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The Cooperative Movement under the Agrarian Reform Regime: The Experience of Rubber Plantation Cooperatives in the Philippines

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Abstract

Land-to-the-tiller is the slogan of the Comprehensive Agrarian Reform Program (CARP) in the Philippines. It aims to secure farmers' tenure, promote social equity, and provide farmers with a productive resource towards ensuring their productivity and economic viability. This paper examines the cooperative society of land beneficiaries engage in plantation-based rubber production and reveals that increased productivity of farms, farm operation viability, and improvement of economic well-being among beneficiaries have not yet been fulfilled under the agrarian reform regime. Despite the public perception that the program is comprehensive in nature, the CARP has solely focused on the acquisition and distribution of land, leaving the beneficiaries without much-needed support services. The beneficiaries are now entrepreneurs who need to increase capabilities and the provision of complementary inputs in this new agrarian setting. This paper highlights the case of one large rubber plantation cooperative governed by CARP in Zamboanga peninsula region.

1. Introduction/Background

Cycles of land reforms have been carried out in many parts of the world in varying forms and scale from authoritarian method to democratic approaches, or from state-led to peasant-led regime. It became a favored policy by most countries immediately after World War II, a trend that lasted for a few decades and ended in the early 1980s (Borras et. al. 2006: 4). The reasons for implementing land reforms varied between and within nations during the period of 1940s–1980s, although there were generally economic and socio-political reasons.[1] The perspective of land reform in the 1990s was expanded under the so-called agrarian reform and covered other vital issues (Cousins 2005). Poverty has been one of the push factors to renew public interest on land reform. Poverty has primarily a rural face in the developing world. Therefore, effective control over productive resources, especially land, by the rural poor is crucial to their capacity to construct a rural livelihood and overcome this poverty problem (Borras 2006).

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Although the distribution of land is the most contentious part of agrarian reform, the scope of agrarian reform is broader than merely land reform. In many cases, the terms land reform and agrarian reform are commonly interchanged to mean the same thing, i.e. to reform existing agrarian structure (Borras et. al. 2006: 3). To differentiate between these two concepts, land reform pertains to the reform of the distribution of landed property rights, while agrarian reform refers to land reform and complementary socio-economic and political reforms (Borras et. al. 2006: 3–4). Agrarian reform, therefore, includes both redistributing land and assisting new landowners in their needs such as farm inputs and markets, credit, technology, among others that will help them to become agricultural producers (Deininger 2004). Ito (2002: 53) concludes that the economic wealth of small farm households is still determined largely by the size of land owned and access to needed resources, and these things significantly affect the economic well-being of small farmers. While not the only pathway out of poverty may be, agrarian reform is effective in helping rural households generate higher incomes (IFAD 2000). The experiences of Japan, South Korea, and Taiwan have demonstrated the role of successful public policy in redistributing lands to millions of landless peasant households (Kawagoe 1999; Kay 2002).

Similarly, there has clearly been a revitalization of cooperative development under the community organizations in the participatory development framework.[2] The International Fund for Agricultural Development (2005) asserts that group formation both fosters participation and enables the poor themselves to own their own development efforts. In addition, farmers' organizations, as part of rural producers' groups, have been considered essential vehicles for increasing agricultural production and for improving the welfare of farmers (Bosc 2002). While economic factors constitute the main area of cooperation, social factors are also highlighted in this organization (Birchall 2004). However, the place of cooperatives in economic development is one of the most controversial issues, due to its varied and incoherent outcomes in many countries. Historically, the influence of cooperatives in economic progress and social improvement was always assumed and quite widely proclaimed, especially for rural people. The World Bank (2004), for instance, reported that their experiences with cooperative were beneficial to the poor and such organizations provide participation and impetus in rural development that is hard to secure in other way. In the case of Japan, for example, a remarkable system of multipurpose rural cooperatives has played an important part in the rural society, especially the *Nokyo*.[3] This is a movement that promotes the interests of peasants (Kimura 2006: 12–13). In countries such as South Korea and Taiwan, cooperative organizations also helped rural economic transformation.[4] Hence, in many countries, the promotion of these groups and support mechanisms have always been considered top-priority policies, based on the conviction that well-organized farmers' organizations are essential factors toward accomplishing rural reconstruction and agricultural development program.

In the Philippines, given the relatively large literature on land reform, there are few studies concerning the consequences of CARP implementation at the micro level. For instance, the impact of CARP on the economic well-being and viability of beneficiaries' production, the outcome of the different modes of land redistribution, the effect of the program towards plantation-based crop production, among other things are less explored (Fuwa 2000: 76). Hence, this work will hopefully contribute to this gap. This paper is aimed at examining the performance of the beneficiaries' cooperative engagement in agricultural estates under the reform regime. The timely conduct of this research will hopefully shed light on the debates concerning the impact of agrarian reform on agricultural estates and the role of cooperatives in the agrarian reform regime.

2. Research Hypothesis and Methodology

This study hypothesizes that agrarian reform does not directly result in the improvement of economic and social conditions of beneficiaries, in cases where the beneficiaries combine their share of small land under cooperation. This is because these conditions are dependent upon the economic viability of the consolidated production, which is in turn highly influenced by how the reform is implemented, the availability and access to necessary inputs, and the beneficiaries' capabilities to manage the plantation. To obtain empirical data, a study was conducted among rubber plantation-based[5] cooperatives governed by the CARP in the Philippines. Field research was conducted in Zamboanga peninsula region from December 2005 to January 2006. The key informants interviewed included cooperative managers and selected office personnel, chairmen and members of the board, and beneficiaries of three rubber plantation cooperatives in the region- namely, the Agrarian Reform Beneficiaries of Marcelo Multi-Purpose Cooperative (ARBEMMCO), United Workers' Agrarian Reform Beneficiary Multi-Purpose Cooperative (UWARBMPC), and the Goodyear Agrarian Reform Beneficiaries Multi-Purpose Cooperative (GARBEMCO). As a result of the uniformity of the CARP implementation among rubber plantations and the identical formation of beneficiaries' cooperatives in the region in the 1990s, there are few differences among these ARBs' groups in terms of organizational, operational, and beneficiary-level circumstances.Therefore, this study selected ARBEMMCO as an exemplar case on the basis that it is one of the largest rubber-producing cooperatives in the region. Interviews were also conducted among national line agencies and government bank with CARP mandate and who also serve as members in the Zamboanga Peninsula Regional Development Council.

