

# A New Approach to Rural Development in the Philippines: The Local Corporation \*

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## Scope

THE paramount goal of this plan is human, that is, to develop the human resource while at the same time to increase agricultural production radically, through the economies and technologies available only to large-scale enterprise. Its concentration on the small farm-owner and tenant as the main beneficiaries is the point in which it differs from other corporate or large-scale ventures at present proposed or being implemented in the Philippines. Its concentration on large-scale technologies and a relatively small area are the main points in which it differs from most community-development-type ventures (PACD, PR-RM, etc.).

It should be emphasized that the new approach here advocated is conceived as a supplementary approach to PACD-type ventures, not as an exclusive approach.

## Background

A paramount demand of the years immediately ahead is greatly expanded agri-

cultural production, especially in staple foods. Since World War II, population has been growing at about 3 per cent a year. Up to very recently, little progress had been made in obtaining greater per-hectare food yields. New, high-bearing varieties of rice such as IR-8, BPI-76-1, and C-18, may change this picture somewhat in the immediate future.

Community development and other development programs have not appreciably affected production, except for the rice gains of the present year. Yet such programs in one form or another have been almost continuous since World War II.

What has been wrong?

The organization of development programs has been one of the chief stumbling blocks. In the Philippines, a society which stresses the family to a pronounced degree, the attempt has focused almost exclusively upon reaching the small landholder as an individual. Since the individual Filipino customarily acts in familial and group contexts, appeals to him upon individualistic grounds have largely fallen upon deaf ears.

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Secondly, great increases in productivity cannot be met by small farmers working as individuals. In addition to present community development programs which work with the farmer as an individual, programs with the advantages of scale are required. Large tracts of land, worked by up-to-date technologies using modern farm machinery, are needed.

Such farms can afford the needed research to improve from year to year the crops originally selected as the best choices for the particular soil, terrain, and climatic conditions. Such farms will conserve and improve soils while at the same time multiplying by many times the produce the land now bears.

#### General Framework of Proposed Solution

First, a distinction must be made between the *initial trial* project and the general outline of this plan as an approach to be tried in many localities. At present, the general outline is being presented. After negotiation of a preliminary grant, the outline of the initial trial project will be presented together with the detailed cost estimate tailored to this particular project.

The projects should primarily be located where many small farmer-owners are located who are *not* making a good living because their land is not bearing crops in a manner to bring them a moderate prosperity. The projects ordinarily should not be sited in areas where large, absentee-owner farms are located since these owners can more easily than small-scale farmers take advantage of modern technologies without outside help. Areas, however, already designated for land reform, or where owners will agree to sell for a fair price, spread over a period of

several years, would be ideal locations for these projects.

An important goal is to reawaken belief in the small-scale farmer, owner or tenant, that there really is hope for him and his children in attaining a moderate prosperity in the near future under a free way of life and in a democratic society.

For this, it is not necessary that these projects be started everywhere at once, but that the idea first be tried out in one location and receive fitting publicity if it is successful, and that its success be followed by the launching of a limited number of such project elsewhere.

Eventually, with the revolving fund created by the repayments of grants, it should prove possible to establish such corporations (and cooperatives, as will be seen) in many sites throughout the Philippines.

If the common man of the rural areas does not see hope to improve at least the lot of his children over that of his father and grandfather, it is to be feared that he will have little interest in defending his present democratic form of government from attack by such subversive groups as the Hukbalahap and Communists.

The plan envisions self-liquidating grants to set up corporation-type farms. It assumes that after ten years of operation, the corporation will have been able to pay back the entire sum of the original grant. This sum may then be used by the funding organization to launch another similar project in other areas of the Philippines.

The plan also assumes that the plan will have radiation effects upon the community neighbors who may wish to join the corporation up to limits of efficiency.

It assumes that the crop or crops (a) best suited to the soil of the project site and (b) with a good market potential will be grown on the site. Thus the plan is not limited to corn or rice projects or even to a food crop project but has the widest applicability consonant with best crop, potential market, and practicable technology on a farm of about 1,000 hectares.

#### *Chief Features of Plan*

In various municipal or city locations, a corporation composed of public spirited citizens, will lease approximately 1,000 hectares of contiguous or partly contiguous land, from small landowners (2, 3, 5, 10, 20, 30 ha., etc.). The lease will be for ten years for 250 hectares, for nine years for 250 hectares, for eight years for 250 hectares, and finally for seven and one-half years for the last 250 hectares. All 1,000 hectares should be in a contiguous and compact location.

*The Farm Administrator.* Each corporation will employ an administrator of proven business ability to be called here-in the Farm Administrator.

*Chief Farmer.* The Board, with the help and advice of the Administrator, will hire a first-rate farmer to be called Chief Farmer, who has graduated with high marks from agricultural college and who has had practical and successful experience or a reasonable equivalent in large-scale farming.

This farmer must be a man who by practical experience as well as by textbook theory knows his crops, his soils, the irrigation potentialities of a farm area, and the services obtainable from government and private agencies (soil analyses fertilizers, irrigation assistance,

advice on pest control, on plant pathology, and so forth). He must also have ability in dealing with men.

