

BIBLIOGRAPHY

NOEME N. TIWAKEN, APRIL 2009. Lepanto Consumers' Cooperative: A Documentation, Benguet State University, La Trinidad, Benguet.

Adviser: Prof. Evangeline B. Cungihan, Msc.

ABSTRACT

This study was conducted at Lepanto Consumers' Cooperative (LCC), Lepanto, Mankayan, Benguet. This study was done to determine the financial performance of the Lepanto Consumers' Cooperative for the past eight years, the problems of the Lepanto Consumers' Cooperative (LCC) and the perceptions of members on the current operation and future status of the cooperative.

The Lepanto Consumers' Cooperative is subsidized by the Lepanto Consolidated Mining Company. Ninety percent (90%) of the members are employees of the company and the 10% includes teachers from the Lepanto Elementary School and Lepanto National High School and the employees of the Lepanto Hospital.

First hand information was gathered from the manager and some key informants while the secondary data were taken from the financial reports and from the reports of educational committee.

The findings show that the problems of the cooperative are caused by single problem: the company's non-remittance of accounts. Members who were not satisfied or disappointed with the company's way of paying to the cooperative had withdrawn their

membership. Another problem is that some of the members were not active anymore in transacting with the Lepanto Consumers' Cooperative (LCC). The operation of the cooperative is not continuous. There are days in a week that the cooperative is close because there are no stocks to display. The different perceptions of members on the current operation and what the members picture on the future status of the LCC.

As to their financial performance, the LCC is not in good standing. The cooperative had been generating a negative net savings/loss in 2005 and 2007. The components of the financial statement such as sales, fund and members equity were decreasing.



TABLE OF CONTENTS

	Page
Bibliography.....	i
Abstract	i
Table of Contents	iii
INTRODUCTION	1
Background of the study	1
Statement of the Problem	2
Objectives of the Study	3
Importance of the Study	3
Scope and Delimitation	3
REVIEW OF LITERATURE	4
Consumer's Cooperative	4
Membership	5
Functions of a Consumers' Cooperative	6
Services of a Consumers' Cooperative	6
Benefits in Joining a Consumers' Cooperative	7
The Conditions of the Consumers	7
Rights of the Consumers	8
The Cooperation of Consumers	9
METHODOLOGY	11
Locale and Time of the Study	11

Respondents of the Study	11
Data to be Gathered	11
Data Collection	11
RESULTS AND DISCUSSION	12
Historical Background	12
Membership	14
Business Operation	15
Financial Performance	15
Members' Perception on the Current Operation of the Cooperative	28
Members' Perception on the Future Status of the Cooperative	29
LITERATURE CITED	34
APPENDICES	35
A. Communication Letter	35
B. Guide Questions	36

INTRODUCTION

Rationale of the Study

The cooperative is a voluntary organization formed from the initiatives of a group motivated by the principle of self-help and mutual aid. Cooperation is not a new principle. In fact, this principle was applied even during the Old Testament time when they constructed the Tower of Babel.

Cooperative organization in the Philippines started during the Spanish regime but it was only during the Marcos administration that support to the organization and development of cooperative was given due recognition through Presidential Decree No. 175. Its main purpose is to support the Agrarian Reform Program of the government. The Cooperative Administration Office (CAO) created to mobilize the organization of cooperatives and unions as outlets of rice and other prime commodities. Regional coordinators and provincial cooperative officers were directed to form action teams for the establishment of cooperatives in communities where there are none, even among employees of government and private officers. It was during this time that Lepanto Consumers Cooperative (LCC) was organized to cater to the consumer needs of the employees of Lepanto Consolidated Mining Company (LCMCO).

Since its organization, the Lepanto Consumers Cooperative had been serving its members with sincerity and dedication and had been steadily prospering. In 1971 it was awarded as one of the top five most progressive Cooperative in the Philippines. It was also one of the few cooperative in the entire country that was given the authority to buy and sell RCA rice during the Marcos administration. (Educational Committee Report,



February 1972). Lepanto Consumers Cooperative is an institutional/occupational cooperative and was supported by the mother Company in terms of collecting the accounts of members and the use of the company's vehicle in hauling its stocks of merchandise. Because of the strong support of the company, the cooperative had continue to steadily prosper until the late 1990's that it started to incur problem on the late remittances of collection of account receivable by the company. This was also the time that the company was beset by financial problems.

This study was conducted to look into the financial performance of the LCC from 1999 to 2007 and find out the perceptions of some members regarding the present status of the cooperative.

Statement of the Problem

This study tried to answer the following questions:

1. What was the financial performance of the cooperative since 1999-2007 in terms of:
 - a. Total sales
 - b. Net surplus
 - c. Total asset
 - d. Total liabilities
 - e. Total reserve fund
 - f. Total equity
2. What is the most pressing problem that the cooperative is currently facing?



3. What are the perceptions of members regarding the current operation and future status of the cooperative?

Objectives of the Study

The objectives of this study were:

1. To determine the financial performance of the cooperative for the past eight years focusing on its total sale, total surplus, total asset, total liabilities, total fund and the total member's equity.
2. To find out the most pressing problem the cooperative is currently facing.
3. To find out the perceptions of some members regarding the current operation and the future status of the cooperative.

Importance of the Study

This will serve as reference to other researchers who are doing similar studies especially to the Agribusiness student major in cooperative management.

Scope and Delimitation of the Study

This study was focused on the financial performance of the cooperative for the past eight years, the most pressing problem of the cooperative and the perceptions of some members on its present and future operation.



REVIEW OF LITERATURE

Consumer's Cooperative

It is a voluntary association of a group of persons (at least 15 members) with a common bond of interest, who agreed to pool their resources together to provide themselves with quality goods and services at reasonable price. Abella and Fajardo. Racho stated that it is also a way where the poor may actively enter the economy at large.

