Financial Performance of Sorosoro Ibaba Development Cooperative- Feedmilling Operation

Asia Pacific Journal of Academic Research in Business Administration
Vol. 2, No. 1, 1-13
April 2016
apjarba@lpubatangas.edu.ph
P-ISSN: 2467-6691
E-ISSN: 2467-5148

Janice P. Bagsit and Adones B. Anuran
Business Administration Department, Graduate School, Lyceum of the Philippines University, Batangas City, Philippines
janice_farmervic@yahoo.com

Date Received: October 29, 2015; Date Revised: February 7, 2016

Abstract - *This study aimed to describe the profile of SIDC Feedmill as to number of years of operation, number of active members, number of bags sold, number of employees as of 2008-2012; describe the profile of respondent Feedmill employees in terms of age, length of service, and department; determine the level of financial performance of Feedmilling Division in terms of liquidity, asset management, and profitability; and identify the problems encountered by the Feedmill Operation in terms of financial performance. The study employed the descriptive method of research in assessing and evaluating the financial performance of Sorosoro Ibaba Development Cooperative and employed 53 respondents.*

The performance of the feedmilling operation is reflected on the continuous adherence to responsibilities related to liquidity, asset management, and profitability. The most common problems encountered by SIDC Feedmill during the operation were related to volatile price of micro and macro ingredients, monitoring of diversified operation and documentation, and underutilization of feedmilling capacity. The financial ratios of SIDC Feedmill as to liquidity, asset turn-over, and profitability had increased from 2008-2012. Moreover, the financial performance of SIDC in terms of peso-value had declined as to gross profit and net profit though had improved as to sales and cost of sales .Lastly, the lesser the problems the cooperative encountered in the operation, the more that they earn profit in the operation. It has been recommended that the proposed strategies and plan be reviewed by the management for possible consideration and implementation.

Keywords: *Financial Performance, Development Cooperative, Feedmilling Industry*

INTRODUCTION

Feedmilling industry has evolved into a multi-billion –peso support industry to animal and fish production. According to Philippine Association of Feedmillers Incorporated, Php 45- billion feed milling industries is expected to grow by at least seven percent annually in the coming years as a result of the hiked demand for poultry, hogs and even fish, which consume processed animal feeds. It is strongly affirmed by the Department Agriculture's Bureau of Agricultural Statistics that the crop subsector, accounting for more than half (54.10%) total agricultural production, increased by 3.6 percent. Of which the livestock and poultry contributed to 15.30 percent and 14.40 percent of total agricultural production, barely grew 0.3 percent and 2.8 percent growth, with total production value of P 99.8B at current prices. Moreover Feedmill provides business opportunities to local entrepreneurs and employment to Filipino workforce. It also serves as the major market to corn and other crop of products thus ensuring income to crop farmers. According to Department of Agriculture that there are 590 home mixers and 258 current commercial brands in the Philippines of which Sorosoro Ibaba Development Cooperative is positioned.

Sorosoro Ibaba Development Cooperative (SIDC) is the fastest growing cooperative in Southern Tagalog. Since its birth in 1969, the co-op operation has been fruitful as manifested by growing membership and affiliations, strong linkages, increasing assets and income, expanding businesses, optimum services, effective workforce and others. In more than 44 years, the organization has proven to be a prime mover of development in the community by providing its constituents humble yet means of livelihood. The cooperative is involve in feedmilling, contract-growing, savings and loans, member-savings, coop-mart operation, meat stalls, hog selling pen, artificial insemination center, rentals, piggery farm, cable television, rice milling, meat shop, gas station, communal farm, water refilling station and organic farming (SIDC Website).

Feedmilling Division of SIDC has shown robust growth and development which contributes the biggest revenue and income earner to the cooperative. It was established in 1987 to make available high quality feeds for its members. Output of the feedmilling is sold to the cooperative members who are engaged in pig or poultry production, or to its members who are engaged in the business of mixed feed distribution, among others. With a strong determination to sustain its competitiveness it bangs its international rating with ISO Certificate of Registration 9001: 2008 awarded last December 17 2011. Feedmilling has evolve its operation from simple manual operated bags of hogs feed to mountainous number of around 57,610 bags of feeds on hogs, duck, cattle, and tilapia ends of 2012. This figures signifies the saturation of SIDC to the province of Batangas and nearby place with its numerous members composed of 8,033 regular and 10,171 associate members. Such that SIDC positioned at 30 percent market share in feeds consumption out of 65 feedmills in Batangas province.

With limited capital of base of Php 11,800.00, SIDC relied on the technical and financial support given by fifty nine (59) founding members with initial capital contribution of Php 200.00 per member. Driven by the fruitful operation it geared toward reaching Php 422 millions in terms of assets and Php 9.4 millions in terms of net profits in 2012 giving the height of soaring success. Looking back five years ago it showed great increase from Php 379 million in terms of assets, giving substantial increase of 11 percent. . These figures are anchored to strategic strategies to surpassed problems in attaining the financial goals of the Division.

Successful operations, performance and long viability of any business depends on the continuous sequence of sound decisions made individually or collectively by the management team. Every decision ultimately causes, better or worse, an impact on business such that Financial Performance must take look. Financial Performance evaluation means reviewing the finances of the company. It is drawing the positive conclusions if the firm is posting healthy results and its forthcoming with performance data. Moreover, financial performance analysis is process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. It is also a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance (Drake, 2010).

As such, being the case, as the finance supervisor managing the cooperative's money, the proponent of this study aimed to analyze the level of financial performance of feedmilling operation of Sorosoro Ibaba Development Cooperative. This is deemed significant as this will help the proponent to evaluate and review financial ratio of feedmilling division towards making sound decisions especially SIDC is driving forward into an expansion in Visayan region and acquisition of new technologies. It would help the researcher to be more adaptive to any demands of the market in relation to financial operation of the Cooperative.