*Preliminary Phase Responsibilities of Administrator.* In the Preliminary Grant Phase of the project, the Administrator with his Chief Farmer surveys the various potential sites for the corporation farm, discovers in each site the acceptable lease price of the land, proposes the alternative sites to the Board, gives his opinion with his reasons for the same on the best site, and after the Operational Phase has begun, carries out the field work of the leasing operation.

The Farm Administrator, with Chief Farmer and consultants, decides the best crop/crops for the particular soils, what rotations (if any) are desirable, whether irrigation is commercially desirable or necessary for efficient production of these crops, where and how to market the crops (use of bodegas on the farm to store for time of better prices is envisioned, and thus the problem of preparing storage space on the farm arises), what fertilizers, what pesticides, and so forth should be used. He also decides what farm animals to procure for improving soil through manure, for meat sales, for draft work, or for all these purposes. He decides what machineries (if any) are necessary or useful to cultivate these crops.

*Farm Assistants, Bookkeeper, and Tractor Drivers.* The Chief Farmer is assisted by four Farm Assistants, each of whom is directly responsible to him for operations on approximately 250 hectares of the farm. The Administrator and Chief Farmer are assisted by a full-time bookkeeper-fiscal, and by eight (8) full-time tractor (and truck) drivers who are also farm equipment mechanics and utility men.

Further staff members may prove necessary than are here foreseen. Flexibility in this regard is necessary to give proper support to the Farm Administrator.

*Part-time Consultants.* They are also assisted by arrangements for part-time services or consultation with the following: (a) a crops specialist, (b) a plant pathologist, (c) a fertilizer and insecticide specialist, (d) an irrigation specialist, (e) a legal specialist to attend to and to attempt to settle definitively at law any and all questions concerned with ownership titles of the various lands leased (this is one of the services and advantages the Corporation offers to those who lease their land to it), (f) specialized machine mechanics, and (g) any other specialists whose services are necessary or desirable, briefly or for longer periods.

As far as possible, the consultation services of local university (if any) specialists in academic, research, and specialized areas concerned with the project will be utilized in establishing and operating the project. In this way, needed on-going practical research on varieties and treatments of plants can be carried on more cheaply.

*The Sociologist.* The Sociologist is a full-time specialist, immediately responsible to the Farm Executive, who works in close cooperation with the Chief Farmer and Farm Assistants.

His chief tasks are to see that the channels of communication between top and bottom and bottom and top are kept open; that suitable housing, recreational facilities, and other social requirements are provided for the wage-workers; and that well-organized literature is provided for meetings of the study clubs on credit unions, cooperative buying, and cooperative marketing (selling).

He also must see to it that the first study club on credit unions is well prepared for, before the first meeting begins (talking it up, having preliminary sessions, distributing literature and arranging for study club reports on this literature, etc., and making arrangements for the educational sessions with the headquarters of the local, or closes, credit union chapter).

Once the meetings have begun, his task is to encourage the men in every way to read the literature, to discuss it among themselves, to reach sound conclusions about credit union practice in the projected union, and finally to commit themselves by investing the necessary sums and assuming responsibility for the various official positions in the credit union.

Later the Sociologist has the function of similarly facilitating and helping to establish a cooperative buying union, and a cooperative marketing union. These may be separate departments of the same union, or may be more autonomous, as best fits the situation.

All human problems on the farm are the task and province of the Sociologist. He endeavors to foresee them to take steps to solve them equably when they arise, and to minimize them or their effects as much as possible, should they prove difficult to solve within a short time.

#### *Land Leasers*

The persons from whom the land is leased, as far as practicably possible, will mainly be small farm owners (1-15 hectares) who work their own farms at present. They will benefit as follows: (i) through receiving lease money for the use of their lands, (ii) through having their lands improve (soilwise, irrigationwise [if irrigation is adopted], and titlewise

[since a determined effort will be made to clear up land titles for the entire territory of the corporate farm]. In addition, improvements like irrigation ditches and buildings will probably be left upon their lands at the end of 10 years, if not to be used for a second ten period by the Corporation or its successor, if any. However, such buildings, etc., belong to the Corporation, as long as it exists.

*The Wage Workers.* The wage workers will be small farmers, farm laborers, and tenants chiefly drawn from the locality of the corporation farm. They will receive a daily wage of ₱3.50 to ₱4.00. Their pay will come out of the budgetary item, production costs. First option to work personally as wage earners upon the farm will belong to owners of land holdings enclosed in the leased territory of the farm, and to their previous tenants. However, those who have leased their land have no *title* to work because of this. Their continuance on the job will depend upon the quality of their work. There is no necessary connection between remaining employed and ownership of one of the leased parcels of land. Continuing employment will depend upon satisfactory work characteristics.

The advantages to wage workers on the corporation farm will be: (a) a regular money income, (b) training in and constant exposure to modern, highly productive methods of farming, (c) sharing in training through study club groups for the formation of a credit union, a cooperative store, and cooperative marketing, and (d) will be the main beneficiaries of net profits of the corporation. Workers who are owners of land (a relatively large number is envisioned) will also receive lease payments.