A consumers' cooperative is a kind of organization that even the poor can join. In fact, a consumers' cooperative is organized primarily for the welfare of the poor consumers who suffer most from abuses of capitalism. All over the world, there are many successful consumers' cooperatives organized by poor people. The best model is the cooperative store of the Rochdale pioneers. They have shown to the world that group cooperation could successfully defy the evils of capitalism. (Abella and Fajardo)

In the process of its business operations, the consumers' cooperative may make profits (or net savings as the more proper terms in cooperative parlance). These are equitably distributed to the cooperative members in the form of patronage refund and interest on share capital. The essential commodities that are sold in a consumer's cooperative have lower prices because these are bought in bulk.

Furthermore, cooperatives may be the best school for learning, practicing and internalizing the democratic ideals. This holds the key in solving our basic economics, political and social problems. (Racho, 2007)



Membership

Members of cooperative may be either natural or juridical persons depending on the kind of cooperative. In a primary cooperative only a natural person who is a citizen of the Philippine is eligible for membership, while in secondary or tertiary cooperatives, members may be either cooperative or non-profit organization with juridical personality.

Members of a cooperative must individually contribute a certain amount known as the share capital, as requirement for the organization of a cooperative. The law states that at least (25%) of the authorized share capital should be subscribed at least twenty five per centum (25%) of the subscription should be paid.

In addition, Anastacio (2004), stated that a cooperative is a dynamic form of business enterprise that embodies the philosophy of cooperation. It state that through voluntary asset of people to form themselves into a group for the promotion of their common needs by mutual action, democratic control and sharing of economic benefits on the basis of patronage by members.

Everybody is encouraged to participate actively in all affairs of the organization from planning to Management. It is democratic in its government that the members are treated respect and dignity. The officers and members are equally exposed to trainings and education to improve their attitudes, values and skills, indeed, cooperatives provide a fertile ground for members to pursue their own development and growth with their capabilities and inclination. In a cooperative, members are treated equally. They are willing to sacrifice for a common good and even give away part of their resources for a common good. (Anastacio, 2004)



Functions of a Consumers' Cooperative

There are five functions of a consumers' cooperative that was stated by Abella and Fajardo.

1. Provide quality goods, services, and other needs of the cooperative members at reasonable prices.
2. Stabilize prices of commodities and services.
3. Provide a direct link between the producers and the consumers.
4. Mobilize savings for capital formation.
5. Undertake continuous cooperative education.

Services of a Consumers' Cooperative

Abella and Fajardo stated the following services of a consumer' cooperative.

1. Provides a centralized procurement system of quality goods and other needs of the members.
2. Contacts suppliers and/or manufacturers for a direct and regular supply in bulk of consumer goods.
3. Selects the manufacturers/suppliers that offer the best items in terms of prices and quality.
4. Sees to it that members/consumers get the services/goods that are comparable if not better than those available in other stores.
5. Serves as a training ground for group action, group responsibility, and democratic leadership.
6. Informs its members and the community of the current prices of goods.



7. Makes available basic consumers items and other requirements at the right time and the right prices.
8. Undertakes cooperative education to enhance the welfare of its members, officers, and employees.
9. Cooperates with other cooperatives for their mutual benefit.

Benefits in Joining a Consumers' Cooperative

1. A member can regularly avail for himself and for his family goods and other needs at the right quantity and at reasonable prices.
2. A portion of the net savings of the consumers' cooperative is given to each member as patronage refund in proportion to his purchases. Members also acquire interests on their shares.
3. Marketing problems of members are minimized like haggling over prices and too much going around looking for quality goods, which are both, time-consuming. Likewise, impulse buying is avoided.
4. Members of the cooperative develop desirable habits and attitudes that are necessary in improving their social and economic condition.

The Conditions of the Consumers

Consumers' interest should be the concern of all consumers. In a free enterprise economy, consumers' interests should not be subordinated to producer's interests. A U.S. senator stated once the consumer was the final arbiter in a market place.



But with the introduction of industrialization and specialization in our economy, economic power has shifted gradually away from the consumer.

Consumers' can no longer rely on the usefulness and safety of their purchases. Even in a modern American society, producers can still afford to cheat consumers. There has been an endless list of unsafe and unneeded products. Example of these are the unsafe automobiles, tire with no durability, worthless drugs, adulterated food, worthless warranties and many more. If these representations can take place in the United States where the consumers are more educated and vigilant, then producers can fool more people in less developed countries like the Philippines. In the rural areas, many fake products are being sold. Their containers are of good quality but not their substance. In other words, their contents are just poor imitations.

Because of the great desire for profits, the values of producers/sellers have deteriorated. By the large, businesspersons have no more sincere concern for the welfare of human beings. They have exploited the ignorant consumers. It can be said that all the bad practices of producers/sellers have taken roots in our economic system because consumers lack a strong and united organization to promote and protect their common interests.

Rights of the Consumers

Modern marketing does not solely imply anymore the transfer of goods from the producers to the consumers. Its goal is to the consumers. However, in more ways than one, the consumers are not satisfied. Product pricing is usually not fair. Quality is not



good. Moreover, essential goods often disappear in the market then reappear with higher prices.

The principal right of a consumer is to get his money's worth. However, the presence of exaggerated or incorrect information about the products and even deliberate deceptions has clearly violated the fundamental rights of the consumers. Example of this is the slightly used home appliances are repainted and then sold as brand new products. Even lots that do not exist are being sold. Of course, consumers have the right to complain but this is only in theory. The complaints of poor consumers are not given attention. Legal actions can be taken against the producers/sellers. However, the high cost of litigation is enough to discourage a poor consumer to pursue his case.

Evidently, individual consumers cannot effectively protect their interests against the abuses of producers/sellers. It is only a large and efficient organization that can be possibly minimize business malpractices. This is the government. It should be more sincere and determined in promoting the welfare of the consumers. Businesspersons are afraid to abuse the consumers if they know the government does not tolerate their business malpractices. Another way of fighting business abuses is to form a large group of consumers, which is determined to protect the legitimate interest of the members.

