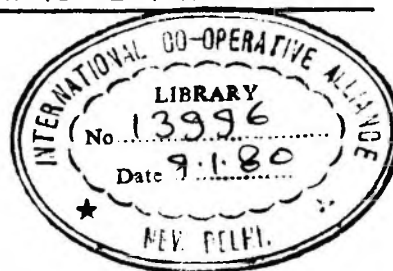


NATIONAL SEMINAR ON "MANAGEMENT OF AGRICULTURAL COOPERATIVES",
COLOMBO, SRI LANKA : 20TH TO 31ST MARCH 1979.

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NATIONAL SEMINAR ON MANAGEMENT OF AGRICULTURAL COOPERATIVES

STUDY VISITS PROGRAMME. KERALA STATE - 31st May 1979 - 9th June 79.

LIST OF PARTICIPANTS

<u>NAME</u>	<u>AGE</u>
1. M.D. Navarathna Asst. Regional Manager R.H.O. Peoples Bank Kandy.	(45)
2. G.R.P. Gamlath G.M. - M.P.C.S. M.P.S.C. Kuruwita	(26)
3. K.G. Chandra General Manager Baddegama- M.P.C.S. Ltd. Baddegama.	(36)
4. A.M. Wijesingha Inspector of Cooperative Societies (Department of Co-op. Development) 4, Waidya Place Dehiwala	(34)
5. M.G. Randbanda Credit Production & Sales Manager Wattegama M.P.C.S. Wattegama	(39)
6. G.H. Dayananda Manager of Credit and Marketing & Production 47/4 - Rohana Pura Borupana, Ratmalana	(35)
7. E.M. Gunasena Ekanayake General Manager, MPCS M.P.C.S. Katiyawa Anuradhapura	(29)
8. T.S. Abeyaratne Credit & Marketing Manager Anamaduwa M.P.C.S.	(35)

<u>NAME</u>	<u>AGE</u>
9. R.P. Sirisena Personal Manager M.P.C.S. Nuwara Eliya	(29)
10. M.H.A. Cassim Maraikar General Manager Manthai West MPCS Ltd Thiruketheeswaram	(30)
11. A.R. Wijesekara Asst. Regional Manager Peoples Bank Panadura	(38)
12. L.W. Pushpakumar Credit & Marketing Manager & Acting General Manager M.P.C.S. Teldeniya	(41)
13. A.M.N. Alakoon General Manager Kandy 15, Kumara Vædiya Kandy.	(32)
14. N.Kumaresa Pasupathy General Manager Vali East (S.D.) MPCS Ltd. Neervely	(45)
15. S.S. Sanmugaseundaram Credit & Marketing Manager Grade II and Board Secretary M.P.C.S. Trincomalee 39, Rajavarodayam Rd. Trincomalee (Private Rd)	(36)
16. S. Mahindapala General Manager Makandura, Gonawila (N.W.P.)	
17. H.C. Perera Inspector of Coop. Societies Presently in Charge of Sri Lanka Cooperative Marketing Federation 118, De Mels Road Laxapathiya, Moratuwa.	(49)

<u>NAME</u>	<u>AGE</u>
18. K.A.D.A. Gunaratne Asst. Regional Manager Peoples Bank Colombo 358, High Level Rd. Nawinna, Maharagama	(50)
19. H.M. Aryapala Asst. Regional Manager Peoples Bank, Kurunegala 48, 3rd Lane, Negambo Road Kurunegala	(46)
20. Senarath Abeykoon General Manager Udunuwara M.P.C.S. Ltd. Handana 222, Ranawana Katugastota	(36)
21. D.M. Kapilaratna General Manager Hiriyala M.P.C.S. Ibbagamuwa Hiriyala - Coop Society Ibbagamuwa	(45)
22. G.Piyasena General Manager Homagama MPCS Homagama Homagama MPCS Ltd., Homagama	(42)
23. W.A. Ratnasiri General Manager of Kiriella North MPCS Ratnavilla, Saman Place, Maningoda Eheliyagoda	(45)
24. J.A. Andraday Credit Marketing Agri. Manager Ellearawe MPCS Society Balangoda Kahatapitiya Balangoda	(45)

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25. Remya Warshakoon
Education Assistant of
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26. Susila Palihakkara
District Secretary
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2. Mr. K. Sathumadhavan
Personal Secretary to Joint Director
ICA Regional Office and Education Centre
for South-East Asia
'Bonow House' 43, Friends' Colony
New Delhi-110065.

vs/

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vs/

- 1245 - 1430 Lunch Break.
- 1430 - 1630 Group Discussion on the 2nd Lecture.

22nd March - Thursday

- 0930 - 1030 Farming Guidance Through Co-operatives in Japan -
Mr. SHIMAOKA.
- 1030-- 1100 Discussion.
- 1100 - 1115 Tea Break.
- 1115 - 1245 Lecture - By Mr.L. Gunawardane and Mr.Shimaoka.

23rd March-Friday

- 0930 - 1030 Use of Audio-Visual Aids in member information
by Mr. Daman Prakash - Education Officer
(Audio-Visual) Teachers Training Project.
- 1030 - 1100 Discussion.
- 1100 - 1115 Tea Break.
- 1115 - 1245 Use of Audio-Visual Aids in member information
by Mr. Daman Prakash - Education Officer
(Audio -Visual) Teachers Training Project.
- 1245 - 1430 Lunch Break.
- 1430 - 1700 Use of Audio-Visual Aids in member information
(Continued)

24th March - Saturday

Open

25th March - Sunday

Free

26th March - Monday

- 0930 -1100 Lecture on Cooperative Marketing
by Mr. PER-ERICK LANHAGEN
- 1100 - 1115 Tea Break.
- 1115 - 1245 Lecture on "Cooperative Marketing" - MR.PER-ERICK LANHAGEN
- 1245 - 1430 Lunch Break.
- 1430 - 1530 Lecture on Cooperative Marketing Problems in Sri Lanka
Mr.P.S. Liyanage. (Cooperative Marketing Federation).
- 1530 - 1630 Plenary on Group Discussions.

27th March - Tuesday

- 0930 - 1030 Lecture - Coordination of activities of Primary
Agricultural Cooperatives & their Federations.
F. D. Senarathna

- 1030 - 1100 Discussions
- 1100 - 1115 Tea Break.
- 1115 - 1215 Lecture - Better Planning in Co-operatives
by - MR. PER-ERICK LANHAGEN
- 1215 - 1245 Discussions.
- 1245 - 1430 Lunch Break.
- 1430 - 1630 Group Discussions.

28th March - Wednesday

- 0930 - 1015 Lecture - Problems of Co-operative Credit.
- 1015 - 1100 Co-operative Credit in Sri Lanka - by
Mr. D. Amarasinghe - Deputy General Manager
Peoples Bank.
- 1100 - 1115 Tea Break.
- 1115 - 1145 Discussions.
- 1145 - 1245 Group Discussions.
- 1245 - 1430 Lunch Break.
- 1430 - 1630 Group Discussion (Continued).

29th March - Thursday

- 0930 - 1030 Lecture - "Government role in supporting Agricultural Co-operatives" - Mrs. P. D. Jayaweera.

"Coordination of various Agricultural Development Agencies through Agricultural Co-operatives at Village Level".
Mr. S. M. P. Senanayaka - from H.R.T.
- 1030 - 1100 Discussion.
- 1100 - 1115 Tea Break.
- 1115 - 1245 Plenary on Group Discussion.
- 1245 - 1430 Lunch Break.
- 1430 - 1530 Lecture - Financial Control as a tool of effective Management by Mr. W. F. A. S. Jayasinghe - Lecturer School of Cooperation Polgolla.
- 1530 - 1545 Tea Break.
- 1545 - 1630 Discussion.

30th March - Friday

Preparation of the Report

31st March - Saturday

Final Plenary.

National Co-operative Council of Sri Lanka
455, Galle Road, Colombo 3.

NATIONAL SEMINAR ON MANAGEMENT OF AGRICULTURAL
CO-OPERATIVES IN SRI LANKA

20th March - 31st March 1979

A G E N D A

10.00 am to 11.00 am - 20.3.79

10.00 am

1. Inviting the Hon. Minister of Food & Co-operatives to occupy the chair.

- Mr. M.R.B. Daswatte - President National Co-operative Council of Sri Lanka.

2. Addresses

1. Hon. Minister Mr. S.B. Herat.

2. Hon. Deputy Minister Mr. Sarathchandra Rajakaruna.

3. Mr. Lionel Gunawardena - Joint Director I.C.A.
(New Delhi)

4. Mr. P.K. Dissanayake - Co-operative Development Registrar of Co-operative Societies.

3. Conclusion

Vote of thanks - Mr. W.U. Herath - General Secretary
National Co-operative Council
of Sri Lanka.

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COOPERATIVE PRINCIPLES

by

Lionel Gunawardana
Joint Director & Specialist
in Agricultural Cooperation
ICA Regional Office
New Delhi.

Definition of a Cooperative Society

A cooperative society is an association of persons, or of societies of persons, for the satisfaction of their common economic and social needs through one or more common undertakings, based upon mutual aid and profit elimination.

Origin of Cooperation

The cooperation in its broader sense is not a product of any particular land. The idea of cooperation is as ancient as human history itself. There are traces of cooperative actions in human behaviour, from the earliest period of civilization. There are numerous examples, in our society, from ancient times, where people cooperated among themselves, in performing common social functions, and each other's activities.

The idea of modern cooperation, is of recent origin, and the Rochdale Pioneers can be justifiably credited, with bringing into being the modern Cooperative Movement.

The modern Cooperative Movement was started as a consumer movement, when the Rochdale Pioneers - 28 of them - inaugurated their Equitable Pioneers Society in 1844, with a meagre capital of £28 - in the midst of depression, wage cuts and unemployment.

A certain writer has described the getting together of the Rochdale Pioneers in the following words. "At the close of the year 1843, one of those damp, dark, dense, dismal, disagreeable days.....a few weavers, out of employment, and nearly out of food, and quite out of heart with the social state, met together to discover what they could do, to better their industrial conditions".

From this meeting was born the world Cooperative Movement.

Cooperative Principles

The principles enunciated by the Rochdale Pioneers became the guideline for the cooperators the world over. In a sense they were never being questioned nor have they ever appeared in the agenda of the ICA Congresses for discussion until in 1931, when the Congress resolved to appoint a Committee to examine "the present application of the Rochdale Principles". This Committee made its final report to the Congress of 1934 in Paris.

As a result of this report the International Cooperative Alliance recognised seven Rochdale Principles, but concluded that only four of those could be applied universally at the international level for the purpose of ICA membership.

They were:-

1. Voluntary Membership,
2. Democratic Control,
3. Distribution of surplus to members in proportion of their participation in the transaction of the society,
4. Limited interest on capital,

The other three were:

5. Cash trading,
6. Religious and political neutrality,
7. Education.

ICA Commission on Cooperative Principles

ICA Congress held in Bournemouth decided to request the Central Committee to constitute an authoritative commission "to examine the present application of cooperative principles in different types of society and in different political and economic spheres and to advise on the right formulation of cooperative principles in the light of their application throughout the world at that time".

The Central Committee appointed a five member commission in October 1964. The commission based its studies on answers to a questionnaire it issued to the ICA's affiliate organisations as well as selected non-member organisations and individuals, and interviews it had with leading cooperators.

The commission submitted its report to the ICA Congress held in Vienna in 1966.

In its report, the Commission recommended six principles as essential to genuine and effective cooperative practice both at present and in the future as far as that could be foreseen.

The six principles are briefly stated as follows:-

- i. Voluntary and open membership,
- ii. Democratic control,
- iii. Limited interest on capital,
- iv. Equitable division of surplus,
- v. Cooperative education,
- vi. Cooperation among cooperatives.

I shall quote each principle as stated in the Rules of the International Cooperative Alliance at the point of explaining it.

The proper application of Cooperative Principle is essential for the success of the movement, for they "are those which are essential, that is absolutely indispensable, to the achievement of the Cooperative Movement's purpose".

All the six principles are equally important. "They form a system and are inseparable. They support and reinforce one another. They can and should be observed in their entirety by all cooperatives if they claim to belong to the Cooperative Movement", (ICA Principles Commission).

The first four principles set out the working methods of the cooperatives and the other two state what is essential for the continued progress of the movement.

Voluntary and Open Membership

"Membership of a cooperative society shall be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership".

This principle can be sub-divided into two parts, namely, "Voluntary Association" and "Open Membership".

Voluntary Associations

- i. The individual should be free to join or withdraw from a society. There should not be any direct or indirect compulsion. However, his entry or exit should not affect the society adversely. Therefore this freedom can rarely be absolute. It can be modified or restricted by other considerations of greater validity.
- ii. The member should be loyal to the society. He should realize and fulfil his obligation to the society and the society in turn should reciprocate.
- iii. This loyalty can come only if the member has joined the society of his own free will and not under compulsion.
- iv. A society is not obliged to retain a member if his conduct is detrimental to its interest. The condition of expulsion however should be clearly laid down in advance and known to both parties.

Open membership

- v. Those who can make use of the services of a particular cooperative society and are willing to accept the responsibilities of membership should be able to become its members without any artificial restrictions.
- vi. Cooperative movement is at once a social movement seeking to increase its adherents. Naturally it should welcome and encourage the eligible persons to become members.
- vii. Artificial restriction means limitations imposed on the size of membership without there being a practical need to do so. Natural restrictions may exist which prohibit a society from enrolling everyone who is in need of the services of the society. For example, a housing society would have to limit the number of its members in relation to the extent of land available to it.
- viii. "Open membership" does not mean that cooperatives are obliged to enrol all persons who may apply for membership. Those who do not have the common need or can not make use of the services cannot become members. For example, a rice grower need not be admitted to a citrus growers society.

- ix. The selling of shares of cooperatives to the state making it a member of the cooperative concerned is a violation of the principle of "open membership". The common need of the members which the society seeks to satisfy is not the common need of the State. When the common need of the members is the acquiring of articles required by them the State can come only as a supplier and when the sale of articles is the common need the State can come only as a purchaser. Further, the State is not prepared to submit to the internal disciplines of the cooperative as laid down for members by its administrative organs.
- x. The open membership (with the unavoidable restrictions) makes a cooperative society distinctly different from a Joint Stock Company. Because of open membership shares remain at the nominal value fixed by the society's rules.

Democratic Control

"Cooperative societies are democratic organisations. Their affairs shall be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies shall enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration shall be conducted on a democratic basis in a suitable form".

- i. The primary purpose of a cooperative society is to promote the interests of its members. To achieve this and the members must have the final say in the society. Therefore there should be an effective method of consulting the members as a body. To ensure that the members interest gets the highest priority in the administration of the society's affairs, those who administer the affairs must be chosen directly or indirectly by the members.
- ii. "One man, one vote" is the most condensed expression of the democratic administration of cooperative societies.

- iii. In the case of organisations of higher tiers, one member one vote would work satisfactorily only in organisations where there is no great disparity in size between their affiliated societies. If there are wide disparities in size, each affiliated society should have votes in proportion to its own individual membership, a "method which unquestionably pays proper respect to the human factor".
- iv. In developing countries where governments give large funds to the societies, government representation on Board of Management become necessary. Without generous amounts of government finance, cooperative development in these countries will be slow. However, representation should not continue " a day longer than it is necessary".

Limited interest on capital

"Share capital shall only receive a strictly limited rate of interest, if any".

- i. There are two principles designed to eliminate profit. This is the first.
- ii. The fact that capital adds productivity to labour is recognised. The conception in the cooperative society is that of labour working with capital and not for capital.
- iii. The three main forms of capital in a cooperative:
 - (1) Share capital, (2) Capital owned by society in the form of reserves etc., (3) External borrowing etc.
 The limitation applies really to the first. No interest is payable on the second. Interest may be calculated for the purpose of internal accounting. In the case of the third, the interest rates are not likely to exceed the rates prevailing in the external money market.
- iv. There is no principle which obliges that interest should be paid. Even if no interest is paid, there is no clash with the principle.
- v. If interest is paid below the rate which may be regarded as fair elsewhere then also it can be regarded as payment of limited interest.

- vi. If a certain limited ~~at~~ rate of interest is paid for a certain period but raised or lowered according to the long range movement of interest rates, and not in response to short-term fluctuation on the moneymarket, that does not contravene the principle.
- vii. If a premium is merged into the rate of interest, it is, "from a cooperative point of view, at least dubious".

Disposal of surplus (savings)

"Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and shall be distributed in such manner as would avoid one member gaining at the expense of others.

They may be done by decision of the members as follows:-

- (a) By provision for development of the business of the cooperatives,
 - (b) By provision of common services, or
 - (c) By distribution among the members in proportion to their transactions with the society".
- i. This is the second principle designed to eliminate profit.
 - ii. Cooperative way is to render service at cost. The trading surplus is "an overcharge which belongs to those from whom it has been derived and to whom it should be returned" (Calvert),
 - iii. With regard to the distribution of surplus there are certain operational aspects that must be considered:-
 - a) Provision of goods and services to members at low prices which hardly leads to accumulation of surplus for distribution.
 - b) The business prudence some time may require that all or large part of the society's earnings to be placed to reserve.
 - c) A major part of the surplus may have to be devoted to provision of common enjoyment to the members.
 - iv. In the disposal of surplus, there are two main points that should be kept in mind:-
 - a) How to find the proper balance between the interest of the society and those of the individual members.

- b) To do justice as between one individual member and another. It is important to remember that economic benefits conferred on the members are of various kinds - money, goods or service.
- v. The distribution of surplus among members is an important characteristic that distinguishes a Cooperative from a joint Stock Company.

Cooperative Education

"All cooperative societies shall make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of Cooperation, both economic and democratic"

- i. Definition of education for the purpose of cooperation:

"For the purposes of Cooperation, however, education needs to be defined in a very broad sense which includes academic education of more than one kind but much besides. It includes both what people learn and how they learn it. Every phase of experience, which adds to people's knowledge, develops their faculties and skill, widens their outlook, trains them to work harmoniously and effectively with their fellows and inspires them to fulfil their responsibilities as men or women and citizens, can have educational significance for Cooperation. Less and less in the contemporary world can education be limited to what is learnt in schools and colleges at special periods of people's lives. According to the cooperative concept, education is a life-long process". (Principles Commission Report, page 34.).
- ii. The persons who should be covered by the process of cooperative education can be divided into three groups:
 - a) Members,
 - b) Office holders,
 - c) General public.
- iii. The first group, the members, need to be educated in:
 - a) principles of cooperation,
 - b) rights and duties of members,
 - c) elementary economics which is of relevance to day-to-day life.
- iv. The second group, the office holders, include board members and professional employed. In case of board members education has to be more intensive than in the case of ordinary members. It should include a great deal of business knowledge. The professionals employed need to be trained in appropriate techniques.

- v. The third group, the general public, should be regarded as potential members, persons who must be won over into the cooperative fold. They should be kept informed about the cooperative movement's "aims, its organisation and methods, its achievements and its plans for the future".

Cooperation among cooperatives

"All cooperative organisations, in order to best serve the interests of their members and their communities shall actively cooperate in every practical way with other cooperatives at local, national and international levels".

- i. The cooperation among cooperatives is playing now and is destined to play in the future a very important role.
- ii. If the cooperative movement is to achieve continued progress, it has to meet effectively the opposition of big business and of its spokesman, the capitalist press. The cooperative movement, especially in developing countries, has a bad press. It is only a united movement that can meet this opposition effectively.
- iii. Cooperation between cooperatives may take the form of (a) economic collaboration, and (b) ideological cooperation.
- iv. Economic and ideological collaboration among cooperatives may be discussed under three headings:
 - a) Relationship between primary societies and between primaries and higher tier organisations.
 - b) Cooperation among different sectors of the movement.
 - c) International Cooperation.

(a) Relationship between primary societies and between Primaries and higher tier organisations

The ultimate objective of the primary societies and their federations is to serve the primary member. To achieve this end there must be closest possible cooperation and coordination between them.

(b) Cooperation amongst different sectors of the movement.

Ideological and economic collaboration amongst different sectoral cooperatives is very necessary for the continued progress of the movement.

The ideological collaboration can take the form of joint facilities for education and training of members and employees.

Economic collaboration amongst various sectors of the movement can be of mutual benefit to them. Cooperation between producers' cooperatives and consumers' cooperatives will lead to the seemingly paradoxical but true result of producers getting better returns and consumers receiving the products or services at lower rates by eliminating the middleman.

International Cooperation

Regional and international seminars and conferences of the International Cooperative Alliance and other international and regional organisations have enabled the cooperative movements of different countries to learn from each other and has created a feeling of solidarity amongst them.

There are many national cooperative institutions which receive foreign cooperators for training. These international exchanges have positive effects on the growth of cooperatives.

there are examples of economic collaborations amongst movements in the west and to a lesser extent in the developing countries. The Scandinavian Wholesale Society and Japan-Thai Aid and Trade Agreement in which Japanese Movement is assisting Thai Cooperatives in the production of maize are two examples.

Conclusion

"Humanity at large is seeking, however blindly, for a major transformation from a system dominated by capital to one based on human dignity and equality. The Cooperative Movement, when true to its principles and armed with the courage of its convictions, can prove by practical demonstration that a world society is possible in which man is no longer the slave but master of economic forces".

The objectives and the ideal of the movement as a whole "are no less than the attainment of a stage at which conflict, monopoly and unearned profit cease to exist" and this can be achieved only by "the unstinted and united efforts of all cooperators and cooperative institutions, large and small, national and international".

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4

NATIONAL SEMINAR ON MANAGEMENT OF
AGRICULTURAL COOPERATIVES
IN SRI LANKA

COORDINATION OF VARIOUS AGRICULTURAL
COOPERATIVES AT VILLAGE LEVEL

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By Agriculture we mean here the, the 2 divisions of crop cultivation and Animal Husbandry. Crop Cultivation too could be divided into muddy cultivation and land cultivation. Until recently agriculture centred around paddy cultivation, but now this practice is completely changed. Accordingly what we understand by Agricultural Cooperative Societies is cooperative societies established with the aim of developing various crop production and animal husbandry activities. The best examples for this are Agricultural Producers Cooperatives, Rubber Societies, Coconut Societies, Vegetable Societies, Dairy Societies. They fall into the special category of Special Agricultural Societies. Also, various services pertaining to the agricultural sector are accomplished through the Multi-purpose cooperatives. Among these services, supply of agricultural credit and other facilities (eg: fertilizer, agro-chemicals, seeds, mammothies and other agricultural equipment) takes the main place. Another important service rendered, by the MPCSS is purchasing of farmer's produce. (Specially paddy, and additional crops and vegetables). Some societies assist in the preparation of agricultural produce. eg. milling of paddy, preparation of sheet rubber, collects milk for the Milk Board, Some cooperative societies with the assistance of the District Development Councils have started industries using agricultural produce.

However various types of cooperative societies involved with agricultural production are now defunct. These are the agricultural farms set up under the District Development Council System, Cooperative Gammana (villages) set up under the Agriculture and land Ministry. Cooperative Janawasa established under the Land Reform Commission and the Agricultural Cooperative Societies of the electoral division. The objectives of these societies was the land divided and handed over to the

members to be cultivated as single units by themselves. The reasons for the failure of these societies were, management problems, lack of dedication to the ideals of 'Janawasa' system among the members, and the doubtful state of their stability.

Another fact that we are reminded of here is, the Productivity Development Committees started under the 1972 Productivity Development Act to further establish the agricultural services provided by the MPC Societies or to take over these services when performed inefficiently. Though it was expected to set up special agricultural cooperative societies established under this Act to provide services to the agricultural sector, not taken place.

Under this Act the following services were expected to be fulfilled by these cooperative societies at village level.

1. to obtain agricultural credit to the ratio of allotted lands owned by the member^s of the society.
2. Supply the member farmers with, seed, fertilizer, agro-chemicals, hose-pipes, cattle, agricultural equipment and provide transport and storage facilities.
3. Organisation of cultivation activities on these lands and assurance maximum use of the land. In this instance selection of seeds, classification of crops, control of weeds and pests building of dams and anicuts are the duties of the society.
4. Marketing of agricultural produce on agreed conditions and
5. Taking suitable steps to ensure welfare conditions of the member.

It is relevant for me to mention here a fact experienced almost every Research Officer at studies conducted by the Agrarian Research and Training Centre. That is, even though a number of National Level Institutes and Departments exist for the development of agriculture, their services are not distributed uniformly among the farmers. The main reason for this is the absence of a strong institutional framework at village level. Though there are a number of "Delivery Mechanisms" to distribute the services, the Receiving Mechanism" were weak.

As you all will know the performance of a vast number of services provided for the agricultural population by the Central Government Offices have fallen on cooperative development services. I think it is not necessary for me to explain to you all the programmes of the cooperative movement and the reasons for them. I am sure you have a wide knowledge of it from your experiences gained as officers involved in these activities. However I think it is time to consider the fact whether the prominence given to the consumer sector by the MPC Societies which have been existing for the last twenty years or so; should be carried on further under the present condition.

The prominence gained by the cooperatives with regard to distribution of essential food items is slowly passing over to the private sector. The deficiencies left on business turnover reduced in this manner could be filled only by agricultural activities. Therefore my personal opinion is that the activities of the MPC Societies (specially marketing and special supplies for investments) should be concentrated more on agriculture. If the cooperative societies do not get sufficiently interested in these activities before any competitive government organisation is started, problems will arise preventing the continued maintenance of cooperatives as economic units. More than a researcher like me you all with your practical experience must have learnt that because of distribution of fertilizer by the private sector and supply of agro-chemicals by the Department of Agrarian Services, even now the turn over of some societies have diminished alarmingly. In a market where several trade competitions exist friendliness, sincerity, and kindness cannot be expected. They have to be well organised to fight shoulder to shoulder with the opposition with a good understanding of their principles and manouvers. At all levels village, district or national levels strength and collaboration of societies should be ensured.

In this function, your first responsibility is to observe it with interest and find out the requirements of the member farmers. This is because it is impossible to continue to retain membership of a cooperative society that does not fulfil your requirements or bring in additional income by your dealings with them. From my personal experience I could say that even in famous agricultural districts such as Polonnaruwa, Hambantota no steady provision has been made to convey the farmers' requirements to the primary cooperatives. This necessity is looked after in the Consumer Section by Form AF/23. The absence of such a similar systematic arrangement for agricultural requirements is clearly felt.

What I am trying to explain is to know the farmer's requirements and amount to be allocated for this purpose, communication should exist between the society and branch organisation. To gain this knowledge there are a number of organisations which would be of assistance. The assistance of the Development Officers of the Agriculture Department is very essential. It has been proved by other various research activities that communication between this Development Division and cooperative are very weak. It is been proved by many research studies, that when distributing, specially chemical fertilizer and agro-chemicals, problems are faced in obtaining the required type, required amount, within the required period, at reasonable prices. The main problem is even at instances when there is no scarcity of these goods at National Level, it is not supplied to the farmer systematically eg: If the fertilizer required by the farmer for the sowing season is supplied to the Regional Society during crop maturing time, of what purpose is it for the farmer. The society too has to face problems because stocks have to be stored in one place and the money invested in this too is held up. In one of my recent surveys I discovered that a certain primary cooperative had bought a stock of agricultural chemicals of cheap quality sold under a bogus trade name, and had distributed this stock to the societies. Complaints have been received from the farmer, that their vegetable cultivations have been completely destroyed by the use of this agro-chemical. Sometimes weedicide would have got mixed into the agro-chemical. However I mentioned this incident here to stress that it is useful to have close connections with the Agricultural Development Services, specially, at instances when the cooperative offices lack the knowledge of agricultural technology. Similarly it is useful to acquire the assistance of other special extension services, of some, of these are the Minor Export Crop Development Department, Coconut Board, Rubber Research Institute, Meat Production Department who conducts/extension it will be services, profitable for the Cooperative Societies to establish close liaison with these extension offices.

It is necessary that a close collaboration should be carried out among the National and Regional Level Organisations when supplying requested investment funds and fulfilling responsibilities falling on cooperative societies regarding planning of marketing activities.

Here it is advisable to have an understanding of the institutions available for this purpose, and what could be gained from these institutions for the betterment of the activities of the societies. This is important both when planning and implementation of programmes. The Agricultural Development Directorate, Agrarian Services Office, Marketing Department, Paddy Marketing Board, People's Bank, Fertilizer Corporation, Sri Lanka Petroleum Corporation are some of these institutions that the cooperative societies will have to associate with closely.

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Introducing of Farming Guidance to the
Cooperative Movement in Sri Lanka

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SRI LANKA is mainly an agricultural country but so far the Co-operative Movement has not paid its attention on Farming Guidance, although a rapid change in agricultural structure is highly essential through promotion of farm productivity. The keen competition from other countries where productivity is higher and production costs are consequently low is a considerable factor. The respective governments of most developing countries have made use of the co-operative movement which is an influential source to approach farming peasants to develop the agricultural sector in the economy, by giving various subsidies and financial aid. Our Government is also supplying agricultural inputs through the M.P.C.Ss. which form the backbone of the co-operative movement but the education concerning improvement of farming techniques and facilities for the improvement of rural life and culture is getting scant attention. Introducing of "Farming Guidance Service" to the Agricultural Co-operatives specially to the M.P.C.SS. in the producing areas will be a timely solution to fulfil this gap and reach the objective.

Specialised staff should be recruited to handle problems of farm management and provide intensive and extensive education to farmers in this respect. These staff members can be called as "Farm Advisers" who will be employees of the Co-operative Societies are assisted by "Farm Experts" at the divisional level. The team of farm experts will be consisted of expertised officers of the Agriculture Department and other relevant institutions. This Advisory Committee could be used to avoid overlapping of work and to have proper co-ordination among these institutions. On the other hand proposed farming guidance projects of Agricultural Co-operatives aim at advising the farmers regarding the actual application of science techniques evolved by the Govt. Agricultural Research Institutions to individual holdings of farmers, according to the particular needs and resources of each farmer and the land under his cultivation. In fact every opportunity should be made use to see that the extension of officers of the Agricultural Dpt. and the farm advisors of cooperatives got together regularly in each locality and develop close contact with each other to adjust their guidance principles and to avoid conveying to the farmers any conflicting guidelines.

Contd.....2.

THE METHODOLOGY

Agricultural Improvement Plan

Each agricultural co-operative society should have its Agricultural Improvement Plan for its area of operation. Society should survey the suitability of each area for particular items of productions and advise the farmers to select the best crops suiting their lands. Such plans should be drawn up with utmost caution which can be translated into action. Each farmer in the area should be individually consulted about his reaction to the plan and administrative agencies of the region are also fully involved in its formulation and implementation.

Farming Household Plan

The formulation of household plans may be difficult due to lack of planning habit of farmers. For this it is necessary that they are given proper guidance by Farm Advisors. Such guidance should not only include filling in of entries in the form but also education of farmers in improved farming practices such as proper selection and use of fertilisers, seeds and insecticides, rotation of crops and use of proper tools etc. All such individual plans put together and make the total plan for the area under agricultural co-operatives. On the basis of this total plan the co-operatives draw up the estimates of the requirements of funds and agricultural inputs required by its members and made arrangements for their.

Classification of Farmers

Farmers are classified into different groups according to major items handled by them for example rice growing, fruit growing, vegetable growing or livestock etc. They are provided specialised guidance according to these group requirements. But since many farmers produce more than one commodity they are also given guidance in more items to suit their needs. This kind of arrangement helps farmers not only to pool individual experiences in the growing of common crops and in farm management but also helped them in undertaking joint marketing of their produce through their co-operative at the best price. It also saves them from economic exploitation of merchants.

Farming Units

The farming unit of the group should be small preferably not exceeding 10 to 15 people. The communication between members in such a group is closer and more effective. Any number of such groups may be organised where the membership of agricultural co-operative is large.

Each group should have a Team Leader and a Deputy Leader selected out of farmers who excel others in agricultural techniques. Such a leader should maintain close contact with the agricultural co-operative concerned. The latter should meet different groups at regular intervals so that individual problems can be sorted out and experience pooled.

Proper and adequate honorarium should be paid by the agricultural co-operative to leaders of groups so that they may take real interest in guiding the activities of their group.

The agricultural co-operative should provide to its members not only farming guidance but also the necessary agricultural inputs and undertake to sell their produce at the best price.

Farm Advisors.

The farm advisors are needed for the survey, grasp and analysis of the actual situations faced by member farmers of agricultural co-operatives in the course of their agricultural operations. Naturally enough such advisors need to be fully oriented and trained in modern agricultural techniques. These officers must have a clear knowledge about the co-operative structure and their own societies.

Guidance for Farm Advisors

to discharge their functions in a competent manner.

- (a) Advisors should have full faith in their mission and their task. They should not be bothered by temptation or interference and offer unbiased guidances to member-farmers.
- (b) They should constantly continue research and study and prepare themselves fully before offering guidance to member-farmers. They should never touch what they are not sure about.
- (c) They should always assist member-farmers in their development of management skill voluntarily. They should not impose their will on them.
- (d) They should try to level up farmers on mass through group activities. They should improve the competence of those who are better farmers and encourage others who are a little behind by offering them special incentives and advice.
- (e) They should visit farmers regularly and keep close contact with Team Leaders.

