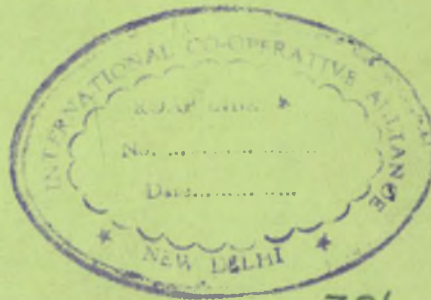


23 RD MEETING OF THE ICA SUB-COMMITTEE FOR
AGRICULTURE FOR ASIA ; SEOUL, REPUBLIC OF KOREA

COUNTRY PAPERS
ON
RECENT TRENDS AND DEVELOPMENTS
IN THE FIELD OF AGRICULTURAL COOPERATIVE IN THAILAND



334.4:63 (593)

BY MR NARONG MARUKATUT CLT

DIRECTOR,

THE COOPERATIVE LEAGUE OF THAILAND

1991

National Policies, Recent Trends, Major Problem Areas and Need
of Development in Agricultural Cooperative in Thailand

1. Historical Background

The cooperative in Thailand is generally accepted as dating from 1916 when the first cooperative society was established with a group of 16 members in the rural area of Pitsanuloke Province as a village cooperative of the Raiffeisen model on the initiation of the Government of the time. The purpose was to help relieve farmer from severe indebtedness and preventing their mortgaged lands from being foreclosed by the money lenders. After the first cooperative was put up with fair satisfaction the cooperatives of this type were established moderately in the other provinces. In 1920 there were 60 village credit cooperatives in Pitsanulok, Lopbur and Ayudhya Provinces with a total membership of 1,190 farm households and the total loan provided by the Siam Commercial Bank of ₪ 303,668. All these cooperatives were registered under the special legislation called "The Civil Associations (Amendment) Act B.E. 2459 (1916)"

The first cooperative Societies Act was promulgated in 2471 (1928) which was amended in 1934 broadening the scope of societies authorized. The land settlement cooperatives were organized in 1935. The consumers' and paddy marketing cooperatives were established in 1938. Service cooperatives were started in 1953 and farm products marketing in 1952. In 1954 there were 10,332 cooperatives of 22 types in the 65 provinces of the country but the village credit cooperatives continued as the most importance.

The growth of the cooperatives in Thailand as an institution for people's participation is seen from the variety of activities performed by the cooperative sector. As of January 1, ¹⁹⁸⁹ ~~1988~~ there were in total ^{2,817} ~~2,634~~ primary cooperatives with a total membership of ^{2,880,883} ~~2,847,954~~ families. The breakdown according to types is given below.

<u>Type</u>	<u>Number</u>	<u>Membership</u>
1. Agricultural Cooperatives	1,157 1,252	883,694 895,385
2. Fishery Cooperatives	22	4,322
3. Land Settlement Cooperatives	93 95	87,257 87,494
sub-total	<u>1,272</u> 1,369	<u>975,273</u> 987,201
4. Thrifts and Credit Cooperatives	732 784	1,104,614 1,114,074
5. Consumers' Cooperatives	363 389	679,324 688,932
6. Service Cooperatives	267 275	88,743 90,676
sub-total	<u>1,362</u> 1,448	<u>1,872,681</u> 1,893,682
Total	<u>2,634</u> 2,817	<u>2,847,954</u> 2,880,883

Unofficially, the first three types are grouped into agricultural type while the three latter are classified as non-agricultural cooperative group.

2. Present Situation of Agricultural Cooperatives

Structure and Functions

Agricultural cooperatives exist in a typical three-tier structure : district or primary cooperatives; provincial or changwat level federations; and national federations.

District or primary cooperatives are made up of individual farmers producing primarily grain crops, livestock, fruits, vegetable and cut-flowers, etc. Within the society the members are divided into groups at the village level, based on commodity lines, for the purpose of rationalizing economic business or extension and training. These cooperatives are operating multifarious business as above - mentioned.

