



Regional Office for  
Asia & the Pacific

FIFTH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL COOPERATIVES IN ASIA,  
October 23, 1990 to May 10, 1991

MATERIAL DISTRIBUTED IN NEW DELHI DURING FIRST  
PART OF COURSE

INAUGURATION, COUNTRY BACKGROUND PAPERS, CASE STUDIES BY  
PARTICIPANTS ETC.

General:

1. Printed Brochure giving information on programme etc.
2. Programme on Inauguration day, 23.10.90
3. Opening address of Mr M.V.Madane, on Inauguration day
4. Address by Chief Guest, Mr Matiul Islam, on Opening Day
5. Division of groups
6. Letter from Prof. Kalro re modules to be done by IIMA
7. Working hours of course.
8. Programme details of Modules to be conducted in Delhi by IIMA
9. Programme details of modules to be conducted at Ahmedabad by IIMA

Country Papers, Case studies etc.

Bangladesh:

11. A Critical Examination of Coop Organisational Structures and Management Practices and Problems in Bangladesh by Mohd Nurul Hoque.
12. Case study on Kuralgachi Adharsha Govir Nalkupr Krishi Samabaya Samity Ltd.

China:

13. Supply and Marketing Cooperatives in China
14. A Coop Market in Competition, development of Yangluo Coop Market, by Rong Jun
15. Efforts made to gain higher benefits in competition by Huang Yadong.

Hubei Federation of Supply and Marketing Coops in China



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16. Questions for group discussion on China

17. Reports of Groups a,b, and c

India:

18. A Critical examination of Cooperatives Organisational structure of INdian coops. by indian participants.

19. Case study on procurement of oilseeds through coops in India by Raj Pal Gaba.

20. India, Land and Agriculture by Promod Kumar

21. Market Intervention scheme through cooperatives to benefit the farmers - a case study by Zhile Singh.

22. Points for group discussion - India.

23. Group reports, A B & C

Korea:

24. A critical examination of agrl coop organisational structures and management practices and problems in Korea by Kie Yup Shin

25. Yesan Apple Coop by Kie Yup Shin

26. Seoul Livestock Coop - case study by Kyu Hyun Lee

27. Bye laws of Seoul Livestock Coop.

28. Points for group discussion - Korea.

29. Group reports, A B & c

Malaysia:

30. Coop Institutions in FELCRA, its managemnt practices and policies by Ku Mohd Rodzi

31. Case study on sheep rearing project as an economic venture by an agricultural cooperative in Malaysia by Ku Mohd Rodzi

32. Points for group discussion, Malaysia.

33. Group reports, A B &C

Pakistan:

34. Cooperative Movement in Pakistan by Islam Madni



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35. Case study on National Coop Supply Corporation by Islam Madni

Philippines:

36. A critical examination of cooperative organisational structures and management practices and problems in the Philippines
37. A background paper on the agricultural cooperatives in Western Visayas, Philippines by Amelita P. Provideo
38. Case study on Primary agricultural cooperatives by Amelita Provideo
39. Case project on Tomato based cropping system enhancement an integrated approach to rural financing package by Edith Susan Valdez
40. Points for group discussion on Philippines
41. Group reports A B & C

Sri Lanka:

42. Agricultural Cooperative Movement in Sri Lanka
43. Case study on Dunagaha Coconut Producers Coop Society by M.B.R. Perera
44. Case study on Kammalpattu Coconut Producers Coop Society by CAC Fernando
45. Points for group discussion - Sri Lanka
46. Group reports A B & C

Thailand

47. A Critical Examination of Coop Organisational Structure in Thailand.
48. Case study on Rongkwang agrl coop
49. Points for group discussion - Thailand.
50. Group reports, A B & C

**Prosperity to Cooperative  
Member Farmers through  
ICA/Japan Cooperation**

**5th ICA Japan Training Course for  
Strengthening Management of  
Agricultural Cooperatives in Asia  
INDIA, THAILAND, JAPAN & KOREA**

**October 22, 1990 — May 10, 1991**



## **International Co-operative Alliance**

### **Headquarters:**

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**October, 1990**

**FIFTH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA,  
INDIA / THAILAND / JAPAN / REPUBLIC OF KOREA**

OCTOBER 22, 1990 - MAY 10, 1991

**I. BACKGROUND**

Under an agreement signed between the International Co-operative Alliance (ICA) and the Ministry of Agriculture, Forestry and Fisheries (MAFF) of the Government of Japan, the ICA launched in 1986 the Management Training Project for Agricultural Cooperatives in Asia. Under this Project, four training courses of six months' duration each were organised during 1986-87, 1987-88, 1988-89 and 1989-90. The present training course, fifth in the series, is scheduled to commence in New Delhi on October 22, 1990.

**2. OBJECTIVES**

The overall objective of the training programme under this Project is to help strengthen and improve agricultural cooperative performance in the Asian region in order to bring about a qualitative and quantitative improvement in cooperative services to member farmers at the grass-root level with the ultimate objective of improving member's income and ensuring his active participation in cooperative business.

**3. PARTICIPANTS**

Fifteen participants holding middle or senior level managerial positions in cooperatives and their supervising organisations are selected to attend this course. Participants for the Fifth Course have been selected from nine Asian countries i.e. Bangladesh, Peoples' Republic of China, India, Republic of Korea, Malaysia, Pakistan, the Philippines, Sri Lanka and Thailand.

**4. PROGRAMME OUTLINE**

The six-month long training programme is spread over four countries viz. India, Thailand, Japan, and the Republic of Korea. After the first part of the programme in India, all the participants will return to their respective countries for forty five days to prepare cooperative development projects in consultation with the con-

cerned national cooperative organisations. These Projects will be appraised in Bangkok during latter part of February 1991. The project appraisal sessions will be preceded by two weeks' study visits programme to agricultural cooperatives in Thailand. Thereafter the participants will proceed to Japan for the second part of the programme to be conducted at the Institute for the Development of Agricultural Cooperation in Asia ( IDACA ) in Japan. The broad outline of the entire programme is as follows:

**5. PROGRAMME OUTLINE OF PART - I  
OF THE COURSE IN INDIA**

Monday, 22nd October to Tuesday, 25th December 1990

Saturday, 20th Oct 90 -		
Sunday, 21st Oct.		Arrival of Participants in Delhi
Monday, 22nd Oct	FN	Inauguration
	AN	Review of Cooperative Movements in the Region.
		Presentation of Country Papers : Bangladesh
Tuesday, 23rd Oct.		Country Papers Cont
	FN	China
		AN India
Wednesday, 24th Oct.	FN	Visit to National Cooperative Union of India
	AN	Visit to National Agricultural Cooperative Marketing Federation of India Ltd.
Thursday, 25th Oct.		Country Papers (contd.)
	FN	Republic of Korea
	AN	Malaysia.
Friday, 26th Oct.		Country papers (contd.)
	FN	Pakistan
	AN	Philippines

Saturday, 27th Oct.	Country Papers (contd.) Sri Lanka Thailand.
	FN AN
Sunday, 28th Oct.	Local Sight-seeing in Delhi MODULE ON INTEGRATED COOP- ERATIVE DEVELOPMENT
Monday, 29th Oct.	Introduction to the Concept of Inte- grated Cooperative Systems (ICS) AMSAC Slide presentation. OHP Transparencies Discussion.
Tuesday, 30th Oct.	Essential Features of ICS. Case: Saranga Cooperative Sugar Factory Discussion.
Wednesday, 31st Oct.	Concept of Business Planning. Material: Guidelines for Analysis of Bench Mark Data Discussion.
Thursday, 1st Nov.	Role of Manager in ICS Case: Royal Multipurpose Coop (A&B) Discussion
Friday, 2nd Nov.	Role of Manager in ICS Case: Rajmani Agricultural Coop (A&B) Discussion
Saturday, 3rd Nov.	Potential for Developing Integrated Projects Material: Application of Science and Technology for Integrated Agriculture and Rural Development. Discussion.
Sunday, 4th Nov.	Visit to Agra
Monday, 5th Nov.	Analysis of Financial Statements Case: Rajpur Garments & Textiles Ltd Discussion



Tuesday, 6th Nov	<p>Basic Cost Concepts , Break Even Analysis.  Case: Cost Classification Exercise. ABC Cooperative  Discussion.  MODULE ON PLANNING AND MANAGEMENT (I)  (Computers to be used)</p>
Wednesday 7th Nov	<p>Cash Flows, Time Value of Money.  Exercises on Cash Flows and Time Values of Money.  Discussion</p>
Thursday, 8th Nov	<p>Techniques for Investment Analysis.  Exercises on Investment Analysis.  Discussion.</p>
Friday, 9th Nov.	<p>Investment Analysis.  Case: Jhalawar Fruit Growers Marketing Cooperative Society.  Discussion</p>
Saturday, 10th Nov.	<p>Sensitivity Analysis and Social Cost Benefit Analysis.  Exercises on Sensitivity Analysis and Social Cost Benefit Analysis.  Discussion.</p>
Sunday, 11th Nov.	Free
Monday, 12th Nov.	<p>Working Capital Management -  Case: Jassani Bros.  Discussion.</p>
Tuesday, 13th Nov	<p>Working Capital Management.  Estimating Working Capital Requirements  Case: Starwboard Project in Haryana  Discussion.</p>

Wednesday, 14th Nov	Procurement Strategies Exercises on Procurement Discussion.
Thursday, 15th Nov.	Market Planning Case: Satans Eucalyptus Discussion. MODULE ON PLANNING AND MAN- AGEMENT (II) (Computers to be used)
Friday, 16th Nov	Market Planning Case: Milk Vita Icecream Discussion
Saturday, 17th Nov.	Market Planning Case: Marketing of Mushrooms Discussion
Sunday, 18th, Nov	Free
Monday, 19th Nov.	Strategic Issues in Operations Manage- ment: Location Decisions. Exercises on Location Decisions Discussion.
Tuesday, 20th Nov	Capacity Planning. Case: The Capacity Problem of Fatehnagar Oil Complex. Discussion.
Wednesday, 21st Nov.	Product-Mix Decisions. Linear Programming. Case: Planning the Product Mix for Panchatantra Corporation. Discussion.
Thursday, 22nd Nov	Operations Planning and Control Case: Government Silk Filature, Chika- halli. Discussion.

Friday,	23rd Nov		Network Techniques Planning Exercises in Network Technique Discussion.
			STUDY VISITS IN INDIA (MAHARASHTRA AND GUJARAT STATES)
Friday,	23rd Nov	AN	Leave for Pune by evening flight IC 449 at 1700 hrs arriving Pune at 1900 hours. Stay at the Hostel of Vaikunth Mehta National Institute of Cooperative Management, Pune. (VMNICM)
Saturday, Sunday,	24th Nov & 25th Nov.		Workshop on Management Practices of Agricultural Cooperatives at VMNICM
Monday,	26th Nov.	FN AN	Visit to Pune District Cooperative Milk Producers Union, Katraj Dairy, Pune. Visit to Maharashtra State Cooperative Union, Pune.
Tuesday,	27th Nov.		Journey to Aurangabad Visit to District Cooperative Central Bank, Aurangabad. Visit to Ellora Stay at Aurangabad.
Wednesday,	28th Nov.		Visit to Ajanta and return. Stay at Aurangabad.
Thursday,	29th Nov.		Journey to Nashik Visit to Kolhar Primary Multipurpose Cooperative. Stay at Green View Hotel, Nashik.
Friday,	30th Nov.		Visit to District Central Cooperative Bank, Nashik.
Saturday,	1st Dec.		Visit to Adagaon Multipurpose Cooperative Society, Adagaon, Nashik.

Sunday, 2nd Dec.		Sunday, Free
Monday, 3rd Dec.		Visit to Niphad Cooperative Sugar Factory
Tuesday, 4th Dec.		Visit to Nashik District Coop. Grape Sparkling Wine Factory Ltd, Jaulke Wani, Dindori taluk, Nashik.
Wednesday, 5th Dec.		Visit to Nashik District Fruit and Vegetable Processing Cooperative Society, Lasalgaon.
Thursday, 6th Dec.		Visit to Nashik District Tree Growers Cooperative Society, near Niphad. Stay at Nashik.
Friday, 7th Dec.		Visit to Agricultural Produce Market Committee, Nashik. Travel to Bombay.
Saturday, 8th Dec.	FN AN	Visit to Maharashtra State Coop Bank. Sight seeing in Bombay.
Sunday, 9th Dec.		Leave for Ahmedabad by Gujarat Mail (train).
Monday, 10th Dec.		Modules and Working Sessions at IIMA (contd) Planning Discussion
Tuesday, 11th Dec		Monitoring and Control Discussion
Wednesday, 12th Dec		Comprehensive Case Analysis. Discussion
Thursday, 13th Dec.		Study visits in and around Ahmedabad. Visit to Amul Dairy complex, Anand

Friday,	14th Dec.	Study visits to the Cotton Cooperative.
Saturday,	15th Dec.	Study visits (contd.)
Sunday,	16th Dec.	Sunday, Free
Monday,	17th Dec.	IIMA Modules - on Designing Projects Project cycle. Discussion
Tuesday,	18th Dec.	Organisational Design Discussion
Wednesday,	19th Dec.	Guidelines for Project Preparation Discussion
Thursday,	20th Dec.	Presentation of Projects
Friday,	21st Dec.,	-do-
Saturday,	22nd Dec.	Evaluation and Feedback Leave for Delhi by evening flight
Sunday,	23rd Dec	Free . Packing etc. Farewell dinner at ICA ROAP
Monday,	24th Dec. -	
Tuesday,	25th Dec.	Departure of participants to respective countries for Home Country Assign- ments.

#### 6. HOME COUNTRY ASSIGNMENTS

Thursday, 27th December 1990 to Monday, 4th February 1991

An important component of the Training Programme is the participant's field assignment in his/her home country for about 45 days immediately after the completion of the First Part of the Programme in India. The home country assignments are intended to provide to the participants an opportunity to identify areas for viable projects

in the course related subjects, in consultation with concerned organisations and formulate cooperative development projects for appraisal before the second part of the Training Programme in IDACA in Japan. It is expected that these projects, to be finalised towards the end of the training course, will provide a valuable framework for the sponsoring organisations to plan and implement development projects on similar lines for strengthening the structure and functioning of agricultural cooperatives in the respective countries.

#### 7.1 FIELD STUDY VISITS IN THAILAND

Tuesday, 5th February - Monday, 18th February 1991.

Tuesday, 5th Feb 91		Arrival of Participants in Bangkok. Stay at Royal Hotel, Bangkok.
Wednesday 6th Feb.	FN	Inauguration at Cooperative League of Thailand (CLT). Introduction to Cooperative Movement in Thailand.
	AN	Visit to Cooperative Promotion Department (CPD) of Thailand.
Thursday, 7th Feb.	FN	Visit Agricultural Cooperative Marketing Federation (ACFT) of Thailand.
	AN	Visit to Bank for Agriculture and Agricultural Cooperatives (BAAC).
Friday, 8th Feb.		Visit Banlard Agricultural Cooperative
Saturday, 9th Feb		Sight seeing in Bangkok.
Sunday, 10th Feb.		Travel to Chiangmai Stop over in Pichit or Prae
Monday, 11th Feb.		Visit Muang Pichit Agricultural Cooperative. Travel to Chiangmai.

Tuesday, 12th Feb.	Visit Provincial Cooperative Office Visit Provincial Federation Visit Sansai Land Settlement Coop.
Wednesday, 13th Feb.	Visit Mae Cham Agricultural Coop.
Thursday, 14th Feb	Visit Sanpatong Agricultural Coop. Visit Hangdong Agricultural Coop.
Friday, 15th Feb.	Visit Maetaeng Agricultural Coop. Visit Potato Growers Cooperative Ltd.
Saturday, 16th Feb.	Return to Bangkok.
Sunday, 17th Feb	Free
Monday, 18th Feb	Panel Discussion at CLT Closing Ceremony of study visits. AN Preparatory works for Project Appraisal Session.

**7.2 PROJECT APPRAISAL SESSIONS IN THAILAND**  
Tuesday, 19th February to Thursday, 28th February 1991

Tuesday, 19th Feb	Inauguration of Project Appraisal Session Presentation of Projects by participants Comments and suggestions by Resource Persons/Participants.
Wednesday, 20th Feb -	Project Appraisal Sessions contd.
Saturday, 23rd Feb	
Sunday, 24th Feb	Free
Monday, 25th Feb -	Project Appraisal Sessions contd.
Tuesday, 26th Feb.	

Wednesday, 27th Feb.	Closing ceremony of Project Appraisal Sessions
Thursday, 28th Feb	Group departure from Bangkok to Tokyo.

**8. PROGRAMME OUTLINE OF COURSE  
PART II AT IDACA, TOKYO, JAPAN  
Friday, 1st March to Wednesday 24th April 1991.**

Thursday, 28th February	Arrival of Participants in Tokyo.
Friday, 1st March	Inaugural Session at CUAC Introduction to National Federations, Observation of NOGYO building.
Saturday, 2nd March	Orientation contd. Video film on Life in Japan
Sunday, 3rd March.	Free
Monday, 4th March	Outline of Agriculture in Japan Discussion.
Tuesday, 5th March	Present Situation and Functioning of Agricultural Cooperatives in Japan. Discussion.
Wednesday, 6th March	Changes of Rural Communities in Ja- pan Discussion
Thursday, 7th March	Japanese Experiences of Marketing Business and Distribution System of Agricultural Cooperatives. Discussion.
Friday, 8th March	Observation of Tokyo Fruits and Vegetables Market



Saturday, 9th March	Observation of Tokyo by bus
Sunday, 10th March	Free
Monday, 11th March	Japanese Experiences on Purchasing Business of Agricultural Cooperatives
Tuesday, 12th March	Japanese Experiences of Procurement of Farm Management Fund for Member Farmers. (Central Coop Bank)
Wednesday, 13th March	Japanese Experience of Farm Guidance Activities and Better Living of Agricultural Cooperatives.
Thursday, 14th March	Presentation on Measures for Organising Regional Farm Management Groups.
Friday, 15th March	Japanese Experiences on Agro-processing by Agricultural Cooperatives.
Saturday, 16th March	Group Discussions. Briefing on Study Visits.
Sunday, 17th March	Leave Tokyo for First Field Visits
Monday, 18th March	Visit the Prefecural Union of Agricultural Cooperatives. Visit to Facilities of the Prefectural Economic Federation of Agricultural Cooperatives.
Tuesday, 19th March	Visit to First Agricultural Cooperative (Livestock Farm Management)
Wednesday, 20th March	Visit to Second Agricultural Cooperative (Horticultural Farm Management)
Thursday, 21st March	National Holiday.

		Observation of Places of Interest in the Prefecture.
Friday,	22nd March	Visit to Farm Household and Observation of Facilities of the Society. Return to Tokyo.
Saturday,	23rd March	Review of Study Visits. Group Discussions.
Sunday,	24th March	Free
Monday,	25th March	Case Study on Better Living Activities.
Tuesday,	26th March	Case Study on Selected Producers Groups.
Wednesday,	27th March	Case Study on Joint Marketing Activities.
Thursday,	28th March	Japanese Experiences on Land Improvement Projects and Agricultural Structure Improvement Projects.
Friday,	29th March	Presentation on Agricultural Extension
Saturday,	30th March	Group Discussions.
Sunday,	31st March	Free
Monday,	1st April	Measures for Strengthening Management Foundation of Agricultural Cooperatives. Discussion.
Tuesday,	2nd April	Presentation on Measures for Drafting Regional Agricultural Promotion Plan (RAPP) and Business Plan of Agricultural Cooperative (Amalgamation/Audit)

Wednesday, 3rd April	Group Discussions on the above subject.
Thursday, 4th April	Group Discussions (contd.)
Friday, 5th April	Group Discussions.(contd)
Saturday, 6th April	Briefing on Study Visits.
Sunday, 7th April	Leave Tokyo for Second Field Study Visits.
Monday, 8th April	Visit the Prefectural Union of Agricultural Cooperatives. Observation of Facilities of Prefectural Economic Federation.
Tuesday, 9th April	Visit to third Agricultural Cooperative.
Wednesday, 10th April	Visit to Farm Household of the Agricultural Cooperative and Discussions with Representatives of Producers Organisations.
Thursday, 11th April	Move to Kyoto.
Friday, 12th April	Observation of Kyoto city. Move to Tokyo.
Saturday, 13th April	Review of Field Study Visits Discussions.
Sunday, 14th April	Free
Monday, 15th April	Presentation of Publicity Activities of Agricultural Cooperatives.
Tuesday, 16th April	Presentation on Price Stabilisation Measures for Agricultural and Livestock Products. Discussion

Wednesday, 17th April	Presentations on Agricultural Loss Compensation Schemes.
Thursday, 18th April	Outline of Consumer Cooperatives in Japan Outline of Fishery Cooperatives in Japan.
Friday, 19th April	Supplemental Presentations. Discussions.
Saturday, 20th April	Group Discussions.
Sunday, 21st April	Free
Monday, 22nd April	Report Writing.
Tuesday, 23rd April	Reports Finalisation.
Wednesday 24th April	Evaluation and Closing Ceremony
Thursday 25th April	Move to Korea for Study Visits to Agricultural Cooperatives in Korea.

**9. FIELD STUDY VISITS TO AGRICULTURAL COOPERATIVES  
IN THE REPUBLIC OF KOREA**

Friday, 26th April to Thursday, 10th May 1991

Thursday, 25th April	Participants arrive in Seoul from Tokyo.
Friday, 26th April	Inauguration. Introduction to Agricultural Cooperatives in Korea. (Credit, Marketing and Supply). Visit to the Agricultural Museum of National Agricultural Cooperative Federation of Korea (NACF). Welcome Dinner

Friday, 27th April	Visit Agricultural Cooperative Junior College. Visit Shindo Agricultural Cooperative
Sunday, 28th April	Free
Monday, 29th April	Visit the National Federation of Livestock Cooperatives (NLCF) National Federation of Fisheries Cooperatives.(NFFC)
Tuesday, 30th April	Visit Ansong Cooperative Leaders Training Institute. Move to Onyang City. Tour of Hyunchungsa
Wednesday, 1st May	Visit Yesan Apple Cooperative. Move to Suwon city. Visit to Kyunggi Provincial Office of NACF Move to Seoul.
Thursday, 2nd May	Visit Shinchon Agricultural Cooperative Super Market. Visit Hyundai Department Store. Visit Garak Agricultural Cooperative Marketing Centre. Visit Farmers Handicrafts Sales Centre.
Friday, 3rd May	Visit one Livestock Cooperative and Dairy Processing Factory.
Saturday, 4th May	Visit Pochun Agricultural Cooperative Return to Seoul.
Sunday, 5th May	Free
Monday, 6th May	Visit Namji Agricultural Cooperative Move to Pugok Hot Spring Resort.

Tuesday, 7th May	Visit Daedong Farm Machinery Industry Move to Kyungju city. Tour to historical sites.
Wednesday, 8th May	Visit Kyungju County Office of NACF. Visit Kyungbuk Apple Cooperative. Return to Seoul.
Thursday, 9th May	Evaluation Closing Ceremony.
Thursday, 9th May or Friday, 10th May	Return journey to participants' countries.

## 10. METHODOLOGY

- 10.1 Participative methods will be followed throughout.
- 10.2 Group work based on syndicates of five persons in each group.
- 10.3 Every syndicate exercise will be based on a document or computer softwares.
- 10.4 Lectures will mainly be for introducing a subject for group discussion. The lecturer will act as a facilitator of learning. Case studies will be widely used.
- 10.5 Participants will be actively involved in the preparation of model plans for integrated cooperative development and detailed plans for various levels of activities. They will also be asked to prepare budgets, financial statements and field situation reports. Towards the end of Part II of the programme in Japan, the participants will be asked to prepare a Regional Agricultural Promotion Plan (RAPP) on the Japanese model.
- 10.6 Use of related books and documents will be encouraged.
- 10.7 Audio-visual aids will be used where appropriate.

## 11. RESOURCE PERSONS

Resource persons for the Indian Part of the course will be drawn from the ICA Regional Office, the Vaikunth Mehta National Institute of Cooperative Management, Pune; the Indian Institute of Management, Ahmedabad; the Maharashtra State Cooperative Union, Pune. etc. Services of resource persons / specialists in different fields will also be obtained wherever necessary. For Part II of the Course in Japan, the resource persons will be recruited through IDACA from the Japanese Agricultural Cooperative Movement and other National Federations.

For the Project Appraisal Session in Bangkok, resource persons will be drawn from ICA, IDACA, IIMA, FAO, ILO and other international organisations. Donor agencies/ organisations will also be invited to the Appraisal Session.

The Cooperative League of Thailand and the Cooperative Promotion Department of Thailand will provide resource persons for field study visits in Thailand.

The National Agricultural Cooperative Federation of the Republic of Korea will provide resource persons for the field visits programme in that country.

## 12. ACCOMMODATION

New Delhi, India	Rajdoot Hotel Mathura road, New Delhi 110 014 Telephone: 6995893 (10 lines) Telex: 031-74129 RJTH. IN
During field visits in India	VMNICM Hostel, Pune Hotel Green View, Nasik Hotel Natraj, Bombay. IIMA Hostel, Ahmedabad.
Bangkok, Thailand	Royai Hotel, 2, Rajdamnern Avenue, 10200 Bangkok. Telephone: 2229111, 2229119

Telex: 84252 RoyalHo.Th  
Cable: Royal Hotel, Bangkok.

IDACA, Japan

IDACA Hostel, 4771 Aiharao cho  
Machida shi, Tokyo. Japan.  
Telephone: 047-82-4331  
Telex: 720-2872205 IDACA J

Seoul, Korea

Seoulin Hotel,  
149, Seoulin Dong, Jong no ku  
Seoul. Korea.  
Telephone:7220181 Telex: 28510  
CABLE: Hotel Seoulin, Seoul

### 13. COURSE COORDINATION

entire programme will be coordinated by the Project Director  
full duration of the Training Course. Details on all arrange-  
s will be communicated to all concerned at the appropriate  
e of project preparation and implementation. For further de-  
please contact:

Mr M.V. Madane  
Project Director

or

Mr A.H.Ganesan  
Project Secretary  
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**FIFTH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA**

22nd October 1990 to May 10, 1991

**LIST OF PARTICIPANTS**

**Bangladesh**

1. Mr Mohd Nurul Haque  
Manager, Project Credit Dept  
Bangladesh Jatiya Samabaya Bank,  
9.D Motijheel Commercial Area, Dhaka.2 Bangladesh

**China**

2. Mr Rong Jun  
Deputy Section Chief,  
All China Federation of Supply & Marketing Cooperatives  
45 Fu Xing Men Nei Street, Beijing. China.
3. Mr Huang Yadong  
Consultant  
Hubei Provincial Federation of Supply and  
Marketing Cooperatives, Hubei. China

**India**

4. Mr Ziley Singh  
Dy Director, Cooperation  
Dept of Cooperation, Ministry of Agriculture, Krishi Bhavan  
New Delhi. India.
5. Mr Raj Pal Gaba  
Assistant Manager  
National Agricultural Cooperative Marketing Federation  
NAFED Building, I, Siddhartha Enclave  
Ashram Chowk, New Delhi. 110 014. India.

Korea, Republic of

6. Mr Shin Kie Yup  
Asst Director, Research Dept.,  
National Agricultural Cooperative Federation  
75, I ka, Choonjong ro, Jung ku, Seoul. Republic of Korea.
7. Mr Kyu Hyun Lee,  
Manager, International Banking Dept.  
National Livestock Cooperatives Federation  
451, Songnae Dong, Kang dong gu,  
Seoul. I34 030. Republic of Korea.

Malaysia

8. Mr Ku Mohamad Rodzi bin Ku Mat Esa  
Assistant Director, Settlers Development  
Division, Federal Land Consolidation and  
Rehabilitation Authority, ITAT Building  
50772 Bukit Bingtang Road,  
Kuala Lumpur. Malaysia.

Pakistan

9. Mr Islam Madni  
Chief Accountant  
National Cooperative Supply Corporation Ltd  
41 A, Empress road, Lahore. Pakistan

Philippines

10. Ms Amelita Provideo  
Manager  
2nd Area Iloilo Area Marketing Cooperative  
T.Magbanua Street, Pototan.  
Iloilo. Philippines.
11. Ms Edith Susan Valdez  
Manager  
Cooperative Rural Bank, San Pablo, San Nicolas.  
Ilocos Norte. Philippines.

**Sri Lanka**

12. **Mr M R B Perera,  
General Manager  
Dunagaha Coconut Producers Coop Society  
Dunagaha. Sri Lanka.**
13. **Mr C.A.C.Fernando  
Manager,  
Kammalpattu Coconut Producers Coop Society  
Wennappuwa. Sri Lanka.**

**Thailand**

14. **Ms Maroum Sutanun  
Manager, Rongkwang Agricultural Coop Ltd  
308, Yantaragitgosol Road,  
Moo 6, Rongkwang. Phrae. Thailand.**
15. **Mr Suriya Thummavard  
Manager, Muyang Pijit Agri Coop Ltd.  
27/15, Pichit. Kampong Putch road,  
Muyang District. Pichit Province. Thailand**

**Project Director:**

**Mr M V Madane,  
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**Project Secretary:**

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PASSPORT PARTICULARS OF PARTICIPANTS OF FIFTH COURSE

Name & place of issue (date of birth)	Nationa- lity.	Passport Number	issue date	Valid until
Mr Md.Nurul Hoque Dhaka.(1.4.53)	Bangla- deshi	G 765254	15.8.90	14.8.95
Mr Rong Jun Beijing (29.12.62)	Chinese	S 442341	9.6.88	9.6.1993
Mr Huang Yadong Beijing.(7.5.56)	Chinese	Y 406865	8.10.90	8.10.1992
Mr Ziley Singh Delhi.(1.7.46)	Indian	O.261954	23.10.90	31.10.91
Mr Raj Pal Gaba Delhi (20.8.48)	Indian	G.165245	3.11.87	2.11.92
Mr Shin Kie Yup Seoul (12.12.58)	Korean	2751731	24.1.90	24.1.93
Mr Lee Kyu, Hyun Seoul.(14.10.55)	Korean	3144306	4.9.90	4.9.95
Mr Ku Mohammad Rodzi Kuala Lumpur. ( 21.6.55)	Malaysian	A 4417052	2.3.89	2.3.94
Mr. Islam Madni Lahore. (25.11.44)	Pakistani	F 954253	31.7.90	30.7.95
Ms Amelita Provideo Iloilo. (9.1.57)	Philipino	H 875935	4.10.90	4.10.95
Ms Edith Susan Valdez Iloilo (11.8.53)	Philipino	H 813697	2.10.90	2.10.95
Mr M.B.R.Perera Colombo (17.10.51)	Sri Lankan	H 0194051	3.11.84	2.11.94
Mr C A C Fernando Colombo (24.8.48)	Sri Lankan	K 0186427	28.8.90	1.8.95
Miss Maroum Sutanun Bangkok. (26.10.57)	Thai	V.010806	27.6.89	26.6.94
Mr Suriya Thummavard Bangkok. (2.761)	Thai	B 198950	26.9.90	26.9.95
Mr M V Madane, Delhi (27.12.24)	Indian	F 633142	21.7.89	17.4.92
Mr A.H.Ganesan, Delhi (9.4.41)	Indian	V.917425	25.5.84	25.5.94



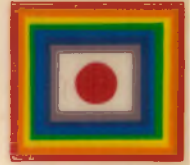
# International Cooperative Alliance

43, Friends Colony, New Delhi-110065, India

## 5th ICA JAPAN Training Course for Strengthening Management of Agricultural Cooperatives in Asia, 1990-1991

(22nd October 1990 - 10th May 1991)

INDIA - THAILAND - JAPAN - KOREA



**Mohd Nurul Haque**  
Bangladesh  
Bangladesh Jatiya  
Samabaya Bank



**Rong Jun**  
China  
All China Fed. of  
Supply & Mktg. Coops.



**Huang Yadong**  
China  
Hubei Provincial Fed. of  
Supply and Mktg. Coops



**Ziley Singh**  
India  
Dept of Cooperation  
Ministry of Agriculture



**Raj Pal Gaba**  
India  
National Agri. Coop.  
Mktg. Fed.



**Shin Kie Yup**  
Rep. of Korea  
National Agricultural  
Coop Federation



**Kyu Hyun Lee**  
Rep. of Korea  
National Livestock  
Coop Federation



**Ku Mohamad Rodzi**  
Malaysia  
Federal Land Consolidation  
and Reh Authority



**Islam Madni**  
Pakistan  
National Coop. Supply  
Corporation Ltd.



**Amelita Provide**  
Philippines  
2nd Area Iloilo  
Area Mktg. Coop.



**Edith Susan Valdez**  
Philippines  
Coop. Rural Bank,  
San Pablo, San. Nicolas



**MBR Perera**  
Sri Lanka  
Dunagaha Coconut  
Producers Coop. Society



**C.A.C. Fernando**  
Sri Lanka  
Kammalpattu Coconut  
Producers Coop. Society



**Maroum Sutanun**  
Thailand  
Rongkwang Agri.  
Cooperative Ltd.



**Sunya Thummavard**  
Thailand  
Muyang Pijit Agri.  
Coop. Ltd.



**M V Madane**  
Project Director  
International  
Coop. Alliance



Regional Office for  
Asia & the Pacific

5th JTC/90=-91

22nd October 1990

FIFTH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA

OCTOBER 22, 1990 - MAY 10, 1991

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INAUGURATION DAY

Monday, 22nd October 1990

PROGRAMME

10.00 a.m.

Opening Address by  
Mr M.V.Madane,  
Project Director,  
ICA/Japan Management Training Project

Welcome by  
Mr G.K.Sharma  
ICA Regional Director for Asia and the Pacific

Inaugural Address by  
Mr Matiul Islam  
UNIDO Country Director

Vote of Thanks.

Tea



Regional Office for  
Asia & the Pacific

5th JTC.90-91

22nd October 1990

OPENING ADDRESS OF MR M V MADANE, PROJECT DIRECTOR,  
at the Inaugural Session of the 5th ICA Japan  
Training Course for Strengthening Management of  
Agricultural Cooperatives in Asia, New Delhi,  
22nd October 1990

.....  
Your Excellency Director Matiul Islam,  
Distinguished Guests,  
Regional Director Mr Sharma, Prof. Gaikwad,  
Fellow Participants,  
ICA Colleagues,  
Ladies and Gentlemen:

Welcome to ICA.

I am grateful to you all for your gracious presence. I feel happy that our efforts to organise the Fifth ICA Japan Management Training Course have culminated into this Inaugural Session. My pleasure is doubled to see almost all our participants at the Opening Ceremony.

The ICA Japan Management Training Project for Agricultural Cooperatives in Asia was launched in July 1986 with generous support from the Government of Japan and with very active collaboration of the Central Union of Agricultural Cooperatives of Japan. Since then we have completed four years of activity and I do hope that we will have very fruitful results from the Fifth Training Course as well.

The special features of this Training Course are that the programme design is based on documentation related to actual field situation of different Asian countries and that the emphasis in training is on improvement of services to members to strengthen their income. The very special feature of this course



Regional Office for  
Asia & the Pacific

is that mid-way into the programme the participants return to their home countries to prepare cooperative development projects and then return for the remaining part of the training with these projects. These projects will later be appraised in Bangkok at a special Appraisal Session during the latter part of February 1991. It is heartening to note that some of the projects prepared during last four years are being implemented through their respective organisations.

I believe the follow up of the training programme is equally important in order to ensure that the fruits of our training reach the cooperative member farmers. ICA is therefore constantly endeavouring to identify sources which could help the member organisations in implementing these projects. During the current year the Project Appraisal Sessions are being organised in Bangkok to which all related UN Agencies and Donor Organisations will be invited. It is hoped that many of these projects will find technical and financial support through the funding and technical assistance programmes of these organisations.

Your Excellency, Ladies and Gentlemen, I am glad to mention here that the ICA had already reached an advance stage of negotiations with the Government of Japan to discuss continuation of this Programme after the first phase of five years. From the indicators received so far, I believe we shall be able to continue this programme perhaps with added components and increased volume of assistance for the next five years.





Regional Office for  
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I am grateful to you, Your Excellency, to all the Distinguished Guests and participants for attending the Inaugural Function.

Thank you.

SPEECH GIVEN AT THE INAUGURATION OF  
"FIFTH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURE CO-OPERATIVES IN ASIA"  
BY MR. MATIUL ISLAM, UNIDO COUNTRY DIRECTOR

It is a pleasure and honour for me to have been called upon to inaugurate the training course organized under the Management Training Project launched by the International Co-operative Alliance.

2. I must admit that before I was asked to inaugurate the course, I had practically no knowledge about this training programme and my initial reaction was as usual, that it must be one of those standard week-long or month-long training courses that are organized from time to time. But after reading through the course content, the objective and the organization of the training programme spread over four countries, I feel that this is one of the most interesting and innovative training programme and has some very constructive features.

3. The selection of the countries, the sequence of the course and the visits starting from India & ending in Japan seem to be very well-conceived & well-planned. In the first phase, the learning process starting in India leads to preparation of bankable development projects which are to be appraised in Thailand where donor countries/organization would be invited. I feel that there could be some provision for follow-up of these appraised projects for financial support in Japan in the second phase so that the hard work and imagination put in in the development of these projects do not go waste. Japan's official development assistance is now close to \$9 billion a year, that makes her the largest donor in ODA. The direct exposure of these development projects and their presentation by the proponents themselves to the donor organizations would have far greater impact,

4. If one studies the history of the co-operative movements in this part of the world, it is perhaps agriculture & the small & cottage industry where it has taken some deep root. It is in these areas that cooperative movement has gained considerable ground. Years ago, I had occasion to spend a few days in Anand, the mecca of milk co-operative in India and that visit is still fresh in my memory. The impression that Operation Flood created in those attending the one week seminar in Anand cannot easily be wiped out. It was the living example of a very successful cooperative operating for the benefit of the large number of its members in the rural areas. From a modest start, an industrial milk-product empire has been built up entirely on co-operative principle.

In India, there are also examples of well-conceived & well-run co-operatives in the industry sector. All these industries, however, have very strong linkage with agriculture & the rural farmers. Sugar & Fertilizers are the two big important industrial sectors where co-operatives are doing wonders. In the case of Sugar, the cane-growers interest is so entrenched in the running and operation of the mill, or to put it the other way, the mills' existence is so much dependent on the cooperation from the farmers that in the Sugar sector cooperative sugar mills seem to be the answer.

In Bangladesh where from I come, it has happened in some years that the sugar mills were not getting enough supply of canes from the growers for crushing, as the growers found it more profitable to divert the sugar cane for making gur. Government had to resort to Gur Control Order to prevent the farmers from making Gur and to force them to supply canes to the mills for crushing. The enforcement of the Gur Control Order led to police action, arrests, rioting & to the inevitable law & order situation.

The farmers never felt that their fate are in any way linked with the success and failure of the mills; that they were a part of it. They did not share in the profit, nor did they have any say into its management, whereas, they have the power to have the mills close down. This is an important lesson that when the industrial raw material is very much agro-based & the agro-products have other users co-operative ventures, where the farmers and growers become a part and parcel of the industrial complex, have mere chances of success.

5. In the small scale and cottage industry sector, weavers' co-operatives responsible for procurement of yarn and marketing of handloom products have done well in this area for its member weavers.

6. Those of us not intimately connected with cooperatives or cooperative movement have the feeling that it is more a welfare activity and than a commercial venture. Perhaps the welfare & equity angle is very strong in the cooperative movement, but that should not be interpreted as absence of profit motive. The principle of one man one vote and the absence of weighted voting do not change the basic requirement of the success of cooperative which is that it must be run on a sound commercial basis.

Unfortunately, the general perception is that co-operatives are institutions which need heavy doses of subsidy like the agriculture, so much so that in some of the Governments in the sub-continent, the Agriculture & Cooperative as subjects are grouped together under one Deptt. or Ministry.

7. Obviously, this perception is wrong. Projects funded and run on cooperative principle should be as much financially viable as projects run on corporate principle & should go through the same financial analysis, the cost benefit ratio as the projects in the corporate sector.

This business like approach & professionalism seems to have been reflected in your training programme where I find you would be taught market planning, capacity planning, product mix divisions and operations planning and control.

8. As you are aware, in India, the public sector has been given a pre-dominant role in the growth and development of industry since the country achieved independence in 1947. Among the imperatives of this policy of state intervention were the removal of property, better distribution of income, removal of regional disparity, and a wider ownership of economic power to prevent its concentration in a few hands. So, in one extreme is the public enterprises with full state intervention and in the other is the private sector and the free market concept. I think the cooperatives come in between. This is a happy compromise. Even without the direct state intervention, it is through the cooperatives that one can achieve the wider ownership of economic power and prevent its concentration in a few hands, achieve a better distribution of income and prevent disparity -- the imperatives which led the policy makers to give the public sector the commanding height of economic power. I feel that

within the context of a free market economy, co-operative ownership and management could be an answer to the controversy of public and the private ownership. Although it is possible that laws and regulations governing the cooperative societies and the institution of the Registrar of Cooperative Societies may be a little outdated and may require overhauling to meet the new challenge. Whereas these Indian Companies Act governing the corporate sector have often been amended and updated since its promulgation in 1913 and the provisions are constantly under review; perhaps the co-operative rules and regulations do not receive such close attention.

9. Years ago, I was acting as the Vice-Chairman of a Co-operative Bank which was an apex bank through which loans to farmers were channelled. There was an annual allocation of loans from the country's Central Bank for this purpose and one could see the total dependence of the co-operative system on Central Bank funding and very little mobilized from the Co-operative Bank's own resources. Rural banking is one of the sector where co-operative had great potential, but I doubt if this potential have been fully exploited. Agricultural loans, crop loans etc. and for that matter all the rural development loans and funds could and should have been the monopoly of the cooperatives. But in actual practice the commercial banking system has overtaken and overshadowed the cooperative system in rural banking.

This is my perception of the situation in the Indian sub-continent -- India, Pakistan and Bangladesh. Perhaps in some other countries things are better; cooperative banks are much more effective and have done better. This will be an interesting study for and through the International Co-operative Alliance.

10. In today's world of economic inter-dependence, growth models of countries which have achieved economic successes are closely studied. Other countries would like to learn how and why some of the countries created economic miracle. We take lessons from them, try to emulate them, draw comparisons of the systems. In drawing this comparison, the role of private sector, the public sector, the privatization process and how the foreign direct investment have accelerated the industrialization process come under focus and scrutiny. That co-operative could be a model for economic growth, that it has distinct role of supporting and aiding the economic growth processes, specially in the agricultural and the small and cottage industry sector, are easily forgotten. There is need to know and study more about the contribution of the co-operatives sector.

11. The International Co-operative Alliance, the world body of co-operative movement, deserves our congratulations and support for making the interaction among the co-operatives of the world possible. Cooperative movement is a dynamic movement, it is not a static concept. It is like a technology which can be transferred, but should be adapted and adopted to suit the recipient countries' special needs and stage of development.

12. Let me conclude by wishing all the participants a rich and profitable six months stay with the ICA and hope that you can learn things which will be useful and beneficial to foster the cooperative movement in your home countries. Above all, I should say that if in the process you can generate interest of the donor countries/organizations in the project developed by you and can secure financing, this will be an added feather to your cap and great for the training programme.







Regional Office for  
Asia & the Pacific

5th JTC/90-91

22nd October 1990

Indian Institute of Management  
Ahmedabad. (IIMA)

Training Course for Strengthening Management  
of Agricultural Cooperatives in Asia

To Participants

From Prof. A.H.Kalro  
IIMA

Re : Course Modules by IIMA

On behalf of the Institute and the Programme Faculty, I welcome you to the Course. IIMA faculty would be with you for four modules, viz.

1. Module on Integrated Cooperative Development  
29th October to 6th November 1990
2. Module on Planning and Management (1)  
7th November to 15th November 1990
3. Module on Planning and Management (2)  
16th November to 23rd November 1990  
10th to 13th December 1990
4. Module on Designing Projects  
17th December to 22nd December 1990

We will meet on 29th October 1990 at at 0930 hours. at ICA. Until that time you would like to familiarise yourself with the course design and teaching materials we would be using in the class. As such I am enclosing the class schedule and the teaching/reference materials we would be using during the first three modules.

With best wishes.



Regional Office for  
Asia & the Pacific

## 5h ICA Japan Management Training Course, 1990-91

### MODULES BY IIMA FACULTY AT DELHI CLASS SCHEDULE

#### SESSION TIMINGS

Session I	0930 - 1100 hours
Tea/Coffee	1100 - 1130 hrs
Session II	1130 - 1300 hrs.
Lunch	1300 - 1430 hrs
Session III	1430 - 1600 hrs
Tea / Coffee	1600 - 1630 hrs.
Session IV	1630 - 1730 hours.

PROGRAMME DETAILS

Day & Date	Faculty	Session	Topic and Material
Mon Oct 29	VK Gupta VR Gaikwad		<u>Topic:</u> Introduction to the concept of Integrated Cooperative Systems.
		I & II	<u>Material:</u> OHP transparencies presentation.
		III	Group Discussion on the Concept.  <u>General Readings:</u> (1) Chapter 1 of the book: Guide to Management of Small Farmers' Cooperatives. (2) Framework for Designing Integrated Agricultural/Rural Development Projects. (Ch.1 from the book: Planning Rural Development Projects; in Loas : A Guide).
		IV	Presentation of Group Reports and Clarification of issues raised by participants.
Tue Oct 30	VK Gupta VR Gaikwad		<u>Topic:</u> Integrated Cooperative System: Introduction to AMSAC.
		I	<u>Material:</u> AMSAC Slide presentation followed by discussion.
		II	<u>Topic:</u> Essential Features of ICS.  <u>Material:</u> Case: Saranga Cooperative Sugar Factory.  Group discussion on Saranga case.
		III & IV	Presentation of Group Reports on the above case.

Day & Date	Faculty	Session	Topic and Material
Wed Oct 31	VF Gupta VR Gaikwad	1 - IV	<p><u>Topic:</u> Concept of Business Planning.</p> <p><u>Material:</u> Guidelines for Analysis of Bench Mark Data for Preparation of Business Plan.</p> <p>Exercise on Business Planning.</p>
Thu Nov 1	VR Gaikwad SP Seetharaman		<p><u>Topic:</u> Role of the Manager in ICS</p> <p><u>Material:</u> Case: Royal Multi-purpose Cooperative Society (A &amp; B)</p> <p>(From the Book: Managing Paddy-Rice Business of Small Farmers Integrated Cooperatives in Asia, pp. 1 - 25):</p> <p>I &amp; II      Group discussion on the above cases.</p> <p>III &amp; IV    Presentation of Group Reports on the above cases.</p>
Fri Nov 2	VR Gaikwad SP Seetharaman		<p><u>Topic:</u> Role of Manager in ICS</p> <p><u>Material:</u></p> <p>Case: Rajmani Agricultural Cooperative A &amp; B. (from the book :Managing Paddy-Rice Business of Small Farmers).</p> <p>I &amp; II      Group Discussion on the above case.</p> <p>III &amp; IV    Presentation of Group Reports.</p>

Day & Date	Faculty	Session	Topic and Material
Sat - Nov 3	VR Gaikwad SP Seetharaman		<u>Topic:</u> Potential for Developing Integrated Projects.
			<u>Material:</u>
		I & II	1. Application of Science & Technology for Integrated Agriculture and Rural Development. 2. A Note on Understanding Scope of Agriculture. 3. Farm Industry Linkages : Some Illustrations.
		III & IV	Reading: Organisational Pattern and Management Structure of Cooperative Agro-Processing Units" in FAO Report on <u>Cooperative Processing of Agricultural Produce</u> pp 60-109.
Sun Nov 4			H O L I D A Y
Mon Nov 5	GS Gupta VK Gupta		<u>Topic:</u> Analysis of Financial Statements.
			<u>Material:</u>
		I & II	Reading: Financial Statements: Balance Sheet and Profit and Loss Account (Ch.2 from the book Elements of Management Accounting).
		III & IV	Case: Rajpur Garments and Textiles Ltd.

Day & Date	Faculty	Session	Topic and Material
Tue Nov 6	GS Gupta VK Gupta		<u>Topic:</u> Basic cost concepts, Break-even Analysis.
			<u>Material:</u>
		I & II	Reading: Cost Analysis (Chapter 4 from the book Planning Rural Development Projects in Loas: A Guide).
			Case: Cost Classification Exercise.
		III & IV	Case: ABC Cooperatives. ✓
Wed Nov 7	GS Gupta VK Gupta		<u>Topic:</u> Cash Flows, Time Value of Money.
			<u>Material:</u>
		I & II	Reading: Investment Analysis Ch.8, pp 202-210 Tables for Investment Analysis, Appendix B (from the book Managerial Economics).
		III & IV	Exercises on Cash Flows and Time Value of Money. ✓
Thu Nov 8	GS Gupta PM Shingi		<u>Topic:</u> Techniques of Investment Analysis.
			<u>Material:</u>
		I & II	Reading: Investment Analysis Ch.8, pp 211-225 (from the book Managerial Economics).
		III & IV	Exercises on Investment Analysis ✓

Day & Date	Faculty	Session	Topic and Material
Fri Nov 9	GS Gupta PM Shingi	I - IV	<u>Topic:</u> Investment Appraisal.  <u>Material:</u>  Case: Jhalawar Fruit Growers' Marketing Cooperative Society Ltd.
Sat Nov 10	GS Gupta PM Shingi	I & II  III & IV	<u>Topic:</u> Sensitivity Analysis & Social Cost Benefit Analysis.  <u>Material:</u>  Reading: Investment Analysis Ch.8 pp 225-227 (from the book Managerial Economics).  Exercises on Sensitivity Analysis ✓ Exercises on Social Benefit / Cost Analysis.
Sun Nov 11		H O L I D A Y	
Mon Nov 12	Ramesh Gupta AM Kalro	I & II  III & IV	<u>Topic:</u> Working Capital Management.  <u>Material:</u>  Reading: Financial Statements Balance Sheet and Profit and Loss Account. (Distributed for Nov.5).  Working Capital Policy and Financing. ✓  Case: Jessani Bros. ✓

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Day & Date	Faculty	Session	Topic and Material
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Tue Nov 13	Ramesh Gupta AH Kalro		<u>Topic:</u> Working Capital Management.  Estimating Working Capital Requirements.  <u>Material:</u>
		I & II	Case: Strawboard Project in Haryana.  Group discussion on the above case.
		III & IV	Presentation of Group Reports.

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Wed Nov 14	Ramesh Gupta AH Kalro		<u>Topic:</u> Procurement Strategy.  <u>Material:</u>
		I & II	Reading: The Procurement Factor OHP Presentation by Faculty on Procurement Strategies.
		III & IV	Exercise on Procurement.

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Thu Nov 15	SF Seetharaman PM Shingi		<u>Topic:</u> Market Planning.  <u>Material:</u>
		I & II	Case: Satans Eucalyptus.  Film: Cooperative Marketing.  Group Discussion on the above case.
		III & IV	Presentation of Group Reports.



Day & Date	Faculty	Session	Topic and Material
Fri Nov 16	SP Seetharaman PM Shingi		<u>Topic:</u> Market Planning
			<u>Material:</u>
		I & II	Case: Milk Vita Icecream ✓  Group discussion on the above case.
		III & IV	Presentation of Group Reports.
Sat Nov 17	SP Seetharaman PM Shingi		<u>Topic:</u> Market Planning.
			<u>Material:</u>
		I & II	Case: Marketing of Mushrooms ✓  Group discussion on the above case.
		III & IV	Presentation of Group Reports.
Sun Nov 18		H O L I D A Y	
Mon Nov 19	AM Kalra Ramesh Gupta		<u>Topic:</u> Strategic Issues in Operations Management: Location Decisions.
			<u>Material:</u>
		I & II	Reading: Plant Location ---- ?  OHP Presentation by Faculty.
		III & IV	Exercise on Location Decisions. ✓

Day & Date	Faculty	Session	Topic and Material
Tue Nov 20	AH Kalro Ramesh Gupta		<u>Topic:</u> Strategic Issues in Operations Management Capacity Planning.
			<u>Material:</u>
		I & II	Reading: Capacity and Location Analysis.  OHP Presentation by Faculty.
		III & IV	Case: The Capacity Problem of Fatehnagar Oil Complex.
Wed Nov 21	AH Kalro Ramesh Gupta		<u>Topic:</u> Strategic Issues in Operations Management * Product-mix Decisions
			<u>Material:</u>
		I & II	Reading: Linear Programming.  Case: Kamadhenu Dairy.
		III & IV	Case: Planning the Product-mix for Fanchatantra Corporation.
Thu Nov 22	AH Kalro VR Gaikwad		<u>Topic:</u> Operations Planning and Control.
			<u>Material:</u>
		I - IV	Reading: Operations Management.  (Ch.9 from the book: Planning Rural Development Projects in Loas: A Guide).  Case: Government Silk Filature, Chikahalli.

Day & Date	Faculty	Session	Topic and Material
Fri Nov 23	AH Kalro VR Gaikwad		<u>Topic:</u> Network techniques.
			<u>Material:</u>
		I & II	Reading: Network techniques.  (Ch.8 from the book: Planning Rural Development Projects in Loas: A Guide).
		III & IV	Exercises on Network Techniques.

- F I E L D V I S I T S -

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- F I E L D      V I S I T S -  
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Day & Date	Faculty	Session	Topic and Material
Mon Dec 10	Ramesh Gupta VK Gupta		<u>Topic:</u> Planning.  <u>Material:</u>  Reading: Chapter 6 of the book: Guide to Management of Small Farmers Cooperatives.  Case: Rama Reddys Rural Develop- ment Dilemma (A) and (B).

Tue Dec 11	VK Gupta Ramesh Gupta		<u>Topic:</u> Monitoring and Evaluation of Cooperative Deve- lopment (MECD).  <u>Material:</u>  Read: Dynamics of Monitoring and Evaluation Indicators: A Case of NACF.  Framework for a Monitoring and Evaluation System. Chapter 10 from Planning Rural Development Projects in Laos: A Guide.
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Wed Dec 12	Ramesh Gupta AH Kalro		<u>Topic:</u> Comprehensive Case Analysis.  <u>Material:</u>  Reading: Financial Planning and Appraisal of a Project.  Case: Sunil's Jute Particle Board Project.
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- F I E L D      V I S I T S -  
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Sun Dec 16		H O L I D A Y	
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Day & Date	Faculty	Session	Topic and Material
Mon Dec 17	VR Gaikwad GS Gupta		<u>Topic:</u> Designing Projects, Project Cycle.
			<u>Material:</u> A Note on Project Cycle.
		I	OHP presentation by Prof. V.R. Gaikwad.
		II	<u>Topic</u> Project Identification.
			<u>Material:</u> a. Steps in Project Identification and Preparation
			b. Project Identifi- cation and Prepara- tion. Chapter 2 from Planning Rural Development Projects in Laos: A Guide.
		III & IV	Case: Agricultural Development Planning in Vietainne.
Tue Dec 18	VR Gaikwad GS Gupta		<u>Topic:</u> Organisational Design.
		I & II	<u>Material:</u> Designing Organisation and Structure for Integrated Projects.
		III & IV	Case: Phonhong II Cooperative Society.
Wed Dec 19	VR Gaikwad GS Gupta		<u>Topic:</u> Guidelines for Project Preparation.
			<u>Material:</u>
			a. Guidelines for Preparation of Integrated Development Projects.
			b. A Note for Project Formu- lation & Appraisal Exer- cise.
			c. Financial Planning & Apprai- sal of a Project.

Day & Date	Faculty	Session	Topic and Material
Thu Dec 20	Programme Faculty		PRESENTATIONS
Fri Dec 21	Programme Faculty		PRESENTATIONS
Sat Dec 22	Programme Faculty		EVALUATION & FEEDBACK

AHK : Prof. A.H. Kalro  
 GSG : Prof. G.S. Gupta  
 PMS : Prof. P.M. Shingi  
 RG : Prof. Ramesh Gupta  
 SPS : Prof. S.P. Seetharaman  
 VKG : Prof. V.K. Gupta  
 VRG : Prof. V.R. Gaikwad.

FIFTH  
ICA/JAPAN TRAINING COURSE FOR STRENGTHENING MANAGEMENT  
OF AGRICULTURAL COOPERATIVES IN ASIS, 1990/91.

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A CRITICAL EXAMINATION OF COOPERATIVE ORGANISATIONAL  
STRUCTURES AND MANAGEMENT PRACTICES AND PROBLEMS IN  
BANGLADESH



BY  
MD. NURUL HOQUE  
MANAGER  
BANGLADESH SAMABAYA BANK LTD.  
DHAKA, BANGLADESH.

## COUNTRY PROFILE

By

Md.Nurul Hoque,  
Manager,  
Bangladesh Samabaya  
Bank Limited, Dhaka,  
Bangladesh.

### 1. Introduction:

Bangladesh is a deltaic land comprising an area of 143,998 square kilometers with population of about 110 million which is increasing at the rate of 2.3% annually. The literacy percentage is 28 only. It is predominantly an agricultural country with 88% of the population living in the rural areas depending mainly on agriculture for earning their livelihood. Although the rural sector occupies an important position in the economy, the social and economic conditions of the rural peoples are disappointing. More than 50% are functionally landless and another 25% find it difficult to ensure subsistence from their cultivable land. The per capita income is 170 U.S.Dollar.

In view of the socio-economic realities in rural Bangladesh, Cooperative has been accepted as a vehicle for rural development in the country. The present Government on assumption of power in 1982 felt keenly the need for rural development and formulated specific policies for development of rural sector. The main agricultural crops of Bangladesh are rice, jute, tea, sugarcane, potato, tobacco, spices and oilseeds. Besides, various types of tropical fruits and vegetables are also produced here. Sources of animal protein are fish, poultry, beef and mutton.

### Climate:

Bangladesh has three clearly defined seasons in a year, namely winter (November-February), Summer (March-May) and Monsoon or Rainy Season. Temperature ranges from 10°C in Winter to 35°C in Summer months.



Rainfall: Lowest - 122.5 cm, Highest - 573.4 cm.

Natural Resources:

The richest natural resource is gas. Total proven resource of gas is 9.3 trillion cubic feet.

Water ways: 13,572 square kilometres.

Industry:

The industries sector plays an important role in the economy of the country. Although the share of industries sector to GDP is only 10%, its role in the national economy is increasing gradually. It provides essential consumer goods and key inputs for mechanised agriculture and accounts for about 65% of foreign exchange earnings through export. It also provides employment for a large number of work force. Due to limited cultivable land and high rate of population growth stability in economic and social development of the country is not possible without rapid industrialization. The present Government announced a New Industrial Policy in June 1982 which provided special emphasis for the development of the private sector. To improve the private sector, a number of important policy measures have been taken. These are reorganisation of public sector corporations, allowing increased flexibility in pricing capital restructuring, progress towards setting up an improved system for monitoring the performance of the enterprise etc. In the new industrial policy of 1986 emphasis has been laid on development of small, cottage and handloom industries as a priority sector.

The jute industry plays a dominant role in the economy of Bangladesh. It earns about 65% of the total foreign exchange. The handloom sector accounts for about 80% of locally made cloth. Bangladesh now produces about 8,00,000 Metric Tons of Urea, 1,00,000 Metric Tons of TSP and 9,500 Metric Tons of Ammonium Sulphate. The installed capacity of the Sugar Industry is about 1,62,000 Metric Tons a year but the actual is much less

now. The oil refinery can produce about 1.3 million Metric Tons of crude oil.

Gross Domestic Product (GDP):

During 1987/88 gross domestic product (GDP) at 1984/85 constant factor cost was estimated to increase by 2.58%. During 1986/87 the growth rate in GDP was 4.44. During 1987/88 output of cereals and other cash crops including jute fell sharply due to unprecedented flood. Besides, the depressed demand for industrial product resulting from the decrease in output and income in the agricultural sector had adverse effects on industrial production. As a result, the GDP was estimated to increase by 2.58% during 1987/88. Except sugarcane all other agricultural products during 1987/88 was estimated to fall. During 1989/90 (July-March) the general index of industrial production (base: 1973-74 = 100) has been increased by 3.77% compared to 2.92% of the previous year.

The growth rate in power and gas sector during 1989/90 was estimated to 14.93% compared to be 23.60% during previous year. The growth rate in construction sector was estimated to be 8.57% during 1989/90 as against 5.44% of the previous year. In other sector, the growth rate was estimated to be 4.62% during 1989/90 while it was 2.92% during previous year.

At 1984-85 constant factor cost, contributions of different sectors to GDP during 1989-90 were as follows :-

Agriculture 38%, Industry 10%, Power & Gas 1% Construction  
6% Trade 21% and others 24%.

Role of agricultural cooperatives in the total development process:

In Bangladesh, there are two systems of cooperatives one is traditional three-tier system which is called general cooperatives, another is modern two-tier system which is known as BRDB-UCCA cooperatives.

A. Traditional Cooperatives:

Traditional or general cooperatives was introduced in this part of sub-continent is 1904, with a view to support agricultural credit in kind and cash to increase the agricultural produces by the farmer members. Under this system loan is channelised through three-tiers viz. (1) National level which is called apex cooperative society (2) Secondary level which is called central cooperative bank ltd./central cooperative society ltd. and (3) Primary cooperative society at village level.

National or apex cooperative society provides necessary credit and other services to the central cooperative banks/societies. The Central Cooperative Banks/Societies are generally located at district level. These societies support credit and other services to the primary cooperative societies. Primary cooperative societies are located at villages and these provide credit and other development services to the individual farmer members.

Bangladesh Samabaya Bank Limited is the only apex cooperative society which is involved in agricultural credit operation through-out the country.

B. Description of Bangladesh Samabaya Bank Limited:

The then East Pakistan Provincial Cooperative Bank Ltd. has been turned into the Bangladesh Samabaya Bank Ltd. with a position of National level cooperative bank in the country in 1971. The membership of the Bank is open to all classes of cooperative societies dealing with agricultural credit.

