 9.9 billion) of the Gross Domestic Product for the year 2003 and provided direct and indirect employment for more than 1.5 million Filipinos. It could be said that the cooperative movement is a dynamically alive, if not more than alive as it started in the country at the end of the 19th century when it grew, on the average, by only about 1.22% from that of 2002 [1].

The construction of agricultural estates in Nueva Ecija was prompted by the awareness of the province's potential as a rice seedbed in the nineteenth century. The huge transfer of public property into private haciendas that occurred at the start of the twentieth century also signaled the introduction of large-scale commercial agriculture centered on wet-rice farming in the region. Nueva Ecija became the nation's granary due to the availability of enormous tracts of land suited for development as rice fields, a large population of rice farmers, and a managerial elite who took on the duty of administering rice agriculture. Nueva Ecija became the leading rice producer in

the country by 1921. As a result, the province became the largest rice producer [5].

As covid pandemic continues, it is therefore necessary to evaluate our Agricultural Cooperatives in terms of its strength, weaknesses, opportunities, and threat as Cooperative has been a policy instrument by the government in stimulating efficiency of agriculture in the Philippines. There are 12 Agricultural Cooperatives in Cabanatuan City with a total member of 736 and represented by their Cooperative Chairman. Thus, this study aims to provide significant information about the evaluation in terms of its strength, weaknesses, opportunity and threat of the Agricultural Cooperatives in Cabanatuan City, Nueva Ecija, Philippines during Covid-19 Pandemic.

## II. LITERATURE REVIEW

The study of Roehlano M. Briones finds that, under a business-as-usual scenario: Agricultural growth continues with dramatic increases for rice production in the offing. Likewise per capita consumption of most food items would continue increasing. Import growth is curtailed, with substantial price increases for meat products and rice. The alternative scenario involves liberalization, and re-allocation of expenditure support towards export-oriented agricultural sub-sectors. Under this scenario, imports of rice, yellow maize, and poultry increase, with faster increases in per capita consumption than under business-as-usual, and lower retail prices. While consumers gain, producers of import competing products face harsher competition and cut back on their production. Deepest cuts are expected for rice. Export-oriented commodities experience a production and export boost, with brightest prospects for other crops, banana, aquaculture products, and even coconut. This study recommends the outward-oriented policy, with concomitant measures to compensate losers, ease the burden of adjustment, and facilitate the transition towards a more diversified and dynamic agricultural sector [4].

In the study of Mr. Dennis B. Araullo entitled, Agricultural Cooperatives in the Philippines revealed that the agricultural cooperatives play a vital role in the growth of the economy of the Philippines. While there are areas for improvement, the most recent innovations that exhaust opportunities for strengthening the agricultural cooperative movement are slowly being felt. These innovations are responsive to the need to strengthen the agricultural cooperatives and address the root causes such as weak enabling policy environment, lack of government support, weak capability building systems, absence of strong centralized agricultural cooperative financial,

production and marketing systems. These innovations as enumerated in the previous section are expected to enhance an environment that is conducive to cooperative dynamism and vitality in the areas of Registration, Regulation and Developmental. Nonetheless, governance is also considered as very important element for the success of these innovations that address the emerging need to strengthen the rural based agricultural cooperatives. As quoted from the Chairman of the Cooperative Development Authority: "GOVERNANCE is the primary moving factor to sustainable cooperative development, all the rest are supportive factors." [1]

Based on the study of Eulogio T. Castillo et.al, Cooperatives were conceived, initiated, nurtured, and managed by local talents and resources in accordance to a felt need for such cooperatives [3]. The business of cooperative is chased according to local visions and capabilities. It implies therefore that for an agricultural cooperative development to succeed, there is a need to mobilize the initiatives of local talents and resources. They appear to be the sources of strength and stability of the cooperatives. In places where they are absent or deficient, public investment in information dissemination, capability building, and initial capital may be infused on temporary basis. It is important that the stakes of the members in the cooperatives is built-up through infusion of equity capital. External capital, including the one that may come from the government whenever harnessed, should be on catalytic and interim terms, to build-up the values of self-reliance and governance.

In a developing country like the Philippines, cooperatives are a way of life and an important bond of people. Cooperatives provide for loans and patronage refund and see to it that members' social needs are also achieved. Since 1990, the number of cooperatives has grown rapidly with more than 63,181 cooperatives registered as of 2003. Much of this increase has occurred as a result of the passing of the twin Laws RA 6938 and RA 6939 which focus on the promotion of cooperative development in the country. The cooperative sector in the Philippines can be based on asset category. Under this classification, almost half (49%) are considered micro. They also have low membership size averaging 100 members. Meanwhile, according to types, Agricultural Multi-purpose Cooperatives (AMPC) were found to be the most prevalent 67%. Lastly, most of the cooperatives had low capital structure. In terms of cooperative business productivity performance as of 2001, the sector had total positive growth rate both in financial measures such as assets, business volume, sales, capital build-up, net surplus and Return on Investment (ROI) and

organizational measures such as membership and full-time employment. The core organizational factors for effectiveness rated as most important were in the areas of governance, professional and skilled managers, continuous education and training, innovativeness and entrepreneurial skills development, budget level, savings mobilization, timely service and proper record keeping [6].