Provincial or changwat cooperative federations are intermediate or secondary level whose members consisted of primary cooperatives located in the administrative area of the province. At present the agricultural cooperatives are federated at 73 cooperative federations at the provincial or changwat level to undertake the joint business activities, especially, processing and marketing of their affiliates which are beyond ability of an individual cooperative.

The national cooperative levels are organized as the apex organizations of the cooperatives whose members consisted of both primary agricultural cooperatives at the district level and provincial cooperative federations. At this level, the cooperatives are horizontally classified into two categories in the following.

(1) The national federation related to multi-purpose agricultural cooperatives is the Agricultural Cooperative Federation of Thailand Ltd., (ACFT). This apex society is undertaking economic activities primarily in marketing important grain products, like rice, maize, etc, produced by the farmer members of cooperatives as well as purchasing of agricultural inputs, like fertilizers,

chemicals, farm machinery and equipment supply directly to cooperatives and in some cases to its private dealers. As well, a substantial increase in international trade of cooperatives for exporting of rice and maize are available through ACFT.

(2) Those apex societies related to specialized agricultural cooperatives are the Sugar-cane Growers Cooperative Federation Ltd., and the Swine-raising Cooperative Federation Ltd., which are carrying out production and marketing activities of swine raisers and sugar-cane growers cooperatives respectively.

As already mentioned, the Cooperative League of Thailand (CLT) was established, under the Cooperative Societies Act B.E. 2511 (1968), as a national apex organization of the cooperative movement. The major activities set down for CLT are the training and promotion of cooperatives of all types.

Hence it is noted that there is at present an organizational linkages within the cooperative movement in Thailand. The organizational structure of the agricultural cooperative movement is shown in Chart 1.

3. Organization of Agricultural Cooperatives

The organization of agricultural cooperative are divided into two main parts :

- (1) the policy formulation and controlling; and
- (2) the administration and management.

3.1 The Policy Formulation and Controlling are composed of :-

3.1.1 General Meeting Generally, the general meeting is composed of all members. In case of the larger-sized cooperatives or cooperative federations it will choose to have a general meeting by the representatives of members. The members shall be called by the general meeting at least once a year. It has the supreme power in decision making for policy formulation, planning, controlling and decision making for every problem that occurs within cooperative.

3.1.2 Board of Directors The Board shall be elected yearly from the members by the general meeting. The Board consists at least seven but not more than fifteen persons. The powers and duties of the Board are to manage all affairs of cooperative in appropriate ways according to the laws, by-laws, regulations, policies and resolutions of the general meeting.

3.2 The Administration and Management This part consists of the manager and the operating staff. The manager is elected and appointed by the Board of Directors. In turn, the manager will elect and appoint the staff. The manager has as his duty the managing of all day to day activities of cooperative according to the policies under the advice and supervision of the Board.

The organization and management relationship of agricultural cooperatives in Thailand is shown in Chart 2.

4. Relationship Between Government Agencies and Cooperatives

Ministry of Agriculture and Cooperatives (MOAC) by the committee on Policy and Planning for Agriculture and Cooperatives

is responsible directly for policy and planning on cooperative development in accordance with the national development objectives. Three Government agencies within MOAC perform a dominant role in the cooperative development as follows :

4.1 The office of the Registrar of Cooperatives

According to the Cooperative Societies Act. B.E. 2511, the Registrar of Cooperative is responsible for registration and controlling of cooperatives, appointing of cooperative auditors, and other works authorized by the Act. At present the Permanent Secretary to the Ministry of Agriculture and Cooperatives is acting as the Cooperative Registrar.

4.2 Cooperatives Promotion Department (CPD)

CPD is in charge of supervising, regulating and promoting cooperatives including technical assistance, provision of loans to cooperatives and the works perform on behalf of the Registrar. The Department is headed by a Director-General and three Deputy Director-Generals. There are 10 divisions with 53 sub-divisions and sections at head office which includes also the office of Cooperative Inspectors of 9 regions and Internal Checking Office and Project Management Office. Locally, there are 61 land settlement cooperative offices, 73 Provincial Cooperative Offices, 695 District Cooperative Offices, 12 Agricultural Cooperative Demonstration Centres, 10 Regional Engineering Centres and 10 Regional Cooperative Training Centres. A staff of 7,366 persons are assigned to CPD for carrying these activities. About 52.67 % of the staff are in provincial and district offices.