Not only agricultural techniques and farming management they should teach the farmers how they could utilise the co-op. society to solve their day to day problems.

In brief Farm Advisors should become a close intimate friend of the farmer.

Guidance in Farming Improvement and Management.

Education and guidance regarding improvement in farming techniques and management includes the following:-

- (i) Guidance concerning the selection of more suitable crops for individual members and for drawing up their production plans.
- (ii) Guidance in techniques of modern methods of cultivation.
- (iii) Guidance into the matter of securing the necessary funds and resources for cultivation.
- (iv) Guidance regarding the availability of production requisites and agricultural inputs.
- (v) Guidance regarding the availability of labour for different farming operations.
- (vi) Guidance regarding marketing plans.
- (vii) Guidance regarding costs of production and remunerative prices.

In other words guidance provided by agricultural co-operative covers every aspect of agriculture from the time of planning a crop to its actual sowing, harvesting, processing and sale in the market.

Method of Guidance

Actual guidance to farmers by agricultural co-operative could be taken two forms -

- (i) Individual guidance to farmers at their homestead or in the field.
- (ii) Group guidance to members by Farm Advisors at the time when they visit the agricultural co-operative or by calling their special meetings.

It is felt that the guidance process for more effective in the latter case. Accordingly greater stress is laid on collective guidance to promote better appreciation of improved farming techniques and management practices.

Various teaching aids and techniques are adopted in offering guidance to members. Not only talks and lectures but also exhibitions, cinemas, slides, projectors, filmstrips, flash cards, etc. are made use of for teaching improved farming techniques to members. Incidentally guidance cannot attain its goal unless farmers who receive it have a planning bent of mind regarding management.

PART I

INCREASING AGRICULTURAL PRODUCTION
THROUGH CO-OPERATIVES

Mrs. P. Jayaweera - S.A.C. Cooperative Department.

Agriculture which holds a central position in the Economy of Sri Lanka supplying 75% of the export income and is the livelihood of 80% of the population in rural areas. Agriculture could be divided into two main divisions, the plantation or Export sector and National Sector. The governments of most developing countries have accepted the fact that the Cooperative Movement is the best source, of assistance to the small scale farmer who holds an important place in the National Agriculture.

THE OBJECTIVES AND ACTIVITIES OF THE CO-OPERATIVE ORGANISATIONS
AT VARIOUS LEVELS ENGAGED IN AGRICULTURAL PRODUCTION

From the inception of the Co-operative Movement the Limited Loans required for agricultural development have been granted by Limited Liability Credit Societies. The Cooperative Societies were established during the World War II by the government for production and marketing of Agricultural Products, with the main aim of assisting the Food Production Drive. Even though facilities such as Agricultural Credit, marketing of paddy under the guaranteed Price Scheme, supply of fertilizer and Agro Chemicals were provided the government did not yield the expected results from this drive.

MULTI-PURPOSE CO-OPERATIVE SOCIETIES

Multi-Purpose Co-operative Societies were established in 1957 to satisfy an important necessity in the National Development Activities. Through these Societies a large number of members joined the movement and the activities of the Cooperative Societies, Agricultural Production and Marketing Societies were broadened. However due to various management and organisational deficiencies most societies were dissolved.

After the reorganisation of the societies in 1971 with the aim of setting up economically viable Multi-purpose Societies, of the 7468 societies distributed in the country today 285 societies started functioning again. These societies lay more emphasis on distribution of essential commodities based on the Government Rationing Scheme. Their services during national crises such as the 1971 Insurgency and the Cyclone disaster are commendable.

From the Agricultural aspect these societies, apart from granting agricultural credit facilities, supply of fertilizer and agro chemicals and purchasing paddy under the guaranteed scheme, engages in marketing of indigenous crops such as spices, vegetables, rubber, paddy and provide relief for the small scale farmer.

Attached to each Multi-purpose Co-operative Society a minimum of one or more Rural Banks are set up to operate as the Credit and Savings division of the Society. This Bank through its own member contribution funds and Peoples' Bank, grants loans for various activities. Loans for production, supply of consumption goods, loan relief. By their action of enjoining the scattered small investments they provide monetary resources required for the investments for national development, while giving encouragement to the rural population to save. Under the incentive of the ^{government} loan scheme provided by the Peoples' Bank, for various crop productions is carried out by the Rural Banks.

Another important operation executed by the Multi-purpose Cooperative Society with regard to agricultural development is, when lands were taken over by the government under the Land Acquisition Act of 1972. Until such Government Institutes as the Plantation Corporation and Janata Land Development Board were set up to control these lands, the Multi-purpose Cooperative Societies continued as their guardians without even any training or practice of such work.

In 1974/75 the Multi-purpose Cooperative Society commenced collecting Betel Leaves from the farmers of their district, paying them a higher price, and supplying to the Cooperative Marketing Federation for export. This practise is still continued quite successfully in some societies.

The government paying more attention to consumer development, in 1978 effected an incentive scheme for the Multi-purpose Cooperative Societies. However though the routine marketing and supplying services continued, little attention was paid by the management of the societies to the agricultural sector.

In the district/involvement with the large scale development schemes like the Mahaveli Development Scheme the Multi-purpose Cooperative Societies have become the medium bringing in the government approved agricultural services and marketing activities through Multi-purpose Relief Schemes. In this manner even amidst various deficiencies the important services of the Multi-purpose Cooperative Societies to develop agricultural production is an unarguable fact.

Also according to the Sector Plan of the Agricultural Ministry for the duration 1978 - 1982, the Multi-purpose Cooperative Societies will be playing a dynamic role in the development programmes.

SPECIAL PRIMARY AGRICULTURAL SOCIETIES

The special Primary Agricultural Societies were established mainly to supply facilities such as investments, technical knowhow, production facilities for the small scale farmers of export crops such as Tea, Coconut and Rubber etc. They perform an essentially economic service to provide the incentive to compete with the private sector. Also there is a great demand for Primary Cooperative Societies by tobacco growers, minor export crop producers and vegetable growers, and the marketing of subsidiaries of coconut vegetable, onions, chillies and other grains among producers societies.

The Milk Producers Cooperative Society started with the main aim of collecting and marketing milk act as Agents for the National Milk Board, and provide veterinary medical services and supplies of animal food stuff at relief measure prices. It should be noted that it is the Milk Producers Cooperative Societies that have been used for the Milk Development Project functioning under International Dairy Farming Development Association aided by the World Bank. It is proved that the Cooperative is the best way to improve milk production, by the results of the Projects of Milk Development Authorities in Kandy and Nuwara Eliya Districts, conducted under the Ministry of Rural Industries.

Supplying employment with Low Investments to educated youth to cultivate export substitutes on marginal lands and to realize their main aims, at various instances, the Agricultural Youth Organisations in Sri Lanka have been pushed into activity by the Cooperatives. The main activity of the Cooperatives was to instill cooperative feelings in the minds of the youth, and train them in self administration, supplying the investing and marketing facilities for Agricultural production, and supply of day to day consumer requirements. Of these what are actively remaining are the Agricultural Societies for young farmers, started in 1965 under the Land Ministry with the directive of confirming ownership of these lands to the Young Farmers. The responsibility of Agricultural Management and Cultivation fell on the Cooperative 'Gammanas' started in 1971 based on common ownership by the Agriculture Ministry, and the Cooperative Societies of Agricultural Youth Schemes begun under the directive of the National Youth Services Council.

Under the Land reorganisation Act of 1972, reorganisation of land administration based on the theme of common ownership did not fulfil the ambition of the Cooperative Societies of Janawasa Cooperative Societies. Therefore all the assets and responsibilities of Janawasa Cooperative Societies and Cooperative Gammanas begun in 1971 are given over to Janawasa Commission and Land invested to the Land Reorganization Cooperative Societies have been given over to Land Reorganisation Commission and registration of these societies are being cancelled at present.

Given below are statistics of special type Primary Agricultural Societies according to a survey on Agricultural Cooperative Societies conducted by the Cooperative Department in 1978.

<u>TYPE OF SOCIETY</u>	<u>FUNCTIONING SOCIETIES</u>
1. Farmers Agricultural & Farm Societies	56
2. Small scale Tea Producers Coop. Soc.	16
3. Small scale Rubber Producers Coop. Soc.	18
4. Coconut Producers Cooperative Society	07
5. Milk Producers Cooperative Society.	37
6. Tobacco Growers Cooperative Society	54
7. Dairy Farm Societies	41

NATIONAL LEVEL AGRICULTURAL COOPERATIVE ORGANISATION

It could be said that our Cooperative Movement is an Cooperative Organisation at National & Secondary Levels.

The three Apex Level Cooperative Organisations which could be considered suitable for the Agricultural Sector in Sri Lanka are listed below.

1. The oldest National Level Society is the All Island Coconut Producers Cooperative Union set up in 1942. At the beginning they worked very satisfactorily to export Copra from member societies but due to competitive attacks from the private sector the work was neglected. Their present occupation is manufacture of coconut oil and washing soap for the National Market. However with organised competition from the societies the work of the union is limited.

2. Rubber Producers Cooperative Society Union Ltd. This union was set up in 1967 consisting of the Multi-purpose Cooperative Societies and of small scale rubber land owners, and their main aim was to market at higher prices the rubber latex collected by member societies. The rubber purchased by the Union are exported by the Commissioner under Sri Lanka and China Rubber pack, while their services to member societies and individual members in the face of stiff competition from the Private Sector should be appreciated, attention should be paid to their investment, financial facilities, contribution of technical knowledge, collaboration with various government institutes working in connection with the Union, to improve the production of the Small Scale Land Owner.

3. Cooperative Marketing Federation - The Sri Lanka. Cooperative Marketing Federation was set up in 1973 by the amalgamation of the Cooperative Consumers Union, Farm Implements Producers' Cooperative Society and Agricultur/ Producers Union. This is the National Level Marketing Organisation of the Multi-purpose Societies. The MARKFED which is considered to be the strong National Level Cooperative Trade Organisation in the Agricultural sphere, since of late has entered into trade activities, to export and import on behalf of the Cooperative Societies

Organisation:-

- (i) Board of Directors - M.P.C.S. Member Societies
- (ii) Central Committee - (is made up of one person appointed by the Commissioner and representation of one person each from each Commissioners Division)

The
(iii)/Board of Directors are the three main levels in the organisation of the Marketing Federation.

According to the By Law of the Union, its main objective is to facilitate activities of member societies on Cooperative Principles, aiding the societies with their ideas for Agriculture Consumer and technical activities and application on business activities, and allowing member societies to air their grievencess.

At present the Cooperative Marketing Federation is engaged in the 4 following main fields.

1. Marketing of vegetables, subsidiary food stuff and grain and spices.
2. Exporting of non traditional agricultural products.
eg: Betel. pepper, spices.
3. Import and distribution through member societies of some food stuff as corriander and tinned-fish..
4. Distribution of/kinds of fertilizer, vegetable seeds and Agricultural equipment through member societies.

Successful results are shown by the marketing of spices under Coop. United Farm Ltd effected in Kandy District under the sponsoring of the C.M.S.C. In this manner the MARKFED was able to pay 40% more than what the traditional buyer was paying.

A pilot project was inaugurated at Pugoda MPCS under the sponsorship of the CMSC to systemattically effect the marketing of betel on a Cooperative basis. This programme is being carried out at a number of NPC Societies in betel growing areas with the experiance gained from the project.

This has brought about a good service and economic gain to the farmer member society and MARKFED. Sri Lanka facing stiff trade competition from Thailand and Bangladesh supply 80% of the requirements to the market.

Also under the sponsoring of the C.M.S.C. the fertilizer distribution scheme was organised in Hambantota, with the primary aim of strengthening Agricultural Cooperation, organisation of more effective distribution and improvement of Agriculture Advisory Services. This scheme clearly showed the services that could be done to improve agricultural production through Cooperatives

In this manner it shows even a limited amount of the export sector of tea, rubber and coconut to be prominently shown in the National Agriculture under the Farmer's Authority and the activities of the Cooperatives performed to improve Agricultural Production.

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PART II

ORGANISATION AND PLANING OF ACTIVITIES
FOR THE DEVELOPMENT OF AGRICULTURE
THROUGH COOPERATION

Mrs. P. Jayaweera - S.A.C. Cooperative Department.

The reasons ^{that n} / planning and organisation of activities for the development of agriculture should be based on Cooperation is clearly evident when one considers the fundamentals and social structures of the economy of Sri Lanka. Because rural economy and agriculture are closely interconnected, organisation and planning has to be done at rural level. The Cooperative system is a ideal method of bringing together the scattered small holding of small scale farmers for the planing and development of agricultural production.

In a country like Sri Lanka stress should be on human resources more than any other resource. The state of unemployment for prevailing in the country, and under employment in the agriculture sector is accute. Though there are various systems of organisations of labour in various countries in Sri Lanka, the focus is on Cooperative Organisation methods. The importance given to the Cooperative system for social and economic development is clear in the Constitution of the Republic of Sri Lanka. It is a special feature of the policies of the Constitution that National productions should be equally distributed among the people. Planning for economic development based on fundamental theories of Socialist Democratic ideas, the high ideals of government policies could be realized through Cooperative fundamentals.

The building up, of requirements of a country is mainly based on social requirement. The Cooperative system is a peoples ofganisation based on social requirements. The people of Sri Lanka have accepted for a long time, the fact that the Cooperative system is the most satisfactory system to solve our economic problems.

Special emphasis should be made on preparation of agricultural credit and supply of other investments, eradication of pests and use of modern methods, harvesting and marketing when planing but agricultural production. The importance of a Cooperative Organisation when preparing plans for the coordination & organisation of these activities is clearly seen.

In Sri Lanka most of these activities are carried out by the Cooperatives, and the Cooperatives have taken on the responsibility for the good of the members.

Most Asian countries have realised the importance of concentrating on the Agricultural Sector through rural development. For more than a decade the planners and policy makers of Sri Lanka have placed emphasis on development of non exportable traditional agriculture sector. The requirement of planning agriculture development at rural level is mentioned for the first time in the foreword of the Agricultural Plan for 1958. It is in this plan that mention is made that a Multi-purpose Cooperative Society should be established as the development planning unit of each village. The necessity for active participation, of the people for economic development is clearly shown in the short-term working programme of 1962.

However the deficiencies in the Cooperative Movement is clearly seen when examining the planning of Agriculture at (1) Original Level (2) District Level and (3) National Level.

Effort has been made at various instances in planning agricultural programmes at village level, to secure peoples' participation. The task of preparing a production plan for a season was done by government officers in consultation with the Multi-purpose Cooperative Societies established in 1958 and the Cultivation Committees set up under the Paddy Lands Act of 1958. Later to coordinate the work of the Cultivation Committees and Cooperative Societies on the Production side, District Development Councils were established comprising of representatives from the main institutes at rural level. Activities such as preparation of development schemes based on abundant economic resources in the villages, Implementation of Government Programmes, recognising small scale investments were performed by these. These development schemes were put into operation through MPCs and special Cooperative Societies.

After the new government assumed power, the Production Development Committees and Cultivation Committees were demolished and to carry out their work Rural Cultivation Officers were appointed by the government.

The aim of the present government is to encourage the Rural Development Societies to improve the rural economy and social state and all coordination activities of regional level programmes are executed by Deputy Government Agents.

All regional level planning programmes are discussed at District Agricultural Committee Meetings headed by the Government Agents, and the District Agricultural working programmes are prepared and forwarded to the Agriculture Ministry for approval and decision on priorities.

National Level Agricultural Policy- decision making and programme planning are not carried out according to the Japanese practice, where Agriculture Cooperative Movement is directed by an Apex Level Cooperative Organisation.

The Cooperative Department represented the Cooperative Movement at Agricultural Ministerial Level discussions and activities with allied institutions. This system does not portray the true philosophy of Cooperation and the centralised planning does not allow true concentration on various rural level Socio-Economic requirements. The fact that the Cooperative Movement is considered only a tool to carry out the development plans of the government, and not a partner at National Level planning schemes is a great blow to the development of the Movement.

The attention of the present government is concentrated on increasing production through development schemes which affect the economy of the country on the whole. The reasons for this are the deficiencies that existed in the various development programmes, effected in the past.

In area where massive development schemes such as

- (1) Mahaweli Development Scheme.
- (2) Kirindi Oya Scheme &
- (3) Ginganga Scheme, are

carried out, the responsibility of satisfying the agricultural & consumer requirements of the people has fallen on the Cooperatives, and they will also have to face the task of fulfilling the various responsibilities arising in future from development activities.

Thus/^{it} is clearly evident, how the Cooperative Movement has taken an active lead assisting the various development activities of the government, from the time Sri Lanka gained Independence.

PART III

ACTIVITIES AND (i) NATIONAL ECONOMY
 (ii) PEOPLE AND (iii) RESULTS CONCERNING MEMBERS

Mrs.P.Jayaweera - S.A.C. Depart. of Coop. Development.

Agricultural Development is based to a great extent on intensive cultivation and for this, credit facilities, a gradual increase of investments and supply of services is required. It will be useful if an analysis is done on the following lines about the field of activity of Agricultural Cooperative Societies for the increasing of agricultural production and the results of knowledge gained of Cooperatives and members by the National Economy and the people.

1. Agriculture Credit.
2. Cooperative Agricultural Marketing.
3. Agricultural investment supply.

AGRICULTURAL CREDIT

At the beginning limited loan requirements of small scale farmers were supplied by Limited Liability Credit Societies. Later it was broadened by Agricultural producing and marketing Cooperative Societies. The popularity of these societies is shown by the increasing grants of loans and satisfactory increase in income, volume and the supply of Agricultural requirements without delay was an encouragement for rapid development of Agriculture production. Up to 1963 Agricultural Credit Scheme was controlled by the government and then it was taken over by the "Banker of the Coop. Movement" - the Peoples' Bank.

The aim of the Peoples' Bank was to establish at least one Rural Bank for each Multi-purpose Cooperative Society and this programme developed with the Coop. reorganisation in 1971. The Rural Bank was in fact the Credit & Savings Department of the MPCS and operating under close coordination of the Peoples' Bank.

These Banks perform a wider service in that they grant credit for loan purposes not falling under the objectives approved by the Government Credit Schemes. Under the novel Agricultural Credit Scheme initiated in 1969, loans were granted not only for paddy, but also for extra crops such as vegetables, chillies, onions and potato. Even though 75% of the liability on the loan reposes on the Central Bank no improvement was seen on the participation of Banks. Up to 1973 Rural Banks granted loans under this credit scheme and under present comprehensive credit scheme they grant loans for production, housing, relief from other loans, commodity purchases and other urgent requirements. 86% of the loans granted during 1975/76 - 1976/77 for paddy cultivation were given by Rural Banks. During this period 50% of loans for additional food crops too were granted by them.

In 1977/78 restrictions concerning granting of loans were slackened but because of the unsatisfactory results Bank Rules and Regulations are now adhered to very strictly for loan purposes. The Central Bank too has handed over the full responsibility of granting and recovery of loans to the Commercial Banks.

AGRICULTURAL CROP INSURANCE

In 1958 with the aim of encouraging crop production and stabilizing agricultural income, the Crop Insurance Scheme was tested on a limited scale. In 1973 the Agricultural Insurance Council was set up for the functioning of a wide spread Crop Insurance System. The Multipurpose Societies acted as agents to collect insurance premium invested on paddy cultivation. As the MPCPS supplies the majority of agriculture loans, they were able to perform the tasks of insurance satisfactorily. Though it is a relief to the farmer to receive a payment when crops failed it was not a solution for the other problems in farming life. The government only gives encouragement to the insurance movement, but in Sri Lanka we do not have a separate Agricultural Crop Insurance Scheme as in Japan.

COOPERATIVE AGRICULTURAL MARKETING

When the marketing field in Sri Lanka is considered on the whole, the limited outlook of the Cooperative Movement evident and the reasons for this could be considered under the following headings.

- Marketing of
1. Paddy
 2. Additional Food Crops
 3. Vegetables
 4. Coconut and
 5. Milk.

PADDY

After the 2nd World War a guaranteed price scheme was started for purchasing of Paddy and the Cooperative Societies bought the paddy on a Commission Scheme. At the beginning the Agriculture Producing & Marketing Societies acted as agents, and the certified price scheme was extended to include maize, kurakkan, saffron, green gram and other extra crops. Later the MPCS too under this scheme purchased at village level the produce from farmers. Though the Peoples Bank provided credit services, the lack of storage facilities was a problem. This problem was solved to a certain extent in 1971 after the establishment of the Paddy Marketing Board, but the storage problem still remains. Upto 1978 the MPCS possessed sole agency of the Paddy Marketing Board, and the Peoples Bank continued supply of short term easy payment, trade loan facilities. But with the bumper harvest collected in 1978 in areas where MPC Societies failed to supply facilities to purchase paddy, Private Agents were appointed.

When considering the amount of paddy purchased by the Board in the years 1974/75, 1975/76, 1976/77 the percentage of purchases by Cooperatives is 98%, 93% and 92%. Even with small irregularities and deficiencies the scattered branches of the MPCS, conducted this marketing activities.

MARKETING OF EXTRA FOOD CROPS

The government at various intervals founded a certified price scheme by fixing lowest price-rates; but the principles followed in importing food stuff, play a great influence. While facing such problems as drying, decomposition, lack of storage of food stuff etc. the Cooperative Societies purchase these products but no permanent programme is followed. The Cooperative movement is forced to function amidst differences between import policies of the government and competitiveness with the private sector.

MARKETING OF VEGETABLES

The Multi-purpose Cooperative Societies in vegetable growing areas, vegetable growers Cooperative Societies and Cooperative Marketing Federation all are employed in the task, of marketing vegetables, but compared to the activities of the private sector the Cooperative participation is still minute. It is difficult to assess the activities of the Cooperatives as statistics in connection with vegetable marketing are absent. The Cooperative Marketing Federation is involved in wholesale and retail sales of vegetables, but the private sector too is very influential and their work is parallel to that of the Department of Marketing Development and in comparison Coop. Service does not show any marked development.

MARKETING OF COCONUT.

Coconut Cultivation is essentially a small scale producers cultivation, but the marketing of produce is in the hands of the private sector. However breaking down this monopoly about 7 Coconut Producers Cooperative Societies today purchase coconuts from members and cultivators, & markets Copra and Coconut Oil. Purchasing and retail trade of coconuts in producing areas by the MPC Societies bring in great reliefs to the Consumer.

MARKETING OF MILK

The Milk producers Coop. Society acting as agent to the Government Institution Milk Board, and some MPC Societies purchase milk from supplier and supply the to the Milk Board. During 1973 and 1974 it is a marked feature that 72% and 65% of the milk purchased by Milk Board has been supplied by the Cooperative Sector. The services of the Cooperative Societies done by removing blockades brings great respite to the milk producing society.

SUPPLY OF AGRICULTURAL INVESTMENTS

From the beginning of the Agricultural produces manufacturers and marketers Coop. Society the Cooperative Movement has fulfilled an important task of supplying agricultural investments. In this connection the policies of the government is an assurance of providing at required time, fertilizer, Agro Chemicals, seeds and equipment and supply of investment relief. (from fertilizer and a small amount on seed & agro chemicals).

Fertilizer is imported by the fertilizer Corporation and some Private Companies. The Multi-purpose Society purchase fertilizer on cash payment or on loan from the Department of Agrarian Services Commission and markets to the farmers. As the Private Sector too are engaged in this activity the Cooperative Sector has to face stiff competition. About 60% of fertilizer uses of small dimensions do retail business through Cooperative Sector. According to statistics for the year 1974/75 and 1975/76 the total supply of fertilizer through Cooperatives is 78% and 54.6%. Though institutional and management deficiencies are present when supplying fertilizer, the Cooperative contribution to the increasing of agriculture production is immense.

AGRO CHEMICALS

The Multi-purpose Societies supply the farmers with Agro Chemicals imported by the State Petroleum Corporation and a few Private Companies but due to lack of statistics it is difficult to assess the success of these activities.

Agro Chemicals supplied to farmers on credit cash basis by Agriculture Investment Societies.

In many instances the Multi-purpose Societies are used to distribute Agricultural Equipments, Mamoties, Tractors etc.

Considering these facts the investment supplies in the Cooperative field do a great service in broadening services for the development of agricultural production.

SOLUTIONS

1. Establishment of a strong Agricultural Cooperative Scheme at Primary, Secondary and National Levels.

2. Preparing a programme based on joint responsibility free from external influences, when supplying Agricultur/^{al} Credit and other investments.

(i) Providing the farmer with a suitable training to elevate the economic and social status of member farmers through Agriculture Advisory Services.

(ii) Establishing Cooperative responsibility by arranging an Agricultur/^{al} Group & appointing a leader and sub leader, and allocating joint responsibility to the leader when supplying credit and any other service facilities.

(iii) According to the practices in Malaysia and Indonesia, seek assistance from religions leaders at loan recovery and "past inquiry" stages.

3. When Agricultural Development plans are prepared, representations from rural districts and National Level Agriculture Cooperative Societies too should be made.

and 4. Preparation of a programme to develop the service conditions/living standards of the Cooperative Employees- the understanding provided to them regarding Agriculture & Co-operation, while in services is important.

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5. There has to be coordination between the government departments related to the Agricultural Sector, work carried out by Cooperations and Unions and activities of Agricultural Cooperative Societies at National, District and Rural Levels.

6. As prominence has to be given to the distribution Cooperative Consumer Products and as less interest is paid to the improvement of Agricultural Cooperative Societies a Cooperative Organisation incorporating all administrative and development responsibilities have to be established, similar to the organisation found in Malaysia, to coordinate with government departments & Corporations involved in Agricultural activities.

JN/PH

20/3/79

"Development of Agriculture through
Cooperative Effort"

Mrs. Malini Endegama,
Lecturer Sri Jayawardenapura Campus.

The suggestion of developing our Agriculture through Cooperative effort is not novel to a country like Sri Lanka whose main livelihood from the beginning of our history has been agriculture. Not only our traditional socio-economic design, if we consider the agricultural activities in rural villages even today it is seen to be done with full cooperation of the villagers. Not only in agricultural activities but in all their day to day activities/^{do} they gather round in harmony and mutual cooperation. However with the western influence this essentially cooperative unity ingrained in our socio-economic pattern changed in to a competitive mode of life. It was only at the beginning/^{of the twentieth century} when our agriculture had deteriorated almost to an end that even the colonial rulers understood that a broad technical and commercially oriented competitive socio economy did not suit an agricultural society of small scale farmers. When the British rulers came to understand this only did they decide in 1910 to elevate the poverty of the farmers through the Cooperative Movement by supplying them credit facilities, seed paddy, and improve production. They established the Cooperative Ordinance in 1911. In establishing this Act they sought influence from the European Cooperative methods and Indian Cooperative Law instead of considering the traditions of the Sinhala society. The result was a Cooperative organisation based on Western methods quite alien to the Ceylonese. By this era in history, the Sinhala people were disgusted of the administration and activities of the British rulers and this new-faced Cooperative Movement was also observed with suspicion and did not accept/^{it} fully. Therefore the Cooperative system initiated by the people themselves borne out of their necessities in European countries, had to be spread and put into action by the government in Ceylon. What evolved of this was a cooperative system, controlled and administered by the government instead of an independent cooperative movement of the people ruled by the people. Therefore the government policies and principles became decisive factors influencing the cooperative movement and agriculture.

Government Policies

From the commencement of the Cooperative Movement in Sri Lanka upto the World War II the Government tried to make it a peoples movement under the leadership of the people. They did not interfere in/^{any} activity other than registration of the societies and general supervision. Cooperative societies were ruled on ~~true democratic system~~ and the officers too served in them voluntarily.

However the government interference in the Cooperative Movement increased when the government had to seek assistance from the cooperative societies when faced with the food shortage and food distribution problems during the Second World War. Distribution of food and opening^{up} of new cooperative stores paved the way for a broad Consumer Cooperative Society System. Also the government to overcome the food shortage and^{to} increase agriculture production, started a guaranteed price scheme for easy marketing and^{an} institutionalised/credit scheme to obtain loans easily by farmers. To put this programme into action new Agriculture producing and marketing cooperative stores were started. In this manner because to distribute food stuffs, and give aid to the farmers the government appointed the Cooperative Societies as their assistants and representatives, the number of Cooperative Societies and their responsibilities increased rapidly. However in the circumstance, though the Agriculture producing and marketing, Cooperative societies aid was well distributed and through consumer cooperatives., a great service was done to distribute food. But due to government interference though the movement developed it started deviating from being a peoples movement. Before the World War II a sub department under the Agriculture Department was sufficient to look after the Cooperative Movement. But after the war due to the development of government influence the fact that a separate Cooperative Development Department had to be started in 1945 shows the extend of the government influence clearly.

The year 1957 was decisive for the Cooperative Movement in Sri Lanka. With the change of government in 1956 the policies of the government toward the Cooperative Movement also changed greatly. Because of the grave foreign exchange problems faced by the government, their main policy was to develop the economy by developing the agriculture and increase food production. For this purpose they selected the Cooperative Societies as their main helper. As a result in 1957 a broad reorganisation was brought about in the Cooperative sphere. With the reorganisation the single Cooperative Societies were amalgamated in to Multipurpose Cooperative Societies. Their main activity was to be the Governments' representative at village level in national economic development activities, specially in agricultural work in the rural economy.

After the reorganisation too even if the Cooperative Societies were democratically controlled because of the governmental influence leadership among members did not improve. Therefore even if the government granted loans to farmers, the farmer did not take an interest to repay the loans and the Cooperative Society officers did not take an effort to collect it. Therefore the Cooperative Society loan debits increased alarmingly.

The reason for the weakness of these co-ops established, (one society for each village,) is that they were economically not viable to be controlled as business enterprises. However by 1968, because the MPCs which were the spinal chord of the Cooperative Movement were in a very weak state, the services of the government expected from them towards agricultural development were not performed. Even though a Royal Commission was appointed to inquire into this sad state of the Cooperative Movement, before their Report was completed the government

After an intensive examination the opinion of the Royal Commission was that no patching up was sufficient, but that a re-organisation of the movement was necessary. The recommendation of the Commission, was forwarded after detailed inquiry into the great influences of the government policies, government assistance, political interference, democratic administration, member participation, staff problems and all other aspects of the Cooperative Movement.

The policy of the Coalition government which came into power in 1970 was, to develop the agriculture through Cooperative efforts and thereby improve the economy of the country. The task of making success of the five year plan based on this policy too depended on the Cooperative Movement. Though a complete re-organisation of the Cooperative system to fulfil these ambitions was started, unfortunately, most of the recommendations of the Royal Commission were ignored. The biggest mistake of the re-organisation was instead of small primary societies, large primary MPC Societies with branch societies were set up and of the members of the Board of Directors of societies most of them were nominated by the government. To give more prominence to these, MPCs in the economic system the government gave more aid and incentives. Therefore a large share of the finance meant for national economic development was invested in the societies. As the societies were responsible to invest these funds the government felt that they should keep a close check on them. Though this was quite reasonable it was a great blow to the democratic aspect of the cooperative societies, for they lost their independence when the Board of Directors too were nominated by the government. This practice of nomination led to an opportunity for an ineligible person, the Directors Board through political influence. As the true cooperators were pushed out and societies fell into hands of unsuitable persons nominated by the government, the interest of the public was harmed and the societies were full of malpractices. As political interference developed, the Cooperative Society turned into a government paying vested business, the farmers also got into the habit of back the loans considering it more a government allowance. Thus under the guidance

of the government itself contrary to becoming an enterprise of the people the societies turned out to be real government undertakings. Because of the mal-administration and malpractices in the societies the five-year-plan of the government to develop agriculture, with the aid of their best assistant, the Cooperative society, turned out to be only a dream. This in 1977 when the present government came into power the MPC Societies were dissolved and had lost all traces of a public enterprise and had turned out to be government institutions.

The present government in their manifesto at election time and after assuming power, as a major policy they assured the people that elections will be held in Cooperative Societies, democratic rule will be replaced in the societies and the Cooperative Movement to be given back to the people. Because of the present situation a reorganisation in the movement is important. However though it is nearly one and a half years after it came into power the government has not taken any firm steps in this direction. This will cause hindrance to the future of the movement and also prevent the government from supplying the necessary services to the rural population.

As a developing country, the assistance the Cooperative Movement needs from the government is equally important to the help the government will receive from the movement. Therefore in view of the assistance given to the movement the influence of the government to the movement is justifiable. Yet understanding the disastrous results of using this influence autonomously, the government should fulfil its promise to limit its interference. Making it a public concern allowing the societies to be ruled by a Board of Directors elected by people's choice, and creating more awareness among the people about the movement, the cooperative could be made into the best institution to develop the agriculture at village level. As an example quite similar we could consider how cooperative societies have been used to develop the Agriculture in Malaysia, a country similar to us in many ways. After a recent reorganisation in the Cooperative Movement in Malaysia, the rural cooperative societies and urban cooperative societies have been separated. The rural cooperative societies are administered under an Agricultural Authority and they receive vast funds and credit facilities from the government. Even then the government officers are employed only to check whether this monies are suitably invested and to direct the societies. The government does not interfere with the internal administration or Cooperative decisions.

