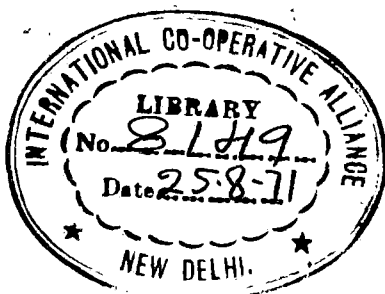
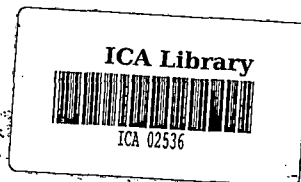


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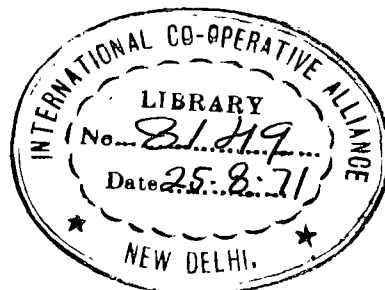




AGRICULTURE IN MALAYSIA : MARKETING.

VOLUME - III.

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**FARM SURVEYS AND FARMERS' ASSOCIATION
BUSINESS SERVICE PLAN**

by

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Farm Management Officer
West Malaysia*

and

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West Malaysia.*

FARM SURVEYS AND FARMERS' ASSOCIATIONS
BUSINESS SERVICE PLAN

by

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Farm Management Officer
Jabatan Pertanian
West Malaysia

Liao Hsing Chia
and Farmers' Association Expert
Taiwan

Introduction

In general, there is an acute shortage of basic economic data or information on farming operations particularly with respect to smallholders agriculture in this country. As a consequence, planning of any action programme for the improvement of this important sector of the agricultural industry becomes difficult and, to an extent, ineffective. To reiterate some of the basic problems faced by smallholders outlined in an earlier paper¹⁾, it may be stated again that, by and large, smallholders agriculture in Malaysia is characterised by misallocation of resources in terms of land, labour and capital and generally a low level of managerial skills. To improve the organisation and operation of individual farms call for the need to provide the basic information regarding the existing status and pattern of farming. Some of these basic information include:-
(a) size and type of farms and their distribution; (b) availability of farm labour and its level of utilisation; (c) existing cropping pattern; (d) input/output relationship for the various enterprises; (e) availability and source of credits; (f) marketable surplus and existing marketing arrangement, etc.

In the light of the need to have some of these informations, a farm and economic survey was carried out in a number of selected sites. These sites were selected for the establishment of Farmers' Association Pilot Project. These pilot projects, ten in all, have been established to test the new type of farmers' associations, a detailed description of which has already been given elsewhere. (See I.P. Nos. 4 and 5). The location and size of the pilot projects are given in Appendix I. The rest of this paper gives an account of the survey carried out in one of the Pilot Project Farmers' Associations, i.e. the Mukim Rambai Pilot Project Farmers' Association, Kedah.

II. The Survey

The object of the survey was to obtain the various information necessary for the preparation of a business service plan by the farmers' association concerned and at the same time to assist member farmers in making their own individual farming plans. An individual farm survey was carried at the beginning of 1966

1) "The Needs for Conducting Farm Management Research in Malaya" by Mohamad bin Jamil and Koh Theam Hee (Departmental Conference, 1955, Division of Agriculture, I.P. No. 1).

covering a total farm households of 1,009. This survey was conducted by the General Manager (A.A.) and four staff (J.A.A.s) of the pilot project farmers' association. The survey started in March and was completed in July/August 1966. The individual survey form used is shown as F.A.H.Q. Form No. 3 in Appendix II. More specifically the survey set out to obtain the following information:-

- (i) The agricultural situation that exists within the Farmers' Association business area such as cultivated land area, number of households, major agricultural produce (crops and livestock) yields, etc.
- (ii) The detailed farming plans of individual members in relation to his crop and livestock production, input requirements, farm family income and expenditure, capital requirements, etc.
- (iii) Marketing situation: This includes such information as type and volume of marketable agricultural produce, the time where such marketable surplus exists, etc.

III. The Results of Survey

The results of the individual farm household surveys are summarised in F.A.H.Q. Form No. 4 shown in Appendix II. The following is an analysis of the major items needed for the business service plan:-

(1) Population as of 31st December, 1965

Out of a total population of 5,108 people, 4,449 or 87% are engaged in agriculture. Only 659 or 13% are engaged in non-agricultural activities.

The mukim comprise 19 small agricultural units (kampongs) with a total farm households of 1,009. The average number of farm household in each small agricultural unit being 53. This is a suitable size for effective extension work on group approach.

The average farm family size in the Mukim is 4.45.

(2) Farm Land as of 31st December, 1965

The mukim has a total cultivated acreage of 6,519 acres representing 79% of the total land area. Out of these, 2,848 acres or 44% are padi land and 3,671 acres or 56% are under dryland crops.

(3) Major Agricultural Produce

The major agricultural crops grown or to be grown in the area included padi, rubber, coconut and fruits. Out of a total of 4,884 acres of major crops, padi occupies 2,822 acres or 57% making padi the most important crop in terms of acreage. Rubber ranks second in acreage, followed by coconuts and fruits which occupy a relatively small percentage of the total major crop area.

The annual yield of padi in 1966 was estimated at 925,531 gantangs of which 451,102 gantangs or 49% are marketable through the association. It was estimated that the total annual yield of rubber, which is 520,568 katties,

could also be marketed through the association. Though both the coconut and fruit areas are relatively small, their yields indicate a potentially important market.

(4) Input Requirements

The input requirements for 1966 include fertilisers, insecticides, seeds, implements, etc. The quantities required are relatively large indicating the great potentiality that exists for farm supply service by the association. The total and time of requirements of the various inputs are shown on page 5 of Form 4 in Appendix II.

(5) Estimated Income and Expenditure for 1966

According to the individual farm family financial plan for 1966, the total income of the 1,009 farm households was estimated at \$1,149,422 of which \$766,228 or 63% are from farming operations while \$383,194 or 37% are from non-farming operations. The average income from farming operations per household was estimated at \$759 while that from non-farming income \$380 making a total income per household per year of \$1,139.

The total expenditure for 1966 was estimated at \$1,420,381. Out of this expenditure for farming operation was \$171,637 while that for others (non-farming operations) was \$1,249,194. The average expenditure per farm household was \$1,408 of which \$170 or 12% for farm expenditure and \$1,238 or 88% was for other expenditures (mostly family living expenses) indicating that farm expenditures are relatively low compared to total expenditures.

A comparison of total income and expenditure revealed an annual deficit of \$271,400, averaging \$270 per household. Out of a total number of 1,009 households, 756 or 65% would be facing such a deficit, only 253 or 35% would have surplus or ability to break even.

The average amount of deficit of \$383 per household is about three times that of surplus. (See page 6, Form 4 of Appendix II). This suggests that the magnitude of task faced both by the farmers and the association in improving the situation. It also suggests the degree of indebtedness among the members.

(6) Members Capital Requirements

The individual farmers investment plan suggest that the capital requirements for their farming operations in 1966 amounted to \$162,700 averaging \$151 per household. This amount is needed for supplying inputs for the cultivation of padi, rubber and other crops. The average requirement per acre for padi is estimated at \$50, that for rubber \$15.

The survey reveals that most of the farmers in the are lack sufficient capital and the greater part of the capital requirements (65%) will have to be borrowed from outside sources at exorbitant interest rate.

(7) Other Information

The survey also attempted to find out the existence of credit institutions, private business establishments, saving facilities, etc. There were two single-purpose co-operative societies (one dealing credit and the other rice milling), one mobile post office and thirty-five general stores selling merchandise and groceries.

IV. Farmers' Association Business Service Plan

On the basis of the information obtained in the above survey it is now possible to draw up a detailed farm business service plan covering the whole mukim.

Before the beginning of each fiscal year, all the farmers' associations are expected to make ready a practical annual service plan, and an annual budget of its proposed undertakings for the forthcoming year.

The following are the main steps that should be taken by farmers' associations in making their annual service plan and budget:-

1. Analysing the information obtained from the economic and agricultural survey including individual member's farming plans.
2. Making general assumptions on the over-all business conditions that are expected to prevail during the forthcoming budget period.
3. Setting up the policies and service programme on the basis of members' real needs, past experiences, capability of the association including capital fund available, man-service, and other factors. The following items shall be planned in a service programme of the association:-
 - (a) Extent of Service - the extent of various service programmes, such as type, volume, object, area, period, etc.
 - (b) Capital plan - that is to plan the necessary amount of funds required for each business activity according to the financial status of the farmers' association and needs of members.
 - (c) Profit or Loss - that is to estimate the income according to service sales, interest rates and commission receipts from different items of service activities, and to estimate the expenditures according to the business and overhead payment for the services. The annual budget consists of two categories, Revenue and Expenditure of the Extension Section and Profit and Loss Estimate of the Economic and Credit Sections. Income and expenses of the Economic and Credit Sections, especially administrative and other overhead expenses shall be budgeted so that the balance between the two (profit) will be as large as possible.
4. Presenting the programme thus set up to the members' representatives meeting, through the board of directors, for examination, discussion and approval.

5. Presenting the programme and budget, after approval by the representatives' meeting, to the Registrar of Farmers' Associations or his appointees, for approval.

A Model Annual Service Plan and Budget of Mukim Kembari Farmers' Association, Kedah is described. (See "Model Annual Service Plan and Budget" in Appendix II). The contents of the service plan and budget are listed and explained below:-

1. Programme of Administrative Management:

This programme outlines the meetings and activities of administrative management with an explanation, implementation plan, time and budgeted amount for each item. Expenses for regular meetings such as members' plenary meeting, members' representatives meetings, board of directors meetings, and other common expenses such as salaries, wages and office expenses for administrative, accounting and superintendence purposes are shared between the Credit and Economic Section on a 50-50 basis.

2. Service Programme of Agricultural Extension Section:

The extension service activities are to be planned mostly under the guidance of the State Agricultural Officers according to the rural and agricultural development policies and the related schemes of the Government. Other factors such as the needs of the members, financial status and man-service of the association shall also be taken into consideration.

3. Budget of Agricultural Extension Section:

- (a) The Revenue Budget is compiled in accordance with the service plan, using the account titles stipulated in the regulations. The amount of budget of each account title is to be estimated based on the sources of income, such as income from membership fees and various project activities as planned.
- (b) The Expenditures Budget is based on the Revenue Budget and service plan. The total amount of the Revenue Budget is to be allocated to the various expenditures account titles according to the weight of different service programme.

4. Annual Service Plan of Credit Section:

The Deposit Service Programme is planned in connection with marketing service programme. The total Average Balance of \$40,000 of deposits is approximately 20% of total cost of sales in the programme of marketing service. It is planned on the assumption that if the marketing service programmes are implemented as planned, a total amount of \$200,000 will go into member-farmers' pocket. The association will try to encourage members to save at least 1/5th of this income to deposit in the credit section.

The Deposit Service has three types of deposits. They are Current Deposits, Saving Deposits and Time Deposits. Though the breakdown of total Average Balance into the three types of deposits is arbitrary in this model, the ratios shown are considered to be ideal for the credit operations of the association according to past experience.

The ratios among the three types of deposits are 50:30:20. A comparison of the previous years deposits will be necessary to evaluate the progress of the service activities.

The Farm Loan Service includes two major types of loans, Supervised Farm Credit Loans (unsecured loans) and Secured Loans. The total Average Balance of loans outstanding of \$58,000 is approximately 60% of total Amount to be Borrowed by the members under Members' Capital Requirements for Farming Operations in 1966 Agriculture and Economic Survey. In other words, the association expects to provide at least 60% the members capital requirements, which is approximately \$100,000. By making use of members' deposits planned under the Deposit Service Programme, the association can provide \$28,000 for secured loans. However, the Average Balance of \$30,000 for Supervised Farm Credit Loans has to be obtained from other sources. In this model the association assumes that the Government can provide the funds.

Interest income from Supervised Farm Credit Loans if \$1,800 is accumulated as a reserve to be used as loanable funds in the following year.

5. Profit and Loss Estimate of Credit Section:

Profit and loss estimate of credit section is made according to the credit service programme. A majority of income comes from operating income, interest income from loans and deposits in banks. Since the interest income from Supervised Farm Credit Loans is to be accumulated as a reserve, expenses for the Credit Section must be covered by income from sources other than Supervised Farm Credit Loans. In other words, expenses must not, in this case, be more than \$2,100 (\$3,910 - \$1,800 = \$2,110). The majority of this figure, \$2,110 comes from secured loans. Since expenses of the Credit Section must be covered mostly by the interest income from secured loans which are determined by the amount of members' deposits, \$40,000 is about the absolute minimum amount of members' deposits if the Credit Section is to operate.

6. Annual Service Plan of Economic Section:

Items and quantities under Supply of Consumers' Goods are based on Local Requirements of Input for Members in the Agriculture and Economic Survey.

Example: Total number of changkols to be needed by the members in 1966 is 495, and the association plans to supply about 60% or 300 of the requirement in this model.

Goods and quantities of the Programme of Marketing/Market Service are based on the Crops to be Grown in 1966 (including crops grown in 1965 and to be harvested in 1966) by members in the Agriculture and Economic Survey.

Example: Total quantity estimated to be marketed through the association in 1966 is 450,000 gantangs, of which the association, in this model, plans to handle about 200,000 gantangs (approximately 45%) for members. Quantities are also determined by:-

- (a) market conditions;
- (b) capability of the association including capital funds available, facilities and man-service; and
- (c) government policies concerning agricultural marketing.

Items and quantities under the Programme of Consignment Service are based on the members requirements obtained from the Agriculture and Economic Survey.

Example: Total quantity of mixture fertiliser (padi) required by members in 1966 is 427,400 lbs., of which the association plans to supply approximately $\frac{2}{3}$ (336,000 lbs.) of the Requirements.

A detailed plan including quantities to be handled cost of sales, gross margin or commission, funds required, source of goods as well as explanation is required for each service.

7. Profit and Loss Estimate of Economic Section:

Income and Expenses are based on activities outlined in the business plan. All the reliable incomes are calculated according to each item of service programme, then these are allocated to the several necessary expense items so as to prevent loss and secure more profit.