4.3 Cooperative Audit Department (CAD) CAD is in charge of auditing of both cooperatives and farmer associations as well as providing advice and consultation in book-keeping and accounting in collaboration with CPD to cooperative employees. CAD is responsible also for submitting its reports and audits to the Registrar and the copies to CPD.

Moreover, the other related agencies within MOAC, namely Department of Fisheries, Department of Livestock Promotion, Department of Agriculture and Department of Agricultural Extension etc, are providing technical assistance related to their fields to agricultural cooperatives and their members.

As well, a substantial assistance in marketing business is given by Ministry of Commerce. The assistance is made available to agricultural cooperatives in two respects. The first is to purchase milled rice of primary cooperatives through the government purchase program of rice via Public Warehouse Organization and ACFT. The second is to award quotas for the export of agricultural commodities to ACFT for the commodities purchased by primary cooperatives.

5. National Policies for Agricultural Cooperative Development

I. The policy of the Cooperative League of Thailand in developing agricultural cooperative for the period 1988-2003 is as follows:

1. Organization of the National Agricultural Cooperative Development Board (NACDB)

2. Formulation of a National Cooperative Development Policy :

2.1 Try to get a place in the sixth plan (Thailand's Sixth National Economic and Social Development Plan) for the basic policy of agricultural cooperative development during the adjustment process of the Plan. This is to establish a specific direction for agricultural cooperative development especially in education and training, production, marketing, processing, financing, pricing and supporting of the movement.

2.2 To improve the regulations and orders issued by the registrar, Cooperative Promotion Department (CPD), and Cooperative Auditing Department (CPD) so that the agricultural cooperatives are more flexible in the administration and are able to promote as a movement.

2.3 To improve the by-law of the cooperative movement to facilitate flexibility in the management.

2.4 To improve and amend the Cooperative Act B.E. 2511 to suit the present conditions.

3. The National Federation of Financial Cooperatives (NFFC)

3.1 Establishment of a NFFC in the cooperative movement, to sign a management contract with exotic financial institution.

3.2 Policy Formulation :

3.2.1 Cooperative should have its own financial system based on the cooperative principles and methods.

3.2.2 Promotion of self-help and mutual-help.

3.2.3 Promotion of stability and security of cooperative movement. Every level of cooperative should involve in this efforts.

3.2.4 Promotion of saving and thrift among members and families.

3.2.5 To create and improve training system for cooperative financial activities.

3.2.6 To create, improve and render new types of services to cooperative and members in need.

3.3 Services Offer :

3.3.1 Receive Deposits

- Fixed Deposits
- Savings Account
- Current Account

3.3.2 Extension of Credits

a) Loans

- short-term loan
- medium-term loan
- long-term loan

b) Credit Card

c) Credit for rent leasing and others.

3.4 Organization and Management

3.5 Human resource development training facilities made available for every body who involve in cooperative movement.

3.6 Accounting and financial control system.

4. Involvement of agricultural cooperatives in agri-business, marketing, processing and input supply :

4.1 Cooperative participation in agri-business and marketing;

4.1.1 To create integrated system in agri-business for cooperative.

4.1.2 To increase the efficiency and security in the marketing system.

4.1.3 Strengthen the cooperative spirit

4.1.4 Allow more flexibility in business management

4.1.5 Improvement of the quality and quantity of produce to suit the taste and demand of the market.

4.1.6 Agricultural industry development

4.2 To promote marketing research

5. Recognition of the cooperative movement as a separate sector of the national economy.

5.1 To encourage the Agricultural Cooperative Council to fight for the integration of the national agricultural cooperative development plan into the National Economic and Social Development Plan.