The Cooperation of Consumers

Consumers represent the demand in the market while the producers/sellers constitute supply. The interaction between supply and demand forms the laws of the market. When the demand is great than the supply, prices increase and when the supply is greater than the demand, prices decrease. This takes place in a free market economy,



which means the government does not interfere in supply and demand of goods and services.

Consumers are often exploited in the name of profits. Businesspersons take advantage of the weaknesses of the consumers. Consumers have no strong defense against the abuses of capitalists. They can only complain but they are often ignored. Producers have usually good connection in the government and in the courts.

Consumers can only defend themselves through group cooperation. They organize themselves and fight the evil practices of purchaser/seller. It is possible for them to patronize the products which are adulterated. This is enough to ruin the business of the producers.

A very effective way of protecting consumers' interest is through the organization of consumers' cooperative. The consumers themselves form their own store. Therefore, they can decide the quality, quantity, and price of their own goods for sale. Naturally, they cheat or exploit themselves because they are the owners and at the same time the buyers of their own products.



METHODOLOGY

Locale and Time of the Study

The research was conducted at Lepanto Consumers' Cooperative in Lepanto, Mankayan, Benguet.

Respondents of the Study

The respondents of the study were the present manager, some members of the Board of Directors and some members who served as key informants.

Data Gathered

The data gathered included the historical background of the Lepanto Consumers' Cooperative, financial statements, and reports of the Educational Committee, the perceptions of some members regarding the current and future status of the cooperative.

Data Collection

Data collection was done through personal interview with key informants. The secondary data on the financial performance of the cooperative was taken from the reports and the financial statements of the cooperative from 1999-2007.



RESULTS AND DISCUSSION

Historical Background

In late 1950's, the Lepanto Consumers' Cooperative (LCC) was first organized as a Women's Club. It was organized by the employees of Lepanto Mine Division with their intention of providing their basic consumer goods at a lower price. Membership to the cooperative was exclusive to the employees of Lepanto Mine but the role of the cooperative was expanded to the whole community. Originally, there were 15 cooperators that started the cooperative. It was first registered with the Bureau of Cooperatives in January 1964 with the name Lepanto Consumers' Cooperative Association Incorporated. It was first managed by Madam Adela O. Tandoc.

In early 1970s, the LCCAI was awarded by the Cooperative Administration Office as the top 7 consumer cooperative in the country. Under the management of Madam Vicky Ordinario in 1975, its name was changed to Lepanto Employees Kilusang Bayan (LEKB) to emphasize that most of the members of the cooperative were employees of the Lepanto Consolidated Mining Company (LCMCO). Besides, the members also want to adopt the Filipino language, which was the language during the "new society" under President Ferdinand Marcos.

In the late 1970s, the Board of Directors of LCCAI noticed that only few members were patronizing of the cooperative. They then asked Professor Gloria R. Lee to observe on the way the members procure their basic needs. On her observation, she mentioned that during paydays, the members do not go to the Cooperative. Instead, they are going to the other grocery stores in Mankayan. But during credit day, the LCCAI is full of customers to purchase their needs on "UTANG" basis. As Calixto (CDA, 2009)



said, this is one of the natures of Filipinos wherein the consumers only approach their respective consumer Cooperative when they do not have money anymore. He also mentioned that this attitude could not be easily erased from the society. Another observation from Prof. Lee was that the members were not prioritizing the basic commodities such as canned goods that were supposed to be for the “BAON” of the miners when they go to work. What the members were buying/purchasing at the cooperative are the long-term goods like umbrella, clothing, shoes kitchen paraphernalia and others. She also mentioned that most of the long-term goods were stock for a long time before it would be disposed. The observations impressed the Board of Directors and suggested her to be the next to manage the cooperative.

Under her management in the 1980s, she purchased in bulk at cheaper prices then lowered the mark-up price so that the goods could be sold at lower prices. She disposed the slow moving goods through sale. The LCCAI then acquired the slow moving goods by consignment. The members came back and patronized again the Cooperative. According to Northern Luzon Federation of Cooperatives and Development Center (NORLUCDEC) when they audited the Financial Statements of the LCCAI in 1984, the LCCAI is ideal because of its 18% turnover rate wherein the goods flow fast. The operation was excellent and in 1984, the Lepanto Consumers’ Cooperative Association Incorporated was awarded as the most outstanding Cooperative in Northern Luzon.

In 1990, it was reregistered with the Cooperative Development Authority (CDA) and the name was changed to its current name.

The LCC has been performing well since the start of the operation. It boomed before but in the late 1990s, the cooperative started to decline because the management



experienced the difficulty in collection of receivables from the Accounting Office of the Lepanto Mine Division as mentioned by the key informants.

Membership

Membership of Lepanto Consumers' Cooperative is open to consumers under any of the following categories:

- a. Any natural person who is a citizen of the Philippines, of legal age with capacity to contract, or head of the family;
- b. Any person who is at least 18 years of age, with visible means of income, through his own independent work and effort.

The prospective members should:

1. Reside or work in the area of operation, be an employee of the Lepanto Mine Division, or bona fide resident of the Lepanto Mine Community. Lepanto Community includes the areas of Mill Site, San Roque, Orient, San Antonio, La Guerta, Tubo, Upper Tram, Marivic, Palpaltogan, Pukitan, Paco and Paalaban.
2. Pledge to undertake the responsibilities of membership.
3. Complete the prescribed pre-membership cooperative education program.
4. Use or anticipate to use the services of the LCC particularly the procurement and sale of consumer goods and services needed by the members and the community. School children who are minors may be admitted as associate members, without voting right, thru their respective school consumers associations.



Business Operation

Although the cooperative was basically a consumer cooperative, it had five kinds of services namely: the grocery store, the bakery, the refreshment canteen and the shellane and rice.