OBJECTIVES OF THE STUDY

The study aimed to analyze the financial performance of Feedmilling operations from 2008-2012. It specifically intended to describe the profile of SIDC Feedmill as to number of years of operation, number of active members, number of bags sold, number of employees as of 2008- 2012 on one hand, and describe the profile of respondent Feedmill employees in terms of age, length of service, and department on the other. Moreso, the study aimed to determine the level of financial performance of Feedmilling Division in terms of liquidity, asset management, and profitability, financial ratio and financial performance in terms of peso-value and identify the problems encountered by the Feedmill Operation in terms of financial performance. . Furthermore, the study tested if there is significant relationship between the level of Financial Performance and the problems encountered by Feedmilling Operation and lastly, the researcher proposed strategies and action plan to improve the current financial performance of Feedmill Division.

Hypothesis of the Study

The study tested if there is no significant relationship between the level of financial

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

performance and the problems encountered by the Feedmilling operation.

METHOD

Research Design

The researcher employed the descriptive method of research to measure the financial performance and documentary analysis as a primary source of data. Descriptive research is employed in describing five year financial ratios of SIDC from 2008 to 2012 and describe the relationship between the problems encountered by feedmilling division and its financial performance. The descriptive research is significant to provide essential knowledge about the data and concepts in the study as well as the relationship of the variable.

Participants

The respondents of the study include Feedmill SBU Head, Accounting Head, Marketing Manager and the Purchaser of the Division to gather the problems encountered by feedmill in terms of financial performance. Moreover, the researcher chose 100 percent of the total population which comprised 54 regular employees coming from the different department of the Division to answer the survey questions since they had better understanding on the level of financial performance and the problems encountered. Technically, there are six (6) from Accounting Department; seventeen (17) from Engineering Department; four (4) from Purchasing Department; twenty (20) from Marketing Department and seven (7) from the warehouse.

Instrument

Initial interview was conducted to determine the problems encountered by the Feedmill Division. And from the results, problems were constructed to formulate questionnaire. The questionnaire was composed of three parts. The first part consisted of the description of the demographic profile of the respondents as to age, length of service and department. The second part did correspond to the level of the financial performance in terms of liquidity, asset management and profitability. The third part looked on problems encountered by Feedmilling Division in terms of financial performance.

The questionnaire was self- made by the researcher based on the information gathered from the literatures and result of the interview. Self- made questionnaire is a lit of inquiries made by the researcher himself to obtain data needed to answer the indentified problems posed in the study.

The researcher sought permission from the Chief Financial Officer for necessary data and documents such as financial statements which were relevant to the adopted instruments. Also, she consulted Department Heads from the five (5) department; Accounting, Warehouse, Marketing, Purchasing Division and Engineering to validate the instruments. Reaction and comments were gathered to comprehend the questionnaire of the paper.

Procedure

A letter of request was sent to the Chief Financial Officer to secure the financial statement of year 2008 to 2012. A letter was also forwarded to the Document Analyst for the profile of the Feedmilling Division. Then the researcher scheduled an interview with the Accounting Head, Purchaser, Marketing Manager and Feedmill SBU Head. The researcher constructed set of questionnaires and distributed them to 54 respondents, which represented 100 percent of the population.

The questionnaire was validated by the statistician and underwent with a Pre- survey to ensure accuracy of the data. Pre- survey or pilot testing was conducted to other employees to determine whether the questionnaire was understood and capable of being answered. The respondents in the pilot testing were not included to the actual number of respondents employed in the study.

Data Analysis

The researcher utilized the historical data for the last 5 years of Sorosoro Ibaba Development Cooperative. Moreover, financial ratios were calculated and summarized from 2008 and 2012. Likewise, the answered set of questionnaire was encoded, tallied and computed using SPSS version. The given scale was used to interpret the financial performance of the study: 3.50 – 4.00 = Always; 2.50 – 3.49 = Often; 1.50 – 2.49 = Sometimes; 1.00 – 1.49 = Never

RESULTS AND DISCUSSION

Table 1. Profile of SIDC Feedmill

Profile of Feedmill	Actual as of 2012
Years of Operation	27 years
Number of active members	18,000 members
Number of Bags sold	1,763,657 bags
Number of employees	235 employees

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

Table 1 presents the profile of Feedmilling Division in terms of number of years operated, number of active members, number of bags sold and number of employees. It shows that feedmill was operating for almost 27 years at the time the study was conducted. As to number of active members, it had 18,000 members who were geographically located in Batangas Province, Mindoro Province, Quezon Province, Panay Island, Laguna Province, Bulacan Province, Tanay and Bicol Region. With the help of Marketing and Sales Team, feeds ratio are being disposed to members. Meanwhile, there were 235 employees working together to achieve targeted sales out whom were six from Accounting Department, 17 from Engineering Department, 20 from Marketing Department, 3 from Purchasing, 7 from Warehouse and 182 from Production.

Table 2. Frequency and Percentage Distribution of the Respondents' Profile

Profile Variables	f	%
Age		
21 to 30 years old	20	37.74
31 to 40 years old	27	50.94
41 to 50 years old	5	9.43
51 to 60 years old	1	1.89
Length of Service		
1 to 5 years	11	20.75
6 – 10 years	20	37.74
11 – 15 years	17	32.08
16 – 20 years	5	9.43
Department		
Accounting Department	6	11.32
Engineering Department	17	32.08
Marketing Department	20	37.74
Purchasing Department	3	5.66
Warehouse Department	7	13.21

The data in Table 2 indicates the profile of the respondents in terms of age, length of service and department. As to age, 27 respondents, equivalent to 50.94 percent were between 31 to 40 years followed by 21 to 30 years old respondents with 37.74 percent; five respondents or 9.43 percent were between 41-50 years old while only one respondent was aged between 51-60 years old. This indicates that majority of the workforce was in line with the mandate of the Presidential decree 223 otherwise known as the Labor Code of the Philippines requires that the employee must at least be 18 years old and above in working in technically skilled companies and industries. Considering the security of tenure as provided by the Labor Code, employees intend to stay longer to receive more benefits from the employer.

