

## MOTIVATING DEVELOPMENT? : ALTERNATIVE STRATEGIES AND LONG-RANGE PLANNING IN BENGUET PROVINCE

Susan D. Russell

Studies of economic development in Third World countries often have stressed the importance of having a significant number of local entrepreneurs who can take advantage of new enterprise opportunities. How large numbers of these individuals arise in an economy, however, is imperfectly understood. The term 'entrepreneur' applies in a broad sense to persons involved in innovative, commercially-oriented activities. In a more specific sense, 'entrepreneur' frequently refers to an innovative *leader* whose pioneering commercial efforts promotes general economic development. Entrepreneurship may embrace a variety of activities ranging from the production of cash crops for a market to the establishment of privately-owned stores and factories. Implicit in the concept is the idea that the entrepreneur is breaking with traditional practices or adapting traditional practices to novel ends.

Government policy in many developing countries, designed to improve the rural agrarian sector, has frequently focused on the implementation of institutional cooperatives. The term 'institutional cooperatives' is used here, mainly to separate a more formally introduced cooperative organization from the indigenous forms of cooperation that spontaneously arise among individuals in any society. Institutional cooperatives are generally intended to bring about socio-economic changes at the grass roots level.

Economic goals may include increasing rural production levels, capital accumulation through savings associations, and obtaining a more equitable distribution of income throughout the population. There are also more socially-oriented goals, such as the promotion of a sense of self-discipline among the cooperative members. In the Philippines, where cooperatives are explicitly associated with agrarian reform, all of the above egalitarian-oriented goals are present.

Conceptually, entrepreneurship and institutional cooperatives would appear to be antithetical on practically any level. The entrepreneurial concept typically connotes the Western economist's model of profit-maximizing motivations underlying individual economic behavior. This is in contrast to the cooperative ideal of shared, democratic-based actions resulting in higher and more equitably distributed profits. To push the analogy, entrepreneurs are seen to get rich through money-making schemes whereas cooperative members are seen to rise above poverty through collective effort. In development policy, there is frequently an urban-rural opposition implied in the

two concepts. Entrepreneurial training programs, designed to instill management skills in individuals, are usually urban-based and manufacturing-oriented. Programs in which cooperative ideals and functions are taught, on the other hand, tend to be geared toward the rural population.

I would like to tentatively explore this contrast through analysis of the rural cash cropping area of Benguet Province, and its distribution channels to higher regional levels of marketing and commerce. Socio-economic development at the local level now has been primarily facilitated by individual entrepreneurship, rather than any form of group cooperative effort. It also appears that the managerial and coordinating abilities that define the successful Benguet entrepreneur, are similarly instrumental in determining both the initial success and frequent failure of marketing and other kinds of cooperatives.<sup>1</sup>

### Market Structure

The indigenous Benguet inhabitants are mostly members of the Southern Kankana-ey and Ibaloi ethno-linguistic groups of the Cordillera Central. Traditionally, they cultivated root crops by means of shifting cultivation, although terraced wet rice agriculture had become widespread in the lower elevations. Since World War II, traditional agriculture has become greatly altered in Benguet. Mid-latitude vegetables, not grown in large quantities elsewhere in the Philippines, became widely cultivated as a cash crop. These vegetables had been introduced earlier in the 1920's in La Trinidad Valley near Baguio City by Japanese and Chinese farmers. Yet the large-scale gardening of these vegetables did not spread along the north-south road until much later, under stimulus of a few American and numerous Chinese farmers. Efforts of the Mountain Province Development Authority to encourage terrace-building also facilitated the rapid acceptance of vegetable gardening by the people, especially those living near the main transportation routes.

In the period of the 1950's and early 1960's, the marketing of vegetables along the Mountain Trail was primarily controlled by Chinese vegetable agents based in Manila. The Chinese had the capital to supply the local farmers with their agricultural inputs, and in return the farmers sold their vegetables to their supplier-agents. In the mid-1960's, large scale truck gardening appeared among the larger farmers. Feeling that they could obtain a more favorable price for their products by hauling vegetables themselves, they invested in trucks and began marketing both for themselves and their neighbors. The huge profits that could be obtained in this way rapidly induced many of these farmers to expand their dealing business. Most of the individuals from Benguet who have become involved in this type of enterprise

are Southern Kankana-ey, partly because they constitute the majority of residents near Mountain Trail. Kankana-ey at this point in time appear to dominate the marketing/transportation of vegetables within Benguet. Ibaloi areas have been less favorably situated near major transportation routes, and generally have climates less suitable for intensified vegetable production throughout the year. The notable exception to this was La Trinidad.

