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AGRICULTURAL CO-OPERATION
1976

THE PLUNKETT FOUNDATION FOR CO-OPERATIVE STUDIES
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E D I T O R I A L

It was suggested in the editorial to the 1975 Year Book that the development of agricultural co-operatives into large and powerful national enterprises inevitably brought problems, which are related to the nature of co-operatives and to the need to trade successfully as a business. The problems of control by members, as the size and complexity of the business increases, and the feeling that in such large businesses employees should also have the opportunity to contribute to the policy making body, have both been considered. Both these problems have been examined in this edition of the Year Book: a law granting employees the right of representation on Boards of Directors has been passed in Norway, and the scheme will have been in operation for almost one year by the time this book is published. The importance of communications in the co-operative has been examined in a number of countries, and this will help with the problems of control by members, since in large businesses the problem of control, and of maintaining interest and loyalty is essentially one of communications.

One feature that recurs in this issue is the role of Government vis-a-vis co-operatives. In Canada, a Co-operative Development Service was to be created with a ten-point plan of objectives, which included statistics, research, grants and the use of co-operatives as a preferred means of development (Year Book 1975): the subject is referred to again in this edition. One approach of interest is the United Kingdom which has opted for a statutory body, which has been given a specific role to develop marketing co-operatives, with powers to make grants for capital development, research, or to meet preliminary expenses of development. It is noteworthy that this body also uses field officers whose job is to liaise with farmers and existing co-operatives and to advise and promote the formation of new co-operatives. Guyana, Botswana and Ghana all underline the role of Governments in the development of co-operatives, and the common theme is that there should be a constant dialogue between co-operatives and Government, that co-operatives should have a role to play in the economy, which Government should recognise, and government should provide assistance and support where it is necessary.

A second feature which is very much the concern of agricultural co-operatives, is the rural area itself. In Europe there is a gradual expansion of towns, land is lost to motorways and other forms of urban development, while at the same time there is a

trend for smaller farms to be amalgamated into larger units. This is necessary to make use of the larger and more efficient machinery and equipment available, and also to make the optimum use of the much smaller labour force. In the U.K., where a small farm may be as large as 150 acres (60 ha), smaller farmers are being helped by various marketing and productive co-operative schemes, which allow access to better marketing techniques and agricultural practices, while at the same time allowing farmers to retain their farms as a viable enterprise. The need to conserve the rural areas as a place for people to live and work, to attain a satisfactory standard of living, and at the same time to provide the food for the towns people, is a pressing problem in most developing countries. Co-operatives should be the means by which this can be achieved, but one of the merits, and at the same time one of the difficulties of using the co-operative form, is the variety of ways in which it can be used. The choice is as wide as Guyana, which has chosen to base the structure on the needs of the consumer, to China, which has opted for a productive group catering for the needs of a whole community as producers and consumers.

The last feature, is that of finance, and the opportunity has been taken to include general credit for agriculture in seven European countries. The very nature of agriculture imposes a need for credit on those who grow crops or raise livestock: as part of the production and marketing chain, co-operatives are inevitably involved with this aspect of agriculture. Indeed for developing countries, a successful marketing and credit structure is one of the keys to rural development, and thus no excuse is made for including a long article on this important and necessary aspect of agriculture.

Agricultural co-operatives then have a difficult role, which is of importance in all countries. They may be part of the system of agricultural production itself, as in land reform schemes; they may be associated with marketing, or processing, storage, transport and distribution; they may be part of the credit system. Whatever weight is given to the role of co-operatives, they have a responsibility to help provide the means whereby the farming community can earn a good living from the land, and to preserve the rural areas from becoming either an under-exploited natural resource, or a mere adjunct to the towns. This is not new; the very nature of their role in the economy extends their role beyond that of better prices, better quality, better storage facilities and so on. They are the expression of the will of the members to stay in business as farmers, and to retain as much control

as possible over the outcome of the farm business activities. The maxim, "Better farming, better business, better living", coined by Sir Horace Plunkett sixty years ago, summarised the problem succinctly. Much progress has been made, but there is now the danger that the pendulum may swing too far the other way, and farming may become just another production line - as automatic as a modern factory. The advances of modern technology, and the need, nay the absolute necessity, to retain rural communities as viable entities, demands that agricultural co-operatives should have a recognised role in the economy to help preserve a just balance between town and country, and this role should be firmly supported by Government.

For a trial period of three years, this Year Book will be published jointly by the Plunkett Foundation and the International Co-operative Alliance, and the costs of publication will also be shared. This collaboration will also imply greater access to agricultural co-operative organisations and a wider audience through the medium of I.C.A.'s Agricultural Committee. The format and content of the book will be unchanged, but to economise on publication costs it has been necessary to use a cheaper production system, while retaining the hard covers.

AGRICULTURAL CREDIT IN WESTERN EUROPE

by

Margaret Digby, M.A., O.B.E.

The following studies of general farm finance and Agricultural Co-operative Credit in seven European countries were originally prepared for publication by the Japanese Central Co-operative Bank for Agriculture and Forestry in the Bank's Annual Report for 1975. The present material has been somewhat condensed and some tables as well as bibliographies have been omitted but are available in the Co-operative Reference Library of the Plunkett Foundation.

UNITED KINGDOM

General position of farm finance

Agricultural debt is not, and probably never has been, a major problem in Great Britain and Northern Ireland. A report issued by the Ministry of Agriculture and Fisheries in 1972² concludes that identifiable debts appear to be no more than one fifth of the market value of agricultural assets, of which the most valuable part consists of land, buildings and dwellings.

There are about 293,000 agricultural holdings in the United Kingdom. Of these 35,000 are in Northern Ireland and are owner-occupied. In Great Britain about 162,000 holdings are wholly or mainly owner-occupied and the remainder, covering 45% of total agricultural land, are farmed by tenants including some large companies. The scale of operations is therefore relatively small, one-man or family businesses which effect fresh capital formation either from retained earnings or by borrowing. Gross annual investment in buildings, works, plant, machinery and vehicles which had been running at an average annual rate of

¹ The Plunkett Foundation is grateful to the Japanese Central Co-operative Bank for permission to publish this material in the Year Book.

² Availability of Capital and Credit to United Kingdom Agriculture by Professor J.S.G. Wilson from which most of the material quoted is derived.

about £151 million in 1960-62 rose to £250 million in 1970-72.

According to the findings of Professor Wilson for the years 1968-1970, an average of 34% of all borrowings by owner-occupiers was from joint stock banks, mostly by way of overdraft. The second important source of credit (29%) was derived from the trading credit allowed by agricultural merchants (including agricultural supply co-operatives) and machinery dealers, the third important source, providing 17% of the total was from family sources while about 9%, mainly long term, was from the Agricultural Mortgage Corporation. In the case of tenants 46% of total borrowing came from trade credits, 23% from banks and 19% from family sources.

There is in Great Britain no formal credit from agricultural co-operative sources, other than trading credit and a limited amount of hire purchase finance from the Agricultural Finance Federation, and no state lending. The Agricultural Mortgage Corporation, which is state regulated though not state financed, lends at long term and exclusively to owners. There were, however, government grants for improvements amounting to an average of 11-15% of total expenditure. There were more farmers with no overdrafts than farmers who had borrowed from banks and there were many farmers with no liabilities at all.

Agricultural Credit from Commercial Banking System

The English commercial banking system, has close links with agriculture. Banks were established in county towns many years before substantial industrial development took place. It was largely through them that changes in ownership and the introduction of improved agricultural methods were financed. This in turn made possible the increased food supplies which enabled industry to draw off large numbers of agricultural labourers without endangering food supplies.

Direct borrowing by farmers from Banks is supplemented by an appreciable though not statistically measurable volume of Bank Credit granted to agricultural merchants (including co-operatives) used to finance trading credit to farmers. Bank lending to agriculture amounted in the sixties to about 10% of the total. Since then the percentage has declined, though the actual total advance had increased with inflation, amounting to £690,000,000 in the last quarter of 1972.

By far the greater part of agricultural lending can be attributed to the 4 large clearing banks. All these and the smaller banks

have developed branch systems and their branch managers have a degree of autonomy though all banks are subject to a measure of regulation by the Bank of England. Rates charged to agricultural borrowers are in general 1-2% higher than on other loans but lower than in other European countries. On the other hand, lending rates to agriculture are not state subsidised.

A farmer wishing to borrow from a bank usually already has an account there (which may have been maintained over several generations) and so is known to the bank manager. The decision to make a loan and terms depends much on the manager's judgement of the farmer himself. Is he a man of integrity and financial judgement? Is he a good farmer and a good manager? Does he understand budget analysis or cash flow projection? In most cases the bank manager visits his client and "walks the farm" at regular intervals satisfying himself that it is well maintained and at the same time giving the farmer an opportunity to discuss his plans. In addition the bank manager will want to know the purpose of the loan, how much is wanted and for how long. He will want to know how much of his own capital the farmer is investing in the new enterprise and what are the current assets on the farm which can be converted into cash. The bank manager will naturally study the farmer's bank account, always bearing in mind the type of farm. He will also want to see the farmer's audited accounts and may himself draw up a table of assets and liabilities, and make a cash flow analysis.

In general the integrity and ability of the farmer, the viability of the proposed expenditure in relation to the farmer's resources and the possibility of repayment are the main considerations. In general, formal security is regarded as a secondary consideration and, the proportion of unsecured loans in Great Britain is believed to be considerable. This is principally short term or seasonal lending. Long term loans (e.g. for the purchase of land) are normally secured, by a mortgage. A full legal charge on the land is usually then required but an "equitable mortgage" may be arranged on the basis of deposit of title deeds. Life policies, guarantees from relations and neighbours, from the Agricultural Credit Corporation or (since 1972) from the Central Council for Agricultural and Horticultural Co-operation, are also accepted by banks. Stocks and shares are sometimes deposited and under the Agricultural Credit Act of 1928 a bank can take a charge on livestock, implements or crops. An assignment of regular payments due to the farmer from the Milk Marketing Board or the Sugar Beet Corporation may be accepted as security.

The most usual way of lending money is on overdraft with an upper limit. The bank provides working capital from "seed-time to harvest", "bridging transactions" and a limited amount of fixed capital development. Formal long term lending is usually avoided. Some loans are also made in the form of formal loan accounts, usually for medium and longer term credit e.g. purchase of expensive machinery or buildings. The increase in the use of machinery brought about by labour shortages and technological changes has led to most of the borrowing under this head and also in some cases to the development of what bankers call "hardcore" loans for which the farmer is unable to meet service charges or to pay off. This may also arise from purchases of land.

Several banks also have formal, long term lending schemes, some for as long as 20 years (land purchase) others for from 3 to 12 years intended for re-equipment and improvements like drainage, always covered by tangible security, usually in the form of a mortgage, though in the case of tenants a life insurance or a guarantee might be accepted. A large number of farmers, especially the older men, have substantial credit balances in their bank account, but may still want to borrow.

Rates of interest on all types of loans are flexible and are influenced by the general agricultural policy of each bank and its judgement of the individual borrower. In recent years bank charges have been introduced, including arrangement and commitment fees.

The position of bank lending in Scotland and Northern Ireland does not differ very markedly from that in England. Loans, are mainly on overdraft and loan accounts are less often opened. Rates of interest appear to be marginally higher. Security has usually taken the form of a Bond and Disposition in Security under Scottish law but the Conveyancing and Feudal Reform (Scotland) Act of 1970 opens the way to greater uniformity with English practice. In Northern Ireland where all farms are owner-occupied and mostly small, loans, also small, are frequently informal and an equitable mortgage or the lodgement of title deeds is regarded as adequate security. Rates of interest, however, are, on the whole, less flexible.

Lending Institutions other than Banks

1. The Agricultural Mortgage Corporation

The Agricultural Mortgage Corporation was set up in 1929 under the Agricultural Credit Act of 1928 to make loans for agricultural purposes (1) on a mortgage of agricultural land or (2) against rent charges. It began with a capital of £690,000 subscribed by the Bank of England and lending joint stock banks. This was later increased, reserves were capitalised and the present capital is £1.5 million. Dividend is limited to 3½%. Of the 5 directors 2 are nominated by the Ministry of Agriculture and 1 by the Treasury. The AMC was given powers to issue debentures on the London capital market. The Minister also has the power to make interest free advances to the Corporation. Share capital and reserves are held in a Marginal Fund and the Ministry's advance, together with debentures, in a Guarantee Fund. The Corporation has an overdraft facility with the banks negotiated annually with the clearing Bankers' Committee and the Bank of England.

Loans are made only on first mortgages on land or buildings and are limited to two thirds of the Corporations' own valuation. The Corporation requires to see the farmer's balance sheets and/or forward budgets and cash flow analysis. It must be assured that the farmer is qualified and that he has sufficient working capital to carry through the new venture. No fees are charged for application. If a loan offer is made, a loan fee is charged if it is accepted and a smaller fee if it is refused. Most loans are made in respect of farms between 50 and 300 acres. Loans are made to small farms of about 30 acres but loans to farms over 1,000 acres are unusual.

Repayments of loans for periods of from 10-40 years may be made by annuity, by endowment assurance or by equal half yearly instalments of capital plus interest on the reducing balance. Eight to ten year loans are repayable only at the term. Interest has been that ruling at the date the loan is completed, but in 1972 AMC introduced variable interest rate loans at the option of the borrower.

2. Scottish Lending Institutions

The equivalent Scottish financial institution is the Scottish Agricultural Securities Corporation founded in 1933, with capital provided by the Scottish Banks, a measure of Treasury control and

operations very similar to those of AMC but on a smaller scale. Three other Scottish Institutions make loans (and in some cases also grants) to farms in the difficult Northern and Western regions. These are the Highlands and Islands Development Board which lends both to individual farmers and to co-operative enterprises and services; the Crofters Commission which makes mainly grants but also some loans; and the Shetland Trust, originally a private fund, locally administered, which makes loans up to 5 years for fishery, agricultural and small business (e.g. knitting) ventures.

3. Northern Ireland Lending Institutions

In Northern Ireland loans are available direct from the Ministry of Agriculture (MANI Loans) for most agricultural purposes. The only other sources of institutional lending in Great Britain are insurance companies which lend to farmers in a small way.

Trade Credit

This source of farm credit is almost as important as bank credit in England and Wales, more important in Scotland and Northern Ireland. It should be noted at once that of this an unknown proportion, probably at least 10-15% is attributed to farmers' co-operatives supplying agricultural requirements to their members. The form of credit, whether co-operative or commercial, is particularly important to tenants who cannot offer mortgage security. It is also essentially short term credit with steep seasonal peaks.

Most Agricultural Merchants (including co-operatives) require payment at a date during the month following delivery of supplies and in this way the farmer has in fact received 4-6 weeks credit. A credit charge is frequently added to the price which is deducted on prompt payment. If accounts become overdue the credit charge is usually enforced. In the case of long overdue accounts a charge of 1% per month is made for every month the account remains outstanding. It is thought that 3/5 of the credit to farmers falls within the conventional 4-6 weeks period and 2/5 is in the form of overdue accounts. Bad debts are, however, rare.

In addition to general requirements, business firms (and co-operatives) frequently supply pullets, sows and feed to farmers in the broiler or pig-breeding trades on credit, subject to an agreed system of contract and profit sharing.

Formerly fertilizers were delivered to the farmer mainly in spring and paid for after the harvest had been sold. Today there is a movement to spread deliveries over the year. Early deliveries are made at cheaper rates, further reduced for prompt payment and this may make a substantial contribution to the working capital of the farm.

Agricultural Machinery Dealers (who may also be merchants, especially co-operatives) usually supply small implements and spare parts on credit but expect cash or a hire purchase agreement for tractors and combines. To a considerable extent the credit given by merchants and dealers is financed by bank overdrafts.

Co-operatives

Unlike practically all countries with well developed agricultural and business structure, Great Britain has no agricultural co-operative banking system. The Co-operative Bank serves the needs of the Consumers' co-operative movement and its members (and the business need of a few agricultural co-operatives) but does not lend direct to farmers. The Agricultural Co-operatives (which number 576 with 344,000 members and annual turnover of £825 million) are engaged about equally in the supply of agricultural requirements (including machinery) and the marketing of agricultural products, especially grain, livestock and meat, eggs, fruit and vegetables. The contribution of these co-operatives to the financing of the farm lies in their ability to purchase products for cash and hold them until sales to wholesalers or retailers have been completed (in some cases after processing by the co-operative) and when supplying farm requirements to allow the purchasing farmer favourable credit terms. Many co-operatives also finance the rearing of calves, pigs and lambs by their members, arranging sources and outlets and providing feed on credit. Most co-operatives have some difficulty in expanding their resources for these purposes. Their financial standing however is in most cases good and they have no great difficulties in arranging overdrafts with their bankers on reasonable terms. In the case of purchase of machinery, members are often referred for a loan to the Agricultural Finance Federation, the capital of which is owned half by some 30 large agricultural co-operatives and half by the Co-operative Bank.

Syndicates, which are a form of co-operative, usually with restricted membership and not registered as such, are often linked in Syndicate Credit Companies which arrange (but do not guarantee) loans from commercial banks for the purchase of

machinery for joint use. The corresponding institution in Scotland is Agri-finance, established and managed by the Scottish Agricultural Organisation Society.

Finance Companies, play some part in financing farmers' hire purchase, especially of machinery but also of livestock and occasionally of grain in store. Contract Hire of machinery may be provided by a dealer or a finance company.

Family Loans

These may be taken to include loans from friends, neighbours and in some cases solicitors. As they are all private and informal, no statistics or evidence regarding security, rates of interest, terms or regularity of repayment are available. The most striking points appear to be the volume of capital hidden away, often in small amounts, in and around the farming community, the solidarity of that community, probably much greater than in the urban economy, and the part played by women, often widowed mothers and spinster aunts, in lending money for the development of farms owned by their sons and nephews.

Conclusions

Although it may be regretted that a strong agricultural co-operative banking system has never developed in the United Kingdom and the supply and marketing co-operatives have always lacked a financial arm, it cannot be said that farmers lack sources of capital at what are, on the whole, reasonable rates and on reasonable terms. They owe this partly to the traditional interest of British commercial banks in the farming industry and partly perhaps to the fact that it is an industry occupying only a minority of the population and can therefore be treated with a certain consideration without endangering the economy as a whole. It is also only fair to say that it is in general efficiently conducted and that few banks are disappointed in their farmer-borrowers.

FRANCE

General Position of Farm Finance

French Agriculture is sometimes described as "peasant farming." This is misleading. There are districts in which peasant farms predominate and farm ownership is in general more important than tenancy, the average size of farm is 16 ha, the highest in Europe after Great Britain and this covers wide variations in size. Many small farms are highly intensive but mixed farming is however to be found throughout the country and monoculture is rare.

It was calculated by the Commission of the European Economic Community that in 1967 loans to French agriculture (excluding non-agricultural rural development) amounted to 30,400 million French francs of which 68% (20,600 million) was derived from co-operatively organised agricultural credit banks. In 1970 the position was analysed as follows:-

Mutual (co-operative) credit	70%
Other banks	14%
Suppliers	8%
Family and other private lenders	8%

In 1973 the total indebtedness of French agriculture, excluding housing loans was calculated at 71.5 million francs of which 42.4 million francs or 59.3% was attributed to mutual (co-operative) agricultural credit.

Trade suppliers giving credit undoubtedly include co-operatives selling agricultural requirements and some of the mortgage banks are co-operative in character. Co-operation is therefore by far the most important element in the French system and its importance has been increasing. It includes a considerable element of state finance and supervision, but the former is counterbalanced by the large volume of co-operative savings re-invested in Government securities.

Co-operative Credit and the National Bank of Agricultural Credit

Credit is in the main the function of a firmly built pyramid with the National Agricultural Credit Bank (Caisse Nationale de Credit Agricole) at its apex and the 5,000 odd local banks with some 600,000 individual members at its base. Between these come the 98 regional agricultural credit banks which take most of the strain of financial policy organisation and control. The system

was initiated in 1894 but it was not till 1920 that the important law on Mutual Credit and Agricultural Co-operation established the National Agricultural Credit Bank.

An agricultural credit bank (caisse) may be formed by all or part of the members of any existing agricultural association. Membership may be collective or individual. Members subscribe shares which must be non-commercial (parts not actions) must always remain at par and may only be transferred with the consent of the caisse. Interest is fixed. Twenty-five percent of the capital must be paid up before the caisse is formally incorporated and it must be authorised by the National Agricultural Credit Bank if it intends to borrow from a regional bank. The law leaves each local bank free to decide its own administrative structure, amount of capital and the nature of members' liability. Model rules are however issued by the National Federation of Mutuality and Agricultural Co-operation.

The business of the local bank (caisse) which usually covers a fairly large district, is to receive deposits, from members and non-members, contract such loans as are necessary to meet demands for credit and on this basis make short and medium term loans to members only, either individual farmers or their organisations, and long term loans to individual members. The bank is run by an unpaid administrative council, usually with one member representing each commune covered. The managing secretary, either full or part-time, is paid, partly by the local, but to a large extent by the regional bank to which it is affiliated. All receipts, including those derived from deposits and from the sale of bonds issued by the National Agricultural Credit Bank are immediately paid into the regional bank.

Applications for loans are made to the local bank. The applicant states full personal details, with those of his family and of the farm and the purpose for which the loan is required, with the names of two solvent friends or relations willing to act as sureties. The bank manager asks the member of the council who represents the applicant's commune for confirmation, in confidence, of such particulars as he may be expected to know, together with an opinion as to the agricultural and business capacity of the applicant, his personal character and the advisability of granting the loan, with or without special guarantee. The council takes the final decision and if favourable passes the application to the regional bank. For short-term loans the local councils' recommendations are accepted without question. For medium and long term loans there is more

detailed examination and modifications are sometimes recommended.

Loans are usually made against material security as well as personal reputation and the surety of neighbours. Short term loans are for a single operation and a single season (purchase of seeds and fertilizer, payment of wages) though they may cover two years or, in difficult periods, repayment may be extended. Medium term loans may be for periods up to 15 years and cover purchases of machinery and livestock as well as permanent improvements. Long term loans, up to 30 years, are usually for the purchase of land but may cover drainage, irrigation, farm buildings, planting of orchards and vineyards. They are secured on mortgage, sometimes supplemented by a life insurance if the borrower is elderly. Loans are also made to rural tradesmen, blacksmiths, carpenters, coopers, etc. and to incorporated bodies (co-operatives, agricultural syndicates,) which may also open current accounts and enjoy full bank services.

Inspection of local banks (annual audit and periodic surprise visits) is carried out by trained staff of the regional bank which receives every fortnight a duplicate copy of the transactions of all local banks. Each member's account is balanced monthly and compared with accounts kept locally. Auditors make a confidential report on management which is forwarded to the local chairman and read to the committee. The regional bank director attends the general meetings of local banks and afterwards makes a report.

The regional bank is similar to the local bank in constitution, liability of members and methods of work. Its members include local banks, agricultural syndicates and co-operatives as well as individuals. Collective members vote according to shares held, with a maximum of five votes. On appointment directors of regional banks must be approved by the National Agricultural Credit Bank. Regional banks lend to local banks for reloan to individual members or as a contribution to working capital. They discount bills. They lend direct to agricultural co-operatives and other collective bodies, such as syndicates and mutual insurance societies, drainage and irrigation societies and agricultural public utilities. They accept deposits and borrow from the National Agricultural Credit Bank and other sources. They keep a close control over borrowers, auditing all co-operative borrowers and in some cases keeping the accounts of small co-operatives. Costs are met from the difference between interest charged to borrowers and that paid to lenders. Any remaining surplus is put to reserve until it reaches a statutory

level, when part may be distributed as bonus on business done.

Deposits in most regional banks are sufficient to cover short term loans (1/3 of the total) and many could also cover medium term loans but in view of the need to keep deposits liquid and the very cheap credit available from the National Bank, regional banks usually transfer all deposits to the Bank and borrow from it as required. Loans to collective bodies may be for 25 or even 50 years, provided the borrowers can show share capital up to half the value of the loan, which is secured on a property mortgage.

All such loans require the consent of the National Bank which is a public corporation, governed by a director appointed by the Minister of Agriculture and a council elected by a plenary commission of 30. The bank prepares an annual budget which forms part of a parliamentary decree specifying the sums to be lent at short, medium and long term credit, the latter differentiated into individual and collective credit. The rates of interest, always kept as low as possible, are set out annually in the same decree. Loans were usually for 18 months with 3 years as the limit. In 1971 the Government set 12.5% as the maximum which a primary bank might charge for a short term and for some types of medium term loan, but it seems doubtful whether in fact such a high rate was ever imposed. Long term loans were usually at 5% but in some cases co-operatives were able to borrow for investment capital at 3%.

The National Bank of Agricultural Credit derives its resources from public funds, from Government supported bonds, loans, and from deposits. It has power to issue bonds on the capital market for 3-5 years as well as periodic longer term issues. In September 1968 the total so raised, amounted to 26,400 million francs. The regional banks are the recipients of rural savings and at the same date held deposits in current and cheque accounts amounting to 16,700 million francs, an increase of 2,400 million francs on the previous year. As savings banks, they are the fourth largest in France. The National Bank also has rediscount facilities at the Bank of France.

The rapid increase in deposits and savings bonds is noteworthy. Deposits increased sixteen times between 1959 and 1965 and savings bonds more than twenty times. In the case of co-operatives, investments agreed by the Ministry of Agriculture receive an outright grant of 20% and the National Bank has authority to

makes subsidies available to co-operatives and groups.* This project began in March 1964 and by the end of 1965, 1,413 schemes had been authorised, to a total cost of 1,197 million francs. The French government, as well as placing funds in the agricultural credit banks, also draws out about 30% of the deposits which they receive. It was anticipated that by 1970 the banks would be able to carry on their business on the basis of their own deposits and bond issues alone.

Recent Developments in Co-operation and Farm Finance

Since 1968 a new type of quasi-co-operative organisation has been legalised and authorised to receive loans. This is SICA (Société d'intérêt collectif agricole) which includes limited companies working in the general field of agriculture, groups* and public companies formed by co-operatives with the participation of private firms, especially in the export field. Of all loans made by the banks in 1965 the majority were medium term 25%, rather over a quarter short term and the remainder long term either to individuals, co-operatives or rural local government bodies.

The shift towards medium term loans, as in other countries, no doubt reflects the need to re-equip and modernise both farms and co-operative plant in order to increase their power to compete in the market and to meet the growing labour shortage, due to the migration not only of hired workers but of farmers' families from rural to urban employment.

The progress of new or radically modernised co-operative development in the last decade has been striking and has been made possible by subsidies and loans, including credits from the Common Market Fund FEOGA. Before taking advantage of these concessions however, co-operatives must provide 20% of the anticipated capital requirement from their own funds. They are then in a position to secure 40% from the French government and/or FEOGA and the balance as a loan from the regional bank at 5%. Investment funds are thus available at low rates of interest, but not all co-operatives can raise the necessary 20% from their

* These are not the small, often unregistered, groups of farmers which the term implies in England but a loose form of national marketing board controlling a single product or group of products.

members or their own resources to take advantage of the opportunity even though co-operatives pay no income tax and all profits go to reserves or are paid out to members.

Several criticisms have been directed at the French Agricultural Credit system. It is said that it is broken down into too many small units, especially at the local level and at the same time is too much an instrument of the agricultural policy of the government. It is also concerned not only with the economic development of agriculture but with the social development of rural areas and it has been suggested that these two aspects should be dealt with by separate institutions and that the regional banks should be reduced in number. At the same time they should become more autonomous in coming to commercial and banking decisions.

The measures taken by the French government to stabilise the national economy in 1971-1972 resulted, for the agricultural co-operative credit system, in measures to restrict lending and to raise interest on deposits and loans as well as in the creation of compulsory non-interest bearing reserves. The National Mutual Agricultural Credit Bank has kept the rise in interest as low as possible making no change in rates already subsidised and keeping increases on other loans, to as little as 4% or up to 8.5% except in the case of housing loans. It has recently slightly raised interest on deposits.

A number of new forms of financial organisation were introduced or under discussion in the sixties, including the establishment, in 1962, by the National Bank and the National Federation of Agricultural Credit of SUFIDECA (Société pour le Financement et le Développement de L'Economie Agricole) in order to take up shares in and guarantee loans to agricultural projects in the fields of marketing and processing and the more recently projected Agricultural Investment Bank.

At the same time a number of new subsidiaries have been set up for special functions; UNIMAT and SICOMI finance hire purchase of mobile and fixed farm equipment. AGRITEL is concerned with general services especially rural electrification and telecommunication. The Bank is increasingly occupied with financing rural housing, village improvement, water supplies, electrification, irrigation, consolidation of holdings and forest management.

In view of the expected increase of agricultural business within the EEC it has recently joined with the German Raiffeisen and

Schulze-Delitzsch Banks and the Netherlands Rabobank to set up a Merchant Bank, London and Continental Bankers, in London.

WEST GERMANY

General Position of Farm Finance

Since the abolition of feudal tenure in Germany in the early 19th Century there has been a continuing need to secure adequate capital investment in agriculture without imposing a ruinous burden of indebtedness on farmers. Various solutions have been sought through co-operation, the intervention of the state and the creation of state-aided banking institutions. These measures have attained very considerable success (especially in the co-operative field) and have been a model to other countries throughout the world. They have, however, had to contend with a series of catastrophic events not inherent in the normal development of agriculture; the uncontrolled inflation of the German currency following both world wars, the arbitrary administration and reckless agricultural finance of the Nazi period, the partition of Germany and the loss of economic and other ties between the eastern and western regions, the powerful financial pull on labour and capital exercised by industry with the resulting labour shortage on farms, have all combined to influence the institutions and objectives of farm finance.

In 1971 there were in Western Germany 1,161,000 farm holdings of which 84% were under 20 hectares in area. The number of farms in Western Germany of 10 hectares and over has remained relatively constant, though it is probable that loss of land to industrial use has been compensated by the amalgamation of many very small farms into rather larger units. The latter process shows more clearly in the drastic reduction in the numbers of farms under 10 hectares from 1,550,000 in 1949 to 720,000 in 1971. With this has gone a change in need and the resources to meet it which has modified the old structure of agricultural credit.

Though tenancy is not unknown in Germany most farms are in the hands of owner-occupiers and most of the smaller farms are run by family labour. Some, especially in the neighbourhood of industrial towns, are part-time enterprises the owner or some member of his family also working in industry. Mixed farming prevails but there is considerable cultivation of specialised crops, such as vines and tobacco. There is a flourishing co-operative movement for marketing, processing and the supply of

agricultural requirements. The last named was at first closely associated with co-operative credit.

History of Agricultural Credit in Germany

The earliest need for institutional credit arose on the larger estates which after the end of feudalism needed to reconstruct their economy on a basis of paid labour and at the same time acquired the power to borrow on the security of their land. [The Prussian "Landschaften" (in effect co-operative agricultural mortgage banks) began at the end of the 18th century. All mortgage loans from Landschaften or others were recorded together with mortgages incurred. By 1914 70% of German agricultural indebtedness is said to have been on long-term mortgage. This debt was wiped out by the first post-war inflation but began to build up again, till checked by National Socialist legislation, and later by the second post-war inflation and the policies of the West German federal government and of the occupying powers.

The Landschaften in East Germany were abolished, while agricultural loans in West Germany were reduced to a maximum of 12 years. By 1948 mortgage loans in agriculture accounted for no more than 15% of total borrowing. The rest was supplied at short or medium term largely from public funds or aid from the United States (Marshall Plan, Green Plan).

The system of local co-operative banks mainly for short term personal loans numbered 6393 in 1971 and fell into two categories. The Raiffeisen Banks (5680 with 3,572,000 members) were almost wholly rural and had originally been based on small membership, all known to one another, unlimited liability, local saving of members and others, and unpaid local management. Loans were granted on personal security backed by two sureties and only for productive purposes. A strong sense of moral values prevailed. Time and success have modified many of these practices. There has been a gradual increase in the size of local units, together with a reduction in their numbers; management has become increasingly professional; unlimited liability has been replaced by limited liability in the larger banks. The practice of conducting agency business in agricultural requirements through the village bank is becoming less usual.

The Peoples' Banks, numbering 631, founded on the principles devised by Schulze-Delitzsch have a number of farmer members (usually the larger farmers) to whom they lend money but, they are usually situated in towns, with a large membership drawn from all branches of the commercial and professional middle class and catering for their financial needs, as well as those

of agriculture. Members' liability is limited to their shareholding. Banks are professionally managed and make loans on audited accounts and other information supplied by the borrower, reinforced by material security.

In addition to the local banks of both kinds there are 11 regional co-operative banks. Five are purely agricultural and serve Raiffeisen village banks only. Two are urban and serve Peoples' Banks only; 4 are joint institutions. Regional banks had a Balance Sheet total of 23,300,000 DM in 1971. In addition there are a number of specialised co-operative banking institutions of which two are farmers' banks and the rest general mortgage banks, or building societies.

Various efforts have been made both by legislation and free co-operative initiative to set up central banks to co-ordinate the work of the local and regional banks by providing clearing facilities and a channel for national or international financial aid to agriculture. The Prussian Central Co-operative Bank was set up in 1895, and later it became an all-German co-operative institution the German Central Co-operative Bank. In 1929 it took over the (non-official) Raiffeisen Bank, liquidated in 1926. The Prussian Bank lost its funds based on deposits in the post first-war depression and had become increasingly dependent on state funds. A Co-operative Mortgage Bank was set up to replace the Central Co-operative Bank (Prussian Bank) in that field. A promising beginning of reconstruction was followed by a period of confusion. The disappearance of the Central Bank's headquarters into the Russian zone of occupation, the failure of attempts to salvage and re-establish some of its functions in Western Germany due to the reluctance of the occupying powers to authorise federal economic institutions all made recovery difficult.

Finally order was restored when a new German Co-operative Bank was set up in May 1949 in Bonn. It was authorised to act on behalf of co-operatives in the whole of the federal republic. Not more than 50% of its foundation capital of 8 million DM was open to subscription by federal and regional public authorities. The rest came from co-operatives compulsorily in the case of agricultural societies, voluntarily from urban and mixed banks. The Bank was less under state control than its predecessors since its co-operative shareholders had a majority on the board of directors. Its resources have steadily increased. By 1965 paid up share capital stood at 60,000,000 DM of which 50,000,000 DM were from co-operative sources. It had 86,000,000 in

undistributed profit and deposits had risen from 9,000,000 DM in 1950 to 270,000,000 DM. It drew on the Rentenbank for a further 64,000,000 DM. Funds for medium term lending were also obtained from the issue of bonds, discounting bills of exchange, investment by insurance companies and the handling of trusteeships on behalf of minors.

Uses of Agricultural Credit

Though there have been attempts to assess statistically the distribution of institutional borrowing among the various lending bodies, the information available does not cover the use of trade credits and of loans from private sources.

The land mortgage banks were built to meet the need for improving the physical character and equipment especially of large farms during the 19th Century. Money was borrowed at long term for land purchase, land reclamation, the construction of farm buildings and farm plant, and for the purchase of farm machinery.

At the same period the smaller farmers were in need mainly of short term credit, largely in order to make themselves independent of the village merchants who supplied tools, livestock and seed on credit at high prices and expected to repay themselves with the purchase, at low prices, of the resulting grain, livestock and other produce. This service the Raiffeisen banks were designed to give. The new economic freedom which accrued to farmers made it possible for them to develop agricultural marketing and supply co-operatives, which in turn have made the short term loan a much less urgent need.

In the last 20 years the amalgamation of farms, the shortage of labour, the wastage of equipment during the war, together with the growing sophistication of agricultural machinery and appliances have called for a much higher demand for medium term credit, for most of which some form of security is required. Hence a decline in seasonal loans made on personal security and increased attention on the part of the lending institution to accounts, resources, budgetary forecasts and material security.

Evidence regarding the participation of institutions providing loans is not free from controversy. In December 1951 the Federal Food Ministry produced estimates from which it appeared that agricultural credit for the preceding year from all non-co-operative apex organisations was 1,835,000,000 DM of which not more than 873,000,000 was from savings banks. A report prepared for

the Agricultural Credit Co-operative put the total for loans at 2,161,000 DM of which 40.5% came from the savings banks, 21% from other public and legally established credit institutions, 19.5% from co-operatives, 10% from private mortgage banks and 9% from the official Agricultural Mortgage Bank. These figures were challenged by the German Co-operative Bank which put the total lending by co-operatives at 970,000,000 DM of which 36% was from the agricultural central banks, 30% from the savings banks, 9% from the industrial co-operatives and 22% from the German Co-operative Bank. Even if some conclusions can be tentatively drawn from these figures they are still twenty years or more out of date and take no account of non-institutional credit.

Loans made by the German Co-operative Bank are mainly to central co-operative banks. The terms of relending to an individual farmer are adjusted to the purpose of the loan. Rates of interest are flexible and for agricultural loans are not tied to the bank rate. The aim is to fix all rates in the interests of the borrower and as far as possible to keep them stable. It is also sought to keep the rate paid to depositors as stable as possible. Short term loans are usually made from the considerable resources of the local and regional co-operative banks, without recourse to the German Co-operative Bank. The Bank also undertook to finance agricultural requirements and marketing co-operatives mainly by long term loans, supplementing loans available under the Marshall Plan to meet the demand for modernisation.

The central problem of the Bank has always been that of preserving its own liquidity and that of the co-operative banks which it serves. The deposits of the Central Banks in the German Co-operative Bank fluctuate with the deposits of individual farmers which are much less stable than in earlier years, and the Bank must also be in a position to support them with liquid cash.

The principal rivals of the credit co-operative have throughout been the locally based but publicly recognised savings banks, rather than the commercial banks, which on the whole are not interested in small accounts whether of investors or borrowers. Over the past half century the savings banks have increased their share of short term loans both to industry and agriculture, while the share of the co-operative banks has declined. The savings banks have also seen the increase in their short term lending complemented by a decline in mortgage loans. It is not possible to say how significant a part has been played by agricultural lending in these changes, nor are the reasons

fully known. It is however recognised that the savings banks have gained business efficiency by their amalgamation into larger units, their use of branch and agency structures and of trained staff at all levels.

In the view of the German Co-operative Bank, the integration of the West German economy with the EEC and the resultant internationalisation of banking have faced the co-operative banking system with further threats of competition. Its future success is likely to depend on the creation of larger and more efficient units, an extension of the range of services offered including international services, an increase in the provision of medium and long term loans and of risk capital, the attraction of an increased volume of saving by the creation of new investment instruments and the provision of comprehensive individual services coupled with increased rationalisation and automation.

THE NETHERLANDS

General Position of Farm Finance

There are in the Netherlands 186,613 agricultural holdings covering rather over 2,000,000 hectares giving an average area of 11.7 ha. (about 30 acres): of these holdings, rather under a half are owner-operated and the remainder held by tenants. The total area of the country and of its farmland have been increased in the last 50 years by large scale reclamation from the sea, especially in the former Zuyder Zee, which has given place to agriculture and a large fresh water lake which supplies Amsterdam and other towns with water. Netherlands farming is efficient and intensive. There is much specialised dairying but field crops, including grain, sugar beet and potatoes (largely used for industrial purposes), find a place as does the large and highly developed market garden industry growing salad crops, vegetables, fruit and flowers. All these types of production have, for many years and with increasing completeness, been co-operatively organised for marketing, processing, the supply of auxiliary materials and implements and the provision of credit. Today the farmers co-operative credit banks are the most important savings banks in the Netherlands. In 1964 the total savings in the co-operative banks was 40% of all national savings and by 1974 savings in co-operative banks had reached 21,875 million florins plus term deposits and balances in current accounts. A considerable part of this came from urban investors who are increasingly placing their savings in farmers banks. The consolidated balance sheet of these banks (22½% of the total balance sheet of all Netherlands

banks) show long and short term investments, government and other securities but does not make it clear how much is re-invested in agriculture or the agricultural business carried on by co-operatives, 90% of whose credit needs are drawn from the farmers' banks. It seems clear however that the farmers banks supply the bulk of the credit needs, long and short term, individual and collective of Netherlands farmers and that an outline of the system gives a fairly complete picture of the agricultural credit situation. The only important aspects on which it is difficult to get statistical information is the extent of private, especially family, lending to farmers and the degree to which they take advantage of trading credits either co-operative or private.

Agricultural Co-operative Credit

The first farmers credit bank in the Netherlands was established in 1896 on the model of the German Raiffeisen banks, following the recommendations of a commission. Netherlands farmers were at that time dependent on traders who sold on credit, charging exorbitant rates of interest, while the commercial banks preferred lending to trade and industry.

The Raiffeisen banks were found acceptable to farmers and their numbers grew rapidly. A savings bank in the village was preferred to one in a town, unlimited liability, which was universal, gave confidence to depositors. Larger farmers and village leaders gladly sat on boards, which conferred prestige, and the decentralised character of the organisation gave confidence, assuring mutual knowledge and attention to local needs. Even today membership of each bank is small averaging between 300 and 400. This makes it possible for bank managers and their boards to have a real understanding of the character and circumstances of the individual farmers. Banks were federated at an early stage in two central banks respectively at Utrecht and at Eindhoven, the former providing for banks attached to the "neutral" farmers' co-operative movement and the latter for those with Catholic affiliations. The two banks were amalgamated in 1972 (see page 22).

Deposits in agricultural banks increased from 3,100 million florins in 1959 to 25,000 million florins in 1974, of which 72% was sight deposits.

The rate of interest on sight deposit in 1966 was between 3½ and 4% (varying with the local bank and the degree of competition which it had to meet) and may be compared with the flat rate of

3½% paid by government in similar accounts. Rates paid by farmers banks on time deposits in the same year ranged up to 5½%. More recent figures are not available and the policy appears to be one of flexibility towards different classes of borrowers and the purposes for which they borrow.

Loans are made primarily to finance the business of farmers, growers and their co-operatives. The distribution of loans at the end of 1974 was 40% to agricultural borrowers including trading co-operatives, 20% to non-agricultural businesses and 40% to private individuals. Although 60% of borrowing is non-agricultural it is estimated that 90% of all agricultural credit needs are met from this source.

The term of loans varies from 1-50 years. Long term loans are aimed at financing the acquisition of agricultural businesses. Of the 9,000 million florins outstanding at the end of 1974 in the agricultural sector, 2,800 million had been advanced to co-operatives. In addition, the banks finance the co-operatives considerable foreign trade and for this purpose the Central Bank has set up joint subsidiaries together with American and British Banks.

One of the aims of the co-operative banking system is to keep interest on loans as low as possible, usually not more than 1% above the bank rate to co-operatives and slightly higher to private business. Each application is first considered by the local bank. If it is approved in principle, but involves tying up too much of the local bank's resources, it is referred to the Central Bank or to its subsidiary institutions, the mortgage bank or the instalment credit financing company.

Formation of Rabobank 1972

The amalgamation of the two central banks, established respectively at Utrecht and Eindhoven was effected in 1972, resulting in a single strong institution, the Co-operative Central Raiffeisen Farmers Loan Bank Limited, known by the acronym of Rabobank. The organisation depends on good team work and allocation of functions between the national and local organisations. Rabobank watches the interests of the group as a whole and there are common policies regarding liquidity, profitability, marketing, finance and social objectives. This involves an extensive exchange of views. For this purpose forty regional groups of banks have been formed in one of which each local bank is represented. The groups elect representatives to the Central Delegate Assembly which meets at least quarterly to discuss all important

matters of common policy such as the attitude to competition, acceptance of risks, supervision by the banking authority and the best way of meeting members' needs.

Under the Act on the Supervision of the Credit System the Central Rabobank is responsible for supervising member banks liquidity and solvency while at the same time acting as their agent in the field of monetary policy. Supervision involves reliable audits in accordance with criteria laid down in rules of conduct, accountancy and administration. Their rules must at least reach the standard of those on liquidity and solvency drawn up by the Netherlands Bank and under revision in 1974. Originally only the Central Rabobank was directly bound by these rules but the policy was obviously to introduce standard practices throughout the co-operative credit system with a view to anticipating their probable compulsory introduction. To this end monthly checks are made on ratio of resources and lendings in each bank. This enforces a higher standard than that required under the Netherlands Bank rules, but takes into account that it falls to the Central Rabobank to provide any supplementary finance which the lending policy of the local bank may make necessary. In general, local banks are expected to keep at least 25% of the deposits they have received as balances in their current account in the Central Bank. There are some exceptions to this rule but if the local bank makes long term loans its credit balance with the Central Banks must equal at least 30% of the deposits received. The Central Bank pays interest on these balances at rates related to the volume invested by each local bank.

As regards monetary policy the Central Rabobank follows the credit policy-expansionist or restrictive - of the Netherlands Bank. Local banks exceeding the required lending limit can be penalised by a loss of interest on deposits and by increasing the required level of liquid reserves. These measures are adopted to keep control on inflation.

The Co-operative Bank, though acting in other respects like other banks, is primarily interested in the advantage of its members, individual and collective, not in realising a maximum return on capital. It is also based on a democratic structure. Policy affecting the Welfare of the local community is frankly discussed at the annual general meetings of local banks. They also elect the boards of management and supervisory committees which retain control of the bank, although increasingly dependent on central advice in matters of policy, guidance and training, collective cover of risks, central electronic processing,

uniform services and accounting systems as well as a common social policy. Relations between local and central banks remain flexible and dynamic. A communication network has been devised in the form of regional delegate assemblies, each sending three representatives to a Central Apex Delegate Assembly, distinct from the Central Banks, Annual General Meeting, in which the management of the central and local banks meet together at regular intervals. There is in addition a structural committee and consultations are frequently held with ad hoc technical committees composed of representatives of local banks. This machinery is designed to secure agreement on a succinct presentation of the views of local banks to the Apex Delegate Assembly and if confirmed after discussion there, at the Annual General Meeting of the Central Rabobank.

The aim is to combine a general pattern of policy and action under the control of the Central Rabobank with the greatest possible freedom of action by the local banks as regards lending policy, strategy for the attraction of funds, level of interest rates and commissions, staff management and special services. Freedom and restraint, the Bank claims, go remarkably well together.

It may be of interest to enlarge somewhat on the service of the Netherlands Co-operative banking system to agricultural co-operatives as distinct from the individual farmer. Of the total advances made by co-operative banks to trading co-operatives, 55% of short term credits, usually in the form of overdrafts, and 32% of longer term loans were to the 900 supply co-operatives, many of which also market members grain, potatoes and seed. They also have their own fertiliser factories producing 1/3 of the Netherlands fertiliser output, with a subsidiary in South Africa. Twenty per-cent of all loans were to the dairy co-operatives which control 57% of the butter, 52% of the cheese and 46% of the powdered milk market. A special bank, the Co-operative Dairy Farming Bank, was also set up many years ago by the dairy co-operatives and the Utrecht central bank to meet the needs of that industry.

Extensive credits are made to horticultural marketing co-operatives, most of them operating auctions, which call both for investments and for liquid capital to cover daily payments to members. The banks have financed the important sugar beet and potato flour co-operatives.

In general the Raiffeisen Banks covered 90% of all the external financing of Netherlands Agricultural Co-operatives, the remaining 10% coming from mortgage loans on plant and premises and

debentures sold on the capital market by national and regional co-operatives. It has recently joined with other national co-operative banks to establish a merchant bank in London.

The Netherlands government gives no subsidies and no special credit facilities to agricultural co-operative organisations though from 1951 it accepted responsibility for the Agricultural Guarantee Fund based on Marshall Aid which does not make loans but stands surety for loans to farmers, market gardeners and others. The fund amounted originally to Fl. 25 million later increased to Fl. 30 million, invested in government securities. Losses have been small, less than the accrued interest. Apart from this, financial self-sufficiency has always been the pride of Netherlands Agricultural Co-operation.

AUSTRIA

General Position of Farm Finance

There were in 1970 some 380,000 agricultural holdings in Austria. The total area of agricultural land (excluding forest but including permanent pasture) was 3,896,000 ha. giving a crude average of 10 ha. (25 acres) for each farm. The range would no doubt reveal a more varied picture. Though the country includes a region of alpine farming based on pasture, livestock rearing and dairying, supplemented by forestry at lower altitudes, a considerable acreage is devoted to field crops including 970,000 ha. of cereals and 100,000 ha. of potatoes, as well as fruit and vineyards. The scope for agricultural investment is considerable to modernise, intensify and compensate for the drain of labour (including family labour) to the industrial towns. The need for co-operation both for the supply of credit and for the establishment of farmer-owned businesses in the supply of requirements and the marketing of produce became early apparent.