*Advantages to Country and to Locality.* The primary goals of this project--

as previously stated--are development of the skills, competencies, and imagination of the small farmers, augmenting their income, broadening their horizons, both in general and in particular with regard to farm technologies, and bringing them a moderate prosperity.

The program being described here seems a truly effective way to teach the small farmer modern technologies in a manner that will enable him to put them to use. Working on his own (or on nearby) land, he sees it bear crops as never before. And he does so, not in individual isolation, but in the security of a work group of his friends and relatives, without financial and without psychological risk for himself. Failure of the project cannot hurt him moneywise, nor can it be attributed to him as the responsible agent.

Further, he receives the training to take over operation of the Corporation (either as a corporation or as a cooperative) in the second ten years of the project. The small farmer is reached, in company with friends and relatives, by a "learn-by-doing", on-going training course. This will prove a much more effective vehicle of training than attempt to deal with him as an isolated individual as in other community development projects for relatively short time periods such as one year.

#### Details of Operations

The Board is conceptualized as a public service body for assistance to the community, and not as a means of profit for the individual Board Members. It meets regularly at least four times a year (and as often as necessary, besides, at these quarterly periods) to accomplish its functions: namely, of hiring the Farm Ad-

ministrator, to approve the leases entered into by the Farm Administrator, to consider unforeseen request of the Administrator, to oversee all financial transactions, and so forth.

After considering alternative choices for Farm Administrator, the Board will select the most qualified person by plurality vote on the basis of ability only. Choice of personal friends or relatives of Board Members *because* they are such rather than because of outstanding abilities will be positively discouraged by the Chairman and Board Members.

The Administrator, in consultation with Board, will choose the Chief Farmer and the Sociologist, as well as the remaining staff and wage-workers. However, all staff must be chosen on the same basis of outstanding ability among candidates; not family or friendship relation, and the Administrator must justify his choices to the Board at their next meeting, and approval of the Board will be necessary for their further service to the Corporation.

Consultants will be drawn, as far as possible, from locally available specialists. However, where these do not have the required competence in the judgment of the Administrator or Chief Farmer, or in social matters (e.g. credit unions) of the Sociologist, outside specialists may be brought in at the discretion of the Administrator, who will fix terms of their fees, transport, and per diems.

*Preliminary Grant Phase (6 months).* After several organizational meetings, the Board applies for a small grant (P20,000) in order to hire its Farm Administrator and Chief Farmer on a full-time basis for six (6) months.

These gentlemen survey the potential sites, interview the land owners, attempt

to persuade them to agree to sign a reasonable lease contract, survey the soils, determine what crop or crops might best be grown there as chief crop or crops, as rotation crops, and/or as inter-season crops, determine whether irrigation is needed or will be economically useful on the site, where irrigation water will come from, and at what cost (pump, reservoir, ditches, etc.), what fertilizers will be necessary, what machines and appliances will be desirable, what the average cost of production per hectare will be and so forth.

After this survey, a definitive decision will be made upon the particular site to be chosen and the general financial plan will be tailored to the needs of this particular site. Upon approval by the funding organization of this financial plan and subsequent grant, the operational phase will be activated.

*Operational Phase (10 years).* The project is begun on 250 hectares leased for ten years. The plots must be contiguous and compact. "Gerrymandered" areas will not be economical.

During the first year, the Farm Administrator and the Chief Farmer (who must be a real, dirt farmer) lease this first 250 hectares of land, survey it more carefully, decide definitely on the crops, type of irrigation, kinds of machinery, etc., employ one Farm Assistant, hire wage-workers for this 250 hectares, carry out the improvement measures determined upon, add begin work to prepare the land for production.

The irrigation machine (e.g. pump) will be bought with an eye to irrigating 1,000 hectares (not just 250), and the reservoir and ditches will also be constructed with this in mind. However, the land leased in the first year will only be the

250 hectares nearest the projected irrigation reservoir.

The Sociologist is employed from the beginning of the operational phase and begins planning the men's homes and recreational facilities.

In the beginning of the second year, a second Farm Assistant is employed and the second 250 hectares is leased. The first Farm Assistant is now put in charge of the first 250 hectares under the direction of the Chief Farmer. The Chief Farmer, with the second Farm Assistant, turns his main attention to the second 250 hectares to improve and to prepare it for cultivation. A competition is set up between the two 250-hectare farms.

The necessary two more tractor drivers and the wage workers are added to the farm work force. Previous farmers on the land (owners, tenants, and labor) have first priority for jobs, but have no sinecure on these jobs. Continued employment depends upon satisfactory work characteristics.

In the beginning of the third year, the third 250 hectares is lease and the third Farm Assistant is employed. The second Assistant is put in charge of the second farm. Two additional tractor drivers are added. In the second half of the third year, if possible, the fourth 250 hectares are leased and made operable. The fourth Farm Assistant is employed. In due time these two Assistants are put in charge of their farms, and the pre-existing competition is broadened to include all four farms.

Experiments will now be set up to improve the varieties and treatments in use.