Wholesale marketing in Manila, where more than 80 percent of highland vegetables end up, is still largely controlled by Chinese. Many of the larger Kankana-ey truck farmers were originally financed by Chinese, and still deliver vegetables to them or their sub-agents in Baguio and Manila. Agricultural inputs are frequently distributed to farmers in the rural areas through backloads of the vegetable dealers and/or through local input supply stores owned by the resident dealers. These inputs, especially chicken dung for fertilizer, are also commodities in which the Chinese dominate the trade.

Baguio City itself is a major transfer point for Mountain Trail vegetables going to Manila. Each morning, vegetable agents meet to buy products directly from Benguet vegetable dealers and ship them to Manila. Stall-owners in the Baguio marketplace in the late 1960's were mostly from the lowlands. Most stall-owners now are Ibaloi from municipalities surrounding Baguio City, and are involved in both retail and wholesale trade. Due to their overall low income, small farmer dependency on vegetable dealers in the more remote municipalities of Benguet centers around their need for production capital. Their low income is itself largely a result of the high price of inputs and the wild price fluctuations in vegetables, due to seasonal as well as unpredictable variations in supply and demand.

Since the 1950's, several government-sponsored programs have attempted to alleviate farmer dependency on middlemen through the establishment of marketing and input supply cooperatives. At the present time, despite a large amount of national and international aid and assistance, government-sponsored marketing/input cooperatives are largely dormant. These cooperatives were in fact never successfully implemented. One reason for their failure revolves around the agrarian reform issue mentioned earlier. The most recent cooperative program was designed for the rice-growing lowlands in the Philippines, an area characterized by high tenancy rates. The expressed incentive for farmer participation in the cooperative associations was to qualify an individual for receiving land titles under the agrarian reform act. In Benguet, this incentive provides less attraction to farmers, since the tenancy rate is extremely low by lowland Philippine standards. Furthermore, a large area of Benguet, and the area with the most intensive vegetable production, is considered part of the Cordillera Forest

Reserve. Hence many farmers on Mountain Trail 'own' their lands primarily through tax declarations, as land titling is a very lengthy and expensive bureaucratic process.

There are many other reasons for the failure of the cooperative marketing system in Benguet, although only two of the reasons for the current disinterest among farmers will be mentioned here. The first problem concerns the non-competitiveness of cooperative marketing compared to the existing marketing channels. Besides delays in vegetable collection and payment to farmer-members, the marketing cooperative was never able to compete with the personalized services of vegetable dealers resident in each community.

Formerly, due to the fewer vegetable agents operating in areas away from the main transportation routes, farmers who needed operating capital frequently became indebted to a single dealer. To repay their loans, they were expected to sell all of their vegetables to that dealer, often at a lower price. This situation is less common now in Buguias due to the increased number of individuals entering the vegetable dealing business. Dealers now prefer to extend partial cash loans or input credit to a farmer, since there is no way to ensure that a farmer will sell all of his vegetables only to his supplier-dealer. The farmer-borrower has the option to either pay the debt off in cash from the sale of his harvest to another dealer, or simply sell enough vegetables to the dealer until his loan has been deducted.

Many farmers employ a risk reduction strategy in which they borrow production capital from multiple sources. By borrowing some capital from a resident dealer and then repaying the debt through the sale of vegetables to him, a farmer obtains certain advantages that stem from a patron-client type of bond. The resident dealer, in return for being able to regularly purchase vegetables from a local farmer, will maintain certain personalistic responsibilities to him. The farmer can rely on the dealer to purchase his vegetables even when the market price is very low, and other dealers are not bothering to canvass the area for products. Secondly, the farmer may be able to receive emergency, non-agricultural loans from the dealer with whom he maintains a stable relationship. He may also receive special favors, such as reduced prices on commodities being transported from Baguio City to the rural barangay on the dealer's return trip.

From the farmer's point of view, such favors serve to reduce his greatest risk in cash cropping. Given the possibility of a typhoon or crop pest wiping out a farmer's total harvest in one season, the ability to immediately borrow money for both subsistence and production capital is not a negligible asset. By borrowing production capital from other sources also, the farmer can sell some of his harvest to the highest bidding agent at times when vegetables

prices soar. In this way, he has put himself in the optimum position to maintain a long-term financing source, and similarly profit from price fluctuations in the open market. There was no way for the marketing cooperative to compete with these factors, since they were not financially equipped to extend credit, much less, extra services.

