INTERNATIONAL COOPERATIVE ALLIANCE

Report of the Regional Seminar on

HOW TO ESTABLISH A COOPERATIVE PROCESSING PLANT

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

REPORT OF THE

REGIONAL SEMINAR ON "HOW TO ESTABLISH A COOPERATIVE PROCESSING PLANT", BANGALORE INDIA

December 5 - 20, 1966

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RAPPORTEUR: Dr. V.S. Vyas,

SECTION I

INTRODUCTION

1. A Seminar on "How to Establish a Cooperative Processing Plant", convened by the International Cooperative Alliance, Regional Office and Education Centre for South-East Asia, in collaboration with the National Cooperative Union of India, was held in Bangalore, India, from 5th December to 20th December 1966. Mr. S. Nijalingappa, Chief Minister of Mysore State, India, inaugurated the Seminar. The Seminar was attended by 20 participants from five countries of South-East Asia, namely, Ceylon, India, Japan, Philippines and Singapore. The observers from International Labour Organisation, International Cooperative Alliance, United Nations Economic Commission for Asia and Far East, and Afro-Asian Rural Reconstruction Organisation also attended the Seminar. A few experts in the field of cooperative movement acted as the resource personnel to assist in the deliberations of the Seminar.[1]

2. Cooperative movement in most of the countries of South-East Asia originated as a credit movement. It is only recently that the movement is

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1. A list of the participants, observers, resource personnel and Conference Organisers is appended in Annexure II.

being diversified and many more fields of economic activities are being brought under the cooperative fold. Cooperative processing of agricultural products is one of such fields. So far the success in this direction has been limited to a few countries and to a few commodities. It is being increasingly realised, however, that the cooperative processing can play an important part in strengthening the economy of agricultural producers. One of the pre-requisites for the success in this direction is the building up of adequate technical and managerial know-how. The main purpose of this Seminar was to acquaint the cooperators in this region with the nature of the problems associated with the organisation and the management of the agricultural processing societies in the cooperative sector and the latest methods and techniques specially in the field of organisation and management to solve them. An exchange of ideas and mutual discussion among the participants who were directly associated with this activity as well as the assistance of the experts in various fields was considered to be of great help in fulfilling these objectives.

3. The Seminar partook the characteristics of a discussion forum, a workshop and, a training course. About a dozen papers by resource personnel and other experts were circulated for discussion. The participants were divided into three groups, in which more detailed discussions took place. Each group was confronted with the specific problems emanating from the papers of the experts as well as from the direct experience of the participants. The discussion on the group reports as well as the discussion of a general nature took place in the plenary sessions. The Seminar had also the benefit of working with a team of resource personnel from Indian Institute of Management, Ahmedabad, on four problem cases to be resolved through the case method. The field trips to some of the cooperative societies was another important feature of the Seminar.[2]

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2. For the programme and itinerary of the Seminar, see Annexure I.

4. The main problems discussed in the Seminar can be grouped together under the following heads :

I. Role of Different Agencies in Planning and Organisation of Cooperative Processing Activities.

II. Feasibility Studies.

III. Location of Plant.

IV. Planning of Raw Material Supply.

V. Production Enhancement and Cooperative Extension Activities.

VI. Financial Planning.

VII. Marketing Organisation and Some Aspects of Price Policy.

VIII. Personnel Policy.

IX. Modern Techniques of Management.

X. International Technical Assistance.

5. The plan of this report also follows basically the same order of discussion. Though most of the sessions were devoted to one or the other aspects mentioned above, there were, as should be expected, cross references on various problems in different sessions.

6. Before dealing with the gist of the discussions and suggestions made at the Seminar, we shall briefly review in Section II, the status of cooperative processing societies in the participating countries of the Region. Section III reviews the discussion and suggestions made at the Seminar. The Annexure I & II give the list of the participants, and the programme of the Seminar, respectively.

SECTION II

STATUS OF COOPERATIVE PROCESSING SOCIETIES IN THE COUNTRIES OF SOUTH-EAST ASIA

Agrarian Structure :

1. The countries of South-East Asia, with the exception of Japan, and Singapore, are heavily dependent on their agricultural sector. Judged on the basis of the proportions of the national income generated in different sectors, and the percentage of the work force deriving their livelihood from different activities, agriculture is the predominent sector in these economies. Similarly, in the raw-material base of the economy agricultural raw materials account for a major share. What is more significant, for earning of foreign exchange, which plays a crucial role in economic development, there is again a heavy dependence on the agricultural sector.

2. The producers in the agricultural sector are so placed that there is a lack of sufficient incentive to increase their production. The economic organisation of agriculture of these countries is characterised by concentration of ownership in land, rack renting, insecurity of tenure, excessive sub-division and fragmentation of holdings, continuing decline of the average size of holding with the mounting pressure of population on land, and increase in the under-employment and unemployment in agriculture. Due to their small assets the bulk of the producers are considered uncredit-worthy by the organised credit institutions. The small quantum of marketable surplus handicaps them in their relationship with the market functionaries. The cooperative efforts provide a solution to many of these evils which are faced by small farmers all over this continent. The strong nexus of landlord, money lenders and traders can be weakened only by cooperative efforts at all levels. At the same time success of cooperative activities is heavily dependent on many-sided efforts to improve the economic and social conditions of the agricultural

producers.

3. In this context cooperative processing can play a far-reaching role in transforming traditional agriculture. Cooperative processing industries have proved to be an effective instrument of socio-economic change of the areas in which they are located. They have facilitated the introduction of technical change in agriculture; they have created not only economic opportunities but have helped in building a class of entrepreneurs from amongst ordinary farmers. Besides, cooperative processing accelerates the rate of capital formation in agriculture both at the production and processing stages.

The Beginning :

4. Historically the development of cooperative processing in these countries was slow because of the unsympathetic attitude of the erstwhile colonial powers or the then ruling classes in many of the countries, the lack of marketable surplus in the subsistence-oriented agriculture of these countries and the social, economic and political hegemony of the large farmers, moneylenders and traders (many a time all the three functions were vested in persons who formed closely knit). Some of these features are changing now.

5. A review of the cooperative movement in most countries of this region would reveal that it started as a credit movement in the beginning of the century. It was only in the 1930s', especially when raw-material exporting countries felt the impact of depression of 1929-33, that a beginning was made in the field of cooperative processing. A greater impetus for the growth of these activities was provided in the war and the post-war years. The post-war years also coincided with the gaining of Independence and/or formation of democratic governments in a number of countries in this region. In strengthening these activities, since then, the Governments of the region have taken keen interest. Another favourable feature of this period was the relatively favourable terms of trade experienced by the agricultural commodities in the countries of this region during the war and immediate post-war years.

6. In Ceylon, for instance, cooperative coconut societies were started in 1940 at the initiative of the Ceylon Coconut Board. The programme was further facilitated with the organisation of a union of such societies. The first cooperative tea factory in Ceylon was registered in 1953. In the case of India, though the beginning of agricultural cooperative processing societies can be traced back to 1917 when a cooperative cotton and ginning unit was established in Mysore State, the real start was made only after 1950-51 with the establishment of Pravara Nagar Cooperative Sugar Factory in Maharashtra. This programme got a fillip in the successive development plans of the country. In the beginning of the Fourth Plan, by 1965-66, cooperatives of the producers were already controlling a sizeable part of the agricultural processing units in the sugar industry and in the cotton ginning and pressing industry. In several other agricultural products, e.g., oilseeds, paddy, fruits and vegetables etc., the cooperative processing societies were making a steady headway.

6.1 In Japan, the cooperative processing of agricultural products began after the slump in the agricultural prices during 1929-1933. The vigorous growth, however, started only after the World War II. By 1949 in some of the industries, especially in the food industry, cooperatives had made a significant dent. In Philippines also it was only since 1952, when the Government created Agricultural Credit and Cooperative Financing Administration and encouraged farmers to organise themselves into cooperative marketing associations, that a real beginning was made in organising cooperatives for agricultural processing. The organisation of Central Cooperative Exchange, the apex organisation of the cooperative movement in the subsequent years helped in its further growth. Tobacco is the most important commodity processed in the cooperative sector. It should be of interest to note here that a further fillip was given to the cooperative processing movement after the agency of Agricultural Productivity Commission under the agricultural land reform law was established which aims at transforming a share-tenant into a lease holder and eventually a

landowner. The Agency takes complementary measures to make the economy of the beneficiaries of the land reform legislation viable. In Singapore, one or two abortive attempts were made in the post-war years to organise cooperative processing factories specially in the food industry sector. So far none of these attempts have yielded any significant results.

Organisation and Structure :

7. In most countries of South-East Asia the cooperative processing societies have been organised as adjunct to the marketing societies. However, in certain cases, especially when the investment is relatively large independent, processing units are also being organised.

8. Most of the societies in this region have not gone beyond the first stage of processing or primary processing, e.g. processing of paddy into rice. The utilisation of bye-products or more sophisticated treatment of main products which might be called secondary processing have not yet been taken up. In Ceylon, tea and rubber processing societies are engaged in the primary stage of processing. Some of the coconut processing societies have advanced to the secondary stage. An all Ceylon Coconut Producers Processing Societies Union Limited has also been organised. These societies as well as their union are in evolution of the marketing societies in the respective commodities.

9. In India, processing units established into cooperative sector confirm to two distinct patterns. These are : (1) units established by the independent processing societies and (2) units established as adjunct to cooperative marketing societies. In the former category are large units, such as sugar factories, oil-seeds solvent extraction plants, spinning mills, etc. Medium and small units, such as rice mills and hullers, oil mills, jute baling units, and cotton ginning and processing units, mostly fall under the second category. As a third variant are the secondary processing units established by a group of primary processing societies, e.g. a cotton spinning mill established by cooperative cotton pressing and spinning societies can be cited as an example. The cooperative processing units in India have

their own state level and federal organisations in respect of some commodities. They are also supported by several government agencies, most important among them being the National Cooperative Development Organisation.