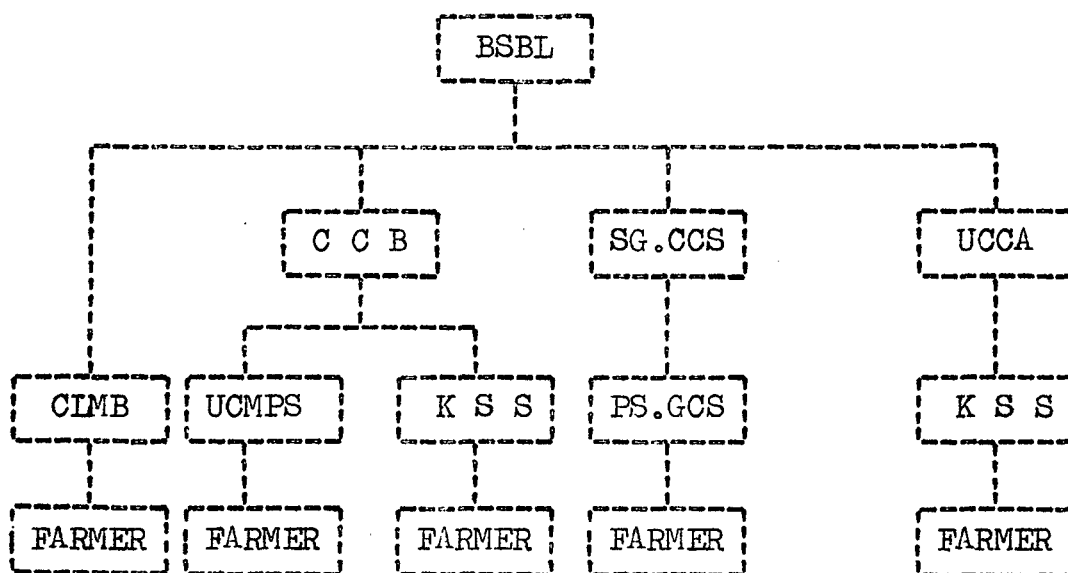
At present its affiliated banks and societies are as follows:-

C. Membership stream of the Bangladesh Samabaya Bank Limited:

<u>Sl.No.</u>	<u>Categories of cooperatives</u>	<u>Number</u>
1.	Central Cooperative Bank	71
2.	Upazila Central Cooperative Association	51
3.	Central Sugarcane Growers' Coop.Societies	13

<u>Sl.No.</u>	<u>Categories of cooperatives</u>	<u>Number</u>
4.	Central Cooperative Multipurpose Society	30
5.	Cooperative Land Mortgage Bank	42
6.	Fishermen Cooperative Society	2
7.	Urban Cooperative Bank	10
8.	Liquidated Cooperative Bank/Society	14
9.	Primary Multipurpose Cooperative Society	147
10.	Others	51
11.	Government	1

The operational structure of the Bangladesh Samabaya Bank is as follows :-



- BSBL : Bangladesh Samabaya Bank Limited
- CCB : Central Cooperative Bank
- SG.CCS : Sugarcane Growers' Central Cooperative Society
- UCCA : Upazila Central Cooperative Association
- CIMB : Cooperative Land Mortgage Bank
- UCMPS : Union Cooperative Multipurpose Society
- KSS : Krishi Samabaya Samity
- PS.GCS : Primary Sugarcane Growers' Cooperative Society.

The Bank is managed by a Board of Directors. The Chief Executive of the Bank is the General Manager. This bank plays an important role in agriculture sector through the operation of cooperative agricultural credit in the country. The short term loan is mainly issued in the shape of cash, seeds, fertilizers, fuel etc. for cultivation of various types of crops such as paddy (HYV), jute, wheat, sugarcane, oilseeds, potato etc. Medium term loan is issued for purchase of plough cattle and small size agricultural equipment. Long term loan is provided through the cooperative land mortgage banks for redemption of old debts, purchase of agricultural machineries and improvement of land.

D. Financial position of BSBL (1989-90):

(1) Share capital (paid up)	Tk.	295.40	lac
(2) Reserve	Tk.	2530.35	"
(3) Deposit	Tk.	202.06	"
(4) Borrowings	Tk.	8635.01	"
(5) Other liabilities	Tk.	6252.30	"
(6) Investment in share & securities	Tk.	46.30	"
(7) Cash & Bank balance	Tk.	2167.84	"
(8) Loan & Advances	Tk.	9148.21	"
(9) Fixed assets	Tk.	13.88	"
(10) Other assets	Tk.	7028.99	"

The position of agricultural loan operation of the bank are as follows :-

(1) Loans issued in the financial year (1988-89)	Tk.	1530.98	lac
(2) Amount recovered in the same year	Tk.	864.93	"
(3) Amount outstanding (Principal & Interest)	Tk.	15083.39	" )"
(4) Amount overdue	Tk.	10650.13	"

The Bangladesh Bank provides concessional credit facilities below the bank rate to BSBL for lending to its members against Government Guarantee to the extent of 25% which is the main source of the fund of bank.

E. Functional description of central cooperative bank (CCB):

Most of the Central Cooperative Banks are situated at district headquarters. These are affiliated to BSBL and borrow loan from BSBL for advancing cooperative agricultural credit among the member farmers through its affiliated primary agricultural cooperative societies, such as union cooperative multipurpose societies (UCMPS) and krishi samabaya samity (KSS). The Central Cooperative Banks are autonomous bodies managed by an elected Board of Directors. Executive/Principal Officers are the Chief Executives who work under the control of the Managing Committee. Other Central Cooperative Societies are also managed and run by the elected Board of Directors and one Principal Officer work as the Chief Executive in each of such societies.

F. Cooperative Land Mortgage Bank & Primary Cooperative Societies:

Though the cooperative land mortgage banks are primary level societies, they are operated and managed in the same way as the central level cooperative societies are managed. All the primary cooperative societies are located at village level and they directly work with the farmer members/growers. These societies are also managed by the elected Board of Directors. The Secretary/Manager of these societies who are also elected members of the board maintain the books & records of the societies.

3. BRDB-UCCA:

In view of the socio-economic realities in rural Bangladesh, Cooperative more specifically two-tier cooperatives involved in the early sixties in Comilla have been accepted as a vehicle for rural development in the country. Untill 1982 IRDP continued as a programme mainly for boosting agricultural production. The two-tier cooperatives did not have much scope to meet the needs of the ever-increasing number of landless and disadvantage group

UCCA	: Upazila Central Cooperative Association	=	449
KSS	: Krishi Samabaya Samity	=	56021
PMSS	: Primary Mohila Samabaya Samity	=	9153
PBSS	: Primary Bhittuhin Samabaya Samity	=	11364
PMBSS	: Primary Mohila Bhittuhin Samabaya Samity	=	323
OPSS	: Other Primary Samabaya Samity	=	1130

At present, 44075 general primary agricultural cooperative societies and 77991 BRDB-UCCAs primary agricultural cooperative societies are functioning for increasing agricultural productivity and net farm income in the country.

Out of the total of 10 million farm house-holds in the country 44,85,568 farm house holds are the members of agricultural cooperatives which is 45% of the total farmers. The cooperative farmers holds 10.35 million acres of farm land out of 23 million acres in the country.

As a whole, agriculture sector contributes about 38% in GDP in which 17.10% is contributed by the cooperative farmers and 20.90% by the non-cooperative farmers.

In Bangladesh, BSBL and BRDB-UCCAs are the only sources of formal cooperative agricultural credit which cover around 15% of total agricultural credit in the country. The rest is covered by the commercial banks and others.

The agricultural cooperative societies are rendering about 25% of irrigation services by installing Deep Tube-wells, Sallow Tube-wells, Power pumps and in other ways. Both the agricultural cooperatives BRDB and General, provide about 25% of fertilizers, 20% of seeds, 20% of pesticides and 40% of irrigation machineries and equipment to their farmer members through their primary cooperative societies purchasing from Bangladesh Agricultural Development Corporation (BADDC) and other concerned agencies.

4. Problems:

Following problems are observed in the operation of the different levels of cooperative societies -

- (1) The apex, secondary and primary cooperative societies are independent organisations. The apex cooperative society has no administrative control over the secondary level societies and similar is the position of the secondary level societies over primary societies.
- (2) Board of Directors are elected/nominated for two years only which is not enough time to take any effective plan for improving its operational and financial position.
- (3) The budget prepared by the society requires approval of the concerned Cooperative Officer which takes unusual time and thereby hampers the operation of the society.
- (4) Proposed budget of the society is sometimes curtailed by the concerned officers which also create problems in the operation of the society.
- (5) The lender society may supervise the financial activities, check the records and cash position of the affiliated loanee societies but cannot take any action for any irregularities.

The above mentioned problems create non-homogenous atmosphere among the various levels of the societies.

The following steps are under consideration of the Government to overcome the problems -

- (i) No cooperative society will be registered if it is not found economically viable ;



- (ii) The cooperative societies which is not viable as well as workable will be placed under liquidation ;
- (iii) The cooperative societies with huge amount of overdue loans will be placed under liquidation ;
- (iv) The membership of willfull defaulters will be cancelled.
- (v) Re-organisation of BSBL as the single agency for all kinds of cooperative loans.
- (vi) Unification of traditional and BRDB agricultural cooperatives at village level.
- (vii) Introduction of rural based project financing for creating off-farm season employment.
- (viii) Planning for integration of cooperatives at all levels and introduction of competent professional management.

5. Trends in agricultural cooperatives:

During the past ten years BRDB-UCCAs cooperatives have been enormously increased in comparison with traditional agricultural cooperatives. Government has encouraged the agricultural cooperatives to purchase agricultural machinery, equipment and other necessary inputs from BADC at easier terms & conditions for modernization of agriculture in Bangladesh.

Besides, Government has planned to create year round employment opportunities on the cooperative basis at the village level for effective utilization of the unemployed and under employed labour force. During the past ten years agricultural sector has been partially modernized with positive result to accelarate position of the farmer members as well as non-cooperative farmers.

Trends in respect of membership, share, reserves, deposit, loans and working capital over the last ten years is appended below:-

Sl. No.	Particulars	Year	Under Coop. Directorate			Under BRDB		
			Apex	Central	Primary	Apex	Central	Primary
1.	No. of societies	1977-78	11	344	49060	1	235	28484
		1985-86	17	553	52028	1	453	67554
		1987-88	20	497	48904	1	459	74724
2.	No. of members	1977-78	4395	54618	4362469	187	28992	566024
		1985-86	5014	58273	4427144	448	66481	213186
		1987-88	4779	54249	4424825	448	74230	240135
3.	Share capital (Figures in thousand)	1977-78	28846	37935	83452	-	19896	18475
		1985-86	52308	78757	153764	-	157224	182400
		1987-88	56896	79376	233464	-	201783	210592
	Reserves (Figures in thousand)	1977-78	44737	30018	28777	-	9224	4046
		1985-86	171803	64731	51445	-	55854	11230
		1987-88	235408	77666	87314	-	76213	16639
5.	Deposits (Figures in thousand)	1977-78	23243	49754	65022	-	31931	25445
		1985-86	29943	92606	146834	-	210409	199833
		1987-88	28534	93477	251154	-	281364	278986
6.	Loans (Figures in thousand)	1977-78	451482	393912	402047	-	162518	168118
		1985-86	1123439	799793	875630	-	1709172	172581
		1987-88	1130227	758979	868833	-	1582036	156817
7.	Working capital (Figures in thousand)	1977-78	548309	639009	624840	-	200004	196367
		1985-86	1365431	1035884	1227673	-	2172658	211928
		1987-88	1449065	1009498	1440765	-	2141395	207439

6. Efforts made for development of cooperative management practices:

The Government has already set up Bangladesh Academy for Rural Development (BARD) at Comilla and Rural Development Academy (RDA) at Bogra for training on "Rural Development and Management of Rural Industrial and Agricultural Projects." BRDB has set up a Rural Development Training Institute at Sylhet for the same purpose.

The Cooperative Department has set up one Cooperative College and Eight Zonal Training Institutes at suitable places for providing training on "Cooperative Management Practices" for Cooperative Officials as well as the representatives of the different levels of the cooperative societies.

Apart from those training centres, the UCCAs are providing training facilities for the cooperatives on modern farm practices.

7. Measures for financial management, inventory & personal management

All levels of cooperative societies have their own financial policies that may not be similar but in major cases it is identical. The objective of the policy is to ensure maximum return through investment of financial assets. In this case societies are using modern capital budgeting techniques such as ROI, ARR, Pay back period, Break-even point, Cash flow statement, BCR, NPV & IRR to select profitable investment projects. The Cooperative Societies at different stages assess the financial needs covering credit programme and any other business and manage the required capital from the different sources such as collection of share capital, mobilisation of savings, borrowing, aids, grants etc. The societies are maintaining accounts and other records in modern process. To control the operation and performance of the society the financial budget is used as controlling technique to check & confirm physical and financial activities the societies are audited by the concerned departmental officers. In case of

cooperative societies, debt/equity ratio has been fixed at 20:80 for encouraging its business and undertaking local resources based project. For this encouraging policy the cooperative societies are mobilizing shares and savings deposits from the members to improve its financial position as well as to undertake profitable projects. Though some UCCAs and other cooperative societies have their own godowns for timely supply of production inputs at reasonable cost but those are very insufficient as per requirement and as such BADC's godowns are used to meet the requirement.

Though no major problems arise in case of preservation and supply of inputs, problems arise in case of preservation of agricultural produces. Godowns/Wire houses constructed at different places at different capacities, by the public agencies are not enough for scientifically managed to preserve the agricultural produces. To mitigate the above situation the cooperative societies are taking steps to construct new godowns and cold storages as per requirement of the farmer members, on the one hand and managing the necessary working capital for marketing the surplus produces of the farmer members at attractive prices to protect the benefit on the other.

At present there is a practice of deputing Government Officers to manage the affairs of the cooperative societies in which government participation is more than 50% of share capital or loans and advances is given or guaranteed. The Government deputed Officers perform their duties under the direct control of the Managing Committee but the management of the societies cannot initiate any administrative action against them in case of their negligence to duties as they belong to the Government. To overcome this problem government has recently taken steps to withdraw its officers from the cooperative societies and advise the management of the cooperative societies to recruit the officers. Accordingly the management of the societies has started recruitment of officers to ensure better performance and improvement of the society as a whole. The officer will be held responsible in discharge of their duties to the Managing Committee.

8. Planning approaches:

The objectives of the short and long range planning is to improve the living standard of the members through economic and social gain. Preparing draft plan physical and financial (Budget estimated) the operational management place it to the Board Meeting and the Board Check and Examine the objectives, strategies, alternative course of action, policies before placing the same to the A.G.M. for approval. In cooperative planning major emphasis is given for ensuring member benefits by giving them all sorts of development and promotional services. The development/progress at physical financial activities are checked and controlled by the competent authorities as per budget provisions.

9. Areas for planned development:

In Bangladesh, there is no scope of full time employment in agricultural sector. During off-farm season marginal and small farmers including farm labourers become fully un-employed which creates financial and economic crises for them. Besides, the small farmers cannot gain through farming because they sell their products at lower price during harvesting period and purchase it at higher price sometimes after the harvesting.

To overcome this situation and to make the farmer prospective through gainful farming, there is need of creation of additional productive base and employment facilities.

For these, marketing facilities and rural based profitable industrial project implementation is essential. The cooperative society, as the promoter, can originate project proposal through its management and submit it to the Bangladesh Samabaya Bank Ltd. for financial support. UCCAs and its member societies can originate project proposal and apply for necessary financial assistance & other services to BRDB. BRDB may sanction project to any UCCA or primary cooperative societies.

The project sub-committee of the society implement and monitor the operation of the project. UCCA review the operation of the project from time to time.

Besides, the UCCA evaluate the operational performance of the project under implementation phase-wise. Any member society of Bangladesh Samabaya Bank Ltd. may originate project proposal and apply for loan for implementation of the same. Before sanctioning loan, BSBL official conduct pre-investment study for checking its investment worth. If it is found financially sound, technically and economically viable the BSBL approve the proposed project for implementation. There after BSBL arrange necessary monitoring and evaluation process of the operation of the project by its local officers/staff.

10. Comparative roles:

No separate role is played by the agricultural cooperative societies for implementation of schemes wheather it is allotted by the Government, other agencies or their own. In major cases operation is hampared by the natural calamities like flood, hail-storm, draught etc.

The percentage of probabilities of "Damages State of the World" are as follows :-

- \* Probabilities of the heavy damages is 25%
- \* Probabilities of the moderate damage is 35%
- \* Probabilities of the light damage is 40%.

11. Conclusion:

The cooperatives have been playing a very important role in nation building activities by using modern technique of development of agriculture inspite of manifold hindrences, drawbacks and deficiencies. The cooperatives have been motivating the farmers to use fertilizers, insecticides, HYV crops, Power pumps, Deep Tube-wells, Shallow Tube-well and other machinery and equipment to augment the agricultural production and help the country to achieve self sufficiency in food.

CASE STUDY  
ON  
KURALGACHI ADARSHA GOVIR NALKUP KRISHI  
SAMABAYA SAMITY LIMITED  
DAMURHUDA, CHUADANGA,  
BANGLADESH

MD. NURUL HOQUE  
MANAGER  
BANGLADESH SAMABAYA BANK LTD.  
DHAKA, BANGLADESH.

MD. NURUL HOQUE  
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BANGLADESH SAMABAYA BANK LTD.  
DHAKA, BANGLADESH.

The present case study is an effort to focus on the problems and difficulties of the cooperative societies encounter in their development, organisational and management aspects. The problems and difficulties cited here may not be identical with other societies, but similarities and a degree of commonness are there.

However, the present case study has been prepared on the basis of field trips, interviewing of the members and office-bearers and thorough study of the society's accounts, audited balance sheet and other documents.

With a view to increase the agricultural produces and solidify, the economic position of the villagers, the farmers of Kuralgachi, a typical village of Bangladesh situated in Damurhuda Upazila under the Chuadanga district, decided to take up an irrigation scheme for cultivating HYV paddy. Since the goal could not be pursued for the poor farmers individually or even by forming small groups, they organised themselves in a cooperative society by the name of Kuralgachi Adarsha Govir Nalkup Krishi Samabaya Samity Ltd. They bought five Deep Tubewells from the Bangladesh Agricultural Development Corporation (BADC) on instalment basis from their own sources in 1983 and completed the installation of the DTWs same year. Next year they



started supplying water. But it was found that the installed capacity of those 5 DTWs could not cover the intended 330 acres of the total lands of the villagers. Even the supply of water was not enough to properly cover the 250 acres initially taken under the project. This created an uneasy situation; a number of villagers who could not be beneficiaries of the project demanded extension of the capacity by increasing the number of DTWs so that their lands could be included; otherwise, they threatened to close down the project. In the obtaining situation, the management of the society felt that the project could not be discontinued on the one hand, and the project assets could not be resold according to the purchase contract negotiated with the BADC, on the other. And even if it, could have been possible to sell out the assets, the resale value would not compensate the cost of the project. So the management decided to buy 3 to 5 more DTWs to enhance the capacity of the project for covering the total 330 acres targeted lands of the members. But the reality was that this society could not further qualify for the purchase of more DTWs either on loan arrangement or by cash without making full payments for the DTWs it had already bought. The management tried to make the payments, but the financial position of the society simply did not permit them. In order to find a way out

they took advantage of the two types of agricultural cooperative societies existing in Bangladesh. One is traditional three-tier system which is directly controlled by the Government, and the other is a two-tier integrated cooperative which is controlled by the Bangladesh Rural Development Board (BRDB). They formed another society named Kuralgachi Madrassah Krishi Samabaya Samity and got it registered in 1988, this society (KMKSS) applied to the BRDB bought 3 DTWs and installed the same. This increased the total strength of the Kuralgachi people's irrigation project to 8 DTWs with a capacity enough to cover the total targetted lands. They ran the project smoothly for a two crop seasons. But more problems were awaiting the people of Kuralgachi. When audited, it transpired that though there were two societies by name, their accounts and other documents were one and the same. Though the members of both the societies were benefited by such arrangement and did not find fault with it, it was considered a great offence involving the violation of cooperative acts and rules. Consequently, both the societies were placed under liquidation and formed a new society with new registration retaining the name of the former Kuralgachi Adarsha Govir Nalkup Samabaya Samity(KAGNKSS) and was given the membership of the Damurhuda UCCA (two-tier system) under BRDB.

The present strength of the society:

Financial:

Share capital	:	Tk. 11,860.00
Savings deposit:	:	Tk. 90,290.00

Members/Manpower:

Total members	:	638
Paid employee	:	19

Assets:

DTW	:	8
Power Pump	:	1
Land	:	.17 acre

The office of the society is housed in pucca shade. It also runs a adult education centre. The centre is also housed in shade owned by the society.

Problems regarding the management of the project:

- 1) Water is supplied through Kutcha canals which causes overflows and less flows. This hinders the smooth and uniform distribution of water, creating dissatisfaction among the members, on the one hand, and damaging the production of the crop, on the other.

- 2) It sometimes happens that some individual farmers fail to use other necessary inputs such as fertilizer, quality seeds, timely weeding etc. which causes low production. This provides them with an excuse for non-payment of revenue for water, which creates obvious difficulties in smoothly running the society.
- 3) The members of the society feel that they should get short-term crop loan. But the management can not arrange for it because of outstanding DTW loan.
- 4) Estimated working capital for project operation is to be collected from individual members. But it often happens that the members can not provide the same, where upon the management is compelled to borrow money from informal sources with unusually high (60% - 120%) interest which raises the cost of the project.
- 5) Though the society has been able to boost production of agricultural produces it fails to ensure attractive price for the surplus produces of the members.
- 6) Moreover, the society could not manage to generate any additional employment during off-farm season.

- 7) Besides, the management of the society is facing a number of natural problems like draught, heavy flood, heavy rainfall and hail-storm, pest attacks. It is true that some of these problems are beyond the control of the management, a number of them like draught and pest attacks can be dealt with and damages can be minimised. But so far the society has not even given any serious thought to it.
- 8) The society is faced with another no less important issue, the leadership crises. Since its inception, the society is being led by its present Chairman, Mr. Jalal Uddin, a respectable social worker, an honest and efficient person. He is the master mind behind the society. According to cooperative acts 1984 and rules 1987, he can not hold the Chairmanship more than three consecutive terms. The members of the society apprehend that with him the society will be gone, too.

# 中 华 全 国 供 销 合 作 总 社

ALL CHINA FEDERATION OF SUPPLY AND MARKETING CO-OPERATIVES

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## THE SUPPLY AND MARKETING COOPERATIVES IN CHINA

The cooperatives came into being in China in 1920s when China was still a semi-feudal and semi-colonial country, and the people then lived a misery life. Some workers, farmers and students organized a few consumer cooperatives, industrial cooperatives, transport cooperatives and trust cooperatives for the better. But those cooperatives failed to grow widely due to many reasons.

After the founding of the People's Republic of China in 1949, the Chinese Government started to encourage the establishment of different cooperatives and took many measures to support them, as a result, the Chinese Supply and Marketing cooperatives (SMCs) entered a new historical era of rapid development. At present, there exist the SMCs, credit unions, handicraft cooperatives and housing cooperatives etc. The Chinese

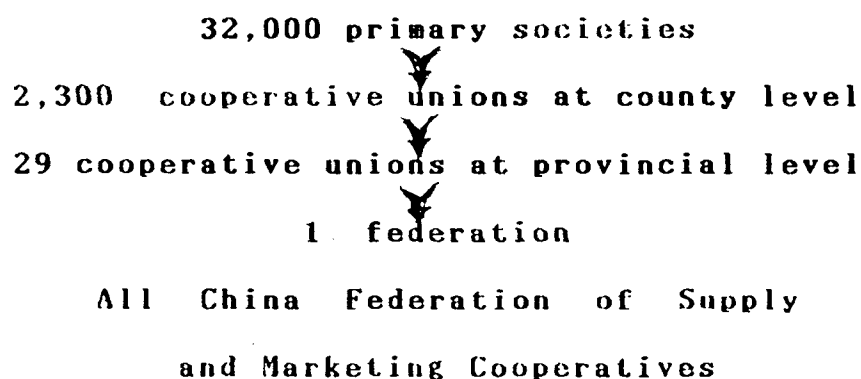
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SMCs with farmers as the backbone, is among all the largest-scaled and most influential cooperative movement in China and it has become a very important sector of our national economy playing a vital role in our modernization drive. By the end of 1989, the SMCs' membership is 150 million households, 80 per cent of the total rural families and the share capital of members totals 3.9 billion yuan, the capital in SMCs reaches 50.4 billion yuan and the annual turnover adds up to 350 billion yuan. Nationwide, there are 800, 000 service net-works of different kind with 4. 6 million employees. The Chinese SMCs are in a four-tier structure as shown below:



The aim of setting up the SMCs in China is to serve farmers in their production and their life, thus the SMCs have a wide business scope. As a matter of fact, they are dealing with whatever farmers need in their daily production and life, such as cotton, jute, tea, animal products, fresh and dried fruits, vegetables



and other native products, chemical fertilizers, pesticides, farm plastic film, small tools, large farming machines, daily necessities and non-stable foods, they are also recycling waste materials, extending catering, hotel, repairing and other services. Among these, the handling of cotton and agricultural production means are even monopolized by SMCs as entrusted by the state.

For member's convenience, the SMCs put a lot of efforts to the establishment of their business networks and the service outlets of SMCs are spread over 2/3 of all villages across the country. In recent years, the SMCs have also established 7, 295 department stores in small townships and 3, 807 agricultural and sideline products trading centres in cities. With these networks as the basis, the SMCs organize primary cooperative societies to jointly purchase industrial products and sell them through many cooperative outlets; and collect farm products through many cooperative outlets and sell them jointly. In this way, the cost for handling is reduced and the business efficiency increased.

In regard of supporting farmers' production, the SMCs not only manage to supply the needed agricultural

production means and sell out farmers' products on their behalf, but also bring up an agricultural technician force of more than 200,000 people to guide farmer members to develop commercialized production. And each year, the SMCs also use a certain proportion of the profit after tax as the production aids for farmer members.

China is an agricultural country with 80 per cent of its 1.1 billion people living in the countryside. The agricultural production directly influences the whole development of the national economy. Since 1979 when the rural economy reform started, the system of family-based self-responsibility for the profits and losses was widely adopted which once largely stimulated farmers' enthusiasm in production and strongly promoted the development of agricultural production. However, the family based production was also confronted with a lot of difficulties too big for the families to tackle by themselves. So, the social services become more and more necessary. To solve this problem, the SMCs actively seek and proper the system of supporting agricultural production. First, they set up over 80,000 "crop hospitals" and other service centres of the similar kind to carry out the soil analysis and protect against pests for farmers.

Secondly, they develop commercialized production bases to organize farmers' production and operation. In recent years, the SMCs have supported the establishment of 743 commercialized production bases which promote the rural commercialized production to grow into rational scale. Thirdly, the SMCs organized ~~farmers into~~ more than 10,000 specialized production associations and specialized cooperative societies in order to facilitate farmers' production in an organized way and develop the commercialized production towards the direction of integral operation. Forthly, the SMCs largely promote the process of agricultural products. At present, the SMCs have already set up 35,000 farm product processing enterprises with an annual turnover of nearly 20 billion yuan. All the measures mentioned above have contributed a lot to the development of the rural commercialized production and the increase of the farmers' income.

Whether a cooperative organization is successful or not depends to a great deal upon the management capability of cooperative leaders. Therefore, the Chinese SMCs on one hand, have established a rather complete and strict system of internal management, on the other, they put much emphasis on member and staff training and education. Through efforts of the past



40 years, the Chinese SMCs have already set up 1, 500 education institutions of different kinds, among which, there are two cooperative institutes of 4-year schooling period with 3,200 students, 84 technical schools of 2-year schooling period with 25, 000 students, 1,488 short period training schools capable of training 400,000 people each year. In a word, a whole cooperative education system has been completed.

Currently, the Chinese SMCs are striving to fulfill the tasks: listed below:

- to provide systematic services for rural commodity production and to shoulder the tasks of exploring new areas for production, extending technical guidance to farmers and processing and marketing farm produces for members.

----to develop horizontal economic cooperations, organize multi regional, cross sectors collaborations of various forms at different level and constantly expand business scale and service areas.

--to further develop farm products processing businesses and to improve the quality of products and efficiency of businesses through utilization of

advanced technology and workmanship.

----to introduce various methods in management and extend all kinds of collaborations with other entities and serve as agents of members in purchasing , marketing, storing, and transporting.

----to open more supply and marketing centres and develop markets and agricultural products wholesale centres in urban areas and constantly enlarge business range, and

----to develop education and science undertakings with more efforts put into the existing institutes, and technical schools to improve staff and members' management standard and accelerate the commodity interflow with modern means.

# 中华全国供销合作总社

ALL CHINA FEDERATION OF SUPPLY AND MARKETING CO-OPERATIVES

45, Fu Xing Men Nei Street.

Beijing, China.

## A COOPERATIVE MARKET IN COMPETITION

The Development of Yangluo

Cooperative Market

-- By Rong Jun

The Yangluo Supply and Marketing Cooperative Society is a small primary cooperative organization located in Xinzhou County, Wuhan City, Hubei Province. Small as it is, this cooperative organization is known almost nationwide for its market--the Yangluo Cooperative Market. This market is the oldest, largest and most profitable one among nine rural markets and trading centres owned by Xinzhou County Cooperative Union. The following success story of this cooperative market is meant to describe how one of 800,000 small Chinese supply and marketing cooperative enterprises manages in the more and more fierce market competition.

The Yangluo Cooperative Market, a two-storied





market occupies an area of 1,760 square metres with a total staff of 80 people working in 22 divisions. Born in strong market competition, the Yangluo Cooperative Market runs its business flexibly and efficiently. From its opening on October 1, 1983 to September this year, its turnover added up to 32.46 million yuan with an annual average of 5.1 million yuan and the accumulated profit totaled 2.26 million yuan with an annual average of 346,000 yuan. From January to September this year, its turnover reached 5.11 million yuan, gaining a profit of 441,000.

The development of Yangluo Cooperative Market indicates that the market competition could be a strong force for promoting the productivity and management and that, supply and marketing cooperatives can grow stronger in the competition and serve their members better through rationally managing their enterprises.

**Born in market competition**

Along with the deepening of economic reform in China, the supply and marketing cooperatives' monopoly over rural commodity interflow used to be entrusted by

the State was broken away. The market became more and more active and the competition, more and more fierce. Meanwhile together with the rapid development of rural economy, farmers' buying and consuming trend and attitude have also changed a great deal. The purchasing power tended to move to cities from the local cooperative markets and shops. While the rural cooperative shops used to be simply equipped, small sized and inadequate in assortment of commodities, they could no longer meet farmer members' new requirement. Clearly, to operate business with the traditional ideology and the existing shabby facilities was unsuitable for the new market situation. The supply and marketing cooperatives were confronted with serious challenges. The cooperative enterprises of Yangluo Supply and Marketing Cooperative Society was similarly threatened by the new situation. Yangluo township on the bank of the Changjiang river and in front of a large industrial production base is the commodity interflow centre for three neighbouring counties and cities. This place is scattered with many shops, markets, business centres and trading services owned respectively by State, private people and cooperatives. Due to the new market competition, the market occupancy of Yangluo Supply and Marketing Cooperative Society shranked from a total profit of



128, 000 yuan in 1979 to 36,000 yuan in 1982. the serious situation forced this primary cooperative to re-examine its traditional way of management, research on new strategy and adapt itself to the changed situation. The first thing for the cooperative organization to do was to get used to the competition and learn how to react accordingly, and then the coop had to change its management policy, to analyse the market and consumers attitude so as to take suitable measures to attract customers and resume the lost market. Under this circumstances, after careful study and research, the Yangluo coop built up the Yangluo Cooperative Market in 1983 --- the first rural market in local Xinzhou County. This cooperative market, large in scale wide in business range, adequate in services and rich in commodity varieties showed a strong power and vitality ever from its opening. In the first year, its monthly turnover averaged 191, 000 yuan, higher than any other local shops, markets or trading centres. In 1987, its monthly turnover rose to 410, 000 yuan and in 1988, upto 690,000 yuan. It has truly become the backbone of Yangluo Supply and Marketing cooperative Society.

Develop in the competition

In the keen market competition, seven markets were set up in Yangluo township, of which two are cooperative markets and the others are collectively or privately or officially owned. After several years of competition, five of them were not successful, one of the five was even taken over later by others due to its poor business result. However, the two cooperative markets both experienced steady development year after year, especially the Yangluyo Cooperative Market, it outstripped all the others and ranked first among all the existing markets in business scope, commodity varieties, turnover volume and profitability. The tactics it has taken in the market competition are as follows:

----To attract customers with the richest assortment of goods. In buyer's market situation, consumers are very selective. So, the best attraction for a market comes from the largest assortment of commodities and the freshest colour and design. Considering this situation, the Yangluo Cooperative Market made four "TRANSFORMS" in order to expand its business, adapt to the competition and satisfy farmers' needs to the maximum. First, the shopping area was enlarged from the initial 900 square metres to the present 1,760 square metres. This met with the need of large scale

operation. Secondly, the entrances of the market were widened and increased from two to seven so that the frequency of consumers was largely risen. Thirdly, the shopping counters were transformed from selling many kinds of goods at each counter to one counter specially handling only one variety. The original 11 shopping counters were reorganized into 22 specialized counters. In this way, externally, the market is a comprehensive one with large assortment of goods and internally, there are 22 specialized counters for different varieties. It absorbs the strong points of big comprehensive stores and specialized shops at the same time. Shopping in this market, it is very convenient for customers to find most of commodities required and to make choice among many kinds of a same variety. Taking the non-stable food counter for example, after its transformation into two separate counters -- one cigarettes and liquor counter and one sweets and refreshments counter, the assortment of goods increased from 250 to 460. An other example is the electrical material and appliances counter, after it was changed into two counters -- one electrical material counter and one electric appliances counter, the annual sale volume rose from 560,000 yuan to 1.1 million yuan. Fourthly, more assortment of goods were channelled in, especially famous, super quality,

special, new variety goods are more welcome. As a result of this effort, the assortment of goods in this market increased from the original 2, 000 to the present 9, 850. The guideline of this market for organizing assortment of goods were: while a certain commodity is not available elsewhere, it is available here; while it is available anywhere, more kinds of it are available here; and while more kinds are also available anywhere, new kinds are available here. So, this market is always a better place for shopping.

---Best services are provided." Customer is the parents who supply food and clothes to business people" is an ancient Chinese proverb vividly describing the relationship between customers and businesses. Losing customers means bankruptcy for an enterprise. But how to attract customers? The Yangluo Cooperative Market answered this question with their actions. Even from the opening of this market, "Customer is above all" was taken as the slogan in this market and many special services have been and still are extended. Buying goods from this market, customers can make their orders long in advance, and the goods will be sent to customers according to the time they need. Goods sold out from this marketing are all guaranteed for the quality and

returnable if not damaged. And if any goods sold are found to be broken because of the quality, they are all subject to change or return at the choice of the customers. All goods from this market enjoy a certain period of repairing service free of charge and large sized goods such as electric appliances and motorcycles can also be repaired at user residence. For guaranteeing the repairing services, a special desk was set up in the market and a team of technicians was organized for repairing service outside the market. For customers living in distance, transportation of goods can also be arranged at the request of customers. For passers-by, goods of large-sized or quantity will be sent to the port or stations at the cost of the market. Apart from these, the market also appoints five people of its staff to contact customers at factories, farmers houses, big organizations and units all a year around, collecting new orders as well as listening to complaints and recommendations. Every year, the orders collected from outside this market values to around 1 million yuan. All these efforts made help this market to win customers' trust and a very sound reputation and of course good business results as well.

---To draw in customers with goods of better quality



and lower price. In the market competition, whoever can channel in goods of lower price but higher quality, it will have more chances to win. The Yangluo Cooperative Market making full use of its strong and unique points of large scale and good reputation and always seeks for new suppliers and goods resources so that best possible goods can be purchased in for its consumers. So far, it has already established regular business relationship with 313 factories, and set up 26 buying agencies in 18 different provinces and cities. Apart from finding more suppliers, the market's management body, carefully studies and analyses the price variances of goods from different places and then chose the cheapest ones to purchase. The surplus profit made through this operations is partially returned to farmer members and partially reserved in the market for its expansion. So, it is so described by customers to this market: if a certain good can be bought elsewhere, it will be bought at a cheaper price here.

---To open up and expand market with flexible management and operation. In rural areas of China, the potential market is very large. If you fail to occupy the market, others will do. The Yangluo Cooperative Market never ignores this. Instead, it



has explored many new business areas. 1, To build "windows" and making money with others' capital. This market set up some special counters as sale agents for manufacturers. Now, more than 100 enterprises are using these "windows" to sell their products. This not only benefits the market by saving its capital but also benefits producers by promoting the sale of their goods. 2, Dealing with both whole sale and retail businesses. The market set up some wholesale counters to distribute goods to private shops, collective entities and other retail enterprises. This undertaking not only increases the business volume of the market but also change its competitors into its arms. 3, To handle consignment merchandises. It is a tradition in China that plenty of gifts are presented on important occasions, such as wedding and funeral ceremonies, founding of a new house and etc. In most cases, the gifts are too many for the receiver to use. Thus, the market set up a special counter to sell the surplus gifts for the receivers. This both solves problem for the customers and makes profits for the market.

----To obtain accurate market information and closely follow the changing market. Along with the development of industry and agriculture, more and more new

products come out from time to time and consumers' requirement for new commodities is also increasing simutaniously, meanwhile, the consumers are much more selective than anytime before. Therefore, in order to meet the rapidly changing needs of consumers, updated information and consuming trends is the vital thing for a business to know. The Yangluo Cooperative Market very much emphases the information works and the market developing trends study. Annually before the business plan is made, a lot surveys and considerations and researches are carries out. And before any large quantity of goods is purchased in, small amount is always sold on a trial basis. The agents of this market located in different places are obliged to report to the market regularly about the business situation in their respective places and what kind of good has good market. These informations facilitate the management body of Yangluo Cooperative Market to make a proper business plan for the coming period.

The above is a success story of a market of a small primary supply and marketing cooperative society. This story is not the only one nor the best one. It is meant to tell some information about how a Chinese cooperative entity manages in market competition.



Their "new ideas" may not be new to others and they still have a long way to go and a lot to learn and great deal to do. Any opinions about this story is most welcome by the author and any good suggestions are appreciated by the Yangluo Cooperative Market.

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Efforts Made to Gain Higher Benefits in Competition

— By Hung Yadong

Hungyi Cooperative of Xiangyang County, in Hubei Province raised its economic benefits year after year by participating market competition and developing its operations. It was conferred on the title "Model cooperative" for several years running by the cooperatives at county, city and provincial levels and the title "Advanced Unit for Higher Economic Benefits" in the four years of 1980, 1984, 1988, 1989 by Hubei Provincial Government. In the circumstances of market slumping in 1989, the cooperative gained the total buying and selling value of 12.1 million yuan with an increase of 33%.

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against the year before, turned over to the state a taxation of 5000 yuan and achieved profits of 8900 yuan with per person creating 600 yuan of profits and tax. Last year, the co-op was promoted to "Advanced Enterprise at Provincial Level."

In the past two years the cooperative was engaged in enhancing the competitive ability to increase its economic profits mainly by the following means:

## I Enhancing the Quality of Workers and Staff Members

What is the most important for competition may be persons, whether the competitive ability in the market is strong or weak depends on the quality of persons. Based on this idea, the cooperative



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paid much attention to training workers and staff members in order to enhance their quality. First, the members were given such educations through various forms as loving their motherland, loving their cooperative, self-reliance and arduous efforts and professional morality. They were encouraged to make a greater contribution to promote their enterprise. Second, their cultural life was enriched and their difficulties and troubles back at home were overcome with the help of the cooperative. About two years was invested successively for building cultural rooms and buying sports goods to enrich the sparetime cultural life of workers and staff members. At the same time, a system of job responsibility

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called "SAN BAO" was put into practice, which means that the leading cadres were in charge of the whole things of the enterprise, the Party branch committee man was responsible for guiding subordinate units and the Party member was dispatched to help some cooperative members. In a word, during ideological work was combined with business of buying and selling with solving practical problems of the co-ops members and enriching their spare time cultural life, so that good results were achieved. Third, as there were so many young members, the cooperative stuck to running business and technical training classes. Every year one or two months were arranged for training young members. During these training activities, accountants,

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statisticians, persons in charge of price and old workers were often asked to give lectures to young members about management and administrative arts of service and knowledges of commodity maintenance of the cooperative. 20 members were awarded the title of middle-grade professional post. Huang Suiping, who was a shop assistant of a medicine retail department, had collected more than 20 folk remedies, so she made thing convenient for the peasants who came up for medicine and the peasants were willing to buy some medicine there.

## II Collecting More Commodity Informations

The cooperative paid attention to collecting, transmitting, collating, analyzing, evaluating

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and making use of commodity informations and a special information group was composed of seven persons including a leader, a purchasing agent, a shop assistant, a man in charge of price and a store-keeper to collect commodity informations. Last August according to the fact that the liberation brand shoes sold well, and analysing the climate and the psychology of customers, they calculated that this kind of shoes would be in great demand, and made every effort to open up new sources of goods. Later it was the shoes of this brand that they sold 1000 pairs with the total value of 10000 yuan. Besides that, they regulated commodity grades at any time in terms of the psychological characteristics

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of peasant consumers stressing the practical use of goods. In 1989, about 215 pieces of commodity information were collected, and 180 of them were chosen for guiding the business, which resulted in achieving the total buying and selling value of 31 million yuan.

## III Ingenious Utilization of the Funds

The funds were very limited in 1989. The cooperative tried to use the funds efficiently and reasonably. They formulated the flexible strategy and paid more attention to the adjustment of market in buying and selling. They sped up capital turnover and reduced time of good in stock. The amount of goods was ordered depending mainly on the requirement

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of the society. In honey season of 1957, for instance, they organized staff members find and carriages to go and purchase kg honey from 11 different farms in a week. The value of the business was 12400 yuan. They solved the problem of arrears of basic unit to another by means of barter, which unfroze the funds of 93000 yuan in 1957. In addition they reduced the amount of goods in stock. The goods were purchased directly from manufactures and sold out in the sea instead of stock for requirement of the market. The cooperative also solved 60000 yuan monthly by acting as a marketing agency and deferring payments. Moreover they aroused the farmers

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to action in collecting 63,000 yuan for buying fertilizers in busy season and they put the money first in main agricultural material, seasonal goods and some short supply products, meanwhile they warned staff workers to clean up arrears of 32,000 yuan.

## IV Improve the quality of services

The enhancement of the service quality promoted the business and improved the ability of competition of the cooperative in the market. In agricultural production the cooperative organized technicians to instruct farmers in spray of pesticides and applying of fertilizers. The cooperative set up 2 advisory stations of agricultural technology and "Crop-Hospital".

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and wrote out more than 2000 prescriptions for farmers. In selling fertilizers, the cooperative sent the farmer total 10320 tons were sold out in 1984, in which 80% was sent to farmers home for daily use industrial products, the cooperative was trying to sell the goods in single or group so as to satisfy the farmers. Once electronic products be sold out free-repaired and installed would be provided 1000 more repairs have already done to these 2 recent years.

IV Strengthen the administration

What is the key in business? Answer should be the administration. The cooperative established strict administration rules for



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the management of the funds, properties,  
reversals. Although they had the funds up to  
seven years they still kept in anxious effort  
handworking and save for any valuable staff  
purchasing agent had to do the business  
according to the plan and top level limit  
ions. Moreover, the cooperative advanced  
income, reducing expenditure, and pro  
or end to waste.

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Hubei Federation Supply & Marketing Cooperative in China

Hubei Federation Supply & Marketing Cooperative

Based on opening policy, is an active organization involved in both domestic and overseas markets.

Since 1978, we have conducted reform in enterprise leader system, labour system, allot system, finance system, price system and manage system. In the same time, Basic Organizations of our Co-op have been improved. More than 300 wholesale markets of agricultural products and 100 wholesale departments of industry products have been set up. In the central towns and cities, there are more than 700 new department stores and 100 new trade centres established. Around the whole country of

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Hubei Federation Supply & Marketing Cooperative, more than 400 new service stations and cooperative shops have been set up.

Based on satisfying the needs of the peasants, we expand the areas of manage and service. Such as the increasing processing of the grain and oil beyond purchase contracts, the business of pigs, some eggs, vegetables as well as animal products, the providing of seeds, the services of store, transportation and agricultural machines, the strengthen and renew of the use of reproductive resource, the initiate of kindergarten, water factory, coalfactory, travel agency and entertainment. Now, we develop the system services of the fields in agriculture material cotton food and fruit. The service networks

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of production, research, processing and circulation have been set up. There are more than 10 large cooperative purchase-sale groups going beyond districts, departments and systems of ownership.

In recent years, we built and developed the enterprises and production bases to provide export goods. The export of cotton, tea, honey tung oil and other products increase at large scale. According to the needs of domestic markets, we expand the import of agriculture material. The use and introduction of foreign funds has been started also. In 1989, the National Co-op of P.R. China joined International Co-operative Alliance. Since that time, the exchange of Hubei Co-op and foreign cooperative organizations has

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been increased greatly. Some foreign cooperative organizations visited our Co-op, and traded to us. Our leaders also visited the cooperative organizations of Japan, U.S.A., Hungary, Czechoslovakia, Indonesia, France, Thailand and other countries. Tea Import & Export Corporation possessed by Hubei Co-op has been developing the import and export of tea directly. In 1989, we built Haitian Efang Trade Ltd, in Haikou city, the capital of the largest special economy district in China. In the following years, we will develop further the economic trade and cooperation both at home and overseas.

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Regional Office for  
Asia & the Pacific

FIFTH ICA JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA  
1990 - 91

POINTS FOR GROUP DISCUSSION - 23rd October 90  
Morning

1. What are the characteristics of the Chinese Agricultural Cooperative Movement?
2. What are the positive and negative factors you have identified in respect of effective services to members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in China?

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING  
THE OVERHEAD PROJECTOR.

GROUP A

OCT. 28, 1990

CHINA

1. CHARACTERISTICS

- a. COMPREHENSIVE SERVICES ARE PROVIDED TO MEMBERS
- b. INVOLVED MANY BUSINESS AREAS CONCERN IN AGRICULTURAL PRODUCTION and MARKETING.
- c. AGRICOPs PLAY MAJOR ROLE IN THE RURAL ECONOMY
- d. STRONG SUPPORT OF GOVERNMENT
- e. LARGE MEMBERSHIP
- f. CLOSE TIE/LINKAGES - INTER CONNECTED

## 2. POSITIVE FACTORS

- a. BIOT and STRONG COOPERATIVES
- b. GOVERNMENT SUPPORT
- c. STRUCTURE IS CLEAR & WELL ORGANIZED
- d. FUNCTIONS ARE EFFICIENT
- e. SYSTEMATIC SERVICES ARE PROVIDED TO MEMBERS

## NEGATIVE FACTORS

- a. DEMOCRATIC PARTICIPATION OF MEMBERS
- b. MANAGEMENT CAPABILITY

## 3. RECOMMENDATIONS.

- a. HUMAN RESOURCE DEVELOPMENT -  
TRD, MGT. STAFF & MEMBERS
- b. INTERNATIONAL TRADE RELATIONS

China

GROUP B

23-10-90

- 1 -

1. Characteristics.

- COOPERATIVES BRING UP AN AGRICULTURAL TECHNICIAN FORCE TO GUIDE FARMER MEMBERS TO DEVELOP COMMERCIALIZED PRODUCTION.
- SMCS COVERS 80% MEMBERSHIP OF THE TOTAL ~~RURAL~~ RURAL FAMILIES.
- MULTIPURPOSE IN CHARACTER
- EMPLOYMENT IS GIVEN TO FARMER MEMBER'S FAMILY.
- WELL ORGANIZED FREE EDUCATION FOR FARMERS

Hiley Singh.

China GROUP B

-2-  
23-10-9.

Positive Factors.

- GOOD COOPERATIVE EDUCATION SYSTEM.
- EMPLOYMENT TO MEMBER'S CHILDREN.
- MEMBERS GET ALL FACILITIES AT ONE PLACE.
- COOPERATIVE LARGELY PROMOTE AGRICULTURAL PRODUCTS.

NEGATIVE FACTORS

- BANK NOT ESTABLISHED IN COOP SECTOR.
- NO SPECIALIZED COMMODITY FEDERATION

Joly Sird.

China, GROUP D

- 3 -  
23-16-90

## Suggestions

- COOP BANKS SHOULD BE ESTABLISHED
- COOP SUPPLY CENTERS SHOULD BE OPENED IN URBAN AREAS.
- TO ESTABLISH SEPERATE COOPERATIVE FOR LARGE SCALE PRODUCTION COMODITY  $\rightarrow$  COTTON.
- TO ESTABLISH MORE AGRICULTURAL PROCESSING INDUSTRIES.
- MORE EFFORTS SHOULD BE MADE FOR OVERSEAS TRADE THROUGH COOPS.

Ziley Sun

## GROUP C

Oct. 27, 1990

- I. CHARACTERISTICS OF CHINESE AGRICULTURAL COOPERATIVE MOVEMENTS:
  - a.) EQUIPT / COMPLETE WITH MARKETING FACILITIES
  - b.) MEMBERS FOLLOW THE OBJECTIVES OF THEIR COOPERATIVE
  - c.) WITH DIVERSIFIED COOPERATIVES SUCH AS CREDIT UNIONS, HANDICRAFT, HOUSING EDUCATION AND OTHERS.
  - d.) LINKAGES OF THE GOVERNMENT TO THE COOP.
  - e.) GIVE SERVICE TO THE MEMBERS AND 2/3 OF ALL VILLAGES ACROSS THE COUNTRY.



GROUP C / 10/28/90

## POSITIVE FACTORS:

1. NATION-WIDE NETWORK, CONTRIBUTED TO REDUCE THE COOP BUSINESS COST AND TO ENHANCE BUSINESS EFFECTIVELY
2. RETURNS SOME PROFIT TO FARMER MEMBERS AS PRODUCTION AIDS.
3. GIVE FREELY EDUCATION TO THE MEMBERS.
4. ENCOURAGE MEMBERS TO PRODUCE, MARKET MORE TO ENLARGE BUSINESS RANGE.
5. PROVIDE SYSTEMATIC SERVICES FOR THE MEMBERS
6. GIVE SERVICE TO THE MEMBERS AND  $\frac{2}{3}$  OF ALL VILLAGES ACROSS THE COUNTRY.
7. ENCOURAGE MORE MEMBERSHIP
8. COMPLETE AND STRICT SYSTEM OF INTERNAL MANAGEMENT.

GROUP C - 10-23-90

CONT:

NEGATIVE FACTORS:

1. TOO BIG FAMILIES - TO TACKLE BY THEMSELVES.
2. SHORT PERIOD TRAINING SCHOOLS
3. PRIORITY OF THE BENEFITS WILL BE GIVEN TO THE FARMER MEMBERS AND NOT TO THE NON-FARMER MEMBERS
4. FOUR-TIES SYSTEM OF (SMC'S) IS NOT EFFICIENT BECAUSE THE APEX FEDERATION IS NOT CLOSELY RELATED WITH GRASS-ROOT FARMER MEMBERS

GROUP-C 10-23-90

Cont: 113

SUGGESTIONS

1. REDUCE FAMILIES FOR EFFECTIVE MEASURES.
2. MANAGEMENT GROUPS, SUCH AS THE BOARD OF DIRECTORS MUST BE A FARMER-MEMBER
3. ENCOURAGE FURTHER STUDIES IN FOREIGN COUNTRIES.
4. FURTHER INVESTMENT ON MARKETING FACILITY IS NECESSARY TO MEET INCREASING VOLUME OF FARM PRODUCTS.

PREPARED BY:  
GROUP C

**A CRITICAL EXAMINATION  
OF  
COOPERATIVES' ORGANISATIONAL STRUCTURES,  
MANAGEMENT PRACTICES AND PROBLEMS  
IN INDIA**

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**INDIAN PARTICIPANTS**

ZILEY SINGH  
Deptt. of Agri. & Co-operation

RAJ PAL GABA  
NAFED

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**COUNTRY PAPER  
FOR  
FIFTH ICA/JAPAN TRAINING COURSE  
FOR  
STRENGTHENING MANAGEMENT  
OF  
AGRICULTURAL COOPERATIVES IN ASIA 1990-91**

**A CRITICAL EXAMINATION  
OF  
'OPERATIVES' ORGANISATIONAL STRUCTURES,  
MANAGEMENT PRACTICES AND PROBLEMS  
IN INDIA**

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STRENGTHENING MANAGEMENT  
OF  
AGRICULTURAL COOPERATIVES IN ASIA 1990-91**

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## **A CRITICAL EXAMINATION OF COOPERATIVE ORGANISATIONAL STRUCTURES AND MANAGEMENT PRACTICES AND PROBLEMS IN INDIA**

### **GEOGRAPHICAL SITUATION**

The republic of India is a vast country which lies wholly in the northern hemisphere stretching from latitudes 8° 4' 28" and 37° 17' 53" North and from longitudes 68° 7' 97" 25' 47" East. It measures 2,000 miles (3,124km) from north to south and 1,850 miles (2,933km) from east to west. It has a land frontier of 9,425 miles (15,200km) long and a coastline of 3,535 miles (5,689km.)<sup>2</sup> Tropic of Cancer divides it into two unequal halves, the northern half lying in the temperate zone and the southern half in the torrid zone.

India has an area of 32,80,483 sq.km. (12,61,597 sq.miles) with a population of 750 Million in 1981, 80% of them reside in rural areas. It comprises of 25 states (PROVINCES) and 7 Union Territories and other areas.

#### **TOPOGRAPHY OF THE LAND**

Of the total land area of 328 million hectares (or 810m.acres) about 35m hectares (or 87m. acres) or 10.7 p.c. lies in mountains, nearly 95% of which is unsuitable for agriculture. Hilly tracts comprise 61m. hectares (or 151m acres) or 18.6% of all land in India. Plateaus measure 103m. hectares (225m. acres) or 27.7% of all land in India. Almost half of the plateaus is found in Central India and the rest is distributed as 12.1m. hectares in North-West India, 11.5m. hectares in South India and 8.3 m. hectares in East India. Plains cover 141.6m. hectares or 43% of the total land in India. These are distributed all over the country and are most suitable for cultivation. However, in these plain areas are also found unsuitable land, such as, the salt marshes of the Rann of Kutch and the sandy deserts of Western Rajasthan which are not suitable for cultivation.

The mainland comprises three well defined regions; (i) The great mountain zone of the Himalaya; (ii) the Indo-Gangetic Plain; and (iii) the Southern tableland. On the basis of rainfall and cropping pattern the Indo-Gangetic Plain can be further subdivided into two parts, Northern Dry Region and Eastern Wet Region. Similarly the southern table land can be subdivided into western wet Region and southern region.

#### **TEMPERATE HIMALAYAN REGION**

- (i) The Eastern Himalayan Region. This includes Mishmi Hills in Upper Assam, Sikkim and Bhutan. Rainfall is heavier (over 250cms.) in the outer ranges and there are thick forests of sal. This is mainly a tea-growing area. Cultivation of paddy is done in some places.
- (ii) Western Himalayan Region., This includes Kumaon, Garhwal, Simla hills, Kulu and Kangra Valleys,

Himachal Pradesh and Jammu & Kashmir States. The climate is dry but in northern parts there is more winter rainfall. Horticulture crops-particularly growing of almond, apples, cherries, apricots, peaches, pears and plums-occupy a high place. Other cultivated crops are potato, maize and paddy. Goats and sheep are principal domestic animals providing meat and wool. Bee-keeping is also done.

#### **NORTHERN DRY (OR WHEAT) REGION**

This comprises Punjab, Haryana, Delhi, North Gujarat, western Uttar Pradesh and parts of West Madhya Pradesh and Rajasthan. Annual rainfall is less than 75cms. and in many places even less than 20cms. The soil is alluvial and sandy. Wheat, barley, gram, maize, jowar, bajra and cotton are the chief crops. Camels are found exclusively in this region. Horses, donkeys, sheep and goats are also common. The cattle in the region are adequately fed as there is comparatively a large area under fodder crops and wheat straw is also available in abundance.

#### **EASTERN WET (OR RICE) REGION**

It includes Assam, Meghalaya, Tripura, Manipur, Bengal, Bihar, Orissa, eastern U.P., Andhra Pradesh, Eastern Tamilnadu, Kerala and eastern M.P. Annual rainfall is over 150cms. The soil is mainly alluvial. The main crops are rice, jute, sugarcane and tea. The area under fodder crops is the smallest. Rice being the staple crop, its straw is used as cattle feed. Buffalo is the favourable domestic animal.

#### **WESTERN WET (OR MALABAR) REGION**

It comprises Kerala, western coastal strip, Karnataka and adjoining areas. Annual rainfall is over 250cms. The soil is lateritic. This region is important from the point of view of plantation crops, but coconut is the predominant crop besides tapioca, cashewnuts, arecanuts, rubber, spices, black pepper and cardamom. Rice is the main food crop.

#### **SOUTHERN (MEDIUM RAINFALL OR MILLET) REGION**

This comprises southern U.P., south Gujarat, M.P., western Andhra Pradesh, western Tamilnadu, eastern Maharashtra and parts of Karnataka. Rainfall is between 50cms. and 100cms. The soil is partly black cotton and partly lateritic. Jowar, bajra, groundnut, castor seed and cotton are the chief crops. There are more sheeps in this region than in any other but most of these do not produce good quality wool.

Himachal Pradesh - Wheat, Maize.

Punjab - Wheat, Rice, Cotton, Maize, Pulses, Rapeseed.

Haryana - Wheat, Pulses, Bajra, Rice, Cotton, Rapeseed.



Uttar Pradesh - Wheat, Rice, Pulses, Sugarcane, Maize, Bajra, Jowar, Barley, Rapeseed.

Rajasthan - Bajra, Pulses, Wheat, Jowar, Maize, Rapeseed, Sesamum, Cotton, Barley, Rice.

Madhya Pradesh - Pulses, Rice, Wheat, Jowar, Millets, Soyabean, Linseed, Cotton, Rapeseed, Groundnut.

Gujarat - Groundnut, Cotton, Bajra, Jowar, Pulses, Rice, Wheat.

Maharashtra - Jowar, Ragi, Rice, Groundnut, Sunflower, Sugarcane, Linseed.

Goa - Rice, Pulses.

Karnataka - Jowar, Ragi, Rice, Groundnut, Sunflower, Cotton, Bajra, Wheat, Safflower.

Tamil Nadu - Rice, Groundnut, Jowar, Pulses, Bajra, Cotton, Wheat.

Kerala - Rice, Rubber.

## **CO-COPERATIVES IN INDIA- OVERVIEW**

The co-operative movement in India has emerged as one of the largest in the world. There are 3,50,000 co-operative societies with a total membership of 150 million and a working capital Rs. 550 billion. The co-op. movement in the country is largely rural-based. The major thrust of co-op. sector is towards supporting agricultural production through provision of necessary inputs and extending post-harvest facilities to protect the interest of the farmers. Hence, this sector has emerged as one of the important sectors of Indian economy. The co-operatives play a significant role in disbursement of credit, both short-term and long-term, supply of inputs, marketing and agro-processing activities.

The corner stone of the strategy of co-operative development is provision of comprehensive services for strengthening agricultural economy, bringing farm technology nearer to farmers, revitalising co-operatives and making members more active participants in the efforts of their co-operative societies. The promotional agencies operating at the Central level in this regard are notably, the National Co-operative Union of India (NCUI) and the National Bank for Agricultural and Rural Development (NABARD).

For promoting and developing co-operative programmes for various economic activities in the rural areas, the Govt. of India has set up the National Co-operative Development Corporation in 1963 under the Act of Parliament. NCDC, which is responsible for country-wide planning and promoting programmes through co-operatives for marketing, processing, storage and supply of agricultural inputs to the farmers. It also seeks to promote co-operatives for weaker sections, such as fisheries, poultry, tribal co-operatives, Scheduled Castes (weaker section) co-operatives and handloom co-operatives, etc. It has also been providing

consultancy and technical services to various co-operative institutions, financed by it and for this purpose, has built up its own managerial and technical expertise consisting of consultants and technologists in various disciplines.

National Co-operative Union of India, which is the spokesman of the co-operative movement in the country, is vested with the responsibility of arrangements for support of programmes of training and education for human resources development in the co-operative sector. It organises conferences, seminars, expert meetings and study groups to review field experiences, policies and programmes of co-operative development, socio-economic impact of co-operation and the emerging needs and challenges facing the co-operative movement and makes recommendations, particularly, relating to orientation needed in the strategies, policies, and procedures relating to co-operation.

In accelerating the pace of co-operative development, in diverse directions and expansion and strengthening of co-operatives in various sectors of economic activities in a coordinated manner, National-level co-operative federations have been organised, which are playing the leadership role in their respective sectors.

Co-operatives play a significant role in the modernisation of agriculture through distribution of credit, and other inputs including fertilisers. There are nearly 76,000 fertiliser retail outlets in the co-operative sector, which reach even remote and difficult areas. Besides fertilisers, co-operatives are also involved in the distribution of seeds, pesticides and agriculture implements, etc. The Indian Farmers' Fertiliser Co-operative (IFFCO) and Krishak Bharati Co-operative (KRIBHCO) are the leading manufacturers of fertiliser nutrients representing about 21% of the total indigenous nitrogen and phosphate fertilisers.

The major objective of the co-operative development programme is to ensure that the benefits of co-operative activities flow increasingly to weaker sections, including scheduled castes and scheduled tribes. This is sought to be achieved through expanding the membership of weaker sections of the society in the existing Primary Agricultural Credit Societies (PACS) and ensuring larger flow of funds and services to them and also through organisation of functional co-operatives for activities like dairy, poultry, bee-keeping and fisheries. In the tribal areas, large-sized multi-purpose societies (LAMPS) are organised mainly for the benefit of tribals.

Involvement of women in different types of co-operative institutions has been growing and potentialities of co-operatives for socio-economic development of women is well recognised. There are co-operatives of women in the field of handlooms, fisheries, dairy, poultry and student co-operatives for consumer activities. Women co-operatives have largely been organised in the areas of handicrafts and cottage industries.

Co-operative training and education is another important instrument for inducting women in co-operatives for their direct involvement. National Co-operative Union of India has been conducting such programmes for imparting education and training of the women members of co-operatives as well as potential members. Upto October, 1989 NCUI imparted training to 533,147 women under their co-operative education programme. The NCUI has also been implementing women co-operative mobilisation projects in Haryana and Uttar Pradesh in collaboration with Swedish co-operative centre for training as well as providing employment opportunities to the women in these two areas. This type of project is proposed to be extended to all the States as well as experimental labs for women co-operatives.

