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ASSESSMENT ON THE POTENTIAL OF AN ORGANIZATIONAL ENTERPRISE FOR COCO COIR PRODUCTION AND MARKETING IN MISAMIS ORIENTAL, NORTHERN MINDANAO

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Rationale

- Philippine government's effort to attain and sustain an improved quality of life through enhanced farm and off-farm incomes of agrarian reform beneficiaries (ARBs), thus the DAR ARCCESS (Agrarian Reform Community Connectivity and Economic Support Services) Program
- The ARCCESS Program is a government-led initiative for an inter-sectoral partnership to help improve the organizational capabilities of participating agrarian reform beneficiaries' organizations (ARBOs) in agri-enterprise development
- Collaborative work: DAR-MOSCAT to conduct OE-NADA (Organization and Enterprise Needs and Design Assessment) based on a proposal prepared by the DAR-Provincial Office ; sub-project – Coco Coir Processing and Marketing

Objectives

General: OE-NADA is aimed at assessing the feasibility of the sub-project proposal submitted by the DAR Provincial Office.

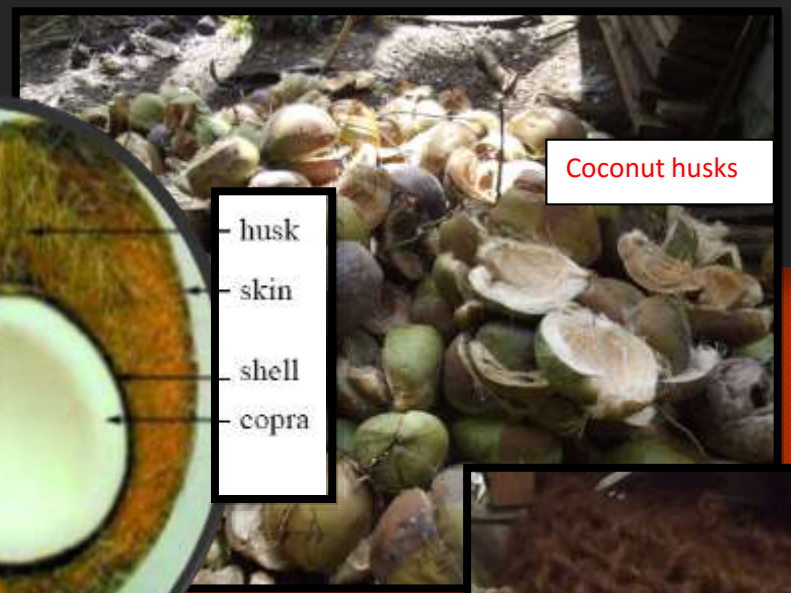
Specific: OE-NADA aims to assess the following areas:

1. Organizational capacity of lead ARBOs and other ARBOs in terms of human resources; policy systems and procedures; governance, financial/fiscal resource, and existing enterprise/operations;
2. Access to credit and market;
3. Lead ARBO's enterprise capacities to implement the sub-project;
4. Crop and crop production suitability; and
5. Suitability of the identified intervention requirements: business development; technology and extension; common service facilities; and other development opportunities.

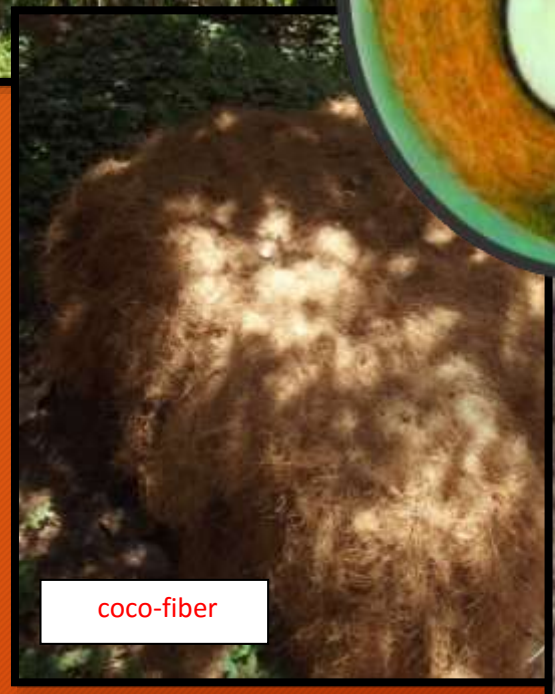
Methodology

- Survey (TNA questionnaire)
- Focus Group Discussion and SWOT Analysis
- Secondary data gathering and site reconnaissance
- Feedback and Validation
- Final Report

Coconut tree



Coconut husks



coco-fiber

Coco mats & nettings

Findings and analysis

I. Organizational capacity of lead ARBOs and other ARBOs in terms of human resources; policy systems and procedures; governance, financial/fiscal resource, and existing enterprise/operations.

