

**UPLAND DEVELOPMENT PROGRAMME  
FOR SOUTHERN MINDANAO**

**TERMINAL REPORT**

**NURTURING AND STRENGTHENING OF EXISTING  
ENTERPRISE IN SAN ROQUE, NEW BATAAN**

**MAPASO SMALL BANANA FARMERS MULTI-PURPOSE  
COOPERATIVE**

**BIZAIDE CONSULTANCY & COMPANY  
DAVAO CITY  
AUGUST 2006**

## Executive Summary

### Objectives

This engagement was initiated to help MASBAFAMCO stabilize its banana trading activities by finding a new market and expanding its supply source. The engagement also aims to review the effectiveness of the systems, policies and procedures adopted and introduce improvements where necessary. This also includes the evaluation of its organizational structure, policies and processes geared toward improving its enterprise and encouraging member participation and growth.

This intervention is expected to improve the sustainability of the enterprise through the introduction of a new institutional buyer, improvement of its systems, policies and procedures, installation of a production and sales monitoring system and expansion of its supply sources.

Activities were to be initiated and objectives attained within a period of three(3) months commencing on June 1, 2006 and ending on August 31, 2006. Contract amount is Php 78,000.00 .

MAJOR ACTIVITIES CONDUCTED	RESULTS
Assessment of existing organizational set-up. Officers and staff were interviewed on their current functions and responsibilities.	<ol style="list-style-type: none"><li>1. Data gathered on :<ul style="list-style-type: none"><li>▪ Profile of BOD and officers</li><li>▪ Present organizational structure</li><li>▪ Current duties and responsibilities</li><li>▪ Current operating policies and procedures, status of operations</li><li>▪ Existing financial policies and procedures including internal control policies</li></ul></li><li>2. Officers and staff apprised of the importance of their respective roles. Teamwork was emphasized. Duties and responsibilities were defined in the Operations Manual.</li><li>3. The Systems, Audit and Inventory Committee were called upon to be re-activated to ensure implementation of policies and procedures. The revised operating and financial manuals were presented to the committee to guide them in monitoring compliance to policies and procedures.</li><li>4. Functions and responsibilities of the Treasurer and Bookkeeper were delineated to prevent overlapping of duties and responsibilities and to</li></ol>

	<p>establish internal control. The Treasurer was advised to refrain from handling the Cash Receipts Book and turn over the records to the Bookkeeper.</p> <p>5. Resolution passed to grant honoraria as follows:</p> <ul style="list-style-type: none"> <li>▪ Manager – Php100.00 per loading</li> <li>▪ Canvasser – Php 0.50 per kg</li> </ul>
<p>Assessment of existing operating policies and procedures to ascertain applicability and effectiveness.</p>	<p>Introduction of improvements to operating policies and procedures as follows:</p> <p><u>Marketing</u></p> <ul style="list-style-type: none"> <li>▪ Expansion of marketing coverage to the entire Municipality of New Bataan</li> <li>▪ Use of the Sales and Procurement Tally Sheet to document canvassing and sales activities</li> <li>▪ Mark up set at Php 0.10/kg</li> <li>▪ Consumption loans to be granted to banana growers/suppliers to corner supplies</li> <li>▪ Pursue creation of an organization of banana farmers to improve prices and for protection against predatory traders</li> <li>▪ Continuing dicing activities until such time that the cooperative has enough capital to engage in actual trading of cardava</li> </ul> <p><u>Credit</u></p> <ul style="list-style-type: none"> <li>▪ Use of Loan Application Form</li> <li>▪ Appointment of Loan Officer</li> <li>▪ Credit investigation as part of evaluation process</li> <li>▪ Collateral Requirement</li> <li>▪ Co-maker required</li> <li>▪ Interest rate established: 7% per month</li> <li>▪ Penalty for delayed payments : 2%</li> <li>▪ Loan brackets and terms: P500 – P800 3 mos. P900 – P2,000 6 mos.</li> <li>▪ No additional loans for borrowers with arrears</li> <li>▪ Approving Authorities: <ol style="list-style-type: none"> <li>1. Chairman</li> <li>2. Crecom Chairman</li> <li>3. Manager</li> </ol> </li> </ul>