If, as envisaged for the first (trial) project, the principal crop chosen is rice, then the previously existing walls of the

rice paddies (*mga bahin*) or "boxes" must be relaid for machine cultivation on each farm of 250 hectares. In addition, the irrigation unit must be installed on the first 250 hectares and made operable there. That is, pump, reservoir, drainage ditches, and diversion ditches must be built, or reconstituted. (Afterwards, the system must be extended to the second, third, and fourth farms.) Then the seedlings must be prepared, planted, cultivated, fertilized, weeded, etc.

If the crop is rice, the farmer may be able to get into production on 250 hectares of the farm by the second crop season of the first year. By the second crop season of the second year, he may be in production on 500 hectares. By the beginning of the fourth year, he should be in full production on the whole 1,000 hectares.

*Credit Union Study Club.* During the second or third year, a study club will be formed among the workers of the farm upon the advantages and principles of credit union operation. The Sociologist (with the aid of specialists from the Misamis Oriental-Bukidnon Credit Union Chapter) will be responsible for establishment of, and assistance to, the study clubs as well as for recreational programs and living arrangements for the workers.

The study clubs will meet at night once a week (or on Sundays) in a social building on the farm. Hopefully, after study, workers will want to set up their credit union and to operate it successfully. No money will be advanced to them as capital for this. All capital must come out of their own funds in accordance with basic credit union principles.

*Cooperative Buying.* If the credit union prospers, by the fourth or fifth year, if not sooner, a study club on co-

operative buying will be started among the workers, enlisting especially officials of the already operating credit union and for the most part directed and carried out by them with consultative help from the Farm Administrator, the Sociologist, and the Chief Farmer. If required, technical assistance in regard to materials will be given, getting qualified advice, and services, etc. (This especially involves expert help of specialists from established credit union chapters). Food items, clothes, shoes, and family utensils are the items particularly in mind.

*Cooperative Marketing.* Similarly, in the sixth year a study club will be started on cooperative marketing. Retailing part of the farm food crop is especially envisioned.

The goal will be the building up of a trained group of cooperative officials who can eventually take over the corporation.

Thus at the expiration of the ten years, the original leasers of land, their tenants, and other agricultural workers on the corporation farm, will be able to take over responsibility for the farm themselves, either as their own Corporation Board or under a cooperative form of management. The original Farm Administrator, Chief Farmer, and Farm Assistants will be rehired, if their work has been satisfactory and if they desire it, at increased salaries in the second ten-year period. (However, those who so desire may legally withdraw their lands from leaseage to the corporation at expiration of the ten-year term and operate them privately. However, it does not seem likely that many owners will do so.)

Of course, if the project fails, the leasers may reclaim their lands during

any year in which they do not receive the stipulated lease payments.

*Plans for Second Ten Years.* In the ninth year, if not sooner, the Farm Administrator with the Sociologist initiates a study club on plans for operation of the corporate farm at the expiration of the ten-year lease period. He points out that at the end of the lease each owner has the option of withdrawing his land from the corporation farm. However, he describes the advantages of large-scale farming many of which they have already experienced.

He suggests the idea that they prepare either to form their own corporation as stockholders and establish legally a new corporation board which will control the business. The advantages of allowing workers who do not own land to buy shares should be forcefully described. Or, he will continue, they can form a cooperative, since they have now had all the necessary training, and manage the farm as a large cooperative, governed by a cooperative board, in much the same as their credit union officials, their marketing union officials, and their cooperative store officials have managed these enterprises during the past years.

If the Farm Administrator wishes to stay with the new corporation or cooperative, he can suggest a new contract with himself and his staff for another ten-year period. However, if he has been successful, he will be within rights to ask a commensurately larger salary or share in profits for himself and his staff.

#### Financial Arrangements

Such a large capital investment is required to make one governmental project required to make these projects operable that only a large foundation or a gov-

ernmental agency, foreign or Philippine, would be able to make the grant of the money necessary for its implementation.

The project, if it selects rice or corn or a seasonal crop as principal crop, as it probably will in many cases, is envisaged as able to begin paying back the loan by the second year. It is hoped that by the fifth year or thereabouts that the loan will have been completely paid back, and the corporate farm will have begun to make profits. If it selects a long-time-investment crop such as a perennial or tree crop (like rubber) or such as cattle or other livestock, the project cannot begin to pay back as soon. In such cases, the project's financial plan must be appropriately modified.

Frankly, an element of risk is inherent in the project. It may fail, and the Corporation Board may not be able to repay the foundation or the government entity which made the grant. The present planners believe that this risk is small, and believe it should be taken in view of the urgent peace and order situation in the Philippines. The people need indications that a better world, under a democratic way of life, is possible for them in the near future. If fear to risk the relatively small sum of money necessary prevents trial of this project, ultimate cost of this economy -- because the common man has lost hope -- may well be loss of the whole country with all its resources to the forces of totalitarianism, whether of the left or of the right.

#### *Profits of Farm*

It is planned to make the workers on the farm the main beneficiaries of all net profit of the farm. (Landowners will also receive a dividend, but not as large a one, in order to make them willing to

continue to pool their land in the corporate farm.) It is also planned to give the Farm Administrator, Chief Farmer, and the Farm Assistants some small share in the net profits, in order to keep them eager at all times to increase production. The Corporation Board (of the first ten years) will not receive shares in the profit.