Another problem, again from the farmer's point of view, had to do with the reliability of safeguards within the cooperatives framework. Since interactions in Benguet are often status-based, positions of formal or informal authority within the cooperative have been frequently usurped by individuals of high status (based either on wealth or other local criteria).

In other cases, cooperative officials have been manipulated by members of a superior status. The more entrepreneuring of these individuals often use an official position to their own personal advantage, through various forms of financial abuse or extraction of other remunerative rewards. Even membership recruitment may depend heavily on the organizing and persuading efforts of single individuals. This situation has not been unique to the most recent marketing cooperative, but has repeatedly occurred among all types of institutionalized cooperatives in Benguet.

Local farmers are well aware of the previous misuses of funds by the cooperative officials. The absence of effective safeguards was partly due to the fact that the marketing cooperative's financial and administrative operations took place in the provincial capital of La Trinidad. This meant that cooperative transactions were being made on a level quite removed from the limiting effect of local public opinion and social control. It also meant that information dissemination to the barangay members was under the control only of the officers attending the meetings.

Thus the marketing cooperative was not set up to incorporate aspects of the existing pattern of leadership and status-based interaction. Nor was it designed to replicate any traditional forms of cooperation, which admittedly were probably never as strong in Benguet as they have been in some other parts of the Cordillera. The contrast seems particularly noticeable when comparing Benguet with the ward-based, rice-terracing communities in Mountain Province.

Benguet is generally characterized by a less dense settlement pattern and weaker territorial integration than Mt. Province. Leadership tended to circulate among a number of wealthy families in any one area. These aristocratic families engaged in a form of status competition based on the giving of expensive ritual feasts. This periodic redistribution of their wealth was significant in determining a family's relative power and status in a community.

Traditional units of cooperation were comprised of the interrelated families living in small, relatively autonomous hamlets. Whereas these

traditional forms of cooperation before included house-building work groups and labor exchange, cooperation in most areas now is largely limited to social-ceremonial occasions and 'acts of neighborliness.' The labor scheduling of vegetable production and the widespread need for cash have limited the extent to which the more formal types of agricultural cooperation remain practical.

There is some reason to believe that the whole notion of marketing cooperatives came to be viewed by many enterprising individuals as a new exploitable resource. The cooperative organization itself has usually lacked adequate safeguards to prevent its assets from being manipulated by individuals. Local sanctions to prevent such abuses, such as pressure from the community elders, have not proven adequate to cope with the new arena of economic competition. It is perhaps correct to observe that horizontal solidarity in Benguet appears noticeably weak outside the sitio and barangay levels, where face-to-face controls are strongest.

Those entrepreneuring individuals who have been quickest to capitalize on available opportunities, especially vegetable dealing and the input supply business, have experienced more than just economic rewards. As their educational backgrounds, previous wealth, or ability to acquire capital propelled them into local prominence, so did new experiences qualify some of them as 'leaders.' Thus, entrepreneurship has also had a modifying influence on the existing system of local leadership. These individuals possessed increased contacts in the urban centers and were knowledgeable about the market, wage labor and investment opportunities. These networks, and their own need for laborers, enabled them to redistribute new resources and information that were highly desired by the rural population. Their increased access to information from government agencies and business contacts enabled them to act as brokers between the regional political-economic unit and the more isolated rural municipalities. Many of these individuals enjoy popular local support, to the extent that they have been giving out these kinds of information and resources. Some of the large farmer-dealers have managed to acquire a strong foothold in the local power structure by validating their newly-acquired status through these and other traditional means, such as rituals. It is in this way that they occasionally assume a broker role, and cultivate a source of support enabling them to enter politics successfully. Even those who choose to remain outside of the formal political structure tend to be active informally. One of the most interesting examples of this is a group of Benguet large farmers, many of whom are dealers and also local political officials. These individuals have created their own association and are trying to implement a crop zonification plan. They are also working with government agencies to try and coordinate information on the

various development plans/programs of interest to their constituent farmers. Hence this kind of entrepreneurship has provided a mechanism for obtaining political and social rewards, aside from simply economic gain.