Comments

The farm survey and the resultant formulation of farmers' association business service plan have shown that:-

- (a) Extension officers working in this area have now an intimate knowledge of the economic status and farming operation of each individual farm household;
- (b) the basic economic and production data obtained from the survey facilitate planning of both individual farm and the total farm households in the Mukim;
- (c) as a result of the survey and the formulation of the business service plan, the staff of the pilot project concerned have now an action programme for implementation; and
- (d) evaluation of the progress or otherwise of the action programme and any other development project in the area concerned is now greatly facilitated.

Department of Agriculture,
Kuala Lumpur.
14th November, 1966.

KTH/bh

APPENDIX I.

DETAILS OF PROPOSED PILOT PROJECT FARMERS'
ASSOCIATIONS

State	District	Name of the Mukim F.A.	Number of Small Agricultural Unit	Total Number of Farm Household
Perlis		Oran Ngulang Chuping	21	2,000
Kedah	Kota Star	Rambai (Kubor Panjang)	19	1,107
Penang	P.W. North	Kepala Batas	33	3,077
Perak	Kuala Kangsar	Kampung Buaya	14	2,000
Kelantan	Pasir Mas	Kubang Sepat	9	1,180
Trengganu	Kuala Trengganu	Kampung Surau Hj. Yaakob	20	1,800
Pahang	Kuantan	Kuantan	15	1,000
N.Sembilan	Kuala Pilah	Ampang Tinggi	16	1,425
Malacca	Jasin	Sebatu	4	300
Johore	Batu Pahat	Sungei Kluang (Mukim 12)	13	3,000

Farming Plan for 1966
(F.A.H.Q. Form No. 3)

Agriculture and Economic Survey
for 1966 in Farmers' Association,
Pilot Project, Kedah
(F.A.H.Q. Form No. 4)

(Model)
Annual Service Plan and Budget
of
Mukim Rambai Farmers' Association
State : Kedah
For Year : 1966

FARMING PLAN FOR 1966

(F.A.H.Q. - Form No.3)

Name of Member _____

Membership Card No. _____

Post Address:

Kampong _____

Mukim _____

No. of Members in the Family:

Adult _____ (Workable _____)

Children _____

Enumerator _____

Date _____

1. Present Status of Farm as of 31st December, 1965.

I t e m s		A r e a O p e r a t e d				Leased-out Area
		* Owned-operated Area		** Rent-operated Area		
		acre		acre		acre
Padi Land	Main Season Crop					
	Off Season Crop					
	Sub-Total					
Others Crop Land	Rubber					
	Coconut					
	Fruits					
	Fruits/Kampong					
	Other					
	Sub-Total					
Total Cultivated Area						
Uncul- tivated Land	Forest					
	Waste Land					
*** Live- stock		N u m b e r			Location of Land He operates	
		Old	Young	Total	Inside Mukim	Outside Mukim
					acres	acre
Owned at the time of Enume- ration					Remarks	

* Owned-operated Area = Land owned by him such as Grant, Titled Land.

** Rent-operated Area = Land not owned by him such as T.O.L., Tenant, Others.

*** Livestocks include cattle, buffalo, sheep, goat, fowls, ducks, etc.

2. Production and Marketing Plan for 1966.

(1) Crops

C r o p s	Area	Estimated Production		For Home Consumption	For Markets		
		Yield Per Acre	Total Yield		Total Quantity for sale	Quantity for sale through F.A.	When Month/
	acre	Gtg.	Gtg.	Gtg.	Gtg.	Gtg.	
Main Season Padi							
Off Season Padi							
Rubber		Kty.					
Coconut	Copra	Kty.					
	Nuts	No.					
Fruits (Specify)							
Total							
Remarks							

(2) Livestocks

Livestock	* Estimated Total Production - 1966			For Home Consumption	For Market	
	Old	Young	Total		Total Number for sale	Number for Sale through F.A.
Remarks						

* Estimated Total Production = Present Number + Number he expects to increase.

3. Inputs required for Farming Operation for 1966.

(1) Fertiliser, seeds, etc.

Crops	Main Season Padi		Off-Season Padi		Rubber	Others (Specify)		Total Annual Quantity Required	Quantity to be Purchased from F.A.	When
	Quantity Per Acre Required Egs	Total Quantity Required Egs	Quantity Per Acre Required Egs	Total Quantity Required Egs		acre	acre			
Items to be Purchased										
Mixture										
Urea										
Total										
Total										

FERTILISERS

SEEDS

Remarks

4. Estimated Income and Expenditure for 1966.

Expected Income from (Estimate)		Expected Expenditure for (Estimate)		Income minus Expenditure (A) - (B)
Farming operations	***	Farming operations	**	(1) Surplus (+) \$ _____
Non- farming operations		Others		(2) Balance _____
Total	(A)	Total	(B)	(3) Deficit (-) \$ _____
Remarks				

Note: When it is "Balance" put a ✓ mark in the balance space.

5. Estimated Amount of Capital Required for Farming Operations for 1966.

Crops or Livestocks	Acreage or No. of Heads	*Amount of capital required per acre or per head	Total Amount of Capital required	Source of capital (in percentage)		Amount to be borrowed from F.A.	When
				Own capital	Borrowed capital		Month/s
	acre or Heads	\$	\$	%	%		
Total							
Remarks							

* Variable costs such as costs of seeds, fertilisers, insecticides, labor, etc. only. Fixed costs such as costs of land, building, tax, etc. are excluded. However, amount required for purchase of Power tiller and implement may be listed in the Remark column.

(2) Farm Implements, Insecticides, etc.

Items to be Purchased		Unit	Total Quantity or Amount Required this Year	Quantity to be Purchased through F.A.	When <hr/> Month/s
FARM IMPLEMENTS					
	Total				
INSECTICIDES					
	Total				
	Total				

R e m a r k s

APPENDIX

Agriculture and Economic Survey for 1966
in Farmers' Association, Pilot Project, Kedah

F.A.H.Q. - Form No. 4)

Mukim: RAMBAI

District: KOTA STAR

State: KEDAH

- Enumerator: 1. Abd. Rahman b. Tahir
2. Abdul Halim b. Zainal
3. Abdul Aziz b. Mansor
4. Ayob b. Ariffin

Date: 15th July, 1966.

1. Population (As of 31st December, 1965)

Name of S.A.U.	Total Farm Households	Total Agricultural Population (A) (Estimate)	Total Non-Agricultural Population (B) (Estimate)	Total Population (C)=(A)+(B) (Estimate)	Total No. of F.A. Members in 1966 (Estimate)
Ga/Jangga	51	238	0	238	27
Belat	52	257	0	257	26
Lahar Tunjong	47	217	20	237	-
Senara	63	287	9	296	-
Bdg. Bukit	41	181	9	190	23
Tok Dam	26	127	0	127	28
Bukit Patong	35	162	0	162	21
Kubang Pisang	63	332	10	342	26
Bukit Pak Pom	55	230	54	284	-
Simpang Perupok	49	235	31	266	22
Huma Besar	31	120	36	156	-
Lubok Batu	23	104	5	109	22
Perupok	89	447	25	472	25
Banggol	39	173	13	186	-
Bendang Raja	49	188	28	216	53
Lampam	83	405	25	430	37
Nangka Siam	48	281	18	299	-
Nangka Melayu	15	91	1	92	-
Kubur Panjang	150	374	375	749	36
Total	1,009	4,449	659	5,108	346

R e m a r k s:

2. Farm Land (As of 31st December, 1965)

Name of S.A.U.	Cultivated Area		Total (C)=(A)+(B)	Unculti- vated Area (D)	Total Area (E)=(C)+(D)	* Acreage Size of Cultivated Farm Household
	Padi Land (A)	Other Crop Land (B)				
	acre	acre	acre	acre	acre	acre
Ga/Jangga	176.15	280.48	456.63	105.37	562.00	8.95
Kpg. Belat	197.78	226.81	424.59	78.11	502.70	8.16
Lahar Tunjong	116.44	86.86	203.30	72.77	276.07	4.32
Senara	169.87	118.52	288.39	49.69	338.08	4.58
Pdg. Bukit	111.46	206.73	318.19	51.01	369.20	7.76
Tok Dam	75.53	79.27	154.80	71.00	225.80	5.95
Bukit Patong	82.34	111.44	193.78	66.38	260.16	5.54
Kubang Pisang	222.19	207.37	429.56	108.79	538.35	6.82
Bukit Pak Pom	126.02	136.87	262.89	40.11	303.00	4.78
Simpang Perupok	129.93	238.05	367.98	203.66	571.64	7.51
Huma Besar	48.17	98.61	146.78	56.44	203.22	4.73
Lubok Batu	78.80	64.78	143.58	17.75	161.33	6.24
Perupok	246.73	347.25	593.98	173.65	767.63	6.67
Banggöl	156.48	144.68	301.16	101.87	403.03	7.72
Bdg. Raja	151.59	165.11	316.70	123.89	440.59	6.46
Lampa	232.86	293.03	525.89	183.17	709.06	6.34
Nangka Siam	172.87	238.90	411.77	83.42	495.19	8.58
Nangka Melayu	56.11	86.97	143.08	41.54	184.62	9.54
K. Panjang	296.66	539.55	836.21	156.89	993.10	5.57
TOTAL	2847.98	3671.28	6519.26	1785.51	8304.77	6.45

R e m a r k s

* Average size of cultivated farm per farm household.

= Cultivated area (c) ÷ Total number of farm households.

3. Crop to be grown in 1966 by the members.

* Major Crops to be grown by the members in the Mukim in 1966	Area (acre)	Yield (Estimate)						For Home Consumption in the Mukim Estimated in Percentage %	For Market Estimated in Percentage			To be marketed through the F.A. in 1966		
		Main Season		Dry Padi		Annual			%	Quantity	Unit	Quantity	Unit	
		Quantity	Unit	Quantity	Unit	Quantity	Unit							
PADI	2,832.88	903,744	gtg.	21,787	gtg.	925,531	gtg.	48.7	451,102	gtg.	451,102	gtg.	451,102	gtg.
RUBBER	1,995.7	-	-	-	-	520,568	kts.	100	520,568	kts.	520,568	kts.	520,568	kts.
COCONUT	24.6	-	-	-	-	41,065	Nuts	34.6	14,175	Nuts	14,175	Nuts	14,175	Nuts
FRUIT (Citrus)	31.6	-	-	-	-	86,295	Fruits	38.1	32,800	Fruits	32,800	Fruits	32,800	Fruits
Total														

Remarks

* Major crops include present crops growing and crop to be grown in 1966.

4. Local Requirement of Inputs of the Members in the Year 1966.

Inputs	Total Annual Quantity required		Quantity to be purchased from F.A.		When
	Quantity	Unit	Quantity	Unit	Month/s
1. Fertiliser					
a. Mixture (padi)	427,400	lbs.	427,400	lbs.	July
b. Ammophos (padi)	10,848	lbs.	10,848	lbs.	June
c. Urea (padi)	132,125	lbs.	132,125	lbs.	August
d. R.R.I. Mixt. X (rubber)	108,547	lbs.	108,547	lbs.	April & June
e. Nitrophoska (fruits)	7,056	lbs.	7,056	lbs.	June & August
2. Insecticides					
a. Dioldrex 15	190	gall.	190	gall.	June & August
b.					
c.					
d.					
3. Seeds					
a. Selected padi seeds	7,296	gts.	7,296	gts.	June
b.					
c.					
d.					
4. Implements					
a. Changkul	495	pc.	495	pc.	-
b. Parang	446	"	446	"	-
c. Tajak	220	"	220	"	-
d. Hand saw	37	"	37	"	-
e. Axe	99	"	99	"	-
f. Plough	10	"	10	"	-
g. Sisir	4	"	4	"	-
5. Others (specify)					
a. Dowpon (lalang killer)	706	lbs.	706	lbs.	Mach
b. Sprayer	14	set	14	set	-
c. Light tractor (Kobuta)	2	set	2	set	-
d. Wire netting	5	rolls	5	rolls	-
e. Barbed Wire	42	rolls	42	rolls	-
f. Asam fork	3	pc.	3	pc.	-

Remarks

5. Estimated Income and Expenditure for 1966.

Name of Kampong	Income			Expenditure			Amount of Balance between (A) & (B) (+) (-)	Surplus and Deficit				Remarks	
	Farming Operations \$	Non-Farming Operations \$	Total (A) \$	Farming \$	Others \$	Total (B) \$		Surplus		Bal. (No. of families)	Deficit		
								Amount \$	No. of families		Amount \$		No. of families
Ga/Jangga	51,713	5,432	57,145	6,386	41,980	48,366	+ 8,779	12,679	31	0	3,814	21	
Belat	51,120	4,003	55,123	7,925	55,160	63,085	- 7,962	2,057	7	2	12,297	43	
Lahar Tunjong	25,299	12,277	37,576	4,762	47,377	52,139	- 14,633	1,669	7	1	16,570	39	
Senara	37,771	10,318	48,089	7,586	56,459	64,045	- 15,956	2,537	12	0	18,066	50	
Bdg. Bukit	28,057	3,858	31,915	4,816	41,128	45,944	- 14,029	2,925	6	3	17,192	32	
Tok Dam	17,264	8,770	26,034	2,880	24,570	27,450	- 1,416	1,995	4	2	3,209	19	
Bukit Patong	23,458	7,762	31,220	4,635	35,703	40,338	- 9,118	938	4	0	10,047	31	
Kubang Pisang	47,192	15,851	63,043	10,390	65,939	76,329	- 13,286	4,604	15	4	18,262	44	
Bukit Pak Pom	31,283	17,621	48,904	7,081	67,058	74,139	- 25,235	4,359	10	0	29,731	45	
Simpang Perupok	43,079	11,284	54,363	12,094	72,448	84,542	- 30,179	1,957	7	0	32,092	42	
Huma Besar	21,392	13,836	35,228	4,261	35,677	39,938	- 4,710	3,864	8	0	8,413	23	
Lubok Batu	22,886	4,553	27,439	3,396	27,810	31,206	- 3,787	2,346	6	0	6,112	17	
Perupok	59,504	15,942	75,446	13,090	87,370	100,460	- 25,014	2,924	16	0	29,898	74	
Banggal	39,114	6,602	45,716	10,200	35,523	45,723	- 7	8,157	11	0	8,021	28	
Bendang Raja	27,777	8,562	36,339	5,423	56,447	61,870	- 25,531	779	2	0	26,432	48	
Lampam	65,925	8,566	74,491	13,809	114,135	127,944	- 53,453	1,591	7	0	55,292	74	Total House-
Nangka Siam	50,632	11,994	62,626	12,880	94,679	107,559	- 44,933	324	2	1	43,775	46	holds = 1,009.
Nangka Melayu	15,977	746	16,723	2,184	18,535	20,719	- 3,996	1,330	4	0	5,268	11	
Kubar Panjang	106,785	215,217	322,002	37,839	271,196	309,035	+ 12,967	55,662	81	0	41,716	69	Surplus - Deficit
Total	766,228	383,194	1,149,422	171,637	1,249,194	1,420,831		112,697	240	13	386,207	756	-273,510
Average per (Household)	759	380	1,139	170	1,238	1,408		112			383		271