Austrian agriculture derives its loan capital from various institutions in the following proportions:-

Agricultural co-operative credit banks	63.7%
Industrial co-operative banks	5.8%
Agricultural mortgage banks	15.8%
Savings banks	13.4%
Joint stock banks	1.1%
Others	0.2%

The Land Mortgage Banks provide 54% of the number and 21% of the volume of long term loans and have a somewhat higher pro-

portion of their total funds invested in agriculture than have the Raiffeisen banks which in recent years have also devoted themselves to building up trade and industry in rural districts and the establishment of a firmly based, solvent, rural middle class, including but not confined to farmers themselves. It claims to be the most dynamic part of the contemporary Austrian credit system.

Agricultural Co-operative Credit

A co-operative law was promulgated in 1873, the earliest in Europe after that of Gt. Britain. It was intended primarily to cover industrial co-operatives of various types but included a section on provident and credit co-operatives which was also suitable for the incorporation of Raiffeisen agricultural credit societies, Peoples' Banks and the central organisations of either. By 1886 three savings and provident co-operatives had been founded. Ten years later there were 1,814 Raiffeisen societies of which 600 fell within the present boundaries of Austria and the rest were in Bohemia, Hungary and other provinces of the old empire. In 1895 a central bank was founded in Lower Austria and a general union of Austrian Agricultural Co-operatives followed in the same year. The organisation above the primary level was as decentralised as possible in order to accommodate the multi-national character of the Austrian empire and the desire for regional autonomy. After the first world war, Austria was left with 2,052 agricultural co-operatives and the Austrian Raiffeisen Union. A central clearing bank, the Girocentral was set up in 1927 with financial holdings by the existing Austrian co-operatives, the Austrian Land Credit Institute, the Prussian Central Co-operative Bank and the German Co-operative Banks.

The earliest Austrian agricultural co-operatives enjoyed official favour, stimulation, propaganda and subsidies. They aimed at multi-purpose functions and many village banks also handled the supply of agricultural requirements and in some cases marketing. The number with multi-purpose functions has however fallen fairly steeply over the last twenty years as have the total numbers of primary societies (due to amalgamation and rationalisation) but membership has grown steadily from 823,353 to 1,504,306 for all agricultural co-operatives and from 277,167 to 748,490 for the Raiffeisen banks.

The structure of the movement today is based on 1,657 primary banks federated in 4 central banks and 5 provincial unions, each with a banking department, a Co-operative Central Bank and at

the apex, the Austrian Raiffeisen Union. The primary banks are essentially village-based with a membership of village people, mainly farmers, and unlimited liability. They receive deposits from members and non-members, but make loans to members only, always for productive purposes, usually, though not exclusively, agricultural. The bank is governed by a general meeting, a committee, a supervisory committee and a small executive consisting of usually a Chairman, Treasurer and Secretary, which is responsible for the examination of applications for loans and the decision as to whether or not they should be granted. There has been some change in the direction of a more modern and businesslike structure but the massive change from unlimited to limited liability which has taken place in Germany is still on a small scale in Austria. The number of banks, with branch offices is increasing. Fewer than of old are also acting as agents for agricultural requirements and the old system by which banks only opened for business on Sunday morning at the secretary or chairman's house is increasingly giving way to banks with their own offices, open daily and with at least some paid staff. Membership is high, an average of 10% of the population, only falling markedly lower in Lower Austria, which includes Vienna, and rising to over 16% in some of the predominately agricultural provinces.

The Raiffeisen Banks have made continuous efforts to build up their own capital by attracting shares and deposits and retaining profits, which are only in rare instances distributed to investing members. There has however been an increasing tendency in recent years to rely on institutional investment. Owned capital is none the less needed, not only as a guarantee of stability which will attract and reassure still more institutional lenders, but as a fund from which the bank can pay for the alterations to premises and equipment which it needs to preserve its efficiency and attract business. The banks are assessed on the three criteria of security, liquidity and profitability. These must however always be consistent with offering the best terms to member lenders and borrowers, which is regarded as the primary objective of all Raiffeisen Banks.

The approach of the village banks to security is through very careful testing of the credit-worthiness of potential borrowers, re-enforced by material security or guarantees, transfer of risks, formation of reserves and guarantee funds, organisation of consortia to share in the heavier risks and the policy of spreading advances among different kinds of enterprise. Liquidity is in the main assured by the regional banks and the National Raiffeisen Bank. Profitability is looked on largely

as a function of staff efficiency and the volume of business conducted. The large number of small accounts has added to the cost and so reduced the profit of running the banks, but it has also spread and so reduced risks.

Lending policy, based on the satisfaction of the members' reasonable needs calls for a good deal of judgement primarily of men, but also of agricultural operations in times of rapid change and the position and trend of the market. Savings policy aimed at increasing the amount invested by depositors calls for various forms of education and propaganda as well as specialised saving schemes aimed at different age groups (including school savers) and an annual Raiffeisen Savings Week at the end of October. The Austrian village and country town Raiffeisen banks today, even when small are impressive, with efficient counter service, fully staffed, trained managers, modern accounting machines, attractively laid out and equipped.

The tradition is to keep interest as low as possible for the sake of borrowers, even if this reduces the possible appeal to lenders and the ability of the banks to compete for custom with other savings institutions. The investment of such funds as may be surplus to current local lending requirements is not usually left to the village bank but is transferred, with the cash for investment, to the regional or national banks. These savings deposits, which constitute 83% of the total intake of the Raiffeisen Banks, rose from 330 million schillings in 1950 to 19,366 million in 1968 or one-fifth of total national savings at a time when savings in general were tending to decline. To this must be added 3,853 million schillings, in current accounts at 9.1% of the national total (3.5% in 1948). This is a growth rate of more than three times that in the volume of Austrian current accounts in general.

Since 1965 Raiffeisen bonds at 5½% repayable in 4-5 years have been offered to the public on the Vienna Stock Exchange. They are for 7,000 - 50,000 schillings. Other means of attracting funds in the form of medium term investment and the management of trusteeships have also been under active consideration.

The principles on which loans are made to members as as follows:-

- (1) Individual credits are restricted and must bear a relation to the capital resources and investment of the borrower.
- (2) Short and medium term loans have priority.

- (3) The members' needs must as far as possible be met, but the term of deposits must be watched since it conditions changes in the form of lending.
- (4) The internal policy must be democratic, members taking the same form of credit on the same conditions must pay the same rates of interest.
- (5) Local credit needs must as far as possible be fully met.
- (6) Exclusion of costly securities has been made possible by local knowledge of borrowers.
- (7) Loans, partly because of the terms of taxation, must only be made to members.

The volume of lending has multiplied more than fifty times since 1948 and the number of loans more than ten times. Rather over half the loans in the latter year were for agricultural and forestry purposes. The rest covered various aspects of trade, industry, commerce, professional equipment and housing. These make up a rapidly growing section of loan demand. Loans under 50,000 schillings formed 83% of the total number but not more than 27% of the total value. Total loans amounted to 20,074 million schillings. The duration of loans was 69% between 1 and 5 years, 27% under 1 year and 25% over 5 years. Pressure for increased industrial lending had been accompanied by longer term loans and some difficulty in securing prompt payment. The increase in the business of the Raiffeisen banks put them by 1968 in third place among all Austrian lending institutions coming after the joint stock banks and the savings banks, with 15.5% of all credit business.

The Raiffeisen Bank in addition carries on all normal banking functions, discounting bills, non-cash payment of wages and salaries, foreign trade etc. The Bank has also promoted a savings bank which acts as a building society. Some of the problems with which the Raiffeisen system in Austria is currently concerned are:-

- (a) A uniform system of accountancy for all its member banks.
- (b) Strengthening of the regional banks and systematizing their functions.
- (c) Use by the banks of the existing co-operative infrastructure.

- (d) Recognition of the Raiffeisen banks in relation to other financial institutions within the competitive system.
- (e) The use of modern administrative, mechanical and electronic methods to promote efficiency.
- (f) Training of staff and committees.
- (g) Education and publicity both on a local and a national level.
- (h) An acceleration of the existing trend towards amalgamation of small banks and their conversion into branches with in some cases, the formation of additional branches.

In spite of the need for such suggested improvements it is noticeable that the agricultural co-operative credit system in Austria is now developing more rapidly than its urban counterpart.

Statistically the position in 1968 was that agriculture and forestry represent 7.1% of the gross national product and absorb an annual average of 10.9% of the available credits. There has been a very considerable element of subsidy which has made possible the Green Plan and other schemes of agricultural modernisation. In July, 1968, 38% of agricultural credit originated in subsidy and of this two-thirds was handled by the Raiffeisen organisation. The Central Co-operative Bank only covered 14% of its advances from its own funds and without the availability of publicly controlled resources, it is doubtful whether Austrian agriculture could have coped successfully with labour shortages and rising wages or the mechanisation and rationalisation required under the Green Plan.

SWEDEN

General Position of Farm Finance

Sweden is a large country, thinly populated. Only about 12% of the land is farmed, the rest being covered with forests or more or less unproductive. The greater part of the arable land lies in the South where latitude, climate and soil make possible a high standard of mixed farming, and in the arable districts of East Gothland. The crude average size of farms is not more than 14 ha. Of the cultivated area 80% is in holdings of less than 50 ha. and 50% between 3 and 12 ha. The bigger farms lie in the south and are frequently part of large estates and held by

tenants who account for about a third of the area farmed. Owner-occupation is, however, common and is tending to increase through the breakup of large estates and the creation of smallholdings. Just over 50% of all farmland is owned by the farmers and another 25% joint-owned. Nearly all small farms are owned by the farmer.

Sweden has a considerable agricultural co-operative movement covering supply, marketing and credit but the latter only reached its present form after a good deal of experiment, Government promotion and the exigencies of the agricultural crisis of 1930. Most Swedish farms in owner-occupation are mortgaged and although even during the slump, interest payments were fairly well maintained, the burden was heavy. These mortgages are derived from various sources. Almost every town in Sweden has its own savings bank which provides mortgage loans on real estate, rural and urban, and occasionally makes personal loans. The National Mortgage Bank, is the most important source of long-term agricultural loans. It is similar in organisation to the old Prussian *Landschaften* and had a capital of 500 million Sw. Kr. derived from the issue of bonds. A so-called Agricultural Bank, was unsuccessful, and finally became a commercial bank with certain state guarantees. Private banks tend to be industrial and commercial.

Agricultural Co-operative Credit

This leaves a gap in the provision of short-term agricultural credit other than trading credit. To meet this need a number of local co-operative credit banks on the German model were introduced from 1915, but without any central organisation, many found it hard to obtain funds and little progress was made. Since 1930, a successful effort was made, with state encouragement, both to co-ordinate existing local banks and rapidly to increase their numbers. A three-tiered system was initiated with local banks affiliated to district centrals under a national banking committee. Initial propaganda was carried on through pamphlets delivered to local shops, creameries and post offices and by articles and advertisements in the local press. Nothing more was done until enquiries from interested farmers began to reach the district central. As soon as it was ascertained that one or two farmers of good standing were interested, a trustworthy man was invited to take the lead and as soon as not less than 15 were ready to join, a bank was formed. Travelling organisers from the National Banking Committee were available but the main responsibility rested on the directors of district centrals. The number of banks and their business grew rapidly.

Membership of local credit banks is limited to farmers and a few others (such as millers) whose business is agricultural in character. Shares were fixed at 5 Kr., 2 Kr., paid up and the remainder due within three years. One share was due for every 500 Kr. tax assessment on land value. Liability was ten times the value of the share. One Kr. of each share was placed to reserve. The banks accepted savings from members and non-members on deposit or current account at varying rates of interest. Considerable funds were obtained in this way, not always from those with the broadest acres or the most favourable natural conditions. Finally the state provided a matching subsidy of 4 Kr. per member for the first five years, reduced to 2 Kr. and finally to 50 öre for subsequent years.

Loans were made to members only in the form of acceptances or overdraft on current account. Long term loans on mortgage were secured for an indefinite period, up to 60% of the taxable land value of the farm, usually at 4.5%. Short term loans from 6-12 months, chiefly on personal security but occasionally on chattel mortgages were made at 5-5½%. At first the banks required a declaration of the purpose of loan but later this was dropped. Central banks had power to refuse loans already agreed by local banks. Much of the initial borrowing was for the repayment of previous loans made on more generous terms. Strictly "productive" loans were usually for the purchase of machinery. There were comparatively few requests for renewal. The difficulties, especially regarding security, involved in lending for the purchase of quickly consumed supplies led to a system by which supply co-operatives sold on credit to their members up to 200 Kr. for each 5 Kr. share and covered the advance by a loan from the central bank.

Local banks took shares (50 öre per member, minimum total 10 Kr.) in their district central bank and handed over 20% of their receipts to the central "security fund." The centrals, eight in all, were in turn members of the National Committee. It received a state guarantee for credits up to 25 million Kr. and had the right to draw on the National Bank of Sweden at the subsidised rate of 3½% up to a total of 5 million Kr., the remaining 20 million Kr. being derived from private institutions, insurance companies, Post Office Savings Bank and the State Pension Fund at 4½%. Savings in local banks were guaranteed by the state up to 20% or 500,000 Kr. for each Central bank. The National Committee undertook auditing and advisory services and the Central banks gave courses in book-keeping.

Membership and business grew steadily. By 1943 deposits covered loans. In 1956 a new law was passed which gave the rural credit co-operatives increased freedom of action. Limited was substituted for unlimited liability. State control was gradually relaxed. The Association of Swedish Agricultural Credit Banks undertook general responsibility for management but banking transactions with the district banks was transferred to the Agricultural Bank, which was revived in 1958. In 1973 it had rural assets of 1,672 million Kr. The agricultural credit movement has retained its three-tier structure with 555 local banks (plus 176 branches) affiliated to 12 central agricultural credit banks (formerly 20) which are in turn affiliated to the national association. The size of the local bank varies. The majority have their own offices, are open daily and served by full-time trained staff. A few still have their offices in the home of a part-time secretary-cashier and only open 1-2 days a week. Members now pay an entrance fee of 50 Kr. plus an annual contribution of up to $\frac{1}{4}$ % of their loans until they reach a ceiling of 2.5% of total borrowing. The membership fee is paid in cash but annual contributions are deducted from the interest discount due to members out of the bank's annual surplus. If a member leaves his bank, perhaps on retirement from farming, his contributions are repaid by instalments over 5 years.

The Agricultural Bank

The function of the Agricultural Bank as at present constituted is to undertake commercial banking for the whole agricultural credit system. Its principal shareholders are the local credit banks, the co-operative federations and the Swedish Farmers' Union together with some 2,000 private shareholders. The Bank is in a position to carry out all ordinary bank functions, including foreign trade. The Bank receives deposits from and makes loans to the local banks, farmers, trading co-operatives and other agricultural borrowers. It would like to make loans to non-agricultural borrowers, some of whom are already depositors, and discussions with the government on this point have been in progress. Local and central banks are limited as to the proportion of any one loan which they can make from their own resources, but the Agricultural Bank can make up the balance of any loan which it has approved.

Deposits are in the form either of time deposits, savings or current accounts. The proportions in recent years were as follows:-

	<u>Million Kroner</u>	
	<u>1961</u>	<u>1965</u>
Time Deposits	1,084	1,985
Savings Accounts	155	323
Current Accounts	127	243
	<hr/>	<hr/>
	1,376	2,551
	<hr/>	<hr/>

Interest rates on deposits closely follows the bank rate and on 30th September, 1966, stood at 5.5% - 6.75% for time deposits and 5.5% - 5.75% for savings accounts. No interest was paid on balances in current accounts.

Loans are granted at long term against mortgaged property (up to 60% of assessed value of agricultural property), or against bonds and at medium term (up to 10 years) against security or state guarantee. Agricultural banks discount bills, allow overdrafts against security and make advances for building. Long and medium term loans accounted for four-fifths of total lending in 1964 and bills discounted were roughly double overdrafts. Total advances increased from 1,224 million Kr. in 1961 to 1,934 million Kr. in 1964. The total assets of the co-operative credit bank (excluding the Agricultural Bank) in 1973 was 7,978 million Kr. Their main source of funds was deposits (over 7,000 million Kr.).

Loans are made to both individuals and to farmers' organisations, the latter somewhat restricted by the regulation that not more than 10% of the total loans granted by a local or central bank should be made to any one borrower. Interest rates on loans follow the national bank rate, and were from 7-8% in 1966.*

Other Banks

At this period the rural credit banks provided the major part of agricultural credit followed by savings banks and the General Mortgage Bank of Sweden, with its 10 regional subsidiaries. The Mortgage Bank has the sole right to issue bonds secured on agri-

* More recent interest rates are not available.

cultural property. It makes loans up to 60% of the assessed value of the farm. It has a state guarantee fund. Loans are at long term with no obligation to amortize, carrying fixed interest for the whole period. The Mortgage Bank also lends to agricultural co-operatives carrying on marketing, supply, especially for investment in storage or processing plant. The bank had total assets in 1974 of 3,500,000 Kr. and lent 3,400,000 Kr. on mortgage. Rural savings banks, which antedated the co-operative banks, have always played a considerable part in the financing of Swedish agriculture, mainly long term. The proportion of credit from different sources in 1971 was Agricultural Credit Banks 40%; Savings banks 21%; Agricultural Mortgage Banks 32%; Commercial Banks 6%; State loans 1%.

The commercial banks made short as well as long term advances principally to large farms. Direct state lending to farmers from general state funds is fairly rapidly declining but state guarantee of loans to farmers from banks is on the increase and covered 1,100 million Kr. in 1973 of which 52% was advanced through the credit banks. In addition the insurance companies and the National Pensions Fund purchase bonds from the General Mortgage Bank. Recently two credit companies have been set up by the State to find outlets for the money accumulated in the National Pension Fund, one of which provides credit for agricultural, including dependent industries, on the basis of 1/3 for co-operatives and 1/3 for private trade. Loans are for 10-15 years, in some cases up to 20 years and may be up to 60% of capital invested. Rates of interest are 8-8½%. Initially 300 million Kr. were made available from this source and additions were envisaged.

The Swedish Agricultural Co-operatives which in the 1950's were able to finance from 75 - 100 per cent of their investment from their own capital found the position changing to their disadvantage in the next decade.

Share capital in particular has increased less rapidly than turnover although reserves continued to increase and were supplemented by hidden reserves of about 175 million kroner. A move was made about 1965 to tie members share holding more closely to the volume of business done with each type of co-operative, ranging from 10 Kr. for every 150 Kr. of business in egg marketing co-operatives, to 30 Kr. in meat marketing co-operatives. In the latter, a farmer is under contract to deliver the whole of his production so that the calculation of his obligations can be based on agreed and easily accessible figures.

Co-operative dairies are on the whole adequately supplied with capital from various sources already discussed, but about half of their properties are mortgaged. Meat marketing co-operatives have extensive processing plant and 500 retail stores and about 75% of their property is mortgaged. The egg marketing co-operatives are in a weaker investment position. Supply co-operatives which also market grain and other field crops are the largest users of borrowed capital and their premises tend to be fully mortgaged.

DENMARK

General Position of Farm Finance

Denmark is justly famous as the country with the most complete and perhaps the most democratic agricultural co-operative movement in Europe. It did not begin, however, like so many national movements, with co-operative credit and to this day the credit needs of the Danish farmer are not met by a comprehensive co-operative system. The driving force of Danish co-operation has from the beginning been in marketing. It has been used to transform Danish farming from the corn and cattle economy suited to the large estates which existed at the beginning of the 18th century, to the production of high quality dairy produce and pig meat adapted to the British and to a lesser extent the German markets which suits the intensively managed small farms.

The reduction in size of Danish farms and the establishment of wide-spread farm ownership was carried out deliberately as a national policy throughout the 19th and the first half of the 20th century. The emphasis was on the middle-sized self-supporting family farm. Small holdings were also encouraged, but it was recognised that the smallholder or members of his family would need to spend some of their days working part-time at larger farms or in industry. In the period 1950-54 there were in Denmark 207,000 farms with an average size of 37 acres. In the years that followed a number of pressures, but particularly the growth of Danish industry, the tendency of the young, whether farmers' families or labourers, to seek industrial or professional employment and the corresponding development of labour-saving methods of farming, led to a decline in farm numbers, and an increase in average size. By 1971 the total number of farms was 136,000 and the average size 55 acres. Farmers and the working members of their families had declined from 183,000 to 124,000 and hired labourers from 197,000 to 31,000. At the same time production, the cost of farm inputs,

the value of outputs and average net income of all farms had risen substantially, the latter having more than doubled.

Agricultural Role of Savings Banks

With the development first of a high-yielding, high-cost live-stock economy, followed in the last two decades by the rapid adoption of labour-saving, capital-intensive agriculture accompanied throughout by the growth of subsidiary farm industries established and financed by the farmers themselves, it is obvious that a system of agricultural finance has been essential and has in fact been evolved but not on the plan either of Raiffeisen or of extended state aid. The break up of large estates into small farms, whether carried out privately or by the state had to be paid for, usually in instalments, by the new owners and the Danish custom by which elderly farmers retire and hand their farms over to their sons, in return either for cash or for an annuity, also caused a demand for borrowed capital. Savings banks, based on local deposits and local management have existed for many years in most Danish country towns and though not exclusively agricultural have played a considerable part in financing both the individual farm and agricultural co-operation of all kinds. The special problems of land transfer were met by the formation, from the mid 19th century onwards, of Mortgage Credit Associations. The first was established in 1851. They were based on the unlimited liability of land-owning farmers. The legal framework is provided by an Act of 1850, which grants to the Credit Association the following privileges and duties:-

- (a) The right to issue bearer bonds transferable without stamp duty.
- (b) Joint liability of borrowing members.
- (c) Statutory limit to loans, related to a valuation of the real estate mortgaged.
- (d) Compulsory amortization of loans.
- (e) Obligation to maintain cover for bonds.

The system is simple. On application for a loan from a farmer the Association values the land and its capacity to yield a stable income. The upper limit for a mortgage loan was 60% of the value until 1971 when a new act raised it to 75%. The mortgagor repays the loan, plus interest, usually in half-yearly

instalments. This is the normal European mortgage system but Denmark has introduced a creative innovation. The mortgagor receives not money but bearer bonds. These are issued in various denominations (20,000, 10,000, 5,000, 1,000, and 100 Kr.) for various periods and at varying rates of interest. The maturity period may be from 10 - 40 years and the interest from 5% to 10% per annum. The mortgagor may then sell his bonds on the Danish Stock Exchange, through one of the Commercial Banks or, since 1975, in another country.

These bonds are quoted on the Danish Stock Exchange and are redeemed by drawings at the full nominal value. The drawings are supervised by a public notary, who, in Denmark is a government official. The bond holder has a cast iron investment, which, if he is lucky, may be redeemed by drawing early in its life. In any event, it will be redeemed at its full face value on maturity. The average yield on these bonds has been 10% in recent years.

The security of the investment rests on the excess of the value of the property over the bonds issued, the compulsory reserve funds built up by the Association and the joint liability of the members.

The system rests on two principles:-

1. The unambiguous physical identification of every individual property. In Denmark all parcels of land have been completely surveyed, numbered and registered. Maps showing the situation, extent, measurement and exact boundaries of even the smallest parcel are kept at a central office. True copies of these maps may be obtained by anybody on payment of a fee.
2. A Land Registry at the office of each Court of Law throughout the country maintains a register of all land within its area and all legal transactions concerning the property. No mortgage or other document affecting the property is issued until it has been registered.

It is noteworthy that at no stage were state grants, loans or guarantees either provided for or sought by Danish farmers. The only form of state aid was that during the 1930 crisis the state suspended payment of interest and instalments on farm loans for two years, lowered interest and guaranteed final payment.

The older primary co-operatives, mostly local creameries modestly equipped and capitalised, were financed by loans, usually from the nearest savings bank made on the security of the joint or several liability of the members, all land-owning farmers, and perhaps even more important the contract into which they all entered to deliver all their milk to the co-operatives for the duration of the loan. This made it certain that the new venture would not founder for lack of support from its own members and made it possible to match the investment with some accuracy to the volume of business to be handled. Loans were usually for 20 years and when repayment was completed it was customary to wind up the co-operative and begin again, possibly with a younger membership.

The Co-operative Bank

During the last 20 years of the 19th century, however, several major co-operative enterprises found great difficulty in raising loans from private banks. When the Central Co-operative Committee was set up in 1899 as a centre of policy making and mutual information for the whole Danish co-operative movement, one of its first actions was to form a sub-committee to plan a co-operative bank. The mere existence of this committee had a salutary effect on the private banks and produced a more accommodating attitude. The Co-operative Bank was however set up, after some years' delay, in 1909 and opened for business in 1914. The war and post-war years which immediately followed faced the young bank with great difficulties and it failed in 1925. A new bank was almost immediately set up and re-organised in 1932 with limited liability and a share capital of 15 million kroner. Private persons, co-operatives and other bodies may be members.

For the purposes of bank administration the country is divided into districts each with its own committee and an elected chairman. Each committee meets twice a year but may hold extraordinary meetings at will or such meetings may be called by the board of directors.

At district meetings all questions are decided by a simple majority whether the voting member is an individual or the representatives of a co-operative. There is also a committee of 'up to 45 members,' representative of the whole membership and elected at general meetings. It holds office for 3 years, one-third of the members retiring annually. The Bank rules specifically state that elections for the Committee "shall take place by nomination in such a way that the minorities are secured

a proportional representation." (Rule 15 of 1967). The Committee meets twice a year and elects a chairman or vice-chairman from among its members. Managers and the board of directors are ordinarily invited to attend the meetings but may not vote.

The quorum for the committee is a majority of its membership, an unusually high proportion. The board of directors, which it elects, sits for 2 years, one half retiring annually. In 1971 the bank offered 2 seats on the committee of representatives to the staff of the bank, the first Danish bank to have invited staff representation at the highest level.

The new rules adopted in 1967 redefine the objects of the bank as follows:-

"to carry on banking business of every description for the benefit of Danish co-operative undertakings and other sectors of trade and industry and to further economic development by strengthening contact with all sectors of the community and by connection and co-operation with other banking institutions." (Rule 2, 1967.) It adds "This bank is managed on the co-operative principle" a statement made necessary by the absence of a co-operative law or legal definition of co-operation in Denmark.

In the following 4 years the Bank increased the number of its branches, particularly in Zealand from 43 - 58. Under the 1967 Rules share capital was set at 125 million Kr. of which 98.1 million Kr. was already issued and fully paid.

The Bank is now the fifth largest in Denmark. At the end of 1971 it had 78,500 members, an increase of 3,500 in one year. This was partly due to a widening of the bank's services and partly to the raising of interest to 10% in 1959. In 1971 individual shareholders for the first time held more share capital (82 million kroner) than the co-operatives (79 million kroner). Current deposits stood at 2,527 million Kr. and reserves at 213.5 million kroner.

Although the Bank has so successfully wooed the individual share holder it has by no means deserted its agricultural clients. In 1971, for example, it played a major part in financing the Co-operative Supply Association (DLG). Neither the Co-operative nor any other banks play any substantial part in financing individual farmers. The Danish Agricultural Council estimates

that only 2% of mortgage capital is provided by banks, all the rest coming from the Mortgage Credit Association already described, which allows farmers to buy their farms while the Bank relieves them of the need to finance the co-operative trading and manufacturing structure.

The Co-operative Bank has no special relation with the village savings banks though at one time it considered taking them over. Since then, and in spite of the loss of their close connection with the dairies the village banks have renewed their vigour and formed a Central Bank of their own, with headquarters near Aarhus in Jutland, with which the co-operative bank has excellent relations. There remains the field of short and medium term credit. Trading credit whether from co-operatives or private merchants would appear to be kept within strict limits. Short term loans are available from village banks. As in other countries loans from family and friends are probably important though statistics are not available.

Co-operative Bank shares are not quoted on the Stock Exchange, though they are considered to have at least doubled in value. This presents a problem of safeguarding shareholders' interests, and so retaining and enlarging capital. The Bank has so far met it by paying 10% interest. A new Companies Act (under which the Bank is registered) has been under discussion for some time and has covered, among other things, possible methods of increasing the nominal value of share capital to a level approximating to the market value. This is a problem which is common to the successful co-operatives of many countries and no generally satisfactory solution has yet been found.

Since Denmark became a member of the European Economic Community in 1973 much thought has been given to the measures of providing capital which could be taken in conjunction with other farmers' co-operatives inside the Community. As Europe emerges from the present (1975) depression there may well be interesting developments benefitting the co-operatives not only of Denmark but of other European countries.

COMMUNICATION IN THE FUNCTION AND ORGANISATION OF AGRICULTURAL CO-OPERATIVES

by

Dudley P. Smith*

Introduction

Two hundred years ago communication was restricted to conversation, discussion and argument in small groups, with books and journals available to a very small minority: in 1815 the news of the Battle of Waterloo was brought to London by a man on a horse. In the short space of 200 years, the scene has changed almost unbelievably. Books, magazines, journals and newspapers are published in thousands; radio and television provides news, entertainment, education, music, discussion and debate for a large part of the day. The telephone is a commonplace: it is as easy to speak to New York from London, as it is to dial a number within London itself. Yet one of the problems of co-operatives, no less than of other forms of business, is communication: what is the most effective way to keeping members and staff fully informed and interested in the development and progress of their business. This article is compiled from visits within the U.K., to the U.S.A., the Netherlands, Belgium and Denmark, and is an attempt to answer that vexed question.

Communication within Co-operative Organisations

Communication is the policy of providing a man with the information he needs to know. Basically, four groups of people need to be kept informed of the co-operative's progress and development.

1. Board of Directors:

Monthly: Performance against budget
Reasons for variance - corrective policy

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Monthly: Financial report
Managers' report

Yearly: Staff
Capital
Change factors influencing the business

2. Members:

Basic reason for co-operative
Structure and operation of business
Current performance
Future prospects
Staff changes
Success stories
Local interest stories
Technical briefs

3. Staff:

Basic reasons for co-operative development
Department performance against target
Variance - corrective action
Broad financial position
Change in amenities in co-operative policy and trading practice.

4. Potential members and community

Reasons for co-operatives
Co-operative's financial and ethical standing
Benefits of membership in the short and long term
Human interest stories
Technical briefs
Benefit of co-operatives to local area

Methods of Communication

1. Spoken communication

To ensure good communication it is essential to build an adequate structure to allow the free passage of ideas and information in a two-way traffic. The shorter the lines of communication, the less difficult the problem of maintaining interest and contact with the members.

- (a) Staff: Members of staff have a vital role to play. They have most contact on a day-to-day basis with members and it is their attitude and behaviour which can have a profound influence on the way members feel and think about their co-operative.

This whole aspect should not be left to common sense and chance, and many co-operatives spend considerable amounts of time and money to ensure that the contact is made and conducted in line with their carefully considered policy. Most successful human relationships are built upon attitudes of respect, courtesy and concern, and nowhere is it more important that these attitudes are displayed by members of staff than within co-operatives, where the owner is also the customer.

"Large enough to serve, small enough to care" was the slogan of one co-operative, now among the biggest in the world, but still very conscious of the importance of the second part of its motto. Happy relationships make for good business and good business means job opportunities, security and prosperity for employees.

- (b) Board of Directors: In some co-operatives the Board member is expected to assume the role of communicator in his own region or area of interest. However, with the pressures of farming and other interests, other Boards have accepted the fact that the farmer-director cannot successfully fulfil the role, and they have appointed a full-time public relations or co-operative development officer to undertake this work. This member of staff usually has the job of explaining new policy and commercial developments to the members. Where regional development has taken place it is quite usual to find a fully equipped public relations department, which also has responsibility for membership. It would be fair to say that where Board members take a very active and vigorous part in communicating with the rank and file membership, this system is the best and most effective. However, in the absence of such a happy situation, professional experience and expertise must take its place. This is a problem very much associated with size. The farmer-director of a 12-man Board with a membership of 75,000 farmers, sees his role as that of ensuring the co-operative is efficiently and effectively managed. It falls to the regional and local committee men to ensure that membership has access to information and a

chance to express their feelings on the progress and development of the organisation.

(c) Meetings:

Board meetings - usually held monthly, and attended by members of staff. The procedure for Board meetings seems to be universal, varying only in response to different circumstances. An average size is nine members who are elected at the Annual General Meeting and who retire after serving a given length of time.

Control Boards - in some countries all major decisions have to be approved by this body, representative of the membership which can meet up to six times annually an executive Board and management can usually spend to to a certain amount of money before referring to the Control Board.

Regional meetings - usually held twice yearly. These meetings are often to elect directors to the Board and to receive an up-to-date assessment of progress from the management and Board.

Committee meetings - It is apparent in some co-operatives which have been formed as the result of mergers and amalgamations, that the original local co-operative's committee or Board structure has been maintained long after the original organisation has disappeared. The larger co-operatives are so anxious and aware of the need to maintain the interest and loyalty of the local farmers, that they are willing to spend large sums of money servicing these local committees and giving them whatever degree of authority and autonomy they can. Thus the organisation appears to the local farmer no bigger than his local store, plant or depot and he feels he has some voice in its direction. The development of local interest or preserving it after the local co-operative has been amalgamated into a larger unit is used by co-operatives to prevent the all too prevalent attitude of "Them and US" developing. This attitude is at the root of most human problems in large organisations.

Annual General Meetings - most co-operatives consider this an important opportunity to communicate with membership. However, it is not a universal feeling. Some co-operatives, luckily in a minority, seem to consider the Annual General

Meeting as a nuisance to be got out of the way as quickly and quietly as possible. Attendance at AGMs in the co-operatives visited, ranged from 25 members to 15,000 members. Most large co-operatives recognise the opportunity to relate the story of economic progress, to divulge new practice or development, and to inspire the members with an esprit-de-corps and pride in the organisation. A well-supported AGM attended by many farmers stands a good chance of making local or national television and radio news and thus provides very good public relations and publicity. Methods by which co-operatives encouraged members to attend Annual General Meetings included the following:-

- i. Guest speakers - often nationally known agricultural or political leaders.
- ii. Entertainments.
- iii. Food and drink.
- iv. Prestige meeting place, often the capital city.
- v. Help with travel and accommodation arrangements.

2. Written Communication

Annual Report and other publications. The Annual Report can be looked upon as a chore and done as cheaply as possible, or it can be an interesting, informative, readable and expensive document. Generally speaking, the larger the organisation, the more important the Annual Report is considered, and large sums of money are spent in devising ways of making it as understandable and enjoyable as possible. It is a valuable means of communicating the financial and statistical growth of the company. For many farmers it is their only opportunity of seeing precisely how well or badly the co-operative has done over the last year, and it is very important that the major financial considerations are made as readable and as comprehensible as possible.

Some co-operatives visited produced regular monthly newspapers, newsletters and news-sheets. Others produced quarterly magazines for members and staff, and others produced all or none of these. In some co-operatives the editor was the General Manager and his sales staff, whilst in others it was a separate appointment, which had additional back-up staff. Contents varied considerably but the most successful co-operative publications included the following:-

- i. Message from the General Manager and/or Chairman of the Board.

- ii. Board and member/staff information.
- iii. Technical reports
- iv. Marketing appraisals and reports.
- v. Humour.
- vi. Feminine interest.

It is indisputable that a professional editor with experience in the agricultural field can produce a very readable and valuable publication. To circumvent the problem of expense, which can be large, co-operatives in Denmark have joined together to publish a national co-operative magazine which contains a section where local news can be inserted. There is an argument that farmers in the U.K. already receive too many publications to read in their available time, but a well-written publication concerning an organisation or movement with which the individual is connected, will always be read and enjoyed. If the magazine is not read, then it is because it is not interesting or not relevant. Co-operatives in the United States do not hesitate to assess the the reader reaction by means of sample polls. This degree of professionalism pays off, by ensuring that only the topics and areas of interest to the readership are covered. Undoubtedly, the written word is one of the most important means of communication with the members. To make it successful, however, requires time, trouble and considerable expertise. Perhaps there is a case for more professionalism in agricultural co-operative journalism, or the pooling of resources to provide a national co-operative publication.

3. Visual Communication

Just like commercial companies, co-operatives have felt the need to project an image to both their own members and to the public at large. It is also considered essential to project a good image to the local community by having well-kept premises, clean and smart vehicles, and wherever possible, a well-defined distinctive sign or logo. Many co-operatives have taken the presentation of a logo very seriously, displaying it in neon lights on Head Office, using it on all vehicles, plant, work clothes and advertisements.

It should be considered as a serious area for study and rewarding for those who give it as much attention as their commercial competitors.

Television. Television was most important in the United States where some of the large regional co-operatives have a year-

round programme of advertisements, and a pure philosophical co-operative message. They have found television is a very useful way of reaching members and public, but it is also expensive and unrealistic for any individual small co-operative to undertake on their own. One thing which impressed, above all, was that television advertisements for farmers could not be produced cheaply. Farmers are as sophisticated as other members of the community and actively resent any advertisement directed at them which does not equal the standard and quality of other commercial advertisements. It is important that co-operative leaders appear as often as possible on television to project the image of a cost-conscious, self-help, dynamic force and much can be done by approaching regional television channels with an economic or human story.

Methods of Improving Communications

1. Education

This is a very essential part of most co-operatives' programmes and covers both employees and farmer-directors. Farmers are voted to Boards of Directors because they are good farmers. However, in the complex and complicated business of the 1970s, it is unrealistic to expect a farmer to have all the skills needed to guide and control the co-operatives in the best interests of his fellow farmers. Therefore additional information and education is given or offered where necessary. The better the farmer understands the complexity of the co-operative business, the better able he will be to communicate that information to his fellow farmer patrons.

Some co-operatives provide their own training schools. Most, however, used the facilities offered by various national bodies. Courses varied in length from a few hours to several days, but all had the common goal of making the director a more effective member of the Board, better able to exercise his judgement, backed by the newly acquired knowledge of finance and technical and managerial skills. The management side in most co-operatives visited, were only too willing to help the members of Boards attend these courses. Their attitude was that, the better the Board member was trained, the more able he would be to deal with the problems of the co-operative business, and the quicker the decisions would be made.

Profitable areas for study for a farmer-director would include the following:-

- i. Financial aspects of co-operative business and understanding of financial status.
- ii. Management techniques.
- iii. Public relations.
- iv. Communication with members and member relations.
- v. Law and law-making.

In addition, many co-operatives found it desirable to interest the farming youth in the activities of the Board and the co-operative. Some had developed the idea of Junior Boards, where selected young farmers sat as a Board and considered certain questions, aspects and problems and made their recommendations to the main Board. Other co-operatives interested themselves in sponsoring the education of students at agricultural colleges, providing bursaries, scholarships, research funds and grants. Even in countries like Denmark or The Netherlands, because of the strength and often monopolistic position of the co-operative, the younger farmer can treat the co-operative organisation just as any other business and judge it entirely on a commercial basis. This is very upsetting to the older Board members, who in many cases had been involved in a tough fight with commercial firms to make the co-operative what it is today. They resent the co-operative being taken for granted. But wise managements are making strenuous efforts to educate the younger generation in the history and concepts of co-operation and to underline the economic benefits of working together. They know co-operatives will only be as strong as the next generation of farmers will allow them to be and much still remains to be achieved.

Some co-operatives are very active in ensuring that the educators of youth are fully informed of the history, background and advantages of co-operation. Colleges and schools are kept informed of developments through mailing lists. Ministry officials are frequently briefed, and other professional groups associated with farming are kept informed. Area and national leaders of agricultural and political parties are kept in touch. Essentially the information given is as balanced and impartial as possible. Denmark found it necessary to bring all co-operative education together under one organisation, L.O.K.,* who were able to get government help in running courses for farmers and co-operative management. By having its own buildings, accommodation and permanent staff, the co-operative movement in Denmark would seem to be very well served. Stability and long

* L.O.K. - Landbrugets Oplysnings.-og.-Konferencevirksomhed.

term planning seem to go hand-in-hand and much of the fundamental research and thinking on the future of co-operatives is carried out by L.O.K. staff. It has also proved to be a very important part of the planned campaigns of amalgamation which have taken place in the Danish bacon industry. When such large-scale amalgamations occur, the closest possible co-ordination between local co-operatives and educational bodies is necessary to obtain the best results and the fullest possible support.

2. The Role of Women

In all countries the wife of the farmer has a positive role to play in helping and supporting her husband. In Europe she is often expected to take her turn at the farm chores, while in the United States she is to be found doing the farm accounts and therefore she is an important influence in financial decision-making. Farmers' wives are often the ones who take the telephone messages, arrange deliveries, and meet the salesmen and they can thus influence the attitudes of the rest of the family. Some co-operatives I visited, instead of ignoring this essential element in the family relationship, have sought to involve and provide services for the farming wife. Special interest meetings have been held, as well as discussion group meetings, outings and visits to places of interest at Annual General Meeting time. Women are included, where possible, on advisory boards to give the benefit of their knowledge of the requirements of the farming wife in terms of freezer lockers, household requisites and all the things which a co-operative can supply.

However, other co-operatives refused steadfastly to treat women separately and have instead tried to treat the farmer and wife as a team. This is most apparent where the interests of the young farmer are being sought, and the most successful policy seems to be to invite the young couple to meetings and visits, and so involve both young people. In fact, in these days of equality before the law, it seems realistic to expect to see more and more women on both sides of the counter of the co-operative.

3. Employee Participation

Co-operatives expect and receive a tremendous amount of loyal and dedicated service from the employees. Communication between farmers and employees is a very important area. In fact, the people with whom the farmer has most contact are very often delivery drivers, salesmen, mechanics, storekeepers and the like. It is essential that the co-operative ensures that its employees

understand as much as possible of the policy of the co-operative, its development and progress and its objectives. It would seem wise that Boards and management keep the employees as fully informed as possible about the progress of their company, and put into practice a system of communication which is both effective and efficient, ahead of the time when such a system may be enforced by law.

Examples of such methods could include the following:-

- i. Regular director/employee meetings
- ii. Written statement of financial progress - say every six months
- iii. Formation of workers' councils and advisory bodies.

4. Press

One heartfelt comment from the editor of a co-operative newspaper was that farmers placed much more credence in non-co-operative newspapers than they did in their own captive newspaper, when reporting on co-operative news.

It is up to the management and Board to ensure that news gets into the agricultural press, but this is not always as easy as it would seem. In all countries visited, the attitude of sections of the press varied from converted to definitely hostile towards co-operatives and co-operation. The easiest system of ensuring a reasonable hearing and to provide an opportunity to clear up misunderstandings was a regular meeting with agricultural journalists and editors who were given the chance to cross-question and discuss matters of topical interest with national and local co-operative leaders. Larger co-operatives do not leave the acquisition of co-operative news to chance, but employ public relations men whose job it is to ensure that all news relating to their business and co-operation in general reaches the editor's desk. In smaller co-operative organisations, a member of staff might well have the responsibility, perhaps shared with a sub-committee of farmers. They can also be responsible jointly for developing the friendly contacts and ensuring the regular communication with all the local news media, to secure fair and regular coverage. Most co-operatives seemed to agree that press coverage did not "just happen" but that it had to be actively sought. All were of the opinion that it was an essential part of the important task of projecting the co-operative image to their own members, to the public and to the

officials and lawmakers whose activities can have such a profound influence on progress and development in co-operation.

National Co-operative Bodies and the Role of Communication

All the countries visited had at least one National Co-operative Body. All of them were concerned with the same basic and problematical tasks, as follows:-

- i. Leadership of the co-operative movement.
- ii. Provision of a medium for discussion by co-operative leaders of problems affecting co-operatives both nationally and locally.
- iii. Representation of co-operative views to government and government departments.
- iv. Representation of their country's co-operative movement to the rest of the world.

Some countries emphasise one function more than another. Some co-operative bodies represented purely commercial interests, whilst others represented both commercial and political considerations. All European countries that I visited had, like the United Kingdom, a special responsibility towards the European Economic Community and the representation on the relevant COPA/COGECA * of that country's co-operative industry. Those with whom the matter was discussed agreed that it was a heavy burden in terms of time and money. No-one however, minimised the importance of being involved, to ensure that their own country's interests were properly presented. Some countries placed a representative in Brussels to sift through and assess the importance of various meetings to ascertain that their co-operative representative did not waste time or money by attending irrelevant meetings. Great weight is also given to the importance of the representative relaying back the information obtained in Brussels to the section of the industry directly involved, and also to ensuring that the representative accurately represents the industry's views on particular issues.

A meeting of the Eggs and Poultry Advisory Committee of COGECA when they met the EEC Commissioners to discuss the vexed question

* COPA - Committee of Professional Agricultural Organisations
COGECA - General Committee of Agricultural Co-operatives of the EEC.

of over-production in eggs and poultry, proved that the unified co-operative attitudes of some of the countries involved were a very effective and powerful force in making certain that their demands were met.

Conclusions

1. Image

Nationally and locally, the image of individual co-operatives and the co-operative movement must be further developed. It gives a sense of identity to members, both of belonging to an individual co-operative and of being part of a larger national movement. The public must also be encouraged to think of co-operatives as self-help organisations, democratically controlled, dedicated to developing their own marketing influence and governed by the highest standards of business ethics.

Methods of projecting this image could include:-

- i. A more prominent place in the agricultural press.
- ii. More exposure of co-operative leaders in the media, and co-operative attitudes emphasised.
- iii. Up-to-date trade marks and logo.

2. Educational facilities

All co-operative programmes must include education as an integral part. The provision of courses and seminars on the art and science of communication and member and public relations can be of immense help to Board and staff.

The cost of providing such facilities is clearly beyond the means and scope of most co-operatives, but Government or a central organisation could help.

The seminars provide a rare opportunity for Boards and staff to get away from the daily round of business, perhaps for a few hours or a weekend, to consider together the direction in which the co-operative is going and why, and to develop the leadership and capabilities which the co-operative will need in the future.

3. Publications

The written word is still the most powerful permanent method of communication. All co-operatives produce some kind of publication for their members, with varying degrees of success.

However, it is unrealistic to expect the small to medium sized co-operatives, who are busy with the task of making the organisation pay, to invest the time, effort and money necessary to produce a first-class publication.

It must be important to foster in members an awareness of the growing economic strength of co-operatives and the vital role they play in the future pattern of farming. A national publication with provision for the insertion of local or regional news, professionally written and projecting the image of a dynamic, thrusting business, must be one of the cornerstones for building the co-operative movement.

4. Minority groups

- a. Farming wives. The farming wife is becoming increasingly involved in the activities of the farm. An awareness of the importance of the rural wife may stimulate some thought as to ways in which she can participate in the relationship between co-operative and farmer, how her particular needs can be met by the co-operative, and how the undoubted influence she exercises can be best utilised to the advantage of the co-operative.
- b. Youth. The key to the next stage of development in co-operatives lies in the attitudes of younger farmers, and efforts should be made to include youth education programmes in all sectors of co-operative activity. A co-ordinated effort to reach the farming youth, students and educators would produce a rich harvest of new and dedicated leadership in the years to come.

During my travels in Europe and the United States, meeting with co-operative management, Board members and farmers, the importance of effective communication was repeatedly impressed upon me. Like most difficult problems, there is no easy solution, no one answer. A positive attitude towards the difficulties of communication by Boards and managements and the opportunity to call on educational and training experts when necessary, and awareness of the importance of the whole farming family and the need for a publication to focus attention on the positive aspects of co-operation, could greatly help co-operatives to prevent communication problems adversely affecting the future growth and development of the movement.

AGRICULTURAL CO-OPERATION IN THE UNITED KINGDOM

by

F.H. Webster

In the last ten years or so there have been many changes in agriculture and in agricultural co-operatives. On the farm itself the increasing costs of labour, the development and running costs of sophisticated machinery, (for harvesting sugar beet for example), has led to farm amalgamations and to the development of co-operatives and other associations of farmers, to exploit to the full the economic benefits of joint operation of parts of the farm enterprise. A now familiar example of such co-operation is the joint use of machinery, labour and storage silos by four or five farmers, for the production and storage of silage. A recent publication (We Plough the Fields by Tristram Beresford - 1975) notes that 20 years ago one employee to 25 acres of arable land was considered to be about right, but in 1975 it is one man to 100 acres and that often one man looks after 100 dairy cows.

