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Vol. 1 -

SIXTH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA  
October 21, 1991 - May 10, 1992

LIST OF MATERIAL CIRCULATED DURING FIRST  
PART OF TRAINING COURSE IN INDIA  
FROM OCTOBER 21 TO DECEMBER 21, 1992

INAUGURATION, GENERAL;

1. Brochure on the 6th JTC
2. List of Participants
3. Photo Profile of Participants.
4. Programme of Inaugural Function
5. Welcome address by Mr M.V.Madane, Project Director.
6. Address by H.E. Shunji Kobayashi, Ambassador of Japan.
7. Registration Form
8. Division of Groups.

COUNTRY BACKGROUND PAPERS, CASE STUDIES AND GROUP REPORTS

9. A critical examination of agricultural (dairy) cooperatives in Bangladesh by S.C.Das
10. Case study on Haturia Jagannathpur Primary Milk Producers Cooperative society.
11. A critical examination of agri.coops in Bangladesh by M.N.Hoque.
12. Points for group discussion on Bangladesh
13. Group reports on Bangladesh
14. Supply and Marketing Cooperatives in China
15. Points for group discussion on China
16. Group reports on China
17. Critical Examination of Indian Coop Movement
18. Namhol Coop MPDS Case study by V.S.Sidhu
19. Status paper on working of primary agri.coops in Himachal Pradesh by V.S.Sidhu



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20. points for group dicussion - India
21. Group reports on India.
22. Agricultural Coopertive Movement in Indonesia
23. Executive Summary
24. Points for group discussion on Indonesia
25. Group reports on Indonesia
26. Country Background paper - Iran
27. Points for group discussion - Iran
28. Group reports on Iran
29. Country paper on Korea by Hyun Keun Myung.
30. Country paper on Korea by Won Tae Kim
31. Case study on Hasung Primary Coop.
32. Case study on Pusan L. livestock Coop.
33. By laws of Pusan Livestock coop.
34. Points for group discussion on Korea.
35. Country paper on Malaysia.
36. Case study on Paloh I Land Development Scheme settlers coop.
37. Coops in Malaysia Copac
38. Country paper on Pakistan.
39. Case study on Coop Farming Scheme, Khanewal.
40. Country paper on Philippines.
41. Coop Code of the Philippines.
42. Case study on coop rural bank of Batangas
43. Points for group discussion on Philippines.
44. Country paper on Sri Lanka
45. Case study on Sri Lanka Coop Marketing Federation
46. Points for group discussion, Sri Lanka.



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47. Group discussion reports, Sri Lanka
48. Country paper on Thailand.
49. Points for group discussion on Thailand.
50. Group reports on Thailand.
51. Country Paper on Vietnam.
52. Case study on Khaphong Coop.
53. Group reports on Vietnam.

Prosperity to Cooperative  
Member Farmers through  
ICA/Japan Cooperation

6th ICA Japan Training Course for  
Strengthening Management of  
Agricultural Cooperatives in Asia  
India, Thailand, Japan & China

October 21, 1991 - May 10, 1992



## **International Co-operative Alliance**

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October, 1991

**SIXTH ICA/JAPAN TRAINING COURSE  
FOR STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
INDIA / THAILAND / JAPAN / PEOPLES REPUBLIC OF CHINA  
OCTOBER 21, 1991 - MAY 10, 1992**

**1. BACKGROUND**

Under an agreement signed between the International Cooperative Alliance (ICA) and the Ministry of Agriculture, Forestry and Fisheries (MAFF) of the Government of Japan, the ICA launched in 1986, the Management Training Project for Agricultural Cooperatives in Asia. Under this Project, five training courses of six months' duration each were organised during 1986-87, 1987-88, 1988-89, 1989-90 and 1990-91. The present training course, sixth in the series, is commencing in New Delhi on October 21, 1991.

**2. OBJECTIVES**

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

**3. PARTICIPANTS**

Fifteen participants holding middle or senior level managerial positions in cooperatives and their supervising organisations are selected to attend this course. Participants for the Sixth Course have been selected from 12 Asian countries i.e. Bangladesh, Peoples' Republic of China, India, Indonesia, Iran, Republic of Korea, Malaysia, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam.

**4. PROGRAMME OUTLINE**

The six-months training programme is spread over four countries viz. India, Thailand, Japan, and the Peoples Republic of China. After the first part of the programme in India for two months, the participants will 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 Bangkok during first half of February 1992.

The project appraisal sessions will be followed by two weeks' study visits programme to agricultural cooperatives in Thailand. Thereafter the participants will proceed to Japan for the second part of the programme to be conducted at the Institute for the Development of Agricultural Cooperation in Asia ( IDACA ) in Japan which will be followed by two weeks field study visits in the Peoples Republic of China.

The broad outline of the entire programme is as follows:

### PROGRAMME OUTLINE OF PART - I OF THE COURSE IN INDIA

Monday, October 21 to Saturday, December 21, 1991

Saturday,	19th Oct 91 -		
Sunday,	20th Oct.		Arrival of Participants in Delhi
Monday,	21st Oct	FN AN	Inauguration Review of Cooperative Movements in the Region. Presentation of Country Papers: Bangladesh
Tuesday,	22nd Oct.		Country Papers Contd. China, India, Indonesia
Wednesday,	23rd Oct.	FN AN	Visit to National Cooperative Union of India Visit to National Agricultural Cooperative Marketing Federation of India Ltd.
Thursday,	24th Oct.		Country papers contd. Iran/ Korea / Malaysia
Friday,	25th Oct.		Country Papers contd. Pakistan/Philippines/Sri Lanka
Saturday,	26th Oct.		Country papers (contd) Thailand/Vietnam
Sunday,	27th Oct.		Free / Sightseeing in Delhi. MODULE ON INTEGRATED COOPERATIVE DEVELOPMENT
Monday,	28th Oct.		Introduction to the Concept of Integrated Cooperative Systems (ICS) OHP Transparencies Discussion.



Tuesday,	29th Oct.	Essential Features of ICS. Introduction to AMSAC. Case: Saranga Coop Sugar Factory. Discussion.
Wednesday,	30th Oct.	Concept of Business Planning. Exercises on Business Planning Discussion.
Thursday,	31st Oct	Concept of Business Planning. Case: Don Jeddi's Business Plan. Discussion.
Friday,	1st Nov.	Role of Manager in ICS Case: Royal Multipurpose Cooperative Society (A&B), Discussion.
Saturday,	2nd Nov.	Role of Manager in ICS Case: Rajmani Agrl.Cooperative (A&B) Discussion
Sunday,	3rd Nov.	Visit to Taj Mahal, Agra
Monday,	4th Nov.	Potential for Developing Integrated Projects Discussion.
Tuesday,	5th Nov.	Holiday - Diwali.
Wednesday,	6th Nov.	Holiday - Free
		MODULE ON PLANNING AND MANAGEMENT - I (Computers to be used)
Thursday,	7th Nov.	Basic Cost Concepts, Break Even Analysis. Case: ABC Cooperative. Discussion.
Friday,	8th Nov.	Understanding Financial Statements. Discussion.
Saturday,	9th Nov.	Working Capital Management Case: Mahapalika Rice Mills Company Discussion.
Sunday,	10th Nov.	Free

Monday,	11th Nov.	Resource Allocation Decisions. Case: Planning the Product Mix of Panchatantra Corporation. Case: The Farmers Dilemma Discussion
Tuesday,	12th Nov	Operations Planning and Control. Case: Government Silk Filature, Chilahalli. Discussion.
Wednesday,	13th Nov	Marketing. Discussion
Thursday,	14th Nov.	Marketing. Discussion.
Friday,	15th Nov.	Marketing Discussion.
Saturday,	16th Nov.	Marketing Discussion.
Sunday,	17th Nov.	Free
Monday,	18th Nov.	Cash flows, time value of money. Exercises on Cash flows and time value of money. Discussion.
Tuesday,	19th Nov	Techniques of investment Analysis. Exercises on Investment Analysis. Discussion.
Wednesday,	20th Nov	Investment Appraisal. Discussion.
Thursday,	21st Nov.	Investment Appraisal. Case: Sabitha's Modern Rice Mill Project Discussion
Friday,	22nd Nov.	Location Decisions. OHP Presentation Exercises on Location Decisions. Discussion.
Saturday,	23rd Nov.	Capacity Planning Case: Capacity Problem of Fatehnagar Oil Corporation. Discussion.

Sunday,	24th Nov.	Free MODULE ON PLANNING AND MANAGEMENT (II) (Computers to be used)
Monday,	25th Nov	Network Techniques Exercises on Network techniques. Discussion
Tuesday,	26th Nov.	Comprehensive Case Analysis. Case: Rama Reddy's Rural Develop. Dilemma. Discussion
Wednesday,	27th Nov	Comprehensive Case Analysis. Case: Strawboard Project in Haryana Discussion.
Thursday,	28th Nov	Organisation Design. Case: Phonhong II Coop Society. Discussion.  MODULE ON PROJECT DESIGN ON AGRICULTURAL COOPERATIVE DEVELOPMENT.
Friday,	29th Nov.	Designing Projects, Project Cycle. Case: Agricultural Development Planning in Vientiane. Discussion.
Saturday,	30th Nov.	Guidelines for Project Preparation. Discussion.
Sunday,	01st Dec.	Free
Monday, Tuesday,	02nd Dec & 03rd Dec.	Project Comprehensive Exercises and Presentations. Discussion.
Wednesday,	04th Dec.	Presentations and Summing Up. FIELD STUDY VISITS IN INDIA.
Thursday,	05th Dec.	Leave Delhi for Ahmedabad by morning flight. Stay at IIMA
Friday,	06th Dec.	Visit AMUL, NDDB at Anand.

Saturday,	07th Dec.	Visit to cooperatives near Ahmedabad.
Sunday,	08th Dec.	Travel to Bombay.
Monday,	09th Dec.	Visit Maharashtra State Coop Bank Travel to Nashik.
Tuesday,	10th Dec.	Visit Nashik District Central Cooperative Bank.
Wednesday,	11th Dec.	Visit Adegaon Multipurpose Cooperative Society, Adegaon, Nashik.
Thursday,	12th Dec.	Market Committee at Pimpalgaon. Nashik District Coop Grape Sparkling Wine Factory Ltd., Pimpane, Jaulke wadi, Dindori taluka, Nashik.
Friday,	13th Dec.	Nashik Dist. Coop Fruits and Vegetable Processing Society, Lasalgaon. (VEFCO) Niphad Sahakari Sakhar Karkhana.
Saturday,	14th Dec.	Nashik District Tree Growers Coop Society. (near Niphad)
Sunday,	15th Dec.	Free
Monday,	16th Dec.	Visit Pravara Nagar Cooperative Sugar Factory. Stay at VMNICM, Pune
Tuesday,	17th Dec.&	Workshop on Agricultural Marketing/ Processing at VMNICM
Wednesday,	18th Dec.	
Thursday,	19th Dec.	Visit Katraj Dairy Visit Maharashtra State Cooperative Union., Pune.  Travel to Delhi by evening flight.
Friday,	20th Dec.	Summing up of Part I and Evaluation. ICA Farewell Dinner.
Saturday,	21st Dec.	Departure of Participants to respective countries for Home Country Assignment.

## 6. HOME COUNTRY ASSIGNMENTS;

Monday, 23rd December 1991 to Tuesday, 4th February 1992

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 Bangkok, Thailand. It is expected that these projects, to be finalised towards the end of the training course, will provide a valuable framework for the sponsoring organisations to plan and implement development projects on similar lines for strengthening the structure and functioning of agricultural cooperatives in the respective countries.

## 7. PROJECT APPRAISAL SESSION & FIELD STUDY VISITS IN THAILAND

Wednesday, 5th February to Thursday, 29th February 1992

Wednesday, 5th Feb 92		Arrival of Participants in Bangkok. Stay at Royal Hotel, Bangkok. PROJECT APPRAISAL SESSIONS
Thursday, 6th Feb to Saturday, 8th Feb		Project Appraisal Session at Royal Hotel.
Sunday, 09th Feb		Free
Monday, 10th Feb to Thursday, 13th Feb		Project Appraisal Session contd. FIELD STUDY VISITS IN THAILAND
Friday, 14th Feb		Inauguration at Co-operative League of Thai- land (CLT) Introduction to CLT and Co-operative Move- ment in Thailand.
	AN	Visit to Co-operative Promotion Department (CPD) Thailand
Saturday, 15th Feb.		Visit to Week end Market
Sunday, 16th Feb.		Free
Monday, 17th Feb.	FN	Visit Agricultural Cooperative Federation of Thailand (ACFT)
	AN	Visit to Bank for Agriculture and Agricul- tural Cooperatives (BAAC).

Tuesday, 18th Feb.	FN	Visit Chacherng Sao Agricultural Cooperative Federation Ltd.
	AN	Visit Muang Pad riu Agrl.Coop Ltd
Wednesday, 19th Feb.		Visit to Don Chedi Agricultural Cooperative.Ltd.
Thursday, 20th Feb to Thursday, 27th Feb.		Visit to Nakornratchasima Province. Visit Lam Takong Land Settlement Cooperative Ltd. Visit Nakornratchasima Provincial Agricultural Cooperative Federation Ltd. Visit Dan Khunthod Agrl.Coop Ltd. Visit Kornburi Agricultural Coop. Travel to Udonthani. Visit Nongkai. Travel to Khonkaen Visit Nam Pong Agrl Coop Ltd. Travel to Bangkok.
Friday, 28th Feb.		Panel Discussion at Royal Hotel. ICA Dinner
Sunday, 29th Feb		Group departure for Tokyo.

#### 9. PART II OF TRAINING COURSE IN IDACA, TOKYO, JAPAN

Sunday, 1st March to Friday, 24th April, 1992

Saturday, 29th Feb.		Arrival of participants in Tokyo.
Sunday, 1st March		Free
Monday, 2nd March		Opening Ceremony Introduction to National Federations and Observation of Nokyo Building.
Tuesday, 3rd March		Orientation Contd. Video film on Life in Japan
Wednesday, 4th March		Outline of Agriculture in Japan Discussion.
Thursday, 5th March		Present Situation and Functioning of Agricultural Cooperatives in Japan.
Friday, 6th March		Changes of Rural Communities in Japan Discussion
Saturday, 7th March		Observation of Tokyo Fruits and Vegetables Market

Sunday,	8th March	Free Sightseeing in Tokyo.
Monday,	9th March	Visit to Tsukuigun Primary Agricultural Co-operative.
Tuesday,	10th March	Japanese Experiences of Marketing Business and Distribution System of Agricultural Cooperatives. Discussion.
Wednesday,	11th March	Japanese Experiences on Purchasing Business of Agricultural Cooperatives Discussion.
Thursday,	12th March	Japanese Experiences of Procurement of Farm Management Fund for Member Farmers. (Central Coop Bank) Discussion.
Friday,	13th March	Japanese Experience of Farm Guidance Activities and Better Living of Agricultural Cooperatives. Discussion.
Saturday,	14th March	Group discussion.
Sunday,	15th March	Leave Tokyo for Kumamoto Prefecture for Study Visits.
Monday,	16th March	Visit to Kumamoto Prefectural Union of Agricultural Cooperatives and Economic Federation.
Tuesday,	17th March	Visit to Agricultural Cooperative I
Wednesday,	18th March	Observation agricultural facilities in the Prefecture.
Thursday,	19th March	Visit to Agricultural Cooperative - II
Friday,	20th March	Observation in the Prefecture. National Holiday.
Saturday,	21st March	Return to Tokyo.
Sunday,	22nd March	Free
Monday,	23rd March	Case Study on Better Living Activities. Discussion.

Tuesday,	24th March	Japanese experiences on agro-processing by agricultural cooperatives. Discussion.
Wednesday,	25th March	Case Study on Some Excellent Producers Groups. Discussion.
Thursday,	26th March	Presentation of Measures for Organising Regional Farm Management Groups. Discussion.
Friday,	27th March	Case Study on Operation of Commoditywise Groups. Discussion.
Saturday,	28th March	Group Discussion.
Sunday,	29th March	Free
Monday,	30th March	Agricultural Structure Improvement Projects for Vitalization of Agriculture and Rural Communities. Discussion.
Tuesday,	31st March	Case Study by ICA Resource Person - I
Wednesday,	1st April	Case Study by ICA Resource Person - II
Thursday,	2nd April	Measures for Strengthening Management Foundation of Agricultural Cooperatives. Discussion.
Friday,	3rd April	Presentation on Measures for Drafting Regional Agricultural Promotion Plan (RAPP) and Business Plan of Agricultural Cooperative
Saturday,	4th April	Group Discussions on the above subject.
Sunday,	5th April	Free
Monday,	6th April.	Leave Tokyo for Shizuoka Prefecture for study visits.
Tuesday,	7th April	Visit the Shizuoka Prefectural Union of Agricultural Cooperatives. Observation of Facilities of Shizuoka Prefectural Economic Federation.



Wednesday, 8th April	Visit to Agricultural Cooperative - I
Thursday, 9th April	Visit to Agricultural Cooperative - II
Friday, 10th April	Move to Kyoto for sightseeing.
Saturday, 11th April	Move to Tokyo.
Sunday, 12th April	Free
Monday, 13th April	Review of Field Study Visits. Group Discussions.
Tuesday, 14th April	Presentation of Publicity Activities of Agricultural Cooperatives. Discussion.
Wednesday, 15th April	Presentation on Price Stabilisation Measures for Agricultural and Livestock Products. Discussion
Thursday, 16th April	Presentations on Agricultural Loss Compensation Schemes. Discussion.
Friday, 17th April	Outline of Consumer Cooperatives in Japan Discussion. Outline of Fishery Cooperatives in Japan. Discussion.
Saturday, 18th April	Group Discussion.
Sunday, 19th April	Free
Monday, 20th April	Presentations on Agricultural Extension. Discussion
Tuesday, 21st April	Group discussion.
Wednesday, 22nd April	Report Writing / Revision of Projects
Thursday, 23rd April	Report writing / Revision of Projects
Friday, 24th April	Evaluation and Closing Ceremony
Saturday, 25th April	Move to Peoples Republic of China for Study Visits to Agricultural Cooperatives in China.

## 9. FIELD STUDY VISITS IN THE PEOPLES REPUBLIC OF CHINA

Sunday, 26th April to Sunday, May 10, 1992

Saturday,	25th April 1992	Participants arrive in Beijing from Tokyo
Sunday,	26th April	Local sight seeing.
Monday,	27th April	Inauguration. Introduction to Agricultural Cooperatives in China (Credit, Marketing and Supply).
Tuesday,	28th April	Xiang He County Cooperative Complex Duck raising project. Overnight stay.
Wednesday,	29th April	San He County Cooperative Union (Poultry and feed mill complex) Travel by night train to Jinan, Shandong Province.
Thursday,	30th April	Briefing by Shandong Provincial Federation.
Friday,	1st May	Sight Seeing. National Holiday. (May Day) Move to Linju
Saturday,	2nd May	Visit Apple Cooperative Supply & Marketing Coop. Research Centre - Chick rearing.
Sunday,	3rd May	Move to Weihai. Briefing.
Monday,	4th May	Cooperative Poultry Complex.
Tuesday,	5th May	Shangnang County Vegetable and Farming Complex.
Wednesday,	6th May	Zhuchong Animal Husbandry and Vegetable Production Cooperative.
Thursday,	7th May	Observe facilities.
Friday,	8th May	Return to Beijing by Train. Sight seeing.
Saturday,	9th May	Closing and Evaluation ICA Farewell Dinner.
Sunday,	10th May	Departure of participants to 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.
- 10.7 Audio-visual aids will be used where appropriate.

## 11. RESOURCE PERSONS;

Resource persons for the Indian Part of the course will be drawn from the ICA Regional Office, the Vaikunth Mehta National Institute of Cooperative Management, Pune; the Indian Institute of Management, Ahmedabad; the Maharashtra State Cooperative Union, Pune. and others. Services of resource persons / specialists in different fields will also be obtained wherever necessary.

For Part II of the Course in Japan, the resource persons will be recruited through IDACA from the Japanese Agricultural Cooperative Movement and other National Federations.

For the Project Appraisal Sessions in Bangkok, resource persons will be drawn from ICA, IDACA, IIMA, CLT and CPD.

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

The All China Federation of Supply and Marketing Cooperatives of the Peoples Republic of China will provide resource persons for the field visits programme in that country.

## 12. ACCOMMODATION:

New Delhi, India

Rajdoot Hotel  
Mathura road, New Delhi 110 014  
Telephone: 699583 (10 lines)  
Telex: 031-74129 RJTH. IN

During field visits in India

Indian Institute of Management,  
IIMA Hostel, Vastrapur,  
Ahmedabad. 380 056. Gujarat State  
Phone: 407241 (30 lines)  
Telex: 121 6351 IIMA In.  
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Vaikunth Mehta National Institute of Co-  
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Hotel Green View, Trimbek road,  
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Bangkok, Thailand

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Beijing, China.

To be arranged.

### 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. For further details, please contact:

Mr M.V. Madane  
Project Director

OR

Mr A.H.Ganesan  
Project Assistant

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SIXTH ICA/ JAPAN TRAINING COURSE  
FOR STRENGTHENING OF MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA, 1991-92

October 21, 1991 - May 10, 1992

LIST OF PARTICIPANTS

- Bangladesh
1. Mr Sudhir Chandra Das,  
Sr Asst Manager,  
Bangladesh Milk Producers Coop Union.  
139-140, Tejgaon Industrial Area,  
Dhaka. 1208. Bangladesh.
- China
2. Mr Zhang Guang Lun,  
Foreign Trade and Economic Relations Dept  
Shaanxi Provincial Supply and Marketing  
Cooperative Union,  
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Shaanxi Province. China.
  3. Ms Liu Quan,  
Foreign Trade Dept  
Shanghai Federation of Supply & Marketing  
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Shanghai. 200 001. China.
- India
4. Dr R.N.Kundu  
Area Agronomist  
Indian Farmers Fertilizers Cooperative Ltd.  
33 Defence Colony,  
Hissar. 125 001. Haryana. India.
  5. Mr V.S.Sidhu  
Joint Registrar  
Office of Registrar of Cooperative Societies,  
Government of Himachal Pradesh,  
Khalini, Shimla 171 002.  
Himachal Pradesh. India.

- Indonesia 6. Mr Johny Prilyana  
Staff, National Union of Dairy Cooperatives  
C/o Dewan Koperasi Indonesia  
Wisma Koperasi, Jl.letjen S Parman  
Kav.8-0. Lt II, Slipi,  
Jakarta 11420 Indonesia.
- Iran 7. Mr Mohammad Reza Gramipour  
Managing Director,  
Union of Rural Coop. Corporations of Teheran State  
C/o Central Organisation for Rural Cooperatives of  
Iran,  
735 Valli e asr, PO Box 14155-6569  
Teheran. Iran.
- Rep.of Korea 8. Mr Hyun Keun Myung  
Staff, Farm Management Division,  
Rural Development Dept,  
National Agricultural Cooperative Federation,  
75, l ka, Choongjong ro, Jung Ku,  
Seoul. Korea.
9. Mr Won Tae Kim  
Staff, Intl Cooperation Dept,  
National Livestock Cooperative Federation,  
451 Sungnae dong, Kangdong Gu,  
Seoul.134 030. Korea.
- Malaysia 10. Mr Rofien Sapiin,  
Admn.Officer, Kesedor HQs,  
18300 Gua Musang, Kelantan.  
Malaysia.
- Pakistan 11. Mr Gul Muhammad,  
Asst Director  
Federal Bank for Cooperatives,  
PO BOX 1218,  
Islamabad. Pakistan.
- Philippines 12. Ms Belma H Sales,  
Manager,  
Coop Rural Bank,  
Capital Hills, Batangas city.  
Philippines.

- Sri Lanka      13. Mr Ananda Walisinghe  
 Supplies and Marketing Manager  
 Cooperative Marketing Federation of Sri Lanka,  
 127 Grandpass Road,  
 Colombo. 14 Sri Lanka.
- Thailand      14. Mr Pronchadin Potiya,  
 Manager  
 Maetaeng Agricultural Cooperative Ltd,  
 133, Moo 3, Tumbol Sanmahaphol,  
 Ampure Maetaeng,  
 Chiangmai, Thailand.
- Vietnam      15. Mr Nguyen Quoc Tuy  
 Head, International Department  
 Central Council of Vietnam Supply and Marketing  
 Cooperatives  
 77, Nguyen Thai Hoc Street  
 Hanoi. Vietnam.
- Project Director      Mr M.V.Madane
- Project Assistant      Mr A.H.Ganesan  
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 International Cooperative Alliance  
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**SIXTH ICA/ JAPAN TRAINING COURSE  
FOR STRENGTHENING OF MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA, 1991-92**

October 21, 1991 - May 10, 1992

**LIST OF PARTICIPANTS**

- |            |   |
|------------|---|
| Bangladesh | 1. Mr Sudhir Chandra Das,<br>Sr Asst Manager,<br>Bangladesh Milk Producers Coop Union.<br>139-140, Tejgaon Industrial Area,<br>Dhaka. 1208. Bangladesh.   |
| China      | 2. Mr Zhang Guang Lun,<br>Foreign Trade and Economic Relations Dept<br>Shaanxi Provincial Supply and Marketing<br>Cooperative Union,<br>81, 7th West Road, Xi' An.<br>Shaanxi Province. China.<br><br>3. Ms Liu Quan,<br>Foreign Trade Dept<br>Shanghai Federation of Supply & Marketing<br>Cooperatives<br>No.1, Lane 353, Najing Road (East)<br>Shanghai. 200 001. China. |
| India      | 4. Dr R.N.Kundu<br>Area Agronomist<br>Indian Farmers Fertilizers Cooperative Ltd.<br>33 Defence Colony,<br>Hissar. 125 001. Haryana. India.<br><br>5. Mr V.S.Sidhu<br>Joint Registrar<br>Office of Registrar of Cooperative Societies,<br>Government of Himachal Pradesh,<br>Khalini, Shimla 171 002.<br>Himachal Pradesh. India.   |

- Indonesia 6. Mr Johny Prilyana  
Staff, National Union of Diary Cooperatives  
C/o Dewan Koperasi Indonesia  
Wisma Koperasi, Jl.letjen S Parman  
Kav.8-0. Lt II, Slipi,  
Jakarta 11420 Indonesia.
- Iran 7. Mr Mohammad Reza Gramipour  
Managing Director,  
Union of Rural Coop. Corporations of Teheran State  
C/o Central Organisation for Rural Cooperatives of  
Iran,  
735 Valli e asr, PO Box 14155-6569  
Teheran. Iran.
- Rep.of Korea 8. Mr Hyun Keun Myung  
Staff, Farm Management Division,  
Rural Development Dept,  
National Agricultural Cooperative Federation,  
75, l ka, Choongjong ro, Jung Ku,  
Seoul. Korea.
9. Mr Won Tae Kim  
Staff, Intl Cooperation Dept,  
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# International Cooperative Alliance



43, Friends Colony, New Delhi-110065, India

6th ICA JAPAN Training Course for Strengthening Management  
of Agricultural Cooperatives in Asia, 1991-1992

(21st October 1991 — 10th May 1992)  
INDIA — THAILAND — JAPAN — CHINA



**Sudhir Chandra Das,**  
Bangladesh  
Bangladesh Milk Producers  
Coop Union.



**Zhang Guang Lun,**  
China  
Shaanxi Provincial Supply  
and Mktg. Coop. Union.



**Liu Quan,**  
China  
Shanghai Fedn. of  
Supply & Mktg. Coop.



**R.N. Kundu**  
India  
Indian Farmers  
Fertilizers Coop. Ltd



**V.S. Sidhu**  
India  
Office of Registrar  
of Coop. Societies,



**Johnny Prilyana**  
Indonesia  
National Union of  
Dairy Coops.



**Mohammad Reza Gramipour**  
Iran  
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Rep. of Korea  
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Federation.



**Won Tae Kim**  
Rep. of Korea  
National Livestock Coop.  
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**Rofien Sapiin**  
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**Gul Muhammad**  
Pakistan  
Federal Bank for  
Cooperatives



**Belma H Sales**  
Philippines  
Coop Rural  
Bank.



**Ananda Walisinghe**  
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Coop. Marketing Fedn  
of Sri Lanka.



**Pronchadin Potiya**  
Thailand  
Maetaeng Agri.  
Coop. Ltd.



**Nguyen Quoc Tuy**  
Vietnam  
Central Council of Vietnam Supply  
and Mktg. Cooperatives



**M.V. Madane**  
Project Director  
International  
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Regional Office for  
Asia & the Pacific

SIXTH ICA JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA, 1991/92

OCTOBER 21, 1991 - MAY 10, 1992

INAUGURAL FUNCTION ON MONDAY, 21ST OCTOBER 1991

PROGRAMME

10.00 A.M.

Welcome Address by

by Mr M.V.Madane,  
Project Director,  
ICA JAPAN Management Training Project

Inaugural Address

by His Excellency Shunji Kobayashi  
Ambassador of Japan in India.

Address

by Dr Svetlomir Ivanov Zakhariiev  
FAO Representative in India and Bhutan.

Vote of Thanks

by Mr Karl Fogelstrom  
Senior Development Adviser, ICA ROAP

Tea



Regional Office for  
Asia & the Pacific

21st October 1991

WELCOME ADDRESS by Mr M.V.Madane, Project Director,  
at the Inaugural Session of the Sixth ICA Japan  
Training Course for Strengthening Management of  
Agricultural Cooperatives in Asia,  
New Delhi.

21st October 1991

Your Excellency Ambassador Shunji Kobayashi,  
Your Excellency Dr Zakhariev,  
Distinguished Guests,  
My colleague Mr Fogelstrom,  
Fellow Participants,  
ICA Colleagues,  
Ladies and Gentlemen:

I am privileged to welcome you all to the International Cooperative Alliance and to the Inaugural Session of the Sixth ICA Japan Training Course for Strengthening Management of Agricultural Cooperatives in Asia.

The International Cooperative Alliance, popularly known as the ICA, is one of the oldest of non-governmental international organisations. It is a world-wide confederation of cooperative organisations of all types. Founded by the International Cooperative Congress held in London on 18th August 1895, it now has affiliates in 77 countries, serving over 648 million members at the primary level. There are 195 national and ten international level cooperative organisations from all over the world in the membership of the Alliance. It is the only international organisation entirely and exclusively dedicated to the promotion of Cooperation in all parts of the world.



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ICA works in close collaboration with and enjoys the right of participation in meetings and development work of the United Nations Specialised Agencies such as the ILO, FAO and UNESCO, and holds consultative Status of Category I in the United Nations Economic and Social Council (UN ECOSOC).

Besides its Head Office which is in Geneva, ICA has four regional offices (i) the Regional Office for Asia and the Pacific in New Delhi, (established in 1960); (ii) the Regional Office for East, Central and Southern Africa at Moshi, Tanzania (established in 1968); the Regional Office for West Africa at Abidjan, Ivory Coast (established in 1979) and the Regional Office for Central America and Caribbean at San Jose, Costa Rica (established in 1990).

The ICA Regional Office for Asia and the Pacific in New Delhi was formally inaugurated by the then Prime Minister of India, Pandit Jawaharlal Nehru, on 14th November 1960.

54 national level organisations from 19 countries representing nearly 400 million individual cooperators are in the membership of the ICA from the Asian and Pacific Region. These countries are : Afghanistan, Australia, Bangladesh, China, Fiji, India, Indonesia, Iran, Japan, Democratic Peoples Republic of Korea, Republic of Korea, Malaysia, Pakistan, the Philippines, Singapore, Sri Lanka, Thailand, USSR and Vietnam.



ICA Objectives:

- a. to be the universal representative of cooperative organisations of all types which, in practice observe the Cooperative Principles, as set out in Article 8 of the Rules and Standing Orders;
- b. to propagate cooperative principles and methods throughout the world;
- c. to promote Cooperation in all countries;
- d. to safeguard the interests of the Cooperative Movement in all its forms;
- e. to maintain friendly relations between the affiliated organisations;
- f. to promote economic relations between the cooperative organisations of all types, nationally and internationally;
- g. to assist the promotion of the economic and social progress of the people of all countries, and
- h. to work for the establishment of lasting peace and security.

Towards the fulfilment of these objectives, the Regional Office promotes exchange of information and experiences, assists in project identification and formulation, encourages establishment and development of apex organisations and organises seminars, conferences, and special meetings on varied subjects.



Regional Office for  
Asia & the Pacific

In deciding upon its priorities in development programmes, the Regional Office is guided by a Regional Council and several specialised committees consisting of representatives from the regional cooperative movements.

Because of its size and the richness of its cooperative experience the Asian region is now receiving greater attention of the world cooperative community. The next Congress of the ICA is to be held in Tokyo, Japan, during October 1992. This is the first time that the ICA is holding its Congress on the Asian continent. Preservation of basic cooperative values and protection of environment are the two major themes to be debated at this Congress.

ICA Projects for development are funded by cooperative movements and governments across the six continents.

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

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



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Asia & the Pacific

is that mid-way into the programme, the participants return to their home countries to prepare cooperative development projects and then return for the remaining part of the training with these projects. These projects will later be appraised in Bangkok at an appraisal session during the first week of February 1992. It is heartening to note that some of the projects prepared during the last five years are being implemented through their respective organisations.

I believe the follow up of the training programme is equally important in order to ensure that the fruits of our training reach the cooperative member farmers. ICA is therefore constantly endeavouring to identify sources which could help the member organisations in implementing these projects. During the Project Appraisal Session held in Bangkok in February 1991 in which all related U.N. agencies and donor organisations were present, discussions centered on locating sources of funds and technical assistance to several projects found economically viable and of great value to the concerned cooperative members.

Excellencies, Ladies and Gentlemen, I am glad to mention here that during the past five years, the ICA has developed very close collaboration with the Central Union of Agricultural Cooperatives of Japan and the Ministry of Agriculture, Forestry and Fisheries of the Government of Japan, in promoting and implementing this Project. From the indications received so far, I believe we shall be able to continue this programme for years to come. This has been aptly demonstrated by the addition of a



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new Project for the training of rural women leaders in the Asian Region. For this kind support and consideration, I would like to place on record our sincere thanks to the Government of Japan and to the Central Union of Agricultural Cooperatives in Japan and hope that this collaboration will be further strengthened in future.

I am grateful to you, Your Excellencies, to all the Distinguished Guests and participants for attending this Inaugural Function.

Thank You.

STATEMENT BY AMBASSADOR SHUNJI KOBAYASHI  
AT THE OPENING CEREMONY OF  
THE SIXTH ICA-JAPAN TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL CO-OPERATIVES IN ASIA  
ON 21 OCTOBER 1991 AT THE ICA HEADQUARTERS, NEW DELHI

It gives me a great pleasure to take the floor at this welcome occasion of the inauguration of the Sixth ICA-Japan Training Course for Strengthening Management of Agricultural Co-operatives in Asia.

As is well known, agriculture is an essential sector of any national economy playing extremely important roles not only in supplying basic foodstuff to the nation, but also in contributing to safeguarding the environment of the land and securing job opportunities for the population. In developing countries of Asia from 60 to 80 per cent of the Gross National Products is accounted for by agriculture, and the contribution by the agricultural sector to the uplifting of national welfare and the economic growth is proportionately greater.

At the same time it is growingly crucial for these countries to ensure the increased production of food grains commensurate to the population growth through the improvement of infrastructure for agricultural production and the introduction of high-yielding improved varieties. It is equally important to stabilize the farm management through, among others, the promotion of co-operatives activities.

Under these circumstances it is extremely opportune and significant that this training course designed to contribute to the qualitative and quantitative improvement of agricultural

co-operatives movement, now the sixth of its series, is being organized under the auspices of ICA in close collaboration with a number of Asian countries.

The Japanese Government and the co-operatives organizations in Japan take great pleasure in having another opportunity to contribute to the agricultural development in the Asian region through the strengthening of agricultural co-operatives. I may assure you that we will continue to extend to you all possible co-operation in years to come.

Before concluding, may I express my sincere hope that each one of the participants present here this morning will fully benefit from the training course now inaugurated.



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SIXTH ICA JAPAN TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL COOPERATIVES IN ASIA  
OCTOBER 21 , 1991 - MAY 10, 1992

REGISTRATION FORM FOR PARTICIPANTS

1. Name
2. Father's Name
3. Mother's name
- Wife/Husband's name:
4. Address : Official : Designation :

Address:

Personal Contact Address:

Telephone Nos.                      Office                                      Residence:

5. Name of birth

6. Place of birth

7. Passport No.

Issued at:

Issued On

Valid Until:

8. Indian Visa No.

Issued at:

Date of Issue

Valid Until:

Restrictions on visa, if any



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9. Name of airlines issueing ticket

Ticket no.

Flights Confirmed:

Flights yet to be confirmed:

10. Documents brought:            30 copies of country paper  
  case study  
  any other material

11. Teaching aids if any:            Slides  
  Video cassette  
  audio cassette

12. Others:                            Hobby equipments  
  National dress

Date

Signature.





Regional Office for  
Asia & the Pacific

Sixth JTC/91-92  
1991

21st October

SIXTH ICA JAPAN TRAINING COURSE ON  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
OCTOBER 21, 1991 - MAY 10, 1992

DIVISION OF GROUPS

GROUP A

Mr Sudhir Chandra Das, Bangladesh  
Mr V.S.Sidhu, India  
Mr Won Tae Kim, Korea  
Ms Belma H Sales, Philippines  
Mr Pronchadin Potiya, Thailand

GROUP B

Mr Mohd. Reza Gramipour, Iran  
Mr Johnny Prilyana, Indonesia  
Dr R.N.Kundu, India  
Mr Rofien Sapiin, Malaysia  
Ms Liu Quan China.

GROUP C

Mr Zhang Guang Lun, China  
Mr Gul Muhammad, Pakistan  
Mr Anand Welisinghe, Sri Lanka  
Mr Nguyen Quoc Tuy, Vietnam  
Mr Hyun Keun Myung, Korea.

SIXTH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL CO-OPERATIVES IN ASIA  
1991-92.

CASE STUDY  
ON  
HATURIA-JAGANNATHPUR PRIMARY  
MILK PRODUCER'S CO-OPERATIVE SOCIETY LIMITED.

SUDHIR CHANDRA DAS  
SENIOR ASSISTANT MANAGER  
BANGLADESH MILK PRODUCER'S CO-OPERATIVE UNION LIMITED.  
139-140, TEJGAON INDUSTRIAL AREA  
DHAKA, BANGLADESH.

CASE STUDY  
ON  
HATURIA-JAGANNATHPUR PRIMARY  
MILK PRODUCER'S CO-OPERATIVE SOCIETY LIMITED.

Haturia-Jagannathpur Primary milk Producer's Co-Operative Society Limited Code No.231 is an affiliated Primary Society of Bangladesh Milk Producer's Co-Operative Union Ltd in Bera Upazilla under Pabna District.The Society is Situated in a remote area of about 5 km from the Upazilla head quarter. There about 13000 people live in Haturia and Jagannathpur.

Most of the people of this area are farmers. They live on agricultural income.From ancient time,the villagers rear livestock for ploughing land and for milk production. Some marginal farmers have also Cattle. There was no organised milk market in this area. The villagers sold their milk to the local market. In the local market, milk price was controlled by the middleman and vendors who purchased milk at a monopoly price and milk price was fifty percent less than that of district town and other urban areas. In the month of February and March due to abundant milk production price was going so down as it was 50% less than the production cost.

In mid 60's a dairy plant was set up at Lahirimohanpur under Ullapara Upazilla about 40 km from this area and some Co-Operative Societies were also formed to supply milk to that plant.

In 1973, some dedicated social workers of Haturia-Jagannathpur area motivated farmers to organize a milk producer's Co-Operative Society through which they will supply milk to the Lahirimohanpur Dairy Plant for better milk price.

The leading social workers contacted the local Office of Co-Operative Department to form a co-operative society in this area. Accordingly, a milk society named "Haturia-Jagannathpur Primary Milk Producer's Co-Operative Society Limited" was formed with the milk producing farmers of Haturia and Jagannathpur village of Bera Upazilla. As per existing co-operative rules and by laws the society was registered on 30.10.1973 in the office of the Assistant Register of Co-Operative Societies, Pabna.

Objectives of the Society.

- To help farmers practising, rearing of high yielding Cattle for milk Production.
- To give Credit to the farmers for purchasing of high yielding Cattle.
- To help farmers for their animal treatment, Vaccination, fodder development and in artificial insemination.
- To Supply Cattle feed at a reasonable price and to arrange pastureland.
- To arrange transportation facilities for milk Collection, Sale and to set up milk cooling machinery at society level.
- To create awareness among farmers about pure milk supply and to ascertain its quality.
- To motivate farmers in savings deposit and to reduce the unnecessary expenses.
- To motivate members for education of their children and encourage self help practice .
- To develop better communication for rural people and to motivate them in development activities.

Activities of the Society.

The society is governed by a Managing Committee(MC) of six members consisting of one Chairman, one Vice-Chairman and four directors. The Managing Committee members are elected for two years by the member-farmers of the society. The managing Committee is responsible for overall development of the society. For smooth functioning of the society, the managing committee in consultation with central union appoints-

- One Secretary-Cum-Manager for up keeping the Office records, banking transaction and milk bill payment to the Producer's.
- One Delivery assistant for milk purchase and quality test.
- One Artificial inseminator and veterinary first aid worker for veterinary first aid and artificial insemination works.
- One or two casual labour for transportation of milk to the delivery point and other works.

Every morning and evening the villagers bring their milk to the society office, the delivery assistant records the quantity in the purchase register and also in the daily milk sale pass book of the farmers for subsequent payment. In peak season daily milk collection is about 800-1000 litres which declines to 100 litres in lean. Milk is then transported to central union's dairy plant for processing. Sometimes milk quality is tested in the society office and price is paid on the fat contents of the milk. Some needy farmers take daily payment (Milk of the previous day ).

Most of the farmers are paid on every 8 days interval when 8 days milk bill is paid from central union. Farmers' milk bill payment is also recorded in their milk selling pass book.

Sometimes thrift deposit is collected from the farmers for their future savings, The farmers may take return of their thrift deposit according to need.

The society is paid two types of milk price from the central union, one is for the growers and another is for the society on the basis of fat contents of the supplied milk. The society milk price is about Tk: 0.60-0.70 higher than the growers price which is called commission of the society. From this excess commission, the society meet up salary of its paid employees stationary cost and other daily expenses.

Inspite of all expenses, the society earns a net profit of its milk business in every year which is distributed as dividend to its members, employees bonus, village development funds, Co-Operative development fund, Societies reserve fund. etc in the Annual General Meeting (AGM ) according to co-operative rules.

In every month, the MC members sit in a meeting at its office to discuss the overall activities of the society and its decisions are explained to the members at milk collection time by the Secretary-Cum-Manager. Producer's facing any problem for milk bill payment discuss it with the Chairman or MC members and even to the officers of central union for immediate solution.

The member-villagers bring their heaved cows and other sick animals at the treatment centre of the society for artificial insemination and treatment regularly.

Present Position-

No. of Members- 205 ( one from each family ).  
Cattle population- 1300 ( Members ).  
Members share Capital- Tk-2340.00 (Tk 10 per share )  
Thrift deposit Tk:57,241.90  
Share purchase in central society(BMPCUL) 1,73,426.30  
Cattle Development fund deposit in Central Union-247096.50  
Date of last AGM- 30.11.89.  
Land purchased 0.62 acre- value Tk:100000.00  
Hand pump tubewell - 1 No.  
Cattle treatment trevice - 1 No.  
Building 2Nos.(One for Office & another for industry )  
Value Tk:2,00,000.00  
Television : 2 Nos.  
Furniture fixtue Tk:15000.00  
Net Profit eared<sup>n</sup> in 1989-90 - Tk:53,342.81

Problems in management of the Society.

- \* Non availability of pasture land leads acute fodder scarcity from July to December and milk production is going down. During this period it is very difficult to run the society with less quantity of milk supply.
- \* In adequate supply of veterinary medicines and vaccines from Central Union (BMPCUL ) hampers cattle health programmes for which it is very difficult for most of the farmer members to cure their sick animals by procuring medicines from local markets.
- \* Post partum anoestrus problem is a major constraint for increased milk production in the society.

- \* Gradual decrease of high yielding Cows in the society results decrease in milk production.
- \* Non availability of low interest rate credit from bank for cattle purchase.
- \* Some illiterate farmers are ignorant about the Co-Operatives and their right in the society.
- \* Thrift deposit collection is not satisfactory and there is no separate bank account for thrift deposit, share capital and reserve fund of the society. Thrift deposit ledger is not maintained properly.
- \* Milk quality test of the individual farmers not done regularly in the society and price is paid on average fat percent which stimulate adulteration practice by some farmers.
- \* No milk chilling or Cooling facilities are available in the Society which results milk sourage problem.
- \* Vouchers are not recorded properly in the society, cash in hand of the secretary cum manager is always excess to the actual requirements which is the violation of co-operative rules.
- \* The Present trading commission from Central Union is not enough to meet up the pay and allowances of the employees and other expense of the Society.



SIXTH ICA/JAPAN TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL CO-OPERATIVES IN ASIA 1991-92.

A CRITICAL EXAMINATION OF AGRICULTURAL ( DAIRY )  
CO-OPERATIVES, THEIR ORGANISATIONAL STRUCTURES,  
MANAGEMENT PRACTICES AND PROBLEMS IN BANGLADESH.

SUDHIR CHANDRA DAS  
SENIOR ASSISTANT MANAGER  
BANGLADESH MILK PRODUCER'S CO-OPERATIVE UNION LIMITED  
139-140 TEJGAON INDUSTRIAL AREA, DHAKA-1208  
B A N G L A D E S H.

## COUNTRY PAPER.

Bangladesh is an agrobased riverine developing country in the South-East Asia. It is located in between 20.34 and 26.38 North latitude and between 88.01 and 92.48 East longitude with an area of 1,43,998 square kilometres. The country is surrounded by India in west, north and east, Burma in South eastern frontier and the Bay of Bengal in the Southern irregular deltaic coast.

There are 108 million of Population in Bangladesh of which male is 55.6 and female is 52.4 million and density per square kilometre is 550. The percentage of urban population is 24.91 and rural is 75.09. The birth and death rate per thousand are 33.00 and 11.40 respectively and annual population increase per thousand is 21.60. More than 98% of the people speak in Bengali, English is also widely used in Bangladesh. Literacy rate is about 24%.

There are mainly three seasons in Bangladesh Viz, Summer, Rainy season and winter though there is Autumn, Late autumn and spring also.

The cultivable land of Bangladesh is about 8160957 hectares and each farm area is 0.81 hectares. Fragmentation of land on gradual family division is an obstacle for mechanised cultivation in Bangladesh.

Livestock is reared mainly for ploughing and other draught purposes. Milk, Meat, hides & skin come as live stock by products. The main agricultural crops are rice, Jute, Tea, Sugarcane, Potato, Tobacco Pepper and oil seeds. Various types of tropical fruits and vegetables are also produced here.

The gross domestic product (GDP) of the country at constant market price is 490883 million Taka with annual rise of 2.52% and the Gross National Product (GNP) is 455914 million Taka with an annual rise of 2.22%. The gross domestic product of milk and milk products is 3538 million Taka. Per capita income is 4332 Taka (112 US dollar).

( Source-Bangladesh Bureau of statistics- 1990 & Census- 1991).

### Background of Co-operatives in Bangladesh.

In undivided India, Co-operative credit societies Act-1904' was passed in 1904 by the British Government. Bengal Provincial Co-operative Bank was established in 1922. In 1940, Bengal Co-operative societies act was passed to strengthen Co-operative movement.

East Pakistan Provincial Co-operative Bank was established in 1948 by the joint venture of co-operators and the Government. In 1960, Mr. Akhter Hamid Khan introduced two tier Co-operative System in Comilla which he later reorganised as "Comilla District Integrated rural Development programme CDIRDI ". To extend this two tier Co-operative system throughout the country, Integrated Rural Development Programme IRDP was established.

After the independence of Bangladesh in 1971, Various Co-operative societies like Fisherman, Sugarcane, Handloom, Weavers, Milk etc were organised to improve the socio-economic condition of the people.

Present position of Co-operative societies in Bangladesh.

* No of National Co-operative society	12
* No of Central Co-operative society	1063
* No of Primary Co-operative society	118,900
* Total No of Co-operative society	119975
* No of Members	6770131
* Share Capital	591.13 million Taka.
* Thrift Deposit	984.63 million Taka.
* Reserve Fund	138.96 million Taka.
* Fixed assets	2808.15 million Taka.
* Invested Financial assets	3308.26 million Taka.
* Fixed Deposit	1196.36 million Taka.

( Source-Short interim Annual Report of the Co-operative Department of Bangladesh 1990-1991 ).

Dairy Co-operatives:-

There are some milk Pocket areas in Bangladesh from long before of which Lahirimohanpur & its surrounding area in greater Pabna district are one of them. This area was known for its abundant supply of milk before the Partition of India. After the partition of India, in 1952 Mr. Mukhlesur Rahman a Philanthropist set up a private dairy plant at Lahirimohanpur. Later he reorganized the private owned dairy plant to a co-operative organization in the name of Eastern Milk Producer's Co-Operative Union Ltd in 1965. Mr. Mukhlesur Rahman is the Pioneer of dairy Co-operatives in Bangladesh.

Initially 100 Nos of Milk Producer's Co-operative societies formed to supply milk to that Co-operative Dairy Plant. The Government of Bangladesh in its first Five year Plan (1973-78) decided to establish a Co-operative Dairy Industry similar to AMUL of India based upon collection of milk through a net work of milk producer's Co-operative societies in 4 milk pocket areas. The basic idea is to organise primary Dairy Co-operative societies of the small, landless and marginal milk producer farmers to give reasonable milk price and to supply hygienic milk in the urban areas thus to create a year round milk market for the growers. By this time the Government also took over the responsibilities of Eastern Milk Producer's Co-operative Union Ltd. In 1978 the name of Eastern Milk Producer's Co-operative Union Ltd is changed to Bangladesh Milk Producer's Co-operative Union Ltd (BMPCUL). In the first five year Plan 4 rural and one market Dairy Plants were commissioned in -

<u>Place</u>	<u>Nature of Plant</u>	<u>Dairy Processing Capacity</u>	
Dhaka (Mirpur)	Milk and Ice-Cream Processing (Market Plant)	60,000	Litres.
Tangail	Milk Chilling	10,000	"
Manikgonj	Milk Chilling	10,000	"
Takerhat	Milk Pasteurization	25,000	"
Baghabarighat	Milk Product Processing	50,000	"

The total investment cost of the Project amounts to Taka 155.61 million of which Taka 94.54 million was financed by the government through the Ministry of local government Rural Development and Co-operative. The rest of Taka 61.07 million was received from the Danish government and other International Agencies. Ministry of Live Stock & Fisheries was associated in the first phase for Cattle Development Programme. A Cattle Development Programme sponsored by the Government of Australia was operated in Baghabarighat Milk Shed Area till 1982. FAO of the United Nations also associated with BMPCUL for Live Stock and Dairy Development Programme which wind-up in mid 1989. All costs of Live stock Development and some dairy equipments were also meet up from the FAO Project.

The main Products of the organisation are Butter, Powder Milk, (FCMP and SMP), Various types of Ice-Cream, Pasteurized Liquid Milk, Ghee (Clarified butter), Flavoured milk and lassi. These are marketed under the brand name of "Milk-Vita."

Problems.

The objectives of Dairy Co-operatives could not<sup>be</sup> achieved due to factors like-

1. Lack of Milk Policy in the country and no Dairy development board had yet been set up to implement a suitable milk policy for the country.
2. Unrestricted import of milk Powder and milk Products at a subsidised rate which is cheaper than the local milk and milk Products hampers the local milk production and growth of dairy industry.
3. Poverty and illiteracy of the Co-operators Confined them in superstition and hampers the Co-Operative movement.
4. Shortage of Pasture land which leads to acute fodder scarcity particularly from July to December when milk Production declines rapidly.
5. Withdrawal or Wind up of the donor agencies from BMPCUL hinder the Cattle development activities like animal health care, breeding and fodder development Programme which is a Predisposing factor for increased milk Production.
6. Gradual decrease of high yielding Cows in the Milk Shed Areas due to fodder scarcity and owners poverty results decrease in milk Production.
7. Undemocratic management in the Co-operative society is a limiting factor for the development of Co-operative activities.
8. Limitation of Credit facility for the Producer farmer in lean season (July to December) diverse them to Private traders and money lenders for credit and selling their milk at a flat price for the lactation period which arrests the Co-operative success.
9. Budget Provision of huge expenditure in unproductive sectors instead of productive one declines the progress of development.

The following recommendations may be proposed to overcome the above mentioned problems.

Recommendation :-

- A Dairy Development Board Should be formed immediately to formulate the milk Policy of the Country.
- All foreign milk and milk products should be imported with the prior approval from the proposed Dairy Development Board.
- Provision of Government subsidy on local dairy industry will encourage the milk production of the Country.
- Mass education campaign should be strengthened to remove curse of illiteracy from the country. Co-operative education and training at the grass root level are to be intensified.
- All surrendered, Vested and government unused lands should be ear marked and brought under the net work of pasture land for fodder cultivation.
- Foreign or International donor agencies should be invited to assist the cattle development Programme of the country.
- Provisions of short term easy credit facilities from the bank or government institutions for cattle purchase will help to increase the high yielding cattle population in the country.
- An integrated cattle development programme should be undertaken from the Ministry of livestock, Agriculture, Rural Development and Co-operatives and with other related non government organizations.
- Democratisation in the management of co-operative societies will enhance the real Co-operative development and Progress.
- During budget preparation, priority should be given on productive and development sectors rather than unproductive one.

#### Trends of Dairy Co-operatives.

The establishment of dairy Plants in the rural areas acts as an incentive to the milk producers to supply more milk to the Co-operative societies, BMPCUL organised 257 Nos. of Primary Milk Producers Co-operative societies in rural areas with a total member of thirty five thousands who supply daily on average about 20 thousand litres of milk to the dairy Plant.

The Co-operative extension activities are enumerated in table-1

Table - 1 : Societies Extension activities.

<u>Year</u>	<u>No of Societies.</u>	<u>No of Members.</u>	<u>Milk Collection in litres.</u>
1981-82	245	26,933	92,41,317
1982-83	266	30,717	101,18,337
1983-84	269	31,605	* 36,83,037
1984-85	270	31,885	44,35,603
1985-86	263	32,788	49,19,130
1986-87	258	33,715	70,05,709
1987-88	258	34,369	* 38,28,564
1988-89	257	34,423	* 32,000,38
1989-90	257	34,677	50,57,868
1990-91	257	34,863	62,26,978

( \* less collection is due to flood and Foot and Mouth Disease outbreak after flood ).

To Strengthen the institutional base at village level, BMPCUL has under taken cattle development programme in the primary Co-operative societies through Animal Breeding, Animal Health care and Fodder Extension Programme. In animal health care programme, mobile veterinary clinics are operated in the rural areas for cattle treatments of farmer members.

Achievements of animal health care programme is -

Table- 2 : Cattle health care.

<u>Year</u>	<u>Cattle treatment</u>	<u>Vaccination</u>
1981-82	34155	33184
1982-83	23304	35903
1983-84	12926	19200
1984-85	26988	27517
1985-86	15367	30691
1986-87	29303	19388
1987-88	28662	20092
1988-89	21950	28175
1989-90	30551	28931
1990-91	27500	12500

In animal breeding programme BMPCUL started artificial Insemination service with imported deep frozen semen from February 1987 and a total of 26,000 heads of Cow have been inseminated up to June 1991 and 9371 Nos of high yielding variety calves born. Some of the high yielding F1 Cows are lactating at present.

In Fodder extension programme BMPCUL also provides technical advice on green fodder production, Concentrate cattle feed formulation, Urea straw treatment and urea molasses block preparation in the rural Co-Operatives.

To make BMPCUL a self sufficient organization a deduction of Taka 0.10 per litre of milk towards purchasing of share capital of primary societies to the central union has been started from Dec.1984 and now the total share acpital of primary societies is Taka 3.69 million.

To continue the cattle development programme, a cattle development fund was created by deducting Taka 0.10 per litre of milk from 1982 which increased to Taka 0.20 per litre from 1988 and the total accumulation of fund is Taka 6.75 million up to june 1991.

The Co-operative extension and cattle Development activities motivated rural farmers to become more co-operatives in dairy sector.

The milk products of BMPCUL is mainly marketed in the Dhaka city.

The progres of marketing of the milk products is shown in table-3



Table - 3 : Marketing Progress.

Year	Liquid milk Lac litre	Butter Lbs	Ghee Kg	Ice-cream Litres	FCMP Lac Ibs	Flavoured milk Pkt
1981-82	79.34	76068	10170	78839	3.63	189200
1982-83	78.82	153152	49785	79533	4.07	254014
1983-84	72.53	236426	19929	71984	3.52	350812
1984-85	61.05	156993	3433	55243	0.22	375465
1985-86	56.31	294070	2799	49894	0.38	530433
1986-87	53.08	329655	8173	42254	0.74	710016
1987-88	39.28	351910	8770	11574	0.83	483440
1988-89	30.41	314600	901	11700	0.05	1123200
1989-90	29.52	319000	1716	43000	0.06	959000
1990-91	34.43	334400	8346	54000	3.10	77000

\* FCMP = Full cream milk powder

\* SMP = Skimmed milk powder.

Efforts made to develop Co-operative management Practices:

Bangladesh Academy for Rural Development (BARD) at Comilla and Rural Development Academy (RDA) at Bogra were established to train the different officials associated with Co-operative activities in the country on " Rural Development and Management of Rural Industrial and Agricultural Projects." One Co-operative College and eight Zonal Training Institutes had also been set up to train the Co-operative Personell and Co-operators on " Co-operative Management Practices."

Besides, newly recruited Officers and staffs of central Union and Primary societies are trained on Co-operative management and farm Practices at the head quater of respective milk shed areas.

During this training course, documentary film on Co-operative and cattle development activities and modern farm practices are also displayed. The same documentary films are also displayed in rural areas for the rural farmers.

Measures to solve Management Problems.

Problem arises either in the Primary Co-operatives or in the central union solved immediately by sitting together with the disputing group and the concerned officials. In major problems, the Managing Committee (MC) may also take immediate step to solve the crises.

Measures introduced in financial management, inventory and Personal management :

In financial management, Finance and Accounts division of BMPCUL disburse, reimburse and controls all financial matters of the organisation. Expenditures of different divisions paid or reimbursed by the Finance and Accounts division as per Previously approved budget Provision in the Annual general Meeting (AGM). All expenditures are also thoroughly audited by government Audit team after ending of the financial year.

The Primary Co-operative society also prepare their buget prior to starting of the financial year which is to be approved in the Annual general Meeting and expenditures are audited after ending of the financial year.

Materials required for the society procured with the approval of the concerned authority and enlisted in the inventory register for future redords.

The Personal Management of the Primary society is governed by an elected Managing Committee of two years, But in central Union the Personal Management is controlled by the General Manager, who is assisted by Additional General Manager, Deputy General Manager and Manager of the respective divisions.

Planning Approach of Project Development :

Prior to setting up a project, Preliminary survey or feasibility study is done by the concerned experts which is followed by details survey of the area. This feasibility and survey reports are then placed before the Managing Committee for necessary action. The Managing committee approves the viable projects and ask the concerned planning experts to make infrastructures and budget provision of the project which is to be approved in the Annual General Meeting of the organisation.

Project Approach :

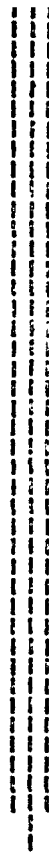
On request of the growers of abundant milk Production area to set up a Co-operative society, necessary survey of milk production and cattle population of that area are performed first by the extension Personells. The survey report is then evaluated and in feasible cases project for a dairy Co-operative society is organized as per existing Co-operative rules.

The Co-operative society is then supervised and its activities are monitored regularly by concerned supervisor during routine visit. The performance evaluation in respect of milk Production, business transaction, Cattle development and over all management activities are monitored on monthly basis. The best society of the respective milk shed areas are awarded at Annual general Meeting of the Central Union. Similarly the best Co-operator of the Primary society is also awarded in the AGM of Primary society.

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

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



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

## COUNTRY PROFILE

By

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

### Introduction:

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

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

### Climate:

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

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

Natural Resources:

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

Water ways: 13,572 square kilometres.

Industry:

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

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

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

Gross Domestic Product (GDP):

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

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

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

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

Role of agricultural cooperatives in the total development process:

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

A. Traditional Cooperatives:

Traditional or general cooperatives was introduced in this part of sub-continent is 1904, with a view to support agricultural credit in kind and cash to increase the agricultural produces by the farmer members. Under this system loan is 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.

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

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

B. Description of Bangladesh Samabaya Bank Limited:

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

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

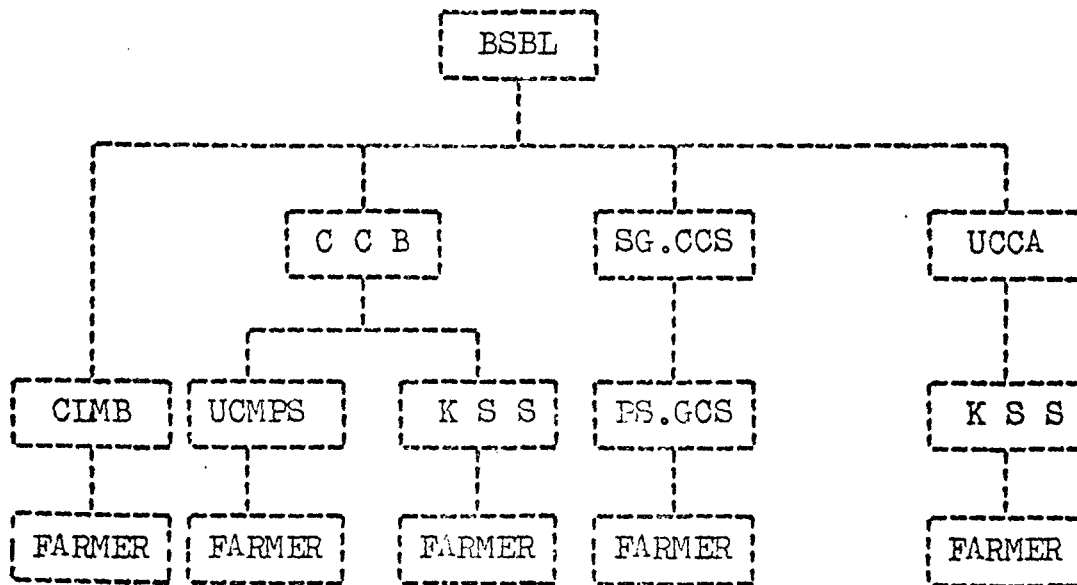
C. Membership stream of the Bangladesh Samabaya Bank Limited:

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



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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

4. Problems:

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

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

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

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

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

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

5. Trends in agricultural cooperatives:

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

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

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

Particulars	Year	Under Coop. Directorate			Under BRDB		
		Apex	Central	Primary	Apex	Central	Primary
No. of societies	1977-78	11	344	49060	1	235	28484
	1985-86	17	553	52028	1	453	67554
	1987-88	20	497	48904	1	459	74724
No. of members	1977-78	4395	54618	4362469	187	28992	566024
	1985-86	5014	58273	4427144	448	66481	2131866
	1987-88	4779	54249	4424825	448	74230	2401358
Share capital (Figures in thousand)	1977-78	28846	37935	83452	-	19896	18475
	1985-86	52308	78757	153764	-	157224	182400
	1987-88	56896	79376	233464	-	201783	210592
Reserves (Figures in thousand)	1977-78	44737	30018	28777	-	9224	4046
	1985-86	171803	64731	51445	-	55854	11230
	1987-88	235408	77666	87314	-	76213	16639
Deposits (Figures in thousand)	1977-78	23243	49754	65022	-	31931	25445
	1985-86	29943	92606	146834	-	210409	199833
	1987-88	28534	93477	251154	-	281364	278986
Loans (Figures in thousand)	1977-78	451482	393912	402047	-	162518	168118
	1985-86	1123439	799793	875630	-	1709172	1725813
	1987-88	1130227	758979	868833	-	1582036	1568174
Working capital (Figures in thousand)	1977-78	548309	639009	624840	-	200004	196367
	1985-86	1365431	1035884	1227673	-	2172658	2119285
	1987-88	1449065	1009498	1440765	-	2141395	2074391

6. Efforts made for development of cooperative management practices:

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

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

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

7. Measures for financial management, inventory & personal management:

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

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

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

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



8. Planning approaches:

The objectives of the short and long range planning is to improve the living standard of the members through economic and social gain. Preparing draft plan physical and financial (Budget estimated) the operational management place it to the Board Meeting and the Board Check and Examine the objectives, strategies, alternative course of action, policies before placing the same to the A.G.M. for approval. In cooperative planning major emphasis is given for ensuring 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.

9. Areas for planned development:

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

To overcome this situation and to make the farmer prospective through 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 Ltd. for financial support. UCCAs and its member societies can originate project proposal and apply for necessary financial assistance & other services to BRDB. BRDB may sanction project to any UCCA or primary cooperative societies.

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

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

9. Comparative roles:

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

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

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

11. Conclusion:

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



Regional Office for  
Asia & the Pacific

Sixth JTC/91-92

21st October 1991

SIXTH ICA JAPAN TRAINING COURSE ON  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
OCTOBER 21, 1991 - MAY 10, 1992

Points for Group Discussion - 21.10.91  
Bangladesh

1. What are the characteristics of the Bangladesh dairy agricultural cooperative movement?
2. What are the positive and negative factors you have identified in respect of effective services to members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in Bangladesh?

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE OVERHEAD PROJECTOR.

## GROUP - A.

21-X-91

- No 1
- i) To organise dairy co-operatives of the small producers and to give them reasonable price for the produce and to supply hygienic milk to the urban consumers.
  - ii) To extend cattle development programme to the co-operators through animal health care, breeding and fodder extension services.
  - iii) To create awareness of farmers about pure milk supply & self help practices.
  - iv) To give easy short term ~~practices~~ credit to the farmers for purchase of good quality cattle.

2. Positive : tendency Group-A - 21-X-91

1. Increasing of farmers to supply milk through the cooperatives
2. Farmers are becoming more conscious in the field of animal husbandry practices
3. Through cooperatives democratic practices and leadership has grown up among the producers for development in rural areas.

Group - A - 21-X-91

3 Suggestions:

1. Clear cut milk policy of the country should be formed in favour of cooperative sector.
2. All foreign milk and milk products should be imported through cooperatives.
3. Local dairy industry should be encouraged and subsidy should be provided.
4. Cooperative education & training at the grass ~~roots~~ industry level should be strengthened.
5. All unused government lands should be brought under the network of pasture lands for fodder cultivation.
6. The management of the cooperative should be democratically elected.
7. Adequate credit facility for purchase of cattle should be raised through the cooperative banks or societies.

Negative: Group-A.

21-X-91

1. Lack of milk policy in the country in respect of Dairy development
2. Dependency of the farmers producers on private money lenders for credit.
- ~~3. Continuous for the scarcity~~
3. Continuous fodder scarcity declines milk production which hampers the farmers development.
4. Huge expenditures in unproductive purposes rather than productive one hampers cooperative development
5. Nominated management results in lack interest in the cooperative function w/c results in slow progress.

# 中华全国供销合作总社

CHINA FEDERATION OF SUPPLY AND MARKETING CO-OPERATIVES

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## THE SUPPLY AND MARKETING COOPERATIVES IN CHINA

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

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

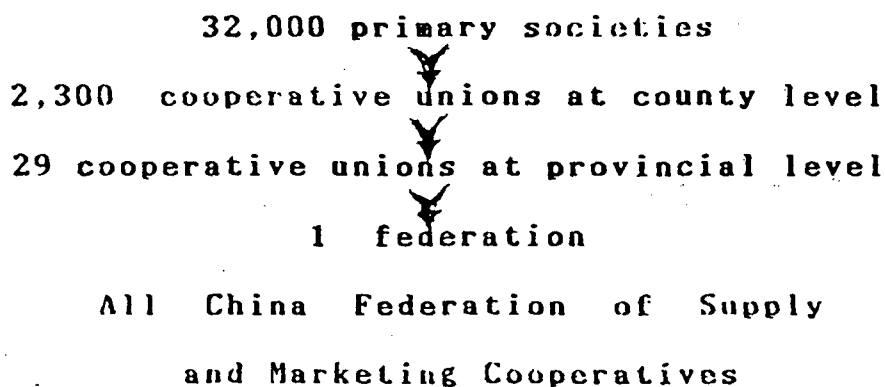
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SMCs with farmers as the backbone, is among all the largest-scaled and most influential cooperative movement in China and it has become a very important sector of our national economy playing a vital role in our modernization drive. By the end of 1989,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



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

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

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

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

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

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

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

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

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

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

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

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

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

advanced technology and workmanship.

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

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

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



Regional Office for  
Asia & the Pacific

Sixth JTC/91-92

26th October 1991

SIXTH ICA JAPAN TRAINING COURSE ON  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
OCTOBER 21, 1991 - MAY 10, 1992

Points for Group Discussion - 26.10.91  
China

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

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE OVERHEAD PROJECTOR.

GROUP B. 26-10-1991 - China

Q1 characteristic

AS well as consumer items

- ① integrated all pre harvest and postharvest form operations
- ② monopolised agricultural production <sup>means</sup>
- ③ function as a government instrument to achieve targets for Chinese-agriculture <sub>1/2</sub>

Q2 Positive

- ① vast network covering 2/3 of villages
- ② provide production and marketing & support to farmer
- ③ Good network in agro processing
- ④ cares for social need of the members
- ⑤ SMCs use a certain proportion of the profit after tax as the production aids for farmers members

Negative

- ① Developing under government Amberta

Q3 suggestion

- ① should be tried to develop as autonomous institution thro members spontaneous participation



GROUP B - 20-10-1991 - China

Q1 characteristic

- ① integrating all preharvesting and postharvesting from operation
- ② monopolised agricultural productions <sup>mean</sup>
- ③ function as a government instrument to achieve targets for Chinese agriculture

Q2 positiv

- ① vast network covering 2/3 of villages
- ② provide

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

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INDIAN PARTICIPANTS

**RAM NIWAS KUNDU**  
IFFCO

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JOINT REGISTRAR  
OFFICE OF REGISTRAR  
OF COOPERATIVE SOCIETY, H.P.

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COUNTRY PAPER PREPARED FOR  
SIXTH ICA/JAPAN TRAINING COURSE FOR  
STRENGTHENING MANAGEMENT OF  
AGRICULTURAL COOPERATIVES IN ASIA 1991-92

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

=====

## 1. INDIA - PHYSICAL

### 1.0 GEOGRAPHICAL SITUATION AND FRONTIERS:

India natively known as Bharat, lies in the Northern Hemisphere. The mainland extends between latitude  $8^{\circ}4'$  and  $37^{\circ}6'$  North and longitude  $68^{\circ}7'$  and  $97^{\circ}25'$  East. It measures 2,000 miles (3,124 km) from north to south and 1,850 miles (2,933 km) 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 coastline of 3,535 miles (5,689 kms.)

India is the seventh largest and second most populous country in the world. According to 1991 census it has a population of 845 million (Provisional.), 80 percent of which resides in rural areas.

India is surrounded by Nepal, Bhutan and China to the north; Pakistan and Afghanistan 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.

### 1.1. TOPOGRAPHY OF THE LAND:

1. TOTAL LAND AREA: 328 million hectares (810 m. acres).
2. PLAINS: 141.6 m hectares, covering 43% of total land.
3. MOUNTAINS 35 m.hectares, accounting for 10.7% of total land and only 5% of which is suitable for agriculture.
4. PLATEAUS: 103 m.hectares i.e. 27.7% of total land. Half of the plateaus lies in

central India, 12.1 m.ha. in  
North-West 11.5 m.ha. in  
South and 8.3 m.ha. in  
East India.

5. HILLY TRACTS: 61 m.ha or 18.6% of total  
land.

## 1.2 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 Vindhyas, the Satpura Hills and Chhota Nagpur Hills in the North, almost right, down the Cape Camorin (Kanyakumari) 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.

## 1.3

**AGRO-CLIMATIC REGIONS:**

The Planning Commission of India has delineated 15 agro-climatic regions, based upon broad agro-climatic similarity, planning and operational convenience. Zoning of the country in such a manner that the variations within a zone is less, aims at scientific management of regional resources to meet food, fibre, fodder and fuelwoods without adversely affecting the status of natural resources and environment. The regions are:

ZONE NO.	NAME OF THE REGION	GEOGRAPHICAL AREA(m.ha.)	RAINFALL RANGE IN SUB ZONES(mm)
i.	Western Himalayan Region	24.5	0165-2,000
ii.	Eastern Himalayan Region	27.5	1840-3,528
iii.	Lower Gangetic Plains Region	06.9	1302-1,607
iv.	Middle Gangetic Plains Region	17.0	1211-1,470
v.	Upper Gangetic Plains Region	14.3	0721-0,979
vi.	Trans Gangetic Plains Region	12.5	0360-0,890
vii.	Eastern Plateau & Hills Region	39.5	1271-1,436
viii.	Central Plateau & Hills Region	37.5	0490-1,570
ix.	Western Plateau & Hills Region	33.2	0602-1,040
x.	Southern Plateau & Hills Region	39.4	0677-1,001
xi.	East Coast Plains & Hills Region	19.2	0780-1,287
xii.	West Coast Plains & Ghat Region	11.4	2226-3,640
xiii.	Gujarat Plains & Hills Region	19.6	0340-1,793
xiv.	Western Dry Region	17.5	395
xv.	The Islands Region	08.3	1500-3,086

## 2.0 INDIAN AGRICULTURE AT A GLANCE:

The large extent of area and a great variety of physical and natural features and climate combined with natural fertility of the soil, enable the country to produce every kind of vegetative life. A brief mention is as under:-

### 2.1 TEMPERATE HIMALAYAN REGION:

#### (i) Eastern Himalayan Region:

Heavy rainfall, thick forest of sal, mainly tea-growing area with a little paddy cultivation.

### 2.2 WESTERN HIMALAYAN REGION:

Dry climate but more winter rainfall on northern side; Mainly horticultural crops - particularly almond, apples, cherries, apricots, peaches, pears and plums are grown. Other cultivated crops are potato, maize and paddy. Goats and sheeps are principal domestic animals.

### 2.3 NORTHERN DRY (or Wheat) REGION:

Comprises of Punjab, Haryana, Delhi, North Gujarat, Western UP and parts of MP having a very low rainfall with alluvial and sandy soils. The chief crops include wheat, barley, gram, maize, jawar, bajra and cotton. Camels, cattles, buffaloes, donkey, sheeps and goats are also common.

### 2.4 EASTERN WET (or Rice) REGION:

It includes Assam, Meghalaya, Tripura, Manipur, West Bengal, Bihar, Orissa, Eastern UP, Andhra Pradesh, Eastern Tamilnadu, Kerala and Eastern MP. The annual rainfall is around 150 cms. soils are mainly alluvial and main crops are rice, jute, sugarcane and tea.