3. Agrarian Reform in the Philippines

In the Philippines, agrarian reform is being implemented by the state as a social justice measure to change the prevailing situation of unjust and inequitable ownership of land resource by a few individuals in society. For hundreds of years, from the Spanish occupation of the Philippines in the 1500s to the Edsa Revolution in 1986, agricultural lands have been in the possession of a few powerful landlords and corporations. The majority of people have remained as tenants, farm workers and landless agricultural laborers, a factor that has contributed to poverty in the countryside. In 1988, the Comprehensive Agrarian Reform Law (CARL), otherwise known as RA 6657, set in motion the implementation of the CARP. RA 6657 (Section 3) defines agrarian reform as "redistribution of lands, regardless of crops or fruits produced, to farmers and regular farm workers who are landless, irrespective of tenurial arrangement, to include the totality of factors and support services designed to lift the economic status of the beneficiaries and all other arrangements alternative to the physical redistribution of lands, such as production or profit-sharing, labor administration, and the distribution of shares of stock which will allow beneficiaries to receive a just share of the fruits of the lands they work." However, the redistributive nature of the reform has been widely criticized and its implementation has been slow, due to many issues and loopholes.[6] Furthermore, the law stipulates that big landowners have a retention right limit of 5 hectares and the legitimate heirs are also allowed additional 3 hectares each. The law also stipulates that landowner compensation is based on the fair market value of the land and that beneficiaries will initially pay the owners in cash at least 25% of the land value and the balance to be amortized over 30 years with 6% annual interest rate. In cases when the owner and the beneficiaries could not agree on the land valuation, the government has established a judiciary system to resolve this issue.

As an exception to the reform coverage, a 10-year deferment beginning the CARP implementation in 1988 was allowed on lands for commercial livestock, poultry and swine raising, aquaculture, fruit farms, orchards, vegetable and cut-flower farms, cacao, coffee, and rubber plantations. Moreover, lands leased to agri-business corporations were exempted for 10 years or until the lease expired. The reform program was to be implemented in three phases between 1988 and 1998, and later on extended until 2008. There are three broad types of reform consisting of land redistribution of private and public lands, lease that includes leasehold on lands legally retained by landlords and stewardship contracts for some public lands, and a stock distribution option for some corporate farms. The agrarian reform law also offers a wide range of transfer mechanisms, namely, operation land transfer (OLT), which was originally under the Marcos land reform program in 1972 and later subsumed by CARP, covers tenanted rice and corn lands and consists of transferring ownership from landowners to tenant-tillers. Another transfer mechanism is compulsory acquisition (CA), which consists of government expropriating private properties in non-rice and non-corn areas and distributing them to selected beneficiaries. These arrangements are coercive and executed whether or not landlords cooperate with the program and are paid via a staggered bond cash payment, with the cash portion not more than 30% and the rest in bonds spread over ten years. In addition, voluntary-offer-to-sell (VOS) scheme consists of landowners surrendering their land to government for valuation and distribution. This is a scheme that intends to encourage landlords' cooperation by giving them incentives when they voluntarily cooperate with the program. The voluntary-land-transfer (VLT) arrangement, also referred to as the direct payment scheme, is a land transaction directly made between landlords and peasants under terms and conditions mutually agreed upon and subject to government approval in which landowners are paid directly in cash or in kind by farmer-beneficiaries and the government's role is minimal and merely to facilitate. While OLT and CA represent coercive methods of land redistribution, VOS and VLT schemes are voluntary.

There are at least four government agencies mandated to participate in the land acquisition and distribution process. These are the Departments of Agrarian Reform (DAR), Environment and Natural Resources (DENR), Land Bank of the Philippines (LBP), and the Land Registration Authority (LRA). The initial budget allotted by the government for the program implementation over the ten-year period (1988–1998) was PHP 50 billion (US$909.09 million). However, an additional PHP 50 billion (US$909.09) was added when RA 8532 was passed,[7] which brought the total budget allocation to PHP 100 billion (US$1,818.18 million) and extended the program until 2008. Bulk of the budgetary requirement will be for land acquisition and distribution (54%), while the rests will be for operational support (25%) and for program beneficiaries' development (21%). However, there is always a large gap between the estimated budgetary requirement to complete the program and what is actually allocated by the government (Bello 2004: 62-65). The total funds to implement the program are believed to be the most expensive land reform in the Philippine history.

The government likewise recognizes the need for support services to complement land distribution such as credit facilities, technology and infrastructure. The government created the Agrarian Reform Communities (ARCs), a cluster of rural communities or *barangays*[8] where land transfer has been more or less completed and where there is a critical mass of ARBs as community residents. It is through these clusters that support services are being channeled to the farmer-beneficiaries. Moreover, to increase the income of farmer-beneficiaries in the ARCs, the government has established links between farmers' organizations and agri-business enterprises to facilitate access to market opportunities, production inputs, technology, and credit facilities. To finance various agricultural and livelihood projects in the ARCs, it has also established some lending windows in government financing institutions to finance pre- and post-harvest facilities, agricultural production inputs, livelihood projects, non-rice projects like processing, manufacturing, crop production, etc., through various government agencies implementing the CARP (DAR 2002).

Originally, the total area to be covered under this program was 10.3 million hectares, one-third of the country's land area of 30 million hectares.However, as a result of CARP Scope Validation, the covered area was pegged at 8.169 million hectares. This reduction is attributed to the number of exemptions and exclusions.[9] Of this total area, 4.4 million hectares (54%) fall under the responsibility of DAR and 3.8 million hectares (46%) are under the jurisdiction of the DENR. As shown in Table 1, by 2005 the CARP had distributed close to 6.0 million hectares to 3.78 million ARBs, or an accomplishment rate of roughly 80% from the revised total scope. Of this accomplishment, the DAR distributed 3.56 million hectares of mostly agricultural lands, or 81% of its scope, while the DENR distributed 2.34 million hectares of public lands and integrated social forestry areas, or 62% of its scope. In terms of numbers of beneficiaries, a total of 3,781,348 farmers were awarded with land or 85% of 4.5 million targets. The share of DAR was 2,049,495 or 82% of the 2.5 million targets, whereas DENR achieved 1,731,853 or 87% of the 2 million targets.

Table 1 CARP's Land Distribution Accomplishment, in Hectares, 2005

Type of Land	Land Area
Total Land Redistribution by Land Type under DAR	
Private Lands	**2,036,201**
Operation Land Transfer (OLT)	576,556
Compulsory Acquisition (CA)	289,250
Voluntary Offer-to-sell (VOS)	494,133
Voluntary Land Transfer (VLT)	514,277
Government Financial Institutions (GFI)	161,985
Government-owned Lands	**1,530,790**
Kilusang Kabuhayan at Kaunlaran (KKK) (Movement for Livelihood and Progress)	737,512
Landed Estate (LE)	70,658
Settlement	722,620
Sub-Total	**3,566,991**
Total Land Redistribution by Land Type under DENR	
Alienable and Disposable (A & D)	**1,295,559**
Community-based Forest Management (CBFM)	**1,042,088**
Sub-Total	**2,337,647**
Grand Total	**5,904,638**

Source: Borras 2006: 81.

