



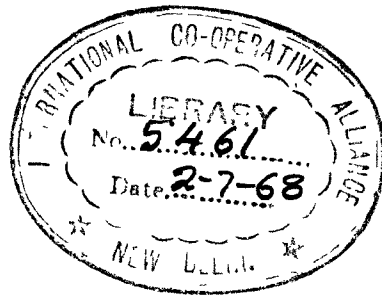
COMPLETE SET OF LITERATURE CIRCULATED AT THE

ICA/IDACA REGIONAL SEMINAR ON "COOPERATIVES IN AGRICULTURE :

AN INTEGRATED APPROACH", TOKYO, JAPAN. MARCH 20 - APRIL 1, 1967

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PROGRAMME OF THE SEMINAR

REGIONAL SEMINAR ON "COOPERATIVES IN AGRICULTURE : AN  
INTEGRATED APPROACH, TOKYO. JAPAN"

March 20 -- April 1, 1967

PROGRAMME

March 20      Monday

- 0900 a.m.                      Registration
- 1030 a.m.                      Opening Session
- 0200 - 0500 p.m.              Orientation  
by Mr R. Okada  
Managing Director  
Institute for the Development of  
Agricultural Cooperation in Asia  
Tokyo.
- 0700 p.m.                      Slide Show " Nature and Industry in Japan "

March 21      Tuesday

- 0900 - 1200 noon              Brief Review of Integrated Cooperative Development  
in South-East Asian Countries  
by Each Country Delegate
- 0200 - 0500 p.m.              Brief Review of Integrated Cooperative Development  
in South-East Asian Countries (contd.)

March 22      Wednesday

- 0900 - 1200 noon              Agricultural Cooperative Movement in Japan  
by Mr Shiro Futagami  
International Department  
Central Union of Agricultural Coops  
Tokyo, Japan.
- 0200 - 0500 p.m.              Multi-Purpose Cooperatives and their Socio-Economic  
Significance  
by Dr P.R. Baichwal  
Specialist in Agricultural Cooperation  
International Cooperative Alliance  
New Delhi.
- 0700 p.m.                      Movie Show "Multi-purpose Agrl. Cooperative Society  
in Japan "

March 23      Thursday

0900 - 1200 noon      Introduction of Japanese Unit Multi-purpose Agricultural Cooperative Society

by    Dr J Kurata  
 Dean, Koibuchi Agricultural College  
 in Ibaraki Prefecture, Japan

0200 - 0500 p.m.      Integration of various functions (saving, loaning, marketing, supplying, utilisation of facilities; processing, storage, repair shop etc. Welfare: medical and leisure services, guidance: farm management and home economics)

by    Mr Harundo Idei  
 President  
 Sukage Village Unit Multi-Purpose  
 Agricultural Cooperative Society  
 Saitama, Saitama Prefecture, Japan.

March 24      Friday

0900 - 1200 noon      Federation of Cooperatives at Provincial and National Levels

by    Mr K Kimura  
 Deputy Chief  
 Organisation and Education Division  
 Central Union of Agricultural Cooperatives  
 Tokyo, Japan.

0230 - 0530 p.m.      Study Visits : Central Union of Agricultural Cooperatives,  
 Central Cooperative Bank for Agriculture  
 and Forestry.  
 National Marketing Federation of  
 Agricultural Cooperatives,  
 National Purchasing (supplying) Federation  
 of Agricultural Cooperatives.  
 International Cooperative Trade Company  
 (UNICOOP JAPAN)

March 25      Saturday

0900 - 1200 noon      Discussion on Integrated Functions of Multi-purpose  
 Agricultural Cooperatives

Afternoon              Free

March 26      Sunday

0900 - 0400 p.m.      Sight Seeing Tour in Tokyo

March 27      Monday

0730 a.m.      Visit Sukage Primary Multi-Purpose Agricultural Cooperative Society in Saitama Prefecture (sample of small size cooperatives, about 70 kms from Tokyo)

0200 - 0300 p.m.      Visit two of the Cooperative Member Farmers

0330 p.m.      **Visit** Farm Machine Service Centre under Cooperatives and/or Farm Machine Manufacturing Plant or Irrigation Project (by option of individual participants)

0400 - 0500 p.m.      Visit Gyoda Primary Multi-purpose Agricultural Cooperative (sample of amalgamated large size coops)

0800 p.m.      Arrive at IDACA

March 28      Tuesday

0800 a.m.      Leave IDACA

0930 a.m.      Visit Saitama Prefectural Union of Agricultural Cooperative Societies

1030 a.m.      Visit Saitama Prefectural Government

11.00 a.m.      Visit Saitama Prefectural Credit (Saving and Loaning) Federation of Agricultural Cooperatives

0200 p.m.      Visit Prefectural Economic Federation of Marketing and Purchasing Agricultural Cooperatives

0400 p.m.      Visit other affiliated Organisations and Agencies of Agricultural Cooperatives

March 29      Wednesday

0900 - 1200 noon      Discussion and Preparation of Final Report

0200 - 0500 p.m.      Discussion and Preparation of Final Report (contd.)

<u>March 30</u>	<u>Thursday</u>	
0930 a.m.		Visit Kawasaki Feed Processing Plant under National Purchasing Federation of Agricultural Cooperatives
1230 p.m.		Visit Hiratsuka Agricultural Technical Centre under the National Purchasing Federation of Agricultural Cooperatives
0600 p.m.		Arrive at IDACA.
<u>March 31</u>	<u>Friday</u>	
0900 - 1200 noon		Discussion on the Draft of the Final Report
0200 - 0500 p.m.		Discussion and Evaluation
<u>April 1</u>	<u>Saturday</u>	
1000 a.m.		Closing Session
1200 noon		Farewell Luncheon
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<u>April 2</u>	<u>Sunday</u>	Sight Seeing Tour of Kyoto City
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FINAL REPORT

OF THE

SEMINAR





Report of the Regional Seminar on

" COOPERATIVES IN AGRICULTURE : AN INTEGRATED APPROACH "

March 20 - April 1, 1967

Tokyo. Japan

Directing Members : Dr. P.R. Baichwal  
Mr. Alf Carlsson  
Mr. J.M. Rana  
Mr. R. Okada  
Mr. Shiro Futagami

Organised jointly by

International Cooperative Alliance  
Regional Office & Education Centre  
for South-East Asia,  
18 Friends' Colony, New Delhi-14.

Institute for the Development of  
Agricultural Cooperation in Asia  
816, Funabashi cho, Setagaya ku  
Tokyo. Japan.



Report of the Regional Seminar on  
 " COOPERATIVES IN AGRICULTURE - AN INTEGRATED APPROACH "

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INTERNATIONAL COOPERATIVE ALLIANCE  
 Regional Office & Education Centre for South-East Asia  
 18, Friends' Colony, New Delhi-14. India .

September 1967



REPORT OF THE REGIONAL SEMINAR ON  
" COOPERATIVES IN AGRICULTURE : AN INTEGRATED APPROACH,"

TOKYO. JAPAN

March 20 - April 1, 1967

SECTION - I

INTRODUCTION

1. A Regional Seminar on "Cooperatives in Agriculture : An Integrated Approach" was organised in Tokyo, Japan, by the International Cooperative Alliance Regional Office and Education Centre for South-East Asia, in collaboration with the Institute for the Development of Agricultural Cooperation in Asia (IDACA) from March 20 to April 1, 1967. Thirty-eight participants from Ceylon, India, Japan, Korea, Malaysia, Pakistan, Philippines, Singapore and Thailand attended the seminar. The International Labour Office and the Cooperative League of the USA were represented by observers at the Seminar.
2. The Seminar devoted the major part of two weeks to the study of agricultural cooperatives in Japan. The Seminar programme was carried out through talks by Specialists from the national federations, prefectural federations, a multipurpose cooperative society, and the ICA, and study visits to selected cooperatives.
3. The Report is presented below in three parts. Part I is the introduction. Part II deals with the socio-economic significance of multi-purpose cooperatives in South East Asia, and part III with the agricultural cooperative movement in Japan. A brief summary of the agricultural cooperative situation in different countries of the Region, prepared on the basis of

the background papers presented by participants, is given in Appendix No.1. The Seminar programme and the list of participants are appended to the Report as appendices No. 2 and 3.

4.1 The Drafting Committee of the Seminar, which prepared the Report, consisted of the following persons.

Mr S. Futagami, Japan	Chairman
Mr M.L.M. Aboosally, Ceylon	Member
Mr V.K.Balakrishnan, India	Member
Mr Ismail bin Haji Abdullah, Malaysia	Member
Mr Tufail Mohammad, Pakistan	Member
Mr Manuel A Bautista, Philippines	Member
Mr P.J. Alfred, Singapore	Member
Mr Adul Niyomviphat, Thailand	Member
Mr K Suzuki, Japan	Member
Mr J.M.Rana, ICA	Member

4.2 The Drafting Committee would like to acknowledge its thanks to Mr P.R.Parachuri, India, for preparing the report on the study visits on the 30th March. The Committee would also like to express its appreciation to the Chairman, whose able guidance helped in expenditure work in the Committee's meetings.

#### SECTION - II

#### MULTI-PURPOSE COOPERATIVES AND THEIR SOCIO-ECONOMIC SIGNIFICANCE IN SOUTH-EAST ASIA

5. The practical utility of the multipurpose concept in cooperation for the general welfare of the rural community was seriously felt after the economic depression of 1929, which brought home the point in some countries that credit alone will not help to effect a substantial advance in the cultivators' economic conditions.

6. The disabilities which the farmers in many countries of the Region suffer are both economic and social. Important among these are small and scattered holdings, inefficient cultivation, and lack of knowledge of better farming methods, lack of irrigation facilities, low productivity, lack of proper credit facilities, ignorance, illiteracy, etc. A comprehensive approach to the problems of the farmers is needed, whereby the entire life of the villagers could be brought within the compass of the Cooperative Movement in order to raise the level of their economic and social well-being. This reasoning led several countries in the Region to organise the village cooperative institutions into multipurpose cooperatives.

7. It was felt that in South-East Asia multipurpose cooperatives are best fitted to bring about all-round improvement of the agriculturists by striving to achieve for their members better farming, better business, and better living. A single society catering to all the needs of the cultivators would provide scope for the fuller use of the limited number of able men in the village, and would further simplify the task of supervision, guidance, and government aid. An adequate volume of business would also be secured which would enable the society to operate on an economic size, and to appoint competent managerial personnel. Such societies would also be able to build up the loyalty of the cultivators by bringing them into close touch with the society, not only on one or two occasions in the year, but throughout the year, for one purpose or another.

8. Besides, as these societies disburse loans in kind such as manure, seeds, agricultural implements and domestic requirements, it would help to minimising misapplication of loans. By linking credit with marketing, recovery of loans would be made easier. Other improvements in the social field such as in home living of farm families would contribute to increasing the welfare of the rural masses.

9. On the other hand, the multipurpose concept has been criticised on various grounds. Firstly, it was felt that it would be difficult to find competent men to manage multiple functions of a society. Secondly, the accounts of numerous activities would get mixed up and cloud the actual position of any single activity; multiplicity of functions involving financial responsibility for some or all of the society's undertakings may lead to the winding-up of all activities in case of failure in one branch. Thirdly, because of the complex nature of activities in such societies, and general illiteracy of the cultivators, lack of proper leadership would pose a serious problem. Finally, certain activities may benefit only a few individuals and result in conflict of interest among members, thus leading to an eventual breakdown of the societies.

10. Because of the problems mentioned above, it was agreed that the nature and scope of functions of multipurpose cooperatives should, in the beginning, be restricted to those functions which are simple and do not involve high technical skill and financial risk. Provision of production credit, supply of farm requirements and assistance to the cultivators with the marketing of their produce, are some such functions. As financial resources are developed, management experience accumulated, and member loyalty built up, the multipurpose societies may, step by step, expand their activities to other spheres, as in Japan. However, it is necessary to ensure that the accounts of different branches of activity such as credit, marketing etc. are kept separate, and that societies are strengthened through the development of management efficiency, capital, and educational facilities.



SECTION - IIIAGRICULTURAL COOPERATIVE MOVEMENT IN JAPANIntroduction

11. Mr S Futagami gave a general picture of the agricultural cooperatives in Japan. The Cooperative Law was first enacted in 1900. At that time the credit function was kept separate, and it was not until 1906 that the law was amended to allow the same society to perform credit functions along with other business functions, thus leading to the establishment of multipurpose cooperatives. After the World War II, various cooperative laws were enacted in Japan. Since then agricultural cooperatives operate under the Agricultural Cooperative Law.

12. Discussion then centered on the economic position of the farmers. The land holdings per farm household as of 1st February 1965 were as follows:

37.6% own less than 0.5 hectare  
 31.3% own 0.5 to 1.0 hectares  
 16.0% own 1.0 to 1.5 hectares  
 14.2% own more than 1.5 hectares

(Source: Statistics on Agricultural Forestry and Fisheries of Ministry of Agriculture and Forestry, Japan)

13. The total number of farm households was 5,565,000 of which 21.5% were full-time farmers, while others were part-time farmers. The classification of part-time farmers as of 1st February 1967 was as follows:

Those whose agricultural income was greater than non-agricultural income	36.8%
Those whose agricultural income was less than non-agricultural income	41.7

The average annual income and expenditure per farm household for 1965 was as follows:

	(Yen in thousands)	
Agricultural gross income	Yen 638.8	
Agricultural expenditure	<u>273.6</u>	
Agricultural net income		365.2
Non-agricultural gross income	443.2	
non-agricultural expenditure	<u>47.6</u>	
Non-agricultural net income		395.6
Other incomes		177.3
Total income		<u>938.1</u>
Tax	60.0	
Living expenses	<u>654.5</u>	714.5
Net Income (Savings)		<u>223.6</u>

(Source : Farm Household Economy Survey, Ministry of Agriculture and Forestry)

14. Generally, agricultural cooperatives in Japan perform multipurpose functions according to the members' needs. The societies view the needs of the farmers from two aspects, the production aspect and the living aspect. As regards the former, the societies provide such services as planning of farm management, financing, procuring of materials needed for agricultural production, organising of group planting and harvesting of paddy and other crops, and provision of technical advisory service to the farmer members.

15. With regard to the latter, the societies sell them consumer goods, provide saving facilities, and give, through insurance arrangements, assistance in planning the education of the farmers' children, and in organising cultural and recreational activities. Savings collected from the members of agricultural cooperatives total around Yen 2,900 billion. Collections are made from proceeds of agricultural products, marketed, as well as by individual efforts of collectors employed by the respective societies.

Further, the societies provide other relatively important services such as insurance, guidance on home life improvement, tourist and medical services. In other words, the agricultural cooperatives provide all the services required by the farmers.

16. An average sized agricultural cooperative has a membership of about 700 farmers. The organisational set up is divided into three major divisions. The first is the division responsible for the economic activities of the society such as purchasing of farm supplies, farm machinery, provision of service facilities of farm machinery, marketing services, warehousing, and tourist promotion. Then there is the finance section which deals largely in transacting savings, loans and insurance of the members. Third comes the administrative section, which handles all matters connected with the general administrative affairs of the society, the provision of technical guidance, and education of the members. In addition to these activities the society helps in organising women and youth associations, and undertakes other activities which help towards increased productivity of the farms.

The Japanese Unit Multi-Purpose Agricultural Cooperative Society

17. Dr Jun Kurata discussed the development of the Japanese Cooperative Movement during the last 90 years - in particular he touched upon its development during the last 20 years, i.e. from 1947-67.

18. The multipurpose society is a general-purpose society where credit, production, purchase, and marketing are cooperativised and integrated in one society, with the main object of increasing the economic and social standards of the farmer, and thereby the nation. The two main functions of such a society are (i) to assist in land improvement, (ii) production planning and guidance as to what and when to plant, the proper use of fertilizers, weedicides, pesticides, farm machinery, proper grading, packing, marketing etc.

Funds for these purposes have to come mainly from the farmer in the form of savings, borrowings, reserves of insurance federations, etc.

19. No individual farmer could hope to do this. If each of these functions were independent, efficient integration could not take place to the maximum benefit of the farmer. Hence the need to form multipurpose cooperative societies in Japan.

20. Another reason for integration was the formation of poultry, dairy, vegetable societies etc. in addition to the general society mainly concerned with the paddy production in the same village. For maximum benefit to the farmer these societies would require to be integrated into the multipurpose society.

21. About 90 years ago, it was the landlords themselves, who were then the educated elite in the villages, took the initiative to form agricultural associations to protect the farmer from the middlemen. Besides these associations there were mutual-help associations which provided credit facilities to the farmer. In 1899, these agricultural associations were recognised by the Government, who subsidised them, and even authorised them to collect membership fees from the landlords.

22. The associations began to take a greater interest in the farmer especially in the way of giving guidance. This condition was most fertile for the establishment of the cooperative movement. The Government stepped in and established, in 1900, the German type of cooperatives (Raiffeisen type). Under this system, the functions of credit, marketing, production and purchasing were undertaken separately by individual societies. This system was, however, not accepted by the farmers in its entirety. They accepted only the credit societies, Hence in 1906 the Laws were amended to integrate these functions within the scope of a single society, i.e. the multipurpose society.

Since 1930, fast progress has been made in this direction. Agricultural associations and multipurpose societies existed side by side; the former did the guidance work, and the cooperatives concentrated on the economic side.

23. In 1943, these two organisations were compulsorily amalgamated as a war-time measure. This was a significant move. After the war two major changes took place in the rural areas. (i) Land Reformation and (2) Economic Liberalisation. Due to the land reform act of 1947, all landlords lost their lands to the tenant-farmers, and the farmers themselves took over leadership through their multipurpose societies. The modern Japanese multipurpose society is the result - combining both, the economic and guidance functions, to the benefit of the nation.

24. Mr Harundo Idei, President of the Sukage Multipurpose Cooperative Society, dealt with the necessity of multipurpose societies to the village farmer in the present concept of Japanese economic growth.

25. The utilisation of business to non-members is restricted by law up to one-fifth of the total business. This law, it was disclosed, is now being reviewed. It was suggested that emphasis should be placed on cooperative member education.

26. Mr T Mizusawa, Managing Director of the Suyoshi Agricultural Cooperative Society, gave a brief explanation of the working of his society, with member farmland amounting to 1938 hectares. Profit for the last year (1966) was in the region of £2,500.

27. Mr Mizusawa presented two beautiful photo albums to each participating country showing pictures of the work being done by his society for its members.

Multipurpose Societies : Agricultural Production and Member Education

28. The Seminar was split up into three working groups to consider (i) how the main object of multipurpose cooperatives to increase agricultural production could best be achieved, (ii) what kind of member education is necessary, and (iii) how such education could be carried out. The Report of the working groups were then discussed at the main meeting.

29. For increased agricultural production and for the successful working of the cooperatives, it was felt that land reform measures have to be implemented effectively. Development of animal husbandry, poultry, etc. would have to be considered along with agriculture. In order to increase agricultural production the multipurpose approach was considered to be more suitable. Because of various limitations, both organisational and operational, the nature and scope of the functions of multipurpose cooperatives would, in the beginning, have to be restricted to those functions which are simple and do not involve high technical skill and financial risk. The functions that could be undertaken by multipurpose societies in the order of priority are:

- i. credit
- ii. agricultural supplies
- iii. education, including guidance to farmers.
- iv. marketing, processing and storage
- v. land improvement facilities such as irrigation etc. and
- vi. consumer supplies.

30. Member education work should include, besides cooperative education, technical guidance to farmers. Cooperative institutions both at the primary and federal level, will have to undertake this task. Wherever experts are not available for providing technical guidance, government machinery could be utilised. Radio and press could also help in this direction. Besides employment of technicians for farm guidance, group discussions and general meetings could be utilised for imparting education. Organisations of

farmers, youth, women etc. could be used as a media. Federal institutions could make available the necessary education material such as audio-visual aids etc. Organisation of school cooperatives would provide a training ground. Introduction of cooperation as a subject in higher secondary schools and colleges would be useful. In the case of primary schools, even though elementary ideas of Cooperation could be included in the syllabus it would be difficult to insist on teaching cooperation as a subject as the capacity of such small children to learn has also to be taken into consideration. For raising funds necessary for imparting member education it would be necessary to earmark a portion of the profits of cooperative institutions every year to an education fund. This could be at least of the order of 5% of the profits every year.

#### Functions and Activities of National Federations in Japan

31. The structure of the Japanese Agricultural Cooperative Movement is three-tiered, with the multipurpose societies at the base, prefectural federations at the regional level, and national federations at the top. The tasks performed by the prefectural federations are similar to those of the national federations. The national federations have been established in order to develop necessary competitive strength so that the multipurpose cooperatives, which are relatively small in size, could operate effectively alongside the private enterprise. The primary task of the national federations are thus to support the activities of the primary societies and help them to expand their business.

32. The main merits of the national federations lie in the economic power they are able to bring about through integration within the cooperative movement. They are in a position to handle a large volume of business

and can negotiate effectively for better prices and terms in their dealings with the private enterprise. An example of fertilizers was cited. As 80% of the fertilizers are bought by the farmers through cooperatives, the national federation is in a position to bargain effectively with the private fertilizer manufacturers. Even though there has been some rise in prices of fertilizers over a period of time on account of general inflation, fertilizer prices on the whole have been relatively stable. On the other hand, the national federations being large organisations, may attempt to press their views on the local societies. In view of this it is necessary to harmonize the economic principle and the organisation principle so that the economic power accumulated by the federation does not result in the neglect of the societies, but is utilised in the interests of the societies through effective member control. Thus it is necessary to build up a better organisational framework in order to integrate the activities of the national federation and the local societies, and to ensure that the tasks carried out by organisations at different levels mutually support each other.

33. The main functions of the prefectural federations include purchasing of agricultural requirements such as fertilizers, and their supply to the primaries, assisting the primaries in the marketing of the members' produce, performing the banking business vis-a-vis the local cooperatives, providing guidance services to unit cooperatives through preparation of plans concerning organisation and management, and technical guidance. In Japan, specialised national federations for different activities mentioned above have been organised. These include the National Marketing Federation of Agricultural Cooperatives, National Purchasing Federation of Agricultural Cooperatives, the Central Cooperative Bank for Agriculture and Forestry, and the Central Union of Agricultural Cooperatives.



Its education programme is divided into three parts.

37. The first part deals with member education for members and their families. This is to give them an understanding of the aims and functions of cooperatives. Education is based on the hamlet system i.e. a society's area of operation is divided into several areas, and each area has its own educational programmes according to the occupational groups of the members - vegetable growers, fruit growers, women's associations, etc. and it is through these organisations that member education is promoted.

38. Education is usually carried on through study circle and group discussions, the use of educational aids, monthly magazines etc. Exchange of views by observation trips etc. are applied extensively.

39. The second part is the programme of employee training. Among agricultural cooperatives alone, there are 180,000 employees. As the cooperatives have to be efficient to enable them to compete with non-cooperative enterprises, it has become necessary to promote specialised education of employees.

40. The third part is the promotion of good relations among the employees to avoid inconsistencies, and also the promotion of public relations, and this is done through the use of radio particularly through the N.H.K. and through the medium of non-cooperative newspapers. In addition to the above, there is also the inservice training that is given to employees by the cooperative concerned.

41. It was also pointed out that funds for the promotion of cooperative education are raised through contributions by the agricultural cooperative societies. The law requires that 5% of the net profit of every society be appropriated for cooperative education. Where specialised education is required by any society, the Education Section of the Union

34. It was pointed out that the progress of the agricultural cooperatives in the field of credit, purchasing and insurance was much greater compared to that of agricultural marketing. The share of agricultural cooperatives in the total farm products marketed as of March 1966 was as follows:

Rice	90.9%
Vegetables and fruits	29.6%
Eggs	26.2%
Milk	33.3%

There is government control with regard to the marketing of rice and price support for wheat and barley.

35. Collection of small quantities of produce from large numbers of farmers also presents a problem. One reason for relatively less progress in the field of marketing is that small farmers who are in need of cash immediately sell their produce to the private traders. This is also one of the many reasons why marketing shares of cooperative for agricultural products other than rice, wheat and barley, are comparatively small. A few other reasons are, for example, (i) in the case of some special products, often a private dealer has old traditional business relations with some special producers, (ii) in many cases, because of speculative market conditions of agricultural products such as fruits, vegetables, and livestock products, it has not been easy for cooperative to provide marketing services for members, but the recent trend is that cooperatives are making special efforts to strengthen this kind of service for member-farmers, and the recent growth of the marketing function has been very fast.

#### Cooperative Education

36. Mr Kitaide of the Central Union of Agricultural Cooperatives of Japan gave a general summary of cooperative education in the Central Union of Agricultural Cooperatives in Japan. The Central Union puts more emphasis on cooperative education as a result of the recent ICA Congress.

also arranges for such courses to be given, but the funds will have to be met by the Society itself.

Study Visits : Sukage Multi-Purpose Society and the Farmers

42. The Seminar participants visited the Sukage Multi-Purpose Agricultural Cooperative Society in Saitama Prefecture about 60 km away from Tokyo. Sukage village has a total population of 3,909 of which the farming population is 2,754. There are 502 farm households.

43. Mr H. Idei, President of the Society, explained the general working of the society. Because of rapid industrialisation, the people are gradually going in more and more for industries, poultry farming, piggeries etc. The clothing industry is more predominant in the area. There are a little more than 400 factories in the area.

44. The Managing Director of the Society explained in detail the working of the society. He pointed out that the society was originally started in 1918, with a membership of 440 and a share capital of 20,000 yen. It was reorganised in 1944 and again in 1948 to form the present multipurpose society. The membership as on 31st March 1967 was 600, of which 520 were regular members, and 80 associate members. There were eight directors and seven internal auditors elected by the members. The President and Managing Director were elected from among the directors. There were 12 employees, of which 4 were women. The main activities undertaken by the society were credit, marketing, purchasing and insurance. Deposits were of the order of 374 million yen of which 249 million yen was in the form of term deposits. A major percentage of such deposits, which was surplus, was deposited with the Prefectural Credit Federation. The interest rate received from the Federation was 7%, whereas the society had to pay 5.6% as interest to the members on fixed deposits. The 1.4% thus retained was considered inadequate.

A large percentage of the loan advanced was for modernisation of agriculture. These loans were utilised for poultry, piggery, preparation of green houses, improvement of farm land, houses, etc. Because the city administration provided a subsidy of 1% and the prefectural administration 3%, the ultimate rate of interest on such loans to the farmers was only 5%. In the case of other loans the rate of interest was a little above 9%.

45. Rice is sold to government. Therefore, the farmers had to hand over their rice produce to cooperatives. The price fixed by government for wheat and barley was rather high, and as such, farmers preferred to sell them through cooperatives. But in the case of other products farmers preferred to sell to private merchants if they offered better prices. Fruits and vegetables were however sold through voluntary groups within the cooperatives, which undertook grading, shipping etc. Pigs were sold to slaughter-houses run by prefectural federations. The system of credit sales was in existence for consumer articles. The society had a farm guidance section, wire communication facility etc. for the benefit of the members. It had also decided to have a farm machinery service station for the members. There were 450 telephones in the houses of farmers connected to the society's wire communication system.

46. The participants then visited two farm households, one with 2.2 hectares, and the other with a little over one hectare. These farmers were cultivating, besides paddy, vegetables etc. They were also rearing pigs. In addition one of them was undertaking yarn-twisting. The farmers were very progressive and were using improved implements such as tractors etc.

47. A Machinery Service Station, a machinery manufacturing section, and the irrigation project under construction on the Tone river were then visited.

48. The team finally visited the Gyoda City Multipurpose Agricultural Cooperative Society in the same prefecture. The Chairman and the Managing Director explained the working of the society in detail. This society was formed after the amalgamation of 12 societies in 12 villages, in which the area of operation of the present society extended. It had a total membership of 5,118 of which 3,535 were regular members. There were 190 employees. For general body meetings, agenda items are circulated in advance to the members. Subsequently, group discussions are held which are attended by the Directors and the opinions of the members ascertained, if necessary even in writing. Afterwards representatives of members from different areas meet together and the final decisions are taken. The various groups elect members to represent them at the general body. The Society provides facilities for wedding arrangements such as the hall for holding receptions. It also arranges for the joint purchase of consumer goods and delivers the same at the houses of the members by trucks. The trucks maintained by the society are also utilised for collection and transport of the members' produce to the town for disposal. Thus the society renders economic and social service to the members to the maximum extent possible. It is trying to expand its business in all directions.

#### Visits to Saitama Prefectural Federations

49. The Seminar participants visited the office of the Saitama Prefectural Federations and had discussions with the Chief officials of the Federations.

50. Some background information about Saitama Prefecture was given, and the activities of the prefectural union of multipurpose cooperatives were outlined. The prefecture has a farming population of 923,000 out of the total population of 3.9 million. The farm land area in the prefecture is 155,000 hectares. The average holding in the area is 0.95 hectares.

51. Foodgrains mainly rice and wheat, were responsible for about 36% of the total agricultural production of about 97 million yen in 1965. On an average non-agricultural income constituted about 45% of the total income of a farm family.

52. The number of unit cooperatives as on 31st March 1966 in the prefecture was as follows:

Multipurpose	202
Silkworm	262
Livestock	13
Dairy	26
Poultry	5
Horticulture	6
Reclamation	31
Rural Industry	6
Others	14

53. The prefecture is very near Tokyo. Some of the industrial enterprises are being located in the prefecture, which has a significant influence on the agricultural situation. The production of vegetables, poultry and livestock industry has become much more important. Modernisation of agriculture is steadily pursued. Among its activities, the prefectural union attempts to influence agricultural policy and carries on member education and employee training activities.

#### Credit Federation

54. It was pointed out that in all the multipurpose cooperative societies in the area, the amount of deposits collected were in excess of the demand for loans. The same situation was found in the prefectural credit federation. Thus the unit cooperatives in the area and the prefectural federation had surplus funds which were being deposited in the higher-tiered credit federations. One of the problems for the unit cooperatives as well

as the credit federation was the small margin between the rate of interest given to the depositors, and the rate of interest earned on the money deposited in the higher-tiered credit organisations.

55. The rate of interest charged by the prefectural federation on the short-term loans was 8.03% while the rate of interest on the long-term loans (for more than one year to four years) was 8.2%. The prefectural governments was subsidising the interest rate for (long-term) loans given for modernisation of agriculture. Thus the actual rate of interest paid by the farmer worked out to/about 5%.

#### Economic Federation

56. The activities of the economic federation consisted of distribution of agricultural supplies, such as fertilizers, agricultural chemicals, agricultural machinery and consumer articles as well as the marketing of agricultural products.

57. It was pointed out that one of the problems for the Federation was the low margin on the agricultural produce marketed by the Federation on commission basis. The commission for rice, barley and wheat was 0.3% while the commission on sale of fruits and vegetables was 0.2%. This commission was regarded as insufficient. However, this inadequacy of the commission was made good by the amount of surplus earned on the distribution of agricultural supplies and consumer goods.

58. It was indicated that about 30% of the fruits and vegetables are sold in Saitama prefecture while the remaining are sold in the Tokyo market. The federation operates three slaughter-houses and is also engaged in the sale of milk. Animals for the slaughter-houses are secured through purchasing and not on commission basis, as in the case of other commodities. With regard to the dairy business, it was pointed out that there is some

friction between the economic federation and the specialised dairy societies which are, however, not strong.

59. The activities of the mutual insurance federation and the sericulture federation were also presented.

Visit to the Kawasaki Feed Mill and Agricultural Training Centre

60. The Seminar participants visited the Kawasaki Feed Mill on the morning of 30th March. The Managing Director of the Mill received the members and explained the background of the processing plant, as well as its detailed working. The Kawasaki Feed Mill was established by the Zenkoren, the National Purchasing Federation of Agricultural Cooperative Association, in June 1960, in collaboration with agricultural cooperative societies. This was registered as a joint stock company, although almost all the shares were contributed by Zenkoren. With the large-scale increase of livestock farming the demand for animal feed has been increasing at a rapid rate. About 44% of the farm expenditure of the families was estimated to have been spent on the animal feed. But Japan does not have adequate raw material for producing feeds. About 70% of the required feed materials are being imported. Most of the maize is at present imported from USA and efforts are being made to increase the imports of maize from Thailand.

61. There are at present 198 feed mills in Japan, out of which 42 are connected with agricultural cooperatives. Five of them are owned by the Zenkoren, while others are working as subsidiary factories. The Kawasaki Feed Mill manufactures 12,000 tons compound feed per month including pellets and molasses mixed feed. The mill produces 56 kinds of animal feed. 46% of the production is intended for pigs. The total investment of the factory is 3 million US dollars. The manufacturing process is automatic.



The plant has 100 regular workers and 100 casual labours, who work in two shifts. The plant is also carrying on analysis and inspection of ingrediends and the manufactured feed in order to maintain the quality of the products.

62. The participants visited the Agricultural Technical Centre of the Zenkoren at Hiratsuka. They were received by a senior officer of the administrative department of the Centre, who explained the working of the centre. This centre was established by the Federation with a view to train technicians for farm machinery and to evolve farm machinery suitable to Japanese agriculture. It has 210 members on its staff. The Zenkoren has been handling not only the distribution of farm machinery for production purposes, but also non-production consumer items like the radio and TV. Therefore, the centre has been undertaking training programmes both for technicians handling farm machinery and durable consumer goods. Uptil now 2,050 persons have been trained. The average duration of training courses is 20 days. Trainees are mostly the employees of the primary cooperative societies. Training is imparted free to the employees of primaries, while some amount was charged from those coming from prefectural federations.

63. The Centre has made arrangements to check the standard of farm machinery before recommending it to the farmers. It also conducts research in poultry and hold seminars for farm machinery experts.

64. The Institute does not receive any financial grant from the Government. The entire finance is contributed by the Zenkoren.

Appendices : I - Agricultural Cooperatives in South-East Asia (excepting Japan)

II - Programme of the Seminar

III - List of Participants who attended the Seminar.