Co-operative training and education are the essential ingredients for proper and healthy development of co-operative movement in the country. Hence, this programme has always been given importance in the successive five year plans. The programmes pertaining to co-operative training and education are being implemented by the National Council for Co-operative Training and NCUI. While the co-operative training is designed to develop professionalisation in the management of co-operative institutions and training of co-operative personnel engaged in co-operative depts. and organisations, Co-operative education programmes are directed towards educating the members, Committee members and office bearers of the co-operative societies all over the country. Leadership development and dissemination of information are some other aspects of co-operative education programme.

The Co-operative training programme comprises a three-tier structure in the country, i.e. at National level, there is Vaikunth Mehta National Instt. for co-operative Management at Pune, to cater to the training requirements of senior and key personnel of the State Co-operative Depts. and Institutions. At the State level, there are 18 co-operative colleges all over the country, catering to the training needs of intermediate co-operative personnel involved in the co-operation Depts. and Institutions. There are 95 junior level training centres located in different States/UTs to cater to the needs of junior personnel.

NCUI continued to be the overall coordinating agency for implementation, supervision and monitoring of the various co-operative education programmes as well as leadership development programmes in creating enlightened membership with responsive management. These programmes are mainly intended for members, potential members besides office bearers of co-operative societies and are implemented through 700 peripatetic units in 25 States/UTs. Besides, co-operative programme for the youth is also being implemented as a part of the on-going co-operative education programme in 14 States.

## **ROLE OF AGRICULTURAL CREDIT**

The agricultural co-operative movement in India started principally as co-operative credit movement.

Till 1969 co-operatives were the sole agency to provide agriculture with investment and working capital finance. After 1969, with the adoption of multi-agency approach to agricultural finance, nationalised commercial banks and regional rural banks have also been inducted for providing agricultural credit in addition to co-operatives. Agricultural credit disbursed by the co-operatives reached the level of Rs. 49.45 billion in 1988-89.

Co-operative sector of the country has developed separate institutional structure for short/medium term and long-term agriculture credit. The former consists of village level primary agricultural credit co-operative societies (PACS) affiliated with Central Co-operative Banks (CCBS) at the district level, which in turn are affiliated with State level Co-operative Banks (SCBs). Institutional frame work of long term agricultural finance consists of primary agriculture and rural development banks (PARDBs) affiliated with co-operative agriculture and rural development banks at the State level.

There are 90,000 PACS with a membership of 87.3 million farmers which disbursed Rs. 42.14 billion as short and medium term loans in 1988-89. These PACS are affiliated to 351 central co-operative banks and in turn, to 29 State Co-operative Banks. Long-term credit structure consisted of 2229 primary agriculture and rural development banks and 19 State level agriculture and rural development banks, which disbursed long term loans of the order of Rs. 7.31 billion in 1988-89.

At the national level, the short and medium term loan disbursing structure is affiliated to the National Federation of State Co-operative Banks (NFSCBs). Similarly, the long term structure is having National Co-operative Agriculture and Rural Development Banks' Federation (NCARDB). These Feds. being promotional and developmental organisations, provide a common forum to member banks to come together and try to find out solutions to problems facing the co-operative credit structure.

Entire organisational set up of agricultural finance is linked with National Bank of Agriculture and Rural Development (NABARD). The bank supports co-operative agricultural financing system by providing refinance at concessional rates of interest. Credit limits are sanctioned for normal and special agriculture development programmes. Their refinance outstanding as on 15.3.89 was Rs. 53.42 billion and general line of credit for short/medium and long-term were at Rs. 24.5 and Rs. 2.66 billion, respectively.

It has been estimated that the direct demand for agricultural credit will gradually rise from Rs. 27.5 billion in 1989-90 to Rs. 57.3 billions in 1994-95 and further to Rs. 110.8 billions (in 1991-2000). This is to be met jointly by the co-operative credit structure as well as commercial and regional rural banks. The co-operative statement and flow of credit to the agriculture sector during the 10 years is given in the table:-

Rs. in million

Institution	1980-81	1981-82	1982-83	1983-84	1984-85
<b>I. Co-operatives</b>					
i) Short-term	15260	17660	19570	22420	25000
ii) Term-loans	6000	6830	8090	6630	7500
	<u>21,260</u>	<u>24,790</u>	<u>27,660</u>	<u>29,050</u>	<u>32,500</u>
<b>II. Commercial Banks and Regional Rural Banks</b>					
i) Short-term	5170*	6230*	8000**	9400**	11100**
ii) Term-loans	4970*	5050*	10100**	12100**	14500*
	<u>10140*</u>	<u>11280*</u>	<u>18100**</u>	<u>21500**</u>	<u>25600**</u>

\* Relates to Commercial Banks

\*\* Estimated

Distribution of Agricultural Credit						(Rs. in crore)
Agency	1985-86	1986-87	1987-88	1988-89	1989-90	Anticipated achievement 1989-90
			Provisional		(Target)	
1.	2.	3.	4.	5.	6.	7.

**Co-operatives**

Short term	2747	2824	3320	3833	4494	4223
Medium term	394	531	567	381	392	416
Long-Term	543	560	691	731	893	869
	<u>3684</u>	<u>3915</u>	<u>4578</u>	<u>4945</u>	<u>5779</u>	<u>5508</u>

Commercial Banks/  
Regional Rural Banks

## Short Term

Term Loan	3110	3796	3934	6310	7535	NA
Grand Total	<u>6794</u>	<u>7711</u>	<u>8512</u>	<u>11255</u>	<u>13294</u>	<u>5508</u>

### **AGRO SERVICE CENTRES:**

To meet the requirements of farmers, particularly, small and marginal, co-operatives have established agro-service centres for providing custom hiring facility in agricultural machinery. 230 such centres have been organised, largely in agriculturally less-developed States.

### **HARNESSING OF IRRIGATION POTENTIAL:**

Irrigation and lift irrigation co-operatives are playing a limited role in harnessing irrigation potential, mainly in the field of medium and minor irrigation projects. Their special attention has been concentrated in ground water utilisation. Agriculture and Rural Development Co-operative Banks have been extending technical and financial support in their areas. They have started 8044 ordinary and 280233 schematic projects, involving an amount of Rs. 282 billion.

### **COOPERATIVE MARKETING AND PROCESSING:**

Agricultural co-operative marketing sector is supporting country-wide programmes for providing proper marketing support to the farmers. Almost every primary marketing centre in the country is covered by a co-operative marketing society. Co-operatives also support the agricultural producer by undertaking direct procurement as agent of the public sector organisations. The Govt. have designated the co-operative as the nodal agencies for the price support operations of oilseeds, coarse grains and pulses and for market intervention scheme for potato, onion, ginger, tobacco, chikery, nutmeg, isabgol, garlic, etc.

The progressive business turnover of the co-operative marketing societies for the past 10 years may be seen as under:-

Year	(Rs. in million)
1978-79	17970
1979-80	18000
1980-81	19500
1981-82	21000
1982-83	23178
1983-84	25664
1984-85	30322

1985-86	41935
1986-87	40138
1987-88	54160

The network of co-operative marketing structure comprises of 5923 primary marketing societies in the country. There are 157 district/central societies, 29 general-purpose State Co-operative marketing federations and 16 special commodity marketing federations at the State-level. At the national level, National Agricultural Co-operative Marketing Federation of India (NAFED) is the apex co-operative marketing organization. A somewhat different marketing structure exists in 10 states, where there is concentration of tribal population.

### **HORTICULTURAL CROPS**

Co-operatives have been improving their performance in marketing of fresh fruits and vegetables year after year. The value of fruits and vegetables marketed by co-operatives during 1988-89 is estimated at Rs. 835 million. 38 fruits and vegetables processing units have been set up by the co-operatives, which produced 1701 tonnes of fruit and vegetable products in 1987-88 and marketed products worth Rs. 28 million. In order to provide scientific cold storage for potato and other semi perishable produce, the co-operatives have organised 239 cold storages with 6,80,000 tonnes capacity by the end of March, 1989.

### **CO-OPERATIVE PROCESSING**

In order to help the marketing operations, co-operatives have established 664 rice mills, 73 dal mills, 6 bakeries, 53 oil mills for groundnut processing, 12 for cotton seed processing, 5 for soyabean; 35 solvent extraction units and 6 hydrogenation plants. In fact, the sustained efforts of co-operatives in agroprocessing have culminated in setting up 2400 units. Amongst large processing units, 246 co-operative sugar factories have been organised. As on 31.3.89 they crushed 52.133 million tonnes of sugarcane and produced 5227 million tonnes of sugar which is 57.8% India's sugar production. These sugar factories are also involved in by-product utilisation by establishing industries for distillation of molasses and news print manufacturing. To promote this activity, co-operative sugar factories have been federated into National Federation of Co-operative Sugar Factories. Similarly, for cotton 429 ginning and pressing units and 108 spinning mills with 2.86 million spindles have been set up, accounting for about 20% of the total spindleage in the country. These co-operatives have also been federated into All India Co-operative Cotton Federation and All India Federation of Co-operative Spinning Mills at the National level.

### **STORAGE**

Co-operative system has constructed storage capacity of 11 million tonnes owned by agricultural co-

operatives of different types and levels. Over 48,000 primary agricultural co-operative societies (PACS) and most of the marketing co-operatives have their processing units and the federations now own godowns.

## **COOPERATIVE CONTRIBUTION IN RAISING AGRICULTURAL PRODUCTIVITY**

After independence, Indian agriculture has made tremendous progress. According to Annual Report (1988-89) of Ministry of Agriculture, Govt. of India, foodgrains production increased from 50.8 million tonnes in 1950-51 to 143.42 million tonnes in 1986-87. However, in 1987-88 foodgrains, production was 140.35 million tonnes. In 1988-89 it increased to 170.25 million tonnes. Production of sugarcane increased from 57 million tonnes to 204.63 million tonnes during the period 1950-51 to 1988-89. Oilseed production, which was 5.16 million tonnes in 1950-51 increased more than double to 17.89 million tonnes in 1988-89. Similarly, production of cotton (lint), jute and mesta increased from 3.04 million and 3.30 million bales to 8.09 million and 7.70 million bales respectively during the same period.

Analysis of growth in the agriculture reveals that during the period 1900-1950 the growth rate in agriculture was 0.3 per annum. But it shot up to 2.65% during the period 1949-50 to 1978-79. The growth rate further increased during Sixth Five Year Plan and was estimated to be 3.59%. In Eight Plan, which is under implementation, compound growth rate for foodgrains is expected to be 3.48% to 4.065 per annum; for oil seeds 6.725 for sugarcane, 3.88% for cotton 4.84%. For jute and mesta 3.84%. Thus, productivity level of Indian agriculture has been growing. Significant achievement in this context has been self-sufficiency in foodgrains and stability in production. It has been estimated by National Institute of Nutrition that against per capita food requirements of 44.0gms actual net availability was 47.8gm. per capita per day in 1983-84. This is definitely a very encouraging sign of improvement in agricultural productivity.

National income (GNP) has increased steadily, since 1951. Similarly the per capita income of farmers has also increased substantially.

The approach of co-operatives at the gross root level has now been envisaged as a single window approach. The primary agricultural co-operative societies (popularly known as PACs) are expected to provide credit, fertilizers, agricultural inputs and marketing services to their members all under one roof.

## **APPROACH TO SOCIO - ECONOMIC DEVELOPMENT**

For poverty alleviation, national development strategy visualises three types of programmes viz. Integrated Rural Development Programme (IRDP) for providing necessary assets to the people below poverty line to enable them to undertake both land based and non-farm activities for self-employment; National Rural Employment Programme for generation of additional gainful employment in rural areas to the extent



of 300-400 million mandays per annum; and Rural Landless Employment Guarantee Programme for providing employment guarantee by involving them in various public works. Although these programmes are beneficiary oriented programmes, co-operatives play an important role in providing them with necessary financial and organisational support. Beneficiaries under IRDP are encouraged to form co-operatives such as dairy, poultry, piggery etc. so that an assured avenue for earning is opened to them.

Other important section of the poor people, particularly in rural areas, consists of scheduled castes and scheduled tribes. For scheduled tribes, co-operatives known as LAMPS (Large Size Agricultural Multi Purpose Society) have been organised at village level to undertake triple functions of credit, marketing and distribution of consumer articles in rural areas. Marketing of minor forest produce collected by tribals is undertaken by State Co-operative Tribal Development Corporations and Tribal Co-operative Marketing Development Federation of India at National level. For scheduled castes also, specific schemes for enrolling them as members of co-operative societies have been formulated. This has resulted in increase in membership of scheduled castes and scheduled tribes in the primary agricultural credit societies including LAMPS & FSS (Farmers Service Societies). During the year 1984-85, the total membership of these societies was 69.1 million of which 22.58% belonged to scheduled castes and scheduled tribes. Similarly in case of primary land development banks the total membership as on 30th June, 1985 was 72,78,000 of which membership comprising scheduled castes and scheduled tribes was 0.608 million and 0.290 millions respectively.

## **GENERATION OF EMPLOYMENT OPPORTUNITIES**

Co-operatives have aided and accelerated the process of employment generation in two ways: first, by providing necessary institutional set-up and second by providing resources to improve the productive base and income-earning capacity of their members. 3,15,000 co-operative societies of different kinds have provided direct employment to thousands of people. The total working capital invested by co-operatives in various activities is Rs. 550 billions. This huge investment definitely has generated employment opportunities for the people.

Principal beneficiaries of co-operative support have been the weaker sections of the community such as small and marginal farmers, artisans, weavers, landless agricultural labourers, etc. Co-operative sector has organised 50,000 labour contract/forest labour co-operatives. For providing employment to artisans and weavers, industrial co-operative and weavers co-operative societies have been organised. Total number of primary industrial co-operative societies as on 30th June, 1985 was 27,531 with a membership of 12,74,018. The number of weavers co-operative societies on the same date was 10,396 with a membership of 8,60,822.

These institutions not only help in creating employment opportunities but they act as agency for ensuring social justice by providing income generation opportunities for the poorer sections of the community.

### **IMPROVING QUALITY OF LIFE OF THE PEOPLE**

A very wide network of co-operatives and their effective proximity to rural people provide unique status to them in implementing various socio-economic programmes. Apart from economic activities directly leading to improvements in production and income generating capacity of the people, co-operatives are actively involved in undertaking those tasks which improve the quality of the life of the people. These activities include consumer protection, better housing facilities and provision of health and family welfare service.

For consumer protection, the govt. is running Public Distribution System to ensure availability of quality goods to consumers at reasonable prices. The commodities under public distribution system have been identified on the basis of needs of common man. These commodities termed as essential commodities include cereals, sugar, edible oils, soft coke, kerosene, controlled cloth, tea, coffee, toilet and washing soap, match boxes and exercise books for children.

Co-operatives have been recognised as important agency to implement public distribution system. Their main accent is on provision of goods in rural areas. The total retail sales handled by co-operatives in consumer goods during the year 1985-86 was about Rs. 14350 millions. The village level primary societies in non-tribal areas and LAMPS in tribal areas distribute consumer goods. Besides, in urban areas also, wide net work of consumer co-operatives at primary, secondary and national levels has been created. There are 17,748 primary consumer stores; 604 wholesale consumer co-operative stores. The network of consumer co-operatives is operating more than 80,000 small medium and large size retail outlets. The total business turnover of consumer co-operatives in regard to retail sale of consumer goods during the year 1985-86 was Rs. 38,000 millions.

### **MILK & MILK PRODUCTS**

Dairying is the most important subsidiary occupation of small farmers to supplement their income. Co-operative form of organisation has been well accepted as an institutional frame-work to implement integrated programme of dairy development, commonly known as 'Operation of National Dairy Development Board (NDDDB) responsible for development of dairy and dairy products. The ultimate objective of the NDDDB is to form a co-operative based National Milk Grid to ensure balanced development of dairying.

There are 60,280 dairy co-operatives organised till September, 1989 which procure 8.29 million kg. milk per day. There is 13.93 million litre per day rural milk processing capacity and 7.17 million litre per day urban milk marketing. 6.662 million farmers are the members of these dairy co-operatives.

By September, 1989 nearly 27,300 societies were covered under the Animal Health Programme, 10,405 village societies were provided with Artificial Insemination services and about 4,305 tonnes per day balanced cattle feed compounding capacity was available in 173 milk sheds of 22 States/UTs.

Organisational structure of dairy co-operatives is 4 tier consisting of primaries, district: State and National Co-operative Dairy Federation (NDFI) as the apex organisation.

## **INTEGRATED APPROACH TO CO-OPERATIVE DEVELOPMENT**

The Indian Co-operative Movement is more than eighty years old. Even today its development is largely of a lopsided nature. The credit sector is very much dominant while marketing, processing and consumers co-operatives have yet to take deep roots in the co-operative sector.

A planned approach towards promotion and organisation of co-operatives was taken up after the introduction of the Second Five Year Plan. The All India Rural Credit Survey Committee Report of 1954 for the first time took a total review of the rural credit structure and recommended, perhaps for the first time, an integrated approach to development of co-operatives in the rural sector. Their suggestion of State-partnership in the share capital of co-operatives was intended to strengthen the credit and marketing co-operatives in particular. The extension of crop-loan system especially necessitated linking of credit with marketing/processing, because credit was to be advanced on the security of potential crops to members of co-operatives.

In the course of subsequent developments, under the Plan, the three structures for credit, marketing and consumer activities on co-operative lines, have now come to be set-up. Relatively, co-operative credit structure would appear to be more organised and financially some-what strong. This is because it has a longer past behind it. *The same cannot be said about the co-operative marketing and the consumer structures in the country, though in form, they would appear to be complete.* For all the three structures there is an apex federation at the State level, a district or regional federation at the middle level and a primary society at the base.

The approach to integration has two aspects:

- (i) Integration in Business Operations, and
- (ii) Co-operative Integration.

### **BUSINESS INTEGRATION**

Integration in business operations is largely influenced by the economic gains enjoyed by the participating organisations. This holds true even for co-operative enterprises whether functioning in

marketing, processing or consumer sector. It has been accepted by the co-operative movement all over the world that *business relationships of co-operatives interse shall be governed by rules of business primarily*. It is recommended that, "other things remaining the same", there should be co-operation amongst co-operatives. If this rule is disregarded, then, not only operational probelms crop-up but co-operative tensions also develop and the movement functions in a disintegrated manner. This situation has largely affected the growth and development of business co-operatives in a developing country like India.

### **CO-OPERATIVE INTEGRATION**

While some of the co-operatives may prove to be successful on business fronts it is not always that their operations would reflect the much desired co-opértive character. It is not the intention of the co-operative organisation to make profits out of any business, disregarding the principles and philosophy of co-operation. There are enough examples available of co-operatives, particularly from the marketing, processing and consumer sections that have been recording increasing business, yet in which the share of their own constituents has not been showing an adequate rise over the year.

### **INTEGRATION WITHIN**

Integration of units, operating at diferent levels within the respective structures, is another area that demands our attention. It is expected that the strength of the co-operative at the base level should contribute to strengthening of the co-operatives functioning at the higher tiers of the structure. These inter-relationships also must take note of the requirements of the business needs. The constituent co-operatives, functioning at tangent for the promotion and protection of self-interest alone and at the cost of other co-operatives would not obviously strengthen the structure as a whole. This may happen at any level and in any direction but it will clearly weaken the entire structure. The economics of co-operative business required that the higher level organisations should pass on a large share of returns earned by them to lower level organisations extending the rule logically up to the base-level. This would not only strengthen the structure right from the base but would ensure the much needed loyalties to sustain total co-operative business. Contractual and sub-contractual relationships are, therefore, recommended to secure continued loyalties of the constituent co-operatives.

The scale of financial stake/interest of the constituent units in co-operative capital and business at every level and in the units operating at a higher level determines the character of both co-operative and business strength of the structure. Direct and liberal State partnership in co-operatives at various levels has to a considerable extent, come in the way of building up financial integration as expected. Perhaps it was neglected on various accounts. Such assistance should have respected co-operative channels. Govt policies determine the nature and degree of integration.

The latest Govt. policies relating to organisation of the banking industry in general and co-operative banking in particular has thrown up new dimensions to the problem of integration so far as the co-operative credit movement in India is concerned. Transfer of primaries to nationalised banks or institution of rural banks, amalgamation of primaries and creation of farmers' service societies and their integration with rural banks has added to the confusion in regard to need of integrated development of co-operatives. Similar trends are noticed in the marketing and consumers' co-operative sector where the multi-agency approach has almost come to stay. This can be seen with reference to the functioning of the public sector trading organisations vis-a-vis co-operatives and other forms of business organisations.

## **SYSTEM**

Need for integration of co-operatives within the structure and with co-operatives from the other sections of the Movement is well recognised for evolving a strong co-operative system/sector in a mixed economy of a country like India. The areas of integration are also indicated. However, what is required is clarity about policy formulation and implementation at the government level (as the supreme authority providing direction and control) and at the federation level, for sectoral and structural integration.

## **ISSUES AND CONSTRAINTS IN PROMOTING AGRICULTURAL PRODUCTION BY CO-OPERATIVES**

The Indian Co-operative Movement originated in the principal production activity i.e. agriculture. The achievement of the Co-operatives in agricultural development is a matter of great pride for Indian Co-operative Movement as such. However, Co-operatives can play a still more impressive role in the agricultural development of the country and improving the income level of the farmers. An effective role of co-operatives envisages a dependable integrated service from the supply of inputs like seed, fertiliser, credit to marketing and as post harvest facilities. It also involves a vertical integration from the primary level to the apex level. On account of number of constraints, it has not been possible to achieve satisfactory integration. Lack of infrastructure like roads, communications in certain areas of the country particularly, the North-East has led to regional disparities. In many sectors the Co-operative Movement has shown signs of weakness. For example, in the credit sector share of co-operatives as compared to commercial banks is going down. The borrowing membership is stagnating. Organisational structure of the co-operative movement is federal comprising of primary societies at the base level federating to District, State and national level co-operatives. Efficiency of such a structure depends on the extent of inter-co-operative and infra-co-operative relationship with emphasis on strong primary units. Many attempts have been made in the past to revitalise the co-operatives particularly in the agricultural credit structure but the structure still remains weak. Even after re-organisation, a number

of primary societies are financially non-viable with low coverage, low borrowing membership, low deposits and high overdues. They are also affected by a number of Govt. policies. The growth imbalances in different sectors and different regions inhibit co-operatives from development. Constraints of financial resources is another factor which have affected the growth of co-operative movement, in the country. Resource generated within the sector has been rather slow. In the case of processing co-operatives like sugar, cotton and oilseeds, even raising 5 to 10 per cent share capital from the members has been a difficult task. This has compelled the co-operatives to depend upon Govt. for resources. Such dependence, however, brings interference and controls that adversely affect the very concept and ideology of the co-operatives. The Govt. policies have been designed to bestow prominent role to co-operatives in agricultural marketing and agro-processing. Through Govt. resources as well as resources raised from international agencies, programmes have been launched to provide storage and godown facilities with workable link up with the marketing points. Governments' licensing policies have given preference to cooperatives for setting up agro processing units. But weakness of the cooperative marketing societies as well as lack of professional management in the agro processing societies has created bottlenecks in their development. The Indian Co-operative Movement has been passing through such a phase of evolution that it has not been possible to separate co-operatives from politics and, as such, in some States the process of democratic management in co-operatives has been throttled and popular initiative and spontaneous growth of leadership has been badly affected. As regards the infrastructural constraints and the constraints arising out of the weak structure, the Govt. has launched a number of programmes for the rehabilitation of weak credit and marketing co-operative structure. Financial allocations for various programmes of agro processing, and marketing have been augmented. The organizations like National Co-operative Development Corporation and NABARD are providing more and more assistance to co-operatives. To remove the regional imbalances, policies have been initiated to provide preferential treatment on softer terms to the disadvantaged areas which are co-operatively under-developed or least developed. Still the Movement has to cross many hurdles. Although the co-operative education and training programmes are quite wide-spread in the country but still fulfills the needs of education, leadership development and skill upgradation only partially.

## ISSUES

The major issues now confronting the Co-operative Movement in India in the context of agricultural development are:-

- (i) Revitalisation of the Co-operative Movement in general and of credit and marketing co-operative in particular;
- (ii) Building up linkages between pre-harvest to post harvest agricultural activities particularly between

credit and marketing,

- (iii) Ensuring an active involvement and participation of the members in the co-operatives, and professionalisation and democratic management for optimum efficiency of operations;
- (iv) In a multi agency system how to keep the pre-eminence of the co-operative credit structure in comparison with the commercial banks is a very significant aspect to be looked into in the Indian context;
- (v) To protect the income of the farmers, the Government's policy is to declare remunerative prices and back it up with a dependable marketing infra-structure. This role of co-operatives is well recognised in this regard. But how to enable the co-operatives to have a more pronounced role in the price support system needs serious thought;
- (vi) Co-operative system has not made any headway in irrigation, electrification and joint farming. Similarly their success is only limited to sugar, milk, cotton and oilseeds;
- (vii) Agriculture today is highly technology oriented. Technology upgradation and propagation through co-operatives is therefore, a must;
- (viii) A very crucial issue is as to how the dependence of the co-operatives on the Government could be minimized. It is necessary because State participation in the co-operatives has become unmatching in many areas; and
- (ix) Most important of all the issues is how to establish effective vertical and horizontal relationship and effective balanced and forward linkages.

## **RECOMMENDATIONS FOR IMPROVING THE ROLE OF CO-OPERATIVES IN AGRICULTURE PRODUCTION**

Co-operatives are not powerful instrument for bringing upliftment of the society as well as in increasing agricultural production and productivity. The role being played by co-operatives in different countries depends upon the level of development in that country. Similar situation is applicable in India, where the effectiveness of co-operative system has been realised in different measures based on the general development of the State/areas. It has been observed that the overall development of any country/State or area is directly related to the co-operative development there. Thus, the experience of developed nations can, to a great extent, be made applicable to the developing world, which can be adopted in a right perspective. In order to achieve the co-operative development in general as well as for improving its role in agriculture production, it is desirable to streamline the co-operative movement in the following directions:

There is a need for massive programmes for revitalisation of co-operative structure in the country. It is particularly relevant for credit and marketing societies. A time bound programme for re-organisation of the societies keeping in view viability norms, rehabilitation through various administrative and fiscal measures should be undertaken on a priority basis. Revitalisation plan has to be executed in such a manner that the societies become financially and managerially viable units. While the Government has to improve necessary infrastructure of roads, communications, transport, etc., the co-operatively under-developed and least developed areas will require a higher financial allocation at softer terms and careful programme of nurturing co-operative societies in such areas. In the co-operative credit structure, problems of mounting overdues will require a bold initiative on the part of the movement as well as the Government. Preferential treatment to co-operatives in licencing and financial support will be needed, particularly in the agro-processing sector. Wherever governmental policies affect the finances of co-operatives, the government should make up the losses to keep the co-operative structure healthy and viable.

While the government of India policy is to support the movement financially, managerially and administratively without interfering into the internal functioning of the societies, in the federal structure many times the same approach is not followed by some of the State Governments as 'Co-operation' is a State subject.

The co-operatives have to build up their professional management with due emphasis on human resource development through a scientific programme of co-operative education and training. Some institutions like National Co-operative Union of India have a good network for co-operative education and training, but these will require further strengthening with more technology oriented approach.

Priority areas for co-operative development would be co-operatively under-developed and least developed areas including the rainfed. In Indian agriculture, women and youth have a very important role and, as such, co-operative programmes for them should be included in the agriculture development programmes.

#### **INSTITUTION OF REGISTRAR**

A point was raised as to whether developmental functions should continue to be combined with the regulatory functions of the Registrar. The consensus was that in the absence of any other organisation, the Registrar may continue the developmental functions also, and steps should be taken to bring about increasing depoliticalisation of the co-operative movement.

In these societies majority of directors are small and marginal farmers. The president of FSS must be a member belonging to small and marginal farmers. For improving the socio-economic conditions of tribal people, the large sized adivasi co-operative societies (LAMPS) have been organised. Tribal people are



mainly small and marginal farmers. These FSS & LAMPS provide integrated services to these people. They provide all types of credit at cheaper rates, distribute farm inputs and implements, supply essential commodities and provide marketing, storage and transportation facilities for their agricultural and tribal produce and products. Even in the reorganised primary agricultural credit societies 2 to 3 seats are reserved for small and marginal farmers over the board of directors. As per the stipulations of the NABARD, DCC Banks are required to advance not less than 20% of their total loans to weaker sections consisting of small and marginal farmers and agricultural labourers. Again NABARD advances farm loans to Apex/DCC Banks at lower rates to enable them to advance loans to small and marginal farmers at lower rates. Urban banks are required to advance compulsorily not less than 60% of their total lending to priority sectors and weaker sections as per the directives of the RBI.

Co-operative societies are basically democratic organisations. Hence, they are managed on the principles of democracy. Higher authority in all types of co-operative societies is vested in the general body consisting of all members. To look after the day to day affairs of the societies, there will be Board of Directors elected by all members during Annual General Body Meeting. If State Government has provided any financial assistance as share capital, loans etc., to any co-operative society, the State Government has been empowered to nominate its representatives on the Board of Directors of such co-operatives. The number of Government nominees will be 1/3 of total directors or 3 directors or whichever is less. In order to keep off the vested interests from the co-operatives, some States have made provisions in their respective State Co-operative Societies Act that no member can be an office bearer, like president, vice president or treasurer for more than 6 years either continuously or intermittently. After the expiry of the 6 years, they cannot become office bearers for next 3 years. Whenever the Board of Directors of any co-operative society acts, contrary to the provisions of the state co-operative societies Act, rules or byelaws or incurred heavy losses due to their wrong decisions, State government is empowered to supersede the board of directors of such society for 1 or 2 years and appoint the administrator or special officers to improve conditions of that society. However, it is also criticised that some time state co-operative departments acts to the whims and fancies of the political parties in power in superseding committees of the cooperatives, even for small reasons. The duties, rights and responsibilities of the president, vice president, board of directors, chief executives etc., will be clearly explained in the bye-laws of each society. Whenever they act beyond their powers said under the byelaws and for such acts if society sustains losses, those losses will be recovered from them by-filing charges against them.

While the overall performance of the co-operative movement is impressive, there are many regional variations and weaknesses inhibiting the better performance of co-operatives. Rising trend in overdues

especially in agricultural credit co-operatives., embezzlement cases, government interference, etc., have been furnishing the image of the co-operative movement. In certain states, the government's hold on co-operatives has reached to such an extent that they have lost their democratic character and have become agencies sponsored and managed by government.

Lack of scientific and professional management in these co-operatives. has been an another challenge. National Co-operative Union of India through its education programmes, National council for co-operative training, New Delhi through its training colleges and National Institute cater to the training needs of the officers of co-operatives. Again, state level co-operative also provide training to their employees as well as to the employees of their affiliated co-operatives. Efforts are also being made to develop co-operatives management practices by deputing officers of co-operatives abroad to acquire higher skills and techniques of management in the international co-operative training colleges. They are trained in various branches of management. Highly qualified and experienced personnel are appointed to manage the financial inventory, personnel and cost aspects more effectively. More importance is being given to human resources development. Separate cells have been opened for providing technical know how, for formulating projects and for monitoring and evaluation of these projects. These cells are under the charge of technically qualified and competent officers. This is not a common phenomenon with all co-operatives but confined only to few financially sound co-operatives.

In spite of the state governments financial encouragement and managerial support, and training facilities being provided by Co-operative Training Colleges, Centres and National and International Colleges, the principles of scientific management are not purcolated in the administration of all co-operatives. Co-operative are following age old management techniques. Training is required not only to employees at various levels but also for non official leaders. The present arrangement for training is insufficient comparing to number of co-operatives and their employees. It is, therefore, indispensable to get all intermediary and senior level officers of disrict and state level co-operative enterprises, trained at national and international co-operative training institutes/colleges to enhance their managerial skill and, efficiency, so that co-operatives. will work still efficiently for improving the socio- economic conditions of the people.

**FIFTH ICA/JAPAN TRAINING COURSE  
ON  
MANAGEMENT OF AGRICULTURAL  
CO-OPERATIVES IN ASIA  
(OCTOBER 22,1990 TO MAY 10, 1991)**

**A CASE STUDY  
ON  
PROCUREMENT OF OILSEEDS THROUGH  
CO-OPERATIVES IN INDIA**

**PREPARED**

**BY**

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**A CASE STUDY ON PROCUREMENT OF OILSEEDS  
THROUGH COOPERATIVES IN INDIA**

India being basically a vegetarian country, its population depends more on vegetables fats as compared to animal fats. The vegetable oil extracted out of oilseeds is the main source of oilseeds fats for India. The production of oilseeds in the country had been more or less stagnant during the last two decades. The situation has changed only after the Technology Mission on Oilseeds made concerted efforts in boosting production of oilseeds.

The production figures for the last 13 years are as under:-

<u>Year</u>	<u>Production (Lakh tonnes)</u>
1977-78	96.6
1978-79	101.0
1979-80	87.4
1980-81	93.7
1981-82	120.8
1982-83	100.0
1983-84	126.9
1984-85	129.5
1985-86	108.3
1986-87	114.5
1987-88	123.8
1988-89	178.0
1989-90	169.0

These oilseeds are Groundnut, Castorseed, Sesame, Rapeseed/Mustard, Linseed, Nigerseed, Safflower, Sunflower and Soyabean. Groundnut and Rape/Mustardseed account for 79% of the total production, During 1987-88, production of groundnut was 56.70 lakh tonnes. It has increased to 81 lakh

tonnes during 1989-90. Rape/Mustardseed which was at 33.07 lakh tonnes during 1987-88, has increased to 42 lakh tonnes during 1989-90.

The oilseeds business traditionally has been in the hands of private trade. The traders used to purchase oilseeds during arrival season at low prices. The prices were subsequently manipulated by them by the mechanism of forward trading. The oilseed growers could not get remunerative prices for their produce and preferred to grow cereals and other crops in preference to oilseeds. The Technology Mission on Oilseeds identified the problem and decided to associate the cooperatives in boosting the oilseed production. Effective marketing support was considered to be the key factor in increasing production of oilseeds. Accordingly, the co-operatives were given the role of Nodal Agency in extending support price to the farmers. The support price is fixed by the Govt. much before the sowing season so that the farmer knows in advance the price he may fetch for his produce.

#### **PURCHASE BY CO-OPERATIVES**

Trading in oilseeds/oil has, by and large, remained with the private trade/millers. Cooperatives were not much in this business. It has been a risky trade subject to wide fluctuations. It is about a decade back that cooperatives have ventured into oilseeds/oils with the support of NCDC and the State Governments. According to the figures available for 1987-88, cooperatives handled around 4.77 lakhs tonnes of various oilseeds valued at around Rs.300 crores. Groundnut pods and kernels accounted for 21%. Mustardseed accounted for 18% and soyabean accounted for 50%. Other oilseeds handled were cottonseed, sunflower, sesame and copra. Oilseeds Growers Federations cover sizeable quantity. State Cooperative Marketing Federations make sizeable purchases of oilseeds namely, Mustardseed, Soyabean, Sunflower, Sesame seed, Groundnut and Copra. By the end of 1989-90, handling of oilseeds by cooperatives have touched 5 lakh tonnes mark.

Co-operatives make purchases on:

- i) own account,
- ii) joint venture account;
- iii) agency account;

The purpose of purchase is.

- i) to sell in the whole form;
- ii) for processing into oil and oilcake;
- iii) for export purpose.

They draw-up annual business budgets and aim at making prudent purchases. They make purchases at the peak arrival period when the prices are considered workable and the stocks are of the right quality. NAFED's guidelines in this direction are as follows.

Purchases are to be made through the member state co-operative marketing federations/cooperative marketing societies from the selected regulated markets at the up-country centres through open auction during the harvesting season when the arrivals of the farmers stocks are at peak and the prices are reasonable. Purchases are to be spread in such a way as to avail maximum possible advantage of prevailing lower rates so that the average purchase price becomes minimum. Selection of the market is to be done based on the performance of the local society, availability of transportation and godown facilities etc. The state federations/marketing societies are to be informed in advance about the specifications of the commodities to be procured. Purchases are made of fair average quality stocks with permissible moisture levels, conforming to PFA Act.

8. Co-operatives have to compete with private trade/millers. To make sales viable, it is important that purchases are most efficient. Mandi level expenses have to be economised as far as possible. While making bids for various lots, quality aspect is to be kept in view with particular care on foreign matter, moisture level, and weevilled/immature grains. Where the stocks are to be purchased for processing purposes, it is necessary to keep in view the oil content. Oilseeds belonging to certain established origins command a better quality and fetch a better price. In case the stocks are covered for exports, it may be necessary to look to the specifications prescribed by the foreign clients. For instance, HPS groundnut kernels are sold on the basis of count per ounce as 50/60 for bold variety and counts per ounce 75/80 for jawa variety. Aflatoxin limits are 0.005 ppm at the point of shipment. Similarly, sesame seed is exported on the basis of 95.5 quality basis. In some of the export markets it is also sold on the basis of oil content of 48.50%. In respect of nigerseed, USA market buys 99% quality stocks free from rice/rice hull. Markets namely New Zealand and Australia buy nigerseed free from adherent dust and abnoxious weedseed.

### **CO-OPERATIVE A FACTOR OF STABILITY:**

Cooperatives provide stability to the markets to sustain the interest of the growers in these deficient crops. Co-operatives have also set-up processing units with a high level of investment providing value addition. There are the bulk buyers and they work as a factor of stability during the market arrivals and provide much needed support to the farmers. They cover around 3-4% of marketable surplus. It may, therefore, be necessary that the Government policies and other regulatory measures are consistent and stable. Co-operatives are expected to handle around 15 to 20% of marketable surplus to stabilise the markets to the advantage of the growers.

### **MARKET INTELLIGENCE:**

In order that co-operatives are able to successfully compete with the private trade/millers, they must possess total market intelligence with regard to the oilseeds and oils and that must be up-to-date. In particular, they must up-date their information on the following:

- i) Crop positions;
- ii) Ruling prices of various oilseeds in the terminal markets as also in the neighbouring markets as also the support prices;
- iii) Carry-over stocks with the trade/millers, as also the growers;
- iv) Inter-state restrictions on the movement of oilseeds/oils;
- v) Government regulatory measures in terms of storage limits at wholesale level/retail level;
- vi) Permission for use of various edible oils in vanaspati;
- vii) Import policy for various edible oils and the extent of imports as also the export policy;
- viii) Price behaviour in international markets for oils and extractions;
- ix) Scheme of distribution of edible oils through PDS;
- x) Rebates allowed on use of various edible oils in vanaspati;

### **IMPLEMENTATION OF PRICE SUPPORT SCHEME CENTRAL NODAL AGENCY:**

The National Agricultural Co-operative Marketing Federation of India Ltd (NAFED) is the Central Nodal Agency for handling price support operations in oilseeds. NAFED established its credibility in

successfully handling price support operations in soyabean in the years 1977-78, 1978-79 and 1979-80 by providing market stability to this oilseed. The Govt. of India recognised this fact and designated NAFED as the Central Nodal Agency for oilseeds on long terms basis initially for a period of 5 years corresponding to the Seventh Five Year Plan period during 1985. It continues to be the central nodal agency for impementation of price support scheme in respect of oilseeds during the 8th Five Year Plan period. Consequent to this directive, the entire co-operative marketing structure under the ageis of NAFED was geared up which has provided strong base for sound planning and implementation.

#### **NAFEDS NETWORK:**

NAFED functions through its constituents; the State Level Co-operative Marketing Federations, who in turn, work through the marketing societies at the mandi level. It also involves the oilseeds growers co-operative federations, who act as its agent and who in turn, work through their affiliated village oilseeds growers societies operating at centres below the mandi level in their project areas. The purchases are made directly from the growers.

In addition to above, NAFED has 25 branches in the State capitals and other important centres and 4 regional offices at Delhi, Bombay, Madras and Calcutta with Head Office at new Delhi which ensure close and effective coordination with the State Marketing Federations/the marketing societies and the oilseeds growers federations, Deptts. for Agriculture & Cooperation, Marketing Boards and other concerned organisations. At NAFED's Head Office, a separate price support division has been set-up with full complement of senior Officers and Staff.

The minimum support price Rs. per qtl. of various oilseeds for the year 1990-91 are as under;

Groundnut Pods	580
Mustardseed	575
Soyabean yellow	400
Soyabean black	350
Sunflower	600
Safflower	550



Toria	545
Copra	1600

Oilseeds are purchased in two grades (i) fair average quality (FAQ) and (ii) one grade below FAQ. The support prices for one grade below stocks are worked out based on the guidelines recommended by the Expert Committee on Grade Specifications for oilseeds, every season.

NAFED purchased 3,90,809 MTs of various oilseeds under price support scheme valued at Rs. 137 crores during the last 10 years. The quantities handled depend on the market behaviour. In case prices stabilise over the support level immediately after entry in the markets, the quantities handled are less and in case it takes more time for the markets to stabilise, the quantities handled are more. Soyabean was handled in the States of Madhya Pradesh, Rajasthan, Uttar Pradesh, Gujarat and Maharashtra. Mustardseed was covered in the States of Rajasthan, Madhya Pradesh, Gujarat, Uttar Pradesh, Punjab and Haryana. Sunflower was covered in Haryana and Punjab. Safflower was covered in Madhya Pradesh. The year-wise details are available at ANNEXURE-I.

The price support schemes have been of substantial help to the oilseeds growers in the country. It can be said that soyabean crop has come up basically because of the support given through the support price.

Purchase centres are identified in consultation with the State Marketing Federations, Oilseeds Growers Federations and the State Governments. Adequate funds are provided to ensure prompt payments to the growers. Wide publicity is made through radio, television, newspapers, banners, wall posters and leaflets and the public address system at the mandi level, to create awareness.

Technology Mission on Oilseeds has acknowledged the contribution of NAFED and the entire co-operative marketing structure in the following words:

"The National Agricultural Cooperative Marketing Federation (NAFED) was designated as the agency for implementing the price support scheme, under which the farmer is assured of a pre-determined minimum price for his produce. It was ensured that NAFED made all preparations in time and established its presence in all important mandies well before the arrivals started. This lent much needed support to stabilise the market sentiment."

## ISSUES FOR CONSIDERATION:

1. Private trade evades taxes. Co-operative institutions, who make purchases at the mandi level pay taxes. These are important elements of cost. In Gujarat, purchase tax on oilseeds is levied @ 4%. Sesameseed, the price of which is around Rs. 1000/- per qtl. is to bear a tax of Rs. 40/- per qtl. Similarly, purchase tax in Maharashtra and Rajasthan is 4%. Cooperatives have to compete with the private traders/millers. It may be appropriate that State Government consider reducing taxes on oilseeds in the long-term interest.
2. System of arhtia operate in various States. While in some States, the arhtia's commision is borne by the buyers, in some States, it is borne by the seller (farmer). According to the information available, arhtia's commission is borne by the seller (farmer) in Maharashtra and Gujarat. In Maharashtra, it is 2% for Groundnut and 2 -1/2% for Sesameseed. It is 1% in Gujarat . Taking Sesameseed as a instance, the price of which is around Rs. 1000/- per qtl., the deduction from its price works out to Rs. 20/- per qtl. It would appear to be a non-incentive to the growers.
3. In a number of States, markets have been regulated. While some of the States have system of open auction in the mandis, in some other States, such as Uttar Pradesh, open auction has yet to be adopted in a number of mandies. It may be necessary to introduce the system of open auction to ensure that the growers get a better price. NAFED has prescribed in its guidelines that the purchases shall be made in mandies where there is a system of open auction.
4. Marketing societies at the mandi level are the foundation of co-operative marketing structure in the country. Much revolves on their efficient handling of purchases at the mandi level in terms of price and quality. They necessarily need to be efficiently managed. Professional Managers need to be employed in these institutions.
5. Oilseeds are a priority item. The co-operative institutions are bulk buyers and bulk dealers. Their stocks have to be moved to the terminal markets to take the benefit of time and place in a competitive economy. These institutions serve the purpose of providing stability to the markets to the advantage of the growers. It may be necessary that their stocks move on priority 'B' on the lines of priority availed by the Food Corporation of India, from the Railway Board.

6. Import of edible oils may be properly regulated so that institutions become bold buyers at the time of peak arrival and serve the oilseed growers to their full capacity. Regulated imports may help provide stability to the markets.
7. NAFED implements the price support scheme in oilseeds through the State Level Marketing Federations/the oilseed Growers societies and buy stocks directly from the growers. This is being discussed whether purchases should continue to be made directly from the growers at the shop of the co-operatives or the private arhatias at the mandi level be also involved in these purchases.
8. The entire co-operative marketing structure has been geared-up under the aegis of NAFED to handle price support scheme in 12 items covered under price support scheme including oilseeds. This has served the growers very effectively. These institutions have acquired expertise in handling oil seeds/oils. This policy needs to continue on long term basis.

YEAR-WISE DETAILS OF OILSEEDS PROCURED BY  
NAFED UNDER PRICE SUPPORT SCHEME

Commodity	Year	Qty. Procured (in MTs)	Value (Rs. in lakhs)
Soyabean	1977-78	2054	32.00
	1978-79	65917	1252.00
	1979-80	18291	347.00
	1980-81	10	0.20
	1981-82	76	2.00
	1984-85	3709	136.00
	1985-86	192029	5937.00
	1986-87	125	4.00
		<u>282211</u>	<u>7710.20</u>
Mustardseed	1984-85	76614	2906.00
	1985-86	13445	569.00
	1986-87	72	4.00
		<u>90131</u>	<u>3479.00</u>
Sunflower	1986-87	3	0.10
	1988-89	25	1.25
		<u>28</u>	<u>1.35</u>

Contd.....p/2

Commodity	Year	Qty. Procured (in MTs)	Value (Rs. in lakhs)
Copra	1985-86	11698	1401.00
	1986-87	664	71.00
	1989-90	6077	1000.00
		<u>18439</u>	<u>2472.00</u>
	G.Total	<u>3,90,809</u>	<u>13,662.55</u>

# **ACTIVITIES OF NAFED**

**NATIONAL AGRICULTURAL COOPERATIVE  
MARKETING FEDERATION OF INDIA LTD.  
NEW DELHI-110 0014.**

## Activities of NAFED

NAFED is the short name of the National Agricultural Cooperative Marketing Federation of India Ltd. It was set up on the birthday of the father of the Nation Mahatma Gandhi on October 2, 1958 to promote agricultural marketing. It was later nurtured and brought up by eminent cooperator the late Dr. Punjab Rao Deshmukh.

Indian agriculture has been steadily growing since independence. The production of various agricultural crops such as cereals, pulses, oilseeds, fibres, fruits, vegetables, spices and other crops has been increasing year by year because of various technology missions adopted by the Government. The increased production has led to increases in marketing problems faced by farmers off and on. These problems have prompted action for improving and modernising agricultural marketing. The cooperative marketing system has identified itself as the most effective instrument in streamlining marketing functions to cater to the growing needs of the farmers.

NAFED functions as the national apex body of the cooperative marketing system, in coordination with 29 State level Marketing Federations, 16 State level Commodity Marketing Federations, eight State level Tribal Cooperative Development Corporations/Federations, 172 District and Regional Marketing Societies and 5923 General Purpose Special Commodity Marketing Societies. This network of primary cooperative marketing societies covers all important primary and secondary markets in the country. These societies are engaged in the marketing of agricultural produce, supply of production inputs and essential consumer articles at the door step of the farmers through 92,400 village multi purpose societies. All these cooperative handle agricultural produce worth over Rs.40,000 million.

NAFED operates through its Head Office at New Delhi alongwith four Regional Offices located in Delhi, Bombay, Calcutta and Madras and 34 branches/sub-offices located in all important towns and terminal markets.

### Operations:

NAFED's operations can be broadly classified under the following categories:

- i) Internal trade
- ii) Foreign trade
  - a. Export
  - b. Import
- iii) Price support operations on behalf of the Government of India
- iv) Production and marketing of agricultural machinery implements and bio-fertilisers.
- v) Processing and marketing of fruits and vegetables.
- vi) Developing cooperative marketing of tribal produce and
- vii) Dissemination of market intelligence.

### Internal Trade

1. To give market support to the farmers and to maintain steady supply of commodities to consumers at reasonable prices are the objectives of NAFED's internal trade operations.
2. These operations cover a wide range of items like foodgrains, pulses, oilseeds, spices, fruits and vegetables, eggs, tribal produce, processed foods, packing

material, agricultural machinery and implements, organic and inorganic fertilisers, pesticides etc.

3. NAFED formulates business plans for the procurement and sale of various agricultural commodities during Kharif and Rabi seasons. These plans are carried out in main growing States. The purchase and sales are effected on outright, joint venture and even on consignment basis.
4. NAFED purchases agricultural commodities through the network of cooperative marketing societies which are the farmers own organisations. NAFED gives preference to the cooperatives, public sector organisations and State agencies while disposing of agricultural commodities.

## Foreign Trade

Export of agricultural commodities through the cooperative marketing system has been developed on a large scale after the establishment of NAFED. For regulating the export of commodities grown in various States, NAFED has been found a suitable agency for the following reasons:

- i) Procurement is done directly from the producers in all the growing areas. It motivates growers to increase production of traditional and non-traditional commodities;
- ii) No artificial increase in prices takes place because of purchases not being made in terminal markets; and
- iii) Exports are effected only if the internal situation so warrants.

The value of foreign trade of NAFED depends on the crop position and international market situation. The commodities exported include:

- i) Onion, potato, ginger, garlic.
- ii) Nigerseed, gun karaya.
- iii) De-oiled cakes of groundnut, cotton & Soyabean.
- iv) Fresh and processed fruits and vegetables.
- v) Black pepper, cardamon, turmeric, cumminseed, corriander seed, chillies.
- vi) Rice, barley, bajra, jowar and ragi.
- vii) HPS groundnut, sesameseed.

## Canalised Exports

The Government of India has canalised the export of onion and nigerseed through NAFED.

The need for increasing the export of various agricultural commodities is being keenly felt to find additional outlets for the increased agricultural production and also to reduce the country's trade gap. NAFED has been able to purchase onion, HPS groundnut, nigerseed, sesameseed, etc. from the producing areas by offering remunerative prices to the growers without adversely affecting the internal supply as well as consumer prices. Simultaneously, per unit value realisation in export and total export earnings have increased substantially. The Indian Institute of Foreign Trade, which evaluated NAFED's role as the canalising agency for onion export, observed that NAFED had succeeded in blending the expertise and initiative of private exporters with the checks and vigilance of a cooperative organisation. Onion export has increased considerably after canalisation. Exports of groundnut, soyabean and cottonseed extraction meals produced by cooperative processing units are likely to increase substantially following the increasing participation of cooperatives in extending price support for oilseeds, and also as a result of expansion of oilseeds processing capacity in the cooperative sector.



## Imports

NAFED's imports comprised chicory seeds (on behalf of cooperatives in Gujarat till 1978-79) as well as wet dates and dry fruits. Since 1978-79 NAFED has been handling import of fresh fruits from Afghanistan. The import of nutmeg (jaiphal) and mace (javitri) was canalised through NAFED until 1988. This step was taken to regulate its import. The monitoring of import of pulses has also been entrusted to NAFED since 1982-83.

NAFED has been enjoying canalisation of imports in respect of fresh fruits since 1988. It is also acting as a monitoring agency for the import of pulses under OGL. To overcome the shortfall in the production of coarse grains as a result of successive droughts, NAFED was asked by the Government of India to import maize both under the US Aid programme and on commercial basis for meeting the requirements of starch Industries and poultry/animal feed manufacturers and human beings. Accordingly, NAFED imported about 75000 MT's of maize under commercial arrangements and 4 lakh tonnes under US Aid during 1987-88 and 1988-89. The entire imported quantity was distributed to State level agencies for supplying it to poultry and animal feed sectors, besides meeting the requirements of human beings.

## Price Support and Market Intervention Operations

The farmers need protection against steep fall in prices because of the increase in agricultural production. The Government of India announces from time to time support prices for selected commodities like oilseeds, coarse grains, pulses etc. for this purpose. To help the farmers, NAFED has been appointed as the agency of the Government to undertake support price purchases of commodities like groundnut and sunflowerseed since 1976-77, soyabean, mustardseed since 1977-78, gram, toor, moong, urad since 1978-79 and bajra, jowar, ragi maize, toria, barley and safflower since 1985-86. Copra has also been declared under price support since June, 1989.

Thus of the 21 important agricultural commodities for which the Government has declared support prices, NAFED alone handles as many as 16 commodities in the groups of oilseeds, coarse grains and pulses. The salient features of price support operations handled by NAFED are as under:

- i) Direct purchases of stocks of specifications as prescribed by the Government from the farmers through the cooperative network of State Cooperative Marketing Federations and Primary Societies in their own shops or offered anywhere in the market yards.
- ii) No quantitative ceiling on purchases at Government support prices which are to continue until market prices stabilise at the support level;
- iii) Adequate arrangements of finances through the Reserve Bank of India, the Government of India and the National Cooperative Development Corporation (NCDC). Arrangements for prompt billing by State Federations and prompt payment to the farmers;
- iv) Special attention to vulnerable and far-flung areas;
- v) Wide publicity about the support price and purchase arrangements for creating awareness among the farmers.

## Support to Producers of Perishables

Marketing of perishable commodities like onion, apple, orange, egg, potato, ginger etc. is risky. As a result the farmers are exploited and they suffer losses. NAFED has been paying special attention to the marketing of these commodities which had not been taken care of by any other organisation or agency. From 1983-84 to 1988-89 NAFED purchased a considerable quantity of fruits and vegetables and eggs with

a view to giving better prices to the farmers. It also checked the decline in the prices of these commodities by intervening under Market Intervention Schemes.

### **Tribal Produce**

The tribals, who are economically backward, produce and collect a variety of minor forest produce having economic value. A separate cell to develop marketing of such products was set up with the assistance of the NCDC. A breakthrough was made in giving a better price to tribal farmers in respect of nigerseed whose export is canalised through NAFED. Besides giving market intelligence and establishing better systems for auction of tribal products NAFED is also trying to develop marketing of other commodities like chilgoza, gum karaya etc.

### **Fruits and Vegetables Processing**

The production of fruits and vegetables in the country is of the order of five crore tonnes of which an estimated 30 per cent goes waste during various stages of post-harvest handling. To reduce the wastage, processing of fruits and vegetables has to be taken up in the coming years in a big way. NAFED has set up a multi-commodity fruit and vegetables processing unit in Delhi. It is also running units at Vellore (Tamilnadu) and Jabli (Himachal Pradesh). The object is to develop the industry in the cooperative sector in a big way in the coming years as a support activity for improving marketing and processing of fruits and vegetables to the advantage of growers. All these units undertake products of various kinds of fruits and vegetables like mango, tomato, pineapple, apple, guava, peas, green peas, cherry and papayya etc.

### **Utilisation of Processing Capacity**

NAFED is also assisting processing units set up in the cooperative sector by providing custom processing of commodities. This activity was stepped up in a joint venture with the Gujarat State Cooperative Marketing Federation and other cooperative units during 1978-79 by processing of cotton seed. NAFED continues to utilise cooperative processing units by processing oilseeds, cotton ginning and pressing, pulses, fruits and vegetables. NAFED currently runs two oil mills one at Nadbai (Rajasthan) for the processing of mustard into oil and another at Raichur (Karnataka) for the production of groundnut oil and cake. The oil manufactured by these units is being sold under the brand name of NAFED and these brands are becoming very popular.

### **Konark Jute Limited**

NAFED has equity share participation in Konark Jute Limited, which is a joint venture promoted by the Industrial Development Corporation of Orissa and NAFED involving an investment of Rs.6 crores. The unit has a capacity to produce 14,000 tonnes of jute goods of the value of Rs.7.5 crores per annum.

### **Agricultural Inputs**

NAFED has been helping the farmers by supplying them agricultural machinery like harvesting combines, tractors, spare parts and inputs. It also imports some of the machines and spare parts to ensure timely availability of genuine spare parts at reasonable prices. The farmers are also provided technical know-how to operate and maintain the machines.

### **Bio-Fertilisers**

The 20-point economic programme lays special emphasis on boosting production of oilseeds and pulses. Bio-fertilisers are gaining importance as they increase

yields of pulses and oilseed crops at a low cost. NAFED has set up a unit for the production of rhizobium culture at Indore (Madhya Pradesh). This factory started its commercial production in August, 1985, and its products are distributed by the Agriculture Department in states growing pulses and oilseeds. This unit has a capacity to produce bio-fertilisers needed for 30 lakh acres a year.

### **Krishi Yantra Udyog**

The unit named as Krishi Yantra Udyog for the production of agricultural implements at Bhiwadi in Rajasthan has started commercial production of farm tools, agricultural implements and spare parts for tractors and harvesting combines on a regular basis. Its products are being sold through various service centres set up by NAFED and also through outlets of marketing cooperatives and agro-service centres set up by the State Government.

### **Removal of Regional Imbalances**

NAFED is expanding its operations in cooperatively under developed areas. These comprise hilly areas in Jammu and Kashmir, Himachal Pradesh, Uttar Pradesh, North-Eastern regions and the tribal areas in various States. These areas lack road transportation and storage facilities and the cooperatives are still in the process of development.

### **Promotional Activities**

NAFED has sponsored a research body named Associated Agricultural Development Foundation in 1977. The Foundation has 18 extension centres, four research centres and three laboratories in various parts of the country. The main purpose of this institution is to carry out research and promote new varieties of seeds of export-oriented commodities like onion, groundnut and vegetables. Farmers are educated through demonstrations which induce them to increase production. NAFED participates in various national and international Trade Fairs and Kisan Melas to promote agricultural marketing.

### **Turnover**

NAFED's total turnover was envisaged at Rs.232 crores during 1989-90, which has since been achieved. Target for 1990-91 has been fixed at Rs.250 crores. Efforts will be made to surpass the same.

## **SUGGESTIONS FOR IMPROVEMENT**

The country produces 220 million tonnes of various agricultural commodities every year. This quantity is likely to go up to 300 million tonnes by 2000 A.D. Efficiency in marketing and better post-harvest handling of commodities will determine the extent of benefits that can accrue to small farmers as a result of this progress. The cooperative marketing system has identified itself as the best suited agency for handling such problems by virtue of its performance as price support agency for various crops. The complexity of the marketing function is going to increase in the coming years. NAFED aims not only at expanding its activities but also at making efforts to strengthen every one of the 5,923 primary marketing societies and helping in improving the financial, human resources and business know-how of the entire cooperative marketing structure.

NAFED has completed three decades of dedicated service to the farming community by providing remunerative prices for their produce. But a new thrust needs to be given to make cooperative marketing play the key role in transforming Indian

Agriculture from the status of a subsistence occupation to that of a dynamic and economically viable industry. The performance of marketing cooperatives has amply demonstrated that they have a vast potential to help in boosting the agricultural sector.

The farming community of the country has a long standing grievance that the agricultural commodities produced by them have to be marketed at loss or at a negligible margin. The cost of family labour and other similar contributions are not taken into consideration in computing cost of production. Over a period of years the terms of trade have consistently been unfavourable to the farmer. The marginal increases in procurement prices have not helped in compensating the loss of real value the farmer has been suffering at the point of marketing his produce.

The farmer is required to pay higher prices year after year for inputs like fuel, electrical energy, fertilizers, insecticides and implements. The cost of transportation and the cost of agricultural labour have also gone high. On account of these disincentives inherent in the present national policy of agricultural pricing, the farmer does not find it worthwhile to invest on inputs and modernisation of agriculture to achieve the same productivity as has been demonstrated under laboratory conditions in our agricultural universities. Though, farmers have adequate level of awareness of the technologies of increased production, the continued trend of suppressed output prices dampens enthusiasm towards increasing agricultural productivity even in areas where immense possibilities exist. It is suggested that the Committee on Agricultural Policies and Programmes may take into account the appropriate weightage that has to be given to agricultural pricing and also for building up the necessary institutional and physical infrastructures suited to meet the full production potential, indicated below:-

Crop	Base level	(Million tonnes)		
		Target for VII Five Year Plan end (1989-90)	Target for VIII Five Year Plan end (1994-95)	Target for IX Plan end (1995-2000 AD)
Rice	60	72.50	84.28	95.90
Wheat	45	54.00	62.77	72.40
Coarse Cereal	32	34.00	39.50	38.90
Pulses	13	14.50	16.85	21.10
Total Foodgrains	150	175.00	203.40	228.30
Oilseeds	13	16.00	18.60	26.00
Sugarcane	180	210.00	237.60	246.00
Cotton*	7.5	9.5	11.40	13.00
Jute Mesta** (Kenaf)	7.5	9.5	11.04	11.50

\* Million bales of 170 kg each

\*\* Million bales of 180 kg each

@ Method : Based on assumed growth rate of 3.25 per cent, per annum except 2.63 per cent per annum for sugarcane.

For the proper functioning of an efficient system of agricultural marketing, credit is an essential ingredient in any viable strategy for eradication of poverty and for strengthening the rural economy. Credit support for agricultural production and marketing programme is essential for enabling the farmers to adopt modern technology, improve farm practices for augmenting production and productivity as also its marketing which can increase farm income and employment opportunities in

rural areas. Comprehensive financing based on a package of operations from preparation of land, supply of inputs to marketing and processing of the produce has significantly contributed to achieving success in increasing oilseeds production as visualised by the Technology Mission on Oilseeds. Finance for marketing is a sine-qua-non for achieving increased production of any agricultural commodity. Such special credit limits are available, at present, only if the market prices of any of the commodities declines and purchases are made at support prices. However, a line of credit is not available to cooperatives to undertake commercial purchases of the oilseeds at ruling market prices, if the prices do not decline to support price levels. Even in respect of pulses and coarse grains which are covered under the price support policy of the Government of India, such credit facilities are not available to cooperatives. Small and marginal farmers are the main producers of oilseeds and pulses. Therefore various policies of credit which aim at benefiting them have to be complemented with a matching programme for providing appropriate credit facilities to the cooperative marketing sector both for price support as well as commercial marketing of the crops covered under the National Price Support Policy.

