

The Institute for the Development of Agricultural Cooperation in Asia-Japan [IDACA]

CHALLENGES AND DEVELOPMENT ISSUES
BEFORE THE AGRICULTURAL COOPERATIVES
AND FARMERS' ORGANISATIONS IN ASIA

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**CHALLENGES AND DEVELOPMENT ISSUES
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Introduction

The Cooperative Movement, which had its genesis in adversity, is based on some of the noblest values man could ever apply to business organisations. It seeks to apply morality to business, a business in which persons voluntarily join together on the basis of equality. It does not differentiate one person from another on the basis of their share holding in the cooperative venture. The democratic control, the voluntary and open membership, the desire to help each other and emphasis on all round development of the members are some of the basic Principles of Cooperation which reflect higher values of mankind.

Three kinds of cooperative systems have been operating in Asia: [a] State-sponsored – where cooperatives have been accepted and adopted as an instrument of economic planning and development by the State; [b] State-supported but member-based cooperative system – where the State creates conducive environment for cooperative growth through enabling policies and legislation; and [c] Autonomous and independent cooperative system consisting of member-based and member-controlled cooperatives that imbibe cooperative values and principles enunciated in the ICA Cooperative Identity Statement [ICIS].

With the intensification of process of liberalisation and globalisation of national economies, cooperatives in most of the countries of Asia are passing through a phase of transition from a State-sponsored to a member-based and member-controlled cooperative system having full autonomy in their management and being effectively adapted to the market. In other words the transition focuses on development of member-centric and market-driven cooperatives.

Agricultural cooperative institutions, farmers' organisations and other farming interest groups which have been operating in various countries have begun to realise that due to pressures of open market systems and other regulations being introduced by various world bodies and international agreements they have to improve their services and provide more and more of support to basic farmers. These institutions have, therefore, now to be more involved in delivering quality products which conform to the international demands. In the wake of new economic developments governments are shedding a lot of their responsibilities. Agricultural cooperatives and farmers' organisations will, naturally, have to take these services over. Their responsibilities are expanding. They have now to manage their affairs in such a way that they are able to survive in the market.



Some of the problems faced by agricultural cooperatives have been, among others, poor management, lack of capital resources, inadequate training, extension and education programmes, lack of communication and participation among members, feudalistic characteristics of society, unclear and inadequate government policies on the development of agricultural cooperatives, high fragmentation of land holdings, and weak linkages among the activities of the cooperatives e.g., production, credit, marketing etc. To overcome such problems, some of the measures taken by the governments and Movements have been: re-assessment and improvement of farm policies, human resource development through formal and informal training of members, development of commercial partnership and joint ventures with private enterprises, development of marketing and agro-processing, implementation of self-reliance projects, diversification of agricultural products including the development of export-oriented crops through contract farming, promotion of universal membership, and strengthening of legal framework of cooperatives.

Challenges before the Agricultural Cooperatives

The present day agricultural cooperatives in the Asia-Pacific region, particularly in the developing countries, are faced with several challenges vis-à-vis the multinational companies and other business interests.

The membership of a majority of these cooperatives generally consists of small, marginal and resource-poor farmers. They have no bargaining power as individual units. Their sole objective is to produce more and market more to meet their consumption and production requirements. They cannot invest in high-tech farming. In this endeavour they expect: timely supply of fertilisers, farm chemicals, farm extension, farm credit, irrigation facilities and marketing infrastructure and intelligence. In increasing farm production chemical fertiliser alone is a contributory factor up to 40-50%. India happens to be self-sufficient in chemical fertiliser to the extent of 80%, and is the third largest producer and user after the United States and China. Farm production level is, however, among the lowest in the world. The Indian Farmers' Fertiliser Cooperative Limited [IFFCO] holds 13% market share and, cooperatives, as distributors of the material, were around 31% as compared with other outlets. Primary agricultural cooperatives in the country satisfy almost 50-60% of farm credit requirements, although farm extension services are grossly inadequate. In other countries of the region chemical fertiliser production rests in the hands of either the State or private enterprises. Agricultural cooperatives have, however, generally been used as distribution points by all the producers and bulk suppliers.