Allied to the changes in agriculture have been developments in the marketing and distribution of food and other agricultural products. In the 1950's the self-service system of retailing began in the packaged foods section: it has spread rapidly to fresh foods, and to many other forms of retail services, such as clothing.

A National Food Survey showed that between 1963 and 1969, the purchases of all convenience foods rose by 19%, but that the purchase of quick-frozen convenience foods rose by 75% in the same period. Between 1950 and 1966 the number of food retailing establishments in the U.K. fell from 284,000 to 227,000, a decrease of 20%. This, however, conceals the real increase in the weekly sales of multiple retailers with 10 branches or more. Between 1966 and 1970 their weekly sales increased by 40%, compared with 16% for independent retailers and 9% for co-operatives. These developments have pushed the freezing, pre-packing and weighing of food from the town shop to warehousing and processing centres in the rural areas. For vegetables and fruit pre-packing and grading has been pushed a stage further back in the marketing chain towards the farmer. The large number of married women who work fulltime, and who are prepared to spend less time on the preparation and cooking of meals, and the development of plastic packaging for the preservation of food have assisted the food

retailing revolution - for it is nothing less than a revolution. The result is that supermarkets demand supplies of graded and reliable produce, of stated quantities, delivered at regular intervals, preferably on long term contracts. This is not possible for an individual farmer, however, large his farm since his influence on the market is much too small: there has, therefore, been an increase in marketing co-operatives, both of the conventional type, such as large co-operatives for marketing eggs and vegetables, and of smaller tightly knit groups formed to market a specific type and grade of produce or livestock. These developments are best illustrated by examples of co-operative activity in various fields.

Vegetable Marketing

A typical vegetable marketing co-operative in England, which also supplies a limited range of requirements, has developed a scheme whereby a member contracts to sell the produce from a committed acreage through the packhouse of the co-operative. The produce to be grown on the committed acreage is agreed with the contracts officer, so that the co-operative is able to make forward contracts for regular supplies of vegetables to supermarkets. In 1974/75 this form of marketing accounted for 38% of the volume turnover of the co-operative. This system has been linked to Study Group Meetings in the winter months, which have discussed new production ideas, and building up detailed crop production costs, which greatly assist price negotiations with supermarket chains. A new packhouse has been built, with grading and packing lines for most vegetables, and a vegetable cold-store will be in operation in 1976. The capital for this project has been provided by a revolving loan fund from members, which is related to the acreage contracted to the co-operative.

In the last five years there has been rapid growth of co-operative processing and packaging plants, for vegetables in Scotland, of which a significant feature has been the assistance of the West of Scotland Agricultural College, and the co-ordination of the National Farmers Union, with the Scottish Agricultural Organisation Society, the central body for agricultural co-operatives in Scotland. In the packing, grading and marketing of tomatoes, one co-operative handles one-third of the output in the Clyde Valley area: two vegetables processing societies are producing and processing most of the freezing peas in Scotland, and have added beans to the other vegetables handled.

A further example of how co-operatives cater for the changing demand from retailers for given quantities of standard grade

produce can be found in Northern Ireland where commercial mushroom growing has shown a remarkable growth factor in the last ten years.

While mushroom production was escalating over the years to cater for Glasgow and Northern English markets, little thought had been given to the organisation of the marketing operation. When production is small involving only a limited number of growers it is comparatively simple to maintain acceptable grading standards and to avoid over supplying markets.

However as the industry increased its production marketing problems assumed a greater significance and growers recognised the need for organisation. The principle of co-operation coupled with a degree of discipline were accepted by a group of growers with the result that TAM Mushrooms commenced operations. In the first half year of operation, the co-operative has marketed $\frac{1}{2}$ million kilos of mushrooms, a proportion of them being pre-packed.

This specialised co-operative was launched and developed by the Ulster Agricultural Organisation Society Limited, the central co-operative body for the region.

To provide better co-ordination of marketing horticultural crops and vegetables, a national market intelligence service has been started by A.C.M.S. (the central organisation for English co-operatives), and "ansaphone" services, telex and postal bulletins are sent to co-operatives, individual producers and private concerns, information on price levels in wholesale markets throughout the U.K. and Europe, each morning. This is a rapidly expanding self-financing service. It now embraces a wide range of horticultural crops and includes potatoes.

The role of the various horticultural research stations is to develop disease free stock, to provide a nucleus of commercial varieties from which further rootstocks and seeds may be multiplied, and to develop new varieties of horticultural crops, to meet new tastes and marketing systems. A small but important sector of co-operative development has been the formation of co-operatives to provide a link between the research stations and the commercial grower, so that he may have access to planting material that is free of known viruses. Four such co-operatives have been formed, and opportunities in other sections of the industry are being considered.

Livestock Marketing

Rationalisation of the marketing of lambs and pigs began in Wales in the early 1960's, with the formation of two co-operatives groups for the production and marketing of weaner pigs. It is common practice in the U.K. for farmers who keep pigs, either to keep sows, and rear the litters to 45/65 lbs weight, and sell them as weaners, or to buy the weaners and to fatten them to slaughter weight for bacon, pork or manufactured meats. Many of the farmers in Wales rear pigs and sell them as weaners, and there was a need to improve the general quality, to reduce the types reared, to introduce strict grading practices, and to organise regular marketing channels. A modest beginning of two marketing co-operatives in 1962 has increased to twelve marketing co-operatives with an output of 3,500 weaners each month in 1975 and a federal co-operative (Welsh Quality Pig Federation) has been formed to provide central services, standard contracts, and co-ordination of marketing. This marketing system includes ear marking of the animals, and regular contacts with buyers, so that complaints can be traced back to the farmer who reared the particular weaners. High market prices in the last few months of 1975 strained the loyalty of members but the co-operatives have weathered the crisis, and the situation has returned to normal.

In North-west Wales on the island of Anglesey the marketing of weaner pigs was taken a step further, by forming a co-operative to build and operate a fattening unit for weaner pigs, and market the weaner pigs of its members. The co-operative has four objectives:-

- (a) To improve the marketing arrangements for weaner pigs by giving the members long term contracts.
- (b) To create a central feeding unit, which would accept all weaner pigs from members.
- (c) To utilise, where possible, cereals grown in Anglesey for feed, and skim milk from the Milk Marketing Board creamery nearby. At present whey from South Caernarvon Creameries, another North Wales Co-operative is being used.
- (d) To improve the breeding stock of members, to offer advice based on performance figures from the central feed unit, and to assist members in husbandry and breeding stock replacement.

In 1962 the scheme started with the marketing of weaner pigs while the central feeding unit was being built. The feeding unit started in 1965 and it uses 48 tons of barley per week, (most of which is grown by farmers in Anglesey) and 24,000 gallons of whey per week, from the creamery, a few miles away. The slurry is piped direct from the feeding unit to a wholly arable farm in the neighbourhood. The intake of weaners to the feeding unit is mainly from members of the co-operative, and the finished animals are sold to abattoirs by regular contract. The only services that have not been undertaken by the co-operative are a breeding unit for boars and sows, and transport. It was considered that as there are sufficient specialists in the field of breeding, it was more economical to use those services. Because of the different types of transport that would be needed, full economic use could not be obtained from any one vehicle, so that it is cheaper to hire transport or use suppliers transport. This is an example of a co-ordinated operation that has provided a regular market for members weaner pigs, stable prices for better quality produce in a market close at hand, advice on pig rearing, and help with husbandry techniques and practice.

There are examples of similar co-operative schemes for marketing pigs direct to abattoirs that have been developed in England and Northern Ireland. Closely knit groups for the marketing of Welsh lamb direct to slaughterhouses in England have been developed in Wales, on the same system as those for weaner pigs. In 1970 a federal co-operative, Welsh Quality Lambs, was formed, and there are now 10 marketing groups affiliated to this co-operative, and the throughput in 1975 was 160,000 lambs. The success of this scheme was based on improvements of the communication channel between the farmer and the slaughterhouses: in the initial stages farmers were invited to the slaughterhouse so that they could inspect the carcasses of their own beasts, and discuss the results with abattoir management. This led to a growth in confidence between the farmer, his co-operative and the abattoir, so that the farmer could produce lambs to a known requirement, and the buyer could order by telephone, knowing the grade, quality and weight of lambs that would be supplied.

Egg Marketing

The marketing of eggs has always been difficult: an essential quality is freshness, and customers expect to buy eggs that are at most two or three days old. Many people prefer to buy eggs direct from producers, and there is some consumer resistance to the battery system of keeping hens. During the short reign of

the egg marketing board, eggs marketed through the board bore a stamp which was a guarantee of freshness. The public however, interpreted the stamp to have the opposite meaning, and sales of eggs direct from producers, increased markedly. About half the eggs sold in the U.K. are now processed through packing stations: the other half is sold direct from producers to the public, by various means. Increasing costs forced producers into larger and larger units, and the co-operatives initiated joint marketing arrangements, with other egg marketing enterprises, which in 1972 were confirmed by the formation of the largest egg marketing consortium in Europe. This enterprise now markets about 2,400 million eggs each year, and is the leader in egg marketing in the U.K., and controls about 30% of the eggs that are marketed through centralised packing stations.

The marketing of apples and pears has been similarly co-ordinated through a federation of co-operatives, which now controls about 30% of the market. It is still a long haul for agricultural co-operatives to control a major share of the marketing of agricultural produce, but the following table shows that considerable progress has been made in the last 10 years.

Share of National Farm Output handled by Co-operatives

	<u>1967/68</u>	<u>1973/74</u>
<u>Marketing</u>	%	%
Fat Pigs	4	4
Fat Cattle and Calves	6	9
Fat Sheep and Lambs	5	8
Eggs	20	17
Cereals	6	12
Potatoes	5	9
Wool	25	31
Horticulture	7	9

Source: Farmers Weekly 25th July 1975

Requisites Trading

The main strength of agricultural co-operatives, has been in requisites or supply co-operatives, which have almost two-thirds of the turnover in 1974 (see table on Page 64) Detailed statistics of each country within the U.K. are shown on pages . Rationalisation has taken place over the last 10 years, and the number of co-operatives has decreased from 151 in 1967 to 111 in 1974. This conceals, however, the real influence of the large

requisite co-operatives, particularly in England, where in 1974 the 12 largest co-operatives had 70% of the members and 80% of the turnover of all requisities co-operatives in England. This is perhaps the main reason that a central trading co-operative for requisities has not developed in England. This is not the case in Wales and Scotland, however, and United Scottish Farmers was formed in 1971, and Welsh Farm Supplies in 1972. Both of these secondary co-operatives are now trading successfully, and have extended their activities to the European market.

Central Organisations and Representation

The marketing developments noted earlier could not have taken place without the active support and encouragement of the central organisations for agricultural co-operatives in England, Northern Ireland, Scotland and Wales. In England in 1972, the central organisation was strengthened by a closer alliance with the National Farmers' Union, whereby the commercial arm of the Farmers' Union was transferred to the Co-operative Organisation, thus adding to the strength of co-operative marketing development in the field.

The Federation of Agricultural Co-operatives (U.K.) Limited, the central organisation for the U.K., has now expanded to include in addition to the four central co-operative organisations for England, Northern Ireland, Scotland and Wales, the Fisheries co-operative organisations in England and Scotland, and the marketing boards for milk and potatoes. All these five central co-operative organisations, together with other producer controlled organisations representing the whole of the British Agricultural Industry, have joined together to form the British Agricultural Council, which held its first meeting in April, 1975. The Plunkett Foundation for Co-operative Studies, is in the process of integrating more closely with F.A.C. (U.K.) Ltd., with the aim of providing statistics, research and information services to agricultural co-operatives.

Thus in the last five years there have been determined moves to co-ordinate the various arms of the agricultural industry, and to provide a forum for discussion both within the industry, and in representation to Government, and to the E.E.C. It is not unnatural that there should have been some differences of opinion as to precisely how the various facets of the agricultural industry should best be fitted together, but one of the objects of so doing is to provide a common forum where such differences can be resolved. It has become evident in the last twelve months that the right solution has been found, and that the formation

<u>Agricultural Co-operation - U.K.</u>	1967/68	1973/74	Change
	£m.	£m.	%
Gross output of U.K. Agriculture	2,644	4,406	+ 67
Gross input of U.K. Agriculture	1,374	2,155	+ 57
Co-operative Trade	335	700	+ 108
of which			
Supply of Requisites and Services	176	355	+ 102
Produce Marketed	159	345	+ 117
Source: Farmers Weekly July 1975			
	1967	1971	1974
Societies			
Requirements	151	120	111
Marketing	289	244	255
Services	39	33	30
	479	397	396
Members	000's	000's	000's
Requirements	222.5	201.4	192.4
Marketing	159.4	122.4	110.3
Services	10.0	8.9	7.6
	391.9	332.7	310.3
Turnover	£m.	£m.	£m.
Requirements	172.7	214.7	412.5
Marketing	121.8	164.6	265.3
Services	0.4	0.2	0.3
	294.9	379.5	678.1
Share Capital and Reserves			
Requirements	22.6	26.3	37.7
Marketing	8.5	7.9	19.7
Services	0.2	0.2	0.2
	31.3	34.4	57.6
Members and Other Loans			
Requirements	9.2	9.6	17.7
Marketing	4.2	5.1	10.2
Services	0.06	0.06	0.09
Total Shares and Loans	44.8	49.2	85.6

Source: Plunkett Foundation Annual Statistics

of the British Agricultural Council will prove to have been a wise and far-sighted decision.

Future Developments

Agricultural co-operatives in the U.K. have made considerable progress in the last 10 years, despite difficult trading conditions and the difficulty of persuading farmers to find additional capital, when they are pressed to find capital for machinery to offset the shortage and cost of farm labour. The table on page 64 compares co-operative progress with that of agriculture. The co-operative law in the U.K. was framed for the consumer and productive co-operatives that developed from 1844 onwards, and there was no special provisions for agricultural co-operatives. The special difficulty is that of raising capital from farmer members, whose needs for capital to develop their own business compete with those of the co-operative. A working party under the aegis of the Central Council for Agricultural and Horticultural Co-operation reported on the co-operative law in 1971, and made a number of recommendations involving a special law for Agricultural Co-operative Associations. The suggested law would provide for automatic reserve fund retention, and for wider exemption for marketing co-operatives with contracts with their members, from the provisions of the restrictive trade practices legislation. The proposed law would also introduce capital contribution in accordance with the use of the co-operatives by its members, and a class of non-voting share capital for non-participators (this would include retired farmers, and others genuinely interested in co-operatives but who do not farm). Unfortunately this legislation has been delayed by changes of Government, and more important Parliamentary business: one item has been approved, however, the maximum share capital holding in a co-operative was increased from £1,000 to £5,000 per member in 1975.

A number of the requisite co-operatives have subsidiary concerns, for which they supply administrative services: fuel oil and lubricants and egg and poultry marketing are two examples. This system could be extended to marketing co-operatives, which could operate under the umbrella of large requisite co-operatives, having the benefit of administrative services which would be much cheaper than clerical staffing for small concerns, and in return using the buying power of the requisite co-operative for their own inputs. This operates on a limited scale at present, but could be greatly extended.

A development that was foreshadowed in Wales in 1975, is a federal structure of specialised marketing co-operatives. In Cardiganshire and Pembrokeshire, for example, there are now county procurement co-operative dealing with all classes of livestock, and it is hoped in the course of the next few years, that similar county organisations can be promoted in many other parts of Wales - all marketing their stock through a central all-Wales co-operative. This kind of structure could be extended to other products in the U.K., so that the marketing of horticultural and agricultural produce could be highly organised on a countrywide basis.

Preliminary work is already being carried out on computerised accounting and information services. Most large co-operatives already use their own computer services, but there is a large field of smaller marketing co-operatives, and large and medium farmers, who could benefit from computerised records. The service has already started in England, and research is projected on the possibility of extending it to cover all agricultural information from market prices and throughputs to detailed husbandry and processing costs. Such a service allied to other developments in the marketing field would place the farmer in a good bargaining position vis-a-vis the powerful food chains.

In comparison with most countries of Europe, the agricultural co-operatives of the U.K. have been slow to capture a fair share of the market. The climate of opinion towards co-operatives has changed radically in the last ten years, however, and the farmer now realises that strong buyers, represented by the multiple and chain stores of the food processing industry, must be matched by strong sellers, if control on farm returns is to remain in the hands of the farmers.

Summary of Annual Returns to the Registrar of Friendly Societies for the Year Ended 31st March, 1975

TABLE 4. AGRICULTURAL CO-OPERATIVE STATISTICS, ENGLAND

ENGLAND	No. of Societies	Member-ship	Sales to Producers (£000's)	Sales to the Public (£000's)	Services Turnover (£000's)	Total Turnover (£000's)	Net Profit (£000's)	Owned Capital (£000's)	Loan Capital (£000's)	Creditors (£000's)	Fixed Assets (£000's)	Stocks (£000's)	Debtors (£000's)	Cash (£000's)	Total Assets (£000's)
REQUISITE SOCIETIES	51	127,929	297,633	57,046	834	355,513	8,639	30,385	15,320	38,498	16,925	18,802	48,255	221	84,203
MARKETING SOCIETIES	6	26,547	47	52,296	893	53,236	2,117	2,242	1,059	4,654	2,128	915	4,457	255	7,955
Egg & Poultry Societies	67	4,732	9,979	23,545	1,190	35,714	1,026	6,303	2,926	2,633	6,192	2,164	1,963	678	12,928
Horticulture Societies	4	4,232	2,343	25,345	2,879	35,714	1,392	1,922	1,279	4,117	2,121	1,966	4,000	451	4,998
Livestock Societies	18	1,931	8,281	2,483	55	8,819	97	945	138	889	3,860	835	654	97	788
Wood Societies	5	10,613	3,224	3,620	4	6,848	421	1,769	138	423	3,888	130	208	74	1,972
Dairy Societies	3	3,184	1,755	1,755	14	1,769	240	370	22	423	388	60	208	33	800
Miscellaneous Societies (*)	9	1,081	1,994	1,994	100	2,094	32	131	22	153	56	50	157	14	306
Total Marketing (*)	115	55,979	21,539	100,076	2,318	133,933	4,522	11,465	5,404	12,798	11,892	4,643	11,533	1,599	29,667
SERVICE SOCIETIES	15	5,572	22	-	123	145	34	171	50	99	197	6	38	79	320
Total Services (**)	181	189,480	319,194	166,122	3,275	488,591	13,195	42,021	20,774	51,395	29,014	23,451	59,826	1,899	114,190
GRAND TOTAL															

(*) excluding Women's Institute Market Stalls

(†) excluding Post Control Societies

(**) including Sales to other Agricultural Co-operatives

TABLE 5. AGRICULTURAL CO-OPERATIVE STATISTICS, NORTHERN IRELAND

NORTHERN IRELAND	No. of Societies	Member-ship	Sales to Producers (£000's)	Sales to the Public (£000's)	Services Turnover (£000's)	Total Turnover (£000's)	Net Profit (£000's)	Owned Capital (£000's)	Loan Capital (£000's)	Creditors (£000's)	Fixed Assets (£000's)	Stocks (£000's)	Debtors (£000's)	Cash (£000's)	Total Assets (£000's)
REQUISITE SOCIETIES	13	4,895	8,806	338	3	9,147	47	306	91	423	281	236	257	46	820
MARKETING SOCIETIES															
Dairy Societies	12	3,818	4,455	13,389	632	18,266	888	3,913	1,549	2,373	3,182	1,717	2,742	194	7,855
Livestock Societies	15	5,031	4,716	2,09	5	4,930	53	2,231	81	132	210	71	124	41	446
Other Marketing Societies (*)	7	7,611	3	2,067	14	2,084	243	1,231	42	623	686	34	641	535	1,896
Total Marketing (*)	34	16,460	9,174	15,665	641	25,480	1,184	5,375	1,674	3,128	4,078	1,822	3,507	770	10,177
SERVICE SOCIETIES															
Total Services	5	867	-	-	5	5	...	12	...	1	11	-	1	1	13
GRAND TOTAL (*)	52	22,222	17,980	16,003	649	34,632	1,231	5,693	1,765	3,552	4,370	2,058	3,765	817	11,010

(*) including Fisheries Societies not elsewhere included in the Survey

(**) including Sales to other Agricultural Co-operatives

small

Summary of Annual Returns to the Registrar of Friendly Societies for the Year Ended 31st March, 1975

TABLE 6 AGRICULTURAL CO-OPERATIVE STATISTICS, SCOTLAND (*)

SCOTLAND	No. of Societies	Member-ship	Sales to Producers £000's	Sales to the Trade (**) £000's	Services Turnover £000's	Total Turnover £000's	Net Profit £000's	Owned Capital £000's	Loan Capital £000's	Creditors £000's	Fixed Assets £000's	Stocks £000's	Debtors £000's	Cash £000's	Total Assets £000's
REQUISITE SOCIETIES															
Total Requisites	21	17,602	17,899	5,831	197	23,927	1,305	4,188	1,710	3,488	2,536	2,007	4,785	58	9,386
MARKETING SOCIETIES															
Livestock Societies	23	12,152	66,105	3,746	43	69,894	675	1,218	1,472	1,283	1,708	919	1,259	87	3,973
Intercast Societies	20	9,370	10,900	1,166	81	11,127	497	146	1,276	815	652	880	583	142	2,257
Hg & Poultry Societies	7	8,739	156	1,269	5	4,300	238	397	207	448	388	231	224	316	1,053
Fisheries Societies	17	2,502	572	4,339	62	4,973	238	397	207	448	388	231	224	316	1,053
Other Marketing Societies	5	7,269	6,858	9,556	2	16,416	421	803	298	1,791	792	480	1,514	96	2,882
Total Marketing (*)	72	31,572	73,980	23,136	199	97,315	1,853	2,738	3,298	4,493	3,554	2,566	3,759	650	10,529
SERVICE SOCIETIES															
Total Services (*)	4	229	-	-	53	53	8	25	-	138	11	-	132	20	163
GRAND TOTAL (*)	97	49,403	91,879	28,967	449	121,295	3,166	6,951	5,008	8,119	6,101	4,573	8,676	728	20,078

(*) including Fisheries Societies not elsewhere included in the Survey

(*) excluding Pest Control Societies

(**) including Sales to other Co-operatives

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TABLE 7 AGRICULTURAL CO-OPERATIVE STATISTICS, WALES (*)

WALES	No. of Societies	Member-ship	Sales to Producers £000's	Sales to the Trade (**) £000's	Services Turnover £000's	Total Turnover £000's	Net Profit £000's	Owned Capital £000's	Loan Capital £000's	Creditors £000's	Fixed Assets £000's	Stocks £000's	Debtors £000's	Cash £000's	Total Assets £000's
REQUISITE SOCIETIES															
Total Requisites	26	41,997	22,619	1,234	11	23,864	920	2,798	608	3,193	1,371	1,928	2,856	444	6,599
MARKETING SOCIETIES															
Livestock Societies	36	7,217	8,098	1,451	58	9,607	37	395	54	108	152	1	100	110	163
Intercast Societies	3	4,217	4,738	473	41	5,199	387	606	9	527	531	296	186	127	1,140
Other Marketing Societies(*)	14	1,453	172	566	1	739	47	116	-	50	34	4	45	83	166
Total Marketing (*)	53	9,417	8,270	6,755	100	15,125	471	925	63	681	717	301	331	320	1,669
SERVICE SOCIETIES															
Total Services (*)	6	887	-	-	65	65	5	35	37	20	13	10	64	5	92
GRAND TOTAL	85	52,301	30,889	7,989	176	39,054	1,396	3,758	708	3,894	2,101	2,239	3,251	769	8,360

(*) excluding Women's Institute Market Stalls

(*) including Pest Control Societies

(**) including Sales to other Agricultural Co-operatives

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LESSONS TO BE LEARNED FROM THE EXPERIENCE
OF THE UK MILK MARKETING BOARDS*

by

Peter D. Anderson

Chief Public Relations Officer
Milk Marketing Board of England & Wales

Since the United Kingdom is now a member of the EEC system of market organisation, it is appropriate to reconsider the roles of producer marketing boards in this country. In this context it is advisable to review the origins of the marketing board concept and the effects which the Agricultural Marketing Acts have had on the operations of these boards for different commodities; to assess the role played by the Milk Marketing Board in improving marketing efficiency in the dairy industry and then to examine the relevance of marketing boards to the new conditions within the European Economic Community.

The 1931 Agricultural Marketing Act and the Development of Marketing Boards

Although Marketing Boards were created in the early 1930's, similar boards had already been set up in Canada and Australia. But the promotion of statutory producer marketing boards in the U.K. for agricultural commodities through the 1931 Agricultural Marketing Act was a step in the dark, after the obvious failure to develop voluntary producers' co-operatives in the 1920's. Government argued that weaknesses were to be seen "in the lack of harmony between supplies and marketing requirements as to quantity, quality or in terms of time and place".

The aims of statutory marketing boards were to remedy these weaknesses, and "to enable producers to control effectively the marketing end of their business" as it was believed that the producers had most to lose in a situation where the marketing of agricultural products was inefficient. Co-operation among producers was also considered to be necessary so as to ensure a fair balance between the relative strengths of buyers

* There are five Milk Marketing Boards in the U.K.: England and Wales, Northern Ireland, and three in Scotland. They are linked for common policy making and representation by a Federation of Milk Marketing Boards.

and sellers, but voluntary co-operation was rejected because of the possibility of a self-interested minority undermining the efforts of the majority.

Under the Act provision was made for Boards to be set up with different powers, to allow flexibility to meet the needs of the particular situation and the particular product, and three types of organisation were envisaged. A marketing board could thus be:-

- (a) a trading body, buying and selling a part or the totality of a product, and possibly engaged in manufacturing;
- (b) a regulatory body laying down instructions as to the methods and operation of marketing;
- (c) a body exercising to a varying extent both trading and regulatory functions.

Because of the nature and extent of the powers which could be conferred on a marketing board, the Act provided that ample and very clear public interest safeguards were to be incorporated into all schemes promoted under it.

Since the passing of the 1931 Agricultural Marketing Act, twelve marketing boards for Bacon, Pig-, Eggs, Tomatoes and Cucumbers have closed. (one exception - the Pigs Marketing Board still operates in Northern Ireland). On this basis, therefore, with forty or so years of experience, marketing boards have had a chequered history in this country, but with the important exception that, none of the marketing boards which have been wound up have had trading powers such as those of the Milk Marketing Boards or the power to market the whole of the production of the industry concerned. In retrospect the 1931 Act appears to have permitted too much latitude in the formation of boards, by facilitating the creation of marketing organisations without the disciplinary muscles and marketing teeth necessary to operate successfully.

The failure of these schemes contrasts very strongly with the successful operation of the Milk Marketing Scheme - a success recognised by government in the Green Paper of 1973 on "Agriculture and Agricultural Marketing". The wide powers granted to the Milk Marketing Boards in the Scheme have provided the necessary flexibility for these Boards to undertake far reaching marketing improvements.

At the same time the legislators had the foresight to build safeguards into the legal framework to ensure that the Boards' activities are conducted in the public interest. It is sometimes argued by critics that as a relatively homogeneous, highly perishable product, milk is a special case, but the aim of any marketing board must be to improve marketing efficiency whatever the nature of the product.

The Formation of the Milk Marketing Board

The Milk Marketing Board was set up in 1933 at a time when thousands of dairy farmers were on the verge of ruin. Agriculture - and indeed industry generally - was depressed, and milk prices were at uneconomic levels. Milk supplies, though less than half of today's quantity, exceeded demand and with producers resorting to undercutting of prices, the situation was becoming chaotic. A Government commission was set up in 1932 to investigate the industry and concluded that there was an urgent need for milk producers to be given "as a body, statutory power to secure universal adherence to negotiated agreements ..".

The outcome was the Milk Marketing Scheme which gave producers statutory authority to co-operate to market their milk. The Scheme is run by producers through their elected representatives on the Milk Marketing Board. It was voted into being by an overwhelming majority of farmers, who can also vote for its amendment or abolition, subject to the approval of Parliament. The Board's first task in 1933 was to stabilise the milk market and strengthen the bargaining power of the small farmer. Under the Scheme all milk producers had to register with the Board and comply with the conditions it laid down.

In return they were guaranteed a market for their milk. The Board fixed the selling price of milk to distributors and manufacturers, the price varying according to whether the milk was for liquid consumption or for manufacture into butter, cheese or cream. The income from these markets was then 'pooled' and an average price paid to all producers each month.

The regular monthly payment to farmers became a symbol of stability in the milk industry and by 1939 production leapt from 856 million gallons in 1933/34 to 1,119 million gallons in 1938/39. During the war the Government took control of price fixing and the major decisions regarding milk handling and movement and it was not until 1954 that some of the Board's powers were returned. Even so Government still retained a wide measure of

financial control, and guaranteed producers' prices, started in war-time, remains today and the Government decides the price of liquid milk at every stage of distribution. The Board's pre-war function of negotiating with manufacturers the price of milk for dairy products has been returned to it.

Meanwhile progress continues to be made in other areas where the Scheme granted powers to the Board: improving milk quality, streamlining transport and marketing arrangements, developing services to assist farmers' milk production and expanding markets for liquid milk and dairy products.

The Constitution of the Board

There are eighteen members of the Milk Marketing Board. Twelve are elected by producers on a regional basis, three Special Members are elected on a national basis by producers in England and Wales, and the remaining three are appointed by the Minister of Agriculture. Elections are conducted by post and each producer's vote is weighted as follows: one personal vote and one vote for each ten cows or part of ten cows in his possession. Special and Regional members serve for a period of three years, and appointed members serve until such time as the Minister appoints new members. Chairman and Vice-Chairman are elected by the Board.

Meetings of the Board are held every month and producers are also represented on regional committees. Members of Regional Committees are elected on a county basis and report to and advise the Board on local milk marketing operations.

Functions of the Milk Marketing Board

With an annual turnover of some £720 million the Milk Marketing Board's main task is to sell dairy farmers' milk to distributors and manufacturers, and pool the receipts among the farmers. The Board has increased its range of operations considerably since 1933 and its functions can be summarised as follows:-

- (a) Buying all milk produced on farms and selling it to distributors and manufacturers.
- (b) Collecting payment from the buyers and pooling the receipts for distribution among producers each month.
- (c) Arranging the collection of milk from farms and its delivery to depots or town dairies.

- (d) Allocating milk supplies to distributors and manufacturers.
- (e) Assisting dairy farmers with their breeding and herd management policies by providing artificial insemination and milk recording services.
- (f) Advising farmers on all aspects of farm management through the Low Cost Production and Consulting Officer Services.
- (g) Operating milk quality control schemes with the co-operation of the buyers.
- (h) Operating creameries which distribute milk and manufacture dairy products under the Board's own brand name "Dairy Crest".
- (i) Operating a fleet of milk transport vehicles on a commercial basis.
- (j) Developing markets for milk and dairy products through sales campaigns and publicity.
- (k) Developing new products and processes to open new outlets for milk, and meet changing consumer requirements.

The Work of the Milk Marketing Board

Before attempting an assessment of the work of the Milk Marketing Board, it is necessary to identify certain criteria which can be used to judge marketing performance.

1. Production Efficiency: There would be wide agreement that the Boards' activities have had an enormous influence at the farm level. The development of milk recording, low cost production and artificial insemination schemes have contributed substantially to improvements in stocking densities and growth in yields, and to the consequential fall in 'real' costs of production which have been achieved by the industry. By accepting all milk (of a satisfactory hygienic standard) off farms, the Board has given producers the necessary confidence to undertake the forward planning and investment required to take advantage of these schemes, while at the same time it has been able to impose a discipline on producers which could not have been achieved by an equivalent voluntary organisation.

As to the manufacture of dairy products, the Board has had an important and continuing influence on the efficiency of the industry. A strong producers' organisation has been and will continue to be necessary to counteract the growth of oligopolistic structure on the processing side, where three organisations handle about two thirds of the nation's supplies. The Board has been able to develop its own manufacturing facilities which is another factor providing the spur to efficiency among the private dairies. The Milk Marketing Scheme, through the control of the Joint Committee and the limitations on the ability of the MMB's to raise capital, wisely restricts the power to expand: it would not be possible to establish a dominant position in the processing and distribution chain for example.

2. Marketing Efficiency: Since 1945 the Board has been responsible for the collection of milk off farms and its delivery to the point of first sale, with the Board's own transport fleets collecting over one third of the total quantity produced. Central organisation has eliminated duplication of routes and cross-hauling of milk, with consequent savings, and efficiency has been further assisted by bulk collection of milk obviating the costly handling of churn supplies. By hiring and making loans available to encourage producers to install refrigerated farm tanks and by the payment of premiums on bulk milk, the proportion of total supplies collected from farms by tankers has risen in 14 years from nil to over 85 per cent.

The Board has been able to improve the efficiency of milk distribution by:-

- (a) increasing the proportion of supplies moving direct from farms to processing dairies, thereby eliminating the costs of depot handling.
- (b) flexible allocation schemes, the Board has been able to balance the changing seasonal pattern of supplies off farms with the demands of buyers.
- (c) reallocating supplies virtually on a day-to-day basis to ensure that the most remunerative outlets receive priority. Such developments are not only in producers' interests: any savings in the area of bulk collection, for example, would accrue partly to the consumer through a lower price for liquid milk, given the present pricing structure.

3. Market Expansion: Consumption of liquid milk in this country is three times the average for the rest of the EEC, and has been maintained through joint market research and sales promotional activities with the processors, and in spite of substantial cutbacks in free school and welfare milk. Fresh cream sales have benefited from schemes to widen the range of outlets stocking the product. With EEC membership the emphasis of these activities may change in view of the much higher market prices for products other than liquid milk. The Board's substantial investment in new and enlarged production and packaging capacity has been both timely and profitable.
4. Consumer Satisfaction: It is reasonable to assume that consumer satisfaction will be naturally achieved through producer and processor bargaining, but there is always the danger that with a strong buyer and a strong seller a bargain could be struck which would reflect the ability of the two parties to exploit consumers. This is a further reason why Consumer Committees and other safeguards are provided, and the Board has increased consumer satisfaction by providing liquid milk at a fair price. Continuity of supply to the liquid market throughout the year is assured by a pricing system that involves sharp differentials between summer and winter prices.

Assessment of the Role of the M.M.B.

Given that these improvements have been effected in the various areas in which the Board works, how far could the same developments have been achieved without a marketing board. Any alternative form of organisation could not have had the same single-mindedness of mind in its approach to the formulation and execution of its policies, thus making the solution of problems much more difficult. Furthermore we believe that a body of producers is the best form to impose the discipline on producers, necessary to improve the quality and marketing of farm produce; this discipline, however, could not be achieved without compulsion. A strong producers' body is also required to provide effective countervailing power against large commercial companies, without which both producers and consumers could suffer; while only a national body can take full advantage of the economies available for centralised marketing. It is probable therefore that only a few of the marketing improvements could have been achieved in other ways, than through the Board and the costs to the community may well have been greater for less striking results.

The MMB has brought stability to the dairy industry, a factor which still has relevance in the EEC context, for, without a Board, conditions for producers could readily return to the kind of situation faced during the 1920's and for consumers, the guarantees of supplies of milk for the liquid market might be placed in jeopardy. Finally, the expertise acquired by the Board staff has been of great assistance to Government in policy-making for the dairy industry.

Prospects for Marketing Boards in the EEC

The next few years are likely to see far-reaching changes in the agricultural industry; changes in market organisation with the ending of guaranteed prices and their replacement by uncertain 'floor' prices, at the market rather than at the producer level; changes in the economic environment within which the industry operates, with the EEC emphasis on competition and free trade throughout.

The role of producers' organisations in the EEC has traditionally been both different and much less diversified than in the U.K. Voluntary co-operation among producers is a long-established principle in all the countries of the EEC, and co-operatives, have become very important, not only at the production level but also in processing and marketing. In Holland, for example, co-operatives manufacture nearly 90% of all butter and 85 per cent of cheese and milk powder. In France and Germany, co-operatives produce about 50 and 80% respectively of all butter, cheese and other milk products. In Denmark the proportion is 30% of cheese and 80% of butter. For historical reasons marketing and processing co-operatives have only developed to a limited extent in the U.K.

The ways in which co-operatives have developed have varied from country to country, and this is reflected in the present differences in co-operative structure, but generally the tendency is towards larger units with local co-operatives forming provincial and regional unions to obtain economies of scale in processing and/or marketing. This tendency infringes the freedom of members to leave their co-operative. Indeed, in parts of the EEC, co-operative expansion may shortly leave producers only one feasible outlet for the sale of their commodities. At the same time the ability of co-operatives to impose fines on members who leave, and to require a certain period of notice imposes a restraint on them.

Apart from the development of co-operatives in the EEC, perhaps the most interesting recent move is in France where "Marketing organisations for milk and meat" have been created. The organisations, ONIBEV for meat and CNIEL for dairying, are not producer boards as in the U.K., but are inter-professional types of commodity commissions. Even so, this is an interesting move and may yet prove to be the first step towards the formation of national marketing organisations similar to the U.K. Marketing Boards.

The position of the MMB was discussed in the negotiations for U.K. to join the EEC, and on the basis of the "understanding" reached with the Community the MMB's "essential functions" will continue. As with all other organisations, of course, the Board's activities will be bound by EEC law, and any activities which may be construed as distorting competition or conflicting with the principle of the free movement of goods will be prohibited. Apart from the Treaty and the present regulations on the subject, wide powers have been granted to the Commission in such areas as competition policy, and there is always the possibility that future Council regulations might affect the Board's operations. In general, however, it is believed that the activities and policies of the MMB will be acceptable to the Commission.

EEC Legislation

Within the EEC, there are as yet no Community-wide laws regulating the formation, structure and activities of producers' organisations, although each country has its own national co-operative legislation, and in some countries, there are also laws on producer groups.

Conclusion

The arguments for compulsory co-operation have been made earlier. Without compulsion, the minority may be able to undo the work of the majority or alternatively share in the benefits from co-operation without submitting to the costs or the disciplines. At the same time a voluntary grouping is inevitably a weak bargaining instrument since it cannot control the total production of its members and has less than absolute control over the decision to sell. The Milk Marketing Board does not regulate the production or the supply of milk on a national basis; rather it is the control which it has over the disposal of the product which has enabled it to improve marketing performance. In addition,

as with the Boards for pigs and eggs, the impossibility of operating effectively without control over the whole output has been demonstrated. The attainment of both production and marketing efficiency needs a national body, with the singleness of purpose that only a producers' organisation can have.

In conclusion, therefore, I am convinced that producers' marketing boards can, if future opportunities are given to them, play an increasingly important role in the improvement of efficiency in marketing in the U.K. The reasons for the failure of marketing boards in certain sectors in the past can be related almost exclusively to the inadequate powers with which the boards were forced to operate. Conversely, where, as with the Milk Marketing Board, full trading powers were obtained, the outcome has been a highly efficient marketing operation.

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THE ROLE OF GOVERNMENT IN AGRICULTURAL CO-OPERATION IN THE UNITED KINGDOM

by

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The giving of government aid to co-operative, which, by their nature, are self-help institutions, is always something of a paradox; as many countries have found, it is easy to overstep the safety limit by conferring too much on the wrong sort of aid, and end by weakening the very sense of responsibility that it was intended to foster. This problem has been tackled in different countries in different ways, according to national outlook and conditions. The conditions which apply in the United Kingdom were spelt out in an article published recently*, which went on to define the relationship that had been established between government and farmers in the co-operative field, and the methods which had been employed to implement it. Since this article was written (in 1974) the relationship has been further extended, which is itself an indication that both parties have found it a satisfactory one; however this extension did not alter the original concept to any important extent. This concept was set out as follows.

Administrative Machinery

A government adopting the policy of aiding co-operatives has to decide what machinery to use in order to do so. In the United Kingdom, where vast sums were being disbursed annually to farmers by the Ministry of Agriculture, for price support or farm improvement, it must have been carefully considered whether aid for farmers' co-operatives could be passed through the same channel. The reasons for rejecting this course of action were substantial. They would have included the following considerations, first, that it was desirable that the aid given should, to some extent, be discretionary; secondly, that it would be useful to permit some degree of experimentation and, thirdly, that it was important

* "Development and Organisation of Agricultural Co-operation in the United Kingdom: A political appraisal", by John Morley, in "Agricultural Administration" (2) (1975) - Applied Science Publishers Limited, England, 1975.

that the agricultural industry and producers' co-operative should be closely associated with the aid programme and share in the responsibility for it. For these and possibly other reasons direct aid from the Ministry was ruled out. An alternative which must also have been fairly quickly rejected was that aid should be distributed through the agricultural co-operatives' own central organisations. The arguments against this course of action would have been first that there were too many bodies involved, not always agreeing with one another, or with the government, about what kind of co-operation should be promoted, and secondly that if these bodies were made responsible, either they would follow the official line and become government lackeys, or they would depart from it - a course of action which would lead to undesirable confrontations.

Against this, there would have been a strong argument that, by setting up a new agency, or statutory corporation, energy, talent and experience could be concentrated, as in no other way, on the single purpose of encouraging agricultural co-operation. The constitution of the Central Council for Agricultural and Horticultural Co-operation, brought into being by the Agriculture Act, 1967, clearly reflects this intention. The Council consists of:

not more than six members appointed by Ministers, including the chairman and deputy chairman;

eight other members, also appointed by Ministers, but nominated as to four of them by organisations representing the interests of farmers and as to four by organisations representing the interests of farmers' co-operatives, one of each four being a person nominated as representing interests in England, Wales, Scotland and Northern Ireland, respectively.

Being appointed by Ministers, these eight cannot represent the Farmers' Unions and Co-operatives as completely as they would be regarded as doing if they had been elected; nevertheless they are, of course, to some extent representative in practice of bodies which are in principle 'political' organisations. Recently, in addition, the Central Council has been given a Marketing Policy Committee, consisting of the Council members and nine members, nominated by an ad hoc association of unions, marketing boards and co-operatives, representing particular co-operative trading interests (e.g. cereals, livestock, etc.). Thanks to these built-in connections with the industry, the Central Council, while retaining complete independence of judgement, should be

able to exercise it in a way which takes the aspirations of co-operatives and the practical possibilities of their situation fully into account.

The Central Council has the function of advising Ministers on all matters relating to co-operation in agriculture and horticulture. Its main functions, however, are to 'organise, promote, encourage, develop and co-ordinate' co-operation; this necessarily includes a central planning responsibility in order to obtain agreement on what kind of co-operation is to be organised, promoted, etc. Some of the above functions may be performed by other bodies, in particular the co-operatives' own central organisations, as the Council's agents. Finally, for certain purposes specified by the government, which include co-operation in production, preparation for market and marketing, grants may be made out of public funds under a scheme which the Central Council is responsible for administering.

Principles of State Aid

Agricultural co-operatives are self-help organisations. This is their main virtue and great care has to be taken not to undermine it. An outside body offering help to a co-operative must act rather like a banker considering a loan to a client, who asks himself whether the owner of the business has manifested confidence in it by the level of his own investment, and whether the loan would enable sufficient profits to be generated to cover the cost of servicing and repayment. Although the method of government aid is different, the principle underlying it is the same.

The standard methods of helping agricultural co-operatives are, in most countries of Western Europe, by subsidising the rate of interest on money borrowed by them, or in the United Kingdom by making capital grants. Whichever way the help is given, its effect will be to make the threshold of commercial viability rather lower for a co-operative undertaking an aided enterprise than it would be for another concern undertaking the same enterprise if it were unaided. A co-operative may therefore be tempted to invest in an enterprise which other concerns would not be prepared to touch, because of its low profitability. This will not happen, however, if the grant aiding authority insists, as the Central Council does whenever necessary, on seeing the figures of the estimated return on capital employed before an application for aid is approved.

If this return on capital is expected to be such that the co-operatives could have financed it by ordinary commercial borrowing of funds, the question may well be asked: What was the justification in aiding it from public funds? The answer may be different in the case of a newly-formed co-operative and in that of one which has been in existence for some time. In the former case it may be argued that aid is necessary in order to create a feeling of confidence; the justification for it will be all the greater if the favourable results of co-operating are not likely to be felt immediately, but on the contrary there may be some temporary disadvantages from doing so.

Such an explanation will clearly be inadequate in the case of a co-operative which has already been established for some time, whose members already have experience of working together and ought to be able to calculate for themselves the benefit of doing so. If the State sees fit to assist an established co-operative as much as a newly-created one - and indeed may even prefer the former to the latter - this can only be because it sees some national interest in farmers co-operating. A political appraisal of the development and organisation of agricultural co-operatives in the United Kingdom would not be complete without some further clarification of this question.

The question is relevant also to co-operative legal theory, and is referred to at some length in a report by a Working Party on Agricultural Co-operative Law published by the Central Council in 1971. Briefly, the case for agricultural co-operative organisations - whether in supply, marketing or production - rests on a more economical use of resources, and therefore higher productivity to the benefit of producers, consumers and ultimately, the State. But co-operation comes about only slowly by itself, particularly in marketing, where the non-co-operator, may at times be able to get a premium for non-participation! Yet it is essential, in any commercial situation, that the parties should be more or less evenly balanced since, if they are unequal, not merely is the weaker party repressed, but the stronger is no longer faced with a competitive environment, and becomes inefficient. The report continues, quoting the economist, J.K. Galbraith, on the North American situation: 'After the farmer had failed to organise market power by himself, it was wholly in the tradition of the development of countervailing power that he should turn to the government for assistance. It was equally natural that the government should first think of helping the farmer to establish the kind of co-operatives which, by his unaided efforts, he had been unable to build . . . So far from being abnormal, given the market power of the industries among

which the farmer is sited and the probability of fluctuating demand, it (the effort to achieve countervailing power) is organic. There would be many advantages in recognising this.'

General Functions of the Central Council

The above was a digression, although a necessary one. The main intention of this paper is not to explore the reasons why co-operation in agriculture should be State-aided but, rather, how, having taken such a decision, the State effects its purpose. As has been seen already, its instrument in the United Kingdom is the Central Council, which has a general function of promoting agricultural co-operation at large, and a special function of promoting it in particular fields and subject to certain conditions. These conditions are broadly set out in a regulation (Statutory Instrument) approved by Parliament, known as the Agricultural and Horticultural Co-operation Scheme, and in more detail in a code of practice evolved over the course of years between the Central Council and the Ministry of Agriculture with the approval of the Treasury. Co-operative projects which come within the scope of this Scheme may benefit from State financial aid, and it is consequently in its role of administering the Scheme that the Central Council is best known to farmers. This, however, is a narrow view, and the Central Council's work has to be seen as a whole if it is to be properly understood. We may begin, therefore, with that part of it which is not yet directly concerned with grant aid.

The Central Council's general function begins with a statement of agricultural co-operative objectives which it first formulates then discusses with the representative Co-operative Associations and Farmers Unions, reformulates in the light of their comments, if necessary discusses again, and then finalises in the form of a statement which is jointly acceptable. This statement of objectives (the description 'plan' would be too ambitious) aims to set down the main areas of action, broadly what sort of action is required, and who has the responsibility for taking it, during the ensuing four-year period. It should not be supposed that all the action subsequently taken in that period is worked out with reference to the objectives originally stated! Nevertheless they have a certain value in concentrating attention into areas agreed to be important, and in helping to avoid the misunderstandings which can so easily arise when a number of agencies, public and private, are working in the same field.

Next to be considered are those problem areas - legal, constitutional, financial and fiscal - which affect all agricultural

co-operatives in much the same way. There is obvious advantage in the work done in these fields being centrally co-ordinated, so that any courses of action can be considered in the light of future *economic and political trends*, but it is no less necessary that any eventual proposals should be based on an intimate knowledge of the day-to-day experience of co-operatives dealing with these problems. Accordingly the procedure has been for the Central Council to set up working parties, consisting of representatives of all the interests concerned, plus one or two experts from outside, who analyse the problem and submit a report, which is available to all the representative organisations as well as to the Central Council. Further consultation then takes place, at the end of which the Central Council, and the organisations representing agricultural co-operation (which the Central Council has no mandate to do), must reach their own independent conclusions. However, the ultimate views are not likely to be very different, because of the care taken to co-ordinate them previously.