10. In Japan, the cooperative processing movement is distinguished by two main characteristics. Firstly, most of the primary societies undertaking cooperative processing activities are multipurpose societies. They perform processing business as one of the several activities such as credit, purchasing, extension, insurance etc. Secondly, a number of cooperative institutions are partners in the joint-stock companies in which private capital is also invited. The cooperative movement in Japan operates at three levels, namely, the local, prefatural and national levels. The Japanese participants reported that the activities at these three levels are not sufficiently integrated in respect of the processing function. The upper level organisations mainly give assistance for holding training courses and for introducting new techniques, although the Central Cooperative Bank for Agriculture and Forestry provides finance to the processing units. Similarly, Agricultural Forestry and Fishery Finance Corporation provides long-term credit at low rates of interests. The government assistance consists, mainly, in assisting the organisation of research and training courses. For agricultural modernisation central government and prefactural government grant loans and subsidy to the agricultural cooperative credit organisations and thus indirectly help the primary units undertaking processing activities.

11. In Philippines, processing societies are in adjunct to the cooperative marketing societies. The multipurpose farmers' cooperatives marketing and processing associations (FaCdMas) are federated first at the provincial and national levels. Their apex organisation is Central Cooperative Exchange (CCE). The FaCdMas are also supported by two government agencies, namely Agricultural Credit Administration which extends credit and, Commission on Agricultural Productivity which promotes and organises agricultural cooperatives.

Achievements

12. The progress of the Cooperative processing in the participating countries was reported to be uneven and generally poor. In certain commodities, however, in individual countries notable strides were made. In Ceylon, for instance, the cooperative coconut processing societies have covered an important segment of the coconut growers. They have also started manufacture of secondary products as well as fuller utilisation of the various bye-products. Still they have a long way to go before they can really make an impact on the coconut economy of the country. In India, as was noted earlier, a significant achievement has been made by the cooperative processing sector. About 1600 processing units had been organised in the cooperative sector by the end of the Third Five Year Plan, viz. by 1965-66, of which nearly 778 are expected to have gone in production and the rest are at various stages of installation. Among the food crops a large number of rice mills and hullers (830 units) have been organised under the cooperative fold. The same is the case with regard to the groundnut oil mills (199). But most of these are in the small-scale industries sector. On the other hand the sugar factories (76) and the spinning mills (25) organised in the cooperative sector are fairly large units by the standards of the developing countries. The sugar cane processing societies as well as ground nut oil processing units have also started, in a few instances, a complement of plants to enable them to make full utilization of their various bye-products.

12.1 In Japan nearly 877 plants of multipurpose agricultural cooperatives, 145 plants of the single purpose agricultural cooperatives, 26 plants of prefactural economic federation and 43 plants of national marketing federation were already in operation by 1965. It is mostly in the food industry that a notable start has been made by the cooperative sector. These plants in the cooperative sector covered products such as meat, milk and milk products, spices, wines, starch etc. In Philippines, after the reorganisation of the cooperative movement which took place during 1955-1966, the number of processing units, specially rice processing units, in the cooperative sector

has been considerably reduced. As a precondition of the success of cooperative processing, stress is laid on strengthening cooperative marketing. The tobacco redrying plant of the CCE is proving to be a sound economic proposition. This plant serves nearly 110 tobacco producing farmers' cooperative credit and marketing societies (FaCoMas), which are the only associations authorized to sell virginia tobacco to the government.

Future Plans :

13. Despite the slow progress or occasional failures the role of cooperative processing in strengthening the economies of the small farmers of this region is fully recognised. Most of the movements in South-East Asia have plans for future development. In Ceylon, the coconut societies aim at fuller utilisation of the bye-products as well as enlarging the trading operations of the processed goods both in the domestic as well as in the foreign markets. The tea and rubber processing societies aim at consolidating their position before undertaking further expansion. Processing of fruits and vegetables is another line in which cooperatives are likely to enter. India has an ambitious plan for development of the cooperative processing of agricultural commodities during the Fourth Plan period, 1966-71. Nearly 33 per cent of country's sugar manufacturing capacity, 27 per cent of the cotton ginning and pressing, 18 per cent of the rice milling, 17 per cent of the groundnut oil processing, and 11 per cent of the fruit processing, is planned to be organised under the cooperative fold by 1970-71. Attempts are being made for the profitable utilisation of the bye-products of sugar, cotton, groundnut and, the rice bran. Besides, attempts will be made to cover commodities such as jute and plantation crops, which have remained so far outside the perview of cooperative processing. Similarly, in Philippines the dairy activities, poultry and livestock enterprises and, coconut producers, are likely to be organised in the cooperative sector. Efforts are also being made to consolidate the movement and to strengthen the marketing societies.

Common Problems :

14. The common problems faced by the cooperatives in Ceylon illustrate the problems faced in the other countries of this region. The experience of Ceylon suggests that most of the failures occur in the initial period. Once the initial problems are overcome, generally, the processing societies settle down as viable economic units. The societies started in the war and post-war boom period had the advantage of "early start". The societies which started later had to face a more competitive market. The biggest handicap was the lack of proper planning and management. Thus the haste with which mills were constructed in order to take advantage of the boom in prices resulted in poor design and use of second hand materials for construction with the result that heavy depreciation had to be provided for. A lack of foresight also led the societies to distribute profits liberally without building up reserves. On the other hand extension measures on the farmers' field to ensure the right quality and adequate quantity were not taken. Some of these problems still plague the movement.

15. In India, also, instances are not lacking of cooperative processing units been established without proper advance planning. Among other things, the result has been under-utilisation of installed capacity and consequent adverse effects on the economic viability of the units. Another serious limitation faced by the processing units is the derth of suitable managerial personnel. The financial problems are faced by the cooperative processing units even in Japan. It is difficult for a cooperative society to increase share capital for undertaking processing or to enlarge the size of these plants. Cooperatives are apt to distribute a large share of their surpluses and hence lag behind in building the reserves.

16. In most of the countries cooperatives do not control marketing channels and have to depend on the marketing channels dominated by the private sector. The techniques used by several cooperatives are outmoded and it is difficult to change the techniques.

Cooperatives being democratic organisations also have to face frequent changes in management. In some countries, e.g. Japan, the limited operating area of a society poses another handicap.

17. To sum up, the main problems are: poor planning and management, insufficient financing and lack of proper appreciation on the part of members, unequal and sometimes unfair competition from the private sector and difficulties created by rigid and unimmaginative attitude adopted by the government officials.

18. As against these handicaps, some positive factors in favour of the development of cooperative processing may be noted. Firstly, the farmers themselves are undergoing a reorientation of attitudes towards farming business. Secondly, the governments in the Region are committed to rapidly achieve economic growth and are postively disposed towards cooperative efforts of the farming communities. Finally, the apex cooperative organisations in the Region, which are aware of the contribution of cooperative processing to the farm economy, are lending their support to development of cooperative processing activities. The need, therefore, is to equip the workers at various levels in the cooperative movement to face the task of planning and management of cooperative processing units with the aim of making them economic, viable and growth-oriented.

SECTION III

I. ROLE OF SECONDARY AGENCIES IN PLANNING AND ORGANISATION OF COOPERATIVE PROCESSING ACTIVITIES [3]

1. The Seminar discussed the role of secondary agencies for planning and development of cooperative processing in the context of a highly developed cooperative movement viz. Sweden, and a developing movement, viz. India. It was agreed that there was no uniformly applicable answer to the question as to what secondary organisations within the agricultural cooperative movement could do, because the social and political conditions, the general economic situation and, the level of cooperative development differ from country to country. Nonetheless, there were three important fields in which secondary organisations could play an important part. They were :

1. Planning the development of processing units within the cooperative movement;
2. Service and advice to existing units;
3. Acting as spokesman for existing units vis-a-vis government, and other public and private agencies.

Experience of Sweden:

2. In Sweden, the basic responsibility even in the field of cooperative processing is undertaken by the primary societies. These societies generally concentrate on one farm product. The primary societies are affiliated to the country-wide organisations of their respective products. For instance, the primary dairy societies are affiliated to the Swedish Dairy Association. For the cooperative movement as a whole there is an apex organisation; the Federation of

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3. The following papers of the Seminar refer to this aspects: (1) Agency for Prospecting and Planning Development of Cooperative Processing with Special Reference to Experiences in Sweden, by Dr. Helge Kristersson. (2) Planning and Promotion of Cooperative Processing in India, by S.S. Puri.

Swedish Farmers' Associations. The national organisations for different farm products have also sponsored some processing cooperatives but first and foremost of their functions is to act as a service organisation for the affiliated societies. They also act as marketing bodies at the national and international level for respective agricultural products. The Federation is also a service agency dealing with questions of common interest to different farm product societies. It advices the affiliated bodies on taxation and auditing. It also carries out informative and educational programme on behalf of agricultural cooperatives and arrange training courses for their members. It investigates into matters of general concern to the societies and negotiates with government bodies and agencies on matters of common interest to the farmers.

3. The main initiative regarding cooperative processing rests with the specific farm product primary societies. This has created problems because in order to keep pace with technical developments and to maintain cooperative strength the trend is to opt for larger plants. To establish such plants is becoming increasingly difficult for primary societies. This problem at the primary level is being resolved by increasing the size of the primary societies through amalgamation. Also, specialised societies are organised to perform certain functions, such as sales and purchases. The secondary organisation play a useful role at the investigational and planning stage, in the provision of technical assistance, advice and information, to maintain public relations and, for training and recruitment of managerial personnel.

