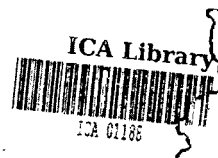


ICA 01188





Regional Office for  
Asia & the Pacific

SEVENTH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA, 1992/93

NOVEMBER 09, 1992 - MAY 09, 1993

MATERIAL DISTRIBUTED DURING  
FIRST PART OF TRAINING COURSE IN INDIA.

INAUGURATION/COUNTRY PAPERS. = VOL. 1

GENERAL;

BROCHURE ON Seventh ICA Japan Training Course Programme

Photo profiles of Participants

List of Participants

INAUGURATION;

Programme of Inaugural Session

Project Director's Address - Inaugural Session

Chief Guest, H.E. Shunji Kobayashi, Japanese Ambassador to India,  
Inaugural Address

COUNTRY PAPERS / CASE STUDIES ETC

Division of Groups

Bangladesh :

Country Paper by Md. Habibullah

Case Study by Md Habibullah

Group Report

India:

Joint Country Paper by all three Indian Participants.

Cooperative Movement in India by I K Kadu

Rajasthan State Coop Land Development Bank, by R.S. Jakhar

Activities of Nafed by Subhash Singh

Case Study on Gujarat State Coop Marketing Federation by Subhash  
Singh



Regional Office for  
Asia & the Pacific

Group Report on India

Indonesia:

Country Paper by Achmad Kosasih

Case study by Achmad Kosasih

Group report on Indonesia.

Iran:

Country paper by Morteza Hafezi

Group report on Iran

Korea

Country paper by Han Ju Lee

DHPs Korean agriculture.

Group report on Korea.

Malaysia:

Country paper by Salleh bin Rehduan

Case study on K District Coop Ltd by Salleh bin Rehduan

Group report on Malaysia.

Pakistan:

Country paper by Syed Mahbool Hussain Shah

Case Study by S M H Shah

Group report on Pakistan.

Philippines

Country Paper by Philmore C Quilat

Case study by F. Quilat

Group reports on the Philippines.



Regional Office for  
Asia & the Pacific

**Sri Lanka:**

Joint Country Paper by A.F.Anton Perera and A.G.S.M.N.Banda

Case study by AGSM Navaratne Banda

Case study by A.F.A.Perera

Group report on Sri Lanka.

**Thailand:**

Country paper by Amporn Vongsopa

Sanpathong Agrl Coop Society = case study

Group report on Thailand.

**Vietnam:**

Country paper by Le Van Nhu

Case study by Le Van Nhu

Group report on Vietnam.



## COURSE INFORMATION & PROGRAMME



**7th ICA/Japan Training Course for Strengthening Management  
of Agricultural Cooperatives in Asia**  
November 09, 1992-May 07, 1993

**International Co-operative Alliance**  
**Regional Office for Asia and the Pacific**  
"Bonow House", 43 Friends Colony (East)  
New Delhi 110 065, India  
Phone : 091/ 11 6835123  
Fax : 091/ 11 6835568  
Telex : 081/31-75025 DICA IN  
Cable : Interallia, New Delhi

*Headquarters*

15, route des Morillons  
CH-1218, Grand Saconnex  
Geneva, Switzerland.  
Phone : 022/798 4121  
Fax : 022/798 4122  
Telex : 045/415620 ICA CH  
Cable : Interallia, Geneva

**Course Director : Dr. Daman Prakash**  
**Course Programme Officer : Mr. A.H. Ganesan**

November, 1992

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*Cover:* His Excellency Shunji Kobayashi, Ambassador of Japan in India, delivering his Inaugural Address of the 7th ICA Japan Management Training Course. (l-r) Dr Daman Prakash, Project Director, ICA/Japan Management Training Project; H.E. Shunji Kobayashi; Mr. G.K.Sharma, ICA Regional Director for Asia and the Pacific.

Nov 12, 92	Thursday	Presentation of country background papers by participants (contd.)
Nov 13, 92	Friday	Presentation of country background papers by participants (contd.)
Nov 14, 92	Saturday	Presentation of country background papers by participants (contd.)
Nov 15, 92	Sunday	FREE / Sight-seeing in Delhi.
<p>MODULE ON INTEGRATED COOPERATIVE DEVELOPMENT November 16-22, 1992</p>		
Nov 16, 92	Monday	Introduction to the Concept of Integrated Cooperative Systems (ICS) OHP Transparencies Presentation AMSAC Slides Presentation.
Nov 17, 92	Tuesday	Potential for Developing Integrated Projects
Nov 18, 92	Wednesday	Essential Features of ICS Case: Saranga Cooperative Sugar Factory.
Nov 19, 92	Thursday	Role of the Manager in ICS Case: Royal Multipurpose Coop Society (A & B)
Nov 20, 92	Friday	Basic Cost Concepts and Breakeven Analysis
Nov 21, 92	Saturday	Costs for Decision-making.
Nov 22, 92	Sunday	Visit to Taj Mahal, Agra
<p>MODULE ON PLANNING &amp; MANAGEMENT (I) November 23 - December 2, 1992</p>		
Nov 23, 92	Monday	Understanding Financial Statements.
Nov 24, 92	Tuesday	Product Costing Case: Anand Regional Cooperative Oilseeds Growers Union Ltd. 21st Annual report (1990-91) Working Capital Management
Nov 25, 92	Wednesday	Operations Planning and Control; Procurement Decisions. Case: Cebu Corn Dry Milling Company Mahapalika Rice Mills Company
Nov 26, 92	Thursday	Operations Planning and Control: Product Mix Decisions Case: Planning the Product Mix of Panchatantra Corporation.

Nov 27, 92	Friday	Demand Assessment
Nov 28, 92	Saturday	Pricing Case : United Fruit Company
Nov 29, 92	Sunday	Visit to IFFCO Management Development Institute at Gurgaon and interaction with farmers.
Nov 30, 92	Monday	Marketing Strategy Case: Milk Vita Ice Cream
Dec 01, 92	Tuesday	Cooperative Marketing Case: Satan's Eucalyptus Film: Principles of Cooperative Marketing.
Dec 02, 92	Wednesday	Cash Flows : Time Value of Money
MODULE ON PLANNING & MANAGEMENT (II) December 3-12, 1992		
Dec 03, 92	Thursday	Techniques of Investment Analysis
Dec 04, 92	Friday	Investment Appraisal Case: Sabitha's Modern Rice Mill Project
Dec 05, 92	Saturday	Sensitivity Analysis
Dec 06, 92	Sunday	FREE
Dec 07, 92	Monday	Location and Capacity Analysis Case: The Capacity Problem of Fatehnagar Oil Complex.
Dec 08, 92	Tuesday	Strategic Planning Decisions for Operations Case: Government Silk Filature, Chikahalli.
Dec 09, 92	Wednesday	Network Techniques Exercise on Network Techniques.
Dec 10, 92	Thursday	Organisation Design Case: Phonhong II Cooperative Society
Dec 11, 92	Friday	Integrated Case Case: Rama Reddy's Rural Development Dilemma ( A & B )
Dec 12, 92	Saturday	Business Planning Analysis of Bench Mark Data
Dec 13, 92	Sunday	Travel to Pune (By Air). Stay at VMNICOM Hostel, Pune.



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

NOVEMBER 09, 1992 - MAY 07, 1993

**01. BACKGROUND**

Based on discussions held between the International Cooperative Alliance (ICA), the Central Union of Agricultural Cooperatives (CUAC-Japan) and the Ministry of Agriculture, Forestry and Fisheries (MAFF) of the Government of Japan, a Regional Training Project for Strengthening Management of Agricultural Cooperatives in Asia was developed and agreed upon for implementation through the ICA. The first course attended by 15 participants from 9 countries of Asia was held during 1986-87. The Seventh Course starts on November 9, 1992. The six-month long training programme is implemented by the ICA through its Regional Office for Asia and the Pacific (ICA ROAP) and with the collaboration of well-known institutions e.g., the IDACA-Japan; Indian Institute of Management, Ahmedabad (IIMA-India); V.M. Institute of Cooperative Management, Pune (VMNICOM-India); and the ICA member-organisations of Thailand, and Republic of Korea.

The ICA, an international non-governmental organisation of long history and rich experience in the cooperative sector worldwide was chosen by the MAFF to implement the Project.

Until the end of the Sixth Course, 90 participants consisting of senior to middle-level managers responsible for agricultural cooperative development, men and women, have participated in the programme successfully. As a part of their work they have produced concrete, technically-sound and potentially viable 88 projects in the agricultural cooperative sector aiming at enhancing the participation and income of grass-roots level farmers. Several of these projects are already under implementation in various countries.

Because of the strong technical inputs made, the programme has been able to enhance the management capabilities of the participants. The course is extremely popular among cooperative managers and increasing demands are being made on the ICA to further broaden the scope of the programme.

## 02. 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-roots level with the ultimate objective of increasing member's income and ensuring his active participation in cooperative business.

## 03. 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 Seventh Course have been selected from 11 Asian countries i.e. Bangladesh, India, Indonesia, Iran, Republic of Korea, Malaysia, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam.

## 04. PROGRAMME OUTLINE

The six-months 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 for two months, the participants will take part in the ten days study visits programme to agricultural cooperatives in Thailand. Thereafter they return to their respective countries for forty- five days to prepare cooperative development projects in consultation with the concerned cooperative organisations in their respective countries. These Projects will be appraised in Tokyo during the Second Part of the Training Course to be conducted at the Institute for the Development of Agricultural Cooperation in Asia (IDACA) which will be followed by ten days field study visits in the Republic of Korea.

## COURSE PROGRAMME

### 05. PART - I : COURSE PROGRAMME IN INDIA

Monday, November 09, 1992 - Tuesday, January 05, 1993.

Nov 08, 92	Sunday	Arrival of Participants in Delhi
Nov 09, 92	Monday	- Inauguration - Introduction to ICA ROAP - "Course Methodology."
Nov 10, 92	Tuesday	Review of Cooperative Situation in the Region - Presentation of country background papers by participants.
Nov 11, 92	Wednesday	Visit to the National Cooperative Union of India (NCUI) Visit to National Agricultural Cooperative Marketing Federation of India (NAFED)

		WORKSHOP AT VMNICM AND STUDY VISITS IN MAHARASHTRA STATE.
Dec 14, 92	Monday	Workshop on Management of Processing and Marketing Cooperatives, at VMNICOM, Pune.
Dec 15, 92	Tuesday	Workshop on Management of Processing and Marketing Cooperatives (contd.)
		FIELD STUDY VISITS TO AGRICULTURAL COOPERATIVES IN MAHARASHTRA
Dec 16, 92	Wednesday	Travel to Ahmednagar (By Bus). Visit Pravara Sahakari Sakhar Karkhana. Stay at Hotel Amar, Ahmednagar.
Dec 17, 92	Thursday	Visit to Kolhar Badruk Multipurpose Cooperative. Visit to District Central Cooperative Bank, Ahmednagar
Dec 18, 92	Friday	Visit to Agricultural Produce Market Committee, Ahmednagar. Travel to Pune (By Bus) Stay at VMNICM Hostel, Pune.
Dec 19, 92	Saturday	Visit to Pune District Cooperative Milk Producers Society (Katraj Dairy Cooperative) Visit to Pune District Cooperative Marketing Society, Pune.
Dec 20, 92	Sunday	Visit to Maharashtra State Cooperative Union. Travel to Bombay (By Train). Stay at Hotel Natraj, Bombay.
Dec 21, 92	Monday	FREE
Dec 22, 92	Tuesday	Visit to Maharashtra State Cooperative Bank. Visit to National Bank for Agriculture & Rural Development (NABARD)
		FIELD STUDY VISITS TO AGRICULTURAL COOPERATIVES IN GUJARAT
Dec 23, 92	Wednesday	Travel to Anand (By Train) Visit to a Primary Milk (dairy) Cooperative.
Dec 24, 92	Thursday	Visit to National Dairy Development Board, NDDB Visit Institute of Rural Management, Anand Visit to AMUL and primary milk coop Stay at NDDB Guest House.

Dec 25, 92	Friday	Visit Anand Regional Oil Seeds Growers Union Visit to a community development programme around Anand.
Dec 26, 92	Saturday	Visit to a village service cooperative / agricultural credit society. Lunch Travel to Ahmedabad (By Bus) Stay at IIMA Hostel, Ahmedabad.
		<b>MODULE ON PROJECT DESIGN</b>
Dec 27, 92	Sunday	Briefing
Dec 28, 92	Monday	Guidelines for Project Preparation Comprehensive Case Analysis
Dec 29, 92	Tuesday	Field Visit to IFFCO Cooperative Fertilizer Plant, Kalol.
Dec 30, 92	Wednesday	Comprehensive Exercise
Dec 31, 92	Thursday	Comprehensive Exercise
Jan 01, 93	Friday	Comprehensive Exercise
Jan 02, 93	Saturday	Comprehensive Exercise Presentations Summing Up. Travel to Delhi (By Air).
Jan 03, 93	Sunday	FREE
Jan 04, 93	Monday	Closing Session in Delhi Farewell dinner by ICA
Jan 05, 93	Tuesday	Travel to Bangkok by AF 180 at 0930 hours.

**06. FIELD STUDY VISITS PROGRAMME IN THAILAND**  
Tuesday, 05 January to Wednesday, 13 January 1993

Jan 05, 93	Tuesday	Arrival of Participants from New Delhi. FREE / Sight-seeing in Bangkok.
Jan 06, 93	Wednesday	0900 Inaugural Session at the Cooperative League of Thailand (CLT). Introduction to CLT & Cooperative Movement in Thailand. 1330 Visit to Cooperative Promotion Department (CPD), Ministry of Agriculture, Thailand. 1600 Leave for Airport for Travel to Chiangmai by TG-108 at 1845 hrs.

Jan 07, 93	Thursday		Visit to Chiangmai Provincial Cooperative Office. Visit Chiangmai Provincial Agricultural Cooperative Federation.
Jan 08, 93	Friday		Visit Maetaeng Agricultural Cooperative Visit Sansai Land Settlement Cooperative
Jan 09, 93	Saturday		Visit Nakorn Chiangmai Consumer Cooperative Society Local Visits.
Jan 10, 93	Sunday		FREE - Sight-seeing
Jan 11, 93	Monday		Visit Sanpathong Agricultural Cooperative
		1530	Leave for Bangkok by TG-107 at 1735 hours.
Jan 12, 93	Tuesday		Concluding Session at CLT
Jan 13, 93	Wednesday		Departure of Participants to their home countries for Home Country Assignments.

#### 07. HOME COUNTRY ASSIGNMENTS

Wednesday, 13th January to Sunday, 21st February 1993

An important component of the Training Programme is the participant's field assignment in his/her home country for about 45 days following the First Part 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 their organisations and formulate cooperative development projects for appraisal at the Project Appraisal Session in Tokyo, 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.

The participants will be guided in their work for a short duration by the resource persons to be made available by the ICA. It is thus important that the participants as a first priority in their home countries to collect all possible technical details and information, and then produce a complete draft of the proposed project outline. The resource persons will then help the participants in improving upon these project outlines from a technical point of view. The main idea is to have in hand a technically sound and viable project for discussion and analysis at the Projects Appraisal Sessions to be held in Part-II of the Course in Japan.

08. PART-II OF TRAINING COURSE IN IDACA, TOKYO, JAPAN  
Monday, 22 February to Sunday, 25 April 1993

Feb 21, 93	Sunday	Arrival of Participants in Tokyo.
Feb 22, 93	Monday	Inauguration. Introduction to IDACA Project Appraisal Session of Projects prepared by participants.
Feb 23, 93	Tuesday -	] Project Appraisal Sessions (contd.)
Feb 27, 93	Saturday	
Feb 28, 93	Sunday	
Mar 01,93	Monday	Project Appraisal Sessions (contd.P)
Mar 02,93	Tuesday	Comments by Resource Persons on Projects.
Mar 03,93	Wednesday	Visit to National Level Federations of Agricultural Cooperatives in Japan
Mar 04,93	Thursday	Lecture on Japanese Culture, Economy and Society.
Mar 05,93	Friday	Agriculture in Japan.
Mar 06,93	Saturday	Group discussions.
Mar 07,93	Sunday	FREE Sightseeing in Tokyo.
Mar 08 93	Monday	History of Japan and Change of Rural Communities.
Mar 09, 93	Tuesday	Organisation and Business of Agricultural Cooperatives.
Mar 10, 93	Wednesday	Business of Agricultural Cooperatives- Purchasing Business.
Mar 11, 93	Thursday	Business of Agricultural Cooperatives - Marketing Business and Price Support System.
Mar 12, 93	Friday	Farm Guidance Activities of Agricultural Cooperatives.
Mar 13, 93	Saturday	Review of Lectures and group discussions.
Mar 14, 93	Sunday	FREE
Mar 15, 93	Monday	Travel for Study Visits to Kagoshima Prefecture.
Mar 16, 93	Tuesday	Visit to Prefectural Union and Federations in the Prefecture.
Mar 17, 93	Wednesday	Visit to Agricultural Cooperative - Study of Multipurpose Operations of Business.
Mar 18, 93	Thursday	Visit to Agricultural Cooperative - Study of Member Organisations and Member Living Activities.











Mar 19, 93	Friday	Observation of Agricultural Experiment Station and other agricultural related organisations.
Mar 20, 93	Saturday	FREE - Sight-seeing in the Prefecture.
Mar 21, 93	Sunday	Travel to Tokyo.
Mar 22, 93	Monday	Business of Agricultural Cooperatives - Credit Business
Mar 23, 93	Tuesday	Case Study-I : Farm Guidance and Regional Farm Management Groups.
Mar 24, 93	Wednesday	Case Study-II : Better Living Activities of agricultural cooperatives
Mar 25, 93	Thursday	Business of Agricultural Coops' Processing Business.
Mar 26, 93	Friday	Case Study-III: Processing Business.
Mar 27, 93	Saturday	Review of the study visit and lectures/group discussions.
Mar 28, 93	Sunday	FREE
Mar 29, 93	Monday	Observation of Zen-Noh Ohta Fruits and Vegetables Market (Zen-Noh Chokuhan Milk Plant) Travel to Ibaraki
Mar 30, 93	Tuesday	Observation of Agro-processing Business of JA-Satomi.
Mar 31, 93	Wednesday	Role of Agricultural Cooperatives for Invigoration of Rural Communities.
Apr 01, 93	Thursday	Methods for Formulation of a Regional Agriculture Promotion Plan.
Apr 02, 93	Friday	Exercise on Regional Agricultural Promotion Plan.
Apr 03, 93	Saturday	Group discussions.
Apr 04, 93	Sunday	FREE
Apr 05, 93	Monday	Travel to Nagano Prefecture for Study Visits.
Apr 06, 93	Tuesday	Visit to the Prefectural Union and Federations - Observation of processing facilities of Economic Federation.
Apr 07, 93	Wednesday	Visit to Agricultural Cooperative-Study of Regional Planning.
Apr 08, 93	Thursday	Visit to Agricultural Cooperative-Study of Agro-Processing.
Apr 09, 93	Friday	Travel to Tokyo
Apr 10, 93	Saturday	Review of Study Visits - Group Discussions.
Apr 11, 93	Sunday	FREE
Apr 12, 93	Monday	Educational activities of agricultural cooperatives.

Apr 13, 93	Tuesday	Business Administration in Agricultural Cooperatives.
Apr 14, 93	Wednesday	Agricultural Loss Compensation Scheme Business of Agricultural Cooperatives: Mutual Insurance Business
Apr 15, 93	Thursday	Visit to Forestry and Fishery Federations in Tokyo.
Apr 16, 93	Friday	Consumer Cooperatives in Japan - An Introduction.
Apr 17, 93	Saturday	Group discussions.
Apr 18, 93	Sunday	FREE
Apr 19, 93	Monday	Present Situation and Problems of Trade among Coops.
Apr 20, 93	Tuesday	Publishing Activities of Agricultural Cooperatives - IE-NO-Hikari.
Apr 21, 93	Wednesday	Report Writing
Apr 22, 93	Thursday	Report writing
Apr 23, 93	Friday	Evaluation Closing Ceremony.
Apr 24, 93	Saturday	FREE Technical matters for travel.
Apr 25, 93	Sunday	Travel to Seoul, Republic of Korea.

09. FIELD STUDY VISITS PROGRAMME IN  
THE REPUBLIC OF KOREA,  
Sunday, 25 April to Friday, 07 May, 1993

Apr 25, 93	Sunday	Participants arrive in Seoul from Tokyo
Apr 26, 93	Monday	Inauguration Visit to Agricultural Cooperative College Introduction to Agricultural Cooperatives in Korea (Credit, Marketing, Supply and Insurance) Welcome dinner by NACF.
Apr 27, 93	Tuesday	Visit to National Livestock Cooperatives Federation. Visit to National Federation of Fisheries Cooperatives.
Apr 28, 93	Wednesday	Visit to an Agricultural Cooperative Society.
Apr 29, 93	Thursday	Visit to Ansong Coop Leaders Training Centre. Visit to Kyoungbuk Provincial Office of NACF
Apr 30, 93	Friday	Visit to Kyoungbuk Apple Cooperative Sight seeing to Kyoungju Historical sites.

May 01, 93	Saturday	Visit to Korean Folk Village
May 02, 93	Sunday	FREE
May 03, 93	Monday	Visit to Garak Agrl Cooperative Marketing Centre - Cooperative chainstore - Hyundai Department Store - Farmers Handicrafts Centre
May 04, 93	Tuesday	Visit to a Livestock Cooperative Society. Visit to Seoul Cooperative Dairy.
May 05, 93	Wednesday	FREE -Children's Day Holiday
May 06, 93	Thursday	Summing up and Evaluation Closing Sessions ICA Farewell Dinner
May 07, 93	Friday	Departure of participants to their home countries.

## 10. METHODOLOGY

- 10.1 Participative methods will be followed throughout.
- 10.2 Group work based on assignments given by resource persons (case studies, documents, books, computer software).
- 10.3 Group exercises.
- 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. Relevant books and technical documents will be supplied.
- 10.7 Audio-visual aids will be used extensively.

## 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; and others. Services of resource persons and 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 Sessions in Tokyo, resource persons will be drawn from ICA, IDACA, and IIMA.

The Cooperative League of Thailand (CLT) and the Cooperative Promotion Department (CPD) of Thailand will provide resource persons to coordinate the field study visits in Thailand.

The National Agricultural Cooperative Federation (NACF) of the Republic of Korea will provide resource persons to coordinate the field visits programme in that country.

## 12. ACCOMMODATION

New Delhi, India

Rajdoot Hotel  
Mathura Road, New Delhi 110 014  
Phone:699583; Telex:031-74129 RJTH IN

During field visits in India

Indian Institute of Management,  
IIMA Hostel, Vastrapur,  
Ahmedabad. 380 056. Gujarat State  
Phone: 407241; Telex: 121-6351 IIMA IN  
Fax: 91 272 467396

Vaikunth Mehta National Institute  
of Cooperative Management  
VMNICM Hostel, University Road  
Pune 411 007.  
Phone: 59445; Telex: 0145-7706 VICM IN

Hotel Amar  
Ahmednagar.

Hotel Nataraj  
135 Netaji Subhash Road  
Bombay 400 020  
Phone: 2044161; Telex:82302 RAJA IN  
Fax : 2043864

Bangkok, Thailand

Viengtai Hotel  
Tani Road, Banglumpu, Bangkok.  
Phone: 2815788; Telefax: 2818153

Vista Hotel  
Prapokklo Road  
Muang District, Chiangmai 50000  
Phone : 053 - 210 663-4; Fax : 053-214 563

IDACA, Japan

IDACA Hostel  
4771 Aiharao cho  
Machida shi, Tokyo. 194 02, Japan.  
Phone : 0427-82-4331;  
Telex : 720-2872205IDACA J; Fax: 0427-82-4384;  
Cable : IDACAINASIA, Tokyo.

Seoul, Korea.

Seoulin Hotel  
149, Seoulin Dong, Jong no ku  
Seoul. Korea.  
Phone : 7220181; Telex : 28510  
Cable : Hotel Seoulin, Seoul.

### 13. COURSE COORDINATION

The entire programme will be coordinated by the Project Director for the full duration of the Training Course. Details on all arrangements will be communicated to all concerned at the appropriate stage of project preparation and implementation.

ICA Training Project for Management of  
Agricultural Cooperatives in Asia  
**International Cooperative Alliance**  
Regional Office for Asia and the Pacific  
43 Friends colony (East), New Delhi. 110 065. India

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Dr Daman Prakash  
Project Director

Res. Phone 6442751

Mr A.H.Ganesan  
Programme Officer

Res. Phone 5594516



#### 14. PARTICIPANTS

- |                |    |                                                                                                                                                                         |
|----------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bangladesh     | 1. | Mr. Muhammad Habibullah<br>Manager, (Research/Statistics/Planning)<br>Bangladesh Samabaya Bank Ltd.<br>9/D Motijheel Commercial Area<br>Dhaka.1000 Bangladesh.          |
| India          | 2. | Mr. Indrabhan Karbhari Kadu<br>Senior Agricultural Officer<br>Padmashri Dr Vitthalrao Vikhe<br>Patil Sahakari Sakhar Karkhana Ltd<br>Pravaranagar, 413 712, Maharashtra |
|                | 3. | Mr. Subhash Singh<br>Branch Manager<br>National Agri.Coop.Marketing Federation of India Ltd,<br>1st floor, Hi Tek Building<br>Opp Museum, Paldi, Ahmedabad. 380 007     |
|                | 4. | Mr. Ram Swaroop Jakhar<br>General Manager, Rajasthan State Cooperative Land De-<br>velopment Bank Ltd.<br>22 Godam, Jaipur (Rajasthan)                                  |
| Indonesia      | 5. | Ir. Achmad Kosasih<br>National Federation of Dairy Coops (GKSI)<br>Jalan Rumah Sakit 128, Ujung Berung<br>Bandung. Jawa Barat. Indonesia.                               |
| Iran           | 6. | Mr. Morteza Hafezi<br>Central Organisation for Rural Coops. of Iran<br>753 Valie e asr.<br>Teheran 15948 Iran.                                                          |
| Korea, Rep. of | 7. | Mr. Han Ju Lee<br>Economist, Research Dept<br>National Agricultural Cooperative Federation<br>75, 1-ka, Choongjong-ro, Jung-Ku<br>Seoul, Republic of Korea.             |
|                | 8. | Mr. Byeong Hak Lee<br>Assistant Manager, Planning Department<br>Seoul Dairy Cooperative 177-7 Sangbong Dong<br>Jung Nang Gu, Seoul, Republic of Korea.                  |
| Malaysia       | 9. | Mr. Salleh bin Hj.Rehduan<br>Cooperative Officer<br>Dept. of Cooperative Development<br>Jalan Bukit Awi, 0900 Kulim<br>Kedah. Malaysia.                                 |

- |                   |     |                                                                                                                                                                                |
|-------------------|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pakistan          | 10. | Mr. Syed Maqbool Hussain Shah<br>Circle Registrar, Forest Cooperative Societies<br>Hazara Division, Abbottabad Road, Mansehra<br>NWF Province, Pakistan.                       |
| Philippines.      | 11. | Mr. Philmore C. Quilat<br>Chairman, Cebu Federation of Agricultural Coops.<br>Don Gervacio, Quijada Street<br>Guadalupe, Cebu City. Philippines.                               |
| Sri Lanka         | 12. | Mr. A.F.A. Perera<br>Financial Manager<br>Bandarawela Multipurpose<br>Cooperative Society Ltd<br>Bandarawela, Sri Lanka.                                                       |
|                   | 13. | Mr. A.G.S.M. Navaratne Banda<br>Production Manager<br>Aranayake Multipurpose Coop Society Ltd<br>Aranayake, Sri Lanka.                                                         |
| Thailand          | 14. | Mrs. Amporn Vongsopa<br>Manager<br>Sanpatong Agricultural Cooperative<br>238 Moo 10, Tambon Yuwa<br>Sanpathong Dist. Chiangmai. Thailand.                                      |
| Vietnam           | 15. | Mr. Le Van Nhu<br>Cooperative Agro-Product Marketing Centre<br>Central Council of Vietnam Supply and<br>Marketing Cooperatives<br>77 Nguyen Thai Hoc Street<br>Hanoi, Vietnam. |
| Project Director  |     | Dr. Daman Prakash<br>Project Director<br>ICA Regional Office for Asia and the Pacific<br>43 Friends Colony (East), New Delhi 110 065, India.                                   |
| Programme Officer |     | Mr. A.H.Ganesan<br>Programme Officer<br>ICA Regional Office for Asia and the Pacific<br>43 Friends Colony (East), New Delhi 110 065, India.                                    |

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THE INSTITUTE FOR THE DEVELOPMENT OF AGRICULTURAL COOPERATION IN ASIA (IDACA) was established on July 8, 1963, by the Central Union of Agricultural Cooperatives of Japan, with funds raised among agricultural cooperatives in Japan and with the support of the Japanese Government.

The Institute, established on the basis of recommendations of the First Asian Agricultural Cooperative Conference, held in Tokyo in April 1962, imparts training to overseas agricultural cooperators as part of its international cooperative projects and has assumed the role of a survey and research organisation.

During the last 29 years the IDACA has trained more than 3000 participants from different countries of Asia and Africa.





The INTERNATIONAL COOPERATIVE ALLIANCE is a worldwide confederation of cooperative organisations of all types. Founded in London on 18th August, 1895, the ICA has affiliates in 77 countries with 195 national and international level organisations as members serving over 648 million individual members.

The ICA Regional Office for Asia and the Pacific (ICA-ROAP) serves 53 national level organisations from 18 countries, representing nearly 440 million individual cooperators. Main activities include coordination of cooperative development efforts within the region and promotion of exchanges and experiences; project identification, formulation and evaluation; promotion of establishment and development of national cooperative apex organisations; and organisation of seminars and conferences on specific subjects including support for programmes aimed at the involvement of women and youth in cooperative activities.



# International Cooperative Alliance



43, Friends Colony, New Delhi-110065, India

7th ICA/JAPAN Training Course for Strengthening Management  
of Agricultural Cooperatives in Asia, 1992-1993

(9th November, 1992 - 8th May, 1993)

INDIA - THAILAND - JAPAN - REP. OF KOREA



**Muhammad Habibullah**  
Bangladesh  
Bangladesh Samabaya  
Bank Ltd.



**Indrabhan Karbhari Kadu**  
India  
Padmashri Dr. Vittalrao Vikhe  
Patil Sahakari Coop. Sugar Factory



**Subhash Singh**  
India  
National Agri. Coop. Mktg.  
Fed. of India Ltd.



**Ram Swaroop Jakhar**  
India  
Rajasthan State Coop. Land  
Development Bank



**Achmad Kosasih**  
Indonesia  
Union of Indonesian  
Dairy Coops.



**Morteza Hafezi**  
Iran  
Central Organisation for  
Rural Coops. of Iran



**Han Ju Lee**  
Korea  
National Agri. Coops.  
Federation



**Byeong Hak Lee**  
Korea  
Seoul Dairy Cooperative



**Salleh Bin Hj. Rehduan**  
Malaysia  
Dept. of Cooperative  
Development



**Syed M. Hussain Shah**  
Pakistan  
Forest Cooperative Societies



**Philmore C Quilat**  
Philippines  
Cebu Federation of Agri.  
Coops.



**A.F.A. Perera**  
Sri Lanka  
Bandarawela Multipurpose  
Coop. Society Ltd.



**A.G.S.M. Navaratne Banda**  
Sri Lanka  
Aranayake Multipurpose  
Coop. Society Ltd.



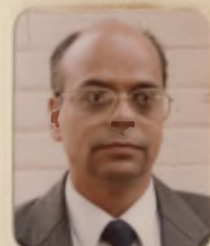
**Amporn Vongsopa**  
Thailand  
Sanpathong Agri. Coops.



**Le Van Nhu**  
Vietnam  
Central Council of Vietnam  
Supply and Mktg. Coops.



**Daman Prakash**  
Project Director  
ICA ROAP



**A.H. Ganesan**  
Programme Officer  
ICA ROAP



Regional Office for  
Asia & the Pacific

SEVENTH ICA/ JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA, 1992/93

NOVEMBER 9 1992 - MAY 08, 1993

LIST OF PARTICIPANTS

\* \* \* \* \*

- |            |    |                                                                                                                                                                            |
|------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bangladesh | 1. | Mr Muhammad Habibullah<br>Manager, (Research/Statistics/Planning)<br>Bangladesh Samabaya Bank Ltd.<br>9.D Motijheel Commercial Area<br>Dhaka.2 Bangladesh.                 |
| India      | 2. | Mr Indrabhan Karbhari Kadu<br>Senior Agricultural Officer<br>Padmashri Dr Vitthalrao Vikhe<br>Patil Sahakari Sakhar Karkhana Ltd<br>Pravaranagar 413 712. Maharashtra      |
|            | 3. | Mr Subash Singh<br>Branch Manager<br>National Agricultural Cooperative<br>Marketing Federation Ltd,<br>1st floor, Hi Tek Building<br>Opp Museum, Paloi, Ahmedabad. 380 007 |
|            | 4. | Mr Ram Swaroop Jakhar<br>General Manager<br>Rajasthan State Cooperative Land<br>Development Bank Ltd.<br>22 Godam, Jaipur.                                                 |
| Indonesia  | 5. | Ir Achmad Kosasih<br>National Federation of Dairy Coops<br>(GKSI), Jalan Rumah Sakit 128,<br>Ujung Berung,<br>Bandung. Jawa Barat. Indonesia.                              |
| Iran       | 6. | Mr Morteza Hafezi<br>Central Organisation for Rural<br>Cooperatives of Iran<br>753 Valie e asr<br>Teheran. 15948. Iran.                                                    |
| Korea      | 7. | Mr Han Ju Lee<br>Research Dept,<br>National Agrl.Coops Federation<br>75,1 ka, Choongjong ro, Jung Ku<br>Seoul. Republic of Korea.                                          |



Regional Office for  
Asia & the Pacific

- |              |     |                                                                                                                                                                           |
|--------------|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Korea        | 8.  | Mr Byeong Hak Lee<br>Assistant Manager, Planning Department,<br>Seoul Dairy Cooperative,<br>177-7 Sangbong Dong, Jung Nang Gu<br>Seoul. Republic of Korea.                |
| Malaysia     | 9.  | Mr Salleh bin Hj.Rehduan<br>Cooperative Officer<br>Dept of Cooperative Development<br>Jalan Bukit Awi, 0900 Kulim<br>Kedah. Malaysia.                                     |
| Pakistan     | 10. | Mr Syed Maqbool Hussain Shah<br>Circle Registrar<br>Forest Cooperative Societies,<br>Hazara division,<br>Abbottabad road, Mansehra.<br>NWF Province. Pakistan.            |
| Philippines. | 11. | Mr Philmore Quilat<br>Chairman<br>Cebu Federation of Agrl Coops<br>Don Gervacio, Quijada Street<br>Guadalupe ,<br>Cebu City. Philippines.                                 |
| Sri Lanka    | 12. | Mr A.F.A. Perera,<br>Financial Manager,<br>Bandarawela Multipurpose<br>Cooperative Society Ltd<br>Bandarawela. Sri Lanka.                                                 |
|              | 13. | Mr A.G.S.M. Navaratne Banda<br>Production Manager<br>Aranayake Multipurpose Cooperative<br>Society Ltd<br>Aranayake. Sri Lanka.                                           |
| Thailand     | 14. | Mrs Amporn Vongsopa<br>Manager,<br>Sanpatong Agrl Cooperative<br>238 Moo 10, Tambon Yuwa,<br>Sanpathong Dist. Chiangmai. Thailand.                                        |
| Vietnam      | 15. | Mr Le Van Nhu<br>Coop Agro-Product Marketing Centre,<br>Central Council of Vietnam Supply and<br>Marketing Cooperatives,<br>77 Nguyen Thai Hoc Street, Hanoi.<br>Vietnam. |



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Asia & the Pacific

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

November 09, 92 to May 08, 1993

INAUGURATION DAY,

Monday, 09th November 1992

P R O G R A M M E

=====

10.00 a.m.

Opening Address by

Dr Daman Prakash  
Project Director  
ICA Japan Management Training Project.

Welcome by

Mr G K Sharma,  
ICA Regional Director for Asia and the Pacific

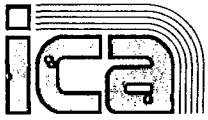
Inaugural Address by

H.E. Shunji Kobayashi,  
Ambassador of Japan in India.

Vote of Thanks

Tea.





Regional Office for  
Asia & the Pacific

OPENING REMARKS OF DR DAMAN PRAKASH,  
PROJECT DIRECTOR  
AT THE INAUGURAL FUNCTION OF 7TH ICA JAPAN  
MANAGEMENT TRAINING COURSE, NEW DELHI  
MONDAY, 9TH NOVEMBER 1992

=====

1. Based on discussions held between the ICA, the Central Union of Agricultural Cooperatives of Japan, and the Ministry of Agriculture, Forestry and Fisheries (MAFF) of the Government of Japan, a Regional Project on Management Leadership Training for Agricultural Cooperatives was developed for implementation through the ICA. The first course attended by 15 participants from nine countries of Asia was held during 1986/87. The Seventh Course with 15 participants from 11 countries is starting today. The six-month long training programme is implemented by the ICA with the collaboration of well-known institutions e.g. the IDACA, Japan; the Indian Institute of Management, Ahmedabad; the Vaikunth Metha National Institute of Cooperative Management, Pune; and the ICA Member-Organisations in India, Thailand, Japan and the Republic of Korea.

2. The ICA, an international non-governmental organisation of long history and rich experience in the cooperative sector worldwide, was chosen by the MAFF to implement this Project.



Regional Office for  
Asia & the Pacific

3. Until the end of the Sixth Course, ninety participants consisting of senior to middle-level managers responsible for agricultural cooperative development, men and women, have participated in the programme successfully. As a part of their work, they have produced concrete, technically-sound, and potentially viable 88 projects in the agricultural cooperative sector aiming at enhancing the participation and income of grassroots level farmers. Several of these projects are already under implementation in various countries.

4. Because of the strong technical inputs made, the programme has been able to enhance the management capabilities of the participants. The course is extremely popular among cooperative managers and increasing demands are being made on the ICA to further broaden the scope of the programme.

5. In addition to normal activities as carried out under the objectives of the ICA, the Regional Office for Asia and the Pacific promotes and supports cooperative development in the Region. It also operates, with the assistance of donor agencies, the following specific projects for contributing to cooperative development:

- Development Planning and Coordination Project
- Agricultural Cooperative Development Project



Regional Office for  
Asia & the Pacific

- Consumer Cooperative Development Project
- Human Resource Development Project
- Coop Trade Project, and
- ICA/Japan Agricultural Management Development Project.

6. Besides the technical, financial and moral support provided by the Government of Japan and the Japanese Agricultural Cooperative Movement, we are grateful to our member-organisations within the Region for sponsoring the right-type of participants, making available the infra-structural support in facilitating the training of participants, and providing us with relevant informatory material and expertise. We will continue to fall back on their support in our future programmes.

7. The present training course is attended by 15 participants from eleven countries of the Region. The course will be spread over a period of six months and the participants will have the benefit of observing agricultural cooperative system in India, Thailand, Japan and the Republic of Korea. The selection of participants is carefully done and we expect them, upon completion of this programme, to perform in a more professional manner keeping in mind the needs and requirements of the ultimate beneficiaries, the farmer-members of agricultural cooperatives in their respective countries.



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8. We are extremely grateful to you, Sir, for accepting our invitation to inaugurate the Training Course. Your presence among us today is a source of inspiration and a factor of encouragement to all of us. Thank you, Your Excellency.



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Asia & the Pacific

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

NOVEMBER 9, 1992 TO MAY 8, 1993

INAUGURAL ADDRESS OF HIS EXCELLENCY SHUNJI KOBAYASHI,  
AMBASSADOR OF JAPAN, ON MONDAY, 9TH NOVEMBER 1992

It gives me great pleasure to inaugurate the 7th  
International Cooperative Alliance / Japan Training Course for  
Strengthening Management of Agricultural Cooperatives in Asia.

The International Cooperative Alliance is among the oldest non-governmental organisations, founded in the last century on 18th August 1895. The fact that it has today affiliates in 79 countries with 191 national and eight international level cooperatives serving over 670 million members of the primary level speaks of the enormous usefulness of this project. Not many know, I think, that ICA is the only international organisation exclusively meant for promotion of cooperatives in all parts of the world.

It was in the latter half of the 1980s that Japan assumed a more prominent role and the first ICA Japan Training Programme was inaugurated in 1986. Since then this programme has benefited many farmers in the cooperative sector in the Asian countries by giving them an insight into the working of agricultural cooperatives not just in their own country but those in other Asian countries as well. Thus a mutual sharing of experiences gives people a different and wider perspective on important aspects of agriculture.

This year, the training programme has added significance because of the liberalised economic atmosphere in India and the completion of forty years of Indo-Japanese cooperation in the economic and other fields. During the duration of the six months that this programme covers, I am sure that those attending this course will find it most useful the interaction with participants from other countries.



Regional Office for  
Asia & the Pacific

I thank the organisers for having asked me to inaugurate this session and wish the participants a fruitful and beneficial programme.



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SEVENTH ICA JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
1992/93

DIVISION OF GROUPS

- GROUP - I
- Mr Mohammad Habibullah, Bangladesh
  - Mr Indrabhan K. Kadu, India
  - Mr Han Ju Lee, Korea
  - Mr A.F.A.Perera, Sri Lanka
  - Mr Le Van Nhu, Vietnam.
- GROUP - II
- Mr Subash Singh, India
  - Mr Achmad Kosasih, Indonesia
  - Mr Byeong Hak Lee, Korea
  - Mr Philmore C Quilat, Philippines
  - Ms Amporn Vongsopa, Thailand
- GROUP - III
- Mr Ram Swaroop Jakhar, India
  - Mr Morteza Hafezi, Iran
  - Mr Salleh Rehduan, Malaysia
  - Mr S.M.H.Shah, Pakistan
  - Mr A.G.S.M.Navaratne Banda, Sri Lanka.

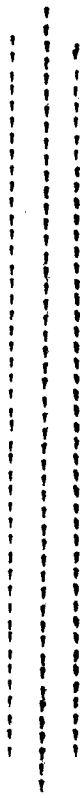
Each group to elect its own Chairman and Secretary for conducting group discussions. Rotation of above posts from among all members of the group will make effective contribution of the groups. All members of the group must participate in the Group discussions.

Group discussion reports should be written on OHP transparencies in point form for presentation and presented by the group representative. Other matters can supplement/complement the views of the representative at the time of discussions that will follow presentation of reports.

S E V E N T H

ICA/JAPAN TRAINING COURSE FOR STRENGTHENING MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA-1992-93

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



BY

MUHAMMAD HABIBULLAH

MANAGER

BANGLADESH SAMABAYA BANK LTD.

DHAKA, BANGLADESH.



## INTRODUCTION:

Bangladesh lies in the north eastern part of South Asia between  $20^{\circ}34'$  and  $26^{\circ}38'$  north latitude and  $88^{\circ}01'$  and  $92^{\circ}41'$  east longitude . The country is bounded by India on the west, the north and the north-east and Burma on the south east and the Bay of Bengal on the south. The area of the country is 55,598 Sq.miles or 1,43,999 Sq. K.m. The limits of territorial water. of Bangladesh are 12 nautical miles and the area of the high seas extending to 200 nautical miles measured from the base lines constitutes the economic zone of the country. Except the hilly regions in the north-east and the south-east, some areas of high lands in the north and north western part, the country consists of low, flat and fertile land. A network of rivers is important and their tributaries numbering about 230 with a total length of about 24140 k.m. covering the country flow down to the Bay of Bengal. The alluvial soil is thus continuously being enriched by heavy silts deposited by rivers during the rainy season.

The total forest area covers about 14% of the land area. The country produces timber, bamboo and cane. Plantation of rubber in the hilly regions of the country was undertaken recently and extraction of rubber had already started.

## CLIMATE:

Bangladesh enjoys generally a sub-tropical monsoon climate. While there are six seasons in a year, three namely, Winter Summer and Monsoon are prominent. Winter which is quite pleasant begins in November and ends in February. In Winter there is not usually much fluctuation in temperature which ranges from minimum of  $7.22-12.77$  celcius (  $45^{\circ}\text{F}-55^{\circ}\text{F}$  ) to maximum of  $23.88-31.11$  celcius (  $75^{\circ}\text{F}-85^{\circ}\text{F}$  ). The maximum temperature recorded in summer months is  $36.66$  celcius (  $98^{\circ}\text{F}$  ) although in some places this occasionally rises upto

40.55 celsius (105°F) or more. Monsoon starts in July and stays upto October. This period accounts for 80% of the total rainfall. The average annual rainfall varies from 119.38 to 145.44 centimetre (47" to 136").

#### POPULATION:

The Bangladesh Bureau of Statistics conducted the third decennial population census in the country on March 12 to 15, 1991. The preliminary results was released in July, 1991. The population of the country stood at 108.8 million in 1991. The percentage of urban population was 15.2 while that of rural 84.8. The intercensal growth rate of population estimated by using adjusted population of 1981 censuses was 2.17 per annum. The countrywide intensive family planning measure is aimed at reducing the growth rate. The sex ratio of the population was 106 i.e. 106 males per 100 females. The literacy rate of the country obtained from 1991 census was 24.8 percent for population 5 years and above.

#### LABOUR FORCES:

According to adjusted population of 1981 census, the total civilian labour force of the country was 25.9 million and the crude activity rate was 28.8%. The total civilian labour force was estimated on the basis of 1985-86 labour force survey to be 30.9 million of which 27.7 million were male and 3.2 female. In the same survey the total agricultural and non-agricultural labour force were estimated to be 17.5 million and 13.1 million respectively compared to 15.4 million and 8.9 million in 1981 population census.

#### COMMUNICATION SYSTEM:

The country has about 2792 kilometres of rail-road, 12321 kilometres of paved road and roughly 8433 kilometres of perennial and

seasonal waterways. Side by side with the development of road transport efforts are under way to develop the water transport system. In fact, rivers are the life-line of the nation which provide the cheapest means of transport, water for agricultural operation and ensure supply of fish for her people. Steps have been taken to put more mechanised vessels into service and modernise the existing country boats

#### AGRICULTURE AND MAIN CROPS:

Agriculture is the main occupation of the people employing 61.3% of the labour force. This sector directly contributes around 46% to the gross domestic products.

Bangladesh has got one of the most fertile lands but due to paucity of capital and implementation of new inputs and technics its yield per acre is one of the lowest in the world. Rice, Wheat, Jute, Sugarcane, Tobacco, Oilseeds, Pulse and Potatoes are the principal crops. Various kinds of vegetables and spices are produced. The country produces about 96 million Lbs of tea per year, a sizeable quantity of which is exported to foreign markets after meeting the internal demand. Bangladesh produces about 7 million bales of superior quality jute annually and 75% of the export earning come from raw-jute and jute manufactures. Among the fruits and nuts grown in Bangladesh bananas, papayas, pineapples, mangoes, jack fruits, guavas, plums and coconuts are important.

Bangladesh is marginally deficit in foodgrains. All out efforts are being made by the Government and the people to increase the production of foodgrains and diversify agricultural output.

#### FISH WEALTH:

Bangladesh is rich in fish wealth. In the innumerable rivers, canals, tanks and other lowlying and depressed areas and pado.

fields that remain under water for about 6 months in a year and cover nearly 12 million acres, tropical fish of hundred of varieties abound. Rice and fish constitute an average Bangladeshis principal diet.

### INDUSTRIES:

Although Bangladesh is predominantly an agricultural country but a large number of largescale industries based on both indigenous and imported raw materials have been set up. Among them jute and cotton textile, paper and newsprint, sugar, cement, chemicals, fertilizers and tanneries are important. Other notable industries are engineering and ship building, iron and steel including re-rolling mills, oil refinery, paints, colours and varnishes, electric cables and wires, electric lamps, fluorescent tube lights, other electrical goods and accessories, matches, cigarettes, etc. Among the cottage industries, handlooms, carpet making, shoe making, coin, bamboo and cane products, earthenware, brass and bell metal products, small tools and implements, ornaments, etc. are important.

The industrial sector contributing around 12% of the targeted GDP, is dominated by Jute processing followed by cotton textile and cigarettes.

### NATIONAL INCOME:

During the Fourth Five Year Plan (1990-95) the annual average growth of Gross Domestic Product (GDP) has been fixed at 5.0 percent with sectoral targets being 3.6 percent for agriculture, 9.1 percent for industries, 11.0 percent for power, gas and natural resource sector, 8.8 percent for construction, 5.4 percent for transport and communication, 5.1 percent for trade and other services, 3.5 for housing and 3.9 percent for public sector.

During the second year (1991-92) of the Fourth Plan GDP (at constant factor cost of 1989-90) is estimated to increase by 4.04 percent. In 1990-91, the growth of gross domestic product (GDP) was 3.6 percent.

During 1991-92 GDP and per capita GDP are estimated at Taka 94,760 crore and Taka 8630 which is estimated to increase by 13.76% and 11.70 percent respectively.

Gross Domestic product (GDP), per capita Domestic Product and growth rate (at 1989-90 constant factor cost)

Particulars	1989-90	1990-91	1991-92 (Estimated)
Gross domestic product (crore Taka)	69761	72273	75195
Population (crore) Estimated.	10.58	10.78	10.98
Per capita Domestic product (in Taka)	6593.7	6704.5	6848.4
Growth rate of Gross Domestic product (%)	.	3.6	4.04
Growth rate of per capita Domestic product (%)	-	1.7	2.1

## 2. AGRICULTURE AND AGRICULTURAL CREDIT IN BANGLADESH:

Bangladesh Economy is basically agricultural about 80-85% of the population directly or indirectly depend on agriculture.

For obvious reasons the rural economy of Bangladesh heavily depends on agriculture which is subject to natural calamities are pressure of which cannot be tolerated much with existing minimum level of efficiency. A slight change downward in agricultural production in most prominently focused in the face of rural economy of

Bangladesh. This is a dangerous situation for any economy. Agriculture in Bangladesh is characterised by low yield un-economically labour intensive frequent crop failure, out-dated techniques of cultivation etc. These deficiencies must be corrected at all cost for we cannot think of survival without improved agriculture.

Like all other sectors of the economy agricultural sector also needs credit, in fact more than any other sector in view of the fact that agriculture needs sufficient investment for efficient production.

The country like Bangladesh which is basically agricultural that is where the lion's share of GDP comes from agricultural, the major portion of employment is in agricultural sector and that most of trading etc. are directly or indirectly linked with agriculture. In such a situation the only resource of the country is to direct all its efforts towards extensive and intensive agriculture and to this end investment is a must which cannot at the first instance be met by the farming community.

From the point of view of the farmers also it is vital importance since they depend on agriculture for their livelihood with no other source of income earning activities. It is through agriculture that they can increase their earnings and thereby their living standard. In the case of small and marginal farmers agriculture is all the more important because of their being in marginal condition.

A slight fall in agricultural production will be a death blow to them and once the point of ruination starts it may lead them to any extent. As such every measure must be there to protect them by way of facilitating and increase in production. It is just a small sum of credit that will do a great good to them.

## COOPERATIVE AND RURAL FINANCE IN BANGLADESH:

Cooperatives and rural Finance are rather synonymous and at one time these was hardly any other formal source of rural finance than the cooperatives. During Pakistan period with the establishment of Agricultural Development Bank of Pakistan in early 1960's by merging two institutions, namely the Agricultural Development Finance Cooperation and Agricultural Bank of Pakistan set up earlier by the Government of Pakistan, a new dimension in rural & agricultural finance was in sight. Before that the cooperative plays the sole role in the field having a tough competition with informal source of credit. As such it will be very pertinent to try to trace out the history of cooperatives and its role in the field of agricultural credit in the subcontinent. In this context it is natural that the land tenure system and relationship between the two stratified class of rural people, the land lord (Zaminder) and the tenants.

Towards the middle of the 19th century the rural economy in the sub-continent got crippled as a result of repressive administrative policies by the British Empire. The British policy of using this country as hinterland for development of British industries, the land tenure system which clearly stratified the rural people into two classes, viz the master (land lord) and the poor tenants class coupled with the whims and caprices of nature under which farming had to be done, degenerated the peasantry to a level at which they could hardly earn their livelihood from land and thus were subject to absolute poverty. During the last quarter of 19th century repeated crop failure caused famine and the peasantry was thus passing through the hardest time over faced.

The rural poor having no education had to depend on agriculture and allied activities for income generation. In the event of crop failure they had no other alternative but to starve. With such events like marriage of the daughter or illness of any member the gap between their income and expenditure widened. Naturally they had to borrow, but having no normal source of borrowing they borrowed from the local private money lenders at a very uncomfortable terms which led to loss of their land and other properties. The money lenders used to accept land and other assets as security or hypothecation of future crop. But due to high rate of interest the farmers were never able to repay the loan in full and the compounding rate of interest made the loan amount manifold. So it has been said that the farmer was born in debt, lived in debt and died in debt transferring the burden of debt on to the children.

The sufferings of the peasants in the hands of the money lenders led to some revolts and uprisings of the debtors against the creditors. The Deccan Riot of 1875 brought these problem in the forefront and the Government decided to provided the farmers with credit at a low and fixed rate of interest. The land improvement loans Act of 1885, the Agricultural loans Act of 1884 for providing, 'Taccavi' loans and a number of other special legislations for dealing with tenants right, settlement of debt and restraint on usury, were passed in different parts of the country. Meanwhile, a committee under Sir Fredrick Nicholson was formed to study agricultural banking and the problems of rural areas. The Nicholson committee submitted reports in two volumes in 1885 recommending introduction of village banks of Raiffeisen type. On the other hand, the Indian Famine Commission of 1901 strongly advocated for formation of agricultural banks in the



lines of Mutual Credit Associations of Europe . In the backdrop of this dismal rural poverty and against the background of Government actions that the cooperative credit societies Act of 1904 codifying **government** /support to the movement was adopted in the subcontinent.

### 3. ROLE OF AGRICULTURAL COOPERATIVES IN THE TOTAL DEVELOPMENT PROCESS:

The cooperative credit structure in Bangladesh comprises of a three -tier system with Bangladesh Samabaya Bank Limited as the apex institution, CCBS at the intermediate level and the primary societies at the village level. In the context of Bangladesh efforts for rural development the importance of cooperative especially for the purpose of disbursing agricultural credit was significant. This three-tier system is called general (traditional) cooperatives, another is modern two-tier system which is known as BRDB-TCCA cooperatives.

#### A. TRADITIONAL COOPERATIVES:

Traditional or general cooperatives was introduced in this part of sub-continent in 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 chanelised 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. Ten or more primary societies in order to facilitate their work, may form a central society.

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 throughout the country.

**B. DESCRIPTION OF BANGLADESH SAMABAYA BANK LIMITED:**

Bangladesh Samabaya Bank Ltd. previously known as " The East Pakistan **Provincial** Cooperative Bank Ltd." was registered on the 31st March, 1948 with the primary objectives of financing agriculture and acting as the apex financial institution of the cooperative. It was renamed as " Bangladesh Jatiya Samabaya (National Cooperative) Bank after liberation of the country in 1971 and attained national status. Again in 1977 it was renamed as Bangladesh Samabaya Bank Ltd. The **area** of operation of the Bank extends over the whole of Bangladesh and its membership 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.	Thana Central Cooperative Association	51
3.	Central Sugarcane Growers Cooperative Society	13
4.	Central Cooperative Multipurpose Society	30
5.	Cooperative Land Mortgage Bank	46
6.	Fisherman Cooperative Society	2

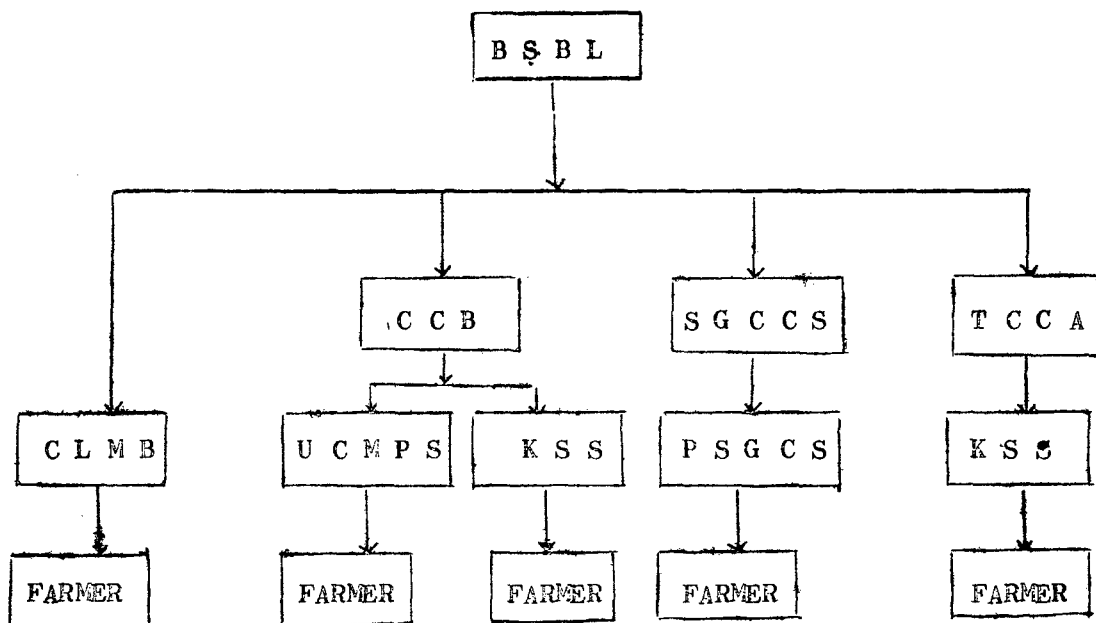
7.	Urban Cooperative Bank	10
8.	Primary Multipurpose Cooperative Society	152
9.	Government	1
10.	Others	72
11.	Liquidated Cooperative Bank/Society	16

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Total : 464

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



BSBL : Bangladesh Samabaya Bank Limited.  
 CCB : Central Cooperative Bank.  
 SGCCS : Sugarcane Growers Central Cooperative Society.  
 TCCA : Thana Central Cooperative Association.  
 CLMB : Cooperative Land Mortgage Bank.  
 UCMPS : Union Cooperative Multipurpose Society.  
 KSS : Krishi Samabaya Samity.  
 PSGCS : Primary Sugarcane Growers Cooperative Society.

The management of the Bank is running by a Board of elected members which also includes 4 members appointed by the government. The Bank is administered by its Chief Executive, the General Manager. The 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 (1991-92):

1. Share capital (Paid up)	300.87 Lac.
2. Reserve	5116.89 "
3. Deposit	229.13 "
4. Borrowings	8279.33 "
5. Other Liabilities	7141.73 "
6. Investment in share and securities	41.95 "

7.	Cash and Bank Balance	3540.85 Lac
8.	Loans and Advances	8898.01 "
9.	Fixed Assets	12.91 "
10.	Other Assets	8574.23 "

During last 5 (five) years (1987-88 to 1991-92) the Bank disbursed an amount of Taka 3885.12 lac as agricultural loan and recovered Taka 3143.29 lac in the same period.

E. FUNCTIONAL DESCRIPTION OF CENTRAL COOPERATIVE BANK (CCB):

Most of the central cooperative Banks are situated at district headquarters. These cooperative Banks 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 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 and records of the societies.

#### 4. BANGLADESH RURAL DEVELOPMENT BOARD:

Bangladesh Rural Development Board is the institution for implementing the two-tier cooperative system evolved at the then Pakistan Academy for Rural Development in early sixties. Under the BRDB system the cooperatives are two-tier in nature, at the village level the farmers are organised in KSS and these associations are federated into Thana central cooperative association(TCCA). The TCCA provides production inputs, training, credit and other services to the primary societies.

##### MAIN FEATURES:

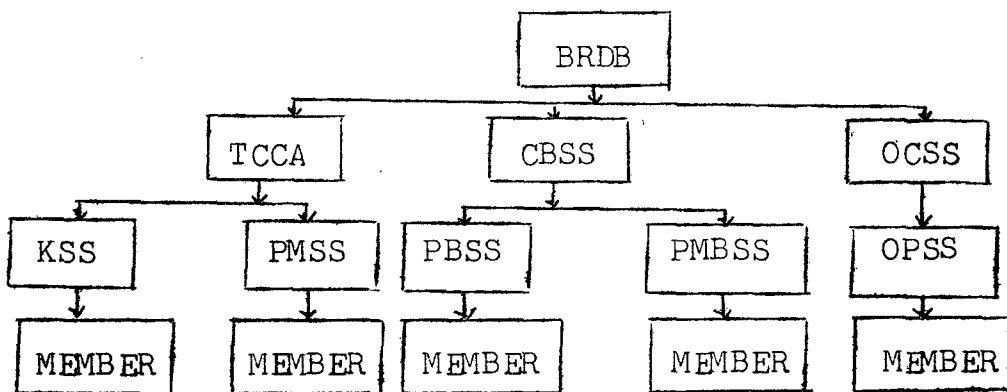
The main features of cooperative system as described by BRDB are as under :

- i) Organisation of farmers into Krishi Samabaya Samity(KSS) at the village level.
- ii) Federation of KSS into Thana central Cooperative Association (TCCA) at the Thana level.
- iii) Linking the TCCA with other Thana level organisation and agencies.
- iv) Introduction of supervised credit for productive purpose.
- v) Accumulation of own fund through weekly thrift deposits and sale of shares.
- vi) Arrangement of continuous training for the cooperative leaders to disseminate new ideas and technology.

- vii) Arrangement for timely supply of different production inputs to the farmers.
- viii) Provision of marketing facilities to ensure a reasonable price to the growers.
- ix) Study and experiment on related fields of rural development to add new components and dimensions for meeting changing needs of rural development and preparation of plans accordingly.

From the salient features of the BRDB as enumerated above, it is apparent that a great emphasis has been laid on development of farmers' own organization at various levels in order to build up a cadre of trained leaders from amongst the farmers. Lack of trained leadership within the BRDB cooperative has been identified as a major cause of failure in the past of the cooperative movement in the country.

OPERATIONAL STRUCTURE OF BRDB



TCCA	=	Thana Central Cooperative Association	=	447
CBSS	=	Central Bittahin Samabaya Samity	=	144
OCSS	=	Other Central Samabaya Samity	=	13
KSS	=	Krishi Samabaya Samity	=	55775
PMSS	=	Primary Mohila Samabaya Samity	=	10021
PBSS	=	Primary Bittahin Samabaya Samity	=	12816
PMBSS	=	Primary Mohila Bittahin Samabaya Samity	=	1195
OPSS	=	Other Primary Samabaya Samity	=	1305

At present 27007 general primary agricultural cooperative societies and 55775 BRDB primary agricultural cooperative societies are functioning for increasing agricultural productivity and net farm income in the country.

Out of the total of 10.05 million farm households in the country 4.5 million farm households are the members of agricultural cooperatives which is 45% of the total farmers. The cooperative farmers hold 10.35 million acres of farm land out of 21.87 million acres of cultivable land in the country.

As a whole, agricultural sector contributes about 38.39 in GDP in which 17.86% is contributed by the cooperative farmers and 20.53 by the non-cooperative farmers.

In Bangladesh, BSBL and BRDB are the only sources of formal cooperative agricultural credit which covers 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 Tubewells, 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 Cooperation (BADC) and other concern agencies.

#### 5. PROBLEMS:

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

- i) 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.
- ii) Board of Directors are elected/ nominated for three years only which is not enough time to take any effective plan for improving its operational and financial position.
- iii) 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.
- iv) Proposed budget of the society is sometimes curtailed by the concerned officers which also create problems in the operation of the society.

- v) 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.
- vi) For developing cooperative movement there is no appropriate economic planning in various stages of cooperative organisation.
- vii) In most of the cases there is no efficient management.

The above mentioned problems create non-homogeneous atmosphere among the various levels of the societies. Besides above some other major problems are- small size and low membership of primary societies, domination of Rural power-elite in the management of cooperatives, poor financial performance, overlapping area of operation and poor loan recovery performance.

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 wilful defaulters will be cancelled.
- v) Re-organisation of BSBL as the single agency for all kind 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.

## 6. TRENDS IN AGRICULTURAL COOPERATIVES:

During the past twelve years BRDB 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 and 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 twelve years agricultural sector has been partially modernized with positive result to accelerate position of the farmer members as well as non-cooperative farmers.

7. BASIC STATISTICS ON COOPERATIVES IN BANGLADESH

Up to 31st March, 1992

Sl. No.	Particulars	Central societies			Primary Societies		
		Under coop. Directorate	Under BRDB	Total	Under coop. Directorate	Under BRDB	Total
1.	Number of Societies	455	604	1059	39584	81112	120696
2.	Number of members	45622	81080	126702	4090626	2719221	6809847
3.	Share capital (Fig. in lac)	892.76	2866.98	3759.74	3014.68	3034.25	6048.93
4.	Deposit (Fig. in lac) Taka	818.05	4312.28	5130.33	5595.40	4323.65	9919.05
5.	Reserves (Fig. in lac) Taka.	413.43	1534.14	1947.57	1063.57	476.44	1540.01
6.	Loan received (Fig. in lac) taka.	38642.49	92925.87	131568.36	4042187	92917.31	133339.1
7.	Loan Disbursed (Fig. in lac) taka.	38103.21	92915.96	131019.17	40366.46	92917.31	133283.7
8.	Loan Recovered (Fig. in lac ) taka.	30565.07	68555.81	99120.88	31927.05	68697.95	100625.00

## 8. EFFORTS MADE FOR DEVELOPMENT OF COOPERATIVE MANAGEMENT PRACTICES:

For training on ' Rural Development and Management of Rural Industrial and Agricultural Projects', the Government has set up Bangladesh Academy for Rural Development (BARD) at Comilla and Rural Development Academy (RDA) at Bogra. 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 Institute 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.

## 9. MEASURES FOR FINANCIAL MANAGEMENT INVENTORY AND PERSONNEL MANAGEMENT:

Cooperative societies exist in Bangladesh have their own financial policies. These policies may not be similar but in most of the cases it is identical. The objective of the policy is to ensure maximum return through investment of financial assets. Now a days many societies are using modern capital budgeting techniques such as ROI, ARR, Pay back period, Break even point, cash flow statement, BCR, NPV and 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 and 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 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.

#### 10. 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, 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 members 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.

#### 11. 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 unemployed which creates financial and economic crisis 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 gainfull 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 Limited for financial support. UCCAs and its member societies can originate project proposal and apply for necessary financial assistance and other services to BRDB. BRDB may sanction project to any UCCA or primary cooperative societies.

## 12. COMPERATIVE ROLES :

In Bangladesh, there are three forms of ownership : Private, public and cooperative. They inturn characterise the sectors of economy : the private sector, the public sector and the cooperative sector. Though their genesis lies in the distribution, the mix of these three forms has tremendous implications for the production in the economy. In the case of private ownership, the return from any investment directly goes to the individual, in public ownership the return (profit), after all taxes etc. goes to government exchequer to be expended through the fiscal apparatus while in the case of cooperatives



the profit is shared by the members of cooperatives i.e., the co-operators. The three forms of ownership are therefore distinct from one another.

Cooperatives are democratically disciplined organisation formed by an identifiable group of individuals to carry out well defined economic activities. Though there is no legal bar for the rich people to form co-operatives, the organisation is desined to serve the poor better.

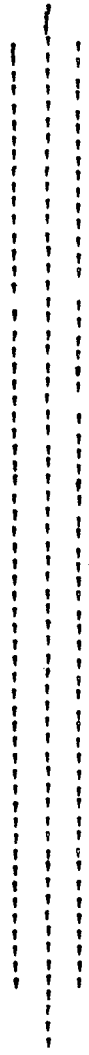
### 13. CONCLUSION:

Cooperative is an economic movement with social content. The social and economic condition has tremendous influence on the performance of this movement. Neither the cooperatives nor the co-operators are insulated from the evils and inadequacies of their ambience. Their capacity to mobilise resources for development is limited by a swathe of social and political constraints. Despite these constraints cooperatives have made impressive contributions towards development needs of the country. It is admitted almost throughout the world that there is no alternative to cooperatives for changing the lot of the exploited millions. Our experience indicates that this should be true for Bangladesh as well. The only prerequisite is that the movement be girdled by care, caution and support.

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CASE STUDY  
ON  
NAMA MAHISHTARA. PURBA PARA 50 No.  
GAVIR NALKUP ( DEEP TUBE WELL ) SANCHAY-  
-O- KRISHI UNNAYAN SAMABAYA SAMITY LTD.  
MUKTAGACHA, MYMENSINGH,  
BANGLADESH.



PREPARED BY  
MUHAMMAD HABIBULLAH  
MANAGER  
BANGLADESH SAMABAYA BANK LTD,  
DHAKA, BANGLADESH.

The present case is prepared to highlight the problems and difficulties of the cooperative society encounter in its development, organizational, management and other aspects. The problems and difficulties indicated here may, often, identical with other societies.

The present case study has been prepared on the basis of field trips, interviewing the members, office bearers and its related documents.

The main objectives of the society is to ensure economic gain of the member farmers through increasing agricultural produces, processing and marketing. To attain the goal the management of the society decided to take up an irrigation scheme, extension services such as supply of seeds of HYV, fertilizers and pesticides as well as marketing activities for selling farmers' produces at remunerative price.

For successful implementation of above mentioned schemes, three groups were formed and was given specific assignment. In Bangladesh BADC ( Bangladesh Agricultural Development Corporation ) is the main organization for supplying agricultural machineries and equipments. In 1987 after registration of the society a deep tubewell was bought and installed for irrigation purpose to cover up 95 acres of land. Irrigation scheme is operated mainly for two major crop season

( winter and summer ). For successful implementation of irrigation scheme functions of said group are as follows :-

- a). Procurement and supply of fuel.
- b). Operation of deep tube well for irrigation.
- c). Uniform supply of water for each plot of land.
- d). Repair and maintenance.

Source of fuel and its' procurement :

Irrigation plant of the society is located at a distance of 7 (seven) kilometers from thana head quarter. The society has to procure fuel from the thana head quarter. Lack of smooth communication system the society has to face problem to procure fuel in time at reasonable price.

Operation :

Due to mechanical and technical problems sometimes water supply could not be possible. As a result, very often, production is hampered.

Water supply system :

Land under this scheme is near about plain. Water is supplied through kaccha canal which is inefficient and bears no certainty of uniform distribution of water.

Repair and maintenance :

Society does not have any proper arrangement for repair of its irrigation machinery and equipments.

Extension facilities :

At society level there is no storing facilities to preserve seeds of HYV. As a result the members of the society have to individually purchase seed of HYV from open market. It is observed that it causes crop loss.

In case of inorganic fertilizers no efficient system has been developed at society level, which is also one of the major cause of procurement of pesticides and it's uses.

Though the processing programme of agricultural produces is one of the major objectives for creating additional value of the farmers' produces , but still now it has not been undertaken.

Marketing :

For marketing of farmers' produces, the society has undertaken a step to develop it's marketing infrastructure, such as storing and transport facilities. Initially transport facilities is under completion and nothing has been possible to develop it's storing facilities.

Under above circumstances it may be said that marketing activities has not been started smoothly.

Besides, the management of the society is facing a number of natural problems like draught, heavy rainfall and hail-storm. It is true that some of these problems are beyond the control of the management ; but 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 given any serious thought to it. Moreover, the society cannot manage to generate any additional employment during off - farm season.

The present strength of the society :

Financial :

Share capital	:	TK. 35,000.00
Savings deposit	:	TK. 1,40,000.00

Members/Manpower :

Total members	:	45
Paid employee	:	6

Assets :

Deep Tube well	:	1
Land	:	.12 acre.
Rickshaw van	:	4

A tin-shade house is used as office of the society.

Cost of operations(Production cost).

(For the last seasonal crop)

Labour	:	3,80,000.00 Taka.
Fuel	:	20,000.00 Taka.
Salary of paid employee	:	1,44,000.00 Taka.
Fertilizer & pesticide	:	47,500.00 Taka.
Other cost	:	1,20,000.00 Taka.



Production :

220 Ton.

Price :

Per ton - 6075 Taka.

Questions for discussion and decision :

- (1) What are the weaknesses of the planning of the society ?  
Recommand suggestion for efficient planning.
- (2) What are the major constraints for realizing the objectives of the society ?
- (3) Do you think that the organizational position of the society is enough to develop the socio-economic position of the member ?
- (4) What should be the financial policies of the societies for achieving it's target.

E N D





Regional Office for  
Asia & the Pacific

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

NOVEMBER 9, 1992 TO MAY 8, 1993

POINTS FOR GROUP DISCUSSION ON 9.11.92

COUNTRY BACKGROUND PAPER ON BANGLADESH

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

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE  
OVERHEAD PROJECTOR.

Group - 1

9-11-92

① CHARACTERISTICS OF THE BANGLADESH AGRICULTURAL COOPERATIVE MOVEMENT:

- a. PRIMARY COOPERATIVE SOCIETIES ARE LOCATED AT VILLAGES AND THESE PROVIDE CREDIT AND OTHER DEVELOPMENT SERVICES TO THE INDIVIDUAL FARMER MEMBERS.
- b. BANGLADESH SAMABAYA BANK IS THE ONLY APEX COOPERATIVE SOCIETY WHICH IS INVOLVED IN AGRICULTURAL CREDIT OPERATION THROUGHOUT THE COUNTRY.
- c. ORGANIZATION OF FARMERS INTO KRISHI SAMABAYA SAMITY (KSS) AT THE VILLAGE LEVEL.
- d. ARRANGEMENT OF CONTINUOUS TRAINING FOR THE COOPERATIVE LEADERS TO DISSEMINATE NEW IDEAS AND TECHNOLOGY
- e. PROVISION OF MARKETING FACILITIES TO ENSURE A REASONABLE PRICE TO THE GROWERS.

Group-1

9-11-92

## ② POSITIVE FACTORS

- a. COOPERATIVE SOCIETIES EXIST IN BANGLADESH HAVE THEIR OWN FINANCIAL POLICIES.
- b. NOW A DAYS MANY SOCIETIES ARE USING MODERN CAPITAL BUDGETING TECHNIQUES

## NEGATIVE FACTORS

- a. NO CONTROL OVER THE SECONDARY LEVEL SOCIETY AND SIMILAR IN THE CASE OF THE SECONDARY LEVEL SOCIETIES OVER PRIMARY SOCIETIES.
- b. SMALL SIZE AND LOW MEMBERSHIP OF PRIMARY SOCIETIES.
- c. OVERLAPPING AREA OF OPERATION AND POOR LOAN RECOVERY PERFORMANCE.

Group - 1

9-11-92

③ SUGGESTIONS :

- a. BANKING SOCIETIES SHOULD BE SET UP IN THE RURAL AREAS.
- b. OVERLAPPING OF FINANCING SHOULD BE AVOIDED.
- c. AREA OF OPERATION SHOULD BE EARMARKED.

- (A) In Bangladesh cooperative credit structure is rather confusing. Neither it is three tier system completely nor it is two tier system. There is no clear-cut demarcation for the ultimate beneficiaries.
- (B) It appears that multi-purpose societies are not working.
- (C) There is no effective cooperative market system which may help the growers for getting the remunerative price of their surplus produce.
- (D) The Farmer's membership in Agricultural Cooperatives is only 45%.
- (E) Agricultural sector contributes about 38.39 in GDP in which 17.86% is contributed by the cooperative farmers and 20.53 by the non-cooperative farmers.
- (F) The cooperative agriculture credit covers around 15% of the total agricultural credit only in the country. The rest is covered by the commercial banks and others.