The challenges faced by agricultural cooperatives in developing countries in the face of globalisation and open market systems can be classified as under:

- *Need to improve professional management skills* of those who provide advisory or guidance services to cooperatives and of the managers and some key members of primary level cooperatives;
- *Establishment of a marketing intelligence system* within the Cooperative Movement to enable the farmer-producers to follow market trends and plan their production and marketing strategies;
- *Assured supply of farm inputs* [quality seeds, chemical fertiliser, farm chemicals, credit and extension services];

- Establishment of *business federations* through cooperative clusters to undertake primary agro-processing, marketing of local products and to cover financial requirements;
- Be aware of *quality controls and standardisation of farm products* to be able to compete effectively in the open market;
- Participate in efforts to *conserve natural resources*, which directly and indirectly, positively influence farm production and rural employment; and
- Need for *providing information to the farmers and farmers' organisation* on the implications of restructuring, globalisation and WTO agreements.

To meet the challenge, farmers need to organise themselves or they will anyhow be organised by the market forces. They would find themselves increasingly vulnerable. Agricultural production technology may have some small-scale bias, but processing, storage and marketing lean towards large-scale efforts. With liberal policy framework and the need for integration, the situation would soon change. This situation leaves virtually very few options for the farmers: decentralised, independent and small-scale production with uncoordinated arrangements for processing and marketing would eventually lead to either decentralised, independent and small-scale production with coordinated arrangements for processing and marketing or large scale, centralised production integrated with processing and marketing. The latter is more likely to happen and there is not much that anyone needs to do about it. For the farmers this to happen, there is a need to organise farmers and coordinate their small individual efforts in production and integrate them with large-scale processing storage and marketing.

In the light of the discussions above, the following main points would summarise the systems prevailing in the field of agricultural cooperatives in the Asian region:

01 Agricultural cooperatives are functioning in all countries of the Region in one form or the other. The most commonly visible form of organisation is the agricultural credit cooperative at the village level undertaking the minimum task of disbursing production credit once a year without much of follow-up work concerning its utilisation or repayment. Other forms are marketing cooperatives, multipurpose and multi-function agricultural cooperatives and single-purpose [single commodity] agricultural cooperatives. They have their own federal structures, in some places, two-tier and in some, three-tier and even four-tier.

02 Doing agricultural-related business in other forms than the agricultural credit cooperative has also shown some successful results. Multipurpose cooperatives in Korea and the single commodity cooperatives like the dairy and sugar cooperative in India are some outstanding examples of success. They have been fairly successful and have very well responded to meet the social and economic needs of their members and the community at large. In a majority of countries agricultural multipurpose cooperatives or service cooperatives have not yet branched out into other activities than merely disbursing credit or supplying some fertilisers and farm chemicals. This is mainly due to lack of initiatives, funds and restrictions placed on them by prevailing laws.

03 Credit and input supplies dominate the cooperative business. Loans without adequate supervisory follow-up have resulted in mounting overdues. The agricultural input supply, mostly as agency business, is keeping many a cooperatives out of the red. They tend to thrive on commissions earned by them.

There are two types of credit streams, namely, institutional credit and non-institutional credit. The first one is provided by the State such as government departments, commercial banks and cooperatives. The second one is the informal system of obtaining credit from the private trader and the rural moneylender. Somehow there has been a gradual increase of rural indebtedness notwithstanding all efforts taken by the State to redress it. The role of private moneylender has increased significantly in spite of the exorbitant interest rates levied by him. The drift towards non-institutional credit demonstrated the weaknesses of the State-sponsored credit systems. These were the results of inherent difficulties, red-tapism, built-in delays in disbursement of credit. Officials who manned those State sector credit institutions often were insensitive to the plight of the people to the extent that their attitudes have turned the people away from the credit institutions to be received warmly by the private moneylenders.