Agricultural trade in India has earned notoriety of maintaining double standards of quality the inferior one for domestic consumption and the better one for purposes of export. This has resulted in total neglect of developing the necessary consciousness among the farming community for maintaining high quality of productions. The net impact of these inadequacies has resulted in continued dependance of the country for meeting its full needs of edible oils and pulses on imported stocks.

The cooperative marketing structure of the country has stood the test of time by fulfilling the targets set for them in the successive Five Year Plans. However, keeping in view the need for expanding their marketing operations, the growth they have so far achieved cannot be considered adequate. During the past two decades marketing cooperatives have made earnest efforts in stabilising prices during periods of crisis. The policy of rescuing the farmer during crisis and neglecting his needs for marketing support during normal harvest years, has made its own contribution to a degree of suppressing the potential of Indian agriculture considerably. There is, therefore, a need to evolve a strategy for providing the needed incentives to farmers for increasing production through a well equipped marketing system. In this respect no organisation can match the suitability of the marketing cooperatives if they are not fully equipped on the basis of a long term National Policy. Since, the cooperatives spearheaded by National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) have established its roots in all the mandies in the country they can efficiently perform the marketing function.

During the 8th Five Year Plan, marketing cooperatives shall have to play a dominant role in wholesale trade of foodgrains, oilseeds and other agricultural commodities. By the end of the 7th Five Year Plan cooperatives marketed agricultural produce of the value of Rs. 5000 crores. The target envisaged for the 8th Five Year Plan is of the order of Rs. 8000 crores representing an increase of 60 per cent. Efficient marketing service is the felt need of the farmers. However, the targets have been comparatively modest in terms of the need of the farmers. Another factor has been the non-availability of commensurate marketing finance.

A factor which is of considerable importance is the procurement of wheat, rice and coarse grains by the Food Corporation of India and the State Civil Supplies Corporation as also the Food Departments of some of the State Governments. The procurement on behalf of the FCI was made by Cooperatives almost exclusively during the years 1966-67 and 1967-68 when these organisations had no expertise in handling market arrivals. Further, as they have gained experience they have estab-

lished greater links with private commission agents to the neglect of the marketing cooperatives network. In order to ensure that the procurement activities of these bodies are not discriminatory, they may share the procurement work between the private trade and cooperatives to the extent of 50 per cent if they are unable to entrust the entire work to cooperatives on account of local considerations.

In respect of commercial purchases and sales, marketing cooperatives cannot claim any significant progress. This is because, so far marketing cooperatives have not considered opening of outlets in all the major wholesale terminal mandies which constitute the main outlets for bulk disposal of primary agricultural commodities. As a result, they generally depend upon the established wholesale traders as well as brokers and commission agents only for disposal of their stocks. During the 8th Five Year Plan period efforts should be made to establish the outlets of State Level marketing Federations in all the terminal wholesale grain mandies in their respective States so that these outlets generate adequate capacity for continuous disposal of such stocks in the wholesale markets in significant quantities. Further, commercial wholesale trading in bulk quantities by cooperatives will involve huge risks in the early years for two reasons. Firstly, on account of their lack of contact and secondly lack of sales experience leading to errors in judgement creeping into their working. The established private trade may deliberately create obstacles in the early stages which may make it difficult for cooperatives to trade successfully. In view of this in respect of wholesale trading foodgrains, pulses and oilseeds for which the Government policy provides support prices, the price fluctuation funds should be created at the Central Level for meeting losses arising out of commercial transactions in these commodities by the State and National marketing Federations. State Governments may be required to bear pre determined share of losses incurred by the Marketing Federations of the concerned State.

In the export trade of agricultural commodities India will have to make significant investment to match the far-reaching charges that are taking place at the initiative of Governments in countries like Republic of China, Malaysia and Thailand. These countries have identified specific export oriented commodities for intensive development of quality as well as productivity. In order to ensure the success of the scheme, the Government provides support to protect the interest of the growers during periods of abnormal price fluctuations as well as production gluts. In addition, exporting organisations are also given adequate and timely support. It will be necessary to identify special commodities which can be exclusively taken up for such development in India for export on long term basis through the cooperatives. The commodities suggested are gulabi gram, moth, sesameseed, nigerseed, IIPS Groundnut and Isabgol. In addition marketing support is needed for export of processed spices and processed foods through the cooperative sector.

NAFED has been able to establish that Indian mangoes, which were traditionally not being exported by the private trade, can be exported successfully if adequate facilities are available. The Indian mango varieties which have found receptive markets in Malaysia are Desheri, Langra and Chausa. All these varieties are grown in plains of Northern India during hot season and they need temperature controlled transport facilities for journey-both on land as well as seas. The facilities created for this purpose can be utilised for developing export of other fruits like table grapes, Anar and Sapota (Cheeku) in which India can easily generate adequate surpluses for export. This will also open up possibilities for exporting table potatoes to South East Asian countries to some extent in contrast to the present situation where no export of these commodities are taking place on account of lack of suitable infrastructure facilities at compatible

cost. Some of the fruits have to be exported through air freight. It will therefore, become necessary to either provide substantial air freight subsidy or provide concessional cargo freight for fruit exports by Air India.

The infrastructure related to agricultural marketing includes the level of the mandies as also the availability of pakka roads for enabling speedy transportation of agriculture arrivals to locations needing these commodities or to their place of scientific storage. In addition, the mandies should also serve as centres for propogation of credit and quality consciousness. For this purpose all the mandies should be equipped with testing equipments like moisture meters and also have facility for drying and grading of produce. There is also a need for upgrading the systems of weighthment in the mandi yards.

Based on the activities, it will be necessary to develop a cadre of executives as well as technical staff to efficiently handle various new activities which will be undertaken by marketing cooperatives. This will be possible only to the extent trained human resources are available to the societies well in time. It will, therefore, be necessary to make adequate provisions for professional training in managerial and technical skills related to agricultural marketing in the coming years.

I N D I A  
LAND AND AGRICULTURE

-PRAMOD KUMAR  
DY.MANAGER (NAFED)

GEOGRAPHICAL SITUATION

The Republic of India is a vast country which lies wholly in the northern hemisphere stretching from latitudes  $8^{\circ} 4' 28''$  and  $37^{\circ} 17' 53''$  North and from longitudes  $68^{\circ} 7' 33''$  to  $97^{\circ} 25' 47''$  East. It measures 2,000 miles (3,214 km) from north to south and 1,850 miles (2,933 km) from east to west. It has a land frontier of 9,425 miles (15,200 km) long and a coastline of 3,535 miles (5,689 km). The Tropic of Cancer divides it into two unequal halves, the northern half lying in the temperate zone and the southern half in the torrid zone.

India has an area of 32,80,483 sq.km. (12,61,597 sq. miles) with a population of 750 million in 1981, 80% of them reside in rural areas. It comprises of 24 States (PROVINCES) and 9 Union Territories and other areas.

TOPOGRAPHY OF THE LAND

Of the total land area of 328 million hectares (or 810 m.acres) about 35 m.hectares (or 87 m.acres).

10.7 p.c. lies in the mountains, nearly 95% of which is unsuitable for agriculture. Hilly tracts comprise 61 m hectares ( or 151 m.acres) or 18.6% of all land in India.

Plateaus measure 103 m.hectares(225 m.acres) or 27.7% of all land in India. Almost half of the plateaus is found in Central India and the rest is distributed as 12.1 m. hectares in North-West India, 11.5 m.hectares in South India and 8.3.m.hectares in East India.

Contd...2



Plains cover 141.6 m.hectares of 43% of the total land in India. These are distributed all over the country and are most suitable for cultivation. However, in these plain area are also found unsuitable land such as the salt marshes of the Rann of Kutch and the sandy deserts of Western Rajasthan which are not suitable for cultivation.

The mainland comprises three well defined regions:

- (i) The great mountain zone of the Himalaya;
- (ii) the Indo-Gangetic Plain;
- and (iii) the Southern tableland.

#### TEMPERATE HIMALAYAN REGION

This region is usually divided into two sub-divisions:

- (i) The Eastern Himalayan Region. This includes Mishmi Hills in Upper Assam, Sikkim and Bhutan. Rainfall is heavier (over 250 cms) in the outer ranges and there are thick forests of sal. This is mainly a tea-growing area. Cultivation of paddy is done in some places.
- (ii) Western Himalayan Region. This includes Kumaon, Garhwal, Simla hills, Kulu and Kangra Valleys, Himachal Pradesh and Jammu & Kashmir State. The climate is dry but in northern parts there is more winter rainfall. Horticulture crops - particularly growing of almond, apples, cherries, apricots, peaches, pears and plums - occupies a high place. Other cultivated crops are potato, maize and paddy. Goats and sheep are principal domestic animals providing meat and wool. Bee-keeping is also done.

NORTHERN DRY ( OR WHEAT ) REGION

This comprises the Punjab, Haryana, Delhi, North Gujarat, Western Uttar Pradesh and parts of West Madhya Pradesh, and Rajasthan. Annual rainfall is less than 75 cms. and in many places even less than 20 cms. The soil is alluvial and sandy. Wheat, barley, gram, maize, jowar, bajra and cotton are the chief crops. Camels are found exclusively in this region. Horses, donkeys, sheep and goats are also common. The cattle in the region are adequately fed as there is comparatively a large area under fodder crops and wheat straw is also available in abundance.

EASTERN WET (OR RICE) REGION

It includes Assam, Meghalaya, Tripura, Manipur, Bengal, Bihar, Orissa, eastern U.P. Andhra Pradesh, Eastern Tamilnadu, Kerala and eastern M.p. Annual rainfall is over 150 cms. The soil is mainly alluvial. The main crops are rice, jute, sugarcane and tea. The area under fodder crops is the smallest. Rice being the staple crop, its straw is used as cattle feed. Buffalo is the favourable domestic animal.

WESTERN WET (OR MALABAR) REGION

It comprises Kerala, western coastal strip, Karnataka and adjoining areas. Annual rainfall is over 250 cms. The soil is lateritic. This region is important from the point of view of plantation crops, but coconut is the predominant crop besides tapioca, cashewnuts, arecanuts, rubber, spices, black pepper and cardamom. Rice is the main food crop.

## CROPPING PATTERN IN INDIA

The outstanding features of the cropping pattern in India are:

- (i) the amazing variety of crops, and
- (ii) the preponderance of food over non-food crops.

### Amazing variety of crops

The large extent of its area and a great variety of physical and natural features and climate combined with natural fertility of the soil, enable the country to produce almost every kind of vegetable life. Herein one finds not only the tropical products but also the products of the temperate zone as well. The most important among the tropical products grown here are: rice, coffee, sugarcane, jute, cinchona, spices, India rubber, pineapples, bananas and other kinds of tropical fruits. The principal sub-tropical crops are cotton, opium and tea. Of the products of the temperate zone, the more important are: wheat, maize, barley, pulses, millets, potatoes, hemp and flax and various kinds of citrus and stone fruits. Besides these, many miscellaneous commodities are produced such as various kinds of oilseeds, gums, timber, indigo, etc. Thus the striking features of Indian agriculture is its amazing variety.

### Preponderance of Food over Non-food crops

Food producing agriculture is strikingly concentrated upon three grain crops, viz., rice, millet and wheat with some maize and barley. These between them occupy about 71 pc. of the sown area. Pulses come next in area than oilseeds. The chief factor determining this crop distribution is the water

supply. Rice, jute, tea and sugarcane require most water and are, therefore, grown in the regions of heavy rainfall, or as in the case of rice, of adequate irrigation facilities. At the other extreme come the millets and short staple cotton which tolerate drier conditions than other crops and are grown in low rainfall regions. In between comes wheat, and often associated with it gram, also pulses and oilseeds, sugarcane and long-staple cotton—all require moisture but not excessive supply of water.

Of all these, rice is the most important crop occupying about 23% of the total cropped area. About 7,000 varieties, wild and cultivated, occur in India in the middle and lower Ganga valley and the coastal strips. The rice belt runs through Assam, Meghalaya, West Bengal, Bihar, Orissa, Andhra Pradesh, Tamil Nadu and Kerala. The 'rationale' behind its importance could be traced to its comparable returns and consumer preference apart from climatic conditions. Some varieties are tolerant of dry conditions as barley: others can grow in water. Conforming fairly closely to the regional pattern of rice are such tropical crops as coconut, palmyra, areca palms and betel nut palms. A number of spices, the mango, the banana and other sub-tropical fruits will match this same pattern.

Next to rice, millets are the most common food. Jowar, bajra, ragi, kodo, etc. are almost tolerant of drought and poverty and grown on poor soils in the hilly tracts in Deccan and the edges of north-west India. Rajasthan, Maharashtra, Gujarat and Karnataka have more than 45% of the total area under these crops. The rationale of this dominance is explained by the fact that more than 60% of the next cultivated area in India lacks irrigation facilities.

Wheat comes between rice and millets in its water requirements and does not tolerate high temperature. It is grown in areas where physio-climatic conditions are suitable for its cultivation as in Madhya Pradesh, Punjab, Haryana, Northern Rajasthan, Western Uttar Pradesh, etc. The stone fruits, apricots, peaches, pears, grapes, melons and walnuts belong to the wheat zone and are found in the north and in the mountain wall uplands.

It may be noted that though a substantial area also lies under tobacco, potatoes, fruits and vegetables tea, coffee, rubber and coconuts but their share in the total cropped area is relatively small.

AGRICULTURAL PRODUCTION OF MAJOR CROPS IN INDIA  
DURING THE YEAR 1988-89 IS AS UNDER

	( In million tonnes)
Rice	69.5
Wheat	53.0
Beans	15.5
Coarse Grains	35.0
All Foodgrains,	173.0
Oilseeds	16.5
Sugarcane	206.0
Fresh fruits and vegetables	70.0
	( In million Bales)
Cotton	9.5
Jute and Mesta	9.5

Note: One Bale cotton = 170 kg  
One Bale Jute/Mesta = 180 kg

SIMPLE SPCKEN HINDI

SOME USEFUL WORDS AND PHRASES

<u>ENGLISH</u>	<u>HINDI</u>
GREETING (Good Morning, Good Evening etc.)	NAMASTE
THANK YOU	DHANYAVAD
HALLO	HALO
YOU (ELDER PERSON) (RESPECTED PERSON)	AAP
YOU (YOUNGER PERSON)	TUM
I	MAI
HE, SHE, IT	VO, VCH
HERE	YAHAN
THERE	VAHAN
BOY, SON	LADKA
GIRL, DAUGHTER	LADKI
MAN	<del>ADAMI</del> AADMI
WOMAN	STRI
FATHER	PITA
MOTHER	MATA
SISTER	BAHAN

Contd../-

BROTHER	BHAI
CHILD	BACHCHA
CHILDREN	BACHCHE
GENTS	AADMI
LADIES	STRI
WATER	PANI
FOOD	KHANA
BANANA	KELA
ORANGE	SANTARA
APPLE	SEV
VEGETABLE	SABJI
SOUP	SOCP
DAY	DIN
NIGHT	RAT
YESTERDAY	KAL
TOMORROW	KAL
TODAY	AAJ
NEWSPAPER	AKHABAR
BREAKFAST	NASHTA
MEAL, LUNCH, DINNER	KHANA
<u>PHRASES</u>	
HOW ARE YOU	AAP KAISE HAIN

SEE YOU

PHIR MILENGE

WHAT IS THE PRICE

KITNE KA HAI

I WANT TO BUY

MUJHE KHARIDANA HAI

PLEASE COME

AIYE

PLEASE GO

JAIYE

NUMBERS --

ONE

EK

TWO

DO

THREE

TIN

FOUR

CHAR

FIVE

PANCH

SIX

CHHE

SEVEN

SAT

EIGHT

AATH

NINE

NAV

TEN

DAS

FIFTY

PACHAS

HUNDRED

SAU

THOUSAND

HAJAR

HUNDRED THOUSAND

LAKH



-4-

ONE MILLION

DAS LAKH

TEN MILLION

KAROD

NOTE : COMMON ENGLISH WORDS LIKE  
School, Station, Platform, Rail, Road,  
Bus, Car, Market, Biscuits, Toffee,  
Bread, Slice, Sugar, Salt etc. are  
understood by almost all Indians.

FIFTH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING MANAGEMENT  
OF AGRICULTURE CO-OPERATIVES IN ASIA - 90-91

MARKET INTERVENTION SCHEME THROUGH CO-OPERATIVES  
TO BENEFIT THE FARMERS - A CASE STUDY\*

India has emerged as one of the major grape producers. It is grown in seven States of the country, viz., Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh. The total estimated area under grapes is about 17,000 hec. with a total production of about 2.85 lakh tonnes. All-India average productivity is 16.39 tons. Andhra Pradesh has the highest productivity of 25 ton per hectare. However, the productivity in the northern belt, comprising of Haryana, Punjab and western Uttar Pradesh is comparatively low. The area under grape production in northern India is as under:

<u>State</u>	<u>Area in hec.</u>	<u>Production in tonnes</u>	<u>Productivity</u>
1. Haryana	2000	30000	15 per ton
2. Punjab	1610	17600	11 per ton
3. Western Uttar Pradesh	200	12000	5 per ton

Marketing:

The grape industry in Maharashtra and Karnataka is very well organised and most of the farmers market their produce directly and get remunerative prices. But, in the States of Haryana and Punjab, grapes are harvested during late May, June and due to excessive heat, grapes are prone to rapid deterioration. Besides, the quality of the grapes produced in Haryana & Punjab is not of high order, compared to the grapes grown in southern and western India. Grape crop in the above States being of short duration and the producers being afraid of untimely hail storms/rain, try to take maximum benefit by bringing their produce at the earliest for marketing purpose, which creates glut in consuming centres located

contd...2/-

\* ZILEY SINGH, Deptt. of Agri. & Coopn.  
Government of India.

(2)

generally, in the nearby areas only. Apart from this, the following are the main constraints in getting reasonable prices for grapes:-

- 1) Lack of cold storage facilities;
- 2) Lack of processing industry;
- 3) Lack of adequate marketing arrangements; and
- 4) Lack of wagons for safer transportation to consuming markets.

These lead the farmers at the mercy of middlemen, who exploit them the most. The producer usually gets a carry-on price of Re. 1 per Kg.

Need for market intervention:

Government of India, in the Ministry of Agriculture decided in consultation with the Government of Haryana/ Punjab and co-operatives to undertake market intervention operations for procurement of grapes in Haryana and Punjab during 1990 season to give a reasonable price to the farmers.

Procurement of grapes under market intervention scheme was felt essential in the States of Haryana and Punjab for the following reasons:-

- 1) High temperature at harvest period causing inenhancement in perishability of grapes;
- 2) Very short duration of harvesting season;
- 3) Competition from other fruits during the same season like mango, etc.;
- 4) Low productivity per hectare;
- 5) Small size of the grape yards; and
- 6) Unsuitability of the produce for raisin making and processing because of low content of Total Soluble Solids.

Government of India has decided to appoint National Agricultural Co-operative Marketing Federation of India Ltd. (NAFED) as the nodal agency for procurement of grapes at the rate of Rs.3 per Kg for Grade 'A' and Rs.2.50 for Grade 'B'. The scheme was operated between June 1st to

contd .. 3/-

(3)

July 15th, 1990. Profit & Loss in this venture were to be shared on 50-50 basis by the Central and State Governments. NAFED provided assistance to the State nominated agencies, i.e, Punjab Agro-Industries Corporation/Haryana Agro-Industries Corporation for marketing of grapes.

Market intervention programme and arrangements:

As earlier stated, two sets of State agencies were designated for implementation of market intervention scheme. First was the Central nodal agency, i.e, NAFED and the second was i) Haryana Agro-Industries Corporation; and (ii) Punjab Agro-Industries Corporation. The above two agencies operated through their own infrastructure and network. Taking advantage of the infrastructure available with these agencies, NAFED procured its share through them. NAFED, who undertook disposal of entire quantity procured under the scheme through its network available in different consuming centres of Delhi, Meerut, Agra, Mathura, Bareilly, Calcutt Bangalore, Madras, Hyderabad, etc., the purchases were made directly from the farmer growers at the prescribed rates at the designated centres.

The National Horticulture Board provided financial assistance for setting up of collection/grading/packing centres. The Railway authorities provided one parcel van daily from Hissar to Delhi with a capacity of 18-20 MTs.

Quality and grade specifications of grapes:

No specifications have so far been evolved for grapes either by Agriculture Directorate of Inspection or by Indian Standards Institution. However, in consultation with the organisations dealing with grapes, an attempt was made to create two grades, i.e, Grade 'A' & 'B'.

contd..4/-

(4)

The specifications are as under:-

Grade 'A':

- 1) Grape should be harvested riped;
- 2) Bunches should be free from disease, rotton, burst, dried out and immature fruits;
- 3) Bunches should be sound, free from any fungal attack, clean and free from trace and water;
- 4) Stem should not be mouldy;
- 5) Grape should be placed as uniformly as possible on the stalk and practically covered all over; and
- 6) Stalk should be green.

Grade 'B':

- 1) Grape should be harvested riped, but may contain 5% unripened fruits;
- 2) Bunches should be free from disease, rotton, burst, dried out by may contain 10-15% immature fruits;
- 3) Bunches should be sound, free from any fungal attack;
- 4) Stem should not be mouldy;
- 5) Grape should be spaced as uniformly as possible on the stalk and should practically cover atleast 70-75% on the stalk; and
- 6) Stalk may be greenish brown.

Packing:

Procured stock of grapes were graded and packed as per the grade specifications in two Kg/4 Kg C.F.B. cartons. To protect the produce during transit, necessary dunnage, i.e, wasterpaper was placed in the bottom and at the top of the cartons before packing.

Movement:

Movement of grapes was arranged by the State agencies and NAFED arranged to receive the stock at different destinations and disposed of at the open auction at the earliest possible.

contd..5/-

(5)

Finance & Accounts:

Nafed made advance payment directly to the State agencies and the respective State agencies were to maintain proper account duly audited by a Chartered Accountant.

Communication with the State agencies:

/field

The State agencies were to set up a Central/monitoring station with phone/telex facility, where all communications regarding dispatches, receipt of the stock its disposal, sale-proceeds, etc. should be communicated by NAFED on daily basis. NAFED deputed necessary/staff to supervise procurement/disposal arrangements. NAFED also monitored the procurement/disposal of grapes procured in the States of Haryana & Punjab and review meeting was regularly held in Delhi or Chandigarh or any other monitoring centre on weekly basis.

Publicity:

Market intervention scheme was given wide publicity through the media, i.e, local newspaper, Radio & TV and by way of distribution of hand-bills to the growers.

.....

The main problem was about the quality of grapes produced in Haryana & Punjab, which is neither fit for long storage nor suitable for raisin production nor wine production. Besides, the grapes were prone to rapid deterioration because of excessive heat during the harvesting period. The grapes grown in Haryana & Punjab have got limited market demand. There is hardly any consu preference for this variety of grapes because of lesser content of Total Soluble Solids(TSS) as compared to grapes grown in southern and western parts of India.

As per the arrangements made, procurement of grapes

contd.. 6/-

(6)

in Haryana was started from 1st June, 1990, whereas the operations in Punjab was started on 9th June. It is understood that the grapes in these two States were purchased upto June, 1990. The State designated agencies made the procurement, while the marketing arrangements were looked after by NAFED. The following quantity of grapes were procured in the two States:-

Name of the State	Quantity procured	Quantity in M.T.	
		Quantity received by NAFED for disposal	Quantity disposed of
Haryana	516	499	499
Punjab	294	219	219

NAFED obtained concessional freight rates from the Indian Airlines to air-lift the grapes from Delhi to all leading cities in the country and marketed grapes there.

Settlement of disputes:

All disputes and differences arising out of or in any way touching or concerning market intervention scheme, whatsoever, according to the arrangement, should be referred to the Joint Arbitration of the Managing Director of the State corporation and the Managing Director, NAFED. In case of difference between two or any point, the same should be referred to the mutually agreed umpire. The decision of the Joint Arbitration and the umpire would be the final and binding on both the parties.

Conclusion:

As anticipated, the grape growers benefitted from the operation of market intervention scheme inasmuch as the market price, which used to rule between Re.1 to Rs.1.50 per Kg at the farm level has gone upto

contd.. 7/-

(7)

Rs.2.50 to Rs.3.00 per Kg., in the assembly markets. Hitherto, there was no uniform packing so far for marketing of grapes and now with the introduction of corrugated fibre board cartons for grapes at subsidized rates from the National Horticulture Board, traders as well as consumers have become familiar with availability of grapes of Haryana and Punjab in two Kg. and four Kg. packs. The grapes grown in the northern part of India was not known to the consumers of Metropolitan cities and now this has been made available in retail in Delhi by NAFED in addition to the dispatches to far-plung cities in south.

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Regional Office for  
Asia & the Pacific

FIFTH ICA JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA  
1990 - 91

POINTS FOR GROUP DISCUSSION - 23rd October 90  
Afternoon

1. What are the characteristics of the Indian Agricultural Cooperative Movement?
2. What are the positive and negative factors you have identified in respect of effective services to members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in India?

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING  
THE OVERHEAD PROJECTOR.

## CHARACTERISTICS:

1. FAILURES — NEW STRUCTURES ARE ESTABLISHED
2. GOVT realize the IMPORTANCE of Cooperatives — 3 SECTOR ECO.
3. Financially the COOP ARE NOT SO strong due lower income 62% are poor
  - limited resources
  - partly owned — 70% of 640, members
  - 128,000 farmers
4. Integrated system
5. members participation — 100%
6. Independent participation
7. cooperative contributes 60% of Agri production
8. POOR members
9. ~~LANDS~~

## POSITIVE

1. 60% of total agri production are exported — cooperatives

positive (2) Group A

2. Importance of coop is recognized by farmer & authorities in term of rural development.

3. Systematic structures - linkages evident

1. National

2. Provincial

3. Municipal

4. Barrio-based - GRASS ROOTS

4. Own banks and marketing faci.

5. RICH NATURAL for cooperative potential

6. Offer high interest rate for deposits - 10% compare to other banks

7. Competive to commercial banks.

8. SOCIAL SERVICES are provided to members and non-member at 4%.

Group - A

P. 3

### NEGATIVE FACTORS:

1. Coops are <sup>composed of</sup> ~~just~~ members
2. Lack of capital - only 20% of members saved - 178,000 men
3. LACK of education, discipline & trainings
4. No training facilities by Coops
5. Processing facilities inadequate

### 3. RECOMMENDATIONS: given to

1. MORE FUNDS — Cooperatives
2. Improve management through continuous training & establishment of facilities under cooperatives
3. Following religiously Integrated Agricultural Cooperative Structural System
4. Foreign trade be initiated
5. Increase processing facilities.

GROUP - B.  
Date - 23.10.90 Paper - ①  
Country - INDIA

## 1) CHARACTERISTICS

1. Member-Ship Coverage - 17.87.
2. Link Structure - 4 stages.
3. Agri. Coop. are explained horizontally and vertically
4. Financial Activities and Social activities covered by cooperatives
5. Well Established net-work in all areas.
6. Women are also involved in coop. activities.

~~REMOVED~~

Be

2) POSITIVE FACTORS

1. Coop. are manufacture Fertilizer.
2. Marketing Intervention scheme through cooperatives.
3. Well-Organized Coop. Education and Training Programme.

NEGATIVE FACTORS

1. Coop. Financial Sector - more contributed from Govt.  
Less contribution members shares.
2. Agri. Credit movement over dues, in High No Re-payment in Time
3. Indian Coops. are almost one century old. But Presently covered 18% of the Total population

Group B

23/10/90 (3)  
India

SUGGESTIONS FOR  
IMPROVING

1. Improving Quality Control Circles.
2. Socio-Economic Development To encourage to give the more opportunities to the farmers.
3. Indian Agricultural Coop. Sect. should be introduced  
Pioneering Status awards and Incentive scheme for the Agricultural Farmers.

D

GROUP C  
Oct. 23, 1990

INDIAN COOPERATIVE CHARACTERISTICS:

1. CHARACTERIZED OF FOUR (4) DIFFERENT REGIONS / SEASON AND DIFFERENT PRODUCTIONS
2. PROVIDE COMPREHENSIVE SERVICES FOR STRENGTHENING AGRICULTURAL ECONOMY
3. MULTI-PURPOSE COOPERATIVES FOR IT SERVES ITS MEMBERS NEEDS, ORGANIZED, GIVE CREDITS AND ALSO MANUFACTURE FARMERS PRODUCED.
4. ENCOURAGED WOMEN TO PARTICIPATE IN THE ECONOMIC PROGRAM,
5. ESSENTIAL EDUCATION AND TRAINING FOR HEALTHY DEVELOPMENT OF COOPERATIVE MOVEMENT IN THE COUNTRY,
6. THE COOPERATIVES WAS WELL RECOGNIZED BY THE GOVERNMENT PROVIDING ALL NECESSARY FACILITIES.



) GROUP C 10-27-90  
POSITIVE FACTORS

1. AVAILABILITY OF QUALITY OF GOODS TO CONSUMERS AT REASONABLE PRICES.
2. FACILITATE IN THE MARKETING OF MEMBERS PRODUCE TO OTHER REGIONS AND EXPORT TO OTHER COUNTRIES.
3. WIDE NETWORK OF CONSUMERS CO-OPERATIVES.
4. SPECIALIZED IN THE PRODUCTION OF FARMERS PRODUCED (COTTON)
5. A WELL PLANNED APPROACH TOWARDS PROMOTION AND ORGANIZATION OF CO-OPERATIVES
6. INTEGRATED APPROACH TO THE DEVELOPMENT OF COOPERATIVES IN THE RURAL SECTOR
7. OPERATE AT DIFFERENT LEVELS WITH IN THE RESPECTIVE STRUCTURES

GROUP C

OCT. 23, 1990

NEGATIVE FACTORS

- 1) COOPERATIVE ACT ESTABLISH ACCORDINGLY TO THE STATE UNIFORMITY IN THE IMPLEMENTATION OF ACT ON DIFFERENT STATE
2. GROWTH IMBALANCES IN DIFFERENT SECTORS AND DIFFERENT REGIONS INHIBIT CO-OPERATIVES FROM DEVELOPMENT
3. SEPARATION OF COOPERATIVES FROM POLITICS

GROUP C  
Oct. 23, 1990

SUGGESTIONS FOR IMPROVEMENT

- 1) THE GOVERNMENT SHOULD GIVE MORE FUNDS ON THE AGRICULTURAL COOPERATIVE SECTORS AND GIVE LOW INTEREST RATES.
2. MAKE EFFORT FROM THE GOVERNMENT TO REMOVE THE REGIONAL IMBALANCES FOR INSTANCE TO PROVIDE PREFERENTIAL TREATMENT TO THE UNDER-DEVELOPED AREAS.
3. COOP MUST BE GOVERNED BY ONE ~~COUNTRY~~ PARLIAMENT ACT.  
CENTRAL

PREPARED BY:

GROUP C

**A CRITICAL EXAMINATION OF COOPERATIVE  
ORGANISATIONAL STRUCTURES AND  
MANAGEMENT PRACTICES AND PROBLEMS IN REPUBLIC OF KOREA**

PARTICIPANT KYU-HYUN, LEE

**NATIONAL LIVESTOCK COOPERATIVES FEDERATION  
REPUBLIC OF KOREA**

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## 1. PREFACE

It is known that over the last 20 years KOREA has achieved economic development through industrialization, backed by economic development plans of the Government. In the course of this unbalanced economic growth strategy, the agricultural sector fell behind advances in other industries.

The agricultural sector has experienced an annual growth rate of only 3.4%, while other industries have grown in excess of 13.5% over the last 20 years.

Agricultural production in KOREA accounts for only 11% of the GNP.

But, surprisingly 17% of the total population is still engaged in agriculture, so agriculture remains a very sensitive sector socially and politically, it also has a great effect on the Korean society.

With the wave of democratization in areas of politics, economy and society following the birth of the 6th Republic in 1988, the voice of Korean farmers grew and they are now demanding their fair share of the benefits from Korea's economic development as well as increased government support in the agricultural sector.

## 2. Present situation of agriculture in Korea

### A. Agricultural population

In the course of industrialization, a great deal of the rural population moved into urban area. However, 7 million farmers still rely on farming for their living.

#### Agricultural Population

(Table 1)

	Unit	75	80	87	88	Increase rate(%)		
						88/87	75-88	
Farm household	1,000 household	2,379	2,155	1,871	1,826	△ 2.4	△2.0	
Farm population	1,000 persons	13,244	10,827	7,771	7,272	△ 6.4	△4.5	
Farm population/ Total population	(%)	(37.5)	(28.4)	(18.7)	(17.3)	-	-	
Female population/ Farm population	(%)	(49.8)	(50.0)	(50.6)	(51.0)	-	-	
Farm population per household	person	5.57	5.02	4.15	3.98	△ 4.1	△ 2.6	
Farm population by age group	Under 19 20-49 Over 50	1,000 persons " "	6,760 4,212 2,272	4,914 3,701 2,212	2,876 2,515 2,380	2,572 2,306 2,394	△10.6 △ 8.3 0.6	△7.2 △4.5 0.4

Source : The Ministry of Agriculture, Forestry & Fisheries

### B. Poor farming structure

When compared to Japan, who accomplished their industrialization relatively earlier than Korea under similar circumstances, the agriculture structure in Korea has more disadvantages and fragility. In other words, the arable land area per farm household shows 1.1 ha, slightly less than the 1.2 ha in Japan, but the arable land area per cultivating farmer remains at a small scale, less than 0.6 ha-about half the level of Japan-because of an insufficient foundation in the non-agricultural sectors.

## Area of Cultivated Land

(Table 2)

(Unit : 1,000 ha)

	75	80	85	86	87	88
Total area	9,881	9,899	9,914	9,917	9,922	9,924
(Cultivated area)	2,240	2,196	2,144	2,141	2,143	2,138
(Rice field)	(1,277)	(1,307)	(1,325)	(1,329)	(1,352)	(1,358)
(Upland)	(963)	(889)	(819)	(812)	(792)	(780)
Area per farm household(ha)	0.94	1.02	1.11	1.12	1.15	1.17
Land utilization rate(%)	140.4	125.3	120.4	119.9	120.0	118.0

Note) 1 ha = 10,000 sq. meters

Source : The Ministry of Agriculture, Forestry & Fisheries

### C. Farm income

Korean farmers are far more dependent on agricultural source income than any other sector, compared with that of Taiwan and Japan.

In Korea, 62% of farmers' income comes from agriculture. This is compared with 18% in Japan and 36% in Taiwan. The major portion of a farmers' income in these two nations comes from non-agricultural sources.

\* The comparison of income source

(Table 3)

	Agricultural Income	Non-agricultural Income
Korea	62 %	38 %
Japan	18 %	82 %
Taiwan	36 %	64 %

- source : MAFF of Korea (1988)



D. Less developed agriculture

Korea's economic growth has been mainly led by the industrial sectors. The agricultural sector is far less developed than that of industrial ones, and its economic growth rate per year is just 1/5 that of industrial sectors.

This shows that the positive and intensive investment of our Government for the development of agriculture has not been sufficient. As a result, Korean farmers put up with hardships from economic disadvantages which were caused by unbalanced economic growth among sectors.

\* The comparison of economic growth rate

(Table 4)

	First half of 1970's	Latter half of 1970's	First half of 1980's	Latter half of 1980's
Agriculture	3.6 %	3.1 %	2.6 %	3.5 %
Non-Agriculture	17.2 %	16.9 %	6.8 %	15.1 %

- source : BANK OF KOREA (1989)

### 3. Present situation of livestock industry in Korea

0 Korea's livestock industry has recorded continuous growth thanks to the increasing demand for livestock products amidst an expanding national economy and policies aimed at improving the health of the citizens and the farmers' income. Considered a part-time occupation in the 1960s and 1970s, the number of livestock farms has recently diminished, while the head of livestock has augmented, thereby making it a full-time occupation. Accordingly, the per capita consumption of livestock products is growing year by year.

(Table 5)

Item	year	1970(A)	1988(B)	1989(C)	C/A(%)
<b>The Head of Livestock</b> (Thousand Head)					
-Korean Native Cattle		1,284	1,559	1,536	120
-Dairy Cattle		24	480	515	2,146
-Hog		1,126	4,852	4,801	426
-Broiler		23,633	58,467	61,689	261
<b>The Number of Livestock Farmers</b> (Thousand Households)					
-Korean Native Cattle		1,101	702	654	59
-Dairy Cattle		3	36	36	1,200
-Hog		884	261	198	22
-Broiler		1,338	194	145	11
<b>The Supply of Livestock Products</b> (Thousand M/T)					
-Beef		39	146	144	369
-Pork		83	433	485	584
-Chicken Meat		45	149	155	344
-Milk		50	1,682	1,792	3,584

0 Poor farm households with herds of one or two head of cattle occupy 81% of total farm households, this fragile industry is extremely vulnerable to the slightest fluctuation in cattle price and is bound to incur unfavorable prospects with a sudden flooding of foreign beef imports.

\* The raising households by size (Korean native cattle)

(Table 6)

	Total (thousand)	The size of raising			
		1-2heads	3-9 heads	10-49heads	Over 50heads
Number of household	654	527	108	18	1
Composition	100%	80.6%	16.5%	2.8%	0.2%

Source : MAFF (1989)

- 0 The 1980's have witnessed an ever improving standard of living in Korea. This has resulted in a change in the eating habits of Koreans, from a largely vegetarian diet dependent on rice to a higher protein content diet.
- 0 Demand for livestock products and fruits has shown a remarkable increase, while grain consumption including rice is decreasing. We expect this will continue unless there is a radical economic setback in the near future.
- 0 In spite of an increasing demand for beef, it is anticipated that domestic productions is not likely to satisfy domestic requirements. Therefore the increase of beef imports is a simple matter of complying with the increasing demand.

The prospect for demand and consumption of livestock products (per capita)

(Table 7)

	(Kg)			
	1971	1981	1991	2001
Meat	6.4	10.2	17.6	24.7
-Beef	1.5	2.4	4.3	6.4
-Pork	3.4	5.4	8.7	11.6
-Chicken	1.5	2.4	4.5	6.7
Egg	3.2	5.4	10.8	16.1
Milk	2.2	14.4	32.0	54.4

- Source : KREI of Korea (1988)

## 4. Major problems of agriculture and livestock industry

### A. Income discrepancy between rural and urban population

In 1988, the per capita real income of farm household was 1,874 thousand won, which is equal to no more than 69.5% of that of the urban worker household. The income discrepancy is considered to be a result of the relatively low productivity in agriculture and the large share of agricultural income in farm household income.

Comparison of per capita Real Income

(Table 8)	(Unit: thousand won)						
	70	75	80	85	86	87	88
Per capita real income of farm household (A)	412	620	785	1,298	1,406	1,558	1,874
Per capita real income of urban worker household(B)	454	520	1,266	1,777	1,931	2,327	2,695
A/B(%)	90.7	119.2	62.0	73.0	72.8	67.0	69.5

### B. Small livestock farm structure

As of the end of 1989 about 654 thousand farm households raised cattle, with most of them being small holders to the extent that 81% of them raised under 2 head and 97% of them under 10 head of cattle. Meanwhile, the large scale farms raising over 50 head of cattle with a reasonable area of pasture and fodder crop field represented only 887 farms, or 0.2% of total cattle raising farm households.

### C. Fiscal deficit under the dual price system

The dual price system for staple crops was introduced in the late 1960s to improve the nation's heavy dependence on imports for staple crops and to rectify the inequality between the agriculture and manufacturing sectors. The system contributed to the increase of agricultural output and farm household income by substantially raising farmers' selling prices. However, from the long-term point of view, it has adversely affected the nation's economy, causing the accumulation of a huge fiscal deficit and an increase in the money supply to pay for the deficit. As of the end of 1988, the fiscal deficit totaled as much as 3,294 billion won. Long-term borrowing to pay for the deficit accounted for about 20-30% of the increase in the money supply during the 1980s. Therefore, the dual price system has had the effect both of stabilizing prices by keeping consumer prices down, while at the same time promoting inflation through the increase of the money supply.

D. Pressure for the opening of the domestic market

Industrialized countries, including the U.S.A., have been pressing for the opening of the domestic market. As of the end of 1988, the nation's import liberalization rate was 94.7% with the import of 547 items restricted. Agricultural goods accounted for 93.6% of all restricted items and the livestock sector is not expected to survive free competition from abroad. In general, domestic prices of livestock goods are more expensive than those of international market. Thus, the import of cheaper livestock goods would certainly reduce domestic output, which in turn would cause a reduction of income and employment in rural areas, accelerating the 'rural exodus' phenomenon. Presently, however, a large unemployed farm population would seriously aggravate the problem of urban poverty and strengthen social and political unrest.

## 5. The role played by NLCF's business planning and activities

### A. Guidance and extension services

- In order to improve the socio-economic status of the member farmers and foster service-oriented cooperative in 1989, the NLCF set out basic operation guidelines aiming at :  
First, democratization of the organization of cooperatives :  
Second, protection of the livestock industry and improvement of productivity ; Third, modernization of marketing and optimum remuneration for livestock farmers.
- NLCF is endeavouring to expand and consolidate the organizational basis of cooperatives and to induce the active participation of livestock farmers in the activities of livestock cooperatives.
- NLCF put an emphasis on management guidance for cooperatives to strengthen their financial structure and management stability. It has channelled 10,530 million won as a relief fund for 97 cooperatives in 1989.
- To enhance the managerial skills with on-the-job training and to strengthen the management of cooperatives, NLCF has educated and trained the staffs of NLCF, the employees of member cooperatives and member farmers. In 1989 the total number of 401,423 were educated and trained in the Comprehensive Animal Husbandry Training Institute of NLCF.

### Enlarged Organization

(Table 9)

(As of the end of year)

Year	1980	1981	1988	1989	growth rate(%) compared to 1988	growth rate(%) compared to 1980
Classification						
No. of Cooperatives	100	108	161	168	104	168
NO. of Livestock Farmers Unions	-	167	1,593	1,684	106	-
No. of Member Farmers	28,000	45,000	202,000	224,000	111	800

## B. Livestock promotion projects

Livestock promotion projects is intended to contribute to livestock farmer's income by improving livestock breeding and disseminating superior-quality livestock through such programmes as artificial insemination, producing and supplying of semen, procuring of breeding bull and training of breeding specialists.

- To improve the genetic quality of Korean native cattle, purebred Korean native cattle breeding programme is being carried out. In 1989 we are now counting 64 pastures and 31,000-odd bulls for the operation of this programme.
- NLCF is operating twelve Dairy Cow Breeding Centers as of the end of 1989. It is testing milk producing capacity of each dairy cow and weeding out low-capacity cow to improve the breed and better manage the breeding farms.
- Integrated hog production programme is conducted to stabilize the domestic hog production through the planned production and marketing and also to improve the quality of pork by producing triple hybrid hogs. As of the end of 1989, 22 cooperatives are listed.
- NLCF is timely providing news magazines on animal husbandry to breeders and consulting them on technology and management by telephone, correspondence and personal visits.

## C. Marketing business

In order to raise the income of livestock farmers and meet the demand and taste of consumers by improving marketing channels and modernizing the processing facilities, NLCF is implementing such projects as the meat marketing centers, the egg marketing centers, the local marketing centers as well as the integrated meat processing center.

## D. Purchasing and sale business

The purchasing business of NLCF aims at increasing member farmer's income by assisting their efficient production by reducing farm management costs, eliminating intermediated margins and rationalizing farm management with various productive materials of good quality provided at reasonable price.

Member cooperatives and NLCF are dealing with imported feed grains, mixed feed, production apparatus and other materials. Among NLCF's dealing materials, mixed feed plays the most important role. NLCF, in 1989, imported 1,762,000 M/T of feed grains and produced 2,289,000 M/T of mixed feed with NLCF's 8 feed mills and member cooperatives' 11 operating.

## E. Banking business

- NLCF's banking business focuses on the increase of deposits amounts to facilitate livestock financing. Since banking business started in 1983, it has been growing year by year. Banking business is classified into two categories. One is NLCF's banking business and the other is cooperatives' one of mutual credit business.
- The general banking business of NLCF is aimed at absorbing idle money in urban areas as deposits and channelling them to member cooperatives and other livestock breeders for financing. NLCF's basic operations such as savings and installment deposits, credits, trust and domestic/foreign exchange are the same as those of commercial banks. As of the end of 1989, NLCF has 40 banking branches and savings reached 328.3 billion won in total.
- Livestock cooperatives' mutual credit business is to handle savings and installment deposits, domestic exchange and credit business to finance stock breeders and general clients. As of the end of 1989, 367 branches of 158 cooperatives out of 168 have recorded 105.58 billion won as mutual credit deposits.
- NLCF is in operation of international banking business. The main services rendered by NLCF's International Banking Department are : overseas remittance and collection, sales of foreign currencies, notification and transfer of L/Cs, purchase of export draft, opening of import L/C, delivery of shipping documents, issuing of letter of guarantee, etc. As of the middle of 1990, NLCF has signed correspondent contracts with 390 foreign banks including seven in socialist countries.

## F. Research and survey

- NLCF, through its research, survey and forecast activities, collects and analyzes statistics and information concerning prices of livestock products, production cost trends in breeding, feed supply and overseas livestock situation. By distributing the data to the government bodies concerned, to academic circles and member farmers, it is contributing to policy decision and consensus among livestock farmers.



## Major Economic Indicators

(Table 10)

	1987	1988	1989 <sup>*</sup>
GNP (US\$ billion)	128	169	204
per Capita GNP (US\$)	3,098	4,040	4,830
Economic Growth Rate (%)			
GNP	12.8	12.2	6.5
Agriculture, Forestry and Fisheries	-6.8	8.0	-1.6
Mining & Manufacturing	17.7	13.4	3.8
Construction, Electricity, Gas & Water Services	12.6	9.5	14.6
Unemployment Rate (%)	3.1	2.6	2.7
Inflation (% , average annual)			
Wholesale Prices	0.5	2.7	1.5
Consumer Prices	3.0	7.1	5.7
Prices Received by Farmers	4.9	12.6	5.6
Prices Paid by Farmers	1.7	7.9	8.7
Balance of Payments (US\$ million)			
Current Balance	9,854	14,161	5,103
Exports	46,244	59,648	61,281
Imports	38,585	48,203	56,766
Agricultural Production (1,000 M/T)			
Grain	6,813	7,229	7,160
Rice	5,607	5,493	5,898
Farm Population (1,000 persons)	7,771	7,272	6,786
Farm Household (1,000 each)	1,871	1,826	1,772

\* estimated

Native Cattle	Beef Cattle		Dairy Cattle		pig	Chicken		Rabbit		Duck	Turkey	
	Households	Head	Households	Head		Households	Head	Households	Head			
1 132 495	1 289 695	414	1 139	1 478	8 471	1 457 309	1 297 649	14 007 723	248 962	908 320	232 619	657
1 097 214	1 242 648	1 307	2 132	1 818	10 360	1 296 109	1 292 942	17 079 169	240 987	833 298	13 997	527
1 029 389	1 193 457	1 669	3 301	2 145	13 760	1 395 685	1 258 794	25 967 810	166 097	650 585	14 047	568
1 023 420	1 202 335	1 606	3 948	2 322	18 820	1 990 973	1 199 378	22 651 393	155 647	489 022	13 739	587
1 101 448	1 283 646	838	2 738	3 126	23 624	1 338 487	1 338 481	23 632 717	194 159	...	...	...
1 048 236	1 247 061	825	2 865	3 270	30 009	1 332 513	1 109 909	26 903 054	139 141	363 558	22 232	251 969
1 106 289	1 333 353	1 171	4 868	3 788	36 128	1 247 637	1 044 843	24 537 353	159 473	421 220	27 382	224 317
1 189 975	1 486 188	1 485	6 964	5 488	52 424	1 594 718	1 004 130	23 070 981	200 741	586 961	44 527	483 117
1 358 346	1 777 711	961	7 449	7 378	73 195	1 818 338	1 001 885	18 814 204	274 919	848 394	59 864	491 378
1 274 680	1 545 832	2 055	9 979	9 415	85 542	1 247 181	1 094 464	20 939 732	282 267	841 518	63 722	489 838
1 193 258	1 451 486	2 450	12 107	10 174	89 688	1 952 627	1 236 771	26 325 190	276 889	919 640	77 283	564 210
1 169 349	1 492 036	3 931	16 454	13 933	109 245	1 481 989	1 178 762	30 224 309	289 325	1 047 495	85 799	543 361
1 169 784	1 624 301	6 081	16 387	16 387	135 803	1 719 384	1 172 054	40 753 249	265 644	1 042 308	86 872	559 819
1 082 483	1 562 591	9 984	36 189	17 170	183 299	2 843 163	923 098	41 120 522	212 223	816 708	79 259	483 895
998 933	1 389 648	8 259	37 552	22 122	208 851	1 783 536	692 219	40 129 924	135 761	548 548	66 686	403 882
851 418	1 283 194	6 832	28 531	18 229	194 205	1 831 518	628 330	42 999 172	109 811	522 994	54 604	388 283
895 827	1 526 644	...	...	22 536	228 248	2 183 159	618 463	46 591 640	126 308	601 754	66 151	507 600
971 152	1 940 142	...	...	28 537	274 783	3 646 965	538 369	49 239 436	114 198	553 912	59 797	445 691
1 036 806	2 317 692	...	...	37 646	334 352	2 956 089	367 004	46 483 161	86 766	511 025	43 881	336 239
1 047 573	2 553 449	...	...	43 760	390 135	2 852 799	302 775	51 081 237	63 521	628 192	32 308	688 988
990 720	2 370 011	...	...	42 728	437 333	3 347 350	281 736	56 094 807	39 394	670 240	30 570	826 665
854 269	1 923 121	...	...	38 131	463 330	4 281 315	268 704	59 323 977	29 983	653 601	23 683	695 912
701 755	1 558 952	...	...	35 713	480 239	5 852 041	194 047	68 468 986	22 645	248 479	14 638	802 358
654 040	1 536 060	...	...	36 040	515 178	4 801 104	144 678	61 688 821	17 081	165 739	13 223	606 316

Apiculture	Sheep		Goat		Deer		Horse		Goose		Dog	
	Households	Hives	Households	Head	Households	Head	Households	Head	Households	Head	Households	Head
35 902	130 802	87	1 637	161 308	36	450	15 230	27 675	4 724	9 892	648 896	701 744
34 461	126 713	88	1 604	85 346	45	487	13 088	24 951	4 325	8 847	558 498	613 731
28 444	124 555	421	2 197	109 279	76	618	11 140	19 945	4 874	9 757	669 483	756 193
26 086	111 817	456	2 465	55 009	79	716	10 278	17 638	5 480	10 872	716 414	811 564
25 814	...	3 430	7 282	72 831	...	...	...	...	...	...	...	...
21 352	99 865	457	2 988	70 410	98	1 004	8 326	12 893	5 350	10 587	1 086 599	1 284 700
22 589	105 271	288	3 609	83 178	136	1 395	7 387	10 813	5 130	10 324	1 273 510	1 483 736
26 086	125 383	309	3 750	108 539	206	1 946	6 706	10 338	4 742	9 670	1 315 327	1 526 819
34 283	157 819	567	4 582	144 980	294	2 817	6 445	10 320	5 090	10 714	1 170 507	1 367 537
33 128	150 955	352	5 799	149 036	389	3 677	5 793	9 042	4 681	10 046	1 252 668	1 433 168
30 083	159 354	355	6 810	142 751	447	4 460	5 421	8 334	3 853	8 090	1 157 606	1 331 237
33 348	181 465	408	6 974	129 907	694	5 266	4 489	6 847	3 486	8 756	1 310 139	1 510 139
37 474	238 356	566	7 900	135 557	780	6 376	3 196	5 696	3 032	6 925	1 190 323	1 451 932
38 786	260 102	663	8 181	118 094	887	7 101	2 894	4 641	2 502	6 361	1 199 945	1 546 947
30 873	244 764	557	6 233	107 994	1 032	8 726	2 153	3 894	2 063	4 776	1 208 855	1 508 865
38 128	314 694	243	4 010	98 680	1 430	11 113	1 714	3 461	2 122	4 923	1 101 416	1 349 694
51 875	395 307	171	4 282	106 227	1 836	14 014	1 311	3 082	1 335	3 606	1 003 903	1 355 439
54 504	443 853	273	6 152	118 730	2 161	16 664	1 053	2 906	1 496	4 230	1 001 224	1 316 814
53 179	451 334	199	4 651	124 039	2 431	19 183	759	2 993	1 098	2 568	870 854	1 272 074
51 479	467 062	216	4 901	118 133	2 646	22 712	639	3 009	1 195	3 658	801 447	1 002 650
52 667	520 962	179	4 288	91 060	3 017	27 075	535	2 894	1 350	3 465	824 744	1 091 536
48 961	534 391	75	3 261	66 899	3 380	31 314	484	3 051	1 210	3 795	910 427	1 392 826
49 030	584 443	51	3 321	47 698	3 937	37 514	438	3 558	795	2 218	1 012 992	1 913 681
52 555	636 094	50	3 410	44 077	4 822	45 378	430	4 560	649	2 316	1 057 852	2 010 288

< CASE STUDY >

## YESAN APPLE COOPERATIVE

By KIE-YUP SHIN

Economist

Research Department

National Agricultural Cooperative Federation

Republic of Korea

# 1. Brief History

The Yesan Apple Cooperative is located at Yesan County of Chungnam Province, around the 110 km south of Seoul. The Cooperative was established as a special agricultural cooperative.

The following is a brief history of the Yesan Apple Cooperative.

- December 1941 Established the former Yesan Fruits cooperative
  
- May 1958 Disassembled the former Cooperative, and launched the Yesan Apple Cooperative under the newly promulgated Agricultural Cooperative Law
  
- November 1972 Explored market abroad to export apples of Kukkwang variety to Taiwan
  
- January 1982 Started to export apples of Fuji variety to Taiwan
  
- October 1983 Sponsored the first Yesan Apple Festival
  
- February 1984 Exported 30 thousand and 20 thousand boxes of apples, Fuji and Kukkwang variety respectively to Taiwan.
  
- December 1986 Received the award of the most successful cooperative of the year 1986
  
- December 1987 Entitled the advanced cooperative  
  
Established the Collection Center and Warehouse
  
- August 1988 Opened the present office building and Farmers Hall
  
- September 1989 Started the banking business

## 2. General Status

### A. Arable Land and Population

The arable land of Yesan County totals 20,752 ha, composed of 13,139 ha or 63.3 % of paddy field, 5,892 ha or 28.4 % of upland and 1,721 ha or 8.3 % of apple orchard.

The total household of the operational area was 28,817. Farm households stood at 19,338 and orchard farming households stood at 1,463 as of the end of 1989. Out of the total orchard farming households, 1,100 households can be affiliated with the apple cooperative, therefore 75.8 percent (834 households) of orchard farming households are members of the cooperative.

#### Arable Land and Household

(Unit: ha, No. %)

Total arable land	20,752	100
Paddy field	13,139	63.3
Upland	5,892	28.4
Orchard	1,721	8.3
<hr/>		
Total household	28,817	100
Farm household	19,330	67.1
Apple farming household	1,463	32.9
Member farm household	834	5.1
Non-farm household	9,487	2.9

### 3. Organizational Structure

The organization of the Yesan Apple Cooperative is divided into policy-making and management organization. As the policy-making organization, the General Meeting, the Representative Meeting, Board of Directors and the Auditors.

The president is responsible for all the matters concerned to the management and represents the Cooperative. As shown in the following table, the line-up of the Cooperative comprises 1 president, 8 directors, 2 auditors and 71 representatives.

As the management organization, there are one general manager, three managers at guidance, banking, planning, economic, and women business section and 3 clerks. The number of personnel who is employed by the cooperative totaled 20 persons as of the end of 1989.

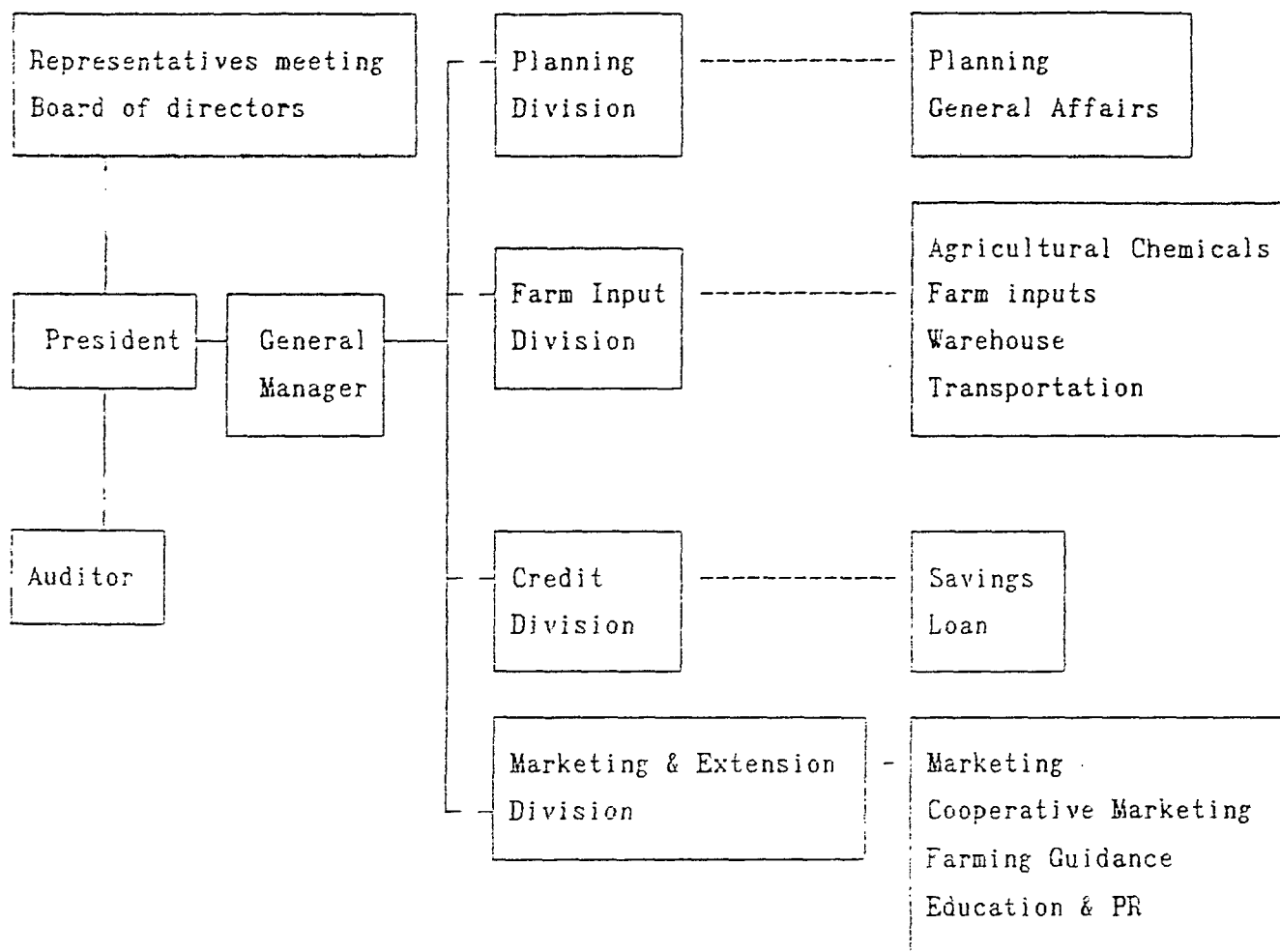
In addition, the grass-root cooperative groups are organized on the basis of farming fields for the purpose of joint work and shipment among members.

#### Staff & Personnel

Staff		Personnel	
President	1	General Manager	1
		Manager	3
Board of Directors	8	Clerk	3
		Assistant Clerk	7
Auditor	2	Others	6
Total	11	Total	20



Organizational Chart



#### 4. Major Business Facilities

In order to extend maximized service to member farmers, the Yesan Apple Cooperative operates diversified facilities including warehouse, sorting center, transportation equipments and marketing centers.

Business Facilities

(Unit: No., m<sup>2</sup>)

Classification	Number	Scale
Main Office Building	1	536
Warehouse	1	166
Collection Center	2	495
Coffing Stroage	1	330
Other Building	1	198
Vehicle	3	Sedan: 1 Truck: 2
Autobycle	4	



## 5. Business Performance in 1989

Since 1984, the business volume of the cooperative has been sharply growing largely due to the increased marketing business and the newly launched credit & banking business.

### Major Business Performance

(in million won)

Classification		1980	1985	1989
Marketing		359	909	1,157
Purchasing		781	1,167	1,652
Others		7	7	10
Savings		-	-	2,014
Loans		-	-	2,654
Total		1,147	2,082	7,487
Gross Profit		53	103	166
Net Profit		7	10	22
Dividend	Investment			15
	Patronage	4	4	7

## 6. Problem

Apple is the main source of farmers' income in the region of Yesan.

The amount of apple marketed through the cooperative is increasing year by year as follows:

Year	Amount(Metric Ton)
1985	1,330
1986	1,500
1987	1,650
1988	1,820
1989	1,970

The Cooperative has an old storage facility of 330 square meter which was constructed in 1978.

The Cooperative intends to construct a new apple storage facility so that the farmers get the marketing income through all-season marketing of the apple.

The available data concerned are as follows:  
The storage capacity per 100 square meter is 450 box (a box equivalent to 15Kg).

Expenditure and Revenue from Storage per 100 box in 1989:

Expenditure	Revenue
400 thousand Won	520 thousand Won

Cost for Construction of Storage Facility:

- \* Land Price: 1,500 thousand Won per 100 square meter
- \* Construction Cost: 3 million Won per 100 square meter

Available Source and Cost of Investment Fund:

- \* Mutual Credit: 1 billion Won  
( Imputed Interest Rate: 14.0 percent per annum )
- \* Borrowing from NACF: 200 million Won  
( Interest Rate: 12.5 percent per annum )

The accumulative share of member farmers amounts to 186 million Won in 1989.

Seasonal Weight of Marketing Volume and Price Fluctuation  
of Apple ( in 1988 )

Month	Weight	Price per a Box of 15Kg
Jan	7.9	12,305
Feb	8.8	13,934
Mar	7.4	15,072
Apr	7.3	16,852
May	-	-
Jun	-	-
Jul	0.2	-
Aug	0.8	-
Sep	8.7	-
Oct	15.9	10,435
Nov	20.6	10,194
Dec	22.4	10,384
Total(Average)	100.0	12,263

# Case Study of ICA/JAPAN Training Course

– Seoul Livestock Cooperative –

by

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Manager

International Banking Dept.