6. Members capital requirements for their Farming Operation in 1966.

Crops and Livestocks	Amount of Capital Required Per Acre or Per Head (A) \$	Total acreage or No. of Heads, to be operated by the members (B)	Total Capital Required for Farm Operations (C) = (A) x (B)	Source of Capital in Percentage		* Total Amount to be borrowed	Amount to be borrowed from F.A.	When
				Own Capital %	Borrowed Capital (D) %			
Main season padi	50.93	2,531.29	\$128,918.60	38.08	61.92	79,830.71	79,830.71	April/July
Off season padi	-	-	-	-	-	-	-	-
Rubber	15.43	898.15	\$13,860.00	33.92	66.08	9,160.00	9,160.00	June
Kerbau/Lembu	184.26	.75	\$13,820.00	9.16	90.84	12,555.00	12,555.00	All year round
Ayam Itek	0.74	8,030	\$5,967.15	22.30	77.70	4,636.65	4,636.65	All year round
Kambing	14.80	10	\$148.00	86.49	13.51	20.00	20.00	All year round
			\$162,713.75			106,202.36	106,202.36	
R E M A R K S								

* Total amount to be borrowed = (C) x (D).

7. Institution, Private Business. Others than F.A. in the F. A. Business Territory.

Institutions and Private Business	No.	Obtain necessary Information pertaining to Institution or Private Business as much as you possibly can
Banks	-	Nil
Co-operative Societies (only Credit)	1	Di-tuboh dalam tahun 1957, mempunyai sa-ramai 39 orang ahli, wang dalam simpanan sekarang berjumlah \$1600/=. Ta'ada pinjaman di-buat tujuan sharikat ini menggalakan ahli2 menyimpan wang.
Co-operative Societies (only rice Milling)	1	Di-tuboh dalam tahun 1959, mempunyai ahli 7 tetapi sekarang tinggal 2 shareholder. Sa-ramai 400 orang yang menghantar padi untok di-kisar pada tiap2 bulan. Pendapatan sechara kasar s-tahun \$6000/= wang keluar bagi membayar gaji2 pekerja berjumlah \$5,200/= sa-tahun, untong berseh \$800/= sa-tahun.
Co-operative Societies (both Credit and Rice Milling, plus any other function)	-	
Private Rice Mill		
Post Office (+ Mobile)	1	Jual stemp sa-bulan \$80/= surat di-pos 120 puchok tiap2 bulan parcel 5, wang simpan melalui Pejabat Pos bekereta di-tafsirkan \$200/= sa-bulan wang di-keluarkan \$80/= sa-bulan.
Stores for Farm Requirements e.g. Shops	-	
General Stores (shops) (General merchandise and groceries only)	35	
Private Money Lenders	-	Unavailable in the area
Remarks	Source of loan: 1. Money lenders interest 4 - 5% 2. Padi Kuncha a loan of \$50/= in payment of \$100/= worth of padi 3. Pawn Shops - 4. Mortgage pf lands. interest 4 - 5%	

* Sharikat Kerjasama Letrik:

Di-tubuhkan dalam tahun 1962, mempunyai 10 shareholder 50 buah rumah dan kedai2 yang mendapat faedah daripadanya. Pendapatan tiap2 bulan di-tafsirkan \$500/= wang keluar \$350/= bagi membayar gaji2 pekerja minyak, sewa tanah dan lain2.

(Model)

ANNUAL SERVICE PLAN AND BUDGET

OF

MUKTIM RAMBAH FARMERS' ASSOCIATION

STATE: KEDAH

FOR YEAR: 1966

Programme of Administrative Management

Items	Sub-Items	Explanation	Implementation Plan	Season or Period	Expenses (Estimated)	
					Budget Account No.	Amount
Meetings (ordinary meeting and/or election meetings)	1. Preparatory committee meeting	To be held in accordance with the Detailed Procedures for the Establishment of Farmers' Associations	1) To discuss affairs concerning the formation of the Farmers' Association. 2) To screen members qualifications	To be held in January and February, about 2 - 3 times	3 - a, b - Credit Section	50.00
	2. Members' plenary meetings at each S.A.U.	- do -	Election of F.A. officials and discussion of F.A. affairs	Beginning of February, 1 - 2 times	5 - a, b - Economic Section	-
	3. Members' representatives meeting	To be held in accordance with the Detailed Procedures for the Establishment of Farmers' Associations and the Farmers' Associations Rules	Inauguration meeting. Election of F.A. officers. Discussion of F.A. affairs. Screening and approving of F.A. annual service plan and budget	Yearly at end of February	3 - a - Credit Section 5 - a - Economic Section	100.00
	4. Board of Directors Meeting	- do -	Making policy, discussion and screening of F.A. service plan, budget and auditing, etc.	1) Monthly 2) Extraordinary meeting 1 - 2 times	3 - a, b - Credit Section 5 - a, b - Economic Section	210.00
Sub-Total						360.00

Items	Sub-Items	Explanation	Implementation Plan	Season or Period	Expenses (Estimated)	
					Budget Account No.	Amount
Organisation and training	1. Discussion Meeting of Chiefs of S.A.U.	For better co-ordination between the F.A. and each S.A.U., and to strengthen F.A. activities	Calling together of all S.A.U. Chief for discussion meeting at F.A. office. To be held in co-operation with Extension Section	Once every three months	1 - d - Extension Section	160.00
	2. Training Course	Training course to be held for members' representatives	1) Courses on F.A. duties, functions, etc. 2) Courses on the duties of members' representatives	May (for about 2 days duration)	- do -	100.00
Recruitment of Members		To reach the goal of 1,000 members	Recruit new members in each S.A.U.	January - June		-
Other Administrative Works						
Sub-Total						260.00
Total						620.00

Service Programme of Agricultural Extension Section

Items	Sub-Items	Explanation	Implementation Plan	Season or Period	Expenditures Budget	
					Budget Account No.	Amount
Advice and Guidance for Production	1. Guidance and demonstration of padi production project (main season)	To encourage intensive farming to increase yield of padi per acre, 500 acres, 300 farm households in the area of kampong x x x and x x x	Setting up of a result demonstration plot of padi production in three places one place 2 acres.	March - June		
	2. Encouragement of double-cropping project	To increase acreage of padi, target increase of 120 acres	Encourage the project participant by subsidising fertilizers, seeds, tractor ploughings, etc.	August - December		
	3. Encouragement and guidance of groundnut, maize, soya-bean production project	To encourage diversification and intensification of farming in mukim, target of 60 acres	- do -	May - July		
	4. Encouragement of livestock production	To increase goat raising in kampong xxx, target of 50 heads	Encouraging the participant by 50% subsidy of price of improved breeds	January - December		
	5. Extension Meetings	To strengthen extension education and spread extension information	Chiefs of S.A.U. meeting to be held 4 times a year in co-operation with Administrative Section	June - November		
	6. Encouragement of farm mechanization project	To increase yield of crops per acre and reduce farming cost	In Co-operation with the Department of Agriculture to equip with a tractor or a power tiller to plough for farmers	January - December		
Sub-total						

Revenue Budget of Agricultural Extension Section

Number	Account Title	Budget Current Year	Budget Last Year	Comparison		% Current Year	Explanation
				(+)	(-)		
1	Revenue from production and advisory services						
a	Revenue from crops						
b	Revenue from livestock						
c	Revenue from farm mechanization project						
d	Revenue from other extension services						
2	Membership Fees						
a	Initial membership fees						
b	Annual membership dues						
3	Revenue from cultural and welfare services						
4	Revenue from survey and statistics						
5	Balance of extension funds - previous year						
6	Allotment from net profit - previous						
7	Subsidies and contributions						
8	Other Revenues						
	Total						

Expenditure Budget of Agricultural Extension Section

Number	Account Title	Budget Current Year	Budget Last Year	Comparison		% Current Year	Explanation
				(+)	(-)		
1	Expenditures for production and advisory services						
a	Salaries and travel expenditures						
b	Agricultural extension expenditures						
c	Livestock extension expenditures						
d	Extension meeting expenditures						
e	Farm Mechanization expenditures						
2	Expenditures for cultural and welfare services						
3	Subsidies and contributions						
4	Expenditures for survey and statistics						
5	Other expenditures						
a	Installation cost						
b	Repairs						
c	Sundry expenditures						
6	Contingency						
	Total						

Annual Service Plan of Credit Section
Deposit Service

Items	Amount of Deposit (Estimated) Average Balance	Comparison (with last year)	Interest Payment		Implementation Plan	Explanation
			Rate Per Annum	Amount		
Current Deposit	\$ 20,000	-	% 1	\$ 200	An incentive plan to encourage farmers and non-farmers to save and deposit their savings in the association for re-investment	Average balance of any given time is calculated on an estimate of 200 depositors with deposits of \$100 each. 200 x \$100 = \$20,000.
Saving Deposits	15,000	-	3	450	- do -	Average balance calculated on 150 depositors depositing \$100 each. 150 x 100 = \$15,000
Time Deposits	5,000	-	5	250	- do -	Average balance calculated on 50 depositors with deposits of \$100 each. 50 x \$100 = \$5,000
Total	40,000	-		900		

Farm Loan Service

Items	Amount of Loan (Estimated)		Interest Income		Screening Method	Funds Required		Explanation
	Average Balance	Comparison (with last year)	Rate per annum	Amount		Amount	Source	
Supervised farm credit loan	\$ 30,000	-	% 9	\$ 1,800	According to the relevant regulations	\$ 30,000	F.A.H.Q.	To provide members with a dependable source of agricultural production credit at lower interest rate and suitable term. The total amount of loanable funds is to be borrowed from F.A.H.Q., and repaid in accordance with the contract agreement concerned. (Amount of interest income is calculated from estimated amount of outstanding loans, not from Average Balance), i.e. \$30,000 x 2/3 x 9% = \$1,800. The interest income is to be reserved as permanent farm supervised credit fund in the F.A.
Secured loan	28,000	-	7	1,960	According to the relevant F.A. regulations. Screened by responsible staff and approved by section chief and the general manager	40,000	Current, savings, and time deposits	Loanable funds are 70% of total amount of current, savings, and time deposits. \$40,000 x 70% = \$28,000 \$28,000 x 7% = \$1,960 According to survey the amount of members capital requirement (to be borrowed from F.A.) is about \$100,000. The total amount of loan \$58,000 is about 58% of the amount required by members.
Total	58,000	-	-	3,760		70,000		

Profit and Loss Estimate of Credit Section

Settled Amount of the Year Before Last	A c c o u n t		Estimate of Current Year		Estimate of Last Year		Comparison		E x p l a n a t i o n
	Number	Title	Amount	%	Amount	%	(+)	(-)	
		<u>Operating Income</u>	\$		\$				
	1	Interest income from loans	3,760	96.16	-		-	-	1) \$1,800 from Supervised Farm Credit Loans (unsecured) \$1,960 from secured loans, including loans to Economic Section \$3,000 x 7% = \$210
	2	Interest income from deposits	90	2.30	-		-	-	2) Income from deposits in bank, about 20% of members saving are deposited in banks.
		<u>Non-operating Income</u>							
	3	Investment income	-		-		-	-	
	4	Recovery of bad debts	-		-		-	-	
	5	Other incomes							
	a	Subsidies and contributions	-		-		-	-	
	b	Miscellaneous	60	1.54	-		-	-	
		Total Income	3,910	100					

Settled Amount of the Year Before last	Account		Estimate of Current Year		Estimate of Last Year		Comparison		Explanation
	Number	Title	Amount	%	Amount	%	(+)	(-)	
	1	Operating Expenses Interest payment to depositors	\$ 900	23.02	\$ -	-	-	-	1) Described in credit service plan
	2	Interest payment on loans	120	3.07	-	-	-	-	2) Revolving fund from bank at 6% \$2,000 x 6% = \$120
	3	Superintendence expenses	260	6.65	-	-	-	-	a) Representatives annual meeting once a year \$100 Regular board meeting 12 times Extra board meeting 2 times \$10 - 14 = \$140 (100 + \$140) x 1/2 = \$120
		Meeting expenses	120	3.07	-	-	-	-	b) One director \$2 a day \$2 x 10 persons x 14 times) x 1/2 = \$140
	4	Director's fees	140	3.59	-	-	-	-	
		Administrative expenses	450	11.51	-	-	-	-	
	a	Salaries and wages	-	-	-	-	-	-	a) To be paid by the Department of Agriculture - do -
	b	Travel expenses	-	-	-	-	-	-	
	c	Office expenses	300	7.67	-	-	-	-	c) \$25 per month x 12 months = \$300

(Continued)

Settled Amount of the Year Before last	Number		Title	Estimate of Current Year		Estimate of Last Year		Comparison		Explanation
				Amount	%	Amount	%	(+)	(-)	
	d		Depreciation -- office, furniture and fixtures	\$ 50	1.28	-	-	-	-	
	e		Sundry expenses	100	2.56	-	-	-	-	
	5		Loss for bad debts	290	7.42	-	-	-	-	5) Amount of loss for bad debts is calculated from estimate of amount of outstanding loans. \$58,000 x 0.5% = \$290.
	6		<u>Non-operating Expenses</u> Amortized expenses	-		-		-		
	7	a	Other expenses	30	.77	-		-		
		b	Installation cost	-		-		-		
			Miscellaneous expenses	30	.77	-		-		
			Total Expenses	2,050	52.44					
	8		Profit -- current year	1,860	47.56					
			Total	3,910	100					