It is relevant here to consider the established institutions available for the agricultural activities in the country. It is regrettable, that not only the various government departments and organisations set up for the development of agriculture but the newly established Agricultural Development Authority too has overlooked the Cooperative Movement in their main activities and programmes.

Already there are various institutions to supply separately the different agricultural services at village level such as to grant credit facilities, distribution of fertilizer, to give advice, supply technical knowledge and provide machinery and equipment, supply ^{to purchase} seed, ^{the produce.} This is a problem for the farmer. It is much more convenient for them if there is a single institution to offer all these services in one place. Therefore it is advisable ^{if} the Agriculture Development Authority is combined with the rural cooperative societies and the institutional organisation is rearranged so that national agriculture services be supplied by the ^{/* be continued by cooperative societies} Agriculture Directorate, and at village level these societies. ^{/*} Setting up one institution to supply all the rural agricultural services to the farmer in one place will be a timely step at present.

It is a special feature in our country that the institutions organised to supply agricultural services changes as governments change with each election. And at each change one or more institutions have been added on. It is not healthy when changes occur not only in the policies of the government referring to development of agriculture, but in the institution too. Under this condition the illiterate farmer face grave difficulties. It will be very advisable if an institutional organisation is created that is not affected by the rise or fall of a government. However what ever policy changes or what ever institution changes, our farmers are very familiar with the oldest village level institution, the Cooperative. It is their unquestionable opinion that even with what ever mat-functionings, the best institute to serve them in their villages is the Cooperative. Therefore to develop the agriculture and develop the rural economy, an institutional reorganisation has to be done to give more prominence to the Cooperatives at village level, and the Cooperative societies should be reorganised to instil into the minds of the people that the Cooperatives belong to them.

Member Participation

As described earlier the policies of the government and the institutional organisation are important to the development of Agriculture, through cooperative effort; But a still more important factor is the interest of the members. From a recent field survey conducted by me on the interest

shown by members of the cooperative societies, I gathered that in our country membership to cooperative societies is sought mostly by middle-aged farmers. Of the full cooperative membership in our country 46% consists of members between ages of 30-49 years and 30% of members above 50 years. There is only 24% of members between 18-29 years. The most important fact evident from this is the younger generation is still not interested in our Cooperative Movement. Some important reasons for this are:

- 1) The youth in our country who receive higher education under a free education systems migrate to the cities in search of white collar jobs instead of seeking for agricultural activities done with Cooperative society facilities, and thus lose interest in cooperation.
- 2) Our cooperative societies do not have the facilities to perform services attract and hold the interest of the younger generation, and also it is the general belief that the cooperative societies are institutions steeped in vice.
- 3) In the traditional social set up of our country the maintenance of the family is the responsibility of the father. He tries his best to increase his income for the up keep of his family and seek the assistance of the cooperative society to reap better harvest from his farming activities and market the produce at higher rates and apply for membership. This is why more people of middle ages constitute the membership of societies.

If development of agriculture is sought through cooperatives, the membership of societies should be increased. From the present membership it is an important fact to remember that the middle aged members are experienced in agricultural activities, cooperative system and also other problems of living. It is important that under the guidance of these experienced members the idea of cooperation should be popularised and more members recruited. The operation of the cooperative movement should be handed over to these young leaders, and the population in our country should be shown that the cooperative movement is a more essential and broader organisation than the limited, corrupted one it is thought to be. In this manner the unemployed youth in our villages could be encouraged to occupy themselves in agricultural activities. For this purpose from their school age a cooperative education should be provided for. Instead of confining cooperative education to the Cooperative Department and the National Council of Sri Lanka alone, the Cooperative societies too should engage in the development of the cooperative movement through education and extension activities in the villages.

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Apart from gaining membership and through that receiving loans, fertilizer and other services the interest shown by members on the administration of the society is not sufficient. Here the members cannot be blamed totally because when comparing the participation of the members of the Uni-Service Societies where the Board of Directors is elected by democratic vote, and Multipurpose societies where the majority of the Board of Directors is nominated by the government, it is very clear that the members participation of Uni-Service societies are very satisfactory. After the reorganisation of the MPCs in 1971 it is seen that Annual General Meetings have not been conducted even once in three years, and the Board of Directors have held office for 4-5 years at a stretch. Therefore what really occurred was the privilege of participating in the administration of the society was lost to its members. It is evident from this comparison too that the MPCs should be reorganised to increase member participation and encourage the members to be more interested in the activities of the society. Without such a reorganisation all efforts to develop the agriculture through the cooperatives with the assistance of the farmer will be a failure.

Cooperative Employees

For the success of cooperative efforts the cooperative employees are as important as the cooperative members. All efforts by anybody else will be useless if the employees are not honest and conscientious. Though we hear very rarely about an honest and dedicated employee, it is no secret that the general impression created by the cooperative employers in Sri Lanka is not satisfactory. They have been criticised very often as a corrupt group who are not courteous to the members seeking cooperative services. Therefore the cooperatives in our country does not receive their due recognition in the economic field due to these misdemeanours. On one hand the deficiencies occurring when recruiting employees, and the unsatisfactory provision from the society to employees have discouraged the employees into poor service and pushed them into employees involvement in fraud. Their wages are very low and their opportunity for promotion is very rare. The problems they face due to political interference is sadning. It is difficult to expect virtuous and honest service from an employee working under these conditions. Also the rules and regulations existing to seek action against errant employees are not satisfactory. It will be difficult to obtain the real services of a cooperative, until the misguided beliefs on the fraudulent state of the cooperative societies are destroyed.

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Therefore when recruiting new employees, it is important to select candidates with accepted educational and professional qualifications and put an end to selections based on political leanings. In addition it is important that rules and regulations are established to improve the service conditions for employees, improve salary scales, and then to seek serious actions against errant employees. Also each officer as well as employees in the cooperative field should be trained to serve the customer with cooperative goodwill and be an example to the society. In this connection it is essential that officers with special knowledge of the value of our rural economy, agriculture, rural traditions and customs, are recruited. One main reason for the failure of most of the cooperative efforts under the ^{last} five year plan was the appointment of illegible persons to important offices. I think it is high time we learnt a lesson from this experience.

Questions and Solutions

A number of questions have to be faced pertaining to the field of agriculture as well as cooperative, when cooperative effort is made to develop the agriculture of our country. As it is not possible to discuss each problem in detail we shall consider in short a few important questions pertaining to agriculture, such as scarcity of land, small scale land ownership joint ownerships, audi cultivation, low yield, indebtedness, and un-employment and problems of political interferences, non-repayment of loans, insufficient understanding of the cooperative movement pertaining to the cooperative/^{sphere} problems such as scarcity of land, small land holdings, joint ownership are prominent in the populated wet zone, where there is limited expansion of land holdings due to increasing population. From the time that tea, coconut and rubber were cultivated on large scale, the farmer has been confined to small scale homegardens ^{and} paddy fields only. As the families increased in number, according to the rules and regulations in our country, regarding ancestry, the limited land owned by a family is divided among the members. This enabled joint ownership or small land holdings. This distribution created hindrance to reap the maximum harvest. Also the audi cultivation system popular from ancient times is also an obstacle. Therefore to solve the problems of scarcity of land, and ownership of land and increasing yield of production a broad reorganisation was affected in 1972. Accordingly most of the lands taken over by the government were handed over to the cooperative societies to be cultivated and made use of. However in our country when people were used from ancient times to private land ownership it was difficult to adjust to owning and making use of land under the cooperative system. The efforts of the government failed not only because the people were not used to it, but because of the shortcomings in the programmes that was put into action.

The best way to solve the problems of scarcity of land, and land ownership in the agriculture sphere is through the cooperative movement. But this should be more systematised than the reorganisation in 1972. It is relevant for us to consider the land reorganisation in Malaysia as an example.

The lands taken over by the Malaysian Federal Land Reorganisation Authority are first of all cleared by contractors and some crop is cultivated on a large scale. Next to settle farmers land of about $\frac{1}{2}$ acre each are fenced off and low-cost houses are elected in one place. Out of the applicants for land suitable candidates are selected and settled with a house on 10 acres of cultivated land. But this 10 acres is not separated but considered as part of the whole field. About 200 acres of land are allocated and 20 farmers are employed to work in peace and harmony. Under this schemes the officers of the land authority assess the work of one person, done for a day. If an employee is unable to report for work, his money should be given or a temporary hand recruited. After the harvest the produce is divided among the 20 workers. The expenses wanted by the government for the development of the land have to be repaid in instalments when the harvest is reaped. There is no problem in collecting this repayment as the land authority themselves market the produce. The main feature in this system is each farmer is entitled to personal ownership of 10 acres of land within the 200 acres and these who wish for private ownership is satisfied by this arrangement. On the other hand the land is not divided into minute sections, under ancestral ownership and a Cooperative land utilization scheme is effected. Thus through this scheme, private land ownership, land utilization on cooperative lines and also avoidance of division of land, a prominent feature in Asian countries is made possible and also the most important factor of increasing production is clearly seen.

Political interference is the main factor from which number of problems stem in the cooperative field. This is because a lot of politicians in Sri Lanka use the Cooperative as a medium to gain popularity. It will be possible to put the cooperative movement out of the abyss it has fallen if a reorganisation is effected to sweep out political interference, and the politician honestly decide to hand over the movement to the people without using it to fulfil their politican whims.

Another pressing problem faced when efforts are made to develop agriculture through the cooperatives, is the indebtedness of the farmers. The main activity of the cooperative should be to elevate the farmer from this situation and assist them in agricultural work. Specially during 2nd World War there was no problem of collecting repaid loans even though the loan was limited and granted by unlimited credit societies. No problem arose

for the members of the society were known to each other and worked for mutual benefit. But in 1947 with the establishment of credit system the government too participated. Even though higher loan facilities were given collection of payment gradually became difficult. At the present, because of the malpractices of credit services, most of the debtors do not take an interest to repay the loan. Because important practices in the Cooperative credit system as "pre inquiry" and "post inquiry" are not followed no loans are received through fraudulent means, the loans received are not utilized for applied reasons. Also because the government waives off unrepaid debts and because the power of the cooperative societies to recover loans are limited, difficulties are experienced in collecting debts. The problem of non repayment of agriculture loans is a question faced not only in Sri Lanka but by ^{whole} / Asia. of But it is most acute in our country, Here if the government refrains from interfering and allows the credit institute, to decide out the debtor, if credit facilities at village level is allowed aonly through the cooperatives, if the cooperative societies are vested with more power to grant and collect loans, if the cooperative societies are specially directed to market the produce and allowed to collect loan repayments at the society itself, this question could be solved to a great extent.

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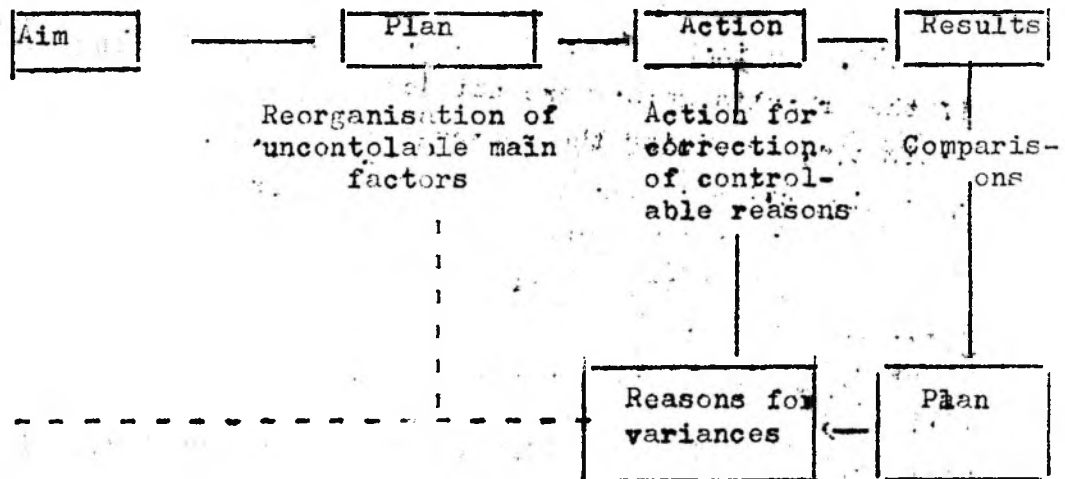
First of all let us consider what is meant by Financial control this could be defined as profit making under least effort, continuation of permanency and liquidity examining whether business activities planned to turn over maximum fruition of the business assets, raw materials, labour, machinery and equipment, finance etc. are successfully executed. If the business objective is to reap maximum profit with minimum costs, financial control will invariably help create an effective management of the business with the active application of the above mentioned assets.

It is relevant here for us to consider what Henry Fayol has to say on "Controlling". "In an undertaking, control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued, and principles established." If the results gained are not according to the accepted plan (budget estimate), examining the reasons for the difference and planning suitable action to put it to right is also an aspect of controlling.

Let us consider the various possible steps that could be used to build up an active financial control, in order to establish an effective management. Firstly the Board of Directors should decide the objectives of the business. When this is decided a programme has to be prepared in order to realize these objectives. This plan has to be prepared to unify all the activities of the business. Then, by arranging this plan in financial units the foundation for an effective management could be laid. To put this plan into action an organizational structure has to be set up, entrusting the necessary directives and their responsibilities should be analysed, by establishing a structure of this nature, it will be possible to create an aimful management. This will enable more active performance of the business activities and also help to assess the services performed by each employee. If such an assessment is to be successful the accounting system of the business should be well maintained and then the true results of the planning could be compared with objectives of the business. By this the management could analyse to what an extent the objectives have been realized. This will create the opportunity to check the success or variance of the aims with the original plan.

If any variances are present, after looking into the reasons for their origin suitable remedial action could be taken by the management. It is clearly evident from the afore going that financial control could be used as an effective tool for an active management.

The following table shows the controlling system to be followed:



Different methods to be observed when controlling:

Given below are the different methods to be adopted when financial control is utilised as a tool for effective management.

1. Establishing Standards.
2. Activities of Budgetary Control.
3. Internal Controlling System.

STANDARDS

Standards could be prepared while planning by prior decision on probable results and aspirations expected of each division & employee. Some of the standards prepared in this manner to establish financial control are given below.

(a) STANDARD OF COSTS

Standards pertaining to costs of business activities prepared by cash assessment.

eg: direct and indirect costing for a production unit, costing of a Labour unit of cost, costing of raw material for the production of a unit, costing of one machines hour.

(b) STANDARD OF CAPITAL

Financial controlling is possible not by establishing standards with regard to business activities but by formulating standards on invested capital of the business. For this purpose various ratios could be used.

eg: Current ratio, liquidity ratio, capital gearing ratio, Stock turnover ratio, debtors and creditors ratio etc.

(c) STANDARD OF INCOME

These standards could be formulated according to the sales of the establishment.

eg: Sales done by an employee, sales to a consumer, sales done for one square foot.

By the aid of these standards when planning the activities of the business, while it is possible to assess the results of business achievements, any variability could also be clearly detected. In this manner the management could easily understand what changes or remedial measures are required in the business methods to realize the expected results within the allocated time limit.

CONTROLLING THROUGH BUDGET ESTIMATES

The ultimate ambition of any business is maximum profit. It is an irrefutable fact that even for a Cooperative Society profit is needed to continue with its services to its members. to gain profit a business has to be carried out on low costs.

To maintain low costs financial control is essential. For suitable financial controlling, planning of the future activities of the business is necessary. The financial planning of a business is defined as a Budgetary Estimate.

A Budget Report is a purposefully designed plan - implementation programme to realize an objective within a stipulated time limit, using such assets as labour, finance and raw material.

The Budget is an important tool to be used to define that financial control is a necessary factor for an effective management.

The annexed table will show how a final Master Operating Estimate, Financial Estimate and Estimated Balance Sheet are drawn according to the correct budgetary estimating methods.

Contd....5/

BUDGET ESTIMATE

Sales Forecast

Production Forecast

Capital Expenses Estimate

Credit & Loan Estimate

Administrative Estimate

Production Estimate

Sales Estimate

Estimate of Expenses

Estimate of Labour

Estimates of Raw Material

Sales and Distribution estimate

MASTER OPERATING BUDGET

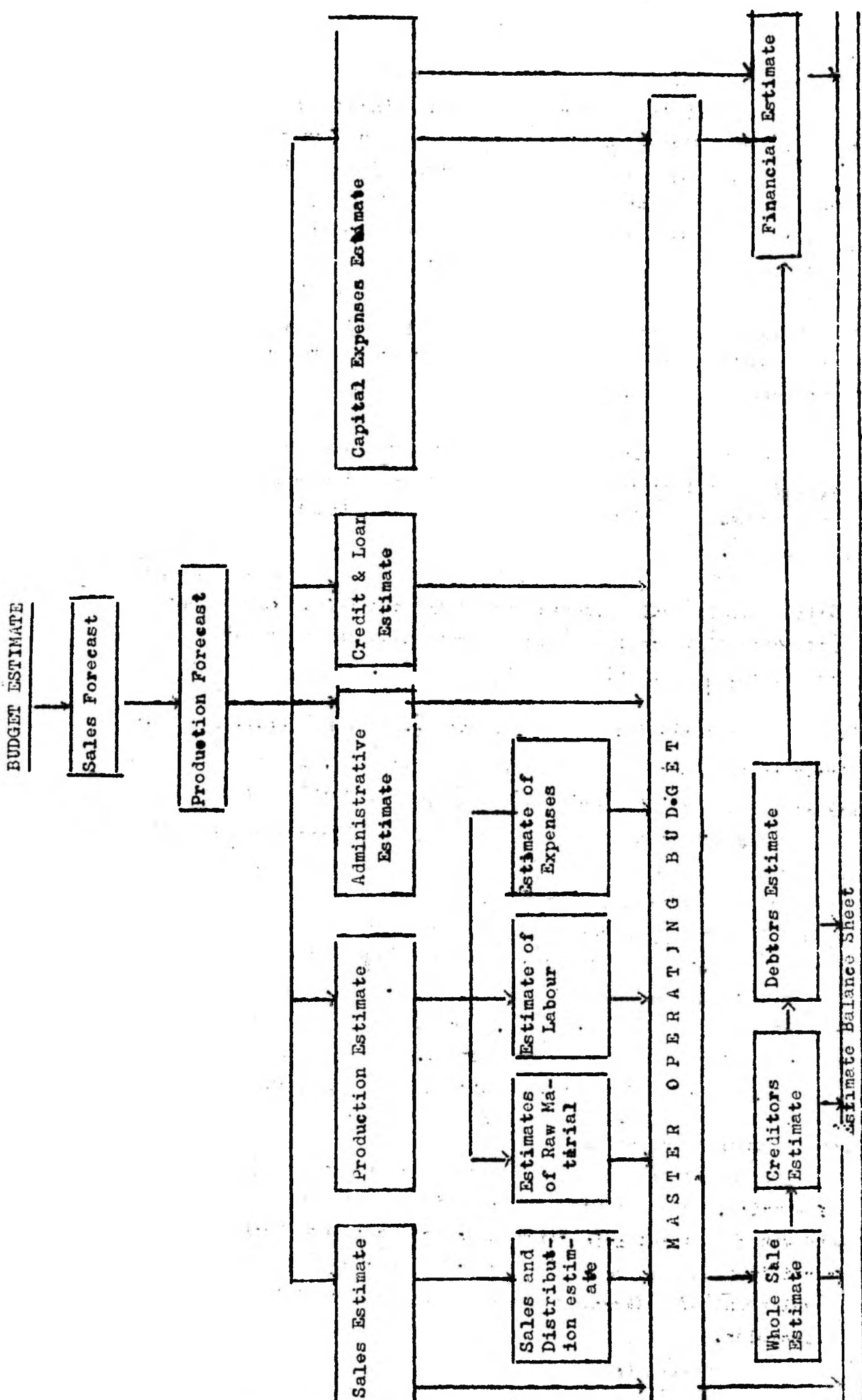
Financial Estimate

Debtors Estimate

Creditors Estimate

Whole Sale Estimate

Estimate Balance Sheet



The ability to pre - assess the income and expenditure of the different divisions of the business through preparation of this type of estimates enables suitable controlling of the monetary activities of the business. Also the ability to control all activities of the firm as a unit by the main operating estimates too creates a better controlling of the finances. The estimated balance sheet clearly indicates the structure of assets of the business. In this manner the ability to operate the business activities to get maximum fruition of the financial resources invariably creates an effective management.

By preparing a financial estimate it is possible to assess the optimum finances to be retained in the business, and this creates the opportunity to invest any surplus in profitable short-term investments.

This could also indicate any future financial deficiencies and arrangements could be made to obtain under low costing the financial assets required for the business.

Also if periodical assessments of the activities of the business are checked with the budget estimates, it will no doubt create an effective controlling of the financial activities of the business.

INTERNAL CONTROL

The controlling of the business activities by the management itself is defined as internal control. Organization and control of methods is a special field of internal control. What should be done, by whom, and how, is decided by this. Control through budget estimates is controlling of investment and production, for a specific time limit.

According to the Certified Public Accountants Institute of America, Internal Control is a mixture of organisational methods and management activities, such as protection of business assets, certification of the correction and acceptance of data of accounts, development of efficiency and encouragement to follow management principles.

According to the Chartered Accountants Institute of Wales, Internal Control does not mean only internal examining and Internal Auditing. It is inclusive of all financial & other methods adopted by the management, to carry out the business activities of the company systematically, protection of assets and to maintain to their best ability the correctness and acceptance of the company records.

From the above mentioned definitions the usefulness of the internal controlling system for financial control is clearly evident.

WEAKNESS IN THE PRESENT FINANCIAL CONTROL

Multi-purpose Cooperative

The new accounts system practiced in the Societies at present could be considered effective for financial control. But by this system no unified method is evolved in the management in the production division, Tender Contracts division or restaurants. Therefore it is evident that no systematic management is followed in the monetary resources allocated for this division.

Further more, it is evident that the management in most Societies have not understood the importance of the Accounts Division. It is regrettable that the employers do not take an effort to recruit qualified personnel or retain the qualified employees already in their services. There is no doubt that if the employer pays more attention to the Accounts Division, which is the Life - Blood of a business it will be possible to establish a better administration. In most societies the Accounts Division is considered more an employee's training division than a accounts establishment. This is evident by the recruitment of casual employees to the Accounts Branch. Also due to negligence in maintaining Accounts Books on time, some Institutes are unable to collect the correct information from them for effective financial control.

The activities of the Accounts Division too are confined to day to day checking only. In this context the clerks in charge of this work concentrate more on the correctness of the report than on the details required to be gauged by the information it conveys.

It is undoubtable that a more systematic administration could be established in the business, if the work that is expected to be performed by the accounts clerk is clearly, defined to them. A marked deficiency observed in our societies today is the non-receipt of the Daily Accounts by the Head Office in time.

It is relevant to mention here another shortcoming in our internal organisation, the malfunctioning of the Internal Audit Division. The work of the Internal Auditor is mainly inspection of the correctness of the Daily Accounts. However if the organisation is able to get the real auditing services executed by him, the benefits of this services to financial control is incomparable. Also when societies are organized he is placed under the administration of the accountant. In this circumstance it is doubtful that the work expected by him will be done satisfactorily. Therefore, when such a post is evolved, it is more suitable if the Internal Auditor is only answerable to the accountant and ^{not} placed to work directly under the accountant.

The Monthly Operating Report (A/F 28) could be defined as a mirror reflecting the management information of a cooperative society. Yet it is surprising that the Accounts Division pays so little interest to the preparation of it. It is regrettable that the preparation of this report is considered merely a formality required by the Department of Cooperative Development, and the People's Bank rather than a source of information of management activities. This is clearly evident by the vast differences shown when comparing the results of the Annual Audit Report and monthly Operating Report. Some of the Board Of Directors too consider this report ^{only} as a valuation account of the profit and loss. Therefore it is essential that the employer and the employee should pay special attention to the importance of this.

STEPS TO BE TAKEN TO OVERCOME THESE SITUATION

1. Preparation of standards to suite the various divisions.
2. Introduction of an aimful management.
3. Preparation of workable estimates for various divisions and a general estimate for the society.
4. A suitable training in this connection to be provided for the employees in the accounts section.
5. Systematize the internal administration.
6. Controlling based on budget estimates.

NATIONAL SEMINAR ON MANAGEMENT OF
"71" AGRICULTURAL COOPERATIVES
IN SRI LANKA

DEVELOPMENT OF AGRICULTURAL COOPERATIVES
AND STATE RESPONSIBILITY

Mrs. P. D. Jayaweera - S.A.C. Dept. of Coop. Development

The act of taking steps for the development of agricultural cooperative societies which we can describe as an organisation set up by the small scale farmer, employing the collective organisational power of the small scale producer with the intension of obtaining the maximum income is an important economic requirement in a country as Sri Lanka, which has rural economy under the management of the small scale farmer. It is made very clear in the Agricultural Cooperative Law how the development of the national economy has been aimed at, not only in developing countries but also in developed countries as Japan by increasing the number of agricultural cooperative societies and by raising the farmer's economic and social status and by increasing the agricultural produce. Cooperative societies in Japan had its origin with state aid, and developed through active state aid. Agricultural Cooperatives in Japan have become administrative agents maintaining principles of price control. Developing countries like India, Malaysia and other countries have aided in various ways to fulfil the requirements coming up on various levels in the chain-activities of production.

History shows how Sri Lanka Government has made use of the cooperatives as a tool to achieve the motives of the government, when decisions are taken regarding principles of economic development and activating them. The government has shaped up the cooperatives sufficient enough to fulfil the aims of the government by distributing consumer goods in short supply equitably and supplying credit for the production of paddy and other by-products and services. During the time of national distress as, the World War II, terrorist uprising in 1971 floods and draught the government sought the assistance of the cooperative movement for the distribution of essential consumer foodstuffs, and purchase of main agricultural produce.

These requirements were fulfilled in a way that no other organisation could fulfil. When considering this carefully, the important fact that stands out, is the deep responsibility the government has in the

development of agricultural cooperative societies in agricultural Sri Lanka. When analysing the responsibility, the government should discharge for the development of agricultural cooperative societies it should be examined even briefly what the activities in the field of an agricultural cooperative society. The agricultural cooperative societies have sprung up as a result of collective organisations of the small scale farmers with the minimum idea of solving their economic problems, supply the essential services as supplying the members necessary farm guidance services, farm equipments, funds, arrangement and storing of farm produce and marketing. As these services should be carried on with mutual relationship, methodical production and organised marketing is very important.

The production of agro-produce depends on the methodical planning, supplying farm guidance services for plan implementation and supplying credit facilities and other services. The production plan of the society should be formed on the basis of data of each member farmer's farm structure. Member farmer's plan is important by way of management of the farm as well as raising of the living standard.

This should include main characteristics as planning of farm produce and marketing activities, planning of purchase of farm equipment and daily consumer articles and estimating income and expenditure. It is the responsibility of the society to supply advise to the farmer, accord and opportunity to exchange ideas and experiences through organisation of small groups in order to fulfil these services. It is important here to create a close liaison between the guidance services supplied to the farmers and farm guidance services of the society through various government departments and institutions as the agricultural department. When drawing a rural level agricultural plan, it is important for the government to make the agro-cooperative societies participate for the advancement of the society and the agricultural development in common. While until now, limited consideration has been given by the Sri Lanka Planners regarding this, it should not be over emphasised, the fact that the best organisation is the agro-cooperative society to assist the small scale farmer to build up a democratic economic structure in a democratic country. Not only that, steps should also be taken to represent the agro-coop. movement when planning on district and national level.

Supplying agricultural inputs is an important activity that could be done by the agro-coop. society. The most essential factor necessary to improve production is the supply of agro-credit to the small scale farmer and by doing this it is through the cooperative society that he could be saved from the middle man. This fact has been understood well by developed and developing countries. This is clearly evident from the relief giving principles adopted by the governments of those countries when allowing agro-credit. From the inception of the cooperative movement the government of Sri Lanka supplied farm credit on various relief systems through cooperative societies. It is the responsibility of the government to open up roads, and provide transport facilities. The media of bringing manure, agro-chemicals, and other farm equipments into the hands of the farmer if the cooperative societies that has spread up to the village level. It is through the agricultural cooperatives that the small scale farmer can get agro-equipment that he cannot obtain by him alone, as tractors, needing a high Capital deposit. Through supplying these equipments on an easy payment system the government can render an important service. In countries as Sri Lanka facing foreign exchange problems, cooperative societies can be given priority through the system of import principle and distribution. The farmer's new cooperative societies established on the encouragement of the Malaysian Government are donated a tractor and a lorry in the first instance. When buying the second tractor and allowance of 70% of the value of the tractor is allowed and the third and fourth tractors are allowed an allowance of about 30% of the value. Agricultural mechanical centres are maintained by the government for repairs of agro-machinery and sale of spare parts.

The problem that the agro-coop. societies in our country face today is the lack of sufficient stores accommodation to store up agro-produce, manured other essentials of the cooperative societies. Once financial aid was granted by the government on an approved plan to build manure stores on local level. Also, in order to supply refrigerator facilities that need much capital investment to preserve agro-produce, for a longer time, government aid is very necessary.

The step that affords the maximum aid for agro-production is the collecting period of agro-produce. This activity also should be controlled to checked the competitive market. Even the Japanese government give financial aid to agro-cooperatives to open up paddy grinding mills, to establish factories to produce fruit juice. As a result of the improvement of living standards of the consumer, the demand for these productions increase and to make the supply easy modernization is very essential.

In asiatic countries where agriculture occupies an important place in the economy, the organisation of marketing is very important. The powerful factor for the development of agro-cooperative society is the successful organisation of marketing. Having saved the agro-producer from the middle man, and by giving him a high price for his produce, the farmer is encouraged to produce which inturn results in the advancement of the society. While this is arranged on three levels as primary, district and nationally top level. The marketing should be organised on three levels by the agro-cooperative society with society collaboration. The biggest drawback to be seen in our country today is the weakness of the cooperative society in all these three levels. That is the absence of a powerful organisation and liason to direct the market competitively with the private sector. By organising marketing activities on a coop. system assets could be assembled and the maximum use could be obtained from limited resources by engageing in the work on a wide scale. Accordingly by lessening the expenditure on one unit, economic advantages could be derived. Coop. System is the best way to save the farmers from the clutches of the private trader. If a coop. system of marketing is organised, efficiently, the expenditure starting from the producer to the consumer is reduced and as a result the producer could be assistaed to obtain a resonable price. To activate the cooperative system successfully there should be liason work among the societies. As a result consuination of articles in a big way will be possible and it will be very useful by way of economy too. Unneccesary competition which results in wastage of limited resources, therefore is eleminated and organisation of complex activities that cannot be done individually, which needs a large capital could be executed collectively.

The expenditure should be reduced on every step and level through efficient management. Although cooperative institutions are established for agriculture and marketing by propagating cooperative principles, if there is no proper organisation, failures and disappointments cannot be avoided. In such activities where large scale capital investment is required the government should step forward and supply modern machinery for a reduced price, give financial aid and encourage the agricultural cooperative effort. In Malaysia a developing country the necessary guidance for the development of the agriculture and assistance is given by the powerful media of the agricultural cooperative system. The important fact we see through this is, that, not only the countries mainly falling under the category of agricultural countries but also countries assJapan that have developed ind. specially with great speed

through the development of the producer, have accepted the fact that the best democratic people's organisation is the agricultural cooperative society which should be made use of for the development of agriculture.

When planning for the development of the export economy where a limited number of farmers are engaged, and the rural economy which was under the control of the small scale farmer in our country, and in order to achieve the expected economic target the government's increased attention should be concentrated on the fulfilment of the necessities for the development of agricultural cooperative societies, which are established by the small scale farmer to solve his own economic problems. This fact is very clear.

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Use of Communication Methods in Member Information

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Introduction

1. Cooperative Movement is for the benefit of the people and the country. It does not stand in the way of implementation of government policies. It, in fact, supplements the efforts and contributes towards the stability of national economy and democracy. Cooperative Movement provides basic training to the people to understand the requirements of a democracy. It trains leaders and citizens in the art of government of their affairs cooperatively.

2. A Cooperative society is an association of persons which as its objects the economic and social betterment of its members, through the satisfaction of their common economic needs by means of a common undertaking based upon mutual aids and profit elimination and which conforms to the cooperative principles.

3. Cooperative societies are increasingly becoming tools of change. They are playing a more important role now. They are now in a position to assist their members better. Members are taking more interest in the affairs of their societies. They have started appreciating the potential of cooperative institutions. The ultimate aim of a cooperative society is to serve its members and the society has to live upto this expectation.