- (A) There are much interberence of cooperative department in working of a society. The budg prepared by the society requires approval of the concerned cooperative officer and som time he curtailed the proposed budget o the society, which affects adversely the society to achiev its objects.
- 3) True federal character has not been developed so far.
- (C) There is no professional and ebbicient management. The cooperative societis should run by the professional and ebbicient Manag for getting better results.
- (D) Lack of planned economic development for cooperative sector.
- (E) Lack of training for cooperative person



Form - 5

Group - 2

9-11-92

- (A) There must be one system only, which should prevail all-over the country.
- (B) There should not be government interference in day to day affairs of a society. The role of state should be supportive to the cooperative movement.
- (C) A national cooperative policy should be laid down for developing cooperative spirit.
- (D) Profit earning societies should declare dividends immediately to encourage the real cooperators which will create cooperative climate.
- (E) Training should be provided for all sectoral cooperative e.g. Banking, Market Processing, Consumer and industrial etc.

CHARACTERISTICS.

1. COOPERATIVE CREDIT STRUCTURE OF TWO TYPES OF SYSTEMS

3 TIER AND 2 TIER

RATHER CONFUSING THE NATURE OF CREDIT MOVEMENT. MOVEMENT IS GOVT. SPONSORED

2. MULTIPURPOSE SOCIETIES ARE NOT IN LARGE NUMBER

3. INTEGRATED COOPERATIVE SYSTEM IS NOT WORKING.

4. WEAK PRIMARY SOCIETIES.

5. LABOUR FORCE OF COUNTRY NOT COVERED UNDER COOPERATIVE UMBRELLA TILL NOW.

6. FEDERAL CHARACTER OF APEX SOCIETIES IS TAKING SHAPE.

7. CENTRAL COOPERATIVE BANKS ARE NOT COVERING THE ENTIRE CREDIT REQUIREMENT.

8. MARKETING OF COOPERATIVE SECTOR IS DEVELOPING BUT NOT SUFFICIENT

9. PROCESSING OF FOOD NOT COVERED UNDER

## POSITIVE POINTS.

1. THOUGH A LATE ~~STAR~~ START YET MOVEMENT IS ACHIEVING ITS GOALS. BY RENDERING SERVICES.
2. ORGANISATIONAL STRUCTURE IS LIMITED.
3. NATIONAL LEVEL BANK IS WORKING FOR BETTERMENT OF FARMERS AS WELL AS RURAL ARTISANS ALSO.

## NEGATIVE POINTS

1. STATE INTERVENTION IS TOO MUCH
2. WEAK AND UNVIABLE SOCIETIES.
3. FEDERAL BODY DOES NOT EXERCISE EFFECTIVE CONTROL OVER ITS CONSTITUENT MEMBER SOCIETIES.
4. EMPHASIS IS ON LIQUIDATION SIDE FOR NON VIABLE
5. THERE IS NOT THINKING ABOUT REHABILITATION OF WEAK SOCIETIES.
6. COOPERATIVE DEPTT IS NOT SUPPORTING THE SYSTEM BY HELP IN RECOVERIES OF LOANS
7. 2 TIER & 3 TIER SYSTEM IS NOT

- SUGGESTIONS
1. TRAINING OF MANAGERS UNDER HUMAN RESOURCE DEVELOPMENT PROGRAMS SHOULD BE THERE
  2. STATE SHOULD NOT EXERCISE TOO MUCH CONTROL. NO DIRECTIVE ROLE BUT ONLY SUPPORTIVE ROLE
  3. POTENTIAL FOR LABOUR EMPLOYMENT SHOULD BE EXPLOITED UNDER COOPERATIVE SECTOR.
  4. CREDIT AND MARKETING SHOULD BE LINKED FOR BETTER RECOVERY
  5. PROCESSING COOPERATIVES SHOULD TAKE CARE OF PRE HARVESTING AND POST HARVESTING NEEDS OF MEMBER FARMERS.
  6. FEDERAL SOCIETIES SHOULD BE DEVELOPED FOR EACH SECTOR VIZ. MARKETING, FISHERIES, PROCESSING, COMMODITIES APEX BODY SHOULD EXIST.
  7. NO. OF BORROWING MEMBERS SHOULD BE DEVELOPED THROUGH BUSINESS DEVELOPMENT PLANNING. ACTIVE PARTICIPATION OF MEMBERS SHOULD BE ENSURED.

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

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I N D I A N   P A R T I C I P A N T S

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COUNTRY PAPER PREPARED FOR:  
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COOPERATIVES IN ASIA- 1992-93.

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

### GEOGRAPHICAL SITUATION:

India is the seventh largest in area and second most populous country in the world. According to 1991 census it has population of 845 million (Provisional), nearly 80% of which resides in rural areas. India is a developing country. Nearly 80% of country's total working population is dependent on agriculture and about half of its nation income is derived from this field.

The Republic of India natively known as 'Bharat' is a vast country which lies wholly in the northern hemisphere. The main lands extends between latitude  $8^{\circ}4'$  and  $37^{\circ}6'$  North and longitude  $68^{\circ}25'$  East. It measures 2000 miles (3,124 kms) from North to South and 1,850 miles (2,933 kms) from East to West covering an area of 32,87,782 sq.kms. It has a land frontier of 9,425 miles (15,200 kms) long and a coast line of 3,535 miles (5,689 Kms).

India is surrounded by China, Bhutan and Nepal to the North; Afghanistan and Pakistan to the North-West and Bangladesh, Burma and China to the East. To the South we have the Indian Ocean and Island country of Sri Lanka.

### 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) or 10.7 p.c. lies in 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 103m. 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, 11.5m, hectares in South India and 8.3m. 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) \* (iii) The Southern table land. 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.

(ii) \* The Indo-Gangetic Plain; and

#### PHYSICAL DIVISIONS :

Geographically India comprises of the following five well marked natural divisions, based on physical conditions:

##### a) The Himalayan Region :

It stretches over a length of 2400 kms. long the northern boundary of India with a varying width of 240-320 kms.

##### b) The Plains of Northern India :

This region includes the most fertile Indo-Gangetic Plains of the Satluj, the Ganga and the Brahmaputra rivers.

##### c) The Great Indian Desert :

To south west of the Satluj-Ganga Plains, stretches the Great Indian Desert having sandy plains dotted with hillocks and shifting sand-dunes.

##### d) The Deccan Plateau :

This is the great table-land of south Indian Peninsula, stretching from the Aravallis, the Malwa Plateau, the vindhya, the Satpura



Hills and Chhota Nagpur Hills in the North, atmost right, down the Cape Camorin (Kanya-Kumari) in the south.

e) The Coastal Plains:

These plains lie between the sea and the western and Eastern Ghats. The west coast plains in a very narrow and the East Coast Plain is fairly wide and contains the fertile deltas of Mahanandi, the Godavari, the Krishna and the Kaveri.

TEMPERATE HIMALAYAN REGION :

(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 States. The climates 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 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 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 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 cardamon. 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 100 cms. 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.

U.P. - Wheat, Rice, Pulses, Sugarcane, Maize, Bajra, Jowar,  
Barley, Rapeseed.

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

M.P. - Pulses, Rice, Wheat, Jowar, Millets, Soyabean,  
Linseed, Cotton, Rapeseed, Groundnut.

Gujarat - Groundnut, Cotton, Bajra, Jowar, Pulses, Rice,  
Wheat, Sesameseed, Castorseed, Rape/M.Seed.

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.

**COOPERATIVE MOVEMENT IN INDIA- AN OVERVIEW :**

The Cooperative movement had started in India in the first decade of the 20th Century. Since then, it has grown in stature and extend of coverage- There are 3,50,000 co-operative societies with a total membership of 150 billion and the working capital of about Rs.550 billion, it is one of the largest in the world. The co-operative movement in

the country is largely rural -based. The major thrust of co-operative sector in the Indian Economy has been to provide support to agricultural production particularly in following areas.

- i. Provision of investment support through short-term and long-term agricultural credit;
- ii. Supply of agricultural inputs e.g. fertilisers, seeds, insecticides;
- iii. Harnessing of irrigation potential particularly minor irrigation;
- iv. Provision of processing and marketing support for ensuring better price to the farmers for their produce.

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 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-operative and handloom co-operatives, etc. It has 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 Bharti 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 handloom, 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 the 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-operatives as well as potential programme. The NCUI has also been implementing women co-operative mobilisation projects in Haryana and Uttar Pradesh in collaboration with Swedish co-operation 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 personel involved in the

co-operation Deptts. and Institutions. There are 95 junior level training centres located in different States/ UTs to cater to the needs of Junior Co-operative 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 unit 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 COOPERATIVES IN INDIAN AGRICULTURE :

As stated earlier, cooperatives have diversified in many segments and they have recognised as principal instruments of achieving the objectives of National Agricultural Policy. Over the years, four type of agricultural cooperatives have emerged in the country :

1. Input Supply Co-operatives provide agro-inputs at the farmers doorsteps and also provide storage facilities for fertilisers, seeds, agro-chemicals etc. at the village level. These co-operatives are also known as PACS and large sized agricultural multi-purpose societies (LAMPS) in tribal areas. Total number of such societies is nearby 90,000 with a membership of 91.8 millions.



2. Marketing Cooperatives are engaged in sale and purchase of agricultural produce. These societies intervene the market at primary level and provide support price to secure better price to the farmers.

3. Value Adding Cooperatives also known as processing and specialised commodity cooperatives are engaged in agro-processing activities. Important among them are sugar cooperatives, cooperative spinning mills, weavers cooperatives dairy cooperatives, oil seeds and horticulture cooperatives, tobacco growers' co-operatives, fisheries co-operatives, labour cooperatives etc.

4. Integrated Cooperative Industries to manufacture agricultural inputs and machinery. Important of these are IFFCO and KRIBHCO in fertilisers production and National Heavy Engineering Cooperative for manufacturing machinery for sugar, dairy and oilseeds cooperatives.

#### AGRICULTURAL CREDIT THROUGH COOPERATIVES :

Cooperatives continued to be the major institutional agencies to provide agricultural credit to farmers to enable them to adopt modern technology and improved agricultural practices for increasing production and productivity. 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 Bank (CCBS) at the district level, which in turn are affiliated with State level cooperative Bank (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 Cooperative 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 organisation, 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 programme. Their refinance outstanding as on 15-03-89 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 cooperative credit structure as well as commercial and regional rural banks. The cooperative statement and flow of credit to the agriculture sector during the 10 years is given in the table:

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 crores)
Agency	1985-86	1986-87	1987-88	1988-89	1989-90	Anticipated achievement 1989-90
			Provisional		(Target)	
1	2	3	4	5	6	7
<b>Co-operatives</b>						
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 AGRICULTURAL MARKETING :**

Cooperative showed remarkable performance in marketing agricultural produce to provide proper marketing support to the farmers. Almost every primary marketing centre in the country is covered by a cooperative marketing society. Cooperatives also support the agricultural producer by undertaking direct procurement as an agent of the public sector organisations. Govt. has designated cooperatives as nodal agencies for the Price Support Operations of Oilseeds, Coarse grains and pulses and for marketing Intervention scheme for Potato, Onion, Kinoo, Grapes, Ginger, Tobacco, Chikery, Nut ~~mag~~, Garlic, Isabgul, Castorseed etc.

The progressive business turnover of the cooperative marketing societies for the past 13 years is as under :

YEAR	(Rs. in Million)	YEAR	(Rs. in Million)
1978-79	17970	1984-85	30322
1979-80	18000	1985-86	41335
1980-81	19500	1986-87	40138
1981-82	21000	1987-88	54160
1982-83	23178	1988-89	-
1983-84	25664	1989-90	62000
		1990-91	70000

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 federation and 16 special commodity marketing federation at the State level. At the national level, National agricultural Co-operative marketing Federation of India (NAFED) is the apex co-operative marketing organisation. A somewhat different marketing structure exists in 10 States, where there is concentration of tribal population.

#### COOPERATIVE PROCESSING :

Value adding cooperatives are engaged in agro-processing activities providing Infra-structure for the benefits of farmers through value addition to various agricultural commodities. The principle segments of these cooperatives are sugar, dairy, spinning, oilseeds and horticultural crops.

1. Sugar Cooperatives :

In order to support sugarcane price and procure cane on remunerative prices to farmers 217 cooperative sugar factories are organised which crushed 52 million tones of sugarcane and produced 5.05 millions of sugar (1989 90) accounting for 60.5% of National Production of National production of Sugar. These factories are federated in 9 state Federations of Co-operative and at the national level National Federation of Co-operative Sugar Factories works as apex body.

2. Dairy Co-operatives :

They have not only helped small farmers to increase their income but also made available milk to urban population. There are 60,000 Primary/District/State Co-operative Federations federated at national level into National Co-operative Dairy Federation of India Ltd., having a membership of 6.90 million farmers procuring 8.29 million by milk per day. There is 13.93 million liters per day rural milk processing capacity and 7.17 million litre per day urban milk marketing. Nearly 27,300 societies are covered under the Animal Health Programme, 10,405 willages societies were provided with Artificial insemination services and about 4305 tonnes per day -balanced cattled feed, compounding capacity available is 173 milk shed of 22 states/UTs.

National Dairy Development Board (NDDB) is responsible for development of a co operative based National Milk Grid.



3. Co-operative Spinning Mills :

There are 429 cotton ginning and processing units and 107 co-operative spinning mills with a total spindleage of 2.913 millions accounting for 20 percent of total spindleage capacity of spinning mills in the country. These societies are federated into 6 state Federation of Co-operative Spinning Mills and at national level into an All India Federation of Co-operative Spinning Mills.

4. Weavers Co-operatives :

These are organised to promote domestic and export market for handloom products. Nearly 58 percent of the Handlooms in the country are under the co-operative fold accounting for 30 percent of the total fabrication. There are 16,571 primary handloom weavers co-operative societies federated into Regional/District & State Handloom Co-operative Federations and finally into, All India Handloom Co-operative Fabrics Marketing Co-operative Society. These co-operatives had a business turnover of Rs.5187 millions during the year 1989-90.

5. Oilseeds Co-operatives :

300 co-operative oilseeds processing units are organised for achieving self-reliance in oilseeds. In order to help the marketing operations, cooperatives have established 664 rice mills, 73 dal mills, 53 groundnut processing units, 12 for cotton seed processing, 5 for Soyabean, 35 solvent extraction units and 6 hydrogenation plants.

## 6. Horticultural Crops :

Co-operatives have been improving their performance in marketing of fresh fruits and vegetables. The value of freuits 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 co-operatives which have been set up by co-operative which produced 1701 tonnes fruit and vegetable products in 1987-88 and marketed products worth Rs.28 millions. 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. Tobacco Growers' Co-operatives, Labour Co-operative, Fisheries Co-operative, Housing Co-operative are also working in their respective sectors to help the poor masses.

## 7. Fertilisers Co-operatives :

IFFCO & KRIBHCO produced 1.876 million tones of fertilisers nutrients in 1989-90, accounting for about 22 percent of indigenous N&P production in the country. Capacity utilisation of those co-operatives is a model for other fertiliser units. IFFCO & KRIBHCO marketed 2.87 million tonnes and 1.72 million tonnes of fertiliser material respectively during the year 1990-91 through PACS and their own network of about 200farmers service centres.

STORAGE :

Co-operatives have created a storage capacity of 11 million tonnes and provide scientific storage to agro-inputs and agricultural produce. Over 48,000 PCAS and most of the marketing societies now own their godowns.

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 lines 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 programme 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 the same date was 10,396 with a membership of 8,60,922. 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-operative 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-operative 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 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.

#### DEVELOPMENT OF CO-OPERATIVES IN INDIA :

##### Various Approaches :

The India Co-operative Movement is more than eighty years old but its development is largely of a lopsided nature. The credit sector is dominant and marketing, processing and consumers co-operatives are yet to take deep root. A planned approach towards promotion and organisation of cooperatives was taken up during second five year plan. The All India Rural Credit Survey Committee Report of 1954 suggested state partnership in the share capital of co-operatives to strengthen the credit and market activities. The extension of crop loan was also linked up with marketing processing. In a course of subsequent development, under the plan, the three structures for credit marketing and consumer activities have been set up.

For promoting and development of co-operative programmes for various economic activities in the rural areas, the Govt. of India has set up the National Co-operative Development Corporation (NCDC) which provides consultancy and technical services to co-operative institutions, finance by it. The promotional agencies operating at the central level for revitalisation of co-operatives are NCU and NABARD.

#### TRAINING & EDUCATION :

The National co-operative Union of India is vested with the responsibility of arranging training and education for human resources development in co-operatives. It organises conferences, seminars, expert meetings and study group to review field experiences, policies and programmes of co-operative development, socio-economic impact of co-operation and the emerging need and challenges facing the co-operative movement and makes recommendations, particularly, relating to orientation needed in strategies, policies and procedures relating to co-operation.

As stated earlier - The co-operative training programme comprises of the three tiers structure in the country. At the national level, there is Vaikunth Mehta National Institute for Co-operative Management at Pune (VMNICM) caters to training requirements of senior and key personnel of State Co-operative Departments and Institutions. There are 18 co-operative colleges at the State level to train intermediate and 95 junior co-operative training centres to train junior co-operative personnel.

**BUSINESS INTERGRATION IN CO-OPERATIVE DEVELOPMENT :**

The committee on Co-operative Credit, 1960, recommended that viable unit of co-operatives services and business should be promoted which may render expected services adequately to the largest possible number of customers within a reasonable time without depending upon financial assistance from the government except for limited period. Most of the states reorganised the village co-operatives and brought down their total number down from 153 thousands in 1973-74 to below 90 thousands in 1989. In spite of the reorganisation a large number of village societies continue to have low borrowing membership, low business turnover and high level of overdues resulting in accumulated losses.

Bulk of the rural co-operatives are feeling difficulty in facing the growing competition with other sector. The share of agricultural credit has declined from 78 percent in 1974-75 to about 45 percent in 1989-90. Similarly, the percentage contribution of fertiliser distribution has fallen from 55 percent in 1962-63 to below 35 percent currently.

**CO-OPERATIVE INTEGRATION :**

While some of the co-operatives may prove to be successful business, yet the share of their own constituents has not been showing an adequate rise. So there is a need for integration within co-operatives and system integration.

- Average membership in a village society is low.



Deposit mobilisation is low, as against national growth saving of 23 percent. co-operatives have achieved a growth of only 17 percent.

A large number of PACS have a loan business of less than 200 thousand, laid out viability norms in 1973.

Though total volume of business transaction increased over a period of time but 90 percent of it came from only 8 states. The average turnover per society is a bit higher than Rs.3 Millions, suggested for viability of a marketing society way back in the year 1965.

51 percent of primary marketing societies were running in profit, 30 percent incurred losses and 18 percent had neither profit nor loss.

Dependence of the co-operatives on government for share capital had increased except in the states of Gujarat and Maharashtra. Excessive participation by government eroded autonomy in working of the co-operatives. State partnership which was conceived as a measure for strengthening the co-operatives, has played way for ever increasing state control over co-operatives.

#### WEAKNESS OF AGRICULTURAL CO-OPERATIVES :

**CONFUSION ABOUT ROLE OF COOPERATIVES-** Co-operatives implement various government programmes like IRDPA and public distribution scheme and distribution of agricultural inputs, where they suffer losses. On

the other hand co-operatives are expected to fulfill the objectives set out by their members. This has resulted into confusion of role which turns the co-operatives into non-viable and non functional.

II) **LACK OF PROFESSIONAL MANAGEMENT** - Though several Co-op. training and developmental agencies are working but so far there is no man power planning, no defined personal management policies. More than 25 percent of primary level societies do not have full time paid managers and 50 percent of available managers have no training.

III) **INCAPABILITY FOR COMPETITION** - Co-operatives are not capable of competing with private and public sector in rural credit and gradually its share is declining.

IV) **STRUCTURAL WEAKNESSES** - The efficiency of federated structure depends on inter co-operative and intra co-operative relationship with emphasis on strong primary units. In spite of consistent efforts to reorganise the co-operatives, the primary co-operatives continue to be weak, various co-operatives are working in isolation and weak federal structure at secondary level leaves a gap for unified working system of the federal structure.

V) **POLITICISATION OF CO-OPERATIVES** - Indian co-operatives could not develop a sense of belongingness among their members provided chances to the government to interfere in the internal

management through appointing nominated committees, directors and administrators who are non accountable to the general body of members. In view of under development of the healthy democratic co-operatives, some individuals or groups monopolies the various offices and politicize them for fulfilling their narrow vested interest. Participation of common member of the co-operatives in their working became a ritualistic incidence.

- VI) **INADEQUATE INFRA-STRUCTURE** - In spite of the facts that the co-operatives have developed a vast network from village to national level but a large number of PACS do not have own office building, storage facilities and workable link with marketing system.
- VII) **INADEQUATE AGRO-PROCESSING & TECHNOLOGY ABSORPTION** - India Co-operatives concentrated more on agro-inputs distribution than value addition through technological development except in sugarcane, cotton, milk and late oil sector. There has been a good success in sugar and spinning but a number of units are financial sick because their machinery requires modernization to lack of technology and expertise co-operatives could not make a dent on export market though they produce several export commodities.
- VIII) **RESTRICTIVE AND RIGID CO-OPERATIVE LAW** - The government enacted co-operative laws for development of co-operatives on co-operative principles, but these laws emerged as an instrument of control of already politicized co-operatives.

- IX) **POOR PLANNING AND LOW RESOURCE GENERATION** - Resulted into regional growth imbalances, overdependence on government for financial assistance which sets in a slow but gradual process of turning the co-operatives into government managed sector. Even the most successful business co-operatives are also affected by this process of losing their autonomy.

ISSUE FOR CONSIDERATION FOR DEVELOPMENT OF THE  
CO-OPERATIVE MOVEMENT IN INDIA vis a vis  
AGRICULTURAL SECTOR.

- I) Revitalisation of Co-operative Movement through a process of building up a viable linkage between preharvest agricultural activities (credit, inputs supply, irrigation potential harnessing) the post harvest agricultural activities (marketing, processing, storage etc.)
- II) In a multiagency system how to keep pre-eminence of the co-operative credit structure in comparison of commercial bank;
- III) Technological upgradation and propagation thru' co-operatives to ensure high returns to farmers from their farming operations;
- IV) How to increase the role of co-operative in processing of sugar, spinning, milk and oil seeds processing and expand into other areas of value addition where several private multinationals are trying to exploit the farmers;

- V) How to make co-operative role more pronounced in the price support system to protect farmers income;
- VI) To integrate the existing federated co-operative network, how to establish effective vertical and horizontal relationship is the most important issues.
- VII) Reducing the dependence of the co-operatives on the Government and how to mobilise internal resources within co-operative is a key issue;

#### DIRECTION OF AGRICULTURAL CO-OPERATIVES ROLE IN INDIAN AGRICULTURE

Indian agriculture faces a uphill task of increasing the foodgrains production from 170 million tonnes to 235 million tonnes alongwith a corresponding increase in fodder, fuel-wood and fibre by the turn of 20th century to meet demands of an estimated population of 1000 millions. There is almost a negligible scope for increasing area under crops and limited scope for increasing irrigated area the thrust of Indian agricultural development will be on the rainfed farming system to achieve the national agricultural policies targets.

The process of raising agricultural production requires a matching support of credit and marketing facilities. The productivity component in planning of agricultural development needs to be emphasized with market mechanism so that the farmers may get reasonable returns of their produce.

In view of the above prospective, the PACS should own the role of a strong member owned grass root institution capable of meeting the total need of the farming community. Other secondary and tertiary level co-operatives should orient their functioning to support the village level co-operatives rather than using the PACS as their agents working on a nominal margin. A time bound programme for reorganisation of the societies keeping the 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.

The co-operatives in under developed and least developed areas will require a higher financial allocation at softer terms and carefull programme of nurturing co-operatives societies in such areas.

To tackle the problems of ever mounting overdues, the Government and the co-operatives will require a bold initiative.

The government should give preferential treatment to co-operatives in licencing and financial support, particularly in agro-Processing sector. Wherever governmental policies affect the finances of co-operatives e.g. welfare scheme and public distribution system, the government should make up the loss to keep the co-operative structure healthy and viable.

The government policy to support the movement financially, managerially and administratively should be checked from turning into a gradual process of interfering into the internal functioning of the society.

The co-operatives should build up their professional management with due emphasis on HRD thru' more intensive efforts by the focal training institutions like NCUI.

The Institution on Registrar should continue to have developmental function and steps should be taken depoliticalisation of the co-operative movement. The co-operatives should be managed on the principles of democracy. The provisions in co-operative laws which are not in accordance with co-operative principles should be amended.

The co-operatives should work out a plan of action on long term basis aiming at :

- (1) Resource Mobilisation
- (2) Business Diversification
- (3) Enhancing Members Participation
- (4) Organisation inactive members into self help group and
- (5) Promote marketing of the village produce.

# COOPERATIVE MOVEMENT IN INDIA

Seventh ICA/Japan Training Course  
for Strengthening Management of  
Agricultural Cooperatives in Asia.

By

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## COOPERATIVE MOVEMENT IN INDIA

### INTRODUCTION

1. With an area of 3.16 million square Kilometres, India is the world's seventh largest country. In terms of population it is the second largest next only to China the country is bounded north west by Pakistan north by China, Nepal and Bhutan, east by Burma and south west by Arabian Sea and south east by the Bay of Bengal. India has a coast line of 6100 Kilometres. There are four physiographic regions : northern mountains, Indo-Gangetic plains, peninsular plateaus in Central India and coastal areas.
2. The climate of the country is tropical. The monsoon winds reversing seasonally between the India sub continent and the Indian ocean blowing from south westerly direction mid March to mid September and from North-Easterly direction in the winter season, are the principal factors affecting the country's rainfall, humidity, temperature etc. The cropping patterns are adjusted with reference to this rainfall as the irrigated area is less. Drought due to erratic rainfall with long dry spells and high temperatures occur in some or the other parts of the country, every year. On an average one in five years is a drought year. Another consequence of the erratic rainfall is floods. About 24.2 million hectares (mha) are classified as flood prone areas.
3. Soils found in the country can be grouped in to 8 major groups viz., alluvial, black, red laterite, forest arid and desert, saline and alkaline, peaty and organic.  
  
Alluvial soil covering about 24% of land surface at 0.77 million square kilometers is by far the largest and most important soil group. This soil is generally deficient in nitrogen and humus and necessitates heavy fertilisation. The soil is suitable for cultivation of almost all types of crops Black Cotton and red Soils, the next largest group covering about 0.518 million square kilometers each, are suitable for dry land farming.
4. India is a union of states and comprises 22 states and 9 union territories. The states are divided into 411 districts for administrative purpose. Each district is further divided in to national extension service blocks. There are in all 5011 such blocks. (Table No. 1)
5. Agriculture accounts for the largest share of the net domestic products at 40%. Industry i.e. manufacturing, construction, power etc. accounted for 21% of NDP. In the contribution to the NDP by the manufacturing sector as a whole, the share of village and small scale industries sector was around 49%. The major

exports were manufactured goods constituting 37% and agricultural product and animal products for good including tea, spices, marine products etc. at 26% oil and related products constituted major import at 37%

'The population of the country which was 361 million in 1951 increased to 439 million (1961), 547 million (1971) 684 million in 1984 and 834 million in (1991).

Nearly 80% of the population reside in the rural areas.

### COOPERATIVES

The cooperatives Movement in India was introduced by the Government in the beginning of this century. It was meant to provide relief to the farmers from the usually of money lenders which had assumed alarming proportions. It has grown over the years from strength to strength and come to stay in the country as the hope of the millions. It has now emerged as the largest in the world in terms of numbers and membership. There are 338800 cooperative societies in India with a total membership of 156657000 (Table 2 & 3). The rural population of the country being 77% the cooperative Movement in India is largely in rural areas. In the agriculture sector. Co-operative play a significant role in disbursement of credit, manufacture and distribution of fertiliser marketing and agroprocessing Cooperatives play a significant role in increasing agricultural production and productivity.

The Cooperative Movement in recent year has undergone progressive expansion and diversification in 1950-51 when the planned process of development began in India after independence. The cooperatives have emerged as the major sector in the sugar industry with a 56% share of national production of sugar (Table No. 5 & 6). In the dairy programme of operation flood 'Cooperatives are playing a significant role. In the recent years. Cooperatives also have entered the field of fertilizer manufacturing. The Indian Farmers Fertilizer Co-operative Limited (IFFCO) and the Krishak Bharati Co-operative Limited (KRIBHCO) manufacture between themselves 3.2 million tonnes of fertilizers annually which is 18% of the total production of fertilizer in the country.

### COOPERATIVE DEVELOPMENT

Strategy role of Government the milestones in cooperative policies and programmes are the result of deliberation of various committees, taking into account the needs of emerging situations and the impact of political and cooperative leadership. A brief mention may be made of the broad contours of the evolution of the cooperative policies and programmes in India.

### LEGISLATIVE SUPPORT

Under the Indian constitution cooperative societies is a subject allotted to the federating states every state has enacted cooperative legislation to government the incorporation regulation and winding up of cooperative societies in its own jurisdiction.

It shall be the duty of the government of encourage and promote the cooperative movement in the state and take such steps in this direction as may be necessary.

### FINANCIAL SUPPORT

Large public funds are committed to support the cooperative movement in its various activities particularly in the rural sector. The governments assistance to cooperative is given in the shape of contribution to the equity loans for working capital and subsidies. The assistance obtained from financial institution is also guaranteed by government.

The main thrust in the Cooperative Movement is on providing help and self-support to the members of weaker sections. 45% of credit disbursed is given to weaker sections. Special type of cooperatives called LAMPS have been organised in tribal areas. Besides dairying, special programmes are being initiated for fisheries labour, poultry and handlooms etc. The strategy for helping weaker section through - cooperative consists of :-

- (1) Increasing the membership of Weaker Section i.e. the existing cooperatives.
- (2) Progressive increase of loans to weaker sections on more liberal terms.
- (3) Introducing legislative provisions for representation to weaker sections on the Boards of Management of Cooperatives and
- (4) Organisation of Cooperatives for specific activities like dairy, poultry etc.

Development and activities of the Cooperative Movement in India that Government has been instrumental in catalysing and sponsoring the Cooperative Movement in India and is still playing an important role in assisting the development of cooperative both the financially and technically. It helps in creating an environment for the healthy

of Cooperatives and encourages the cooperative spirit.

In India the Cooperative Movement is on the right track and achieving progress and prosperity through cooperative movement.

#### REFERENCES

- (1) Centre for International Cooperation and Training in Agricultural Banking Pune - India Country Papers.
- (2) Role of Government in promoting Cooperative Development in ASIA.
- (3) Bharatiya Sugar October, 1992 & April, 1992
- (4) Maharashtra Rajya Sahakari Parishadh November, 1988.
- (5) Sugar Cooperatives and Rural Change Dr. S.D. Tupe.
- (6) Cooperative Movement at a Glance in Maharashtra.
- (7) Cooperative Sugar Vol 23, June, 1992 No. 10.

**Padmashri Dr. Vithalrao Vikhe Patil**  
**Sahakari Sakhar Karkhana Ltd.**  
**(Formerly Pravara S.S.K. Ltd.)**  
**Pravaranagar**

Padmashri Dr. Vithalrao Vikhe Patil Sahakari Sakhar Karkhana Ltd. is one of the early pioneering sugar cooperatives which is initiated by **Late Padmashri Dr. Vikhe Patil** that set the ideal model for cooperative action for the entire nation. It is situated 70 Kms north of Ahmednagar at a latitude 19°N and longitude 75° east.

The successful establishment and operation of **P. DR. V.V.P.S.S.K.** may be said to have initiated a trend in cooperative developments in India which has already led to important results. It was directly because of the early success of the venture that the Government of Bombay adopted in 1954 the policy of continuing in future, the licensing of all new sugar manufacturing establishments to cooperatives.

The success of the cooperative experimental Pravaranagar had a contagious effect, which led to the emergence of a net work of cooperative sugar factories in Maharashtra and elsewhere. The outstanding achievement of the Pravara is that it has amply revealed the vital role, the cooperatives can play in promoting economic growth with Social Justice. Provision of everwidening economic opportunities for common people along with equal rights for every individual to participate in the development process, will give the 'drive force' for the community as a whole to emerge from the clutches of poverty. Its development has not only created wide economic opportunities for the common people, but also has activated the lowest strata of the community to participate in the development process. It has made a unique effort to strengthen the weaker sections of the society to be fit enough to participate in the development process by mobilising large financial resources in favour of them through infrastructural facilities and scientific attitude.

The Karkhana began in a small way. In the first year of production (1950-51), the number of members was less than 500 and the area under sugarcane was less than 500 and the area under sugarcane held by them was less than 800 acres. The average acreage of sugarcane per member was only about 1.6 acres.

Today its membership has increased to 10589 the share capital has reached a high of Rs. 237 lacs and the crushing capacity has increased to 4,000 tonnes per day.

The progress of Karkhana has also led to many other development such as establishment of cooperative industrial by product units for the utilisation of wastes of the sugar factory, provision of irrigation, extension and research services to the farmers, promotion of subsidiary occupations

like dairy and provision of educational, health and social welfare amenities, which have ushered rural progress. Dr. Vikhe Patils work can be assessed in two parts. The first consisting of his hard struggle in establishing cooperative Sugar Factory and second is of his vigorous efforts to mobilise a cooperative movement towards several welfare schemes of the common good of rural masses.

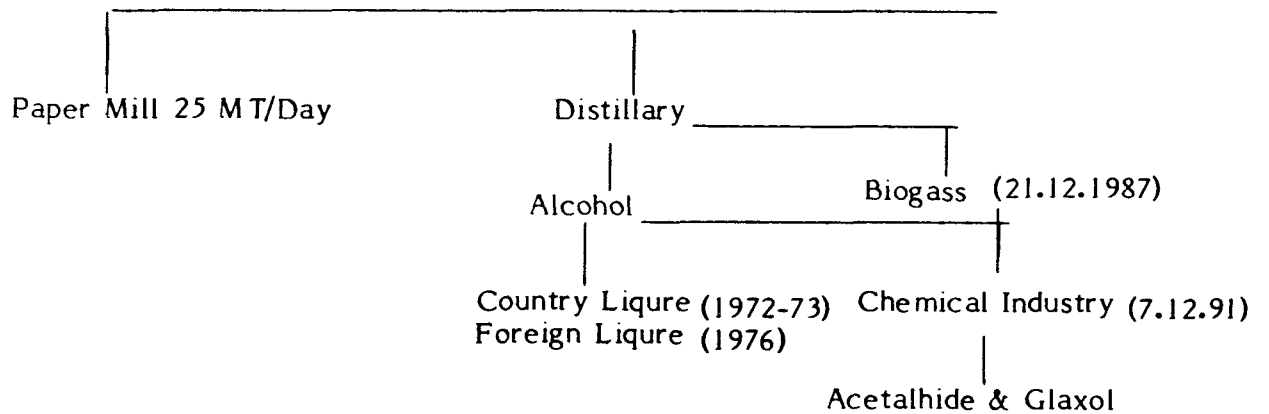
The operational area of the sugar factory is scattered over 44 villages covering 3 talukas of the district & the annual precipitation (Rainfall) is between 35 to 40 Cms, the main source of Irrigation is through wells and pravara left & Right bank canals.

Use of systematic planning & scientific research and their application. The cooperative sugar factory has grown in the following manner which will indicate the success of cooperative movement (Table 7 & 8)\_

Installation of Sugar Factory  
|  
Registration 31.12.1948  
|  
Crushing started 30.12.1950  
|  
First sugar bag come out 31.12.1950  
|  
Capacity

Expenditure Rs in lakhs	Year	Capacity
33.56	1950-51	500 MT/day
86.45	1955-56	1200 MT/Day
74.19	1965-66	2000 MT/Day
97.15	1968-69	2500 MT/Day
78.69	1974-75	3000 MT/Day
577.68	1976-77	400 MT/Day

Utilisation of By Product



Distiliary (5.11.1970)

Capacity in Gallon	Date
3300	23.2.1969
3500	19.6.1973
30000	15.7.1982
60000	1982-83

Agricultural Development

1.	Percolation Tank	60
2.	K T Weir Installed in progress	3
	in progress	2
3.	List Irrigation	
	River	16
	Canal	27
	Coimmon Zone	3
4.	Roads	
	Kacha	563 Km
	Tar Road	175.400 Km
5.	Establishment & Seed Farm	
	Dadh 70 acre	1969
	Pravara 30 acre	1969



OTHER ACTIVITIES

(1)	Pravara Cooperative Bank	1974-75
(2)	Workers Cooperative Society	4.8.1953
(3)	Transport Cooperative Society	6.8.1977
(4)	Pravara Mannure mixture unit	29.1.1968

EDUCATION SOCIETY - 1961

(1)	Pravara Public School	6.7.1964
(2)	Pravara Kanya Mandir	16.6.1969
(3)	Mahatma Gandhi Vidyalaya	1991
(4)	Padmshri Vikhe Patil College of Art Science & Commerce	
(5)	Medical College	
(6)	Dental College	
(7)	Engineering College	
(8)	Polytechnic (Boys)	
(9)	Rural Women's Polytechnic	

PROJECTS IN HAND

(1)	Electricity generation through Boiler.
(2)	Plant Modernisation
(3)	Use of Pressmud for gas generation
(4)	Cane Development activities
(5)	Computerisation
(6)	Wireless Unit (Modernisation)

# INDIA

Table - I



Table - II

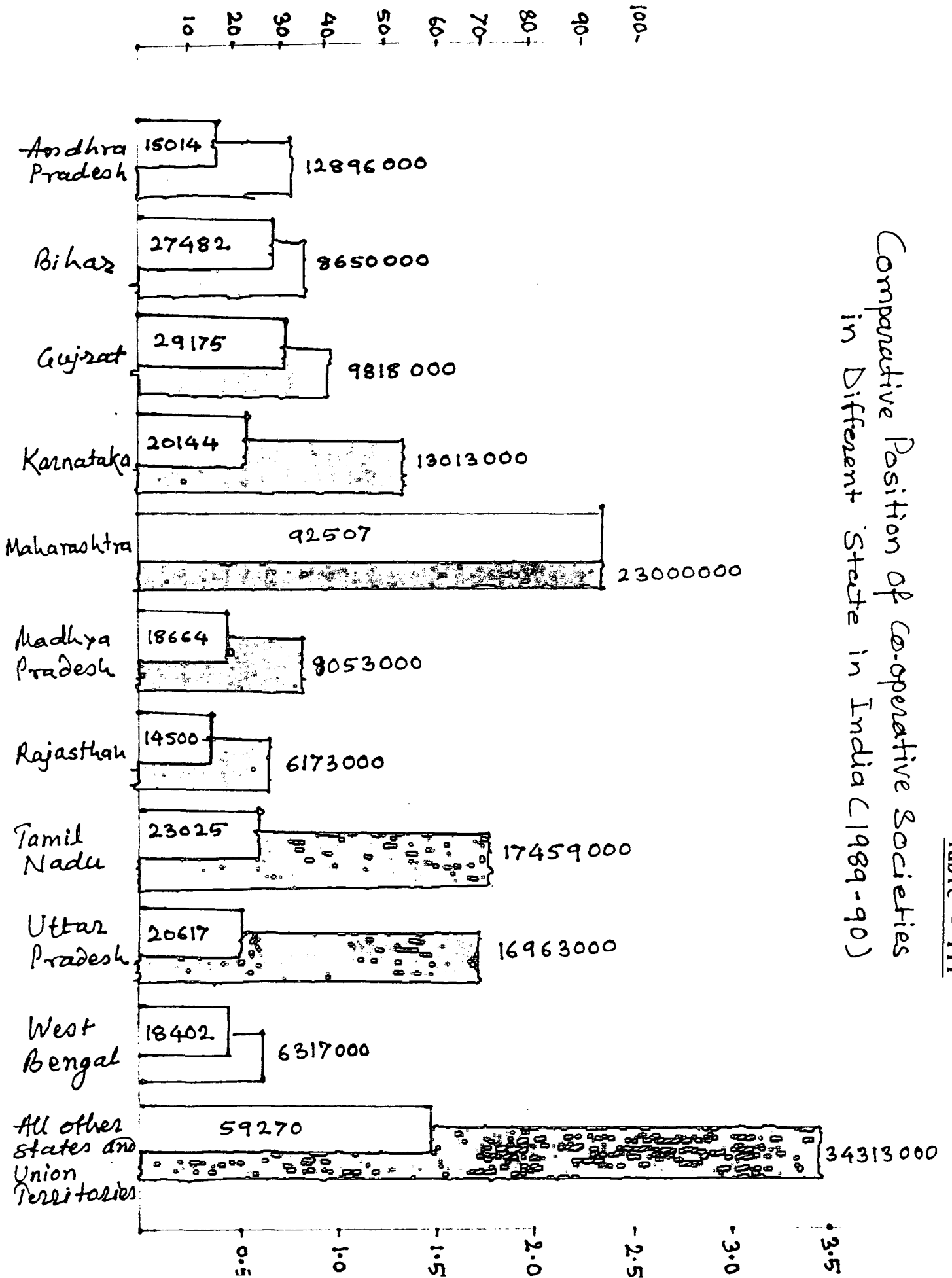
अ-२ राष्ट्रीय वस्तुसंघों की भारतवर्ष में विभिन्न राज्यों में तुलनात्मक आकृतिकादी १९८९-९०  
A-2 : Comparative Position of Co-operative Societies in Different State in India 1989-90

राज्य	संस्था की संख्या No. of Societies			समास्य संख्या (सुभागत) Membership (000)			भुगत संघ (लाक)			सेवते भातवल (लाक)			State
	एक्य वस्तुसंघ All Credit Societies	एक्य वस्तुसंघ All non-Credit Societies	एक्य वस्तुसंघ Total Societies	एक्य वस्तुसंघ All Credit Societies	एक्य वस्तुसंघ All non-Credit Societies	एक्य वस्तुसंघ Total Societies	एक्य वस्तुसंघ All Credit Societies	एक्य वस्तुसंघ All non-Credit Societies	एक्य वस्तुसंघ Total Societies	एक्य वस्तुसंघ All Credit Societies	एक्य वस्तुसंघ All non-Credit Societies	एक्य वस्तुसंघ Total Societies	
1	2	3	4	5	6	7	8	9	10	11	12	13	1
महाराष्ट्र	28028	64479	92507	15685	7315	23000	88400	49325	137725	1312170	358800	1670970	Maharashtra
आंध्र प्रदेश	7467	7547	15014	11729	1167	12896	19952	4823	24775	287050	19505	306555	Andhra Pradesh
पश्चिम बंगाल	10857	7545	18402	5315	1002	6317	10608	7948	18556	139416	17478	156894	West Bengal
उत्तर प्रदेश	10287	10330	20617	14731	2232	16963	28487	4690	33177	424222	47003	471225	Uttar Pradesh
गुजरात	10203	18972	29175	6135	3683	9818	28070	10188	38258	557456	154943	712399	Gujrat
कर्नाटक	6709	13435	20144	8756	4257	13013	22661	18395	41056	310860	76878	387738	Karnataka
बिहार	7623	19859	27482	7124	1526	8650	18685	4937	23622	192164	16831	208995	Bihar
तामिळनाडु	6610	16415	23025	11682	5777	17459	25495	18671	44166	409904	51491	461395	Tamil Nadu
पश्चिम प्रदेश	6568	12096	18664	6679	1374	8053	22112	12429	34541	323840	77493	401333	Madhya Pradesh
राजस्थान	6124	8376	14500	5392	783	6173	15433	5889	21322	184233	25492	209725	Rajasthan
इतर राज्य व केन्द्रशासित प्रदेश	19098	40172	59270	22497	11816	34313	55778	51262	107040	104932	177792	1227224	All other states /Union Territories.
भारत	119574	219226	338800	115725	40932	156657	335681	188557	524238	5190747	1023706	6214453	India

Source :- Publication on Important items of Data Credit and Non-Credit Co-operative Societies 1989-90 issued by National Bank for Agriculture and Rural Development Bombay.

आधार : राष्ट्रीय व वस्तुसंघों की भारतवर्ष में विभिन्न राज्यों में तुलनात्मक आकृतिकादी १९८९-९० से  
Important Items of Data Credit and Non-credit Co-operative Societies 1989-90 " प्रकाश

No. of Co-op. Societies in thousands



Comparative Position of Co-operative Societies in Different States in India (1989-90)

Table - IV

# INDIA

( ) - Co-operative Sugar Factories operation in 1981-82

- Co-operative Sugar Factories operation in 1990-91

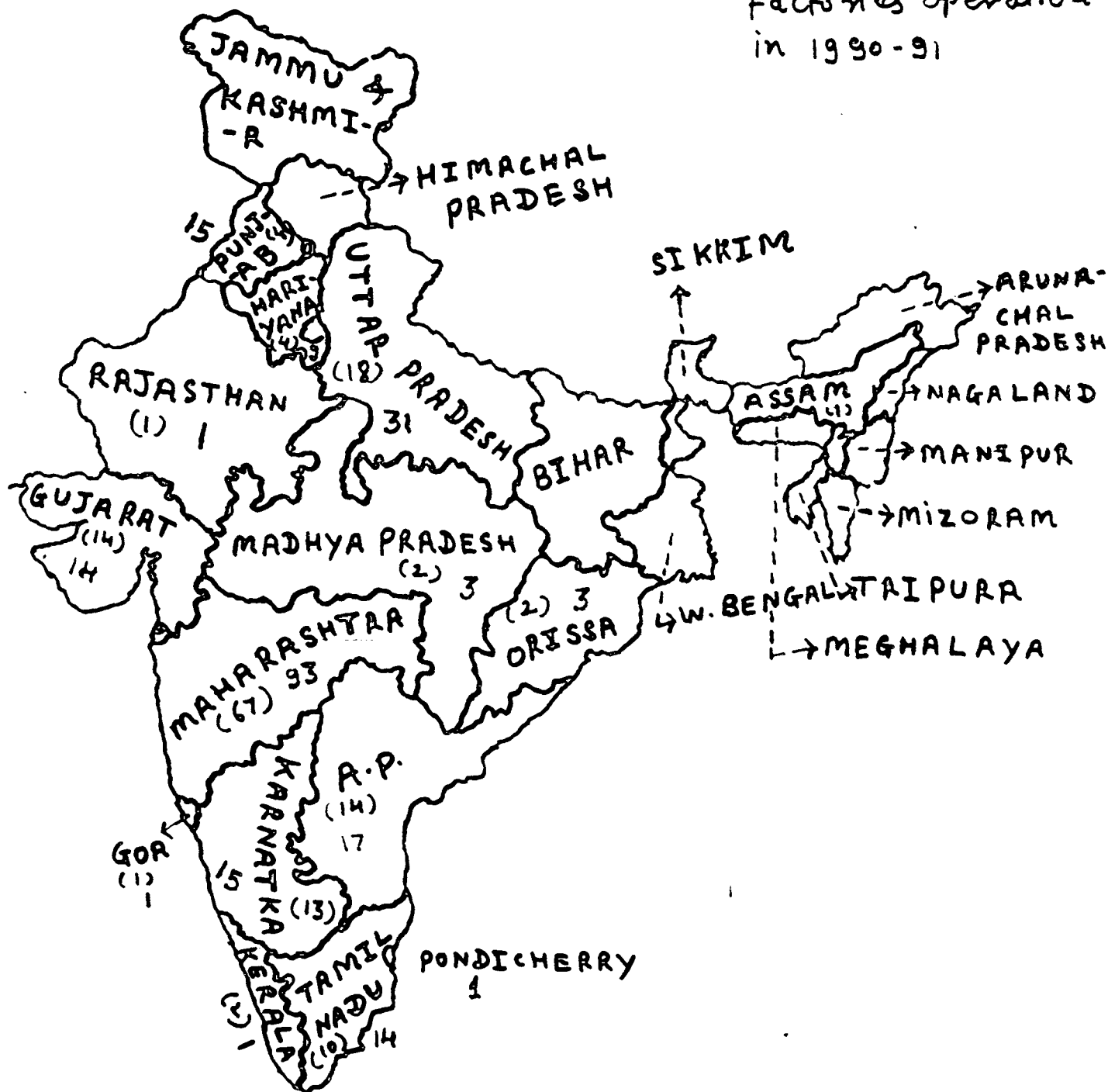




Table - VI

TABLE  
Sugar Industry in India and Maharashtra

Particulars	1963			1970			1981		
	India	Maharashtra	3 as a percent age of 2	India	Maharashtra	6 as a percent age of 5	India	Maharashtra	9 as a percent age of 8
1	2	3	4	5	6	7	8	9	10
1. No. of Sugar Factories	187	28	14.97	223	39	17.49	297	72	24.24
2. Productive capital employed (Rs. in crores)	12,601	3,196	25.37	25,125	8,726	34.73	79,035	30,026	38.90
3. Employment No. of persons employed	1,05,862	15,194	14.35	1,42,811	25,360	17.76	4,43,474	1,00,075	22.56
4. Production of sugar (in tonnes)	20,75,176	4,92,802	23.75	39,97,588	8,58,678	24.48	84,36,000	30,26,000	35.87
5. Product and by-products (Rs. in crores)	17,272	4,132	23.93	5,58,032	13,406	24.01	1,91,981	77,394	40.31
6. Gross value of the output including products and by-products (in Rs.)	1,73,72,23,092	41,75,45,651	24.04	5,62,38,88,000	1,35,15,14,000	24.03	1,96,682 (in lakhs)	79,598 (in lakhs)	40.47

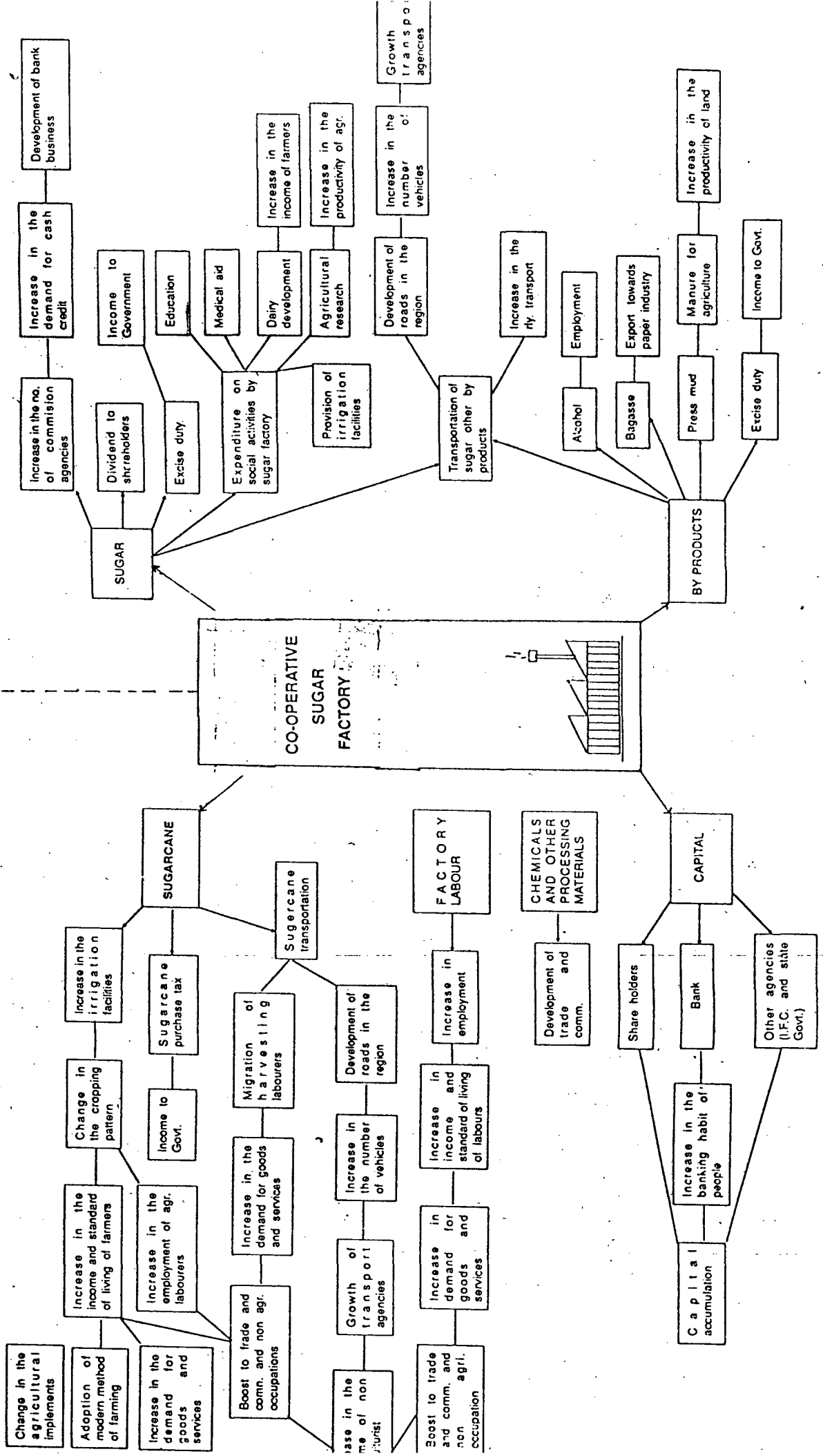
Source : Annual Survey of Industries (Census Sector), Vol. I and II of the year 1963, 1970 and 1980.

# LINKAGE EFFECTS OF THE SUGAR FACTORY

Table - VI

## BACKWARD LINKAGE EFFECTS

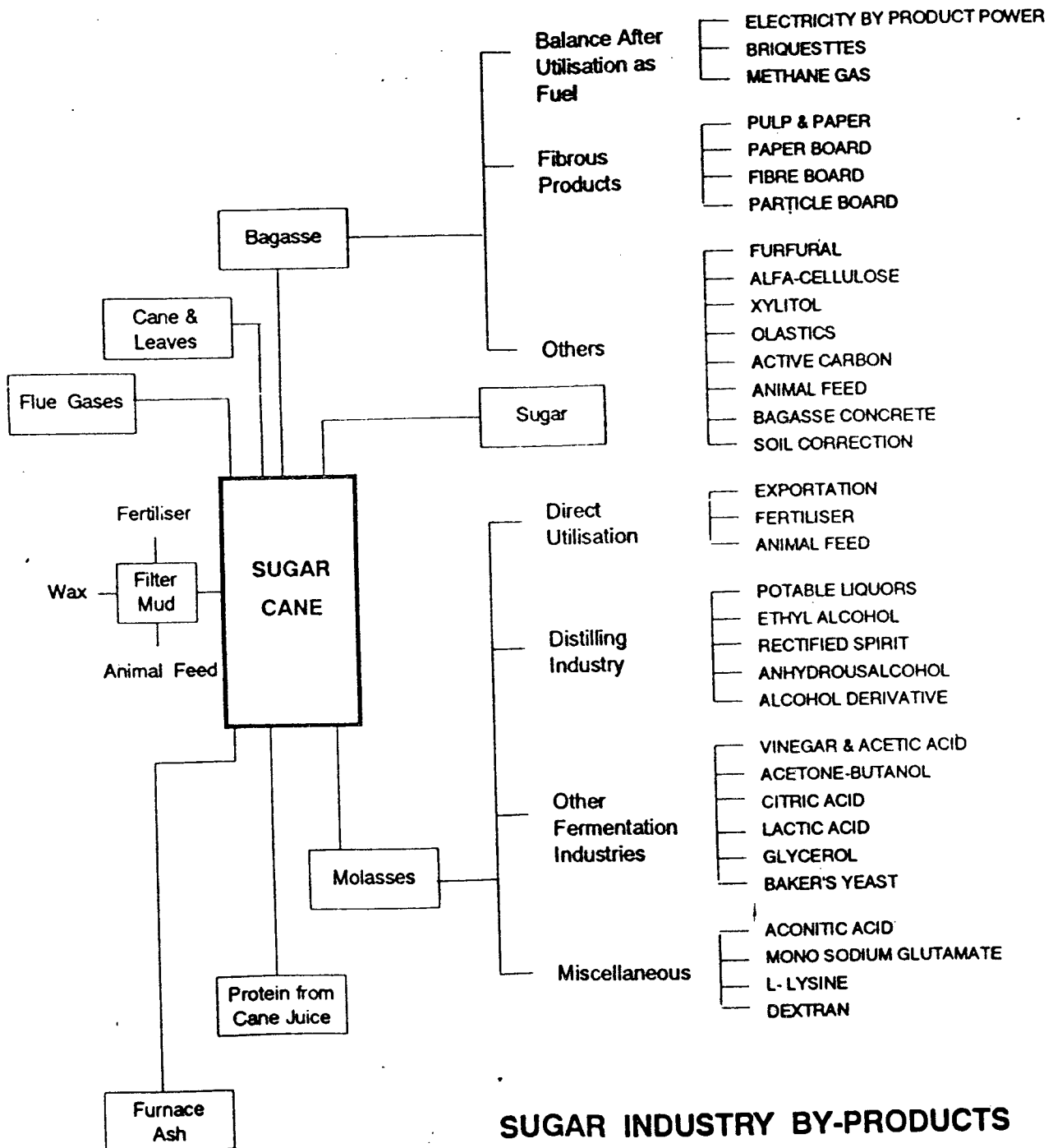
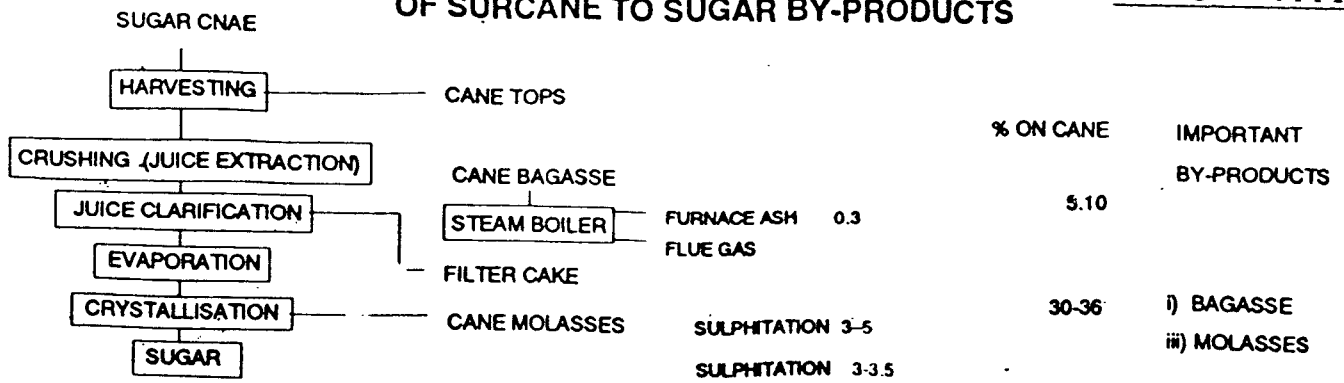
## FORWARD LINKAGE EFFECTS





## BY-PRODUCTS OBTAINED DURING PROCESSING OF SUGAR CANE TO SUGAR BY-PRODUCTS

Table - VIII



## SUGAR INDUSTRY BY-PRODUCTS

**RAJASTHAN STATE CO-OPERATIVE LAND DEVELOPMENT BANK LTD.  
JAIPUR.**

**A BRIEF NOTE ON THE FUNCTIONING OF  
RAJASTHAN STATE CO-OPERATIVE LAND  
DEVELOPMENT BANK LTD.**

R. S. JAKHAR  
INDIA.

**PREFACE**

The Rajasthan State Co-operative Land Development Bank Ltd. was established on 26th March 1957 to fulfil the long term needs of the agriculturist of Rajasthan. Since then, the bank which is Federal in nature, is playing a vital role in providing long term credit to the cultivators of the state of Rajasthan through 33 Primary Land Development Banks with their 116 branches. In Jaisalmer district, long term loans are being disbursed through the Jaisalmer Central Co-operative Bank.

**OPERATIONS**

In the field of rural credit, the LDBs occupy a unique position and distinct identity as specialised term lending institutions catering exclusively to the investment credit needs of rural people for agricultural and other development activities. The banks which were established nearly three decades back with the main objective of relieving the farmers from the clutches of money lenders by providing credit for debt redemption, have considerably diversified their operations in tune with the changing needs of rural credit sector. The development process of these banks has under gone four distinct phases viz. (a) Land Mortgage Banking (b) Land Development Banking (c) Agricultural Development Banking and (d) Agricultural and Rural Development Banking.

Today, the Rajasthan State Co-operative Land Development Bank not only provides loans for traditional items like new wells, deepening of existing wells, lining of field channels, pump-sets, tractor etc. but since the last ten years, it is also providing loans for other diversified purposes like Horticulture and Fruit Plantation, Dairy, Poultry, Sheep and Goat, Draft Animals etc. Programmes of National importance like Waste Land Development have also been taken up for financing.

With a view to further improve the economic condition of the farmers, the PLDBs have started implementing the Small Road Transport Operators scheme, formulated by the National Bank, during the year 1991-92.

The S.L.D.B. is also making efforts to start financing under Non-Farm Sector for small and Cottage Industries, but the condition of land as security, as stipulated in the Co-operative Societies Act, 1965 is proving a hinderance for which necessary amendments are under consideration of State Government.

### PROGRESS DURING LAST FIVE YEARS

The progress made by the bank under loan advancement, debenture floatation, recovery and other areas during the last five years is as under :

#### 1. ADVANCEMENT

Since its inception to 31st March, 1992 the R.S.L.D. Bank has disbursed loans amounting to Rs. 39,105.78 lacs, out of which Rs. 26,168.08 lacs have been for Minor Irrigation Works and Rs. 12,937.90 lacs for other diversified activities.

The loan advancement made during the last five years is as below :

#### (A) AT SLDB LEVEL

YEAR	PROGRAMME	DISBURSEMENT	% OF ACH.
1987-88	2,750.00	2,709.77	98.54
1988-89	3,050.00	2,921.64	95.79
1989-90	3,226.00	2,818.96	87.38
1990-91	2,989.00	3,156.44	105.60
1991-92	4,194.00	4,652.51	110.93

#### B) AT PLDB LEVEL

YEAR	PROGRAMME	DISBURSEMENT	% OF ACH.
1987-88	2,750.00	2,667.54	97.00
1988-89	3,050.00	2,616.70	85.79

YEAR	PROGRAMME	DISBURSEMENT	% OF ACH.
1989-90	3,226.00	2,871.43	89.01
1990-91	2,989.00	3,536.72	118.32
1991-92	4,194.00	4,745.99	113.16

(C) **LOANS TO WEAKER SECTION**

During the year 1991-92, the total advancement made by the SLDB was Rs. 4,652.51 lacs. Out of this, Rs. 2,208.16 lacs were advanced to small and marginal farmers which was 43.46% of the total advancement. This percentage has dropped down as compared to the previous years because during 1991-92 there has been a much larger advancement under Farm Mechanisation.

The details of advancement to small and marginal farmers during the last 5 years is as below :

YEAR	TOTAL ADVANCEMENT	LOAN ADVANCED TO S.F.	% OF LOAN ADVANCED TO S.F. OUT OF THE TOTAL ADVANCEMENT
1987-88	2,709.77	1,673.87	61.77
1988-89	2,921.64	1,878.67	64.30
1989-90	2,818.96	1,557.77	55.26
1990-91	3,156.44	1,574.61	49.89
1991-92	4,652.51	2,208.16	47.46

2. **DEBENTURE FLOATATION**

R.S.L.D. Bank is raising financial resources by way of floatation of two types of debentures - Ordinary Debentures and Special Development Debentures. In case, NABARD is the largest contributor and the Government of India and the State Government invest on matching basis as per the approved ratio of various types of loaning.

During the year 1991-92, the Bank floated debentures worth Rs. 4,587.38 lacs which was 109.38% of the target of 4,194.00 lacs allotted by NABARD. The debenture floatation made during 1991-92 was 44.15% more than the floatation made during 1990-91.

The progress of debenture floatation made by the bank during the last 5 years is as under :

YEAR	TARGETS	ACHIEVEMENT	% OF ACH.
1987-88	2,750.00	2,540.67	93.28
1988-89	3,050.00	2,500.00	81.97
1989-90	3,226.00	3,362.00	104.22
1990-91	2,989.00	3,164.60	106.00
1991-92	4,194.00	4,587.38	109.38

### 3. RECOVERY

The position of recovery during last 5 years at the level of PLDB has been erratic. From 44.19% in the year 1987-88 it dipped to 17.63% in the year 1989-90 on account of the announcement of A.R.D.R. In the year 1990-91, it touched a high of 59.54% due to the benefit received under the ARDR. The tentative recovery for the year 1991-92 is Rs. 53.51 of the total demand. There has been an improvement in cash recoveries as compared to last year. The comparative position is as under :-

YEAR	DEMAND	COLLECTION	OVERDUE	% OF ACH.
1987-88	4304.58	1902.16	2402.42	44.19
1988-89	6014.21	2658.39	3355.82	44.20
1989-90	7222.47	1273.37	5949.10	17.63
1990-91	10058.13	5988.61	4069.52	59.54
1991-92	8523.28	4560.51	3962.77	53.51

PROGRAMME FOR 1992-93

NABARD has allocated a lending programme of Rs. 4,795.00 lacs for 1992-93. Of which Rs. 4495.00 lacs is for schemes and the remaining 300.00 lacs is for normal lending.

It is pertinent to mention here that during the year 1992-93, 21 PLDBs are enjoying unrestricted lending eligibility (including Jaisalmer CCB which is looking after the long term operations in district Jaisalmer) while 12 PLDBs have been placed under restricted category.

The SLDB is pressing the PLDBs for the diversification of their loan portfolios. They have been issued directions to advance a minimum of 15% for diversified activities, 10% for Non-Farm Sector and 45% for Minor Irrigation, of their total lending eligibility.

The advancement at SLDB level upto 30.09.1992 has been to the tune of Rs. 1395.17 lacs.

Similarly, as on 30.09.1992, debentures worth Rs. 1,094.41 lacs have been floated.

The recovery campaign for 1992-93 has already commenced in the month of September 1992 and by the end of December 1992, 50% of the overdues are expected to be recovered. Moreover, as a bumper Rabi crop is expected because of the good monsoon, the percentage of recovery for the year 1992-93 is expected to be about 60%.

As is evident from the loan advancement figures indicated earlier, the RSCLDB is catering to the much needed investment credit needs of the farmers at the grass root level, through the various primary land development banks. It is making continuous efforts to make the farmers aware and adopt latest technical know-how in the field of water conservation and farm mechanisation and also making them use hybrid varieties of seeds. In an effort to bring about concerted economic upliftment of the rural people, the Bank has started laying emphasis on Own Farm Development schemes wherein all the investment credit needs of a farmer are met by the Bank.

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ANNEXURE - I

The The P.S. L. I. B. is playing a key role in providing a state to the co-operative movement in the state of Rajasthan by participating in the training and education of employees of the primary cooperative banks and providing the staff.

The P.S. L. I. B. has established its own training centres, being run with the help of National Bank and other financial institutions of the state for the benefit of the primary cooperative banks.

The P.S. L. I. B. is also participating in the middle class and junior level staff of the P.S. L. I. B. the various officers of the cooperative banks and providing seminars and seminars also organized by the P.S. L. I. B. for the P.S. L. I. B. and senior officials of the P.S. L. I. B.

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Man-power is also provided by the P.S. L. I. B. for the P.S. L. I. B. and other financial institutions of the state.

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**TRAINING AND GUIDANCE**

The R.S.L.D.B. is playing a key role in providing a boost to the co-operative movement in the state of Rajasthan by imparting training to all cadres of employees of the Primary Land Development Banks, including its own staff.

The junior level staff training centre, is being run with the help of the National Bank and under the guidance of Bankers Institute of Rural Development, Lucknow.

The JLTC imparts training to the middle and junior level staff of the PLDBS in the various spheres of cooperative banking. Special workshops and seminars are also organised for the Chief Executives of the PLDBS and senior officers of the SLDB.

The R.S.L.D.B. undertakes formulation of various schemes for the P.L.D.B.S. by sending its officers for an on the spot appraisal of the projects. It guides the PLDBS on the various technical problems faced by them in the implementation of the various schemes and also undertakes continuous monitoring and evaluation of the on-going projects which enables the PLDBS to implement the projects in a better way.

Man-power assistance is also provided to the PLDBS by the SLDB for assistance in recovery of dues.

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ACTIVITIES OF NAFED

NATIONAL AGRICULTURAL COOPERATIVE  
MARKETING FEDERATION OF INDIA LTD.

NEW DELHI - 110 014.

## ACTIVITIES OF NATIONAL AGRICULTURAL COOPERATIVE

### MARKETING FEDERATION OF INDIA LTD. (NAFED).

National Agricultural Co-operative Marketing Federation of India Ltd. popularly known as "NAFED" was set up on 2nd October, 1958. It is owned and run by the farmers through primary marketing co-operatives numbering 5923 and 29 State Co-operative marketing federations.

Nafed promotes co-operative marketing of agricultural produce for the benefit of farmers through its 4 Regional Offices and 34 Branches located in the State Capitals and other important cities.

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 mission 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 co-operative 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 co-operative marketing system, in co-ordination with 29 State level Marketing Federations, 16 State level Commodity Marketing Federations, eight State level Tribal Co-operative

Development Corporations/Federations, 172 District and Regional Marketing Societies and 5923 General Purpose Special Commodity Marketing Societies. This network of primary co-operative 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 co-operative handle agricultural produce worth over Rs.40,000 million.

#### MANAGEMENT

The management of NAFED vests in the Board of Directors, elected from among the representatives of State Co-operative Marketing Federations and other member societies. Three representatives of the Government of India and one each of National Co-operative Union of India (NCUI), National Co-operative Development Corporation (NCDC), Bharat Krishak Samaj ( BKS ) and state Bank Of india (SBI) are also on its Board of Directors.

#### A I M S

NAFED aims at promoting co-operative marketing for ensuring that:

- (i) **The** farmer gets ready market and remunerative prices for his surplus produce and is motivated to increase output.

- (ii) the price spread between the producer and the consumer is reduced; and
- (iii) the internal and foreign marketing channels for agricultural, forest, tribal and allied produce are built up through trading co-operatives on a long-term basis.

#### 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) Development co-operative 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 co-operative marketing societies which are the farmers own organisations. NAFED gives preference to the co-operatives, public sector organisations and State agencies while disposing of agricultural commodities.

### Foreign Trade

Export of agricultural commodities through the co-operative marketing system has been developed on a large scale after the establishment of NAFED. For regulating the export of commodities grown in various State, 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, ~~gum~~, karaya.
- iii) De-oiled cakes of groundnut, cotton & Soyabean.
- iv) Fresh and processed fruits and vegetables.
- v) Black pepper, ~~cardamom~~, 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 earning 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 co-operative organisation. Onion export has increased considerably after canalisation. Exports of groundnut, soyabean and cottonseed extraction meal; produced by co-operative processing unit are likely to increase substantially following the increasing participation of co-operatives in extending prices support for oilseeds, and also as a result of expansion of oilseeds processing capacity in the co-operative sector.

### Imports

NAFED's imports comprised chicory seeds (on behalf of co-operatives 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 manufactures and human beings. Accordingly, NAFED imported about 75000 MTs 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 sunflower seed 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 percent 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

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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.

### STORAGE

NAFED has set-up conventional as well as modern storage - cum-grading units for onions in Maharashtra, Tamilnadu, Karnataka and Andhra Pradesh and a ware house-cum-cold storage and Ice factory in Delhi.

### CONSUMER DISTRIBUTION

In times of scarcity NAFED tries to protect consumer interest by undertaking distribution of onion, potato, eggs, pulses, edible oils etc.

### 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.

### 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 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. NAFED has also sponsored Indian Tourism Cooperative Ltd. (Cooptour) to promote tourism through cooperatives.

### Turnover

Against business target of Rs.301.89 crores fixed for the year 1991-92, a turnover of the order of Rs.479.31 crores was recorded. This was nearly 25 percent higher than the turnover of Rs.384.91 crores achieved during the previous year 1990-91. Target for 1992-93 has been fixed at Rs.450.25 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

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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

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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 :-

(Million tonnes)

Crop	Base level	Target for VII Five Yr. Plan end (1989-90)	Target for VIII Five Yr. 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 supressing 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 percent. 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 established 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 percent 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 be 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, HPS 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 propagation 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 weighment 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.

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SEVENTH ICA/JAPAN TRAINING COURSE

ON

MANAGEMENT OF AGRICULTURAL COOPERATIVES

IN ASIA

(NOVEMBER '9, 1992 TO MAY '7, 1993)

CASE STUDY

ON

THE GUJARAT STATE COOPERATIVE MARKETING

FEDERATION LIMITED (GUJCOMASOL)

PREPARED BY :

SUBHASH SINGH

BRANCH MANAGER

NATIONAL AGRICULTURAL COOPERATIVE MARKETING

FEDERATION OF INDIA LTD (NAFED)

AHMEDABAD (GUJARAT)

INDIA.

The Gujarat State came into existence as a result of the bifurcation of the erstwhile bilingual Bombay State into Gujarat and Maharashtra on 1st May, 1960. The State of Gujarat consists of 19 districts into 184 Talukas and 19,000 villages. Its area is 1,95,984 sq.kms with total population of 3.41 crores (1981) of which rural population is 2.36 crores. The literacy percentage is 43.70. The density of population is 174 persons per sq.km.

Gujarat State Cooperative Marketing Federation Ltd, which is popularly known as "GUJCOMASOL" was registered under the Bombay Cooperative Societies Act' 1925, on 19.04.1960. Originally the name registered was as "Gujarat State Cooperative Marketing Society Ltd., However, looking to the federal structure of the Organisation, the name was modified as "Gujarat State Cooperative Marketing Federation Limited, on 03.01.1976, as approved by the registrar Cooperative Societies Gujarat State.

The present authorised share capital of the Federation and State Government is Rs.10.00 Crores. Each share of Rs. 100/- and total share are 10,00,000. The yearwise detail of steady progress in the share capital structure is available at Annexure-1. A provisions for share capital are contained in bye-laws No.5 & 6. In addition to the share capital mentioned in bye-laws No.5, the Federation can issue shares to the State Government, subject to a maximum of Rs.500 lacs, on such terms and conditions as may be mutually agreed upon.

The membership is opened to Co-operative Societies. There are 'A' class and 'B' class nominal membership. 'A' Class members have voting rights and participation in the management of the Federation. 'B' Class members have no such rights but only business relations. Bye-laws nos. 9 to 11 (B) contain the provision for membership.

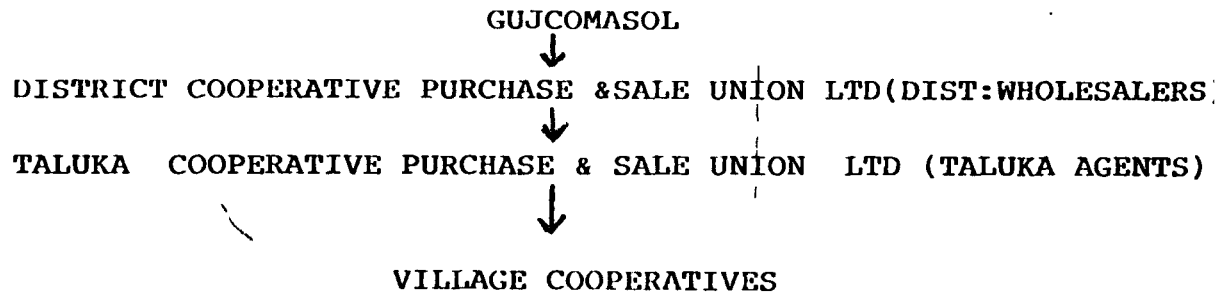
The management of Gujcomasol vests in the Board of Director. Usually there shall be One Director from each Revenue District, provided that there are at least 5 societies from one district as members/Federation. Gujarat State Co-operative Bank Ltd., is empowered to nominate one member on the Board. There shall be one representative for the various districts central Co-operative Banks in the State. The Registrar, Co-operative Societies and 2 representatives of State Govt. shall be on the Board. Two persons with marketing skill also are to be coopted on the Board. Besides this one representative from Gujarat State Co-operative Oil Industries, Ltd; also will be on the Board.