AGRICULTURAL COOPERATIVES IN SOUTH- EAST ASIA (EXCEPTING JAPAN) §§Ceylon

1. The history of the cooperative movement in Ceylon may be divided into five periods. (i) 1912-42: The policy during this period was the formation of rural credit societies, (ii) 1942-47: About 4,000 societies were on the register. Most of them were cooperative stores' societies for distribution of foodstuffs during the war, (iii) 1947:57: Food production was emphasised and the cooperative agricultural production and sale (CAP&S) Societies were organised to assist the government's purchase scheme and guaranteed price schemes. These societies, while providing credit for production purposes, undertook marketing of the crops and procuring of the consumer requirements of the members. (iv) 1957:63: In 1957, after the advent of a new consumer stores' societies were gradually replaced by multipurpose cooperative societies, providing a greater variety of services, and operating in more compact areas. The number of multipurpose cooperative societies increased from 3,900 in 1958 to about 5050 in 1965, with a total membership of 869,500. However, before the advent of multipurpose societies, a link-up scheme of credit, marketing and consumer cooperatives was developed. The experience of this scheme were useful in the development of plans for the organisation of the multipurpose societies. At present, a few CAP & S Societies still exist in some areas, but their activities are similar

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§§ This section is based on the papers presented by the participants from the various countries.

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to those of the multi-purpose cooperative societies. The membership of these societies - the CAP & S, and multi-purpose - covered farm families. (v) In 1963, the Government's agricultural credit scheme was expanded to provide more credit. The scheme confined itself to lending for short-term production and marketing purposes, as well as for capital expenditure connected with production and marketing, including purchase of agricultural machinery. Over 90% of the total volume of loans granted consist of short-term cultivation loans repayable in periods of six months to two years.

2. A new loan scheme has been approved by the Government recently for the construction of 50 ton capacity fertilizer warehouses by cooperative societies, at a cost of Rs.7,500 each. These warehouses will enable societies to stock fertilizers and sell them over the counter to farmers, thus avoiding delays in transport from distant towns. Over a period of five years, 1,500 warehouses will be constructed at a total cost of about Rs.11 million. Marketing advances are granted to member cultivators about two weeks ahead of harvesting time and recovered from the value of the produce surrendered. Overdraft facilities are granted by the People's Bank (which is owned by the Government and the cooperatives on a 50-50 share basis) and cooperative banks to cooperative societies for the purchase of produce under a guarantee price system. The banks recover their dues from the payments made to societies by the Commissioner of Agrarian Services, who receives the produce under the government guaranteed price scheme, and the overdraft account is closed at the end of marketing season.

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3. The total volume of produce handled by the Cooperative societies during 1965 amounted to Rs. 324.8 million and comprised the following commodities:

Paddy	Rs. 315.8 million
Vegetables	Rs. 3.3 million
Red onions	Rs. 4.9 million
Rubber	Rs. 369,000
Eggs	Rs. 268,000
Maize	Rs. 12,000
Potatoes	Rs. 90,000
Chillies	Rs. 120,629
Other commodities	Rs. 285,698

4. The Ceylon Agricultural Union, the apex marketing organisation, now has a membership of 223 societies, which represents over 100,000 cultivators from various parts of the Island. The other types of agricultural societies in existence are - dairy, poultry, coconut, tea, rubber, tobacco, and vegetables.

5. While audit, supervision and agricultural extension work are done by the government departmental officers, education is undertaken jointly by the Cooperative Department and the Cooperative Federation of Ceylon.

#### India

6. An important milestone in the development of agricultural cooperatives was the Survey on Rural Credit conducted by the Reserve Bank of India (central bank of the country). The survey revealed that after a little over 50 years of their working, cooperatives had yet to

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make much headway. The credit cooperatives in 1951-52, when the survey was carried out, provided only about 3.1 per cent of the credit requirements of the cultivators. About 70 per cent of the borrowings of the cultivators in that year was provided by moneylenders. Loans given by the Government also accounted for about 3.3 per cent of the credit requirements of agriculturists. The Committee on Rural Credit Survey made various recommendations for energising the cooperative movement in the country and they are under implementation.

7. The progress made by the primary cooperative credit societies in subsequent years is given in the following table.

<u>Particulars</u>	<u>Unit in Millions</u>		
	<u>1955-56</u>	<u>1960-61</u>	<u>1965-66</u>
Number of Primary societies	0.16	0.21	0.20
Membership	7.80	17.00	27.00
Share capital	Rs. 168.00	578.00	1184.00
Deposits	Rs. 70.40	145.90	394.50
Working capital	Rs. 791.00	2739.20	5274.90
Loans advanced	Rs. 496.20	2027.50	3455.00
Membership coverage as percentage of agricultural population	15%	30%	45%

8. In the Intensive Agricultural District Programme areas where intensive agricultural practices have to be adopted, a detailed farm plan for each farmer-member is drawn up by the village level worker. In other areas such a plan is not drawn up for each member, and credit is provided on the basis of a rough credit plan.

9. On the basis of the crop-loan system that is now being adopted throughout the country, the credit needs are to be assessed on the basis of a three-component formula, namely (i) a cash component not exceeding about one-third of the average value of gross product per acre associated with the traditional level of cultivation, to be disbursed as soon as cultivation operations commence; (ii) a kind component of fertilizers, insecticides and pesticides as recommended by the agriculture department; and (iii) a further cash component not exceeding half the value of the kind inputs, to be availed of soon after the kind component is taken by the farmer. The scales of finance are fixed on the basis of acreage under different crops, a part in cash and the rest in kind. The primary cooperatives at the base provide only short and medium-term loans. Long-term loans are provided by a separate two-tier credit structure known as land development banks.

10. Cooperatives in India are providing fertilizers, seeds, agricultural implements, pesticides etc. to the farmers mostly in the shape of loans in kind. The position in this regard for 1965-66 is given below.

<u>Particulars</u>	<u>1965-66</u>
Fertilizers	Rs. 790 million
Seeds	170 million
Agricultural implements	60 million
Others (mostly insecticides)	160 million

11. The value of agricultural produce marketed by cooperatives in India was of the order of Rs.3,590 million in 1965-66. It has been accepted as a policy that linking of credit with marketing is an important factor for the success of the cooperative structure in India. Wherever commercial crops are grown some success has been achieved in this direction. The problem still remains to be tackled in an efficient manner in respect of foodgrains.

12. Cooperatives are also providing consumer articles to farmers to some extent. The value of consumer articles distributed by cooperatives was of the order of Rs.1,800 million in 1965-66. About 40,000 primary cooperatives at the village level were undertaking distribution of consumer articles.

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13. The development of cooperatives has been accepted as one of the central aims of national policy. To give a filip to the movement, the Government provides assistance both in terms of technical personnel as well as capital, including contribution to share capital.

### Problems

14. Some of the main problems faced by the agricultural cooperatives in India are as follows:

- i. weakness of the cooperative credit structure at the base,
- ii. inability to raise adequate resources to meet their demands,
- iii. lack of adequate resources to take care of the risks involved during national calamities,
- iv. absence of an effective link between credit and marketing,
- v. want of an effective and enlightened participation by members in the running of cooperatives and as a consequence, lack of adequate leadership, and
- vi. absence of effective land reform measures to foster the growth of cooperatives as organisations of small farmers.

### KOREA

15. In the post-war period, the U.S. Office of Economic Coordinator (OEC) in Korea invited a group of farm credit and agricultural cooperative experts (the Johnson Study Group) to Korea. This group submitted to the Korean Government recommendations relating to the organisation of a farm credit and cooperative system. John Cooper, a specialist in agricultural credit and cooperative law, was also invited to Korea by OEC and offered his proposed plan to the Korean Government in 1956.

16. The cooperative law was passed in February 1957. Along with the promulgation of the law, agricultural cooperatives were gradually organised in the rural areas and the National Agricultural Cooperative Federation

was established in 1958. Consequently, the cooperatives were able to operate all kinds of business, except credit, and their network was extended throughout the country.

17. To establish an agricultural credit system closely related to cooperative business, the agricultural bank was established in May 1956. This bank took over all the assets, liabilities and business of the local financial associations and the Federation of Financial Associations.

18. After the May revolution of 1961, the Government stressing the importance of sound farm policy, took a drastic measure to eliminate the inherent defects of organisational structure which existed between the agricultural cooperatives and the Korean agricultural bank. In July 1961, Government promulgated a new agricultural cooperative law, in order to set up a cooperative system which could operate not only general business, but also a credit system, in an integrated organisation. As a consequence, the agricultural cooperatives and the Korean Agricultural Bank were amalgamated into the new National Agricultural Cooperative Federation (NACF) in August 1961.

19. Since this amalgamation approximately 2.3 million farm households throughout the country have joined together to form 21,500 village cooperatives which, in turn, are members of 139 county cooperatives. In addition, 139 special cooperatives were also set up, for farmers engaged in livestock breeding, horticulture and other such special farm industries. County cooperatives and special cooperatives are members of the NACF.

20. The agricultural cooperatives operate the following business:

- a. Guidance and education for production and living.

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- b. Purchasing
- c. Marketing and storage of agricultural products.
- d. Credit services
- e. Utilisation facilities
- f. Mutual insurance services
- g. Rural processing industries
- h. Business entrusted by government
- i. Other business needed to achieve the objectives of agricultural cooperatives

21. The NACF carries on the same functions, and helps the agricultural cooperatives with training and education by supplying them publicity and education material, and funds for specialised member education activities. In addition, the NACF has its own cooperative college and training centre. The NACF is permitted to create funds through the issuance of agricultural credit debentures under the provisions of the Agricultural Cooperative Act.

#### MALAYSIA

22. There are at present in Malaysia more than 3,500 registered cooperatives of all types with a total membership of about 550,000. Out of these, 1600 are rural cooperative credit societies spread all over the country, with a membership of 65,000. The rural cooperative are located mostly in rice growing areas where the usurious "padikuncha" system of credit is rampant. These societies have a working capital of \$12 million. Loans are given for meeting cultivation and other current expenses during the interval between sowing and harvest, and are repayable within one year, at harvest time. The loans are given for

the purposes of paying off prior debts, improving land, buying cattle, building or repairing houses, and purchasing property, especially land.

23. At present 21 banking unions in West Malaysia, formed at state or district level, are in existence, and over 1500 rural credit societies are affiliated to these banking unions. The object of the banking unions is to facilitate the operations of their member societies by carrying out banking and credit business. These unions also play a part in spreading cooperative knowledge among the rural people.

24. There are 650 processing, farming, and marketing societies undertaking the following activities: rice milling, rubber marketing, fishermen's credit and marketing, pineapple marketing, copra marketing and farming. In addition, there are 10 rice milling unions and 2 fish marketing and transport unions.

25. Among the processing and marketing societies, those engaged in rice-milling are the most successful. They have 52,000 members with a total working capital of \$5.3 million. These societies mill paddy for their members on a commission basis, and keep the bran obtained therefrom. Most of the rice milling unions undertake the marketing of the paddy produced by the members of their affiliated societies. During the period of the Second Five Year Plan, loans for paddy purchase totalled \$18.4 million. These projects have resulted in the gradual eradication of the unscrupulous practices carried out by middlemen and in ensuring the payment of the government guaranteed prices to the paddy producers. As a result of these cooperative schemes, and through their indirect influence in the areas where paddy purchase schemes were operated, paddy planters have benefited by at least \$15 million at every single harvest.

26. Fishing Industry: On the experiences of the East Coast Fishing Aid Scheme, loan assistance was provided for other fishing cooperatives on the West Coast. Such assistance was extended on the expected viability of each individual scheme. Fishing cooperatives on the West Coast are more centralised than those on the East Coast, providing better control over the fishermen as well as on production. Over \$1.144 million was disbursed during 1961-65 for projects in various parts of Malaysia.

27. The objectives under the first Malaysia Plan are of fundamental importance for the economic improvement of the rural people. Their successful implementation would mean that the agriculturists and fishermen can procure the loans necessary for the implementation of improved methods of production and also increased productivity, without falling into the hands of the rapacious moneylenders and unscrupulous middlemen. The plan also lays emphasis on the development of consumer and marketing cooperatives to ensure increased incomes to the rural population. Thus three inter-related and inter-dependent cooperative organisations (credit, marketing, and consumer supply) are being integrated.

#### PAKISTAN

28. The Cooperative Movement in Pakistan is over 60 years old. During this period the movement has spread in many directions, yet it is primarily a credit movement. It played the role of up-lifting the economy of small farmers. The total number of agricultural cooperative societies in West Pakistan was 14,071 in 1964-65.

29. Agricultural credit cooperative societies meet the credit needs of their members. Central cooperative banks supply loan facilities.

Working capital in good societies ranges between Rs.5102 to Rs.320,201. It is mandatory to provide 10 per cent of the annual profits to the statutory reserve fund. Credit societies generally grant short-term loans, whereas medium and long-term credit for agricultural development is made available by the Agricultural Development Bank.

30. The Provincial Government introduced a new form of cooperative societies in the villages at Union Council Level, known as service cooperative societies. In 1965, their number in West Pakistan was 2,569. These societies conducted business in fertilizer and seeds to a large extent as indicated below:

<u>Year</u>	<u>Business Volume (Rs. in 100,000)</u>
1961-62	58.39
1962-63	111.04
1963-64	70.34
1964-65	128.50

The Cooperative Corporation is the wholesale agency for the supply of seeds and fertilizers in the province.

31. Sale societies and commission shops are designed to function at mandi level. These societies deal in foodgrains and major cash crops of the farmers. Multipurpose societies have been organised as credit cum-supply stores. The central idea of a multipurpose development society is to create a viable business unit in the village and to combine credit with supply of agricultural and household requirements and marketing of the farmers' surplus produce through the same unit.

32. The Colony Cooperative Farming Union, Khanewal, is the first and the biggest partially mechanised farming project in West Pakistan and it covers an area of 1.20000 acres. The Union commands a fleet of 240 tractors and has installed 180 tube wells in various villages.

33. The West German Government in collaboration with the Pakistan Government, has set up a tractor operator training school at Chak 5 Faiz in Multan district for tractor mechanics, and operation courses, managers' courses, agricultural farming courses, and carpentry courses.

34. In order to train employees of the Cooperative Department and cooperative societies, the Government is financing one cooperative training college and three regional cooperative training institutions.

#### PHILIPPINES

35. The Agricultural Credit and Cooperative Financing Administration (ACCFIA) which was established in 1952 under the authority of Republic Act No.821, (as amended by Republic Act 1285), has been reorganised into the Agricultural Credit Administration (ACA) in 1963. ACA was established under the Republic Act 3844, otherwise known as the Agricultural Land Reform Code.

36. The two main activities of the agency are (i) extending credit to small farmers and their cooperative associations, and(ii) promoting, organising, and supervising farmers' cooperative associations. To carry out its programme, the agency was authorized 100,000,000 in revolving capital.

37. In addition to the above functions, the agency was assigned other responsibilities. It was given the task of administering the Virginia

tobacco subsidy programme and the fertilizer subsidy programmes. At certain periods, it also had to commit some of its resources to experimental ventures such as production of cotton and promotion of ramie.

38. During its 14 years in existence, the above agency granted ₪ 235 million in various types of loans from paid up capital of ₪ 40.5 million and Central Bank borrowing of ₪ 148.74 million of which 150 million has been collected.

39. The agency has organised 578 agricultural cooperatives of various types throughout the country with a total membership of 314,000 in 774 towns and 13,157 *barrios* (villages) in 54 provinces. The combined paid-up capital of these associations was ₪ 7.9 million as at June 30, 1966. Although many of these cooperatives have failed a good number of them have proved definitely successful.

40. Recovery of the loans is a problem of the management. Experience in the agency has shown the effectiveness of certain ways and techniques in recovery of loans. These are (i) regular contact with the borrowers, (ii) proper screening before granting of loans, (iii) prompt or timely release of loans, (iv) cooperative marketing and cooperative organisation in general (v) legal action in appropriate cases, (vi) incentives for prompt payers.

41. In the effective implementation of the IACP/SC Programmes, there are problems. The significant ones are as follows:

42. Financial Structure Basically weak

While the agency has expanded its loaning operations, the

credit needs for the farmers are not met because of the weak financial structure. This has to be rectified if the ACA is to be an effective instrument for land reform and agricultural development. While the agency has been provided with additional appropriation of \$ 150, million under Republic Act 3844, only \$ 10 million of this has been made available after three years. Under the same law the agency has been provided yearly appropriation of up to \$ 6 million to cover the losses of operations, but requests for release of this fund during the last two years have so far not been successful.

43. ACA Performs Non-Income Services

Besides purely loaning activities, the agency performs vital but non-income producing services. It audits and supervises agricultural cooperatives and is called upon to provide training for cooperative management officials and personnel. To cover the cost of these activities no appropriation is provided. A yearly appropriation of \$ 1,000,000 is sought.

44. Training for Cooperative Management Personnel

One of the important problems of the societies is the lack of sufficient number of competent managerial personnel.

Singapore

45. Singapore, which became independent on 9th August 1965, is now a Republic. It is an island with a total land area of 224.5 miles. Its 1.9 million population is increasing at a rate that is one of the highest in the world. Despite its small land area and the fact that it is principally a trading port, the Republic of Singapore has nonetheless

an estimated 25,000 farming families. Their main livelihood is through mixed farming involving production of vegetables, fruits, and livestock rearing.

46. Between 1960-65, Singapore's farmers and fishermen produced 40,950 tons of vegetables, 850,000 heads of pigs, 18 million poultry, 200 million eggs and 10,797 tons of fish. About 25,000 families were engaged in full or part-time farming.

47. Although Singapore has to import vegetables and fish to supplement local production, she exported 34,000 heads of pigs, 1.3 million heads of poultry and 24 million eggs to her neighbours, viz. Malaya, Sabah and Sarawak. The land area being limited, the sea is being reclaimed to meet the growing needs of the state.

48. The important problem confronting the small farmers is that of raising the general level of productivity. This is essentially a problem of improving the technique of agriculture, and is beyond the capacity of individual farmers, whose illiteracy and general poverty precludes them from initiating any sort of reforms.

#### Thailand

49. The village credit society was the first type of cooperatives to be introduced in 1916. At the end of 1966, there were 9871 village credit societies throughout Thailand. These credit societies are spread over about 258 sub-districts, and have a total membership of about 156,000 with an average of 17 members per society. Each member holds land of about 21 rais. In 1965, the loans made to these village societies amounted to Baht 129,312,556.



50. In 1958, large-sized production credit societies were organised at a sub-district level. The societies have been organised in various provinces and have a total membership of 3,407 farm families, and a paid up share capital of Baht 2.1 million. Since 1964, the Pakchong Production Credit Cooperative has arranged for its members the supply of farm requisites such as pesticides, insecticides, sprayers, and also rice for household consumption.

51. The first cooperative paddy marketing society was formed in 1938, mainly for the purpose of enabling farmers to sell their paddy at good price. They also expect to help farmers to maintain the price level and to protect them from the pressure of local merchants. In 1965, the Bangkok Marketing Cooperative Society made a contract with the Federation of Agricultural Purchasing Cooperatives of Japan for a sale of 30,000 metric tons of corn. Eventually, the society sold out 41,376 metric tons at the value of Baht 48.2 million. At present, there are 184 marketing and processing cooperative societies and eight federations in existence.

52. Land cooperative societies comprise land settlement cooperatives, land hire-purchase cooperatives, tenants' cooperatives and land improvement cooperatives. The first three types are also serving the government in its land tenure programme to secure land for the tillers.

However, the common purpose of land cooperatives are to provide means whereby members can improve their farming and their income, and to promote the cooperative spirit of self-help and mutual help. At the end of November 1966, there were 508 societies with a membership of 34,356 families occupying an area of about 807,327 rai in 46 provinces.

53. Marketing of farm products in the land settlement cooperative schemes at Srisumrong and Sawankalok have been undertaken by marketing cooperatives. In 1966, they handled about 5,000 metric tons of corn.

54. The three main types of cooperative societies mentioned above will be integrated into a new approach of multi-purpose cooperative societies in the near future. New multi-purpose cooperative societies will be formed at the provincial level in order to strengthen the business of the societies enabling them to operate and maintain its efforts for the betterment of farmers. A training centre for developing an integrated approach to agricultural cooperatives has been established at Kasetsart University. Forty to fifty project managers will be trained here. The first session was over in April 1967.

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COUNTRY BACKGROUND PAPERS



Country Statement  
Ceylon

Integrated Cooperative Development in Agriculture in Ceylon

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Regional Seminar on Cooperatives in  
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INTEGRATED COOPERATIVE DEVELOPMENT IN AGRICULTURE IN CEYLON

by

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Ceylon is an Island in the Indian Ocean with an area of 25,000 sq. miles and a population of 2 million people. It was a British Crown Colony since 1786 and gained independence in 1948. It is a member of the British Commonwealth of Nations. It has a Cabinet form of Government with an Upper House (Senate) and Lower House (Representatives).

The Cooperative Movement was introduced into Ceylon by the British Colonial Government in 1911. The Cooperative Credit Ordinance No.7 of 1911 was based on the Indian Act of 1907. The first Cooperative Society registered in Ceylon was a Credit Society. It was registered in 1912. The Credit Society was meant to help the small agriculturists in the villages.

The Cooperative Credit Ordinance was superseded by the Cooperative Ordinance No 34 of 1921, which authorised the registration of different types of societies.

The growth of the Cooperative Movement was extremely slow in the country. In 1935, even after 25 years of cooperation, there were less than 20 societies registered.

Japan was mainly responsible for the rapid development of the Cooperative Movement in Ceylon. The entry of Japan into the second

World War in 1941, made it necessary for the Government to assume responsibility for the control and distribution of the little food that was coming into the country. The food situation worsened almost overnight, with the Japanese Air Raid of Colombo and Trincomalee Harbours in April, 1942. There was dislocation of trade and confusion especially in the city of Colombo, the main harbour for the importation of the country's food supplies. The situation called for quick and concerted action to create almost overnight an effective machinery for the equitable distribution of food supplies throughout the country.

The Government decided that the best medium for this was the organisation of Cooperative Societies. Hence, the rapid growth of the Movement can be measured, for instance from the following figures for Consumer Societies :

In 1942 there were	52	Consumer Societies	
In 1943 " "	1600	" "	
In 1944 " "	3500	" "	
In 1945 " "	4004	" "	with a

membership of 1,010,575 and paid up share capital of Rs.5,977,664/-.

In 1957, the cooperative structure in Ceylon was changed. The single purpose society was replaced by the Multi-purpose Society. In 1959, there were 4631 Multi-purpose Societies functioning. Today there are 5053 such Multi-purpose Societies and 136 secondary Unions, with a membership of 1.7 million i.e. 70% of the Island's population attached to the cooperatives, in some form or other.

The total number of all types of Cooperative Societies in 1965 was 14705, including 1101 Industrial, 3671 Credit and 2009 School Societies.

In addition to the 5053 Multi-purpose Societies doing agricultural work, there were at the end of 1965,

135 Agricultural, Production & Sales Societies

18 Coconut	"	"	"
25 Tea	"	"	"
4 Rubber	"	"	"
85 Tobacco	"	"	"

291 Other Agricultural Societies.

There were, in addition 71 Credit Unions, 7 Provincial Cooperative Banks and the apex Bank called the Peoples Bank associated with the Ceylon Agricultural Cooperative Movement.

The total number of persons in the Island engaged in agricultural work is said to be 1,168,000. About 90% of the full time cultivators in Ceylon, are in the Cooperative Movement.

A sum of nearly Rs.28 million had been lent by the Government during the year, for agricultural work, while the Cooperative and Peoples Banks, had lent Rs.15,770 millions during the year 1965 through the Cooperative MPCS. and Agricultural Societies.

Marketing of paddy and other agricultural products is being done through the Multi-purpose Cooperative Societies, while the marketing of vegetables and fruits is done through the Ceylon Producers Coop: Society Union, mainly at its Central Cooperative Market, in Colombo.

This Union has a membership of 223 Societies which represent over 100,000 cultivators and the Union is now the biggest Wholesaler in vegetables in Ceylon. Its pre-packed vegetable packets carrying various types of vegetables, necessary quantities of chillies a line etc. and selling at Re.1/- per packet is very popular in the City.



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These Vegetable Cooperatives were the first to evolve the link up system in Ceylon before the advent of the Multi-purpose Cooperatives. This link up system effectively replaced the middleman benefitting the producer immensely. In this system, the credit, marketing and consumer sections had to be complementary to one another. The member obtained his loan for cultivation from the Credit Society and delivered his produce to the Marketing Society. The Marketing Society, in turn settled the debts of the member ~~at the~~ credit society, from the proceeds of the sale of the produce of the member.

Credit Society issued credit to its members in the form of pay orders on the Consumer Societies or the Marketing Societies for consumer goods, manure, seed, implements, etc.

In the case of paddy and other produce, the M.P.C.S. Society supplies the member with credit in the form of cultivation loans, manure, barbed wire, seed paddy facilities and the use of Tractors and Sprayers. In turn the paddy and produce under the Guaranteed Price is purchased by the M.P.C.S. Society on behalf of the Government. The loans are set off and balance paid to the Farmer.

Tea, Rubber and Coconut Producers Cooperative Societies deal only in their respective produce, manufacturing the produce of their members and selling it through the regular sales points.

Included in the 291 other Agricultural Societies mentioned earlier, are 213 Young Farmers Agricultural Cooperative Societies, 80 Poultry Societies, 10 Goat Farming Societies, 1 Plantain, 2 Cardamon and 1 Citronella Cooperative Society.

Ceylon spends almost one third of its income on the importation of its food requirements. With recent world shortage of rice and the

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country's foreign exchange difficulties, the rice ration of 4 lbs. per person was cut down to 2 lbs. per head. This factor together with the Government's determined efforts to become self-sufficient in food and the consequent crash programme now being implemented, has focussed all attention on the Agricultural Cooperatives in the country. Manure, seed, pesticides and cultivation loans are being pushed through the Cooperative Societies. Land is made freely available and the Government is paying attractive guaranteed prices for a number of items such as paddy, chillies, onions, potatoes, maize, gingelly etc.



REGIONAL SEMINAR ON "CO-OPERATIVES IN AGRICULTURE: AN  
INTEGRATED APPROACH"

(Tokyo, Japan, March 18 - April 2)  
1 9 6 7

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B A C K G R O U N D     P A P E R     O N  
C E Y L O N

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C E Y L O NINTRODUCTION.

CEYLON - known as the PEARL OF THE INDIAN OCEAN - is a small Island of 24,996 square miles (15,997,904 acres) of land and 333 square miles of large inland waters (214,576 acres), separated at the Southern tip of India by a narrow neck of shallow water called the Palk Straits.

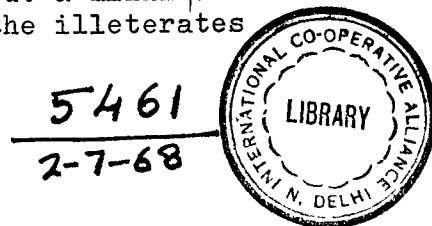
In the low country the mean annual temperature varies very little from 80°F., and the average annual rainfall varies from 100 to over 175 inches in the wet zone while in the dry zone the annual average varies from 75 to even less than 50 inches. In the up-country with altitudes up to over 8000 ft. the climate is cooler with a corresponding change in vegetation. It is a proud boast of the country that one could experience all types of climate - from the warmest to the coolest - within a few hours drive round some parts of the country. Only few countries could surpass Ceylon in its scenic beauty so much so that Ceylon is often called by various epithets like "PARADISE OF THE EAST" and "GARDEN OF EDEN".

The total population is a little over 11 million composed of 52% males and 48% females. They belong to several races and religions divided as follows:-

<u>RACE</u>	<u>Percentage</u>	<u>Religion</u>	<u>Percentage</u>
<u>Sinhalese</u> -			
Low country	42.8	Buddhists	64.3
Kandyan	26.5		
<u>Tamils</u> -		Hindus	20.0
Ceylon	12.0	Muslims	6.6
Indian	11.0		
<u>Moors</u> -		Christians	9.0
Ceylon	5.7		
Indian	.6	Others	.1
Malays	.3		
Burghers	.6		
Europeans	.1		
Others	.4		

The average annual additional increase in population is about 280 thousand. 334.4: 63(5)(063)

About 72% of the people are literate; about a million more men being literate than women and among the illiterates too women exceeding men by about 6 lakhs.



ECONOMY OF CEYLON

Ceylon predominantly is an agricultural country so much so that over 95% of its total export income is derived from three main commodities namely Tea, Rubber and Coconut. Export figures of these commodities during 1965 which was by no means a boom year are as follows:-

<u>Commodity</u>	<u>Quantity</u>	<u>Value</u>
Tea	494,456,449 lbs	Rs. 1,209,552,256
Rubber	266,792,960 lbs	Rs. 304,000,000
Coconut - Products	530,565,952 lbs	Rs. 328,803,433
Fresh Nuts	8,642,700 nuts	Rs. 2,955,340

Besides these three major commodities Ceylon also exports Cinnamon, Cocoa, Cardamon, Citronella Oil, Arecanuts, Pepper, Papain etc., and the total value of these exports for the same year (1965) amounted to Rupees Forty four million (Rs. 44,000,000/-)

The contribution to this export trade by the Co-operative Sector except for fresh nuts is almost negligible as shown below:-

Co-operative Exports:

Tea	928,333 lbs	Rs. 2,228,000
Rubber	5,000 lbs	Rs. 469,963
Coconut - Products	3,232,500 lbs	Rs. 2,092,844
Fresh Nuts	8,000,000 nuts	Rs. 2,826,800

However, the part the co-operative societies play in the Government's rehabilitation schemes in respect of these three industries by organizing the small-holders to obtain credit and procure fertilisers, insecticides, machinery etc., is of a high order.

The co-operative sector, though in a smaller scale, engages in this export trade in two different ways:-

- (i) Co-operative Societies engage in direct export trade in desiccated coconut, fresh coconuts, coconut fibre and arecanuts.
- (ii) Co-operative Societies supply tea, rubber and coconut products to shippers and brokers for purposes of export.

sheet 3.

Even these meagre quantities of the commodities exported by the co-operatives at present are not imported directly by co-operative institutions abroad. If a ready co-operative market is available abroad the export business by co-operatives here can at least be trebled in respect of coconut products and doubled in respect of rubber. With a view to the production of better quality sheet and crepe rubber and expanding the business of co-operative societies by co-ordinating the activities of the primary societies an apex Co-operative Rubber Societies Union has been formed very recently.

The export of tea produced by Co-operative Societies is handled by brokers for the societies, and the societies have no direct access to foreign markets. There are only two societies processing Tea, others sell their green leaf to private bought leaf factories. There is already afoot a Government scheme of assistance for more co-operative tea factories to encourage tea processing by more societies.

Arecanuts are another commodity available for export. Ceylon could export about 20,000 tons an year from co-operative societies alone if there is a foreign market to buy. In 1964 a trade agreement was drawn up between State Trading Corporation of India and The Ceylon Agricultural Producers' Co-operative Societies Union fixing the price at Rs.28.00 per cwt., at which price the peasant producer here could get only about Rs.15.00 per cwt., as a result of sorting and grading involved. Owing to this unattractive price to the producer the contract had to be dropped.

How beneficial it would be to both countries if co-operatives in India and Ceylon could evolve a trading scheme between themselves in respect of arecanuts could be gauged from the fact that while the retail price of arecanuts in India is in the region of Rs.300.00 per cwt., the same grade in Ceylon fetches far less than Rs.50.00 at the highest.

Locally there is no problem of organising co-operative societies to develop export business but there are operational problems in the development of international trade policies like bans and restrictions, ceiling prices, taxation and so on. Some of these operational difficulties could be overcome by the establishment of an International Co-operative Marketing Federation sponsored by an organisation like the ICA. Such an institution could not only be a source of establishing international co-operative relations on a sounder basis but also influence the trade policies of Governments of the respective countries in promoting international co-operative export business.



AGRICULTURAL CREDIT

As stated earlier the economy of Ceylon is largely a plantation economy based on the production of tea, rubber and coconuts. Prior to 1940 hardly any attempt had been made to increase the very low level of productivity of the peasant sector which consisted of subsistence farmers engaged in the production of food crops as these could be readily imported with the foreign exchange earned by the export of the three major commodities. But when the rigors of the 2nd World War began to be felt in the Island the need to create conditions in which this sector could make a more significant contribution to the economy was first realised when it was not possible to import adequate quantities of foodstuffs. Government's programme for increased food production by the peasant sector which was then adopted was found to be greatly retarded mainly by the disadvantageous economic circumstances of the peasant farmer on account of lack of credit and marketing facilities, amongst several other factors. Government, therefore, adopted a policy of making credit for agricultural production available to the peasant sector through co-operative societies in larger measure.

The Co-operative Movement had its beginnings in Ceylon with the enactment of the Co-operative Credit Societies Ordinance of 1911. It was 10 years later in 1921 that Societies other than Credit Societies were permitted by an amending Act. But it was not till early 1940's that Co-operative Agricultural Marketing was considered as a practical solution to the economic distress prevailing among peasant farmers.

PADDY

The total extent of paddy growing land in Ceylon is a little over 1,250,000 acres of which about 1,015,000 acres are cultivated during Maha and only about 600,000 acres during Yala providing a total of approximately 1,615,000 acres cultivated each year.

Of the total Asweddumised land about 514,000 acres are cultivated with "rain fed" irrigation and about 370,000 acres under minor irrigation schemes and about 366,000 acres under major irrigation schemes.

Over 63% of the holdings are less than 1 acre while 33% holdings are 1 to 5 acres. Holdings over 5 acres amount to only 4%. Out of a total of about 793,000 holdings over

are  
over 498,000/holdings of less than 1 acre. It is therefore evident that assistance for increasing production should be directed towards the small holder.

The production and marketing of paddy is naturally the most important form of agricultural activity among the rural population of the country as rice is the staple diet of the people and about 45% of the entire rice requirements of the Island is yet being imported from abroad. Prior to the 2nd World War people preferred the imported variety of rice to the locally produced and so production and price of local paddy was low. It was after 1940 that production and marketing was stepped up.

The Rural Credit Societies that were financing the village cultivator from the inception of the Movement continued to lend for increased production while the Government under a compulsory Internal Purchase Scheme bought up all the paddy. After the war ended the Government gave up this compulsory purchase scheme and introduced the Guaranteed Price Scheme in 1948 in order to induce increased production and facilitate marketing.

Prior to 1948 Agricultural Credit was dispensed through village credit societies which were in turn financed by Government through the Local Loans and Development Fund. When a new agricultural credit scheme was inaugurated by Government in 1948 loans were granted through Co-operative Agricultural Production and Sales Societies from an advance account operated by the Department of Agrarian Services.