	<ul style="list-style-type: none"> <li>▪ Appointment of collector</li> <li>▪ Manner of application of amortization:             <ol style="list-style-type: none"> <li>1. Interest</li> <li>2. Penalties</li> <li>3. Principal</li> </ol> </li> <li>▪ Amortization payments may be deducted against proceeds of sales to the cooperative</li> <li>▪ Issuance of Official Receipt for all collections</li> </ul> <p><u>Mortgage</u></p> <ul style="list-style-type: none"> <li>▪ Facility available to members and non-members</li> <li>▪ Harvest sharing scheme: 70% MASBAFAMCO, 30% mortgagor</li> <li>▪ Use of Loan Application Form</li> <li>▪ Evaluation of banana plants offered as collateral</li> <li>▪ Use of mortgage agreement</li> <li>▪ Issuance of Official Receipts for all collections</li> </ul>
Assessment of marketing strategies	<p>Introduction of marketing strategies including relationship marketing, networking with neighboring cooperatives to gain additional volume and intelligence on competitor’s moves, granting of consumption loans as financial assistance to current and prospective suppliers, assisting suppliers in availing of loans from other lending institutions in the event that the financial requirements cannot be served by MASBAFAMCO, pursuing the formation of a coalition of banana growers to expand the supply base and consolidate/increase trade volume</p>
Assessment of financial management system	<p>Preparation and introduction of financial policies and procedures for all businesses. Procedures were also introduced to improve internal control.</p> <p><u>Highlights:</u></p> <ul style="list-style-type: none"> <li>▪ Proper use of cash vouchers</li> <li>▪ Authorization of all disbursements</li> <li>▪ Provision of complete supporting documents</li> <li>▪ Issuance of Official Receipts for all collections</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Recognition of interest income only upon collection</li> <li>▪ Proper recording of transactions in the books of accounts</li> </ul>
Held discussions with the Municipal Agriculturist on the plans to form a coalition of banana farmers/growers to consolidate supply with the objective of improving the selling price and protecting the farmers against predatory traders.	The Municipal Agriculturist fully supports the organization of the banana farmers to improve their plight. He also intends to endorse MASBAFAMCO as the lead consolidator. A formal discussion with the concerned farmers to be called by the MAO is yet to be scheduled pending the completion of some priority infrastructure project of the LGU
Discussions were held with the Mangloy Multi-Purpose Cooperative for a loan to finance MASBAFAMCO's working capital requirements.	MAMPCO has expressed willingness to grant a loan to MASBAFAMCO at an interest rate of 2% per month payable over 3 years. MASBAFAMCO is preparing the Board Resolution to be submitted to MAMPCO to start the processing of the loan.

### **Improvement Areas**

Significant improvements were made in the areas of organizational awareness, cardava trading, lending operations and financial management.

Before the engagement, the officers, staff and committee members knew what their functions were but did not appreciate the importance and role these played in the enterprise. A re-orientation was conducted during the interviews to re-emphasize the importance of each one's role in the management of the cooperative. The functions of the Manager, Treasurer and Bookkeeper were revised to properly align their responsibilities and to improve internal control. The duties and responsibilities of the officers and staff were also defined in the Operations Manual. The Systems, Audit and Inventory Committee members were inactive in the past and were apprised of their functions and responsibilities as the fiscalizers and monitors of the organization. They were also presented with the new policies and procedures to be implemented and for them to be familiar with to enable them to effectively discharge their duties and responsibilities.

A procurement and sales monitoring system was installed to record specific details of procurement and sales. This system which employed the use of a specific form (Procurement and Sales Tally Form) in addition to the Sales Invoice and Official Receipt which enabled proper recording of procurement and sales activities affording management the needed documentation to effectively evaluate the trading business. This new process also provided transparency in the transaction and thus promoted internal control. With the system in place, the enterprise is now able to document all aspects or transactions involved during trading operations which was non-existent prior to the engagement.