Perhaps at this point it would be helpful to review findings from other studies of entrepreneurship in the Philippines. One objection that is naturally raised concerns the question of entrepreneurial incentives for engaging in development-oriented enterprises benefiting only individuals least needing financial or technical assistance. A second objection might be whether there is a real need to provide incentives for the establishment of new enterprises. These objections rest on the idea that people from commercial or wealthy backgrounds are the ones most likely to take advantage of such a program. Although no firm answers to these objections can be given at this point, some tentative considerations on the issue can be made.

In the Philippines, entrepreneurial competence is synonymous with social manipulatory skills as much as financial management ability. Anderson claims that prior experience in buy-and-sell and small-scale commerce frequently constitutes a stepping-stone leading to large-scale entrepreneurship.<sup>3</sup> In an in-depth study of Estancia, Iloilo, however, Szanton found that 80% of the children of Filipino merchants entered into either professional, employee, or traditional occupations such as farming and fishing. Also, more than half of their children migrated out of the area. Szanton and Carroll<sup>4</sup> also found a negative correlation between higher education, which tends to characterize the children of wealthier families, and the channeling of people into entrepreneurial occupations.

From the individual's point of view, schooling is clearly advantageous, for it facilitates escape from the economic insecurity of traditional rural society. . . . However, because they channel persons towards slots in established structures, rather than towards the creation of new enterprises which might alter traditional resource exploitation and social arrangements, schools contribute relatively little to social change or increasing productivity.<sup>5</sup>

These findings are not meant to imply that entrepreneurship in the Philippines is the same everywhere. In the town of La Trinidad, Benguet, mercantile entrepreneurs are of a relatively high educational level. At the same time, most of these entrepreneurs are from rural farming backgrounds with no parental experience in commerce. This does suggest that small-scale entrepreneurship is not an occupation dominated by only a few families, nor is it an occupation that automatically stays within a family throughout generations. It is clear that a supply of entrepreneurs and potential entrepreneurs is present in Benguet. Aside from vegetable dealing, however, indigenous entrepreneurship is still mainly small-scale, and frequently involves

emigration to an urban center. Hence less of their resources and profits become directed back into their rural communities.

The question is how to expand enterprises which utilize existing resources in order to more evenly distribute their potential benefits back among a wider segment of the population. The answer to this question revolves around a much more balanced approach to both rural and urban development planning that is currently in vogue. It is useless at this point to argue about the desirability of having introduced intensive vegetable gardening before improving the transportation infrastructure, or before supplying a source of reliable, low interest credit extension to prevent price exploitation by middlemen of indebted producers. The same restraint applies to the issue of allowing cash cropping to largely replace subsistence farming before zonifying crops to prevent periodic oversupply and low prices. It is better to assess the current trends in Benguet development in view of its existing social and natural resources, and then plan accordingly. It is beyond the scope of this paper to suggest such a plan, but a few observations for future consideration will be mentioned.

In terms of natural resources, it is clear that the expansion of mining and logging concerns in the area will continue. It is also clear that vegetable production cannot expand indefinitely without seriously jeopardizing the watershed areas even further. The introduction of vegetable production in other provinces in Luzon, where market transport costs are currently much less, also reduces the viability of depending so heavily on the monopoly of a single agricultural industry in the long term. Various places in Benguet are already experiencing land pressure due to population growth, immigration, erosion-induced water shortages, and the traditional pattern of land inheritance.

In connection with this is an ever-growing human resource of available labor. Some of this is seasonal—wherein individuals seek part-time agricultural wage work during the dry season or during times they are not needed in their own farms. Much of this is a different form of migration, however, wherein individuals seeking a more permanent form of cash income are attracted to the urban areas and/or the mines. It is important to find out how much of this migration is spurred by land scarcity. Many people migrate with their families and other relatives, all of whom then engage in multiple kinds of temporary wage labor when they can. The ability of Baguio City and nearby surroundings to absorb this influx of migrants indefinitely is questionable.

The need exists for the establishment of more production-oriented enterprises designed to utilize the capabilities of the growing labor force in Baguio City. At the same time, there is a need for more small-scale, capital-generating enterprises in the rural areas to provide extra non-farming income for farming households. Such a development might help preclude a more



massive and unweildly burgeoning of further urban migration in the future. It could also help provide an increased and more stable distribution of income throughout the year for vegetable farmers.