Annual Service Plan of Economic Section

Supply of Consumers' Goods

Items and Name of Goods	Quantity	Unit	Purchase from	Cost of sales	Sales	Gross Margin	Season or Period of Supply	Fund Required		Explanation
								Amount	Source	
For Farming				\$	\$	\$				
Power tiller (KUBOTA)	3		K.L. Agent	9,000	9,300	300	Jan.-Dec.	6,000	F.A. (Credit section)	Power tillers are to be supplied to members according to contract.
Changkul	300	pc.	"	900	1,035	135	"	500	F.A. (Economic section)	Cost of goods:
Parang	300	pc.	"	1,200	1,320	120	"	600	"	Power tiller @ \$3,000
Tajak	40	pc.	"	300	345	45	"	100	"	Changkul @ \$3
Dowpon	500	lbs.	"	1,000	1,150	150	"	300	"	Parang @ \$3
Insecticides	600	lbs.	"	1,200	1,320	120	"	400	"	Tajak @ \$7.50
x x x										Dowpon @ \$2
x x x										Insecticides @ \$2
Sub-total				13,600	14,470	870		7,900		
For Household										
Radio (National Type 403)	50		K.L. Agent	4,500	4,950	450	Jan.-Dec.	3,000	"	Radio @ \$90
Electric Fan (Mitsubishi S.F. Type 100)	50		"	3,000	3,300	300	"	2,000	"	Electric fan @ \$60
Soap (FAB)	200	case	C.C. Co.	2,400	2,640	240	"	1,000	"	Soap @ case \$12
Sub-total				9,900	10,890	990		6,000		
Total				23,500	25,360	1,860		13,900		

Programme of Marketing/Market Service

Kind of Goods	Quantity	Unit	Source of Goods	Season or Period	Cost of Sales	Sales	Gross Margin or Commission	Recipient	Funds Required		Explanation
									Amount	Source	
Padi	200,000	gtg.	Members	January-June	\$ 130,000	\$ 134,000	\$ 4,000	Market and Members	\$ 50,000	F.A.	Goods are purchased from members and re-sold. Cost of sales (padi) - \$.65/gtg x 200,000 gtgs = \$130,000 Sales (padi) - \$.67/gtg x 200,000 gtgs = \$134,000
Rubber	100,000	kt.	Members	January-December	62,000	64,000	2,000	Market	20,000	F.A.	Cost of sales (rubber) - \$.62/kt. x 100,000 = \$62,000 Sales (rubber) - \$.64/kt. x 100,000 = \$64,000
Cocunut	5,000	nuts	Members	January-December	700	800	100	Market	200	F.A.	Cost of sales (cocunut) - \$.14/nut x 5,000 nuts = \$700 Sales (cocunut) - \$.16/nut x 5,000 nuts = \$800
Vegetable	100,000	kt.	Members	January-December Once a week			1,000	Consumer market and members			Average price of vegetables throughout the year is estimated at \$0.20 per kt. Commission is calculated on a basis of 5% of transacted amount.
Total					192,700	198,800	7,000		70,200		

Programme of Consignment Service

Kind of Goods	Quantity	Unit	Trustors or Consignors	Season or period	Commission Income	Rec	Explanation
Fertilizers							
(a) Mixture (padi)	336,000	lbs.	ICI	July	600	Members	The quantity of fertilizers to be handled by our association is approximately 2/3 of the total quantity required by members. Commission income is calculated on a basis of 20¢ per 112 lb. bag. Consignments made as per contractor agreements with consignors.
(b) Ammophos (padi)	11,200	"	"	June	20		
(c) Urea (padi)	67,200	"	"	August	120		
(d) R.R.I. Mix. X (rubber)	112,000	"	"	April & June	200		
(e) Nitropheska (fruits)	6,700	"	"	June & August	10		
Insecticides							
Dieldrex 15	200	gal.	ICI	June & August	100	Members	Commission income of 50¢/Gal. Consignments made as per agreement with consignor.
Seeds							
Selected padi seed (Malinja)	8,000	gtg.	Dept. of Agriculture	June	80	Members	Commission income of \$1 per 100 gtgs. Consignments made as per agreements with consignor.
Total					1,130		

Profit and Loss Estimate of Economic Section

Settled Amount from the Year Before Last	A c c o u n t		Estimate of Current Year		Estimate of Last Year		Comparison		Explanation
	Number	Title	Amount	%	Amount	%	(+)	(-)	
	1	<u>Operating Income</u> Sales income from purchasing goods Sales income from marketing goods	224,160 25,360 198,800	99.02 11.20 87.82	- - -	- - -	- - -	- - -	Described in annual service plan.
	2	Utilization and processing	-		-		-	-	
	3	Market fees	1,000	.44	-		-	-	Described in annual service plan.
	4	Storage income	-		-		-	-	
	5	Consignment fees from Government Consignment fees from other agencies	1,130 80 1,050	.50 .03 .47	- - -		- - -	- - -	Described in annual service plan.
	6	<u>Non-operating Income</u> Financial Income	-		-		-	-	
	7	Investment Income	-		-		-	-	

(Continued)

Settled Amount from the Year before Last	Account		Estimate of Current Year		Estimate of Last Year		Comparison		Explanation
	Number	Title	Amount	%	Amount	%	(+)	(-)	
	8	Recovery of Bad Debts	\$ -		\$ -		-	-	
	9	Other Income	100	.04	-		-	-	
	a	Subsidies and contributions	-		-		-	-	
	b	Miscellaneous Incomes	100	.04	-		-	-	
		Total Income	226,390	100	-		-	-	
		<u>Operating Expenses</u>							
	1	Cost of Sales	216,200	95.50	-		-	-	Described in annual service plan.
	a	Cost of Sales - purchasing goods	23,500	10.38	-		-	-	
	b	Cost of Sales - marketing goods	192,700	85.12	-		-	-	
	2	Utilization and processing expenses	-		-		-	-	
	3	Market Expenses	800	.35	-		-	-	Wages \$600. Other expenses \$200.
	4	Storage expenses	-		-		-	-	
	5	Consignment expenses	570	.25	-		-	-	b) Includes wages (\$3/day x 90 days) and freight (\$300).
	a	Consignment expenses - Government	-		-		-	-	
	b	Consignment expenses - other agencies	570	.25	-		-	-	

Settled Amount from the Year Before Last	Account		Estimate of Current Year		Estimate of Last Year		Comparison		Explanation
	Number	Title	Amount	%	Amount	%	(+)	(-)	
	5	Superintendence expenses	\$ 260	.12	\$ -	-	-	-	Superintendence expenses shared with credit section (50 - 50)
	a	Meeting expenses	120	.06	-	-	-	-	a) Representatives Annual Meeting \$100 Monthly Board Meetings 12x10 = 120 Extraordinary Meetings 2x10 = $\frac{20}{240} \times \frac{2}{2}$ = \$120
	b	Directors' fees	140	.06	-	-	-	-	b) \$2 per day x 10 Directors x 14 meetings x $\frac{2}{2}$ = \$140.
	6	Administrative expenses	2,380	1.05	-	-	-	-	
	a	Salaries and wages	-	-	-	-	-	-	
	b	Travel expenses	-	.32	-	-	-	-	
	c	Office expenses	730	-	-	-	-	-	c) Average of \$2 per day. \$2 x 365 = \$730.
	d	Depreciation - office, furniture and fixtures	300	.13	-	-	-	-	
	e	Repairs	250	.11	-	-	-	-	e) To repair office buildings and fixtures, etc.
	f	Taxes	500	.22	-	-	-	-	f) Includes stamps, selling taxes, etc.
	g	Sundry expenses	600	.27	-	-	-	-	g) Includes overtime fees, etc.
	7	Loss for Bad Debts	50	.02	-	-	-	-	

Settled Amount from the Year Before Last	A c c o u n t		Estimate of Current Year		Estimate of Last Year		Comparison		E x p l a n a t o r y
	Number	Title	Amount	%	Amount	%	(+)	(-)	
		<u>Non-operating Expenses</u>			\$				
	8	Financial expenses	210	.09	-		-	-	Revolving fund from credit section at 7%. \$3,000 x .07 = \$210.
	9	Amortized expenses	-		-		-	-	
	10	Other expenses	100	.04					
	a	Installation costs	-		-		-	-	
	b	Miscellaneous expenses	100	.04	-		-	-	
		Total Expenses	220,570	97.43	-		-	-	
	11	Profit Current Year	5,820	2.57	-		-	-	
		Total	226,390	100	-		-	-	

Note: This service plan and budget is for the association's routine or usual service activities. Any special or extraordinary plan or project such as putting up of office buildings, rice mills or markets as well as farm credit service or any other major project shall require a detailed plan and budget.

PPP(F.A. No.4)

THE ROLE OF FARMERS' ASSOCIATION IN MARKETING
AGRICULTURAL PRODUCE

by

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The year 1967 witnesses the passage of an important act known as the Farmers' Association Act. The passage of this Act is significant for two principal reasons. Firstly, for the first time in the history of this country a legal instrument has been passed by Parliament to give legal basis for the existence of a primary producers organisation to be run and owned by the producers themselves. Secondly, it formalises the acceptance by government of a new approach in accelerating agricultural development in the country.

The passage of this Act is the culmination of a long standing process of evolving towards a suitable and effective approach in agricultural extension in West Malaysia. The detailed account of the process and evolution of agricultural extension from individual approach to the utilisation of group dynamics such as the multi-purpose farmers' association has been a topic of separate paper published by the Department of Agriculture.^{1/}

A farmers' association set up under the Farmers' Association Act, 1967, may be defined as an economic-institutional device formed with the stated objectives of promoting farmers' mutual interest; improving their knowledge and skills; increasing their farm productivity and income; raising their living standard; and developing the agricultural and/or rural economy.

Experience has shown that in accelerating agricultural development the provision of agricultural infra-structure though is a necessary condition is in itself not a sufficient one. The provision of agricultural infra-structure such as the essential services of rural roads, agricultural research (farm technology), extension, incentives (e.g. subsidies, the guaranteed price for farm produce, legislation and tax remission), marketing institution, etc. has to be matched with the parallel development in agricultural human resources so that one could capitalise on the other for effective results. In terms of developing the human resources, the recognised

* A paper delivered at the National Agricultural Marketing Seminar organised by FAMA, 13th to 18th November, 1967, Kuala Lumpur, West Malaysia.

^{1/} Mohamad bin Jamil and Koh Theam Hee - "The Development of Farmers' Association in Malaysia as a Unit for Extension Programme Planning and Implementation of Agricultural Project", Department of Agriculture, West Malaysia.

need is to promote a more efficient utilisation of resource by farmers themselves in their farming operations, and to effectively provide essential services such as extension, credit, marketing and supplies. It is also recognised that to be effective these services should be integrated since they are not mutually exclusive of each other. Consequently, a multi-purpose integrated farmers' association has to be introduced to provide a proper structure in the channellisation and utilisation of services both from the Government and private to the farmers.

Organisation and Structure of Farmers' Association

It is envisaged that farmers' associations will eventually have a 3 level organisation, building up from the bottom. These are area farmers' association, the State farmers' association and the Federal association. Initially, only the area farmers' association will be organised. Each area farmers' association would, in practice, be organised from one or more mukims depending on the size of the farming community and the economic activities. On the average, the target is to have each area farmers' association covering a total membership of 1,500 farm families and with a geographical area of approximately 4 miles in radius.

The development of farmers' association will be carried out, therefore, in 3 distinct phases:-

- (i) the point phase which is based principally on the early pilot projects to gain practical information and experience for further growth;
- (ii) the line phase which implies more area farmers' association and includes possibly the formation of State farmers' associations; and
- (iii) the network phase which covers a great proportion of the country's smallholders and at this stage the Federal farmers' association will have been established.

It is envisaged that it will take about 15 years to develop from the point to the network phase where about 80% or more of the country's smallholders would have been covered by farmers' associations.

Four operational sections are provided in each farmers' association. These are the Extension, Credit, Economics and Administrative sections. The functions and activities of the Extension, Credit and Economics sections are briefly outlined as follows:-

Extension Section - This section mainly deals with the educational aspects of farming. It educates farmers on new farming techniques and innovations to increase their agricultural productivity. At the same time, it also instils and motivates farmers in modernising and commercialising their agricultural practices to raise their standard of living. The extension services would cater for the training of adult farmers, rural women and rural youths hence taking into consideration all these aspects in an overall programme.

Credit Section - The main functions of this section are to

- (a) encourage farmers to save and deposit their savings in their own association;
- (b) supply farmers with production loans, and
- (c) to support the activities of other sections with operating funds.

Economic Section - This section includes the following:-

- (a) Purchasing: Through group purchasing the farmers' associations can timely supply inputs and other necessities of reliable quality at reasonable prices. This helps farmers reduce their costs of agricultural production.
- (b) Marketing: Collective sales are used in the marketing business to realise the best possible prices for agricultural products and reduce undue profiteering.
- (c) Warehousing: In warehousing the farmers' association renders services for the storage of farm produce and supplies.
- (d) Processing: Equipped with adequate processing facilities and as a rice mill, a drying room, a mixing mill, etc. farmers' association can provide initial processing and post-harvest treatment of farm products for farmers.
- (e) Other Services: Besides performing its own self-initiated services as mentioned above, the farmers' association may also serve as an agency to undertake entrusted services from government, semi-government and private agencies.

It should be understood that these services are inter-related and are linked. The linkage and inter-relationship can be exemplified by a simple example. Take the case of introducing a new highly-yielding variety of rice. This new introduction would lead to a need for additional inputs such as fertilizers and chemicals. Additional inputs will call for additional credits. The application of these

inputs will result in additional outputs in terms of production. This will lead to the need for marketing facilities for the disposable surplus resulting from the introduction of the new variety. In addition the credits that are given have to be recovered and this is best done at the point of marketing.