Experience of India:

4. In the countries where the cooperative movement is relatively weak secondary organisations have to perform a much more active role. Even for organising a simple processing activity at the primary level the resources of the primary societies are generally inadequate. The need for a strong support from secondary organisations arises because of a large number of variables and uncertainties such as weather uncertainty and fluctuating production, problems pertaining to the loyalty of the raw-material suppliers etc., which have to be taken into account in the agricultural processing activities, specially in the

cooperative sector.

5. Secondary agencies at various levels have been organised in India to lend support to the cooperative processing activities. These agencies could be grouped broadly into two classes. One is the government agencies, which include the cooperative departments at the state and the federal government levels. The National Cooperative Development Corporation, which has played an important part in the growth of cooperative processing of agricultural products is a quasi-government institution. In the second category are the institutions within the cooperative movement, such as federations of the processing societies (e.g. the federations of sugar mills, cooperative textile mills etc.). There are specialised agencies viz. the State Cooperative Unions for particular activities such as education and training. Some cooperative agencies though mainly concerned with other fields, e.g. credit, also take interest in cooperative industrialisation. The most well-known among these is the Maharashtra State Cooperative Bank which set up a cooperative Industries Commission for promoting cooperative processing in the state. As in other countries, cooperative marketing federations have particular importance in this set-up because processing is a part of the marketing function.

Appropriate Agency :

6. Apart from the interdependence between the marketing and processing there are other reasons, which suggest the pivotal role of marketing societies in sponsoring cooperative processing activities. Marketing societies, which are generally situated in Mandies(marketing towns) have the locational advantages. Besides, the overhead costs of marketing societies can be more equitably and economically distributed if the processing activities are undertaken by them. But there are two exceptions which would warrant a specialised processing society more or less independent of marketing societies. One, when the investment is too large to be undertaken by marketing societies (for instance, a cooperative sugar mill or a cooperative cotton textile mill) and two, when the cost is so small that even a multipurpose village society could

start the processing activity (for instance, a rice huller).

7. The assistance of private agencies, especially in the provision of equity capital, in sponsoring cooperative processing was not favoured by most of the participants of the Seminar. It was maintained that cooperation was not merely another form of business but it was an organisation with a certain social orientation. Besides, in most of the countries the initial equity capital could be supplemented by taking assistance from various public agencies directly or indirectly connected with the financing of industrial activities. A few participants, however, felt that ideologically there was nothing wrong in cooperatives inviting equity capital from the private enterprise for jointly setting up processing units, as long as the processing units would help to raise members' economic conditions. Examples of such joint ventures are found in Japan, Sweden and some African countries.

8. During the course of discussions it was pointed out that the growth of cooperative processing need not depend on the initiative of the government. It was suggested that in several of the cooperatively developed countries of Europe there was no separate ministry or department of cooperation. But it was generally agreed that the historical conditions in which the cooperative movement had developed in the West were different from those which now prevail in developing countries. For one thing the atmosphere of laisse-faire which prevailed in the later 19th and early 20th centuries when the cooperative movement took its roots in Europe is no longer a force in the social and political thinking of the developing countries and a positive role was assigned to the state to initiate measures for economic development and among these measures development of cooperatives figured prominently.

Type of Assistance:

9. (1) Planning and Projects : Planning for development of processing may be in three stages. In the first stage, the areas may be surveyed with a view to obtaining general information regarding the resources, existing industries and, prospects of new industries. In this task the information already available with various government

departments may be largely utilized. In the second stage, a more complete picture may be drawn giving details of the available raw materials and natural resources and suggesting in an outline form, the prospects for particular industries in the given area. At this stage, attention should be focussed on the types of commodities or groups of commodities for which processing industries have to be established in the area. The third stage involves planning for setting up on individual processing plant in an industry for which prospects for growth have already been established.

10. In view of the need to establish more sophisticated processing plants, greater emphasis has to be laid on detailed planning. Ordinarily, if the job is not highly specialised it can be assigned to an individual technician or to technical cells located in the secondary organisations or in the government departments. If the planning involved is more complex, the national bodies could assign this work to specialised firms.

11. (2) Provision of Technical Know-how : The development of agricultural cooperative processing needs specialised technical assistance for identification of areas, preparation of feasibility reports and blue prints, location of site, selection of plant and machinery, technical audit of the processing units in production etc. Individual processing units may not be able to secure services of specialised technical experts for all these pruposes. To obviate this difficulty and to accelerate the growth of cooperative processing of agricultural produce, secondary organisations in India have set up technical cells consisting of qualified engineers, technologists, processing and marketing experts. The national bodies in the government may provide financial assistance for this purpose.

12. (3) Training of Managerial Personnel : In the planning, installation and cooperation of cooperative processing units, management constitutes one of the most significant inputs. The ability of the cooperatives to have access to suitable managerial personnel will, therefore, have a vital bearing on the success of the processing programme. This is a sphere in which an initiative will have to be taken

by the apex marketing societies, and state-level federations of processing cooperatives wherever they exist. The apex organisations may create a pool of trained personnel for loaning them to affiliated societies. In addition, special training courses for new recruits as well as for the existing incumbents can be organised so as to make available trained personnel for processing units. Even in developed countries, like Sweden, processing units have to depend on their secondary organisations for obtaining these services.

II. FEASIBILITY STUDIES[4]

13. It was emphasized in the Seminar that now-a-days to procure credit in the domestic capital market, and more so to secure international assistance, feasibility surveys are necessary. The precise steps to be taken while working out a 'feasibility report' differ in different situations, depending especially, on the nature of planning at the government level. Many a time when there are comprehensive governmental plans for industrial or regional development the scope of the 'feasibility report' for a particular unit is more sharply defined.

The Outline of a Feasibility Report:

14. The steps which are generally suggested to prepare a feasibility report' are, first, the description of the product, its importance and its suitability for processing, two, the economic prospects of the industry, the latter would include domestic supply-demand analysis as well as the prospect for exports and/or import-savings. The economic aspects would also include ascertainment of the price of the raw materials and selling price of the end products. The taxation as well as the subsidies and other governmental measures

4. Following papers of the Seminar refer to this aspect: (1)Outline of Feasibility Project Concerning a Processing Industry Based on Agriculture (Essential Elements) - By Branko Zlataric. (2)Brief Case Study of a Feasibility Project for Establishing a Sugarcane Plant (outline) - By Branko Zlataric.

have also to be taken into account at this stage. The third important step would be to determine the size and the location of the industry. While it may be easier to determine the technically optimum size, in actual practice much will depend on the level of technology which is desired to be adopted at a particular juncture. Similarly, in the case of location, direct economic benefits are of crucial importance; however, due weight has to be given also to the indirect costs and benefits of locating a plant at a particular site. The fourth step in a 'feasibility report' comprises the technical and economic description of the plant including (a) processes of production (b) supply of raw materials (c) manpower planning for both skilled as well as unskilled labour (d) transport arrangements (e) distribution arrangement. In the same section would be included the phasing and timing of the whole project. As a next step the report should suggest the fixed and the working capital requirements, the alternative sources of obtaining them and, the charges which have to be paid. Next, the report should arrive at the profitability of investment, which in fact should be considered the main outcome of the report. While calculating profitability, the items of costs should be detailed out and also the time horizon should be specified, because the project which might be unprofitable in the short-run may be profitable if the whole life of the equipment is taken into account. Lastly, the feasibility report should suggest the type of organisation and planning which is necessary at every stage of the implementation of a given project.

Goals and Objectives :

15. The participants agreed with the importance, the basic approach as well as the step-by-step construction of a feasibility report as outlined above. It was suggested, at the same time that the goals and objectives of the project have to be clearly defined. While the maximum profitability consistent with the survival of the firm (in this the cooperative) will be a goal in most of the cases and more so at the micro-level, at macro-level the planning authorities might have some other objectives in view as well. The consultant has to keep an eye on these objectives even when he is planning for profit-maximization

at the project level.

Type of Technology

16. Another ticklish problem pertains to the type of technology advocated. In developing countries, due to the abundance of labour and paucity of capital, intermediary type of technology sometimes has to be opted for instead of a highly sophisticated type, which is generally capital intensive and labour saving, even though the latter is more profitable. Another important decision which goes beyond the scope of a purely technical feasibility report is regarding the degree of integration between the functions performed on the farm by the growers and the functions which the factory is going to take over. Another decision of similar nature is in the field of product-mix and diversification. An important consideration in deciding to have product-mix is the need for imparting a certain degree of flexibility to the organisation. This is particularly important for agricultural processing units such as dairies, where the raw material supply fluctuates in different seasons.

17. While drawing the feasibility report a technical consultant may or may not provide for all these eventualities; sponsors of a cooperative processing plant, however, cannot overlook them.

III. DETERMINING LOCATION OF PLANTS AND OPTIMUM SIZE OF OPERATION [5]

Factors Determining Location :

18. The factors which have to be taken into account for deciding the location of a plant were enumerated and illustrated for the benefit of the participants with reference to a practical case of a fruit processing plant located in Pakistan. The first question which has to be answered while determining the location of a plant is whether the plant should be near the growers or near the market. Some of the factors which would help in answering the question are cost of transport of

5. Following Papers of the Seminar refer to this aspect: (i) Determining Location of the Plant and Optimum Size of Operation (with reference to a Fruit Processing Plant) - By Flemming Fisher. (ii) How Sangli Cooperative Sugar Factory was Establised - By A.R. Upadyaya.
Also refer to,
Yashnagar District Milk Producers Cooperative Union - Case Study submitted by the Indian Institute of Management, Ahmedabad.

raw materials, the facilities with which it can be transported and the extent of the loss of weight after processing. Similarly the concentration or the dispersal of the consumers of the product has to be taken into account. In the case of most of the agricultural processing plants, and more particularly the fruit and vegetable processing plants, on the basis of these considerations the decision would, normally, be in favour of locating the plant near the sources of raw material supply.