5.2 To strengthen the collection activities for members produce's in a continuous manner.

5.3 To promote and strengthen public relation activities with all means to establish the acceptance of the cooperative movement among the general public as having a lending and important role in the economy of the country to be treated as a third sector in the system.

5.4 To involve in social activities and public welfare whenever is possible.

6. CLT and its cooperative coordination role :

6.1 To establish CLT regional branches in all 4 regions of the country.

6.2 To establish CLT provincial representative offices.

7. Increased membership to cover 90% of families by the year 2000

7.1 To encourage and facilitate farmers groups and other occupational groupings to register under cooperative law.

7.2 To set up agricultural cooperative in every tambol

7.3 To encourage agricultural cooperatives to increase membership as well as to expand their business activities and give more variety of services with higher efficiency.

8. Improved structure and coordination of training of board members and cooperative personnel

9. Action towards improving quality of life of farmers.

9.1 To promote more saving among members.

9.2 To promote the organization of women groups as well as youth groups.

9.3 To improve public health.

9.4 To encourage integrated farming.

9.5 To improve irrigation facilities.

9.6 To promote animal husbandry.

II. Policies of the government for cooperative development and their achievement.

The policies in cooperative development according to the fifth National Plan (1982 - 1986) can be summarised as follow.

1. To promote and assist the cooperatives of all types to operate successfully according to their objective which will result in increasing income and raising the standard of living of their members. To this end, many development programs have been implemented along the following guidelines :

1.1 Strengthen and expand the base of agricultural cooperatives by improving the quality of members and their families' members including women and youth as well as admitting new members.

1.2 Strengthen the roles of agricultural cooperatives in agricultural and rural development of the communities.

1.3 Improve and expand cooperative marketing system and input supply services by promoting both vertical and horizontal linkages within the cooperative movement.

1.4 Improve agricultural cooperative credit system through the integration of all kinds of credits namely production, collection and distribution and facilities acquisition credits, on the basis of farm management planning of individual member.

1.5 Improve the efficiencies of cooperative management and personnel system.

As regard achievements, it can be stated that, in general, all the development programs implemented have achieved their targeted goals. However, there are still many areas needed for further cooperative developments.

The Sixth National Plan (1987 - 1991) has set out the policies and plan for cooperative development as follows:

To support the cooperatives in the improvement of operating efficiencies so that they could be able to function as the real integral system of economic and social units by the following ways:

(1) Government agencies in central administration responsible for cooperatives must help increase efficiency of the cooperatives in business activities.

(2) Government agencies in provinces responsible for cooperatives must join in supporting the business activities of cooperatives, coordinating in the promotion of systematic linkages of production and marketing as well as coordinating in improving their working efficiencies in strengthening the cooperatives.

(3) Financial institutions must support cooperatives in providing credits for production and marketing at the reasonable rate of interest.

(4) The information system on trade, marketing and prices should be encouraged to reach all cooperatives.

(5) There must be "Master Plan" for training courses for farmers and cooperative employees in order to better the coordination among training institutions and increase efficiency in training.

(6) To increase the role of cooperatives in controlling the production to be conformed with the demand and improving the quality and standard of produces in order to stabilize the prices.

(7) The cooperatives must have their own development plans to improve the quality and efficiency of their performance.

The directions of Thailand's Sixth National Economic and Social Development Plan (1987 - 1991) which involve cooperatives' role

in achieving the objectives of the policies and plans can be summarized as follows :

1. Natural Resources and Environmental Development Plan which aims at accelerating the issues of documents of land right to farmers throughout the country, improving productivity quality, natural resources utilization as well as productive use of government investment in irrigation facilities and water resource. The Plan also calls for more coordination and cooperation among government agencies concerned as well as farmers institutions and local bodies in administering and managing the country's natural resources. This Plan will enhance greater roles of land settlement cooperatives, forests village cooperatives, water users cooperatives, agricultural cooperatives and fisheries cooperatives since these cooperatives have been functioning in lines with the objectives of the Plan in promoting appropriate use of natural resources.