As observed, majority of the companies hire employees who were fresh graduate or had minimal experience and set limitation on age requirements. Meanwhile, the reason behind the least number of respondent between 51-60 years old lies on the fact that the State protects the welfare of the employees through compulsory or optional retirement wherein they may still receive benefits from their employer without heeding forward to their employment. In addition, most of the companies nowadays set retirement benefit plan wherein an employee may retire when he reaches 50 years old as long as he has served for a minimum of 10 years.

As to length of service, 20 respondents or 37.70 percent were serving between 6 to 10 years, while five respondents or 9.43% were in the service between 16 to 20 years. In relation to age distribution of the respondents wherein majority of them were aged between 31-40 years old, 6-10 years in service was justified and they had started to work as early between 25-30 years old. The reason behind the continuous stay is the security of tenure which will give more benefits and protection to their labor rights. The least distribution of the respondents as to length of service, the respondents were presumed to be working in the company since they got their job and continuously stay until they opted to retire early or had reached the age requirements for retirement.

As to the department, 20 respondents equivalent to 37.74 percent were assigned in Marketing Department, followed by 17 respondents or 32.08 percent being assigned to Engineering Department; 7 respondents or 13.21 percent were assigned to Warehouse Department, 6 respondents or 11.32 percent were at the Accounting Department and the remaining three respondents or 5.66 were assigned to Purchasing Department.. These 20 respondents cover the different areas where the feeds outlet is positioned. Marketing Department is one of the key departments which contributed to Feedmill's success. After 10 years of creation of Marketing Department, Feedmill becomes one of the major key player of Feeds in Southern Tagalog. Marketing Department translate the effort of Production Department into money. Marketing plays an important role in determining the target consumers and customers. It widens the latitude of bringing the best products at an affordable price. The companies hire top-caliber marketing professionals to ensure the business stability and progress throughout the operation (Macatangay et al.,

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

2015). On the other hand, limited number of personnel is required to be assigned to Purchasing and Accounting Department as they dealt mainly on the processing of accounts and other receivables. As observed, few number of purchasing and accounting employees were hired depending on the volume of works to be done in the operation.

The bottom line of whether or not a business succeeds is how profitable it truly is. If the finances are not managed properly, the out can exceed the in and soon the company is bankrupt. When a business has a solid hold on their finances they will make a profit and they will succeed. In my opinion, the best step a company can make is hiring a really good financial manager to help them see trends, know where to spend and where to save. In other words, to increase the value of an organization is the main focus of financial operation in an organization. To achieve this goal, the financial manager must observe the correct and efficient use of the available resources, the maximization of the return on investments, and the creation of an appropriate capital structure.

Table 3. Financial Performance of Feedmilling Operation in terms of Liquidity

Impact	WM	VI	Rank
1. Feedmill has the capacity to pay its current maturing payables especially on the micro and macro ingredients.	3.45	Often	6
2. Feedmill has the capacity to avail discount on supplier on the basis of credit payment performance.	3.47	Often	4.5
3. Feedmill maintains it past due rate within the budgeted of 15%.	3.57	Always	1.5
4. Feedmill maintains its collection rate within the budgeted of 85%.	3.42	Often	7
5. Feedmill maintains its inventory turnover within the budgeted period of 4 weeks.	3.57	Always	1.5
6. Feedmill is able to maintain its collection period of 3 months before pastdue.	3.47	Often	4.5
7. Feedmill maintains 10% collection rate on past due account.	3.55	Always	3
Composite Mean	**3.50**	**Always**	

Table 3 presents the over-all assessment of the respondents on the performance of the feedmilling operation with regards to liquidity. It shows that it always performs its responsibilities as evidenced by a composite mean of 3.50.

From the data, feedmill has always maintained it past due rate within the budgeted of 15% (3.57) and always maintained its inventory turnover within the budgeted period of four weeks (3.57). The data indicate that SIDC Feedmill has strong credit and collection policy such that they keep within the level of the 15 percent past due rate. Credit and collection policy has been monitored by the Credit and Collection Team. This team facilitates the sending of reminder letters, field visit and revision of collection policy. This is further explained that the creation credit and collection team decreased past due rate and increased collection rate. Moreover aside from implementing policies, effective collection strategies had been offered like 100 and 50 percent amnesty on interest of past due accounts. The results indicate that Credit and Collection Team is effective in performing their duties and responsibilities.

It was asserted by Ramos (2014), that collections and management of accounts receivable is a quantifiable / measurable function. This area should be considered as one of the profit centers the company maintains. Additionally, proper management and oversight of credit risks, collections and accounts receivable is a critical function of the overall business operation. It requires the proper level of time, talent and expertise to provide quality level of service. According to Salek (2005) said that revenue generation is the most critical function of the company. Every company expends substantial resources to generate increasing levels of revenue. However, that revenue must be converted into cash. Cash is the lifeblood of any company. Every peso of the company's revenue becomes a receivable that must be managed and collected. Accounts receivable should be converted to cash to be used in acquiring raw materials.

Further, four weeks inventory turnover is being maintained by the SIDC Feedmill. Purchasing Department, Warehouse, Production and Marketing Department plays a vital role in keeping inventory management. Proper coordination of these four departments contributes to proper Inventory Management. Benton (2010) stressed that among the purposes of keeping the inventories includes meeting the variation of product demand, allowing flexibility for order and delivery scheduling and maintaining means better customer service. In addition to meeting unexpected surges in demand, inventory is also used as insurance for risk interruption in supply.

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

SIDC Feedmill had always monitored the collection of past due account (3.55). The result indicates that the Credit and Collection team regularly monitors the status of past due member and reports monthly to Board of Directors. They have also collection strategies being implemented to help the member to settle their accounts. SIDC FEEDMILL has different credit scheme offered to their members this includes 75% share capital collateral, feeds subsidy, and APL. Increasing the collection rate on past due account collection scheme have been implemented such as offering amnesty on fines penalties and surcharges or offering internal arrangement based on the capacity on the debtor/ member. With these debtor / member has given a chance to take some adjustment to make some payment.

