

Role of ARBOs in Agriculture Value Chain

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Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Research Questions

- Do farmers have to organize into ARBOs to participate in the value chain?
- What are the characteristics of ARBOs in the country?
- What types of ARBOs have access to the value chain?
- How can we strengthen ARBOs to enable them to have better access to higher value chain?

What are ARBOs?

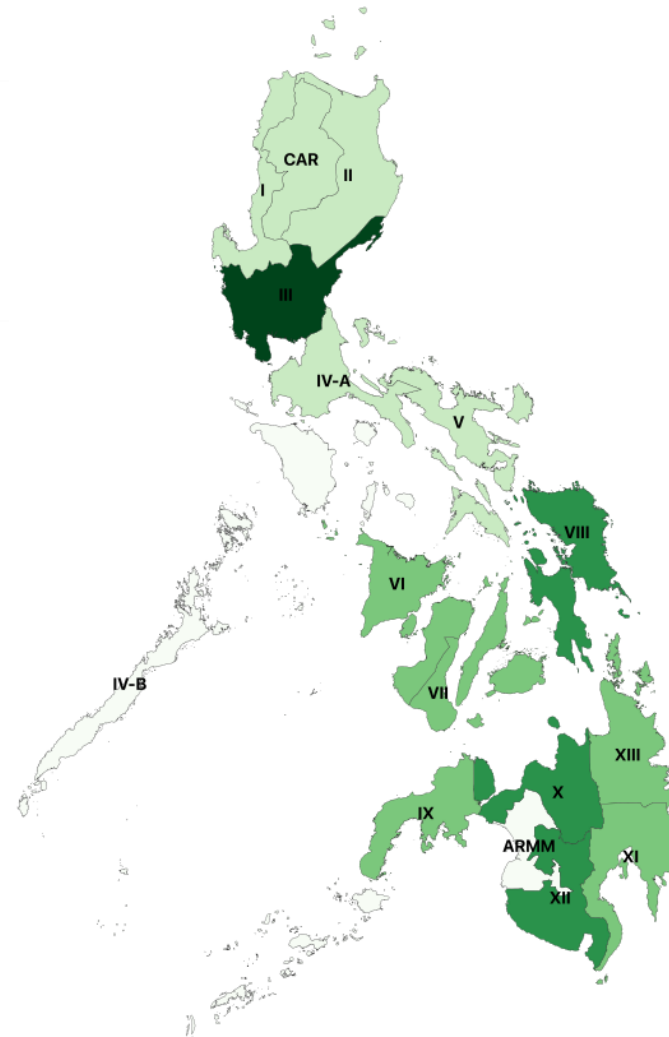
- ARBOs have been organized nationwide in identified agrarian reform communities or clusters where there is concentration of ARBs or lands distributed through the land reform program.
- The size of ARBOs varies with membership ranging from less than a hundred farmers to several thousands. include farmers that are not beneficiaries of CARP (or non-ARBs).
- ARBOs are required to register as a cooperative or farmers' association (including irrigators association, women's association, etc) with either the Cooperative Development Authority (CDA) or the Securities and Exchange Commission (SEC) or the Department of Labor and Employment Bureau of Rural Workers (BRW-DOLE), to be considered juridical entities.
- As juridical entities, ARBOs can then enter into contracts with both government and private institutions. This means ARBs and other smallholders through the ARBOs can have access to the formal economy.