The elected Directors shall hold Office for a period of 3 years and at the end of every 3rd year of their office, they shall retire by rotation in such a way that one-third of them retire every year.

The Chief Executive is the Administrative Head of this Organisation. He reports to the Chairman. The Chairman is answerable to the Board of Directors. In the Organisation structure, below Chief Executive, there are Managers, Dy.Managers, Asst. Managers, class-I, II and III Officers, clerical staff and sub-ordinate staff. Each department is headed normally by a Manager or Dy.Manager, who are directly reporting to the Chief Executive.

The Gujcomasol, adopted the policy of distribution of fertilizer through co-operatives only. In 1961, Gujcomasol was appointed as sole distributors for pool fertilizers. The Gujcomasol is sole distributor for IFFCO, KRIBHCO fertilizers. The yearwise details of quantity of fertilizers distributed by the federation for the last 7 years are available at Annexure-II. The distribution

channel is exclusively through Co-operative Societies as under :



The federation has thus a pyramid type of set-up with primary societies at the village level which form the broad base. There are nearly 5100 societies holding registration certifications for distribution of fertilisers in the State.

According to an estimate the country is loosing crops worth Rs. 1400 crores annually due to lack of pesticides. Viewing the magnitude of this problem in the right earnest, the Federation is going ahead with its programme of formulation and marketing of various kinds of pesticides under the brand name "GUJCOMASOL". Besides the formulations produced by the federation it had sold other popular brands as well in past. The details of value of various pesticides sold by the Federation during the last 7 years are available at Annexure-III.

The Govt. of Gujarat entrusted the work of production and sale of Hybrid seed to the Federation in the Year 1967.

This work is being carried out by the federation satisfactorily. There is always a great demand for "GUJCOMASOL" brand seeds in the State among the farmers.

The Federation, has also a well equipped and most modern laboratory for producing bacterial culture useful for various crops. From **this** laboratory Bio-Fertilizer are produced.

The Federation is engaged in procurement, processing and marketing of various agriculture produces such as Food grains, paddy, pulses, Groundnut, Castor, rape/Mustardseed, Spices, Sesameseed, Cotton seed, Cotton, Onion, Garlic etc. on a massive scale. The federation has set-up its own small, medium and large sized agro processing plants, numbering total 8 during the short span of 5 years. Manufacturing and processing activities of the federation is increasing manifold every year and it is playing a pivotal role at present. This has largely benefited the growers in obtaining remunerative price for their produce and the consumers getting standard quality products at reasonable price. The yearwise quantum of agro processing of various commodities handled by the Federation during the last 7 years are available at Annexure-IV.

#### MODERN GROUNDNUT PROCESSING COMPLEX :

The Federation has set-up very modern and large capacity Groundnut Oil complex, One of the very few in the organised co-operative sector. The complex was set-up initially with oil mill and other infra-structure of 100 TPD capacity during 1978. Subsequently this unit was expended in phases and by 1983 it has become a large size complex with the following installed capacity.



- 'A' : 150 TPD Oil Mill capacity (3000 tons/day).
- B. : 10,000 MTS Storage capacity 'MUSKOGI' Type Mechanised Bulk storage silo for storage of Groundnut Pods.
- C. : 100 TPD- Continuous Type Solvent Extraction Plant.
- D. : 15 TPD - Continuous type Vegetable Oil Refinery.

The entire complex is full commercial production since 1982-83. The Groundnut Oil is largely consumed in Ahmedabad and other cities of the State, whereas refined G.N. Oil is sold mainly in North Indian market. GN.Extractions (de-oiled cake) are largely exported to countries like Russia, Poland, Czechoslovakia, Syria etc.

The complex has all the basis infra-structure like Office, Godowns, Factory Buildings, own water supply, Canteen, Guest House, Laboratory, workshop etc. It provides employment to more than 125 people.

#### INTEGRATED CASTORSEED PROCESSING COMPLEX :

The federation has a ginning unit comprising of 40 gins and a pressing machine wherein installed capacity of 10,000 FP ~~bales~~ ce per annum at Mehsana in North Gujarat.

In the same estate the Federation has set-up most modern integrated Castorseed processing complex under National Co-operative Development Corpn, New Delhi sponsored and financial assistance scheme. The complex is the first of its kind in the country in the co-operative sector.

The complex comprises of seed cleaning, mechanised seed bulk storage silo, Oil Mill and refinery and complete infra-structure of the Office Building, Godowns, Factory Building, Laboratory, Stores, Workshop store etc.

The installed capacity of the complex is as under :

- A) 25,000 MTS of Castorseed as Raw Material.
- B) 8,000 MTS BSS (British Standard Specification) Grade Refind Castor Oil.
- C) 2,000 MTS BP (British Pharmacopoes) Grade Refind Castor Oil (Pharmaceutical grade)
- D) 13,750 MTS Castor Cake as Bye-Products.
- E) 15,000 MTS Oil Cake processing S.E.Plant.
- F) 2,500 MTS Refinery

The complex has 100 TPD Oil Mill, 60 TPD continuous solvent plant, 50 TPD Refinery and facility to produce BP and BSS Grade Castor Oil, 2400 MTS Oil storage capacity, 6000 MTS Machanised silo godowns for seed storage and 4500 MTS silo godowns for storage of cakes.

**INTEGRATED RAPESEED PROCESSING UNIT :**

The Fedration has set-up and integrated Rapeseed Processing Complex at Unjha in the backword district of Mehsana. The complex is set-up under NCDC sponsored and financed scheme of 13 acres of land. This plant has gone into commercial production in 1986. The refind Rapeseed oil would be used as edible Oil like Groundnut Oil or Cottonseed oil etc.

**ISABGUL PROCESSING UNIT :**

Isabgul is one of the important crop of North Gujarat. In the whole world only 2 to 3 countries produce Isabgul and India is one of them. Isabgul Husk (PSYLLIUM HUSK) is popularly used as laxative and similar pharmaceuticals formulations. The bye-products 'Gola' (Seed) is used in cattle feed mixing plants as one of the ingredients, as it contains protein and fat both. The Isabgul husk has very good export market.

The Federation has set-up 12 TPD capacity Isabgul processing Unit at Unjha where Rapeseed complex is situated. The annual installed capacity of unit is 2400 MTS of Isabgul Seed as input and it can produce 600 MTS Isabgul husk and Gola of 1680 MTS.

**NAROL COMPLEX :**

At Narol, on the outskirts of Ahmedabad, Gujcomasol has mainly storage godowns for the storage of the various commodities such as Fertilizer, Seed, Food Grains etc., in the same estate it has 3 processing units, namely-Rice Mill, Pulse Mill and Pesticides Dust Formulation Plants. In fact Gujcomasol make a humble beginning with these processing units as a start in manufacturing activities. All the three units are working very well.

The Federation has its own 3 major oilseeds processing units and Rice Mill Pulse Mill in the state viz. Groundnut Oil Complex at Amreli, Castorseed Oil complex at Mehsana and Rapeseed Oil complex at Unjha. During the Oil seed seasons, federation makes purchases of Oil seeds through member co-operative societies and directly from the regulated market yards in the state. These Oil seeds are

processed in its own mills and the products are sold in the market. Edible Oil (GN.Oil) is sold both in packed in tins (15 KGS) as well as in bulk. So far tin packing of Rapeseed Oil is not started on commercial scale and as such the same is also sold in bulk. Castor Oil both Commercial and Medicinal grades are also produced and sold in bulk.

Besides these, Food grains, Pulses and coarse Grains are also being purchased for trading purposes. The federation is also processing some quantity of Paddy and pulses in its own units and the same is also sold in the market as well as through consumer stores. The turn-over in Foodgrains Oil and Oilseeds during the seven years periods from 1983-84 to 1990-91 is available annexure No.V.

The Federation is also doing exports of De-oiled Groundnut as well as Rape-seed cake. The export figures for the five years period beginning from 1983-84 are available at Annexure-VI.

The federation was awarded AICOSCA (All India Cotton seed Crushers Association Bombay) Rolling Trophy for highest export of cotton seed extractions during 1978-79. During the year (November 1987 to March 1989) about 12,000 MTS of G.N. Extractions and 2500 mts. Castor Oil worth Rs.6.70 crores was exported. The federation has received National Productivity Council Award for best utilisation of Co-operative processing Plants in the country for the year 1986-87 and 1989-90.

The Federation is actively engaged in imparting latest technological development in mechanised farming, and also undertakes rectification of pumps under the Energy Saving scheme of Government. Accordingly it maintain a full fledged agricultural machinery Deptt. for selling of Oil engines, electric motors, pump sets etc.

The Federation has a cotton Deptt. There is also a Cotton Ginning Pressing Factory of the federation own at Mehsana. Cotton is purchased from the growers and the market Yards in the Season and after ginning is done P/P cotton bales are produced and sold to cotton textile mills and cotton Corpn. of India. The figures shown the quantum of work done is cotton during the year from 1983-84 to 1990-91 are available at Annexure -VII.

With the expansion of the activities of the Federation, more and more storage centres, Godowns, processing units etc. began to be constructed in important centres throughout the state for looking after the development and maintenance of these estates, the Federation has full fledged civil engineering Deptt.

At present, the Federation has 99 storage godown with a total capacity of 1,03,150 MTS at various district centres in the state.

The Federation has full fledged accounts deptt. headed by a chartered Accountant. There are qualified Officers for maintaining proper accounts of all the operations/Federations. The federation is also maintaining a fixed deposit section. Fixed deposits are obtained from the individuals and co-operative on attractive interest terms.

Thereby, the Federation could obtain a revolving fund up-to Rs.6 crore. This arrangements made to tide over the Stringent financial situation faced by the Federation from time to time.

Inspite of these achievements, the Gujcomasol is facing some problems which require immediate remedial measures.

- (A) There is political interference in the internal management through appointing nominated committees, Directors and administrators who are not accountable to the general body of the members.
- (B) Generally few influential board members dominate the working of the Federation.
- (C) The competition with Private trade. Private trade evades taxes. The federation who make purchases at the mandi level pay taxes. The federations overheads exps. are more as compared to private traders/millers. These are important elements of costs. In Gujarat, purchase tax on oil seeds is levied @4%. Groundnut the price of which is around Rs.1000/- per qtl. is to bear a tax of Rs.40/- per qtl. It may be appropriate that state Govt. consider reducing taxes on Oilseeds in the long term interest.
- (D) There is lack of professional management. Though, several Managers and supervisory staff are working but so-far there is no man power planning, no defined personnel management policies. The Federation like Gujcomasol, necessarily need to be effeciently managed. Professional Managers need to be employed in the Federation.
- (E) Some of the processing units are not utilising their full capacity, resulting into financial losses.

ANNEXURE I

<u>Year</u>	<u>Share Capital (Rs.in lacs)</u>	
	<u>Authorised</u>	<u>Paid-up</u>
1960-61	25	8.59
1965-66	25	9.30
1970-71	200	87.60
1975-76	200	120.57
1980-81	1000	299.07
1985-86	1000	441.55
1988-89 (17 months)	1000	385.89
1989-90	1000	367.96
1990-91	1000	350.82

ANNEXURE -II

Fertilizers distributed

<u>Year</u>	<u>Qty (MT)</u>	<u>Value(Rs.Lacs).</u>
1983-84	8,23,427	19,089.79
1984-85 (16 Months)	10,21,486	22,995.75
1985-86 *	6,25,500	15,173.00
1986-87 *	5,65,374	14,397.00
1987-88-89 (17 months)	10,29,319	25,056.00
1989-90	7,98,011	22,678.00
1990-91	8,67,142	22,178.00

(\* Low sales are due to drought in Gujarat)

ANNEXURE - III

<u>Years</u>	<u>Rs.in lacs.</u>
1983-84	128.01
" 1984-85 (16 Months)	203.45
1985-86	132.26
1986-87	67.72
1987-88-89 (17 Months)	55 33
1989-90	273.33
1990-91	374.97

ANNEXURE - IV.

Sr. Commodity Processed in Own units.	84-85 MTS	85-86 MTS	86-87 MTS	87-88 MTS	88-89 MTS	89-90 MTS	90-91 MTS
1. Groundnut Pods	46,703	630	15,250	6,960	10,251	12,249	2,188
2. Cotton Seed	-	1,418	-	2,373	-	-	-
3. Castor Seed	13,792	5,429	10,275	15,275	13,004	12,318	12,741
4. Rape/Mustard Seed	513	2,290	7,695	11,089	13,149	13,833	9,603

ANNEXURE - V

<u>Year</u>	<u>Turnover (Rs.in crores).</u>
1983-84	78
1984-85 (16 Months)	79
1985-86	26 (Due to drought Sale are less)
1986-87	45 "
1987-88-89 (17 Months)	48 "
1989-90	43
1990-91	47

..13/-



ANNEXURE - VI :

<u>Year</u>	<u>Qty (In Tons)</u>	<u>Value (In crores).</u>
1983-84	24000 GN DOC	3.5
1984-85 (16 Months)	21000 "	3.0
1985-86	9000 "	-
1986-87	20000 "	-
1987-88-89 (17 Months)	12000 "	6.70
)		
)	2500 Castor Oil	

ANNEXURE -VII :

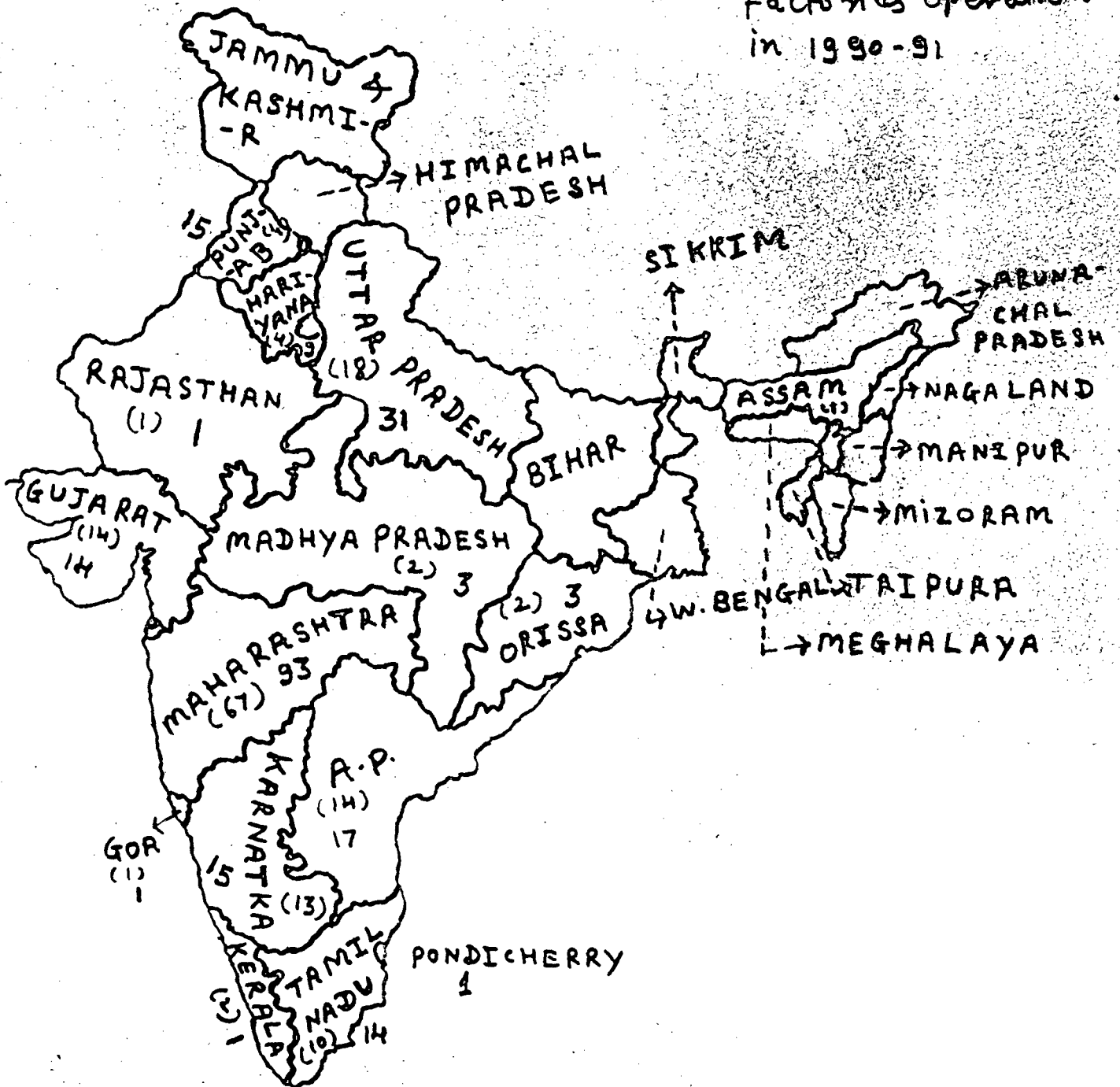
<u>Year</u>	<u>Turnover (Rs. in crores) :</u>
1983-84	2.5
1984-85 (16 months)	3.84
1985-86	2.39
1986-87	2.91
1987-88-89 (17 Months)	6.17
1989-90	2.87
1990-91	2.80

Table No 4

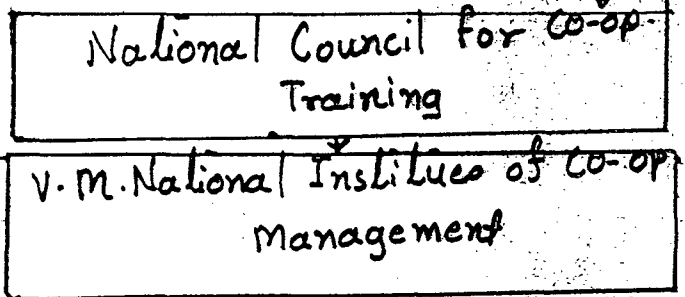
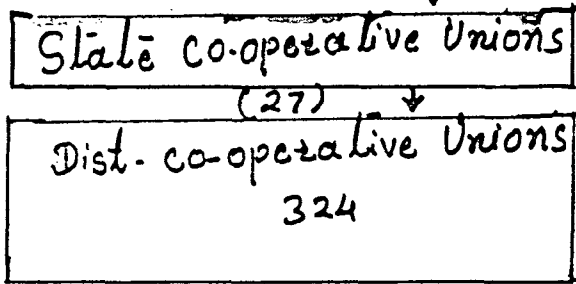
INDIA

( ) - Co-operative Sugar Factories operation in 1981-82

- Co-operative Sugar Factories operation in 1990-91



# National Cooperative Union of India



## Functions

### NCUI

- Cooperative Education and Training
- Inter-national Co-op. Relations
- Publicity, Publications

### National Council For Co-operative Training

- Formulate policies and plans
- Facilitate planning and designing
- Academic Guidance to Junior Training centre
- Liaison with Gov. Universities, RBI, NABARD, XDC, UGC and Inter-national Co-op. Organisation

### V.M.N.I co-op management

- Caters to Management Development
- Research and Consultancy
- Publications

### Co-operative Training college

- Caters to the management/development training of middle level co-operative Personnel

### State Co-op Union

- Co-op. Education and Training
- Promote Inter-co-operative Relationship
- Publicity and Publication

### Union Training Centre

- Arrange Training of Junior level co-op. personnel
- District Co-op Union
- Guide and assist in organising Co-operatives
- Undertake education and training Activities

# SHARE OF COOPERATIVES IN NATIONAL ECONOMY

AGRICULTURE CREDIT DISBURSED	42.3 %
FERTILISER DISTRIBUTED	34 %
SUGAR PRODUCED	60 %
SPINDLE GGE	11 %
COTTON GINNING & PRESSING	12 %
HAND LOOMS IN COOPS	58 %
FABRICS PRODUCTION	20.36 %
AGRICULTURE PRODUCE MARKETED (FOOD GRAINS SUGAR CANE & COTTON)	75 %
WHEAT PROCLUREMENT	24.3 %
JUTE PROCLUREMENT	37 %
FISHERMENS IN COOPERATIVES	11 %
POWER LOOMS IN COOPS	5 %
RURAL FAIR PRICE SHOPS	28 %
VILLAGES COVERED UNDER COOPERATIVES	98 %
MEMBERSHIP IN COOPS	156 million
NUMBER OF COOPS	0.353 million

# COOPS AT A GLANCE INDIA 1990

SHARE CAPITAL	57413.8 Millions Rs.
WORKING CAPITAL	709209 Millions Rs.
NO. OF NATIONAL COOP. ORGANISATIONS	20
NO. OF STATE LEVEL ORGANISATIONS	260
NO. OF DISTT. COOP. ORGANISATIONS	2267
SHORT TERM & CREDIT MEDIUM TERM	47887. Millions Rs.
LONG TERM CREDIT	7407. Millions Rs.
NO. OF HOUSEHOLD COVERED	65%.
NUMBER OF PACS	88,341
Govt. Participation per PACS SHARE	22333 Rs.
LOAN ADVANCED PER PACS	5,42,000
% OF BORROWERS PER PACS	30% (289)
PACS WITH GODOWN	55%.
PACS WITH FULL TIME SECRETARY	71%.
PACS SHARE IN CONSUMER	48%.
PACS SELLING FERTILISER	50%.
MEMBERSHIP PER PACS	920
TOTAL POPULATION PER PACS	5698

# COOPERATIVE CREDIT STRUCTURE

PRODUCTION CREDIT

NATIONAL FEDERATION OF STATE COOPERATIVE BANKS 1

STATE COOPERATIVE BANKS 28

DISTT. COOPERATIVE BANKS C.C.B. 352

PRIMARY AGRICULTURAL  
COOPERATIVE SOCIETIES

PACS

FARMERS SERVICE  
COOPERATIVE SOCIETIES

F.S.S.

LARGE SIZED MULTIPUR-  
POSE COOPERATIVE  
SOCIETIES

LAMPS

MEMBERS:

## MAIN FUNCTIONS OF PACS

1. PRODUCTION CREDIT TO MEMBERS
  2. AGRICULTURAL INPUTS, IMPLEMENTS
  3. STORAGE & MARKETING OF AGRICULTURAL PRODUCE
  4. CONSUMER GOODS & ESSENTIAL COMMODITIES TO MEMBER
  5. NON FARM CREDIT
- C.C. BANK (DIST COOP BANK)

1. CREDIT TO PRIMARY SOCIETIES
  2. WORKING CAPITAL TO AGRO PROCESSING UNITS
  3. BANKING FACILITIES TO PUBLIC
- STATE COOPERATIVE BANKS
1. COORDINATE CREDIT POLICIES
  2. CREDIT TO DISTT. COOP. BANKS.
  3. WORKING CAPITAL TO APEX SOCIETIES
  4. TRAINING, SUPERVISION & GUIDANCE IN AGRICULTURAL CREDIT

## NATIONAL FEDERATION OF STATE COOP. BANKS

1. RESEARCH, PUBLICATION AND CONSULTANCY ON COOPERATIVE CREDIT,
2. LAISON WITH GOVT. RESERVE BANK, AND NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT AND OTHER NATIONAL ORGANISATIONS ON MATTER RELATING TO AGRICULTURE CREDIT

NA BARD REFINANCES STATE COOP. BANKS

## INVESTMENT CREDIT

NATIONAL COOPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANKS' FEDERATION 1.

STATE LAND DEVELOPMENT BANKS 20

PRIMARY LAND DEV. BANKS.  
BRANCHES OF STATE LAND DEVELOPMENT BANKS 717

MEMBERSHIP

### MAIN FUNCTIONS

S.L.D.B. STATE LAND DEVELOPMENT BANKS  
OR ALSO CALLED  
STATE AGRICULTURE & RURAL DEVELOPMENT BANKS.

1. COORDINATE LONG TERM CREDIT POLICIES
2. FLOAT DEBENTURES
3. CREDIT TO PLDBS
4. SUPERVISE & GUIDE P.L.D.B. OR PRIMARY LAND DEVELOPMENT BANK
5. LIASON WITH GOVT., NABARD, SBI, LIC & OTHER P.L.D.B.'S.

1. INVESTMENT CREDIT TO MEMBERS.
2. CREDIT FOR NON FARM ACTIVITIES

### NATIONAL COOPERATIVE AGRICULTURE & RURAL DEV. BANK FED

1. PUBLICATION, GUIDANCE, CONSULTANCY OF INVESTMENT CREDIT
2. LIASON WITH ~~THE~~ GOVT., PLANNING COMMISSION R.B.I. COMMERCIAL BANKS, COOPERATIVE BANKS BANK OF INDIA LIC AND OTHER CONCERNED ON MATTERS RELATED TO LONG TERM CREDIT.

The Progressive business turnover of the Cooperative marketing Societies for the Past 13 years is as under:

YEAR	(Rs. in Million)	YEAR	(Rs. in Million)
1978-79	17970	1985-86	41335
1979-80	18000	1986-87	40138
1980-81	19500	1987-88	54160
1981-82	21000	1988-89	—
1982-83	23178	1989-90	62000
1983-84	25664	1990-91	70000
1984-85	30322		



# LINKAGE EFFECTS OF THE SUGAR FACTORY

(1)

## BACKWARD LINKAGE EFFECTS

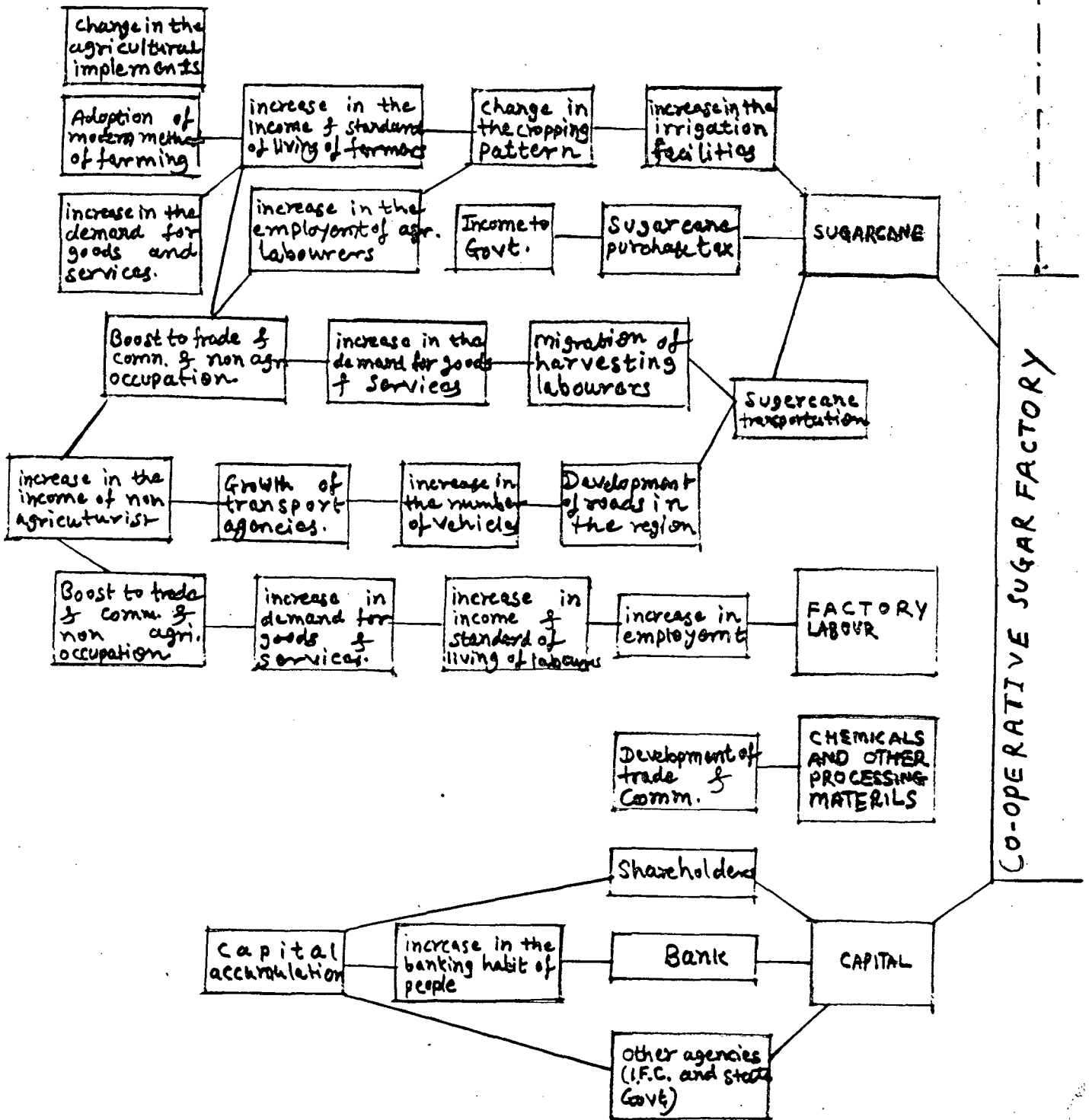


Table No. 7  
LINKAGE EFFECTS OF THE SUGAR FACTORY

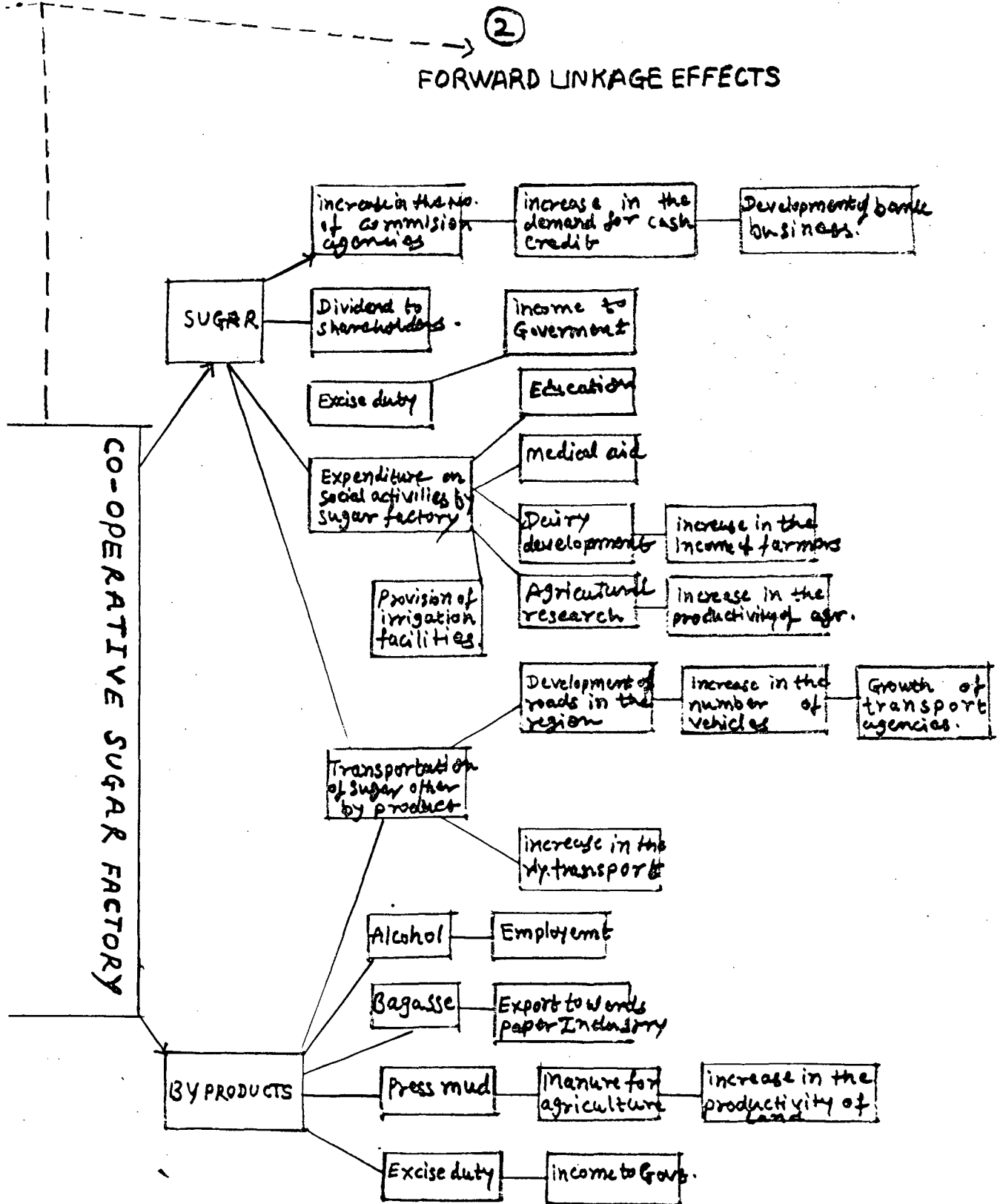
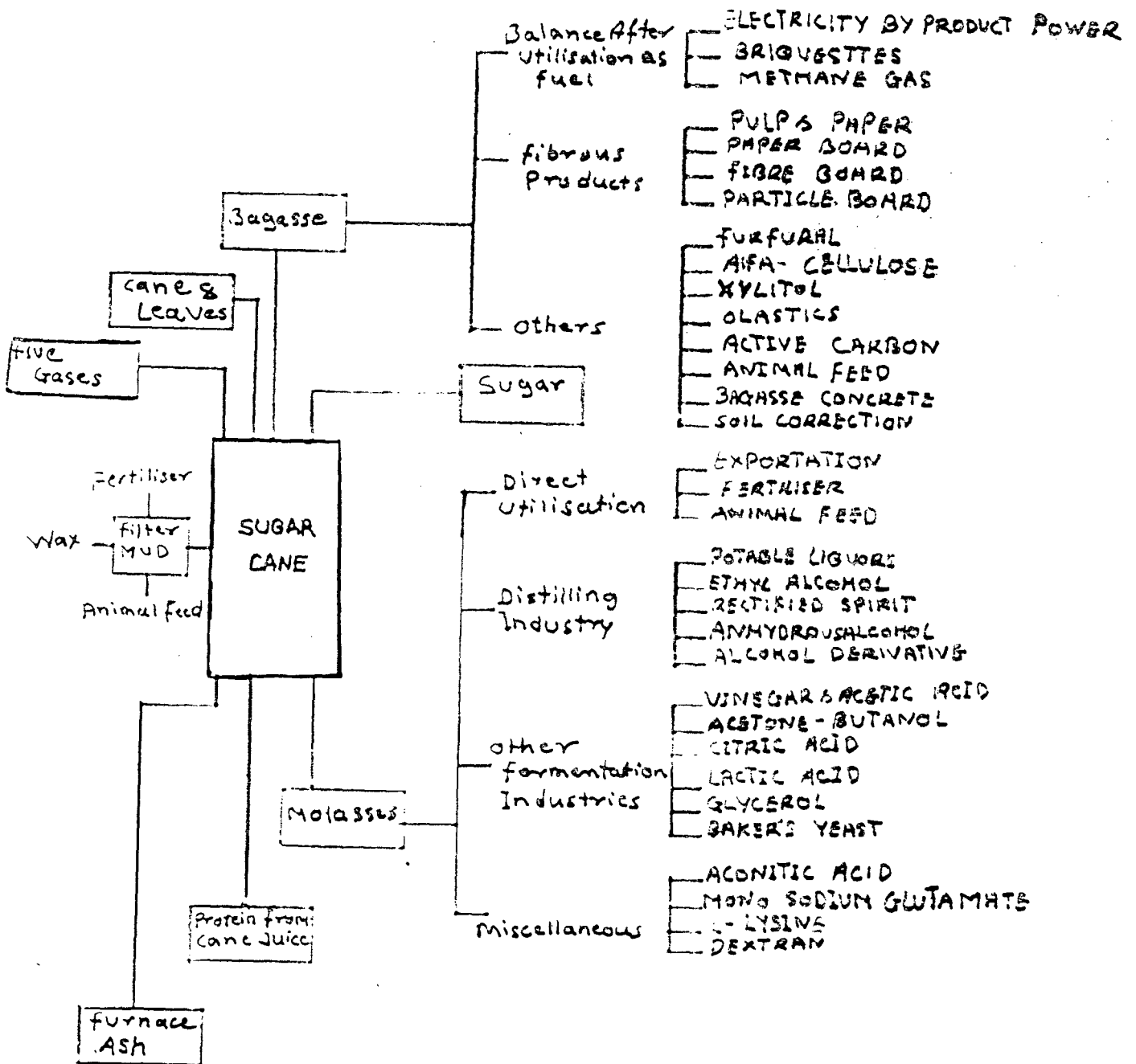


Table No-8

# SUGAR INDUSTRY BY-PRODUCTS



ORGANISATIONAL

NET WORK OF S.L.D.B.S. 1982

NAME OF BANK	NO. OF BRANCHES OF SLDB OR CLDB	NO OF PRIMARY BANKS	NO. OF BRANCHES OF PLDB SUBBANKS	TOTAL	SUPERVISORY UNITS R.O.
ANDHRA PRADESH	485	0	0	485	25
ASSAM	0	21	0	21	9
BIHAR	187	0	0	187	52
GUJARAT	181	0	0	181	20
HARYANA	0	75	0	75	16
HIMACHAL PRADESH	17	1	5	23	0
JAMMU & KASHMIR	33	0	0	33	6
KARNATAKA	0	177	0	177	19
KERALA	0	42	49	91	12
MADHYA PRADESH	0	45	439	484	9
MAHARASHTRA	302	0	0	302	35
ORISSA	0	56	0	56	12
PONDICHERY	1	0	0	1	1
PUNJAB	0	53	0	53	12
RAJASTHAN	0	33	116	149	7
TAMIL NADU	0	181	3	184	18
TRIPURA	3	0	0	3	0
UTTAR PRADESH	276	0	0	276	67
WEST BENGAL	2	24	24	50	0

1407 70849 636 2831 320

1990/ LONG TERM CREDIT SECTOR INVESTMENT

PLDB	NO OF PLDB	717
	MEMBERSHIP OF PLDB	068
	DEPOSITS	134.9 million
	RESERVE	634.9 million
	Working Capital	21926 m. Rs.
	Loans advanced	2787.8 m. Rs.
	SLDB	NO OF SLDB
MEMBERSHIP		11.43 million
SHARE CAPITAL		2697.1 <del>1143</del> m. Rs.
RESERVES		<del>3836</del> 355.4 m.
Working Capital		47929 m. Rs.
Loan Advanced		7407.2
% OF OVER DUES to Dem and		73.7%
% Govt Participation share		27.3%
Deposit		355.4

1990-91 LONG TERM Investment Credit  
 LOANS OUTSTANDING RS. IN LAKHS

<u>FARM SECTOR</u>	<u>NON FARM SECTOR</u>	<u>MLDC Scheme</u>	<u>RURAL HOUSING</u>
69350.21	327572.25	5509.08	4485

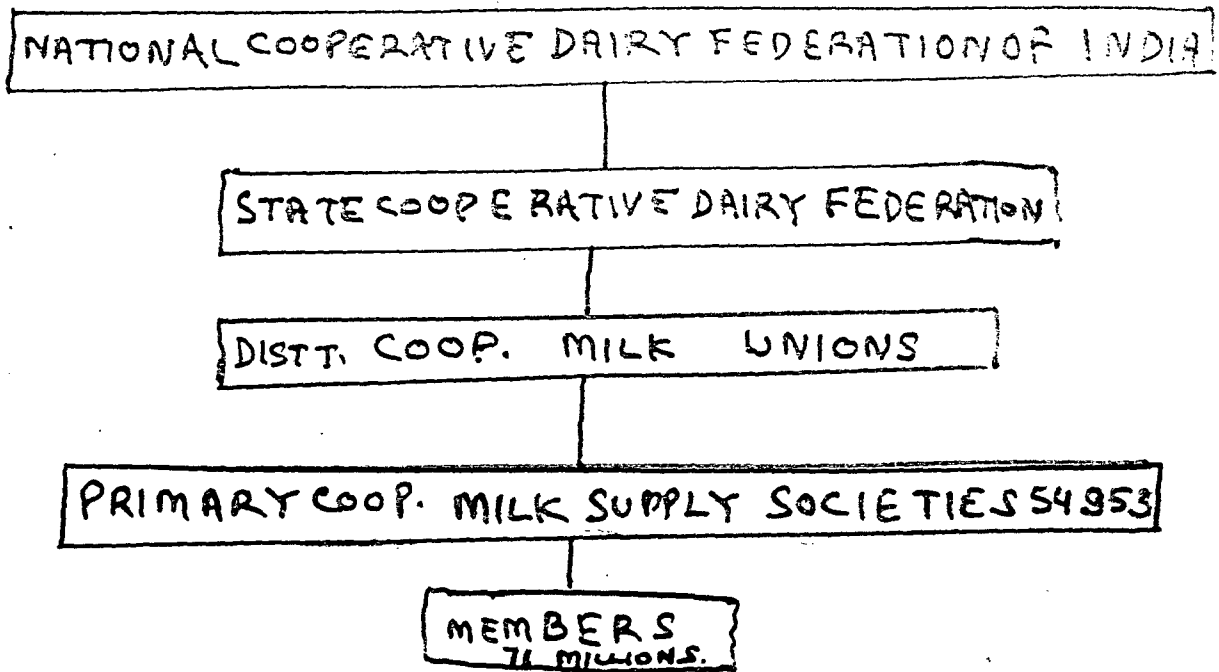
M.I.R.S.  
 28959.03 lakhs

F.M.S. 20327.43

PLANTATION & HORTICULTURE 4136.87

	ORDINARY	SCHEME
<u>DAIRY</u>	84.05	4576.45
POULTRY	101.79	2348.71
FISHERIES	34.42	1002.91
SHEEP/GOAT Rearing	29.85	707.81
GOBAR GAS BIO GAS	9.56	129.31
FARM HOUSES	1351.49	—
SERICULTURE	200.16	372.54
RURAL GODOWN MARKET YARDS	166.53	135.00
BULLOCKS BULLOCK CARTS	104.91	1356.18
WASTE LAND DEV LOANMENT	—	184.65
LOANS TO WEAKER	1117.69 +	5966.64

# DAIRY COOPERATIVES



## FUNCTIONS OF PRIMARY SOCIETIES.

1. Help members to increase milk production
2. Sale quality cattle feed
3. Collection and sale of milk to milk unions.
4. Provide veterinary services

## DISTT. MILK UNIONS

- (i) collect milk from primaries
- (ii) Marketing milk & milk products
- (iii) Distribution of cattle feed
- (iv) Chilling plant & processing services
- (v) Arrange veterinary service
- (vi)

- State Federation
- (i) marketing whole milk  
Toned milk & milk products
  - (ii) Training & consultancy to  
Distt & Primary societies
  - (iii) arrange vet. services
  - (iv) Cattle seed sale

National Dairy Development Board - coordination ~~Board~~ etc

## HOUSING COOPERATIVES

↓  
NATIONAL COOPERATIVE HOUSING FEDERATION (1)

↓  
STATE COOPERATIVE HOUSING FINANCE  
SOCIETIES/FEDERATIONS (2)

↓  
PRIMARY COOPERATIVE HOUSE  
BUILDING/GROUP HOUSING SOCIETIES (6000)

↓  
MEMBERS (40 million)

### MAIN FUNCTIONS

#### National Cooperative Housing Federation

- Coordinate and Guide members in Planning and construction of houses.
- Procure and supply building materials.
- Publications.
- Liaison with Government and other Agencies on matters related to Housing Cooperatives.

#### State Cooperative Housing Finance Society/Federation

- Arrange funds from Government and other Financing Agencies and advance to Member society.
- Assess, procure, manufacture building materials and supply to society.
- Guide and assist in technical, financial and legal matters.

#### Primary Cooperative House Building/Group Housing Societies

- Secure land, develop it.
- Get financial assistance from various financing agencies.
- Construct, allot and manage houses.



## FISHERIES COOPERATIVES

↓  
NATIONAL FEDERATION OF FISHERMENS' COOPERATIVE LTD

↓  
STATE FEDERATIONS OF FISHERMENS' COOPS (15)

↓  
CENTRAL FISHERMENS COOP. SOCIETIES (52)

↓  
PRIMARY FISHERIES COOP. SOCIETIES 8462

↓  
MEMBERS (00.93 millions)

## MAIN FUNCTIONS

↓  
NATIONAL FEDERATION OF FISHERMENS COOPERATIVES

- ARRANGE SUPPLY OF FISHERIES INPUTS AND EQUIPMENTS
- TRANSFER TECHNOLOGY TO FISHERMEN THROUGH COOPERATIVES
- ASSURANCE COVER TO FISHERMEN
- PROCURE POND/LAKE ON LEASE BASIS FOR DEVELOPMENT OF FISH BREED AND SALE OF FISH AT REASONABLE PRICE
- PUBLICATIONS
- LIAISON WITH GOVT. NCDC, NAAB AND COOPERATIVE INSTITUTIONS

↓  
STATE FEDERATION OF FISHERMENS COOPERATIVES

- PROMOTE AND DEVELOPE FISHERIES COOPERATIVES IN THE STATE
- RAISE CAPITAL THROUGH SHARES, DEPOSITS AND BORROWINGS
- PROCURE AND DISTRIBUTION OF REQUIRED FISHERY INPUTS & EQUIPMENTS
- MARKETING OF FISH AT REASONABLE RATES
- UNDERTAKE PROCESSING ACTIVITIES AND EXPORT OF FISH PRODUCTS
- TECHNICAL GUIDANCE
- LIAISON WITH STATE GOVT. NCDC, FISHCOFED, EFDA, COOPERATIVE BANKS, AND OTHER CONCERNED AGENCIES.

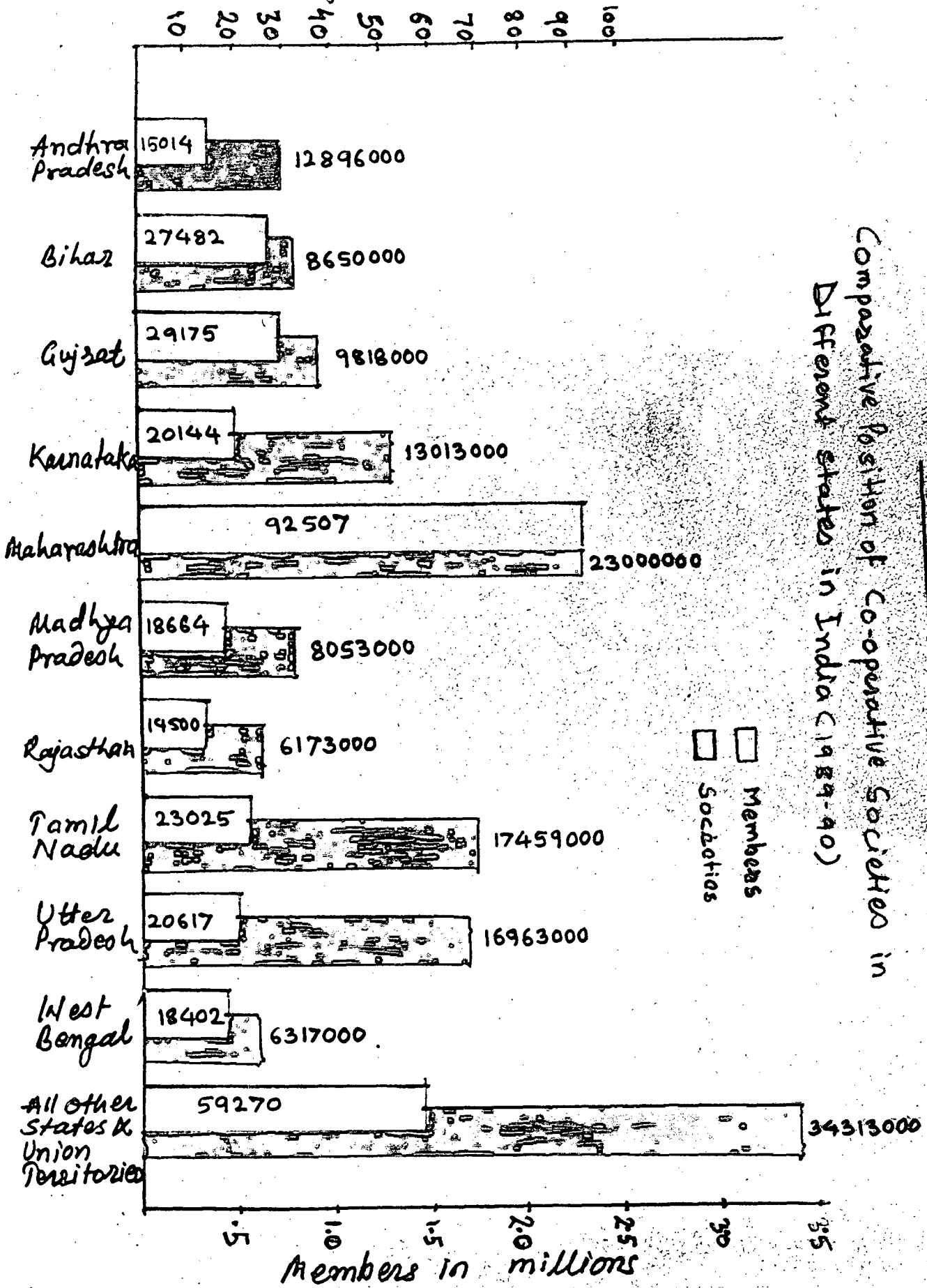
↓  
PRIMARY FISHERIES COOPERATIVES

- MOTIVATE FISHERMEN TO ORGANISE COOPERATIVES
- PROCURE FISH FROM MEMBERS AND PROVIDE COMPLETE INFRASTRUCTURE FOR
- PROVIDE FISH SEED NET AND OTHER
- ARRANGE TECHNICAL GUIDE FOR MEMBER.

Table No 2  
Comparative Position of Co-operative Societies in Different States in India (1989-90)

State	No. of Societies				Membership (000)			Paid up capital (Lakhs)			Working capital (Lakhs)				
	All Credit Societies	All non-credit Societies	Total Societies	All credit Societies	All non-credit Societies	Total Societies	All credit Societies	All non-credit Societies	Total Societies	All Credit Societies	All non-credit Societies	Total Societies	All Credit Societies	All non-credit Societies	Total Societies
1.	2	3	4	5	6	7	8	9	10	11	12	13			
Maharashtra	28028	64479	92507	15685	7315	23000	88400	49325	137725	1312170	358800	1670970			
Andhra Pradesh	7467	7547	15014	11729	1167	12896	19952	4823	24775	287050	19505	306555			
West Bengal	10857	7545	18402	5315	1002	6317	10608	7948	18556	139416	17478	156894			
Uttar Pradesh	10287	10330	20617	14731	2232	16963	28487	4690	33177	424222	47003	471225			
Gujarat	10203	18972	29175	6135	3683	9818	28070	10188	38258	557456	154943	712399			
Karnataka	6709	13435	20144	8756	4257	13013	22661	18395	41056	310860	76878	387738			
Bihar	7623	19859	27482	7124	1526	8650	16685	4937	23622	192164	16831	208995			
Tamil Nadu	6610	16415	23025	11682	5777	17459	25495	18671	44166	409904	51491	461395			
Madhya Pradesh	6568	12096	18664	6679	1374	8053	22112	12429	34541	923840	77493	401333			
Rajasthan	6124	8376	14500	5392	783	6173	15433	5889	21322	184233	25492	209725			
All other States/ Union Territories	19098	40172	59270	22497	11816	34313	55778	51262	107040	104932	177792	1227224			
India	119574	219226	338800	115725	40932	156657	335681	188559	524238	5190747	1023706	621495			

# No. of Co-op. Societies in thousands



Comparative Position of Co-operative Societies in Different States in India (1989-90)

3-01 91/01

□ Societies  
□ Members



Regional Office for  
Asia & the Pacific

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

NOVEMBER 9, 1992 TO MAY 8, 1993

POINTS FOR GROUP DISCUSSION ON 10.11.92

COUNTRY BACKGROUND PAPER ON INDIA

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 the 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.

10.11.92

Group. I

INDIA

## Cooperative Movement in India

### ① Characteristics

- (1) The Cooperative movement in the country is largely rural based.
- (2) It supports the agricultural production.
- (3) Cooperative activities flow increasingly to weaker sections, including scheduled castes and scheduled Tribes.
- (4) Apex Cooperatives such as ~~NCU~~ NCU and NABARD are playing the major role of Cooperative development ~~penisi~~ trusted to the grassroot level.
- (5) LAMPS are organized mainly for the benefit of Tribals.
- (6) Women Cooperatives have largely been organized in the areas of handicrafts and Cottage Industries.
- (7) Cooperative Societies are engaged in financing, processing and marketing effectively.

### 2) Positive factors

- (1) Short-term and long-term agricultural credit is provided. <sup>as inputs</sup>
- (2) Provision of comprehensive services for strengthening agricultural economy bringing farmer technology nearer to the farmer.
- (3) Minor irrigation projects are being taken by Cooperatives.
- (4) Marketing coops provides support price to secure better prices to the farmers.

### 2.2 Negative factors

- (1) Cooperatives are not capable of competing with private and public sector in rural <sup>credit</sup> Marketing.
- (2) Interference of politicians in cooperative movement for the narrow vested interest.
- (3) Restrictive and rigid cooperative law.
- (4) No proper planning in labour <sup>re</sup>employment recruitment.

India-

### (3) Suggestions

- (1) Reducing the dependence of the cooperatives on the Government and to mobilizing internal resources within cooperatives.
- (2) Rehabilitation and Modernization of Cooperative Ventures.

GROUP II

INDIA

10.11.92

Point - 1

- (A) THE COOPERATIVE MOVEMENT IN INDIA IS VERY STRONG. THERE ARE 3,50,000 CO-OPERATIVE SOCIETIES. TOTAL MEMBERSHIP IS 156 MILLION AND THE WORKING CAPITAL OF ABOUT RS. 550 BILLION.
- (B) THE CO-OPERATIVE SECTOR IN INDIA PROVIDE SUPPORT IN SHORT-TERM AND LONG TERM AGRICULTURAL CREDIT, SUPPLY OF AGRICULTURAL INPUTS, HARNESSING OF IRRIGATION POTENTIAL AND PROVISION OF PROCESSING AND MARKETING SUPPORT FOR ENSURING BETTER PRICE TO THE FARMERS FOR THEIR PRODUCE.
- (C) ~~THE~~ THERE IS VERY SOUND TRAINING STRUCTURE IN INDIA TO PROVIDE TRAINING TO ALL CO-OPERATIVE SECTORS.
- (D) THE AGRICULTURAL CO-OPERATIVE MOVEMENT IN INDIA STARTED PRINCIPALLY AS CO-OPERATIVE CREDIT MOVEMENT BUT SO FAR THERE IS NO UNIFORM SYSTEM DEVELOP THROUGH THE COUNTRY.
- (E) THERE IS VERY STRONG AGRICULTURAL CO-OPERATIVE MARKETING SYSTEM. ALMOST EVERY PRIMARY MARKETING CENTRE IN THE COUNTRY IS COVERED BY A CO-OPERATIVE MARKETING SOCIETY.



(F) CO-OPERATIVES ALSO UNDERTAKE THE PRICE SUPPORT OPERATIONS AS WELL AS MARKET INTERVENTION SCHEMES OF GOVT. OF INDIA.

(G) THE CO-OPERATIVE HAS DONE REMARKABLE WORK IN THE SECTOR OF DAIRY AND SUGAR.

(H) THE CO-OPERATIVES GENERATE THE EMPLOYMENT OPPORTUNITIES.

(I) THERE IS VERY EFFECTIVE CONSUMER DISTRIBUTION SYSTEM WHICH IMPROVE THE QUALITY OF LIFE OF THE PEOPLE.

## Point-2

- (A) THE CO-OPERATIVES ARE NOT CAPABLE OF COMPETING WITH PRIVATE AND PUBLIC SECTOR.
- (B) THERE IS NO MANPOWER PLANNING, NO DEFINED PERSONAL MANAGEMENT POLICIES. THERE IS LACK OF PROFESSIONAL MANAGEMENT.
- (C) THERE IS MUCH POLITICAL INTERFERENCE IN CO-OPERATIVES IN INDIA.
- (D) THOUGH THERE IS DEMOCRATIC SET-UP OF CO-OPERATIVES IN INDIA BUT REGISTRAR OF CO-OPERATIVE SOCIETIES ENJOYING VAST POWERS.
- (E) CONFUSION ABOUT THE ROLE OF COOPERATIVES.
- (F) THE CO-OPERATIVE LAW IN INDIA IS RESTRICTIVE AND RIGID. ~~TO~~ THE LAWS EMERGED AS AN INSTRUMENT OF CONTROL OF ALREADY POLITICIZED CO-OPERATIVES.
- (E) THERE IS NO ADEQUATE PLANNING FOR CO-OPERATIVES.

Point-3

- (1) REVITALISATION OF CO-OPERATIVE MOVEMENT through a PROCESSING OF BUILDING UP A ~~VIABLE~~ VIABLE LINKAGE BETWEEN PREHARVEST AGRICULTURAL ACTIVITIES AND THE POST HARVEST AGRICULTURAL ACTIVITIES.
- (2) THE INSTITUTION OF REGISTRAR SHOULD CONTINUE TO HAVE DEVELOPMENTAL FUNCTION AND STEPS SHOULD BE TAKEN TO DEPOLITICALISATION OF THE CO-OPERATIVE MOVEMENT.
- (3) THERE SHOULD BE ONE UNIFORM SYSTEM FOR PROVIDING AGRICULTURE CREDIT THROUGHOUT THE COUNTRY.
- (4) THE DEPENDENCE OF THE CO-OPERATIVES ON THE GOVERNMENT SHOULD BE REDUCED AND CO-OPERATIVES SHOULD MOBILISE INTERNAL RESOURCES.
- (5) THERE SHOULD BE MAN POWER PLANNING AND PERSONAL MANAGEMENT POLICIES DEFINED. FOR GETTING BETTER RESULTS THE CO-OPERATIVES SHOULD RUN BY THE PROFESSIONAL MANAGERS.

INDIAN COOPCHARACTERISTICS

- i) LARGE VARIETIES OF COOP.
- ii) PROVIDES A LARGE SPECTRUM TO INDIAN ECONOMY.
- iii) MULTI PURPOSE SOCIETIES AS WELL AS SINGLE PURPOSE EXPERTISE SOCIETIES ALSO EXIST.
- iv) GOVT. SPONSORED AND SUPPORTED PROGRAMME, ACTIVE PARTICIPATION BY THE GOVT.
- v) POTENTIAL CREDIT MOVEMENT.
- vi) RICH INSTITUTIONAL FRAME WORK DEVELOPED. TO PROVIDE BENEFIT FOR THE MEMBERS.
- vii) RIGID COOPERATIVE LAW i.e. BOARD CAN BE SUPERSEDED BY GOVT. OFFICER i.e. ADMINISTRATOR.
- viii) TRAINING FRAME WORK IS EXISTING.
- ix) NATIONAL COOPERATIVE FEDERATIONS PLAYING ROLE IN INTERNATIONAL TRADE AND GOOD GUIDANCE BUREAU FOR THE STATE FEDERATIONS.
- x) EFFICIENT FERTILIZER COOPERATIVES.
- xi) INTEGRATED APPROACH FOR DEVELOPMENT OF COOPERATIVES HAS BEEN ADOPTED.

NEGATIVE POINTS:-

- i) WEAK PRIMARY COOPERATIVE SOCIETIES.
- ii) ORIGIN OF SOCIETY THROUGH STATE EFFORTS STILL NOT PEOPLE'S MOVEMENT.
- iii) LOW PERCENTAGE OF BORROWING MEMBERS IN P.A.C.S.
- iv) LACK OF PROFESSIONAL MANAGEMENT TO ~~BE~~ COMPETE WITH PRIVATE SECTOR.
- v) DIFFERENT TYPES OF CREDIT ORGANISATIONS RATHER CONFUSING.
- vi) VIABLE SOCIETIES ARE NOT IN LARGE NO.
- vii) STATE INTERVENTION IS ALSO THERE.
- viii) RELUCTANT TOWARDS COOPERATIVE VALUES.
- ix) ADMINISTRATION SHOULD ALSO BE LOOKED AFTER BY PEOPLE CLOSELY (MEMBERS).
- x) INCREASING ESTABLISHMENT COST.
- xi) POLITICISATION OF COOPERATIVES.
- xii) MOUNTING OVER DUES OF CREDIT SOCIETIES DIMINISHING VIABILITY.
- xiii) NO PRIVILEGE FOR TRADING COOPERATIVES IN DEALINGS EVEN WITH GOVT. AGENCIES
- xiv) DISTORTIONS IN FEDERAL CHARACTER OF APEX BODIES BECAUSE THEY ARE COMPETING WITH THE PRIMARIES BY DOING THE SAME BUSINESS AND SHARING A LOT.

SUGGESTIONS

- i) ACTIVE PARTICIPATION OF THE MEMBERS SHOULD BE THERE.
- ii) IT SHOULD BE PEOPLE'S MOVEMENT.
- iii) GOVT. MAY SUPPORT BUT SHOULD NOT DIRECT THE MOVEMENT.
- iv) REHABILITATION PROGRAMME SHOULD BE TAKEN FOR WEAK COOPERATIVES.
- v) RE-ORGANISATION OF VILLAGE SOCIETIES SHOULD BE DONE FOR VIABLE UNITS.
- vi) FULL TIME MANAGER SHOULD BE THERE IN EACH SOCIETY.
- vii) MANAGEMENT TRAINING PROGRAMMES SHOULD BE THERE TO UP-DATE THE SKILL.
- viii) DORMANT SOCIETIES SHOULD REVITALISE.
- ix) LONG TERM BUSINESS PLANNING SHOULD BE ADOPTED.
- x) GOVT. SHOULD DECLARE A NATIONAL POLICY FOR UP-LIFTMENT OF COOPERATIVES.
- xi) COOPERATIVE SECTOR SHOULD BE RECOGNISED BY THE GOVT. AS AN IMPORTANT INSTRUMENT OF ECONOMY.
- xii) POLITICAL INTERFERENCE SHOULD BE CURTAILED.
- xiii) ROLE OF COOPERATIVE SHOULD BE DEFINITE AND SPECIFIC.

**A CRITICAL EXAMINATION  
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ORGANISATIONAL STRUCTURES  
MANAGEMENT PRACTICES  
AND PROBLEM  
IN  
INDONESIA**

**Ir. ACHMAD KOSASIH**

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( G K S I )**

**COUNTRY PAPER PREPARED FOR  
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C.	Business activity .....	5
D.	Business Mapping in the Dairy Agribusiness .....	6
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## A. INTRODUCTION

Dairy farming in Indonesia was introduced by the Dutch societies by the end of 19th century. After the second world war and Indonesia independence in 1945, locally farmers started small scale dairy farming activities individually. The first dairy cooperative was established in Pangalengan, Bandung, West Java in 1948 and followed by other cooperative in Boyolali, Central Java and Pujon, Malang, East Java in 1960s.

In the early growth of dairy cooperatives, they faced many problems in the field of administration, management, and marketing facilities especially to transport milk from the central production to the rural area as well as to the city. The cooperatives failed to contribute their services to the members and afterwards marketing of fresh milk was handled again by middlemen. As consequence, almost all of cattle breeders did not have a good motivation to join cooperatives.

Along the line with the 3rd National Development Program, PELITA III, in 1978, 17 primary cooperatives established the Union of Indonesian Dairy Cooperatives (Gabungan Koperasi Susu Indonesia - GKSI). The main objective of strengthening the bargaining position of dairy cooperatives in the national dairy development in order to increase members income.

At 1980, based on the Official Resolution Letter from the Directorate General Cooperative No.08/Dirjen Kop/VIII/1980, GKSI was established.

GKSI is a secondary level of Milk Cow Organization in a national level or organization which are carrying out various activities important for all cooperative members.

Members of GKSI are milk Cooperatives or Village Unit Cooperatives. GKSI as a secondary Cooperative is responsible to carry out all activities that are impossible or inefficient if they have to be done by every dairy cooperative.

The establishment of GKSI was the right time in order to development dairying in Indonesia. GKSI takes an important role for the dairying cooperatives movement. The dairy development in Indonesia is very fast and it is obviously change the socio-economic condition of dairy farmers welfare in the Villages.

Dairy cooperatives development in Indonesia have grown rapidly since its established in March 1979. Milk production has fantastically increased from 10.000 tons in 1979 to 260.000 tons in 1991. The value of milk sold increased from Rp. 2 billions in 1979 to Rp. 130.000 billion in 1991. The dairy activities have also created new dairy farmers and provided job opportunities. The figures have increased from 7000 dairy farmers with 38.000 dairy cattle under 19 primary dairy cooperatives in 1979 to 74.000 dairy farmers with 263.000 dairy cattle under 201 primary dairy cooperatives in 1991.

The detail progress of dairy cooperatives development since 1977 to 1991 is shown as table below : ( Look at page 3 )

Table-1. Progress of GKSI from 1977 to 1991

Items	1977	1980	1983	1987	1989	1991
Number of Primary Coops	2	50	133	173	190	201
Number of Dairy Farmers	900	12,807	41,780	67,000	74,000	74,000
Milk Sales (million lt)	1.3	22.8	79.2	151.2	250.0	260.4
Alam Murni pasteurized milk sales (million lt)	-	-	-	1.3	1.6	1.7
Farm Gate Milk Price (Rp/Kg)	40-80	150-210	240-275	330-390	330-400	393-430
Milk Price at IPS (Rp/Kg)* a)	70-105	210-236	300	330	440	491
b)	40-105	236-254	328	400	440	-
Dairy Cattle Population		50,635	141,037	205,000	250,000	263,714
Imported Dairy Cattle (Cumulative)	-	10,365	56,239	62,622	83,896	97,610
Labor Absorption		11,199	37,310	34,500	117,000	120,000
Foreign Exchange Saving (Thousand US \$)		5,770	22,300	37,800	62,500	130,000
Total Dairy Cattle Credit Value (million Rp)	59	5,944.4	39,794.8	48,246.0	79,594.8	101,841
Number of Labors at Primary Dairy Coops	59	8,845	8,824	8,921	9,925	9,925
Dairy Cattle (billion Rp)			33.6	92.0	125.0	250.0
Milk Sold Value (billion Rp)			26.6	58.2	110.0	130.0
Milk Ratio **			1 : 5	1 : 2	1 : 0.7	1 : 2.1
Average Milk Price Consumers (Rp)	120	360	600	1,125	1,500	2,000

Note : \*) IPS = milk processing companies

\*\*) Milk Ratio = local fresh milk ; Imported milk

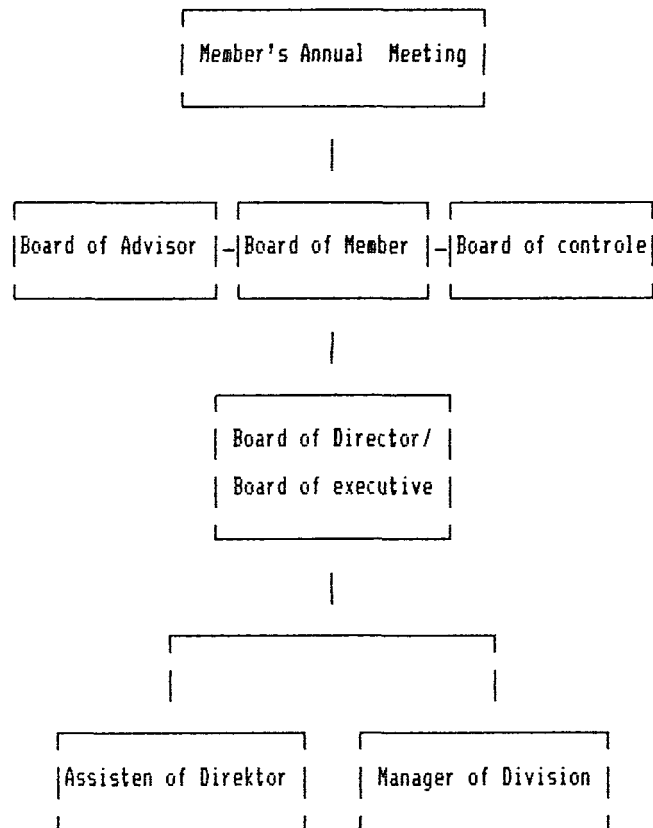
**B. ORGANIZATION.**

The Union of Indonesian Dairy Cooperatives (GKSI) is secondary national level of cooperatives in dairy business which the members consist of primary dairy cooperatives and dairy unit of Village Unit Cooperatives.

The Stucture of GKSI Organization Consits of :

- Board of Advisor
- Board of Member
- Board of Controle
- Board of Director/Board of Executive.

Dairy activities of organization are carried out by Board of Executive with the Management:



C. BUSINESS ACTIVITY.

The pattern of the dairy business follows the Agribusiness pattern applied both at the primary cooperatives level and at the secondary cooperative level (GKSI).

TYPE OF ACTIVITIES	ACTIVITIES PORTION FOR GKSI & PRIMARY COOPERATIVES			ACTIVITIES PORTION BETWEEN PRIMARY COOP AND THE FARMERS		
	GKSI	PRI-MARY	PRI-VATE	PRI-MARY	FARMERS	PRI-VATE
Pre-Production	x	xx	xxx	xxxx	x	x
Equipment	x	xxx	xx	xxxx	x	x
Breeding	-	xx	xxxx	xx	xx	xx
Medicine	x	xx	xxx	xx	xx	xx
Production Facilities	x	xx	xxx	xx	-	-
Cattle feed, requiring large capital, & sufficient technology and management.	x	xxxx	x	xxxx	x	x
Process Production	-	xxxx	x	-	xxxxx	x
Post-Production						
- Processing	x	x	xxxx	xx	x	xxx
- Marketing						
Requiring a large amount of capital, high technology and sufficient mangement						

There fore it is obvious that the portion of GKSI in this Agribusiness pattern are its role in the post-production and pre-production, and in the process production , it is fully the portion of the primary cooperatives. While at the cooperatives, this Agribusiness activity is handled comprehensively depends on scale of their businesses.

#### D. BUSINESS MAPPING IN THE DAIRY AGRIBUSINESS

The dairy business pattern viewed from the Agribusiness covers :

##### 1. Pre Production.

- a. animal feed : this activity covers backward linkage i.e. providing raw materials and forward linkage i.e. feed mill factory and its distribution net work. Considering that the market of the feed of this dairy cow is more than 90 % in the cooperatives, there fore it is reasonable if this activity becomes the portion of the cooperatives, both primary and GKSI in accordance with its ability.
- b. equipment : this activity covers backward linkage i.e. the equipment factory and its forward linkage is its distribution net work. In this case, the dairy cooperatives (GKSI) can own shares or cooperatives both in the matter of factory ownership and especially in its distribution (as distribution).
- c. medicine : this activity covers the factory and its distribution, in this case GKSI can own shares and become its distribution.

d. breeding : this activity is especially intended for developing the local dairy cow in accordance with the characteristics of dairy business should reasonably be managed by GKSI and strong cooperatives. Where as the supply activities by importing dairy cows can be conducted by GKSI by cooperation with other parties or independently in phases.

## 2. Process-Production.

In this phase, the activity is absolutely (100 %) handled by the cooperatives with the farmers as their members. This matter is in accordance with the directives of the President (Government policy).

## 3. Post-Production.

a. processing : the milk processing industry covers the upstream activities (powder milk factory) and downstream activities (final product factory). In these activities GKSI and the primary cooperatives can own shares and become the distributor. In the processing activities, both upstream and downstream, GKSI and the strong primary cooperatives should reasonably own their own factory, in addition to the Milk Treatment (MT) which are already owned at present.

b. marketing : the milk and other dairy products marketing activity, GKSI and the primary cooperatives can cooperative both in the matter of shares ownership or become the distributor.

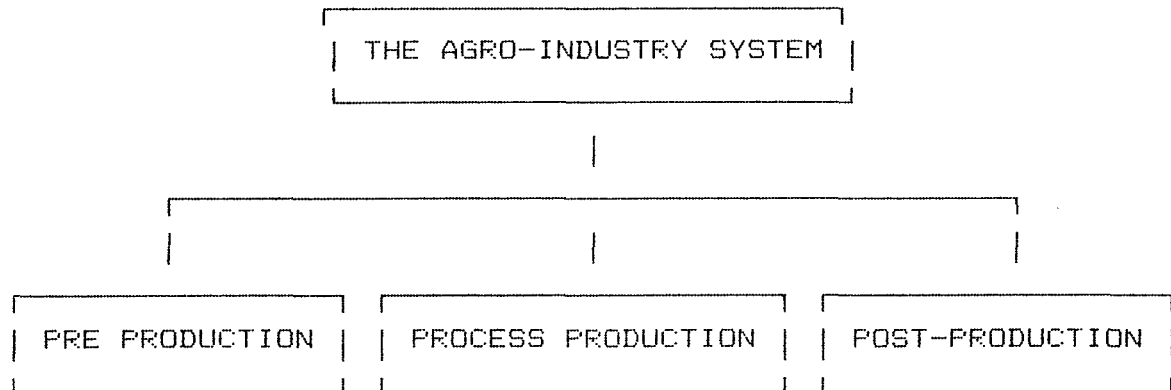
In this post-production activity, the portion of the dairy cooperatives shall be sufficient by getting 15%-20% considering that its activity is capital intensive and utilizing sophisticated technology and management.



The important thing by owning 15%-20% shares, the dairy cooperatives can influence the post-production activities.

The mapping of the dairy cooperatives business in the agribusiness pattern can be seen in the scheme below :

SHARES PORTION OF THE DAIRY COOPERATIVES BUSINESS



- Cattle Feed Factory 80 %
- Breeding : Village Breeding 100 %  
Breeding Centre 30-50 %
- Medicine 20 %
- Equipment 30 %
- Farming 100 %
- Production & Handling 100%
- Distribution 100 %
- Industry 15 %
- Marketing 10 %

The business opportunity in the case of shares ownership and the related agribusiness pattern should continuously be strengthened/enhanced through own capability and special treatment by the government especially in the matter of capital.

To further develop the dairy cooperatives business in the future, a special agency as implemented in other countries such as India, New Zealand, South Korea etc., i.e. the Dairy Board which is more directed to regulating the dairy business problem.

## E. GKSI's PROBLEM

Although the development of dairy cooperatives in Indonesia have grown rapidly since its established in March 1979, but at the same time GKSI face several problems as an implication of the above rapid growth.

The main problems faced by dairy cooperatives are :

### 1. Quality and quantity of the dairy cattle

### 2. Reproduction

- The quality of local semen are not as good as expected. The fact that average service per conception and calving interval are still high (SC 2.5 AND CI 19 month). These are the implication of limited number of proven bull at AI center, beside lack of skilled dairy farmers and inseminators.
- Limited number of AI equipment

### 3. Human Resources Development

- Limited numbers of skilled dairy farmers
- Limited quantity and quality of technical service people, e. g. veterinarian, inseminators, paramedics, extension workers and milk quality inspectors.
- Limited quantity and quality of professional managers in dairy cooperatives, either in milk collecting centre management, milk processing plant management, feed mill plant management, marketing management or accounting finance management.

#### 4. Plant and Equipment

- Most of dairy equipment are still imported from dairy developed countries and the prices are relatively expensive. So that there are limited number of milk handling equipment , AI equipment and dairy cattle health equipment.
- Only 3 % of fresh milk are processed by dairy cooperative plants and sold directly to the consumers, and 97 % of fresh milk are sold to milk processing companies, as raw milk.
- The ownership of milk processing plants by dairy cooperatives are still very limited. So that dependency of dairy cooperatives on milk processing companies in this business are still very high.

#### 5. Feed Supply

- Fluctuation of feed raw material supplies and prices.
- Limited capacity of dairy cooperatives feed mill plants.

#### 6. Limited capital for saving and Loan Business Division.

All the above problems can be summarized in exhibit 1.