Meanwhile, SIDC Feedmill had often experienced in its capacity availment of discount from the supplier on the basis of credit payment performance (3.47) and often maintained its collection period of three months before past due (3.47). Because of its strong credit performance Feedmill can easily avail discount of supplier based on the credit terms. Feedmill suppliers are the same old supplier for the last forty years that proves how SIDC Feedmill becomes their good business partner. Credit performance is important indicator of and with regards collection period SIDC Feedmill maintained three months collection period past due before sales is converted to cash. Three months time is an enough lead time to be able to collect the accounts receivable.

Liquidity Ratios measures the ability of the company to meet its short term maturing obligations as and when they fall due to payment. Maintaining adequate liquidity is much more than a corporate goal is a condition without which it could not be reached the continuity of the business. Liquidity ratio provides insight into the financial strength of firms as they reflect the ability of a firm to meet its current obligations. These measures the indication of the degree of protection afforded to lenders and investors. Higher liquidity ratios indicate a larger buffer between current obligations and a firm's ability to pay them resulting in a better position for debt holders.

Table 4 illustrated the mean responses on the performance of SIDC Feedmill with regards to Asset Management. The Feedmill had always been performing their responsibilities in line with asset management as evidenced by a mean response of 3.54.

Table 4. Financial Performance of Feedmilling Operation in terms of Asset Management

Impact	WM	VI	Rank
1. Maximize the full capacity of 8,000 sacks a day by the Mill Plant .	3.57	Always	2.5
2. Implement Preventive Maintenance Programs for the equipment and machineries.	3.55	Always	4.5
3. Conduct technical trainings for machine and equipment operators.	3.75	Always	1
4. Monitoring of equipment and machineries useful life within 7 years.	3.57	Always	2.5
5. Have concrete plan for replacement and acquisition of equipment.	3.45	Often	6
6. Maintain its asset turnover ratio of 10x.	3.55	Always	4.5
7. Hire of professional consultant for new feedmill technology.	3.36	Often	7
Composite Mean	**3.54**	**Always**	

SIDC Feedmill was always conducting technical trainings for machine and equipment operators (3.75), always maximizing the full capacity of 8,000 sacks a day by the Mill Plant (3.57), always monitoring the equipment and machineries useful life within 7 years (3.57), always implementing Preventive Maintenance Programs for the equipment and machineries (3.55), and always maintaining its asset turnover ratio of 10 times (3.55) occupying the first five in rank in order. On the other hand, they often had concrete plan for replacement and acquisition of equipment (3.45) and often hired professional consultant for new feedmill technology (3.36), ranking sixth and seventh respectively.

Asset management covers important factor to its assets which pertains production maximization, proper utilization of assets. Asset turnover ratio's in a typical farm are about 30 to 40 percent, but they can range from 20 to 30percent for low profit farms and up to 40 to 50 % for high profit farms. Farms with mostly rented land should have higher asset turnover ratios than farm with mostly owned land generally around 50 % rented farms also will have higher operating expenses ratios. Moreover financial performance is vital for major decisions for its risk taker.

A firm with a high total asset turnover is able conduct a business with comparatively little invested capital. This can serve to increase the return of equity

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

and reduce the financial leverage. However if the asset management is too small, the firm may be providing poor service to customer and may be suffering from inefficient production. Low sales to asset investment, where funds are tied up in assets might be more useful if they were used for more immediate, productive purposes (Brigham, 2002).

In the study of Nassazi (2013), upgrading the technicians on operating modern production equipment is a must. Trainings would uplift the competency of the workforce in general. Moreover it must be properly selected in terms of timeliness, cost, and applicability. He also emphasized that trainings entails cost but it is necessary to avoid situations where production may completely stop due to equipment malfunction. It eliminates risks because trained personnel are able to make better and economic use of material and equipment thereby reducing and avoiding waste.

SIDC Feedmill monitors their equipment and machineries on its seven useful life years and be able to maximize 8,000 sacks of production capacity. Machineries and equipment is properly maintained to reach its seven years useful life. Engineering Department has a written policy on how to safeguards assets, working instruction on how to change the volts and nuts of the machine and equipments, rules and regulation on how to increased the useful life of the equipment . Feedmill runs four mills under 3 shifts. These four mills able to maximize in its full capacity based on the order of Marketing Department and Coopmarts of SIDC. These department are coordinated properly to produce efficiently.

The management is able to maintain its asset turnover ratio of 10 times and had implemented the Preventive Maintenance Programs for the equipment and machineries. This means that Feedmill operation has fully utilized their assets in extracting sales. It is affirmed by Brigham (2002), that higher asset turnover the better and has the capacity to conduct a business with comparatively little invested capital. This can serve to increase the return of equity and reduce the financial leverage. However if the asset management is too small, the firm may be providing poor service to customer and may be suffering from inefficient production. Low sales to asset investment, where funds are tied up in assets might be more useful if they were used for more immediate, productive purposes.

Table 5 presents the overall assessment on the financial performance of Feedmilling operation in terms of profitability .It shows that SIDC Feedmilling had always responded with it responsibilities to meet the profits required as shown by a composite mean of 3.45.