Distribution of ARBOs by Region

Region	# of Operational ARBOs
CAR	208
Region I	275
Region II	237
Region III	656
Region IV-A	253
Region IV-B	155
Region V	253
Region VI	341
Region VII	369
Region VIII	432
Region IX	314
Region X	386
Region XI	338
Region XII	528
Region XIII	352
ARMM	104
Total	5,201

Legend:

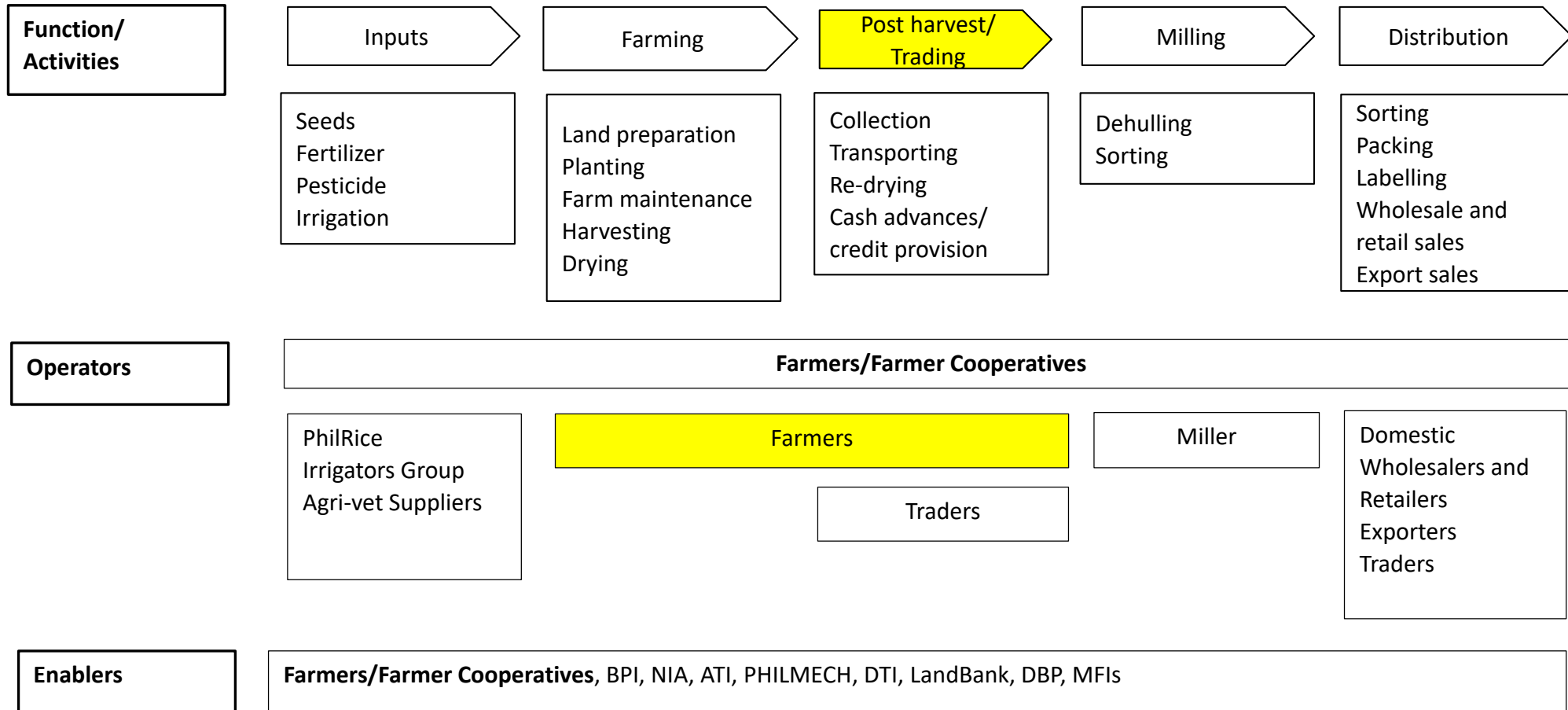
- Less than 200 ARBOs
- 201 - 300 ARBOs
- 301 - 400 ARBOs
- 401 - 500 ARBOs
- More than 500 ARBOs



What is a Value Chain?