### Summarized of Fact and Target.

The figures of fact and target on several data can be summarized in table below :

Item	Fact	Target	Lack/sortage
1. Milk consumption (million lt/yr)	600	855	255
2. Feed/concentrate (thousand to/yr	72	270	198
3. Personnels			
- Veterinarians	80	125	45
- Engineer of Animal Science	33	148	115
- Inseminators	222	500	278
- Paramedics	109	500	491
- Pregnancy Diag. Technician	55	125	70
- Rerpoduction Technician	23	125	102

### Assumption :

The above target is calculated based on standard (GKSI and other) :

1. Milk consumption target is based on " National Food and Nutrient Workshop " that milk consumption target is 4.5 liters per caput per year. Indonesian population are approximately 190 million.

2. Feed/concentrate requirement based on the feed consumption of 3 kg. per dairy cattle per day. Dairy cattle population are 250 thousand.

3. Personnels Standard

2000	dairy cattle	————>	1 veterinarian 1 reproduction technician 1 pregnancy diag tech.
400-500	dairy cattle	————>	1 inseminator 1 paramedic
500	dairy cattle	————>	1 senior extension worker (Engineer of Animal science). 2 junior extension workers (Animal Science Senior High S.)

Proposed Programme

To solve the problems mentioned above, some programmes have recommended for the next five years as follows : to provide high quality of dairy cattle, to establish dairy cattle breeding centre, to develop human resources, to establish powdered milk plant, to establish feed mill plant, to provide dairy equipment ( milk handling, AI and dairy cattle health equipment) and to provide capital for saving and Loan.

Along the line with the above programme, Centre Cooperative of Denmark (CCD) has agreed to help dairy cooperatives development in East Java, particularly in providing experties and training.

THE GROWTH AND DEVELOPMENT  
OF SOUTH BANDUNG DAIRY COOPERATIVE  
(KPBS)  
PANGALENGAN IN WEST JAVA

C A S E S T U D Y

PRESENTED BY :  
IR. ACHMAD KOSASIH  
UNION DAIRY COOPERATIVES OF INDONESIA  
(GKSI)

7 TH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA  
1992 - 1993

THE GROWTH AND DEVELOPMENT  
OF SOUTH BANDUNG DAIRY COOPERATIVE (KPBS)  
PANGALENGAN IN WEST JAVA

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**A. INTRODUCE**

The dairy cattle in Indonesia were introduced by the Dutch government at the end of the 19th century.

After Dutch left Indonesia after its independence, Indonesian farmers took over there dairy cattle.

Since milk its perishable product and the dairy farms are located far from consumers, dairy cooperatives are absolutely needed.

On November 1949 the GAPPSIP (The Association of Indonesian Dairy Farm at Pangalengan) set up. During the periode from 1949 to 1962 the GAPPSIP had played and important role in the development of the dairy cattle.

About the beginning of 1963 the GAPPSIP declined it caused by economic situation at the time and a bad competitive among the milk middleman.

The periode 1963 to 1968 had not been favourable time, because the milk middleman took charge of the market, they paid Rp. 9/litre of milk to producers, where as the consumers had to pay Rp. 60/litre of milk.

There was a tendency towards destruction, the farmer started to send their cattle to the abattoir.

Facing this unhappy condition, the key person of pleasant with the dairy farmers decided to establish a cooperative named South Bandung Dairy Cooperative-Pangalengan, abbreviated name of KPBS obtained its legal entity status as registered under No. 4353/BH/DK-10/20 on April 1<sup>st</sup> ; And later renewed under No. 4354 A/BH/DK-10/20 on December 31<sup>st</sup> 1979.

During the periode 1969 to 1978 the dairy farmers received from the Government to develop the cooperative flow ever, they were unable to compete with the Milk Processing Industries (MPI) which had grow rapidly and number of milk factories increased continously and the import milk powder also swelled relentlessly.

In wild 1978 the Government policy through the Yunior Minister of Cooperative took joint action with Processing Industries (MPI) for encourage the cooperative and dairy development.

In 1979 the KPBS entered a joint effort with PT. Ultra Jaya Milk Industry to build a Milk Treatment Factory in Pangalengan and that time the KPBS also Received Credit dairy cattle from Government. Those cattle were afterward distributed to the members of the KPBS.

On January 15, 1985 the Government issued Presidential instruction No.02/1985 on Coordination of fostering and development on National Dairy Industry.

## **B. OBJECTIVES**

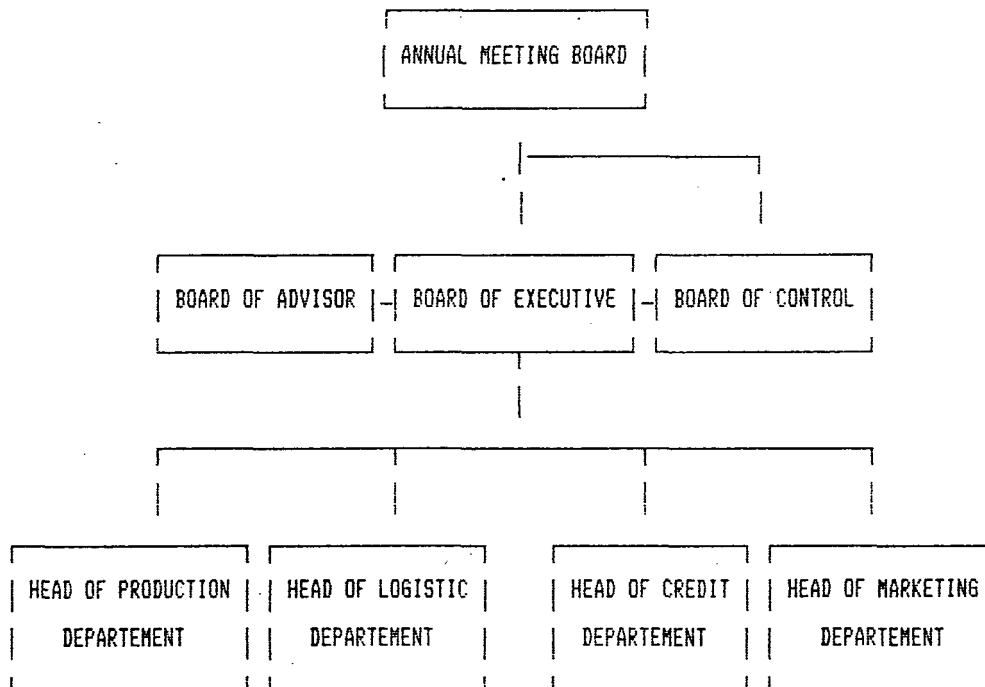
The KPBS's objectives are :

- a. To improve the welfare of members and society in general, this making possible the realisation of a just and prosperous society base on Pancasila.



- b. To increase agriculture productivity.
- c. To expanse of employment opportunities.
- d. A more equitable distribution of income in the rural areas.

C. ORGANIZATION STRUCTURE



## D. ACTIVITIES

As a single-purpose cooperative, KPBS is active in dairy-cattle farming. And to grow the wealth of the members, which up to now have about 7,500 dairy farmers, KPBS had established 11 units of action for supporting and developing the services to them as follows,

- |                       |                                    |
|-----------------------|------------------------------------|
| 1. Unit of producing  | 8. Unit of transporting            |
| 2. Unit of processing | 9. Unit of saving and loan         |
| 3. Unit of marketing  | 10. Unit of Breeding and fattening |
| 4. Unit of Feed Mill  | 11. Unit of tourism                |
| 5. Unit of insurance  |                                    |
| 6. Unit of crediting  |                                    |
| 7. Unit of Logistic   |                                    |

Of each unit above is lead by a manager.

In daily activities, though KPBS is a single-purpose, to fulfill the services to the members it's running as multi-purpose one. So the need of the farmer and their cattle, sought in cooperation as good as possible.

The outline of the mean unit activities of KPBS would be in detailed as follows,

### 1. Unit of Producing

a. To manage of collecting the fresh-milk from the farmers. In 1991, the proceeds from sale of fresh-milk reach about 36,676,038.10 liters or about 101,878 liters in a day. While the milk sold out to the Milk Processing Industries (90%) (PT. Ultra Jaya, Friesch Vlag Indonesia, Indo Milk) and to the consumers (10%) is about 36,311,133 liters or 100,864 liters per day. The rest of them, about 364,925 liters or 1,013 liters per day, is not sold out in cases of :

a.1. Reducing in the process at the milk-treatment of KPBS

a.2. Reducing in sale to the Milk Processing Industries resulted in the difference of measuring-rate.

b. To decide the purchase-price of milk from the members. The price itself depend on the quality of milk accepted by the Milk Processing Industries. For now, the cost-price of milk stated by Milk Processing Industries is Rp 532.5/kg, with fat-standard 3.3% and SNF 7.7% ; incentive fat  $\pm 0.1\%$  = Rp 5.17 and incentive SNF  $\pm 0.1\%$  is Rp 4.70.

In this case, the purchase-price regulation was stated by the quality achievement of milk in each group of the farmers.

Milk qualities test carry out once in three days, held in the stated laboratory. While the routinious milk test to the farmer, held every day in the morning and after-noon. Milk price stated in according to the qualification tabel. And the purchase-price of milk today is range from Rp 450 to Rp 500/liter. The differences between the sale-price to MT and the purchase-price from the farmers is the milk-processing cost in cooperation.

Savings and credit-payment still aimed to improve the farmers wealthy of cooperation.

KPBS cattle population in 1991 as follows,

1. Lactation cows	8,430
2. Non-lactation cows	1,848
3. Heifer cows	3,843
4. Calf male	435
Calf female	370
5. Total	14,927

## **2. Unit of Processing**

This unit deals with exclusively to tackle a processing of Pasteurized milk for selling to the consumers. The production of pasteurized milk sold out, to the workers or super-markets in sale-price Rp 1,000/litres, up to now just reach about 10,000 liters/day or about 10% of total KPBS milk bought from the farmers.

## **3. Unit of Marketing**

Besides to sell milk to the milk-treatment, such as Ultra Jaya, FVI/FI and Indo Milk, KPBS looks for market chances to the consumers in order to growth the sale-prices. This effort held by its actions-unit.

## **4. Unit of Dairy Feed Mill**

The need of concentrate allocated to the members of KPBS, fulfilled by the unit of Dairy Feed Mill which located in Cirebon. At this time, the concentrate feed produced by Dairy Feed Mill about 1,800 to 2,000 tons in a month, with sale-prices to the members Rp 220/kg. This price relatively cheaper than cattle feed sold out of the cooperation, that is Rp 240 to Rp 250/kg. To fulfil and remain the quality of the concentrate, KPBS have resorted to three experts as consultants for monitoring the development products of Dairy Feed Mill Cirebon.

## **5. Unit of Insurance**

The insurance services at KPBS, involved with the importance of :

- a. Health insurance of the members and their family
- b. Life insurance of the farmers or their family

c. Life insurance of the cattle for continuity on the part of farming.

These insurance services at KPBS, considered as an usefull action for the members. It make sure to the members in running their farms.

## 6. Unit of Credit

This dairy cattle credit tends to aim registration and credit monitoring systems oriented, from signing credit's contract with the bank, distribution to the members, raising the credit payment and re-payment to the bank.

## 7. Unit of Logistic

This unit helped for availability of the farmers necessity goods, such as

- rices, kerosene etc. including the nine basic commodities
- the need of clothe materials.

The available goods issued by means of credits to KPBS, and the payment adjusted to the rules of KPBS.

The other units of action did not mention in detail here, because most of them just operated in months. And the volume of their actions relatively smaller.

## E. THE HEALTH OF LIVESTOCK

The overcome and supervision of the livestocks health and reproduction at KPBS, operated by collaborating between KPBS and the autonomy veterinarians team which consist of:

1. Veterinarians	7
2. Inseminator	23
3. Head Branch Office Animal Husbandry	1
4. Instructor	1

The team of autonomy veterinarians is colleague of KPBS in supervision and overcome the health of livestocks and the artificial inseminations. Also in composing the plan of improving the dairy cattle in KPBS.

#### F. THE PROBLEMS AND ITS OVERCOMES

The cattle feed is a mean component for the farming in general, and especially in developing and improving dairy cattle action at KPBS. Stability of cattle feed availability, forages or concentrates, is a prominent need of the KPBS farmers particularly in the dry seasons.

Generally, during the dry season available of good forages for cattle feed is not in proportion with the need. And so with raw materials of concentrates, the high fluctuation in prices rose the production cost. Its not balance with the incomes accepted by the farmers.

To overcome the need of forages in cattle feed, KPBS tried to cooperate with PT. Pioneer Hibrida Indonesia for implementing silage technology of corn-leaves. By this collaboration, they expected the farmers might use the technology to cope with the lack of forages in the dry season.

While to keep the price of raw materials for concentrate in stability, sought by the government policies in order its not to be export commodities. So there is a proportion balance between the need of cattle feed in the country and as an export commodities.



Regional Office for  
Asia & the Pacific

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

NOVEMBER 9, 1992 TO MAY 8, 1993

POINTS FOR GROUP DISCUSSION ON 10.11.92

COUNTRY BACKGROUND PAPER ON INDONESIA

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

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE  
OVERHEAD PROJECTOR.

10/11/92 - Group No-1

Indonesia

## (1) Characteristics (Dairy farming)

- (1) Two Tiers system of Primary cooperatives and Secondary Cooperatives (GKSI)
- (2) Finance to farmers is through the government.
- (3) GKSI is responsible to carry out all activities, that are impossible or inefficient if they have to be done by every dairy cooperative.

## (2) Positive Points

- (1) The dairy development is very fast and has changed the socio-economic condition of dairy farmer.
- (2) Process - Production activities 100% handled by the cooperatives.

## Negative point.

- (1) Quality and Quantity of dairy Caters not adequate.
- (2) ~~Infrastructure of Cooperatives movement is not mentioned.~~
- (3) Limited Quality and Quantity in human resources.
- (4) Process of dairy fresh milk is only 3%.



### (3) Suggestions

- (1) Maximum portion of milk might be processed by dairy co-operation plants.
- (2) Proper transport facilities must be provided.

GROUP. II — INDONESIA

Point - 1

10.11.92

- (1.) In Indonesia THE CO-OPERATES ARE ENGAGED <sup>INDAIRY</sup> NON LARGE SCALE.
- (2.) THE DAIRY DEVELOPMENT IN INDONESIA IS VERY FAST. AND IT DEVELOPS THE SOCIO-ECONOMIC CONDITION OF FARMERS.
- (3.) THE NUMBER OF PRIMARY CO-OPERATIVES IS VERY LIMITED, IT IS ONLY 201.
- (4.) IT APPEARS THAT THERE IS NO AGRICULTURAL CO-OPERATIVE CREDIT SYSTEM PREVAILING IN INDONESIA, ~~WHICH~~ <sup>PLAY</sup> WHICH IS THE KEY ROLE IN UPLIFTMENT OF POOR RURAL MASSES.
- (5.) IT ALSO APPEARS THAT THERE IS NO MULTI PURPOSE CO-OPERATIVE SOCIETIES IN INDONESIA.
- (6.) THE DAIRY CO-OPERATIVES IN INDONESIA IS PLAYING VITAL ROLE FROM PRE-PRODUCTION TO POST PRODUCTION WHICH INCLUDES THE PROCESSING.

## Point-2.

- (1.) THE MORE EMPHASIS IS GIVEN TO DAIRY SECTOR AND ~~OTHER~~ OTHER IMPORTANT SECTORS IS BEING IGNORED.
- (2.) THERE IS NO AGRICULTURAL MARKETING SYSTEM, WHICH MAY HELP THE FARMERS FOR GETTING BETTER PRICE FOR THEIR PRODUCE.
- (3.) IT APPEARS THAT THERE IS NO CO-OPERATIVE INFRASTRUCTURE ~~WHICH~~ FROM GRASS-ROOT LEVEL TO NATIONAL LEVEL.
- (4.) IT OBSERVED THAT THERE IS NO AGRICULTURAL CO-OPERATIVE CREDIT SYSTEM IN INDONESIA.
- (5.) LACK OF TECHNICAL AND PROFESSIONAL MANAGERS/ SUPERVISORS.
- (6.) THE DAIRY CO-OPERATIVES ARE FAILED TO ACHIEVE THE TARGET FIXED FOR ~~THE~~ THEM.

### Point-3

- (1) THE CO-OPERATIVE MOVEMENT IN INDONESIA SHOULD DIVERSIFIED ITS ACTIVITIES TO OTHER SECTOR WHICH ARE BEING IGNORED IN THE COUNTRY.
- (2.) THE DAIRY CO-OPERATIVES IN INDONESIA ARE IMPORTING DAIRY EQUIPMENT. THEY SHOULD DEVELOPE THE TECHNOLOGY AND START THE ~~MAN~~ MANUFACTURING OF DAIRY-EQUIPMENT. ~~SO THAT~~
- (3.) DAIRY CO-OPERATIVES SHOULD PROVIDE TECHNICAL AND PROFESSIONAL (MANAGERS) SUPERVISORS TO IMPROVE THE WORKING OF DAIRY CO-OPS.
- (4) THE GOVERNMENT SHOULD SET-UP DAIRY PROCESSING FACTORY IN CO-OPERATIVE SECTOR SO THAT FARMERS CAN GET BENEFIT OF IT.

## INDONESIAN COOP.

CHARACTERISTICS

- i) ONLY DAIRY ASPECT HAS BEEN NARRATED i.e. ALLIED AGRICULTURAL ACTIVITIES
- ii) STATE SPONSORED PROGRAMME NOT PEOPLE'S MOVEMENT
- iii) ORGANISATIONAL STRUCTURE NOT COMPLETE SEEMS TAKING SHAPE NOW.
- iv) INADEQUATE ARRANGMENT FOR VETERINARY SERVICES
- v) INTEGRATED APPROACH HAS NOT COME. FOR SOCIETIES
- vi) FEDERAL CHARACTER NOT DEVELOPED
- vii) TWO TYPES OF DAIRIES ARE WORKING i.e. PRIMARY AND SECONDARY
- viii) COOPERATIVE MARKETING POTENTIAL NOT EXPLOITED.
- ix) GENERATED EMPLOYMENT OPPORTUNITIES TO NO. OF PEOPLES.
- x) COUNTRY SAVING FOREIGN EXCHANGE THROUGH INTERNATIONAL TRADE THOUGH LOW.
- xi) CREDIT FACILITIES UNDER COOPERATIVE ARE NOT SUFFICIENT.
- xii) GUIDANCE AND TRAINING IMPARTING INSTITUTION IS NOT WORKING.

## NEGATIVE POINTS IN INDOONESIAN COOPS. (2)

- i) WORKING AREA NOT MENTIONED FOR A MODERATE SOCIETY.
- ii) INADEQUATE CAPITAL FOR DAIRIES AND MEMBERS.
- (iii) NO PROVISION FOR COOPERATIVE EDUCATION TO CREATE A COOPERATIVE CLIMATE.
- iv) GOVT. IS DIRECTING THE MOVEMENT.
- v) VETERINARY SERVICES POOR, THROUGH COOPERATIVES.
- vi) MILK PROCESSING UNITS ARE NOT IN SUFFICIENT NUMBER.
- vii) MILCH CATTLE TO YIELD MORE MILK ARE NOT BREDED WITHIN COUNTRY IMPORTING CATTLES MEANS LOSING FOREIGN EXCHANGE.
- viii) HUMAN RESOURCE DEVELOPEMENT AND HUMAN RESOURCE MANAGEMENT PROGRAMMES ARE NOT INCORPORATED.
- ix) MEMBERS ARE NOT MEETING ON GENERAL POLICY MATTERS BUT ONLY THE BOARD OF CONTROLE IS REGULATING THE AFFAIRS OF THE SOCIETIES.
- x) BUSINESS DEVELOPMENT PLANNING IS NOT THERE
- xi) A NATIONAL COOPERATIVE POLICY IS NOT LAID DOWN.

POSITIVE ASPECT

- i) DAIRY HAS DEVELOPED AS AN INDUSTRY.
- ii) LABOUR FORCE OF THE COUNTRY HAS BEEN ABSORBED IN DAIRY.
- iii) SAVING OF FOREIGN EXCHANGE.
- iv) THOUGH LIMITED BUT STILL VETERINARY SERVICES HAVE BEEN DEVELOPED.
- v) INCREASED PER CAPITA INCOME OF THE NATION.
- vi) HAS DEVELOPED MARKETING OF MILK FOR ~~REDDIT~~ REMOTE VILLAGES.

SUGGESTIONS

- i) COOPERATIVE TRAINING TO MANAGERS AND ORDINARY MEMBERS SHOULD BE IMPARTED.
- iii) BUSINESS DEVELOPMENT PLANNING SHOULD ADOPTED. ADOPTED
- iv) GOVT. SHOULD DECLARE COOPERATIVE AS A SECTOR i.e PRIVATE AND PUBLIC SECTOR.
- v) COOPERATIVES SHOULD BE POTENTIALLY VIABLE.
- vi) HUMAN RESOURCE MANAGEMENT AND CREDIT ~~AND~~ FACILITIES SHOULD BE EXPANDED FOR A FASTER GROWTH.

Seventh ICA Training Course for  
Strengthening Management of  
Agricultural Cooperatives in Asia

INDIA, THAILAND, JAPAN, SOUTH KOREA

NOVEMBER 9, 1992 - MAY, 8 1993

COUNTRY REPORT

A CRITICAL EXAMINATION OF AGRICULTURAL  
COOPERATIVES THEIR ORGANISATIONAL  
STRUCTURE MANAGEMENT PRACTICES  
AND PROBLEMS IN IRAN

PREPARED BY MORTEZA HAFEZI

753 Valliasr Avenue Tehran  
central organization for Rural Cooperative  
of Iran.



page one

In the name of God.

Introduction

Iran is situated between latitudes  $25.3$  and  $39.47$  in south west of Asia, in the other word Middle East, which covers an area of  $1648195 \text{ km}^2$ .

The mountainous area rises in west south, north and central regions. Its' highest peak ( $5671 \text{ m}$ ) ends to Coastal plain.

The biggest lake in the world (Caspian sea) is in the north part of Iran with  $424200 \text{ km}^2$ .

Half of above mentioned area is mountainous one quarter is desert and waterless and only one quarter is cultivable.

Iran's neighbouring countries are

North, ex USSR

West, Turkey and Iraq

South, Oman sea and Persian gulf

East, Pakistan and Afghanistan

Climate

The air temperature in Iran is divided into three parts.

page two

1, Coastal region with mean temperature of 18 degree Centigrade.

The highest temperature in summer is 34 and the lowest in winter is  $-3^{\circ}$ .

2, Mountainous regions.

It has the coldest winter with  $-3^{\circ}$  and moderate temperature in the summer  $12^{\circ}$ .

3, Desert zone

Mean temperature is 35 the range of temperature is varied ( $54 - 15$ ).

There are three rainfall zones in Iran as follows.

1, Dry zone.

Covers most parts of Iran with  $300^{\text{mm}} - 350^{\text{mm}}$  annually rainfall.

2, Wet zone

It has  $600^{\text{mm}} - 2000^{\text{mm}}$  annually rainfall which begins at november to throughly february. Unfortunately 70 percent of the rainfall is un reliable and waste.

page three

### 3 Mountainous zone:

300<sup>mm</sup> - 1000<sup>mm</sup> annually rainfall.

### Soils

As to soil taxonomy there are five order of soils in Iran.

#### 1 Aridosol

It is the single soil order occupying large area from (south to west). Cultivation of sugarbeet and orchard is possible in it.

#### 2 Entisol

It is distributed along coastal belt of Caspian sea and it is alluvial with PH 7.5

#### 3 Molisol

It has enough humus and chiefly in the coastal region (north of Iran). Paddy field is predominant crop in this order and other crops are soybean sunflower cotton and vegetables.

#### 4 Histosol

It is found only in north part of Iran which has contained high humus and good material fertility. Tea is predominant crop in this order of soil.

page four

5 - vertisol : spread all over the country and has no fertility.

Iran had an estimated <sup>“ population ”</sup> of 60 million in 1990 and more than (52.5) percent of this population live in Coastal, west and central regions. The population density here reaches 38.8. (Per sq km)

Urban population is 54.5 and rural 45.5 percent.

Male population is about 44.7 and female population is about 55.3 percent.

Natural increase of population is about 3.1% now.

Islamic republic of Iran does his best to control the generation rate

Break down of population (1991)

Under 14 years old 43.6%

15 - 59 , , 52%

59 - over , , 4.4%

Birth rate per 1000 population . 41.3

Death rate per 1000 population 11.5

Natural increase 3.1%

Birth rate 1000 new borne 2.6%

page five

Ethnic Composition:

Muslims	98.8 %
Christian	.7 %
Jews	.3 %
Zoroastrian	.1 %
others	.1 %

Exports.

Share of crude oil and natural gases in non agricultural export is about 65%.

Copper - sulfur - charcoal - fish - caviar - pelt - leather - Rug - Carpet are another non agricultural exports.

Agricultural sector:

Agricultural sector plays a major role in the economy of 45.5% of population in Iran. Agricultural share in the economy is about 20% (1991).

Paddy field with 550000 ha is one of the most important crop grown in Iran. It's mean product is 4 ton per ha. Rice is principal food of Iranian people. Use of fertilizer, high yielding varieties, weed control

page six

(by selective herbicide in main field and nursery)  
pest and disease control (by insecticide fungicide)  
and applying specific rice machinery are commonly  
practiced by Iranian farmers.

Other annual crops areas follow:

- 1, wheat 5400000 ha mean yield 1.8 ton per ha.
- 2, Cotton 156000 ha " " 2 ton " "
- 3, Sugar beet 144000 ha " " 25 ton " "
- 4, Barley 872000 ha " " 1.9 ton " "
- 5, Citrus orchard fruit 70000 ha " " 25 ton " "
- 6, potato 53000 ha " " 11 ton " "
- 7, Grape - sweet cherry - nut<sup>and</sup>-dates are the other important crops.

Agricultural exports are respectively  
pistachio - dried fruits- dates

Cooperative movement in Iran.

Cooperative movement in Iran started during <sup>the second</sup> mid of 20th  
century (1962).

page seven

They were in the form of multipurposes cooperative, and under took only a little part of marketing the members' products and financial help. These societies got together and changed themselves into the form of unions, they mostly prepared members consuming demand, the unions got together and formed central union for rural cooperative before islamic revolution agricultural cooperative societies were not active, now there are three types of rural agricultural cooperative in Iran (rural cooperative societies agricultural cooperative societies in different forms and their unions. These cooperatives are under control and supervision of C.O.R.C affiliated to the Ministry of Agriculture more than 57000 villages throughout the country enjoy the services presented by 4000 agricultural and rural cooperative societies. Cooperative societies collect a number of 4.7 million members. services presented by multi purposes cooperative societies areas follows

- 1, promotion of members knowledge.

page eight

2, promotion of training methods.

3, Supplying fertilizer

4, Undertaking the marketing of farmer's products (fixed price has been determined for more than 15 kinds of agricultural products)

5, purchasing of crop surplus.

6, Supplying, insecticide, herbicide<sup>and</sup> fungicide, for all crops that are practiced in different regions.

7, Exportation of agricultural products is another field of agricultural and rural cooperatives network which is carried on by their unions in different provinces and central union for rural cooperatives.

The following table shows the number and kinds of activities of rural agricultural and their unions during (1992) (June)

1, Rural Cooperative 3102

2, Members of rural cooperatives 4367295

3, Capital of rural cooperatives RLS 84384668000

4, Rural cooperative unions 191



page nine

- 5, members of agricultural cooperatives 603621  
Persons
- 6, store~~rooms~~ooms of cooperatives 11855
- 7, Fuel station 11855
- 8, Capacity of stores of unions 477600 ton
- 9, " " " " " rural cooperatives 2845070 tons
- 10, Gasolin and the other fuel material distributed 2248839000  
lit
- 11, Purchasing of crop surpluses RLS 28875177000 .
- 12, Technical stores 705 .
- 13, Stores of unions 377
- 14, Capacity of stores of unions 477600 tons
- 15, " " " " " , cooperative societies 2845070 tons
- 16, Preparing consuming material 155708613000 .  
(exchang rate )  
(1dollar = 80 RLS)

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## project approach

All rural societies have been appointed as an agent for fertilizer and poison production company in Iran.

These societies supply the members with fertilizer, fungicide and insecticide. These societies are also functioning as a dealer in petroleum corporation, These societies are in a position to supply all kinds of farmer's needs specially agricultural input in time.

The members of these societies are increasing.

Rural and agricultural cooperatives purchase agricultural products of members.

Training programmes are being conducted by C.O.R.C and its branches in the provinces.

## Problems

the prevailing problems for cooperative movement in Iran should be named as:

- 1, Lack of enough training of the members in all kinds of cooperatives.
- 2, Lack of management
- 3, Capital deficiency

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4 Lack of cold room facility to stock and store during the season could be used during the off season.

5, Lack of the knowledge and facilities in processing to keep for along periods.

### Solution

1, Member's education

2, Allocation of more goverment financial assistance to the Cooperatives.

3, To make arragement for storing and distributing members products in time.

4, provision of coldroom facilities in production areas for storage

5, Exploring foreign market for agricultural products like Citrus apple ETC.

In order to help the cooperatives in Iran coordination <sup>with</sup> between C.O.R.C and international cooperative organisation would be necessary.

# 1 :- Characteristics of IRAN " co-operatives.

- 1 = there are three types ~~of co-operatives~~  
co-operatives ;)
- 2 = Co-operatives are under control and supervision of C.O.R.C affiliated to the minist of Agriculture
- 3 = co-operatives under taking the marketing of farmer's produce.
- 4 = All rural societies have been appointed as a an agent for fertilizer and poison production company.

5 =

## 2 - Positive Factors.

- \* - Rural and Agricultural co-operatives purchase agricultural products ~~from the market~~
- \* - Training programmes are being conducted by C.O.R.C
- \* - Rural societies are in a position to supply all kinds of farmer's needs specially agricultural input in time
- \* - No. of Rural societies are increasing
- \* - C.O.R.C has important role in training and are having trained staff that supervise and advice the member at grass root level.

IRAN

Group No 1

12-11-92

### 3 - Negative Factors :-

- o - Lack of Managements
- o - Lack of enough training of the members in all kind of co-operatives
- o - Lack of the knowledge and facilities in processing agricultural produce
- o - Large degree of gov. control over co-op. societies
- o - Inefficiency of employee motivation
- o - Lack of managerial knowledge at the farmer's level.

## 4 - Suggestions

- \* :- Enough and adequate capital of rural co-operatives should be assisted by Gov.
- \* :- Allocating more credits or necessary funds to co-operatives.
- \* :- Exploring foreign market for agric. product.
- \* :- Member's education
- \* :- Providing cold room facilities should be increased
- \* :- To control on the price of Agric. product. adequate funds are needed to purchase a large percentage of farmers produce

# COUNTRY PAPER IRAN 12.12.92

## THE CHARACTER.

1. THE IRANIAN AGRICULTURAL COOP. IS MULTIPURPOSES COOPERATIVE
2. THERE ARE THREE TYPES OF ~~RURAL~~ ~~AGRICULTURAL~~ COOPS.
3. THE COOP ARE UNDER CONTROL AND SUPERVISION BY C.O.R.C
4. ACTIVITY : PRIORITY ~~TO~~ ~~MANUFACTURING~~ ~~AGRICULTURAL~~ ~~PRODUCT~~ FOR CONSUMPTION AND EXPORT. (65%) AND AGRICULTURE (20%).
5. THE DAIRY SECTOR <sup>IS</sup> ~~IS~~ BEING IGNORED BY THE COOP'S ~~WITH~~ ~~WITH~~ WHICH IS AN IMPORTANT SECTOR.

GROUP II



## POSITIVE FACTOR

1. RURAL BASED COOPERATIVE ~~IS~~ STRUCTURE
2. COOPERATIVES ARE HELPING FARMER'S BY MAKING PURCHASED OF AGRICULTURAL PRODUCE.
3. THE ACTIVITY OF UNION ARE DIVERSIFIED.
4. UNION ARE UNDERTAKING PROMOTIONAL ACTIVITY TO PROMOTE ITS MEMBERS KNOWLEDGE

GROUP II

## NEGATIVE FACTOR

1. AGRICULTURAL SHARE IN THE ECONOMY IS ABOUT 20% - ONLY.
2. LACK OF PROFESSIONAL MANAGEMENT
3. THE FINANCIAL ~~POST~~ POSITION OF COOP' SOCIETIES ARE WEAK.
4. ~~WAS~~ UNSUFFICIENT TRAINING TO THE MEMBER'S <sup>ALL</sup> ~~OF~~ KIND OF COOP'S.
5. LACK OF PROCESSING FACILITIES
6. LACK OF COLD STORAGES FOR PRESERVING THE PERISHABLE COMMODITIES

GROUP II

## UGGESTION

1. COOPERATIVES SHOULD MOBILIZED THEIR INTERNAL RESOURCES SO THAT THEIR DEPENDENCY ON THE GOVERNMENT, MAY BE MINIMIZED
2. TRAINING AND EDUCATION MUST BE IMPARTED TO ALL KIND OF COOP'S
3. THE GOVERNMENT SHOULD SETUP COOL STORAGEES IN COOP'S SECTOR SO THAT PERISHABLE COMMODITY CAN BE STORED FOR A LONG TIME.
4. COOP'S SHOULD PROVIDE AGRICULTURAL CREDIT TO ITS MEMBER'S FOR THEIR BETTERMENT

GROUP II

## GROUP - III

IRAN -

DATED 12-11-1992

### CHARACTERISTICS:

- i) MULTIPURPOSE COOPS ARE WORKING UNDER TWO TIER SYSTEM. THESE ARE ONLY PRIMARY TYPES SOCIETIES.
- ii) COOP. MOVEMENT IS SPONSORED AND SUPPORTED BY GOVT.
- iii) COMPULSORY MEMBERSHIP IS THERE FOR LAND HOLDER IN CASE OF AGRI. COOP.
- iv) THERE ARE THREE TYPES OF COOP. i.e.: PRIMARY COOP., AGRICULTURAL COOP AND UNIONS OF THE ABOVE TWO
- v) DEMOCRATIC CONTROL OVER THE AFFAIRS OF COOP. SOCIETIES. BY VIRTUE OF ELECTED BOARDS.
- vi) CHIEF EXECUTIVE i.e. MANAGING DIRECTOR IS APPOINTED BY GOVT. HENCE GOVT. INTERVENTION IS THERE.
- vii) NO NATIONAL LEVEL COOP. FEDERATION. SEEMS TO BE THERE.
- viii) IN IRAN COOP. MOVEMENT IS BEING PROMOTED BY JOINT STOCK COMPANY C.O.R.C i.e. CENTRAL ORG. OF RURAL COOPERATION.
- ix) COOPERATIVES ARE DOING MULTI-DIMENSIONAL WORK WIZ CREDIT ACTIVITY, COMMERCIAL ACTIVITY, SUPPLY OF AGRICULTUR INPUTS, FERTILIZER, SEED, PESTICIDES, AGRI IMPLEMENTS, ECT., TECHNICAL SERVICES AND ARE ALSO WORKING AS PRODUCTION

POSITIVE..

- i) THOUGH A LATE START IN COOP (1962) BUT MULTIPURPOSE SOCIETIES HAVE BEEN DEVELOPED AT PRIMARY LEVEL.
- ii) DEMOCRATIC MANAGEMENT IS THERE WORKING WITH GUIDANCE FROM UNIONS AND C.O.R.C.
- (iii) A VITAL ROLE FOR AGRICULTURAL PRODUCTION AS WELL AS OTHER SECTORS OF VILLAGE ECONOMY.

NAGATIVE

- (i) APEX COOPERATIVES ARE NOT WORKING AT NATIONAL LEVEL, LACK OF CAPITAL, WEAKENS PRIMARIES.
- (ii) HUMAN RESOURCE MANAGEMENT HAS NOT BEEN DEVELOPED UNDER COOP. STRUCTURE.
- (iii) LARGE INTERVENTION BY GOVT. THROUGH APPOINTMENT OF CHIEF EXECUTIVE.
- iv) DIVERSIFIED ACTIVITIES OF AGRICULTURE ARE NOT UNDER COOP SYSTEM VIZ DAIRY COOP. PROCESSING COOP ARE NOT THERE.
- v) COTTON, RICE PROCESSING SECTOR NOT WORKING IN COOP. SECTOR.
- vi) QUALITATIVE AND CHEAPER INPUTS PRODUCTION FOR FARMERS HAS NOT BEEN TAKEN UNDER COOP. SECTOR VIZ FERTILIZER PLANT.

SUGGESTIONS

- i) IN THE COOPERATIVE ORGANISATIONAL STRUCTURE FEDERAL COOP. SHOULD BE DEVELOPED.
- ii) COMPREHENSIVE TRAINING SHOULD BE GIVEN TO PROFESSIONALISE THE MANAGEMENT.
- iii) DIVERSIFICATION OF COOP. SOCIETIES SHOULD TAKE PLACE.
- iv) MARKETING COOP. SOCIETIES SHOULD BE DEVELOPED.
- v) ALLIED AGRICULTURAL SOCIETIES SHOULD ALSO BE DEVELOPED TO STRENGTHEN THE AGRICULTURAL COOP.
- vi) CREDIT GAP SHOULD BE COVERED BY PROVIDING MORE CAPITAL.
- vii) GOVT. ORGANISATION C.O.R.C. SHOULD BE REPLACED BY NATIONAL COOP. ADVISORY COMMISSION OR BOARD HAVING COOPERATORS OF NATION.
- viii) COOPERATIVES SHOULD HAVE A PUBLICITY WING TO BUILD THE IMAGE OF COOPERATIVES.
- ix) GOVT. SHOULD ASSIST THE MOVEMENT BECAUSE IT IS NEW CONCEPT IN IRAN.
- x) THERE SHOULD BE A NATIONAL COOPERATIVE POLICY ENUMERATING ALL THE OBJECTS AND MEANS FOR THE DEVELOPMENT OF COOPERATIVES.

**A CRITICAL EXAMINATION OF  
AGRICULTURAL COOPERATIVES IN KOREA  
– ORGANIZATIONAL STRUCTURES,  
MANAGEMENT PRACTICES AND PROBLEMS –**

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Country Paper Prepared for  
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Strengthening Management of  
Agricultural Cooperatives in Asia 1992-1993

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  - B. Supply
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6. Direction of Agricultural Cooperatives



# 1. Economy and Agriculture in Korea

## A. Overview of the Korean Economy

Korean economy has moved from a primarily agrarian one to a newly industrialized one in less than three decades. Korea's export-oriented policies led by industrialization since the early 1960s ushered in a period of rapid economic growth and development. Since 1962 Korea has witnessed a remarkable expansion in GNP(over 112-fold by 1991 on the basis of current prices) and in per capita GNP(over 69-fold by 1991).

However, Korean economy is now in its worst state in a decade as the trade deficit snowballed to 9.6 billion U.S. dollars in 1991, and the annual rate of inflation, as measured by the consumer price index, ran to 9.5 percent in 1991.

The major concern is that rapidly increased wage and the appreciation of the Korean won during the period of extraordinary expansion of the nation's economy have eroded the international competitiveness of Korean-made products, while the transition to higher value-added industries has not yet been fully achieved.

**Korea's Economic Growth Rate**

Year	1962	1970	1980	1985	1988	1989	1990	1991
%	8.6	6.4	-4.8	7.0	12.4	6.8	9.3	8.4

## B. Agriculture in the Korean Economy

Despite the rapid industrialization of the nation's economy, Korea's agricultural sector still accounts for a high proportion of the national economy.

Korea's agricultural sector accounted for 18.3 percent of the nation's employment and 9.1 percent of the gross domestic product(GDP) in 1990, a stark contrast to those of the developed nations.

### Agricultural proportion of Employment by country

Korea <sup>1)</sup>	Taiwan <sup>1)</sup>	Japan <sup>1)</sup>	Germany <sup>3)</sup>	France <sup>3)</sup>	U.K. <sup>3)</sup>	U.S.A. <sup>2)</sup>
18.3 %	12.9	7.2	3.9	5.8	2.1	1.9

1)1990 2)1989 3)1988

### Agricultural Share in GDP by country

Korea <sup>1)</sup>	Taiwan <sup>2)</sup>	Japan <sup>2)</sup>	Germany <sup>3)</sup>	France <sup>3)</sup>	U.K. <sup>4)</sup>	U.S.A. <sup>4)</sup>
9.1 %	4.9	2.6	1.5	3.3	1.4	2.0

1)1990 2)1989 3)1988 4)1987

During the period of 1962-91, the Korean GNP grew at an average annual rate of 8.9 percent, thanks to the 10.6 percent average annual increase achieved in the non-agricultural sector. In contrast, the agricultural sector saw an average annual increase of only 2.8 percent during the same period.

As a result, the agricultural sector lagged farther and farther behind the industrial sector, and disparity between urban and rural areas grew wider and wider with the passage of each year.

The main factors causing the low growth rate in the agricultural sector were less government investment in the rural areas, a weak production base and the extremely small scale of land suitable for farming in Korea.

In the process of rapid industrialization, the increased discontent of the underprivileged rural population due to the widened urban-rural disparities has deepened social conflict and has emerged as a major bottleneck to the nation's further development.

### Growth Rate of Agriculture in Korea

Year	1971	1975	1980	1985	1986	1987	1988	1989	1990
Industry	15.9	12.2	- 1.0	7.0	18.0	18.2	13.1	3.5	8.1
Agriculture	3.0	5.4	-22.7	4.4	5.0	-8.0	10.0	-1.8	-3.9

## 2. Agricultural Cooperatives in Korea

### A. Historical Background

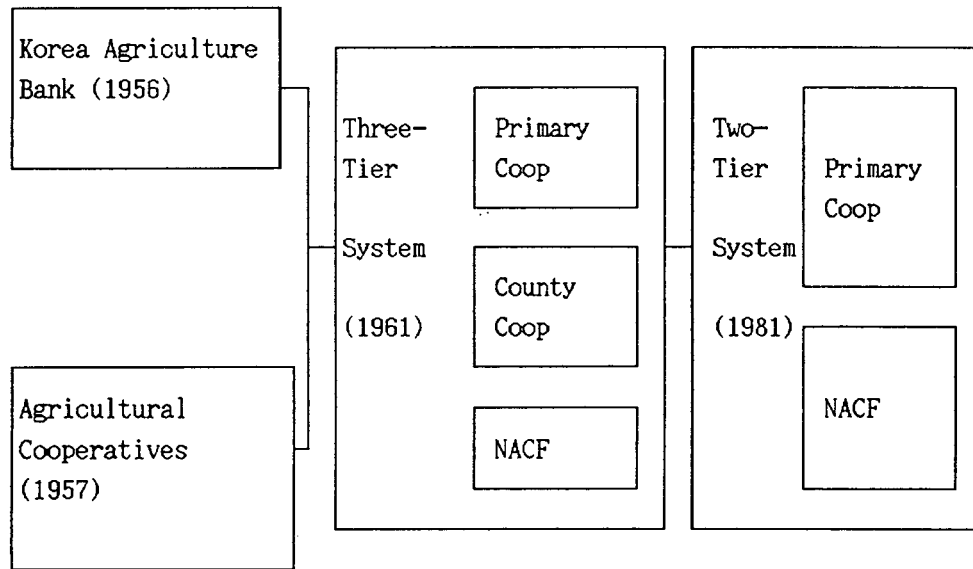
In 1956 the new government of Republic of Korea organized the Korea Agriculture Bank and its branches through the reformation of the existing Financial Associations because it felt an urgent need to expedite agricultural development. This Bank was exclusively for agricultural banking and credit services. On the other hand, agricultural cooperatives were organized in 1957 based on the facilities and property of Farmers Associations. The agricultural cooperatives carried out such economic business as agricultural marketing and supply of farm inputs and credit services.

The Korea Agriculture Bank and the former agricultural cooperatives were merged into the present multipurpose agricultural cooperatives in 1961, in accordance with the Agricultural Cooperative Law based on modern cooperative principles.

Consequently, on August 15, 1961, the National Cooperative Federation (NACF) was inaugurated as the apex organization along with its member agricultural cooperatives. Since its inauguration, the NACF and its member primary agricultural cooperatives have greatly contributed to enhancing the economic and social status of member farmers and to developing agriculture as well as enhancing the welfare of the rural communities.

In 1981, the agricultural cooperatives restructured their organizations in order to strengthen the managerial ability of primary cooperatives and to develop them as strategic organizations for rural development. The former three-tier system of the primary agricultural cooperatives, county agricultural cooperatives and the National Agricultural Cooperative Federation was streamlined into a two-tier system linking the primary cooperatives directly with the Federation by reorganizing the county cooperatives into branch offices of the Federation.

### Chronological Chart of Agricultural Cooperatives



## B. Organizational structure and Characteristics

The Korean agricultural cooperatives are now organized into a two-tier system, the primary cooperatives at a township level and their federation(NACF) at a nation level. They are now horizontally classified into two types of cooperatives: multipurpose primary cooperatives and special cooperatives. Therefore, under the present system the NACF has the primary agricultural cooperatives and special cooperatives as its members.

At the present time, we have 1,454 member cooperatives, 15 provincial and city offices and 435 branch offices throughout the country.

Like the cooperatives in developed countries, the agricultural cooperatives have become to enjoy bottom-up operation. As is well know, the agricultural cooperatives had been under the control by the government until the amendment of the Agricultural Cooperative Law in 1988. Under the new law, however, the Chairman and President of the NACF was elected directly by presidents of member cooperatives, while the presidents of member cooperatives were elected by all the member farmers of respective cooperatives. In addition, the advance approval of the NACF business plan and budget by the Ministry of Agriculture, Forestry and Fisheries was replaced with an ex post facto reporting system and the business plan and budget of member cooperatives do not require advance approval of the NACF Chairman and President. It can be said that the agricultural cooperatives in Korea have become fully democratic organizations with liberal election system and managerial autonomy.

## C. Objectives and Roles

The agricultural cooperatives were established in order to increase agricultural productivity, to enhance the economic and social status of farmers; to construct high income welfare in rural communities; and to ensure a balanced development of the national economy through the voluntary organization of farmers.

With a view to attaining their objectives, the NACF and its member cooperatives have been conducting diverse business activities related to all aspects of rural life including agricultural production. The business activities of the agricultural cooperatives are banking, supply, marketing, cooperative insurance, warehousing, transportation, processing, farm guidance and related supporting activities such as public relations and research.

The NACF and its member cooperatives, as the predominant agricultural banking institution, exercise the important function of credit supply in order to meet the financial needs of the agricultural sector.

Marketing activities of agricultural cooperative system contribute to keeping prices for farm products high by reducing marketing costs.

The efficient distribution of farm inputs plays an important role in making farming more convenient as well as in minimizing farming costs.

The warehousing and transportation services provided by the agricultural cooperatives have been playing a significant role in stabilizing the prices of farm products.

With the handling of cooperative insurance, agricultural cooperatives provide member farmers with provisions against unexpected accidents.

And guidance activities, publications, public relations and research activities are performed to support various business activities.

Recently, agricultural cooperatives have played an important role as an interest group speaking for and protecting the interests and rights of farmers in the face of import liberalization.

There are subsidiary companies of the NACF for the additional activities in cooperative movement.

The Farmers Newspaper Co. was established in 1964 in order to disseminate farming techniques to member farmers and to foster the spiritual growth of rural children through the utilization of the NACF's publications.

To keep pace with the expanded opening of agricultural markets, and the internationalization of agricultural markets, the NACF established the Korea Coop Trading Co., Ltd. to handle the exports and imports of agricultural products and their related commodities.

And the NACF established the Agricultural Technology Cooperation Co., Ltd. to enhance the farm productivity of farmers through the domestic and international exchange of advanced farming techniques. The Agricultural Technology Cooperation Co. is responsible for the collection of materials required for development of farming techniques and research, the production of education materials, and the provision of facilities for farmers' inspection tours and research studies in domestic and overseas developed farming areas.

These additional activities by subsidiary companies could contribute to the prosperity of coop farmer members, and the number of these subsidiary companies would be increased.

### 3. Business Performance of Major Business Activities by Agricultural Cooperatives

#### Business Performance

in billion won

	1990	1991
<b>Marketing</b>		
Sales by the NACF	920	929
Sales by the Member Coop.	2,088	2,507
<b>Supply</b>		
Fertilizer	329	304
Agricultural Chemicals	76	106
Consumer Goods	613	770
<b>Banking</b>		
Deposits	9,731	11,434
Loans	8,093	9,212
<b>Insurance Premiums</b>		
Life Insurance	639	798
Damage Insurance	6.6	6.9
<b>International Banking (in US\$ million)</b>		
Import Banking	532	747
Export Banking	237	332
Invisible Trade Business	417	298

## A. Marketing

Since 1961 when the multipurpose agricultural cooperatives were established in Korea, marketing business has been one of the most important business activities of the agricultural cooperatives, along with the efforts to increase agricultural productivity.

The total turnover of farm products sold through the channels of the agricultural cooperatives in 1991 increased by 14.2% over the previous year with a record of 3,436 billion won. Out of the total, 929 billion won came from sales by the NACF and 2,507 billion won from sales by member cooperatives.

By commodity groups, 29.1% of the total came from the sales of grains; 28% from other livestock; 11.1% from other products including processed products and raw material crops such as silk cocoons, malting barley and sweet potato.

In large and medium cities, 76 marketing centers are operated by the NACF and its member cooperatives. Cooperative supermarkets are also managed by them as exemplary retailers to satisfy both producers and urban consumers. The aim is to reduce marketing costs through direct transactions with agricultural cooperatives in the producing areas.

In order to develop the processing capacity of agricultural cooperatives, the NACF worked out the five-year Agro-processing Business Development Plan in 1990. Member cooperatives and the NACF, in accordance with the plan, additionally opened 27 agro-processing plants including Kimchi Plants in Jinhae and Chungsan making the total number of plants 58. The plan has the goal of 300 fully operational processing plants by 1995. As of the end of 1991, the turnover of the NACF in farm products' processing was 492 million won while those of member cooperatives were 6.4 billion won from processing of farm products and 8.4 billion won from producing farm inputs.

## B. Supply

The supply business of the NACF and its member cooperatives is classified into two large parts; the supply of consumer goods, and that of farm inputs such as fertilizers, farm chemicals, and farm machinery.

The total turnover of farm inputs and consumer goods supplied by agricultural cooperatives in 1991 reached 1,828 billion won, showing a 16.5% increase compared with 1,569 billion won of the previous year. As an essential production factor, fertilizer supply in 1991 amounted to 2,122 thousand M/T, showing a 13% decrease compared with 2,443 thousand M/T of the previous year. The farm machinery supplied by agricultural cooperatives in 1991 totalled 61,656 units, showing a 39.2% increase compared with the 44,292 units of the previous year.

The major items of consumer goods handled by the cooperatives can be classified into foodstuffs, clothing, kitchenware, sanitary goods, housing materials, stationery, durable goods, and miscellaneous goods. In 1991, the total value of consumer goods supplied by the NACF and its member cooperatives increased by 25.6% to 770 billion won from 613 billion won of the previous year.

### C. Banking

The NACF has conducted banking business to mobilize and supply funds required for agricultural development, and to effectively finance the other business activities of the NACF and its member cooperatives such as marketing, farm inputs supply, farming guidance, public relations and research activities.

As of the end of 1991, the turnover in the banking aggregated 17,320 billion won, up 18.1% over the previous year.

Out of the total funds mobilized by the NACF, the deposits, which have been the most important funding source, accounted for 66.0%, amounting to 11,434 billion won, up 17.5% over the previous year. Borrowings totalled 4,737 billion won, up 13.2% over the previous year.

The Mutual Credit Scheme (MCS) of agricultural cooperatives has also played a pivotal role in the mobilization of rural savings and the delivery of loans to farmers and rural communities. The main objectives of the MCS are to mobilize idle money in rural areas and to meet the farmers' financial needs both for farming and living.

As of the end of 1991, the total amount of the deposits received by the member cooperatives under the MCS amounted to 14,818 billion won, up 27.7% over the year before. The total amount of loans extended by the MCS reached 10,855 billion as of the end of 1991, up 28.1% over the preceding year.

Besides the traditional banking services, the NACF has been handling the trust account and allocating stocks for public subscription since 1988 to help farmers increase their financial assets.



The NACF has been conducting the credit guarantee service since 1971 when the Credit Guarantee Fund was set up.

In addition, the NACF acts as a proxy for the government in managing and allocating agricultural development funds provided by the government.

#### 4. Major Problems Faced by Agricultural Cooperatives

First, our country has to import a large quantity of farm products due to the mounting foreign pressure to open our domestic market from the developed countries. And as the UR agricultural negotiation goes on, this tendency is strengthened. These days, especially, a large quantity of farm products are importing from China. So our agriculture has been damaged and the injures in agriculture are appeared now. This is the biggest problem today's faced by cooperative movement and agriculture in Korea.

The most important reason to oppose the expanded import liberalization is that it will deprive farmers of income sources. Furthermore, it is much difficult to develop new income crops to substitute the imported items. Thus, the quality of life in the agricultural sector has lagged far behind that in the non-agricultural sector.

From the view of national economy, the import liberalization will bring about a severe problem. That is, food security will be greatly endangered. Korea's self-sufficiency ratio dropped to less than 40 percent from more than 80 percent level in the 1960s.

Besides these problems, the liberalization will deteriorate the vulnerable agricultural production base and rural economy and resultingly accelerate rural exodus, requiring enormous social costs for solving overpopulated urban problems. And the collapse of agricultural production base is also considered to lead to disrupting environment and to destroying the origin of sound national spirit.

Second, agricultural cooperatives are now in severe competition with the private sector in almost all business activities. Many supermarkets and chain stores have been established in rural communities, resulting in severe competition in the supply of consumer goods with cooperatives. Merchants are competing with primary cooperatives in the supply of farm inputs. Primary cooperatives and banking branches of NACF have been increasingly competing with commercial banking institutions in the fields of savings, trust and securities. Agricultural cooperatives are also competing with private insurance companies.

Third, the member farmers are requesting their cooperatives to pay higher patronage dividends and interest on their share capital, to guarantee higher prices for their farm products, to expand rural welfare activities. On the other hand, the government strongly urges agricultural cooperatives to operate their business in line with the agricultural policy. Further, the consumers living in cities want agricultural cooperatives to supply farm products of good quality at reasonable and stabilized prices.

Fourth, because of the small scale farming, our member farmers are unable to realize an economy of scale, resulting in high production costs, low level of farm income and heavy debts.

Besides, there are many problems. We can say that those are also agriculture problems, because these problems of the Cooperative Movement are originated from the agriculture.

## 5. Direction of Agricultural Cooperatives

The basic position of agricultural cooperatives on the Agricultural Trade Negotiations in the Uruguay Round is as follows :

(1) Agricultural cooperatives stoutly refuse to accept the proposal made by the Chairman of the Negotiation Group on Agriculture which is unfavorable to the food importing countries.

(2) Agricultural cooperatives absolutely oppose the liberalization of imports of basic foodstuffs such as rice, barley, soybean, corn, red pepper, garlic, beef, etc.

(3) The government should secure a sufficient grace period by reflecting the non-trade roles of agriculture such as security, conservation of environment, maintenance of employment, balanced regional development, etc. in the Agricultural Trade Negotiations.

(4) The government should formulate perfect complementary measures for the farm products whose imports are scheduled to be liberalized.

(5) The government should make epoch-making financial investments in the agricultural and rural sector which lagged far behind the industrial sector in the process of rapid economic development and industrialization.

(6) The government should firmly establish the farmers protection system through the resolute support to the agricultural cooperatives.

Based on their basic position mentioned above, the NACF and member agricultural cooperatives should take the following measures :

(1) The agricultural cooperatives should strengthen their internal structure to cope with the liberalization of agricultural imports.

(2) Agricultural cooperatives should vigorously continue the "Campaign to Patronize Domestic Farm Products" launched throughout in August 1989 through press, TV, radio, billboard, composition contest, etc.

(3) Agricultural cooperatives should strengthen collaboration with consumer groups.

(4) Agricultural cooperatives should perform inspection function to identify and check harmful and poisonous foods which are imported in large quantities by private firms.

(5) The agricultural cooperatives should make investigations into trading firms importing foreign farm products without giving due consideration to the interests of domestic farmers.

(6) Agricultural cooperatives should strengthen the guidance on the production of high quality farm products.

(7) Agricultural cooperatives should innovate the cooperative marketing of farm products.

(8) Agricultural cooperatives should positively promote the exports of farm products.

(9) Agricultural cooperatives should develop agricultural processing industry in an effort to return value added accruing from agricultural processing to farmers.

(10) Agricultural cooperatives should develop off-farm income sources.

(11) Agricultural cooperatives should promote international cooperation with overseas agricultural cooperatives.

(12) Agricultural cooperatives should vigorously conduct legislative and political activities. The NACF and its member cooperatives have to urge the government to make heavy investments in the various programs including the improvement and adjustment of agricultural structure, agricultural research and development, expansion of demand for domestic farm products, improvement of agricultural marketing, promotion of rural welfare, Integrated Rural Area Development, reduction and exemption of tax for farmers, and strengthening of support to agricultural cooperatives.

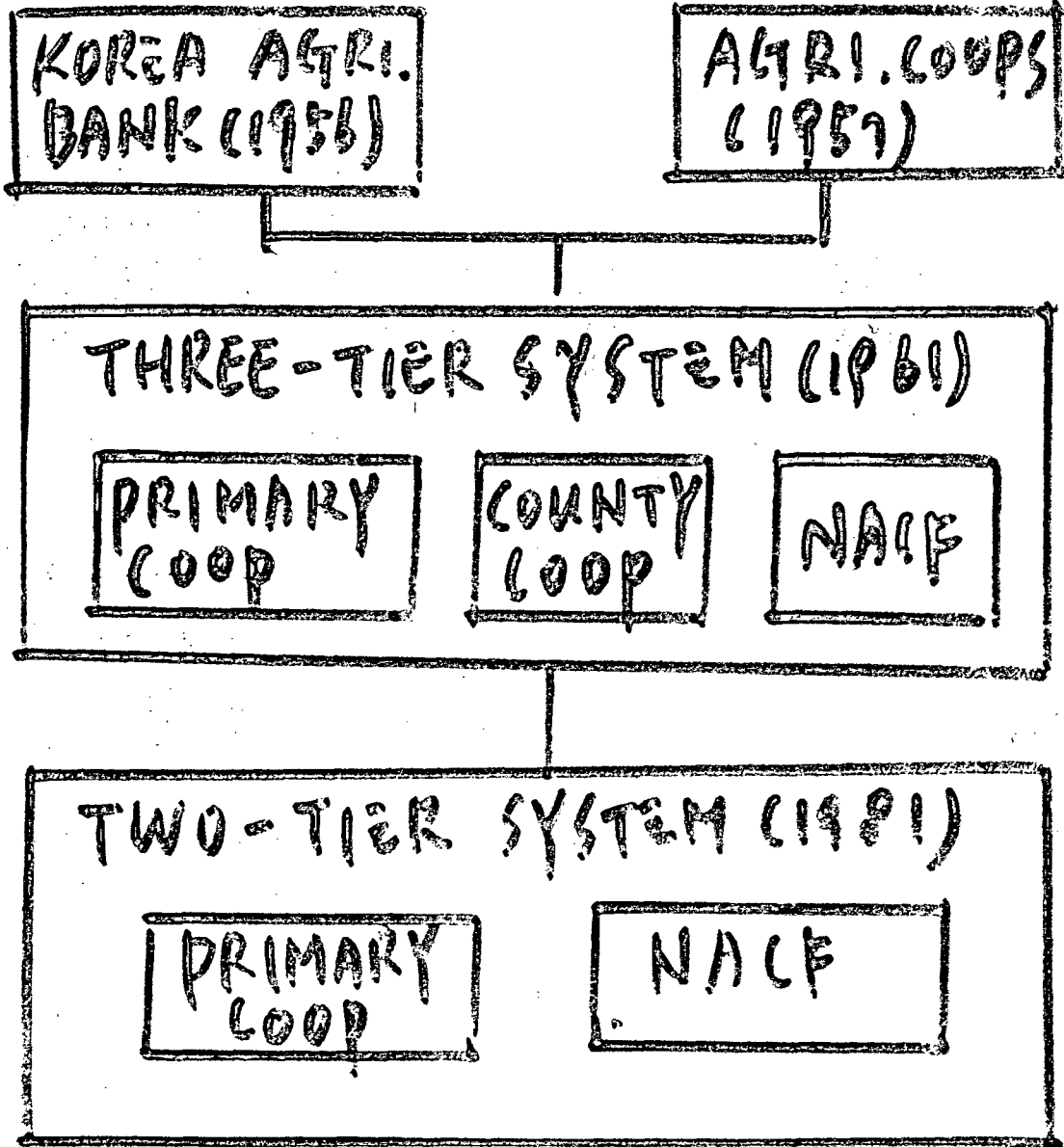
KOREA 14/11/92

## THE REASON TO OPPOSE THE IMPORT

- o Depriving farmers of income sources
- o Difficulty to develop new income crops
- o Farmer's life far behind urban life
- o Food security problem
- o Destroying Agri. production base
- o Rural exodus
- o Social cost for urban problems
- o Disrupting environment
- o Destroying the origin of sound national spirit.

KOREA

12/11/92



(HISTORIC CHART OF AGRICULTURAL COOPERATIVES)

KOREA

12 / 11 / 1992

1. ECONOMY & AGRICULTURE IN KOREA
  - A. Overview of the Korean Economy
  - B. AGRICULTURE in the Korea
2. AGRI. COOPS IN KOREA
  - A. HISTORY
  - B. CHARACTERISTICS
  - C. ROLES
3. BUSINESS PERFORMANCE
  - A. MARKETING
  - B. SUPPLY
  - C. BANKING
4. MAJOR PROBLEMS
5. DIRECTION

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"KOREA"

Group No. 1

Date 12-11-92

### 1 :- Characteristics of 'Korea' Co-operatives

- 1 = Agricultural co-operative is of two tier system
- 2 = Agricultural co-operatives in Korea have become fully democratic organisations with liberal election system and managerial autonomy
- 3 = Most of the co-operatives are multipurpose co-operatives
- 4 = Agricultural co-operatives are engaged in banking, supply, marketing co-operative insurance, warehousing, transportation, processing and farm guidance.
- 5 = There are subsidiary companies of the NACF for the additional activities in cooperative movement.
- 6 = Marketing activities of agricultural co-operative system contribute to keeping prices for farm products high by reducing marketing costs.

KOREA

Group No 1

Date

12-11-92

## 2 Possible Factors

- A] Agricultural co-operatives in Korea become fully democratic organizations with liberal election system and managerial autonomy
- B] The Mutual Credit Scheme (MCS) has played the pivotal role in the mobilization of rural savings and the delivery of loans to the farmer and rural communities
- C] The NACF established co-op trading co. to handle the exports and imports of agric. products
- D] The Farmers Newspaper co. established to disseminate farming techniques to member farmers
- E] Co-operative supermarkets are also managed to satisfy both producers and urban consumers.
- G] The NACF has conducted banking business to mobilize and supply funds required for agricultural development.
- H] Provision of dividend on share capital
- I] NACF acts as a proxy for the government in managing and allocating agricultural development funds provided by the gov.



"KOREA"

Group No 1

12-11-92

### 3 - Negative Factors

- \* - Agricultural has been damaged from import liberalization.
- \* - large quantity of farm products are imported from china
- \* - Agricultural co-operatives are now in severe competition with the private sector.
- \* - Co-operative movements receive less Gov. investment than industrial sector.
- \* - the member farmers are requesting for higher ~~pr~~ dividends, and the interest on their share capital, to guarantee higher prices for their farm products, to expand rural welfare activities.
- \* - The co-operative is unable to supply farm product a good quality at a reasonable and stabilized price
- \* - Because of the small scale farming, the farmers are unable to realize an economy of scale, resulting in high production costs, low level of farm income and heavy debts.
- \* - Self-sufficiency ratio in agricultural products dropped to less than 40%.

KOREA"

Group No- 1

12-11-92

## 4 - Suggestions

- - The agricultural co-op. should strengthen their internal structure to cope with the liberalization of Agricultural imports
- - Agricultural co-op should strengthen collaboration with consumer groups.
- - Agricultural co-op should strengthen the guidance on the production of high quality farm products
- - Agril. co-op. should innovate the co-op. marketing of the farm products.
- - Promote more exports.
- - Development of agricultural processing industry
- - Development<sup>of</sup> off farm income sources.
- - The NACF and its member co-op. have to urge the gov. to make heavy investment in agricultural structure.

GROUP. 2

Country paper KOREA. 12.11.92

## 1. CHARACTERISTICS

a. Korea's cooperative organised by Government.

b. Business performance is variety and big

c. Cooperative's president elected directly by farmers

d. be organized into a two-tier system  
(township level and, nation level)

⊙ (primary cooperative and, special cooperative)

## 2 a. Positive factor

- perform variety business

- president elected by farmers

## b. Negative factor

- personal<sup>n</sup> expenses is very high

- Goods cost is very high  
protected

### 3, Suggestions

- a. - Cost down by modern equipment and reduction of producted goods flow channel, therefor increase competition
- b. - reduce employee
- c. THE GOVERNMENT SHOULD STOP IMPORT OF FARM PRODUCT.
- d. AGRICULTURAL COOPERATIVE SHOULD POSITIVELY PROMOTE THE EXPORT OF FARM PRODUCT.

GROUP II

CHARACTERISTICS

- i) AGRICULTURAL COOPERATIVES IN KOREA HAVE BEEN RE-STRUCTURED IN 1981 FROM THREE TIER SYSTEM TO TWO TIER SYSTEM LINKING THE PRIMARY COOPERATIVES DIRECTLY WITH THE FEDERATION.
- ii) PRIMARY ~~GROUP~~ COOPERATIVES ARE REALLY MULTIPURPOSE COOPERATIVES, RENDERING ALL KINDS OF SERVICES WHICH THE FARMERS NEED.
- iii) IT IS A PEOPLES MOVEMENT AND NO GOVT. INTERFERENCE.
- iv) DEMOCRATIC MANAGEMENT IS WORKING HAVING ~~BE~~ ALL-OVER CONTROL OF THE SOCIETIES AFFAIRS.
- v) TRUE FEDERATION AT NATIONAL LEVEL EXISTS IN KOREA AS N.A.C.F IS SUPPORTING ITS PRIMARY MEMBER SOCIETIES. IT IS NOT COMPETING THEIR BUSINESS.
- vi) GENERAL BODY IS THE SUPREME BODY IN SOCIETY HAVING ALL MANAGERIAL AS WELL AS FINANCIAL AUTONOMY.
- vii) THERE IS COVERAGE OF ALL THE NEEDS OF MEMBERS IN THE COOPERATIVE ~~SECTOR~~ SECTOR VIZ INSURANCE, MARKETING, TRANSPORTATION, WARE HOUSING, PROCESSING, FARM GUIDANCE AND TECHNOLOGICAL UP-GRADATION OF FARMERS MACHINERIES.
- viii) PUBLICITY WING OF COOP. SECTOR IS ALSO STRONG CHARACTER TO CREATE A COOPERATIVE ATMOSPHERE.

KOREA

-2-

DATED 12-11-92

POSITIVE POINTS

- 1) WHOLLY DEMOCRATICALLY MANAGED COOP<sub>s</sub> ARE WORKING HAVING FINANCIAL AUTONOMY.
- 2) CROP INSURANCE BY COOPERATIVES IS PLAYING A CRUCIAL SAFETY AGAINST UN-EXPECTED NATURAL CALAMITIES, ULTIMATELY BOOSTING MORAL OF FARMERS.
- 3) SAVING FOREIGN EXCHANGE THROUGH EXPORTS THROUGH TRADING BY COOPERATIVES.
- 4) LATEST TECHNOLOGY IS PERCOLATING TO FARMERS THROUGH ~~FARMERS~~ PRIMARIES.

NEGATIVE POINTS

- 1) INTEREST ON SHARE CAPITAL IS SOME WHAT A NEW PECULIAR FEATURE, THEY MAY DECLARE MORE DIVIDEND, WHY INTEREST?
- 2) N-A-C-F IS STILL STRUGGLING AGAINST THE PRIVATE SECTOR, INSPITE OF SUCH A MASS MOVEMENT.
- 3) THOUGH A SMALL SCALE HOLDINGS ARE LARGE YET THERE IS NO COOPERATIVE MACHANISATION SCHEMES TO INTRODUCE FARM
- 4) TRAINING INFRA-STRUCTURE SEEMS TO BE NEGLECTED IN COOPERATIVE SECTOR.

SUGGESTIONS.

- 1) AGRICULTURAL COOPERATIVE SHOULD NOT CONDUCT POLITICAL ACTIVITIES AS THESE ARE BASICALLY SOCIO-ECONOMIC INSTRUMENTS.
- 2) HUMAN RESOURCE DEVELOPEMENT AND MANAGEMENT SYSTEM SHOULD BE DEVELOPED BY VARIOUS TRAINING PROGRAMMES.
- 3) INTERNATIONAL TRADE AMONG COOPERATIVES SHOULD BE ENCOURAGED.
- 4) PROCESSING COOPERATIVES STRUCTURE SHOULD BE ENLARGED TO COVER ALL THE MAJOR CROPS.
- 5) QUALITY CONTROL AND TESTING EQUIPMENTS SHOULD BE MADE AVAILABLE TO PRIMARY SOCIETIES BY N.A.C.F.
- 6) MONETERING AND EVALUATION CELL IN LARGE COOPERATIVES SHOULD BE ESTABLISHED.
- 7) COOPERATIVE LEADERSHIP PROGRAMMES SHOULD BE THE FOCAL POINT IN COOPERATIVE EDUCATIONAL PROGRAMMES.
- 8) COMMODITY COOPERATIVE SHOULD BE DEVELOPED TO ACCELERATE THEIR PRODUCTION AND MARKETING.
- 9) A PRESTIGIOUS NATIONAL AWARD SHOULD BE DECLARED BY N.A.C.F TO RE-COG-NISED BEST COOPERATOR EACH YEAR.

' A CRITICAL EXAMINATION  
OF AGRICULTURAL COOPERATIVES,  
THEIR ORGANISATIONAL STRUCTURES,  
MANAGEMENT PRACTICES AND  
PROBLEMS IN MALAYSIA '

A COUNTRY PAPER  
FOR  
' SEVENTH ICA/JAPAN TRAINING COURSE  
FOR STRENGTHENING MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA,  
1992 / 1993



## INTRODUCTION

Malaysia covers an area of about 329,758 square kilometres, consisting of Peninsular Malaysia and the state of Sabah and Sarawak and the Federal Territory of Labuan in the north-western coastal area of Borneo Island. The two regions are separated by about 540 kilometres of South China Sea. Peninsular Malaysia covering 131,598 square kilometres has its frontiers with Thailand in the north and Singapore in the south while Sabah with area about 73,620 square kilometres and Sarawak about 124,449 square kilometres, border the territory of Indonesia's Kalimantan.

Despite the current expansion in industrial sector, agricultural sector remain to be one of the important sector in Malaysia economy. Under the fifth Malaysia Plan (1986-1990) agricultural sector accounted 28% of the labour force and contributed 19% of the Malaysian Gross Domestic Product which was next to the manufacturing section. Under the sixth Malaysia Plan (1991-1995), \$9.019 Million are allocated for agricultural development. This constitute 16.4% of the total planned development expenditure.

## HISTORICAL BACKGROUND

The cooperative movement in Malaysia was not of a spontaneous type. It was brought into Malaysia by our colonial master, the British, with a special purpose, i.e. to combat indebtedness among farmers and deficit spending among wage-earners in places of employment. It was formally introduced in Peninsular Malaysia, then called Malaya, through the legislation of the Cooperative Enactment in 1922. Since its main aim then was to combat indebtedness and deficit spending, the first societies formed were that of savings and credit, i.e. the Thrift and loan type.

Responses at the initial stage was poor as the farmers found it difficult to get out of the existing credit system then and there was also the question of interest on loans given to members which was considered as 'riba' by the Muslim Community. The problem was later solved with a 'fatwa' issued after consultations with the appropriate Muslim authorities.

The cooperative Societies Enactment, 1922 meant primarily for the regulation of credit cooperative societies was, however, eventually replaced by Cooperative Societies Ordinance, 1948 which is still in use in Peninsular Malaysia with various amendments until its current form under Cooperative Societies Act, 1948 (Revised - 1983). In Sarawak there is the Cooperative Ordinance, 1949 and in Sabah, the Cooperative Societies Ordinance, 1958 in force.

The agricultural cooperative societies that were first started took the form of single purpose societies of the credit and marketing types. In fact credit cooperatives as an institutional means for savings - "thrift and loan" - form the main stay of the agricultural cooperative movement. The Government helped the farmers by giving special loans to the cooperatives to help their members redeem their properties from the money-lenders. Subsequently with the realisation of the colonial and the succeeding independent Governments that there were several factors relating to rural poverty, different types of agricultural Cooperative Societies concerned with marketing, rice milling, supply of agricultural inputs and consumer goods emerged.

The agricultural cooperative sector of the movement was further consolidated after Independence in 1957 with the Government's rural development efforts focussing considerably on agro-based cooperatives. It was meant to be an alternative socio-economic system to the capitalistic structure existing in the rural economy that tended to use its economic power to the disadvantage of the villagers. In 1941 when there were 307 cooperative societies with a membership of around 94,000 registered, which in 1966 rapidly increased to 3,150 cooperative societies, there were already by 1974, 1,675 agrobased cooperative societies with a membership of about 150,000.

Around the same period, in 1959, the Department of Agriculture organised farmers' group called Farmers Associations solely for extending agricultural technology. From 1963 to 1966, however, their scope was gradually enlarged to include credit, marketing, agribusiness, transportation services and supply of consumer goods. It was formalised through the Farmers Associations Act, 1967. By 1973 there was a

2

three-tier network of Farmers Associations at area (116), state (9) and national (1) levels with a membership of 120,000 approximately.

Meanwhile a survey conducted by the Department of Cooperative Development in 1970 found thirty different types of cooperative societies in existence engaging in credit, land development, livestock, marketing, processing, housing, transport, consumer goods and considerable overlapping of services between the agricultural coo cooperatives and the Farmers Associations resulting in waste of funds, manpower and efforts. Moreover there was a lack of administrative coordination as well as rivalry between the agricultural cooperatives and the Farmers Associations which, to all intents and purposes, had similar objectives and functions. A government appointed committee in 1972 also highlighted some problem areas in the parallel existence of both Farmers Associations and agrobased cooperative societies within the same farming locality. There was a counter productive conflict between the two, arising from locational overlapping of operational areas and functional duplication, leading to a sense of social insecurity, political tension and loss of motivation.

To consolidate the different types of cooperative societies, a policy of larger size and membership, possessing bigger resources and covering wider area of operation was adopted. A programme of amalgamating small, single purpose cooperatives was implemented. The new multi purpose cooperatives have credit, marketing, processing and consumer supplies as their objectives. It legitimized the trend towards multi purpose cooperative societies started since 1967.

Whereas to stop the wasteful competitions at local level between agricultural cooperatives and Farmers Associations, the Government decided to streamline the two institutions providing services to the farmers through the Farmers Organisation Act, 1973. A new Government agency, Farmers Organisation Authority (FOA), was established to integrate the existing Area Farmers Associations with viable agricultural cooperatives in the locality; to liquidate the non viable cooperatives; and to coordinate other departments and agencies,

provision of services to farmers through the fresh, combined entity called Area Farmers Organisations (AFOs). The integration process was twofold, either loose or full. In the former the agricultural cooperatives or Farmers Associations share contributing units of the AFOs. In the latter they deregister and amalgamate their assets and liabilities into the AFOs.