4. Birth of Rubber Plantation Cooperatives under CARP

The emergence of modern plantations and commercial farms engaged in banana, pineapple, rubber, coffee, among other agricultural crops in Mindanao in the 20th century posed symbiotic relationships between wage laborers and corporate management in modern agri-business plantations.

When CARP took effect swiftly in 1988, large landowners, especially those belonging to the elite, opposed this regime strongly. The main objections of landowners arose from what they perceived as under-valuation of their property and the swift acquisition of the land. After careful considerations and amendments made by the government, the landowners and beneficiaries reached a certain agreement on how much the land must be valued. This began the acquisition and redistribution of agricultural estates by the government to the farm-workers under CARP in the 1990s, with rubber crop as one of them.

Rubber plantations were of those under deferment conditions when CARP took effect in 1988. This was to give the landowners the opportunity to recover their investments before the land was acquired and distributed to the farm-workers within ten-year time. The private rubber plantations were on track for redistribution only in the early 1990s. The implementation of CARP changed the structure of the rubber plantations in the country, shifting from being estate-domain to smallholder-domain. Under the different modalities of CARP (e.g., stock distribution, leaseback), the beneficiaries of rubber plantations in Zamboanga peninsula region, where the study was undertaken, opted for the land distribution that provided a share of 3–5 hectares for each worker-beneficiary. When the previous owners opted for voluntary-offer-to-sell (VOS) these holdings and left the area, the industry became fragmented, weakened, and was left without industry captains (Ho 1997: iii). The economic reason for this VOS scheme and immediate transfer was that a 10-year deferment of land transfer would not provide sufficient time to recover the large investment required for new plantings of long gestation perennial crops by the private owners. It was noteworthy that the rubber trees in almost all plantations have already matured and ready for replanting at the time of transfer.

Because of the swift turnover, there was no transition period or allocated resources that would allow for the formation of institutional and management support structures to enable individual farm worker-beneficiaries to productively farm subdivided parcels. Collective transfers to self-managed cooperatives,[10] therefore, presented the most expeditious method of compliance to CARL under the circumstances (KFI 1999). Due to external pressure, especially from the government side, the beneficiaries enthusiastically organized themselves according to government advice that included the adoption of pro-forma constitution and by-laws utilized to fast-track cooperative registration, which was generally not adjusted to conform to the actual organizational needs of agrarian cooperatives. The beneficiaries appointed plantation management from amongst their ranks, since the majority of higher management personnel in the old company had retired or dissociated themselves after land transfer. They also maintained the old division of labor and plantation management structure, and popularly elected Board of Directors (BOD) from among the beneficiaries, who exercise loosely defined management and policy prerogatives over the appointed manager. It is apparent that there was limited time and resources for the beneficiaries to become independent, to decide for themselves, or to examine closely this progress of events affecting their lives. By 2004, there were already seventeen large cooperative plantations in the region covering an aggregate area of some 16,000 hectares, as shown in Table 2. The majority are planted with rubber and other crops include coffee, coconut, abaca, rice, fruits, banana, palm oil, and provide full employment to almost 5,000 direct beneficiary-households and contractual employment to another 3,000 rural workers.

Table 2 ARBs' Cooperatives and Areas Planted to Rubber, Western Mindanao, Philippines, 2004

Name of ARBs' Cooperatives	Number of Beneficiaries	Rubber Areas (in Hectares)
Basilan		
1. Sta. Clara Agrarian Reform Beneficiaries Integrated Development Coop.	1,394	1,759
2. Tumahubong Agrarian Reform Beneficiaries Multi-Purpose Coop.	316	968
3. United Workers Agrarian Reform Beneficiaries Multi-Purpose Coop.	366	565
4. Mangal Agrarian Reform Beneficiaries Development Cooperative	246	388
5. Tipo-Tipo Agrarian Reform Beneficiaries Development Cooperative	107	285
6. Tipo-Tipo Agrarian Reform Beneficiaries Cooperative	165	337
7. Latuan Agrarian Reform Beneficiaries Cooperative	342	950
8. Lamitan Agrarian Reform Beneficiaries Cooperative	375	500
9. East Sumisip Agrarian Reform Beneficiaries Cooperative	114	297
10. Canas Agrarian Reform Beneficiaries Agricultural Development Coop	182	140
11. Baiwas Agrarian Beneficiaries Multi-Purpose Cooperative	217	825
Zamboanga Sibugay		
12. Good Year Agrarian Reform Beneficiaries Cooperative	312	917
13. Sulo Agrarian Reform Beneficiaries Cooperative		879
14. Tambanan Agrarian Reform Beneficiaries Multi-Purpose Cooperative	428	882
15. Marsolo Sta. Clara Agrarian Reform Beneficiaries' Multi-Purpose Cooperative	30	72
16. Jo Rubber Agrarian Reform Beneficiaries Multi-Purpose Cooperative	37	106
Zamboanga Del Norte		
17. Agrarian Reform Beneficiaries of Marcelo Multi-Purpose Cooperative	330	1,023
Total	**4,961**	**10,893**

Sources: DAR Regional Office 9. 2004.

Notably, because the names of the beneficiaries appeared in the Certificate of Land Ownership Award (CLOA), land division will not also be possible until the cooperative has fully paid the land amortization (30 years period). This is part of the agreement between the beneficiaries and the public authority, the DAR and LBP in particular, when the CLOA was prepared under the cooperative name. In this new corporate persona of the agricultural estates under cooperative ownership, the management of the entire plantation now belongs to the beneficiaries who are also (re)employed as workers. These cooperatives operate just like any other economic enterprise in the market. They have also established bureaucratic business management style, while ensuring the democratic system under the principles of cooperation. This kind of economic organization relating to agricultural plantation under CARP only exists in Western Mindanao region, because other agricultural plantations affected chose the other modalities of land distribution (e.g., stock distribution option for some sugar plantations and leaseback option for some fruit farms). The case of ARBEMMCO cited below is a large cooperative in the region that demonstrates the present conditions of a typical plantation-based cooperative of ARBs under the reform regime.

5. Natural Rubber in the Philippines

Rubber is one of the world's most important industrial materials. It is used in the manufacturing of a wide range of products. According to the International Rubber Study Group (2006), the current world production and consumption of rubber is around 20 million tones, with 43% natural rubber and 57% synthetic rubber. However, tires have been the main product of the rubber industry for decades and account for more than 60% of all rubber used. FAO (2001) estimated that the annual average natural rubber production was roughly 6.8 million tons during 1998–2000. It is projected to reach 7.9 million tons in 2010 throughout the world. Rubber is produced entirely in developing countries, and Asia is the largest producing region, with Thailand, Indonesia, Malaysia, India and China as the top five producing countries in 2000.