1. Human Resources (Demographic Profile)

- KKAMP (Kaulayan, Kidampas, Ampianga, Mimbuahan, and Poblacion) ARC;

  Lead ARBO: SARBEMCO

  - Almost equal male and female members
  - More than half (54%) are in the age 51-65 years
  - Majority are married
  - 25% are elementary graders (SARBEMCO)
  - Household size ranged from 1-5
  - Tribal origin is Cebuano

Findings and analysis

Capability building and training needs

- Business development and managing business enterprise
- Cooperative management training
- Machine operation and maintenance
- Exposure trips to established coco-fiber enterprise
- Acquire technologies for baling, twining
- Price information for marketing

Findings and analysis

2. Organizational Capacities

VMGO

- The SARBEMCO had a clear vision, mission, goals and objectives (VMGO) in line with the VMG statement of its LGU
- The organization had officers who had full knowledge of their specific roles and responsibilities
- During the FGD it was validated that the members had full confidence in their officers
- Their operational policies were amended as the need arises

Findings and analysis

Organizational Structure

- The organization is registered with the CDA
- It had a clear organizational structure where the officers understood and perform their specific roles and responsibilities
- Tenure of office ranges from 1-3 years
- Though a Constitution and By-Laws exists but it needs updating
- Though elections of officers were done, but the chairmen were usually placed on status quo

Findings and analysis

Participation

- The organization had committed members with majority paying their annual dues and savings deposits and the required capital build-up
- Though members are paying the required dues but fewer members attend meetings and majority of the members were already ageing
- Members of the ARBO participates in the activities through bayanihan. Coconut husks when processed into fiber, appreciate in value. Other household members also have opportunities to engage in handicrafts making out of the coco fiber. Some of the members specifically, women will be able to earn additional income from twining, doormat, etc.

Findings and analysis

3. Economic and Social Indicators

- Majority planted Coconut as the main crop
- CLOA holders: 93%
- Relied on their own labor and capital in farming
- Annual income is Php 20,000 or less

Findings and analysis

Environmental Scan

- Blessed with the abundance of natural, physical, political as well as social capital
- Recipients of DAR programs and other government agencies (DA, DTI, PCA, IFAD; MRDP, MINCIADP, NMCREMP)
- Organization is strongly supported by LGU-Sugbongcogon
- Presence of financial institutions
- Infrastructure (farm-to-market roads, dryer facilities, etc.)
- Transportation system

Findings and analysis

4. Technical Knowledge in Coco-Fiber Production

- Majority of the members do not have enough technical "know-how" in coco-fiber production (75%)
- current level of information on coco fiber production can be rated as sufficient
- Members are willing to undertake/enhance knowledge in coco-fiber production, processing and marketing
- Few had undergone trainings related to fiber production

Findings and analysis

Farming Systems and Practices

The KKAMP ARC

- Covers 139.248 has. planted with coconut and each farming household had an average area of 2.09 has.
- Used traditional methods on dehusking
- Used an improvised twining equipment
- Due to unavailable decorticating machine, the organization bought fiber from DAR/DTI and process same into twine, coco-net, and coco-mat

Findings and analysis

II. Access to credit and market

Existing financial obligations of the ARBO

The ARBO had no financial obligations for it had not tried borrowing money from any lending institutions since they are still operating a small-scale enterprise. They relied mostly on internally generated income.

ARBO credit worthiness

Though the organization was considered mature yet their financial records showed limited funds and they don’t have any experience on borrowing money and hence its credit worthiness cannot be established.

Findings and analysis

III. Lead ARBO's enterprise capacities to implement the sub-project

ARBO's agri-enterprise capacities

- Abundant supply of raw materials, labor and presence of market
- The organization had already started the sub-project, hence, it already had experiences in running the enterprise
- The organizational structure of the cooperative of the ARBs are already in place that can take responsibility of running the enterprise. As a registered cooperative, there is already the existence of mechanism to sustain, expand, replicate and scale-up the future successes of the proposed sub-project.
- The ARBO can play a major role in mobilizing community participation in the proposed sub-project implementation as an integrator of the raw materials (husks) collection, processing and marketing of outputs (fibers, mats, geo-nets, etc).