**NATIONAL LIVESTOCK COOPERATIVES FEDERATION  
SEOUL, REPUBLIC OF KOREA**

# C O N T E N T S

## 1. Brief History

## 2 Business Activities

- A. Purchasing Business
- B. Feed Mill Operation
- C. Marketing Business
- D. Credit Business
- E. Guidance Business

## 3. Problems

- A. More Investment in feed Mill
- B. Lack of Nation On-Line Network in Credit Business
- C. Lack of Adequated Management Abilities

## 1. Brief History

Seoul Livestock Cooperative (SLC) is located in west district of seoul. SLC was established on OCT 4, 1957, when SLC become a member of National Agricultural Cooperative Federation (NACF).

But with the foundation of the National Livestock Cooperatives Federation (NLCF) on Jan, 1981, SLC accordingly become a member of NLCF.

To distribute mixed feed to be cheap and good quality for member farmers, SLC installed feed mill in 1973 which could produce 130 M/T of mixed feed per day and to provide member farmers with livestock funds, SLC began mutual credit business in 1985.

## 2. Business Activities

### A. Purchasing Business

The purchasing business of SLC aims at increasing farmer's income with assisting their efficient production through decreasing the production costs by elimination intermediated margins of merchants.

So SLC provides various materials of good quality at reasonable prices.

SLC have eight branch offices and each branch office possesses one chain store respectively.

### B. Feed mill Operation

The major ways undertaking feed business can be divided into two categories.

One is the processing business to produce mixed feed with imported grains and other materials.

The other is the purchasing business to distribute mixed feed for livestock farmers.

When SLC is requested to supply mixed feed by farmer, SLC transports the feeds to farmers house in time.

As the end of 1989, SLC produced 64,164 M/T of mixed feed, which increased 13,843 M/T compared with that of 1985.

As a result of the annual growth of feed production, the total business volume of SLC has greatly increased.

#### C. Marketing

Livestock market has been continuously improved to facilitate farmer's utilization.

SLC provides farmers with the marketing information on prices and trade volumes etc.

Also SLC helps farmers make the accurate decision on cattle trading and prices at reasonable level.

Therefore livestock market has an important role to farmer's income.

#### D. Credit Business

As it has been stated previously, SLC has carried out mutual credit business for mutual financing of livestock farmers since 1985.

The mutual credit business of SLC is in competition with other financing agency such as city banks, post offices, credit unions etc.

Therefore, there are so many difficulties in attracting a deposit.

But as a result which SLC makes efforts to collect fund for livestock industry.

The mutual credit recorded the deposit amount of 60,556 million won in Aug, 1990, which increased 23,576 million won (64%) compared with that of 1989.

Member farmers are borrowing livestock fund from the SLC.

As a result the share of private money market was decreased gradually.

This means the mutual credit business is playing a vital role of financing in the farming communities.

#### E. Guidance and Training

The SLC is providing guidance and training services for the member farmers. SLC puts great emphasis on guidance business because the business is regarded as the principle of cooperative.

There are so many services such as

- Inspiring the spirits of new village movement.
- Fostering the future farm leaders.
- Advising livestock farmers on tax affairs.
- Training and Educating member farmers.
- Operating model livestock farmer's union.
- Providing free medical treatment and technical education on management and feeding.

The video-visual materials are used for education of farmers in order to raise effect of education.

#### Problems

##### A. More investment in feed mill

In order to increase feed supply and to improve the quality of mixed feed, SLC daringly has to make more investment in feed mill.

Therefore SLC positively has to meet varied needs of farmers through developing and supplying various feeds such as pellet type, scramble type and so forth.

At present, SLC can produce 130 M/T of mixed feed per day.



B. Lack of nationwide on-line network in credit business

Even if the deposit amount of SLC was sharply increased, SLC has difficulties in attracting more deposit due to lack of nationwide on-line network in credit business.

Now, SLC is not able to send and receive money through on-line network.

C. Lack of adequate management abilities

With the wave of democratization in areas of politics, the voices of Korean farmers have grown.

Also, with amendment of the livestock cooperatives ACT on Jan, 1989, SLC underwent a lot of change.

Especially, the president of SLC was elected by direct vote of member farmers and SLC obtained a considerable autonomy in the management of cooperative.

But in spite of obtaining autonomy and extending business, SLC has lots of difficulties in overcoming these changes because of lack of adequate management abilities.

TABLE 1. ORGANIZATION CHART

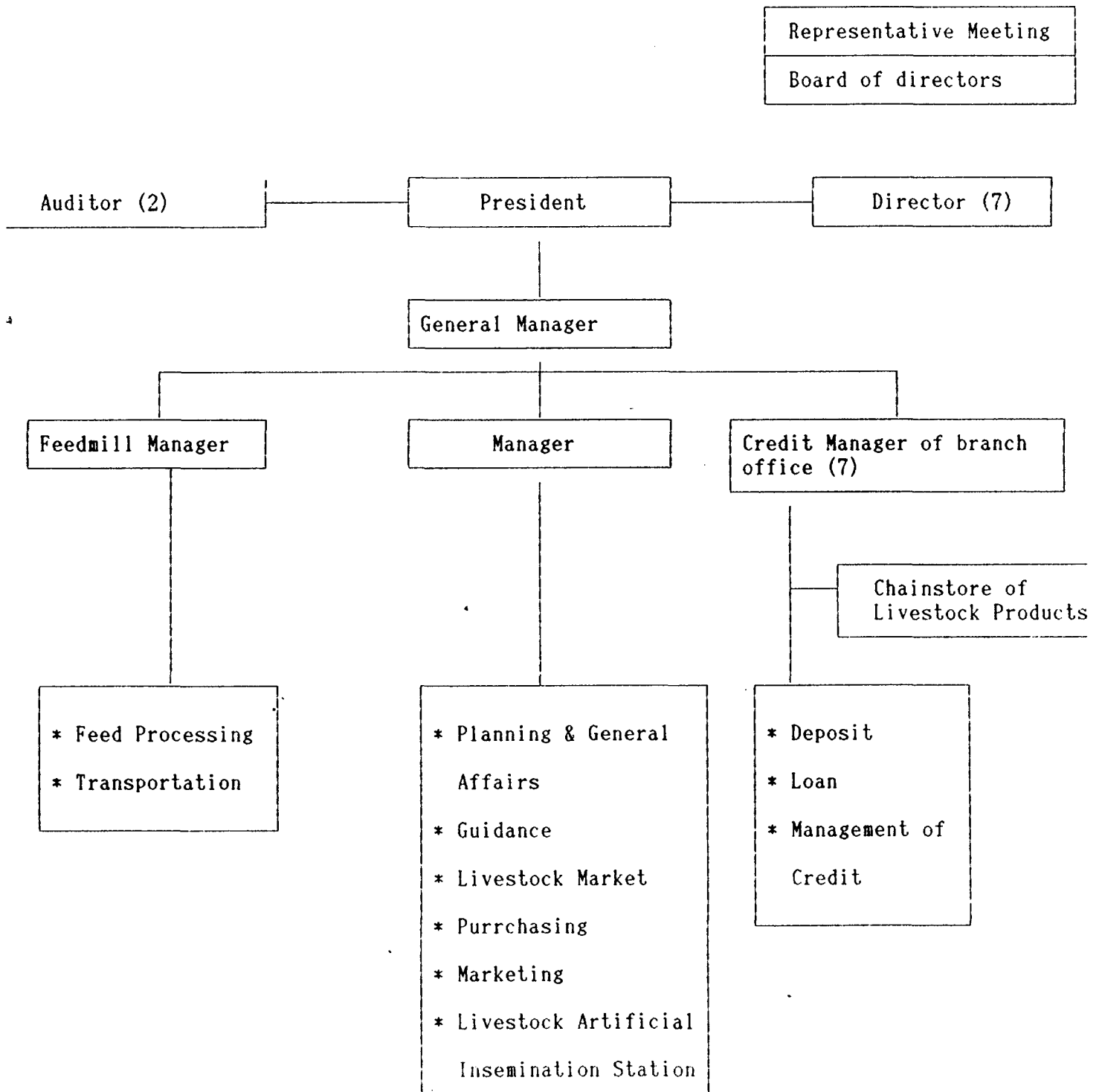


TABLE 2. GROWTH OF THE SLC

	Unit	1981	1983	1985	1987	1988	1989	1990.6
Membership	Person	255	318	314	481	551	556	587
Working Staff	"	41	42	52	109	127	150	171
Capital investment	Million Won	114	179	352	642	663	736	800
Fixed assets	"	894	1,165	1,234	2,279	3,178	3,557	6,367
Business Volume	Billion Won	8	11	11	22	40	76	123
Net income	Million Won	24	214	167	97	93	759	1,072
Feed Production	M/T	43,404	57,257	50,330	71,170	65,708	63,925	41,418

TABLE 3

## CONDENSED BALANCE SHEET

Dec 31, 1989.

(In Million of Won)

1. Assets	
Credit & Banking	
Cash and Due from Bank	8,690
Loans Receivable	27,516
Inter-Office Settlement A/C	1,351
Other Assets	101
Non Banking Business	
Securities	3
Accounts Receivable	1,757
Inventories	447
Other Assets	313
Fixed Assets	3,560
<b>Total Assets</b>	<b>43,738</b>
2. Liabilities	
Credit & Banking	
Deposits	36,981
Borrowed Money	1,451
Other Liabilities	507
Non-Banking Business	
Accounts Payable	786
Other Liabilities	1,304
<b>Total Liabilities</b>	<b>41,029</b>
3. Capital Funds	
Capital	831
Reserve & Surplus	1,119
Undivided Profits	759
<b>Total Liabilities &amp; Funds</b>	<b>43,738</b>

TABLE 4

## CONDENSED STATEMENT OF INCOME

(In Million of Won)

	Jan. 1, 1989 Dec. 31, 1989
1. Operating Revenue	14,956
Credit & Banking	3,397
Interest on Loans	3,389
Other Income	8
Non-Banking Business	11,559
Sales	11,559
2. Operating Expenses	13,728
Credit & Banking	2,599
Interest Deposits	1,969
Interest on Borrowings	451
Other Expenses	179
Non-Banking Business	11,129
Sales Cost	11,129
3. General & Administrative Expenses	1,298
4. Operating Income	470
5. Non-Operating & Special Revenue	973
6. Non-Operating & Special Expenses	4
7. Profit before Tax	899
8. Income Taxes	140
9. Net Income	759

**BY-LAW  
OF  
SEOUL LIVESTOCK COOPERATIVE**

(EXTRACT)

**NATIONAL LIVESTOCK COOPERATIVES FEDERATION  
SEOUL, REPUBLIC OF KOREA**

# By - Law of Seoul Livestock Cooperatives

## 1. Establishment and title

This cooperative shall be established by the Livestock Cooperative Law and shall be called the "Seoul Livestock Cooperative" (hereinafter referred to as "SLC")

## Purpose

The purpose of SLC shall be to increase productivity and to raise economic, social <sup>a</sup> status of members through cooperative activities.

## 3. Kinds of business

SLC shall engage in the following business entirely or partially.

- A) Guidance of production and living
- B) Guidance and fostering of livestock farmers union
- C) Welfare work
- D) Purchasing business
- E) Marketing business
- F) Improvement of livestock and prevention of epidemics
- G) Utilization, transportation and storage service
- H) Processing of livestock products and feed
- I) Establishment and management of livestock market
- J) Credit business
  - Loan
  - Receiving deposit
  - Domestic exchange

\* - Business by proxy of government, public agencies, or banking institution.

K) Business of Foreign trade

L) Mutual insurance

M) \ Joint business or business by proxy of NLCP or other cooperative

N) Business entrusted by NLCP

O) Business entrusted by government

P) Conclusion of negotiating agreement

Q) Other business act<sup>vi</sup>itives prescribed in other laws and ordinances

R) Other business approved by the competent minister

\* For the purpose of achiv<sup>e</sup>ing the objectives above, SLC can borrow fund from NLCP.

#### Amendment of by- law

When SLC desires to amend the by-law, it shall obtain the approval of competent minister through the resolution of general meeting.

#### Prohibition of involvement in politics

SLC shall avoid any conduct involved in politics.

#### Livestock farmers union

Members can organize the livestock farmers union and SLC guides the work of livestock farmers union.

#### Membership

Farmers can be members who possess qualification determined by ordinance of livestock Cooperative Law.



**8. Responsibility of member**

The responsibility of member shall be limited to the amount of his capital investment.

**9. Right to vote, to elect and to be elected**

Each member, irrespective of his shares, shall have one equal right to vote, to elect and to be elected.

**10. Admission**

A) When farmers desire to be members of SLC, they shall submit the application for admission with writing of followings.

- Address, name, date of birth.
- Number of family.
- Capital to invest.
- Breeds and number of livestock that they raise.
- Whether they entered other cooperative.
- Conditions of management.

B) SLC, upon receipt of the application, shall submit it for discussion to the board of directors at which the eligibility of membership for applicant shall be examined, and the admission for applicant shall be decided on the basis of guidelines agreed in advance by general meeting.

In case that the admission is accepted, SLC shall give notice in writing to the admitted member, and the member shall be registered in the membership list of SLC when the member has completed his initial payment for the capital investment in stock.

C) The applicant for admission shall be qualified as a member of SLC by completion of his payment prescribed above.

11. Restriction on admission

SLC shall not permit an admission and transfer of equity during period from the end of fiscal year to the closing of regular general meeting.

12. Termination of membership

A) Member may terminate his membership only at the end of each fiscal year, with a notice previous to 60 days to SLC.

B) Member shall automatically cease to be a member of SLC when the following events occur.

- Qualification loss of membership.
- Death
- Bankruptcy
- Incompetency
- Expulsion

13. Expulsion

A) SLC may exercise expulsion against any member by resolution of general meeting upon occurrence of any of following events : Provided, however, that the statement of reason of expulsion shall be forwarded to the concerned member by 10 days before opening the general meeting and shall offer him the opportunity to defend himself at general meeting.

- Member who has failed to utilize SLC for period of more than one year.
- Member who has failed to comply with his obligations such as payments of capital investment, sharing in expenses, or any other obligations to SLC.
- Member who has acted against business activities of SLC.
- Member who has been punished by competent authorities according to laws and ordinances, or has violated by-law or other regulations, or damaged the public confidence of SLC by intention or serious mistake or faults.

B) The expulsion shall not be effective against member unless he has been notified thereof.

14. Claim for refund and suspension thereof<sup>f</sup>

A) SLC, upon request of withdrawn member, shall refund from the assets of SLC at the end of fiscal year after having calculated shares to be refunded.

However, any withdrawn member by expulsion shall be refunded the amount of member's equity calculated of paid-in investment and revolving investment.

B) The refund of shares shall not be requested before the expiration of fiscal year.

C) Unless the claim for refund is made within two years from the expiration date of fiscal year in which the member ceased to be a member, the right of claim for such refund shall be forfeited.

D) SLC is authorized to suspend the refund when the member who is ceased to be a member is liable to SLC for debts, until he repays his debts.

15. Liability of withdrawn member for proportionate charge of loss

In calculating shares to be refunded to the withdrawn member, if the liabilities of SLC can not be fully paid by its assets, the withdrawn member shall fulfil the payment of portion of loss which is chargeable<sup>g</sup> to him with the limit of amount of his unpaid shares of stock in proportion to the unpaid amount of his investment in stock.

16. Investment

Each member of SLC shall own at least more than one share of stock:

Provided, however, no member shall be permitted to own more than 4,000 shares of stock.

17. Amount of investment and method of subscription

- A) The par value of each share of stock shall be 3,000 won and payment shall be performed twice by instalment : provided, the payment in full of stock at one time shall be possible.
- B) The paid-in capital at the first round of subscription shall be paid one-half of par value of each share of stock and the date of second round of payment shall be determined by resolution of board of directors but the date shall not be later than two years from the date of first round payment.
- C) The date of second paid-in capital shall be forwarded to investors and concurrently the public notice shall be issued before one month of the date.
- D) SLC may transfer the amount of dividend to the second round capital subscription
- E) If member makes investment in kind, calculation shall be made through conversion based on the rate of evaluation prescribed by the board of directors.
- F) No member may avail himself of set-off against SLC with respect to payment to SLC for his investment in stock held.

18. Revolving investment

- A) The member of SLC shall invest, as revolving investment, all of surplus dividend but such investment shall be limited to five times.
- B) No member may be permitted to make set-off against SLC with respect to the payment of revolving investment.

19. Legal reserve fund

SLC shall reserve, as legal reserve fund, at least 10 percent of surplus fund during each fiscal year, until the fund reserved reach the same amount of capital investment. However, in such case as a loss has been carried forward, the amount of reserve shall be calculated of the remainder after deducting the amount to be allowed for appropriation of loss from the surplus fund of pertinent fiscal year.

20. Carry-overs

SLC shall carry 20 percent or more of surplus fund of each fiscal year over to meet the requirements of business.

21. Reserve for operation

SLC shall, in case where the net surplus arises after deducting both legal reserve fund and amount of carry-overs, reserve 20 percent <sup>or</sup> ~~off~~ more surplus fund of each fiscal year for reserve for operation.

22. Capital reserve fund

SLC shall reserve, as capital reserve fund, the amount accrued from the following items.

- A) Marginal profits accruing from reduction of capital.
- B) Profits from receipt of concrete fixed assets.
- C) Marginal profits accruing from revaluation of property.
- D) Marginal profits accruing from merger.
- E) Marginal profits accruing <sup>to</sup> ~~from~~ acceptance of property.
- F) Marginal profits accruing from insurance of fixed assets.
- G) Expenditure subsidy for assets to be added.

23. Use of legal reserve fund

- A) Making up for the loss.
- B) Transferring the part of property to other cooperative when the territory of SLC is changed to the part of other cooperative.

24. General meeting

- A) SLC shall have a general meeting.
- B) General meeting shall be divided into a regular general meeting and an extraordinary general meeting.

C) General meeting shall be composed of members and the president shall call a general meeting and shall preside over a general meeting.

25. Regular general meeting

The president of SLC shall call a regular general meeting once a year within two months after the end of the fiscal year.

26. Extraordinary general meeting

A) The president of SLC shall call an extraordinary general meeting in such case as falls under each of the following items.

- In such case as the president deems it necessary.
- In such case as the board of directors deems it necessary and requests to call an extraordinary general meeting.
- In such case as the members of SLC request to call the meeting to the president, with the concurrence of one-fifth or more of entire membership.

B) In case the members request to call the meeting, the president shall call an extraordinary general meeting within two weeks.

27. Auditor's call for a general meeting

A) Auditor shall call an <sup>x</sup>extraordinary general meeting in such case as falls under each of the following items.

- When the president fails to fulfil his function necessary for calling.
- When the president, in case any request from board of directors or members has been made, does not without justifiable reason take any due procedure to call a general meeting within two weeks.
- When the auditor, in case he finds any irregularity in the <sup>a</sup>status of assets or in the business operation of SLC, deems it necessary to report promptly his findings to the general meeting.

- ✦ B) The auditor shall take due procedures for calling general meeting within 5 days, when the president does not take due procedure in case of any request from board of directors or members.
28. Call of general meeting by representative of members
- A) When the auditor does not call general meeting without any justifiable reason, the representative of members shall call a general meeting with the concurrence of one-fifth or more of members.
  - B) In case of above, the representative of members shall exercise the duty of chairman
29. Matters to be decided by general meeting
- ✦ A) Amendment of by-law
  - B) Dissolution, merger and division
  - C) Expulsion of member
  - D) Election and dismissal of executives.
  - E) Appropriation of plan and budget.
  - F) Approval of statement of accounts.
  - G) Imposition of expenses and method of collection.
  - ✦ H) Admission and termination of membership of NLCP.
  - I) Other matters deemed necessary by the president or board of directors.
30. Opening and quorum of general meeting
- A) The general meeting, except in such cases as prescribed otherwise in the ordinance or by-law shall have a quorum when majority of members are in attendance, and the resolutions shall be adopted by the concurrence of majority vote of members present.
  - ✦ B) The chairman have the right to vote in general meeting.

- ✦ C) When the quorum referred to in paragraph A is lacking, the president or auditors shall reconvene the general meeting within 20 days. In such case, general meeting may be opened and resolved irrespective of provision of paragraph A.

31. Special resolution of general meeting

Each of the following items shall be resolved by the votes of at least two-thirds of members present with the attendance of <sup>at least two-thirds of</sup> entire membership.

- A) Amendment of by law.
- B) Dissolution, merger and division.
- C) Expulsion of member.
- D) Dismissal of executive.

32. Restriction on right to vote

- A) The general meeting shall adopt resolution only on matters notified to members in advance. Exceptions, however, can be made on urgent matter which is resolved by at least two-thirds of members present with attendance of at least two-thirds of entire membership.
- B) When general meeting is to resolve matters contrary to the interests between SLC and its member, the pertinent member shall not participate in adopting resolu

33. Representative meeting

- A) In case the number of members exceeds 200 persons, SLC can have a representative meeting which substitutes general meeting.
- B) The term of representative is 2 years
- C) Executives and staff shall not be representative.
- D) Provision of general meeting shall be applied.



**34. Board of directors**

- A) SLC shall have board of directors.
- B) The board of directors shall be composed of president and directors, and the president shall call and preside over board of directors.

**35. Resolutions of board of directors**

The following items shall be subject to the resolution by board of directors.

- A) Judging qualification of member.
- B) Use of legal reserve fund.
- C) Limit of borrowing fund.
- D) Change of plan and budget.
- E) Appointment and dismissal of managing staff.
- F) Acquisition and disposal of basic property.
- G) Determination of principle in carrying out business.
- H) Matters entrusted by general meeting or to be submitted to general meeting.
- I) Matters prescribed in ordinance or by-law.
- J) Other matters deemed necessary by president.

The provisions of general meeting shall be applied.

**36. The number of executives**

the number of executive of SLC is as followings.

- A) President : 1
- B) Directors : 10
- C) Auditors : 2

**37. Duties of executives**

- A) The president shall represent SLC and shall be chairman of general meeting and board of directors.
- B) The directors shall act on behalf of president in case of vacancy or accident of president, according to ranking decided by president.
- C) The auditors shall inspect property and work, and report to general meeting and board of directors.
- D) The auditors can state opinions by attending general meeting, representative meeting and board of directors.

**38. Authority of auditor to represent**

- A) In case SLC enters into a contract with president <sup>or</sup> ~~of~~ directors, the auditor shall represent SLC.
- B) In case law- suit exists between SLC and president/directors, the auditor shall represent SLC.

**39. Appointment of executives**

- A) President shall be elected among members by direct vote of members but directors and auditors shall be elected at general meeting by indirect vote.
- B) The election shall be made through secret voting.

**40. Term of office of executives**

The term of office of executives are as following.

- A) President : 4 years
- B) Director : 4 years
- C) Auditor : 3 years

**41. Dismissal of executives**

- A) President, directors and auditors may be dismissed at any time during their terms of office by the resolution of general meeting with request of at least one-third of entire membership ; provided that two-thirds or more of members shall be attendance and two-thirds or more of members present shall vote for it.
- B) The request of dismissal shall be made with written statement of reason for proposed dismissal.
- C) When the written statement above is submitted, the written notice shall be forwarded to concerned executive by the day before resolution of dismissal shall be made and shall offer him the opportunity to defend himself at general meeting.

**42. Prohibition on concurrent position of executives and personnel**

- A) President, directors and auditors shall not be concurrently other position of executives and staff.
- B) Executive and staff of SLC shall not be a civil servant(except election officer) and executive and staff of other cooperative.
- C) Executive and staff shall not manage or engage in the business to be actually competitive with business of SLC.

**43. Business plan and budget of revenues and expenditures**

- A) The president shall formulate business plan and budget of revenues and expenditures for each fiscal year, and shall report it to the president of NLCF through resolution of general meeting not later than 30 days prior to beginning of fiscal year.
- B) when SLC desires to change business plan and budget, SLC shall get the resolution of the board of directors

44. Allocation of surplus

- A) Surplus occurred in each fiscal year shall be allocated to the members or shall be carried over to the next fiscal year in case there still exists the remainder after recovering the loss and deducting legal reserve, carry-overs and reserve for operation.
- B) Dividends described in paragraph A shall be made in proportion to the paid-up shares of members and the remainder, if any, will be allocated among members business of SLC.  
*in proportion to the member's utilization of*

45. Recovery of losses

When SLC has incurred losses during fiscal year, the losses shall be recovered with carry-overs untreated, reserve for operation, legal reserve, capital reserve and revolving capital investment in that order, provided that when the losses remain after recovering with the fund above, it shall be carried to the next fiscal year.

46. Merger

When SLC desires to merge, it shall make out contract of merger and get approval from the competent minister through resolution of general meeting.

47. Division

When SLC desires to divide, it shall get resolution of general meeting after deciding right and duty that new cooperative shall succeed.

48. Reason of dissolution

- A) In case the resolution of dissolution is made at general meeting.
- B) In case the cooperative vanishes due to merger or division.
- C) In case the competent minister orders SLC to dissolve.
- D) In case of bankruptcy.



Regional Office for  
Asia & the Pacific

FIFTH ICA JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA  
1990 - 91

POINTS FOR GROUP DISCUSSION - 25th October 90  
Forenoon

1. What are the characteristics of the Korean Agricultural Cooperative Movement?
2. What are the positive and negative factors you have identified in respect of effective services to members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in Korea?

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING  
THE OVERHEAD PROJECTOR.

GROUP-A

Oct. 25, 1990

## Republic of KOREA

### 1. CHARACTERISTICS

1. FULL GOVERNMENT SUPPORT (TOP DOWN STRUCTURE)
2. UNIQUE STRUCTURE - 2 tier structure
3. INTEGRATED SERVICES
  - CREDIT and BANKING
  - INSURANCE
  - MARKETING
  - SUPPLY and GUIDANCE
4. STRONG FINANCIAL SERVICES
5. THERE IS SECURITY OF FARM MEMBERS
6. VARIETY OF SERVICES (ECONOMIC as well as SOCIAL/WELFARE)
7. STRONG COOPERATION BETWEEN THE COOP and GOVERNMENT

### 2. POSITIVE FACTORS :

1. GOVERNMENT SUPPORT TO THE MOVEMENT
2. SIMPLE STRUCTURE / CLOSER LINKAGES from the top to members
3. SUFFICIENT SERVICES
  - ⊕ - MEMBERS
  - GOVERNMENT
  - ECONOMY
4. FINANCIAL SOLIDARITY
  - MEMBERS financial position
  - greater deposits from members
5. Timely distribution of inputs at REASONABLE PRICES

conf. d - positive factors

4. Integrated package of services

### 3. NEGATIVE FACTORS

1. GOVERNMENT INTERFERENCE
2. AWARENESS to the PROGRAM  
w/ COLLABORATION of GOVERNMENT  
support
3. SEVERE COMPETITION with  
PRIVATE SECTOR

### 3. RECOMMENDATION

1. GOVERNMENT INTERFERENCE  
SHOULD BE MINIMIZED.
2. ABSORB LATEST TECHNOLOGY  
and KNOW-HOW for the Coops.
3. EDUCATION CAMPAIGN NOT ONLY TO  
THE COOPERATIVES BUT likewise  
to AUTHORITIES CONCERNED.

KOREA

GROUP B

Date 25-10-90 FN.

POSITIVE

1. COOP BAKING VIABLE - DOING BUSINESS WITH MEMBERS AND NONMEMBERS - PROFIT USED FOR MEMBERS NEEDS.
2. COOPS HAVE COMPUTARISED INFORMATION SYSTEM.
3. COOPS PLAY IMPORTANT ROLE TO GET <sup>BETTER</sup> PRICES FOR FARMERS
4. CHAIRMAN OF THE ~~BOARD~~ NOW ELECTED THROUS DIRECT VOTE

NEGATIVE

1. DIFFERENT NORMS FOR MEMBERSHIP
  - FARMER HAVING ONE COW CAN BECOME MEMBER
  - " " " ONE PIG CAN NOT BECOME.
2. THE SHARE OF AGRICULTURE IN NATIONAL ECONOMY gradually decreasing.



REPUBLIC OF KOREA.

GROUP B

DATE 25.10.90 P.M.

POINTS FOR GROUP DISCUSSION

CHARACTERISTICS :

- (i) FOLLOW TWO TIER STRUCTURE -  
PRIMARY AT TOWNSHIP LEVEL  
FEDERATION AT NATIONAL LEVEL
- (ii) PROVIDE INTEGRATED PACKAGE OF SERVICES  
TO MEMBER FARMERS IN THEIR FARMING  
AND DAILY LIVING (CONSUMER GOODS)
- (iii) PROVIDE CREDIT, BANKING, INSURANCE AND  
OTHER CONSUMER NEEDS (ONE WINDOW SYSTEM)
- (iv) COOPS HAVE WELL COMPUTED INFORMATION  
SYSTEM

KOREA

GROUP B

Date 25-10-92  
FN.

SUGGESTIONS:

1. OPEN COOPERATIVE OUTLETS  
IN CITIES.
2. OPEN MEMBERSHIP IRRESPECTIVE  
OF NUMBER OF ANIMALS.

GROUP C  
OCTOBER 25, 1990

KOREA

1. CHARACTERISTIC OF KOREAN AGRICULTURE COOPERATIVE MOVEMENT
  - a). MULTI PURPOSE COOPERATIVES
  - b). SPECIAL COOPERATIVES (FRUITS + VEG.)
  - c). COOPERATIVE INSURANCE BOTH LIFE AND ~~HEALTH~~ ACCIDENT (MEMBER)
  - d). TWO-TIER SYSTEM
  - e). MULTI BANKING BUSINESS

2

GROUP C  
Oct. 25, 1990

POSITIVE FACTORS:

1. TWO-TIER SYSTEM
2. DIVERSIFIES BUSINESS ORIENTATION TO DEVELOP COOP. TO A VIABLE ONE.
3. MUTUAL CREDIT SCHEME
4. PAY HIGHER PATRONAGE DIVIDENDS AND INTEREST ON THEIR SHARE CAPITAL
5. GUARANTEE HIGHER PRICES FOR FARMERS PRODUCTS
6. GOVERNMENT ENCOURAGES ~~AGRICULTURE~~ STRONGLY AGRICULTURAL COOP.
7. COOPERATIVE ~~IS~~ <sup>ING</sup> COMPETES WITH PRIVATE SECTOR

#3

GROUP C  
OCT. 25, 1990

NEGATIVE FACTORS

1. LACK OF UNDERSTANDING OF AGRICULTURAL COOPERATIVES.
2. MARKET POWER OF AGRICULTURAL COOP. IS COMPARATIVELY WEAK THAN PRIVATE MERCHANT / SECTOR
3. INSUFFICIENT INFORMATION ON AGRICULTURAL COOP., RESULTING TO HANDICAP GROWTH AND PROGRESS OF THE AGRICULTURAL MOVEMENT.
4. AGRICULTURAL COOP WERE ESTABLISHED BY THE GOVERNMENT WITHOUT POSITIVE PARTICIPATION OF FARMER-MEMBER

GROUP C  
10-25-90

SUGGESTIONS:

1. MORE EFFORT IN INVOLVING POLITICAL AND LEGISLATIVE ACTIVITIES FOR THE INTEREST OF FARMERS
2. MORE TRAINING PROGRAM FOR THE EDUCATION OF THE FARMERS FOR THEM TO UNDERSTAND THEIR COOPERATIVES
3. ~~LIBERALIZATION~~ LIBERALIZATION OF AGRICULTURAL IMPORTS DECREASES THE NATIONAL ECONOMY. IT SHOULD BE MINIMIZE FOR THE INTEREST OF THE NATION
4. GOVERNMENT OFFICIALS SHOULD ALSO LEARN ABOUT COOPERATIVE MOVEMENTS TO AVOID CONFLICTS.
5. DEVELOPED MORE AGRICULTURAL SECTOR THROUGH INTENSIVE TRAINING AND ADOPTING NEW TECHNOLOGY

PREPARED BY:

GROUP C.

FIFTH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA

INDIA/THAILAND/JAPAN/REPUBLIC OF KOREA

(OCTOBER 22, 1990 TO MAY 10, 1991)  
~~~~~

COOPERATIVE INSTITUTION IN FELCRA -  
ITS MANAGEMENT PRACTICES AND POLICIES  
~~~~~

KU NOHAIMAD RODZI  
(MALAYSIA)

Fifth ICA/JAPAN Training Course For Strengthening Management Of  
Agricultural Cooperative In Asia, India/Thailand/Japan/Republic  
Of Korea (October 22, 1990 to May 10, 1991)  
.....

Topic : Cooperative Institution In Felcra -  
Its Management Practices And Policies  
.....

1. Introduction

The Federal Land Consolidation and Rehabilitation Authority (Felcra) was established under Malaysian Parliament Act. of 1966. Felcra has operated as a statutory body since its incorporation in 1966.

2. Functions of Felcra

Under the Parliament Act, Felcra is entrusted to carry out the following functions:-

2.1. To rehabilitate or develop land with the approval or at the request of the various states authorities.

2.2. To rehabilitate or develop land at the request of land owners.

3. Objectives

Basically, Felcra's objectives, through land development are as follows:

3.1. To increase the productivity of land

3.2. To provide employment opportunities

3.3. To increase the income of the settlers

3.4. To raise the standard of living of Felcra settlers.

4. Operations of development Programmes

Its land development programmes are in the field of



4.1. Land Rehabilatation

In land rehabilitation its main effort is concentrated on the development of idle land within the traditional villages in order to increase the income of the land owners (settlers) and at the same time to increase the farm production of the country.

4.2. Land Consolidation

This programme is to cater for the consolidation or amalgamation of alienated land with new land which is readily available nearby to be managed by Felcra.

5. Achievement of Felcra

5.1. Land Development

Currently Felcra has developed 209,195 hectares of land that involved 1,555 land scheme Projects which are located throughout out the country. The land schemes are planted with suitable crops such as rubber, oil palm, cocoa and paddy. This land development programme has benefitted almost 85,000 settlers. Thirty percent of these settlers are staying in the land scheme houses which are built in the scheme while another seventy percent are living in their own houses nearby the various schemes.

5.2. Settlers Development

Felcra in pursuing its land development programmes not only emphasize on the development of land but also the social aspects of the land owners (settlers). There are several programmes designed to mould settlers into becoming self-reliant and self conscious farmers. Activities in the form of group discussions, educational tours, training and courses will be organised and geared towards the changing of attitudes, improving their skills and knowledge in agriculture.

6. Functions Of Settlers Cooperative Unit

- 6.1. To manage all matters relating to public relations and Liasons with Cooperative members in term of providing information pertaining to cooperatives, implementation of cooperative projects, setting up and registration of cooperatives in Felcra's projects.
- 6.2. To liase closely with Cooperative Development Department and National Co-operative Organisation of Malaysia (ANGKASA) in all aspects involving cooperatives.
- 6.3. To provide information, give lectures and arrange discussions regarding cooperatives to Felcra's settlers.
- 6.4. To advise, provide guidelines and guidance regarding adminstration of cooperatives, planning of cooperative budget, identity weaknesses and arrange for activities which can be undertaken by cooperatives.
- 6.5. To coordinate and provide effective management of cooperative personnels who can give optimum contribution to achievement of cooperative objectives.
- 6.6. To provide manpower planning and formulate effective scheme of service which can cater to the welfare and at the same time enforce discipline upon cooperative personnels.
- 6.7. To arrange for training programmes with the Malaysia Cooperative College (MKM), Cooperative Development Department and other Government Agencies which can provide training programmes pertaining to cooperatives.
- 6.8. To plan training programmes which can improve work prestige, increase skills, provide positive work attitude and enhance the spirit and morale of cooperative members so that they can give optimum and effective contribution especially to the various projects and activities undertaken by cooperatives.
- 6.9. To work closely with Felcra's adminstration in its withdrawal programmes by involving positively in the various campaigns targeted at the cooperative members at the various project level.

6.10. To undertake activities involving housing and industrial projects which are major components of Felcra's Restructuring of Villages Programme (PFSK).

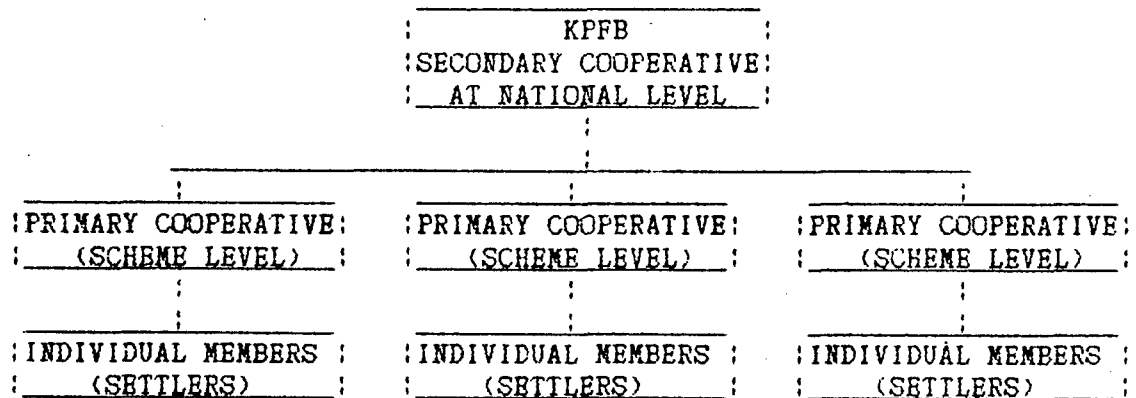
7. Settlers Cooperative Society

7.1. One of the vehicles that has been identified to improve the socio-economic status of the settlers is through their involvement in cooperative movement.

In 1979, Felcra launched its first central cooperative body (secondary cooperative) through the setting up of the Felcra's settlers cooperative limited (KPFB) as a national cooperative within Felcra. KPFB is the only cooperative in Felcra. It is impossible to fulfil the needs and the welfare of the members throughout the country. In order to counter these problems, Felcra has established another 71 cooperative societies (primary cooperatives) at the scheme level throughout the country since 1984.

7.2. These scheme level cooperative societies become affiliated members to the secondary cooperative (KPFB).

The membership structure of Felcra's settlers cooperative societies is as below :



## 8. Cooperative Activities

Currently most of the activities are related to the agricultural development. Apart from that there are a number of cooperatives that also handled credit and trading activities in order to fulfil the members' needs.

Other activities are as follows:

### 8.1. Agriculture development:

To take part as a contractor in the activities of developing new land agriculture area. To provide planting material and other agricultural agencies on contract basis.

### 8.2. Transportation Services

To run the transportation services of schemes' products.

### 8.3. Livestock

To carry out sheeps rearing project under intergrated agricultural concept. Under these programes it will reduce the maintenance cost of the project which utilise sheeps as weeding agents.

### 8.4. Trading

To market the produce of the settlers and to supply herbicides and fungicides, fertilizer and other agricultural inputs to Felcra schemes and other agricultural agencies.

### 8.5. Small scale industries

The type of industries are as follows:

- (a) Barbed-wire
- (b) Satay skewers (made from bamboo)
- (c) Soya sauce
- (d) Handicrafts (made from bamboo and rottan)
- (e) Processing of bread and biscuits

## 9. Problems

Currently, the main problems encountered by the cooperative movement in the country are in the field of marketing of end products (processed or semi processed) whether locally or overseas, and lack of effectiveness and leadership quality in some of the cooperative organization.

### 9.1. Marketing

This problem is aggravated by the lack of technical know-how among the cooperative members in the field of marketing. There is no defined marketing structure whether government or semi-government which can effectively handled the marketing of end products produce by cooperative will not be able to get maximum economic benefits from the sale of the end products or to encourage members to be involved in lucrative economic activities but not able to sell the end products of such activities. This will dampen the spirit of the members and the cooperative movement as a whole.

### 9.2. Effective Leadership

Effective leadership will promote better understanding of cooperative ideology and the prosperity of the cooperative movement in general. There is still a lacking of effective leadership in the various cooperative organisations in the country.

I hope to get better insight into the field of effective marketing and leadership as practised by cooperatives in other countries through the participation in this training programme.

10. Conclustion

Settler's cooperatives movement in Felcra has benefitted members (rural farmers) by creating business opportunities as well as giving social services benefits. The activities will provide jobs and services to the members. Considering all aspects of future development of cooperatives in Felcra, I will deliver the experiences which I have during my course through ICA to the various cooperatives under my jurisdiction.

Through the course I hope

- (a) To expand the current activities in order to give good service and facilities to the cooperative members;
- (b) To venture into down streams and up stream activities in term of processing agricultural raw product into end products;
- (c) To provide estate management services in order to take over the management of the land schemes from the main organisations.

KU MOHAMAD RODZI BIF KU MAT ESA  
(MALAYSIA)

write  
KMR/Liz.



## Lembaga Penyatuan Dan Pemuliharaan Tanah Persekutuan

Federal Land Consolidation and Rehabilitation Authority

FIFTH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL COOPERATIVES IN ASIA  
1990/1991

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### CASE STUDY TOPIC:

SHEEP REARING PROJECT AS AN  
ECONOMIC VENTURE BY AN AGRICULTURE  
COOPERATIVE IN MALAYSIA

#### 1. OBJECTIVE OF THE CASE STUDY

- 1.1 The study attempts to have an overview of the sheep rearing industry currently undertaken by Felcra in relation to the National Agricultural Policy and Policy of Agricultural Diversification undertaken in the country. Short and longterm, objectives, Funding, Manpower needs, Training and Future plans will also be discussed.

The second part of the study will focus on the development of sheep rearing project taken by Felcra Scherang Perak Settlers' Cooperative as one of its economic undertakings. The project is planned to boost the income of the project participants and at the same time create employment opportunities and other related benefits to the settlers and also the cooperative understudy. Problems encountered and the proposals by the writer to counter these problems will also be discussed in this paper.

#### 2. BACK GROUND

- 2.1 Feasibility studies on sheep rearing projects on rubber and oilpalm estates undertaken by Rubber Research Institute of Malaysia (RRIM) and Malaysian Agricultural Research and Development Institute (MARDI) have shown that these projects can give a 15% return to capital investment and reduce cost of weeding by 15-30%.

- 2.2 The project is also in line with the Agricultural Diversification Policy as stipulated in the National Agricultural Policy of Malaysia. The Sheep Rearing Project aims to:

- 2.2.1 Increase productivity of Felcra settlers through proper planning, maximum and effective intervention of estates inputs;

2.2.2 Increase settlers' incomes through diversification in economic activities being undertaken;

2.2.3 Create employment opportunities to settlers and settlers' families under study; and

2.2.4 Reduce cost of weeding through the use of sheeps as 'weeders'.

2.3 In the Fifth Malaysia Plan (FMP), Felcra hopes to have at least 50,000 heads of sheeps which will be distributed throughout its various projects in the country. The estimated number of sheeps according to states in the Fifth Malaysia Plan (FMP) is as in FIGURE I.

### 3. SOURCE OF CAPITAL FOR IMPLEMENTATION OF THE PROJECT

3.1 Financial sources for the implementation of the above projects as commercial ventures are as follows:

3.1.1 Loan from Economic Project Loan;

3.1.2 Loan from Felcra Settlers' Cooperative; and

3.1.3 Loan from Estate Development Allocation.

3.2 Even though the capital outlay for the above projects is huge, much of the capital outlay has been able to be minimised through the use of local materials for making the 'pens' and also the spirit of cooperation among the settlers themselves when building the 'pens' for the sheeps.

### 4. TRAINING

4.1 Training in the field of nutrition, breeding, diseases detection and prevention, setting up of 'pens' and management of the project will be needed by those who will manage the project. The Federal Land Consolidation and Rehabilitation Authority (FLCRA) has sent officers and also selected settlers in the field for this purpose.



Training is provided by the Rubber Research Institute of Malaysia (RRIM) and also the Veterinary Department of Malaysia. Other than placement in government training institutions, Felera also send its officers to private institutions like GUTHRIE and United Plantations which also carry out Sheep Rearing Projects. All these training programmes aim to provide them with technical skills in the rearing of sheeps in estates.

- 4.2 Felera has established good rapport with RRIM, the Veterinary Department and MARDI which can provide practical training in the above fields from time to time. Other than training, the above institutions also provide Felera with good stock for breeding and also marketing outlets. Officers from the above institutions will inspect and evaluate the progress of sheep rearing projects undertaken by Felera from time to time.

## 5. BENEFITS FROM IMPLEMENTATION OF SHEEP REARING PROJECTS

- 5.1 Implementation of the above project has given both direct and indirect benefits both to the settlers and the estates concerned. The benefits of the projects are as follows:

### 5.1.1 Provision of extra income to the settlers.

This project is able to provide extra income to the settlers who undertake the project. The income increase depends on the total number of sheeps reared. For those settlers who rear 100 sheeps, they are able to get between \$200-\$300 of extra income per month.

### 5.1.2 Reduction in the Cost of Weeding

For those rubber estates that undertake the above project, a reduction between 20%-30% in the cost of weeding can be attained.

### 5.1.3 Creation of employment opportunities

The project is able to create employment opportunities for the settlers and members of the cooperative.

### 5.1.4 Provision of free organic fertilizer to the estates

Waste from the sheeps provide organic fertilizer to the plants. In some areas waste from the sheeps are used to make fertilizer pellets and so provide another form of industry to the settlers.

## 6. MARKETING

6.1 At present the sheeps are sold in the local market in the form of frost mutton at open market or "pasar tani" (Farmers' market). Some of the sheeps are sold live to farmers who want to use them as starters or breeders in their farms. In order to create a more efficient marketing system, Felera Settlers' Cooperatives Limited or KPPB has established breeding and collecting centres with the following objectives:

6.1.1 Collection of male sheeps for the purpose of fattening and then marketed at centres established by KPPB. With this arrangement marketing system is better organised.

6.1.2 Provision of ewes for breeding purposes. The lambs will be provided to estates for breeding purposes or for fattening.

## 7. FUTURE PLANNING

7.1 Future development of the sheep rearing industry in Felera is to meet the following objectives:

7.1.1 expansion of the sheep rearing industry to achieve the desired target in term of numbers;

- 7.1.2 widespread marketing of sheeps to meet local and overseas demand for mutton; and
  - 7.1.3 Increase in upstream and downstream activities associated with the industry for example the supply of food to sheeps, establishment of pens, setting up of fertilizer pellets industry from sheep waste and development of animal husbandry medicines.
- 7.2 Rearing of sheeps will be practised in all Felcra schemes wherever possible as a means of diversification in agriculture, creation of imployment opportunities and also extra income to farmers.

II. DEVELOPMENT OF A SHEEP REARING PROJECT UNDERTAKEN BY  
FELCRA SEBERANG PERAK SETTLERS' COOPERATIVE SOCIETY

1. BACKGROUND

- 1.1 Felcra Seberang Perak Project has a planted area of ± 6000 hectares of oilpalm. This area will be able to accommodate around 18,000 heads of sheeps in the ratio of three (3) heads per hectare of pasture land. Eventhough the area is more than enough in term of grazing land available, only ± 6,000 heads of sheeps will be reared in 1990-1991 at any one time.
- 1.2 A pasture area covering 50 acres will be established to provide enough food for the sheeps especially during the dry season. A feed lot system of feeding will be practiaced during the dry season.
- 1.3 Industries related to the project such as the establishment of a Feedmill and a fertilizer pellet mill will be established in the near future. All these projects aim to provide employment, boost the income of the settlers and introduce industry to the rural area, especially in Seberang Perak.

2. IMPLEMENTATION

- 2.1 The number of sheeps that are going to be reared in the project are as in FIGURE II.

FIGURE II: PROPOSED NUMBER OF SHEEP IN  
FELCRA SEBERANG PERAK

<u>YEAR 1990</u>	<u>NOS. OF SHEEPS</u>	<u>YEAR 1991</u>	<u>NOS. OF SHEEPS</u>
MARCH	500	JANUARY	500
JUN	500	FEBRIARY	500
JULY	500	MARCH	500
AUGUST	500	APRIL	500
SEPTEMBER	500		-----
OCTOBER	500	TOTAL	2,000
NOVEMBER	500		
DECEMBER	500		
	-----		
TOTAL	4,000	GRAND TOTAL	6,000 SHEEPS
			-----

- 2.2 The project will be managed and owned by Felera Settlers Cooperative of Seberang Perak and funding of the project is through Economic Project Revolving Fund. The establishment of the sheeps' pens will be funded through Settlers Welfare Fund. A total of twenty (20) motivated settlers will be selected and trained as supervisors and work force for the project.
- 2.3 A Project Implementation Committee comprising the following will be set up to assist the cooperative in the implementation of the above project:
- |  |           |
|--|-----------|
| (a) Deputy Director Settlers Economic Development Division   | Chairman  |
| (b) Agriculture Officer, Felera Seberang Perak               | Member    |
| (c) Engineer, Felera Seberang Perak                          | Member    |
| (d) Settler Development Officer, Felera Seberang Perak       | Member    |
| (e) Asst. Settler Development Officer, Felera Seberang Perak | Member    |
| (f) Representative, IRRIM                                    | Member    |
| (g) Representative, MARDI                                    | Member    |
| (h) Agriculture Officer, Technical Services (IIQ)            | Member    |
| (i) Agriculture Officer, Planning Services (IIQ)             | Member    |
| (j) Head, Animal Husbandry Unit (IIQ)                        | Secretary |
- 2.4 The above committee will convene monthly to discuss the performance of the project and initiate whatever action necessary for its success.
- 2.5 The functions of the committee is to coordinate and solve whatever problems arising and provide the necessary inputs for the well being of the project. Matters regarding the selection of stock for breeding, marketing and training programmes necessary for the project participants will be regularly discussed by the project managers and supervisors in order to familiarise themselves with the project.

### 3. PROBLEMS

- 3.1 Currently we have around 2,000 heads of sheeps from Malim and Thai Long Tail breed. The main objective at present is to cull the existing stock so that there will only be sheeps from the Thai Long Tail Variety available in the project. The Thai Long Tail breed has been chosen because of its bigger frame and adaptability to the area.
- 3.2 Since the implementation of the project, a few problems have arisen but with the continual scrutiny from the Project Implementation Committee and also the project managers and supervisors, I feel that the problems could be solved.
- 3.3 The problems posed can be divided into Technical and Social problems:

#### 3.3.1 TECHNICAL

##### 3.3.1.1 Funding

Although funding has not been a major problem, the flow of fund to manage the project is erratic because Felcra assumes that this project is of less priority compared to the overall activity of the organisation that is planting of main crops such as oilpalm, rubber, cocon and padi.

Since the project has been approved by Felcra's Management and the Board of Directors of the cooperative concerned, I suggest that the allocation for the project be decentralized and managed by the Project Implementation Committee, the body that is going to be in rapport with Felcra's management and also the management of the cooperative. This will ensure better flow of the fund to manage the project.

### 3.3.1.2 Technical Knowledge

There is a need to have more of the local participants to be trained in the sheep rearing industry and later absorbed into the management of the project. This is to ensure that the settlers themselves are well aware of the various activities involved in the project. This will also ensure that they are also aware of the benefits the industry will bring for them.

I feel that the settlers who have been trained in the sheep rearing industry can act as 'multipliers' to disseminate technical knowledge to interested settlers. Their success will prove to other settlers that the project is viable economically. I suggest that more 'in-house' and study tour programmes be arranged for interested participants.

### 3.3.1.3 Marketing

Although there are organisations such as the Federal Agricultural Marketing Society (FAMA) in the country to assist in the marketing of agricultural products, there is an immediate need to have a more systematic method of marketing either locally or overseas.

In order to solve the above problem, I feel that a joint venture approach should be adopted either with local or overseas companies. There should be an arrangement whereby whatever Felera or the cooperative produces a company can provide selected stocks for breeding, training programmes and technical advice to Felera. At present, a local company, Halige (M) Company Limited is operating on this joint-venture concept with Felera. This cooperation has proven to be a worthwhile venture for both parties.

### 3.3.2 SOCIAL

3.3.2.1 Sheep rearing industry is a relatively new enterprise for Felcra and Felcra settlers. Being new it is not surprising that some are sceptical about the success of the project whether at Felcra's management or at cooperative level. More information should be extended to both officers and settlers alike so that they can be really aware of the benefits derived from the project.

3.3.2.2 The above problem can be reduced by sending Felcra's officers and settlers to successful sheep rearing areas either locally or overseas. Attachment and Study Tour programmes to the above areas can be arranged from time to time. At the same time, the extension arm of the Settlers Development Division in Felcra should intensify its activities so that more, both officers and settlers alike, are aware of the profitability of the industry as an economic venture.

The sheep rearing industry will be the mainstay of Felcra's agricultural diversification policy especially for Felcra's settlers. Upstream and downstream activities related to the industry will be developed and intensified. If all levels of Felcra's management and the cooperative work together, I feel that the project will be a success.

KU MOHD RODZI BIN KU MAT ISA,  
FELCRA, KUALA LUMPUR.

OCTOBER 1990.



FIGURE I: SHEEP INDUSTRY IN FELCRA  
 ACCORDING TO STATES IN THE  
 FIFTH MALAYSIA PLAN (FMP)

YEAR/STATE TARGETED OBJECTIVE	1986	1987	1988	1989	1990	TOTAL
JOHORE	200	1,500	1,500	1,500	1,500	6,200
MAIACCA	-	300	300	300	300	1,200
NEGERI SEMBILAN	400	1,000	1,000	1,000	1,000	4,400
SELANGOR	-	100	100	100	100	400
PERAK	400	1,000	1,000	1,000	1,000	4,400
KEDAH	300	1,000	1,000	1,000	1,000	4,300
PERLIS	1,000	300	300	300	300	2,200
KELANTAN	550	1,500	1,500	1,500	1,500	6,550
TERENGGANU	300	1,500	1,500	1,500	1,500	6,300
PAHANG	200	2,500	2,500	2,500	2,500	10,200
SEBERANG PERAK	100	500	500	500	500	2,100
	3,450	11,200	11,200	11,200	11,200	48,250

FIGURE III: CASH FLOW FOR ESTABLISHMENT OF A SHEEP  
REARING PROJECT IN FELCRA SEBERANG PERAK  
COOPFRATIVE SOCIETY  
(691 HEADS)

	YEAR 1990 (\$)	YEAR 1991 (\$)	YEAR 1992 (\$)	YEAR 1993 (\$)	YEAR 1994 (\$)	YEAR 1995 (\$)	YEAR 1996 (\$)	YEAR 1997 (\$)
<b>BASIC EXPENDITURE</b>								
<b>1. PURCHASE OF STOCK</b>								
MALIN STOCK	47,320							
MALE STOCK	3,250	1,250	-	1,250	2,500	-	-	3,750
THAI LONG TAIL STOCK	81,190							
MALE STOCK	2,760							
<b>2. SETTING UP OF PENS</b>	Grant							
<b>3. TOTAL</b>	134,520	1,250	-	1,250	2,500	-	-	3,750
<b>MANAGEMENT COST</b>								
1. TREATMENT/MEDICINES	4,250	4,250	4,250	4,400	4,728	6,708	10,146	13,662
2. LABOUR	12,600	12,600	12,600	12,600	12,600	12,600	16,800	16,800
3. CONTINGENCIES	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<b>TOTAL COST</b>	18,050	18,050	18,050	18,200	18,528	20,508	28,146	31,662
<b>TOTAL COST</b>	152,570	19,300	18,050	19,450	21,028	20,508	28,144	35,412
<b>INCOME</b>								
Sale								
- Ewes (Rejection)				15,750	14,857			
- Male Lambs		54,225	39,600	38,812	66,937	69,187	72,675	109,800
<b>GROSS INCOME</b>	(152,570)	54,225	39,600	54,562	81,794	69,187	72,670	109,800
<b>NETT INCOME</b>	(152,570)	34,925	21,550	35,112	60,766	48,679	44,531	74,388
<b>TOTAL INCOME</b>	(152,570)	(117,645)	(96,095)	(60,983)	(217)	48,462	92,993	167,381

FIGURE IV: EXPECTED POPULATION INCREASE  
OF SHEEPS (THAI LONG TAIL) IN FELCRA  
SEBERANG PERAK (1990-1997)

	YEAR 1990	YEAR 1991	YEAR 1992	YEAR 1993	YEAR 1994	YEAR 1995	YEAR 1996	YEAR 1997
NOS. OF SHEEPS (HEADS)								
Ewes	491	618	606	594	733	700	1118	1621
Male Lambs (Rams)	25	20	25	25	30	40	40	40
MORTALITY RATE OF BREEDING								
Ewes	73	12	12	11	14	15	22	33
Male Lambs (Rams)	5							
REJECTION								
Ewes				300	283			
Male Lambs (Rams)								
REPLACEMENT								
Ewes				450	352	345	595	619
Male Lambs (Rams)		5		5	10			15
BIRTH								
Females	554	370	363	626	651	679	1027	1386
Males	576	370	363	626	651	679	1027	1386
DEATH OF LAMBS								
Females	104	18	18	31	32	33	51	69
Males	94	18	18	31	32	33	51	69
NOS. OF SHEEPS (HEADS) YEAR								
Ewes	618	606	594	733	700	1118	1621	2277
Rams	20	25	25	30	40	40	40	55
Females	450	352	345	595	619	646	976	1317
Males	482	352	345	595	619	646	976	1317

FIGURE V: REPORT OF SHEEP REARING PROJECT  
IN FELORA SEBERANG PERAK COOPERATIVE  
SOCIETY FOR MONTH OF AUGUST 1990

NOS.	PROJECT	PROGRESS REPORT		NOTES	
1.	TERNAKAN BIRI-BIRI FELORA SEB. PERAK 14	1.1	TOTAL NOS. OF EWES	338	
		1.2	RAMS	13	
		1.3	BIRTH		
			- MALES	555	
			- FEMALES	524	
		1.4	DEATH		
			- EWES	53	
			- RAMS	5	
			- MALES	80	
			- FEMALES	96	
		1.5	AGE OF LAMBS		
			- MALES 1 - 3 MTH	90	
			3 - 6 MTH	80	
			6 - 12 MTH	40	
			12 - 18 MTH	23	
				233	
			- FEMALES 1 - 3 MTH	63	
			3 - 6 MTH	70	
			6 - 12 MTH	50	
			12 - 18 MTH	50	
				241	
		1.6	TOTAL NOS. OF SHEEPS IN PENS	767	
2.	THAI LONG TAIL FATTENING PROJECT	2.1	TOTAL NOS. OF EWES	353	
		2.2	RAMS	12	
		2.3	BIRTH		
			- MALES	21	
			- FEMALES	30	
		2.4	DEATHS		
			- EWES	20	
			- RAMS	6	
			- FEMALES	8	
		2.5	AGE OF LAMBS		
			- MALES 1 - 6 MTHS	15	
		2.6	TOTAL NOS. OF SHEEPS IN PENS	382	



FIFTH ICA JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA  
1990 - 91

POINTS FOR GROUP DISCUSSION - 25th October 90  
Afternoon

1. What are the characteristics of the Malaysian Agricultural Cooperative Movement?
  
2. What are the positive and negative factors you have identified in respect of effective services to members?
  
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in Malaysia?

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING  
THE OVERHEAD PROJECTOR.

GROUP - A

Oct. 25, 1998

## Malaysia

### 1. CHARACTERISTICS:

1. Coop is on initial stage w/c is practically 6 years old. (neophyte)
2. Special enactment has been pass by government to promote cooperatives
3. Forming cooperative through land settlement scheme
4. No voluntary formation of cooperative if was formed by the state
5. Crash government program

### 2. POSITIVE FACTORS:

1. Strong support to the state
2. No refundable money for the development of cooperatives
3. Provide services to members at their best
4. Plan to develop strong coop movement for socialization

### NEGATIVE FACTORS

1. Coop not voluntarily organized
2. Organizational structure is not completed
3. Coop's characteristic was not clearly identified
4. Limitation in services due to govt support

### 3. RECOMMENDATIONS:

1. Formation of cooperatives should not be initiated by the government
2. Coop structure/system must be completed
3. Education and training of all level must be promoted

cx) 1

Group - A page 2

I. 101 10 1001  
RECOMMENDATIONS

001. 55' 1000  

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\*d

Prod. B. Malaysia. 25 Oct 90.

(1)

## 1. Characteristics

### 1.1 Land Development.

Increase the productivity of Land.

Provide employment opportunities.

Increase the income of members.

1.2 Advise for suitable crops.

1.3 To improve <sup>Socio</sup> Economic state of members.  
(Socio)

## 2. Positive

2.1 Agricultural, farming work being transferred to coop sector

2.2 Has benefitted 85,000 farmer members.

2.3 To supply the inputs as well as market the produce of the members.

2.4 Have Five year coop development plans



Negative

Group B

(2)

1. ~~Coop~~ No strong network of Cooperative.
2. Work of primary, and secondary Coop not defined.

2. Suggestions

1. Education and Training to the members.
2. Credit Coop should be established.
2. For supply the consumer goods Coop should be organized.

Prod. B. Malaysia. 25 Oct 90.

(1)

## 1. Characteristics

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1

GROUP C  
Oct. 25, 1990

CHARACTERISTIC OF MALAYSIAN COOPERATIVE  
MOVEMENT (FELCRA)

- a) MEMBERS HAS 3 & 4 Ha. Land Holdings
- b) IT HAS PRESENTLY DEVELOPED 0.7% LAND SCHEME PROJECTS IN ITS TOTAL DEVELOPED AREA
- c) IT HAS DEVELOPED 25,500 SETTLERS IN THE PAST 16 YEARS OR ~~16~~ 4,250 SETTLERS AVERAGE PER YEAR
- d)

52

GROUP C  
Oct. 25, 1990

POSITIVE FACTORS:

1. IT HAS TREMENDOUS INCREASE ON MEMBERSHIP FOR THE PAST 6 YEARS 373 %
2. THE GOVERNMENT WORKED TO WITHDRAW LAND SCHEMES AND DEVELOP THE SAME TO COOPERATIVE

GROUP C  
Oct. 25, 1990

Malaysia

NEGATIVE FACTOR:

1. ESTABLISHED 3 REGIMES THAT  
DEVELOVED CONFUSION TO MEMBER  
COOP.
2. PRODUCTS WERE NOT SOLD EXPORT  
TO HELP IMPROVE FARMERS INCOME  
IT IS SOLD TO PRIVATE SECTORS

#4

GROUP C.  
Oct. 25, 1990

### SUGGESTION:

1. ~~Government~~ <sup>GOVERNMENT</sup> SHOULD ENCOURAGE THE SETTLERS TO DEVELOP STRONG COOPERATIVE
2. PROGRAM TO DEVELOP THE 90% UNDEVELOPED SETTLERS ~~TO~~ TO JOIN THE COOP. MOVEMENT.
3. ENCOURAGE MORE FINANCING SYSTEM AT LEAST 90% OF THE NEEDED AMOUNT OF THE SETTLERS
4. EDUCATE MEMBERS MORE ON COOPERATIVE MOVEMENT
5. PROCESSING UNITS SHOULD BE EMPHASIZED
6. ENCOURAGE SETTLERS TO IMPROVE ANNUAL INCOME FROM JOO RIGGIT ~~UP~~ TO MORE
7. IF POSSIBLE INCREASE LAND HOLDINGS

PREPARED BY:  
GROUP C.