19. Once this decision is taken the exact location of the plant will depend mainly on the availability of the production facilities and the concentration or dispersal of the growers. The facilities which have to be taken into account are commonly known as infra-structure, meaning thereby the system of roads, railways, bridges, power, water, etc. The availability of skilled and unskilled labour, and the price of the land for the factory site, are other important considerations. Apart from the economic and technical considerations, preferences of the members have also to be given due weight although in most of the cases the members can be convinced about locating the plant at a site which is technically and economically most appropriate. Development potential of an area and the effect of a location of a large-sized plant in an area are two other considerations which have to be taken into account which deciding about the location of a plant.

20. The specific questions arising from the paper on the subject on location of processing plants dealt with in group meetings. Of particular interest were the views of different groups on the location of dairy plants. Weighing the problems connected with the location of cooperative dairy plants, e.g. problem of milk procurement, bulk handling, and transport technology, collection of share capital, winning loyalty of members, type of products to be manufactured, etc. the consensus was in favour of locating such plants in the rural areas.

A Case Study of a Sugar Processing Plant :

21. The Seminar heard an interesting account of the establishment and growth of one of a dynamic sugar factories in the cooperative sector in India. A few points of common interest emerged from the

paper[6] and subsequent discussion on the subject. It was made clear from the example of this society that a massive investment such as has to be made in establishing a sugar processing factory can initiate a chain reaction which would be conducive to the growth of rural industrialisation. Partly, it is a strong point of the sugar industry that its linkage effects are far-reaching and strong (i.e. the impact it makes on the raw material supplies is very strong). Also, the raw material supply as well as the by-products of the main plant can lead to the establishment of a number of industries. It was due to the vision and the courage of the leaders that these potentialities could be turned into realities. The other encouraging features of this project are also worth emphasizing. For instance, it was demonstrated by this society that with determined efforts an agricultural processing plants can create its own base of raw material supply, where there was practically none before, by taking adequate steps for the provision of irrigation facilities, improved inputs and agricultural extension. Similarly, by a judicious financial and investment policy it can ensure sizeable capital formation not only for expansion of the plant but also for promoting several other industries like cement pipe factory to facilitate irrigation, cane growers field, or a distillary to use the by-products of the factory. By proper husbanding of the available resources overhead costs can be lowered for a group of inter-related industries, supplying inputs to the sugarcane growers or facilitating further processing of be by-products, especially in the crucial initial phase. A similar dovetailing of resources in the form of technical personnel can overcome another major hurdle, namely paucity of technical and supervisory cadre. In this particular case the technical staff of the sugar factory not only built the main plant but also could be utilized in off-seasons for assisting in various

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6. Paper referred to in Footnote 5 (ii): "How Sangli Cooperative Sugar Factory was Established".

other related industries in the promotion of which the sugar factory had taken interest. The basic reason for the successful start and the growth of the factory was the leadership which was popular, influential and progressive.

The Optimum Size of the Operations :

22. A related problem is that concerning the optimum size of the plant. The main considerations in this regard are (a) the estimate of the maximum supplies of raw materials (b) the estimate of a level of sales to ensure maximum profits (c) evaluation of alternative types of machinery and equipment from the technical and economic point of view, (d) calculation of cost of production for alternative plants (e) calculation of sales income on the basis of sales estimate and price estimates (f) finding out break-even points between income and expenditure for alternative plants (g) calculation of net profit and (h) determining the optimum production on the basis of break-even point and the profit ratio. A rational decision on the optimum size of production would involve working out the above details.

23. Apart from the considerations narrated above certain other relevant factors have also to be taken into account. For instance, the break-even point represents only the first step towards the evaluation of the profitability of the plant. For a complete evaluation, the returns to the capital invested have to be calculated. It was maintained that in calculating the cost the promotional expenditure such as costs of feasibility studies, costs incurred for pursuing and orienting the existing and potential members, will have to be taken into account.

IV. PLANNING OF RAW MATERIAL SUPPLIES [7]

24. Assured raw material supply is a precondition for the successful running of a processing plant. The Seminar discussed

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7. Following Background Papers of the Seminar refer to this aspect: (1)Planning of Supply of Agricultural Raw Material (with special reference to Cooperative Sugar Factories) - By V.G. Puranik. (2) Planning of Milk Supply for a Dairy Cooperative - By M.K. Shah. Also refer to :
   1. Mahanagar Municipal Dairy - A case Study submitted by the Indian Institute of Management, Ahmedabad.

the problems of raw material supplies in the context of two processing industries, the sugar industry and the dairy industry. There are many similarities in the problems, as there are a few special problems of each of them as well. The estimate of raw material supplies is essential for, deciding about the location and size of production plants, for formulating sale policy for the finished products, for determining the product-mix, for future expansion programme and for assessing the need for the timing of diversification of the production. It was also emphasized during the course of the discussion that a properly devised raw material policy can encourage desirable structural and technological change in the agriculture of the area covered by the processing cooperative.

Marketable Surplus:

25. In normal circumstances a plant is located in the areas where raw-material production is already in sufficient quantities. What is needed is to estimate the marketable surplus. In the case of non-food agricultural products, say cotton, the marketable surplus is more or less equal to production, but in the case of other products, for instance milk - and to a lesser extent, sugarcane - marketable surplus has to be estimated by first finding out production and then netting out consumption requirements. The data for both, especially for consumption, are not very reliable in developing countries, and, to that extent, recourse has to be taken to indirect measures of assessing marketable surplus. One of this would be, in certain circumstances, the size of operations of the existing marketing firms. For instance, the size of operations of the private milk-venders in a particular area can give some idea about the potential marketable surplus of milk in the given area.

Ensuring the Raw Material Supply :

26. Once the marketable surplus is estimated, the next problem is to ensure adequate and continuous supply of raw materials. Several measures have to be undertaken for ensuring sufficient quantity of raw materials, and that too of the right quality. For ensuring sufficient supply of raw materials, several sugarcane processing units undertake

a vigorous extension programme. Most of the sugar factories have a well-knit and forward-looking Agricultural Development Department. This department looks after the production of sugarcane, its harvesting and transportation. The difficulties in carrying out these functions can be well appreciated. If it is realised that marketable surplus to be collected from each producer is likely to be in small quantities. Due to the working of these departments, sugarcane production has been given a fillip in the areas covered by the sugar cooperatives. The indirect effect of their working is reflected in raising the general level of agricultural productivity. The processing plants can and do take several other measures e.g. provision of irrigation facilities, supply of quality seeds, fertilizers etc., to boost agricultural production of the raw materials required by them.

27. The quality of the product can be assured, first by making conscious efforts at the production stage by the Agricultural Extension Department of the plant. But more effective has been the price policy of giving incentives of higher prices for better quality materials. In sugarcane factories, it is the sugar content of the cane for which a premium can be paid, in dairy it may be the fat content of the milk which may be the major determining factor in the pricing of the raw-material. It has been the universal experience that such incentives always help in procuring the right quality of raw materials.

Seasonal Fluctuations :

28. The third problem, discussed in this connection was that of seasonal fluctuations in the raw materials supply. Where the problem is not very acute, e.g. sugarcane, a phasing of the harvesting of the crop is quite helpful. But in other industries, especially dairying, this is one of the most important problems. It has been found from Indian experience that most of these fluctuations can be accounted for by concentration of calving in a particular season, normally coinciding with the post-monsoon season when the natural grass is abundantly available and hence the calf has a higher chance of survival. The export of useful cows and buffaloes from rural to urban areas in a particular season further accentuates these difficulties. A proper price policy is necessary to encourage the producers to release more of marketable

surplus in summer, the slack season, by offering them higher prices and by reverting the position in winter.

29. For ensuring adequate, year-round supply of good quality materials, the price policy can play an important part. An assured market, remunerative prices declared well in advance, and the minimum fluctuations in the price can achieve the objective with relative ease, although in certain circumstances specially in the initial phase of a cooperative processing plant, it might have to be made obligatory on the part of beneficiary-members to give their raw materials to the cooperative unit only and to no one else. In certain circumstances the processing societies have to devise a strategy for the collection of raw materials in such a manner that in the initial stage they are not in direct competition with the entrenched private interests; they can gradually expand the sphere of their activities as they gather strength. This was illustrated by the procurement policy of milk in some of the newly established city dairies in India, which left out an area of 10 or 15 miles around the cities as far as their milk collection activities were concerned in the initial phase as it was very difficult to out-bid the entrenched interests in these areas.

30. Similar advantage can accrue to the members if the processing units follow a wise payment policy. One of the most successful dairy units in India attracted, and still holds, its members by, among other things, paying them cash twice a day for the morning and evening deliveries of milk.

Harvesting and Transport of Raw Materials :

31. As regards harvesting of raw materials and transport to factory site, the advantages of large-scale collective efforts was recognised, but at the same time it was fully appreciated that the local conditions which the processing plants faced varied so much, that it would be difficult to make any general statement. However, in the case of harvesting of sugarcane, if the action is taken by the processing unit, of course with full consent and cooperation of the growers, two distinct advantages arise. For the processing unit phasing of the

supplies to the plant becomes easier; for the producer, picking up the cane at the most proper time becomes possible with the help and supervision of experts from the sugar factory. As against this, the problem of organising transport arrangements is quite difficult on account of the small quantities of marketable surplus available with the producers and bad conditions of roads and concentration of processing work in a limited time. Hence, for the processing society the net advantages seem to be either to employ separate contractors for transport purposes, or to encourage growers and suppliers to bring their produce to a common collecting point rather than establishing its own transport organisation.