Other areas of common interest for all co-operatives are education, training and research. These activities fall fairly naturally within the scope of the Central Council, and are pursued in the context of the overall statement of objectives mentioned earlier. Lack of understanding of co-operative purposes and methods underlies many of the failures to make progress, and this understanding is more easily absorbed during the earlier, formative years. In the United Kingdom, where little if any teaching of this kind has been included in the education or training given to farmers, until very recently, it has been necessary to take special steps to ensure that suitable material is available to teachers and advisers who share the belief that agricultural co-operation should have a place in the *modern curriculum*.

The principal agricultural co-operative objective is to increase the strength of co-operatives, whether they be concerned with the supply of farmer requirements, the sale of their produce, or their actual production operations. The opportunities of doing so vary greatly from sector to sector. It is necessary to make a separate appraisal for each sector, to determine the possibilities, and to suggest what course of action is to be followed. A number of such strategic studies have been produced, in collaboration between the Central Council and the central co-operative Association or Associations with a particular interest in the commodity. These studies are designed to give the necessary guidance to headquarters and field staff concerned with promotion and development. By 'promotion' is generally understood the

action taken to talk about or otherwise explain co-operation to farmers and others with related interests, up to the point when a group of them begins to become identified with a particular co-operative project. 'Development' is a subsequent and consequential action, up to the point when a co-operative has been formed and is operating effectively. Promotion and development are among the functions given to the Central Council by the 1967 Act, but the latter has been increasingly delegated by it to the co-operative Associations - which have, of course, always undertaken a certain amount of promotion and development work on their own account out of their own funds, in addition to that which they are enabled to do with aid from the Central Council. Both promotion and development programmes tend to be linked fairly closely in practice with the grant aid scheme which the Central Council administers and which may be regarded as the cutting edge of its activities.

Financial Aid

As the donor of aid, the State is free to decide what kind of co-operation to encourage by way of financial aid and what conditions to require in consideration of it. In the United Kingdom this freedom is limited by the need to comply with the terms of the EEC common agricultural policy. The main aid is directed towards co-operation in marketing. The reason for this is that supply co-operatives are considered to be able to make progress on their own, and to have no need of special encouragement. Where marketing co-operatives are concerned the first requirement is, naturally enough, that the organisations involved should be recognised as co-operatives under the law. There are supplementary conditions, however, the chief of which are:

the co-operative must be one which is owned and controlled by producers; this is necessary because the law itself does not distinguish producers' co-operatives as a separate category;

the co-operative must be able to show that it is supported by members trading with it, either as a condition of membership or under separate agreements;

the co-operative or its members must contribute finance broadly equivalent in amount to what it receives as State aid.

Since the Central Council is given some discretion in administering the aid scheme it is able to place its own interpretation

on these conditions and to add others. Thus it may become necessary in the future for the sponsors of a co-operative project to be able to show that it fits within one of the commodity plans being evolved, as explained earlier.

Aid under the British system is given in the form described above. In most other countries of western Europe, where banks or other institutions exist which have a long tradition of association with farmers and farmers' co-operatives, a very high proportion of the capital required for new investment is found by borrowing. In those circumstances it is logical for State aid to be given in the form of interest reduction. The recipients of aid are not always - indeed they are only occasionally - new co-operative organisations. Co-operation in marketing can normally be best developed by bringing new members into existing co-operatives, which may require an extension of their facilities, or by their taking on additional functions. As regards the latter, the United Kingdom policy is to draw a distinction between preparation for market and marketing activities, which are grant-aidable, and processing activities, which are not.

Grants are available at three points. The first is aid towards the carrying out of a feasibility study. The purpose of this is to demonstrate return on capital, and satisfy the participants and the Central Council that the investment will be worth while. Ideally, the study should achieve the further result, when it has been executed in close liaison with the participants in the proposed development, of giving them an improved understanding of what the project involves, so that by the time it is ready to start the members appreciate and accept the need for the discipline that will be required of them if it is to be successful.

Secondly, grant is available towards the salaries of managers or key staff in the three years following the establishment of the new project. It is during this running-in period that some of the most difficult problems will arise, when expert management is most required, and can least easily be afforded. As a contributor towards the salary, the Central Council is able to supervise the filling of the managerial appointment, and ensure that the terms offered are such as will attract the right man to it. From cash flow projections, the Central Council will be able to satisfy itself that, by the end of the period, the co-operative will be able to carry the appointment on its own.

Thirdly, aid is available towards the capital cost of the facilities required by the co-operative. Past practice has been, on the whole, not to make grants to co-operatives at a higher rate than that at which they would be available to individual producers, but to allow them for a somewhat wider range of purposes. In so far as the purposes aided are the same for individuals and for co-operatives, it is a good 'bargain' for the State to aid co-operatives, since the capital cost per unit handled is obviously much lower where big installations are involved.

It is questionable whether this range of State aid available is sufficient to overcome difficulties experienced by producers' co-operatives in obtaining adequate investment capital. A review of the matter is in hand at the time of writing. In the meanwhile an additional form of assistance is provided by a loan guarantee scheme for co-operatives, which is underwritten by the government. In addition, in 1974 finance legislation provision is being made for a different rate of corporation tax as between companies and co-operatives (of all kinds, not merely those formed by agricultural producers).

A Provisional Appraisal

Results

The evaluation of any policy having social as well as economic implications is never an easy matter. Even if one is able to state confidently what was the input in resources and what were the results obtained, one cannot be sure what the results would have been without this input. Moreover, in the case under consideration - resources contributed by the State - the farmers and the commercial banking system are inextricably intermingled.

In the present case, what yardstick of measurement is to be applied? Certainly it cannot be the number of co-operatives in existence at the end of the period, compared with the beginning. Actually, the number of co-operatives has been falling fairly steadily, in line with the general trend favouring business amalgamations. Nor is it satisfactory to count up the number of farmers involved in co-operatives, since it is the result of this association, not the mere association itself, with which one is concerned. Possibly the best yardstick, although still a very crude one, is the proportion of the national agricultural product which co-operatives handle from year to year. However, the very word 'handle' declares its own weakness, since it is, above all, the added value contributed by this

handling which determines the co-operative's effectiveness. Unfortunately, such additional value would be very difficult to measure.

Until quite recently, the state of co-operative statistics has been such that it has been impossible to decide what was the performance of agricultural co-operatives even in one year, let alone to compare one year with another. Such figures as are available are given in monetary value, which needs to be recalculated to take account of inflation. Finally, co-operative figures are produced on a financial year basis, whereas the national figures with which one would seek to compare them are calculated on the basis of an agricultural year. The establishment of data from which a true assessment of co-operative progress could be made is therefore a far from simple matter, and has not advanced far enough for any reliable conclusions to be based on them up to date.

The input of State aid which actually reaches the co-operatives has, as already mentioned, mainly benefited those concerned with marketing. But the effects of the establishment of the Central Council, which is concerned with agricultural co-operation, generally, will obviously be felt much more widely. In any attempt to assess the value of the policy followed by the government since 1967 it would be necessary to take these wider effects into account.

It follows that the evaluation aimed for in this paper must, in the event, be a mainly subjective one, although it is to be hoped that, in the future, as the statistics produced by the Central Council become more sophisticated, it may be possible to assess at least the progress of the marketing co-operatives objectively in terms of share of the national agricultural marketing business, relating these results to the contributions made by the State in the form of grant aid.

In the present subjective evaluation, one may look at the results achieved from the separate points of view of producers, of the food industry leading through to consumers, and of the State representing the general body of taxpayers.

Producers have some grounds for satisfaction with the present state of agricultural co-operation; while this still has many weaknesses, it is at least vigorous and self-confident. There is a general impression, even if it cannot as yet be fully substantiated by figures, that the share of the market controlled by producers through their co-operatives is increasing, although

not so fast as they would like.

The food industry, too, while it has many reservations about the ability of agriculture to deliver the goods in the form that it would like and that consumers are now said to require, recognises co-operatives as having an important part to play. The report of the Committee on Contract Farming (1973) contains ample evidence of this view.

The State, which has made an investment of national resources in agricultural co-operation, using the Central Council as its vehicle or instrument, can reasonably assume that a fair, if not an exactly measurable, part of the improvement registered above has come about as a result of its policies. During the years since they have been in operation there has been a significant move towards bringing the agricultural industry into a better economic relationship with the food industry, resulting in a fairer balance between their separate but mutually dependent objectives, which it must always be in the national interest to encourage.

AGRICULTURAL BOOK-KEEPING CO-OPERATIVES IN THE NETHERLANDS

by

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Origins and Objectives

The Netherlands occupy an unique position as regards agricultural book-keeping co-operatives. Virtually no other country experiences as significant a demand by clients for 'co-operative' professional business accountancy. The market share of the combined agricultural book-keeping co-operatives amounts to no less than 50%. This is to say that of all the farmers who feel the importance and need of proper book-keeping, half arrange for an agricultural book-keeping co-operative to deal with their accounts.

In order to find out whether these book-keeping co-operatives are true co-operatives we must know whether profit-making is their objective. The word 'co-operative' in connection with the agricultural book-keeping co-operatives has nothing to do with their legal constitution. Occasionally an agricultural book-keeping firm has the legal constitution of a co-operative but more often they may be a non-profit making company. The farmers' and nurserymen's professional associations in the area where the firm is operating will be the participants in these organisations. Other types of legal organisation also occur. The 18 book-keeping co-operatives with which this article is concerned are spread equally over the whole country so that all areas are covered by their activities. In the course of time they have often changed their names. It is now rare to find the title 'book-keeping co-operative'. Various other terms are in use such as 'accountancy service', 'accountants firm', 'taxadvisers', 'chartered secretaries firms' or 'services' and such like. Their organisation however varies little, and for convenience the term 'book-keeping co-operative' is used in this article.

The first agricultural book-keeping co-operative originated in 1917 in Leeuwarden. It was soon followed by others and in 1927 the Association of Agricultural Book-keeping Co-operatives was founded, with its headquarters also in Leeuwarden. In 1974 in accordance with modern trends it was renamed the National

Association of Accountants' and Taxadvisers' Firms or 'VLB'.*) This umbrella organisation is not truly a co-operative but an 'ordinary' association according to Dutch law: its constitution however, adheres to co-operative principles.

VLB aims, according to its constitution, at promoting effective professional procedures amongst its members. It achieves this by:

- (a) organising meetings, lectures, and providing information on all matters of professional concern to the members (the book-keeping co-operatives);
- (b) organising and promoting studies on matters of professional concern to the members, occasionally by organising courses;
- (c) promoting administrative efficiency;
- (d) aiding members in the execution of their profession;
- (e) indicating directions that may advance effective business management amongst the members;
- (f) co-operating in obtaining data for statistical purposes.

Eligible for membership are: corporate bodies that run an accountants' and taxadvisers' co-operative exclusively in the interest of their clients.

On 1st May 1974, the book-keeping Co-operatives of the VLB had 1,721 employees who served 79,356 clients. Apart from the organisations belonging to the VLB which together serve about half the farmers in the Netherlands, private administrative organisations (perhaps up to 2,000) serve about $\frac{1}{4}$ of the farmers; the remaining farmers (about $\frac{1}{4}$) may arrange their own accounts or are served by an unqualified accountant. In addition members of the VLB administer about 30,000 non-agricultural businesses. This particular development, viz. the management of accounts for people and/or enterprises outside the agricultural sector, is by no means a recent development, and the number of those who fit this category has recently increased. As the number of farmers continues to decrease, the non-farmers amongst clients of VLB are bound to grow in relative importance. In the following where the agricultural co-operative element of the service is emphasised the term agricultural book-keeping co-operative will be used.

* This is an acronym of the original Dutch name. For convenience this abbreviation will be used when there is a mention of the National Association.

Organisation and Methods of the Agricultural Book-keeping Co-operatives

The proper running of an agricultural book-keeping co-operative demands that the staff (a) maintain, check and balance a farmer's books. If the farmers themselves keep elementary records then their method of book-keeping will be followed. Further if the client wishes, the books can be set out so that they can become a management tool and need not be used exclusively for tax purposes. (b) Lend assistance in solving the problems which may be revealed by the accounts.

The agricultural book-keeping co-operatives have always aimed at providing their clients with data for two purposes: those which are necessary for gaining an insight into the business and particularly how income and capital are formed; and those which are needed for the handling of tax-declarations.

Furthermore from early days the agricultural book-keeping co-operatives have been engaged in collecting, preparing and publishing statistical surveys which would enable the farmers to compare their own business results with those of others. Even now one of the conditions for participation in the VLB is that the book-keeping firm in question is prepared to provide data for a statistical survey of financial agricultural results. Until recently the Central Statistical Bureau, a government agency, collected and dealt with these statistics, but a new arrangement is now being devised. For many years there had been no systematic survey of the accounting systems of the farmers which would provide information of the way in which their businesses were being run.

Neither the means for this nor the necessary understanding of the way in which problems were interconnected, were available. In the late 1930's efforts by the government to change this, failed, and it was not until agricultural economists finally made a systematic study of the problems of individual farmers that agricultural book-keeping progressed further. A national committee, led by the then chairman of the VLB, in a report, laid down the minimum requirements that would enable a farmer's accounts to become a management tool.

Modifications in Administrative Functions

A change took place in the professional training for administrators which ran almost parallel with the way business administration was developing. It was related to a change in the

administrative professions. The agricultural book-keeping co-operatives also experienced the consequences of this; they no longer just produced book-keeping returns but relieved the businessman of his administrative chores. These developments continued, particularly after 1945 and they caused increasing expansion in the work of book-keeping co-operatives, which became the trusted helpmate of their members, who increasingly turned to them with their problems.

Gradually the work came to be seen as having three divisions, which indicates a widening but above all, a deepening of the professional work:

1. inspection and keeping of accounts;
2. advice and support;
3. providing information.

Professional Training of Staff in the Agricultural Book-keeping Co-operatives

The activity mentioned under 2, the giving of advice and support has brought the book-keeping co-operatives on to social, legal, financial, fiscal and economic ground. Clearly this has meant, and still means, special demands on their internal organisation. The members of staff are now required not only to be familiar with book-keeping and fiscal law but they must also have an understanding of economic, social and legal matters which may arise in connection with the farmers' and nurserymen's business and family.

The book-keeping co-operatives have been large enough to make some internal specialisation possible. Some twenty years ago a number of book-keeping co-operatives started to engage business experts as a complement to the fiscal-legal experts they had been in the habit of consulting. Then too the training of a number of staff in the socio-economic area was undertaken. Already in 1961 a commission established by the VLB had concluded that the agricultural book-keeping co-operatives could only accomplish their task if they had competent staff at their disposal with a broad interest in the community. It was felt that the training needed for the above mentioned tasks was not obtainable within the framework of existing courses which frequently were too unconnected. The VLB therefore felt obliged to arrange training courses, mostly to show how theoretical business economics can be practically applied but a number of other problems are also included. Furthermore staff of the agricultural book-keeping co-operatives regularly participate

in the 'Economics for Business Experts' courses organised by the government.

The VLB also decided to hold courses in 'management guidance' so that participating firms could be assisted to cope adequately with organisational problems. These courses are intended to keep the chief executives of the participating firms - managers of departments and branches and such like - abreast of the latest principles regarding group management. A firm of consultants was invited to help organise these activities.

Mechanisation and Automation

The VLB felt the need for studying the possibilities for mechanisation or automation of the work of its participating firms. Mechanisation would greatly advance uniformity in the administration of the associate farmers. With this in mind the VLB formed a commission on mechanisation which delivered an interim report in 1973. At the same time the Co-operative Association Agricultural Administration/Computer Centre (acronym LARC) had been founded in one of the regions. This co-operative aims principally at centralising the administration of the movement of commodities of agricultural buying associations by means of punched tape computer input. Everything was to be gained from closer contact between the LARC and the VLB. The LARC puts data at the disposal of the agricultural buying associations and these naturally are sent on to members farmers and nurserymen. The VLB would want these data to be as useful as possible for the accounting system of the farmers/nurserymen. The VLB arranged for the design of a computer program which might form the basis of a uniform pattern for all types of agricultural accounting in the Netherlands, and a start was made with and extended systems analysis.

During this study attention was paid to the question of how the returns prepared by the book-keeping co-operatives can best be framed so that associates may be fully informed as to the formation and spending of their income and the movement of their capital. The study resulted in an accounting method that would remove the differences between financial and management accounting. The importance of this study can be gauged by the attention it received from the Ministry of Agriculture and Fisheries, which formed a commission of (Central Accounting Processing of Agricultural Businesses) which in its turn studied how useful the proposals would be for changing the minimum demands for a farmer's accounts, as regards their use for economic information and government research as well as for Government statistics. In

the meantime, in the mid-sixties, it had become clear that from a technical point of view automation of the data regarded as necessary by the VLB, was feasible. The question was, however, should the VLB continue alone or seek limited co-operation with the Institute for Agricultural Economic Research.

This Institute aims at furthering knowledge of Dutch agriculture and issues connected with it and also studies its socio-economic significance. With this in mind this Institute collects a large number of data on individual farms and of the industry as a whole and frequently publishes extensive studies.

However, because the aims and interests of the book-keeping co-operatives of the VLB and the Institute for Agricultural Economic Research differed widely this was felt to stand in the way of co-operation.

The VLB was also confronted with the question as to whether it should develop its own automatic data processing or whether a service bureau should be commissioned to do this. The development of an independent system would have demanded an enormous capital outlay and considerable delays would have been virtually inevitable. The VLB therefore contacted the Computer Centre for Administration, Efficiency and Method (RAET). A large exploitation company, the Dutch Moorland Reclamation Society, had established this centre but had also, from the beginning, intended working for third parties. It came to an agreement whereby, if the co-operatives so wished, RAET was to produce automatically and/or mechanically, the information which the participants of the VLB, the book-keeping co-operatives, had arranged to manage for their clients.

In 1968 a start was made on this arrangement which was to be developed in stages: systems analysis and programs were prepared and, indeed, considerable experience was gained from the first two phases of this electronic data processing.

Meanwhile it has proved feasible and appropriate that book-keeping co-operatives to some extent use automation in their work. Thus, thanks to the co-operation between VLB and RAET complete farming accounts have now been automated in the Netherlands. Further the fiscal declarations which stem from these can be handled by a computer. At the same time comparable procedures were developed for non-farming industries.

Co-operation with Others

This combined operation has meant that against an acceptable expenditure, the activities of the book-keeping co-operatives were considerably speeded up, and financial data for business purposes can now be produced on a larger scale than has been the case hitherto. This has greatly facilitated the management of the agricultural book-keeping co-operatives and their administered farming businesses. Both have achieved more efficient management. Because of its close co-operation with the Institute for Agricultural Economic Research regarding the working out of the programme, this institute and other research institutes may use the basic data produced by the agricultural book-keeping co-operatives for their own research programme. Furthermore it is worth noting that with the aid of the computer programme not only agricultural accounts, but also - after some minor adjustments - the accounts of other small businesses may be processed. Certain it is that automation forces everybody to work together because electronic data processing does not pay on a small scale, and various co-operative combinations in the Netherlands can be envisaged.

On the one hand the agricultural book-keeping co-operatives together with related institutions could arrange for the processing of their data to be dealt with in one national computer centre. Another development might be for regional computer centres to be set up in which the agricultural book-keeping co-operatives would co-operate with the co-operative credit banks, the co-operatives for buying and marketing, insurance firms and such like. Either arrangement would have its advantages and disadvantages. Perhaps a compromise will be found which will utilize the advantages of both solutions but avoid the disadvantages.

Meanwhile the VLB member firms that have been collaborating in this connection, decided to set up an organisation to promote the automation of agricultural and other accounts. The VLB's agricultural book-keeping co-operatives may belong to this foundation and they have the right to utilize its services and findings. In fact, all but one of the VLB's participating agricultural book-keeping co-operatives have joined the foundation although they do not all use its services in equal measure.

Advice and Support

The VLB has kept a watchful eye on its objective: that the individual participating agricultural book-keeping co-operatives

discharge their functions effectively. One can here truly speak of an exchange between initiatives on the part of the book-keeping co-operatives and the requirements which stimulate farmers and nureserymen to engage the services of the book-keeping co-operative. The farmers and nurserymen want to have their books serviced in such a manner that these produce data which form a helpful basis in the management of their business. They also like to receive advice and information on various matters and especially the fiscal advice that is available. These in their turn force the agricultural book-keeping co-operatives to see how the service to the clients can be improved and, in particular, how it can be adapted to the ever changing needs of modern small businesses. In this connection the automation of agricultural accounts which has come closer to being realised, is relevant.

Not surprisingly, in the total workload, fiscal affairs stand out. The exceedingly rapid changes here, helped on by the activities of the legislators and alterations in fiscal law guarantee continuing work. Although these continually changing fiscal laws create vast problems for the VLB, it must be noted that the Dutch fiscal legislator does his utmost to keep pace with accelerating social changes.

The VLB co-operates with other organisations in many ways and as far as organisational matters go, even with the tax service itself. The VLB is a participant in the negotiations between the tax service and tax advisers concerning methods for presenting tax-returns. The VLB is also aware that its participants share some of these interests with others - government and agricultural organisations - although these latter may be more widely interested. The VLB has in fact co-operated in several studies relating to problems in this wider context and has allowed data supplied by the book-keeping co-operatives to be used, provided strict anonymity is preserved.

The growth towards European unity has led to contacts with similar foreign organisations. The tax introduced in Germany as early as the 1st January 1968 on the gross added value (BTW) brought the VLB in close contact with the Hauptverband der landwirtschaftlichen Buchstellen und Sachverständigen e.v. in Bonn. The VLB has thereby not only concentrated on fiscal problems, it has shown as great an interest in organisational problems from abroad.

For many years the VLB has been engaged in thorough going discussions on the accountancy profession with both the Dutch

Institute of 'Registered Accountants', (an organisation of accountants who are legally qualified to call themselves 'chartered accountants') and the Dutch Association of Accountants. A legal ruling was made whereby legal protection was introduced not only for the chartered accountant but also for the 'consultant in accountancy and administration'. He is the man who in general takes care of the accounting matters of small shops and businesses and who advises on various matters dealing with administration and business management. Some staff employed by VLB-participants have in the meantime been recognised as 'consultants in accountancy and administration'.

The S.I.C.A.

AIMS, FUNCTIONING AND EVOLUTION IN FRANCE; ILLUSTRATION OF POSSIBLE DEVELOPMENT IN WALES

by

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Over the past fifteen years a new form of co-operative organisation has developed with great success in France: the "Agricultural Collective Interest Society" ("Société d'Intérêt Collectif Agricole"), frequently designated by its initials: S.I.C.A.. This form of co-operation is now often adopted by farmers, processors, companies and associations interested in both the marketing of agricultural produce and the welfare of their region's population. With the development of S.I.C.A.s some important questions such as the nature of co-operation, who benefits from co-operation, and the marketing efficiency of co-operative marketing, have arisen and been examined. The formation of S.I.C.A.s has thrown new light on these questions which deserve attention. This paper attempts a somewhat superficial examination of their objectives, functioning and evolution, and of two main environmental factors which encourage the formation of such Societies. Illustrations of how existing S.I.C.A.s operate in France and of a possible development in Wales will be provided.

1. S.I.C.A.'s Functioning, Objectives and Evolution

i. Constitution and Functioning

S.I.C.A.s are legally structured in the form of either private companies ("sociétés civiles") or commercial companies: joint stock or limited liability companies ("societe anonyme" and "société à responsabilité limitée".) They register their articles and the list of their members with the Ministry of Agriculture (1).

(1) The legal texts on the rules regulating the S.I.C.A. are:

- (a) the Decret No. 61-868 of the 5th August 1961 which constitutes the basic text and was subsequently modified and completed by (b) and (c).

Members may be classified into two groups: (A) agriculturalists and (B) non-agriculturalists (2), but there are legal provisions to ensure that these Societies retain their agricultural collective interest character. The first group (A) which includes farmers and farmers' organisations must hold the majority of votes, but usually accounts for less than 80 per cent of the total votes (1 b and c). The remaining votes (more than 20 per cent) must be held by persons or professional organisations belonging to the second group (B) and whose activities may help to achieve the S.I.C.A.'s objectives.

In addition, in the case of S.I.C.A.s having 10 members or less no more than 40 per cent of the votes can be held by a single member. If membership exceeds 10, no single member is allowed to hold more than 10 per cent of the votes; there is however an easing of this restriction in favour of members who are Co-operatives and Agricultural Co-operative Credit Banks ("Sociétés de Crédit Agricole Mutuel") (1a). The transactions which a S.I.C.A. can carry out with persons or companies who are non members is limited to 50 per cent of its total turnover (3).

(1) contd.

(b) the Ordonnance No. 67-813 of the 26th September 1967 - articles 2 and 20 -, and

(c) the Law No. 72-516 of the 27th June 1972 - article 16 -.

(2) Group (A) generally comprises of Farmers and Agricultural Private Companies, Agricultural Co-operatives and their Associations, Associations and Syndicates of farmers having a common objective with the S.I.C.A.; Group (B) Chambers of Agriculture, Agricultural Co-operative Credit Banks, Persons whose contribution may be useful to the S.I.C.A., for instance: Farmers Unions or Associations, Processors, Traders or Distributors, Suppliers of goods or Services, Chambers of Trade, Port Authorities, Local Authorities.

(3) The Ordonnance of the 26th September 1967 limited this amount to 30 per cent of total turnover; the Law of the 27th June has increased this proportion to 50 per cent.

S.I.C.A.s do not distribute dividends, but statutory maximum net interest of 6 per cent is paid on share capital. The yearly surplus can be allocated to members, as bonus, prorata to the transactions they make with the Society. These two features would seem to qualify S.I.C.A.s for consideration as co-operative organisations (4).

ii. Objectives and Sector of Activities

The original S.I.C.A.s' objectives were the provision of services to the farmers and inhabitants of rural areas: electrification, telephone and rural dwellings for instance, or to promote the installations of heavy equipment, such as large deep freeze storage units or harbour silos. However, their range of activities has progressively widened, developing particularly in agriculture where traditional forms of co-operation have been proved insufficient, such as cattle slaughtering, milk collection and processing, fruit and vegetables growing and canning, poultry breeding (5). S.I.C.A.s are now frequently created to achieve marketing objectives: e.g. price stabilisation of certain produce, marketing of food products under a common brand name, better distribution of a product on the domestic or foreign markets.

In the wine sector, for example, they have promoted labels of quality or origin and developed export sales. A geographical analysis, by sector of activities, indicates that a large number of S.I.C.A.s have been set up in Aquitaine, Languedoc, Provence, Côte d'Azur and the Midi-Pyrénées, for fruit, vegetables and wines; in the Centre of France for dairy produce; in the Rhône-Alpes for fruit, vegetables and dairy produce; and in Champagne for cattle and meat (6).

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- (4) See Guy Selaries, "Agricultural Collective Interest Societies (S.I.C.A.) in France". The Plunkett Foundation for Co-operative Studies, Fifth International Conference on Agricultural Co-operation, Oxford, 1973.
- (5) Ministère de l'Agriculture et du Développement Rural, Direction de la Production, des Marchés et des Echanges Extérieurs, Paris (7^e), "Note de Synthèse sur les S.I.C.A.", 27 Novembre, 1972.
- (6) "Les Mouvements de Restructuration dans la Coopération Agricole de 1965 à 1970". Ministère de l'Agriculture et du Développement Rural. Paris. Novembre 1972. Page 12.

iii. Evolution

Since 1961, agricultural co-operation in France has indeed experienced a restructuring movement with a large number of ex-nihilo creations. A Survey published by the French Ministry of Agriculture in 1972 (7), notes that in the "fruit and vegetables marketing" sector and in the "heavy cattle and meat marketing and processing" sector, respectively, one third and two thirds of the co-operative organisations existing in 1970 had been created during the period 1965-70. For the same period, Table I shows that popularity of S.I.C.A. as a legal form of co-operative in the two sectors of activities mentioned above and also in the "wine wholesale marketing" sector. However as may be seen from Table II, which provides aggregate data over the period 1965-1970, the total number of creations of S.I.C.A.s appears to have levelled off since 1969.

Table I - Creations of co-operative organisations in France, by sector of activity (period 1965 to 1970).

Sector of activity	Legal Form	
	S.I.C.A.s	Co-operatives and Co-operative Associations
. Fruit and Vegetables - Marketing Without Processing -	87	65
. Heavy Cattle, Meat - Marketing and Processing -	55	59
. Dairy Products - Marketing Processing	29	73
. Wine and Vinification - Wholesale Marketing	48	53
Total above sectors	219	250
Total all sectors	349	461

SOURCE: (7)

Table II - Creations of S.I.C.A.s in France from
1965 to 1970

Year of Creation	1965	1966	1967	1968	1969	1970
Number of Creations	89	94	75	49	16	26

SOURCE: (8)

Among the factors which have been mentioned (9) as contributing to the setting up of S.I.C.A.s in the fruit and vegetables sector and in the cattle and meat sector are:-

- the saturation of the market for some products; this was the case with the appearance of surpluses of fruit and vegetables in the 1960's.
- the unsuitability of the traditional channels of distribution; an illustration is provided with the cattle and meat trade often described as very artisanal, lacking in rationalization and favouring speculation.

- the Government's support in favour of co-operative organisations (10).

These factors have encouraged isolated but entrepreneurial producers in agriculture to control the marketing of their produce within a co-operative framework. Many S.I.C.A.s now perform wholesaling and other marketing functions.

It would be difficult to analyse the development of S.I.C.A. and other new forms of agricultural co-operative organisations without mentioning two particular factors:

- the emergence of marketing orientation in agriculture, a traditionally production oriented sector of the European economy;
- the philosophy of the development of co-operative organisations, according to the importance given to economic and social efficiency on one hand, and members' participation in the management of the other hand.

Both of these factors will now be examined.

2. The Emergence of Marketing Orientation in Agriculture: A Contributory factor to the creation of S.I.C.A.s

In agriculture decision-makers may be classified into three main groups: (11)

(10) The Agricultural Orientation Law of 1962 made provisions for financial aids to the benefit of producers groups created to market fruit and vegetables. It is interesting to note that later on, at the European level, S.I.C.A. in the fruit and vegetables sector will be considered as producers' organisations by the E.E.C. Commission and can therefore benefit from the aid of F.E.O.G.A. in accordance with Regulation 159/66/CEE of the Council of Ministers of the 25th October 1966 on Producers' Organisations for Fruit and Vegetables. See Bernard Delagneau, "Agricultural Co-operative Marketing within the Context of the E.E.C. Competition Policy". Journal of Agricultural Economics, Vol. XXVII, No. 1, 1976, pp. 58-61.

(11) See Henry De Farcy, "En Quoi les Travaux des Economistes Eclaircent - ils les Décisions dans le Domaine du Marketing?" Economie Rurale, No. 96, Avril - Juin 1973, p. 61.

- the public sector: politicians and administrations;
- the professional associations and unions of producers and processors;
- the firms which produce, process or distribute agricultural products and which include independent farming units, private companies, marketing boards or co-operative organisations including S.I.C.A.s.

The members of these groups expect that marketing analysis will provide answers to such basic questions as: What to produce? How much to produce? What quality products? When to produce? For which segments of the market? At which price? Through which channels to distribute?

If these questions are to be adequately answered marketing analysis needs to go further than the economic demand and supply analysis which often concentrates only on price and overlooks other constituents of the marketing mix which are assumed to remain at a constant level (12). In contrast, the marketing approach includes other variable elements, such as quality, timing and location for instance.

One major problem faced by decision-makers in agriculture is to match production with consumption both with regard to quantity and quality. Several economists have pointed out the lack of planned adjustment of supply to demand in this sector. Professor G. Johnson for instance underlines that "there is seldom adequate concern about the prospective market for the additional output" (13), whilst P. Uri predicts that in agriculture, as in

(12) Among the other frequent assumptions which have been mentioned as restricting the applicability of economic theory to marketing in practice are: product homogeneity, profit maximization as short term objective. We have already indicated that S.I.C.A.s and new forms of co-operative organisations have among their objectives to provide services to the inhabitants of a rural area; frequently they attempt to pursue social as well as economic goals.

(13) D. Gale Johnson, Professor of Economics University of Chicago, World Agriculture in Disarray, Fontana World Economic Issues, 1973, page 24.

any other sector, it will be necessary to produce what is required at the time when it is required (14).

A marketing model of adjustment of the state of production and the state of consumption, which includes a ten cells matrix (Table III), has been proposed by P. McAnally (15). It presents the advantage of inducing decision-makers to consider areas of difficulties, for example producers and consumers may have different ideas on quality.

Table III -

Factors to be considered	State of production	State of consumption
	SUPPLY	DEMAND
Quality	1	6
Quantity	2	7
Time	3	8
Location	4	9
Price	5	10

Source: (15)

One characteristic of these new forms of co-operative organisations is their marketing orientation. An illustration of how one of them takes into consideration the various factors indicated in the above model when planning its marketing strategy is provided by an horticultural co-operative organisation, La Presqu' ile, which is located in Western Brittany (near Brest) and groups sixty four growers of early strawberries; it markets approximately two hundred metric tons per year of this soft

(14) Pierre Uri, Director of Studies at the Atlantic Institute - Paris, "Volte-face en Agriculture", Revue L'Express, 23/29 Juillet 1973.

(15) Patrick McAnally, "Marketing or Merchandising". Retail and Distribution Management, January 1973, p. 44.

fruit (16). The four factors on which it concentrates its marketing effort area: time and location, price, quality.

- (a) Time and Location: the climatic differences enables earlier export marketing to the U.K., cropping sequence being as follows:-

Table IV - Strawberries Cropping Sequence

	Start of Season	Peak Season	End of Season
France United Kingdom	End of April May	Mid June End of July	Late July September

Source: Nedo - U.K. Farming and the Common Market - Soft Fruit, page 4.

In Brittany strawberry picking starts in late April - early May. At the beginning of the season La Presqu'île charters flights to speed distribution to European Countries including United Kingdom.

- (b) Price: once price starts to fall, due to domestic production becoming available on these export markets, La Presqu'île uses ferries, (such as Roscoff - Plymouth operated by another S.I.C.A.), to lower its transport costs.
- (c) Quality: the group specialises in tunnel grown strawberry varieties, such as Gorella and Red Gauntlet, which are preferred by consumers in most E.E.C. markets.

(16) Denis Chamberlain, "Breton Strawberry Growers Cash in", Farmers Weekly, 8th June 1973.

3. The Philosophy of Development of Co-operative Organisations

This aspect has been recently investigated in France by an interdisciplinary team of agricultural economists and sociologists (17) and a communication entitled "Sociology of Co-operative Organisations" outlining important findings was published in 1974 (18). It describes how surveys were carried out in six different agricultural regions with interviews and reports obtained from 764 farmers and executives in co-operative organisations. According to this Study, the development of these organisations appears to be based on two main factors: economic and social efficiency on one hand, members' participation in management on the other. Schematically, three options for development are chosen by co-operative organisations:

- (A) When economic and social efficiency is more underlined than members' participation in management. This is an option which frequently implies policies to enlarge the size of the organisation, increase membership, and control a larger market share.
- (B) When participation in management is given priority over economic and social efficiency. An example provided by the study is the case of the Co-operative Wine Storage Cellars where economic efficiency is limited to processing and storing produce. It is mostly participation at the community level - the village - which is appreciated in this type of co-operation.
- (C) When economic and social efficiency is allied to participation in management. In this segment, original forms of agricultural co-operative organisations such as S.I.C.A.s are developing at present. They stretch over a wide

(17) The research was conducted in association with the National Confederation of Agricultural Mutual, Co-operative, and Credit Organisations (Confédération Nationale de la Mutualité de la Coopération et du Crédit Agricole).

(18) Anne Madec, Lecturer in Sociology at the Institut National Agronomique de Paris - Grignon, "Sociologie des Organisations Coopératives", Economie Rurale, No. 103, Septembre - Octobre 1974. pp. 41-42.

spectrum, from important S.I.C.A.s run along strict legal rules to small "producers clubs" with no legal statute and frequently constituted within a large Co-operative. A pattern of means by which these S.I.C.A.s or groups attempt to combine economic efficiency and participation emerges: a restricted number of members, presenting some homogeneity with regard to socio-economic characteristics and interests, study together the problems referring to a specific agricultural product. Generally administration is avoided and members themselves are involved in the management of the organisation.

In the next section, examples of S.I.C.A.s will be examined more closely.

4. S.I.C.A. and Marketing Planning: two case studies

The two selected cases refer more particularly to the vegetables and cereals sectors, with export marketing implications. It was thought that the adoption of comparable co-operative organisations, based on these S.I.C.A.s' model, may be beneficial to the United Kingdom economy.

(i) Participating in the Setting up of a Ferry Company with a view to exporting vegetables: S.I.C.A. Kerisnel - Brittany -

Situated in the Western Part of Brittany at Saint Pol de Léon, S.I.C.A. Kerisnel has 4,000 members, within the whole Nord Finistère area which has 6,000 farmers (19). It controls a large percentage of the Nord Finistère supply of cauliflowers (85 per cent), globe artichokes, early potatoes, onions, garlic and carrots; it runs auction markets for merchants and exporters who are linked by agreements. S.I.C.A. Kerisnel has its own canning factory which provides an outlet to absorb the members' surplus of fresh artichokes. This co-operative organisation was created with the following main objectives:-

- minimum selling price during periods of over production;

(19) François Argouarc'h, "The S.I.C.A. of Saint Pol de Léon". A paper presented at the Agricultural Marketing Management Summer Course. Department of Agricultural Economics, University College of Wales, Aberystwyth, July 1973.

- establishment of rules regarding the sorting and grading of produce
- collective research for outlets, co-ordinate action to establish the group in new potential markets;
- stimulate the consumption of the S.I.C.A.'s produce on its present market;
- creation of a "Fund for Expansion" to finance the necessary research and the buying of advertising media (television and radio).

As explained by F. Argouarc'h, Manager of S.I.C.A. - Kerisnel "we do believe in the efficiency of promotion and advertising. We have experienced it particularly during over-production periods and our exports have increased regularly for many years" (20). The advertising budget is determined using the ratio method: 1 per cent of turnover being used for advertising cauliflowers and 2 per cent of turnover for artichokes.

S.I.C.A. Kerisnel has promoted a programme for the development of roads, the improvement of telephone connections in the region and the creation of a deep water harbour in Roscoff. It has participated in the setting up of a ferry company, with a direct sea line Roscoff - Plymouth, to reduce transport costs for vegetable exports to the United Kingdom. S.I.C.A. Kerisnel exports 60 per cent of its cauliflowers.

(ii) Building a harbour silo to export cereals to Benelux, West Germany and Switzerland: S.I.C.A. de Frouard - Lorraine

S.I.C.A. de Frouard in Meurthe et Moselle is an association of several co-operatives (21) and was created with the objective of building a silo, with a 40,000 metric tons capacity, as a distribution centre. The project is spon-

(20) Cf. (19) page 12.

(21) Union Générale des Cooperatives Agricoles Françaises (Groupe Lafayette), Coopérative Agricole Lorraine/Nancy, Coopérative La Providence/Reims, Coopérative Agricher/Bourges, Coopérative Meuse - Ornain/Bar-le-Duc, Coopérative d'Arcis-sur-Aube and Unigrains.

sored by one of its members (the Union Générale des Coopératives Agricoles Françaises). The silo will be built at Nancy - Frouard, on the Moselle river, the location taking into account the accessibility of export markets in Belgium, Luxembourg, Netherlands, West Germany and Switzerland. It was estimated, in 1975, that it will result in a decrease in transport costs equivalent to an average of £1.70 per ton.

5. A Welsh S.I.C.A. for Mid-Wales Agricultural Exports, a case in point

The economy of Mid-Wales is dependant on agriculture and tourism. This area of the Principality has two assets of importance for which there are development possibilities given the right promotional effort; an agricultural product, (sheep and lamb); and a service based on natural resources (tourism). This development is however hampered by the inadequate infrastructure: the absence of an inter-city train, a motorway, and an airline (22). For a large part of its export trade to the E.E.C. Countries, Mid-Wales uses the modernised South Wales ports (Swansea and Cardiff) and also the South of England ports (Bristol and Southampton).

Before enlarging upon the possibility of setting up a co-operative venture in Mid-Wales which would present the characteristics of a S.I.C.A., it is worth summarizing some important features of the sheep meat market in the E.E.C. to underline the potential outlets for this Welsh agricultural product. Three main producing countries contributed to the 470,000 metric tons of sheep meat produced in the Community in 1974: the United Kingdom 50 per cent, France 27 per cent and Ireland 10 per cent. During the 1962-72 decade consumption was stable (800,000 metric tons approximately) but has been steadily decreasing since. A document of the E.E.C. Commission notes that there are two contrasting trends: "on the one hand, a very marked and regular drop in consumption in the United Kingdom, and on the other, a fairly

(22) Discussions on Devolution for Wales have underlined this deficiency. In February 1976, three Welsh Members of Parliament presented a motion in the House of Commons deploring this aspect and suggesting the setting of a small airport in Aberystwyth. It was defeated. See "Airport for Aberystwyth?", Cambrian News, 13th February, 1976.

significant increase in France, and, to a lesser degree, in Germany" (23).

The consumption of sheep meat indeed increased in France by nearly 24 per cent from 1969 to 1973 and this trend is to be juxtaposed to the fact that the consumption of meat per capita is larger in France than in any other E.E.C. Country. (24)

As yet there exists no European common organisation for the sheep meat market. France has its national market organisation which includes protective restrictions. However, import of sheep meat is allowed when the domestic price is above a threshold level and 60,000 metric tons have been imported in 1975. It is anticipated that if no Commission proposal for a transitional common organisation of the European market is accepted, some bilateral access agreement by which the United Kingdom would be allowed an export quota to France will be arrived at. It must also be noted that the import to France of lean sheep for fattening is authorised.

Some further significant aspects of a demand oriented analysis would provide useful criteria for sheep meat market segmentations in France:-

- (A) lamb is a high-price product mostly consumed by the urban, upper-income group (25);

(23) "In the period 1969-73, consumption dropped from 583,000 to 472,000 metric tons in the United Kingdom and rose from 147,000 to 172,000 metric tons in France". Proposal for a Regulation of the Council on the transitional common organisation of the market in sheep meat (presented by the Commission to the Council), COH (75) 446 final, Brussels, 10th September 1975, page 3.

(24) In average figures over the period 1969-73, the annual per capita consumption of meat amounted to 96 Kg in France, whilst the E.E.C. (9) annual per capita consumption was 80 Kg. Bulletin d'Information du Ministere de l'Agriculture, Paris, No. 677, 12 Avril 1975.

(25) "Because of its high price, sheep meat has a luxury image in France and demand is confined mainly to the upper income groups. There is a far greater demand for it in urban than in rural regions. With the continuing increase in income level, consumption of mutton and lamb is expected to increase". Irish Livestock and Meat in the Common Market. Report on France. C.B.F. - The Irish Livestock and Meat Board. Dublin, November 1972. page 31.

- (B) the French distributors' attitude towards United Kingdom sheep meat appears favourable. The University of Strathclyde Survey (26) mentions that the product benefits from a good image and that French wholesalers consider the British suppliers as being dependable;
- (C) with regard to weight, the preferred types of lambs would be:-
- 13-15 kg in the South,
 - 15-18 kg in the Paris region, the West and the East,
 - 14-22 kg in the North.

In general heavier and fatter types are preferred in the North, as in Belgium.

For five years, a venture in agricultural co-operative marketing has developed successfully in Mid and North-Wales. In 1970, ten individual County fat lamb marketing groups set up Welsh Quality Lambs Ltd.. In the beginning, this co-operative marketing company had only 300 members, but in 1974 it had already increased its membership to 3,500. The same year, Welsh Quality Lambs Ltd. marketed 160,000 fat lambs and 20,000 store lambs. Members attempt to produce lambs of uniform quality; at the beginning of 1976, the marketing company launched a label for its products with the Welsh red dragon as its insignia. At present a large number of the lambs are sold in Manchester and London.

For farmers the co-operative marketing company offers several advantages the most important being those of time-saving, since it performs the marketing task on their behalf, and the saving in cost of transport, the lambs being collected on the farm by the organisation. Furthermore, the marketing fees charged compare favourably with the commissions charged in auction markets.

The marketing company has now bought an abattoir for £100,000 at Builth Wells, in Mid-Wales. This abattoir could handle 100,000 sheep a year and it is planned that half would be for export to the Continent, carcasses to be

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- (26) Professor Michael J. Baker and A.J. Brown, The European Meat Market. A Survey of the Market for Scottish Meat Products (Beef, Mutton and Lamb) in France, Germany, Belgium, the Netherlands and Italy. University of Strathclyde, Department of Marketing. April 1975. page 24.

branded with the red dragon quality label (27).

This E.E.C. licenced slaughterhouse project represents a step forward in the organised marketing of Welsh sheep meat. It has raised objections which are based on a marketing environment limited to the domestic market; it has been argued for example that existing slaughterhouses in Wales are already supplying in excess of local consumption.

A demand oriented approach would need to consider the problem of developing a co-operative company - similar to a S.I.C.A. - as set in a new marketing environment which would therefore require a modification of the existing marketing practices. A main objective should be not to share the profit generated by a diminishing domestic market for sheep meat, but rather to seek new opportunities, new markets. Our analysis has indicated that the Continental demand for a product mix including store lambs and sheep meat is increasing and probably provides a favourable outlet for Welsh producers.

The marketing factors which appear decisive are therefore:-

- the proximity of Continental Markets;
- the precise requirements of each category of European consumers, especially those of the selected Continental target segments; with regard to lamb and sheep meat, particular emphasis should be placed on product specifications e.g. breed, weight and leanness, quality, carcass presentation.
- the negotiation of an export quota for Welsh sheep meat with the French Ministry of Agriculture (28).

(27) Farmers Business. News of Agricultural Co-operation in Wales. No. 29. Winter 1976.

(28) It is interesting to note that a new form of co-operative company ("Groupement d'Intérêt Economique") called FRANZIM (France-New Zealand Importation Moutons) has been recently set up by Prosemoc (Promotion Service Moutons-Chèvres) - controlled by the French Sheep Farmers' Organisation (Fédération Nationale Ovine) - and the New Zealand Producers Board. Its aims are to organise and promote the imports of New Zealand frozen lamb to France. See: Bulletin du Ministère de l'Agriculture Paris, No. 719, 20 Mars, 1976 and The Financial Times, 25th March 1976.

Possibilities to market Welsh tourism to Continental holiday makers should also be investigated (29).

Would a new form of co-operative organisation be able to take advantage of these market opportunities, to the benefit of Mid-Wales farmers and population?

There appears to be scope in this region for a co-operative company, similar to a S.I.C.A. as to its aims and functioning. A feasibility study should be undertaken regarding the location and building of a deep water harbour on the Mid-Wales coast and the establishment of a ferry line linking this harbour with a port in Normandy, a region from which Paris and the major cities of Western and Northern France are of easy access. This ferry line would be vital in providing Mid Wales with a direct sea link with export markets; it would also contribute to the promotion of Mid-Wales tourism to potential continental customers.

The setting up of such a new co-operative venture would require the support of several Organisations and Authorities. A list which is by no means exhaustive, but given as example, could include: the Welsh Agricultural Organisation Society, the Farmers Union of Wales, the Wales Tourist Board, the Welsh Agricultural Export Council, Local Chambers of Trade, plus the

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- (29) The consultative report "Tourism in Wales, a Plan for the Future", published by the Wales Tourist Board Research and Strategic Planning Unit in March 1976, points out:
"Although the world economic and energy situation has led to a temporary check on world tourism growth, demand from abroad for holidays in Britain has remained remarkably buoyant. The catastrophic decline in overseas traffic that many observers had feared has simply not occurred. It is true, of course, that the number of arrivals from the United States has fallen; but this has been more than compensated for by an increase in demand from Western European countries, in part as a consequence of favourable rates of exchange". (Chapter 4, Tourism demand from Overseas - Market trends). In its Chapter 8 setting out the Board's detailed proposed policies over the next five years it is subsequently recommended to give priority to the provision and improvement of those facilities that will attract visitors from overseas increase Wales' tourism revenue and provide permanent employment opportunities.

Welsh Office, the New Development Board for Rural Wales and Local Authorities such as the Dyfed, Gwynedd and Powys County Councils. These and others could be invited to co-operate in promoting the development of the Mid-Wales area through the creation of a new form of co-operative marketing company based on the S.I.C.A. model.