The weakness displayed by the cooperatives in providing rural credit are not the problems originating from the cooperative system alone but largely the results of policy announcements, and rules promulgated by the banking sector. Cumbersome procedures such as numerous forms filling and repeated visits to the credit institutions discourage the rural people. To overcome such problems some corrective steps were taken by the multipurpose cooperatives in Sri Lanka by setting up rural banks as their credit windows. Cooperative rural banks are expected to perform the following functions: granting credit to the members of cooperatives for a wide variety of purposes, within the approved limits for each purpose; accepting deposits from members and non-members; provision of pawn-broking facilities to members and non-members; linking credit with marketing. In the case of Sri Lanka, the main source of income of rural banks is the interest received from pawning advances. Their administrative costs are fairly low as a small staff manages these units.

04 Marketing too is mostly a common agency business either as an agency of the government or of a corporation or a company. Cooperatives do not wish to take any other business risks. Agency marketing is responsible for the economic survival of a large number of agricultural cooperatives in many of the countries in the region.

05 Infrastructure such as storage, transportation, grading, processing and packaging for adding value to the agricultural products is inadequate except in case of certain commodities and a few multipurpose cooperatives. Outstanding examples in the field are available from Japan and India.

06 Dearth of adequate working capital for cooperative business is a common phenomenon. Capital formation process is rather weak while mobilisation of savings, as a deliberate policy, is uncommon. This trend has forced the cooperatives to look to external agencies for operational and developmental capital, which is expensive and difficult to obtain. By making use of such a capital the cost of production goes up which poses severe marketing problems. Very weak efforts have been made to generate capital through savings and voluntary deposits programmes.

07 Continued heavy dependence on government for agency business, subsidies, grants and infrastructural development has resulted in widespread infringement on cooperative autonomy. This has, in fact, become a very welcome invitation to the governments to control the agricultural cooperative institutions.

08 Cooperative business is influenced more by government policy directives or by dominant leadership rather than by the collective and expressed will of the cooperative members. In a few countries, governments have participated in the share capital of cooperatives at different levels. Some of the cooperative have been enjoying

'monopolistic status' at the cost of their own autonomy. Although they have a very wide spectrum of objectives and business activities yet they tend to confine themselves on carrying out monopoly business thus not providing services to a majority of their constituents.

09 Members' participation in cooperative activities [organisational and business] is weak and the leadership is generally not interested for such a thing to happen due to selfish reasons/motives. Member participation programmes launched by various promotional apex organisations are generally out of tune, influenced by low financial resources and thus not effective. A majority of the members are not aware of their rights and duties. There is a very wide communication gap between the leadership/management of cooperatives and their members.

10 There is no systematic planning done by primary agricultural cooperatives based on facts and figures or on the needs and requirements of members either half-yearly or yearly. The concept of advance planning does not seem to exist at the primary and secondary level. This function seems to have been taken over by the government cooperative departments because it is they who fix the targets for the cooperatives to achieve.

11 Barring a few exceptions, professional management is non-existent. Most of the managers in large-size cooperatives are either civil servants on deputation or staff members, who, by their seniority, have risen to managerial positions. There is no process of building professional cadres who could take over from the civil servants upon their reversion to their parent departments. In a large number of primary agricultural cooperatives managers are seldom consulted or invited to Board meetings. All the decisions are taken by the Board and then handed over to the managers for implementation. The decisions so taken are often not transparent and do not bring good economic returns to the cooperatives. Someone else enjoys the fruits.

12 Despite several decades of functioning, agricultural cooperatives in Asia are, by and large, dependent for their survival on government assistance or on the support of agencies outside the Cooperative Movement. Dedicated, well-motivated and enlightened cooperative leaders and managers of the type of yesteryears have either continued to diminish or have not emerged.

13 In a majority of countries of Asia, staff training and members' education are vested in the promotional cooperative unions which often lack resources. They, therefore, are unable to provide the required professional training to the staff of developing agricultural cooperatives. Using other institutions is expensive for small-size cooperatives or do not satisfy the expressed needs.