Consumer Store. The main business of the cooperative is the procurement and distribution of goods to the members and to the community. The goods that are sold in the cooperative include groceries, laundry supplies, frozen goods and dry goods including shoes and school supplies. Even non-members can avail in this service of the cooperative.

Bakery. The cooperative has a bakery and the shop is located at the basement of the building. They bake quality breads for the community.

Refreshment Center. The refreshment center or the snack house of the cooperative is seen just beside the main entrance of the store.

Shellane and Rice. This operation is the livelihood project of the cooperative. The business is engaged in buying and selling of rice and shellane for the community prioritizing the members.

Financial Performance

This shows the financial picture of the cooperative from 1999-2007. The increase and decrease in total sales, net surplus, total asset, total liabilities, total reserve fund and total members equity are presented in tables 1-6. The financial trend of the cooperative is affected by the company's operation. After each table is the graph of the financial trend that shows the growth and the reduction of each component of the financial statement.



Changes in Total Sales

In the past years before 1999, the cooperative had been enjoying the support of the company where it is based. The company allows the deduction of account receivable from the payroll of the members. This made the cooperative very progressive because there were no delinquent accounts. Towards the later portion of the 1990s the company experienced financial difficulties and this affected the operation of the cooperative.

Table 1 presents the changes in total sales of the cooperative from 1999 to 2007. In 1999 total sales amounted to P39.68 million. This decreased by 9% to an amount of P36.08 million the following year. It further decreased in 2001 by 1.17% to P35.66 million. In 2002, there was an increase of 8.69% but on the following year, total sales tremendously fall by 34.81%. This was due to a one month strike by the Lepanto Mines employees. During the strike, the cooperative did not allow the members to purchase on credit beyond the amount of their share capital. They limited the amount of credit that can be purchased by members up to 80% of their share capital because management had difficulty in collecting the receivables from the company. The members were dismayed with this situation and some of them started to withdraw their membership, including their share capital. There was no available data in 2004. In 2005, the strike became worse and a total sale during that year was only P14.62 million, a decline by 42% from 2003. During this year the cooperative did not allow credit sales. They only sold on cash but since the members were hard up in getting their salaries from the company this greatly affected the operation of the cooperative. Some of the employee of the company, who were members of the cooperative were terminated and they withdrew their share capital from the cooperative. This added to the worsening situation of the cooperative. In 2006,



the cooperative again allowed members to buy on credit without limit, but still payroll deduction. This led to the increase in total sales by 89% in 2006. However, in 2007, total sales again decreased by 12.55% because the company cannot remit in full the collections from the account receivables of members. The behavior of total sales from 1999 to 2007 is presented in Figure 1.

Table 1. Total sales

YEAR	TOTAL SALES	RATE OF INCREASE (%)
1999	39,682,236.58	-
2000	36,085,070.33	-9.06
2001	35,662,672.60	-1.17
2002	38,764,356.65	8.69
2003	25,267,231.14	-34.81
2005	14,624,903.97	-42.11
2006	27,679,820.68	89.26
2007	24,205,742.48	-12.55



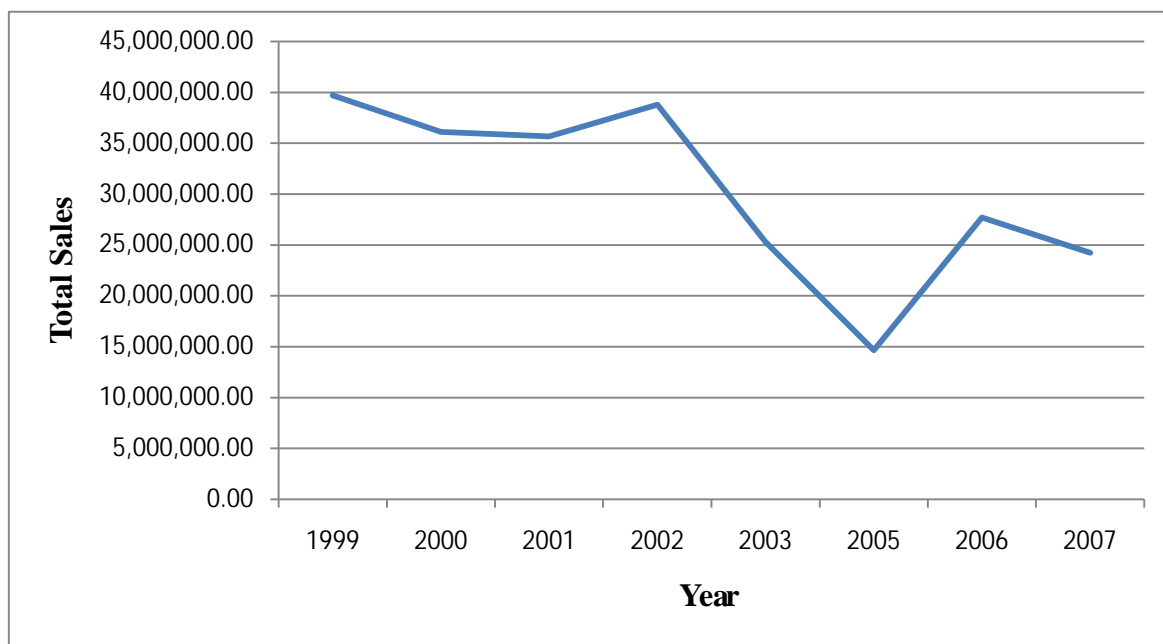


Figure 1. Graph of total sales.

Changes in Total Net Savings

Net savings refer to the difference between net sales and total operating expenses. This is also termed as net surplus. It could be seen from Table 2 that net savings had been increasing from 1999 to 2002. It could be observed that the cooperative realized the highest net savings for the period in 2002 which was P1,267,929.46. During the strike in 2003, net savings decreased by about 54%. This was due to the decline in total sales. In 2005 the cooperative incurred a net loss of P616,396.39. In 2006, the cooperative recovered from its loss, it almost reaches the net saving in 2002. The increase in net savings for the year was due to the fast turn over of inventories when the cooperative allowed purchases on credit. The cooperative again incurred a net loss of P940,191.53 in 2007. This was due to the non-remittance of accounts receivable collected by the company. The behavior of total net savings from 1999 to 2007 is depicted in Figure 2.