## CO-OPERATIVE MOVEMENT IN PAKISTAN

### 1. BACK GROUND AND INTRODUCTION

Before partition, Co-operative Movement was started in the sub-continent in 1904 when Supreme Legislative Council of United India passed bill Co-operative Credit Societies Act, 1904 and this Act was applicable to the whole country. Under this Act, Provincial Governments established Co-operative Departments in order to introduce the movement and under the government patronage Co-operative Societies were formed first time in the sub-continent. Under the Act 1904 only credit societies could be formed whereas with the passage of time it was felt that societies for the other purposes should also be formed to solve the basic problems of the poor. Thus, Act 1904 was amended as Co-operative Societies Act, 1912 and under this Act societies for various purposes could be formed.

After partition of sub-continent, Pakistan came into existence in 1947. Punjab and N.W.F.P adopted Co-operative Societies Act, 1912 whereas Bombay Co-operative Societies Act was adopted by Sind Province. After One Unit in 1965 with some amendments Co-operative Societies Act, 1925 and Co-operative Societies Rules, 1927 were applied to whole West Pakistan Province which are still operative in each province after dissolution of One Unit in 1970. Co-operatives tend to take their own character and features from the general environment in which they exist. The Co-operative movement is still in a preliminary stage in Pakistan due to many factors. Besides others, lack of education and illiteracy are main problems for development of co-operatives. Pakistan is a Federation of four provinces and northern tribal areas. The co-operatives in every province are in some way or another a reflection of certain cultural, economic and political back ground. The agricultural co-operatives in each province have developed from the soil and society of that province and thus has formed their own features.



The growth of co-operative movement in terms of number of agricultural societies, non agricultural, membership and working capital in each province as on 30.6.1990 is reflected below:-

<u>AREA</u>	<u>NO. OF AGRICULTURAL SOCIETIES</u>	<u>NON. NO. OF AGRICULTURAL SOCIETIES</u>	<u>MEMBERSHIP</u>	<u>WORKING CAPITAL (IN MILLION RS.)</u>
Punjab	41406	4329	2342582	12904
N.W.F.P	5900	301	360429	9897
Sind	1255	2160	700639	1797
Baluchistan	582	98	49549	108
Northern Areas	304	-	11338	14
<b>TOTAL:</b>	<b>49447</b>	<b>6888</b>	<b>3464537</b>	<b>24720</b>

The Co-operative movement is playing its vital role in increasing the production of agricultural sector. During the financial year 1987-88, disbursement of agricultural credit was made by the Govt. Institutions as shown below:-

	(In million) Rupee
i) Agricultural Development Bank of Pakistan.	7716
ii) All other Govt. Commercial Banks	5175
iii) Federal Bank for Co-operatives	3020
<b>Total:</b>	<b>15911</b>

From the above mentioned data it is evident that out of total agricultural credit 19 % was disbursed through co-operative and for financial year xxxx ending on 30th June 1990 Rs. 3600 million was earmarked by the government for disbursement to co-operatives. The aforesaid statistics show that co-operatives are playing important role in increasing the agricultural production.

## 2. TRENDS OF AGRICULTURAL COOPERATIVE SOCIETIES

The co-operative societies are playing different role in the development of agriculture sector and agricultural cooperative societies can be further classified in the following types in relation to their specific functions which have been developed in the past.

### i) CREDIT SOCIETIES

Agricultural Co-operative Credit Societies constitute the largest sub-sector of co-operative movement in the country. These societies provide short medium and long term credit facilities to their members. Short term credit is provided for purchase of seed, fertilizer and pesticides etc. Medium and long term loans are given for purchase of tractors, agricultural machinery milch cattle and installation of tube-well etc. In order to provide credit to their members these societies raise funds through share capital and borrowings from Co-operative Banks.

### ii) SERVICE CO-OPERATIVES

The role of co-operatives in supply of agricultural inputs is now well recognised and developed. Inputs like seed, fertilizer, pesticides and implements etc have been progressively placed at the disposal of even small farmers through the co-operatives. For efficient distribution of these vital inputs service co-operatives have been organised at union council level.

### iii) CO-OPERATIVE FARM SERVICE CENTRES

Co-operative Farm Service centres formed a part of Rural Re-construction of Credit & Agricultural Marketing Scheme which was implemented during the third five year plan. Its objectives are:-

- i) To co-ordinate the activities of service societies.

- ii) To assist in the introduction of mechanised farming among farmer members of co-operative societies by making available tractors and other agricultural implements.

iv) IRDP CO-OPERATIVE FARMS MARKAZ ASSOCIATION

These societies have been organised with the object of providing credit and agricultural marketing facilities on co-operative basis in Integrated Rural Development Project areas only.

v) AGRICULTURAL SUPPLY AND MARKETING FEDERATIONS

In order to strengthen the supply of necessary farm inputs and making structure of the co-operative movement, a development scheme was implemented during the year 1984-86 in the province of Punjab. The scheme envisaged the establishment of the District Co-operative Supply & Marketing Federations at each district level and an apex institution, the Provincial Co-operative Supply & Marketing Federation at Lahore to whom the district federations are affiliated.

vi) CO-OPERATIVE FARMING

Co-operative Farming grew in Punjab province only from a pressing economic need. It was started in 1948 with the following objects:-

- i) To convert the small and un-economical land holdings into economical units.
- ii) To rehabilitate landless refugees from East Punjab and local landless tenants on state land.
- iii) To increase agricultural production through improved methods of cultivation, credit supply and marketing facilities which was not possible in smaller land holding who are several lac in the province.

Almost 140000 acres of state land were allotted to Co-operative Farming Societies of which 120000 acres were leased to 10898 members in units of 12  $\frac{1}{2}$  acres. Later on Govt

decided to grant proprietary rights to members against a nominal price payable through societies. Presently 132 farming societies are working in Punjab having membership of 11228.

vii) CO-OPERATIVE BANKING

The co-operative credit sector has Provincial Co-operative Bank in each province with a net work of branches throughout the each province. The membership of each Provincial Bank comprises primary and some secondary co-operatives. These Provincial Co-operative Banks borrow necessary finance from Federal Bank for co-operatives and advance the same to member co-operatives.

Besides the aforesaid major types of agricultural societies, following tendancies have also been developed in the co-operative sector during the past ten years:-

1. Sugar Cane Societies.
2. Wool Sheering Marketing Societies.
3. Cattle Breeding.
4. Sheep Breeding.
5. Poultry Breeding.
6. Milk & Diary.
7. Live Stock.
8. Tube Well.
9. Vegetable Growers.
10. Fruit Growers.
11. Water users.
12. Potato Growers.
13. Diesel oil Societies.

3. GROWTH ANALYSIS

Presently almost 56335 co-operative societies are existing in the country out of which 45735 are working in the Punjab province which means that 81 % of co-operative activities relate to this province. The following data shows the growth of co-operative movement within one year in the Punjab province which absorbs 66% of the total population of the country:-

<u>S.NO</u>	<u>DETAIL</u>	<u>YEAR 1988</u>	<u>YEAR 1989</u>	<u>INCREASE/DECREASE</u>
1.	No. of Societies	46287	45735	(1.19)
2.	Membership	2270985	2342582	3.5
3.	Share capital & reserves (Rs. in million)	481.24	567	17.82
4.	Working capital	10966.11	12904.11	17.36
5.	Loans & Deposits	10369.79	12165.14	17.31
6.	Credit disbursement in kinds	1495.64	1810.73	21.07
7.	Supply of consumers goods.	334.74	340.70	1.78
4.	<u>GOVT. PRACTICES AND MANAGEMENT</u>			
i)	<u>DISBURSEMENT OF CREDIT</u>			

All the credit to co-operatives is disbursed by the Govt. through Federal Bank for co-operatives with its Head office at Islamabad and Regional offices at each provincial capital i.e Lahore, Karachi, Peshawar & Quetta. The Federal Bank for Co-operatives controls the activities of each provincial co-operative Bank through its Regional offices. The Federal Bank extend credit to each provincial Bank and Provincial Banks further extend credit facilities to co-operative societies through their branches. The net work of co-operative Banking is as under:-

<u>S.NO</u>	<u>NAME OF BANK</u>	<u>NO. OF BRACHES</u>	<u>AFFILIATED SOCIETIES</u>
1.	Punjab Provincial Co-operative Bank Head Office, Lahore	150	33289
2.	Sind Provincial Co-operative Bank Head Office, Karachi.	12	1883
3.	Frontier Provincial Co-operative Bank Head Office, Peshawar.	28	6201
4.	Baluchistan Provincial Co-operative Bank Head office, Quetta.	2	443
5.	Northern Areas Co-operative Bank Head office Gilgit	6	304

ii) ADMINISTRATIVE STRUCTURE

Co-operative movement in the sub-continent did not emerge through evolution unlike in many European countries. It was introduced here under patronage of government which has not, ever since, been withdrawn. Co-operative law assigns all regulatory functions to the Registrar Co-operatives as the representative of the government and principal administrative officer. Responsibilities of the Registrar are thus organisational, promotional and regulatory in nature. The government is patronising the co-operative movement through following federal and provincial administrative set up:-

<u>S.NO</u>	<u>NAME OF POST</u>	<u>NATURE OF DUTY</u>
1.	Central Registrar Co-operatives	Working at Federal level and controlling the affairs of societies working at country level and registered under Multi-unit Co-operative Act.
2.	Provincial Registrar Co-operatives	Head of the department at each provincial level having various departments to control the affairs of province.
3.	Deputy Registrar	Head of department at Divisional level to look after the affairs of one division & to assist the Provincial Chief.
4.	Circle Registrar	Head of department at District level to look after the affairs of one district & to assist the Deputy Registrar.
5.	Assistant Registrar	Head of department at tehsil level to look after the officer of tehsil level and to assist the Circle Registrar.
6.	Inspector	Incharge of Zones constituted within a tehsil for looking after the affairs of societies and assisting the Assistant Registrar.
7.	Sub-Inspector	Incharge of one Zone comprising a few villages to assist the Inspector Incharge.

iii) INSTITUTIONS TO DEVELOP CO-OPERATIVE MANAGEMENT

An effective programme for education and training is the most essential pre-requisite for proper promotion and development of co-operative movement. Since co-operative is essentially an economic activity in the most cases, the importance of well trained cadre for the conduct of these activities can not be over emphasized. The Federal and Provincial Governments have established the following institutions for this purpose:-

- 1) The Federal Bank for Co-operative has established a department "Project Planning Unit" with the assistance of Italian Government. In the long run, the project would contribute to the development of the co-operatives organised and managed on commercial basis as outlined in the Seventh Five Year Plan (1988-1993).
- 2) Co-operative Training College Faisalabad, Punjab is the institution which is arranging pre-service and in-service training programmes for the co-operatives personnel of government and societies. The object is to equip the trainees with expertise of various field of co-operatives.
- 3) In Punjab Province Regional Co-operative Training Institutes at Rawalpindi and Bahawalpur have been established cater for the training requirement of lower field staff and members of societies. During the year 1987-88 and 1988-89, 75 courses were conducted by the Bahawalpur Institute and 1041 participants took part in these courses. Rawalpindi Training Centre has held 311 in service and pre-service training courses which were attended by 6332 personnel since its establishment.
4. Sind and N.W.F.P Government have also established Co-operative Training Institutes for training of field staff and members of co-operative societies at Hyderabad and Peshawar.

5. Pak-German Institute of Co-operative Agriculture was established in Punjab in 1959 as a joint venture of the Federal Republic of Germany and Pakistan. It was established to train tractor operators and auto mechanics for farming co-operative societies. The institute is affiliated with the University of Agriculture, Faisalabad.

#### 5. ROLE OF CO-OPERATIVE UNIONS

Presently National Co-operative Union at Federal level and Provincial Co-operative Union at each provincial level are playing effective role to safeguard the interest of co-operative movement. These are consulted by the government and other agencies in all matters relating to the development of the movement. Education, publicity and propaganda for the spread of the co-operative movement are the main objects of the unions and these objects are achieved in the following different manners:-

##### i) AUDIO VISUAL PUBLICITY

Unions conduct Audio Visual Publicity through mobile publicity units which are equipped with projector, tape recorder and loud speakers. Film shows concerning the co-operatives are arranged in the interior of the country.

##### ii) JOURNALS

Punjab Co-operative Union publishes a Urdu Monthly Journal, namely Imdad-i-Bahami. The journal contains articles, features, views and news touching the co-operative movement & this journal is distributed within the country. The Union is also running a library and reading room. It contains about 4000 books on co-operation.

- ii) National Co-operative Union arranges study tours of co-operative workers within the country. The Union produces & freely distributes pamphlets, leaflets, charts and posters concerning the movement. The Union convenes seminars and conferences on different aspects of the co-operative movement from time to time independently as well as in collaboration with the provincial unions. It holds public meetings to celebrate the International Co-operative Day.



## 6. FUTURE POLICIES AND PLANNING

The development of agriculture including agricultural marketing is one of the high priority areas of our future planning. The 7th Five Year Plan (1988-93) attaches high priority to agriculture and envisages the following increase:

1. Food grains	24 %
2. Cash crops	25 %
3. Oil seeds	28 %
4. Pulses	22 %
5. Fruits	28 %

The projected growth during 7th plan period in agriculture is around 4.7% per annum. An amount of Rs.15640 million has been allocated to realise the targets set for the development of agriculture sector in the plan.

The government has planned to extend short term and long term credit facilities to farmers to achieve the targets of 7th plan. Agricultural Development Bank of Pakistan and all Govt. Commercial Banks have been allocated target of fund to be extended to farmers on reduced rate of interest. The government has also laid down various targets which have been allocated to co-operative sector especially to meet the short term credit requirement of farmers for purchase of improved seed, fertilizers, pesticides, cattle, milch cattle, interest free loans are being given to co-operative societies so that annual growth target of 4.7% in agricultural production may be achieved. An amount of 65 million has been ear-marked for storage facilities through co-operatives.

ISLAM MADNI  
FROM PAKISTAN

## A CASE STUDY

NATIONAL CO-OPERATIVE SUPPLY CORPORATION LIMITED  
41-A, EMPRESS ROAD, LAHORE, PAKISTAN.

### 1. INTRODUCTION

The society is working since 1962 and its main object is to supply agricultural inputs mainly to member co-operative societies and also to general farming community at nominal profit margin. The area of operation is whole country which has been covered through Regional offices and Head office which is situated at Lahore. Presently 5693 primary co-operative societies are members who belong to each area of the country.

### 2. PAST BUSINESS ACTIVITIES

i) The Corporation is pioneer in introducing the use of Chemical Fertilizers among the farmers in our country. In early 1961, farmers were hesitant to use the chemical fertilizers due to ignorance and lack of knowledge regarding modern and scientific development in agricultural inputs. At that time Government was importing fertilizers and whole distribution was allocated to this Corporation because society has a infrastructure of member societies through whom distribution could be made easily. The Corporation distributed fertilizer very successfully upto 1964 and now the farmers had become familiar with the use of fertilizers. The demand was increasing day by day which made this business profitable and private sector jumped into market to exploit the situation.

At that time Government did not patronise the Corporation and distribution to private sector was also allowed. The society with limited financial means could not compete the private sector and during 1965 to 1968 due to hard competition with private sector, supplies were made on credit to co-operative societies which resulted in stricking up funds of society to the tune of Rs. 1.5 crore which was an unbearable loss to the Corporation. The society had no way except to abandone this business and concentrate upon recovery of debts. In spite of the best efforts, Corporation could not recover its debts so far and the funds amounting to Rs.1.25 crore are still outstanding against the co-operative societies.

ii) The period from 1968 to 1977 was a dormant period for the society from business activities point of view. The supply of fertilizers and seed was carried on limited scale and maximum attention was given to recover the outstanding dues of fertilizer business.

In 1978, Punjab Government project "Development of Small Farm Agriculture" was allocated to this Corporation for implementation through co-operative societies. Under this scheme tractors were to be supplied to co-operative for mechanised farming development in small holding of 12½ acres to 25 acres. The Corporation imported 8130 FIAT tractors from Italy during the year 1978 to 1981 and successfully distributed among the small farmers on subsidized rates as compared to government agency and benefit of Rs. 40 million was passed on

to member co-operative societies. Again the import of tractors was allocated to a government agency and corporation lost this business also inspite of the fact that Corporation played important role in the field of mechanised farming.

iii) Pakistan is a developing country where industrial sector is expanding day by day which has resulted in shortage of un-skilled labour particularly in village side in harvesting season. First time in 1979, government took notice of this problem and efforts were started to overcome this problem which was more acute for farmers having small holding where combined harvestors could not be operated. Corporation also came forward to solve this problem and imported Cutter Binder machines from Italy for small farmers. Exhibitions were arranged by the Corporation to introduce this technology and machines were given to co-operative societies on reduced prices and after sale services were also provided free of cost for two seasons. Though Corporation suffered losses out of this business but introduction of this technology led to local fabrication of machine and harvesting problem was solved satisfactorily. Since the local fabricated machine was much cheaper as compared to imported, the Corporation lost the market of imported machine and had to abandon this business.

iv) After tremendous business of tractor distribution, the period of 1981 to 1984 is again a slump period when Corporation could not do any active business except small

activities on cash and carry basis. In 1984 cotton crop of the country was destroyed totally by the pests attack and economy suffered badly. In 1985 government started programme to control the pest attacks on cotton crops and import of pesticides was allowed on a large scale. Corporation also started marketing of pesticides on credit due to competition with multi nation companies which were extending credit very liberally. Again Rs. 4 million were struck up which are still outstanding and Corporation stopped this business.

### 3. PRESENT BUSINESS ACTIVITIES

The Corporation is presently engaged in marketing of following agriculture inputs strictly on cash and carry basis.

- i) Fertilizers
- ii) Pesticides
- iii) Seed
- iv) Spray Machines
- v) Spare parts of Fiat tractors and Cutter Binder Machines.

vi) The Corporation has extended its activities towards the field of industries based on agricultural produce and has acquired Co-operative Cotton Ginning, Pressing and Oil Extraction Mill at Hasilpur, a rich cotton growing area of Punjab. The main object of acquiring this project is to eliminate middle men and to pass on maximum financial benefi

to its members and agriculturists. Kappas is purchased directly from the growers without involving commission agents and commission is passed on to growers. Moreover cash payment is made to the growers and advances are also given to them for crop preparation to save them from the clutches of commission agents.

4. PROBLEMS

- i) Non co-operation by the member societies as whenever they are contacted to give their opinion regarding any scheme to be started by the society, they do not respond.
- ii) Credit worthiness of members is so poor that whenever Corporation extended credit facility to members, it suffered heavy losses in shape of outstanding debts.
- iii) The member societies prefer to purchase on credit at higher rates instead of at lower rates on cash and carry basis and Corporation is reluctant to extend further credit facility as in the past credit was never recovered.
- iv) General Manager is the chief executive of Corporation has been delegated limited powers by the Managing Committee who is reluctant to delegate full powers due to some mis-happening in the past. He is of the view that without full powers commercial organisation can not be run successfully as timely decisions are not possible.

- 6 -

- v)                    Inspite of the fact that society has enough financial resources, it could not establish a permanent line of business except trading from time to time.

( ISLAM MADNI )  
from PAKISTAN

FIFTH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL COOPERATIVES IN ASIA.

" A CRITICAL EXAMINATION OF COOPERATIVE ORGANIZATIONAL  
STRUCTURES AND MANAGEMENT PRACTICES AND PROBLEMS IN  
THE PHILIPPINES."

1. The history of agricultural cooperatives in the Philippines shows their early achievements, rapid rise and fall. In spite of the attempts of the Philippine government to save them, still many cooperatives failed. The ningas cogon attitude has persisted in many of our new endeavors. Some of the reasons for failures of cooperatives in the past were:

- a. lack of adequate character and moral responsibility of management;
- b. inefficient management due to lack of basic understanding of the basic principles of cooperation;
- c. borrowing money under false pretense;
- d. defective securities;
- e. heavy political interference with respect to collection of overdue loans.
- f. lack of democratic procedure in the election of officers, particularly treasurer; and
- g. inadequate supervision

Philippine situation is view, that a vast majority of the people live and work in the rural areas. It is in this particular sector where greater social and economic inequalities pervade. This situation is not only true in our country but also in all other poor and developing nations. It would be difficult for an industrialization program to succeed if it stands on a weak rural base. To correct the imbalance between the urban rural conditions the government programs have shifted their emphasis towards rural development. Rural electrification, agrarian reform, family planning, agricultural develop-



ment, feeder roads, irrigation systems, agro-business industries and cooperatives have been given top priority of our government. However, all these programs require coordination, cooperation and integration in order to achieve a common goal: of social and economic development of the country. Cooperatives have been proven to be effective in promoting such objective as experienced in Europe, United States, Japan, Taiwan, Korea and India.

The Philippine agricultural cooperatives program had several shortcomings, such as:

- a. self-reliance was neglected;
- b. absence of systematic linkages among the various types of cooperatives;
- c. training, education, discipline and savings programs were not adequate;
- d. many cooperatives were hastily organized as a result of crash programs of government, and
- e. promotion, organization and administration of the agricultural cooperatives programs by the Philippine government were unsystematic and inefficient.

To correct the shortcomings of the past agricultural cooperatives program it has been rationalized to meet effectively the requirements of social and economic development. The Philippine government has to launced Presidential Decree No. 175 to strengthen the Cooperative Movement, henceforth, all types of cooperatives are under the supervision and administration of the Ministry of Local Government and Community Development. Before, agricultural cooperative were under the administration of the Agricultural Credit Administration. Now, knowing the limitations of the previous cooperatives development programs and the reasons for the failures of past cooperatives, the Ministry introduced a systematic development process in the organization and management of coops.

The process involves four stages which starts from a preparatory and vertical linkages:

Stage 1 - Samahang Nasyon

Samahang Nasyon is a body corporate which is composed primarily of small farmers residing and/or farming within the geographical limits of a barrio for the purpose of improving the quality of life of the people. It is a pre-cooperatives organization based on and operated according to the cooperative principles. Its principal objectives are to increase income of the farmers, and to improve the social and cultural aspect of a barrio life.

Stage 11 - Kilusang Bayan

A kilusang bayan or full-fledge cooperatives shall mean only organizations composed of primarily small producers and consumers who voluntarily join together to form business enterprises which they themselves own, control and patronize. Their objectives are as follows:

- a. to encourage scientific production and marketing among its members;
- b. to provide goods, services and other needs to members;
- c. to encourage thrift among its members;
- d. to build houses or to acquire lands for its members;
- e. to promote educational, social and economic conditions of its members; and
- f. to establish and operate cooperative rural banks, development banks, cooperative insurance and cooperative wholesale and retail complexes.

Stage III - Federation of Kilusang Bayan

Two or more kilusang bayan may form a federation on the provincial, regional and/or national levels. This stage involves the promotion, organization and development of consumers cooperative complexes in the thickly populated areas. They shall serve as ready markets for the produce of Samahang Nayon and other producers cooperatives.

Stage IV - Union of Kilusang Bayan

This involves the organization and development of federations and/or unions of kilusang Bayan. There will be only one national union of kilusang bayan to which all types of cooperatives at different levels are integrated to provide systematic horizontal and vertical linkages. Such integration has been programmed to maximize benefits through cooperative financing, production, marketing and consumption. The combination of resources and functions of all types of cooperative greatly contribute to the growth and success of the cooperative development program of our country. This strategy further generates economic activities which induce backward and forward linkages.

The Philippine government, in its desire to ensure the successful implementation of the cooperative development program, has provided assistance in the forms of funds, training, information, management and development councils. However, it appears that the project did not begin from where the people are but from what the project implementations wanted to achieve using the people.

Again, if we would see the set-up of the agricultural members, who are farmers, categorically, filipino farmers are poor. They have large families and yet they have little income. This problems is more serious if they do not own the lands they cultivate. Such financial problems limit their production efficiency and other economic opportunities. They cannot adopt modern methods of farming. This requires bigger expenses. They cannot supplement their agricultural activities with piggery poultry and other small scale agricultural projects becuase their income producing projects cannot be implemented without money.

Ironically, farmers depend on loan sharks for their financial needs. They borrow money before planting season and they pay their debts after harvest. Since, the interest rate of the loans are high, many farmers have no more money just after harvest. Their income are barely enough to pay the money lenders, and sometimes, the poor farmers could not pay all their debts and they start borrowing again. This cycle goes on and on which does not only spread more economic proplems but also social problems.

Another problem of the farmer is the marketing of his products. In places where there are no roads and transportation from the farm to the market, crops, vegetables and fruits are only wasted. This situation discourages the farmer from planting. The government for instance in our country must put first the agricultural infrastructure before telling our farmers to plant through scientific method. There is no sense encouraging farmers to increase production without no ready markets for their produce. Practically, under Philippine setting, our farmers would rather sell their produce to buyers other than the Area Marketing cooperative. The main reasons are "AMC pays at lower price", has delayed payment, and the organization is far from AMC site.

On the other hand, private merchants come to the field and buy farmers' produce with immediate cash. As a result of agricultural cooperative are not satisfied with AMC organization tie up. It is interesting to note also, that "sale of farm produce is just enough to support the farm expenses" for the next cropping. Thus, borrowing is a must for other expenses aside from farming. This is very instructive because of the contrast between demands of cooperative. In other words, the demands are relatively fixed but the ability of the farmers to meet such demands is rather variable owing to the variability of production. It should be mentioned also that farmers have other family needs that also require cash. Hence, the amount of money available to them will always be used to meet production demands and family obligations. At times the latter is made critical and therefore, using the money for family purposes rather than for the needs of the farm is to be expected. It seems that one of the best way to avoid the recurrence of such condition is for the farmers cooperative to be in a position to render not only production services but also services that would provide support to family needs. Again, it would appear that a Multi-purpose Cooperatives would be the most responsive to the multiple needs of rural families.

To summarize, the following are the three (3) distinct problems of the Philippine Agricultural Cooperative member/farmers:

1. shortage of farm inputs requirement and inability of the program to meet on time the credit needs of the farmers in terms of cash and input requirements rendered the farm plan & budget useless as tools of supervised credit but useful only as a requirement in the processing of loan;
2. inability of the AMC to provide the input requirement specified under the farm plan, and
3. lack of leadership, remuneration for officers of responsible position.

2. Many cooperatives in the past organized without proper and adequate trainings and discipline. Other were hurriedly put up in compliance with the crash programs of the Philippine government. Not a few agricultural cooperative were established simply to take advantage of the promised assistance from the government. Such situations only served to undermine the spirit of self-reliance of the people. It only firmed up the People's dependence on the government. As a result, they failed to realized the fact that more lasting benefits could be developed through their own plans and efforts.

However, the problem of transforming an excellent program into reality lies in the actual implementation and the subsequent viability of the project. There are many different variables which should be taken into consideration, such as attitudes of the people and those who are responsible in the implementation of the program. The interaction of the aforementioned factors really determines the success of the program.

Learning a good lesson from the past, our new agricultural cooperatives has been designed to eliminate the shortcomings of the old cooperative program, and to assume a more meaningful role in social and economic development. The new program has evolved a more systematic and bigger plan, embodying the feature of a good organization and management.

For the good of the agricultural cooperative, it is imperative that a health friendly and democratic relationship should exist between management and members. Management should encourage the members to take active participation in the affairs of their own cooperative. It should not be arrogant and all-knowing. On the other hand, the members should give their respect and confidence to management. They should not meddle in the day-to-day operations of the coop. This is the job of the management. Unless, there is a clear violation of the policies of the cooperative.

A cooperative has to be dynamic in order to be able to meet effectively changing needs and problems of its members and the community. It has to expand and diversify its business operations. Organizers must have a good feasible plans for business expansion. A business organization which can easily serve the needs of people for a brief and limited period is not desirable. It has to survive and be successful for a long time.

Cooperation, leadership and felt need form a vital factors in the formation of a cooperative. At least the problem of recruitment is minimized. Organizers who are not familiar with procedures and requirements are advised to contract a representative of the government and request technical assistance.

Progressive management is most concerned with the development of its employees. Employees who are happy are efficient in their jobs. They should be treated like members of the family. Their financial needs and other problems are being taken care of by the cooperatives. As a result, the rate of turnover is negligible. This is a good proof of excellent relationship between employees and management.

3. Management in a cooperative is basically a management of people in a most democratic manner. Authority rests on the entire membership. They choose the people who to manage their cooperative. They have the final say in the policies of their organization. The importance of a man occupies the central position in the cooperative. For this reason, the ultimate goal of a cooperative is the development and growth of people geared towards their active participation in social and economic development and community building. Members of the cooperatives have been trained and encouraged to fully participate in all affairs of their organization. Management helps its members turn into a more self-reliant, responsible & productive individuals.

Studies and evaluations of the new agricultural cooperative program, especially the management and organization of cooperatives revealed the same problems and weaknesses of marketing cooperatives that existed prior to the declaration of Martial Law in 1972. In the studies of farmers and marketing cooperatives the problems uncovered pertained to operational efficiency, including lack of proper orientation on the nature and principles of cooperatives management proficiency, stiff competition from traders, and mass ownership of a relatively low paid-up capital base and broader area of service coverage.

4. Stated below are outline data for the cooperative bank for planning development programs:

1. PRE-PLANNING PHASE

- A. Analysis of external factors
- B. Analysis of internal factors
  - 1. Financial trends/indicators
  - 2. Strengths and weaknesses

11. PLANNING PROPER PHASE

- A. 1. Long-Term Plan
  - 1.a Master Plan
    - a. Major assumptions both external and internal
    - b. Objectives
    - c. Profit target
    - d. Expected financial results
    - e. Planning gaps
    - f. contingency plans
  - 1.b Functional areas operating plan (credit & collections, marketing, and client development organization and manpower financial management)
    - a. Detailed assumptions
    - b. Objectives
    - c. Strategies
    - d. Action Program
- 2. Organization and Manpower Plan
- 3. Financial Plan
  - a. Loan Budget
  - b. Deposit liabilities
  - c. Important schedules to support the Statement of Income and expenses and statement of financial condition.



- d. Five-Year Projected Statement of Income & Expenses
- e. Five-Year Projected Statement of Financial Condition

B. Detailed One-Year Plan (Quarterly basis)

- 1. Important schedules
- 2. Cash Flow Forecast
- 3. Statement of Income and Expenses
- 4. Statement of Financial Condition

111. POST PLANNING PHASE

Monitoring/Controlling

- 1. Measurement of results (actual against plan)
- 2. Management Information System
- 3. Progress Review

The following policies were formulated by the cooperative bank for their Five-Year Program (1990-1991):

1. Financial Management

- a. Financial statement of condition, statement of operations, comparative statements, are prepared and kept by the Accounting Department;
- b. Organizational charts, plantilla of organization, statistical data and comparative charts are the job of the accounting department;
- c. Comparison of actual income and expenditures to the annual budget must be always available for evaluation by the top management.
- d. Financial reports must be submitted promptly and regularly to its respective agencies.
- e. Ratios must be comparatively maintained, like risk asset ratio, past due ratio, liquidity ratio, solvency ratio, profitability ratio and other ratio relevant for evaluating performance.
- f. Preparation of annual budget, bank plan and loan budget and other plans shall be the responsibility of the Accounting Dept.

2. Inventory Management

- a. Inventory management chart shall be provided to determine the cost control performance.
- b. Fixed cost must not exceed the annual budget and variable cost must be controlled that the excess must not be 100% of the budget account.

- c. Travel must be provided with trip ticket and itenerary of travel and accomplishment report.
- d. Stationaries must be properly controlled.
- e. re-alignment of position to determine their job performance.
- f. Salary increases will depend upon the performance of operations.

3. Personnel Management

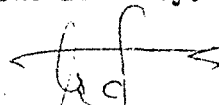
- a. Management shall institute delegation of authority to its division namely cash, accounting and credit & collection. The division chief will handle the employees under their division to perform the job assigned and be responsible to their performance of each.
- b. Maximization of manpower utilization to job or activities regardless of position.
- c. Management is requiring every employee to submit their own handwritten job descriptions (in three copies) one copy for the management file, one copy for division and other personal file.
- d. Management is required to prepare a handbook for the delineation of responsibilities, job descriptions and title, recruitment procedures, performance standard, promotion scheme, remuneration scheme, punishment and demerits of offenses, internal control procedures comprehensive education and training program, structural delegation of authority and comprehensive welfare and benefit program.
- e. Management is required to submit annually the performance rating of all employee through the Division showing strenght and weaknesses of each employer.
- f. Internal control must be strictly observed and the management is tasked to maintain its effectiveness.
- g. Maintenance of updated plantilla of organization and organizations charts must be submitted yearly.
- h. Management is tasked to handle effective implementation of all policies and strategies promulgated in the development plan.

5. A Five-Year Development Plan was undertaken by the Board of Directors and Management staff of the cooperative bank to give the stockholders, officers, management staff and its clientele the direction/guidance to attain the goals and objectives of the bank by religiously following its formulated policies

and existing laws, circulars, require regulations rules set by the General Assembly, the Board of Directors and its supervising government agencies.

The Development Plan was created to pinpoint a long range planning will assist in developing potentials in the area of coverage. A guiding factor was identified to meet the needs and services of the cooperative bank for the province wide coverage. The Plan is to expand the services to all Samahang Nayan (SN) pre-cooperative members who have highly trusted the organization and likewise with good track of credit records is necessary to monitor the farmer/member commitment and thrust to their organization cooperative.

Submitted by:



EDITH SUSAN VALDEZ

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PHILIPPINES.

*A BACKGROUND PAPER ON  
THE AGRICULTURAL COOPERATIVES IN  
WESTERN VISAYAS, PHILIPPINES*

*SUBMITTED TO*

*Fifth ICA/Japan Training Course for  
Strengthening Management of Agricultural  
Cooperatives in Asia, India / Thailand  
Japan / Republic of Korea.  
October 22, 1990 to May 10, 1991*

*SUBMITTED BY:*

*MISS AMELITA P. PROVIDO  
(Philippines)*

# THE AGRICULTURAL COOPERATIVES IN WESTERN VISAYAS

## PHILIPPINES

BY: MISS AMELITA P. PROVIDO

### A. BACKGROUND

To understand the Philippines, one must see it in its total perspective: seven thousand one hundred islands, each endowed with a distinctive character. Located in the tropical zone near the equator, the climate is on the whole pleasant. During the hottest and most humid months, it is still bearable and during the rainy season from June to October, rain falls almost everyday. Sometimes cities and towns are flooded but farmers are rarely bothered because they need the water for their rice crops. The average rainfall is approximately 135 inches per year. Scholars trace the settlements of the Philippines back to the arrival of the Aetas (Negretos) several thousand years ago. Successive migrations followed, with the largest groups - the Indonesians and Malaysians, arriving about 300 B.C. . Because these groups were isolated from each other by the various islands, a wide variety of languages and cultures have developed over the centuries. The first Europeans to arrive christened the Philippines "La Azuado de las Buenas Senales", The Watering Place of Good Omens. Today the islands are melting pots of Asians and Western cultures, where the past and the present are blended in a unique fashion.

Western Visayas has a total land area of 2,022,311 hectares or roughly 20,223 square kilometers, which is approximately 6.7%

of the total land area of the Philippines. It is otherwise known as Region 6 which comprises five provinces - Aklan, Capiz, Iloilo, and Negros island and the Sub-Province of Guimaras. Western Visayas is considered as one of the densely populated region in the country with gross population density of 252 person per square meter. Iloilo is the most densely populated province in the region. The total population as of 1989 is 5,092,000. The average annual growth rate is 2.4% which is lower than the national average of 2.7%.

The island comprising the region exhibit similar physical features characterized by relatively wide stretches of rivers and coastal low lands that spread inland and a series of rugged hills and mountain lands in the interior areas. The region lies within two large inter-island water bodies-the Sibuyan and Visayan areas. The land suitability classification gives a systematic integration of the soils and climatic resources and the determination of crops whose agronomic are not in conflict with the correctible, measurable and observed properties of the soils and land resources. The total land area that can be used for various agricultural pursuits adds up to 1,023,846 hectares, of which 71% are at present actively used for agricultural and other related uses required to sustain population and economic growth. Small farms with an average of 2 hectares predominate. Rice, the most important food crop and as the staple food is grown mostly in the region. Other crops are: corn, coconut, banana, sugarcane, cashew, coffee, cacao, mango, and root crops such as sweet potato, Irish potato, cassava and vegetables.

Breakthrough in Agricultural technology has made Western Visayas as the food basket of the country especially in rice, corn, mango, sugar, pork and poultry products. The marketable surplus of the region found its domestic outlets in the neighboring provinces of Region 7, 8, 10 and Metro Manila.

## **B. COOPERATIVE ORGANIZATIONAL STATUS IN THE REGION**

In the Philippines, the agricultural cooperatives has a long history which started with the enactment of the Rural Credit Cooperative Association Act (P.A. 2508) in 1915. Thereafter, so many laws on cooperative were passed into law, the latest were R.A. 6938 and R.A. 6939 which were approved on March 10, 1990. During the period of Martial Law, a total of 1,840 Samahang Nayons (SNs), with about 73,332 farmer-members, were organized in Western Visayas. These primary cooperatives were composed of farmer-beneficiaries of the government's land reform program. However, due to some problems, the program somehow failed to realize the full extent of its objectives. Most of the inactive SNs are found in mountain areas with peace and order problems and also in sugarcane, upland and non-irrigated areas. However, the active SNs are already converting themselves into single purpose or multi-purpose cooperatives.

Like other regions in the country, Western Visayas has the same types of cooperatives. There are 550 registered credit, consumers, marketing, service, producers and multi-purpose cooperatives with about 65,000 individual members. Cooperatives of the same type, form their respective federations/unions at the provincial level. These federations/unions organized the Western

Visayas Union of Cooperatives at the regional level and at the national level the Cooperative Union of the Philippines, Inc. (CUP).

### C. ISSUES

The Agricultural Cooperative Program implementation and development issues gravitate around three basic areas of concern;

1. Low levels of membership patronage - This issue can be viewed as a problem in three interface levels. At the coop-member interface, the coop is unable to provide the services, in accordance with members' expectations due to inadequate resources. At the leader-member interface within the coop, the coop leadership is wanting in drive, capability or perhaps integrity. At the government agency-coop interface, the continuing education process of members have lagged due in part to lack of dedication/commitment by government officers. On the other hand, the coop maybe having an overdose of interface with various government agencies' field representatives out to enlist farmers' support and cooperation to on-going government programs. In summary, there is a need for a rationalization of program implementation at the barangay level if farmers' response is to surface.

2. The lack of adequate equity capital - This is another argument cited in defense of poor or mediocre business performance by many Coops. The members are perceived in some areas as remiss in their obligation to continue supporting the coop which they set-up in the first place. The coop management,



on the other hand, gets blamed for over-expansion, yielding to pressure from members to provide services beyond the coops financial and management capabilities. While the enterprise oriented manager argues that losses in initial year of business operation are to be expected, the grassroots symphatizers comes up with a disconcerting counter-argument. Given the level of experience and expertise of the staff and operations people to work with the manager (who is assumed to be capable), is the enterprise mode of business/market entry. This line of argumentation emphasizes that the farmer with his limited resources and as coop stockholders has very great aversion to risks. It goes on to say that there must be a way of making money or breaking even on the initial capital. Other entrepreneurs had made money on initial operations using much less capital and so the debate goes on and on. The question therefore, is one of slow growth in equity capital or of strategic differences between small farmer cooperative organizations and other form of business enterprises.

3. Inadequate management capability within the system is an admitted fact - There is, however, no agreement on the strategy as to how speedily and effectively this inadequacy can be remedied. One strategy would begin with the basic principle that management control should be in the hands of the farmer-owners, no matter how seemingly lacking in capability. Another strategy is based on the premise that the whole question that a strategy of control from sources external to the boundaries of membership would provide the solution.

The issues of beneficiary or member participation, equity capital growth and management still remain unresolved on a system-wide basis. There are outstanding examples, fortunately of successful performance. And these together with the not-so-successful organizations can be subjects of case studies.

No attempt to cite specific cases is made at this point. However, in a broad context, let it be stated that while there is hardly room for discussion on policy and program objectives, the field is wide open to research on strategy options to face and resolve the above and other issues. An area which is key to the possible uncovering of valid options is institutional. What forces in the farmers' cooperative organizations exert the predominant influences as to organizational direction? What are the market institutions which operate in the market environment where the Coop Manager is expected to perform "miracles"?

#### **D. THE COOPERATIVE SYSTEM'S MAIN WEAKNESS AND STRENGTH**

The emerging system of farmers' cooperative institutions have weaknesses. But they also have their strengths. The main weakness of the farmers' cooperative system comes from its infancy. The various components indicate a high degree of complexity. However, these same components are all relatively new and still working at survival. The reality of a well oiled system of complementing elements is still a far off reality. The system's strength on the other hand, comes from its coherence, openness to participative development modes, and the fact of its existence and phenomenal expansion.

The cooperative system draws coherence from the program's political and historical necessity. Politically, farmers cooperative organizations are part and parcel of a basic program of Philippine society. National policy considers cooperatives as support institutions to the Land Reform Program. From the government's point of view, the cooperative is designed to be an institution to guarantee land amortization payment. For the farmer's interest, the cooperative is to fill the vacuum left by the landlord and provide support services.

Historically, as the fail-safe point has been crossed and there is no more turning back on Land Reform, so too on Cooperative Programs. Some people have compared land reform and cooperatives development to Lincoln's emancipation issue in subsequent decades which was seen as stages in a process that eventually prepared for physical desegregation and still continuous towards social integration. The Cooperative Programs have a built-in preparedness for a highly participative development process. The realities, however, show that the Cooperative Program's vast resource requirements point to farmers self-reliance as the practical medium for program viability.

#### **E. CONCLUSION:**

The Philippines, being an agricultural country, has majority of its population engaged in farming. But unlike its counterpart in many progressive countries, majority of the farmer who cultivate an average of 1.5 hectares of land are living below the poverty line. Thus, for the country to be progressive, it is

imperative to improve the socio-political and economic life of the farmers. It is a common belief then that cooperatives can be an effective tool towards the achievement of progress.

The cooperative organizations as a nationwide network is effectively in place. Hence, some government programs latch on to Coop to complement their own implementation network. Financial institutions make use of the Coops and other farmers' organization for credit and collections. Land Reform, compact farming, irrigations, grains procurement, fisheries development, livestock and poultry projects have done similar tie-up arrangements.

It is not therefore far-fetched to say that the small farmers' cooperative institutions are here to stay and that their potential is only beginning to be tapped.



A CASE STUDY

ON

PRIMARY AGRICULTURAL COOPERATIVES

(FARMERS' MARKETING COOPERATIVE OF ILOILO, INC.)

SUBMITTED TO

FIFTH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL COOPERATIVES IN ASIA

OCTOBER 22, 1990 - MAY 10, 1991

SUBMITTED BY:

MISS AMELITA P. PROVIDO  
(PHILIPPINES)

A CASE STUDY

ON

FARMERS' MARKETING COOPERATIVE OF ILOILO, INC.

BY: MISS AMELITA P. PROVIDO

PHILIPPINES

It was an abrupt decision if wasn't wrong at all. During an informal dialogue on the night of a seminar, the board of directors together with some representatives from the government agency decided to fire out the manager without the latter's knowledge. For the past few months tension and suspension had been mounting against the manager, Mrs. Corazon Vargas, on alleged mismanagement and utilization of the coop's resources for her own personal business interest. However, being influential and assertive, the board of directors did not have the courage to initiate any formal complaints or investigations regarding the matter until that night when they were urged by other people in the movement. But before the plan was completed, concerned management staff leaked the information to Mrs. Vargas. The manager immediately departed abroad before any formal action reached the court.

More than half a decade later, the cooperative is still saddled by the burden/consequences that decision brought about.

The Farmers' Marketing Cooperative of Iloilo was organized fourteen years ago by small groups of farmers in the town of Pototan in the province of Iloilo, Philippines. Its main

objective is to take charge of the farmers' farm in-put needs and produce by selling fertilizers and chemicals as well as buying their palay at reasonable costs. The process of organizing itself was a difficult undertaking if not for the common problems that beset the farmers. Its first five years of operations was marred by continuous losses and declining members' patronage due to mismanagement and incompetence of the board of directors. It took three management changes before Mrs. Vargas took charge. Her aggressiveness and industry eventually paid off in terms of favorable results of operations, business expansion and members' patronage despite the remaining handicap of the board of directors. During her term, the coop acquired the most modern ricemill and warehouse including transportation facilities which made it the biggest in the province if not the whole region.

It was smooth sailing for the cooperative until personal interests got in the way. All the allegations and accusations proved to be right as revealed by the independent audit. The coop lost more than half a million pesos from Mrs. Vargas, a small amount compared to the other losses brought about as consequences of her ouster. Although the board's decision could be justified by her misconduct, it was untimely and disadvantageous to the cooperative. Real growth was just at the onset and the knowledge of what happened had been alarming to other parties involved. As expected, creditors closed in, and to make matter worse, the members themselves go against the new management by patronizing its competitors and spreading bad news to the whole community. With sales going down, credit lines cut



off and members demanding the return of their capital contributions, the future for the cooperative suddenly became bleak.

After the ouster of the manager, the board immediately hire a replacement to build the cooperative from the ruins. However, a masters' degree without the proper concern towards the grassroots proved to be futile. No amount of management and marketing techniques was able to uplift the cooperative from its present predicament. Furthermore, the board of directors did not made any efforts to assist the management in winning back the confidence of the members. And to add further insults to injury, scores of management staff specifically those involved in the handling of money and inventories were cashiered due to charges of estafa. Thus, the old problem of incompetence were never corrected since the members' indifference did not warrant the selection of honest and dedicated leaders. On the other hand, what can you expect from small farmers to understand the laws of management and marketing? Despite the trainings and seminars given to the leaders, implementation of programs remained a serious setback.

To bolster its dwindling resources after a couple of years, the management with the approval of the board, requested for additional loans from the government. This move, however, just further add to the burden of the cooperative by saddling it with higher interest expenses.

Today, the cooperative is in its twilight years. Its accumulated losses exceed the total capital paid-up of its members. It had changed three managers and staff since then. The members of the board of directors remained the same with its inherent problems. Management staff has been reduced to a skeletal force and marketing operations is likewise limited to the marketing of farm in-puts at a minimal volume. Its ricemill warehouse and transportation facilities stay idle/non-operating due to the lack of working capital. Creditors including government banks and institutions and cooperatives refused to grant further financial assistance due to existing overdue loans. Almost half of its total membership no longer remembers their marketing cooperatives except for the little amount they had contributed for its capital. The remaining few who still believe in the spirit of cooperativism and the sincerity of the new manager and the newcomers in the board of directors, constitute the sales of the cooperative. From then on bigger volume of sales depends on government sponsored programs.

Experts and other consultants contemplate that with the coop's present situation, it is more easier to organize a new cooperative than reviving it. On the other hand, the result of the last year's operation registered a net income prompting the manager to believe that with the right program, the cooperative have a chance to survive. However, experts argued that present positive result of operation for the year was brought about by

temporary factors identified as follows:

1. compulsory support and patronage of the member-farmers in the sale of farm in-puts due to government subsidy under its coop program;
2. the tireless campaign of the new manager in reaching out to members in their respective areas and the full support of her staff;
3. the absence of capital requirements to engage in the undertaking due to the assistance of a supplier who believes in the capabilities of the new manager and the fast and efficient releases of government funds to cover the said program; and
4. the reduction of competitors in the area.

Considering that reviving the cooperative is possible, what particular program could be made to answer its current financial as well as managerial problems in order to acquire the necessary working capital, members' patronage and uplift the competence of the members of the board of directors including management staff and eventually reverse its present financial condition?

Attached are selected statistical data concerning the cooperative.

FARMERS' MARKETING COOPERATIVE OF ILOILO, INC.

Statistical Data

MEMBERSHIP

Total Membership:

5,000 farmers (palay)

Active Members:

1,500 farmers

Average Farm Lot/Number of Hectares:

1.5 Hectares

Average Expenses Per Hectare of Palay Production:

Fertilizers	P 1,500.00
Chemicals	P 1,240.00
Land Preparation	P 2,500.00
Seeds	P <u>900.00</u>
Total	P 6,140.00 =====

Average Harvest per Hectare:

90 to 100 cavans

Price of Palay per Kilo:

Government (NFA) P 6.00

Private Traders P 5.00 to P 5.50

OPERATIONAL EXPENSES OF THE COOPERATIVE

Interest Expense on Loans Payable:

P 500,000.00 + per annum

Salaries and Other Operating Expenses:

P 300,000.00 per annum

INCOME

Average Sales:

P 3,000,000.00 + (fertilizers and chemicals)

Average Gross Margin From Sales:

3 %

PRESENT WORKING CAPITAL

negative - maturing current obligations exceed  
total current assets

TOTAL MEMBERS' PAID-UP CAPITAL

P 675,000.00 +

TOTAL LIABILITIES

P 5,500,000.00

FIFTH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
IN ASIA. 1990-1991

CASE PROJECT ON TOMATO-BASED CROPPING SYSTEM ENHANCEMENT  
AN INTEGRATED APPROACH TO RURAL FINANCING PACKAGE

CASE PROBLEM:

The year 1984, Northern Foods Corporation was established to spur the development of the Province of Ilocos Norte. It was conceived to process tomato into tomato paste for the local as well as the international market. It was mandated as an anchor which serves as assembler-processor of farmers produce. Later on it will process other fruits such as passion fruits, mangoes and guayabano into puree. The plant has a rated CAPACITY OF 20 tons per hour milling capacity, fresh tomatoes.

From 1984 to 1988, tomato production was on a contract growing scheme where in the corporation provides all needed inputs and labor cost to to the farmers and buys their produce at given price. These tomato growers were then organized into Tomato Growers Associations.

During the crop year 1988-1989, the company initiated a program wherein these contract growers were organized into cooperatives. These cooperatives will enter into Contract with the corporation to supply fresh fruits at a given price much higher than the contract growing price (P .40 to P 1.20 per kilo).

So as to have a capital for production, the cooperatives shall shoulder the production cost or either get a production financing from the COOPERATIVE RURAL BANK OF ILOCOS NORTE, INC. The twenty (22) cooperatives (listed in Annex A) were all members of the cooperative bank which was mainly organized to assist member cooperatives purely agricultural production and the like for institutional lending.

The Cooperative Rural Bank of Ilocos Norte, Inc. and the Northern Foods Corporation not only assisted these cooperatives in the processing of their Registration papers as cooperative but also in the processing of their loan papers for their tomato projects. All throughout the tomato operation, NFC technicians had always been around assisting and supervising these cooperatives in all aspects of management since most of the officers and staff still lack organizational and managerial capabilities. Only few of the officers and staff of these cooperatives are college graduates or college level. Because of this, the line agencies like the Northern Foods Corporation sponsored a Farmer's Organizational and Development Program wherein they are being trained on Leadership and Organizational Mechanic skills, Project Management skills and also on Community Organization and Development. However, despite of these trainings, it is still observed that most of these cooperatives are not growing. They are only active during tomato season after which, they no longer have other activities except for those cooperatives with active officers and staff like the Quiling Sur-Multi-Purpose Cooperative of Batac, Ilocos Norte. This is so because the cooperatives have very limited capital, most having only ₱ 5,000.00 share capital, hence, they cannot venture on other kinds of business. They cannot loan from other financing institutions because they lack the expertise of preparing project proposals/studies and loan papers required by lending institutions. Support from government agencies in facilitating loan requirements is very limited if not NIL because there are now so many cooperatives being organized in the Ilocos Province.

To activate these cooperatives, the Northern Foods Corporation in coordination with the Cooperative Rural Bank is now introducing a year round program called "Tomato-Based Cropping System Enhancement! An Integrated Approach to Rural

Financing Package" with support facilities, training, hauling and marketing facilities. The Cooperative Rural Bank and the Northern Foods Corporation is now helping these cooperatives to source out possible financial assistance from the government and other foreign assistance.

Officers and staff of these cooperatives cannot also perform their functions as required because they cannot have yet sufficient funds for their mobilization. No honorarium or salary for their services is being given for the moment. All services are free until such time that their cooperatives are already capable of paying such. This is also one reason why they cannot hire competent managers and staff to direct the activities of these cooperatives and to work full time.

As per observations, there are still some members of the cooperatives who are not yet convinced of the objectives and benefits they can get in joining, hence, they are inactive. Some joined only because they want to plant tomatoes since it has been disseminated that NFC shall only be dealing with Cooperatives.

These cooperatives had been so interested in planting tomatoes because of the assured market and assured price offered by NFC. The assistance they are getting in terms of technical, organizational and management aspects can not be found in other agricultural corporations or market outlets. In terms of marketing, NFC is even the one responsible in hauling their produce at designated pick-up points. However, if the cooperative opted to deliver personally their produce to the NFC plant, they are given the so called hauling incentives and this depends on the distance.

Lack of assured market had been the main problem of farmers in Ilocos Norte. That is why these cooperatives despite the tremendous experience of Northern Foods



Corporation had not been discouraged to still plant this season. These Cooperatives suffered from having rotten fruits because of improper scheduling. However, NFC still paid these rotten fruits because of improper planting schedule had been a look out of the corporation. The sincerity of the corporation encouraged these cooperatives to still plant for more.

#### JUSTIFICATION OF THE PROJECT

For the past 5 years of operations, NFC has proven that it is capable of processing 400 to 600 Metric Tons of fresh fruits per day and that farmers can produce up to 100 MT of fresh fruits per hectare.

Bulk of tomato plantings falls during the months of November and December to be harvested by February to April mainly due to late harvesting of rice which is the first crop and the periodic calamities occurring during the months of August to October. However, planting tomatoes during the month of August, September, October for the early planting and January and February for the late planting is also feasible, thereby spreading the planting duration from the present 13-14 weeks to 25-26 weeks and avert possible oversupply of fruits.

And to spread planting weeks, new areas must be opened up in the rainfed and upland areas where tomatoes are suitable. These new areas needs production support facilities especially water pumps to sustain irrigation requirements of the various crops to be planted. Farm machineries are needed for efficient crop production as well as product mobilization are also badly needed. Credit facilities are also needed in this aspect.

Thru the supervised credit program that was recently piloted, the farmers proved that they are bankable after all provided they are given the proper technical as well as managerial guidance in their financial undertaking.

At present, the government is intensifying its program to extend credit facilities to cooperative for relending to its members at minimal rates. However, past sad experiences in previous government lending programs still lingers in the minds of both farmers and lending institutions.

So this program is designed to enhance farm productivity thru production financing, marketing assistance, credit education and appropriate technology implementation, with end in view of improving the small farmers bankability and buying power.

#### OBJECTIVES

##### General

The enhancement of a viable tomato cropping system thru a strong and responsible Cooperative.

##### Specific Objectives:

1. To design and implement a tomato based cropping system for the CY 1990-91 covering 1,200 hectares
2. To increase cropping index to 2 times
3. To provide an additional 17,000 rural employment opportunities

#### PROGRAM SCHEME

This calls for 22 Multipurpose Cooperative which shall serve as the conduit of various assistance such as financial package, technological transfer package, institutional strengthening package and marketing assistance of the various agencies.

The cropping sequence is Rice-Tomato-Yellow Corn and Rice-Tomato-Mungo.

or mungo. Cooperative have to select their preference. Each association must have at least 25 members-beneficiaries and at least 5 hectares of committed area. Uniformity of crop variety, planting dates is also a must.

Cooperatives shall apply for a loan from Cooperative Rural Bank for re-lending to its members. The loan shall have a duration of 12 months/360 days with three releases on a per commodity basis. Subsequent releases requires the full payment of previous amount released.

Areas not previously committed to tomato production but are suitable for planting shall be included in the program for the early planting and the tail ends.

#### ORGANIZATION AND MANAGEMENT

A Management team composed of representatives of the Northern Foods Corporation, Lending Institutions, Department of Agriculture and Tomato Growers Association Federation shall formulate the policies and guidelines for project implementation and subsequent periodic reviews. Coordination meeting shall be set to iron out problems and issues as they arise.

The existing field personnel of the concerned agencies shall implement the program at the various level.

#### DUTIES AND RESPONSIBILITIES:

##### DEPARTMENT OF AGRICULTURE

- technical supervision
- technology transfer
- organizational strengthening and institutionalization
- site validation

## NORTHERN FOODS CORPORATION

- market assistance
- technical assistance and supervision
- documents facilitation
- site validation

## COOPERATIVE RURAL BANK

- credit investigation
- loan packaging and collection
- credit financing
- credit guidance

Project/program monitoring shall be a coordination effort of the Management team members.

## TIMETABLE OF OPERATION

<u>Activities</u>	<u>Responsible Entities</u>	<u>Time Frame</u>
1. Orientation Training of Extra personnel	DA, MMSU, NFC	Jan. 12, 1990
2. Organization/conversion of TGAs to cooperative	NFC, DA, MMSU, TGA	Jan. 15, 1990 to Feb. 28, 1990
3. Programming	NFC, TGA, DA, LI	February to April 31, 1990
4. Loan Documentation	NFC, DA, TGA, LI	Feb.-May 31, 1990
5. Loan Release	LI, TGA, NFC, DA	May 1-Jun 15, '90
6. Rice Production Implementation	TGA, NFC, DA	May 15-Oct. 15, '90
7. Rice Loan Repayment	TGA	Aug. 15-Oct. 30, '90
8. Loan Release for tomato	TGA, LI, NFC	Aug. 31-Nov. 15, '90
9. Implementation	NFC, TGA, LI	Sept.-Feb. 1991

10. Total loan repayment	NFC, TGA, LI	Jan.-Apr. 1991
11. Corn/Mungo Loan Release	NFC, TGA, LI	Jan.-Feb. 15, '91
12. Project implementation	TGA	April 1-30, 1990
13. Loan Repayment	TGA	Apr.-May 15, 1991
14. Program Evaluation Recycling	NFC, TGA, LI	Feb.-Mar. 1990

## FINANCIAL ASPECT

## A. GENERAL ASSUMPTION

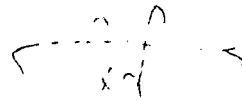
1. Prevailing interest rate is 12% per annum
2. Hiring rate
  - a) Labor is ₱50/MD. ₱90/MAD
  - b) Tractor is ₱1200/hectare rotavation
3. Sharing rate is 75% is to 25% in favor of the tenant
4. Expected yield
  - a) Rice = 4 Metric Tons/hectare
  - b) Tomato = 45 MT/hectare
  - c) Yellow Corn = 05 MT/hectare
  - d) Mungo = 800 kg/hectare
5. Planting Materials Cost/Hectare
 

a) Rice	50 kg	₱450/hectare
b) Tomato	500 grams	1000
c) Yellow Corn	20 kg	900
d) Mungo	20 kg	240

6. Selling price

- |                |           |
|----------------|-----------|
| a) Rice        | P'5.00/kg |
| b) Tomato      | P'1.20/kg |
| c) Yellow Corn | P'3.50/kg |
| d) Mungo       | P12/kg    |

Submitted by:



EDITH SUSAN SD. VALDEZ  
CRB/Ilocos Norte  
Philippines

GROUP C  
OCTOBER 26, 1990

1. CHARACTERISTIC OF COOPERATIVE MOVEMENT IN THE PHIL.

1. MULTI-PURPOSE COOPERATIVES
2. PRIMARY COOPERATIVES WERE COMPOSED OF FARMER-BENEFICIARIES OF THE GOVERNMENT'S LAND REFORM PROGRAM.
3. INSURANCE TO THE MEMBERS (BOTH LIFE & CROP)
4. STRONG SUPPORT TO THE GOVERNMENT TO ENSURE THE SUCCESSFUL IMPLEMENTATION OF COOP. DEVELOPMENT.

GROUP C  
OCT. 26, 1990

**POSITIVE FACTORS:**

1. SAMAHANG NAYON CONVERTS THEM --  
SEVES TO PRIMARY MULTI-PURPOSE COOP.
2. THE GOVERNMENT INTENSIFY ITS PROGRAMS  
TO EXTEND CREDIT FACILITIES TO COOP. FOR LENDING  
TO ITS MEMBERS AT MINIMAL RATES
3. CASH PROGRAM FOR IMMEDIATE ACHIEVEMENT
4. ARE : IMPROVING MARKETING FACILITIES



GROUP C  
OCT. 26, 1990

**NEGATIVE FACTORS:**

1. BORROWING MONEY IN FALSE PRETEXTS
2. SELF RELIANCE WAS NEGLECTED
3. INADEQUATE MANAGEMENT CAPABILITY  
THAT IT REDUCES ITS MEMBERS

# GROUP C

Oct. 26, 1990

## SUGGESTIONS:

1. IT IS IMPERATIVE TO IMPROVE SOCIO-ECONOMIC LIFE OF THE FARMERS
2. ACQUIRE ADDITIONAL GRANTS BOTH IN THE GOVERNMENT + FOREIGN AIDS TO IMPROVE CAPITAL EQUITY.
3. ITERATIVE EDUCATION AND TRAININGS BOTH ON PRIMARY SECTORS AND MANAGEMENT LEVELS.

PREPARED BY :

GROUP C

GROUP B.

PHILIPPINES

OCT. 26. 1990

L. CHARACTERISTICS

1) FOUR TIER SYSTEM  
- 1ST TIER HAS NO ACTIVE ROLE  
TO PLAY

2) CO-OPS ARE MULTIPURPOSE

3) CO-OPS GIVE SERVICES TO SMALL  
LAND HOLDERS  
- AVERAGE FARM 1.5 HACTARES

Z. ⊕ POSITIVE

1) PRE-COOPS GIVES KNOWLEDGE TO  
FARMERS ABOUT COOPS.