14 Although women and youth contribute a substantial portion in the products of agricultural cooperatives, they do not have corresponding representation in the management of primary level cooperatives. Except for a few exceptions, the representation of women in the Boards of agricultural cooperatives is hardly 5-10%.

Development Issues Confronting Agricultural Cooperatives

Some of the key development issues confronting the agricultural cooperative sector in the Asian region can be identified as follows:

01 **The Question of Identity:** Throughout the Region, except for a few exceptions, agricultural cooperatives have not been able to establish their identity. Identity is based on good performance through delivery of quality services and in time, quality products and some mark of identification. It demands a lot of public relations efforts through personal contacts, print and electronic media, displays and exhibitions. Individual cooperatives of small size are unable to do this. The role of sectoral business federation thus comes into a sharper focus. Dairy cooperatives in India have been able to develop their own symbols, the major being the AMUL which denotes the hallmark of high quality of products. The entire agricultural cooperative system in Japan promotes and distributes its product under the brand name of "JA" which, the consumers feel, indicates freshness and high quality of products. Such efforts have been realised by having the collective power of the sectoral business federations based on strong and consistent quality policies.

02 **The Question of Subsidies:** In many countries, including the developed ones, the governments are providing a large amount of funds to subsidise the cost of farm inputs e.g., fertiliser, irrigation, seeds etc. Added to this is the exemption from income tax on agricultural income. In the formative stages of various nations of Asia such incentives were necessary in order to encourage higher production of foodgrains, but in the context of today's open market practices, these subsidies are adding unnecessary burden on the taxpayers without bringing any significant advantages for the agricultural cooperatives as such. On the contrary the agricultural cooperatives are finding it difficult to compete effectively with the open market. However, in recent years the subsidies are gradually being reduced or even liquidated although there have been strong protests from the farmers. On the other hand, some of the developed nations have resorted to 'dumping' of their surplus products which, in fact, are the products of their own methods of giving subsidies to their farmers. This system brings down the prices of local farm products. The farmers in developing countries tend to suffer huge economic losses and have, in many instances, abandoned their farms.

03 **The Question of Ineffective Linkages:** In a number of countries there are very little efforts made on integrating the activities of agricultural cooperatives with other agriculture-related operations e.g., agricultural credit institutions, marketing institutions, warehousing arrangements, weak linkages with affiliates. Secondary level cooperatives [federations] hardly do any significant business dealing with their down-the-line member-cooperatives e.g., in Indonesia, for instance, the Puskuds do not try to provide any marketing services to their affiliates.

One of the reasons for the weakness of the agricultural cooperatives is the ineffectiveness of the apex organisations. The apexes have a limited function and do not provide the desired back-up support. It should be the responsibility of the apex to engage in trade, both local and foreign, in a more organised scale, enter into forward contracts, search for markets and create market opportunities. In addition, the processing and value-adding should also be the responsibility of the apexes. Once this is accomplished at the top, the primary societies will fall in line as their agents and activities at the base level will increase significantly.

04 **The Question of Inadequate Capital Mobilisation:** Agricultural cooperatives having been used to government support in the form of subsidies, grants and cheap credit, hardly undertake any capital mobilisation programme to build up their own funds. There is a general fear that deposits in cooperatives are not secure and the interest paid on deposits is lower than in the banks or in the open market. This is yet another reason for the cooperatives to continue to be dependent upon the government for funds and other support.

05 **A Policy on Supervised Credit Needs to be Followed:** Because of laxity on the part of the lending institutions due to certain reasons, a firm policy needs to be seriously followed on the supervision of credit granted for agricultural production purposes. The financing institutions should see to it by themselves or through the cooperative that the loan is utilised for the purpose it was extended. The government should enact certain laws which make the lending institutions responsible for not only the recovery of overdue loans but also its use for the purpose the loan was extended. Poor loan repayment by the members has been a chronic problem with cooperatives often resulting in blocking or delaying the processing of loans at various levels. In spite of concepts of supervised credit and recovery through social and group pressures, the actual supervision of loans at the stages of processing, issue and utilisation was mostly perfunctory and superficial resulting in poor recovery. Loans or interest thereon due by members of agricultural cooperatives are often remitted/written off by the government in various areas on grounds of natural calamities, political compulsions etc. [even without providing for compensation]. Such remissions undermine repayment 'discipline' of members and seriously affect recovery of loans not only in those particular areas but also in other localities as well.