In the case of the Philippines, rubber was first planted in commercial quantities by international tire manufacturing companies in the early 20th century, especially in Mindanao, because of its relative absence of typhoons. In the beginning, the industry was founded and dominated by estate production among multi-national corporations engaged in tire production such as Sime Darby Corporation and Goodyear Corporation. Though the rubber industry in the Philippines is small by world standards and lagging behind in terms of area in comparison to coconuts, sugar cane, fiber crops and coffee, the local production supports a domestic manufacturing industry. From 1999 to 2003, the average production of natural rubber was 259,961 metric tons. Local manufacturing firms utilized 85% of the country's supply of rubber and the remaining 15% was exported. Since 1996, the country has been a net exporter of rubber and registered a trade balance of US$ 33 million in that year.

According to the Bureau of Agriculture Statistics (2004), 70% of Philippine natural rubber is utilized by the tire industry, while 30% goes to non-tire products such as gloves, medical wears, toys, balls, etc. Zamboanga Peninsula region is a major supplier of natural rubber in the country. Overall, the region has a total share of roughly 41,674 hectares of rubber trees, equivalent to 52% against the total 80,144 hectares of rubber in the entire country in 2003, as shown in Table 3. From this figure, CARP-affected rubber estates account for 14 percent at the national level, and 26 percent share at the regional level. The other areas are considered as smallholdings. Consequently, one of the strategies in the pursuit of regional development is the progress of rubber industry to spur agro-industry-based development. The importance of ensuring the growth and competitiveness of the rubber sector in the country is very clear, as far as production and industrial utilization are concerned. However, because of the relatively small area and the independent estate-based history of rubber production among large companies in the past, only limited government support has been provided (Aguila 1997).

Table 3 Areas Planted with Rubber, Philippines, 2003

Region	Area in Hectares	Share (%)
Philippines	**80,144**	**100**
Zamboanga Peninsula Region *	41,674	52
Northern Mindanao Region	4,007	5
Davao Region	5,610	7
SOCCSKSARGEN Region	19,236	24
CARAGA Region	8,816	11
Autonomous Region for Muslim Mindanao	801	1

* Including Basilan Province
Source: 2004 Rubber Situationer. Bureau of Agricultural Statistics.

6. Brief Profile of Zamboanga Peninsula Region

The region is situated at the Southwestern part of the Philippine archipelago and is referred to as the gateway to the countries comprising the Association of South East Asia Nations (ASEAN). Its total land area is 16,010 square kilometers, which constitutes 5.33% of the Philippines' total land area and 15.68% of the total land area of Mindanao (refer to the map in figure 1). The region has 8 local governments- three provinces and five cities.

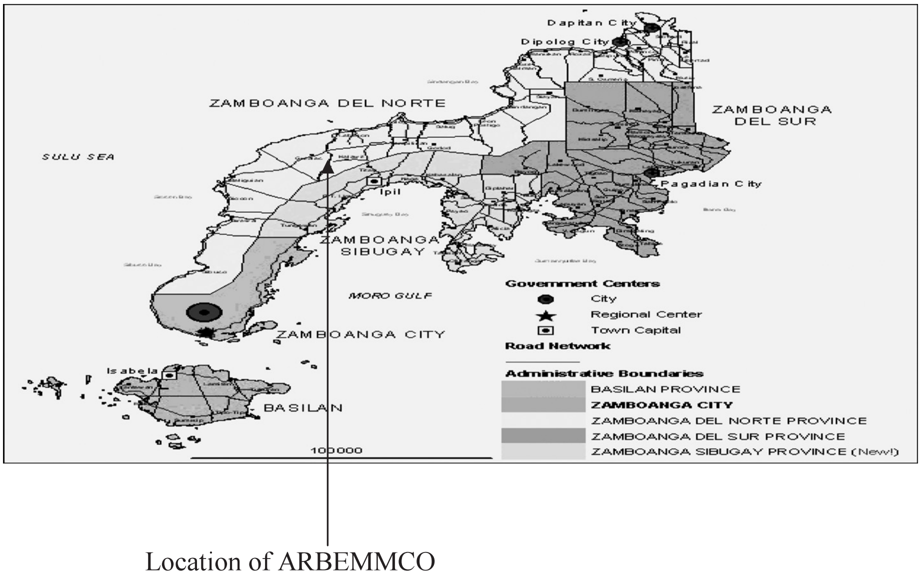

Figure 1 Map of Zamboanga Peninsula Region, Philippines

Source:http://www.amboanga.com/html/Zamboanga_Peninsula_map.htm.Downloaded August 12, 2006.

In 2003, agriculture continued to be the banner sector and accounted for more than 50% of domestic outputs, while services continued to be the second source of domestic output accounting for 34% of the Region's Gross Domestic Product (RGDP). The industry sector accounted for 15% of the region's RGDP in 2003, as shown in Table 4.

Table 4 Zamboanga Peninsula Gross Regional Domestic Products, 2003

By Sector/Sub sector	In PHP' 000	% Growth	% Share
Agriculture, Fishery, Forestry	14,527,500	3.8	50.86
Industry Sector	4,3098,236	3.2	15.09
Service Sector	9,726,831	6.2	34.05
GRDP	28,563,567	4.5	100

Source: RDC Communicator, Zamboanga. 2004.

The region's economy is an agriculture-based economy comprised of about 751,097 hectares, or 47% of the total land area devoted to agriculture. In terms of area devoted to crops, rubber is second after coconut in terms of area and production, as shown in Table 5.

Table 5 Major Commercial Crops in Zamboanga Peninsula Region, 2003

Commodity	Area in Hectares	Volume of Production (In Metric Tons)
Abaca	825	123.3
Cacao	776	161.84
Coconut	378,642	1,262,630.90
Coffee	1,510	1,347.04
Rubber*	32,438	145,927.57
Sugar Cane	217	600.57
Tobacco	37	15.99

** Data excludes Basilan Province as part of Western Mindanao*
Source: RDC Communicator, Zamboanga. 2004.

The majority of the region's labor force is also employed in the agriculture sector. In 2003, the employment shares of the agriculture, industry and service sectors were 56, 10 and 34 percent, respectively, as shown in Table 6.

Table 6 Employment Share by Sector, Zamboanga Peninsula Region, 2003

Sector	Number of Workers Employed	Share by Sector (%)
Agriculture, Fishery, Forestry	675,000	56
Industry	106,000	10
Services	409,000	34

Source: RDC Communicator, Zamboanga. 2004.