2. Rural Development Plan which aims at promoting unity and economical strength of farmers institutions. To this end, there should be only one government agency directly responsible for promoting farmers' institutions, and systematic linkages among business activities of farmers institutions should be encouraged. This Plan also calls for more coordination of work plans among agencies concerned with rural development at provincial level which based on province's Rural Work Creation Scheme. To fulfil these objectives, agricultural cooperatives could serve as the nucleus for the development, and cooperative training and publicising have to play more important parts.

3. Social Development Plan with Emphasis on Man-power and Labour Development which aims at improving the mechanism of social and man-power development bodies, enhancing the systematic participation of communities on the basis of self-help and mutual help in order to relieve government's burden. The emphasis has been put on improving the urban crowded areas to prevent and solve the social problems. Credit unions and thrift and credit cooperatives as well as housing cooperatives have been taken care of this aspect of development.

4. Development of Production and Marketing System, Technology and Work Creations Plan which aims at promoting the Buy-Thai habits, restructuring agricultural production to increase families income through more efficient and appropriate allocation of resources, accelerating the diversification of agricultural productions and marketing to reduce risks of farmers' income and country's exports, searching out production of new commodities for exports and substitution of imports. The improvement of agricultural production process has put emphasis on reducing costs by using production inputs available in the country, and appropriate technology in the production.

Another important point of this Plan is to increase the efficiencies of production and marketing so the prices of products will be more competitive with those of foreign countries. This involves the change of practices from "market what produced" to "produce for market", and the expansion of production in the areas which have not been utilized.

To fulfil the objectives of this Plan, agricultural cooperatives as well as land settlement cooperatives have played a great role through their integrated business activities which provide production credit, marketing, input supply and extension services to member farmers. Since appropriate linkage between production credit and marketing services can be done in cooperatives, they have helped regulate production in accordance with market. The land settlement cooperatives have been a good example for promoting afforestation and aqua-culture development as they acquired a large area of land.

6. Problems and Obstacles

The success and failure of cooperatives are accounted by many factors. It is well aware that the success of the cooperative movement depends largely on both economic and social conditions of the country. If the nation develop a strong viable agriculture with efficient marketing system and farm price stabilization together with trained supply of human resources, dependable rapid transportation and communication system, this favourable situation will be the factor that influences the successful operation of cooperatives.

The Cooperative Promotion Department (CPD) which is the government agency responsible for the cooperative development has long been studying and evaluating the performance of agricultural cooperatives. Attempts have been made to identify group problems as well as individual cooperative ones. It is found that the following factors, such as general economic condition, government policy on

cooperative development, insufficient knowledge and experience in business management among members and board of directors, inefficient marketing system, farm price instability, insufficient agricultural credit and lack of cooperation among farmer institutions have, to some extent, great impact on the progress and success of the agricultural cooperative movement in Thailand. The solutions to these fundamental problems require a coordinated programme of action to improve all aspects of agricultural cooperative activities : agricultural credit system, marketing and farm supply policy, farm guidance as well as cooperative education and training.

According to the cooperative manpower survey found that insufficient number of efficient cooperative staff to handle the cooperative activities due to the limited budget. A large number of cooperative staff have resigned after participated cooperative training programme. High turn over rate due to low salaries and low level of career prospect. Lack of manpower planning.

7. Need of Development in Agricultural Cooperative

7.1 The need for consolidation of agricultural cooperatives, the farmers organizations and the bank clientele - a new law on cooperatives is to be framed to enable the reorganization in this regard.

7.2 The need for further strengthening the agricultural cooperative products in views of government guaranteed price for farm products and also in view of concerning government regulation.