V. PRODUCTION ENHANCEMENT AND COOPERATIVE EXTENSION ACTIVITIES [8]

The Need :

32. Producers' cooperative societies owning a processing plant are in a difficult position as far as the return to the growers are concerned, because beyond a certain point they cannot give a higher price for the products lest their competitive position in the market should suffer. But they can still make a substantial contribution in raising the income of the producers by organising extension services in such a manner that the cost of the inputs is decreased, the quantity and quality of crops produced is improved and the modern methods of production are adopted by the producers. All these would lead to a reduction in the cost of production and thus to the widening of the margin between the costs and the returns. Also, cooperative organisations will prove more effective agencies for extending the knowledge of improved practices and organising the distribution of improved inputs on account of their day-to-day business contacts with the members.

Extension Services by a Dairy Cooperative:

33. To cite one example, the AMUL Dairy in the Gujarat State of India, has proved to be of great assistance to its members because of the several extension services it has organised. In the field of animal

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8. Following background paper of the Seminar refers to this aspect :
(1) Production Enhancement and Cooperative Extension Activities by a Dairy Cooperative - AMUL - by M.K. Shah.

husbandry and veterinary diseases, its activities include (1) mobile veterinary dispensaries (2) special visits by veterinary physcians, (3) veterinary first aid, and (4) artificial insemination. The second group of services are aimed at improving the feeding practices. The dairy has started its own cattle feed factory and is distributing a balanced feed at competitive prices. The dairy's feed product is fast replacing the cotton seed which is the staple concentrate in this area both due to its superior quality and competitive prices. The dairy has also initiated an ambitious fodder development programme by distributing seeds of improved varieties of grass. The importance of this programme for the dairy is considerable because with proper feeding, along with the changes in calving practices, the rate of conceptions can be increased and the huge seasonal fluctuations in the milk supply can be evened out to some extent. Thirdly, as a part of its programme for bringing awareness among the members about cooperative principles and winning their loyalties for their institution, the dairy organises village to village exhibitions, publication of a newsletter in Gujarati and visits of the women from the members' households to the dairy plant. Fourthly, for strengthening the management at the village cooperative society's level, it also organises a secretary-training programme. Inservice training to the secretaries of the village cooperatives was provided in various fields, e.g. artificial insemination, animal first-aid etc.

34. The efficiency of the programmes sponsored by the Dairy has been proved by their growing popularity. It was mainly due to the success achieved by the Dairy in its extension programme that the Government of India has agreed to permit the Dairy to take the organisational responsibility for intensive cattle development programme in one of the blocks selected for this programme.

Costs and Benefits of Extension Programme :

35. The participants while generally agreeing with the superiority of the cooperative organisation for organising extension services also felt that some records must be maintained to analyse the costs and benefits of these services. Even an extension programme must be

financially viable; of course it would take a longer time, by its very nature, to prove its viability. Various ways of effecting economy were underlined, for instance, use of milk transport vans, on their onward journey from the union to societies when they are empty, for sending the supplies, messages and, personnel for running various extension programmes. Similarly, by giving elementary but sound training to the village level secretaries and providing them some allowances for extra work rather than employing full-time personnel, the cost of disseminating new ideas or attending to the simple needs of the growers or producers, can be considerably kept down. Similarly, a proper division of responsibilities between the village societies and their Federation, can ensure smooth running of the programme without compromising with its technical standards.

Priorities in Extension Work:

36. The need for an incentive bonus for the efficient milk producers was recognised. It is sometimes maintained that in newly developed milk scheme areas, members should be given loans which would enable them to acquire buffaloes or cows of good breed. However, the experience in this respect,in several instances, is not very happy. Many a time the cooperatives lose their members or their money or both. Besides the number of cattle in many milk-shed areas is not much of a problem, nor are their potentialities by all means exhausted.

37. Another interesting point raised was in connection with the priority among the extension programmes for the dairy industry. In the specific context of dairying it was suggested by a few participants that in view of the palpably small yields of the average Indian cattle and buffaloes, it would be better to introduce an altogether new and more responsive animal instead of concentrating on the present stock of animals and making marginal improvements. The other view-point was that the introduction of a new specie may prove quite risky due to the problems of acclamatization. It was also felt that the scope of improvement even in the present breeds is quite large. This has been proved by the difference in the average yield and the yield of the prize animals of the same breed.

38. The need for a selective approach to the extension programme sponsored by cooperatives, keeping in view their financial and technical resources on the one hand and the objectives they have to fulfil on the other, was emphasized. A detailed planning in this respect will yield much better results.

VI. FINANCIAL PLANNING [9]

39. The Seminar had the benefit of a general introduction to the nature and components of a financial plan, as well as two detailed accounts of the agencies and procedures for financial assistance to the cooperative processing plants in India and in Japan.

Components of Financial Plan :

40. It is necessary for any organisation to prepare firm estimates of its financial needs, both long-term as well as short-term. It will facilitate the task of preparing the financial plan of the organisation if the preparations of these estimates is preceded by feasibility studies, studies of the raw material supplies, phasing of production and, estimates of sales income. The organisation has to plan for several expenses, starting with the promotional expenses and including expenses required for employment of personnel, developmental expenditures required for provision of infra-structure facilities and raising agricultural productivity, expenses required for acquiring physical facilities, plus the recurring expenses required for conducting the operations of the factory. The extent of commitments of processing units on these scores will depend to a large extent on the role which the government or other public agencies play in providing several items of infra-structure and extension services. Therefore, the financial planner has to take full account of the State policy and its actual implementation to the extent it concerns the processing organisation. Similarly, taxation liabilities can influence financial planning in a significant way. Also, the strength and the willingness of the cooperative credit structure to assist

9. Following background papers of the Seminar refer to this aspect : (1) Outline on Financial Planning - By J.M. Rana. (2) A Note on Financial Planning - with reference to a fruit processing plant - By K. Tokuyasu.

processing plants are also relevant factors.

41. Financial commitments are of fixed character and of recurring or variable type. The lending policy in respect of these two types of finances differs in different countries as well as among different loaning institutions. Financial commitments envisaged at the plan stage should take due note of these differences.

Source of Finance :

42. As far as the sources of finance are concerned, there is a general agreement that to the extent the members' own savings can be mobilised, it would be desirable to depend on them. At the same time it should be recognised that the capital needed for a modern plant is so large that contribution of peasant-members with low incomes specially in the developing countries will not be sufficient. And to that extent the dependence on external sources is inescapable. This situation was illustrated by the developments in cooperative sugar processing in India. The members' contribution accounted only for 16-1/2 per cent of the total capital employed at the time of organising the plant; even for this amount recourse was taken, in several instances, to the medium-term loans from cooperative lending agencies. Another 16 per cent came from the State Government on a matching basis in the form of share capital. The remainder had to be procured as long-term loan from the Industrial Finance Corporation (I.F.C.). However, many cooperative processing factories were able to make their commitments light in the initial phases by arranging for deferred payment for the machineries they bought and later on by evolving a prudent financial policy which enabled them to have a sizeable amount of reserve fund for financing further extension. Here also the sympathetic role which the State can play, e.g. in providing generous development rebates and also concessions in the income-tax, will considerably help the units concerned.

43. The provision of finance is only one part of the story, the other part is the repayment. Like financial planning, the repayment schedule should also be worked out in detail as a part of the Feasibility Survey so that the burden of interest is progressively diminished.

Financial Arrangements in India

44. An intricate net work of institutions has been developed to provide long-term capital for establishing cooperative sugar factories. In order to achieve dispersal of risks, a part of the share capital is provided by the State Government, out of loans made available by the National Cooperative Development Corporation.

45. The Industrial Finance Corporation loans are guaranteed by the Central and State Governments together. The medium-term loans provided by the Reserve Bank of India for financing the farmers to enable them to purchase share capital in cooperatives is also guaranteed by the government.

46. A view was expressed that because of the extensive responsibility of the Industrial Finance Corporation which has to cater to the long-term financial needs of private as well as cooperative industries, it may be desirable to have a separate financial institution for providing long-term credit solely to the cooperative processing plant. This suggestion did not find general favour as some of the participants pointed out the difficulties in organising such institutions and the likely duplication of effort and resources.

47. It was emphasized that though a preponderant share of long term of finance comes from various state agencies or from state sponsored agencies, it would not be desirable to change this pattern and to rely exclusively on one agency because the present system distributed risks and uncertainties over a large number of agencies and also made their involvement and participation in the progress of cooperative processing industries possible.

48. A cooperative processing plant like a sugar factory also requires sizeable working capital. For this also in India, the State and the District Cooperative Banks and the State Bank of India provide loans.

Financial Arrangements in Japan:

49. In Japan, there are two institutions for financing cooperative processing plants. The Agricultural, Forestry, and Fishery Finance Corporation (AFFFC) normally grants government funds for large-scale

processing plants. These funds represent no no more than 30 per cent of the total loans given for the establishment of cooperative processing plants in the country. Nearly 70 per cent of the loans came from the Central Cooperative Bank for Agriculture and Forestry's (CCB) Agricultural Modernisation Fund. Normally, the smaller processing units benefit more from CCB Fund. This fund is made up from the deposits from cooperatives and their membership. In this case the only external assistance in providing finance for the establishment of cooperative processing plant is the subsidy on the interest rate which the government provides. The ready availability of such finance within the movement has resulted in flexibility in terms of lending and a quick processing of loan applications. It was mentioned in this connection that in India, for processing unit, it takes nearly 1-1/2 years to clear the loan applications at various levels; the time taken in Japan for similar purposes is not more than six months.

50. The capital accumulation within the movement seems to have been facilitated due to the ability of the CCB to pay more attractive rate of interest on the deposits, even compared to the commercial banks. Increased productivity of agriculture and the availability of off-farm income to farmers from their employment in industrial plants have also helped in capital formation by the members.