The growth of C.A.P. & S. Societies during the initial year was slow although they were primarily intended to help the peasants to increase their food crops because the richer classes of farmers jockeyed themselves into positions of power in these societies and prevented the poorer cultivators from deriving full benefits of the scheme. But with the removal of these obstructions the number of these societies increased from 189 in 1949 to 955 in 1956 with a membership of 234,636. These societies while lending for all production purposes undertook marketing of the crops and also procuring the consumer requirements of the members through a co-operative store.

In 1957 after the advent of a new Government with a more socialistic outlook these C.A.P. & S. Societies were gradually replaced by Multipurpose Co-operative Societies providing a greater variety of services and operating in more compact areas. The number of M.P.C. Societies increased from 3,900 in 1958 to about 5,050 in 1965 with a total membership of 869,500.

However, a few C.A.P. & S. Societies still remain operating in areas which had been reduced to be on par with those of M.P.C.S. Societies. These societies - the C.A.P. & S., and M.P.C.S. - embraced in their folds as members over 91% of the peasant farmer families but not more than 65% receive credit from their societies. The rest either have their own capital resources or receive their loans from other sources as friends and relations.

In 1963 the Government's Agricultural Credit Scheme was expanded to provide more credit but restricted according to periods and purposes. The scheme confined itself to lending for production purposes only as follows:-

1. Short term loans to farmers for cultivation operations and purchase of seed material and fertilisers.
2. Medium term loans to farmers for purchase of agricultural machinery and other requisites.
3. Long term loans to Societies for capital expenditure for provisions of storage, transport and milling services in connection with the G.P.S.

#### SHORT TERM LOANS

Over 90% of the total volume of loans granted consist of short term cultivation loans repayable in periods of 6 months to two years. Purposes for which these loans are granted are:-

#### For Paddy Cultivation:

<u>Purpose</u>	<u>Rate per acre</u>	<u>Total amount granted in 1964</u>
Seed Paddy	Rs. 24.00	Rs. 4,206,055
Ploughing	40.00	16,993,155
Fertilisers	36.00	4,278,932
Transplanting	25.00	1,634,741
Weeding	25.00	2,464,081
Harvesting	25.00	2,915,215
Total	Rs. 175.00	Rs. 32,492,179

SUBSIDIARY FOOD CROPS.Cultivation of Red Onions.

<u>Purpose</u>	<u>Rate</u>
Seed Onions	Rs. 100/- per acre
Fertilisers	75/- "
Insecticides	<u>25/-</u> "
Total	<u>Rs. 200/-</u>

Cultivation of Chillies - Irrigated.

<u>Purpose</u>	<u>Rate</u>
Labour	Rs. 75/- per acre
Green manure	75/- "
Fertilisers	<u>50/-</u> "
Total	<u>Rs. 200/-</u>

Chillies - Rain Fed.

<u>Purpose</u>	<u>Rate</u>
Ploughing	Rs. 40/- per acre
Labour	50/- "
Fertiliser and Insecticides	<u>35/-</u> "
Total	<u>Rs. 125/-</u>

Potatoes.

<u>Purpose</u>	<u>Rate</u>
Labour	Rs. 40/- per <sup>1/8th</sup> acre
Seed Potatoes	125/- "
Inorganic Fertilisers	25/- "
Organic Fertilisers	35/- "
Insecticides	<u>25/-</u> "
Total	<u>Rs. 250/-</u>

MEDIUM TERM LOANS.

These loans are granted to farmers mainly for the purchase of agricultural machinery and implements - repayable in periods of 2 to 5 years. Purposes for which these loans are granted are:-

<u>Purpose</u>	<u>Amount granted in 1964</u>
Purchase of Sprayers	Rs. 8,870/-
Purchase of Agricultural Implements	308,344/-
Purchase of Buffaloes	1,200/-
Purchase of Barbed Wire	266,698/-
Purchase of Water Pumps	<u>268,267/-</u>
Total	<u>Rs. 853,379/-</u>

LONG TERM LOANS.

These loans are granted to Societies for capital expenditure required in connection with their production and marketing functions.

<u>Purpose</u>	<u>Amount granted in 1964</u>
Construction of Produce Stores	Rs. 184,692/-
Construction of Rice Mills	<u>294,042/-</u>
Total	<u>Rs. 478,734/-</u>

Cabinet approval was obtained a few week back for a new loan scheme for the construction of 50 ton capacity fertiliser stores by Co-operative Societies at a cost of Rs.7,500/- each. These Stores will enable societies to stock fertilisers in advance and issue over the counter to farmers in time for use thus avoiding delays in transport from distant towns. The proposal is to construct 1,500 such stores at a cost of Rs.10,600,000/- spread over five years as follows:-

<u>Year</u>	<u>No. of Stores</u>	<u>Cost</u>
1965/66	200	Rs. 1.5 million
1966/67	200	1.52 "
1967/68	260	1.55 "
1968/69	340	2.25 "
1969/70	500	3.75 "
Total	<u>1,500</u>	<u>Rs. 10.60 million</u>

MARKETING LOANS AND ADVANCES.

Marketing advances are granted to member cultivators about two weeks ahead of harvesting crops and recovered from value of produce surrendered. Overdraft facilities are granted by the People's Bank to co-operative societies for the purchase of produce under the G.P.S. The Bank recovers their dues from the payments made to societies by the Commissioner of Agrarian Services who receives the produce under the G.P.S. and the overdraft account is closed at the end of the marketing season.

A NOTICEABLE SNAG.

The existing loan schemes do not make provision for debt redemption, financing of essential consumer expenditure in between harvests or financing of capital improvements to land. It is likely that some percentage of the short term cultivation loans taken by farmers are utilized for these purposes. On the other hand the village credit society generally lends for these purposes. A clause in the by-laws of these agricultural production and multipurpose societies empowers them to recover loans granted by the credit society from the proceeds of the sale of produce by the members and remit such recoveries to the credit society concerned.

PROJECTED CREDIT REQUIREMENTS.

The projected figures of loans to be granted by Government during the period 1965-1970 under the three terms are shown below:-

<u>Short Term Loans</u>	1965/66	1966/67	1967/68	1968/69
	Rs	Rs	Rs	Rs
	<u>millions</u>	<u>millions</u>	<u>millions</u>	<u>millions</u>
Paddy Cultivation	25.0	27.0	30.0	35.0
Subsidiary Crops	1.2	1.5	2.0	3.0
		1969/70		
		Rs		
		<u>millions</u>		
Paddy Cultivation		40.0		
Subsidiary Crops		5.0		
<u>Medium Term Loans.</u>	<u>1965/66</u>	<u>1966/67</u>	<u>1967/68</u>	<u>1968/69</u>
Agricultural Machinery & implements	2.0	3.0	4.0	5.0
		1969/70		
		6.0		

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<u>Long term loans.</u>	1965/66	1966/67	1967/68	1968/69
	Rs	Rs	Rs	Rs
	<u>millions</u>	<u>millions</u>	<u>millions</u>	<u>millions</u>
Godowns	.4	.8	1.2	1.6
Fertiliser Stores	1.5	1.5	1.6	2.2
			1969/70	
			Rs	
			<u>millions</u>	
Godowns			2.0	
Fertiliser Stores			3.7	

With the emergency food production drive that is being organised by Government just at this moment as a result of the inevitable shortage in rice imports forced on the country by the present world market conditions and the shortage of subsidiary foodstuffs owing to restricted imports for want of foreign exchange these allocations are likely to be considerably increased.

In the field of agriculture in Ceylon there are a variety of co-operative societies engaged in the supply of services and marketing in terms of the Government's Agricultural policy. These co-operative societies serve as media for the implementation of Governmental schemes to assist the farmers by the provision of agricultural credit fertiliser at subsidised rates, seed and planting material, agricultural implements etc., while they also function as agents of the G.P.S. for the purchase of produce from the farmers. The various types of societies can be classified under two groups 'A' and 'B'.

#### Group 'A'

<u>Type of Society</u>	<u>No. of Socs.</u>	<u>Member-ship</u>	<u>Owned Capital</u>	<u>Working Capital</u>
			Rs.	Rs.
M.P.Socs. engaged in agriculture & other activities	3024	480,000)		
M.P.Socs. engaged in agricultural activity only	554	65,500)	55,690,700	140,161,300
C. A. P. & S. Societies	43	17,750	556,600	1,526,400

Group 'B'

There are also the following types of co-operative agricultural societies which specialize in certain commodities and services as their names indicate:-

Type of Society	No. of Socs.	Member-ship	Owned Capital Rs.	Working Capital Rs.
Coconut Producers	18	4570	2,771,800	5,421,700
Tea Producers	26	4179	630,700	1,551,400
Rubber Producers	4	265	47,000	59,000
Tobacco Producers	85	9898	1,018,500	2,812,000
Dairy Societies	31	1447	263,800	457,900
Fishermen's Societies	263	6771	1,029,400	2,399,900
Vegetable Producers	4	256 )		
Poultry Societies	80	2000 )		
Plantain Growers	1	87 )		
Cardamon & Citronella	3	147 )	540,600	1,564,400
Young Farmers Socs.	172	3200 )		
Other types	31	1650 )		

To this list of societies may be added a large number of rural credit societies that finance some of the members of these societies for debt redemption, improvement of land, subsistence and other personnel needs.

The societies in Group 'A' mostly concentrate their activities on production and sale of paddy and a few subsidiary food items and supply of essential and subsidiary foodstuffs and consumer commodities to their members and their families.

Societies in Group 'B' assist members in the production, processing and marketing of these commodities.

The societies mentioned under Groups 'A' and 'B' above are all Primary Societies. The multi-purpose societies, the agricultural societies and the fishermen's societies have formed themselves into Unions (Secondary Societies) mainly for the purpose of collective marketing. Particulars in respect of these Unions are given below:-

Type of Union	No. of Unions	Member Socs:	Owned Capital Rs.	Working Capital Rs.
Multipurpose	117	4291	31,891,200	77,080,100
Agricultural	19	911	1,698,900	8,079,800
Fishermen's Socs.	2	69	623,600	2,014,500



The Rubber Producers and Poultry Breeders Societies too have very recently formed themselves into Unions but have not yet started to function.

#### CO-OPERATIVE AGRICULTURAL ACTIVITIES

Ceylon is essentially an agricultural country with age-old customs associated with agriculture. Most of these customs are based on the principle of the entire village co-operating to carry out certain tasks to help the neighbour. Thus the background is essentially one of self help and co-operation. The majority of the population - over 80% of them are country folk and their main occupation is agriculture. Therefore, the need for the development of co-operative agricultural production and marketing is very real. This need has been fairly well met in the case of paddy and a few items of subsidiary food crop but only partly met in respect of other products.

Statistics given below are for the year 1965.

#### MEMBERSHIP IN AGRICULTURAL CO-OPERATIVES.

The 43 C.A.P. & S. Societies and the 3,578 M.P.C. Societies that engage in agricultural activities had an overall membership of about 617,500 of whom only 563,000 actively participated in cultivation work during the year. The total number of farmers (Paddy) in Ceylon is 1,168,000 of whom 635,000 are engaged in full-time cultivation work. Thus, about 90% of the full-time cultivators of paddy are in the Movement.

#### FINANCIAL ASSISTANCE TO SOCIETIES BY GOVERNMENT.

A sum of Rs.27.6 million was lent by Government to these C.A.P. & S. and M.P.C. Societies during the year for agricultural work. The amount repaid by Societies was 16.5 million. The short-fall in repayment was due to crop failures by drought in some areas and floods in others. The repayment of loans has generally been satisfactory; of all loans issued since 1947 amounting to Rs.255,679,000/-. the balance outstanding was Rs.54,200,000/- of which Rs.34,000,000/- were overdue. This works out to 21.3% outstanding and 15.8% in default. The corresponding figures for the previous year (1964) were 18.8% and 11.4%

#### MARKETING LOANS.

Marketing loans to these societies are supplied by the People's Bank (a Bank owned by the Government and Co-operative

Co-operative Societies on a fifty fifty share basis), the seven Co-operative Banks and the Agricultural Unions.

The following statement gives details of loans for Marketing in millions of rupees.

<u>Granted by</u>	<u>Granted</u>	<u>Recovered</u>	<u>O/stdg.</u>	<u>O/du</u>	<u>% of default</u>
Agricultural Unions	114.1	106.8	15.0	5.0	33.3
Co-op. Banks	2947.2	2740.2	1676.1	284.3	16.9
People's Bank	12709.0	8603.9	2929.5	780.4	26.9

The default is due to trading losses, misappropriation by employees, losses by burglary and waylaying of cash in transit etc.

#### INDIVIDUAL LOANS TO MEMBERS BY SOCIETIES.

The C.A.P. & S. Societies lent to their members Rs.1,522, 300/- during the year while the M.P.C. Societies lent Rs.28.8 million. The average size of a loan in the C.A.P. & S. Societies was Rs.207/- while that in M.P.C. Societies was Rs.109/-.

The repayment of loans has been generally satisfactory, but as overdues are seldom or never written-off the accumulated default continue to remain high.

#### VOLUME OF BUSINESS.

The total volume of produce handled by the C.A.P. & S. Societies and M.P.C. Societies during the year amounted to Rs.324.8 million of which paddy purchases amounted to Rs.315.8 million, vegetables Rs.3.3 million, red onions Rs.4.9 million, rubber Rs.369,000/- and eggs Rs.268,000/-, maize Rs.12,000/-, potatoes Rs.90,000/-, chillies Rs.120,629/- and other commodities Rs.285,698/-.

The C.A.P. & S. Societies and M.P.C. Societies own between themselves 835 godowns with a total capacity of 3.7 million bushels and 1,456 other godowns with a total capacity of 1.8 million bushels were also available to these Societies on rent with a total capacity of 5.5 million bushels.

These Societies sold during the year agricultural produce to the value of Rs.305.0 million and agricultural requirements to the value of Rs.12.4 million. The total sales

sales amounted to Rs.317.4 million.

ACTIVITIES OF THE CEYLON AGRICULTURAL PRODUCERS' SOCIETIES UNION.

Marketing of vegetables and fruits on a co-operative basis actually started as far back as 1935 in a small way in the Pettah market but the Co-operative Movement was not sufficiently developed to withstand the opposition and obstructions resorted to by the private sector and the scheme gradually faded away. The idea of co-operative marketing was revived again in 1950 with the opening of the Co-operative Central Market in Colombo in a building specially constructed for the purpose. Once again the scheme failed to achieve substantial results as individual primary societies were permitted to run their own stalls within the premises. Only Palugama and Sandalankawa Societies, well-known for their successful progress in their activities, took an interest in promoting sales at the Central Market. Finally in 1961 the Ceylon Agricultural Producers' Co-operative Union was started as a apex marketing organisation to undertake wholesale marketing in Colombo of the produce sent down from the primary societies of farmers in the rural areas.

During the past five years this Union has made much headway and has now opened a number of wholesale floors at Galle, Peradeniya, Anuradhapura, Kurunegala and Jaffna - with collecting centres in Bandarawela and Nuwara Eliya, two of the largest producing areas.

This Union now has a membership of 223 Societies which represents over 100,000 cultivators from various parts of the Island - mostly from Delimada, Bandarawela, Kandy, Matale, Nuwara Eliya and Kurunegala where vegetables are grown in plenty.

\*\*\* (Please see sheet 20)

This Union lent out Rs.252,000/- for vegetable production to cultivators through their primary societies. These loans were partly in manure, insecticides and implements. These loans were recovered in instalments from each consignment of vegetables delivered to the Union. The Union also lent out Rs.750,000/- to 78 Societies representing about 580 Pineapple Growers who have cultivated about 1500 acres. The loans were recovered from the next harvest. The financial position of this Union stands as follows at the end of 1965:-

Share Capital	Rs. 84,195	Loans Recoverable	
		from Societies	Rs.571,992

Statutory Reserves	Rs.6,332	Loans recoverable from Vegetable Socs:	Rs. 82,605
Other funds	7,971	Other Loans recoverable	21,681
Govt. Loans	899,315		
Bank Loans	291,512		

Total working capital was Rs.1,289,325 while the total assets amounted to Rs.1,148,600 and liabilities Rs.1,171,400. Value of fixed assets was Rs.238,200 and cost of management Rs.390,400

#### RICE MILLING.

Eight M.P.C.S. Unions and three Primary Societies did rice milling as agents of the Government Guaranteed Price Scheme. All the rice collected by the societies have to be surrendered to the Commissioner of Agrarian Services and these mills get only a limited quota for milling. This quota was inadequate to work the mills to full capacity throughout the year.

#### DAIRY SOCIETIES.

The establishment of the National Milk Board by the Government in 1954 brought about a set-back on Co-operative Dairying as the small scale dairymen could not produce the milk at the price the Milk Board paid. The large number of Dairy Societies that were flourishing prior to 1954 gradually disappeared and at the end of 1965 only 32 societies with 1,447 members were left and out of these too 14 societies with 334 members were dormant. 2,419,345 pints of milk valued at Rs.977,590/- were sold by these societies as follows:-

<u>Sales to</u>	<u>No. of Pints</u>	<u>Value - Rs</u>	<u>Average price per pint.</u>
National Milk Board	920,558	327,230	-/35 cts.
Hospitals	263,630	140,301	-/53 cts.
House Holders	298,724	126,190	-/42 cts.
Milk Feeding Centres	722,962	196,143	-/27 cts.
Others	213,471	81,414	-/38 cts.
	<u>2,419,345</u>	<u>Rs.977,590</u>	<u>-/40</u>

The financial position of these Societies at the end of 1965 was as follows:-

Made up Shares	Rs. 83,400/-	Total Working Capital	Rs.332,100/-
Reserve Funds	Rs.101,300/-	Borrowed Capital	Rs.125,135/-

Net worth of Societies Rs.238,100/-

The liabilities amounted to Rs. 194,100/- while assets totalled Rs.432,200/-. Eleven societies made profits totalling Rs.28,200/- and the combined losses of other societies amounted to Rs.8,300/-.

The National Milk Board which is a State Corporation has now become the principal milk distribution centre for the whole Island and the few Dairy Societies are just struggling to exist in the midst of heavy odds and competition by this Milk Board. The once famous Bomiriya Co-operative Milk Union that gave employment to over 700 men and women in the production and distribution of the largest quantity of milk was forced to go into liquidation with the advent of the National Milk Board under Government prerequisites.

#### COCONUT PRODUCTION AND SALE.

Coconuts provide the third most important source of foreign exchange earnings of Ceylon. It also substitutes an important factor in the domestic economy of the country because nearly 50% of the total production is consumed locally.

Immediately after the last war, Government induced the Coconut Producers' - chiefly the small holders to form into Co-operative Societies and help them financially to increase production, set up mills for processing and marketing their products. Government also helped these societies to withstand competition by private millers by enforcing quotas, fixing floor and ceiling prices at various occasions, giving expert facilities and in all other manner. With these preferential backings from Government these Co-operative Coconut Producers' Societies began to set up mills to cure coconut for copra, manufacture dessicated coconut and cocnut oil for export.

Some twenty odd societies organised in the low country where coconut grew in plenty formed in a secondary union to undertake export, provide fertilizer, marketing and transport etc.,. This scheme flourished for several years until the Government's policy of preferential assistance lasted but when Government's interest in this sector of the Movement

Movement waned most of these Societies began to fade as they paid out lavish dividends and rebates to their members out of large profits made when business was good and failed to build up adequate reserves to fight competition during lean years.

There were eighteen societies left at the end of 1965 a few others gone into liquidation in the previous years. Of those left, nine were dormant. The financial position was as follows:-

Paid up shares Rs.1,110,300. Statutory Reserves Rs.624,200. Other Funds Rs.606,700. Working Capital Rs.4,680,200 and Net Worth Rs.1,565,000.

Liabilities amount to Rs.2.6 million while assets totalled Rs.4.2 million.

Eight of these societies worked at a profit of Rs.226,350/- while the remaining ten incurred losses totalling Rs.26,500.

During the past few years the world market for coconut products was not very attractive with the result these Societies had to cease or curtail production and a few of them were forced to close down.

The Union of these societies called The Ceylon Coconut Producers' Co-operative Societies Union too failed to make any headway during the past few years. During 1965 only 58,910 lbs of dessicated coconut valued at Rs.31,223 and coconut oil valued at Rs.15,000 were sold. The net loss incurred by this Union was Rs.80,241 while the combined losses for several years past amounted to Rs.2.6 million.

One reason for these accumulated losses has been the heavy depreciation each year on machinery which amounted to Rs.63,612 for the year 1965.

The owned capital of this Union at the end of 1965 was Rs.642,000, Liabilities amounted to Rs.3,672,000 and the Assets stood at Rs.1,725,000. The value of Fixed Assets was Rs.1,685,000/-. Debts due to Government (interest free and repayable in 40 years) was Rs.3,186,883 and to the People's Bank Rs.429,928. The cost of management for the year was Rs.35,806.

A revival and reorganisation of the activities of these Societies and the Union began in 1966 and better results are being shown now and it is hoped these Societies will come into

into their own again when world market conditions for coconut products improve.

#### TEA PRODUCTION AND SALES.

The large estate owners who own about 80% of the entire acreage under plantation have their own factories and are commercially well organised but the small holders (i.e. owners of units of 20 acres or less) are not so fortunately placed. They had to sell their green leaf to the private factory owners for processing and were badly exploited at every turn.

Consequently the small holders felt the need for co-operative organisations to provide credit and for the collection and processing of their tea leaf. The first society for Tea Growers' was organised in 1950 and although there are now 26 of these societies only two<sup>own</sup> first class factories for processing the leaf while the rest deliver their leaf to neighbouring factories in estates.

Of the twenty six societies at the end of 1965 with a total membership of 5,259 holders, 16 societies were dormant as prices of green leaf was so low that it was thoroughly uneconomic to work the societies. 6.8 million lbs of green leaf valued at Rs.1.34 million were collected by these societies from their members. The sale of made tea by these societies totalled Rs.2,228,800. Ten of these societies made profits amounting to Rs.28,142 while the combined losses of the rest amounted to Rs.41,516.

The financial position of these societies were as follows:-

Paid up shares	Rs.362,300	Working Capital	Rs.1,271,000
Statutory Reserves	Rs.114,300	Liabilities	Rs. 920,700
Other Funds	Rs. 95,300	Assets	Rs.1,392,000

Their net worth was Rs.471,100

These societies owed the Government on loans given to them Rs.241,902 of which sum Rs.166,902 were overdue as the societies had no means of repaying their loans due to poor earnings.

RUBBER PRODUCTION AND SALES.

There were only four societies formed for this purpose with a total membership of 261 but some of the M.P.C. Societies in rubber growing areas were also dealing in rubber. While the four rubber producers societies sold Rs.101,204 worth of rubber the M.P.C. Societies disposed of Rs.368,759 worth of rubber.

The four rubber producers' societies had a paid up share capital of Rs.7,570 and reserves amounting to Rs.25,789. The Working Capital of these societies was Rs.50,000.

Tobacco Production and Sales.

There are 85 of these societies; of these only 43 societies functioned during this year. The other 48 were either dormant or defunct. This was due to the Indian Government banning import of tobacco into that country. Most of these societies were formed in the Jaffna peninsula and the main export market for their tobacco was in India and the recent change in the fiscal policy of the Indian Government which banned the import of this commodity has caused a serious setback to our societies here. Consequently these societies have now changed over to the production of Cigarette tobacco which is bought up in its entirety by the Ceylon Tobacco Company the leading Cigarette manufacturing firm in Ceylon.

The total sales of all these societies amounted to only Rs.1.75 million. Most of the cultivators of tobacco are now engaged in the production of Bombay onions and Potatoes in place of tobacco as there is a ready and lucrative market for these items of food with the restriction of their import from abroad.

OTHER AGRICULTURAL SOCIETIES.

There were 315 other types of societies engaged in pursuit of agriculture. They are:-

213 Young Farmers'	80 Poultry Societies
Co-operative Socs.	2 Toddy Producers' Socs.
10 Goat Farming Socs.	1 Plantain Sale Society.
1 Arrack Distillery	1 Citronella Oil Distillery
2 Cardamon Growers'	1 Cinnamon Producers'
Societies	Society.
4 Vegetable Producers'	
Societies.	



These societies had an overall membership of 6,703. They were engaged in the production and marketing of their products in a small scale.

AGRICULTURAL EXTENSION AND EDUCATION.

These functions are carried out by the Department of Agriculture and Agrarian Services, through the Agricultural Instructors and Food Production Officers' who conduct farm schools, experimental farms, field days and exhibitions for education and instruction of cultivators and would-be farmers.

The audit and supervision of all Co-operative Societies and Unions are in-charge of Officers' of the Department of Co-operative Development. The Co-operative Federation through its member District Unions assist the Department in holding training classes, seminars and conferences for the education of the members of these societies in co-operative aspect of their agricultural activities.

GENERAL POSITION OF THE CO-OPERATIVE MOVEMENT AS A WHOLE.

A statistical picture of the overall Co-operative Movement in Ceylon as it stood at the end of 1965 is contained in the annexed appendix.

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\*\*\* This Union handled a total quantity of 17,900,259 lbs worth Rs.1,927,775/- during the year. This turn-over would have been much more if not for droughts and floods that destroyed crops at different intervals this year. One new innovation this Union introduced was to sell a variety of vegetables including a little lime and green chillies in cellophane packets priced at a rupee. Apart from their sales in their stalls these were sold at strategic points like the principle railway stations, central bus-stands and where office and factory workers passed through on their way home after work.

## STATISTICAL PICTURE OF THE OVERALL CO-OPERATIVE MOVEMENT IN CEYLON: ENDING 1965

Type of Society	Number of Societies	Membership	(1) Owned Capital	(2) Fixed Liabilities	(3) Deposits	(4) Loans	(5) Distributable Profits
<b>Primary Societies:</b>							
Multipurpose	5,053	869,443	55,690,700	7,812,200	5,222,700	56,046,000	3,003,000
Industrial	1,101	58,730	4,795,900	165,700	1,011,700	3,661,900	324,800
Credit unlimited	3,671	131,092	8,303,700	28,400	4,314,700	3,223,600	100
Credit limited	248	31,693	3,177,800	34,100	3,958,800	3,223,600	33,600
Thrift & Saving	375	65,413	11,748,500	310,000	4,794,000	239,800	117,100
Co-op: Stores	755	214,269	9,708,700	980,700	856,300	561,800	661,200
C.A.P & S. Societies	135	29,680	1,669,900	194,800	74,600	1,982,900	277,000
Coconut Production	18	4,570	2,771,800	125,500	260,000	2,024,900	-
Tea Production	25	4,179	630,700	38,500	79,000	566,400	10,400
Rubber Production	4	261	47,000	1,300	2,300	2,600	3,600
Tobacco Production	85	9,898	1,018,500	22,000	239,000	1,369,600	59,500
Dairy Societies	31	1,447	263,800	16,200	49,700	75,200	3,000
Other Agricultural Socs.	291	6,703	540,600	9,300	111,800	748,500	7,500
Fishermen's Societies	263	6,771	1,029,400	7,500	309,400	888,600	77,700
Labour Societies	180	10,484	1,268,200	66,400	350,200	2,474,000	290,000
School Societies	2,009	327,954	864,300	3,100	187,200	13,800	73,900
Other Prim ries	188	29,285	2,586,500	282,500	829,000	3,558,600	152,600
<b>Total Primary Societies</b>	<b>14,432</b>	<b>1,801,872</b>	<b>106,116,000</b>	<b>10,098,200</b>	<b>22,655,400</b>	<b>79,659,100</b>	<b>5,095,500</b>
<b>Secondary Socs:(Unions)</b>							
Co-operative Banks	7	3,492	3,041,600	4,197,600	15,426,000	17,004,600	25,500
M.P.C.S. Unions	117	4,291	31,891,200	6,178,600	3,573,100	22,961,400	2,487,600
Industrial Unions	33	4,487	7,140,000	329,500	793,600	4,308,300	1,137,500
Agricultural Unions	19	911	1,698,900	87,300	3,400	5,602,300	200
Fish Sales Unions	2	69	623,600	52,900	819,000	-	-
District Unions	23	7,582	387,900	47,000	54,100	153,700	-
Credit Unions	71	1,485	14,800	700	900	140	100
<b>Total Secondary Socs:</b>	<b>272</b>	<b>22,317</b>	<b>44,798,000</b>	<b>10,893,600</b>	<b>20,670,100</b>	<b>50,031,700</b>	<b>3,650,900</b>
<b>GRAND TOTAL</b>	<b>14,704</b>	<b>1,824,189</b>	<b>150,914,000</b>	<b>20,991,800</b>	<b>43,325,500</b>	<b>129,690,800</b>	<b>8,746,400</b>

1. Owned capital includes shares, statutory reserves, other reserves, accumulated profits.

2. Fixed liabilities includes provident funds, security deposits and other fixed liabilities.

3. Deposits includes deposits from members, Co-op: institutions, Government and others.

4. Loans includes loans from Co-operative Bank, Government, etc.

Distributable profits - current years profit due for distribution.

Fixed assets includes Land & Buildings, Plant & Machinery, Vehicles and equipment.

Current assets includes Cash in hand & bank, Investments, Loans drawn by individuals, societies, & unions, accrued interest on deposits, stocks and other items.

(6) Fixed Assets	(7) Current Assets	(8) Other Assets
13,220,200	113,475,800	6,801,100
2,135,900	8,944,300	92,300
78,900	15,906,400	66,500
24,300	9,446,700	57,400
28,400	17,453,100	102,800
1,229,400	11,367,500	591,900
531,400	3,633,600	128,800
1,747,300	2,308,200	159,600
586,300	716,800	88,700
8,400	49,600	100
847,300	1,433,500	53,800
52,800	361,700	17,700
593,300	756,100	18,900
700,500	1,345,200	11,400
541,900	3,800,600	609,900
63,000	1,125,000	12,000
<u>2,397,400</u>	<u>5,484,100</u>	<u>143,700</u>
24,786,700	197,608,200	8,956,600
323,600	37,040,000	3,954,500
16,328,200	52,607,700	6,796,800
2,244,800	12,169,700	11,700
2,401,900	2,649,900	180,800
220,100	1,689,200	105,200
362,500	370,400	42,000
500	11,300	5,100
<u>21,881,600</u>	<u>106,538,200</u>	<u>11,096,100</u>
<u>46,668,300</u>	<u>304,146,400</u>	<u>20,052,700</u>

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Regional Seminar on Cooperatives in Agriculture :  
An Integrated Approach  
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Country Statement  
India

### Introduction

An important milestone in the development of agricultural cooperatives in the country was the survey conducted by the Reserve Bank of India (Central Bank) on rural credit in our country. The survey revealed that after a little over 50 years of the working of cooperatives in the country, cooperatives had yet to make much headway. The credit cooperatives, in 1951-52, when the survey was carried out, provided only about 3.1 per cent of the credit requirements of the cultivators in the country. About 70 per cent of the borrowings of the cultivators in that year were provided by moneylenders. Government also accounted for about 3.3 per cent of the credit requirements of agriculturists in that year. The Committee on Rural Credit Survey came to the conclusion that cooperation had failed in the country but it must succeed. The Committee made various recommendations for energising the cooperative movement in the country. The main recommendations were:

- a. provision of state capital to the cooperatives in order to strengthen their capital base and credit worthiness.
- b. Implementation of an integrated credit, marketing and processing programme in the cooperative sector.
- c. A phased programme of provision of warehousing facilities with cooperatives and government-owned organisations, such as the State and Central Warehousing Corporations.
- d. Integration of and the States' financial participation in the commercial banking structure in order that a rural and cooperative biased banking structure could be evolved.

Based on the above recommendations the Central and State Governments in the country formulated their Second and subsequent Five Year Plans relating to

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cooperative development. A State Bank of India was formed in 1956 and a Central Warehousing Corporation and the National Cooperative Development and Warehousing Board were also established. The implementation of an integrated agricultural credit, marketing, processing and storage programme thus started throughout the country from the beginning of the Second Five Year Plan, that is in 1956-57.

### Coverage

The entire country was covered under the integrated programme. Because of the wide variations in the progress of cooperatives in different parts of our wide country and "cooperation" was a State subject, each State had to formulate its own plan of development in all spheres including that of cooperation. In some isolated parts of the country the integrated scheme was already in operation. The Rural Credit Survey Committee recommended the adoption of the scheme as a planned programme and this recommendation was accepted for implementation by the States.

### Progress of cooperatives

The progress of the primary cooperative structure which formed the base of the cooperative movement is given under the following data:

<u>Particulars</u>	in Millions		
	<u>1955-56</u>	<u>1960-61</u>	<u>1965-66</u>
Number of primary societies	0.16	0.21	0.2
Membership	7.80	17.00	27.00
Share capital	Rs. 168.00	578.00	1184.00
Deposits	Rs. 70.40	145.90	394.70
Working Capital	rs. 791.00	2739.20	5274.50
Loans advanced	Rs. 496.20	2027.50	3455.00
Percentage coverage of agricultural population	15.00	30.00	45.00

### Organisation and Operation

The societies at the primary level are organised to cover a population of about 3000 having an area of operation of 3 to 4 miles (five to six kilometres). The cooperatives are thus organisations of the farmers at the base and are expected to provide all service facilities to the farmer members. The cooperatives at the base with the help of the village institutions like Panchayats and the extension

workers namely the village level worker assists the farmer member to prepare a rough farm plan for him. This farm plan is supported to the extent possible by the cooperatives in terms of resources available. In the intensive agricultural district programme areas where intensive agricultural practices have to be adopted, a detailed farm plan for each farmer member is drawn up by the village level worker. But such a detailed farm plan is not drawn up for all the cultivators in every part of the country. In home planning, however, much thought has not yet been bestowed, in our country. While preparing the individual farm plans in the intensive agricultural areas the extension techniques are discussed with the farmer and incorporated in the farm plan to the extent the farmer member is in a position to execute the same. In the rough farm plan, which the members of the cooperatives in their areas have, is generally known as normal credit statements or say a credit plan which indicates only the area cultivated by him, the nature of crops grown and the method of operation he or his own is willing to undertake. On this basis the rough plan will indicate to the cooperative the credit requirement of such a member.

7 **In the intensive agricultural areas where detailed farm planning** process is being undertaken, selection of a farmer is made with reference to the progressiveness of the farmer and the availability of irrigation facilities etc. with which he may be able to implement his plans in a successful manner. The extension officers and other technical staff employed by government have an important role in selection of farmers. In the intensive areas where extension and technical staff has been provided on a larger scale supervision is more effective over the implementation of the prepared plan. But in other areas such intensive supervision is lacking. It is true that as a policy the Government has agreed that supervision of primary societies at the base should be entrusted to the federal institutions of such cooperatives namely the Central Cooperative Banks at the district level. The staff employed for such work has not sufficient knowledge of extension methods and as a result supervision continues to be only financial and not over extension methods.