Market monitoring techniques were also introduced to the management to effectively evaluate and assess the market and for them to move ahead of the competition. The Chairman and Manager are now proactively developing their network to expand their supply base. Instead of getting their supply only from Mapaso, San Roque and Kahayag, procurement activities are now starting in the other surrounding areas of Kamanlangan, Sarmiento, Baras and Andap. Negotiations are currently being initiated with Fatima Multi-Purpose Cooperative, Kamanlangan Multi-Purpose Cooperative and the Sabina Multi-Purpose Cooperative for the purpose of consolidating the volume in these cooperative's respective areas, for MASBAFAMCO to purchase, and for MASBAFAMCO to grant these cooperatives a Php 0.05/kg commission. Negotiations with the other barangays will follow after completion of the initial talks. During the August 31, 2006 loading at Kamanlangan, loaded volume was 7,000kg, up from an average of 1,000kg indicating initial success under the new marketing strategy. Before the engagement, average trade volume (January-June 2006) was 13,460 kg . This level increased to 20,774 kg during the period of engagement ( June-August 2006)

Lending operations were enhanced with the formulation of new policies establishing specific terms and conditions for consumption loans and mortgages. New procedures and forms were also introduced for proper evaluation and documentation of transactions. Before the engagement, loans and mortgages were released with only a voucher to document the transaction and the voucher did not even indicate the terms and conditions of the loan. Collection strategies were also introduced to collect the long outstanding accounts to provide the enterprise the needed working capital. Statements of account were sent out and loan beneficiaries were personally contacted to settle their long overdue accounts. Henceforth, amortizations would be strictly collected from the proceeds of cardava sales. The Board of Directors has also jointly agreed to show sincerity and resolve by liquidating their personal loan obligations as an example for the other members to follow. A dedicated Collector would also be appointed to handle collection of the loan receivables as part of the new collection strategy.

The organization's financial management system was also improved. The delineation of the functions of the Treasurer and Bookkeeper was implemented for internal control purposes. The Treasurer was requested to turn over to the Bookkeeper all the books of accounts she previously handled and focus on the safekeeping and management of the cooperative's funds. It was also noted that cash disbursements and receipts were not properly documented, lacked the necessary supporting documents and were not properly authorized. Thus, policies and procedures were introduced to enable proper documentation and authorization of receipts and disbursements i.e. issuance of Official Receipts for all cash collections, proper accomplishment of the cash vouchers, attachment of required supporting documents, establishment of approving authorities and ensuring that recipients confirm receipt of payment by signing on the received portion of the voucher. Proper computation of interest income was also introduced to the management to correct the previous procedure which resulted to the over statement of their interest income. Henceforth, interest income would only be recognized upon collection instead of accrued. The Bookkeeper was also oriented on the proper recording of transactions.

Over-all, the objectives of this engagement were largely met. Improvements to the existing systems, policies and procedures were introduced and implemented that would certainly result in the streamlining of functions, proper documentation of transactions, establishment of the needed procedural guidelines for all transactions, promote transparency in all levels of activities and improvement in internal control. In as much as the revised systems, policies and procedures have been newly installed the cooperative can be considered to be in the learning stage. Coaching and mentoring activities would be recommended to ensure proper installation of the new policies and procedures.

Strategies and techniques introduced also improved the organization's ability to react to competition and largely improved their awareness of how the market moves, its peculiarities and realities, the opportunities they present and how to take advantage of them. Instead of adding an institutional buyer, being one of the objectives, expanding its supply base was deemed to be the more appropriate and workable alternative to enhance the sustainability and growth potential of MASBAFAMCO. Acting as a buyer for El Coco and earning by way of commission, MASBAFAMCO would do well to improve the volume of its procurement. Accessing the vast supply available in New Bataan would certainly help in increasing its bottom line. Efforts are currently being made to organize the banana farmers of New Bataan to eliminate or stop the predatory activities of the current traders. With the support of the LGU, MASBAFAMCO is eyed to head this coalition of banana farmers and cooperatives with the objective of increasing the income of the farmers and protecting them from the traders. With this set-up, MASBAFAMCO will act as the consolidator of the supply and will earn by way of commission per kilo. Should the organization be able to gain access to capital and do the buying themselves, they would be in a better position to succeed with the supply base they have developed by then.