ITALIAN AGRICULTURAL CO-OPERATION*

The Italian co-operative movement, founded towards the end of the XIXth century, is exceedingly complex.

Agricultural co-operation is not, as in France, separate from other forms of co-operation. It is united, under national central organisations, with fishery, consumer, productive and building co-operatives. These national central co-operatives are often linked with the main political movements.

The following general view of Italian agricultural co-operatives, which is derived (via an article in 'Co-opération Agricole') from a memorandum prepared by the agricultural attaché of the French Embassy in Italy, shows their importance on the national market.

(a) Confederation of Italian Co-operatives (1)

Christian-democrat, the most important in the absolute number of its members, it includes, in its agriculture and food division:

- the National Federation of Agricultural Co-operatives - Federagricola.
- the Italian Federation of Wine Co-operatives - Federcantine.
- the National Federation of Dairy & Cheese Co-operatives - Federlatte.
- the National Federation of Fruit & Vegetable Co-operatives - Federortofrutta.
- the National Federation of Rural and Workers' Banks.

(b) National League of Co-operatives and Mutuals (2)

Communist, having the largest and strongest co-operatives as members, it includes, in particular, in the agricultural sector:

- the National Association of Agricultural Co-operatives
- the National Centre for the Development of Associative

* Translated from an article in "Co-opération Agricole" of January 1976.

and Co-operative Organisations in Agriculture;

as well as the "Coop" chain of shops for distributing food products.

(c) General Association of Italian Co-operatives

Republican, of minor importance, it includes the National Federation of Agricultural Co-operatives among its membership.

On 31st December, 1974, the total number of member co-operatives was as follows:-

Confederation	12,018	including	4,163	agricultural	co-operatives
League	9,368	"	1,683	"	"
Association	2,258	"	412	"	"
Unaffiliated	51,636	"	6,727	"	"
	<hr/>		<hr/>		
Total	75,280		12,985		
	<hr/>		<hr/>		

This "picture" of the co-operative sector is very theoretical, since it would appear that two thirds of the primary co-operatives have no economic significance.

An estimate of the share of the national market controlled by the above three groups, taken together, is as follows:-

- Wine, 36% (of current consumption and also of certified origin), increasing rapidly in the newly planted areas where growers are not individually equipped. Co-operatives already exceed this average in Sardinia (60%), Trentino, Venezia, Emilia, Romagna, Sicily and Apulia (38%). Where the individual farmer is not equipped for wine making.
- Milk, 52% treated or manufactured. The proportion is highest in cheese, the traditional use for milk in Italy, where there is almost no conversion to milk powder. Co-operatives account for 62% of the national production of cheese (460,000 tons) and 62% of the

national production of butter (70,000 tons), usually a by-product of the cheese factory, 30% of the pasteurised milk (co-operatives coming after the municipal centres, which are strongest in this sector and produce 7 out of 12 million hectolitres, private industry having only a small share), and 15% of the long-life milk (where co-operatives come last, after private industry which produces 7 out of 12 million hectolitres and after the municipal centres).

- Fruit & vegetables 30%. Co-operation is strongest in the north and for stored fruits, where it controls half or more of the production. But it is specially important in Sicily, for 30% of the citrus crop. It is strong in the expanding crops, such as peppers, artichokes, but negligible for table grapes.
- Olive oil 4%.

In addition to these major groups, whose central activities are essentially political and social, one must also mention for their economic achievements:-

- the National Federation of Agricultural Co-operatives
- the Italian Federation of Rural and Workers' Banks, (credit co-operatives already mentioned)
- the Italian Federation of Agricultural Consortia

(d) National Federation of Agricultural Co-operation F.N.C.A.³

A form of compulsory co-operative was created by the public authorities, following the agrarian reform, in order to ensure the future of the 600,000 hectares involved. The intention was to provide for the business activities in buying and selling of the new farmers, and also to give them technical and financial assistance.

The Federation, which was set up in 1957, with no official representative role (it consists of less than 1,000 co-operatives), brings together all the co-operatives and unions promoted by the Reform Offices, now known as Development Offices.

Its task covers both the provision of goods and services and the marketing of agricultural products. It is composed of 625 service co-operatives, 152 specialist co-operatives

³ See Page 124

for the processing and storage of produce, 28 second and third tier bodies and 203 livestock co-operatives.

The creation in 1973 of an "Italian Commercial Union of Agricultural Co-operatives" for supply and sale of products is evidence of the mature development they have attained.

(e) Italian Federation of Agrarian Consortia - Federconsorzi (4)

The Federconsorzi is a co-operative association with limited liability, supported by 87 regional and provincial agrarian consortia, 6 port installations and 20 overseas offices, providing a range of service and having a political and economic presence over the whole of the country.

During its 80 years of existence, but particularly since its reconstitution in 1948, it has become an 'economic tool' in the service of Signor Bonomi, president of Coldiretti (Italian farmers' unions) and, through him, of Christian democratic policy.

The model rule provided by the Law of 1948 gives the agrarian consortium a very wide field of action in the rural environment. According to this, its aims are "to contribute to the development and improvement of agricultural production and to measures of a cultural nature undertaken in the interests of farmers". It may:-

- (a) produce, acquire and sell fertilisers, pest-control preparations, seeds, implements, products, machinery, livestock and, in general, everything of use to farmers and to agriculture.
- (b) carry out, encourage and facilitate the harvesting, transport, treatment and processing of products of the soil and of all industries ancillary to agriculture, acting either as agent or a contractor.
- (c) undertake operations of voluntary storage and of collective utilisation, processing and marketing of agricultural products.
- (d) loan agricultural machinery and implements to farmers; this operation may be carried out with non-members by means of a guarantee to buyers and producers and by making credit available to the former.

- (e) effect, either directly or as an agent, loans to farmers including crop advances, in order to facilitate the voluntary storage of agricultural products, their use, processing and collective sale.
- (f) collaborate in study and research and in the setting up of experimental stations and farms for the benefit of agriculture and, in general, in all measures to improve production and the professional ability of farmers.
- (g) take part in establishments or associations whose stated aims are related to the interests and operation of the consortium itself.
- (h) carry out on behalf of and for the benefit of the State the operations necessary to receive, hold and distribute goods or products of all kinds, but to conduct such operations on the basis that they are separately accounted for.

It is further provided that, at the level of the Federation "subject to the approval of the Supervisory Council, there may be undertaken any industrial, commercial or financial operations which are intended, directly or indirectly, to contribute to realising the essential aim resulting from paragraph (a) on page 122.

In this connection, the Federation is linked financially (in joint enterprise) with 300 associations operating in all the sectors of agricultural supply and marketing.

A more precise idea of the economic role played by the Federconsorzi can be obtained from the following estimate (for the year 1970) of the share of the market under its control:

	%		%
- Agricultural credit		- Selected seeds	
working capital	28	cereals (wheat, maize etc)	83
development	38	grass, fibre and oil	72
- Machinery, oils & fuels		fruit and vegetables	20
tractors (Fiat) & power		potato	31
units	52	- Agricultural production	
- Other agricultural		wheat	16
machinery	20	maize	15
- Oils and fuels	51	ware potatoes	32
- Fertilisers & Manure	56	silk cocoons	99
- Pesticides	33	cotton	98
- Chemical defoliant	50	flax	20
		fruit and vegetables	5
		olive oil	2
		wine	4

- (1) Confederazione Cooperative Italiane,
00193 Roma, Borgo Santo Spirito 78.
- (2) Laga Nazionale delle Cooperative & Mutue,
00161, Roma, Via Guettani 9.
- (3) Federazione Nazionale della Cooperazione Agricola,
00184 Roma, Via Nazionale 196.
- (4) Federazione Italiana dei Consorzi Agrari,
00185 Roma, via Curtatone 3.

CO-OPERATIVE LAW AND CO-OPERATIVE DEVELOPMENT IN GHANA

by

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Introduction

For someone who wishes to study dynamics of interrelations between agricultural co-operatives and the Government, the development of the co-operative movement in Ghana offers a very interesting case study.

Ghana was the first country in Africa South of the Sahara where a co-operative law was introduced for the use of African farmers. The Co-operative Societies Ordinance (No. 4 of 1931) of the Gold Coast is the oldest co-operative law in Africa that is based on the Indian experience. This law was amended twice in 1937 and in 1968, but, except for some changes which will be discussed later, it is basically the same co-operative legislation that is used in Ghana today.

When looking at the development of the co-operative movement in Ghana, there are five relatively clear cut phases, each phase being a case of its own as far as the interrelations between co-operatives and government are concerned, showing very clearly how the political environment and government attitude towards co-operatives influence co-operative development much more than changes in co-operative legislation which, according to the Ghana experience, appear to have little or no effect.

In Ghana amendments of co-operative law did not coincide with changes in Government. The independent Ghana under Nkrumah applied the Co-operative Societies Ordinance (No. 15 of 1937) introduced by the Colonial Government, while the National Liberation Council promulgated a "new" Co-operative Societies Decree (N.L.C.D. 252) in 1968 which is an amended version of the 1937 Ordinance and which follows very closely a Draft Co-operative Societies Bill proposed by the Cabinet Committee on the Reorganisation of the Co-operative Movement in Ghana, which was appointed by the Nkrumah Government in 1964.

In Ghana as in most English-speaking countries of Africa and Asia the "British Indian Pattern of Co-operation" was used as the starting point for development of co-operative societies with more or less active government participation, and the Indian co-operative legislation served as a model for the co-operatives laws. The basic concept underlying the British-Indian Pattern of Co-operation can be summarized as follows:-

- It is the intention of Government to create a self-reliant co-operative movement in the long run.
- For a transition period a government agency (Co-operative Department) is set up to offer advice, guidance, technical know-how, and financial assistance to co-operative societies and to administer the co-operative law.
- The main object of this government agency is to promote co-operative apex organisations in order to enable them to take over co-operative propaganda, education, training, inspection, and audit from the government agency as soon as possible.
- It is the declared policy of the government agency in charge of co-operative development to hand over these functions gradually to co-operative apex bodies, as soon as they are able to exercise them properly.
- In the work of the government agency main emphasis is placed on education and guidance of co-operators rather than on administration and supervision of co-operatives. Therefore, staff is needed in this Department which has to be specially trained for this particular work.
- The ultimate goal of government involvement is to free the Department of its promotional and educational duties, so that the government agency will retain only skeleton functions: registration, control of proper conduct of inspection and audit (super-audit), enquiries, settlement of disputes and cancellation of registration.

In order to implement this concept of state-sponsored co-operation a special legal framework is required. Unlike Western industrialized countries, it is not sufficient to promulgate a Co-operative Societies Act and to ensure that all co-operatives operate in accordance with this law. Where government decides

to take an active part in co-operative development it is indispensable to state the government policy for co-operative development so that both the government staff involved and the co-operators know their position and what they are expected to accomplish. Therefore, an adequate legal framework for state-sponsored co-operatives has to include several official documents which define the relationship between government and co-operatives and the objectives of their collaboration:-

- a written statement of government policy for co-operative development,
- a Co-operative Societies Act regulating the organisational structure of co-operative societies and defining the scope of governmental measures to sponsor co-operative development,
- a preamble to the Co-operative Societies Act, defining the principles of co-operation which are accepted as valid on which the co-operative legislation and all co-operative work is based,
- Regulations which determine under what conditions government assistance is granted to co-operatives as well as the kind, scope and duration of such promotional measures,
- a statement of the duties, powers and organisational structure of the government machinery for co-operative development, and
- a scheme of service for all persons involved in programmes of government sponsorship of co-operative development, drafted in such a way as to attract and to maintain in service a sufficient number of persons qualified for this special work.

All these statements and provisions have to be framed in accordance with one underlying concept. They constitute the necessary elements which - as a whole - form adequate co-operative legislation for state sponsored co-operation. * The Ghana experience shows that a positive attitude of government towards co-ope-

* Co-operative Law as an instrument of State Sponsorship of Co-operative Societies - Hans-H. Munkner.

tives and especially adequate organisation, staffing and financing of the government agency established to promote co-operative development is more important for the success of state-sponsorship of co-operative societies than a more or less perfect Co-operative Societies Act. In the following, the five phases of co-operative development in Ghana will be reviewed under this aspect. There will be no comprehensive reporting, instead, an overall survey will be given, and only such matters will be discussed in some detail which illustrate the nature of relations between Government and Co-operatives.

Co-operative Development in Ghana

First Phase (1928-1944)

The first Co-operative Societies were introduced in Gold Coast in 1928/29 on the initiative of the Director of Agriculture with the approval of the Colonial Government. The aim of this effort was to improve the quality of cocoa by teaching the farmers how to apply better methods of production and to organize the marketing of the crop.

Inspectors of the Department of Agriculture were given short courses on co-operation and started to propagate the formation of co-operative societies. Financial assistance, equipment and assistance in administration and management of the societies was provided by the Department of Agriculture. When in 1931 the first Co-operative Societies Ordinance was promulgated, there were already some 200 Cocoa Marketing Co-operatives, mainly run by the staff of the Department of Agriculture. The Director of Agriculture took over the post of Registrar of Co-operative Societies in addition to his normal duties, and two years after the new law went into effect, the first co-operative societies were registered.

Joint marketing associations were established by several primary societies, whenever the Co-operative Law of 1931 did not allow the formation of secondary societies. Again, staff of the Department took over most of the functions of the Joint Marketing Committees. In 1937 a new Co-operative Societies Ordinance was enacted which, among others, allowed the registration of secondary societies and increased the powers of the Registrar. Following recommendations of the Nowell Commission (1938) a special Department of Co-operatives was established in 1944. The Director of Agriculture handed over his functions to a full-time Registrar of Co-operative Societies.

In retrospect this first phase of co-operative development in Ghana was strongly criticized in the Report from a Special Committee to the Fabian Colonial Bureau in 1945.

It was considered a mistake:-

- to charge the Department of Agriculture with the promotion of co-operatives instead of creating a special Co-operative Department.
- to try to propagate the formation of co-operative societies without having trained staff for guidance and advice.
- to allow co-operatives to operate and to provide financial assistance to them without insisting on member contribution and self-help action.
- to allow co-operative societies being run by officers of the Department of Agriculture instead of allowing and requiring the elected committees to do the work.

The Department of Agriculture was blamed for having over-emphasized the aspect of quick economic results and for having neglected the long-term objective of creating self-reliant co-operatives by means of members education and staff training. However, it is unjust to put all the blame on the Department of Agriculture. There was no distinct co-operative development policy pursued by the Colonial Government at that time and the objective of the Department of Agriculture was to induce farmers to produce cocoa of a better quality rather than to develop a co-operative movement. The legal framework for this first attempt to promote co-operative development in Ghana by means of active government participation was incomplete.

The Co-operative Societies Ordinance was an enabling Act similar to the Indian Co-operative Credit Societies Act of 1904, which had been drafted under the assumption that a highly qualified Registrar and well trained staff would be available to administer and interpret the law and to fulfil a number of non-statutory functions mainly in the fields of education, advice to members and office bearers, and preparation of new societies before registration, which were not mentioned in the Ordinance at all.

In Gold Coast there was no full-time Registrar. The staff employed to work under the Director of Agriculture in his

capacity as Registrar were inspectors of the Department of Agriculture and some officers from other Departments who, after a two weeks orientation course, began their work.

Second Phase (1944-1960)

When the new full-time Registrar of Co-operative Societies took over and started to build up the Co-operative Department, he issued a policy statement, setting up guidelines for his staff, which he summarized as follows:-

- In existing cocoa marketing societies to make members manage their own societies instead of doing the work for them, thus teaching self-help and better business.
- To reorganise marketing societies as economic units.
- To try to infuse in the farmers a more co-operative spirit.
- To train secretaries and organise the accounts on a double-entry system.
- To complete the structure by creating a co-operative federation which would control the secondary bodies or unions.
- To eliminate old staff, who were not educationally qualified to become efficient co-operative inspectors, and to recruit new staff, all of matriculation standard, and train them in all forms of co-operation.
- To carry on the existing marketing of cocoa for main crop 1944-45 except that members must handle all the money themselves, whereas previously the Government staff had transported cash and paid out to members.
- When trained staff is available, to investigate the possibility of introducing other forms of co-operation.

To implement this policy the Gold Coast Co-operative Federation was established and registered in December 1944 to take over some functions in the field of education and training of members and staff of co-operative societies. However, the new apex organisation began very soon to concentrate on marketing of cocoa and later became the Ghana Co-operative Marketing Association (G.C.M.A.) leaving the educational work to be done by the

Department. In 1946 the Gold Coast Co-operative Bank was formed to organise the financial side of cocoa marketing through co-operative channels, and the Gold Coast Co-operative Federation was recognized as a Licensed Buying Agent (A shipper) of the West African Produce Control Board.

Thus, the preconditions for a long-term successful development of the co-operative movement in the Gold Coast were created. In the meantime the Co-operative Department took two years to study and to consolidate existing co-operative societies and to train its own staff before starting a propaganda campaign to form new societies. The following details may be quoted as evidence that the new Co-operative Department did not only administer the Co-operative law but also exercised all the non-statutory functions which - according to the basic concept of state-sponsored co-operation - are essential for successful work.

In order to stimulate the spirit of self-help among the farmers, the co-operatives were asked to decide themselves on the maximum amount of loans to be contracted by each society. Furthermore, the co-operatives were required to make regular payments to the reserve fund, a duty of which societies were exempted under the Department of Agriculture. When in 1955/56 the amount of outstanding loans increased, the co-operative apex organisations set up a committee to investigate the causes of indebtedness and reasons of defaults in the repayment of loans, and to recommend remedies. As a result of the Committee's findings the Ghana Co-operative Bank adopted a new short-term loan policy: every society was classified as A, B or C according to its previous loan performance. Under "A" were placed societies with no individual arrears. Such societies' application for loans received favourable consideration. "B" societies were those with individual overdues of up to £100 in the aggregate. Loan applications from these societies were drastically cut down. "C" societies were not considered worthy of any loan; they were societies with individual overdues totalling over £100. Societies were also classified on the basis of competence of their secretaries and committees with a view to stimulating local initiative and in order to reduce reliance on the Department's staff. The plan was to let the best societies do with fewer official inspections and to encourage them to take important decisions without prior reference to government staff.

The Gold Coast Co-operative Marketing Association was given a £1.1 Mill, government guaranteed overdraft to finance its operations and - in 1948 - became the third largest Licensed

Buying Agent of the Cocoa Marketing Board. The Cocoa Marketing Co-operatives were now able to compete successfully with private firms, and in 1954 the Ghana Co-operative Marketing Association had become the largest Licensed Buying Agent of the Cocoa Marketing Board.

An attempt to build up a consumers' co-operative organisation was made in 1947/48 by setting up a Co-operative Wholesale Establishment. However, for several reasons this venture proved to be a failure and in 1953 the Wholesale Establishment and some of the primary consumers' societies has to be liquidated.

In 1951 the Alliance of Ghana Co-operatives was created (under the firm name of Gold Coast Co-operative Federation) with the intention to transfer to it some of the functions of the Co-operative Department. To start with, the Alliance was given responsibility for some of the educational work. In 1953 the Alliance of Ghana Co-operatives became a member of the International Co-operative Alliance.

In 1958/59 strong political pressure began to be exercised on the "old" co-operative movement and on the Co-operative Department.

The Ghana Farmers' Marketing Association, a branch organisation of the United Ghana Farmers' Council (U.G.F.C.), competing with co-operative societies in the field of cocoa marketing, was registered as a co-operative society under the name "Ghana Farmers' Marketing Co-operatives" with 330 branch-offices, 20 district-grouping and some 20,000 farmer-members. It was planned by the UGFC to have all the branch-offices registered as primary societies or unions, but when the Co-operative Department started to conduct economic surveys of the proposed societies, most of the branch-offices did not meet the minimum standard required for registration, especially because there were no trained secretaries, and up to 1960 only 13 of these branch-offices were registered as primary societies.

In 1959 the Ministry of Labour began to re-organize the Co-operative movement in Ghana and to transform the co-operatives built up under colonial rule into organisations which would fit into the pattern of Ghana as an independent socialist state. In December 1959 a National Co-operative Council was registered as the national apex body of all co-operative societies in Ghana and within one year seven more apex organisations were also registered.

At the Annual Co-operative Congress in 1960 it was suggested by the Minister in charge of co-operatives that all co-operative apex organisations in Ghana should join the National Co-operative Council. However, the three "old" co-operative apex organisations (the Ghana Co-operative Bank, the Ghana Co-operative Marketing Association and the Ghana Co-operative Alliance) refused to join a body in which strongly politically influenced organisations held the majority. Finally, the Alliance of Ghana Co-operatives applied for Membership of the National Co-operative Council on condition:-

- that the genuine character of the "old" co-operative movement and its societies was maintained.
- that the co-operative principles, especially that of democratic control were observed by all co-operative societies.
- that the ownership rights in the "old" co-operatives (share capital, reserve funds, and other assets) were respected.
- that there would be no political influence in co-operative business.
- that tendencies to split up regional unions would not be encouraged and arbitration awards of the Registrar would not be contested.
- that the National Co-operative Council would remain a *forum for discussion and an impartial adviser* for the "old" and the "new" co-operative movement without making attempts to merge the two movements into one.

There was no answer to this letter. Instead, in August 1960, the Minister ordered an enquiry to be conducted into the constitution, working and financial conditions of the Alliance and its registration was cancelled. In November 1960 the Ghana Co-operative Bank was also struck off the Register and liquidated and finally the Co-operative Department was dissolved and its staff was transferred to the Auditor General, to form a Co-operative Division.

Summarizing this period of co-operative development in Ghana it can be stated that the Co-operative Department has succeeded in building up a genuine co-operative movement based on self-help, self-responsibility and active member support and with consider-

able success in the economic sphere (marketing of 24% of the total cocoa crop). From the very beginning of this phase there was strong emphasis on education and training both of government and movement staff, using the co-operative colleges of Ibadan (Nigeria) and Loughborough (U.K.).

The early formation of apex organisations for Marketing, Banking and Education enabled the co-operative movement to assume real functions and to exercise them in their own responsibility. Registration of new societies was handled with great care and registration was granted only after solid preparation of the proposed society. During the 30 years of co-operative work only some 500 societies were registered.

Last but not least, secretaries and committees of co-operative societies were always encouraged by the staff of the Co-operative Department to run their societies on their own without government assistance.

Besides the economic success, the long-term educational efforts had brought about a highly qualified and competent staff described by Youngjohns * in his report as among the best to be found in Africa.

Third Phase (1960-1966)

In order to implement the new government policy which was to replace the old colonial structures by modern institutions of an independent socialist state several attempts were made to reorganise the co-operative movement. After the dissolution of the Co-operative Department and the transfer of its staff to the Auditor General, the Executive Secretary of the National Co-operative Council took over the functions of the Registrar with the exception of the audit function.

Accordingly, the National Co-operative Council assumed responsibility for registration of co-operative societies, advisory services, inspection, and arbitration. However, the National Co-operative Council did not have enough qualified personnel to exercise all these functions. In early 1962 the United Ghana Farmers' Council Co-operatives (UGFCC) withdrew from the National Co-operative Council. In April 1962 government ordered the dissolution of the National Co-operative Council and brought

* The Co-operative Movement in Ghana by B.J. Youngjohns, 1968.

the functions of the Registrar of Co-operative Societies back under ministerial control (Ministry of Labour and Social Welfare). A Civil Servant was appointed to the post of Registrar who had already served in this capacity before 1960. To replace the National Co-operative Council a Central Co-operative Council (CCC) was established which, however, only represented the non-agricultural co-operatives, while the agricultural co-operatives operated under the UGFCC.

The CCC did not receive the necessary financial assistance from government and, after some time, was practically without funds and unable to operate. The contributions made by the affiliated organisations were insufficient to finance any major activities. The Registrar being without staff had to rely on the collaboration of the CCC where he found little assistance. Between December 1962 and May 1964 the post of Registrar was vacant.

On the agricultural side the "Cocoa Division" of the UGFCC, registered as "Ghana Farmers' Marketing Co-operatives", had taken over the function and the assets of the Ghana Co-operative Marketing Association and was made the only Licensed Buying Agent of the Cocoa Marketing Board.

In 1962 the UGFCC embarked on the implementation of the Government policy of diversification in agriculture and started to organise coffee, rubber, copra and palm kernel marketing co-operatives. Between 1961 and 1963 about 1,500 local branch-offices of the UGFCC were registered as primary co-operatives. These UGFCC "Co-operatives" differed from the "old" Co-operative Produce Marketing Societies in so far as they remained cells of a political organisation even after registration. The committee members of these "Co-operatives" were elected by the local members of the UGFCC. The ordinary farmers were not asked to contribute share capital or to make savings deposits. On the other hand there was no distribution of surplus among the farmer-members but rather among the office-bearers (treasurer, chief farmer, secretary, other committee men). Most of the UGFCC "Co-operatives" had no trained secretaries who could keep books.

After four years of relatively unsuccessful operation of this new co-operative set up, which, according to the plans of government, was supposed to play an important role in the countries' economy, a Cabinet Committee on the Re-organisation of the Co-operative Movement in Ghana was appointed in 1964 and submitted a report with the following suggestions:-

- Government should adopt a more positive co-operative policy to ensure a re-organised and revitalised co-operative movement.
- The Co-operative Societies Ordinance No. 15 of 1937 should be revised on the lines of a Draft Bill attached as Appendix C to the report.
- The Registrar of Co-operative Societies should change his title to Commissioner for Co-operative Development and should be armed with sufficient powers under the new Act.
- A Department for Co-operative Development should be established as a pre-requisite for the development of a sound co-operative movement.
- The staff of the Co-operative Division of the Auditor General's Department should be reposted to the new Department for Co-operative Development.
- The Commissioner for Co-operative Development should as a matter of urgency initiate a programme to review all existing societies.
- Organisations and groups not registered should not be permitted to designate themselves as "Co-operatives".
- The UGFCC should be re-organised and consideration should be given to the formation of true co-operative societies at the village level.
- The Kwame Nkrumah Co-operative College should be re-organised and strengthened and should come under the responsibility of the Department for Co-operative Development.
- A New Co-operative Bank should be established and the assets (LG 50,000) of the liquidated Ghana Co-operative Bank should be transferred to this new institution.
- The Central Co-operative Council should be liquidated and a National Co-operative Congress should be formed as the single national body embracing the two organisations (UGFCC and CCC) into which the movement is divided.

As a result of the report of the Cabinet Committee a Co-operative Department was re-established and a Registrar was appointed. In 1965 a special Ministry of Co-operatives was set up and some of the staff of the old Co-operative Department returned to the new Department from the Auditor General but, the UGFCC maintained its responsibility for the agricultural co-operatives, thus, leaving the Ministry of Co-operative Societies without influence on the most important section of the co-operative movement.

The Central Co-operative Council was dissolved in February 1965 and the Minister of Co-operatives propagated the idea of forming a new Central Co-operative Council of which the UGFCC should also be a member and which should replace all the national apex organisations, which would then exist as sub-councils of the CCC.

When analyzing this third phase of co-operative development in Ghana it becomes obvious:-

- that in a developing country an adequate legal framework is essential for successful co-operative development, provided, however, that it is applied.
- that this legal framework necessarily is more than just a Co-operative Societies Act and must at least include regulations for the government machinery needed to implement the government policy, and
- that all components of the co-operative law in this broader sense have to be compatible with one another.

When the first re-organisation move was made by destroying the apex organisations of the old co-operative movement, this indicated a radical change in government policy: a departure from the old concept of state-sponsored co-operation in exchange for a somewhat vague idea of co-operatives as modern institutions of an independent socialist state. According to plans co-operatives were needed to bring about important economic results. In practice, however, they were used very often as political instruments.

The Co-operative Societies Ordinance of 1937 which remained in force throughout the time of the Nkrumah Government had been purposely formulated in a way to secure a maximum of flexibility to the government agency in charge of co-operative development, e.g. by enabling the Minister to exempt societies from requirements as to registration (Sec 11) or registered societies from

any of the provisions of the Ordinance (Sec. 62). When the government policy was changed and the government agency indispensable to administer the Co-operative Societies Ordinance in a purposeful way was abolished, the same Co-operative Law that was instrumental to bring a highly successful co-operative movement into being, was used to destroy this very movement.

The two years' term of office of a political Registrar under the National Co-operative Council gives a good example of the dangers of an incomplete legislation based on the unwritten assumption that responsible and well trained personnel will be available to interpret and apply the Law in the right way. Non-statutory functions of the Registrar such as the duty to conduct economic surveys and to insist on a minimum standard of social and economic viability as a requirement before registration, were not fulfilled by the political Registrar. The result was that some 1,500 organisations were registered as co-operatives within two years, whereas only 500 co-operatives had been registered under the Co-operative Department within a period of 30 years.

Artificial formation of Co-operative societies by decree led to a rapid expansion of the co-operative movement on paper. e.g., Sec. 3 (1) Part II of the Manufacture and Sale of Spirits Regulations of 1962 provided that "every applicant for the issue of a distiller's license should be a member of a registered Distillers Co-operative". The Cabinet Committee on the Re-organisation of the Ghana Co-operative Movement refers to decisions of government to turn private companies (Fishing Companies, Timber Companies) into co-operative societies. Some of the so-called co-operative apex organisations registered in a hurry in 1959/60 were liquidated or merged with other organisations during the following years.

In the agricultural field the take-over of the co-operative societies by the UGFCC had led to the destruction of the genuine co-operative structure at village level. Confiscation of assets of the old co-operative movement, discriminatory practices by UGFCC officers, and non-payment of patronage refund by the UGFCC "Co-operatives" made many farmers lose confidence in co-operative action, a problem which is still existing in Ghana even to day.

Fourth Phase (1966-1972)

When the National Liberation Council (NLC) took over the Ghana Government in 1966 the CCC and the UGFCC were dissolved and two

of the old co-operative apex organisations (the Alliance of Ghana Co-operatives and the Ghana Co-operative Marketing Association) were re-established and received back part of their property. The officers of the Co-operative Department and the leaders of the old co-operative movement tried to restore the situation existing in the 1950's and to continue where they had left off.

In 1966 a Committee of Enquiry on the Local Purchasing of Cocoa was appointed to investigate the effects of the monopoly in the purchasing of cocoa granted to the UGFCC and, among others, to consider what part of the Cocoa Marketing Board, the co-operative organisations and other entities could play in the purchasing of cocoa. In 1968 another Commission was set up to conduct an "Enquiry into the circumstances leading to the take-over by the erstwhile United Ghana Farmers' Council Co-operatives of the Business and Assets of the Former Co-operative Societies" (Moore Commission). Both commissions presented their reports.

The NLC and the Busia Government expressed their interest to restore the old co-operative movement but there was no serious discussion as to whether a return to the 1950's situation was even desirable or possible. There also was no official clear statement of government policy for co-operative development which could have served as a guideline for both the Co-operative Department and the co-operative organisations. Indeed, the attitude of government towards co-operative development was indifferent.

The Co-operative Department was not properly re-established. Part of the staff of the old Co-operative Department still remained in the Auditor General's Department. New staff was recruited but not in sufficient numbers. In 1968, the approved establishment provided for 120 officers, but some of the funds to employ these officers were not released so that there were 75 officers in post and 53 vacancies. On the other hand, the tasks to be accomplished by the Co-operative Department had increased considerably. In 1967 there were 2,137 co-operative societies registered, and in addition some 1,000 unregistered societies were operating in the country.

Under these circumstances the situation could have been improved by either expanding the staff of the Department or reducing its functions, but there was no move in either direction. As a result it had become virtually impossible for the Co-operative Department to fulfil all its statutory functions, not to speak of the non-statutory functions of education, training, guidance and advice.

Another example of the indifferent attitude of government towards co-operative development was the 42.5% income tax charged on distributed surplus of registered co-operative societies. This tax had been introduced during the time of the UGFCC and apart from being unjustified from the theoretical point of view, it had the bad effect of encouraging unregistered societies to continue operations without registration and thereby to avoid payment of this tax which was abolished only in 1970.

The relationship between the co-operative apex organisations and the Co-operative Department was not as clearly defined as it used to be before 1960. There were (and are) some permanent contacts, e.g. between the auditors of the Co-operative Department and the audit staff of the Ghana Co-operative Marketing Association, who work in teams to audit the accounts of nearly 2,500 primary societies and unions. However, there is friction between the two groups who have different terms of service, different salary scales and different lines of control, when they are doing the same kind of work. There were also questions on which the Co-operative Department and the Alliance of Ghana Co-operatives were of basically different opinion, e.g. the issue of selecting an appropriate site for a new Co-operative College and which organisation should be in charge of this college.

In 1968 a new Co-operative Societies Decree and Regulations were enacted to replace the Co-operative Societies Ordinance of 1937. This Decree (N.L.C.D. 252) is a slightly modified version of the Draft Co-operative Societies Bill attached to the Report of the Cabinet Committee appointed under the Nkrumah Government. Compared to the Co-operative Societies Ordinance of 1937 there are some improvements which, in most cases, correspond to similar changes in co-operative laws of other countries of Africa and Asia.

The most important of these amendments are the following:-

- Sec. 14 of the Decree provides for amalgamation of societies, a matter not dealt with under the old Ordinance.
- Sec. 18 of the Decree states that co-operatives may receive financial assistance from government with details to be specified in Regulations made under the Decree, yet, such Regulations were not made.

There are 7 Sections in the Decree in which the Registrar is given additional statutory powers to interfere with the self-government of registered societies. This, however, does not constitute a basic change of the situation as it was before, because of the powers conferred on the Registrar under the Decree where occasionally exercised under the 1937 Ordinance as non-statutory functions e.g.:-

- Sec. 53 of the Decree empowers the Registrar to dissolve an elected committee of a registered society and to appoint a care-taker for a period not exceeding 3 years.
- Sec. 28 of the Decree provides that there shall be no distribution of net surplus in co-operative societies without the prior approval of the Registrar.
- Sec. 46(3)(c) of the Decree empowers the Registrar and his staff, in the exercise of his function of control to
 - i. countersign before payment all cheques issued by any co-operative society;
 - ii. disallow any item of expenditure which is contrary to law or which in his opinion, is unjustifiable.

Finally, two provisions of the 1937 Ordinance were deleted which before had empowered the Minister to exempt new societies from requirements as to registration and to exempt registered societies from any provision of the Ordinance. Thus the "new" Co-operative Legislation brought no major changes neither for the work of the Co-operative Department nor for the relations between the Co-operative Department and the Co-operative Movement. Some basic problems such as the undefined legal status of proposed and unregistered societies or the lack of a clear definition of duties and responsibilities of committee members and secretaries of co-operative societies were not tackled. The dissolution of the Alliance of Ghana Co-operatives in 1972 which was considered to be insolvent and incompetent, marked the end of this fourth phase of co-operative development in Ghana.

Before coming to the present situation it is necessary to add here a few words on the development of the Credit Union Movement in Ghana which appears to be of particular interest in the context of this paper. The first Credit Unions were established in 1955/57 in Northern Ghana with the assistance of the churches.

The Credit Union Movement, which was given help by sponsoring organisations in Canada, the Netherlands and Germany, developed its own regional and national institutions, organised education and training programmes and employed units own field organisers, who did very much the same kind of work the field staff of the Co-operative Department was supposed to do. It is interesting to see that the emphasis on educational measures, the organisation of effective advisory services and rigid quality standards before the formation of new societies has brought about similar positive results as did the work of the Co-operative Department in the 1950's when building up co-operative produce marketing societies.

Summing up the fourth phases of co-operative development in Ghana it can be stated that the efforts to turn back the clock and to restore the situation as it was during the 50's have failed for the following reasons:-

- An indifferent attitude of Government and lack of a definite government policy for co-operative development (e.g. no real action on the Moore Commission Report),
- an understaffed Co-operative Department, a not very attractive scheme of service and low salary scales for the type of highly qualified personnel that is required to fulfil the specific tasks of co-operative educator, adviser, auditor, planner and research worker,
- a much too large number of societies many of them operating without being registered or registered but defunct or being uneconomically small.
- Membership in primary societies who are reluctant to make share contributions and to trust their own organisations as long as the issue of confiscated co-operative property during the times of the UGFCC is not finally settled.
- a more than 10 years' period without systematic and regular work in the fields of co-operative education and training.

All these factors made and still make it extremely difficult to find a new start into building up a strong, efficient and economically sound co-operative movement in Ghana.

Fifth Phase (1972 up till now)

Under the National Redemption Council the importance of self-reliance is strongly stressed and accordingly, support of the co-operative movement has been expressed on several occasions. In August 1973 the Commissioner of Labour, Social Welfare and Co-operatives in his address to the Sixth Annual General Conference of the Ghana Co-operative Credit Union Association (CUA) pointed out that the new government attaches great importance to the development and running of efficient co-operative institutions in the country.

"It is the policy of my Ministry to encourage the FREE development of the co-operative movement. In this connection my Ministry is prepared to create both the legal and material conditions favourable to the growth of the movement".

Under the National Redemption Council the Alliance of Ghana Co-operatives was dissolved and replaced by the Ghana Co-operative Council (GCC) which has been established to be the mouth-piece of the entire Co-operative Movement in Ghana and which is supposed to play an important role in co-operative education. The government grant to the GCC has been increased from 20,000 to 100,000 ₵ and the establishment of the new Co-operative College at Kumasi is supported by government.

The Secretary General of the GCC (the former Minister of Co-operatives under the Nkrumah Government) has put forward some of his plans for the future work of the GCC at its first Congress held at Kumasi in September 1973. The GCC has started its work by setting up several advisory committees, by appointing Co-operative Development Officers for each Region and Research Officers. It is planned and has been approved by the delegates of the First Annual Conference of the GCC to decentralise the Council by setting up District and Regional Co-operative Councils to co-ordinate co-operative activities in the country and to create unity among the members. The District Councils will be composed of the chairmen of the various co-operative societies in each District and the chairmen of the District Councils will form the Regional Councils.

The new College, which at present is located in temporary premises and has a staff of 4 and an intake of 30 students per course will have an intake of 120 students per session when it is provided with new buildings.

As far as the Co-operative Press is concerned the GCC plans to publish a Co-operative Newsletter, a magazine "the Co-operator", and a Year Book.

Furthermore, there are plans to create a consumers' co-operative movement with the Ghana Co-operative Consumers' Association at the apex level and with district and regional co-operative wholesales for distribution. The various primary societies are expected to take their goods from the district wholesales, while the district and regional wholesales will set up retail consumers' shops for the members of the villages or towns concerned.

In order to finance the activities of the GCC affiliation fees have been fixed for primary societies (25 ), and associations (100 ). In addition the 1st Annual Delegates Conference of the GCC agreed to ask each individual member of the movement to pay 1  once in the life of the member to finance the building of new premises for the Ghana Co-operative College, the Co-operative Press, the Audit Union and the Council (about 500,000 ). The Secretary General has stressed in his address to the 1st Congress of the GCC "that there can be no co-operative development in Ghana without the Government shouldering a substantial part of the financial burden of the GCC". The Report on the Co-operative Movement in Ghana by B.J. Youngjohns (1968) is apposite and underlines the need:

"... the co-operative movement must have a clear and specified relationship to the State, a recognised role in the economic scheme of things, and must look to the Government for support and guidance. It is perhaps paradoxical that the way to ensure the development of a strong, independent co-operative movement is to have a strong and clear government policy towards it...."

AGRICULTURAL CO-OPERATIVES IN ZAMBIA

by

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Background

In colonial times Northern Rhodesia showed much the same pattern of co-operatives as other British colonies. There were handicraft societies, thrift and loan societies, consumer co-operatives, primary marketing societies and unions (secondary co-operatives) in some of the provinces. Of the marketing co-operatives Eastern Province Co-operative Marketing Association (EPCMA) was the best known. It was actually a tertiary society and its primary societies amounted to about 50 with some 15,000 small-holders as members.

Farming Co-operatives

After independence in October 1964 President Kaunda introduced economic reforms. These included a call back to the land and to produce the food which was needed by the young nation. Among the actions which resulted were the farming co-operatives and a limited number had been suggested by FAO as a pilot project. Primary societies were formed where small-holders (not less than 10) joined together for communal farming on a common piece of land. A number of primary societies (10-20) were affiliated to a farming co-operative union. This was actually a mechanisation unit with tractors and implements to serve the affiliated societies. In due course the unions also became service unions, providing the affiliated societies with supplies and in some cases also with marketing services. Farming co-operatives were started all over the country, very often by politicians, and the Co-operative Department had their hands full attending to the new societies and unions.

From the point of view of agriculture the farming co-operatives did not succeed generally speaking. There are many explanations for this, but it may suffice here to say that they were not able

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to raise the money for re-investment to replace the farm implements. The farming co-operative unions were normally in debt to the Government for the tractors and the implements.

From a co-operative point of view, the societies and unions usually deserved the name only because they were registered according to the Co-operative Societies' Act. Thus, they were in difficulties over such things as the number of members, paid-up share capital, book-keeping and meetings.

The position of the farming co-operatives was analysed by the Co-operative Department in 1968-70, with the assistance of the Swedish SIDA. The report suggested among other things that the farming co-operatives should be assisted in a re-organisation process, which would turn them into viable multi-purpose service co-operatives.

To achieve this, feasibility studies should be carried out in all farming co-operatives. In cases where the members expressed their wish to continue with communal farming they should be allowed to do so, but the studies should show how they could achieve self-reliance within a couple of years, just as other co-operatives.

The recommendations of the report were accepted by the Co-operative Department and in general by the Ministry. In his inaugural speech to the 2nd National Co-operative Conference in April 1973 President Kaunda dealt with all the recommendations of the report.

Development into Multi-purpose Co-operatives

In January 1970 some 120 representatives of all types of co-operatives in Zambia gathered together in Lusaka, for the 1st National Co-operative Conference. This conference was important for several reasons. It gave the movement an opportunity to discuss the change from farming to service co-operatives. The findings of the report of farming co-operatives was introduced to the conference as well as the proposals in the 2nd National Development Plan (SNDP).

The conference recommended a change into service co-operatives and discussed several details of the issue. An important problem concerned and still concerns the indebtedness of the farming co-operatives. If they were liquidated it would mean that debts were automatically written off. This would not be welcomed by responsible authorities, particularly if the government later would be asked to contribute to loan funds for the co-operatives.

If, on the other hand, the farming co-operatives were amalgamated with other societies, or if they just continued their activities, their chances of achieving self-reliance and viability would be very small, especially if they had to repay all debts for which they had very limited corresponding assets.

Marketing co-operatives had been working in three provinces for some time, but they were in difficulties because of mis-management and the regulations for the trade with controlled crops. These regulations gave no margin for the co-operatives to trade on and as a result the operations of the primary societies ceased. They only continued to function in so far as they had meetings, elected representatives to the general meetings of their unions and elected their own committees.

As the provincial marketing unions dealt directly with the farmers the question arose whether it was advisable to create primary societies comprising entire provinces. It was decided that this would be wrong; rural development means to organise the farmers, to improve the situation in the villages and thus make life better there. On the other hand, developing co-operatives in the provincial headquarters would rather increase emigration to urban centres. Investigations which took place later tended to give substance to these decisions. The need was to assist the Zambian small-holders to develop from subsistence into modern farming. This requires a co-ordination of knowledge, advice, supply of farm requisites and implements, credit and marketing. This cannot be achieved unless the farmers are organised; in this case into multi-purpose primary societies. The other important point is that if such co-operative societies are to contribute considerably towards the co-ordination mentioned they must be rather small so that there is a fair chance for people to know each other; small enough for them to cycle to the headquarter of the society.

The Co-operative Research and Planning Team (CRPT)

CRPT started its work in the Co-operative Department in the middle of 1972 and was wound up by the end of 1975. The team consisted of Zambian co-operative officers and expatriate contract-workers supported by the Swedish SIDA. One of the main tasks of CRPT was to continue the analyses of the operations of agricultural co-operatives in all provinces and also in each marketing union. When the reports were ready, seminars were held in each province to discuss the results. The change into service co-operatives was again favoured and it became possible to start planning agricultural co-operatives in Zambia based on

multi-purpose lines. Co-operative wings were started in Southern and Eastern provinces with the first objective to meet the members in all primary societies to see if they were prepared to restart their societies. It is interesting that in all cases the answer was affirmative; there was a general call for a centre in the community which could be of some service to the farmers. Minimum requirements of the society related to size and economy were estimated, and it was decided that the first two activities would be provision of farm requisites and marketing of produce. The society must have a certain number of members, they must raise share capital and have a certain amount of marketable crops. The society should either have a shed or build one and in the latter case finance became a problem even if the store was built as a self-help scheme.

To find the society manager and possibly other employees, the co-operative wings arranged courses for directors, interested members and persons who were buying crops for the union at the market places. The main subjects were the work of the society, the multi-purpose by-laws and the simplified accounts system. Those who showed an ability to learn these subjects were called together to new courses where the simplified accounts system was taught in detail. Through this approach to the staff question it was possible to some extent and in some places to find local men for the societies who are known to the members. In some places this is also important for the language situation.

These meetings and studies carried out by the co-operative wings had sometimes the effect that small societies were amalgamated, often because of a change in the infrastructure. A wing became responsible not only for co-operative education in the province but also for the implementation of the accepted plans. Basically a co-operative wing consisted of an expatriate study organiser (provided by SIDA), the training officer from the Co-operative Department and the Co-operative Education and Publicity Officer (CEPO) from the union. The responsibility for the work of the co-operative wings remained with CRPT until early 1974 when the Co-operative Centre was formed in Lusaka.

Systems and routines were worked out and accepted and were gradually introduced in the societies and the unions. This included new multi-purpose by-laws also for the unions. They are no longer called marketing unions but just bear the name of their respective provinces.

It was the task of CRPT to work out a National Co-operative Development Plan (NCDP). This plan was submitted on the 30th of

June 1975 but the chapter on agricultural co-operatives was ready in a draft form in June 1974. A research and Planning Division within the Co-operative Department took over from CRPT from 1976 and several of the expatriate contract workers continue to work in this division.

The National Co-operative Development Plan (NCDP)

The plan was accepted by the Director of Co-operatives and submitted to the Ministry and other authorities in Zambia for consideration. This is not the place to describe the plan in detail nor to anticipate the final decisions. The purpose is to present the main ideas, relevant to agricultural co-operatives.

It is expected that there will be about 200 multi-purpose primary societies in Zambia. There will also be 8 multi-purpose co-operative unions, one in each province, to which these primaries will be affiliated.

Information and education work, feasibility and viability studies will be carried out by the co-operative wings in conjunction with the district co-operative officers and their staff.

Co-operative wings are now established in all the 8 provinces; 7 of which are sponsored by SIDA and the co-operative wing in Western province, which has a different composition and is mostly geared towards the problems of the cattle-owners, is sponsored by Finland.

Generally, reporting within the Co-operative Department on the performance of the co-operatives will be compared with the plans which are drawn up on a provincial basis. Following the criteria discussed above for the establishment of multi-purpose societies which could become self-reliant and viable; the five year rolling plan will be revised each year in the light of experience. In this way it is hoped that the rate of development will be according to the interest and wishes of the people. Also plans, systems and routines could gradually be changed as experience is gained.

Multi-purpose provincial co-operative unions are now working in 4 provinces, namely Southern, Northern, Eastern and Luapula and the remaining four are expected to be formed in 1976 and 1977.

The Luapula Co-operative Union was formed in 1974 and is a continuation of the former GRZ/FAO/SIDA project in Luapula. The present project is a bilateral one, between Zambia and Sweden,

and has the purpose of developing agricultural co-operatives in Luapula as a vehicle for promoting modern farming there.

Among the systems proposed in NCDP should be noted:

Investment revolving funds for multi-purpose societies and unions. For their development; for instance to build stores or buy implements, the multi-purpose societies may have to ask for a loan. It is proposed that this is given from an investment fund, to which the government (and possibly a donor party) would initially contribute. A loan should only be given after a viability study, showing the ability of the society to re-pay. The loans should run from 7 to 10 years and bear a low interest rate. Similar loans should also be issued to the multi-purpose provincial unions.