Supply of Credit:

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On the basis of the crop loan system that is now being adopted throughout the country the credit needs are to be assessed on the basis of a three component formula. The first component being the cash outlay for the inputs under the traditional level of cultivation, the second a kind component to take care of the labour charges etc. required for utilisation of the second kind component. The scales of finance as above are fixed by the cooperative institutions in each district in consultation with the extension agencies specially with reference to the input requirements under the kind component. Loans are thus provided on the basis of the scale of finance fixed per acre for different crops, a part in cash and the remaining in kind. In our country the primary cooperatives at the base provide only short and medium term loans. The long term loans are provided by a separate credit structure known as "Land Development Banks". These Land Development Banks have a two tier system---primary land development banks at the base operating at Taluka or Tehsil levels and Central Land Development Banks at the State level. Short term loans are being provided for seasonal agricultural operations and marketing of crops while medium term loans are provided for minor improvements on land, purchase of improved implements, pumpsets, repairs to wells and purchase of Bullocks. Long term loans are provided for land improvement, construction of wells, purchase of bigger agricultural implements such as tractors, etc. Even though loans for consumption purposes are not specifically provided for in the scale of finance fixed, the part "A" component takes care of a small portion of the consumption requirements of the farmer during the off-season. Considering the resource position of the cooperative structure in our country it is not possible at this juncture to expect them to meet consumption requirements to any appreciable extent. According to the present crop loan system which we are introducing throughout our country it

is expected that the cooperatives at the primary level would raise some thrift deposits every year from each member and that this fund would be utilised for meeting certain types of consumption expenses such as for ceremonies, education etc. In provision of loans, especially short and medium term, no distinction is made between various types of farmers. As already indicated earlier, supervision on utilisation of loans is the responsibility of the Central Cooperative Banking structure.

Agricultural requirements supplied:

Cooperatives in our country are providing fertilizers, seeds, agricultural implements, pesticides, etc. to the farmers mostly in the shape of kind loans. The progress in distribution of articles to farmers by the cooperatives is given under the following table:-

<u>Particulars:</u>	(Value: Rupees in Millions)	
	<u>1964-65</u>	<u>1965-66</u>
a) Fertilizers	730	790
b) Seeds	120	170
c) Agricultural Implements	60	60
d) Others (mostly insecticied)	130	160

As on 30th June, 1966, there were a little over 50,000 retail depots run by the cooperatives for distribution of fertilizers. The exact number of farmers benefited under the scheme is not readily available.

Development of internal capital:

At the primary level as against a working capital of a little over Rs. 1,200 millions representing a little over 23 per cent. Deposits were only of the order



of Rs.395 millions representing about 8 per cent of the working capital.

Concerted efforts for collection of share capital and deposits were not being made by the cooperatives in the past in our country even though in isolated pockets some efforts were made. Under an action programme circulated by the Government of India in March 1964, it was suggested to the cooperative institutions that a system of collection of share capital and deposits should be introduced in every primary society so that it may, in the long run, be able to stand on its own. The suggestions made were collection of 20 per cent of the borrowings of each member as share capital in a period of two to three years and after attaining this level, collection of another five per cent each year in the shape of thrift deposits. These are now being implemented by the cooperatives and it is expected that in the course of three or four years the cooperatives would be able to muster fairly substantial amount both as share capital and deposits.

Marketing of agricultural produce:

In the Southern and Eastern parts of the country where paddy is the main crop, marketing is done mainly at the village level. In other parts of the country a system of bringing the produce to marketing centers is existing. At such marketing centers the produce is sold either by open auction or by negotiations. A system of outright purchases by marketing societies has

already been introduced recently in many parts of the country and this is mainly intended to help the small farmers who generally resort to distress sales. In many States legislations exist regulating market practices. Wherever such legislations exist and the produce is sold at the marketing center (regulated markets) payment is prompt, while in other areas staggered payments exist in varying forms. Wherever a cooperative marketing structure resorts to outright purchases or arranges sales, payment is made immediately to the farmer members. In certain areas where commercial crops, like cotton etc. are grown, a system of pooling of the produce is in operation. Initially under this system a grower member gets a percentage of the value of produce and the final payment is made after sales are effected by marketing cooperatives. As a policy, marketing cooperatives in the country do encourage payment of patronage dividend to members depending upon their loyalty. The value of agricultural produce marketed by cooperatives in the country was of the order of 3,590 millions of rupees in 1965-66.

Linking of marketing with credit:

It has been accepted as a policy that linking of marketing is an important factor for the success of the cooperative structure in the country. Because of the various nature of market practices that exist in our vast country it has been difficult to implement this system effectively in all areas. Wherever commercial crops are grown some success has been achieved in this direction. The problem still remains to be tackled in an efficient manner in respect of foodgrains. A detailed pamphlet on linking of credit with marketing prepared by the National Cooperative Development Corporation, New Delhi, has already been circulated to the participants.

Other services:

Cooperatives are also providing consumer articles to farmers to some extent. In 1964-65 the value of consumer articles distributed by cooperatives

was of the order of Rs. 1,020 millions which has gone up to Rs. 1,800 millions in 1965-66. About 40,000 primary cooperatives at the village level were undertaking distribution of consumer articles. With the difficult food situation and increase in prices it has become necessary for having a planned programme of consumer distribution in our country and since a large percentage of our population is spread out in the rural areas, consumer distribution in the rural cooperative structure has, of late, assumed considerable importance. A detailed scheme in this regard is under the consideration of the Government and it is expected that this will go into operation in a large way. In order that farmers may be benefitted through the cooperatives a large scale programme of cooperativisation of agricultural processing industry is being implemented as a planned scheme. A significant development in the processing field is the cooperative sugar industry which accounted for nearly 30 per cent of the national sugar production in the country.

Cooperative education and agricultural extension:

It has been recognised that education of members is a vital factor in the development of cooperation and towards this end a member-education programme is under operation. About 700 peripatetic parties are in operation roughly at the rate of about two to three per district. These instructors provide training to office-bearers and members of cooperatives. For training of departmental and managerial personnel there were 68 junior training centers and 13 intermediate training centres. In addition, there is a National Institute which is providing training for key personnel both of the cooperative departments and of the institutions. There is also a business management institute for training of personnel in consumer cooperation. These two national institutes are proposed to be merged into one institute to cater to all the needs of the varying types of cooperatives both in regard to business management as well as in theory and practice of cooperation. Research in cooperation will also be conduct-

ed by this institute.

Agricultural Extension is the responsibility of the government and cooperatives play very little role in it.

#### Role of Government

Cooperation in our country has been accepted as one of the central aims of national policy. To give fillip to the movement government provides initiative both in terms of technical personnel as well as capital. State participation in cooperatives has become a national policy. Other assistance such as loans and grants are also being provided by government to cooperatives so as to build them up and help them to stand on their own in the course of a few initial years. In implementation of the integrated credit scheme, technical staff of government is helping the cooperatives. Secondary organisations such as the central cooperative banks, federation of marketing societies etc. are also playing their usual role of fostering cooperatives in their respective spheres.

#### Problems

Some of the main problems encountered by cooperatives in our country are:

- a. The weakness of the cooperative credit structure at the base,
- b. Inability to raise adequate resources to meet their demands,
- c. Want of adequate built-in reserves to take care of the risks involved during natural calamities;
- d. Absence of an effective link between credit and marketing especially in areas where paddy is the main crop;
- e. Want of an effective and enlightened participation by members in the running of cooperatives and as a consequence want of leadership;
- f. Absence of effective land reform measures to foster the growth of cooperatives as organisations of small farmers.

#### Evaluation of Results

Detailed evaluation of the impact of cooperative development in rural economy has not been made recently. However, the Reserve bank of India had conducted a rural debt and investment survey in 1961-62 which indicated

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that the cooperatives were able to provide about 25.8 per cent of the credit requirements of the cultivators in that year as against about 3 per cent 10 years before. Every Five Year Plan drawn up in our country has a sector specifically for the development of cooperatives in general and agricultural cooperatives in particular.

AGRICULTURAL COOPERATIVE MOVEMENT IN JAPAN

The Central Union of Agricultural Cooperative  
Tokyo, Japan

Regional Seminar on "Cooperatives in  
Agriculture - An Integrated Approach"  
Tokyo. Japan. March 20-April 1, 1967

organised by

International Cooperative Alliance  
Regional Office & Education Centre  
for South-East Asia,  
6 Canning Road, New Delhi.1. India

Institute for the Development of  
Agricultural Cooperation in Asia  
816, Funabashi cho, Setagaya-ku  
Tokyo. Japan.



1. Typical cooperatives in Japan are agricultural cooperatives organized by farmers. Beside these agricultural organizations are counted those cooperatives organized by fishermen, by consumers, and by those engaged in forestry. Of all various cooperative bodies agricultural cooperatives surpass others in the number of members and the scale of activities.

Agricultural cooperatives as such as they are today were organized in accordance with the Agricultural Cooperative Law enacted after World War II, in 1947. However, their existence in the country dates as far back as 65 years to 1900 when the Cooperative Act was enforced. Agricultural cooperatives today count as members all of 5,665,000 farming households throughout the country, and are playing a vital role as a central organ which helps to promote the economy of farmers.

2. Though tenantry became landed farmers after the War, the scale of their farming remained small as ever. In 1965 those farming households with tillable land below 0.5 hectare number 2,096,000, and those from 0.5 to 1.0 hectare count 1,762,000, thus totaling 70.5% of all farming households. The tillable land per one farming household on an average amounts to only as much as 2 acres.

Agricultural cooperatives in Japan are thus organized by small-scale farmers for the purpose of securing mutual benefits. As to the organization of cooperatives in general there are unit cooperatives, called general cooperatives, in towns and villages which conduct various activities including credit. However, since these general cooperatives are small in its provision of capital and in handling business transactions, federations classified by business activities are established in each prefecture so as to be benefited from bigger-scale business transactions. Further, these prefectural federations are organized into several national federations for the similar purposes. Thus, all the cooperatives are organized into upper bodies forming a pyramid shape.

3. Business activities of general cooperatives include credit activities, marketing and storage of agricultural products, purchase of materials and equipment necessary for agricultural production and also of daily necessities, mutual aid activities, operation and management of various utilization facilities, guidance and education of member farmers concerning agricultural techniques and farm management, and other cultural activities. It is characteristic of agri-





cultural cooperatives in Japan that there are so many member organizations that conduct various activities in general. The reasons for this feature may be counted for the facts that the scale of farming management per household is small, as a result, production and consumption are inseparable, and that most of farm crops are for self-consumption and rich in variety but small in amount, thus preventing crops from being collectively cultivated and marketed in certain regions.

A unit cooperative can be established if there are more than 15 originators, but general cooperatives are established in general with a town or a village as a unit, influenced somehow or other by historical factors. Therefore, cooperatives with about 500 members are dominant in number. However, many towns and villages are merged recently into bigger self-governing bodies, keeping pace with the development and improvement of communication and transportation. It has also become necessary for cooperatives to rationalize management and operation, and expand business activities, so as to cope with the progress of the economy and the society. As a result, many cooperatives are emerging themselves with adjacent organizations one another. Such being the reason, the number of cooperatives that totaled 13,101 in 1953 now counts 7,320.

Farmers are eligible for membership of cooperatives by going through such application procedures as subscribing their own shares and others. Besides, there is a system of associate membership open to individuals living in the region and also to bodies organized by farmers so as to enable them to take advantage of the cooperatives.

4. Cooperatives are managed by officials elected from among the member farmers. Three-fourth of the officials must be members of the cooperatives and those persons engaged in business in competition with the business activities of the cooperatives are prevented from becoming officials. The term of office of the officials is 3 years on an average. At the start of a new fiscal year a general meeting will be called to decide on projects and activities for the year and also to approve the budget. However, since in many cases officials themselves are busily engaged in farming of their own, managers are appointed to assist them. They carry out daily business affairs under the instruction of officials. The number of staff members for business affairs averages 18.4 in a regular size cooperative.

5. Agricultural cooperatives aim at making maximum services for the benefit of their members through their various activities. Therefore, many and great considerations are given to how to conduct activities.



Especially, the activities of general cooperatives are greatly concerned with the total life of their members. Accordingly, efforts are made to bring about closer relationship among various activities and to help or improve the management and the life of the members. For instance, cooperatives are encouraging their members at present to form an economic plan centering around production, income and spendings, and are conducting their activities along the line. This is termed as an economic planning campaign for farmers, and a nationwide campaign is under way.

In recent years agricultural products show a tendency of excessive supply throughout the country, and it is urgently needed to lower production cost, improve quality and to set standards. Cooperatives, therefore, are directing their efforts regionally to design plans for total agricultural output and guide along this line individual farmers to improve management as well as farm work so as to market beneficially in the markets.

#### ACTIVITIES

6. Various activities are conducted along the line of this policy and the present situations of representative activities will be explained in the following.

a) Credit - Credit centers around deposits of and loans to member farmers. As of December 1965 the total deposit in general unit cooperatives amounts to 2,432,600,000,000 yen, and loans 1,053,600,000,000 yen. The rate of utilization on the member farmers of cooperatives counts 60% in deposit and 40% in loans. In the past, loans were not comparable with deposit, but in recent years demand for loans has become strong for the improvement of management on the part of the members, and cooperatives themselves are making efforts to increase loans.

Surplus funds of cooperatives are deposited in prefectural credit federations and further put into the Central Bank for Agriculture and Forestry so as to meet over-all financial adjustment.

b) Marketing - The total marketing conducted by general unit cooperatives in 1964 reached 1,024,811,000,000 yen, covering nearly all farm products. Cooperatives are utilized by the members up to 94% with regard to rice, 80% for wheat and barley, whereas for livestock products and green vegetables the rate centers around 30%, which is rather a low figure. It is currently a problem for cooperatives how to work actively in these fields.



Except for those consumed in the locality, all marketable products handled by cooperatives are consigned to prefectural federations and further to national federations for marketing. The amount of those products marketed by these federations in 1964 totaled 831,160,000,000 yen, and 758,800,000,000 yen, respectively. And also processed products such as tangerines, apples and others are exported through the National Marketing Federation and other channels to United States, England, Canada, and also to Southeast Asian countries.

c) Purchasing - Purchase handled by general unit cooperatives reached 517,711,000,000 yen in 1964, centering around materials for production such as fertilizer, feed, farm chemicals, farm tools. And daily necessities such as foods and clothes amounted to less than 30%. Judging from the amount spent by farmers for purchase, 80% of fertilizer, 85% of farm chemicals, and 44% of feed are purchased at cooperatives. However, as to daily necessities, cooperatives are not well utilized except for field sneakers. The process of purchase is as follows: Upon receiving advanced orders from the member farmers, general unit cooperatives, prefectural economic federations and further National Purchasing Federation put together all the orders and purchase from member factories or from other private enterprises. The amount of purchase by prefectural and national federations, in 1964 totaled 385,697,000,000 yen and 3,088,800,000,000 yen, respectively.

The National Purchasing Federation produces feed and rubber products in its own factories. It also imports mineral phosphate and potassium.

d) Mutual Insurance-This was started fairly recently, about fifteen years ago. As of the end of March 1965, the amount of long-term mutual insurance contracts such as mutual life insurance and building renewal insurance totaled 2,124,159,000,000 yen, and short-term contracts such as mutual fire insurance reached 260,717,000,000 yen. As a result, mutual insurance reserves amounted to 207,769,000,000 yen, and the funds are utilized as long-term stable funds for member cooperatives.

In conducting mutual insurance activities mutual insurance contracts made at unit cooperatives are further consigned to prefectural mutual insurance federations, which further consign to the National Mutual Insurance Federation. And the reserves for mutual insurance contracts are utilized by federations.

e) Utilization facilities - Facilities necessary for farming and daily life of member farmers but beyond possession by individuals are installed at cooperatives for joint use by the members. All general cooperatives own u-



tilization facilities of some kind and they vary from place to place, but are roughly divided into facilities for farm production and others for daily use. The former includes farm machines such as tractors, powered-clearing facilities, pumping plants, joint fruit grading plants, breeding stock, seed beds, medical insemination, and transportation facilities such as trucks, etc. The latter covers medical facilities, water service, wired broadcasting, nurseries, libraries, bakeries, rice processing facilities, etc.

f) Guidance and education - Guidance is directed to educating and guiding member farmers for the improvement of farming and daily life. Especially, special emphasis is placed in recent years on farm guidance, and there are at present nearly 13,000 farming instructors in general cooperatives throughout the country. Farm guidance covers farming management and has a very extensive content centering around guidance concerning land reclamation, improvement and unification of seeds, farming plans, techniques of production, etc.

Guidance for daily life positively takes up matters concerning improvement of consumption life covering foods, clothing and living best suitable for the actual situations of the locality.

Educational activities for member farmers are conducted through various educational means such as radio, wired broadcasting, courses, exhibits, group meetings, movies, inspection tours, cooperative information, agricultural newspapers, reference books, etc. Prefectural unions and the Central Union assist and help promote guiding and educational activities of cooperatives in cooperation with related organizations. To be specific, there are planning and presentation of radio programs, supply of materials for wired broadcasting, services for arranging lecturers and inspection tours, and publication of materials.

The Ie-No-Hikari Association publishes for members magazines such as "Ie-No-Hikari" which has a circulation of about 1,600,000, "Chijo" with a 100,000 circulation, and the National Newspaper and Information Federation issues Japan Agricultural Newspaper which has a circulation of 350,000.

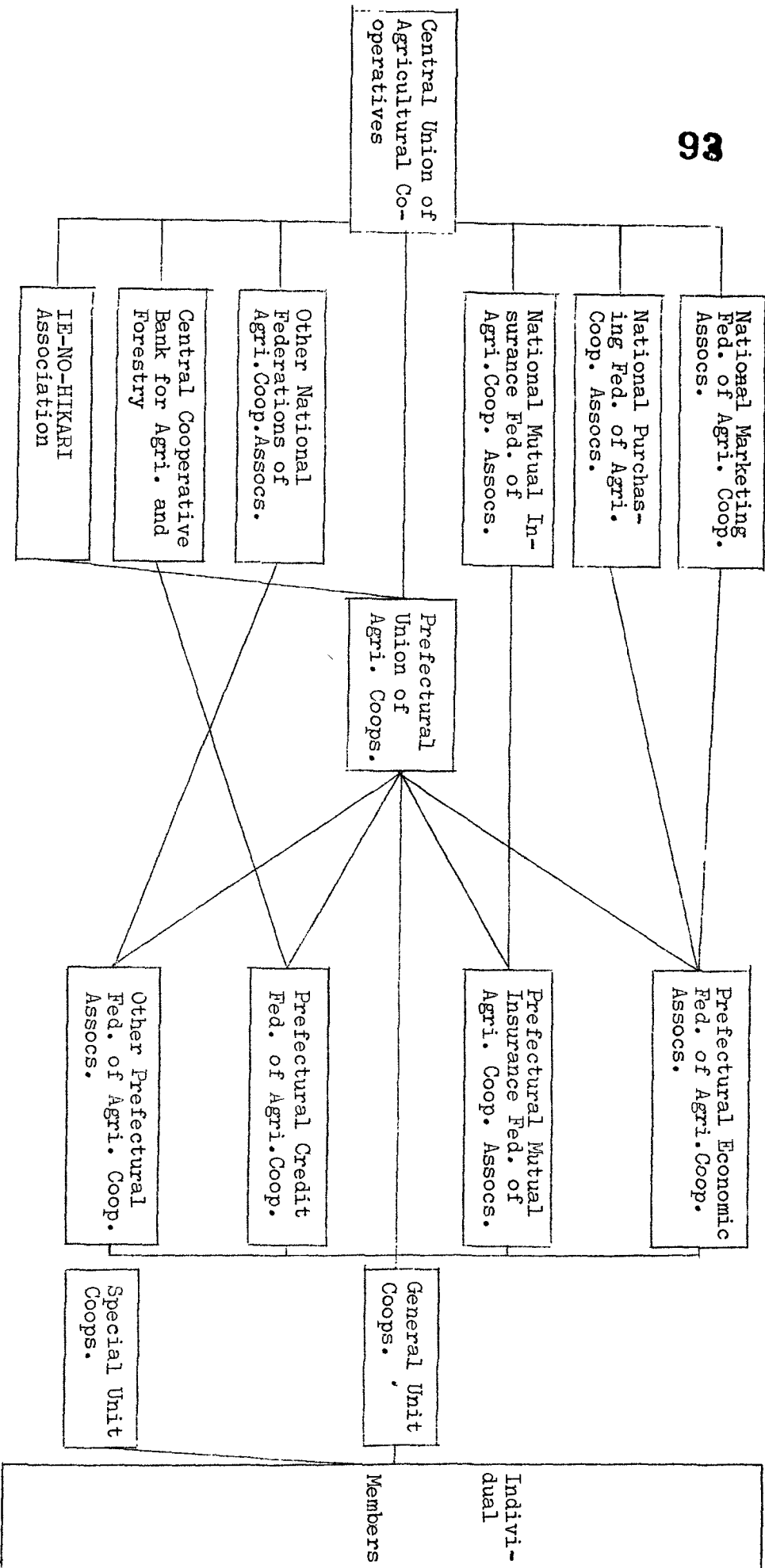
In addition, prefectural unions and the Central Union sponsor training courses designed to educate staff members as well as officials of agricultural cooperatives.





STRUCTURE OF AGRICULTURAL COOPERATIVE

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Country Statement  
Korea

AGRICULTURAL COOPERATIVE MOVEMENT IN KOREA

National Agricultural Cooperative Federation  
Seoul. Korea

Regional Seminar on "Cooperatives in  
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I. Historical background of agricultural co-op. in Korea.

In Korea, the farmers comprise 55% of its total population, and farm production comprise 37% of the Gross National Product. Thus, agriculture in this country is the most substantial sector of the nation's economy.

Korean farmers in the historic past have recognized cooperation as one of the profitable factors in their economic life, so they spontaneously organized the small scale cooperative system called "KE" which generally purport to increase mutual aid in their social life.

Before the World War II, under Japanese regime, country-wide local financial associations and industrial associations were organized as modern type cooperatives for the purpose of assisting in rural development. They were managed bureaucratically by officers named by the Government as distribution agencies for fertilizer and collection agencies for agricultural products as well as credit services. In consequence, the cooperative movement at that time could not obtain fruition to improve the economic and social status of farmers as much as expected.

Since 1945, the year of Korean liberation, the existing agricultural organizations were subjected to a process of reorganization, but owing to everchanging, unstable social circumstances, the cooperative movement ceased to exist on the grass roots level for the time being.

Nevertheless, leading people in this country well recognized that

the national economy should be rehabilitated and reconstructed on the basis of an improved agricultural economy, which would be achieved best through cooperative activities by farmers.

In the meantime, the United States Offices of the Economic Coordinator in Korea invited a group of farm credit and agricultural cooperative expert (the Johnson Study Group) submitted to the Korean Government recommendations relating to the organizations of a farm credit and cooperative system.

Later, John Cooper, a specialist in agricultural credit and cooperative law, was also invited to Korea by OEC and offered his proposed plan to the Korean Government in February 1956.

Then, the draft of the cooperative law was passed by the legislature on February 1957. Along with the promulgation of the law, agricultural cooperatives were gradually organized in the rural areas and the National Agricultural Cooperatives Federation was established in 1958. Consequently the cooperatives were able to operate all kinds of business, except agricultural credit, and their network become extensively throughout the country.

On the other hand, in order to establish a farm agricultural credit system, closely related with cooperatives business, the Agricultural Bank, taking over all the assets, liabilities and business of both the Federation of Financial Association and Financial Association, was established in May 1956.

After the May revolution in 1961, the Government, stressing the importance of sound-farm policy, took a drastic measure to eliminate the inherent defects of organizational structure which existed between the Agricultural Cooperatives and the Korean Agriculture Bank, promulgated a new Agricultural Cooperative Law on July 1961 in order to set up a cooperative system which could operate not only general business but also credit service in an integrated organization. In consequence, the cooperatives and the Korean Agricultural Bank were amalgamated into the new National Agricultural Cooperative Federation and its member cooperatives on August 15, 1961.

## II. Organization of Agricultural Cooperatives

(1) Typical cooperatives in Korea are agricultural cooperatives, organized by farmers. With the exception of agricultural cooperatives, there are fisheries cooperatives, small and medium industries cooperatives etc. Of various types of cooperative organizations, agricultural cooperatives surpass others in the number of members, the nationwide network of system and the scale of business activities.

Since the amalgamation of the Agricultural Cooperatives and the Korean Agriculture Bank about five years ago, about 2.3 million farming households throughout the country joined to organize 21,500 village cooperatives which are the member of 139 county cooperatives. (According to the movement of amalgamation of village cooperatives, the number of village cooperatives is about 17,281 as of the end of '66.)

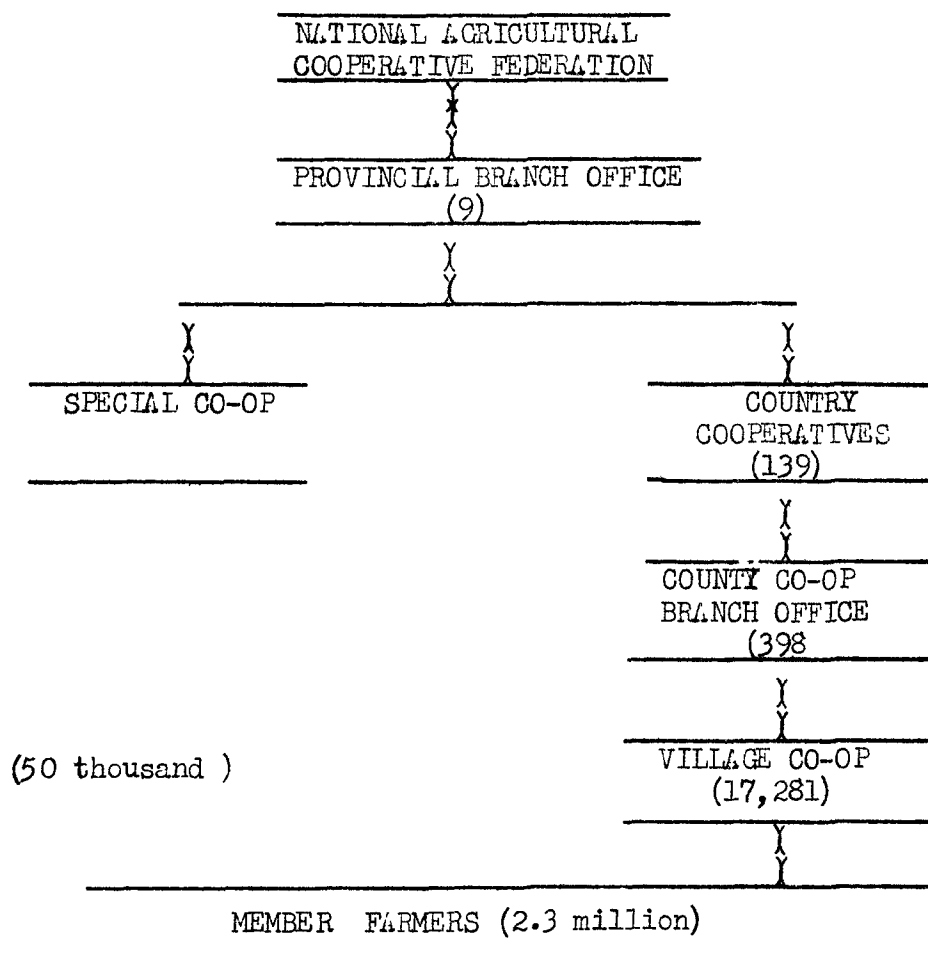


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County cooperatives and 136 special cooperatives engaging in specialized agriculture such as livestock, horticulture etc., are the member of the National Agricultural Cooperatives Federation (NACF). Thus, all the cooperatives are organized into upper body forming a pyramid shape.

Agricultural Cooperatives are playing a vital role as a central organ which helps to improve the economic and social status of farmers in Korea. The systematical three stage network organization of cooperatives in Korea is as following chart.

ORGANIZATION CHART OF AGRICULTURAL COOPERATIVES





(2) A village cooperative can be established in general within the administrative jurisdiction on a naturally-formed community.

With the development of transportation and communication, village cooperatives are encouraged to emerge to rationalize management, expand business activities and for the financial self-supporting so as to cope up with the progress of the economy and the society.

(3) In order to achieve its objectives, agricultural cooperatives can operate the following business :

- (a) Guidance and education for production and living.
- (b) Purchasing
- (c) Marketing and storage of agricultural products.
- (d) Credit services
- (e) Utilization facilities
- (f) Mutual insurance services
- (g) Rural processing industries
- (h) Businesses entrusted by the Government
- (i) Other businesses needed to achieve the objectives of agricultural cooperatives.

Meanwhile, the National Agricultural Cooperatives Federation can carry on the business of education and training, research and publication, foreign trade etc., in addition to above-mentioned activities.

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ORGANIZATION OF THE NACF

Auditor	President	General Assembly
	Vice President (2)	Representatives meeting
Planning Office	Director (6)	Administration Board
Secretariat Office	General Affairs Dept.	
	Management Dept.	
	Farm Management Dept.	
	Special Farming Dept.	
	Research Dept.	
	Supply Dept.	
	Marketing Dept.	
	Credit & Financing Dept.	
	Saving & Mutual Insurance Dept.	
	Marketing Centre Dept.	
	(37 sections)	
	Provincial Branches (9)	

III. Business activities

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(1) Trends of major business activities since 1962.

As mentioned above, the agricultural cooperatives perform a wide range of business activities such as credit service, purchasing, marketing, utilization, processing and mutual insurance.

During the 5 years from 1962 to 1966, the trends of major business activities are as following table.

TRENDS OF MAJOR BUSINESS ACTIVITIES

(In million Won)

<u>Kind of Business</u>	<u>'62/A</u>	<u>'63</u>	<u>'64</u>	<u>'65</u>	<u>'66/B</u>	<u>A/B</u> %
Fertilizer	9,633	10,065	12,298	27,181	31,566	328
Purchasing (except fertilizer)	2,211	2,830	4,894	5,509	7,737	349
Marketing	4,022	4,368	8,548	20,278	29,241	727
Deposit	4,250	5,653	6,449	10,641	13,729	323
Loan	18,817	19,703	23,139	23,259	28,877	153
Mutual Insurance	6,962	8,414	12,245	19,879	81,650	1,173

- Note: 1. 1 dollar is equivalent to 272
2. Amount of loan and deposit are the outstanding as of the end of each year.
3. Mutual insurance is the amount of contracts
4. Amount of each business contain business activities handled by N.A.C.F. and its member cooperatives (County coops and Special coops)

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## (2) Purchasing business

The purchasing activities are carried out to supply agricultural productive materials and daily necessities to farmers at the lowest cost to diminish the production cost of agricultural products by eliminating the profit of the middlemen.

Materials supplied by the National Agricultural Cooperatives Federation during the year of 1966 are as follows.

PURCHASING ACTIVITIES

Item	<u>Program(A)</u>		<u>Actual(B)</u>		M/T In million Won) A/B (%)
	<u>Quantity</u>	<u>Amount</u>	<u>Quantity</u>	<u>Amount</u>	
Fertilizer	534,693	29,089	534,693	29,089	100
Lime	500,000	608	197,366	307	39
Pesticide	20,626	1,836	10,370	1,427	50
Feed	32,720	311	5,950	58	18
Farm equipment		100		100	100
Seeds & seedlings		1,050		974	92
Others		512		344	67
<u>Total</u>		33,506		32,299	96

## (3) Marketing business

Marketing services being one of the most important business contributing to increase farm income, NACF exerted all its efforts to operate the marketing business in spite of various difficulties in implementation of the planned projects due to unsatisfactory mobilization of funds required.

Agricultural products marketed by the NACF during the year of 1966 are as follows.

MARKETING ACTIVITIES

(In million Won)

<u>Item</u>	<u>Program (A)</u>		<u>Actual (B)</u>		<u>B/A</u> (%)
	<u>Quantity</u>	<u>Amount</u>	<u>Quantity</u>	<u>Amount</u>	
Straw products	5,368	206	5,456	210	102
Sweet potatoes	521,240	4,076	296,839	1,677	57
Cocoons	7,450	3,591	8,467	3,052	113
Industrial raw materials		966		429	44
Coop. Marketing centre		14,988		14,776	98
Others		2,553		544	21
<u>Total</u>		26,380		20,688	78

## (4) Mutual insurance

The mutual insurance business of livestock and fire was started in 1961, and has since strengthened its foundation. This went into full swing after long-term mutual insurance (living stabilization and children's hope) were initiated in August 1965 in spite of strong opposition both of the government authorities and insurance companies.

In such point of view, the realization of the mutual insurance business in the agricultural cooperatives was something quite epoch-making.

The achievement of long-term mutual insurance made in 1966 is as follows.

INSURANCE ACTIVITIES

(In million Won)

<u>Classification</u>	<u>Program (A)</u>	<u>Actual</u>		<u>Premium</u>	<u>B/A</u> (%)
	<u>(Contracts in value)</u>	<u>Contracts</u> <u>in number</u>	<u>Contracts</u> <u>in value(B)</u>		
Living Stabilization	9,000	201,395	23,705	601	263
Children's hope	1,000	28,855	2,635	104	264
Total	10,000	230,250	26,340	705	263

## (5) Guidance activities

## (a) Amalgamation of village coops.

Village cooperatives are encouraged to amalgamate in order to expand the management scale and for the financial self-supporting.

The results of amalgamation under a four-year plan is as follows.

<u>Classification</u>	<u>At the end of '61 (A)</u>	<u>At the end of '66 Target (B)</u>	<u>Result (C)</u>	B-A	C - B
Number of coops (D)	21,042	14,624	17,281	-6,418	2,657
Number of coop members (E)	1,727,004	2,247,613	2,247,613		
Average (E/D) per one coop	82	153	130	71	23

## (b) Capital mobilization campaign

To meet with the increasing demand of fund in agricultural sector and accelerate of self-supporting of unit coops, the 10 year village coop capital mobilization campaign has started since 1963.

The results were as follows at the end of 1966.