06 **The Question of Overdues:** In the background of overpopulation, lopsided economic development, prevailing poverty, ever-increasing high costs of agricultural production, inadequacy of infrastructure, improper linkages of marketing of agricultural produce with credit, pressure from the respective government on the financial institutions to extend credit to the farmers, it can be clearly seen that the repayment capacity of the farmer is diminishing. The problem is further aggravated with an almost non-existent supervision on credit, inability of lending institutions to effect recoveries because of certain hesitations from the government, previous frequent experiences of loans being written off due to political considerations, inappropriate systems applied in the calculations of floor prices, the borrowers have become 'wiser' to maintain silence when the question of recoveries comes up. In India alone almost 50 to 55% is stated to be the overdues position. Because of such huge amounts outstanding and which become unproductive, the banking institutions have been facing serious cash-flow difficulties. The situation is the same in Bangladesh, Indonesia, Sri Lanka, Pakistan, the Philippines. In Japan, because of certain moral norms and discipline, the overdue position is not so serious. The sector there has the problems of low interest on deposits and high accumulated surpluses. If such a situation is allowed to continue in the rest of the countries of the region there would be further accumulation of overdues which might, at one point of time, even stragulate the Movement itself. The cost of production of agricultural products would rise and very high inflationary tendencies might pose serious problems for national economies.

07 **Purpose and Functions of Audit should be Objective and Not to find Faults:** A cooperative society is different from a joint stock company. While a company is a profit-making concern, a cooperative is a service concern. It is both a commercial as well as a social organisation. The purpose of 'audit' in a cooperative, therefore, is somewhat different than what is generally understood by the term audit in a commercial concern. In a cooperative society the activities are not carried out to earn profits only but to promote the economic welfare of its members. The purpose of audit, therefore, is to find out the real effect of the transactions i.e., the extent to which these have been able to satisfy the economic needs of the members so as to promote their economic well-being. The purpose of cooperative audit can be best stated in the words of the Committee on Cooperation in India set up by the Reserve Bank of India: "It should embrace an enquiry into all the circumstances which determine the general position of the society and aim at seeing that the society is working on sound lines and the

committees, the officers and the ordinary members understand their duties and responsibilities.”

The purpose of the cooperative audit is four-fold: i] to ascertain the correctness of accounts; ii] to detect and prevent errors and frauds; iii] to examine whether the affairs of the society have been carried out in accordance with the Principles of Cooperation and the provisions of cooperative law; and iv] to assess the extent to which the condition of the members has been improved by the activities of the society.

08 Building Access to the Means of Production [including Micro-Credit]: Barring Japan, Korea and, to some extent in India, means of production, especially in the agricultural sector, have been rather traditional. Even in the agro-processing sector, cooperatives, except in Japan, have played a low-key role. The key to the success of agricultural cooperatives in Japan has been “value-addition through agro-processing” coupled with the application of the concept of joint buying, joint purchasing and joint-use of facilities etc. In India, in some pockets of success, cooperatives have succeeded through value-addition. This is particularly true of dairy cooperatives in India where farmers were provided with technical information through a network of extension workers and development of local leaders. It has been found that in the Kaira district of Gujarat, dairy farmers were able to increase milk production by 50-70% by adopting simple means e.g., animal care, balanced cattle-feed, rural sanitation, education of women, improving the breed of local cattle. Similarly, food production in India, Indonesia, Thailand, Vietnam went up through application of very simple means e.g., balanced fertiliser application, pest control measures by using local materials, bio-fertiliser, locally-developed quality seeds, better water management, simple farm machines, farm extension and by adopting simple post-harvest technology.