In the study of Victor A. Tan, cooperatives, and other rural-based organizations, according to evidence, can still be a powerful group of local producers. Associations capable of creating revenue-generating activities for the benefit of other members; providing aid, and benefit. The new administration has continued to express worry about the growth of rural cooperatives and farmer groups. The country's national development strategy emphasizes this where cooperatives will continue to play an important role in advancing the interests of its members [7].

According to the survey report of Cooperatives Europe, cooperatives in Europe have been strongly impacted by the pandemic. They see a significant loss in revenue and are impacted in executing their commercial activities from an economic standpoint. However, the greater impact is seen on a human level since employees and workers of such cooperatives either lost their employment or had to retrain. Cooperatives of all sizes had to adapt swiftly in order to effectively deal with the crisis's implications. In the agriculture sector, for example, we discovered that some cooperatives were able to generate new market space by generating alcohol sanitizing gel and disinfectants throughout their operations. In many cases, these cooperatives have been able to provide these novel goods at no cost to local health organizations and hospitals, reinforcing the essential social role that agri-cooperatives often play [8].

In the case study of Cecilia Widman, it was observed that more established organizations drew resources from more robust social networks, allowing them to make more complete changes. The capacity to draw from their natural capital was also a major worry since government rules and institutional complexity hampered access to their products. Physical capital, like as infrastructure and health-care systems, was another barrier that organizations identified early in the epidemic and worked to overcome. Many of the cooperatives were happy to contribute to the demand for local health care, despite the fact that it was costly to build [9].

In the research article of Mohit Dave, it was discussed that the major efforts help the cooperative movement's 'trickle-down' impact, highlighting key instances including stimulus packages and their policy connections. External stakeholders, such as

civil society and Fairtrade groups, as well as local governments, will prove to be effective partners for many initiatives, democratically directing the thoughts and demands of citizens towards policymakers and campaigning for an equitable society. A favorable climate for people-centered enterprises [10].

### III. RESEARCH METHODOLOGY

In accordance with the study's objective to know the current state of the 12 operational agricultural cooperatives in Cabanatuan, a SWOT analysis was made. The SWOT analysis (Strength, Weaknesses, Opportunity, and Threat) was used to assess the performance of the cooperatives during the pandemic.

The scope of the research is limited to the 12 operational agricultural cooperatives during the pandemic in Cabanatuan, Nueva Ecija. The approach adopted for this paper were both quantitative and qualitative method based on structured questionnaire. Analyses were also based on the standards set by the Cooperative Development Authority. Measures of central tendencies were also applied to the gathered data for analyses. There are pros and cons in conducting a SWOT analysis according to Dr. L M Foong, in his book Understanding SWOT Analysis. IN conducting SWOT analysis, factual data are available to understand external factors as well as internal capabilities. It can also evaluate the external opportunities and threats. Factual evaluation of own strengths and weaknesses as compared with competitors can lead to competitive advantage. However, the conduct of SWOT analysis may be time consuming, thus lead to the collection of an outdated data. Another disadvantage of SWOT analysis is that the interpretation of data sometimes differs based on the interpretation of SWOT process. Having different understanding to the process of SWOT analysis leads to an opinionated interpretation instead of factual information [11]. A SWOT analysis assesses an organization's internal strengths and weaknesses, as well as external opportunities and threats. Internal analysis is used to discover the organization's resources, skills, core competencies, and competitive advantages. The external analysis discovers market possibilities and risks by looking at the resources of competitors, the industrial environment, and the overall environment. The goal of a SWOT analysis is to make use of the information that a business already has and to build a plan based on such information [12].

The study had made suggestions based on the results from the SWOT analysis.

### IV. RESULT AND DISCUSSION

Results showed that the twelve agricultural cooperatives in Cabanatuan City are 100% operational even during the pandemic. Half or 50% of the agricultural cooperative respondents are already over 10 years in operation and with minimum of 35 to 123 members. While the other half or 50% of the agricultural cooperative respondents are with less than 10 years in operation having number of members ranging from 30 to 120. All these agricultural cooperatives have their hired manager to handle their operations. Based on the data gathered, the managers' ages range from 30 to 68 years old. 33% or 4 out of twelve were high school graduates and 67% or 8 out of twelve were college graduates.