Program	4,811 million won
Results	4,301 "
Ratio	89 %

## (c) Fieldmen service center



In order to strongly carry out the "New Farmers Campaign", more than 1,400 fieldmen centers were set up in each town (Myon). "New Farmers" who are self-dependent, scientific and cooperative will become the vanguard for modernization of agriculture.

(d) Training

An institutional education at the Training Centre is offered to officers and employees of NACF and its member cooperatives.

Kinds of courses are as follows:

seminar course: for high ranking officers

refresher course: for managers

junior refresher course: for clerks

pre-service training course: for new employees

special course: for officers of organizations relating to co-ops.

Average numbers of trainees past several years were about 2,000.

The length of the period of training ranges between one and four weeks.

In addition, local training for county and village cooperative personnel are periodically held for a period of five to ten days at a time.

(e) Publication

Among other means of education and training, the publication program holds an important part of the whole program. NACF issues the following publications.

"New Farmer" monthly magazine for the member farmers, 200,000 copies each month.

"Coop Weekly" : a weekly paper for all employees as well as all member farmers, 70,000 copies are distributed free of charge.

"Agricultural Cooperatives Survey" : monthly magazine for the member co-ops and institutions related to agricultural co-ops, published in 3,000 copies each month.

"Agricultural Yearbook" : Published once a year in 3,000 copies.

"Cooperation" : bi-monthly magazine for the employees of NACF 10,000 copies every two-months.

Besides all these publications, NACF is issuing many other publications and utilize other medias such as TV, radio program, movies and photo exhibits.

#### IV. Credit service

##### (1) Loanable fund sources

The NACF and the county agricultural cooperatives are deemed as one banking institute by the Bank Act. in Korea. Consequently, so far as credit business is concerned, the NACF and the 139 county cooperatives manage banking services cooperatively like a same corporation such as main office and branch offices.

The NACF has three main sources of loanable funds : (1) Government budgeted funds, (2) rediscounted from the Bank of Korea, and (3) its own capital and deposits received.

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In addition, the NACF is permitted to create funds through issuance of agricultural credit debentures under provisions of the Agricultural Cooperatives Act.

(2) Types of loans

a. Agricultural production loan

Agricultural production loans are classified into two categories according to their purpose:

- (1) short-term loans are made for purchasing fertilizer, pesticides, farm implements, seeds. etc., and
- (2) long-term loans for livestock purchasing, facilities, roof improving, etc.

b. Production and marketing loans for special farm productions (short-term)

These are made, in accordance with the Government agricultural policies, for special farm production (nursery, mulberry, livestock, tobacco, ginseng, mint, mushroom etc.) and for the collection of cotton and cocoons. The fund of these loans is provided by borrowing from the Bank of Korea and NACF's own fund.

c. Loans for Fisheries (short-term)

These loans are designated for the collection of marine products, deep-sea fishing fund and the business funds for the National Fishery Cooperatives Federation.

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## d. Rice lien loans (short-term)

The purpose of these loans is to promote the economic status of farmers by preventing market prices in the harvest season from dropping and to stabilize the general price level through maintaining a fair price level of rice.

## e. Irrigation loans (long-term)

These loans are made to the Union of Land Improvement Association for the activities relating to land improvement. The whole fund of these loans is borrowed from the Government budgetary fund.

## f. General purpose loans

These loans are made to cooperatives members and non-members for general purposes other than described above.

NACF LOAN PROGRAM IN FY67 (Outstanding)

<u>Classification</u>	(In Million Won)		
	<u>3rd Qr., '67</u> (A)	<u>3rd Qr., '66</u> (B)	A/B (%)
Banking Credit			
Agr. Production	5,958	3,915	152
Agr. & Forestry	6,042	4,682	129
Fisheries	1,161	937	124
General	2,303	1,285	179
<u>(Sub Total)</u>	15,464	10,819	143

## NACF LOAN PROGRAM IN FY67 (Outstanding) contd...

## Government Budgeted

Agr. Loans (AID)	5,585	5,699	98
Others	3,786	2,235	169
Long-term Irrigation	7,663	6,794	113
Warehouse	144	144	100
<u>(Sub Total)</u>	17,178	14,872	116
<u>Total</u>	32,642	25,691	127

Note: The total amount of loan made by all banking institution in Korea is 150,626 million won as of the end of 1966

## (3) Deposits received

For normalization of the financial functions of cooperatives through their own capital mobilization campaign, and to keep pace with the Government's savings increase policy to mobilize domestic capital by non-inflationary means, NACF set up enforcing a Five Year Savings Increase Plan aimed at increasing the total amount of deposits to 30,000 million won from 1965 to 1969 - its final year. Deposits received amounted to 15,500 million won as of the end of 1966.



DEPOSITS RECEIVED BY NACF & ITS MEMBER COOPS.

	<u>FY67 Plan</u> (A)	<u>FY66 Actual</u> (B)	<u>A/B x 100</u> (%)
NACF	2,500	2,200	114
Member Cooperatives	17,500	13,300	132
<u>Total</u>	20,000	15,500	129

Note: The total amount of deposit received by all banking institution in Korea is 123,995 million won as of the end of 1966.

V. Conclusion

(1) Function of multipurpose agricultural cooperatives

One of the characteristics of agricultural cooperatives in Korea is to conduct many businesses as multipurpose cooperatives. That is to say, one cooperative simultaneously conducts such businesses as credit, marketing, purchasing, mutual insurance, guidance, etc. As a result, member farmers are able to satisfy their various needs within one and the same organization. And the cooperative can keep close contact with its members in many respects. Also, since there is mutually close relationship among these business, it is more advantageous for the promotion of these activities, in comparison with the case where each business has to be taken care of a separate organization.

For example, as to the relationship between credit and marketing businesses, the funds necessary for the marketing business can be met

by those which the credit business has procured, instead of seeking them from other sources, and at the same time, it is possible to grant credit for the funds which are necessary for production on the condition that it can be refunded by the sum of the things marketed.

On the other hand by having a good grip on the marketed amount it is possible to plan the repayment of the amount loaned and encourage to increase deposits. Such relationship as this can be seen in the case of other business almost alike.

(2) Difficulties on procurement of fund for business activities.

The Government policy on credit and Finance in all sectors of the national economy has been strictly controlled under the Financial Stabilization Program. This program controls cash expenditures of all accounts of the government budget sector and payment by all banking institutions as well as the foreign exchange sector of the government.

The determination of the NACF credit and financial program is therefore subject to the program of the government for each quarter, and NACF frequently faces difficulties in the implementation of an effective business activities to meet the needs of farmers and the development of agriculture.

The fund available for marketing and purchasing business is procured by 5 per cent of deposits received, the budget fund of its Government and borrowings from the Bank of Korea.



One of the most difficult problems to be solved for effective achievement of business activities is how to accumulate the funds by internal means. To this end, NACF is making every endeavour for capital mobilizing movement since 1963.

(3) The linking of credit service with marketing and purchasing.

As mentioned above already, the linking of credit service with marketing and purchasing business is one of the characteristics of multipurpose cooperatives. The NACF provided a regulation to promote effective management of operating fund through linking the credit service with non-credit services.

The high lights are :

1. More than 60% of agricultural production loan should be linked with purchasing business. (Supply of fertilizer, pesticide, farming instrument etc.)

2. More than 30% of the repayment funds should be linked with agricultural products marketing business.

3. In order to provide effective means for repaying the loan, a pledge should be made on the part of the borrower to sell all or part of his products through agricultural cooperatives.

(4) Controlling of the funds investing in business activities - marketing, purchasing.

The strong point of multipurpose agricultural cooperative can be at the ~~same~~ time the weak point



For example, in case another business is to be operated with the funds raised by credit business, it is likely to happen as a result that because of poor business achievements the funds loaned can not be returned so easily, and the credit business itself may be put in a situation to be unable to pay the depositors or hold the reserve fund for payment at the central bank requested amount.

Agricultural cooperatives in Korea developed centering around credit business and the credit business surpasses other businesses not only in the volume of activities but also in the structural ratio of annual income.

In such point of view, the controlling system of the business fund is very important factor in multipurpose cooperatives.

COUNTRY BACKGROUND PAPER

MALAYSIAN CO-OPERATIVE DEVELOPMENT

Regional Seminar on  
"COOPERATIVES IN AGRICULTURE: AN INTEGRATED APPROACH"

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MALAYSIAN CO-OPERATIVE DEVELOPMENT -  
COUNTRY BACKGROUND PAPER.

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Background of Co-operative Development.

The co-operative movement was first introduced in Malaysia in 1922. The object of the Government was to improve the financial position of the agriculturists and salary earners who were then heavily indebted to financiers and money-lenders.

When war broke out in 1939, there were about 650 societies on the register. During the war from 1941 - 1945 most of these societies were dormant, but their funds were safely invested in the Post Office Savings Bank and in gilt-edged securities.

There are at present in Malaysia more than 3,500 registered co-operative societies of all types with a total membership of about 550,000.

Rural Co-operative Credit Societies:

It has been observed over the years that when the time comes for capital to be applied to the land, an agriculturist usually does not have it. Accumulation of savings seems to be an ideal much wanting among the agriculturists. He has no savings because he is too poor to save or he has never appreciated the value of thrift. He has to borrow from various local sources because the normal source of credit, namely, the commercial bank is closed to him for various reasons.

There are at present 1,600 rural co-operative credit societies all over the country with a total membership of 65,000. There are located mostly in rice growing areas where usurious "padi-kuncha" system of credit is rampant. These societies have a working capital of \$12 million

Two types of loans are normally granted by this type of societies, seasonal loans and medium term loans. Seasonal loans are given for meeting cultivation expenses and other current expenses during the interval between sowing and harvest, and are repayable within one year at harvest. Medium term loans are given for the purposes of paying off prior debts, improving land, buying cattle, building or repairing houses and purchasing property, especially land. The period of repayment is between three to five years.

There are at present 21 banking unions in West Malaysia formed at state or district level. Over 1,500 rural credit societies are affiliated to these unions.

The object of the banking unions is to facilitate the operations of their member-societies by carrying out banking and credit business. These unions have not only successfully discharged their functions in providing the necessary financial assistance to the farmers through their

member-societies, but they have also played a great part in spreading co-operative knowledge among the rural people.

Apex Bank:

All the 21 banking unions are affiliated to Malaysia's Rural Co-operative Apex Bank formed in 1954 - through which the necessary finance for the implementation of credit and marketing schemes is channelled. Since its formation the Apex Bank has issued a total of more than \$19 million as loans for padi cultivation expenses.

A large portion of the Bank's working capital is made up of loans obtained from Government. As the end of 1965 these outside loans totalled \$19,114,386.

Processing, Farming and Marketing Societies:

There are 650 societies of this type in Malaysia consisting of rice milling, rubber marketing, fishermen's credit and marketing, pineapple marketing, copra marketing and farming societies.

In addition to the above there are 10 rice milling unions and 2 fish marketing and transport unions.

Among the processing and marketing societies, the rice milling societies are the most successful. They have 52,000 members with a total working capital of \$5.3 million. These societies mill padi for their members on commission basis and keep the bran obtained therefrom. Most of the rice-milling unions undertake the marketing of the padi produced by the members of their affiliated societies.

Rice milling unions in a good number of West Malaysian States have organised padi marketing and processing schemes. During the period of the Second Five Year Plan loans for padi purchase schemes totalled \$18.4 million. These projects have resulted in the gradual eradication of the unscrupulous practices carried out by the middlemen and ensuring the payment of the government guaranteed prices to the padi planters. As a result of these co-operative schemes, and through their indirect influence in the areas where padi purchase schemes were operated, padi planters have benefited by at least \$15 million at every single harvest. To facilitate and improve the padi marketing schemes, large rice mills were built at Tanjong Karang and Malaka. The new mill at Tanjong Karang costs more than \$500,000 and together with the government-owned mill will be capable of milling about 400,000 piculs (approximately 23,810 tons) of padi per crop. With the recent implementation of double cropping it would appear that an additional mill would be required for this area.

The rubber marketing societies are also doing a great service to their members. The main object of these societies is to improve the

quality of smallholders' rubber in order that they will obtain better prices.

The success of the Department's policy of expanding co-operative marketing in the East Malaysian territories is reflected in the improved business done by the multi-purpose, marketing and store societies. In Sabah and Sarawak there are 160 societies under this category, whose activities include supply of consumer needs and sale of produce, rice and coffee milling, rubber processing and sale, buffalo rearing and grazing, sale of meat and vegetables, padi savings and storage, transport, tractor ploughing, timber extraction, and farming. Marketing and store societies marketed members produce to the value of some \$3 million.

#### Fishermen's Co-operatives:

Financial Assistance to the Fishing Industry - on the experiences of the East Coast Fishing Aid Scheme, loan assistance was provided for other fishing co-operatives on the West Coast. Assistance was extended on the expected viability of each individual scheme. Fishing co-operatives on the West Coast are more centralised than those in the East Coast, providing better control over the fishermen and their gears, as well as on production. Over \$1.144 million was disbursed during the 1961 - 1965 period for projects at Kuala Linggi, Kuala Senglang, Kuala Kedah, Telok Gadong, Telok Bahang, Kuala Trengganu (Ice Plant) and for the Malacca Henghua. Co-operative trawler fishing societies were introduced in Kedah and Penang and have proved successful.

#### Rural Transport Co-operatives:

There are more than 20 transport co-operatives with total working capital of over \$1 million serving the rural areas, operating bus and taxi services. The most outstanding transport co-operatives are those at Malacca and Kuala Lumpur operating a very profitable taxi service with their fleet of more than 150 taxis. The society at Malacca has its own workshop and a servicing station.

#### Rural Consumer Shops

There were 150 co-operative shop societies serving agriculturists at the end of 1965 with a membership of 19,850 and a share capital of \$853,933/-.

#### Co-operative Legislation

The old Co-operative Societies Ordinance 1922 for the States of Malaya has been superseded by a new Ordinance of 1948. This Ordinance is applicable to the States of West Malaysia only. The legal framework for the Movement in the other States is provided by separate acts or ordinance. Sarawak has its ordinance of 1949 and Sabah having by far the youngest Co-operative Movement enacted the Co-operative Societies Ordinance in 1958.

The most recent development in Co-operative Legislation in the country relates to the improvement of the law in order to provide more safeguards against mismanagement of co-operative societies. The possibilities of amending the law to provide for the supervision and control of the movement on a nation-wide basis are being examined.

#### Administrative and Supervisory Services:

Co-operative Development is at present largely dependent on the Division of Co-operative Development of the Ministry of Agriculture and Co-operative. This includes promotional and extensional activities, as well as supervision and audit. The Federal Commissioner for Co-operative Development is the head of the Division throughout Malaysia but at present he exercises statutory powers only over the States of West Malaysia under the Co-operative Societies Ordinance No. 33 of 1948. He has Deputies in Sabah and Sarawak, who exercise the powers of the Registrar in their respective states. The Departments in the various West Malaysian States are headed by Senior Assistant Commissioners or Asst. Commissioners and they are aided by various categories of administrative, inspectorial and supervisory personnel under them.

Audit of co-operative societies is the statutory duty of the Registrars who normally have qualified Auditors and Accountants to help them run this Section.

Promotional Work is part of the Commissioner's functions, but in a number of cases non-official Co-operators and their organisations such as Banking Unions, the Apex Bank and other Co-operative Unions also play their part.

#### Role of Co-operatives in the National Plan for Economic Development.

The main function of the Division of Co-operative Development is to encourage the development of the Co-operative Movement as a vehicle for uplifting the economic well-being of the rural population and to foster the acceptance of co-operative principles and practices in the economic activities of the primary producers. While the Second Five Year Plan has laid a comprehensive and stable foundation for economic improvement on co-operative lines the First Malaysia Plan will consolidate, extend and intensify the various activities and in addition introduce many new projects with the ultimate objective of ensuring the reconstruction and emancipation of the rural areas.

The programme of co-operative development has laid stress on and will continue to emphasise on the following objectives:-

- (i) to strengthen the co-operatives at primary, secondary and apex level for the supply of adequate and low interest-bearing credit to padi planters and other primary producers in order that they can ultimately free themselves from the clutches of unsurers and middlemen;

- (ii) to encourage processing and marketing co-operatives in order to secure for the primary producers fair and remunerative prices for their produce;
- (iii) to encourage the use of more fertilisers, modern farm implements etc. by farmers by the provision of adequate and cheap supplies through co-operative credit;
- (iv) to foster the expansion of the co-operative consumers movement in order that farmers' requirements of food, equipments, supplies etc. can be procured on the most favourable terms possible.
- (v) to provide education and training facilities to co-operative members to facilitate proper understanding of co-operative principles and practice and to enable officials of co-operative societies to learn and adopt modern methods and techniques in management, accounting etc. Also to attain the aim that there should exist in the rural areas a very large number of trained leaders and co-operative officials, dedicated to the co-operative movement, who would eventually be in a position to operate the various co-operatives with the minimum of assistance and supervision from Government.

The objectives aimed at are of fundamental importance for the economic improvement of the rural areas. Their successful attainment would mean that the agriculturists and fishermen are enabled to procure the loans so necessary for the implementation of improved methods of production and increased productivity, without falling into the hands of the rapacious money-lenders and unscrupulous middlemen. Organised processing and marketing would ensure that the increased fruit from their labour would accrue to the primary producers. In fact, unless this can be assured there would not be any incentive for the rural producers to work harder to adopt new methods and to produce more. Also, the organisation of consumer co-operatives would ensure the highest possible purchasing power to the increased incomes of the rural population. Thus three inter-related and inter-dependent co-operative organisations (credit, marketing and consumer supply) are of fundamental importance to rural economic development.

In the light of the above policies, the Division's main task is to consolidate agricultural societies particularly the rural co-operative credit societies in West Malaysia. These societies are in most cases no longer viable. They have become small and uneconomic units and are not able to meet the present-day needs of the members. It has therefore become necessary to integrate these societies into economic and viable units and in cases where this is not possible to liquidate them. Encouragement is also being given to get these societies to convert themselves into multi-purpose organisations so that the three important requirements of the farmers namely credit, marketing and consumer supply, can be effectively handled through one organisation.



In the promotion of agricultural co-operatives, stress is given to the development of multi-purpose co-operatives. The Division is no longer considering the formation and registration of single-purpose agricultural co-operatives. Agricultural co-operatives seeking incorporation are registered as multi-purpose co-operatives though they are allowed to operate on a single functional basis until such time as they are able to branch into other functions. As the success of multi-purpose co-operatives depends very much on their large membership, it has also because the policy of the Division not to register agricultural co-operatives with a smaller membership than 100.

#### Co-operative Education and Training.

The need for a Co-operative College was realised before the Second World War. It was part of the duty of the Commissioner for Co-operative Development who was also the Registrar of Co-operative Societies to recruit and train the Co-operative Officers. The College was established in the year 1953 on joint venture between the Co-operative Movement and the Government with the ultimate aim that the Movement would run and administer it independently. It was supervised and run by a Joint Advisory Council with the Commissioner for Co-operative Development as Chairman. The budget as approved by the Council would be sanctioned by the Federal Treasury. From 1956 all field officers of the Co-operative Department are trained at the Co-operative College.

The Department of Co-operative Development is also responsible for organising co-operative courses and giving publicity on the movement by issuing co-operative news letter, leaflets, and pamphlets.

The following functions in respect of Co-operative Education are being carried out by the Department of Co-operative Development.

- (a) To organise co-operative education activities and for this purpose:-
  - (i) to formulate co-operative educational programmes;
  - (ii) to arrange for the training of education personnel and group leaders and
  - (iii) to produce education materials and organise courses, seminars and conferences for co-operators of affiliated societies.
- (b) To carry out propaganda and publicity activities and bring out co-operative bulletings and other publicity materials.
- (c) To maintain liaison with public bodies and important social institution, such as youth organisations, women's institutes, farmers's organisations etc.

### Problems affecting Co-operative Development.

The Co-operative Movement in Malaysia is still in its infancy stage, and therefore has much to learn while at the same time to venture into new fields of co-operative activities. It is realised that the major problem affecting co-operative societies resulted more from the lack of business acumen and managerial ability rather than those arising from the application of co-operative principles. Societies with small membership and as such have small and limited business transactions are not able to engage full-time employees. They have to depend on voluntary managerial services which in the majority of cases are no longer helpful.

Where multi-purposc societies have to be organised the provision of adequate capital by the members for financing needed services is also an important problem. This coupled with good management is important in order to provide tangible benefits and satisfactory service to the members. Added to these requirements is the lack of local leaders of integrity and with business sense and vision.

### The National Co-operative Union

The Co-operative Movement in Malaysia has expanded in two parallel sectors namely the Urban and the Rural Sectors. The co-operators generally have realised the need and the importance of bringing the two sectors closer and effective link and co-ordination between them. The Urban sector of the movement which is made up of thrift and loan societies amongst government and mercantile employees and housing societies are members of the Co-operative Union of Malaya. Agricultural co-operative societies on the other hand are not being represented by the Co-operative Union of Malaya and as such a plan was formulated to form a National Co-operative Union representative of the co-operative movement of Malaysia. A co-operative congress was therefore held in the latter part of 1966 and a committee was appointed to study into the matter.

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SEMINAR ON COOPERATIVES IN AGRICULTURE  
AN INTEGRATED APPROACH.  
MARCH 20 - APRIL 1, 67

BACK-GROUND PAPER FROM WEST PAKISTAN.

AGRICULTURAL CREDIT.

Cooperative Movement in Pakistan is over 60 years old. During this period, it has witnessed several phases of expansion, retardation, consolidation, amalgamation and revival. Although this movement has spread in many directions, yet it is primarily a credit movement. It has spread more in the rural sector than in the Urban areas. As a matter of fact it played the role of up-lifting the economy of small farmers through the provision of short and medium term credit. In 1964-65, out of a total of 28914 there existed 15,499 primary cooperative credit societies in the West Pakistan both in the Urban and agriculture sectors . The total number of such societies in the agriculture sector was 14071, out of which 13250 societies enjoyed unlimited liability. The average membership of a primary agriculture cooperative credit society in West Pakistan is approximately 42 members per society.

Agricultural Credit Cooperative Societies meet the credit needs of their members and lay emphasis on the principle of self-help. Naturally the societies must possess adequate capital to carry on their banking business. For



that the main sources are share capital, reserves, deposits and borrowed funds from Central Cooperative Banks etc. It has been observed that working capital in good societies ranges between Rs. 5,102/- to Rs. 3,20,201/-.

The members of primary credit societies usually hold 10 shares of Rs. 10/- each payable in 10 years or 20 half yearly instalments. By and large the profits of these societies are indivisible and the share capital is returnable after 10 years. This system helps in increasing working capital of societies. Statutory reserves are allocated out of profits in accordance with the Cooperative Societies Act which provides that 10 percent of the annual profits must be carried to the statutory Reserve Fund. The provision of other reserves is, however, voluntary.

Societies accept deposits from members as well as non-members. In good societies the deposits range from 60 to 70 per cent of the working capital. Societies with insufficient capital borrow from Central Cooperative Banks. They issue loans to the members only which are granted on the basis of the duration, purpose and personal security offered by the members. Actually the duration is co-related with the purpose and vice-versa. Cooperative Credit Societies generally grant short term loans whereas medium and long terms credit for agricultural development is made available by the Agricultural Development Bank of Pakistan.

#### AGRICULTURE SUPPLY.

The Food and Agriculture Commission recommended



the supply of chemical fertiliser and improve seeds to the farmers. It was desired that these essential inputs should reach the farmers as speedily and at as low a cost as possible. This urgency was due to the immediate need of increasing agriculture production. It was also realized that if the supplies are chanelised through commercial interests, they may not reach the farmers at prices which are commensurate with their financial capacity. Also there did not exist enterprisers in the villages who dealt in essential agricultural inputs. In view of these conditions cooperatives were considered as the only solution to the problems.

Accordingly the Provincial Government introduced a new form of cooperative societies in the villages at Union Council level known as Service Cooperative Societies. In 1965, their number in West Pakistan was 2569. These societies conducted business in fertiliser and seeds to a large extent as indicated below:-

<u>Years:</u>	<u>Business Volume:</u> (In lacs of rupees)
1961-62	58.39
1962-63	111.04
1963-64	70.34
1964-65	128.50

In the early years the Department of Agriculture supplied fertilisers and seeds to the Service Cooperative Societies which system remained in operation up to 1962. Thereafter the West Pakistan Agricultural Development Corporation supplied fertilisers through the Rural Supply





Cooperative Corporation. Ever since this Cooperative Corporation has functioned as the whole-sale agency for the supply of seeds and fertilisers.

Agriculture Marketing.

Sale societies and commission shops are designed to function at Mandi level. These societies deal in food grains and major cash crops of the farmers. Multipurpose societies were organised as credit-cum-supply stores in the middle of 1940 when distribution of certain commodities was in short supply on account World War II. Development societies are a revised version of multipurpose societies which did not function successfully. The central idea of a multipurpose development society was to create a viable business unit in the village and to combine credit with supply of agricultural and house hold requirements and marketing of the farmers' surplus produce through the same unit. A majority of these societies have not been able to create any mark on the rural life. It is, therefore, now proposed to organise Cooperative Farming Service societies at the union council levels. These societies will handle such production supplies as fertilisers, seeds, pesticides etc arrange for the marketing of agricultural produce, and provide credit facilities incidental to the successful functioning of such societies. These societies would acquire adequate storage accommodation and will be able to make advances to farmers against storage of their commodities with the societies.



The aforesaid primary units will be tied up at mandi levels by Cooperative Farming Service Centres. These would be real marketing centres and will be part and parcel of the normal trade and business concentrate of the area and except in certain special cases, will be at places where the produce of the farmers assembled at the primary level. The Farm Service Centres will maintain workshops and big godowns and will feed the affiliated societies. These Units will have sufficient storage accommodation to meet the requirements of the area and will also promote grading and standardisation of produce so that the quality premium goes to the producer and not to the middleman.

Mechanised Farming - Colony Cooperative Farming Union, Khanewal.

This is the first and the biggest partial mechanised farming project in West Pakistan with its headquarters at Khanewal. It operates in the colony districts of Multan, Sahiwal and Lyallpur. It covers about 140 Chaks in an area of 1.20 lakh acres. The Union commands a fleet of 240 tractors out of which 145 are actually working in the field. It also envisages to increase water supply which is an essential preliminary for greater production on mechanisation. The Union has installed 180 tube-wells in various chaks to meet the enhanced water supply requirements of various localities.

The major benefits which have resulted from this



project are narrated as under:-

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1. About 4% more area has been brought under production by the use of tractors and tube-wells in Cooperative Farming Chaks.
2. The production of some of the crops has shot up by 35% due to mechanisation through tractors and tube-wells.
3. One pair of bullocks per square is being eliminated by supplementing cultivation through mechanised farming. This is helpful in reducing the area under fodder and putting the same under food and other precious crops.
4. The Union is setting up a net work of workshops in the project areas for facility of repairs and providing spares.

Pak German Cooperative Training Institute, Chak 5-Faiz, Multan.

In order to meet the deficiency of tractor mechanics and drivers and to provide technical know-how about mechanised farming it is essential to set up suitable training institutions for making mechanised farming a real success. The West German Government in collaboration with the Pakistan Government set up a tractor operator training school at Chak 5-Faiz, in Multan District. This Institute is meeting shortages which were major impediments in the greater production of food and mechanisation of farming by arranging the following courses.

1. Tractor mechanics and operation courses.
2. Managers courses.
3. Agricultural Farming Courses and
4. Carpentry Courses.

The activities of the Institute are being extended to the adjoining Cooperative Chaks to provide tractor



spares and service facilities as well as to arrange greater production of food and other crops by the application of Pak German methods of greater outputs. These extension activities of this Institute are leading towards greater production at the demonstration farms attached to the Institute as well as in the adjoining chaks included in its area of operation. This project was started in the year 1959-1960 under the guidance of Department of Agriculture and was transferred to the Cooperative Department in the year 1962.

Cooperative Education and Training.

In order to train employees of the Cooperative Department and Cooperative Societies, the Government is financing one Cooperative Training College on all West Pakistan basis at Lyallpur and 3 regional cooperative training institutions at Peshawar, Bahawalpur and Hyderabad.





INTEGRATED COOPERATIVE DEVELOPMENT PROJECTS IN THE PHILIPPINES

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AGRICULTURAL CREDIT ADMINISTRATION

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BACKGROUND PAPER ON THE INTEGRATED COOPERATIVE  
DEVELOPMENT PROJECT IN THE PHILIPPINESIntroduction

Following the approval and taking into effect on August 8, 1963 of Republic Act 3844, otherwise known as the Agricultural Land Reform Code, the Agricultural Credit and Cooperative Financing Administration (ACCFA) has been reorganised into the Agricultural Credit Administration (ACA).

Established in 1952 under the authority of Republic Act 821, as amended by Republic Act 1285, the Agricultural Credit and Cooperative Financing Administration (ACCFA) formed a big, vital part of a many-sided reform program that was addressed to the mammoth task of uplifting the social economy of the vast but backward rural regions. Side by side with tenancy reform, intensified resettlement and land distribution, expanded extension service, and several other measures calculated to stimulating progress in agriculture and agrarian communities, the ACCFA was to provide and make available to the farmers two potent instruments for the improvement of their socio-economic conditions. These two instruments are credit, and cooperative organisation.

The two principal activities of the agency, therefore, were i) extending credit to small farmers and their cooperative associations and ii) promoting, organizing and supervising farmers'

cooperative marketing associations. To carry out its program, the ACCFA was authorized 100 million in revolving capital.

In addition to the above functions, the ACCFA was assigned other responsibilities. It was given the responsibility of administering the Virginia tobacco subsidy program and the fertilizer subsidy programs. At certain periods, it also had to commit some of its resources to experimental ventures such as production of cotton in Cotabato and the promotion of ramie.

The Program saw almost spectacular achievements during its first six years, after which, however, the ACCFA suffered serious breakdowns. The breakdowns, which started appearing in 1959-60, have lost for the agency and its program much of their early prestige and popularity. Efforts to revitalize the agency and its program during the last three years have produced but indecisive results. Never having been solid in its financial structure, it could not develop the necessary capacity to attain recovery from accumulated losses for lack of sufficient funds to sustain its lending operations at a scale or volume that could generate enough income to meet even its current overhead.

At the close of the 1961-62 fiscal year, the capital of the ACCFA had been impaired by 2,221,504 as reflected in the books. Its assets consisted mainly in receivables on loans extended to farmers and farmers' cooperative associations which, by 1962, had

piled up to a staggering figure of 81 million, over 73 million of which had been overdue.

On what may well be an optimistic estimate, the recovery on these receivables is placed at 40 percent or roughly 32 million which, moreover, will spread over a number of years considering the capability of the farmers and the FaCoMas. Against these assets, the ACCFA as of June 30, 1962 is indebted to the Central Bank in the amount of 52.74 millions worth of 4 percent Notes and 3.5 millions to the ICA-NEC (AID-NEC) trust fund account. Operating expenses including interest on CB notes amounted to 5,731,381 during FY 1961-62.

To place the agency on a viable operational level, the reconstruction of the finances and the administrative structure of the agency appeared to be the only course of action left. This was also the recommendation of a group of American consultants that was employed through the AID to assist the ACCFA. The concept and objective of the reconstruction plan and policy were to contract operations to selected areas where ACCFA business is heaviest and the FaCoMas have some capability for revitalization. This would place the agency in a position to concentrate its resources where they can be most effective and from there expand as it attains success and stability in the priority provinces. At the same time, the financial structure of the agency would be reconstructed and be placed on a more sound basis.

In its original structure, ACCFA's capitalization proved to be unsatisfactory particularly in view of the rapid expansion of its loaning operations. Authorized a revolving fund of 100 million, actual releases in government subscriptions up to now amounted to only 40.5 million. To sustain its lending activities it had to borrow from the Central Bank. Its total borrowings from the Central Bank of the Philippines from FY 1953-54 to FY 1961-62 reached ₱148,740,000 of which 96,000,000 has been fully paid leaving an outstanding balance of 52,740,000 as of June 30, 1962.

The inadequacy of such a financial structure appears in bold relief when the nature of ACCFA's lending and other operations and activities are considered. Under its charter, the agency is to extend loans to small farmers without collateral except expected production. The interest on such loans is fixed by law at not more than 8 percent. Unlike a commercial bank, the ACCFA goes out to farflung towns and barrios to serve its numerous small farmer-clients and the per capita loans are small, averaging for production loans only about 200 and for farm improvement loans 300. At 8 percent interest, this kind of lending is completely uneconomic to the lending institution, as any banker knows. When, therefore, the ACCFA has to pay interest on a large portion of the funds it lends out, the situation becomes, as it has been with the agency, doubly difficult viewed as a business proposition.

In addition to its lending activities, the ACCFA has been required by law to undertake other non-income producing functions for which it receives no administrative and operating outlay. These functions include promotion, organization and supervision of agricultural cooperatives

amongst farmers and dissemination of cooperative education to the general public, particularly in the rural areas. The cost of these strictly service functions has had to be borne by the income derived from loaning operations. When, therefore, its volume of loans and consequently also its interest income went down, the non-income activities also suffered.

In spite of serious difficulties and setbacks in its operations and in those of many FaCoMas, it can be truly said that the ACCFA has served to spread amongst our people awareness of the possibilities of cooperative organisations. It has also gained a wealth of experience in the administration of an unorthodox and bold credit programme that was designed to meet the peculiar needs of Philippine agriculture. This experience can be used to advantage in the programme of land reform.

On August 8, 1963, when Republic Act 3844, otherwise known as the Agricultural Land Reform Code, was signed into law and took effect, the former Agricultural Credit and Cooperative Financing Administration (ACCFA) technically was reorganised and actually assumed a new name - Agricultural Credit Administration (ACA). Except, therefore, for the brief period of 39 days (July 1 to August 8, 1964) during Fiscal Year 1963-64, the agency operated under its new name - ACA.

Operationally, the ACA took over and continued ACCFA's activities. At the same time, however, it has had to work out adjustments in its operations and organisational structure as required of it by law. Republic Act 3844 and Executive Order No.75 prescribed the administrative machinery for land reform as well as that of the ACA. In effect, activities during 1963-64 consisted of two sets: one corresponding



to holdover operations from ACCFA and the other pertaining to the new status of the agency. In essence, these two sets of activities may be described as the phasing out and phasing in processes, which the implementation of the land reform code including the organisational machinery proscribed broadly therein and more specifically spelled out in Executive Order No. 75 entail.