The regional experiences indicate that the farmers need access to the following means to increase production: Better quality seeds and farm chemicals; Timely supply of chemical fertiliser at cheap price; Easy credit; Effective access to market; Dependable supply of water and power for farm operations; Intensive and extensive farm extension services; Market information; and Opportunities for adding value to produce e.g., agro-processing etc.

The farming community lacks scientific market information. They depend mostly on their limited sources of information, which are often erratic and untimely. There has been no systematic marketing information system reaching the farming community. This can be accomplished by the cooperatives which would, in turn, help the farmer to plan out their production programmes. There are a few cooperatives handling non-perishables which have successfully provided this service.

It is, of course, impossible for the individual farmers to harness all these services because of their weak and unsatisfactory economic situation. In the case of the Japanese farmers, they have been able to afford, thanks to the subsidies provided through agricultural cooperatives, a host of farm machines and farm-related infrastructure e.g., country elevators, paddy incubators, agricultural experimental stations, highly scientific extension and farm guidance services etc. Governments have to come forward to develop related infrastructure and to provide for adequate incentives and resource supplying institutions. Governments are to ensure that proper and sufficient credit facilities are created for cooperative members and others. It is expensive for the members to obtain loans from the commercial banks at prevailing market rates. And the cooperatives do not have sufficient funds of their own to extend the needed loans.

The cooperatives, in order to provide opportunities for the members to have access to the means of production, should: Mobilise capital from their internal resources by soliciting deposits and by offering the depositors the prevailing market rates; Create own financial institutions in the form of cooperative-owned companies; Enter into joint ventures with domestic or foreign private enterprises [thus solving their capital and marketing problems]; Enter into joint purchasing, joint-use facilities and joint marketing activities among themselves or with other enterprises; Ensure that small or poor members get small credits to continue with their profession.

09 Adopting Amalgamation Methods to Achieve a Higher Economic Viability: The process of amalgamation or consolidation of smaller cooperatives into viable and economically strong cooperatives has proved that small cooperatives do not serve the members well enough. The concept of one-village-one-cooperatives is no more valid. However, looking at this process from another angle, the attachment and the feelings of an individual member to his small cooperative were stronger than his being reduced to a member of a branch of a large multipurpose cooperative. It has been argued that in India alone almost 46% of the primary cooperatives are either defunct or exist just on paper. They hardly serve any purpose. Their resources are small and the membership large. It is necessary that such cooperatives should be weeded out by de-registering them or by amalgamating them with stronger cooperatives. Another view is that weak and ineffective cooperatives should be revitalised by the process of member education, training and government incentives.

In Japan, Korea, India, and China a large number of smaller cooperatives were clubbed together to form more economically stronger cooperatives with branches. The MPCS of Sri Lanka are also a case in point. The process of amalgamation of agricultural cooperatives in Japan has produced a number of lessons which are of significance and relevance for the rest of Asia.

In some of the countries in the region in certain fields cooperative federations have been organised mainly for the purpose of helping the development of marketing. The objective of such federations has been to develop a collective bargaining power in favour of the producers to obtain higher prices, undertake large-scale operations and pool resources. Several such federations have done exceedingly well. They had grown from very simple operations e.g., marketing of produce on commission basis, supply of seeds and fertilisers, provision of warehousing and storage facilities, to into large and complex operations like procurement of a large variety of farm products, grading and processing them, and undertaking large-scale internal and foreign trade. These federations have also provided economic and technical support to their constituents. An amalgamated cooperative thus becomes a sound basic element for the successful operations of a sectoral business federation.

10 Planning for Long-Term Goals is Needed: In several of the countries agricultural cooperatives do not resort to any kind of perspective planning. This job is done for them by the government through the cooperative department which fixes the targets that a cooperative has to achieve. A cooperative should be able to develop its own annual plans and for this purpose some training programmes for leaders and managers should be instituted. Perspective plans should clearly spell out when and what quantity of inputs are needed and how should be the payments made and loans recovered. In order to develop economic plans certain baseline data and field information has to be systematically collected, processed, analysed and the information utilised for development purposes. This thinking has not yet developed among leaders and members of cooperatives in the region except, of course, in Japan and Korea. Proper monitoring and evaluation systems need to be developed and applied for the benefit of primary and

upper level cooperatives. A proper planning is usually an indicator of 'self-help and self-reliance' potentials of an organisation.