2) MAJORITY FARMERS ARE COOP  
MEMBERS.

## ② NEGATIVE

1) ONLY 13% MARKETING COOP ACTIVE

2) NO GOVT. FINANCIAL SUPPORT TO COOPS.

3) NO OF COOP BANKS STATIC AT 29.

4) AGRICULTURAL CREDIT DOWN 59% IN 1987 TO 55% IN 1989

- INTEREST ON LOAN ARE HIGH 19% PER YEAR.

5) TRAINING FACILITIES NOT ADEQUATE.

6) NO PROPER LINKAGES AMONG VARIOUS TYPES OF COOPS.

- Group B -

### 3. SUGGESTIONS

- 1) MARKETING COOPS <sup>SHOULD</sup> ~~SHALL~~ BE REHABILITATED.
- 2) GOVT. SHOULD CONTRIBUTE FINANCIAL ASSISTANCE TO COOPS.
- 3) LOAN TO FARMERS SHOULD BE GIVEN ON LOWER RATE OF INTEREST.
- 4) TRAINING FACILITIES SHOULD BE PROVIDED.
- 5) COOPS NEED REORGANIZATION.

- GROUP B -

THE AGRICULTURAL  
CO-OPERATIVE  
MOVEMENT IN SRI LANKA

THE AGRICULTURAL CO - OPERATIVE MOVEMENT IN SRI LANKA.  
-----

COUNTRY REPORT TO BE PRESENTED ON 5 TH  
I. C. A. / JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
CO - OPERATIVES IN ASIA.

PREPARED BY :

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22nd OCT. 1990.

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## INTRODUCTION

Sri Lanka is an island situated in the South-East of India in the Indian Ocean, with an area of about 65,610 sq. km of which 31.16% (1980) is under Agriculture. Based on the geographical features and climatic conditions the variety of crops cultivated differs. 23.64% (1987) of National products are agricultural. Tea, Rubber and Coconut are cultivated on large scale. Our staple diet being rice, 781,000 hectares are under paddy cultivation. Subsidiary crops such as Vegetables, fruits, sugar cane and tobacco too are cultivated. Sri Lanka has been famous for its spices from ancient times.

The two main seasons of Agriculture in Sri Lanka "Yala" and "Maha" depends on the two major periods of heavy rainfall. The climatological divisions of the island too are based on the rainfall. The Wet Zone of the island comprising of 30% of land area receive more than 1905 m.m. of rainfall. The balance 70% receive less rain and is called the Dry Zone. Agricultural activities too are based on the patterns of rainfall.

Agriculture in Sri Lanka could be divided in to (i) The Plantation Sector which is the organised large scale agricultural production of Tea, Rubber and Coconut. These are export crops. There is vast implementation of modern technology applied in this sector. (ii) Traditional agriculture crops including Paddy, subsidiary food crops, spices and dairy farming. These units are not large scale estates but small holdings managed by farmers themselves.

Agriculture as the single largest productive sector in the Sri Lanka economy accounts for 27% GDP. It employs 46% of the labour force, earns 58% of all exports, including traditional processed agricultural exports. Sri Lanka has recently diversified its exports base; in 1971 agricultural exports formed 91% of export receipts which declined to 58% in 1982, reflecting the emphasis on export promotion.

The decreasing of Agricultural lands with the increasing of population is a special characteristic in the agricultural sector in Sri Lanka. The Per-capita land size in 1949 was 1.35 Ha and that was decreased to 0.95 in 1973. This can be specially noticed in paddy production sector. In 1982, out of total paddy farmers 73% had less than 4 acres and out of the total paddy cultivating land 44% were less than 4 acres. This is very common in other field crop sector. In 1982 out of total Other Field Crop cultivating farmers 70% were holding less than 4 acres.

The same year, 60% of the Coconut land holders belonged to the less than 10 acre category. This is common in Tea and Rubber sector too. According to the above information, the majority of the farmers are small farmers. Therefore, contribution of the small farmers to the national economy is considerably high.

#### ORIGIN OF THE AGRICULTURAL COOPERATIVE SOCIETIES

The Co-operative movement in Sri Lanka has played a major role in the agriculture of this country from its very beginning in 1906. The main objective of the establishment of credit co-operative societies in 1911, was to fulfill the agricultural credit needs of the rural small farmers under low interest rates. In 1930, there were 418 credit societies operating and Rs. 992,000 was provided as agricultural loans. These societies gained official recognition with the establishment of the Co-operative Law in 1911.

Through centuries the essence of Cooperation existed in the daily lives of the Sinhala people. It was during the world War II that people began to act in the co-operative way, by organising Consumer Co-operatives.

The first agricultural co-operative society set up in Sri Lanka was the Malayan Tobacco Producers Co-operative Society in Jaffna, started in 1934. By 1943 there were 23 such societies organised into Agricultural production and sales societies to lend a helping hand to the farmers. These societies assisted to obtain credit facilities, and supplies of seed and fertilizer on time, provided marketing facilities and most of all protected the poor farmer from exploitation by the private trader.

## CO-OPERATIVE AGRICULTURAL PRODUCERS AND SALES SOCIETIES (CAPS)

The importance of these Co-operative Agricultural Production and Sales Societies (CAPS) was shown when the Government, after the Second World War initiated the "Food Production Drive" by channeling assistance to the needy cultivator through these societies. These Co-operatives could be divided into credit, stores and agricultural societies depending on the nature of their activities.

Agricultural Co-operatives were actively started after the World War II. In the war period Government established the Store Societies and based on the progress of these societies, the government's attention was turned to the establishment of Agricultural Co-operative Societies.

These societies were very popular during that period and the period between 1947 - 1957 was called the Agricultural Co-operative Societies era.

### The Development of Agricultural Producers and Sales Co-operative Societies

Year	No. of Societies	Membership	Credit Given (Rs. 000)	Turnover (Rs. 000)
1948	47	13,525		5522.4
1953	709	169,074	6059	19694
1957	955	246,776	11084	140496

With the expansion of CAPS Societies a credit system for the farmers was introduced by the government and the Guaranteed Price Scheme was also improved and the societies became the agents for marketing and guaranteed price scheme. Under this situation the CAPS Societies had a tremendous duty on agriculture sector, specially in Paddy Production sector.

Through the amalgamation of these 3 types of societies the Multi Purpose Co-operative Societies were set up in 1957. In 1968 under the Janawasa Commission the Co-operative Youth Settlement Scheme was introduced to interest the educated youth in Agriculture. In 1971 the Co-operative Village Settlements were established. By 1976 there were 60 such Co-operative Farms. In 1972 under the Land Reform Act, these "Janawasa" (Co-operative Village Settlements) were registered to manage the lands vested under the Land Reform Commission. These lands were well developed cultivations from the Plantation Sector.

In 1971 a major reorganisation in the Co-operative Movement based on the suggestions of the Royal Commission of 1968 gave birth to larger more viable primary Multi Purpose Co-operative Societies. These large primaries were responsible for the consumer and agricultural activities of their area. They assisted in Agricultural development through supply of credit, fertilizer, agro-chemicals, marketing and saving facilities. The Multi Purpose Co-operative Societies are the only agents of the Paddy Marketing Board for the purpose of purchasing paddy and implementing the Guaranteed Price Scheme. One salient feature of this reorganisation was the establishment of the Co-operative Rural Bank Scheme through MPC.S.s to help the co-ordination of rural economy. Rural indebtedness was a strong factor affecting the rural population when the poor farmers were exploited by money lenders. Therefore, this banking scheme gained popularity very rapidly.

In 1972 in 372 M.P.C.S.s there were 245 Rural Bank Branches

1978 in 283 M.P.C.S.s there were 558 Rural Bank Branches

1988 in 284 M.P.C.S.s there were 970 Rural Bank Branches

Loans granted in 1976	-	Rs. 151.0 million
1978	-	Rs. 600.0 million
1988	-	Rs. 8290 million

Though expected results could not be achieved fully due to various reasons, the main achievement is the assistance these rural banks have rendered to uplift the rural masses from a heavy burden of indebtedness and giving them the incentive for improved agricultural production and development.

## DIFFERENT TYPES OF AGRICULTURAL CO-OPERATIVE SOCIETIES

### MULTI PURPOSE CO-OPERATIVE SOCIETIES:

MPCSs are the main agricultural co-operatives in the country. Prior to the formation of MPCSs, in 1957 the Co-operative Agricultural Production and Sales Societies played a dominant role in agricultural activities particularly in paddy production. The CAPS Societies were successful in granting of loans, supply of inputs and acted as agents in implementing the Guaranteed Price Scheme. Some of the CAPS Societies like Udapalatha were doing extremely well in vegetable production and marketing.

The changes brought about in 1957, with the formation of MPCSs, by amalgamating CAPS Societies and Stores societies envisaged a better performance in agricultural activities as well as consumer activities. Unfortunately many of the MPCSs did not live to their expectations and most of them became single purpose, consumer co-operatives. The reorganisation in 1971 paved way for the creation of large primary MPCSs with a branch network and expected to serve the members more effectively both in agricultural and consumer needs.

### Activities of MPCS:

The MPCSs in major paddy producing areas perform as Agricultural Co-operatives by way of providing credit, supply of inputs and marketing the produce, mainly as agents of the Paddy Marketing Board.

### Agricultural Credit

The MPCSs were involved in disbursement of production credit from their inception. All the Agricultural Credit Schemes that were initiated by the government were implemented through the MPCSs. The granting of credit particularly for paddy production had been

successfully implemented by the MPCSS upto 1977. With the decision taken by the Government in 1977/78 Maha to issue loans to all the farmers in the country, irrespective of their qualifications resulted high default rate, there by the Central Bank had to withdraw the 75% guarantee extended to the Commercial Banks, since then. The MPCSS role in agricultural lending declined drastically and a few societies are now extending credit facilities under re-finance schemes. The banks have introduced a direct lending scheme to farmers and the Co-operatives will not be qualified to get fresh loans unless 60% of the previous loan is paid back. However, the institutional credit provided for paddy cultivation is not more than 10% of the total credit requirements in the country.

### Supply of inputs

Fertilizer and agro-chemicals are two main types of inputs supplied by the Co-operative Societies. All the MPCSS in paddy producing areas have been appointed as sales agents of the Ceylon Fertilizer Corporation. These societies get monthly credit upto an amount of Rs. 50,000/=, several programmes were launched to increase the storage capacity of the MPCSS by providing grants and soft loans to construct fertilizer sales and the market share of the co-operatives in paddy fertilizer is about 40%.

The MPCSS also sell agrochemicals and they are again the agents of the CEPETCO and the private manufacturing companies.

### Marketing

The MPCSS enjoyed the monopoly in paddy purchase upto 1977, as agents of the Paddy Marketing Board. The entire procurement of the Paddy Marketing Board were made through the Co-operatives, with the appointment of private traders as agents the MPCSS had to face severe competitions in paddy purchases. As a result, the important place owned by the co-operatives in paddy purchases has lost and the co-operative share has dropped to 10%. As the Open Market Price is above the Guaranteed price many of the MPCSS have stopped paddy purchasing. In some of the areas it is the private sector that collects the entire surplus.

## Paddy Marketing

The MPCSSs in major paddy producing areas operate paddy mills. There are 42 medium scale mills operated by the MPCSSs. The paddy purchased from the farmers are milled and rice is sold to those MPCSSs in non surplus areas. They also mill paddy obtained from the paddy marketing board on quota systems paddy milling is a successful business activity by which all most all the societies make substantial surpluses. Because of milling, the societies are able to pay a higher price to the farmers. Some of the societies make second payments out of the profits they earn due to added value.

## VEGETABLE PRODUCERS' CO-OPERATIVES

Vegetable Producers' Co-operatives are functioning mainly in Nuwara Eliya district (hill country of Sri Lanka). There is 11 such societies operating isolately. The objective of these societies is to provide inputs such as fertilizer and agro-chemicals at a reasonable price to their membership. Cultivation is done by the farmers individually and sell the produce to wholesale traders in Colombo or to traders who come to buy vegetables. The societies at present are not engaged in marketing activities.

## TEA PRODUCERS' CO-OPERATIVE SOCIETIES

The Morawak Korala Tea Producers' Co-operative Society, the first society of this kind was started in 1952. After many ups and down the society was restructured in 1977 paving the way for a new era for the small scale co-operative tea producers. The assest of the society exceeds Rs. 400,000,00 and the society consists of a tea production unit (consisting of 3 factories), consumer unit, transport unit and credit and services unit. There are 1296 members and 405 employees. The production of tea for 1988 was 6885085 kgs. This society is considered the leading establishment for this type of co-operative society. There are a more tea producers' societies scattered in the hill country of Sri Lanka. Which are limited to the tea growing areas of the country.

## COCONUT PRODUCERS' CO-OPERATIVE SOCIETIES.

As far back as 1940, the coconut dealers were exploiting the small and medium class coconut growers by advancing money at very high interest levels and purchasing their coconuts at very low prices. Very often the sale proceeds were set off against the loans. Invariably the coconut growers were at the mercy of the coconut dealers.

When the coconut growers were facing such hardships they have united themselves and formed Coconut Producers Co-operative Societies. These were formed in different areas with the common intention of overcoming the said problem of marketing their produce at a fair and reasonable price. The first three co-operative societies were started in 1940. They were organized in Marawila, sandalankawa, and Dunagaha with the collaboration of the then Ceylon Coconut Board. Thereafter another 39 coconut co-operatives have been formed in different districts of the coconut triangle to look in to the interests of the coconut growers.

It was possible to get grants for all the newly formed societies to put-up their own white copra kilns. At the beginning all the co-operatives were involved in the production of white - copra and the entire production was exported.

In 1947 the Coconut Board had directed five selected co-operatives to put-up their desiccated coconut factories by obtaining a loan of Rs.133,000/= from the Local Loans and Development Fund at 3% interest per annum, repayable



within ten years. Subsequently this facility was extended to other coconut co-operatives and altogether there were 13 co-operatives which were equipped with D/C factories.

These coconut co-operatives have given a new life to the coconut growers by giving them all the facilities in terms of loans to redeem the member debts and lands mortgaged to coconut dealers and by paying them the best possible price for their crops.

Up to 1950 most of the coconut co-operatives were running satisfactorily enjoying the benefits of the quota system. Most of the coconut product exports were done on quota system and a much higher quota has been allocated to co-operative sector. This was one of the main reasons for the success of the co-operatives.

In 1950, the then government has abolished the quota system and liberalized the export of coconut products and no permission has been required to put up D/C mills. As a result more and more D/C factories had come into existence and the co-operatives had to face stiff competition with the private sector. As a result of the increase in production of D/C, the prices gradually took a down-ward trend which was a severe blow to the co-operatives. The private millers organized themselves and made their way well ahead of the co-operatives.

In 1956, nine co-operative D/C factories went out of production. Out of 13 coconut co-operatives only 5 co-operatives are in existence today. These co-operatives are engaged in the

production of desiccated coconut, coconut oil and copra. In all the cooperatives, they mainly concentrate on desiccated coconut production and the entire production is exported through the local shippers.

These five co-operatives are well established in five different areas and they are doing well in business.

In Sri Lanka there are 62 D/C factories and out of which 5 are co-operatives.

## DAIRY CO-OPERATIVE SOCIETIES

According to the latest statistics available Milk Producers' Co-operative Societies are showing a marked development. The number of societies as well as the membership has increased. Apart from collecting of milk these societies provide veterinary services, animal feed at reasonable prices and training facilities. The milk collected during 1988 was 343 million litres.

Dairy Producers' Co-operatives in Sri Lanka are primary village level organizations which assist the small producers in marketing their produce at a highest possible price. Apart from collecting, transporting and selling milk, many societies provide various services related to dairying.

Milk Producers' Co-operatives are widely spreaded through out the country. Today there are 284 milk producers co-operatives with a membership of more than 50,000. Producers collect more than 36 million litres per year. This amounts to 52% of the total collection of the Milk Industries Lanka Company Ltd.

The absence of strong secondary and apex level organization has affected the development of milk co-operative sector. Today there is no organization to represent nearly 50,000 producers who are contributing substantially to the national economy.

The recognition given to the Milk Producers' Co-operative is insignificant and they are not consulted in major policy issues such as fixing of milk price etc. The milk co-operatives are the producer based organization with participatory management but, they do not have involvement beyond their area of operation, particularly in milk marketing and processing.

Lack of technical know-how among the employees of the milk co-operatives is another factor which contributes to stagnation of activities of the societies.

Development of membership, and milk collecting centres in the period 1982 to 1989.

<u>Year</u>	<u>No of members</u>	<u>Milk collecting centres</u>
1982	50	25
1983	84	36
1984	100	60
1985	2014	96
1986	3663	104
1987	4660	108
1988	5415	117
1989	-	134

COCONUT PRODUCERS' CO-OPERATIVE SOCIETY UNION.

Coconut Producers' Co-operative Society Union

was established in 1942 to coordinate the activities of the coconut co-operatives.

Upto 1950 most of the coconut products' i.e. copra and desiccated coconut export orders were allocated on quota - system. Coconut Union was to channel the high price orders to the co-operative sector and to get a much higher quotas allocated to the co-operative societies. The union was acting as the agent of the coconut co-operatives and was exporting coconut products of them since 1943.

Once the quota system was abolished, most of the coconut co-operatives were not in a position to compete with the private sector and had to close down. In 1956, nine coconut co-operatives went out of production. All those societies which were closed down had to be taken over by the Coconut Union subject to the condition that, outstanding debts to be repaid by the union. For this purpose the government has given an interest - free loan to the union to settle the debts and to re-start the factories. This had failed and most of the factories have been sold to settle the debts of the respective societies.

Today the union is left with one desiccated coconut factory situated at Mirigama. This also has been leased-out to the private sector.

The Union at present is looking and monitoring the affairs of the five existing societies which are surviving with stiff competition from the private sector.

The various Agricultural Societies have united to form the following Apex Unions:

APEX UNIONS

Co-operative Marketing Federation (MARKFED)

Sri Lanka Co-operative Marketing Federation was formed as the marketing apex organisation of the Co-operatives by amalgamating All Ceylon Consumers Co-operative Union, North District Agricultural Producers Co-operative Union and All Ceylon Agricultural Producers and Sales Co-operative Union. Membership of MARKFED includes all Agricultural Societies and MPCs - there are 263 member organisations.

MARKFED was successful in vegetable marketing and export of agricultural produce other than betel, during its early years. It developed linkages with MPCs and most of the produce were supplied by the members societies. MARKFED entered into betel export subsequently and the betel was collected through co-operatives. MARKFED also plan fertilizer, agrochemical and seeds etc. Share capital is Rs. 653,755.00 and the annual turnover is over 250 million and a surplus Rs. 1.25 million.

The activities of the MARKFED was confined to betel export and maintaining a few retail outlets in Colombo. It ceased to function as the marketing apex. However, with the changes in the administration and new plan for its envisage with the MARKFED will be uplifted to be the Apex Agricultural Co-operative Institute.

In 1985 the Coconut Union with assistance of the Swedish Co-operative Centre, started a project of direct exporting of desiccated coconut produced in all the five co-operative societies, thus avoiding the local shippers. The idea was to retain the profit that the local shippers were earning on export of the desiccated coconut produced by the co-operatives.

Apart from a few containers, the Union was not able to get foreign orders to enable them to compete with the private shippers. The private shippers were offering much higher prices than the Coconut Union and therefore it was not possible to make this project successful.

Presently the Coconut Union is acting as a broker and sell the products of the societies at best possible prices to local shippers.

The Coconut Union Board consists of members from all the five societies.

## RUBBER CO-OPERATIVE SOCIETIES UNION LTD.

More than 65% of the Rubber production is produced by the small land holders. The average size of a land is approximately 0.8 ha. The small holder's production had a lower grade and therefore they always fetched a lower price. To avoid this and to produce higher quality sheet rubber the Rubber Co-operative Societies were started in 1983.

The activities of the Union is confined to a limited population and limited area. There are 52 Rubber Producers Co-operative Societies operating in Ratnapura, Kegalle and Kalutara districts (main cultivation areas). Providing of fertilizer, credit, preparation of sheet rubber and marketing are the services provided by these societies to the members.

The Rubber Producers Co-operative Societies Union is the Apex organization started in 1964 for these societies and is providing marketing facilities to the member societies. But, these societies contribute only 2.5% to the total sheet rubber production in Sri Lanka.

Lack of an effective information system, collective responsibility in the growing of rubber and management of the industry are draw backs. Programmes to improve the living standards of the small scale rubber holders has to be given prominence. Establishment of a Revolving Fund which will ease the financial constraints faced by this industry. District level committees have to be set up to mediate with the small holders and the Apex Unions.



## Different Types of Agricultural Co-operative Societies (1988)

	<u>No of Societies</u>	<u>Membership</u>
1. Coconut Producers Co-operatives	17	
2. Tea Producers Co-operatives	15	
3. Rubber Producers Co-operatives	43	2330
4. Dairy Co-operatives	284	40,869
5. Young Farmers Co-operatives	22	5519
6. Animal Husbandry Co-operatives	25	5139
7. Fisheries Co-operatives	64	20,530
8. Other Types of Agricultural Co-operatives	48	4211

## NATIONAL CO-OPERATIVE COUNCIL OF SRI LANKA (NCC)

The National Co-operative Council of Sri Lanka (NCC) the apex co-operative organization in Sri Lanka from time to time assists the development of Agricultural Co-operatives by conducting National and Regional Seminars on matters pertaining to Agricultural Co-operation. The Council conducted with the assistance of the Netherlands Government and the Royal Tropical Institute in Netherlands a "Small Farmer Research Project through Co-operatives", to develop the social and economic situation of the small farmers in the Monaragala District through Co-operative action. The project duration being completed steps are been taken to re-awaken these activities on an on-going scale. Another field of activities which the N C C is paying emphasis is the Dairy Co-operative sector. Steps are being taken to form an Apex for this sector. Several District Level meetings and surveys have been conducted and the By-laws revived for ammendment.

The National Co-operative Council was recently subjected to an overall structural change for better and more effective co-ordination of National level co-operative activities. At present the Council is conducting with the collaboration of the Swedish Co-operative Centre a Pilot Agricultural Project in the Mahaweli area with the primary intention of developing agricultural co-operatives and small farmer activities in that area.

## Mahaweli Farmers' Co-operative Societies

Mahaweli Farmers' Co-operatives have been organized as a pilot project in system "H" area. The objectives of these societies are to provide agricultural inputs to the members and to arrange marketing facilities for the produce of the member farmers. There are 21 societies operating under this project. These societies are now operating under the Mahaweli Farmers' Co-operative Societies Union.

Irrigation projects and new settlement under Accelerated Mahaweli Development Programme are referred to as "system". There are 13 such systems, and the Mahaweli Co-operative Pilot Project is concerned with system "H".

The Mahaweli Co-operative Pilot Project (MCP) was established on the recommendations of the aforementioned study report to test the feasibility of organizing farmers' Co-operative Societies in the area. The Project commenced operations on 1st February 1988.

The area of operations of the Project initially consisted of two Mahaweli Block Manager's Divisions, namely Galnewa and Nochchiyagama comprising of 13 Mahaweli Units. It has since been extended to cover two more Block Manager's Divisions comprising of 8 units. The Plan of Operations of the Project envisages the extension of the area of operations of the Project to cover the entire Mahaweli System "H" by 31st December 1992.

## PROBLEMS FACED BY THE AGRICULTURAL CO-OPERATIVE SOCIETIES

1. In the credit area, inadequate working capital of the Co-operative Societies to give loans to members, untimely release of loans, lack of loan supervision and weak loan repayments, and competition from privately owned financial institutions, are some important problems.
2. Untimely receipt of fertilizer, agro-chemicals and lack of agricultural equipment, storage and marketing facilities too are drawbacks.

3. Lack of adequate and suitable transport facilities pose a problem to the efficient marketing operations. Absence of production and marketed planning too has created deficiencies. Lack of a general market intelligence service within the Movement is a drawback.
4. Shortcomings in planning and plan implementation, lack of coordination, inefficient and incompetent management too affect the development of agricultural co-operatives.

#### SOME SUGGESTIONS FOR DEVELOPMENT

1. Organising viable agricultural primaries at grass root level.
2. To build up a three tiered structure with secondary and apex organizations with the participation of the farmers cooperators.
3. Lack of proper coordination and planning has hindered the development of this sector. A national level agricultural co-operative plan will help to overcome this difficulty.
4. A consolidated education plan for the agriculturalists as well as the co-operative leaders is a necessity.
5. Building up of a strong and effective agricultural marketing network.
6. Assistance to set up a good agricultural extension services for this sector will be helpful.

SRI LANKA - GENERAL

1. Area	- 25,332 sq. miles
2. Population	- 16.0 million
3. Urban Population	- 22.4%
4. Village Population	- 77.6%

CO-OPERATIVES

1. No of Co-operative Districts in Sri Lanka	- 27
2. Types of Societies	- 48
3. Co-operative Memberships	- 34,000,000
4. No of Co-operative Societies	- 7813
5. No of Credit Societies	- 5885
6. Multi-Purpose Co-operative Societies	- 282
7. Apex Unions	- 8
8. Employees	- 60,461

TABLE 2.3

## RUBBER EXPORTS AND LOCAL CONSUMPTION IN SRI LANKA, 1979-88

Item	1979	1984	1988	Growth
	Mt. tons	Mt. tons	Mt. tons	Rate %
<b>1. EXPORTS</b>				
(a) Sheet	62611	61073	51214	-2.21
(b) Sole Crepe	4857	2608	2005	-9.36
(c) Scrap Crepe	13740	1289	2111	-18.79
(d) Latex and Other Crepe	33881	52463	29762	-1.43
(e) TSR	13105	8091	13716	0.51
(f) Latex and Other	0	688	494	14.77
<b>TOTAL</b>	<b>128194</b>	<b>126212</b>	<b>99302</b>	<b>-2.80</b>
<b>2. LOCAL CONSUMPTION (Mt. tons)</b>				
(a) Dry Rubber	9514	11991	16333	6.19
(b) Latex	1103	3070	3528	13.79
<b>TOTAL</b>	<b>10617</b>	<b>15061</b>	<b>19861</b>	<b>7.21</b>

\* Exponential growth rate for 1979-88

[FOR SOURCES AND MORE DETAILS SEE TABLE A2]

TYPES OF CO-OPERATIVE SOCIETIES IN SRI LANKA

<u>TYPE</u>	<u>NUMBER</u>
Multi Purpose	282
Thrift and Credit	5885
Agricultural	139
Dairy	209
Textile	29
Fishermen	64
Industries	169
School	776
Hospital	8
Development	38
Youth Co-operatives	22
Workers Co-operatives	58
Other Types	134
Apex Unions	7
	<hr/>
	<u>7813</u>

TABLE 2.2

## RUBBER PRODUCTION IN SRI LANKA, 1979-88

Item	1979		1984		1988		Growth Rate %
	Mt. tons	%	Mt. tons	%	Mt. tons	%	
1. Production							
(a) Sheet	61786	53.56	66929	46.83	62865	51.36	-2.88
(b) Sole Crepe	4823	3.16	4275	2.99	2894	2.36	-5.52
(c) Scrap Crepe	15442	10.11	7480	5.23	4954	4.05	-11.87
(d) Latex and Other Crepe	36325	23.79	52519	36.75	33664	27.51	-0.84
(e) TSR	13209	8.65	8107	5.67	14151	11.56	0.77
(f) Latex and Other	1118	0.73	3614	2.53	3864	3.16	14.77
TOTAL	152703	100.00	142924	100.00	122392	100.00	-2.43

\* Exponential growth rate for 1979-88

[FOR SOURCES AND MORE DETAILS SEE TABLE A2]

COMPOSITION OF NATIONAL INCOME (1986)

Agriculture, Forestry and Fishing	25.47%
Manufacturing	15.37%
Services	3.7%
Wholesale and Retail Trade:	20.85%
Transport, Storage, Communication	11.71%
Construction	7.17%
Public Administration and Defence	4.82%
Banking/Insurance	4.53%
Mining and Quarrying	2.29%
Electricity, Gas, Water and Sanitary Services	1.23%



ECONOMIC INDICATORS (1988)

Total land area	64,453.6 sq. k.m.
-----------------	-------------------

Population

Total	16,586,000
-------	------------

Growth rate	1.4%
-------------	------

Economically active population	34%
--------------------------------	-----

Literacy rate	88.6%
---------------	-------

National Income

G.D.P. Growth rate	2.7%
--------------------	------

Per Capita G.N.P. (US\$)	354
--------------------------	-----

Exports	21%
---------	-----

Imports	32%
---------	-----

Revenue	19%
---------	-----

Expenditure	31.1%
-------------	-------

G.D.P. - Industry	25.5%
-------------------	-------

- Agriculture	26.3%
---------------	-------

- Services	48.2%
------------	-------

[ G.D.P. - Gross Domestic Product  
G.N.P. - Gross National Product ]

**A CASE STUDY ON**

***DUNAGAHA COCONUT PRODUCERS  
CO-OPERATIVE SOCIETY LTD.,  
DUNAGAHA,  
SRI LANKA.***

**To Be Presented on Fifth I.C.A /Japan  
Training Course for Strengthening  
Management of Agricultural  
Co - Operatives in  
Asia**

**Prepared By**

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The General Manager,  
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Dunagaha.  
Sri Lanka.**

**22nd Oct. 1990**

**A CASE STUDY ON**

***DUNAGAHA COCONUT PRODUCERS  
GO-OPERATIVE SOCIETY LTD.,  
DUNAGAHA,  
SRI LANKA.***

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ORGANIZATION :

Dunagaha Coconut Producers' Co - operative Society Ltd, can be classified as one of the biggest agricultural co-operatives in Sri Lanka. It has its registered office at Dunagaha, a small town 45 Kms. away to the north of Colombo, the sea-port capital of Sri Lanka. (Please see annexure 01 for location ).

The society has its own area of operation within the five Assistant Government Agent divisions of the Gampaha district, i.e. Divulapitiya, Minuwangoda, Katana, Mirigama and Negombo. Any person who owns a coconut land within the said area can be enrolled as a member of the society. Only those who possess coconut land will be entitled to obtain the membership.

Shares will be allocated and issued according to the acreage. For example a person who owns 10 acres of coconut land is entitled to buy 10 shares of the co-operative. Share value is Rs.500/=. Share money will be collected in four yearly instalments. This will mostly help the small farmers to obtain membership in the co-operative society. Today the society is rich with about 1500 operative members covering an acreage of about 8000 acres. Membership can be classified as follows :

01 to 05 acres	954 members.
06 to 10 "	307 "
11 to 25 "	201 "
26 to 50 "	<u>38</u> "
	<u>1500</u>

MANAGEMENT :

All members of the society meet annually to elect a Board of Directors. According to the constitution of the society 9 directors are elected for a period of one year. At the expiry of this period the directors have to relinquish their directorate. However they are eligible to be re-elected. The board of directors subsequently elect the chairman, the vice-chairman and the secretary of the board from the directorate.

The Board of directors meets once a week or as and when important decisions are to be taken.

Immediately under the board of directors, the day to day activities of the organization are looked into by the General - Manager, who will be the chief executive of the society. Under the General Manager the various functions of the society are looked - after by the middle level executives. They are the Accountant, Production Manager, Personnel Manager, Transport Manager and the Mill Manager. The society has 75 monthly-paid staff and a labour force of 450. (Refer annexure 02 for Organisation Chart).

#### FUNCTIONS:

The main function of the society is to purchase the coconuts produced by its members and to give them an attractive price for such purchase.

All other functions are secondary to this main function. Finding an attractive market for the finished products, providing an attractive wage packet for the employees and leading the work - force with the organization with additional welfare facilities and maintaining a higher price for coconuts produced in the area are some of the other functions the society undertakes. It is said that the society had successfully controlled the price of coconuts in the area.

#### RAW - MATERIAL - COCONUTS :

A member is entitled to supply coconuts according to the number of shares purchased. In a calendar year there are three heavy crops and three lean crops. During heavy crops a member is entitled to supply 1000 nuts per share. During lean season the entitlement is 800 nuts per share. In any crop there is no minimum number of nuts that a member should supply. It is also not compulsory for a member to supply coconuts right throughout the year to the co-operative. Members can use their own discretion in supplying

coconuts to the co-operative society. The society has three sources of raw-material.

- i) Purchase from members.
- ii) Purchase from open market.
- iii) Own harvest from societys' estates.

Society buys coconuts only on out-turn basis. This is a very good system of buying coconuts as good quality nuts fetch a higher price and low quality nuts get a low price. The advantage is that the benefit of having good quality nuts will be passed on to the producer. This will initiate the coconut growers to produce good quality nuts by manuring and maintaining their estates regularly. This system of buying coconuts is very safe and the society also will not lose as compared to buying in thousands.

The society depends on about 8000 acres of coconut land owned by the members for its coconut supply. Society expects all the members to supply their entire harvest to the co-operative.

In situations where the factory does not have adequate coconuts for continuous operation the society purchases raw-material from the open market. Whatever the coconuts that is harvested from the society owned estates will be brought into the society for processing.

Nut purchases of the society for the last five years are as follows :

<u>Year</u>	<u>Nuts supplied by members</u>	<u>Value.(Rs)</u>
1985- 86	22462166	24468237/=
1986- 87	20026946	22010646/=
1987- 88	12612088	26386266/=
1988- 89	8165150	25339082/=
1989- 90	13790537	27003903/=

PURCHASE OF RAW-MATERIALS :

Members who want to supply coconuts to the society should notify the society when and how much of coconut is plucked. This will be recorded in a separate register. Once this registration is done 75% of the value of the coconuts registered can be taken as an advance payment.

The plucked coconuts are left to dry for three weeks before they are husked for final use. Society will husk and remove coconuts according to the chronological order of the booking register.

During heavy seasons sometimes the flow of supply is high. The members will have to stay in the queue for more than two months to get their turn to supply coconuts. Very often in heavy seasons the society just cannot cope-up with the flow of supply. In such instances members will be forced to sell their nuts to outside buyers as they are not in a position to keep their coconuts any longer. This is one of the reasons that some members do not supply nuts to the society regularly. In such instances the society also is not in a position to help them much as it has to cater for those members who have registered their nuts earlier.

It is the other way about when in the case of lean season. During the lean season the flow of supply is limited and there is big competition for buying coconuts. Normally the lean period is from November to February. In most of the lean seasons the factories were out of production. Coconuts will be collected and processed in one factory as and when raw-materials are available.

During the lean season there is a big demand for fresh nuts and most of the members will sell their nuts as green nuts at exorbitant prices. Unless the desiccated coconut market goes up to such a level, the society is not in a position to compete with the fresh nut dealers.



When there is a ready market for green nuts no one would keep the nuts for 21 days to mature and then to sell.

It has to be mentioned that there are some genuine members who will supply nuts in all the six crops to the society even when the out-side market is higher.

#### PROCESSING OF COCONUTS :

The society owns three desiccated coconut factories, two oil mills, five copra kilns and seventy five acres of well bearing coconut land.

Presently only two desiccated coconut factories are in operation and the society handles about 115000 nuts per day. Daily production is about 12000kgms of desiccated coconut, 4600 kgms of copra, and about 1900 kgms of oil is extracted out of parings.

If the society is in a position to start the third desiccated coconut factory it can increase the production level by about 25% and also in a position to increase the number of nuts handled per day.

The main draw-back to commence production of the third factory is the lack of skilled labour. There is a severe shortage of labourers who are skilled specially in hatcheting and in drying sections.

The main reason for this is that the younger generation is not geared for this type of work. They always look for white-cellar jobs or more prestigious jobs. Only those who drop out from schools prematurely owing to various reasons will go for this type of jobs.

DESICCATED COCONUT :

The main product of the society is desiccated coconut and the entire production is exported. The society has consumed around 13.6 million coconuts in an average per year during the period from 1985 to 1989 for desiccated coconut. Average annual value of the purchased coconuts for the same period is Rs. 23.6 million.

(Please refer annexure 3 for details)

The society manufactures desiccated coconut according to the rules and regulations of the Coconut - Development Authority, which is the sole governing body to monitor the industry in Sri Lanka. The authority draws a 10% sample from each days' production and they have the power to stop the export of a particular days' production if the sample drawn by them is not up to the required standard.

Desiccated coconut being a food item which is used directly for human consumption without further processing, the society takes every step to manufacture this product with great care and best possible hygienic way. A very high standard of quality is maintained. Each and every stage of production is checked by laboratory tests as to ensure that Salmonella or any other type of a germ has not entered into the product. All the food - factory requirements are being adhered to in the factories too.

The basic requirements of the product is as follows:

- \* The moisture should be less than 3%.
- \* The taste and smell of desiccated coconut should be sweet & pleasant
- \* It should be free from cheesy, smoky, soapy, sour and other undesirable flavours.
- \* Bacterial count should be less than 5000 per one gram of D/C.
- \* Enterobacteria count should be less than 100 per one gram of D/C.
- \* Desiccated coconut should be free of E Coli and Salmonella contaminations.

\* Fine grade of D/C can contain only 20% medium grade D/C and medium grade can contain 20% fine. Fine and median grade D/C should confine to the respective particle sizes.

\* Color is as follows (according to the Tintometer test) :

Red - Less than .2.

Yellow- Less than .7.

Blue - Less than .1.

In spite of all this, there are instances where the foreign buyers challenge the quality standards.

The society exports desiccated coconut to the Middle-East, United States, United Kingdom, and to many other western countries.

When the product goes specially to U.K. and U.S.A. , the product is subjected to various microbiological tests and complaints were made as to various defects of the product, especially with regard to quality and bacterial standards.

With the present equipment that is available in the factories, the society is not in a position to increase the quality standards of the products. This has been brought to the notice of the government and arrangements have been made to update all the desiccated coconut factories to match with the fast developing technology.

COPRA PRODUCTION :

All the cracked and immature nuts, which are not suitable for the production of desiccated coconut, will be selected and sent for copra curing.

Since the society does not use good quality nuts for copra curing, the copra produced were usually of low quality (no.2 and no.3) grades. Copra of this quality is not up to that standard for export. So this will be used as input to the societys' oil mill.

Normally from each and every parcel of coconuts purchased, 10 to 20 percent of the nuts get rejected from the desiccated Coconut section. Only those nuts will be transferred for copra curing.

In some heavy seasons, due to various reasons, the rejection rate of the D/C section will be vary much higher than the normal rate. In such instances copra section can not cope-up with the supply, and not in a position to process those cracked nuts in time, thereby most of the nuts get rotten.

To produce one Candy of copra (254 kgs), the normal requirement of nuts is about 1250 to 1350. However during heavy seasons sometimes this may go up to about 1600 nuts.

In some seasons especially this year, there is a big gap between desiccated coconut prices and copra prices. When the society buys coconuts for the D/C manufacture, invariably about 20% will go for copra section. And because of the big price gap, the society loses heavily on those nuts which go for copra production.

Society has consumed an average of 3000,000 nuts per year for copra during the 1985 to 89 period and average annual production is 600,000 kgs.

(Refer annexure no. 4 for details.).

COCONUT OIL :

Oil is extracted mainly from parings which is a by-product of desiccated coconut and from copra no. 2 and no. 3 grades. The oil manufactured by the society cannot be exported. The F.F.O. percentage should be less than 1%, if the oil is to be exported. Therefor the society disposes the oil locally for domestic purposes such as cooking and soap manufacture. Presently the demand for coconut oil is vary limited and it is therefor vary difficult to get rid of large stocks of oil that is available in the society.

which is

The quantity of coconut oil produced for the five year period 1985 to 1989 shows an average annual production of 688,937 kgms.

( See annexure 5 for details ).

POONAC :

Poonac is a by-product of coconut oil. One Kilo of input to the oil will produce 65% of oil and 33% of pconac. There is a ready market for pconac.

## ABSENTEEISM :

Very often the society has to curtail production due to absenteeism of the factory labourers. The rate of absenteeism is around 20%. Those who report to work today will not report to work tomorrow. The main reason is that when the labourers go for odd jobs they can earn a higher daily wage than they get in the co-operative. Just to keep the job they report to work for 3 or 4 days a week. Owing to this, the society is not in a position to plan its production process to maximize production. Weekly production budgets will be drawn and the nuts will be husked and transported accordingly to suffice the weekly requirements. Due to absenteeism of labourers the society is not in a position to process all the nuts which has been husked and transported to the factory yard. The more the days husked nuts lie in the yard, the rejection rate will be higher and higher. This is one of the big problems the society is facing today. If all the factory workers report to work regularly, the society is in a position to maximize production and will be able to achieve the budgeted targets and minimize waste. The more the production the fixed cost per unit will be less.

(Please refer annexure 6 for daily production of the D/C factory).

MARKETING :

The desiccated coconut produced by the society will be exported through local shippers. Desiccated coconut will be sold to shippers on contract basis through brokers appointed by the Coconut Development Authority. The main function of the broker is meeting the buyer and seller and confirming the sale. Payment has to be collected by the society after delivery. According to rules and regulations, payment has to be made within three days after delivery but vary often shippers do not stick to this rule. They take at least three weeks to pay after delivery. The most serious problem is that some shippers default payments and there were instances where legal action has to be taken to recover the sale proceeds.

Presently a sum of Rs.6.7 million is due from the shippers and the society has already taken legal action to recover the same. The society has its own apex organisation in Colombo. Every effort had been made to export directly the productions of all the co-operatives involved in the production of desiccated coconut through the apex organisation, thus avoiding the local shipper. Apart from a few shipments, the apex organisation was not able to get proper orders to continue the export marketing. The organisation was not able to compete with the local shippers and offer a better price than the shippers.

Presently the apex organisation is acting as a broker and contracting with the shippers for supplying D/C on behalf of the co-operative societies.

## FACILITIES TO MEMBERS :

The society exists to help coconut producers who are members.

When the society is notified of the availability of coconuts as soon as they are plucked by members, an advance payment of 75% of the value of the nuts can be obtained.

A member is given three months time to supply the nuts and pay off the advance. No interest will be charged up to three months.

Fertilizer will be issued on credit basis without charging an interest. This is done according to the acreage of the member and the credit facility is limited to a maximum of 2400 kgms. per member. Full fertilizer requirement up to 12 acres of coconut land can be drawn on this scheme. Value of this manure loan will be recovered in 6 installments from the nuts that the members supply in every two months.

Just to help the small-holders who are not in a position to supply coconuts in all the six crops per year, 14 months have been given to settle the fertilizer loan. Furthermore, free transport of the fertilizer to the members' estate is provided.

The society also ploughs the coconut lands of the members at a vary nominal fee at their request. The tractors of the society are utilized for this purpose.

Holding seminars and workshops for the benefit of members, on the following fields, is another activity the society undertakes.

\* To educate members on the latest methods of manuring.



- \* Cover crops that can be developed in coconut lands.
- \* Various govt. subsidy schemes.
- \* About the types of diseases the coconut tree can get and the remedial methods etc.

The society gets the assistance of the Coconut Research Institute of Sri Lanka to conduct such seminars.

At the end of each accounting year, a second payment is declared on the profit before taxation. This second payment will be apportioned among members according to the number of nuts that they supply to the society. This is paid in addition to the dividends the members get after tax. Second payments declared for the past five years are as follows :

<u>Year</u>	<u>Amount (Rs.)</u>
1985 - 86	338,854/=
1986 - 87	416,339/=
1987 - 88	623,690/=
1988 - 89	420,681/=
1989 - 90	-----

The society always pays a much higher price to coconuts than those who collect nuts in the respective areas. Since the motive of the society is not profit making but to give the best possible price to the coconut growers, the society is always in the forefront where the purchasing of coconuts is concerned. This is the biggest facility that a member can gain by being a member of this co-operative.

A death donation unit is also organized and managed by the society to help the members in their family bereavements.

BENEFITS TO EMPLOYEES :

The society pays much higher salaries to employees as compared to the salary scales of other co-operatives. The society declares a bonus annually. When a second payment is declared to members, an incentive bonus of 1 to 3 months, depending on the profit will be declared to the employees.

A three-day annual trip is organized for all the employees on society account. The objective is to keep a well united group of employees working in the society so that there is cordial relations.

During the lean season the society is not in a position to maintain productions right through-out the month. In such months if the society has failed to give sufficient work to daily paid and piece-rate labourers, upto 20 days the society pays 'relief wages' to the workers for their existence.

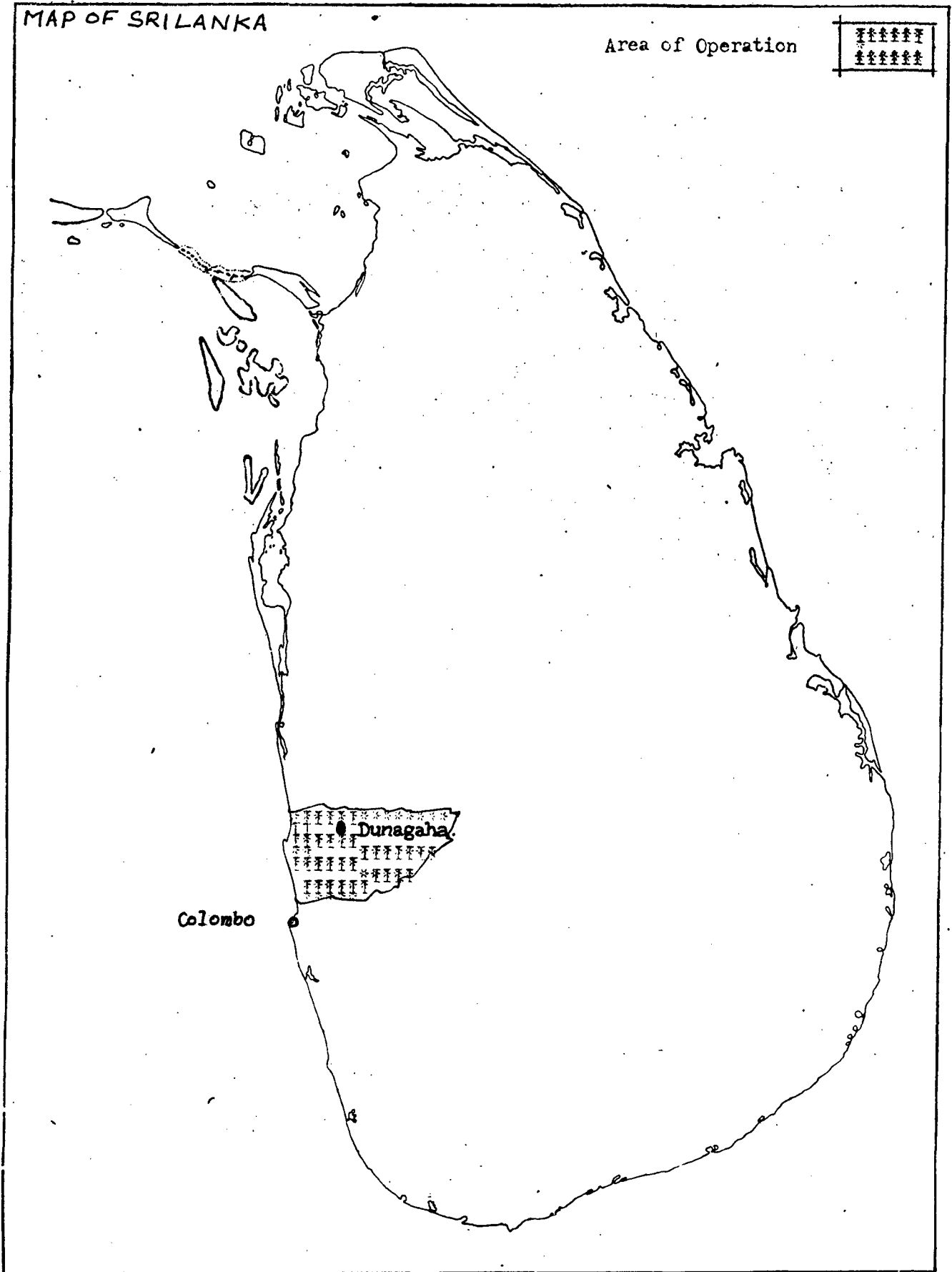
## BENEFITS TO THE REGION :

The Dunagaha Coconut Producers' Co - operative Society is the biggest employer of the region. It has provided direct employment to about 500 people. Indirect employment generated is much more than this figure. It has set work standards in the area so much so the smaller co-operative units and medium level organisations look up to it for leadership. The organisation being the biggest co-operative undertaking in the country gone into production, has earned the reputation of being the long standing and successful co-operative venture. It has proved that co-operatives could be successful if the management performs their part of duty with honesty and dedication and with a clear vision.

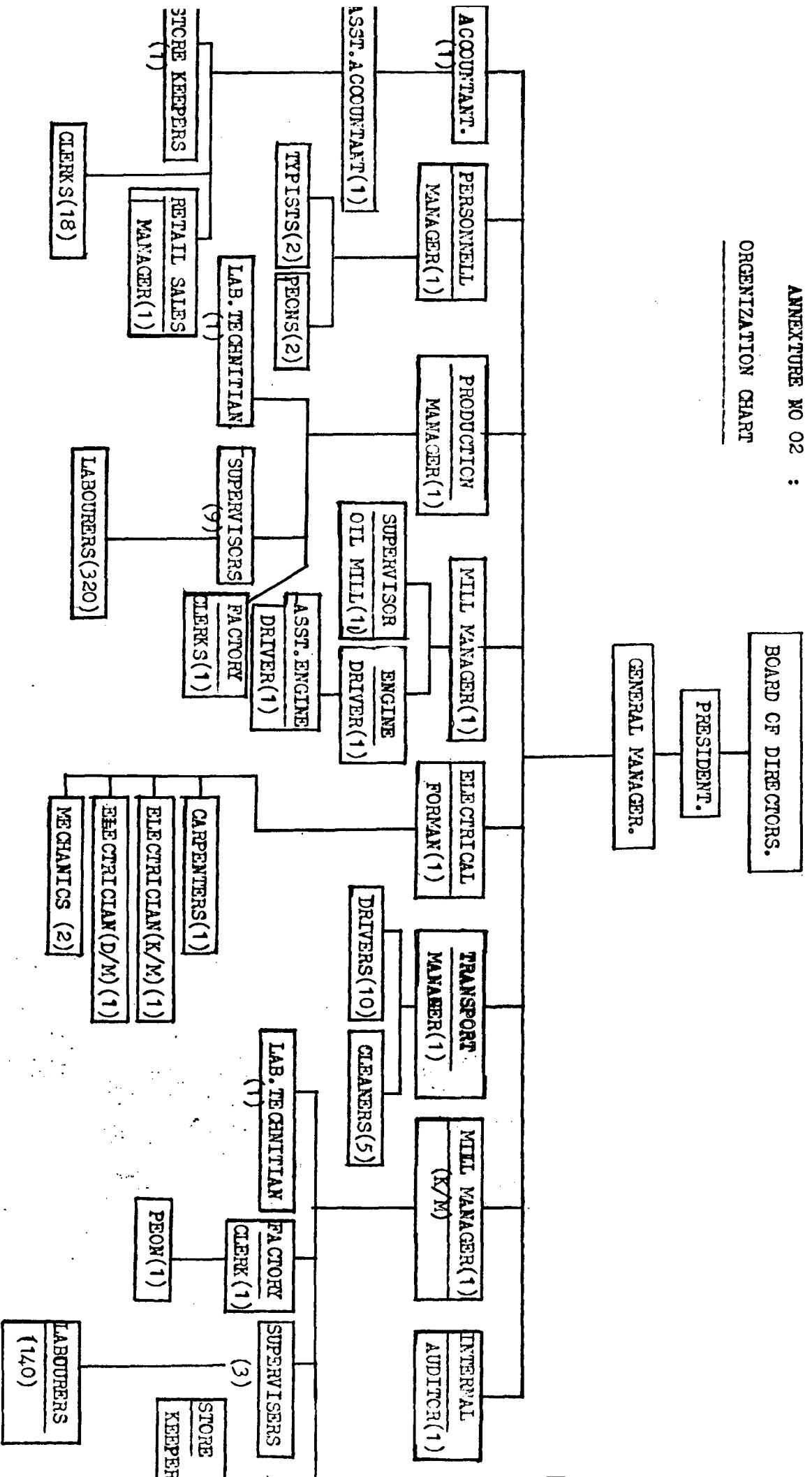
The performance of the society over the years has culminated with the building-up of a strong co-operative venture with fixed assets valued at Rs.5,424,567/=. In addition to other investments of Rs.9,304,275/=, showing a business worth of Rs.14,728,842/=. The working capital of the society is - Rs. 12,125,178/=.

(Refer annexure 07 for the profits for the last 5 years).

LOCATION OF THE SOCIETY



ANNEXTURE NO 02 :  
 ORGANIZATION CHART



ANNEXTURE NO: 03.

COCONUTS CONSUMED FOR D/C PRODUCTION.

LAST FIVE YEARS.

<u>YEAR</u>	<u>QUANTITY</u>	<u>VALUE (Rs).</u>
1985-86	18,261,352	20,386,352/=
1986-87	16,982,197	18,626,120/=
1987-88	10,221,220	20,738,280/=
1988-89	6,365,923	19,817,081/=
1989-90	10,381,952	20,976,796/=

PRODUCTION OF DESICCATED COCONUT

LAST FIVE YEARS.

<u>YEAR</u>	<u>QUANTITY (Kgs)</u>	<u>COST OF PRODUCTION (Rs).</u>
1985 - 86	2,564,314	22,986,607/=
1986 -87	2,450,081	23,013,312/=
1987 - 88	1,295,947	20,759,700/=
1988 - 89	897,987	19,047,841/=
1989 - 90	1,309,945	21,210,310/=

ANNEXTURE NO 04 .

COCONUTS CONSUMED FOR COPRA PRODUCTION.

FOR LAST FIVE YEARS.

YEAR	QUANTITY	VALUE(Rs).
1985 - 86	4,200,814	4,081,885/=
1986 - 87	3,044,749	3,384,525/=
1987 - 88	2,390,868	5,024,295/=
1988 - 89	1,800,877	5,522,002/=
1989 - 90	3,408,585	6,027,108/=

COPRA PRODUCTION FOR THE LAST FIVE YEARS.

YEAR	QUANTITY (Kgs).	VALUE(COST) RS.
1985 - 86	776,843	4,569,099/=
1986 - 87	745,486	3,912,940/=
1987 - 88	444,709	5,369,000/=
1988 - 89	382,712	5,695,781/=
1989 - 90	596,072	6,380,051/=

ANNEXTURE NO 05.

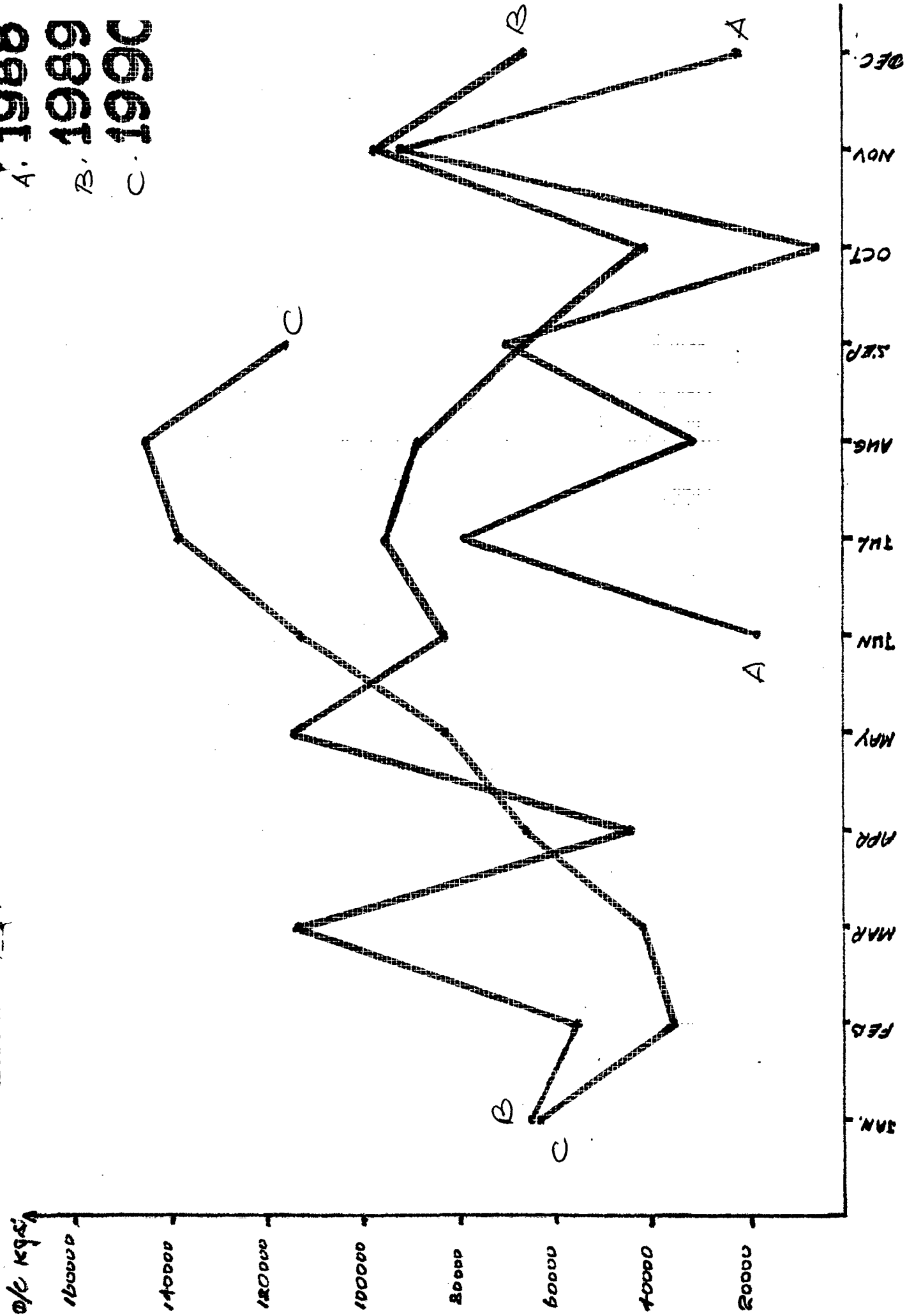
PRODUCTION OF COCONUT OIL.

FOR THE LAST FIVE YEARS.

YEAR	QUANTITY (Kgs).	VALUE (COST) Rs.
1985 - 86	949,751	7,191,938/=
1986 - 87	940,057	6,934,336/=
1987 - 88	540,270	10,125,000/=
1988 - 89	325,671	810,456/=
1989 - 90	579,402	9,502,117/=



A. 1988  
 B. 1989  
 C. 1990



Annexure 07 :

PROFIT BEFORE THE TAXATION.

YEAR	AMOUNT (Rs.)
1985 - 86	224,433/=
1986 - 87	1,125,336/=
1987 - 88	3,539,266/=
1988 - 89	536,268/=
1989 - 90	665,284/=

CASE STUDY ON THE FUNCTIONING OF THE  
KAMMALPATTU COCONUT PRODUCERS' CO-OPERATIVE SOCIETY  
WITH SPECIAL REFERENCE TO DESSICATED COCONUT INDUSTRY

5TH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF  
AGRICULTURAL CO-OPERATIVES  
IN ASIA

1 9 9 0 - 1 9 9 1

PRESENTED BY :  
C.A.C. FERNANDO  
MANAGER  
KAMMALPATTU COCONUT  
PRODUCERS' CO-OP. SOIE. LTD.  
WENNAPPUWA. SRI LANKA

## 1. INTRODUCTION

In Sri Lanka these are only few coconut producers Co-op Societies one of them is the Kammalpattu Coconut Producers Co-op Society Ltd. Wennappuwa situated in the N.W. Province of Sri Lanka.

## 2. OBJECTIVES

The main objectives of this society is upliftment of the economic conditions of its members.

1. Distribution of quality seeding, manure & equipment and providing necessary funds.
2. Collecting the agro-products of the members, transportation, grading, processing, storage and sales through the society.
3. Providing loans and advances to the members after collecting their produce.
4. Obtaining advice of experts specialized in agriculture, & the society members.
5. Introducing financial management.

## 3. MEMBERSHIP

Eligibility of agricultural producers.

1. Be a land owner of the Kammalpattu administrative region, or a representative of the owner.
2. Person with a good character.
3. Should be over 18 yrs. of age
4. Kammalpattu administrative region - member whose spouse or child over 18 yrs of age and unmarried is eligible.
5. the 1972 no. 1 land reform act any govt: institution or a Co-op body should possess a land within the K.A.region.

A members liability is limited every member should be the owner of atleast one share. The value of a share is Rs.50/= any member is allowed to buy only 50 shares of the society. Every member is allowed only one vote at the A.G.M.

## 4. GENERAL BODY

The supreme body of the society is the general membership.

The powers of the general body.

1. Appointments etc. of the board of directors.
  2. According to the reports of the co-op development Officers
-

the following year.

3. Revising the society By-law after covering the approval of the register.
4. Overlooking the work of the board of Directors and looking into complains against the board.
5. Desiding the maximum amount of a loan to a member.

The general body must meet atleast once a year. Discussing the annual audit report with the general body. if necessary the Ko-op register has the powers to call a annual general meeting.

### **4. BOARD OF DIRECTORS**

The general body has the power to electing nine members to the board of directors. The first eected members are divided into three groups, they function only for one year. The next elected group will hold office for 3 years before they change, The Directorship is an

The board of directors are collectively individually responsible to the general body.

Once a week the board of directors should meet.

The powers & responsibilities of the board of directors are as follows:-

1. To act according to the law & rules regulations of the Department of co-operative development.
2. To the policy decesions according to the by-laws & the working rules of the society.
3. The powder to appoint the president, V.president & treasurer & the secretary.
4. Guiding the management, of the financial situation, purchasing & sales of the produce of the society.
5. Controlling the wealth of the society.
6. Maint adning a complete & correct register fo the membership.
7. Presentation of estimates a profils & loss accounts, balamce sheets to the general body.
8. Cordinating the organizing of the annual general meeting.
9. Representing the society and signing of documents for the society.
10. Working within the frame of the co-operative movement and spreading the principals of the co-operative movement in the society.