Consequently, it is obvious that the integration of services such as credit and marketing are mutually advantageous as credit would strengthen the bargaining position of the farmers both before planting and in most cases immediately after harvest, to the extent that postponing the disposal of the crop after harvest would allow better income at the time when better prices prevail. Also the integration of credits with supplies has mutual advantage since purchasing in bulk would reduce the cost of production and better organisation of supplies will lead to better quality and time, thus ensuring a more successful production and repayment of loans. Also farm inputs and supplies cannot be separated from extension and their combined linkage with credits and marketing further makes them mutually strong.

The Place of Farmers' Association in Agricultural Marketing

A paper on the institutional role of farmers' association in agricultural marketing has been presented at the FAMA Training Centre sponsored by this Authority in 1966.^{2/} The purpose of the present paper is to discuss some of the practical implications of farmers' associations, particularly with respect to agricultural marketing, and their role in the total agricultural development of the country.

The Middleman and Farmers' Association

In any discussion of agricultural marketing it is fashionable and habitual for people to talk about "middleman exploitation" of the primary producers. This is particularly so in the developing countries. Consequently, ways and means have been adopted in an attempt to improve the market structure and protect the smallholders. Some of the techniques range from the extreme case of legislating or physically removing the operation of middlemen in the rural areas to the provisions of facilities such as credits, storage, transportation, etc. Usually such facilities or services are being provided through rural institutions, such as co-operatives and other producer organisations.

^{2/} Liao Hsing Chia - Farmers' Associations and their Role in Agricultural Marketing, pages 126 - 132, Agricultural Marketing Training Centre Manual, FAMA, Ministry of Agriculture and Co-operatives, 1966.

This paper takes the view that whatever may be the solution advocated to avert middleman exploitation there must first be a thorough understanding of what is implied in this so-called notion of "exploitation". Unless the middleman/farmer relationship is fully understood and appreciated any attempt to solve the plight of the farmers would be ineffective. Basically, it is not the existence of the middlemen that has given rise to exploitation but rather the absence of the vital services which the middlemen could provide and in the absence of which no better alternatives have been made available that is the crux of the problem. If we take the typical traditional money-lender-cum-trader type of middlemen we will observe that he operates and caters 3 useful and essential functions at the village level, that is, he combines money leading, supplies of provisions and marketing of produces of the farmers or his clients. Another type of a more recent nature is the agro-business approach where a particular firm provides the farmers with inputs, credits, supervision and assurance of market for the particular commodity promoted.

These are services which are basic needs of any agricultural or rural society. An average farmer living in our rural area needs both production and consumption credits. He would go to any source where these could be obtained easily and this source is usually the village trader who has not only the advantage of proximity but who capitalises on the economic situation of the borrower. A farmer in the rural area who is in dire need of credits or other services does not differentiate his source of assistance so long as his needs are met with in a timely and easy manner. Indeed he would tend to avoid any source, if such an alternative exists, where the loan procedure is too cumbersome and takes too long to process. As one farmer once said "it doesn't matter what you may think of the "orang tengah" because unless you are able to provide us with the services which they are currently giving such as credit, provision, marketing and transport, they are still our friends".

Not only that, the particular farmer interviewed went on to say that "when I need some money to buy my needs I could go to "orang tengah" even at night and usually "orang tengah" will oblige but this type of quick services I cannot get from other sources".

This re-emphasises that the farmer is dependent on the services of the middlemen rather the person. Hence in our efforts to get the farmers out of the clutches of the middlemen, serious efforts much be made to ensure that the most efficient methods of

providing services be adopted. Such a method must reflect the elements of practicability and realism of the problem situation. In this country it is not the lack of resources but what is more critical is the absence of positive, realistic techniques in meeting the needs of the farming community in a dynamic situation.

We have cited above the essential services which the middlemen are normally providing to farmers, i.e. credits, supplies and marketing. However, the services cited here by the middlemen are not in themselves complete nor satisfactory for effective agricultural development to take place. In order to ensure a full compliment of services for agricultural development, one has to consider, in addition to purchase, credit, marketing and supplies, the additional elements of extension and organisation. At the same time for rural society to benefit from these services as a whole, the aspect of welfare should not be overlooked. Farmers' association as envisaged in the Act has been planned to take care of the wholesome needs necessary for accelerating agricultural development.

The following table gives a comparative picture of the services that are available under the two systems, i.e. middlemen arrangement and farmers' association:-

<u>Socio-Economic Services for Agricultural Development</u>			
	<u>Services</u>	<u>Middlemen</u>	<u>Farmers' Association</u>
1.	Extension (Education)	No	Yes
2.	Purchasing (Supplies)	Yes	Yes
3.	Credit	Yes	Yes
4.	Marketing*	Partial	Yes
5.	Organisation	No	Yes
6.	Market Information	No	Yes
7.	Welfare	NO	Yes

From the table extension services are not provided by the middlemen nor is welfare. Organisation and market information are lacking. Organisation is perhaps the most critical link that is missing. It is because of the fact that smallholders in this country are scattered decision makers that individually they tend to compete against each other and consequently, their individual actions have serious economic repercussions on the smallholders economy as a whole. It is this inherent weakness that has led to the possible exploitation by the middlemen.

* e.g. gathering, grading, storage, packing, processing, transportation, etc.

Organisation of farmers has very deep socio-economic implications. Firstly it strengthens the bargaining position of the farmers in the market. Secondly, efficient organisation makes it possible for agricultural production to be planned both in terms of type and volume to meet market demands. Marketing channel from the farm gate to the terminal market is very much facilitated if an efficient farmers' organisation exists. Because farmers' associations are organised on three levels as indicated earlier, it is possible for farm produce to be brought as near as possible to the terminal market (both domestic and export). Organisation also makes possible for the effective spread of market information and intelligence to the farmers. It also ensures a more efficient system of marketing extension.

In this approach it is not the intention to eliminate the middlemen as such but rather to rationalise the price and margin of produce so that farmers need not necessarily be placed in the position of "price takers" as hitherto.

Functions and Responsibilities of the Farmers' Association

Having discussed the concept and principle of the farmers' association approach it is proposed to take a closer look at some of the practical aspects in which farmers' association could be more actively involved in the matter of agricultural marketing. In Malaysia today the question of marketing of agricultural products, particularly those of the smallholders is a topical one. Indeed, one of the principal reasons for the establishment of FAMA is geared towards finding solutions for improving the efficiency of marketing of smallholders' produce. The question is at what level and to what extent will an organisation like FAMA be effective? Or is there any need for FAMA to be supported by additional rural institutions to make the functions of the Authority more effective? There are basic questions that have to be answered sooner or later.

This paper takes the view that FAMA by itself would be less effective than FAMA with supporting agencies of the right and practical type at the farm gate. At this point it is necessary to begin analysing the type of agencies and the functions of such agencies up to the point of the farm gate.

In the consideration of the type of agency or organisation that would be best suited to the needs of primary producers it would be helpful to recognise certain basic criteria:-

- (i) Such an agency or organisation should only represent farmers and/or primary producers;
- (ii) it must be formed by and for the primary producers;
- (iii) it should be geared towards management and production;
- (iv) it must be able to cater for the multi-farious needs of the farmers, particularly the vital services for agriculture, such as extension, credit, supplies and marketing;
- (v) it must not only bring about efficient production and marketing but must be able to assist in increasing the rate of capital formation and also should be self-sustaining in the long run;
- (vi) it should also, in addition to raising technical efficiency the economic status of farmers, be able to contribute to welfare services and accelerate the overall rural development; and
- (vii) such an organisation must be so structured that there is proper co-ordination and linkage between the primary producers and the terminal market.

The practical experience and observations made by people deeply and professionally involved in agricultural development suggest that unless these basic criteria are recognised and accepted it would be very difficult if not impossible to accelerate agricultural development among the smallholders. It is the recognition of these needs and in consequence of them that the Department of Agriculture has taken upon itself the leadership to initiate, promote and organise multi-purpose farmers' associations of the type discussed at the beginning of this paper. Whereas these farmers' associations are in the process of being formed and developed there is an upper limit to which their functions and activities could eventually extend. This upper limit is production and marketing up to the farm gate. Beyond this it would need institutional support, particularly on the aspects of market information with respect to price level, market research, market techniques, quota allocations, grades and measurements and in general price stabilisation measures. These are aspects which have to be looked into by a national independent body. If smallholders' agricultural production is to move into a commercialised situation where production has to react to market forces, then farmers must be constantly fed with market information and knowledge. For example, farmers need to know the prices of their farm produce both at the retail

and farm gate and must be motivated to react effectively. Also projections of demand and supply of particular farm produce and price trends and information are critically deficient at the farm level.

In addition to these institutional aspects, there is the need to provide farmers' associations with such facilities as warehousing, storage processing plants, transportation, all of which are essential supporting services. Most of these services could be provided under existing provisions of institutions established for helping smallholders or primary producers.

As it stands now, the institution that is most appropriate in improving and correcting the market structure or imperfection is perhaps FAMA. Most of these additional activities raised above particularly those of the institutional nature are clearly indicated under Section 3 of the FAMA Act.^{3/} These functions particularly 3 (1) and 3 (2b) would provide guidance and promote the efficiency of farmers' associations.

- 3/ Functions of the Authority "3. (1) The functions of the Authority shall be:-
- (a) to co-ordinate the activities in respect of the marketing of agricultural produce of the various persons or bodies of persons (whether incorporate or un-incorporate and whether in the public services or otherwise) which are or might be concerned with any aspect of the marketing of agricultural produce;
 - (b) to consider; and to promote where necessary and desirable, ways and means by which existing markets and methods of marketing of agricultural produce might be improved, and to seek and promote new markets and outlets for agricultural produce; and
 - (c) to collaborate with persons or bodies of persons (whether incorporate or un-incorporate and whether in the public services or otherwise) to promote efficient and effective marketing of agricultural produce.

The expression "agricultural produce" in paragraph (b) shall not include any agricultural produce in respect of which an authority charged with the responsibility of marketing such produce has been established, and in respect of which methods of marketing have been provided for under any written law.

(2) The Authority shall have power to do all things reasonably necessary for or incidental to the discharge of its functions, and in particular:-

An Example

Perhaps it might be easy to see the role of farmers' association in agricultural marketing and such a role in relation to the Federal Agricultural Marketing Authority by citing, as an example, the promotion of a particular commercial crop. We take the case of the introduction of maize production by smallholders. It is a well known fact that maize is one of the important crops in our diversification programme because it is a crop which has potential in the domestic market. Estimates have suggested that the country is importing \$13 million (Malaysian) of maize per year for livestock feed production and that theoretically a domestic market potential exists to this extent.

If maize is to be introduced as a commercial crop for diversification then it would appear that two broad groups of factors have to be considered. Firstly, there is the need to ensure the technical feasibility of producing the crop itself including the extension and management aspects. Secondly, there is the need to ensure adequate marketing facilities including the assurance of reasonable price to the producers.

-
- (a) subject to the provisions of section 4, to consider any marketing scheme by whomsoever submitted, or of its own motion to propose any marketing scheme; and
 - (b) to cause to be carried out marketing research and investigations and in particular to cause to be conducted enquiries relating to:-
 - (i) cost of production, processing transportation and marketing of any agricultural produce;
 - (ii) price levels, markets and marketing methods and systems of grading; and
 - (iii) any other matter relating to the marketing of agricultural produce;
 - (c) to require persons engaged in the production or marketing of any agricultural produce, in respect of which a marketing scheme has been prescribed to register and to give in such manner as the Authority may specify such information with respect to such produces as the Authority may deem necessary; and
 - (d) to do such other things as the Authority deems fit for the effective carrying out of its functions under this Act."

With regard to the technical feasibility of producing the crop this would be the responsibility of the Division of Agriculture which would ensure that such aspect as suitable variety, soil, husbandry practices, etc. In addition to this, the same Division would have to ensure that adequate extension, is given to the farmers on an area basis to ensure that sufficient response is given for the production of the crop in adequate volume. This calls for proper organisation with respect to time of planting, harvesting and perhaps immediate post-harvest programme such as shelling of grain from the cob. This latter aspect would be carried out by the local farmers' associations. With respect to the input requirements, such as insecticides and fertilisers the responsibility of the farmers' association would be to ensure that sufficient and timely distribution of these inputs are given and also effective supervision of the application of such inputs are assured. In other words, it is assumed that the Division of Agriculture and the farmers' associations concerned with the production of maize would be responsible for all aspects of production up to the point of marketing.

The other important aspect which serious consideration has to be given is the question of marketing facilities and assurance of reasonable prices to the farmers. This is an aspect which would involve the functions and responsibilities of a national marketing authority like FAMA. Very often in an effort to promote a new crop which lends itself to the commercial market one has been faced with the question of "take off" from the farm after production. As a matter of fact it is difficult at present to encourage and organise farmers to produce any crop unless there is an assurance of market outlet with reasonable price. It is this factor which has in a way de-accelerated any programme of encouraging cash crops to smallholders.

Unless this aspect is adequately taken care of it would be impossible to introduce or recommend new crops, particularly for a crop like maize where there is severe competition from imports. Maize production in Malaysia, therefore, faces serious obstacles. This is an import crop and local production will need to compete with imported maize. Hence, assuming free import, domestic market saturation would not create sufficient price incentive for maize to be produced on a large scale. If maize is to be recommended as one of the priority crops in our diversification programme then there must be adequate safeguards to local producers. There is an urgent need, for example, to study and investigate the domestic market potential

of the crop in relation to the present import situation. There is also the need to ensure reasonable price for local production before production is to be encouraged. Otherwise, it would be a situation of putting the cart before the horse.

Basically, farmers need to know the acreage of maize which they could produce with assurance of reasonable price that could be absorbed by local market. This may touch on policy issue each as tariff protection, negotiations with local feed mills, etc. These are activities which fall within the responsibilities and functions of FAMA. In short if FAMA could come out with specific assurance as to the quantity of local maize that could be absorbed at a minimum price guarantee, then it would be possible for this information to be passed on to the farmers for implementation. FAMA as an authority must, therefore, perform the essential role of price stabilisation.