For perspective in the transition, a few basic summary facts are stated hereunder:

1. The ACA took over from the ACCFA all the latter's assets and liabilities including personnel, with the mandate, however, to reorganise its administrative machinery "to enable it to align its activities with the requirements and objectives of this Code" (Ra 3844, Sec. 101).
2. The board of governors of the former ACCFA was abolished and "its powers and functions to formulate policies and to approve plans and programmes shall henceforth be exercised by the National Land Reform Council, and the power to implement and carry out the functions, powers and duties of the administration shall be exercised by the Administrator x x x " (Executive Order No.75, article V, Sec.17). Executive Order No. 75 also established the basic framework of the reorganisation by indicating the principal departments and offices of the ACA.
3. The ACA has been made an integral part of a complex of separate agencies unified virtually into one administrative

machinery for land reform under the National Land Reform Council.

These changes and other that need not here be mentioned establish the extent of the functional and administrative, not to say fiscal modifications and adjustment, that have to be effected in the agency. They, of course, also provide new functional direction and enlarged organisational framework as well as objectives, which more than ever before, have been clearly correlated and integrated with a comprehensive programme of basic reform in the traditional cash and pattern of Philippine agriculture and agrarian relations.

In more senses than one the activities and operations of the Agricultural Credit Administration (ACA) during Fiscal Year 1964-65 represented significant departures from those of the preceding years.

First, FY 1964-65 was the first full year since the ACA operated as an integral part of the unified administrative machinery for land reform under the policy control and direction of the National Land Reform Council (NLRC) which was formally constituted in April, 1964 following the promulgation of Executive Order No. 75 on March 19, 1964.

Second, while the formal structural framework of the reorganisation of the agency from ACCFA to ACA had been designed during FY 1963-64, the actual physical reorganisation, including the vital and delicate process of shifting and appointing personnel to positions in the new set up, was effected during FY 1964-65. FY 1964-65 therefore, was the first year the ACA operated actually as a reorganised agency.

Third, and last, results of the operations, broke away from the pattern of the last five years during which activities and

accomplishments of the agency fluctuated within ranges that spelled stagnancy, if not attritive decline.

There are several factors that enabled the ACA during FY 1964-65 to break away from the stagnancy state.

One factor is the structural and operational reorganisation as required by the Agricultural Land Reform Code (R.A. 3844) and Executive Order No. 75. That reorganisation not only aligned the ACA administrative organisation to the land reform machinery, as mandated by R.A. 3844 and E.O. 75 but, as it was worked out, it also produced a regenerating impact upon the morale of the personnel force and renewed the dynamics of the organisation and its programme. The land reform programme, of which the ACA has become an integral implementation element has provided the agency with fresh sense of purpose and direction, which the organisation and its complement-personnel had, for what seemed an insufferably long time, all but lost. Moreover, under the unified machinery for land reform, the ACA acquired valuable allies in the other land reform agencies, particularly in the Agricultural Productivity Commission whose agricultural extension personnel have been proving increasingly effective team-mates of ACA fieldmen in the vital activity of loaning to farmers and in loan collection work.

A management policy based on career development for the personnel on the one hand, and on total as well as periodic and segmental objectives on the other, was put to practice as a complementary feature of the structural reorganisation. This policy proved to be another factor that boosted the agency to break-through levels of accomplishment during 1964-65.

FY 1965-66 was dominated by the national elections of November 1965 and its results - a change in the Administration of the National government.

In any case, the 12-month period saw two Administrations: The first six months were under a Liberal Government, and the last six months under the present Nacionalista leadership.

Tight money or credit was a general complain in business sectors during 1965. The complaint simmered down after the elections as the nation stood by awaiting the new fiscal policies and programmes of the new Administration. Optimism and high expectations generally replaced the atmosphere of anxiety and concern.

Prices of commodities continued to rise during the whole fiscal year, with rice and corn taking the lead during the last quarter of the year. Unemployment, which was already high before the elections, slightly swelled temporarily during the first months of fiscal restraint enunciated in January 1966, but the swell has apparently subsided since then.

Throughout the first semester of 1965-66, government projects and programmes of strategic importance ground to virtual standstill or moved but slowly as badly needed funds could not be released. This was particularly the case of the important land reform and the rice crash production programmes.

Such in general was the climate under which the ACA - and for that matter other agencies and instrumentalities of the government - operated during the period.

Credit Programme CoverageThree-Layer Programme

By direction of law and policy, ACA's credit operations during FY 1965-66 were geared to support farmers involved in three separate but inter-related programme.

Land Reform Programme - Since the enactment of R.A. 3844, the basic strategy of agricultural development policy and programme has been land reform, which seeks to reconstruct the traditional structure in agriculture. The programme abolishes share-cropping tenancy with a view to eventually converting all tillers of the land into owner-operators of at least family-size farms after going through an intermediate leasehold status. By policy and while required finances and other resources are limited, the programme has been implemented gradually in priority areas, the priority being determined on the basis, among other factors, of density of tenancy and attitude of the farmers. Following this policy and the criteria established, 12 towns were proclaimed land reform areas during 1964-65: 1) Plaridel, Bulacan, 2) San Luis, Pampanga, 3) Concepcion, Tarlac, 4) Gapan, Nueva Ecija, 5) Orion, Bataan, 6) Hermosa, Bataan, 7) Pilar, Bataan, 8) Orani, Bataan, 9) Tayug, Pangasinan, 10) San Marcelino, Zambales, 11) San Narciso, Zambales, 12) Castillejos, Zambales. These 12 towns having come under land reform, have consequently been brought within the coverage of ACA's credit programme during the year under review.

It should be proper to note here that the land reform policy and programme that was enunciated and initiated by the former Liberal administration under President Diosdado Macapagal has been adopted and

is even more vigorously being followed through by the present Nacionalista administration under the executive leadership of President Ferdinand E. Marcos.

Rice production crash programme - To narrow down the rice gap or shortage that has been widening these past several years, a rice production crash programme was launched in January, 1964. Originally conceived for a relatively small, compact area consisting of ten provinces, mainly in Central Luzon, and for a limited period of one crop season, the programme was almost immediately expanded to cover 37 or more provinces, and after June 30, 1964 extended indefinitely or until self-sufficiency would be attained. The concept underlying the programme was to maximize rice production in irrigated areas through the application of sufficient quantities of fertilizers, pest control measures and approval culture methods including straight planting and use of certified or at least good seeds. The ACA was assigned the task of supporting the farmers participating in the programme with production credit and of procuring relatively large quantities of prescribed fertilizers. After the change in the Administration at the close of 1965, a new, but limited programme was launched while a more comprehensive one was being developed. Called "Intensified Rice Production Programme", the new project was limited to irrigated areas of about 45,000 hectares in five provinces (Pangasinan, Tarlac, Bulacan, Bataan, and Laguna) and was to last only until June 30, 1966 when a bigger, more comprehensive programme would start. It is pertinent to note here, however, that the old crash programme was not stopped or discontinued. Under the

circumstances, the ACA continued its loaning activities, though at a reduced scale, in support of the crash programme but also took in the "Intensified Rice Production Programme".

Sustaining Operations - Before the two above mentioned programmes had been started, and under the original credit programme promulgated pursuant to R.A. 821, as amended, the agency had made commitments to farmers who have been members of cooperatives or FaCoMas of good standing and have maintained their credit-rating by regularly paying their loans, to continue financing them. Both by policy and by law, the ACA is under obligation to support those farmers and their cooperatives for at least as long as they are not absorbed into the land reform programme. For purposes of differentiation, the activities pertaining to this group of farmers and their cooperatives are identified as "sustaining" or "on-going" programme or operations. These farmers, it should be emphasised, are primarily rice and corn producers.

Co-relation of programmes - All the three programmes have one common aim: increased production. All have small farmers as their object of concern and assistance. And all have common requirement: credit. The last two programmes in effect prepare the farmers for land reform; many of the farmers embraced in the sustaining operations, and doubtless those involved in the crash/intensified rice production programme, have already shifted to leasehold, and quite a number of them are owner-operators. Quite properly, therefore, by policy these two programmes are classified as pre-land reform programmes or operations, to indicate the idea or objective that the farmers concerned

will or are expected to be brought under the land reform programme.

Perspective of ACA's activities - As a matter of perspective, and in the manner of an inventory of the ACA's activities which are now being re-aligned under the land reform programme, the ACA has during its fourteen years of existence extended in the overall aggregate of ₦ 235,000,000 in various types of loans, out of a paid up capital of 40.5 million and Central Bank borrowings of ₦148,740,000, of which ₦ 150,000,000 has been collected. As of June 30, 1966, the balance of the receivables stood at ₦85,000,000.

It has organised and otherwise induced the organisation of 578 agricultural cooperatives of all types and levels throughout the country with a total farmer membership of 314,000, in 774 towns, 13,157 barrios in 54 provinces. The combined paid-up capital of these associations was ₦7,878,000 as of June 30, 1966. Although many of these cooperatives have failed, a good number of them have proven definitely successful and others are showing capacity to attain stability.

#### Cooperative Organisation, Development and Services

##### Cooperatives in ACA Programme

Under R.A. 821 as amended, the whole responsibility of cooperative development in agriculture from promotion to supervision of cooperative associations was centralised in the ACCFA. Under the Land Reform Code, that responsibility has been decentralised or divided into two sets of responsibility or functions. Cooperative education, promotion and organisation of agricultural cooperatives have been assigned by the Code to the Agricultural Productivity Commission (APC), audit and



supervision of operations and financing of cooperative associations have been left with the ACA as successor to the former ACCFA. This innovation together with the complexities of the land reform programme itself, not to mention the generally poor state of the agricultural cooperatives, necessitates a restudy and replanning of the whole approved pattern of cooperative development. Even while a new approach or programme is being developed, however, certain activities and services have been and are being undertaken.

#### The Cooperative Picture

As of 1963 when the ACA took over from the former ACCFA, the state of the cooperatives had been one of disorganisation and demoralisation. Except for a few that had managed to overcome the breakdown of the ACCFA and its programme of credit and cooperative development, most of the cooperatives or FaCoMas, of which there were 536 as of June, 1963, were inactive or virtually dead. The process of reviving, reactivating and reorganising, or revitalising them has been a slow and difficult one. But it is as necessary and vital process and task. And, be it said, the task has not been unrewarding. For today, or as of June 30, 1966, a substantial number of formerly prostrate cooperatives has come back to life, new ones have been organised, and a tremendous revival of interest in cooperatives has occurred.

The state of the Farmers Cooperative Marketing Associations, better known as FaCoMas, as of June 30, 1966 is shown below :

#### Status of FaCoMas As of June 30, 1966

1. Total Number	578
2. Aggregate Authorized Capital	42,207,700.00

3. Aggregate Paid-up Capital	7,878,537.94
4. Total Membership	314,272
5. Classification:	
a. By Organizational Structure:	
Locals	543
Centralized/Large-Scale Associations	13
Federations (Including CCE)	<u>22</u>
T o t a l	<u>578</u>
b. By Operating Status	
Active	185
Limited Activity	107
Inactive	<u>286</u>
T o t a l	<u>578</u>
c. By Crop Handled:	
Rice and Corn	361
Tobacco	102
Copra	52
Sugar	18
Fruits and Vegetables	7
Poultry and Livestock	20
Coffee, Cacao and Peanuts	5
Fish	6
Garlic and Onions	2
Fiber	3
Processing Association	<u>2</u>
T o t a l	<u>578</u>

#### Cooperative Audit Service

A new approach to the program of auditing cooperatives has been adopted. Instead of limiting the service to strictly auditing the books of accounts of the associations, ACA auditors also provide management guidance to the cooperatives. The audit is, furthermore,

done on a continuous basis - i.e. a team of ACA auditors are assigned a number of FaCoMas that they supervise (audit) on a regular and continuous basis. This way not only is the audit made to serve its purpose of preventing and correcting defects in operation but, equally important, guidance also is provided in the proper management of cooperative business.

#### Other Cooperative Services

By operation of law and government policy with respect to certain business activities of cooperatives, the ACA has been called upon to process applications of cooperatives for importation of agricultural supplies, materials and equipment needed by their members, certify to their qualification as cooperatives, and later to supervise the distribution/sale of these imported commodities to farmer-members. The manner of distribution and the recipients of such imported commodities are reported to the Secretary of Finance by ACI.

Pre-cooperative organization - Since 1963, an experiment has been conducted to test the effectiveness of a new framework in the formation of agricultural cooperatives. The concept is to organise farmers in a barrio or village into an association (not cooperative) with a view to providing a practical laboratory for the farmers to acquire training and experience in working as a group and at the same time for the discovery and development of leadership amongst them. Farmers' associations, as these groups are

known, are more tightly organized and supervised than groups with similar names that the JPC had been promoting and organizing for several years. Under the concept, as soon as enough farmers have gained sufficient experience in these local associations and the leadership has emerged amongst them, a formal cooperative is organized with the barrio associations as nucleus and their members as the initial stockholders. Thereafter, the FA's retain their status as such and serve the purpose as local branches of the cooperative.

In Cotabato and Isabela provinces, under the initiative of the credit manager of the J.C. threat, the results of the experiment have been completely satisfactory, indeed remarkable. Not only was revitalization and/or activation achieved in several cooperatives in each of the two provinces on a more sound and solid basis but also the farmers in the FA's have become deeply conscious of the value of cooperatives and have developed a keen appreciation of their responsibilities as members of FaCoMas. Loaning in these provinces during the past two years has been undertaken at a fairly good level of expansion with the use of the leadership and organization of FA's, and collection of the loans has also greatly improved with the assistance of these associations. In fact, loaning and collections in the two provinces have been among the best in the whole country today.

With the very heartening results of the experiment in Cotabato and Isabela, a new vitality-factor for stronger and more effective cooperative organisations has been found. The ACA in collaboration with the APC is now adopting the pattern for universal application.

FaCoMa Revitalized Program - Plans for the reorganization and revitalization of selected FaCoMas were worked out with the officials of the Agricultural Productivity Commission (APC). Standards for selecting FaCoMas to be reactivated were established. Policies and procedures to be followed in strengthening the internal organization and improving the operation and management of the selected FaCoMas were formulated. The functions and responsibilities of the APC and the ACA were already defined.

Briefly, the FaCoMa revitalization program consists of placing FaCoMas showing the greatest potentials for success immediately in sound financial, management and operating condition. A twin action shall be carried out simultaneously by the APC and the ACA. The APC shall conduct a membership and management survey which shall establish whether members and farmers in the area are interested in and will support the cooperative and whether honest and competent management officials are available. The ACA shall conduct an audit of the records and past operation of the association to establish the correct financial and operating condition of the FaCoMa and ascertain whether it possesses the necessary elements

for successful operation. Once a decision to revitalize a FaCoMa is jointly reached by field representatives of the APG and the ACA, they shall proceed to reorganize the cooperative, train their officials and employees and closely guide and supervise their operations until stability is achieved.

#### Supply of Credit

##### A. New Programme - New Policies

As it was with the former ACCFA, the principal function of the ACA is to extend credit to farmers and to farmers' cooperative associations. Under the former ACCFA, however, loans were given only to members of accredited cooperatives or FaCoMas. With the advent of the land reform programme, the previous policy has been revised or amended in such a way as to include farmers who are affected by or involved in land reform without having to be members of cooperative societies.

1. Supervised Credit - A significant feature of the revised loaning policies is a shift to supervised credit or, what is probably a better term, supervised or guided farming supported with credit. This is made possible under the unified administration for land reform in view of the closer coordination between the extension personnel of the ACA who work as a team together with field representatives of the Land Authority and the

Land Bank.

2. Decentralization of Loan approval and Release - Another feature of the new policy on ACA credit is decentralization of authority in loan-making. Loans upto ₱500 per farmer are approved and released on the local level (Land Reform Project Team), above ₱500 up to ₱1,000 on the provincial committee level (Branch Office), and loans above ₱1,000 but not exceeding ₱2,000 at the Regional office level (Regional Land Reform Committee). Under the law, both the original ACCFA charter and the Land Reform Code, ₱2,000 is the maximum that ACA may grant to individual farmers for production credit.

3. Team Approval - One other significant feature in the new policies and procedures is that action on loan applications is done on a team basis, with the ACA representative, however, having a sort of veto power in recognition of the basic responsibility of the ACA over the proper handling of its loan funds.

B. Three Groups of Farmers - Three Categories of Loans

In view of the on-going commitments of the ACA as the successor to the former ACCFA, and developments under the land reform program, the ACA was in fact engaged in lending to three different groups of farmers.

1. Preferred FaCoMa-Members: On-Going Operations - During the three years immediately preceding FY 1963-64, the ACCFA, for lack of sufficient loanable funds, limited its lending activities

to farmers who had established good credit standing by having paid their past loans in time and in full and are members of revitalized FaCoMas. Thus, they are called preferred FaCoMa members. As part of its carry-over activities from the former ACCFA, the ACA continued to service this group of farmers with production loans and commodity loans.

2. Rice Crash Production Farmers - As a special program designed to immediately increase the production of rice in view of a growing shortage in the staple grain, the government launched in late 1963 an intensive rice production project. Originally intended for the 1963-64 dry season planting, the project was later extended upto December, 1964. The project entailed the mobilization of government technical personnel and materials including credit and making these available to assist rice farmers who would qualify for the assistance. To qualify, farmers must be working irrigated land and must follow improved culture methods.

The National Land Reform Council, of which the ACA is a member, adopted the project as part of the land reform program. As the only credit agency for small farmers, the ACA was called upon to extend, and did extend, loans to participating farmers. It gave production loans in cash and in kind (fertilizers) in accordance with procedures promulgated by the Rice and Corn Authority.

Farmers belonging to this category did not have to be members of FaCoMas and if members did not have to be in the preferred class,



though they had to show a plan of repaying old indebtedness as well as the new loans. During FY 1963-64, this group comprised the biggest number of ACA clients.

3. Farmers in Land Reform Areas - The third group of farmers embraced in ACA's lending activities was made up of tenant farmers in proclaimed land reform areas who by operation of law changed to leasehold status. At present there are 12 towns and half of a province were proclaimed as land reform areas and loaning activities under the unified concept of administration, earlier referred to, started amongst the local farmers.

C. Types of Loans: Purposes

Under the revised ACA credit programme, four types of loans are available to farmers and cooperative associations, as follows:

1. Production Loan - This is short-term accommodation intended to finance expenses in farm operation including purchase of seeds, fertilizers, and pest control chemicals, land preparation and transplanting, and acquisition of essential tools and small equipment. Maturity is within two months after harvest at eight (8) per cent interest. Security is the expected production. The loan is released in cash and in kind.
2. Commodity Loan - Also a short-term loan, payable within 120 days, at seven (7) per cent interest. Secured by crops, in storage, this type of loan is at 80 percent of the market price of the stored

commodity. It is intended to tide over the farmers in their cash requirements while waiting for their crops to be marketed. It also operates to liquidate the production loan in applicable cases.

3. Marketing Loan - Farmers who prefer to sell their produce outright may do so to their FaCoMas that may obtain funds from the ACA through a marketing loan. Developed for the first time, this is a short-term loan which is payable within 180 days at eight (8) per cent interest. Designed to strengthen the cooperative marketing system, this loan is given on a selective basis - i.e., to FaCoMas that have demonstrated capability and dependability and can offer acceptable collateral in the form of unencumbered assets.

4. Facility Loan - This is available to eligible FaCoMas at eight (8) per cent interest to enable them to purchase or build facilities such as warehouses and warehousing equipment, rice mills and the like. Secured by the facility or facilities acquired, it is a medium and long-term loan, depending on the nature and kind of the facility financed by the loan.

#### D. Loan Releases

The loans released during the period 1953 to June 1966 are distributed by type of loans as follows:

<u>Type of Loans</u>	<u>Amount</u>
Production	₱ 85,053,745.34
Farm Improvement	21,219,326.68
Commodity	62,606,737.09
Merchandising/Marketing	41,550,016.44
Facility	<u>25,213,655.63</u>
T o t a l	₱ <u>235,643,481.18</u>

E. Collection: Test of Sound Credit Management

Recovery of loans is the heart of the problem of credit management. In the rather unique or liberal credit programme of the U.G., collection has always been a challenging problem. It is in fact the problem that had brought the former ACCFA down and which, it can be assumed, inspired the reorganisation of that agency into the present ACA. The problem or the experience of the ACCFA in handling the problem has led to the adoption and institution of policies and procedures by the ACA to overcome the problem. One of the policies adopted is supervised credit, which has been discussed in the preceding section.

Collection performance - The breakdown of collections by type of loans for the period 1953 to June, 1966 is as follows:

<u>Type of Loans</u>	<u>Amount</u>
Production	₹ 51,778,856.52
Farm Improvement	9,178,816.40
Commodity	56,521,331.32
Merchandising/Marketing	26,162,732.85
Facility	<u>6,793,543.29</u>

T o t a l ₹ 150,435,280.38

If the above figures mean anything, it is that with diligence and proper techniques as well as with assurance of continuity in the loaning programme, even the old receivables are to a substantial extent collectible. This is also a good evidence that the farmers are basically good debtors; they may be delayed in paying just obligations but they pay when they are able to.

### Measures for Improving Collections

Experience in the ACA and in the former ACCFA has shown or indicated the effectiveness of certain measures and techniques in recovering loans. These are: a) regular and frequent contact with the farmer-borrowers, b) proper screening and processing of loans, c) prompt or timely release of loans, d) cooperative marketing and cooperative organizations in general, e) legal action in appropriate cases, f) incentives such as special treatment for prompt payers, and g) of course, supervised credit.

### F. Other Agricultural requirements supplied

In addition to its primary functions of extending credit to farmers and of supervising and financing agricultural cooperatives, the ACA has been assigned certain activities by special or separate laws. To distinguish these activities and in view of their nature and administrative requirements, they are called "Special Operations" and are placed under a separate department in the agency. Although a number of these activities still continue, only one of them is still active in the sense that the ACA undertake full operation, while the others are in the last stages of being phased out completely and entail only partial operation, mainly disposal of stocks and/or liquidation of projects. Belonging to the first category is fertilizers, and to the second are Virginia Tobacco and, a relatively small one, ramie. The nature of the fertilizer project is briefly discussed below.

#### Fertilizer Operations

Actually, fertilizer operations during FY 1965-66 consisted of three different project or categories: a) fertilizer under the Rice Production Crash Programme under the Rice and Corn Authority, b) a continuing Rice and Corn Production Programme under the Rice and Corn Production Coordinating Council, and c) liquidation of RA 1609 Fertilizer Subsidy Programme.

Rice Production Crash Programme

In 1963-64, an emergency programme calculated to immediately effect an increase in the country's production of rice in order to minimize the need for importation of this vital grain, was launched. Known as the "Rice Production Crash Programme," the project, as planned by the then Rice and Corn Authority, entailed an intensive application of production inputs, particularly fertilizers, in irrigated rice farms. Fertilizers, including other items like seeds, chemicals, and labour costs were to be made available on credit to participating farmers.

ACA's role and function - In addition to its normal activities as a loaning agency, the ACA was given the special assignment of procuring fertilizers to supply the estimated requirements of the "Crash" farmers and to distribute these fertilizers, together with stocks belonging to the RCPCC, amongst the producers involved, for cash or on credit. Accordingly, the ACA procured some ₱17.9 million worth of fertilizers - it is important to note, all on special credit arrangements through the Philippine National Bank under guarantee

of the National Government. Since then, and through 1965-66, the agency has been engaged in disposing of the fertilizers purchased in 1963-64 and which was not all used up during that year.

Performance for 1965-66 - Operations under this project during FY 1965-66 consisted in administering balance of stocks in various warehouses throughout the country, distributing them to farmers, for cash or on credit, and related activities. The table below gives the distribution of fertilizers during the year under review together with other pertinent data.

Fertilizer Distribution

PROGRAMME	Estimated No. of Far- mers Ser- ved.	Estimated No. of Hec- tares Fer- tilized.	Fertilizer Sold	
			Quantity	Value
1. <u>Rice Pro- duction Cash Programme</u>				
a) Cash	20,980	62,940	314,720	₱4,392,792.55
b) Credit	7,257	21,770	108,849	1,705,103.20
Sub-total	28,237	84,710	423,569	₱6,097,895.75
2. <u>Rice and Corn Pro- duction Programme</u>				
a) Cash	4,710	14,130	70,686	₱1,197,161.90
b) Credit	1,290	3,870	19,458	350,410.20
Sub-total	6,000	18,000	90,144	₱1,547,572.10
Grand total	34,237	102,710	513,713	₱7,645,467.85

#### Rice and Corn Production Program Fertilizers

A separate but coordinate project, with separate appropriation and under separate legal authority, known as Rice and Corn Production Programme fertilizer project, has also been placed under the ACA. Until December 1963, this project used to be under subsidy; that is to say, fertilizers were sold to farmers at almost 50 percent of cost. Since then, however, the project has been financed by specific appropriations in the National Budget every year for RCPCC through the Office of the Secretary of the Department of Agriculture and Natural Resources, with the ACA specifically named as the agency to handle the procurement and distribution of fertilizers, have been sold at commercial or open market prices, subsidy having been discontinued.

#### Liquidation of R1-1609 Subsidy Fertilizer Project

Over the years, since 1958 when the fertilizer subsidy programmes were initiated, to 1962, the ACA, then ACCFA, procured and distributed various kinds of fertilizers. After the termination of these programmes, the problem of liquidating the projects has had to be undertaken. Operations during FY 1965-66 on this particular project, therefore, consisted in continuing the process of inventory-taking of unsold stocks, disposal of the same, and accounting of operations.

#### Marketing of Agricultural Produce

Nature of marketing programme - Marketing, in its broadest

sense, embraces activities directly or indirectly related to the flow of goods to consumers or to the final users of goods and services. It includes the processes of buying and selling, standardizing the grading, assembling and dividing, transporting and storing, financing and risk bearing. The aspects of the marketing program are limited to the extent of serving the farmers engaged in palay production particularly in areas where Land Reform is instituted. The need of developing an efficient and effective marketing system for farmers' produce to reduce as much as possible the cost of distribution and to secure the best prices, thus insuring better incomes for the farmers, has long been felt.

As envisioned in the programme, marketing operations shall begin with the movement of the produce (palay) from the farm until it reaches the consumer. It behooves the full support and cooperation of all agencies concerned toward establishing a marketing machinery contemplated in the Land Reform Code. The Rice and Corn Authority (RCA) guarantees to buy at government subsidy prices all palay/rice pledged as security for the loans granted by the ACA to the farmers. This does not exclude, however, the private traders from buying the palay/rice if they can offer better prices beneficial to the farmers.

Another feature of the marketing programme is that, while it is the obligation of the farmer-borrower to deliver his pledged crop as security for the loan he obtained, the ACA field personnel



shall be responsible for the delivery of encumbered crop, the assembly and storage of which shall be made only in designated bonded/RCA/cooperative warehouse. Moreover, the ACA will have the authority to dispose of pledged crop after the maturity of the production loan to insure collection of the same.

The marketing program, basic and vital as it is in the whole task of promoting the farmers' welfare in line with the ACA credit operations, is considered a potent factor in regenerating their interest and confidence in the cooperative movement.

Problems and Proposals in Effective  
Implementation of IACP/SC Programmes

1. Financial structure basically weak

While the ACA has managed to expand its loaning operations during the last three years the rate or level of expansion has not reached a point where the credit needs of the farmers can be said to have been met to anything more than a nominal scale or spread. At its present loaning volume and coverage, the programme cannot be expected to create the impact that it should make on agriculture and the conditions of the small farmers. Indeed, as the result of its operation from year to year shows, it cannot even earn enough to meet expenses.

Release of appropriation - The root cause of the problem is of course the weak financial structure. This weakness need to be corrected if the ACA is to be an effective instrument for

land reform and agricultural development. And, the requisite authority is available; under R.A. 3844, the ACA has been provided with additional appropriation of ₱150 million. After three years, however, only ₱10 million of this has been made available.

Release of ₱6 million administrative outlay - Prohibited by law to lay off employees on the one hand, and required by law and by public<sup>policy</sup> to raise salaries and wages of personnel on the other, at present level of income-producing operations losses are inevitable. A source of relief is provided by law (R.A. 3844) in the form of an automatic yearly appropriation of up to ₱6 million to cover losses from operations, but requests for release from this fund during the last two years have so far not brought results.

### 2. Interest rate too low

Under the law, the interest that ACA is allowed to charge on its loans to farmers and to cooperatives is pegged at not more than eight percent. Considering the high cost of servicing small loans to numerous small borrowers, and the current interest rates in the market, the eight percent ceiling provided by law has become unrealistic. The ceiling must be lifted to permit the ACA to charge higher interest. Twelve (12) percent would be more realistic.

### 3. ACA perform non-income services

Besides purely loaning activities, the ACA performs vital but non-income producing services. It audits and supervises

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agricultural cooperatives and is called upon to provide training for cooperative management officials and personnel. To cover the cost of these activities, no appropriation is provided. It, therefore, has to be charged to income which comes mainly from interest earnings on loans. From the annual results of operations, it is clear that the interest earnings, even if the interest rate is raised to 12 percent, as hereinabove recommended, cannot possibly absorb the cost of non-income projects or activities. A separate appropriation to cover this expense should be provided. For the purpose, ₹1 million is recommended every year. This is distinct and apart from the outlay for a training programme.

**4. Need for more trained cooperative workers**

With the transfer to the Agricultural Productivity Commission (APC) of the function of cooperative education, promotion and organisation, there has been felt these last three years a dearth in that agency of sufficiently trained and adequately experienced personnel to discharge the function as the situation demands. It should be noted that the APC (formerly the Bureau of Agricultural Extension or B.A.E) never had experience in cooperative work until R.A. 3344 assigned to task to it. To fill the need for cooperative organizers, therefore, it becomes clearly necessary and desirable that a good program of intensive and continuous training and development for properly selected personnel be undertaken. This programme should be matched by a corresponding programme of training for

cooperative auditing and management guidance by the ACA.

#### 5. Training for coop. management personnel

The task and responsibility for cooperative development ultimately rest on the farmers themselves, though the leadership and stimulus should come at this stage from the government. A project that eminently recommends itself for the purpose would be the establishment of a thorough going and continuous programme of training for cooperative management officials and personnel. With such a programme the progressive upgrading and development of management skills, techniques and competence in cooperatives can be achieved.

₹5 million revolving fund - A ₹5 million special fund exclusively for training of cooperative managers and other key officials and personnel be appropriated to be administered either by the National Land Reform Council or the Agricultural Credit and Cooperative Institute. The fund is to finance the training programme for five years, after which the cooperatives are expected to be able to contribute to the financing of the programme out of their own resources and under their own administration.

#### Impact of Programme

##### Impact of the ACA programme on the rural economy and the farmers -

The programme that seeks to make liberal credit and the strength of co-operative organisation available to the small farmers who stand

at the very base and foundation of the social and economic structure was conceived and launched 13 years ago. It was conceived and launched as one of the elements of a many pronged effort to effect needed reforms in the traditional cast or mould of the national economy. The assumption of political independence in 1946, following a devastating war, and the requirements of progress for an underdeveloped society in the contracting but bitterly divided world of the mid-twentieth century have rendered the old socio-economic pattern obsolete and anachronistic. The potency and potentialities of the programme have been demonstrated, though, largely due to neglect, the programme has lost a good deal of what it had gained. Relatively modest as the achievements of the ACA, they nevertheless prove the essential validity and soundness of the programme, if only it is given the support that it needs. In the context of the conditions and developments both here and in the world at large, the programme acquires even more pragmatic relevance and imperativeness today. These last 14 years, from 1952 when the programme was inaugurated, to 1966, the population of the country has increased by some 10 millions. This has aggravated the situation of scarcity even in the staple crops, as shown by the increasing importation of rice. Production both in agriculture and industry has failed to keep pace with expansion in national demand. Prices, here and everywhere in the world, have been rising, exaggerating the poverty of the masses of our people and gathering crisis in our economy. And in many parts of the world,

revolutions and counter-revolutions have been unsettling the established order and spreading ideological fallouts to all the nations, most of all the economically backward societies. The Philippines, needless to say, is susceptible to contamination from these fallouts.

The only defense against this threat of ideological contamination or upheaval, as everyone knows, is a positive and deep-going programme of reform that is capable of producing immediate relief from chronic poverty and valid reason for renewal of hope for betterment on the part of the massive ranks of the poor. This, it may be said, provides the rationale or significance to such a bold programme as land reform.

This, also, places in proper perspective the ACA programme of credit and co-operative development for the farmers. For this programme offers a tangible and needed assistance to the farmers - an assistance that can and should be given immediately - which can bring about immediate relief and thus rekindle dying hope on the part of the long oppressed tillers of the soil whose continued poverty circumscribes the country's prospects for progress and erodes their faith in, and allegiance to, our system of democracy. Moreover, it is the kind of assistance that is productive and, under proper management, self-liquidating.

It is in the appreciation of the strategic and generative value and importance of the programme that, against almost crippling handicaps, the ACA sought and strove to expand its loaning operations and other activities during 1967-68, and in the future.

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REGIONAL SEMINAR ON "COOPERATIVES IN AGRICULTURE: AN INTEGRATED  
APPROACH - 20th March to 1st April 1967, Tokyo, Japan

Singapore became independent on 9 August 1965 and is a Republic State with only 224.5 square miles in area surrounded by sea. Its 1.9 million population is increasing at a rate that is the highest in the world.

As the subject is "An Integrated Approach", first I will touch on the activities of the co-operative movements in Singapore.

Function - Dept.

The Co-operative dept. is a branch within the Ministry of National Development. Its function, like that of any other statutory dept., is to look and supervise the working of the new societies.

There are a few farmers' societies but due to language barrier they have been liquidated. But the members who organised are in some way acquainted with the co-operative principles and they carry out their farming and other business.

Between 1960 - 1965 Singapore's Farmers and Fishermen produced 40,950 tons of vegetables, 850,000 heads of pigs, 18 million poultry, 200 million eggs and 10,797 tons of fish.

About 25,000 families were engaged in full or part-time farming.

Although Singapore has to import vegetables and fish to supplement local production, she exported 34,000 heads of pigs, 1.3 million heads of poultry, 24 million eggs to her neighbours, viz. Malaya, Sabah, and Sarawak. The land area being limited, the sea is being reclaimed to meet the growing needs of the state. With all these handicaps the farmers do their best to occupy every available piece of land for cultivation.

Objectives

The main objectives of this department are as follows:

1. To assist small farmers in all aspects of crop production.
2. To conduct research on agriculture.
3. To develop better uses of land in relation to agriculture.
4. To provide up-to-date information to farmers.