Table 5. Financial Performance of Feedmilling Operation in terms of Profitability

Impact	WM	VI	Rank
1. Management has strong policies on marketing and pricing efficiency.	3.51	Always	2
2. Management has capacity to compete by lowering its price up to 5% of current price to increase the sales.	3.42	Always	5
3. Management maintains it Gross Profit Rate of 10 percent.	3.40	Always	6
4. Management has cost cutting measures to reduced operating expenses.	3.47	Always	4
5. Management conducts Research and Development for products formulation to reduce costs.	3.38	Always	7
6. Management incorporates backward and forward integration.	3.51	Always	2
7. Management adheres increasing target market by opening new feeds outlet and offering new products.	3.51	Always	2
Composite Mean	**3.45**	**Always**	

The management always had strong policies on marketing and pricing efficiency (3.51), the management always had incorporated backward and forward integration (3.51), and the management always had adhered to increasing target market by opening new feeds out and offering new products and services (3.51). Marketing department is the most notable department in Feedmills. The creation of Marketing Department increased the sales of feeds and increased the saturated market. In addition it made the SIDC Feeds be known not in Region IV and other part of Northern Luzon and Visayas Area. In addition Marketing Team implements pricing strategies to be able to compete with key players such as San Miguel Foods, Cargill Philippines, Swift Foods, and General Milling. Accordingly, the corn industry is essentially the major supplier to feed millers. The other major feed ingredients are basically imported and small amounts are locally produced and are obtained from varied sources mostly in forms of

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

by-products from among small producers to the feedmillers themselves. Corn is also the bottleneck of the feedmilling and animal industries. However the implementation of an aggressive corn development program by the government, local production and supply of corn has somehow stabilized

Corn accounts to 70% of local feed ingredients. No matter how big in terms of size and regardless of their financial stability, feedmillers use yellow corn in the production of feeds. The availability and affordability of this input has a great impact on feedmillers operations. On the national average, corn production in the Philippines is inefficient. Our corn producers have not attained the efficiency and self-sufficiency to compete against imported corn and corn substitutes. They can only supply about 80 percent of our national requirements. Demand for corn is around 5.5 to 6 million metric tons of which 4 million metric tons is yellow corn. Shortfall in supply is mostly addressed by importation of yellow corn of about 200,000 metric tons per year and wheat of about 600,000 metric tons per year. The balance is addressed by local corn substitutes – mainly cassava and other imported corn substitutes.

Meanwhile, the study also shows that the management had cost cutting measures to reduce operating expenses (3.47). For expansion purposes, all the efforts to expand will prove to have futile and, most importantly, not profitable if the demand for offerings are weak. The most effective and profitable business are those that recognize then cater to unmet needs. If a company can no longer satisfy the demand for product or service with current structure, then r expansion may be considered. If it fails to meet sales projection, the company must find a way to bring in the clients first (Imbong, 2012).

Meanwhile, the management had a capacity to compete by lowering its price up to 5% of current price to increase the sales (3.42), and maintained its Gross Profit Rate of 10 percent (3.40). The management had a capacity to compete by lowering its price up to 5% of current price to increase the sales. It relates that pricing decisions are important, as they have a direct bearing on revenue and profitability. Strategic pricing is the interface between marketing and finance. There is a need not just to think of the covering costs and making a profit, as many finance people do, when making pricing decisions. A business marketer must possess sufficient information about competitors in order to make sound pricing decisions. It must anticipate competitor's pricing actions and reaction patterns to its pricing moves. It must selectively communicate and signal to competitors about the pricing moves so as not to unnecessarily get involved in price confrontations with competitors.

Competitors rarely sell to their customers at these list or posted prices, so every effort has to be made to find out the actual prices at which different batches of products are sold by competitors. Cash discounts are given to customers for purchasing a large quantity of a product or a group of products. Usually customers take the advantage of this discount. The fast payment improves the working capital position and reduces credit risk, since it is often paid before the suppliers who do not give such discounts (Business Marketing An Asian Perspective, Lau Geek Theng , Mc Graw Hill, Singapore, (2007).

The data also present that the management adhered to research and development for products (3.38). This provides the Feedmill opportunities to improve their products and meet the demands of the consumers. Research plays an important role in every company, institution, and industry. It became one of the pillars of the industry to stand and survive. Research provides means to solve problems on competition, job differences, economic instability, consumer dissatisfaction on one hand, and may help improve the quality of products being sold by the company.

Table 6. Financial Ratio of Feedmilling Operation

Particulars	**2008**	**2009**	**2010**	**2011**	**2012**	**Ave.**
Liquidity						
a. Current Ratio	0.49	0.46	0.49	0.44	0.56	**0.48**
b. Quick Ratio	0.26	0.20	0.22	0.22	0.21	**0.22**
Asset Management Ratio						
a. Asset Turnover Ratio	13.84	12.69	13.80	13.35	11.61	**13.06**
Profitability Ratio						
a. Gross Profit Ratio	0.06	0.08	0.05	0.06	0.05	**0.06**
b. Net Profit Ratio	0.01	0.01	0.01	0.05	0.04	**0.02**

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

Table 6 displays the financial ratio of Feedmilling Division in terms liquidity, asset management ratio and profitability ratio. With regards to liquidity, it shows the current ratio and quick ratio; as to asset management ratio, it covers the asset turnover ratio; and lastly, the profitability ratio, which shows the gross profit ratio and the net profit ratio.

As to current ratio from 2008 to 2012, it shows the substantial increase from 0.49 to 0.56 or 14.28 percent increase. This indicates that Feedmill with 0.48 average ratio has 0.48 worth of the current assets for every peso of liability. Feedmill got a deficit to protect the claims of the debtors. Feedmill has watched out their payables before maturity date. Finance Department and Purchasing Department should work hand to hand to monitor all the payables under past due. With regards to disbursement, they have a centralized disbursement to monitor the outgoing which means that Finance Department had a scheduled payables for payment. Moreover, Feedmill has to revisit its capital budgeting initiatives as this may mean more room for high- yielding activities to improve current ratio.

With regards to quick ratio, feedmill had experienced a decrease from 0.26 to 0.21 or an average of 0.22 from 2008 to 2012. This presents a negative indication of its capacity to cover its immediate capability. A ratio of 0.21 may mean that the cooperative was unable to pay its bills without having sell its inventory. Thus, a greater portion of cooperative's inventory are not immediately sold or disposed to its customer. The greater part of the company's current assets are allocated to inventory. Such being the case, that it is best for the company to devise new marketing and selling strategies to speed up conversion of inventory to cash and receivables. And as part of marketing activities, they tie up to the large farms as major supplier of feeds.