Block Credit

The change from subsistence to modern farming may not be possible without seasonal loans, nor may modern farming itself in times of rising prices on farm requisites. In all young countries there is a discussion on the best system to be applied for seasonal loans and this is the case also in Zambia. One problem is the re-payment rate of the loans and another is the co-ordination of credit, information, knowledge and advice with the supply of farm inputs and marketing.

The block credit system proposes that the farmer's application for a loan is sent to his primary society. When granting the loan, which is given in kind, the board is aware that the responsibility for re-payment ultimately stays with the society itself and that the coverage of loans from defaulters has to be considered by the annual general meeting. The intention is that the society should employ a credit supervisor to assist the members with the application, with use of farm inputs and to advise the board. The board submits the list of loan applications to the provincial union which in its turn is responsible for the block credit funds of each society.

The proposition is that the block credit fund is created with contributions from the government and a donor party but it could also be an arrangement between the union and a financial institution. As with the investment revolving funds the difference is that if a separate fund is created it is also known to the co-operatives that the fund is their own and is available year after year. If the unions and the societies are able to contribute to the fund from their own means it would be possible in

the future not only to increase the seasonal loans and include more members but also to consider medium term loans for farmers.

The Single Channel Marketing System

With well run agricultural co-operatives it is always possible to organise most of the farmers or even all of them. In Zambia, as in other young countries, the marketing co-operatives have in some cases acted on behalf of the marketing board when collecting controlled crops from the farmers. This system is contained in the plan, and it is proposed that a union applies, also on behalf of its affiliated societies, to be a marketing board agent in its province. It has to be shown that both the union and the societies are well run, and that they are capable of dealing with all controlled crops of the province. The crop will physically be transported in the most rational way to the stores of the marketing board, according to a transport plan made by the union. The farmer sells his crop to the primary society in the area, which in turn sells the crop to the union. It is for the farmer to decide if he wants to become a member of the primary society or not. As a member he is entitled to patronage bonus, whereas bonuses for non-members who do not apply for membership are allocated to the reserves of the primary society.

Conclusion

Zambia is set on service co-operatives in agriculture as part of the rural development programme. It is understood that societies and unions will only be developed at the rate wanted by the farmers themselves. There will be no "spoon-feeding" but an attempt to advise and assist the co-operatives to achieve self-reliance and viability. Key questions concern to what extent it is possible to plan proposed co-operatives and to forecast their success. Certainly this is connected with the education and information problem. Considerable experience has been collected from the various provinces and it now remains to combine the results with planning and to draw the right conclusions from both successes and setbacks.

ICELAND'S AGRICULTURE AND CO-OPERATIVE MOVEMENT

by

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Agriculture has been of utmost importance in Iceland for centuries. The country is 103,000 square kilometres; thereof only some 23,000 sq. km. are covered with vegetation. These areas are exclusively in the coastal parts of the island; the inland regions are practically uninhabitable. In the arable parts of the country some 5,000 farmers ensure that Iceland is self-sufficient in meat and dairy produce.

In 1974 Icelandic agriculture occupied about 12 per cent of the man-power in the country, and was responsible for 2.9 per cent of its exports. If industrial products originating in the agricultural sector (furs, hides, tannery products and wool products) are added to this figure, it rises to 6.5 per cent. The total production included:

<u>Livestock</u>		<u>Agricultural Produce</u>	tons
cattle	66,500	hay for fodder	3,429,000
sheep	863,000	potatoes	13,000
horses	44,000	turnips	640
goats	300	milk	130,500
pigs	7,000	butter	1,750
poultry	234,000	mutton and lamb	14,000
		wool	840
sheep skins	940,000	eggs	2,400

The Icelandic co-operative movement renders important services to agriculture and dates back to a time when the farmers were gaining independence from foreign merchants power that at times in history created tyranny through trade monopoly. The first co-operative society was established in 1882, and its purpose was to sell agricultural produce, and to buy household necessities for the farmers' homes. Other societies, which soon followed, had the same objects and this twofold role has ever since marked their activities, although other fields have been entered as time has passed.

Today the basic units in Iceland's co-operative movement are the forty-nine co-operative societies dotted along the coastline of the island. They are formed on the same basis as such societies the world over: one member, one vote. Their objects are to improve the living conditions of the members and their families, and they vary greatly in size: the smallest has some thirty

members, the largest about thirteen thousand.

In keeping with their origin, the majority of these societies share the characteristic of being mixed consumers' and producers' societies. The major exceptions from this are in the capital Reykjavik and its surrounding towns: where there are some societies that are mainly engaged in rendering retail services to the customers in these towns. But the general rule in all other parts of the country is that the co-operative serves farmers and consumers.

Thus the societies have played an important role throughout the country in building up in many ways a standardized network of retail shops for general merchandise, and in addition sell animal feeds, farm machinery, oils and other items of goods used in present day farming. The operation of repair shops for cars, tractors and other farming equipment is also a frequent part of their undertakings. In addition they run slaughterhouses, and the sale of wool, hides and meat is a large part of their activities. The same alludes to the selling of milk and dairy produce, for which purpose many of them run their own dairies. In recent years the rendering of services to tourists, foreign and Icelandic, has become an increasing part of their activities. They are also in many ways involved in the operation of fishing vessels and in the fishing industry but this mostly takes place indirectly. Throughout this century Icelanders have gradually been building up a fishing fleet and fishing industry, and co-operative participation in many parts of the country has been great in this field. One the whole the trend seems to be that the co-operative societies have preferred indirect participation and the supporting of this industry to direct involvement. This may in part be caused by the fact that a co-operative system for the owning and operating of ships by the fishermen has never gained ground in Iceland. With the gradual growth of fishing villages, following the expansion of fishing, the co-operative societies have emphasised rendering services to their customer groups in these villages, no less than to their traditional customers among the farmers.

The co-operative societies have formed a country wide federation: Samband islenskra samvinnufélaga (established 1902). The main purpose of this federation is to render services to the societies in their various fields of activity. This is done by Samband's seven main Divisions, as well as by a number of affiliated companies, which are owned wholly or partially by Samband and the societies.

The agricultural sector is primarily the concern of Samband's Agricultural Products Division. It acts as a central marketing organisation for all the member societies of Samband; and it is by far the most important distributor of agricultural products on the home market. It is also responsible for the greater part of the country's exports of these products. In connection with these activities the Division operates several processing plants: wool scouring in Akureyri and Hveragerdi, food smoking plant and a modern meat processing plant in Reykjavik. There are also various other plants around the country; the biggest of them being the meat processing plant in Akureyri, owned and run by the local co-operative society. Recently the Division has also exported live horses; they are air-lifted from various parts of the country direct to buyers on the European Continent. The Agricultural Products Division is controlled in the same way as other Divisions of Samband; its Director sits on Samband's Executive Board which takes care of and controls the day to day administration of all its Divisions. The Executive Board usually meets once a week, but the Board of Directors, consisting of elected members, meets four to six times a year and reports to the annual General Meeting of Samband. The members' control is executed through that meeting; it is attended by some 100 delegates, elected at the general meetings of the member societies. As the Agricultural Products Division acts mainly as a sales organisation, it keeps in close contact with those co-operative societies which run slaughter-houses. A special co-ordinating committee, formed by representatives of those societies, acts as a consultative organ to the Division and has the task of smoothing the contacts between the societies and the Division.

In addition to this a special firm, Osta- og smjorsalam sf., handles the domestic sales of cheese and butter. Samband's Industries Division renders important services to farming through the processing of its raw-materials: wools, hides and skins, but it also produces quite a variety of goods from imported raw-materials for the general consumer market in the country.

The fishing sector is the concern of Samband's Fisheries Division. It acts as an export organisation for the fish processing plants affiliated to the co-operative societies, and it renders important services in the fields of education, training and purchasing of equipment. The USA affiliate, Iceland Products, Inc., also plays an important part as a marketing organisation in the western hemisphere.

The import of various goods is yet another sector of great importance to the Icelandic co-operative movement, which is covered by Samband's Import Division, which engages in the wholesale distribution of a great number of items, mostly within the fields of general daily necessities. Animal feeds and building materials are also a large part of these imports. Samband's Machinery Division, imports all kinds of machinery including cars, farming equipment and electrical appliances. Dráttarvélar hf. is a firm engaged in comparable fields, with the import of tractors and farming machinery as its main object. Oliufélagid hf., of which Samband is a majority shareholder, is further engaged in the imports of oils, gasoline and other petroleum products.

The shipping of goods to and from the country is in the hands of the Steamship Division (Samband Line), which operates eight vessels: four dry cargo, two refrigerated and two coastal tankers, the last owned jointly by Samband and Oliufélagid hf.

Samband's Division for Organisation and Education attends to the fields of organisation, planning, education and publication. The insurance is covered by three affiliated societies, the most important of which is Samvinnutryggingar, a leading company in its field in the country. In addition the co-operative bank, Samvinnubanki Islands hf., plays an important and increasing role as a financial institution within the co-operative enterprises.

As demonstrated above the co-operative movement in Iceland does not limit its activities to rendering services only to the farming population in the country. Its main characteristic is the overall trend to offer services to the population as a whole, regardless of classes, trades or places of residence. Such an amalgamation of activities could be expected to call for conflicts between groups with opposing interests, but in Iceland this has not been the case. On the contrary this system obviously has many advantages in a country where the total population is only 216,000. Needless to say, the country's farmers depend to a large extent upon the services rendered to them by Samband and its member societies, which in turn look on it as one of their main duties to perform these services as quickly and efficiently as possible. As a whole the farming population obviously appreciates this: the overwhelming majority of Icelandic farmers are members of the co-operative societies. The alienation of members from their societies is a problem not unknown in Iceland. This problem, however, is much less acute in the farming areas than in the towns; indeed a relatively large proportion of the recruitment

of new members takes place there, and a large part of new members of the staff comes from these areas.

The task of spreading information to staff and members is in the hands of the Division for Organisation and Education. Its activities in the educational field fall into two main categories: education and publishing. The main centre of education is the Co-operative College, where a total of some 120 students each year from all parts of the country are trained for work in the various fields of co-operative activity. Some of the students leave the college after two years of study and enter field-work. Others continue for an additional two years and gain a degree which gives them admittance to university studies, at home or abroad. Another educational institution is the Correspondence School, run by Samband and five other organisations with country-wide membership. The School is leading in many fields of adult and home education in the country, and it includes various subjects on co-operative affairs. Apart from this Samband organises various courses and seminars at regular intervals in different parts of the country. They are intended for training of people at various levels from among the co-operative staff.

Publications consist in the first place of the magazine SAMVINNAN: it appears ten times each year and is mainly sold to subscribers among the members. It carries articles and pictures dealing with co-operative affairs, domestic and foreign, but it also includes material of interest to the general reader. The task of spreading the latest news is kept for the newsletter SAMBANDSFRETTIR, which appears about twice a month and is sent to the press, radio and television, which make extensive use of the material. It is also distributed among the staff and to board-members of the co-operative societies. An English language SAMBAND NEWSLETTER also appears several times a year, and is distributed to Samband's overseas customers and correspondents. Apart from this various booklets and pamphlets are constantly under publication. Several films have also been made through the years, and just recently a series of slides with taped commentaries have replaced these.

All these educational activities are aimed at spreading co-operative information, in detail to groups of persons interested, and in a more general form to the public, to keep it informed of activities taking place at various levels of the co-operative enterprises.

At 1st January 1975 the primary co-operative societies of Samband had a membership of 39,949. In 1974 the total turnover of these societies was 22,142 millions Icelandic kronur. The total turn-

over of Samband in 1974 was 15,588 million Icelandic Krónur. The aggregate turnover of Samband, its affiliated companies and the member societies in 1974 amounted to 49,354 million Icelandic Krónur.

£1 Sterling equals - 331 Icelandic Kroner.

AGRICULTURAL MARKETING CO-OPERATIVES IN NORWAY

by

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I Norwegian agriculture

Norway is a typical mountainous country. Of the total land area, only 3% is arable and about 23% productive forest. There are now about 120,000 farm holdings each with more than 0.5 hectares of arable land, the average size of the farm holdings being between 7 and 8 hectares. In addition to areas of arable land most Norwegian farms have considerable areas of outlying fields. Most of the productive forest is owned by farmers, and forestry is an important source of income for many farmers.

More, farming is often combined with other occupations and only 1/3 of the farmers have farming as their sole occupation. Farming and fishing, and farming and building and construction are the most important job combinations.

The climate in Norway is favourable for grass growing, and animal husbandry is the major component of Norwegian agriculture. About 55% of the arable land is grassland and about 34% is used for grain production, which is mainly used as animal feed. Norway is self sufficient as regards livestock products, potatoes and some basic fruits and vegetables. In return all sugar and practically all bread grains are imported. The same is, of course, the case for all kinds of fruits and vegetables that cannot be grown due to climatic conditions.

II Development of the Agricultural Marketing Co-operatives

A. History

The co-operative movement in Norwegian agriculture started as independant local organisations. The first co-operative dairies were established more than 100 years ago, and the first co-operative slaughterhouses followed just before the turn of the century.

The establishment of national associations of co-operatives took place in the early 1930's. At that time Norwegian agriculture first met the problem of surplus production, and the main

purpose of the national associations was market regulation of the various farm products. Of vital importance to the work of the national associations was The Marketing Act which was passed in 1930. According to this Act a marketing fee is levied on all sales of agricultural products, and the revenue is used by the national associations to cover the costs of the various market regulation activities.

The local or regional organisations and the national associations are mainly single purpose co-operatives, each of which handles only one or a few closely related products. In 1945 the Central Federation of Agricultural Co-operatives was established as an apex organisation for all the national associations. Since then the organisational structure of the agricultural co-operatives has been virtually unchanged.

B. The situation today

Today the agricultural marketing co-operatives consist of nine national associations with their regional and local organisations as shown in table 1. In addition there are three national associations of purchasing co-operatives, three credit and insurance associations and two animal breeding associations which all are affiliated to the Central Federation of Agricultural Co-operatives. There is no grain marketing co-operative organisation in Norway: all grain being marketed by the State Grain Corporation, which is a State monopoly.

In terms of value the marketing co-operatives handle about 80% of the total sales production from Norwegian agriculture, grain production excluded. The market share of the co-operatives varies from product to product as shown in table 3. For milk the co-operatives handle 100% of the sales from the farmers, for meat and pork 70%, for eggs about 60% and for fruit and vegetables between 30 and 35%. The forest co-operatives handle about 70% of the sale of timber, and nearly 100% of the sale of skins for fur.

The purchasing co-operatives have a strong market position: they handle 60% of the total sales of fertilizer and concentrated feeds and somewhat less for machinery.

III Functions of the marketing co-operatives

The functions of the marketing co-operatives can roughly be divided into three categories.

A. Processing and marketing

One of the main concerns of the agricultural marketing co-operatives has been to carry out an effective rationalisation of the marketing of agricultural products. In the early days an important part of the activity of the national associations was to reduce the competition between the local organisations. The country is therefore divided into marketing or sales districts. The sales district of a local or regional organisation corresponds generally to the district where the organisation has its members. The Oslo market is considered as a common market for all local or regional organisations, and sales there are consequently in the hands of the national associations.

The marketing co-operatives have also found it necessary to engage in the processing of their own products, and the dairies did so from the beginning. In most of the other co-operatives extension into processing is of later date, even as late as the 1950's in some cases.

Of special interest are the forest co-operatives which during the last 15 years have built up their own timber processing industry. Most of this industry is organised as joint stock companies with the forest co-operatives as stock holders.

B. Information and advisory services

The marketing co-operatives have built up a comprehensive information and advisory service for the members. The idea behind this is three-fold:

- Firstly, it facilitates contacts between the co-operative organisation and the individual member.
- Secondly, it promotes the production of the right quality. To meet the demands for high-quality standards in the present market, the products must be inspected closely from the raw material through to the final product.
- Thirdly, it assists the farmer to get a better economic result from his production.

C. Market regulation

As mentioned previously market regulation was the main purpose of the national associations from their start in the early 1930's.

From 1958 the market regulation activities in livestock and horticultural products are based on price determination in the Agricultural Agreements. These agreements are concluded after negotiations between the Government and the professional farm organisations, which fix the target prices for farm products. The agreements also fix the rules for the financing of, and the over-all frame for the market regulation activities. The marketing co-operatives are responsible for the fulfilment of the target prices in the Agricultural Agreements i.e. it is their responsibility that the farmers really get the prices set forth in the agreements, and the market regulation is of course an important part of this work.

Thus, the marketing co-operatives play an important role in national agricultural policy, and the national associations are responsible for activities which in most other countries are carried out by State bodies, for example by marketing boards. The market regulation and price stabilisation activities carried out by the co-operatives are naturally to the advantage of all producers, including those who are not members of co-operatives. The financing of the market regulation is therefore based on levies paid by all producers. Market regulation is at present not only financed by the marketing fee mentioned previously, but also by the Feed Fund, which is built up from a levy on animal feed concentrates.

IV Structural changes in the agricultural marketing co-operatives in recent years

The establishment of the agricultural marketing co-operatives took place under circumstances quite different from those prevailing today. The changes in economic conditions, technology and market demands have therefore created a need for structural changes in the co-operative movement.

A. Mergers

The change in the relative costs of labour and technical equipment have in recent years favoured large scale operation. The introduction of modern food technology and the development of transport have strengthened this tendency.

The number of primary co-operatives have therefore been decreasing due to mergers: from 1960 to 1974 the number of local dairy organisations decreased from about 240 to 160. The number of dairies operated decreased in the same period from about 350 to 195. The average delivery of milk per dairy increased from

3.8 million litres in 1960 to 8.6 million litres in 1974. The changes in the number of organisations and number of plants operated in both the dairy sector and other sectors are shown in table 2.

B. Specialization

Even though there has been a significant increase in the size of the co-operative processing plants most of them are still small, and for several reasons they will continue to be small, at least compared with corresponding plants in other European Countries. As compensation for this drawback there has been a strong tendency towards specialization of the processing at plant level. Some dairies produce only fresh milk and cream for sale, other dairies produce butter and/or cheese: cheese production is also specialised so that each cheese producing dairy makes only one or a few types of cheese. In the same way each of the meat processing plants produces only a limited number of processed meat products. For example, there is only one plant producing canned meat and a few plants are dealing with frozen meat.

C. Co-ordination of processing and marketing

The accomplishment of this specialisation makes it necessary for central co-ordination of the production and the exchange of products between the local and regional organisations. The increasing concentration in food wholesaling and retailing makes it necessary for the co-operatives to have a joint and co-ordinated marketing policy including common national brands, etc. and trade marks.

The consequence has been a transfer of responsibility for the processing and marketing policy from the local or regional organisations to the national associations. The main aspects of marketing policy like product development, establishment of trade marks and sales promotion are now generally under the direction of the national associations, which are also responsible for the planning of the future structure of the co-operatives, through technical planning, investment planning and so on.

D. Collaboration with firms and organisations outside the Agricultural Co-operatives

In order to carry out effective marketing of their products at national level the agricultural marketing co-operatives have also made agreements with firms and organisations outside the agricultural co-operatives.

In 1966 the national associations of the slaughtering and the egg marketing co-operatives made an agreement with a marketing organisation for frozen fish products. Together they established a joint stock company for the marketing of frozen foods to the domestic market. All the products, fish and meat (including poultry meat), are sold under a common brand. From 1977 the marketing co-operative for horticultural products will join the company and sell frozen vegetables under the same brand.

In 1968 the national association of slaughtering co-operatives made an agreement with a private fish canning company for marketing of canned meat. According to the agreement the fish canning company markets the canned meat on behalf of the slaughtering co-operatives.

Further the slaughtering co-operatives have made an agreement with the consumer co-operatives, whereby the slaughtering co-operatives will produce the consumer co-operatives brand of retail, cut and processed meat (except frozen and canned meat). On the other hand the consumer co-operatives will not themselves engage in meat processing. Thus, the slaughtering co-operatives produce both their own and the consumer co-operatives brand of retail-cut and processed meat.

The forest co-operatives have, as mentioned previously, built up their own forest industry, of which the most important part is now joined in a single company. "Norske Skogindustrier A/S" (Norwegian Forest Industries Ltd). In 1974 the national association of forest co-operatives and Norske Skogindustrier A/S made an agreement with three of the largest private pulp and paper companies in Norway, and together they plan to build a large pulp mill in the South Eastern part of Norway. The co-operative forest industry was previously dominant in Mid-Norway.

V Representation of the employees on the co-operative boards of directors.

A. Background for the representation system

In recent years it has been the policy of the Norwegian Government that employees should be given greater influence in the direction of their firm. In 1972 the Parliament passed a bill granting employees in limited companies representation on the board of directors of the companies and in a new company institution - the Corporate Assembly. It was then the assumption of Parliament that similar systems of representation for the employees should be established within other forms of companies and in co-operatives.

After negotiations with the Labour Union, the Central Federation of Agricultural Co-operatives recommended a system of representation, on a voluntary basis, for the employees on the boards of the agricultural co-operatives. The report also included a plan for this representation to be effected which was accepted by the Government as a satisfactory solution.

B. Outline of the representation system

The representation system concerns only organisations with at least 50 employees. In organisations with 50 - 199 employees, the employees are given the right to elect up to 1/3, but at least two of the members of the board of directors. The employees are given no rights of claim to representation at the annual general meeting or the committee of representatives, if such exists.

Organisations with 200 employees or more are free to choose between two alternative forms of representation.

Alternative 1: The employees are given the right to elect up to 1/3, but at least two of the members of the board of directors. The employees are further given the right to elect delegates to the annual general meeting on the same basis as members. The number of delegates which is to be elected by the employees, respective to the members, is decided by the proportion between the number of employees and the number of active members. Independent of this rule, the employees may not have less than 5 delegates to the annual general meeting and not more than 1/3 of all delegates attending the meeting.

The employees delegates have the right to take part in the annual general meetings discussion and voting on matters concerning investments of significant dimensions (compared with the organisations total resources), on questions of rationalisation and on questions concerning alterations to the business operations which would bring about rationalisation or redistribution of the labour force.

If the organisation has a committee of representatives the employees are given the right to elect up to 1/3 of the committee members.

Alternative 2: The employees are given the right to elect representatives to the board of directors and the committee of representatives in accordance with alternative 1. The employees shall not be represented at the annual general meeting, but in

return, the authority in certain matters is transferred from the annual general meeting to the committee of representatives. Such matters are investments of significant dimensions, rationalisation and other plans that would bring about greater change or redistribution of the labour force.

C. The accomplishment of the representation system

About 70 individual organisations are affected by the representation system: of these, about 50 have 50 - 199 employees, and about 20 have 200 employees or more.

The formal decision about the accomplishment of the representation system must be taken by each individual organisation. The decision involves, of course, alterations of their by-laws. The time-limit fixed by the Government for the alteration of by-laws and establishing the system of representation was the end of 1975.

The accomplishment of the representation system for the employees has therefore been discussed at the organisations annual general meetings in 1975, and at the end of 1975, the representation system had been established in most of the organisations affected. Only a few organisations are, for special reasons, allowed to delay the decision which will be taken at the 1976 annual general meeting, and in one sector, the forest owners co-operatives, negotiations on details of the representation system were still in progress (January 1976).

It is, of course, too early to say much about how the representation system is working in practice, and how it will influence the decision making process within the co-operatives. From experiences so far there is no reason to suppose that the system will reduce the effect of the co-operatives as instruments to promote the interests of the members.

TABLE 1 - Organisation structure of the Agricultural Marketing Co-operatives in Norway 1974

Number of members	Local organisations	Regional organisations	National associations for:
53,500	195 dairies	6 milk pools	Milk
64,000		11 slaughter co-operatives	Meat and Pork
4,400		13 district pools	Eggs and Poultry
5,300		10 regional divisions	Horticultural Products
2,000		8 potato distilleries	Potato distillery
3,000		8 potato flour factories	Potato flour
3,400			Honey
2,900		32 regional divisions	Fur, skins
54,600	465 locals	20 regionals	Timber

8 national associations in purchasing, banking, insurance and animal breeding co-operatives

Central
Federation
of Agricultural
Co-operatives

TABLE 2 - Agricultural Marketing Co-operatives in Norway. Number of members and organisations

Commodity handled	Number of members		Number of primary organisations		Number of plants operated	
	1960 ooo's	1974 ooo's	1960	1974	1960	1974
Milk	134.0	53.5	242	160	352	195
Meat and Pork	118.0	64.0	17	11	58 ¹⁾	46 ¹⁾
Eggs and Poultry	27.0	4.4	13	13	30 ²⁾	29 ²⁾
Horticultural Products	9.2	5.3	1	1	130 ³⁾	98 ³⁾
Potatoes for Industrial use	5.1	5.0	18	16	18 ⁴⁾	16 ⁴⁾
Honey	-	3.4	-	1	-	1
Furs, skins	3.8	2.9	1	1	1 ⁵⁾	1 ⁵⁾
Timber	50.8	54.6	22	20	20 ⁶⁾	30 ⁶⁾

- 1) Slaughterhouses and meat processing plants.
- 2) Poultry slaughterhouses and egg packing centres.
- 3) Potato, fruit and vegetable packing and wholesale centres.
- 4) Distilleries and Potato Flour Factories
- 5) The Oslo Fur Skins Auction Company.
- 6) Saw mills, particle board mills and pulp and paper mills.

TABLE 3 - Agricultural Marketing Co-operatives in Norway. Volume of business

Commodity	Volume of business Quantity ooo's tons		Value ¹⁾ mill. Kr.		Percent of Total production for sale	
	1960	1974	1960	1974	1960	1974
Milk	1,286 ²⁾	1,673 ²⁾	1,000	2,203	98	100
Meat and Pork	58.8	101.0	324	1,085	59	72
Eggs	10.7	22.6	48	125	47	61
Horticultural Products ³⁾	81.0	120.1	53	152	30-35	35-40
Potatoes for Industrial Use	86.0	129.0	17	61	100	100
Honey	-	-	-	16	-	-
Fur skins	-	-	82	200	85	98
Timber	4,506 ⁴⁾	6,044 ⁴⁾	397	779	60	69
Totals	-	-	2,028	4,906	-	-
Average (value basis)	-	-	-	-	70	80

1) £1 sterling equals - 10 Norwegian Kroner

2) Mill. litre

3) Including unprocessed potatoes for food

4) 1,000 m³

CO-OPERATIVISM AND CO-OPERATIVE SOCIALISM IN GUYANA

by

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1. Introduction

Perhaps, the most historical happening in post-war Guyana has been the achievement of independence in 1966 and the declaration of Guyana as a Co-operative Republic in 1970. The establishment of the Co-operative order created an awareness in the masses that the development process was a participatory one. Several institutions were created and socio-economic development was in a state of transformation toward people involvement and local ownership and control. The fundamental aspects of the co-operative movement and the concept of co-operative socialism are discussed in more detail in the following sections.

2. Brief History of the Co-operative Movement

In Guyana, as in most former colonial territories, co-operativism dates back to the way of life of the indigenous peoples, but it was not until 1945 that co-operative promotional work was enacted by a Co-operative Societies Ordinance under the Social Welfare Branch of the Department of Local Government.¹ In 1948, however, it became the responsibility of a separate Co-operative Department, and a Co-operative Societies Ordinance was enacted the same year.

Until 1954, the main sources of credit were the so-called "co-operative banks," which were not, however, genuinely co-operative, and were organised and run by the Department of Agriculture and functioned under their own Ordinance which limited their business to acceptance of share payments from members and loans from Government. From these funds they made

¹ For a fuller historical review of this period of co-operativism in Guyana, see Sheila Gorst, Co-operative Organisation in Tropical Countries (Great Britain: Basil Blackwell, 1959).

Loans on bills of sale or mortgages of property. As an emergency measure they also granted production loans, mainly on a crop lien, and always only on production of a certificate of inspection signed by an agricultural officer.

During 1954 these banks were all absorbed by a newly established Credit Corporation which was responsible for issuing all short, medium and long-term credit. One of the objectives of the Corporation was to provide agricultural and industrial credit to co-operative societies, and at the beginning of 1955 the development of co-operative thrift and credit societies was encouraged as the main channels for short-term agricultural credit. This naturally resulted in rapid expansion in the number of such societies.

The Credit Corporation was thus serving some of the purposes of a bank for co-operatives. Almost all the short-term credit granted by the Corporation for agricultural purposes went through societies. In addition, medium-term loans for the purchase of equipment such as tractors, and long-term loans for the purchase and improvement of land were readily available to co-operatives through the Corporation.

During this period also, a Co-operative Supply Association was registered. Its main purpose was to facilitate the purchase and distribution of materials needed by co-operative societies in their work; to act as agents for the bulk purchase and supply of merchandise to member consumer societies; and to arrange the sale of produce for member marketing societies. Its progress was, however, disappointing: it failed to grasp the opportunities for service to its member societies, and it steadily lost effectiveness as a central organisation.

A Co-operative Union was also established, for (1) audit and supervision; (2) policy and public relations; and (3) education of members and employees: it received a yearly grant from Government. Its staff (which also served the Supply Association), was supervised by the Co-operative Department.

In 1970, Prime Minister Burnham formally declared Guyana to be a Co-operative Republic and espoused at great length the concept of co-operative socialism as the vehicle for rapid growth and development in Guyana. This concept was already being applied at the national level at which it was intended to be adopted as a philosophy, a way of life, a working system, and to bring about the total involvement of the masses, for eradication of the economic and social injustices of the system against which

Guyana had been fighting for years.

In a statement, the Prime Minister said:

"The co-operative is the means through which the small man can become a real man, the means through which the small man can participate fully in the economic life of the nation, and the means through which the small man can play a predominant part in the workings of the economy."²

The formal changeover to a Co-operative Republic was very simple: a breaking of the psychological and colonial ties with Britain through the replacement of the British Governor-General by a President of the Republic, who was a Guyanese citizen. The Co-operative Ministry, now guides co-operatives and tries to ensure that the operations undertaken by any co-operative are feasible and that the means exist for achieving the targets jointly arrived at by the co-operative, the Ministry and any other lending or supervisory agency.

3. The Socio-Economic Impact of Co-operativism and Co-operative Socialism

Co-operativism, or co-operative enterprise, can be considered as an economic superstructure serving the affiliated economic units. The common enterprise is established on the basis of functions delegated by the members to the society because they are unable or unwilling to perform them themselves. There has been some controversy over the question whether this superstructure constitutes an enterprise in its own right or only one entrepreneurial complex together with the affiliated economic units. Today it seems to be widely accepted that the co-operative society must be considered a separate entity despite its close economic ties with members. The management of the society must develop its own initiative anticipating members' needs and expanding the business in various directions, thus taking risks.³ Distinct from other forms of enterprise the

² Extract from L.F.S. Burnham's, Speech Delivered to the People's National Congress Regional Conference, Georgetown, Guyana, August 24, 1969.

³ F. Helm, The Economics of Co-operative Enterprise (London: London University Press, 1968), p. 20.

driving force behind the co-operative society is not the maximization of profit within the business venture but maximum service to members.

The co-operative society, however, is not a form of economic organisation which is able to carry out economic functions indiscriminately: its basis is limited both with regard to the persons suitable for co-operative action and the nature of the functions that can be delegated.

Co-operative socialism means a system of partnership among consumers, producers and the State, within which the effective ownership of the principal economic means of production is vested as of right in the collectivity of consumers and in which those means of production are managed by direct and indirect representatives of consumers and producers in association with the State. It is much more revolutionary than State socialism, which goes no further than to transfer undertakings previously owned by private persons to ownership and control by public authorities.⁴

The sovereignty of the consumer is logically implied in the theory of co-operative socialism, and when the interests of consumption determine productive efforts, the most powerful stimulus to progress is produced.⁵ Thus the consumer acquires effective ownership of all the means of production, the products of which he purchases.

The consumers' control and their need is the motive of economic activity. This is quite opposed to the theory of private capitalism which adopts the principle of the subordination of people to profits and creates divergences between private and national interests.

⁴ B. Lavergne, "The Social Value of Co-operative Socialism: A Partnership of Consumers, Producers and the State," The Annals of Public and Co-operative Economy 43 (April-June 1972), p. 129; and Paul M. Sweezy and Charles Bettelheim, On the Transition to Socialism (New York: Monthly Review Press, 1971), p. 112.

⁵ Ernest Poisson, The Co-operative Republic (Manchester: The Co-operative Union Limited, 1925), p. 84.

Co-operativism and co-operative socialism are of great economic and social value to Guyana's development. The establishment of this co-operative order has resulted in certain direct advantages and will continue to do so as long as the movement retains its current direction and purpose.

There has been, in recent years, a spectacular growth in co-operative societies as seen in Table 1. During the period 1972-76 these co-operative societies are expected to spend G\$75.5 million. Table 2 shows the projected investment by sector allocation which will be made by co-operatives, not including additional amounts which will be provided by the Government.

Participation on the part of labour sectors has increased considerably and several trade unions have begun to increase their collaboration at the institutional level; this has given further acceptance to the theory that Guyana is fast becoming, what is now regarded in development economics, as a participatory economy.⁶ Thus, the individual and decentralised actions of all decision-makers taken together, would tend to bring about maximum output and maximum social satisfaction within the economy, and the participatory system would tend to produce an optimal structure of the economy.

A definite advantage which will emerge from Guyana's co-operative order is an end to the unbalanced nature of income distribution in the economy. The establishment of co-operative societies has begun to result in the disappearance of surplus values and profits which were once obtained by mass exploitation by large private interests.

Under co-operative socialism, the only types of unearned income are interests on moneys loaned to the State, and incomes from agriculture. Therefore, unearned income will gradually disappear and the largest proportion of peoples' incomes will be derived from work.

While maintaining intact some of the monetary and economic mechanisms of the former system, a regime of co-operative

⁶ For a thorough and exhaustive discussion of the participatory economy as an evolutionary hypothesis and strategy for development, see Jaroslav Vanek, The Participatory Economy (Ithaca: Cornell University Press, 1971)

TABLE 1 - Registered Co-operative Societies in Guyana in 1964 and 1971

Type of Co-operative Society	1964	1971
Savings, Thrift and Credit	396	620
Commerce and Marketing	19	67
Agriculture	98	290
Industry, Housing and Transport	28	106
Secondary	3	6
Total	544	1,089

SOURCES: Government of Guyana, Ministry of Co-operatives; and Ministry of Economic Development, Statistical Bureau.

TABLE 2 - Estimated Total Fixed Investment by Co-operatives for the Period 1972-76 by Sector Allocation (Millions of Guyana Dollars and Percentages)

Sector	Fixed Investment	%
Agriculture	20.0	26.6
Fishing	3.0	4.0
Forestry	3.0	4.0
Manufacturing	8.0	10.6
Engineering and Construction	5.0	6.6
Distribution	4.0	5.2
Transport and Communications	6.0	8.0
Housing	20.0	26.4
Financial Services	1.0	1.3
Co-operative Training Centres	0.5	0.7
Other	5.0	6.6
Total	75.5	100.0

SOURCE: Government of Guyana, Draft Second Development Plan 1972-76 (Georgetown, Guyana: Ministry of Economic Development, 1973), p. 120.

socialism will have no difficulty in radically changing the distribution of the nation's wealth. Of all the socialist systems, co-operative socialism is the only one which maintains intact the market mechanism and free movement of prices in accordance with levels of supply and demand. Thus the change-over to co-operative socialism can be effected with the utmost facility and without any adverse effect on production.⁷

The structure of co-operative socialism, ideally is expected to lead to a situation where all the wage-earners will be encouraged and will be satisfied with their new status of work-partner. They will eventually come to understand that increases in nominal wage levels will be of no practical advantage to them and that all they gain as producers they will lose as consumers. Moreover, some of their social convictions will undergo radical change. Under the former system, they were convinced that any extra effort on their part would only serve to make the employer more wealthy; under co-operative socialism they have realised that extra effort would help to increase the nation's wealth, and thus their interests as consumers will increase their enthusiasm for their work. This change of social attitudes is of great importance to any meaningful acceptance of the concept of co-operative socialism.

Although co-operativism and co-operative socialism have seemingly had a positive socio-economic impact in Guyana, there are legal and institutional limitations to the movement.

A basic handicap is the lack of inter-co-operative relations at the national level. An outstanding feature of the co-operative movement, and the characteristics which makes it, in the strictest sense of the term, a movement, is the unremitting and many-sided effort which it devotes to carrying out the idea of association to the fullest extent. Reason suggests and practice has demonstrated that any machinery which establishes direct and systematic relations between organised producers and organised consumers brings to both parties and to the community at large, considerable economic and social advantages. Inter-co-operative relations constitute an organisation of the economic process. It also represents a simplification of the economic

⁷ B. Lavergne, "The Social Value of Co-operative Socialism: A Partnership of Consumers, Producers and the State," p. 131; and Oskar Lange and Fred M. Taylor, On the Economic Theory of Socialism (New York: McGraw-Hill, 1964), pp. 98-104.

process by resulting in an elimination of numerous incidental expenses.⁸

The quantified objectives of the individual co-operatives in Guyana have not been carefully defined in terms of national objectives. Co-operatives as protectors of consumer interests have a special responsibility to be ahead of the private sector retail industry and should therefore be properly prepared to set quantified objectives as to membership, sale, profits, profitability and coverage within the area of operation, and work towards achieving them. It would, therefore, be in the interest of the co-operative movement to ensure that all created societies and institutions are viable and of significance.

There is also a lack of trained personnel with sufficient skills to manage the various co-operative societies, but significant attempts are now being made to rectify this situation. Courses in co-operative education and training are available at the University of Guyana and the Government's Kuru-Kuru Co-operative College. But the co-operative training and education effort should be able to cover pre-service as well as in-service courses. A more ideal situation would be to promote co-operative education to encourage mass social participation in co-operative development, and co-operative education and training should reach the general public, which lacks accurate information about co-operation and co-operatives, and whose support would constitute an important asset for the co-operative movement's progress.

A fundamental handicap is that of inadequate statistics, but this problem is characteristic of most developing countries regardless of their socio-economic system. Without the necessary information, in the form of currently relevant data, it would be virtually impossible for the Government to make and implement satisfactory plans for co-operative development. The statistics that are available are obsolete, difficult to compare, and of questionable usefulness.

The activities of existing co-operative societies and of newly formed ones should be directed to develop new and also previously abandoned economic areas where adequate resources and support

⁸ See International Labour Office, The Co-operative Movement and Present-Day Problems (Geneva: The International Labour Office, 1955).

could be expected. This would help to avoid a proliferation of societies, and thus assist only in the formation and promotion of societies which would have a real economic impact.

There is need for more emphasis and interest in rural co-operatives in Guyana. Rural development has always been neglected in Guyana, and with the new development strategy aimed at making co-operativism dominant and eventually to constitute the national economic system, then rural development should gradually occur through strategic planning and programming of the co-operative sector.

Rural development, in very broad terms, refers to the far-reaching transformation of social and economic institutions, structures, relationships and processes in any rural area. It conceives the cardinal aim of rural development not simply as agricultural and economic growth in the narrow sense, but as balanced social and economic development - including the generation of new employment; the equitable distribution of incomes; widespread improvement in health, nutrition, and housing; greatly broadened opportunities for all individuals to realise their full potential through education, and a strong voice for all the rural people in shaping the decisions and actions that affect their lives.

Thus rural development effort presumes active and willing participation of rural peoples in the development of their rural communities. Such participation requires that these people not only share in the distribution of the benefits of development, be they the material benefits of increased output or other benefits enhancing the quality of life, but also in the task of creating these benefits; in essence this is what the co-operative movement is all about.

Also of importance should be the further development of Guyana's agricultural co-operatives, or farmer co-operatives as they are sometimes called. There are currently about 290 registered agricultural co-operatives in Guyana, but there is insufficient data about them. The table presented on page 180 reflects this paucity of data as it is limited to agricultural thrift and credit societies only, and it is obvious that membership is on the decline after increasing to over 10,000 in 1962 and 1964. This decline may be attributed to a decline in the number of societies which rose to 105 in 1964 and then fell to 101 in 1969. Deposits also decreased considerably to G\$2,500 in 1969 after reaching a high of G\$8,700 in 1962. Significant increases were, however, realised in the share capital which showed an

TABLE 3 - Basic Data on Agricultural Thrift and Credit Societies, 1956-1969

Year	Number of Societies	Membership (Thousands)	Share Capital (Thousands of Guyana Dollars)	Deposits (Thousands of Guyana Dollars)
1956	94	5.9	59.7	1.3
1957	96	6.8	81.9	1.1
1958	101	8.2	103.0	1.1
1959	103	9.1	126.8	1.1
1960	100	9.2	148.2	1.9
1961	103	10.0	178.4	8.1
1962	103	10.5	197.9	8.7
1963	103	10.1	208.6	1.4
1964	105	10.5	222.0	1.6
1965	104	10.3	231.2	0.8
1966	104	10.3	242.4	1.1
1967	102	9.3	250.0	1.7
1968	101	9.8	263.0	1.3
1969	101	9.7	273.2	2.5

SOURCE: Government of Guyana, Co-operative Department; and Annual Statistical Abstract 1970.

average annual increase of over 27 per cent from 1956 to 1969. This increase resulted because the value per share increased steadily and a lesser amount of the share capital was being invested. Investments were being made, instead, from borrowed funds which doubled from G\$0.4 million in 1956 to the G\$0.8 million in 1969.⁹

Guyana's agricultural co-operatives need to be re-stimulated and brought back into the mainstream of genuine economic development activity without overborrowing. Agricultural co-operatives have an almost universal image as an economic institution through which farmers can improve their lot in life and protect themselves from exploitation. In the past two decades, the developing countries have expanded the image by including the farmer co-operative as an institutional bridge between subsistence and modern agriculture, particularly for the many small farmers. The principal organisation used to involve small farmers in a flexible system, capable of responding to both domestic and export markets, and giving the farmer some control over his own destiny, has been the farmer co-operative. There are few developing countries in post-World War II experience whose small farmers are doing well without viable co-operatives.¹⁰

Guyana's agricultural co-operatives need to be vertically integrated: their operations should be organised at a national and regional level so that economies of scale can be realised from management, production, distribution and marketing. Evidence and examples have shown that co-operatives only become really effective when they form part of an integrated system.¹¹ The size of co-operatives is very important in Guyana if they intend to function as viable agricultural enterprises and

⁹ Government of Guyana, Annual Statistical Abstract 1970, Table 131, p. 247.

¹⁰ Advisory Committee on Overseas Co-operative Development (ACOCD), Farmer Co-operatives in Developing Countries (Washington, D.C.: ACOCD, October 1971), p. 11.

¹¹ United Nations Research Institute for Social Development (UNRISD), A Review of Rural Co-operation in Developing Areas (Geneva: UNRISD, May 1969), p. 331.

generate sufficient economic activity. They must be able to serve the members who need it most, the small farmers.

Farmer co-operatives are not separate businesses but an extension of the farmers' production operations. In Guyana, most farmers must learn how to plan, manage and invest in their own farms as they build co-operatives because few of them have had any exposure to a system for modernising agriculture. A second aspect of the planning and organisation of co-operatives is that the Government should involve agricultural co-operatives in national development plans. Though overall emphasis has been placed on the co-operative order in Guyana and the need to feed the nation, no particular mention has been made of a programme for the total involvement of the agricultural co-operatives. Rather, the Government of Guyana seems to want to promote rural development without providing the support and services needed by farmers, particularly the small farmers. By contrast, countries such as Taiwan, have programmes whereby the Government insists that all farmers' associations should prepare annual programmes of work and budgets ensure that they are satisfactorily carried out.¹² When violations of performance standards are detected, the Government enforces compliance through a variety of sanctions, including, if necessary, a de-registration of the society.

Finally, further research into the structure and working of co-operatives in Guyana needs to be undertaken and published in the form of working manuals, research reports, or as policy papers. Such research would provide data and useful comparisons of co-operative operations and would eventually lead to the formation of general principles which could be a guide for practical action.

In developing countries elaborate research surveys are usually undertaken by the government, covering either the co-operative movement throughout the country or one of its regional or functional sections. The reports prepared on this basis often contain invaluable descriptions of how co-operation works, not in theory but in daily practice, together with penetrating criticisms and recommendations aimed at specific reforms as well as expansion of the movement as a whole.¹¹ Without such

¹² Min Hsieh Kwoh, Farmers Associations and Their Contributions Towards Agricultural and Rural Development in Taiwan Bangkok: FAO, 1964, p. 10.

well as expansion of the movement as a whole.¹³ Without such periodical re-assessments of co-operation in relation to current economic problems, carried through by the Government and afterwards translated into practical advice and action, the progress of co-operation in the developing countries would be very much slower and more hesitant than it is.¹⁴

In consideration of, the fact that co-operativism has evolved in a stable manner in Guyana, and of factors of neutrality, the role of the Central Government in pursuing such research should be limited only to the financing of it; and, where absolutely necessary, to the recruiting of technical personnel for the undertaking of research.

Basic principles apply to successful co-operative programmes in all countries, whether developed or developing, and if co-operatives are successful in developed countries, certain pre-requisites may be assumed to exist. In developing countries, however, it may be assumed that these prerequisites are lacking in varying degree, and their concurrent development is a must in any co-operative programme in a developing country (see page 52). A strong foundation for a programme that potentially affects the economic and social well-being of a country is essential.

4. National Co-operative Commercial Banking

The Guyana National Co-operative Bank (GNCB) was established on February 24, 1970 with an authorised share capital of G\$10 million divided into 100,000 shares valued at G\$100 each. The shareholders are the Government, registered co-operative societies, registered trade unions, registered friendly societies, public corporations and any other such corporate body as may be prescribed by the Minister of Finance. The GNCB is a fully fledged commercial bank oriented towards the development of co-operativism and the national economy.

The strategy of the Bank is to induce savings so that funds may be mobilised and directed towards economic units organised as co-operatives. It is the intent of the GNCB to minimise the

¹³ International Labour Office, Co-operative Administration and Management (Geneva: International Labour Office, 1971), p. 201.

¹⁴ Ibid.

business transactions of the foreign-owned commercial banks which contribute only to the development of the private sector at the expense of the indigenous people. In Guyana, the savings of the indigenous people provide 94 per cent of the financial needs of the private sector.¹⁵

These savings deposits are held in banks whose Head Offices are either in the United States, the United Kingdom, Canada or India. It is hoped that the GNCB will now be able to divert these savings into its own vaults so that it may provide for the development of the co-operative sector, and hence the development of Guyana.

The foreign-owned commercial banks, despite the fact they controlled the savings of the Guyanese people, have made no attempt to be respondent to the developmental needs of the nation. This of course, cannot be blamed entirely on the foreign banks, but rather on past development planning which never took into consideration the level and dispersal of domestic savings as an important instrument for development. As such, the foreign-owned banks were free to distribute their holdings as they saw fit, and their lending went predominately to the distributive trades which are directly or indirectly concerned mainly with the importation of goods from foreign countries.

On the other hand, the sectors that were most important to Guyana's development, such as timber, fishing, livestock and so on, received very little or no credit. The foreign-owned commercial banks were more interested in financing the distributive trades because it represented to them a way of holding foreign rather than local assets.

However, after the GNCB had been organised and when in 1971 the Government of Guyana took full control of the distributive trades by establishing an External Trade Bureau, lending to distributive trading firms by foreign commercial banks dropped considerably. The External Trade Bureau is responsible for the regulation of foreign trade in Guyana, and since it is state-owned and controlled, all Letters-of-Credit and Bills of Exchange are now handled by the GNCB.

¹⁵ F.A. Campbell, "The Guyana National Co-operative Bank", New Commonwealth and World Development 2 (1971), p. 17.

The GNCB to date, has no doubt been a very successful financial institution in terms of its commitment to strengthen the co-operative movement and the national economy. Table 1 below reveals the total deposits in the GNCB on a comparative basis with the rest of the commercial banking system for the period 1970-73.

In many ways the GNCB is basically a Development Savings Bank operating on sound commercial banking principles.¹⁶

TABLE 4 - Total Deposits and Percentage Change in Deposits in the GNCB and the Rest of the Commercial Banking System, 1970-73 (Millions of Guyana Dollars and Percentage Changes)

Year	GNCB	% Change	Rest of Banks	% Change
1970	6.9	-	127.4	-
1971	11.8	+ 71.0	151.4	+ 18.8
1972	22.4	+ 89.8	182.6	+ 20.6
1973	32.8	+ 46.4	217.8	+ 19.3

SOURCES: GNCB, Annual Report and Accounts 1972 and 1973;
and Bank of Guyana, Annual Reports 1972 and 1973.