2.5 **WESTERN WET (or Malabar) REGION:**

It comprises Kerala, Western Coastal strip, Karnataka and adjoining areas having annual rainfall over 250 cms. and lateritic soils. This region is best suited for plantation crops viz. Coconut, Tapioca, Cashew-nuts, Acrecanuts, Rubber, Spices, Black Pepper and Cardamom. Rice is main food crop.

2.6 **CROPPING PATTERN:**

Food grain crops are concentrated upon rice, millet and wheat with some maize and barley occupying about 71 percent of cropped area. The area occupied by rice is 23 percent, coarse cereals 22 percent, wheat and oilseeds about 13 percent each and followed by oilseeds with 10.5 percent. A substantial area also lies under tobacco, potatoes, fruits, tea, coffee, rubber and coconuts.

2.7 **AGRICULTURAL PRODUCTION AND PRODUCTIVITY:**

After Independence, Indian agriculture has made tremendous progress. The food-grains production increased from 50.8 million tonnes in 1950-51 to 176.5 m.tonnes in 1990-91 (provisional). Production of sugarcane increased from 57 million tonnes to 210 million tonnes during the same period. Oil seeds production was more than doubled during 1950-51 to 1988-89 from 5.16 to 17.9 million tonnes. Similarly production of cotton (lint), jute and mesta increased from 3.04 million and 3.30 million bales to 8.09 million and 7.70 million bales respectively during the same period.

**AGRICULTURAL PRODUCTION AND PRODUCTIVITY**  
**(1951-52 TO 1988-89)**

S. NO.	CROP	TOTAL PRODUCTION (M.TONNES)		AVG. YIELD (KGS/HA.)	
		1951-52	1988-89	1951-52	1988-89
1.	Rice	21.3	70.6	714	1,688
2.	Wheat	06.1	54.0	653	2,241
3.	Coarse Grains	23.0	35.0	-	-
4.	Beans	03.4	13.7	448	589
5.	All Foodgrains	52.0	170.0	536	1,327
6.	All Oil seeds	05.1	17.9	430	827
7.	Sugarcane	61.0	204.0	31,786	60,673
8.	Fruits & Vegetables	-	70	-	-
9.	Cotton (Unit) @	3.3	8.7	85	202
10.	Jute & Mesta *	4.7	7.7	1,074	1,725

@ M.Bales of 170 kgs. each

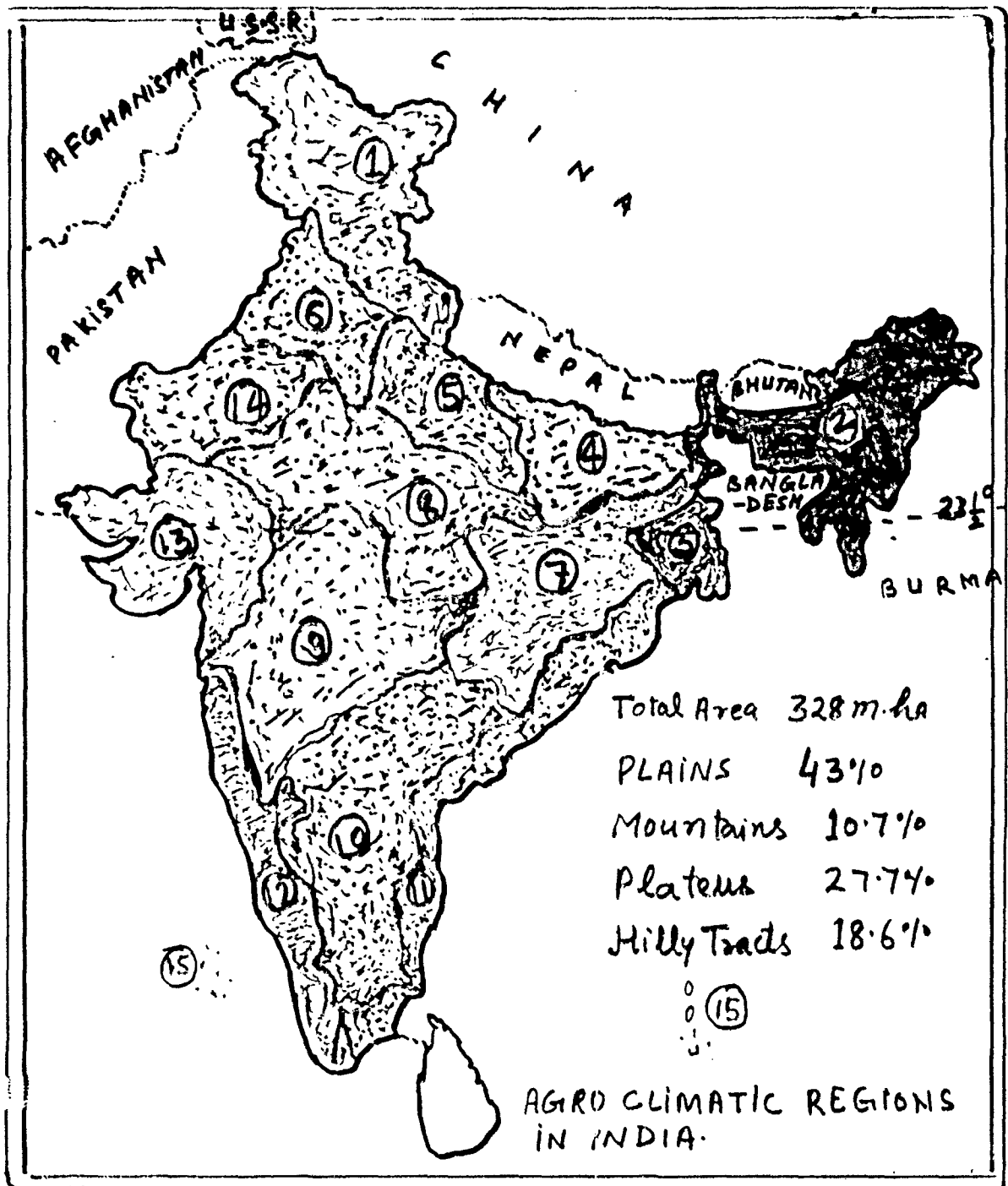
\* M.Bales of 100 Kgs. each

Analysis of growth in the agriculture reveals that during the period 1900-1950, the growth rate was 0.3% per annum; which shoots up to 2.65% during the period 1949-50 to 1978-79. The growth rate further shot up to 3.59% during Sixth Five Year Plan.

The growth in Indian agriculture may be contributed to structural changes in the land ownership right, tillers, substantial increase in irrigated , adoption of High Yielding Varieties and use of modern agro-inputs like seed, pesticides, fertilisers, credit etc.

**3.0 AGRICULTURAL COOPERATIVE IN INDIA:**

The cooperatives in India started with the limited spectrum of disbursement of credit to rural people as a defensive mechanism against usurious money lending. These cooperatives have diversified in many new



Total Population - 845 millions (psiv.)  
 Rural Population - 80%.

fields viz. marketing and processing cooperatives, inputs supplying cooperatives, integrated cooperative industries, consumer cooperatives, industrial cooperatives, housing cooperatives etc. As on 31.3.1990, there are 3,38,000 cooperative societies having a total membership of 156 millions. The paid-up capital and working capital of these cooperatives are Rs.52423 millions and Rs.6,21,445 millions respectively.

The growth of these cooperatives during pre-Independence period was influenced by the emergence of small and marginal farmers due to fragmentation of land holdings. Statistics indicates that as against 66 percent increase in the rural households between 1953-54 and 1971-72, the cultivated area increased by only 20 percent which led to reduction in the average size of farm holding from 2.5 hectares to a little more than 1.5 hectares.. The growth of cooperatives during post-Independence period showed remarkable progress due to government policies. The government viewed the cooperation as an instrument to improve the rural economy.

The illiterate and ignorant rural masses found the agricultural cooperatives as a source of cheaper loan and, therefore, they joined these societies to get loans or scarce commodities or other facilities made available on concessional.

### 3.1 BROAD STRUCTURE OF INDIAN COOPERATIVES:

By and large the cooperative institutions in India observe a three-tier structure. Members join together to form a primary agricultural cooperative societies (PACS) like village level primary multi-purpose societies which undertake activities like credit, marketing, supply of inputs and consumer items or single purpose

societies like urban cooperative banks and urban industrial societies. These societies ~~find~~ <sup>federate</sup> at the District or Provincial or National level. The primary cooperative societies reinforce their financial resources and receive managerial and technical assistance for running the society.

At District level the major cooperative institutions are the District Cooperative Central Banks, District Cooperative Land Development Banks, District Co-operative Consumes and Marketing Societies. These Districts level societies do funding of primary societies and enable them to serve their members by providing short, medium and long term credits, inputs and managerial and technical guidance.

The Primary and district level institutions federate themselves into provincial level sectoral cooperative institutions. Important among them are State Co-operative Marketing and Supply Federations, State Cooperative Consumer Federation, State Cooperative Banks and State cooperative Land Development Banks. Most of the state level institutions are also having their regional and branch offices at the District level. The institutions are financially very sound and play major role in policy formulations and supply of resources to their member institutions.

### 3.2 **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 types of agricultural cooperatives have emerged in the country:

1. Input Supply Cooperatives 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 horticultural cooperatives, tobacco grovers' cooperatives, fisheries cooperatives, labour cooperatives etc.
4. Integrated Cooperative Industries to manufacture agricultural inputs and machinery. Important of these are IFFCO and KRIBCHO in fertilisers production and National Heavy Engineering Cooperatives for manufacturing machinery for sugar, dairy and oilseeds cooperatives.

**3.3. SERVICES BY AGRICULTURAL COOPERATIVES TO FARMING COMMUNITY:**

1. provide short term, medium term and long term agricultural cooperatives.
2. supply of agro-inputs such as fertilisers, seeds and agro-chemicals.
3. harnessing of irrigation potential.
4. creation of infra-structure for processing and marketing of agricultural produce.
5. provide specific programmes support for the development of rural poor, small and marginal farmers.

**3.4 AGRICULTURAL CREDIT THROUGH COOPERATIVES:**

The agricultural cooperative movement in India started principally as Cooperative Credit Movement. Till 1969, cooperatives were the sole agency to provide agriculture with investment and working finance. After 1969, with the adoption of multi-agency approach to agricultural finance, nationalised commercial banks and regional rural banks have also provided agricultural credit in addition to cooperatives. Credit Cooperatives disbursed Rs.54420 millions of agricultural credit during the year 1988-89 through 90,000 PACs,, affiliated to 351 Central Cooperative Banks. Long term credit structure consisted of 1384 Primary Land Development Banks affiliated with cooperative agriculture and Rural Development Banks; which disbursed long term loans of the order of Rs.7310 millions in 1988-89.

At the national level, the short and medium loan disbursing structure is affiliated to National Federation of State Cooperative Banks (NFSCBs). Similarly long term structure is having National Cooperative Agriculture and Rural Development Bank's Federation (NCARDB). These federations being promotional and Development Organisations, provide a common forum to member banks to come together and try to find out solutions to problems facing the cooperative credit structure.



Table-1

Institution	1980-81	1981-82	1982-83	1983-84	1984-85.
<b>1, Co-operatives</b>					
i. Short-term	15260	17660	19570	22420	25000
ii. Term Loans	6000	6830	8090	6630	7500
	21260	24790	27660	29050	32500

**II. Commercial Banks  
& Regional Rural  
Banks**

i. Short-term	5170*	6230*	8000**	9400**	11000**
ii. Term-loans	4970*	5050*	10100**	12100**	14500**
	10140*	11280*	18100**	21500**	25600**

\* Relates to Commercial Banks

\*\* Estimated

**DISTRIBUTION OF AGRICULTURAL CREDIT (RS. IN CRORE)**

AGENCY	1985-86	1986-87	1987-88	1988-89	1989-90 (Target)	Anti- cipa- ted Achievement 1989-90
1	2	3	4	5	6	7

**Cooperatives**

Short term	2747	2824	3320	3833	4494	4223
Med. Term	394	531	567	381	392	416
Long Term	543	560	691	731	893	869
	3684	3915	4578	4945	5779	5508

**Commercial Banks/  
Regional Rural Banks**

Short Term Term Loan	3110	3796	3934	6310	7535	NA
<b>GRAND TOTAL</b>	6794	7711	8512	11255	13294	5508

Entire organisational set-up of agricultural finance is linked with National Bank of Agriculture and Rural Development (NABARD). The bank supports cooperative agricultural financing system by providing refinance at concessional rates of interest. Credit limits are sanctioned for normal and special agricultural development programmes. As on 31.3.89, the refinance outstanding was Rs.53420 millions and general line of credit for short/medium and long term were at Rs.24500 and Rs.2660 millions.

It has been estimated that the direct demand for agricultural credit will gradually rise from Rs.27,500 million in 1989-90 to Rs.57300 millions in 1994-94 and further to Rs.10,800 millions in 1999-2000. This is to be met jointly by the cooperative credit structure as well as commercial and rural banks. The cooperative statement and flow of credit to the agriculture sector during 10 years is given in table 1.

### 3.5 AGRO SERVICE CENTRES:

To meet the requirements of farmers,, particularly small and marginal, cooperatives have established about 230 agro-service centres for providing custom hiring facility in agricultural machinery largely in agriculturally less developed states.

### 3.6 HARNESSING OF IRRIGATION POTENTIAL:

Irrigation and lift irrigation cooperatives are playing a limited role in harnessing irrigation potential mainly ground water utilisation. Agriculture and Rural Development Cooperative Banks have been extending technical and financial support in their areas. They have started 8044 ordinary and 2,80,233 schematic projects involving an amount of Rs.282,000 million.

### 3.7 MARKETING COOPERATIVES:

Cooperative showed remarkable performance in marketing of 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.

During the year 1989-90, marketing cooperatives handled agricultural produce worth over Rs.62,000 millions. Cooperatives procured 24 percent worth of total wheat procurement in the country and 37 percent of national procurement of jute by the Jute Corporation of India.

Cooperatives through a wide network of nearly 76,000 retail outlets distributed 4 million tonnes of fertiliser nutrients during the year 1989-90, which accounted for 35 percent of the total fertiliser distribution. Other inputs worth Rs.2180 millions were also provided through cooperatives.

The progressive business turnover of the cooperative marketing societies for the past 10 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

The network of cooperative marketing structure comprises of 7141 primary marketing societies, 164 district/central societies, 29 general state cooperative marketing federations and 16 special commodity marketing federations. At the national level, National Agricultural Cooperative Marketing Federation of India (NAFED) is the apex Cooperative Marketing organisation.

### 3.8. COOPERATIVES 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, spinning, dairy, 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 tonnes of sugar cane and produced 5.05 millions of sugar (1989-90) accounting for 60.5% of National Production of Sugar. These factories are federated in 9 State Federations of Cooperative and at the national level National Federation of Cooperative Sugar Factories works as apex body.

#### 2. Cooperative Spinning Mills:

These are 429 cotton ginning and processing units and 107 cooperative 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 Federations of Cooperative Spinning Mills and at national level into an All India Federations of Cooperative Spinning Mills.

3. Weavers Cooperative:

These are organised to promote domestic and export market for handloom products. Nearly 58 percent of the Handlooms in the country are under the cooperative fold accounting for 30 percent of the total fabrication. These are 16,571 primary handloom weavers cooperative societies federated into Regional/District & State Handloom Cooperative Federations and finally into All India Handloom Cooperative Fabrics Marketing Cooperative Society.

These cooperatives had a business turnover of Rs.5187 millions during the year 1989-90.

4. Dairy Cooperatives:

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 Cooperative Federations federated at national level into National Cooperative 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 litres 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 villages societies were provided with Artificial Insemination services and about 4305 tonnes per day balanced cattle feed, compounding capacity available is 173 milk shed of 22 states/UTs.

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

5. Oilseeds Cooperatives:

300 cooperative 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:

Cooperatives have been improving their performance in marketing of fresh fruits and vegetables. The value of fruits and vegetables marketed by cooperatives during 1988-89 is estimated at Rs.835 million. 38 fruits and vegetables processing units have been set-up by cooperatives 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 cooperatives have organised 239 cold storages with 6,80,000 tonnes capacity.

Tobacco Growers' Cooperatives, Labour Cooperatives, Fisheries Cooperatives, Housing Cooperatives are also working in their respective sectors to help the poor masses.

### 3.9 FERTILISERS COOPERATIVES

IFFCO and KRIBHCO produced produced 1.876 million tonnes of fertilises nutrients in 1989-90, accounting for about 22 percent of indigenous N&P production in the country. Capacity utilisation of those cooperatives is a model for other fertiliser units. IFFCO <sup>and KRIBHCO</sup> marketed 2.87 milliion tonnes and 1.72 million tonnes of fertiliser material, <sup>respectively</sup> during the year 1990-91 through PACS and their own network of about 200 farmers Service Centres.

### 3.10 STORAGE:

Cooperatives have created a storage capacity of 11 million tonnes and provide scientific sotrage to agro-inputs and agricultural produce. Over 4,800 PACS and most of the marketing societies now own their godowns.

### 3.11 SOCIO-ECONOMIC DEVELOPMENT THROUGH COOPERATIVES:

For poverty alleviation, national development strategy visualises three types of programmes viz. Integrated Rural Development Programme (IRPP) for providing necessary finance to the people below poverty line too enable them to undertake both land based and non-farm activities for self-employment, National Rural Employment Programme (NREP) for generation of additional gainful employment in rural areas to the extent of 300-400 million mandays per annum; Rural Landless Employment Guarantee Programme for providing employment guarantee by involving them in various public works. Although these programmes are beneficiary

Oriented,, but cooperatives ~~these~~ play an important role in providing them with necessary financial and organisational support. Beneficiaries under IRDP are encouraged to form cooperatives such as dairy, poultry, piggery etc. so that an assured avenue for earning is opened to them.

To undertake triple functions of credit, marketing and distribution of consumer articles in tribal rural areas 2912 large size Adivasi Multipurpose Societies (LAMPS) are organised, wherein specific schemes for enrolling the scheduled caste and scheduled tribes are envisaged and about 23% of a total membership of 4.78 millions belongs to these section.

The fertiliser cooperatives (IFFCO & KRIBHCO) undertake a number of farmers welfare activities as an essential part of their fertiliser promotion programmes which comprises of farmers education programmes such as farmers meeting,, Field Demonstrations, Crop Seminars, Distribution of Technical Literature to farmers and several social welfare activities like tree plantation, medical check-up campaigns for animals and human beings in the villages adopted by them for overall socio-economic development. These cooperatives also organise training programmes for grass root workers of PACS.

### 3.12 GENERATION OF EMPLOYMENT OPPORTUNITIES:

Cooperatives have provided direct employment to thousands of people. There are 17,983 Primary Labour Contract and Construction Cooperative Societies having a membership of 1.18 millions and 1,556



Primary Forest Labourers Cooperative Societies with a total number of 0.58 million members. Similarly there are 35,270 Primary Industrial Cooperatives having a membership of 2.35 millions. These cooperatives not only provide gainful employment to the weaker sections of the society but also act as agency for ensuring social justice.

### 3.13 IMPROVING QUALITY OF LIFE:

Cooperatives with a very wide network and their effective proximity to rural people improve the economic status of people by ensuring higher income and improve the quality of life by providing essential commodities viz. sugar, edible oils, soft cake, kerosene, tea, coffee, match boxes, exercise book for children etc. through Public Distribution System. Essential consumers items worth Rs.20,750 millions were made available to the rural community by cooperatives in 1988-89 through PACS and LAMPS. Besides, in urban areas also a wide network consumers cooperatives at primary,, secondary and national level has been created. There are 23,048 primary consumers cooperative stores 631 wholesale consumers cooperative stores federated into 26 State Cooperative Consumer Federation and at national level into National Cooperative Consumer Federation as on 31.3.1989.

### 4.0 DEVELOPMENT OF COOPERATIVES IN INDIA:

Various Approaches:

The Indian Cooperative 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 cooperatives 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 cooperatives 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 cooperative programmes for various economic activities in the rural areas, the Govt. of India has set up the National Cooperative Development Corporation (NCDC) which provides consultancy and technical services to cooperative institutions, financed by it. The promotional agencies operating at the central level for revitalisation of cooperatives are NCUI and NABARD.

#### 4.1 TRAINING & EDUCATION

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

cooperation.

The cooperative training programme comprises of a three tier structure in the country. At national level, there is Vaikunth Mehta National Institute for Cooperative Management at Pune (VMNICM) caters to training requirements of senior and key personnel of State Cooperative Departments and Institutions. There are 18 cooperative colleges at the State level to train intermediate and 95 junior cooperative training centres to train junior cooperative personnel.

#### **4.2 BUSINESS INTEGRATION IN COOPERATIVE DEVELOPMENT**

The committee on Cooperative Credit, 1960, recommended that viable unit of cooperatives 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 cooperatives and brought down their total numbers 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 cooperatives 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.

#### 4.3 COOPERATIVE INTEGRATION

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

- Average membership in a village society is low.
- Deposit mobilisation is low, as against national growth saving of 23 percent cooperatives have achieved a growth of only 17 percent.
- A large number of PACS have a loan business of less than 200 thousands, 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 cooperatives on government for share capital has increased except in the states of Gujrat and Maharashtra. Excessive participation by government eroded autonomy in working of the cooperatives. State partnership which was conceived as a measure for strengthening the cooperatives, has paved way for ever increasing state control over cooperatives.

## 5.0 WEAKNESS OF AGRICULTURAL COOPERATIVES

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

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

III) **CONFUSION ABOUT ROLE OF COOPERATIVES**  
Cooperatives implement various government programmes like IRDPA and public distribution scheme and distribution of agricultural inputs; where they suffer losses. On the other hand cooperatives are expected to fulfill the objectives set out by their members. This has resulted into confusion of role which turns the cooperatives into non-viable and non functional.

IV) **LACK OF PROFESSIONAL MANAGEMENT** -  
Though several cooperative training and developmental agencies are working but so far there is no manpower planning, no defined personnel 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.

**V) INADEQUATE INFRA-STRUCTURE** - Inspite of the facts that the cooperatives 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.

**VI) INADEQUATE AGRO-PROCESSING & TECHNOLOGY ABSORPTION** - Indian cooperatives, 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 due to lack of technology and expertise cooperatives could not make a dent on export market though they produce several export commodities.

**VII) 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 cooperatives into government managed sector. Even the most successful business cooperatives are also affected by this process of loosing their autonomy.

**VIII) POLITICISATION OF COOPERATIVES** - Indian cooperatives could not develop a sense of belongingness among their members provided chances to the government to <sup>kr</sup>infe<sub>k</sub> 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 cooperatives, some individuals or groups monopolies the various

offices and politicize them for fulfilling their narrow vested interest. Participation of common member of the cooperatives in their working became a ritualistic incidence.

**IX) RESTRICTIVE AND RIGID COOPERATIVE LAW-**

The government enacted cooperative laws for development of cooperatives on cooperative principles, but these laws emerged as an instrument of control of already politicized cooperatives.

**6.0 ISSUE FOR CONSIDERATION FOR DEVELOPMENT OF THE COOPERATIVE MOVEMENT IN INDIA vis a vis AGRICULTURAL SECTOR.**

I) Revitalisation of Cooperative Movement through a processing of building up a viable linkage between preharvest agricultural activities (credit, inputs supply, irrigation potential harnessing) to post harvest agricultural activities (marketing, processing, storage etc.);

II) Technological upgration and propagation thru' cooperatives to ensure high returns to farmers from their farming operations;

III) How to make cooperative role more pronounced in the price support system to protect farmers income;

IV) In a multiagency system how to keep pre-eminence of the cooperative credit structure in comparison of commercial bank;

V) How to increase the role of cooperative 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;

VI) Reducing the dependence of the cooperatives on the Government and how to mobilise internal resources within cooperative is a key issue;

VII) To integrate the existing federated cooperative net work, how to establish effective vertical and horizontal relationship is the most important issues.

#### 7.0 DIRECTION OF AGRICULTURAL COOPERATIVES 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-woods 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 systems 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 perspective, 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 cooperatives should orient their



functioning to support the village level cooperatives rather than using the PACS as their agents working on a nominal margin. A time bound programme for reorganisation of the societies keeping in view viability norms, rehabilitation through various administrative and fiscal measures should be undertaken on a priority basis.

Revitalisation plan has to be executed in such a manner that the societies become financially and managerially viable units.

The cooperatives in under developed and least developed areas will require a higher financial allocation at softer terms and careful programme of nurturing cooperative societies in such areas.

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

The government should give preferential treatment to cooperatives in licencing and financial support, particularly in agro-processing sector. Wherever governmental policies affect the finances of cooperatives e.g. welfare scheme and public distribution system, the government should make up the loss to keep the cooperative 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 cooperatives 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 cooperative movement. The cooperatives should be managed on the principles of democracy. The provisions in cooperative laws which are not in accordance with cooperative principles should be amended.

The cooperatives 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.

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**STATUS PAPER ON WORKING OF  
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**V.S. SIDHU  
JOINT REGISTRAR  
COOPERATIVE SOCIETIES  
HIMACHAL PARDESH  
SHIMLA - 2**

The Co-operative Movement has emerged as a major force, providing impetus for accelerated economic growth in various sectors of the state's economy. Under the Five Year Plans, the movement has been playing an effective role in implementing state's economic policies particularly in the fields of agricultural credit, marketing of agricultural produce, processing storage, distribution of essential commodities under Public Distribution System and also chemical fertilizers to the farmers at the nearest retail outlet.

The Primary Agricultural Co-operative Societies popularly known as 'PACS' are playing a major role in improving the social and economic conditions of the people living in rural areas of the state. The number of these societies at present is 2116 covering all the villages and almost every family of the Pradesh. The main activities of PACS are divided into three groups, i.e., credit, especially for agricultural purposes, distribution of essential commodities under Public Distribution System and Agricultural inputs especially chemical fertilizers. The PACS are serving the cause of rural masses, which include the small and marginal farmers, rural artisans, agricultural labourers etc. The membership of these societies at present is 7.90 Lakhs with share capital of Rs.1380.72 Lakhs. To inculcate the habit of savings amongst the rural people, the PACS also acts as mini-banks in rural areas and has mobilized deposits to the tune of Rs.4048.49 Lakhs as on 30.6.90. The working of these societies is managed by an elected Board. The elections are held every two years. It is note-worthy that there is hardly

any primary Agricultural Co-operative Society in the state where management stands superseded as <sup>or</sup> suspended for the present. Thus, these societies are self-governed in Himachal Pradesh with almost no interference from Government to maintain their democratic and voluntary character.

### CO-OPERATIVE CREDIT

Credit is one of the most important inputs for the development of agriculture. Like any other industry, the agriculture also needs credit. With the increasing application of latest technological methods in the field of agriculture, the requirement of agricultural credit has assumed significant proportions. Providing finance through co-operative for improved agricultural production programmes to farmer members is given utmost importance in the state. The co-operative credit is provided to the members under three-tier system. At state level, H.P. State Co-operative Bank is functioning and at district level two Central Co-operative Banks are functioning for 6 districts out of 12 districts of the state. In remaining 6 districts, the Apex Bank is also acting as Central Bank. The main function of these Banks is to provide credit to the PACS who in turn provide credit facilities further to their farmer members. The Primary Agricultural Co-operative Credit Societies are the only institutional agency in the state which make the credit available to the farmers at their door steps within the shortest possible period and also on the easiest terms and conditions, e.g., a farmer member of the primary agricultural credit society on a simple application can avail credit facilities to the extent of Rs.10,000/- from his society, by giving two personal sureties of non-defaulting members. In this way these societies are doing excellent job to improve the economic conditions of their members by providing timely credit in the shape of crop loan and medium term loan for

agricultural purposes at reasonable rate of interest.

During the year 1989-90, the Primary Agricultural Credit Co-operative Societies provided short term loan of the order of Rs.455.90 Lakhs and M.T. loan to the tune of Rs.1218.70 Lakhs to their farmer members for agricultural purposes. Loan recovered during the year was Rs.1217.11 Lakhs and outstanding as on 30th June, 1990 was Rs.4575.58 Lakhs out of which the amount of overdues was Rs.2231.03 which is 64% of the demand and .49% of the amount of loan outstanding.

## 2. DISTRIBUTION OF CONSUMER GOODS UNDER P.D.S.

Distribution of controlled and non-controlled essential commodities is another important activity of the PACS in our state. In view of scattered population in this hilly state of the country, with 90% of the population residing in rural areas, it was not found economical and feasible to form Co-operative Consumers Store in Himachal Pradesh for the purpose of distribution of consumers goods. Therefore, this work was entrusted to PACS in addition to supply of agricultural credit. These co-operatives are running 2148 Fair Price Shops in rural and far flung areas of the state which form over 80 per cent of the total such shops functioning here at present. The controlled and non-controlled consumers goods distributed through PAC fair price shops during 1989-90 amounted to Rs.5175.95. Thus these societies are serving the cause of rural people by providing essential consumer goods to them at reasonable rates at the nearest point.

## DISTRIBUTION OF AGRICULTURAL INPUTS

The third requirement of the agriculturalists is timely availability of chemical fertilisers, seeds, insecticides/presticides and agricultural implements at the

nearest retail outlet at reasonable rates. In Himachal Pradesh, cent per cent procurement and distribution of chemical fertilisers at whole sale level has been entrusted to the co-operatives by the State Government. So far as retail distribution of different fertilizers is concerned, it is being done by PACS in the state. These Co-operatives have opened 2429 fertilizer retail outlets in rural and remote areas of the state which forms over 90% of the total retail points and make the fertilizers available to the farmers at the time of their requirement and at their door step. Thus the PACS are not only watching the interest of farmers in the state but also serving the cause of National Programme of increasing the Agricultural Production of the Country. During the year 1989-90, the PACS retailed chemical fertilizers valued at Rs.907.50 Lacs through their retail outlets. So far as distribution of other agricultural inputs is concerned, it is still being done by the Agriculture Department of the State Government except in a few cases where Co-operatives have been involved in the distribution of seeds, insecticides/ pesticides and agricultural implements on experimental basis. As per policy of the Government the distribution of these commodities are also expected to be transferred to the co-operatives in the state by stages in the near future.

The overall position of working and financial position of the PACS during the last two years is depicted in the following table:-

(Rs. in Lakhs)

<u>Sl.No.</u>	<u>Particulars</u>	<u>1988-89</u>	<u>1989-90</u>
1.(a)	No. of Societies	2110	2116
(b)	of which viable	903	886
2.	Membership (in Lakhs)	7.73	7.90
3.	Share capital	1240.91	1380.72

4.	Deposits	3503.02	4048.59
5.	Reserve and Other Funds	572.66	645.80
6.	Working Capital	9092.71	10247.43
7.	<u>Loan Advanced</u>		
	(a) Short Term	648.56	455.90
	(b) Medium Term	1616.76	1218.70
		-----	-----
		2265.32	1674.60
		-----	-----
8.	Loan recovered	1645.88	1217.11
9.	Loan Outstanding	4118.09	4575.58
10.	Demand	2832.33	3448.14
11.	Overdues	1186.46	2231.03
12.	No. of societies		
	in profit	1772	1736
13.	Amount of Profit	111.79	122.35
14.	No. of Societies		
	in Loss	323	371
15.	Amount of loss	19.78	28.46
16.	No. of Societies having		
	full time paid secretaries 1954		1974
17.	No. of Societies having		
	trained Secretaries	1819	1560
18.	Consumer goods retained	5284.08	5175.95
19.	No. of Fair Price Shops	-	2148
20.	Fertilizer Sold	869.28	907.50
21.	No. of Fertilizer retail		
	outlets	-	2429



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SHIMLA - 2**

The Co-operative Movement has emerged as a major force, providing impetus for accelerated economic growth in various sectors of the state's economy. Under the Five Year Plans, the movement has been playing an effective role in implementing state's economic policies particularly in the fields of agricultural credit, marketing of agricultural produce, processing storage, distribution of essential commodities under Public Distribution System and also chemical fertilizers to the farmers at the nearest retail outlet.

The Primary Agricultural Co-operative Societies popularly known as 'PACS' are playing a major role in improving the social and economic conditions of the people living in rural areas of the state. The number of these societies at present is 2116 covering all the villages and almost every family of the Pradesh. The main activities of PACS are divided into three groups, i.e., credit, especially for agricultural purposes, distribution of essential commodities under Public Distribution System and Agricultural inputs especially chemical fertilizers. The PACS are serving the cause of rural masses, which include the small and marginal farmers, rural artisans, agricultural labourers etc. The membership of these societies at present is 7.90 Lakhs with share capital of Rs.1380.72 Lakhs. To inculcate the habit of savings amongst the rural people, the PACS also acts as mini-banks in rural areas and has mobilized deposits to the tune of Rs.4048.49 Lakhs as on 30.6.90. The working of these societies is managed by an elected Board. The elections are held every two years. It is note-worthy that there is hardly



any primary Agricultural Co-operative Society in the state where management stands superseded <sup>or</sup> as suspended for the present. Thus, these societies are self-governed in Himachal Pradesh with almost no interference from Government to maintain their democratic and voluntary character.

### CO-OPERATIVE CREDIT

Credit is one of the most important inputs for the development of agriculture. Like any other industry, the agriculture also needs credit. With the increasing application of latest technological methods in the field of agriculture, the requirement of agricultural credit has assumed significant proportions. Providing finance through co-operative for improved agricultural production programmes to farmer members is given utmost importance in the state. The co-operative credit is provided to the members under three-tier system. At state level, H.P. State Co-operative Bank is functioning and at district level two Central Co-operative Banks are functioning for 6 districts out of 12 districts of the state. In remaining 6 districts, the Apex Bank is also acting as Central Bank. The main function of these Banks is to provide credit to the PACS who in turn provide credit facilities further to their farmer members. The Primary Agricultural Co-operative Credit Societies are the only institutional agency in the state which make the credit available to the farmers at their door steps within the shortest possible period and also on the easiest terms and conditions, e.g., a farmer member of the primary agricultural credit society on a simple application can avail credit facilities to the extent of Rs.10,000/- from his society, by giving two personal sureties of non-defaulting members. In this way these societies are doing excellent job to improve the economic conditions of their members by providing timely credit in the shape of crop loan and medium term loan for

agricultural purposes at reasonable rate of interest.

During the year 1989-90, the Primary Agricultural Credit Co-operative Societies provided short term loan of the order of Rs.455.90 Lakhs and M.T. loan to the tune of Rs.1218.70 Lakhs to their farmer members for agricultural purposes. Loan recovered during the year was Rs.1217.11 Lakhs and outstanding as on 30th June, 1990 was Rs.4575.58 Lakhs out of which the amount of overdues was Rs.2231.03 which is 64% of the demand and .49% of the amount of loan outstanding.

## 2. DISTRIBUTION OF CONSUMER GOODS UNDER P.D.S.

Distribution of controlled and non-controlled essential commodities is another important activity of the PACS in our state. In view of scattered population in this hilly state of the country, with 90% of the population residing in rural areas, it was not found economical and feasible to form Co-operative Consumers Store in Himachal Pradesh for the purpose of distribution of consumers goods. Therefore, this work was entrusted to PACS in addition to supply of agricultural credit. These co-operatives are running 2148 Fair Price Shops in rural and far flung areas of the state which form over 80 per cent of the total such shops functioning here at present. The controlled and non-controlled consumers goods distributed through PAC fair price shops during 1989-90 amounted to Rs.5175.95. Thus these societies are serving the cause of rural people by providing essential consumer goods to them at reasonable rates at the nearest point.

## DISTRIBUTION OF AGRICULTURAL INPUTS

The third requirement of the agriculturalists is timely availability of chemical fertilisers, seeds, insecticides/presticides and agricultural implements at the

nearest retail outlet at reasonable rates. In Himachal Pradesh, cent per cent procurement and distribution of chemical fertilisers at whole sale level has been entrusted to the co-operatives by the State Government. So far as retail distribution of different fertilizers is concerned, it is being done by PACS in the state. These Co-operatives have opened 2429 fertilizer retail outlets in rural and remote areas of the state which forms over 90% of the total retail points and make the fertilizers available to the farmers at the time of their requirement and at their door step. Thus the PACS are not only watching the interest of farmers in the state but also serving the cause of National Programme of increasing the Agricultural Production of the Country. During the year 1989-90, the PACS retailed chemical fertilizers valued at Rs.907.50 Lacs through their retail outlets. So far as distribution of other agricultural inputs is concerned, it is still being done by the Agriculture Department of the State Government except in a few cases where Co-operatives have been involved in the distribution of seeds, insecticides/ pesticides and agricultural implements on experimental basis. As per policy of the Government the distribution of these commodities are also expected to be transferred to the co-operatives in the state by stages in the near future.

The overall position of working and financial position of the PACS during the last two years is depicted in the following table:-

(Rs. in Lakhs)

<u>Sl.No.</u>	<u>Particulars</u>	<u>1988-89</u>	<u>1989-90</u>
1.(a)	No. of Societies	2110	2116
(b)	of which viable	903	886
2.	Membership (in Lakhs)	7.73	7.90
3.	Share capital	1240.91	1380.72

4.	Deposits	3503.02	4048.59
5.	Reserve and Other Funds	572.66	645.80
6.	Working Capital	9092.71	10247.43
7.	<u>Loan Advanced</u>		
	(a) Short Term	648.56	455.90
	(b) Medium Term	1616.76	1218.70
		-----	-----
		2265.32	1674.60
		-----	-----
8.	Loan recovered	1645.88	1217.11
9.	Loan Outstanding	4118.09	4575.58
10.	Demand	2832.33	3448.14
11.	Overdues	1186.46	2231.03
12.	No. of societies		
	in profit	1772	1736
13.	Amount of Profit	111.79	122.35
14.	No. of Societies		
	in Loss	323	371
15.	Amount of loss	19.78	28.46
16.	No. of Societies having		
	full time paid secretaries 1954		1974
17.	No. of Societies having		
	trained Secretaries	1819	1560
18.	Consumer goods retained	5284.08	5175.95
19.	No. of Fair Price Shops	-	2148
20.	Fertilizer Sold	869.28	907.50
21.	No. of Fertilizer retail		
	outlets	-	2429



Regional Office for  
Asia & the Pacific

Sixth JTC/91-92

25th October 1991

SIXTH ICA JAPAN TRAINING COURSE ON  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
OCTOBER 21, 1991 - MAY 10, 1992

Points for Group Discussion - 25.10.91  
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 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.

## AGRICULTURAL COOPERATIVE DEVELOPMENT

### IN INDONESIA

#### I. INTRODUCTION.

The agricultural sector is still the most strategic part of national development program. This is because more than 80 percent of the population, of which quite a number are categorized as poor, are living in the rural area and highly dependent on agriculture. The promotion of agricultural sector through improvement of agricultural production is not only due to the need for providing sufficient food supply and promoting other crops but it is also meant to increase the living standard of rural populace, especially those engage in agricultural sector.

In order to support the agricultural development, it necessitates a strong and efficient institution. The institution, however, should be able to motivate the rural society to participate in and to initiate activities that could lead to a formation of a self-help organization. It is considered that cooperative is the most suitable organization to meet that requirement.

## II. POLICY ON AGRICULTURAL COOPERATIVE DEVELOPMENT.

### 2.1. General Policy on Agricultural Cooperative Development

Government policy on the promotion and development of cooperatives, especially rural cooperatives involved in agricultural sector is based on the Cooperatives Basic Law Number 12 of 1967. On the way around the government regulations pertaining to the promotion and development of agricultural cooperatives were gradually enacted. The important base as policies are Presidential Instruction Number 4 of 1984 and the Order of the Minister of Cooperatives number 4 of 1988. The promulgation of Presidential Instruction Number 4/1984 is basically the improvement of Presidential Instructions Number 4 of 1973 and Number 2 of 1978 which considered not suitable to face challenges in rural cooperative development. This implies that the type of cooperatives operating in the rural area which is currently promoted is the Village Unit Cooperative (KUD = Koperasi Unit Desa) that covers several villages within a sub district area. The KUD is a multipurpose and multisociety cooperative where all economic activities in the rural area ideally should become the area of cooperative activities.

There are several key points that may give rise to a better circumstance for the growth of cooperatives in the rural areas. **Firstly**, the development of KUD is directed toward the establishment of an efficient and **effective** service center for rural economic activities. **Secondly**, the government has given the right and promotion to KUD to handle all rural economic activities. **Thirdly**, the government support to Village Unit Cooperatives covers numerous aspects of their activities namely;

- a. Provision of appropriate business opportunity and capital support.
- b. Provision of market and price guarantees to ensure better condition for them to compete in open market.
- c. Improvement of organization, management and control system.
- d. Consolidation and enhancement of cooperation within the institutional network of the KUD system, linking it to national economic activities, especially in the rural areas.

The KUD is therefore, expected to be a vehicle for managing all the potential economic activities in the rural sector the benefit of the villagers themselves.

To enhance and strengthen the position of KUDs to become strong and efficient economic organizations, during the Fifth Five-Year Development Plan the Ministry of Cooperatives has planned the establishment of self-reliant KUDs with a minimum number of 2.000 up to 4.000 **units**.

In strengthening the presence of cooperatives in the national economy, recently the government encourages the



private companies to sell up to 25 percent of their shares to cooperatives, especially those having related activities with them. So far there are three types of cooperatives that have already had received the shares, these are worker cooperative of the private companies, cooperatives that have related production activities with the companies, and cooperatives that sell consumer products of the private companies. Further, the government also encourages the private companies to sell a part of their shares to vilage unit cooperatives.

Furthermore, in connection with the enactment of banking deregulation known as October Package 1988, Cooperatives are also given the opportunity to develop financial institution. At present there are many rural credit banks owned by cooperatives, both in the form primary society and secondary society which KUD as the member. This opportunity may enable KUDs and other type of cooperative to improve their services to the members and immediate community and provide alternative credits to them.

## **2.2. Present Status of Agricultural Cooperatives Development**

### **2.2.1. The Development of Agricultural Cooperative.**

The development of cooperative sector in Indonesia has recorded a remarkable success since the new order government. The number of cooperatives has been increassing consistently and the perception of the community on cooperative has been improving

significantly. Cooperatives have been engaging in every sector of the economy in rural as well as in urban areas. The development of cooperatives and their activities are presented in Table 1.

Table 1. Number of Cooperative/KUD Establishment, Membership, Capital and Business Volume (in million rupiah)

YEAR	NO. OF COOP.	MEMBERS	CAPITAL	BUSINESS VOL
1983	6327	9609690	537,600.00	828,830.3
1984	6579	9613965	467,572.00	701,481.7
1985	6875	14760942	618,805.00	997,286.3
1986	7205	15628343	870,447.00	677,570.8
1987	7430	16680224	1,183,808.00	465,711.2
1988	7834	16995223	926,036.00	*) 644,999.1
1989	8027	17902857	926,038.00	-
1990	8040	18333328	926,038.00	-

\*) Data for August 1988

Source : The Ministry of Cooperatives

During the last five years, the number of cooperatives establishment increased by 5 percent annually. The number of KUD has increased by 3.62 percent, while other cooperatives grew 5.04 percent annually. At the end of 1990 there were 31,581 cooperatives, composed of 8,040 KUDs and 23,541 other types of cooperatives. These other types include civil servants, workers, armforces, youth, transport, saving

and loan and other multi purpose and consumer cooperatives. In term of membership also recorded an impressive growth, where the number of members grew at 12.18 and 22,84 percent annually for KUD and other cooperatives, respectively.

The business activities of KUD cover a wide area such as saving and credit, farm inputs distribution, agricultural marketing and processing. Some of the advanced KUD already embarked into new activities such as provision of health services to the members, formation of rural bank, provision of services to the family planning participants, collection of television dues, etc. These new activities will enable the KUD to expand the service coverages, to both members and the immediate communities.

#### **2.2.2. Agricultural Credits.**

Agricultural credit as an important instrument in promoting agricultural development has been channeled through KUDs since the early introduction of mass guidance or "BIMAS" program. The agricultural cooperatives have been considered as the solely economic organization of the farmers in various fields of activities. Therefore, since the first establishment of Village Unit Cooperatives in 1973, KUDs have been actively providing credit to farmers. Most of agricultural credit channelled through KUD is a special

credit scheme with a special interest rate at 12 percent per year. But since the last two years it has been increased to 16 percent and currently increased again to 19 percent.

The types of credit provided by the cooperatives related to the commodities under the government programs, are summarized in Table 2.

Table 2. Program on Rural Development in the Area where KUD Involved.

Type of Program	Legal Base	NO. of KUD Involved (Unit)	Target Group or specific goal
1. KCK Credit	PI 14/1974	3,414	Petty Traders
2. Sugar Cane	PI 9/1975	631	Sugar production
3. Clove Marketing	PD 8/1980	519	Price support
4. Fertilizer Distr.	PD 32/1988	1,839	Rice production
5. Food Procurement	PI 26/1988 *	1,228	Price support/stock
6. Farm holding Credit (KUT)	PD 43/1984	2,098	Rice production
7. Livestock	PD 50/1981	542	Income generating
8. Fishery	PD 39/1980	196	Income generating

Source : The Ministry of Cooperatives

\* Revised annually  
 All figures on KUD involved taken for  
 PI = Presidential Instruction  
 PD = Presidential Decree

These activities in general have reached the target-groups, eventhough the KUD management is unable to make use of the government facilities and even some

bear big bad debt. Particularly in the area of high risky business undertaking such as livestock and fishery, KUDs fail to materialize the goals and some of them went bankrupt. The lesson from these activities is that when the management is inadequate yet and/or the activities only give a small margin will bring the KUD into difficulty.

In addition to the above mentioned credit mechanism, the KUDs also engage in savings and loan activities to support the members' need which are not covered by the available credit programs. The savings and loan activities as the oldest type of cooperative business have been growing very well. Interest rate charged to borrowers vary from one cooperative to another, but it is mostly close to the market rate.

The newly promoted credit scheme by BUKOPIN, a commercial bank owned by cooperatives, known as rural saving and credit system is basically a thrift and loan cooperative under the BUKOPIN umbrella. This system was introduced by RABO Bank of Netherlands in cooperation with BUKOPIN. Up to March 1991, this credit scheme has been implemented in 130 KUDs consisting of 1,000 members' groups serving more than 34,314 members. The members are villagers and are mostly farmers and traders. The interest rate charged to borrower is one percent per week, but the surplus of each group will be

directly returned to the members of the group by the end of the year. The effective rate of interest paid by the borrower on the average is 1.8 percent/month. Despite this scheme is considered more expensive than the credit programs but its growth is very promising. In the long run, this credit scheme will expectedly be able to create an efficient funding system for the rural sector which is able to prevent capital flight to the urban sector.

The recent credit policy has led to the rationalization of monetary sector, where the type and the number of liquidity credits provided by Central Bank to the implementing banks have been limited. Since February 1, 1990 the interest rate for agricultural credit has increased from 12 percent to 16 percent per annum and currently to 19 percent. This policy also squeezes down the interest rate differential between the so called "Program Scheme" and the commercial credit. The monetary authority has considered that it is now the time to limit the interest subsidy to agricultural sector and gradually those subsidy must be removed.

### 2.2.3. Farm Inputs Distribution

Fertilizer as one of the important inputs in agricultural production is considered the strategic commodity. It is strategic because of its importance

and its significant implication to agricultural production mainly rice production. Since the introduction of BIMAS program, KUD has been assigned to handle fertilizer distribution. In other words, the involvement of KUD in fertilizer and pesticide distribution has been started since the early introduction of BIMAS program, especially when the program entered into a nation wide campaign.

The growth of fertilizer distribution fluctuated as a result of the instability of government programs with which KUDs should participate. At the beginning, most rural cooperatives were given the right to distribute farm inputs such as fertilizer. Since some of rural cooperatives were not able to pay back their credit to the bank, consequently only selected KUDs were given opportunity to distribute farm inputs. The number of KUDs distributing fertilizer and pesticide are presented in table 3.

As of April 1, 1988, the government decided to assign KUDs as sole distributor of fertilizer, while only a limited amount has been given to PT. PERTANI, a state corporation which serves as supporting element, in case the KUD is still weak. The private companies are no longer given the licence as distributors and only small privately retailers may engage in under the guidance of KUDs.

Table 3. Number of Rural Cooperatives Distributing Fertilizer and pesticide by year.

Y E A R	F E R T I L I Z E R		P E S T I C I D E	
	No of KUD	in ton	No of KUD	in liters
1982/1983	2,879	547,897	2,874	3,388,527
1983/1984	3,647	458,078	2,645	3,728,319
1984/1985	3,555	332,540	2,365	532,167
1985/1986	3,092	394,268	1,499	984,829
1986/1987	2,197	448,649	751	462,340
1987/1988	1,623	695,712	803	157,084
1988/1989	1,952	1.419,392	424	653,006
1989/1990	2,861	1.914,448	--	---

Source : The Ministry of Cooperatives.

Despite the KUDs have already been given the a right as the main distributor, however due to lack of coordination among KUDs themselves and between KUDs and their secondary level, it has brought about unfavorable competition among themselves and led to the emergence of price war which KUDs will not be able to compete. This situation, however, has eventually been solved by the introduction of coordinating team at district level.

#### 2.2.4. Institutional Strengthening

To strengthen the existence of KUDs to better serve the farmer-members and to encourage greater participation, the Ministry of Agriculture has set up



an "institutional link" between KUD and the farmers group or farmers association.

To this end, the Minister of Agriculture issued instruction to the regional officers to speed up the proces of integration through the so called "full and push system". The farmers groups are encouraged to be members of KUD through extension and training, while the KUDs are encouraged to provide them better services as a full factor, among others through KUD Service Center that can be organized by the farmers groups themselves.

This effort is expected to increase the motivation of farmers group to join KUD. At the same time it also provides the opportunity to the farmers group leader to be nominated as a member of the board.

For the benefit of KUDs in expanding their business into processing and agro industry the formation of the so called KJUB (Koperasi Jasa Usaha Bersama) or Special Purpose Secondary Cooperatives has been adopted. Most of the KJUBs operate in a specific commodities such as horticulture, rattan etc. The formation of special secondary societies also meant to integrate activities of different type of cooperatives into a specific business activity, including the export promotion effort.

### **2.3. Self-Reliant Cooperative**

In the effort of promoting KUDs, the government has specified criterias to categorize the classification of the KUDs according to their stage of development. The clasification is made as a guide for the government in providing appropriate guidance and supports. For that purpose the government has specified the so-called 13-Self-Reliant Criterias which are basically to indicate a threshold of KUD to become full-fledged self-reliant cooperatives.

During the Fifth Five-Year Development Plan the government is planning to promote 2000 to 4000 Self-Reliant KUDs. In 1989/1990 the government targeted 555 Self-Reliant KUDs and 544 of which have already been given Self-Reliant status. Up to the second year of the National Development Plan (1990/91), 1,230 KUDs have been able to obtain such status. This signifies that the target for the same period could have been achieved.

### **2.4. Shares Ownership**

Recently, the government has been encouraging the private companies to sell up to 25 percent of their shares to cooperatives, especially to those having related activities with the company. So far there are three types of cooperatives that have received shares from the private companies namely; the workers cooperatives within the

private companies; the cooperatives that have relation in production activities with the private companies as the suppliers of inputs, and cooperatives that serve as the distributors of the products of the private companies. These also include a great number of KUD members in the surrounding area of the company and/or those having a business relation with the company.

Until the end of March 1991, there 105 private companies have agreed to transfer about 46 million shares, of which 18 million shares have been allocated to workers cooperatives, while more than 14 million and 13 million shares have been allocated to KUDs and other cooperatives, respectively. The process of transfer is under the credit scheme, where the cooperative may install credit using three fourth of dividend earned from the purchased shares.

In relation to the involvement of private banks in promoting the cooperatives, the government has enacted a monetary regulation in which every bank has to allocate at least 20 percent of the credit to cooperatives and small scale business undertaking. However, the obstacles remain in the cooperatives since most of them are not able to fulfill the the bank requirement.

Moreover, the Minister of Finance issued an order to all the Directors of State Own Companies to allocate one to five percent of their profits for to the promotion and development of small scale business undertaking and

cooperatives. This order allows the state own companies to participate directly in developing the linkage among small business undertakings and cooperatives with the advanced companies.

## EXECUTIVE SUMMARY

Milk drinking has already familiar in Indonesia and the slow growth of total milk market was believed to be the result of high price milk at consumers level.

As a result of Indonesian economic development, the income grow, hence milk demand are also increase and it is believed that will be better in the future.

Most of Indonesian people start drinking milk with sweetened condensed milk and gradually had been changed to consume powdered milk due to the better income and further some of them change to consume liquid milk. Most of liquid milk consumer are high income socio economic group.

Since milk is a very perishable product and the dairy farms are located far from consumers even from milk processing companies, therefore dairy farmers require to be in a group in order get easier and more efficient handling and delivery of milk either to the consumers or milk processing companies. Therefore dairy cooperatives were established.

Milk processing and marketing itself are on the hand of private companies. The role of cooperative as a bridge in collecting milk and chilling milk. The role of cooperative in the processing and marketing still only very small part of the industry.

The increased in demand hence as good opportunity for dairy farmers to increase milk production. These were also good chance for dairy cooperative to enter into milk processing industry and milk marketing. It is GKSI plan to have 15 % milk processing in Indonesia and 10 % market share of milk in Indonesia within the next 5 years.

Actually Indonesia has potential to export milk, because the Indonesian farmer have capability to produce fresh milk at relatively lower price than the farmer in developed countries.

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**THE ROLE AND FUNCTION OF MARKETING SERVICES IN THE  
DEVELOPMENT OF LIVESTOCK INDUSTRY IN THE TROPIC  
"A CASE OF DAIRY COOPERATIVES IN INDONESIA" \*)**

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by : Ir. Johnny Prilyana

**A. INTRODUCTION**

**Dairy Farmer Activities**

Based on dairy cattle ownership, as a result of joint survey between GKSI and Faculty of Animal Science IPB, Faculty of Animal Science University Pajajaran and Faculty of Animal Science University Brawijaya in 1989, dairy farmers are divided into two groups. The first group are dairy farmers who consider dairy farming as main business while the second group who consider dairy farming as a side business.

As main business, dairy farming contribute large portion of farmer income, particularly the farmer with the business scale 4-7 dairy cattle per farmer and farmer who owned more than 7 dairy cattle.

For the farmer who consider dairy farming as a side business (1-3 dairy cattle per farmer), dairy farming contribute small portion of farmer income and other business are required to fulfill the farmer need. But based on manhour required consideration, dairy farming only required 2.5 manhour per animal unit per day, it is believe that dairy farming provide good contribution to the farmer income.

The dairy farmers are living in rural area and dairy farming are part of their mix farming business. In dairy farming involved all family members (children and wife). Milk are collected in cooperative sub-collecting centre twice a day then deliver to cooperative chilling centre, before its deliver to the milk processing plant either private companies milk processing plant or cooperative milk processing plant.

<sup>6<sup>th</sup></sup>  
\*) To be presented in ICA/Japan training course strengthening management of  
Agriculture Cooperative; Delhi 21 th October 1991

### **Primary Cooperative Activities**

Based on business type, primary cooperative (GKSI members) can be divided into two group :

- Single Purpose Commodity Cooperative  
Business activity of these cooperative only in dairy business.
- Multy Purpose Commodity Cooperative  
Business activities of these cooperative are in some commodities, while dairy business is a unit of cooperative.

### **Secondary Cooperative Activities**

The role of GKSI as a secondary cooperative (apex organization) as a bridge facility in members development. In determining business activities, it is based on subsidiary system prinsiplé, therefore GKSI activities are not substitute members activities but complementing members business activities, e.g : milk processing plant which has not been feseable owned and operated by primary cooperative because it required huge capital and advanced technology, at present are operated by GKSI except at the large primary cooperative.



## B. MILK PROCESSING AND MARKETING

Milk drinking has already familiar in Indonesia, e.g buffalo milk has been recognized in some area in Indonesia, sweetened condensed milk has been introduced since the dutch colonial period.

Milk processing companies had been established since 1968, because there are adequate demand (milk market).

The capacity of milk processing companies can be shown in table below :

Table 1. The Production Capacity of Milk Processing Companies

No.	Name of company	Year of estab	Type of Product	Production Capacity
1.	PT Indomilk	1968	Sweetened Condensed Milk Sweetened Condensed Filled Milk Skimmed Milk Powdered Full Cream Milk Powdered Pasteurized Liquid Milk Ice Cream Mixes Recombined Butter Tonic Health Food Drink	2.7 million cases @ 24 cans per year 0.2 million cases @ 48 cans per year 150,000 cases @ 24 cans per year 300,000 cases @ 24 cans per year 3,000,000 litres per year 0.8 million litres per year 1.5 million kgs per year 200,000 cases @ 12 cans per year
2.	PT FVI	1968	Sweetened Condensed Milk Powdered Milk Others (Infant Food, Cereal, Ice Cream Mixes, Yoghurt and Beverages)	30,400 tons per year 12,000 tons per year 25,000 tons per year
3.	PT FSI (Nestle)	1970	Sweetened Condensed Milk Full Cream Milk Powdered Pasteurized Liquid Milk Cereals Tonic Food	12,865 tons per year 1,100,000 cases per year 5,600 tons per year 1,735 tons per year 1,135 tons per year
4.	PT Ultra Jaya	1971	UHT Milk Cheese Yoghurt	6,000 litres per hour 1,000 kgs per hour 200 litres per hour
5.	PT Sari Husada	1972	Full Cream Milk Powdered Infant Milk	1.8 million tins per year 36.4 million tins per year
6.	PT FI	1972	Sweetened Condensed Milk	10 million litres per year
7.	PT Mirola	1974	Food Beverages	552 tons per year 240 tons per year
8.	PT Sugizindo	1978	Powdered Milk	2 million cans @ 500 gr per year 1 million cans @ 2 kgs per year
9.	PT DAFA		UHT Milk Pasteurized Liquid Milk Pasteurized Cream Yoghurt	6 million litres per year 4 million litres per year 150,000 litres per year 1 million litres per year
10.	PT TAA (upstream processor)	1983	Skim Milk Powdered Anhydrous Milk Fat	7,272 tons per year 2,728 tons per year

Source : CIC, Study on Milk Industry and Marketing in Indonesia, 1991

Actually Indonesia has potential to export milk, because the Indonesian farmer have capability to produce fresh milk at relatively lower price than the farmer in developed countries.

Illustration on production cost of fresh milk in various countries can be shown in table below :

Table 2. Production Cost of Fresh Milk in Various Countries

No. Country	Production Cost (per litre fresh milk)	
	Foreign Exchange	Rupiah
1. Jerman (DM)	0.69 - 0.70	808.32 - 820.04
2. Australia (Aus \$)	0.45	702.88
3. Mesir (US \$)	0.30 - 0.35	588.60 - 686.70

While cost of production in Indonesia only about Rp 300,- per litre fresh milk. The ability of above countries to export milk because they get subsidy from their countries and some from community nation such as EEC (European Economic Community).

The milk market in Indonesia grew by an average of 5 % per annum during 1985 to 1990, but the growth has been fantastically increased since 1988 by 16.56 % in 1988 and 11.30 % in 1989.

Production by type of milk during 1985-1990 in Indonesia are shown in table below :

Table 3. Production of Milk between 1985-1990 (fresh milk equivalent)

	1985	1986	1987	1988	1989	1990
Total Prodct. (000 liters)	459,980	465,896	443,625	517,092	575,505	
% change over preevious yr.	11.28	1.29	(4.78)	16.56	11.30	
<b>Main Milk Types</b>						
Swetened Condensed Milk	231,771	228,940	198,677	232,218	241,547	261,600
Powdered Milk (000 liters)	191,572	200,982	206,774	243,428	285,890	318,240
Liquid Milk *	15,293	12,528	4,150	14,005	14,877	
Others	21,344	23,446	24,024	27,441	33,191	

Source : 1. CPS-ISEI 1989 p.45 and CPS-March 1990, p.111  
 2. Ministry of Industry  
 3. CIC 1991, p.68

\* Excluding production of raw milk and some brands of pasteurized milk (which were not recorded by Ministry of Industry).

Generally the slow growth of total milk market in Indonesia was believed to be the result of high price milk at consumers level. Based on "National Food and Nutrient Workshop", milk consumption target is 4.5 kg per caput per year. So that the national demand which this target is approximately 855 million liters per year, far above the actual consumption 600 million liters per year.

Actually the were demand of milk in Indonesia, but purchasing power are low due to the low income.

Since the income grow fantastically due to the economic development, milk demand were also increased. Most of Indonesian people start drinking milk with sweetened condensed milk and gradually had been changed to consume powdered milk due to the better income and further some of them change to consume liquid milk. Most of liquid milk consumer are high income socio economic group.

From the above figures it shown that growth of powdered milk 12.3 % over the last 5 years while sweetened condensed milk only 4.2 %. Even in 1989 the growth of powdered milk is 17.5 % while sweetened condensed milk only 4 %.

Since milk is a very perishable product and the dairy farms are located far from consumers even from milk processing companies, hence dairy farmers require to be in a group in order get easier and more efficient handling and delivery of milk either to the consumers or milk processing companies. Therefore dairy cooperatives were established.

GKSI as a secondary cooperative was established in April 1979. GKSI's main activity at that time was to negotiate with milk processing companies (PT Friesche Vlag Indonesia, PT Foremost Indonesia, PT Indomilk, PT Ultra Jaya, PT Sari Husada and PT Food Specialities Indonësia) on milk allocation and milk price adjustment.

So it is obvious that historically the main purpose of dairy cooperatives establishment is to solve marketing problem of milk either to the consumers or milk processing companies. Since most of local fresh milk were sold from dairy cooperatives to milk processing companies as raw/chilled milk, hence role of milk processing and marketing mainly on the hand of milk processing companies (private companies milk processor).

The increased in demand hence as good opportunity for dairy farmers to increase milk production. These were also good chance for dairy cooperative to enter into milk processing industry and milk marketing. It is GKSI plan to have 15 % milk processing in Indonesia and 10 % market share of milk in Indonesia within the next 5 years.

## C. THE GKSI

### The GKSI Objectives

The Union Dairy Cooperatives of Indonesia (GKSI) is a secondary level of cooperatives in dairy, a nation wide activity with main objectives are :

- To provide services to members in order to improve members' welfare.
- To maximize profit in order to provide better services to members and develop GKSI business. Better service means better in fulfilling members' needs (both in fulfilling daily necessities and developing their own dairy business) and higher profits' for members.
- To strengthen relations between members and between members and other institutions (other cooperatives, private companies, state-owned companies and government).

### GKSI Progress

Along the line with the National Development Programme on dairy, GKSI takes an important role for the dairy 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 250,000 tons in 1990. The value of milk sold increased from Rp 2 billion in 1979 to Rp 110 billion in 1990. 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 250,000 dairy cattle under 190 primary dairy cooperatives in 1990.

The detail progress of dairy cooperatives development since 1977 to 1990 is shown as table below :

Table 4. Progress of Dairy Cooperatives Development since 1977 to 1990

I t e m s	1977	1980	1983	1987	1990
Number of Primary Coops	2	50	183	173	190
Number of Dairy Farmers	980	12,807	41,730	67,000	74,000
Milk Sales (million lt)	1.3	22.8	79.2	151.2	250.0
Alam Murni pasteurized milk sales (million lt)	-	-	-	1.30	1.65
Farm Gate Milk Price (Rp/kg)	40-80	150-210	240-275	330-390	350-450
Milk Price at IPS (Rp/kg) * a)	70-105	213-236	300	380	471
b)	70-105	236-254	328	400	461
Dairy Cattles Population		50,635	141,037	205,000	250,000
Imported Dairy Cattles (cummulative)	-	10,365	56,239	62,622	83,896
Labor Absorption		11,199	37,310	34,500	150,000
Foreign Exchange Saving (thousand US \$)		5,770	22,300	37,800	62,500
Total Dairy Cattles Credit (million Rp)	59	5,944.4	39,794.8	48,246.0	79,594.8
Number of Labors at Primary Dairy Coops	59	8,845	8,824	8,921	9,925
Dairy Cattles Credit Value (million Rp)			33.5	92.0	125.0
Milk Sold Value (billion Rp)			26.6	58.2	110.0
Milk Ratio **			1 : 5	1 : 2	1 : 1.7
Average Milk Price at Consumers (Rp)	180	360	600	1,125	1,800

Note : \*) IPS = milk processing companies

\*\*\*) Milk Ratio = local fresh milk : imported milk

## Organization and Business

The GKSI organization structure is shown as chart enclosed :

In dairy cooperatives there are only primary and secondary level of cooperatives, which in every provinces there are Regional Commissary as part of secondary cooperative board of executive.

As part of GKSI business development, since January 1, 1991 GKSI business are organized by business unit system namely GKSI Business Division. There are ten business division :

1. Milk Processing Business Division
2. Milk Marketing Business Division
3. Plastic Bottle Processing Business Division
4. Feed Processing Business Division
5. Saving and Loan Business Division
6. Office Building Business Division
7. Export-import Business Division
8. Dairy Cattle Technical Service Business Division
9. Insurance Business Division
10. Dairy Cattle Breeding Business Division

The objectives of GKSI business division establishment are :

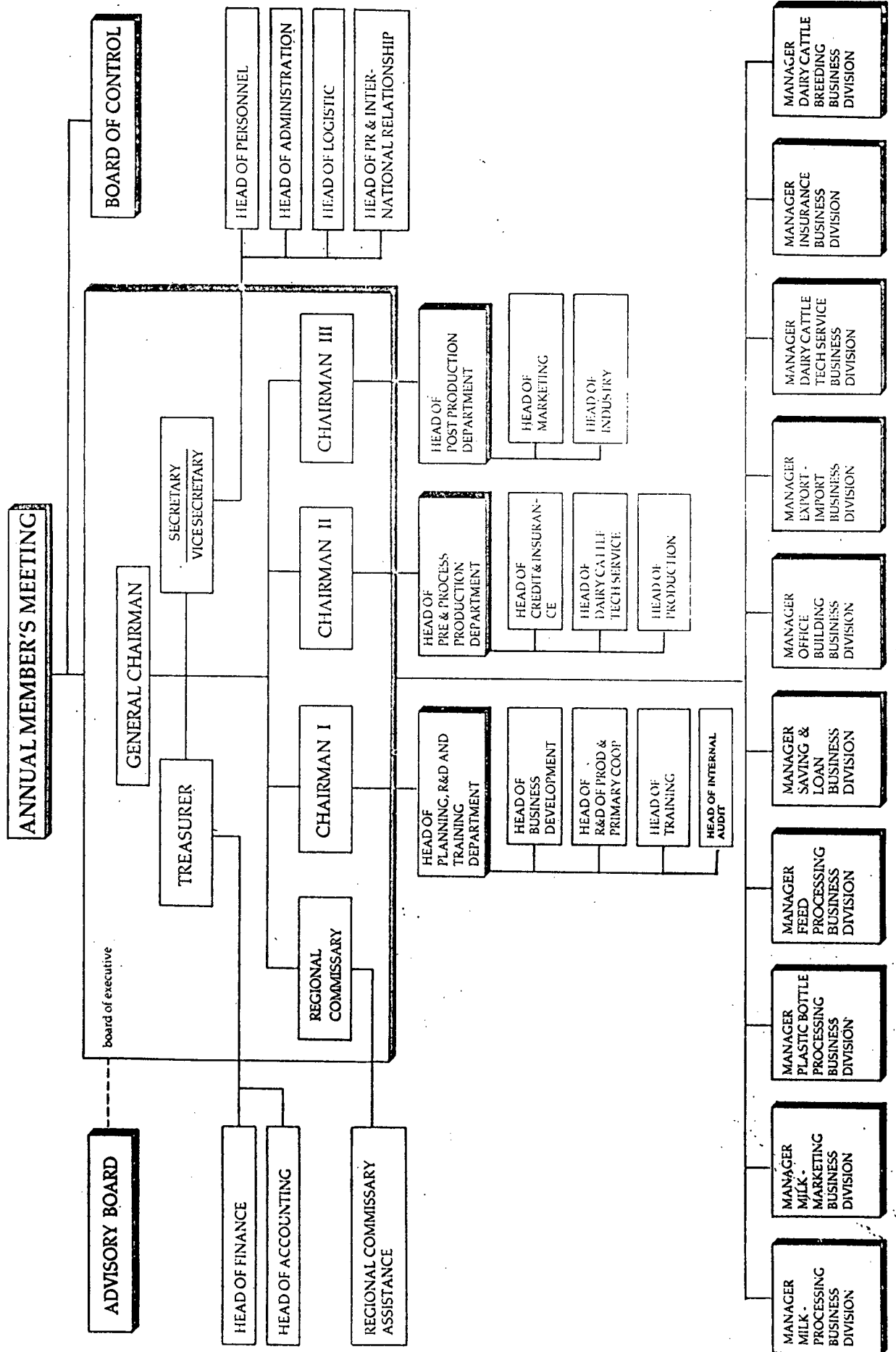
- To increase self-help of GKSI business, in order to provide better service to the members.
- To increase productivity through the better compensation system (based on employee achievement).
- To produce professional managers in dairy cooperatives.

### Business Division Guidance

- **Subsidiary System Principle.**  
Subsidiary system among dairy farmers, primary cooperatives and GKSI. In subsidiary system principle, the activities which could not be done by dairy farmers, at the first step will be done by primary cooperatives. Then if primary cooperatives can not do it, GKSI will do these activities.
- Profit is produced to provide better service to the members.
- Following agribusiness approach.
- Each business division has the autonomy.  
The role GKSI Board of Executive in this business are evaluation and approval of business division planning and budgeting, beside controlling business division activities.

The organising and executing of business division are business division managers responsibility.

# GKSI ORGANIZATIONAL CHART





## GKSI Milk Processing and Marketing

The existing milk processing and marketing by dairy cooperatives are mostly to chill the milk and then deliver it to the local milk processing companies. Only a little part of milk production is sold directly to the consumers (about 3 %). The price of milk to milk processing companies is only Rp 491.- per kg. It is the only way to sell the milk for the time being even if it is not creating a better margin for the milk producers.

Added value will only be created when the producers can produce milk products ready for use to consumers. For example UHT milk price is about Rp 2,000.- per liter, pasteurized milk is about the same price as UHT milk. But to produce any acceptable products, a good marketing strategy, proper dairy technology and facilities are required.

The existing GKSI milk processing plants / milk treatment plants (MT) were established in July 1983. The plants were equipped with chilling facilities to cool the milk down to 4 degree C and then ship it to milk processing companies. Another facility is pasteurizing equipment, completed with packaging machine and cool storage room. There are 4 milk treatment plants owned by GKSI and the other one is owned by Pengalengan primary dairy cooperative. The plant capacity and utilization of the above milk treatment plants are summarized below :

Table 5. Milk Treatment Plants Capacity and Utilization  
(thousand litres)

Milk Treatment Plant	chilled+past. milk		sterilized milk	
	designed capacity	used capacity	designed capacity	used capacity
Bandung	18,000	18,250	3,000	0
Boyolali	32,850	29,930	-	-
Pandaan	10,000	3,657	3,000	0
Batu	18,000	6,998	-	-
Pengalengan	40,000	40,150	-	-
Total	118,850	98,985	6.000	0

The idea of establishing the MT by GKSI was to provide facilities to help dairy cooperatives (member of GKSI) which has no cooling facility to cool their milk before shipping to milk processing companies and also pasteurising some of the milk for direct selling to consumers.

Now Milk Treatment Plants in Bandung and Pandaan are producing pasteurized plain milk and flavoured milk (sweet, chocolate and strawberry) in carton and plastic sachet. They also produced yoghurt in cups.

The progress of GKSI's pasteurized milk (Alam Murni brand name) during 1984 to 1990 can be summarized in table below :

Table 6. Sales of Alam Murni pasteurized milk from 1984 to 1990 (litres)

Year	Milk Treatment Plant			Total
	Bandung	Pandaan	Boyolali	
1984	16,577	78,865	21,239	116,681
1985	68,257	416,459	15,306	500,022
1986	412,870	674,512	11,445	1,098,827
1987	446,756	818,054	29,936	1,294,746
1988	495,281	695,419	113,065	1,303,765
1989	517,394	889,155	193,654	1,600,203
1990	638,314	956,245	56,071	1,650,630

In 1990, GKSI milk treatment plants in Bandung and Pandaan were expanded and for the production of sterilized milk, and soon this product will be launched in plastic bottle packing.

## D. AGRIBUSINESS APPROACH

### GKSI ROLE IN THE DAIRY AGRIBUSINESS

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
Poduction Facilities	X	XX	XXX	XX	-	-
Cattle feed, requir - ing large capital, & sufficient technology and management	X	XXXX	X	XXXX	X	X
Process Production	-	XXXXX	X	-	XXXXX	X
Post-Production - Processing ) - Marketing ) Requiring a large amount of capital, high technology and sufficient management	X	X	XXXX	XX	X	XXX

Therefore 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.

### 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 row materials and forward linkage i.e. feed

mill factory and its distribution network. Considering that the market of the feed of this dairy cow is more than 90% in the cooperatives, therefore 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 network. In this case, the dairy cooperatives (GKSI) can own shares or cooperates 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 distributor.
- 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 . Whereas the supply activities by importing dairy cows can be conducted by GKSI by cooperation with other parties or independently in phases.

#### . 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).

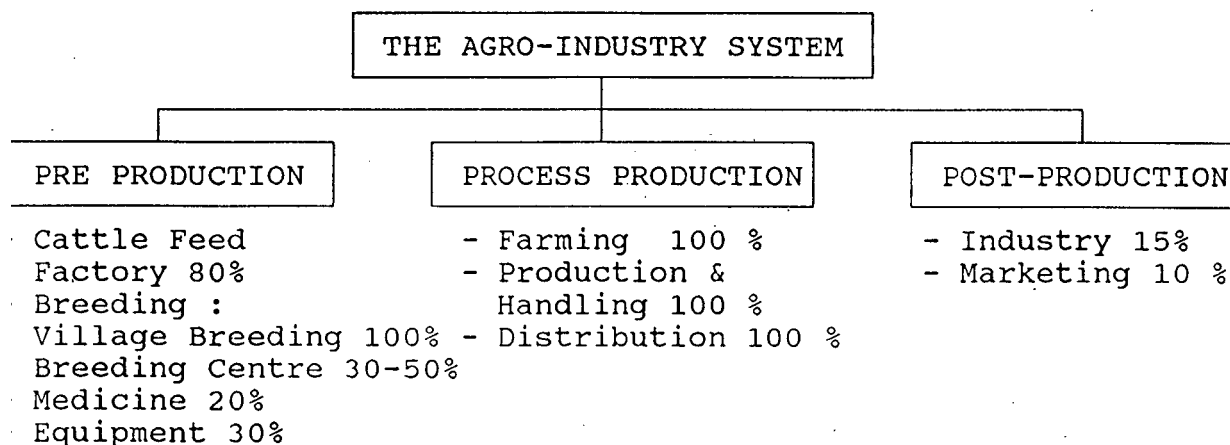
#### . Post-Production.

- 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 Treatments (MT) which are already owned at present.
- b. marketing : the milk and other dairy products marketing activity, GKSI and the primary cooperatives can cooperate 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



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.