Subsequently, existing Farmers Association units were fully merged into the AFOs when the Farmers Association Act, 1967 was abolished, while the existing agro-based cooperative societies are given the choice to remain independent or integrate with the AFOs. But any new agro-based cooperative society registered is required to be a unit member of the local AFOs or the State Farmers Organisation (SFOs). In 1979 the registration of agro-based cooperatives in the land settlement schemes of Federal Land Development Authority (FELDA), Federal Land Rehabilitation and Consolidation Authority (FELCRA), State Governments' block land development and private land development schemes as well as in rubber replanting schemes of Rubber Industry Smallholders Development Authority (RISDA) was deemed to be the responsibility of Cooperative Development Department. This is due to the fact that Farmers Organisations (FOs) do not actively operate in such land schemes and consequently the FOA has no jurisdiction over those agro-based cooperatives. FOs are for small farmers and to be the sole farmers' institution in the rural areas outside of private estates/plantations and Government new land settlement, land resettlement and block land development schemes.

#### INVENTORY OF AGRICULTURAL COOPERATIVES

By 1991 there is a three-tier network of FOs established at area 264 State (13) and national (1) levels with a membership of about 539,954 and share capital about \$25,110,890 including Sabah and Sarawak. Out of the 677 agro-based cooperatives in Peninsular Malaysia remaining in existence by 1991, registered under FOA, 622 have opted to become unit members of AFOs. Of those registered under the Cooperative Development Department the number has grown to 429 agro-based cooperatives with membership of about 320,698 and share capital about 136,976,479 excluding Sabah and Sarawak.

The classification of agricultural cooperatives currently in Malaysia is as follows:-

1. Agro-based Cooperatives Under The Cooperative Development Department.

In general agro-based cooperatives are registered under Cooperative Societies Act, 1948 (Revised - 1983) for Peninsular Malaysia, Cooperative Ordinance 1949 for Sarawak and Cooperative Societies Ordinance, 1958 for Sabah. But these Act and Ordinances do not define agro-based cooperative societies. However, administratively, a distinction is made between agro-based cooperatives under the ambit of the Farmers Organization Act, 1973 and agro-based cooperatives under the Peninsular Malaysia, Sabah and Sarawak cooperative legislation.

The agro-based cooperatives are as follows:-

a) Primary Level.

- i) multi purpose cooperatives with land development (estate management or group farming) as one of its functions with the others being provision of agricultural inputs like fertilisers and agrichemicals, credit, marketing, transportation, milling etc. to members for production purposes. These operate within and without the land settlement schemes of Federal Land Development Authority (FELDA), Federal Land Rehabilitation and Consolidation Authority (FELCRA), South Kelantan Regional Development Authority (KESEDAR) and rubber replanting schemes of Rubber Industry Smallholders Development Authority (RISDA).
- ii) land development cooperatives which are formed for the expressed purpose of undertaking the development of lands alienated by the State Governments along estate management.

b) Secondary Level.

- i) regional associations of FELDA settlers' cooperatives
- ii) State rubber smallholders' cooperative
- iii) Central FELCRA cooperative
- iv) Central KESEDAR Cooperative
- v) National Rubber Smallholders Cooperative (NARSCO).

2. Agro-based Cooperatives Under The Farmers Organizations Authority.

Similarly registered under the same cooperative legislations, but Registrar's responsibilities are transferred to the FOA. Together with its Registrar powers over the Farmers Organizations, the FOA binds these agro-based cooperatives with with FOs towards a common goal. However, FOA's Registrar powers for the moment are not being enforced to Sabah and Sarawak yet because of each State's autonomous cooperative laws.

The agro-based cooperatives are as follows:-

a) Primary Level.

- i) single purpose credit cooperatives to provide loans to members especially padi farmers to increase their farm productivity; rice milling cooperatives; agricultural marketing cooperatives and livestock cooperatives.

b) Secondary Level.

- i) banking unions formed to pool capital resources of credit from member credit and non-credit cooperatives.

- ii) Associations of rice milling cooperatives formed to maximise scale economies and towards commercial expansion.

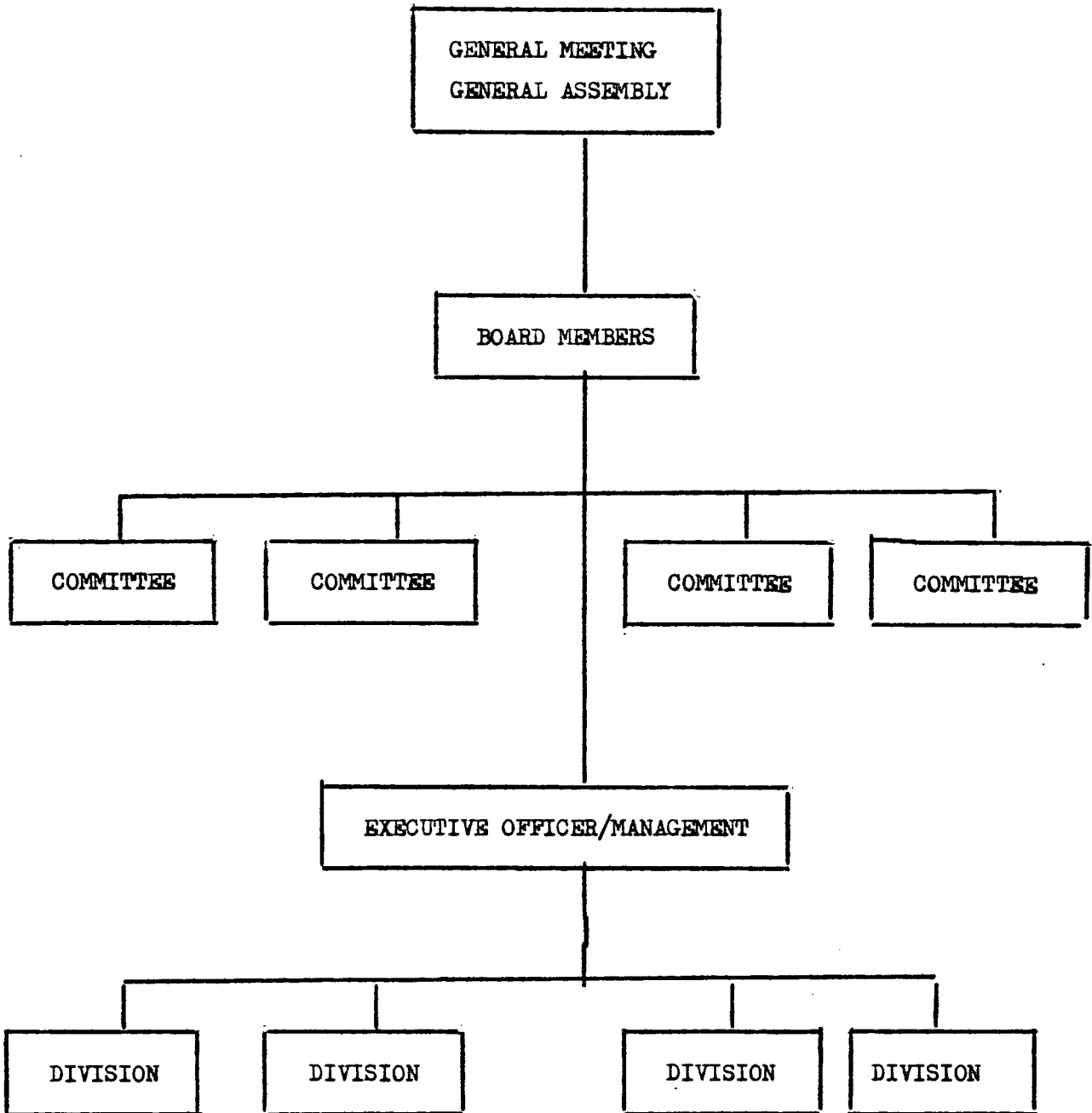
### ORGANISATIONAL STRUCTURES

The general administration of the cooperatives, rests with the Board. As a general rule, the Board members are elected at the General Meeting in accordance to stipulations laid down in the bye-laws. Due to the fact that the General Meeting is usually held once a year during which reports and statements regarding the operation of the cooperative are discussed and hence, it is incumbent upon the Board as part of their duties to be given a sufficient period of time before they are required to present their report at the General Meeting. If the duties are not carried out properly, then the financial status or the operation of the cooperative, will generally tend to deteriorate to a serious and dangerous stage.

The Board is expected to held a meeting at least once a month. The meeting of the Board if properly conducted, can be viewed as a practical business school for the Board. It is in the meeting where the Board Members have the opportunity to learn or to train themselves in the industry and business aspects with the condition that the management presents his monthly reports with complete and full details.

The relationship between the Board and the management should always be close. Each party has its own duties and responsibilities. Discussion on specific matters and exchange of opinions among one another ought to exist frequently in order to establish a firm understanding of one another. The management plays an important role in the meeting of the Board. It is at liberty to put forth its views and recommendations but at the same time it cannot insist that its recommendations must be accepted by the Board. The power to make the final decision rests with the Board. If there is any difference in opinion between the two parties, then the view of the Board shall prevail as long as it is in line with the decision of the General Meeting and the cooperative's constitution.

ORGANISATIONAL STRUCTURE





It need not be emphasised that members are naturally involved in the control and management of cooperatives by means of their roles and responsibilities. Every board members should truly understand of the members' involvement in the management or control factors at the General Meeting.

Many cooperatives have set up sub-committees, depending on the activities being carried out, so as to distribute the responsibilities so that the society's affairs might be conducted smoothly. These sub-committees are usually headed by a Board Member where as the members of sub-committees are either from the Board or appointed from among the members. Normally the appointing is done by the chairman of the sub-committee and approve by the Board. The sub-committees are entrusted with certain powers bestowed by the Board and every sub-committee is required to table its report in the Board meeting.

Apart from having the normal organisational structure there are also cooperatives with some difference in the composition of the Board since the law provides for appointment of some Board members by the government through the agency concerned such as the NARSCO (National Rubber Small Holders' Cooperative).

The Board of NARSCO comprises 15 members of whom 11 are elected at the General Meeting representing every state in Peninsular Malaysia and 4 members are appointed by the government, 3 of these representing RISDA and one representing the Ministry of National and Rural Development. The post of Chairman, Vice Chairman and Group Managing Director hold by the representative from RISDA. From the management aspect NARSCO is under leadership of Group General Manager with the assistance of Divisional Managers and the General Managers.

THE ACHIEVEMENT OF THE AGRICULTURAL COOPERATIVES

The achievement of the Agricultural Cooperatives can be viewed from 2 aspects:-

1. Number of Cooperative Membership and Share Capital

The development of agricultural cooperatives under the Coop. Development Department from 1984 to 1990 in terms of number of societies, membership and share capital are as follow:-

Agency	Year	Number Of Cooperative	Membership	Share Capital
FELDA	1984	205	70,388	11,191,575
	1985	208	77,358	13,591,552
	1986	222	81,669	14,911,919
	1987	230	91,981	16,238,286
	1988	235	92,296	17,711,149
	1989	237	95,227	18,800,263
	1990	251	93,751	19,554,552
RISDA	1984	63	56,356	3,508,563
	1985	63	56,200	3,312,314
	1986	63	72,504	3,733,979
	1987	63	80,272	4,155,611
	1988	63	88,808	4,785,299
	1989	61	105,181	5,796,179
	1990	61	121,674	6,699,638
KESEDAR	1984	8	1,127	38,849
	1985	10	1,436	12,616
	1986	10	1,786	115,912
	1987	10	1,798	189,239
	1988	10	1,807	198,814
	1989	10	2,279	276,893
	1990	10	2,308	311,769
FELCRA	1984	3	8,325	1,101,533
	1985	17	8,501	3,203,507
	1986	13	8,868	3,812,036
	1987	53	9,045	3,963,735
	1988	62	9,294	4,038,515
	1989	68	12,148	5,861,816
	1990	76	13,817	7,909,234

The development of agricultural cooperatives under the FOA in 1984 and 1991 in terms of number of societies, membership and share capital are as follows:-

<u>Year</u>	<u>Number of Cooperatives</u>	<u>Membership</u>	<u>Share Capital</u> <u>\$</u>
1984	701	98,562	11,000,000
1991	677	107,630	16,705,606

From the above statistics it is obvious that there has been a material increase in the number of societies (except under the FOA), membership and share capital in the societies mentioned above.

The increase in membership and share capital in the agricultural co-operatives could transform in to a force to be recognized with that could contribute to expansion and diversification of activities to upgrade the services offered.

## 2. Activity/Business.

The agricultural cooperative under the Cooperative Development Department are engaged in land development (estate management or group farming) for industrial crops cultivation like oil palm, cocoa and rubber. Other functions are subsidiary to the production of industrial crops like provision of agricultural inputs, credit, marketing, transportation, milling and consumer retail business like bus services, grocery shops and mini markets or petrol kiosks.

The achievement of the Rubber Small Holders' Cooperatives on their activities are as follows :-

	1989 M\$Million	1990 M\$Million
a. Farm management	5.3	18.9
b. Supply agricultural inputs	6.6	13.3

c. Marketing and transportation	53.7	52.1
d. Social service	6.9	6.8
Total	72.5	91.1

The Settlers Cooperatives (FELDA) like FELCRA Cooperatives successfully operate retail store and minimarkets, petrol kiosks and service stations, transport services (lorries, buses and tankers) and also offer other services (credit, electrical appliances, motor-cycles, furniture, hardware and construction materials) to their members and their communities (minor contracts and development projects). The activities carried out by all the FELCRA Cooperatives in 1991 amount to \$35,062,088. In term of Nett Profit the societies successfully recorded a profit of \$1,698,618.00.

Land Development Cooperative activity originated from the government's effort to solve the problem faced by the estate labourers because of the fragmentation of foreign owned rubber estates by local investors for profit. 58,000 hectares of such estates were bought by these cooperatives. Some also undertake to develop other types of land allotted to them by the government. So far, they have managed to develop 26,000 hectares of their land into oil-palm, rubber and cocoa plantations.

The agricultural cooperatives under the FOA are mainly engaged in the following operations :

- a) Credit activities.
- b) Marketing activities.
- c) Rice milling and processing activities.
- d) Livestock activities.
- e) Consumer retail business.

In 1990, 452 cooperatives out of 687 cooperatives reared a total profit of \$7,606,243.00 compered to 448 cooperatives (63.7) with a total profit amount to \$7,730,595.00 in 1989.

## PROBLEMS OF AGRICULTURAL CO-OPERATIVES

Although there has been an increased role played by the agricultural co-operatives in Malaysia it is still a limited one and has still not succeeded in creating a small time farmers community which ought to have the following characteristics:-

- i) Economical size of production
- ii) Productive
- iii) Application of high technology methods.

The above situation is caused by the problems that still exist in the agriculture co-operatives and they could be categorised into 3 main causes:-

### 1. Members of the co-operative

The knowledge of the Co-operative members as to their role and ~~responsibility~~ <sup>responsibility</sup> ~~liabilities~~ in making their society's activities a success is still superficial. There are many members who are still under the impression that progress and the success of the co-operative is the role and responsibility of the Board and the management of that co-operative. The true concept of co-operation among them could still not be understood and therefore their role as 'co-owners' and 'consumers' is not being practised. This not only results in the failure of an activity planned for their benefit but also their failure to fully benefit from the method and the technology that have been applied.

### 2. Members Of The Board

The lack of adequate knowledge on the part of the Board members on the conduct of the co-operative's business has resulted in their dependence on the part played by the management. This in turn has resulted in the possibilities of mismanagements. Such continued dependence, particularly on the Government servants who have been emplaced in the co-operatives, has also given rise to a negative

attitude such as losing confidence on their own ability and it has become a hindrance to achieving the goal of creating totally self-reliant agricultural co-operatives. Dependence on the government would ~~not~~ likely continue in many aspects .

### 3. The Management

The level of efficiency of management in co-operative is still low particularly in financial aspect and the implementation of Co-operatives activities right from the planning stage thus resulting in wastage and ineffectiveness. Even though the main objective of setting up a co-operative is not to earn profit never the less, efficiency is vital to ensure the members reap maximum benefit and that wastage in terms of finance, time and efforts does not occur and the aim of farming a co-operative is achieved. The management should keep abreast of current developments especially on the methods that could bring about better results. They should do so not only for the purpose of boasting their capability to compete with the private sector but also to make sure that the methods introduced and channelled to the members are the best.

Because of self-interests, sometimes conflicts do exist, not only between the Board and the management but also among the various management divisions found in a co-operative in respect of matters that need to be given priority. This poses a hindrance to the attainment of outstanding achievement as team-work is not being practised.

There is a lack of co-operation among the agricultural co-operatives, not only under the various government agencies but also among those which are under the same agency. Among the co-operatives under various government agencies co-operation is not satisfactory may be due to lack of or little co-ordination although opportunities to co-operate do exist since their activities are in many ways similar. This happens probably because of the diverse interests between the agencies. There is

co-operation among the co-operatives under the same agency but in a limited scale because lack co-ordination in the real sense and it of usually found only at the policy makers level, much less at the implementation level.

#### EFFORTS TO OVERCOME THE PROBLEMS

Efforts being made to overcome the problems mentioned above are directed towards educating and training those groups who are involved in them. Such efforts are usually made by the Co-operative College at Malaysia, ANGKASA (The National Cooperative Organisation which was formed in 1972 as an Apex Cooperative to cooperative movement in Malaysia), FOA and other relevant government agencies. Among the education and trainings given are as follows:-

1. Education on the cooperative concepts, principles and philosophy is offered not only to the members of the cooperatives but also to the members of the Board and the management. This is done to ensure everyone concerned understands the basic tenets relating to the cooperative movement and knows the role and responsibility that need to be assumed.
2. Improving the level of management efficiency particularly in financial management and project implementation, Emphasis is placed not only on the management team but also on the society's Board to make sure they to possess some basic knowledge at the least, in the field of management. Such training is also offered to those members who exhibit the potentials to sit on the Board. Training and guidance are given by the relevant agencies especially to their staff emplaced in the cooperatives. The Cooperative college too offers certain courses tailored especially for the concerned agencies staff.
3. Seminars and discussions arranged for ministries and government agencies to forge a firm cooperation among the agricultural cooperatives in the course of their activities. This is often practised by the JPK, FOA and the ANGKASA.

In the efforts to improve the management efficiency usage of computers were also introduced through the ANGKASA, FOA and Government Agencies like RISDA. Although there are some agricultural cooperatives which have begun using computers, the extend of their usage is still limited in terms of units being used and their utilisation. They have still not been utilised to the extend of planning and implementation of projects.

#### CONCLUSION

The level of achievements attained by the agricultural cooperatives in assisting the government to achieve their goal of National Agriculture Policy is encouraging. Never the less there is still ample room of improvements to ensure their achievements truly benefit the members in their efforts to uplift their socio-economic status and to evolve them into progressive and knowledgeable farmers so that the rural people could take their rightful place and role in the community. This role should be jointly assumed by all parties concerned.





CASE STUDY  
THE K DISTRICT COOPERATIVE  
LIMITED

THE ACTIVITIES AND PROBLEM  
IN THE ORGANISATIONAL  
AND MANAGEMENT ASPECTS

SEVENTH ICA/JAPAN TRAINING COURSE  
FOR STRENGTHENING MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA  
1992 / 1993

### Objective Of Case Study

The objective of this case study is to highlight the activities and problems in the organisational and management of the cooperative.

### Activity And The Problems Encountered By The Cooperative.

The K District Co-operative Society Limited is a rubber small-holders' Cooperative in the district of K which is situated in the Northern region of West Malaysia. The society presently faces a major problem i.e. insufficient financed to conduct its activity of marketing members' produce namely rubber either in the form of latex, sheet rubber or scrap rubber and also in the marketing of agricultural inputs. Both these activities are of utmost importance as they have a direct relationship to the day to day activities of the society members.

Apart from that, the total area with mature rubber trees of potential rubber output in the district according to the RISDA ( Rubber Industry and Small Holder Development Authority - The government agency responsible for the development of rubber industry among the small holders ) is 8,900 hectares. Taking into account the average output in the range of 1,542 kg. per. hectare per year, the total output of latex account for 13,723,800 kg annually. The agricultural input such as fertilizers and other agricultural input required in the upkeep of the above-mentioned area cost in the region of \$1,400,000.00 per year.

This problem of lack of funds exist in spite of the society having a membership of 1711 persons ( out of a total of 9594 registered small-holders in the district ) with a share capital amounting to \$148,474.52 as on 30.09.1992 is because of

the failure on the part of the society in implementing its housing project for the members which was planned in 1983 ( 3 year after the society was registered ). The society procured a piece of land, 14 acres in area with a purchase price of \$250,000.00 which cost was financed by a loan from the following sources :-

1. NARSCO ( National Rubber Small Holders Co-operative )  
- \$100,000.00 on interest at 6% per annum.
2. Malaysian Agricultural Bank - \$150,000.00 on interest at 1% per annum and a penalty fine of 6% per annum on late payment.

The society found itself being unable to proceed its housing project due to the lack of response from the membership caused by the unsuitability of the project location. Problems which arose out of implementation were additional factors which contributed to the failure. When the project was cancelled in 1985 the society started refunding members' deposit meant for the project. It has since serviced the loan from its internal resources. This is inclusive of the \$13,110,00 expended on the project.

Total interest on the loan borne by the society include penalty interest on payments which failed to comply with repayment schedule amounting to \$110,000.00 up to 1992. Although the Society managed to repay an amount of \$137,639.00 but the balance of the loan as at 30.09.1992 is \$200,905.00 . The society tried cultivation of crops such as rubber in the land mentioned above in 1987 but was unsuccessful and incurring a loss of \$5,791.00 as the said land was unsuitable for cultivation.

In the year 1985, the society acquired a building for \$150,000.00 in cash terms. It was converted into a storage house to stock-pile fertilizers received from the government as subsidies to be distributed to the eligible small-holders by RISDA. Under normal

circumstances this is a profitable activity but of late the society sustained a loss caused by a marked drop in the rate of income compared with the expenditure ( Which includes depreciation of the building amounting to \$9,000.00 yearly )

The society's management pays special attention to contract work procured from the RISDA such as building of infrastructure and supply of materials in view of the following reasons :-

1. Purchase of materials in on credit terms but payment to suppliers are made from progress payment received. Quantum of progress payment depend on the percentage of work completed. As such the society need not carry out the said contract work.
2. Risks involved minimal and the society has not so far incurred any loss in this activity.

Performance in the contract work and supplies since the date of register is as follows :-

	<u>Income</u>	<u>Expenditure</u>	<u>Profit</u>
1981	-	-	-
1982	13,949	11,834	2,113
1983	18,854	17,105	1,749
1984	40,924	30,750	10,174
1985	40,867	39,123	1,744
1986	22,969	20,755	2,214
1987	113,232	93,522	19,710
1988	72,565	56,760	15,805
1989	185,091	160,757	24,333
1990	292,656	252,566	40,090
1991	523,428	490,854	32,574

The activity of rubber marketing is carried out by the society using two different methods as follow :-

1. The activity is funded by the society itself, thus bearing the risks thereof. Profit or loss is determined by deducing the difference between purchases and sales.
2. It is carried out in collaboration with the marketing Division of RISDA where the society receives 2 cents for every kilogram. The society incurs very little expense since the transportation and other related costs are borne by the RISDA. In this method the amount of rubber procured by the RISDA is voluminous thus bringing in a sizeable income to the society and this is a form of aid to the society from the RISDA.

Performance shown by both these methods are as below :-

First Method

	<u>Receipts</u>	<u>Disbursements</u>	<u>Surplus</u>
1981	35,393	33,380	2,013
1982	29,055	28,364	691
1983	-	-	-
1984	-	-	-
1985	-	-	-
1986	-	-	-
1987	-	-	-
1988	114,023	110,083	3,939
1989	34,910	30,842	4,067
1990	23,095	24,371	( 1,276 )
1991	-	-	-

Note : 1983 - 1987 - Activity discontinued

## Second Method

	<u>Revenue</u>	<u>Expenditure</u> *	<u>Profit</u>
1981	15,394	1,032	14,362
1982	32,600	3,363	29,236
1983	29,985	3,551	26,433
1984	25,467	4,518	20,949
1985	27,872	4,434	23,438
1986	46,867	3,834	43,033
1987	36,337	13,794	22,543
1988	16,504	3,789	12,715
1989	12,251	1,940	11,311
1990	4,144	465	3,679
1991	3,757	300	3,457

\* Rent, Overtime Allowance and Licence Fee.

As from year 1991 the marketing Division of RISDA ceased its rubber marketing operations and the society is active in this aspect the marketing of rubber is being handled by the private sector ( Organisation or individual ). Cessation of this activity by RISDA also means the society has lost one of its good sources of income.

Apart from the financial problems which hinder active involvement in this operation the society also faces other problems as follow :-

- There is competition from the private sector purchasers who employ various methods to attract the small holders such as offering credit facilities, sale of goods on credit and deducting payment therefrom from their revenue on sale rubber to them besides fixing a relatively higher purchase price.

- Members' understanding with regard to their role and responsibilities of participating in a co-operative activity is still superficial.

Firm financial resources are needed particularly for the purpose of revolving capital in the procurement of rubber since payments received on the sale of rubber to the factory takes some time whereas payments made by the society to the small-holders are prompt. Furthermore financial resources are also needed for the purpose of providing the workforce, the place of purchase and the equipments.

On the aspect of Organisation the society has sub-committees to facilitate a smoother running including the Agriculture Input Services Sub-Committees and the marketing and transport sub-committees they are not functioning.

#### Summary

Financial position and the implementation of the society's activities should be improved so as to enable the society to provide better services to its member.



Balance Sheet At 31 December, 1991

<u>Members' Reserve Fund</u>			
Members' Share Capital	145,269.02	Fixed Assets	329,512.60
General Reserve Account	1,251.67	Investments	13,170.00
Other Reserve	18,143.71	Contract In Progress	-
Accumulated Profit +			
Loss Account	5,894.34		
	<u>170,558.74</u>		
Statutory Reserve Fund	27,707.58		
Long Term Loan	174,775.35		
<u>Current Liabilities</u>		<u>Current Assets</u>	
Contract Creditors	239,440.78	Contract Debtors	291,299.84
Trade Creditor - NARSCO	1,530.47	Various Debtors	14,018.27
Housing Site Land		Cash in Bank and in Hand	35,066.50
Purchase Deposit	8,788.55	Current Account :	
Specific Deposit	3,250.00	Perwira Habib Bank	( 44,715.71 )
Various Creditors	<u>12,300.03</u>		<u>295,668.90</u>
	<u>265,309.83</u>		<u>638,351.50</u>
	638,351.50		=====

Profit And Loss Account For The Year  
Ending 31 December 1991

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Incomes

Gross Profit On Contract Posted From Contract Account	32,574.75
Profit/(Loss) On Insurance Business	( 5,916.91)
Rubber Marketing Commission	3,457.37
Loss On Sale Of Scraps	-
Loss On Fertilizer Stokist	( 5,071.72 )
Other Incomes	432.84
	<hr/> 25,476.33

Expenditures

Salaries	15,325.00
EPF and Fines	1,224.00
Allowances	456.07
Transport	-
Internal Auditors Allowances	-
General Meeting Expenses	4,223.10
Committee Meeting Expenses	775.00
External Auditor Fees	1,500.00
Interest and Fine On Bank Pertanian's Loan	10,932.17
Sungai Seluang Land Assessment	213.80
Entertainment Fees	1,117.40
Bank Commission	214.31
Employeas Insurance	-
Donation	576.75
Pusakabumi Registration Fee	-
Medical Fee	66.00
Brought Forward	<hr/> 36,623.60

Balance Brought Forward	36,623.60
Courses	150.00
Telephone Bill	1,693.51
Electricity	318.48
ANGKASA Annual Subscription Fee	279.40
Poison	-
Office Expenses	282.20
Postage	79.80
Magazines and Newspaper Subscription	23.15
Rental On Insurance Premises	-
Water Bill	47.37
Interest On Bank Overdraft	3,361.79
Abolition of Trade Debtars	-
Subdivision Of Lot	250.00
Abdition Of Various Debtars	-
Stationery And Photostat Expenses	1,489.20
Depreciation On Fixed Assets	649.40
	<u>45,247.90</u>

Net Profit/(Loss) For The Current Year

Posted To Appropriation Account

( 19,771.57 )  
=====



Malaysia

Group 1

13-11-1992

## 1. Characteristics

- 1) The Government's rural development efforts focusing considerably on Agro-based coops.
- 2) The Department of Agriculture organized farmers' group called Farmers Associations solely for extending agricultural technology
- 3) The new multipurpose coops have credit, marketing, processing and consumer supplies as their objectives.
- 4) A new Government agency, Farmers Organization Authority (FOA) was established to integrate the existing Area Farmers Associations with viable agricultural cooperatives in the locality.
- 5) FOA established a three-tier network by IPEI.

Malaysia

Group 1

13-11-1992

## 2. Positive factors

- 1) Multipurpose coops with land development functions as the provision of agricultural inputs like fertilisers and agrichemicals, credit, marketing, transportation, milling etc. to members for production purposes.
- 2) Land development coops which are formed for the expressed purpose of undertaking the development of lands alienated by the State Governments along estate management.
- 3) Single purpose credit coops to provide loans to members especially paddy farmers to increase their farm productivity.
- 4) Banking unions formed to pool capital resources of credit from member credit and non-credit cooperatives.
- 5) The settlers coops (FELDA) like FELCRA coops successfully operate retail store and minimarkets, petrol kiosks and service stations, transport services and also offer other services to their members and their communities.
- 6) Land Development Coop activity originated from the government's effort to solve the problem faced by the estate labourers.

Malaysia

Group 1

13-11-1992

- 1) The agricultural coops under the FOA are mainly engaged in credit marketing, rice milling and processing, livestock, consumer retail activities.
- 2) Many coops have set up sub-committees so as to distribute the responsibilities so that the society's affairs might be conducted smoothly.

### 3. Negative factors

- 1) There is a lack of co-operation among the agricultural coops, not only under the various government agencies but also among those which are under the same agency.
- 2) The lack of adequate knowledge of the Board members on the conduct of the coop's business.
- 3) The knowledge of the coop members as to their role is still superficial.
- 4) The level of efficiency of management in coop. is still low, resulting in wastage and ineffectiveness.

Malaysia

Group 1

13-11-1992

#### 4. Suggestions

- 1) The management should keep abreast of current developments especially on the methods that could bring about better results.
- 2) Emphasis on improving the level of management efficiency particularly in financial management and project implementation.
- 3) Education on the co-op concepts, principles and philosophy is offered to all members, specially to grass root levels.
- 4) Training should be offered to those members who exhibit the potentials to sit on the Board.
- 5) The efforts should be improved on the management efficiency using ~~the~~ ~~the~~ modern science and technology which is inadequate at present.



Agri.

## 1. CHARACTERISTICS OF MALAYSIAN COOPERATIVES

- a. TWO-TIER COOPERATIVE SYSTEM EXIST IN MALAYSIA.
- b. DEMOCRATIC SET-UP OF COOPERATIVES.
- c. THERE ARE SOME AGRICULTURAL COOPS. WHICH ARE UNDER THE CONTROL/SUPERVISION OF NON COOPERATIVE ORGANISATION LIKE FOA WHICH IS A GOVT. AGENCY.
- d. MULTIPURPOSE SOCIETIES UNDER THE COOP. DEPARTMENT UNDER TAKE THE ACTIVITIES SUPPLY OF AGRICULTURAL INPUTS, CREDIT, MARKETING, TRANSPORTATION, MILLING ETC. TO MEMBERS FOR PRODUCTION PURPOSES.
- e. LAND DEVELOPMENT COOPERATIVES UNDER COOPERATIVE DEPARTMENT UNDERTAKE THE FUNCTIONS OF LAND DEVELOPMENT.
- f. COOPERATIVE STRUCTURE IN MALAYSIA IS RATHER CONFUSING, BECAUSE SOME COOPS ARE CONTROLLED BY COOP. DEPARTMENT AND SOME ARE BY FOA.

NEGATIVE FACTORS:

- a. LACK OF COORDINATION AMONG THE COOPS UNDER THE CONTROL OF COOPERATIVE DEPARTMENT, ~~FOA~~ FOA AND OTHER GOVERNMENT AGENCIES WHICH ARE RESPONSIBLE FOR LAND DEVELOPMENT SCHEME ALTHOUGH THEIR ACTIVITIES ARE SIMILAR
- b. INADEQUATE KNOWLEDGE OF BOARD MEMBERS ON THE CONDUCT OF THE COOPERATIVES.
- c. INEFFICIENT MANAGEMENT SPECIALLY IN FINANCIAL MANAGEMENT AND IN THE IMPLEMENTATION OF COOPERATIVE ACTIVITIES.
- d. CONTINUED DEPENDENCE, PARTICULARLY ON THE GOVERNMENT SERVANTS WHO HAVE BEEN EMPLACED IN THE COOPERATIVES, HAS ALSO GIVEN RISE TO A NEGATIVE ATTITUDE SUCH AS LOSING CONFIDENCE ON THEIR OWN ABILITY
- e. THE TRUE CONCEPT OF CO-OPERATION AMONG THE MEMBERS OF COOPERATIVES HAS NOT BEEN DEVELOPED SO FAR.

## 2. POSITIVE FACTORS

- a. DIVERSIFIED FUNCTIONS / ACTIVITIES OF COOPERATIVE SOCIETIES.
- b. LAND DEVELOPMENT COOPERATIVE ACTIVITY HAS BEEN ORIGINATED TO SOLVE THE PROBLEM FACED BY THE ESTATE LABOURERS.
- c. EDUCATION ON THE COOPERATIVE CONCEPTS, PRINCIPLES AND PHILOSOPHY IS OFFERED NOT ONLY TO THE MEMBERS OF THE COOPERATIVES BUT ALSO TO THE MEMBERS OF THE BOARD AND THE MANAGEMENT.
- d. ~~THE~~ TRAINING AND EDUCATION ARE BEING IMPARTED TO THE MANAGEMENT AS WELL AS TO THE MEMBERS OF THE BOARD TO MAKE SURE THAT THEY SHOULD POSSESS SOME BASIC KNOWLEDGE IN THE FIELD OF MANAGEMENT.

### 3. SUGGESTIONS:

- a. THERE MUST BE A COORDINATION AMONG THE VARIOUS COOPERATIVE ORGANISATION WORKING FOR THE SAME OBJECTIVES.
- b. COOPERATIVES MUST COME UNDER ONE UMBRELLA FOR EFFECTIVE SUPERVISION  
~~ON~~ NON COOPERATIVES.
- c. MANAGEMENT EFFICIENCY MUST BE IMPROVED THROUGH IMPARTING EDUCATION AND TRAINING TO THE MANAGERIAL STAFF.
- d. A CONCRETE NATIONAL <sup>COOP.</sup> POLICY SHOULD BE LAID DOWN FOR DEVELOPMENT OF COOPERATIVES.

CHARACTERISTICS.

- (i) Single purpose and multipurpose both types of coops exist in Malaysia.
- (ii) Integration of services in multipurpose coops viz. transport, marketing, credit, milling and consumer activities.
- (iii) Coops are under two types of controlling systems.
  - (a) Affiliated to Farmers Organisation Act 1973
  - (b) Under Cooperative Development Dept.
- (iv) Democratic control of societies is there through elected boards.
- (v) Monthly meeting of board members is developing, more rapport of policy makers to executors of programme.
- (vi) Coops are important instrument for socio economic upliftment of farmers as well other members.
- (vii) Primary level and secondary level coop societies are working having a simple organisational structure.
- (viii) Different acts of coop. are there in Malaysia Sabah, Sarawak and Peninsular Malaysia then what happens to national or multi-state coops is not

- i. VERY SIMPLE ORGANISATIONAL STRUCTURE OF COOPS IS WORKING IN MALAYSIA
- (ii) STATE ACT IS THERE TO COOP UP ITS SPECIAL REQUIREMENTS, IF ANY.
- (iii) MULTI PURPOSE COOPS ARE BEING SUPPORTED BY TWO TYPES OF AGENCIES DEVELOPMENT AUTHORITIES AND BY COOP DEVELOPMENT DEPTT. ALSO.
- (iv) COOPS ARE DEVELOPED THROUGH FORMAL ORGANISATIONS OF FARMERS UNDER STATE SPONSORED ACTIVITIES WHICH BRINGS THEM TO WORK COHESIVELY ITS A SORT OF GROUP TRAINING BEFORE BEING A COOPERATOR.

### NEGATIVE POINTS

- (i) FARMERS ORGANISATIONS RATHER CREATE A SORT OF CONFUSION. BEING AN ORGANISATION PARALLEL TO COOPS.
- (ii) FARMERS AREA ASSOCIATION SOMETIMES COMPETING WITH PRIMARY AND SECONDARY COOP. SOCIETIES HAVING SAME OBJECTIVES AND OVERLAPPING JURISDICTION. CREATE HINDRANCE ALSO AT DIFFERENCE OF OPINION ALSO.

Negative

GAP III 3.

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(iii) MULTISTATE COOPS ARE ALSO SUPPOSED TO WORK UNDER STATE OR PROVINCIAL ACTS, WHICH IS NOT RELEVANT FOR A MULTISTATE COOPS.

IN ADEQUATE TRAINING SYSTEM FOR COOPERATIVES  
SUGGESTIONS

1. THREE TYPES OF FARMERS ORGANISATION

SHOULD BE CONVERTED AS DISTT OR AREA COOP, STATE LEVEL COOPS AND

NATIONAL LEVEL COOPS. FOR EFFECTIVE CO-ORDINATION

2. MULTISTATE ROOLS SHOULD BE INCLUDED AS FEDERAL COOPS. LOOKING AFTER PROCESSING, MARKETING AND SUPPLYING AGENCIES.

3. IT SHOULD BE RUN AS A MASS PEOPLES MOVEMENT, NOT A STATE PROGRAMME

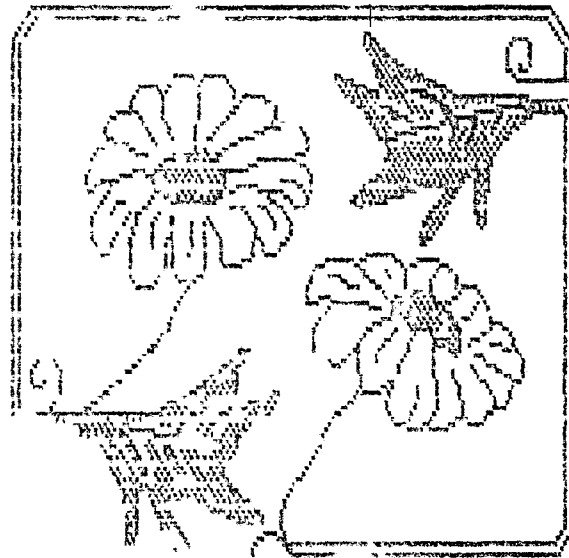
4. PROFESSIONAL MANAGEMENT SHOULD BE THERE.

5. COOP EDUCATION SHOULD BE GIVEN TO INDIVIDUALS ALSO WHO HAVE NOT COME UNDER COOPERATIVE UMBRELLA.

6. COOPERATIVES SHOULD BE STRENGTHENED TO CREATE A COOPERATIVE CLIMATE

7. ADEQUATE CAPITAL FLOW SHOULD BE ENSURED.

COOPERATIVE MOVEMENT IN  
PAKISTAN  
SYED MAQBOOL  
HUSSAIN SHAH  
CIRCLE REGISTRAR



FOREST COOPERATIVE SOCIETIES  
HAZARA DIVISION, MANSEHRA.  
N.W.F.P. PAKISTAN



COOPERATIVE MOVEMENT IN PAKISTAN  
SYED MAQBOOL HUSSAIN SHAIKH  
CIRCLE REGISTRAR FOREST COOPERATIVE SOCIETIES  
HAZARA DIVISION, MANSEHRA.  
N.W.F.P PAKISTAN.

This paper attempts to present an overview of the Cooperative Movement of Pakistan today. The efforts relies largely on secondary data and information particularly the statistical documents, the national development plans, study available write-ups/research papers, discussion with cooperators, official of Federal Bank for Cooperatives and Cooperative Department as well as my own limited practical experience. Besides limited time at my disposal for compilation of the available information and preparation of the paper, the major difficulty encountered was the deficiency and inadequacy of the available data. The data has been presented for different periods in different reports and in different formats on different aspects. In view of these shortcomings, the paper summarizes:- the data on quantitative and qualitative expansion of Cooperative Movement in Pakistan since 1947, the measures recommended from time to time for improvement of Cooperatives and their implementation, the new ventures, innovation and problems/constraints and present state of Cooperative Movement in Pakistan under the following sub-headings.

- 1- Background.
- 2- Administration.
- 3- Expansion of Cooperatives.
- 4- Measures for improvement.
- 5- New ventures.
- 6- Cooperatives under other programmes.
- 7- Problems/constraints in healthy growth of Cooperatives.
- 8- Emerging Setting.
- 9- Recent trends.
- 10- Conclusion.

#### HISTORICAL BACKGROUND.

Cooperative movement in Pakistan shares its history with India. In 1909 when India, Pakistan and Bangladesh were all parts of the sub-continent, the then British government introduced the First Cooperative Act 1904. The main object was to provide loans to small farmers through their own local associations on relatively easy terms so as to free them from the clutches of the money lenders (Baniyas).

The experience gained in the first eight years was encouraging and the Government of India decided to extend the scope of the cooperative activity to other fields besides agricultural credit. Supply of seed, manure and

agricultural implements and marketing of farm produce could also be done by cooperative Societies. The cooperative technique could also be used by procuring loans for their production or consumption needs, for setting up provision stores or housing facilities needs by them. Besides, provision was to be made for the formation federation of cooperative societies to facilitate the working of the primary societies <sup>by providing the finance &</sup> management assistance. Accordingly, the cooperative societies Act, of 1912 was passed enlarging the scope of cooperative activity.

Under the reforms of 1919, cooperation became a provincial subject and some of the provinces proceeded to enact their own laws relating to cooperative societies. The Government of Bombay passed the Bombay cooperative societies Act, 1925 to replace the central Act of 1912. Punjab, N.W.F.P and Baluchistan, however, continue with the Act of 1912. Thus at the time of partition (1947) there were two laws operative in the areas now comprising Pakistan. The province of Sind had the Bombay cooperative societies Act of 1925, by reason of its having been part of the Bombay presidency before 1936. While in the rest of Pakistan, the Act of 1912 continued to operate.

New enactment was badly felt by the cooperatives as well as the government but this desire could not be fulfilled till 30th April 1965 when the Sind cooperative

Societies Act of 1925 was made applicable to the whole of the then west Pakistan after making necessary amendments there in. Thus the act of 1912 which held sway in the Punjab, the North West Frontier Province and Baluchistan for more than half a century ceased to be operate.

#### ADMINISTRATION.

Cooperation in Pakistan is a provincial subject. All the four provinces have their respective Registrars of Cooperative Societies through whom the provincial Governments regulate and register cooperative societies. Apart from registration, audit and inspection, the Registrars are responsible for settling disputes.

In 1981-82 a central Registrar of cooperative societies was appointed by the Federal Government for the first time. He registers and regulates multi-unit cooperative societies i.e cooperative societies with objects not confined to one province. Apart from this Registrar Cooperative Societies Islamabad has also been appointed. He registers and controls cooperative societies whose object confines to Islamabad territory only.

#### EXPANSION OF COOPERATIVES..

The movement had passed through many ups and downs for nearly 50 years with a mixture of having performed useful work in combating poverty in the midst of illite-

racy on the one hand & experiencing difficulties on accounts of inter alia illiteracy & the peculiar social, cultural, economic and politico-administrative set-up on the other hand. Its chequered past-characterized by many ills and deficiencies, has been highlighted by reports of committees, commissions and conference which include that there has been quick expansion of Cooperative Institutions with some useful activities but with out proper understanding of the spirit and principles of cooperation, official control & guidance has increased marring its development as a popular non-official patronage in view of failure of non-official elements and prevailing poverty and illiteracy. The first five year plan (1955-60) of Pakistan has dilated on these a length. Some of which are briefly reproduced below:-

- 1 Large number of cooperative Societies are small, inefficient, insolvent and can provide very little credit and unable to manage their work.
- 2 General lack of understanding among Cooperators about the purpose of cooperative movement and its principles.

3. Loan agencies have in general declined as rural credit agencies, switching their energies to urban business.
4. Loans have dominated as the major function of cooperatives, which have done disaster as no action was effectively taken against the defaults.
5. Increasing problems and difficulties encountered by the cooperatives have led to greater official control and guidance over time as the non official element was unable to discharge the responsibilities which became more apparent leading to loss of confidence and creating danger of collapse.

#### QUANTITATIVE.

The success of cooperative movement is generally judged from the growth of institutions and their performance. The progress regarding the growth of cooperative institutions, enrolment of membership, capital and credit

during the period 1947-48 to 1991-92, is briefly stated in table 1, below:-

Table-1

NUMBER OF COOPERATIVE INSTITUTIONS, ENROLMENT OF MEMBERSHIP CAPITAL AND CREDIT IN PAKISTAN 1947-48 TO 91-92 AS ON (31-12-1991)			
S. No	Particulars	1947-48	1991-92.
1	Cooperatives	15,242	59119
2-	Membership (000)	576	3366.127
3	Capital (Rs.000)		
	a)- Share	20,521	481151.000
	b)- Working	2,75,817	17269615.00
4-	Reserve Fund (Rs 000)	36,661	-----
5-	Loans and Deposits (Rs 000)	2,22,624	-----
6	Loan Advanced (Rs 000)	-----	3017450
	a) individual	82,222	-----
	b) Societies	1,93,632	-----
7	Recovery of loans (Rs 000)	-----	1157620
	a) Individuals	76,462	-----
	b) Societies	1,71,736	-----

- Source.
- 1) 25 years of Pakistan in Statistics 1947-72
  - 2) Annual reports & Accounts 1991, Federal Bank for cooperatives, Islamabad.
  - 3) Government of Pakistan, Ministry of food, Agriculture and cooperatives. -----

From the data presented above, the following are easily inferred about the expansion of cooperative movement over 45 years (1947-48 to 1991-92) in Pakistan:-

- 1- The number of cooperative institutions has increased about four times.
- 2- Enrolment of membership has increased six times.
- 3- Share capital has increased twenty three times.
- 4 Working capital has increased Sixty two times.
- 5- Credit advance have increased nearly eleven times.

#### QUALITATIVE.

Alongwith numerical growth, cooperative institutions have qualitative expansion as well as, is evident from period<sup>ic</sup>/data which is given below in table-2(a).



## TABLE - 2(A).

NUMBER OF COOPERATIVES SOCIETIES (TYPE-WISE IN  
PAKISTAN. 1947-48 TO 1969-70.

Cooperatives	Number.		Membership		Share Capital(000)	
	1947-48	1969-70	1947-48	1969-70	1947-48	1969-70
Provincial Banks	3	1	15	11	2077	8636
Central Banks	30	29	12	22	1814	8482
Other central Societies	27	129	1	18	362	5713
Agricultural Societies.	116	49, 17401	390	832	9405	29562
Non-Agricultural Societies.	35	3, 6104	157	347	6871	23491

Source. 25 years Pakistan in statistics 1947-1972.

The above table reveals that there has been considerable increase in number, membership and share-capital of the primary agricultural as well as non-Agricultural societies. Central Societies, and banks, while the number and the membership of provincial Banks have declined but their share capital has increased rather than four-fold. Further the increase in the case of non-Agricultural Societies number, membership and capital is relatively greater compared to agricultural societies, though the latter have increased more during the 1970s (Table -4) and

the 1980s (Table-5)

By December 1991, Pakistan had more than 16 types of cooperative Societies i-e 37476 Agricultural Credit, 3512 multipurpose, 481 Tube-well, 329 farming, 1533 service, 150 farm service, 123 Marketing, 999 sugar-cane, 56 fisherman, 2 rural supply, 1 cycle, 1775 industrial, 1096 women, 2101 house building, 383 consumer, 1 insurance, 312 dairy farming and 8783 misc1 etc. Details of total societies and Agricultural credit societies are given below in table -2(b)

TABLE -2(B).

NUMBER, MEMBERSHIP SHARE CAPITAL AND WORKING CAPITAL OF ALL, SOCIETIES AND AGRICULTURAL CREDIT SOCIETIES IN PAKISTAN DECEMBER, 31, 1991.

Particulars	All Societies	Agricultural Credit societies.
Number.....	59119.....	37476
Membership..	3366127....	1369217
Share capital (Rs. in million)	481.151	116.862
Working capital. Rs. in million..	17269.615...	3322.109

Source: Government of Pakistan, Ministry of Food, Agriculture and cooperatives. Islamabad.

The agricultural credit societies are more common, nearly two-third of the total and two fifth membership, one forth share capital and one fifth working capital.

S.No	Particulars.	Years.			
		1977	1980	1983	1992(June)
6-	Borrowings (Rs 000)				2737718
a)	From State Bank	80781	22941	18246	18246
b)	From F.B.C.....	79676	750221	1001872	2719402
c)	From others....	75000	6533	30821	70

Source. 1. Quaterly statistics on cooperative Banks in Pakistan March 1977 to June 1983.

2. Bulletin State Bank of Pakistan June 1992.

The above table reveals increase in the business of the cooperative banks. The following are easily inferred-

1. Liabilities/Assets have been increased nearly eleven times.
2. Deposits have more than seven times.
3. No of accounts have also more than three times.
4. Average amount of deposits has also increased slightly.
5. Non-bank advances have increased more than Eighteen fold.
6. Non bank advances accounts have increased by nearly forty two percent.
7. Average amount per advnce has also increased more than six time.
8. Borrowings have increased about eleven times, with decreases from state Bank and from others as well and increases From Federal Bank for cooperatives in particular (about thirty four times).

FEDRAL BANK FOR COOPERATIVES.

In compliance, cooperatives for other than credit also came in to existence. However, an important addition, though outside the cooperative movement but for its development and improvement came in 1976, known, as the Federal Bank for cooperatives for the following purposes.

- 1- Expansion and supervision of capital formation by the cooperatives.
- 2- Restructuring and strengthening the Provincial Cooperative Banks and improve their working.
- 3- Train the field staff and make them effective.
- 4- Improve and extend training facilities.
- 5- Conduct research and produce necessary required Literature.

Follows the following procedure in extending loans to small farmers through their cooperatives.

- i. Advance estimation of genuine credit needs of the farmers.
- ii. Supply credit at the required time.
- iii. Supervise the use of credit for the required purpose and
- iv. Steps ensuring timely repayment/recovery of loans.

The Federal Bank for cooperatives has vigorously pursued its objectives and achieved appreciable progress particularly in extending loans. As reported earlier in the proceeding section, the Bank has advanced increasing amounts as loan to cooperatives. The amounts extended during 1987-88, 1988-89, 1989-90 and 1990-91 are Rs 3020.28 million, 2730.71 million, 815.07 million and 3017.85 million respectively the amount of credit provided by the Bank has, thus increased to about 38 times in 1987-88 about 34 times in 1988-89, about 11 times in 1989-90 and about 38 times in 1990-91 with prospects for further increases in the future.

#### CREDIT.

Credit has continued as major activity of the cooperative institutions ever since introduction of the system in the Sub-Continent Table-1 (b), in annexure, indicates part of the working of cooperative institutions business for the period 1947-48 to 1969-70. The cooperative have, in general, made profit though in varying amounts. The cost of management has also increased in varying amounts. The loans advanced to individuals as well as societies have increased nearly three times and so has been the repayments almost equal to the advances.

Information about number, membership and loan

advanced and returned for the selected years 1970-71, 1974-75 and 1977-78 given below in table-4, indicate the same positive trend of growth and loan repayments by the Agricultural cooperative credit societies in Pakistan.

TABLE-4  
NUMBER, MEMBERSHIP AND LOANS ADVANCES & RECEIPTS OF AGRICULTURAL COOPERATIVE SOCIETIES IN PAKISTAN (1970-71, 1974-75 AND 1977-78).

Years	Societies No.	Membership (000)	Loans		Loans	
			Advanced (Rs. 000)	Ind: Societies	Receipts (Rs. 000)	Ind: Societies
1970-71	15896	780	44580	10900	44500	6890
1974-75	14850	745	68240	13300	63810	10880
1977-78	16609	812	94720	32740	96950	23910

Source: Agricultural statistics of Pakistan 1978.

Again information about number of Agricultural Cooperative Societies, their membership and loan advanced to farmers with recoveries provide, during 1975-76, 1979-80, 1984-85 and 1990-91 further strength to the increasing positive trend, as detailed below in table.5.

TABLE-5,

LOANS ADVANCED BY AGRICULTURAL COOPERATIVE SOCIETIES TO FORMERS IN PAKISTAN DURING 1975-76, 1979-80, AND 1984-85.

Years	Societies (No in 000)	Membership (No in 000)	Loans Advanced (Rs in 000)	Loans Recieved (Rs in 000)
1975-76	16	802	91830	85090
1979-80	27	1006	617660	589380
1984-85	35	1462	1660130	1353890

Source.1. Agricultural statistics of Pakistan 1986.(Vol:1)

Further-more the Agricultural Credit provided by the cooperatives societies compared to that provided by other institutions (Agricultural Development Bank and Commercial Banks) show a proportionate decline, though it has increased tremendously as given below in table -6.

TABLE NO-6.

AGRICULTURAL CREDIT PROVIDED BY COOPERATIVES AND AGRICULTURAL DEVELOPMENT OF PAKISTAN AND OTHER COMMERCIAL BANKS IN PAKISTAN FOR 1970-71, 1974-75, 1979-80, 1984-85 AND 1987-88.

Year	Cooperatives Rs	ADBP+Commercial Bank Rs	Total
1970-71	55.480	102.900	158.38
1974-75	81.540	928.530	1010.07
1979-80	708.640	2307.150	3015.79
1984-85	1567.600	8106.400	9674.00
1987-88	3020.280	12891.680	15911.960

Source: 1. Agricultural Statistics of Pakistan 1986(Vol-1)  
2. Economic Survey of Pakistan 1989-90.

## MEASURES FOR IMPROVEMENT:

Reorganizing the need to develop and expand the Cooperative Movement, the government of Pakistan made efforts from time to time by appointing commissions and holding conferences for suggesting ways and means to restructure, consolidate, rectify and rehabilitate the cooperative movement rather than expand it leading increasing official control these included the following:- ~~...~~

1. Agricultural inquiry committee (1952), recommended greater responsibility of the Government in line with the Cooperative planning committees (1946) and the committees set-up in provinces and states, also leadership, guidance and assistance by the state. The experts committee presided over by Mr: Akhtar Hussain recognized that co-operative movement had not become even after 50 years popular and supported the proposals of the Agricultural inquiry committee (1952).
- 2- The Cooperative Inquiry committee (1955) observed that association of government has been chiefly responsible for whatever confidence of the cooperative movement in the past and present, keeping in view the conditions, recommended official control through the Registrar with a non-official Advisory Board representing Coope-



rative interests to advise the Registrar.

- 3- Conference on cooperative, credit and marketing held in March 1957, on the recommendation of the August 1956 All Pakistan Agricultural conference of the Ministry of Food and Agriculture, recognized the need for developing and expanding the cooperative movement. It recommended:-
- i. The need for a rural credit survey.
  - ii. The reconstruction of credit structure by state participation in the share capital of larger cooperative societies especially at the apex level;
  - iii. The organization of Cooperative farming societies, which allow the owner to retain the property and land use rights over his land but undertakes to cater to his requirements of fertilizer, improved seed and modern implements, arranges for marketing of the produce, and lays down the agricultural plan in matters of cropping etc, for the individual members who are required to plan the cultivation of their holdings accordingly;
  - iv. The strengthening of the agricultural marketing staff to carry out its functions;
  - v. The establishment of consumer, industrial and labour cooperative; and

vi. The need for cooperative education.

4- Employment of full time managers, whose salaries be paid initially by the government, was considered an effective measure to assist development of cooperative movement.

The analysis of these high level committees, with many eminent men of wide experience, of the working of cooperative movement during its first 50 years (1904 to mid 1950) indicate future line policy and action that cooperation must be in late responsibility due to the peculiar social and economic conditions, illiteracy and poverty in particular, till radical transformation of the conditions take place, specially in the rural areas. Knowing that cooperative movement is non-official in spirit and purpose, they have recommended official control and guidance as the non official have proved in-efficient and that association of government has been chiefly responsible for whatever confidence of the cooperative movement in the past and present, and hence in the future.

Having set the course of policy and action, the efforts in the 1960s, 1970s and 1980s have, by and large, pursued the same course with greater emphasis on the implementation of the recommendations and on the realization of their practical translation. The Agriculture commission of 1975, 1985 and 1987, have largely sought more rigor-

ous implementation of the various measures to achieve the desired results.

#### NEW VENTURES.

In pursuance of the consistent emphasis to improve the quality of the cooperative institutions in accordance with the prevailing conditions and emerging needs, a number of new schemes have been introduced from time to time. These are listed below:-

1. Cooperative Farming Schemes in the Punjab since 1948.
2. Multipurpose and Development Cooperative Societies since 1950s.
3. Cooperative Farm Service Centres since late 1960s.
4. Union Council Cooperative Supplies and Service Societies for early 1960s (Basic Democracies), and of early 1980s (Local Councils particularly in N.WFP).
5. Cooperative Farming Scheme of 1970s.
6. Cooperative Tube-Well Societies since 1960s.
7. Cooperative Agricultural Mechanization Societies 1960s.
8. Women Development Cooperatives since the early 1980s.
9. Forest Cooperative Societies since early

1980s for the development and management of Guzara Forest (Private Forests) particularly in the N.WFP.

These improvements have provided freshness in to the Cooperative Movement, broadened its vision and out-look and expanded its activities.

#### COOPERATIVES UNDER OTHER PROGRAMMES:-

In addition to Cooperative Societies developed and promoted through the department of Cooperative Societies, Pakistan has experienced organization and promotion of Cooperatives under the following specific programmes.

1. Village Agricultural Cooperatives Societies under integrated Rural Development programmes during 1970s (Particularly in N.WFP/Punjab).
2. Irrigation water users Association (under separate Act since later 1970s) for improved use of irrigation water (mostly in Punjab and N.WFP).

These have not only promoted cooperatives but also broadened their scope and added to their activities which so far have revolved around credit. The IRDP in N.WFP, in particular, devised new ways and means of carrying out the activities. It practiced the concept of supervised credit, and introduced free loaning tied to cropping pattern and genuine need of the farmers. Infact rural development programmes and projects like the following

have modified the methodology of motivating and mobilizing rural communities for group order and discipline, saving and capital, management of credit, execution and maintenance of Physical development projects, rural energy, supply of agricultural inputs, marketing of produce etc.

1. The Aqila Khan Rural support Programme (Northern Areas) since early 1980s.
2. The Pak-German IKD Project Mardan (N.WFP) since early 1980s.
- 3- The Kalam integrated Development Project (Swat, N.WFP) since early 1980s).
4. The Sarhad Rural Support Corporation (N.WFP) since late 1980s).

These approaches are undoubtedly, departures from the narrow conventional approach under the system of cooperatives in vogue in the country. Infact these and the current thinking about strategies to community participation for development of rural areas are in favour of more broad based village organizations as non-Governmental organizations these emerging trends alongwith the growth of private enterprise of varying scales, having taken over the loin share of activities, performed by the cooperatives in the 1950s and 1960s since 1970s coupled with increasing official control and supervision of Cooperative inter alia have engulfed the cooperative

movement in a disadvantageous position because of the many  
 obstacles <sup>and</sup> ~~in~~ problems.

#### PROBLEMS/CONSTRAINTS: -

The various kind of constraints faced by the cooperative movement may be classified under six main headings.

##### a LOW PRIORITY TO COOPERATIVE SECTOR:

In the planning, low priority is accorded to the cooperative sector. It has not been recognised as one of the vital instrument and vehicle for transformation of the of the life style and living standards of small farmers.

##### b- POLITICAL AND TRIBALS RIVALRIES:

In Pakistan political and tribal rivalries often creeps in the cooperative frame work ednoring foundations of the movement. It has venomous bearing on the promotion and spontaneous/growth of the movement, often resulting in development of parallel societies, violating the very concept and spirit of movement

##### c ILLITERACY.

The literacy rate in Pakistan is about 26 % . In rural areas the percentage is still lower. It is obviously very difficult to convince the rural population

of the advantages, the cooperative movement can offer. They are not enthusiastic and prove a hard nut to crack at times.

d- ENMITY:

The enmities being rife in Pakistan (specially in villages) prevent the villagers to work together and form the cooperative societies with large number of membership. Mushroom societies with limited membership emerge because of this factor.

e- INTERESTS:

Past image of the movement when it restricted its activity only to advancing of credit is unsavoury. The cooperative societies of rural masses portray an image of "Banyas" charging heavy compound interest on loans. This impression has destroyed the people's faith in the system.

f- FEUDAL SYSTEM:

Feudal system, though on the decline, is yet an obstruction in rapid growth of the movement. Being economically dependent on means and resources of the landlord/vedarn/sardar, the small farmer has little freedom to act according to his own perceptions.

g- SCANDAL OF COOPERATIVE FINANCE CORPORATIONS.

Recently certain serious distortions have been witnessed in the cooperative phenomenon in the shape of

cooperative Finance Corporations.

2 - FINANCIAL:

a - INADEQUACY OF FUNDS:-

Inadequacy and non-availability of funds with the cooperative societies to the members to meet their vital requirements.

b - LAPSING OF FUNDS/OVER SPENDING.

The anxiety about lapsing of funds at the end of financial year is detrimental to the proper utilization of funds. To ward-off the sword of democle, the officials are obliged to spend the amount in an unplanned manner.

c INADEQUACY OF CONTINGENT BUDGET.

Inadequate fund allocations to cover the contingent expenditure is detrimental to smooth and efficient performance of the staff.

3. ADMINISTRATIVE:

a - INADEQUATE STAFF AT MINISTERIAL/SECRETARIAL LEVEL:

Cooperative is part of the agriculture, Forest, Food and live stock sector. Being a low key department, it does not receive significant time and attention at the governmental level.



b - OFFICIALDOM:

Routinism and bureaucratic approach generally causes delay in the disposal and finalization of cases of vital importance procedural delays cause considerable frustration and diffidence.

c - SHORTAGE OF FIELD STAFF:

Shortage of field staff and extensive jurisdiction, unnecessary excessive office work, handicap the supervisory staff to carry out extensive touring, proper inspection, timely audit and supervision of departmental activities.

d LACK OF INCENTIVES AND PROPER STATUS:

Lack of incentives, encouragement and proper status to staff of the cooperative department, not compatible with their counter parts in other departments, has resulted in poor performance, officers of high calibre are hesitant to join department because of low grades, bleak promotion prospects and lack of facilities such as conveyance, proper residential and office accommodation etc.

e - COMPLEX PROCEDURE:

The procedure for advancement of loans involving a good deal of documentation is considered cumbersome by majority of the cooperatives and is, therefore, resented.

## 4 ECONOMIC/MONETARY:

Benefits accruable from society, business are not very tangible and quick as compared to income from other pursuits. Hence there is reluctance in participation

## 5 TRAINING:-

a- Lack of trained personnel fully equipped with the know how and experience in their respective fields.

b- Lack of modern research facilities.

c- Lack of availability of modern techniques.

d- Absence of proper follow-up and monitoring facilities.

e- Scarcity of training for staff of the cooperative department and members of the societies at various levels in the countries with firmly established cooperative system.

## 6- NATURAL:

Absence of network of communication renders the departments unable to take the message of cooperation to the masses as not linked with the roads.

## EMERGING SETTING.

Cooperative institutions have increased, with useful activities short of cooperatives spirit and real purpose, manifold alongwith their membership, capital and

credit as major activity over the past 44 years (1947-91). New types of cooperative societies and with specific purposes have also come into existence. New approaches to community participation have emerged, perforce on account of limitations and shortcomings of the traditional cooperative movement under the various rural development programmes and projects. These advocate broad based and multi-purpose organization at the village level as non-governmental organizations. This is a challenge to the survival of cooperative institutions and movement on the one hand.

A number of institutions, both in public and private sectors, have been created which are carrying out the same functions and activities which the cooperatives are, rather were, performing. Credit is being provided by the Agricultural Development Bank and the Commercial Banks, alongwith the continuation of Taccavi, since the 1950s and 1970s respectively. The share of cooperatives have much decreased. Similarly private enterprise has expanded its business with regard to supply of agricultural inputs thereby further reducing the role of cooperatives. This is another challenge to effectiveness of cooperatives

The rural development programmes have also introduced innovative approaches by having special units, with suitable and trained personnel, for motivation and

mobilization of rural communities for organized collective efforts to solve and manage their problems. These are further strengthened by training the office bearers and interested elders as local and community based change agents through extension education and training systems on regular basis in the field of management skills, occupational know-how and related aspects. The cooperative movement and the department of cooperative societies have been arranging training rather on adhoc basis and generally confined to record and book keeping. The extension education activities of both are not only deficient but much inadequate. The cooperative system is to take note of these innovations and make necessary incorporation for survival in the challenging atmosphere.

The cooperative system was introduced in the sub-continent through the Indian cooperative societies Act 1904. It was modified in 1912. It was adopted by Punjab, N.W.F.P and Balochistan provinces after Independence (1947) while Sindh continued with the Bombay Cooperative Act 1925. It was in 1965 that the cooperative Act 1925, with minor modifications, was adopted in the other three provinces as well. All these, in line with the official thinking, have preserved the responsibility and control of the state and the official machinery in respect of the cooperative system. However, the cooperatives, from the very beginning but more so recently, are demanding

reduction in official control of their activities and removal of related section of the Act in particular, and a general revision of the whole act in the light of changed conditions. They plead for greater autonomy and independence and democratic operation, of their societies. The official attitude, cooperative department in particular and others in general, does not favour any relaxations. This controversy needs to be resolved so that the cooperative movement has smooth operation, growth and expansion for achieving its objectives and goals in accordance with its golden principles for the service of men of small means.

The cooperative department entrusted with the promotion & development of the cooperative movement has, for all intents and purposes, retained its old conservative and outmoded structure and staffing pattern. Very little improvement has been made in its overall set-up. Far reaching changes are required in its structure, personnel, rules and regulations and programmes. These all go together. Alongwith upgrading the status of the staff in respect of grade, academic qualification and related there is need for proper training rather periodically to come up to the requirements of an expanding cooperative movement in a challenging environment of rising demands.

The Federal Bank for cooperatives have facilitated

they are assumed to be in the rural areas whereas many belong to urban areas as well, hence the average will be further lower. Again these have enrolled 3366 thousand members out of the total population of nearly 100 million (1989-90) i.e. 30.1 percent of people of all age and both sexes. As most of the cooperatives are for rural people, who are 72 percent according to 1980 population census, the coverage of Agricultural Societies (Table-5) is 61 percent. Statistically the situation seems satisfactory particularly when computations are worked out for the adult and male population. However other activities fall much short of the actual need and requirements. In fact most of the societies, as found out by many researchers both local and foreign, are one family or clan if not one man societies, most probably under the requirement of 10 members as the minimum for registration of a society. It has come as "ten for one and one for ten". Again majority of the enrolled members are the well-to-do, who understand the system and serve their vested interests. The real majority, men of small means who are desirous of benefiting from the cooperative effort but for its past defaced image, are really out-side the gamut of cooperative umbrella. It seems a Herculean task to reach them but strategies and methodologies of the 1970s and 1980s under the rural development programmes have demonstrated the possibility with intensified services,

facilities and arrangements. The cooperative movement seems to be in a much advantageous position with its wide network of cooperatives and a country-wide fleet of cooperators through whom the required job can be carried out with well thought out plan of action.

#### RECENT TRENDS.

Chapter 23 of the report of National Commission on Agriculture (March 1988) is devoted to cooperatives. Among other things, the report makes the following recommendations to revive the movement:-

- i. There is a need for re-defining a "Cooperative" keeping in view all its operational aspects particularly when the system has the potential to play a much bigger role in the growth of rural economy.
- ii. Cooperatives be recognised as a "Cooperative Sector" of the national economy, a balancing factor between the public sector and the private sector.
- iii. Cooperative to diversify their business operation which until now is mainly credit business.
- iv. The role of Cooperative Department should be confined only to registration, Audit, Liquidation of cooperative and recovery of loans.
- v. Emphasis should be on multi-purpose cooperatives engage in marketing and processing.

vi. Cooperative Banking should be made a self-supporting system in mobilising resources and providing banking services to agricultural and non-agricultural sectors.

vii. Promotion and development of the cooperative should be entrusted to cooperative Unions/Federations.

viii. An apex organisation. "National Council of Cooperatives" be established to act as clearing house of ideas, formulation of policies, guide-line for promotion of cooperative principals, training and education, and as a coordinating forum between the movement and the Government.

ix. The existing Cooperative laws should be amended to incorporate new trends.

**CONCLUSION:** would sum up <sup>my</sup> presentation by repeating partly assesment of the First Five year Plan 1955-60, which holds true even today in essence if not in magnitude about the cooperative movement in Pakistan.

"The question in Pakistan is to provide inspiring leadership to the official control machinery and to lift it up to a higher ideal of dynamic service with a missionary purpose (and zeal) and not withdrawal of government responsibility or transfer to non-officials. The non-officials are unable to manage the primary Societies



efficiently, they do not exercise power which rest in them which the officials exercise who are not vested with these. For want of encouragement and inspiration from political and administrative leadership, the so called Cooperative Movement is managed and led without much vision, outlook and understanding. Cooperation has been reduced to an activity conducted under routine which inhibits vision, kills initiative and obscures all sense of purpose".

A STATEMENT SHOWING NUMBER OF VARIOUS  
COOPERATIVE SOCIETIES WORKING IN  
PAKISTAN AS ON 31.12.1991.

(Rs. in Million)				
NAME OF THE SOCIETIES	NO. OF THE SOCIETIES	MEMBER-SHIP	SHARE CAPITAL	WORKING CAPITAL
1. Agricultural Credit Coop. Societies.	37476	1369217	116.862	3322.109
2. Multi-Purpose Coop. Societies.	3512	238534	40.684	713.004
3. Tubewell Cooperative Societies.	481	10263	2.748	16.311
4. Farming Cooperative Societies.	329	21201	12.375	60.522
5. Service Cooperative Societies.	1533	58430	5.591	26.047
6. Farm Service Cooperative Societies/Centres.	150	6173	1.930	39.324
7. Marketing Cooperative Societies.	123	9428	1.675	11.100
8. Sugarcane Coop. Societies/ Sale Association.	999	51037	2.678	16.334
9. Fishermen Cooperative Societies.	56	8575	0.535	4.347
10. Rural Supply Cooperative Corporation.	2	559	0.629	6.832
11. Industrial Cooperative Societies.	1775	141246	36.998	7597.996
12. Pak. Cycle Industrial Coop. Society Limited.	1	93	18.600	21.100
13. Women Cooperative Societies.	1096	35984	6.600	9.751
14. House Building Coop. Societies.	2101	726720	138.550	1930.824
15. Consumer Cooperative Stores.	383	59843	3.615	10.466
16. Cooperative Insurance Societies.	1	83	0.077	0.077
17. Dairy Farming Cooperative Societies.	312	8248	5.171	8.616
18. Misc. Cooperative Societies	8789	620493	85.833	3474.855
<b>Total:-</b>	<b>59119</b>	<b>3366127</b>	<b>481.151</b>	<b>17269.615</b>

Source: Government of Pakistan,  
Ministry of Food, Agriculture  
and Cooperative.

Table-1 (b) Details of Working of Cooperative Societies  
in Pakistan 1947-48 to 1969-70

Year	Profit + or Loss Rs. (000)	Cost of Management Rs. (000)	Loans Advanced		Receipts from Loans Repaid	
			Individual	Societies	Individual	Societies
1947-48	3764 +	3110	82222	193672	76462	171736
1950-51	4100 +	10806	269944	425077	244833	426562
1954-55	2180 +	9120	260680	458630	256560	47631
1959-60	11840 +	12970	420440	418330	265500	409070
1964-65	10760 +	20430	340277	545325	324254	527317
1969-70	4400 +	11115	272848	527605	417124	442368

Source:- Twenty-five years of Pakistan in Statistics 1947-1972 ( )

A CASE STUDY  
ON  
THE FOREST COOPERATIVE SOCIETIES  
IN  
HAZARA DIVISION.

This study highlights the activities, financial and administrative problems which are being faced by the Forest Cooperative Societies since start.

Prepared by:-

SYED MAQBOOL HUSSAIN SHAH,  
Participant of  
The 7th ICA Japan Management  
Training Course, 1992/93.

A CASE STUDY ON  
FOREST COOPERATIVE SOCIETIES  
IN  
HAZARA DIVISION.

HISTORICAL BACKGROUND.

1. The first land settlement was carried out in 1873 when the wooded lands were classified as Government Reserved Forests and public wast-lands (Guzara Forests owned by the private owners). The reserved forests were declared the property of the Government and managed by the Forest Department but the Guzara Forests were remained private property and were controled by the civil administration until 1950 (through certain regulations and laws).

2. In 1950 the Hazara Forest Act, 1936 were ammended & Conservator of Forests Abbottabad Circle was designated an "authority" who will manage/administer the private forests (Guzara in Hazara Division on the behalf of Provincial Government & also promulgated the Guzara Rules 1950 for his guidance. These rules provided direct administration of guzara forests by the forest department on the same pattern as that for the Government (Reserved Forests. The Guzara Forests being more than 80% of the total forests totally dominated.

3. The forest department had introduced several system for the exploitation of the Guzara Forests i,e contractors of standing trees, exploitation through department and lastly introduced the Forest Development Corporation but the forest department, could not tailor management of the private forests to the economic needs & espirations of all the forests owners, who were may hundr- of thousands in number. These organisational short-coming were responsible for creation of situation of persistent conflict between the forest department and the owners of private forests in Hazara.

4. In 1980 the Government of N-W.F.P on the recommendations of the Agriculture Enquiry Committee (1975) decided to start a pilot project for organizing about 15-18 Forest Cooperative Societies among guzara owners in Hazara Division. In the instructions for the project it was said quote " These Cooperative Societies should be enabled to administer their forests in accordance with the forest management plan for the area duly approved by the forest department. The department will not interfere in day to day administration of the forest but will ensure, through periodic inspections, that provisions of forest management plans are observed by the cooperative managerial set-up of the private forests. In the pilot phase technical support from the forestry side and managerial support from the cooperative side, will be made available to the forest cooperative societies by the Government department concerned. They will maintain a low profile so as not to over-shadow the role of forest owners themselves. If implementation of the pilot project outlined above is successful, the system can be extended to the remaining private forests in Hazara". (Page 10 of the report of Carl.H.Kuylenstierna on Forest Cooperative Societies in Hazara, 1982)

5. For the implementation of the pilot project under reference the rules framed under the Hazara Forests Act, 1936 were amended by Provincial Government (see Appendix-1) empowering Conservator of Forests Abbottabad to entrust (with the approval of the Provincial Government) management of Guzara Forests to the Cooperative Societies of the forest owners. 18 Forest Production and Multipurpose Cooperative Societies were registered within the period of 4 years 1980 to 1984. However only 12 societies were made functional and the forest management was transferred to them under an agreement, with the main object that the Guzara owners be made responsible for the promotion of cooperative working in forestry and to enable them to reap the benefits from their forest property. The position of these societies as it stood on 30-06-1991 is given in appendix II.

ARRANGEMENTS FOR MANAGEMENT OF FOREST COOPERATIVES.

6. The Government of N-W.F.P has arranged evaluations with a view to see as how cooperative system was functioning in forestry sector and as to how to further improve its working, the following evaluations were carried out.-

- i) In April 1983 an expert committee was appointed headed by:-

Mr. Abeedullah Jan Khan  
Managing Director,  
Forest Development Corporation,  
N-W.F.P Pakistan.

- ii) The 2nd evaluation was carried out in October, 1984 by a team headed by:-

Mr. Abeedullah Jan Khan  
Managing Director,  
Forest Development Corporation,  
N-W.F.P Pakistan.