11 Training and Development Needed: Agricultural cooperatives are engaged in a specialised task which is of great significance to national economy. Value-based professionalisation is necessary. There is also a continuing need to create effective local level leaders. These are possible only through continuous training and development exercises and programmes. Internal management training programmes are thus important. Such programmes are not undertaken by the agricultural marketing federations since it is considered that such responsibilities rest with the promotional unions, and these unions tend to be generalistic because of their very nature.

12 Management Consultancy Services for Agricultural Cooperatives Necessary: Just as in Japan where the institution of 'farm guidance and better-living' is an integral part of the cooperative activity, agricultural cooperatives in almost all the Asian countries could develop management consultants who could assist and advise the cooperatives as and when needed on various business, legal, management and development issues. Efforts in this direction were made in Indonesia, to some extent, some time ago. In addition to the assistance and advice to cooperatives from the department of cooperatives, there should be other consultants who are adequately trained in the field of management consultancy.

13 The Question of Government Controls: These controls have become apparent in the region in various forms viz., controls through participation in share capital of cooperatives, participation in the management of cooperatives, assuming the role of the members of cooperatives etc. So far as the participation in the business of cooperatives by government is concerned it is understandable. For a cooperative it does not matter who is the customer – an individual or a government. It is a pure business deal. It becomes an entirely different matter when the government participates in the share capital of a cooperative.

Government loans, grants and other forms of credit are also understandable because these are business deals. Participation in the share capital is somewhat irrelevant and contrary to the Principles of Cooperation. Once the government participates in the share capital it becomes the part-owner of the cooperative thus assuming the role of employer, director and management. On the pretext of safeguarding the application and monitoring the utilisation of government funds, governments have appointed senior level directors and managers in a large number of national and provincial agricultural federations in India. A large number of dairy cooperatives are managed by officials seconded by the government. In a majority of cases, again in India, boards of directors have been superseded, thus assuming the role of members of cooperatives. The decisions are made by the government on behalf of the members on the pretext of 'safeguarding the interests of basic members'. The democratic control principle is thus not honoured. Such instances have strongly eroded the belief among the general membership that agricultural cooperatives are not owned or controlled by the members, but they are the government agencies or enterprises or undertakings of the government.

In this context a statement made by Mr Roberto Rodrigues, President of the International Cooperative Alliance is of great relevance and significance. He said: "Agricultural cooperatives have a particular role to play. They have two basic roles – to produce added value through their vertical structures and to protect the small farmers, who are the key to economic democracy in most developing nations. To do this cooperatives must invest heavily in all areas of human resources – technical,

managerial, and commercial. Government must be seen only as partners that must regulate and supervise, but not lead and dominate the cooperatives.”

In this context it is important to have a look at the authority and functions of the cooperative department. The department should be so positioned that cooperatives become autonomous, member-controlled and member-owned institutions rather than be their subordinates. The role of the department should largely be that of a facilitator rather than of a regulator. The department should be legally barred to exercise the powers that affect the autonomy and identity of cooperatives as democratic institutions. To create favourable atmosphere, cooperative law should be in conformity with the ICA Statement on Cooperative Identity. It should facilitate cooperatives to compete efficiently in the market. It should also give greater autonomy to cooperatives.