Regional Office for  
Asia & the Pacific

Sixth JTC/91-92

22nd October 1991

SIXTH ICA JAPAN TRAINING COURSE ON  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
OCTOBER 21, 1991 - MAY 10, 1992

Points for Group Discussion - 22.10.91  
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 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.

**Country Background Paper**

**Organisational Structures Management Practices**

**And problems of Agricultural cooperatives**

**in IRAN**

Offered to six<sup>th</sup> IICA/Japan training course for  
strengthening management of Agricultural -  
cooperatives in ASIA

/ October 21 , 1991 to May 10 , 1992 /

In the name of God

Rural and agricultural Cooperatives in IRAN in recent years

Rural and Agricultural Cooperatives, network is covered under 25 province units, 189 township units and one central head quarter- ( office ) in Tehran . These cooperatives have always considered - the regulations and principles approved by the I.C.A's congress - during their over than a quarter of a century activities . So in - this regard, in order to continue their activities and provide the - joint needs of their members and also their professional welfare, it is prevented to compose the said cooperatives' activities with the - trade institution. And because of this approach, despite the condi- tions of Eight Year Imposed War in IRAN and encountering with hun- dreds of thousands of Iraqi refugees who have mostly arrives in - IRAN in this year , the members of Rural and Agricultural coope - ratives cooperate with different kinds of cooperatives' activities - and programms with a more firm belief . Even in many cases, they have done worthy measures in facing with disaters resulting from - natural events and have also given aid to people .

Rural and Agricultural cooperatives are active in three forms in IRAN: Rural cooperative societies , Agricultural cooperative so - cieties ,( in different specialized fields) and their Cooperative alli - ance there of , are under control and supervision of Central Orga - nization for Rural Cooperative which is offiliated to the Ministry of Agriculture . These cooperatives are covered more than 57000 villa - ges through out the country , by their 4000 agricultural and Rural cooperatives' societies . with 417 million memberships. The capital - and reserves of rural cooperatives and alliances were over than - RIALs 123,342,478,771 ( about \$ 1,718,645,538 ) at the begining of - the year 1991 which has increased averagely 17% , in comparison - with the last year .

The above - mentioned Agricultural and Rural Cooperatives , network follows its activity along with the Central Organization for Rural Cooperative's policies in the Islamic Republic of IRAN's first five Year Economic, Social and cultural Development plan(1989-1993). The sigificanit policies and strategies are as follows :

1. To develop agricultural cooperatives and different productve - formations .



2. To generalize the training of Cooperative's economy, technical, credential and commercial matters in order to prepare essential ways to the more self-managing of rural cooperatives .
3. to lead Rural Cooperatives to the maximum production in the surface unit for the self-sufficiency of agricultural products .
4. To support Rural consumers and producers .
5. To develop technical and credential supports .
6. To inspect the well doing of technical and financial deeds and on going affairs of Agricultural and Rural Cooperatives' network .

Agricultural and Rural Cooperatives apply various possibilities including human force and extensive financial resources which not only have a main role in producing and improving agricultural affairs but also have a significant effect on increasing of farmers' income . The potential possibilities of the said cooperatives are as follow :

A: The possibilities of Central Organization and Alliance for Rural - Cooperative in Tehran .

B: The possibilities of 214 branches of organization in the center of provinces and cities .

C: The number of 3130 Rural Cooperative companies .

D: The number of 4,272,722 members in Rural Cooperative companies.

E: The amount of over RIALs 92,243,460,037 in capital and reserves of Rural Cooperative societies .

F: The number of 191 Rural Cooperative Alliances.

G: The amount of over RIALs 31,499,018,734 in capital and reserves of Rural Cooperative Alliance .

H: The number of 1060 agricultural cooperative societies .

I: The number of 509400 members in agricultural cooperative societies .

J: The amount of over RIALs 37,793,548,000 in capital and reserves in Agricultural Cooperative societies.

By applying the above-mentioned possibilities, the main activity of cooperatives in Trade sector ( buying excess of agricultural products ) has been buying basic and strategic products which wheat has been the most . It should be explained that , rural cooperatives have had an effective and active role in buying the excess of wheat from producer farmers since 15 years ago . And during this period - the greatest amount of buying by the cooperatives has been 2435545 tons in 1369 ( at the end of 1991 April ). It is predicted that in -

this year, by the continuation of the wheat pivotal plan , the - amount of wheat excess presentable to the rural cooperatives will be exceeded to 3 million tons. Other products such as : barley, rice, potato , onion, fresh fruit and vegetables, citrus , palm and all kinds of cereals are the main items that cooperatives have resorted to buy .

For the new year ( from 1991 March ) with the approval of the Economy High Council , a guaranteed price is determined for - most of the agricultural products and buying the excess of pro - ducts which are about 15 kinds is also guaranteed . Rural Co - operative have undertaken a heavy responsibility by this policy , - because they should do the purchasing procedures with the physical and financial possibilities which are given to them . To approach this goal in the next year , although the rural cooperatives' net - work has about 740 technical storages in border of cities and near production centers with the capacity of 250 000 tons to 10 000 tons and totally over than 65 5000 tons which in comparison with the - first year of Revolution it has increased about 98%; with specifying and providing new credit in the budget of this year , it is prescribed that during these last three years of Islamic Republic of IRAN's first five Year Economic , social and cultural Development up to the year 1372 ( 1993 ) the number and capacity of Rural Cooperatives' tech - nical storages will be increased more than twice of present possi - bilities .

The exportation of agricultural products is another activity of agricultural and Rural Cooperatives, network which is carried on by their Alliances in different provinces and also central Alliance for Rural Cooperative . Although this measure may not be considerable with a view to the amount and product's items , it has caused new arrangements for the increasing amount and improvement of quality which these arrangements have made the improvement of commercial methods, packaging and expediting in transportation .

In the year 1369 ( 1990 ) about 10 kinds of products were - exported to the west Germany and United Arab Emarat by the - Rural Cooperatives which the gratest and the least amount respec - tively were apple 400 tons and grape 4 tons . In this regard, the Central Alliance for Rural Cooperatives has established an expor - tation office with its own capital in the ALHAMRIEH in Doha which carries on the exportation affairs of Rural cooperatives in the -

region. Now establishing other exportation offices in west Germany Kuwait and Malezy is under negotiation and consideration, which a remarkable increasing is predicted in the amount of exportable agricultural products of agricultural and Rural Cooperatives' members .

In the training fields, new and significant steps are taken to improve the quality of agricultural cooperatives' activity from the year 1369 (1990). Which the most important of them is activating two centers for training cooperation in OROMIEH and AHVAZ ( the center of a south and a North west province of the country) in order to train the human force required by the cooperatives' network at the associate of arts level . And now about 70 students are in the third term and will be graduated up to the end of the year 1991. Besides, other centers are specified for specialized training required by agricultural and rural cooperatives in Zanjar province. Except for these three centers, some other cooperation , training centers are in the process of establishment in the center of other provinces . Along with this activity , from one month ago establishing the cooperation faculty at the level of B.A is under planning and examination around Tehran city , in order to train more specialized human force required by the agricultural and rural cooperatives' network and introduce to cooperatives for employing .

publishing the agricultural and rural cooperative's periodicals is emphasized in order to increase the specialized skill and occupational knowledge of men who are responsible for inspecting and leading cooperatives . This publication , at the end of it's third year of circulating , is issuing about 3000 circulations in each number which are distributed among 189 units of Central Organization for Rural Cooperative through out the country .

From one year ago , to improve the collecting system of statistics and information of the cooperatives' network and prepare research and studies grounds ,the central Organization for Rural Cooperative has considered the comprehensive plan of computerizing . In this way , the statistics system as one of these systems has finished its final stays of programing .And at this time, a group of managers and experts in central office are passing preliminary training course of computer applying , in order

to get the latest statistics and information of agricultural and rural cooperatives in their office through this machine .

About giving the services required by the rural cooperative's members , a memorandum is signed between the Islamic Republic of IRAN's post office and C.O.R.C and the preparation of establishing 400 post offices in the location of consumer cooperative stores of rural cooperative societies are provided. And now these offices fulfill the post services with the priority of villagers near their habitats . By gaining experiments and inspections of the first post office's activity , it is agreed to set up such offices in all 11397 consumer cooperative, store throughout the country .

Besides, the establishment of agricultural bank's branches in rural cooperative companies is predicted for 500 rural cooperatives in this year to take the limit reserves of rural cooperative's members and use them in order to give supplementary loans. For the fulfillment of this goal , the general directors , accountants and cooperative's men of rural cooperative societies are selected and are training different specialized courses under regard of experienced experts of agricultural Bank . A branch of Bank will be established in the location of cooperative society of the gradually , the training of the said individuals is finished .

In order to provide credential facilities in this year(1991) the amount of RIALs 173,000,000,000 is specified for fulfilling the goals of agricultural development and Rural industries by , rural and agricultural cooperative societies , so far, part of it has distributed among requesting cooperatives and up to the end of this year all the said credit will be collected . The said credit in comparison with the year 1369 (1990) has increased about 33% . In addition to the said credit, the amount of RIALs 35,000,000,000 will be given to the central union for Rural cooperative and other rural cooperatives unions to provide and prepare inputs and production tools and instruments , required by cooperatives' members .

To provide professional and living needs of rural cooperatives' members , about 10736 oil ,selling centers of rural cooperatives' societies are undertaken the main distribution of oil

products for the agricultural machinerie fuel , water pump's engine fuel and etc , And also the combustion used in houses , Besides , about 11397 consumer cooperatives, stores provide the main item of consumer goods required by the cooperatives' members and other residents of rural regions with a reasonable price in the villages which are in the realm of rural cooperative societies' activity . Offering the above-mentioned services plays an effective role in providing professional and living facilities of villagers . and this given hopes to the producers of agricultural products to remain at their production place and prevent them from migration .

About providing agricultural inputs, it should be noted that about 50% of all insecticides and 100% of all fertilizers required, by the agricultural sector are distributed by rural cooperatives, the fertilizer " ferro-secosterin " and other kinds of agricultural needs such as : Carbunat-Potas powder, cover paper for citrus and nylon are provided and distributed by rural cooperatives' network. Different kinds of vegetable, summer crop, wheat, clover, potato, sorghum seeds are other kinds of agricultural inputs which is provided by the cooperatives ' network either from outside or inside of the country and is distributed among agricultural and rural cooperative' members.

the position of rural and agricultural cooperative's unions and societies up to the end of 1990 are as follows:

## Lands position, Problems & Major Agricultural products of Iran

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About 3/4 of the Iranian plateau is covered with mountains and steepy areas . Only 1/4 of it is flat . The latitude has caused different climates in different areas. Agricultural activities have been faced with haphazard difficulties because of the above — said variety . Fertile plains have come into existence in the — favourable conditions & sufficient humidity. Dried deserts and — salty lands have come into existence in hard conditions which — cover more than 20% of the country . While only 14.4% of the — lands of the country is used for water and dry farming, gardening and rotation cultivation and the forests cover 7.4 % of it, the poor pasture lands cover more than 55% of the area of the — country . The area of the suitable lands for agricultural acti — vities is estimated about 30-32 million hectares , part of which — located in dry areas with little rain. As a result of the prob — lems of supply of water about 18.½ million hectares is used for agricultural activities . 10.2 million hectares out of the above — said area is under cultivation of the annual cultivation of the — annual products , about 700 hectares for permanent products and 7.6 million hectares for rotation cultivation . Out of the total — area under cultivation, about 5.8 million hectares have been allo — cated for dry farming and 4.4 million hectares have been alloca — ted for water and semi water lands .

### EXPLOYTATION SYSTEM

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There are more than 60000 big and small villages in Iran which — are spread all over Iran as the centres of agricultural activities. Some of this villages are locatrd in concentration but most of them are scattered in different parts of the country . Small size of the — units under exploitation ( out of 2.5 million units in Iran about — 82% is below 1 hectare ) and scattered situation of the units have increased the costs of production and decrease of the income of — the farmers and also have caused problems for carrying out the — agrotechnical activities . Therefore, utilization is in ordinary forms & traditional agricultural patterns .

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## AGRICULTURAL PRODUCTS

In spite of the present difficulties & bottlenecks and the problems arisen from increasing of population ; the general demand for agricultural products have been increased . Attempts have been made to provide more foodstuff for the population & special consumption of the country and to decrease import of some of the major foodstuff in order to provide the export of less value agricultural products . In this course , the main items of export of agricultural products in comparison with the total export of non-oil products of the country has been more than 50% of it during the recent years and the volume of import of agricultural products and foodstuff is also decreasing . The imports in 1985 in comparison with 1984 has been decreased from 6.5 million tons to 6 million tons that is 9% decrease .

## A SURVEY OF AGRICULTURAL PRODUCTS

In the recent years, the area under cultivation of the agricultural products and production of these products have been increased e.g. the area under cultivation in 1985 has expanded 774 thousand acre (8.8%) in comparison with the year 1981; and 395000 acre have been increased to the area under cultivation of wheat, rice, sugar beet , oil seeds and cereals . ( Ref . Table No.1&2)

## POPULATION, INCOME & EMPLOYMENT

The population of Iran, according to the census of Nov, 1987 is more than 44,802,000 of which about 48% - 21,525,000 live in the rural areas . Considering the population increasing rate ; 3.1% , the increase of active armers during the period of 1976 - 1987 are respectively 2,992,000 - 3,253,000, that is 161,000 .

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## HISTORY OF RURAL COOPERATIVE ORGANIZATION IN IRAN

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The Agro-Industrial Bank ( the present Agricultural Bank of Iran ) as established in 1933 for providing the facilities of agricultural loans in small scale, expansion of agricultural activities and assisting the farmers . But the bank did not meet the requirements of the farmers of low income except the feudals, pressure groups and petty farmers, because of location of the bank in the centres of the cities and demanding the valueable properties as the security for payment of the loans . The average of the annual income is Rls.531094. Due to sharp difference between the level of rural & urban living dissatisfactory non-profitability of agricultural sector led to immigration to the urban areas . Upon the establishment of Islamic Republic of Iran & paying attention to the villages in rendering general services to them such as electricity facilities , water supply , primary and high school education facilities , hygiene and treatment facilities and encouraging the farmers , to more production through increasing the profitability of the products of this sector attempts are made to decrease the immigration from the villages to urban areas as much as possible . In order to erase these bottlenecks, other ways such as establishment of Rural Cooperative Funds came into mind from 1964. These funds could facilitate payment of the required loans to the farmers . The funds were established with the membership of feudals sponsored by the above-said bank . The capital of the funds was paid by the above said members . In addition , the bank paid loans to the farmers . The aims of the funds are briefly : collecting the petty capitals and granting loans easily . By the end of 1957 , 103 funds were established in the cities , but they didn't meet the needs for the said reasons . They were sources of capital for the feudals most of whom resided in the cities .

### Establishment of Rural Cooperative societies

Considering the acquired experiences , the acquired experiences, the first rural cooperative societies was established in Damavand with 457 members and with a capital of Rls.11240 (1 U.S.\$=72Rials)



with the assistance and supervisorship of the Agricultural Bank. The first aim of this society was rendering credit services and then was providing the agricultural tools and instruments for the members, The societies also established a shop for the latter aim. Gradually similar rural cooperative societies were established in other rural areas of Iran, so that 925 rural cooperatives were established all over the country until 1961.

#### EXPANSION AND ORGANIZING THE COOPERATIVE SOCIETIES:

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After approval of the land Reform act in 1962 and in order to fill the vacancy of the feudals who were responsible for covering the farmers' membership in rural cooperative societies became compulsory for all the farmers who became the owner of farm lands according to the regulations of Land Reform Act. Therefore the rural cooperative societies were vastly organized and expanded all over the rural areas of Iran.

#### FORMATION OF CENTRAL ORGANIZATION OF RURAL COOPERATIVE:

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Expansion of rural cooperative societies necessitated the establishment of an independent organization for taking charge of rural Cooperation was established as a joint stock society in 1963. This society was charged with expansion of rural & agricultural cooperative societies and economical and social activities in rural areas. The functions of the above-said organization were approved according to its constitution by its general assembly. The original capital of the company was more than Rls.1,000,000,000 which was covered by the government, and according to its constitution the unions of rural cooperative societies can gradually purchase the shares of the organization, so that the entire capital of the organization to belong to the unions of cooperative societies. The organization trained the required staff for coordination and supervising the cooperative societies by planning the training classes. The organization formed classes for training of the directors and inspectors of the cooperative societies whom had been elected among the members and upon the free vote of the members enabling them to manage the affairs of their cooperative societies while learning the principles of cooperation,

\*\*\*\*\*

accounting and book-keeping .At present most of these societies are fulfilling the affairs of their own societies, and the persons in charge of coordination are cooperating with them as a liaison and coordinator of the plans with public sector . Each coordinator, who is an employee of the Central Organization of Rural Cooperation , is in charge of supervising and coordinations of one or two cooperative societies including an average of 40 villages. These coordinators hold at least high school diplomas and have been trained for rendering services in the villages and all of them have passed 6-9 months training courses of administering the Rural Cooperative societies before beginning their services who call at & inspect the villages and cooperative societies under their supervise by a vehicle which is at their disposal and driven by themselves .

#### UNIONS OF RURAL COOPERATIVE SOCIETIES:

---

In order to facilitate the supply of life and professional requirements of the members of the cooperative societies, a union of rural cooperation was gradually organized in all the cities of Iran with membership of all the rural cooperative societies of that city , which provided the entire requirements, goods and services, of the members of rural cooperative societies. At present 189 unions of rural cooperative societies are rendering services all over Iran .

#### CENTRAL UNION OF RURAL COOPERATIVES :

---

As a result of expansion of the activities of rural cooperative societies , the Central Union of Rural Cooperatives was held in the capital of Iran( Tehran ) with membership and investment of the unions of rural cooperative societies all over Iran in 1977 , which was in charge of providing and distribution of consumption, professional and service requirements of the unions of rural cooperative societies , ultimately the farmers of the country . One of the most important responsibilities of this union is marketing and sale and purchase of the products of the farmers in Iran and abroad .

\*\*\*

The Central Organization of Rural Cooperatives undertook to supervise & control the work of rural cooperative societies in the first half of the year 1963. ( At that time 45940 farmers with a capital of Rls. 295811350.-U.S.\$ =Rls.72, were members of rural cooperative societies . The members of the societies were 3'404'534 farmers with the capital of Rls.13'102 million. The encouragement of the members of the cooperative societies for investment in the cooperative societies which was a kind of saving for the members was one of the useful and effective action through performance of which an increase of 323.936% was obtained between 1981 & 1988 and the total capital and reserves of these societies amounted to Rls.71641 million.

CREDIT ACTIVITIES OF THE RURAL COOPERATIVE SOCIETIES:

The cooperative network having taken advantage of the banking system credits and its liquidity grants loans to the farmers in order to meet their professional needs and requirements and to eradicate the bookers and forward purchasers' activities. The granted loans are effective because of the reasons such as: payment, commission rate for the banking operation ( interest is banned in Islam ) , time guarantee, etc . Although the amount of granted loans is not high , but these are useful from different points of view.e.g. the encouragement of the farmers for investment in agricultural section .

Although the ceiling of the payable loans have been increased in the network of the rural cooperative societies , but considering their needs for purchase of tools and agricultural materials, it is not sufficient. Never the less this action has prevented them to sell their products in advance . Although the important function of these cooperative societies was based on granting credits and most of the farmers became the members of the societies with the hope of taking advantage of the credit facilities, but the credit problems of many of them have been solved and are not applying for the credits. ( Table No.3 specifies - that only 1/3 of the members of the cooperative societies have utilized the loan ) and this number of the members have borrowed loans for Rls 71 milliard in 1972 . If they were supposed to borrow this -

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amount as interest in different types, that is an amount equivalent to Rs.14 milliard, while they have only paid 4% commission through cooperative societies, (Rs 13'716'000'000. has been saved).

#### COMMERCIAL ACTIVITIES :

1- plan for sale and purchase of the products of the farmers .

One of the major problems of the farmers is the execution of policies in connection with the agricultural products . Because if there is not a correct programming for sale of agricultural products the efforts for increase of the production will not lead to a satisfactory result . Experiences show that in such cases the products will not be sold at a fair price , or the products will be spoiled or will be purchased a low price by middlemen and are hoarded .

The result of this action leads to lack of psychological security of the rural producers, disappointing them , and ultimately their immigration to the cities and the engagement in non producing activities, or in other words " conversion of producers to consumer

The network of rural cooperative societies has programmed some plans of solving this problem one of which is guarantee of purchase of the products and establishment of sale centres without a middleman .

Considering the supporting aspect of guarantee of purchase of the products , the farmers are free to sell their products either at the guaranteed prices or in the free markets .

The products that are purchased through the network of rural cooperative societies mainly include wheat, barley, rice, corn, potato, types of grains, fruits, vegetables , date , summer crops and wool.

In the period 1981 to 1986 the Rial value of agricultural products—purchased has had an ascending trend which has been increased to Rs.125909 million in 1986 . It is hoped that this trend would have a more speed by removal of the bottlenecks such as expansion of roads between producing centres ( villages ) and consumption centres availability of vehicles, erection of technical warehouses and cold storages .

\*\*\*\*\*

Establishment of sale centres is one of the other attempts of the network of rural cooperative societies during the recent years - which enables the farmers to supply their products in these - centres without a middleman. The program for export of the agricultural products to foreign countries is another attempt of the - cooperative societies . 166 000 tons of agricultural products were sold in Ghezel Ghaleh Sale Centre in Tehran during 9 months in 1975, and export of lemon, onion, watermelon, lettuce, grape fruit and pomegranate to Persian Gulf Countries have been more than - 1000 tons .

#### TECHNICAL SERVICES:

The technical services , which at present are rendered by rural - cooperative societies and unions are as follows:

Animal husbandry, poultry , breeding , affairs of the factories , - establishment of warehouses and storage installations, increase of agricultural products, taking advantage of farm lands, preparation and provision of agricultural materials ( seeds , fertilizers, and agricultural machinery .)

#### PRODUCTION ASSISTING GROUPS:

One of the actions taken under the coverage of rural cooperative companies was formation of production assisting groups which - began its work with the aim of lowering the production expenses and in agriculture and animal husbandry, and rendering services and presentation of the facilities of public sector to these groups have priority . Attempts have been made to use the facilities of the farmers themselves in these groups more effectively . for - example if there are 3 tractors belonging to three of the members , the group will rent the tractors to the other members - with a program so that the requirements of other members are - covered . The cooperative society will assist them in giving the spare parts and other facilities .

	at the end of the year		unit
	1368 / 1989	1369 / 1990	
A: The position of rural cooperative societies			
1. The number of rural cooperative societies	3110	3130	societies
2. The number of rural cooperative societies' members	4,345,942	4,272,722	persons
3. The amount of capital	66,215,471,100	69,081,724,200	Rials
4. The amount of legal reserve	21,314,775,688	23,161,735,837	rials
5. The number of consumer cooperative store .	58,291	58,109	units
6. The number of districts under cooperative supervision	1499	1468	units
7. The number of societies, office building	5709	5460	units
8. The number of consumer cooperative store	11,354	11,397	shops
9. The number of oil selling center	10,716	10,736	units
B: The position of agricultural cooperative societies.			
1. The number of agricultural cooperative societies.	736	1066	societies
2. The number of " " " members	383,889	509,366	persons
C: The credential condition of rural cooperative societies.			
1. The amount of loan given to the rural cooperative socie-	82,392,019,180	41,852,970,582	Rils
2. ties. The number of debtors	791,357	359,322	persons
3. The amount of collecting the past due of member's loan	93,545,395,542	61,786,324,060	Rils
4. Balance of the sums due of societies of the members	24,647,922,284	34,332,917,837	due Rils
	79,889,274,967	51,307,672,133	undue
D: The position of rural cooperative societies , unions			
1. The number of union .	189	191	unions
2. The number of societies member in unions.	3105	3109	societies
3. The number of members of societies member in rural	4,117,628	4,214,628	persons
4. The amount of Alliance's capital.	18,373,300,000	18,170,945,000	Rils
5. The amount of reserve .	11,741,798,997	13,328,073,734	Rils



Regional Office for  
Asia & the Pacific

Sixth JTC/91-92

24th October 1991

SIXTH ICA JAPAN TRAINING COURSE ON  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
OCTOBER 21, 1991 - MAY 10, 1992

Points for Group Discussion - 24.10.91  
Iran

1. What are the characteristics of the Iranian agricultural cooperative movement?
2. What are the positive and negative factors you have identified in respect of effective services to members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in Iran ?

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE OVERHEAD PROJECTOR.

# Agricultural Cooperative Activities in Iran, Group A - 10/24/91

## Characteristic:

1. To aim at self-managing of rural cooperatives leading to maximum production of agricultural produce.
2. To support the producer during saturated market and to protect the consumer at lean period.
3. To provide technical support to the rural cooperatives and to inspect the on-going affairs for smooth functioning of the cooperatives.
4. According to Land Reform Act. owners of the farm became members of the cooperatives.



## Group A

### Positives:

1. Provision of agricultural credits from banks to increase more production.
2. Procurement of excess produce during flush season
3. Provision of agricultural publications and periodicals to make farmers aware for more production
4. provision of training facilities for the elected directors
5. marketing of agricultural produce in home and abroad

## Group A

### Negative:

1. Insufficient credit facilities from the bank by about 50%.
2. Lack of members knowledge about the agricultural techniques.
3. ~~More than~~ <sup>Modern</sup> agricultural facilities are ~~limited~~ available to limited groups of people.
4. Inefficient marketing policies leading to farmers suffering for their products sale.
5. Tendency of overhead increasing in the cooperatives

## Group A

### Suggestion:

1. Credit facilities from the bank should be increased.
  2. Introduction of modern agricultural techniques.
  3. Members education and training should be strengthened at grassroot level.
  4. Developed efficient marketing policies.
  5. There should be campaign on recovery of overdue from the members.
-

GROUP - A - 24-24-X-51  
Characteristics Of Korean Ag. Coop.

Group - A

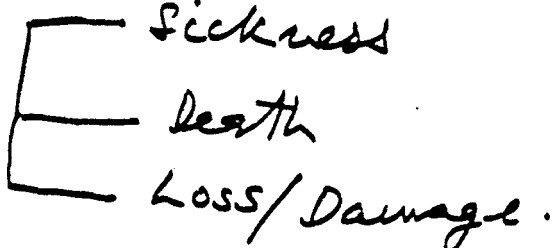
Characteristics:

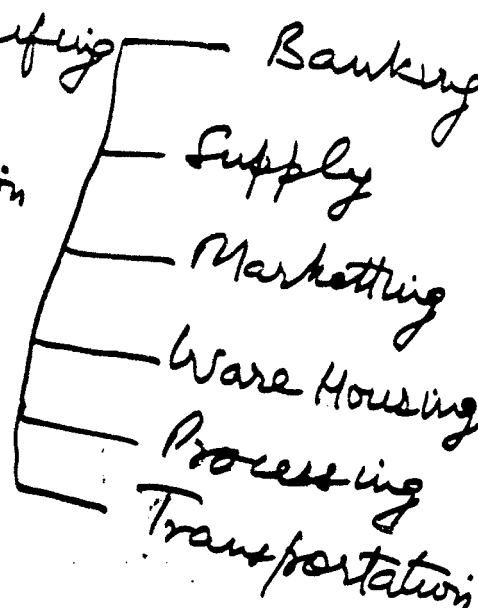
- 1) Reorganise traditional agriculture to modern one.
- 2) Expedite agriculture development through
  - Easy credit
  - supply fertilizer pesticides and machinery.
- 3) Improve Socio Eco. Status of farmers through
  - Increased ag. production
  - Arranging better marketing
- 4) Compare to most advanced economies of the world.

## Group - A

Positive: 1) Govt. funds for coop. credit without direct participation.

2) Coop. arranges education, training and Publication facilities.

3). Insurance 

4) Provision of diversifying activities to ~~the~~ promote production through 

5) ReOrganise three tier to two tier.

6) Effective management system.

organisational  
factor

operational  
factor

Managerial  
skills.

## Group - A.

### Negatives

1. Experiencing great difficulties in the process of rapid industrialization, urbanization, and import liberalization.
2. Severe competition with private sector.
3. Lack of understanding the agricultural cooperative practices among the members and even the literate persons.

### Suggestions

1. implementation of efficient measures { No clear policies of Govt.
  2. improvement of competitiveness and agricultural structure (Farm size)
  3. active participation in the agribusiness
  4. provision of inspection of foreign imported foods by the cooperatives.
-

Q No 1 Characteristics of Gram Cooperatives

(b) Gramian Cooperatives are having the Org. Struc  
As:

- \* Each Village has 'Cooperative Group'
- \* Cooperative Groups Federate to make Rural Coop Societies - Located in Bigger Villages.
- \* Rural Coop Societies Federate into Union of Rural Coop Societies - located in cities.
- \* Provincial Union of Rural Coop Societies
- \* Central Union of Rural Coop.

(2) All Rural Cooperatives undertake Agricultural as well as Consumers Services — Multipurpose.

(3) Organise Production Assistance Group to increase the productivity of Small & Marginal farmers

(4) Acts on Behalf of Govt. to procure Excess/Surplus Agri. Produce at fixed prices

(5) Provide 50% Agrochemical & 100% Fertiliser Distribution

S.No. 2.

24.10.51

19.10.51

### Q. No. 2.

- ① Positive
- ① Government Cooperatives have taken up.
    - ② Training of coop personnel
    - ③ Publishing of Agri. & Rural Periodicals
    - ④ Custom-Hiring Services for Farmers in Agri. Implementation & Maintenance.
  - ② Though under developed but have already undertaken Ag. Products Export Activities.
  - ③ Full Support of Government Govt to develop Coop. as an instrument of developing the Agriculture Sector.

### Negative:

- ① Lack of Capital / Finance
- ② Lack of knowledge of members. A most of them view Coop. as a Govt. Govt. since hindering Coop. growth in accordance with Coop Principles.
- ③ Low Turnover / Activity.

### Q. No. 3 Suggestion:

- ① Consolidation of existing network before expansion.
- ② Intensification of Trg. for Coop. Personnel.
- ③ Diversification in Production.



21/10/91

South Korea.

Group C

### Positive factors.

1. Government begins to have a strong will to support Coop.
2. Extending funds for supporting Coop.
3. The acknowledgement of dangerous foreign pressure on internal market.
4. Conducting rural welfare.
5. Helping farmers to get higher price of agroproducts.

### Negative factors.

1. Too big move of foreign agro-goods into Korean market.
2. High production costs for farm products.
3. Low prices of farm products.
4. Migration of young and educated manpower to industrial areas.
5. limited off-farm job opportunities for farmers.

①

## Characteristics

1. Multipurpose type.
  - Providing credit, banking, insurance, marketing, supply and guidance
  - Providing integrated services at reasonable costs.
  - Enhancing effects of Coop. business by integrating the banking business with non-banking business.
2. Two-tier structure.
  - National level
  - Primary level.
3. Shift to bottom-up operation.
 

(not from the bottom-up but from top-down)
4. Multi-banking Business.
  - banking network of Coop: 467 branches of NACF in urban and 1460 multipurpose Coop. in rural.
    - Agri. development banking business
    - Coop. banking business.
    - Commercial banking business.
5. Agricultural and Rural development function.
  - Mobilize funds & extend loans.
  - Supply farm inputs
  - Increase of agropduct prices.
  - Provide rural welfare services to farmers through their business functions.

Korea . Group C ✓

Suggestions

- Policy encouraging young & educated manpower to stay in rural localities.
- Policy regarding the guarantee the higher prices of agropducts.
- expand rural welfare activities.
- Strengthen the political and legislative activities for functioning as an efficient industry.
- Enhancing the international competitiveness of Korean agropducts.

# Thailand

# Group C

## 1. Characteristics

- Coop. Movement in Thailand has an adequate legislative basis in its activities. The system of laws and bye-law and regulations provides a favourable conditions for Coop. Movement's activities.
- Being one of the biggest rice-export countries in the world, Thai Government pays an adequate attention to policy which could promote and encourage farmers, rice-producers at grassroot level.
- The system of audit and supervision of Government over the activities of Cooperatives is very severe, although at first sight it doesn't look like so.
- Business activities of Cooperatives cover a very wide area (credit, savings, supply inputs, procurement, providing services to member farmers, such as irrigation, land preparation, extension etc). This is the very significant source of income of cooperatives.
- Financial foundation is to be strengthened by annual increase of members' shares.

2.1 Positive factors. Group C. Thailand

- This is an agricultural country with very favourable climate and weather conditions for farming; with fertile soil and hardworking people.
- Agriculture always occupies a priority place in Government's development policy. This is expressed in the sight of completed legislative coop. system, subsidy policy when the crop is poor due to weather conditions.
- Interactions between 6 types of Cooperative are regulated by one National Apex Organization (CLT). This provides the unity of actions
- Financial support from Government at difficult times for Cooperatives is very significant and necessary.

2.2. Negative Factors.

- The role of CLT is ignored to some extent, although it is the apex coop. organization and regulates the relationship between different types of Cooperative.
- The ~~yearly~~ <sup>annual</sup> increase of borrowing money may badly influence to cooperatives' activities in the future.
- High percentage of number of Board's members appointed by Government or

III Suggestions. Group C. Thailand

- Strengthening the role of CLT as National apex organisation.
- Strengthening the credit sector by revaluing the reserve funds of Coop. members.
- Government's support price of Rice should not damage other grain producers, especially Tapioca.
- More democratic characters in Coop. Management.

**A CRITICAL EXAMINATION OF  
COOPERATIVE ORGANIZATIONAL STRUCTURES  
AND  
MANAGEMENT PRACTICES AND PROBLEMS  
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## I . Introduction

Thirty years have passed since the Korean agricultural Cooperatives were established in 1961 by the government in order to enhance the economic and social status of farmers and to develop agriculture and the welfare of rural communities

Despite many difficulties rural communities have faced so far, our agricultural cooperatives have cooperated with member farmers and contributed to greatly the development of rural communities : to eradicate the chronic usury from the rural areas by introducing and implementing the mutual credit scheme, to achieve a self-sufficiency in staple food-grains by improving farm productivity through guidance activities for farm management development and stable supply of high grade farm inputs, and to stabilize the prices in rural areas by supplying daily necessities.

However, in line with the industrialization, urbanization, liberalization and internationalization of the nation, agriculture and rural communities have been undergoing a rapid change.

In order to effectively cope with the rising expectations and diversification of needs among farmers caused by such rapid change, agricultural cooperatives have to strengthen their role as centripetal force for the development of agriculture and rural communities, as well as for the improvement of farm household economy, and also have to further expand the cooperative businesses designed to improve the welfare of farmers.

## II . Korean Economy and Agriculture

### 1. Overview of the Korean Economy

In less than three decades, Korea has moved from a primarily agrarian to a newly industrialized economy. Korea's export-oriented policies led by industrialization since the early 1960s ushered in a period of very rapid economic growth and development since 1960, Korea has witnessed a dramatic

expansion in GNP and in per capita GNP.

In 1990 Korean economy enjoyed a high growth of 9%. Such a high economic growth was due to the favourable domestic demand led by construction, the increase in fixed investment and private consumption, and the export increase recovered from the minus growth of 1989 in the real term.

Looking at the growth rate by sector, the mining & manufacturing sector and the construction, electricity, gas and water sector marked a high growth of 8.4% and 22.2% respectively. These results in two sectors were attributable to the brisk housing construction and private consumption. In 1990, however, in agriculture, forestry and fisheries sector recorded a negative growth of 3.9% due to decline in farm production caused by heavy rain across the country in the summer season.

Per capita GNP of Korea in 1990 rose to US\$5,569 from US\$4,994 of the previous year, and the unemployment rate slightly declined to 2.4% from 2.6% in 1989.

With regard to the inflation, Korea experienced a high increase in 1990. The wholesale prices and consumer prices rose by 4.2% and 8.6% respectively. Such a high rate of inflation was mainly incurred by the wage increase and the oil price hike due to the crisis in the Gulf.

During 1990, commodity exports were US\$65 billion, representing a 5.9% increase over the year before, However, the imports sharply went up by 22.9% due to excessive expenditure on consumer durables and higher oil prices. Therefore, the current balance of payments recorded a deficit of US\$2 billion for the first time since 1986.

### Major Economic Indicators

	1988	1989	1990*
GNP(US \$ billion)	173	211	238
Per Capita GNP(US \$)	4,127	4,994	5,569
Economic Growth Rate(%)			
GNP	12.4	6.8	9.0
Agriculture, Forestry and Fisheries	8.0	-1.1	-3.9
Mining & Manufacturing	13.4	3.7	8.4
Construction, Electricity, Gas & Water	9.5	16.1	22.2
Seveices	12.7	8.4	10.2
Unemployment Rate(%)	2.6	2.6	2.4
Inflation(%, average annual)			
Wholesale Prices	2.7	1.5	4.2
Consumer prices	7.1	5.7	8.6
Prices Received by Famers	12.6	5.6	12.3
Prices Paid by Famers	7.9	8.7	9.1
Balance of Payments(US \$ million)			
Current Balance	14,161	5,055	-2,051
Exports	59,648	61,409	65,016
Imports	48,203	56,812	69,844
Agrlcultural Production(1,000M/T)			
Total grains	7,229	7,160	6,635
Rice	5,493	5,898	5,606
Farm Population(1,000 persons)	7,771	6,786	6,459
Farm Household(1,000 each)	1,871	1,722	1,745

\* estimated

## 2. Agriculture in the Korean Economy

Agrlculture in Korea has been the most important industry is the past as expressed in the saying that "agriculture is the basic foundation of the nation." However, in the process of rapid economic development, the relative position of agriculture in the national economy has been declining rapidly in recent years mainly due to low rate of agricultural growth, low level of agricul-

tural investment and importation of cheap foreign agricultural products in large quantities. During the period of 1965–1988, the GNP grew at 9 percent per annum and the industrial sector grew at 13 percent annually, while the agricultural sector recorded an average growth of only 3 percent per annum.

**(A) Nineteen Percent of Koreans are engaged in Farming**

Despite the relative decline of agriculture in the national economy, Korea's agricultural sector still accounts for a high proportion of the economy. Agricultural sector accounted for 8.4 percent of the GDP and 18.7 percent of the total employment in 1989, presenting a striking contrast to that of the U.S., which represented only 1.7 percent of the GDP and 2.6 percent of the total employment respectively.

**Agricultural Share in Emploment and GDP**

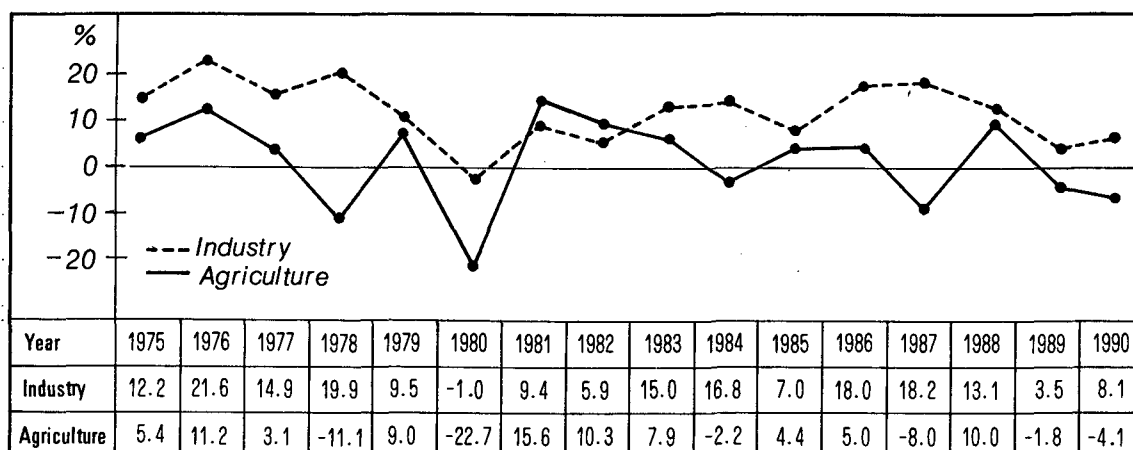
Year	Employment(thousand persons)			GDP(billion won)		
	Total(A)	Agri.(B)	B/A(%)	Total(A)	Agri.(B)	B/A(%)
1965	8,112	4,538	55.9			
1970	9,617	4,756	49.5	2,785	646	23.2
1975	11,692	5,041	43.1	10,320	2,269	22.0
1980	13,683	4,429	32.3	38,041	4,838	12.7
1985	14,970	3,554	23.7	80,847	8,799	10.9
1988	17,305	3,319	19.7	125,309	11,403	9.1
1989	17,515	3,275	18.7	142,267	11,906	8.4

**(B) Agricultural Growth lags far Behind Industrial Growth**

During the period of 1965–88, the Korean GNP grew at an average annual rate of 9 percent, reflecting in 13 percent average annual increase achieved in the industrial sector. During the same period, however, the agricultural sector saw an average annual increase of only 3 percent. As a result, the agricultural sector lagged farther and farther behind the industrial sector, and the gap between the 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 minimal government investment in the rural areas, a weak production base, and the extremely small scale of land suitable for farming in Korea.

### Economic Growth Rate of Agriculture

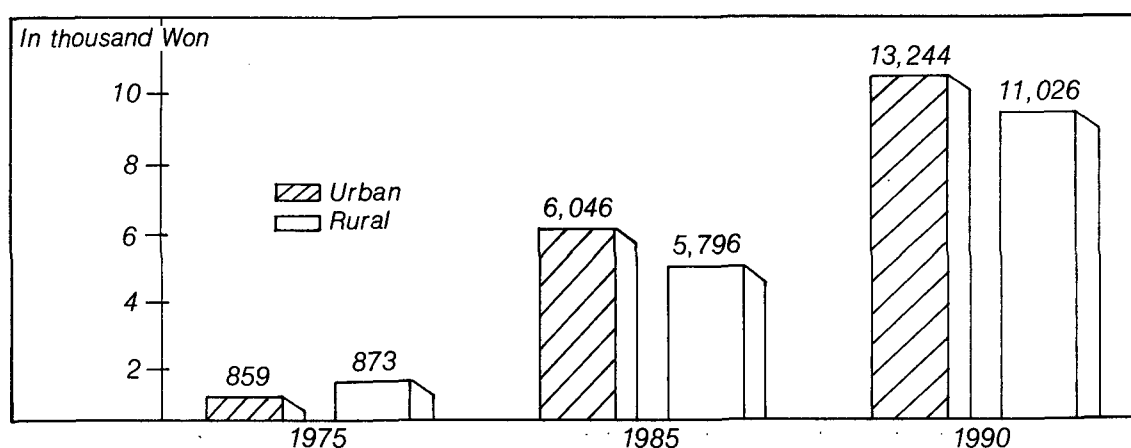


### (C) Farm Household Income Only 83 Percent of That Earned by the Urban Household

Farm household income in 1990 was 11 million won (US\$16,300), and that included 4.8 million was (43%) from off-farm income. That is only 83 percent of that earned by the average urban household.

The income levels for the urban and rural areas were almost the same until the mid-70s. Since that time, however, the gap has widened due to the low price of farm products influenced by the steady increase in the level of imported agricultural products.

### Comparison of Rural and Urban Household Income



### **3. Characteristics of Korean Agriculture**

Korea has made strenuous efforts to transform its agriculture from a traditional to a modern structure. But it still preserves many characteristics of traditional agriculture.

#### **(A) Small sized family farm.**

National average farm size per household is only 1.2 hectares(3.0 acres), compared with 495 hectares of the U.S. average farm, 302 hectares of Canadian average farm and 381 hectares of Australian average farm. This small-sized arable land consists of several plots of paddy fields and uplands scattered around the village. Furthermore, 62 percent of all farms operate less than one hectare. These small sized family farms have difficulty even in meeting living costs with income from farm operation

#### **(B) Weak production base**

Korea has very poor agricultural production base and infrastructure, including irrigation, drainage, land consolidation, rural roads, etc. 28 percent of paddy fields are still rain fed, and only 40 percent of 1,345 thousand hectares of paddy fields have been consolidated. Rural roads are not fully developed and their pavement rate was only 48 percent compared with 86 percent of urban roads in 1990.

#### **(C) Deterioration of farm labor force both in quantity and quality**

Comparatively high wage and better job opportunities in the industrial sector and urban centers have induced young and educated farmers to migrate to industrial urban areas, thereby lowering agricultural productivity. Therefore, farm operators have been substituted with aged persons and females, and they have become unskilled and less educated. The number of young farmers under 30 years old has rapidly dwindled from 29.2 percent in 1975 to 6.9 percent in 1990 of the total farm labor force. On the contrary, persons over 60 years old have increased from 8.6 percent in 1975 to 24.0 percent in 1990 of the total farm labor force. Female labor force in the agricultural sector increased from 28.3 percent in 1970 to 45.3 percent in 1990 of the total farm labor force.

**(D) Low level of farm household income and high dependence on agricultural income**

Farm household income in 1990 was 11,026 thousand won (16,300 US dollars), which stood at only 83 percent of the urban wage earners' household income.

In addition, Korean farmers are heavily dependent on agricultural income sources. On the average, the Korean farmers earned 57 percent of their farm household income from agricultural production, while they derived 43 percent of their total income from off-farm income sources in 1990. The proportion of off-farm income in Korea is relatively small as compared with 82 percent of Japan in 1988 and 62 percent of Taiwan in 1987. The farmers of these two countries derive most of their income from off-farm jobs created by rural industrialization.

**(E) Heavy farm debts.**

As a result of product concentration on limited profitable crops, Korean farmers are frequently plagued by over-production and price declines. This has resulted in dwindling income at a time when education, medical, and other necessary expenses are increasing at an alarming rate. This situation and the growing influx of imported farm products have left the majority of our farmers unable to cover their accumulating debts with farming income. The debts owed by farm households in Korea averaged 4,734 thousand won (7,000 US dollars) in 1990, which was 41.3 percent of the farm household income in the same year. During the period of 1980-1990, farm debts had increased by 33 percent per annum. The rapid growth of farm debts can be attributed to the rapid increase in expenses for education, medical care, wedding and funeral ceremonies, etc. As of the end of 1990, only 19 percent of Korean farmers had no debts, and thus almost all farmers were unable to meet their living expenses with agricultural income.

**(F) Poor living condition**

Most farmers in Korea still lack modern living amenities such as tap water service, telephones, color TV sets, washing machines, medical service, educational and cultural facilities, etc. In Korea, only 20.2 percent of rural population enjoyed tap water service as compared with 95.3 percent of urban dwellers in 1987. Furthermore, only 9.5 percent of rural people were supplied



with gas and only 4.4 percent of them had hot water facility in 1986. The relatively poor conditions of rural living environment as compared with urban centers have accelerated the exodus of rural young people to urban sectors, which has caused the difficulty for rural males to get married.

**(G) Low grain self-sufficiency rate**

The grain self-sufficiency rate indicates a nation's ability to feed itself. Before 1970, the grain self-sufficiency rate in Korea stood at over 80 percent. In subsequent years, however, other nations greatly enhanced their grain self-sufficiency rates, whereas Korea's self-sufficiency rate plunged sharply to 56.0 percent in 1980 and further down to 39.3 percent in 1988. The self-sufficiency rate of wheat decreased to 0.1 percent, that of corn to 2.5 percent and that of soybean to 15.6 percent in 1988.

### **III . Historical Background of Agricultural Cooperatives**

In Korea, traditionally there have been various cooperative organizations for mutual help such as Dure, Pumasi, Kye and Hyangyack practiced by farmers in rural areas.

During the Japanese colonial rule, the Government-General of Korea established the Financial Associations, the Industrial Associations and the Farmers Associations under the pretext of founding cooperatives to inject new hope into the impoverished rural economy. Apart from their merits or demerits, these Associations were essentially organizations for the imperialistic exploitation of its colony. The agricultural cooperative movement in a modern sense was initiated as a part of the national movement to become independent from Japanese colonial domination which was finally ended in 1945. This movement was led by the patriotic students, Cheondoists (the believers of a Korean national religion), and Christians.

In 1956 the new government of the 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 the Farmers Associations. The agricultural cooperatives carried out such economic businesses as agricultural marketing and supply of farm inputs and credit services.

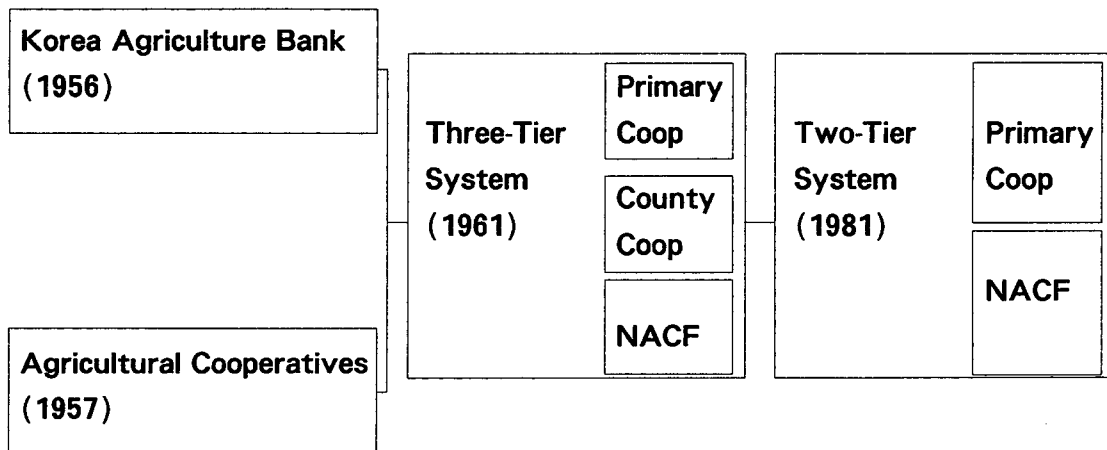
The Korea Agriculture Bank was relatively successful, while the agricultural cooperatives suffered from financial difficulties resulting from the poor return of their businesses and insufficient funds supplied by the Korea Agriculture Bank on which they were dependent. Such a situation accelerated the establishment of a new type of agricultural cooperative with emphasis on successful management, especially in terms of efficient linkage between business operations and financial support. The Korea Agriculture Bank and the former agricultural cooperatives were merged into the present multipurpose agricultural cooperatives in 1961, in accordance with the Agricultural Cooper-

ative Law based on modern cooperative principles.

Consequently, on August 15, 1961, the National Agricultural Cooperative Federation(NACF) was inaugurated as the apex organization along with its member agricultueral 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 comunities.

In 1981, the agricultural cooperatives restructured their organizations in order to stengthen 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**



## IV. Present Situation of Agricultural Cooperatives

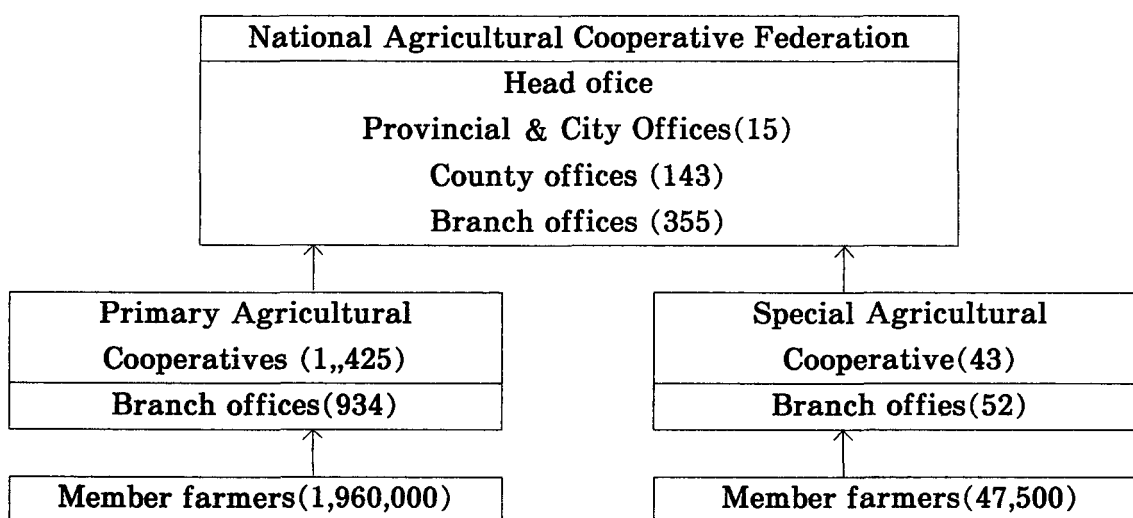
### 1. Organizational Structure

The Agricultural Cooperatives in Korea are organized vertically at two levels; primary cooperatives at the township level and their federation at the national level. They are horizontally classified into two categories; multipurpose cooperatives and special cooperatives. The multipurpose cooperatives are organized by farmers primarily engaged in the production of grains such as rice and barley, while special cooperatives are established by the farmers who are mainly engaged in fruit and vegetable farming.

The multipurpose cooperatives and special cooperatives are affiliated with the national apex organization called the NACF or National Agricultural Cooperative Federation. The NACF has 9 provincial offices, 6 special city offices, 143 county offices, and 355 banking branches under its umbrella. There are 1,425 multipurpose cooperatives, 43 special cooperatives, and the number of member farmers stand at around 2 million.

The number of officers and staff of agricultural cooperatives totals 57,900 including 17,000 NACF staff.

#### Organizational Structure of Agricultural Cooperatives



## 2. 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 rural communities; and to ensure a balanced development of the national economy through the voluntary organization of farmers.

With a view to attaining these 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 primary 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. The efficient distribution of farm inputs such as chemical fertilizers, pesticides, farm machinery and other farm inputs through the agricultural cooperative channels, plays an important role in making farming more convenient as well as in minimizing farming costs. Agricultural Cooperatives also provide farmers with consumer goods through chainstores, which has resulted in the reduction of consumer goods prices in rural areas.

In 1988, the NACF proposed amending the Agricultural Cooperative Law in order to reflect the changing circumstances surrounding agriculture as well as to allow more autonomous operation of agricultural cooperatives with active participation of member farmers. By the passage of the new Law, in April 1990 the Chairman & President of the NACF and standing auditor were directly elected by the presidents of member cooperatives, who were directly elected by member farmers.

On the other hand, marketing activities of the agricultural cooperative system contribute to keeping higher prices for farm products by reducing marketing 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, as a part of a social welfare service, agricultural cooperatives provide member farmers with provisions against unexpected accidents such as sickness, death and any loss and damages from unforeseen disasters.

Agricultural cooperatives conduct guidance activities to improve farming and living standards of farmers. Education and training of farmers is also carried out by the agricultural cooperatives not only for the dissemination of new farming technology but also for spiritual enlightenment. Publication, public relations and research activities are performed to support various business activities of the agricultural cooperative system and to accelerate the establishment of prosperous rural communities.

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 of farm products. And also the NACF and its member cooperatives have strengthened their political and legislative activities to cope with the pressure of the import liberalization of agricultural products, to support agricultural prices, and to reduce or exempt farmers from taxes.

Moreover, the NACF and its member cooperatives have been called upon to meet the diversified demands of member farmers through the expansion of service functions and to guarantee higher prices for agricultural products.

### **3. Business Performance of Major Business Activities**

After their establishment in 1961 as multipurpose agricultural cooperatives, the primary cooperatives endeavored to create an indispensable organizational base for cooperative business operations. They have made remarkable progress since 1972 when village level cooperatives were merged into economically viable township level cooperatives, bolstering their ability to extend a variety of services to their member farmers through the increase in the number of employees, introduction of new types of business, and establishment of various physical facilities.

The rapid development of multipurpose cooperative is evident in the growth

of annual business turnover. In 1990, the average business turnover per multipurpose cooperative reached 24.7 billion won (US\$ 34.5 billion), about 537 times over the 1972 figure. During the period, loans recorded the highest rate of growth followed by deposits, marketing, supply of consumer goods, cooperative insurance, utilization and processing, and supply of farm inputs.

The major factors behind such rapid development of Korean agricultural cooperative movement during the past 30 years can be summerized as follows:

**(A) Organizational Factors**

- (a) Adoption of multipurpose cooperative system.
- (b) Top-down promotion of agricultural cooperatives.
- (c) Amalgamation of primary cooperatives.
- (d) Reorganization of the former three-tier structure into two-tier structure.

**(B) Operational Factors**

- (a) Implementation of the government—entrusted business.
- (b) Introduction of the Mutual Credit Scheme.
- (c) Member education.
- (d) Implementation of the Integrated Regional Agricultural Development Projects.

**(C) Managerial Factors**

- (a) Centralized management system.
- (b) Establishment of managerial accountability system.
- (c) Employment of competent staff members.

Growth of Business Turnover of the Multipurpose Cooperative (national average per cooperative)

(in million won)

Business	1972	1980	1985	1990	Ratio(times)	
					90/72	90/85
Deposits	8	555	1,795	8,084	1,010.5	4.5
Loans	8	726	2,519	8,453	1,056.6	3.4
Coop. insurance		374	675	5,132	96.8	7.6
Supply of farm inputs	15	379	418	617	41.1	1.5
Supply of consumer goods	3	64	146	493	164.3	3.4
Marketing	11	287	621	1,866	169.6	3.0
Utilization & processing	1	21	35	64	64	1.8
(Total)	46	2,406	6,209	24,709	537.2	4.0
Staff(person)	6	18	21	28	4.7	1.3

Business Performance of the NACF

(in billion won)

Business	1972	1980	1985	1990	Ratio(times)	
					90/72	90/85
Deposits	133	1,172	2,752	9,731	73.2	3.5
Loans	148	1,181	2,854	8,093	54.7	2.8
Borrowings	72	575	1,943	4,183	58.1	2.2
Foreign loans	5	49	90	139	27.8	1.5
Foreign exchange	44	808	601	859	19.5	1.4
Cooperative insurance	90	540	1,540	9,787	108.7	6.4
Supply of farm inputs	41	401	467	844	20.6	1.8
Supply of consumer goods	2	80	338	613	306.5	1.8
Marketing	96	879	1,010	3,008	31.3	3.0
Foreign trade	39	40	35	10	0.3	0.3
(Total)	(670)	(5,115)	(11,630)	(37,268)	(55.6)	(3.2)



**Major Facilities Operated by Agricultural Cooperatives**

<b>Facility</b>	<b>Unit</b>	<b>Quantity</b>
Cooperative office	establishment	3,012
Agri. Coop. College	"	1
Saff training institute	"	6
Coop. leaders training institute	"	2
Coop. marketing center	"	76
Agri. collection point	"	201
Folk handicraft center	"	1
Warehouse	unit	11,860
Agri. supermarket	establishment	44
Coop. chain store	"	1,970
Farm machinery service center	"	710
Petroleum station	"	948
Truck	each	2,530

## **V. Major Problems Faced by Agricultural Cooperatives**

### **1. Agricultural Import Liberalization**

Korean agriculture has been experiencing great difficulties in the process of rapid industrialization and urbanization of the nation.

The share of agriculture in the national economy is gradually decreasing. At the end of 1990, the farm population accounted for 15.1 percent of total population, and the share of agriculture in the GNP stood at 7.6 percent. While the average farming acreage per farm household is meager 1.2 ha. Because of the small scale of farming, our member farmers are unable to realize an economy of scale, resulting in high production costs for farm products, low level of farm income and heavy debts. Furthermore, the debts of farm households have steadily increased mainly due to low prices of farm products and limited off-farm job opportunities for farmers.

Under these circumstances, our country has to import a large quantity of farm products such as grains, meat, fruits and prepared foods due to the mounting foreign pressure to open our domestic agricultural market, thereby dealing a serious blow to our member farmers and gradually shrinking our agriculture which is the basic foundation of the agricultural cooperative movement.

### **2. Severe Competition with Private Sector**

Agricultural cooperatives are now in severe competition with private sector in almost all the business activities. Although merchants were operating their business mainly in urban centers in the early 1970s when the farm income was at a relatively low level, they began to take great interest in rural markets from the early 1970s when a rapid increase in agricultural production and farm income was recorded.

A number of large-scale supermarkets operating in major cities have established buying agents in rural areas to purchase farm products directly from

farmers in competition with primary cooperatives. In addition, many supermarkets and chain stores have been established in rural communities, resulting in severe competition in the supply of consumer goods with cooperative chain stores operated by primary cooperatives. Furthermore, merchants are competing with primary cooperatives in the supply of farm inputs including agro-pesticides and farm machinery.

On the other hand, primary cooperatives and banking branches of the NACF have been increasingly competing with commercial banking institutions in the field of savings, trust and securities. Agricultural cooperatives are also competing with private insurance companies in canvassing for insurance.

### **3. Diversified and Conflicting Demands for Cooperative Service**

The member farmers of agricultural cooperatives are increasingly requesting their cooperatives to pay higher patronage dividend and interest on their share capital, to guarantee higher prices for their farm products, to expand rural welfare activities including the supply of consumer goods at cheaper prices and insurance welfare programs and to be more actively involved in political and legislative activities for the interest of farmers.

On the other hand, the government strongly urges agricultural cooperatives to operate their business in line with agricultural policy aiming at increasing food production, renovating the agricultural marketing system and establishing welfare rural communities.

Furthermore, the consumers living in cities want agricultural cooperatives to supply farm products of good quality at reasonable and stabilized prices, thus influencing against the manipulation of prices by private traders. However, agricultural cooperatives are not in a position to satisfy those diversified and conflicting demands because of their limited capabilities in terms of financial, human and physical resources and because of the basic objectives and principles of the cooperative.

#### **4. Lack of Understanding of Agricultural Cooperatives**

General public and even some cooperative members have insufficient information on agricultural cooperatives, resulting in a handicap to the smooth growth and progress of agricultural cooperative movement. Generally speaking, the government officials, professors in the universities, and journalists and citizens have very limited knowledge of the cooperative movement, cooperative principles and cooperative activities.

Therefore, many people think of agricultural cooperatives as a governmental agency established for the purpose of implementing governmental programs. Furthermore, some cooperative members do not believe in the explanation by their cooperative leaders that the agricultural cooperative is not an agency for the government but voluntary organization established by the members themselves for the protection of their own interests.

These wrong images of agricultural cooperatives are due to the fact that agricultural cooperatives were established on the initiative of the government without positive participation of member farmers, and that agricultural cooperatives are implementing government-entrusted businesses under the guidelines given by the government.

## **VI. Direction of Agricultural Cooperatives**

### **1. Implementation of Efficient Measures**

The NACF and member agricultural cooperatives should take the following measures:

(A) Agricultural cooperatives should strengthen their internal structure to cope with the liberalization of agricultural imports. The "Advisory Committee on the Agricultural Trade Negotiations in the Uruguay Round" composed of professors and specialists should be activated by the NACF to get advice and suggestions regarding the countermeasures to be taken by agricultural cooperatives.

(B) Agricultural cooperatives should vigorously continue the "Campaign to Patronize Domestic Farm Products" launched throughout the country in August 1989. In this connection, the graduates from the housewives schools operated by primary cooperatives should work as leaders for the Campaign.

(C) Agricultural cooperatives should strengthen collaboration with consumer groups. The NACF has to invite leaders of consumer groups for them to make observation trips to rural areas, and also hold high quality food exhibitions in cooperation with consumer groups.

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

(E) The agricultural cooperatives should make investigations into trading firms importing foreign farm products without giving due consideration to the interests of domestic farmers. If any firms are found to be engaged in excessive imports of farm products, warnings should be sent out to them. If they do not take warnings, the products of the firms should be boycotted by member farmers throughout the country.

(F) Agricultural cooperatives should strengthen the guidance on the production of high quality farm products. Agricultural cooperatives have to en-

courage farmers to observe the safety standards for the application of farm chemicals in an effort to supply healthy foods to consumers.

(G) Agricultural cooperatives should innovate the cooperative marketing of farm products. Primary cooperatives have to strengthen management and marketing guidance, and to expand local marketing facilities.

Also the NACF should expand cooperative marketing facilities such as cooperative marketing centers, retail shops, food distribution centers and supermarkets in urban areas. Furthermore, marketing functions including grading, packaging, financing and market information should be further improved.

(H) Agricultural cooperatives should positively promote the exports of farm products. It is expected that the newly established Cooperative Trading Company will contribute much to exporting agricultural products such as canned mushroom, canned grapes, apples, pears, tangerines, peaches, chestnut and frozen strawberries.

(I) Agricultural cooperatives should develop agricultural processing industry in an effort to return value added accruing from agricultural processing to farmers. It seems to be rational for the primary cooperatives to be involved in the processing of traditional foods such as pickled vegetables, sesame oil, canned fruits, etc. And each primary cooperatives should try to advertise the processed food as a special products of the township.

(J) Agricultural cooperatives should develop off-farm income sources. Agricultural cooperatives have to extend loans to rural cottage industry to make member farmers be employed by the industry. Also agricultural cooperatives should develop handicraft producing areas and tourist farms to increase off-farm income of farmers.

## **2. Improvement of Competitiveness**

Agricultural cooperatives have taken various measures in an effort to expand marketing of farm products. However, the market share of agricultural cooperatives stands at only 20 percent, thereby making it still difficult to ensure favorable prices to farmers through the massmarketing of agricultural products.

Therefore, it is urgently needed to innovate the cooperative marketing of farm products by introducing positive measures.

Agricultural cooperatives should further expand the organization of cooperative shipping groups at the village level now numbering about 12,000 by providing financial supports. And joint marketing facilities should be newly established. It is necessary to expand the establishment of local marketing facilities such as warehouses, trucks, collection and sorting centers, and rice centers in major producing areas. In addition cooperative marketing centers, food distribution centers and supermarket should be expanded to provide outlets for the agricultural products in the urban centers.

Agricultural cooperatives should also introduce improved method of grading, packaging, storage and transportation for farm products to improve quality and marketability of agricultural products and to extend better services to consumers. Furthermore, managers and staff of agricultural cooperatives involved in the agricultural marketing business should be trained in the cooperative marketing principles and practice, and improved methods of implementing various marketing functions.

On the other hand, agricultural cooperatives have to effectively cope with the overall liberalization of the banking business by introducing a set of measures including the development of new banking services, and expansion of securities and factoring businesses.

### **3. Active Participation in the Agribusiness**

The food processing and farm inputs manufacturing industries are expected to grow rapidly in the future with the nation's steady economic development.

Increasing personal incomes, greater job opportunities for women, and increasing number of nuclear families have caused a rapid change in the food consumption patterns. On the other hand, increasing shortage of farm labor due to the migration of farming population to the urban centers, and expansion of commercialized farming have increased the demand for various kinds of modern farming inputs.

In line with these developments, agricultural cooperatives should actively participate in the agribusiness with a view to providing farmers with benefits, such as the return of the value added of processed farm products, prevention of private firms from monopolizing the agribusiness industry, expansion of non-farm employment opportunities through the introduction of processing plants in the rural areas, and reduction of farming expenses through the timely supply of farming inputs at reasonable prices.

Agricultural cooperatives should put emphasis on the production of traditional processed foods. At present, traditional foods such as kimchi, rice cake, sesame oil, powdered red peppers, sweet potato starch and pickled vegetables are produced by agricultural cooperatives on a small scale in limited areas.

In the future, these processed foods should be produced on a large scale throughout the country, and new items such as soy sauce, soybean paste, soy bean curd, soybean sprouts, tea, noodles, fruit juice, grape wine, processed meats and milk products should be introduced.

While farm inputs produced by agricultural cooperatives are limited to several items such as fertilizers, polyethylene films, corrugated cardboard boxes.

Therefore, agricultural cooperatives should produce such farm inputs as polyethylene plastic bags, assorted feeds, farm chemicals, and farm machinery in the future for the benefits of members farmers.

#### **4. Expansion of Cultural Services**

It is expected that the demand for welfare and cultural services will increase and become more diversified due to the enhanced income and increased leisure time.

Basic welfare facilities for joint use by farmers such as wedding halls, barber shops, bathhouses and hair dressing parlours should be built at more agricultural cooperatives.

Agricultural cooperatives have to carry on health keeping activities as one of the most important cooperative operations. They should organize medical examinations for members and their families in addition to health education and health promotion programs. Also they have to take necessary measures



for safe use of farm machinery and chemicals, consumption of healthy foods, and prevention of pollution.

On the other hand, agricultural cooperatives should not only meet cultural demands of member farmers but also aim at transmitting to the future generations traditional cultures which have been handed down in rural communities. Agricultural cooperatives have to foster various types of cultural groups, organize reading circles and cultural classes, hold various gatherings such as cultural festivals, exhibitions and contests, organize trips and study visits, and transmit cultural tradition of rural communities to posterity.

#### **5. Reinforcement of the Political and Legislative Activities**

At present, Korean agriculture and rural areas are beset by many problems which are likely to be further aggravated in the future if appropriate policy measures are not taken by the government.

These problems include subsistence farming of small scale, heavy dependence of farm income on the rice farming. Limited off-farm income sources, underdeveloped agricultural production base and infrastructure, poor rural living environments, and expanding liberalization of agricultural imports.

By overcoming these problems, we should realize balanced development of urban and rural areas in income and environments, and enhance the international competitiveness of domestic farming amid internationalization of agriculture.

Agricultural cooperatives should effectively speak for and reflect the opinions and rights of farmers in the formulation of the government policy and in the process of legislation for the balanced national development and increased competitiveness of domestic agriculture.

The political and legislative activities of agricultural cooperatives are regarded as important in view of the fact that the farming population will become a minority accounting for less than 7 percent by the year 2,000





A CRITICAL EXAMINATION OF NATIONAL LIVESTOCK COOPERATIVES FEDERATION,  
ITS ORGANIZATIONAL STRUCTURES, MANAGEMENT PRACTICES, AND PROBLEMS

1991. 10.

NATIONAL LIVESTOCK COOPERATIVES FEDERATION  
REPUBLIC OF KOREA

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# 1. Overview of Korean Agriculture and Livestock Industry

## 1.1 Successful Performance of Economic Plans

Korean government has been implementing six five-year economic plans since 1962 successfully. As a result, GNP increased 27 times and per capita GNP 22 times during 1970-1990. As of the end of 1990, the Korean GNP was US\$ 240 billion and per capita GNP, US\$ 5,569.

With the national economic growth, agriculture and livestock sector have also expanded. However, the relative growth rate has been lower in agro-fisheries and livestock sector than other industries.

The ratio of value of production from agriculture and livestock industry of GNP decreased from 27% to 9% during 1970-1990 period (Table 1).

( Table 1 ) Real economic growth rate by industry ( 1970-1990 )

(%)

Year	1970	1975	1980	1985	1987	1988	1989	1990
GNP	7.6	6.4	-3.7	7.0	13.0	12.4	6.7	9.0
Mining & Manufacturing	19.6	12.2	-1.0	7.0	18.2	13.1	3.5	8.1
Agriculture	-2.2	5.4	-22.7	4.4	-8.0	10.0	-1.1	-3.9

## 1.2 Deepening Income Disparity Between Urban and Farm Households

The farmers are feeling poorer as the level of income and the living standard have widened between urban and farm households. The ratio of per capita income of farm to urban workers was over 100 percent in the early 1960s, but the ratio dropped to about 85 percent in 1990. The ratio of agricultural population of total population decreased from 55% in 1965 to 15% in 1990 as a result of massive migration of rural people to urban area to seek higher income jobs (Table 2). Still the proportion of farmers is higher than that of economically advanced countries.

( Table 2 ) Trend of total and agricultural population ( 1965-1990 )

( thousand persons )

Year	1965	1970	1975	1980	1985	1988	1989	1990
Total Population	28,705	32,241	35,281	38,124	40,806	41,975	42,380	42,793
Agri. Population	15,812	14,422	13,244	10,827	8,521	7,272	6,786	6,661

## 1.3 High Reliance on Agricultural Income in Farm Households

The arable land of Korea is only 3 acres per farm household and the scale of livestock raising is very small. So there is a limitation to increasing the agricultural income. In order to increase farm income, Korean government has made efforts to increase off-farm income. As a result, the ratio of off-farm income increased from 24% in 1970 to 43% in 1990 .

However, Korean farmer's income share from off-farm sources is much lower than that reported in Japan(83%) and Taiwan(61%), where the agricultural conditions are similar.

#### 1.4 Present Problems in Korean Livestock Industry

##### 1.4.1 Small Scale Operations

Korean livestock industry has recorded continuous growth thanks to the increasing demand for livestock products amid an expanding national economy and policies aimed at improving the health of citizens and farmers' incomes.

However, majority of cattle farms remain small scale. In 1990, about 620 thousand farm households raised cattle, with most of them being small holders to the extent that 77% of them raised under 2 head and 96% of them under 10 head of cattle. Meanwhile, the large scale farms raising over 50 head of cattle with a reasonable area of pasture and fodder crop field represented by 956 farms which constituted 0.15% of total cattle raising farm households.

##### 1.4.2 External and Internal Difficulties

Korean livestock industry recently faces many difficulties due to adverse external factors coupled with structural problems in the livestock industry.

Externally, the attitude of livestock farmers towards cattle raising was greatly negated by Uruguay Round negotiations and pressure for possible import liberalization and internally, a heavy burden was imposed on livestock farmer management due to issues of environmental contamination caused by cattle excreta.



## 2. National Livestock Cooperatives Federation

### 2.1 Brief History

The National Livestock Cooperatives Federation (NLCF) was incorporated on January 1, 1981 to carry out business and provide facilities in the field of the livestock industry.

At the time of its inauguration, it had 100 member cooperatives and 27,000 affiliated farmers, most cooperatives having faltering management and organization. However, the NLCF devoted itself to increasing not only membership in the system but also the incomes of livestock farmers as well as embarking upon a campaign of industry improvement.

As a result of its continuous endeavors, the number of member cooperatives had increased to 167 with 237,000 affiliated farmers as of the end of 1990.

### 2.2 Organization

The NLCF is a non-profit cooperative body with a membership of 167 regional cooperatives nationwide, comprising 144 local and 23 specialized cooperatives.

The leadership of the NLCF consists of 20 members including a chairman, a vice-chairman, one standing auditor, one non-standing auditor, five standing directors and eleven non-standing directors.

The chairman was initially appointed by the President of the Republic, following a recommendation by the Minister of Agriculture, Forestry and Fisheries. But, in conformity with the Livestock Cooperative Act revision

of December 31, 1988, the chairman together with the standing auditor is now elected through democratic direct vote at the General Assembly of the representatives of member cooperative.

In addition, the vice-chairman and five standing directors are appointed by the chairman following approval by the General Assembly.

The head quarters of the NLCF is composed of 21 departments each in charge of the integral management of its respective projects.

The NLCF has now 10 provincial offices in charge of their respective regions, 48 bank branches in charge of banking business, 8 mixed feed mills responsible for producing and supplying mixed feed, the Livestock Husbandry Training Institute in charge of training members and staff, three Livestock Improvement Centers responsible for improving livestock with superior breeding stock, the Feed Laboratory in charge of feed inspection, the Livestock Products Marketing Center in charge of processing and sales of livestock products produced by its members and 5 related Business Offices.