7. The above evaluations suggested certain improvements in the working of the societies in their field work as well as in the working procedure. They also pin pointed irregularities in certain cooperatives. As a result four cooperative societies were suspended. One liquidated and both the suspended societies have been reinstated and are functioning. The forest cooperative societies which were under liquidation are shown in statement-B.

8. Government of N-W.F.P issued a working procedure in 1984 and revised procedure in 1985, for organizing and managing forest production and multipurpose cooperative societies in Hazara Division. This procedure was issued keeping in view recommendation of evaluations carried out in 1983 & 1984.

9. The forest owners as well as Government agencies were not satisfied with the arrangements so far made for the organization and management of the forest cooperatives. In April, 1986 the

Provincial Cabinet Government of N-W.F.P reviewed the situation of the forest cooperatives in Hazara Division and decided that the cooperative system may be thrown open to all Guzara Forests in Hazara Division under a proper arrangement of control and coordination. After 1986, 23 more Forest Production and Multipurpose Cooperative Societies were made functional (Please see Appendix II). For streamlining the function of these societies revised working procedure was further amended and also a new institutional set-up namely the Hazara Forestry Cooperative Development Board has been established, comprising the following.

**NON-OFFICIAL MEMBERS:**

1. Chairman, Hazara Forest Services Cooperative Federation Limited Mansehra.
2. President, Guzara Owner Association, Mansehra.

**OFFICIAL MEMBERS:**

3. Conservator of Forests, Abbottabad Circle. (Chairman)
4. Additional Commissioner Hazara. (Member)
5. Project Director, Kdghan Intensive Management Project Abbottabad. "
6. Deputy Registrar, Cooperative Societies, Hazara Division. "
7. Divisional Forest Officer, Hazara Forestry Cooperative, Abbottabad. (Secretary/Member)

The above mentioned Board has an important role concerning coordination amongst various Government agencies and owners. It also monitors progress in respect of formulation and functioning of various cooperatives.



ACTIVITIES OF THE FOREST COOPERATIVES:

10. (i) The total Guzara Forests are 9,73,000 acres out of which 235666 acres are productive Guzara Forests. Out of this 1,21,604 acres are covered by the forest societies which <sup>is</sup> 51.6% of the productive Guzara. There are 32 functional societies, whose membership is 14313, number of beneficiaries are 71565, standing volume of marked trees is 2,32,28,347 cft, and royalty received and paid to the owners is Rs: 37,16,53,562.
- (ii) These societies have established forest nurseries over 25 acres in which 13.04 million plants of Chir, Fir, Blue Pine and Deodar have been raised.
- (iii) Since start up to 30-06-1991, re-afforestation of felled-over area <sup>and</sup> on adjoining blanks have been carried out over 12829 acres. About 15.54 million plants have been planted.
- (iv) 531 K.M link roads have been constructed in the different forest areas.
- (v) 4 rest houses 6 office buildings 20 forest guards quarters/huts have been constructed and;
- (vi) There are 600 permanent employees and 7105 on temporary basis are presently working in these societies.

PROBLEMS FACED BY COOPERATIVES:

11. The problems which have hampered the effective functioning of the forest cooperative societies are two fold i.e Financial and Administrative.

(i) FINANCIAL:

12. The concept behind the formation of forest cooperative societies is to create a viable financial base to support the

participation of big and small owners in the management and improvement of their forest estate. Initially it was conceived that financial institutions like Federal Bank for Cooperatives, Industrial Development Bank of Pakistan etc, will provide financial assistance to the forest owners to help them set-up capital base to run the societies. In the meantime a financing body came forward to provide financial assistance, with the result that the management body of the forest cooperative societies had to look else where for financial support.

13. In the process of their search for financial resources they became easy prey to erst while forest contractors who possess the requisite financial resources, technical and commercial know how to operate the forest. Thus a loop hole has been created through which the forest contractor could step in and create a shadow management to control the forest cooperative societies. It is thus obvious to pluck all the loop hole and eliminate the commercialisation of forest cooperative societies by the forest contractors.

#### ADMINISTRATIVE PROBLEMS.

14. The unanimous view of the Forest owners/member of evaluation teams, Inquiry Committees, Civil Administration is that the system of forest cooperative societies is best that had been introduced for the management of the private forest so far. For the first time in the history of the management of Guzara Forests. The owners are having the sense of participation in the management of their property. The system, with varying degree, inculcated in the minds of the forest owners that the forest is their own property & it is in their own interest to make improvement in their property with proper protection. The system is less than 10 years old rather in fact, it is five years old when the pilot project was finally declared to be successful and adopted full implementation in April, 1986. The system to severe ~~criticism~~ <sup>Criticism</sup> is not worth while when the system had hardly time to prove its worth. Further the following facts have been highlighted during the course of wide ranging dis-

discussion held with people belonging to various works of life.

15 VIEWS OF FOREST OWNERS:

i- The forest department, after deriving the rights to control exercise by it since 1950 are not mentally prepared to relinquish its hold over the management of the forest & transfer it to the cooperative societies.

From the very beginning the forest department has been lobbying on an excuse for the abolition of the system on one pre-text or the other and is not ready to keep a low profile in the affairs of the management of the forest cooperative societies and confined itself to the advisory role which is evident from the constitutions of the evaluation committee in 1983 & 1984 headed by the Managing Director Forest Development Corporation as mentioned in para 6 above. As a result of the report of the above mentioned committees a ~~penal~~<sup>punitive</sup> action has been taken against a number of cooperative societies and therefore a revised procedure was promulgated whereby the forest department managed to extort administrative control over the forest cooperative societies.

ii- Not being satisfied with extent its interference in the affairs of the cooperative societies an other committee in 198 was constituted to evaluate and find faults with the working of forest cooperative societies. The committee also headed by Managing Director Forest Development Corporation.

iii- Thereafter during 1990 the forest department raised the bogey of mismanagement and illicit cutting against the forest cooperative societies and unilaterally initiated a series of punitive actions against the forest societies.

16 VIEWS OF CIVIL ADMINISTRATION.

The commission Hazara Division in his report of 1991 at page 3 is of the view that:

"The system of the forest cooperative societies is best for the forest that the people have had so far. The system is a three legged stool. The forest department, the cooperative department and the cooperative societies. The cooperative department particularly is the broken leg of this stool. Its powers have been usurped by the forest department". He further added that the Hazara Forestry Development Board must not be presided by a Forest

(8)

officer because he cannot ensure impartiality.

17 The recent devastating flood~~s~~ and the damage caused by it provided an opportunity for the forest department to depict the forest cooperative societies as the main culprit and on score it has succeeded to move the government to suspend the functioning of the forest cooperative societies in Hazara Division.

18 Having come to know about these decisions, the Hazara Forest Services Cooperative Federation immediately reacted and convened its meeting on 25th, Oct, 1992. The following decision was taken in the meeting: *and exploitation should be done through Forest Development Corporation (Govt. Institution).*

"Latest decision of the Forest Department is nothing but sticking to its old guns and thus is fraught with serious consequences. The Hazara Forest Services <sup>Cooperative Federation</sup> once again request the Government to meet their demand of not harvesting the guzara forest through Forest Development Corporation but it should be done through the forest cooperative societies, to save the owners from tremendous loss. In case, this demand of owners is not <sup>accepted</sup> ~~met~~, then, as a protest <sup>owners</sup> will convene periodic protest rallies and meetings" *besides seeking the legal protection from the Court.*

19 They are also planning to have an interview with Prime Minister of Pakistan <sup>and</sup> ~~besides~~ Chief Minister of N.WFP to resolve this issue once for all. But are still not sure what will be decided.

Appendix I

GOVERNMENT OF N.W.F.P.

AGRICULTURE DEPARTMENT

NOTIFICATION

*Dated Peshwar, the 24th June, 1981*

No. SOFT (FAD) V-299/74.—In exercise of the powers conferred by section 53 of the Hazara Forests Act, 1936 (NWFP Act VI of 1937), the Government of the North-West Frontier Province are pleased to direct that in the Hazara Management of Waste Lands (Guzara) Rules, 1950, the following further amendment shall be made namely:

AMENDMENT

After rule 6, the following new rule shall be inserted, namely:—

“6A. (1) The conservator may, with the prior approval of the provincial Government, enter on leases on such terms and conditions as may be specified for the management of any waste land, for a specified period or periods, to a Forest Production and Multipurpose Cooperative Society registered as such under the Cooperative Societies Act, 1925.

(2) Where any waste land is transferred under sub-rule (1), the provisions of rules 7 to 24 of these rules, or any other rule that may be specified by the Conservator shall not apply to the area or areas so transferred during the currency of lease period.”

Sd/-

SAHIBZADA MUHAMMAD AYAZ,  
*Secretary to the Government of N.W.F.P.*  
*Agri. Forests and Coop. Deptt.*

Forest Cooperative Societies given under Special Project from 1980-81 to 1984-85 as it stood on 30-6-1991

Sl. No.	Name of Forest Coop. Society with name of M. Director	Total owners	Regd. Members	Area in acres	Date of regd. by Coop. Deptt.	Date of lease agreement	Marking carried out		Approx. royalty distributable to the owners (Rs)	Remarks
							Year	Vol. (Cft)		
1		3	4	5	6	7	8	9	10	11
1-	Chowki (Mr. Khalil-ur-Rehman)	573	57	4494	19-5-1981	17-1-1982	1981-82 to 1989-90	1469770	23516320	
2-	Battal (Mr. Shah Muhammad Khan)	550	110	2335	4-6-1981	29-9-1981	-do-	830659	13290544	
3-	Kund-bala (Mr. Hayat Ali Khan)	291	22	1583	30-6-1981	18-11-1981	-do-	622254	9958000	
4-	Kalamaira (Riaz Mohd Khan)	107	79	1474	20-2-1981	22-5-1982	1982-83 to 1989-90	593528	3496448	
5-	Asawal (S. Iqbal Ali Shah)	492	68	1322	10-6-1981	10-4-1982	1981-82 to 1989-90	514904	9835464	
6-	Rotandos (S. Yasir Shah)	115	37	2113	4-6-1981	22-7-1982	1982-83 to 1989-90	1377542	22045672	
7-	Satbani (Q. Aziz-ur-Rehman)	1209	429	8399	22-12-1981	4-11-1982	-do-	3400490	5407510	
8-	Hilkot (Mohammad Afzal)	582	108	502	10-11-1981	25-1-1982	-do-	571904	8190464	
9-	Keri Bichhari (Mr. Sultan Mohd)	128	128	2037	31-8-1981	22-11-1981	1989-90	16922	270752	
		3847	1038	24659				9437973	151007568	

TABLE SHOWING DATA ON MULTIPURPOSE FOREST COOPERATIVE SOCIETIES AS IT STOOD ON 30-6-1991

S.No.	Name of Coop. with name of M. Director	Total owner	Regd. Member	Date of regd. by Coop. Dept.	Date of lease agreement	Marking carried out		Approx. royalty distributable to owners	Remarks
						Year	Yearwise Volumes (Cft)		
1-	Karham (Mohd. Farooq)	445	114	4-6-1981	2-3-1983	1982-83 to 1986-87	151189	2419024/-	The society was liquidated on 1-1-1985 on account of commission of serious irregularities pointed out by the Evaluation and in pursuance of cabinet decision of 24-12-84. The liquidation proceedings are in progress with Cooperative Department.
2-	Sabbaji Jheri (Mohd. Ashraf)	304	304	14-6-1981	14-1-1982	1981-82 to 1986-87	62882	1,05,112/-	Lot of serious irregularities were detected in the society during as a result of which 13 F.F. was withdrawn by Mr. A. Akbar on 11-8-1983. Liquidation proceedings are in progress with Coop. Deptt. -do- 14-3-1984
3-	Ranjai Panwar (Mohd. Afzal Khan)	89	89	14-6-1981	16-5-1982	1982-83	44944	710104/-	

259015 4743241/-

Foot Note.- The expected royalty has been calculated at a flat rate of Rs.20/- per standing volume for all species and all Cooperatives. After deducting 20% Devl. charges, the owners will get net royalty at Rs.16/- per cft.

\*\*\*\*\*

Table showing data on Multi-purpose Co-operative Societies in Hazara Division

Societies made functional after the approval of new procedure by the Govt. on 4-10-1986 as it stood on 30-6-1991

S.No.	Name of Forest Coop. (with name of M. Director)	Total owner	Regd. Member	Area in acres.	Date of Regd. by Coop. Deptt.	Date of Lease Agreement	Making Year	carried out Yearwise Vol:DF	Approx:royalty distributable to owners(Rs)	Remarks
1	2	3	4	5	6	7	8	9	10	11
1-	Mandargucha (Mal Afzar)	950	236	7498	27-1-1982	2-2-1987	1985-87	741551	11914416	-
2-	Unhar (Abdul qayyum)	563	250	1598	29-1-1982	8-4-1987	1985-86 to 1989-90	427493	6839888	-
3-	Panjul Devil (Mudassar Shah)	220	75	4230	11-3-1982	18-2-1987	1986-87 to 1989-90	1645398	26294368	-
4-	Ziari Al'ia (Ratoh Lodi:Khan)	412	35	6452	18-7-1982	10-8-1987	-do-	8222216	13155456	-
5-	Zama Allet (S. Rafique Shah)	532	58	13043	7-2-1982	26-10-1986	-do-	1780054	24480864	-
6-	AGTOR (Iaiq :Shahmad Khan)	2094	151	2521	18-11-1986	25-2-1987	1987-88 to 1989-90	144200	2310800	-
7-	Batila Allai (S.Muramill Shah)	747	48	4645	1-11-1986	4-3-1987	1986-87 to 1989-90	1624327	25989232	-
8-	Re shang Allai (H. Shamsur-domenan)	558	174	5666	4-12-1986	8-7-1987	1987-88 to 1989-90	338179	5410864	-
9-	Garhi Eabidullah (M.Yousaf Khan)	350	72	3398	21-12-1985	12-10-1987	1-7-87 to 1989-90	743370	11893920	-
10-	Rashang Jangwal (Shahzeda Khurram)	283	57	2080	16-12-1986	15-5-1988	1-6-88 to 1989-90	420668	6730688	-
11-	Miradi Btga:	319	69	3315	10-1-1987	5-3-1988	-do-	331526	5304576	-



	2	3	4	5	6	7	8	9	10	11
12- Anora Nilishang (Jehangir Nasim)	122	122	25	3189	15-1-1987	2-3-1988	1-6-1988 to 1989-90	343858	5501696	-
13- Manoor (Shah Jehan Khan)	164	164	83	9015	1-3-1987	15-5-1988	-do-	1925502	30808032	-
14- Jabbar Devli (S. Rehbarak Shah)	246	246	59	2810	15-11-1986	12-11-1989	1989-90	195201	3132816	-
15- Mittikot (Hoor-ud-Din Shan)	574	574	114	3901	30-9-1987	13-11-1989	-do-	189189	3027024	-
16- Devli (S. Nur ul Shah)	344	344	70	4591	5-11-1986	12-1-1989	-do-	147234	2355744	-
17- Snopal Bussian (Abdul Wadood Khan)	120	120	42	1764	12-2-1987	21-11-1989	-do-	319687	2114932	-
18- Bagir (Parvaiz Khan)	251	251	53	2248	30-3-1987	12-12-1989	-do-	-	-	-
19- Devli Kund (S. Menr Ali Shah)	454	454	29	2333	26-8-1987	22-7-1990	-do-	-	-	-
20- Bhoonja (A. Qadoos Khan)	299	299	60	2281	5-1-1987	12-2-1987	-do-	140091	2241456	-
21- Kotli Tarli (Nasir Khan)	173	173	173	1580	9-10-1977	13-3-1990	1989-90	128179	2050664	-
22- Devli Kund (S. Menr Ali Shah)	454	454	29	2333	26-8-1987	22-7-1990	-do-	-	-	-
23- Khanpur (Sultan Raja Erij Zaman)	141	141	30	2450	21-2-1990 oooooooo	7-5-91	1990-91 1991-92	20000	3,20,000	-



Regional Office for  
Asia & the Pacific

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

NOVEMBER 9, 1992 TO MAY 8, 1993

POINTS FOR GROUP DISCUSSION ON 13.11.92

COUNTRY BACKGROUND PAPER ON PAKISTAN

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

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE  
OVERHEAD PROJECTOR.

GROUP NO. 1

DATE .

13-11-92

## PAKISTAN

### ① CHARACTERISTICS

1. COOP'S MOVEMENT IN PAKISTAN CONTROLLED BY REGISTRAR.
2. PAKISTAN HAS MORE THAN 16 TYPES OF COOP SOCIETIES
3. AGRICULTURAL CREDIT SOCIETIES ARE PLAYING VITAL ROLES.
4. EACH PROVINCE HAS A PROVINCIAL COOP. BANK.
5. UNDER THE SPECIFIC PROGRAMME - TUBEWELL COOP'S SOCIETY PLAYING MAJOR ROLE.
6. NEW TYPES OF COOP'S WITH SPECIFIC PURPOSES HAVE ALSO COME INTO EXISTENCE TO ADVOCATE BROAD BASED AND MULTI PURPOSE ORGANIZATION AT VILLAGE LEVEL AS N.G.O.
7. THE FEDERAL BANK FOR COOP'S HAVE FACILITATED TO GREAT EXTENT THE AVAILABILITY OF MUCH NEEDED CREDIT TO THE COOP THROUGH PROVINCIAL BANK AND THEIR BRANCHES

"Pakistan" Group No. 1

Date  
13-11-92

2 = Positive points

\* =

a. THE NUMBER OF COOP. INSTITUTIONS HAS INCREASED ABOUT FOUR TIMES - OVER 45 YEARS.

b. Enrolment of membership has increasing six times.

c. Federal bank for coop. has vigorously pursued its objectives and achieved special progress in extending loan to coops.

d. To develop and extend coop. movement, Gov. of Pakistan made efforts from time to time by pointing commissions and holding conferences for suggesting ways and means

e. Village Agricultural Coop. societies under integrated Rural development programme and tubewell Coop. societies have healthily developed in PUNJAB.

DATE .

13 - 11 - 92

PAKISTAN

3. SUGGESTION :

1. COOPERATIVES BE RECOGNISED AS A "COOP. SECTOR" OF THE NATIONAL ECONOMY, A BALANCING FACTOR BETWEEN THE - PUBLIC SECTOR AND THE PRIVATE SECTOR.
2. COOP. SHOULD BE DIVERSIFY THEIR - BUSINESS OPERATION WHICH UNTILL NOW IS MAINLY CREDIT BUSINESS
3. THE ROLE OF COOP. DEPARTMENT SHOULD BE CONFINED ONLY TO REGISTRATION, AUDIT, LIQUIDATION OF COOP. AND RECOVERY OF LOANS
4. COOP. BANKING SHOULD BE MADE A SELF SUPPORTING SYSTEM IN MOBILISING RESOURCES AND PROVIDING BANKING SERVICES TO - AGRICULTURAL AND NON AGRICULTURAL SECTOR
5. PROMOTION AND DEVELOPMENT OF THE COOP'S SHOULD BE ENTRUSTED TO COOP. UNIONS / FEDERATIONS.
6. NATIONAL COUNCIL OF COOP'S BE - ESTABLISHED TO ACT AS A MEDIUM BETWEEN THE MOVEMENT AND THE GOVERNMENT.
7. THE EXISTING COOP. LAWS SHOULD BE AMENDED TO INCORPORATE NEW TRENDS

PAKISTAN.

GROUP No 1.

date

13.11.92.

3. Negative points :

1. Large number of coopsocieties are small, inefficient, unable manage their work
2. General lack of understanding among cooperators about purposes of coop movement and its principles.
3. Coops. only take the function as rural credit agencies, switching their energies to urban bussiness.
4. The increasing official control and guidance should lead the coops to the loss of confidence and create danger of collapse.
5. Inadequacy of funds with coopsocieties to members to meet their requirements.
6. Coops. is a part of Agriculture but it doesn't recieve significant time and attention at governmental level.
7. lack of incentives, encouragement, proper status to staff of coop. department, not compatible with their counter parts in other department.

## I. CHARACTERISTICS :

- a. THERE ARE TWO TYPES OF COOP. ADMINISTRATIVE STRUCTURE.
- b. AGRICULTURAL CREDIT SOCIETIES ARE STRONG. NUMBER OF THESE TYPE OF SOCIETIES ARE NEARLY TWO THIRD OF THE TOTAL.
- c. REGISTRARS ARE THE KEY PERSONS WHO REGULATE, AND REGISTER THE COOPERATIVE SOCIETIES. THEY <sup>ARE</sup> ALSO RESPONSIBLE FOR AUDIT, INSPECTION AND SETTLING DISPUTES.
- d. THE OFFICIAL CONTROL AND GUIDANCE HAS INCREASED DUE TO LACK OF PROPER UNDERSTANDING OF THE SPIRIT OF PRINCIPLES OF COOPERATION.
- e. FOREST COOPERATIVE SOCIETIES ARE PLAYING A VITAL ROLE IN THE DEVELOPMENT OF FOREST AS WELL AS IN THE ECONOMIC DEVELOPMENT.
- f. PROVIDING OF CREDIT FACILITIES <sup>TO THE</sup> MEMBERS IS THE MAJOR ACTIVITY OF THE COOPERATIVE INSTITUTION.
- g. COOPERATION IN PAKISTAN IS A PROVINCIAL SUBJECT.
- h. TWO TIER COOP. SYSTEM EXIST IN PAKISTAN.
- qi. FEDERAL BANK FOR COOPERATIVES IS PLAYING KEY ROLE IN ADVANCEMENT TO PROVINCIAL <sup>COOP.</sup> BANKS. ALSO THIS BANK IS RESPONSIBLE FOR PROMOTIONAL & OTHER ACTIVITIES.

## 2. POSITIVE FACTORS:

- a. AGRICULTURAL CREDIT SOCIETIES ARE PROVIDING CREDIT FACILITIES TO THE MEMBERS WIDELY
- b. WOMEN'S<sup>M</sup> COOPERATIVE SOCIETIES ARE PLAYING AN IMPORTANT ROLE IN THE UPLIFTMENT/BETTERMENT OF WOMEN IN RURAL AS WELL AS URBAN AREAS.
- c. TUBE-WELL COOPERATIVE SOCIETIES ARE HELPING FARMER MEMBERS PROVIDING IRRIGATION FACILITIES.
- d. GOVERNMENT SUPPORTS THE COOPERATIVE MOVEMENT THROUGH RESTRUCTURING, CONSOLIDATING, RECTIFYING AND REHABILITATING THE COOPERATIVES SO THAT OFFICIAL CONTROL MAY BE MINIMISED.
- e. INVOLVEMENT ~~INVOLVING~~ OF VILLAGE AGRICULTURAL COOP. SOCIETIES IN INTEGRATED RURAL DEVELOPMENT PROGRAMES OF THE GOVT.
- f. COOPERATIVE FARMING SCHEMES EXISTS IN PUNJAB PROVINCE.



### 3. SUGGESTIONS:

- a. GOVERNMENT SHOULD RECOGNISE THE COOP. SECTOR AS AN INSTRUMENT OF SOCIO-ECONOMIC DEVELOPMENT OF SMALL  FARMERS.
- b. FEUDAL SYSTEM SHOULD BE ABOLISHED.
- c. COOPERATIVE SOCIETIES SHOULD MOBILISE THEIR INTERNAL RESOURCES FOR CREATING FUNDS.
- d. SUFFICIENT FIELD STAFF MAY BE ~~PROVIDED~~ EMPLOYED.
- e. COOPERATIVE SOCIETIES SHOULD DIVERSIFY THEIR ACTIVITIES.
- f. THE PROCEDURE FOR ADVANCEMENT OF LOANS SHOULD BE LIBERALIZE  
ADEQUATE
- g. A TRAINING AND EDUCATION MUST BE IMPARTED TO THE ALL KIND OF COOPERATIVES.
- h. THE POWER OF REGISTRAR SHOULD BE CURTAILED.

## 2. NEGATIVE FACTORS:

- a. COOPERATIVE SECTOR HAS NOT BEEN RECOGNISED AS THE VITAL INSTRUMENT FOR TRANSFORMATION OF THE LIVING STANDARDS OF SMALL FARMERS.
- b. SMALL FARMER HAVE LITTLE FREEDOM TO ACT ACCORDING TO HIS OWN PERCEPTIONS IN THE SOCIETIES AS FEUDAL SYSTEM IS STILL IN THE EXISTENCE
- c. LACK OF LITERACY IN THE RURAL MASSES.
- d. POLITICAL AND TRIBALS RIVALRIES ADVERSELY AFFECT THE COOPERATIVE SPIRIT AND CONCEPT.
- e. COOP SOCIETIES FAILED TO BUILDING THEIR IMAGE AMONG THE FARMERS AS AN INSTRUMENT OF ~~AGRI~~ AGRICULTURAL CREDIT.
- f. LACK OF SUFFICIENT FUNDS WITH THE COOP. SOCIETIES.
- g. SHORTAGE OF FIELD STAFF.
- h. LACK OF TRAINING
- i. COMPLEX PROCEDURE FOR ADVANCEMENT OF LOANS.
- j. REGISTRARS ARE ENJOYING VAST POWERS.

## CHARACTERISTICS

- i) COOPERATIVE IS STATE SPONSORED AND SUPPORTED MOVEMENT, INITIALLY STARTED WITH CREDIT COOPERATIVES.
- ii) VARIOUS TYPES OF SOCIETIES VIZ PRIMARY SOCIETIES AT VILLAGE LEVEL DOING MULTI-DIMENSIONAL APPROACH FUNCTIONING, SERVICE COOPERATIVES RENDERING PARTICULAR SERVICES.
- iii) COMMODITY COOPERATIVES, COOPERATIVE FARMING, WATER USER COOPERATIVES FORESTRY, DAIRY, WEAVERS, AND OTHER CRAFT COOPERATIVES ARE PROVIDING A VARIETY OF COOPERATIVES ~~IN THE~~ FUNCTIONING <sup>IN</sup> ~~OF~~ THE COUNTRY.
- iv) DEMOCRATIC MANAGEMENT ONLY AT PRIMARY AND SECONDARY LEVEL. GOVT. CONTROL OVER PROVINCIAL COOPERATIVES.
- v) MANAGEMENT TRAINING PROGRAMMES BY TRADITIONAL WAYS VIZ COOPERATIVE TRAINING COLLEGE AND NATIONAL AS WELL AS PROVINCIAL UNIONS.
- vi) VILLAGE LEVEL COOPERATIVES ARE PROVIDING NOT ONLY CREDIT BUT ALSO ALL INPUTS, CONSUMER GOODS, AGRI-IMPLEMENT AND MARKETING OF AGRICULTURAL PRODUCE.

POSITIVE

- (i) COOPERATIVE FARM SERVICE CENTRES AT DISTRICT LEVEL ARE RENDERING SERVICES TO FARMERS.
- ii) FOREST COOPERATIVES ARE TRYING TO CREATE A NEW CONFIDENCE AMONG THE PRIVATE FOREST OWNERS
- iii) AGRICULTURAL COOPERATIVES ARE PLAYING A VITAL ROLE IN NATIONAL ECONOMY WITH WIDE COVERAGE OF FARMERS.

NEGATIVE

- (i) WEAK AND UNVAILABLE COOPERATIVES AT PRIMARY LEVEL.
- ii) CONTROL OF GOVT. OVER PROVINCIAL COOPERATIVE BANK IS AGAINST COOPERATIVE SPIRIT AS ONLY ONE THIRD MEMBER OF BOARD ARE ELECTED BY THE MEMBERS REST NOMINATED BY FEDERAL BANK AND GOVT.
- iii) NO PROFESSIONAL MANAGEMENT
- iv) NATIONAL LEVEL COOPERATIVE BANK / <sup>VARIABLE</sup> MARKETING FEDERATION DOES NOT EXIST.

SUGGESTIONS.

- i) COOPERATIVE BANKING STRUCTURE SHOULD BE STRENGTHENED.
- ii) FEDERAL BANK SHOULD PROMOTE COOPERATIVE EDUCATION NOT ONLY TO MANAGEMENT BUT SHOULD ALSO PROVIDE COOPERATIVE EDUCATION TO MEMBERS.
- iii) COOPERATIVE SECTOR SHOULD BE RE-COGNISED IN NATIONAL ECONOMY PLANNING.
- iv) COOPERATIVE IMAGE BUILDING SHOULD BE THERE THROUGH COOPERATIVE SEMINARS/ PERIODICALS.
- v) COOPERATIVE FEDERAL STRUCTURE SHOULD BE DEVELOPED.
- vi) WIDE RANGING TRAINING PROGRAMMES SHOULD BE THERE FOR EFFICIENT MANAGEMENT.
- vii) GOVT. FACILITATE THE COOPERATIVE INSTITUTIONS BY GIVING PRIORITY TO COOPERATIVE OVER THE PRIVATE SECTOR.

**COUNTRY PAPER**

on

**A Critical Examination of Agricultural  
Cooperatives, Their Organizational  
Structures, Management Practices and  
Problems in the Philippines**

by:

***Philmore C. Quilat***

*Executive Officer, Central Visayas Union of Cooperatives, Inc..*

*Chairman, Cebu Federation of Agricultural Cooperatives*

*Paper presented during 7th ICA/Japan Training Course for Strengthening Management of Agricultural  
Cooperatives in Asia, November 9, 1992 to May 8, 1993*

# PHILIPPINE AGRICULTURAL COOPERATIVE MOVEMENT

## A Country Paper

### I. PRELIMINARY STATEMENT

Long before the advent of this foreign base of cooperativism on our shore, our forefathers had been practising coopeativism as manifested in the Filipino tradition of bayanihan. Dr. Jose Rizal, after his stay in Germany, was instrumental in bringing along the Raiffeisen principle of cooperativism. He organized a cooperative in 1895 during his exile in Dapitan.

To further support the economic activities of various rural credit cooperatives, the government passed another law in 1919, Public Act No. 2818 appropriating one (1) million pesos for rice and corn production for purposes of credit assistance among members of the rural credit cooperatives. The passage of this Act started the government involvement in cooperatives development.

With the increase of farming production activities in the countryside, a Cooperative Marketing Law (PA No. 3425) was passed to organized farmers into marketing cooperatives to maximize farmer's effeciency in marketing their products and effectively distributing their farm produce to consumers. The law provided for the organization of Farmers' Cooperative Marketing Associations (FACOMAs), their registrations, management and operation. This law was repealed on December 14, 1973 by PD No. 175. PA No. 3425 authorized the Bureau of Commerce and Industry to promote, assist and supervise Farmers Cooperative Marketing Assocations. Nine years after the passage of the law, the Commonwealth Government created a Rice and Corn Fund that supplemented the financing requirement of rural credit cooperative associations and FACOMAs. By 1938, the Commonwealth Government through the Bureau of Commerce encouraged the organization of consumer cooperatives. In the same year, the legislature transferred the registration of FACOMAS from the Bureau of Commerce to the Securities and Exchange Commission (SEC).

To further advance the development of agricultural cooperatives in the countryside, the Agricultural Credit and Cooperative Institute (ACCI) and the Agricultural Cooperative Development Office in rice and corn were created in 1960 and 1988 respectively. The creation of these two institutions enhanced the quality of farmers marketing cooperatives.

Sometime in 1963, with the enactment of the land reform code, ACCFA was re-organized into a new agency called the Agricultural Credit Administration (ACA). The main

activities of ACA were to extend and supervise credit assistance to FACOMAS. The responsibility of promoting & organizing agricultural cooperatives were transferred to the Agricultural Productivity Commission (APC).

As the government looked for a viable vehicle to increase productivity and income for the less privileged sector of the Philippine Society and promote equity and social justice, a new cooperative development program was initiated.

Upon assumption into power of the Aquino government cooperative development was pronounced as one of its major thrusts. No less than the 1987 Philippine Constitution embodied this policy. Article XII Section 13 of the new Constitution declares that the state shall create an agency that will promote the viability and growth of cooperatives as instruments of social justice and economic development.

In 1987, Executive Order 116 was issued reorganizing Bureau of Cooperative Development to Bureau of Agricultural Cooperative Development (BACOD) under the Department of Agriculture (DA). The bureau is mandated to formulate an integrated system for the development and evaluation of agricultural cooperatives, provide assistance in the establishment of agricultural cooperatives and involve a program to promote their economic viability.

By 1990, it was apparent that cooperative development was one of the centerpiece programs of the Aquino administration to increase productivity and income of the Filipino people. In her State of the Nation Address in 1990, President Aquino reaffirmed her commitment to promote and develop cooperatives as main tool for people empowerment. This was expressed in the enactment of the Cooperative Code of the Philippines (RA 6938 and the creation of Cooperative Development Authority through RA 6939.

The advent of the 21st century forebodes a mixture of favorable and unfavorable events in the Philippines. Various events befell the country - notable among these were: the assumption of the new Administration, the enactment of the Local Government Code (RA 7160), the Countryside Industrialization Act (RA 7368), breakthroughs in cooperative programs for the improvement of cooperatives and their members' welfare, to name a few. Notwithstanding, the havoc being wrought by the eruption and continuous lahar flow of Mount Pinatubo must not be taken lightly as it displaces countless Filipinos from their homes and vital sources of income and livelihood as well as contribute in



weakening the economy. These events, however did not deter the will of the Filipino people to look for the silver lining and harness their innate abilities to overcome natural disasters and obstacles.

This paper will not delve on the Pinatubo misfortune but rather venture on the positive aspects and events in the Philippine Agricultural Cooperative Movement. Moreover, a brief report, shall be cited on the recent trends in Philippine Agriculture.

## II. Government Policies and Plans for Fostering Agricultural Cooperative Development.

### A. Covenant of President Fidel V. Ramos with the Cooperative Movement

The assumption of President Fidel V. Ramos favors the development of cooperatives. Under the new dispensation, the role of cooperatives as vital instruments for attaining social and economic reforms was made more prominent with the stand of His Excellency on Rural development in general and the cooperative movement in particular. The President pledged to push and strengthen the cooperative movement. The covenant which the Cooperative Union of the Philippines has sought for is quoted as follows:

- 1) The convening of a national cooperative congress to approve a cooperative agenda that would define the role of cooperatives in the national economy, in social development, in environment protection and in resource utilization through greater articulation of the movement's vision, mission and objectives.
- 2) The making of the Cooperative Plan a major component of the National Development Plan particularly in Programs that would necessitate greater and more active participation of the people that would require government and non-government partnership to reduce public sector delivery structures, and that would increase the production, income and purchasing power of a broader base of producers and tax payers.
- 3) By proclaiming the entire term of His Presidency as the Cooperative Period for National Advancement to make people more aware of the importance of the cooperative movement as a way of life.

The cooperative movement meanwhile kept its pact with the President and is currently gearing up for the forthcoming 2nd National Cooperative Congress on 12-13 November 1992. It is noteworthy that CUP initiated the move to convene the 2nd National Cooperative Congress together with the Sugar Cooperatives Development Institute of the Philippines (SCDIP), the Philippine Rural Electric Cooperatives Association, Inc. (PHILRECA), and the Kalipunan ng mga Kooperatibang Pangsasakyan ng Pilipinas, Inc. (KKPPI). Likewise, the CUP successfully worked for the inclusion of the Cooperative Plan as a major component of the National Economic Development Authority (NEDA) Medium Term Development Plan, 1993-1998. The CUP is represented in the NEDA Sub-Committee on Human Development and the Sub-Committee on Agro-Industries. The President will soon proclaim 1993-1998 as the Cooperative Period for National Advancement.

#### B. Land Bank's Agricultural System Financing

- 1) The Land Bank of the Philippines provides agricultural financing, wherein its funds are designed to be loaned to farmers thru agricultural cooperatives as channels. As a government financial institution, Land Bank of the Philippines (LBP) abolished its retail financing program and switched to wholesale finance thru agricultural cooperatives. This move strengthened LBP's relations with agri-coops. In 1991, some 6,390 farmer cooperatives availed of the countryside credit delivery program of the Land Bank. This delivery program includes various types of loans and services to cooperatives in 14,701 barangays (villages) in the country as a way of broadening the base of rural borrowers using cooperatives as conduits; to improve farm productivity through adoption of new technology; to provide additional source of income for rural workers and their families; and give farmers access to post-harvest facilities that will add value to their products.

Agricultural cooperatives have been allotted a big chunk of the Land Bank loan portfolio in 1992 and ₱8 billion loan releases have been made to service credit requirements of farmer beneficiaries especially for acquisition of post-harvest and other asset facilities. The farmer cooperatives have been able to broaden their wholesale credit with ₱4,864 million thru this credit scheme. LBP has given assistance to cooperatives in 14,701 barangays or 41% of the total barangays in the country, and 1,339 rural municipalities or 85% of the municipalities nationwide. Recently, LBP launched the

training of personnel geared primarily for agricultural cooperatives against the backdrop of a realistic need for the sound management of loans. A CDAG (Cooperative Development Assistance Group) was formed for this purpose.

- 2) The agricultural policy of the Philippine government is gradually moving toward a relaxation of regulations on the basis of market mechanism. This is symbolized by moves for the privatization of LBP which will become an important factor in determining future trends in agricultural policies.
- 3) A historical event for Land Bank is a covenant to transform Land Bank of the Phils. into a full-pledged national agri-aqua bank, acting as the apex bank of a network of cooperative rural banks owned by farmers/fishermen/small entrepreneurs/vendors/peoples organizations and supported by NGOs. This covenant was signed by President Ramos last April 22, 1992 before his election.

#### C. Agricultural Cooperative Development Plan of the CDA

The government agency that is tasked with promoting the Philippine Cooperative Movement from a public policy stand point rests in the Cooperative Development Authority (CDA).

The CDA's current program to foster the growth and development of agricultural cooperatives in the country is embodied in its over all Philippine Medium Term Cooperative Development Plan (1993 - 1998).

For agricultural cooperatives the main focus is towards increasing productivity and optimizing the use of resources while giving due regard to equity and environmental concerns within the context of rural based development strategy.

The general goals are: 1) to establish and put into operation a mechanism that will integrate production, marketing, financing and other support activities that will lead to agro-industrial development; and 2) to promote participation of the agricultural cooperative sector in the formation of rural development agenda, plans and policies for agro industrial development.

To achieve these goals, the following programs were designed to be implemented in the next 6 years:

- 1) Area Focused and Cooperative led Agro-Industrial Enterprise Development Program;
- 2) Organization and Development of Agrarian Reform Beneficiaries (ARB) Cooperative Program;
- 3) Program to Establish Cooperatives for exporting products;
- 4) Training and education programs;
- 5) Capability building on Infrastructure Development Program;
- 6) Research and Development Program; and
- 7) Development of the cooperative banking system and strengthening of financial base of the cooperative movement program.

The CDA currently ventures into major programs and projects with other activities. Notable among these are:

- 1) grains processing program to be undertaken in collaboration with DA, CBP and DANIDA. This project aims to provide post harvest facilities and extend credit, marketing and extension to 27 viable cooperatives and farmers' organizations.
- 2) Cooperative Entrepreneurship Resource Development -This project is currently being undertaken in conjunction with ILO DANIDA, CUP and other cooperative organizations. A report on this is discussed further in this Paper.
- 3) Integrated Program on Entrepreneurial Training Facility for Research and Development Studies and Technology Transfer through Cooperative Network. This is in collaboration with CUP, DA, DECS, DTI, CDA, DOST and the Filipino Inventors Society.

#### D. Magna Carta for Small Farmers (Republic Act 7609)

Early this year, former President Corazon C. Aquino signed into law Republic Act 7609, otherwise known as the Magna Carta for Small Farmers which seeks to provide a more equitable distribution of benefits and opportunities to farmers. This landmark piece of legislation is aimed at strengthening the predominant agricultural sector.

The Magna Carta recognizes the right of small farmers and farm workers as well as cooperatives and independent farmers organizations, to participate in the planning, organization, management and implementation of agricultural programs and projects. R.A. 7609 provides for agricultural support services, financing, research, appropriate technology and marketing to accelerate agricultural productivity and promotes self-sufficiency in the countryside.

The author of this Law is Rep. Socorro Acosta who maintains that the law provides incentives and other financial assistance to small farmers to increase their income, thereby enabling them to attain self-sufficiency and realize full development of productive potentials.

### III. Trends Affecting Philippine Agricultural Cooperatives

#### A. Latest Statistics on Cooperatives

Latest data illustrating the number of cooperatives are provided in Tables 1 and 2. As of the end of August 1992, there is a combined total of 14,062 registered cooperatives while there are 4,424 confirmed cooperatives as of March, 1992. By type, multi-purpose agricultural cooperatives account for approximately 80 percent of the registered cooperatives and also for nearly 70 percent of all the combined cooperatives.

#### B. US-Japan Collaboration for Agricultural Cooperative Development in the Philippines

Last July 30 to August 2, 1992, a Workshop on US-Japan Collaboration for Cooperative Development in the Philippines was jointly undertaken thru the collaborative efforts of the Overseas Cooperative Development Committee (OCDC), and the Agricultural Cooperative Development International (ACDI), both of the US and the Central Union of Agricultural Cooperatives (CUAC-ZENCHU) of Japan. The workshop sought to strengthen mutual assistance policies through sustainable private sector, field-driven and three-way partnership with local cooperative organizations.

The workshop was participated by foreign cooperative leaders from Japan, US, Singapore, Germany and the Philippines.

### C. Cooperative Entrepreneurship Resource Development Project

The CERD Project is funded by the Danish International Development Agency (DANIDA) and is implemented by the International Labor Organization with the involvement of the CDA and the support of the Cooperative Union of the Philippines. The project aims to promote the development of rural cooperatives as self-help enterprises through institutional strengthening of cooperatives and agencies involved in cooperatives development.

The project channels its resources to prime the latent entrepreneurship energies of cooperatives which are expected to bring about a synergism of the elements of cooperative entrepreneurship. Its ultimate aim is the strengthening of the development and entrepreneurial capability of the CDA and CUP and their regional and provincial networks. It has three main components, namely:

- 1) the establishment, monitoring and evaluation of a management information system - library, database, manual fact sheet;
- 2) conduct of training/workshops on ten (10) business management/technical aspects for cooperative leaders from primary to national levels; and
- 3) consultancy support for four (4) selected cooperative activities - feasibility studies, networking pilot cooperatives and job coaching to six project cooperatives per region of the 13 regions.

As of February 25, 1992, a total of 89 workshops involving 695 participants were conducted since June 1991. Consultancy services were provided to twelve (12) cooperatives coming from six regions while three individuals were sent on fellowship grants abroad. As to the management info system, a library with 1,200 books and a 1,100 - 1,200 volume technology library was established.

An Evaluation Mission composed of 3 foreigners and 1 Filipino came to the country to assess the extent of implementation of the CERD Project.

### D. Organization of the Federation of Agri-based Cooperatives of the Phils (FACOP)

The FACOP was registered by CDA last January 1992 as a national economic federation of agricultural cooperatives. It has for its members provincial federations in Luzon, Visayas and Mindanao. It is composed of 18 provincial federations and being expanded rapidly.

The FACOP has its Agricultural Cooperative Marketing Program which has 2 sub programs, namely: 1) Institutional Development and 2) Agri-based Cooperatives Business Development.

The main goal of the Institutional Development Sub Program is to strengthen the base as well as the linkage of the FACOP for effective distribution of farm inputs as well as marketing and processing of the small farmers' agricultural produce in the country. The cooperative business development on the other hand aims to provide both financial and technical assistance to FACOP and Provincial Federation of Agri-based Cooperatives (PFACs) to ensure implementation of contemplated processing and marketing business projects.

The FACOP currently works in (1) supplying large eyed/wholesale goods to provincial federations and (2) supplying fertilizer.

The FACOP has affiliated recently with the CUP as a regular member.

E. The Federation of Land Reform Farmers of the Philippine (FLRF) has likewise affiliated with CUP as an associate member.

The FLRF has a 732,000 constituency composed of agrarian reform farmers nationwide. It is deeply involved in the promotion of livelihood programs for its 3,500 chapters nationwide which are now being converted into multi-purpose cooperatives. The FLRF Chairman believes that "it can doubly be effective in various cooperative programs if it can collaborate with the CUP's global-wide known and tested cooperative leadership." FLRF has 37 highly successful agricultural cooperatives.

#### F. Waste Recycling Project

A Five-man CUP mission visited Shanghai, China last June 2-10, 1992 as a continuation of the waste resource recycling development project. The CUP mission observed processing units of the Shanghai waste resource recycling and conducted various discussions on technology transfer of waste rubber recycling. The Mission was composed of Davao Fiber Producers Cooperative (DFPC) Board members and the DFPC Project Officer.

The CUP Mission has concluded the negotiations for the establishment of the First Cooperative Waste Recycling and Utilization Project in the country. The five (5) Man Mission to Shanghai returned with the formal letter of intent for a joint undertaking between Davao Fiber and the Shanghai Resource Recovery and Utilization Company. The SFSMC will extend all support to CUP for the successful implementation of the rubber waste recycling project in coordination with the coordination of the ICA ROAP and the All China Supply and Marketing Cooperative Federation.

When completed, the project will generate jobs and revenues for the cooperatives in Davao that will directly or indirectly be involved on the project.

#### G. JICA-CUAC Study Mission to the Philippine

A Study Mission Team from Japan International Cooperative Association (JICA) and Central Union of Agricultural Cooperatives (CUAC) came to the Philippines to conduct a study for the Master Plan Study for Strengthening the Agricultural Cooperative System in the Phils. The program has 2 Phases and the JICA Mission has completed phase 1 of the Study commenced last June 1, 1992 and ended last August 29, 1992.

Part of the activities of the study covers collection, filing and analysis of relevant data and information concerning the (1) existing plans for entering agri-cooperatives; (2) socio economic; (3) agricultural conditions; (4) farm household economy; and (5) condition of agri-cooperatives.

The 7 Man Mission visited various national federations and unions of cooperatives and primary cooperatives as well as different government institutions. The second phase of the Study will commence in December, 1992 until March, 1993.

#### H. Technology Trasfer Program for Cooperatives (TTPC) Project of the CUP

The TTPC, a collective effort of the DECS, DTI, DA, CDA, FIS, DOST with CUP as initiator in bringing appropriate and adaptive technology to cooperatives) addresses the need of cooperatives for the right technology in their processing, manufacturing and agri-business undertakings. The program includes provision of technical skills for cooperatives. A series of technical skills training seminars are now being undertaken in collaboration with the TTPC partners.



The CUP took the lead role in this project in the promotion of agricultural diversification and development of cooperative agro-industries. The CUP promotes and supports the following cooperative based agro-industries: 1) integrated coconut processing; 2) waste recycling; 3) cassava development project; 4) tobacco drying and processing plant; 5) corn starch and corn oil plant; 6) rice straw board manufacturing; 7) fruits and vegetable processing; 8) cotton production and processing; 9) coffee development program; 10) cut-flower production; 11) FRP boat making plants; and 12) home and cottage industries.

The CUP has been promoting the program nationwide, specifically in Quezon (Region IV) for integrated coconut processing in South Cotabato (Region 12) for processing of cotton; In Masbate (Region 5) for integrated pineapple and coconut processing of babies foods, etc.

#### **Agro Industries Mechanization Project (AIMP)**

In line with the aforesaid TTPC Project, CUP set up the Agro Industrial Mechanization Project (AIMP). Under this program, CUP identified local and foreign sources of technology and agro-industrial machinery and equipment. CUP received a multi-purpose dryer, a freezer and farm/fishery diesel engines from Yugoslavia for this program in Region 5 as a pilot region.

Likewise, CUP wrote the Bureau of Customs to establish a fast-track program for the quick processing of importation of farm equipments and implemented under Article 62(1), of RA 6938 which provides for exemption of cooperatives from custom duties, advance sales or compensating taxes on their importation of machineries, equipment and spareparts, etc.

#### **J. Cooperative Business Consultancy Program (CBCP)**

Cognizant of the needs of cooperatives for assistance in strengthening their tenuous position and balancing their social concerns and business imperatives, the CUP in collaboration with ILO-CERD Project, established the Cooperative Business Consultancy Program. The CBCP aims to enhance entrepreneurship capabilities of cooperatives, their officers, staff and members. Operated at the national level, the CBCP taps local and international consultants who constitute a pool of consultants to service the requirements of cooperatives. While initially established at CUP, the pool will be regionalized as rapidly as possible.

#### K. Update on the Cooperative Trade International Philippines (CTIP) activities

The CTIP is currently busy trading fertilizers, corn and rice. It negotiates rice and corn from producers cooperatives for distribution to different cooperatives and NGOs. The rice produce are supplied by the Isabela Federation of Agri-based Industrial Cooperative (IFAICO), a federation whose members consists of farmer cooperatives in the Northern Luzon Province. Likewise, bio-degradable organic fertilizers are distributed to the members of the IFAICO for their rice paddies.

Recently, the CTIP made negotiations with the Koronadal Integrated Farmers' Cooperatives in South Cotabato (Region 12 in Mindanao) for large supply of yellow corn. The weekly transactions range from 100 to 150 tons of yellow corn shipped to Manila for distribution. Pricing is currently under negotiation.

On export activities, CTIP received samples of handicraft items from a multi-purpose cooperative whose members are composed of women in the Bicol Region (Region 5). The handicraft samples were shipped to New York, Germany and Canada and orders are currently being awaited to start export activities. Furthermore, a Cebu manufacturer multi-purpose cooperative also sent to CTIP samples of their products which are mainly fashion accessories. Markets abroad are being sought for these fashion accessories.

The CTIP, despite its meager resources continues with its activities on a limited scale. Additional capital is very much needed for it to be able to expand operations. In this regards a proposal is hereby submitted to the ICA ROAP for possible foreign donors.

#### IV. Current Agricultural Constraints

As perceived, the current problems/development constraints besetting cooperative are cited as follows, among others.

1. Limited Government Budget for agriculture and cooperatives

With the possibility of privatizing the LBP and the National Food Authority, a cutback in the agricultural budget will be undertaken by the government. This cutback will definitely affect the government's agri program for cooperative development.

## 2. Agricultural Product Premium Policies

Price trends fluctuate thus contributing to the instability of agricultural cooperative operations. At present there is no adequate buffer for palay which is a principal agricultural product.

## 3. Foreign trade in Agricultural products

The food self sufficiency rate in the Phils. is extremely high. In fact it is almost 90% self-sufficient in rice and almost 100% self-sufficient in large portions of foods. Yet, the government pushed ahead with the import liberalization of agricultural products. If this liberalization is carried out on a large scale, it could have a substantial impact on agricultural cooperatives.

## 4. Competition in market share

Competition in rice, the Philippine staple food marketed by agri cooperatives is very fierce while the competition between agri cooperatives is low. This is also the case with corn and other main agricultural products. The same can be said of fertilizers, agri-chemicals, feeds and other agricultural product materials.

## V. Conclusion

It has been proven time and again that cooperatives can withstand challenges amid turbulent times. It is therefore the cooperative movement's endless hope that with the incipient stage of the new administration under the enlightened leadership of President Fidel V. Ramos, our agricultural farmers, fishermen, craftsmen and workers will get not only a rightful share of the fruits of their labors but also the equitable attention of the government in terms of its policies, plans and programs. After all, 70 percent of Filipinos are agriculturally-based and the small farmers constitute a sizeable portion of this sector.

**COUNTRY PAPER**

on

**"Magbabaol Multi-Purpose Cooperative"**

by:

*Philmore C. Quilat*

*Executive Officer, Central Visayas Union of Cooperatives, Inc..*

*Chairman, Cebu Federation of Agricultural Cooperatives*

*Paper presented during 7th IC/Japan Training Course for Strengthening Management of Agricultural Cooperatives in Asia, November 9, 1992 to May 8, 1993*

## A CASE STUDY

### MAGBABAOL MULTI-PURPOSE COOPERATIVE

#### I. GENERAL STATEMENT

- a) Type of Cooperative - Multi Purpose (Agriculture)
- b) Area of Operation - Papan, Sibonga, Cebu
- c) Field of Membership - Papan, Sibonga, Farmers and their Household Members who are legal age.
- d) Membership Potential - 50 Farmers and 200 Household members
- e) Proposed Activities:
  1. Establish credit facilities for the extension of loans (production, providential, emergency, etc.) to its members.
  2. Construct and operate a cooperative store that can serve the needs of the members for basic commodities and other consumer's goods.
  3. Organize a marketing outfit to handle the systematic retrieval, sorting-out, packaging, handling and storing of members produce.

#### II. RATIONALE:

One of the far-flung barangays of the Municipality of Sibonga is what is known today as Papan. Within this vast track of land, a well-inhabited area has been into vegetable fruit and loofah production in small scale. The reason being is that they lack the necessary farm inputs due to lack of capital.

The poor farmers in this part of Cebu Province continued to cultivate their surrounding farm land in that capacity until a group of middlemen discovered them and made the lives of these farmers quite fulfilling at the early start. And as the years passes by, these farmers slowly found out that they have gone deeper and deeper into the vicious cycle of availing easy cash from these middlemen in exchange for their produced goods whose selling prices are dictated by the middlemen themselves.

At present, these farmers are still in their usual state of living standard or even poorer. While their "supposedly business partners", the middlemen are now enjoying the luxuries of life, owning new vehicles, wearing expensive jewelries and elegant clothes, etc.

But then man by nature do not really stop at anything, as proven by a few of these farmers who managed to heartily discussed and looked-over their situation. They have decided that if they continue to allow themselves to be hooked on to these middlemen, the future of their families especially their children will be destroyed. So that with the assistance of the field-workers of the Department of Agriculture and the Cebu Provincial Cooperative Union (CPCUI) they requested to be organized into a cooperative. And without any delay these group of twenty two (22) interested farmers were oriented on the endeavor and subsequently attended the Pre-Membership Education Seminar.

### III GOALS AND OBJECTIVES

The main goal of forming the cooperative is to alleviate the standard of living of the members-farmers thru pooling of resources and encourage optimum and efficient utilization of such available resources.

Among the objectives envisioned would be:

- a) to mobilize the resources of the members, such as capital formation and build-up thru, savings wherein the members are required to contribute at least 5% of their income to the cooperative while encouraging deposit of excess income as savings with the cooperative.
- b) grant loans to members for their vegetable and fruit production requirements which amount should be twice their fixed deposits or total individual investments.
- c) open a consumer store to cater to the daily needs of its members, specifically the sale and distribution of the basic, daily commodities like rice, corn, canned goods and farm inputs.
- d) undertake a continuous cooperative education activities.

### IV ECONOMIC ASPECT

The target group for the proposed cooperative are the low-income farmers and household heads of who are at present the victims of the unscrupulous middlemen. There are about fifty (50) families falling in this category and should be the prospective beneficiaries of this project.

To start with twenty two (22) farmers have shown so much enthusiasm and interest in the formation of the cooperative that they have willingly undergone the PMES and were able to come-up with ₱3,900.00 as their paid-up capital. These member-farmers

promised to fully pay their subscribed share within two (2) years and the group is very positive to recruit ten (10) additional members every year. With these considerations, within three (3) to five (5) years, most of the farmers and heads of family in Papan are expected to become members of the cooperative.

As to the construction and operation of a consumer store, it is very well projected that because of the far distance of Papan from Cebu City and nearest available store in the area is five (5) to seven (7) kilometers away, the cooperative will successfully meet the needs of its members and in-turn the members to fully patronize this particular service of the cooperative.

**V. FINANCIAL ASPECT:**

1. Sources of Capital

a) Internal

- a-1) Members share capital
- a-2) Members savings deposit
- a-3) Interest on Loans
- a-4) Retention form loans
- a-5) Revolving capital from members

b) External

- b-a) DA Lead Program
- b-2) Gains
- b-3) NGO's
- b-4) LBP and other lending institutions
- b-5) grants, donations from within and outside of the Philippines

2. Uses of Capital

- a. For lending to member-farmers in the form of;
  - productive loan
  - providential loan
  - emergency loan

- petty cash loan
  - etc.
- b. For construction and operation of a consumers store
- c. For buying the produce of the member-farmers for proper marketing of same.
- d. For production of LOOFAH or vegetable sponge, a bath or toiletry item for local sale or exportation.



**MAGBABAOL MULTI-PURPOSE COOPERATIVE**  
Papan, Sibonga, Cebu

## Assumptions of Economic Aspect

## Year I

1. Paid-Up Capital (upon registration)	P 3,900.00
2. Membership Fee (22 members @ P25.00 each)	550.00
3. Interest on Loan (gross loan granted)	18%
4. Service charge (gross loan granted)	2%
5. Loans Granted (members only)	3,900.00
6. Supplies/Registration	1,000.00

## Year II

1. Paid-Up Capital (Old (22) & New (10))	P 7,350.00
2. Membership Fee (New members - 10)	250.00
3. Additional Loans Granted	7,350.00
4. Supplies	150.00
5. Honorarium (5 BOD's plus one (1) Manager)	2,700.00
6. Collections from Loans (100% of P3,900.) Yr. I Balance	

## Year III

1. Paid-Up Capital (Old (32) & New (10))	P 9,600.00
2. Members Fee (New members - 10)	250.00
3. Additional Loans Granted	9,600.00
4. Supplies	150.00
5. Honorarium (BOD's - 5 Manager - 1 Bookkeeper - 1)	3,600.00
6. Collections from Loans (100% of P13,750.00)	Yr. II Balance

**MAGBABAOL MULTI PURPOSE COOPERATIVE**  
Papan, Sibonga, Cebu

**PROJECT STATEMENT OF FINANCIAL CONDITION**  
Year Ended - I, II, III

CASH INFLOW	<u>Year I</u>	<u>Year II</u>	<u>Year III</u>
Paid-Up Capital	P3,900.00	P 7,350.00	P 9,600.00
Membership Fee	550.00	250.00	250.00
Interest on Loans	702.00	1,323.00	1,728.00
Service Charge	78.00	147.00	192.00
Collection from Loans	---	3,900.00	7,350.00
	-----	-----	-----
	P5,230.00	P12,970.00	P19,120.00
	=====	=====	=====
CASH OUTFLOW			
Loans Granted	P 3,900.00	P 7,350.00	P 9,600.00
Supplies/Registration	1,000.00	150.00	150.00
Honorarium	---	2,700.00	3,600.00
	-----	-----	-----
	P 4,900.00	P10,200.00	P13,350.00
	=====	=====	=====
<b>CASH BALANCE</b>	P 330.00	P 2,770.00	P 5,770.00
Add: Balance Beginning	----	330.00	3,100.00
	-----	-----	-----
	P 330.00	P 3,100.00	P 8,870.00
	=====	=====	=====

**MAGBABAOL MULTI-PURPOSE COOPERATIVE**  
Papan, Sibonga, Cebu

**PROJECTED STATEMENT OF OPERATIONS**  
For the Year Ended - I, II, III

	<u>Year I</u>	<u>Year II</u>	<u>Year III</u>
<b>INCOME</b>			
Interest on Loans	₱ 702.00	₱1,323.00	₱1,728.00
Membership Fee	550.00	250.00	250.00
Service Charge	78.00	147.00	192.00
	<hr/>	<hr/>	<hr/>
	₱1,330.00	₱1,720.00	₱2,170.00
	=====	=====	=====
Less: Supplies/Registration Honorarium	₱1,000.00	₱ 150.00	₱ 150.00
	-----	2,700.00	3,600.00
	<hr/>	<hr/>	<hr/>
<b>NET SAVINGS (LOSS)</b>	₱ 330.00	(₱1,130.00)	(₱1,580.00)
	=====	=====	=====
Add: Net Surplus Beginning	---	330.00	800.00
	<hr/>	<hr/>	<hr/>
<b>BALANCE per F/S</b>	₱ 330.00	(₱ 800.00)	(₱2,380.00)
	=====	=====	=====
<b>RETURN ON INVESTMENTS</b>			

**MAGBABAOL MULTI-PURPOSE COOPERATIVE**  
Papan, Sibonga, Cebu

**PROJECTED BALANCE SHEET**  
As of Year Ended - I, II, III

**A S S E T S**

Cash On Hand	₱ 330.00	₱ 3,100.00	₱ 8,870.00
Loans Granted	3,900.00	7,350.00	9,600.00
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>₱4,230.00</b>	<b>₱10,450.00</b>	<b>₱18,470.00</b>

**LIABILITIES, NETWORTH & REVENUE**

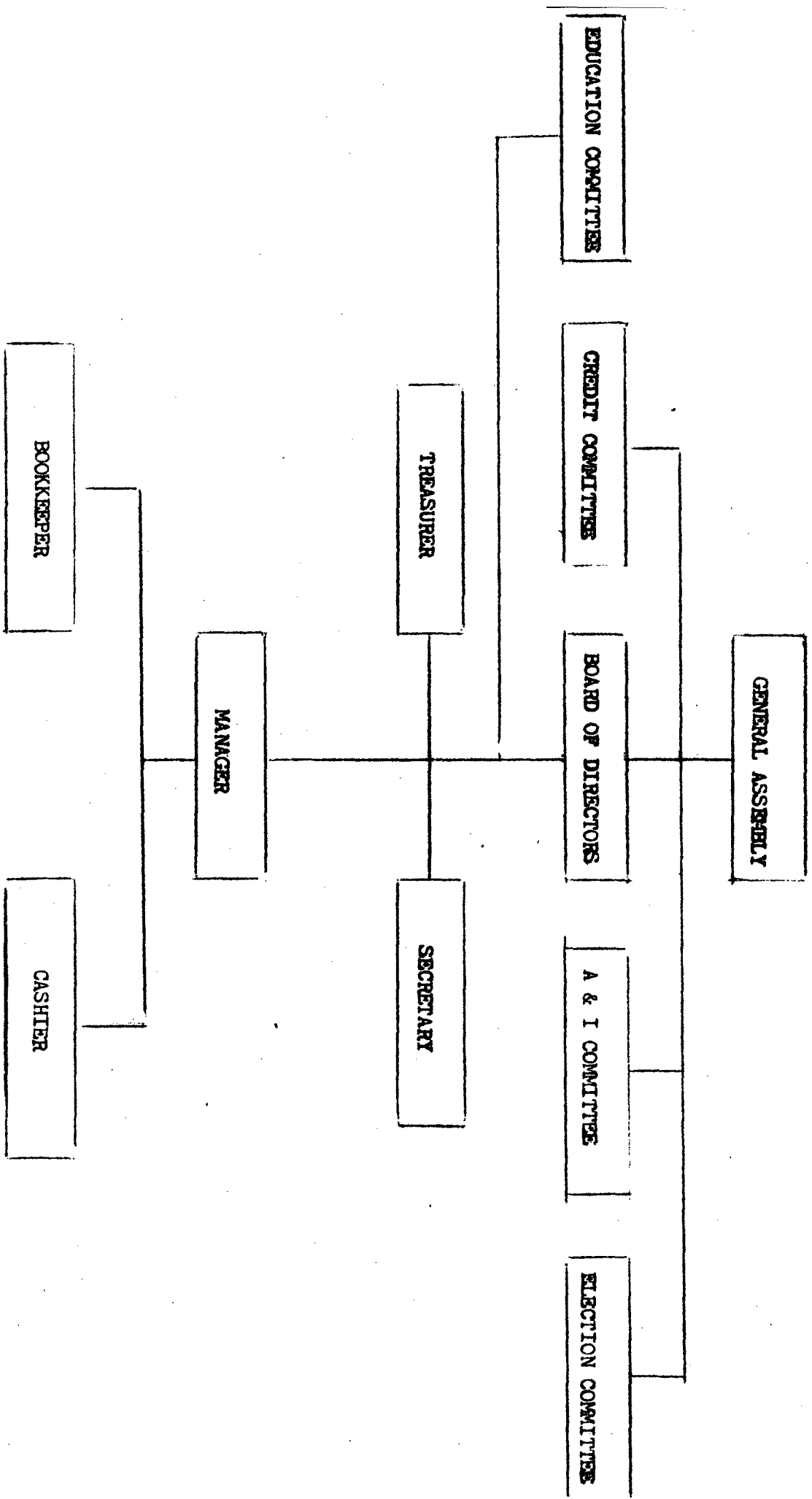
Liabilities	----	----	----
Networth			
Paid-Up Capital	₱3,900.00	₱11,250.00	₱20,850.00
Revenue			
Undivided N.S. (Loss)	₱ 330.00	(₱ 880.00)	(₱ 2,380.00)
	<hr/>	<hr/>	<hr/>
<b>TOTAL L/N/R</b>	<b>₱4,230.00</b> =====	<b>₱10,450.00</b> =====	<b>₱18,470.00</b> =====

**VI. MANAGEMENT ASPECT:**

The general membership is the supreme body, the final authority, but the business is to be administered by the Board of Directors who is the policy-making body, promulgate rules and policies on the general operating of the cooperative. Elected together with the Board of Directors are the Audit and Inventory Committee, the Credit Committee and the Election Committee. The Audit and Inventory Committee shall provide internal audit service, maintain complete records of its examinations and inventory hence commonly known to be the watch-dog, eyes and ears of the cooperative. The Credit Committee shall take charge of the credit management of the cooperative, thus it shall process, evaluate and act on loan applications and withdrawals of deposits and exercise general supervision including collection of all loans from members. The Election Committee shall promulgate rules and regulations in the conduct of election, pass upon the qualifications of candidates and supervise the conduct promulgated by the Board and shall be responsible for the day to day business activities of the cooperative. The Board shall appoint members of the Education Committee who shall take charge of the continuous education among members and prospective members. During its first year of operation, the cooperative is to be run by the members of the Board of Directors the Treasurer and the Secretary and the members of the different committees. After a year the Board of Directors shall appoint a Manager, who shall eventually take over the operations/implementation aspect of the business. Then on the 3rd year the Manager shall be authorized by the Board to hire a Bookkeeper. The Treasurer can still act as the Cashier.

**NOTE:** Please refer to attached organizational chart.

ORGANIZATIONAL CHART  
of  
BANDILA MULTI-PURPOSE COOPERATIVE





Regional Office for  
Asia & the Pacific

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

NOVEMBER 9, 1992 TO MAY 8, 1993

POINTS FOR GROUP DISCUSSION ON 14.11.92

COUNTRY BACKGROUND PAPER ON PHILIPPINES

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

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE  
OVERHEAD PROJECTOR.

A Characteristics:—

- o- Releases more credit services for the requirements of farmer beneficiaries especially for acquisition of post harvest and other assets.
- o- There are 14,062 registered co-operatives
- o- Multi-purpose agricultural co-operatives account for approximately 80% of the registered co-operatives.
- o- CDA currently ventures in to major programs. like grain processing and helps to provide post harvest facilities and extend credit, marketing and extension to viable co-operatives.
- o- The agricultural policy of the Philippine govt. is gradually moving towards a relaxation of regulations on the basis of market mechanism.
- o- A historical event for Land Bank is covenant to transform LBP into full fledged national "agri-aqua bank"
- o- Integrated program on Entrepreneurial Training Facilities for Research and Development studies and Technology Transfer through Co-operative Network.



Cha.

- The FACOP was registered by CDA last January 1992 as a national economic federation of Agri-coops
- CTIP is currently busy trading fertilizers, corn and rice.

B = Positive Factors

- 1) Govt. committed to promote and develop co-operatives as main tool for people empowerment.
- 2) LBP abolished its retail financing programme and switched to wholesale finance through agricultural co-operatives
- 3) the main focus of agriculture co-ops is towards increasing productivity and optimizing the use of resources
- 4) CERD project channels its resources to prime the latent entrepreneurship energies of co-operatives which are expected to bring about a synergism of the elements of co-op entrepreneurship
- 5) Launching trainings / workshops of management / technical aspects for co-op leaders, from primary to National level.

C = Negative Factor

- - Weak and unviable co-operatives at Primary level.
- - Co-operative movement is still depending on the Govt. policy.
- - Cut back in the agri-budget will affect the Govt's Agri. programme.
- - Instability of co-operative operations due to price fluctuation.
- The govt. pushed ahead with the import liberalization.
- Competition in rice, corn and other main agricultural products. is very fierce
- limited activity of CTIP.

D = Suggestions :-

- - Emphasis should be given on the exportation of Agri. produce
- - CTIP should be supported by additional capital for its active and effective operations.
- - Co-operative societies should mobilise their internal resources for creation of funds.
- - A Training and education must be imparted to the all kind of co-operatives.
- - For the Agri. productivity, Agro Industry Mechanization should be imposed.
- - Strengthening the base as well as the linkage of the FACOP for effective distribution of farm inputs as well as marketing and processing of the small farmers' agri produce.

## 1. CHARACTERISTICS :-

- a. THE COOPERATIVE MOVEMENT IS ALWAYS EXPECTING TOO MUCH FROM GOVERNMENT SUPPORT.
- b. THE PRIMARY AGRICULTURAL COOPS. COMPOSING THE MOVEMENT UP TO THIS TIME ARE NOT GIVING ~~THEIR~~ THEIR FULL SUPPORT TO THE OBJECTIVE
- c. 4 (FOUR) ~~TIER~~ TIER COOPS & STRUCTURE EXIST IN PHILP. I.E. NATIONAL, REGIONAL, PROVINCIAL AND PRIMARY
- d. COOP. DEVELOPMENT AUTHORITY REGISTER, REGULATE AND PROMULGATE POLICIES FOR THE COOPS.
- e. FINANCIAL SYSTEM FOR AGRICULTURAL CREDIT IS HANDLED BY LBP & ~~THE~~ ~~THE~~ THROUGH WHOLE SALE SYSTEM.

## 2. POSITIVE FACTORS:

- a. THE COOP. MOVEMENT HAS ENABLED THE COOPERATIVES TO AVAIL OF LOW-INTEREST FINANCING PROGRAMS BOTH FROM LOCAL AND FOREIGN SOURCES.
- b. THE COOPERATIVE MOVEMENT HAS BEEN SUCCESSFUL IN CONVINCING THE GOVERNMENT TO INCLUDE ITS PROGRAMS WITH THE NATIONAL ECONOMIC DEVELOPMENT PROGRAM OF THE COUNTRY.
- c. THE AGRICULTURAL POLICY OF THE PHILIPPINE GOVERNMENT HAS BEEN GREATLY LIBERALIZED THROUGH THE RELAXATION OF COOP. REGULATIONS.

## 2. NEGATIVE FACTORS :

- a. TOO MUCH GOVERNMENT INTERFERENCE.
- b. LACK OF IMPROVED AND UP-DATED COOPERATIVE MANAGEMENT SYSTEM.
- c. LACK OF A MORE DEFINED COOPERATIVE POLICIES TOWARDS SOPHISTICATION OR IMPROVEMENT OF COOPERATIVES.
- d. LACK OF ADEQUATE TRAINING TO THE COOP. MANAGEMENT PERSONNEL AS WELL AS MEMBERS ON THE TECHNICAL ASPECTS.

### 3. SUGGESTION:-

- a. GOVERNMENT INTERFERENCE SHOULD BE REDUCED.
- b. PROVIDE ADEQUATE TRAINING PROGRAMS FOR BOTH MANAGEMENT PERSONNEL AND MEMBERS.
- c. ENCOURAGE A CHEAPER CAPITAL BUILD-UP SYSTEM ~~TO~~ THROUGH MEMBERS' CONTRIBUTION OR SAVINGS FACILITATION.
- d. ADOPT POLICIES BEING USED BY OTHER COOP. MOVEMENT THAT IS APPLICABLE TO THE PHILIPPINE CONDITION OR SITUATION

PHILIPPINE

(1)

DATED 14.11.92

CHARACTERISTICS.

- i) THOUGH COOPERATIVE PHILOSOPHY EXISTED THERE YET IT IS ENTIRLY GOVT. SPONSORED PROGRAMMES.
- ii) RURAL CREDIT COOPERATIVES, MARKETING COOP, CONSUMER COOP. AND COMMODITY COOP. i.e RICE AND CORN ETC. DEVELOPED THROUGH VARIOUS LEGISLATIVE ACTS AND COOPERATIVE DEVELOPMENT AGENCIES OF GOVT.
- iii) NEED BASED COOPERATIVES HAVE BEEN DEVELOPED IN PHILIPPINE FOR INCREASING PRODUCTIVITY AND INCOME FOR THE LESS PRIVILEGED SECTOR OF SOCIETY AND TO PROMOTE EQUITY AND SOCIAL JUSTIC.
- iv) THOUGH VARIOUS AGENCIES ARE THERE TO DEVELOPE COOP PRINCIPLES AND PRACTICES YET IT SEEMS AGAINST SPONTANEOUS MOVEMENT i.e IT SHOULD ~~BE~~ DEVELOPED THROUGH FEELINGS AND NEEDS OF MEMBERS.
- v) GOVT HAS RECOGNISED COOPERATIVES AND HAS SHOWN A CONFIDENCE IN COOPERATIVE PRINCIPLES WHICH IS A GOOD SIGN.
- vi) COOPERATIVES ARE HAVING A MAJOR COMPON-ANT OF NATIONAL DEVELOPMENT PLAN.
- vii) AGRICULTURAL COOPERATIVES ARE SERVING IN MANY DIMENSIONS VIZ CREDIT PROVIDING AGRI-INPUTS, NEW FARM TECHNOLOGY, AND MARKETING SKILLS BY GIVING FARMER ACCESS TO POST HARVEST FACILITIES ADDING TO THEIR INCOME.
- viii) A NATIONAL <sup>COOP</sup> COOPERATIVE HAS BEEN ESTABLISHED TO CATER THE CREDIT NEEDS.



POSITIVE

- i) NATIONAL AGRICULTURAL COOP. BANK IS A UNIQUE FEATURE
  - ii) COOPERATIVE ENTREPRENEURSHIP RESOURCE DEVELOPMENT PROGRAMME IS UNDER TAKEN TO CREAT A COOP CLIMATE WITH ADEQUATE TRAININGS.
  - iii) MONITORING AND EVALUATION OF MANAGEMENT INFORMATION SYSTEM IS A GOOD THANG TO REVIEW PROGRAMMES.
  - iv) NATIONAL ECONOMIC FEDERATION OF AGRICULTURAL COOPERATIVES HAS BEEN WITH PROVINCIAL FEDERATIONS AS ITS MEMBERS AND LIKE WISE THE FEDERATION OF LAND REFORM FARMERS OF THE PHILIPP. HAS BEEN ESTABLISHED.
- v. EXPORT TRADING THROUGH COOP.

NEGATIVE

- i) GOVT. CONTROL AND INVOLVEMENT IS NOT HEALTHY SIGN.
- ii) VARIETY OF COOPERATIVE ARE WORKING BUT NO COORDINATION SEEMS TO BE THERE BECAUSE VARIOUS DEVELOPMENT AGENCIES/ATHORITIES ARE SUPPORTING AND SPONSRING.
- iii) DEMOCRATIC CONTROL OVER THE AFFAIRS OF COOP IS THERE OR NOT IT IS NOT EXPLAINED IN COUNTRY PAPER KINDLY EXPLAIN.

## SUGGESTIONS

- (i) GOVT. CONTROL AND INVOLVEMENT SHOULD BE REDUCED.
- ii) COOPERATIVE MANAGEMENT SHOULD BE STRENGTHENED THROUGH HUMAN RESOURCE AND MANAGEMENT DEVELOPMENT PROGRAMMES.
- iii) GOVT. SHOULD DECLARE A NATIONAL COOPERATIVE POLICY SUPPORTED BY SUFFICIENT ~~BUDGET~~ BUDGET FOR ONLY PROMOTION ACTIVITIES.
- iv) GOVT. SHOULD DECLARE GUARANTEE PRICES FOR CROPS AND CROPS INSURANCE SCHEME SHOULD BE INTRODUCED FOR COOPERATIVES.
- v) COOPERATIVES SHOULD DIVERSIFY THEIR ACTIVITIES TO ACHIEVE ECONOMIC SELF RELIANCE.
- vi) NATIONAL FEDERATIONS SHOULD BE DEVELOPED FOR AGRICULTURAL PROCESSING COOPERATIVES AND AGRICULTURAL INPUT MANUFACTURING.