Zamboanga Peninsula's population growth continues to increase, but the rate has declined from 2.42% in 1990 to 2.31% in 2000. From 1990 to 2000, the region's population rapidly increased from 2.45 million to 3.09 million. Zamboanga City is the region's most highly urbanized city and had a population of 601,794 in 2000. At an average growth rate of 2.3%, the region's population is expected to double in 29 years. According to the National Statistics Coordination Board (RDC Communicator 2004), poverty incidence in 2000, which refers to the proportion of families with per capita income below poverty threshold, was 38.3% for the region, in comparison to 28.4% at the national level. In absolute terms, there were about 231,078 families or 1.4 million persons in the region, equivalent to about 2.0% of the country's population, who were living below the poverty line in 2000. Despite recorded improvement in some social indicators, the region continues to face enormous challenges in addressing the poverty situation and ensuring equitable access to basic social services.

7. Exemplar Case: Agrarian Reform Beneficiaries of Marcelo Multi-Purpose Cooperative (ARBEMMCO) in Zamboanga Peninsula Region

7.1. Background and Profile

The rubber plantation started in the 1950s as a private company-operated under the ownership of Marcelo Agricultural Business Corporation (MABCO). The establishment of rubber plantation followed the growing trend of rubber production among other big private companies (e.g., Goodyear Corporation, Sime Darby Corporation, and Menzi Corporation) in the region. When CARP governed this plantation by 1996, the estate was sold under the VOS scheme. The main reason for VOS was the financial impracticality to rehabilitate the already matured trees and, under CARL, the company was only given a maximum of ten years beginning 1988 before the land would be acquired and distributed to the farm-workers. However, it took extra two years before the beneficiaries' cooperative commenced, because of problems related to land valuation between the beneficiaries and owner.[11] At the time of turnover of the agricultural estates, the previous owner retained the mini-processing plant located within the premises of the cooperative as part of his retention right, although this small plant was no longer functional. Other than the land itself, nothing was turned over to the beneficiaries. Hence, the beneficiaries started from scratch at the time they took over the management of agricultural estates by appointing plantation management coming from their ranks, elected the members of the BOD, set-up record keeping/accounting system, adopted some policies for control and operations purpose, and decided their own salaries and entitlements and other administrative works. Company records were not turned over by the previous owner to the beneficiaries. Consequently, the ARBs had to rely on themselves and the help they received from the outside, especially from the public authority.It was a transition process that they had to go through, including a trial-and-error on farm management.

The cooperative undertaking was intermittent during the first few years of operations brought about by internal problems, such as low economic incentives, corruption, lack of transparency, differences of opinions in plantation management, lack of other livelihood means, power struggle, among others. This resulted in the decision to divide the plantations among the ARBs, but this did not materialize due to legal implications under CARP. During interviews, some beneficiaries expressed that these issues still exist and ready to surface again if aggravated. They, in fact, changed the manager three times already to resolve these internal problems.

ARBEMMCO encompasses two adjacent *barangays* in Zamboanga Del Norte Province (refer to figure one for the location in the regional map). The road is impassable during rainy days, since it is covered only with sand and stones. It has also no access to public facilities such as seaport, airport, or commercial centers. The total land area transferred to the cooperative was 1,023 hectares, roughly

1,000 hectares of which were agricultural lands. Rubber is the main commercial crop, and small areas are planted with banana, corn and vegetables. The total membership is 330 ARBs (328 male and 2 female). These beneficiaries were the regular farm-workers of the previous company, as a non-regular worker cannot become a beneficiary. The names of these ARBs appear in the CLOA issued by the government. Out of this total number of beneficiaries, 235 are employed as workers in the cooperative, while the 95 beneficiaries are not employed (some have migrated and others found job outside the village). ARBEMMCO employs 70 contractual workers and non-beneficiaries. From these 305 workers, 170 are in the field production and 135 are non-production workers (e.g., 40 in general services and office works, 30 in security, and 65 in special projects). In the office, only 4 workers are college graduates and the majority are high-school level. In the production section, the majority of the workers had received no higher than elementary education. The present manager had only completed high school education. The cooperative cannot employ professionals, because a non-beneficiary cannot become a member/officer in the organization under the by-laws of the cooperative.

7.2. Operational Structure and Functions

The general assembly of the cooperative is composed of 330 beneficiaries and is the highest governing body of the organization. The elected members of the board of directors (BOD), who come from the ranks of the beneficiaries, are the policy-making body. The BOD is composed of 11 members, including one chairman. In addition to the BOD, which is directly responsible to the general assembly as far as plantation operation is concerned, there are six other committees created to serve its purpose. These are the marketing, credit, election, grievance, education, and inventory and audit. Under the BOD is the plantation operation supervised/administered by the manager. The board and committee members serve on voluntary basis. As a democratic society, any member can aspire to become an officer of the cooperative. Hence, the cooperative sets a very minimal standard of qualifications for those positions, such as simple ability to read and write, and an agrarian beneficiary status. The manager and the staff working under him are considered to be paid workers. There are basically five departments or units under the manager: accounting section, security and maintenance section, non-production department, production department, and the re-planting unit. Moreover, the manager is also directly responsible to the three newly created special income-generating projects: members' savings organization, consumers' store, and a bakery. Figure 2 shows the organizational structure of the cooperative.

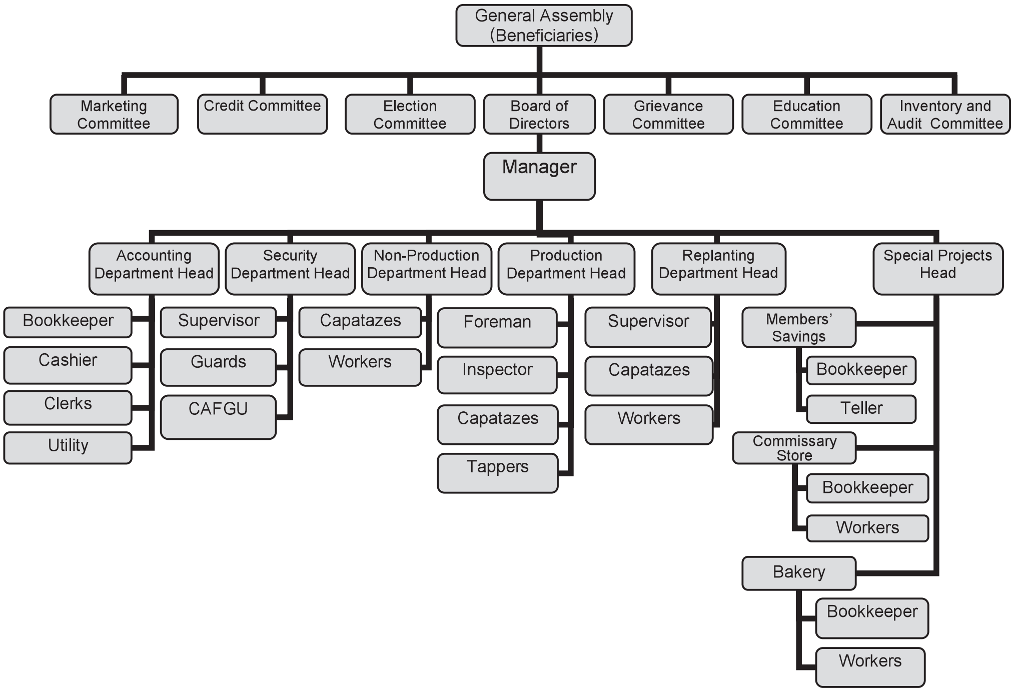

Figure 2 Organizational Structure of ARBEMMCO
Source: ARBEMMCO. 2006.