4. Members need guidance and information. There is a need for creating a structure which could organize this service for the members. Cooperative s themselves have to organise this structure and set up a band of well trained workers who would serve the cooperative membership in various ways. Extension work has now become a part of the development of progressive & democratic countries.

5. The Extension Worker is a mediating factor which tries to achieve an intergrated approach to implement a need-based programme. The extension worker should involve himself right from the beginning in programming, assessing the situation, preparing himself and intergrating his skills with the contents of the programme and making a use of local leadership and talents.

- 2 -

It is also clear that he is an important factor in motivating people leading them to action and realising the aims for the benefit of the people. He has also to make a judicious use of various teaching aids and materials besides carefully selecting the methods of his approach to the people. Extension methods have to be employed in giving movement to the programme. Without any extension work no activity can really gain momentum. Let us now consider some of the methods which he could employ in communicating with the farmers.

6. Personal Contact: There is nothing like having a face-to-face communication. This is the most ideal method where the audience is limited and where people are easily approachable. There is an effective two-way communication when two people speak to each other. A certain amount of confidence is gained by both parties and a point can be adequately explained as there is always a room for introspection. An element of personal relationship and understanding is introduced in transacting business in such a situation, for larger groups, however, this method has its own obvious limitations.

7. Group Method: It is a matter of satisfaction that in our villages we always find organised groups in the form of cooperative societies, village councils, young farmer' clubs, radio listening groups, entertainment groups and other socio-economic organisations. To communicate with the farmers it is not really essential to establish new or additional groups. An effective use of the existing ones could be made. The best way of reaching the cooperative membership is through group meetings. An extension worker has, therefore, to identify the group through the medium of which he will operate and implement his programme. He could involve the organised groups and the traditional groups. Traditional groups could be e.g. village headman, his friends and relatives, mahila mandals (women's groups), youth organisations, farm guidance workers, village level workers, village doctor, animal husbandary staff, public relations man, agricultural extension workers, cooperative development officers, electricity supply people, etc.

8. The most ideal group through which the Extension Worker could operate at the village level is perhaps the Managing Committee of a Cooperative Society. A managing committee represents the cooperative community: economic and social interests of the village, talent and leadership of village. A managing committee of a cooperative society is a decision-making body, It is something like a brain trust of the village cooperative movement. A committee is also a planning body. It is a supervising body as well. Its decisions are taken on the basis of a group work, it is also obvious and relevant that the solution of village problems should be made on a group basis. The worker could perhaps make use of this situation and motivate this group and lead it to some action

Because of the status of the President and the Managing Committee of a Cooperative Society in a village, normally the members would give some consideration to the decisions taken by this legally constituted group. The very aim of this group is to help the members in solving their social and economic problems.

9. Within the cooperative member education programme some experimental work on study circles is being done. The cooperative society with the help of the extension worker identified a problem area. The society then either converts its managing committee into a study circle or constitutes a special study circle which includes, among others, the committee members, village leaders and workers. The study circle then studies the problems after discussing all its aspects with the help of the extension worker. His role is to provide all possible factual information to the group, suggesting them the best possible alternatives, and enabling the group to conduct their meetings on democratic lines. Once the circle identifies the best possible solution, it is then transferred to the managing committee of the society to give it a legal shape and try to achieve the objective. Happily this method has been found quite acceptable and those who succeeded in conducting study circles, wanted to have more of them.

10. Demonstration Method: This is yet another good method of communicating with people in the rural areas. The extension worker brings life-like situation before the audience and explains the techniques involved to them. He takes the group out to demonstration farms and exposes them to new experiences. This creates interest among the members of the group, encourages them to ask questions and obtain more and more information about things which they are now looking at. The extension worker here becomes the channel through which the questions go out and the answers come in. He works like a "mediating factor". Some of the agricultural colleges, fertilizer companies and extension agencies have set up their own demonstration farms where groups are invited on a regular basis. The groups are explained about the new agricultural implements, improved techniques of irrigation, pest control, application of fertilizer, development of new varieties of seeds and so on. The basic ingredient of this method is truth, honest display of results and showing the right things to the people. Generalisation does not help. This is the best media of earning the confidence of the people.

11. Visits and Training: This method is akin to the demonstration method to some extent. In this case the members are taken to other successful cooperative societies. Reasons of success are then explained to the visitors. The group has the opportunity to exchange ideas with the people connected with the successful ventures. The visitors who know the affairs of their own cooperative, can identify the areas in which they needed improvements. The extension worker plays an important role in this process. He acts like a go-in-between and disseminates knowledge and information. He organises a sort of study circle or a group meeting there and enables the members to exchange ideas.

12. The extension worker, as a professional, has his own objectives and responsibilities. He is concerned with the development of the individual members of a group. He helps them avoid mistakes, prepares them for various functions, seeks their advice, aids in analysis of situations and problems and presents them information which helps in decision-making. In this entire process the central activity is the activity of communication, communication not only between him and the group but within the group itself. To accelerate the process of communication within the members of the group the extension worker has to identify a leader who is generally acceptable to everyone. The leader should have the quality of being a natural leader, who should give equal opportunity to all members to talk and discuss the matter. He should not be a dictatorial type and should not monopolise discussions himself.

Teaching Aids

13. Teaching aids are the vehicles of communication. It is through these channels that a message can be "easily" passed on to, the audience. Teaching aids alone do not bring any results. They have to be employed in combination with a teaching method and according to a certain lesson plan. Use of too many teaching aids is not effective. Aids have, however, to be selected carefully and which should be relevant to the area, people and the problem. Each teaching device has its place, and it supplements the other. Together they provide the stimulus for interest, desire, action and satisfaction.

14. Although there are a number of teaching aids which the extension workers could or may wish to employ in communicating with our farmers, yet there is a limitation. The serious limitation is that conditions have not yet become ripe to use electronic and sophisticated equipments. It would suffice if the extension workers are trained in making the best possible use of the indigenous material. The use of charts, graphs, flannelgraph, display boards, bulletin boards, photograph pamphlets, slides, film-strips etc. etc. can be easily made if the worker has the imagination of constructing his own aids or has the resources to procure the appropriate ones. Wherever possible, greater use of projected aids should be made. 16 mm films are the most effective media, but the limitation can be selection of relevant cooperative films.

15. Other aids which the extension worker can effectively employ can be folk dances, folk songs, and folk art. This talent is available in abundance in rural Sri Lanka. Radio and television can be used in group meetings and study circle meetings. Some very good articles and features do appear in several cooperative and farm journals. The worker could select them and make use of them during demonstrations and training programmes. Farmers' meetings, seminars and fairs could be fruitfully utilised in doing an effective cooperative extension work. Khadi Gramudyog, rural health, cooperative week celebrations etc. can also be used to inform members about agriculture and cooperatives.

16. Material which could be produced at the local level include the following:

- 16.1 Flip Charts: A story can be explained with the help of large sized sheets. These sheets are clipped together on the top. Sketches or drawings can be made on one side of the paper. Suitable captions in local language can be given. When complete these charts can be turned over the top like opening the pages of an exercise book. The preparation does not mean any special equipment or technique. It is just like writing on loose sheets. The theme can be explained by the extension worker while using them in the class. It is very easy to make, take around, store and preserve.

16.2 Posters : Simple paper of a rather big size. It can be of any colour, not necessarily white. It is very simple and easy to make. By using cut-outs or photographs one can make an impressive and effective poster. Its theme has to be chosen carefully. The caption of the message should be written in bold letters and in sharp colours. Poster does not demand much of text. One idea, bold caption, strong picture are the basic essentials of a good educational poster.

16.3 Flannelgraph: Its other names are khadigraph, plastigraph etc. The name depends on the material that is used in the construction of a Flannelgraph. It is the most versatile teaching aid which can be prepared without much bother and finance. A simple story can be reduced into visuals. The visuals are then cut out and backed with sand paper, or flocked paper. These cut outs are then numbered in a serial order. A flannel cloth or a khadi cloth is then spread on an inclined board and then these cut outs are presented one by one in a serial order by the instructor. While displaying these cut-outs the worker makes a commentary based on the themes of this aid. The commentary has to be prepared rather carefully before hand. By the time he puts up all the cut-outs on the flannel cloth, the entire story is in front of the audience. This is the time when he can conclude his work by summarising the main points of his talk. Ordinary thick file covers from discarded files can be used as cut-outs. Sandpaper is not difficult to obtain in any local market and is rather cheap. Flannel cloth approximately 1 yrd would not cost much. Rough khadi cloth also works very well. Some ink and gum would also be needed. Cut-outs are also touched a bit to make the illustrations bold and simple. This can be done with the help of poster colour and brush. This aid can be used without much preparation either in the class-room or outside the room.

16.4 Display Boards: These include the chalk-board, exhibition panels, etc. As the term "boards" implies these are simple pieces of wood, or hard cardboard, glassboards and the like. The advantage is that these boards give the needed support to the display material. If a surfacer, black or gray or green is applied to one surface of the board, this can then be used as a writing board. These are not expensive and any carpenter can make them without much of technique. Such boards are a must in an MPCS and a small cooperative society. Important information can be written on these boards for the information of general membership of cooperatives. Notices, programmes, market rates etc. can be pasted up on these boards.

16.5 Folders and Leaflets: Small folders giving information about the activities of cooperatives can be printed and distributed on a wide scale. Relevant information is supported by photographs and illustrations and colours. Folders and leaflets on some of the following topics can be produced:

- a. agricultural implements, their care & improvement
- b. irrigation practices,
- c. crop protection,
- d. application of fertilizers,
- e. soil testing and water testing,
- f. health education (including family planning)
- g. literacy programme
- h. rights and duties of secretaries
- i. rights and duties of members.
- j. rights and duties of the president
- k. employees and their cooperative .
- l. dairy cooperatives - animal husbandry
- m. how to obtain loans from your cooperative
- n. what are the functions of a MPCS
- o. cooperative and the youth and women
- p. principles of cooperation and your cooperative

17. In addition to producing own folders and leaflets, cooperative organisations can procure such material from agencies, Fertilizer Companies, Family Planning Programme, extension agricultural departments, NCC, Cooperative Department etc.
18. Production of material, if at all the MPCS wishes to undertake is not at all discouraging and expensive. It is not a complicated business wither. The use of cooperative workers and extension workers in the preparation of modern materials would go a long way. Some local artists, drawing master of the school or some students from the primary or middle school could be of great assistance in this matter. After all we do not ^{or} ~~require~~ a very highly sophisticated art work or art-paper printing. What is needed is a resonably good material.

19. Cost Factor

19.1 Taking the production of a flannelgraph, let us work out the cost involved if it is done at MPCS with help of instructor.

Production:	Flannelgraph	One set
Topic:	COOPERATIVE PRINCIPLES	
Material needed:	8 strips (12" x3") of thick board - file covers	Rs. 5.00
	4 pieces of sandpaper-thick	Rs. 3.00
	1 gum bottle - small	Rs. 2.00
	1 pair of scissors - small	Rs. 4.00
	Ink, paint, brushes, pencil four-rule etc.	Rs. 8.00
	Flannel cloth - 1yard (khadi cloth is cheaper)	Rs.10.00
		Rs.32.00
		=====
	Display board(non-recurring)	Rs.40.00

Utility : Useful to teach 20-30 persons at any one time.
be used over and over again. Can be used for
least 50 sessions. Easy to carry and to use.

Note: The MPCS can produce at least 5 sets in a year
These sets on different subjects can be used by
extension workers in rotation. Annual cost would
be somewhere around Rs.200/=

19.2 Let us take another example of producing a poster.

Production:	Poster	One
Topic:	GROW MORE FOOD	
Material	One sheet of paper (28"x24") of any colour	Rs. 4.00
	Ink, paint, brushes, pencil, foot-rule, eraser etc.	Rs.10.00
	Illustrations/photograph and Miscellaneous	Rs. 6.00
		<u>Rs.20.00</u>

Utility: Can be used several times.
Good for teaching 30-35
persons at any one time.
Can be displayed permanently.
Easy to carry and use. Can be
prepared without much difficulty.

The cost of production would naturally go up if the
artist has to be paid, or if some special material is
used. It would be quite reasonable if the MPCS could
allocate at least Rs.2000/- towards the production of
educational material. Some of the fortunate ones could
perhaps allocate much more if they would like to produce
some slides or film-strips or printed material.

Conclusion

20. It is quite obvious that the MPCSS are the most suitable
agencies which could be of help in the production of more "realistic"
educational material with the help of cooperative workers and extension
workers. Organisations like the MARKFED and NCC can organise special
training courses for such workers in the production of simple visual

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SOME ASPECTS OF AGRICULTURAL COOPERATIVE MARKETING

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SOME ASPECTS OF AGRICULTURAL COOPERATIVE MARKETING

Marketing is in itself a very broad concept and different lecturers stress various parts of this approach.

Marketing involves all business activities that have to be performed to bring a product to the final consumer. In the case of agricultural marketing we have to deal with all the aspects in bringing the agricultural produce from the farm to the ultimate consumer. Thus it includes activities such as collection of marketable surplus from the farms, transportation of the products, storage, grading, packing, processing, pricing and the sale to the end consumer. But the concept can also fruitfully be developed to include also the supply of all the prerequisites and services for the production. We are thus talking of an integrated marketing approach, where we start all our efforts with the aim to meet the demand of the consumers. The theory behind this is of course very simple; by doing this the producers will get the ^{best} price for their production and the consumer will pay according to his demand.

The Agribusiness Concept

Agribusiness is the sum total of all questions involved in the manufacture and distribution of farm supplies; production activities on the farm; and the storage, processing and distribution of farm commodities and items made from them. This is a market oriented concept that implies that:

1. Goods and services must be produced to satisfy consumer demand or needs and only those products that are marketable should be produced.
2. Every Agribusiness commodity industry may be viewed as vertical in structure with the following components; the input supplies, the farmers, the processors, the wholesalers and the retailer.
3. There are numerous firms operating in the component-subsectors, and therefore, there is a need for coordinating these firms within each sub-sector and coordinating the sub-sectors themselves. The objective of coordination is to balance the component sub-sector to prevent bottlenecks and to promote the smooth flow of goods & services from production units to consumption areas. Through this process, production and marketing supply & demand - are expected to be correspondingly matched and balanced.

4. The mechanisms for coordination include government itself, the manager, the researchers who produce technology, cooperatives that used interlinkages between firms in Subsectors of the agribusiness
5. The farming sector must interact with many other sectors. It must look to the market and see that it is responsible to it.
6. The viability of an agribusiness commodity industry depends upon the viability of the firms and the sub-sectors as well.
7. The entire agricultural sector could be views as an array of agribusiness industries. Its strength vigout and vitality are determined by the contributions of each of these industries.

This concept is intergrative and advocates the system approach. It rejects fragmentary unrelated business.

Goal

The goal of cooperative marketing operations is for the

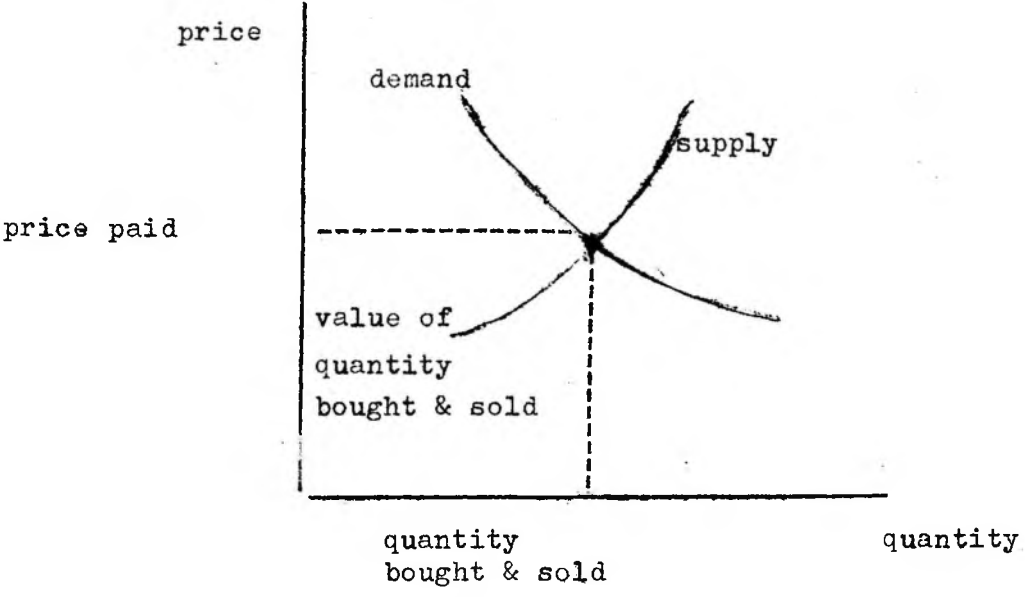
- producers: to get as high as possible return to the producers (long-run) for their products.
- consumers: to get the right products as cheap as possible for the consumer.

In both cases it is the right price that the cooperative is working for. The main principle for cooperative pricing is equity and equality to members.

Supply and demand

Supply and demand are two very fundamental factors in marketing. The concept of supply and demand leads the practitioner in his decisions and are basic to the conclusion of the theorist. This refers to instant reactions as well as repercussions and adjustments in a long term perspective.

Price and volume of supply and demand are related. The volume tells how much the sellers are ready to sell and the buyers to buy at a price agreed on.



The price is in theory a function of supply and demand.

The only thing the picture illustrates is that a quantity has been sold at a price.

In practice it is not so simple

- nobody has the total knowledge of supply and demand
- supply and demand change over time
- customers taste, pressure, skill and habit change.

Because of the difficulties with supply-demand-price the price in practice relates to the costs.

- a. keep-going price - not lower than the variable costs per unit.
- b. reasonable support price - total cost per unit based on some reasonable valuation of the investments constituting fixed costs
- c. new investment price - total cost per unit with some additional risk

We also have:

- a. Market price - what seller and buyer can agree upon.

The function of marketing (trade)

The function of trade is to make goods and services available to the consumers where, when and how the consumers want to have them.

When = right time (storage)

Where = right place (transportation)

How = desired form (collection, assortment, processing, packing distribution)

The time function

Aim: to match production and consumption. You can have variation in both and they can go in different directions. It is difficult to store the factors of production, which means that you have to store the product.

Storage

Different types of storing could be carried out by different agencies:

Short-term storage by producers and consumers

seasonal storage by marketing agencies and cooperatives

long-term storage by government agencies

Costs: The price of the products sold = the buying price + costs for storage. Perhaps it is not possible for every single transaction but the long-run price must cover the total storing activities. From a cooperative point of view preferably this should hold for each commodity each season. Otherwise some numbers will subsidize others.

The different components of storing costs can be listed as follows:

- a. Interest on capital : a relationship easy to calculate, the rate either bank-rate or internal (alternative) interest-rate. The evaluation of the stock wither to the buying cost, the prevailing market price of the selling cost
- b. Maintenance costs: actual cost for work, electricity, insecticides etc.
- c. In and out costs: easily calculated on a per unit basis.
- d. Costs / for changes in quality: difficult to calculate in advance. Depends on the products, the facilities and the maintenance. For non-durable goods the quality may deteriorate very rapidly.

To avoid costs for changes in quality fresh products often have to be processed. Then it is the processing that has to be paid for and not so much the primary product.

- e. Risk-taking: this is a cost for taking the risk of incurring losses. This cost cannot be calculated and the claims for compensation are mostly of a psychological character

Place function

This involves transportation, which is one of the technical achievements that have influenced agricultural international and domestic trade the most.

Costs:

Favour bulk transport of big quantities as compared to assembling of small quantities of different qualities. Who should carry the cost of assembling and transport depends on whether the commodity is produced.

in small quantities - in big quantities
 during irregular time periods - frequently (daily)
 is non-perishable - is perishable

Location of products

Production of a perishable commodity (vegetable, milk) should be located in the vicinity of consuming centres whereas fatstock and bread grain could be produced at much greater distances. Modification because of processing is possible.

Farm function

This means to get the product in the right quantity, quality, package etc. to meet the consumers demand.

The aim is to find the right consumer for each quantity and quality of the product and maximize the returns from the market to the producers.

Dressing for the market:

The farm function should start at the farm and means in its simplest form to take away waste and offals.

Should be done when:

- a. There is an extra price incentive
- b. if the payment for the product is done after removal
- c. if transport costs thereby can be lowered
- d. if the waste and offals can be used on the farm.

Note that the demand for a product expands and contracts at the lower end of the quality scale.

Classification and Grading :

Classification and grading are activities by which goods are made available to buyers in the desired form. Both mean to arrange according to some systematic division into groups, classes or grades.

Classification is defined as a systematic division by individual inspection of the units. Grading is defined as a systematic division simplified by some mechanical process with respect to weight, shape or something similar, which is obvious and simple enough for mechanization to be applied.

When does quality production pay?

Three main preconditions should be fulfilled:

- a. the quality should have a specific characteristic (e.g. taste, smell, form, colour etc.)
- b. there should be a certain scarcity for the quality.
- c. there should be effective demand for the quality.

The extra price paid for the better quality should cover the extra costs incurred in primary production and/or marketing.

Normal distribution

As agricultural production is a biological process, we do generally have a quality distribution that is in accordance with the normal distribution. This means a small quantity of as well high as low quality and the main produce being of medium quality.

This means that there are no undisputable class or grade limits, but they have to be put arbitrarily according to market demands and available production.

To be able to sort into different qualities you must know the quality distribution of the product and whether you can find the consumers of the different quantities.

Advantages of grading

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Advantages of getting large quantities of a homogeneous quality are that.

- the quality becomes established and well-known
- this makes it possible to trade on delivery agreement
- the formulation of contracts becomes not so complicated
- market intelligence becomes easier to collect and interpret
- the produce can easily be used as security for loans
- processing is facilitated

In general, it could be said that sorting and quality production almost is a pre-requisite for orderly marketing and thereby helps establishing cooperatives.

Price of grading

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Should the price differentials from the market be taken down to the producer in cooperative pricing?

Educational purposes may indicate that the price differential should be bigger to the producer than to the consumer. On the other side, the costs of marketing higher qualities in general are higher than that of lower qualities. The price differential should be low. It has to be judged from case

Processing

One of the apparent characteristics of agricultural products is its perishability. Fruits and vegetables are extremely perishable and subject to rapid spoilage if not properly handled and processed. The characteristics of most agricultural products clearly indicate that there is a need for processing. This is very obvious for those products which are considered as raw material such as coffee, oil palm, rubber, paddy.

These products need to be converted in to forms that can be consumed by human beings, as animal feeds or for industrial use.

Processing perhaps the single stage that adds the greatest value to the agricultural products and in most cases largest costs in the marketing process is involved in this stage and any agency that wishes to exercise control over marketing operations must have an adequate control over this activity. Therefore it is necessary that marketing cooperatives must have primary units as an adjunct to the normal marketing operations. Undertaking processing will not only help the Agricultural Cooperatives in getting a higher margin for their produce but also introducing transport and storage costs.

The dynamic function of marketing

The aim is to help the farmer to plan his production in accordance with market-demands.

This can easily become a problem in cooperative pricing.

The cooperative should not act as a wall between the consumer and the producer.

Note also the specific problems for farmers to adjust to changing marketing conditions which are :

- Decisions about type of production can just be taken at certain times (e.g. sowing system)
- the farmers often lack production alternatives
- in early stages of development the farmer feel a need of producing his own food.
- the farmers work with very high fixed costs.
- uncertainties in production are big from as well a biological as an economic point of view.

The dynamic function of marketing means thus:

in the short run try to find outlets for existing agricultural production,

in the long run to adjust production to market demands (internal and external),

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AGRICULTURAL COOPERATION IN SWEDEN

By

Per-Eric Lanhagen
Specialist in Agricultural
Cooperative Marketing.

I N T E R N A T I O N A L C O O P E R A T I V E A L L I A N C E

AGRICULTURAL COOPERATIVES IN SWEDEN

Approximately 98% of the Swedish farmers are members of one or more agricultural cooperatives. More than 75 per cent of the Swedish agricultural production and agricultural supplies are handled by the cooperatives. The societies and their affiliated companies have a considerable share of the total number of employees in the country's food industry. Some-times the aggregate of cooperatives is called the biggest Swedish business enterprise. It may therefore be of some value to give a brief outline of the structure and functions of the Swedish Agricultural Cooperation. But please allow me to start with a short orientation of my home country Sweden. I don't know if anybody of you have been to Sweden but I wish you all very welcome to study our strong and successful cooperative movement. Hopefully this short lecture will give you some information and ideas what it all is about.

Land and Climate

Sweden is situated far up in the northern part of Europe and is a democratic kingdom with 8 million inhabitants. The government has changed from a socialist (social democrat) to a liberal minority government. The Social Democratic Party had been in power for more than 35 years but they were competed in the last election held almost 2 years back.

Anyhow a glance at the map shows us that Sweden is not a typical farming country. About half of her area is covered by forests and more than one third consists of mountains, moorland and lakes. The total arable land comprises about three million hectares which is less than 10 per cent of the total area. The addition to this some rough grazing is used for livestock production.

From the northernmost point to the southernmost point the distance in a straight line is about 1,600 kilometers. Farming conditions will thus be extremely varied in the various parts.

In the northern part of Sweden winter lasts for more than 6 months. On the other hand the western and southern parts benefit from the nearness to the sea and the warm gulf stream. Compared to other countries this far north Sweden and her neighbouring Nordic countries have a better climate. One advantage of being thus far north is that we don't have much many plant diseases and vermin as many southern countries. Therefore we have an agricultural production of very high quality.

The average growth period in the southernmost parts is 240 days compared to 140 days in the northern parts. Due to the midnight sun the crop will ripen during the short but intensive summer. The annual rainfall is about 600 mm but with some variations depending on various parts of the country.

Family Farms

During the 20th century Sweden has been transferred from an agricultural to an industrial country. 100 years ago 75 per cent of the population was employed in the agricultural sector. Today the agricultural population is estimated to be about 5 per cent. There are about 130,000 farms in Sweden with about 240,000 people occupied in the farming including the farmer himself. The average farm is a family business where the farmer and his family is doing most of the work. The number of permanently employed farm member is estimated at only 15,000. During harvest season this figure will increase.

Machines and new methods have more and more reduced the need of human labour. The farms have become larger and larger and the average farm size is today 25 hectares. There are still a lot of small size uneconomic units. To be considered a good family farm the size has to be about 75 hectares but the size is of course depending of specialisation.

Crop Production

The different conditions in the various parts of the country leave their mark on the crop production. In the southern costal countries farmers can grow a big variety of crops. In those parts, wheat gives the highest yields per hectare and sugar beet, potatoes for processing, oilseeds and peas for canning and freezing are grown. In the lowlands in the central Sweden, cereals, foodgrain and oil seeds are grown intensively. The growing of fodder crops increases progressively towards the north. In northern Sweden the greater part of the arable land is under grass. High quality seed potatoes are produced there.

The use of various fertilisers is fully accepted. That means that the average farmer will use the following amount per hectare.

Nitrogen	:	70 kg.
Phosphorus	:	20 kg.
Potassium	:	40 kg.

The total cereal production is about 6 million tons being used as follows.

Farm consumption	:	45%
Marketed for sowing	:	4%
Fodder	:	25%
Mills	:	11%
Breveries	:	1%
Export	:	14%

Livestock Production

The greater part of the crop is converted by the livestock providing about 70 per cent of the total agricultural income. The animals feed on rough grazing, leys and feeding grain but also on imported oilcakes.

Milk production is very important in Sweden. 55,000 farms with 6000,000 milking cows.

2.8 million pigs from 29,000 farms are slaughtered every year.

Poultry farming is also considerable with 8 million laying hens and 32 million broilers produced per year.

History and Development of the Agricultural Cooperatives

Associations for providing farmers with different types of service date back to the second half of the 19th century. Most of those early societies were of local importance and they also had very limited resources but they became the basis for the further strengthening of the cooperative movement. The first known cooperative society in Sweden was a mortgage society. The first dairy, egg and farmers purchasing and selling societies appeared in the 1880s. Numerous cooperative dairies were formed during the 1890's and in the last year of the 19th century the first meat marketing society was formed. The first national organisation, the Swedish Farmers' Purchasing and Marketing Organisation was founded in 1905. The main purpose with the federation was to meet the common service and contract requirements of the about 20 central societies then existing on country level. During the World War I plans were made to create a nationwide organisation for marketing and strengthening of the agriculture in general. The first steps was taken in 1917 with the establishment of Swedish General Agricultural Association.

The economic crises in the early 1930's also hit agriculture. This resulted in stagnation and to some extent a recession. A greater concentration of strength and more coordination was needed. The local societies of each line of production formed regional and national organisations and these gained a far greater influence on marketing and pricing than ever before. To some extent these changes were directly supported by government policy. The creation of the large and powerful organisations enabled the cooperatives to assume tasks which in other countries are provided by public institutions.

Even though the organisational structure of the 30's : is almost the same today, the economic and technical development has led to further concentration and structural rationalisation.

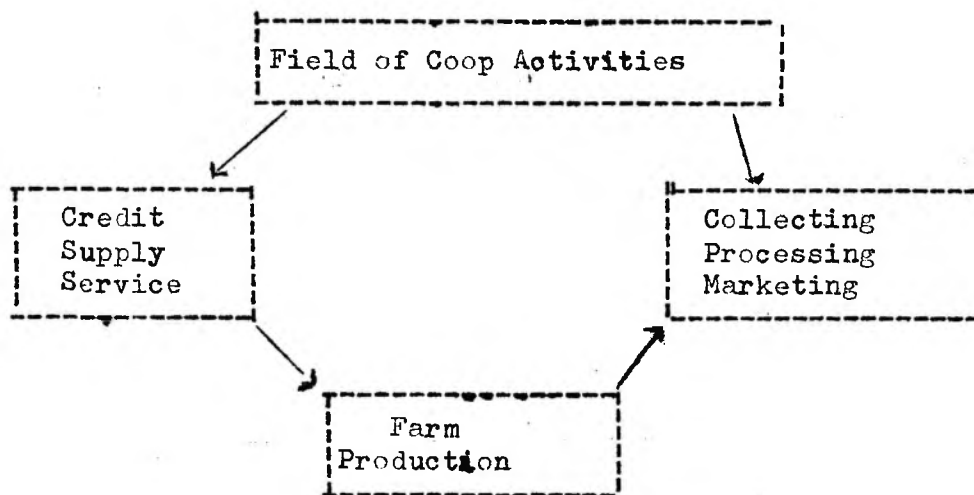
In addition to Sweden's General Agricultural Association an organisation was needed to look after the farmers trade union interests in relation to other groups in the Swedish Society. This resulted in the establishment of the National Farmers' Union.

In 1940 the General Agricultural Association became the federation of Swedish Farmers' Associations and ever since then negotiations with the government concerning farm produce prices have been conducted jointly by the above two organisations.

The rural credit societies which had developed very rapidly assumed the same status as other banks and since 1974 they came under the common heading of the Cooperative Bank. The most recent steps in the development of cooperation was the merger in 1970 between the Federation of Swedish Farmers' Associations and the National Farmers' Union to a new central organisation called the Federation of Swedish Farmers - LRF.

The Agricultural Cooperation Today

The fields of activities for most of the agricultural cooperatives follow the same pattern described in the following diagram.



Today's most typical cooperatives are organised as shown the figure,

Typical Cooperative Organisation in a Branch

- Single-purpose society for milk, meat, forestry, supply, credit on regional level - Primary society.
- National Federation for Section
- Federation of Swedish Farmers

Local (regional) Level

The single purpose primary societies process and sell their members' products, supply production requisites and credit and provide members with a number of other services. The members own the shares of the societies themselves and have powers of decision in accordance with cooperative and democratic principles.

National Level

The regional and local societies in each branch of activity are grouped in national federations. Tasks that are common can be approached in a national and effective way. The activities of the national federations generally include intra-regional trade, exports, import, research, product development, marketing, etc.

Coordination

The federation looks after the interests of Swedish primary and agricultural cooperatives within the community in large, and negotiates with the government on farm produce prices and is responsible for supervising and follow-up of the agreements that have been reached.

The federation administers a joint capital fund which is used for strategic development projects. There is also a lot of activities on information, training and service in the framework of the Federation.

Key Success Factors

1. A fully integrated organisation system

The nationwide federation structure characterises the Swedish Cooperative System. This tight structure has led to a fruitful coordination and collaboration between as well as within the different branches.

2. Integration with the food industry

There is a high degree of intergration by the Cooperatives into the food industry and distributing industry. There is a clear endeavour on part of the cooperatives to increase their share of the end products.

3. Strong organisations

The central organisations play a comparatively string role. Besides the function of coordinating marketing operations etc. these organisations are developing increasingly comprehensive system for procurement of supplementary services aimed directly at farmer m members and member societies.

4. Continous product control

The cooperative have for a long time carried through a rigorous quality control to improte production an the farms. The control programme has, to accomplish its objectives, used economic incentives as well as advisory services.