14 The Question of Low Member Participation: In almost all the countries participation by members in the affairs of their cooperatives is considerably low. They hardly participate in the organisational or business activities of their cooperatives. Due to the presence of the government in the capital and management of cooperatives, ordinary members feel hesitant, distanced and ignored. Their participation remains symbolic. Several reasons have been cited e.g., because of excessive participation of government in the affairs of cooperatives, members feel that they had nothing to do with them, and the women are not taken as full members due to some legal provisions and cultural traditions. Another reason is that cooperatives are used by the State as a means of procurement of foodgrains for national foodstocks and with that ends the activities of the cooperatives or the obligation of the government. Because the work of procurement is heavy and demanding, the cooperative has left no time to think about the welfare of its members and the community. Another reason is the 'declining image and goodwill' of cooperatives because the cooperative values have not been honoured by the management and leadership of cooperatives, so the members feel indifferent. Yet another reason is purely selfish – take the production loan from the cooperative when needed and pay it in cash or kind at the time of harvest only to that extent and sell the rest elsewhere at profit. The members get the cheapest credit through the cooperatives but its intrinsic value is lost because there is no real supervision on the credit extended. Thus the funds are diverted to consumption purposes.

15 Arresting Large-Scale Migration of Farmers to Urban Areas through “U-Turn”: Because of industrialisation and the multi-facet attractions of cities, a large number of farmers [young and old] migrate to the cities in large numbers thus thinning down the membership of agricultural cooperatives and leaving farmland uncultivated in the villages. They consider farming as hard, less attractive, dirty and less rewarding. As a consequence, the agricultural production falls and the fabric of rural life damaged. Old and infirm people, children and women are left behind to fend for themselves resulting into serious social problems. Such problems are seen more prominently in Japan, Korea, India, Indonesia and Pakistan. This trend needs to be reversed. Agricultural cooperatives have to introduce innovations to lure these farmers back to the rural fold. The Japanese agricultural cooperatives have introduced several innovations which encourage the process of “U-Turn” and reignite the interests of farmers in the honoured profession of farming. Some of the innovations are: planning agriculture for higher and sustained income, leasing out the land to those who would like to do cultivation as a hobby or to generate some additional income for themselves, encouraging farmer-customer relationship by organising morning or road-side markets, managing real estates, support in filing income tax returns, old-age home, child nurseries, green tourism, better-living activities through the organisation of women’s association and creating interest groups, providing infrastructure support to the farmers thus assisting them in marketing of their

produce, encouraging agro-processing at the local level by making use of locally-grown and locally-available material, etc.

Conclusion

Some of the challenges confronting the agricultural cooperatives can be summarised as follows: There is a lack of professional management skills among the people who govern and control these institutions. A large number of managers are ill-equipped to handle the business affairs of these institutions. In many cases, the elected leaders take control of the management aspects. Many of the business decisions are taken on the whims and fancies of the elected leaders. They hardly take into consideration the views of the managers. Private companies rely heavily on the advice and views of their professional managers. The agricultural cooperatives often do not 'like' to improve the quality of their products because of expenses involved in installing modifications and carrying out improvements.

Farmer-members often fail to respond to the programmes of their cooperatives because these institutions are unable to maintain a continuous and timely supply of farm inputs e.g., chemical fertiliser, quality seeds and other materials including farm services. While the private enterprises act swiftly to satisfy the demands of the consumers e.g., bio-fertiliser and chemical-free food products, the cooperatives react rather slowly. Packaging, presentation, standardisation and quality guarantees are unattractive as compared with the private enterprises. Agricultural cooperatives have not involved themselves fully in the agro-processing sector. Much of economic returns result from the agro-processing activity and therefore, the private enterprises make use of such opportunities.

Agricultural cooperatives, in order to face the challenges and to stay in business have to realise that adoption of new techniques generate wealth. To dilute the grasp of the private enterprise, agricultural cooperatives have, first of all, to demonstrate their strength by getting together under one common flag and by creating a Corporate Identity through some CI slogan or symbol. The CI signifies the quality and assurance of the high standards of the product. Other development issues which need to be tackled by agricultural cooperatives, among others, are: establishment of appropriate business linkages for procurement and marketing; generation of capital from among the members; creating awareness among the members to be ideal members by repayment of loans in time; creation of credit opportunities for the members to have access to funds needed by them for farm operation and household needs; adoption of amalgamation or merger methods to achieve a higher economic viability; development of value-based professional management personnel; and encouraging more and more of women to enter the membership of agricultural cooperatives.