Scope for Self Reliance

51. While emphasizing the need for external financial assistance, the Seminar also discussed the scope for self-reliance by the cooperative movement in financing processing activities. It can be readily appreciated that in the absence of Government's financial support, cooperatives in developing countries will face an uphill task. Some suggestions made to solve this problem are outlined below. Cooperatives may not embark on the processing field to start with, but may concentrate on marketing activities, and only after building up adequate capital resources they may plan investment in processing. In some countries other cooperative credit banks, provide either a direct source of finance or indirectly assist the processing units by standing as sureties for the loans. Another alternative for small cooperative

societies, which are not able to raise required capital for processing plant singly, is to set up a joint enterprise through collective effort. Similar collaboration may be forged between producers' cooperatives and consumers' cooperatives. Lastly, the method of joint stock company, in which, cooperatives are partners with the private capital, may also be tried, in countries where cooperative legislation permits such a development. However, in all such cases the cooperative should have a majority of the shares; it should also insist that basic tenets of cooperation are not compromised or else the very raison detre of the cooperative organisation will be defeated.

VII. THE MARKETING ORGANISATION AND SOME ASPECTS OF PRICE POLICY [10]

52. The Seminar discussed the marketing organisation of the processing cooperatives in Japan with reference to fruit processing activities.

The Nature of Markets

53. As in the case of several other processed food products, the demand for processed fruits is also highly income - elastic. Therefore, in countries with rising incomes, these commodities face an expanding market. Apart from the domestic market, foreign outlets also are quite important for some of the commodities. The marketing organisation has to be so planned that it meets the requirements of the domestic as well as foreign markets. In the case of exports, in many countries, government intervention is rather comprehensive and some sort of quota system operates. In the case of domestic markets, generally speaking, there is a greater freedom to operate.

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10 Following Background papers of the Seminar refers to this aspects: (1) The Sale Organisation of Processed Fruits Produced in Cooperative Fruits Processing Plants in Japan - By T. Tokuyasu. Also refer to following case studies submitted by the Indian Institute of Management, Ahmedabad: (1) Kaira District Milk Producers' Union Ltd. (2) Baroda District Cooperative Milk Producers' Union Ltd.

Marketing Arrangements in Japan

54. The actual marketing arrangements differ in different situations. In Japan, three types of plants operate in the cooperative sector; the plants owned by agricultural producers' cooperative societies; the plants owned by a group of farmers operating as a company and; the plant owned by a joint stock company in which cooperative and private enterprises collaborate. The last type is a distinctive feature of the cooperative processing movement in Japan.

55. As was mentioned earlier the collaboration between cooperatives and private enterprises is not primarily due to the lack of capital with cooperatives, because cooperatives can get adequate finance from AFFC and CCB. The reasons for the growth of these institutions as given by the Japanese expert were: firstly, the private marketing organisations are well entrenched in the marketing channels and, therefore, cooperatives have also to utilise the same channels. This is facilitated by the formation of joint stock companies. Secondly, the technology available to the cooperatives is inferior compared to the technology adopted by some of the private companies which have their own research facilities and which have obtained patents for their products. Thirdly, under the existing law a cooperative organisation has to purchase at least 80 per cent of its raw materials from its producer-members. As the area of operation of cooperatives is limited, one village-one society being the rule, cooperative processing plants soon reach the limit of expansion. Since cooperatives own more than 50 per cent of the shares they can nominate a majority of the directors on the boards of these joint stock companies and, therefore, can ensure that the policy of the company is not adverse to the interests of the members of the cooperatives. At the same time, since there is no limit to the payment of dividends for joint stock companies, private companies can be attracted to join hands with the cooperatives if the prospects for particular commodities are good enough.

56. There are various arrangements to reach goods processed by a processing plant to the final customer. Usually, there are sub-contract arrangements between the manufacturers and wholesalers or

sub-wholesalers. The trading company and the wholesalers adopt two ways to procure finished goods which they sell under their own brand labels. The first method is to provide processing units with the financial assistance to purchase raw materials and the second is to arrange sub-contract production with the processing units.

57. Whatever might be the arrangement for sub-contracts, the processing cooperatives have to pay sufficient attention to finalise methods for receiving orders, delivery of goods, and collection of bills so that the production process goes on uninterrupted.

Recent Developments

58. Two recent developments in some of the countries of this region, particularly Japan, are worth noting. The first is the entry of some of the foreign packers, especially from U.S.A., into the marketing channel. The second is the growth of super-markets and their entry into the processing and manufacturing activities. The cooperatives in other countries of the region will also have to prepare themselves for these eventualities and to so adapt their marketing practices that they are not adversely affected by these new organisations.

59. The bargaining position of the processing cooperatives will strengthen if a closer link is forged between the cooperative marketing societies representing producers' interests, the consumers' cooperative societies and the processing cooperatives. It is also being increasingly realised that cooperatives need to evolve uniform standards for their goods and market them under one label.

Price Policy

60. In determining the price of agricultural processed goods, the cost of raw material is of overwhelming importance. Therefore, one of the methods by which the price of the processed goods of a cooperative plant can be made competitive, as was mentioned earlier, is to minimise the cost of production of raw materials by introduction of improved methods of production and subsidising the improved and more productive inputs. It needs to be further emphasized that a discriminatory price policy in the purchase of raw materials, is always desirable compared to a blanket price. Such policy should favour the good quality producers and penalise

those with poorer quality. Another reason of adopting discriminatory price policy is for evening out the flow of supplies. For instance, if the availability of milk in summer is less due to natural factors, a higher price might be offered to induce the supplies to release larger marketable surplus.

61. Apart from seasonal fluctuation, the nature of demand for agricultural raw materials as well as the processed goods is such that there are bound to be large fluctuations in their prices. Such fluctuations are sharper still in the case of export-oriented produces. For providing adequate cushions against violent swings in such products, the action at the national and international level has to be taken. But for minor fluctuations cooperative societies or their federal organisations should be prepared for. For instance, in India, Agricultural Price Stabilization Fund is constituted within the cooperative movement for this purpose. At the society's level also, the policy of distributing profits should be so devised as to build adequate reserves for rainy days.

62. In this context the normal behaviour of prices to fluctuate should be distinguished from violent price shifts. Undue fluctuations in raw material price or prices of finished products can be minimised by the government by fixing the minimum and the maximum price of a particular commodity. One of the reasons for the success of cooperative sugar industry in India is the minimum cane price fixed by the government and the price control obtaining for sale of sugar. While such assistance is of importance, especially in the beginning phase, the ultimate aim of the cooperative processing plants should be to acquire such efficiency as would enable them to compete on their own terms in the open market.

VIII. PERSONNEL POLICY [11]

63. Ordinarily the personnel policy of cooperative organisations should be based on the same principles followed by progressive organisations in the private and public sectors in their personnel

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11 Following Background paper of the Seminar refers to this aspect : Plan of Personnel Recruitment and Training - By P.R. Baichwal.

policies. However, there are certain problems which are distinct to the cooperative sector or at least the emphasis differ.

Manpower Planning

64. The cooperative processing plant will have to work out a tentative estimate of personnel requirements based on the work plan as a part of the preliminary preparations. This plan will be more exact to the extent that the job descriptions are detailed and seasonal variations in processing activities are taken into account. for estimating personnel requirements in various seasons. The broad plans have to be approved by the board of directors. However, the execution of the policy has to be the responsibility of the General Manager. For proper liason between the General Manager and the general body of the members a standing personnel sub-committee may be of some help. The greatest possible care should be exercised in recruiting the key personnel; standards of objectivity have to be maintained and qualifications of the persons to be recruited have to be given a primary importance. At the same time since a cooperative is not just another business enterprise, faith of the key personnel in the ideas of cooperation has also to be given due weight.

Recruitment and Promotion

65. It is being increasingly realised among progressive cooperatives all over the region that in the long run it is more economic to give sufficient remuneration to the personnel. Alongwith the monetary rewards, the general employment conditions and also the prestige which the cooperatives services enjoy will enable the unit to attract persons of high calibre.

66. The problems of recruiting managerial and supervisory staff faced by new processing units will be easier to resolve if already established cooperative plants create a pool from which new units may draw the key personnel at least for a temporary period. Similarly, such established units can afford to sponsor an apprenticeship training programme for the recruits of new plants.

67. The important related problem is that of promotion and progress of the employees. Since most of the units will be medium-sizeed scope for

the promotion within the unit will be limited. In this connection it was suggested that some arrangement should be made whereby the promotion of employees within the cooperative sector is facilitated i.e..a manager of a small society may be preferred for promotion in bigger unit and so on. This arrangement is working successfully in several developed countries.

Employer - Employee Relationship

68. Cooperative units have also to set a high standard of employment in payment of wages, perquisites and what is more important in the working for unskilled and semi-skilled workers. A moot problem in this connection is the employer - employee relationship in producers' cooperative societies. In this connection, the question whether employees should be enrolled as members in processing cooperatives was discussed. It was felt that as long as there was no complete identity of interest between the producer members and employees of a processing plant, it would serve no useful purpose to make the employees members of the unit.

Wage Policy

69. The wage policy of a cooperative processing unit will have to be determined to a great extent by the financial resources of the unit on one hand and the wage rates offered by the competiting units on the other. However, cooperatives will have to take initiative in providing need-based minimum wages as soon as they are in a position to afford them. The payment can be made systematic to a great extent if the cooperatives initiate the work-studies and analyse the work loads properly.

Role of Manager

70. The key role of manager ought to be emphasized. Utmost care may be taken in selecting a manager but once he is selected he should be treated as the leader of the team. In return the manager will have to prove himself capable of delegating the powers and responsibilities to his subordinates and at the same time coordinate the work in such a manner that the unit functions according to the pre-determined plan.