As of the end of 1990, the total turnover had reached 6,820.7 billion won (approximately US\$ 9,473 million) with 2,153.0 billion won (approximately US\$ 2,990 million) recorded by the NLCF and 4,667.7 billion won (approximately US\$ 6,483 million) by the 167 member cooperatives.

As of the end of 1990, the NLCF had a total staff of 2,791, while 8,977 employees were working in the 167 member cooperatives.

In conformity with the Livestock Cooperative Act and its related laws, the government is responsible for actively assisting the sound development and growth of livestock cooperatives.

The government shall assist the projects of the NLCF and member cooperatives, their funding and related business. In addition, the government gives priority to the NLCF and member cooperatives when providing various facilities and equipment.

### 2.3 Objectives and Functions

The NLCF was established to achieve the basic objectives of promoting the livestock industry by performing relevant actions, improving the economic and social status of livestock farmers and providing unstinted help and service towards improving the welfare of rural communities.

And it performs a wide range of functions with a variety of programs and activities such as education and guidance, livestock development, marketing and purchasing services, processing and utilization, financing, surveys and public information and government assigned works.

## 2.4 Major Business Activities

### 2.4.1 Management Guidance

The NLCF is placing emphasis on management guidance for cooperatives for the purpose of strengthening their financial structures and enabling them to engage in sound business.

In 1990, it examined the management of 26 financially weak cooperatives and pronounced appropriate measures for improvement. Furthermore, as of the end of 1990, it was channelling 12,502 million won as a growth fund for 90 cooperatives to strengthen their financial structures and promote cooperative business.

It also assessed and analyzed their business results and offered guidance on monthly and quarterly progress in their major business plans to inspire motivation for the execution of business by member cooperatives and help ensure responsible management system.

### 2.4.2 Education and Training

This program aims at developing the livestock industry, bettering economic and social status for livestock breeders, meeting requirements in the current trends towards internationalization and specialization and establishing desirable image as a man of NLCF and cooperatives.

### 2.4.3 Livestock Promotion Projects

The NLCF is fully aware that improvement of livestock productivity is imperative for the maintenance of a solid foundation of the livestock industry in order to meet the increasing domestic demand for livestock products rooted in the national economic growth and to cope with upsurging

import liberalization pressures. Thus, it expanded the department responsible for breeding technologies and employed specialists to develop and distribute the relevant technical specifications.

#### 2.4.4 Marketing Business

In order to raise the income of breeders and meet the demand and taste of consumers by improving marketing channels and modernizing processing facilities, the NLCF is implementing such projects as the Meat Marketing Center, the Egg Marketing Center, the Local Marketing Center and is currently launching the Intēgrated Processing Center.

#### 2.4.5 Purchasing Business

The purchasing business of NLCF aims at increasing farmer income by assisting efficient production through reducing production costs eliminating intermediary margins, by procuring and supplying feed, production equipment and grassland seed, etc. required for management of the livestock industry, at a low price, and by assisting sound production activities through timely supply of production materials.

The NLCF feed projects comprise projects for processing, producing and supplying mixed feed by procuring the raw materials together with another project to procure and supply mixed feed produced by privately-owned feed mills.

Eight feed mills operated by the NLCF and eleven operated by member cooperatives are producing and supplying 2,033,000 tons, occupying 19.4% of the domestic market.

#### 2.4.6 Banking Business

The NLCF's banking business is focussed on extending its banking network and increasing deposits to facilitate extension of the livestock base and improvement of stockbreeder management with livestock financing. Since commencing in 1983, the banking business of NLCF has grown year by year.

#### 2.4.8 Research and Survey

The NLCF, through its research and survey activities, collects and analyzes statistics and other information concerning prices of livestock products, distribution quantities, production costs, trends in breeding cattle, funding of the livestock industry, overseas livestock industries, etc.

By distributing this data to the government organizations concerned, academic circles and livestock breeders, it contributes to policy decisions and consensus among livestock farmers.

### 3. Livestock Promotion Policies

As the pressure for opening the domestic market intensified, the necessity of structural adjustment for the survival of Korean livestock sector has been well recognized.

The policy guidelines are as follows :

#### 3.1 Supply/Demand and Price Stabilization

The NLCF proceeded to bring about price stabilization of livestock products on a long-term basis by selecting and applying floor and ceiling prices for items vulnerable to the structure of demand and supply, enforcing a system for procuring, storing and releasing through cooperatives with fixed upper and lower prices selected each year.

#### 3.2 Improvement of Structure and International Competitiveness of Livestock Industry

To improve livestock productivity and international competitiveness through structural improvement of the livestock industry, the NLCF is trying to secure balanced development by expanding the scale of breeding by each livestock farmer, supporting systemized business between livestock farmers and the NLCF especially for hogs and chickens, strengthening hog exports by large-scale hog breeders and aiming at domestic supply via part-time and full-time business.

### 3.3 Improvement and Establishment of Distribution System for Livestock Products

It became an urgent task to increase distribution of livestock products in an effective way, faced with the age of the market for livestock products ~~being~~ being opened.

To upgrade livestock markets as bases for distribution in producing areas, distribution facilities including slaughter houses were integrated or closed down as required, to push forward in the direction of a large catchment-area marketing system.

Meanwhile, wholesale markets for livestock products were expanded and a differential price system was introduced by assigning different prices for different parts in the carcass grading system.

### 3.4 Stable Supply of Feed

This became one of the elements weakening international competitiveness of Korean livestock industry, as the production cost of mixed feedstuffs and their usage by livestock farmers have increased.

Therefore, it appeared that active development of feed resources and a stable demand and supply of feed were important themes of policy to be pursued by the NLCF; and the NLCF is pushing forward expansion of grassland, preparation of dairy estates by developing grassland under public management and variation in mixed feed products.



#### 4.1 Major Indicators of Korean Livestock Industry

Item	Year			
	1970(A)	1989(B)	1990(C)	C/A(%)
Head of Livestock ( Thousand Head )				
- Korean Native Cattle	1,284	1,536	1,622	126
- Dairy Cattle	24	515	504	2,100
- Hogs	1,126	4,801	4,528	402
- Broilers	23,633	61,689	74,463	315
Number of Livestock Farmers ( Thousand Households )				
- Korean Native Cattle	1,101	654	620	56
- Dairy Cattle	3	36	33	1,100
- Hogs	884	198	133	15
- Broilers	1,338	145	161	12
Supply of Livestock Products ( Thousand M/T )				
- Beef	39	144	177	454
- Pork	83	485	505	608
- Chicken	45	156	172	382
- Milk	50	1,792	1,831	3,662
Consumption of Livestock Products per person (kg)				
- Beef	1.19	3.38	4.10	345
- Pork	2.63	11.13	11.80	449
- Chicken	1.44	3.68	4.00	278
- Milk	1.58	42.24	42.80	2,709

4.2 GENERAL SITUATION OF LIVESTOCK PRIMARY COOPERATIVES IN KOREA

Year	Unit : Million won										
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Primary cooperatives	100	108	126	143	147	151	154	158	161	168	167
Member farmers	27,572	45,181	76,071	110,986	132,090	148,563	164,498	185,144	202,187	223,649	237,052
Employees	2,518	2,704	2,704	3,159	3,781	4,008	4,001	4,907	6,407	7,225	8,139
Assets	80,638	145,044	145,044	283,592	431,329	547,226	694,524	940,311	1,340,521	1,868,066	2,691,837
Own capital	15,330	20,499	31,362	44,288	63,754	73,509	84,086	101,065	126,062	152,278	158,023
Shares	8,531	11,098	15,739	20,958	26,453	33,486	40,399	50,460	62,096	74,583	84,424
<b>BUSINESS</b>											
Deposits				14,133	50,011	109,814	209,200	390,058	637,682	1,055,755	1,685,112
Loans			39,493	110,602	190,497	236,473	292,969	427,788	670,036	978,960	
Purchasing	49,843	71,189	111,669	206,657	221,780	199,434	223,858	245,512	290,069	336,577	330,745
Marketing	67,188	97,067	143,075	176,631	210,688	253,974	381,406	334,494	353,242	393,563	490,229
Live Animals	3,466	3,357	12,122	7,801	4,873	6,554	10,337	10,258	9,300	8,787	11,090
Processing	87,555	129,752	146,445	197,212	215,235	239,497	294,213	337,478	396,466	440,514	508,421
Others	2,292	3,061	4,018	5,131	5,711	6,233	7,242	7,605	12,056	14,475	16,331
Sub-total	210,344	304,426	417,329	593,432	658,287	705,692	917,056	935,347	1,061,133	1,193,916	1,356,816
Total	210,344	304,426	456,815	718,167	898,795	1,051,979	1,419,226	1,753,193	2,404,851	3,228,631	3,041,928
<b>PROFIT AND LOSS</b>											
Gross receipts	9,819	20,699	20,699	25,927	29,451	31,030	34,902	49,423	69,120	78,664	94,035
Costs of guidance & management	10,013	10,013	14,882	19,191	24,800	30,113	34,059	46,580	66,042	86,507	112,485
Non-business special profit and loss	2,093	2,093	1,142	2,872	5,886	4,862	4,957	8,040	12,783	18,459	20,612
Taxes	193	193	1,017	1,375	1,775	867	1,007	1,737	2,475	1,822	2,099
Current-term net profit	1,706	1,706	5,942	8,234	8,762	4,912	4,793	9,146	13,386	8,794	63
Dividend	986	986	2,325	3,055	3,599	3,527	3,533	5,250	7,400	6,534	6,654

4.3 GENERAL SITUATION OF NLCP

	Unit : 100 Million won									
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Assets	3,014	3,574	4,988	5,047	6,184	6,741	7,007	9,108	9,962	13,166
Capital	204	311	382	430	439	456	496	525	571	634
No. of Banking Branches			2	2	10	14	22	28	40	48
Deposits				235	635	783	1,417	2,687	3,283	4,926
Loans							3,787	4,607	5,609	7,474
BUSINESS										
Purchasing ( Owned )	2,666	2,673	4,141	2,353	2,448	1,390	1,481	1,909	2,206	1,993
( Committed )	3	7	226	2,109	2,448	1,390	1,481	1,909	2,206	1,993
	2,663	2,666	3,917	224						
Marketing ( Owned )	1,638	2,585	2,292	1,663	1,501	1,698	1,758	2,523	6,037	6,671
( Committed )	970	1,137	877	1,018	1,092	1,225	1,508	1,822	2,128	2,751
	668	1,448	1,415	645	409	473	250	701	3,909	3,920
Processing	394	601	1,078	1,124	1,036	1,225	1,190	1,630	2,394	2,313
Livestock Improvement	3	5	6	24	17	23	32	47	38	34
Pasture Management	3	5	2	3	3	3	13	16	22	20
Others	1	42	27	21	4	14	2	-	-	-
Total	4,705	5,911	7,546	5,188	5,009	4,353	4,475	6,125	10,697	11,031
Current-term net profit ( Million won )	3,368	9,559	6,568	4,447	448	769	475	2,005	2,033	3,417

Note : As of July in 1991, the number of the NLCP employees are 3,034.

A Case Study on Pusan Livestock Cooperative  
in South Korea by Kim Won Tae

National Livestock Cooperatives Federation  
Republic of Korea

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## 1. Past and present of Pusan Livestock Cooperative

Established in 1957, Pusan Livestock Cooperative (PLC) is 34 years old. The 1960s had seen the livestock cooperative thrive, enjoying a reputation for a wealth of capital funds along with its mixed feed factory and big office building.

In the mid-1970s, however, the administration by PLC's conceited chairman, coupled with the easing of discipline among its employees, left it in such financial difficulties that it was on the brink of dissolution. As a result, the cooperative was compelled to sell off its feed factory and office building to weather the financial crisis.

Pusan Livestock Cooperative, although reduced to a small and poor cooperative, managed to survive its dismantling crisis thanks to the rapidly increasing sentiments among its member farmers that it must needs be kept on.

And then the cooperative was incorporated as a member of National Livestock Cooperatives Federation, established in January 1981, serving a catalyst for a fresh start on vaulting to what it is : one of the best livestock cooperatives in South Korea.

PLC's entry into the federation enabled it to supply the military stationed in Pusan District with a great deal of livestock products, thereby being a shot in the arm to all the business of the cooperative ranging from purchasing to marketing ; consequently the Pusan Livestock Cooperative chalked up a turnover of 855 million won in 1981, netting 1,150 thousand won a year.

Pusan Livestock Cooperative burgeoned into a self-reliant local cooperative with a turnover of 1.54 billion won in 1982 which it owed to an increase in its supply for the military and a remarkable rise in its purchasing focusing on selling mixed feed.

In May 1984, the local cooperative opened its banking business as part of efforts to turn into a city-oriented cooperative.

And the year 1985 saw the cooperative's turnover surge up to 4.59 billion won, with its banking, purchasing and marketing earning 1.51 billion won, 1.16 billion won and 1.89 billion won respectively, of which 49 million won constituted net profit per year.

An evaluation on the 1985 basis by NLCF of its member cooperatives for self-reliance showed PLC to have developed so rapidly as to be a welfare cooperative.

Pusan Livestock Cooperative has been enjoying its continued growth so far thanks to a combination of the hearty service by PLC's employees including its chairman and the active participation by its member farmers into its business.

## 2. Business activities

### - Purchasing

One of the main purchasing activities is to supply mixed feed of good quality to the member farmers at a reasonable price.

It aims at assisting the member farmers to increase their income through a reduction in production cost by eliminating merchants' unfair distribution margin.

As of the end of July 1991, earnings from purchasing focusing on supplying mixed feed stably ran as high as 1.06 billion won (equivalent to 4,780 ton).

### - Marketing

The member farmers can produce the livestock products such as chicken, eggs, pork and beef of good quality, selling them through the cooperative's distribution channel.

And by the good offices of the cooperative the livestock products are also supplied for the military. In this process PLC endeavors to minimize a variety of difficulties the member farmers face.

As of the end of July 1991, revenues from marketing amounted to 2.1 billion won accounting for 75 percent of this year's target.



- Banking

In May 1984, PLC opened its banking business at its Kupo branch which, located in the livestock product wholesale market, has the advantage of attracting deposits easily.

The cooperative since then has branched out and has provided customers with more kind hearted services, a flower arrangement course and so forth as part of continued efforts to attract more deposit.

These deposit promotion activities are producing good results : As of the end of July 1991, deposits ran as high as 15.07 billion won, which exceeded this year's target of 13.50 billion won by 12 percent.

- Guidance

PLC is providing guidance and training services for its member farmers and puts great emphasis on guidance because it is one of the principal policies of the cooperative.

There are various services such as ;

- o inspring the spirit of new village management to the member farmers,
- o fostering the future farm leaders,
- o advising livestock farmers on tax affairs,
- o training and educating member farmers,
- o providing free medical treatment and technical education on management and feed,
- o supplying semen through AI by certified AI technicians.

- Business achievement

As of the end of 1990, the revenues from PLC's business totalled 16.4 billion won, the current-term net profit amounted to 86,995 thousand won and the dividend 53,889 thousand won.

Comparison of business achievement

Year	Business scale		Member farmers
	Million won	Thousand won	
1981(A)	855	29,703	184
1990(B)	16,384	313,194	811
B/A	19	10.5	4.5

At the beginning of this year, PLC made plans for the current year's business including setting this year's target at 19.38 billion won, and, as of July, achieved 18.86 billion won.

### 3. Cooperative service channel to its member farmers

PLC opened two banking branches in order to attract idle money in the ~~urban~~ area for the purpose of providing its member farmers with cattle-raising fund, and is making efforts to expand its banking business in the other parts of the city.

Mr. Kang Boo Ho, Managing Director of PLC, explained PLC's plan to invigorate its business, saying, " We will open an additional branch in this year to secure idle money in the urban area and do our best to provide the member farmers with cattle-raising fund and household fund."

In December, 1990, PLC started to operate a livestock product marketing center in the basement of the cooperative's building to supply fresh livestock products for consumers at a reasonable price and to cater to the needs of member farmers and residents in that region.

#### 4. Problems and plans

Mr. Lee Kang Moon, Chairman of PLC, pointed out the urgent problems that PLC faces, saying that, as its member farmers reduce their herd size or move out of city because livestock management bases are being aggravated rapidly due mainly to increased land prices stemming from city enlargement, difficulties in disposing of livestock wastes and higher labor cost, he is not optimistic about the expansion of marketing business.

To overcome this problem, PLC not only enlarges the function of the livestock marketing center but also has a plan to operate another marketing center selling the necessities of life on the 2nd floor of the building. Moreover, at every PLC branch which is to open in the near future PLC plans to operate a livestock product and life necessities marketing center. According to the plan, PLC will set up a branch every year.

Mr. Lee, the current chairman who knows well the present situation of PLC and has an experience to work for the cooperative as a staff, explained his management philosophy and business plans, saying, " I will do my best to improve the welfare of the member farmers by putting emphasis on the guidance business, establishing the responsible management system, inspiring my employees with the spirit of unity, and assisting the member farmers to use the cooperative efficiently. "

**CASE STUDY OF  
HASUNG PRIMARY COOPERATIVE**

**Presented by  
Hyun Keun Myung  
Assistant Manager  
Rural Development Department  
National Agricultural Cooperative Federation  
Seoul, Republic of Korea**

This is a success case of the Hasung Primary Cooperative.

The Cooperative has been organized by farmers living in the villages nestling in the folds of the Duckyou and Gaya mountains. The Hasung agricultural cooperative has two distinctive features.

The first feature is that the Hasung cooperative is the smallest primary cooperative in Korea. The second feature is that the average share capital and business turnover per member farmer are the top among all the primary cooperatives, and therefore, it is the best model self-sustaining cooperative throughout the country.

How could the Hasung agricultural cooperative overcome the difficulties and emerge as the nation's best cooperative?

Mr. Yu Chong Yun became the president of the Gunam village cooperative in February 1962. In the early days, there were many members who couldn't understand the role of cooperatives. Therefore, there were much difficulties.

In the initial stage of the cooperative movement during the early 1960s when most member farmers had no understanding of the role of the primary cooperative, this area was poverty-stricken.

The people suffered from poverty and stragnation, taking them as their destiny. It was Mr. Yu who had spread the spirit of cooperation.

Mr. Yu had established the Gunam village cooperative in 1962 to realize his aspiration for the regional development. In 1964, he became the president of the Hasung-Ri cooperative by merging three neighborhood village cooperatives.

Mr. Yu made calls on member farmers frequently and explained to them the need for participating in the cooperative movement.

He soon found that an increasing number of member farmers began to partivipate positively. He planned to increase the share capital and deposits received by the cooperative.

The Hasung-Ri cooperative and one more cooperative were merged in 1969 into the present Hasung Primary Cooperative, and the new cooperative immediately launched the mutual credit scheme. Mr. Yu visited villages in the evening to hold discussion meetings with member farmers. There he passed out a deposit book to each member, and urged him to increase savings were possible and to actively partivipate in the cooperative business.

As a business foundation was established to some extent thanks to the highly motivated efforts of Mr. Yu and positive participation by member farmers, it was now possible for the cooperative to support the farming activities related to income increase.

Mr. Yu convened a general meeting at a school auditorium inviting all member farmers to deliberate measures for increasing farm income through efficient cooperative business.

Farmers in this area were engaged in small-scale highland farming without any particular side jobs. Now they tried to introduce new crops to increase farm income. In 1975, they finally decided to cultivate vegetables on the cool highland.

Mr. Yu then took member farmers willing to cultivate vegetables to a study tour to Daegwanryung ridge in Kangwon province. There they collected information on the selection of vegetable varieties, application of fertilizers and marketing of vegetables. The primary cooperative launched the vegetable cultivation project by planning jointly with the county office of National Agricultural Cooperative Federation, and the Branch office of Office of Rural Development.

As the output of cool highland vegetables was limited at the time, the vegetables produced in this area were sold at satisfactory prices. Therefore, most of the farmers in this area now participated in the cultivation of highland vegetables.



The Hasung Primary Cooperative concentrated its efforts on helping vegetable-growing by supplying them credit and inputs, and obtained excellent results by emphasizing joint cultivation of vegetables through the organization of vegetable farming groups.

The primary cooperative also put emphasis on marketing, and signed a supply contract with the army, and shipped vegetables to the agricultural cooperative marketing centers in major cities. At present, farmers get an annual income of 400 thousand U.S. dollars from vegetable cultivation.

Taking advantage of forest lands, the primary cooperative started livestock raising.

The Cooperative paid efforts to overcome unfavorable farming conditions of this area which was characterized by the mountainous highland of more than 500 meters above sea level. The cooperative decided to expand the raising of livestock as an income-generating source in the early 1970s.

Mr. Yu started to raise cattle in 1971 after touring the rural areas in advanced countries. Now he decided to expand the scale of Korean cattle raising through the primary cooperative. He was willing to share his experiences with the beginners of stock raising and extend continued help.

The Hasung Primary cooperative decided to raise cattle directly, constructed a modern cattle shed and a feeds crushing facility for 40 heads of dairy cattle and Korean cattle. The direct cattle raising by the primary cooperative has provided an opportunity for the farmers to learn how to raise cattle and how to manage livestock farming.

The expanded utilization of self-supplying feed is one of the effective ways to stabilize livestock farming. Fortunately, this area is rich in wild plants suitable for feed and forest lands for cultivating feed crops, the primary cooperative put emphasis on the production of feed.

Here the farmers are engaged in the joint cutting of grass in the feed crop field of 15 hectares operated by a beef cattle farming group. A total of 26 farm households have been participating joint raising of 50 heads of cattle since 1983, gaining considerable livestock income.

At present, farmers in this area raise more than 1,000 heads of beef cattle, and more than 10 households started to raise dairy cattle last year for more income.

Though this area is mountainous, the forest lands near the villages were almost totally ruined due to reckless over-cutting of trees after the Korean War.

They launched the afforestation scheme since 1969 to plant trees on the forest lands devastated during and after the Korean War. They have completed the planting of trees on the forest lands of about 400 thousand m<sup>2</sup>.

Mr. Yu acted as a pioneer in implementing the afforestation scheme by planting fruitbearing trees such as fir trees and pine trees on his forest lands of 40 hectares from 1969, and urged other farmers to plant trees. As a result, all the farmers in every nearby village participated in the afforestation scheme since the beginning of 1970.

Meanwhile, the Hasung Primary Cooperative secured forest lands of 7 hectares and planted fruit-bearing trees in 1976, accelerating the reforestation efforts in this area. Consequently, all the forest lands near the villages are now covered with various kinds of trees.

Since this area is topographically suitable for the cultivation of apples, the Hasung Primary Cooperative started apple growing.

Today 10 farm households are earning 115 thousand U.S. dollars a year by growing a new variety of apples on the newly developed lands of 20 hectares. It is expected that more farmers in this area will grow apples in the future.

Due to increased income of the farmers in this area resulting from the introduction of cash crops, the business volume of the primary cooperative has been greatly expanded. How did they successfully implement the mutual credit scheme?

The total deposits received by our cooperative now stand at 1,030 thousand U.S. dollars. All the idle money of farmers is deposited in the Cooperative.

The fact that average deposit per farm household is 2,800 U.S. dollars reflects the farmers frugal lives. The savings of farmers are utilized as production funds, which in turn help improve the farm economy.

One of the most important points to consider in selecting new cash crops is to guarantee the marketing outlets of the products.

The Hasung Primary Cooperative succeeded in developing good outlets for cash crops; the army, the agricultural cooperative marketing centers, and local markets. At present, almost all the major farm products produced in this area are marketed through the primary cooperative. Thus, the total turnover of the cooperative marketing business stood at 2,250 thousand U.S. dollars in 1990.

The Hasung Primary Cooperative is also renowned for its excellent performance of the cooperative chain store.

As the cooperative chain store is selling, at reasonable prices, a wide variety of commodities from daily necessities to farm machinery, sales-persons are always busy attending to many customers.

Thanks to the positive patronage of member farmers, the average daily sales amounts to 500 U.S. dollars.

The goods sold at the cooperative chain store are of good quality and reasonably priced. In addition, member farmers receive a share dividend at the end of the year. Therefore, they always make it a rule to buy things at the cooperative chain store.

The primary cooperative is operating a milling plant as part of processing business.

The milling plant is equipped with hulling facility for grains and milling facility for grains and red pepper. As the plant charges only actual expenses, even non member farmers living in other areas utilize it.

The Hasung Primary Cooperative also conducts the cooperative insurance business. The total life insurance policies sold to farmers up to 1990 reached 3,495 thousand U.S. dollars. The average insurance contract amount per member farmer is the nations highest.

What is specially noteworthy is that the annual target of the insurance business was attained within one week after the general meeting was held.

Every farmer hopes to have modern amenities, living in an improved house in a delightful environment.

In the past, the farmers in this area eked out their livelihood by tilling infertile lands. But they have now established the most affluent community in Gerchang county.

This is the result of successful implementation of the agricultural cooperative movement.

The primary cooperative has helped the member farmers grow vegetables on the highlands. They are earning quite a sum of money from vegetable cultivation; They can deposit money and contribute share capital to their cooperative.

Member farmers regard the primary cooperative as their own. It is the duty of member farmers to utilize the businesses of the cooperative to the fullest by positively participating in the agricultural cooperative movement.

The Hasung Primary Cooperative of today owes its success to the member farmers who trust and patronize the cooperative, and to the competent leader.

One of the characteristics of the cooperative is that the participation by member farmers in the agricultural cooperative movement is very positive and active. In particular, the mutual credit business is patronized 100 percent by member farmers. This is due to the kind assistance by the heads of collaborating organizations at the village level and the maximum service by the staff members of the cooperative.

Any member farmer calls at the cooperative without hesitation to discuss farming as well as personal problems and to get counseling from the president or his staff members. This proves that a very close personal relationship has been established between member farmers and staff members of the cooperative.

It has been a long-cherished desire of the Korean farmers to build welfare communities where their living environment harmonize well with the beautiful nature and historic relics.

BY - LAW  
OF  
PUSAN LIVESTOCK COOPERATIVE

(EXTRACT)

NATIONAL LIVESTOCK COOPERATIVES FEDERATION  
REPUBLIC OF KOREA



## By - Law of Pusan Livestock Cooperative

### 1. Establishment and title

This cooperative shall be established by the Livestock Cooperative Law and shall be called the "~~Pusan Livestock Cooperative.~~" (hereinafter referred to as "PLC")

### 2. Purpose

The purpose of PLC shall be to increase productivity and to raise economic and social status of members through cooperative activities.

### 3. Kind of business

PLC shall engage in the following business entirely or partially.

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

- K) Business of Foreign trade
- L) Mutual insurance
- M) Joint business or business by proxy of NLCF or other cooperative
- N) Business entrusted by NLCF

~~-----O) Business entrusted by government~~

- P) Conclusion of negotiating agreement
- Q) Other business activities prescribed in other laws and ordinances
- R) Other business approved by the competent minister

\* For the purpose of achieving the objectives above, PLC can borrow fund from NLCF.

#### 4. Amendment of by - law

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

#### 5. Prohibition of involvement in politics

PLC shall avoid any conduct involved in politics.

#### 6. Livestock farmers union

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

#### 7. Membership

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

8. Responsibility of member

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

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

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

10. Admission

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

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

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

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

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

11. Restriction on admission

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

12. Termination of membership

- ~~A) Member may terminate his membership only at the end of each fiscal year, with a notice previous to 60 days to PLC.~~
- B) Member shall automatically cease to be a member of PLC when the following events occur.
  - Qualification loss of membership
  - Death
  - Bankruptcy
  - Incompetency
  - Expulsion

13. Expulsion

- A) PLC may exercise expulsion against any member by resolution of general meeting upon occurrence of any of following events : Provided, however, that the statement of reason of expulsion shall be forwarded to the concerned member by 10 days before opening the general meeting and shall offer him the opportunity to defend himself at general meeting.
  - Member who has failed to utilize PLC for period of more than one year.
  - Member who has failed to comply with his obligations such as payments of capital investment, sharing in expenses, or any other obligations to PLC.
  - Member who has acted against business activities of PLC.
  - Member who has been punished by competent authorities according to laws and ordinances, or has violated by-law or other regulations, or damaged the public confidence of PLC by intention or serious mistake or faults.

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

14. Claim for refund and suspension thereof

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

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

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

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

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

15. Liability of withdrawn member for proportionate charge of loss

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

16. Investment

Each member of PLC shall own at least more than one share of stock :  
Provided, however, no member shall be permitted to own more than 4,000 shares of stock.

17. Amount of investment and method of subscription

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

18. Revolving investment

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

19. Legal reserve fund

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

20. Carry-overs

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

21. Reserve for operation

PLC shall, in case where the net surplus arises after deducting both legal reserve fund and amount of carry-overs, reserve 20 percent or more surplus fund of each fiscal year for reserve for operation.

22. Capital reserve fund

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

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

23. Use of legal reserve fund

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

24. General Meeting

- A) PLC shall have a general meeting.
- B) General meeting shall be divided into a regular general meeting and an extraordinary general meeting.
- C) General meeting shall be composed of members and the president shall call a general meeting and shall preside over a general meeting.

25. Regular general meeting

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

26. Extraordinary general meeting

- A) The president of PLC shall call an extraordinary general meeting in such case as falls under each of the following items.
  - In such case as the president deems it necessary.
  - In such case as the board of directors deems it necessary and requests to call an extraordinary general meeting.
  - In such case as the members of PLC request to call the meeting to the president, with the concurrence of one-fifth or more of entire membership.
- B) In case the members request to call the meeting, the president shall call an extraordinary general meeting within two weeks.

27. Auditor's call for a general meeting

- A) Auditor shall call an extraordinary general meeting in such case as falls under each of the following items.
  - When the president fails to fulfil his function necessary for calling.
  - When the president, in case any request from board of directors or members has been made, does not without justifiable reason take any due procedure to call a general meeting within two weeks.



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

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

31. Special resolution of general meeting

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

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

32. Restriction on right to vote

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

33. Representative meeting

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

34. Board of directors

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

35. Resolutions of board of directors

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

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

The provisions of general meeting shall be applied

36. The number of executives

The number of executive of PLC is as followings

- A) President : 1
- B) Directors : 5
- C) Auditors : 2

37. Duties of executives

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

38. Authority of auditor to represent

- A) In case PLC enters into a contract with president or directors, the auditor shall represent PLC.
- B) In case law-suit exists between PLC and president/directors, the auditor shall represent PLC.

39. Appointment of executives

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

40. Term of office of executives

The term of office of executives are as following.

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

41. Dismissal of executives

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

42. Prohibition on concurrent position of executives and personnel

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

43. Business plan and budget of revenues and expenditures

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

44. Allocation of surplus

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

45. Recovery of losses

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

46. Merger

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

47. Division

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

48. Reason of dissolution

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



Regional Office for  
Asia & the Pacific

Sixth JTC/91-92

24th October 1991

SIXTH ICA JAPAN TRAINING COURSE ON  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
OCTOBER 21, 1991 - MAY 10, 1992

Points for Group Discussion - 24.10.91  
Korea

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

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE OVERHEAD PROJECTOR.

**SIXTH ICA TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL COOPERATIVES IN ASIA  
OCTOBER 20, 1991 TO MAY 10, 1992**

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**HOME COUNTRY ASSIGNMENTS**

**KESEDAR'S AGRICULTURE COOPERATIVE MOVEMENT**

**PRESENTED BY : ROFIEN BIN SAPIIN**

**COUNTRY : MALAYSIA**



BRIEF NOTES ON KESEDAR'S AGRICULTURE COOPERATIVE MOVEMENT  
(SOUTH KELANTAN DEVELOPMENT AUTHORITY)

1. INTRODUCTION

1.1. The cooperative movement was introduced by the Government of Malaysia in 1922 as a vehicle to accelerate the economic and human resource development for the less privileged Malaysian society through voluntary concept. In the early stage of the operation, its short-term objective is economic development, through business as a means to create surplus to ensure that the institution will survive. Its long-term objective is human resource development, thus achieving a more active and dynamic society which would render positive contribution to the national development.

2. BACKGROUND

2.1. South Kelantan Development Authority (KESDAR) was established under the Parliamentary Act (Malaysia) No. 203/1978 which entrusts KESDAR with the following functions:-

- a. To promote, stimulate, facilitate and undertake economic and social development within the South Kelantan Region;

- b. To promote, stimulate facilitate and undertake residential, agricultural, industrial and commercial development in South Kelantan Region;
- c. To control and coordinate the performance of the aforesaid activities in the South Kelantan Region.

2.2. The State of Kelantan is located adjacent with Thailand in the North, the State of Perak in the West, Pahang in the South and Terengganu in the East. The KESEDAR Region is located in the Southern part of the State of Kelantan, with an area of approximately 1.24 million hectares which is about 83% of the area of the State of Kelantan. (See MAP 1).

2.3. KESEDAR's responsibilities as spelled out by the Act is to develop the South Kelantan Region in a planned, controlled and integrated approach in order to encourage the migration of people from the relatively densely populated Northern Region to the Southern Region, which is richly endowed with natural resources.

2.4. KESEDAR's goal is to improve the quality of life and the standard of living of the Kelantan people, particularly those in the South Kelantan Region in

consonance with the National Economic Policy which aimed at eradicating poverty and restructuring society.

- 2.5. Organizationally, KESEDAR consists of two levels; at the higher level is the Board of Directors which actually constitutes "the Authority", appointed by the Minister of Rural Development, and the lower level, the executive staff with the General Manager as Chief Executive.
- 2.6. To achieve its development objective, KESEDAR has formulated six programmes namely Land Development and Settlement Schemes, Urban Development, Traditional Villages Development, Land Rehabilitation, Infrastructure Development and Investment.
- 2.7. In the implementation of the Land Development and Settlement Schemes, the objective is to create opportunities for the landless people to become settlers and farm the land and derive maximum benefits. Hence, the history of cooperative movement in KESEDAR's region begins.

3. ESTABLISHMENT OF COOPERATIVE

3.1. The Cooperative Movement was introduced in Malaysia in 1922 by the British as a means of tackling widespread indebtedness of rural farmers and government in ensuring a more systematic development and movement of cooperatives, the government has passed the Cooperative Societies Ordinance, No. 32 of 1948 in the year 1948. With the declaration of the New Cooperatives Era (1982) by the Ministry of National and Rural Development, its aimed was to overcome irregularities in the management of certain cooperatives.

3.2. Most of the Cooperatives in KESEDAR's region were established in 1983. In other words, most of them are at the age of 8 years old. This paper attempts to limit the focus on cooperatives development mainly in the KESEDAR's land schemes in order to give a clear perspective in line with the objective of establishment of Land Development and Settlement programme.

3.3. Basically, the movement of the KESEDAR's cooperative is towards managing the people achieving benevolence, self-help and cultivating the entrepreneurship ability in order to benefits from the surroundings economic and development opportunities. In other words cooperative establishment is a two-prong strategy aiming at

creating a modern dynamic society on one hand and promoting a productive settlers on the other.

4. OBJECTIVES

4.1. As stated in the cooperatives by-law, objectives of the institution, which among others are as follows:-

- a) To promote and encourage the sosio-economic activities of members such as trading, merchandise, housing, transportation, land development, marketing and etc.
- b) To encourage saving among members.
- c) To make investment that will benefit the members.
- d) To work hand in hand with other cooperatives.

5. NUMBER OF COOPERATIVES

5.1. Presently there are 10 cooperatives in KESEDAR's Land Schemes, where 8 of them located in Land Development Schemes and the remaining 2 are in the Land Rehabilitation Schemes.

6. MEMBERSHIP AND SHARE CAPITAL

6.1. The membership and the amount of shared capitals of these cooperatives are 2,309 members and \$339,262.62 respectively. The detail of the memberships and the shared capitals is shown in Table 1.

Table 1: The Membership And Share Capital  
Of The KESEDAR'S COOPERATIVES

Year	Num.of Membership	Share Capital (M \$)
1983	1,366	24,672.00
1984	1,383	38,799.00
1985	1,894	66,902.00
1986	2,102	125,381.00
1987	2,181	190,017.65
1988	2,184	244,770.15
1989	2,186	288,162.33
1990	2,233	320,879.72
August 1991	2,309	339,262.62

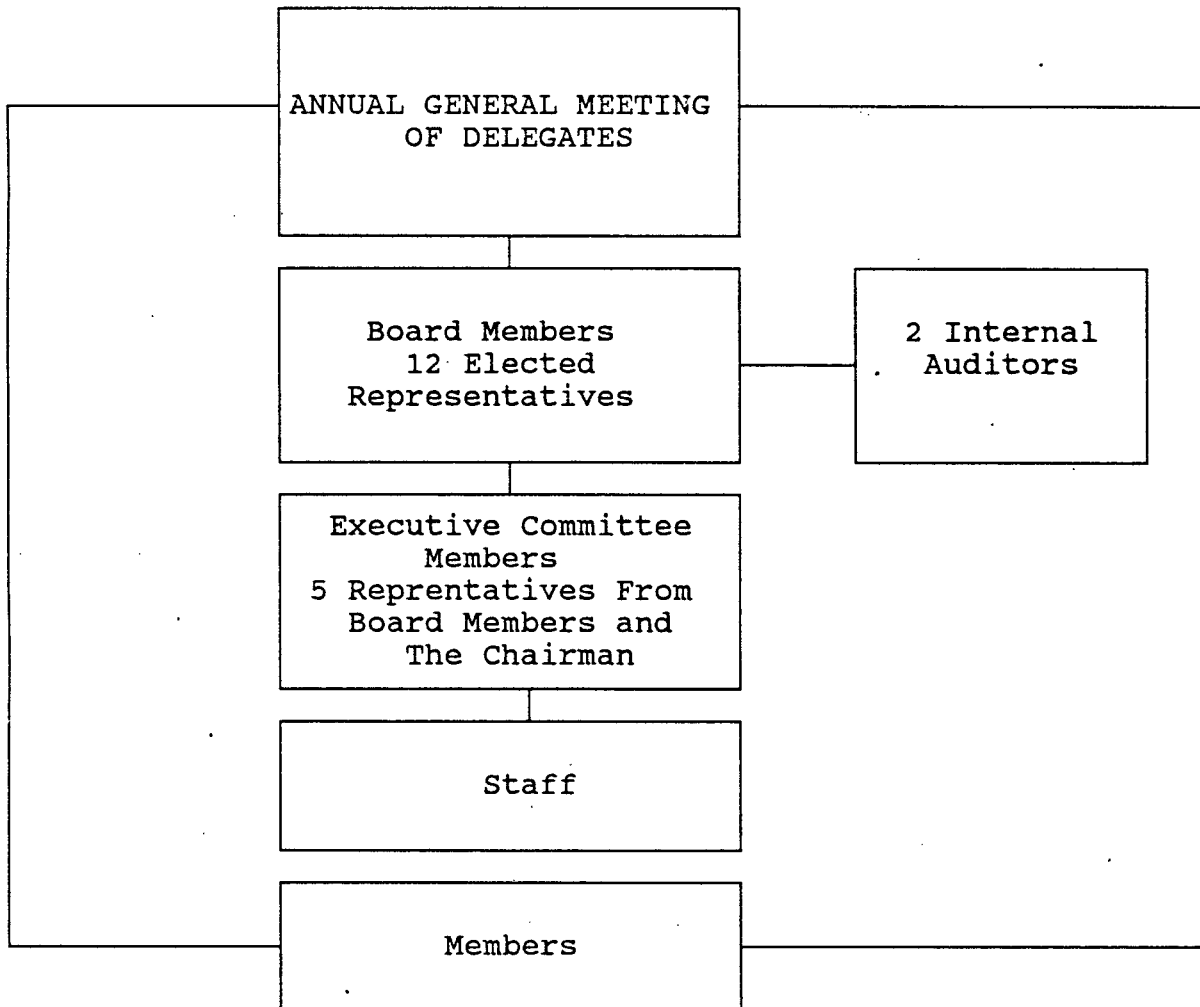
Source : Social Development Division KESEDAR  
(\* ) figure as ended 31 August 1991

6.2. The drastic increase of share capital in 1986 is reflected by the increasing numbers of share bought by individual members as their farm income increased.

## 7. ORGANIZATIONAL AND MANAGEMENT

7.1. The organizational structure of the cooperatives is illustrated as in Chart 1.

Chart 1 : Organizational Structure  
Of Cooperatives



7.2. Although the cooperative's by-laws has the provision to appoint a salaried full-time manager but none of the cooperatives have a full-time manager. This is due to the fact that the cooperative are not able to provide the salary. The cooperative's management is directly handle by the Board of Directors especially by the Chairman and Secretary and of course shouldered by KESEDAR's officials as skilled instructors. The Board

of Directors will delegate certain responsibilities to the Executive Committee mode to expedite the implementation of certain activities by the cooperatives . Six out of ten cooperative have appointed a clerk to undertake the routine administrative works.

8. ACTIVITY

8.1. Most of the cooperative are engaged in agriculture contractual works mainly on establishing oil palm and rubber plantation, the maintenance of farm and farm road and the transportation of fresh fruit bunch to the oil palm factory. Cooperative are also engaged in trading commodities such rice and agricultural inputs in credit term.

9. PROBLEM

9.1. Weak Leadership And Management

Most of Board Members are formerly village administrators with limited or on business/managerial experience to provide the leadership necessary for the successful running of the cooperatives. Due to the lack experience, many of them do not give their full attention to the cooperative development.



### 9.2. Weak Financial Administration and Control

Many of these cooperatives do not have proper record keeping. Despite assistance given by the authorities, some book-keeping systems are haphazard, while some only attend to this subject when the Department of Cooperative Development and KESEDAR officers are there to assist them (the accounts were not up-to-date and transactions left unrecorded). From the financial statement, it was observed that some of these cooperatives do not have control over costs which tend to escalated faster than revenue received. Increased expenses were noted and part of it was due to the new allowances created for Board of Directors and members.

### 9.3. Inadequate Operational Capital

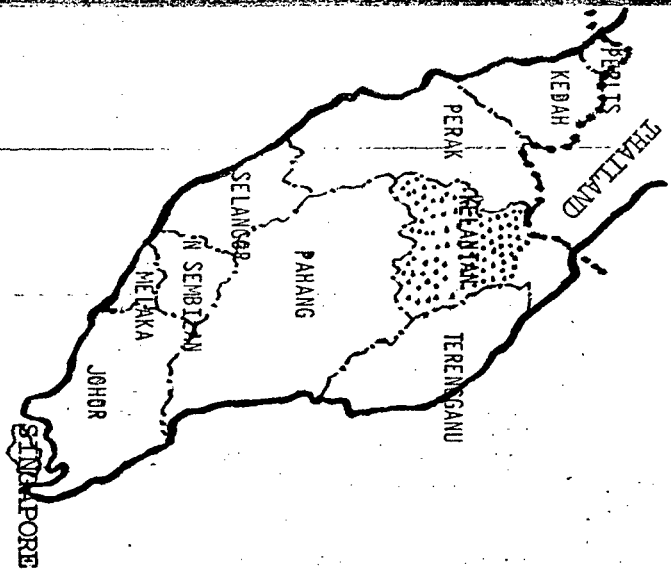
This problem is related to the slow payment of the credit sale. The problem is further aggravated by cooperative's engagement in a number of contractual works at the same time.

### 9.3. Passive Response From Members

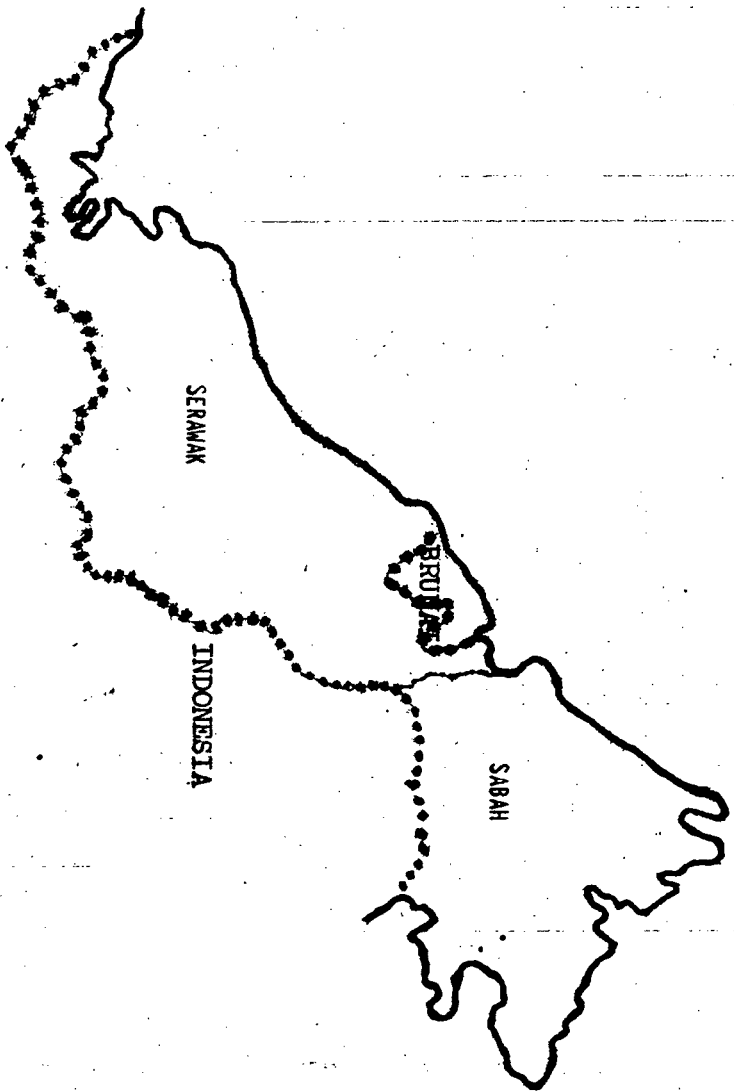
It is noted that inadequate knowledge of cooperative's principles by the members manifested by their passive participation in cooperative movement has led to some misunderstandings on the basic cooperatives management.

10. CONCLUSION

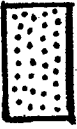
10.1. It is hoped that by attending this course organized by the Institute for the Development of Agricultural Cooperation in Asia (IDACA), participants would learn and gain better knowledge and experience so that better strategies could be formulated in order to stimulate the cooperatives movement within the participant's region.



SOUTH CHINA SEA



**MALAYSIA : LOCATION OF KELANTAN STATE & KESEDAR REGION**



**KESEDAR REGION**

**MAP 1**



**SIXTH ICA TRAINING COURSE FOR STRENGTHENING  
MANAGEMENT OF AGRICULTURAL COOPERATIVES IN ASIA  
OCTOBER 20, 1991 TO MAY 10, 1992**

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**A CASE STUDY**

**THE MAIN ACTIVITIES OF PALOH 1 LAND  
DEVELOPMENT SCHEME SETTLER'S  
COOPERATIVE LIMITED  
- PROBLEM AND RECOMENDATIONS**

**PRESENTED BY : ROFIEN BIN SAPIIN**

**COUNTRY : MALAYSIA**

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THE MAIN ACTIVITIES OF PALOH 1  
LAND DEVELOPMENT SCHEME SETTLER'S  
COOPERATIVE LIMITED  
- PROBLEMS AND RECOMENDATIONS  
-----

1. ABSTRACT

The purpose of the study is to investigate and analyse the effectiveness of the settler's cooperatives under Southern Kelantan Development Authority (KESEDAR) area.

This study is focussing on the activities carry out by the settler's cooperative and problems faced in the organisation. It was found that the success or the failure of the activities run by the cooperative were depending on the criteria such as loyalty or committment and knowledge of the members, particularly the board members. Generally the activities run by the settler's cooperative is helping to enhance settlers sosio-economic in the KESEDAR land development scheme (LDS).

2. BACKGROUND

KESEDAR has embarked on its community development project for the settler aimed at making them a progressive and developed society. This is done by changing their attitudes towards their own life, society and nation. They are persuaded to work-harder, be self-reliant, be business-minded and be competative with each other.

The establishment of KESEDAR Settlers' cooperative is one of the way to achieve the above objectives. There are 10

settler's cooperative in KESEDAR. For the purpose of this study settler's cooperative in Paloh 1 LDS is taken as a sample to represent other settlers cooperative in KESEDAR's LDS. This is due limited time and resouce available to carry out this study.

Information available consists mainly of content analysis of the existing report from the KESEDAR's Community Development Unit which is responsible in monitoring settlers' cooperative in LDS and from settlers cooperative records.

Paloh 1 LDS settlers cooperative limited was established in 1983. Its operational area, Paloh 1 LDS covering the area of 2,379.07 hectres with a population of 1,288 peoples (245 household). As at August 1991, the cooperative consist of 327 members with share capital of \$105,944.84 (see table II). The establishment of the cooperative is suitable with the spirit of 'Ala-Kelantan' KESEDAR Land Scheme opening where the involvement of the settlers was at the initial stage of the development. During the time the settlers worked and helping hand with each other in order to ensure the success of the land scheme opening.

Continuing these spirit, the idea to organise a formal cooperative had get good response from the settlers and became a reality.



### 3. THE COOPERATIVE ACTIVITIES AND PROBLEM.

It should be emphasized here the main objective of the settler in joining the cooperative is to get more income the money they have invested besides other benefit. To meet this objective Paloh 1 LDS settlers cooperative limited has ventured in the following activities :-

#### 3.1. Agricultural Contract Works -----

KESEDAR has awarded some agricultural contract works to the cooperative in supporting the organisation. The works concern are such as field major works, crop and agriculture road maintenance. Normally, the value of the contract given to the cooperative are at the reasonable and profitable cost, beside to create the jobs for their members (settlers).

#### Problem

The cooperative has the limited capital to involve in the big contract. It is difficult for the cooperative to get loan from any other source due to their questionable capability. The weaknesses in financial administration and control reflected from improper record keeping confirmed the doubtness. In addition the cooperative is unable to engage the full time staff in managing the project or the contract taken because it is not afford to provide the salary. Sometime the cooperative board members had made a sudden decision in getting contract without realising the limited capital

they had had and without consulting their management staff.

The board members have a little experience to contribute successful running of the cooperative because they were formerly village administrator.

Most of the members responded passsively and not well understood in contract management and its principle. Those who are engaged to the work have less discipline and responsibility.

3.2 Transportation of Fresh Fruit Bunches (FFB) of Oil Palm.

Tranportation of FFB to the oil palm mill is the most successful cooperative activity and profit return. The monthly average income earned through this activity is as below :

Ave. Tonnage of FFB/month	Price/ton (\$)	Gross Income (\$)	Expend- iture (\$)	Net Income (\$)
4,276	12	51,312	38,484	12,828

Similar to agricultural work, trasportation of FFB is also the supporting and contribution form KESEDAR in ensuring the viability of the cooperative.

In running this activity the cooperative does not need the large capital since KESEDAR Perkilangan Berhad (Palm Oil Mill) provided full advance for trasportation vehicles. There are 2 tractors and 12 Vans belong to

the cooperative and its members to carry FFB from the field to the mill.

At peak production the need of transport to carry FFB is greater where the cooperative need to hire the transports from the nearby cooperatives. This concept is suitable with inter-relationship between cooperative for common used.

### Problems

#### Weak in financial administration and control.

The cooperative does not prepare proper record keeping. Some book-keeping systems are haphazard. The accounts were not up-to-date and transactions left unrecorded.

The cooperative do not have a full-time manager. This is due to the fact that the cooperative are unable to provide the salary. The cooperative just able to appoint a clerk to undertake the routine administrative work.

### 3.3. Trading Commodities And Agricultural Inputs.

There are two types of cooperative's trading activities comprising of commodities and agricultural input. The trading is suitable with cooperative principle to giving the service to the members indirectly.

The type of goods sold are basic needs such as rice and other kitchen needs. The luxuries goods however are not provided or encouraged. The agricultural input sold are

weed killer, fertilizer, weeding tools etc.

The cooperative also engaged in the credit term trading.

#### Problems

- i. Weak leadership and management.
- ii. Weak financial administration and financial control.
- iii. No full-time manager. Just appointed a clerk to undertake routine administrative work and trading.
- iv. Lack of capital.
- v. Passive response from the members. It is noted that inadequate knowledge and late credit repayment from members cause problems to the cooperative.

#### 4. RECOMMENDATIONS

Some corrective measures must be taken if KESEDAR's efforts to resolve the problems of the settler's cooperative were to be effectively carried out :-

For this purpose I suggest the following corrective measures have to be taken systematically :-

- i. The need to educate the weak cooperative members on cooperative principles.
- ii. The need for controlling and supervising cooperative activities by KESEDAR's officers and the Cooperative Department.

- iii. The need to give the course and counselling to cooperative board members and cooperative staff about business opportunities, book keeping and record management.
- iv. The cooperative should have more saving to provide capital for future investment.
- v. To avoid the frequent change members of the board so that to give enough time for them to lead the cooperative effectively.

## 5. CONCLUSION

In conclusion the problem of settler's cooperative which involve capital, value system, attitude as well as knowledge are really complex and only composite actions to solve the various problem can ensure the development of the settlers' cooperative.

It is hope that by attending this course organized by the International cooperative alliance (I.C.A.) participant would learn and gain better strategies could be formulated in order to stimulate the cooperative movement within the participant region.

**TABLE 1 : Main Activities Under 'Ala Kelantan'  
Land Development Scheme (KESEDAR).**

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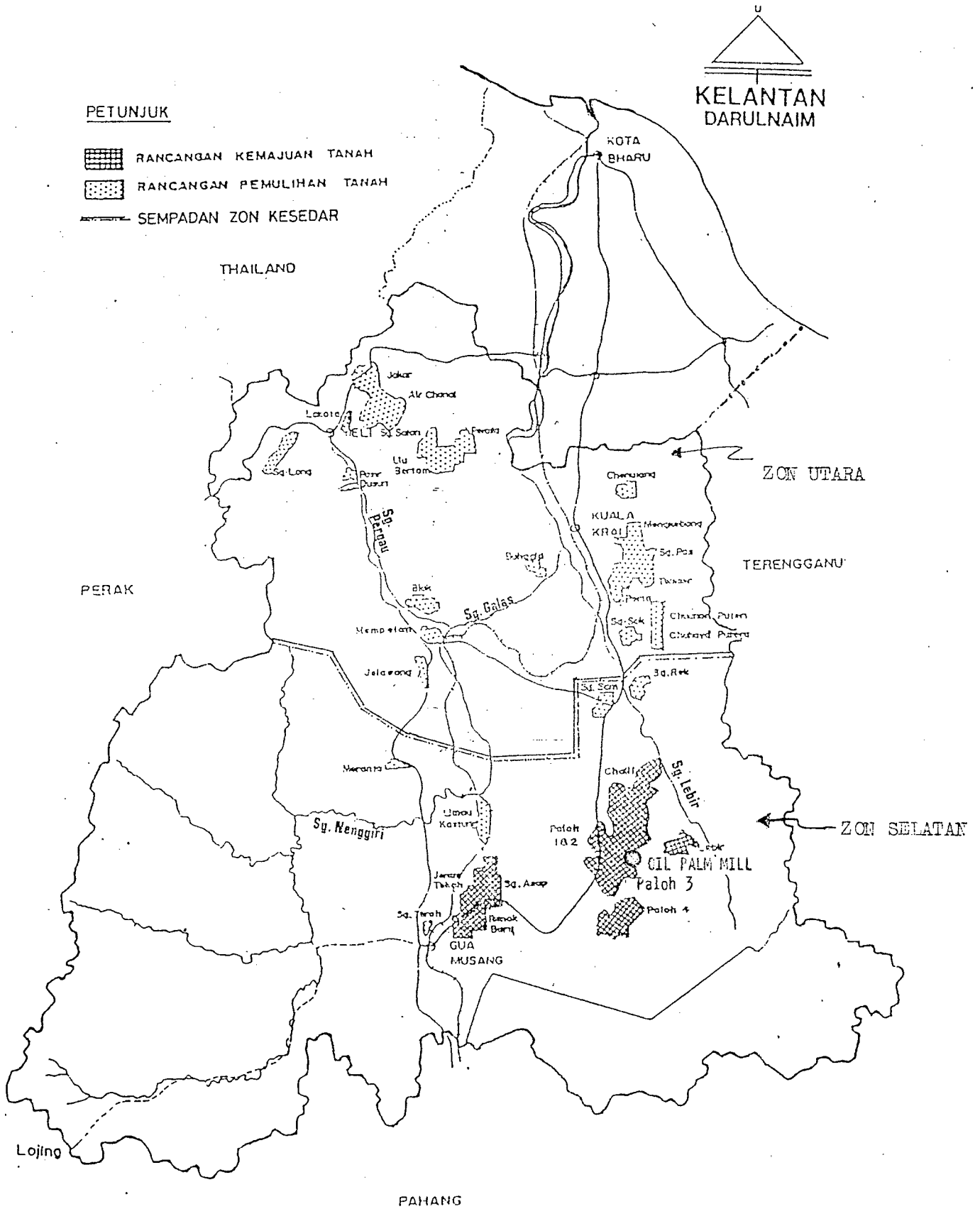
1. Underbrushing/felling
2. Burning
3. Prunning, stacking and reburning
4. Construction of agriculture road
5. Terracing
6. Preparation of village area
7. Lining
8. Pre-maintenance
9. Planting of cover crop
10. Planting of crop (Rubber & Oil Palm)
11. Maintenance
  - i. Field
  - ii. Road
12. Harvesting of FFB
13. Transporting of FFB

**TABLE II: Number of Membership And Capital  
The Land Development Scheme Of  
Paloh I Settler's Cooperative  
(1983 - August 1991)**

<b>Year</b>	<b>Num. of Membership</b>	<b>Share Capital M(\$)</b>
1983	257	7,647.00
1984	257	19,520.00
1985	271	26,675.25
1986	287	37,647.25
1987	313	51,386.90
1988	313	58,411.90
1989	314	71,370.70
1990	327	97,302.84
August 1991	327	105,944.84

**Source : Social Development Division KESEDAR  
Figure as ended 31 August 1991.**

: Rancangan Pembangunan Tanah Zon Selatan  
KESEDAR (RKT & RPT)





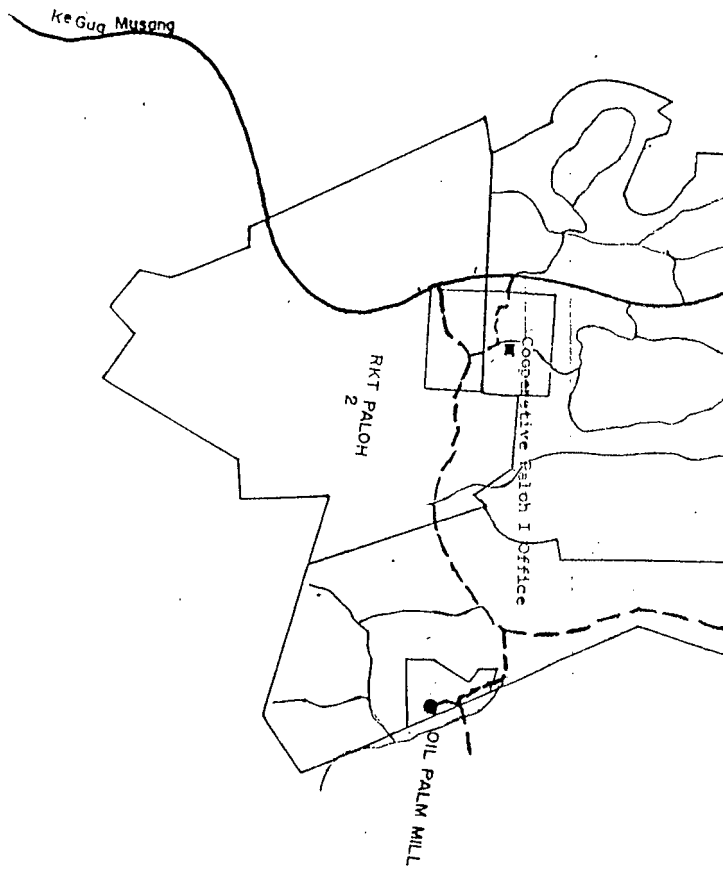
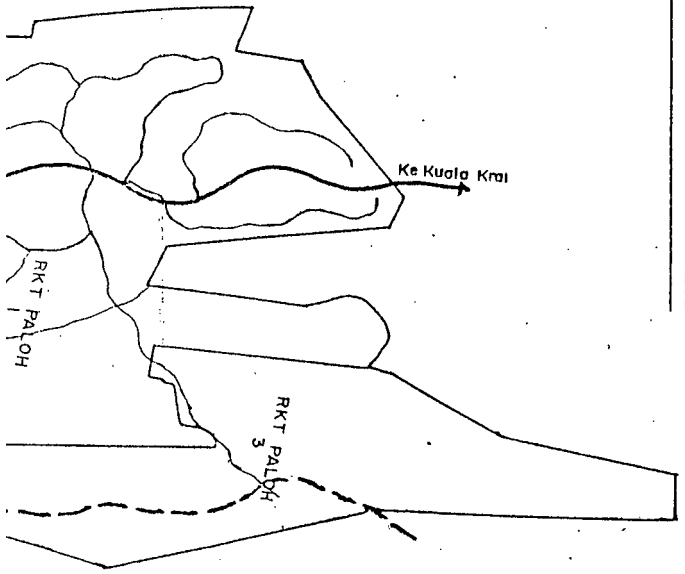


FIGURE 1 LAND DEVELOPMENT SCHEME



# COPAC

No. 40

COOPERATIVE INFORMATION NOTE

MALAYSIA

**COPAC Secretariat**

334 (595) COP

Via della Terme di Caracalla,  
00100 Rome, Italy

## INTRODUCTION

The Federation of Malaysia was established in 1963. Malaya gained independence from the UK in 1957 and initially comprised the eleven States of Peninsular Malaysia, Singapore and the States of Sabah and Sarawak situated some 750 km across the South China Sea in North Kalimantan.

Malaysia is a constitutional monarchy with the head of State, Yang di Pertuan Agong (King), elected for a five year period by the Conference of State Rulers, which comprises the nine ruling Sultans in Peninsular Malaysia. The four non-Malay States of Malacca, Penang, Sabah and Sarawak are each headed by a Governor who is appointed for a term of four years by the King. Each of the 13 States has its own constitution and assembly to handle matters not covered by the Federal Government.

The population of Malaysia was estimated at 14.8 m in 1983 and was expected to rise to 15.5 m in 1985, an annual rate of growth of 2.5 percent. Malaysia's population has been drifting to the cities, causing labour shortages in the plantation sector. Consequently, the proportion of the population which is urban had reached 37.5 percent in 1980 and was expected to rise further to 43.5 percent in 1985. There is a great concentration of Chinese in the urban areas where they accounted for 50.5 percent of the urban population in 1980, compared with 37.4 percent Malays. Overall, 55 percent of the population is Bumiputra (Malays and indigeneous peoples), 34 percent of Chinese origin, 10 percent Indian and 1 percent others.

Malaysia has enjoyed one of the highest average annual growth rates of per capita income in the world over the last two decades and in 1983 GNP per capita reached M\$ 4,559 equivalent to US\$ 1,964.

### **1. HISTORY OF THE COOPERATIVE MOVEMENT**

The cooperative movement in Malaysia was introduced in 1922 as a means of tackling the widespread indebtedness of farmers and workers, including Government civil servants.

In 1948, with the establishment of the Federation of Malaya, the Cooperative Societies Ordinance, No 33 of 1948 was approved for the whole of the Federation of Malaya. With this the Cooperative Development Department was integrated and all duties and responsibilities to develop and expand the teaching and concept of the cooperative movement were streamlined by the department headed by a Commissioner for Cooperative Development, Federation of Malaya, who was also the Registrar of Cooperative Societies.

In 1963, Malaysia was established of which the Federation of Malaysia, Singapore, Sabah and Sarawak were the component States. In 1965, Singapore was separated from Malaysia. Although the Director-General of Cooperative Development of Malaysia was only responsible for all matters regarding the development and expansion of the cooperative movement in Malaysia, the Cooperative Ordinance was still enforced in Sabah and Sarawak and both these States had their own Registrar of Cooperative Societies. However, the Cooperative Societies Ordinance No. 33 of 1948 was amended in 1976 to streamline all cooperative activities in Peninsular Malaysia, Sabah and Sarawak. But until today the Cooperative Societies Amendment and Extension Act, 1976, which was enforced in Peninsular Malaysia has still not been extended to Sabah and Sarawak.

## **1.1 The Cooperative Movement in Sarawak**

The Cooperative movement in Sarawak was first known in 1939 with the introduction of the Cooperative Societies Ordinance approved in that State and with the appointment of a representative in Sarawak from the Cooperative Development Department of Malaya to make a survey and study. However, there were few concrete steps taken to start this movement there until after the Second World War. In 1949, a new Cooperative Ordinance was enforced and a Cooperative Development Department was formed there.

The cooperative movement brought to Sarawak was designed to help people of that State to free themselves from the control of money lenders who were normally agents for distribution and purchases. The people of Sarawak were mostly farmers who grew rubber, sago and pepper, produced jungle products and sometimes engaged in fishing.

The cooperative department established there proved, in the beginning, unable to function satisfactorily due to the problems of appointing and getting officers and staff, travel, communications and illiteracy. The Cooperative Development Department could do little more than concentrate its activities on spreading the concept and teachings of the cooperative movement, and help to uplift the educational standard of the public. Its task was complicated by the fact that all directives and other documents had to be produced in five languages, a difficult task to perform.

## **1.2 The Cooperative Movement in Sabah**

Sabah, a British colony in North Borneo, experienced a slow change in the form of concept and teaching development of the cooperative movement there. The Cooperative Ordinance No.3 of 1958 for Sabah was approved and enforced in 1958. With this development the cooperative movement in that state only began in 1958, i.e. five years before the formation of Malaysia. The problems of travelling and communications to remote areas and lack of officers and small percentage of the population who were educated or who could read and write were the main factors hindering the progress of this movement in the initial stage.

Apart from that, without special officers from the Audit Division to do the auditing of books and accounts of the cooperative societies, the Cooperative Development Department had to solve the problem of auditing of these cooperative societies by using Coop Department officers who were few in number to also carry out the auditing. Although Sabah was part of Malaysia, the Cooperative Societies Ordinance was still enforced in that State. The Sabah Cooperative Development Director was also the Registrar of cooperative societies for Sabah.

## **1.3 Reorganisation of Cooperative Movement**

The cooperative movement developed quite rapidly in the 60s and 70s but most of the cooperative societies, especially the farming and fishermen societies, were not able to function satisfactorily due to certain factors, especially inefficient administration and management and limited technical experience. The Government, therefore, decided that for the benefit of these societies and their members, these cooperatives should be separated from others which were mostly operating in the urban areas. Moreover, following the establishment of Farmer's Associations and Fishermen's Associations in the country the government felt that the agricultural type of cooperatives should be integrated with the Farmer's Association and Fishermen's Association so that there would not be competition and duplication in the activities of the bodies concerned.

The Farmers' Association Organisation (FAO) which was established in 1972, was given the responsibility of integrating and streamlining the activities of the Farmers' Associations and cooperative societies which were agricultural in nature; the Fisheries Development Authority (FDA) established several years later, would do the same for the fishermen's cooperative societies and fishermen's associations. After the introduction of the Government Policy in 1973, all cooperative societies of the agricultural type were handed over by the Cooperative Development Department to the Farmers' Associations Organisations. Fishermen's cooperative societies were handed over to the Fisheries Development in 1975.

The position of cooperative societies handed over to these agencies was as follows:

(a)	<u>Farmer's Association Organisation</u>		
	<u>No. of Coops</u>	<u>No. of Members</u>	<u>Share Capital</u> (M\$)
	1,550	133,828	8,856,784
(b)	<u>Fisheries Development Authority</u>		
			(M\$)
	76	9,000	4,555,000

At the end of 1972, the number of registered cooperative societies in Peninsular Malaysia was 2,475 with a membership of 722,934. After the transfer of the agricultural type of cooperatives to the FAO the number of cooperative societies registered in Peninsular Malaysia at the end of 1973 was 1026 with a membership of 688,265.

There was no transfer of cooperative societies to FAO and FDA in Sabah and Sarawak. The number of cooperative societies in Sabah in 1972 totalled 189 with 36,454 members. The number of cooperatives in Sarawak in 1972 was 233 with 23,346 members.

Most of the cooperative societies formed in the rural areas were of the credit, processing, consumer and marketing types. They were located quite near one another and it was difficult for these cooperatives to expand by way of membership, capital and activities, a continuing problem felt since the fifties when there was a rapid development of societies in the rural areas. The Cooperative Development Department together with Bank Rakyat joined forces to carry out the consolidation of cooperative societies; small uneconomical cooperatives were advised to close down and merge with other societies of the same objectives in the same region. In fact, the response to these suggestions was quite small and the plan was kept in abeyance for several years.

However, in the sixties, a new plan was launched by the Cooperative Development Department to enable the cooperatives to widen their activities to become multipurpose cooperatives and the integration of small societies was again encouraged. As a result of this scheme, a large number of societies in Peninsular Malaysia, Sabah and Sarawak submerged their original identities in larger organizations and operated in the name of multi-purpose cooperatives although their primary activities were still pursued.

After the transfer of agro-based cooperatives to FAO and fishermen to FDA, the development of the cooperative movement was focused upon the implementation of consumer projects, trade and industry, housing, transport, land development, commercial dairy farming, investment, capital, productive credit and supply of schools materials and equipment.

The figures below indicate the development and progress of the cooperative movement in Malaysia between 1973 and 1977.

	<u>Year</u>	<u>No. of Societies</u>	<u>Membership</u>	<u>Total Funds (M\$)</u>
Peninsular :	1973	1,026	668,265	631,578,050
	1974	1,112	732,511	675,384,000
	1975	1,201	772,000	728,000,000
	1976	1,300	815,900	760,000,000
	1977	1,346	850,000	800,000,000
Sabah :	1973	196	35,021	5,400,000
	1974	208	34,400	5,700,000
	1975	216	39,575	7,900,000
	1976	234	40,253	8,500,000
	1977	251	41,000	11,870,000
Sarawak :	1973	238	25,570	11,796,000
	1974	242	26,600	12,334,000
	1975	248	28,500	13,500,000
	1976	253	33,110	15,846,800
	1977	277	38,039	17,670,600

#### 1.4 Cooperative Union of Malaysia (CUM)

The Cooperative Union of Malaysia was formed in 1953 in order to assist and promote the development of cooperative societies mainly in urban areas.

The objectives of CUM are formulated as follows:

1. To propagate the principles and practice of cooperation and generally to promote the establishment of cooperative institutions;
2. To advise and assist members in their operations and functions;
3. To represent the cooperative movement;
4. To establish audit, accounting and administrative and legal services for members and cooperative societies in general;
5. To promote cooperative education and publicity;
6. To serve as an information bureau for the members and the cooperative movement;
7. To promote research and investigations in the problems connected with cooperative development;
8. To assist the Government in the promotion, development and supervision of the cooperative movement.

There are 4 state unions, where most of the urban cooperatives are members of the unions.

At present, the CUM is not playing a very active role in the development of the Malaysian cooperative movement for different reasons. First of all, it is dealing with the existence of ANGKASA. The need for the creation of a single apex organisation covering the cooperative movement of Malaysia is long overdue. Much waste and duplication are caused by the separation of the two existing national organisations.

Cooperatives societies belonging to the CUM may be grouped together as follows: 124 consumer cooperatives; 20 industrial; 68 housing; 23 land development societies; 329 credit and loan cooperatives; 34 transport; 1 insurance cooperative society; 359 multi-purpose; 204 school cooperatives; 54 thrift and loan and investment; 50 social welfare cooperative societies; 12 cooperative associations; 1 timber cooperative society; 1 bazaar cooperative and 3 super-market cooperative societies.

## 2. COOPERATIVE LEGISLATION

The Cooperative legislation affecting cooperatives in Malaysia are the following:

- (a) Cooperative Societies Ordinance No. 33 of 1948 for all States in Peninsular (West) Malaysia. (Revised in 1976 and 1983).
- (b) Cooperative Societies Ordinance (Cap. 66) of 1948 for the State of Sarawak.
- (c) Cooperative Societies Ordinance No. 3 of 1958 for the State of Sabah.
- (d) Farmer's Organisation Authority Act of Parliament of 1973, Amendment in 1974 under Act 261 (for agro-based cooperative societies).

## 3. ROLE OF THE GOVERNMENT IN COOPERATIVES

It is recognised by the Government that cooperatives can assist the people to upgrade their living standards and pool their limited resources together for this purpose. The Fourth National Development Plan (1981-1985) states that "The cooperative movement provides an important vehicle for the promotion of economic activities, mobilisation of capital and the acquisition of property. The participation of target groups such as small farmers and fishermen into farmers' and fishermen's cooperatives will be intensified during the Fourth Malaysian Plan through the provision of infrastructure, working capital and management training. Small and inefficient cooperatives will be amalgamated into larger and more viable cooperatives" (FMP, page 192).

In implementing the New Economic Policy, declared by the Government in 1970 which aims at eradicating poverty and restructuring the society, the cooperative movement was singled out as one of the important tools that can assist the Government in achieving these two objectives.



### **3.1 Department of Cooperative Development (DCD)**

The Department of Cooperative Development was set up by the Ministry of National and Rural Development in order to monitor the progress of the movement (except those which are agro-based or fishery-based). In order to strengthen the position of the cooperative movement, DCD is promoting its development in the following fields: consumer credit and banking, insurance, trades and industries, housing, land development, transport, industrial and school cooperatives.

The main objectives of the Department in promoting other than agro-based cooperatives may be formulated as follows:

- uplift and improve the economic and social standards of primary producers;
- increase employment opportunities in the industrial and business sectors;
- pool capital resources from members and engage in various economic ventures in accordance with the Government's New Policy.

The Cooperative Development Department is responsible for registering new cooperatives and seeing to their growth, checking the audited accounts of all societies, advising, counselling, guiding, motivating and developing these cooperatives.

The head of the department is the Director General who is responsible for the administration of the department. He also serves as the Registrar General with the statutory duties to oversee the running of registered cooperative societies as well as cooperatives under liquidation as spelt out in the Cooperative Act and Rules made thereunder. The Registrar General is assisted by 12 State Cooperative Directors who also act as cooperative registrars in their respective States. Appendix 1 briefly shows the organisational structure of the Department.

#### **3.1.1 Departmental Strategy**

1. To encourage the formation of viable societies with strong membership, sufficient capital and efficient management
2. To encourage cooperatives to be actively involved in National Development Programme in line with the New Economic Policy, including "Privatisation" and Malaysia Incorporated
3. To educate members of cooperatives, including school children, to inculcate thrift, mutual help, the will to succeed and be independent, self discipline, giving priority to the good of others before self, and working for the good of the nation
4. To spread the concept of cooperatives to the people and cooperators to ensure the continued growth of the cooperative movement
5. To make available credit facilities to cooperatives for the funding of viable projects
6. To assist cooperatives that cannot afford to have trained administrators by giving them subsidies
7. To draw up a new Cooperative Act to cover Sabah and Sarawak

8. To increase training facilities for the staff of DCD at all levels in order to increase or to improve their output
9. To encourage people of all races to join the cooperative movement and be actively involved at all levels, especially in the exchange of ideas and experiences and helping each other for the good of all.