Table 2. Total net savings

YEAR	TOTAL NET SAVINGS	RATE OF INCREASE (%)
1999	434,387.99	-
2000	627,333.04	44.41
2001	813,519.21	29.67
2002	1,267,929.46	55.85
2003	585,291.73	-53.83
2005	-616,396.39	-205.31
2006	1,157,475.73	-287.78
2007	-940,191.53	-181.22

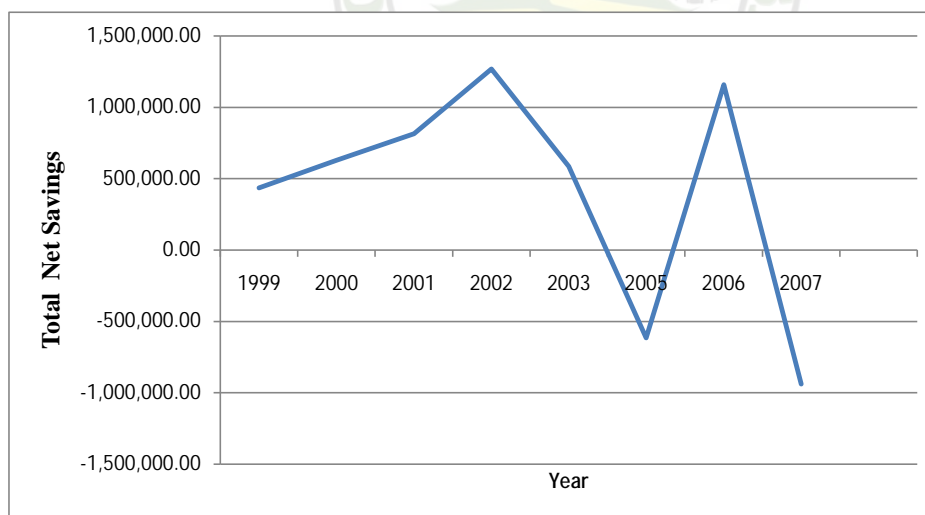


Figure 2. Graph of the total net savings.



Changes in Total Asset

Table 3 shows the total assets of the cooperative. It had a total asset of P9.22 million in 1999, of which P2.84 million was in the form of merchandise inventory. At the end of the following year, total asset decreased by 21%. During this year totals sales declined and it affected the value of the total asset because there was also a decrease in account receivable. Besides, there was also a decrease in merchandise inventory. For the two succeeding years, 2001 and 2002, there was a continuous increase in total asset with 17.44% and 33.08%, respectively.

Table 3. Total asset

YEAR	TOTAL ASSET	RATE OF INCREASE (%)
1999	9,221,032.68	-
2000	7,254,871.69	-21.32
2001	8,520,697.00	17.44
2002	11,339,840.66	33.08
2003	9,506,793.66	-16.16
2005	5,929,679.15	-37.62
2006	9,908,893.00	67.10
2007	11,464,266.67	15.69

However, the cooperative again experienced a decline of 16.16% in 2003 and 37.62% in 2005. The decline in 2005 was due to the settlement of some liabilities. In



2006, it again increased by 67.10% as an effect of the remedy done by the cooperative. They allowed members to buy on credit with no limitation as long as they have enough salary where it can be deducted. There was again an increase of 15.69% in 2007. The graph of the changes in total asset from 1999 to 2007 is presented in Figure 3.

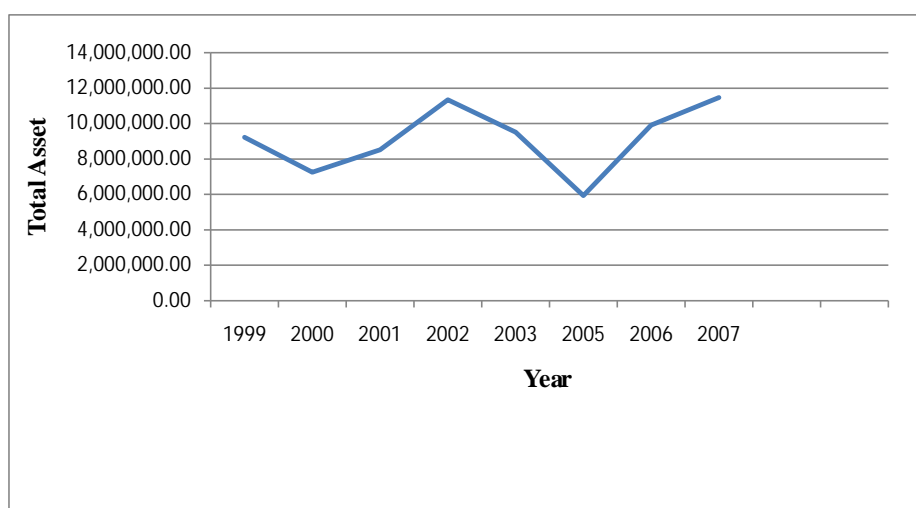


Figure 3. Trend in total asset.