Liquidity Ratios measures the ability of the company to meet its short term maturing obligations as and when they fall due to payment. Maintaining adequate liquidity is much more than a corporate goal is a condition without which it could not be reached the continuity of the business. Liquidity ratio provides insight into the financial strength of firms as they reflect the ability of a firm to meet its current obligations. These measures the indication of the degree of protection afforded to lenders and investors. A higher liquidity ratios indicate a larger buffer between current obligations and a firm's ability to pay them resulting in a better position for debt holders.

The decreasing Gross Profit Rate in each year indicates that the company has smaller cost to cover indirect costs and operating expenses. Gross Profit Rate is the increasing cost to produce such as raw materials, direct labor and overhead. Since yellow corn is the largest portion of the ingredients to feeds accounted to 50% of finished feeds sudden change of its price may affects feed's selling price. The sudden price change of yellow corm maybe attributed to calamities by the regions. Thus, the movement of its price greatly affects the profitability of the output Increased prevailing direct labour cost and overhead also affects the GPR of feeds.

As to Gross Profit Rate, the year 2009 gave an impressive increase from 0.06 to 0.08. Even though there is a decrease in sales, it has a corresponding decrease in cost of good sales which has a significant effect on the GPR. Decrease in cost of sales is attributed to the decrease of raw materials such as corn and soya bean. Increase in cooperative's GPR is a great indicator of its profitability and its ability to cover all the operating costs. Since increase in raw materials are inevitable for the business operation. Some cost cutting measures are being implemented to address profitability issues. In 2010, it has a substantial decrease from 0.08 to 0.05 to 2012. This means that there is a significant increase in raw materials price.

Net Profit Ratio of Feedmill operation from year 2008 to 2012 had a steadily increasing pattern from 0.01 to 0.04 or an average of 0.02. This ratio measures net income relative to peso revenue. This means that the operation has improvement on expenses with regards to cost of sales. Feedmill operation performed some cost cutting measures to decrease operating expenses. This includes setting up scheduled used of generators, proper scheduling of production, and cost cutting measures.

Profitability ratios are designed to evaluate the firm's ability to generate earnings. The analysis of profit is of vital concern to stockholders since they derive revenue in form of dividends. Moreover, in the profitability ratio, it must take a look the gross profit margin, net profit margin and return on equity. Gross profit margin reflects the company's ability to recover its manufactured or purchased cost of merchandise. This ratio reflects the management's policies related to pricing and production efficiency or technology. It also tells about profit which is the final destination of all strategies and decisions of the company. The higher the ratio, the greater of the company's capacity

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

to compete in the market place on the basis of price (Thoa, 2011).

With regards to asset turnover, it had a stable decrease in the asset turnover during the years of operation, may denoting that the company did not utilize its assets effectively. It can be seen in the table that from 13.84 in 2008 to 11.61 in 2010 or an average of 13.06. This results from the improvements on the plants vicinity and machineries as requirement for ISO Certification which resulted on the higher fixed assets cost. In addition machineries and facilities in the plant are underutilized because they are producing the required inventory of the sales department. Sales department dictates the number of bags to produces. The aggressiveness of Sales Team in pursuing higher sales assets can be fully utilized.

Table 7 presents the financial performance of Feedmill operation in terms of sales, cost of sales, gross profit, operating expense and net profit. Feedmill Sales went down in 2009 and started to improve in 2010 to 2011 and declined by 13.94 percent in 2012.The increased sales from 2009 to 2010 from Php 1.90B to Php 2.09B was attributed to the opening of feeds outlet managed by member this includes opening in Batangas Province in San Jose, Tanauan, Tuy, Sta. Terisita; in Quezon Branch Sariaya, Lopez, and Mauban, in Laguna Province in Pila, Siniloan, and Calauan; in Cavite Province in Indang and Trece, Martires; Panay Island in Bugasong Antique and Sebaste Antique and the opening of new Coopmart In Alaminos San Pablo. However, it plummeted in 2012 from Php 2.08M to Php 1.79M which was attributed to the decrease of feeds consumption of cooperative contract growing. Some members had stopped their hog production because of the increased production costs such as cost of feeds ration.

In 2008, it marked the highest cost of sales which was attributed to the increase price of major ingredients of feeds such as yellow corn and US Soya High Protein. Based on the gathered data from the Purchasing Department, increase in yellow corn affects the profitability of feedmill. Yellow corn is the major component of feeds and is considered as the most critical ingredients in the industry. Seasons change and typhoons has a direct effect on the price of yellow corn. On the contrary in 2012, it can be seen that there is a decrease of cost of sales of Php1.703B. It is attributed to the decrease production of feeds cost dictated by the above sales. Hence, some of the members stopped from contract growing. Their production had to be scheduled according to the member's feeds requirements.

Similarly, gross profit from 2008 to 2012 had gone down which resulted to an average of 0.605B, from P 0.129B to 0.087B. Decrease of gross profit rate is attributed to mention above decrease of sales and increase in cost of goods sold. As provided in the table, it shows that in 2009 it has the best result from Php 0.129B to Php0.165B. However, it had a stable decrease of 0.087 until 2012 because of increase in raw materials, labour costs and factory overhead.

As to the net profit, it shows that operating expenses slightly decreased from 2008 of Php 0.063B to Php 0.060B in 2012. It was attributed to implemented cost cutting measures. All the expenses are being scrutinized based on the corresponding degree of significance. In addition, preventive maintenance procedures are applied on equipment and machineries to avoid huge cost for repair. This indicates that SIDC Feedmill had experienced a decrease in net profit from 0.066 to a stable decrease of 0.027 which means that the cooperative experienced major adjustment in able to achieve the targeted sales and the corresponding profit.

It is affirmed by Stark (2005), that operating feedmill requires good decision making in able to increase profitability and productivity, as well as reduce costs. Moreover, they should be focused on the high volume production of feeds at the lowest possible manufacturing cost.

The decreasing Gross Profit Rate in each year indicates that the company has smaller cost to cover indirect costs and operating expenses. Gross Profit Rate is the increasing cost to produce such as raw materials, direct labor and overhead.