Agricultural Diversification - A Joint Responsibility

Similarly, the same arrangement would apply to the promotion of any other crop. In the past the question of agricultural diversification appeared to have been considered only within the context of technical diversification. In other words, diversification was erroneously thought of as a technical programme of a technical department. At this point it would be opportune to emphasise that diversification of agriculture implies more than physically producing alternative crops. It must be emphasised that diversification of agriculture must also take into consideration the economic implications and as a consequence, the institutional aspects of marketing should be a major point of focus. It is no use producing in excess of what the farmers could consume because it will only defeat the purpose of raising the income of smallholders. As a matter of fact, diversification of agriculture in this country will have to lean heavily towards cash crops and that any programme of diversification ignoring the economic constraints of production, such as the adequacy of production credits, marketing facilities and minimum price assurance would be unrealistic. It is urged that the physical capacity to produce a crop is not as serious a problem, as the main problem of disposing the crop with reasonable price. In future, therefore, for any crop that is to be promoted within the general diversification policy, serious efforts should be made to ensure that both the marketing and technical aspects are studied and prepared fully to give meaningful impact to the programme. Diversification in other words should not be carried out for the sake of diversification but rather should be promoted with the

view to raise the income of the primary producers and the general economy particularly in the face of declining rubber prices. Increasing emphasis, therefore, has to be made to ensure that efficient co-ordination exists and sufficient knowledge is available to all institutions or organisations, government or otherwise, responsible in promoting a dynamic agricultural policy for the country.

SUMMARY

This paper represents some views and thinking on the role of farmers' association in marketing agricultural produce. It gives a brief account of the events leading to the passage of the Farmers' Association Act of 1967.

The organisation, structure and operational sections of the Farmers' Association as envisaged in this Act is being treated in some considerable detail. A discussion of the notion of middlemen exploitation is being given and some suggestions are being made on the matter of providing more effective services to these primary producers with the view to improve their present situation with respect to their economic position in the market place.

The specific functions and responsibilities of farmers' association is being looked into and analysed with its functional context of FAMA with the view to offer a more co-ordinated programme of marketing produce in the country with primary producer organisations. This relationship is exemplified through a discussion of the problems encountered and the possible ways of overcoming such problem in the attempt to introduce a commercial crop.

The paper finally ends up with the emphasis on the need to consider agricultural diversification with all its attendant implications - technical and economic.

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FARMERS' ASSOCIATIONS AND THEIR ROLE
IN AGRICULTURAL MARKETING

by

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FARMERS' ASSOCIATIONS AND THEIR ROLE IN
AGRICULTURAL MARKETING

by

H. C. Liao

I. Brief Outline of Farmers' Association

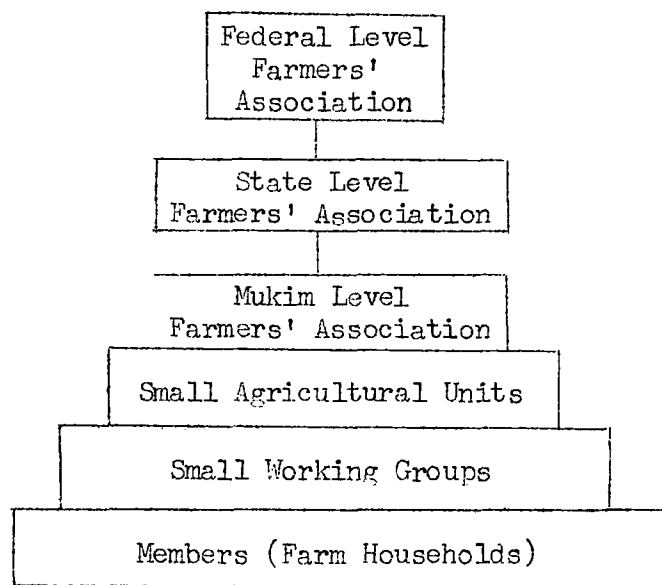
1. Objectives

Farmers' association is a multi-purpose farmers co-operative organization formed by the farmers themselves for the purpose of carrying out a number of functions which include the promotion of farmers' interests, advancement of their knowledge and techniques, increase of their production and income and development of rural economy. The service activities of farmers' association are of such a variety and range that they deal directly with almost all the phases of agricultural production and farmers' life.

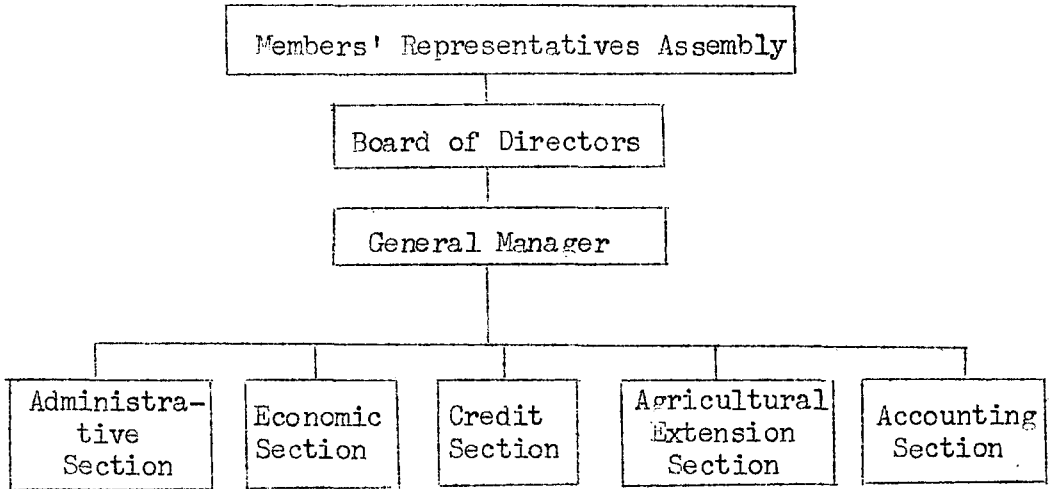
2. Organization System

The system of farmers' associations is organized from the grass-roots level up to the national level. Rural and agricultural development, like any other program designed for the common good of the people, cannot be smoothly and effectively carried out without active support and participation in the program by the people themselves. Since farmers' associations are organized by the farmers themselves, they are strong organizations in performing their production and economic activities.

The three-level organizational pattern of farmers' associations may be illustrated below:-



Five operational sections for each mukim level of farmers' association may be set up as shown in the following chart:-



3. Characteristics of Farmers' Association

The farmers' association organized as above may embody the following characteristics:-

a. Multi-purpose Agency

Farmers' association is a multi-purpose organization to serve its farmer members in various ways. When a farmer becomes a member of an association, he may enjoy a number of services, and these can be grouped together as purchasing, marketing, processing, utilization and market services through its economic section; deposit and loan services through its credit section; and production, advisory, training and welfare service through its agricultural extension section.

Thus the farmer members can devote all their time and efforts to the problems of farm production, and count on the association for all possible assistance in technical and economic matters related to farm business and home life improvement, because these services which they need are integrated and could be made available to them by their own organization over which they have control and in which they have confidence.

The kinds of services needed by farmer members are integrated under the farmers' association and they influence one another to improve the organization for betterment of the services. The products turned out by farmers are marketed through the economic section of farmers' association. At the same time, co-operative purchasing of farming materials and daily necessities is also rendered through the same section. Making use of members' deposit as operating funds for co-operative transaction will enable the farmers' association in cheap

buying and high selling. The credit service extended by the farmers' association provides their members with sufficient and timely loans at reasonable interest rates. The surplus funds which the members deposit in the credit section of their farmers' association form a major source of farm loan funds.

The extension programs of the farmers' association are related to all phases of the activities of the rural population. Using the net profit obtained from the co-operative economic and credit activities of the farmers' association, the extension workers of the association impart knowledge on better farming as well as on better living to the farmers. As a result, the net farm income that can be accumulated for re-investment is increased and the members' confidence in the farmers' association is strengthened accordingly.

The whole picture of farmers' association services may be summarized as follows:-

- (1) Enforcement of extension service to gain the members' confidence in order to expand deposits.
- (2) Making use of deposit money to develop purchasing, marketing and rural credit services for increasing the business income of the association.
- (3) Using the profits earned from purchasing, marketing and credit activities to expand extension service and build up the members' confidence in the association. Thus the three groups of services are somehow inter-dependent upon one another.

b. Grass-roots Organization

Members (one from each farm household) of each kampong within a mukim area organize themselves into a small agricultural unit from which the control of the association is vested. Representatives to the meeting of the association are elected by members at respective small agricultural unit meeting. A board of directors whose candidates are nominated by the small agricultural meeting is elected by the representatives at these association meetings. The functions of the board of directors are policy-making and supervision. A general manager who should be a competent and experienced person, is employed by and responsible to the board to manage the business of the association in accordance with the decision and policies of the board. Similarly, the representatives and board of directors of the State and Federal farmers' associations are also elected in accordance with the federated system. Therefore, the farmers' association is not only a multi-purpose

agency to serve its members in practically all aspects of social and economic life, but it is also a grass-roots organization to train the farm people in parliamentary practices as well as in self-help activities.

c. Partnership with Government Agencies

Farmers' associations are organized and owned by the farmers themselves as an economic framework. By making use of group approach, the efforts of all government agencies can be effectively channelled to benefit all farmers through the farmers' associations. Taking production improvement for an illustration, the government agricultural agencies can extend their improved varieties of crops or livestock and render their technical advice to the farmers on group basis through the farmers' associations. The financial institutions can finance the improvement program to the individual farmers through the associations. The government marketing authority can help the farmers to market their harvests in large volume for better price through the associations.

II. The Role of Farmers' Associations in Agricultural Marketing.

1. Purposes

The purposes of farmers' association in performing agricultural marketing are:-

- (1) To create wider outlets for farm products, and offer more marketing alternative thus the farmers are becoming more selective in choosing the markets;
- (2) To realize the reasonable net prices for farm products and reduce merchants' undue profiteering;
- (3) To adjust the surplus and supply of farm products as the market demands, and thus smooth out wide price fluctuations so that farmers' losses caused by the unstable prices are reduced;
- (4) To issue truthful prevailing market information such as prices of farm products thus the farmers are in better position to bargain with local merchants;
- (5) To establish good agricultural marketing system for farm produce.

2. The Role of Farmers' Association in Agricultural Marketing

With the above-mentioned characteristics and objectives the role which farmers' associations play in agricultural marketing is exceedingly important and diverse. The several main points of it may be discussed below:-

- (1) Improvement and standardization of members farm products to meet the need of market.

Modern agriculture is characterized by farm production for the market although in some part of the economy, especially among the so-called smallholders, self-sufficiency or subsistence farming are still common yet in order to respond to the need of consumption, market advancement in the degree of commercialization of farming and adjustment of farm products are important. This adjustment includes 1) variety, 2) quantity, 3) quality, and 4) period of the effective supply, etc. Therefore, it is the responsibility of the Agricultural Extension Section of farmers' association, under the leadership of relevant government authorities, to educate and guide their farmer members on the improvement of farming techniques and farm management for the advancement of varieties, extension of market-preferred crops, control in the lengthening of the supply period, and control of plant or animal diseases to increase the production and raise the market values. On the other hand, equipped with necessary facilities such as moisture testing machine, drying room or drying court, etc. the Economic Section of farmers' association, under the leadership of relevant government authorities, should devote its effort in establishing the system of standardization of farm products, especially at the first stage of marketing channels.

- (2) Establishment of good marketing system and strengthening of bargaining position through the farmers' associations.

When commercial agriculture is in the initial stage of development farmers usually count on intermediaries for the shipment of their products out of the farm. In order to shorten the marketing channels and to extend their products as nearer as possible to the terminal market instead of selling at the farm-yard, the co-operative marketing activities of farmers' association, which are

systematically organized at both ends of the marketing channels, are the way through which the bargaining position of producers is strengthened, and good agricultural marketing system can be established.

In order to smoothly bridge consumption and production more and more marketing activities of assembling, sorting and grading, weighing, packing and packaging have to be done at the initial stage of marketing channels, where the local farmers' associations are located. Local assembly markets facilitated with farm product packing houses should be put up in the producing area by the local farmers' association to carry out such services:

- (3) Stabilization of market prices and realization of reasonable net prices through the function of farmers' association warehousing.

To meet practically non-seasonal demand with highly seasonal production, granary and other type of warehouse facilities of farmers' associations will play an important role in storing and adjusting of farm products so as to stabilize the market prices from the seasonal price change, and realize the reasonable net prices for farm products.

- (4) Partnership with the government.

With the associations so organized, the government marketing plan and policies can be transmitted to all the farmers down to the grass-roots level. On the other hand, farmers through their own associations, can better express their views in response to government agricultural marketing plans and policies or make their problems known to the government. This helps bring assurance that the government's agricultural marketing programmes will meet the true and felt needs of the people.

- (5) Capital formation for agricultural marketing.

A large-scale agricultural marketing calls for sizeable amount of capital for building up of transaction halls, warehouse equipped with necessary facilities, etc. By encouraging their members and the efforts of their business activities, farmers' association will play a part of forming and accumulating more capital to finance agricultural marketing activities although it may usually be insufficient.

- (6) Efficient transit of farm products through farmers' association transportation.

When the need arises and they have sufficient capital available, farmers' associations may facilitate with their own transportation including small size of three-wheeler for collection of farm products directly at the members farms, and lorry may also be equipped for the purpose of getting up the speed and direct shipment without re-loading in transit to keep the quality of farm products, especially perishables.

- (7) Initial processing and post-harvest treatment by the farmers' associations.

As farming modernization proceeds, farmers become more and more market-conscious. They usually tend to bring the produce nearer to the form which the consumer demands, and thus it is also a role of the farmers' association to render initial processing and post-harvest treatment of farm products.

- (8) Vertical integration.

Being a multi-purpose function, it would be an important role for the farmers' associations to deal with a system of "vertical integration" in which the unified plan of marketing activities for certain kinds of farm product from production to the terminal market including guidance to individual farming plan, supply of inputs, financing, collecting and selling thus complete all the necessary marketing services through the farmers' association for the members.

III. The Specific Responsibilities of Farmers' Association at three Levels will be as follows:-

1. National Level F.A.

- (i) To find and select the best market and best buyers.
- (ii) To make an overall plan of agricultural marketing based on the plan made by the lower level F.A.s.
- (iii) Co-ordinating and negotiating for more favourable sales, deliveries, transaction of farm products and collecting of sales proceeds.