Changes in Total Liabilities

The changes in total liabilities is shown in Table 4 and Figure 4. The total liabilities in 1999 was P4,134,264.44. This consisted of accounts payable on trade, unremitted CETF, unpaid patronage refund and interest on share capital and fringe benefit payable. The amount decreased in 2000 by 55% but greatly increased in 2001 and 2002 by 51.59% and 125.57%, respectively. The increase in 2002 was due to the loan availed by the cooperative. According to the manager, the loan was used to finance the buying and selling of rice and shellane. Other items that contributed to increase in total



liabilities in 2002 were the Retirement Benefit Fund and the Mutual Benefit Fund which was opened and implemented during this year. For the two succeeding years of 2003 and 2005, there was a continuous decline by 15.11% in 2003 and 37.76% in 2005. The decline was due to the settlement of accounts payable, and unpaid patronage refund and dividend for the previous years. This also caused the decrease in total asset during this year, as found earlier. Total liabilities in 2006 amounted to P6,616,455.81 which was almost double the amount of the previous year, 2005. The increase was due to the increase in account payable on trade.

Table 4. Total liabilities

YEAR	TOTAL LIABILITIES	RATE OF INCREASE (%)
1999	4,134,264.44	-
2000	1,841,053.28	-55.46
2001	2,790,857.10	51.59
2002	6,295,461.34	125.57
2003	5,343,880.53	-15.11
2005	3,325,853.15	-37.76
2006	6,616,455.81	98.94
2007	6,862,977.69	3.72



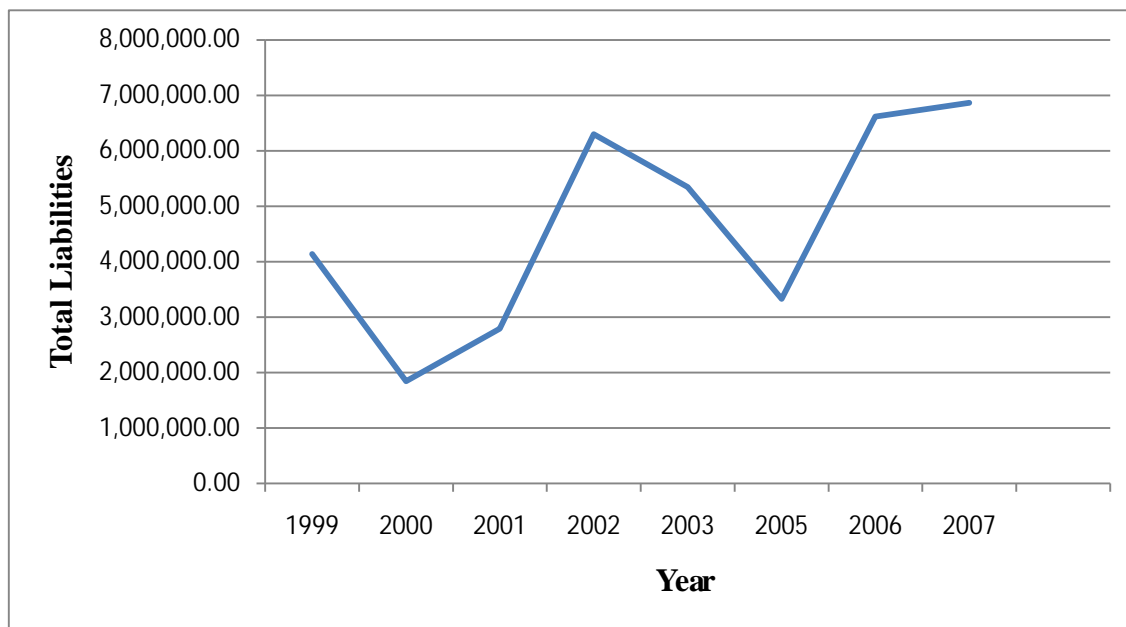


Figure 4. Graph of total liabilities.

Changes in the Total Statutory Fund

The statutory funds consisted of the General Reserve Fund, CETF-local, and optional fund. The changes in this fund from 1999 to 2007 are presented in Table 5 and Figure 5. It can be gleaned from the table that the total amount of this fund had been increasing for the first three years. However, the reverse happened for the next three years. The increases in the statutory fund for the first three years were due to the increase in the net savings during these years. As to the decrease in the total fund in 2003, the financial report during this reflects a high decrease in general reserve fund. This decline could not be explained from the financial statement alone. The decrease in 2005 was due to the loss in operation incurred by the cooperative. In 2006 and 2007, there was an increase of 157.49% and 0.57%, respectively.



Table 5. Total funds

YEAR	TOTAL FUNDS	RATE OF INCREASE (%)
1999	1,054,546.61	-
2000	1,795,655.00	70.27
2001	1,961,886.32	9.25
2002	1,602,937.21	-18.29
2003	1,031,805.46	-35.63
2005	330,173.33	-68.00
2006	850,180.22	157.49
2007	855,055.51	0.57