It is a socio-economic institution providing services tailored to the needs of Guyana. The method of, and the need for extending the services are adapted to the culture and mental attitudes of the people which are concurrent with the principles and ideology of the reduction of foreign ownership and domination of resources vital to growth and development in Guyana.

As mentioned earlier, the lending programme of the GNCB is geared primarily towards co-operatives. By the end of 1973 about G\$1.5 million from the GNCB's total loans went to co-op-

¹⁶ For theories and discussion on the significance of Development Savings Banks in the development process in less developed countries, see Chelliah Loganathan, Development Savings Banks and the Third World: A Tool for the Diffusion of Economic Power (New York: Praeger Publishers, 1973).

eratives, which is shown in Table 5.

About 60 per cent of all loans and advances made to co-operatives went to those in the Building and Construction industry. These co-operatives acquired these funds for financing their contracts, and it is interesting to note that all loans made to co-operatives were almost totally unsecured. The reason for this lies in the fact that the majority of the co-operatives have little or no assets, and their members are not required to commit themselves individually or severally for the borrowing of their co-operatives.

TABLE 5 - Loans and Advances made by the GNGB to Co-operatives
By the End of 1973 (Thousands of Guyana Dollars)*

Type of Co-operative	Loan Amount	Overdrawn Amount	Total	%
Financial	29.7	26.7	56.4	3.8
Building and Construction	270.6	635.3	905.9	59.9
Manufacturing	58.5	185.3	243.8	16.1
Transport	205.9	98.5	304.4	20.2
Total	546.7	945.8	1510.5	100.0

SOURCE: GNGB, Financing of Co-operatives (Georgetown, Guyana: GNGB mimeograph, 1973)

* £ sterling = G\$4.50.

In 1973, just four years after the GNGB was established, there was a negative percentage change in loans, over the previous year, made by the rest of the commercial banking system. Also of significance was the fact that in 1973 all of the GNGB's deficits acquired in 1972 were cancelled and a small surplus created.

National co-operative commercial banking has proven so far that it can provide considerable internal development in the economy. Should present trends continue, it can be expected that there will be an on-going annual increase in deposits and loans which will serve to further lessen transactions in the foreign-owned banks.

It is worth noting that some of the foreign-owned banks have already begun to sell some of their branch offices to the GNCB. This is not surprising, but rather an anticipated result of the existence of the GNCB. As such, branches owned by foreign banks, that were once profitable are no longer profitable since more and more of their customers are now transacting business with the GNCB.

One further advantage of the GNCB is its capacity to mobilise local currency resources in the form of savings or term deposits to match its loans. Even a part of its current deposits could constitute a base for medium-term loans. Of paramount importance is an adequate capital structure and expertise in development financing.

The GNCB, which is expected to play a national role, cannot consider itself as a mere financing institution. Its role implies that it advises on, and actively participates in, the formulation and implementation of Government development plans. Its performance must be measured not by what it gets from society and those who comprise it but by what it achieves for society and those comprising it, while operating within the ambit of the laws of the land.

5. Summary and Prospects for the Future

Co-operativism and co-operative socialism have evolved in Guyana, but their application as concepts for change and development are still being questioned. There are those who have expressed total scepticism over the concepts and those who have adopted liberal attitudes towards their application.

Some sceptics think that co-operativism transforms itself into the elitist alternative to socialism. The liberals on the other hand have advocated some modifications which they think will make it an even more meaningful concept.

The co-operative order is currently being placed at the national level: it is intended to be adopted as a philosophy, a way of life, a working system, and to bring about the creation of a major sector for the total involvement of the masses.

The social values and the economic benefits of co-operativism and co-operative socialism will undoubtedly supersede those of colonialism and/or neo-colonialism. The Government and people of Guyana have realised that the *ecstasy* of independence has gone and the issue is now one of a system for change and development.

The co-operative order is envisaged to take its place in every form of human activity in Guyana. It is not seen as a scheme for social welfare or for philanthropic sentiment, but rather as farming the whole rationale on which the lives of Guyanese people are organised.¹⁷

Obviously co-operativism and co-operative socialism in Guyana will be greatly different since it calls upon the consumers to organise and direct social life, and even production itself, for the satisfaction of their requirements. It thus corresponds very fully to the general interest and to the ideal of a more just society.

Today's co-operatives must function in a fast-paced, rapidly changing environment, characterised by business pressure, new marketing philosophies, and consumer needs. They are therefore bound to encounter some problems. But regardless of what these problems are, there will arise a net social and economic value, given that the movement has direction and purpose.

In Guyana, the achievement of change and economic development through the co-operative movement is primarily the responsibility of co-operators, and depends on the zeal with which they exercise their rights and fulfill their obligations. Ernest Poisson in his classic study on the Co-operative Republic remarked:

"The Co-operative Republic is not a mechanical result of the existence and evolution of the present industrial system. It is the work of men. Its development and progress become also determinants of the action of co-operators."¹⁸

Since there is a general bias against all policies and events in developing countries which appear to contain the danger of a move

¹⁷ S. Field-Ridley, "The Concept of the Co-operative Republic," Text of the Debate in the Guyana National Assembly on the Motion to Declara Guyana a Republic (Guyana: August 29, 1969), p. 10.

¹⁸ Ernest Poisson, The Co-operative Republic, p. 63.

towards socialism,¹⁹ any further advantages to be derived, and the level of development to be achieved from co-operativism and co-operative socialism must necessarily come through the action of men and women who are willing to make the sacrifices which are indispensable to any important and lasting reform of social and economic conditions.

¹⁹ In the case of Guyana, this has been well documented by Colin V. Henfrey, "Foreign Influence in Guyana: The Struggle for Independence," In Emanuel de Kadt (ed.) Patterns of Foreign Influences in the Caribbean (London: Oxford University Press, 1972), pp. 49-81.

SOME LESSONS IN CO-OPERATIVE DEVELOPMENT THE CASE OF BOTSWANA

by

B.J. Youngjohns and T.N. Bottomley

Introduction

In this article we try to identify some of the lessons for co-operative development derived from the relatively successful experience in Botswana. This is not, however, an article about the Botswana co-operatives in the ordinary sense. The factual record has been written up elsewhere*. Rather, we are trying to bring out some lessons which may be of wider relevance. Nor do we wish to exaggerate the Botswana success story. Comparatively speaking the co-operative movement in that country is still in its infancy, has only two main groups of societies (marketing and consumer), and may well have many storms ahead of it. It has, however, made an uncommonly good start, has established a solid foundation, and is interesting in having so far avoided many of the pitfalls into which other, sometimes more ambitious, movements have fallen.

The Role of Government

The first Registrar of Co-operative Societies was appointed in 1964. At that time there were no co-operatives in the country and the potential scope for co-operative organisation seemed so dubious that the Co-operative Department was only set up at all because of an offer by OXFAM to meet part of the cost. The Co-operative Department has expanded somewhat since then but remains relatively small. Technical assistance (UK, OXFAM, Peace Corps and UNDP) has also been modest, although extremely effective. The UNDP/ILO project at its peak had only four expatriate experts and there was a strong and healthy suspicion that this was rather too many. Capital aid has also been on a modest scale, comprising a grant of £30,000 from the British Co-operative Movement, plus some smaller grants from other sources to provide seed capital, and a Swedish capital project for premises for the Development Centre.

* Reports of the Registrar of Co-operatives, Botswana, 1974 etc.

This modest input by Government and foreign aid sources has been in keeping with the Government's approach which was neatly summed up by the phrase "sympathetic non-intervention". In other words, Government has provided the basic services to stimulate co-operative development and to administer the law, but has otherwise not interfered. The Co-operative Department has been allowed to get on with the job and to decide its own priorities. Even if it wanted to do so it has never had the staff to manage the co-operative movement itself. Its role has been to promote, to guide and to educate the people to run the co-operatives themselves. It will be said that there is nothing new about this. True, it was the original concept of the role of Co-operative Departments when they were first established, but few of the others have kept to it. Either because of policy decisions from above, or the pressure of circumstances created by too rapid expansion, Co-operative Departments in many countries have become enmeshed in the actual day-to-day management of the co-operatives. (The important work of education and training is, almost everywhere, including Botswana, done by civil servants). When this happens, the Movement becomes both an extension of the bureaucracy and a permanent burden upon it. Much of the purpose in promotion of co-operatives is defeated. There is a strong and unfortunate tendency for most technical assistance programmes to foster this growth of reliance on Government.

The Object of Co-operative Development

Briefly stated, the job of a Co-operative Department is to promote self-governing and self-financing businesses owned by the members on a co-operative basis, possessing their own capacity to grow, and to generate capital resources for growth. Obviously, where the principal economic activities are agriculture and livestock, the co-operatives will be involved in the agricultural or livestock business. But this is in a sense incidental, and the co-operatives are not fundamentally state-sponsored organisations for the development of the agricultural or livestock industries. Rather they are concerned with the development of people by establishing businesses which the people can own and run themselves, and which have a built-in capacity to expand, accumulate their own capital, and develop their own entrepreneurial dynamic.

All too often co-operative development programmes have been created because some external agency in pursuit of its own concepts, has advocated them or because economic planners have decided (no doubt on impeccable grounds) that small-scale

farmers must have credit, or a better marketing system, if the planned targets for expanding production are to be met. Co-operatives are often decided on, after other possibilities have been eliminated or other efforts failed, as the most suitable channels for getting loans to the farmers or marketing their produce. The farmers may not want the co-operative, nor even the credit or marketing service, but they are getting both because policy demands that they do. The argument for a co-operative has been completely perverted.

Botswana has so far not made this kind of mistake. Marketing co-operatives, for example, have been established, not as adjuncts to government's agricultural or marketing policies, but because the farmers have been educated to see that co-operatives are in their interests, because marketing is good business for the co-operatives, and because it made good sense to show poor people how they could create indigenous, profitable enterprises serving their needs. The Botswana Meat Commission and the Agricultural Marketing Board do not "use" co-operatives, they do business with them - a very different concept.

Co-operatives as Business

A co-operative society is a business - a trite remark which is nevertheless frequently contested and sometimes misunderstood. It is not a private business, it is a co-operative business and differs in a number of important respects. It differs in the form of ownership, of control, the way it raises capital and the way it distributes surpluses. It also differs in having social implications, and in motivation. It has a direct stake in the economic interests of its members. It resembles a private business in that it must cover all its costs and generate surpluses to finance expansion. If it is not successful as a business it will not succeed in its social role and will not serve the economic interests of its members. To ensure that co-operatives are established on proper lines it is essential from the beginning to inculcate this sense of financial discipline and self-sufficiency. To ensure this is a number of basic rules must be followed.

Education of Membership

There is first the overriding need for education, explanation and understanding. This priority cannot be subordinated to any other consideration. But failure to provide the necessary training is a much less grave offence than to teach the wrong lessons.

The members or prospective members must understand both the scope and limitations of their enterprise. They must be taught that the co-operative is no more than the sum of their collective effort, will and capacity. They must understand the demands that will be made upon them to play their full part in running the society. And they must be aware of the full commercial implications of organising a co-operative enterprise.

The members must never be misled by over-optimistic forecasts of the benefits they might expect or by false promises of something for nothing. They must never, for example, be cajoled by offers of easy credit. They must learn that their co-operative has got to pay its way, and will benefit them in the long run only if it does so. It is short-sighted, self-deceiving and self-defeating to expect prices or services which are uneconomic. It may serve the short-term purpose of the organiser to neglect the essential work of teaching the right lessons but it can never be to the advantage of the members and their co-operative.

Self-help

The concept of self-help must be built in from the beginning. A co-operative is a business in which the members can increase their economic strength by pooling their human and financial resources. The benefits are derived from this mutual self-help and not from anywhere else. It is essential that the motivation, power and potential of self-help and mutual aid be seen as a reality. And on this basis for people to gain the confidence of relying upon their own joint efforts, and their own resources of imagination, energy and ability.

Independence

The co-operative must have at least some degree of real independence. The members must put up the basic capital. The general meeting must be a reality and not merely a matter of form. The committee must exercise effective control over policy and appoint a manager with full responsibility over day to day management. This does not mean that the co-operative, or its committee, or its manager can do exactly as they please. They are subject to the law and by-laws and, as discussed below, to supervision by the Co-operative Department and to constraints imposed upon them as conditions for loans. Within these limits they must be free to make their own decisions, and take the consequences of their own mistakes. They must, above all, stand on their own feet and look first, and always, to reliance on their own resources.

Technical Aid

It is, of course, common ground that co-operatives in developing countries need, and are entitled to, technical assistance and help, particularly in areas of expertise not readily available in their own community. Indeed, the potential contribution that co-operatives can make to the solution of so many of the problems of the impoverished and deprived is of such significance that much expanded programmes of technical assistance are essential. But to what end? To organise more and more co-ops? If the second question is taken as sufficient answer to the first then we are left with the same question - to what end? And the answer to that must be phrased in true co-operative purposes. To offer people the opportunity of creating for themselves a vigorous, independent, viable co-operative movement capable of providing the services they require from it, and based on the principles of self-help, fellowship and mutual aid, non-exploitation, and voluntary association.

The trouble is that so much technical assistance, however well intentioned, patently fails to do this. The objectives of the technical assistance programme are too often translated in terms of the short-term interest of the programme and its organisers rather than in the long-term interest of the people they seek to serve. How many co-ops have been organised? How many courses run? How many people "educated"? How much business done? The kind of statistics that looks good in the report to headquarters. It is much more difficult to demonstrate that the basic, diligent, honest graft of education and organisation has been done which, given patience, given time, given dedication, given reasonable good fortune, given freedom from pressure, has the capacity to result in genuine people's organisations capable of standing on their own feet and of steady, but certain, growth.

Too many technical assistance programmes are concerned with rapid expansion, with the pursuit of quick results, with the creation of co-operative agencies to support other objectives. It is not to be wondered at that so much of the effort has been wasted, so many disillusioned, so much of the work has had to be repeated again and again. Even where the objectives are right it could be argued that large scale programmes involving large teams of highly paid experts are counter-productive. Inevitably in such a situation, measurable results are sought in terms of co-operative activity. But how is the initial impetus to be sustained after the "experts" are withdrawn? Where will the capital be found to finance a rapidly growing movement? Who will provide the education and training, the

specialist advisory services, the supervision, required to sustain what has been created? The answer is usually civil servants in larger and larger numbers and so technical assistance often becomes primarily concerned with training them to "run" the co-operatives and, hopefully, train the people in the process.

This, it must be understood, is not an argument against technical assistance. Far from it. It is an argument for technical assistance - devoted to the right purposes. And, incidentally, properly co-ordinated, but that is another story. In Botswana 49 marketing co-operatives and 20 consumer co-operatives have been organised in ten years. It is a fair bet they will all be still there and much, much stronger ten years from now. To the immense credit of the Government of Botswana the movement there has never been pushed further or faster than its own resources and capacity was capable of sustaining. Growth has not been permitted to outstrip ability. There has been a healthy recognition that a movement based on the principles of self-help and mutual aid must indeed help itself and rely on its own human resources if a vigorous independent co-operative movement was to be established.

Continuity of Policy

Botswana co-operatives have been fortunate, or wise, in another respect. Throughout the decade there has been steady continuity of policy. There has not, as in so many places, been a succession of changes in policy, in organisational methods, or in operating procedures as adviser succeeded adviser, or project followed project. The accounting system introduced and taught in 1964 has been retained. The law and by-laws remain substantially the same. The operating procedure used have been developed from these originally introduced. There has, of course, been adaptation to cope with a developing situation but no radical, sudden switches to other approaches or ideas. Consequently the confusion and disturbance caused by such interventions have been avoided and the steady progress of educational and training work greatly facilitated.

Subsidised Inputs to be clearly Identified

There are two cases in which subsidised inputs may be justified. The first case is where the co-operative is potentially viable but may need aid in the early stages. The subsidising of infant industries and other businesses is nowadays perfectly respectable, provided that there is a reasonable certainty that the subsidies will be sensibly used and will not be needed after a

short initial period. The other case is when the State subsidises co-operatives as a means of subsidising the members. In either case it is of great importance that the subsidy should be clearly identified so that it does not obscure the issue and give a falsified and over-optimistic account of the co-operative's financial health. If this is not done the co-operative may well flounder when the subsidy is removed or reduced. Hidden or unaccounted subsidies of any description, can store up trouble for the future.

Discipline in Financial Aid

When a co-operative is given financial aid it should be a strictly disciplined basis. Easy money does more harm than good. It tends to erode the spirit of self-help. It sometimes stimulates a pace of development beyond the capacity of the people to manage and control. It militates against the understanding that wealth is not easily come by and has to be profitably used. All people are careless with other people's money. As a general rule financial aid should be on a loan basis and carry a commercial rate of interest which must be serviced from the co-operative's trading surplus. The lender must require some control over how the loan is used and how the business is run. "Strings" should be attached. This is simply a matter of accountability and not to have them, teaches the wrong lessons.

Sources of Capital

The proper sources of capital for co-operatives are:-

- (1) Members' share capital
- (2) Accumulated reserves (undistributed surpluses)
- (3) Deposits from members
- (4) Loans from outside, raised on a commercial basis and on the co-operative's own security.

All of these are related to the co-operative's commercial viability. Take the question of profitability for example. A co-operative is a business owned by poor, often very poor, people. Like any other business it requires capital and can grow only within the limits of the capital available. Its owners cannot, by individual contribution, provide all the capital required for growth and expansion. The bulk of this must come, in the form of collectively owned capital, from the surpluses made in trade. Thus the co-operative generates its own capacity to expand its services to its members. It may mean slow growth but it is sound growth. In any event, it is

only possible if the co-operative is responsive to the disciplines of sound co-operative and commercial practice.

Supervision and Advice

We have already discussed this to some extent under the heading of the Government's role. Although co-operatives should be independent they do nevertheless require a measure of supervision for a number of reasons:-

- (1) They are constituted, and to some extent, privileged under a special law catering for their needs. The law spells out their co-operative nature and responsibilities, and must be enforced.
- (2) The members, although equal in rights, are not equal in education and sophistication. The less educated are entitled to some disinterested supervision to protect their interests against the stronger.
- (3) Co-operatives are pioneering businesses in a developing situation and need guidance from a department which can see the overall situation, including the development policies of Government, and how the co-operatives relate to them and to each other. It is also helpful for them to have access to a source of specialist advice for complete business and financial matters.

The right measure of supervision is crucial. The object must always be to enable them up to stand on their own feet. With too much supervision they will stand on someone else's feet, with too little they will not stand at all.

Credit

The co-operative is a business, albeit of a special type. To be successful it must be a good business. The trouble with credit, especially agricultural credit, is that it is frequently bad business. It is extremely risky for all manner of reasons including climatic vagaries, pests, market fluctuations as well as the general improvidence of human nature. There is no fool-proof system of agricultural credit. It simply is not good business for a peasant community to invest and risk its own savings in agricultural credit.

The Botswana co-operatives have, so far, like the Rochdale Pioneers, solved the credit problems by having nothing to do with it. There is little doubt that this is one reason they

have succeeded where others have failed. They have, incidentally, refuted the contrary argument that co-operatives, including consumer societies, cannot succeed without credit.

There can be no doubt that co-operatives are better off without credit. It would, however, be irresponsible to leave the matter there. The macro-economic case for credit in many countries is irrefutable. Small scale agriculture is under-capitalised. The peasant simply does not have the resources to pay for more and improved inputs. The required increase in agricultural production necessitates the employment of some system of credit. If the system operated can be, to some extent, brought within the control of community based farmers' groups such as co-operatives so much the better.

The point we are trying to make is that the risk costs in agricultural credit must be borne, not by the peasant community itself, but by the State, i.e. by the whole community. This is not to argue that the peasant who wants a loan should not be made to repay it. Of course he should, but if he does not, or cannot, the loss should be borne by the State not by co-operative funds.

Generally speaking the risk is likely to be less if the credit, supply and marketing functions are combined with the co-operative holding some kind of lien on the crop. The loan can then be recovered from the proceeds of sale. Even this system is far from perfect. It does not help in a total crop failure; the borrower can sell his produce illicitly through another channel; or send it with his "cousin"- or simply keep it until next year*. Nevertheless it is the least risky and it does point to multipurpose co-operatives combining the functions of credit, supply and marketing.

The co-operative movement cannot duck this responsibility for facilitating access to credit for production purposes. In situations concerning the provision of credit for the very poor, or for increasing food production, or some other crucial exercise, it would not wish to do so. It is, however, entitled to

* It is more likely to be effective (a) if there is only one channel through which the produce can be sold and (b) if the produce is of a kind which has to be sold outside the community to be of value.

demand that the credit account should be separated from the rest of its business, and should ultimately be underwritten by Government. The co-operative is not a welfare agency. Destroy its business capability by encouraging it to pursue uneconomic or high risk operations and you destroy its ability to match the people's aspirations.

There is also the psychological problem concerned with failure. Too frequently co-operatives are used as agencies for agricultural development or land utilisation programmes which fail, often at very substantial cost. In such situations it is the co-operatives which are blamed for the failure, not the planners. And so people lose faith in the co-operative approach and become sceptical of its validity.

Conclusion

Perhaps this is the wrong heading. We have not sought to reach any hard and fast conclusions but rather to identify some of the lessons which arise from reflection about a decade of co-operative experience in one country. No doubt many of the points made will continue to be matters of controversy. That they should be is important. Few of those concerned with co-operative development work in the last quarter century would be satisfied with the record of achievement to date. The authors argue a central thesis. That co-operatives are concerned with the development of people on the basis of voluntary association, self-help and mutual aid. That the power and efficacy of these principles, within the context of co-operative organisation, offer real hope even for the very poor. That the dignity of self-reliance, through co-operative action, is essential to human development. And for the power to be released, for the dignity to be there, it is indeed necessary to rely on these resources, and to be very sure that their development is fostered, not inhibited, by any support given to them.

AGRARIAN REFORM AND CO-OPERATION IN CHINA, 1949-1975

by

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THE ESTABLISHMENT of the Chinese People's Republic in 1949 heralded a new social order in rural areas. The Agrarian Reform Law promulgated in June 1950 emphasized the redistribution of land and reorganisation of the supply of all inputs. The first step taken by the new government was its relatively moderate "Common Programme" of 1949, and in December 1951 the Central Committee issued its first directive calling for farm co-operation.¹ A formal resolution did not appear until February 1953 and until this time basic co-operative ventures were carried out in selected areas only on an experimental basis. The process of co-operation took the form of a multi-stage development process: mutual aid teams, elementary and advanced producer co-operatives, and finally communes. The whole process spanned a ten-year period.

Mutual Aid Teams

The first stage in agricultural co-operation was promoted through the so-called Mutual Aid Teams, which were designed to compensate for the chronic shortage of inputs in Chinese agriculture at that time, i.e. the lack of draught animals, equipment and labour. This rudimentary form of co-operation was the most flexible way of meeting the challenge of low productivity, lack of investment and seasonality, and initially each team only operated during period of intense farming activity, i.e. in the busy seasons of sowing, transplanting and harvesting, after which the teams disbanded and went about their own business.

1. The "Common Programme" was adopted at the Plenary Session of the Chinese People's Consultative Conference on 29th September 1949; see Important Documents of the First Plenary Session of the Chinese People's Political Consultative Conference (Peking: Foreign Language Press, 1949).

Each peasant household pooled what materials they had available plus their labour, but the means of production remained in private hands and each member was free to dispose of his own produce as he saw fit. Gradually, such teams accumulated small amounts of common property and tended to stick together all season for their mutual benefit, but each individual farmer still retained the right to engage in his own production. By the end of 1954, over 60 per cent of all peasant households (45,364,000) were grouped into approximately 8.3 million mutual aid teams.²

Elementary Producer Co-operatives

In December 1953, a document was issued entitled Decision on the Development of Agricultural Production Co-operatives which marked the next stage in the co-operative movement in China.³ It outlined the need for the pooling of all land under unified management. Under the new arrangements the farmer still retained rights to land, tools, equipment and livestock, but part of them was to be given over to co-operative use in the form of a share contributed by each member on joining the co-operative organisation.

This stage marked the beginning of the concept of common property. Farmers were given a payment for their share in the form of a dividend; a payment was also made for use of their tools, and their labour input was repaid as a wage in the form of work-points. The keynote of this semi-socialist experiment was centralised management of private ownership.

By the autumn of 1955, 14.2 per cent of the total number of farm households in China had joined the elementary co-operatives, of which there were 630,000. According to reports in the official press at that time, many were badly organised and inefficient.

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2. State Statistical Bureau, Statistical Materials on Agricultural Co-operativisation and the Distribution of the Product in Co-operatives during 1955 (Peking, 1957; reprinted in New China Semi-Monthly 94.20 (1956), 63-65.
 3. Materials relating to the History of the Agricultural Co-operativisation Movement, vol. 2 (Peking, 1959), pp. 3-12.

People's Daily, for instance, reported on 3rd August 1954 that of the 95,000 elementary APCs set up in 1954, only 30 per cent were well organised. Peasant resistance was also reported to be strong, since many feared that their newly acquired land after land reform would be lost and with it any hopes of higher incomes. The government, however, pressed ahead as rapidly as possible until by the end of 1956, 96.3 per cent of all peasant households had become involved in the co-operative movement. This growth continued and by 1958 some 55 million peasant households (i.e. half the total rural population) were organised into Advanced Producer Co-operatives.⁴

Advanced Co-operatives

The next stage was to propel the co-operative movement into a more socialist form of enterprise on the Russian lines. The rapid surge of development up to 1955 led to the introduction of the co-operative farm proper in the Soviet sense, in which all the farmer's private land was transferred into collective ownership. When the peasant joined the movement, all payments for land shares ceased and payments for the use of tools and livestock were abolished. In June 1956, the National People's Congress adopted the Model Regulations for Advanced Agricultural Producers Co-operatives.⁵ The regulations laid down that land and all other means of production were to be turned over to co-operative use, with members retaining the right to small private plots so long as these did not exceed 5 per cent of the total land of their village. The co-operative was to collect two share funds from its members: the production expenditure fund for the purchase of seed, feed and fertiliser; and the common property fund for the purchase of tools and equipment. Any remaining amount of money, after deductions for agricultural tax and welfare payments, was distributed according to the number of work-days. A work-point system was implemented with one work-day equal to about ten work points. The day-to-day running of the co-operative was carried out by a management committee made up of elected farm members with the help of a supervisory committee under the direction of the provincial government.

4. Mao Tse-tung, On the Question of Agricultural Co-operation (Peking, 1962, Eng. edn), p. 28.

5. 9th November 1955; New China Semi-Monthly 74.12 (1955), 141-49.

While the average elementary APC consisted of about twenty households, the average size of the advanced APC was three times that of the elementary APC and ten times that of the former MATs, since the advanced APCs were formed by amalgamating the existing elementary APCs at village level. By 1956, 96 per cent of all peasant households were organised into APCs. The spread was, however, uneven. Not all passed through the three stages of MAT, E/APC or A/APC; in some cases, a rapid advance was made straight from MAT to A/APC.

TABLE 1 - % of Households' Participation in Co-operatives,
1950 - 1956

	<u>MAT</u>	<u>E/APC</u>	<u>A/APC</u>	<u>% of Co-op. Membership</u>
1950	10.7	-	-	10.7
1951	19.2	-	-	19.2
1952	39.9	0.1	-	40.0
1953	39.3	0.2	-	39.5
1954	58.3	2.0	-	60.3
1955	50.7	14.2	-	64.9
1956	-	8.5	87.8	96.3

SOURCE: State Statistical Bureau, Ten Great Years, Statistics of the Economic and Cultural Achievements of the People's Republic of China (Peking: Foreign Languages Press, 1960), p. 35.

A major problem facing the government at this time, as mentioned earlier, was peasant suspicion of land pooling and sharing all means of production. In addition, there was some evidence of peasant indifference to common property, which mostly affected livestock held communally. Traditionally, livestock were well cared for on private farms, but when ownership was relinquished to the collective, few seemed to be willing to take the same responsibility. Not surprisingly, livestock numbers showed a decline and in traditional pastoral areas such as Shantung, for instance, 30 per cent of draught livestock was said to be in a weak or incapacitated state. This obviously dealt a severe blow to production plans and the situation here was so bad that human labour had to be used for pulling ploughs.⁶ In addition, problems arose out of central management. Not only did the

6. Collected Law and Regulations of the People's Republic of China, vol. 7 January-June 1958 (Peking: People's Publishing House, 1959), p. 301.

co-operatives lack skilled employees such as accountants and clerks, a severe handicap was the low level of literacy and, therefore, basic communication of management objectives. Subsidiary industries and crafts declined and as a result the farmer's income fell by as much as 30-40 per cent. One sideline severely affected was pigs. In 1954 there was reported to be 101 million pigs, but in 1956 the total had fallen to 80 million.⁷ Not surprisingly, many farm families began to agitate for withdrawal. The People's Daily on 22nd March 1957 stated that in Canton Province alone 160,000 households had clamoured for withdrawal during the winter months. Peasant hostility grew and in 1957 reform to payments went some way in alleviating the situation. But six months later, a more radical approach was presented following the announcement of the plans for fuller co-operativisation of the economy in the form of Rural Communes.

Communes

When China had finally succeeded in organising one million highly individualistic peasant households into 750,000 APCs in 1956, it was generally assumed that this would remain the institutional structure for a very long time. The agricultural crisis and peasant inertia referred to above, and the lack of balance between industry and agriculture, generally gave an urgency to the search for a more radical approach to China's land problem. In August 1958, a new movement in rural areas was announced, said to have started in Honan province in April of that year and to have spread to other provinces. The merging of twenty or more APCs, including 20,000 or more members, spread over as many as 50-100 villages until a vast single 'commune' took place. The new unit was to be an independent administrative and economic unit with total control of all industry, agriculture, health, education and defence of an area, the administration of local branches of ministries, and supply and marketing co-operatives and shops and credit institutions such as savings societies and banks. The communes became responsible for the day-to-day running of an area from birth to death.

7. D. Tretiak and B.H. Kang, "An Assessment of Changes in the Number of Livestock in China, 1952-1970", World Agricultural Economics and Rural Sociology Abstracts, Oxford 14.4 (1972), p. 4.

In the second half of 1958, some 750,000 co-operatives were merged in 26,000 communes, each composed of approximately 3,000 households.⁸ The overall aim was self-sufficiency, and the commune introduced new methods of organisation, management and distribution. The new movement focused on small local industries, e.g. fertilizer plants. The original concept of large monolithic units, e.g. Federation of Communes, was found to be ill-conceived and as the agricultural crises of the so-called 'three bitter years' (1959-1961) deepened, partly due to bad weather and mismanagement, the massive organisational structure was split into a three-level system: commune, brigade and team. As the sole accounting unit, the original commune was to be the owner of all property and products and was to be responsible for food distribution and the supply of daily necessities among its members. This large, cumbersome system came under increasing pressure until power was transferred first in 1959 to production teams comprised of 200-300 farm households. This was followed in the winter of 1960 by further decentralisation: production teams were renamed brigades, with teams below this level comprising no more than 40 households. In 1961 the team became the accounting unit.⁹

After 1962 a more liberal attitude was taken to stimulate production, and production patterns virtually reverted to the design set by the old APCs. In 1963, there were approximately 74,000 communes comprising about 700,000 brigades and 5 million teams,¹⁰ with seven teams in a brigade and nine brigades in a commune. The number of households and the amount of land in use is set out in table 2.

8. G. Dutt, Rural Communes of China (London: Asia Publishing House, 1967), p. 1.

9. NCNA, Peking, 27th October, 1958.

10. New China Year Book, 1964 (Tokyo: Inst. of Asian Studies, 1965), p. 319; NCNA, Peking, 22nd March 1966.

TABLE 2 - Amount of Arable Land and Numbers of Households in Co-operatives in China, 1963

<u>Unit</u>	<u>Area (Mu)*</u>	<u>Size</u>
Commune	20,760	1,622
Brigade	2,180	171
Team	310	24

SOURCE: C.S. Chen & C.P. Ridley, Rural People's Communes in Lien-Chiang. Documents concerning communes in Lien-Chiang County, Fukien Province 1962-1963 (Stanford: Hoover Inst. Press, 1969), p. 6.

(* 1 mu = 0.067 ha.)

The average Chinese commune was reckoned to be 4.7 times that of a Soviet Kolkhoz in terms of household members, but it has about 50 per cent less land under its control.¹¹

The post-1962 era was characterised by a more pragmatic approach to the problems of farm management, while an extensive education campaign was run in rural areas. The situation stabilised and continues to the present day basically unaffected by the ravages of the Cultural Revolution (1966-1968). China's Fourth National People's Congress, held in Peking from 13-17 January 1975, reaffirmed this position. Article 7 of the 1975 constitution on the communes described them as an organisation which "integrates government administration and economic management". It also confirmed that "at the present stage" the three-level system of ownership, i.e. commune, brigade, team with the latter designated basic accounting unit, will continue. Article 7 also provides for private plots and "limited" household sideline production, and the production of "small numbers" of livestock provided that the development and absolute predominance of the collective economy are ensured'.

While, however, the present communes are different from the old agricultural producer co-operatives in several ways, in that they are larger, more self-sufficient and more socialist in nature, the differences are largely socio-political and it may be argued that in terms of agricultural organisation and economic

11. New China Year Book, 1964, p. 319.

management the commune is not very different from the former co-operative farms. At present there are about 80,000 communes throughout China, each one having individual characteristics based on local environmental conditions.

Commune Organisation and Management

Since 1958 the main form of rural institution has been the commune which has consolidated the lowest level of bureaucratic management at the scale of the old marketing community. It is possible to view the commune in several ways: as a monolithic production unit composed of a vast number of farms; as a simple administrative organisation similar to the xian (county) structure; or as a fully integrated agro-industrial system. In fact, the commune is both one and all of these things. A leading article in People's Daily in 1960 described the commune thus: 'The rural people's commune is the unified organiser of production, exchange, distribution and consumption in rural villages. It is an all-embracing enterprise which includes farming, forestry, animal husbandry, sidelines, fisheries, together with industry, commerce and transportation. It is also the basic unit which integrates government administration and commune management and which manages industry, agriculture, trade, education and military affairs.'¹² As such an integrated rural social organisation, it acts as the focal point for all agricultural planning, organisation and decision-making processes in the Chinese countryside. It is a unit small enough to be able to amalgamate economic and political management and to co-ordinate rural development work. Current agricultural planning stresses decentralization of decision-making and flexibility at all times, and the internal structure of the commune reflects this.

Entrepreneurial activity may operate at any level. Agrarian structure is so closely integrated that innovation can be adopted rapidly for maximum effect. The general development plan for a brigade takes into account revenue potential and the multiplier effect of each enterprise, and it is not unusual to find pig-duck-fish combinations operating on a complementary basis, the pig manure being used as pond fertiliser for plankton to feed the fish, as well as manure for the cereal crop, with pond mud supplementing the fertiliser for the fields and providing an additional revenue when sold outside the commune. Fish waste is utilised both as pig feed and fertiliser. Pigs

12. People's Daily, 5th August, 1960, p. 1.

will also use the waste produced by grain processing and, in turn, the grain processing plant utilises the brigade's own grain, potatoes, legumes, etc., the products of which are sold part to the State and part to the commune members at reduced prices.

Specific economic activities may be organised at any level: team, brigade or commune; the basic criterion is efficiency of human and material resources. The team is the basic accounting unit at the present time, and this consists of a number of households. Private plots are retained for self-supply of essential provisions. Planning is a two-way process involving various levels of management decision-making, with emphasis being placed on local initiative. The general line of the Party and Government (ideology) provides the guidelines to decision-making (see diagram opposite p. 210 and 211).

The location in the structure of industry and any economic activity depends to a large extent on the scale of undertaking. Generally speaking, the larger the scale of undertaking the higher up the institutional chain it will be linked, e.g. fertiliser plants, machinery and technical equipment are usually located at the commune level, while smaller farm-processing plants tend to occur at brigade level. Small crafts of one kind or another take place in the team, especially where they are capable of attracting extra income. Regional variations can occur where larger capital construction projects normally undertaken by the commune will be carried out by the brigade. In general, the commune exercises a supervisory and command function, county administration and planning of services. It exercises the local government function (see diagram) and, therefore, contains higher levels of education, health and finance. For instance, where the local government (county) authority needs to meet state procurement plans, liaison with units is carried out with the commune which communicates requirements down to the designated level, providing at the same time the technical assistance required to meet the response.

The Commune Role in Farm Planning and Management

The plan for commodity circulation is a major constituent in national economic planning. Three major categories may be distinguished: (1) major commodities-cereals (including potatoes), cotton, essential oils, soyabeans and certain industrial products; (2) secondary commodities-sugar, pigmeat, vegetables, hides and skins; and (3) miscellaneous items-handicrafts, mulberries, tree oil.

Flexibility of operation of the State Plan is the key to national planning in China. In principle, firmer control is assumed over the first category items, consisting of staple commodities. The responsibility here lies directly with the State Planning Commission. Each unit must work to a norm and supply according to a quota. Such products receive priority planning in the unit's production plans. There has been, for instance, a tendency for some units to go for cash crops for extra income in preference to cereals. This has been severely criticised by the government who continually stress 'cereals as the key link in the economy'.

Crops in the second category are subject to less control and come under the command of the Ministry of Commerce.¹³ Units are allowed considerable leeway in planning their contribution to the year's crop production plan. Sugar cane is traditionally preferred in the south, and pigs provide a popular alternative farm enterprise under mixed farm conditions in central China. Obviously, a certain amount of local environmental preference comes in, e.g. tobacco and tea in south-west China.

The third category includes a wide variety of local speciality items, e.g. rattanware, brick and tile manufacturing, local brewing and native products sold at the so-called 'third-class products fairs'.

The overall control at local level rests with the Revolutionary Committee (management committee - see the diagram on page 210 and 211) who translate the plans and targets down from the higher authority and the proposals from the lower level up to the higher level for consideration and approval. The system of reporting ensures that the plans are reasonable and that no unrealistic quotas are set. The reporting system is the main instrument available to management in China for decision-making. The flow of information from top down to bottom requires the delivery of analytical reports and production results, spot checks and model surveys. These are usually interpreted and disseminated in the form of printed bulletins. Constant monitoring and analyses are made of the reproduction (Investment)

13. Reinstated in 1972 after the Cultural Revolution. Generally, it is responsible for the direction of retail trade and the distribution of inputs to small and medium enterprises (NCNA, 8 November 1972).

process in order to broaden the level and pattern of investment of individual enterprises. It is also necessary to take into account the classification of inputs and incomes according to the place of their appearance in basic production units. The principle is to make management cadres aware of current state policy in their economic unit, of deviations from the State Plan and seasonal changes, etc. and to acquaint them with the policy rationale.

It is impossible to elaborate a scientifically uniform programme of analytical or synthetic information governing particular production processes for a country such as China given the esoteric nature of politics and the diverse environmental conditions. Nevertheless, the existing reporting system seems to adequately serve the needs of most units and farmers under the limited options farmers are allowed under the system. The process hinges on the training and availability of key managerial staff (cadres) and their ability to interpret and execute changes in production. In any case, the government tries to avoid working to a rigid schedule or complex plans. Units are warned against the dangers of 'blind production' or 'commandism'. Premiums set at up to 20 per cent are paid to units producing in excess of the quota.¹⁴ There are no penalties for lack of achievement.

Labour Management and Systems of Payment

At present the team is still the basic accounting unit.¹⁵ Teams own all land, draught livestock and farm equipment. The commune provides the supervision and heads the overall command structure, as well as providing its own enterprises. Teams operate under the responsibility system under which teams divide into groups and assume 'responsibility' for fulfilment of individual produc-

14. N. Maxwell, 'Learning from Tachai', World Development 3.7/8 (1975), p. 476.

15. Article 7 of the Constitution set out at the Fourth National Congress, Peking, 13-17 January, 1975. But see also discussion below on Tachai where the team has been eliminated.

tion tasks.¹⁶ Group meetings consist of approximately a dozen members, each with 'fixed' labour assignments worked out under the terms of the production plan. The plan, approved by the commune and brigade, is jointly drawn up on the condition of 'exchange with equity in value on a voluntary and mutually profitable basis'¹⁷ to make the best use of local conditions. The voluntary nature is stressed in contrast to 'commandism' and earlier rigid central planning. Although team members are expected to perform several task, there is a primary duty to farm an assigned plot of land. In 1966, a slogan appeared in conjunction with the Tachai brigade system of labour management called the 'three fixed, one substitution' which re-emphasized the principle of the importance of field tasks but at the same time called for greater job flexibility.¹⁸

Current practice is to follow the 'basic labour day' under which the peasant is obliged to complete a specified number of working days. Thus each male is expected to put in somewhere around 26 days each month, and females 24 days each month, in collective labour. Put another way, it requires an individual to accumulate a minimum number of work-points, say 2,500 a year for a male or about 2,000 per female. In 1966 a 'basic labour assignment system' was introduced which requires team members to be present at work each day, except for official holidays. Each work-day is made up of eight hours.

The general theory of remuneration will also be discussed below under incentives, and attention is drawn here to basic concepts adopted since 1949. The 'labour production quota' and 'piece-

16. 'The production plans of a commune must be built upon the production plans of the brigades and their contracts with the teams. The allotment of crops, targets and technical arrangements must be decided upon between the brigade and the teams, after consultation with each other and the masses of members. The members are "masters of the family".'
People's Daily. 21st December, 1960, p. 1.

17. People's Daily, 21st December 1960, p. 1.

18. Ibid., 22nd March 1966.

work' system¹⁹ first operated under a system in which 'work-points' could be accumulated. Other systems include 'merit awards' and 'contracts' and the 'work done by the day' system. Under the first, individual tasks would be completed and points assigned upon evaluation by cadres. The 'contract system' enabled peasants to contract for a particular job before it was completed,²⁰ accumulated work-points, recorded by a 'work-point recorder' being used as the basis for wage distribution. Methods of labour payment in rural areas are complicated by the fact that there are variations in application of national systems, as well as different systems operating at any one time.

From a terminological point of view, systems of remuneration still rely heavily on Soviet usage. A major problem of Marxist theory is evaluation of skill. Therefore it is possible to find several methods of evaluating job assignments. Unlike the industrial sector where a straight 'wage-grade' system operates, agricultural wages are more difficult to calculate due to the wide variation of farming skills, e.g. between dairyman and poultryman, arable hand and stockman, etc. Therefore, some brigades opted for a straight breakdown of manpower according to age, class of labour, and time grade.²¹ Under such a scheme youths would earn several work-points less than other age groups for similar tasks.²² This has given rise to such terms as 'semi-labour' or 'weak labour' etc. Technical merit, a difficult concept to pure marxist ideology, has had to rate extra points.

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19. Tsai Yuan-yuan & Teng Tse-hui, 'An exploratory discussion on methods of calculating labour remuneration in People's Communes - the system of recording work by piece rate', Kuang Ming Daily, 20th May 1963; and Hsu Kang, 'An enquiry into several problems in China's piece-rate wage system', CCYC, 17th February, 1959.
20. F.W. Crook, 'Chinese communist agricultural incentive systems and labour productive contracts to households 1956-1965', Asian Survey 13.5 (1973), 470-81.
21. Southern Daily, 6th October, 1961.
22. People's Handbook (1959), p. 42.

Domestic Sideline Production

Miscellaneous team production is accounted for under this head where it augments the collective income. Such production may be 'collective' (the work of a single team) or 'joint' (if it involves the co-operation of more than one team, say in the case of processing where one team in a brigade provides the raw material and the other the plant). The cash income from this source of employment provides a valuable contribution to the team economy, enabling investment in certain items of equipment the team might not otherwise be able to afford. A team with a small kiln, supplying bricks and tiles for its own use and able to produce a surplus, will be able to engage the services of a local smithy, or purchase its own drainage pump.

The basis of remuneration for sideline production includes: 'work-points in absentia' monetary compensation for work-points lost when craftsmen operate outside their own village (masons, tilers, drivers, etc.); premiums payable for items raised and sold (seedlings, immature trees, piglets and boars transported for breeding purposes to another team); piece-rates for handicraft workers; and long-term contract prices for the processing of agricultural products.

There is a yearly distribution of income, but in addition most brigades have a post-harvest share-out. Also, a deficit accounting system operates whereby peasants may draw up to a given amount of their entitlement throughout the year to meet unexpected events (births, marriages and deaths) and the purchase of the odd luxury item (sewing machine, bicycle, etc.). In some areas this is covered by bi-annual advances (spring and autumn) with the balance settled before the New Year. This payment represents only a portion of the peasant's total income over the year, since account must be taken of his miscellaneous income and the product of his private plot.²³ After deducting taxes.

23. Private land, which consists mainly of small family plots, constitutes less than 5 per cent of total cultivated area. Private farms exist in minority areas where the sparse population precludes collective production. The role of private plots in socialist agriculture is important. For instance, in the Soviet Union, Wädekin has estimated that about 40 per cent of total private farm output originates outside the collective sector. The income from this source also accounts for a significant share of the peasants' food and income. (K.G. Wädekin, The Private Sector in Soviet Agriculture (Berkeley, 1973). K.R. Walker has also estimated that in

(2-5%), interest on loans (1-2%), production expenses (about 25%) etc. from gross income,²⁴ total net income is distributed throughout the entire team according to the total number of work-points accrued.²⁵ Each family will have a joint entitlement for each working adult member of the team.

The system as it operates in Hu-Li Brigade is described below.

TABLE 3 - Total Income, Hu-Li Brigade

Source of income	Quota production (tan)	Unit price (yuan)	Amount (yuan)	Percentage of total amount
Food grain	1,078.6	8.6	92,761	62.6
Economic crops	-	-	18,078	12.2
Fruits	1,286.3	15.0	19,295	13.0
Brigade enterprise	-	-	18,160*	12.2
Total	-	-	148,294	100.0

* This is a residual sum derived by deducting all other items from the total

SOURCE: Chen/Ridley, Rural People's Communes in Lien-Chiang (Stanford, 1969), p. 29.

China private plots supplied 14 per cent of calorie intake and as much as 34 per cent of peasants' total income (Planning in Chinese Agriculture: Socialisation and the Private Sector (London, 1965), pp. 32 & 34).

24. 'Fixed value of agricultural production' is the team's total income from farming and sidelines. This is computed from the government's annual quota multiplied by prevailing prices for individual crops. In case of subsidiary industries, the calculation is based on the number of work-points.
25. See for instance, H.C. Champeau, 'Five communes in China', Current Scene 14.1 (1976), p. 14; 'How Chiaoli production team distributes its income', China Reconstructs 21.8 (1972), 2-9; and A. Nathan, 'Paying the Chinese farmer', FEER 43.9 (1964), 457-58.

The Tachai system is described in the following section. In addition to this cash distribution, a payment of kind is made of food grains produced. Grain is rationed in China and all cereals are subject to state procurement and the 'distributed grain', in current terminology called 'basic food' is made to all members irrespective of their labour contribution. Additional entitlements are made on the basis of work-points accumulated and paid for at the 'unified market price', payment being deducted from the peasant's annual wages. Those peasants who do not accumulate sufficient work-points are known as 'grain deficit households' or 'overdrawn households' and must provide a cash advance for their grain purchases or provide additional labour for any advanced rations in the next crop year.

Distribution ratios operate to a varying degree throughout the countryside as follows: grain surplus to State requirements, less the amounts paid in terms of agricultural tax and that set aside for seed, feed and the team reserve - the so-called 'three retained foods' - are distributed at an agreed ratio, e.g. 70:20:10, i.e. 70 per cent as 'basic food', 20 per cent as labour payment, and 10 per cent for purchase of inputs. At the individual level this works out at some convenient drawing right, plus the opportunity to purchase additional amounts subject to team conditions; for example, 7 lbs of grain per 100 work-points, in addition to a basic ration of 20 lbs per month, would not be far from general practice. Examples are given in Table 4 on page 219.