7.3. Business Activities and Performance

Products. The primary products of ARBEMMCO are Standard Philippine Rubber (SPR) 20[12] and cup lumps. Because of its location and road problems within the plantation itself and the farm-to-market road, it produces low quality of rubber products. Lacking its own processing facilities, the cooperative cannot maximize the value of its latex to command higher prices. Even though ARBEMMCO has the right to process its raw rubber in the joint-ventured processing plant, its location makes it impossible for the fresh latex to reach the processing site on time. As a consequence, the quality deteriorates and low-class of rubber product is produced. This quality problem is worsened due to outdated technological system and the type of rubber clone in the farm. The beneficiaries believe that their long experience with rubber production has made them technically equipped, and that there is no reason to engage or diversify with other crops in which they are not technically knowledgeable and risky to undertake.

Marketing. The cooperative has no marketing unit to develop a marketing strategy, including product development and promotion, pricing strategy, and market research and development that will strengthen bargaining power and position in the market. The marketing committee, which is not considered to have a management function, is exclusively responsible for sales, and is only accountable to the general membership. The cooperative does not sell under a bidding system in which they can bargain for better prices. This is because the cooperative is tied up with a local trader of its products due to its financial debts. Since the cooperative does not have enough cash to pay its expenses and salaries to workers on time, it usually goes in debt with this local trader with a promise to deliver certain volume of their produce. Upon delivery of their product to this trader, the selling price is usually below the prevailing market price. The difference in this price is assumed to be the interest of the debt, as agreed upon. It is the government that provides information concerning current global market price.[13] Similar to other rubber plantation cooperatives in the area, ARBEMMCO also lacks knowledge of the business profiles of industrial users of their product, who are mostly based outside the region. The selling price of SPR 20 ranges from PHP 35 to PHP 75/kilo (US$ .63 to 1.36),[14] while cup lumps' prices range from PHP 15 to PHP 25/kilo (US$ .27 to .45). As a market commodity, the price fluctuates much and is highly dependent upon global conditions.

Production and Productivity Level. The plantation suffers from lower productivity because of the ageing trees and attitudes of the beneficiaries in the field.[15] The average daily production is 1,000 kilos of latex, given its 500 hectares of maturing trees, while 300 hectares are considered unproductive and 200 hectares have been newly planted. Given this number of ageing trees and yield, the maximum latex that the cooperative can collect is 360 kilos[16] per hectare a year, which is far below the standard. Research is very inadequate, if non-existent, to improve quality of produce, such as high-yielding clones, better planting system, improved tapping and harvest techniques, application of certain chemical to extend quality from the field to the processing site, etc. Although ARBEMMCO has a plan to engage in semi-processing activity, there is no preparation and set-aside fund for this. Moreover, the lack of technical expertise, absence of funds or financial support from outside, and the differences among beneficiaries may delay the realization of this value-added activity.

Information and Communication Technology. The cooperative has two computers for administrative work only (recording and accounting). Since its main office is in Marcelo area, which is very remote, it has no access to Internet or telecommunication systems. In the plantation area, they only use handheld radios for communications. As a consequence, the cooperative is not engaged in e-business, nor does it have access to e-information. Their information sources are basically government agencies, local traders, and other rubber cooperatives in the area. This constraint leaves the cooperative dependent and under the control of local traders in marketing the produce due to its severe deficiency of essential information.

Human Resource Development (HRD). HRD is non-existent. The main function of the personnel officer is to administer the paperwork of workers concerning health insurance and social security pension plan. There is no clear mandate or plan concerning human resource development for the beneficiaries. As in other cooperatives, this component, which basically includes trainings and seminars, is neglected and is under the control of external agencies. Despite its inclusion in the development plan of the cooperative, the strategies and specific elements are not clearly defined. They appear only to please those agencies that facilitated and guided them in the formulation of this plan. The lack of this vital human skills and knowledge development has put them in a disadvantageous position in terms of productivity, effectiveness, and better performance in general.

Financial Resources and Performance. The total value of the cooperative is PHP 57.378 million (US$ 1,043,236), based on its financial records dated December 2004. From this, PHP 50 million (US$ 909,090) was considered to be their long-term debt. Given its high financial obligation, combined with the low production level, the cooperative incurred net losses. In fact, the cooperative was performing poor financially from the beginning. By 2004, ARBEMMCO's liabilities were close to 90% of their total assets. This liability included the long-term amortization of the agricultural land amounting to PHP 50 million (US$ 909,909). In the same year, the beneficiaries had a total contribution/paid-up capital of PHP 1.189 million (US$ 21,168), while the cooperative's net loss was PHP 2.577 million (US$ 46,584), which put them in a more financially distressed position. However, government-financing institution (LBP) will not continue their financial support until the cooperative starts to harvest the first phase of replanting program in 2008. This makes the cooperative less financially viable given the fact that around 300 hectares still need to be replanted. The lack of sufficient savings of the cooperative and the beneficiaries' very low capability to increase capital investments has put their financial status in dismal state.