**7th ICA / JAPAN Training Course for  
Strengthening Management of  
Agricultural Co-operatives in Asia**

**(India / Thailand / Sri Lanka / Japan / Republic of Korea)  
November 9, 1992 to May 08, 1993**

**COUNTRY REPORT  
(SRI LANKA)**

*Presented By :*

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*Bandarawela.*

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*" Co - op House "*

*455, Galle Road,*

*Colombo 3.*

**SRI LANKA.**

# SRI LANKA

## THE LAND AND IT'S PEOPLE

### 1. GEOGRAPHY

1:1 The Democratic Socialist Republic of Sri Lanka (formaly Ceylon) the 25,332 Sq mile (65,610 Sq.Km.) island in the Indian Ocean , lies at the southern tip of India 278 miles (447 Km.) long and 136miles (219 KM) broad its land area is broken up by large inland waterways. The climate is tropical with temperatures remaining around 26 to 28 celsius through the year. The annual rainfall is around 80" received mainly during the two monsoonal periods. While the population of the country is 16.5 million the average density is 250 per square kilometers . Nearly , 78% of the population lives in rural and 45% of the workforce is engaged in Agricultural section.

### 1:2 POPULATION AND ETHNIC BREAKDOWN

Total population is 16.5 million. SINHALESE 74%, SRILANKAN TAMILS 12.6% , INDIAN TAMILS 5.6% ., SRILAKAN MOORS 7.1% . , others (Malays , Burghers, and Others) 0.7% .

### 1:3 RELIGION

Sri Lanka is a Multi religions country . The population devides as follows:

BUDDHIST	69.3%
HINDUS	15.5%
MUSLIMS	7.6%
CHRISTIANS	7.5%
OTHERS	0.1%

#### 1:4 INSTITUTION

Sri Lanka is a Democratic Socialist Republic with British style parliamentary and legal institutions. Formerly a British colony. It became Independent in 1948 and is member of the UNO and the IMF and international organisations.

#### 1:5 ECONOMY

Sri Lanka still primarily an agricultural country. Paddy is the most important crop which influences overall performance of the economy, average annual paddy production is about 2.1 million metric tons in 1989 and the yield per hectare is 3374 Kgs.

The tree crop plantations, Tea, Rubber, and Coconut account for 12% of G.D.P. . These crops cover approximately 41% total cultivated area and contribute to nearly half of total export earnings and provide employment for one sixth of the total labour force.

The rural sector plays an important role in the overall economy of Sri Lanka . Apart from paddy and other food crops the rural sector contribute substantially to the production of principal export crops , minor export crops . cottage industries fishing and dairying.

CO-OPERATIVE MOVEMENT IN SRI LANKA  
=====

2011 History of the Co-operative Movement

Co-operation in its wider sense has been existent for many centuries in the past in Sri Lanka village life particularly in the various operations of paddy cultivation. "Aththam" system forming exchange of family labour with their neighbours in agricultural operations such as ploughing, harvesting and threshing were examples of co-operative activities within the community.

The co-operative movement was introduced by the British rulers to Sri Lanka in the context of the socio economic environment at the beginning of the 20th century. The initial moves were made by the Agricultural Society of Ceylon (under the patronage of the British Governor) established in 1904, which urged to government to formulate a credit scheme to encourage rural people to improve productivity. The society's Dumbara branch (Kandy) formed the first credit society in 1906 in order to provide cultivation loans for members as well as non members. Thereafter the Governor Sir Henry McCallum appointed a Agricultural Bank Committee of inquiry which among other matters examined farmer indebtedness, farmer needs and assistance required by them, the suitability of the Raiffaisen system of co-operative credit society to conditions of Sri Lanka. On the basis of the recommendations of the Agricultural Bank Committee, Co-operative Credit Societies Ordinance was enacted as ordinance No. 7 of 1911, thus providing a legal foundation for the co-operative movement in Sri Lanka.

contd..2

2:2 Phase I (1911-1942) Credit Co-operatives

The co-operative credit societies ordinance of 1911 gave recognition to establish rural credit societies and this created the training a ground for early co-operators. The growth of co-operatives in the early period was slow and the formation of the co-operatives became a governmental move. Although initiated with official support these societies were voluntarily organised and were based on mutual understanding and trust among members. Credit societies of early period provided loans mainly for agricultural purposes. Since most of the societies were of unlimited liability the average peasant cultivator had no access to become a member and remained indebted all the time.

The credit societies were so much popular among the village people and the number of societies increased to 1519 by the year 1942. The subsequent amendments made to the co-operative act, provided for formation of limited liability and secondary societies. As a result the first co-operative bank was registered in 1929 in Jaffna to undertake financing of credit societies in the Northern Region. The number of Co-operative Banks increased to six and the Co-operative Federal Bank was formed in 1949 as the apex co-operative bank. In 1950 each of the nine provinces of the country had it's co-operative bank. In 1961 the Co-operative Federal Bank was replaced by the People's Bank and the Provincial and District Co-operative Banks were merged with the People's Bank.

2:3 Phase II (1942-1957)

The period from 1942 - 1957 witnessed a remarkable change in the pattern and orientation of the co-operative movement which started with the stores societies in 1942 was to meet the situation created by the World War II.

With the entry of Japan into the second world war the situation regarding supply of food and the consumer goods became acute in the country. The food scarcity conditions tempted the traders to profiteering in consumer goods. Therefore in 1942 the government made a decision to establish a net work of consumer co-operatives throughout the country to undertake the distribution of food and other essential commodities, and this was known as the Stores Drive. This was quite a success and within a year 1600 stores societies were formed. Since the food supply situation aggravated further in 1943 ~~as~~ it was decided to continue the stores drive ~~with~~ vigour to cover the entire country and by the end of 1945 there were 4092 Stores societies with a membership of over one million.

Co-operative Agricultural Production and Sales Societies  
(1947 - 1957)

The experience during the war years made the government realise the dangers of depending on foreign countries for essential food stuffs. Hence measures were taken to increase food production. The success of the Co-operatives in food distribution during war time gave the government greater confidence to organise a network of Co-operative Agricultural Production and Sales Societies, with a view to provide farmers with credit and inputs and also to market their produce.

These societies formed the basis of agricultural development in the country, specially in the production of food crops and their marketing. The CAP&S societies made a rapid progress and by 1957 there were 995 societies with a membership of 246,776.

Another important development that took place in agricultural sector during this period was the formation of Coconut Co-operative Societies. The first Coconut -



Co-operative Society was registered in 1940 and there were 42 such societies which were supported by the Coconut Producers' Co-operative Union. The large coconut societies installed desiccated mills and oil mills. The government also sponsored other types of societies such as fishmen's and industrial co-operatives during this period. The period 1942 - 1947 saw a rapid expansion of co-operative societies both in membership and type. In 1957 there were 10,812 societies with a membership of 1,371,500.

2.14

#### Phase III (1957 -1971) -Multi Purpose Co-operatives

The objective of forming of MPCSSs was to provide various services such as credit, inputs and consumer goods to members from a single unit. But due to various reasons these societies did not perform according to the expectations and many remained single purpose societies engaged in distribution of consumer goods.

2.15

#### Phase IV - Re-organisation and after (1970)

The government appointed a Royal Commission in 1986 to examine and recommend measures for strengthening and improving the co-operative movement in the country. One particular term of reference of the commission was to inquire into and report on the role of co-operatives in the development of the national economy particularly in the agricultural sector. The Royal Commission recommended major structural changes and one of the major recommendation was the creation of more viable co-operative organisations by a voluntary process of amalgamation. However special legislation was passed in 1970 giving statutory powers to the Commissioner Co-operative Development to amalgamate societies and to cancel weak societies.

During the period of 1971-1972 existing 5818 co-operatives were amalgamated into 372 large Multi-Purpose Societies. The new societies were expected to be more viable both financially and managerially. Under the same law in -

1974 the 284 Fisheries Co-operatives were amalgamated into 56 large primary societies. During 1975-76, 319 Textile Co-operative Societies were also amalgamated to form 34 large primary co-operatives.

2:6

Present status of Co-operative Movement in Sri Lanka

There are over 50 different types of Co-operative Societies functioning in the country. Besides the Multi-Purpose societies others are single purpose societies engaged in specific activities. Except for the Thrift and Credit Co-operative Societies which are constituted with three tiers, other types of societies for business purposes are vertically integrated into national level organisations.

2:6:1

National Co-operative Council of Sri Lanka

The National Co-operative Council of Sri Lanka which is constituted with the Co-operative District Unions is the apex organisation of the co-operative movement in the country.

2:6:2

Multi Purpose Societies

The Multi Purpose Co-operative Societies are the most widespread type of societies which can be considered as the backbone of the co-operative movement in the country. The 283 MPCSS with a network of nearly 7500 branches cover the entire country. The membership of the MPCSS stood at 2.3 million at the end of 1989.

The main activities of the MPCSSs are the distribution of consumer goods, supply of agricultural produce, provision of agricultural credit and rural banking facilities while wholesale and retail trade in consumer goods remain as principal business activities. However in some of the main paddy producing areas, agricultural activities have become more important.

The MPCSSs have been entrusted with distribution of food items for the food stamp holders and Janasaviya recipients with the inception of these scheme. Since the policy of the government is to promote the co-operatives, a rehabilitation programme was launched with the financial support of the government to make these societies viable organisations. The average annual turnover of these consumer business of the MPCSSs is around Rs. 11,000 millions.

As regards to the agricultural activities provision of agricultural credit, supply of inputs and marketing of the produce are being handled by the MPCSSs from the inception of the societies. From the time of the formation of the MPCSSs in 1957 up to 1978 provision cultivation loans were mainly handled by the MPCSSs. These societies also enjoyed the monopoly in purchase of paddy and some of the agricultural produce as agents of the Paddy Marketing Board (PMB).

2:6:3

#### Co-operative Rural Banking Activities

The MPCSSs have been able to develop a banking system over the past years as a successful venture through a network of Rural Bank Branches.

The Rural Banking scheme was started in 1964 with the initiative of the People's Bank with a view to develop an agricultural credit system and to introduce basic banking facilities to the rural sector. This scheme was introduced at a time when all the commercial bank services offered were mainly outside the rural sector. The rural sector who represented about 3/4th of the population were engaged mainly in small scale farming and other economic activities such as fishing, handicrafts, other cottage and small industries and trading. They made a considerable contribution to the national economy.

Their financial requirements were obtained mainly from the informal money market. The only significant institutional credit source was the village level Thrift & Credit society.

Under the rural bank scheme financial assistance was available to members for purposes of production (including agricultural, animal husbandry and cottage industries) housing, debt redemption, trade, consumption, electrification and other purposes including emergencies.

#### 2:6:4 Credit Co-operative Societies

It was noted earlier that the credit co-operative societies were the dominant type of societies until 1942 and this period was known as the Credit Society era of the Co-operative Movement in the country. The formation of stores and Co-operative Agricultural Products & Sales societies expanded the movement in to new directions and the energies of the Co-operative Department had to be diverted into these new areas. This witnessed the credit co-operative sector deteriorating during the 1960s and 1970s in respect of number of societies and membership. However there seems to be an increased to 3581 by 1957. The most important development that took place during the period was the establishment of Co-operative Banks. The first co-operative bank was registered in 1929 in Jaffna. By 1949 the number of banks rose to 6. The Co-operative Federal Bank was formed in 1949. In 1961 the Co-operative Federal Bank was replaced by the People's Bank and the district and provincial co-operative banks were merged with the People's Bank.

The Credit Co-operative Societies movement which was prominent at the earlier period declined to a low ebb by 1978. The societies of unlimited liability declined to 935 and the limited liability societies to 270.

In 1978 a programme was launched to re-activate the Credit Societies movement in the country. This programme was started from Kegalle District by holding a National Conference of Credit Co-operative delegates drawn from the whole island. During the same year Kegalle District Credit Societies Union was established and the other districts also followed suit. The Federation of Thrift & Credit Co-operative Societies Unions (FTCCS) was established in 1980, thus completing the three tier structure for the credit society movement.

Since 1980 a rapid expansion has taken place in the credit co-operative movement due to the initiatives taken by the Federation to develop this sector. Training programmes were conducted for the committee members and new societies also were formed. The unlimited liability societies which are better managed were given the status of village banks. By 1984 the number of societies increased to 1958 and the membership to 241,615.

An important development took place in mid 1980 by involving the Thrift & Credit Co-operative Societies in granting of housing loans under the government sponsored million housing programme. This was started in 1985 as a pilot project in Gandy District and the success of the implementation encouraged the expansion of housing loan programme in to all the districts through TCCSs.

The credit co-operative movement was given a push by the housing programme and large number of societies were formed within a short period of time to make possible the loan disbursement. The number of societies which stood at 1958 by 1984 increased to 6156 by 1989 and the membership increased to 614957.

The Credit Co-operative Movement has a scheme of opening co-operative banks attached to District Unions. The primary societies deposit their surplus funds with the District Bank and the District Bank utilises these funds for lending to needy societies. The Federation of Thrift & Credit Co-operative Societies operates an inter lending scheme to District Banks. The excess funds of the District Banks can be deposited with the Federation of Thrift & Credit Societies and it uses these funds to lend to the needy District Unions.

The Credit Co-operative Movement plans to build up a strong financial structure within the movement. It seeks to achieve this by strengthening the banking activities at all levels. The primary objective of the Thrift and Credit Co-operative Societies is to utilize the funds generated at primary level for economic activities of primary members.

Activities of the Federation of Thrift & Credit Co-operative societies has expanded considerably over the past years in respect of functions relating to project development, management improvement etc. The Federation has developed close links with ACCU, WCCU and Co-operative Association of Canada (CUC.). The Federation of Thrift & Credit Co-operative Societies has received financial support from various international agencies for training and interlending programmes. Co-operative Union of Canada has been providing financial support continuously to the Federation of Thrift and Credit Co-operative Societies mainly for training and extension work.

#### 2:6:5 Milk Producers Co-operative Societies

Milk Producers Co-operatives were in existence in the country for the last 50 years and today these societies are widely spreaded throughout the country. These societies serve the village level small milk producers-

mainly in marketing their milk and provide various services for dairy development in the rural areas. There are 226 milk producers' societies with a member strength of 45360 producers.

Year 1978 was landmark in the development of milk co-operatives in the country. The Sri Lanka Dairy Development project (1) which was assisted by I.D.A provided financial support for dairy development through co-operative societies. The National Livestock Development Board (NLDB), a government organisation implemented the project in two areas namely in the coconut triangle and in the mid hill country. The approach of the National Livestock Development Board in the coconut triangle was to form village level primary milk producers co-operatives and to affiliate them to a secondary union, similar to AMUL in India. In the mid hill country area a different model was adopted. The societies formed are larger in area of operation and functioned independantly.

Milk Producers co-operatives are primarily village level organisations which assist the small producers to market their milk at a highest possible price. The price of milk is determined by the government in time to time. The milk co-operative societies in the country collect 36 million litres of milk per year which is about 52% of the total milk collection of the Milk Industries of Lanka Company Ltd. - MILCO- (successor to National Milk Board).

2:6:6

#### Coconut Producers Co-operative Societies

The Coconut Producers Co-operative Societies are the main agricultural processing societies in the country. These societies date back to 1940. During the late 1930s the coconut prices dropped drastically, and the Ceylon Coconut Board at that time launched a programme to -

assist the producers by forming them into co-operatives and granting funds for putting up of copra kilns. By 1942 there were three Coconut Producers Co-operative Societies and they formed the Ceylon Coconut Producers Co-operative Societies Union.

There are 11 coconut producers co-operative societies of which six are engaged in processing and the rest are village level small societies. These small societies collect nuts from the members and sell to processing societies.

The main products of the coconut producers co-operatives are desiccated coconut, copra, coconut oil and coir yarns. Poonac and charcoal are the by products.

The coconut societies engaged in processing own 8 desiccated mills and 8 oil mills. The annual production capacity of the desiccated coconut mills is about 9000 mts. However the coconut co-operatives produce 15% of the total desiccated coconut produced in the country. There is a possibility of increasing the production of the societies by 20% with the existing machines.

The Coconut Producers Co-operative Societies Union which is the National Organisation of the coconut co-operatives act as a broker and a shipper to market the produce of the member societies. The union charges 0.5% brokerage from the member societies where the normal brokerage is 1% of the value of the goods. The Coconut Union started its export business in 1985. The main export items are desiccated coconut, poonac, coiryarns fibre and brushes. Desiccated and poonac are exported to European Market and coiryarns and brushes are been exported to Japan. The total export earnings of the coconut union for the past three years has been over US \$ 1 million. Though this amount is not significant compared with the total production of the coconut societies it demonstrate the potential for the expansion of export trade.



286:7

Rubber Producers Co-operative Societies

Rubber has been the second important export crop in Sri Lanka since colonial days. It contributes 18% to the export earnings and accommodate 8% of the agricultural labour force in the country. The total land area under the rubber plantation is about 226,600 hectares of which 65% belongs to individual cultivators, while the balance is owned by the state. One important phenomenon in the rubber plantation is that holding size is small and average size of a holding less than one hectare. Holdings less than one hectare accounts for 88% of the total holdings. Thus the rubber industry of Sri Lanka is dominated by small holder producers.

Later on rubber producers co-operatives were formed and the processing centres were managed by the societies. Today there are 56 such Rubber Producers Co-operative Societies with a membership of 2000 smallholders.

The establishment of the Rubber Producers Co-operative Societies has helped the smallholder to increase their income. Before this process the sheet rubber produced by individual smallholders were of inferior quality and fetched low prices.

The smallholders were not competent enough to make quality sheet rubber and also did not have necessary equipment for that matter Sri Lanka Rubber Producers Co-operative Societies Union purchase the sheet rubber produced by the smallholder societies. The rubber union assist the societies by supplying formic acid, coagulating pans and the other utensils.

The Sri Lanka Rubber Producers Co-operative Union sell rubber mainly to the private shippers. The union has been exploring the possibility of direct export but so far it has not succeeded. If the union could export directly it will help the member societies to obtain better prices and this will effect the -

smallholders in increasing their income. The Rubber Union is also planning to start rubber based products for the local market.

### 2.6.8 Fisheries Co-operative Societies

The Fisheries Co-operatives in Sri Lanka have a history of nearly 50 years. The earliest Fisheries Co-operatives were started in 1940s. During this period a programme was launched by the Department of Fisheries to assist the fishermen by granting loans to buy fishing gear. In 1950s the Department of Fisheries and the Department of Co-operative Development started a scheme to promote Fisheries Co-operatives and two types of societies emerged; one in which the fishing boat and gear were owned and operated jointly by the societies and the other where ownership of boat and fishing gear was individual and the society provided credit and organised sales. There are 254 Fisheries societies with a membership of over 26000 fishermen. The Fisheries Federation is presently implementing a special education programme for the member societies with the financial assistance of the Swedish Co-operative Centre. The Federation also has started a lending scheme under the above project for the members of primary societies.

### 2.6.9 Small Industries Co-operative Societies

The initiative for developing small industries on a co-operative basis was taken by the government like in many other sectors of the movement. The government set up a special department named Rural Development Department to encourage cottage industries in rural areas. The Department of Co-operative Development together with the Rural Development Department organised craftsmen in to co-operative societies. The important types of societies are handloom textile societies, coir societies,-

Carpentry societies, brick making societies, brass work societies and pottery societies. The members of these societies were traditionally engaged in those activities for a long time and particularly the brass work and pottery industries were coming from generations.

The most wide spread types of cottage industrial society is the handloom textile weavers societies. These were started in mid 1950s and by 1970 there were 676 societies with a membership of 19,606. There were more than 150,000 persons engaged as weavers throughout the country and 2/3 of the handlooms were owned by the co-operative societies.

With the liberalisation of trade handloom societies had to face a stiff competition and many societies had to sustain losses. On the other hand the textile made by many of the societies are not with attractive designs, hence the imported textiles were preferred.

2:6:10

#### Sri Lanka Co-operative Industries Union

The Sri Lanka Co-operative Industries Union which was established in 1968 in the national level organisation of the industrial societies. But most of the members are Multi Purpose Co-operative Societies who are not engaged in industrial activities.

The Industries Union produce rubberised mattresses under a trade name "Ceyesta" which is popular in Sri Lanka and has gained a promising market in other countries too. It also export coir and twisted fibre to European Countries.

Most of the Co-operative Industrial Societies are small village level organisations and their members are of low income groups. Most of the members are traditional craftsmen and still use old techniques.

There is scope for development of small scale industrial societies with introducing developed techniques suitable for the local situation. Further more these small societies need assistance for improving the quality of products and marketing them.

2:7

The present trends of the Co-operative Movement

A new vision and a new deal has been declared for the co-operative sector by the Manifesto of the Ruling part. In keeping with this new approach a more developmental and people oriented role is expected of this sub sector. In order to streamline the co-operative sector at achieving an all round and rapid improvement in the conditions of the needy. The following guidelines have been enumerated in the Manifesto.

- (i) Co-operatives will have to define a role for themselves as catalysts and agents in the Poverty Alleviation Programme.
- (ii) Co-operative Credit Societies have an important development task in organising and empowering needy families and groups to manage their own economic affairs through effective credit and savings.
- (iii) The primary role of the State in the development of the Co-operative Movement is to guide and support co-operatives to be effective and responsible in self-management and self-development.

(iv)

To enable the co-operatives to achieve the objectives and develop their self-management and self-development. The Ministry of Food and Co-operatives has already initiated following actions.

218

New amendments to the Co-operative Law

In pursuance of the pledge given in the Manifesto of the Ruling Party to adopt measures to improve self-management and self-development of the co-operative sector. Certain proposals were placed before the Cabinet of Ministers embodying the principles on which the new amendments should be prepared.

It has now become necessary to amend the existing law in order to drastically reduce the powers of the Registrar and to create a legal base for the co-operative societies to function as independent organisations.

The new amendments proposed seek to establish three distinct types of co-operative societies namely;

- (a) Free co-operative societies where all decisions in regard to the management of affairs will be taken by the membership.
- (b) Societies which are managed with state funds to be under the controlling authority of the Registrar so long as such funds are used.
- (c) If membership so desires even free co-operatives can out to be under the control of the Registrar.

These amendments have been approved by the Cabinet of Ministers and be presented to the Parliament shortly.

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National Policy on Co-operatives

A new co-operative policy has been prepared by the Ministry of Food and Co-operatives. This policy has been prepared with a view to providing self-development and self-management of the co-operative sector and to provide it a responsible place in the process of national socio-economic development. The draft of the new policy is being considered by the Parliamentary Advisory Committee of the Ministry of Food and Co-operatives

2:9:1

Poverty of Alleviation Programme

The Co-operatives are performing an important role in the "Janasaviya". Poverty Alleviation Programme initiated by the Government. This programme has assumed highest priority in the current development programmes and the consumer component of this programme is channelled through the Multi-Purpose Co-operatives. In addition, these societies are actively engaged in assisting the beneficiaries of this programmes who are the poorest of the poor to manage their own economic affairs through effective credit and input supply.

2:9:2

Member Development Programme

In order to strengthen the member participation in co-operatives and to develop a knowledgeable and committed leadership, the Ministry of Food and Co-op. eratives has launched a programme to increase member participation in co-operatives. This programme consist of following strategies.

- (a) Commencement of a 'drive' in respect of each MPCS area to convince non member to become members.
- (b) Preparation of special schemes to rprovide more economic and welfare benefits to members.
- (c) Establishment of School Co-operatives and to develop existing school co-operatives.
- (d) Encourage youth and women to become members.

29

2:9:3

Marketing of Local Products

The Ministry of Food and Cofoperatives has encouraged MPCSSs to get involved in marketing of locally produced goods. This includes all agricultural goods and products of 'Janasaviya' beneficiaries.

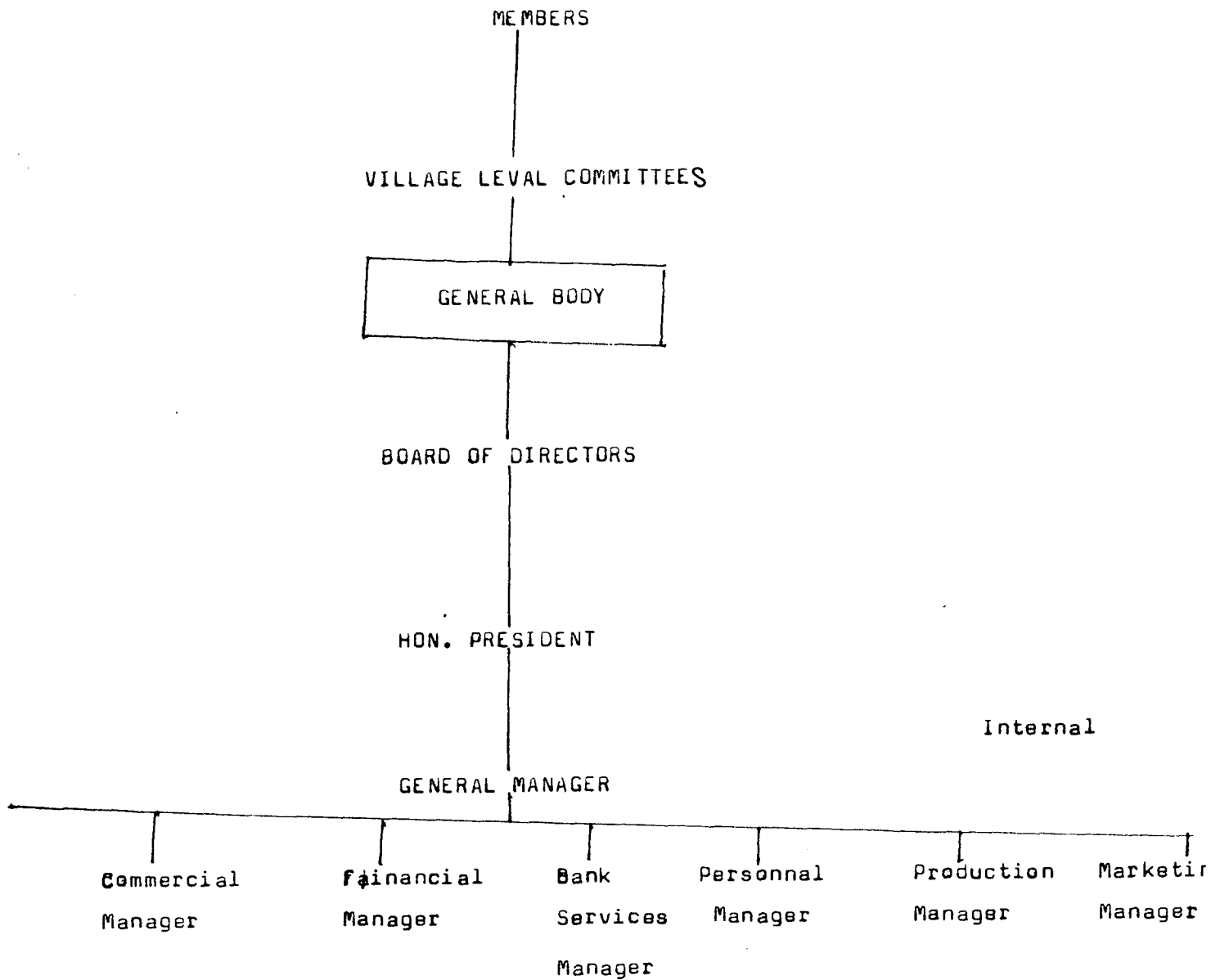
*2:9:4* Mid day meal programme

The Government has taken a decision to implement the School Children's mid day meal programme through the co-operators. This is an indication of the recognition and confidence the Govt. has placed on the Co-operative Movement besides, this programme has strengthened our efforts at expanding the school co-operatives.

*2:9:5* Strengthening of Rural Banks

The Rural Banks of the MPCs which numbers over 1000 have been entrusted to accelerate their lending programmes to assist the needy families in keeping with the declared policies rural banks have reformulated lending programmes.

### 3. STRUCTURE OF THE MPCS



Present position of the MPCS as follows: (1991)

Total Societies	288
Wholesale	610
Retail outlets	7924
Filling station	239
Rural Banks	1005
Lorries	942
Other Vehicles	362
Employment	30140



3:1 BANDARAWELA MPCs LTD

Registered in Badulla district as a MPCs under the no of Badulla 375 of 16.2.1971 . Headoffice is at No.4, Perera Road, Bandarawela, Sri Lanka .It covers the entire Bandarawela and Ella divisional secretariate divisions in Badulla district.

Membership	13900
Village level committees	44
Representatives of general body	144
Board of Directors	9
Share Capital	Rs. 450,000.00
Total employment	430
Wholesale Depots	06
Retail outlets	46
Special selling outlets	12
Bakery	01
Motor garage and service station	01
Filling stations	02
Rural Banks	10
Transport section(vehicle)	17

MAJOR BUSINESS SECTIONS

1. Consumer section
2. Bakery
3. Motor garage and service station
4. Rural Banking section
5. Transport section

### 3.1.1 CONSUMER SECTION

The society caters for a total of 47 villages, including the Banadarawela town. Consumer section includes 46 Retail outlets, 5 Wholesale depots, one Agricultural depots, one Bakery 3 Hotels, one Pharmacy, one Textilesshop, 2 Building material shop, 2 self serviceshop, one Motor spare parts shop, one Steel rurniture shop, and two Filling station s. Total employees in this section is 300.

### RATIO ANALYSIS - CONSUMER SECTION

	<u>83/84</u>	<u>84/85</u>	<u>85/86</u>	<u>86/87</u>	<u>87/88</u>	<u>88/89</u>
Gross profit	4%	4.5%	4.4%	4.2%	4.4%	4.3%
Net profit	1.1%	0.9%	0.5%	0.4%	0.3%	0.3%
Debtors / Turnover	12	11	14	9	8	8
Stock circulation	23	20	18	1.6	1.6	1.7
Stock (days)	16	18	20	22	22	21
Sales index	100	91	83	83	86	93
Audit period (days)	36	18	26	33	45	45
Assets Ratio	10:9	10:9	10:9	10:9	10:9	10:8
Gross Profit salary	48%	49%	59%	64%	62%	63%
Turn Over / salary	2%	2.2%	2.5%	2.6%	2.7%	2.7%
Per Capital sale (Rs.10000.00)	53	48	44	44	46	49

3:1:2 2. RURAL BANKING SECTION

This is the most profitable section of the society. It include 10 rural Banks. Total deposit up to now is Rs. 40 million. Total loan granted is Rs.39.6 million. Total No of accounts operated are 40,000.

Ratio Analysis

	<u>85/86</u>	<u>86/87</u>	<u>87/88</u>	<u>88/89</u>
1. Total deposits to member loans	10%	10%	13%	16%
2. -Do- Mortgage Loans	62%	60%	46%	39%
3. -Do- Investments	16%	18%	10%	9%
4. Total deposits to member deposits	40%	31%	30%	27%
5. -Do- Non members	60%	69%	70%	73%
6. Total Income to mortgage loans	74%	74%	70%	70%
7. Per capita accounts	641	708	813	820
8. Productivity	5.3%	6.6%	5%	4.3%
9. Total turnover to Net surplus	6%	7.2%	7.5%	8%

3:1:3 3. TRANSPORT SECTION

This society has a fleet of transport vehicles, It includes 10 Lorries, 01 Bouser, 3 Vans, 2 Tractors, and one Motor cycle. Total annual turnover is Rs.3.6 million. The external income is 1.2 million a year.

4. MOTOR GARAGE AND SERVICE SECTION

All repairs of Vehicles maintenance and services are, done by this section.

3:1:4 SURPLUS AND CONTRIBUTIONS

Contribution to surplus as follows:

	<u>85/86</u>	<u>86/87</u>	<u>87/88</u>	<u>88/89</u>
1. Contribution to share capital	.2%	1.4%	1.2%	.3%
2. Total surplus to consumer section	27%	19%	15%	20%
3. -Do- Rural banks	49%	59%	60%	72%
4. -Do- Garage section	7.6%	5%	3.6%	-
5. -Do- Bakery	2.2%	2.4%	0.4%	-
6. -Do- Other Income	13.6%	15%	21%	8%
7. -Do- Administration cost	45%	42%	55%	63%

The society has her own 30 buildings , total no of employees as 430. The value of total assets is more than 90 million . So the society is the giant in the Badulla district comparing other similar 11 societies.

.....

ARANAYAKE MULTI-PURPOSE CO-OPERATIVE SOCIETY

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Aranayake MPCs Ltd is one of the co-operative society in Kegalle district. Its location is at Ussapitiya four miles away from Mawanella on Colombo Kandy road, Its location surrounded by chain of mountains. This co-operative is worked out in Aranayake electorate which is sixty miles away from Colombo.

BIO - DATA OF THE ARANAYAKE MPCs.

Name of the Co-operative Society	: ARANAYAKE MPCs LTD.
Address	: USSAPITIYA , SRI LANKA
Registered No	: K/ 379
Date of Registration	: 1971. 02. 14
A.G.A. Office	: ARANAYAKE
Telephone Number	: 035 - 6159
No of Members	: 12506
No of Branches	: 32
No of Rural Banks	: 8
No of Employees	: 151

SERVICES:

- \* CONSUMERS BRANCH
- \* PRODUCTION BRANCH
- \* RURAL BANK BRANCH
- \* VEHICLE BRANCH
- \* EDUCATIONAL BRANCH

4.1 ADMINISTRATION OF THE CO-OPERATIVE SOCIETY

MEMBERS 12506

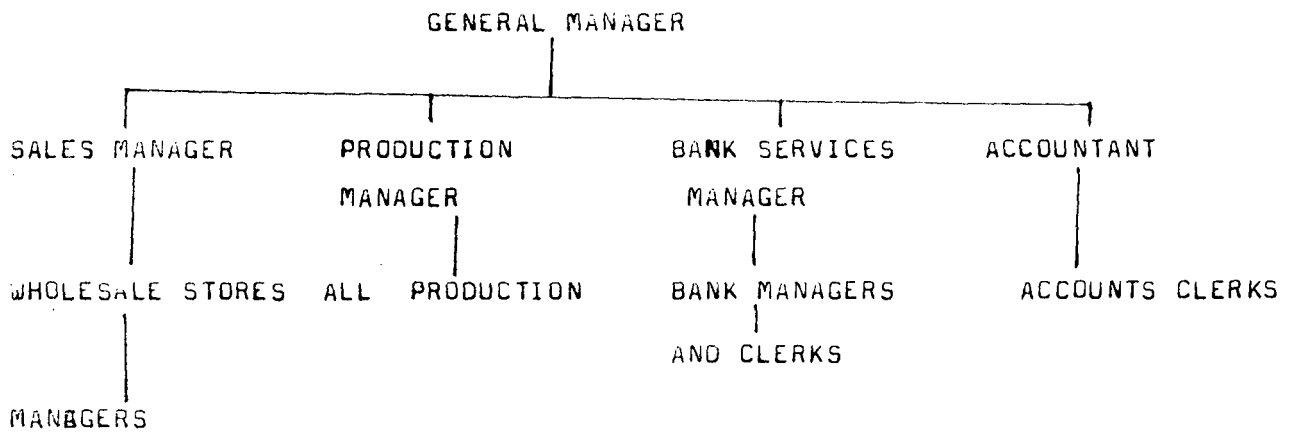
COMMITTEE MEMBERS FOR THE BRANCHES 32

COMMITTEE MEMBERS

7

WORKING COMMITTEE MEMBERS 100

BOARD OF DIRECTORS 7 -CHAIRMAN AND THE DIRECTORS



4:1:2 Aranayake MPCs Ltd is distributing daily needs and buying vegetables and other crops from the villagers. Loans for agriculture industries are provided by the rural bank.

JANASAVIYA first round is implemented the co-operative in october 1989 . The prime objective of Janasaviya is to promote the living standard of the poor.

THE FOLLOWING PROJECTS ARE INTRODUCED.

- \* NUTRITIOUS RICE PRODUCTION
- \* ANIMAL HUSBANDRY
- \* CARPENTRY
- \* BAKERY
- \* WEAVING
- \* AGRICULTURE ( PADDY )
- \* FOOTWEAR PRODUCTION
- \* JAWELLARY
- \* ENVELOP PRODUCTION
- \* TAILORING

The some of the Rs. 4961780.00 is provided by the rural bank as loans for above projects.

**SEVENTH ICA / JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF  
AGRICULTURAL CO-OPERATIVES IN ASIA**

**1992 - 1993**

**INDIA THAILAND JAPAN REPUBLIC OF KOREA**

**NOVEMBER 9, 1992 - MAY 8, 1993**

**ACTIVITIES AND PROBLEMS IN THE PRODUCTION OF RICE AT RURAL  
LEVEL SPONSORED BY THE MULTI PURPOSE CO-OPERATIVE  
SOCIETIES IN  
SRI LANKA**

**PREPARED BY  
A G. S. M. NAVARATNA BANDA**

**ARANAYAKA MULTI PURPOSE CO-OPERATIVE  
SOCIETY.**

**USSAPITIYA  
SRI LANKA.**



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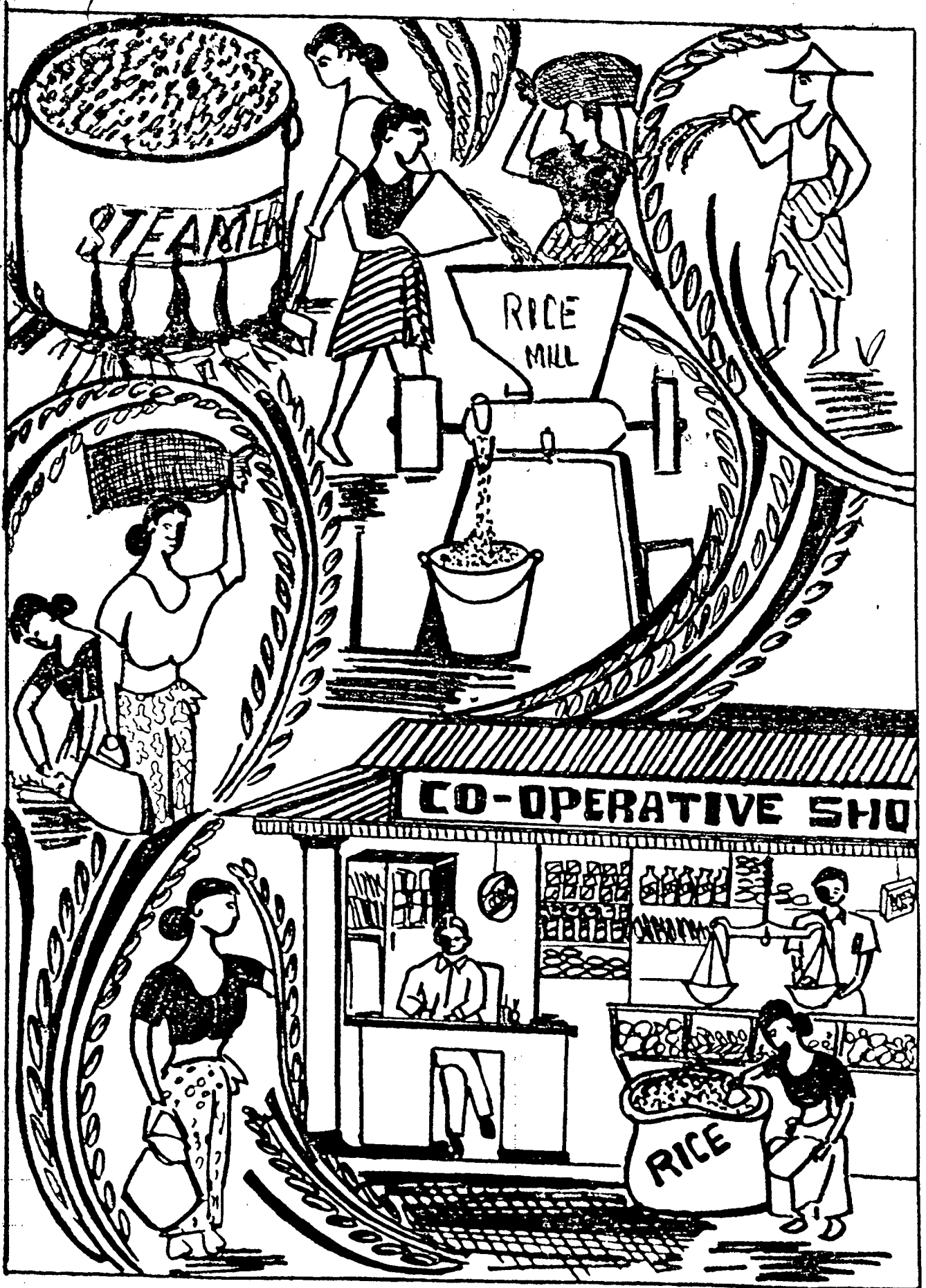
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USSAPITIYA } SRI LANKA.

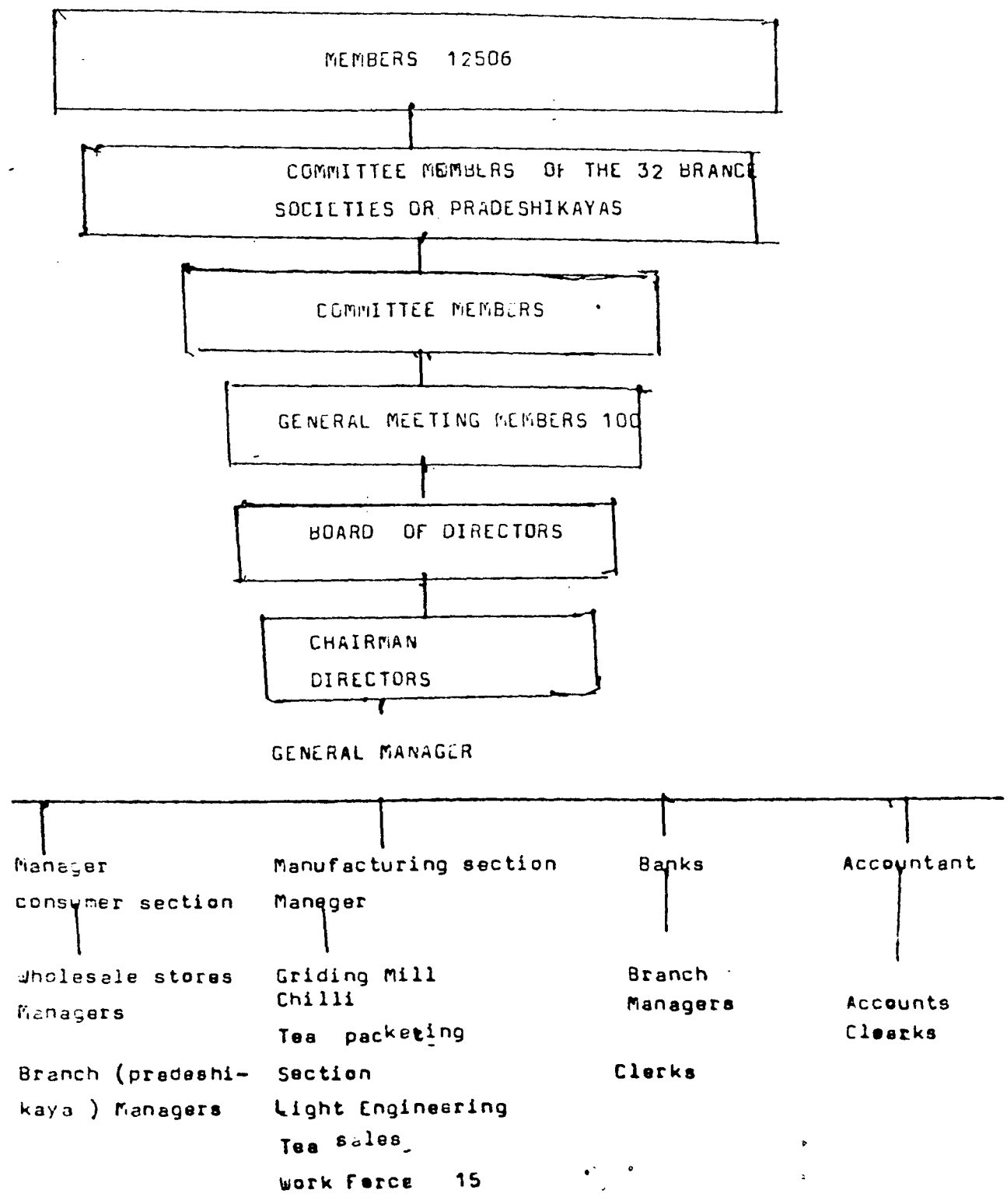
Production of Rice and Sale of same at Rural Level.



THE PROJECT FOR : PRODUCING NUTRITIOUS  
RICE

- 
- 1. Name of the Co-operative Society: Aranayake Multi-Purpose Co-operative Society.
  - 2. Address : Ussapitiya. Sri Lanka
  - 3. Registered No. : Kg / 379
  - 4. Date of Registration : 1971 . 2. 14
  - 5. Provincial Secretariat : Aranayake
  - 6. Telephone No. : 035 / 6159
  - 7. Area of Authority : Aranayake Provincial Council Division
  - 8. Number of Members : 12506
  - 9. No of wholesale stores of the Society : Two
  - 10. No of Co-operative Stores Branches. : 32
  - 11. No of Rural Banks : 08
  - 12. No of Centers buying local Agricultural products : 01
  - 13. No of Employees : 151
  - 14. Services of the Society :
    - 1. Retail service
    - 2. Production and Manufacturies service
    - 3. Rural Bank service
    - 4. Vehicle of transport service
    - 5. Educational service

2. The society is managed by a Board of Directors elected by the membership. Earlier the duration of the board was three years. But under the present act it is extended to five years.



### 3. PROJECT FOR PRODUCING NUTRITIOUS RICE

Sri Lanka is situated eight degrees North of the Equator. It has an equatorial climate. Sri Lanka can be roughly divided in two geographical regions.

1. Central Mountains
2. The Coastal low lying

Sri Lanka is an agricultural country. About 60% are farmers. The main food crop is Paddy, Tea, Rubber and coconut are mainly commercial crops. These products are mainly exported. Paddy is used for consumption. Still Sri Lanka is not self sufficient. It has to import rice and other food stuffs. The Govt has done a lot to improve paddy cultivation. New irrigation schemes have been started by the Government.

Large reservoirs and channels supply water to the farmers in the dry zone. In the up country paddy cultivation depend on the rain.

Paddy is cultivate twice a year. The two seasons are called the year Yala and Maha. Yala season begin in April or May. Maha season begin in September or October. The Govt has a separate Ministry for Agriculture, with a Minister of Cabinet rank at its head. There is department of Agriculture. A Director heads it. The department provide the following facilities to the farmers.

1. Giving the new scientific and technical know-how to the farmer.
2. Supplying the farmer with seeds.
3. Train them in using insecticides
4. Introducing new techniques.

Expensive paddy cultivation is done in dry zone with the irrigation facilities . In the central mountains region paddy is cultivated in small terraced fields. Many paddy cultivators are poor. Many of the cultivators are members of the MPCSSs.

There to give a helping hand to improve the living conditions of these poor members is a duty of the MPCSS.

The area under the authority of the Aranayake Multi-Purpose Co-operative Society is hilly. Many villages lack transport facilities. The population of about 85000. Except a few/ all are economically poor. Here the people were given Janasaviya in 1989.

Paddy is cultivated in the valleys and the terraced hill sides. The yield is not high. So is the income. To help the farmers and the consumer - members. the society buy agricultural products such as rice. and cereals and vegetables. The Rural banks of the Co-operative give credit facilities to the farmers .

In Oct 1989 when the Govt of Sri Lanka granted Janasaviya our society was entrusted with the distribution of Janasaviya goods to the people .

His Excellency the President of Sri Lanka introduced this project to lift the condition of the poor people and develop the economy of the country. The Co-operative Societies were entrusted with task of implementing this programme.

Our society helped the members to start agricultural and industrial projects with loans and knowhow.

Multi Purpose Co-operative Society bent on improving the farmers conditions should have to take the following steps.

1. Improving the mutual relationship between the society and its members farmers.

2. Give the new knowledge and technique of paddy cultivation to the farmers.
3. To supply them with high yield seed paddy.
4. To supply them with manure and insecticides in time.
5. Through Rural banks give them loans for cultivation.
6. Provide them with new implements during the threshing period.
7. Buy the produce at a higher rate.

Aranayake MPCs provide all such facilities to the farmers.

Accordingly for :

1. Production of pure nutritious rice.
2. Animal husbandary
3. Weaving
4. Shoe Making
5. Paddy Cultivation
6. Production of bread and sweets
7. making of jewellery
8. Making garments as a cottage industry.

The society has granted short term loans for Rs. 4961780/= to its members.

The successful project among them is the Project for Producing Nutritious Rice. The motive behind the impletation of the project was to help both the farmer and the consumer respectively. Encourage the farmers to produce more paddy by giving him good price and supply the consumer with better and nutritious rice.

Accordingly a simple new technique for the production of rice has been introduced by the society.

1. To give the cultivator or the farmer a good price for his production
2. To supply the consumer with nutritious rice.

### BOILING OF PADDY

1. First the paddy must be cleaned well
2. Then the paddy should be soaked in fresh water for 24 to 32 hours.
3. Then soaked paddy must be taken out of the water.
4. Then the steamer barrel should be kept on an oven.
5. Water level in the steamer must be  $1\frac{1}{2}$  inches below the wire net.
6. Then the wire net must be placed on its frame or rest in this barrel.
7. Then the barrel must be filled with soaked paddy,
8. Paddy must be boiled for 20-30 minutes..
9. To prevent the steam from escaping a soaked gunny bag must be placed on the mouth of this barrel.
10. Well boiled paddy must be taken out of the barrel and spread out to dry.
11. When sufficiently dry paddy must be husked to get rice.

### Gains to the society from this project;

1. Give a better price to the farmer (member)
2. Get pure rice to the society
3. Improve and develop the member - society mutual co-operation



4. Make way for the Branch Stores or Pradeshiyas to improve their turnover.
5. Granting Bank loans to the members.
6. Help the cultivators with loans to buy small rice mills.
7. Encourage the members to open up accounts in the Rural Banks.
8. Help the poor farmers to improve their economic position.
9. Get the highest yield of rice from paddy.

Profit from one barrel of paddy.

I.	Quantity of paddy per barrel	Kgs. 32.
	Cost of 32 Kilograms of paddy at Rs.08/- per kilo	Rs. 256/=
II.	Cost of husking	Rs. 15/=
III.	Cost of fire wood (fuel)	Rs. 05/=
IV.	Cost of transport	Rs. 05/=
V.	After husking 25 Kgs. of rice can be got per barrel which sold at Rs.14/- per kilo.	Rs. 350/=
	Net Profit	Rs. 69/=
	Profit for two barrels per day ( 69 x 2 )	Rs. 138/=
	For twenty days per month, the net income	Rs. 2760/=
	Total number of members who produce rice:	
	Families	160
	Number of Rice Mill owners	08
	The total rice production	40,000 Kgs.
	Monthly payments	Rs. 5,60,000/=
	The amount paid to them by the Society	Rs.49,61,780/=

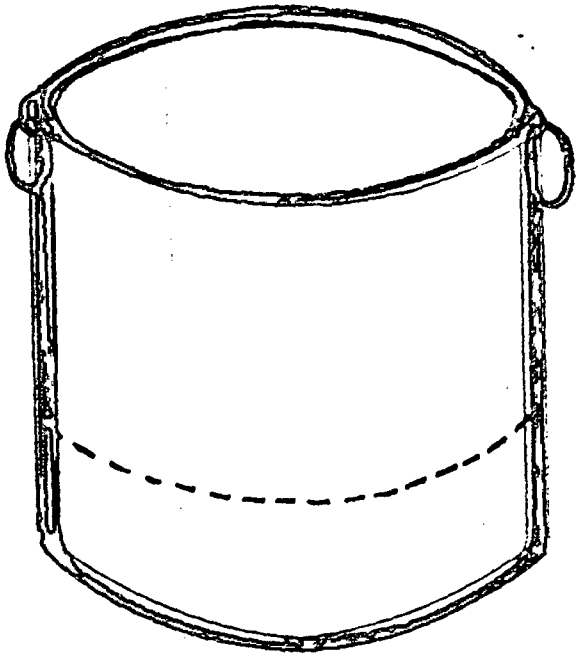
The other services of the Society.

1. Purchasing of paddy from the cultivators.
2. Purchasing of chillies, green gram and cowpea.
3. Selling of packeted tea to other Co-operative Societies.
4. Distribution of packeted chillies and tumeric.
5. Introduction to 69 other Societies of the Island "The Project for the production of nutritious rice."
6. Manufacturing and selling of Boiling Barrels for boiling paddy.

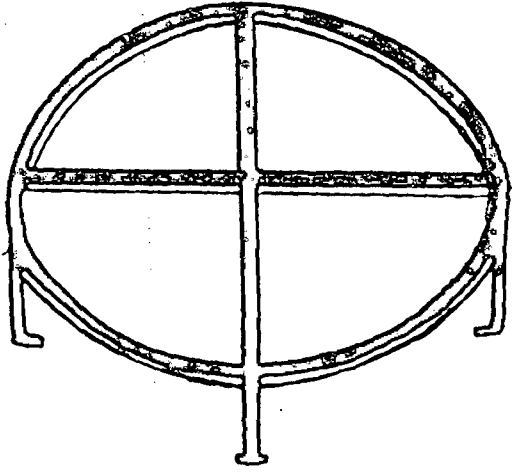
At present the Society renders the above mentioned services.

The Society, under the guidance and patronage of the Commissioner has made plans to export Rice, Flour and packeted tea.

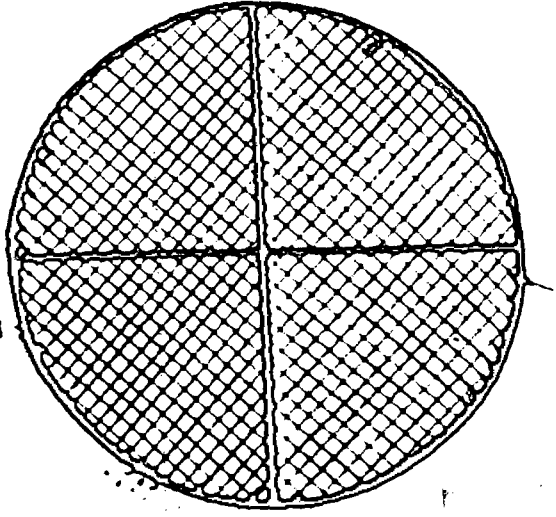
Barrel used for boiling paddy



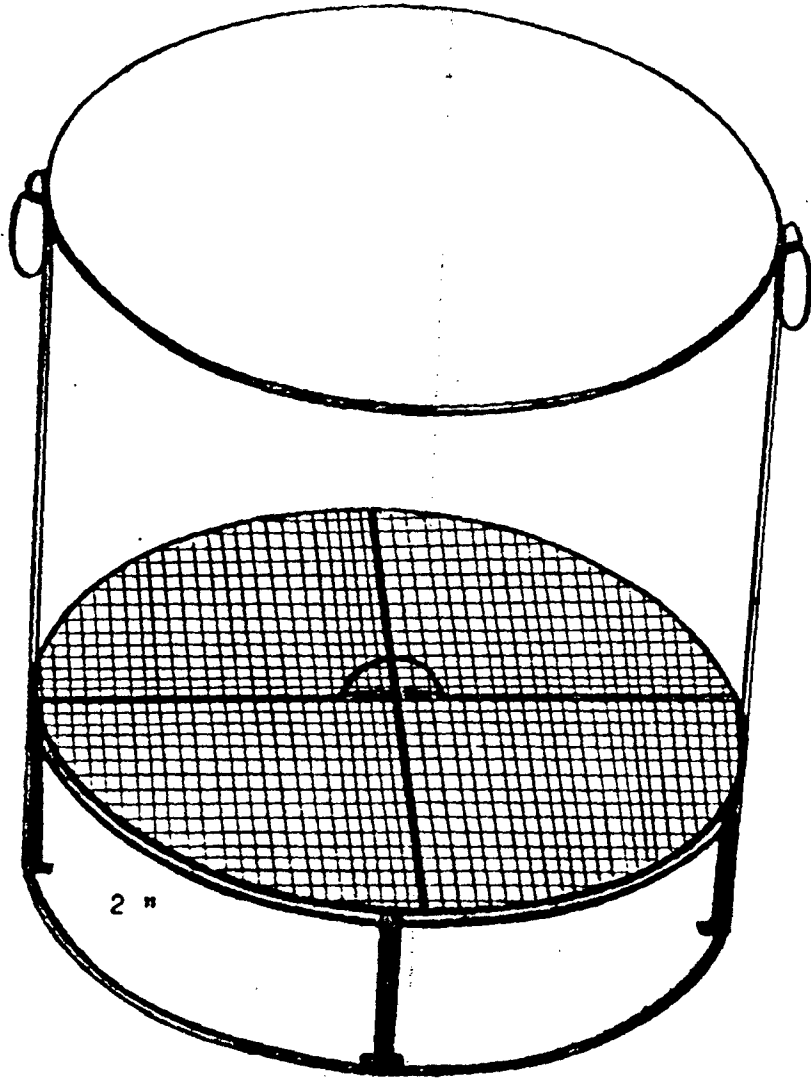
Frame fitted to the base of the barrel to hold the frame with the net work of wire.



Net work of wire fitted to the wire frame twenty inches above the base of the barrel.



Complete Steam Boiler



2 "

To earn an income of Rs.2760/= per month each for the 160 members it is necessary that 160,000 Kilograms of rice should be produced. For this purpose 204,800 Kilograms of paddy is required.

Problems that have to be faced in Collecting & Storing Paddy.

1. Collecting stocks of paddy.
2. Transport.
3. Storage facilities.
4. Keeping the condition of the paddy.
5. Private trader coming to buy the paddy from the farmer at a low price straight from the threshing field.
6. Private trader giving money to the farmer in advance.

Production of Rice - Problems that the Rice Producer has to face.

1. Finding sufficient stock of paddy.
2. Inability to produce rice regularly in areas where rain falls during a long period of the year.
3. Difficulty of the poor farmer to transport the produced rice.
4. Difficulty in making use of the equipments used for the production of rice for a long period.
5. Difficulty in maintaining the price of rice at a certain level at the private market.

Problems that should be solved.

1. Obtaining Grade One rice from the producer.
2. Preventing the aim of the producer, only to make money.
3. Taking steps to store sufficient stocks of paddy.
4. Encouraging the farmers to get the paddy direct from them.
5. Making arrangements to buy paddy from other societies.
6. Taking the whole production of rice to the Society and sending to the market.
7. Co-operative Societies coming forward to contest with the private trader.
8. Giving one Rice Machine (Small) to a unit of small rice producers (20 producers).
9. Granting of loans to producers by the Rural Banks.
10. Proving first hand knowledge regarding the production of rice.

7TH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING MANAGEMENT OF  
AGRICULTURAL  
CO-OPERATIVES IN ASIA

INDIA / THAILAND/SRI LANKA/ JAPAN/REPUBLIC OF KOREA.  
9TH NOVEMBER 1992 - 08 TH MAY 1993

CASE STUDY

BANDARAWELA MILK PRODUCERS CO-OPERATIVE SOCIETY LTD,  
BANDARAWELA

PRESENTED BY:

MR. A. F. ANTON PERERA  
BANDARAWELA MPCS LTD.  
BANDARAWELA.  
SRI LANKA.

CASE STUDY - BANDARAWELA MILK PRODUCERS CO-OPERATIVE  
SOCIETY LTD.

Prepared by Mr. A.F.A. Perera - Sri Lanka

The Bandarawela milk producers co-op society ltd is a registered society . It was established in 1979. Main objectives are as follows:

1. Purchasing of farmer members milk at a fair price and redistributions.
2. Supply of Calves at a reasonable price on funding them to by them.
3. Introduce and Implement of artificial insemination and other vetenary services.
4. Farmer Education
5. Providing any useful services to members to uphold their lives.

The business area of the society is the Bandarawela electrorate. It includes Bandarawela and Ella A.G.A's Divisions. The total coverage of villages are 46 . The head office situated at No.10, Dharmavijaya Mawatha., Bandarawela.

Total members of the society area 900. Out of them 800 are operated/ active members. Each of them had to pay °Rs. 100/- as a share capital.

The General body consists with all of it members and should select 6 members for the " Working Committee " . The commission of the co-operative development nominate another 2 members. for the working committee. The top level management decisions are been taken by the working committee.



The society has her own 3 employees. The Manager, Clerk and field officer. The Manager should have implement all policy decision taken by the committee which meet twice a week. He also have to do the all business activities and the administrative activities of the society, Clerk must do all clerical activities well as accounting, maintaing ledgers and banking activities. The field officers should do all field activities and veternerary activities.

### Business Activities

The society has her own 12 collecting centers and two poonac and cattle food stores. In the begining it had 5 milk collecting routes. Now 2 of them have been abonded due to container and transport problems. Private van owners should have collect milk from their own routes on beha\_f of the society. Society pays Rs.6/- per running miles. Society has her own 22 and 40 litre cans. Each van can collect and store of 25 cans at once. Collecting centers to be inchnaged by the members. They want pay for it. Lorry driver or the transport agent should get the responsibility for the collection. They are entitled to pay additional 5 cents per each milk litre. So the daily collection is about 3000 liters.

### Payments

The farmer is assured of premium prices for quality milk. The buying price of the milk litre is between Rs.7/- to 7.50. and selling price is between Rs. 8/- to 8.12.

Society market it daily collect one to two major buyers. The state Owner Milco Ltd. and the Nestle Lanka (Pvt) Ltd. 5% of their collection sells to retail buyers. The major buyers are now routing the society area and started to collect milk from other producers. The estimated milk production is 20,000 litres per day within the Bandarawela electrote. Total milk production per day in the province of Uva is estimated as 60,000 litres per day.

(Uva province content with two districts; Bandarawela and Monaragala.)

Loan Facilities

1. Cattle food loans - Maximum limit for the member is Rs. 5000.00 loans facilities can be obtain the members of their claves, total advance amount will be deducted on their account within one month.
2. Animal loans - Maximum Rs. 5000.00 per member. More than Rs. 5000.00 loans granted in last year , for the above purpose.

Members of the working committee.

The working committee consists with 8 members including the Hon. President. Any member or the president does not entitle for any salary or allowance. They will be paid only the travelling expences.

Maximum limit of the travelling is Rs. 400/- per month. Usually, the working committee meets twice a month and discuss relevent matters. The working committee propose following programme for the year 1993.

1. Yought manufacturing project.

1. Capital cost

To purchase a deepfreezer	Rs. 40,000.00
To purchase a block of land	Rs.750,000.00
	<u>Rs.790,000.00</u>
	=====

The society has already trained 3 persons for the above project. Project will be started in Bandarawela - urban area.

2. Furniture and other tools for the proposed milk selling shop	Rs. 22000.00
.. (Building has been already rented by the society )	
3. For the members loans (obtain from the People's Bank and redistribute)	Rs. 1000000.00
4. Cattle food and poonac loans	Rs. 50000.00
5. Typewriter for the office	Rs. 12500.00
	<hr/>
total	Rs. 1874500.00
	=====

Maximum credit limit has been already approved by the general body.

1. One member proposed to buy a delivery van for the society. It will cost Rs. 850,000/- . So far the committee has not get any decision.

2. The department officer has forwarded a special board paper. These are the abstract the milk producers co-operative societies in the Polonnaruwa district had been experiencing difficulties as regards the marketing of milk maintaining quality standards and ensuring fair price to farmer.

Testing for quality and fatcontent and bulking of cow milk delivering to "MILCO" to be carried out of the collecting centers. This is more advantageous to the farmer as he is assured to premium price for quality milk. Amount due to as payments are deposited at bank by the society every ten days, in respect of each supplier.

BANDARAWELA MILK PRODUCERS CO-OPERATIVE SOCIETY LTD.

Income and Expenditure A/C - Milk Section

	1988/89	1989/90	88/89	89/90
Purchase - Milk	2639600	3216502	3120563	4142613
Transport charges	492598	706562		
Commission	34909	29929		
Surplus	53476	189620		
	<u>3120563</u>	<u>4142613</u>	<u>3120563</u>	<u>4142613</u>
	=====	=====	=====	=====

ANIMAL FOOD TRADING ACCOUNT

	1988/89	1989/90	88/89	89/90
Opening stock	14959	4420	415565	429925
Purchases	402917	423623	4420	14118
Surplus	2109	16000		
	<u>419985</u>	<u>444043</u>	<u>419985</u>	<u>444043</u>
	=====	=====	=====	=====

Future Aspects

Hon. President of the committee have already been discussed the special programme with state section; He wished to implement "Milk botteling Project" . Plans and estimates have already prepared . Total cost of the project is Rs.42,00,000.00 project has been collaborating with a member of organisations and institutions in the co-operative Section. Cost to be borne by the following institutions .

1.	World Hungry Movement	Rs. 10,00,000.00
2.	Uva provincial council'(state section By the decentrelized budget	Rs. 30,00,000.00
3.	Society Contribution	Rs. 2,00.000.00

Total amount Rs. 42,00.000.00

=====

- a. All machine should be Sweden made.
  - b. Location should be either Bandarawela or the Welimada district.
  - c. Direct employment - 300 Skilled and non skilled workers to be select by the own member families.
  - d. Productions pasturised botteled milk , vanilla and chocolate flavoured milk, Chease, Butter, etc.
4. Lands to be donated by the Uva province.

Note: The working committee requires your assistance for the above proposels. Please assist them.

Profit and loss accounts and balance sheets annexed herewith.

**BANDARAWELA MILK PRODUCERS CO-OPERATIVE SOCIETY LTD.**

**BALANCE SHEET as at 31.7.89 - 31.7.90**

	<u>88/89</u>	<u>89/90</u>		<u>88/89</u>	<u>89/90</u>
Share Capital	98150	97750	Furniture and Tools	22190	65971
Security Fund	13287	48045	Investments	2250	2250
Co-operative Fund	2752	13903	Debitors	232154	294431
Balance Profit	34545	124917	Members loans due to foods	9157	10449
Bank loans	6200		Members loans due to Calves	20266	29416
Milk transport deposits	5000	5600	Transport Advance	45890	45000
Employees Securities		1475	Bank Deposits	41582	18115
Creditors	160751	350095	Festival Advance	700	1400
E.P.F	3524	5794	Purchase Advance		4000
Bonus		475	Stationeries	4985	
Bank Over draft	58029		Stocks	4420	14118
			Cash in Bank		172854
	383594	648054		383594	648054

PROFIT AND LOSSES ACCOUNT

	88/89	89/90		88/89	89/90
Salaries	16009	19203	Surplus C/A Milk section	53476	189620
Entertainment	149	--	Surplus - C/A Animal food	2109	16000
Miscellaneous	6366	6366	Miscellaneous income	25	142
Security interest	140	720	Leakage recoveries	4732	651
Printing charges	1900	530	Interest received	7755	11482
Postages	862	720			
Bank commission	1041	7793			
Travelling	15802	11861			
Bank loan interest	3314				
Turn over tax	37				
Rent	3500	3500			
General body expenses	635	2278			
Stationary	11894	13487			
Contribution	200	200			
Depreciation	2466	6219			
Administration cost	285	2985			
Net profit	5447	13903			
	70047	217895		70047	217895



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

NOVEMBER 9, 1992 TO MAY 8, 1993

POINTS FOR GROUP DISCUSSION ON 13.11.92

COUNTRY BACKGROUND PAPER ON Sri Lanka

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 the 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.



SRI LANKA — Group No-1 — 13-11-92.

① Characteristics of the Agricultural Coop

- a. There are two types of coop societies in SRI LANKA ; primary & Apex .
- b. There are no Apex level credit facilities coop societies .
- c. There are over 50 different types of coop societies functioning in the country .
- d. Thrift and credit coop societies are three tiers .
- e. The multi-purpose coop societies are the most widespread type of societies in the country .
- f. The agricultural activities provision of agricultural credit, supply of inputs and marketing of the produce are being handled by the MPCs .
- g. The rural sector who represented about  $\frac{3}{4}$ th of the population were engaged mainly in small scale farming and other economic activities such as fishing, handicrafts, other cottage and small industries and trading . .

## ② POSSITIVE FACTORS

- a. Primary & Apex coop societies are under democratic base  
; Boards of all coop societies are elected by the members.
- b. Coop societies are launching Government policies.
- c. The MPCs have been able to develop a banking system over the past years as a successful venture through a network of Rural Bank Branches.
- d. Under the rural bank scheme, financial assistance was available to members for purposes of production, housing, debt redemption, trade, consumption, and other purposes including emergencies.
- e. The credit & agricultural coops societies not only expanded the movement, but also diversified its way.

SRI LANKA -3- group No. 1 13-11-22

## ② Negative Factors

- a. Apex Societies are not functioning their full capacity.
- b. Member's relationship with primary societies are deteriorated because of their <sup>been</sup> amalgamation.
- c. Lack of professional training of coop movement.
- d. Inadequate financial support from Government.
- e. Free & open economic situation is threatening the Agri. fields.
- f. There are big competition with the private sector.

S RIVANKA - 4 - Group No. 1 13-11-92

### ⊕ Suggestions

- a. Leadership & management training programme should be strengthened.
- b. More needs to form Apex level banking coop society for the funding to MPCSSs.
- c. Some Apex Societies Activities must be more active.
- d. Commencement of a 'drive' in respect of each MPCSS area to convince non-member to become members.
- e. Establishment of school co-ops and to develop existing school co-ops.
- f. Encourage youth and women to become members.
- g. Long term business planning should be adapted for MPCSSs.

## 1. CHARACTERISTICS :

- a. MULTIPURPOSE COOP. SOCIETIES ARE THE MOST WIDESPREAD TYPE OF SOCIETIES.
- b. SINGLE PURPOSE SOCIETIES ARE ALSO EXIST IN SRI LANKA
- c. COCONUT PRODUCERS COOP. SOCIETIES ARE THE MAIN AGRICULTURAL PROCESSING SOCIETIES IN THE COUNTRY
- d. MILK PRODUCERS COOP. SOCIETIES ARE PLAYING VITAL ROLE IN THE DAIRY SECTOR
- e. CREDIT COOP. SOCIETIES ARE ENGAGED IN PROVIDING CREDIT FACILITIES TO THEIR MEMBERS
- f. SRI LANKA COOP. INDUSTRIES UNION IS THE NATIONAL LEVEL ORGANIZATION OF THE INDUSTRIAL SOCIETIES
- g. COOP. <sup>CREDIT</sup> SOCIETIES HAVE AN IMPORTANT DEVELOPMENT TASK IN ORGANISING NEEDY FAMILIES AND GROUPS.
- h. THE PRIMARY ROLE OF THE STATE IN THE DEVELOPMENT OF THE COOP. MOVEMENT IS TO GUIDE AND SUPPORT COOPERATIVE.

## 2. POSITIVE FACTORS

- a. NATIONAL POLICY HAS BEEN PREPARED WITH A VIEW TO PROVIDING SELF-DEVELOPMENT AND SELF MANAGEMENT OF THE COOP. SECTOR
- b. THE COOPERATIVE ARE PERFORMING AN IMPORTANT ROLE IN POVERTY ALLEVIATION PROGRAMME.
- c. MINISTRY OF FOOD AND COOP. HAS LAUNCHED A PROGRAMME TO INCREASE MEMBER PARTICIPATION IN COOP.
- d. ~~THE~~ SAME MINISTRY HAS ENCOURAGED MPCSS TO GET INVOLVED IN MARKETING OF LOCALLY PRODUCED GOODS.
- e. THE MPCSS HAVE DEVELOPED IN NETWORK OF RURAL BANK BRANCHES TO ACCELERATE THEIR LENDING PROGRAMMES
- f. THE GOVT. HAS TAKEN A DECISION TO IMPLEMENT THE SCHOOL CHILDRENS MID DAY MEAL PROGRAMME THROUGH THE COOPERATORS -

## 2. NEGATIVE FACTORS:

- a. PADDY IS THE MAIN CROP OF SRI LANKA. BUT SO FAR NO RICE COOP. DEVELOPED.
- b. INADEQUATE FUNDS WITH THE COOP. SOCIETIES
- c. LACK OF TRAINING AND EDUCATION AT MEMBER & MANAGERIAL LEVEL.
- d. LACK OF PROFESSIONAL MANAGEMENT
- e. ~~COOP~~ ~~AND~~ HANDLOOM SOCIETIES HAD TO FACE A STIFF COMPETITION AND MANY SOCIETIES HAD TO SUSTAIN LOSSES DUE TO LIBERALISATION OF TRADE

### 3. SUGGESTIONS:-

- a. COOP. SOCIETIES ~~SOCIETIES~~ SHOULD  
MOBILISE THEIR OWN RESOURCES  
TO CREATE FUNDS
- b. THERE MUST BE TRAINING  
FACILITIES  $\square$  TO ALL COOP.  
SECTORS
- c. THERE SHOULD BE RICE PROCE-  
SSING COOPERATIVES FOR SAFE-  
GUARDING THE INTEREST OF  
PADDY GROWERS



CHARACTERISTICS

- (i) IT STARTED WITH AGRICULTURAL COOP CREDIT SOCIETIES. FULLY SPONSORED BY THE GOVT.
- (ii) COOPERATIVE CREDIT BANKS HAVE BEEN REPLACED BY PEOPLES BANK WHICH IS NOT A COOPERATIVE BANK.
- (iii) VARIOUS TYPES OF COOPERATIVE SOCIETIES EMERGED ARBITRARILY ULTIMATLY CREATED A CONFUSED COOPERATIVE NET WORK.
- (iv) RE-ORGANISATION WAS BOUND TO TAKE PLACE AS THE COOPERATIVE OBJECTIVES AND METHODOLOGY WAS ~~BEING~~ BEING CHANGED FREQUENTLY
- (v) COOPERATIVE CREDIT AND THRIFT SOCIETIES ARE CONSTITUTED WITH THREE TIER.
- (vi) OTHER TYPES OF SOCIETIES FOR BUSINESS PURPOSES <sup>ARE</sup> VERTICALLY INTEGRATED IN. TO NATIONAL LEVEL ORGANISATION.
- (v) BASICALLY MULTIPURPOSE COOPERATIVE SOCIETIES (M.P.C.S) WITH THEIR BRANCHES COVER THE ENTIRE COUNTRY, DOING CREDIT, MARKETING OF AGRI:- PRODUCE, DISTRIBUTION OF CONSUMER GOODS, PROVIDING AGRI:- IMPLEMENTS AND ALSO RENDERING RURAL BANKING, FACILITY.
- (vi) NATIONAL COOP. COUNCIL OF SRILANKA HAVING COOPERATIVE DISTT. UNIONS AS ITS CONSTITUENT MEMBERS IS AN APEX ORGANISATION OF THE MOVEMENT IN THE COUNTRY.
- (vii) PROCESSING COOP. AND PRODUCERS COOP VIZ RUBER, MILK, COCONUT, TEA, FISHERIES, ETC. COMMADITIES COOPERATIVES.
- (viii) COOPERATIVES WITH DEMORRATIC CONTROL HAVE BEEN RE-COGNISED AS AN INSTRUMENT FOR DEVELOPEMENT BY GOVT.

## POSITIVE POINTS

- i) A COOPERATIVE POLICY HAS BEEN PREPARED BY GOVT. TO PROVIDE SELF DEVELOPMENT AND SELF MANAGEMENT OF THE COOPERATIVES. TO PROVIDE IT A RESPONSIBLE PLACE IN NATIONAL ECONOMY.
- ii) THERE IS SECURITY TO COOPERATIVE EMPLOYEES BY HAVING COOPERATIVE INSTITUTION EMPLOYEES ACT. AND COOPERATIVE EMPLOYEES COMMISSION.
- iii) THRIFT AND CREDIT COOPERATIVES ARE UTILISING THE FUNDS GENERATED AT PRIMARY LEVEL FOR ECONOMIC ACTIVITIES OF PRIMARY MEMBERS.