The Dept. makes available to the farmers up-to-date equipments in new methods of farming.

#### Area-crops

The total area under crops in Singapore was estimated to be approximately 32,486 acres in the following manner:

Rubber	12,192 acres
Coconuts	6,700 acres
Food crops	7,400 acres
Fruits	4,640 acres
Other crops	<u>1,494</u> acres
	32,486 acres
	=====

#### Rubber:

Of the 12,192 acres, about 52% of the area is estimated to be under estate holdings (holdings of over 100 acres in size) and the remainder is under small holdings. Production of rubber in 1965 was estimated at 1,050 tons for estate holdings and 450 tons for small holdings.

#### Coconuts

The crops of 6,700 acres are concentrated mostly on the eastern part of the island. Most of the coconuts are locally consumed, and a smaller portion converted into copra.

#### Food Crops

There was a slight decrease of acreage under food crops during the period (1960 - 1965) from 7,810 acres to 7,460 acres. As land becomes scarce for agricultural uses, the farmers have to seek alternative jobs. These lands are taken up for re-development.

Besides farming the farmers also have some side lines of income by rearing chickens, pigs and goats.

These farmers are living in low lying areas where leafy vegetables are easily grown, and in the undulating areas fruits and vegetables are grown.

The total production of vegetables was around the region of 40,950 tons.

### Fruits

There are many types of fruit trees grown, these include the locally popular fruits, durian, mangosteen, guavar, soursop, banana and papaya. Of the 4,640 acres in 1965 about four-fifths was mixed perennial fruit trees. The estimated production of fruit trees for 1965 was about 3,750 tons.

### Tobacco

This crop is planted mainly in the western and northern sections of Singapore and forms an important cash crop in rotation with vegetable planting in the upland areas.

In 1965 a total acreage of 822 produced 498 tons of tobacco leaves dried.

### Flowers - Orchid

The cultivation of orchids on a larger scale is fast developing as more and more overseas markets are expanded for the export of orchid flowers.

### Veterinary Division

Despite a small acreage of 224 square miles and principally with a trading port, the Republic of Singapore has nonetheless an estimated 25,000 farming families. Their living is such that mixed farming is part of their life and this includes livestock rearing.

The veterinary division is therefore concerned with helping them in useful service such as providing clinical treatment to the breeds.

### Difficulties

The important problem confronting the small farmers, is that of raising the general level of productivity.

This is essentially a problem of improving the technique of agriculture and is beyond the capacity of individual farmers, whose illiteracy and general poverty precludes them from initiating any sort of reforms. To overcome all these pitfalls first there should be wide encouragement from the private organisations and the government, availability of new methods and scientific approach to cultivation.

### Retailers

The private retail shops offer credit facilities in order to attract and retain their customers by selling leading commodities below their market prices.

The policy of price cutting is not favoured by the co-operative stores, but they rely on honest and efficient services and prefer to return any profits in the form of dividend to the members.

#### General

The total membership of the societies in Singapore has increased from 37,844 to 53,679 during the period 1960 - 1965. See Appendix

Apart from the nine societies as set out in appendix "B" there are societies for such purposes as land purchase, agencies and conveyance, and dairy farming, all of which are classified under "Miscellaneous Societies".

This is in contrast to the Thrift and Loan Societies which form the bulk of the societies.

The other societies had difficulties, such as the marketing society had to face keen competition with the petty traders and middlemen in dealing with land purchase.

#### Union

The Singapore Co-operative Union Ltd. is the parent body of the various societies in Singapore, and its objectives are to contribute towards the promotion of co-operative movement and to co-ordinate the activities of all member societies.

#### Conclusion

With a positive policy the co-operative movement can play a significant role in raising the standard of the farmers and the workers of the state.

Co-operative societies are organised on a democratic basis; participation in the affairs of the societies enables the members to acquire valuable experience in democratic control and instils into them a spirit of voluntary service.

With favourable conditions and the many natural advantages of the Republic, such as her strategic position, with a larger educated working force, and with the rapid change to industrialization at the helm, there can be higher production with better wages, better working conditions and lower prices for the consumers at home and a wider market abroad.

This very much depends on the determination of the people to respond to the situation that can help to build up a modern industrial society with continued increase in the standard of living.

The efforts of the Co-operative Movement in Singapore clearly indicate that the primary Co-operative principle of "Self-Help & Mutual Help" has not been fully appreciated. Yet, it would be unfair to the Movement here, if we did not present the other side of the picture against which our co-operators work - the highly commercialised and keenly competitive nature of trade in a multi-racial society, built up over decades of years.

We have had our set backs and the lesson we have learned is, that in present context of world trade, only large co-operative combines can face and stand up to the colossal enterprises that confront us.

Submitted by Delegates:

Mr. Lee Boon Chye  
Mr. P. J. Alfred

The Singapore Co-operative Union

20 March 1967.



Statistics of Co-operative Societies for period 1960-1965  
Appendix

Type and Member of Co-operative Societies and  
their membership

<u>Types of Societies</u>	<u>1960 No. of Societies</u>	<u>Membership</u>	<u>1965 No. of Societies</u>	<u>Membership</u>
1 Thrift & Loan Societies	43	27,621	44	35,380
2 Employees Credit Societies	6	774	8	2,281
3 Thrift and Investment Societies	20	2,571	22	2,725
4 Consumer Societies	13	4,122	11	4,882
5 Marketing Societies	8	339	4	292
6 Rural Credit Societies	4	264	4	247
7 Housing Societies	2	1,692	3	7,423
8 Co-operative Banks	2	25 (Soc)	2	29 (Soc)
9 Co-operative Unions	1	23 (soc)	1	29 (Soc)
10 Miscellaneous Societies	6	413	7	391
Total	<u>105</u>	<u>37,844</u>	<u>106</u>	<u>53,679</u>



Regional Seminar on "Cooperatives in Agriculture"  
An Integrated Approach 20th March to 1st April 1967,  
Tokyo, (Japan)

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Country Background Paper

by

Mr. Adul Niyomviphat

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The Kingdom of Thailand is a country in South East Asia, from where comes much of the world's rice, rubber, tin and teak. It has an area of approximately 513,447 square kilometers, (198,200 square miles), with a population of about 32,000,000. The capital city is Bangkok. Situated between the longitudes 96 and 106 East and between the latitudes 6 and 20 North. In length from North to South is approximately 1,650 kilometers, and its width from West to East is about 770 kilometers. The coast line extends roughly 1,930 kilometers.

1. Credit Cooperatives

The village credit society was first type beginning in 1916. It was organized along the Raifeisen line with unlimited liability, restricted area of operation and mutual knowledge of the members. At the end of 1966, there were 9,871 village credit societies throughout the Kingdom. These credit societies spread through about 258 sub-districts and a membership is about 156,000 with an average of 17 members per society. Each of them holds land of about 21 rai.\* In 1965 the loans made to these village societies amounted to Baht 129,312,556.

In 1958 the large-sized production credit societies was organized at a sub-district level. Loan service is made on supervised credit basis for productive purpose. At an experimental stage "Revolving Fund" to be used for this scheme was received from governmental counterpart fund. The technical assistance was also rendered by USQ1. Ten societies have been organized at Pakchong, Chaxerngsao, Rayong, Khon Kaen, Nongphai, Tasae, Tachang, Banhong and Tayang. There were a membership of 3,407 farm families and paid-up share capital of Baht 2,095,820. The loans were issued to the members with a total amount of Baht 11.8 millions during the financial year ending 31 March 1966. The operation of these societies have shown remarkable success and rapid development.

Since 1964 the Pakchong Production Credit Cooperative has arranged for its members, the supply of farm requisites, such as pesticides, insecticides and sprayers including rice for household consumption. All of these with the exception of rice was delivered from the Cooperative Wholesale Society of Thailand and private companies in Bangkok. The society bought rice from the Nakorn Rajsima Paddy Marketing Cooperative Federation. In 1966, the total amount of farm requisites supplied to the members reached an amount of Baht 1,284,602. Farm supply was also functioned by the other production credit cooperative at Nongphai as well.

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\*  $2\frac{1}{2}$  rai is equal to 1 acre.





The management of the society is carried on by the managing committee annually elected by the general meeting. The committee employed a manager and a number of staff officers to handle the day-to-day business of the society. They have been trained on the job training by the cooperative supervisor from the Department of Credit and Marketing Cooperatives.

The cooperative supervisor renders the technical assistance to the members such as in selecting of new members, keeping of farm records, developing of credit and farm planning, as well as supervising of farm credit.

## 2. Marketing Cooperatives

The first cooperative paddy marketing was formed in 1938, mainly for the purpose of enabling farmers to sell their paddy at good price. They also expect to help farmers to maintain the price level and to protect them from the pressure of local merchants.

In 1965, the Bangkok Marketing Cooperative Society made a contract with the Federation of Agricultural Purchasing Cooperatives of Japan (ZENKOREN) for a sale of 30,000 metric tons of corn. Eventually this society sold out 41,376 metric tons at the value of Baht 48,198,829.

At present, there are 184 marketing and processing cooperative societies and 8 federations in existence.

## 3. Land Cooperatives

Land Cooperative Societies comprise land settlement cooperative, land hire-purchase cooperative, tenants cooperative and land improvement cooperative. The first three types are also served the government in land tenure programme to secure land to the tillers. However, the common purpose of land cooperatives are to provide means whereby members can improve their farming and income; and to promote the cooperative spirit, self-help and mutual help.

The first land hire-purchase cooperative society was organized at Patumtani province in 1935. Its primary purpose was to help the tenants to become owners of the land they till. In 1937 the land settlement cooperative scheme was introduced in the irrigation area of Muang Mae Faek in Chiangmai province. A few years before the second world war, first land improvement cooperative has been organized to acquire the water by pumping irrigation to the paddy fields at Ayuthya. Tenants cooperative scheme was the last type organized after the second world war at Patumtani province.



Land cooperative schemes have been generally organized in the area under state irrigation projects or in the area which could be developed irrigation system through cooperative pattern. At the end of November 1966, there were 508 societies with a membership of 34,356 families occupied an area of about 807,327 rai in 46 provinces.

The most important scheme is land improvement cooperative. They are located mainly along the area irrigated by tank irrigations in the Northeast and the state irrigation projects of Mae Faek, Mae Ping, Mae Wang, Mae Lao, Mae Yom in the North and Chao Phraya Rivers projects in the Central Plain. The size of area covered by a society is ranged from 1,000 to 10,000 rai.

The nature and scope of functions of land cooperative society can be summarized broadly as follows:

- (1) to provide state land to the tenants and landless farmers;
- (2) to develop water distribution and drainage facilities on the lands holding by the members;
- (3) to arrange land clearing and levelling by use of bulldozer;
- (4) to supply seeds, fertilizers and other farm requisites;
- (5) to arrange, where necessary, the collective sale of members' product;
- (6) to render insecticide and pest control services to the members;
- (7) to extend seasonal crop loan and credit for land improvement.

The selection of farmers to join the society is varied according to the main objective of the projects. For example, the farmers who are eligible to join land settlement, land hire-purchase and tenants cooperative schemes must be tenants or the landless farmers. But the members of land improvement cooperative scheme are limited to the owners or the operators of the land in the area of operation of the society.

There are now 64 land cooperative offices located in 45 provinces. The chief officer is generally graduated from Kasetsart University in agricultural economics and cooperative science. The staff will include accountants, credit technicians, agricultural economists, cooperative officers, surveyors and engineers. They will supervise and extend technical assistance to the cooperative societies and the members in the business area assigned for their office.

There are two categories of land cooperative societies, i.e., limited liability and unlimited liability. Members of limited society must hold shares in proportion to the size of land they own.

Marketing of farm products such as in the land settlement cooperative schemes at Srisumrong and Sawankalok have been undertaken by marketing cooperative societies. In 1966 they handled about 5,000 metric tons of corn. The patronage dividend was given to the members in proportion to the volume of products sold through the cooperative society.



Each year after the harvesting season, the credit planning will be conducted by the members with the assistance of credit technician. This plan will be reviewed by the loan committee and then submitting to the land cooperative officers. The purpose of loans are for plowing of land, hiring of labor, purchasing of draft animals, pumps, farm tools, including land improvement, etc. During the year 1966 the Department of Land Cooperatives extended loans to the members amounting Baht 17,379,478.

Last year chemical fertilizers amounting 1,392 metric tons were supplied to their members for rice cultivation. The land cooperative societies also provided insecticide control service to the area in use of chemical fertilizers with 40 units of sprayers supported by the Department of Land Cooperatives.

Training of members is considered to be the most important task. New members must be trained to understand the idea and method of cooperation and mutual-help. They are also trained in various subjects concerned his farming when new things are coming to the village. For example, the seminar will be organized when the fertilizers will be given to the members, the meeting will be called before the first seasonal water will be irrigated.

The problems in effective implementation of integrated land cooperative programmes are shortage of trained personnel and fund for extending of credit.

The scope of which land cooperative societies have been played considering to be small extent. However, it demonstrated the problems, experience and success in the field of integrated agricultural scheme. It combined land tenure improvement and agricultural development through cooperative pattern. It developed intensive farming in irrigation area of the North but it found difficulty in developing the second crops in the Northeast and the Central Plain.

The land cooperative scheme has been integrated into the National Economic Planning and expecting to reorganize into the large size cooperative society in the multi-purpose nature. At present, at least three multi-purpose cooperative projects will be reorganized from the base of land cooperatives at Sukothai province in the North, Chainat province in the Central Plain and Petchaburi province in the Southwest.

#### 4. Reorganization of Cooperative Society

The three main types of cooperative societies mentioned above will be integrated into a new approach of multi-purpose cooperative in nature this year.

New societies will be formed at the provincial level in order to strengthen the business of the societies enabling to operate and maintain its purpose for the betterment of farmers.



The functions of multi-purpose societies are extending its service to the fields of agricultural production, credit, marketing, farm supplies including processing of farm products.

Any old agricultural cooperative societies in one or two provinces may be amalgamated into one central cooperative pattern.

At the first year, three to five societies will be organized at the base of production credit cooperatives and land cooperatives at the provinces of Sukothai, Chainat, Petchaboon, Nakorn Rajsima and Petchburi. Plans are under way for organizing at least five more societies in the second year.

Training centre for developing integrated approach of agricultural cooperatives has been established at Kasetsart University. Fourty to fifty project managers will be trained, the first session will be opened in April 1967.







WORKING PAPERS



Working Paper  
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MULTI-PURPOSE COOPERATIVES AND THEIR SOCIO-ECONOMIC SIGNIFICANCE

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MULTI-PURPOSE COOPERATIVES - SOCIO-ECONOMIC SIGNIFICANCE

By

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1. INTRODUCTION

The practical utility of the multi-purpose concept in cooperation for the uplift and general welfare of the rural community in the countries of this region received serious attention of the cooperators particularly after the economic depression of 1929 which brought home the point that dearness of credit is by no means the only cause of the farmers' plight. The farmers suffer from many disabilities and cooperative organisations formed to provide facile credit alone will not help to effect a substantial advance in their economic condition. It is, therefore, necessary to make a comprehensive and coordinated approach for an all-sided improvement in their work and living. "The economic depression," remarked Professor C.R. Fay, "has forced upon agricultural cooperators alike in Europe and the New World, the view that the entire life of the villagers should be brought within the compass of the cooperative solution and a simultaneous drive from all sides made to raise the level of his economic and moral well-being." He further remarked that in New Zealand, Germany and Sweden, "the new emphasis is everywhere on coordination, not indeed

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on the society of undifferentiated type but on the association of finance with trade supplies and marketing, on a whole position of borrower under review, long-term as well as short-term, and on the association of trade supply with marketing of grain produce. This development is fast breaking down time-honoured barriers."<sup>1</sup> The need for a village cooperative to cope with all the economic requirements of its members in all respects, apart from supplying credit, led certain countries in the region to a new conception and consequently to reorganisation of the village cooperative institutions.<sup>2</sup>

## 2. THE PROBLEM

The disabilities under which the farmers in many countries of this region suffer are both economic and social. Important among these are, small and scattered holdings, inefficient cultivation and lack of knowledge of better methods, lack of irrigation facilities and frequent failure of rains, low productivity, poor quality of cattle which often fall prey to diseases, lack of protection of crops from ravages and beasts, lack of proper credit facilities and high rate of interest, ignorance, illiteracy and wasteful social and religious expenditures, etc. These factors combine in varying proportions to disturb

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1. G.R. Fay : "Cooperation at Home and Abroad.", Vol.II, 1908-38, London, 1939. pp.390.
  2. "The Development of the Cooperative Movement in Asia" I.L.O. Geneva, 1949, p.7.

the balance in the cultivators' economy and give rise to their indebtedness. The problem, therefore, is to improve the socio-economic conditions of the rural community and the emphasis on the provision of easy credit alone will not be a panacea and solve all the problems of the cultivators. As the increasing indebtedness of the farmers in these countries had assumed a serious magnitude during the later part of the 19th century, it was thought that the organisation of cooperatives among agriculturists to provide credit would solve the problem of indebtedness. Accordingly, in the early stages of the development of the cooperative movement in all these countries, formation of credit cooperatives was considered an urgent necessity and the main emphasis was given to the creation of such cooperatives. Thus, attempts were chiefly directed against the treatment of the symptom rather than the malady which is caused by various adverse socio-economic factors. Indebtedness, observed Nicholson in his Report on Land and Agricultural Banks, has a "complex origin; it is due largely to national and personal characteristics coupled with causes exterior to the individual such as laws, social customs, modes of inheritance, seasonal difficulties and the like." He, therefore, suggested that the radical remedy for indebtedness is not in the organisation of credit, but in the removal of all unnecessary disabilities, and in the promotion of all possible improvements in their work and living.

### 3. SINGLE VS MULTI-PURPOSE COOPERATIVES

That the entire life of the rural community should be brought within the purview of cooperative action for achieving their socio-

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economic improvement is accepted on all hands. However, the approach, as to whether there should be numerous specialised cooperatives or a single agency to deal with the different problems of the farmers, has been a subject of much acrimonious debate. The former is considered neither feasible nor practical. The ordinary village would have few men of ability to conduct the affairs of a society and if a number of separate societies are organised, the village would be hard put to find proper men for constituting a number of boards of management; all and sundry would get into power with disastrous consequences. Since able men in the villages are few, it is also likely that the directorate of different societies might consist of the same persons and in such circumstances there will be a definite advantage and would further be economical if some of these functions are combined in one institution.<sup>3</sup> The activities of a number of cooperatives might also lead to duplication of efforts and result in waste of energy and resources. Thus, because of the paucity of able men to manage the societies as also on the grounds of economy, multiplication of societies in the villages should be avoided.

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3. "Cooperative Thrift Credit And Marketing in Economically Under-developed Countries" Food and Agriculture Organisation of the United Nations, Rome, Italy. Page 53.

4. Further, in the developing countries of this region, low income farmers predominate and they may not have enough resources for investing in the shares of numerous cooperatives which would provide different services. It would, therefore, be convenient for the farmers to invest in the shares of a single institution which will meet as many of their needs as possible. Again, the requirements of these low-income farmers are also small and simple. It is, therefore, doubtful whether there would be adequate business in a village for numerous specialised agencies to render their working economic. Inadequate resources, low volume of business, negligible profits and poor funds of the societies in these countries and their demand for subsidy to meet the management expenses and other investment activities, are but manifestations of the uneconomic nature of the working of societies. However, if it is considered to enlarge the area of operation of such societies to increase the volume of business, it is likely that they might become impersonal institutions and the essential characteristics of a cooperative society namely, voluntary basis, close contact, social cohesion and mutual obligation might be lost. In India, with a view to securing economic viability of the primary cooperatives, on the basis of the recommendations of the All India Rural Credit Survey, mainly large-sized credit societies were organised. Very soon it was realised that such societies are not conducive to the proper development of the movement. It was felt that "in a rural cooperative, the members should have intimate knowledge of one another and a sense of mutual obligation," and if this is to be secured,

"it is essential that cooperatives should be organised on the basis of the village community as the primary unit." In determining the size of a cooperative, it is not wise to be guided by economic and administrative considerations alone, though they are important. Basically, it is the human scale which is important.<sup>4</sup> The success of a cooperative enterprise largely depends upon the cooperative spirit it generates. "It is not easy to generate this (cooperative) spirit in a small society, it will be difficult in a large and almost impossible in the largest."<sup>5</sup> On the other hand, if the village society undertakes numerous activities simultaneously, the margins obtained in various transactions would make for economical management and would also enable the society to appoint skilled paid employees devoting full-time to the society's work.<sup>6</sup>

5. The farmers, in these countries are also a great obstacle in the organisation of separate societies. In countries like Holland

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4. Vide "Seminar on Cooperation," Indian Cooperative Union, New Delhi, August 1959, pp.42-43
  5. "A Report on Certain Aspects of Cooperative Movement in India," M.L. Darling, Government of India, New Delhi, 1957, p. 8.
  6. "Cooperative Thrift Credit And Marketing in Economically Underdeveloped Countries." Food and Agriculture Organisation of the United Nations, Rome 1959, pp.53

and Denmark, it may be possible for the farmers to join different societies, each specialising in a different set of functions. However, in these countries, because of the general illiteracy and conservative attitude of the farmers, it might be difficult to create in them an enthusiasm for all kinds of new activity and they cannot be induced to join a number of organisations. The farmer is used to money-lender-trader who supplies all his wants and he is happy when all his needs are met by the same agency. Such societies would also make a great appeal to the loyalty of the villager by undertaking to cater to their other needs in addition to provision of credit and bringing them into close touch with the society not only on one or two occasions for disbursement of loans but throughout the year for one purpose or another. Moreover, in underdeveloped economies especially of a small-scale - almost subsistence nature - the various aspects of agricultural enterprise cannot be compartmentalised and the division of needs, activities and assets of a villager into mutually exclusive parts such as credit, production, sales, etc., is somewhat artificial. As such, a single cooperative agency should embrace all or as many of the problems of the farmers as possible and cater to their multiple needs through the organisation of multipurpose societies. Such societies would also simplify the task of supervision, guidance and government aid.

6. The case for separate societies also loses its ground when the role of the cooperative movement is considered as an instrument for

the rehabilitation of the agricultural community. Due to the preponderance of low-income farmers in these countries, it is argued that the cooperative movement should, to some extent, shed its business approach and have a rehabilitation bias. It may, however, be contended that since cooperatives are in the ultimate analysis business organisations, a marketing cooperative, to cite an example, is interested in the crop and not in the cultivators' farm much less in the man and in his domestic problems. Such a view on the part of a cooperative may be logical but not legitimate. If a cooperative does not deal with the man himself but touches only a fringe of his business, it would forfeit all special claims on grounds of ideology. On the other hand, if every cooperative society keeps in view the whole man and his total economy, the case for separate societies for different activities is much weakened. To the farmer in these countries, agriculture is not merely a business but a way of life and his entire life is inter-twined with that of his farm. The farmer and his family are at the core of every function and it is necessary that his problems are approached comprehensively and in a coordinated way by a single agency of a multi-purpose cooperative.

7. Nature and scope of functions of Multipurpose cooperatives

The nature and scope of functions of a multipurpose cooperative would include all activities which would provide a surplus income and aim at achieving "a better and fuller life for its members." Among others, the activities include, provision of credit to cultivators

for their current needs, encouraging thrift among farmers, assisting in improving the technique and method of production through supply of better seeds and fertilisers, effecting consolidation of holdings and provision of irrigation facilities, introducing better business, inducing its members to purchase their domestic and production requirements and marketing of their produce cooperatively, supplementing the income of the members by encouraging them to take up to subsidiary occupations, save litigation expenses by effecting arbitration, introducing better living measures by adopting bye-laws by common consent which curtail ceremonial expenditure and remove insanitary habits, provision of medical relief and so on. Wherever necessary, the society should also get the old debts of its members liquidated through a land mortgage bank or other sources. Some of the enthusiasts of multipurpose cooperatives further include among the scope of functions, civic activities such as construction and maintenance of village roads, provision of drinking water facilities, etc. Thus, for whatever purpose a society is started, it must serve as a point of contact and gradually other activities should be taken up as the society gains experience and secures the goodwill and confidence of members so that ultimately the whole man is dealt with. Unless the cooperative movement continues to expand in this manner, it must eventually fail in its main object of improving the conditions of its members.<sup>7</sup>

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7. "Report of the Banking Union at Kodinar", Baroda State with Suggestions about its applicability," Reserve Bank of India, Bombay, 1937, . 18

"This is all in Raiffeisen's tradition. It was Raiffeisen's idea that the village society should be directly or indirectly the centre of village life. In the society were to be concentrated in effect the economic and social forces of the village community."

8. In a multi-purpose cooperative, different aspects such as credit and marketing, supply of agricultural and household requirements could be combined and interwoven harmoniously for the benefit of the farmers. "Credit by itself has proved to be insufficient, credit without the adjunct of thrift and the mobilisation of savings merely results in the substitution of one form of money lending by another. A credit or marketing society may, inevitably, combine with its primary object the supply of agricultural requirements - and a cooperative store may supplant the Shop-keeper/Money-lender whose domination, through goods supplied on credit, can be so harmful."<sup>8</sup> It is because of these considerations, the most suitable combination lies in the multi-purpose society.

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8. Cooperative Credit Thrift and Marketing in Economically Underdeveloped countries.  
Food & Agriculture Organisation of the United Nations,  
Rome, 1959. p.49

9. Organisational and Operational Problems.

The multipurpose idea has received much criticism from certain quarters. It is argued that some of the activities such as supply and particularly those relating to marketing and processing, involve special skill and technique and the rural society will not be in a position to secure capable and efficient men in the villages to manage these and other activities. It is also said that wherever such talent is available in rural areas, it generally finds scope in work for private gain. With regard to India, the Royal Commission on Agriculture observed that many societies failed because of the secession of the important office-bearers who, after seeing the possibilities of profit, started a rival business.<sup>9</sup> In the background of the difficulties experienced in securing qualified administrative personnel to manage simple single-purpose credit societies in many countries of the region, and the failure of many of them because of the non-availability of such personnel, this argument assumes specific significance.

10. It may be contended that with the sacrifice of the principle of voluntary service in a rural society in favour of the appointment of paid personnel from the urban areas, the problem of securing able men to manage the multiple activities of a society would no longer exist. But, such an approach is objected to on the ground that it does not strictly conform to the tenets of cooperation and will fail in fostering the real spirit of cooperation. The paid staff might soon

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9. Report of the Royal Commission on Agriculture in India, 1928, pp.467-68



dominate the society as experience has shown in India and in other countries in the region. They might also lack the knowledge of local conditions, of the people and their work and living and may thus prove a misfit. The experience of the working of the societies in these countries has further shown that because of the inadequate resources at the disposal of the societies, they are not in a position to offer adequate terms to attract able men from urban areas. However, this problem is a vicious circle; lack of adequate resources compel the societies to appoint rather inefficient staff who fail to manage properly the multiple functions and their inability to undertake multiple functions results in the societies' failure to enhance the resources.

11. When too many activities are attempted simultaneously, the accounts of a Society may get complicated and become unintelligible to many of the office-bearers and members of the cooperatives. The accounts of the various functions might also get mixed up and conceal the true position of any one type of activity. When the accounts become too complicated for the ordinary members to understand, the more highly educated members (who are not always the best) are elected to the managing committees and the more complicated the business of a cooperative society is the less democratic in its manner of working. The experience of the working of the cooperatives in many countries in the region bears testimony to this observation. Because of extremely low percentage of literates among farmers in countries of this region and their inability to assume management responsibility of either

single or multi-purpose societies, many co-operatives are dominated by educated few or other vested interests such as traders, money-lenders, etc. That these persons are not always men of integrity is indicated by many unfortunate features in their working such as misappropriation of funds, corruption and favouritism. In this connection, the Royal Commission on Agriculture in India observed, "the credit society has proved easy to manage; its principles are readily understood; its requirements are within the capacity of the villagers to provide and it has done much to inculcate the value of self-help and mutual-help." "A successful credit society is the best basis on which to organise other types, but it is not easy to educate people to the advantage of those types." <sup>10</sup> Further, in its Abridged Report, the Commission observed: "As a matter of principle, the single purpose society seems to be the best line of development. 'One thing at a time' should be the principle." <sup>11</sup>

12. It is further argued that if the society takes upon itself a multiplicity of functions with financial responsibility for some or all of them, failure in one field might entail the winding up of other activities. Even if there were no financial risk involved, the psychological effect would be too bad. While dealing with the tendency of Raiffeisen societies in Germany towards unwise expansion

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10. Report of the Royal Commission on Agriculture in India, 1928, pp.467-68.

11. Report of the Royal Commission on Agriculture in India, Abridged Report, 1928, p.54

in realms of trade and finance, J.A. Venn remarked that many of the societies had tended to become "organisations for the transaction of every conceivable undertaking connected with land and money." These activities demanded much vigilance and proper safeguards and their success depended on widely different factors. Venn ascribed the failure of many societies to mismanagement owing to their overgrowth and complex nature of functions.<sup>12</sup> In India, during the Second World War, besides the distribution of controlled commodities and other essential requirements of cultivators, rural societies in many States undertook other activities relating to marketing and supply. Some of the Committees appointed in recent years in a few States to enquire into the status of the cooperative movement, reported that owing to poor management ability and the large investment of funds in speculative trading activities, a number of societies suffered loss and got into crisis.<sup>13</sup>

13. Raiffeisen also attempted to make all forms of trading - even creameries as adjuncts to a credit society. However, his opponents objected to this on the ground that it is unbusinesslike and hazardous and they succeeded in separating creameries from credit but not the supply of agricultural requisites. In his report, Cahill observed

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12. "Foundations of Agricultural Economics," J.A. Venn, Cambridge, 1923, p.28

13. <sup>cf.</sup> Report of the Himachal Pradesh Cooperative Movement Enquiry Committee, Himachal Pradesh Administration, 1955.  
The Cooperative Movement in Bihar - A study in organisation and technique, K.G. Sivaswamy, Delhi School of Economics, 1956.

that, as contemplated by Raiffeisen, the local society was to furnish credit to members, supply agricultural requisites including machinery and even engage in their production and market their produce. However, experience proved that except in supply of agricultural requisites which can be carried on by a rural society, other undertakings involving technical skill in their management and considerable outlay are best taken by societies independently constituted.<sup>14</sup>

14. The advocates of multipurpose societies, however, contend that some of the functions such as supply of production and consumption requirements of cultivators, processing and marketing of agricultural produce, should be undertaken by a multi-purpose cooperative on an agency basis without incurring risk or liability. It is observed that because of the rather small quantities to be dealt with either in supply of marketing, high cost of storage, lack of knowledge of price trends, etc., it does not seem desirable that a village society should embark on these speculative activities. However, it is suggested that the cooperative should take interest in all these activities and assist members in securing the facilities afforded by separately organised non-credit societies. In his Report on Land and Agricultural Banks, though Nicholson suggested that it would be among the desirable objects of societies in India to "act as agents and brokers for their (members) sale of produce and purchase of necessaries," he did not

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14. Agricultural Credit and Cooperation in Germany,  
Cahill, p.xxii & pp. 68

advocate the credit society to take the financial responsibility. However, he recommended that the society should provide assistance to "associations for cooperative production, sale and supply either by grant of advances or by establishing them as branches, with however, liability and accounts wholly distinct from that of the parent society."<sup>15</sup> The Maclagan Committee blessed the idea of combination of functions with credit societies and especially those for the supply of seeds, fertilizers and implements, but did not like the idea of a society itself becoming the owner of the commodities handled but they should preferably buy or sell on commission basis.<sup>16</sup>

15. Multipurpose concept is criticised on other grounds also. It is argued that the execution of one or more activities by the society might benefit only a few members and others who derive no benefit from these activities will be unreasonably saddled with the risks of or enabled to share in the profits arising out of those activities. The non-beneficiaries might in fact serve as capitalists trading on the needs of a particular section and thereby the characteristic of a true cooperative institution is somewhat lost. The non-beneficiaries are likely to feel that they are subsidizing certain activities which do not concern them. The combination of

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15. Report Regarding the Possibility of Introducing Land and Agricultural Banks: Madras Presidency, Vol.I, F.A. Nicholson, Madras, 1916, p.172.

16. Report of the Committee on Cooperation in India, New Delhi, 1915, p.11.

of incongruous or unallied activities might create conflict of interest among members and lead to disunity and to the eventual breakdown of the society. It is, therefore, suggested that for different objects where only a section of the members are interested such as cooperative farming, lift irrigation, soil conservation, etc., separate societies may be organised. For specific functions such as for marketing, processing or for cottage industry workers, cooperative societies may be organised for groups of villages.<sup>17</sup>

16. Limitations of Multi-purpose Cooperatives

There is a faith among cooperative enthusiasts that the multipurpose society is an universal provider and should aim at achieving the triple ideal indicated by the famous slogan of Horace Plunkett : "Better farming, Better business and Better living." Though there is a large measure of agreement among cooperators that a cooperative society, either a single or multipurpose, should aim at achieving "Better farming" and "Better business" of the farmer, the extent to which the cooperative should concern itself with the problems of "Better living" has been a controversial issue. Better living includes several amenities like education, recreation centres, parks, libraries, communication, etc. The Registrar of Cooperative Societies of Madras Ltd. (India), H.M. Hood, observed before the Townsend Enquiry Committee that though cooperatives organised various activities one cannot be very optimistic of their "branching out into endless ramification losing .. .. ."

17. Vide Report of the Working Group on Cooperative Policy, Govt. of India, New Delhi 1959.  
Report of the Committee on Cooperative Credit, Government of India, New Delhi, 1960, pp.72-73

sight of the main object in the multiplicity of activities" and undertake civic functions, which are much better undertaken by the government and local bodies.

17. Most of the civic amenities are required by the entire population and that in respect of some services or in the case of certain section of population, the services might have to be provided at subsidised rates or at gratis. However, except in certain cases such as supply of commodities like gas or electricity which are now undertaken by some of the local self-governing bodies or municipalities, it is difficult to measure the cost of services or commodities provided and demand payment for use from individuals. This is particularly so in the case of roads, parks, etc. A village cooperative society which is a "voluntary association of members for the exclusive purpose of supplying the specific commodities or services desired by them" for which each one pays a definite price per unit, either at market rates and getting a rebate afterwards or at cost price if it can be immediately calculated, is not suited to undertake these functions. It is, therefore, stated that a statutory local self-governing body which is an "obligatory association of inhabitants within given geographical area formed for the purpose of supplying certain, specific commodities or services according to the will of the majority" and has statutory powers to impose taxes generally according to property or income, should undertake these functions.