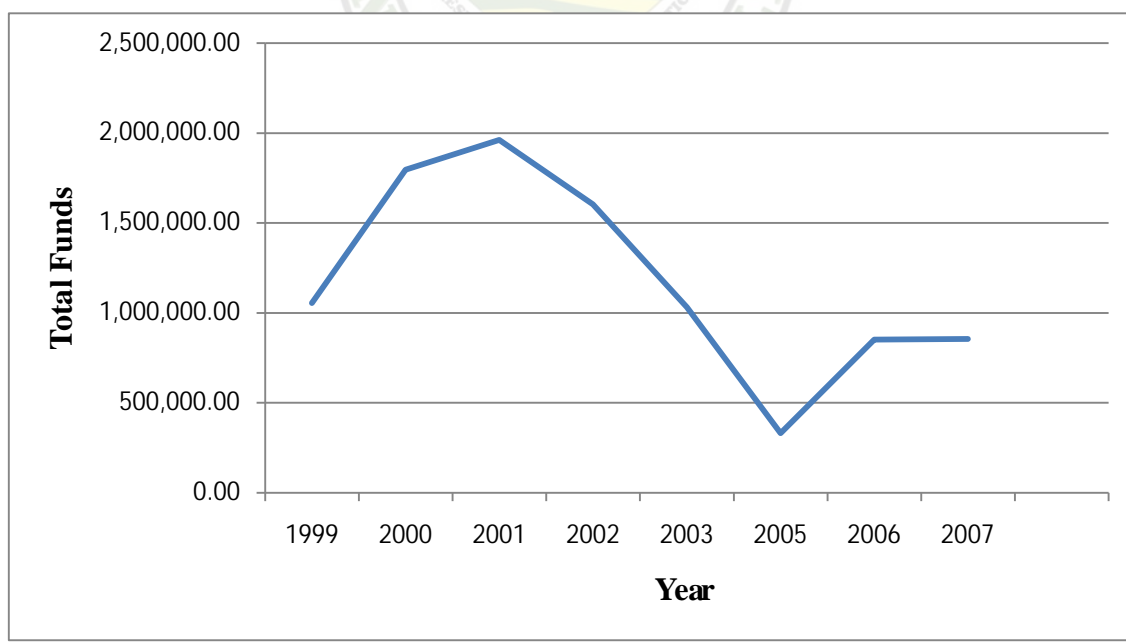


Figure 5. Trend in total funds.



Changes in Total Member's Equity

Members' equity refers to the paid-up share capital of members in the cooperative. Table 6 and Figure 6 presents that total member's equity from 1999 to 2001 had been decreasing, in 1999 total members' equity was P4.03 million but decreased to P2.79 million in 2001. The decline was due to the withdrawal of members from the cooperative. It was during this period that some employees of the company were retrenched, thus they withdrew their membership from the cooperative as well as their share capital because they went home to their respective places. In the succeeding years from 2002 to 2007, the cooperative experienced ups and downs in the total amount of members' equity. The increment in 2007 was due to the infusion made by some members in order to revive the operation.

Figure 6. Total members' equity

YEAR	TOTAL MEMBERS' EQUITY	RATE OF INCREASE (%)
1999	4,032,221.63	-
2000	3,618,163.41	-10.26
2001	2,790,857.10	-22.86
2002	3,441,406.12	23.310
2003	3,131,107.67	-9.01
2005	2,273,652.67	-27.38
2006	2,442,256.97	7.41
2007	3,746,233.47	53.39



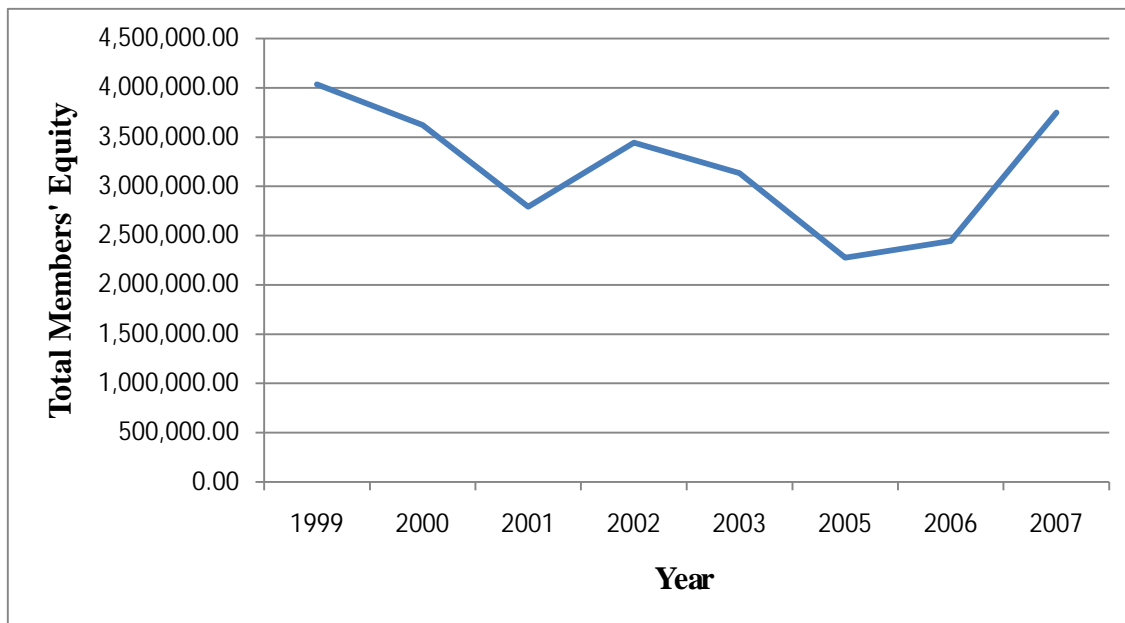


Table 6. Graph of total members' equity.

Problems of the Cooperative as Perceived by some Members

Since its organization, the cooperative was performing well until the time when the cooperative started to incur problems on the late remittances of collection of accounts receivables by the company. The most pressing problem of the cooperative today according to the informants is the delay and partial remittance of the collection on receivables by the company. This caused the cooperative to close on some days of the week and only open if there is payment by the company.

Since the cooperative is just waiting for the company's remittance of its collection and the company is not paying on time, the cooperative stops its operation when there are no more stocks to sell and would only open when the LCMCO gives its payment. The money is not enough to purchase all the needs of the cooperative because the company is not paying in full. Therefore, the cooperative would just buy the basic needs of the



members especially the groceries and the management limits the amount of goods that the members want to purchase so that all of them can avail from the service. This single problem branched out to different problems such as the withdrawal of membership, and non-patronage of some members.

Membership withdrawals. Withdrawal of membership from the cooperative started in late 1990's. Most of the members who had withdrawn their membership in the cooperative were the contractual employees of the Lepanto Consolidated Mining Company. The withdrawal of members was due to the retrenchment/termination of the company of some employees especially the contractual workers. Lately, not only the contractual employees who were removed from their works who withdrew their membership but also other members who are with the company but were not satisfied with the service of the cooperative.

Non-patronage of members. Another problem of the cooperative is that some of the members do not patronize anymore the cooperative when they have cash. They only go to the cooperative when they don't have cash to buy in other stores. They prefer to buy their needs in other stores because the price is cheaper than at the cooperative. Some even said that from the time the company is giving their salaries in partial payment, they never buy from the cooperative.