#### General Financial Estimates

*Lease Costs.* The rule of thumb is to pay in leases  $\frac{1}{3}$  the value of the annual crop which the particular land has produced in the last three years. The leases will be for 10, 9, 8, and  $7\frac{1}{2}$  years depending upon the location of the plot. Once made, the land cannot be withdrawn legally except for failure to pay the lease money within the specified yearly time for so doing. (Some grace period will be stipulated in the contract.) The estimated average value of farm land in the Cagayan area is about ₱100 a hectare. This estimate remains to be established in fact. On land not in use, the value of one cavan of palay (or the usual crop) per hectare will be offered as the proper lease value.

*Improvement Costs.* This investment involves access roads, relaying of irrigating dikes (of the *bahin* or boxes) for machine cultivation, if the project is a rice project, installation of an irrigation system, etc. Estimated cost: ₱1,000 per hectare.

*Production Costs (for Rice Project, especially).* For one season: Plowing, care of seedlings (miracle rice), planting, weeding, harvesting (chiefly labor and materials cost [seed, fertilizer, pesticides, diesel oil, and the like]). Estimate: ₱800 a hectare.

*Miscellaneous Costs.* Transportation, per diems, etc. of legal adviser for trips to Manila and elsewhere concerned with

land titles, stationery, cost of storage bodegas, workers' homes, Administrator's and five farmers' homes, and other necessary buildings (including social hall for workers), recreational expenses for workers, unforeseen costs, etc. Estimated at ₱200 per hectare.

*Farm Machineries.* Estimated cost and maintenance is ₱1,000,000. (Includes truck, 6-8 tractors, jeep, attachments for tractors, etc.) May also include palay drying machine and mill.

*Consultation Fees.* Either paid by hour or in terms of a small retainer plus a fee for each occasion should include the following: (a) Legal adviser, (b) Plan pathologist, (c) Pesticides and Sprays man, (d) Fertilizer man, (e) Soils man, (f) skilled mechanic, (g) Experimental designs man (who will also check progress of experiments on occasion) — not for academic research, but to study better varieties or techniques on the particular location with immediately practical goals. Estimated cost at ₱25-₱50 for consultation is ₱10,000.

### Staff

(a) *Farm Administrator.* Starting salary—₱1,000 per month with increments of ₱100 per year. He also gets 1.5% of the net profits in any particular year, after all obligations (loans, leases, wages, salaries, etc.) have been paid off.

(b) *Chief Farmer.* Starting salary—₱700 per month with increments of ₱70 per year. He also receives 1% of the dividends in any year in which there are such.

(c) *Farm Assistants.* Starting salary—₱500 a month with annual increments of ₱50 a year, and also a share of 0.375 of

1% of the dividends in any particular year after all obligations have been met.

(d) *Sociologist.* Starting salary—₱700 a month with annual increments of ₱70 a month. This gentleman (or lady) must have at least the M.A., must be truly able, must be an expert in human relations, must be very fluent in the main local dialect as well as in English, and must know or be prepared to learn a little of at least one other dialect useful in the project area.

(e) *Bookkeeper-Accountant-Fiscal.* Starting salary—₱400 monthly with annual increments of ₱40. Must be willing, competent, able to accomplish a large variety of office tasks (typing, reception work, filing etc.) as well as account keeping.

(f) *Tractor (truck) Drivers and Utility Men.* Monthly salary of—₱200 with yearly increments of ₱15. Especially the first must be a competent tractor driver, must be strong, resourceful, knowledgeable, must be careful truck (jeep) driver, good mechanic for farm machineries, well-developed sense of responsibility, able and willing to work under direction at various odd jobs in addition to driving. Must be able to teach the others. The remaining five to seven (5-7) can be selected from the local labor pool. The first one hired can be a chief who trains, and directs the other seven. If so, he receives somewhat more salary and they less than the amount stipulated, but so that this total remains the same.

### Corporation Board

Since this is conceived of as a public service, not as a money-making proposition for Board Members, except that the increased prosperity of the community will probably bring greater value to their businesses, Board Members will not share

in dividends or in other profits (if any). However, to repay them for their time (and to assure attendance at meetings), the following fees will be in operation: ₱35 for each morning meeting attended. The Chairman will receive ₱50 for each meeting attended.

#### Preliminary General Costs Estimate

The cost of a specific project be made in terms of a specific location and of a specific main crop. This may be ac-

complished by submission of a "preliminary general costs plan" and, later, after completion of the *Preliminary Phase Survey*, by submission of a Costs Plan tailored to a specific location and main crop.

Thus the following financial plan presupposes that the reader understands that the costs of the operational phase will be revised and tailored to place and crop, as a result of work done in the Preliminary Phase.

#### Project Cost

##### A. *Preliminary Phase Grant (6 months)* ..... ₱20,000

This grant pays the salaries of Farm Administrator and Chief Farmer for six (6) months, provides for their travelling expenses, their small miscellaneous expenses (typewriters, materials, etc.) and pays the honorarium for ten (10) Board meetings.