8. Socio-Economic Conditions of Beneficiaries

The socio-economic conditions of beneficiaries depend largely on the business performance of the cooperative. However, the business performance of ARBEMMCO, since its takeover of the plantation management is rather not good, as losses have been recurring. Consequently, the salaries/wages the cooperative pays are below the regional minimum wage set by the regional wage board.[17] In contrasts, the salaries/wages of previous private company were even higher than the legislated wage level, as disclosed by the beneficiaries. The compensation under the cooperative now goes as low as 35% in comparison with the regional minimum wage standard. The plantation manager is no exception, who receives salary lower than the required minimum wage. This signifies that the beneficiaries have relatively low living standards as a consequence of low-income level. Viewed from the international standard in measuring poverty level,[18] the beneficiaries are, in fact, considered to be moderately poor base on their average income of US$ 2 per beneficiary/day. For instance, the lowest daily wage a beneficiary can earn is PHP 120 (US$ 2.18) and the highest is PHP 170 (US$ 3.09), the manager's daily wage. Annual bonus is set at PHP 2, 000 (US$ 36) per worker-beneficiary. No other financial benefits are given. As a result of these low-wage conditions, the workers are encouraged to engage in other income-generating activities such as gardening, livestock raising, and other food crop production. As a consequence, they work less than 8 hours/day in the cooperative. The cooperative also provides vacation leave and sick leave of fifteen days each and pays the medical and social security pension plans of members. Recently, through foreign aid, the cooperative has begun to provide water and limited electricity to members in upland areas and micro-credit through its mini-bank. These members had no electricity and water access when the cooperative took over in 1996, because the equipment that provided them electricity and water belonging to the former private company owner was not part of the agreement to be turned over to the cooperative. Subsequently, these beneficiaries mostly relied on deep wells and oil/kerosene lamps. Other benefits such as free housing, mortuary and medical pay are no longer provided by the cooperative. There is one public health center and public elementary and high schools in the area accessible to the beneficiaries and their children. However, there is no special fund from the cooperative to support the health and education needs of the beneficiaries and their children.

For purposes of comparison, Table 7 provides the difference of incentives between the former employer MABCO and ARBEMMCO. The benefits items are the typical compensation package of a private firm, except for the last three items, which are unique to a cooperative. It is evident that the previous company offered better incentives to the beneficiaries than does the cooperative. For instance, in addition to differences in salary level as mentioned earlier, the cooperative has no 13th month pay, which is legally mandated to any private company under the labor code. The basic social services such as free housing, free electricity, and free water are rather very limited under the cooperative in comparison with MABCO. Although the cooperative must declare/give dividends and patronage on annual basis, which did not exist, or was not possible during MABCO time, it has been unable to do this as a result of recurring losses from operations. Hence, there are obvious differences in terms of economic and social conditions among the beneficiaries before and after CARP implementation. These findings do not completely claim that the conditions were better off under the private company, because there are other factors that beneficiaries enjoy now that they did not in the past, such as ownership status, pride, command and voice in the operations, security of tenure without the risk of being terminated or suspended, opportunity to aspire to any position in the cooperative, participation in the decision-making, and so on. However, if we examine ARBs' conditions, these positive aspects have not contributed yet to a higher economic and social standing. There must be more in this intrinsic condition in the form of extrinsic incentives that will eventually improve their own well-being and the ARCs at large.

Table 7 Comparisons of Socio-Economic Incentives between MABCO and ARBEMMCO

Benefits	Under MABCO	Under ARBEMMCO
Salary	√	√ *
13th Month Pay	√	None
Vacation Leave	√	√
Sick Leave	√	√
Social Security System (Insurance)	√	√
Housing	√	None
Electricity	√ (Free)	√ (Not free)
Water	√ (Free)	√ (Not free)
Medical Benefits	√	None
Mortuary Benefits	√	None
Interest on Capital	None	√ **
Dividend	None	√ **
Patronage Refund	None	√ **

(√) This mark means existing and is used to simplify the descriptive comparison.
Note: * Below the regional legislated minimum wage.
** Only in cooperative policy, but no actual distribution has been made yet after 8 years of operation.

9. Lessons from the Experience of Rubber Plantation Cooperative under the CARP Regime

In this study, we discovered that the ARBs in the rubber plantations in Mindanao are among the most disadvantaged communities in the country. This is because their socio-economic conditions are far below what was aimed for under the agrarian reform regime, after almost ten years of operations on their own. The beneficiaries' daily wage is around US$2 per day, an income level that is categorized relatively poor in international standards. This income level is lower than what is required for a decent living in the region. Other benefits necessary for better living conditions are also lacking. The ARBs hope to receive from the cooperative the same incentives they obtained in the past while working for the previous private owner. These incentives included bonuses, free housing, free water, subsidized hospitalization, subsidized/free electricity, mortuary benefit, among others. Given these relatively inferior socio-economic circumstances facing the beneficiaries, poverty problem remains a major concern in the agrarian setting, at least in the context of rubber plantations governed by CARP.

On the other hand, when the rubber plantations of private companies were turned over to the worker-beneficiaries of CARP, the government imposed the organization of cooperative among farm-beneficiaries to swiftly transfer the land from the private owners. This move was also biased in favor of the private owners, given the fact that the rubber trees were already maturing, which means lower economic value, and the market value consideration of the agricultural estates was presumably overvalued. This organizational strategy was aimed at sustaining the corporate persona of the estates and to keep the plantation management virtually the same under the hands of the new owners- the beneficiaries. Under these conditions, the beneficiaries had to become entrepreneurs, a transition process that they have to go through until they become skilled and knowledgeable on farm management. Henceforth, they have to make all the decisions by themselves, secure timely availability of inputs, and arrange for marketing their produce, among other things.

The case of ARBEMMCO and the other two cooperatives (UWARBMPC and GARBEMCO) demonstrate that while land tenure, social justice and equity had been generally achieved under the reform, increased productivity of farms, higher farm operation viability, and the improvement of economic well-being among beneficiaries are still distant goals. In fact, as a result of the growing dissatisfaction and conflict among beneficiaries from the beginning, the dissolution of cooperative and dismantling of estates into smallholdings has reached a crucial stage. Despite the public perception on the program of being comprehensive in nature, the CARP has solely focused on the acquisition and distribution of estates, leaving the beneficiaries without much needed support services to address agricultural extension, physical infrastructure, credit, technology, farm management skills, and marketing information and support. While the realization on the significance of cooperative societies among beneficiaries of the reform regime deserves commendation for it will not merely bring about active participation among beneficiaries, but will also bring together the resources necessary for their functioning. However, such societies can only become viable and independent if they operate as business entities. Furthermore, their development and expansion are largely determined by the beneficiaries' ability to manage, control, and, to a reasonable degree, self-finance their activity.

Another lesson that can be drawn from the study is that in cases where the beneficiaries decided on collectivization of their small lands, this may result in inferior performance of collective farms. This is because the beneficiaries have inferior farm management ability, lack of public goods to complement such inabilities and need requirements, and the limited preparations to equip them in their new role. The ability to invest is likewise diminished when income from the cooperative, as the only source, is unreasonably low. Furthermore, the globally dictated price of rubber and the lack of any public policy and goods accompanying the regime, especially for the rubber sector, which has been neglected by the national government, consequently affect the economic performance of ARBs' cooperative. Given all these circumstances, agrarian reform requires accompanying development of the capacity among the reform beneficiaries for capital accumulation such as human capital (e.g., education, training) and productive capital (e.g., finance), which include beneficiaries' full access to national legal, political and economic (markets, input, etc.) institutions (Gordillo 1997) to overcome the present difficult times. There is a contention that without access to these complementarities and supportive institutions, beneficiaries might be worse off than before (Deininger and Binswanger 2001: 417). The reason why this is the case among rubber producers in the country is, obviously, due to the long independent-nature of big private companies in the past, a basic reason why public support for rubber development is lacking in the country.