Training Programme

71. It was recognised by the Seminar that the qualities of management are not instinctive and that training and orientation help the people with basic capacities to achieve these capabilities. For this reason it was

emphasized that the cooperative organisations should train their personnel in modern methods of management. The training can be inservice training whereby the senior personnel train the new recruits within their own plant or in other established plants. There is also a need for periodical refresher courses for the existing staff.

72. The Seminar felt that in implementing a successful training programme, secondary organisations can be of great assistance. There is also a need for professional organisation of cooperative personnel like Plant Managers, Accountants etc. to instil in them the pride of profession and to enable them to benefit from mutual support and help.

IX. MODERN TECHNIQUES OF MANAGEMENT [12]

73. Through out this Seminar the emphasis was laid on acquainting the participants with the modern management techniques and impressing on them that most of the modern tools can be of use even in management of small or medium sized cooperative processing units. With this end in view, most of the topics were discussed with the help of concrete cases.

Case Studies

74. As a further aid to this programme the resource persons from the Indian Institute of Management presented five cases which were discussed by the participants in the groups. The cases were built around the problem of assessing the break-even point, selection of alternative plants and machinery, alternative decisions regarding procurement policies and sales organisation and training in relation to the Dairy plant. These sessions helped the participants to identify the problems in the respective case situations, to analyse these problems in a scientific way, to use modern tools of management in resolving these problems and to arrive at conclusions which might guide actions and policies.

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12 Following background papers of the Seminar refer to this aspect :
(1) Budgeting a Cooperative Processing Plant - by Robert Staermose.
(2) Follow-up and Types of Reporting - by Robert Staermose. Also refer to case studies submitted by the Indian Institute of Management, Ahmedabad, cited earlier.

Budgeting and Managerial Controls :

75. Besides, these cases study sessions, the participants were acquainted with the concepts of management accountancy, standard costing and control by the I.L.O. Regional Adviser on Cooperation. Based on a case study in Singapore, forms were tabled for the contruction of a factory budget, explaining how data for the establishment of labour and material standards were collected and processed. The system of keys and factors was demonstrated. It was shown how budgetary control could be worked on the basis of a budget for a manufacturing unit in which standard costing is used and where the purpose of accounting procedure is to show the contribution - the profit pickup - towards coverage of capital costs. The daily controls charts and month-to-date reports, as examples of variance accounting, were demonstrated.

Training of the Cooperative Officials :

76. It was emphasized that not only the policy makers and managerial personnel in the cooperative movement should be acquainted with the modern methods of management but the key personnel in the cooperative department of the various governments should also have a training in these subjects. This is because the cooperative departments in the countries of the region play a very important role in the formulation and execution of the policies in the cooperative sector.

X. INTERNATIONAL ASSISTANCE [13]

77. The Seminar had the benefit of a panel discussion on International Technical Assistance in Setting up Cooperative Processing Plant. Participants and resource personnel from developed and developing countries as well as persons working with the international organisations constituted the panel.

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13 Following background paper of the Seminar refers to this aspect: International Technical Assistance in Setting Up Cooperative Plants by Branko Zlataric.

The Need for Information

78. It was suggested that the main difficulty from the point of view of developed countries was the lack of sufficiently detailed reports on economically feasible processing projects in the cooperative sector sponsored by the government or the cocperative movement in a developing country. Another fact to be noted in this context is that the number of aid-giving agencies, official and non-official, has become so large, the projects in which they are interested and the procedures they adopt are so varied that full information needs to be obtained by a country desirous to receive aid before it formulates its proposals. The projects for which aid is sought need not only be for establishing new processing plants but may also ask for assistance for a training programme. A programme to strengthen the existing projects can, and should, receive high priority.

Nature of Aid

79. A view was expressed that instead of giving aid in the form of gift it should be in the form of a long-term loan with easy terms of repayments. Another way of assistance as far the agricultural processing is concerned is to help obtain a market in developed countries for products of the cooperative processing plants of developing countries. Possibilities of tying up project loans with the delivery of finished products for a few years might be considered. This would assist the developing countries to take up processing of these products in the cooperative sector for which there may not be an immediate demand, but for which a potential market can be developed.

80. Caution was sounded with regard to assistance in terms of skilled persons. Firstly, there is a shortage of skilled personnel even in developed countries; secondly, utilising the skill acquired in a developed country in a different setting is a difficult task. Thirdly, on the jobs which need constant dealing with the people there is no substitute for the development of native talent who would adjust with the given socio-economic environment.

Role of the ICA

81. Several suggestions were offered for strengthening the role of the International Cooperative Alliance (ICA) in encouraging cooperative

processing movement in this region. Some of these suggestions are, it is understood, already being implemented. (1) The ICA may act as spokesman of the cooperative movement viz-a-viz aid-giving countries and organisations. (2) It may prepare a full and comprehensive list of all the aid giving agencies, the procedures which they follow and, the type of projects in which they are interested. (3) It may undertake certain comprehensive case studies of the cooperative processing plants which received external aid in this region during, say, last ten years and the results they have obtained. (4) The ICA may give particular emphasis on developing skills in the cooperative movement. The programmes should be so arranged that the people from developed and developing countries may have opportunity to use the same forum and to appreciate each others' point of view.

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for South-East Asia
Post Box Number 639, 18 Friends' Colony, New Delhi-14.

pk/September 13, 1967

Annexure I

REGIONAL SEMINAR ON "HOW TO ESTABLISH A COOPERATIVE PROCESSING PLANT"
Bangalore. India. December 5 - 20, 1966

P R O G R A M M E

Notes : 1. The scope of the Seminar will be limited to Producers' Cooperatives for processing of agricultural commodities. The principal commodities in the context of which Seminar discussions will be carried out will include rice, sugarcane, fruits and dairying.

2. The main areas that may be covered under the various subjects listed in the Seminar Programme are outlined in the Annexure III "Annotated Agenda".

December 5 Monday	Session No.	
1000 a.m.	1	Inauguration Introduction to ICA Activities Introduction to NCUI Activities Working Methods of the Seminar
0200 - 0530 p.m	2	Presentation of Background Papers by participants Discussion
December 6 Tuesday		
0930 - 1030 a.m.	3.1	Agency for Prospecting and Planning Development of Coop Processing (with reference to a developed country) Introduced by : Dr Helge Kristersson SL, Stockholm Sweden.
1030 - 1100 a.m.		Tea
1100 - 1200 noon	3.2	Agency for Prospecting and Planning Development of Coop Processing (with reference to a developing country) Introduced by : Mr. S.S. Puri Secretary, National Cooperative Development Corporation, New Delhi.
1200 - 0100 p.m.		Discussion

December 6 (contd)	Session No.	
0300 - 0400 p.m.	4	How to Conduct a Feasibility Study for Establishing a Cooperative Processing Plant Introduced by : Mr. Branko Zlataric Agricultural Secretary International Cooperative Alliance, London.
0400 - 0430 p.m.		Tea
0430 - 0500 p.m.		Discussion
December 7 Wednesday		
0930 - 1030 a.m.	5	How the Sangli Cooperative Sugar Factory was Established? Introduced by : Mr. A.R. Upadhyay Managing Director Coop Sugar Factory, Sangli, Maharashtra - India.
1030 - 1100 a.m.		Discussion
1130 - 1230 p.m	6	Determining Location of the Plant and Optimum Size of Operations Introduced by : Mr. Flemming Fisher Adviser, Marketing Coop Institute of Management, Lahore, West Pakistan
1230 - 0100 p.m.		Discussion
0300 - 0500 p.m.	7	Group Work Case on a Feasibility Study Case Presented by : Mr. Branko Zlataric
December 8 Thursday		
0930 - 1030 a.m.	8.1	Planning of Raw Materials Supply (with reference to a Cooperative Sugar Factory) Introduced by : Mr. V.G. Puranik Director, Processing National Cooperative Development Corporation New Delhi.
1030 - 1100 a.m.		Tea
1100 - 1200 noon	8.2	Planning of Milk Supply for a Dairy Cooperative Introduced by : Dr. M.K. Shah, Manager, Dairy Husbandry Kaira District Coop Milk Producers Union, Anand.

December 8 (contd)	Session No.	
1200 -0100 p.m.		Discussion
Afternoon		Study Visits to Kissan Products Limited Bangalore.
December 9 Friday		
0900 - 1000 a.m.	9	Production Enhancement and Cooperative Extension Activities by a Dairy Cooperative Introduced by : Dr. M.K. Shah
1000 - 1030 a.m.		Discussion
1030 - 1100 a.m.		Tea
1100 - 1200 noon	10	Financial Planning Introduced by : Mr. J.M. Rana Co-Director ICA Education Centre, New Delhi.
1200 - 1230 p.m.		Discussion
0230 - 0500 p.m.	11	Plenary on Group Work on Session No. 7
December 10 Saturday		
0930 - 1230 p.m.	12	Group Discussions on Sessions 6,8& 9
0230 - 0500 p.m.	13	Group Work : Case on Financial Planning Case presented by : Dr. K. Tokuyasu
December 11 Sunday		Sight Seeing at Mysore
December 12 Monday		Study Visits
December 13, Tuesday		
0900 - 1200 noon	14	Plenary on Group Work - Session No.12 & 13
0200 - 0300 p.m	15	Organisation of Sales Introduced by : Dr. T. Tokuyasu Director Japan Beet Sugar Promotion Association, Tokyo. Japan.
0300 - 0330 p.m.		Discussion
0330 - 0400 p.m.		Tea
0400 - 0500 p.m.	16	Cost Structure of a Processing Plant and Fixation of Prices for Processed Commodities (Rice Milling Plant) Introduced by: Mr. Ejvind Sondergaard Danish Project Director Cooperative Institute of Management, Lahore. W.Pakistan.