Below were the summary tables showing the strengths, weaknesses, opportunities, and threats to the agricultural cooperatives in Cabanatuan City, Nueva Ecija.

Table.1. Agricultural Cooperatives Respondents' Strength During the Pandemic

COOP TRANSACTIONS DURING PANDEMIC	Percentage (Yes)	SWOT
Were there new membership applications during the pandemic?	67%	Strength
Do your cooperative conduct regular meetings with the board and/or members?	58%	Strength
If yes, were you able to conduct these meetings during the pandemic?	58%	Strength
Where the members cooperate to the activities of your cooperative during the pandemic?	67%	Strength
Does your cooperative have persons assigned to paper works (registration/financial reports/accomplishment reports)?	83%	Strength
Did your cooperative get tax exemption or any other provisions provided by the	58%	Strength

government during the pandemic?		
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Table 1 above shows that agricultural cooperatives have their strengths continued even during the pandemic. One of which is that 83% of the respondents have hired persons assigned to paper works including but not limited to registration, financial reports, and accomplishment reports. Another is that 67% of the agricultural cooperatives managed to have new membership applications even during the pandemic. The next strength is that 68% of the agricultural cooperatives observed cooperation from their members to their activities during the pandemic. 58% of the agricultural cooperatives were able to conduct their regular meetings with their board and/or their members during the pandemic. Lastly, 58% of the cooperatives were able to acquire tax exemptions and/or other provisions provided by the Philippine government during the pandemic.

Table.2. Agricultural Cooperatives Respondents' Weaknesses during the Pandemic

COOP TRANSACTIONS DURING PANDEMIC	Percentage (Yes)	SWOT
Has it been difficult for your cooperative to perform your duties during the pandemic?	83%	Weakness
Do your cooperative conduct assessment on the effectiveness/efficiency of your programs?	42%	Weakness
Do your cooperative collect feedback from your members regarding your services?	17%	Weakness
Does your cooperative have programs to lower production costs?	33%	Weakness

Based on Table 2, it has been difficult for the agricultural cooperatives to perform their duties during the pandemic with 83% of the cooperatives agreed. This is due to the lockdowns in some area and the risk of getting Corona Virus. In addition, results show that only 42% of the cooperatives conduct assessment on the effectiveness/efficiency of their programs and/or operation. Only 33% of the cooperatives have programs to lower their production costs. Meanwhile, barely 17% of the

agricultural cooperatives collect feedback from their members regarding their services.

Table.3. Respondents Agricultural Cooperatives Opportunities during the Pandemic

COOP TRANSACTIONS DURING PANDEMIC	Percentage (Yes)	SWOT
Were there more service transactions during the pandemic?	50%	Opportunities
Were there more market competitions during the pandemic?	50%	Opportunities
Does your cooperative have programs to increase the capacity for production without investing new facilities?	50%	Opportunities
If yes, has it been effective even during the pandemic?	50%	Opportunities

Above, Table 3 shows that agricultural cooperatives in Cabanatuan City have the following Opportunities during pandemic such as increased service transactions, stable market competition, and having programs to increase the capacity for production without investing new facilities and effective.

Table.4. Agricultural Cooperatives Respondents' Threats during the Pandemic

COOP TRANSACTIONS DURING PANDEMIC	Percentage (Yes)	SWOT
Did the pandemic make it difficult for your cooperative to do on-farm activities?	100%	Threat
Were direct sales at farms difficult during pandemics?	75%	Threat
Did your cooperative have difficulty in processing papers	42%	Threat

(registration/financial reports) during the pandemic?		
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Table 4 shows the 3 major treats that agricultural cooperatives faced during the pandemic; difficulty in doing on-farm activities that may lead to a decrease in their agricultural productions, struggle in conducting direct sales at farms, and difficulty in processing documents like registration and /or financial reports.

### V. CONCLUSION

This study saw the importance of the roles of agricultural cooperatives in our country, the Philippines. Hence, this study evaluates the performance of the twelve agricultural cooperatives in Cabanatuan City during the pandemic in terms of their strengths, weaknesses, opportunities, and threats. Although 83% of the cooperatives admitted having trouble in performing their duties during the pandemic because of the lockdowns and health threats, all remained operational attributed to having persons in charge in managing the operations and persons assigned to paper works. Opportunities arise in the field of market competitions. Having a stable market competition can mean opportunity to improve operations. Programs to increase the production without investing on new facilities may be considered to advance in the market competition. Another is improvement in service transaction flow to cater more clients since the results show that it had been observed that more service transactions were made during the pandemic. Agricultural cooperative may also consider conducting internal evaluations to assess the needs of the cooperative and its members.

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