### **3.1.2 Personnel of the Department**

There were 1009 appointments in the Cooperative Development Department by the second half of 1985, divided into the following categories:

Division A - 171  
Division B - 201  
Division C - 415  
Division D - 222

Out of these 1009 appointments, 741 are in Peninsular Malaysia, 134 in Sarawak and 134 in Sabah.

The personnel Division A comprises: Directors of Cooperative Development, Accountants, Economists, Cooperative officers; Division B consists of assistant cooperative officers, examiners of accounts, executive accounts officer and executive officer. Division C consists of cooperative inspectors, general clerks, accounts clerks, stenographers and artists. Division D consists of assistant clerks, typists, office boys and drivers.

At the moment there are 183 appointments vacant. Of these vacancies 93 are in Peninsular Malaysia, 25 in Sarawak and 65 in Sabah. The vacancies are in the following categories:

Division A - 28  
Division B - 47  
Division C - 82  
Division D - 26

### **3.2 The Fourth Malaysia Plan (1981-1985)**

Under the Fourth Malaysia Plan, DCD identified its strategies and laid out its development programmes with emphasis on greater involvement of co-operatives especially those of the indigeneous people. DCD was given an expenditure allocation of M\$ 49.55 million to carry out its development programmes for three extended programmes and two new programmes.

Allocation for the extended programmes is as follows:

1. Financial assistance (advances) to cooperatives - M\$ 41.71 million
2. Mobile film units - M\$ 1 million
3. Institutional living quarters/office building - M\$ 2.94 million.

Allocation for new programmes is as follows:

1. Management subsidy for school cooperatives and a few other deserving cooperatives M\$ 1.5 million
2. General subsidy for school cooperatives, Koperasi Nasional Sekolah and Koperasi Gabungan Sarawak.

### **3.3 New Cooperative Era**

Unofficially, the spirit of a "New Cooperative Era" was first instilled in July 1981 when the Minister of National and Rural Development directed that all cooperatives should improve their management and better their image by having their Annual General Meetings and by keeping their accounts up-to-date. Officially it was declared by the Deputy Prime Minister of Malaysia as a measure to stop the detrimental practices of some societies which nearly paralysed the movement as a whole. As a result, 99.54% of the cooperatives held their annual general meetings in 1982.

In order to increase the efficiency and performance of the cooperatives DCD produced two guide books, one for accounting and one on auditing. These were regarded as the main problem areas for small and weak cooperatives.

One of the positive results of the implementation of the "New Cooperative Era" was the establishment of the Institute of Cooperative Auditors (ICA) on 28 November 1982. Because of the lack of sufficient staff in the Audit Division of the Department to cope with the increasing accounts to be audited more personnel had to be trained to cope with the increasing work load. At the end of 1985, the ICA of Malaysia had 60 Associate Members and 44 Graduate members. Basic and professional level courses on cooperative auditing were being conducted annually for a period of 40 weeks and 15 weeks respectively by ICA.

The "New Cooperative Era" brought into being certain new cooperatives, utilizing new concepts and approaches such as Village Industrial Cooperatives, District Development Cooperatives and National Development Cooperatives.

### **3.4 Village Industrial Cooperatives**

Village industrial cooperatives have been set up with the aim of encouraging individual producers of handicrafts in villages in the rural areas to carry out the work on a cooperative basis. By setting up effective village cottage industries, the Government is trying to create additional job opportunities and in this way limit the mass migration of the rural population to the urban areas. At the same time it will be able to preserve the skills and handicraft production of rural people.

Initially only 5 village industrial cooperatives were set up as pilot projects and the success of these led to the formation of 9 other new ones in 1984. In 1985, the number was expected to increase to a total of 25. The selection of villages depends on the acceptance and willingness of the local population to participate in the project and, of course, the availability of the necessary raw materials and labour skills in these areas.

It is clear that such programmes require a considerable amount of technical know-how, designing skills and quality control techniques on the production process. Since the DCD alone is not able to supervise and train the existing potential producers efficiently and adequately, the development of Village Industrial Cooperatives is supported and assisted by the other agencies of the Ministry of National and Rural Development. These include the Community Development Division (KEMAS), the Council of Trust for the Indigenous Community (MARA) and the Malaysian Handicraft Development Corporation (MHDC).

KEMAS has the task of encouraging the rural folk to support and participate in the projects. They are usually involved in publicity campaigns and skills training at grass-root levels.

MARA trains and guides producers in technical skill development and provides advisory services on the managerial and financial aspects of running small businesses.

MHDC provides advisory services and trains potential and existing producers on the techniques of production, costing, pricing and quality control. At the same time it helps producers to promote their products.

The Cooperative Development Department generally registers the new cooperatives, supervises their activities, checks and audits their accounts and assists in the marketing of their product.

Appendix II shows the organisational structure of the Village Industrial Cooperatives.

### **3.5 District Development Cooperatives (DDC)**

District Development Cooperatives (DDC) have been initiated by the Government to encourage the local population of various districts in rural areas to carry out development projects on a self-help basis. These cooperatives should play a more important role in the pooling of the limited resources of the rural population and finally to speed up the socio-economic development of rural areas.

The concept of DDC is slightly different from the other cooperatives in that it is initiated by the Government and managed jointly by the members as well as the Government. In order to achieve more success and coordination, the Government decides on the areas where the DDC should be created and even appoints six out of the 21 members of the Board. But supreme authority is still vested in the Annual General Meetings. The Board, which is headed by the District or Assistant District Officer, will then appoint nine other members each to form smaller committees for each unit in order to assist in the administrative machinery. Appendix III gives more detailed information on the organisational structure of DDC.

According to the declaration of the New Cooperative Era, 15 District Development Cooperatives were registered and most of them are actively involved in construction projects in their respective districts. These projects are dealing with construction of rural roads, irrigation facilities, community centres and other social facilities sponsored by the Government. In 1983, the total membership of DDC was 4,232 people and the total share capital was M\$ 81,294.52. Projects costing M\$ 883,440 have been implemented.

### **3.6 National Development Cooperative (NDC)**

National Development Cooperative (NDC) was formed at the request of the Minister of National and Rural Development and it was launched on 8 April 1984. In fact, this is a national cooperative organisation with membership open to all the registered cooperatives in the country. Mainly it serves as an apex organisation for the District Development Cooperatives and other cooperatives at the national level, participating in development projects while coordinating the activities of DDC.

The main activity of NDC is dealing with the following:

- Supplying construction materials and equipment as well as consumer goods at reasonable prices
- Renting heavy equipment and machinery for members
- Importing machinery and exporting member cooperatives' outputs
- Obtaining lands to be converted into housing, business or office centres and for the development of plantation estates
- Participating in some industrial and commercial activities either individually or through joint-venture projects
- Investing the pooled capital in private and public shares and the purchase of Government bonds.

At the beginning of 1985, about 313 cooperatives were members of NDC, 8% of the total cooperative societies in Peninsular Malaysia.

Organisational structure and statistical data are shown in Appendixes IV and V accordingly.

#### **4. ORGANISATION OF NATIONAL COOPERATIVES OF MALAYSIA (ANGKASA)**

In 1966, the Malaysian Cooperative Societies Congress was held. A number of working papers were presented concentrating on the concept of a national union to initiate the integration of all cooperatives from various sectors combining all types of societies into a national movement. During the Congress some important objectives of national union were outlined. These included, to become the prime mover in cooperative development, to provide services, to organise educational and training programmes, to raise funds and to be a centre for consultation and reference in all problems relating to the cooperative movement in the country. As a result of the congress, ANGKASA was established in 1971.

The aims of ANGKASA are as follows:

1. To consolidate all cooperative societies in Malaysia
2. To represent the Malaysian cooperative movement
3. To advise and assist members in their business and other practices of the cooperative societies
4. To promote the principles and practices of cooperative societies
5. To encourage research and study of the problems regarding the cooperative movement
6. To provide and give advisory service and guidance regarding the administration, management, accounting, auditing, liquidation and the law in the interest of the members and the cooperative movement as a whole
7. To promote the education, training and teaching of the cooperative knowledge and business and industrial management
8. To assist the Government in encouraging and spreading the cooperative movement in Malaysia

9. To provide and administer special or general funds to improve the cooperative movement especially to finance suitable candidates to study locally or overseas about the cooperative movement or to finance expenses in sending representatives to attend conferences, seminars or cooperative courses overseas
10. To control and look after the interest and tactics of the members especially and the cooperative movement as a whole
11. To serve as the centre for ideas and views regarding all matters relating to the cooperative movement and expressing views and opinions of the cooperative movement to any party concerned.

To achieve the above mentioned aims, ANGKASA is to engage in various activities as follows:

1. Organise congresses, conventions, conferences, seminars, group studies, study tours, talks, etc.
2. Nominate and appoint representatives and observers to attend conferences and other meetings in the country and overseas
3. Organise Cooperative Day and other celebrations in connection with the cooperative movement
4. Issue newspapers, magazines, books, and other educational and informative materials
5. Obtain and collect reports from members and other cooperative societies and distribute them for the use and benefit of the members
6. Encourage cooperation between members of the cooperative societies in Malaysia
7. Provide and organise educational programmes
8. Buy, construct, own, rent, lease, movable and immovable assets necessary for the operation of ANGKASA
9. Discuss mutual problems, forwarding views and make policy decisions regarding the cooperative movement
10. Borrow and receive deposits from members and non-members with securities and conditions as approved by the National Conference and Registrar for the achievements of ANGKASA's ambitions
11. In general, do whatever it can to achieve all or part of the aims of ANGKASA.

#### **4.1 Sources of Finance of ANGKASA**

- (a) Entrance fees for new members
- (b) Annual subscription of members at a minimum of M\$ 20 - and maximum of M\$ 300 - calculated at 20% per head of the membership
- (c) Contribution of 1% of members' net profit
- (d) Sale of ANGKASA's own publication "PELANCAR".

#### **4.2 Organisational Structure of ANGKASA**

ANGKASA is managed by a National Executive (Administration) Committee which is elected by the General Assembly once every two years.

The President, Deputy President and three Vice Presidents are elected directly by the General Assembly while the rest of the Board members are Chairmen of 11 functional groups and Chairmen of 12 State Liaison Committees, making a total of 28 people:

## STRUCTURE

President  
Deputy President  
Vice President

Vice President

Chairmen of Functional  
Groups of :

1. Banking and Credit
2. Consumers
3. Transport
4. Land Development
5. Housing
6. Farmers
7. Insurance
8. Women
9. School cooperatives
10. Fisheries
11. Industries

Vice President

Chairmen of State  
Liaison Committees of :

1. Johore
2. Malacca
3. Negeri Sembilan
4. Selangor
5. Federal Territory
6. Perak
7. Penang
8. Kedah
9. Perlis
10. Kelantan
11. Trengganu
12. Pahang

### **4.2.1 The Central Level Activity**

The Central level activity of the National Executive Committee's activities are carried out from time to time according to the programme decided by the Committee itself. This programme is normally organised with the cooperation of various parties including those within ANGKASA itself. Most of these activities cover various aspects of cooperative development in the country such as talks, seminars and conferences to obtain decisions on current issues at the national level which are affecting the Movement as a whole.

To facilitate the development of the various activities at the national level, a number of sub-committees were formed. One of them is the Service Bureau Sub-committee which, at present is running the department dealing with the salary deductions of members who are not 100% government employees. Next is the Pelancar Magazine Publication Unit sub-committee which since 1974 has been running a department which publishes the Monthly Pelancar. The educational sub-committee is the third. It carries out the various cooperative educational programmes throughout the country.

### **4.2.2 The State Level Activity**

The State level activity is the next main activity of ANGKASA. These are organisational activities which are carried out through State Liaison Committees formed in each State. These committees were appointed in the General Meeting of the States' Liaison Organisation. The Chairman of the State Liaison Committee automatically takes a seat in the National Committee.

The three main roles of the States' Liaison Committee are:

- To become the liaising body between the National Executive Committee and the members in the various States.
- To assist the National Executive Committee in carrying out ANGKASA activities in each State.
- To carry out other duties as directed by the National Committee.

The State Liaison Committee, apart from being a body designed to bring closer relations between ANGKASA and its members, is also the source of activities of the various schemes at State level which can be implemented by the Committee in line with the aims of ANGKASA. More detailed information on ANGKASA's members at State level is given in Appendix VI.

#### **4.2.3 Functional Activities**

Functional activities are also of great importance to ANGKASA. These are carried out through the functional groups which are classified according to the types of co-operatives.

Each functional group has its own committee appointed at a meeting of that group. Its chairman is also on the National Executive Committee. The functional activities committee's main functions are as follows:

- To bring together cooperative societies which are connected with a certain function into a group and encourage their participation in the various economic fields.
- To collect information regarding economic activities and discuss further action to be taken.
- To become the media for assisting and implementing the functions of ANGKASA.

The integration of functional groups at the national level appears to be the main factor whereby the economy of the cooperative sector can flourish. Appendix VII shows the situation according to the functions of co-operatives.

In its fifteen years of existence, ANGKASA has become recognised as a National Body of the Malaysian Cooperative Movement.

## **5. AGRICULTURAL COOPERATIVE MOVEMENT**

### **5.1 Agricultural Sector**

Malaysia has a total land area of 32.8 million hectares of which 11.3 million are suitable for agriculture. Thus far about 6.7 million hectares (60%) of it has been cultivated while the remaining 4.6 million hectares are available for future development. Malaysian agriculture is commodity-oriented with the plantation sector, which is commercially biased, concentrating on export crops such as rubber, palm oil, coconut, fruit, pepper, sago and other food crops.

The agricultural sector is characterised by the presence of an efficient and well-organised plantation sub-sector and the less-organised and less-sufficient smallholding (less than 40 hectares each) sub-sector. While the plantation sector is successful, dynamic and export-oriented sector, the small-holding sector experiences all kinds of constraints which have led to low productivity, low farm income and the occurrence of a higher incidence of poverty among the small farmers.

Malaysia's economy is basically agricultural. Between 1970 and 1975 agriculture, forestry and fishing had the biggest share (25.8%) in job creation, with manufacturing accounting for 18.4% of new jobs in the same period.



Continued efforts were made to expand employment opportunities as well as a greater utilisation of the labour sector. Agriculture provided a total of about 2,067,000 jobs or 40.6% of the total employment in 1980, compared with about 1,715,000 jobs or 50.5% in 1970. New employment opportunities were largely from the Federal and State land development schemes of which the Federal Land Development Authority (FELDA) and the Federal Land Consolidation and Rehabilitation Authority (FELCRA) created a total of 92,300 jobs over the decade, alleviating poverty in the rural areas, particularly among rice and rubber smallholders. In view of the downturn in agriculture and increasing migration to urban areas, the Government recently reviewed its sectoral objectives and announced a National Agricultural Policy (NAP). Maintaining the emphasis on poverty alleviation, the NAP objectives are: (a) maximization of farm incomes to improve the quality of rural life and facilitate retention of productive labour in the sector; (b) expansion of production of traditional and new export and food crops to revitalize the agricultural sector and to achieve food security.

The Government's main objectives have been pursued through two basic strategies: (1) land development and settlement to provide viable farm sizes and adequate incomes and to expand tree crop production for export through well organised and managed settlements; and (2) in situ development projects designed to consolidate small farms, rehabilitate idle lands, increase productivity and improve farm management. This has led to the development of large land settlement schemes by the State governments and FELDA, irrigation projects by the Ministry of Agriculture; land rehabilitation by FELCRA and rubber replanting and mini-estate development programmes by RISDA.

Under the NAP, these strategies will continue. However, greater attention will be given to the problems of uneconomic farms, unprofitable crops and low productivity in the in situ development projects. This includes mechanisation, promotion of group farming, with centralised management, and the intensification of integrated support services and credit for selected crops.

## 5.2 The Farmers' Organisation Authority (FOA)

In the Government's efforts to "better serve the needs of farmers' development in Malaysia", the Farmers' Organisation Authority was formed under an Act of Parliament in 1973. This organisation has jurisdiction over two key rural institutions: the Farmers' Associations and the Agro-based cooperative societies. Its first task is to amalgamate these rural institutions into effective, viable and efficient farm organisations known as Farmers Cooperatives.

The functions of FOA, as stated in the Act, are as follows:

- (i) To promote, stimulate, facilitate and undertake economic and social development of farmers' organisations.
- (ii) To register, control and supervise farmers' organisations and to provide for related matters.
- (iii) To plan and undertake agricultural development within designated farmers' development areas.
- (iv) To control and coordinate the performance of the above-mentioned activities.

In exercising these functions, the FOA is vested with wide ranging powers, the most important of which include giving assistance to any farmers' organisation, including financial assistance, by the taking up of shares or through loan

capital; carrying on activities particularly to commercial and industrial enterprises; initiating preliminary studies of possible agricultural development and redevelopment; establishing or expanding of companies under full or partial control of the Authority or independently.

The machinery for executing FOA's programme at the farm level is the area Farmers Cooperative (FC). In each area FO has its administrative staff in the Farmers' Development Centre (FDC), which is comprised of a building(s) with facilities for an office, meeting rooms, stores, tractor sheds, and facilities for training or other business activities.

The integrated farmers' development programmes as carried out by the FOA at these FDCs aim at ensuring that effectively organised services are available at the "farm-gate" level to smallscale farmers.

Concern for coordinating the efforts of various agencies in the Ministry of Agriculture in serving small farmers has led to the launching, by the Prime Minister, of the concept of Geractani. Among others, it has the objective of ensuring the full utilisation of the FDCs as effective grass-root centres for farmers receiving various services. Such centres are also to be used by first level planning officers and government agents to do their ground level planning to avoid duplication of functions and to solve common problems.

The FOA is headed by a Director General and presently operates with six functional divisions. They are: Administration and Finance, Planning and Research, Agricultural Engineering, Audit, Organisational Management and Development. The FOA has a bureaucratic hierarchy operating down to the various States in which all matters pertaining to farmers' cooperatives are under the responsibility of the State directors.

FOA acts as an umbrella organisation for the promotion and development of farmers in the country. It assigns management staff consisting of five officers headed by a Director General. These officers perform duties in the field of accounting, credit, agrobusiness, projects and farmers' development. At the lowest level of the organisation, the ordinary members are organised into small Agricultural Units on a local basis. Each unit sends representatives to the Members' Representative Assembly. The Board of Directors, whose members are being elected from and by the Members' Representative Assembly, implements policies and plans approved by the Assembly.

Based on the FOA objectives and guidelines provided by it, each farmers' cooperative or farmers' organisation carries out a number of services which are required by members as follows:

- Agricultural extension
- Credit
- Supply
- Mechanisation
- Warehousing facilities
- Processing facilities
- Transportation
- Marketing

Some of these activities are also performed by other related government agencies. For example, marketing services are also provided by the Federal Agricultural Marketing Authority and National Padi Board of Malaysia.

The plans of FELDA, during the period of the Fifth Malaysia Plan (1986-90), call for the consolidation of ongoing schemes covering some 92,000 ha, and initiating the development of about 83,000 ha of new land. While consolidation will focus on Peninsular Malaysia, new land development will concentrate on Sabah. About 30,000 new families are expected to be settled during the Fifth Plan. Total investment during 1986-1990 is estimated at about US\$ 1 billion.

Information on agro-based cooperative societies for each State in Peninsular Malaysia is given in Appendix VIII.

### **5.3 Cooperatives under the Fishing Development Authority (FDA)**

The fisheries sector plays an important role in the overall Malaysia economy, in that it is a major source of protein, provides a sizeable contribution to foreign exchange earnings and employs a large number of people directly and indirectly in the industry. The Fisheries Development Authority was formed under the Act of Parliament on 1st of November 1971 in order to accelerate fisheries development and uplift the socio-economic well-being of the fishermen. With the passing of the FDA Act 1974, all fishery cooperatives registered under the Cooperative Ordinance of 1948 and the fishermen's associations registered under the Fishery Union Act 1971 were brought under the control and supervision of the Fishery Development Authority.

FDA is also to carry out the progressive integration of the fishermen's associations and the fishery cooperative societies to form a single organisation known as the Fishermen's Cooperative Society. The objective of this integration is to streamline activities to avoid overlapping and competition existing between these two organisations. The creation of the Fishermen's Cooperative Society also serves as a focal point for all government aid directed and channelled for the economic and social betterment of fishermen.

#### **The objectives of FDA :**

1. To promote the socio-economic position of the fishermen
2. To expand and promote the fishing industry

#### **The functions of the FDA :**

1. To promote and develop efficient and effective management of fishery enterprise and the marketing of fish
2. To provide and supervise credit facilities for fish production and to ensure that these facilities are put to maximum use
3. To participate in fishing enterprise activities, construction of boats and supply of fishing equipment
4. To promote, stimulate, facilitate and undertake economic and social development of fishermen associations
5. To register, control and supervise fishermen's associations

#### **Strategies of FDA :**

1. To explore sources for fish in areas where full exploration has not been achieved
2. To undertake deep-sea fishing through joint-ventures with foreign investors
3. To launch freshwater fish/prawn rearing projects on a commercial basis to increase production of fish and create more employment.

For the Fourth Malaysia Plan (1981-1985) FDA formulated a systematic and integrated overall fisheries development programme. The strategy sought to develop the fisheries of Malaysia as follows:

1. Four fishing harbour complexes which were built during 1976-1980 and which operate as infrastructural facilities were to be completed and one new one constructed
2. To facilitate the handling and marketing of fish, shore facilities such as cold rooms, auction halls and sorting and packing facilities were established
3. Fishermen's associations were encouraged to integrate their activities and to reduce their dependence on middlemen
4. Aquaculture, to supplement sources of protein and create employment opportunities for the rural people, were developed.

**Activities of Fishermen's Associations and Fishery Cooperative Societies :**

1. Operate diesel oil stations, ice factories, retail shops and marketing of fish
2. Deal with government subsidy plan
3. Deal with loans for fishermen from local banks for the purchase of fishing equipment and boat engines
4. Investing in fishing industry, such as buying shares in ice factories and fish fertilizer factories
5. Carry out fishing by using trawler boats
6. Run businesses in spare parts for boats and trawling equipment
7. With cooperation of the Fishery Department, hold courses in repair of engines and techniques of sailing
8. With cooperation of the Cooperative College of Malaysia, provide courses in cooperative management methods and leadership course for members and committee members of cooperatives.

<u>Types of Projects</u>	<u>Profit</u> (M\$)	(%)	<u>Turnover</u> (M\$)	(%)
Petroleum products	231,759	69.0	14,862,634	67.7
Fish marketing	2,996	0.9	2,643,027	12.0
Provision shops	37,583	11.2	1,712,801	7.8
Ice	25,036	7.4	1,271,591	5.8
Aquaculture	28,198	8.4	1,076,180	4.9
Transportation	10,098	3.0	340,691	1.6
Others	20,561	6.1	61,582	0.3
<b>Total :</b>	<b>351,109</b>		<b>21,968,506</b>	

Data relating to Area Fishermen Associations and Fishermen Cooperative Societies as at 31 December 1984 are given in the following table (by States):

States	No. of AFA/FCS		Membership	
	AFA	FCS	AFA	FCS
1. PERLIS	1	-	1,202	-
2. KEDAH	4	10	4,422	1,809
3. PENANG	4	9	3,744	1,731
4. PERAK	7	7	7,350	3,556
5. SELANGOR	4	1	5,121	1,438
6. NEGERI SEMBILAN	1	-	257	-
7. MELAKA	1	1	1,565	225
8. JOHORE	8	7	5,204	4,508
9. PAHANG	4	2	2,333	341
10. TERENGGANU	9	5	6,991	430
11. KELANTAN	4	-	3,323	
12. SARAWAK	10	-	3,524	
Sub-Total :	57	42	45,036	14,038
TOTAL	99		(AFA+FCS) 59,074	

The associations and fishermen cooperatives are also running certain social projects for the members. The data on these activities are as follows (31 December 1984):

Activity	No. of Projects	No. of Projects	Total
	(by AFA)	(by FCS)	
Funeral aid	9	1	10
Education aid	10	6	16
General welfare	5	4	9
Household economy	3	-	3
Loan to members	4	6	10
Savings of members	2	-	2
Fishermen halls	4	-	4
<b>Total :</b>	<b>37</b>	<b>17</b>	<b>54</b>

While recognising the need to maintain, improve and develop the artisanal fisheries sector, FDA has also set itself a target of developing and expanding the commercial and industrial fisheries of the country in the near future.

The implementation of the FDA's Programme will create new jobs for fishermen and shore-based operations and numerous employment opportunities to boat builders, repairers, net makers and those who are involved in fish marketing. Most of the marine fisheries projects will be implemented on the East coast of Peninsular Malaysia, while the development efforts on the West coast will be channelled selectively to specific areas in the depressed fishing villages and areas. This will satisfy the need for a balanced development in the context of the overall objectives of restructuring the fishing community along the lines of the New Economic Policy.

## 6. COOPERATIVE EDUCATION AND TRAINING

### 6.1 Cooperative College of Malaysia

The Cooperative College is the one and only institution for cooperative education and training in Malaysia. It was set up in 1956 with financial aid from the "Colonial Welfare and Development Fund". The Government made its contribution by adding extensions to the buildings of the College in 1959, 1964 and 1982. The College was incorporated (under an Act of Parliament) into a Statutory Body in 1968. At present the College is under the Ministry of National and Rural Development.

Since its establishment the administration of the college has been financed from the Cooperative Education Trust Fund, which was set up with contributions from the net profits of cooperative societies. In the beginning this contribution was made on a voluntary basis. However, since its incorporation as a Statutory Body, cooperative societies are legally required to contribute 2% of their net profit into this Education Trust Fund.

As a cooperative training institute, the College is responsible for providing training and education, especially in the field of cooperative management, to the cooperative movement. Among other things the college is responsible for:

- (i) Conducting courses in the field of cooperative studies and such other courses of study as are considered appropriate by the college
- (ii) Printing, publishing or helping in the printing and publishing of books regarding cooperation and related matters
- (iii) Carrying out cooperative research and providing advisory service to cooperatives.

The College conducts "in-service" training programmes for government officers of departments concerned with the cooperative movement such as the Cooperative Development Department, Farmers Organisation Authority and Fisheries Development Authority. Training programmes for officers from other statutory bodies such as RISDA, FELDA and FELCRA are also conducted by the College.

The College also conducts training and education programmes for board members, staff and members of cooperative societies.

The courses run by the College are as follows:

	<u>Weeks</u>
1. Cooperative Administration	2
2. Business Management	2
3. Financial Management (Accounting & Auditing)	2
4. Specialised Business Courses for Cooperatives	2
5. Certification in Cooperative Management	12
6. MATCOM (different subjects)	2 each course
7. Special Course for overseas participants	5
8. Specialised Courses and Seminars for government officers or cooperatives	as per request

The training methodology at the College consists of lectures, discussions, tutorials and case studies. In addition, study visits and practical training at various cooperative societies are also arranged. The College presently has an academic staff of 28 lecturers. Of these 3 are senior lecturers, 17 are lecturers and 8 are assistant lecturers. The academic staff is divided into three selections: Cooperative Principle and Administration, Financial Management, and Business Administration.

The College is administrated by a Council of 18 members who are elected for a period of 2 years. A member can be re-elected to the Council for a further period of 2 years.

A special five-week programme is designed for participants from developing countries under the Malaysian Technical Cooperation Programme. This programme consists of 3 weeks of lectures and 2 weeks of practical attachment-/study visit to cooperative societies and cooperative organisations. The objective of the programme is to enable participants to upgrade their leadership and management skills by recognizing the salient features of a cooperative enterprise and the basic elements necessary for its effective and efficient management.

The participants of this programme are usually representatives of South-East Asian and Pacific countries who hold positions such as: managers, supervisors, senior staff and board members of cooperative societies; or staff of government departments in charge of cooperatives.

Curriculum of the programme is as follows:

I. Cooperation:

- Background and principles of cooperation
- Some basic aspects of cooperation
- The basis and limitations of cooperative enterprise
- Agricultural cooperation
- Consumer cooperation
- Integration
- The Rochdale Principles of modern cooperatives
- The history and development of cooperative principles
- The economics of a cooperative enterprise

II. Cooperative Law and Administration:

- Organisation of cooperative
- Special features of cooperative legislation in developing countries
- Malaysian cooperative law

III. Basic Management

IV. Personnel Management

V. Accounting

Organisational Structure - Cooperative College of Malaysia

MINISTER

COUNCIL

PRINCIPAL

Academic Staff

Training Research

Supporting Staff

Administration Library  
& Financial

The hostel facilities at the College can accommodate a maximum of 240 participants. There are 8 lecture rooms and a well-equipped library with a collection of 18,000 books.

As most cooperative societies cannot afford to have in-house training facilities or use those of the private sector, their only practical alternative is the Cooperative College. This places a heavy responsibility on the Cooperative College to intensify its training programme for the development of the cooperative movement. For the six-year period (1985-1990) the College plans to conduct a total of 410 courses at its premises in Petaling Jaya and to assist cooperatives and government agencies in conducting another 730 courses.

Year	College Courses		Courses/Seminars Jointly Organised		Consultancy Services (No. of Cooperatives)	Total (Courses & Consultancy Services)
	No. of courses	No. of participants	No. of programmes	No. of participants		
1985	60	2,400	120	7,200	70	250
1986	65	2,600	120	7,200	70	255
1987	65	2,600	120	7,200	70	255
1988	70	2,800	120	7,200	80	270
1989	70	2,800	120	7,200	80	270
1990	80	3,200	130	7,800	90	300
<b>Total</b>	<b>410</b>	<b>16,400</b>	<b>730</b>	<b>43,800</b>	<b>460</b>	<b>1,600</b>

**7. THE CONSUMER COOPERATIVE MOVEMENT**

The consumer cooperative movement in Malaysia has quite a long history; the first consumer society was registered in 1936. Between 1941 and 1950 progress was slow and by 1950 there were only 21 registered cooperatives. The development was accelerated in the 1950s. At that time, the prices of essential goods increased and there were shortages and adulteration of goods in the country.



At that situation, the Government promoted and encouraged the formation of consumer cooperatives. As a result of these measures, the number of consumer cooperatives in 1956 reached 248 with total turnover of M\$ 23.5 billion. Cooperative shops were set up in Malay kampungs (villages), places of employment, Chinese new villages, urban areas and in the Land Development Schemes.

### **7.1 The Malayan Cooperative Wholesale Society Ltd. (MCWS)**

The MCWS was established in 1949 with the objective of supplying the consumer societies throughout the country with goods at reasonable prices. In the 1950s, consumer cooperatives were given "special position" by the Government. Under a system of strict control of the sale of certain essential goods, permission was only given to cooperatives and shops to carry, stock and sell essential foodstuff in food-restricted areas, such as the Chinese New Village, and in rural areas. Even with this special status and with financial assistance provided with the Government guarantee, MCWS still faced financial difficulties mainly because of bad management and failure of societies to meet their obligations to MCWS.

By the end of 1960 many government restrictions on the supply of goods were lifted and cooperatives lost their special position. They now had to compete with a private sector that was developing very fast.

As a result the consumer cooperative movement was adversely affected and the number of retail cooperative stores dropped in 1962 to 204, from 248 in 1956. Most of the remaining stores were not functioning satisfactorily and were proving to be uneconomical. At present, MCWS is virtually non-operational.

### **7.2 The Malaysian Cooperative Supermarkets Society (MCSS)**

The MCSS, registered on the 21st of June 1973, grew out of a sense that consumer cooperative societies were not having the impact on the economy of the country they were meant to have. Realising this situation, it was decided by the leadership of the cooperative movement to strengthen it and a resolution was passed at a Cooperative Union of Malaysia meeting in 1969 to set up a supermarket. Such a move, it was felt could make an impact on the consumer cooperative movement in the country and help to make available to consumers and particularly cooperative members essential and quality goods and commodities of a wide range at more reasonable prices. It was also seen as an opportunity for consumers to invest in and be part-owners of a supermarket venture and to improve their economic position through dividends and patronage refunds.

The society ammended its By-laws in 1980 with respect to share capital, lowering its per unit value share from M\$ 1,000 to M\$ 100 so as to bring the cost of shares of the society more within the reach and capacity of the individual consumer to subscribe. The development of the society between 1980 and 1984 was as follows:

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Member Societies	48	49	50	50	51
Individual Members:					
Fully paid up	115	205	220	274	322
Subscribing	248	183	177	175	185

As at the end of 1984, the five biggest shareholders in the society were:

	<u>Shareholding M\$</u>	<u>Percentage of Total</u>
1. The Cooperative Central Bank Ltd.	360,000	17.95
2. The Malaysian Cooperative Consumer Society Ltd.	305,000	15.21
3. The Malaysian Cooperative Printing Press Society Ltd.	281,000	14.01
4. The Federation of Housing Cooperative Society Ltd.	280,000	13.96
5. The Malaysian Cooperative Insurance Society Ltd.	120,000	5.98

The Board of Directors of the Society is comprised of 9 delegates from member societies and 6 from individual shareholders.

A 4% dividend was paid to members in 1981, increasing to 6% for 1982. Reflecting further the good progress made by the supermarket, the year 1983 saw a further increase in the dividend rate to 8%, the same rate for 1984. The Society introduced a patronage return scheme to its members in 1982, where a certain percentage of a patronising member's shopping for the financial year was paid back to the members in the form of a 5% rebate. This has just recently been increased to 10% to both reflect the good progress made by the supermarket, to encourage more patronage by its members and to lure more consumers to join as members.

### **7.3 Other developments**

Other large cooperatives have also ventured into chain stores, supermarkets and mini-markets. These ventures, however, have not always been successful.

The Shamelin Cooperative has established a number of branch stores in many towns and villages in Peninsular Malaysia. Shamelin's membership is open only to Malays, and has as its primary objective to help Malays in business, especially those in the rural areas. At present, this cooperative society has embarked on a franchise system whereby, initially, 3,990 retail outlets would be given franchises to sell certain goods and provisions. Shamelin, as the franchiser, would establish 29 depots to serve these retail shops that will bear Shamelin's labels and price tags.

The Malaysian Multi-purpose Cooperative earlier established a chain of 15 mini-markets. By the late 1970s, however, all these mini-markets were closed down as they were not able to compete with the local private sector.

The Police Cooperative, which had set up 15 cooperative shops, found this traditional line of activity of small retailing shops not viable and hence closed them down. Similarly, the Armed Forces Cooperative also closed its 5 consumer shops.

As at the end of 1985, there were 226 consumer cooperatives with a membership of 85,223 people and share capital of M\$ 19,959,000 (excluding 10 multi-purpose cooperatives that also deal in this activity). Although the number of consumer cooperatives has declined, the paid-up capital of the existing consumer cooperatives has increased marginally. The turnover rose to M\$ 168,120,551 in 1983, an increase of 23% over that of 1982.

#### **7.4 The Malaysian Cooperative Consumer Society Ltd. (MCCS)**

The MCCS, formerly known as the Malaysian Cooperative Agencies Society Ltd., was formed in 1969 by the Malaysian Cooperative Insurance Society Ltd. (MCIS) and the Central Cooperative Bank (CCB). Its main aim was to provide service to the cooperative movement in the country by carrying out various business activities.

Currently, the MCCS's principal business activities can be categorised under 5 main divisions, namely:

**(i) Consumer Home Appliances :**

Under this scheme, the MCCS act as the agent for several brands of electrical appliances. It has 22 showrooms all over Malaysia. In 1982, a consumer credit scheme was introduced whereby personal loans were given to individuals by the CCB to enable them to purchase these items, with a maximum credit period of 36 months.

**(ii) Product of Cooperative (PROKOP) :**

PROKOP products are made by some of the leading electronics and home appliance manufacturers. They include: TV sets, video records, refrigerators, gas cookers, stoves, fans, electric kettles and sewing machines. Members are able to obtain such goods through cash or hire-purchase schemes.

**(iii) Trading Division :**

MCCS imports consumer goods in bulk and sells them to other cooperative societies as well as to the open market at wholesale prices.

**(iv) Tours and Travel Division :**

This Division is an agent for all leading airlines and holds ticket stocks. The agency organises individual and group tours to different countries in Asia and Europe throughout the year, especially during school holidays and festival seasons. Individuals can participate in these tours on a cash basis as well as on a "Fly now, pay later" basis. Loans for this scheme are obtainable from the Central Cooperative Bank under its Holiday Savings Plan Scheme.

**(v) Supermarket Division :**

The society has started its Komart supermarket project with technical assistance provided by the Japanese Consumers' Cooperative Union. These supermarkets are being established in strategic areas in the city and in other parts of Peninsular Malaysia. It is hoped that these outlets will act as a buffer against the ever-increasing price hike of consumer goods.

The operations of Komart outlets are at present centralised with directives issued from the headquarters of the MCCS. Decentralisation of operations at the State level will occur when the Komart stores are registered as cooperatives. As a consumer cooperative, Komart has - as its overall goal - to undertake a profitable business so as to provide the essential daily requirements for its members particularly, and for consumers in general. In addition, land will be purchased to carry out the production of agricultural produce and livestock to be sold to the outlets. The construction of buildings for use as processing centres, distribution centres and warehouses is another activity that will be undertaken. It is planned that Komart would also participate in joint ventures with other cooperatives in areas where it operates, for example, in the production of agricultural produce and livestock rearing.

**Membership of MCCS is as follows:**

	<u>Equity</u> <u>M\$</u>	<u>Interest</u> <u>%</u>
The Cooperative Central Bank Ltd.	3,000,000	61.7
The Malaysian Cooperative Insurance Society	1,599,000	32.9
National Land Finance Cooperative Society Ltd.	250,000	5.2
Johore Cooperative Industrial Development Society Ltd.	10,000	0.2
Cooperative Autoworks (M) Berhad	1,000	-
	<u>4,860,000</u>	<u>100.0</u>

Being the major shareholding member of the society, the CCB has acted to ensure the successful operations of the society. It has provided the society with financial assistance and management expertise through its Management Services Division and it is particularly active in the operation of the society at a board level.

## **8. CREDIT AND BANKING COOPERATIVES**

Credit and banking cooperatives are the oldest cooperatives in the country and form the backbone of the movement. At the end of 1984, there were 350 credit cooperatives with a membership of 780,770, a share capital of M\$ 551,700,000 and assets valued at M\$ 2,012,946,000, not including about 100 multi-purpose cooperatives that also engage in this activity.

The main cooperative banking activities are carried out by Bank Kerjasama Rakyat Malaysia (Bank Rakyat), Cooperative Central Bank (CCB) and Bank Persatuan Seberang Perai in Penang. Police cooperative holds a 20% equity in the Oriental Bank and Military Cooperatives holds an equity in the Pacific Bank.

**The Cooperative Central Bank**, registered in 1966 with 71 affiliated cooperative societies and share capital of M\$ 329,125, has shown satisfactory progress and success. The following table shows the five-year performance of CCB.

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
		(in million M\$)			
Reserves and Unappropriated profit	3.88	8.29	9.89	20.52	25.93
Profit (Surplus)	1.65	2.19	4.63	8.92	16.84
Total Assets	120.80	155.50	262.30	482.00	1065.50
Deposits	105.45	130.64	226.93	421.99	945.99
Loans	79.80	114.40	196.70	326.50	641.90
Membership - Individuals (thousands)	99.90	120.80	143.70	179.30	220.80
Membership - Societies	178.00	185.00	205.00	220.00	233.00

The Bank is playing an important role in promoting and developing the business activities of its associates and its subsidiary. The object is to diversify operations with a view to actively encourage the consumer movement in the country. CCB participates in the activities of the following organisations:

- The Malaysian Cooperative Consumer Society (MCCS)
- The Federation of Housing Consumer Cooperatives Ltd. (FHC)
- The Malaysian Cooperative Supermarkets Society Ltd. (MCSS)
- The Malaysian Cooperative Printing Press Society Ltd. (MCPPS)
- BPK Credit and Leasing Sdn. Bhd.
- Bank Buruh (M) Bhd.

The Bank is providing credit facilities to a wide spectrum of members. The Bank's policy and strategy has been to offer credit facilities to a cross-section of the Malaysian public in the Bank's membership in order to generate income to finance the needs of the basic cooperative sector, especially the low-income earning members, by way of consumer credit loans at low rates of between 8% to 9% p.a. CCB is also financing cooperative societies in major projects like housing construction and development, cultivation of palm oil, palm oil refinery, wholesale and retailing. These loans were granted at preferential interest rates. The balance of loans advanced to cooperative societies as at 31 December 1984 was M\$ 122.3 million as compared to M\$ 55.4 million at the end of 1983.

## 9. INSURANCE

The Malaysian Cooperative Insurance Society (MCIS) was registered in 1954 and is the only cooperative society engaged in insurance undertakings in the country. It is a secondary level society with mixed membership; 133 member societies and 130 individual members who are policy holders. MCIS has a paid-up capital of M\$ 1.5 million and assets valued at M\$ 263 million. The total value of life policies currently in force is close to M\$ 900 million and monthly premium receipts are estimated at M\$ 3.5 million.

MCIS launched on a diversification programme of its investment in 1962 to enable and facilitate its members to participate in various investment projects and take advantage of the opportunities which they could not have envisaged or afforded on their own. For example, the MCIS Home Ownership Plan was launched in 1962 to enable its members to acquire their own homes on moderate terms.

The MCIS Palm Oil Investment Plan was introduced in January 1966 to provide policy holding members an opportunity to invest in the scheme initiated by the Trengganu State Economic Development Corporation. MCIS also made an investment in the share capital of the Malaysian Cooperative Printing Press Society Ltd. and took the initiative in forming the Malaysian Cooperative Agencies' Societies Ltd. (MCAS), in partnership with CCB, in 1969.

In the 1970s, MCIS entered into joint venture schemes with Kirloskar Electrical Company of India to form the Indo-Malaysia Engineering Company Sdn. Bhd.; the Malaysian Cooperative Industrial Development Society (MCIDC); the Cooperative Autoworks Malaysia Bhd. (CAM); and the MCIS Safety Glass Sdn. Bhd.

In recent years, 1981 was a year of consolidation. Measures were taken to review and restructure the investment portfolio of the Society with a view to enhance, reinforce and fortify the Society's financial base and standing, an area that warranted immediate attention and was a priority area. New investments were made and strategies developed following guidelines set out to achieve higher returns consistent with security, sound foresight and other pre-requisites of prudent investments.

**Investment Income** - The investment income of MCIS has registered significant gains since 1980. From an investment yield of M\$ 12.1 million in 1980, the investment yield for 1984 has almost doubled at M\$ 23.12 million in 1984.

**Assets** - The assets of the Society have recorded a steady and impressive growth pattern since 1980, rising from M\$ 196.14 million in 1980 to reach M\$ 289.32 million in 1984.

**Bonuses Declared** - After a stagnant period, the Society declared a reversionary bonus of M\$ 37 per M\$ 1,000 sum assured for years 1980 to 1983.

## 10. LAND DEVELOPMENT COOPERATIVES

This type of cooperative has been developed in order to avoid displacement of settlers from large rubber estates owned by foreign interests. Presently there are 33 such cooperatives in the country with 92,535 members and M\$ 43.1 million in share capital. The total acreage of land that has been developed by these societies is about 58,000 hectares.

**The National Land Finance Cooperative Society (NLFCS)** is the largest of these cooperatives in Malaysia. When European owners of the large plantation companies were selling off their interests in the 1960s, the NLFCS was formed to mobilise the financial resources of the estate workers by way of shares. The funds were used to purchase some of the estates, including those fragmented ones.

At present, a quarter of a century since the purchase of the first estate (1961) 21 plantations have been purchased and the NLFCS has become a giant plantation organisation. It has diversified into agro-based industries and agencies. The NLFCS has a total membership of about 75,000 and employs some 4,000 workers in its estates and industries. The membership of the Society has been increasing and correspondingly the share capital has been enhanced. It now stands at more than M\$ 35 million and in 1984 the Board of Directors approved a dividend of five percent.

Though originally the NLFCS invested only in rubber and palm oil estates, it has through the years ploughed back its returns into other agricultural fields - the 21 plantations in the NLFCS fold now also grow coconuts, cocoa, coffee and tea.

The society granted educational loans totalling M\$ 350,000 to 140 students attending local universities in 1984. This Higher Educational Scheme, which was initiated in 1982 as a form of service for the economic uplift of the members of the Society, has attracted 655 members as at 31st December 1984.

## 11. SCHOOL COOPERATIVES

Cooperatives were introduced in the schools in 1968 after a joint agreement of the Ministry of Agriculture and the Ministry of Education. Cooperatives are set up to undertake economic functions as well as to promote cooperative education and to combat rising prices of school requisites and services.

Membership of school cooperatives is open to all students, past students, teachers and employees of the school, as well as the school itself as an institution. School cooperatives offer a wide range of activities relating to managing school services. They provide for the distribution of teaching aids and equipment, operate school canteens, run bus services and operate small poultry farms. These cooperatives play a positive role in the development of healthy attitudes and bring about an awareness of the importance of savings, mutual help, self reliance and the principles of cooperative democracy. Students also learn the theories and experience the practices of business.

**The National School of Cooperatives** was established in 1975 and registered as a secondary cooperative. Its membership is only open to school cooperatives. Among its objectives are:

- To act as a central pool of funds of school cooperatives and to invest such funds
- To provide credit to school cooperatives
- To supply school cooperatives with school requisites
- To spread cooperative knowledge.

At the beginning of 1985 there were 470 school cooperatives in Peninsular Malaysia with some 260,208 members. The cooperatives have accumulated more than M\$ 1.5 million in share capital and assets worth M\$ 7.8 million. Their annual volume of business has exceeded M\$ 10 million.

## 12. HOUSING COOPERATIVES

As at the end of 1984, there were 120 cooperative societies carrying out housing projects, of which 63 are housing cooperatives with a membership of 51,463 and accumulated shares amounting to \$20 million. The cost of houses built by cooperatives is within the means of the members and is found to be 20% cheaper than the normal market price. Under the Fourth Malaysian Plan, cooperatives were expected to build 15,000 units of houses at an estimated cost of M\$ 933 million.

The following statistics illustrate the growth of the housing cooperatives in Malaysia from 1949 until 1977; it is to compare with the present situation and to see the rapid development in this area.

	<u>1949</u>	<u>1957</u>	<u>1970</u>	<u>1977</u>
No. of cooperatives	2	30	61	60
Membership	330	4,593	13,369	22,422
Share capital (M\$)	21,700	1,409,755	6,701,794	11,804,447
Total assets (M\$)	143,100	7,452,986	79,475,021	103,220,814

Ownership by cooperatives has been achieved by the following methods:

1. Cooperatives develop their own housing schemes and then sell them to their members.
2. Cooperatives make bulk purchase at a discount of houses constructed by the private sector and other developers and sell them to members.
3. Cooperatives, such as thrift and loan society or multi-purpose cooperatives, grant loans to their members to finance them in buying houses of their own choice.
4. Cooperatives grant loans to their members to finance construction of houses of their own on land owned by them.

Sources of finance for the housing cooperatives and other cooperatives undertaking housing activities include:

1. Cooperatives Central Bank, Malaysia Cooperative Insurance Society, Thrift and Loan Cooperatives, Multi-purpose Cooperatives
2. The Government
3. Government Agencies, e.g. UDA, MARA
4. Commercial Banks
5. Finance Companies, e.g. MBSB

Progress in housing projects was enhanced with the establishment of the National Housing Cooperative Society in 1977.

### **12.1 The Federation of Housing Cooperatives**

This Federation was formed in 1957 and is now undertaking housing development, construction, management services and furniture retailing. In July 1984, the Society opened its first furniture showroom in Kuala Lumpur. It retails both office and home furniture. The Federation is undertaking also to manage and develop a housing project in Kuala Lumpur which includes construction of 326 units of double-storey link houses, 34 units of double-storey terrace houses, 256 units of low cost flats, 20 units of 3-storey shop houses, and 20 units of 3-storey light industrial units. The project is expected to be completed by the end of 1986.

The following table illustrates the growth of the Federation's activities:

	<u>1982</u>	<u>1983</u>	<u>1984</u>
Membership:			
Individual	225	244	245
Societies	18	19	20
Share capital (M\$)	450,500	731,300	1,005,500
Total assets (M\$)	1,099,666	2,862,149	4,745,319



### 13. TRANSPORT COOPERATIVES

This type of cooperative has proven to be among the most difficult to achieve success. Stiff competition, lack of workshops and other related services, lack of capital and trained management are the main problems of these cooperatives. At the beginning of 1985, there were 131 transport societies with 83,711 members and accumulated shares of M\$ 14.82 million.

The vehicles owned by these cooperatives include 433 taxis, 160 passenger buses, 535 transport lorries, school buses and others. They also have several motor and spares workshops.

### 14. COOPERATIVE PRINTING PRESS SOCIETY

The Society was formed in January 1962 with the following objectives:

1. To undertake printing needs of cooperative societies and cooperators
2. To print literature, leaflets, magazines and other material on cooperative matters
3. To publish books, newspapers, periodicals and other papers of interest to cooperators
4. To stock and supply stationery required by cooperative societies and others
5. To undertake on behalf of the Government, statutory bodies and other organisations the printing of papers, documents, books and other material of the same nature
6. Generally to do all things for the furtherance of the cooperative movement.

The Society underwent a complete reorganisation in 1983 which produced positive results and the society recorded profits on its printing operations. It is now extending its service to the private and public sectors besides the cooperative sector. The higher margins obtained from the private and public sector jobs has enabled the Society to offer attractive and even lower prices to the cooperative sector.

### 15. INDUSTRIAL COOPERATIVES

Industry is relatively new to cooperatives in Malaysia. There are 23 cooperative societies with 15,632 members and M\$ 4.2 million in share capital. Their activities include hotel industry, manufacturing of fertilizer and pesticides, electrical appliances, batek industry and the charcoal industry. A national level society, Konsortium Koerasi Nasional Berhad (KONSKOOP) was formed to promote participation of cooperatives in big industries at the international level.

## 16. MULTI-PURPOSE COOPERATIVES

Many unifunctional cooperatives have been turned to multi-purpose activities over the last few years. A number of small cooperatives have merged into one large one to pool their resources together in order to be able to carry out more effective and competitive projects for the benefit of their members.

At the beginning of 1985, there were 367 multi-purpose cooperatives in Peninsular Malaysia with a total share capital of more than M\$ 302 million and 876,434 members. Among the activities which they carry out are: credit, housing, consumer, transport, land development and industrial functions.

## 17. YOUTH COOPERATIVES

The youth are involved quite actively in the cooperative movement of the country. There are youth cooperative societies at the State and National levels.

At the National level, the National Youth Cooperative (KOBENA) is the biggest of this type.

KOBENA began with humble origins. In 1975, the country's youth movement consisting of 3,000 youth clubs was well advanced in the socio-political front. There was a need, however, to strengthen the economic positions of these youths. The Ministry of Culture, Youth and Sports started the Youth Business Programme in 1976 and the Government presented KOBENA with a launching grant of M\$ 0.5 million. It was also able to get a M\$ 2.5 million loan which was paid periodically as work projects emerged. By the end of 1977, the first foundations were laid. KOBENA started investing in shares, applied for tenders and scouted around for suitable housing land. In 1978 it was beset with problems caused by the lack of an effective top level management. Administrative and financial systems were slackened with quite predictable results.

In 1980 KOBENA diversified its business interests into motor cars, trading, construction, housing, warehousing and insurance. Simultaneously, subsidiaries were set up to take on new challenges. Thereafter, an expanding network spread throughout the nation. For the first time, KOBENA showed profits in 1980; after covering losses of previous years, it made a M\$ 1.7 million profit.

Presently, KOBENA is involved in the following activities:

1. Housing and property development - 8 housing projects in Peninsular Malaysia
2. International and local trade
3. Travel and tours  
(This activity started in 1980 and involves ticketing - domestic and worldwide - reservations, bookings and transfers. With associates in London, there are plans to branch towards a wider network in Europe and to probe possibilities into the USA and Saudi Arabia)
4. Motor import and distribution  
(It was set up in 1983 as a distributor for Suzuki, Mazda and Peugeot automobiles)
5. Insurance broker
6. Construction

7. Advertising, marketing and public relations agency
8. Warehouses  
(There are 7 warehouses ranging from 22,000 to 30,000 sq.ft. in area)
9. Manufacturing
10. Training of construction workers
11. Brick factory.

KOBENA's Regional Offices (10) provide for an extensive coverage of Peninsular Malaysia. Each office functions individually under its own Head but reports directly to KOBENA Headquarters.

## 18. WOMEN IN COOPERATIVES

Women have quite recently begun to take an active part in the cooperative movement. In Malaysia, where women are involved in cooperative activity, they prefer very often to form their own women's societies or other women's groups, such as associations, where they can help solve their own special problems which revolve around the home and families. One reason for this is that, although social barriers are disappearing, women are still reluctant to accept leading roles in established societies where, because of their longer experience and knowledge, men have dominated.

The first women's cooperative was registered in 1949. At the beginning of 1966, there were 101 such cooperatives, both in urban and rural areas. They were first registered as thrift and credit societies but later some of them ventured into new activities - running of sundry shops, small-scale farming, cottage industry, live-stock breeding - and they were re-registered as multi-purpose cooperatives. There are now 32 registered societies with a membership of 9,183.

The following table gives a picture of the women's cooperative movement as at the beginning of 1980.

State	No. of Societies*	Membership	Types/Functions
Selangor	4	4,519	Multi-purpose
Perlis	2	160	Thrift and loan
Penang	4	392	Thrift and loan
Johore	13	2,330	Thrift and loan, multi-purpose
Perak	3	310	Thrift and loan
Malacca	1	385	Multi-purpose
N. Sambilan	3	856	Multi-purpose
Pahang	1	160	Multi-purpose
Kelantan	1	71	Thrift and loan
	<b>32</b>	<b>9,183</b>	

\* Cooperatives registered by Cooperative Department

In rural areas women cooperatives often do not engage in agricultural programmes. In fact, many are rural credit societies which provide loans to members for agricultural and non-agricultural purposes (for example, for children's education). In May 1975, a Women's Participation Unit was created within the FOA's structure to be responsible for the female membership in farmer cooperatives. The objectives of this Unit are as follows:

1. To encourage more women to become members of farmer cooperatives
2. To mobilize and encourage less active women members to participate in farmer cooperative projects and activities
3. To encourage viable agro-based women's cooperatives
4. To participate in programmes directed towards improving family income and welfare

The Women's Participation Unit programmes are centred around five major areas:

1. Increasing farm production through cultivation of cash crops and food crops
2. Encouragement of poultry rearing projects
3. Setting up tailoring shops to cater for the needs of farmers' families (including school uniforms)
4. Promotion of handicrafts, cooking and preservation of food and other cottage industries.
5. Other related projects, such as setting up retail shops and cattle rearing

In July 1980, the Fisheries Development Authorities decided to form a women's unit within the fisheries cooperatives. The objectives of the unit are as follows:

1. To promote better home life activities
2. To improve the health of fishermen's families
3. To encourage fishermen's wives to participate in the fisheries co-operative projects

To encourage more women's involvement in cooperative societies, ANGKASA, as an apex organisation, established a Women's Unit in 1975. This unit coordinates with the women's units of FOA and FDA. The main objective of this unit is to provide cooperative education to both rural and urban women members.

There are many women's organisations and associations in Malaysia, the largest of which is the United Malayan National Organisation of Women (UMNO). It has its own cooperative society whose main activities are investments and catering. All women's organisations are members of the National Council for Women's Organisations of Cooperatives (NCWO), including the ANGKASA Women's Unit.

## 19. COOPERATIVE DEVELOPMENT IN SABAH

The cooperative movement in Sabah (formerly North Borneo) was officially launched on 1 January 1959 when the Cooperative Societies Ordinance No. 3, 1959, Sabah, came into force. In the beginning the cooperative service office was attached as a Branch to the Department of Agriculture in Sabah. With the advent of Malaysia on 16 September 1963, the cooperative service was detached

from the Department of Agriculture and became a regional branch of the Cooperative Development Department of Malaysia. The department in Sabah is wholly responsible for all the duties of promotion, formation, registration, supervision, audit and liquidation of cooperatives in Sabah, although the Headquarters of the Department in Kuala Lumpur is consulted from time to time regarding certain policies on cooperatives and training.

The cost of maintaining the Department in Sabah is wholly borne by the Federal Government. All the officers/staffs of the Department, except for clerical staff, are Federal officers/staff.

The Department in Sabah has five separate sections, based on functions, namely:

- I. Administration/Finance
- II. Registration and Law
- III. Promotion and Supervision
- IV. Education and Information
- V. Audit

The department has seven regional branch offices, with a total staff of 94. In Sabah, agro-based and fishing cooperatives are still under the care of the Cooperative Development Department.

Most of the cooperatives are registered as multi-purpose cooperatives, but not many of them are able to carry out multi-activities.

Activities carried out by different cooperatives include: land development, retail services, transportation, labour contracting and stevedoring, finance (savings and credits), housing, industries, fishing, insurance, and leasing agencies.

As at 30 September 1985, there were 314 registered cooperatives. Some statistics as at 30 June 1985 are as follows:

No. of cooperatives	= 307	
No. of members	= 58,615	
		<u>M\$</u>
Total paid-up share capital		7,881,191
Loans by cooperatives:	From Government	8,417,175
	From Banks, etc.	43,489,832
Fixed assets		54,463,284
Investments		33,860,399

Besides the services and contributions of the Federal Government, the Sabah State Government has also made special contributions, particularly during the following periods:

- |            |   |
|------------|---|
| 1960-1966: | Special alienation to cooperatives  |
| 1964-1965: | Allocation of timber concession land to native cooperatives   |
| 1971-1972: | Financial assistance in the form of subsidies to fishing and brick-making cooperatives  |
| 1976-1978: | Special loans and subsidies to State Government sponsored cooperatives  |
| 1983-1985: | Formation of cooperatives of settlers in government agricultural settlement schemes (e.g. Sabah Land Development and Rural Development Corporation) |

Sabah received an allocation of M\$ 2,442,300 for its development projects in the Fourth Malaysian Plan, of which M\$ 466,822 had been expended by the end of 1983. The balance was set for utilization by projects for 1984 and 1985.

### **Land development activities**

In the early 1960s, State lands were alienated to single-purpose land development cooperatives only. Later the State Government also alienated agricultural land to multi-purpose cooperatives. Therefore, some cooperatives develop the land with the purpose of settling members on the land while others are for the purpose of investment.

77 cooperatives have been alienated some 45,500 hectares of agricultural land by the Government. To date, some 15,793 hectares have been developed as follows: palm oil, coconuts, cocoa, rubber, coffee and other crops. The total number of members involved is 8,573 and paid up shares by members amounted to M\$ 2,313,131. Some 677 members are settling down and working on the cooperative lands.

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The main problems of the land development cooperatives are finance, management, know-hows (regarding tree crops concerned), lack of reasonable access roads and the lack of desire of members to move due to the lack of facilities and infrastructures in the cooperative areas.

### **Consumer stores/Retail services**

Most of the consumer retail cooperatives operate in the rural areas. There are 63 retail outlets including two supermarkets. For 1984 the total turnover of the stores amounted to M\$ 8,571,034. Most of the rural cooperative retail stores are facing similar common problems: management, competition, credit, shortage of capital.

### **Transportation**

In suburban areas, some cooperatives are providing mini-bus services to their members, especially for transportation of school children. In five Sabah Land Development Board Schemes, the cooperatives operate transport or lorry services to carry members' palm oil fruits to mills. Cooperative transport services in rural areas have faced a number of difficulties: road and jeep track conditions, management, competition and lack of finance.

### **Labour contracting and stevedoring**

In 1976 there were many people trying to secure the stevedoring work at the various ports in Sabah. Later, in 1977, the State Government made a policy to give preference to award these works to cooperatives formed by wharf labourers. The stevedoring cooperatives have progressed well. Wages of workers have been increased; dividends on shares, bonuses on wages and festival presents have been paid/given to members. Two years ago, the Kota Kinabalu Stevedoring Cooperative began setting up a "retirement fund" for working members.

The four stevedoring cooperatives have a total membership of 792, paid up share capital of M\$ 58,980 and a statutory reserve fund of M\$ 570,792. In 1984 the total worth of stevedoring works done amounted to M\$ 988,732.

### **Finance (savings and credit)**

Two government employee cooperatives have been operating for many years. The one formed by teachers is progressing very well. The other, the Sabah Government Employees' Cooperative Society, is open to both Federal and

State Government Employees of all grades, and has now about 12,000 members with paid-up share capital of about M\$1,300,000 and a subscribed fund of about M\$ 16,200,000.

In 1984, in Kota Kinabalu, a non-government employee's cooperative also started savings on credit activities. So far it has 2,256 members, paid-up capital of M\$1,077,341, savings by members of M\$1,280,043 and loans to members of M\$ 519,652.

### Housing/Shops

Twelve cooperatives own 20 various kinds of shop-houses and two commercial complexes in towns. Seven cooperatives are involved with housing development. Some 407 units of houses have been completed and sold to members. A total of 87 hectares of sites have been prepared to build some 900 units of houses.

### Industries

There are three cooperative rice-mills situated in the rural areas. In addition, the Sabah Youth Association's Cooperative (KOSAN) has opened four factories, with government financial assistance, producing garments, furniture and shoes. The factories have been sited in different places to create jobs for youths in the area concerned as a means of reducing migration of youths, particularly from rural areas. In 1984 KOSAN had employed 840 youths.

Dairy farming was introduced some years ago, and the cooperative is now responsible for the collection and recording of milk. So far the cooperative has gathered 46 small dairy farmers as members. Paid up share capital and other funds amount to M\$4,353.

### Cooperative education

The Department has set up an Education/Information Section with the responsibility to coordinate, organise and conduct training courses for co-operatives. Broadly there are two categories of courses as follows:

- (a) Courses organised and conducted by the Department itself
- (b) Courses organised and conducted jointly by SINAR (Sabah Institute of Administration and Research) and the Cooperative Development Department

These courses (a), as usual one-day in length, conducted by cooperative officers at district level or at the cooperative's areas concerned with the purpose to enlighten members on the following subjects: cooperative principles, concepts and ideas; members' rights, obligation and responsibilities; meeting procedures and practice; cooperative system of profit distribution, etc. In 1984, 704 participants attended 18 such courses.

The second category of courses (b) are residential courses for one to two weeks duration. They are aimed at training cooperative committee members, school cooperative officials and cooperative secretaries. In 1984, seven courses were conducted to train 160 participants. Topics of courses include: basic cooperative management and administration, cooperative secretary course; school cooperatives; management for marketing cooperatives; cooperative finance and accounting.

## 20. COOPERATIVE MOVEMENT IN SARAWAK

In Sarawak, the cooperative movement started in 1948. Its statistics as at 30 June 1985 are as follows:

Type of Society	No. of societies	No. of members	Share Capital (M\$)
Multi-purpose	239	64,805	7,383,279
Savings and Loan	38	1,250	465
School cooperatives	46	20,533	74,948
Central Bank	1	1,886	489,850
Union	6	781	233,912
Others	63	4,608	559,846
<b>Total :</b>	<b>393</b>	<b>93,863</b>	<b>8,742,300</b>

Under the Fourth Malaysia Plan, Sarawak has been allocated M\$5.1 million for its cooperative development projects.

The cooperative movement in the State of Sarawak is developing and expanding, and it remains government policy to promote and encourage this development. The healthy growth of the cooperative movement in the State is seen as a vehicle for uplifting the social and economic well-being of its people, especially the poor farmers in rural areas.

A poor communication system in the rural areas and the high rate of illiteracy among rural cooperators, coupled with seasonal geographical factors, have hindered the Cooperative Department's assistance to the developing cooperative movement in Sarawak.

The Director of Cooperative Development is also appointed as Registrar of Cooperative Societies under the Cooperative Societies Ordinance 1948 (Cap. 66). Under him, he has two Assistant Directors and six Senior Cooperative Officers, who are also Assistant Registrars, to assist him in carrying out the tasks. The Cooperative officers have spent much of their time guiding committees and employees regarding business management, the necessary maintenance of prescribed books and keeping of accounts in cooperative societies. Qualified and trained managerial staff to serve the cooperative societies remains a problem for both rural and urban societies.

Due to the thinly scattered population, the vast areas covered and the poor communication system existing in rural areas, it is considered that the multi-purpose type of cooperative society is best suited to the needs of rural cooperatives with small turnovers. Members, it is felt, will get more benefits from various activities in a cooperative society.

The normal business activities of a multi-purpose cooperative include the supplies of consumers' goods, farming materials and fertilizers, marketing and processing of members' agricultural produce. A few rural societies are providing electricity supplies to their members. A few urban cooperatives have invested their surplus funds in joint ventures with private enterprises.



One of the most encouraging developments in the cooperative movement in Sarawak in recent years has been the formation and registration of cooperative societies in secondary school and in the Teachers' Training College. Encouraged by the Ministry of Education and the Ministry of Agriculture through the Cooperative Development Department, these cooperatives have received a good reception and are popular among the student and teaching staff of these schools and colleges.

The situation as at 30 June 1985 was as follows:

No. of school cooperatives =	46	
No. of members =	20,533	
		<u>M\$</u>
Share capital		74,948
Statutory reserves		55,000
Other reserves		39,099
Sales of goods		637,385
Total assets		598,444

A State Schools' Cooperative Society has been established and registered with the intention of looking after the interests of school cooperatives and pupils by supplying teaching aids and other equipment which they require.

## 21. CONCLUSIONS

The cooperative movement of Malaysia has grown successfully and, during the last few years, has shown expansion in membership and in the fields of turnover, and participation in new business activities. Success of urban cooperative development is more visible, especially in the case of banking, thrift and credit, insurance and multi-purpose cooperatives.

While cooperatives provide a better base for a more equitable and justifiable distribution of income in terms of ownership and profit-sharing, there is little unity between the cooperatives as a whole and quite often business-oriented societies in their activities are operating more like private shareholding companies.

This is why it seems strange to an outsider to note the lack of capital of some cooperatives while other cooperatives are lending their resources to the private non-cooperative sector. In this situation the author agrees with some of the leaders of Malaysian cooperative movement who have urged the creation of a special cooperative development fund from contribution by big profitable societies for the development and assistance to the currently weaker and less profitable cooperatives.

The need for the creation of a single apex organisation covering the entire cooperative movement in Malaysia is long overdue. Such a move would enable the movement to act at the national level in a unified way on all major economic, political and social issues. The present ANGKASA and CUM, with all their subsidiary organisations, are unable in their present form to serve effectively the movement's needs. Much waste and duplication are caused by the separation of the two existing national organisations.

The agricultural cooperative movement is still weak overall and suffers in its competition with a private sector which is in a stronger position. In spite of significant government support, their role in the agricultural development is still limited.

The cooperatives, especially in rural areas, still face some serious problems. Among these are:

- Lack of a cooperative law for Malaysia as a whole (at the moment there are three separate laws for Peninsular Malaysia, Sabah and Sarawak), which would provide the framework for undertaking an integrated cooperative development of the country.
- Inadequate training for members and cooperative committee members regarding cooperative principles and methods for achieving more successful business and organisational operations.
- Lack of sufficient advisory, support and supervisory personnel for cooperative bodies, especially at the rural societies and village levels.

POSITION OF COOPERATIVES IN MALAYSIA

	No. of Coops.	%	Membership	%	Share Capital	%
Peninsular Malaysia	1,613	71.2	2,292,170	94.2	933,343,837	98.8
Sabah	293	12.9	64,664	2.7	6,420,000	0.7
Sarawak	360	15.9	75,536	3.1	5,054,700	0.5
<b>TOTAL</b>	<b>2,266</b>	<b>100.0</b>	<b>2,432,370</b>	<b>100.0</b>	<b>944,818,537</b>	<b>100.0</b>

CLASSIFICATION OF COOPERATIVES IN PENINSULAR MALAYSIA

FUNCTIONS	Number	%	Membership	%	Share Capital (\$)	%
Credit/Banking	348	21.6	698,804	30.5	510,687,200	54.7
Consumer	224	13.9	77,574	3.4	18,443,225	2.0
Housing	63	3.9	46,648	2.0	18,809,697	2.0
Transport	131	8.1	75,987	3.3	13,703,999	1.5
Land Development	33	2.0	84,075	3.7	39,902,934	4.3
Industrial	17	1.1	14,287	0.6	3,922,015	0.4
Insurance	1	0.1	120,222	5.2	1,500,000	0.2
School	411	25.5	236,632	10.3	1,355,396	0.1
Multipurpose	346	21.5	796,725	34.8	300,418,637	32.2
Welfare	25	1.4	14,261	0.6	287,361	0.1
Finance	14	0.9	126,955	5.5	24,318,373	2.5
<b>TOTAL</b>	<b>1,613</b>	<b>100.0</b>	<b>2,292,170</b>	<b>100.0</b>	<b>933,343,837</b>	<b>100.0</b>

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Sixth ICA/Japan Training Course for strengthening  
Management of Agricultural Cooperatives to be held  
at India/Thailand/Japan/China from 21st October,  
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Cooperative Movement in Pakistan

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## COOPERATIVE MOVEMENT IN PAKISTAN

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The cooperative movement was formally introduced in India with the promulgation of the Cooperative Credit Societies Act of 1904. The 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 and grain merchants.

~~Cooperation was thus initiated as a government sponsored activity~~ in the sub-continent and the government created the necessary legal and administrative framework to encourage and regulate it. The law authorised the Provincial Governments to appoint Registrars of Cooperative Societies whose function was to register farmers' cooperatives and to supervise their working. No separate machinery was created to promote the cooperative ideology or to educate and train the members of cooperatives and it was assumed that this task would be handled by the Department of Cooperative Societies headed by the Registrar.

~~2. The experience gained in the first eight years was encouraging and the Government of India decided to extend the scope of 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 people living in urban areas for procuring loans for their production or consumption needs or for setting up provision stores or housing facilities needed by them. Besides, provision was to be made for the formation of federations of cooperative societies to facilitate the primary societies by~~

providing them finance and managerial assistance. Accordingly, the Cooperative Societies Act of 1912 was passed enlarging the scope of cooperative activity. This legislation resulted in the organisation of secondary cooperative federations for credit called central cooperative banks at the district level which banks

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in turn federated to form provincial cooperative banks at the tertiary level. Urban cooperative societies were also organised for credit, housing and distribution of consumer items of daily need. The object of the Act of 1912 stated in the preamble was "further to facilitate the formation of cooperative societies for the promotion of thrift and selfhelp among agriculturists, artisans and persons of limited means..." It gave powers to Provincial Governments to make rules to carry out the purposes of the Act including the settlement of disputes between members and their societies by arbitration.

3. The new law gave a fillip to the cooperative movement and within two years of its enactment, the number of cooperative societies rose to 13,523 with a membership of 6,59,838. The Maclagan Committee appointed by the Government of India in 1914, observed that no one could fail "to be struck by the magnitude which the growth had already attained or to be convinced that the movement had taken firm roots".

4. 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 by Bombay Cooperative Societies Act 1925 to replace the Central Act of 1912. Punjab, NWFP and Baluchistan, however, continued with the Act of 1912. Thus at the time of partition (1947), there were two laws

~~operative in the areas now comprised in 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.

5. The two Acts were quite similar in their basic concept in that they were essentially regulatory instructions providing for the ~~registration, audit, inspection and liquidation of cooperative~~ societies with the Registrar as the central figure for performing these functions. The main point of difference was that the Bombay Act was more stringent as it enhanced the supervisory authority of the Registrar and gave him, inter-alia, the power to impose penalties on managing committees and their individual members for mismanagement of business of defalcation.

6. During the period immediately following independence, there was a large-scale ~~disruption of economic life~~, particularly in Punjab, due to the ~~migration of non-muslim industrialists~~, traders and bankers and the government had to call upon the cooperative movement to fill the void created by the departure of the commercial community. As a result, the ~~central cooperative banks~~ started commercial loaning to individuals and many new cooperatives were organised to deal in food-grains, ~~distribute essential commodities and run abandoned industrial~~ undertakings such as rice mills and cotton ginning factories. But while the cooperative movement played a useful role during the crisis, it lost its direction and became a hand-maiden of a new profit-seeking class of farmer-cum-traders who often got spurious cooperatives registered and did private business under the cooperative label. The Central Cooperative Banks ~~established to facilitate the~~ working of primary

cooperative societies, converted into ordinary commercial bankers, financing the very merchants against whom the system was designed to protect the small man. In the process these banks suffered serious set back. A large chunk of their funds otherwise meant for the primary rural cooperatives was advanced to individuals in trade and industry by ~~inefficient staff and unscrupulous managements. The merchant class and~~ self seeking members took away the resources to their own advantage to the detriment of genuine needs of the farmers. The real worth of their assets, built in over half a century depleted fast and a number of them became defunct adversely affecting the operations of primary cooperatives. The Credit Enquiry Commission 1959 had therefore rightly concluded that "the cooperative credit movement has become virtually stagnant at the primary level". It was therefore recommended that the Central Cooperative Banks (operating at district/tehsil level) should be merged with the Provincial Cooperative Banks converting the structure from three tiered to two tiered.

7. ~~The next 12-13 years were dominated by the promulgation, at~~ intervals of a number of new legislations like that extending the jurisdiction of the Sind Cooperative Societies Act 1925 to whole of present Pakistan (1965); the West Pakistan Cooperative Societies and Cooperative Banks (repayment of loans) Ordinance 1966; and the Reforms Order of 1972. Except the Reforms Order, 1972, all others provided for more powers to the Cooperative Department for recovery of loans. The legal frame work, in totality, has been source of re-inforcing the strong-hold of the cooperative bureaucracy jeopardising the basic rights of the otherwise democratic and autonomous cooperative institutions. This ~~resulted in retarding to all the operational stages of the cooperative~~ movement.



8. ~~Despite operating for over 80 years, performance of the~~  
cooperative movement leaves much to be desired. It has not been able to build up a well-patterned structure, nor the capacity for self management. It is, at present, only a conglomeration of weak, ineffective units many of which exist only on paper. There are about 50,000 agricultural cooperatives in the country out of which more than 50% are dormant and of the remaining, only about 5% are genuine, viable and active undertakings. The movement has failed to mobilise resources of its own and relies almost entirely on state credit. There is no practice of thrift and collection of deposits.

9. The number of credit cooperatives has increased rapidly since the introduction of the policy of interest free loans for subsistence farmers but the bulk (over 70%) of this cost-free credit of nearly Rs.2500 million is utilized by bigger farmers and businessmen who have got their "pocket societies" registered with the Department of Cooperative Societies.

10. The Provincial Cooperative Banks presently disbursing finances over Rs.3.00 billion a year are just functioning as pay offices. All credit operations right from the sanctioning of borrowing limits and preparation of loan applications till the release of funds by the Provincial Cooperative Banks, are virtually handled by the cooperative officials. The staff of the Cooperative Banks is scared of questioning the justification of the demand, genuineness of the documents and other procedural requirements. A financing bank, except with the prior permission of the Registrar of Cooperatives cannot have access to the society or its record for ensuring/checking the proper utilization of the funds. Thus, there is complete absence of the banker customer

relationship between the financing cooperative banks and the borrowing cooperative societies. The financing banks are just on-lookers in the whole drama.