	Session No.	
December 13 (contd)		
0500 - 0530 p.m.		Discussion
December 14 Wednesday		
	17	Presentation of Cases on an already Established Cooperative Dairy Plant
		Resource Persons from the Indian Institute of Management, Ahmedabad, India) Prof. V.K. Gupta) Prof. Michael Halse) Prof. S.M. Patel Prof. Meenakshi Malya Prof. K.B. Kothari
0930 - 1130 a.m.	17.1	Group Discussions : Case on Procurement
1130 - 1230 p.m.		Plenary on the Case
0230 - 0430 p.m.	17.2	Group discussions : Case on Policy and Processing
0430 - 0530 p.m.		Plenary on the Case
December 15 Thursday		
0930 - 1130 a.m.	17.3	Group Discussions : Case on Marketing
1130 - 1230 p.m.		Plenary on the Case
0230 - 0430 p.m.	17.4	Group Discussions : Case on Personnel Training
0430 - 0530 p.m.		Plenary on the Case
December 16 Friday		
0900 - 1100 a.m.	17.5	Group Discussions : An Integrated Case on a Particular Dairy Unit
1100 - 1200 noon		Plenary on the Case
Afternoon		Free
December 17 Saturday		Study Visits
December 18, Sunday		
0900 - 1000 a.m.	18	Budgeting (with reference to a specific example)
		Introduced by : Mr. Robert Staermose ILO Adviser on Coop Management, International Labour Organisation, Bangkok, Thailand.
1000 - 1030 a.m.		Discussion
1030 - 1100 a.m.		Tea
1100 - 1200 noon	19	Follow-up Controls and Types of Reporting by the General Manager to the Board
		Introduced by : Mr. Robert Staermose
1200 - 1230 p.m.		Discussion

December 18 (contd)	Session No.	
0230 - 0330 p.m.	20	Plan of Personnel Recruitment and Training Introduced by : Dr P.R. Baichwal Specialist in Agrl Cooperation ICA Education Centre New Delhi
0330 - 0400 p.m.		Tea
0400 - 0430 p.m.		Discussion
December 19 Monday		
0900 - 1100 a.m.	21	Presentation of Model Forms for Management Controls Presented by : Mr. Robert Staermose
1100 - 1130 a.m.		Tea
1130 - 0100 p.m.	22	International Technical Assistance in Setting up Cooperative Processing Plants - Panel Discussion
0230 - 0530 p.m.	23	Group Discussions on Sessions No.18 and 19.
December 20 Tuesday		
0930 - 1100 a.m.	24	Plenary on Group Discussion - Session No.23
1100 - 1130 a.m.		Tea
1130 - 0130 p.m.	25	Final Plenary Evaluation Close of the Seminar

Annexure II

REGIONAL SEMINAR ON HOW TO ESTABLISH A COOPERATIVE PROCESSING PLANT, BANGALORE. December 5 - 20, 1966

LIST OF PARTICIPANTS

CEYLON

1. Mr. G.E. de Z. Sriwardena
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6. Mr. V.R. Barawkar
   Secretary
   Malegaon Sakhar Karkhana Ltd
   Shivnagar, Tal Baramati
   Poona Dt. Maharashtra

7. Mr. R.C. Bhargava
   Processing Adviser
   Government of Uttar Pradesh
   Lucknow. Uttar Pradesh.

8. Mr. M.N. Naghnoor
   President
   Mysore State Federation of Consumers' Cooperative Wholesale Stores Ltd,
   147, Infantry Road
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9. Mr. V.G. Puranik
   Director (Processing)
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11. Mr. B.K. Saha
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12. Mr. U.A. Bhaskaran
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13. Mr. V.N. Ojha
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14. Mr. S.K. Sinha
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15. Miss G.V. Kamala
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16. Mr. Harundo Idei
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UN ECAFE	21.	Mr. M. Hayath Power & Industry Development Adviser UN ECAFE, Sala Santitham Bangkok, Thailand.
ILO	22.	Mr. L.E. Pickett ILO Adviser to the Government of Ceylon P.O. Box 1505 Colombo. Ceylon
AARRO	23.	Mr. M.R. Kaushal Executive Secretary Afro-Asian Rural Reconstruction Organisation C 118, Defence Colony New Delhi-3, India
CIM	24.	Mr. Ejvind Sondergaard Danish Project Director Cooperative Institute of Management 13-1/4, Gulberg Lahore. West Pakistan.
	25.	Mr. Flemming Fisher Adviser, Marketing Cooperative Institute of Management Lahore. West Pakistan.
COOPERATIVE LEAGUE OF USA	26.	Mr. Herald Rissler Adviser, Cooperative League of USA c/o National Cooperative Development Corporation C-56 NDSC (Part II), New Delhi-16.
RESOURCE PERSONS	27.	Dr. Helge Kristersson Sveriges Lantbruksforbund Klara Ostra Kyrkogata 12 Fack, Stockholm-1. Sweden
	28.	Mr. Branko Zlataric Agricultural Secretary International Cooperative Alliance 11, Upper Grosvenor Street, London W.1
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Annexure III

ANNOTATED AGENDA

The main areas that may be covered under the different subjects are given below; they are broadly indicative of the scope of the various subjects.

Session No. 3 — Agency for Prospecting and Planning Development of Cooperative Processing

Role and tasks of the agency; Survey of the potentialities of processing of agricultural commodities; situations in which cooperative factories could be established; planning of priorities for future development; area planning and planning of individual plants; provision of centralised services such as preparation of model blue prints; purchase of equipment and machinery and utilisation of by-products.

Various agencies at different levels in the Movement; external technical bodies and coordination.

Session No. 4 — How to Conduct a Feasibility Study for Establishing a Coop Processing Plant

Techniques of Conducting Feasibility Studies; Major aspects to be covered in Feasibility studies such as economic, technological and business management questions.

Agencies available for the purpose - internal to the movement and external.

Session No. 5 — How a Cooperative Sugar Factory was Established?

The Manager of the Factory will indicate the main aspects taken into consideration while establishing a plant - the manner in which profitability of the concern, location of the plant, size of the operations, financial requirements and benefit to the members were assessed - bottlenecks experienced in setting up the plant and the changes in the original plan that were required in implementing the project will be outlined.

The speaker may indicate whether the expectations projected at the time of planning have been fulfilled in actual operations of the sugar factory over the years.

Session No. 6 — Determining Location of the Plant and Optimum Size of Operations

Factors relevant in determining the breakeven point and the optimum size; initial heavy investments or possibility of growth by stages; size of the plant and competing units;

Important factors for the purpose of deciding upon location of the plant, availability of power and other overhead facilities transport costs, etc.

Session No. 8 **Planning of Raw Materials Supply**

Ensuring adequacy and stability in raw materials supplies thus avoiding shortages as well as too much supplies; Techniques of ensuring above: price incentives, contracts etc. Collaboration with member cultivators for planning acreage sown qualities, and harvesting; transport arrangements; payments systems for members' supplies.

Session No. 9 Agricultural and Cooperative Extension Activity by a Coop Processing Society

Member relations will be discussed in this session with special reference to members' obligations to the society and education for the purpose, education in cooperative matters; techniques and contents of education to improve production of commodities processed; supply of technical guidance and agricultural inputs; coordination for the purpose with other bodies including agricultural department and agricultural research centres.

Session No. 10 Financial Planning

Plan of required finances:, sources of and rates at which finance could be raised;

Financing from internal and external sources - relative merits. Ways in which resources within the movement can be put to maximum use through concerted action.

Session No. 15 Organisation of Sales

Sales Forecasts and estimation of sales proceeds; building sales organisation; where, whom and how to sell; will the processing plant build its own sales network and upto what level - distributors, wholesalers, retailers and/or consumers.

Session No. 16 Cost Structure of a Processing Plant and Fixation of Prices for Processing Commodities

Various production and other costs; fixed and variable costs, working out cost per unit of produced commodity (main and by-products); fixation of prices in the context of competitors' prices.

Adequacy of returns on invested capital and comparison with similar other plants.

Session No. 17 Presentation of Cases on an Already Established Coop Dairy Plant

The cases prepared by the Resource Persons from the Institute of Management, Ahmedabad, will be circulated to the participants. The participants will be expected to work on these cases during group discussion sessions and the findings of the groups will then be discussed in the plenary meetings by the participants with the Resource Persons from the Institute.

Session No. 18 Budgeting

When all the relevant data are collected, techniques of presenting a budget - long-term and annual will be outlined.

Specific budget of a processing society in operation may be presented by the lecturer. The lecturer may illustrate his talk by the use of one or two budgets prepared in some processing societies and pin-point their strong points and weaknesses.

Session No. 19 Follow-up Controls and Types of Reporting by the General Manager to the Board

Evaluating economic results; type of periodic reporting to be done by various departments such as purchase, sales, finance etc. to the general manager and by the general manager in turn to the Board of Directors.

Session No. 20 Plan of Personnel Recruitment and Training

The subject will be discussed with reference to a specific processing plant.

Type of technical personnel needed, labour force required, availability, wages, personnel policy to be followed; type of training to labourers, supervisory and other personnel; role of the society and other bodies.

Session No. 21 Presentation of Model Forms for Management Controls

Model Forms for various periodic reports described under session No. 19 will be presented.

Session No. 22 International Technical Assistance in Setting up Cooperative Processing Plants - Panel

Financial and technical assistance needed from abroad in the context of availability of internal resources from cooperative private and governmental organisations.

Specific areas in which technical assistance needed. Importance of precise formulation of projects an quantum of assistance needed; relationship of projects to developmental priorities in the country; clearance from own governments.

Role of the ICA and other international bodies.