Table 7. Financial Performance Terms of Peso Value – 2008 to 2012

	2008	**2009**	**2010**	**2011**	**2012**	**Average**
Sales	2.10B	1.90B	2.09B	2.08B	1.790B	2.022B
Cost of Sales	1.97B	1.735B	1.995B	1.951B	1.703B	1.870B
Gross Profit	0.129B	0.165B	0.095B	0.129B	0.087B	0.605B
Operating Expense	0.063B	0.138B	0.069B	0.102B	0.060B	0.0864B
Net Profit	0.066B	0.027B	0.026B	0.027B	0.027B	0.173B

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

Since yellow corn is the largest portion of the ingredients to feeds accounted to 50% of finished feeds, sudden change of its price may affects feed's selling price. The sudden price change of yellow corm maybe attributed to calamities by the regions. Thus the movement of its price greatly affects the profitability of the output Increased prevailing direct labour cost and overhead also affects the GPR of feeds.

In relation to table 4, there were number of problems encountered in the attainment of better financial performance to wit; volatile price of micro and macro ingredients, liberal credit terms of big player, capital is tied up with the increased accounts receivables, unavailability of funds for the purchase of feeds ingredients, shortage of vital raw materials, late deliveries of the suppliers, inadequate storage facilities, monitoring of diversified operations and inadequate employment of marketing strategies as compared to that of big players of other industries.

The insensitivity of responsible financial experts towards timely observation of financial performance measures and remedial actions had also contributed its part. (Bekana, 2000).

Moreover financial performance of private utilities and electric cooperatives differed significantly in cost behaviour. Electric cooperatives were generally loosing in less viable areas characterized by lower average consumption per customer, less consumer density and higher proportion of residential sales to total sales. Likewise the determinants of the financial performance of Philippines Distribution utilities, whether cooperative or private pertained to recovery and system loss, which are largely controllable by, rather than exogenous to, the firm. The high level of inefficiency which Philippines DU's operate implied that improvement of financial performance sector needed to address their aspect in operation (Valderama, 2006).

In the paper of Divakar (2009), the researcher reasoned out for excellent financial performance of Steel plant may be attributed as increase in production and sales volume, cost reduction measures, reduction in borrowings. Likewise the availability of funds entails the plant to go on revamp, modernization, expansion and production of value added items.

Table 8 shows problems encountered in the attainment of financial performance of SIDC Feedmill. SIDC shows that it had often encountered the abovementioned problems as manifested by a composite mean of 3.19.

Table 8. Problems Encountered in the Attainment of Financial Performance

Impact	WM	VI	Rank
1. Volatile price of Micro and Macro ingredients	3.34	Often	2
2. Liberal credit terms of big player	3.04	Often	10
3. Capital is tied up with the increase Accounts Receivable	3.08	Often	8.5
4. Availability of Funds for the purchase feeds ingredients	3.09	Often	7
5. Shortage of vital raw materials	3.28	Often	4
6. Late deliveries of the suppliers	3.11	Often	6
7. Inadequate storage facilities	3.21	Often	5
8. Monitoring of diversified Operation and Documentation (inventory, member's receivable and feeds outlet)	3.34	Often	2
9. Feedmilling capacity is underutilized	3.34	Often	2
10. Marketing inadequacy caused by increased competition from major players in the industry (San Miguel Foods, Cargill Philippines, Swift Foods, General Milling)	3.08	Often	8.5
Composite Mean	**3.19**	**Often**	

The topmost responses were related to volatile price of micro and macro ingredients (3.34), monitoring of diversified operation and documentation (3.34) and underutilization of feedmilling capacity (3.34).

These indicate that SIDC Feedmill experiences volatile price of macro ingredients which includes yellow corn and US Soya. Yellow corn is considered as 50 percent of the total costs in hog production. Since the source of our yellow corn is from Mindoro, Isabela, and Pangasinan experienced calamities such as typhoon would contribute to the increase price of yellow corn. Also, the cooperative is tied up to other cooperative for their produced yellow corn which is facilitated by the Landbank. In order to decrease the price of yellow corn the government should insist the advocacy to support more the corn industry. This may be in a form of all tariffs generated by corn imports should go to the competitiveness fund for the corn industry. Moreover, research and development should also be given attention to increase the yield per hectare. Likewise, government should find LGU'S to support the contract growing with the corn farmers to ensure the supply of feeds input.

Meanwhile, the data also reveal that even the problems were all often encountered, the least

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

response was related to monitoring of diversified operation and documentation such as inventory, member's receivable (3.04) and feeds outlet (3.08). Based on the gathered record, the members owned feeds outlet. Member's feeds outlet is those feeds outlet managed by member.

Lastly, it often encountered problems related to marketing inadequacy caused by increased competition from major players in the industry such as San Miguel Foods, Cargill Philippines, Swift Foods, General Milling (3.08). There is a high level of competition among the existing feedmilling companies due to high product differentiation. However, despite high product differentiation, there are still switching costs on the part of the small / backyard buyers because the price difference is insignificant. The consumers can easily change brands depending the availability of products in their respective areas. Moreover, the intensity of the rivalry among the firms is high due to research and development capability and the latest infrastructure facilities for high capacity of operation.

Table 9. Relationship between the Level of Financial Performance and the Problems Encountered by Feedmilling Operation

Level of Performance in terms of:	**r-value**	**p-value**
Liquidity	-0.269	0.051
Assets	-0.249	0.073
Profitability	-0.321	0.019*

*Legend: *Significant at p-value <0.05*

Table 9 reveals the relationship between the level of Financial Performance and the problems encountered by Feedmilling Operation. As observed from the table, all computed r-values indicate moderate negative correlation. However, profitability shows significant relationship since the obtained p-value of 0.019 is less than 0.05 level of significance. This means that there is a relationship exists and implies that the lesser the problems they encountered in the operation, the more that they earn profit in the operation.