Members' Perception on the Current Operation of the Cooperative

The members joined the cooperative to acquire of its service mainly on the payroll system. This system allows the members to purchase goods on account for two consecutive days in a week. Another reason is the salary deduction wherein the account of the members was deducted from their salaries on the next payday. In addition, the members joined the cooperative because of its economic benefits which includes the high dividend and patronage refund since they are loyal to their cooperative. As to the employees of the cooperative, economic benefit included the hospitalization and mortuary aid.

Before, the members were very satisfied with the service of the cooperative. They value their cooperative because of the mutual relationship with its mother company. All the needs of the members were taken from the cooperative because of its low and affordable price. The cooperative was important to them because it is where they could get their needs in times of emergency. Even some big stores in Mankayan used to buy their stocks at the Lepanto cooperative.

Now, the cooperative is beset with financial difficulties due to the company's late and partial remittances of their accounts payables to the cooperative. This caused the members to get disappointed with the cooperative. All of the interviewed members were complaining on the high price of goods at the cooperative than the price in other stores. Example of this is the price of one of pack cracker sold in the cooperative at a price of P42 but they could buy the item at P35-38 in other stores. They even mentioned the incomplete stock at the cooperative. This discouraged them to go there. With regards to the importance of the Lepanto Consumers' Cooperative to the members, most of them



said that the cooperative is not important anymore because there are times that the cooperative is out of stock. Some of the members interviewed had a different opinion. They still value the cooperative because at times they could still buy the goods they need from the cooperative on credit which they could not do from other stores.

Members' Perception on the Future Status of the Cooperative

Some members perceived that when the company would close because of the global economic crisis, the cooperative would also stop its operation. Members also desired the management bring back the past operation of the cooperative wherein all are benefited from the service of the cooperative. Some suggested of branching out in other places especially in Baguio because the branch will be an independent business from the company. So that in case the company would close, the cooperative would still be alive.



SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The study used the available financial reports obtained from the cooperative to analyze its financial performance for the past years (1999 to 2007). Key informants were interviewed to get their perceptions on the current status of the cooperative as well as their suggestions on how management could improve the operation.

The findings revealed that the total sales for the past eight years had been fluctuating because of the situation of the company. Purchases of grocery items for sale was affected by the delayed remittances of the company on its collections of the accounts receivable from the members. As to the total net savings, there were years, 2005 and 2007, that the cooperative incurred so many losses. This situation led to the decrease in the total asset and total statutory fund of the cooperative. Total liabilities had been increasing also due to increased in account payable on trade. Total members' equity had been decreasing because of the withdrawal of members who were retrenched from the company.

Conclusions

The financial condition of the cooperative was greatly affected by the financial crisis being experienced by the mother company. The uncollected receivables from the company could lead to fear and distrust to members. Because of fear that they would not be able to get back their investments in the cooperative, they would prefer to withdraw their share capital before the cooperative will go completely bankrupt.



Based on the financial performance of the cooperative, it was able to continue its operation despite the withdrawals of some members and the financial crisis it is facing. There is still hope that the cooperative could be saved and regain its good financial status if the members would continue to patronize it.

Recommendations

1. The cooperative could regain back the trust of its members by re-educating them and ask their cooperation. It would be better for the cooperative to become independent from the company. It should devise a strategy to directly collect receivables from the members. They should also encourage members to infuse capital so that they could purchase their groceries in bulk thus allowing them to buy at lower prices. In this way they could also charge lower price to the members so that they would be encouraged to patronize it.
2. The cooperative could open its membership to non-employees of the company. In this way members would increase and new capital would come in.
3. The idea of branching out to other places like Baguio City could also be an alternative of increasing membership and volume of sales.



LITERATURE CITED

ABELLA, F. and FAJARDO, F. 1999. Cooperatives. Fourth Edition. Rex Printing Company, Inc. Quezon City. pp. 186-189

ANASTACIO, L.K.2004.Profile of Primary Cooperatives' in Itogon, Benguet. BS Thesis. Benguet State University.

RACHO, K.R. 2007. Profile and performance of functions of members of the education and training committee of selected cooperatives in Tuba, Benguet. BS Thesis. Benguet State University, La Trinidad, Benguet.

REPORT OF THE EDUCATIONAL COMMITTEE. 1972. Volume 26. Lepanto Consumers' Cooperative, Lepanto, Mankayan, Benguet.



APPENDIX A.

Communication letter

DEPARTMENT OF AGRICULTURAL ECONOMICS
AND AGRIBUSINESS MANAGEMENT (DAEAM)
Benguet State University
La Trinidad, Benguet

November 2008

Lourdes Bawalan
Manager
Lepanto Consumers' Cooperative
Lepanto, Mankayan, Benguet

Madam:

Warm Greetings!

I, Noeme N. Tiwaken, a student of Benguet State University taking up Bachelor of Science in Agribusiness Major in Cooperative Management. I am presently conducting a research titled "LEPANTO CONSUMERS' COOPERATIVE: A DOCUMENTATION" as a requirement for the degree.

In connection, may I request your documents on the History of Lepanto Consumers' Cooperative, the Articles of Cooperation, and the By-Laws, Policies and Programs and the Annual Financial Statements of the Cooperative from the start of operation.

Thank you very much for your favorable action regarding this request. Your favorable action will be highly appreciated.

Sincerely Yours,

Noeme N. Tiwaken
(Researcher)

Noted:
Evangeline B. Cungihan
Adviser



APPENDIX B
GUIDE QUESTIONS

1. Why did you join the cooperative?
2. How important the cooperative to you?
3. Are you satisfied with the services of the cooperative?
4. What are your perceptions on the current operation of the cooperative?
5. What are your perceptions on the future status of the cooperative?
6. What are your comments to the cooperative?
7. What do you want the cooperative to do?