With its initial gains in increasing its procurement volume and the potentials of financial support from MAMPCO, MASBAFAMCO must be able to take advantage of these opportunities. Management is certainly learning the ropes of the trade but still lacks the technical and managerial capabilities to effectively and sustainably manage the enterprise. With the right attitude and its willingness to learn, MASBAFAMCO management could certainly benefit from additional UDP assistance in terms of enhancing management skills. Coaching and mentoring activities are also recommended in addition to visits to organizations with similar business activities to learn and adapt best practices.

## **II. REPORT ON THE TEST RUN RESULTS**

Installation of the enhanced policies and procedures was started second week of July 2006 and completed on the second week of August 2006. MASBAFAMCO decided to start implementation on 01 September 2006. The time between the start of installation and implementation was to be spent getting everything ready for the new scheme of things i.e. familiarization with the procedures and printing of the forms, registration with the BIR, information dissemination, deferment of the release of new loans, setting of cut-off date for the loan balances, preparation of the statements

of account for loan balances to be restructured, collection of long outstanding loans and training of finance staff.

As of this report date, progress on the implementation will still have to be monitored. The first monitoring visit was scheduled on the 14<sup>th</sup> to 15<sup>th</sup> of Sept 2006. However, activities geared toward the expansion of the supply base have started in July and as of the last loading date, August 30, 2006, supply source areas have increased from 3 to 7 areas. Aside from San Roque( centro) and Mapaso and Kahayag, stocks have been procured from Camanlangan, Sarmiento, Baras and Andap. Additionally, the volume procured from Camanlangan increased significantly from an average of 1,000kg to 7,000kg owing to continuous efforts to gain additional volume through coordination talks with the cooperatives and Purok leaders in the area. This strategy has also been applied in the other areas enabling procurement of stocks from the expansion areas. Procurement volumes could have been higher had there been enough cash to grant to the farmers as cash advances.

#### Production and Sales Summary

<b>Month</b>	<b>Volume In Kg</b>	<b>Buying Price / Kg</b>	<b>Selling Price/Kg</b>	<b>Total Purchases</b>	<b>Total Sales</b>
January	9,800	2.10	2.30	20,580.00	22,540.00
February	17,600	2.20	2.50	38,720.00	44,000.00
March	2,600	2.30	2.50	6,500.00	6,500.00
March	10,400	2.40	2.60	24,960.00	27,040.00
April	11,000	2.50	2.70	27,500.00	29,700.00
May	7,000	2.50	2.70	17,500.00	18,900.00
May	8,900	2.70	2.90	24,030.00	25,810.00
June	5,300	2.90	3.10	15,370.00	16,430.00
June	14,600	3.20	3.40	46,720.00	49,640.00
July	8,841	3.40	3.60	30,059.40	31,827.60
July	10,470	3.40	3.60	35,598.00	37,692.00
August	8,440	3.40	3.60	28,696.00	30,384.00
August	14,671	3.60	3.80	52,815.60	55,749.80
<b>Total</b>	129,622			369,049.00	396,213.40

January – May 2006 average - 13,460 kg

June – August 2006 average - 20,774 kg



### **Recommendations and Conclusions:**

Improvements to its systems, policies and procedures, organizational structure and marketing operations have been introduced and installed with the end in view of ensuring the success and sustainability of the enterprise. However, during this learning stage , the following activities are recommended to assist MASBAFAMCO in its transformation:

1. Coaching and mentoring activities with focus on the expansion of supply areas and consolidation of volume in the New Bataan area.
2. Coaching and mentoring activities with focus on resource mobilization.
3. Training, coaching and mentoring of finance staff on accounting and bookkeeping.
4. Training, coaching and mentoring of management and staff on financial management system.

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