11. Close supervision of the Movement entrusted to the Cooperative Department envisaged nurturing of cooperatives in their infancy. The official staff was required to develop the societies, in a way that gradually they could become independent in their day to day operations and run their business without the assistance of supervisor. However, with the passage of time, circumstances developed in a way that the Cooperative bureaucracy established its stronghold on the cooperative institutions jeopardising their autonomy. The Cooperative field staff is now virtually directly managing the affairs of the so-called cooperatives in disregard of its development and promotional role. Its statutory obligation of "audit" has been totally ignored. No concrete measures are taken to train the managements of societies enabling them to administer their affairs by themselves. The societies for their day to day operations have thus been made entirely dependent on the cooperative field staff. The cooperatives therefore cannot be expected to grow as self-sustaining autonomous institutions unless and until the role of the Cooperative Department is considerably narrowed down.

12. There has been no progress in cooperative supply of inputs and marketing or processing of agricultural produce. There are no cooperative sugar factories or rice mills or cotton ginning factories owned and managed by farmers producing these crops and no cooperative milk plants owned and managed by the producers of milk. There are no projects of joint farming and no farm guidance for peasants. Efforts made half heartedly in the direction have proved abortive. For instance, cooperative

~~farm service centres initiated during late 1960's to undertake~~  
above mentioned activities, failed to prove their worth. In the province of Punjab, the Cooperative Department organized cooperative supply federations at district level exclusively to deal in inputs supply business and their management was given to departmental officials. Naturally these institutions too could not deliver the goods and are thus doing their business only on paper.

13. In short, there are many factors which hamper the progress of the cooperative movement. Some of the obstacles to development are inherent in the situation and owe their existence to the social, political and administrative environment in which cooperative societies have to function. Poverty, illiteracy, the prevalent economic system, social traditions and individualistic attitude of the people, opposition from vested interests, lack of public commitment of policy makers, authoritarian attitude of administrators, lack of conviction among those responsible for the promotion of cooperation and generally low ethical standards of social conduct are factors which though external to the movement, are nevertheless the basic cause of its halting/ hesitating growth.

14. The time for simple and single purpose primary cooperatives has gone. Under the changed economic situation it is essential to organise cooperatives with multi-purpose objectives (as was done in other countries) to cover all activities and requirements of modern agriculture and rural economy. With this concept in view, large economically viable cooperatives are to be organized at the apex level, by persons who have necessary resources and know-how to undertake the cooperative business. Such bodies will organise cooperatives at primary and secondary level according to the requirements of the farming community. Each tier will have the representatives from lower

contd... P/10

level cooperatives on their managements which will characterise these bodies as cooperatives.

15. Such cooperatives will have the advantage of the economy of scales to compete with big business enterprises. They will organise ~~their clientage into primary cooperatives for their business interest.~~

As major incentives will be provided at primary level, these large cooperative organisations as trade enterprises will help in solving the management problems of primary cooperatives that has been the main cause of the failure of cooperatives in Pakistan.

16. Cooperative's functioning will reduce the operating cost to the advantage of the members. Being sizeable trade enterprises, these cooperatives may be subjected to statutory audit by the Cooperative Department and as such will be accountable for proper utilization of facilities and incentives provided by the Government for the cooperative sector.

17. Although many sectors of the economy can be organized as cooperatives with necessary adoption of modern by-laws but certain sectors connected with rural economy lend themselves more easily to cooperative system than the others. The sectors which are suitable for handling by cooperative enterprises are dairy cooperatives, agro-processing cooperatives, supply of inputs and services cooperatives, besides marketing cooperatives. As a matter of fact supply and marketing can be put together for mutual advantage. Rural housing, rural electrification etc. are the other possible areas where cooperatives can work successfully with appropriate economic incentives.

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18. The incentive of interest free loan to the members of primary cooperative societies for agricultural purpose was great step forward in the promotion of commercially viable cooperative enterprises. Unfortunately, it has been misused primarily because it was operated through functionaries of Cooperative Department. Consequently the advantage that was visualised at the time of

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allowing this incentive has been frustrated. In order to take proper advantage of this incentive, the trade enterprises registered at the apex level will have to organise the primary cooperatives at the grass-root level and will also ensure the proper utilization of the incentive for their own commercial interest. This system can be made more effective by proper checks and balances to be exercised through appropriate banking system.

19. Obviously no entrepreneur will be willing to employ his savings or loan (capital) in the rural areas without appropriate safeguards for his money. At present money is loaned out to the farmers in the rural areas under the Provincial Government guarantee and the Department of Cooperatives is responsible for its return for which they have necessary powers of arbitration, issuance decree and its execution.

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20. The present cooperative banking system has lacunae and deficiencies of structure, management and mobilization of savings. Provincial Cooperative Banks under the law are basically cooperative societies operating under the dual control of the Cooperative Department and the Federal Bank for Cooperatives'. The other deficiency

of the system is that it is operating in competition with a much larger commercial banking system which strains further the inherent weaknesses of the cooperative banking. The system also suffers from inability to mobilise rural savings which could enable it to supplement whatever resources become available from the Federal Bank for Cooperatives/State Bank of Pakistan. Its total credit availability is far short of the total credit requirements and with no line of credit available from any international agency and no savings of its own, is left with a very limited role as a development Bank. The system is also responsible for unsatisfactory operation of cooperative credit and abuse of the facilities of low cost credit. The Provincial Cooperative Banks are disbursing the loans upon the advice of Cooperative Departments. These Banks have been reduced to operate only as pay offices, supposed to make payments according to the recommendations/instructions of the Cooperative Department. In fact, the Registrars Cooperatives are the ex-officio Presidents of the Boards of Directors of these Cooperative Banks with the result that they cannot operate as Banks. Federal Bank despite its all out efforts, is finding it very difficult to tone up their operational capacities when it has restricted its work only to that of a refinancing agency for the Provincial Cooperative Banks. Further the Federal Bank is legally debarred to replace a defunct Provincial Cooperative Bank for directly financing the primary cooperative societies.

21. The Department of Cooperatives was initially considered necessary in the Indo-Pak sub-continent to promote cooperatives amongst the illiterate masses and educate them in the philosophy of cooperative movement so that they could eventually handle their

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affairs independently. With the passage of time, circumstances developed in such a way that the cooperative bureaucracy established its strong-hold on the cooperative institutions jeopardising their autonomy. The Registrar Cooperatives has the power to supersede the management committees of the cooperatives and appoint administrator disqualifying the Directors from holding their offices on the management committees, confiscating the assets of the society. In short, the bureaucracy has full control over cooperative societies making their operations very difficult. Under such circumstances, it is not possible for cooperatives to operate as autonomous economic enterprises. No entrepreneur will be prepared to invest its money in an organization which is subjected to such severe bureaucratic control.

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22. Despite all the inadequacies, in the working of the cooperatives in the country, there is no denying the fact that the system has the potential to play an effective role in the growth of rural economy particularly when the need for development of agricultural sector in all its diversifications has become more pressing for the last 10-15 years due to Green Revolution, expansion of farmer's activities, increase in demand for rural credit and of late gradual emphasis on agro-allied and agro based industries in the rural areas. The cooperative system with its inherent strength can play a much bigger and diversified role to meet the challenge of the future provided the concept is developed in the context of the realities. It thus goes without saying that the system needs

basic changes and, as distinct from the past welfare approach, the cooperatives need to be developed as business enterprises to undertake all activities relevant to second generation problems of the 'Green Revolution' thereby helping in capital formation at local level and arrest the migration of the rural population to urban areas by providing employment opportunities in their own milieu.

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CASE STUDY ON COOPERATIVE FARMING  
SCHEME KHANEWAL

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## CASE STUDY ON COOPERATIVE FARMING SCHEME.

### PHASE-I - - - (Introduction 1948-1960)

The Cooperative Farming Scheme was introduced in the province of Punjab (Pakistan), in the year 1948. Compact blocks of 500 acres or more, of the state land, were initially leased out and transferred to Cooperative Farming Societies formed for the purpose, for a period of 5 years which was extended from time to time. The membership of these Cooperative Farming Societies, consist of land-less refugees and local landless tenants already in possession of State Land:

The object of the scheme was three fold:-

Firstly: Rehabilitation of uprooted families in an organised manner so that petty farmers could make collective efforts on cooperative basis in developing the waste-banger State land and construction of houses.

Secondary: To increase production by introducing better methods of cultivation, and to provide facilities in the field of Agriculture, i.e. credit, marketing and supply of agricultural requirements on cooperative basis.

Thirdly: The village community thus organized would function as a self generating administrative unit to manage their agricultural affairs not only but also looking after all economics and social uplift of village life.

To achieve the objects of the Scheme, 132 Cooperative Farming Societies were organized in the then District of Multan, Sahiwal and Faisalabad, to whom 1,40,000 acres of waste Banjar state land was allotted, for distribution amongst its members at the rate of 12.5 acre per member i.e. upto the size of subsistence holding.

The societies, being lease holder, received 40% share of yield from every member, and out of this, the societies, paid cash rent to the Government at the rate of 4½ times of the land revenue and net cost of staff employed by the Government to execute the Coop: Farming Scheme, e.g. Deputy Registrar, Coop:

Farming, Punjab, four Assistant Registrars, Coop: Farming, 20 Inspectors/Auditors Coop: Farming Societies, and 132 Sub-Inspectors/Chak Managers of Coop: Farming Societies. The societies paid Rs.1,34,19,750/- to Government as cash rent. The societies capitalized saving out of the 'batai' share and utilized on development activities such as construction of houses, common buildings, schools dispensaries, roads, culverts, purchase of Agricultural implements etc. The table given below reflects the extent of development made in this regards:-

<u>WORK EXECUTED:</u>	<u>No.</u>	<u>Amount</u>
1. Village Abadies Demarcated.	132	-
2. Houses constructed.	15,500	2,13,94,500
3. Common building constructed	670	22,79,475
4. Meeting Halls	87	4,38,900
5. Mosques	174	10,50,805
6. School Building	170	7,60,475
7. Culverts.	1,149	3,75,965
8. Improved Agri. Implements	1,029	4,29,615
9. Approach roads	904	1,084 miles
10. Radio Sets	154	39,882
11. Water Drinking Wells	53	2,40,906
12. Hand Pumps.	330	80,850

13.	Pakka water Tanks for drinking purposes where water is salty.	2	22,491
14.	Ist Aid centres.	4	8,056
15.	Fruit trees.	44,892	70,483
16.	Grassy plots.	480	Self help basis.
17.	Shaddy trees:		
	Planted.	60,98,200	-do-
	Succeeded	27,62,925	-do-
18.	Dispensaries.	7	35,982
19.	Patients treated	1,50,204	
			<u>Total: 2,72,29,469</u>

PHASE-II - PROPRIETARY RIGHTS (1960 ONWARDS)

In 1960 a policy was announced to grant proprietary rights and the "Batai" system came to an end. To meet the expenses incurred on staff and contingencies etc. the societies started recovering Rs.100/- as Administrative Charges from each member annually. Later on, this amount was raised to Rs.200/- per annum. The price of land was fixed @ Rs.20/- per produce Index unit for conferment of proprietary rights. In addition to it, the member were required to pay interest on the payment of price of land, if to be paid in instalments @ 5% and in case of default, the rate of interest increased to 9 percent.

The following table shows the upto <sup>date</sup> progress in this respect:-

i)	No. of members declared eligible to acquire proprietary rights.	10,414
ii)	No. of members who have deposited full price of land in Government Treasury and obtained conveyance deeds.	7,577
iii)	No. of members who have not been granted conveyance deeds and their cases are in process.	2,097

iv) Amount deposited in Government Treasury as the cost of land. 7,77,01,259/-

PHASE-III (a) MECHANIZED FARMING

In 1961, the Pakistan Government approved the scheme for the introduction of Mechanized Farming in the Coop: Farming Chaks of Multan Zone. The scheme covered an area of 1.20 lacs acres belonging to 132 Coop: Farming Societies already operative in Multan, Vehari, Sahiwal and Faisalabad Districts. The main object of the scheme was to introduce limited mechanized operation in the field of Coop: Farming. It was proposed to introduce tractor application upto the stage of seed-bed preparation. The remaining stages of sowing, interculture, thrashing etc. was to be continued through the then existing conventional methods. The members in the Coop: Farming societies have equal size of holding of 12.5 acres and they also can pool their resources for joint agricultural operations. Ordinarily, one pair of bullocks is sufficient for cultivating about 25 acres of land. It was expected that 50% of the bullok power would become surplus and could be replaced by milch animal for the benefit of the members.

(b) COLONY COOPERATIVE FARMING UNION.

In order to implement the scheme, 132 Coop Farming Societies were federated and an institution named "The Colony Coop: Farming Union Ltd:" with its Headquarter at Khanewal was formed. It was registered on 29-3-1961 and the Mechanized Farming Scheme started on 1-1-1962.

~~The objectives of this institution were to arrange all~~  
essential services i.e. agricultural machinery, repair services  
and agricultural inputs to the member societies. Each society is  
supervised by a Chak Manager who is an employee of the Union resides  
in the Chak. All the 132 Coop: Farming Societies have been grouped  
into 8 Circles each headed by a Circle Officer. The Circle Officers  
~~and Chak Managers form a hierarchy to carry out the designs and~~  
policies of the Union.

I. BOARD OF DIRECTORS.

The affairs of the Union are supervised by a Board of 18  
Directors, out of which 12 are elected representatives of societies  
and 6 are nominated by the Registrar, Cooperative Societies, one third  
elected. Directors are to retire in rotation every year. A General  
Manager/Secretary is employed to look into the functioning of the  
organization, under the general guidance and policies framed by the  
Board of Directors and the Government.

II. ACHIEVEMENTS.

As is obvious from the above lines the Colony Coop: Farming  
Union was constituted with a view to introduce Mechanized Farming  
in the area of Multan Division. In order to achieve this target,  
the Colony Coop: Farming Union imported 145 tractors on O.G.L. basis  
from England and West Germany and 52 tractors were purchased through  
Agricultural Development Bank and delivered to societies. In addition  
to 201 tubewells were installed in different chaks in which the canal  
water was insufficient but sub-soil water was fit for irrigation. The  
purchase of tractors and supply of modern Agricultural Implements  
brought out a revolution in the agrarian economy. These development  
activities by this union provide great incentives not only to the

members of the Coop: Societies but to the common farmers also.

This institution is proud of its existance as a poineer of Mechanized Farming in the Country. It is significant that the members of the Coop: Farming Societies installed their own tubewells and purchased their own tractors after receiving an impetus by the working of the Union. The members were given credit facilities for the purchase of tractors and implements. As a result of the number of tubewells working in the project has increased to 1298 and that of tractors has gone upto 834.

The achievements of the Union at a glance are given below:-

1.	Date of registration under the Cooperative Societies Act.	29-3-1961
2.	Date of start of Mechanized Farming.	1-1-1962
3.	No. of Cooperative Societies affiliates with Coop: Farming Union.	136 (including 4 other than Coop:Farming Societies)
4.	No. of individual members in the Project.	11,262
5.	No. of tractors purchased and supplied to the societies.	197
6.	Price.	Rs.10,04,864/-
7.	No. of tractors owned by the members	829
8.	No. of tubewells owned by the members	1,277

One of the main functions of this organization is to arrange timely supply of Agricultural inputs to its members societies at their door steps. For this purpose the Colony Coop: Farming Union facilities the sanction of interest Free Loan to its members but also manages the supply of standard inputs. Wherever the societies are in urgent need of inputs and the loan from the Punjab Provincial Coop: Bank is not readily available, the Colony Coop: Farming Union comes to the help of the

members and makes arrangements for quick supply through its own funds and resources. The following figures will indicate the over all performance of Colony Coop: Farming Union during the last 12 crops.

<u>Name of Crop:</u>	<u>Agri. inputs supplied in kind.</u>	<u>Quantity</u>	<u>Value in lacs.</u>
Khārif 1985	Fertilizer	27,200 bags	34.81
-do-	Pesticides	23,906 litres	60.34
Rabi 1985-86	Fertilizer	61,906 lites	60.34
Kharif 1986	-do-	40,460 "	58.09
-do-	Pesticides	25,719 Lites) 2,131 lbs. )	80.88
Rabi 1986-87	Fertilizer	66,664 bags	88.43
Kharif 1987	Pesticides	47,946 litres	101.00
-do-	Fertilizer	55,000 bags	67.65
Rabi 1987-88	-do-	58,000 "	78.90
Kharif 1988	Pesticides	54,392 litres	112.56
-do-	Fertilizer	41,066 bags	63.60
Rabi 1988-89	-do-	19,405 bags	29.54
-do-	Pesticides (Herbicide)	2,000 KG	3.64
Kharif 1989	Pesticides	53,940 litres	162.57
Rabi 1989-90	Fertilizer	16,800 bags	26.88
Kharif 1990	Pesticides	52,588 litres	162.21
Rabi 1990-91	Fertilizer	28,900 bags	53,465

With Mechanized Farming, installation of tubewells and supply of better seed and fertilizer, the intensity of cultivation



has increased to 17.2%. The average yield per acre has also increased considerably. This has gone up from 14 to 31 maunds in case of wheat.

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III. Despite the fact that most of the members have received the proprietary rights and they are quite independent in their Farming and Marketing, some of the societies still continue their joint Marketing and thereby receive better prices for their crops.

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A CRITICAL EXAMINATION OF COOPERATIVE  
ORGANIZATIONAL STRUCTURE AND MANAGEMENT  
PRACTICES AND PROBLEMS IN THE PHILIPPINES

I Introduction

This paper will present a close look at the Agricultural Cooperative organizational structures in the Philippines. A particular attention is also focused on management practices and problems encountered since its beginning until the present. This is dictated mainly by the fact that agricultural sector occupies the most important place in our economy and also because our agricultural cooperatives is still underdeveloped and leaves open a vast potential for growth. In the end, this paper hopes that the needs and problems of our cooperatives will be attended to and eventually solved.

II Background

Year 1908 was the beginning of government to introduce agricultural cooperatives in the Philippines. Until 1951, several government legislations were passed in support of cooperative development but failed.

In 1952, the government came out with a more powerful legislation and created the Agricultural Credit and Cooperative Financing Administration (ACCFA). As a result Farmers Cooperative Financing Association (FACOMAs) were established in various parts of the country.

In 1973, the government passed a law (P.D. 175) strengthening the cooperatives development in the country. This law was enacted as a parallel measure to Agrarian Reform Law,

which provided for "a strong social and economic organizational system to ensure that they will enjoy a lasting basis the benefit of agrarian reform". As a result, village level associations or Samahang Nayons (SNs) were organized. The purpose of the SN is to educate the members, develop cooperation among them and to continuously contribute to its capital build up program. However in the year 1982 some qualified SNs were allowed to engage in economic activities, and today, there are 1,864 of them active undertaking such activities.

The Area Marketing Cooperative (AMC) was organized in the provincial level to act as marketing arm of the SN. The Cooperative Rural Banks (CRBs) service the financing of the whole system.

The Samahang Nayon program as it is known, was given a very important role to play in shaping the agricultural development in the rural areas. Very high expectations are placed upon them and this is a challenge that agricultural cooperatives are facing right now.

### III The Role of Agricultural Cooperatives

Agricultural cooperatives in the country play an important role in the rural economy, Though, in general, it can be said that agricultural cooperatives in the Philippines are still weak compared to other more developed cooperatives in Asia, however, there are several primary level cooperatives (SNs) who are very

successful in their business operation. These cooperatives are mostly multi-purpose type and their business locations are accessible to the farming areas of the members. The services they are extending to their members are financing in agricultural production, such as seeds, fertilizers, chemicals and cash. These coops also finance the construction of post harvest facilities such as solar dryer and air drying shed of the members. During harvest time, the same coops directly purchase the produce of the farmers or help them sell their product to their markets. Some coops have even constructed its own solar dryer, warehouse and rice mill. Some have transport equipments and even store outlets for their processed products. Aside from the services given, the same are also managing consumers cooperatives to serve their members.

These multi-purpose cooperatives are now serving their members starting from production, drying, warehousing, processing, marketing and even providing consumer's goods for them to buy. As the cycle of lending, producing, buying and selling are now handled by these cooperatives, the circulation of currency is now concentrated on the cooperatives and the members. There is now a relationship of lending-paying-buying-selling between the coop and the members. Since the business operations of the cooperative is continuous, considerable savings is realized by the coop and so with the members at the end of every business year. As the years go by, the cooperative is continuously growing.

Aside from very successful primary level cooperatives which can cater to almost all the needs of their members, there are also very successful Area Marketing Cooperatives (AMCs). These are secondary level cooperatives with a bigger area of operation. The main purpose for which they were organized was to handle the marketing services of member SNs and other primary cooperatives. The operation of AMC is mostly provincewide, however there are some AMCs whose coverage is smaller than a province, it may cover a single municipality or more, depending on their needs. Members in the AMCs are also engaged in the supply of farm inputs and the marketing of members produce. As of June 30, 1989, there are 76 registered AMCs with a membership of 1,124 Samahang Nayons and 6,118 primary cooperatives with a total membership of 263,590 individuals.

The Cooperative Rural Banks (CRBs) complete the support mechanism by servicing the financial needs of the whole system. The membership of both the AMCs is composed mainly of SNs.

In order to increase the cooperative strength of the primaries (Samahang Nayons and Cooperatives), coop federations were organized within a municipal/provincial levels. Members of these federations are Samahang Nayons and Cooperatives. These municipal/provincial cooperative federations or unions (PCUs) are later federated into Regional Cooperative Unions (RCUs). The Regional Cooperative Unions, the National Federations of Cooperatives, and the Pambansang Katipunan ng mga Samahang Nayons finally federated themselves into one organization and this is the Cooperative Union of the Philippines (CUP).

These cooperative federations/unions starting from the Municipal Cooperative Union up to the apex organization, the Cooperative Union of the Philippines are non-business organizations. The overall objective of these organizations is to develop the cooperative movement in the Philippines through integrated efforts considering the bottom-up process. The services that are offered by these organizations are promotion of cooperatives as a way of life, research and information; education and training, audit, technical services, consultancy, and facilitation of transfer of technology, advice the appropriate authorities on all matters relating to cooperatives and represent cooperatives at home and abroad.

The business organizations of cooperatives are the Samahang Nayons with business activities and the Community based Multi-Purpose Cooperatives which are operating on a primary level. On the secondary level, the Area Marketing Cooperatives are serving the primaries. Their area of operation is municipal or provincial depending on the needs. The Cooperative Marketing Cooperatives and its area of operation is nationwide.

In December 1979, the Cooperative Rural Bankers Association of the Philippines was organized with the Bureau of Cooperatives Development (BCOD) as a non-stock to stock corporation. As of December 31, 1985 BANGKOOP had: assets of ₱42.3 million, liabilities of ₱38.6 million (including a ₱12 million from the Cooperative Development Loan Fund (CDLF) and ₱25 million credit line from the Ministry of Agriculture and Food (MAF), and capital accounts of ₱3.7 million. Net income for 1985 was

reported at P3.4 million. As of June 1986, BANGKOOP membership consisted of all 29 CRBs operating within the country. BANGKOOP provides member CRBs with national legislative representation, planning, development, technical assistance and training services.

Samahang Nayons throughout the country organized a strong network of federations. By 1981, this network consisted of 1,467 municipal federations, 74 provincial federations, 12 regional federations and 1 national federation, known as the Pambansang Katipunan ng mga Samahang Nayon (PKSN).

The Federation of Free Farmers' Cooperatives, Inc. (FFCI) was organized in 1969 as the economic arm of the Federation of Free Farmers (FFF), a national farmers' union. FFCI closely tied to agrarian reform, expanded its program during the early 1970s. By 1977, the federation had affiliates in four provinces representing 17,000 free farmers, with assets totalling P21.6 million.

Considerable number of these business cooperatives are doing business with each other. Though the operation is rather small and few cooperatives are involved, however there is a big chance that in the coming years a full inter-cooperative trading will be realized.

The linkages of SNS-PCUs-RCUs-CUP only prove that a cooperative movement in the country is on-going. This integration of cooperatives resulted to its increase in services and competitive strength.

Integrated cooperative organizations in the Philippines has also its own problems. In the Samahang Nayons alone, generally their operations are small and can be considered as weak organizations. This weakness can be traced on the slow capital formation, limited business/service operations and slow growth in membership. At present, majority of the needs of the farmers are still serviced by private businessmen. Only a few are serviced by the cooperative. Having a weak cooperative base, the secondaries are also weak. The operation of the secondaries greatly depends on the participation and support of the primaries. Generally, cooperative movement in the Philippines is as its development stage. It is just beginning to grow.

In order to overcome this problem, attention should be focused on the primaries. Total development plan to make the primaries become strong should be adapted. Once the primaries become strong, the secondaries and an apex shall become strong too.

Numerous advantages can be derived from integrated services of cooperatives. In the purchase of farm inputs alone, the cooperative has a bargaining power because of the volume involved. This is true with the marketing of produce, because the cooperative has a volume of produce, it can accept purchase orders in volume at a higher price. As a result, the cooperative can buy commodities at a lower price but can sell products at a higher price.

Through integration, market opportunities shall be identified throughout the country. Knowing the kind of product,



its volume, season of oversupply and undersupply, accessibility and other market data, the agricultural cooperatives will know what kind of crop to raise, how much is the volume, where to sell the product, in what month of the year and what would be the selling price. All agricultural production plans should be based on market study so that the oversupply and undersupply of product will be controlled. In so doing, the selling price of the farmers' produce will be stable and advantageous to the farmer. Integration of cooperatives will also provide the members with updated information on financing, technology transfer and other information that will contribute to the total development of the movement. As proven by other successful countries, integrated operation has its very strong effects to the fast growth of cooperatives.

Despite the achievements of integration, the cooperative movement still suffered from a range of development constraints which included: a) a weak institutional structure for providing sustained cooperative education; b) the absence of a formalized vertical system of cooperative finance to meet the financial growth needs of the movement; c) a lack of qualified cooperative managers and a system to help recruit and train such individuals; d) the absence of a long-term capital build-up program; e) inadequate government incentives to encourage cooperative expansion; and f) negative impact of government intervention in such areas as farm credit and price policy.

As of June 30, 1989, the number of active agricultural cooperatives registered with the Bureau of Agricultural Cooperatives Development are as follows:

<u>Type of Cooperative</u>	<u>No. of Registered/Re-registered</u>
Producers	210
Marketing	348
AMCs	76
Federations	68
Multi-Purpose	647
Unions	56
CRBs	29
Samahang Nayons:	
a) with economic activity	- 1,864
b) without economic activity	- <u>11,104</u> 12,968
	<hr/>
	14,402
	=====
	Total

#### IV. Analysis

It is a common perception that cooperative efforts in the Philippines have consistently resulted in failure. This is a gross assumption which is simply not true. A cooperative like any other form of private business is subject to economic realities of the marketplace. Once its economic reason for being ceases on at such time that it is no longer able to effectively compete in the market with its goods and services, for reasons within or outside of its control, it is finished. The failure rate of cooperatives in the Philippines has been higher than might have been expected had cooperatives been exposed to less government intervention and had they equal access along with other private sector interests to financing markets. In spite of this truism, it is nevertheless a fact that a higher percentage of business partnerships and corporations in the country have failed than have cooperatives. What has, in fact, failed is the ability of government to "legislate" success of cooperative efforts.

The cooperative movement has continued on its own to grow over the years. At the beginning of 1969 records showed a total of 5,463 cooperatives registered within the country. Of these, only 1,530 were considered "active" with membership of 550,000 and capitalization of ₱ 30.5 million. This rapid increase in less than twenty years points to success rather than failure of cooperative activity.

To be sure, the cooperative movement has had its failures. But, as has been pointed out, many of these failures can be directly linked to the negative impact of government intervention and the absence of adequate incentives to encourage cooperative expansion. Conversely, cooperatives can be criticized for their over-reliance upon government and for their slowness to assure leadership and responsibility for their own development. Recent accomplishments in developing and strengthening regional and national federated cooperative structures have helped greatly to leadership over cooperative development efforts. It is also helping to establish on-going collaborative relationships with many international cooperatives and organizations which support cooperative development activities.

Middle of 1989 figures show the total number of cooperatives registered with the Bureau of Agricultural Cooperatives Development equalled 5,861, of these 4,362 were considered to be active.

The combined capital structure of the agricultural cooperatives approximated ₱ 109.9 million while total assets were estimated at ₱ 474.6 million. Table 1 summarizes the status of the agricultural cooperatives as of December 31, 1986.

STATUS OF PHILIPPINE AGRICULTURAL COOPERATIVES AS OF DEC. 31, 1986

Type of Coop.	No. of Registered	Active Membership (Group/Ind.)	Paid-Up Capital (₱ M)	Total Assets (₱ M)
Marketing	296	5,990 (I)	5.1	19.5
Producers	201	5,470 (I)	.3	1.2
Multi-Purpose	126	?	?	?
Federations	66	?	?	?
AMCs	65	3,085 (G)	24.6	58.9
Unions	38	?	?	?
CRBs	29	5,117 (G)	29.9	296.6
Samahang Nayan	16,921	300,000 (I)	NA	98.4
	-----	-----	-----	-----
TOTAL	17,742	319,662	109.9	474.6
	=====	=====	=====	=====

The agricultural cooperatives in the Philippines can be concluded as a weaker organization compared to other types such as credit & consumers. While government has put up much investment on agricultural cooperatives, the impact of its assistance produced marginal results in terms of cooperatives growth and development.

The greatest of agricultural cooperatives was seen in the expansion of CRBs. AMCs, while outperforming their predecessor FACOMAs, still suffered from insufficient financing, weak manage-

ment and flat profits (due primarily to government price controls on rice and corn).

#### V. Development of Cooperative Movement

Beginning in 1975, growth within the SN/AMC/CRB structure began to slow down for lack of trained management and financial resources, particularly in the area of marketing activities. While SN, AMCs and CRBs were 100 percent capitalized by farmers, their dependence on outside funding to finance their business operations subjected them to vulnerability. Part of this financial problem can be attributed to the lack of government source funds at the time for expanded CRB lending due to an unanticipated shortfall in foreign exchange earnings and the impact of the higher cost of fuel importations. The situation was compounded further in the absence of a well-defined program to administer cooperative finance within the country. The Cooperative Development Loan Fund (CDLF) managed by the BCOD was, at best, a soft loan program without rigid criteria for borrower selection and loan supervision.

In an attempt to overcome financial, management and technical development constraints within the SN/AMC/CRB structure, the government initiated two special national-level development projects, with USAID assistance, beginning in 1976. The first of these projects, known initially as the Samahang Nasyon Development Project (SNDP), sought to introduce economic as well as social activity at the Samahang Nasyon level. Beginning in 1977 this project began working with 6 pilot SNs to test their effectiveness in leadership development, record keeping, communal

management of farm mechanization and construction and maintenance of barrio-level multi-purpose storage facilities. The project provided medium term development loans to participating SNs to finance cooperative managed economic projects. The project was expanded under the Samahang Nasyon Support Project (SNSP) the following year to include a wide range of economic activities which SN members would be responsible for managing their own. In all, 161 SN in 17 provinces, with a total membership of 10,500 farm families, participated in the project during the years 1977-1984. During this time a total of 350 development loans were made to finance SN economic projects with a collective repayment performance exceeding 80 percent. The success of this project resulted in a change of policy by government manpower constraints, however, restricted BACOD's capability of replicating the SNSP success story on a nationwide basis.

The second special project which was initiated to address the constraints of the agricultural cooperatives was the Cooperative Marketing Project (CMP) which began in May 1978 with \$6 million loan from USAID and \$6.7 million equivalent counterpart funding from government. The CMP was designed to strengthen the managerial financial and technical capabilities of a select group of AMCs and CRBs. The project provided a combination of technical and financial assistance toward meeting this goal. Under the CMP, a cooperative finance system was developed along conventional lending standards which provided short, medium and long term financing for AMC working capital, seasonal commodity and facilities needed. By 1983, the year of the project's completion, ₱20.2 million (\$3 million) in loans had been exten-

ded to 16 cooperatives including 15 AMCs. Repayment performance at that time was running at 90 percent. In addition to developing a system of finance for cooperatives, the CMP also stressed international financial growth among participating AMCs. This resulted in a P5.3 million (\$.8 million) increase in the capital structure of AMCs which borrowed under the program. In addition to its financial component, the CMP also helped to create the first regional federation of AMCs in the country and introduced a marketing information system which provided a communication network between AMCs and linked their marketing activities with that of the national Cooperative Marketing System of the Philippines. The project also provided a wide range of domestic and international training. Thirty-three (33) government officers studied cooperative management, marketing and finance in Korea, Taiwan and the U.S.A. In all, some 2,450 persons benefited from specialized training under the project.

Other foreign assisted projects of significance during this period included the Regional Cooperative Development Project for the Cagayan Valley. This project, initiated in 1977, focused on the development of a regional marketing cooperative, known as the Cagayan Valley Development Cooperative (CAVADECO), supported by 4 AMCs and 4 CRBs. The project was funded by a \$6.8 million loan from CIDA with a government counterpart of P 54 million. A final project, the UNDP/FAO Project Assistance to Cooperative Marketing, began in 1977 as a continuation of UNDP/FAO assistance to cooperatives dating back to 1972. This project supported the development of an effective marketing system for perishable agri-

cultural products and emphasized the market linkage between the Samahang Nayon and the AMC/CMSP. A Samahang Nayon Sales Center was established and 5 AMCs were identified for development. Total project funding included \$953,000 from UNDP/FAO and ₱2.6 million from the government.

By 1977, a total of 20,675 Samahang Nayon with 995,110 members had been organized in 49 percent of the country's barangays (villages). Of these, 17,555 SN had completed registration, representing 896,708 farmer-members. Total savings generated by Samahang Nayon at that time was ₱4.2 million (\$12 million). Despite the successful efforts of the Samahang Nayon Support Project which was beginning at that time, the SN movement was in deep trouble due to lack of economic activity, immobilized assets which were frozen in savings accounts of private rural banks, and limited access to primary cooperative services due to the slow expansion of AMCs and CRBs. By the end of 1977, 29 AMCs were operating with a paid-up capitalization of ₱4.1 million. Only 4 CRBs had been registered with the BACOD and licensed by the Central Bank. Combined CRB capitalization at that time was ₱ 4.7 million.

As of January 1986, the BACOD listed 17,115 registered Samahang Nayons with combined savings of ₱ 98.4 million. Less than 7,200 SNs were reported to be active. By March 1986, the number of AMCs had expanded to 84 with a combined capital base of ₱24.6 million, representing a membership of 3,047 Samahang Nayon and 38 other cooperatives. Of these, 51 AMCs were considered



active.\* AMCs had assets of ₱ 58.9 million, liabilities of ₱41.3 million, current sales of ₱ 52.1 million and a net income of ₱145,000. As of June 1986, 29 CRBs with a membership of 4,946 SNs and 171 other types of cooperatives serving 240 individuals (mostly small farmers), were operational. CRBs had ₱296.6 million in assets, outstanding loans of ₱ 254.2 million, and paid-up capital amounting to ₱ 75.9 million.\*\* Three (3) CRBs were reported to be experiencing severe financial difficulties.

Total direct development loans extended by government to agricultural cooperatives during the period 1973 - 1986 equalled ₱ 166 million.\*\*\*

#### VI. Future Directions of Agricultural Cooperative Development

Keeping in mind that many of the failures of agricultural cooperatives in the past were directly linked to the negative impact of government intervention and the absence of adequate incentives to encourage cooperative expansion; the cooperatives' over-reliance upon government and for their slowness to assume leadership and responsibility for their own development -- the new approach is for the private sector to assume the lead role in planning the agricultural cooperative development in the Philippines.

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\*

Virtually all AMCs which participated in the USAID-assisted Cooperative Marketing Project were considered active.

\*\*

During the period June 1984 June 1986, capital growth within the CRB finance system averaged 17.5 percent per year.

\*\*\*

Includes loan funds sourced from foreign.

The Cooperative Union of the Philippines, after a series of consultations with the successful agricultural cooperative primaries has drawn up plan for the establishment of a strong cooperative base. The plan is in line with the revised government policy in respect to agricultural cooperatives that it will be assuming an "assistory" and "facilitative" role in the organization and development of cooperatives.

The following are the organizational and developmental policies and approaches:

1) On Grass-roots level:

- a) What has been built and has proved to be viable shall not be destroyed; rather, it shall be assisted to further develop.
- b) Build new ones where more have been built before. The type of organization shall depend on the desire and decision of the people themselves.

2) On Secondary Level Cooperatives and Apex Structures:

- a) The principles under the grass-roots base shall similarly apply to secondary level cooperatives.
- b) The decision to establish regional cooperative structures shall devolve upon the cooperatives themselves.
- c) The present operational apex structures shall not be disturbed. Where there is need to strengthen their structures, it is their membership which shall initiate and decide the matters.

3) On Apex Financial System

- a) In the financial field, the desired goal is the establishment of a National Cooperative Bank whose membership shall be open to all types of cooperatives and shall undertake the following activities:
  - current accounts
  - savings and deposits

- re-discounting
- inter-lending
- loans (short, medium, and long-term)
- foreign exchange
- floating of debentures with appropriate guarantee
- international funding
- education and training and coordination with CUP/RCUs and National Federations.

b) In the meantime, however, that it is not possible to organize a National Cooperative Bank, an interim system can be established. This is the organization of a Cooperative Financing Intermediary.

#### 4. On Development Policies

- a) Although the main initiative and action shall come from the people themselves, the government shall help fill the development needs of cooperatives.
- b) Specifically, the government may be of assistance in:
- training and education
  - development of training materials
  - management training and assistance
  - audit
  - servicing financing assistance and linking coops with training institutions
  - linking coops with market outlets
  - technical assistance in packaging projects which enhances the profitability of producers and growth of their cooperatives.
  - creating an environment which is conducive to growth of cooperatives, so that they can become effective instruments of social justice and economic development.

#### Outline of the Planning Process

The planning are divided into 6 stages that would be totally implemented within 5 to 7 years depending on growth rate of the cooperative development.

Stage 1. Total development support shall be extended to successful and time tested primaries for them to be truly self reliant and strong.

Stage 2. Five or more successful and time-tested primaries became truly self-reliant and strong; if the need arises they may form their own Community Multipurpose Society (COMCOOP).

- Stage 3. Nine or more COMCOOPS may organize a much bigger Regional Marketing and Agri-Industrial Coop Societies (REMCOOP).
- Stage 4. All the REMCOOPS may join the National Marketing Cooperatives (NAMCOOPS).
- Stage 5. Organization of new agricultural cooperative primaries base mainly on their initiatives and common felt needs. The organization shall be supported by self-reliant and strong primaries, COMCOOPS, REMCOOPS, NAMCOOPS, CUP and the government.

Criteria for selection of primaries eligible for total development support

1. Track record for the past 5 years.
2. Has audited Financial Statements for 5 years.
3. Has tested leadership and management capabilities.
4. Has high percentage of membership participation and support
5. Continued growth in terms of quantity and quality.

Implementation Guidelines:

1. Organization of COMCOOPS, REMCOOPS, NAMCOOPS and new primaries should always be based on their own initiatives and common felt needs. The role of the government is to guide, assist and facilitate the program of development.
2. The area of operations of the different levels of cooperative societies should be delineated on the basis of economic advantage, accessibility, proximity and desirability. It should not follow the political boundaries such as barangays, municipalities, cities, provinces and regions.

Sources of Funds:

<u>Sources</u>	<u>Percent</u>
1. Members' Contribution	20 %
2. Borrowings	37.5 %
3. Grants and Aids	37.5 %
4. Retained Earnings	5 %

Budget:

Thirteen primaries shall be selected from 13 regions with an allocation of ₪ 10 million each on a total project cost of ₪ 130 million.

Releases:

1. Release shall be staggered. It will be based on the actual equity put up by the primaries.
2. Total development implementation shall start from year 1 to year 7.

Monitoring:

The primaries shall regularly monitor its activities to its members' lending institutions and donor organizations, CUP and government. Upon evaluation of the reports, innovations will be recommended for possible alternative courses of action.

Perspective

The project hopes that the selected primaries shall be totally developed by year 1997, the COMCOOPS and REMCOOPS by the year 2003 and the NAMCOOP by the year 2010.

Once the 13 selected primaries are totally developed, they will become very effective multipliers of development in the nearby communities. When progress is present in a nearby community its neighbors follow and there will be no more weak secondaries/tertiaries since they have a strong base to support them.

## VII. Identification of Areas for Development

One agricultural cooperative shall be selected from one region. Selection shall be based on the criteria for selection.

Proposals for various projects shall originate from the primaries themselves. However, since the CUP/BACOD have resources of trained technical men, these would be of great help in evaluating the proposal.

### Project Formulation:

There is no such one common formula for the agricultural development projects. What is to be considered is the economic viability, the social desirability and its indirect benefits that will contribute to the development of the community that the project may give. A profitable project in Region I may be not profitable in Region V. It is suggested that project formulation shall undergo a pre-feasibility study.

### Infrastructure:

A successful multipurpose agricultural cooperative has constructed its own solar dryer, warehouse, ricemill and chemical store room.

### Monitoring:

A regular monthly report of operations is submitted to the lending institution and a semi-annual report to the BACOD. Annual financial statements are always prepared for certification of a Certified Public Accountant.

# COOPERATIVE CODE OF THE PHILIPPINES (REPUBLIC ACT 6938)

A. NO. 13029  
S. NO. 513

REPUBLIC OF THE PHILIPPINES  
CONGRESS OF THE PHILIPPINES  
METRO MANILA

*Third Regular Session*

Begun and held in Metro Manila, on Monday, the twenty-fourth day of July, nineteen hundred and eighty-nine.

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[REPUBLIC ACT NO. 6938]

AN ACT TO ORDAIN A COOPERATIVE CODE  
OF THE PHILIPPINES

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

## CHAPTER I

### GENERAL CONCEPTS AND PRINCIPLES

ARTICLE 1. *Title.* - This Act shall be known as the "Cooperative Code of the Philippines."

ARTICLE 2. *Declaration of Policy.* - It is the declared policy of the State to foster the creation

and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. The State shall encourage the private sector to undertake the actual formation and organization of cooperatives and shall create an atmosphere that is conducive to the growth and development of these cooperatives.

Toward this end, the Government and all its branches, subdivisions, instrumentalities and agencies shall ensure the provision of technical guidance, financial assistance and other services to enable said cooperatives to develop into viable and responsive economic enterprises and thereby bring about a strong cooperative movement that is free from any conditions that might infringe upon the autonomy or organizational integrity of cooperatives.

Further, the State recognizes the principle of subsidiarity under which the cooperative sector will initiate and regulate within its own ranks the promotion and organization, training and research, audit and support services relating to cooperatives with government assistance where necessary.

**ARTICLE 3. *General Concepts.*** - A cooperative is a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

**ARTICLE 4. *Cooperative Principles.*** - Every cooperative shall conduct its affairs in accordance with Filipino culture and experience and the universally accepted principles of cooperation which include the following:

- (1) *Open and Voluntary Membership* - Membership in a cooperative shall be voluntary and available to all individuals regardless of their social, political, racial or religious background or beliefs.
- (2) *Democratic Control* - Cooperatives are democratic organizations. Their affairs shall be administered by persons elected or appointed in a manner agreed upon by the members. Members of primary cooperatives shall have equal voting rights on a one-member-one-vote principle; *Provided, however,* That, in the case of secondary and tertiary cooperatives, the provisions of Article 37 of this Code shall apply.
- (3) *Limited Interest on Capital* - Share capital shall receive a strictly limited rate of interest.
- (4) *Division of Net Surplus* - Net surplus arising out of the operations of a cooperative belongs to its members and shall be equitably distributed for cooperative development, common services, indivisible reserve fund, and for limited interest on capital and/or patronage refund in the manner provided in this Code and in the articles of cooperation and by-laws.
- (5) *Cooperative Education* - All cooperatives shall make provision for the education of their members, officers and employees and of the general public based on the principles of cooperation.



- (6) *Cooperation Among Cooperatives* - All cooperatives, in order to best serve the interest of their members and communities, shall actively cooperate with other cooperatives at local, national and international levels.

ARTICLE 5. *Definition of Terms.* - The following terms shall mean:

- (1) *Member* includes a person either natural or juridical who, adhering to the principles set forth in this Code and in the articles of cooperation, has been admitted by the cooperative as member,
- (2) *General Assembly* shall mean the full membership of the cooperative duly assembled for the purpose of exercising all the rights and performing all the obligations pertaining to cooperatives, as provided by this Code, its articles of cooperation and by-laws;
- (3) *Board of Directors* shall mean that body entrusted with the management of the affairs of the cooperative under its articles of cooperation and by-laws;
- (4) *Committee* shall refer to any body entrusted with specific functions and responsibilities under the bylaws or resolution of the general assembly or the board of directors;
- (5) *Articles of Cooperation* means the articles of cooperation registered under this Code and includes a registered amendment thereof;
- (6) *Bylaws* means the bylaws registered under this Code and includes any registered amendment thereof;
- (7) *Registration* means the operative act granting juridical personality to a proposed cooperative and is evidenced by a certificate of registration;
- (8) *Cooperative Development Authority* means the government agency in charge of the registration and regulation of cooperatives as such, hereinafter referred to as the Authority; and
- (9) *Universally Accepted Principles* means that body of cooperative principles adhered to worldwide by cooperatives in other jurisdictions.

## CHAPTER II

### ORGANIZATION AND REGISTRATION

ARTICLE 6. *Organization of Cooperatives.* - A Cooperative may be organized and registered by at least fifteen (15) persons for any or all of the following purposes:

- (1) To encourage thrift and savings mobilization among the members;
- (2) To generate funds and extend credit to the members for productive and provident purposes;
- (3) To encourage among members systematic production and marketing;
- (4) To provide goods and services and other requirements to the members;
- (5) To develop expertise and skills among its members;
- (6) To acquire lands and provide housing benefits for the members;
- (7) To insure against losses of the members;
- (8) To promote and advance the economic, social and educational status of the members;
- (9) To establish, own, lease or operate cooperative banks, cooperative wholesale and retail complexes, insurance and agricultural/industrial processing enterprises, and public markets;
- (10) To coordinate and facilitate the activities of cooperatives; and
- (11) To undertake any and all other activities for the effective and efficient implementation of the provisions of this Code.

ARTICLE 7. *Objectives of Cooperatives.* - The primary objective of every cooperative is to provide goods and services to its members and thus enable them to attain increased income and savings, investments, productivity, and purchasing power and promote among them equitable distribution of net surplus through maximum utilization of economies of scale, cost-sharing and risk-sharing without, however, conducting the affairs of the cooperative for eleemosynary or charitable purposes.

A cooperative shall provide maximum economic benefits to its members, teach them efficient ways of doing things in a cooperative manner, and propagate cooperative practices and new ideas in business and management and allow the lower income groups to increase their ownership in the wealth of this nation.

ARTICLE 8. *Cooperatives Not in Restraint of Trade.* - No cooperative or method or act thereof which complies with this Code shall be deemed a conspiracy or combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix arbitrarily in violation of any of the laws of the Philippines.

ARTICLE 9. *Cooperative Powers and Capacities.* - A cooperative registered under this Code shall have the following powers and capacities:

- (1) To sue and be sued in its cooperative name;
- (2) Of succession;
- (3) To amend its articles of cooperation in accordance with the provisions of this Code;
- (4) To adopt bylaws not contrary to law, morals or public policy, and to amend and repeal the same in accordance with this Code;
- (5) To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage, and otherwise deal with such real and personal property as the transaction of the lawful affairs of the cooperative may reasonably and necessarily require, subject to the limitations prescribed by law and the Constitution;
- (6) To enter into division, merger or consolidation, as provided in this Code;
- (7) To join federations or unions, as provided in this Code;
- (8) To accept and receive grants, donations and assistance from foreign and domestic sources; and
- (9) To exercise such other powers granted by this Code or necessary to carry out its purpose or purposes as stated in its articles of cooperation.

ARTICLE 10. *Organizing a Primary Cooperative.* - Fifteen (15) or more natural persons, who are citizens of the Philippines, having a common bond of interest and are residing or working in the intended area of operation may organize a cooperative under this Code.

ARTICLE 11. *Economic Survey.* - Every group of individuals or cooperatives intending to form a cooperative under this Code shall submit to the Cooperative Development Authority a general statement describing the structure, purposes and economic feasibility of the proposed cooperative, indicating therein the area of operation, the size of membership and other pertinent data.

ARTICLE 12. *Liability.* - A cooperative shall be registered under this Code, with limited liability.

ARTICLE 13. *Term.* - A cooperative shall exist for a period not exceeding fifty (50) years from the date of registration unless sooner dissolved or unless said period is extended. The cooperative term, as originally stated in the articles of cooperation, may be extended for period not exceeding fifty (50) years in any single instance by an amendment of the articles of cooperation, in accordance with this Code: *Provided*, That no extension can be made earlier than five (5) years prior to the original or subsequent expiry date/dates unless there are justifiable reasons for an earlier extension as may be determined by the Cooperative Development Authority.

ARTICLE 14. *Articles of Cooperation.* - (1) All cooperatives applying for registration shall file with the Cooperative Development Authority the articles of cooperation which shall be signed by each of the organizers and acknowledged by them if natural persons, and by the presidents or secretaries, if juridical person, before a notary public.

- (2) The articles of cooperation shall set forth:
  - (a) The name of the cooperative which shall include the word "cooperative."
  - (b) The purpose or purposes and scope of business for which the cooperative is to be registered;
  - (c) The term of existence of the cooperative;
  - (d) The area of operation and the postal address of its principal office;
  - (e) The names, nationality and the postal addresses of the registrants;
  - (f) The common bond of membership;
  - (g) The list of names of the directors who shall manage the cooperative; and
  - (h) The amount of its share capital, the names and residences of its contributors and a statement of whether the cooperative is primary, secondary or tertiary in accordance with Article 23 hereof.
- (3) The articles of cooperation may also contain any other provisions not inconsistent with this Code or any related law.
- (4) Four (4) copies of each of the proposed articles of cooperation, bylaws, and the general statement required under Article 11 of this Code shall be submitted to the Cooperative Development Authority.
- (5) No cooperative shall be registered unless the articles of cooperation is accompanied with the bonds of accountable officers and a sworn statement of the treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five per centum (25%) of the total subscription has been paid: *Provided*, That in no case shall the paid-up share capital be less than Two Thousand Pesos (₱2,000.00).

ARTICLE 15. *Bylaws.* - (1) Each cooperative to be registered under this Code shall adopt bylaws not inconsistent with the provisions of this Code. The bylaws shall be filed at the same time as the articles of cooperation.

- (2) The bylaws of each cooperative shall provide:
- (a) The qualifications for admission to membership and the payment to be made or interest to be acquired as a condition for the exercise of the right of membership;
  - (b) The rights and liabilities of membership;
  - (c) The circumstances under which membership is acquired, maintained and lost;
  - (d) The procedure to be followed in cases of termination of membership;
  - (e) The conditions under which the transfer of a share or interest of the members shall be permitted;
  - (f) The rules and procedures on the agenda, time, place and manner of calling, convening, conducting meetings, quorum requirements, voting systems, and other matters relative to the business affairs of the general assembly, board of directors, and committees;
  - (g) The general conduct of the affairs of the cooperative, including the powers and duties of the general assembly, the board of directors, committees and other officers, and their qualifications and disqualifications;
  - (h) The manner in which the capital may be raised and the purposes for which it can be utilized;
  - (i) The mode of custody and of investment of net surplus;
  - (j) The accounting and auditing systems;
  - (k) The manner of loaning and borrowing, including limitations thereof;
  - (l) The method of distribution of net surplus;
  - (m) The manner of adopting, amending, repealing, and abrogating bylaws;
  - (n) A conciliation or mediation mechanism for the amicable settlement of disputes among members, directors, officers and committee members of the cooperative; and
  - (o) Other matters incident to the purposes and activities of the cooperative.

ARTICLE 16. *Registration.* - A cooperative formed or organized under this Code acquires juridical personality from the date the Cooperative Development Authority issues a certificate of registration under its official seal. All applications for registration shall be finally disposed of by the

Cooperative Development Authority within a period of thirty (30) days from the filing thereof, otherwise the application is deemed approved, unless the cause of the delay is attributable to the applicant: *Provided*, That, in case of a denial of the application for registration, an appeal shall lie with the Office of the President within ninety (90) days from receipt of notice of such denial: *Provided, further*, That failure of the Office of the President to act on the appeal within ninety (90) days from the filing thereof shall mean approval of said application.

ARTICLE 17. *Certificate of Registration.* - A certificate of registration issued by the Cooperative Development Authority under its official seal shall be conclusive evidence that the cooperative therein mentioned is duly registered unless it is proved that the registration thereof has been cancelled.

ARTICLE 18. *Amendment of Articles of Cooperation and Bylaws.* - Unless otherwise prescribed by this Code and for legitimate purposes, any provision or matter stated in the articles of cooperation may be amended by two-thirds (2/3) vote of all members with voting rights, without prejudice to the right of the dissenting members to exercise their right to withdraw their membership under Articles 31 and 32.

The original and amended articles together shall contain all provisions required by law to be set out in the articles of cooperation. Amendments shall be indicated by underscoring or otherwise appropriately indicating the change or changes made and a copy thereof duly certified under oath by the cooperative secretary and a majority of the directors stating the fact that said amendment or amendments have been duly approved by the required vote of the members. All amendments to the articles of cooperation shall be submitted to the Cooperative Development Authority. The amendments shall take effect upon its approval by the Cooperative Development Authority or within thirty (30) days from the date of filing thereof if not acted upon by the Authority for a cause not attributable to the cooperative.

ARTICLE 19. *Contracts Executed Prior to Registration and Effects Thereof.* - Contracts executed between private persons and cooperatives prior to the registration of the cooperative shall remain valid and binding between the parties and upon registration of the cooperative. A formal written contract shall be adopted and made in the cooperative's name or on its behalf prior to its registration.

ARTICLE 20. *Division of Cooperatives.* - Any registered cooperative may, by a resolution approved by a vote of two-thirds (2/3) of the members eligible to vote at a general assembly meeting, resolve to divide itself into two (2) or more cooperatives. The procedure for such division shall be prescribed in the regulations of the Cooperative Development Authority. The new cooperatives shall become legally established upon registration with the Authority: *Provided*, that all the requirements set forth in this Code have been complied with by the new cooperatives: *Provided, further*, that no division of a cooperative in fraud of creditors shall be valid.

ARTICLE 21. *Merger and Consolidation of Cooperatives.* - (1) Two (2) or more cooperatives may merge into a single cooperative which shall be one of the constituent cooperatives or may consolidate into a new single cooperative which shall be the consolidated cooperative.

- (2) No merger or consolidation shall be valid unless approved by two-thirds (2/3) of all the members eligible to vote of each of the constituent cooperatives at separate general assembly meetings. The dissenting members shall have the right to exercise their right to withdraw their membership pursuant to Articles 31 and 32.
- (3) The Cooperative Development Authority shall issue the guidelines governing the procedure of merger or consolidation of cooperatives. In any case, the merger or consolidation shall be effective upon the issuance of the certificate of merger or consolidation by the Cooperative Development Authority.

ARTICLE 22. *Effects of Merger and Consolidation.* - The merger or consolidation of cooperatives shall have the following effects:

- (1) The constituent cooperatives shall become a single cooperative which, in case of merger, shall be the surviving cooperative, and, in case of consolidation, shall be the consolidated cooperative;
- (2) The separate existence of the constituent cooperatives shall cease, except that of the surviving or the consolidated cooperative;
- (3) The surviving or the consolidated cooperative shall possess all the rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of a cooperative organized under this Code;
- (4) The surviving or the consolidated cooperative shall possess all the assets, rights, privileges, immunities and franchises of each of the constituent cooperatives; and
- (5) The surviving or the consolidated cooperative shall be responsible for all the liabilities and obligations of each of the constituent cooperatives in the same manner as if such surviving or consolidated cooperative had itself incurred such liabilities or obligations. Any claim, action or proceeding pending by or against any such constituent cooperatives may be prosecuted by or against the surviving or consolidated cooperative as the case may be. Neither the rights of creditors nor any lien upon the property of any of such constituent cooperatives shall be impaired by such merger or consolidation.

ARTICLE 23. *Types and Categories of Cooperatives.*

- (1) *Types of Cooperatives* - Cooperatives may fall under any of the following types:
  - (a) *Credit Cooperative* is one which promotes thrift among its members and creates funds in order to grant loans for productive and provident purposes;
  - (b) *Consumers Cooperative* is one the primary purpose of which is to procure and distribute commodities to members and nonmembers;

- (c) *Producers Cooperative* is one that undertakes joint production whether agricultural or industrial;
  - (d) *Marketing Cooperative* is one which engages in the supply of production inputs to members and markets their products;
  - (e) *Service Cooperative* is one which engages in medical and dental care, hospitalization, transportation, insurance, housing, labor, electric light and power, communication and other services; and
  - (f) *Multi-Purpose Cooperative* is one which combines two (2) or more of the business activities of these different types of cooperatives.
- (2) *Categories of Cooperatives* - Cooperatives shall be categorized according to membership and territorial consideration as follows:
- (a) In terms of membership, cooperatives shall be categorized into:
    - (i) *Primary* - The members of which are natural persons;
    - (ii) *Secondary* - The members of which are primaries; and
    - (iii) *Tertiary* - The members of which are secondaries upward to one (1) or more apex organizations.

Those cooperatives the members of which are cooperatives shall be known as federations or unions, as the case may be; and
  - (b) In terms of territory, cooperatives shall be categorized according to areas of operations which may or may not coincide with the political subdivisions of the country.

ARTICLE 24. *Federation of Cooperatives*. - (1) A federation of cooperatives whose members are primary and/or secondary cooperatives with single line or multi-purpose business activities may be registered under this Code for any or all of the following purposes:

- (a) *Primary Purpose* - To carry on any cooperative enterprises authorized under Article 6;
- (b) *Secondary Purpose* - (i) To carry on, encourage and assist educational and advisory work relating to its member cooperatives;
- (ii) To render services designed to encourage simplicity, efficiency, and economy in the conduct of the business of its member cooperatives and to facilitate the implementation of their bookkeeping, accounting, and other systems and procedures;



- (iii) To print, publish, and circulate any newspaper or other publication in the interest of its member cooperatives and enterprises;
- (iv) To coordinate and facilitate the activities of its member cooperatives;
- (v) To enter into joint ventures with national or international cooperatives of other countries in the manufacture and sale of products and/or services in the Philippines and abroad; and
- (vi) To perform such other functions as may be necessary to attain its objectives.

A federation of cooperatives may be registered by carrying out the formalities for registration of a cooperative.

- (2) Registered cooperatives may organize a federation at the provincial, city, regional, and national levels according to the type of business carried on.

ARTICLE 25. *Cooperative Unions.* - Registered cooperatives and federations at the appropriate levels may organize or join cooperative unions to represent the interest and welfare of all types of cooperatives at the provincial, city, regional, and national levels. Cooperative unions may have the following purposes:

- (a) To represent its member organizations;
- (b) To acquire, analyze, and disseminate economic, statistical, and other information relating to its members and to all types of cooperatives within its area of operation;
- (c) To sponsor studies in the economic, legal, financial, social and other phases of cooperation, and publish the results thereof;
- (d) To promote the knowledge of cooperative principles and practices;
- (e) To develop the cooperative movement in their respective jurisdictions;
- (f) To advise the appropriate authorities on all questions relating to cooperatives;
- (g) To raise funds through membership fees, dues and contributions, donations, and subsidies from local and foreign sources whether private or government; and
- (h) To do and perform such other activities as may be necessary to attain the foregoing objectives.

Cooperative unions may assist the national and local governments in the latter's development activities in their respective jurisdictions.

CHAPTER III  
MEMBERSHIP

ARTICLE 26. *Who May Be Members of Cooperatives.* - Any natural person, who is a citizen of the Philippines, a cooperative, or non-profit organization with juridical personality shall be eligible for membership in a cooperative if the applicant meets the qualifications prescribed in the bylaws: *Provided*, That only natural persons may be admitted as members of a primary cooperative.

ARTICLE 27. *Kinds of Membership.* - A cooperative may have two (2) kinds of members, to wit: (1) regular members and (2) associate members. A regular member is one who is entitled to all the rights and privileges of membership. An associate member is one who has no right to vote nor be voted upon and shall be entitled only to such rights and privileges as the bylaws may provide.

A cooperative organized by minors shall be considered a laboratory cooperative and must be affiliated with a registered cooperative. A laboratory cooperative shall be governed by special guidelines to be promulgated by the Cooperative Development Authority.

ARTICLE 28. *Government Officers and Employees.* - (1) Any officer or employee of the Cooperative Development Authority shall be disqualified to be elected or appointed to any position in a cooperative; (2) Elective officials of the Government, except barangay officials, shall be ineligible to become officers and directors of cooperatives; and (3) Any government employee may, in the discharge of his duties as member in the cooperative, be allowed by the head of office concerned to use official time for attendance at the general assembly, board and committee meetings of cooperatives as well as cooperative seminars, conferences, workshops, technical meetings, and training courses locally or abroad: *Provided*, That the operations of the office concerned are not adversely affected.

ARTICLE 29. *Application.* - An applicant for membership shall be deemed a member after approval of his membership by the board of directors and shall exercise the rights of members after having made such payments to the cooperative in respect to membership or acquired interest in the cooperative as may be prescribed in the by-laws. In case membership is refused or denied by the board of directors, an appeal may be made to the general assembly and the latter's decision shall be final.

ARTICLE 30. *Liability of Members.* - A member shall be liable for the debts of the cooperative to the extent of his contribution to the share capital of the cooperative.

ARTICLE 31. *Termination of Membership.* - (1) A member of a cooperative may, for any reason, withdraw his membership from the cooperative by giving a sixty (60) day notice to the board of directors. The withdrawing member shall be entitled to a refund of his share capital contribution and all other interests in the cooperative; *Provided*, That such refund shall not be made if upon such payment the value of the assets of the cooperative would be less than the aggregate amount of his debts and liabilities exclusive of his share capital contribution.

- (2) The death, insanity, insolvency or dissolution of a member shall be considered an automatic termination of membership;
- (3) A member may be terminated by a vote of the majority of all the members of the board of directors for any of the following causes;
  - (a) When a member has not patronized the services of the cooperative for an unreasonable period of time as may be fixed by the board of directors;
  - (b) When a member has continuously failed to comply with his obligations;
  - (c) When a member has acted in violation of the by-laws and the rules of the cooperative; and
  - (d) For any act or omission injurious or prejudicial to the interest or the welfare of the cooperative.

A member whose membership the board of directors may wish to terminate shall be informed of such intended action in writing and shall be given an opportunity to be heard before the said board makes its decision. The decision of the board shall be in writing and shall be communicated in person or by registered mail to the member and shall be appealable, within thirty (30) days after the decision is promulgated, to the general assembly whose decision therein, whether in a general or special session, shall be final. Pending a decision by the general assembly, the membership remains in force.

**ARTICLE 32. *Refund of Interests.*** - All sums computed in accordance with the bylaws to be due from a cooperative to a former member shall be paid to him either by the cooperative or by the approved transferee, as the case may be, in accordance with this Code.

#### CHAPTER IV

#### ADMINISTRATION

**ARTICLE 33. *Composition of the General Assembly.*** - The general assembly shall be composed of such members who are entitled to vote under the articles of cooperation and bylaws of the cooperative.

**ARTICLE 34. *Powers of the General Assembly.*** - The general assembly shall be the highest policy-making body of the cooperative and shall exercise such powers as are stated in this Code, in the articles of cooperation and in the bylaws of the cooperative. The general assembly shall have the following exclusive powers which cannot be delegated:

- (1) To determine and approve amendments to the articles of cooperation and bylaws;

- (2) To elect or appoint the members of the board of directors, and to remove them for cause;
- (3) To approve developmental plans of the cooperative; and
- (4) Such other matters requiring a two-thirds (2/3) vote of all the members of the general assembly, as provided in this Code.

ARTICLE 35. *Meetings.* - (1) A regular meeting shall be held annually by the general assembly on the date fixed in the bylaws, or if not so fixed, on any date within ninety (90) days after the close of each fiscal year: *Provided*, That written notice of regular meeting shall be sent to all members of record at their official addresses at least two (2) weeks prior to the meeting, unless a different period is required in the bylaws.

- (2) Whenever necessary, a special meeting of the general assembly may be called at any time by a majority vote of the board of directors or in the cases specified in the bylaws: *Provided*, That at least one (1) week written notice shall be sent to all members. However, a special meeting shall be called by the board of directors after compliance with the required notice within one (1) month after receipt of a request in writing from at least *ten per centum (10%)* of the total members to transact specific business covered by the call.

If the board fails to call a regular or a special meeting within the given period, the Cooperative Development Authority, upon petition of *ten per centum (10%)* of all the members of the cooperative, and for good cause shown, may issue an order to the petitioners directing them to call a meeting of the general assembly by giving proper notice required by this Code or by the bylaws.

- (3) In the case of a newly approved cooperative, a special general assembly shall be called within ninety (90) days from such approval.
- (4) The Authority may call a special meeting of the cooperative:
  - (a) For the purpose of reporting to the members the result of any audit, examination, or other investigation of the cooperative affairs ordered or made by him; or
  - (b) When the cooperative fails to hold an annual general assembly during the period required for the purpose of enabling the members to secure any information regarding the affairs of the cooperative and benefits that they are entitled to receive pursuant to this Code.
- (5) Notice of any meeting may be waived, expressly or impliedly, by any member.

ARTICLE 36. *Quorum.* - Unless otherwise provided in the bylaws, a quorum shall consist of twenty-five *per centum (25%)* of all the members entitled to vote.

ARTICLE 37. *Voting System.* - (1) Each member of a primary cooperative shall have only one (1) vote. A secondary or tertiary cooperative shall have voting rights as delegate of member-cooperatives, but such cooperatives shall have only five (5) votes. The votes cast by the delegates shall be deemed as votes cast by the members thereof.

(2) No voting agreement or other device to evade the one-member-one-vote provision except as provided under subsection (1) thereof shall be valid.

(3) No member of a primary cooperative shall be permitted to vote by proxy unless provided for specifically in the bylaws of the cooperative. However, the bylaws of a cooperative other than a primary may provide for voting by proxy. Voting by proxy means allowing a delegate of a cooperative to represent or vote in behalf of another delegate of the same cooperative.

ARTICLE 38. *Composition of the Board of Directors.* - The conduct and management of the affairs of a cooperative shall be vested in a board of directors which shall be composed of not less than five (5) nor more than fifteen (15) members elected by the general assembly for a term fixed in the bylaws but not exceeding a term of two (2) years and shall hold office until their successors are duly elected and qualified, or until duly removed. However, no director shall serve for more than three (3) consecutive terms.

ARTICLE 39. *Powers of the Board of Directors.* - The board of directors shall direct and supervise the business, manage the property of the cooperative and may, by resolution, exercise all such powers of the cooperative as are not reserved for the general assembly under this Code and the bylaws.

ARTICLE 40. *Directors.* - (1) Any member of a cooperative who, under the bylaws of the cooperative, has the right to vote and who possesses all the qualifications and none of the disqualifications provided in the laws or the bylaws shall be eligible for election as director.

(2) The cooperative may, by resolution of its board of directors, admit as director, or committee member one appointed by any financing institution from which the cooperative received financial assistance solely to provide technical knowledge not available within its membership. Such director of the cooperative need not be a member of the cooperative and shall have no powers, rights nor responsibilities except to provide technical assistance as required by the cooperative.

ARTICLE 41. *Meeting of the Board, Quorum.* - (1) Regular meetings of the board of directors of every cooperative shall be held monthly, unless the bylaws provide otherwise.

(2) Special meetings of the board of directors may be held at any time upon the call of the President or as provided in the bylaws.

(3) A majority of the members of the board shall constitute a quorum for the conduct of business, unless the bylaws provide otherwise.

- (4) Directors cannot attend or vote by proxy at board meetings.

ARTICLE 42. *Vacancy in the Board of Directors.* - Any vacancy in the board of directors, other than by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, otherwise, the vacancy must be filled by the general assembly in a regular or special meeting called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

ARTICLE 43. *Officers of the Cooperative.* - The board of directors shall elect from among themselves only the chairman and vice-chairman, and elect or appoint other officers of the cooperative from outside of the board in accordance with their bylaws. All officers shall serve during good behavior and shall not be removed except for a cause after due hearing. Loss of confidence shall not be a valid ground for removal unless evidenced by acts or omission causing loss of confidence in the honesty and integrity of such officer. No two (2) or more persons with relationships up to the third degree of consanguinity or affinity shall serve as elective or appointive officers in the same board.

ARTICLE 44. *Committees of Cooperatives.* - (1) The bylaws may create an executive committee to be appointed by the board of directors with such powers and duties as may be delegated to it in the bylaws or by a majority vote of all the members of the board of directors.

- (2) The bylaws shall provide for the creation of an audit committee and such other committees as may be necessary for the proper conduct of the affairs of the cooperative.

Unless otherwise provided in the bylaws, the board, in case of vacancy in said committees, may cause an election to fill the vacancy or appoint a person to fill the same subject to the provision that the person elected or appointed shall serve only for the unexpired portion of the term.

ARTICLE 45. *Functions and Responsibilities of Directors, Officers and Committee Members.* - The functions and responsibilities of the directors, officers and committee members shall be as prescribed in detail in the bylaws of a cooperative.

ARTICLE 46. *Liability of Directors, Officers and Committee Members.* - Directors, officers and committee members, who willfully and knowingly vote for or assent to patently unlawful acts or who are guilty of gross negligence or bad faith in directing the affairs of the cooperative or acquire any personal or pecuniary interest in conflict with their duty as such directors, officers or committee members shall be liable jointly and severally for all damages or profits resulting therefrom to the cooperative, members and other persons.

When a director, officer or committee member attempts to acquire or acquires, in violation of his duty, any interest or equity adverse to the cooperative in respect to any matter which has been reposed in him in confidence, he shall, as a trustee for the cooperative, be liable for damages and for double the profits which otherwise would have accrued to the cooperative.

ARTICLE 47. *Compensation.* - (1) In the absence of any provision in the bylaws fixing their compensation, the directors shall not receive any compensation except for reasonable *per diems*: *Provided*, That any compensation other than *per diems* may be granted to directors by a majority vote of the members with voting rights at a regular or special general assembly meeting specifically called for the purpose: *Provided, further*, That no additional compensation other than *per diems* shall be paid during the first year of existence of any cooperative.

- (2) The compensation of officers of the cooperative as well as the members of the committees created pursuant to this Code or its bylaws may be fixed in the bylaws. . .
- (3) Unless already fixed in the bylaws, the compensation of all other employees shall be determined by the board of directors.

ARTICLE 48. *Dealings of Directors, Officers or Committee Members.* - A contract of the cooperative with one (1) or more of its directors, officers, committee members is voidable, at the option of such cooperative, unless all the following conditions are present:

- (1) That the presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
- (2) That the vote of such director was not necessary for the approval of the contract;
- (3) That the contract is fair and reasonable under the circumstances; and
- (4) That in the case of an officer or committee member, the contract with the officer or committee member has been previously authorized by the general assembly or by the board of directors.

Where any of the first two conditions set forth in the preceding paragraph is absent in the case of a contract with a director, such contract may be ratified by a two-thirds (2/3) vote of all the members with voting rights in a meeting called for the purpose: *Provided*, That full disclosure of the adverse interest of the directors involved is made at such meeting, and that the contract is fair and reasonable under the circumstances.

ARTICLE 49. *Disloyalty of a Director.* - A director who, by virtue of his office, acquires for himself an opportunity which should belong to the cooperative shall be liable for damages and must account for double the profits that otherwise would have accrued to the cooperative by refunding the same, unless his act has been ratified by a two-thirds (2/3) vote of all the members with voting rights. This provision shall be applicable, notwithstanding the fact that the director used his own funds in the venture.

ARTICLE 50. *Illegal Use of Confidential Information.* - (1) A director or officer, or an associate of a director or officer, who, in connection with a transaction relating to shares of a cooperative or a

debt obligation of a cooperative and for his benefit or advantage or that of an associate, makes use of a confidential information that, if generally known might reasonably be expected to affect materially the value of the share or the debt obligation, shall be held

- (a) Liable to compensate any person for a direct loss suffered by that person as a result of the transaction unless the information was known or reasonably should have been known to the person at the time of the transaction; and
  - (b) Accountable to the cooperative for any direct benefit or advantage received or yet to be received by him or his associate as a result of the transaction.
- (2) The cooperative shall take the necessary steps to enforce the liabilities described in subsection (a)

**ARTICLE 51. *Removal.*** - An elective officer, director, or committee member may be removed by a vote of two thirds (2/3) of the voting members present and constituting a quorum, in a regular or special assembly meeting called for the purpose. The person involved shall be given an opportunity to be heard at said assembly.

## CHAPTER V

### RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF COOPERATIVES

**ARTICLE 52. *Address.*** - Every cooperative shall have an official postal address to which all notices and communications shall be sent. Such address and every change thereof shall be registered with the Cooperative Development Authority.

**ARTICLE 53. *Books to be Kept Open.*** - (1) Every cooperative shall have the following open to its members and representatives of the Authority for inspection during reasonable office hours at its official address:

- (a) A copy of this Code and all other laws pertaining to cooperatives;
- (b) A copy of the regulations of the Cooperative Development Authority;
- (c) A copy of the articles of cooperation and bylaws of the cooperative;
- (d) A register of members;
- (e) The books of the minutes of the meetings of the general assembly, board of directors and committees;



- (f) Share books, where applicable;
  - (g) Financial statements; and
  - (h) Such other documents as may be prescribed by laws or the bylaws.
- (2) The chairman of the audit committee of a cooperative shall be responsible for books and records of account of the cooperative in accordance with generally accepted accounting practices. He shall also be responsible for the production of the same at the time of audit or inspection.
  - (3) Each cooperative shall maintain records of accounts such that the true and correct condition and the results of the operation of the cooperative may be ascertained therefrom at any time. The financial statements, audited according to generally accepted auditing standards, principles and practices, shall be published annually.
  - (4) Subject to the pertinent provisions of the National Internal Revenue Code and other laws, a cooperative may dispose by way of burning or other method of complete destruction any document, record or book pertaining to its financial and nonfinancial operations which are already more than five (5) years old except those relating to transactions which are the subject of civil, criminal, and administrative proceedings. An inventory of the audited documents, records, and books to be disposed of shall be drawn up and certified to by the cooperative secretary and the chairman of the audit committee of the cooperative and presented to the board of directors which may thereupon approve the disposition of the said records.

ARTICLE 54. *Annual Reports.* - (1) Every cooperative shall draw up an annual report of its affairs as of the end of every fiscal year, and publish the same furnishing copies to all its members of record. A copy thereof shall be filed with the Cooperative Development Authority within sixty (60) days from the end of every fiscal year. The form and contents of the annual report shall be prescribed by the rules of the Authority. Failure to file the required annual report shall be a ground for revocation of authority of the cooperative to operate as such. The fiscal year of every cooperative shall be the calendar year except as may be otherwise provided in the bylaws.