- Value chain refers to a series of value adding activities from production to the end use of a product or service (Sturgeon 2000). It involves organized linkages among actors in the chain that consist of producers, traders, processors, service providers
- Integration through the value chain has become critical in the recent years as food and agriculture commodity markets have become more sophisticated

Value Chain for Palay



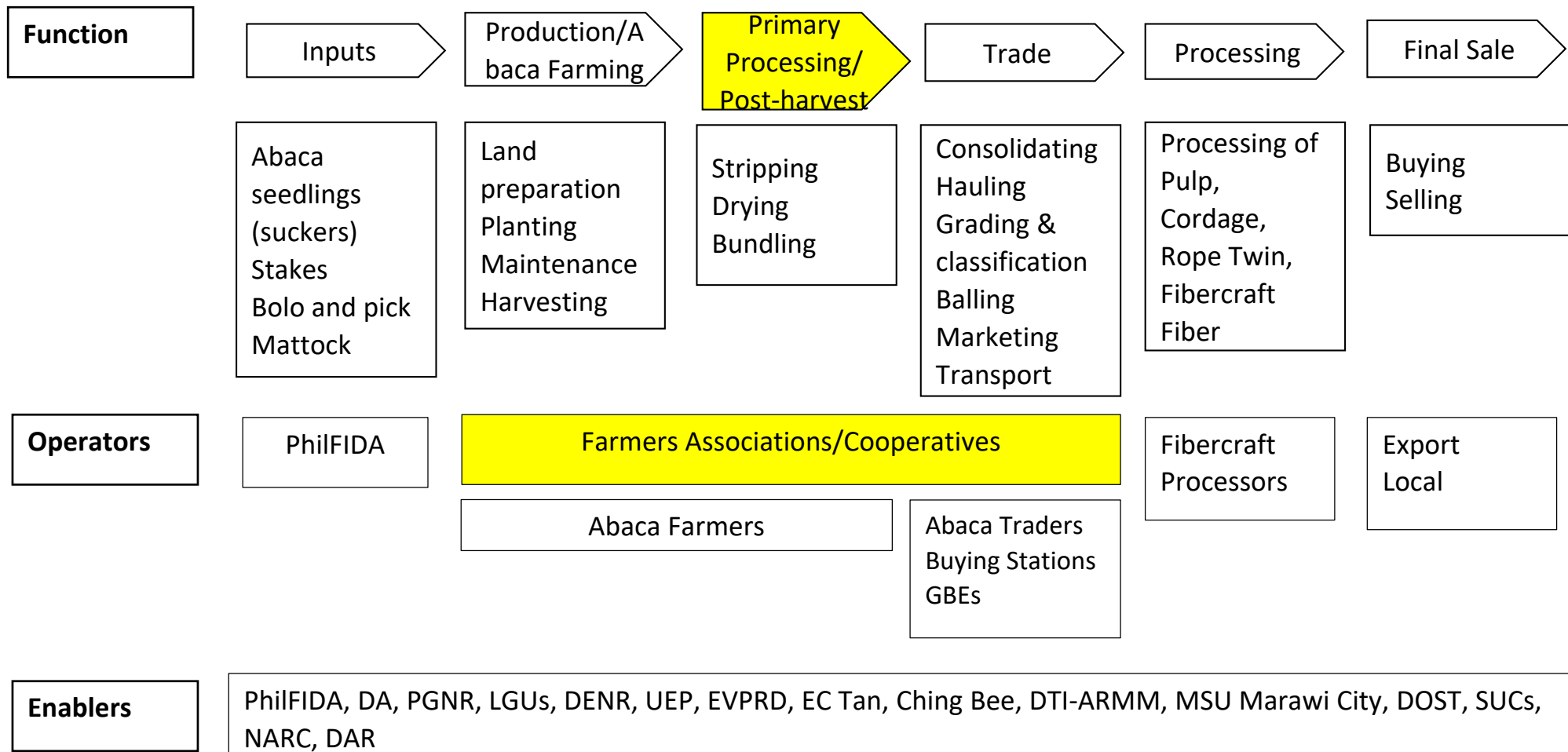
Sources: Dargantes et al. 2016; FAO 2016; and Kürschner et al. 2016

Notes:

ATI – Agricultural Training Institute

PHILMECH – Philippine Center for Postharvest Development and Mechanization

Value Chain – Abaca Fiber

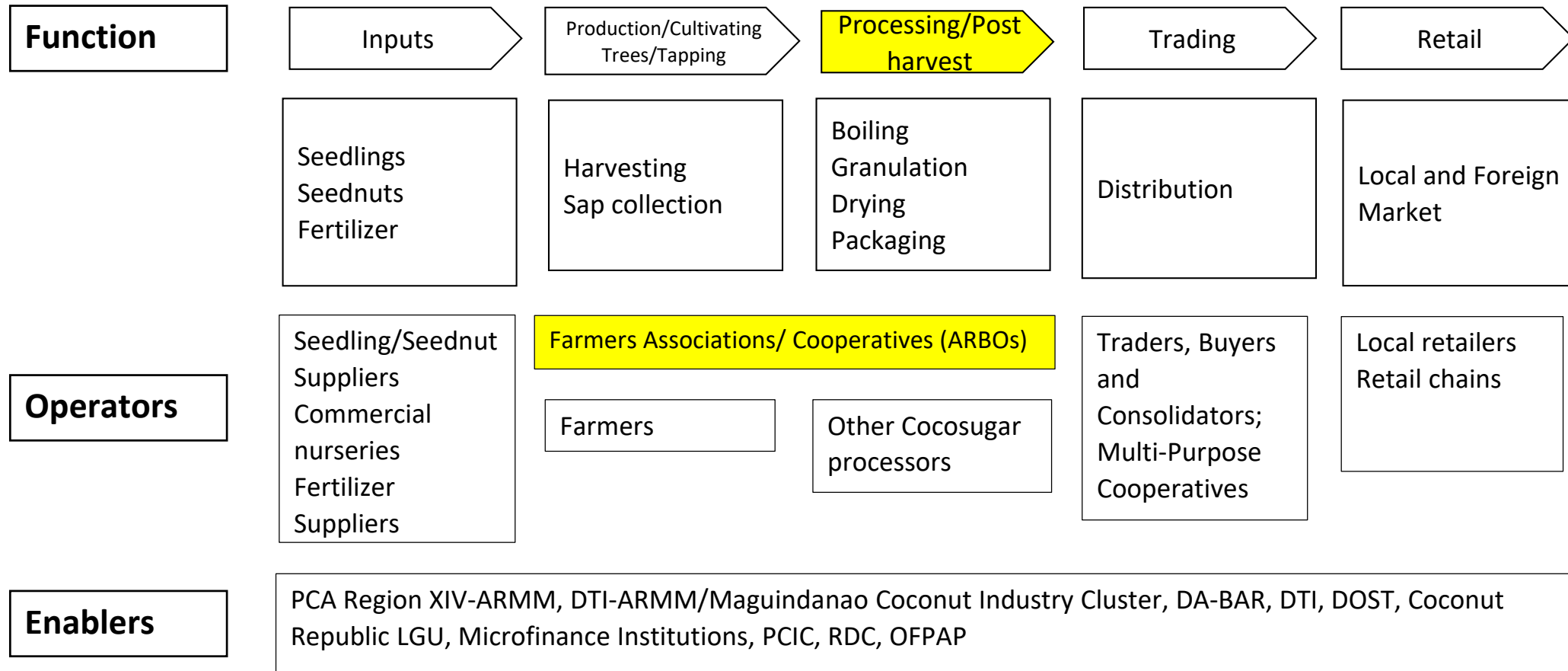


Sources: Authors' compilation of information from Briones 2014; Celestino et al. 2016; and DTI-BARMM 2019

San Isidro Upper Farmers Multi-Purpose Cooperative (SIUFMULCO), Agusan Del Norte



Value Chain for Coconut-Sugar



Sources: Authors' compilation of information Ananda Venture 2017; DTI-BARMM 2019; and Mendoza & Cruz 2019

Notes:

PCA – Philippine Coconut Authority; DA-BAR – Department of Agriculture – Bureau of Agricultural Reform; PCIC – Philippine Crop Insurance Corporation; RDC- Regional Development Council
OFPAP – Organic Farmers and Processors Association of the Philippines

Linabu Agrarian Multi-Purpose Coeprative (LAMPCO), Misamis Oriental



Benefits of ARBOs in value chain

- pool resources of smallholders and jointly carry-out profitable activities
- enables farmers to operate on scale economies
- reduces risks and costs of doing business
- improve access to technology, information and capital
- innovate production and marketing processes for higher value products

Characteristics of ARBOs with Access to Value Chain

CASE STUDY OF ARBOs under the DAR-CONVERGE PROJECT

Convergence on Value Chain Enhancement for Rural Growth and Empowerment (ConVERGE) = DAR project supported by IFAD. Implemented in Regions IX, X, XIII

Objective: Enhance the production and supply end of the value chain for smallholders. The project gives emphasis on improved processes to increase production and net benefits to farmers through the use of better inputs and access to technology, higher yielding varieties, equipment and others. It benefits smallholders by linking them to markets. The links to higher levels in the chain are intended to result in value-addition activities or the development of value chains with links to more sophisticated markets

Strategy: Under ConVERGE ARBOs are classified into lead ARBOs (LARBOs) and participating ARBOs (PARBOs).

LARBOs are the mature farmer organizations, usually cooperatives that have exhibited good financial standing and continuing operations in the medium to long term.

PARBOs are the organizations that have yet to reach acceptable organizational and financial maturity.

Distribution of ARBOs by maturity level

Region	% by maturity level by region			
	Low (Maturity Level 1-2)	Median (Maturity Level 3)	High (Maturity Level 4-5)	Total
CAR	22.11	23.08	54.81	100.00
Region I	21.82	27.64	50.54	100.00
Region II	24.47	26.58	48.95	100.00
Region III	29.27	32.32	38.41	100.00
Region IV-A	42.69	25.69	31.62	100.00
Region IV-B	30.33	21.29	48.39	100.00
Region V	45.06	32.41	22.53	100.00
Region VI	46.04	27.27	26.69	100.00
Region VII	46.61	21.95	31.44	100.00
Region VIII	61.11	23.61	15.28	100.00
Region IX	52.23	21.66	26.11	100.00
Region X	53.89	22.02	24.10	100.00
Region XI	42.01	23.67	34.32	100.00
Region XII	84.66	8.14	7.19	100.00
Region XIII	42.61	27.56	29.83	100.00
ARMM	84.61	12.50	2.88	100.00
Total	46.47	23.86	29.66	100.00

Source: Author's interpretation of data from DAR ITEMA 2018

Profile of LARBOs and PARBOs

	LARBOs			PARBOs
	Region IX	Region X	Region XIII	
No. of ARBOs	3	4	4	119
Ave. # of Members	986	558	154	14,583
Ave. % of ARBs	52.8%	29.5%	42.9%	57.6%
Ave. ITeMA Score	63.24	54.98	47.08	37.11
Maturity Level	5	4	4	3
% Cooperative	100.0%	100.0%	100.0%	65.4%
% with CBU	100.0%	100.0%	100.0%	73.1%
% with Savings	66.7%	66.7%	50.0%	30.8%

Distribution of ARBOs by Total Equity/Shares collected from Members

Amount of Equity/Shares	PARBOs	LARBOs
0.00 or no CBU	26.92%	0.00%
> Php 0.00 - 50,000.00	20.51%	0.00%
> Php 50,000.00 - 250,000.00	21.79%	27.27%
> Php 250,000.00 - 500,000.00	11.54%	9.09%
> Php 500,000.00 - 1,000,000.00	7.69%	27.27%
> Php 1,000,000.00	11.54%	36.36%
Total	100.00%	100.00%