## 6. FINANCE

Source of income to the society is as follows:

1. Individual shares (unlimited) 1 share is Rs.50/=.
2. Membership deposit.
3. Loans from banks & Institutions
4. Profits to the society.
5. Gift grants & subsidies to the society.

The treasurer is mainly responsible for all financial transactions of the society. The director board has the powers to transact all financial matters including the following:

1. Payment of incentive allowance & bonus to the staff & workers.
2. Distribution of profits in proportion with the shares of the members.
3. To establish a fund to develop factories & buildings.
4. Fund to assist the members to pay their loans.
5. Fund to assist the producers to improve their production.

The board of directors have the authority to determine the prices of the products. Products could be sold on cash terms only, but in special cases the society can sell their products to another society or a govt. concern on credit. Members will be paid a 75 percent advance their on agro produce. The society will deduct a government approved interest from the members for their loans and advances. In case of a business transaction the society will gain a very small profit margin, because the motive of the co-operative movement is to give the farmer a fair price.

## 7. MANAGEMENT

The board of director is responsible for the management of the society. They are mainly responsible to make all the policy decision, the working rules of the society will be the guidelines of the directors and the senior staff. The manager is the chief executive with regard to the paid staff.

The following sections are directly under the manager.

1. Administration section.
2. Accounts section.

3. Production section.

4. Transport section

5. Marketing section.

Each section head will assist the manager in organizing the work. The clerical staff supervisory & minor staff will be managed by the section heads.

## 8. FUNCTIONS

The functions of the Kammalpattu coconut producers co-operative society.

1. Education and community service Educating the members on the use of modern methods of cultivation use of latest machinery.

This society educates the worker according to the demands of the members & the workers, the co-operative policy planing & structure by way of:-

- 1 seminars
11. Discussion
111. In service training programme.
- lv. Personnel approach.

### 2. Socio Economic Work

The societies involvement with the small holders (below 10 acres estates) has been the welfare of the community their budgeting, banking and assisting in obtaining loans and advance facilities.

### 3. Industrial Agricultural Work

The application of modern technology in the Agro Industrial sector, by getting down demonstrators from reputed Agro-Industrial firms for example demonstration of the use of a tractor using the weeding machines.

### 4. Agricultural and Co-operative Extension Service

The introduction of the Co-operative movement and its services to the non members of the area, The value of joining the society for future development. The following categories will explain.

1. Co-ordinating with the agricultural and co-operative movement.
2. Exchange of technical knowledge and experience.
3. Educating the worker according to the standards of own buyers.

4. Introducing the latest facilities of the agriculture and cooperative section, to the society members.

5. Agricultural Farm Inspection - advice and assistance

Agro-products of the society members special attention been paid to coconut cultivators & Animal husbandry advice saight from the coconut research board, coconut cultivation board & Coconut Development Authority. The following services are provided to the members of the society.

1. Planting of deedlings.
2. Use of fertilizer.
3. Irrigation & soil conservation.
4. Intercropping (Pepper, coffee, chillies, vegetable, fruits etc.)
5. Animal husbandry, poultry, cattle.
6. Harvesting, storage, transport.

6. Marketing Study - Servey Work

The main objective of the society is to give a maximum price and a fair deal to the farmer. A day today study of the price of coconuts & Coconut products study the price of the particular area, study the price of the main auctions of Colombo, Publication of newsletters through the C.D.A. keeping in touch with the brokers. Study forecast data given by the C.R.B & the C.D.A.

7. Inter Provincial Marketing Service

The produce from the North-Western province with special reference to our society members produce -

Coconut Oil, Poonac, Soap, Brooms, Toilet Brushes, Shoe Brushes & Fresh nuts, Eggs.

In exchange we purchase Uva provincial products such as Tea Vegetables, Potatoes, Cane sugar, Bees honey & Grain.

8. Agro-Food Production Work

The main agricultural product of our society members is coconut using coconuts as the main raw meterial we produce:-

1. Production of dessicated coconut.
2. Manufacture of copra.
3. Production of coconut oil.
  1. Consumers oil.
  11. Industrial oil.



DESICCATED COCONUT INDUSTRY .

1. LOCATION OF FACTORY.

On the Colombo-Puttalam main road, the Factory is situated in Wennappuwa town limits. Wennappuwa is an Industrial town, This town belongs to the coconut triangle. In the vicinity of the D.C. Mill, there are about 15 large D.C. Factories and Oil Mills. Because of the location we have to face a very competitive atmosphere. The People who live in this area are mostly business minded.

2. SUPPLY OF RAW MATERIAL (COCONUTS)

The main raw material in the production of Desiccated Coconut is 'Coconut'. We obtain most of our coconuts from our Society Members. Our membership is almost 200. The Coconuts produced by our Society during the past years has been insufficient for the production of D.C. Therefore we made arrangements to purchase Coconuts from non-members of our region. The following table will show you as a reference.

COCONUT SUPPLY TABLE

Financial Year	Members Coconuts	Percentage %	Non-Mem bers Coconuts	Per- cent- age	Total Nuts	Number of Working days
1989/90	2063	54	1730	46	3793	108
1988/89	709	34	1350	66	2059	58
1987/88	1555	40	2321	60	3876	110
1986/87	2675	58	1934	42	4609	131
1985/86	4370	90	445	10	4815	137

Manufacture of D.C. for a day in our Factory, the capacity is 35,000 nuts. The acreage of coconut lands of our members is nearly 3000 acres, accordingly the amount of nuts produced yearly should be in the region of average 350 nuts per crop per acre, there are 6 crops per year. Our members have 3000 acres and we estimate 630 million nuts per year, this amount is sufficient for 180 days work in our mill.

OBSERVATION OF SUPPLY OF COCONUTS

- 1) The number of days a D.C. Mill can function for a month is 20 days, and the expected target is 240 days, but this has never been achieved so far.

- 2) Of the processed coconuts the Society has received only 50% nuts from its membership.
- 3) According to the Society By Law to retain the membership they need only one crop from each member, although 6 crops are harvested by the member. This method is not a source of encouragement to the Society.
- 4) The Kammalpattu Administrative region covers 21 villages, but we have only a few members in our Society from 10 Villages.
- 5) The business coconut producers of this region are always in touch with the day to day prices of nuts, They study comparatively the prices of the Co-op and the private sector.
- 6) Most people believe that the Co-op too is only another buyer.
- 7) The chief factor in deciding the price of coconuts of the areas is the price of Copra & Coconut Oil.
- 8) Every year the crop varies - 3 crops will have more nuts and the next three will have less.

### 3. LABOUR MANAGEMENT

This factory has the following categories in the Management of Labour.

1. Huskers	-	15
2. Hatcheters	-	15
3. Paring Removers	-	15
4. Nut Selectors	-	05
5. Washers	-	06
6. Sterilizer Lank labourers	-	02
7. Designrator	-	02
8. Dryers	-	06
9. Firemen	-	03
10. Packers	-	04
11. Health Workers	-	02
		-----
Total	=	75

Of the above categories, only the Huskers, Hatchers, Pairing removers and driers are skilled labourers, the rest are semi skilled labourers.

#### Observations:

1. Scarcity of Skilled labour for husking and hatching the younger is not interested.

2. If it is possible to find out whether there is a Mechanical System.
3. The Literary rate of the labour is very low, therefore they cannot balance their cost of living.
4. To ease the problems of the Management the labourers should be educated and deciplined.

4. WAGES AND ALLOWANCES:

A D.C.Mill labourere is paid according to the Wages Board act. There are two methods of payment;

1. Time factor
2. Piece factor.

Most of the skilled labour can be employed according to the piece rate. In comparison with the labour wages of the Coconut Industries a D.C.mill labour get a very good wages.

Observations:

1. Wages acco rding to Government regulations Wages Board Salary, E.P.F., E.T.F., Grativity, Maternity leave, Holiday Payment, Annual leave, is given to the Co-op Sector, most private sector organizations do not give their labour these facilities.

2. Relief Wages

The following reasons for the closure of a mill will be accepted for the entitlement for the payment of relief wages.

- i. Power cuts enforced by relavant authorities.
- ii. Water shortage.
- iii. Shortage of Coconuts.
- iv. Major repairs to the mill.
- v. Restrictions imposed by the Coconut Development Authority on the manufacture of Desiccated Coconut.

The workers of a D.C.Mill who had been employed in the Mill continueously for a period not less than three months is eligible to draw relief wages.

A worker entitled to relief wages in respect of the days the Miller failed to provide work up to amaximum of 20 days per month. The rates should be the prevailing rates under Labour/Govt.regulations.

5. MACHINERY & EQUIPMENT:-

One mill situated in 1952 and since we run the mill with the same equipment buildings excepting for a few minor changes. The production line is handled manually.

Observations.

1. By the use of the old system (Desiccators handled manually) the production can get contaminated very fast.
2. Desiccated Coconut made in Sri Lanka has maintained a pure white quality because of our coconuts, but by the use of galvanized and iron machinery and equipment the D.C. can get tarnished.
3. By the use of Diesel Engine the entire is filled with smoke. The coconut wet meat absorbs the smoke very fast as a result the D.C. becomes a low quality product.
4. Use of fire-wood for heating. The biggest national waste in Sri Lanka is the felling of Timber. I suggest that we should think of another method to obtain necessary heat energy.
5. The modernized Super D.C. Mills has Phillipino/Pherotrading type disintegrators, Rotex shifters, Vibro Fluid Bed Dryers. There is a big gap between those mills & our, therefore we face severe competition and are not able to give a quality assurance with the result we do not get a premium price.
6. The production of a modernized super D.C. Mills is not a traditional, therefore the Export Development Board grants them a pioneering status, under this status they get a 50 cts. per k.g. of D.C. as an incentive.
7. Ceylon Trading & Multinational Companies have joined to establish a Super D.C. mill under the G.C.E.C. where they are entitled to import all their necessary equipment & machinery duty free.

6. PROFESSIONAL TRAINING

The employees of the D.C. Mill has only a practical knowledge of the work done according to day to day changes of the world they do not have the theoretical knowledge, most of them feel that the practical experience they have maintained for a number of years should not be changed.

Observations.

1. No In-service training for the labourer.
2. Un-Educated labour do not like new changes because they do have the creative power.
3. The labourer does not know the quality of the production required by the Foreign buyer.
4. The labour and supervisors are not aware of the quality control circles.

## 7. COST OF PRODUCTION

The following three categories come under the production of a D.C.Mill.

1. Overheads Expenditure.
2. Working Expenditure.
3. Bank fees & Interest.

According to the past financial reports of the society the findings are as follows.

1. The average production per day 35,000 nuts.
2. The average weight of 1000 nuts D.C.Kilos 125.
3. Maximum working days per year 175.

### Cost of Production per D.C.Kilo.

1. Overheads Expenditure	= Rs. 2.00
2. Working Expenditure	= Rs. 3.66
3. Bank Interest & fees	= Rs. .44
	<hr/>
	Rs. 6.20
	<u>=====</u>

### Income from By-Products.

1. Parings per 1000 nuts	
$\frac{\text{Rs. } 1850}{560} \times 70$	= Rs. 231.24
2. Coconut Shells per 1000	= Rs. 250.00
3. Sediment Oil & Poonac	= Rs. 18.76
	<hr/>
	Rs. 500.00
4. Income per Kg.	$\frac{\text{Rs. } 500}{\text{Kg. } 125} = \text{Rs. } 4.00$
	<u>=====</u>

From the cost of production of D.C. & the income of the By-product, will be a difference of Rs.2.20, to this we add the profit margin of the society and the selling price of D.C. to define the purchasing price of Coconuts.

### Observations.

1. The monthly salaries of the Office staff is Rs.36,000 for a month.
2. In the private sector having the same capacity in a D.C.Mill the office staff consists of only 5 officers and they are paid Rs.8000 - 9000 for a month.

3. According to the Co-op procedure in Sri Lanka the accounts section has a lot of Clerical work, it has a particular form system, this system specially applies to all Multi-purpose Co-op societies. As the Coconut Producers Co-op Societies do not have any other system, we follow the same method.
4. The Co-op Societies deals in most cases with the Peoples Bank of Sri Lanka. The Peoples Banks main source of funds is obtained from the Co-op rural Banks, in this respect we do not get any special concession. Therefore a island wide Co-op Banking System is a necessity.
5. Most of the time consuming factors are denied due to the use of out of date equipment.

8. MARKETING MANAGEMENT.

100% of the production of this Mill is produced for export. We sell our production through brokers, brokerage cost is 1%. The link between the producer and the buyer is the broker. The producer takes a big risk but the buyer without any risk and cost earn an average of 20 cts per D.C.Kilo. After we complete a contract we have to wait for 14 days for payments. Sometimes it takes more time. Very often Rs.1 million or more of our working capital is with the Broker or Shipper. All Co-operative Societies should join and ship their products through the COCO Union, presently there is a programme on Shipping and Brokering at the COCO Union, it should be improved to help the Co-op Societies.

9. QUALITY CONTROL WORK.

This Society has a Q.C.Lab, it has a full time technician trained by the C.D.A. Central lab. The Quality controller continuously checks the various places of the production line. Along with this the C.D.A. inspectors visit the Mill daily and give advice on Quality Control.

Quality and Hygiene factors critically affect the sales it is extremely important to meet at least the minimum standards set by the S.L.S.I. and C.D.A. If quality standards could be improved a premium price for the product could be obtained in the International Market. There is a general lack of quality consciousness among the workers & supervisors.

Observations

1. Study of D.C.Mills to identify Quality Control Parameters and to determine how quality is controlled.
2. Design a lotated Quality control system in consultation with S.L.S.I. and C.D.A.
3. Design and conduct a Quality improvement workshop to supervisors and Quality Control officers.

4. Design & conduct a quality awareness programme for the Factory employees.
5. Design a inter society quality control circle system.

10. FINANCE MANAGEMENT

A large investment is necessary for a D.C.Mill and a working capital too should be high the monthly turnover too is high, but the profit margin of a D.C.Mill is very low. In comparing with other Industries the risk is very high in a D.C.Mill.

There is a big difference between the private sector and the Co-op Sector, we have to manage our finances within the Co-op frame.

The market in D.C. & Coconut varies even daily. Therefore, as a Co-op it is difficult for us to make decisions with the result we are unable to control our Finances.

The members very often wants a high price for their produce. The Society does not have a stabilization fund. Due to this there is a difficulty in the production of D.C.throughout the year.

The D.C.Mills also do not have a development fund, therefore, the Finance branch has to use the working capital to maintain & repair the mill. Very often we have used a Bank Overdraft and the Mill has to pay a bigger interest on the loan.

The following report has been presented by the Kammalpattu Coconut Producers Cooperative Societies, functions and the Management of the D.C.Production and my personal observations. I kindly request each and every one of you to go through every detail and give me your proposals & recommendations on this report.

Thanking you.

C.A.C.Fernando.



Regional Office for  
Asia & the Pacific

FIFTH ICA JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA  
1990 - 91

POINTS FOR GROUP DISCUSSION - 22nd October 90  
Afternoon

1. What are the characteristics of the Sri Lankan Agricultural Cooperative Movement?
2. What are the positive and negative factors you have identified in respect of effective services to members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in Sri Lanka?

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE OVERHEAD PROJECTOR.

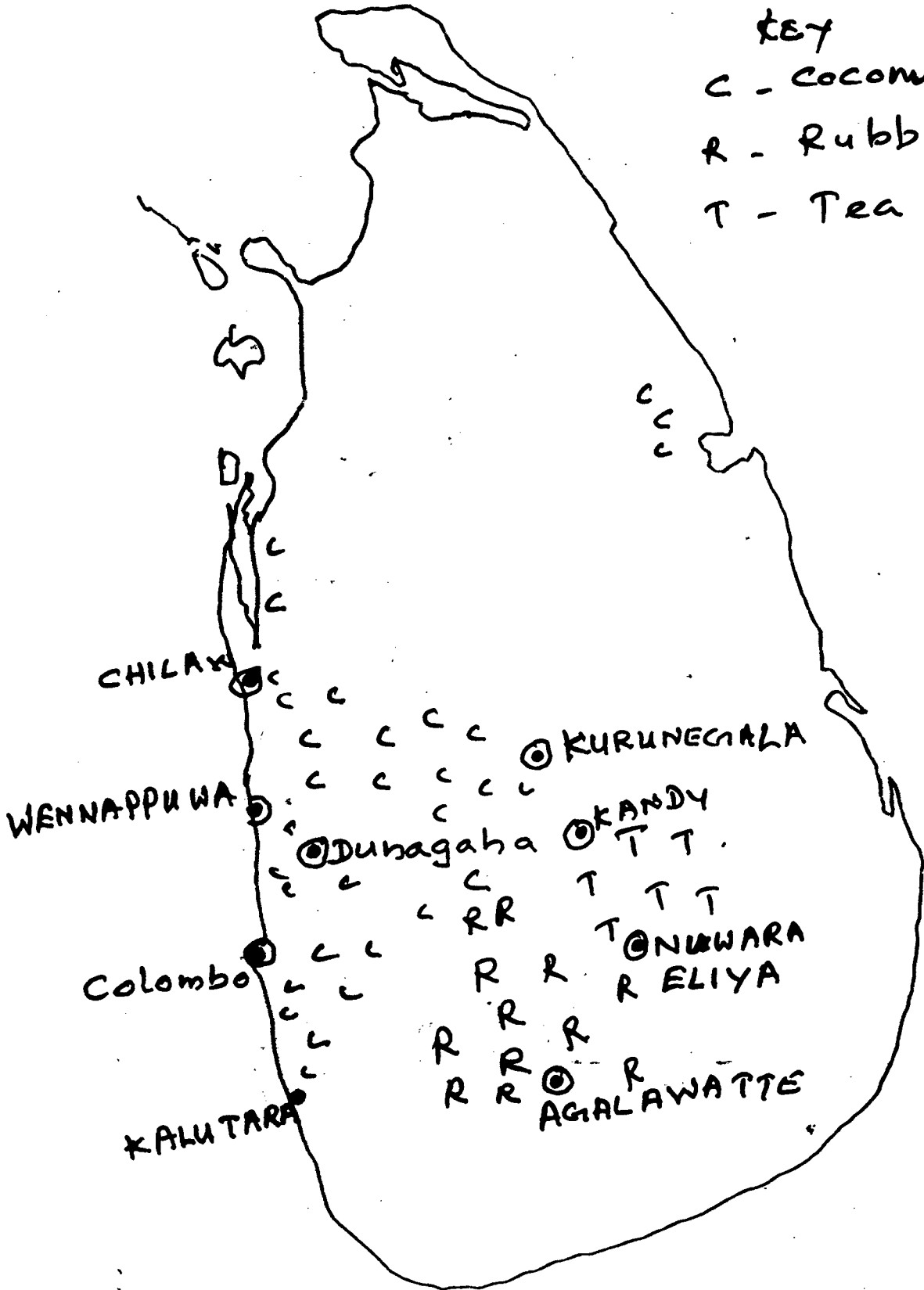


①

22/10/90

SRI LANKA

KEY  
C - Coconut  
R - Rubber  
T - Tea



22/11/90

DIFFERENT TYPES OF  
Agricultural Coop. Soci

1. Multi Purpose Coop. Soci

2. Vegetable Producers'  
coop. Societies

3. Tea Producers' Coop.  
Societies

4. Coconut Producers  
coop. Societies

5. Dairy Coop.  
Societies.

---

# Types of Coop. Soci. IN SRI LANKA

22/10/19  
3

TYPE	NUMBER
1. Multi Purpose -	282
2. Thrift and credit -	5885
3. Agricultural -	139
4. Dairy -	209
5. Textile -	29
6. Fishermen -	64
7. Industries -	169
8. School -	776
9. Hospital -	08
10. Development -	38
11. Youth coop -	22
12. Workers coops -	58
13. Other Types -	134
	<del>77</del> 05

# APEX UNIONS

④

1. Coop. Marketing Federation (MARKFED)
2. Coconut Producers Coop. Society Union (COCONIAN)
3. Rubber Coop. Society Union Ltd.
4. National Coop. Council of Sri Lanka (NCC)
5. Sri Lanka Coop. Fisheries Federation Ltd.

①

## CHARACTERISTICS

1. DIVERSIFIED BUSINESS (areas of operation)
2. FLEXIBLE IN BUSINESS MANAGEMENT
3. NO UNIFORMITY OF FUNCTIONS - OPERA OF DIFFERENT COOPERATIVES
- \* 4. EXISTING COOPERATIVES ARE TOO SMALL TO COMPETE WITH OTHER SECTORS.
5. COOPERATIVE MOVEMENT IS VERY NECESSARY to the FARMERS and to the COUNTRY

GROUP A

EDITH

MAROUN

PERERA

Rong Jun

October 22, 1990

3)

## NEGATIVE FACTORS

NO SUPPORT FROM GOVERNMENT

LACK OF CAPITAL

NO LINKAGES ON THE STRUCTURES\*

LIMITATIONS OF MEMBERSHIP

NO PATRONAGE REFUND

HOME MEMBERS - SERVED

### ③ SUGGESTIONS FOR IMPROVEMENT

1. APEX ORGANIZATION
2. MEMBERSHIP EXPANSION
3. EXPANSION OF PROCESSING FACILITY
4. IMPROVE COORDINATION IN DIFFERENT LEVELS OF ORG.
5. INTER - COOPERATIVE TRADE RELATION SHOULD BE DEVELOPED
6. ESTABLISH FEDERATION - MONITOR ALL AGRICULTURAL COOPERATIVES
7. INTERNATIONAL MARKET EXPLO. RATION
8. FURTHER PROCESSING TO ENHANCE FINISH PRODUCT

(D)

## POSITIVE FACTORS

- Willingness of the PEOPLE TO JOIN IN THE UPLIFTMENT OF THEIR ECONOMIC CONDITION
- General SERVICES TO THE MEMBERS  
Presence of PROCESSING FACILITIES
- WIDER BUSINESS SCOPE FOR THE DEVELOPMENT OF THE AGRICULTURAL SECTOR \*



1. A. TO FULFIL THE AGRIL CREDIT NEEDS OF THE RURAL SMALL FARMERS

B. GUARANTEED PRICE SCHEME  
MARKETING COOPERATIVES  
C. PROVIDE INPUTS.

2. A. There is no difference in purchasing and selling the goods to ~~farmer~~ member or non-members.

B. MEMBERS get MORE PRICE

C. COOPERATIVE MILK COLLECTING CENTRES HAVE GONE UP FROM 25 in 1982 to 134 in 1989.

Lily Singh

40000  
Sri Lanka study

22-10-70 2-

3-\*. MORE INCENTIVES TO MEMBERS

\* B. COOPERATIVES SHOULD APPROACH THE FARMERS AT THEIR FARM AS PRIVATE TRADER ARE DOING.

C. ON THE SPOT CASH TO BE GIVEN TO THE FARMERS.

\* D. GOVT. SHOULD BEAR THE LOSS IN CASE OF GUARANTEED PRICE.

E. PROFESSIONAL MANAGEMENT SHOULD BE DEVELOPED.

\* F. PRACTICAL AND THEORETICAL TRAINING ARRANGEMENTS SHOULD BE MADE UP TO GRASS ROOT LEVEL FUNCTIONARIES.

G. COOPERATIVES SHOULD BE GIVEN PREFERENCE IN EXPORT/IMPORT TRADE BY THE GOVT.

H. COCO UNION SHOULD BE MADE MORE STRONG IN BROKERAGE/EXPORT.

Lila. Siri

1- DECREASING AGRIC LANDS - <sup>5000 ha study</sup> - 3- 4 ROUBB  
22-10-

- DUE TO INCREASE IN POPULATION
- COLONIZATION PROGRAMME
- ROAD DEVELOPMENT WORK ETC.

2-

## INADEQUATE WORKING CAPITAL

- Due to
- 1- MEMBERSHIP IS STATIC
  - 2- SHARE VALUE IS LOW
  - 3- LOW PROFIT MARGIN-
  - 4- NON-REPAYMENT OF LOANS

Lily Singh,

## GROUP C

10-22-90 (1)  
2:30 AFTERNOON

- I. CHARACTERISTIC OF SRI-LANKAN AGRICULTURAL COOPERATIVES.
- a) CREDIT COOPERATIVES - PROVIDE AGRICULTURAL CREDIT NEEDS OF THE RURAL SMALL FARMERS UNDER LOW INTEREST RATE.
  - b) MARKETING COOPERATIVES - ASSIST IN AGRICULTURAL DEVELOPMENT THROUGH SUPPLY OF CREDIT, FERTILIZER, AGRICULTURAL CHEMICALS, MARKETING AND SAVING FACILITIES.
  - c) MULTI-PURPOSE COOPERATIVES - ACTED AS AGENTS IN IMPLEMENTING THE GUARANTEED PRICE SCHEME.

②

## POSITIVE FACTORS:

- a). GUARANTEE PRICE FOR FARMERS PRODUCE
- b). GRANT CREDIT SCHEMES TO THE MEMBERS TO HELP THEM IN THE EXPLOITATION OF MONEY LENDERS
- c). ACT AS A BROKER AND SELL THE PRODUCTS OF THE MEMBERS AT BEST POSSIBLE PRICES TO LOCAL SHIPPERS.
- d). PROVIDE INPUT SUCH AS FERTILIZERS AND AGRO-CHEMICAL AT A REASONABLE PRICE TO THEIR MEMBERS.

## NEGATIVE FACTORS:

- a.) INADEQUATE INFRASTRUCTURE (SUCH AS TRANSPORTATION FACILITY & MARKETING NETWORK.
- B. LACK OF TECHNICAL KNOW-HOW AMONG THE MEMBERS
- C. LACK OF GOV'T SUPPORT FOR THE SMALL FARMERS GIVING WAY TO THE PRIVATE SECTOR TO GROW.

### 3. SUGGESTIONS:

- 1) CONTINUOUS TRAINING PROGRAM  
IN THE NATIONAL & STATE LEVEL
2. CONGLEMATE SEVERAL SMALL-SCALE  
COOPERATIVES IN ORDER TO REDUCE  
EXPENDITURE AND TO SECURE  
ECONOMIES OF SCALE IN BUSINESS
- 3.

PREPARED BY: AMELTA PROVIDO  
 KH MOHD RODZI  
 RAJ PAL GABA  
 SHIN KE YUP

# SRI LANKA

1. Area - 25,332 Sq Miles
  2. Population - 16.0 million
  3. Urban population - 22.4%
  4. Village Population - 77.6%
-

" A CRITICAL EXAMINATION OF COOPERATIVE ORGANISATIONAL  
STRUCTURES AND MANAGEMENT PRACTICES AND PROBLEMS IN THAILAND "



OUTLINE OF A COUNTRY PAPER ON " A CRITICAL EXAMINATION OF  
COOPERATIVE ORGANISATIONAL STRUCTURES AND MANAGEMENT PRACTICES AND  
PROBLEMS IN THAILAND "

1. Historical Background

The Cooperative in Thailand is generally accepted as dating from 1916 when the first cooperative society was established with a group of 16 members in the rural area of Pitsanuloke Province as a village cooperative of the Raiffeisen model on the initiation of the Government of the time. The purpose was to help relieve farmer from severe indebtedness and preventing their mortgaged lands from being foreclosed by the money lenders. After the first cooperative was put up with fair satisfaction the cooperatives of this type were established moderately in the other provinces. In 1920 there were 60 village credit cooperatives in Pitsanuloke, Lepburi and Ayudhya Provinces with a total membership of 1,190 farm households and the total loan provided by the Siam Commercial Bank of B7303,668. All these cooperatives were registered under the special legislation called " The Civil Associations (Amendment) Act B.E 2459 (1916)"

Currently effective enabling legislation is the Cooperative Societies Act B.E. 2511 enacted in 1968. It repealed the 1928 legislation. The basic provisions of the 1968 legislation were

- 1) The restructuring of the cooperative infrastructure under the three-tier system ; district ( amalgamating of village societies); provincial and national cooperative federations;
- 2) The establishment of the Cooperative movement to function as the promotional and educational body of the cooperatives;

(2)

A government program to amalgamate cooperative societies was implemented during 1969-1972 combining several village level credit societies into a district level cooperative called "agricultural cooperative". This type of cooperatives has been contemplated directly towards multipurpose activities, serving the members' needs in credit supplied, marketing, storage and processing deposits and improvement of land that get priority in one cooperative.

At present there are six types of cooperatives in Thailand. They are Agricultural Cooperatives, Land Settlement Cooperatives, Fishery Cooperatives, Consumers' Cooperatives, Thrift and Credit Cooperatives and Service Cooperatives.

The growth of the cooperatives in Thailand as an institution for people's participation is seen from the variety of activities performed by the cooperative sector. As of January 1, 1989 there were in total 2,817 primary cooperatives with a total membership of 2,880,883 families. The breakdown according to types is given below.

Type	Number	Membership
1. Agricultural Cooperatives	1,252	895,385
2. Fishery Cooperatives	22	4,322
3. Land Settlement Cooperatives	95	87,494
sub-total	1,369	987,201
4. Thrifts and Credit Cooperatives	784	1,114,074
5. Consumers' Cooperatives	398	688,932
6. Service Cooperatives	275	90,676
sub-total	1,457	1,893,682
Total	2,817	2,880,883

(3)

Unofficially, the first three types are grouped into agricultural type while the three latter are classified as non-agricultural cooperative group.

## 2. Present Situation of Agricultural Cooperatives

### 2.1 Structure and Functions

Agricultural cooperatives exist in a typical three-tier structure ; district or urban cooperatives; provincial or changwat level federations; and national federations.

District or primary cooperatives are made up of individual farmers producing primarily grain crops, livestock, fruits, vegetable and cut-flowers, etc. Within the society the members are divided into groups at the village level, based on commodity lines, for the purpose of rationalizing economic business or extension and training. These cooperatives are operating multifarious business as above - mentioned.

Provincial or changwat cooperative federations are intermediate or secondary level whose members consisted of primary cooperatives located in the administrative area of the province. At present the agricultural cooperatives are federated at 73 cooperative federations at the provincial or changwat level to undertake the joint business activities, especially, processing and marketing of their affiliates which are beyond ability of an individual cooperative.

The national cooperative levels are organized as the apex organizations of the cooperatives whose members consisted of both primary agricultural cooperatives at the district level and provincial cooperative federations. At this level, the cooperatives

are horizontally classified into two categories in the following.

(1) The national federation related to multi-purpose agricultural cooperatives is the Agricultural Cooperative Federation of Thailand Ltd., (ACFT)

(2) those apex societies related to specialized agricultural cooperatives are the Sugar-cane Growers Cooperative Federation Ltd., and the Swine-raising Cooperative Federation Ltd., which are carrying out production and marketing activities of swine raisers and sugar-cane growers cooperatives respectively.

As already mentioned, the Cooperative League of Thailand (CLT) was established, under the Cooperative Societies Act B.E. 2511 (1968) , as a national apex organization of the cooperative movement. The major activities set down for CLT are the training and promotion of cooperatives of all types.

Functioning as the apex bank for agricultural cooperatives is the Bank for Agriculture and Agricultural Cooperatives (BAAC). Established in 1966 in replace of the Bank for Cooperatives, BAAC is authorized to finance individual farmers as well as agricultural cooperatives and farmers' associations. As a main agricultural credit institution owned by the Government, BAAC is increasing a significant role in supporting Government program to strengthen cooperative business in marketing, purchasing as well as to help cooperatives, which would become the primary lending institutions for small farmers, to provide credit services to their member more effectively.

Hence it is noted that there is at present an organizational linkages within the cooperative movement in Thailand. The organizational structure of the agricultural cooperative movement is shown in chart 1.

## 2.2 Business Activities

In the last ten years after the amalgamation program, there has been tremendous growth in the area of agricultural cooperatives and they have now achieved a substantial business activities which can be visualized from the business activities

## 3. Organization of Agricultural Cooperatives

The organization of agricultural cooperative are divided into two main parts :

- (1) the policy formulation and controlling; and
- (2) the administration and management.

### 3.1 The Policy Formulation and Controlling are composed of;-

1. General Meeting Generally, the general meeting is composed of all members. In case of the larger-sized cooperatives or cooperative federations it will choose to have a general meeting by the representatives of members. The members shall be called by the general meeting at least once a year. It has the supreme power in decision making for policy formulation, planning, controlling and decision making for every problem that occurs within cooperative.

2. Board of Directors The Board shall be elected yearly from the members by the general meeting. The Board consists at least seven but not more than fifteen persons. The powers and duties of the Board are to manage all affairs of cooperative in appropriate ways according to the laws, by-laws, regulations, policies and resolutions of the general meeting.

3.2 The Administration and Management This part consists of the manager and the operating staff. The manager is elected and

(6)

appointed by the Board of Directors. In turn, the manager will elect and appoint the staff. The manager has as his duty the managing of all day activities of cooperative according to the policies under the advice and supervision of the Board.

The organization and management relationship of agricultural cooperatives in Thailand is shown in Chart 2

#### 4. Financial Sources of Agricultural Cooperatives

As mentioned, PAAC is the most important financial institute for agricultural cooperatives. About 80% of the total capital of agricultural cooperatives is borrowing from BAAC. The amount of loans extended to agricultural cooperatives by BAAC is increasing considerably. The purposes of loans extended to agricultural cooperatives are for 4 different purposes :

- 1) Loans for enrollment to membership in accordance with cooperative regulations;
- 2) Loans for purchasing farm inputs and equipment for resale to members;
- 3) loans for purchasing and marketing members' agricultural products; and
- 4) long term loans for investment in fixed assets.

Besides PAAC , cooperatives also get financial support from the Government through the Cooperatives Promotion Department for the purpose mainly to improve real estate, to construct storage and processing facilities, to procure transport facilities and to collect agricultural products from their members. In addition, the commercial banks are also delivering agricultural credit to agricultural cooperatives, but on limited amount.

## 5. Relationship Between Government Agencies and Cooperatives

Ministry of Agriculture and Cooperatives (MOAC) by the committee on Policy and Planning for Agriculture and Cooperatives is responsible directly for policy and planning on cooperative development in accordance agencies within MOAC perform a dominant role in the cooperative development as follows:

### 5.1 The Office of the Registrar of Cooperatives

According to the Cooperative Societies Act. B.E. 2511 the Registrar of Cooperative is responsible for registration and controlling of cooperatives, appointing of cooperative auditors, and other works artherized by the Act. At present the Permanent Secretary to the Ministry of Agriculture and Cooperatives is acting as the Cooperatives Registrar.

### 5.2 Cooperatives Promotion Department (CPD)

CPD is in charge of supervising, regulating and promoting cooperatives including technical assistance, provision of loans to cooperatives and the works perform on behalf of the Registrar. The Department is headed by a Director-General and three Députy Director-Generals.

### 5.3 Cooperative Audit Department (CAD)

CAD is in charge of auditing of both cooperatives and farmer associations as well as providing advice and consultation in book-keeping and accounts in collaboration with CPD to cooperative employees. CAD is responsible also for subitting its reports and audits to the Registrar and the copies to CPD.

Moreover, the other related agencies within MOAC, namely Deaputment of Fisheries, Department of Livestock Promotian

Department of Agriculture and Department of Agricultural Extension etc, are providing technical assistance related to their fields to agricultural cooperatives and their members.

As well, a substantial assistance in marketing business is given by Ministry of Commerce. The assistance is made available to agricultural cooperatives in two respects. The first is to purchase milled rice of primary cooperatives through the government purchase program of rice via Public Warehouse Organization and ACFT. The second is to award quotas for the export of agricultural commodities to ACFT for the commodities purchased by primary cooperatives.

#### Problems & Obstacles

The success and failure of cooperatives are accounted by many factors. It is well aware that the success of the cooperative movement depends largely on both economic and social conditions of the country. If the nation develop a strong viable agriculture with efficient marketing system, farm price stabilization together with trained and abundant resources, dependable rapid transportation and communication system, this favourable situation will be the factor that will ensure the successful operation of cooperatives.

The Cooperative Education Department (CPD) which is the government agency responsible for the cooperative development has been studying and evaluating the performance of agricultural cooperatives. Attempts have been made to identify group problems as well as individual cooperative ones. It is found that the following factors, such as general economic condition, government policy on cooperative development, insufficient knowledge and experience in business management among members and board of directors, inefficient marketing system, farm price instability,



insufficient agricultural credit and lack of cooperation among farmer institutions have, to some extent, great impact on the progress and success of the agricultural cooperative movement in Thailand. The solution of these fundamental problems require a coordinated programme of action to improve all aspects of agricultural cooperative activities; agricultural credit system, marketing and farm supply policy, farm guidance as well as cooperative education and training

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Chart 1  
 Organizational Structure of  
 Agricultural Representative Movement  
 in Thailand

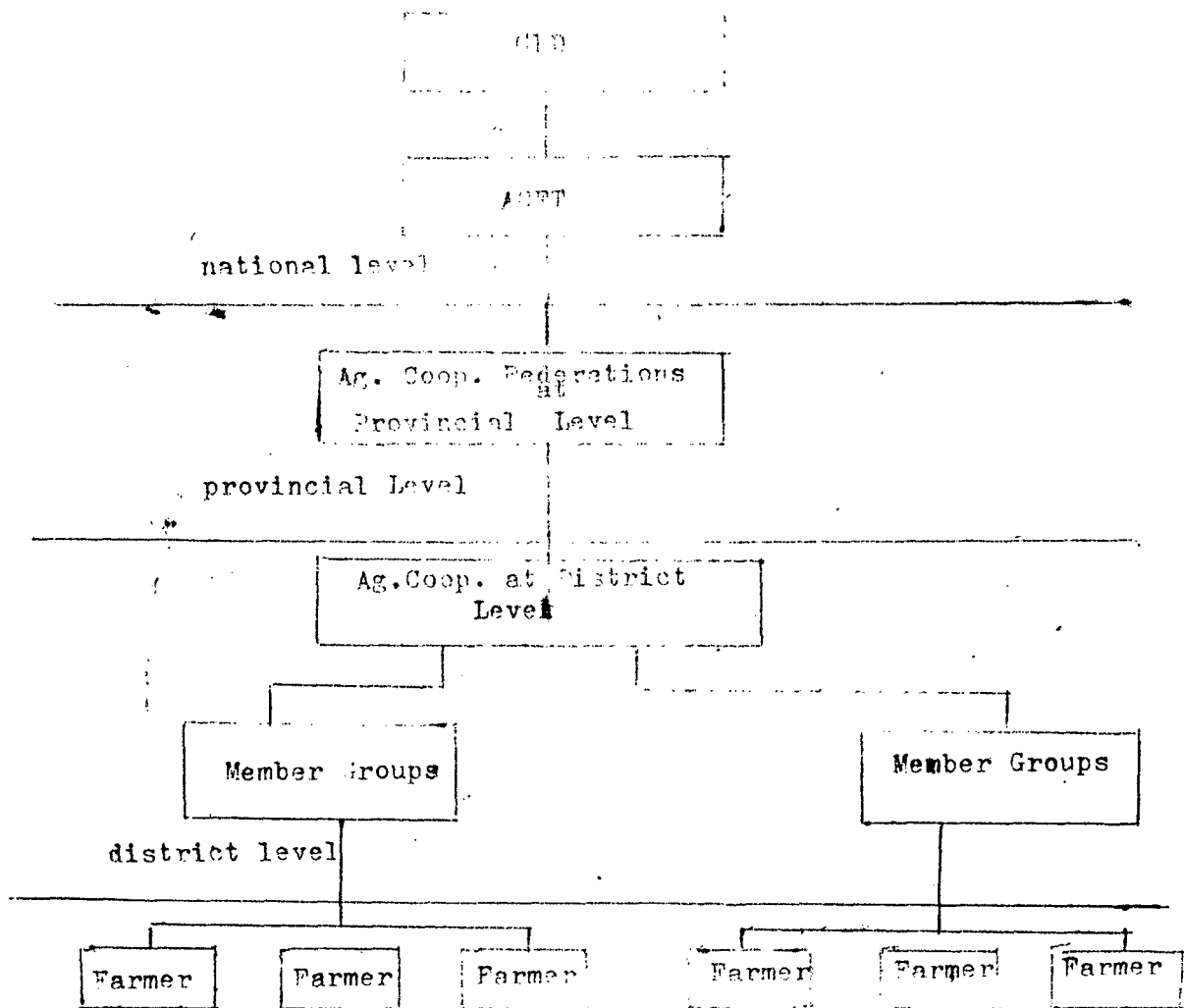
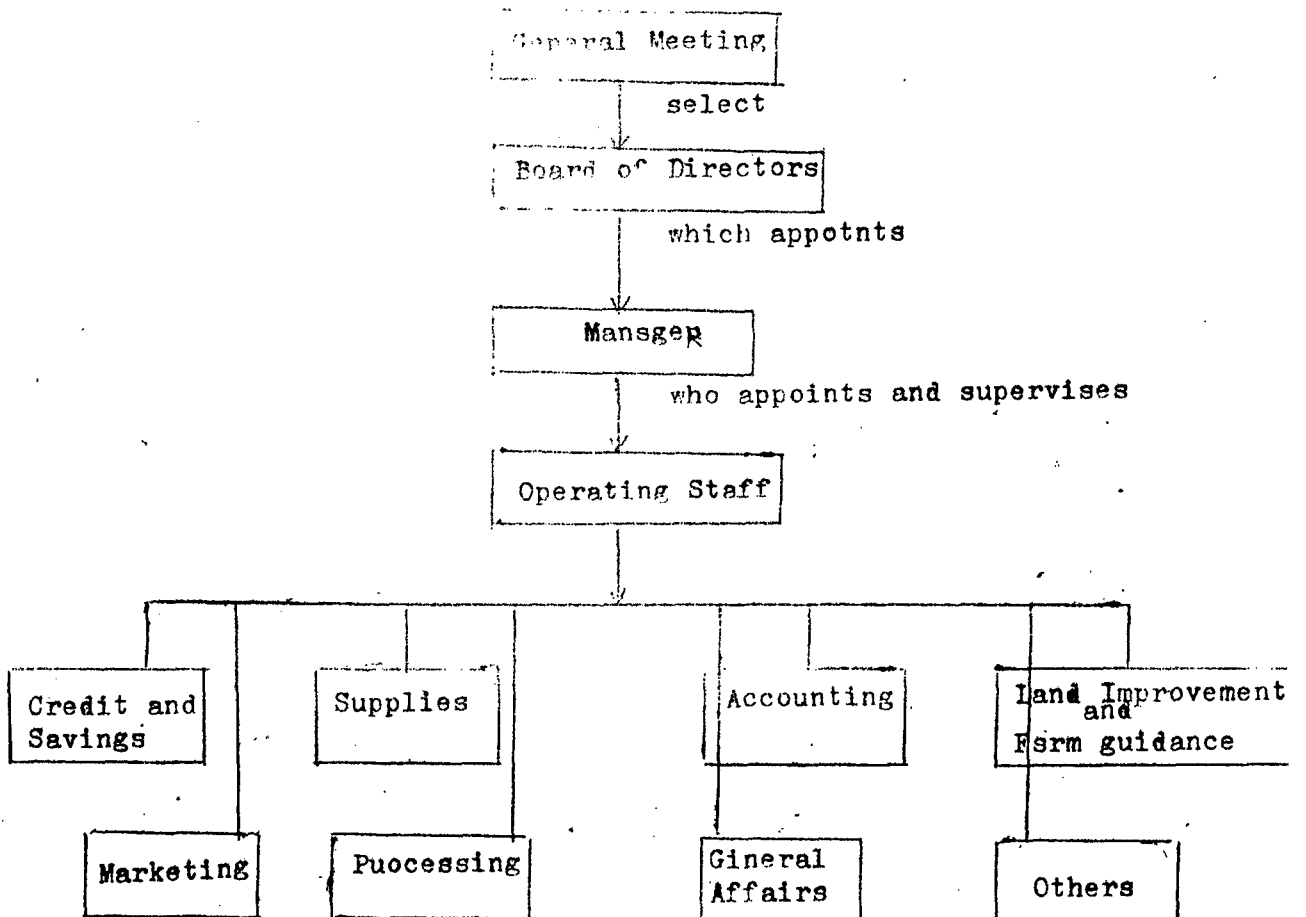


chart 2

Organization and Management Relationship  
of Agricultural Cooperatives in Thailand



AGRICULTURAL COOPERATIVE LIMITED, MUANG PHICHIT DISTRICT, PHICHIT PROVINCE,

THAILAND

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1. Title : Second Rice Collecting Project, Muang Phichit Agricultural  
Cooperative Ltd., Muang Phichit District, Phichit Province, Thailand

2. Executive Agency : Phichit Agricultural Cooperative Co., Ltd.

3. Rationale :

Cooperative Principle has main object to promote members' cooperative and self-reliance. Agricultural cooperatives do many business activities, like credit purchasing of supplies, and selling of farm products. However, most of them do not operate all these activities. They can operate well on only two business activities credit and purchasing.

In Thailand, most farmers grow rice. The Government of Thailand has helped them so much on constructing irrigation system. In this system, farmers can grow rice twice a year, namely:

1. Major rice, which has long-time planting about 6-7 months and low-average yield. But the quality is good and the price is high.

2. Second rice, which is grown in the wet-season, has short-time planting about 3-4 months with high-average yield. However, the quality is not so good and the price is low.

Generally, members sell their rice to local merchants with low price. Because they don't have enough power to bargain with them. Likewise, cooperative cannot collect members' second rice with high-price due to the fact that second rice has high humidity and difficult to storage. Normally the merchants buy second rice from members' cooperative with low price. The lowest price of second rice is 2.3 B/kg (This would be 2.5 B/kg at break-even point). Members sell their product with low price due to they don't sell together. However, all these problems can be solved by the agricultural cooperative.

Objective :

- 4.1. to get high price of second rice .
- 4.2. to increase member involvement .
- 4.3. to increase member's attitude to cooperative.
- 4.4. to increase purchasing business.
- 4.5 to increase credit business.

5. Target :

The project plans to collect to second rice 1,44 tons from 18 members.

6. Budget :

Operating budget can be obtained from the cooperative fund. The estimated budget is amounting to 904,000 baths.

7. terms :

April 1991 - September 1991

8. Methodology :

8.1 Training the members to know what is going on about the project.

8.2 Surveying members' paddy. Then, setting first price for second rice which will be collected from members in project.

8.3 The second rice will be collected and kept in cooperative warehouse. The cooperative will take responsibility on market cost for collecting second rice.

8.4 The cooperative sell paddy to merchants so that members can get high price of second rice.

. Benefict :

1. The cooperative can solve low price problem of second rice.
2. The cooperative can increase to its business activities.
3. Members have high participation and get good-attitude to cooperative service.

1 3 aluc on

Monitoring staff will be established in monitoring and evaluation M&E unit which will be responsible for the project M&E. M&E will hold every month at the cooperative office.

FIFTH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA 1990/91

GUIDELINES FOR PREPARING A CASE STUDY

## RONQKWANG AGRICULTURAL COOPERATIVE LTD.

### I INTRODUCTION

Rongkwang District is of the 7 district of Phrae Province. It is the north of Thailand and near in Chiangmai. This district is about 30 kms from the town with population of 14,754 households or 72,546 people. There are 10 sub-districts (tamboi) and 153 villages. About 70% of the area is forest and mountain. The geographical area is as follows:

- north - Nan province
- South - Uatradis Province
- East - Pavue Province
- West - Lampang Province

#### Occupation

Most of the population of Rongkwang district are engaged in Agriculture such paddy, Fruit, field crops and livestock. The major crops in Rongkwang are paddy, tobacco, soybean and mango.

### II BACKGROUND INFORMATION

Rongkwang Agricultural Cooperative ltd. was registered in 1975 by amalgamation of 3 credit cooperatives. Later on, according to the policy of the Cooperative Promotion Department was registered on October 16, 1975 under the same name. As of March 31, 1990, it has membership of 4,145 households which can be divided into 54 groups. The members are 2,762 men and 1,383 women. It have facilities one rice storage of 500 tone, each one building for the input supply section. Drying field.

The cooperative has been functioning on multi-purpose basic which includes the following activities:



1. Providing loans to members at low interest rate
2. Receiving deposits from members
3. Providing input supply and household goods at reasonable prices
4. Collecting members' produce for processing and sale
5. Providing extension service

There are 15 committee members and 14 employees: 1 manager, 1 assistant manager, 5 credit officers, 1 Accounting staff, 3 Marketing staff, 1 Farm Guidance staff, 1 General Affairs staff, 1 Guardman.

### III OPERATIONAL RESULT

The cooperative has been expending its activities extensively for the past 3 years. For example, the loans given to members of 22.46 million baht in 1988 was increased to 39.61 million baht in 1990, deposits from members of 16.54 million baht in 1988 was increased to 29.96 million baht in 1990, business input supply was 4.08 million baht in 1988 and 13.29 million baht in 1990, businesses Marketing was 6.06 million baht in 1988 and 20.12 million baht in 1990

### IIII ACTIVITIES

The main activities of Rongkwang Agricultural Cooperative, Ltd are:

1. providing loan
2. providing input supply
3. collecting members' produce for selling and processing
4. receiving deposits
5. providing extension services

#### 4.1 Credit Business

At present credit business is still the main business of the cooperative. The Cooperative provides credit to members both in cash

and in kind, depends on the needs of the members. Normally, the Cooperative provides credit according to the members' production plans, members' income and their ability to repay the loan. During 1988 -1990 the Cooperative provided credit to members as follows:

year	Short term loan	Medium term loan	total ( baht )
1988	15,363,400	6,100,000	22,463,400
1989	19,797,160	11,016,000	30,813,160
1990	25,773,160	13,838,200	39,611,360

#### 4.2 Deposit Business

The Cooperative also considers this type of business as one of its important businesses. The Cooperative receives deposits from members to promote the concept of saving among its members. This business also instructs members on the benefit of making deposits with the cooperative in order to improve the financial security of the cooperative as a whole. In addition, the business helps members and non members build up confidence in their cooperative. The community sees the cooperative as a financial institution that can benefit its members both in receiving deposit and providing loans.

The Cooperative has offered this type of business since 1975. Members show an increasing interest by making steadily increasing deposits. The Cooperative also motivated its members by various means, for example, giving prizes to member groups that make the largest deposits with the cooperative.

At present, the cooperative is very successful in coordinating the sales business with deposit business. When members bring their produce to sell to the cooperative, they will deposit the money received

into their savings account and withdraw in part when they have the need to use money. The Cooperative receives both saving and fixed deposits from members. During 1988-1990, The Cooperative deposit business to members as following:

year	Saving deposit	Fixed deposit	total ( baht )
1988	9,770,849	6,770,849	16,541,698
1989	15,265,677	7,353,967	22,619,644
1990	19,636,322	10,326,244	29,962,566

#### 4.3 Input supply Business

One of the important business of the cooperative is obtaining consumer goods and necessary agricultural materials for distribution to members. The purpose of this business is to;

- Reduce the production cost for members. Members can buy goods at a lower price when they combine their purchases and buy in bulk.

- Allow members to buy good quality items without having to worry about imitations because the cooperative buys directly from the manufacturer.

- Prevent members from getting in debt with private merchants. At present, the cooperative sells on cash only, so it has the following methods:

1. Members pay for the goods in cash.
2. The cooperative issues loans in the form of goods instead of cash.

The Cooperative is determined to have members do as much of their businesses with the cooperative as possible. The cooperative seeks ways to promote its sale to motivate members, for example, issuing coupons for members who buy goods from the cooperative,

then holding fairs where prizes are drawn for the coupons. Members show much interest in this type of activity. The business volume was 4.08 million baht in 1988 and 13.29 million baht in 1990.

#### 4.4 Marketing Business

Another important business of the cooperative is the collection of produce from members and the processing of such produce of sale at a higher price. This business solves the marketing and sales problem for the members. In the past, members were not able to sell their produce or were able to sell only at a low price. Middlemen had kept prices low and took advantage by altering their measurement equipments. These practices were very detrimental to the members occupation. The Cooperative was able to purchase rice from all members at a reasonable price. At year end, if the cooperative was operating at profit, it was then able to pay patronage refunds to the members in proportional to the business each the member conducted with the cooperative. Members received a higher income, experienced an improvement in their living conditions and were no longer being taken advantage of by middlemen. Members sold large amounts of their produce to the cooperative and this amount has increased every year. Important produces collected by the cooperative include rice, soybean, and corn. The business volume in 1988 was 6.06 million baht and 20.12 million baht in 1990.

#### 4.5 Extension Service Business

Agricultural extension service is also an important function of agricultural cooperatives. The purpose of agricultural extension is to increase products of members, increase quality and quantity up to levels demanded by the market, and to enable members to sell

at a higher price, resulting in an improvement of living conditions among members. The Rongkwang Agricultural Cooperative Ltd, cooperated with the Cooperative Promotion Department and general farmers of the Rongkwang district to promote production of soybean, egg plant and other crops both in and outside the rice season. Members show a high level of interest and switch to modern farming methods, they also give greater confidence to the cooperative promotion officials.

Besides the promotion of new crops, the cooperative also gives instruction on the use of chemicals and fertilizers in cooperation with farmers of the Rongkwang district.

Moreover, the cooperative is using 3 rai of its land to develop demonstration plots for growing rice and mango and soybean further propagation.

#### 4.6 Other Businesses

Another service is the set up of the Funeral Service Association. It is for members and the cooperative employees with the objective to help financially for the funeral of members employees and their spouses, by collecting membership fee and patronage fee. This is taken as the collateral and also being as the loan collateral. When any member dies, the Cooperative can get the repayment from the fees.

#### V Education and Occupational Promotion

The Cooperative realizes the importance of education and occupational promotion since the success of the Cooperative depends on the understanding of members in cooperative principles and methods as well as the agricultural technologies in order to increase production, such as the use of good seeds, insecticides, machineries, etc. The Cooperative also gives training to pre-members in cooperative

(7)

principles and practices so that they will understand the right, duties and responsibilities as the cooperative members.

Problems and Difficulties in Business Handling

1. Debt of members
  2. lack of funds
  3. Marketing and Transportation
-

Rongkwang Agricultural Cooperative Ltd.

Balance sheet

As at March 31, 1990

<u>Assets</u>	<u>1990 (Baht)</u>	<u>1989 (Baht)</u>
<u>Current Assets</u>		
Cash and deposits	215,013.28	130,016.05
Account Receivables		
Trading	109,723.05	8,634.00
Nantional Cooperative Federations	14,463.34	14,462.34
Loan	38,366,466.00	30,690,848.00
Others	<u>101,500.00</u>	<u>121,419.50</u>
Total Account Receivables	38,592,151.39	30,835,363.84
<u>Less doubtful debt</u>	<u>7,754.00</u>	<u>8,634.00</u>
Net account receivable	<u>38,584,397.39</u>	<u>30,826,724.84</u>
Interest to be received	95,111.00	248,200.00
<u>Less doubtful debt</u>	<u>12,518.00</u>	<u>12,410.00</u>
Net interest to be received	<u>82,593.00</u>	<u>235,790.00</u>
Inventories	886,018.35	3,203,319.69
Raw Materials	138,193.70	81,338.00
Other current assets	<u>30,655.30</u>	<u>54,637.35</u>
Total current assets	<u>39,436,871.05</u>	<u>34,531,830.93</u>
<u>Fixed Assets</u>		
Land	37,013.00	37,013.00
Buildings	285,114.66	136,364.27
Current building	0.00	93,782.00
Officer equipment	<u>175,304.03</u>	<u>127,209.75</u>
Total Fixed Assets	<u>497,431.69</u>	<u>394,369.02</u>

	1990(Baht)	1989 (Baht)
<u>Other Assets</u>		
Retrench Expense	81,878.85	103,238.55
Capital	185,600.00	185,600.00
Guarantee telephone and other	<u>3,000.00</u>	<u>19,100.00</u>
Total other assets	<u>270,478.85</u>	<u>307,938.55</u>
Total Assets	<u>40,704,781.59</u>	<u>35,234,138.50</u>
<u>LIABILITIES and own Fund</u>		
<u>Current Liabilities</u>		
Loan	2,817,135.25	177,000.00
Trading	55,590.00	124,184.00
Deposit received	13,288,047.50	10,939,054.75
CLT Expense	10,000.00	0.00
Deposit money	0.00	1,538,220.00
Other current liabilities	<u>217,227.14</u>	<u>254,865.64</u>
Total current liabilities	<u>16,387,999.89</u>	<u>13,033,324.39</u>
<u>Other Liabilities</u>		
Staff provident fund	96,368.75	76,638.00
Staff pension fund	<u>194,925.00</u>	<u>194,925.00</u>
Total other liabilities	<u>291,293.75</u>	<u>271,563.00</u>
Total liabilities	<u>16,679,293.64</u>	<u>13,304,887.39</u>
<u>Cooperative own fund</u>		
Share capital	12,933,500.00	10,315,950.00
Less Share repayment	35,000.00	<u>350.00</u>
	<u>12,933,150.00</u>	<u>10,315,600.00</u>
Reserve fund	7,184,006.72	6,836,610.41
Legal Reserves	1,767,515.39	1,329,652.39
Net profit	<u>2,140,815.84</u>	<u>3,447,388.31</u>



	1990 (Baht)	1989 (Baht)
Total own fund	<u>24,025,487.95</u>	<u>21,929,251.11</u>
Total liabilities and own fund	<u>40,704,781.59</u>	<u>35,234,138.50</u>

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Regional Office for  
Asia & the Pacific

FIFTH ICA JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA  
1990 - 91

POINTS FOR GROUP DISCUSSION - 26th October 90

AN

1. What are the characteristics of the Thai Agricultural Cooperative Movement?
2. What are the positive and negative factors you have identified in respect of effective services to members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in Thailand?

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING  
THE OVERHEAD PROJECTOR.

## GROUP A.

THAILAND

Oct. 26, 1990

### 1. CHARACTERISTICS:

1. STRONG SUPPORT by GOVERNMENT  
80% - funds
2. 3 TIER STRUCTURE
3. INTEGRATED SERVICES TO THE FELT  
NEEDS OF FARMERS  
(MULTI-PURPOSE TYPE)
4. WIDE COVERAGE OF CREDIT  
ASSISTANCE - 70 BAAC  
BRANCHES to support  
AGRICULTURAL COOPERATIVES
5. COOP FEDERATION STRONG WITH  
OR EXISTING IN 73 PROVINCES

### 2. POSITIVE FACTORS:

1. 3 TIER STRUCTURE WITH TIGHT  
LINKAGES w/ GOVERNMENT
2. FULL GOVERNMENT SUPPORT  
- 97% used - Agri-Coop  
  .7% - purchasing inputs  
  .2% - marketing inputs
3. INTEGRATED SERVICES - given  
to coop members

GROUP - A p. 2

### NEGATIVE FACTORS:

1. INSUFFICIENT KNOWLEDGE IN BUSINESS MANAGEMENT
2. INEFFICIENT MARKETING  
(farm price instability)
3. GOVERNMENT INTERFERENCE

### 3. RECOMMENDATION:

1. TRAINING & EDUCATION IN ALL <sup>entire</sup> LEVELS & FACILITIES PROVIDED
2. ESTABLISHMENT COOPERATIVES <sup>by Govt.</sup>
3. MARKETING FACILITIES
4. PRE-ORGANIZATION NEEDED.
5. LOAN TO COOPS GIVEN AT LOWER INTEREST.

GROUP - B

Thailand

26/10/90 -1-

Characteristics:

- 1 Three tier structure  
District of primary (2817 with 2880883 members)  
↓  
provincial  
↓  
national
- 2 Multipurpose functions  
↓  
agricultural coops  
↓  
credit supply, marketing, storage,  
processing, deposits and improvement  
of Land
- 3 National level coop characteristic -  
Link between coop movement and govt

Positive:

1. Providing loans at low interest rate  
Increase 22.50 million in 1988 to 39.50 million 1990
2. Increase ~~in~~ inputs supply and house hold  
goods at reasonable prices
3. Collecting member's produce for  
Processing and sale. The business  
Volume 6.06 million baht in 1988 to 20.12  
million in 1990

Deposits 16.54 million in 1988 to 29.96 million

Input supply 4.08 million in 1988 to 13.29 million in 1990

### Negative :

1. Weak financial position
2. Members not actively participating
3. Lack of transportation in collecting Members produce

### Suggestions :

1. Govt. financial support is necessary OTHER THAN AGRICULTURAL COOPS ALSO.
2. More publicity for coop membership drive and active participation.
3. More processing units should be established
4. Need coop training and education

GROUP C  
OCT. 26, 1990

1. CHARACTERISTIC OF THAILAND COOPERATIVE MOVEMENT
  - 1) MULTI-PURPOSE TYPE
  2. THREE-TIER SYSTEM
  3. THE MAIN FINANCIAL SOURCES OF AGRICULTURE COOPS ARE FROM BAAC ESTABLISHED BY GOVERNMENT
  4. THE DECISION-MAKING OF THE PRIMARY COOP IS DEMOCRATIC
  5. AMALGAMATION OF COOPERATIVE SOCIETIES
  6. DISTRICT LEVEL OF COOP-IS AN INDIVIDUAL MEMBERSHIP
  7. WELL ORGANIZED FINANCING SYSTEM WITH FULL SUPPORT FROM THE GOVERNMENT

2

GROUP C  
Oct. 24, 1990

POSITIVE FACTORS:

1. AMALGAMATION OF COOPS. CONTRIBUTED TO SERVE MEMBERS NEEDS AND TO MAKE COOPERATIVE VIABLE
2. FINANCIAL SUPPORT BY BAAC AND CPA IS VERY VIABLE TO THE MEMBERS
3. THE ~~THE~~ APEX ORGANIZATION TAKES CARE THE NEEDS OF ITS PRIMARIES



3

GR. OUP C  
Oct. 24, 1970

NEGATIVE FACTORS:

1. INEFFICIENT MARKETING (CUTTER)
2. FARMS PRICE IS UNSTABLE
3. INSUFFICIENT KNOWLEDGE IN BUSINESS MGT
4. INSUFFICIENT AGRICULTURAL CREDIT AND  
LACK OF COOPERATION AMONG FARMERS  
INSTITUTION

4

GROUP C  
OCT. 26, 1990

SUGGESTIONS:

1. NEEDS CONTINUES IMPROVEMENT ON ALL ASPECTS LIKE CREDIT, MARKETING AND FARM SUPPLY POLICY, FARM GUIDANCE AS WELL AS COOPERATIVE EDUCATION & TRAINING
2. GOVERNMENT SUPPORT IN MARKETING SYSTEM AND STABLE PRICE FOR FARMERS PRODUCE