7.3 Strengthening of management efficiencies and managerial skills in agricultural cooperative.

7.4 Promote income generating projects for supplementary off farm income to cooperative members and their households.

7.5 It is necessary to train the cooperative staff to be efficient in their duties and to run the cooperative successfully. In return for that, the cooperative staff will be paid a better salary, be honoured and recognized by the community. Then, they will certainly remain working with the cooperatives.

chart 1
Organizational Structure of
Agricultural Cooperative Movement
in Thailand

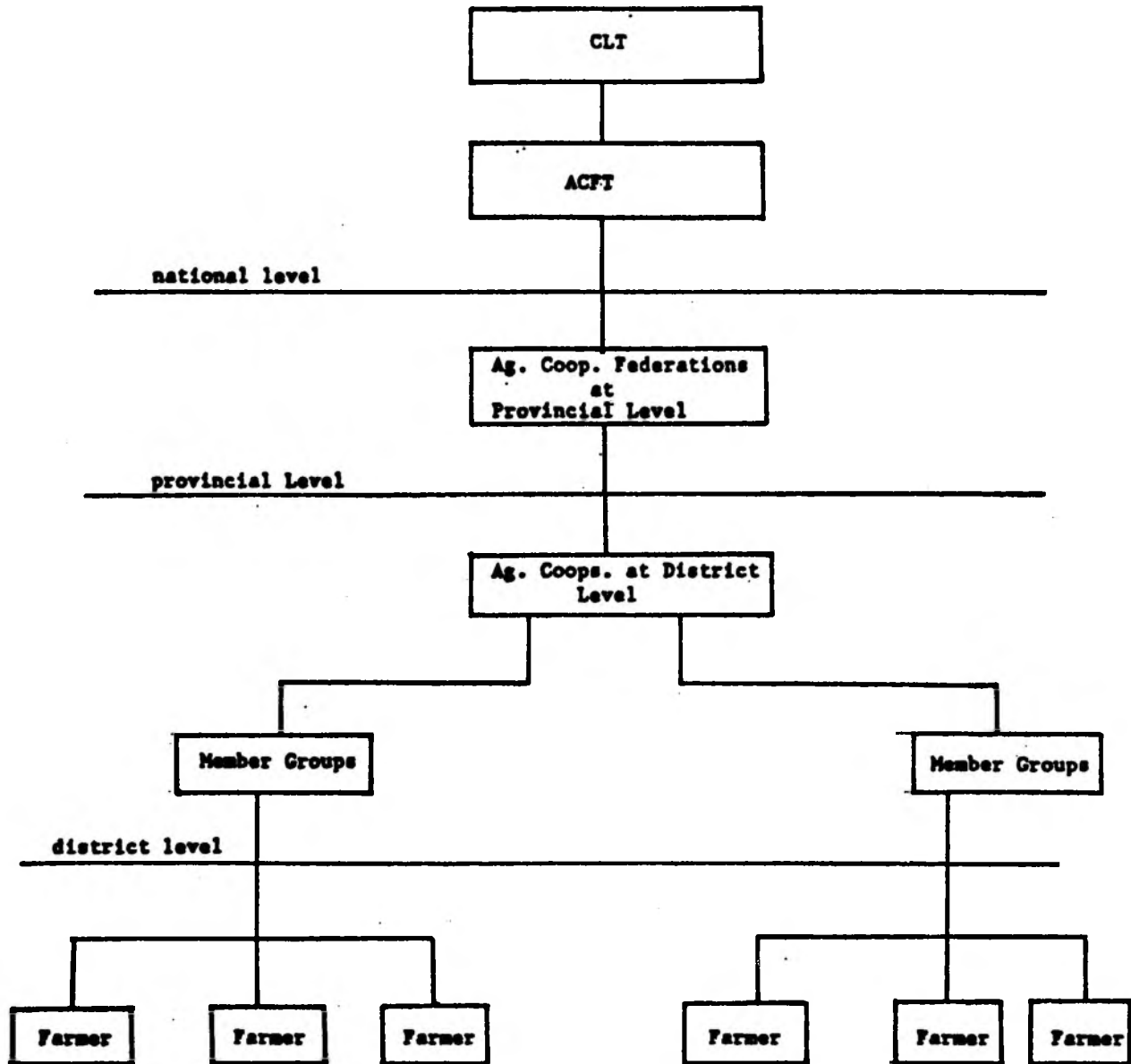


Chart 2

**Organization and Management Relationship
of Agricultural Cooperatives in Thailand**