Distribution of ARBOs by Proportion of Members with Fully Paid Equity

Proportion of Members with Fully Paid CBU	All ARBOs in ConVERGE Areas	PARBOs	LARBOs
0%	36.10%	21.79%	9.09%
>0% - 20%	14.92%	23.08%	18.18%
>20% - 50%	11.99%	12.82%	18.18%
>50% - 80%	13.39%	19.23%	27.27%
>80% - <100%	8.80%	14.10%	18.18%
100%	14.80%	8.97%	9.09%
Total	100.00%	100.00%	100.00%

Organizational Management of LARBOs

Province	Operational LARBOs and with valid data	Policies, Systems, and Procedures				Officers, Committees, Management Staff & Employees			
		No PSPs	With written, operationalized in all of the ff: 1) Organizational 2) Financial	Others	Total	With OBD/Executive officers; All committees in By Laws formed but no meetings; Not all committees formed	With BOD/officers; all committees are formed; conducted regular meetings; action plans prepared; programs implemented	Others	Total
Zamboanga del Norte	1	0.00%	0.00%	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Zamboanga del Sur	1	0.00%	100.00%	0.00%	100.00%	0.00%	100.00%	0.00%	100.00%
Zamboanga Sibugay	1	0.00%	0.00%	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Bukidnon	2	50.00%	0.00%	50.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Camiguin	1	100.00%	0.00%	0.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Misamis Oriental	1	100.00%	0.00%	0.00%	100.00%	100.00%	0.00%	0.00%	100.00%
Agusan del Norte	1	100.00%	0.00%	0.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Agusan del Sur	1	0.00%	0.00%	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Surigao del Norte	1	100.00%	0.00%	0.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Surigao del Sur	1	0.00%	0.00%	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Total	11	45.45%	9.09%	45.45%	100.00%	9.09%	9.09%	81.82%	100.00%

*Note:

Others - With written PSPs on the ff: 1) Organizational (Membership and Recruitment) 2) Financial (set-up of Books of Accounts);
 - With written PSPs on all of the ff: 1) Organizational 2) Financial; and
 - With written on all and operationalized PSPs on 3 out of 5 of the ff: 1) Organizational 2) Financial

* Note:

Others - With BOD/officers; all Committees in By Laws are formed; conducted meetings are less than the mandated number of meetings;
 - With BOD/officers; all committees are formed; conducted regular meetings; and
 - With BOD/officers; all committees are formed; conducted regular meetings; action plans/ programs prepared

Organizational Management of PARBOs

Province	Operational PARBOs and with valid data	Policies, Systems, and Procedures				Officers, Committees, Management Staff & Employees			
		No PSPs	With written, operationalized in all of the ff: 1) Organizational 2) Financial	Others	Total	With OBD/Executive officers; All committees in By Laws formed but no meetings; Not all committees formed	With BOD/officers; all committees are formed; conducted regular meetings; action plans prepared; programs implemented	Others	Total
Zamboanga del Norte	6	16.67%	0.00%	83.33%	100.00%	16.67%	0.00%	83.33%	100.00%
Zamboanga del Sur	4	0.00%	50.00%	50.00%	100.00%	25.00%	50.00%	25.00%	100.00%
Zamboanga Sibugay	10	90.00%	0.00%	10.00%	100.00%	30.00%	0.00%	70.00%	100.00%
Bukidnon	11	45.45%	9.09%	45.46%	100.00%	0.00%	0.00%	100.00%	100.00%
Camiguin	2	50.00%	0.00%	50.00%	100.00%	50.00%	50.00%	0.00%	100.00%
Misamis Oriental	8	50.00%	0.00%	50.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Agusan del Norte	17	76.47%	5.88%	17.65%	100.00%	5.88%	5.88%	88.24%	100.00%
Agusan del Sur	12	58.33%	8.33%	33.34%	100.00%	8.33%	0.00%	91.67%	100.00%
Surigao del Norte	4	75.00%	0.00%	25.00%	100.00%	0.00%	0.00%	100.00%	100.00%
Surigao del Sur	8	37.50%	12.50%	50.00%	100.00%	12.50%	0.00%	87.50%	100.00%
Total	82	56.10%	7.32%	36.58%	100.00%	10.98%	4.88%	84.14%	100.00%