##### *Summary of Preliminary Phase Grant*

Farm Administrator	6 × ₱1,000	— ₱6,000
Chief Farmer	6 × ₱ 700	— 4,200
Travel & Miscellaneous		— 5,450
10 Board Meetings		
₱50 × 10 = 500 × 1		
₱35 × 10 = 350 × 11 (members)		— 4,350
Total Cost		₱20,000

##### B. *Operational Phase (10 years)*

(Note: This grant pays for the first three years of the project's operation. It also provides for a supplementary grant request, if necessary.)

#### I. *FIRST YEAR*

##### *SALARIES AND WAGES:*

Farm Administrator, Chief Farmer Sociologist,

Farm Assistant — ₱2,900 × 12 ..... — ₱34,800

Two (2) Tractor Drivers (experienced men for farm tractor & equipment as well as general mecha-

anics) — 200 × 12 × 2 ..... — 4,800

Bookkeeper — 400 × 12 ..... — 4,800

Land Leases (1 year) 250 × 100 ..... — 25,000

Land improvement (irrigation, machinery, ditches, reservoirs, etc. suitable for 1,000 ha.) + work on 250 ha.— $250 \times 2,000$ .....	—	500,000
Production costs— $250 \times 800 \times 1$ crop .....	—	200,000
Consultation .....	—	7,000
Board Costs .....	—	10,000
Farm Machineries Costs .....	—	400,000
Miscellaneous Costs 250 ha. $\times$ P250 .....	—	50,000
Total, First Year .....		P1,236,400

## 2. SECOND YEAR

## SALARIES AND WAGES

Farm Executive, Chief Farmer, Sociologist, two (2) Farm Assistants .....	—	P44,280
Four (4) Tractor Drivers: $215 \times 2 + 200 \times 2$ $430 + 400$ .....	—	9,960
Bookkeeper— $440 \times 12$ .....	—	5,280
Land Leases—500 at 100 .....	—	50,000
Land Improvement cost— $250 \times 800$ .....	—	200,000
Production Cost: at $800 \times (250 \times 2 \text{ crops}) + 800 \times 250$ $\times 1$ crop .....	—	600,000
Machineries costs & maintenance .....	—	400,000
Consultation costs .....	—	3,000
Board costs .....	—	9,000
Miscel. costs—250 ha. $\times$ P200 .....	—	50,000
Total Second Year .....		P1,371,520
Grand Total, First and Second Years .....		P2,607,920

## 3. THIRD YEAR

## SALARIES AND WAGES:

Farm Executive, Chief Farmer, Sociologist, Four (4) Farm Assistants (1 for 6 mos. only) .....	—	P57,360
Eight (8) tractor drivers, mechanics, etc. (2 for 6 mos.) .....	—	8,940
Bookkeeper .....	—	5,760
Land Leases— $750 \times 100 + 250 \times 50$ .....	—	87,500
Land Improvement Costs— $500 \times$ P600 .....	—	300,000
Production costs: 1 crop on 500 ha. $\times$ 800 .....	—	400,000
1 crop on 750 ha. $\times$ 800 .....	—	600,000
Machineries costs and maintenance .....	—	200,000

Consultation costs .....	—	3,000
Board costs .....	—	6,000
Miscellaneous costs — 500 ha. × ₱200 .....	—	100,000
Total, Third Year .....		₱1,768,560
<i>Grand Total of requested grant (including Preliminary Phase) First through Third Year, inclusive</i> .		₱4,396,480

#### 4. FOURTH YEAR

It is hoped that by this year the project, if corn or rice, can pay its own expenses for the year from its produce. If a crop (like rubber or abaca) is to be planted which will demand a longer time investment before bearing fruit, then a fourth and perhaps additional years of grant help will be required. It is requested that if circumstances require and justify it, a fourth year and perhaps further year grants may be negotiated, even if rice or corn are the main crops.

### APPENDIX A — FINANCIAL STATEMENT

#### I. TENTATIVE PROFIT AND LOSS BALANCE SHEET

(For a rice project. Assumes production after 6 months of preparation, and that palay may be sold at ₱17.50 a cavan. Assumes a yield of 80 cavans per hectare of IR-5 or other good quality, tasty grade A-1 eating rice. These assumptions may prove too optimistic.)

TIME	PARTICULARS	CREDITS	DEBITS
<b>FIRST YEAR</b>			
<i>First Half</i>		none	
Salaries .....			₱ 22,200
Leases .....			25,000
Improvement of land — 250 ha. × ₱2,000 irrigation, machinery, reservoir, canals + work on land .....			500,000
Consultation .....			5,000
Farm Machineries, appliances ..			400,000
Board Costs .....			5,000
Miscellaneous Costs .....			25,000
Totals, First Half .....			₱982,200
<i>Second Half</i>			
Crop of IR-5, 80 cavans/ha. at 17.50 × 250 ha. ....	₱350,000		
Salaries .....			₱ 22,200
Production Costs .....			200,000
Consultation .....			2,000
Miscellaneous Costs .....			25,000
Totals, Second Half .....	₱350,000		₱254,200
Totals, First Year .....		₱350,000	₱1,236,400
Projected Deficit, First Year ..		886,400	
		236,400	₱1,236,400