- (2) If any cooperative fails to make, publish and file the report required herein, or fails to include therein any matter required by this Code, the Cooperative Development Authority shall, within fifteen (15) days from the expiration of the prescribed period, send such cooperative a registered notice, directed to its official postal address stating the delinquency and its consequences. If the cooperative fails to make, publish or file a copy of the report within thirty (30) days from receipt of such notice, any member of the cooperative or the Government may petition the court for *mandamus* to compel the cooperative and its officers to make, publish and file such report, as the case may be, and require the cooperative or the officers at fault to pay all the expenses of the proceeding, including counsel fees when the filing is made by a member.

ARTICLE 55. *Register of members as Prima Facie Evidence.* - Any register or list of members or shares kept by any registered cooperative shall be *prima facie* evidence of the following particulars entered therein:

- (1) The date on which the name of any person was entered in such register or list as member; and
- (2) The date on which any such person ceased to be a member

ARTICLE 56. *Probative Value of Certified Copies of Entries.* - (1) A copy of any entry in any book, register or list regularly kept in the course of business in the possession of a cooperative shall, if duly certified in accordance with the rules of evidence, be admissible as evidence of the existence of the entry and *prima facie* evidence of the matters and transactions therein recorded.

- (2) No person or a cooperative in possession of the books of such cooperative shall, in any legal proceedings to which the cooperative is not a party, be compelled to produce any of the books of the cooperative, the contents of which can be proved and the matters, transactions, and accounts therein recorded, unless by order of a competent court.

ARTICLE 57. *Bonding of Accountable Officers.* - Every director, officer, and employee handling funds, securities or property on behalf of any cooperative shall execute and deliver adequate bonds for the faithful performance of his duties and obligations. The board of directors shall determine the adequacy of such bonds.

ARTICLE 58. *Preference of Claims.* - (1) Notwithstanding the provisions of existing laws, rules and regulations to the contrary, but subject to the prior claim of the Cooperative Development Authority, any debt due a cooperative from a member shall be first lien upon any raw materials, production inputs, and products produced; or any land, building, facilities, equipment, goods or services acquired and held, by such member through the proceeds of the loan or credit granted by the cooperative to him for as the same is not fully paid.

- (2) No property or interest on property which is subject to a lien under paragraph (1) shall be sold nor conveyed to third parties without the prior permission of the cooperative. The lien upon the property or interest shall continue to exist even after the sale or conveyance thereof until such lien has been duly extinguished.
- (3) Notwithstanding the provisions of any law to the contrary, any sale or conveyance made in contravention of paragraph (2) hereof shall be void.

ARTICLE 59. *Instrument for Salary or Wage Deduction.* - (1) A member of a cooperative may, notwithstanding the provisions of existing laws to the contrary, execute an instrument in favor of the cooperative authorizing his employer to deduct from the salary or wages payable to him by the employer and pay to the cooperative such amount as may be specified in satisfaction of any debt or other demand due from the member to the cooperative.

- (2) Upon the execution of such instrument and as may be required by the cooperative contained in a written request, the employer shall make the deduction in accordance with the agreement and remit forthwith the amount so deducted to the cooperative. The employer shall make the deduction for as long as such debt or other demand or any part of it remains unpaid by the employee.
- (3) The term "employer" as used in this article shall include all private firms and the national and local governments and government-owned or controlled corporations who have under their employ a member of a cooperative and have agreed to carry out the terms of the instrument mentioned in paragraphs (1) and (2) of this article.
- (4) The provisions of this Article shall also apply to all such agreements of the nature referred to in paragraph (1) as were in force on the date of the approval of this Code.

ARTICLE 60. *Primary Lien.* - Notwithstanding the provisions of any law to the contrary, a cooperative shall have a primary lien upon the capital, deposits or interest of a member for any debt due to the cooperative from such a member.

ARTICLE 61. *Tax Treatment of Cooperatives.* - Duly registered cooperatives under this Code which do not transact any business with nonmembers or the general public shall not be subject to any government taxes or fees imposed under the Internal Revenue Laws and other tax laws. Cooperatives not falling under this article shall be governed by the succeeding section.

ARTICLE 62. *Tax and Other Exemptions.* - Cooperatives transacting business with both members and nonmembers shall not be subject to tax on their transactions to members. Notwithstanding the provisions of any law or regulation to the contrary, such cooperatives dealing with nonmembers shall enjoy the following tax exemptions:

- (1) Cooperative with accumulated reserves and undivided net savings of not more than Ten Million Pesos (₱10,000,000.00) shall be exempt from all national, city, provincial, municipal or barangay taxes of whatever name and nature. Such cooperatives shall be exempt from customs duties, advance sales or compensating taxes on their importation of machineries, equipment and spare parts used by them and which are not available locally as certified by the Department of Trade and Industry. All tax-free importations shall not be transferred to any person until after Five (5) years, otherwise, the cooperative and the transferee or assignee shall be solidarily liable to pay twice the amount of the tax and/or duties thereon.
- (2) Cooperatives with accumulated reserves and undivided net savings of more than Ten Million Pesos (₱10,000,000.00) shall pay the following taxes at the full rate:
  - (a) Income Tax - On the amount allocated for interest on capitals. *Provided*, That the same tax is not consequently imposed on interest individually received by members;

- (b) Sales Tax - On sales to nonmembers: *Provided, however,* That all cooperatives, regardless of classification, are exempt from the payment of income and sales taxes for a period of ten (10) years.

For cooperatives whose exemptions were removed by Executive Order No. 93, the ten-year period shall be reckoned from the effectivity date of said Executive Order. Cooperatives created after the approval of this Code shall be granted the same exemptions, the period of which shall be reckoned from the date of registration with the Authority: *Provided,* That at least twenty-five *per centum* (25%) of the net income of the cooperatives is returned to the members in the form of interest and/or patronage refunds;

- (c) All other taxes unless otherwise provided herein; and
- (d) Donations to charitable, research, and educational institutions and reinvestment to socio economic projects within the area of operation of the cooperative may be tax deductible.
- (3) All cooperatives, regardless of the amount of accumulated reserves and undivided net savings shall be exempt from payment of local taxes and taxes on transactions with banks and insurance companies: *Provided,* That all sales or services rendered for nonmembers shall be subject to the applicable percentage taxes except sales made by producers, marketing or service cooperatives: *Provided, further,* That nothing in this article shall preclude the examination of the books of accounts or other accounting records of the cooperative by duly authorized internal revenue officers for internal revenue tax purposes only, after previous authorization by the Authority.
- (4) Any judge in his capacity as notary public, *ex officio,* shall render service, free of charge, to any person or group of persons requiring either the administration of oath or the acknowledgment of articles of cooperation of a cooperative applicant for registration and instruments of loan from cooperative not exceeding Fifty Thousand Pesos (₱50,000.00).
- (5) Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Code which does not exceed Fifty Thousand Pesos (₱50,000.00) or the deeds of title or any property acquired by the cooperative or any paper or document drawn in connection with any action brought by the cooperative or with any court judgement rendered in its favor or any instrument relative to a bond of any accountable officer of a cooperative for the faithful performance of its duties and obligations.
- (6) Cooperative shall be exempt from the payment of all court and sheriff's fees payable to the Philippine Government for and in connection with all actions brought under this Code, or where such action is brought by the Cooperative Development Authority before the court, to enforce the payment of obligations contracted in favor of the cooperative.

- (7) All cooperatives shall be exempt from putting up a bond for bringing an appeal against the decision of an inferior court or for seeking to set aside any third party claim: *Provided*, That a certification of the Authority showing that the net assets of the cooperative are in excess of the amount of the bond required by the court in similar cases shall be accepted by the court as a sufficient bond.
- (8) Any security issued by cooperative shall be exempt from the provisions of the Securities Act provided such security shall not be speculative.

ARTICLE 63. *Privileges of Cooperatives.* - Cooperatives registered under this Code shall, notwithstanding the provisions of any law to the contrary, be also accorded the following privileges:

- (1) Cooperatives shall enjoy the privilege of depositing their sealed cash boxes or containers, documents or any valuable papers in the safes of the municipal or city treasurers and other government offices free of charge, and the custodian of such articles shall issue a receipt acknowledging the articles received duly witnessed by another person;
- (2) Cooperatives organized among government employees, notwithstanding any law or regulation to the contrary, shall enjoy the free use of any available space in their agency, whether owned or rented by the Government;
- (3) Cooperatives rendering special types of services and facilities such as cold storage, ice plant, electricity, transportation, and similar services and facilities shall secure a franchise therefore, and such cooperatives shall open their membership to all persons qualified in their areas of operation;
- (4) In areas where appropriate cooperatives exist the preferential right to supply government institutions and agencies rice, corn and other grains, fish and other marine products, meat, eggs, milk, vegetables, tobacco and other agricultural commodities produced by their members shall be granted to the cooperatives concerned;
- (5) Preferential treatment in the allocation of fertilizers and in rice distribution shall be granted to cooperatives by the appropriate government agencies;
- (6) Preferential and equitable treatment in the allocation or control of bottomries of commercial shipping vessels in connection with the shipment of goods and products of cooperatives;
- (7) Cooperatives and their federations, such as market vendor cooperatives, shall have preferential rights in management of public markets and/or lease of public market facilities, stall or spaces;
- (8) Credit cooperatives and/or federations shall be entitled to loans, credit lines, rediscounting of their loan notes, and other eligible papers with the Development Bank of the Philippines,

the Philippine National Bank, the Land Bank of the Philippines and other financial institutions except the Central Bank of the Philippines;

- (9) Cooperatives transacting business with the Government of the Philippines or any of its political subdivisions or any of its agencies or instrumentalities, including government-owned and controlled corporations shall be exempt from pre-qualification bidding requirements; and
- (10) Cooperatives shall enjoy the privilege of being represented by the provincial or city fiscal or the Office of the Solicitor General, free of charge, except when the adverse party is the Republic of the Philippines.

## CHAPTER VI

### INSOLVENCY OF COOPERATIVES

ARTICLE 64. *Proceedings Upon Insolvency.* - In case a cooperative is unable to fulfill its obligations to creditors due to insolvency, such cooperative may apply for such remedies as it may deem fit under the provisions of the Insolvency Law (Act No. 1956, as amended).

Nothing in this article, however, precludes creditors from seeking protection from said insolvency law.

## CHAPTER VII

### DISSOLUTION OF COOPERATIVES

ARTICLE 65. *Voluntary Dissolution Where No Creditors are Affected.* - If the dissolution of a cooperative does not prejudice the rights of any creditor having a claim against it, the dissolution may be effected by a majority vote of the board of directors, and by a resolution duly adopted by the affirmative vote of at least two-thirds (2/3) of all the members with voting rights at a meeting to be held upon call of the directors: *Provided,* That notice of time, place and object of the meeting shall be published for three (3) consecutive weeks in a newspaper published in the place where the principal office of said cooperative is located, or if no newspaper is published in such place, in a newspaper of general circulation in the Philippines: *Provided, further,* That notice of such meeting is sent to each stockholder or member either by registered mail or by personal delivery at least thirty (30) days prior to said meeting. A copy of the resolution authorizing the dissolution shall be certified by a majority of the board of directors and countersigned by the secretary of the cooperative. The Cooperative Development Authority shall thereupon issue the certificate of dissolution.

ARTICLE 66. *Voluntary Dissolution Where Creditors are Affected.* - Where the dissolution of a cooperative may prejudice the rights of any creditor, the petition for dissolution shall be filed with the Cooperative Development Authority. The petition shall be signed by a majority of its board of directors or other officers managing its affairs, shall be verified by its president or secretary or one of its directors and shall set forth all claims and demands against it and that its dissolution was resolved upon by the affirmative vote of at least two-thirds (2/3) of all the members with voting rights, at a meeting called for that purpose.

If the petition is sufficient in form and substance, the Cooperative Development Authority shall, by an order, reciting the purpose of the petition, fix a date on or before which objections thereto may be filed by any person, which date shall not be less than thirty (30) no more than sixty (60) days after the entry of the order. Before such date, a copy of the order shall be published at least once a week for three (3) consecutive weeks in a newspaper of general circulation published in the municipality or city where the principal office of the cooperative is situated, or in the absence of such newspaper, then in a newspaper of general circulation in the Philippines, and a similar copy shall be posted for three (3) consecutive weeks in three (3) public places in the municipality or city.

Upon five (5) days notice given after the date on which the right to file objections as fixed in the order has expired, the Cooperative Development Authority shall proceed to hear the petition and try any issue made by the objections filed; and if no objection is sufficient, and the material allegations of the petition are true, it shall issue an order dissolving the cooperative and directing such disposition of its assets as justice requires. The order of dissolution shall set forth therein:

- (1) The assets and liabilities of the cooperatives;
- (2) The claim of any creditor;
- (3) The number of members; and
- (4) The nature and extent of the interest of the members of the cooperative.

ARTICLE 67. *Involuntary Dissolution.* - A cooperative may be dissolved by order of a competent court after due hearing on the grounds of: (1) violation of any law, regulation, or provisions of its bylaws; or (2) insolvency.

ARTICLE 68. - *Dissolution by Order of the Authority.* - The Authority may suspend or revoke, after due notice and hearing, the certificate of registration of a cooperative on any of the following grounds:

- (1) Having obtained its registration by fraud;

- (2) Existing for an illegal purpose;
- (3) Willful violation, despite notice by the Authority, of the provisions of this Code or its bylaws;
- (4) Willful failure to operate on a cooperative basis; and
- (5) Failure to meet the required minimum number of members in the cooperative.

ARTICLE 69. *Dissolution by Failure to Organize and Operate.* - If a cooperative has not commenced business and operation within two (2) years after the date shown on its certificate of registration or has not carried on business for two (2) consecutive years, the Authority shall send formal inquiry to the said cooperative as to the status of its operation. Failure of the cooperative to promptly provide justifiable cause for its failure to operate shall warrant the Authority to strike off its name from the register and, for all intents and purposes, the cooperative shall be deemed dissolved.

ARTICLE 70. *Cooperative Liquidation.* - Every cooperative whose charter expires by its own limitation or whose cooperative existence is terminated by voluntary dissolution or is terminated by appropriate judicial proceedings shall nevertheless be continued as a body cooperative for three (3) years after the time when it would have been dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets, but not for the purpose of continuing the business for which it was established.

At any time during said three (3) years, said cooperative is authorized and empowered to convey all of its property to trustees for the benefit of members, creditors and other persons in interest. From and after any such conveyance by the cooperative of its property in trust for the benefit of its members, creditors and others in interest, all interest which the cooperative had in the property terminates the legal interest vests in the trustees and the beneficial interest vests in the members, creditors or other persons in interest.

Upon the winding up of the cooperative affairs, any asset distributable to any creditor or shareholder or member who is unknown or cannot be found shall be given to the federation, union or association to which the cooperative is affiliated or to the movement.

Except by decrease of share capital and as otherwise allowed by this Code, no cooperative shall distribute any of its assets or property except upon lawful dissolution and after payment of all its debts and liabilities.

ARTICLE 71. *Rules and Regulations on Liquidation.* - The Authority shall issue the appropriate implementing guidelines for the liquidation of cooperatives.



## CHAPTER VIII

### CAPITAL, PROPERTY, AND FUNDS

ARTICLE 72. *Capital.* The capitalization of cooperatives and the accounting therefor shall be governed by the provisions of this Code and the regulations issued thereunder.

ARTICLE 73. *Capital Sources.* - Cooperatives registered under this Code may derive their capital from any or all of the following sources;

- (1) Members' share capital;
- (2) Loans and borrowings including deposits;
- (3) Revolving capital which consist of the deferred payment of patronage refunds, or interest on share capital; and
- (4) Subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institution whether public or private.

ARTICLE 74. *Limitation on Share Capital Holdings.* - No member of a cooperative other than a cooperative shall own or hold more than *twenty per centum (20%)* of the share capital of the cooperative. Where a member of a cooperative dies, his heir shall be entitled to the shares of the decedent: *Provided*, That the total share holding of the heir does not exceed *twenty per centum (20%)* of the share capital of the cooperative: *Provided, further*, That the heir qualify and is admitted as member of the cooperative: *Provided, finally*, That were the heir fails to qualify as such member or where his total share holding exceeds *twenty per centum (20%)* of the share capital, the share or shares in excess will revert to the cooperative upon payment to the heir of the value of such shares.

ARTICLE 75. *Assignment of Share Capital Contribution or Interest.* - Subject to the provisions of this Code, no member shall transfer his shares or interest in the cooperative or any part thereof, unless:

- (1) He has held such share capital contribution or interest for not less than one (1) year;
- (2) The assignment is made to the cooperative or to a member of the cooperative or to a person who falls within the field of membership of the cooperative; and
- (3) The board of directors has approved such assignment.

ARTICLE 76. *Interest on Share Capital.* - Interest on share capital shall not exceed the normal rate of return on investments as determined by the Cooperative Development Authority and such interest shall be noncumulative.

ARTICLE 77. *Shares.* - The term "share" refers to a unit of capital the par value of which may be fixed at any figure but not less than One Peso (₱1.00). The share capital of a cooperative is the money paid or required to be paid for to conduct its operations. The method of issuing the share certificates may be prescribed in the bylaws of the cooperative.

ARTICLE 78. *Fines.* - The bylaws of a cooperative may prescribe a fine on unpaid subscribed share capital subject to the guidelines which the Cooperative Development Authority may issue.

ARTICLE 79. *Investment of Capital.* - (1) A cooperative may invest its capital in any of the following:

- (a) In shares or debentures or securities of any other cooperative;
- (b) In any reputable bank in the locality, or any cooperative;
- (c) In securities issued or guaranteed by the Government;
- (d) In real state primarily for the use of the cooperative or its members; or
- (e) In any other manner authorized in the bylaws.

ARTICLE 80. *Revolving Capital.* - The general assembly of any cooperative may authorize the board of directors to raise a revolving capital to strengthen its capital structure by deferring the payment of patronage refunds and interest on share capital or by the authorized deduction of a percentage from the proceeds of products sold or per unit of product handled. The board of directors shall issue revolving capital certificates with serial number, name, amount, and rate of interest to be paid and shall distinctly set forth that the time of retirement by such certificates and the amounts to be returned are the discretion of the board of directors.

## CHAPTER IX

### AUDIT, INQUIRY AND MEMBERS' RIGHT TO EXAMINE

ARTICLE 81. *Annual Audit.* - Cooperatives under this Code shall be subject to an annual audit by an auditor who satisfies all the following qualifications:

- (1) He is independent of the cooperative being audited and of any subsidiary of the cooperative; and
- (2) He is a member of any recognized professional accounting or cooperative auditors association with similar qualifications.

ARTICLE 82. *Audit Report.* - The auditor shall submit to the audit committee a report of the audit which shall contain a statement of the assets and liabilities of the cooperative, including earnings and expenses, amount of net surplus as well as losses and bad debts, if any.

The audit committee shall forthwith furnish the board of directors a copy of the audit report. Thereafter, the board of directors shall present the complete audit report of the general assembly in its next meeting.

ARTICLE 83. *Nonliability for Defamation.* - An auditor is not liable to any person in an action for defamation based on any act done, or any statement made by him in good faith in connection with any matter he is authorized or required to do or pursuant to this Code.

ARTICLE 84. *Right to Examine.* - A member shall have the right to examine the records required to be kept by the cooperative under Article 51 of this Code during reasonable hours on business days and he may demand, in writing, for a copy of excerpts from said records without charge except the cost of reproduction.

Any officer of the cooperative who shall refuse to allow any member of the cooperative to examine and copy excerpts from its records shall be liable to such member for damages and shall be guilty of an offense which shall be punishable under Article 106 of this Code: *Provided*, That, if such refusal is pursuant to a resolution or order of the board of directors, the liability under this article shall be imposed upon the directors who voted for such refusal: *Provided, further*, That it shall be a defense to any action under this article that the member demanding to examine and copy excerpts from the cooperative records has improperly used any information secured through any prior examination of the records of such cooperative or was not acting in good faith or for a legitimate purpose in making his demand.

ARTICLE 85. *Safety of Records.* - Every cooperative shall, at its principal office, keep and carefully preserve the records required by this Code to be prepared and maintained. It shall take all necessary precaution to prevent its loss, destruction or falsification.

## CHAPTER X

### ALLOCATION AND DISTRIBUTION OF NET SURPLUS

ARTICLE 86. *Net Surplus.* - Notwithstanding the provisions of existing laws, the net surplus of cooperatives shall be determined in accordance with its bylaws. Every cooperative shall determine its net surplus at the close of every fiscal year and at such other time as may be prescribed by the bylaws.

The net surplus shall not be construed as profit but as excess of payments made by the members for the loans borrowed, or the goods and services bought by them from the cooperative and which shall be deemed to have been returned to them if the same is distributed as prescribed herein.

ARTICLE 87. *Order of distribution.* - The net surplus of every cooperative shall be distributed as follows:

- (1) An amount for the reserve fund which shall be at least ten per centum (10%) of net surplus:
  - (a) The reserve fund shall be used for the stability of the cooperative and to meet net losses in its operations. The general assembly may decrease the amount allocated to the reserve fund when reserve fund already exceeds the share capital.

Any sum recovered on items previously charged to the reserve fund shall be credited to such fund.
  - (b) The reserve fund shall not be utilized for investment, other than those allowed in this Code. Such sum of the reserve fund in excess of the share capital may be used at anytime for any project that would expand the operations of the cooperative upon the resolution of the general assembly.
  - (c) Upon the dissolution of the cooperative, the reserve fund shall not be distributed among the members. The general assembly may resolve:
    - (i) To establish usufructuary trust fund for the benefit of any federation or union to which the cooperative is affiliated; and
    - (ii) To donate, contribute, or otherwise dispose of the amount for the benefit of the community where the cooperative operates. If the members cannot decide upon the disposal of the reserve fund, the same shall go to the federation or union to which the cooperative is affiliated.
- (2) An amount for the education and training fund, which shall be not more than ten per centum (10%) of net surplus. The bylaws may provide that certain fees or fines or a portion thereof be credited to such fund.
  - (a) Half of the amounts transferred to the education and training fund annually under this subsection may be spent by the cooperative for education and training and other purposes; while the other half shall be credited to the cooperative education and training fund of the respective apex organization of which the cooperative is a member. An apex organization maybe a federation or union.
  - (b) Upon the dissolution of the cooperative, the unexpended balance of the education and training fund appertaining to the cooperative shall be credited to the cooperative education and training fund of the abovementioned apex organization.
- (3) An optional fund, a land and building, community development, and any other necessary fund the total of which may not exceed ten per centum (10%).

- (4) The remaining net surplus shall be made available to the members in the form of interest not to exceed the normal rate of return on investments and patronage refunds.

The sum allocated for patronage refunds shall be made available at the same rate to all patrons of the cooperative in proportion to their individual patronage: *Provided, That:*

- (a) In the case of a member patron with paid-up share capital contribution, his proportionate amount of patronage refund shall be paid to him unless he agrees to credit the amount to his account as additional share capital contribution;
- (b) In the case of a member patron with unpaid share capital contribution, his proportionate amount of patronage refund shall be credited to his account until his share capital contribution has been fully paid.
- (c) In the case of a nonmember patron, his proportionate amount of patronage refund shall be set aside in a general fund for such patrons and shall be allocated to individual nonmember patron only upon request and presentation of evidence of the amount of his patronage. The amount so allocated shall be credited to such patron toward payment of the minimum capital contribution for membership. When a sum equal to this amount has accumulated at any time within a period specified in the bylaws, such patron shall be deemed and become a member of the cooperative if he so agrees or requests and complies with the provisions of the bylaws for admission to membership;
- (d) If within any period of time specified in the bylaws, any subscriber who has not fully paid his subscribed share capital or any nonmember patron who has accumulated the sum necessary for membership but who does not request nor agree to become a member or fails to comply with the provisions of the bylaws for admission to membership, the amount so accumulated or credited to their account together with any part of the general fund for non-member patrons shall be credited to the reserve fund or to the education and training fund of the cooperative, at the option of the cooperative.

## CHAPTER XI

### SPECIAL PROVISIONS TO AGRARIAN REFORM COOPERATIVES

ARTICLE 88. *Coverage.* - The provisions of this Chapter shall primarily govern agrarian reform cooperatives: *Provided.* That the provisions of other chapters of this Code shall apply suppletorily except insofar as this Chapter otherwise provides.

ARTICLE 89. *Definition and Purpose* - An agrarian reform cooperative within the meaning of

this Code is one where the majority of the members are agrarian reform beneficiaries and marginal farmers and organized for any or all of the following purposes:

- (1) To develop an appropriate system of land tenure, land development, land consolidation or land management in areas covered by agrarian reform;
- (2) To coordinate and facilitate the dissemination of scientific methods of production, and provide assistance in the storage, transport, and marketing of farm products for agrarian reform beneficiaries and their immediate family, hereinafter referred to as "beneficiaries";
- (3) To provide financial facilities to beneficiaries for provident or productive purposes at reasonable cost;
- (4) To arrange and facilitate the expeditious transfer of appropriate and suitable technology to beneficiaries and marginal farmers at the lowest possible costs;
- (5) To provide social security benefits, health, medical and social insurance benefits and other social and economic benefits that promote the general welfare of the agrarian reform beneficiaries and marginal farmers;
- (6) To provide non-formal education, vocational/technical training, and livelihood programs to beneficiaries and marginal farmers;
- (7) To act as channels for external assistance and services to the beneficiaries and marginal farmers;
- (8) To undertake a comprehensive and integrated development program in agrarian reform and resettlement areas with special concern for development of agro-based, marine-based, and cottage-based industries;
- (9) To represent the beneficiaries on any or all matters that affect their interest; and
- (10) To undertake such other economic or social activities as may be necessary or incidental in the pursuit of the foregoing purposes.

ARTICLE 90. *Cooperative Estates.* - Landholdings like plantations, estates or haciendas acquired by the State for the benefit of the workers in accordance with the Comprehensive Agrarian Reform Program shall be owned collectively by the workers-beneficiaries who shall form a cooperative at their option.

ARTICLE 91. *Infrastructure.* - In agrarian reform and resettlement areas, the Government shall grant to agrarian reform cooperatives preferential treatment, if necessary, the authority to construct, maintain, and manage with government funding roads, bridges, canals, wharves, ports, reservoirs,

irrigation systems, waterworks systems, and other infrastructures. For this purpose, government technical assistance, facilities and equipment shall be made available to such agrarian reform cooperatives for their use.

ARTICLE 92. *Lease of Public Lands.* - The Government may lease public lands to any agrarian reform cooperative for a period not exceeding twenty-five (25) years, subject to renewal for another twenty-five (25) years only: *Provided*, That the application for renewal shall be made one (1) year before the expiration of the lease. *Provided, further*, That such lease shall be for the exclusive use and benefit of the beneficiaries and marginal farmers subject to the provisions of the Comprehensive Agrarian Reform Program.

ARTICLE 93. *Preferential Right.* - In agrarian reform areas, an agrarian reform cooperative shall have the preferential right in the grant of franchise and certificate of public convenience and necessity for the operation of public utilities and services: *Provided*, That it meets the requirements and conditions imposed by the appropriate government agency granting the franchise or certificate of public convenience and necessity.

Electric service agencies shall, upon request of agrarian reform cooperatives, immediately provide electric services to agrarian reform areas. If the electric service agencies concerned fails for any reason to provide the services requested within a period of one (1) year from receipt thereof, the agrarian reform cooperative concerned may provide the electric services in the agrarian reform area directly through its own resources and shall continue to do so until such time that the electric service agency concerned purchases all the investments made by the agrarian reform cooperative in the electrification of the agrarian reform areas.

ARTICLE 94. *Privileges.* - Subject to such reasonable terms and conditions as the Department of Agrarian Reform and the Authority may impose, agrarian reform cooperatives may be given the exclusive right to do any or all of the following economic activities in agrarian reform and resettlement areas:

- (1) Supply and distribution of consumers, agricultural, aquacultural, and industrial goods, production inputs, and raw materials and supplies, machinery, equipment, facilities and other services and requirements of the beneficiaries and marginal farmers in the agrarian reform areas at reasonable prices;
- (2) Marketing of the products and services of the beneficiaries on the local and foreign markets;
- (3) Processing of the members' products into finished consumer or industrial goods for domestic consumption or for export;
- (4) Provision of essential public services at cost such as power, irrigation, potable water, passenger and/or cargo transportation by land, sea, or air, communication services, and public health and medical care services;

- (5) Management, conservation, and commercial development of marine, forestry, mineral, water, and other natural resources subject to compliance with the laws and regulation on environmental and ecological controls;
- (6) Provision of financial, technological, and other services and facilities required by the beneficiaries in their daily lives and livelihood.

The Government shall provide the necessary financial and technical assistance to agrarian reform cooperatives to enable them to discharge effectively their purposes under this Article. The Department of Agrarian Reform, the Cooperative Development Authority and the Central Bank of the Philippines shall draw up a joint program for the organization and financing of the agrarian reform cooperatives subject to this Chapter. The joint program shall be geared towards the beneficiaries' gradual assumption of full ownership and management control of the agrarian reform cooperatives within ten (10) years from the date of registration of said cooperatives.

**ARTICLE 95. *Organization and Registration.*** - Agrarian reform cooperatives may be organized and registered under this Code only upon prior written verification by the Department of Agrarian Reform to the effect that the same is needed and desired by the beneficiaries; results of a study that has been conducted fairly indicate the economic feasibility of organizing the same and that it will be economically viable in its operations; and that the same way now be organized and registered in accordance with the same requirements of this Code.

## CHAPTER XII

### SPECIAL PROVISIONS ON PUBLIC SERVICE COOPERATIVES

**ARTICLE 96. *Definition and Coverage.*** - A public service cooperative, within the meaning of this Code, is one organized to render public services as authorized under a franchise or certificate of public convenience and necessity duly issued by the appropriate government agency. Such services may include the following:

- (1) Power generation, transmission, and/or distribution;
- (2) Ice plants and cold storage services. Electric cooperatives created under Presidential Decree No. 269 shall be governed by this Chapter if they qualify as cooperative under the provisions of this Code;
- (3) Communications services including telephone, telegraph, and telecommunications;
- (4) Land, sea, and air transportation cooperatives for passenger and/or cargo. Transport cooperatives organized under the provisions of Executive Order No. 898, Series of 1983, shall be governed by this Chapter;



- (5) Public markets, slaughterhouses and other similar services; and
- (6) Such other types of public service as may be engaged in by any cooperative. Such cooperative shall be primarily governed by this Chapter and the general provisions of this Code insofar as they may be applicable unless they are inconsistent herewith.

ARTICLE 97. *Registration Requirements.* - No public service cooperative shall be registered unless it satisfies the following requirements:

- (1) It has the favorable endorsement of the proper government agency authorized to issue the franchise or certificate of public convenience and necessity;
- (2) Its articles of cooperation and bylaws provide for the membership of the users and/or producers of the service of such cooperatives; and
- (3) It satisfies such other requirements as may be imposed by the other pertinent government agencies concerned. In case there are two (2) or more applicants for the same public service franchise or certificate of public convenience and necessity, all things being equal, preference shall be given to a public service cooperative.

ARTICLE 98. *Regulation of Public Service Cooperatives.* - (1) The internal affairs of public service cooperatives such as the rights and privileges of members, the rules and procedures for meetings of the general assembly, board of directors and committees; for the election and qualifications of officers, directors, and committee members, allocation and distribution of surpluses, and all other matters relating to their internal affairs shall be governed by this Code.

- (2) All matters relating to the franchise or certificate of public convenience and necessity of public service cooperatives such as capitalization and investment requirements, equipment and facilities, frequencies, rate-fixing, and such other matters affecting their public service operations shall be governed by the proper government agency concerned.
- (3) The Cooperative Development Authority and the proper government agency concerned shall jointly issue the necessary rules and regulations to implement this Chapter.

## CHAPTER XIII

### SPECIAL PROVISIONS RELATING TO COOPERATIVE BANKS

ARTICLE 99. *Governing Law.* - (1) The provisions of this Chapter shall primarily govern cooperative banks registered under this Code and the other provisions of this Code shall apply to them only insofar as they are not inconsistent with the provisions contained in this Chapter.

- (2) Cooperatives duly established and registered under the provisions of this Code may organize among themselves a cooperative bank which shall likewise be considered a cooperative registerable under the provisions of this Code subject to the requirements of and requisite authorization from the Central Bank.

ARTICLE 100. *Definition, Classification and Functions.* - A cooperative bank is one organized by the majority shares of which is owned and controlled by cooperatives primarily to provide financial and credit services to cooperatives. The term "cooperative bank" shall include cooperative rural banks.

A cooperative bank may perform the following functions:

- (1) To carry on banking and credit services for the cooperatives;
- (2) To receive financial aid or loans from the Government and the Central Bank of the Philippines for and in behalf of the cooperative banks and primary cooperatives and their federations engaged in business and to supervise the lending and collection of loans;
- (3) To mobilize savings of its members for the benefit of the cooperative movement;
- (4) To act as a balancing medium for the surplus funds of cooperatives and their federations;
- (5) To discount bills and promissory notes issued and drawn by cooperatives;
- (6) To issue negotiable instruments to facilitate the activities of cooperatives;
- (7) To issue debentures subject to the approval of and under conditions and guarantees to be prescribed by the Government;
- (8) To borrow money from banks and other financial institutions within the limit to be prescribed by the Central Bank; and
- (9) To carry out all other functions as may be prescribed by the Authority: *Provided*, That the performance of any banking function shall be subject to prior approval by the Central Bank of the Philippines.

ARTICLE 101. *Registration Requirements.* - No entity shall be registered by the Cooperative Development Authority as a cooperative bank unless the articles of cooperation and bylaws thereof as well as its establishment and operation as a cooperative bank have been approved by the Central Bank of the Philippines and it satisfies all requirements for registration as a cooperative.

ARTICLE 102. *Membership.* - Membership of a cooperative bank shall include only cooperatives and federations of cooperatives.

ARTICLE 103. *Board of Directors.* - The number, composition, and voting rights of the board of directors shall be defined in the articles of cooperation and bylaws of the cooperative bank, notwithstanding provisions of this Code to the contrary.

ARTICLE 104. *Loans.* - Cooperatives may obtain loans from a cooperative bank. Loans granted by a cooperative bank shall be reported to the Central Bank of the Philippines.

ARTICLE 105. *Supervision.* - The cooperative banks registered under this Code shall be under the supervision of the Central Bank. The Central Bank upon consultation with the agency and the cooperative movement shall formulate guidelines regarding the operations and banking transactions of cooperative banks. These guidelines shall give due recognition to the unique cooperative nature and character of cooperative banks. To this end, cooperative banks may be exempted from Central Bank rules and regulations, applicable to other types of banks, which would impede the cooperative rural bank from performing legitimate financial and banking services to its members.

ARTICLE 106. *Capitalization.* - (1) A national cooperative bank shall have a minimum authorized share capital of Two Hundred Million Pesos (₱200,000,000.00) in relation to Article 14 (5). The authorized share capital shall be divided into such number of shares with a minimum par value of One Thousand Pesos (₱1,000.00) per share. For the purpose primarily of determining the permanency of equity, the types, of share cooperative bank may issue including the terms thereof and the rights appurtenant thereto, subject to such rules and regulations as the Central Bank may prescribe.

(2) A local cooperative bank shall have a minimum authorized share capital of Twenty Million Pesos (₱20,000,000.00) divided into such number of shares with a minimum par value of One Hundred Pesos (₱100.00) per share.

ARTICLE 107. *Distribution of Net Surplus.* - The provisions of this Code on the allocation and distribution of net surplus shall apply.

ARTICLE 108. *Privileges.* - Cooperative banks shall have the following privileges subject to the approval of the Central Bank and compliance with applicable banking laws, rules and regulations:

- (1) The cooperative banks registered under this Code shall be given the same privilege granted to the rural banks, private development banks, commercial banks, and all other banks to rediscount notes with the Central Bank, the Land Bank of the Philippines, and other government banks without affecting in any way the provisions of this Code: and
- (2) To act as a depository of government funds. For this purpose, all government departments, agencies and units of the national and local governments including government-owned and controlled corporations are hereby authorized to deposit their funds in any cooperative bank.

ARTICLE 109. *Assistance to Cooperative Bank.* - Whenever a cooperative bank organized under

this Code is distressed or may need assistance in the rehabilitation of its financial condition or to avoid bankruptcy, the Monetary Board of the Central Bank of the Philippines shall designate an official of the Central Bank of a person of recognized competence in banking or finance as receiver or conservator of the said bank pursuant to the provisions of Section 29, of Republic Act No. 265, as amended.

#### CHAPTER XIV

#### SPECIAL PROVISIONS RELATING TO CREDIT COOPERATIVE

ARTICLE 110. *Coverage.* - This Chapter shall apply only to credit cooperatives and the rest of the provisions of this Code shall apply to them insofar as the same are not inconsistent with the provisions of this Chapter.

ARTICLE 111. *Definition of Objectives.* - A credit cooperative is a financial organization owned and operated by its members with the following objectives:

- (1) To encourage savings among its members;
- (2) To create a pool of such savings for which loans for productive or provident purposes may be granted to its members; and
- (3) To provide related services to enable its members to maximize the benefit from such loans.

ARTICLE 112. *Organization and Registration.* - Credit cooperatives shall be organized and registered in accordance with the general provisions of this Code.

ARTICLE 113. *Organizational Linkage.* - Credit cooperatives may organize chapter or subsidiaries, or join leagues and federations for the purpose of providing commonly needed essential services including but not limited to the following:

- (1) Interlending of surplus fund;
- (2) Mutual benefit;
- (3) Deposit guarantee;
- (4) Bonding;
- (5) Education and training;

- (6) Professional and technical assistance;
- (7) Research and development;
- (8) Representation; and
- (9) Other services needed to improve their performance.

Existing support organizations such as federations of credit cooperatives, credit cooperatives at the provincial, regional, and national levels may continue as such under this Code.

ARTICLE 114. *Prohibition.* - The term "credit cooperative" shall be used exclusively by those who are duly registered under this Chapter, and no person or group of persons, or organizations shall use the said term unless duly registered herein.

## CHAPTER XV

### SPECIAL PROVISIONS RELATING TO COOPERATIVE INSURANCE SOCIETIES .

ARTICLE 115. *Cooperative Insurance Societies.* - Existing cooperatives may organize themselves into a cooperative insurance entity for the purpose of covering the insurance requirement of the cooperative members including their properties and assets.

ARTICLE 116. *Types of Insurance Provided.* - Under the cooperative insurance program established and formed by virtue of the provisions of this Code, the cooperative insurance societies shall provide its constituting members different types of insurance coverage constituting of, but not limited to, life insurance with special group coverage, loan protection, retirement plans, endowment with health and accident coverage, fire insurance, motor vehicle coverage, bonding, crop and livestock protection and equipment insurance.

ARTICLE 117. *Applicability of Insurance laws.* - The provisions of the Insurance Code and all other laws and regulations relative to the organization and operation of an insurance company shall apply to cooperative insurance entities organized under this Code. The requirements on capitalization, investments and reserves of insurance firms may be liberally modified upon consultation with the Cooperative Development Authority and the cooperative sector. But in no case may the requirements be reduced to less than half of those provided for under the Insurance Code and other related laws.

ARTICLE 118. *Implementing Rules.* - The Insurance Commission, upon consultation with the Cooperative Development Authority and the cooperative sector, shall formulate the rules and regulations implementing these provisions.

## CHAPTER XVI

### MISCELLANEOUS PROVISIONS

ARTICLE 119. *Compliance with Other Laws.* - (1) The Labor Code and all other labor laws shall apply to all cooperatives.

- (2) The Social Security Act, the Medical Care Act, and all other social legislations shall apply to all cooperatives.
- (3) All other laws and executive orders applicable to cooperatives duly registered under this Code.

ARTICLE 120. *Register of Cooperatives.* - The Cooperative Development Authority shall establish a register which shall contain a chronological entry of the name of every cooperative registered or dissolved under this Code together with the basic information required for registration or dissolution and any other information considered useful. The Cooperative Development Authority shall publish every year a list of cooperatives in existence, under dissolution and whose registration is cancelled during the year together with such information on each of them as may be prescribed in the regulations.

ARTICLE 121. *Settlement of Disputes.* - Disputes among members, officers, directors, and committee members, and intra-cooperative disputes shall, as far as practicable, be settled amicably in accordance with the conciliation or mediation mechanisms embodied in the bylaws of the cooperative, and in applicable laws.

Should such conciliation/mediation proceeding fail, the matter shall be settled in a court of competent jurisdiction.

## CHAPTER XVII

### FINAL PROVISIONS

ARTICLE 122. *Electric Cooperatives.* - Electric cooperatives shall be covered by this Code. However, there shall be a transition period of three (3) years within which the Cooperative Development Authority and the National Electrification Administration shall help and assist electric cooperatives to qualify under this Code. The Cooperative Development Authority and the National Electrification Administration shall jointly promulgate rules and regulations to the end that the provisions of this law are harmonized with the provisions of Presidential Decree No. 269.

ARTICLE 123. *Regulations.* - (1) The Cooperative Development Authority may issue regulations to implement those provisions of this Code which expressly call for the issuance thereof. This paragraph shall not apply to those cases wherein a specific provision of this Code expressly designates particular government agencies which shall issue the regulations called for by any provision of this Code.

- (2) Where a provision of this Code does not expressly call for nor authorize the issuance of regulation, no regulation shall be issued thereon. Any regulation issued in violation of this paragraph shall be null and void ab initio.
- (3) No regulation shall be issued nor become effective under this Code unless the following requirements are satisfied:
  - (a) Public announcement on the intention to issue regulations describing the subject to be dealt on with a copy of the proposed regulations attached, inviting the public to make known their views thereon and submit their positions with respect thereof. The announcement shall be published in a daily newspaper of national general circulation at least once a week for four (4) consecutive weeks prior to the intended date of commencement of the public hearing thereon, specifying the date, time and place of the public hearing;
  - (b) Public hearings may be conducted separately in Luzon, Visayas, and Mindanao by the Authority and the proceedings thereof shall be duly recorded. Minutes of a public hearing shall be made available to the public at cost. The public hearing may be held in several sessions: *Provided*, That no session shall be conducted unless the minutes of all other previous sessions have been published beforehand;
  - (c) The proceed regulations shall be supported by a memorandum of justification for every provision thereof which shall include citation of the legal bases therefore, the reasons for such provision, and the expected results therefrom; and
  - (d) The regulations shall be recommended by the Authority and approved by the office of the President, and the same shall take effect thirty (30) days after publication in the *Official Gazette*.

ARTICLE 124. *Penal Provisions.* - The following acts or omissions affecting cooperatives are hereby prohibited:

- (1) The use of the word "cooperative" by any person or of persons or organizations, domestic or foreign, unless duly registered as a cooperative under this Code. In case of violation hereof, the individual or individuals concerned, or in the case of an organization, its officers and directors shall, upon conviction, each suffer the penalty of imprisonment for one (1) year and a fine not exceeding One Thousand Pesos (₱1,000.00) or both at the discretion of the court;

- (2) Direct or indirect interference or intervention by any public official or employee into the internal affairs of a cooperative of which he is not a member, such as, but not limited to, the following:
  - (a) Influencing the selection or appointment of officers, directors, committee members, and employees through public or private endorsement or campaign for or against any person or group of persons;
  - (b) Requiring prior clearance for any policy or decision within the cooperative;
  - (c) Requesting or demanding for the creation of positions or organizational units, or recommending any person for appointment, transfer, or removal from his position; or
  - (d) Any other acts inimical or adverse to the autonomy and independence of cooperatives.

In case of violation of any provision of this subsection, the individual or individuals, and in the case of organizations, its officers, and directors shall, upon conviction by a court, each suffer a penalty of not less than one (1) year but not more than five (5) years imprisonment or a fine in the amount of not less than Five Thousand Pesos (₱5,000.00), or both at the discretion of the court;

- (3) A director, officer or committee member who violated the provisions of Article 47 (liability of director, officers and committee members), Article 50 (disloyalty of a director) and Article 51 (illegal use of confidential information) shall upon conviction suffer a fine not less than Five Thousand Pesos (₱5,000.00) nor more than Five Hundred Thousand Pesos (₱500,000.00) or imprisonment of not less than five (5) years but not more than ten (10) years or both at the court's discretion;
- (4) Any violation of any provision of this Code for which no penalty is imposed shall be punished by imprisonment of not less than six (6) months nor more than one (1) year and a fine of not less than One Thousand Pesos (₱1,000.00), or both at the discretion of the court.

**ARTICLE 125. *Printing and Distribution.*** - (1) The National Printing Office shall publish this Code in the Official Gazette in full within sixty (60) days from the date of approval thereof. Copies of this Code shall be given to every department, agency and instrumentality of the National Government, including regional, provincial offices and local governments including government-owned and controlled corporations.

- (2) All duly registered cooperatives and their federations, unions and associations, and cooperative corporations shall be given one (1) copy each at costs. Thereafter, every newly registered cooperative or cooperative corporations shall be issued at cost a copy of this Code and the regulations promulgated thereon together with its certificate of registration.

**ARTICLE 126. *Interpretation and Construction.*** - In case of doubt as to the meaning of any



provision of this Code or the regulations issued in pursuance thereof, the same shall be resolved liberally in favor of the cooperatives and their members.

ARTICLE 127. *Repeals.* - Except as expressly provided by this Code, Presidential Decree No. 175 and all other laws, or parts thereof, inconsistent with any provision of this Code shall be deemed repealed: *Provided, however,* That nothing on this Code shall be interpreted to mean the amendment or repeal of any provision of Presidential Decree No. 269: *Provided, further,* That the electric cooperatives which qualify as such under this Code shall fall under the coverage thereof.

ARTICLE 128. *Transitory Provisions.* - All cooperatives registered under Presidential Decree Nos. 175 and 775 and Executive Order No. 898, and all other laws shall be deemed registered with the Cooperative Development Authority: *Provided, however,* That they shall submit to the nearest Cooperative Development Authority office their certificate of registration, copies of the articles of cooperation and bylaws and their latest duly audited financial statements within one (1) year from the effectivity of this Act, otherwise their registration shall be cancelled: *Provided, further,* That cooperatives created under Presidential Decree No. 269, as amended by Presidential decree No. 1645, shall be given three (3) years within which to qualify and register with the Authority: *Provided, finally,* That after these cooperatives shall have qualified and registered, the provisions of Sections 3 and 5 of Presidential Decree No. 1645 shall no longer be applicable to said cooperatives.

ARTICLE 129. *Separability.* - Should any part of this Code be declared unconstitutional, the rest of the provisions shall not be affected thereby.

ARTICLE 130. *Effectivity.* - This Code shall take effect fifteen (15) days from its publication in a newspaper of general circulation.

Approved,

(SGD.) JOVITO R. SALONGA  
*President of the Senate*

(SGD.) RAMON V. MITRA  
*Speaker of the House  
of Representatives*

This act which is a consolidation of House Bill No. 13029 and Senate Bill No. 513 was finally passed by the House of Representatives and the Senate on March 5, 1990 and March 2, 1990, respectively.

(SGD.) EDWIN P. ACOBA  
*Secretary of the Senate*

(SGD.) QUIRINO D. ABAD SANTOS, JR.  
*Secretary of the House  
of Representatives*

Approved: March 10, 1990

(SGD.) CORAZON C. AQUINO  
*President of the Philippines*

H. NO. 10787  
S. NO. 613

REPUBLIC OF THE PHILIPPINES  
CONGRESS OF THE PHILIPPINES  
METRO MANILA

*Third Regular Session*

Begun and held in Metro Manila, on Monday, the twenty-fourth day of July, nineteen hundred and eighty-nine.

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[REPUBLIC ACT NO. 6939]

AN ACT CREATING THE COOPERATIVE DEVELOPMENT AUTHORITY TO PROMOTE THE VIABILITY AND GROWTH OF COOPERATIVES AS INSTRUMENTS OF EQUITY, SOCIAL JUSTICE AND ECONOMIC DEVELOPMENT, DEFINING ITS POWERS, FUNCTIONS AND RESPONSIBILITIES, RATIONALIZING GOVERNMENT POLICIES AND AGENCIES WITH COOPERATIVE FUNCTIONS, SUPPORTING COOPERATIVE DEVELOPMENT, TRANSFERRING THE REGISTRATION AND REGULATION FUNCTIONS OF EXISTING GOVERNMENT AGENCIES ON COOPERATIVES AS SUCH AND CONSOLIDATING THE SAME WITH THE AUTHORITY, APPROPRIATING FUNDS THEREFORE, AND FOR OTHER PURPOSES.

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. *Declaration of Policy.* - It is hereby declared the policy of the STATE to promote the viability and growth of Cooperatives as instruments of equity, social justice and economic development and to create an agency, in fulfillment of the mandate in Section 15, Article XII of the Constitution. Toward this end, the State shall recognize cooperatives as associations organized for the economic and social betterment of their members, operating business enterprises based on mutual aid, and founded upon internationally accepted cooperative principles and practices.

In furtherance of this policy, the appropriate national economic planning agency shall include the

promotion of growth and expansion of cooperatives as a major and indispensable component of national development plans. All departments, branches, subdivisions and instrumentalities of the Government shall promote the formation of cooperatives under their respective programs by providing them with appropriate and suitable incentives.

The State recognizes, the cooperative sector as primarily responsible for the institutional development of cooperatives. Accordingly, the State recognizes the rights of the cooperative sector to initiate and foster within its own ranks cooperative promotion, organization, training, information gathering, audit and support services, with government assistance where necessary.

Government assistance to cooperatives shall be free from any restriction and conditionality that may in any manner infringe upon the objections and character of cooperatives as provided in this Act. The State shall, except as provided in this Act, maintain the policy of noninterference in the management and operation of cooperatives.

**SECTION 2. *Creation of the Cooperative Development Authority.*** - The Cooperative Development Authority is hereby created under the Office of the President to carry out the provision of this Act.

**SECTION 3. *Powers, Functions and Responsibilities.*** The Authority shall have the following powers, functions and responsibilities:

- (a) Formulate, adopt and implement integrated and comprehensive plans and programs on cooperative development consistent with the national policy on cooperatives and the overall socioeconomic development plans of the Government;
- (b) Develop and conduct management and training programs upon request of cooperatives that will provide members of cooperatives with the entrepreneurial capabilities, managerial expertise, and technical skills required for the efficient operation of their cooperatives and inculcate in the true spirit of cooperativism and provide, when necessary, technical and professional assistance to ensure the viability and growth of cooperatives with special concern for agrarian reform, fishery and economically depressed sectors;
- (c) Support the voluntary organization and consensual development of activities that promote cooperative movements and provide assistance towards upgrading managerial and technical expertise upon request of the cooperatives concerned;
- (d) Coordinate the efforts of the local government units and the private sector in the promotion, organization, and development of cooperatives;
- (e) Register all cooperatives and their federations and unions, including their division, merger, consolidation, dissolution or liquidation. It shall also register the transfer of all or substantially all of their assets and liabilities and such other matters as may be required by the Authority;

- (f) Require all cooperatives, their federations and unions to submit their annual financial statements, duly audited by certified public accountant, and general information sheets;
- (g) Order the cancellation after due notice and hearing of the cooperative's certificate of registration for non-compliance with administrative requirements and in cases of voluntary dissolution;
- (h) Assist cooperatives in arranging for financial and other forms of assistance under such terms and conditions as are calculated to strengthen their viability and autonomy;
- (i) Establish extension offices as may be necessary and financially viable to implement this Act. Initially, there shall be extension offices in the Cities of Dagupan, Manila, Naga, Iloilo, Cebu, Cagayan de Oro and Davao;
- (j) Impose and collect reasonable fees and charges in connection with the registration of cooperatives;
- (k) Administer all grants and donations coursed through the Government for cooperative development, without prejudice to the right of cooperatives to directly receive and administer such grants and donations upon agreement with the grantors and donors thereof;
- (l) Formulate and adopt continuing policy initiatives consultation with the cooperative sector through public hearing;
- (m) Adopt rules and regulations for the conduct of its internal operations;
- (n) Submit an annual report to the President and Congress on the state of the cooperative movement; and
- (o) Exercise such other functions as may be necessary to implement the provisions of cooperative laws and, in the performance thereof, the Authority may summarily punish for direct contempt any person guilty of misconduct in the presence of the Authority which seriously interrupts any hearing or inquiry with a fine of not more than Five Hundred Pesos (P500.00) or imprisonment of not more than ten (10) days, or both. Acts constituting indirect contempt as defined under Rule 71 of the Rules of Court shall be punished in accordance with the said Rule.

SECTION 4. *Governing Body.* - The Authority shall be governed by a Board of Administrators consisting of a Chairman and six (6) members to be appointed by the President, all of whom shall be chosen from among the nominees of the cooperative sector with two (2) representatives each from Luzon, Visayas and Mindanao. They shall serve for a term of six (6) years without reappointment: *Provided*, That among those first appointed, the Chairman shall serve for a term of six (6) years, three (3) members to serve for a term of four (4) years, and the three (3) members to serve for a term of two (2) years: *Provided, further*, That there shall be four (4) *ex officio* members, one (1) each from the : (a)

Department of Agriculture, (b) Department of Transportation and Communications, (c) National Electrification and Administration, and (d) Sugar Regulatory Administration. Said representation status for the agencies is on a nonvoting basis and terminates one (1) year from the operation of the Authority, but said *ex officio* members shall not be holding any other board position in any government entity. The Chairman and members shall serve on a full-time basis. Any vacancy in the Board shall be filled by appointment by the President in accordance with the membership allocation set forth in this section: *Provided*, That a member so appointed shall serve only for the unexpired term.

SECTION 5. *Qualifications of Members of the Governing Board.* - No person shall be appointed Chairman or member of the Board of Administrators unless he possessed the following qualifications:

- (a) A natural born Filipino citizen of legal age;
- (b) A Bachelor's Degree on Cooperatives, Economics, Finance, Agriculture, Fisheries, Veterinary Medicine, Business, Social Science, Law, Management, or in similar fields study and (5) years of experience as an official or officer of a cooperative, government agency, or non-government organization engaged in cooperative development or, in the absence of Bachelor's Degree, at least ten (10) years of experience in cooperatives either as an officer of a cooperative or a government agency or non-government organization engaged in cooperative development; and
- (c) Must be a resident of the region he represents for at least five (5) years.

Any person appointed as Chairman or regular member of the Board of Administrators shall divest himself of any direct or indirect pecuniary interest in or dealings with cooperatives upon his appointment.

SECTION 6. *Board of Administrators Meeting.* - The Board of Administrators shall meet at least once a month for the transaction of its regular business. Special meetings may be called by the Chairman or majority of the members to consider specific matters. A majority vote by the entire Board shall be required for a decision. All meetings of the Board shall be held at the head office in Metro Manila or at any other place as may be determined by the Board.

The Board of Administrators shall appoint an Executive Director who shall be the chief operating officer of the Authority whose compensation shall be fixed by the Board of Administrators.

SECTION 7. *Organization of the Authority.* - The Authority shall be organized within one hundred twenty (120) days from the effectivity of this Act.

SECTION 8. *Mediation and Conciliation.* - Upon request of either or both parties, the Authority shall mediate and conciliate disputes within a cooperative or between cooperatives: *Provided*, That if no mediation or conciliation succeeds within three (3) months from request thereof, a certificate of non-resolution shall be issued by the commission prior to the filing of appropriate action before the proper courts.

**SECTION 9. Powers to Register Cooperatives.** - The power to register cooperatives shall be vested solely on the Authority. The functions of the following departments and agencies relating to the registration of cooperatives as such are hereby transferred to the Authority:

- (a) The Department of Agriculture;
- (b) The Bureau of Agricultural Cooperatives Development;
- (c) The Department of Transportation and Communications;
- (d) The Sugar Regulatory Administration;
- (e) The National Electrification Administration; and
- (f) Any other pertinent government agency.

The Bureau of Agricultural Cooperatives Development created under Executive Order No. 116, series of 1987, is hereby abolished and its qualified employees are hereby absorbed by the Cooperative Development Authority in accordance with its staffing pattern, subject to Civil Service rules and regulations and rules of the Office of Compensation and Position Classification: *Provided*, That the Regional Cooperative Development Assistance Offices of Region IX and XII, created under Executive Order No. 634, are also hereby abolished and their employees shall be given preference for employment with the Cooperative Development Authority in accordance with its staffing pattern, subject to Civil Service rules and regulations: *Provided, finally*, That those who are not absorbed shall be given separation pay computed at one and one fourth (1 1/4) months salary for every year of service. Service of six (6) months or more shall be considered as one (1) year in computing the years of service for severance pay and, whenever applicable, other retirement benefits under existing laws.

**SECTION 10. Transfer of Funds and Programs.** - The Cooperative Development Loan Fund created under Presidential Decree No. 175, as amended, is hereby transferred from the Department of Agriculture to the Authority.

The function of the Fund for Management Training and Assistance Program granted to the Department of Agriculture by Presidential Decree No. 175, as amended, is likewise hereby transferred to the Authority.

The fund provided for the Management Training and Assistance Program under Presidential Decree No. 175, as amended, is hereby converted into a fund for the development of cooperatives and may be used for such purpose upon the request of the cooperatives concerned: *Provided*, That duly registered cooperatives shall have the right to establish their own private training centers or federations for purposes of cooperative development.

In addition, the Cooperative Marketing Project as created under loan agreements which are now managed by the Department of Agriculture is likewise hereby transferred to the Authority.

SECTION 11. *Cooperatives in the Education System.* - The history, philosophy, principles and practices of cooperatives and their role as a factor in the national economy shall be disseminated both in formal and non-formal education.

The role of non-government organizations, not registered as cooperatives but duly registered under Philippine laws and engaged in cooperative promotion, organization, research and education, shall be recognized. The Authority may accredit such nongovernment organizations as non-academic training organizations. The training courses offered by them may be eligible as credits for the purposes of academic, professional and career advancements of their trainees. Existing training centers for cooperatives may qualify as non-government organizations under this Act.

State colleges and universities shall provide technical assistance and guidance to cooperatives in the communities wherein they operate, upon request.

SECTION 12. *Cooperatives in the Banking Systems.* - The promotion and development of cooperative banks as part of the Philippine banking system shall be a major concern of the Authority which shall undertake the necessary program towards this end in collaboration with the Central Bank of the Philippines and the cooperative sector concerned.

SECTION 13. *Rule-Making Authority* - The Authority is hereby authorized to promulgate, after due public hearing and upon approval of the President, such rules and regulations as may be necessary to implement the provisions of this Act. Such implementing rules and regulations shall take effect within fifteen (15) days after publication thereof in the *Official Gazette* or in two (2) newspapers of general circulation. All subsequent amendments to the implementing rules and regulations shall undergo the same process.

SECTION 14. *Prohibition.* - No organization shall be allowed to use the title "cooperative" in its name unless it follows all generally accepted cooperative principles, applicable cooperative laws, and is duly registered under this Act: *Provided*, That organizations which have used the word "cooperative" as part of their nomenclature but which do not qualify as cooperatives under the provisions of this Act shall have three (3) years within which to qualify and to register with the Authority. If at the end of the three-year period provided herein, the said organizations still do not qualify, it shall be unlawful for the organizations to continue using the word "cooperative" in their names.

SECTION 15. *Information Campaign.* - The Cooperative Development Authority is mandated to conduct a six (6) months information campaign on the provisions of this Act, beginning three (3) months from the effectivity of this Act.

SECTION 16. *Appropriations.* - The funds needed to carry out the provisions of this Act shall be charged to the appropriations of the Bureau of Agricultural Cooperatives Development and the Regional Cooperative Development Assistance Offices of Regions IX and XII under the current General Appropriations Act in addition to the appropriations of other departments/agencies/funds whose functions/programs are transferred to the Authority: *Provided*, That in its initial year of operations, an additional amount of not exceeding Sixty Million pesos (₱60,000,000.00) may be



requested and drawn by the Authority from the Contingent Fund of the President. Thereafter, such sums as may be necessary for its continued implementation shall be included in the annual General Appropriations Act.

**SECTION 17. *Transitory Provisions.*** - All cooperatives registered under Presidential Decree Nos. 175 and 775, and Executive Order No. 398 shall be deemed registered with the Cooperative Development Authority: *Provided, however,* That they shall submit to the nearest Cooperative Development Authority office their certificates of registration, copies of their articles of incorporation and by-laws, and their latest duly audited financial statements within one (1) year from effectivity of this Act, otherwise, their registration shall be cancelled: *Provided, further,* That cooperatives created under Presidential Decree No. 269, as amended by Presidential Decree No. 1645, shall be given three (3) years within which to qualify and register with the Authority. *Provided, finally,* That after these cooperatives shall have qualified and registered, the provisions of Section 3 and 5 of Presidential Decree No. 1645 shall no longer be applicable to the said cooperatives.

**SECTION 18. *Repeals.*** - All acts, general orders, executive orders, letters of implementation, letters of instruction, regulations or circulars, or parts thereof, inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly. In case of doubt, the same shall be resolved in favor of the cooperatives.

**SECTION 19. *Separability.*** - If for any case any part of this Act is declared unconstitutional, the rest of the provisions shall remain in force and effect.

**SECTION 20. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in any newspaper of general circulation.

Approved,

(SGD.) JOVITO R. SALONGA  
*President of the Senate*

(SGD.) RAMON V. MITRA  
*Speaker of the House  
of Representatives*

This Act which is a consolidation of House Bill No. 10787 and Senate Bill No. 485 was finally passed by the House of Representatives and the Senate on February 22, 1990 and March 2, 1990, respectively.

**(SGD.) EDWIN P. ACOBA**  
*Secretary of the Senate*

**(SGD.) QUIRINO D. ABAD SANTOS, JR.**  
*Secretary of the House  
of Representatives*

Approved: March 10, 1990

**(SGD.) CORAZON C. AQUINO**  
*President of the Philippines*



Regional Office for  
Asia & the Pacific

Sixth JTC/91-92

25th October 1991

SIXTH ICA JAPAN TRAINING COURSE ON  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
OCTOBER 21, 1991 - MAY 10, 1992

Points for Group Discussion - 25.10.91  
Philippines

1. What are the characteristics of the Philippine agricultural cooperative movement?
2. What are the positive and negative factors you have identified in respect of effective services to members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in Philippines?

GROUP LEADERS TO REPORT ON TRANSPARANCIES USING THE OVERHEAD PROJECTOR.

**Sixth ICA Training Course For  
Strengthening Management of  
Agricultural Cooperatives in Asia**

INDIA THAILAND JAPAN PEOPLES REPUBLIC OF CHINA

**OCTOBER 21, 1991 - MAY, 10 1992**

**A COUNTRY REPORT ON**

**A CRITICAL EXAMINATION OF AGRICULTURAL  
COOPERATIVES THEIR ORGANISATIONAL  
STRUCTURE MANAGEMENT PRACTICES  
AND PROBLEMS IN SRI LANKA**

**PREPARED BY. ANANDA WALISINGHE  
SRI LANKA**



**SRI LANKA COOPERATIVE MARKETING  
FEDERATION**

**127 GRAND PASS ROAD  
COLOMBO - 14**

**SRI LANKA**

A COUNTRY REPORT ON  
A CRITICAL EXAMINATION OF AGRICULTURAL CO-OPERATIVES. THEIR  
ORGANIZATIONAL STRUCTURE, MANAGEMENT PRACTICES AND PROBLEMS  
IN SRI LANKA

SIXTH ICA/JAPAN Training Course for Strengthening Management of Agricultural Co-operative in Asia - 1991-92 India/Thailand/ Japan / People's Republic of China, October 21 , 1991 to May 10, 1992.

INTRODUCTION

Sri Lanka is an Island situated between latitude 7 and 9 in the tropic covering an area of 65836 sq.km. The mountainous area rises in the South Central Region its highest peak 2,484 metres is surrounded on all sides by coastal plains. The mean temperatures are high on the coastal regions ranging 80-85 F. In the hills they fall at a steady rate of one degree F. per each 100 m in elevation.

CLIMATE

The Island is commonly divided into three rainfall Zones. 1525-2285 mm and Dry Zone 1525 mm less. There are considerable variations in rainfall seasonal patterns with regions. The 75 percent expectancy value of annual rainfall ranges from 500 mm to 3175 mm, un-reliable rainfall and frequent dry spells, however are a feature of the entire Dry Zone from January through September and in the Intermediate Zone Low Country from June to September. Conversely poor drainage and frequent flooding are features of the Wet Zone Low Country. Localized flash flood at least to some extent made severe by deforestation of up stream catchments, occur frequently, even in the Dry Zone in October and November.

Mean air temperatures range from 15.5°C. to 28 °C. Generally Temperature is not a limiting factor to plant growth in Sri Lanka except at highest elevations ( 2000-2500 mm ) where frost may occur.

LAND FORM AND ELEVATIONS.

Land form varies from mountainous , steeply dissected hills to rolling undulating and flat. "Up Country", "Mid Country" and "Low Country" are

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commonly used terms in Sri Lanka to describe elevations. They mean up country 900 m above sea level or higher, Mid Country 300-900 m and Low Country 0-300 m.

SOILS.

There are 17 major soil groups and associations. Soils of Sri Lanka pose many problems to plant growth. Major soil group with the fewest problems are the Red - Yellow Podsollic Soils. In the heart of the wet zone which support the bulk of the Tea, Rubber and Coconut plantations and most of the productive home gardens and the low humic clay soils in the Dry and Intermediate Zone which support the majority of paddy fields in those zones for various reasons, the other major soil groups in the dry zone are all under utilized for agricultural cropping at present. The reddish brown earth is the single soil group occupying the largest area in Sri Lanka. It has a low water holding capacity and its moisture range when it is suitable for ploughing. Using Animal Power is very very narrow. It loses water and hardens quickly after each rain. This soil characteristic, made worse by frequent dry spells is a major constraint to Dry Zone Agricultural Development. The non-calcic Brown Soils on the East Coast have very low natural fertility. The Red-Yellow laterite soil in the northern tip of the Island, where ground water is close to the surface and can be easily tapped are intensively cultivated with high-value crops. Those at the base of the Jaffna Peninsula are very much under-utilized due to the great depth and excessive permeability of the soil. In those areas surface ponds cannot be built and ground water is beyond reach. There are also some bog soil in the Wet Zone. Saline and Alkaline soils ( Solonchaks and Solodised Solonets groups ) along the Coastal belt of the Island.

POPULATION.

Sri Lanka had an Estimated Population of 17.5 million in 1990. About three quarters of the population live in the Wet Zone in the South West quadrant ( about 23 percent of the land area) There are the population density reaches 1200-2800 persons per sq.km. Density in the Dry Zone ( 64 percent of the land area) is about 30-50 persons per sq.km. while the national average is 253 persons per sq.km. Urban Population is 21.1 percent and rural 78.9 percent (1985) Male Population is 51 percent and Female 49 percent (1988)

Age Break down of Population ( 1986)

Under 15 years	-	35.3 %
15 - 24 years	-	21.0 %
25 - 44 years	-	26.5 %
45 - 59 years	-	10.6 %
60 - 69 years	-	4.0 %
70 and over	-	2.6 %

Ethnic Composition	-	Sinhalese	-	74.0 %
		Tamil	-	18.2 %
		Moor (Sri Lanka)-		7.1 %
		Others	-	0.7 %
Religious	-	Buddhist	-	69.3 %
		Hindu	-	15.5 %
		Muslim	-	7.6 %
		Christian	-	7.5 %
		Others	-	0.1 %

Birth rate per 1000 population 20.7  
Death rate per 1000 population 5.8  
Natural Increase 1.73 %  
Life expectancy at birth male 68.3 years, female 71.5 years  
Literacy population over 15 years of age 86.1 %  
Male Literate 90.8 % and Female 81.2 %

#### ECONOMIC AND DEVELOPMENT INDICATORS.

Average per capita G.D.P ( 1989) was US \$ 420/ annum of the government budget 6.1 -  $\frac{1}{2}$  (1987) is for health, 8.1  $\frac{1}{2}$  for education. 10.4  $\frac{1}{2}$  for social security and economic services, 11.4 % about half of the population , lives below the poverty line, some 1.5 million families or about 7 million people receive Government Assistance through the issue of foods stamps to the value of Rs 300-350 family/month ( 1988).

Exchange Rate 1 US \$ = Appro. Rs 42.15

#### THE AGRICULTURAL SECTOR.

The Agricultural Sector plays a major role in the economy as the major contributor to the gross Domestic Product. Its percentage share is 24.4 in 1990. It has a significant impact on the other sector of the Economy. In current prices agricultural value added, grew by 11.2 percent in 1990 from 1989. The Total Value added in constant prices in ( 1990 was Rs 10527 millions). Share of the agricultural export 34.6 percent in 1990.

Paddy is the predominant crop grown in Sri Lanka. Its contribution to AGDP and employment occupy a major share. Next to paddy the whole group of vegetables, other field crops and fruits become second important. Excepting a minor extent all these crops are grown on a non-subsistence type of farming. Use of fertilizer, high yielding varieties of weed control. pest control are commonly practised by farmers in growing paddy and other annual crops.

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Tea, Rubber, Coconut , Spice and beverage crops are mainly grow in the Wet-Zone. Where as most of the paddy and other field crops are grown in the Dry Zone.

#### CO-OPERATIVE MOVEMENT IN SRI LANKA.

Co-operative movement in Sri Lanka was started during the early period of the 20 th century. With the start of the Co-operative Credit Societies in early 1920 s for the purpose of ameleorating the lot of the indebtedniss of the rural poor masses the co-operative movement came in to being. There after in 1940 s the co-operative consumer movement was started. In mid 1940 s the first co-operative Agricultural Society was formed at Keppetipola in Badulla District.?

This Society was formed for the purpose of improving the economy of the vegetable farmer in that area. The objectives of the society was to assist the farmer.

1. In supplying better seed materials.
2. Supplying manure.
3. Supplying insectitides.

These are by way of supplying better planting material and imputs. Farmer education also was carried out and better farming methods and techniques were taught to the farmer besides.

This society also undertook the marketing of farmer products so that the farmer was given the best possible price. Marketing facilities were started in Colombo which is the capital of Sri Lanka and also in Kandy which is the second largest city in the Island.

With the emergance of the colonization scheme in North Central Province and Mahiyangana in Kandy District a need arose for the formation of Agröcultural Co-operatives in dealing with rice production. Thus the Co-operative Agricultural Production and Sales Societies were formed in late 1940 s. They were also short litted CAP & S Societies. Later these societies were formed right throughout rice producing areas. Besides rice production these farmers also produce chillies, vegetables, cereals and fruits.

In mid 1950 s the Consumer Societies and Agricultural Societies were amalgamated and village level Multipurpose Co-operative Societies were formed so that members consumer needs and agricultural needs were looked into by one institution instead of many.

As the production of members increased especially in vegetables, cereals, chillies, markets had to be organised for the disposal of these products. Rice Production was for the most part btought by the state. Thus the need for a bigger organisation to handle this surplus of vegetables, cereals and fruits was felt.

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Hence the village level M.P.C.S. Societies got together and formed themselves into unions which are secondary societies and mostly they handled consumer societies union was formed and they supplied the consumer needs of the societies.

Simultaneously The Northern District Agricultural Co-operative Societies Union was formed to cater to the needs of the Northern District Agricultural Societies and All Ceylon Agricultural Producers Co-operative Societies Union was also formed which became the Apex for Agricultural Production and Sales Societies In late 1960 s the Agricultural Apex Union was liquidated and its functions were taken over by All Ceylon Consumer Co-operative Societies Union. In early 1970 s the Northern District Agricultural Co-operative Union and the All Ceylon Consumer Co-operative Union were amalgamated and formed the present Sri Lanka Co-operative Marketing Federation Ltd., MARKFED for short.

This Organisation is the Apex Organisation of the Island's Co-operative Agricultural activities. This Organisation is presently engaged in ,

1. Promotion of member education.
2. Promotion of better training methods.
3. Providing marketing facilities for the member agricultural produce.
4. Providing farm inputs.
5. Promotion of exportation of farmer produce.

2. Apart from these secondary societies, other Agricultural Co-operative Societies such as Rubber Societies, Coconut Societies, Tea Societies were also formed to promote the respective produce. Milk producing societies were also organised to give a helping hand to the small time milk producers. A secondary society is being organised for registration at present.

The following table will show the No. of Agricultural Co-operatives (except milk producing societies) and members of each type in 1989.

(1) <u>AGRICULTURAL SOCIETIES (EXCLUDING MILK PRODUCERS SOCIETIES) - 1989</u>		
<u>SOCIETIES</u>	<u>NUMBER</u>	<u>MEMBER</u>
Multipurpose	286	2393700
Tea	09	2725
Coconut	11	5893
Rubber	63	2190
Other Agricultural <sup>18</sup>	<u>122</u>	<u>18280</u>
Total	<u>491</u>	<u>2422788</u>

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(2)

TRADIN INDICES : AGRICULTURAL SOCIETIES 1989

<u>ITEM</u>	<u>UNIT</u>	<u>1989</u>
01. Rubber Purchase	K.grams	657500
02. Rubber Co-op. Union Ltd.,		
2:1 Sheet Rubber Sales		892400
2:1 Sheet Rubber Value	Rs. Mi.	15.2
2:1 Other Product Sales	Rs MI	0.7
03. Coconut Produce Societies		
3:1 Coconut Oil	Kg.	5480000
3:2 Decicated Coconut	kg.	5537000
04. Coconut Produce Co-op. Union Ltd.,		
4;1 Coconut oil Sales		
i. Quantity	kg.	390100
ii. Value	Rs MI	7.4
4:2 Soap Sales Value	Rs. Mi	2.4
05. Markfed. Vegetables, Fruits and Cereals		
5:1 Turnover	Rs. MI	170900
5:2 Betel Exportation	Rs. MI	37000

(3)

MILK PRODUCTION

<u>ITEM</u>	<u>UNIT</u>	<u>NUMBER 1989</u>
01. Total Cattle and Buffaloes Population	Nos.	2751000
02. Production of Milk	Lt. ML.	238.00
03. N.M.B./Milco Collection	Lt. ML	61.00
04. N.M.B./Milco Collection as a % of Total	%	25.06
05. Milco Collection by Co-op. Soci.	Lt. ML	34.3
06. Co-op. Societies Collection as % of N.M.B. Collection.	%	52.2
07. Number of Societies		226
08. Membership		45366
09. Cird - Post		232600
10. Yoghurt Cups		2098400

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The Village Level M.P.C.S. Societies are handling the consumer needs of the members as well as promotion of Agricultural Activities of the members. These Societies provide the members with seed materials, manure and other inputs. They also provide credit facilities for the membership and also conduct educational programmes. These societies collect the member products and organize sales either in the area of operation or through the Apex Organization which is the Sri Lanka Co-operative Marketing Federation. The Structure of the Primary Society which is the Multipurpose Co-operative Society. (Attached as Annex 1)

Structure of the Agricultural Apex Co-operative Organization.  
(Attached as Annex 02)

4. The above primary societies' and the Apex Organization prepare annual budgets for their respective organizations. These budgets are prepared in conjunction with National Agricultural Programme, so that they share in the National Development Programme. In drawing up these programmes the Societies get the advise of various government Agencies like the Department of Agriculture, the Department of Co-operative Development, The Ministry of Trade and Commerce, etc., .  
  