Findings and analysis

Financial risks involved in the agri-enterprise

- Since the proposed project will only provide the Common Service Facilities (CSF), the ARBOs need to access funds for their operating capital in the form of loans. Any borrowed capital assumes a level of risks relative to how their agri-enterprise is to be managed which is highly dependent on the capabilities of the ARBOs. Financial risks can be link to all to production and marketing network inefficiencies of the organization.

Findings and analysis

IV. Crop and crop production suitability

- The revised Philippine Coconut Growing Zones showed Misamis Oriental and Misamis Occidental as highly suitable places for coconut production (Magat, 2001).
- In Sugbongcogon – coconuts are considered primary crops and voluminous amounts of coco-husks were produced
- Hence, coco-coir processing is a promising enterprise

Findings and analysis

Viability of returns vis-à-vis the production and processing cost of the potential agri-enterprise

- KKAMP ARC (SARBEMCO) for every Php 3,750 expenses a net income of Php 2,250 was realized giving a return of Php 0.60 per peso invested

Comparing it to the experience of PCA-Zamboanga Research Center:

- Operational cost was recovered in less than a year
- More than 25% IRR compared to the investment model published by the Technology Utilization and Commercialization Services Group, Technology Resource Center of DOST
- 3.74 years – break-even period
- 26.76% ROI

Findings and analysis

<u>V. Suitability of the identified intervention requirements: business development; technology and extension; common service facilities; and other development opportunities.</u>

a. The ARBs subscribe to Coco-coir processing as sub-project/business development under the ARCCESS Program.

b. Common Service Facilities

- Decorticating Machine
- Twining Machine
- Looming Machine
- Pressing Machine
- Hauling Truck

Findings and analysis

The following are top Technology Transfer interventions identified:

1. Agricultural extension and advisory services
2. Production/Management Skills
3. Marketing Skills
4. Record Keeping and Financial Management
5. Risk Management
6. Complying to Requirements (market)
7. Value-adding
8. Skills in accessing innovative information sources (i.e. internet)

Conclusion

The proposed sub-project of Integrated Coco Coir Production and Marketing is found to be feasible for implementation considering the potential benefits for employment and income generation, maximization of raw material utilization and environmental considerations. Based from the findings and results of the assessment, the general membership (100%) of the ARBO members are interested in engaging in the proposed agri-enterprise. As found, coco coir production and marketing sub-project is highly feasible with the following justifications:

1. The ARC in Sugbongcogon is located within the locations identified in the country as highly suitable in coconut production and hence in coco coir processing;
2. The ARBO members in the sites has a total of 139.248 hectares coconut plantation, and non-ARBs in the locality had additional area planted with coconuts;

Conclusion

3. The ARBO has established organization with policies and procedures in place.
4. The ARBO has limited financial and fiscal resources, their capacity to access credits and sourcing of financial assistance through loans need to be enhanced;
5. In general, the proposed sub-project of Coco Coir production/Processing and Marketing as an intervention will provide positive impact to the lives of the ARBs and other farmers in the project sites by increasing their income as well as for environmental protection considerations.

Recommendations

1. ARCCESS should tap SARBEMCO as the lead implementer in the KKAMP ARC in the implementation of the coco coir production and marketing enterprise in Sugbongcogon, Misamis Oriental for somehow it already gained experience in running the enterprise.

2. The ARCCESS sub-project on coco coir production and marketing enterprise in Sugbongcogon, Misamis Oriental should be implemented with the provision of the following:

    a. Common service facilities (CSF)

    b. Professional / business development services

Recommendations

3. ARCCESS should consider the identified needs of the ARCs based on the results of the needs and design assessment.

4. The Business Development Services (BDS) should offer a range of quality services to assist SARBEMCO and COSIBA in developing a competitive and sustainable coco coir production enterprise. Thus, the BDS should have the credentials based on expertise and experience along the following:
   a. Financial management
   b. Marketing management
   c. Production and technical management
   d. Organization management

Recommendations

5. Fast track the provision of required CSF to avail of the current opportunities in coco coir processing and marketing.

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