Division of Income and Systems of Remuneration, taking Tachai as an Example

One main reason why Emulation of Tachai²⁶ is considered so important to current policy is how it deals with the system of

26. This brigade in Hsiyang county, Shansi province, consisting of 83 households and a total population of 430, came to the forefront at the time of the Cultural Revolution when it was noted for its stubborn adherence to the style of the GLF by embarking on new labour intensive projects. During the 'three bitter years' 1960-62 when crop failure plagued China, Tachai was able to double its grain quota. Official reports currently indicate that Tachai's cereal yields are significantly higher than other parts of China, rising from 101.64 tons (1.8 tons/ha) in 1953 to 385 tons (7.7 tons/ha) in 1973. See Tachai: Standard Bearer in China's Agriculture (Peking: FLP, 1972) and N. Maxwell, op.cit., p. 475.

TABLE 4 - Distribution of Food Grain Production in Lien-Chiang

	Hu-li brigade		Hung-t'ang brigade		Shan-k'ang brigade		Average of three brigades Per cent of total
	Quantity (catties)	Per cent of total	Quantity (catties)	Per cent of total	Quantity (catties)	Per cent of total	
Seed	24,794	2.3	29,500	3.5	9,000	3.0	3.0
State levy and purchase	530,900	49.2	372,000	44.3	148,000	48.7	47.4
Feed	24,340 ^a	2.3	18,300	2.2	6,000	2.0	2.2
Ration	487,897	45.2	421,500	50.0	138,817	45.7	46.9
Work	(71,143) ^b	(6.6)	(50,500)	(6.0)	(14,881)	(4.9)	(5.8)
Basic	(416,754) ^b	(38.6)	(371,000)	(44.0) ^c	(123,936)	(40.8)	(41.1)
To the brigade	2,058 ^d	0.2	-	-	-	-	-
Others	8,774 ^e	0.8	-	-	1,919	0.6	0.5
Total	1,078,763	100.0	841,300	100.0	303,736	100.0	100.0

SOURCE: Chen/Ridley, Rural People's Communes in Lien-Chiang County, p. 27.

(a) Including feed for fowls owned by the brigade. (b) Including ration for brigade enterprise personnel. (c) The percentage given in the Chinese statistics is 42.9 which seems to be incorrect. (d) Exclusive of feed for fowls owned by the brigade and ration for brigade enterprise personnel. (e) A computed residual amount.

payment and division of income. The Marxist ideal of 'to each according to his need' has played an ephemeral role in most socialist societies, and the successful reform of what still are basically capital systems of labour payment is considered to be a major step in the transformation of the socialist economy.

Tachai's total income has been given for 1973²⁷ as follows:

	<u>RMB</u>
Agriculture	86,416
Sideline occupation*	69,960
Forestry	12,043
Livestock enterprises	14,000
	<hr/>
	182,419
Less tax	1,610**
	<hr/>
Total	180,809
	<hr/> <hr/>

* Includes income from hiring out transport and farm machinery RMB 55,148; grain processing 4,679; sale of bricks and tiles from kiln 4,505; pig manure and meat 1,373; smithy 1,300; and miscellaneous items amounting to 2,995.

** This tax is low. In China agricultural tax is progressively reduced as production rises. The tax used to be as much as 6 per cent; currently it fluctuates around 1 - 5 per cent (see p. 586).

The main crop in Tachai is maize, followed by wheat and kaoliang. Total grain harvested in 1973/74 was 385 tons, of which 150 tons was sold to the State, made up of the state procurement quota of 80 tons plus an additional 70 tons being bought at bonus rates. A distribution of 114.5 tons remained for brigade consumption and reserve, the balance of 120.5 tons being used as reserve for feed and seed. How this grain and total cash income is distributed is decided annually at a meeting of the whole village, usually after the harvest. At this AGM each household is able to publicly propose an assessment of its own food requirements for the coming year, based on the previous year's consumption and any subsequent changes in family circumstances, i.e. births,

27. N. Maxwell. op.cit., p. 476. Maxwell's figures seem to take no account of production costs.

deaths or ill-health. This assessment is subject to criticism, comment and ratification by all other brigade members. If this method seems strange, it should be remembered that lineage relations and kinship ties are strong in rural China and few villages are able to hide facts or conceal relationships in traditional rural society, and although some 'bending of the regulations' and favouritism may occur the system is not so startling as to be unworkable. However, the Tachai practice is not universally applied in China, and although it is general practice for food to be distributed as payment in kind the method varies from Tachai to some extent.

The Tachai brigade also avoids the orthodox work-point system that relies on labour grading or complicated piece-work systems in favour of 'self-evaluation and public assessment' of a peasant's norm. Once this norm has been established, calculation of an individual's entitlement is arrived at by calculating the actual amount of labour performed weekly, monthly or annually, this assessment being the responsibility of the 'work-point recorder'. A peasant whose norm has been set at 9, having worked 308 days in the year would therefore obtain $9 \times 308 = 2,772$ work-points.²⁸ The total amount remaining for brigade distribution after deduction of production costs, payment of agricultural tax and contributions to accumulation and welfare funds will then be divided by the total number of collectively-earned points, which gives a cash value to the work-points. This cash value is then multiplied by an individual's total to provide a monetary sum representing the peasant's net collective income. A family unit adds up its joint entitlement, deducting total cash equivalent of food grains etc. drawn by the household in the previous year. The balance is paid out in cash.

Summary

The difference between the commune and the co-operative in China explained in this analysis has tended to follow socio-political objectives. Whilst the Agricultural Producer Co-operative was chiefly engaged in farming, the communes, after it was established, combined all farming operations within a local government function. Hence, the commune is the chief political body in a given rural area. As such it not only carries out farming operations, but is also responsible for education, health and local industry.

²⁸. N. Maxwell, op.cit., p. 480

The old APC was simply a two tiered farm structure with co-operative ownership at only one level; the commune, on the other hand being a three-tiered organisation has a collective ownership at all three levels, with the team as the basic accounting unit. Undertakings run by teams account for the largest proportion of the commune's total assets.

Actual structural organisation of agriculture has not changed significantly since the advent of the communes. Current policy stresses, re-settlement of the population to combat the rural-urban drift and enhance the technology and services of rural areas, decentralisation of industry and the eventual replacement of the team by the brigade to the accounting unit. Peasant participation is now much discussed. Sound financial management is stressed as one of the most important factors in co-operative undertakings. The task is to run the co-operative with thrift. Waste must be eliminated and proper accounting procedures are given prominence in management.

At present, significant resources are being committed to rural development. Industry is being urged to support agriculture. Practical, vocational training is being expanded with emphasis on farming. Decentralisation has also applied to research institutions which now come more under the jurisdiction of the provincial administration with the expected hope that practical results will be applied successfully to local areas. The principle of 'distribution according to need' is being pushed ahead following the lead of Tachai and farmer's incomes are being increased with productivity.

The Chinese experiment is quite distinct from other socialist countries and this short review of recent development has tried to bring together the various aspects of nearly three decades of co-operation.

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THE CO-OPERATIVE MARKETING OF CAROBS IN CYPRUS

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Until 1953, the carob was the most abundant crop bearing tree in Cyprus and in many years carobs were the most valuable agricultural export, surpassed only in recent years by citrus and vegetables. Carob trees thrive on the seaward slopes of the two mountain masses up to altitudes of 1,000 feet, but above this level they are liable to damage by frost. The fruit often called locust beans, are popularly known as "consols of Cyprus" or "black gold", as once the trees are established the production of carobs calls for little effort outside the picking season, the trees being hardy and not liable to attack by any serious diseases or pest. To the owner they provide a reasonable cash income with a minimum of effort. An important economic advantage of the carob tree is the fact that it occupies much rocky and steep land which otherwise would yield little income. The tree flowers in September and the fruit, a large pod containing six to ten hard beans, develops during the following year and is picked in August. The pods and seeds crushed together are mainly used as an ingredient for cattle cake. The beans are also used as a foodstuff eaten by the poorer classes in the Middle East. A limited amount of beans is processed further for use in the sweet and confectionery industry.

Carobs are almost exclusively an export crop and up to 95% of the annual production may be exported, the main market being the United Kingdom, Italy and Sweden. However the production of carobs like most agricultural products, varies from year to year according to seasonal and marketing conditions. The planting of trees has been stimulated in the post-war period and an increase in production may be expected in the future as new trees come into bearing. The overall healthy state of the carob industry, is indicated by the following table which shows that both yields and production trends are rising.

Until 1940 the Cypriot carob producers had to make their own individual arrangements for the sale of their crop and were often exploited by the merchants. Dissatisfaction with the situation at that time is shown by the volume of criticism and dissatisfaction expressed in the many reports made on the carob industry.

TABLE 1 - Production and Exports of Carobs 1965 - 1970

Year	Number of trees	Production	Exports	
			Tons 000's	£C's 000's
1965-66	2,395	42	33	629
1966-67	2,440	60	42	868
1967-68	2,480	55	47	1,011
1968-69	2,550	62	52	1,157
1969-70	2,560	51	49	1,231

SOURCE: Ministry of Agriculture, Nicosia, Cyprus.

Prior to 1940 the money-lender and local merchants were the sole marketing agencies for carobs dealing direct with farmers. The carob trade itself was dominated by a few private companies which owned specialised processing plants for the kibbling of carobs, and which were accused of acting in collusion with the merchants at the expense of the producers.

The 1930's was a period of world wide agricultural depression when no farmers anywhere were making big profits. However Cypriot merchants seem to have done well at this time, which confirms the contemporary view that they were exploiting their position unfairly.

The co-operative movement which eventually defeated the private oligopsonists, entered carob marketing in 1940 when a few credit societies in the Kyrenia district undertook the marketing of their members' carobs. On delivery of their produce to their respective societies members received advances of up to 60% of the current market price. Societies then sold their carobs in bulk to the carob merchants who owned specialised machinery for crushing and processing the crop. The system proved to be so successful that all these societies united to form a district co-operative marketing union.

The same pattern was followed in 1946 in the other four districts, Limassol, Famagusta, Paphos and Larnaca. In Limassol in 1946, 37 co-operative credit societies in the main carob producing villages

united to form their own union. Starting with £C550 share capital, the representatives of the societies met and elected a committee of five to be responsible for the marketing of members' carobs. Their sales in the first year were made to local exporters, and as a result of increased bargaining power, better prices were received by the union. Their high loyalty was reflected in the high rate of throughput as all producers delivered the bulk of their crops to their societies. The union was not satisfied however merely to negotiate sales with the merchants and it planned to build a kibbling factory for processing the crop for their members, at a cost of nearly £C28,000. This represented a considerable investment in 1946. The committee tried to raise capital from the member societies through the increase in fixed term deposits held with the union but these funds were not forthcoming in the amounts expected and in the end a loan of £C27,000 was obtained from Barclays Bank. With this money specialised stores were erected and modern machinery installed. The other unions developed in a similar way and each serves a defined area which effectively covered the whole island.

The carobs handled by the unions were either directly exported or sold to local companies for export. This led to competition between the unions themselves, so that after four years the unions came together and formed an unofficial federation, and in this way they hoped to co-ordinate their operations and improve their position in the market. In 1953, the unofficial agreement was superseded by the formation of the Co-operative Carob Marketing Federation Ltd, which took over from the unions, marketing of the whole of the carob crop. It operates from an office in Limassol and maintains telex communications with potential buyers overseas, organises shipping and advises the unions where and when to deliver their stocks. The unions thus effectively operate on the basis of a single outlet for their crops.

In 1972, the Secondary Societies had been established about 23 years making them the oldest group of co-operative marketing societies in Cyprus. Their membership varied from 22 individual credit societies to 62 societies, with a total of 200 societies. Their membership in terms of individual carob growers varied from union to union, but the Larnaca Union was the smallest with 9,000 carob growers and the Limassol Union the biggest with 25,000 individual farmers. Membership is open to all credit societies within the operating area which are prepared to pay the affiliation fee.

The Union capital is accumulated from affiliation fees of £C10 per annum per member credit society and by ploughing back their profits. The reserve fund comprises all working surpluses which have been transferred to finance further expansion when the need arises. The unions of course, have access to finance from the Co-operative Central Bank and Barclays Bank. In fact the managers of the five unions, when interviewed, said quite emphatically, "capital is not a problem; there is ample finance if we require additional funds to expand. Capital is no longer a constraint on our growth path".

Share capital per union averages £C10,647 with a range of £C5,420 to £C19,123. This is approximately £C262 per member society, (local credit society). Reserves average £C23,463 with a range from £C11,108 to £C42,761. Total capital reserves were £C1,331 per member society, for details see Table 2. Most of the capital is invested in specialised stores and machinery belonging to the unions. All five unions own their own kibbling factories and specialised stores, which are well built with extensions which have been added with modern facilities. The peak months of operations are between September and May, and the maximum daily throughput of a plant with crushing and other specialised processing machinery was up to 80 tons. All five processing plants were using modern methods for general storage procedures and processing.

TABLE 2 - Share Capital and Reserve Fund of the 5 Carob Marketing Unions.

Name of Union	Share of Capital in 1970 in £C's 000's	Reserve Fund in 1970 in £C's 000's
Paphos	19.1	24.9
Kyrenia	5.4	12.3
Larnaca	5.4	11.1
Limassol	11.4	42.7
Famagusta	11.9	26.3
Total	53.2	117.3
Average	10.6	23.5

SOURCE: Compiled by the writer in 1972.

Despite the fact that the carob unions have had to compete with a well established trading sector, the average turnover per union in 1970 amounted to £C190,000. The largest turnover was in Paphos District with £C332,000 in 1970 covering 6,785 tons of carobs exported. The rapid growth of the carob unions is illustrated by the marketing turnover of the Limmesol Union which increased from £C60,000 in 1951 to £C200,000 in 1964 and £C340,000 in 1975. Total turnover of all five unions in 1970 was 33,000 tons value £C956,000.

Sales per member society averaged at 154 tons in 1970; the operating costs per ton handled averaged at £C6.* These costs include administration, wages and salaries and other running expenses of the plant. It does not include shipping costs, insurance or port dues, as exporting is done by the Federation. All the unions operated at a profit.

The average share of the national market enjoyed by the five unions averaged 75%, ranging from 65% to 85%. The two largest carob unions (Limassol and Paphos) handled 47% of the country's production of carobs. The annual statistics of the Ministry of Agriculture show that in 1969/1970 total exports of carobs was £C1.2 million of which £C0.6 million were exported by the Limassol and Paphos unions.

Approximately 24% of the Cypriot output of carobs comes from monasteries and private estates owned by business men who do not use the facilities of the co-operative movement but almost all the remaining production now passes through the co-operative societies. An idea of their rapid overall growth can be seen from Table 3 and it is obvious that an efficient and profitable service is being provided for small farmer production.

The growers deliver**their carobs to the village co-operative credit society which pays up to 60% of the market price of the crop on delivery. The Bank provides the short term credit

* This may be compared with the cost of £C8 per ton for port dues, insurance and shipping quoted by the manager of the Carob Federation.

** Individual growers members of the credit societies are not bound to deliver to their societies; but societies are bound by their rules to deliver to the unions all carobs received by them.

TABLE 3 - Growth of the Five Carob Marketing Unions, (1942 - 1972).

	Year of Establishment 1947 *	Latest Counts 1970
Turnover	£C40,600	£C955,694
Membership	22 Credit Societies	200 Credit Societies
Reserve Fund	£C2,200	£C417,317
Annual Surplus	£C500	£C25,000

SOURCE: Compiled by the writer during fieldwork in 1972

* First year in which all unions were operating

required by the primary societies until final settlement from the Federation. The credit society arranges transport to the union's factory where the carobs are kibbled. The proceeds from the sale, net of expenses, is paid through the Co-operative Central Bank to societies, which pay their members, deducting advances and transport costs but no commission.

The unions undertake storage and processing (kibbling and bagging) and delivery to the ship (on contract haulage basis) according to instructions received from the Federation. The unions do not sell, or in any way dispose of carobs, other than on Federation instructions. After completion of the sales, the Federation distributes the net proceeds to the five unions, who in their turn deduct their own expenses from their payments to the village societies. The Federation decides the disposal of the carobs, provides the unions with packing materials (bags, jute sacks, etc.), undertakes the chartering of ships and insures the stock collectively against fire, marine and other risks. The Federation (now handling nearly 75% of the export of carobs) is administered by a committee of 9 members elected every three years by the committees of the unions which are members of the Federation. The day to day operations of the Federation are controlled by a full-time secretary/manager, who commented, "we have to fight hard every year to sell our carobs abroad. It is a 99% export crop and we have to keep abreast with market

developments". His management of the Federation is reflected in the increase of exports of carobs over the last 10 years. There are two assistants (a total staff of three) running the entire operations of the Federation, using telex to communicate daily with overseas customers.

Managers of the five marketing carob unions were asked separately to state in order of importance the main problems facing their unions. There was little difference in the problems listed or in their ranking in the replies received. The first problem given as by far the most serious, was that of selling the carobs at reasonable prices. The Federation Manager said: "we rely on very few marketing outlets for our exports of carobs, mainly those of the United Kingdom, Italy and Sweden. If something goes wrong there and they do not buy our carobs, the entire carob community will suffer immensely. Considering it is the fourth major export of the island, its importance can scarcely be over emphasised". All managers agreed that there is need to find new markets and this problem is being actively examined by the Federation.

The second problem was one of rising costs which is partly the result of international inflation. Shipping charges were £2.50 per ton in 1953 and £7.50 per ton in 1972. The rising costs of shipping and insurance coupled with the fact that carobs are not a high value export commodity, reduces the earnings of the carob growers.

The main reasons quoted for the success and high co-operative share of the carob market were:-

1. The high degree of exploitation by the carob growers in the past. The merchants had been unscrupulous in their endeavours to make high profits at the expense of poor growers. Consequently when the idea of co-operation came, the growers did not hesitate to unite; one manager in fact said, "it did not take us long to realise that with co-operatives we had our only chance of survival, as farmers. We had to unite in order to increase our bargaining power and get better prices for our crop." Needless to say, this need to unite had led to an unprecedented degree of loyalty amongst the carob producers which has enabled the unions to expand rapidly.
2. Carobs are predominantly an export crop. The dependence on exports provided opportunities for collaboration of growers in order to rationalise their activities, reduce

costs and improve their bargaining position. This in turn led to the establishment of district unions and the Co-operative Carob Federation to co-ordinate the export drive.

3. The early purchase of modern specialised facilities for the processing of carobs by all the marketing unions. Every union has built up its own kibbling factory which has attracted the growers away from the processing plants of the carob merchants. This has led to a considerable reduction of throughput of the kibbling factories of the private intermediaries which eventually led to the closure of many of them. Unions now possess up-to-date machinery and specialised stores which are all well sited as regards both the production areas and major ports.
4. The compact producing areas of carobs. The production of carobs is concentrated within each of the five districts where the unions operate. Consequently economies of scale have been secured in terms of packing and transporting the produce; the unions' stores are located near the carob farms which, in turn are close to each other.
5. The high management standards of the unions and of the Carob Federation was acknowledged by all parties concerned. The managers of the unions and of the Federation are all well educated and cost conscious, and their determination and loyalty to the co-operatives was impressive, and has been acknowledged by international authorities who have used Cyprus as a training ground in co-operation. They were all familiar with modern business methods and kept a close watch on the marketing situation. Perhaps most impressive was the harmonious personal relationship between the officials and members of the societies; a situation which is paralleled by the overall healthy state of the carob industry. Morale was high and this is mirrored in efficiency.

Despite these obvious reasons for success, however, there are other features which should not pass without comment. The first is that marketing carobs was attempted through existing credit societies, and not by forming marketing co-operatives for the purpose. This was possible because the credit co-operatives were already well established, and had earned the confidence of their members, many of whom must have been carob growers. The credit societies were able to use their own funds, in the early days, to make the first payment of 60% of the market price

to members. This was possible because the payment was made against the crop received, the area was small, and the crop was delivered to local processors, so that the co-operative was able to re-coup its advances quickly. No doubt also the co-operative took the precaution of ensuring that the members' savings accounts were sufficiently in credit to provide a collateral security.

The second feature of this marketing enterprise was the development of co-operative processing facilities based on a single low value, export crop. As with many other crops used for animals and human food, the season is short, and the processing factory cannot be used for other purposes - cotton ginning, sugar cane, and sugar beet are three examples that come easily to mind. Thus to build a processing factory, with borrowed funds, in the face of an existing private enterprise capability, which had sufficient capacity to cope with the available demand, called for considerable courage, and a firm belief in the loyalty and commitment of the members.

The credit co-operative has continued to be the primary level medium for the marketing of carobs, and if there was any desire to form primary level marketing co-operatives for carobs, it must have been successfully resisted. Thus a suitably economic system of marketing and processing has been erected on a basis of credit and thrift co-operatives without endangering their strength. This was a considerable achievement, and although it was aided by the smallness of Cyprus itself with its closely knit local farming communities, the factor of success that must be acknowledged is the determination, confidence, commitment and loyalty of the members to their co-operatives.

B E L I Z E *

1972 was considered to be a record year in the history of the Belize Co-operative Movement. 12 new co-operative societies were registered, notable increases were made in the volume of business, overall production and general membership of the existing co-operatives and credit union societies. The district co-operatives officers have had able support from Peace Corps Volunteers in supervision and direction of the Movement.

Fishing Co-operatives

The fishing co-operatives continued to contribute significantly to the national economy. During the year some 1.7 million pounds or \$3½ million worth of sea food were produced and exported mainly to the United States of America, showing an increase of 20,000 pounds or \$333,000 over the previous year.

The Belize Fishermen Co-operative Association Limited continues to champion the cause of its member fishing societies, and in 1972 held discussions with the Fisheries Unit which is an arm of the Ministry of Trade and Industry charged with the responsibility of protecting the Fishing Industry. Among items discussed were (a) effectiveness of patrol boats (b) deep sea fishing (c) lobster quotas (d) sale of fish in the local market.

Statistics 1972

The results for 42 societies covering a variety of activities are summarized in the accompanying table.

Credit Unions

The Credit Union Movement in the country continued to grow with increase in membership, shares, loans issued and loans repaid. The larger credit unions found mostly in Belize City continued to make productive and provident loans to its members in the fields of education, housing and vacation. A drive is being conducted to recruit young people and efforts being made to revitalize moribund societies.

* Extracted from Annual Report of the Department of Co-operatives and Credit Unions for the year 1972

The Credit Union League has been accepted as a member of the Caribbean Confederation of Credit Unions which is a regional body aimed at promoting the organisation, operation, development and supervision of Credit Unions in the Caribbean.

Savings Unions

There was an increase of two in the number of Junior Savings Unions bringing the total to 18.

The following increases were also noted during 1972:-

	1971	1972
1. Membership	1,363	1,775
2. Share Capital	5,528	7,029

Statistics of Co-operative Societies in Belize as at 31st December, 1972

Type of Society	Number of Societies	Membership	Share Capital \$000's	Reserve \$000's	Total Assets \$000's	Turnover \$000's
Fishermen's	7	820	214	634	2,176	3,192
Producers	8	208	9	1	96	25
Marketing	20	432	72	3	139	81
Housing	2	29	2	-	2	-
Transport	3	80	10	-	8	4
Bee keeping	2	107	4	5	33	48
TOTAL	42	1,676	311	643	2,454	3,351

H O N G K O N G *

Co-operative and Credit Union Policy

It is Government policy to consolidate the present development of the Co-operative and Credit Union movements, as instruments to improve the economic and social conditions of the community.

The promotion of the movement among the farming and fishing communities is dealt with by specialist staff in the extension divisions of both the Agriculture and Fisheries Branches. A special Co-operative Section attached to Headquarters Division deals with the supervision and promotion of the movement among the urban community; this section is also responsible for the audit or examination of all co-operative society accounts.

The main types of farming 'producer' co-operatives comprised Vegetable Marketing, Pig Raising and Agricultural Credit Societies, on 31st March, 1974 there were 75 such societies with a total membership of 10,728. These societies provide a legal framework through which credit facilities were deployed. While the best of these societies provide efficient services for their members, there is a tail of inactive societies whose members have left the district, turned to other occupations, or lost interest. Three such societies were liquidated during the year. Within the farming community there were also 14 Better Living Co-operative Societies, with a total membership of 1,207. They have been classified as 'social' co-operatives in which the societies manage and maintain their own housing schemes or villages, and generally look after the welfare of members and their families.

Vegetable Marketing Co-operative Societies

There were 31 societies with a total membership of 8,789. Of the locally produced vegetables sold during 1973-74 through the Vegetable Marketing Organisation, over 80% came from these societies. The largest society had a turnover of \$7.9 million in the year. At the other extreme, three societies handled negligible quantities of vegetables.

* Extracted from Annual Departmental Report 1973-74. Director of Agriculture and Fisheries.

The Federation of Vegetable Marketing Co-operative Societies

The Federation had a membership of 28 societies and provided a forum for its member-societies, and was represented by three members on the Marketing Advisory Board. It operated schemes for the purchase and sale of agricultural supplies including mechanical cultivators and weed killers.

Pig Raising Co-operative Societies

There were 30 societies with a total membership of 1,502.

The Federation of Pig Raising Co-operative Societies

The Federation had a membership of 31 societies, including six Agricultural Credit Societies. Since 1964, this Federation has been successfully operating a Pigsty Loan Fund with a capital of \$120,000 donated by C.A.R.E.¹ during the year loans amounting to \$58,000 were made.

Irrigation Co-operative Society

One society continued to operate a mutually beneficial irrigation scheme, including the maintenance of water pumps and channels.

Fisheries Co-operative Societies

There were 14 Fishermen's co-operative societies with a total membership of 2,196; and four district federations consisting of 56 member societies. Fishermen's 'producer' co-operatives consisted of 61 Credit Societies and two Credit and Housing Societies. There were also ten Better Living Societies and one Consumer Society in the fishing Community classified as 'social' co-operatives.

¹ C.A.R.E. = Co-operative for American Relief Everywhere.

Co-operative Societies as at 31st March, 1974 by Function

Type	Number	Member- ship	Share Capital \$000's	Deposits \$000's
<u>PRIMARY PRODUCERS</u>				
<u>Economic Services (Agriculture)</u>				
Federation of Vegetable Marketing Societies	1	28*	5	-
Federation of Pig Raising Societies	1	31**	1	-
Agricultural Credit	9	251	38	54
Farmer's Irrigation	1	68	1	-
Pig Raising	30	1,502	129	69
Vegetable Marketing	31	8,789	108	182
Thrift and Loan	2	59	1	13
<u>Economics Services (Fisheries)</u>				
Federation of Fishermen's Credit Societies	4	56*	5	-
Credit	61	1,350	32	3,908
Credit and Housing	2	101	1	87
<u>Social Services (Agriculture)</u>				
Better Living	14	1,207	20	29
<u>Social Services (Fisheries)</u>				
Better Living	10	700	12	8
Consumers	1	45	2	-
TOTAL PRIMARY PRODUCERS	167	14,187	355	4,350
<u>NON-PRODUCERS</u>				
<u>Economic Services</u>				
Thrift and Loan	4	647	9	241
<u>Social Services</u>				
Apartment Owners	2	159	11	-
Building	236	5,042	1,392	-
Consumers	10	2,545	15	-
TOTAL NON-PRODUCERS	252	8,393	1,427	241
GRAND TOTAL	419	22,580	1,783	4,951

* Member Societies + including 6 Agricultural Credit Societies

R H O D E S I A *

The year 1974 was one of satisfactory growth in the Rhodesian co-operative movement, and in terms of turnover, a new record was once again achieved. The total turnover for 1974, at \$80 million exceeded that for 1973 by over \$16 million - an increase of 25%. Most Rhodesian co-operatives serve the agricultural industry.

The steady growth of the European co-operative companies registered under the Co-operative Companies Act was reflected in their turnover for 1974, which increased by 15% over 1973 to a new record figure of \$55 million. The turnover of the European agricultural co-operatives registered under the Co-operative Societies Act rose by 55% over 1973 to \$19.6 million of which all but \$140,000 was accounted for by the Cotton and Agricultural Buying Co-operative Limited. There was no change in the number of European agricultural co-operatives registered under either of the two co-operative statutes, while membership increased by approximately 2% in the case of the agricultural co-operative companies and 12% in the case of the European agricultural co-operative societies.

In the African sector, the turnover of the agricultural marketing and supply co-operative supply societies increased by 26% over the previous record year (1972) to \$6 million.

The steady growth in membership of such co-operatives was maintained at 7% per annum, although the number of societies registered was reduced by two.

African Co-operative Societies for Agricultural Marketing and Supply

During 1974 there were nine new registrations and eleven cancelled: resulting in 292 registrations current at the end of 1974.

There were eleven co-operative unions on the register and the number of primary societies serviced by these unions numbered 248.

There was no change in the membership of the Central Association of Co-operative Unions, which continued to play a useful consul-

* Condensed from the Annual Report of the Co-operative Branch for the year 1974

tative role in the development of the African co-operative movement. Lack of capital for development continues to hamper the growth and viability of African co-operatives and little progress has yet been made in the establishment of an organisation, such as a co-operative bank, which will adequately cater for this need. Progress in this direction is not made any easier by the lack of responsibility towards credit displayed by the Managing Committees of a number of these co-operative societies. The trading turnover of African Co-operative Societies increased by 67% over the 1973 total. Of the money received for crops 32% was recycled through the societies by the members purchasing their requirements from societies stores.

More societies are now providing mechanical services to their members.

General

The continued growth of the co-operative movement in both the European and African sectors clearly indicates that co-operatives are playing a useful role in the economic development of the country. Much interest in and support for the development of the rural African co-operatives is expressed in many quarters. There is, however, little appreciation of the difficulties faced by those responsible for promoting the development of the African co-operative movement.

The growing complexity of the business operations of the African co-operatives, particularly in the case of the co-operative unions and a corresponding increase in the level of credit gives cause for concern. Members are anxious to demonstrate their ability to manage their co-operative with minimal advice and assistance, but there is a tendency to fail to appreciate the complexity of the business and the dangers of trading on credit.

Tables as follows:

1. Statistical details of co-operative companies registered under Chapter 181 and European co-operative societies registered under chapter 225 for marketing and agricultural activities.
2. Annual Statistics African co-operative societies registered under chapter 225 for agricultural and marketing supplies.

Co-operative Companies Registered Under Chapter 181

Year	Registered companies in operation	Membership	Share Capital \$000's	Turnover \$000's
1964	21	8,723	3,060	26,879
1965	22	8,566	3,447	29,673
1966	19	8,611	3,771	31,556
1967	18	8,511	3,959	30,092
1968	18	9,178	4,124	33,336
1969	20	9,590	4,189	34,439
1970	20	9,930	4,464	37,613
1971	22	9,354	4,405	41,498
1972	23	9,637	4,524	43,816
1973	22	9,828	4,984	47,951
1974	22	10,043	4,988	54,868

European Co-operative Societies Registered under Chapter 225 for Marketing and Agricultural Activities

Year	Registered companies in operation	Membership	Share Capital \$000's	Turnover \$000's
1964	5	189	1	241
1965	9	332	5	357
1966	11	480	8	374
1967	11	577	11	525
1968	10	617	11	539
1969	11	1,497	16	800
1970	11	1,866	20	1,563
1971	8	3,195	16	6,431
1972	7	3,558	88	12,813
1973	7	3,160	133	12,633
1974	7	3,539	155	19,635

African Co-operative Societies Registered Under Chapter 225 for
Agricultural and Marketing Supplies

Year	Registered societies in operation	Membership	Share Capital \$000's	Turnover \$000's
1964	110	8,937	27	632
1965	169	14,742	14	1,259
1966	213	19,342	52	1,844
1967	236	22,543	61	2,284
1968	257	24,416	64	1,586
1969	267	26,185	68	2,445
1970	283	27,397	73	2,001
1971	288	30,592	83	3,046
1972	292	33,110	90	4,386
1973	294	35,512	97	3,767
1974	292	37,991	106	5,984

S I N G A P O R E *

The co-operative movement continued to diversify its co-operative activities during 1974. Several thrift and loan societies provided 'subsidiary consumer services' to members apart from their normal business of granting loans and the trend of diversification of co-operative endeavours would no doubt remain a dominant feature of the co-operative movement in Singapore in the future.

Steps were taken to de-register two societies which were beyond reviving and three new societies were registered (a) St. Joseph's Institution Co-operative Society Ltd. (A pilot project which will pave the way for more school co-operatives to be formed in the future); (b) Singapore Livestock and Agriculture Co-operative Society Ltd; (c) NTUC Fairdeal Book Co-operative Ltd.

In addition to its usual work, the Registry was also involved in a major task to revise the co-operative law. Professor Hans H. Munkner of the University of Marburg, Federal Republic of Germany, was given a six-month ILO mission to assist the Government in drafting the new co-operative legislation.

Activities of Co-operative Societies

The thrift and credit societies formed the bulk of the co-operative societies in Singapore. During the year they continued their normal business of granting loans at a low interest rate (six per cent per annum) to members.

Consumer Co-operative consist of sundry shop societies and store societies dealing in provisions and mechanical goods. Most were small primary societies and they included three co-operative bookstores.

Producer Co-operatives, there are two of these namely (1) Shoemakers Co-operative Industrial Society and (2) the Singapore Livestock and Agricultural Co-operative Society Ltd. (SLACS). The latter was required in 1974 to develop mechanised pig farming, chicken farming, vegetable and fruit cultivation and production of animal feed.

* Extracted from the Registry of Co-operative Societies Annual Report 1974

Housing/Land Purchase Co-operatives. There were three housing co-operatives which undertake housing projects for the benefits of their members, and also provided loans to members to purchase houses or land for personal use. The progress of the housing co-operatives was hampered by the acute shortage of land in Singapore and the spiralling cost of building materials.

Transport Co-operative. The NTUC Workers Co-operative Commonwealth for Transport Ltd. (COMFORT) was the only active and enterprising society among the three transport co-operatives.

Insurance Co-operative. The NTUC Co-operative Insurance Commonwealth Enterprise Ltd. (INCOME) was the only insurance co-operative in Singapore. During the year, 8,331 policies were issued amounting to a sum of \$42,692,515.

Medical Co-operative. The NTUC Co-operative Dental Care Society Ltd. (DENTICARE) was the only medical co-operative in Singapore.

Other co-operatives in existence included five multi-purpose co-operatives, one banking co-operative, the Singapore Malays Co-operative Banking Union Ltd and a school co-operative, St. Joseph's Institution Co-operative Society Ltd which was registered in 1974.

The year witnessed stronger emphasis on diversification of co-operative ventures, and there was also a growing awareness of the usefulness of co-operatives as one of the effective instruments to combat profiteering. The consumer services were playing an important role in the nation-wide efforts to check inflation. The establishment of the first school co-operative augured well for a long-term development programme for students to learn co-operative principles. The revision of co-operative legislation should provide a sound basis for the future development of the co-operative movement in Singapore.

Statistics of Co-operative Societies in the Republic of Singapore as at 31st December, 1974

Type of Society	Number of Societies	Membership	Shares and Subscription \$000's	Specific Deposits \$000's	Reserves \$000's	ASSETS			Working Capital \$000's
						Fixed Assets Including Investments \$000's	Current Assets (less Loans) \$000's	Loan \$000's	
Thrift and Credit	45	29,260	22,187	1,740	2,786	9,382	2,860	15,435	26,712
Consumers	13	15,010	1,841	7	525	2,421	3,176	181	2,373
Producers	2	104	22	-	235	79	532	73	256
Housing	3	5,071	3,080	1,108	1,055	1,207	28	7,593	5,243
Land Purchase	3	215	38	-	4	38	26	18	43
Transport	3	1,910	511	329	3,052	5,359	1,289	2,706	3,892
Insurance	1	20,333	1,534	-	7,662	8,399	988	375	9,217
Medical	1	11	101	-	-	20	62	-	101
Multi-purpose	5	13,614	3,277	938	335	587	1,458	2,091	4,550
Banking	1	11	29	208	66	125	52	133	304
Union	1	18	-	-	-	14	1	-	-
School									
Co-operative	1	328	1	1	-	2	1	-	1
TOTAL	79	85,885	32,621	4,331	15,740	27,633	10,473	26,603	52,692

Note: Previous year's figures taken where 1974 is not available.

BOOK REVIEWS

by

Margaret Digby, OBE. MA.

British Agricultural Co-operatives, by John Morley, Hutchinson Benham, London 1975.

A new comprehensive book on agricultural co-operation in Great Britain was needed. Those already written are out of date both statistically and in the situations which they describe. There is also merit in an attempt to see co-operation not so much as an historical development or in the setting of other European co-operative movements, but in the context of general agricultural policy and the new national bodies to which it has given birth in recent years.

On all these counts John Morley's book is welcome and should be read by those with a practical or an academic interest in co-operation both in this country and abroad. It opens with a valuable chapter on the economic and political background, the changes that have taken place in farming itself and in the commercial handling of farm produce in the last 30 years. It summarises the growth of co-operative societies and the unexpected appearance of co-operative companies, some of them with substantial achievements though perhaps collectively with less impact than was at one time expected. The legal and fiscal position of both groups is set out at some length and with commendable clarity. A chapter on structures includes a discussion on the relation between co-operatives and marketing boards, the outcome of an earlier phase of Ministry of Agriculture thinking on the farmers' control of his product once it has left the farm. A chapter on members, boards and management, deals with a number of familiar and some newly emerging problems as well as with the important topics of education and training to which much less attention has been paid in Great Britain than most countries with comparable activity.

When it comes to the experience of different groups of co-operatives, they are divided into supply and services (a logical rather than an actual division) and marketing, with farm production, an unusual, not to say exotic, form of co-operation in this country, in a chapter by itself. The book deals fully with the complexity of national organisation including the voluntary Federation of Agricultural Co-operatives and the statutory

Central Council of Agricultural and Horticultural Co-operatives and the relation between them. It also sketches the impact of the EEC and its agricultural co-operative pressure group, COGECA, on the British movement. The chapter devoted to the future is more critical than boldly creative but the criticisms are reasonable and should receive attention.

Zur Krise der Genossenschaften in der Entwicklungspolitik, by Eberhard Dülfer, Marburger Schriften zum genossenschaftswesen Göttingen Vandenhoeck & Ruprecht 1975.

In the last 20-30 years a very large number of countries have moved from a state of economic and political tutelage to one of complete self-government. Most of these countries were regions of tropical agriculture with primitive methods of cultivation and little development of either a commercial or a banking system. Some experiments had been made in this direction, principally by co-operative movements very carefully organised and supervised. These had been a success on a restricted scale and while admitting the supervision, they were the creation and responsibility of the local Asian or African farmer; with the coming of political independence and economic ambition there was an almost universal demand for more co-operative organisation for the transfer of all the secondary economic functions of agriculture to a co-operative base. This appeal was taken up by the sponsors of international development, the agencies of the United Nations, and the rich countries either with traditions of involvement in developing countries or with ambitions to play such a part. Co-operation for developing countries was the watchword of one if not two decades. Then doubts began to set in. The World Bank had never much cared for co-operatives. The word itself was differently interpreted according to the political background of the country using it. Some hastily conceived schemes failed through hasty, inadequate preparation or supervision or unsound basic assumptions. This fashion in international development and planning turned against co-operation and looked for some alternative system, usually quite untried and unstudied and much was written about pre-co-operatives, unregistered co-operatives, co-operatives for the actual cultivation of land instead of for the traditional functions of marketing, supply and finance.

The Institute for Co-operation in the Developing Countries of the University of Marburg in Germany has existed for many years and gives valuable service. In 1974 it organised an internal conference of experts to discuss co-operation in the light of the criticisms launched against it. A report of this conference

has now been published and should be read by all those concerned with the subject, whether advocates or critics of co-operation as a factor in development. The scene is set and the problem stated by Professor Dülfer who makes it clear that none of the questions can be answered unless agreement is reached as to what are the goals of co-operation and some criteria are devised which will ascertain how far these goals have or have not been reached. Professor Dülfer suggests mathematical constructions by which the value of different goals can be assessed and this line of thought is continued by Professor Schiemenz. Professor Kuhn carries the discussion into the field of social psychology and Professor Henel considers the possible differences between the co-operative goals of the state and those of the individual member. An African contribution comes from Mr. Chukwu on credit aspects based on experience both in East and West Africa and Professor Munkner deals with the legal problems of pre-co-operatives. Professor Stoffregen takes the discussion into the philosophic field with a paper on the co-operative enterprise as subject or object of development measures.

Marketing Boards and Ministers, by Dr. P.J. Giddings, Saxon House, D.C. Heath Ltd., 1974.

It is perhaps significant that Dr. Giddings, the author of Marketing Boards and Ministers, is lecturer in politics rather than in economics or agriculture at Reading University. Perhaps for this reason the emphasis is on the relation between the Boards and the Ministry and the Minister concerned in this case, the Ministry of Agriculture, rather than the relation between the Boards and the farmers or their economic and political organisation. To those for whom the impact of Boards on farmers is the centre of interest this approach may seem deliberately marginal. It is carefully studied under the six headings: statutory framework, board membership, financial provisions, statutory controls, the attitude of Parliament and policy. The approach yields a good deal that is significant and sometimes unexpected.

In the introductory historical survey Dr. Giddings relates the activities of the Boards to the Ottawa Agreements (and he might have added those with Denmark and other traditional suppliers of foodstuffs to this country) and to the wartime agricultural policy which aimed at increasing rather than controlling agricultural production but was followed by a reversion to the earlier situation of surplus. Dr. Giddings does not project his study into the era of EEC policy and controls.

At an early stage the author calls attention to contrasting elements in the statutory framework and the overt factor of producer self-government to the latent factor of a publicly controlled environment. After a useful summary of the careers of all the Boards which have from time to time existed in England and Wales (no detailed consideration is given to Scotland or to Northern Ireland) he devotes careful chapters to the various elements of control already identified. In factm he points out that the original concept of control by membership has been considerably modified as, for example, by the co-opted membership of boards, followed in 1949 by a partially appointed membership. Finance, in which the boards differ considerably from one another, and the exercise by the boards of statutory controls are also reviewed. The attitude of Parliament shows itself in the orders which it issues from time to time and leaves the boards to enforce and the rather infrequent Parliamentary questions and debates which deal with marketing boards. The relationship, Dr. Giddings concludes, is one of influence rather than control. As the British marketing boards have, in considerable measure, served as a model to those in developing countries (though with substantial modification) Dr. Giddings' book should be of value to those concerned with new or amended marketing boards in such countries.

La Cooperacion Agraria en el Comercio de Productos Alimenticios,
by R. Carbonell de Masy, Biblioteca de ciencias empresariales
Ediciones ICE, Madrid, 1975.

Father Carbonell de Masy is Professor of Agricultural Marketing at the Higher School of Technical Agricultural Management in Cordoba. He has also been for long closely connected with agricultural co-operation and probably better informed than anyone on its Spanish aspects. His recent book on Agricultural Co-operation and the Marketing of Food Products is a most useful guide to marketing techniques in general and the position already achieved by Spanish co-operatives. He offers one estimate of the proportion - often rather unexpectedly high - of each crop handled by co-operatives in Spain. This leads to an analysis of the assumptions about co-operatives made by interested groups and how far these conceptions lend themselves to future commercial development.

Two groups of commodities are then considered separately, field crops including fruit, and livestock, before estimating the part which co-operation can play in each. This covers market information, grading and identification of products, packaging, choice of marketing system, price policy, processing and preservation,

transport and publicity, organisation and control and methods of concentrating supply with a view to increasing the influence of the producer on the market.

The book is in fact a manual for management, especially of the larger co-operatives, to whom it offers a variety of choices applicable to the commodity handled and the strength and degree of development of the marketing agent. An appendix giving the text of the general law on co-operatives will be of value both to Spanish and foreign students.

Towards Socialist Transformation of Indian Economy, edited by Ashok V. Bhuleshkar, Bombay Prakashan, 1972.

Nehru was never a wholehearted supporter of the Gandhian approach to economics. "He accepted that ... village and cottage industries ... would employ more people than would centralised industries. But that was all. He was keen to apply as quickly as possible all the modern techniques and scientific approaches in order to change society ..."

This justifies the study of Nehru's economic administration in the context of socialist thought and the title of Mr. Bhuleshkar's symposium is justified and relevant to current Indian development. It is divided into four parts - general theory, agriculture, industry and monetary policy. The contributors are in the main Indian with distinguished experience in their own fields. The section on agriculture is probably of the most immediate interest to the readers of the Year Book and includes an outstanding contribution on the implication of co-operative credit in agricultural development by C.D. Datey of the Indian Ministry of Agriculture. This also covers other forms of organised agricultural finance such as crop loans and the work of the National Co-operation Development Corporation and the Rural Electrification Corporation. The article by E.C. de Silva on Programming for Risk and Uncertainty in Development Planning with Special Reference to Indian Agriculture is theoretically interesting but deals more with the future than the present. In another paper of interest, Industrialisation, The Peasantry and the Economic Debate in Post-Independence Period, T.J. Byres reviews the traditional approach to industrial development based on the agricultural sector, and paid for by the peasant, and its application to India. The editor provides a concluding essay on the Performance of Nationalised Banks in India.

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by

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The Librarian, Plunkett Foundation for Co-operative Studies

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function of granting credit to farmers with a programme to promote savings and (2) member education.

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The Food and Agriculture Organisation: work in relation to co-operatives	1955
Co-operative movement within the territories of the South Pacific Commission	1955
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The South Pacific Commission and co-operative development Development in the South Pacific	1962
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Work of the FAO to assist the development of co-opera- tives	1963
The International Labour Office and co-operation	1963
South Pacific co-operation	1964
Co-operative developments in the area of the South Pacific Commission	1965
Regional collaboration for co-operative development in the South Pacific	1966
The ICA in the last third of the twentieth century	1968
The Plunkett Foundation, 1919-1969	1969
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The structural problems of agricultural co-operatives (IFAP Study Session, 1969)	1970
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Land settlement enterprise in England	1936
Land reform in Italy and Egypt	1956
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The Netherlands: statutory regulation of co-operatives	1955
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Co-operative law in Sweden and the U.K.	1962
Recent developments in producers' marketing legislation in New Zealand	1964
The law regarding the Kolkhoz in the U.S.S.R.	1966
New ideas on British agricultural co-operative law	1972
A History of United States co-operative legislation	1975
Co-operative law and co-operative development in Ghana	1976

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Co-operative marketing of fruit and vegetables	1934
The Paterson butter scheme	1939
Sweden: the co-operative dairy organisation	1955
Spain: co-operation in poultry-keeping and agriculture	1956
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Co-operative dairying in New Zealand	1960
The co-operative marketing of horticultural produce	1961
The Biography of a Co-operative	1961
Hungary: Agricultural supply and marketing co-operatives	1962
Dairy co-operatives in Northern Ireland	1963
Suckled-calf marketing in Wales	1966
Producer groups: a European view	1966
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Co-operative marketing of agricultural produce in Ceylon	1967
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Measures for developing marketing structures in the EEC	1973
Grain handling co-operatives in Western Canada	1975
Primary co-operatives in Jamaica	1975
Lessons to be learned from the experience of the U.K. milk marketing boards	1976
Agricultural marketing co-operatives in Norway	1976
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An American co-operative and its members	1958
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Organisation and methods of wine co-operatives in Badan	1967
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Co-operative olive oil processing and marketing	1969
Processing co-operatives in India	1969
The co-operative sugar-beet industry in the Netherlands	1971
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Belize	1976
Brazil	1953, 1961
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Bulgaria	1939
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Canada	1927-29, 1937, 1951, 1955-56, 1958-64
Ceylon	1927-29, 1945/46
China	1932, 1935
Cyprus	1927-29, 1945/46, 1947, 1952, 1963
Czechoslovakia	1936, 1945/46, 1969
Denmark	1936, 1945/46, 1951, 1953, 1958, 1968
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¹ Brackets indicate that the country is included in a regional article

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- Panama 1956, (1957), (1960), (1973)
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U.S.S.R.	1933, 1936, 1937, 1942, 1943/44, 1947, 1948, 1950, 1953-55, 1957-64, 1966
Uganda	1931, (1938), 1949-54, 1956, 1958-62, 1965, 1967-70, (1971)
Ulster	1927-40, 1942-65, 1967, 1969-71, 1976
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Uruguay	(1942), (1957), (1960), (1962), (1963)
Venezuela	(1942), (1957), (1962), (1963), 1970
Viet Nam	1954, (1960: North)
Wales	1928-30, 1932, 1933, 1936-52, 1954-58, 1959 (forestry), 1960-65, 1966, 1967, 1969-71, 1974-76
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