In La Trinidad, a town near Baguio City, a number of immigrants are women from Mountain Province who are individually engaged in blanket weaving and sweater knitting. These are primarily extremely low-income occupations, due to the cost of the raw materials, limited local market demand, and long hours of labor required. Encouragement of this current household occupation, especially through better advertising and forging of permanent distribution linkages, both in the Philippines and abroad, could conceivably raise this from a form of low-income wage labor into a more expanding cottage industry. Similarly, the processing of vegetables into marketable commodities are enterprises that not only could generate employment positions, but could also enable farmers to derive some benefit from their unmarketable and perishable low-quality vegetables. Incentives to help design and set up small-scale processing plants or canning factories of this type in the rural market centers of Benguet would provide some form of agricultural-based enterprise, and promote a more evenly-balanced form of regional development.

Better distribution channels of the vegetables themselves throughout the Philippines should also be considered, instead of the current pattern of shipping vegetables primarily through Manila.

A final point concerns the nature of government support to development projects. Top-down implementation, without a careful study beforehand of local attitudes to particular innovations and an assessment of their long-range benefits, is clearly inadvisable. Encouragement in the form of low-interest loans or partial subsidizing, without heavy collateral and bureaucratic requirements that most individuals cannot meet, would be more appropriate. The provision of free technical and managing consultants, to be availed upon when requested by individuals, would also be worthwhile. The major idea is to work within the present network of local leadership and information distribution, and seek out the views beforehand of the people most likely to become involved or influenced by such programs.

### Conclusion

The overall message in this paper is not to be interpreted as meaning that cooperatives *cannot* be successful in Benguet. A number of credit and consumers cooperatives do exist, but they are primarily managed or heavily supported by religious institutions. Marketing cooperatives can be instituted on the extremely local level, and can be designed to include some traditional

elements of redistribution of resources to members. In this way, they would be insulated within the more traditional unit of cooperation and social control. With enough sensitive foresight, they may even be adjusted to fit the local situation of entrepreneurial opportunism and personalized competition. While a definite need exists for the kind of economies of scale offered by marketing cooperatives, no amount of government organizing will succeed unless and until there is an even stronger clamor for these services from the supposed beneficiaries themselves. Since the current cooperative program fails to reproduce the functions served now by middlemen, it is unlikely that most small farmers will be capable of sustaining its operations. As has happened in so many other development programs devised by administrators outside the region, most of the benefits of the marketing cooperative program are simply captured by those least needing assistance.

The point that is being stressed is that the financial resources, time, and technical assistance required to successfully implement a province-wide system of marketing cooperatives are immense. Given the expressed intentions of these cooperatives as agents of socio-economic reform, the possibility looms of long-range dependence on government support. The future returns of national and international investment in cooperative programs are questionable in areas like Benguet, where both traditional elements and the market economy have fostered and rewarded a strong individualism among the people. Entrepreneurial activity has already become engrained in not just the economic system, but also the socio-political system. Due to the current economic climate, as well as the farmers' disenchantment with cooperatives, it is suggested that government resources might better be used to help develop new as well as existing entrepreneurial enterprises, and associated infrastructural improvements, such as roads and irrigation pumps.

Adoption of a development program depends not only on how well the program fits into the traditional system, but also on the prevailing attitudes and options of the people at different socio-economic levels. As social scientists involved in community studies, a responsibility exists to help evaluate ahead of time the long-range effects and chances of success of such programs, and to suggest more workable alternatives, if possible.

## NOTES

<sup>1</sup>Information contained in this paper is derived from an on-going research project in Benguet, funded by the National Science Foundation and Fulbright-Hays. Informa-

tion on institutionalized cooperatives was partly obtained during a joint research project conducted with Joachim Voss, University of Toronto. The project was funded by the United Nations Development Program and the Food and Agriculture Organization. See Russel, S. A Socio-Economic Analysis of Marketing and Cooperatives in Buguias, Benguet, Phi/76/001, FAO, 1980.

<sup>2</sup>Davis, William G., 1973 Social Relations in a Philippine Market, University of California Press, Berkeley.

<sup>3</sup>Anderson, James N., 1959 "Buy-and-Sell and Economic Personalism: Foundation for Philippine Entrepreneurship", *Asian Survey*, v. 9, 9, pp. 641-668.

Eder, James F., Jr., 1974 "The Origin, Maintenance, and Perpetuation of Social Inequality in a Philippine Community", PhD Dissertation, University of California, Santa Barbara.

Szanton, David L., 1970 "Entrepreneurship in a Rural Philippine Community", PhD Dissertation, University of Chicago.

<sup>4</sup>Carroll, John J., 1965 The Philippine Manufacturing Entrepreneur: Agent and Product of Change, Cornell University Press, Ithaca.

<sup>5</sup>See Szanton, op. cit. p. 221.