18. Besides, some of the services relating to public health and sanitation also necessitate vesting of powers of compulsion to secure universal obedience and a statutory body with powers of regulation, control and the suppression of anti-social conduct is eminently suited to these tasks. However, these powers are alien to a voluntary association like the village cooperative society. In regard to the desire of some cooperators to combine the municipal and cooperative services in one body, so to say "to get the best of both the worlds", to retain all the freedom and elasticity of voluntary associations and at the same time to enjoy the advantages of universality of membership and compulsory powers, Mr. and Mrs. Webb observed that "this vagueness of thought with its mutually inconsistent aspirations is an intellectual weakness from which cooperators would do well to free themselves. Neither universality of membership nor legally compulsory powers can ever be the attributes of voluntary associations." Further, in many places, some of these voluntary associations may attract only a limited clientele or certain section of population and others are under no compulsion to join the society or to avail of its services. This may not facilitate in undertaking these functions effectively. However, if the object is to secure the community a minimum of health, education, sanitation and comfort, it would be better to entrust these functions to statutory local bodies having universality of jurisdiction in the village. Voluntary associations without legal sanctions are difficult both to organize and to sustain.<sup>18</sup>

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18. Address by the President of the Provincial Cooperative Union, The Madras Journal of Cooperation, Vol.XIX, p.441



19. Conclusion

Because of the various grounds on which the multipurpose idea has been criticised, and on the basis of the working of such societies in some of the countries in this region, some authorities on cooperation have suggested for restricting the nature and scope of functions of multipurpose cooperatives. It is suggested that the functions of a multipurpose cooperative should be restricted to those which assist the cultivators in increasing their productive abilities, secure better returns and increase their earnings. These functions include, supply of credit for current cultivation needs, distribution of seeds, fertilizers, minor implements and to some extent, domestic necessities, and assisting the cultivators in the sale of their produce. Wherever possible, such societies should also encourage members to take to subsidiary occupations which will provide them with additional income. Such societies being simple in constitution are within the capacity of members to understand and administer, and are best suited to under-developed communities. The Committee of Direction of the All-India Rural Credit Survey appointed by the Reserve Bank of India in 1952, also suggested a similar approach and further observed that these functions, arising out of the felt needs of the members, are small and simple and can be efficiently discharged by a rural society.

20. Summing-up

By way of recapitulation, it may be stated that multipurpose societies are advocated on the ground that they are best fitted to

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bring about all round improvement of the agriculturists by striving to achieve for the members, "better farming", "better business" and "better living". A single society catering to all the various needs of the cultivators would provide scope for the fuller use of the limited number of able men available in the village and would further make simple the task of supervision, guidance and Government aid. The margin secured in various transactions of a multipurpose society would make for economical management and the appointment of competent managerial personnel as compared to numerous specialised agencies each performing separate set of functions. Such societies would also make great appeal to the loyalty of the cultivator by endeavouring to supply not only his credit needs but also by catering to his other needs and bringing him into close touch with the society not only on one or two occasions in the year for disbursement of loans, but throughout the year for one purpose or another. Besides, as these societies disburse loans in kind such as manure, seeds, agricultural implements and domestic requirements, it would help in minimising misapplication of loans. By linking credit with marketing, the society would eliminate the temptation of the peasant to unrestrained borrowing. Other improvements in the social field such as reduction in the expenses on social ceremonies, litigation, etc., would also contribute to increasing the welfare of the rural masses. Finally, it is argued that in view of the preponderance of low income or subsistence farmers

in under-developed economies, the cooperatives should have a rehabilitation bias and this is possible only through the organisation of multipurpose cooperatives.

21. On the other hand, multipurpose concept has been criticised on various grounds and are considered unsuitable to rural conditions of these countries. It is said that the ordinary village will not have competent men to manage multiple functions of a society; the accounts of numerous activities would get mixed up and cloud the actual position of any single activity; multiplicity of functions involving financial responsibility for some or all of them may lead to winding of all activities in case of failure in one direction; because of the complex nature of the activities of such societies and general illiteracy of the cultivators, their control would fall in the hands of one or a few intelligent or educated individuals vitiating the true spirit of cooperation; certain activities may benefit only a few individuals and result in conflict of interest among members and lead to the eventual breakdown of the society. The failure of many societies in Germany, India and a few other countries provide a lesson for cautious approach to the organisation of such societies. It is further argued that in view of the voluntary nature of a cooperative society, and lack of powers of regulation and coercion and powers to impose taxes, the multipurpose cooperatives are not suited to undertake civic functions. In view of these considerations, it is advocated that a society should perform one

function efficiently rather than take up many and succeed in none.

22. Because of the various limitations, both organisational and operational, from which multipurpose cooperatives suffer, it is suggested that the nature and scope of functions of multipurpose cooperatives should be restricted to those functions which are simple and do not involve high technical skill and financial risk. Provision of production credit, supply of occupational requirements and assisting the cultivators in the marketing of produce are some such functions which are within the competence of rural multipurpose cooperatives.

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GENERAL PURPOSE COOPERATIVES  
(Argument)

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1. There exist, in the world, various forms of cooperatives one of which is the general purpose cooperative. What type of organization is the general purpose cooperative?

(1) First, let us glance at other forms of cooperatives comparing with the general purpose cooperative.

① Specialized cooperatives

This form of cooperative societies are quite common in Europe and United States of America. These can be classified into two categories.

① a) A cooperative society which has a special function for its purpose

Examples:- Credit cooperative, purchasing cooperative, marketing cooperative, utilization cooperative or etc.

b) A cooperative society which handles a special line of business

Examples:- Rice marketing cooperative, Fruit marketing cooperative, Dairy cooperative, Fertilizer purchasing cooperative, Consumers' cooperative or etc.

② Compound function cooperatives

A cooperative society which combines several functions or engage in several businesses at the same time is called a compound function cooperative. It can be regarded as a combination or compound of several specialized cooperatives mentioned in No. 1.

Therefore, it may also be called a multipurpose cooperative.

Examples:- Credit, Purchasing, Marketing and Utilization cooperatives

(A cooperative which combines these 4 functions is called a compound four-function cooperative.)



Compound function cooperatives usually handle rice, fruits, live-  
stocks and so on in marketing business, and deal with materials  
necessary for production such as fertilizer, agricultural chemicals,  
agricultural machines and implements as well as the necessaries of home  
life such as clothes and fuel in purchasing business.

- (2) A general purpose cooperative is of course not a specialized coop-  
erative (No. ①). It is not a No. 1 nor (No. ②) either. It looks  
like No. ②, but to perform various functions and businesses is  
not its purpose. It is different from No. ② of this point. It is  
neither a multipurpose cooperative nor a compound function cooperative.  
It is "a cooperative society which carries out various businesses  
and functions correlatively and synthetically in order to  
one purpose". In other words, it can be said that it is a cooperative  
in which many businesses are integrated organically and correlatively  
as a means to achieve one purpose. (Cf. Articles 1,8,12 of agri-  
cultural cooperative law)

11. The reason why general purpose cooperatives have been developed in Japan  
(Or why this form of cooperative has been necessary in Japan?)

- (1) It is attributable to traditional farm management structure in Japan.  
An area of the farm per farm-household is small (1ha or so) in Japan,  
and farmers have been engaged in diversified farm management. For example,  
natural conditions of farmlands in a community (village) are various,  
but fortunately productivity is high. (Sunshine, temperature and rainfall  
are plentiful.) As a result, in many cases, even a farmer who has small  
scale farmland, operates paddy-fields, upland-fields, mulberry field  
(sericulture) and orchards at the same time, and keeps fowls or pigs.  
Moreover, many paddy-fields and upland-fields produce two crops a year.  
Being blessed with favorable natural conditions, diversified farm manage-





ment has been necessary for small scale farmers to improve their economic conditions.

The traditional farm management structure like this still remains firmly.

- (2) Direct transplantation of European industrial cooperative system ended in a failure. Modeling after the German system, industrial cooperative societies were established in the middle of the Meiji Era (early years of 20th century). They were the four different kinds of cooperative societies for credit, marketing, purchasing and producing (later utilization) respectively, and the purpose of each of them was to perform the specialized function. (Cf. old Industrial Cooperative Society Law)

If farmers wanted to organize cooperatives for credit, purchasing and marketing, they must set up a cooperative for each business. However, Japanese farms being small in size and diversified as stated before, and the amount of credit business or marketing business was small, a cooperative for a specialized business or a specialized function was not easy to put them on sound economic basis even if all those in a village level are consolidated.

In special cases, only credit cooperatives and products marketing cooperatives were developed.

- (3) Role of agricultural associations (Nokai) in the process of development of Japanese agriculture

In Japan, the starting of agricultural associations was contemporaneous with the birth of industrial societies. The purpose of agricultural associations was "to try to improve and develop agriculture". An agricultural association was an organization which assumed the role of agricultural guidance and was supported by the government. In spite of the development of agricultural products market, the progress of agricultural production techniques and the development of farm materials such as



fertilizer, etc., farmers could not develop agriculture by themselves. Therefore, it was considered necessary to guide farmers positively.

Agricultural associations were in close contact with farmers according to needs of farmers. Besides technical advice on agriculture, services in purchasing fertilizer and marketing agricultural products became some of roles of the associations. Sometimes agricultural associations also supported establishment and development of industrial cooperatives, but from years of 1931 - 1932, they developed a tendency to confront with the latter in the field of handling of agricultural products marketing.

(4) Development from specialized cooperatives to compound function cooperatives

As has already been said, specialized industrial cooperatives which had started in the middle of the Meiji Era ended in a failure. In the last years of the Meiji Era, compound cooperatives for credit and other services were admitted. From 1931 - 1932, compound four-function cooperatives were positively fostered.

(5) Unification of agricultural organizations

From 1931 - 1932 industrial cooperatives gradually became powerful and sometimes confronted with agricultural associations. In 18th year of Showa (1943) agricultural associations and industrial cooperatives were unified and Agricultural Organization" (Nogyo-kai) was established. This is called "the consolidation of agricultural organizations".

Agricultural Organization was an organization which assumed the role of agricultural guidance and was engaged in all the businesses related to agricultural economy such as joint purchasing of farm materials and daily necessities, joint marketing of agricultural and forest products, accept-



ing of farmers' savings and granting of loans to farmers.

The characteristics of the organization were as follows.

- 1 It was a multipurpose agricultural organization as mentioned above.
- 2 It was an undemocratic organization, and the government interfered with the management and main personnel affairs of the organization.

(6) Post-war general purpose cooperatives

(general agricultural cooperatives which are engaged in credit business)

After the war, general purpose cooperatives were set up based upon various experiences.

In a word, they are cooperatives the only purpose of which is to help farmers to increase agricultural producing capacity and to improve farmers to increase agricultural productivities and to improve farmers' socio-economic conditions in parallel with development of capitalistic economy. The general purpose cooperatives can be engaged in any business which is helpful to accomplish their purpose. They can carry out land improvement and water control project to increase agricultural productivities and organization of joint operation of agriculture as well as credit, purchasing and marketing businesses. They also assume the role of guidance on farm management and way of home life.

Twelve kinds of businesses are stated in the present law. Only business being not allowed by the present law is to engage in general crop cultivation, because in Japan those who can own or lease farms are limited to farmers or special agricultural corporations, and corporations in general are prohibited to do so by the agricultural land law. Farm managements which do not use farmland (poultry farming, hog raising, sericulture and so on) are allowed, and actually many cooperatives are engaged in such businesses.

General purpose cooperatives are engaged in various businesses as a



means of attaining the above mentioned purpose, while in the cases of specialized cooperatives and compound function cooperatives mentioned at the beginning of this lecture, business management itself is the purpose. In this point, general purpose cooperatives and the other cooperatives are quite different theoretically.

III. Organic constitution of various businesses handled by general purpose cooperatives.

(1) In order to develop agricultural productivities, integrated operation of various businesses as follows is necessary.

1 Reclamation of waste land, land improvement and irrigation, drainage facilities, and so forth.

2 To map out farm management plans

a To decide kinds or varieties of crop or livestock that should be introduced, after checking demand for agricultural products and natural, social and economic conditions of each community.

b To map out the plan on materials, fund and labor necessary to improve farm management.

3 To prepare funds according to the advanced planning of farm management.

a saving

b loan

c Reserved fund for insurance

4 To purchase (or produce), according to the plans, seeds and seedling and baby stock of high quality, and farm materials such as fertilizer and agricultural machines and implements.

5 To use properly the seeds and seedling and farm materials which were purchased or produced.

Crop cultivation (livestock husbandry), fertilizer application, pests and diseases control and harvesting.

6 To carry out the processing of harvested agricultural products on





sound economic basis,

sorting, hulling, processing, packing, storage, transportation etc.

7 To market agricultural products efficiently.

- (2) Integration and promotion of these businesses increase agricultural productivity and income, but it is not easy for farmers to rationalize the businesses individually.

General purpose cooperatives are the organizations which play the roles of guidance and inspection for farmers to carry out various businesses on sound economic basis and correlatively, and thus undertake joint enterprise...

Matters to be attended to are as follows:

1 It is meaningless (or sometimes harmful) that these businesses are carried on separately. They should be carried on organically and correlatively.

2 To realize the above mentioned purpose, it is necessary to have advisers for farm management who guide the members of cooperatives.

(note) In addition to businesses aiming at increasing of agricultural productivity and income, some general purpose cooperatives are engaged in businesses, making use of farmers' living conditions.

I will omit the explanation about these businesses, which are similar to the above mentioned businesses aiming at increase of agricultural productivity. In Japan, increasing number of general purpose cooperatives have had home economic advisers for that purpose.

IV. What are the advantageous points of general purpose cooperatives in comparison with specialized agricultural cooperatives?

- (1) If a cooperative is established in form of a specialized agricultural cooperative, it would be necessary to set up several cooperatives in a community, and a farmer must join several cooperatives. So it is very inconvenient.



(2) If several cooperatives are set up in a community, many buildings and many officers and staff are necessary. On the other hand, in the case of general purpose cooperatives, one cooperative in a community is enough, and thus expenses and number of staff can be reduced.

(Also compound function cooperatives can solve the 2 problems mentioned in (1) and (2).)

(3) Many farmers lack ability to map out rational farm management plans or to select productive materials and use them economically. General purpose cooperatives aim to improve agricultural productivity and living conditions of all the members equally by giving advice to them. This promotes cooperation in the members' economic activities such as credit, purchasing and marketing. The principle of mutual aid can easily be realized. (It is useful to prevent "the survival of the fittest".)

(4) By engaging synthetically in various businesses which are helpful to increase agricultural productivity and income, a cooperative comes in closer contact with its members, and the members utilize the cooperative more often. Amount of businesses of the cooperative increases.

#### Future of general purpose cooperatives

(1) It is apt to be considered that necessity of agricultural guidance decreases as farmers' knowledge and techniques progress, but it is not necessarily so. Scientific techniques being progressing day by day and development of social economy being more and more complicated, necessity of guidance for farmers in general rather increases.

(2) Accordance with socio-economy development, agriculture becomes "the suitable crop in the suitable area", and agriculture in an area (or a farm-household) shows a tendency to specialization and simplification. As a result, there is a tendency to development of specialized agricultural cooperatives.



In Japan, however, as farms are small in size, it is necessary to make the best use of agricultural land, assets (machines, implements, etc.) and labor. Such being the case, there is a limit to specialization and simplification of agriculture both on the community and the farm-household level.

Distinction between paddy-fields and upland-fields will remain in the future, and it will be possible for both of them to produce 2 or 3 crops a year. It is also difficult to separate general crop cultivation from livestock raising. Recently the method of farm management "rice+α" is increasing in Japan. So, there is a limit to development of specialized agricultural cooperatives.

(3) It is rare that specialized agriculture is developed in an area, the kind of agricultural products put on the market is indeed simplified, but the system of the general purpose cooperative to carry on such businesses as credit, purchasing, marketing, guidance and home economics is maintained, or rather strengthened.

To take a famous example in Japan, a cooperative which had been developed as a specialized orange marketing cooperative was reorganized recently as a general purpose cooperative in organize producing area.



March 24, 1967

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1. The difference between agricultural cooperative enterprise and profit making enterprise

(1) Purpose of cooperative enterprise

The purpose of agricultural cooperatives=the improvement of the economic capacity of members and increase of agricultural products.

The purpose of profit making enterprise=profit

(2) Essential qualities of the cooperative enterprise

Organized activities=cooperation of the members, Works of economic constituent of the coop. (owner)=those who utilize (buyer)

Rationalization of agricultural operation as well as the upsurging of cooperative spirit (principle of education)

(3) Development of its function through Systematizing.

Activities of affiliated organization.

The balance of the organizational principle and economic principle

(4) Integrated composed function

Attain their purpose by integration of various functions, especially integration with credit function.

(5) Reflection of characteristics of poor economy and petty seasonal factor, low profitability, unsteadiness (high risk ratio)

2. Functions of National Federation:

(1) Guidance service and services to unit cooperatives.

a. forming and propulsion of plans concerning to organisation and management.

b. supply of knowledge, information and specialised techniques.

c. service centre

d. education and public relations on profitableness of organised cooperatives

(2) Strengthening and expanding the functions of unit cooperatives.

a. collectivization, adjustment and development of each activity of different cooperatives.

b. independent responsibilities of different activities: purchasing, processing, sales, storage, shipping, unloading and distribution, etc.

c. settlement of accounts, credit inquiry, quality inspection, after-service etc.



- d. settlement of accidents, guarantee compensation etc.
- (3) Function concerning to marketing activities
- a. Quantitative adjustment in demand and supply
  - b. Qualitative adjustment of marketing products
  - c. Rationalisation of facilities concerning to production and in marketing channel
  - d. Adjustment and supply of techniques concerning to production and marketing (research work for marketing, merchandising etc)
  - e. Functions concerning to efficient handling of goods, development of new market, modernisation of marketing practices.
  - f. Promotion of publicity and public relations concerning to market.
3. Activity of National Federation by the types of activities
- (1) Credit Function
- a. Structure
 

General unit cooperatives - Prefectural credit federations - Central Cooperative Bank for agriculture and Forestry.
  - b. Deposits and Savings
 

Propulsion of functions concerning to movement (all-saving day, two-billion yen savings campaign, specified savings by different purposes) system to promote deposits and savings - protective system for savings. guidance to improve finance function.
  - c. Loan
 

Mutual Credit

Loans by cooperatives for agriculture and forestry (loans for the essentials, loans for facilities), and loan for living.

Systematic loan by the Agriculture, Forestry and Fisheries Finance Corporation and modernisation fund, calamity relief fund, improvement fund by cooperatives.

Farm management guidance, related with sales and purchasing activities of cooperatives.
  - d. Operation of Fund (profitable operation, saving with affiliated cooperative organisation, purchasing of and call-loan to other banking institutions.
  - e. Other Activities : Domestic exchange , floating of debentures, adjustment of demand and supply of credit.

## (2) Marketing Function:

## a. Organisation

General Unit cooperatives - economic federation - national marketing federation.

Special unit cooperatives - special cooperative federation - National special cooperative

## b. Items handled and activities related with marketing

Rice, wheat, miscellaneous cereals, rapeseeds, sweet potatoes, white potatoes, cocoon, vegetable, fruits, straw products, charcoal and other forestry products; eggs, milk, chicken, meat-cow, pigs, processing - milk, peanuts, canned food, pepper plant etc. warehouse and transportation.

## c. Joint use facilities: rice centre, fruit concentrating facilities, fruit collecting centre, storage, refrigerator, mixing facilities for feed, milk collecting center, poultry hatching, poultry brooder, animal breeding facilities etc.

## d. Special Functions of national federation

Guidance for advanced farm management, guidance for collectivisation of farm products in larger area - guidance for systematization of production and marketing - adjustment of production and marketing in greater region, guidance for unconditional consignment sales on pooling account basis to cooperatives, establishment of farming blocs by specified products.

Functional assistance system for sales, information and education for marketing activities.

## (3) Purchasing Enterprise

## a. Structure - general unit cooperatives, prefectural economic federation - national purchasing federation.

special unit cooperatives

## b. Goods handled : Fertilizer, nitrogenous fertilizer, phosphoric fertilizer, manure, kali, compound fertilizer, others, organic manure.

Feedstuff : (compound feed stuff for poultry, pigs, cows, mixed feeder, regular fodder etc.)

Farm Machinery: and implements, motors, tractor, cultivating machine, trallor, thresher, grain processing machine, petroleum products, bi-cycle, trallor car, joint use facilities for farm production, stable and other buildings, scales, etc.

Chemical : Insecticide, pesticide, weed control chemicals.

Petroleum : Material for heating, packing materials and other materials for production.

**Living necessities** : Principal food, subsidiary article of diet, **clothing**, durable consumption materials, daily necessities medicine.

c. Special Functions of National and Prefectural Federation

Propagating knowledge in connection with the productive facilities and materials.

Supply the technique of handling of purchasing goods in connection with the productive facilities and materials

Systematized purchasing (advance order, mobile sales, cash on delivery sales.

Large scale purchasing of goods by cooperatives, rationalisation of supply channel, control of quality, guidance for home economy of farmers.

(4) Mutual Insurance Activity

- a. Structure - general unit cooperative - prefectural mutual insurance federation, national mutual insurance federation.
- b. Kinds of insurance : Endowment, children's mutual insurance, building rehabilitation mutual and fire mutual insurance, and fire insurance of building of cooperatives, car mutual insurance.
- c. Function of cooperatives at different levels :

General Unit Cooperative - making insurance contract with individual members, encourage farmers to make contract with cooperative.

Prefectural Mutual Insurance Federation - Reinsurance, utilisation of insurance premium collected from insured.

National Mutual Insurance Federation - Re-reinsurance, utilisation of insurance premium (premium to cover risky portion of insurance), control and supervision of insurance activities.

d. Functions of National and Prefectural Mutual Insurance Federations

Insure the risk that arises from fire and natural calamities

Credit Function : Advance loans at lower rate of interest out of accumulated premia, thus returning funds to agricultural sector.

(5) Central Union of Agricultural Cooperatives

- a. Structure - General unit cooperative, various prefectural federations - various national federations and other affiliated organisations

- b. Functional guidance to cooperatives on organisational structure, activities and management, and auditing of cooperatives.

Information and education, liaison business and coordination among and integration among different activities of all cooperatives.

Research and study.

As the representative organisation of all cooperatives in the country the Union makes proposals to national and prefectural legislatures and the Diet (agricultural legislative activities)

- c. Functions : Central Union strengthens general activities of affiliated agricultural cooperatives reflecting the intensive common will of agricultural cooperatives (general adjustment function), and also as the representative of agricultural cooperatives makes appeal to legislators and general public (representative function)





DAILY PROGRAMMES

QUESTIONS FOR GROUP DISCUSSION

ALLOCATION OF PARTICIPANTS IN GROUPS



Regional Seminar on Cooperatives in Agriculture : An Integrated  
 Approach, Tokyo.                      March 20 - April 1, 1967

Programme for Tuesday, the 21st March 67

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8.00 a.m.	Breakfast
0930 - 1030 a.m.	Brief Review of Integrated Cooperative Development in South-East Asian countries
	Chairman      Mr Alf Carlsson Director, ICA Education Centre New Delhi
	by Each Country Delegate
1030 - 1100 a.m.	Coffee Break
1100 - 1200 noon	Brief Review of Integrated Cooperative Development in South-East Asian countries (contd)
1200 noon	Lunch
0200 - 0300 p.m.	Brief Review of Integrated Cooperative Development in South-East Asian countries (contd)
0300 - 0330 p.m.	Coffee
0330 - 0500 p.m.	Brief Review of Integrated Cooperative Development in South-East Asian Countries (contd)
0600 p.m.	Dinner





REGIONAL SEMINAR ON COOPERATIVES IN AGRICULTURE :  
AN INTEGRATED APPROACH, TOKYO

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Programme for Wednesday, the 22nd March 67

- 0800 a.m. Breakfast
- 0930 - 1030 a.m. Agricultural Cooperative Movement in Japan
- Chairman Mr R Okada  
Managing Director  
IDACA, Japan
- Introduced by Mr Shiro Futagami  
Central Union of Agricultural  
Cooperatives, Tokyo.
- 1030 - 1100 a.m. Coffee Break
- 1100 - 1200 noon Discussion
- 1200 noon Lunch
- 0200 - 0300 p.m. Multi-Purpose Cooperatives and their Socio-Economic  
Significance
- Chairman Mr J.M.Rana  
Co-Director, IDA Education Centre  
New Delhi.
- Introduced by Dr P.R.Baichwal  
Specialist in Agrl Cooperation  
ICA, New Delhi.
- 0300 - 0330 p.m. Coffee Break
- 0330 - 0500 p.m. Discussion
- 0500 p.m. Movie show "Multi-Purpose Agricultural Cooperative  
Society in Japan"







REGIONAL SEMINAR ON COOPERATIVES IN AGRICULTURE : AN  
 APPROACH. TOKYO. JAPAN

Programme for Friday, 24th March 67  
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0800 a.m.	Breakfast
0930 - 1030 a.m.	Federation of Cooperatives at Provincial and National Levels
	Chairman Mr S Futagami Central Union of Agricultural Cooperatives, Tokyo.
	Introduced by Mr K Kimura Deputy Chief, Organisation and Education Division, Central Union of Agricultural Cooperatives, Tokyo.
1030 - 1045 a.m.	Coffee Break
1045 - 1130 a.m.	Discussion
1130 - 1200 noon	Presentation of Pakistani Country Statement
1200 noon	Lunch
0200 - 0230 p.m.	Briefing on the visits by Mr S Futagami
0230 p.m.	Leave Idaca by bus
0330 - 0530 p.m.	Visit Central Union of Agricultural Cooperatives Central Coop Bank for Agriculture and Forestry National Marketing Federation of Agrl. Cooperatives National Purchasing (Supplying) Federation of Agriculture International Coop Trade Company (UNICOOP JAPAN)
0600 p.m.	Dinner with staffs of the above mentioned organisations

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REGIONAL SEMINAR ON COOPERATIVES IN AGRICULTURE : AN INTEGRATED

APPROACH, TOKYO. Japan

Programme for Saturday, the 25th March 1967

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0930 - 1100 a.m.	Group Discussion on Integrated Functions of Multi-purpose Agricultural Cooperatives
1100 - 1200 noon	Plenary Discussion  Chairman : Dr P.R. Baichwal Specialist in Agrl Cooperation ICA, New Delhi
Afternoon	Free
6.00 p.m.	Dinner





REGIONAL SEMINAR ON COOPERATIVES IN AGRICULTURE : AN INTEGRATED  
APPROACH, TOKYO. Japan

Questions for Group Discussions on  
25th March 1967

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1. If the main object of multi-purpose cooperatives is to increase agricultural production, please outline as to how this goal can be achieved.
2. In order to complement the economic functions of the multi-purpose cooperatives, what kind of member education work should the multi-purpose cooperatives undertake? Please outline the measures through which the member education work can be effectively carried out in the context of the conditions in the Region.



REGIONAL SEMINAR ON COOPERATIVES IN AGRICULTURE : AN INTEGRATED APPROACH  
 TOKYO JAPAN

Division of Groups for the group discussion on 25th March 1967

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Group A

Mr Edmund Wijesuriya  
 Mr V.K.Balakrishnan  
 Mr Joon Suck Oh  
 Mr Ismail bin Haji Abdullah  
 Mr M.A.Bautista  
 Mr P.J.Alfred  
 Mr Amphorn Na Pombejra  
 Mr J.M.Rana  
 Mr S Futagami  
 Mr A Matsukawa  
 Mr N Uchida  
 Mr Rashid Ahmad Chaudhry

Group B

Mr M.L.M.Aboosally  
 Mr B.B.Patil  
 Mr Min Ha Ryn  
 Mr W.W.Rajasingam  
 Mrs I.V. Chavez  
 Mr Choke Srisithigum  
 Mr Robert Forbes  
 Dr P.R.Baichwal  
 Mr S Ozaki  
 Mr T Yamamoto  
 Mr T Takahashi  
 Mr Ahmedian Soomro

Group C

Mr Premachandra  
 Mr Kwang Hyoo Bae  
 Mr Kyn Such Choi  
 Mr Borja C Valdez  
 Mr Lee Boon Chye  
 Mr Adul Niyomviphat  
 Mr Alf Carlsson  
 Mr H Idei  
 Mr T Mizusawa  
 Mr K Suzuki  
 Mr R.Nonaka  
 Mr Tufial Muhammad

Note ; 1. Each group will elect its own Chairman and Secretary for the day.

2. Group A will meet in the Conference Room, Group B in the Meeting Room,  
 and Group C will meet in the Guest Room.





LIST OF PARTICIPANTS AND OBSERVERS



REGIONAL SEMINAR ON  
 COOPERATIVES IN AGRICULTURE : AN INTEGRATED APPROACH, TOKYO

List of Participants

- |        |                                                                                                                                                                                 |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CEYLON | 1. Mr Edmund Wijesuriya<br>President<br>Cooperative Federation of Ceylon<br>455 Galle Road, Colombo.3<br>Ceylon.                                                                |
|        | 2. Mr M.L.M. Aboosally<br>President<br>Provincial District Union<br>Lankabarana Estate<br>Balangoda. Ceylon.                                                                    |
|        | 3. Mr D.G.Premachandra<br>Assistant Commissioner for Coop<br>Development<br>Kulajapitiya.<br>Ceylon.                                                                            |
| INDIA  | 4. Mr V.K.Balakrishnan<br>Deputy Director<br>Department of Cooperation<br>Ministry of Food, Agriculture, Community<br>Development and Cooperation<br>Krishi Bhavan, New Delhi.1 |
|        | 5. Mr B.B.Patil<br>c/o Shri Warana Sahakari Sakhar<br>Kharkana Ltd<br>Warananagar. Mahal Panhala<br>Kolhapur District. Maharashtra State                                        |
|        | 6. Mr P.R.Parachuri<br>Joint Director<br>National Cooperative Union of India<br>72 Jorbagh<br>New Delhi.3                                                                       |



## JAPAN

7. Mr A Matsukawa  
Cooperative Section  
Administrative Department  
Ministry of Agriculture and Forestry  
Tokyo.
8. Mr Harundo Idei  
Managing Director  
Saitama Prefec. Economic Federation  
of Agricultural Cooperatives  
Saitama. Japan
9. Mr T Mizusawa  
Manager  
Suyoshichiku Agricultural Coops  
Nigata Prefecture. Japan.
10. Mr S Futagami  
International Department  
Central Union of Agricultural Cooperatives  
5, 1-chome, Otemachi  
Chiyodaku, Tokyo.
11. Mr S Ozaki  
National Marketing Federation of  
Agricultural Cooperatives  
5, 1-chome, Otemachi, Chiyodaku  
Tokyo. Japan
12. Mr T Yamamoto  
National Purchasing Federation of Agricultural  
Cooperatives  
5, 1-chome, Otemachi, Chiyodaku  
Tokyo. Japan.
13. Mr K Suzuki  
Economic Research Department  
Central Cooperative Bank for Agriculture  
and Forestry, Tokyo Building  
Marunouchi, Chiyodaku  
Tokyo. Japan.
14. Mr N Uchida  
National Marketing Federation of  
Agricultural Cooperatives  
5, 1-chome, Otemachi, Chiyodaku  
Tokyo. Japan.

- KOREA, REPUBLIC OF
15. Mr Kwang Hyoo Bae  
Assistant Chief  
Agricultural Economic Section  
Ministry of Agriculture and Forestry  
Seoul. Korea
  16. Mr Joon Suck Oh  
Chief, Agricultural Coop Division  
Ministry of Agriculture and Forestry  
Seoul. Korea
  17. Mr Chong Chul Cha  
Senior Researcher  
National Agricultural Cooperative  
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75, 1-ka Choonjong ro  
Sudaemoon ku, Seoul. Korea
  18. Mr Min Ha Ryu  
Assistant Section Chief  
National Agricultural Cooperative  
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75, 1-ka Choonjong ro  
Sudaemoon ku, Seoul. Korea
  19. Mr Kyu Suck Choi  
Country Agricultural Cooperative  
98 Oupnai Ri  
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Choongbook Province. Seoul. Korea
- MALAYSIA
20. Mr Ismail bin Haji Abdullah  
Assistant Commissioner  
Division of Cooperative Development  
Ministry of Agriculture and Cooperatives  
Swettenham Road  
Kuala Lumpur. Malaysia
  21. Mr William Wilson Rajasingam  
President  
Railway Coop Thrift and Loan Society  
PO Box 70  
Kuala Lumpur. Malaysia.
- PAKISTAN
22. Mr Ahmed Mian Soomro  
West Pakistan Cooperative Union  
5 Court Street  
Lahore. West Pakistan
  23. Mr Tufail Mohammad  
West Pakistan Cooperative Union  
5 Court Street  
Lahore. West Pakistan

- PHILIPPINES
24. Mr Borja C Valdez  
Manager  
Midsayap FaCoMa  
MIDSAYAP. Philippines
25. Mr Manuel A Bautista Jr.  
Chief, Operations Audit Division  
Agricultural Credit Administration  
2544 Taft Avenue  
Manila. Philippines
26. Mrs Leonila V Chavez  
Manager, Cabanatuan City Farmers  
Cooperative Marketing Association Inc  
Cabanatuan City NE. Philippines
- SINGAPORE
27. Mr Lee Boon Chye  
12 Balmoral Road  
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28. Mr P.J. Alfred  
67 H Commonwealth Drive  
Singapore.3
- THAILAND
29. Mr Choke Srisithigum  
Deputy Director General  
Department of Credit and Marketing  
Coops  
Ministry of National Development  
Bangkok. Thailand
30. Mr Adul Niyomviphat  
Chief, Division of Land Development  
Department of Land Cooperatives  
Ministry of National Development  
Bangkok. Thailand
31. Mr Amphorn Na Pombejra  
President  
Pakchong Credit Cooperative Association  
Pakchong. Korat. Thailand
- OBSERVERS
32. Mr T Takahashi  
Vice-Chief  
ILO, Tokyo. Japan.
33. Mr R Nonaka  
National Federation of Fishery Coope-  
rative Associations  
Shinchiyoda Building  
Nishishinbashi, Minatoku  
TOKYO. Japan

- ICA, New Delhi
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