- (iv) Issuing market information to lower level farmers' associations.
- (v) Setting up of modern factory to process farm products or manufacture and supply of inputs for better production in farm.
- (vi) Co-ordinating with relevant government authorities and agencies concerned, conducting marketing research, and providing technical guidance and supervision for lower level F.A.s.

2. State Level F.A.

- (i) Making an overall plan of marketing within the State based on the plan of lower level F.A.s.
- (ii) Allotment of shipments.
- (iii) Technical guidance in agricultural production.
- (iv) Transportation and warehousing service at State level.
- (v) Co-ordination and transmission of market information.

3. Mukim Level F.A.

- (i) Encouraging and providing technical guidance to member farmers for the improvement of their production, techniques and farm management - preparation of farm products for market.
- (ii) Investigating the marketable volume of farm products from members.
- (iii) Making an overall plan at mukim level based on individual farmers' farming plan.
- (iv) Signing marketing contract with participating farmers.
- (v) Collecting, inspecting, sorting, grading, post-harvest treatment, packing and shipping of farm products.
- (vi) Collecting and paying of the sale proceeds.
- (vii) Storing or warehousing of farm products at mukim level.
- (viii) Co-ordinating the other services of farmers' association.

In short, the farmers in this country, like farmers in other countries, particularly in South East Asia, urgently require a good marketing system with better or guaranteed price of their products. Therefore, it should be the responsibility of the farmers' associations to initiate the agricultural marketing activities under the assistance of modernized techniques of marketing authority in helping them to strengthen facilities, compute costs, determine markets, improve financial operation and find methods for handling service in the most efficient way in order to be able to compete business with other agencies and private merchants.

Department of Agriculture,
Kuala Lumpur.

24th February, 1966.

MARKETING SERVICE

by

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(Farmers' Association Training Material)

Marketing Service*

by

Liao Hsing Chia

I. What F.A. Marketing Service Means

Members of a farmers' association unite and co-operate with each other to sell their farm products or livestock to consumers' market through the association in order to attain high efficiency of marketing operation as well as to obtain the best possible price.

II. Why F.A. Marketing Service is Necessary

1. To meet the needs of member-farmers:-

Marketing of agricultural produce is a part of farming activities. As present-day social economic system and techniques of farming production improve, small farmers' subsistence farming will not longer just become a means of supporting life (self-sufficiency) but it has to become and is becoming a more commercial operation, which is aimed mainly at selling of what is produced in the farm to the ultimate consumer in order to obtain more cash income - that is commercialisation of agriculture.

In agricultural marketing some farm products, after they have been harvested, can be sold immediately for consumption without processing and some cannot be used unless they are processed; some can be sold to the market at the locality, and some must be transported to a far away foreign market; some are produced and supplied to the market throughout the year and require no necessity of storage and some are conspicuous seasonal products that necessitate storage. Thus one can see that agricultural marketing includes diverse and complex activities of assembling, inspecting, sorting, grading, packing, transporting, storing, processing, selling and financing, etc. In addition, these activities need adequate facilities, organization and man-power to operate.

* This paper is a revised version of the First Paper on "Marketing Service", an F.A. training material prepared by Mr. Min-Hsioh Kwoh, 1966.

In view of the fact that individual small farmers on their own can ill afford to provide for such facilities and services, and the fact that there exist "middleman's monopolistic activities" in the rural area it is particularly important and significant that the farmers' associations provide marketing service for individual small farmers.

2. To attain higher efficiency of F.A. operation:-

The unique characteristics of the multi-purpose farmers' association can raise its level of efficiency of operation and effectuate its functions to the highest level and only when the extension and credit services are closely co-ordinated and tied to marketing service. This is particularly so because the integration of these services in a farmers' association are mutually advantageous. For example, extension programme would become more effective when it is combined with an improved supervised farm credit programme and supported by an adequate marketing service to ensure the availability of marketing facilities as well as to assure the market and reasonable price to the primary producers. At the same time the suitable marketing service would provide the security from the view point of saving and repayment of credit loans.

III. Objectives (Functions)

1. To create wider outlets for farm products, and offer more marketing alternative. Thus farmers have wide choice of markets for their farm products or livestock.
2. To provide farmers with marketing and other related services needed by them in order to help them sell their farm products, to protect their interest, to eliminate possible merchants' exploitation, and to realize reasonable price for farm products or livestock.
3. To adjust farm product or livestock supply to market demand, and thus market prices could be stabilised thereby farmers' losses caused by the wide price fluctuations are reduced.
4. To provide farmers with such prevailing market information as prices of farm products thus the farmers are in better position to bargain with local merchants.
5. To establish a good agricultural marketing system through the farmers' association in support or government efforts in improving agricultural marketing programme.

IV. The Role and Responsibilities of F.A. in Marketing Service^{1/}

1. Investigating the marketable volume of agricultural produce from members and encouraging such a produce for marketing.
2. Looking for and selecting best markets and best buyers.
3. Signing marketing contracts with participating farmers.
4. Handling first stage of marketing activities such as assembling, drying, sorting and grading, weighing, packing and packaging, storing and delivering and selling of agricultural produce.
5. Providing a suitable place, with necessary staff and facilities for primary producers to sell their produce and transact other marketing business with buyers.
6. Wherever possible, within the limit of capital and manpower, handling initial processing and post harvesting treatment of agricultural produce so as to bring the produce nearer to the form which the consumer demands. This would help farmers sell their produce at a more favourable price.
7. Providing member producers with market information and help them in negotiating with buyers (market) to sell the produce at better price.
8. Calculating and collecting sale proceeds from the market management and making payment to the farmers after the transaction of marketing.
9. Assisting relevant government or semi-government authorities in the establishment and standardisation of quality of agricultural produce.
10. Providing farmers with effective marketing structure through the three level F.A.s, which are systematically organised at both ends of the marketing channels, to extend their produce as nearer as possible to the terminal market.
11. Working as partnership with the relevant government or quasi-government authorities, particularly with FAMA and other research and experiment institution, and bridging between the government and farmers so to improve agricultural marketing system in this country.

^{1/} "Farmers' Associations and their Role in Agricultural Marketing" by Liao Hsing Chia, 1966.

12. The responsibilities and role of farmers' association as mentioned above should be adequately divided and undertaken by the three level F.A.s in order to efficiently and successfully carry out the marketing service. The details of such a division of work for farmers' association at three levels are shown as follows:^{1/}

1. Federal Level F.A.:-

- (i) To make an overall plan of agricultural marketing based on the plan made by the lower level F.A.s.
- (ii) To select the best market and best buyers (both domestic and external market).
- (iii) Negotiating at the terminal market for more favourable sales, deliveries, transaction and collecting of sales proceeds.
- (iv) Providing storage and ware-housing services.
- (v) Setting up of modern factory to process farm products.
- (vi) Issuing market information to lower level farmers' associations.
- (vii) Conducting marketing research and providing technical guidance and supervision for lower level F.A.s.
- (viii) Co-ordinating with relevant government authorities and agencies concerned, for the improvement of marketing service.

2. State Level F.A.:-

- (i) Making and implementing an overall marketing plan within the State based on the plan made by the lower and higher level F.A.s.
- (ii) Allotment of shipments.
- (iii) Providing transportation service.
- (iv) Providing storage and ware-housing services.

^{1/} "Farmers' Associations and their Role in Agricultural Marketing" by Liao Hsing Chia, 1966.

- (v) Co-ordination between area F.A.s and Federal F.A.s.
- (vi) Providing guidance and supervision for lower level F.A.s to improve marketing service.

3. Mukim Level F.A. :-

- (i) Making a plan of marketing service based on the agricultural production conditions, members needs, plan of higher level F.A.s.
- (ii) Encouraging and providing technical guidance to member-farmers for the improvement of their production, techniques and farm management - preparation of farm products for market.
- (iii) Investigating the marketable volume of farm products from members.
- (iv) Signing marketing contract with participating farmers.
- (v) Collecting, inspecting, sorting, grading, packing and shipping of farm products.
- (vi) Providing facilities for post-harvest treatment and if the conditions allow, render storage and other facilities and services for initial processing of farm produce.
- (vii) Collecting and paying of the sale proceeds.
- (viii) Co-ordinating the higher level F.A.s and other institutions concerned for the improvement of marketing service.

V. Methods

1. Brokerage: The association only finds a market (buyer) for members on commission basis (brokerage). The association does not involve in handling farm produce. The farmers market their produce wholly on their own responsibility.
2. Purchase: Members sell their products or livestock to the association on price basis. After the purchase of the farm produce from farmers the association is free to sell it at its own risk.
3. Consignment (conditional consignment): Members consign their produce to the association for sale individually with conditions attached. The association sells for the consigner according to the conditions including price, time of selling, buyer, etc. as specified by him on commission basis.

4. Pooling system (unconditional consignment): Pooling together the same kind and same grade of farm produce of the members for marketing, and distribute the sale proceeds according to the quantity and grade contributed by the members. The method of joint calculation (based on prices) is usually adopted. The F.A. handle this on commission basis. This method is encouraged.

VI. Procedures

1. Application:

- (1) Farmers apply to the association on quantity of products or number of livestocks available for marketing and the desired date of shipment at least three months before the farm produce is ready for sale.
- (2) These applications are recorded in the registration book kept by the association.

2. Planning:

Basing on the applications from members, the association makes an overall plan for each month for implementation.

3. Delivery:

Notice on the delivery is made to the farmers by the association in accordance with the shipping plan for the participating farmers to make preparation. A list of the deliverers is sent to the State Farmers' Association/Federal F.A. and F.A. personnel stationed at the terminal market for files and clearance.

4. Transaction:

When the products or livestocks arrive at the terminal market in accordance with the plan made by the association, F.A. personnel at the terminal market will contact the market management to sell the products.

5. Marketing costs:

Farmers' associations make every effort to save expenses such as expenses for collecting, transporting, loading and unloading, revenue stamps and escorting, etc. needed for shipping products or livestocks from farm-yard to market. These charges are reported to the members in proportion to the weight of products or livestocks marketed.

6. Indemnity fund:

In order to meet the needs of the indemnification for the losses in transit usually caused by unexpected cases, a percentage which is not more than 0.5% of the sale proceeds may be set aside to form indemnity fund of the co-operative marketing. When member's products or livestock suffer from losses in transit, he will be compensated from the association 80% or 90% of market price of his loss amount as indemnification.

7. Handling fee (commission):

For covering the expenses needed for marketing service an adequate rate of service charge, called handling fee or commission may be assessed from the participating farmer to the association. In case when the service is also rendered by the higher level F.A.s the commission will be adequately shared by the different levels of F.A.s involved.

The amount of handling fee is in principle calculated according to the actual expenses (actual cost of operation). The cost of marketing operation consists of two parts:-

- (i) Direct cost - including freight charges, storage, etc.
- (ii) Indirect cost - including administrative expenses such as personnel expenses, travelling expenses, depreciation expenses, taxes, joint expenses to be shared such as office expenses, meeting expenses; and other expenses such as interest expense of capital, etc.

total cost = direct cost + indirect cost.

The amount of handling fee is, therefore, determined based on the actual cost of operation. The F.A. in principle provides service at cost. The lower the cost of operation, the lower the amount of handling fee.

In practice, however, in view of the fact that calculation of actual cost of operation is complex and that the F.A. needs to charge service fee slightly higher than the cost to safeguard any unexpected losses, the amount of handling fee to be charged by the F.A. has to be calculated

based on the percentage of proceeds of farm products marketed. The rate of the percentage is determined and planned in the annual service plan taking into consideration the cost of operation according to past experience and the rate of business margin prevailing in the market. Such a rate of percentage may vary from time to time depending on the market condition and margin earned by private merchants or middlemen. The F.A. should do its best to reduce the cost of marketing operation in order to be able to compete with the business of the private sectors. At the same time every effort should be made to earn more surplus (profit) that is the balance between the amount of commission income and the amount of actual cost of operation, so as to accumulate more of its own capital.

8. Payment:

Farmers' association personnel at the terminal market collects sale proceeds from the market management and remits them to the association the same day. Payment is made to the farmers by the association after subtracting handling fee and shipping costs.

In case the members sell their products or livestock to the association on price basis, a part of the profit made from marketing shall be reserved in the association account as "Marketing Fund" under "Reserve Fund" for covering the losses whenever an unfavourable market occurs.

VII. Pre-conditions for a favourable Marketing of Agricultural Produce by F.A.s

1. Co-operation with extension section for the improvement of members' farm produce:-

It has been emphasised that a marketing programme cannot be operated successfully in isolation with agricultural extension programme. A production plan should be made according to the marketing plan. However, on the other hand, a marketing plan should not be made disregarding the basic factors of agricultural production: land, labour, capital and techniques.

Especially in a country like Malaysia where a great majority of the small farmers still practice self-sufficient farming, the marketing programme should be made in accordance with the plan and principle of extension programme. In other words, an integrated (a vertical) plan and system of service

activities from production to marketing in the F.A. must be established in order to carry out a successful marketing programme. The extension programme for a market oriented crops here involves 1) variety, 2) quality, 3) volume or quantity, 4) period of effective supply, etc. Therefore, co-operation from F.A. extension section or other research and experiment agencies must be sought for engaging the improvement of varieties, extension of market-preferred crops or livestock and control of plant or animal diseases to increase the production and raise the market values. The staff members in charge of marketing must require specific knowledge and techniques of crops to be handled. Such knowledge and techniques including method of handling of farm produce to be marketed could be obtained through co-operation with extension section and other relevant institutions concerned.

2. Co-ordination with other services:-

- (i) Credit: Co-ordination with credit section for making production loans to farmers according to the integrated marketing and extension plan:-

The repayment of the production loans can be secured since the farm products are collected and marketed through the economic section under which the debts are reduced. The members may also be allowed to borrow 60 to 70% of the price of the produce sent for marketing from credit section, and make the repayment from sale proceeds.

- (ii) Purchasing: Co-ordinating with F.A. purchasing service for the supply of quality-proof seeds, feeds, fertiliser and farm tools at reasonable prices to improve production and curtail costs of production.