## NEGATIVE POINTS

- i) ACTIVE PARTICIPATION OF MEMBERS IS ~~STILL NOT THERE~~. IS TO BE ENCOURAGED.
- ii) GOVT. MACHINERY IS TRYING TO BOOST COOPERATIVE ~~SPRIT~~ SPIRIT AMONG PEOPLE.
- iii) NATIONAL LEVEL / PROVINCIAL LEVEL / DISTRICT LEVEL COOPERATIVE BANKING INSTITUTION IS NOT WORKING. CAUSING INADEQUATE CREDIT SYSTEM FOR COOP.
- iv) WEAK AND NON-VIABLE PRIMARIES ARE WORKING IN COOPERATIVES WITH WEAK AND INEFFICIENT MANAGEMENT.
- v) TRAINING PROGRAMMES ARE NOT SUFFICIENT TO CATER THE NEEDS OF THE COOPERATIVE INSTITUTIONS.
- vi) COOPERATIVES HAVE TO ORGANISED THEM SELVES ON FAMILY APPROACH SYSTEM TO MAKE THEM SERVICE RENDERING INSTITUTIONS BY MAKING THEM INTEGRATED COOPERATIVES.

SUGGESTION:-

- i) COOPERATIVE CREDIT STRUCTURE SHOULD BE STRENGTHENED BY HAVING PROVINCIAL AS WELL DISTRICT COOPERATIVE BANKS TO CATER THE NEEDS OF COOPERATIVE SECTOR.
- ii) STATE CONTROL SHOULD BE WITHDRAWN BY LIBERALISING COOPERATIVE ACT.
- iii) TRAINING FOR MANAGEMENT AND FOR POLICY MAKERS SHOULD BE ~~STRENGTHEN~~ <sup>STRENGTHEN</sup> BY COOPERATIVE INFRA-STRUCTURE.
- iv) NATIONAL LEVEL COOPERATIVE FEDERATIONS SHOULD BE DEVELOPED FOR DIFFERENT SECTORAL COOPERATIVES.
- v) COOPERATIVE LEADERSHIP SHOULD BE DEVELOPED BESIDES POLITICIANS.
- vi) CLEAR-CUT POLICY SHOULD BE FINALISED FOR THE FUTURE OF COOPERATIVES INSTEAD OF HAVING EXPERIMENTS UNDER RE-ORGANISATION OR AMALGAMATION REPEATEDLY.
- vii) MILK PROCESSING COOPERATIVES SHOULD BE DEVELOPED AND SIMILARLY OTHER FOOD PROCESSING COOPERATIVES SHOULD BE DEVELOPED TO PROVIDE REMUNERATIVE PRICES TO THE PRODUCERS AND QUALITY PRODUCTS TO CONSUMERS.

## THE CO-OPERATIVE IN THAILAND

Introduction The seed of co-operation was first brought to Thailand in 1916 when the then government was gravely concerned with increasingly deteriorating economic and social conditions of the majority of farmers. The co-operative movement in Thailand has, of course, had a history of nearly six decades during which it passed through several phases of expansion, with a little bit stagnation, then consolidation and revival with a firm footing for further development.

The first co-operative society of rural small credit type was, as a trial, organized in Phitsanulok province on February 26, 1917 on the Raiffeisen line, by the initiation of the government of that time which was still an absolute monarchy under the reign of King Rama VI. A strong intention of the government was primarily to put a stop to the worsening situation by relieving farmers from severe indebtedness and to enable them to expand their rice production which was, at the time, becoming more and more important in earning foreign exchanges. The *raison d'etre* of its introduction was, therefore, to strengthen the position of farmers and so to bring about a healthy betterment of rural Thailand.

The success of the first small credit society through the basic principles of thrift, mutual help and self-help led to a moderate but sound expansion of its type only until after the

Constitutional Government of June 1932. Since then co-operative societies of other types were also given their place forming a movement of both producers and consumers in the Kingdom.

It should be noted that the law pertaining to organization of co-operative credit societies at the experimental stage was the Associations Amendment Act, B.E. 2459 (1916). In 1928 when a co-operative development was well under way with fair satisfaction, the Co-operative Societies Act, B.E. 2471 (1928) was promulgated. With this new enactment, the government paved the way for further and fuller development, but still concentrated on agricultural credit until well after 1932. Among the later comers were land hire-purchase, land settlement, marketing and processing, consumers', land improvement, and thrift and credit co-operatives or credit unions, together with some higher organizations.

Such expansion is no surprising fact, for Thailand has geographically and historically long been recognized as a primary producing or agricultural country. According to a recent survey, about 70 per cent of the total occupied population (about 40 million) were engaged in agriculture from which almost half of national income was derived. During the last decade, agricultural and other primary products accounted for 60 to 70 per cent of her annual export earnings. In addition, the average farmers are of the peasant-proprietor type with an average holding of a little more than ten acres.

Certain disadvantages had been experienced by the co-operative movement in Thailand between the year 1947-1953. This was due to a rather hasty expansion of certain types of

co-operative societies during that period as result of political demands. This resulted in the organization of some hundreds of societies each year during the period (according to statistics, in 1949 registration was awarded to 1,109 credit societies and 70 other societies, a total of 1,179 societies.the highest record of societies registered.) Certain disadvantages arising from such a hasty push of work supported by inadequate experiences of co-operative officials have been found in the movement. This is one of the factors retard the work of certain types of co-operative. Efforts have beenmade to remedy the situation by introduction of certain measures as employed in the current policy of co-operative development. They include the multipurpose co-operative movement promotion; the revision of the Co-operative Societies Act of 1928 in such aspects as organization and management with provisions for amalgamation to make itmore effective as a promotion and control machinery of the co-operative movement; and the promotion of large-sized agricultural credit societies for higher efficiency and better management.

As a result of new Act on the Reorganization of Ministries, Pubic Bodies and Departments B.E. 2515, the Co-operatives Promotion Department in the Ministry of Agriculture and Co-operatives of the present government is now in charge of the co-operative development work.

The policy of the present government is to see that the co-operatives have beendeveloped on their own as the movement of the people. The government only promotes and provides techincal and training services which are necessary for the effective development of the co-operative movement.

Following is the organizational structure in three levels of the co-operative movement in Thailand:

(1) Amphoe (district) level comprises of larger agricultural co-operatives as the result of the amalgamation of small credit societies at the village level.

(2) Changwat (provincial) level comprises of those agricultural co-operatives and some other marketing co-operatives and land co-operatives in those amphoes in the area of that particular changwat.

(3) National level comprises all these provincial federations and all types of other co-operatives especially agricultural co-operatives. The most important organization of this national level is called Co-operative Marketing and Purchasing Federation of Thailand.

At the National Level, there is also the Co-operative League of Thailand which is an apex organization for general purposes of the co-operative movement.

For the further development of co-operatives, the government will, at this stage, stress on agricultural co-operatives according to the Third National Social and Economic Development Plan. In addition, those agricultural co-operatives will be developed further in to multi-purpose type, now popular in many countries. This is due to the experiences that this kind of co-operatives can effectively respond to the farmers' demand in many respects, especially credit, marketing, purchasing and agricultural extension. It is therefore hoped that the formation of the co-operative societies into multi-purpose organizations in order to gain better

efficiency will receive wholesome support and co-ordination from all parties concerned.

In this introductory remark, it should be also stated that in Thailand people always have a good faith in co-operation. It is unquestionably believed that such societies as Agricultural Co-operatives, if rightly managed, are able to cope with the major problems confronting farm business. Such problems are, for example, a general lack of funds in rural areas, uncertainty of production due to the vagaries of nature, a tendency for arable land-holding to be reduced to uneconomic sizes, inadequate and inefficient system of marketing for agricultural produce, and also methods of cultivating usually to be traditional. Here lies the very logic of Thailand's promotion of the co-operative movement.

Agricultural co-operatives in the present form with multi-purpose objectives together with non-agricultural societies of different types have, therefore, become a vital part of the Thai economy and social foundation and certainly possess much potential, especially in agricultural aspects.



At present, there are six types of co-operatives societies in Thailand.

1. Agricultural Co-operatives with 1,825 societies and membership of 1,646,651 households.

2. Fishery Co-operatives with 32 societies and membership of 6,598 households.

3. Land Settlement of co-operatives with 94 societies and membership of 59,004 households.

4. Consumers' Co-operatives with 407 societies and membership of 717,404 households.

5. Service Co-operatives with 309 societies and membership of 89,270 households.

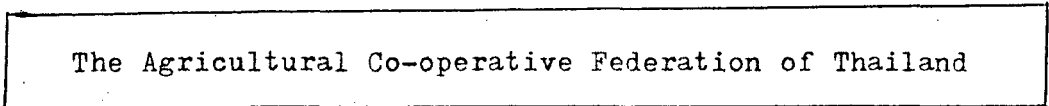
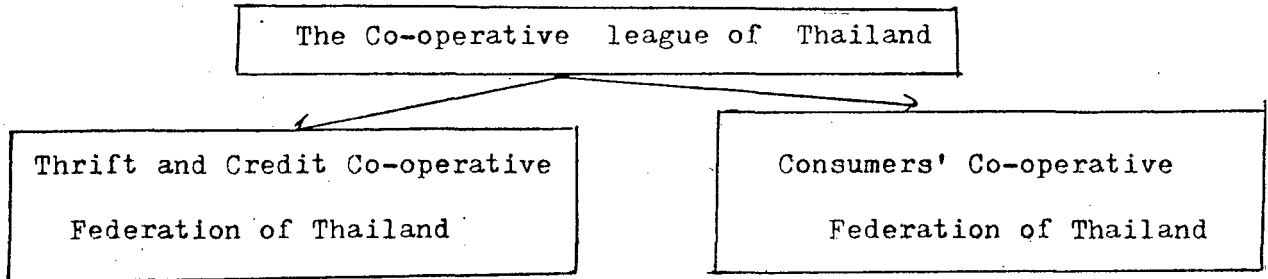
6. Thrift and Credit Co-operatives with 892 societies and membership of 1,502,059 households.

These six types of co-operatives are established under the Co-operative Societies Act. B.E. 2511 (1968). Especially, the agricultural Co-operatives are stressed in the Fifth National Economic and Social Development Plan. At present, the Co-operative Societies Act. B.E. 2511 is seemed to be obsolete in some details, it should be amended in order to conform with the development plan.

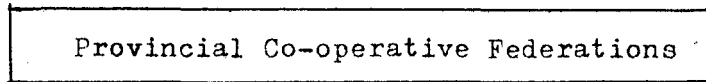
The membership of the six types of co-operatives are estimated 4,130,757 families. There are three levels of co-operatives:

District level, provincial level and national level, as shown in the following chart:

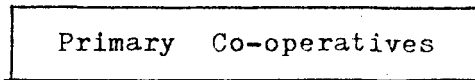
National level



Provincial level

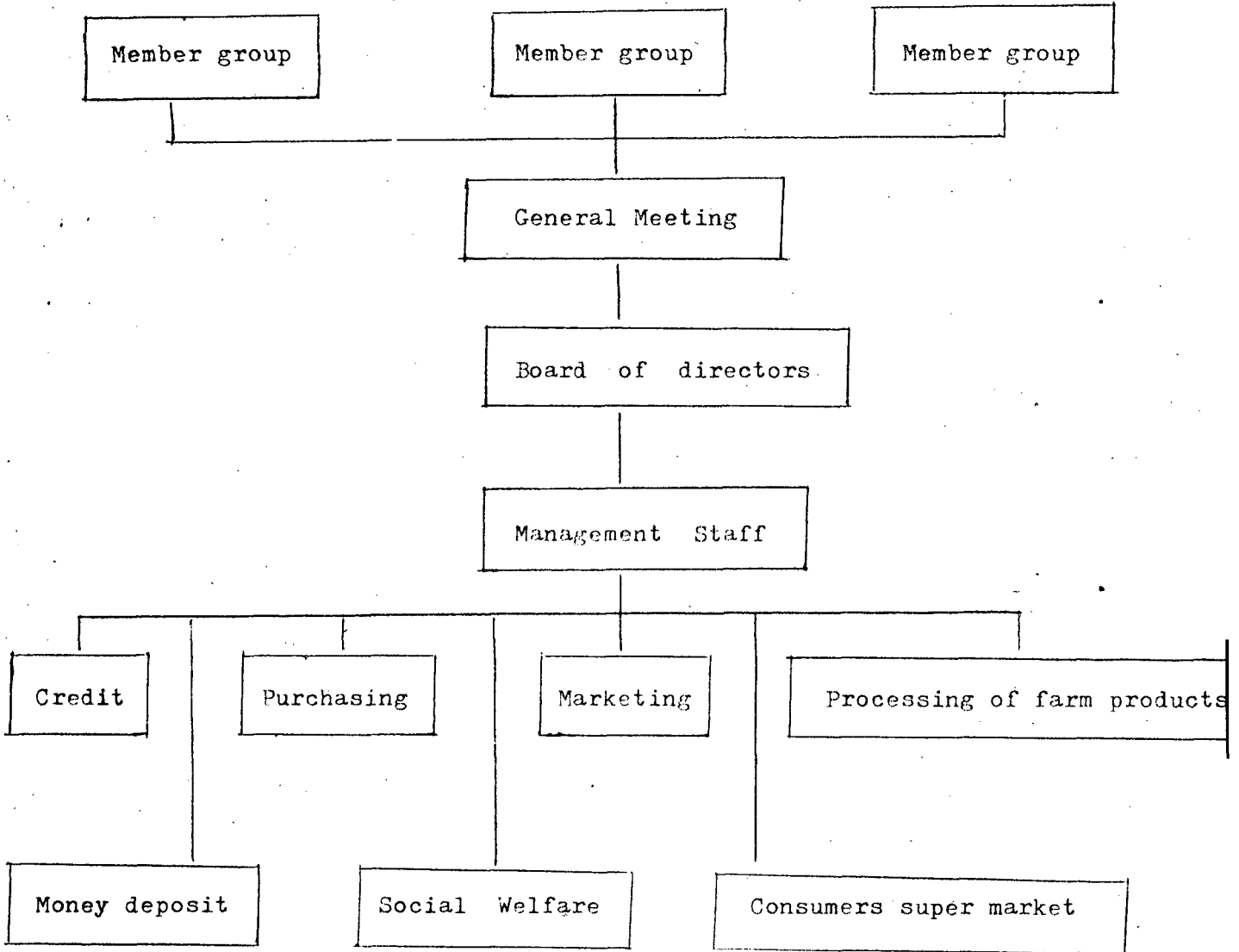


District level



The agricultural co-operatives, sanpathong Agrucultural Co-operative Ltd,. consists of 6,836 individual farmers, divided into 99 groups of a village tambon level.

Organisation Structure



Business volume of the last two years and a comparative balance sheet of Sanapathong Agricultural Co-operatives are shown as following

Sanapathong Agricultural co-operatives

Balance Sheet

31st December 1990-1991

Sanpathong Agricultural Cooperative, Ltd.

Balance Sheet

<u>Asset</u>	1991 (Baht)	1990 (Baht)
<u>Current Asset</u>		
Cash and Bank Deposit	2,695,076.93	24,878,481.94
Account Receivables		
Trading	3,043,501.55	1,254,517.05
Loans	143,641,267.50	100,697,717.50
Others	<u>36,241.40</u>	<u>176,038.61</u>
Total Account Receivables	146,721,019.45	102,128,273.16
Less Allowance for Doubtful A/C	<u>284,873.95</u>	<u>369,657.45</u>
Net Account Receivables	<u>146,436,145.50</u>	<u>101,758,615.71</u>
Interest Carried over	55,199.00	282,977.80
Less Allowance for Doubtfuls	<u>5,708.40</u>	<u>3,838.24</u>
Net Interest Carried Over	<u>49,490.60</u>	<u>279,139.56</u>
Inventory (goods)	19,851,319.36	12,854,700.35
Less Reserve for goods lost	<u>360,959.56</u>	<u>0.00</u>
Net Inventory	<u>19,490,359.80</u>	<u>12,854,700.35</u>
Inventory (materials)	860,430.10	884,010.65
Other Current Assets	<u>93,318.82</u>	<u>114,778.96</u>
Total Current Assets	<u>169,624,821.75</u>	<u>140,769,727.17</u>

<u>Fixed Asset-net</u>	1991	1990
Land	743,616.24	743,616.24
Building	3,601,111.98	3,878,548.44
Asset under Construction	4,716,863.50	78,526.00
Machine and Equipment	563,480.00	709,431.69
Vehicle	704,068.67	1,044,767.67
Office Equipment	<u>1,269,039.95</u>	<u>567,926.50</u>
Total Fixed Assets	<u>11,598,180.34</u>	<u>7,022,816.54</u>
Other Assets	898,476.00	911,362.00
Total Assets	182,121,469.09	148,703,905.71
<u>Current Liabilities</u>		
Bank Overdraft and Barrowing	59,021,944.18	25,994,038.66
Account Payable on Trading	4,010,594.00	1,994,605.00
Account payable on produce	1,089,339.15	148,217.56
Long-term Loans to be paid in a year	2,350,002.64	507,966.28
Bonds	10,434,450.00	16,442,900.00
Savings	49,309,311.47	57,554,674.00
Contribution to CLT.	0.00	10,000.00
Other Current Liabilities	<u>12,891,352.56</u>	<u>2,503,109.56</u>
Total Current Liabilities	<u>129,106,994.00</u>	<u>105,155,541.25</u>
<u>Long-Term Liabilites</u>		
Long-Term loans	3,376,000.00	1,867,000.00
Total-long-Term Liabilities	3,376,000.00	1,867,000.00
<u>Other Liabilities</u>	3,802,937.09	3,491,829.40
Total Liabilities	<u>136,285,931.09</u>	<u>110,541,370.65</u>

<u>Cooperative Own Fund</u>	1991	1990
Share Value, 100 baht		
Number of issued shares, 2,938,829 shares		
Paid up Share Capital	29,388,290.00	24,171,360.00
Less Shares bought back	<u>130,660.00</u>	<u>64,090.00</u>
Ordinary Shares	29,021,600.00	23,983,370.00
Withdrawable Shares	<u>236,030.00</u>	<u>123,900.00</u>
	<u>29,257,630.00</u>	<u>24,107,270.00</u>
Reserve fund	9,527,631.46	8,492,490.27
Accumulated Fund According to Cooperative Law	1,355,868.60	1,298,503.60
Net profit	<u>5,694,407.94</u>	<u>4,291,271.19</u>
Total Cooperative Own Fund	<u>45,835,538.00</u>	<u>38,189,535.06</u>
Total Capital and liabilities	<u>182,121,469.00</u>	<u>148,703,905.71</u>

Role of Thai Government in the development of co-operatives

The role of Thai government in the development of co-operatives through the Co-operative Promotion Department under the Ministry of Agriculture and Co-operatives. The Co-operative Promotion Department is responsible for publicising and disseminating the principles and method of co-operatives among the people encouraging the establishment of co-operatives of all types with the objective to increase income and improve the standard of living of their members. As agriculture is the mainstay of the Economy of Thailand of which the population in Farming accounts for 80% of the Thai population, emphasis has been put to the development of agricultural co-operatives aiming at increasing agricultural productivity, improving the social and economic condition of farmers by raising their income. The tasks also include supervision, advice and guidance to support the operation and management of the existing co-operatives to enable them to achieve their objectives. This involves the promotion of co-operatives' production, occupation, marketing, land improvement, irrigation, land ownership of occupation and other public services to support the well being of co-operative members, the policy of Thai government is to see that the co-operatives can be able to develop on their own effort as possible in order to ascertain that they are the movement of the people. The government's promotion, therefore, is in the form of technical and training services including Financial support When need such as the Co-operative Promotion Fund, the Bank for Agriculture and Agricultural Co-operatives. The government also subsidizes the salaries of management staffs for credit and marketing business and also the managers. This subsidy will be reduced by 20% yearly after a period of 5 years support.

Problems in cooperatives

1. lack of capital.
2. Pricing and competition of private sector.
3. lack of control of market forces.

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By Mrs. Amporn Vongsopa

Sanpathong Agricultural Co-operatives

Chiangmai Thailand



Sanpathong Agricultural Cooperative, Ltd.

Sanpathong Agricultural Cooperative Ltd. was registered on June 9, 1971 by amalgamation of 38 credit cooperatives and one marketing cooperative. Later on, according to the policy of the Cooperative Promotion Department, one land settlement cooperative joined in and it was re-registered on April 1, 1975 under the same name. As of 31 December 1991, it has membership of 6836 households which can be divided into 99 groups

The Sanpathong Agricultural Cooperative, Ltd. can be considered one of the most successful cooperatives in Thailand. The Cooperative was selected by the Ministry of Agriculture and Cooperatives as the outstanding cooperative in 1975. His Majesty the King awarded the Cooperative with plaque to acknowledge this achievement.

The Cooperative has been functioning on multi-purpose basis 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' farm produce for processing and sale
5. Providing water resources for farming
6. Providing extension service

In order to perform these activities efficiently, the Cooperative has set up 4 sections in the office, namely credit, input supply, marketing and extension services sections, with the following facilities :-

- (1) One two storeys building used as the office
- (2) One medium sized rice mill, with capacity of 24 tons/24 hours
- (3) Three six wheels truck of  $3\frac{1}{2}$  tons capacity one pick-up, one micro bus
- (4) One building for the input supply section
- (5) Seven rice storages with capacity of 6,000 tons
- (6) Two rice scales of 30 tons, 50 tons.
- (7) One building for the supermarket

Moreover, there are other facilities received when amalgamated : two rice storages of 500 tons each, one rice scale of 30 tons and land of 7 rais which was bought in 1947 to build the office and storage. During 1977-1979, the Cooperative bought more land to make the total of  $18\frac{1}{2}$  rais which is used as the demonstration plots for rice and soybean.

There are 15 committee members and 65 employees : 1 manager, 1 assistant manager, 5 accountant, 9 clerk, 9 credit officers, 2 teller, 6 input supply officers, 7 marketing officers, 6 rice mill officers, 4 driver, 2 janitor and 3 watchmen. 10 salemen.

Operational result

The Cooperative has been expanding its activities extensively for the past 3 years. For examples, the loans given to members of 87.85 million baht in 1989 was increased to 97.62 million bath in 1991 deposits form members of 73.99 million baht in 1989 was increased to 59.74 million baht in 1991, business volume of the input supply section was 19.07 million baht in 1989 and 21.16 million baht in 1991 Besides, the cooperative's own fund of 38.19 million baht in 1989 was increased to 50.15 million baht in 1991

Activities

The main activities of Sanpathong Agricultural Cooperative, Ltd. are 1) providing loan 2) providing input supply and household goods 3) collecting members' produce for selling and processing 4) receiving deposits and 5) providing extension services.

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 1985-1990 the Cooperative provided credit to members as follows:-

<u>Year</u>	<u>Short term loan</u>	<u>Medium term loan</u>	<u>Total(baht)</u>
1985	7,056,650	23,224,600	30,281,250
1986	11,191,980	13,118,720	24,118,720
1987	10,745,630	29,120,367	39,865,997
1988	11,934,420	33,679,100	45,613,520
(6 months)1989	9,635,020	23,584,850	33,219,870
1990	16,249,637	71,602,769	87,852,406
1991	31,009,530	66,615,190	97,624,720

In 1986, loans to members decreased because of drought so that members did not want to get any loans for farming. Moreover, when comparing short term loan and medium term loan, it shows that short term loan is less than medium term loan. It is so because of the habit of members to prefer longer time of more than 1 year for repayment, and they mainly want loans for purchasing, expanding and improving the land.

### Repayment

The repayment rate of member was 79,83 in 1989 and 103.19 in 1991. The repayment rate is high because members have high income and can pay back the loans. In addition, the credit committee and cooperative staff follow up expedite debts regularly.

### 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 13.76 million baht in 1989 and 21.16 million baht in 1991

#### 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 Sanpatong Agricultural Cooperative found a measure to solve this problem by constructing a rice storages. The cooperative was able to purchase rice from all members at a reasonable price. At year end, if the cooperative was operating at a profit, it was then able to pay patronage refunds to the members in proportional to the business each 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, soy bean, and garlic. The business volume in 1989 was 49.37 million baht and 46.13 million baht in 1991

#### Deposits 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 1971. 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 the deposit business. When members bring their produce to sell to the cooperative, they will deposit the money received into their saving account and withdraw in part when they have the need to use money. The cooperative receives both saving and fixed deposits from members. In 1989 the total deposits were 40.52 million baht and increased to 49.30 million baht in 1991. It shows that the income of members is increased which effects to high deposits and also reflects to high faith and belief of the members to their own cooperative.

#### 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.

When any member dies, the Cooperative can get the repayment from the fees.

#### 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 uses of good seeds, insecticides, machineries, etc.. The Cooperative also gives training to pre-members in cooperative principles and practices so that they will understand the right, duties and responsibilities as the cooperative members.

The Sanpatong Agricultural Cooperative Limited cooperated with the Cooperative Promotion Department and general farmers of the sanpatong district to promote production of soybean, garlic, 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 Sanpatong district. In addition to this boost to agricultural methods, the cooperative tries to supply sufficient water for members to grow crops according to the seasons. The cooperative made repairs to keep the Pong sanuk irrigation dam in good operating condition. Irrigation canals were also dug to bring enough water to many thousand rai of farm land. At the same time, the cooperative is surveying methods to develop and provide additional water sources for members.

Moreover, the cooperative is using 13 rai of its land to develop demonstration plots for growing rice and soybean for further propagation.

#### 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 welfare for members and also being as the loan collateral.





Regional Office for  
Asia & the Pacific

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

NOVEMBER 9, 1992 TO MAY 8, 1993

POINTS FOR GROUP DISCUSSION ON 13.11.92

COUNTRY BACKGROUND PAPER ON Thailand

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 the 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.

\* Characteristics :-

- 1 - 70 percent of the total population are engaged in Agriculture
- 2 - Organizational structure of co-operative movement is of three tier.<sup>o</sup> (Amphoe (district)  
2) Changwat (provincial) and National
- 3 - Multi-purpose coops effectively responds to farmer's demand in many respects, especially credit, marketing, purchasing and Agricultural extension.
- 4 - Thailand people always have a good faith in co-operation.
- 5 - Agricultural co-operatives in the present form with multi-purpose objectives.
- 6 - Six type of co-operative Societies are ~~prevaling~~ established.
- 7 - The policy of Thai government is to see that the coops can able to develop on their own efforts.

"THAILAND"

Group No 1

13-11-92

### \*\* Positive Factors :->

- o - Govt. promotion in the form of technical and training services including financial support.
- o - the co-operative societies are for rural small credit type.
- o - Current policy of co-operative development includes the multipurpose co-operatives.
- o - the policy of the Govt. is to see that the co-operatives have been developed on their own as the movement of the people.
- o - Co-operatives can effectively responds to the farmer's demand in many respects, especially credit, marketing, purchasing and agricultural extension.
- o - Agricultural co-operatives aiming at increasing agricultural productivity, improving the social and economic condition of farmers by raising their income.

"THAILAND"

Group No-1

13-11-92

\*\*\* Negative Factor :-

- △ - Lack of capital
- △ - Lack of control of market forces
- △ - Pricing and competition of private sector.

\*\*\*\* Suggestions :->

- o - Reducing the dependence on the Govt.
- o - The co-operatives should be run by professional managers
- o - Long term business planning should be adopted.
- o - Govt. may support but should not direct the movement.
- o - Management training programme should be there to update the skill

CHARACTERISTICS

- a. THREE TIER COOPERATIVE STRUCTURE.
- b. PEOPLE HAVING ~~FAITH~~ FAITH IN CO-OPERATION.
- c. AGRICULTURAL CO-OPERATIVES ARE WORKING WITH MULTI-PURPOSE ~~to~~ OBJECTIVES.
- d. THERE ARE SIX TYPES OF COOP. SOCIETIES IN THAILAND.
- e. AGRICULTURAL COOP. EMPHASIS ARE ON INCREASING AGRICULTURAL PRODUCTIVITY, IMPROVING THE SOCIAL & ECONOMIC CONDITION ~~to~~ OF FARMERS BY RAISING THEIR INCOME.

## 2. POSITIVE FACTORS:

- a. THE GOVERNMENT POLICY IS TO SEE THAT THE COOPS. CAN BE ABLE TO DEVELOP ON THEIR OWN EFFORTS AS POSSIBLE IN ORDER TO ASCERTAIN THAT THEY ARE THE MOVEMENT OF THE PEOPLE.
- b. SERVICE COOP. SOCIETIES ARE PROVIDING VARIOUS SERVICES TO THEIR MEMBERS.
- c. GOVERNMENT SUBSIDIZES SALARIES OF MANAGEMENT STAFF FOR CREDIT AND MARKETING.

THAILAND

GROUP- 2

DT. 13.11.92

2. NEGATIVE FACTORS :

- a. LACK OF CAPITAL
- b. LACK OF CONTROL OF MARKET FORCES
- c. LACK OF TRAINING

### 3. SUGGESTIONS

- a. COOP. SOCIETIES SHOULD MOBILISE THEIR ~~Q~~ INTERNAL RESOURCES FOR CREATING FUNDS
- b. THEIR MUST BE CONTROL OVER MARKET FORCES.
- c. TRAINING SHOULD BE PROVIDED TO COOP. EMPLOYEES.



CHARACTERISTICS

- (i) Cooperatives were developed as the need based programme initially credit cooperatives came in to existence.
- (ii) It is state sponsored and supported movement doing all aspects of the nations economy.
- (iii) Democratic control over the coops through election of board by members.
- (iv) Organisational structure is at three levels
  - (i) AMPHDE (DISTRICT LEVEL)
  - (ii) CHANGWAT (PROVINCIAL LEVEL)
  - (iii) NATIONAL LEVEL CONSISTING OF ALL PROVINCIAL FEDERATIONS AND ALL TYPES OF COOPERATIVES W/ NATIONAL COOPERATIVE MARKETING AND PURCHASING FEDERATION IS A TRUE FEDERAL BODY.
- (v) COOPERATIVE LEAGUE OF THAILAND IS PROMOTING AND DEVELOPING THE COOPERATIVE SECTOR.
- (vi) AGRICULTURAL COOPERATIVES ARE TAKING SHAPE OF MULTIPURPOSE COOPS NOW. TO INTEGRATE THE SECTORAL COOPERATIVES.
- (vii) GOVT. IS RENDERING TECHNICAL AND TRAINING SERVICES INCLUDING FINANCIAL SUPPORT FOR AGRICULTURAL COOPERATIVES.
- (viii) CREDIT ~~ORGANISATIONAL~~ COOPERATIVES ORGANISATIONAL STRUCTURE IS NOT FULLY DEVELOPED SEEMS TO BE DEVELOPING.

POSITIVE

- i) CONCEPT OF HAVING FAIRLY LARGE SIZED AGRICULTURAL COOPERATIVES IS GOOD FOR FINANCIAL AND MANAGERIAL AUTONOMY AND SELF RELIANCE.
- ii) AGRICULTURAL MULTIPURPOSE COOPERATIVES HAVE BECOME A VITAL PART OF THAI ECONOMY.
- iii) NATIONAL LEVEL FEDERATION IS PROMOTING THE ACTIVITIES OF PROVINCIAL LEVEL COOPERATIVES. IT IS NOT COMPETING WITH THE DISTRICT OR PROVINCIAL.
- iv) THE COOPERATIVE LEAGUE OF THAILAND IS A NON-GOVERNMENTAL ORGANISATION AND IS A CONFEDERATION COOPERATIVE ORGANISATION DEDICATED ENTIRELY FOR COOPERATIVE SECTOR.

NAGETIVE

- i) AGRICULTURAL MULTIPURPOSE COOPERATIVES AND THE NATIONAL AGRICULTURAL FEDERATION OF THAILAND ARE NOT EXPORTING THROUGH COOPERATIVES THOUGH 70% AGR) PRODUCE IS BEING EXPORTED.
- ii) HASTY EXERCISE IN COOPERATIVE SECTOR BY DIVERSIFYING ACTIVITIES AND NEW COOPERATIVE SOCIETIES EMERGED WITH UNEXPERIENCED MANAGEMENT CAUSING WEAK AND NON-VIABLE COOPERATIVES.

Negative

- (iii) LACK OF EFFECTIVE TRAINING FACILITIES FOR PROFESSIONALISATION OF MANAGEMENT
  - (iv) GOVT. FUNDS FOR SUBSIDISING WILL INVITE MORE INTERVENTION BY GOVT.
  - (v) INADEQUATE CAPITAL ARRANGEMENT
- SUGGESTIONS.
- (i) COOPERATIVE EDUCATION SHOULD BE GIVEN TO MORE AND MORE PEOPLE FOR ACTIVE PARTICIPATION BY THEM.
  - (ii) COOPERATIVE MARKETING SET UP SHOULD BE STRENGTHENED FOR EXPORTS ALSO.
  - (iii) PROFESSIONALISATION OF MANAGEMENT SHOULD TAKE PLACE FOR VIABLE COOPS.
  - (iv) CROP INSURANCE SHOULD BE THROUGH COOPERATIVE SOCIETIES.
  - (v) PROCESSING COOPERATIVES SHOULD BE DEVELOPED.
  - (vi) SECTORAL COOPERATIVES VIZ. FERTILIZER PRODUCING, AGRICULTURAL IMPLEMENT-MANUFACTURING UNITS SHOULD BE DEVELOPED FOR QUALITY AND COMPARATIVELY AT LOW PRICE OR LOW COSTS.

P R E S E N T S I T U A T I O N

A N D

O R I E N T A T I O N S

FOR FURTHER DEVELOPMENT IN THUY PHUONG COOPERATIVE

( Thuy Phuong Commune, Tuliem District, Hanoi Suburb)

A Case study by  
Mr. Le Van Nhu  
S . R . Vietnam

Present situation and orientation for further development in Thuy Phuong Cooperative.

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## I/ General basic facts

Being the suburb Commune of Hanoi and situated on the Southern bank of the Red River, Thuy Phuong Commune belongs to the TuLiem District which covers the Northern part of Hanoi suburbs. The total area of the whole commune is 240 hectares, of which 10 hectares are used in agricultural production. The total population of the commune is 4.000 inhabitants living in about 1.000 households. The number of households engaged in agriculture occupies 75 % of the total households in commune.

The principal crops produced by the farmers in Thuy Phuong Cooperative are rice, maize, potatoes and vegetables. Besides, Farmers also have other off-farm works: fishing, husbandary.

Almost 30 years have passed from the moment when the cooperative had been established. Many changes have happened during its existence. It had undergone the period of amalgamation, then the period of division into small cooperatives, then again amalgamation. The existing presently cooperative consists of 6 small villages and had been amalgamated 4 years ago. This is considered to be the middle-size cooperative with the plain terrain. As many other cooperatives in Vietnam, it presently also overconese the process of restructuring from the agricultural cooperative into the multipurpose one with leading role of agricultural production.

## II/ Present situation.

2.1. It should be mentioned that the agricultural production during last years in Thuy Phuong Cooperative is on the increase. The living standard of its members is being improved. Number of Rich households is likely to be increased too.

Infrastructure of the primary cooperative consists of very good irrigation system valued at 30 million dong; one workshop for bean and pils processing valued at 40 million dong; one complex of storages valued at 50 million dong; one milling workshop valued at 10 million dong; the agricultural machines to be used are tractors and small ploughing machines.

2.2. Implementing the resolution N<sup>o</sup> 10 on all-sided renovation of economic management in agriculture, every household in the cooperative has become a real economic production unit. Each household has received a definite area of land on the basis of the number of family's members and labour forces. The household is entitled to produce rice and any other crops as it likes. After deducting taxes fixed in the contract between the household and cooperative, the household is entitled to use the remained products or to sell them on free-market. In the case if state-run units or cooperative want to buy the latter, they must strike a bargain with the producer.

The household has the right of inheritance of the land area, distributed to it by cooperative for the period of 25 years. The contract is signed between the household and the cooperative and the household have to devise norms and fix prices to work out the contract, to devise plan of distribution (both in money and products) on the basis of fertility of soil.

2.3. Thus, in Thuy Phuong Cooperative, every household has to act upon principles of self-management, self-responsibility as to the efficiency of production and profit .

According to concrete conditions, some the so-called land-work services, such as ploughing, water pumping, irrigation work, anti-insect plant protecting are to be done by the specialized brigades of cooperative. Every household has to pay for the used services. All other works, such as transplanting rice-seedlings, harvesting, etc. are to be done by the households themselves.

2.4. Managerial analysis of Thuyphuong Cooperative is in the control of Commune People Committee and District agricultural office. Before conducting the Annual General Meeting the cooperative has to submit their annual report for approval to Commune People Committee and District agricultural office whose responsibility includes the supervision of the cooperative.

Like other cooperatives, the Thuyphuong has a common system of accounts in its management. It should be noted that information system of accounts is a very important quantitative information in cooperatives. It not only gives a real picture of the cooperative but also it helps in the process of coordination and decision making.

Thuyphuong has to submit the following financial statements :

1. Business account
2. Profit and loss account.
3. Distribution of surplus.
4. Balance sheet.
5. Social welfare report.
6. Auditor report.
7. Statutory report of the Board.
8. Other supplementary notes.

2.5. Scope of cooperatives's business.

It should be mentioned that Thuyphuong cooperative is the multipurpose one with four sectors. They are namely :

supply and marketing, small industry, credit and agriculture. All these sectors operate separately with their own managers who are the members of the Board. These sectors operate and carry out their activities under the guidance and leadership of the Board. They are regulated by the decisions of General Meeting and indications of the Board.

Regarding the supply and Marketing sector, there is one big retail trade centre situated almost in the middle of the commune. Besides there are three other small retail shops situated in different villages of the commune (one commune in Vietnam may be administratively consist of 4 or 5 villages) Labour force in this sector is 31 persons. They work on a full-time basis. The main function of this sector is to provide and to supply necessary farming inputs to farmer such as different fertilizers, insecticides, etc. These inputs may be bought from the District Union of supply and marketing cooperatives or from other sources and should be distributed among farmers by a fixed price (selling price = buying price + fixed percent of deficit + fixed transport expenses + fixed percent of extra-charge). Last year about 50-60 tons of Urea, 120 tons of other fertilizers and 270 kg insecticides had been sold to farmers by this sector. Besides they also sell consumer goods in different shops and retail centre. These consumer goods are also taken from District Union of SMC or other State-run Companies on the basis of payment in arrear or progress payment.

Regarding the credit sector, the cooperative has established its credit sector 3 months ago and mainly it acts as agent of the District Agricultural Bank. Two kinds of loans are reported to be provided : long-term loan for the purpose<sup>of</sup> buying small agricultural machines and short-term loan for buying means of production for seasonal crops, such as fertilizers and insecticides. As to be reported, the credit sector operates not in success due to rather high interest and overinterest.



About the small industries in Thuyphuong cooperative, there is one large-scale Brick and Tile Enterprise with the total area of 6,22 ha and 57 workers. All kinds of work here are handwork. This enterprise sells its products not only to farmers in the commune but also to other users in neighbouring communes. Last year it produced a number of bricks and tiles with the total value of 48 mill dong. Average salary of workers is 90.000 dong per month.

2.6. The cooperative is suffering from the shortage of trained, educated manpower. None of the managerial apparatus had graduated from agricultural college, except Mr. Nguyen Lam, Chairman of the cooperative and the Chief-accountant who had participated in 6 month accounting course and had been appointed as the chief-accountant of cooperative by the District people Committee.

### III/ The management structure of Thuyphuong Cooperative.

3.1. At the Annual General Meeting representatives from all sectors elect the Managerial Board consisting of 15 members. They also elect the 9 members of Audit and supervision Board. The Chairman and two Deputies Chairman also are to be elected by the General Meeting. Automatically these three personalities are the members of the Managerial Board which includes 4 managers of 4 sectors and 7 other who don't occupy any position in the managerial apparatus. The Chief Accountant is appointed by the District People Committee in Agreement with General Meeting.

3.2. The manpower in the Managerial apparatus is as follows :

- Managerial Board : 15 members.
  - Audit and supervision : 9 members, working on non-full time basis.
  - Accounting : 4 persons.
  - Chairman of Cooperative and two deputies.
  - 4 managers of 4 sectors.
-

3.3 All the elected managerial manpower works on the full-time basis and receives the salary in the form of paddy :

- Chairman : 600 kg paddy/year.
- Deputy Chairman and Chief accountant : 540 kg/year.
- Others employees : 420 kg/year.

3.4. The function of the managerial board is as follows:

- Carrying out proper procedures of production development, the development of business and increase the cooperatives's income.

- To fulfil its duty towards the State and towards customers.

- To increase the guidance control of the sectors and brigades so as to make them realize properly the plan of production and respect the internal regulations of cooperative and brigades.

- To carry out the stages of work under the collectivity's responsibility.

- To carry out adequately the services for the contract signatories and to help needy households fulfil their task of production.

- To pay special attention to the services ensuring good conditions to signatories and needy households so that they can carry out the contract signed with the cooperative.

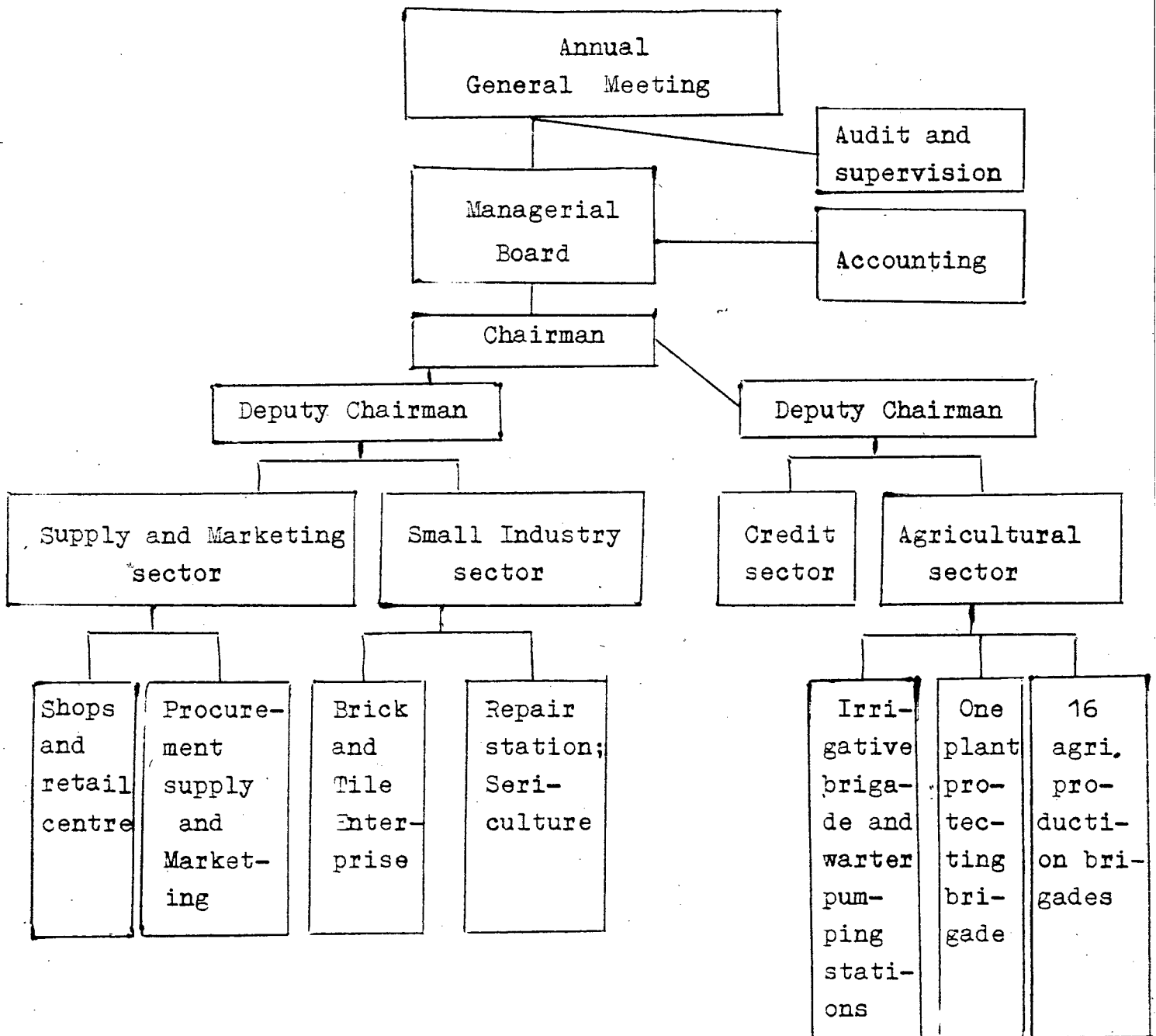
3.5. The functions of the Audit and supervision Board are as follows :

- To promote activities of the Managerial Board so that these activities must follow the decisions of the General Meeting.

- To supervise running and work-running capacity the Managerial Board.

- To supervise and to control the implementation of the General Meeting's decisions by the Chairman, his Deputies, sectors' managers and brigadiers.

All members of the Audit and supervision Board are elected and they work without payment. They are farmers and representatives of different social associations existing on the territory of the Commune.



IV/ Facing problems.

During the discussions the following difficulties and problems are reported:

4.1. Lack of farming implements and transport facilities. This is the major handicap. Due to nonavailability of transport facilities such as tractors, trucks, bullock carts, etc., all households carry the paddy produced by them from the paddy field to their house on bicycles or on their own shoulders.

4.2. Shortage of trained and educated manpower. Only Mr. Chairman and Chief accountant had been trained in agricultural college.

4.3. High interest percent of loan. That's why the credit sector acting as agent of District Agricultural Bank operates unsuccessfully. Revolving source from farmers is very limited and restricted due to shortage of fund in households.

4.4. Many negative aspects have been noticed in the organization for supplying materials : supplies pass through too many hands. As a result, many losses are incurred, costs to farmers are high, and the level of production is adversely affected.

4.5. Land potential is not thoroughly and fully exploited due to the lack of fund. There was to be reported about 20-20 hectares of waste hilly land , 4,73 hectares of waste plain land and 11,34 hectares of unexploited water surface.

4.6. More than 10% of households in the cooperative are extremely poor. They always fail to deliver their

contracted quotas and become liable for debts to the cooperative and state. About 200 tons of rice-debts of farmers as their contracted quotas are reported to be repaid by farmers to cooperative.

V/ Renovation and orientation of further development.

5.1. On the basis of Government Resolution No 10 concerning renovation of management in agriculture, the cooperative has decided to complete the process of delivery of all kinds of land under the contract to farmers by the end of June 1992. As known, only fertile soil has been delivered by now. All other various kinds of land remain untouched. They should be given under the contract with the adequate agricultural taxes which are being worked out presently.

5.2. In farming work, planting a rice crop at present involves eight links :

- Soil preparation.
- Irrigation .
- Preparation of manure .
- Protection against plant diseases and pests.
- Sowing and transplanting seedlings .
- Tending .
- Harvesting.

By now, in Thuyphuong cooperative, only soil preparation and irrigation are undertaken by the cooperative. All six other links are undertaken by individual coop-members. It's too difficult and hard for poor families which suffer from shortage of fund and labour force. So that the General Meeting has decided that the first five links should be undertaken by cooperative. The other three latter ones should be undertaken by households; and this must be completed by the end of 1992. For this purpose, the cooperative is going to take a long-term loan for buying agricultural machines, such as tractors and trucks.

5.3. The supply and Marketing sector will be approved and strengthened, so that it could fulfil its functions in supplying materials, especially fertilizers and insecticides.

5.4. Interaction between the household and the cooperative is based on the contract signed by two sides. Many aspects and provisions of present contract form need to be corrected and amended. The cooperative would suggest the unified form of contract for all households.

5.5. To promote and to spread the production system " Orchard-fish pond-animal husbandary" in every household, including granting loans to the poorest families.

5.6. As there is a great potential of sericulture, the cooperative will undertake this occupation which would be considered as side occupation of each household, and which could decide to some extent the problem of unemployment and add additional income to households.

5.7. Cooperative will delegate 3-5 young persons to Hanoi Agricultural Institute for full-time studying during 5 years. All their costs will be born by Cooperative. After graduating the institute, these personalities have to return to their commune for working in cooperative. Otherwise they will have to refund all expenses and would be punished by the Law./.

C R I T I C A L E X A M I N A T I O N  
O F  
C O O P E R A T I V E M O V E M E N T I N V I E T N A M

Country paper presented  
by Mr. **Le Van Nhu**  
From S. R. Vietnam.

## I. BRIEF BACKGROUND OF AGRICULTURAL COOPERATIVE MOVEMENT

Historically Vietnam is an agricultural country. In its economy, agriculture holds a dominant position. Agriculture takes the most important part of social labour force and occupies the biggest share in Gross National Product.

The agricultural cooperative movement in Vietnam took its source in 1958 when the Party and the Government set the policy of establishing cooperatives and considered it as the unique and right way leading vietnamese farmers to socialism.

With the impatient and subjective idea on the construction of socialism, in hurried steps, in only 2 years, 414.000 cooperatives were set up with 85.5% farm households and 76% of cultivable land. The setting up of cooperatives was almost completed in 1960 for the North. The rapid growth of absolute organisation and collectivization of the labour force and production means, from the beginning has served a cause of problems which lately led to the crisis of the collective economy during the years 1976-1980, showing the sharp contradiction between farmers' interests and the society interests.

In order to solve this vital problem, the mode of centralized management with inflexible collectivization model should be eliminated. The regime of hiring by piece was at first used in 1981.

## GENERAL SITUATION OF AGRICULTURAL COOPERATIVES IN VIETNAM

The year of 1986 witnessed a great qualitative change in the development of agricultural cooperatives. In the light of renovation policy set by the 6th Party General Congress, followed by other decisions of the Party and the Government, a deep change was carried out in agriculture. Labour force was liberalised at a certain level, the utilization of land, production means and labour force was more sensible. As the result, great achievements have been recorded in resolving the foodstuff problem. 1989 was the year in which the highest output of 20,5 million tons of



food was recorded and for the first time ensured a sufficiency of food for the country and for the first time Vietnam exported 1.4 million tons of rice and has become the third world largest exporter of rice.

It should be acknowledged that in the three years of the renovation the application of the product - based contractual quotas system in agriculture has brought about tangible result. The survey of the countryside in 1990 showed, that the entrusting of the right to use land to the farmers together with the authorization of the latter to have the ownership of the production means led to the result that the potentialities of the country had been better developed and put into service. Thanks to the renovation policy, the peasants' interests have been ensured and the distribution of incomes in the countryside has been more rationally regulated.

#### PROBLEM AREAS

Besides the changes happening in the countryside and helping to alter its face, at present there arise many problems needed to be solved :

- There are only more than 7 million hectares of cultivable land with a total food output of 20 - 21 million tons/year for so big number of labours 25 million.
- The employment of the peasants is not yet basically solved. The number of fully employed persons account for only 3,2% of the total of those reaching the working age and needing to have a job.
- The economic structure in the countryside is still based mainly on monoculture with few trade and industries which are tending to decrease, including the traditional cottage industries.
- The peasants get a rather low income, so their living standard can in no way be improved.
- With regard to agriculture cooperatives and production

collectives, most of them are still embarrassed by their state of affairs and do not know how to better organize their business and production as well as their services to production.

#### WAYS OF SOLVING REMAINING PROBLEMS

In order to decide these above problems, the Party and Government took the orientation of developing the farm households economy. The development policy of farm households in agriculture was considered as the unique and long-term policy in the transitiona period. In this farm household economy the development of supply and marketing cooperatives ( SMC ) is a question of strategic significance. thr SMC are one kind of collective business practicing activities mainly in rural region and providing services to rural population. In the past years the SMC took a significant role of an intermediary in selling consumer goods and production means to farmers and buying their agricultural products for export and also for redistribution within the country. In the new mechanism when the farm households become self-controlled production units the SMC activitiesshould be for improving the efficiency of farm household economy, accelerating the development of the market economy in rural regions. They also should become the bridge connecting the producers with the market, support the farmers in dealing with the market and help them know how to satisfy the market requirements. These supports are helpful promotion to make full use of the strength of households and push up the agricultural development in the orientation of the market economy.

In order to bring into full play the role of the SMC in rural region in the new context the SMC should be changed in all aspects of organization , management. First of all various and flexible model of organization for cooperatives and collectivization should be applied. Secondly, in respect of the principle of voluntary, democracy in organization and management of the SMC it is imperative to avoid the formalism or compel in establishing the SMC, as we have experiences of the failure during the years

1960 -1962 in the North and 1976 -1980 in the South, due to the impatient and hurried idea of establishing the SMC, Thirdly, in order to assure the auto - decision right of the SMC, the local authorities can control the SMC through legislation, guidance and promotional policies but can not directly interfere with their activities. Finally, we should restore and strengthen the union of THE SMC, particularly the regional, provincial and city union of SMC. The union of SMC should really be an economic union which has the responsibility of guiding and supporting the local SMC .

The role of state for the SMC consists in creating favourable environment so that the SMC can make full use of their role of collective trading organization, solve the problem of taxes, credit regulation, etc... Giving the SMC the preference on tax and credit terms can help to assure the SMC equalities with other economic organizations, preventing the SMC from unfavourable position in the market economy. The SMC should also be encouraged in export and import activities so that the household economy as well as the rural market can be combined with the overall market of the country and of the world.

Together with strengthening the independent role of economic units of households , the state has been studying and summing the old model of cooperatives, guiding the cooperatives to reform the content and acting methods to the laws. Developing the household economy must be connected with the development of voluntary cooperatives, they will interact and promote each other to develop and create a strong motive force for the development.

## SIZES OF AGRICULTURAL COOPERATIVES

Region	Land, ha/coop.				Farm household/coop.			
	1976	1980	1985	1990	1976	1980	1985	1990
<u>The North</u>	<u>127</u>	<u>202</u>	<u>138</u>	<u>124</u>	<u>229</u>	<u>368</u>	<u>326</u>	<u>367</u>
- Mountainous	60	112	67	62	59	98	93	113
- Hilly	146	297	178	157	254	551	429	463
- Red river delta	227	340	250	194	528	898	775	705
- North central	176	227	155	127	317	399	330	353
<u>The South</u>	-	<u>312</u>	<u>247</u>	<u>238</u>	-	<u>519</u>	<u>445</u>	<u>498</u>
- South coastal	-	345	295	271	-	636	595	653
- Central highland	-	321	195	199	-	316	274	319
- South East	-	258	138	167	-	258	213	356
- Mekong delta	-	141	230	229	-	246	280	337
Total	<u>127</u>	<u>214</u>	<u>153</u>	<u>139</u>	<u>229</u>	<u>387</u>	<u>343</u>	<u>385</u>

**EXISTING LANDUSE OF AGRICULTURE**  
( Up to 1990 )

	<u>Has been used</u>	<u>Maximum potentiality</u>
Total	7.1	11.45
Rice field	4.20	4.80
Upland cropping field	0.60	1.35
Garden	0.37	3.25
Pasture	0.35	0.95
Water space	0.42	0.70
Sloping lands	1.16	0.40

( Unit : 1 million ha )

Source : NIAPP \_ 1991

**GENERAL LANDUSE IN VIET NAM**  
( Up to 1990 )

	<u>Has been used</u>	<u>Maximum potentiality</u>
1. Agriculture	7.13	11.45
2. Forestry	8.95	15.87
3. Fishery	0.37	0.84
4. Urbanization	1.06	1.85
5. Natural conservency	1.38	2.50
6. Others	0.41	0.65
7. Unused ( Bare lands )	13.86	0.00
Total :	33.16	33.16

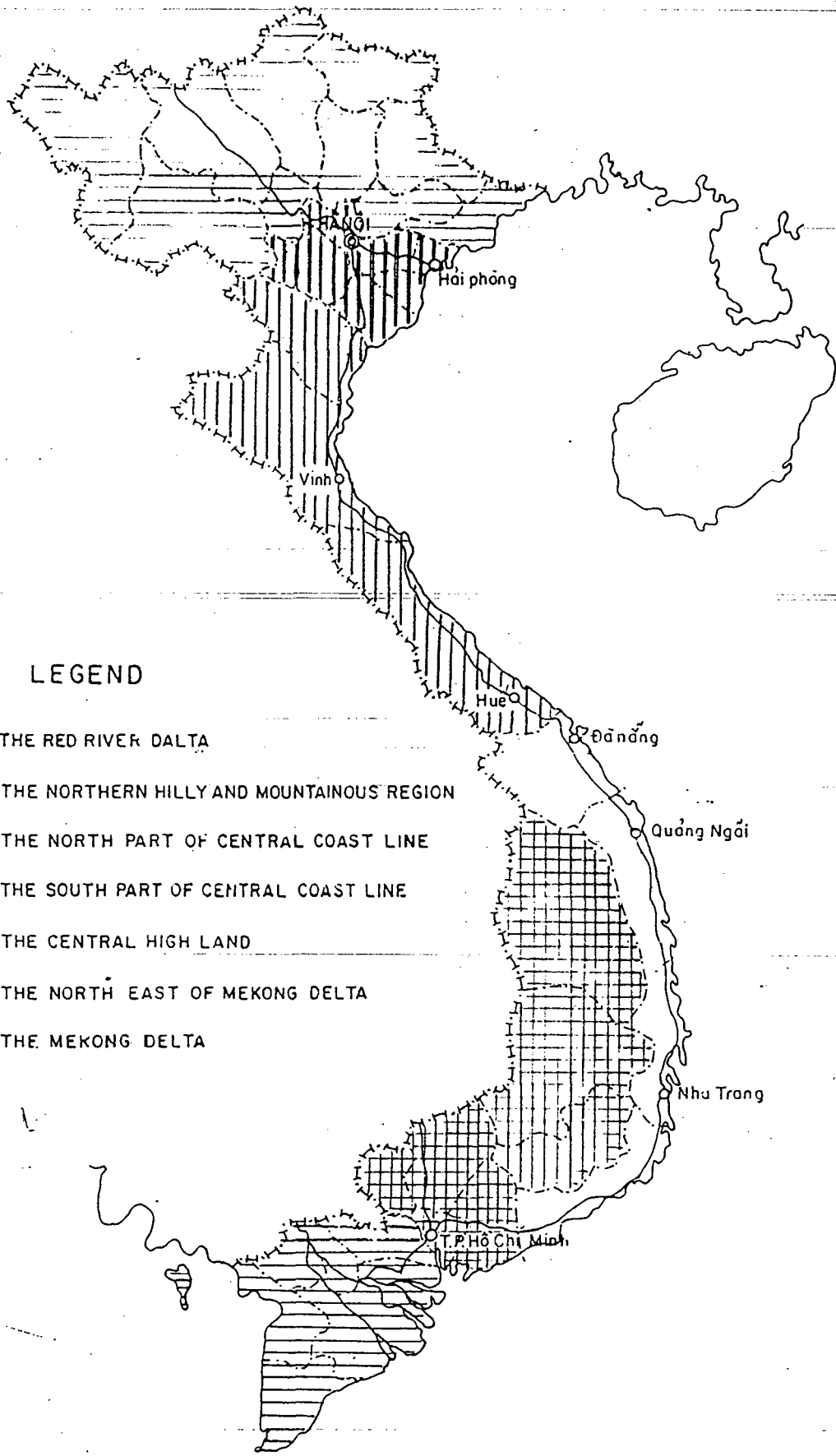
( Unit : 1 Mill ha )

Source : NIAPP\_ 1991








NUMBERS OF AGRICULTURAL COOPERATIVES  
AND MUTUAL HELPING GROUPS

Regions	Number of cooperatives					% of household in coop.	MHG, 1988	
	1960	1976	1980	1985	1990		Number	% households in MHG
<u>The North</u>	<u>40422</u>	<u>15220</u>	<u>11088</u>	<u>14042</u>	<u>14087</u>	<u>96,5</u>	<u>373</u>	<u>0,3</u>
- Mountainous	8188	7275	5159	6014	5044	79,6	-	-
- Hilly	4683	1957	945	1415	1584	99,2	-	-
- Red river delta	16388	3179	2146	2778	3512	99,4	-	-
- North central	11163	2809	2838	3835	3947	98,2	373	6,6
<u>The South</u>	-	-	<u>1518</u>	<u>2292</u>	<u>2254</u>	<u>31,9</u>	<u>35125</u>	<u>54,4</u>
- South coastal	-	-	1058	1283	1256	91,1	882	5,1
- Central highland	-	-	206	320	368	47,8	1107	36,3
- South East	-	-	154	348	338	19,8	4597	27,7
- Mekong delta	-	-	100	259	292	6,9	27939	78,3
<u>Total</u>	<u>40422</u>	<u>15220</u>	<u>12606</u>	<u>16334</u>	<u>16341</u>	<u>69,2</u>	<u>35498</u>	<u>23,2</u>

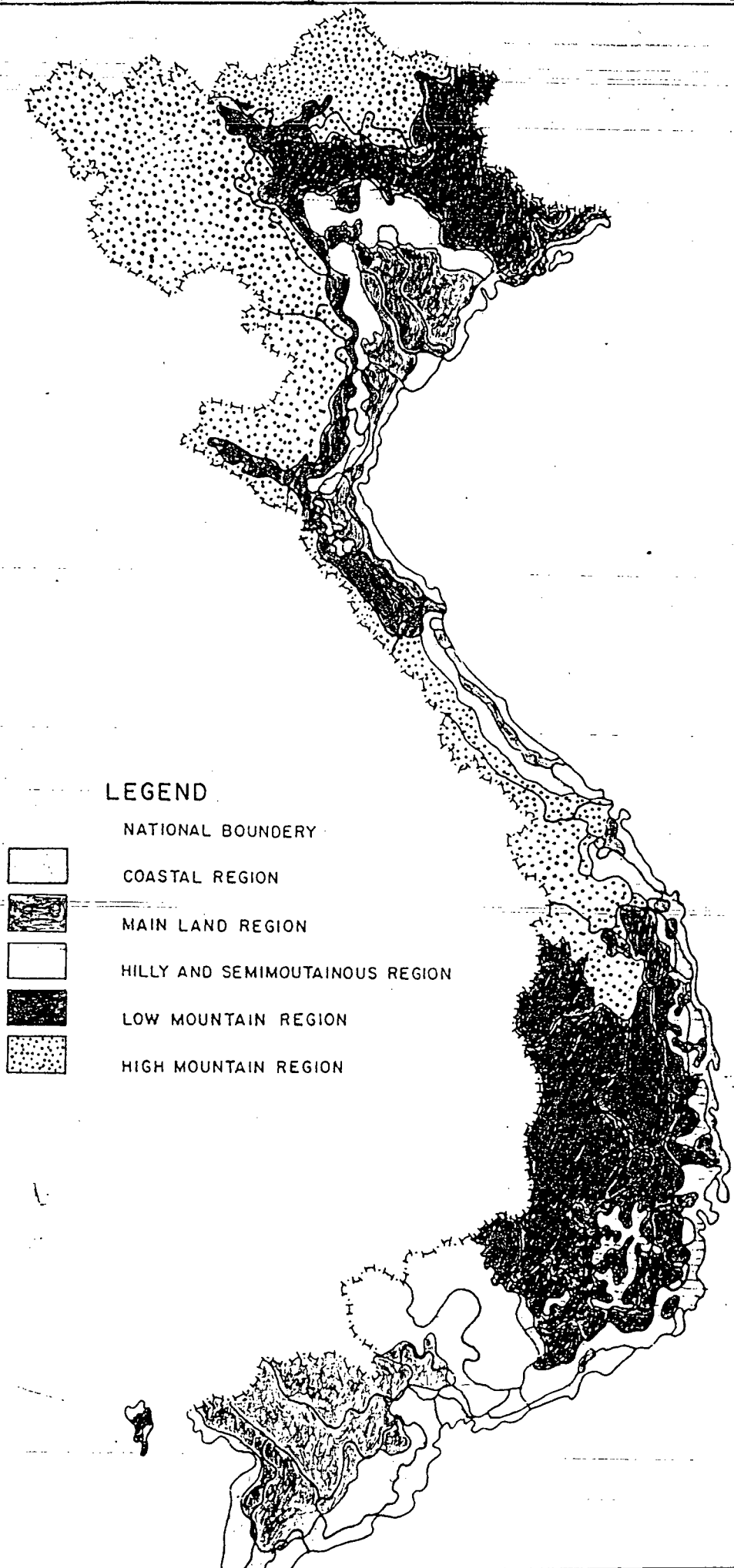
# AGRICULTURAL ZONING MAP OF VIET NAM









## LEGEND

-  THE RED RIVER DELTA
-  THE NORTHERN HILLY AND MOUNTAINOUS REGION
-  THE NORTH PART OF CENTRAL COAST LINE
-  THE SOUTH PART OF CENTRAL COAST LINE
-  THE CENTRAL HIGH LAND
-  THE NORTH EAST OF MEKONG DELTA
-  THE MEKONG DELTA

# ECOLOGICALLY AND TOPOGRAPHICALLY ZONING MAP OF VIET NAM



## LEGEND

-  NATIONAL BOUNDARY
-  COASTAL REGION
-  MAIN LAND REGION
-  HILLY AND SEMIMOUNTAINOUS REGION
-  LOW MOUNTAIN REGION
-  HIGH MOUNTAIN REGION





Regional Office for  
Asia & the Pacific

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

NOVEMBER 9, 1992 TO MAY 8, 1993

POINTS FOR GROUP DISCUSSION ON 14.11.92

COUNTRY BACKGROUND PAPER ON VIETNAM

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

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE  
OVERHEAD PROJECTOR.

GROUP I

DATE :  
14 - 11 - 1992

## VIETNAM.

### 1. CHARACTERISTICS.

1. THERE ARE FOUR TYPE OF COOP IN VIETNAM.
2. MOST OF HOUSEHOLD IN THE RURAL AREA - INVOLVED IN COOP.
3. RENOVATION POLICY AND DECISIONS OF THE PARTY AND THE GOVERNMENT ON AGRICULTURE RECEIVED GREAT ACHIEVEMENTS. IN AGRICULTURAL SECTOR FOR THE FIRST TIME ENSURED - A SUFFICIENCY OF FOOD AND EXPORTED - 1.4 MILLION TONS OF RICE.
4. SMC TAKE A SIGNIFICANT IN SELLING CONSUMER GOOD AND PRODUCTION MEANS TO FARMERS AND BUYING THEIR AGRICULTURAL PRODUCT FOR EXPORT AND REDISTRIBUTION WITHIN THE COUNTRY.
5. AGRICULTURAL AND CREDIT COOP'S ARE ONLY AT THE VILLAGE LEVEL.
6. SMC IS THE ~~LARGEST~~ <sup>BIGGEST</sup> COOP'S ORGANIZATION IN VIETNAM COOP MOVEMENT.

GROUP I

DATE :

14-11-1992.

VIETNAM

2. POSITIVE :

1. MORE THAN 90% POPULATION IN THE RURAL AREAS ARE THE MEMBERS OF AGRICULTURAL COOP AND SMC.
2. THE ENTRUSTING OF THE RIGHT TO USE LAND TO THE FARMERS TOGETHER WITH THE AUTHORIZATION OF THE LATTER TO HAVE THE OWNERSHIP OF THE PRODUCTION MEANS SUCCESSFULLY PROMOTE AGRICULTURAL PRODUCTIONS IN COOP SECTOR.
3. SMC PLAY AN IMPORTANT ROLE IN PROVIDING AGRICULTURAL INPUTS AND PURCHASING AGRICULTURAL PRODUCT AS WELL AS CATERING CONSUMER GOODS TO THE FARMER.

+

GROUP I

DATE :

14-11-1992

VIETNAM

2. NEGATIVE :

1. THE ECONOMIC STRUCTURE IN THE COUNTRYSIDE IS STILL BASED MAINLY ON MONOCULTURE WITH FEW TRADE AND INDUSTRIES.
2. THE PEASANTS GET A RATHER LOW - INCOME, SO THEIR LIVING STANDARD ARE WEAKER.
3. CREDIT COOP IS VERY WEAK, ITS ACTIVITY FUNCTION IS AS AGENCY OF DISTRICT AGRICULTURAL BANK.
4. AGRICULTURAL COOP'S ARE STILL EMBARRASSED BY THEIR STATE OF AFFAIRS AND DO NOT ORGANIZE THEIR BUSINESS.

VIETNAM

GROUP I

DATE :

14-11-1992

SUGGESTIONS

1. COOP'S SOCIETY SHOULD MOTIVIZE THEIR INTERNAL RESOURCES FOR CREATION OF FUNDS.
2. VARIOUS AND FLEXIBLE MODEL OF ORGANIZATION FOR COOP'S AND COLLECTIVIZATION SHOULD BE APPLIED
3. STATE SHOULD CREATE FAVOURABLE ENVIRONMENT SO THAT THE SMC CAN MAKE FULL USE OF THEIR ROLE - SOLVE THE PROBLEM OF TAXES CREDIT REGULATION.
4. STUDYING AND SUMMING THE MODEL OF COOP'S, GUIDING THE COOP'S TO REFORM THE CONTENT AND ACTING METHODS.
5. MORE MANAGEMENT AND LEADERSHIP TRAINING PROGRAM NEEDED.

# 1 CHARACTERISTICS OF THE VIETNAMESE AGRICULTURAL COOPERATIVE MOVEMENT

- a. THERE ARE 4 (FOUR) TYPES OF COOPERATIVES IN VIETNAM.
- b. THREE TYPES OF COOPERATIVES i.e. SMC, HANDICRAFTS, ~~AND~~ SMALL INDUSTRIES COOPS AND CREDIT COOPS COMES UNDER THE CONTROL OF CENTRAL COUNCIL OF SUPPLY AND MARKETING COOPS WHEREAS AGRICULTURAL COOPERATIVES ARE CONTROLLED BY THE MINISTRY OF AGRICULTURE AND FOOD STUFF THROUGH DISTRICT AGRICULTURE OFFICES.
- c. MULTIPURPOSE COOPS ALSO EXIST IN VIETNAM.
- d. AFTER ADOPTION OF COOPERATIVES IN AGRICULTURE RICE PRODUCTION OF VIETNAM HAS BEEN INCREASED.

## 2. POSITIVE FACTORS

- a. AFTER QUALITATIVE CHANGE IN THE DEVELOPMENT OF AGRICULTURAL COOPS, GREAT ACHIEVEMENTS HAVE BEEN RECORDED IN RESOLVING THE FOOD STUFF PROBLEM.
- b. SMCs ARE ENGAGED IN PROVIDING VARIOUS TYPES OF SERVICES TO RURAL POPULATION.
- c. SMCs ARE ALSO UNDERTAKING THE EXPORT OF AGRICULTURAL PRODUCE.
- d. ~~THE~~ THROUGH RENOVATION POLICY, THE PEASANTS' INTERESTS HAVE BEEN ENSURED AND THE DISTRIBUTION OF INCOMES IN THE COUNTRYSIDE HAS BEEN MORE RATIONALLY REGULATED.

## 2. NEGATIVE FACTORS:-

- a. LACK OF CULTIVABLE LAND.
- b. MOST OF THE COOPS ARE EMBARRASSED BY THEIR STATE OF AFFAIRS AND DO NOT KNOW HOW TO BETTER ORGANIZE THEIR BUSINESS AND PRODUCTION AS WELL AS THEIR SERVICES TO PRODUCTION.
- c. SMCS HAVE FAILED IN HELPING FARMERS TO CONNECT THEM WITH THE MARKET, SUPPORT THE FARMER IN DEALING THE MARKET AND HELP THEM KNOW HOW TO SATISFY THE MARKET REQUIREMENTS.



### 3. SUGGESTIONS :-

- a. SMEs SHOULD BECOME THE BRIDGE CONNECTING THE PRODUCERS WITH THE ~~MARKET~~ MARKET AND HELP THEM KNOW HOW TO SATISFY THE MARKET ~~REQUIREMENTS~~ REQUIREMENTS.
- b. COOPS SHOULD DEVELOPED A SENSE OF AWARENESS FOR ORGANISING BETTER THEIR BUSINESS AND PRODUCTIONS AS WELL AS ~~THEY~~ ~~THEIR~~ THEIR SERVICES TO PRODUCTION.
- c. SMEs SHOULD GIVE EMPHASIS ON IMPROVING THE EFFICIENCY OF FARM HOUSEHOLD ECONOMY, ACCELERATING THE DEVELOPMENT OF THE MARKET ECONOMY IN RURAL AREAS.

VIET NAM COOPS CHARACTERISTICS.

- i) IT IS A GOVT. SPONSORED PROGRAMME.
- ii) THERE ARE FOUR TYPES OF COOPERATIVES VIZ SUPPLY AND MARKETING COOPERATIVES, HANDICRAFT AND SMALL INDUSTRIAL COOPERATIVES, CREDIT AND AGRICULTURAL COOPERATIVES.
- iii) MULTIPURPOSE COOPERATIVES ALSO WORKING.
- iv) COMPARATIVELY S.M.C ARE STRONG HOLDS OF COOPERATIVE MOVEMENT BEING AT NATIONAL, PROVINCIAL, REGIONAL AND DISTRICT LEVEL ALSO PROVIDING A GOOD LINK BETWEEN PRODUCERS AND CONSUMERS.
- v) AGRICULTURAL AND CREDIT SOCIETIES ARE WORKING ONLY AT PRIMARY LEVEL.
- vi) COOPERATIVES ARE ALSO DOING EXPORTS, ALSO PLAYING AN IMPORTANT ROLE IN NATIONAL ECONOMY.
- vii) VOCATIONAL TRAINING SCHOOL IS IMPARTING TRAINING IN COOPERATIVE SECTOR.
- viii) COOPERATIVE MOVEMENT SEEMS TO BE DEVELOPING NOW.

POSITIVE.

- i) GOOD RAPPORT AMONG THE PRODUCERS AND CONSUMERS ~~BEFORE~~ THROUGH S.M.Cs
- ii) SIMPLE ORGANISATIONAL STRUCTURE OF COOPERATIVES.
- iii) COOPERATIVES HAVE BEEN RECOGNISED BY THE GOVT. AS A CORE SECTOR.
- iv) THROUGH EXPORTS COOPERATIVE ARE SAVING FOREIGN EXCHANGE.

NEGATIVE

- i) INADEQUATE CREDIT STRUCTURE FOR COOPERATIVE REQUIREMENTS.
- ii) GOVT. IS DECIDING THE FATE OF COOPERATIVES WHICH IS NOT A GOOD SIGN.
- iii) THERE IS NOT ANY NATIONAL FEDERATION FOR AGRICULTURAL COOPERATIVES.
- iv) COOPERATIVE EDUCATION AND TRAINING PROGRAMME ARE <sup>NOT</sup> SUFFICIENT
- v) AGRICULTURAL PROCESSING COOPERATIVES ARE NOT IN LARGE NUMBER.
- vi) DEMOCRATIC NATURE OF COOPERATIVES IS NOT STRENGTHEN AS THERE SEEMS COMPULSION TO ESTABLISHED THE S.M.C.
- vii) REGIONAL, PROVINCIAL AND CITY UNION OF SMC IS STILL NOT STRENGTHEN.

SUGGESTIONS:

- 1) AGRICULTURAL COOPERATIVES SHOULD BE DEVELOPED TO EXPLOITE MAXIMUM POTENTIALITY.
- 2) CREDIT AGENCY IN COOPERATIVE SECTOR SHOULD BE DEVELOPED.
- 3) WEAK PRIMARIES MAY BE CONVERTED IN TO FAIRLY LARGE AGRICULTURAL COOPERATIVES FOR THEIR VIABILITY AND MANAGERIAL AUTONOMY.
- 4) LABOUR FORCE AND SMALL LAND HOLDERS BENEVOLENT COOPERATIVE SHOUL BE ORG-ANISED AND DEVELOPED.
- 5) GOVT. SHOULD ONLY SUPPORT THE COOPs, NO DIRECTION.