Problems

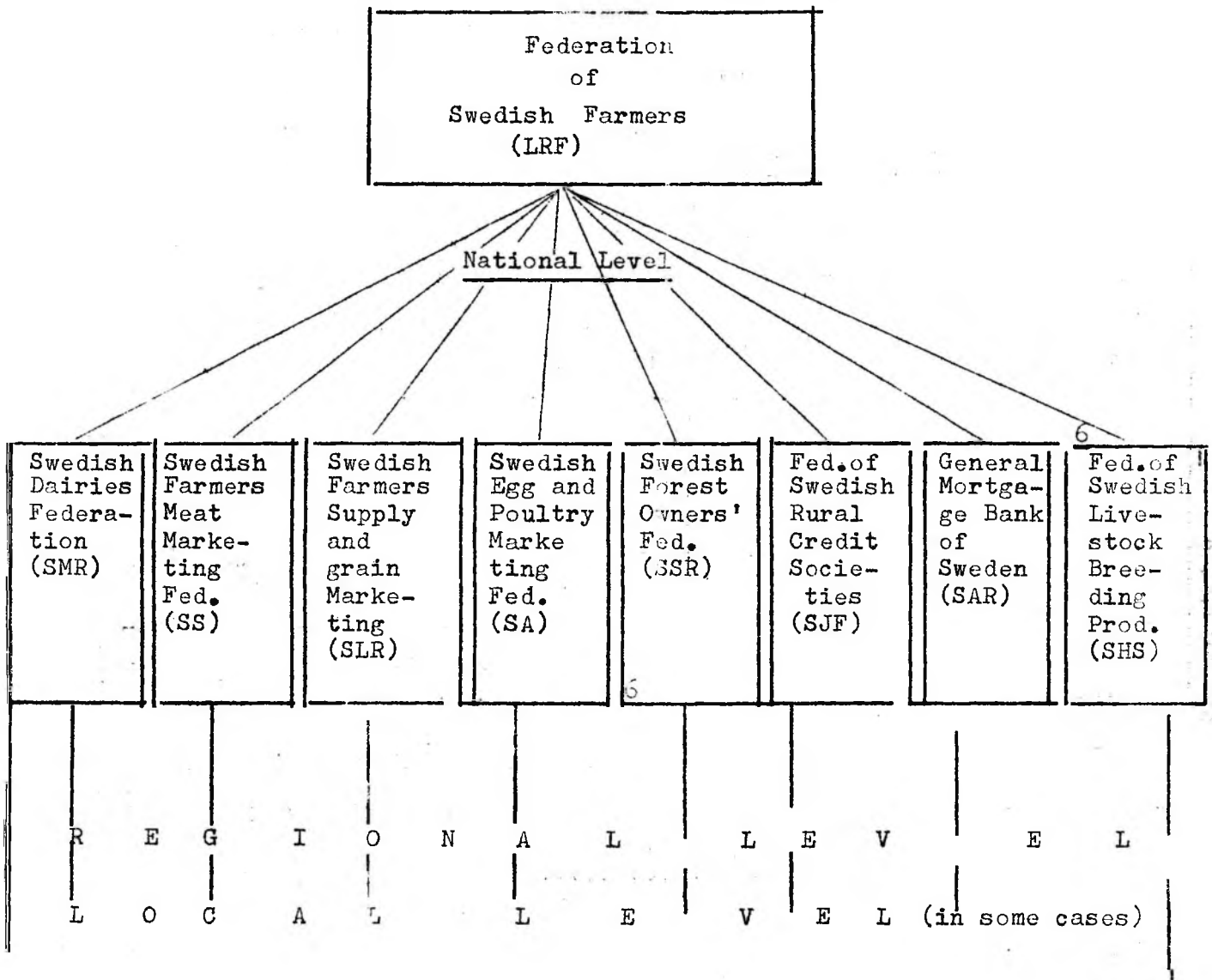
Of course there are also a lot of problems to cope with. One of the most essential task is ta tackle the negative effects which process entails. There is of course the necessity to work efficiently on the other hand there is the conviction that member influence must be kept alive. This clash between the interests of largescale business and those of direct member influence is also prezent in the Swedish Cooperative today.

* the concentration

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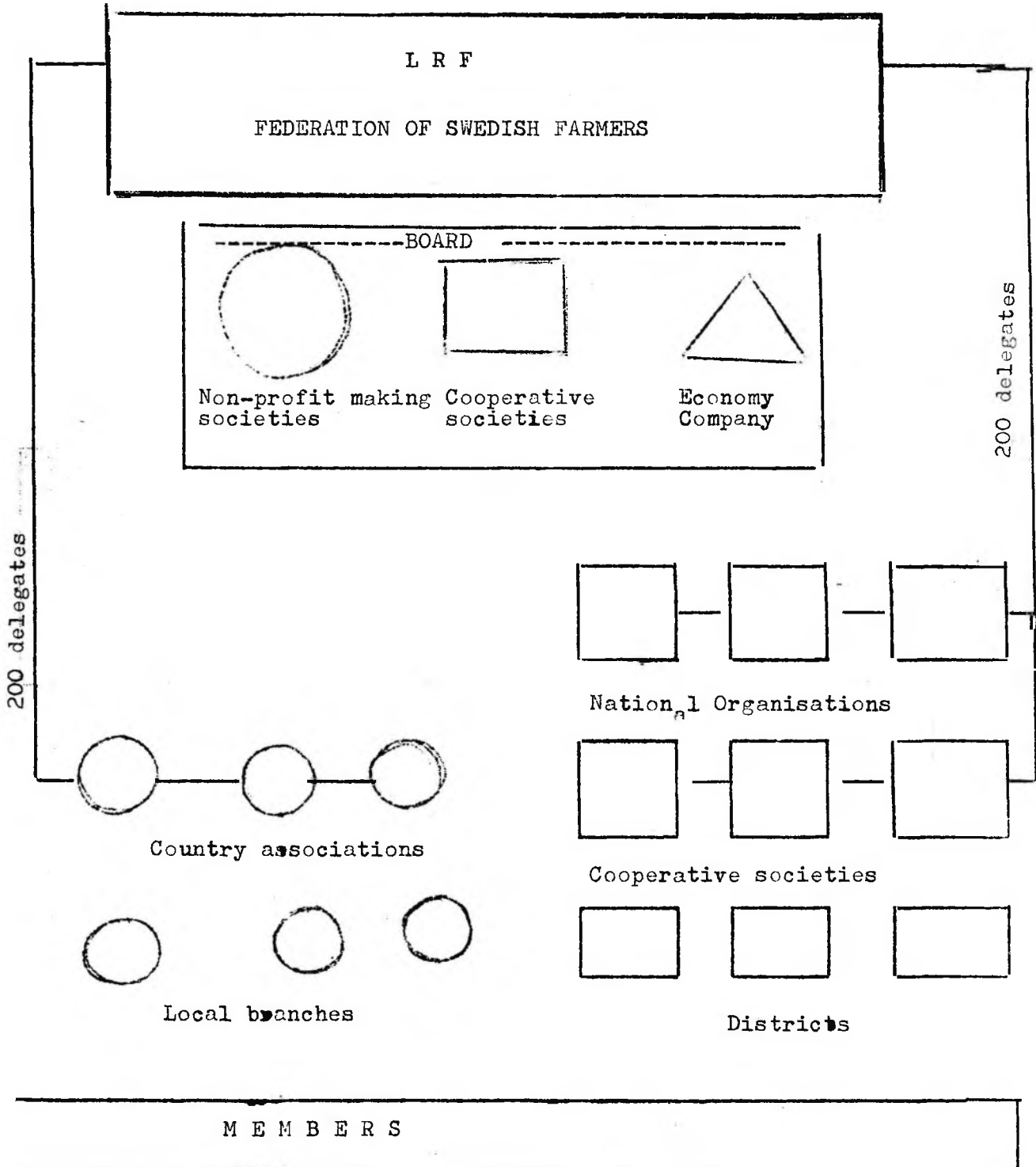
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The Agricultural Cooperatives in Sweden



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THE LEF ORGANIZATION



ASPECTS OF COOPERATIVE MARKETING
IN SRI LANKA

By Mr.S.P. Liyanage - Sri Lanka Cooperative
Marketing Federation.

I had an opportunity of visiting a farmers house when I was conducting an inquiry at Kandapola in Nuwara Eliya District. We came to a point of discussing matters concerning all Ceylon Producers Cooperative Union. He said "there is nothing wrong in your union. However what we want is not the money for the produce supplied to the union but the market prices which helps us to harvest our produce to-morrow. Therefore what matters is the correct market price. We have money for our daily maintainance, which is sufficient for us. We are able to get money merely by sending a telegram to Colombo to our contact traders." He went in and bought a sack of receipts and handed over to me saying "these are the receipts I received from one trader. These prove my statement." There were receipts worth of four thousand rupees when calculated. Some receipts were even one month old.

In these circumstances if the trader in Colombo was able to handle produce of another 10 farmers he would have been able to do his business without spending a cent of his own. He would have paid a limited amount at a time to the producer. But an institution like Agricultural Producers Cooperative Union has to depend on a commercial bank for their financial resources. The trader can pay more to the producer. He will not have any difficulty of handling sufficient volume to get more profits. Producers Union is not in a position to compete with him as it has to pay bank interests too. This is a simple example which illustrates the difficulty of competing with the private sector.

One day a trader from Ambalangoda came to Colombo. He was a customer of our^s as well as some private traders. He was down with some sickness for a long time. He wanted to re-start his former business. Anyway, he was already indebted to another trader. He had borrowed Rs.800/- from him. Therefore he went to see the creditor to explain as to what happened to him.

But the creditor welcomed him and said "I know you have been sick for six months. Dont worry about the money you owe me. Instead you spend that on even malted milk I dont want a cent in return as we exist on people like you". Tears came to our friend's eyes. Let me relate another story. I had to go to Deraniyagala few years back to collect a consignment of Arecanut for an order we received from abroad. I had information about a stock of arecanut lying with a trader and he had about 100 gunney bagful of arecanut at the time of my arrival. When I inquired about the stock he said "This is reserved for a manager, of you a certain cooperative society. I will be able to give the other stock to which will take some time. I went to see the cooperative manager with whom I didnt reveal the discussion I had with the trader. He said that the arecanuts are scares these days. However I saw him coming in a lorry to Colombo with that stock from which he would have got a good bargain.

By giving these examples I wanted to elaborate on some problems we face every day. The farmer at Kandapola is ignorant of the wise way of investing money. He has trust on the private trader. He was unaware, that the trader uses farmers money for his trade. The trader would have adopted other attitude if he collected his price daily. On the other hand the service he would have been obtained was more. Sometimes Marketing Union gets goods of inferior quality though the private trader gets good quality. Private trader employs many strategies to collect goods. There was an orange farmer. He casually sent a post card to the trader he deals with an intension for a He promptly went in 2 cars with many presents and attended this. Therefore he managed to have more trade with many other farmers by doing that by which he was able to cover his trip to the farm house.

The point which arises of this story is the relation maintained by the trader. The farmer treats him as his saviour. The trader constantly meets him and develops intimacy by presenting even books to his school going children.

But a cooperative organisation does not maintain that kind of relations with farmers which is very unsatisfactory. It is important to have constant dialogues with farmers and help when they are in distress. Generally produce is sent to the Union in Colombo through a village level cooperative society.

Normally the cooperative society passes their lackings to the Marketing Union one to which the farmers become frustrated. The main remedy to this is good relation with the farmer. Let me quote an instance to elaborate this. There are many complaints about delay in receiving money by the farmers as the society does not receive invoices in time. Although we clarified that there was no such delay the farmers did not believe it. One day a group of farmers dropped in at the Union while they were on a pilgrimage. All of them were in the same opinion of not getting invoices in time. I showed them the correspondence to them and requested them to contact the postment ~~er~~ when they go back. They were convinced. I could do this as I had personal contacts with them. If we maintain personal relation^s with our farmers the result is better understanding and trust. Attempts should be made to inculcate belongingness of the farmers to the cooperative society.

It is important that the goods produced by the cooperatives to be marketed through cooperatives specially vegetable trade of the Marketing Union is with the private trade. There are very few cooperative societies which deal with this trade. There has been a gradual decline of cooperatives in this aspects although attempts have been made in the past. One reason is the scarcity of trained employees not even the advisors of such cooperatives ^{are} in a position to give correct advise. One day a girl came with her mother and one other person to a cooperative shop. After buying some things she inquired whether any brassiers are available. The salesman after saying yes asked about the size. She bought one after mentioning the size. One officer who observed this scolded the salesman for asking for the size. The salesman asked "How do I give the correct brassier without without knowing the size?" The officer replied "you should have asked it more confidentially".

These are some problems in procuring goods for the cooperatives. Cooperatives obtain goods from the Cooperative Wholesale Establishment and other government agencies. Some things are not available in the C.W.E. even which are plenty in the private market. It is necessary to collect these goods and arrange sales. There is a commission system exist at Pettah Market. The owner of the goods sends him consignments to a trader there and quotes his price. The trader keeps a margin and sends balance money to the sender. Sales will be easy and systematic if such a system is adopted for the cooperatives. The goods essential for them could be found that way.

There is a great demand for the products of the Marketing Department which are in short supply. This can be met if any cooperative society come forward to produce such goods.

Producers normally do not observe good packing of vegetables and fruits. Maximum price cannot be obtained due to this ignorance. If we take an example of cabbages, when the produce is classified, graded and packed, accordingly high price could be obtained. When these varieties are mixed the price ^{is} determined by the inferior quality cabbages which are normally packed at the bottom of the gunney bag. This happens to tomatoes even. Even inferior quality goods can be sold at a reasonable price provided they are graded and packed properly. One cannot get a better price for good quality goods when they are mixed

The normal tradition is to despatch produce to Colombo for sale. Producers think that they get a better price by doing it. on the contrary, the result is ^{the} drop in prices where there is a glut. Delay in transport adds further.

Arrival time of vegetables play an important role in determining price. Normally earliest arrivals obtain higher price. Buyers become thin when it is late, due to which prices drop. Deterioration ^{of} goods is also more. If we can maintain regular supplies in reasonable quantities to market stabilisation of price can be achieved. This has to be introduced at the cultivation time, as in the case of European countries.

The former C.A.P.s societies had a system of bartering by which producer gets consumer goods and money both. . Udalalatha Cooperative Society is one of the societies which did to its vegetable trades more systematically and successfully. They had 24 collecting centres as far as I know. Vegetables are collected in these centre towards evening and despatched to Colombo in the night. They had a separate stall in the New Market.

All Ceylon Producers Union was started to give a helping hand these cooperatives. 84 societies got together at the start. Producers were able to get a better price after that.

Even the private traders quoted at better prices and producers were attracted by them again. Unfortunately the producers had the habit of joining the cooperatives when they get a bad price and join the private trader whenever they get a better price.

Agricultural producers Union started buying fruits in Anamaduwa area a few years ago. Mustard seed were in plenty there. Muslim Traders were buying them at two rupees a lb. We started buying at Rs.6/- and were successful. Ultimately private traders, too increased to Rs.6/- and producers went to them; People need cooperatives when they are in listress only . Basic factor behind this is personal relations; It is necessary to build personal relation with the producers to have a established trade. We have to see to their presonal problems and help them to achieve them. Then they will understand that the cooperative society belongs to them, and in turn try to safeguard it. Low country vegetable trade is not organized as up country trade which is more organized. . Private trade has the monopoly of vegetable trade in Kelani vally area. Marketing Union even compell^{ed} to buy goods from the private trade Union. This is relevant to other agricultural producers such as tammarine, peper, cinnamon, turmeric and, mustard. The producer will be able to get a better price if there is an organisation at the village level.

Something has been achieved although it is difficult to give a better price for the producer and a reasonable price for the consumer.

PROBLEMS OF COOPERATIVE MARKETING
IN SRI LANKA

Major plantation crops in Sri Lanka i.e. Tea, Rubber, Coconut are subjected to better management and better sales organisation. Only small holders find problems in this too. Generally affected group is non-traditional cultivators who are engaged in Cinamon, Peper, Cardamom, Coco and arecanut. Producers as well as the consumer suffer in these items. The All Ceylon Producers Coop. Union which was formed to tackle this problem was succeeded by the Marketing Federation. There are about 300 wholesale traders in the market who deal with vegetables. Marketing Department too buys from the producer on ready cash. Government assist the Dept. but actual competition exists between the private trader and the MARKFED. When the producers are singled out the bulk they handle is less. When we compare MARKFED with private trade MARKFED handle minimum volume although it has a history of 20 years behind it. MARKFED received 8 -10 lorry loads at the initial stages but reduced to 2 lorry loads now.

The producers who suffered from the Private trader joined the MARKFED at the start but, went back when the private traders organized properly. However we will come to the previous stage if the MARKFED does not exist. Therefore it is a primary duty on the part of the producer to safeguard this institution.

There are many handicapps faced by the cooperatives in competing with the private trader. Private trader does not have to maintain account books systematically the coops. are compelled to do it. Both sectors get 10% commission. Therefore the private trader can maintain a big profit. The vegetable trade of the MARKFED cannot break even if sufficient volume of produce is not collected as the overhead charges are ver high. There were liason officers appointed by the cooperative Dept. at the time of the All Ceylon Producers Union who did yeoman service to build it up. I know the officers who were working in Kurunegala & Nuwara Eliya. I had the opportunity to associate with officers at Nuwara Eliya who had a good knowledge of vegetable cultivation. When he walks 7 - 8 miles many cultivators used to meet him and discuss problems and prices empties etc.

He comes to the Union with these grievances and tries to solve these after discussions. He had cultivated a good trust among cultivators. Even the union was benefited by that. He used the language familiar to the growers. If we revise this situation the mutual understanding could be developed and strengthened the cooperative sector. Cultivators are often faced with the important problem of price. Therefore it is necessary to establish a price stabilisation fund to meet this. What the cultivators are worried is to get at least one or two cents higher. Many cooperatives are reluctant to handle vegetables. Therefore we have to recruit trained managers to do this work. He has to be given certain amount of freedom to take decision and the book keeping should be minimised. The solution is the cultivation areas should concentrate on farming organisations to overcome these problems.

We can organise at least one stop in each town. Only requirements are efficient employees and organisation. I saw a cooperative shop in Kadawata area which had cabbage under racks contained retail goods. Cabbages were decaying. The Managers explanation was that the Dept. presses us to sell vegetables but there is not market for vegetables here. Vegetable trade was a nuisance to him. They do not know display methods but small children in the private markets know how to do it. The customers are normally attracted by display. Vegetables are subjected to decrease in weight with the time factor. Therefore it is necessary to reduce price in the evening and dispose of the stock. Managers are not given authority to decide on this even. As a result heavy losses are occurred. Good manager can earn profit^s while rendering service to customers. However any enterprise will be unsuccessful if it is not efficient enough to attract consumer under competition.

Specially in agricultural activities, people of old amassed not wealth but energy, and cooperatively united to create a vast agricultural and cultural heritage through their dagobas and lakes, enabling us to live proudly.

The only system to create a just and free society is the co-living system defined by the saying "One for all - and all for one". This is also the easiest and shortest method of reaching a Democratic Socialist way avoiding the extremist ideologies yet without reality it is impossible to reach an understanding and self-reliance. Self reliance is more important to the cooperative movement today as well as in the past, than great wealth. Without it the movement will be like a sky-scraper without the base.

I trust you may bear with me for this short introduction. While presenting facts on the subject I am called to enlighten you on, my idea is to present to you the varied steps taken by us in the direction, the results gained so far and the drawbacks, and thereby discuss the way and means of overcoming these drawbacks and create a more successful coordination in future.

With considering the topic of Agricultural Cooperative Societies and their apex societies, the description should be on the economic efforts of the workers living all over the island, and the problems close to their day to day living on production and marketing, and various ways to overcome these problems through their own decisions and actions based on their own responsibility and organisation. The activities of the Fishery-technical Societies and Unions, Tea, Rubber and Coconut producing societies and unions, Paddy, Vegetable, Potato, and other food crop producing societies and unions will be relevant to this subject. It is difficult to do justice to a subject of this nature within a short spell of an hour. My effort will be to present to you the reasons for the success & failures of the active co-ordination between the primary societies attached to the Cooperative Marketing Federation and the Multi-purpose Cooperative societies in Sri Lanka, and discuss them with you. I shall be discussing in brief regarding the Coconut Producers Union, Rubber Producers Union, Fishery Societies Union all established in the "Cooperative Square", where our Federation is situated, and their relative primary societies, with the thought of giving you all, an understanding of the producing and marketing activities of these Cooperative Societies and Unions.

It is relevant here for me to give you a description of our Federation and its member primary societies. Our Federation was registered on March 19th 1973, after the amalgamation of the Sri Lanka Consumer Cooperatives Union and the Northern Province Agricultural Producers Cooperative Union, and the cancellation of registration and buying up part of the assest Bank Agricultural Equipment Producers' Cooperative Societies Union. 268 MPC Societies in the island have received our membership. The value of share capital up to 31-12-1977 was Rs.6,50,275.00.

Summarising the activities of the Federation it could be said that our dealings are between the Union and society, and the circuit is from farmer to society, society to union, union to local consumer and foreign enterprises. At a glance these arrangements look quite simple and uncomplicated but the problems arise, when not only by machinery or the efficiency and honesty of man, but through the efforts of making maximum use of limited resources, trying to do justice to the consumer by bringing justice to the initial manufacture, and from such an effort to save them from the clutches of the unscrupulous private trader.

The beginning of this effort was the era of introducing the Cooperative beliefs, principles and methods to the people of this country at the beginning of the Twentieth Century. The freedom of our country is the well being of the numerous races living in our country as stressed by our Honourable President. There is ample proof to show that the cooperative movement lent a hand to bring about the victory of the fight for freedom led by our patriotic leaders. The idea brought forth by this foundation was, to take cooperative decisions independently to decide your economic problems without cheating and other influencing, and when putting these decisions into action to take all responsibilities and losses. But it should be well remembered that the cooperative Credit system and Unions begun because of this at the beginning gave credit services to the agriculturist on reasonable condition; Before the cooperative Societies Act was established Credit Societies started by the People themselves issued seed paddy to members at 12% interest and non-members at 20%; at a later period after the birth of the Agricultural Crop Producing and Marketing Cooperative Societies the efforts taken to improve production and marketing; the incident after the take over of stall No.15 at the Pettah Market by the Udapalatha Agricultural Crop. Producers Cooperative Society Ltd, to avoid the hindrances that occurred the courageous stand taken by the Head of the Cooperative Department at the time, the late Mr.G. de Soyza, how he stood on a provision box shouting "this box is mine, I dare anybody to come forward".

If the Cooperative Store societies started before the era of production and marketing to release the consumer population from want, and the attached Multi-purpose Coop. Societies and unions and other producing and industrial cooperative societies are required to face stronger challenges today while developing their managementship, a firm feeling and understanding of the self reliance of the cooperatives should be established among the cooperators through communication and understanding.

The cooperators are required to face challenges thousand times stronger than the one faced by Late Mr. G. de Soyza. The reasons are scientific. If this strong challenge is to be accepted competitively on a free-trade atmosphere, without waiting, remembering the cooperative beliefsm dedication to conduct business activities on one scale is necessary. In this instant I request you to bring forward any ideas and suggestions you may have with reference to the different business sectors of our Federation, to wipe out the irregularities hinerig our efforts.

Our Federation, through the MPC's and distributing and collecting centres to supply on time the required fertilizer, seeds, agro chemicals, equipment to the producers accept orders from the societies and buy from the Fertilizer Corporation, Baur & co., Government owned Commercial Company and Agricultural Department and transport right upto the society stores. In many instances provision has been made to pay in installement, a month after the receipt of goods. In this effort the Federation has dealings with societies in the vegetable producing areas in up country.

When supplying fertilizer for Paddy production, according to the orders from the various MPC Societies all over the island while fertilizer is supplied on easypayment-term, at all possible instances transport is done by vehicles belonging to the Federation specially in paddy production, the farmers deal directly with the MPC Societies of the particular district, and Agrarian Services Department, while we supply requirements for the societies applying to our Federation.

At this instance we should remember the pilot project initiated in 1973 with the full cooperation or participation of the Agricultural Ministry, Agrarian Services Department, Government Agent Hambantota and the Cooperative Management Services Centre (CMSC). I present this not only as a movement in the history of cooperative management advisory services, but as a runner of a continuous, successful attempt. Before 1973 i.e. in 1972/73 the consumption of fertilizer in the Hambantota District was 1050 tons. As a result of the above project in 1973/74 fertilizer consumption increased to 4066 tons, and as a result the paddy harvest for that kanna (season) increased by 732, 240 tons i.e. 28%. This should be shown not only as the cordial coordination of the apex level cooperative organisation, primary coop. societies, CMSC but also the cooperation of the various government departments.

It will be fruitful if at this discussion today, ideas and suggestion are given to conduct such a coordinating activity in the other districts too. If not, if the result of our Seminar is going to be limited to lecturing and extertaining, it will be a barrier to our forward journey. What is meant here is that the functioning of the pilot programme for Hambantota should be the attempt of the societies of that district, such an attempt has to be invariably carried out in the other districts too.

The main objectives of the Hambantota programme were

1. To provide the farmer with fertilizer on time.
2. Increase in use of fertilizer to the maximum.

The supply of fertilizer for paddy is done mainly by the government department and Agricultural Extension Division. Our Federation concentrates more on the distribution of seed fertilizer and agro-chemicals to societies for other crops such as up country vegetables, potato. The fertilizer received from the Government Fertilizer Corporation on repayment after a calendar month system is issued to the societies on the same condition. Requirements of Badulla, Kandy, Nuwara Eliya, Matale, Ratnapura and Jaffna districts are supplied on orders from the MPC Societies of these districts and goods are also transported to the societies.

(Pl. see Annexure I for the value and beginning amounts of fertilizer issued from the/ of our Federation up to 1978).

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Weakness & drawbacks encountered when supplying seed, fertilizer, agro-chemicals and equipment to the societies on the plan followed so far are mentioned below.

We have had to face instances when fertilizer, ordered from the Government Fertilizer Corporation, after ordering, is issued late, the societies do not receive it at the required time. To avoid this situation, orders from societies should be received well ahead in time. The societies when estimating requirements, should find out the requirement of their member and non member farmers within the area, involved in agriculture during the specific period. This will be possible by analysing the activities of the previous years or accounting to the nearest figure the crop estimates for the current year. As time is a most important factor in agriculture, and unlike in the previous years to win the business competition existing today, the interest of the employees of societies from regional level to apex level is essential. Coordination & communication of members regional and official should be followed as a practice. Also the society and our Federation too should conduct such a coordination. Very often by experience we could say that due to the absence of such an environment, sale of fertilizer has gone in to the hands of the private trader and the farmer, suffers from injustice and mal-practices.

To supply the best quality vegetables seeds (up country production type) at reasonable prices orders have to be placed with the Agricultural Department Seed Store at Nuwara Eliya. From our experience in this work, we know that the society has to submit their application to our Federation 1½ months earlier, requesting their requirements through the Agricultural Offices in the district and the Agricultural Extension Offices in the district. Then our Federation makes an application to the Agriculture Department, according to the requirements of the different districts. The Agriculture Department informs the Federation the allocation that could be made to each district depending on the seed received from foreign markets and the Federation in turn informs the societies. Then when the society orders the requirements for that season and arrangements are made to supply it to them. Then the agriculture Department allowing the Federation a grace period of one month, allows the same facility to the societies. As this months loan is interest free societies are supplied with their requirement without a discount from the Federation even if the society purchases from the Agriculture Department.

Though this same facility is provided by the Federation to the Agricultural Crop development societies, they have to purchase seed on payment of cash.

The drawback we have observed by this seed distribution system is that the societies do not get the full quota of requirements. Sometimes the reasons for this could be that the prior amount applied for by the society is done without detailed accounting of the requirements of the area of operation. Also when the amount applied for and the amount allocated exceeds the requirements, seed is not sold and remains in the stores, and becomes outdated. Thereby the society faces inability to pay for the seed within the stipulated period, and while the society suffers loss, they lose the facilities of making use of this service due to non-repayment of loan. The Agriculture Department does not take back after issuing any remaining seed not sold.

Up to 1977 our Federation held a vegetable seed distributing monopoly with the agriculture department. But since 1978 as seed was issued to the private trader too, and the farmers have the option to purchase their requirements from the private trader too, the societies should make all effort to find out very carefully the requirements of the farmers in their areas of operation and also make all efforts to rapidly issue the seed to farmers without keeping them in store. As sale of seed has been allowed to the private trader mainly for the benefit of the farmer, and to check up on the efficiency of the cooperative societies. It is a suitable time for the societies as well as the employees should pay special attention to this fact. It is not necessary for me to remind you that according to the present situation the security of the society is not the responsibility of the member, but of employee.

Purchasing of vegetables, fruits

According to the coordination between our Federation and the MPC Societies in the Badulla, Nuwara Eliya, Kandy and Jaffna districts the purchasing of fruit and up country vegetables is based on representative basis. This is a sphere effected by the Lanka Agricultural Crop Producers' Union before our Federation started it. - As a successor our Federation has been continuously carrying out this business activity.

By practicing this system our Federation supplies the following facilities to collect and deliver the vegetables and fruit from the collecting centres situated in these districts.

1. The vegetable collected by the branches are brought to the centres by the societies by vans allocated for the centres.
2. Transport to the store in Saunders Place, Colombo from the Centre.
3. Under service expenses, supplying empty cases and packing.
4. Report daily the prices of vegetables in Colombo, to societies and branches, by circular.
5. Of the 10% commission received on sales by the Federation 6% is given to the societies.

As a result of the functioning of this system while a high price is maintained for agricultural products, it has been possible to make the private trader too to follow this system so as not to bring down these price levels.

Two weaknesses observed recently in this system are-

1. Insufficient interest displayed by the societies.
2. Low quality of goods supplied. Therefore it has not been possible to get reasonable prices for the goods, and the commission of 4%, the expenses incurred by the Federation for providing this service is lessened, the Federation has had to collect vegetables from their Centres instead of through the societies.

The wakening of the most important unit of the co-ordination between the Federation and the societies has resulted in the private trader reaping the maximum benefit, a blow has been dealt to the self sufficiency of cooperation. Also because the vegetables collected by the Federation are purchased by only three societies very closely situated to Colombo our Federation has been forced to sell the produce through their marketing shops, to Tourist hotels, other business organisations, ships belonging to the Sri Lanka Navy.

The main reason for this is the societies have not acquired sufficient space to display and stock attractively vegetables for retail sale and catch the eye of the consumer, and also they have not made an effort to prepare for this.

Sale of Small Scale Export Crops

Based on the coordination of activities between our Federation and the MPC Societies in Kandy, Matale, Kegalle and Ratnapura districts, cardomoms, cloves, nutmeg, dry-ginger, peper and such spices are collected and exported. We endeavour to inform the societies well in time the current market prices and have already provided a training course in classification of products in 1975. The officers in this field who participated in this training course were first instructed by the Bureau of Ceylon Standards and they in turn imported this knowledge to the employees in the societies. This programme was carried out on the instruction and advise of the Sri Lanka Cooperative Management Services Centre.

Before our Federation stepped into this field of business no other cooperative organisation had done so, and at the beginning we were very successful but later encountered difficulties. The reasons for this were, the absence of ultimous interest of the societies and their indulgence in mal-practices. From this enterprise a/remarkable profit was gained by our Federation and through us, by the societies and their members, and also collected a fair share of foreign exchange.

Marketing of Betel

This field of trade was limited to our Federation and the Consol-expo Ltd. This functioned with^{the} assistance of the MPC Societies in the betel growing areas in Gampaha and Colombo. By embarking the business it was possible to improve the finances of the members of these societies and also earn foreign exchange for the country. We received the opportunity to export betel to Pakistan when the country severed connections with neighbouring Bangladesh. It will be possible for us to continue with this business because if the high quality of the Betel in our Country.

Purchasing of other products

The other products purchased by our Federation from the societies in districts where they are grown are green gram, cowpwa, gingelly, tamarind, Uludu gram, mustard, tamarind and goraka. While arrangements have been made to supply these products to societies in areas where they are not produced, a fair amount of purchasing and marketing has been carried out so far.

The insects and weevils that attack the stocks of these products that are collected and stored for marketing is a problem. No remedial measures have been discovered, so far for this evil. In 1975 the societies in the Hambantota district purchased in large quantities, stocks of green gram, cowpea and uluthugram. As these purchases were made at minimum rates it was revealed that the traders tried to sell the produce from neighbouring districts too through the societies in the Hambantota district. As storing facilities for such a large stock was not available in Colombo this produce had to be transported and stored in Jaffna. The damages caused by insects to this stock was around 20 lakhs of rupees. The main obstacles to the development of this marketing are lack of storage facilities and suitable storerooms to stock grain, and the failure to find remedial measures to prevent damages caused by insects.