3. Co-operative sale in large quantities:-

By handling a large quantity of farm produce, an F.A. can strengthen its bargaining power and reduce costs of operation. When a large number of farmers are selling their product individually in a small quantity the market (price) tends to be controlled by buyers because no individual small farmer can control the market. But vice versa when a large quantity of produce is collected in the hand of an F.A., this will enable the F.A. to influence the market (price) because the

association can adjust the supply of farm produce to some extent. At the same time a large quantity of co-operative selling can reduce the cost of marketing especially freight charges.

4. Planned shipment:-

Wherever possible the agricultural produce collected in the F.A. should be sold to the market according to the plan made which was based on the market demand. This will help stabilise the market price and avoid possible fall in price caused by a large quantity of supply. By making use of their store and ware-houses the F.A.s are in a better position to carry out the planned shipment. The above-mentioned plan should be adequately incorporated in the F.A. annual service plan and budget including 1) items of crops, 2) volume, 3) capital, 4) income and expenses, etc.

5. Good use of organisation system:-

F.A.s are to be organised systematically from grass-roots up to Federal F.A. on three levels. When the higher level F.A.s are organised the three level F.A.s should be closely linked together so that marketing of farm produce can be carried out in large quantities thereby the bargaining power is strengthened and the efficiency of marketing can be improved.

In addition, the area F.A.s should make good use of small agricultural units to link the members and the F.A. closer for efficient operation of marketing.

6. Uniformity of quality and standard:-

When the quality and standard of agricultural products are properly unified they can be sold at better price than when they are not standardised. In marketing of farm products the F.A. should use adequate facilities to sort and grade properly the goods so as to unify their quality and standard.

7. Co-operative marketing:-

The method of co-operative marketing, especially pooling system, should be encouraged so that the F.A. could assure farmers more stabilised price and protect them from possible losses caused by accident or unfair trade practices of merchants.

8. Sufficient capital for adequate facilities:-

In order to be able to function properly and advantageously in marketing service an F.A. must have sufficient capital to equip itself with adequate marketing facilities for drying, grading, weighing, delivering, storing, etc. In addition, an adequate amount of capital is needed as revolving fund. These require a sizable amount of money. The long-term investment such as purchase of store, ware-house, heavy machine and facilities should be financed with F.A. own capital which is low cost fund derived from members' capital stocks or business earning, etc.

9. Understanding of members' needs:-

Marketing service rendered by an F.A. must meet the needs of members, or otherwise such a service will result in failure. The F.A. staff should understand the existing conditions of both agricultural production and individual farming in the area. This would help the F.A. in making a decision as to what should be done. In determining what and how to market members produce the F.A. should take in consideration the needs of majority members and the limited capability of F.A. in terms of man-power, financing, techniques and facilities, etc.

10. Members' education for understanding support:-

Without members understanding and active participation the F.A. marketing programme has little chance of success and such an understanding and co-operation can be promoted through educational method. It is necessary, therefore, for the F.A. to spread the universal education on marketing programme among the farmer-members to enable them fully understand the benefit of co-operative marketing and the required knowledge and techniques of the programme.

VIII. Difficulties

While the farmers' association starts carrying out the co-operative marketing, the following difficulties may be met for improvement and solution:

- (1) Farmers have not gained thorough understanding of the market demand and do not response precisely to the actual needs.

- (2) Sectionalism of the relevant institutions sometimes retard the development of this programme.
- (3) Shortage of operational capital to finance and purchase facilities necessary for co-operative marketing.
- (4) Co-operative marketing involves different technical problems such as sorting, grading, inspecting, transporting, etc. and the farmers' association's employees may consider it too difficult a task to tackle.
- (5) In carrying out their marketing service to protect members' interest the F.A.s will feel acutely that the existence of strong economic influence of private merchants including middlemen, shop-keepers, millers, who are already deeply rooted in rural area, cannot be disregarded.

Department of Agriculture,
Kuala Lumpur.
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LHC/wc

PURCHASING SERVICE

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(Farmers' Association Training Material)

Purchasing Service*

by

Liao Hsing Chia

I. What F.A. Purchasing Service Means

An activity of providing members with production inputs, daily necessities and services to enable them to operate their farming as well as living efficiently and advantageously.

II. Objectives

1. To supply members with goods of reliable quality at fair prices.
2. To reduce the cost of farming operation of members.
3. To improve the bargaining position of farmers.
4. To increase farm production and improve the standard of farming and living conditions of the members.

III. Outstanding Characteristics

1. The members of farmers' association are both the owners and users of the service. By joining with their F.A., they unite and co-operate with each other to provide themselves with skilled purchasing agency to purchase in bulk production inputs and daily necessities demanded by present day farming. This purchasing activities will improve the process of circulation of production inputs and lower their prices thereby cost of farming can be reduce.
2. Although the F.A. is a non-profit organization, it is bound to create more profit by saving operational costs. Most margins above the cost of operation are to be returned to the members in the form of extension service and patronage refunds in proportion to the amount of business they did with the F.A.
3. Being a multi-purpose organization, the farmers' association can operate its purchasing service more effectively through close co-ordination with other services such as credit, extension and marketing, etc. as followings:-

* This paper is a revised version of the first paper on "Purchasing Service", a F.A. training material prepared by Liao Hsing Chia, 1966.

(1) Credit:

- (a) Negotiating with credit section for making loans to economic section for revolving purpose.
- (b) Instead of carrying cash, members may pay for goods he bought by drawing from their deposit accounts in the credit section.
- (c) Members may borrow money (loan) from credit section for purchasing goods from economic section.

(2) Agricultural Extension:

Co-operating with extension section for providing members with guidance and advice on what and how much to buy from economic section in connection with their farming. Economic section also decides what types and quantity of production inputs to purchase in consultation with extension section.

(3) Marketing:

Co-ordinating with marketing service in determining the kinds of goods, such as quality-proof seeds, feeds, etc. to supply to members so to chime in with marketing programme.

- 4. The distance of goods-supply-channel can be shortened so that the intermediary profiteering (exploitation) can be reduced to a minimum.
- 5. The performance of F.A. purchasing service can create competition among the seller's market and thus protect the members from monopolistic price.

IV. Operating Principles

- 1. Goods arranged and supplied by the F.A. should meet the real need of the members.
- 2. The quality of goods must be dependable and the price must be reasonable. One price system is usually adopted to win confidence of the members.
- 3. Purchase the goods in large quantity to reduce the costs of retailing. Sufficient volume of business also brings the usual handling margins to pay for the operations of the F.A.
- 4. Cash trading - it implies no risk of losses from credit. Furthermore, the interest on capital is reduced to a minimum and reduce the amount of book-keeping.

5. Sufficient capital should be provided from members' ownership capital furnished by the members.
6. The F.A. operates on the income from its service charges. But it must try to save expenses in order to reduce the charge as lower as possible.
7. The supplies store must be located at a convenient point.
8. In the initial stage the F.A. should not handle too many items of merchandise. A limited number of kinds and types of goods should be carefully selected taking into consideration the needs of members and the market condition. In the beginning, when the man-power, experience, and capital of the F.A. are still very limited merchandise should be limited to production materials only. By emphasising more on the supplying of production inputs rather than daily necessities the F.A. would establish its unique character of purchasing service.

V. Kinds of Goods

Goods handled for purchasing service may be classified into two categories:-

1. Production materials, which are for farming operation purposes including feeds, seeds, fertilizer, pesticides, farm tools farm machineries of small size such as power tillers, etc.
2. Daily necessities, which are for daily needs including food, groceries, household supplies and general merchandise.

VI. Operating Types

1. Self-initiated:

Services are initiated by the farmers' association itself. The F.A. purchases and sells goods to members on its own responsibility.

2. Consigned:

Goods or services for members (or non-members) are consigned by the government or private agencies on commission basis.

VII. Method

1. Purchase:

The association purchases goods on its own responsibility and sell them to members on a profit basis. The F.A. determines prices based on the cost, margin and the prevailing market price.

4. Quantity discounts are sometimes permitted to members who make large purchases of a commodity.

IX. Gross Profit

1. Merchandise turnover ratio

$$= \frac{\text{Cost of Sales}}{\text{Average stocks per month} = (\text{stock, Jan.1} + \text{stock, ends of every month}) \times \frac{1}{13}} \times 100$$

This ratio is used to measure the number of turnover of merchandise stocks in a fiscal year. Ordinarily, as the number of turnover increases, the cost per unit of goods handled decreases and the business profit obtained from the service increases. For the F.A. a goal of 1,200% or one turnover per month should be expected to achieve.

2. Gross profit ratio

$$= \frac{\text{Income from Sales} - \text{Cost of Sales}}{\text{Cost of Sales}} \times 100$$

This ratio is used to measure the rate of gross profit from purchasing or marketing business. Ordinarily, as the volume of business increases, the gross profit per unit of goods handled increases too because the cost of sales per unit decreases due to a large quantity of purchase. In purchasing business, the associations should make every effort to increase the business volume on one hand and on the other, also maintain reasonable gross profit ratio so that the margin may cover operating expenses. When gross profit ratio is too small, operations are inefficient. In order to attain high efficiency of operations, F.A.s have to, on one hand, reduce the service charge (margin) to the lowest possible and increase business volume/number of merchandise turnover to obtain higher profit on the other. To do this F.A.s should do every efforts to save their service costs to the lowest possible, especially the costs of labour and personnel hired.

X. Operating Procedures

1. Investigation:

Farmers' associations investigate the members' seasonal requirements of various goods in each small agricultural unit for assessing the kinds of goods, total quantity or volume and quality desired.

2. Subscription (order in advance):

The members order in advance kinds and quantity of production supplies or daily necessities from their area F.A.s. The area F.A.s in turn subscribe for the goods from the higher level F.A. or from private firms. This method will enable the F.A. to make a proper plan to purchase and supply goods as planned so that the trade with merchants is done favourably in terms of price quality and expenses. This is usually done on commission basis.

3. Pooling system (joint calculation of price):

Members order specific kind of goods from the F.A. in advance without any condition on price. The price per unit of the goods is determined by dividing total cost (direct cost + indirect cost) of goods purchased during a certain period with total quantity, thus members (orderers) will pay average price of the goods. The F.A. provides this service on commission basis.

VIII. Price Policy

1. Price = direct cost + indirect cost (overhead expenses) + margin.
2. As a whole, the prices of goods handled by F.A.s are not always cheaper than those handled by merchants. But one very noticeable advantage of the F.A.s purchasing service is that they provide the members with dependable quality and acceptable price which can convince members to patronize them.
3. In any case, existing (market) price being charged for goods compared with price available under the F.A. is a paramount factor. In determining the price, there are three kinds of policies for the F.A.s to follow:-
 - (1) High price policy - the price is higher than current (market) price.
 - (2) Current (market) price policy - follow the current price to avoid price wars.
 - (3) Low price policy - the price is lower than current price.

As a general policy the price margin established by F.A.s should be narrower than the one prevailing in the market.

2. Negotiating:

The association contacts reliable and sincere manufacturers or firms for negotiating and making decision on the quantity, quality, prices and other commercial terms for the purchase of goods. When the higher levels F.A.s are organized, this will be the responsibility of the State or Federal F.A.

3. Planning:

Using the data and information collected from survey the association, considering peak season and dull season, makes an overall plan for each month and year of implementation.

4. Orders:

Based on the monthly plan, the F.A. orders goods from the contracted manufacturers or firms for the succeeding month.

5. Arrival of shipment:

On arrival of the shipment from the manufacturer, the association inspects the goods to see if there is any shortage or damage. Claims, if any, are immediately sent to the firm for further action.

6. Delivery:

For the convenience of the members, F.A. may, if possible, furnish a small size of vehicle for delivering the ordered goods to the orderers' home. The sale proceeds and the orders for next period are collected by the F.A. personnel at the same time. Regular date for such delivery should be arranged by the F.A. before hand.

7. Payment:

Payment to the manufacturer is made according to the terms.

XIII. Difficulties

In conducting the co-operative purchasing service, the following difficulties may be encountered by the F.A.:-

- (1) Farmers' bargaining position is still weak because at present the number of F.A.s properly organised is still limited, the organisational structure of the three level F.A.s is not yet completed and that few members thoroughly understand and support the association purchasing services.
- (2) Competition with other merchants and shop-keepers.
- (3) Shortage of operational capital.
- (4) Shortage of well-trained and experienced staff.

XII. Ways for the Improvement

1. Repetitive use of educational method should be applied to members to convince them of the benefit of co-operative purchasing through the farmers' association.
2. The method of "guided purchasing" should be adopted. The F.A. purchasing service should not only to supply members with goods they need but also should provide them with proper guidance and advisory service regarding to what to buy and how to effectively use the goods. To do this a close collaboration between economic and extension section is essential to link production projects and supplying service together. For example, a fertiliser supplying service of economic section is carried out in conjunction with fertiliser extension scheme of extension section. The same principle applies to the supplying of daily necessities.
3. The staff members of F.A.s should be sufficiently trained on the knowledge and techniques of purchasing service.
4. In order to have the F.A. staff gain more experiences on business operation and strengthen their business foundation, the F.A.s should be given more opportunities to undertake more of government consignment service such as handling of government fertilisers subsidy scheme, purchasing and supplying of planting materials, etc. on commission basis. This would also give the F.A.s better assurance of making profit.
5. Making good use of F.A. organisation system is another important factor to lead the purchasing service a success because of strong bargaining power that comes from the firm unification and close co-operation of the three levels farmers' associations. In principle, the lower level F.A. should purchase goods through the higher level F.A. and the business plan of the higher level F.A. should be made based on that of lower level F.A.s.

The system of small agricultural unit should be adequately used. With the assistance of chiefs of S.A.U. and the use of organisation approach, the F.A. can spread its service closer to members for better promotion of purchasing service.

6. When the volume or quantity of a certain kind of merchandise demanded by members is sufficient enough to allow an F.A. to set up a plant or factory to economically produce the merchandise this could be one of the most effective ways for the F.A. to do so. Since the merchandise is produced and supplied more economically by the F.A. or F.A.s themselves, the F.A. can be in a better position not only to influence the market price of the merchandise but also assure the members the availability and dependable quality of the merchandise. In setting up a plant, however, the F.A. must take into consideration the problem of capital, production techniques, personnel, management, etc.

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