TIME	PARTICULARS	CREDITS	DEBITS
<i>SECOND YEAR</i>			
<i>First Half</i>			
	250 ha. × 80 cavans × P17.50	P350,000	
	Salaries .....		P 29,760
	Leases .....		50,000
	Improvement of land 250 ha. ..		200,000
	Production .....		200,000
	Machineries & appliances ....		400,000
	Consultation .....		1,500
	Board Costs .....		4,500
	Miscellaneous Costs .....		25,000
	Totals, First Half .....		P910,760
<i>Second Half</i>			
	500 ha. × 80 cavans × P17.50	P700,000	
	Salaries .....		P 29,760
	Production Costs .....		400,000
	Consultation Costs .....		1,500
	Board Costs .....		4,500
	Miscellaneous Costs .....		25,000
	Totals, Second Half .....		P460,760
	Totals, Second Year .....	P700,000	P1,371,520
	Projected Deficit, 2nd Year ...	671,520	
		P1,371,520	P1,371,520
<i>THIRD YEAR</i>			
<i>First Half</i>			
	500 ha. × 80 × P17.50 .....	P700,000	
	Salaries .....		P 36,030
	Leases 750 ha. at P100 .....		75,000
	Improvement Costs .....		150,000
	Production Costs 500 ha. × P800 .....		400,000
	Machineries Costs .....		200,000
	Consultation Costs .....		1,500
	Board Costs .....		3,000
	Miscellaneous Costs .....		50,000
	Totals, First Half .....	P700,000	P915,530
<i>THIRD YEAR</i>			
<i>Second Half</i>			
	750 ha. at 80 at P17.50 .....	P1,050,000	
	Salaries .....		P 36,030
	Leases 250 ha. × ½ × P100 ..		12,500
	Improvement Costs .....		150,000
	Production Costs .....		
	750 ha. at P800 .....		600,000
	Consultation Costs .....		1,500
	Board Costs .....		3,000
	Miscellaneous Costs .....		50,000
	Totals, Second Half .....		P853,030
	Totals, Third Year .....	P1,750,000	P1,768,560
	Projected Deficit, 3rd Year ...	18,560	
		P1,768,560	P1,768,560

TIME	PARTICULARS	CREDITS	DEBITS
<b>FOURTH YEAR</b>			
<i>First Half</i>			
	Sale of Product		
	1,000 ha. at ₱17.50 × 80 ..	₱1,400,000	
	Salaries .....		₱ 45,090
	Lease Costs .....		₱100,000
	Production Cost .....		800,000
	Board Cost .....		3,000
	Consultation Costs .....		1,500
	Experimentation .....		10,000
	Totals, First Half .....	₱1,400,000	₱959,590
<i>Second Half</i>			
	Production Sales .....	₱1,400,000	
	Salaries .....		₱ 45,090
	Production Costs .....		800,000
	Board Costs .....		3,000
	Consultation .....		1,500
	Experimentation .....		10,000
	Totals, Second Half .....	₱1,400,000	₱859,590
	Totals, Fourth Year .....	₱2,800,000	₱1,819,180
	Projected Gross Profit, 4th year		980,820
		₱2,800,000	₱2,800,000

## II. SUMMARY OF TENTATIVE PROFIT AND LOSS BALANCE SHEET:

TIME	PARTICULARS	CREDIT	CUMULATIVE	
			DEBIT	BALANCE
1st Year	All Credits & Debits	₱ 350,000	₱1,236,400	-886,400
2nd Year	" " " "	700,000	1,371,520	-1,557,920
3rd Year	" " " "	1,750,000	1,768,560	-1,576,480
4th Year	" " " "	2,800,000	1,819,180	-595,660
5th Year	" " " "	2,800,000	1,928,840	+275,500

## III. SUMMARY OF REQUESTED THREE-AND-ONE-HALF YEAR BUDGET (INCLUDES SIX MOS. PRELIMINARY PHASE) BY CATEGORIES:

A. Preliminary Grant Phase		Cumulative Total	
Salaries	₱10,200		
Board Meetings	4,350		
Travel & Miscellaneous	5,450		
	₱20,000		₱ 20,000
B. Operational Grant Phase-			
Salaries	₱ 175,980		
Lease Costs	162,500		
Land Improvement Cost	1,000,000		
Production Costs	1,800,000		
Consultation Costs	13,000		
Board Costs (3 yrs.)	25,000		
Farm Machineries, attachments, and appliances	1,000,000		
Miscellaneous Costs	200,000		
	₱4,376,480		₱4,376,480
<i>Grand Total of Requested Grant</i>			₱4,396,480

## APPENDIX B

DETAILS OF BOARD AND OF  
ADMINISTRATION

*Board Meetings.* The date for these meetings will be fixed by Board action. Such dates may be, for example, the third Wednesday morning of every first month in the quarter (January, April July, October). Once chosen, these dates should be adhered to unless changed by plurality vote of the Board. Afternoon meetings will not be held without good reasons, and only with the approval of the Board which may be presumed by the Chairman when it seems reasonable to him to do so.