Liquidity Ratios measures the ability of the company to meet its short term maturing obligations as and when they fall due to payment. Maintaining adequate liquidity is much more than a corporate goal is a condition without which it could not be reached the continuity of the business. Liquidity ratio provides insight into the financial strength of firms as they reflect the ability of a firm to meet its current obligations. These measures the indication of the degree of protection afforded to lenders and investors. A higher liquidity ratios indicate a larger buffer between current obligations and a firm's ability to pay them resulting in a better position for debt holders.

Asset management ratios measure how effectively the firm is managing its assets. These ratio are designed to answer this question: does the total amount of each type of asset are reported on the balance sheet seem reasonable, too high or too low in view of current and projected sales levels? If the company has excessive investment in asset in operating assets and capital will unduly high, which will reduce its free cash flow and its stock price. On the other hand, if a company does not have enough assets, it will lose sales, which will hurt the profitability, free cash flow, and the stock price.

Profitability ratios are designed to evaluate the firm's ability to generate earnings. The analysis of profit is of vital concern to stockholders since they derive revenue in forms of dividends. Moreover in the profitability ratio it must take a look the gross profit margin, net profit margin and return on equity. Gross profit margin reflects the company's ability to recover its manufactured or purchased cost of merchandise. This ratio reflects the management's policies related to pricing and production efficiency or technology. It also tells about profit, which is the final destination of all strategies and decisions of the company. The higher the ratio, the greater of the company's capacity to compete in the market place on the basis of price (Thoa, 2011).

CONCLUSION AND RECOMMENDATION

Feedmilling Division of Soro-soro Ibaba Development Cooperating has been operating for 27 years, had 18,000 active members, had 235 employees, and has sold 1,763,657 bags from 2008-2012. Majority are 31 to 40 years old, employed between 6-10 years and were assigned in Marketing Department. The performance of the feedmilling operation is reflected on the continuous adherence to responsibilities related to liquidity, asset management, and profitability. The feedmill had always maintained it past due rate within the budgeted of 15% and always maintained its inventory turnover within the budgeted period of four weeks. SIDC Feedmill is always conducting technical trainings for machine and equipment operators, always maximizing the full capacity of 8,000 sacks a day by the Mill Plant, always monitoring the equipment and machineries

P-ISSN: 2467-6691 | E-ISSN: 2467-5148

useful life within 7 years, always implementing Preventive Maintenance Programs for the equipment and machineries, and always maintaining its asset turnover ratio of 10 times. The management has always strong policies on marketing and pricing efficiency, the management always had incorporated backward and forward integration, and the management always had adhered to increasing target market by opening new feeds out and offering new products and services. The financial ratios of SIDC Feedmill as to liquidity, asset turn-over, and profitability had increased from 2008-2012. The financial performance of SIDC in terms of peso-value had declined as to gross profit and net profit though had improved as to sales and cost of sales.

The most common problems encountered by SIDC Feedmill during the operations were related to volatile price of micro and macro ingredients, monitoring of diversified operation and documentation, and underutilization of feedmilling capacity. On the other hand, the problems least likely encountered were related to diversified operation and documentation such as inventory, member's receivable and feeds outlet, marketing inadequacy caused by increased competition from major players in the industry.

The lesser the problems the cooperative encountered in the operation, the more that they earn profit in the operation.

It is recommended that the Accounting Department should continue to evaluate its financial performance in terms of Profitability, Liquidity, and Asset Management to be able to make concrete plan align to Management Goals and Budget. Support continued research on possible lower substitutes especially for corn and other macro ingredients to minimize the industry's dependence on imported soybean meal and other high cost protein. To use Enterprise Resource Planning System for automation of Feedmill business process such as taking customers' orders, scheduling operations, and keeping inventory records and financial data. Future researchers may conduct similar study relating financial performance in next 5 years to be able to compare the variables and to conduct similar studies with other variables not included in the study.

REFERENCES

Bekana, D.M. *"Evaluation of Financial Performance of Banking Enterprises; The Case of Construction and Business Bank in Ethiopia*", 2000.

Benton, W.C. Jr. *Purchasing Supply Chain Management*, 2nd Edition, New York: Mc Graw- Hill Companies, Inc., 2010.

Brigham, E. *Fundamentals of Financial Management*, Mason: Cengage Learning, 2002.

Department of Agriculture, http://www.departmentofagriculture.gov.ph., November 12, 2014.

Divakar, K.R. *Financial Performance Appraisal of a Steel Plant*, 2009.

Drake,P. (2010),*Financial Ratio Analysis*, Mason: Cengage Learning.

Imbong, P. (2012). *The Growth Imperative, Entrepreneur Success Stories Philippines*, Summit Publishing Co.Inc .Mandaluyong Philippines.

Macatangay, A. P., Bautista, E. A., Arlene Sarah, B., Francisco, A. R. P., Sarmiento, S. M. G., Buenviaje, M. G., & An, I. L. (2015). Operational Performance of Purified Water Business in Batangas City, Philippines: Basis of Enhanced Business Operation Initiatives. *Asia Pacific Journal of Academic Research in Business Administration*, *1*(1).

Nassazi, A. (2013). *Effects of training on Employees Performance, Business Economics and Tourism*, 2013.

Ramos, J. *Collections Efficiency of Batelec I: Basis of Proposing Enhanced Mechanisms to Improve Current System*, 2014.

SIDC Website, hhtp://www.sidcnet.com, November 14, 2014

Stark, C. *Feedmill Key Performance Indicators*, North Carolina State University, Raleigh, NC. , 2005.

Thoa, N.T. (2011). *How Accounting Ratios Affecting an Investor's Decesion, Some Cases of Construction*, Bachelor of Business Hons

Salek, J.G. *Accounts Receivable Management Best Practices* John Wiley & Sons, Inc. Hoboken, New Jersey, 2005.

Valderama, H.S. (2006). *Determinants of Financial Performance of Electric Power Distribution Utilities in the Philippines*, 2006.

P-ISSN: 2467-6691 | E-ISSN: 2467-5148