The other apex level agricultural cooperative societies and their affiliated unions:-

1. Coconut Producers Cooperative Societies and Coconut Producer Cooperative Societies Union.
2. Rubber producers cooperative Societies and Rubber Producers Cooperative Societies Union.

* 3.

According to the functioning of the Coconut Producers Cooperative Societies and its Union, of the 13 functioning primary societies, 6 societies engaged in business activities are situated within the 'Coconut Triangle' in the North Western Province. While the desiccated coconut manufactured by these societies are sold directly to freight agents by the societies, a very small amount is sold for national requirements. Further more the coconut oil, crude coconut oil produced by the societies are sold to the union by the societies.

- * 3. Fisheries Cooperative Societies & Fisheries Societies Union.

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I wish to mention here that the short description on the above field of cooperatives will be only an introduction.

Series societies

The cooperative bar-soap and soap cakes produced by the union are sold to the Cooperative Societies in the Island, Government Corporations and Departments, and exported by the Union.

As more buyers are coming forward specially from the Middle-East, this is functioning as a profit earning venture. According to a recent review, orders have been received from middle-east countries for Ekel Brooms.

Of the obstacles experiances in conducting these business activities the most prominent are, failure to procure, caustic soda requirements for the production of saap from the Government Chemicals Corporation in Paranthan, and fat.

With the objective of manufacturing the full amount of coconut oil required by the Cooperative Movement, this Union has taken over the dessicated coconut mill of this society situated in Mirigama.

Since its registration in 1942 this Union has been functioning steadily up to date. The land on which the Cooperative House is situated and the building owned by the Union are landmarks of its success. This union has gained profits of one and a half lakhs during years 1976/77 and two lakhs in 1977/78.

Rubber Producing Cooperative Societies & Rubber Marketing Union

There are 64 societies affiliated to this union. The member of small scale land owners holding membership of primary societies is Rs.1,50,000.00 In conducting this business, among the benefits received by the small scale land owner^s, the functions of supplying services through large scale businesses undertaking and marketing of their products abroad, too are conducted fundamentally. While grade Nos. 1,2,3 sheet rubber is marketed with the approval of the government by the goods purchasing commissioners Department, grades 4 and 5 are sent abroad by private shipping agents.

Operating this business the main obstacle faced by the Union is the sufficient storage facilities for wholesale rubber storage. The Union has been struggling for sometime to procure sufficient land to overcome this hindrance.

But, it has not been able to unlabel this. Membership of this society is held by the MPC Societies of the Rubber Producing Area.

The Union has so far failed to get a reasonable discount from the State Trading Corporation for the supply of acid required for production of rubber.

Fisheries Cooperative Societies & Fisheries Marketing Union

The Fisheries Marketing Union affiliated to the Large Primary Fisheries Societies existing in the coastal areas in the island, are very limitedly involved in the activities of the society. The reason for this is, the business field that belongs to this union earlier has been taken over by the Fisheries Corporation. Today this Union supplies with no profit the stationary and printed material requirements of the member societies.

" While my personal thanks are extended to you all for your cooperation in this attempt of mine, I wish convey my sincere cooperative greetings and thanks to the organisers of the Seminar for giving me ^{this} opportunity to participate and convey my views".

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26/3/1979.

ANNEXURE IBUSINESS ANALYSIS OF THE MARKFED

	<u>1976</u>	<u>1977</u>	<u>1978</u>
Indegenous goods	10,721,274/-	6,822,280/-	1,932,953/-
Agricultural Investments	12,021,274/-	12,185,401/-	11,162,392/-
Vegetable Complex	15,650,853/-	17,376,893/-	12,099,350/-
Supply of fertilizer under Hambantota Fertilizer pilot programme.	2,023,320/-	4,061,163/-	2,209,200/-
Minor Export Crop (National Market)	2,555,369/-	590,580/-	20,135/-
-do- (Foreign Market)	3,746,918/-	1,760,212/-	113,646,375/-
Export of Betel	15,363,377/-	5,398,053/-	1,012,715,710/-

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PROBLEMS OF AGRICULTURAL COOPERATIVE CREDIT IN SOUTH-EAST ASIA

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PROBLEMS OF AGRICULTURAL, COOPERATIVE CREDIT IN SOUTH-EAST ASIA

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THE GENERAL ECONOMIC BACKGROUND

Most of the developing countries in South-East Asia have now enjoyed political freedom for a little over two decades. They have made noteworthy progress in economic development. Because the economic conditions which existed at the time of achieving political independence were so appallingly bad, and also because the effect of development activities at the preliminary stages of economic development is slow, development measures taken so far have ^{not} made an appreciable improvement in the economic conditions of the Region.

The size of land holdings in these countries is small and consequently the income of the farmer is low. The farmers are barely sufficient to meet the subsistence expenditure of their families. The avenues of subsidiary employment are few. There is wide-spread unemployment and under-employment in both rural and urban areas.

However, the numerous development projects that are being implemented in both the agricultural and industrial sectors are rapidly changing the economic conditions of these countries.

Many irrigation and colonization projects have been started in a determined effort to increase production. Price support programmes for various food crops have been put into operation to stabilise farm prices. Various laws have been enacted to ensure security of tenure and to effect all round improvement in the conditions of the impoverished and improvident peasantry. Agricultural production, though it still suffers from problems such as under-capitalisation and fragmentation, is rapidly improving due to these measures. Improved methods of cultivation and especially the use of high yielding varieties of seed have contributed to this improvement

in no small way. Certain countries which have been till recently importing food grains now have a surplus.

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Though the major emphasis is placed by government/on agricultural development, industrial development has not been neglected. Numerous industries have been started since the attainment of independence in these countries. They have opened new avenues of employment in the cities and thereby created a tendency for people to migrate from the rural to the urban areas.

The literacy rates are rising due to the creation of better and more facilities for education. The medical and sanitary conditions have improved thus resulting in lower death rates. These improvements have aggravated the pressures of population on land.

The government of all these countries, whatever their forms and political ideologies, have been deeply involved in implementing economic development plans designed to give meaning and purpose to their hard-own political independence. They seek to do this by creating conditions under which the teeming millions of these countries, who have long suffered the privations of under-developed economies, could enjoy a reasonable standard of living.

These efforts are rapidly changing social and economic conditions of South-East Asia. A celebrated Prime Minister of one of these countries commenting on the changing conditions of his country said: "Let us remember that today we are in fact living in an age of transition, with all the factors that are inherent in such a period of transition in human history, but with those factors exaggerated and accentuated as never before, in the whole history of mankind". This aptly describes the conditions in all the developing countries of the Region. It is against this changing economic background that the cooperative movement has to develop.

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BRIEF HISTORICAL REVIEW OF THE COOPERATIVE CREDIT MOVEMENT

In all developing countries the initiative for cooperation came originally from the government. Almost all the cooperative movements in these countries were started in the early 20th century and they began as credit movements. Thus the credit cooperatives have a long history compared to that of the other sections of cooperative endeavour. However, though credit societies have now functioned for over half a century in the countries of South-East Asia, it was only after these countries gained political independence that the cooperative movement was given a definite role in economic development and so began to have an appreciable impact on the lives of the people. During the pre-independence period, the growth of the movement was slow. For instance, in India in 1952, by when the cooperative credit movement had functioned for 48 years, the cooperative met only 3 per cent of the credit needs of the rural people, whereas within ten years thereafter the percentage had increased to 15.

The slowness of the movement's growth during the pre-independence period may be attributed to three main reasons. Firstly, the preoccupation of the leaders with the struggle to gain political freedom left them little time to devote to other social^{and} economic activities. Secondly, at least a section of the national leadership was reluctant to involve itself in cooperative activities, as the movement had been started by the colonial governments. The popular leaders looked upon the gospel of cooperation and self-help, and the limited measures taken by the colonial rulers to meet the basic economic needs of the masses with a certain amount of suspicion, as they saw the efforts of the colonial rulers to promote a cooperative credit movement as an attempt to placate the masses who lived in deplorable economic conditions and so divert their thoughts from pursuing the demand for political independence which had already begun to rear its "ugly" head. Thirdly, the support the movement got from the colonial government was limited, and the movement was not part of a larger programme of economic development. The government imposed controls on the societies which were designed to keep all decision making power concerning cooperatives with the government servant to the exclusion of the non-government leadership.

was propagation of the principles of cooperation, and their application in all sectors of the economy, were not encouraged, but rather discouraged. For instance, the MacLagan Committee on Cooperation in India * (1915), which was composed mainly of government servants who were responsible for the formulation of policy concerning cooperative development, opposed the idea of teaching cooperation in schools.

Since independence, the governments in most of the developing countries have come forward to help the movement actively, and to regard the cooperatives as instruments of social and economic development. This participation of the government, however, is not without problems. These however will not be discussed in this paper as these problems relate to the entire movement.

More and more cooperative leaders have emerged from among the people, and the people have come to regard cooperation as the method best suited to solve their economic problems. Their involvement in cooperative societies has steadily increased and today in the developing countries served by the ICA Regional Office and Education Centre for South-East Asia#, the total membership of the movement is over 60 million. Japan has another 11 million.

The cooperative movement has been entrusted in almost all these countries with a substantial share of implementing the economic development plans of their governments, and to very great extent it has been made a governmental instrument of economic development. The cooperative movement is charged with the task of providing the finances & the inputs required by the agriculturists for production as well as for marketing of their produce. In Japan and few other countries they provide farm guidance as well.

* Report of the Committee on Cooperation in India (1915),
Chairman : E.D. MacLagan, Reserve Bank of India, Bombay.

Bangladesh, India, Indonesia, Iran, Rep. of Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka and Thailand.

Where rationing of essential commodities has been introduced by governments to ensure equitable distribution of scarce commodities, the cooperatives have been called upon to handle such schemes. The cooperatives have also been given the responsibility of providing finance for artisans and small industrialists for developing their industries. Constant attempts are being made by the cooperative movement to adjust it self to the continually changing conditions brought about by economic development, and to face upto the challenge offered therby.

The credit activities of the cooperatives societies form the major part of cooperative activities and the societies that are engaged in these activities have played their part with considerable success inspite of numerous problems and handicaps. In the Region of South-East Asia covered by the OCA Regional Office, there are more than 224,000 credit cooperatives, with a membership of over 27 million. The number of multipurpose societies which have credit as a major part of their business in these countries is over 30,000 and they have a membership of over 10 million. Thus out of the total membership in the Region, 37 million are that of thrift, credit and multipurpose cooperatives.

Agriculture in these countries is still largely based on primitive methods. The economic conditions described by me earlier leave the rural folk in a state of chronic indebtedness. They do not have the required capital to adopt new methods of agriculture - to use better seeds more fertilizers and better cultivation practices. To break this vicious circle of low production and poverty, the peasant cultivator must be provided with the necessary capital. Hence the vital importance of the role played by the rural credit and multipurpose cooperatives. In performing this onerous task, these cooperatives have to face numerous problems.

THE MAIN PROBLEMS OF CREDIT COOPERATIVES

The main problems of these societies are discussed below.

Uneconomic size of societies

Most of the credit cooperatives, specially those in the rural areas, are small. They are mostly confined to a village or even a part of a village. Consequently the volume of business handled by these cooperatives is limited. The volume is limited not only because the society is small in size, but also because the quantum of each loan extended is small, and little or no business other than credit is handled. This limitation in business obviously prevents the society from achieving the economies of scale. The scope for development becomes limited and this prevents the pursuit of dynamic policies for the economic uplift of the members. At the beginning of the cooperative movement in the developing countries, great emphasis was laid on the importance of members having personal knowledge of one another. To ensure mutual knowledge, the formation of small societies was encouraged. The MacLagan Committee observed: "We would lay stress on the importance of small beginnings. The members of a society should be few to start with, and increases should be gradual and the ultimate total moderate. The main advantage claimed for large societies is economy of management, but this consideration scarcely affects rural society. On the other hand small societies are more easily supervised and trained in cooperative principles, just as small classes are more easily taught in schools". Although small societies were indicated at the inception of the cooperative-credit movement, it is not so under the present conditions. The Royal Commission on the Cooperative Movement in Ceylon* has observed in its report (1969) : "Whatever may be said of the social values of small cooperatives -- and it cannot be denied that they are often great -- their economic benefits are often slight and of short duration.

* Report of the Royal Commission on the Cooperative Movement in Ceylon, Chairman : Dr.A.F. Laidlaw (Sessional Paper No.II-1970), Government of Ceylon, Colombo, 1970.

We, therefore, recommend that the number of primary societies be greatly reduced and that the first general objective of a new structure should be a much smaller number of large primary societies". To meet the vast challenge thrown to them, and to perform the increasing and complex services demanded of them by ambitious plans of economic development, the cooperatives have to be viable and strong. It is only then that they would be able to attract competent managerial personnel for fulfilling their obligations to the membership.

Many developing countries have realised the need for viable and strong societies, and have undertaken programmes of amalgamation in order to bring together small societies and form viable units. There are various difficulties in bringing about the amalgamation of societies. The members of a constituent unit are sometimes unwilling to locate the headquarters of the amalgamated society in the other village, or vice versa. The good societies do not like to merge with societies whose functioning has been less satisfactory. Some leaders oppose the process for fear of losing their leadership over the society. Furthermore there are legal difficulties. The cooperative laws of certain countries do not provide for amalgamation. In such cases amalgamation becomes a cumbersome procedure. In spite of these difficulties some countries have been fairly successful in their attempts at amalgamation of the credit cooperatives. An element of compulsion is sometimes enforced to bring about the desired results.

Lack of trained staff and managerial skills

Another problem is the lack of trained staff and managerial skills. At the inception of the credit movement, societies were small and their business was simple. The affairs of the societies, therefore, could be easily managed by voluntary leadership. Now the demands that credit cooperatives are expected to meet are heavy, and the tendency rightly is towards the formation of larger units. The business in these societies is becoming more and more complex, and this demands the services of highly-trained personnel with managerial skill. The uneconomic size of some cooperatives, which result in their inability to pay adequate salaries, is one of the major factors that prohibit the employment of competent personnel to manage their affairs. Their growth is hampered due to lack of managerial talent, thus setting in motion a vicious circle. However, encouraging trends towards amalgamation are noticed. If amalgamation is properly pursued it will remove these obstacles to development.

Promotion prospects are absent or limited in most of the cooperatives. This is ^{due to be} lack of vertical intergration and proper personnel policies. This situation discourages people of ability and integrity from seeking employment in cooperatives. Another important reason that keeps talented people away from employment in cooperatives is the low prestige which the employees of the cooperative societies command among the public. This is due to the poor public image of the cooperatives, as a result of the losses or irregularities that exist in some cooperatives. Irregularities in the cooperatives get publicity almost to the exclusion of their achievements. This, is, firstly, because the cooperative movement is a people's movement, and in this Region one sponsored by the state, it consequently invites public attention in greater degree than it would otherwise, and secondly, because the enemies of the movement have a virtual monopoly of the available media of publicity. The lack of good publicity for cooperatives is a problem to which the movement must devote immediate attention. Due to these factors, even talented persons who get employed in cooperatives and receive training, more often than not, leave before long in search of better employment. This quick turnover of the employees results in wastage of the limited training facilities the movement has at its command.

The government in the developing countries, which are keenly interested in cooperative development, often depute government servants to manage the cooperatives. This is done with the intention of helping the societies to get the services of competent people, and also as a safeguard for the funds the governments have loaned or invested in the societies. By the time these government people get trained in their jobs and come to be acquainted with the techniques or business management, they get transferred elsewhere, thus taking the cooperatives back to the ^{ir} former positions, retarding the movement with loss of time and money, to boot.

The leadership of the cooperative^s, unfortunately, has also failed to recognise the need for following a business-like approach in running their institutions, and therefore failed to appreciate the necessity of employing competent managers and giving them continuous training and incentives to function efficiently. Instead they want to interfere in those affairs of the society which would rightly fall within the purview of the manager, thereby discouraging men with initiative from giving of their best to the movement.

Fortunately, however, during recent years cooperatives have been able to attract more and more talented people to their cadres than previously, due to the fact that many of these societies have grown in size and improved in their performance. The All India Rural Credit Review Committee * has observed in its report that more primary credit cooperatives able to employ paid secretaries have emerged in recent years.

In certain places secondary cooperatives maintain managerial cadres to supply managerial services to their affiliates. This system enables the small primaries to get the services of better qualified personnel without the need to employ them full-time.

Not only have the cooperatives been able to attract better employees in recent times, but they have also been able to give more and better training to their employees due to the establishment of an increasing number of training centres and the expansion of the existing ones. The ICA Regional Office and Education Centre for South-East through its training and publication programmes, has contributed considerably towards this orientation. The Centre has, during the last 11 years, held 88 regional and national technical meetings, where more than 2,200 persons holding important positions in the cooperative movement were oriented in various aspects of co-operation. The Teachers' Exchange Programme of the Centre, which is designed primarily to increase the knowledge of the teachers in the national training centres with regard to the methods and techniques of teaching that are prevalent in the Region, has been of some help in this regard and has been appreciated by the movement.

* Report of the All India Rural Credit Review Committee,
Chairman : B. Venkatappiah, Reserve Bank of India, 1969.

Lack of adequate finance

Another problem is the lack of adequate finance. In the initial stages of agricultural development, the farmer's income is very low due to his methods of cultivation being primitive, the uneconomic size of his holdings and the lowness of his yields. His income is hardly sufficient to meet his expenses for the bare necessities of his family. Therefore, he hardly has any savings. He is, in fact, in a perpetual state of indebtedness. Thus the accumulation of capital, either individually or collectively through the society, becomes impossible, and the self-financing of the credit cooperatives becomes a difficult task.

To bring about a break-through in agricultural production the vicious circle of low production and poverty has to be broken. It has always been difficult, if not impossible, for the farmers or their credit cooperatives to obtain the required financial facilities from the private finance institutions. The principal finance agencies are located in the big cities, and the rural people have little or no connection with them. The securities which the credit cooperatives have to offer on behalf of the farmers against loans are limited. Even when they can offer the land or produce of the farmers as security, the existence of protective legislation in favour of the farmers, which prevents the creditors from seizing such securities in the event of default to be due to conditions beyond the farmers' control, makes these securities unattractive to finance agencies. The risk involved in financing credit cooperatives composed of a large number of subsistence farmers is high. The fact that the return of capital in trade and industry is quicker than that of in agriculture is yet another reason why private finance agencies prefer not to provide funds for agriculture.

If these finance agencies are to be attracted to financing agriculture through cooperatives, it is essential to strengthen the farmer cooperatives, so that they can get their members to undertake agriculture on a commercial basis and so create among the members a realisation of the importance of both co-operation and the application of the principles of management to their agricultural undertakings.

The reluctance of the traditional financing agencies to support credit cooperatives necessitates the intervention of the governments in all countries of finance the cooperatives to the extent of which they need to be financed. Most of the governments in the developing countries have realised their responsibility in this respect and have taken praiseworthy steps for financing credit cooperatives. In several countries, governments have sponsored banks for agriculture and cooperatives, or have created government finance institutions for the purpose of financing cooperatives. The Bank for Agriculture and Cooperative of Thailand, the Agricultural Development Banks in Pakistan and Nepal, the People's Bank of Sri Lanka, the Agriculture and Credit Administration of the Philippines and the Agricultural Credit Department of the Reserve Bank of India, are some examples. The central bank^s/of several countries have agreed to guarantee loans given to credit cooperatives. This has made it possible for the societies to borrow from sources other than government-sponsored institutions. This type of governmental assistance led the Rural Credit Survey Committee of India * to remark that lack of finance, as such, was not a major obstacle for the sound development of agricultural credit.

The receipt of financial assistance from the government should not blind the credit cooperatives to the need to build up their own funds. It is also important that members of cooperatives should cultivate the habit of thrift and accumulate savings in their societies. Savings under the compulsion of bylaws willingly adopted is a self-imposed discipline of great benefit to the members. The rural development project in the Comilla District Bangladesh, popularly known as "Comilla Project", serves as a striking example of a cooperative scheme where a self-imposed^{scheme}/of saving has proved successful. In India, the credit cooperatives have been able to mobilise the savings of the community in the form of deposits. The All India average for deposits in primary agricultural cooperatives and central banks has gone up from Rs.358 in 1960-61 to Rs.729 in 1966-67 per 100 of rural population. Particular states in India, like Gujarat and Maharashtra, have impressive records of

* All India Credit Survey, Report of the Committee of Direction, Volume II, General Report: Reserve Bank of India, 1954.

savings deposits in credit cooperatives and central banks, with an average of Rs.2,503/- and Rs.2,292/- respectively per 100 of rural population.

If members learn to save through their societies regularly they will be able to increase their savings when their earnings improve. Thus a society's own funds would increase in proportion of the rate of improvement in the economic position of its members.

Inability to grant adequate and timely credit

Another problem is the inability to grant adequate and timely credit. The important considerations to any person, who borrows, whether he borrows for agriculture or for any other purposes, are that the loan is adequate for the purpose, that it is granted without complicated procedures and that it is disbursed without undue delay so that the borrowed funds could be utilized in time. These, unfortunately, are the very points of weakness in most credit cooperatives. The inadequacy of sources for financing the cooperatives may be ^{one} reason for the inability to grant adequate and timely credit to farmers, but this is not the only reason, nor even the main reason. Even when the finances were forthcoming, other factors, such as complicated procedures and methods of assessing loan requirements adopted by cooperatives, have contributed to the failure of members to get loans in time. In assessing loan requirements, the farmer's assets and the securities he can offer are given more weight than his production potential. According to this method the farmer's credit worthiness is judged, not by his repaying capacity which is reflected in the production potential, but by the value of his land and other assets. In using such methods of assessing creditworthiness the cooperatives fail to recognise the creditworthiness that accrues to a member by reason of his capacity and diligence. The assessment of creditworthiness on the basis of a member's production potential is all the more indicated where credit is required for scientific agriculture which involves heavier capital outlay.

Another problem is the traditional reluctance of the agricultural cooperatives to lend for consumption purposes. Subsistence loans are considered unproductive, and are therefore refused, thus driving the farmer into the hands of the private moneylender with disastrous consequences.

Though it is true that agricultural credit becomes dynamic only when it is utilised for financing measures which increase production, one cannot overlook the needs of the farmer. In the initial stages of agricultural development, it is difficult to distinguish between production and consumption credit. When farming is at a subsistence level, the farmer's consumption needs are normally the basic necessities of life of himself and his family. Sometimes he would need something more for ceremonies which are essential social obligations in the farming community. The farmer has to fulfil these obligations as he needs the help of the members of the community to follow his agricultural pursuits. If credit is extended to meet the cost of hired labour, there is no reason why credit should not be extended to meet the basic needs of the farmer and his family who work on the farm. Instances are not uncommon where credit is surreptitiously diverted to meet consumption needs when it is supposed to be granted only for productive purposes. As agriculture develops and the farmer's income rises, there is less need for this type of credit as he would then have surplus savings for such expenditure.

The cumbersome procedures involved in applying for, and granting and disbursing, loans often result in delaying the farmer's operations. Occasions are not rare where the farmers get loans so late, due to the lengthiness of procedures, that the loans cannot be used for the purposes for which they have been given.

The crop loan system in India and Sri Lanka can be called a significant innovation in the field of cooperative credit. Under this system the creditworthiness of the farmer is judged on his repaying capacity. Consequently it is assessed in relation to his production programme, taking into account the crop grown, the area cultivated and the techniques adopted. Loans can be provided under this system to all cultivators, whether owners or tenants. The loan consists of cash and kind components. Cash is given to meet the expenses of farming operations, whilst fertilisers, seeds, etc. are given in kind. Both in the disbursement and in the recovery of the loan, seasonal factors are taken into account, and credit is linked with supply and marketing. A degree of flexibility is allowed with regard to the amount of the loan depending on the variation in crops, seasons and areas.

Competition from private moneylenders

The most formidable foe of the agricultural credit cooperatives in the village moneylender. Years of effort of the cooperative^s have not removed him from the village scene, though all regard him as an exploiter of rural poverty. The keen competition which the cooperatives have offered him has, however, had a salutary effect on him. The private moneylender does not now dare charge the exorbitant interest he used to charge, though his rates are still high. He has changed his ways and methods of lending, such to the benefit of the borrower. This very adjustability of the private moneylender is the biggest factor in his favour. This makes it difficult for the cooperatives to replace him.

Lending by cooperatives at cheap rates of interest has been regarded by some leaders of the movement as the surest way of ousting the moneylender. However, experience has proved this to be wrong. Interest may be an important factor. But the personal equation that a private money lender establishes with each of his customers, his simple procedures, the availability of credit at any time, the possibility of maintaining secrecy about such transaction, his willingness to accept all types of security and his readiness to lend even without security, the adjustability of his methods of recovery, and the coordination of his credit facilities with supply and marketing facilities are more important factors. These make competition with him difficult. It may not be possible for the cooperatives to imitate many of his lending procedures, as advocated by some well-meaning leaders in order to eliminate him from the village scene. Imitating his lending procedures may amount to betraying the principles of Cooperation. But there are several lessons that could be learnt with advantage from his procedures.

No sound agricultural credit system can be developed as long as the farmer remains indebted to the private moneylender. Therefore, the success of the cooperative credit system depends to a very large extent on how promptly and effectively the private moneylender is eliminated from the village scene. This is one of the problems most difficult of solution.

Difficulties in obtaining securities for loans

Another problem is that of obtaining security for loans where such security is required. Most cooperatives still insist on the mortgage of land for even short-term loans. The absence of clear title to land makes it difficult for the farmer to pledge his land as security. Even if the title is good, the mortgage of land involves a long and cumbersome procedure. This insistence on the mortgage of land as security means that only land-owners can borrow.

The crop loan system in India, referred to earlier, seeks to get over these difficulties by relating the loan to production potential rather than to property owned by the farmer. Further, the cooperative Act of all the States in India have created a statutory charge on the crops of the borrower, in favour of the cooperative society. In some States the Act has also provided for the creation of a charge on gairwadship or other interests in land, by the borrower executing a declaration in favour of the society. These legal provisions and the method of lending provided in the crop loan system have to a considerable extent, alleviated the problem of the lack of good security for loans.

The lack of a proper tenurial system is another obstacle in obtaining securities for loans extended by cooperatives, even when such legal provisions as mentioned above exist. In the absence of a proper tenurial system the rights of the tenant-farmer are not secured and so lending to him remains risky. The creation of statutory charges on crops or interest in land may make up for the lack of tangible security, as long as the tenancy itself is not secure, the charge on the crops of the farmer can bring only temporary security and so make him only temporarily creditworthy. Long-term assistance can be given only to farmers whose tenancy is secure.

The land reform measures undertaken in India, Pakistan, the Philippines, Nepal, Sri Lanka and some other countries have to a great extent helped the tenant-farmer, and have made him creditworthy. Sri Lanka Family Land Act, which has made the tenancy more or less permanent and made the landlords share to a fixed amount, thus giving the tenant the full benefit of any increases in yields, can be cited as one of the most progressive pieces of legislation designed to improve the tenant's creditworthiness.

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Credit delinquency

Another problem in cooperative credit societies is credit delinquency. The FAO Group of experts, who studied "The possibilities of strengthening the provision of credit to agriculture, specially to the cooperatives", observed in their report * :

"Any sound transaction postulates two points :

1. On the side of the creditor, the unqualified intention to recover the loan with integrity.
2. On the part of the debtor, the unqualified will to repay the loan in full".

These essential principles are unfortunately not always observed by creditors and debtors in the developing countries. There are numerous instances where Government which have financed the credit operations of the cooperatives have later allowed the extension of repayment schedules or the waiver of overdue loans for political reasons. Such relaxation of rules, when made without sufficient reason, amounts to rewarding the defaulters and encouraging non-repayment. The statistics on overdue loans in most of the developing countries are alarming, and non-repayment has become an almost intractable problem.

The factors which are mainly responsible for this poor performance are the lack of supervision and extension services, and the lack of firm policies of loan recovery.

The lack of supervision and extension services is sometimes due to the lack of sufficient staff. The responsibility of supervision is sometimes placed on the cooperative department and not on the financing cooperatives. A study conducted by the Agricultural Credit and Cooperative Institute of the University of Philippines, in collaboration with the Development Bank of Philippines, on the repayment performance of the farmers who were financed under supervised credit programmes and of those who were not so financed, revealed that under the supervised programmes repayment was 75 per cent, while it was only 59 per cent in unsupervised areas

* Agricultural Credit through Cooperative and other institutions, FAO Agriculture Studies No.68 : FAO, Rome, 1975.

The bad lending policies of cooperatives - e.g. relating the loan to the farmer's assets and not to his repaying capacity; lending indiscriminately to achieve targets of lending set up by governments because of political pressure brought to bear on them; adopting cumbersome procedures which delay the disbursement of credit - result in bad repayment performance. Inefficiency in the management is another factor that results in bad repayment performances. The management sometimes is neither willing nor strong enough to impose sanctions on the defaulting members. The failure of even some members of the Managing Committee to repay their loans affects the management's ability to impose sanctions on the ordinary members. The non-repayment of loans by Managing Committee members results in the erosion of the members' loyalty to, and confidence in, the cooperative.

The traditional attitude of the elected leadership has been to leave matters of supervision and guidance to the officials of the government departments of cooperative development. This is the result of the government sponsorship of the movement. This lack of interest among the elected leaders in the matters of supervision and guidance is a problem in the way of cooperative progress.

The other important factors that affect repayment are the indebtedness of credit, supply and marketing.

In fairness to the people of this Region, specially its rural people, it must be mentioned that they normally have "the unqualified will to repay loans in full". They regard it a great sin not to repay what they have borrowed. People who default in repaying what has been borrowed are looked down upon in the village and lose status among their fellow-men. It is the practice, specially in the rural areas, that a father passes on his debts to his son just as he passes on his assets to him. What prevents the farmers from paying back the loans is mainly the force of circumstances created by low returns on their toil, and the defects in the methods of extending credit.

The conditions which would help to ensure the repayment of loans by the farmer are as follows :-

- i. Proper guidance and technical advice should be given to him so that the loans taken could be utilised in the best way.

- ii. All the legitimate credit needs of the farmer should be met by his cooperative in time, obviating the necessity to borrow from private sources even temporarily.
- iii. Necessary inputs should be supplied to him at the time they are required.
- iv. Proper marketing facilities should be provided so that he could get a fair price for his produce.

The last resort available to cooperatives to recover bad debts is through litigation. There is provision under the law^s of most of these countries to refer cases of default to the Registrar of Cooperative Societies for compulsory arbitration without resorting to courts of law. This helps the credit cooperatives to avoid the high costs of litigation and the complicated procedures involved in the recovery of debts. Even this procedure of arbitration sometimes takes a long time for completion due to the lack of sufficient personnel for hearing these cases.

An integrated approach : the solution

It is now being increasingly realised that a sound credit system could be developed only if the supply of credit in cash and kind, the storage of agricultural produce, and the marketing of produce (after processing wherever necessary), are all integrated against the background of effective farm guidance services. Unless such an integrated approach is adopted, all attempts to drive out the moneylenders and to improve the conditions of the farmer will end in failure and frustration, for credit alone is not a panacea which can solve all the problems of the farmer. The solution lies in the proper integration of credit with extension, supply and marketing services.

The success of the Japanese Agricultural Cooperative Movement can be attributed to this integrated approach. Ceylon and India have adopted the same approach through their multipurpose and agricultural credit cooperatives respectively. Though the success of this approach in these countries has not been as spectacular as in Japan, they have found this approach sufficiently rewarding to continue on the same lines with increasing intensity.

NATIONAL SEMINAR ON MANAGEMENT OF
AGRICULTURAL COOPERATIVES
IN SRI LANKA

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COOPERATIVE CREDIT IN SRI LANKA

The beginning of the cooperative credit in Sri Lanka dates back to the first cooperative societies to be established in Sri Lanka were Co-operative Credit Societies. The Co-operative Movement in Sri Lanka started with the enactment of the first Co-operative Credit Societies Ordinance in 1911, and the first co-operative society, the Wellabodapattu Co-operative Credit Society in the Galle District was registered in November 1912.

While at the beginning, the registration of societies was the function of the Registrar General in 1913, this function was taken over by the Department of Agriculture which was established in that year. A sub-department under the Director of Agriculture, who was also designated the Registrar of Co-operative Societies, attended to the functions of Organisation, supervision and audit of co-operative societies. In 1930 the Co-operative Department which was a sub-department of the Department of Agriculture was set up as a separate department with the Registrar of Co-operative societies as its head.

During the first 30 years of its history the Co-operative Movement in Sri Lanka aimed to be a purely voluntary movement consisting of small and exclusive groups of people at village level under the tutelage of officials, slowly gaining the confidence and experience necessary to meet elementary economic needs. During this period the movement was mainly concerned with the provision of rural credit, and in spite of rather remarkable success here and there, the movement made only slight impact on the national economy.