*Board Members.* It is hoped that reasons of public service will motivate Board Members to serve for the full ten years of the corporation. However, they can for personal reasons resign from membership, after giving three (3) months notice to the Chairman of the Board of their intention, and after proposal of a suitable substitute.

The Board, after considering available persons can coopt new Board Members by approving a priority list of such persons. The Chairman will then extend an invitation to these persons, beginning with the one who has highest priority, to become a Board Member.

*Chairman of the Board.* The Chairman will be elected by secret ballot by Board Members for a term of two years. Re-election will be possible. Extraordinary Board Meetings will not be called, if the business can be handled by the Chairman with or without one or two delegates of the Board, as decided in Board meetings.

*Actions of Board.* No Board action has validity unless a quorum of members were present.

*Quorum.* A quorum is constituted by the attendance at a meeting of an absolute majority of the members (more than half). The usual number of members will be ten to twelve, i.e., membership is limited to twelve.

*Board Voting Procedures.* A simple plurality will decide all Board decisions, except as expressly stipulated herein. The Chairman may vote only to break a tie. Secret ballots are not necessary, except as herein stipulated, or unless specifically so moved and carried by the Board.

*Board Powers.* The Board, within the range of the project as outlined, has ultimate power in decision-making upon questions of principle, not however, upon practical farming questions which should be decided by the Administrator with consultation of his Chief Farmer and Assistant Farmers, and, where human relations are affected, of the Sociologist.

*Communications with Board.* In order to better preserve communications with the project staff, any member or wage-worker may address a communication to the Chairman or any Board Member without prejudice to his employment on the farm. The Board also reserves to itself the right to call any staff member or worker to attend sessions of its meetings to obtain helpful information.

In cases of complaints, the Board will give a fair hearing to all concerned, and will take whatever action it sees fit.

*Separation from Service.* The Chief Farmer may discharge wage workers and tractor drivers with cause, but should present his reasons to the Administrator. The Administrator, in consultation with the Chief Farmer, may dismiss Assistant Farmers and Bookkeeper. He may also dismiss the Chief Farmer

and the Sociologist. Ordinarily, however, unless the need is urgent, he should present his reasons to the Board before such action and secure their approval by a plurality vote of the Board. An extraordinary meeting of the Board should be called in such cases unless the regular quarterly meeting is close at hand.

*Removal of Administrator.* For serious dereliction of duty by the Farm Administrator or for evident incompetence to carry out properly his function, any member of the Board, who is seconded by two other members may initiate removal proceedings against the Administrator.

First, a plurality vote must approve the motion to initiate proceedings. Before proceeding to vote on removal, a fair hearing will be given the Administrator, and a 2/3 vote of members present, who must constitute a quorum, will be necessary to remove the Administrator.

If the required 2/3 vote is not forthcoming, but half or more of the Board Members present for the meeting, vote for removal, the Administrator will be placed on probation for six months.

If 2/3 vote for removal, the Board's contract with the Administrator will be terminated. If less than half vote for removal, the proceeding will be dropped.

After six months of probation, a second vote will be held. Probation will be dropped if more than half do not vote for removal. A 2/3 vote for removal will mean termination of contract. Probation will continue for another year if neither of the proceeding alternatives eventuates. After this year, unless 2/3 vote for removal, probation will cease.

*Removal from Board Membership.* Board Members, for serious cause, may

be removed from membership on the Board by a 2/3 vote of a quorum. A removal proposal must be proposed by a member, obtain two secondings, and then be put to a (secret) ballot on the motion. If the motion is carried by a plurality, removal proceeding will involve presenting the involved Board Member with a written statement of the reasons for the removal proposal, and the reading of this statement by the Board Secretary. After this if the involved member so wishes, he may present his side of the case. Following this, he will be asked to leave the room, and a discussion will follow, after which the vote will be taken. A vote of 2/3 of the Board members will be necessary to remove the involved member. However, if more than half the members vote for removal, he will be asked if he wishes to resign. If he does not so choose to resign, he resumes his status as Board Member, and the proceedings are dropped. (Note: if the Board Member was the Chairman at the time of the seconding of the motion, the Board will appoint a temporary Chairman for the removal proceedings only.)

*Removal of Chairman from Chairmanship but not from Membership.* Motion for removal by one Member, seconded by two other members suffices to propose the motion. After appointment of a temporary Chairman, proceedings may follow precisely as in the Board Member case above.

#### APPENDIX C — DIVIDENDS

The suggested share of dividends is as follows:

(a) Out of 100 per cent of the net profits, after all obligations have first been paid off, the following system of sharing is suggested:

(1) 25 per cent re-invested in the business (at the discretion of the Board to increase or decrease this).

(2) Of the remainder, 80 per cent to be distributed to the work-

ers as dividends, 15 per cent to the landowners, 1.5 per cent to the Administrator, 1 per cent to the Chief Farmer, 1 per cent to the Sociologist, and the remaining 1.5 per cent to the Farm Assistants.