At the outset, agrarian reform that comes from the central government and does not include the involvement of the people either in framing the legislation or in implementing it ignores the fundamental nature of such reform. The CARP is a good example of this government-initiated reform. Furthermore, despite the realization of the significant role of women in agrarian development, this has not been reflected in CARP. Woman-beneficiaries of land are almost zero and their participation is lacking in the plantation operations. As the program nearing its term, the lack of concrete policy to address this issue is one major loophole.

10. Conclusion and Implications

In conclusion, while it is widely acknowledged that agrarian reform and the related cooperative movement are vital in addressing the economic, social and political problems in the agrarian setting faced by many governments, the findings in this study revealed the high complexity of these issues. Despite the fact that access to land opens opportunities for the beneficiaries, it does not immediately translate into actual higher socio-economic conditions. The beneficiaries are considered to be moderately poor by global and national standards under the reform regime. Thus, poverty problem, especially in the agrarian reform communities, remains a major concern in the country. Furthermore, the viable performance of beneficiaries' cooperative engagement in agricultural plantation is highly dependent on many vital and complementary inputs, including their own level of education and skills on basic plantation management. Obviously, the poor farm-workers in the plantation are used to the paternalistic ways of the old employment system; hence, they cannot afford to take the full risk in their new role as landowners. However, such weaknesses can be overcome by improving the beneficiaries' capability and motivation in managing and controlling the land asset. This is where public support system and institution are necessary, which has been lacking after land distribution and as far as the development of rubber sector is concerned in the country.

Lastly, the CARP has governed other plantation-based crops in the country. This presupposes that an in-depth study on these aspects will provide deeper understanding and evidence on the impact of agrarian reform, especially toward plantation-based crop production, as the program is nearing its term by 2008.

List of Acronyms

ARBs	Agrarian Reform Beneficiaries
ARCs	Agrarian Reform Communities
ARBEMMCO	Agrarian Reform Beneficiaries of Marcelo Multi-Purpose Cooperative
BOD	Board of Directors
CARL	Comprehensive Agrarian Reform Law
CARP	Comprehensive Agrarian Reform Program
CLOA	Certificate of Land Ownership Award
DAR	Department of Agrarian Reform
DENR	Department of Environment and Natural Resources
GARBEMMCO	Goodyear Agrarian Reform Beneficiaries Multi-Purpose Cooperative
IFAD	International Fund for Agricultural Development
KFI	Kasanyangan Foundation, Incorporated
LBP	Land Bank of the Philippines
MABCO	Marcelo Agricultural Business Corporation
PHP	Philippine Peso
RA	Republic Act
RDC	Regional Development Council
US$	United States Dollar
UWARBMPC	United Workers' Agrarian Reform Beneficiary Multi-Purpose Cooperative
VOS	Voluntary-Offer-to-Sell

Notes

1 One of the most common and oldest political motives to implement an agrarian reform is addressing rural unrest that could result in major uprisings (Abdulai and Tietje 2006: 8). According to Dekker (Abdulai and Tietje 2006: 8), it was necessary for the government, in critical political times, to implement reforms to pacify rural unrest and stabilize the political situation. For further discussion, refer to Borras at. al. (2006).

2 Participation can be both an end and a means to development. Participation is a means by which the target group or local community can be empowered to negotiate, influence policies, and monitor the powers of government (Nishikawa 2006). Participation is understood as an end in itself if it relates to the enhancement of the capacity of the target group or community to solve problems and improve living conditions on their own (Nishikawa 2006).

3 Refer to Godo (2001) on the performance of *Nokyo*, the system of agricultural cooperatives in Japan. *Nokyo* is a private cooperative institution through which farmers market their rice and agricultural products and serves as a major financial institution in rural Japan. It also serves as a rallying point for farmers to work out technical, agricultural and social problems.

4 See Park and Johnson (1995).

5 The term plantation refers to a large farm estate producing a crop (or crops) for commercial purposes, utilizes a large number of hired wage laborers, and is organized under a centralized management hierarchy.

6 For details, refer to Putzel (1992), Fuwa (2000), and Bello et. al. (2004).

7 This law, approved in June 1998, mandates the continuity of CARP implementation until 2008.

8 A *barangay* is the smallest local government unit in the Philippines. It can be considered the same as village.

9 The validation resulted in a 20% (2.1 million hectares) reduction. This was primarily due to a number of exemptions and exclusions identified: lands identified for public use, livestock and poultry farms, prawn farms and fishponds, agricultural lands approved for conversion to non-agriculture, and deferred commercial farms which have moratorium of ten years.

10 In the Philippines, Republic Act 6657 defines a cooperative as an organization composed primarily of small agricultural producers, farmers, farm workers, or other agrarian reform beneficiaries who voluntarily organize themselves for the purpose of pooling land, human, technological, financial or other economic resources, and are operated on the principle of one member, one vote.

11 The previous owner wanted a higher selling price for the land, based on the market value. The beneficiaries, however, wanted to pay a lower price given the low economic value of the ageing rubber trees at the time of transfer. This made difficult for the two parties to agree until the government intervened and the agreement was eventually accepted.

12 This is classified natural rubber processed in block form or crumb from latex and field grade materials and usually pressed into bales of rectangular shape.

13 The daily price quotation of the Malaysian Rubber Board is monitored and used by the rubber plantation cooperatives in the region in determining the selling price of their rubber products in the local market.

14 PHP 55 is equivalent to 1US$. Succeeding monetary conversion/computation is based on this rate.

15 During interviews with beneficiaries of various ranks, they pointed out that the common problem in the cooperative is the beneficiaries' attitude (ownership-mentality). This self-perceived status results in a disincentive to work and weak management in the cooperative.

16 According to Aguila (1997: 44–45), if properly grown and harvested, high-yielding rubber clones can give peak yields of 2,500 kilos per hectare, as industry standard in Mindanao.

17 Current Daily Minimum Wage Rates in the region per Wage Order Number RIX-12, effective June 28, 2006 for agriculture sector engaged in plantation was PHP 190.00 (US$ 3.45).

18 The World Bank (2001) defines extreme poverty as living on less than US$1/day, and moderate poverty as less than US$2 a day. Although poverty has many dimensions, it is an overall condition of inadequacy, lacking, and scarcity. Overall, it is a state of destitution and deficiency of economic, political, and social resources.

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