At the commencement of the movement the Government granted loans direct to Co-operative Credit Societies up to an amount equivalent to $\frac{3}{4}$ of the paid up share capital. The Government in 1916 established a Fund known as the Local Loans and Development Fund. This fund granted loans up to 3 times the paid up Share Capital and Reserves of Societies in the case of a society of unlimited liability and up to an amount equal to the

paid up share capital and reserves in the case of a Society of limited liability.

The first step towards financial independence of the Co-operative Movement was taken when a Co-operative Central Bank for Jaffna was registered in 1929. This Bank undertook the financing of credit societies in the Northern Region. The Colombo Central Bank and the Kandy Central Bank were registered in 1930, and 1931 respectively. These Banks had no difficulty in attracting all the deposits they required at the time to meet the needs of the Societies. In addition there were Banking Unions, which were Central Banks in miniature. They operated over small areas and were managed by ordinary village intelligence. Their primary function was the financing of member societies. By 1945 there were six such unions, but when the Central Banks, after the formation of the Co-op. Central Banks the demand for the Local Loans and the Development Funds was greatly restricted and by 1939 the financial independence of the Credit Societies was almost completely realised.

Even after the setting up of Co-operative Consumer Societies in the early 1940s to meet the scarcity of consumer goods and the need for equitable distribution arising out of the rigours of the World War, the Co-operative Central Banks were able to attract sufficient deposits and make use of Overdraft arrangements with Commercial Banks which enabled them to meet the basic credit requirements of member societies. However, it must be noted that, the credit societies through which all agricultural credit was extended until 1947 had a very selected and small membership, and the loans themselves that were granted through these societies were small and restricted.

The need to create conditions in which cultivators could make a significant contribution to food production was realised during the period 1939 to 1945 when War conditions prevented the import of adequate quantities of Food Stuff to meet the deficit in the country. In 1947 the Government proposed a scheme for liberalising credit for development in the Agricultural (non-plantation) sector and a guaranteed price scheme for certain crops. Government sponsored a scheme for covering the entire Island with a net-work of Co-operative Agricultural Production and Sales Societies of Limited Liability through which cheap credit could be extended to cultivators of paddy and a few other crops.

At this point the government decided to institute a scheme of Agricultural Credit because the kind of financing contemplated under the CAPS Societies scheme was considered too risky and beyond the resources of the Co-operative Banks. The Government undertook to finance these societies for short-term and medium-term requirements as well as for working capital required for the purchase of members' produce as Agent of the Government. The loan Scheme was operated through the Director of Food Production and the loans were channelled through the Co-operative Banks. Societies were also financed for construction of go-downs purchase of Tractors and similar requirements.

In 1949 there were 6 Co-operative Banks on a provincial basis, when an apex Co-operative Bank, known as the Co-operative Federal Bank of Ceylon was established. All Co-operative Societies and Co-operative Banks were eligible to be shareholders of the Co-operative Federal Bank, which in addition to carrying on banking and credit business, was to act as a balancing medium for the surplus funds of Co-operative Societies and to supervise inter-lending among Co-operative Societies. Like the other Co-operative Banks the Co-op. Federal Bank was registered under the Co-operative Societies Ordinance. Provision for Government financial assistance to it was made under the Co-op. Federal Bank of Ceylon (Financial Aid) Ordinance NO.39 of 1947 under which the Co-op. Federal Bank received an initial loan of Rs.2 million repayable in 10 years free of interest for the first five years, and thereafter bearing interest at 7½% p.a. with provision to obtain additional funds from the Government.

The period after 1957 saw the development of the MPCSS movement. The organisation of the Co-operative structure by bringing together the various economic activities of the village in Co-op. Society resulted in the Organisation of the MPCSS with integrated credit distribution, production and marketing activities. The MPCSS were expected to play a dynamic role in the promotion of agricultural development. The agricultural credit scheme operated by the Director of Food production was extended to Multi-purpose Co-operative Societies in addition to the few CAPS societies which had not been converted into MPCSS. In 1957 a new Dept. of Agrarian Services was set up and the operation of the Governments' Agricultural Credit Scheme and the Guaranteed Price Scheme were transferred to this Department.

Because cultivation loan recoveries were poor during the period up to 1952/53, the principle of Corporate responsibility was applied to Co-operatives from 1953. Co-operatives which had loans in default and did not make good these defaults were not entitled to borrow on behalf of their members. The rate of recovery between 1953/54 to 1962/63 thus went up to 96%. Although this principle ensured a high recovery rate it deprived non-defaulting members of defaulting societies the right to borrow.

This resulted in a stagnation in the volume of credit disbursed under the Scheme during the period 1956/57 to 1962/63 which led the Government to bring about liberalisation of credit by giving up the principle of Corporate responsibility and granting loans to Co-op. Societies which had defaulted in repayment of earlier loans to enable them to grant loans to non-defaulting members, increasing the maximum credit limit of members etc. While the liberalisation led to an expansion in the volume of credit, the recovery rate between 1963/1967 fell to 56% and as such the reorganisation proved to be ^a failure.

A vital development during this period was the setting up of the People's Bank in 1961, which replaced the Co-operative Federal Bank. At the time of its establishment there were 17 Co-operative District or Provincial Banks in addition to the Co-operative Federal Bank of Ceylon which under the provisions of the People's Bank Act was, deemed to be dissolved and its assets and liabilities were transferred to the People's Bank from the date appointed for its inauguration.

It would be appropriate at this stage to state why the Government decided to replace the Co-operative Federal Bank. As far back as November 1954 the Central Bank of Ceylon had drawn the attention of the Minister of Finance and the Minister of Agriculture and Food (who was in charge of Co-operatives) to certain unsatisfactory features of the Federal Bank. Liquidity was reported to be inadequate; sufficient provision had not been made in the reserves for advances considered as loss, after 6 years of operation, during which no dividends had been paid to shareholders, the entire capital funds of the Bank amounted to only Rs.605,000/-. Low income was another problem. After 6 years of operation its reserves stood at only Rs.261,000/-. Its object of being a balancing medium for surplus funds of the Co-operative Movement failed to be realised because some of the Co-operative Banks continued to deal with Commercial Banks in preference to the Federal Bank and also invested in Government Securities.

Some of the well run Cooperative Banks opposed affiliation to the Federal Bank. The provision in the Ordinance No.39 of 1947 giving the Government a first charge on assets of the Bank for repayment of its advances proved to be one of the major obstacles to the Banks progress. Consequently, the Bank found-

- (a) it could not attract public deposits even at attractive rates,
- (b) Commercial Banks were reluctant to lend to it, and
- (c) societies would not increase their share holdings.

Furthermore, the Bank could not raise funds on debentures since there was no guarantee by Government. In 1955 the Central Bank of Ceylon therefore suggested to the government that a new institution be established by Act of Parliament to replace the Co-operative Federal Bank, which would serve as a more efficient financial institution in the Co-operative Movement and as a specialist credit institution for the development of rural banking and agricultural credit. While these proposals were accepted by the Government in 1957, the Peoples Bank was established by Act of Parliament No.29 of 1961 which replaced the Co-operative Federal Bank. The main objectives of the People's Bank are "to develop the Co-operative Movement of Ceylon, rural banking and agricultural credit, by furnishing financial and other assistance to Co-operative societies, approved societies, cultivation committees and other persons". The bank has also the power to carry on all the functions of a Commercial Bank including foreign business. It also had a unique power for a Co-operative/Commercial Bank to carry on the business of Pawn-broking.

Under the provisions of the Act ten Co-operative Banks opted to merge and become branches of the People's Bank, while the remaining 7 Banks were absorbed later on.

The People's Bank has today become the Chief Financier of the Co-operative Movement, and the Co-operative Sector has benefited immensely by the People's Banks ability to attract deposits from all sectors.

Getting back to the subject of Agricultural Credit, in spite of the poor performance of the Agricultural Credit Scheme up to 1966, in order to implement a programme of increased production of paddy and subsidiary food stuffs, the Government appointed in that year a Committee headed by the Parliament Secretary to the Ministry of Agriculture & Food to examine the role of the Co-operative Movement with special reference to the promotion of rural credit.

Arising out of its recommendations the Government made certain decisions referred to as the New Agricultural Credit Scheme, which is the Scheme presently in operation in respect of Agricultural Credit.

The main features of the New Agricultural Credit Scheme were:

1. Agricultural Credit to Cooperatives is to be channeled through the Peoples Bank and the Commercial Banks. The Central Bank of Ceylon is to refinance their financing operations and guarantee loan default by Societies up to 75 %.
2. The refinancing rate of the Central Bank would be $1\frac{1}{2}$ % p.a. plus $\frac{1}{2}$ % for the guarantee. The people's Bank would lend to the Societies at 5% p.a. and the members have to pay 9% p.a. In the event of default a penalty rate of additional 3% would be charged for from members and the Societies on the amount in default.
3. The Government was to waive from Societies any unpaid balance outstanding on 31.10.1966 out of loans granted prior to 1.10.58 and the Societies were to waive amounts outstanding from members on the same basis.
4. Default of loans granted to societies between 1.10.58 and 31.10.66 due to total or partial crop failure was to be waived with a corresponding waiver to members.
5. Default in repayment of loans granted by the Department of Agrarian Services would be no impediment to banks lending to societies after 1.9.67. Correspondingly members default to societies in respect of loans given prior to 1.9.67 will be no bar to societies lending to such members.
6. Where a society's loan repayment during the first three years of operation of the new scheme is satisfactory, the waiver of its remaining debts to the Dept. of Agrarian Services would be considered. Where such waiver is granted there would be a corresponding waiver of related outstanding loans due from members.

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7. Defaulting members would not be eligible for any future loans. Although the scheme was thrown open to all Banks up to 1973 only the Peoples Bank operated the Credit Scheme, while in 1973 the Bank of Ceylon too commenced granting loans under this scheme. From the inception of the scheme upto 1978/79 Maha Season, the Peoples Bank alone has released a sum of approximately Rs.1076 Million of which around 602 million is outstanding at present.

The default rate under the New Agricultural Credit Scheme has also been high and has shown but little improvement over the rate under the previous scheme. The high default rate has been attributed to the following factors.

1. Decisions pertaining to granting of credit was taken by the Government and the lending agencies had no discretion in this matter.
2. Each Cooperative Society as a body was not responsible for recovering loans. In case of default the societies do not suffer any loss. Therefore the Cooperatives which are the most crucial link between the Bank and the farmer had no particular incentive to ensure the proper use of funds released under the scheme or to recover loans.
3. Decision taken by the Government from time to time to grant fresh loans to defaulters, tended to create the impression in the minds of borrowers that these loans were more Government grants which need not be repaid.

The performance of the scheme had been reviewed from time to time and prior to the commencement of the 78/79 Maha Season the Government decided to withdraw the guarantee of 75% of the defaults, made available to the Banks so far and also announced that loans will not be granted to defaulters in the future. Accordingly the People's Bank granted cultivation loans during Maha 78/79 on the following basis.

1. Loans were granted to members of MPCSS only where they had paid up all previous loans or had paid the Maha 1977/78 loans and paid 1/10 of the previous outstanding loans and agreed to pay the balance in 5 years.

2. Where the recovery performance of MPCSS was poor, the Bank granted cultivation loans to their members direct through Bank branches.
3. The repayment capacity of borrowers was taken into account in granting loans.
4. The follow-up and supervision of loans granted both by MPCSS and Bank branches has been intensified.

As a result of these restrictions the volume of credit disbursed through MPCSS has gone down sharply and the Bank expects the recovery rate to improve significantly.

In considering the current situation with regard to Co-operative Credit operations, another vital area of activity is the financing of the consumer business of the large primary MPCSS set up in 1970 under the Co-op. re-organisation, that was implemented on the basis of the report of the Royal Commission on the Co-operative Movement in Ceylon, (which was published as sessional paper No.11-1970). The newly set up MPCSS were large business organisations, sometimes having as their area of operation an entire electorate, and until recently, having a monopoly in the retail trade of most of the essential food stuffs and other essential items.

In the case of most societies the owned capital was inadequate to finance their turnover and as such the People's Bank was called upon to advance large amounts of funds for this purpose. The amounts lent to MPCSS in 1976 and 1977 for consumer trade were around Rs.47 million and 40 million respectively.

Another major activity undertaken by the MPCSS today is the purchase of paddy from farmers under the Guaranteed Price Scheme as agents of the Paddy Marketing Board. For this purpose, every season the Bank advances monies to the MPCSS and the amounts lent for this purpose, during 1976 and 1977 were approx. Rs.29 Million. In addition during the harvesting season the Bank discounts Goods Receipts issued to the MPCSS by the Paddy Marketing Board in respect of paddy surrendered to the Board, to the tune of several hundred million rupees.

The People's Bank has also provided credit to MPCSS for purposes like construction of building and purchase of vehicles to build up their transport fleets. For building construction the Bank lent Rs.3 Million and 1 Million in 1976, and 1977 respectively, while for purchases of vehicles the Bank lent Rs.22 million and 9 million respectively during the same years.

In 1962 the People's Bank inaugurated the Extended Scheme of Rural Credit which was a broad-based programme whereby loans were granted to Co-operative Societies for relending to members for the purpose of production, consumption, redemption of debts and housing, supplementing the credit available from other sources such as the Commissioner of Agrarian Services, the Director of Rural Development and small Industries and the Fisheries Department. Primary Co-operative Societies recommended by the Co-operative Department were selected for the implementation of this scheme, after an inspection by the People's Bank.

In pursuance of the Bank's policy of expansion of rural credit through the medium of Co-operatives, the People's Bank in 1964 inaugurated the Rural Bank Scheme (later called the Co-operative Rural Banks). This Scheme was much wider in scope and functions than the programme of rural credit under the scheme of Extended Rural Credit. To assist the primary Co-operatives at the village level to grow into strong units the scheme incorporated concrete proposals to encourage the development of their banking functions on efficient lines and to raise their managerial and operational standards. Under the Scheme the Bank assisted Societies by way of advances for relending to members and for financing the purchase of equipment etc. The Bank also arranged courses of training for their employees in banking and Co-operatives, and Bank Officers actively participated in the inaugural work of organising the banking departments of these societies, and conduct periodical inspections of their working thereafter.

In 1973 the Bank inaugurated a Scheme of Comprehensive Rural Credit for implementation through the Co-operative Rural Banks. Under this Scheme, subject to the credit rating of a member he could borrow in the desired combination for his essential needs, such as production, housing, trade, consumption and redemption of debts.

A system of approving Credit Limits for members in advance was introduced. The credit limit represents a member's estimated total requirements of credit over a period of time - say one year, and the member is also free to make variations subsequently. The securities for the credit limit will also be pledged in advance, and the member will be granted facilities from time to time for his various requirements under the credit limit.

In addition to loans, the Co-operative Rural Banks as agents of the People's Bank, conduct pawn broking business too. This is another facility which has helped the rural population to obtain credit on easy terms and at short notice.

At present there are 284 Co-operative Rural Banks and 268 Special Branches. The total deposits with them amount to about Rs.214 Million, and they have advanced nearly Rs.64 Million as loans and another Rs.60 million as Pawning Advances.

Thus it will be seen that a greater part of the activities regarding Co-operative Credit today centres round the MPCSS. Therefore, it is pertinent at this stage to review the performance of MPCSS.

Although the reorganisation of 1970 gave the MPCSS immense economic strength due to size very few have been able up to date to manage their affairs efficiently. Lack of trained and competent personnel to bring about efficient management has brought about gross mismanagement, wasteful expenditure, heavy leakages, in huge operational losses. Political intervention during the last several years, to an extremely unhealthy degree prevented the recruiting of competent staff, and action been taken against corrupt and inefficient officials. Due to the large amounts of funds involved in financing the MPCSS the Bank has viewed these developments with serious concern and has from time to time attempted to bring about some degree of discipline in the societies. But unfortunately, due to the essential nature of the business conducted by the MPCSS, the Bank has so far unable to impose effectively any financial sanctions against them.

Along with the development of Co-operative activities, in such areas as rural agricultural credit, consumer trading activities and marketing, Co-operative organisations came up in other important areas of economic activity such as small industries, fisheries, thrift and savings, Transport, Housing, Hospital facilities etc.

In view of the utmost importance of small industries, in a less developed economy like Sri Lanka the Government took the initiative in developing small industries from the early 1940s, and Government assistance became more extensive after 1950, when a scheme of collaboration between the Department of Co-operative Development and the Department of Rural Development and small Industries began to be implemented. Under this scheme a large variety of Small Industrial Activities were organised on Co-operative basis. Credit facilities to these societies were granted by the Department of Rural Development and People's Bank and all loans for Industrial Co-operatives societies have since then been considered and granted by the People's Bank. While textile weaving has been the most important activity in the Industrial Co-operatives Sector, Co-operative Societies came up to cover other small industrial activity areas such as manufacture of school and office furniture, coir products, mat weaving, agricultural implements etc.

Since 1970, Industrial Co-operative Societies, especially textile weavers' Societies have undergone reorganisation and large primary societies have been set up. In keeping with the People's Bank's policy of implementing a vigorous policy of promoting local small industries liberal credit facilities have been extended to these Societies to meet their working capital and capital investment requirements.

Small Industries from time to time have suffered from such impediments to their growth like competition from imported substitutes, failure to obtain continuous supplies of raw materials, lack of efficient marketing facilities, and in the case of some Co-operative Societies the lack of competent management ability. The Bank had to take account of these constraints in providing finances to these societies.

Fisheries in Sri Lanka are a natural resource and in recent years their expansion has been promoted by the Government. Foreign aid from several countries has also been applied to this purpose. The objects on which emphasis has varied slightly from time to time have been to increase food production, and particularly the supply of proteins, to save foreign exchange, to reduce the ^{cost of} living and to improve the conditions of the fisherman. This promotion has taken the form of acquisition of Government owned deep sea trawlers, providing fisherman with medium range mechanised boats, mechanisation of the traditional types of small boats and improvement of the traditional types of small boats, and improvement of gear and training of fishermen in the use of modern boats and equipment.

A large number of Fishermen's Co-operative Societies have been formed from time to time, with the objective of improving the fisheries industry and the condition of fishermen. Credit facilities to these Co-operatives have been provided originally by the Dept. of Fisheries, and the Fisheries Corporation. Recovering of loans granted to cooperative societies, have been better than those of loans granted to individuals by the Dept. and the loans granted to societies have been less liable to abuse. The Peoples Bank has now started to provide credit facilities to Fisheries Cooperatives too. The credit scheme by the Peoples Bank has put loans to fishermen on a more business-like basis than when they came from the Fisheries Dept. The system of credit facilities by the Dept. encouraged negligence in repayment and double borrowing by fishermen and weakened the structure of self-help and business honesty which hope to build. The biggest problem faced by the Bank in providing credit to fisheries cooperatives has been the inability of societies to have control over the produce of members. Most members still do not surrender their entire catch to the society. As a result societies fail to earn expected incomes which adversely affect loan repayments. This is a result of the lack of proper education among members, and also the lack of proper management which has adversely affected viability of a large number of societies.

number

A large/ of other Co-op. Organisations like credit societies, Thrift and Savings Societies, Labour Societies, School supply societies, Hospital Societies, Housing Societies, Transport Societies, Welfare societies etc., have also come up in the country over the years. The financial needs of all these Cooperative Organisations are being met by the People's Bank at present.

A great many cooperative societies in Sri Lanka have failed to perform well due to lack of competent management. It is widely agreed that management in cooperative development is ^{so} crucial that bad management can wreck the best plans even other factors are favourable. In Sri Lanka as elsewhere the Co-operatives were much slower than capitalist business, to appreciate the paramount importance of management for success. Cooperative leaders often assume the members would go on supporting the society automatically because it is their own, and in deed this was often proved upto a point, for in the first period of initial enthusiasm members were willing to put up with second-rate management or even worse. But members will soon tire of bad management and inferior service and will turn their backs on the Co-operative Society for something better.

One of the key factors in management is relating managerial ability to the size and complexity of the organisation. Most of the large cooperative business organisations which were set up under the cooperative re-organisation of the early 1970s have still to find competent managers to run their operations at minimum efficiency levels.

The controls and the supervision presently exercised by government and the cooperative Dept., it must be stated, are not adequate to ensure good management. Further it is generally agreed that Government does not ordinarily proceed on the basis of well accepted business practices. Therefore the controls and procedures to which officials are usually accustomed do not measure up to the requirements of efficient business. Moreover, in this context Government some times goes further and require the cooperative societies to operate on very narrow margins, which are inadequate to off set the effects of inept management, which has led a large number of MPCSS to incur operational losses. Although it was expected that with the setting up of large cooperative organisations under the reorganisation, societies would be able to pay better salaries and attract better managers most societies have still failed to do so. The Co-operative Management Services Centre which was set up with the object of improving the management of cooperative societies, also has failed so far to make any remarkable impact on the movement.

The importance of accounts in the working and development of co-operatives can hardly be over-stressed. Co-operatives as business institutions need to maintain proper accounts for various and obvious purposes. Properly maintained accounts are an indispensable tool in the hands of the management. This is also required for the presentation of the financial position of the Co-operatives to the general body of members and others, like the People's Bank, which provide them credit facilities, who are interested in their affairs. Although steps have been taken by the Co-operative Dept. for the maintenance of suitable and up-to-date accounts by cooperative societies the maintenance of proper up-to-date accounts in the Co-operative Sector, even today is the exception and not the rule.

Auditing of accounts of co-operative societies is the responsibility of the Co-operative Department. One of the most disquieting aspects of the Co-operative situation in Sri Lanka for a long time has been the extent of arrears in the audit of co-operative societies. Although some progress has been made in this regard, even in recent times in quite a number of cases the default in conducting adequate and timely audit appears

to have left room for various malpractices including defalcations, and has deprived the managements of a valuable tool for proper operations.

Supervision of Co-operative Societies too is previously the responsibility of the cooperative department. The objects of such supervision are (a) to ensure that the Co-operative carries on its business honestly, efficiently, and to the benefit of its members, and (b) carries on that business in accordance with the Co-operative Law, rules and by-laws. Supervision which includes both inspection and advice, is linked on the one hand with audit and on the other with education, especially that of co-operative staff, office bearers and members. The character of co-operative supervision and the demands which it has to meet have changed substantially since the early days of comparatively small single-purpose societies operating in order to meet the immediate needs and wishes of their members. The change results from two circumstances.

- (a) The use of Co-operation as an instrument to carry out Government plans of national economic development and
- (b) The multi-purpose character of societies and their increase in size.

The People's Bank also exercises some degree of supervision over co-operative societies. The Bank normally concentrates on the financial policy of societies development of rural banking, and the use and repayment of specific loans.

In spite of supervision exercised by both the Co-operative Department and the Bank, it must be admitted that the objects of supervision have not been achieved. Inefficiency, mis-management, dishonesty, lack of response to the needs and wishes of members, violations of the Co-operative law, and by-laws, are quite common in a large number of Co-operative Societies today. In a large number of cases the Bank has extended credit facilities to Co-operatives, not because they measured up to the normal minimum requirements of the Bank but simply because of the Bank's reluctance to disrupt essential services performed by them

The Co-operative Movement has a dual nature. Co-operatives are both a social and business Institution, a People's democratic Institution and an enterprise at one and the same time. Co-operatives must be efficient enterprises first for if they cannot do this they can hardly expect to win much support for the other. Countless thousands of Co-operatives have disappeared because they try to operate an ideology alone without sufficient attention to business efficiency. Co-operatives being basically economic Institutions must be efficient enterprises and also Institutions oriented towards reform and social justice. Let us therefore, hope that those responsible for the Co-operative Movement in Sri Lanka will strive to make the Movement an efficient instrument for speeding up the process of economic development, and bringing about reform and social justice.

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SOME ASPECTS OF PLANNING IN COOPERATIVES

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Planning for development in any cooperative must depend on an assessment of the existing situation and the desired situation/goal for some future state, i.e. the condition for which the plan is made. The difference between these two assessments provided the driving force for the planning.

The definition of a good plan may differ depending on who is talking of planning and various plans. Is it a good plan or a result of good work. Cooperative experts have frequently developed what appeared to be good plans, but they have failed to reach objectives. This is simply because of the fact that the best plans are not properly implemented by the cooperatives. Thus, the best plan is not necessarily a good plan. Who should be blamed, the planner or the one who had to implement the plan? What is then a good plan?

A good plan must be a practical one, where the objectives and scope must be clear and understandable by all concerned people. It must also respond to the need of the cooperative members, it must meet the existing situation, be easily adjustable and not over ambitious. The plan must answer the question: What to do, when, how and whom?.

However, because of constraints such as poor management, uninformed members, insufficient funds, poor location of cooperatives and unclear government policy, problems will exist, no matter how good the plan is.

What is Planning

Planning is a process by which a programme of work is prepared in advance. It is a thoughtful determination and the systematic arrangement of the factor that will be required in the successful operation of cooperatives. Planning is the thinking, judging and deciding aspect of one's job. Planning is also the function of pre-determining what shall be done, how and by whom, in order to attain desired goals and objectives. The planning process includes the following main headings:

1. Objectives
2. Work Plan
3. Details of work
4. Plan's target
5. Allocated budget
6. Implementation
7. Time schedule

Why Planning is needed

In order to cope with the ineffectiveness of the cooperative operation, the growing demands of the cooperative member and the desire of the government in most countries in this region to improve the standard of living of the majority of both the urban and the rural population, planning in the cooperatives is essential and necessary for many reasons :

1. To correct mistakes made in the past
2. To improve the day to day operations of the cooperative.
3. To save time, money, energy and man-power in operation.
4. To help the various groups -employees, members and elected representatives - to better understand their duties and responsibilities in the cooperative.
5. To get a work programme for each section so that they can cooperate with each other effectively.
6. To establish a work programme for the employees to work systematically - what to do, when, how, why and by whom.
7. To establish a base for supervision of progress and the work programme.
8. To establish budgetary and capital needs in the future.
9. To establish and develop man power needs.
10. To provide for orderly growth.
11. To meet the planning demands of the cooperative service by the public.
12. To bring better result of cooperative development efforts.

Who is responsible for the Planning

In general, the manager with the policy approval of the board of directors is responsible for the planning because he is the one who runs the cooperative. He knows what to do, or what not to do. But in many cases the manager in developing countries may not be in a position to do so. This might be because of his poor working knowledge of cooperatives or because of his poor planning experience. In such a case technical assistance in the form of a cooperative expert can be called to help, or at least to give advice to the manager or the board of directors to do certain things in order to improve the operation of the cooperative. Often, it does not work since most developing countries lack adequate planning expertise.

Cooperative Planning in developing countries

Like in other business organisations, planning in cooperatives must be continuing process. From planning to operation, programme evaluation, reviewing and correcting. This includes year to year operation planning and long-term planning such as a five year plan or even longer.

Usually an annual planning is being practiced among local cooperatives. It is a simple planning based on the records of the past year performances. Unfortunately such planning may not be systematically done. More, often, the so-called plan is a loose statement about the cooperative objectives and its programme of operation. But no real effort has been made to achieve the stated objectives and government interference in cooperative operations often results in economic losses. Even so, the number of cooperatives keep on rising. In most countries in South-East Asia, the government give first priority to cooperative development. More funds are given, more government cooperative officials are recruited and trained and more cooperatives are being organised, and the problems still mount. Nobody seems to know what to do about it. This is because of the lack of proper planning, both at the local and at the national level. So, proper planning for cooperative development must be done, not only for individual cooperatives, but for the whole movement. And, there must also be some national frame work for the planning where the government or its agency is involved.

For the success and progress of the cooperative movement cooperative planning programmes must be initiated: both in short and long term plan.

Level of Cooperative Planning

In general, there are three steps of cooperative planning: national, regional and local as follows :

National Plan A national plan is a programme of action for the whole cooperative movement within a country. It is broad in scope and nature. The national plan of cooperative operation should comprise of objectives, policies, programme of works, organisation structure, procedure and targets. Usually a national plan or a master plan does not have a detail plan of work or action. It provides a general framework of objectives, policies and operational plan that are set to be achieved within a certain period of time. It serves as a guide line for programmes or projects.

Regional Plan

A Regional plan is a specific plan that is prepared for a certain development project within a macro-economic area. The regional plan is a central plan in a specific area or region within the country. Such plan requires great details of work in planning. Its objectives, policies, programmes of work, procedure and targets must be stated clearly and specifically. Usually, a regional plan is an intermediate plan that links up the scope of work with the national plan and the local plan.

Local Plan

A local plan is a programme of work for a local cooperative. It is a part of the regional plan and of the national plan. Its objectives, programmes of operation and details of work are given ^{clearly} and more specifically, in order that the local cooperative manager, the board of directors, the employees and the members can follow it easily and effectively.

To achieve the national goal of cooperative development all levels of planning must coordinate with one another closely and effectively.

Strategy of Planning

In the process of planning, one must deal with several stages of planning as follows :

1. Fact gathering and data collecting.
2. Situation analysis and data processing.
3. Setting up the target's plan.
4. Preparing of the work programme.
5. Submitting the work programme to the board for approval.
6. Implementing the plan.
7. Evaluating & follow-up necessary.

Fact gathering

In order to make a good plan, one must have facts, figures and information related to the cooperative movement in as much detail possible.

This includes the number of cooperatives, types of cooperatives, organisation, membership, working capital, business or organisation, technical and financial situation, manpower development, as well as the cooperative, by-law, cooperative regulations, book-keeping and auditing system including the past performance records of cooperatives: the success and the failure records. Information on competing enterprises must also be collected and an assessment of their strength be made. Moreover, special attention should be given to the government policy towards the cooperative development. Whether the government is in favour of the cooperative or not. If yes how much and how firm. This can help the cooperative to do the planning properly.

Situation analysis

Prior to the programme formulation data and information will be analysed carefully. They will be classified, categorised and interpreted. This will help the planner to understand the problems of cooperative development clearly : its structure, organisation, administration, management, general situation, financial situation and the potentiality for the future development. Other aspects of analysis includes the ways and means of improving the cooperative operation. What can be done in what manner, how much and how fast? What obstacles will the cooperative be facing and how to solve it? What steps of cooperative development will be taking place? What will be the cost and the return of a new development project? And what is the best alternative ?

Setting objectives

After all facts are gathered and analysed, the planner will be able to understand the strength and weakness of the cooperative. Then, the plans objectives will be formulated, based on the potentiality of the cooperative and the needs and desires of the members.

Programme Formulation

Next step of the planning is the formulation of the work programme. This comprises the objective, the operation plan, the detail of the work, the target, the allocated budget, the implementation, the training programme for action and the specified period of operation. Each item of the plan must be worked out in detail.

Regarding the operation plan it must work out in detail what has to be done first, second and third and in what manner, when, why, how and whom.

However, this is not the final stage of the planning. Sometimes alternative plans must be made or prepared, for best result the selected plan shall be tested and evaluated in order to have the best result of the operation.

In order to select the best plan a cost-benefit analysis must be made upon the plan. What is the cost of the project, and what will be the expected result. And who is going to benefit from it.?

The boards approval

After the planning is completed, it must be submitted to the board of directors to be approved. The plan must be discussed carefully, and some adjustment will certainly be made. Or to some extent the plan may have to be reprepared in order to suit the situation or the objective of the plan.

Plan implementation

This is the most important and the most difficult stage of the cooperative plan. Because the success or failure depends on the implementation. If the implementation is good the plan objectives will be achieved. However, many obstacles might be encountered which will result in the poor operation. Such as lack of funds, lack of qualified manpower, lack of appropriate use of the available funds and manpower and lack of good coordinating.

Thus, the programme must be evaluated, reviewed and re-planned over and over within the specific period of time. The aim of operation is to reach the set target.

Evaluation

After the completion of the programme, some evaluation must be made, in order to assess the effectiveness of the plan. Then, a report will be made and published. Replication of the objective plan in other cooperative mechanism can be anticipated.

Better planning in cooperatives

To achieve the desired goals, one must follow the ten guides to effective planning of work programmes as follows :

1. Clarify the objectives.
2. Determine the priorities of the specific objectives.
3. Determine obstacles that are in the way of the objectives.
4. Think of the means and the methods for getting rid of the obstacles.
5. Determine what will be required in the way of personnel
6. Determine what will be required in the way of facilities, including money.
7. Assign the responsibility.
8. Lay out a time schedule.
9. Set up measures for determining progress and results.
10. Determine what administrative action is required to get the programme approved and into the operation.

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Farm Guidance Activities
of
Japanese Agricultural Cooperatives

March, 1979

Presented by Mr. Shizuo, Shimaoka

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- The Central Union of Agricultural -
Cooperatives in Japan

1. General information of the agricultural cooperatives in Japan.

With a view to establish the independent and democratic organization of farmers, the agricultural cooperative law was enacted in 1947. According to this law, agricultural primary cooperatives have been established since 1948 throughout the country. This law was one of the policies which the Japanese government made after the world war II for democratization of the rural societies in Japan.