The budgets are approved by the general body and the results are monitored monthly at the meeting of the Board of Directors. Failures are discussed and necessary action taken to correct them.

#### 5. PROJECT APPROCH

A programme of Mahaweli Co-operative Societies is being launched in the Kalawewa Division of the Mahaweli Development Area Sponsored by the Mahaweli Economic Agency with assistance of the Swedish Co-operative Centre and the Department of the Co-operative Development. There are 13 Societies formed under this programme and it is limited at present to this number since this is a pilot project.

All these Societies have been appointed as agents for the Fertilizer Corporation. The Societies supply the members with fertilizer under credit facilities and on case payments. These Societies are also function as dealers in Chemicals of Petroleum Corporation and also as agents of reputed Institutions dealing in Agro Chemicals. Hence these Societies are in a position to supply the farmer needs of Agricultural inputs in time.

The membership of these societies has risen from 1169 in 1989 to 2673 in 1990. Although there is a growing demand for the membership the scheme does not intend to expand membership because it cannot fulfill all the demands of the new membership at present.

The activities of these societies are closely monitored by the Department of Co-operative Societies and also by the Mahaweli Economic Agency.

A sum of Rs. 1.5 million has been granted to these societies to procure lands and agricultural inputs for Maha Cultivation under this project.

During the first year the Agricultural Produce Purchased by the societies from members are shown below.

<u>COMMDITY</u>	<u>QUANTITY KG.</u>	<u>VALUE (MILLION)</u>
Chillies	60395	3.11
Paddy	484751	2.42
Cowpea, Green Gram, Maize and Black Gram.	9900	0.134

Training Programmes are being conducted regularly for the members of Co-operative societies to improve the knowledge of Co-operative Societies. A special programme has been launched for the participation of women as well. Planning of Agricultural activities and marketing and presenting problems facing the Co-operatives to the project staff of the Mahaweli Development Board is being done by a committee formed by the representatives of the 13 societies. A secondary Society Organized by the participation of these 13 societies have been registered by the Department of Co-operative Development.

#### Societies

It is also proposed to extend this type of Co-operative/ in the Mahaweli system 'C' and to follow suit in the other areas of the Mahaweli Project.

CHALLENGES.

The following are the challenges the Co-operative Organisations have to face which are involved in the agricultural sector.

1. Lack of knowledge of the rural farmer to monitor Production in relation to consumer demand in respect of variety and quantity.
2. The reluctance of the farmer to grade their produce and their lack of the knowledge of the fact that graded produce fetch better price.
3. Lack of knowledge of the farmer and the agent societies is better packing methods of avoid damage to agricultural produce.
4. Lack of organised distribution system by way of transport to avoid wastage by way of perishing due to delay.
5. Very low prices and wastages been are result due to over supply of agricultural produce during the season.
6. Lack of cold rooms facilities to stock and store during the season which could be used to during the off season.
7. Lack of knowledge and facilities in processing to keep for a longer period.

SOLUTIONS AND PLANNING.

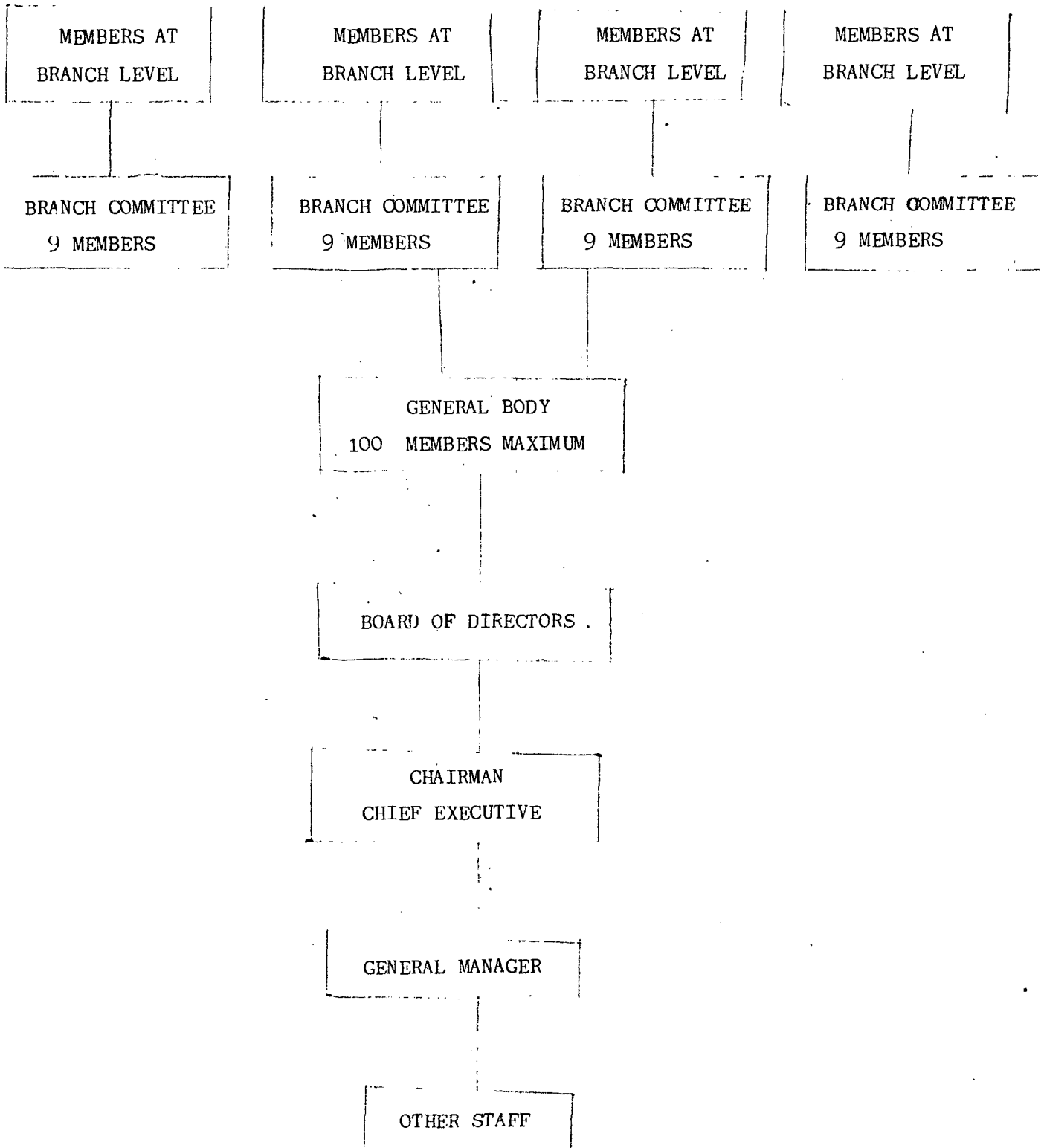
1. Farmers member education  
To study the demand patterns of the consumer with regard to varieties, quantity, quality and price.  
To organize member educations classes and demonstrations at the Village level with the assistance of Government agricultural officers and member societies.
2. To educate the member in regarding according to get standards and specifications and advantages of grading for a better prices by way of conducting workshop at village level.
3. To educate the member in packing better methods by way of conducting workshop at village level.
4. To make arrangement for an efficient and quick distribution of highly perishable items by way of co-ordination with other Co-operative Organization in different district.

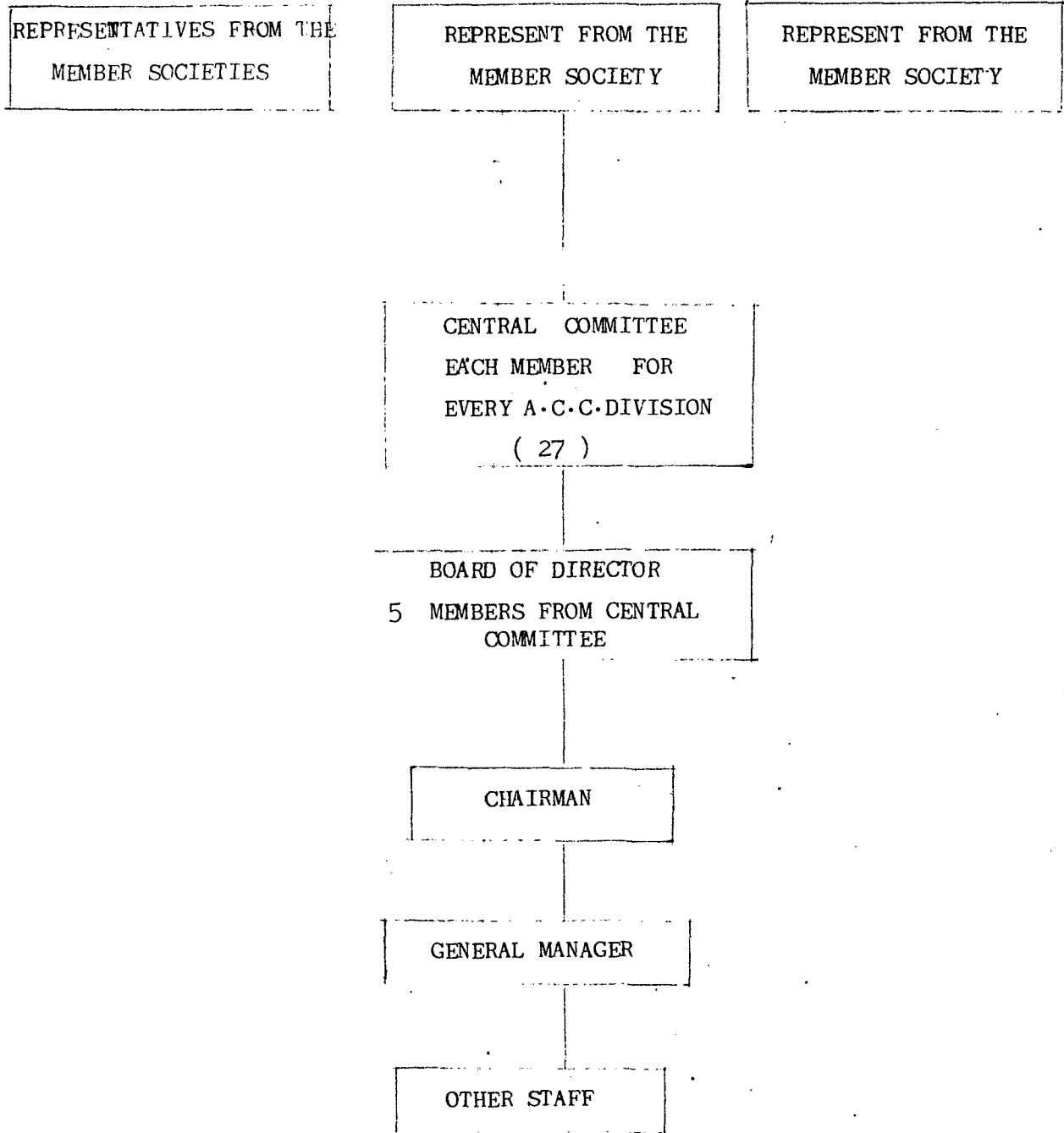
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5. Provide of Cold Rooms facilities in areas of Production for storage purposes.
6. To install machinery and plants for processing of produce such as dehydrate and canning.
7. To explore foreign market for agricultural produce like vegetables, fruits and others.
8. A major problem which face to the Co-operative movement in Sri Lanka today is to raise necessary funds to implement the above plan. It is proposed that we get the assistance of government, National Co-operative Organisation like National Co-operative Council and International Co-operative Organisations to collect necessary funds to finance the above plans.

In order to help the Co-operative Movement in the exercise of solving problems and the challenges referred above in the Co-operative Organizations in Sri Lanka a closer understanding and Co-ordination between the International Co-operative Organizations would be a tremendous help.

MANAGEMENT STRUCTURE







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

**1991 – 1992**

INDIA THAILAND JAPAN PEOPLES REPUBLIC OF CHINA

**OCTOBER 21, 1991 - MAY, 10 1992**

**THE ACTIVITIES AND PROBLEMS IN THE  
ORGANISATIONAL AND MANAGEMENT  
ASPECTS OF THE SRI LANKA COOPERATIVE  
MARKETING FEDERATION**

**PREPARED BY. ANANDA WALISINGHE**



**SRI LANKA COOPERATIVE MARKETING  
FEDERATION**

**127 GRAND PASS ROAD  
COLOMBO - 14**

**SRI LANKA**

OBJECTIVES , ACTIVITIES , PROBLEMS , AND SOLUTIONS TO THE PROBLEMS  
OF SRI LANKA CO-OPERATIVE MARKETING FEDERATION OF SRI LANKA

OBJECTIVES:

The two main objective of Sri Lanka Co-operative Marketing Federation of Sri Lanka, in brief are as follows.

- 1). To assist and help the farmers at grass root level to improve their cultivation in quality and quantity to suit the demand in the Market.
- 11). To assist and help the farmer to market their Produce at the best possible price,

Farmers in Sri Lanka can be identified in two main groups namely.

- 1). Farmers engaged in the cultivation of fruits and vegetables which are perishables and generally grown in the up country wet zone area  
and
- 11). Farmers engaged in the cultivation of grains, cerials and chillies etc. which are non perishables that could be stroed and kept for a longer period.

PRESENT ACTIVITIES THROUGH MEMBER SOCIETIES.

The farmers are members of either primary agricultural Co-operative Societies or Multi Purpose Co-operative Societies which inturn are members of the Federation . The Objective 1 is achived through these member societies. The Federation does not get directly involved in this exercise. The assistance to member farmers, in the farm of agricultural imputs, loans and education are provided by the primary societies. The importance paid to education is rather inadecuate. The agro imputs provided by these primary societies include agricultural implements, seed material, fertilizer and agrochemicals. Agro Chemicals covers a large range of insecticides, fungicides and weedicides. There are 270 such Multi Purpose Co-operative Societies and 60 Agricultural Societies scaltered throuthout the Island. In the field of farmer education department of agriculture plays an important part. It has a fairly good number of technically trained field staff, who supervise and advice the farmers at the grass root level. This service is also rather limited to selection of improved varieties, plant deceases damage by insects and use of agro chemicals.

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PRESENT ACTIVITIES OF THE FEDERATION.

Present activities of the Federation are as follows:

1. Collecting and marketing of fruits and vegetables.
11. Collecting, storing and marketing of non perishables agricultural produce such as grains, cereals, chillies etc.
111. Collecting and exporting of non traditional export crops.
- 1V. Collecting and exporting of Betel.

COLLECTING AND PURCHASING AGENTS.

1. Multi Purpose Co-operative Societies.
11. Primary Agricultural Societies.
111. Permanent Collecting Centres maintained by the Federation .
- 1V. Seasonal Collecting Centres of the Federation.
- v. Collecting Centres sponsored by Government.
- vi. Individuals - Janasavi Awarders ( Poorest class of farmers, who are assisted by the government under a special scheme called Janasaviya Programme.)

MARKETING AGENTS.

- i. Multi Purpose Co-operative Societies.
- ii. Federation's Whole Sale Stores.
- iii. Federation's Retail Outlets.
- iv. Federation's Special Order Unit.
- v. Federation's Export Departments.

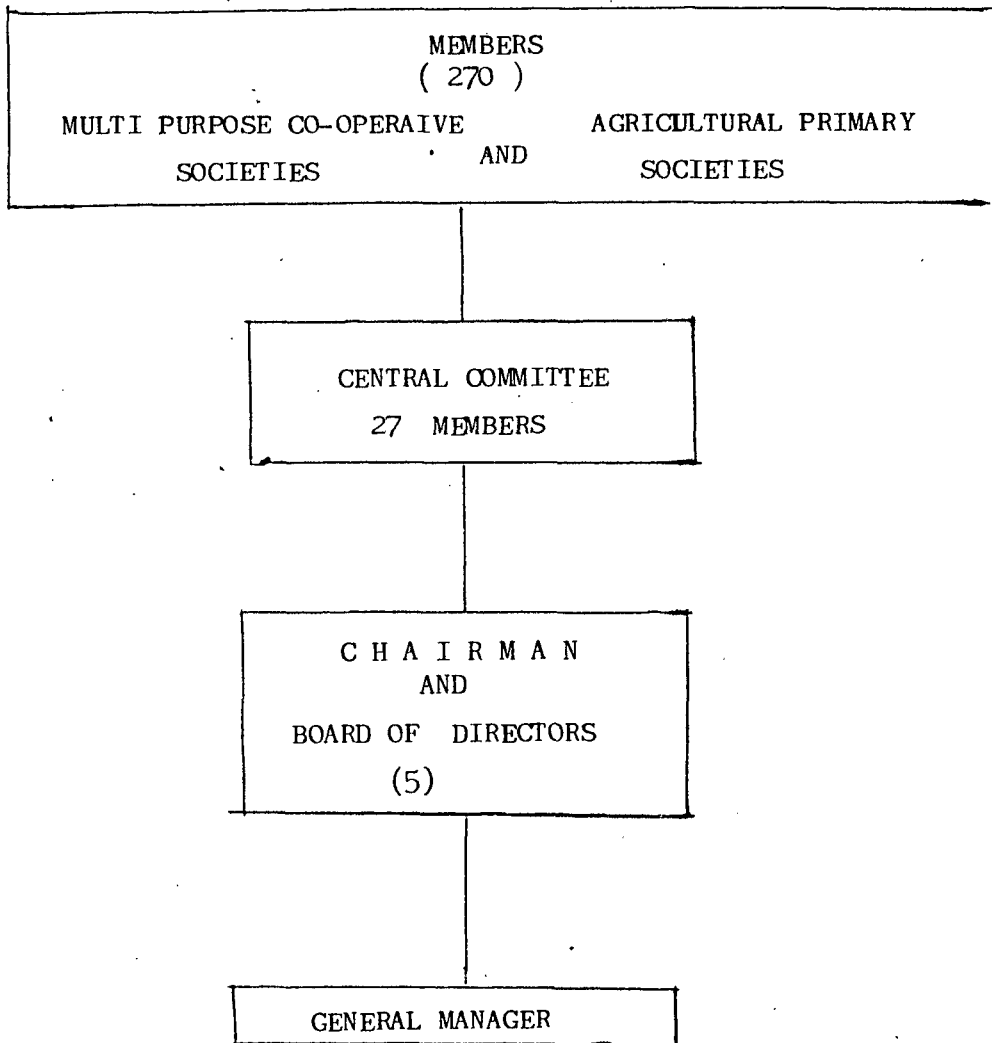
The Agricultural Produce collected by one Multi Purpose Co-operative Society is sold to another Multi Purpose Co-operative Society in a non producing area.

PRESENT STRUCTURE AND ORGANIZATIONAL CHART.

Multi Purpose Co-operative Societies and the Agricultural Co-operative Societies are the members of the Sri Lanka Co-operative Marketing Federation Ltd. It has its by-laws adopted by the General Body and approved by the Commissioner of Co-operative Development. These member societies have contributed to the share capital of the federation by purchasing Rs 1000/- shares. These member societies form the General Body. One representative from each member society meets at the General Meeting, at which a member is elected from each Co-operative Assistant Commissioner's Division. There are 27 such divisions in the Island.

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Only the representatives of the particular division can vote at the election of the particular divisional member. These 27 divisional members from the Central Committee. Members of the Central Committee elects the Board of Directors not exceeding five members including the Commissioner of Co-operative Development has the power to nominate not exceeding 4 members to the Board of Directors and even nominate are of his nominees as the Chairman.

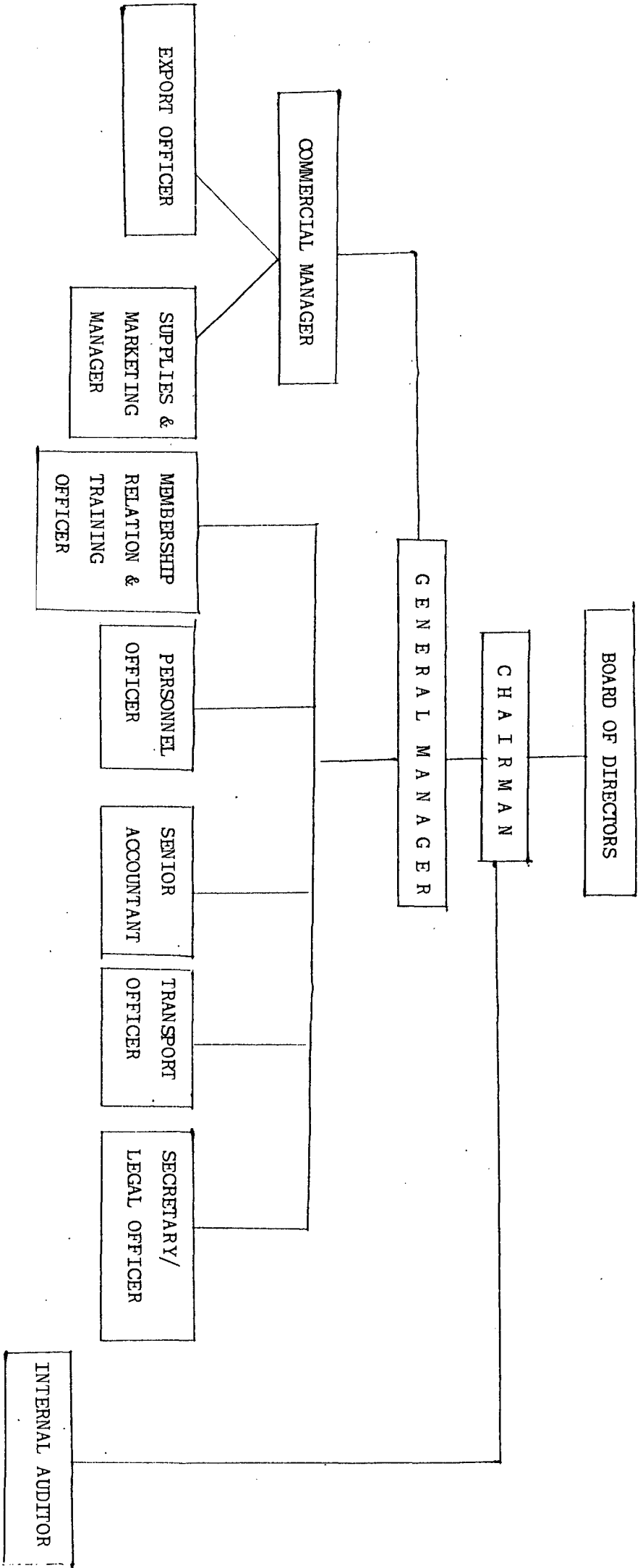


STAFF AND ORGANIZATION CHART

The Total Number of staff is 286. They could be classified as follows;

Management	15
Supervisory	48
Operational (permenent)	203
" (Casual)	20
	<u>286</u>

The management are the General Manager and the Heads of Departments and the rest can be called Middle and Lower Management Staff.



PRESENT SITUATION AND PROBLEMS.

- (1). Under the present situation the percentage of Agricultural Marketing handled by the Co-operative sector is very low.
  - 1/1. Farmers are rather reluctant to market their produce through Co-operative Organization.
  - 1/2. The link between the farmer and the village level Co-operative Organization is very much poorer than that of the private sector collector.
  - 1/3. The producers adopted by the Co-operatives in granting assistance, are long and complex and not simple and quick like in the case of private individuals buyers who do regular buying.
  - 1/4. Co-operative Organisations grant financial assistance for specific purposes, which are directly connected with production, whereas the private individuals buyers look after their other social and urgent needs as well.
  - 1/5. When the prices drop to rock bottom levels in the market due to glut in the market, co-operative organization pay the actual price that fetched however low it may be, this situation discourages the farmer. In a similar situation private individual buyer always pays the farmer something more to prevent him being very unhappy. Of course he makes it a point to recover the extra payment from the farmer when the market is good, without making him feel that he is doing so.
  - 1/6. All transactions with the private individual buyer are more simpler.
  - 1/7. All the above facts contribute to a better link and a better understanding between the farmer and the private individual buyer.
  
- (2). Farmers do not get the best price for their produce due to the following reasons.
  - 2/1. Prices drop when there is a glut in the market. This is the result of unplanned production. Very often all the farmers grow the same variety during a particular season and the harvesting also takes place in the same manner. Specially in the case of perishables glut in the market is very common.

- 2/2. Processing and Preserving methods are not followed to face over production situation in the case of perishables.
- 2/3. Reluctance on the part of the farmers to properly clean their products before sending it to the market . Hence the product become less attractive.
- 2/4. Reluctance on the part of the farmers to grade their produce.
- 2/5. Proper packing methods are not followed.
- 2/6. Improper handling and transportation.
- 2/7. As a result of 2/5 and 2/6 heavy wastage takes place and at the same time quality goes down.
- 2/8. Lack of quick transportation specially in the case of perishable.

(3) FINANCIAL PROBLEMS.

- 3/1. If the Co-operative Sector is to have a control on the prices of Agricultural Produce it must purchase a fairly large percentage of a particular product and store it and prevent uncontrolled flow of products into the market.
- 3/2. In order to implement it, co-operative sector needs adequate funds. Lack of adequate funds is a another big problem.

(4) MANAGEMENT PROBLEMS.

- 4/1. Very small percentage of the farmers are represented in the policy making bodies. It is the farmer who knows best what his problems are and what he wants. Therefore it is of very high importance that farmers are truly and properly represented in the policy making bodies.
  - 4/2. Lack of managerial knowledge at the farmer level can also be considered as a problem.
  - 4/3. Lager degree of governmental control over the Co-operative Organizations.
  - 4/4. Less flexibility of co-operative rules and regulations.
  - 4/5. Reluctance on the part of managers to take managerial dicissions on their own. They always like to involve their superiors in decission making and their results in delay.
  - 4/6. Lethargic attitude of majority employees due to lack of employee mortivation.
- .....

(5) SOLUTIONS.

- 5/1. In order to have a stronger link and better understanding between the farmer and the village level co-operatives the management must carry out a wide and closer study of the farmer needs and problems.
- 5/2. The needs and problems vary from time to time. Therefore in order to achieve the above, frequent discussion with farmers are very helpful.
- 5/3. In dealing with farmers, simple methods and procedures have to be followed.
- 5/4. To strengthen the link between the farmer and the co-operative, the village level society must not only assist the farmer in the production, but also look after the other society needs of the farmer.
- 5/5. Financial assistance to farmer by way of extra payment at a time when the prices drop to very low levels due to glut in the market, will make the farmer feel that he is being truly looked after and that he belongs to the co-operative organisation in which he is a member.
- 5/6. Sri Lanka Co-operative Marketing Federation can conduct meetings and discussion with the management and staff of member societies at which these problems and solutions can be gone into in detail.
- 5/7. Sri Lanka Co-operative Marketing Federation should do a thorough study and market survey along with the Co-operative National Council and prepare national production plan at least in the case of vegetable cultivation, to suit the consumer demands.
- 5/8. Farmers should be made aware of these consumer demands and they should be trained to plan their production to suit it. It will reduce the glut in the market to a considerable extent.
- 5/9. Processing and Preserving methods should be followed in order to face situation of over production and the federation should explore the possibilities of exporting processed vegetables and also expand the export of canned fruits.

.....



- 5/10. Federation with the corporation of the member societies should arrange training classes and workshops to make the farmer aware of the advantages , of clearing, grading, proper handling, and transportation of their produce. As the farmers in Sri Lanka are still married to traditional methods, this will be a slow process. Services of experters on the subjects can be obtained in this regards. But we must always be carefull to modify borrowed methods to suit the condition in Sri Lanka.
- 5/11. Federation along with the Co-operative National Council can request the government to instruct state owned banks to give necessary funds to Co-operative Organization on easy terms . And at the same time National Council can think of seperate bank for the Co-operative Sector.
- 5/12. At present Multi Purpose Co-operative Societies which are more involved in consumer activities and very little agricultural work consists majority of the membership of the federation.
- As the Sri Lanka Co-operative Marketing Federation is an Apex Organisation for agricultural marketing , farmers should be represented in it. Hence steps should be taken to divorce the consumer organisation and enroll agricultural societies as members. This has to be implemented gradually.
- 5/13. Government control over co-operative organisation should be taken out gradually and they must be made more independent bodies. This will help the management and staff to feel more free to take management dicission of their own. Sri Lanka Co-operative Marketing Federation like any other marketing organisation is working in a competitive market.
- And the management has to take quick dicissions. They can do it only when they are free to do so.
- 5/14. Employee mortivation is a very important aspect in any commercial organisation. Therefore steps should be taken to mortivate the employees to perform their duties effeciently and in a mor dedicated manner.
- i. Better salaries.
  - ii. Promotional prospects.
  - iii. Incentive schemes.
  - iv. Periodical Bonuses.
  - v. Employees Training and Development.
  - vi. Better welfare facilities.
  - vii. Fringe Benefits.

- 09 -

It is very important to see that the employees are made to feel that they belong to the organisation.



Regional Office for  
Asia & the Pacific

Sixth JTC/91-92

22nd October 1991

SIXTH ICA JAPAN TRAINING COURSE ON  
STRENGTHENING MANAGEMENT OF AGRICULTURAL  
COOPERATIVES IN ASIA,  
OCTOBER 21, 1991 - MAY 10, 1992

Points for Group Discussion - 22.10.91  
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 members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in Sri Lanka ?

GROUP LEADERWS TO REPORT ON TRANSPARANCIES USING THE OVERHEAD PROJECTOR.

AGRICULTURAL COOPERATIVE IN THAILAND

## Agricultural Cooperatives Movement in Thailand

### 1. Historical Background

The cooperative in Thailand is generally accepted as dating from 1916 when the first cooperative society was established with a group of 16 members in the rural area of Pitsanuloke Province as a village cooperative of the Raiffeisen model on the initiation of the Government of the time. The purpose was to help relieve farmer from severe indebtedness and preventing their mortgaged lands from being foreclosed by the money lenders. After the first cooperative was put up with fair satisfaction the cooperatives of this type were established moderately in the other provinces. In 1920 there were 60 village credit cooperatives in Pitsanuloke, Lopburi and Ayudhya Provinces with a total membership of 1,190 farm households and the total loan provided by the Siam Commercial Bank of \$ 303,668. All these cooperatives were registered under the special legislation called "The Civil Associations (Amendment) At B.E.2459 (1916)"

The first Cooperative Societies Act was promulgated in 2471 (1928) which was amended in 1934 broadening the scope of societies authorized. The land settlement cooperatives were organized in 1935. The consumers' and paddy marketing cooperatives were established in 1938. Service cooperatives were started in 1953 and farm products marketing in 1952. In 1954 there were 10,332 cooperatives of 22 types in the 65 provinces of the country but the village credit cooperatives continued as the most importance.

In 1943, a Bank for Cooperatives was formed to serve financial institute of the cooperatives and to take the place of government's direct lending. It was superseded in 1966 by the Bank for Agriculture and Agricultural Cooperatives with authority lend individual farmers, farmer associations in addition to agricultural cooperatives.

Currently effective enabling legislation is the Cooperative Societies Act B.E.2511 enacted in 1968. It repealed the 1982 legislation. The basic provisions of the 1968 legislation were (1) the restructuring of the cooperative infrastructure under the three-tier system : district (amalgamating of village societies); provincial and national cooperative federations; and (2) the establishment of the Cooperative league of Thailand as a national apex organization of the cooperative movement to function as the promotional and educational body of the cooperatives.

A government program to amalgamate cooperative societies was implemented during 1969-1972 combining several village level credit societies into a district level cooperative called "agricultural cooperative". This type of cooperatives has been contemplated directly towards multipurpose activities, serving the members' needs in credit supplied, marketing, storage and processing deposits and improvement of land that get priority in one cooperative.

At present there are six types of cooperatives in Thailand. They are Agricultural Cooperatives, Land Settlement Cooperatives, Fishery Cooperatives, Consumers' Cooperatives, Thrift and Credit Cooperatives and Service Cooperatives.

The growth of the cooperatives in Thailand as an institution for people's participation is seen from the variety of activities performed by the cooperative sector. As of January 1, 1990 there were in total 3,009 primary cooperatives with a total membership of 3,169,311 families. The breakdown according to types is given below.

<u>Type</u>	<u>Number</u>	<u>Membership</u>
1. Agricultural Cooperatives	1,357	955,603
2. Fishery Cooperatives	25	6,039
3. Land Settlement Cooperatives	<u>95</u>	<u>92,491</u>
sub-total	<u>1,477</u>	<u>1,054,133</u>
4. Thrifts and Credit Cooperatives	827	1,257,164
5. Consumers' Cooperatives	417	758,751
6. Service Cooperatives	<u>288</u>	<u>99,263</u>
sub-total	<u>1,532</u>	<u>2,155,178</u>
Total	<u>3,009</u>	<u>3,169,311</u>

Unofficially, the first three types are grouped into agricultural type while the three latter are classified as non-agricultural cooperative group.

## 2. Present Situation of Agricultural Cooperatives

### Structure and Functions

Agricultural cooperatives exist in a typical three-tier structure : district or primary cooperatives; provincial of changwat level federations; and national federations.

District or primary cooperatives are made up of individual farmers producing primarily grain crops, livestock, fruits, are divided into groups at the village level, based on commodity lines, for the purpose of rationalizing economic business or extension and training.

Provincial or changwat cooperative federations are intermediate or secondary level whose members consisted of primary cooperatives located in the administrative area of the province. At present the agricultural cooperatives are federated at 73 cooperative federations at the provincial or changwat level to undertake the joint business activities, especially, processing and marketing of their affiliates which are beyond ability of an individual cooperative.

The national cooperative levels are organized as the apex organizations of the cooperatives whose members consisted of both primary agricultural cooperatives at the district level and provincial cooperative federations. At this level, the cooperatives are horizontally classified into two categories in the following.

(1) The national federation related to multi-purpose agricultural cooperatives is the Agricultural Cooperative Federation of Thailand Ltd., (ACFT). This apex society is undertaking economic rice, maize, etc, produced by the farmer members of cooperatives as well as purchasing of agricultural inputs, like fertilizers,



chemicals, farm machinery and equipment supply directly to cooperatives and in some cases to its private dealers. As well, a substantial increase in international trade of cooperatives ofr exporting of rice and maize are available through ACFT.

(2) Those apex societies related to specialized agricultural cooperatives are the Sugar-cane Growers Cooperative Federation Ltd., and the Swine-raising Cooperative Federation Ltd., which are carrying out production and marketing activities of swine faisers and sugar-cane growers cooperatives respectively.

As already mentioned, the Cooperative League of Thailand (CLT) was established, under the Cooperative Societies Act B.E. 2511 (1968), as a national apex organization of the cooperative movement. The major activities set down for CLT are the training and promotion of cooperatives of all types.

Hence it is noted that there is at present an organizational linkages within the cooperative movement in Theiland. The organizational structure of the agricultural cooperative movement is shown in Chart 1.

### 3. Organization of Agricultural Cooperatives

The organization of agricultural cooperative are divided into two main parts :

- (1) the policy formulation and controlling : and
- (2) the administration and management.

### 3.1 The Policy Formulation and Controlling are composed of:-

3.1.1 General Meeting Generally, the general meeting is composed of all members. In case of the larger-sized cooperatives or cooperative federations it will choose to have a general meeting by the representatives of members. The members shall be called by the general meeting at least once a year. It has the supreme power in decision making for policy formulation, planning, controlling and decision making for every problem that occurs within cooperative.

3.1.2 Board of Directors The Board shall be elected yearly from the members by the general meeting. The Board consists at least seven but not more than fifteen persons. The powers and duties of the Board are to manage all affairs of cooperative in appropriate ways according to the laws, by-laws, regulations, policies and resolutions of the general meeting.

3.2 The Administration and Management This part consists of the manager and the operating staff. The manager is elected and appointed by the Board of Directors. In turn, the manager will elect and appoint the staff. The manager has as his duty the managing of all day to day activities of cooperative according to the policies under the advice and supervision of the Board.

The organization and management relationship of agricultural cooperatives in Thailand is shown in Chart 2.

## 4. Relationship Between Government Agencies and Cooperatives

Ministry of Agriculture and Cooperatives (MOAC) by the committee on Policy and Planning for Agriculture and Cooperatives

is responsible directly for policy and planning on cooperative development in accordance with the national development objectives. Three Government agencies within MOAC perform a dominant role in the cooperative development as follows :

#### 4.1 The office of the Registrar of Cooperatives

According to the Cooperative Societies Act. B.E. 2511, the Registrar of Cooperative is responsible for registration and controlling of cooperatives, appointing of cooperative auditors, and other works authorized by the Act. At present the Permanent Secretary to the Ministry of Agriculture and Cooperatives is acting as the Cooperative registrar.

#### 4.2 Cooperatives Promotion Department (CPD)

CPD is in charge of supervising, regulating and promoting cooperatives including technical assistance, provision of loans to cooperatives and the works perform on behalf of the Registrar. The Department is headed by a Director-General and three Deputy Director-Generals. There are 10 divisions with 53 sub-divisions and sections at head office which includes also the office of Cooperative Inspectors of 9 regions and Internal Checking Office and Project Management Office. Locally, there are 61 land settlement cooperative offices, 73 Provincial Cooperative Offices, 695 District Cooperative Offices, 12 Agricultural Cooperative Demonstration Centres, 10 Regional Engineering Centres and 10 Regional Cooperative Training Centres. A staff of 7,366 persons are assigned to CPD for carrying these activities. About 52.67% of the staff are in provincial and district offices.

4.3 Cooperative Audit Department (CAD) CAD is in charge of auditing of both cooperatives and farmer associations as well as providing advice and consultation in book-keeping and accounting in collaboration with CPD to cooperative employees. CAD is responsible also for submitting its reports and audits to the Registrar and the copies to CPD.

Moreover, the other related agencies within MOAC, namely Department of Fisheries, Department of Livestock Promotion, Department of Agriculture and Department of Agricultural Extension etc, are providing technical assistance related to their fields to agricultural cooperatives and their members.

As well, a substantial assistance in marketing business is given by Ministry of Commerce. The assistance is made available to agricultural cooperatives in two respects. The first is to purchase milled rice of primary cooperatives through the government purchase program of rice via Public Warehouse Organization and ACFT. The second is to award quotas for the export of agricultural commodities to ACFT for the commodities purchased by primary cooperatives.

## 5. Business Activities of Agricultural Co-operatives

In general, agricultural co-operatives in Thailand are set up among the farmers who are engaged in farming to undertake joint activities based on self help and mutual help. The business activities of agricultural co-operatives may be varied according to the local conditions and crops. However, most of the business activities carried out by agricultural co-operatives in Thailand are as follows:

1. To extend credit to the members
2. To receive deposit from the members
3. To collect agricultural produces/products from the members for marketing
4. To supply agricultural inputs to the members
5. To provide various services to the members such as agricultural extension, irrigation system, Land preparation and etc.

According to the figures available from the Co-operative Audit Department, The business activities of 1,305 agricultural co-operatives which had been audited in fiscal year 1989 as follows:

1. Credit Business : The agricultural co-operatives extended credit to the members amounted to 5,036.85 million Baht, out of which 3,263.20 million Baht was short-term loan, 1,772.73 million Baht was medium term loan and 0.92 million Baht was long-term loan. The credit business was increased by 669.74 million Baht or 15.34 over the year 1988.

2. Saving Business : The agricultural co-operatives received deposit from members amounted to 2,381.92 million Baht out of which 1,470.28 million Baht was saving deposit and 911.64 million Baht was time deposit. The saving business was increased by 747.62 million Baht or 45.75 over the year 1987.

3. Marketing Business : The agricultural co-operatives collected agricultural produces from members amounted to 2,073.26 million Baht out of which 620.18 million Baht was paddy, 207.98 million Baht was rubber, 266.68 million Baht was pineapple, 106.90 million Baht was maize, 58.56 million Baht was sugar cane, 59.25 million Baht was beans and 753.71 million Baht was other produces. The Marketing Business was increased by 723.51 million Baht or 53.60 over the year 1988

4. Supply Business : The agricultural co-operatives supplied agricultural inputa to the members amounted to 1,319.12 million Baht out of which 574.04 million Baht was fertilizer, 64.23 million Baht was insecticides, 58.87 million Baht was agricultural machines, 82.07 million Baht was agricultural tools, 26.98 million Baht was seeds, 119.17 million Baht was rice, 141.62 million Baht was feeds, 15.02 million Baht was gasoline and 237.12 million Baht was other commodities. The supply business was increased by 168.52 million Baht or 14.65 over the year 1988.

5. Services Business : The agricultural co-operatives rendered various services to the members amounted to 74.52 million Baht out of which 3.73 million Baht was land preparation services,

8.02 million Baht was water pumping service, 0.03 million Baht was demonstration field services and 62.74 million Baht was other services. The services business was increased by 25.17 million Baht or 51.00 over the year 1988.

#### 6. Business operation of agricultural co-operatives

As a result of business operation, the agricultural co-operatives earned the total income of 4,572.48 million Baht. While the total expenditures was 4,065.92 million Baht or 90.91 of the total income. The total net surplus was 406.56 million Baht or 9.09 of the total income.

#### 7. Financial Status of Agricultural Co-operatives

As at 31 March 1989, the financial status of agricultural co-operatives were as follows:

- Assets		9,553.10 million Baht
- Current Assets	8,935.39	"
- Fixed Assets	430.07	"
- Other Assets	187.86	"
- Liabilities		5,361.83 million Baht
- Current Liabilities	5,109.65	"
- Fixed Liabilities	67.22	"
- Other Liabilities	184.96	"
- Co-operatives own funds		4,191.49 million Baht
- Shares	2,088.22	"
- Reserve fund	1,480.05	"
- Accumulated fund	289.15	"
- Accumulated loss	72.49	"
- Net Surplus	406.56	"

## Cooperative statistics of Thailand

No	Types	No of societies	No of members
1	Agricultural Cooperatives	1,357	955,603
2	Land settlement Cooperatives	95	92,491
3	Fishery Cooperatives	25	6,039
4	Thaifta credit Cooperatives	827	1,257,164
5	Consumers Cooperatives	417	758,751
6	Services Cooperatives	288	99,263
	Total	3,009	3,169,311

National Cooperative Federations 11

991 member Societies

Provincial Cooperative Federation 74

1046 member societies



Financial Analysis of Agricultural Cooperatives in Thailand

- 1, Members' Shares : The average total shares of the members of Agricultural cooperatives was about 1,567.93 million Baht. An average increase about 199 million baht per year. It is expected that the members shares in 1992 will be about 2,287.22 million Baht.
  
2. Member' Deposit : the average total deposit received from members of agricultural cooperatives was about 785.59 million Baht. In average the members' deposit was about 1,380.38 million Baht per year, about 892.71 million Baht was saving deposit and about 487.67 million was time deposit comparing the members' deposit to the total number of membership of agricultural cooperatives, the total average deposit per one member was about 925.56 million Baht per year. It is expected that the total deposit per one member in 1992 will be about 2,194.81 million baht.
  
3. Credit Business : the average total credit business of agricultural cooperatives was about 4,037.00 million Baht per year. An average increasing of about 4,448.20 million Baht per year. It is expected that the total credit business in 1992 will be about 5,667.97 million Baht
  
4. Sources of Funds : Besides shares capital and deposit collected from the members, the agricultural cooperatives also borrowed from external sources. During the period 1986-1991, agricultural cooperatives borrowed the amount of 4,241.39 million Baht from

external sources. The borrowing increased by 272.20 million Baht over 1988 or 6.68%. Most of the borrowing was employed for relending to the members.

5. Business Operation : The agricultural cooperatives were able to increase the income every every year, the average net profit was about 8.23% of the total income. It is expected that in 1991, the total income of agricultural cooperatives will be about 4,913.02 million Baht and the net profit will be about 618.05 million Baht.

6. Management Efficiency : The management efficiency of agricultural cooperatives during the period 1986-1991 can be summarized as Follows

6.1 Efficiency to employ assets : the efficiency to employ the assets of agricultural cooperatives was not so effective. the average return on assets was 3.76% and the average assets turn over was 0.41.

6.2 Efficiency to employ own funds : the agricultural cooperatives could generate an average income from their own funds by 10.10%. The return on own fund in 1991 was 10.31%. The ability to employ own fund was quite effective

6.3 Liquidity : the liquidity of agricultural cooperatives was quite satisfied. The average current Ratio was 1.59 and the average debt to own fund was 1.63.

Maetaeng Agricultural Cooperative LTD

Maetaeng District.

1. Geographical Area

Meataeng District is located about 40 kms north of Chiang mai by Chiangmai-Fang highway- It has a total area of 1,520,574 square kilometres. About 40% of the Area is forest and mountain The geographical area is as follows:

North - Chiang-dao and Prao district.

South - Maerim district.

East - Sansai district.

- Samerng district and Pai district., Maehongsan Province in Province

There are - main water courses Flowing through Maetaneng district

West - is Ping River, Maetaerg River and Maengead River.

2. Population

The total population of Maetaeng district is 68,056 persons. out of which 34,698 are men and 33,558 are woman. The district. devided into 13 sub-districts (Tambol) and 108 villages (Moe ban)

3. Occupation

Most of the population of Meetaeng district or the total 22,280 farm families are. engaged in Agricultural such as paddy, Fruit crops and livestock The rest are engaged in other occupation such as merchants, workers, government official and others. The major crops in Maetaeng are paddy, tobacco, soybean, garlic and potato

#### 4. Communication

The communication between Maetaeng and Chiang Mai is done through Chiangmai-Fang highway. There is another Road Communication to Pai district, Mueangson Province through Malai-Pai.. Road.

#### Maetoeng Agricultural Cooperative LTD

##### 1. Brief History.

Cooperative has been introduced in Maetaeng District of Chiang-Mai Province Since 1958. At that time 11 small Credit cooperatives had been established. Later on the Ministry of National Development at that time set a policy to amalgamate the small credit cooperatives at the village level into agricultural cooperative at district level in order to enable the cooperative to operate more efficiently. Thus the small credit cooperatives in Maetaeng District Amalgamate into credit type cooperative and Registered on 1 April 1971 as "Maetaeng Agricultural Cooperative" with unlimited Liabilities. There were 295 initial members. On 30 June 1971, the cooperative had changed its type from unlimited to limited liabilities and start its business operation from that time. According to the Ministerial regulations in 1973, the cooperative had changed its type from credit cooperative to agricultural cooperative. At present, Maetaeng Agricultural cooperative LTD has 1,203 members which divided into 22 groups in 10 sub-Districts (Tambol)

##### 2. Business Activities

One of the main objective of the cooperative is to elevate the standard of living of farmer members by joint purchasing joint marketing and joint business operation in order to gain negotiation power to reduce the production cost and exploitation from middlemen.

All of the members are engaged in agricultural su paddy, Fruit field crop and livestock. Thus, the cooperative has to carry out various business activities in order to serve its members efficiently. The business activities carry out by the cooperative as follows

1. Providing loan for members
2. Receiving deposit from members
3. Supplying commodities, agricultural inputs and other necessary goods at reasonable price
4. Collecting members product for marketing
5. Providing farm extension service to the members.
6. Providing Social welfare service to the members and non members farmers who need assistance
7. Providing funeral welfare for the members and their spouse

### 3. Performance of the cooperative

The cooperative has carried out business activities which benefit the members and the community considerably. As at the end of June 1991, the performance of the cooperative can be recorded as follows

#### 3.1 Credit Business

The cooperative provided credit to the members in 2 categories as short term loan and medium-term loan

#### 3.2 Receiving Deposit from members

The cooperative receiving deposits from members in order to promote the members to save their money and to mobilize funds to the cooperative as well

4. Inputs Supply Business

The cooperative supplied agricultural inputs to the members

5. Marketing Business

The cooperative collected members' produce for marketing (soybeans and paddy)

6. Social Welfare

6.1 CCF project: the cooperative has got financial support from CCF to assist the poor children in Maetaeng district since 1984. At present, there are 401 poor children which are the children of members and non-member farmers, get assistance under this project.

6.2 supplementary diet for school children project: in 1991 the cooperative provided from its social welfare fund amount of 5,880 Baht to provide supplementary diet (Banana) in 182 school children in Wat Twa Kam school. Besides, the cooperative has also set its own fund to provide supplementary diet for school children by requesting the parent of the children who will benefit from this fund to contribute 2 Baht per month to the fund and the cooperative also launched a campaign for donation from members and general public. So far the amount of 9,925 Baht raised to the fund.

education and occupational promotion

The Cooperative realizes the importance of education and occupational promotion 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 give training to pre-members in cooperative principle and practices so that they will understand the right, duties and responsibilities as the cooperative members.



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Points for Group Discussion - 22.10.91  
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 members?
3. What are your suggestions for improving the organisational set up and functions of the cooperatives in Thailand ?

GROUP LEADERWS TO REPORT ON TRANSPARANCIES USING THE OVERHEAD PROJECTOR.

group A

22/10/21

## Characteristics.

1. Village multipurpose Co-op societies were formed to arrange for members consumers and agricultural needs.
2. Education and training of farmers through agricultural Co-op.
3. Societies have been appointed as agents for the fertilizer Corporation



group A.

22/10/91

## 2) Positive.

1. Co-op have been able to arrange inputs like -  
better plantation, and seeds, fertiliser and  
insecticides facilities
2. Sales societies were formed to market the  
farmers produce.
3. Encouragement was recieved from the success  
by sales co-op which resulted in. organizati  
of. rubber, coconut and tea co-op.

Group A

22/10/21.

-2)

Negative.

1. Farmers ignorance about product gradation and quality control.
2. Lack of market control measures, storing and distribution facilities.

Group A

22/10/21.

3)

### Suggestion

1. Member education at grass root level about the quality produce.
2. Better packing and processing storing facility to keep the quality intact for longer period.
3. Marketing facility and efficient distribution system.
4. Dividend distribution to the growers to encourage more quality production.
5. Increased participation as loan from the Government and share from the members to raise funds.

Indonesia

Group A

22/10/21.

Suggestion.

1. There should be a clear policy towards agricultural cooperative.
2. Government country on agricultural Co-op should be relaxed rather short term easy credit facilities should be given to the Co-op.
3. Proper co-ordination among the KUDs and its secondary society should be maintained.
4. Farmers motivation at grass root level to join the KUDs.

## Indonesian Cooperatives Development

Group A, 22 October, 1991

### Characteristics :

1. Government encourages to sell shares of the private companies to the cooperatives linked with business interest.
2. KUDs are members of the rural credit ~~members~~ banks which enable them to improve their services to the members
3. KUD renders community development services like health services, family planning, formation of rural bank, and encourages the members for saving and gives credit.

Indonesia.

group A

22/10/91.

Positive.

1. It has been realised by monetary authority that gradually interest subsidies to agricultural sector should be reduce and finally must be removed.
2. Distribution of Fertiliser and insecticides through KUD for the farmers.
3. Engagement of KUD in saving and loan - distribution to its members.
4. No. licences are issued to Private companies for fertiliser distribution. only small retailers may operate under the guidance of KUDs. ~~it provides opportunity of individual members to a leader~~  
~~It provides opportunity of individual members to a leader~~
5. KUD creates leadership among the farmers groups to be the members of the nominated board.
6. Government regulation to allocate credit from the bank for the Co-operatives.

## Negative

1. High interest rate of loan from the bank.
2. Failure of KUD to pay back the bank loan.
3. Lack of coordination among the KUDs and between the KUD and its secondary level.
4. No specific policy about the development of agricultural cooperatives in Indonesia.
5. Government control on cooperatives hinders the normal cooperative growth.

⋮

Group (B) 22/10/1991  
AGRICULTURE COOPERATIVE ACTIVITIES IN  
Q.I : CHARACTERISTIC THAILAND.

- \* The cooperatives in Thailand have a three tier structure :-
- primary - District (made up of individual farmer from village level)
  - secondary - Province (changwat) intermediate whose ~~total~~ member consisted of primary cooperative located in the administrative area.
  - Apex level - National Federation <sup>agri credit</sup> ~~Agricultural Cooperative Federation of Thailand Ltd (ACFT)~~

- \* Planning & Policy making
- Ministry of Agricultural & Cooperative according to with National Development Objective.

- Registrar - Government responsible for registration and control of cooperative, appointment of cooperative auditors and other works authorized by the act.

- Cooperative promotion department - Government department
- Audit - Came from Cooperative Audit Department.



## GROUP B Agric. Coop Act in Thailand

### POSITIF FACTOR

1. MARKET & PRICE GUARANTEES IS PROVIDED BY GOVERNMENT FOR ENSURING BETTER CONDITION FOR THEM TO COMPETE IN OPEN MARKET
2. A SUBSTANTIAL ASSISTANCE IN MARKETING & BUSINESS IS GIVEN BY MINISTRY OF COMMERCE, THE ASSISTANCE IS MADE AVAILABLE TO AGRICULTURE COOP IN TWO RESPECT. THE FIRST IS TO PURCHASE MILLED RICE OF PRIMARY-COOP THROUGH THE GOV'T PURCHASE PROGRAM OF RICE VIA PUBLIC WAREHOUSE ORGANISATION AND SECOND IS TO AWARD QUOTAS FOR THE EXPORT AGRIC. COM. TO ACFT FOR THE COMMODITIES PURCHASE BY PRIMARY-COOP

### NEGATIVE FACTOR

1. THOSE GOVERNMENT AGENCIES WITHIN MOAC PLAYS OVER DOMINANT ROLE IN THE COOP DEVELOPMENT AS COOP AUDIT DEPARTEMENT (CAD) → ~~RULE~~ CONCERNING RULE & REGULATION.
2. EFFICIENCY TO EMPLOY OWN FUNDS ; THE AGRIC. COOP. COULD GENERATE AN AVERAGE INCOME FROM THEIR OWN FUNDS BY 10.10%. THE RETURN ON OWN FUND IN 1991 WAS 10.31% ?
3. LIQUIDITY : THE LIQUIDITY OF AGRIC. COOP. THE AVERAGE CURRENT RATIO WAS 1.59. DEBT TO OWN FUND WAS 1.63

GROUP B Agr. Coop. Act. in Thailand.

SUGGESTION

1. IN ORDER TO <sup>THE</sup> OBJECTIVITIES <sup>THE</sup> FOR APPRAISAL ACCOUNTANCE, ITS BETTER ~~WAS~~ AUDIT-COOP IS ESTABLISHED FOR SUBMITTING IF'S REPORT AND AUDITS TO THE REGISTRAR AND THE COPIES TO CPD.

GROUP No B 24.10.91 KOREA COOP.

Q.No 1) CHARACTERISTICS:

- 1) Vertically two tier system
- Horizontally two categories of coop.
  - (1) MULTI PURPOSE - FOOD GROWERS
  - (2) SPECIAL COOP. - VEG. & FRUIT GROW.

2) CHAIRMAN AND PRESIDENT OF APEX FED. ELECTED BY PRESIDENTS OF MEMBER COOPERATIVE.

(3) COOPERATIVE INSURANCE AGAINST ACCIDENT, SICKNESS Etc.

Q.No 2 - POSITIVE POINTS

1) GOOD GROWTH IN COOP. DEPOSITS

(2) FUNCTIONING UNDER SEVERE COMPETITIVE ENVIRONMENT.

NEGATIVE POINTS.

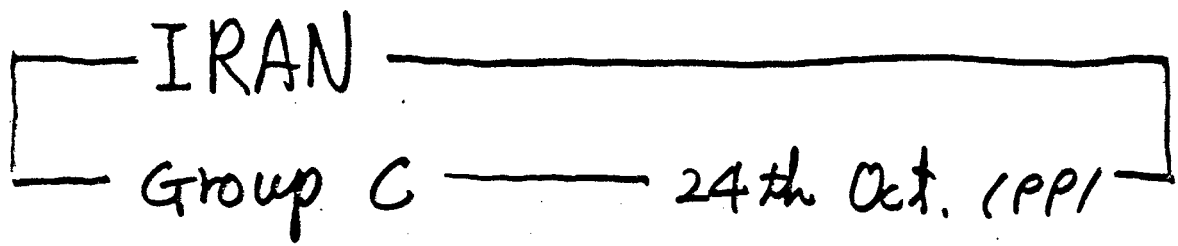
(1) PEOPLE VIEW COOP. AS GOVT. AGENCY

(2) VERY LOW FUNCTIONING IN AGRO-PROCESSING.

(3) SHARE IN AGRI. PRODUCE MARKET IS ONLY 20%

Q.No 3. SUGGESTIONS.

- SHOULD DIVERSIFY IN AGRO-PROCESSING
- EXPORT OF AGRI. PRODUCE
- UNDER INCREASED PRESSURE OF INDUSTRIALISATION AND OPEN MARKET CONDITIONS COOP. SHOULD DEVELOP CLOSE RAPPORT WITH COMMON PEOPLE THROUGH COMMUNITY SERVICES.



## Characteristics.

- o Rural Cooperative Society.
  - Rendering credit services
  - providing agricultural tools & instruments
  - Established a shop for consumers.
- o Unions of rural cooperative societies
  - Entire requirements
  - Goods
  - Services to the members of R.C.S.
- o Central unions of rural cooperatives
  - Distribution of consumption
  - proposals & service to the U.R.C.S.
  - Marketing, sales, and purchase

## 2.1. Positive factors.

- No. of ~~directors~~<sup>debtors</sup> is decreasing
- Amount of capital is increasing
- No. of agricultural cooperative societies is increasing very fast in one year.
- Agricultural cultivation area has been increasing.

## 2.2. Negative factors

- High rate of population growth.
- No. of rural coop. members is decreasing.
- No. of consumer stores is also significantly decreasing.
- They have weak agricultural production base
- Farmers are still <sup>using</sup> the traditional Farming system

### (3) Group c

#### 3. Suggestions.

- Model farming system have to be introduced.
- Farming education system must be spread to the grass-root level.
- Efficient marketing activities should be implemented.

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  
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CRITICAL EXAMINATION  
OF  
AGRICULTURAL COOPERATIVES, THEIR ORGANISATIONAL  
STRUCTURES, MANAGEMENT PRACTICES AND PROBLEMS  
IN VIETNAM

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I/ SOME BASIC FACTS ABOUT VIETNAM

The Socialist Republic of Vietnam is situated in South - East Asia, bordered to the North by the People's Republic of China, to the West by Laos and Kampuchea, and to the East by the South China Sea. It has a total area of 330,363 sq.Km (1990) , of which the cultivated area occupies 20%, forest - 31,3% and pasture - 14,8%. The total population is 69 mill (census result 1990) with average annual growth of 2,6% . The density is 196 per sq. km. Life expectancy has been estimated at 63. An annual per capita income is of less than 200 USD. About 80 % of the total population live in the countryside. The country is divided administratively into 44 provinces, which are divided into more than 500 districts. 84% of the population are Vietnamese (Kinh). There are also over 60 minority groups thinly spread in the extensive mountainous regions. The monetary unit is the dong. Present exchange rate is more than 10.000 dong to USD 1.



## II/ BRIEF BACKGROUND OF AGRICULTURAL COOPERATIVE MOVEMENT

2.1. Vietnam is mainly an agricultural country, therefore the problems of agriculture and rural areas have always occupied a priority place. Presently 73% of the labour force are engaged in agriculture. Thus, as the main occupation of the people, agricultural sector directly contributes around 45% of the gross domestic product (GDP). Being one of the poorest countries in the world with economically backward, especially in agriculture, Vietnam needs a strong based agricultural foundation to develop its agriculture and rural economy, in order to provide necessary services to farmers, such as farm credit, farm extension, farm input, marketing, processing...

2.2 Historically the agricultural cooperative movement in Vietnam has taken its source in 1959, when the State of Democratic Republic of Vietnam launched the movement for building agricultural cooperatives which was in the main completed by 1960. In 1965, agricultural cooperatives underwent a qualitative change: low-level cooperatives were paired to a higher level with the collectivization of all means of production and the distribution of products was done in accordance with contribution in the form of labour. Social justice was created by the existence of cooperatives, along with a sense of solidarity of the whole people - one of the factors of the victory recorded in the anti-US Resistance.

2.3. Since 1970, the small cooperatives had been changed into big ones of the scale of whole village. This, on the one hand, resulted in the emergence of

material bases and favourable conditions for some mechanization in land work and irrigation and for the application of such scientific and technical achievements as the selection of seeds and manuring. But on the other hand, such a big scale for cooperatives led to difficulties in the management of production represented by the level of heads of cooperatives, of Chief accountants, etc. Moreover, the material and technical bases for agricultural production were still too low, and this could not give rise to high productivity and big production.

2.4. After the country was reunified in 1975, on the basis of experiences in agri. cooperativization in the North, in South Vietnam a socialist reformation in agriculture was undertaken rashly, at rather a quick tempo. Thus, many mistakes and shortcomings had been done. The movement for agricultural cooperativization in the South at that stage did not obtain expected results. Rice productivity showed no increase - it rather decreased. Peasants' life met with additional difficulties.

2.5. To deal with the situation, the Party Central Secretariat on January 13, 1981 issued Directive No 100 on the implementation, in favour of peasant households, of a regime of contract on products. From now on, apart from those stages in production which are left to the direct management by cooperatives (ploughing, hydraulics, fighting against insects, etc), the cooperative member is to care for the transplanting of Rice-seedlings, manuring and harvesting in the plot of land given on contract to his family. He is entitled to enjoy the payment for work done in those stages and part of the

cooperative's crops after deduction of taxes, contribution to various funds and production expenditures. Besides, those households which overfulfil norms set in the contract are entitled to enjoy the benefit of overfulfilment. It should be admitted that in a number of crops immediately following the implementation of this regime, production actually increased in many localities. But gradually, the positive effect of the regime faded for many reasons : the peasant still had not the initiative of his action in the process of production, he was still a person "hired" by the cooperative. In many places, norms set by the contract were too high, and consequently the peasant enjoyed next to nothing from his investment in labour and materials, etc. As a result, his ardour in production went down and agricultural production once again fell into a state of stagnation.

2.6. To radically deal with a number of mistakes in in agriculture accumulated over the years which prevented the development of production, such as subjectivism and haste, forced advance to big - scale cooperatives, lack of encouragement to family economy, inadequate attention paid to private economy, etc., the Party Politburo on April 5, 1988 took Resolution No 10 on all-sided renovation of economic management in agriculture. Thanks to this Resolution the situation in agriculture has gradually improved. Eagerness in production has slowly come back among peasants. One and a half million tones of rice exported in 1989 to some extent made this clear.

III/ THE PRESENT ORGANISATION OF PRODUCTION AND  
MANAGEMENT IN AGRICULTURE .

3.1. Vietnam became self - sufficient in food for the first time in 1983. The country has got one of the most fertile lands but due to paucity of capital and inputs and sometime due to its inapt use, the productivity is rather low compared to countries capable of using advanced and higher technologies. The principal crops in Vietnam are rice , maize, sorghum, cassava, sweet potatoes. Vegetables and fruits of various kind and spices are also grown .

3.2. Owing to the new changes and development of Government policy and economy Vietnam, which effects the organization, administration and management of Vietnamese agricultural cooperative movement , the new models of agricultural cooperatives are introduced. Nowadays they play a very important role in the fields of production of goods, distribution and social service activities in the countryside of Vietnam. Radical changes have taken place after the Government's effort to revitalizing and restructuring of the cooperatives. Farmers' active participation in the innovation process has brought different forms of agricultural cooperatives:

a) Those formed on the basis of voluntary funding between farmer households or between the cooperative and farmer households;

b) Those based on signing contract with the present agricultural cooperatives for handling their business establishment;

c) Those existed for many years now, and which still ill have an influence on farmer households and rural affairs that others will not be undertaken.

3.3. The agricultural cooperatives now have assumed d greater responsibilities to provide necessary help and support services to the poor people in the countryside. Presently they are engaged in a wide range of business activities which can be divided into two main components namely :

- Supply and service;
- Purchasing, marketing, processing;

The objective of agro-based cooperatives in Vietnam is the promotion of the social and economic interests of their members. In order to achieve this desired objective, the agricultural cooperatives carry out various activities and functions, such as :

- Production and selling of agricultural inputs (fertilizers, chemical ,seeds, etc).
- To provide agricultural machinery service, such as tractor, water pump, transportation, etc.
- To provide credit facilities to members by revolving fund or acting as agent to agricultural Bank.
- Conducting farmers' saving scheme, investment and insurance.
- Marketing of agricultural products.
- To undertake various industries related to agriculture, such as processing of coffee, paddy, cassava, sweet potatoes and fruit.

- To promote agricultural projects, such as collective farming, orchards, etc.

- Purchasing agricultural products.

3.4. The developing process of Vietnam agriculture during last ten years can be expressed by the following table :

		1981	1982	1983	1984	1985	1987	1988	1989
Grain production	mil.tons	15,0	16,8	17,0	17,8	18,2	17,6	19,6	21,5
Avg grain per head	kg	273	299	296	303	304	280	307	334
Fund invested by state into agriculture (1982 price taken)	mil.dong	2938,9	2390,2	3100,5	4427	4608,5	2920,2	3226	2175

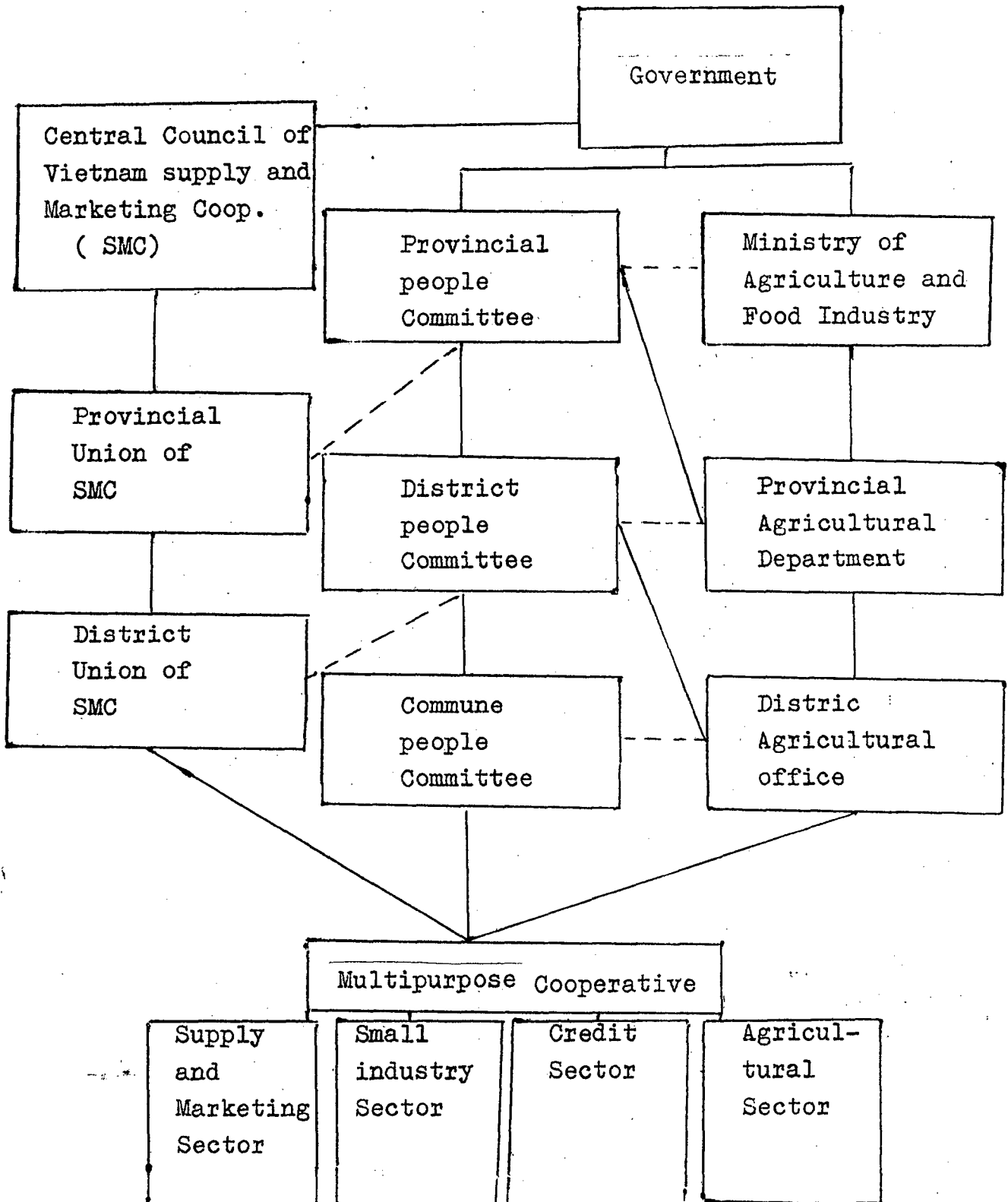
It should be mentioned that the 1985-1987 period was the crisis one for agriculture in Vietnam. And due to the shortage of fund, the state investment to agriculture has been reducing last years.

Principal crops harvested during last years :

(Thousand metric tons)

	! 1985 !	1986 !	! 1987 !	1988 !	! 1989
Rice(Paddy)	!15.875!	16.003!	!15.300!	17.000!	!18.996
Maize	! 587!	570!	! 550!	814!	! 837
Sorghum	! 50!	53!	! 50!	!	!
Sweet potatoes	! 2.000!	2.200!	! 2.150!	1901 !	! 1.909
Cassava	! 3.000!	3.000!	! 2.950!	2.839!	! 2.585
Pulses	! 80!	85!	! 80!	95!	! 102,1
Soybeans	! 86!	94!	! 90!	85,3 !	! 82
Groundnuts(in shell)	!	!	!	!	!
cotton seed	! 4,5 !	5 !	! 4,2 !	4,2 !	! 3,3
Coconuts	!611,7 !	!711,3 !	!790,9 !	!856,5 !	! 922,1
Vegetables	!2.719 !	! 3.100!	! 3.096!	! 2.909!	! 3.135,4
Fruit	! 3.526!	! 3.798!	! 3.828!	!	!
Sugar cane	! 6.600!	! 6.850!	! 6.600!	!5700,4!	!5344,6
Coffee	! 12,3 !	! 18,8 !	! 20,5 !	! 31,3 !	! 40,8
Tea(made)	! 28 !	! 30,1 !	! 28,9 !	! 29,7 !	! 30,2
Tabacco(leaves)	! 38 !	! 33 !	! 36 !	! 35,5 !	! 23,9
Jute	! 63 !	! 40 !	! 46 !	! 36,8 !	! 34,3
Natural rubber	! 53 !	! 60 !	! 57 !	! 49,7 !	! 50,6

3.5. Organisational structure and management of agricultural management system in Vietnam





#### IV/ RENOVATION OF AGRICULTURAL ECONOMIC MANAGEMENT

4.1. 3 years ago, Vietnam has launched the renovation in its economy, taking the free market mechanism as the objective of the whole renovating process. Agriculture is not the exceptional sector. This is due to a lot of shortcomings and defects along with mistakes made in the policies of price, salary, circulation of goods, etc, leading to the high rate of inflation and needing to be ousted.

4.2. The renovation of agricultural economic management must meet the following requirements :

- Truly liberate the productive force ; coordinate the organization of production with renovation in every field; strengthen the material and technical bases and apply technological progress in agriculture; develop the potential of economic sectors in all regions and branches; Transform our still self-sufficient agri. economy into goods-producing sector towards the line of specialization combined with comprehensive business undertaking, appropriate to the natural, economic and social characteristics of each region; transform agriculture step by step into a large-scale socialist producing sector with a view to satisfying basis needs in grain and foodstuffs and supplying more materials to the manufacture of consumer and export goods, contributing to the realization of three great economic programmes, (promotion of agricultural production for improving food situation in the whole country; promotion of consumer goods production; promotion of export-goods production and goods for replacing import goods), building up and protecting the ecological environment, enlarging the market in the countryside for

the development of industry, coordinating closely agriculture with industry and communications and transport in order to have a unified economic structure;

- Solve the relations of interest, chiefly to guarantee a just interest to the producer and primarily, the rice-grower, unceasingly improve the life of the working people in order to contribute to the building up of the country.

- Enlarge democracy, heighten respect for the legal system; build up country-side;

- Renovate the organization of personnel to make it appropriate to the new economic structure and administrative mechanism, purify and heighten combative spirit of staffs in accordance with the requirements and content of a great political mobilization.

#### 4.3. Re-organization of agricultural production.

Re-organizing agricultural production towards specialization combined with comprehensive business under-taking consists of coordinating cultivation with animal husbandry, agriculture with forestry, fisheries, with communications and transport, as well as with processing industries, handicrafts and other craftsmen's activities in the countryside, the development of production with the distribution of goods within the country and also abroad, simultaneously strengthening the material and technical bases for agriculture and applying technological process in production and processing industries in order to quickly increase productivity, quality and value of agricultural goods.

First and foremost, we must adequately concentrate our efforts on the principal grain and foodstuff-producing regions (such as the Mekong and Red river Deltas and other rice-growing regions). We must develop subsidiary crop-growing regions with high productivity of goods and high rates of marketable produce, and reorganize the processing of subsidiary crops. The consumption of secondary crops should be encouraged in order to increase the availability of primary crops for sale. We must quickly increase the area of cultivation of winter crops in the delta, the middle region, the northern mountain region, and that of short-cycle industrial crops in order to create new sources of profit in the export of vegetables, fruit and short-cycle industrial crops in regions where the conditions are favourable, especially in the Mekong and Red River Deltas, and replace the plantation of low-yield food crops by that of other varieties with higher value.

We must build up and develop vegetable belts around Hanoi, Ho Chi Minh City, other cities and major industrial areas.

In mountain regions, along with intensive cultivation and the increase in rice production and cultivation of crops on arable areas, we must develop forestry, the plantation of short-cycle and long-cycle industrial crops, cattle-rearing, develop communications and transport between different regions and speed up the importation and exportation to by foodstuffs and to satisfy the needs of production and social life. We must link the realization of our policies with the development of production and the building up of the countryside. We must help the nomads to lead a sedentary life with sedentary farming.

Along sea-coasts and on islands, the allround exploitation of agriculture, forestry, fisheries, salt exploitation and maritime transport and the exploitation and the processing of sea-products must be stepped up.

We must grow short-cycle industrial crops with concentration of work force but with short-term yield (soya, peanut, sugar-cane, cotton, jute, rush, tobacco,...), enlarge the areas for long-cycle industrial crops (coffee, tea, rubber, cocoa, cinnamon, pepper,...), and those of fruit trees linked with the establishment of agro-industrial unit and processing industries.

We must develop industry, small industries and handicrafts, transport, services in the countryside in many way, even down to the grassroots. We must use and increase electric power at all agro-industrial units, small industries and handicraft workshops and processing manufactures of agriculture, forestry, and fisheries; create other processing small-and middle-size manufactures equipped with modern machinery able to produce valuable goods for home consumption and for export.

To organize production in the countryside, we must create a new division of labour to carry out intensive farming, multiply crops, reclaim waste land, use all superficies of water available for aquaculture, develop small industries and handicrafts, transport and services, proceed to a new distribution of labour force and population among different regions in accordance with careful planing in order to create new economic zones, especially in sparsely-populated region and the mountain regions of the North. We must organize groups of volunteer youth and other efficient forms of work organizations in order to absorb labour force yet unemployed such as young people coming of age, demobilized militarymen, redundant personnel coming from State organs./.