*Note:

Others - With written PSPs on the ff: 1) Organizational (Membership and Recruitment) 2) Financial (set-up of Books of Accounts);
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ARBOs Entrepreneurial Activities by Type of Organization (LARBOs)

	Trade Services	Production	Credit/ Lending Services	Operation of Common Service Facilities (CSF)	Irrigation/ Utilities Services	Non-Food Manufacturing	Food Processing /Service	Other Entrepreneurial Services	Average per LARBO
LARBOs									
Cooperatives	9	6	24	15	0	2	3	7	6
Farmers' Association/Organization	0	0	0	0	0	0	0	0	0
Irrigators Association & Water Users Association	0	0	0	0	0	0	0	0	0
Women's Association & Other type of Organization	0	0	0	0	0	0	0	0	0
Total	9	6	24	15	0	2	3	7	6

Source ITeMA 2018 data from DAR

Note: # of LARBOs with data – 11

ARBOs Entrepreneurial Activities by Type of Organization (PARBOs)

	Trade Services	Production	Credit/Lending Services	Operation of Common Service Facilities (CSF)	Irrigation / Utilities Services	Non-Food Manufacturing	Food Processing/Service	Other Entrepreneurial Services	Average per PARBO
PARBOs									
Cooperatives	20	12	27	23	1	1	8	17	1.0
Farmers' Association/Organization	6	2	7	6	3	0	3	2	1.0
Irrigators Association & Water Users Association	0	0	1	3	1	0	1	0	1.0
Women's Association & Other type of Organization	0	0	0	0	0	0	0	0	0
Total	26	14	35	32	5	1	12	19	2.0

Source: ITeMA 2018 data from DAR

Note: # of PARBOs with data – 78

Conclusions

- ❖ Farmers organizations such as ARBOs serve as channels for small farmers to participate in higher value chain
- ❖ ARBOs have to be functional and mature to have access to the value chain
- ❖ Mature ARBOs are characterized by the following:
 - they are formed as cooperatives;
 - with clear and written policies, rules, systems, procedures;
 - have active savings program among members;
 - capital or equity build up program for every member is mandatory;
 - are engaged in more diversified entrepreneurial activities (income generating)
 - provides credit facility to members
- ❖ Even among LARBOs (identified mature institutions), sustainability remains an issue; weakness in organizational management; capital build-up program is slow which creates dependence on grants

Policy Recommendations

- ❖ ARBOs has to be managed as professional organizations. Written and clear policies, rules, process, systems are important.
- ❖ Active participation of members is an indicator of functionality and maturity (attendance in meetings; election; commitment to collective projects; avoid *free rider* problem)
- ❖ Capital build-up is important to ensure commitment of officers and members to the organization
- ❖ Capacity building to focus on enterprise development for farmers organizations to develop diversified income base.
- ❖ Consider adoption of new cooperative organizational models in terms of having mixed membership and flexibility of ownership rights

Alternative Cooperative Models: An ownership rights perspective

Features	Traditional Cooperative	Proportional Investment Cooperative	Member-Investor Cooperative	New generation cooperatives
Ownership rights	Restricted to member-patron	Same,	Same	same
Equity share	Equal share for all members	In proportion to patronage	Shareholdings + patronage	In proportion to patronage + Up-front investment in delivery rights
Assignment of residual returns (net income)	Equal to all members	Proportional to patronage	Proportion to shareholdings	Proportion to member patrons
Redeemability of residual claims	Yes, but at Board's discretion	Yes, full redemption of shares	Yes, full redemption. New members purchase at fair value	Non-redeemable and transferable
Transferability of residual claims and appreciability of investment	No	Nontransferable Nonappreciable	Nontransferable but appreciable through bonus share issues or cash dividends	Yes, tradable and appreciable through secondary market valuation



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