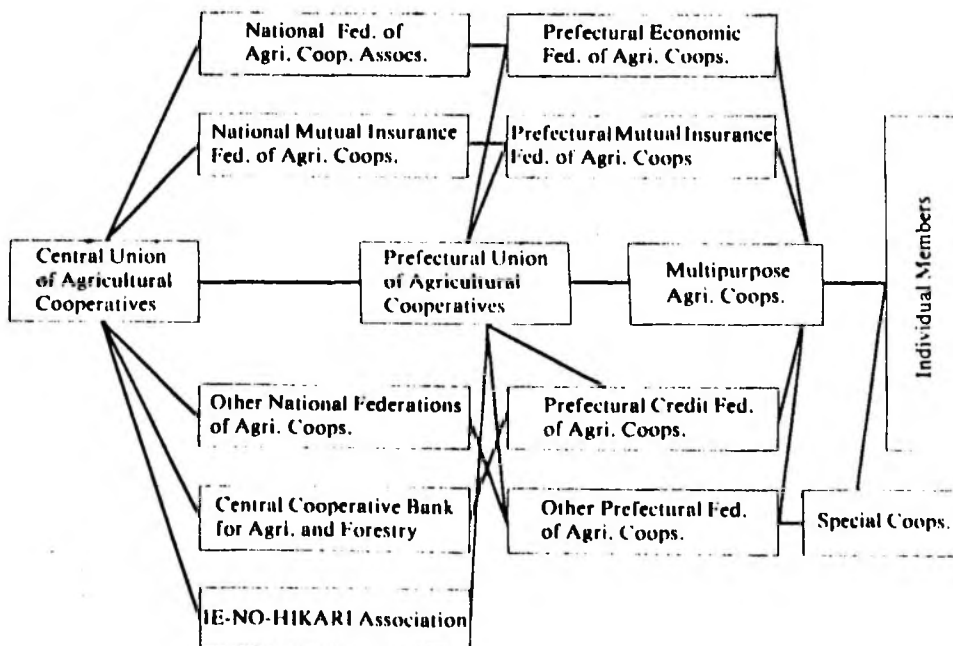
Briefly speaking, Japanese agricultural cooperatives are divided into two types according to each function; the one is "Multi-purpose society" and the other is "Single-purpose society". The former multi-purpose society is mainly carrying on credit, purchasing, marketing, insurance, facilities utilization services, and welfare businesses, so on in the integrated manners. The latter single-purpose society is the organization of the members' commodity-wise groups and mainly engaged in the specific businesses like horticulture, sericulture, live-stock industry and tea production, etc.

At the early stage of organization of the agricultural cooperatives, there were about 35,000 primary societies and whose memberships were more than 6 millions.

However, due to the rapid growth of the Japanese economy and drastic changes of the social conditions and moreover, in accordance with the enactment of the agricultural cooperative amalgamation promotion law, amalgamation of former small-scale societies has been encouraged positively by the government. As the result of this, the number of societies has decreased to 4,657 as of 1979.

At the prefectural and national level, federal organizations were established according to business function of the primary societies like below.

STRUCTURE OF AGRICULTURAL COOPERATIVES





2. Farm guidance activities of the Japanese agricultural cooperatives

1) Farm guidance activities and farm advisors (better farming advisors)

Before the world war II, the agricultural cooperative which was called "Sangyo Kumiai" (Industrial cooperative) before the enactment of the agricultural cooperative law in 1947, was mainly carrying on the "business" activities and restricted from "guidance" activities. In place of the agricultural cooperative, "No Kai" which was organized by the supports of the government played a very important role in this field. But the new agricultural cooperatives have made efforts to establish the farm guidance system in order to develop the whole business activities which are all concerned with the life of the membership by giving the priorities on the farm production after the agricultural cooperative law was enacted.

Regarding on the farm guidance activities of the agricultural cooperatives, the societies set up the farm guidance divisions in the cooperatives and expand the farm guidance activities by providing the guidance services through the activities of farm advisors. These advisors should be full-time staffs and officials of the agricultural cooperatives and they are requested not only to acquire the technical knowledges of farming but to equip the sufficient knowledges of another business activities of the agricultural cooperative which are all concerned with the farm guidance activities.

In order to level up the quality of the farm advisors, examination for the qualification of farm guidance advisors has been started at prefectural level and consequently only those who passed this examination can work as farm advisors at the cooperatives. The applicants for this "Certification of qualification of farm advisors" examination are also requested to equip the full knowledges of farming techniques and general knowledges on the agricultural cooperative movement at least necessary as a staff of the agricultural cooperatives.

(1) Tendency of Cooperative Farm Advisors.

(Unit: person, %)

	Number of Societies Surveyed	Number of Farm Advisors	Number of Farm Advisors per Society	Distribution of societies in relation to the number of advisors										
				0	1	2	3	4	5-6	7-10	11-20	Over	Total	
1960	10,769	9,696	0.9	40.1	41.5	12.1	3.7				2.6			100
1965	7,308	13,163	1.8	31.7	34.9	13.4	6.7				13.3			100
1970	5,996	15,512	2.6	25.5	28.6	15.5	8.7	5.7	6.5	5.0	3.8	0.8		100
1975	4,765	16,244	3.4	20.9	24.4	14.9	10.7	7.4	7.7	7.3	5.1	1.6		100
1976	4,716	16,826	3.6	19.7	24.7	14.5	10.3	7.9	8.3	7.5	5.3	1.8		100

Source: Statistics on Multi-purpose agricultural cooperatives by the Ministry of Agr. & Forestry and Fishery.

2) Agricultural improvement and extension scheme of Japanese government and farm guidance activities of the agricultural cooperatives.

After the promulgation of the agricultural cooperative law, the agricultural improvement and extension law came into force in 1948 with a view to arrange the agricultural improvement and extension workers at rural level throughout the country to conduct the technical guidance on farming and better-living. Main differences between farm guidance activities of the agricultural cooperative and the agricultural improvement and extension activities of the governmental sections are that in

case of governmental activities, priority was rather given on the technical matters on farming than that of the agricultural cooperatives. Farm advisors of the agricultural cooperatives are mainly engaged in consultation activities, publicity activities, etc. which are all connected with the farming planning of the each farm households and rural areas and they are promoting also to organize the members' groups and playing the very important roles as a secretariate of the members' groups in the field of farm guidance activities in collaboration with governmental agricultural improvement and extension workers.

Comparison between Cooperative Farm Advisors and Government Extension Workers

	Extension Worker	Coop. Advisor
Status	Gov. Officer	Employee in Coops.
Certificate	Those who passed the examination set up by regulations	No specific and compulsory one but the examination set up by the cooperatives not by regulations
Obligation	In accordance with provisions set up by the regulation (limited)	In accordance with the provisions of the society (unlimited)
Employer	Gov. Extension Office	Primary Society
Area of Activities	Actually there is specific area to work, legally no limit.	Area of the Society
Objective of Action	Farmers	Member-farmers
Shifting	there are possibility of promotion	fixed in the society
Limit of Duty	Advise rather light	Both society and members ask the responsibility
Competency	Administrative	No competency only understanding by members
Expenses	Central and Pref. Gov.	Society
Relation with Business Activity of Coops.	No	Direct relation
Research and Experiment	Direct liaison with Experiment Station	Legally no liaison
Essential Character	Public Utility	For the sake of Coop. business

3. Present situations of the farm guidance activities of the agricultural cooperatives in "Mie" prefecture.

(1) Agricultural production

1. Total cultivated areas of the "Mie" prefecture is 63,000 ha paddy-field and 19,200 ha up-land field. Transition of area by farm products in figure can be found as below;

(unit: ha)

YEAR	rice	wheat	vegetable	fruit	tea	mulberry	total area
1955	70,120	37,147	7,526	2,010	1,940	3,340	158,235
1965	68,700	17,600	10,500	3,980	2,790	2,640	123,700
1976	58,100	331	7,890	4,780	3,960	1,420	80,700

2. Next map shows changes of live-stock industry and poultry. Due to the mechanization of farming, changes of marketing conditions of the farm products and technical development, transition of figure was quite drastic, as can be found throughout Japan.

(unit: farmhousehold, head, 1000 heads)

YEAR	milk-cow		beef-cattle		pig		poultry	
	*(a)	*(b)	(a)	(b)	(a)	(b)	(a)	(c)
1955	2,330	3,780	57,830	60,860	5,270	9,830	108,400	1,099
1965	3,010	10,060	28,190	32,530	9,580	77,470	74,600	2,296
1976	720	12,600	1,460	20,600	1,090	113,000	3,790	4,496

- * (a) -- farm household
 (b) -- head
 (c) -- 1,000 heads

3. Changes of number of farm household by scale is as below. The average cultivated areas per a farm household is extremely small and only 0.78 ha.

YEAR	total	less than 0.5 ha	0.5 1.0 ha	1.0 1.5 ha	1.5 2.0 ha	more than 2.0 ha
1950	136,530	59,360	45,750	23,200	6,810	1,410
1976	106,310	46,850	33,270	16,390	6,930	2,870

(unit: household)

- (2) Farm guidance system of the agricultural cooperatives at "Mie" prefecture as of 1977

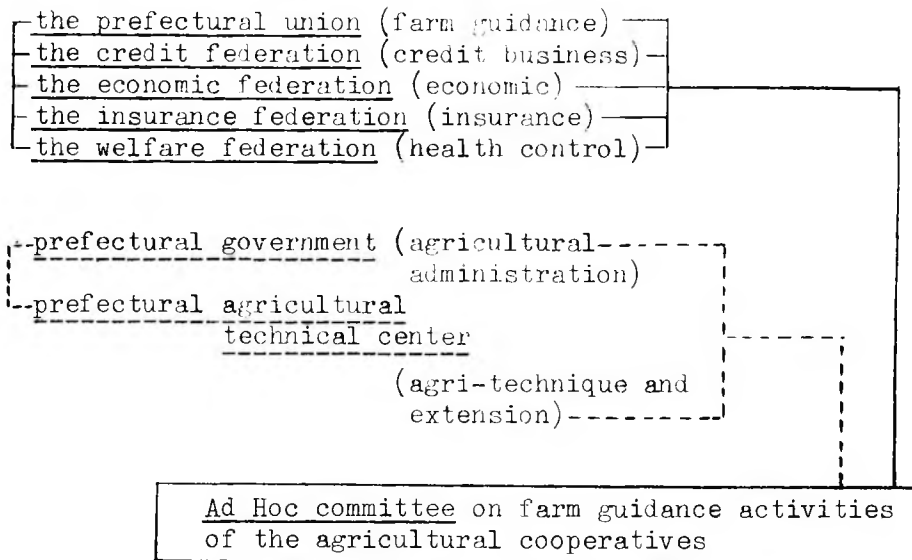
1. Arrangement of farm advisors

- a. Since 1955, the prefectural union of agricultural cooperatives has been promoting arrangement of farm advisors at primary cooperatives according to the long-term plans of establishment of farm guidance activities. As of the fiscal year of 1979, there are 77 primary cooperatives which have the farm advisors and of its numbers are 356. This figure also means that the number of farm advisors per one primary agricultural cooperative is 4.6 and of farm household per a farm advisor is

278 which is 2.8% of total farm households in Mie prefecture. 4,720 peoples are working as a staffs of the agricultural cooperative of which 7.5% are the farm advisors.

- b. It is rather difficult to find the primary cooperatives which have the specific sections for the farm guidance activities, and as a matter of the fact, only 7 primary cooperatives have their specific sections for them among 77 primary cooperatives in the Mie prefecture. The farm advisors whose cooperatives do not set up such specific sections in their cooperatives are usually belong to the "economic" section or "production" section. This is because of necessity of the farm guidance activities promoted with the business activities in the integrated manners to develop productivity of farming and marketing of farm products.
 - c. In order to promote the farm guidance activities more practically, member farmers' groups are organized by commodity-wise as the groups of the primary cooperatives. Under the 77 primary cooperatives in the Mie prefecture there are 325 farmers' commodity-wise groups in total; (vegetable: 113; live-stock: 99; fruit: 47; flower: 26; mush-room: 18; industrial product: 16; others: 6.) Regarding on the paddy-rice, every farm households produce them in this district, so they organize the "farming association" at the hamlet level as a basic organization of the agricultural primary cooperative.
 - d. With a view to develop the collaboration among the memberships and farming techniques and to standardize the quality of farm products by promoting the farm guidance activities, the primary cooperatives equipped the joint utilization facilities and the farm advisors control and manage these facilities. As examples of such facilities, joint seed-bed facility for paddy-rice, rice center, joint nursery facility for vegetable and fruit, grading depots, collecting depots, cold storage etc. are being operated by such farm advisors. And they also operate experimental exhibition field of farming through which they are providing the guidance services and knowledges learned by their own experiences.
 - e. Regarding on the expenses of the farm guidance activities, principally they should be met by contributions of memberships but in fact it is met by profits of other business activities like credit, insurance, marketing, purchasing etc. This is because the cooperatives consider that the farm guidance activities are the basic business activities of every economic activities. On average, one primary cooperative has a budget of 4.7 millions yen for farm guidance activities but of which only about 10% are met by contributions from the memberships.
- (3) Integrated guidance system in collaboration with the concerned organizations.

At prefectural level, the prefectural union coordinate the activities of the concerned organizations to establish allotted functions for each concerned organizations in the field of farm guidance activities. And coordination with the governmental organizations has been also promoted positively.



At the primary cooperative level, the liaison committees on farm guidance activities are also established by the agricultural cooperatives, the agricultural improvement and extension office and municipality to coordinate the each programmes of the organizations such as the rural farming promotion plan of the agricultural cooperatives, the rural agriculture development programmes of the municipalities and agricultural extension plans of the agricultural improvement and extension offices. On the other hands, to elevate the quality of the farm advisors, joint seminars and study visits for farm advisors and agricultural improvement and extension workers are being held under the liaison committees. And furthermore, to exchange the experiences of the farm guidance activities between neighboring cooperatives and to promote wide-range activities, the district liaison committees were organized at 21 districts in Mie prefecture which are composed of the representatives from the farm advisors, the agricultural improvement and extension workers and staffs of the municipalities.

(4) Farm guidance activities at the prefectural level

At the prefectural union, the farm guidance department was set up to promote the farm guidance activities throughout the prefecture. Main activities of this department are to organize and prevail the farm guidance system at the primary cooperative, to cultivate the ability of the farm advisors by holding the training seminars and senior courses seminars for the farm advisors, to establish the farm guidance plans to guide the countermeasures for governmental policies and to coordinate the activities of the each federations at the prefectural level, etc. Regarding on the guidance of techniques of the farming and countermeasure for the marketings are being carried out by the economic prefectural federation according to the commodity-wise for which the prefectural union is providing assistances on the requests.

4. Farm guidance activities at primary cooperative
 --- Tamaki-cho primary agricultural cooperative ---

(1) General information on Tamaki-cho primary cooperative

a. Cultivated area ---	paddi-field	1,014 ha
	up-land field	286 ha
	orchard	70 ha
	pasture	3 ha

1,373 ha

average cultivated areas per one farm
 household ----- 1.15 ha
 (1,189 farm households)

b. Main farm products and its cultivated areas

paddi-rice	1,033.0 ha (4,800 t)	
tomato	3.4 ha (272 t)	---green house
strawberry	6.0 ha (150 t)	---green house
cucumber	3.5 ha (70 t)	
radish	85.0 ha (3,000 t)	
chinese cabbage	8.0 ha (560 t)	
lettuce	5.0 ha (100 t)	
water melon	58.0 ha (2,300 t)	
tabacco	80.0 ha (200 t)	
feed stuff	44.0 ha (2,200 t)	

c. Live-stock industry

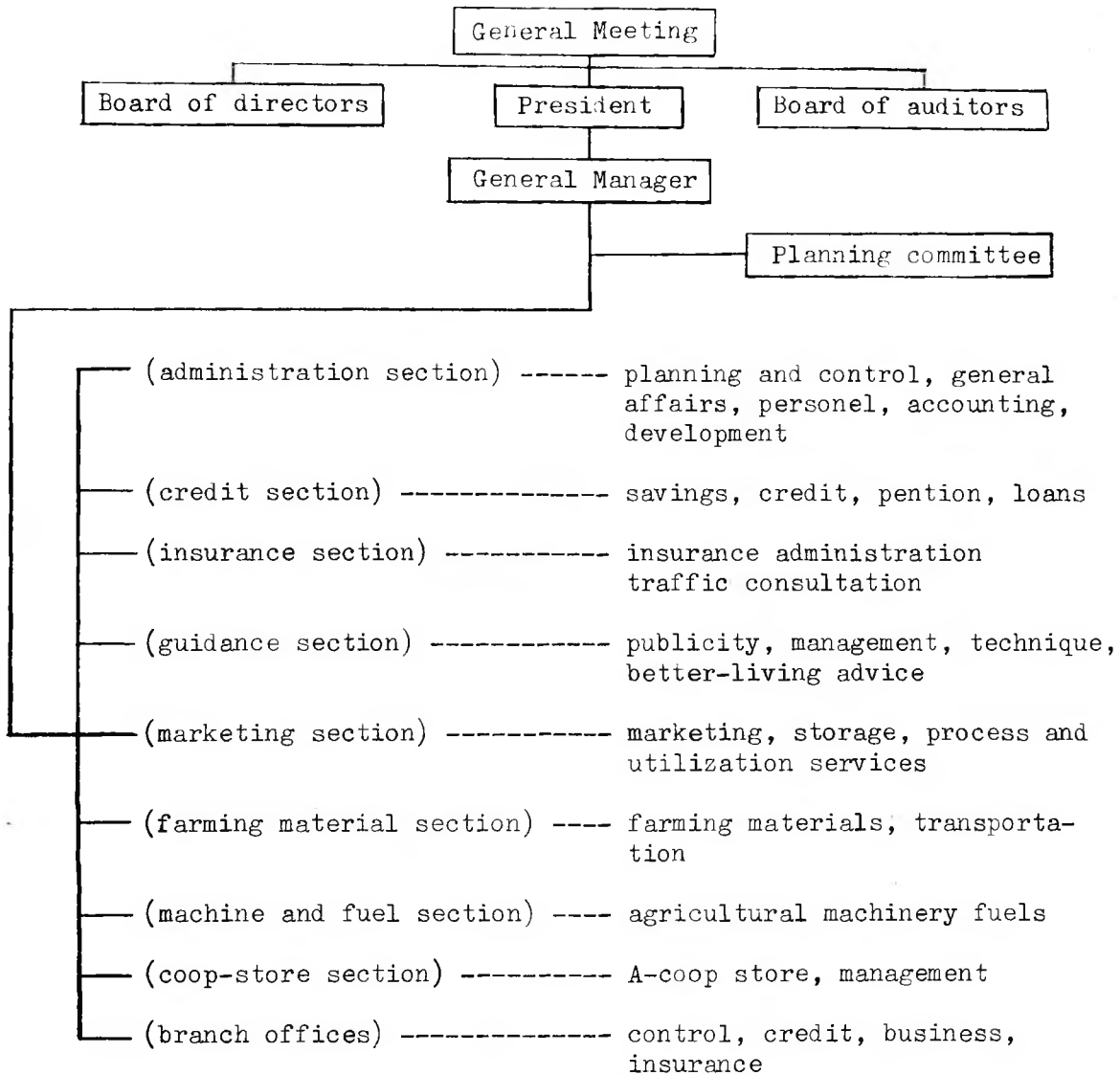
milch-cow	adult	314 heads (16 members)
		40 heads (15 members)
beef cattle		639 heads (6 members)
pig		613 heads (8 members)
poultry		25,200 (15 members)

d. Membership	regular member -----	1,332
	associate member -----	254

1,586

e. Staffs and officials	general manager -----	1
	staffs -----	67
	farm advisors -----	6
	better-living advisors -----	1
	technical advisors of	
	farm machine -----	7
	part-timer (coop-store) -----	16
	<hr/>	
	total	98

f. Internal organizational structure



g. Holding of the joint utilization facilities

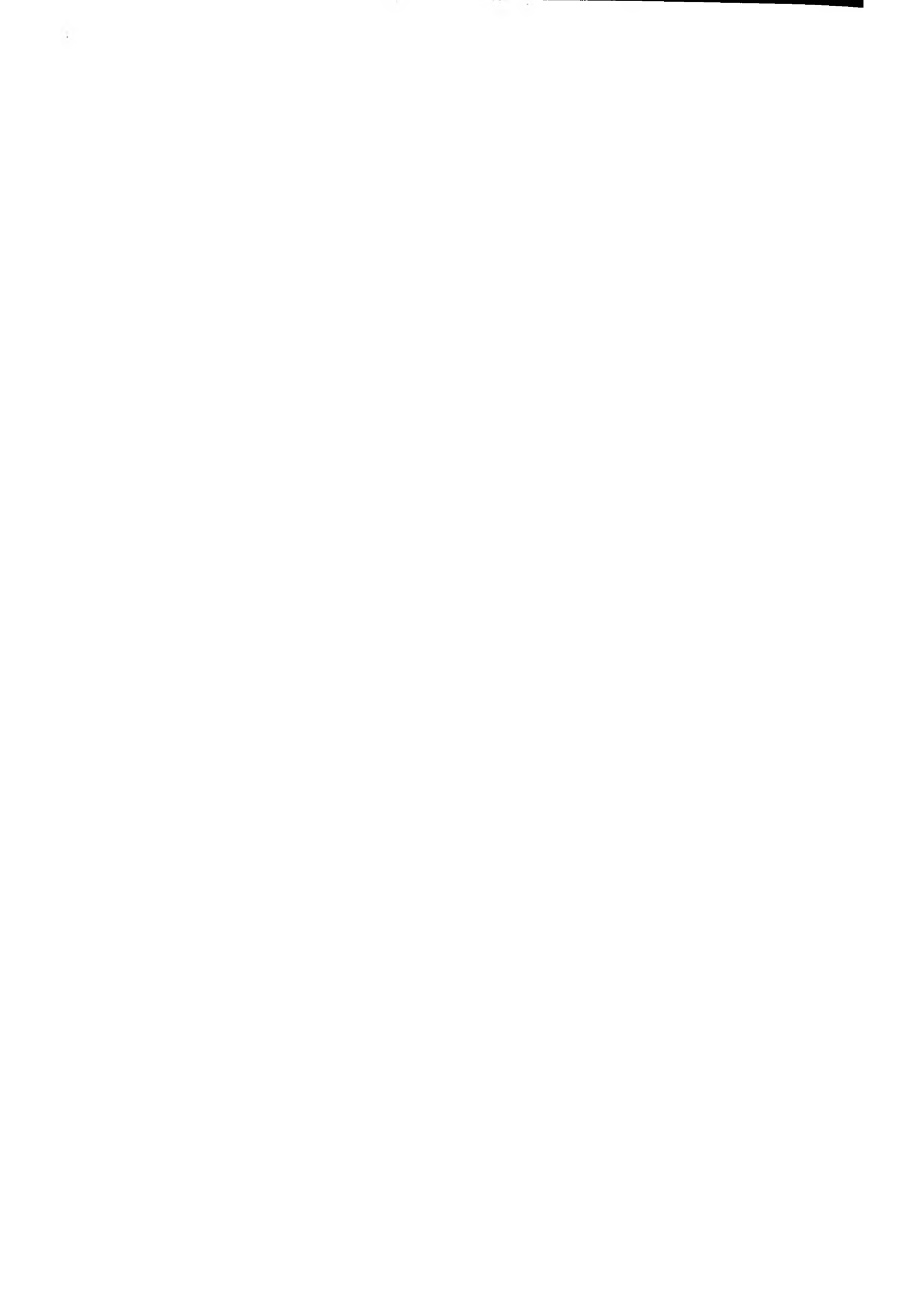
- rice center --- (3) capacity = 3,000t
- experimental exhibition field of farming
- machinery repairment center
- joint nursery facilities
- grading depots
- vegetable collecting depots
- joint cow-shed
- cold storage
- gas station
- rice-mill
- A-coop store
- barber
- etc.

h. Turnover of the each business activities (Unit: YEN)

amount of the savings -----	5,754,000,000
insurance contracts -----	3,800,000,000
purchasing of	
production materials -----	1,077,000,000
consumers' goods -----	650,000,000
marketing -----	1,900,000,000

(2) Present situations of the farm guidance activities

- A. The number of the farm advisors of the Tamaki-cho agricultural cooperative is 6 and they are allotted according to varieties of farm products like as one of them is for administration of farm guidance activities of the cooperative, one is for paddy-rice, two of them are for horticulture, and two for live-stock farming guidance. Main activities of farm advisors are planning of rural farming improvement programme, provision of technical assistances on the farming by commodity-wise, management consultation services, operation of the members' commodity-wise groups, administration of the consignment farming activities, operation and administration of the joint utilization facilities, provision of the informations on the better farming guidance, holding the seminars and study visits, collaboration with the governmental agency, cooperation with the agricultural improvement and extension offices, promotion of the experimental exhibition field for better harvesting by better farming management, etc. and these activities are conducted in collaboration with leaders of the members' commodity-wise groups.
- B. As far as the members' commodity-wise groups are concerned, voluntary groups for protection of rice production and farming associations which are organized based on the compulsory participation of the whole memberships at every hamlets have been established throughout the districts regarding on the rice production. In addition to these groups, members' commodity-wise groups for lettuce, strawberry, tomato, radish, tobacco, beef cattles, pigs, poultry are also organized as cooperative basic organization. Furthermore, the agricultural cooperative machinery bank was established to eliminate the losses of the farming labour.
- C. Practical methods of the better farming guidance.
- (a) Through discussions with the agricultural improvement and extension offices and concerned agencies of the municipality, the agricultural cooperative devise the long-term planning (three-years) on the better farming guidance and promote the activities according to this planning.
- (b) According to this plan, the agricultural cooperatives formulate the manuals for promotion of the better farming by the commodity-wise and provide the farming calenders to each member farm households and show the better pattern of production and better management for each members. Daily activities of better farming guidance should be done according to this plan and manuals.



- (c) The most characteristic features of Tamaki-cho cooperative on better farming activities is that the most capable staff is allotted as a better farming advisor. This also indicates that the manager of this cooperative is giving the higher priorities on the better farming activities than those of others. Methods of guidance of this cooperative are; (1) taking the voluntary activities of the members and members' commodity-wise the groups into consideration, the cooperative has been promoting cultivation of the leaders' quality of the members' groups (2) in order to elevate the farming techniques, the cooperative has been making the efforts to hold the seminars for and to provide the informations on the better farming guidance activities. In addition to this, the cooperative has been promoting activation of the experimental exhibition field for better harvesting especially for rice production through which the better farming advisors can acquire and level up their technical knowledges from practical experiences. (3) Unification of the activities between better farming activities and other businesses like credit, marketing, purchasing are well organized and consequently, integrated management systems of the whole business activities are fully established. (4) The funds and subsidies from the Japanese government and the municipalities are used positively to promote the better farming guidance activities and coordination with the activities of the agricultural improvement and extension offices in the field of farm guidance activities are well advanced.

- D. The budgets for the farm guidance activities of this cooperative per year are 12,000,000 yens in total, out of which 4,000,000 yens are subsidies from the municipality and remaining parts of the budgets are being met by the profits of other businesses. Expenses of the budgets are allotted for seminars, publicity activities and countermeasure for strengthening of the organizations.

5. Tasks and problems of present farm guidance activities

- (1) -- lack of the understandings of the officials of the cooperatives on the farm guidance activities and lack of the comprehensive powers of the each businesses toward the farm guidance activities.
- (2) -- lack of the voluntary participation of the members in the farm guidance activities and democratic operation of the members' groups.
- (3) -- unification of the technology of the farming by utilization of the joint utilization facilities and development of commercialization of the farm products.
- (4) -- elevation of standard of the farming techniques through the members' experiences and practices.
- (5) -- elevation of the ability of farm advisors and diversification of the farm guidance activities (advisors who are relied by member farmers).
- (6) -- assistance from the government for the farm guidance activities of the agricultural cooperatives and collaboration with such a governmental agencies.

6. Direction of Strengthening Farm Guidance Activities

- (1) Although it has been discussed and the efforts have been made about what the right way of farm guidance activities in the agricultural cooperatives is and what the right place of farm advisors in the society is and improvements have been made to make the farm guidance activities meet the needs of the times, it is necessary to examine them again and consolidate the system in accordance with the needs in changing socio-economic conditions of the country.
- (2) The essential characteristic feature of the cooperative farm guidance activities consist in supplying informations for the direction of farming efforts of members and organizing the cooperative works in production and marketing by member farmers on the basis of farmer-members' own positive action and in making efforts to increase their income by combining their cooperative works with the business activities of the society.
- (3) On the other hand there are two tendencies i.e. some of the cooperators consider the farm guidance activities the section of service subordinate to business activities of the society and the others consider the farm guidance works entirely technological assistance towards members. Both are not right. The farm guidance works are not the subordinate works of services for the expansion of credit, supply, marketing and insurance activities of the society but the basic works for all the cooperative businesses.

It does not mean that the farm guidance works do not have any relations with cooperative businesses, but the agricultural development of member farmers brought through the farm guidance activities make possible the expansion of other cooperative businesses, and strengthening of members' reliability towards the society brings about the strengthened solidarity of the members in the society. From this point of view the farm guidance activities are the most important ones in the cooperative society.

- (4) Since farm advisors are the cooperative staff who play the important role of combining members with the society, aiming to improve the farm management of members through organizing the cooperative works in the process from production to distribution of farm produce of members, they should be the promoters of the cooperative movement who have the specialised knowledges in agricultural techniques and farm management.
- (5) The works the farm advisors have to take charge are as follows;
 - 1) Making and promotion of implementation of agricultural development programme in the area.
 - 2) Guidance for the formation and development of producers' organizations, youth group and women's group in the society.
 - 3) Technical management in farming.
 - 4) Guidance in farm management and taxation problems.

- 5) Guidance in the management and operation of joint use facilities for production.
- 6) Supplying informations (market situations and the publication of cooperative bulletin)
- 7) Counter-measures towards government policies.

It is desirable to have the farm advisors of abilities of planning and organizational activities as well as of advisors in the field of agri. techniques and farm management.

- (6) Along with the urbanization and the increasing tendency of part-time farmers in recent years the importance of the activities of incorporating agricultural production in the area through entrusted farming operations or entrusted farm management by the society in combining full-time farmers and part-time ones is increasing. This is one of the important aspects of farm guidance works.
- (7) On the internal set-up of farm guidance works in the society, along with the increasing tendency of amalgamation of societies and formation of the farming complexes, the works are carried out, in many societies, in the department of particular crops, live-stocks and fruits and vegetables in particular, where the marketing and the supply activities are done together with the works of guidance in connection with the said crops.

In this set-up of works, compared to the traditional way of independent department of guidance activities, we can expect the efficient and systematic guidance from production to marketing, on the other hand we have to point out the weakness of the set-up that guidance activities are inclined to be sub-ordinate to business activities and works of guidance are not emphasised and moreover the guidance works are not carried out in the integrated way, although the integrated manner is essential for the farm management guidance and planning and implementation of agricultural development programme in the area or taking measures to introduce the structural improvement projects.

Therefore it is indispensable to adopt the set-up where the particular section is responsible for carrying out guidance activities in the integrated manner when the guidance works are carried out in the same department which is responsible to the business activities such as marketing and supply activities.

- (8) There are two ways of posting farm advisors, in a large society. One is to concentrate them in the head office and the other is to disperse them in branch offices.

Each has merits and demerits, therefore it is desirable to expect to strengthen the works of planning and ability of specialised guidance by concentrating the advisors in the head office, and be careful to maintain the close contacts with members by the advisors in branch offices, and also it is desirable to make clear who is responsible to give orders or to get in contact with the advisors in the branch offices.

- (9) As for the relation with the extension workers of the government, considering the enlargement of the area covered by the extension

worker and less close relation between the extension workers and the farmers in the area, and also extension workers are functioning as liaison between the field and the experiment station or agricultural policies, the agricultural cooperatives have to make clear the collaboration and division of functions between the extension officers and the cooperative farm advisors and also to make the best use of the extension works.

In order to attain the target of collaboration, it is desirable that the cooperative farm advisors are responsible to take care of the ordinary guidance to farmers and the extension officers are to extend collaboration towards the cooperative activities in the field of production, marketing and distribution.

- (10) The budget making for the cooperative farm guidance activities is essentially important for the characteristics of the works. Increasing number of primary societies, societies in urbanized area in particular, do not charge the contribution from the members, and the percentage of contribution in the expenses of the guidance activities occupies only 10.0% in 1971. Small percentage of member contribution tells the fact that the works depend largely on the personal idea of office-bearers and financial conditions of the society, which is not desirable.

It is desirable to have the stable budget for the farm guidance activities on the stand point that this is the cooperative work of the society and members. The desirable future direction of budget of farm guidance activities should be made in the line that personnel expenses are paid as a part of the cost of administration of the society and the expenses for works are financed by the member contribution. At the same time the criterion to get member contribution should be studied and improved from the view point of "the benefited should pay" principle, and subsidies from the government should be restricted not to injure the independence of the cooperative farm guidance activities.